

Bulgaria: high internet penetration potential for e-commerce



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Executive Summary

The aim of this report is to evaluate the opportunity for development of e-commerce in Bulgaria. The report will examine if there is demand for e-commerce in Bulgaria, if e-commerce might be restricted in some way and if it will be profitable for businesses.

This will be achieved by examining the Internet penetration in Bulgaria, its future growth and other corresponding data and statistics. Advantages and Disadvantages as well as a SWOT analysis of e-commerce in will be discussed to evaluate the potential of it in the Bulgarian market.

A brief description of the issue investigated

The Internet is a global network connecting millions of computers. More than 100 countries are linked into exchanges of data, news and opinions. It exists since 1957 and was found by the Advanced Research Projects Agency of the US department of defense.

In Bulgaria, Internet usage has grown significantly especially for the last seven or eight years, but it exists since 1989. It is mostly put into practice for communication and for searching of information. It has become a very useful tool, which is part of people's daily lives not only in Bulgaria but also all over the world.

Due to the ability of the Internet to reach a large number of people in all corners of the world, it has become a mean for electronic trading, also known as e-commerce. E-commerce is “ the trade of products and services by means of the Internet or other computer networks.” E-commerce is very popular in developed countries. It exists since 1991 and since then has grown considerably. It has become a very convenient way to purchase goods and services online in the free time without wasting time to travel to difference stores and having 24-hour access. E-commerce exists in Bulgaria too, but it is still on a very low level even though the Internet has one of the greatest user growths in the European Union. In the period between 2000 and 2007 the Internet in Bulgaria has grown with 412 %. The fast user growth in Bulgaria and the large percentage of active users online is a great opportunity for Bulgarian businesses to reach a vast amount of customer online where they can start offering their products and services. This way they would not only reach more potential customers locally, but will also have the opportunity to expand abroad if demand spreads.

Relevant Statistics for Bulgaria

The Internet has become a retractable part of most households in Bulgaria. Surveillances show that the number of people who use Internet actively has increased by 100% for the last three years. Today, around 2 600 000 people, more that 33% of the population uses Internet at home and work. However, statistics also show that almost 80% of the population can have Internet access when needed.

The main purpose it is used for is for communication, e. g. e-mail, chat and Internet calls and for searching of information, e. g. job search, current news.
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Despite the rapid growth of the quality of the Internet provided and the increase in Internet users, Bulgaria still is one of the countries with lowest positions for e-commerce. According to the National Statistical Institute, from 50% of the Internet users searching for goods and services online, only 7.6% have made a purchase. Thus every second Internet user has searched for goods online but did not find what they were looking for.

Thirty thousand people have taken part in a survey done by Nielsen Online about the optimizing of online products. The research shows that 60% of the Internet users are aged between 18 and 35 and 22% of the participants have stated that they have income higher than 1000 levs. This is a relatively high salary for this country. The age range, which is predominant consisting of young people who tend to be high consumers. Young people who are still students, are very good at tormenting their parents for receiving what they want, on the other hand the ones who have graduated and have started working tend to spend their wages for satisfying their wants. Statistics also show that 2/3 of the Internet users are employed and the rest are mostly students.

The main problem with online shopping for most Internet users is the threat of information theft, especially financial information. In computing it is known as “ phishing”. ‘ Phising is an attempt to criminally and fraudulently acquire sensitive information, such as usernames, passwords and credit card details, by masquerading as a trustworthy entity in an electronic communication.’ Most like targets are online banks and e-commerce businesses that allow online payments like Paypal and E-Pay for Bulgaria. However statistics for E-Pay show that in 2008 transactions per month done through e-pay are on <https://assignbuster.com/bulgaria-high-internet-penetration-potential-for-e-commerce/>

average between 10 and 11 million levs. This is a relatively high transaction rate for the country, but most of these transactions are done for paying bills other than for purchasing of goods. An advantage for online shopping in Bulgaria is that goods can be paid at the time of delivery, which is a way that people who are afraid to pay online would prefer.

Products that are most often offered online in Bulgaria are books, office stationary and electronic devices (phones, cameras), which is a very limited offering of products. However, Bulgarian e-commerce should have a very promising future if it develops. For now in Bulgaria, most online shoppers rely on the e-commerce from abroad. Businesses in Bulgaria are missing on a great deal of potential customers due to the lapse of offering their products online. According to statistics of Visa International, during 2005 the volume of e-payments of Bulgarians with Visa in the Internet had increased with almost 100%. The total value of the online transactions made to virtual traders outside the country is 14. 3 million US dollars. E-trade has a very good opportunity to grow in Bulgaria since the online users are constantly increasing and have the desire to explore new prospects that the internet might offer to them.

Consumerism in Bulgaria is likely to increase rapidly too, due to the economical growth in the country, since its entrance in the EU. However Euro Stat has registered high inflation of 13. 4% at the moment, which might slow down the economical growth. According to the European committee even slow the economic growth will continue in Bulgaria.

An outline of the analysis undertaken

According to the data show above the development of e-commerce in

Bulgaria seems promising due to the combination of the following trends:

Bulgaria has a high sample of potential of online customers, as 30% of its population use Internet actively and 80% can have Internet access when needed. People can have access at home, work and in public Internet cafes.

50% of the Internet users are interested in buying goods online. For 2005 Bulgarians have spend more than \$14 million online, buying product from other countries.

Most Internet users in Bulgaria are educated people with relatively high income.

The economic state in Bulgaria is going to ameliorate in the future, which is a good base for the growth of consumerism.

According to the SWOT analysis-undertaken e-commerce has a lot of strengths for both customers and business, which should be considered. E-trade is convenient for both because:

It is fast as there is no need to go outside, travel, visit different shops and compare prices.

Easy as the shopping can be done in the comfort of your own home with a few clicks.

Cheap as the online offering of product can be less costly for businesses, which gives them the chance to offer more competitive prices for consumers.

Consumers can choose from millions of products, which are all displayed on their computer.

Businesses can online only sell their products by displaying them online, but also advertise them further, as consumers can easily find them.

One disturbing weakness that has arisen in the Bulgarian e-trade was the legislation included in the Law for Protection of Consumer, which stated that the person who delivers the product doesn't have the right to receive payment in advance before the period of 7 days. This caused major difficulties for both buyers and sellers. Therefore a correction in the law followed, it stated that the person who delivers could take this payment with the consumer's agreement. Maybe this law should be investigated further but for now existing e-commerce organisations do not have a problem doing their business online.

More trends can be useful to examine the potential demand for e-commerce businesses. A research on what products Internet user would prefer to buy online, can help specific businesses balance their advantages and disadvantages for undertaking the step to sell online. Also some of the trends found might not be very realistic due to the small number of sample marketed. However over all if the economy in Bulgaria grows and people have more disposable income, e-commerce will be a success, as it will save people time and money, and give profit to business.

A discussion of the main findings

From the findings above I can derive that e-commerce business has the potential to grow fast like it has grown in more developed countries all over the world. E-trade can offer companies the advantage of reaching their customers 24-7 and globally. Businesses can also diminish costs by advertising online for less and eliminating the need for large warehouse buildings for storing and displaying their stock. Another great advantage is the opportunity Internet gives for gaining a large number of contacts, which can lead to positive business developments and ventures.

Word count: 1913

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Appendices

Appendix 1

InternetUsageintheEuropeanUnion

**EUROPEANHYPERSLINK “ [http://www.
internetworldstats.com/europa.htm](http://www.internetworldstats.com/europa.htm)” UNION**

Population

(2007Est.)

InternetUsers,

LatestData

Penetration

(%Population)

Usage

%inEU

UserGrowth

(2000-2007)

Austria

8, 199, 783

4, 650, 000

56. 7%

1. 7%

121. 4%

Belgium

10, 392, 226

5, 100, 000

49. 1%

1. 9%

155. 0%

Bulgaria

7, 322, 858

2, 200, 000

30. 0%

0. 8%

411. 6%

Cyprus

788, 457

356, 000

45. 2%

0. 1%

197. 2%

Czech **HYPERLINK “ [http://www. internetworldstats. com/europa. htm#cz](http://www.internetworldstats.com/europa.htm#cz)”** **Republic**

10, 228, 744

5, 100, 000

49. 9%

1. 9%

410. 0%

Denmark

5, 468, 120

3, 762, 500

68. 8%

1. 4%

92. 9%

Estonia

1, 315, 912

760, 000

57. 8%

0. 3%

107. 3%

Finland

5, 238, 460

3, 286, 000

62. 7%

1. 2%

70. 5%

France

63, 718, 187

34, 851, 835

54. 7%

12. 8%

310. 0%

Germany

82, 400, 996

53, 240, 115

64. 6%

19. 5%

121. 8%

Greece

10, 706, 290

3, 800, 000

35. 5%

1. 4%

280. 0%

Hungary

9, 956, 108

3, 500, 000

35. 2%

1. 3%

389. 5%

Ireland

4, 109, 086

2, 060, 000

50. 1%

0. 8%

162. 8%

Italy

58, 147, 733

33, 143, 152

57. 0%

12. 1%

151. 1%

Latvia

2, 259, 810

1, 070, 800

47. 4%

0. 4%

613. 9%

Lithuania

3, 575, 439

1, 221, 700

34. 2%

0. 4%

443. 0%

Luxembourg

480, 222

339, 000

70. 6%

0. 1%

239. 0%

Malta

401, 880

127, 200

31. 7%

0. 0%

218. 0%

Netherlands

16, 570, 613

14, 544, 400

87. 8%

5. 3%

272. 9%

Poland

38, 518, 241

11, 400, 000

29. 6%

4. 2%

307. 1%

Portugal

10, 642, 836

7, 782, 760

73. 1%

2. 8%

211. 3%

Romania

22, 276, 056

7, 000, 000

31. 4%

2. 6%

775. 0%

Slovakia

5, 447, 502

2, 500, 000

45. 9%

0. 9%

284. 6%

Slovenia

2, 009, 245

1, 250, 000

62. 2%

0. 5%

316. 9%

Spain

40, 448, 191

22, 843, 915

56. 5%

8. 4%

324. 0%

Sweden

9, 031, 088

6, 981, 200

77. 3%

2. 6%

72. 5%

UnitedHYPERLINK “ [http://www. internetworldstats. com/europa. htm#uk](http://www.internetworldstats.com/europa.htm#uk)” Kingdom

60, 776, 238

40, 362, 842

66. 4%

14. 8%

162. 1%

EuropeanUnion

490, 430, 321

273, 234, 619

55. 7%

100. 0%

189. 5%

Source: Internet world stats (2008)