



Development of E-commerce in the Czech republic

Business Management in the Czech
Republic

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Lecture Structure

- **1. E-commerce**
 - Definition, Characteristics, Quotes, Benefits&Risks
- **2. E-commerce development Timeline 1995-1999**
 - In USA
 - In the Czech republic
 - Summary 1995 - 1999
- **3. 2000 Dot Com bubble bust**
 - Disillusion, more realistic investor expectations in the Western economies
 - Comparatively small effect in the Czech republic
- **4. E-commerce development in 2001-2009**
 - In the USA
 - In the Czech republic
 - Trends & 2009 Outlook
- **5. Case Study: Opening an e-store as a SMC**
 - Why and How
 - Managerial and marketing considerations

E-commerce

■ Defintion

□ „Refers to commercial transactions occurring over open networks, such as the Internet. Both business-to-business and business-to-consumer transactions are included.“ worldbank.org

- Definition 2.: „Electronic Commerce, commonly known as (electronic marketing) e-commerce or eCommerce, consists of the buying and selling of products or services over electronic systems such as the Internet and other computer networks.“ wikipedia.org

E-commerce

■ Characteristics

- Customer has to own a „gadget“ connected to a network in order to participate in e-commerce (i.e. PC)
- Merchant has to have a space within the network (i.e. domain name and website)
- Customer obtains information about the product electronically
- Customer confirms his decision to purchase the product electronically (i.e. filling in a form on a website)
- Payment can be made online
 - Credit Cards, Paypal, PaySec(Czech), SMS payments
- Distribution
 - Electronic - Online (i.e. songs, books, software, services)
 - Physical - Offline (necessary for physical goods)

E-commerce

■ Characteristics

□ Quote from Rubens Ricuper Secretary-General of the UNCTAD (2000)

- „**Electronic commerce** is quickly emerging as a particularly visible and spectacular incarnation of globalization. At this stage, it is still too early to say whether electronic commerce will narrow or broaden the gap between rich and poor. However, it is safe to say that the rapid expansion of electronic transactions constitutes a major opportunity for trade and development...“
- However further on in the 2000 UNCTD report
 - The United States and Europe will dominate world e-commerce
 - The change here will come from Europe’s progressive “catching up” with the United States.
 - Most available data show that the United States will retain its global lead in e-commerce well into the next decade (2000-2010)

E-commerce

■ Characteristics

□ Quote from Kofi A. Annan Secretary-General of the UN (2004)

- „Information and communications technologies have considerable potential to promote development and economic growth. They can foster innovation and improve productivity. They can **reduce transaction costs** and make available, in mere seconds, the rich store of global knowledge. In the hands of developing countries, and especially small- and medium-sized enterprises, the use of ICTs can bring impressive gains in employment, gender equality and standards of living.“

E-commerce

■ Benefits

- Lower transaction cost
 - Merchant side
 - Store, inventory, staff, communication
 - Customer side
 - Time needed to get info and compare prices, communication
- Global market
 - Outsource services globally
 - Take advantage of price differences, exchange rates etc...
- Marketing
 - Whole AIDA + payment + distribution in one moment
 - Both B2B and B2C in one channel
 - example: www.hp.com

E-commerce

■ Risks & Drawbacks

□ Security Issues

- Fraud, both on Merchant and Customer sides

□ Virtual relationship

- No face-to-face interaction – may contribute to the trust problem

□ Technology & Equipment

- Direct proportion between Internet expansion and E-commerce growth

□ Consumer behaviour more „item specific“

- According to Stuchlik, Dvoracek (2002) customers engage mostly in „targeted shopping“ not in „leisure shopping“ in the online environment

E-Commerce Timeline 1995-1999

UNITED STATES

■ 1995

- Jeff Bezos launches Amazon.com
- The first commercial-free 24 hour, internet-only radio stations, Radio HK and NetRadio start broadcasting
- Dell and Cisco begin to aggressively use Internet for commercial transaction
- eBay is founded by computer programmer Pierre Omidyar as AuctionWeb.

CZECH REPUBLIC

■ 1995

- „Czech Telecom“ loses monopol
- It is now possible for other providers to offer Internet connection
- First households connect to internet.

E-Commerce Timeline 1995-1999

UNITED STATES

■ 1996

- Google began in January 1996 as a research project by Larry Page, a Ph.D. student at Stanford, he was soon joined by Sergey Brin

■ 1997

- Business.com sold for 150 000 USD
- Amazon IPO on Nasdaq
- 30% US population is online (59 mil. people)

CZECH REPUBLIC

■ 1996

- Seznam.cz, now a major Czech search engine is founded by Ivo Lukacovic
- Vltava.cz and Cybex.cz among first online Stores

■ 1997

- Seznam reaches a yearly turnover of nearly 50 000 USD
 - most of the income is from advertising
- Only 27% households have a computer
 - out of these only 8% are online (0.216 mil. people)

E-Commerce Timeline 1995-1999

UNITED STATES

- 1998 & 1999
 - Dot Com bubble growing, lot of start ups, some succeed
 - Paypal founded 2000)
 - In 1999: 3,7 billions USD spent on online advertising

CZECH REPUBLIC

- 1998 & 1999
 - 27% of households owns a computer, out of these 33% are online
 - In 1999: 2,7 millions USD spent on online advertising
 - No bubble – too little money involved...
 - Paegas Internet Call
 - Progressive VoiceOverIP service in Czech rep.

1995 – 1999 Summary

USA

- Golden Era
- 113 mil. People online in 1999
- Unrealistic growth expectations
- Online payments available and commonly used

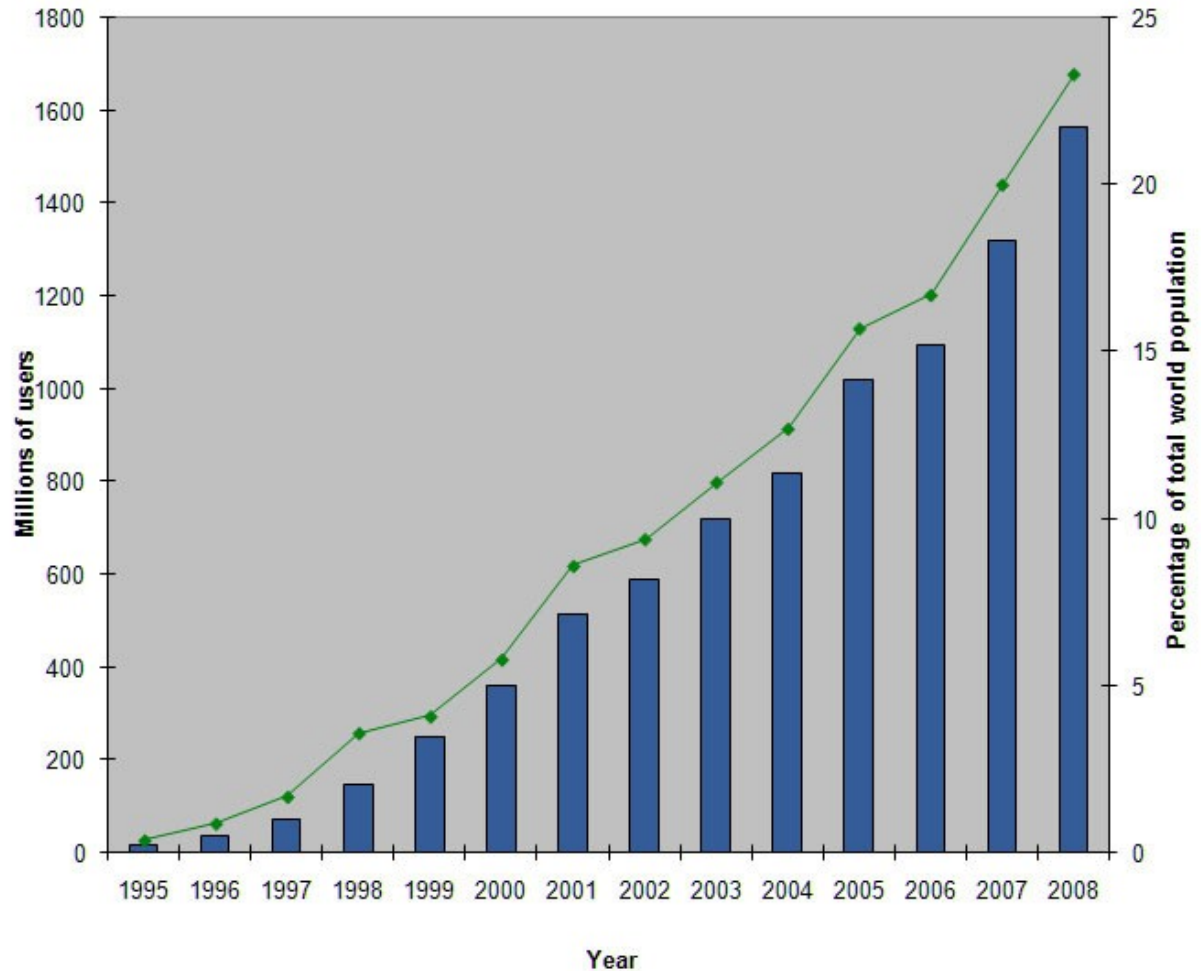
Czech republic

- The concept of e-commerce has been much slower to develop in the Czech Republic than in most of Western Europe.
- Czechs are a relatively well-educated group and computer literate. Yet, there were many difficulties in accessing the Internet. A significant factor was the relatively very high cost of access
- low personal-computer penetration
- slow growth of the financial applications needed to conduct online commerce, mainly those concerning credit cards and more-sophisticated banking methods globaltechforum.eiu.com

1995 – 1999 Summary

- Internet usage growth - worldwide
- 1995 – 2008

Number of Internet users worldwide, 1995-2008

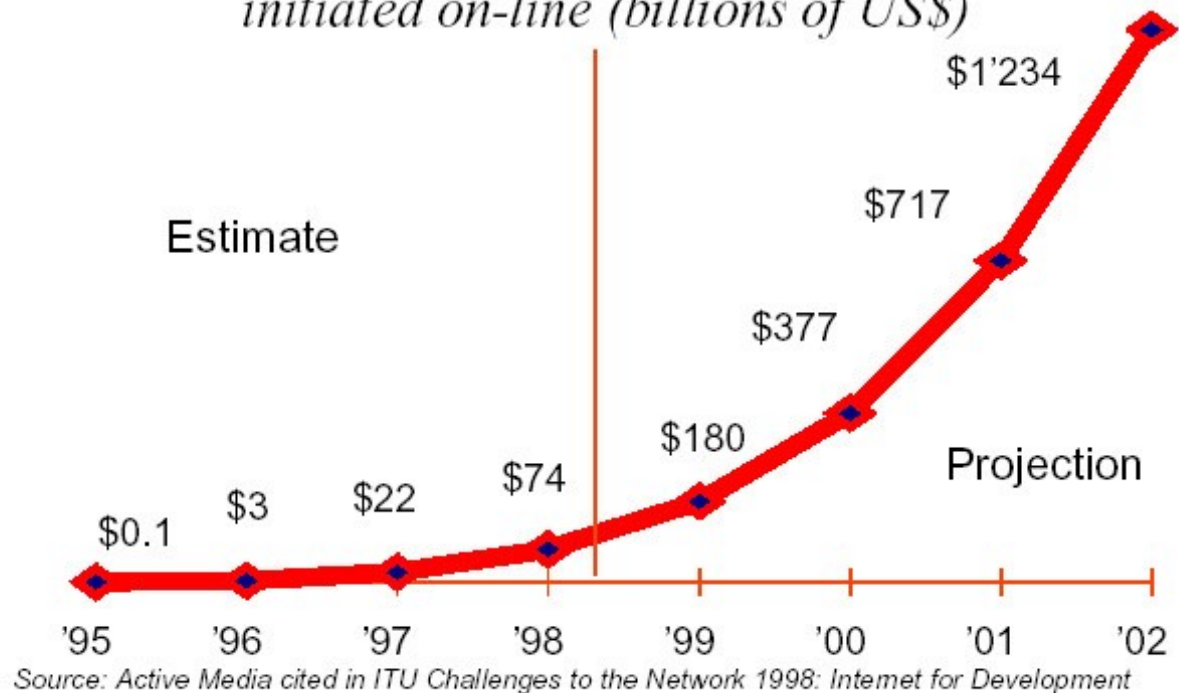


1995 – 1999 Summary

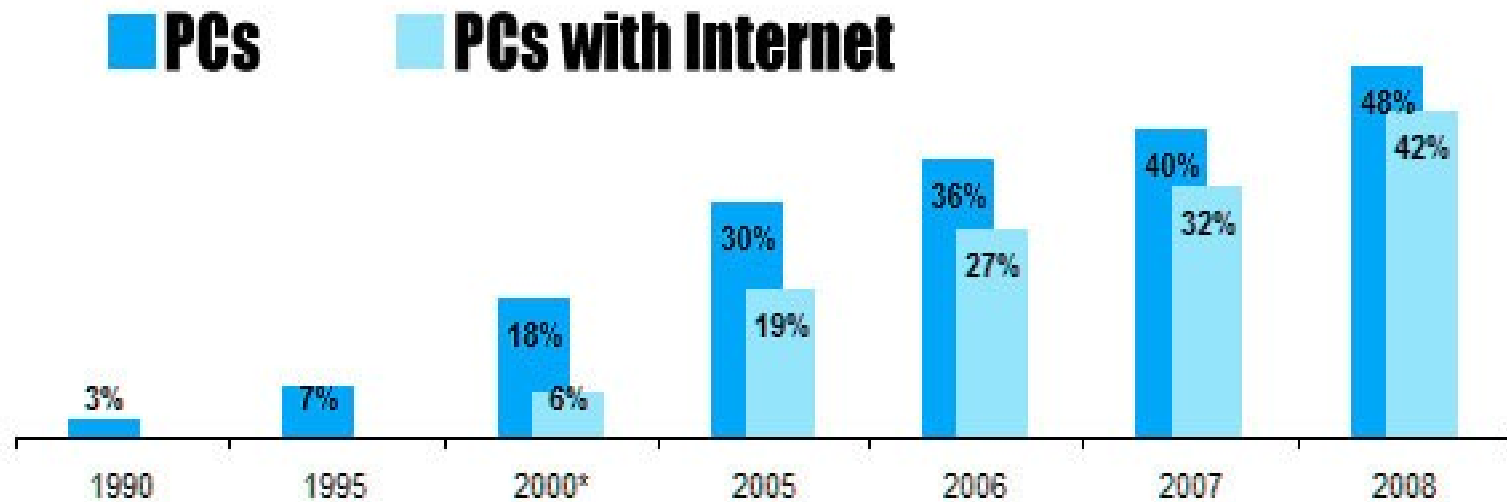
E-commerce transactions growth worldwide

1995 - 2002

*Value of on-line transactions and transactions
initiated on-line (billions of US\$)*

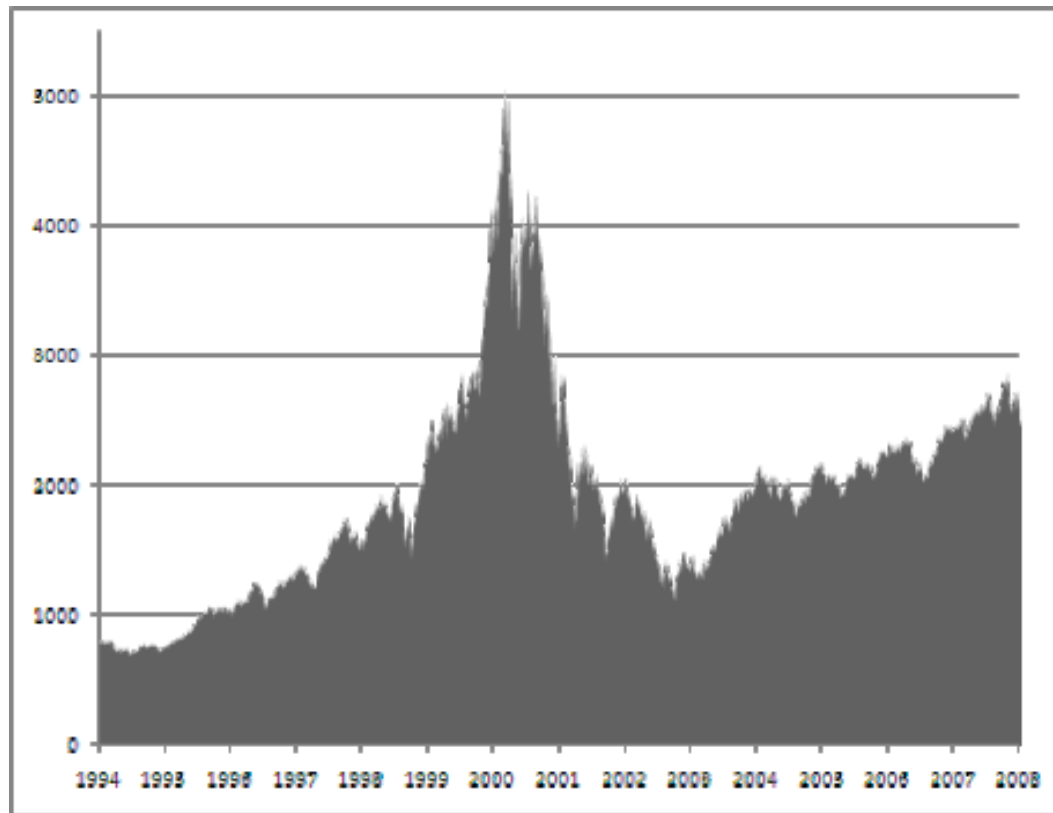


Internet usage growth in Czech rep.



Dot Com Bubble Bust

■ USA



NASDAQ index peaked 10th March 2000,

- followed by a rapid downturn, recovery and another downturn
- from 2003 quite steady growth

Dot Com Bubble Bust

■ Czech republic

- Less money involved, bubble bust indirect effect
- Faster Internet user growth after 2000
 - Online ad spending in Czech rep.
 - 1999: 2.5mil USD
 - 2000: 4 mil USD
 - 2001: 6 mil USD
 - User base - growth
 - 3/1999: 1 163 170 people
 - 2/2001: 1 806 800 people

E-commerce Timeline 2001 – 2009

USA

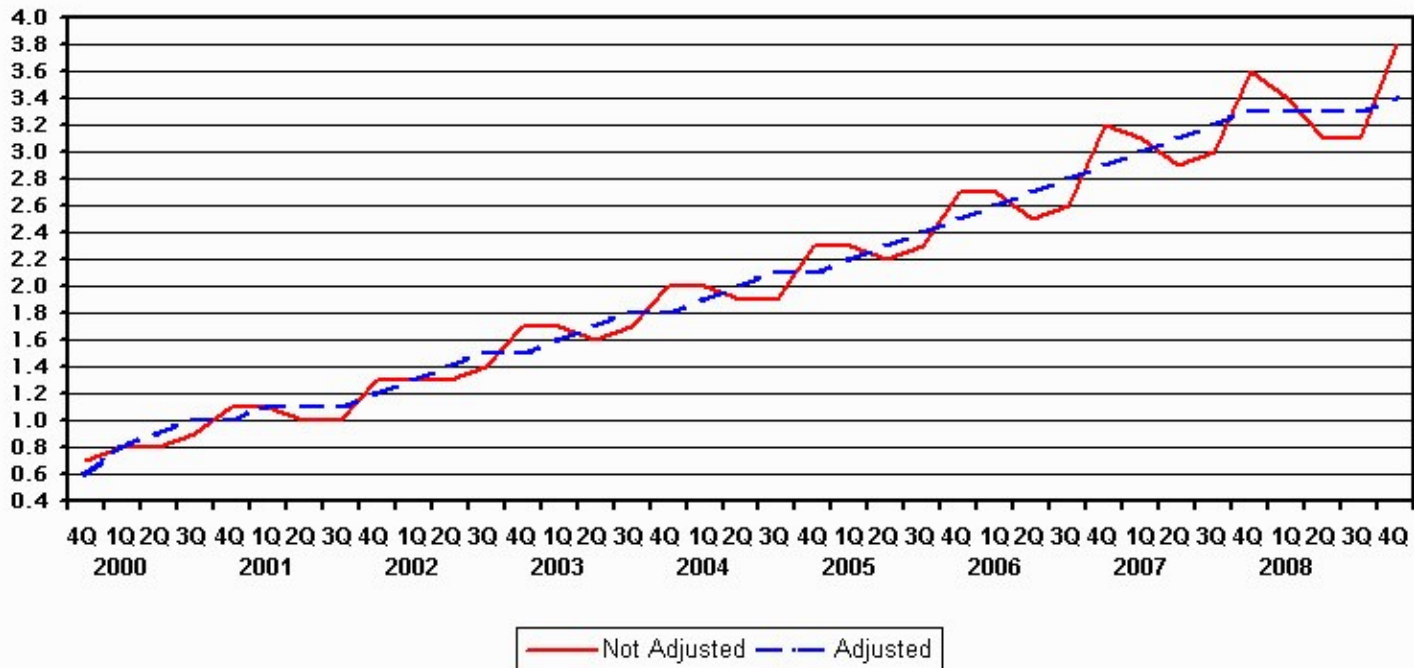
- **2002**
 - eBay acquires PayPal for \$1.5 billion
- **2006**
 - Google Buys You Tube in 2006 (\$1.65 billion USD)
 - US e-comm sales 1st time over 100 bil. USD
- **2007**
 - Microsoft bought 1.6% share of Facebook for \$240 million, giving Facebook a total implied value of around \$15 billion

CZECH REPUBLIC

- **2003**
 - Ministry of Informatics established
- **2005**
 - APEK reports 40% E-Commerce sales growth from 2004, total of 0.5 bil. USD sold in CZ that year
 - Mall.cz the becoms the largest e-comm store in CZ, reports sales over 50 mil. USD (1 bil. CZK)
 - Important Electronic Communication Bill passed

E-commerce Sales 2001 – 2009

■ USA



E-commerce Sales 2004 – 2009

■ USA

US Retail E-Commerce Sales, 2004-2009 (billions and % change)



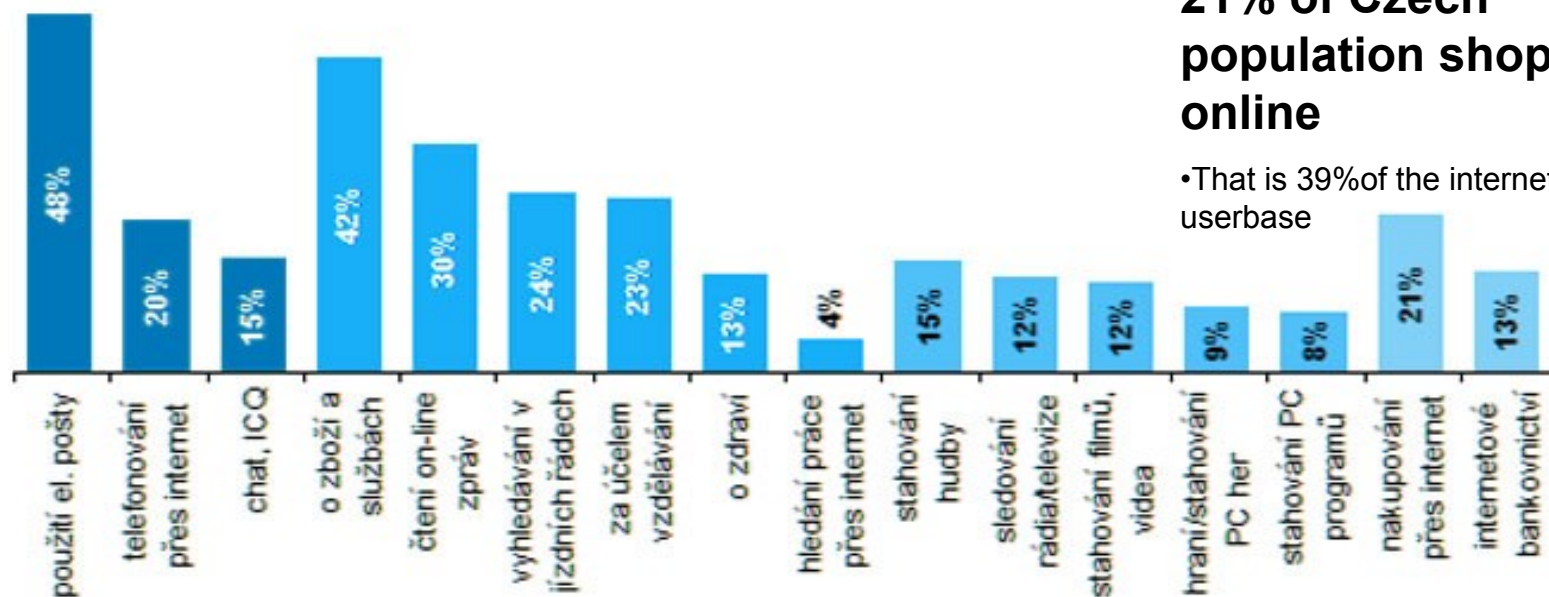
Note: excludes travel, digital downloads and event tickets

Source: US Department of Commerce, February 2009; (1) eMarketer, February 2009

Common Online Activities

■ Czech republic

Graf 11: Vybrané aktivity prováděné jednotlivci na internetu, 2008 (% z celk. počtu jednotlivců ve věku 16+)



Zdroj: Český statistický úřad, 2008

E-commerce Timeline 2001 – 2009

■ Highlights 2005 - 2009

- Rapid growth of social networks & Google

Facebook becomes huge...

- Czech: 560 000 (5%)
- Slovakia: 361 000 (5%)
- Hungary: 167 000 (1,6%)
- Poland: 320 000 (1%)
- Austria: 538 000 (7%)
- France: 9 000 000 (15%)
- United States: 61 000 000 (20%)

Seznam remains no.1 in CZ

1,5 mil. Users daily

eBay great success...

- Facilitate international trade
- Revenue around 9 bil. USD expected for 2008
- 370 million registered users around the world.

Google phenomenon

- In less than 10 years a multi-billion dollar company (2005 a 7 bil. USD stock market value)

E-commerce Outlook

- E-marketer report

US Retail E-Commerce Sales, 2008-2013 (billions and % change)



Note: excludes travel, digital downloads and event tickets

Source: eMarketer, February 2009

Brief Case study: opening an e-store

- Considerations from SME Management perspective
 - Why?
 - Global sales channel at low cost
 - Global Networking possibilities
 - Typically low transaction cost
 - Economies of scale – great possibilities (one store for millions of people)
 - Why not?
 - Profitability – lot of competition
 - Restrictions in human resources (typical for SMEs)

Brief Case study: opening an e-store

■ Marketing

□ Benefits

- Imagine buying software offline and online
 - **Promotion** – AIDA continuously, seamlessly - one click...
 - **Product** - Automatization in product customization
 - **Price** – custom price, or auction type interactive price + internet as a payment channel
 - **Place** – Internet as distribution Channel (Software... iTunes...)
- Viral marketing, PR, buzz marketing, WOM
 - Give your satisfied customers a platform for sharing their emotions and experiences
 - Give your satisfied customers a possibility to endorse your products in an easy and entertaining way

□ Risks

- Security + Product lifecycle „Time runs faster online“



Thank you

- ?QUESTIONS

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