

Правительство Российской Федерации

**Федеральное государственное автономное образовательное
учреждение высшего профессионального образования
«Национальный исследовательский университет
"Высшая школа экономики"»**

**Санкт-Петербургский филиал федерального государственного
автономного образовательного учреждения высшего профессионального
образования
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Факультет Санкт-Петербургская школа экономики и менеджмента

Департамент менеджмента

Эссе

На тему: «E-commerce: A curse or a blessing for a traditional market trading schemes»

Направление «Менеджмент»

Образовательная программа «Менеджмент»

Студент группы № 156

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Abstract

Internet has become a really important part of our lives. This is a good opportunity for sellers to expand their businesses. This essay is dedicated to the problem of e-commerce and tries to understand whether it is a progress or a regress for traditional trading schemes and methods. Author points out several theses and proves them. He claims that e-commerce is a true blessing for business development and customer satisfaction. In case of this hypothesis, author examines this topic from different points of view. Composer analyses the data, puts the facts together, estimates the opposite opinion and draws some conclusions.

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Introduction

“Internet”, “Web page”, “Online store”, “Application”... All these terms are so essential nowadays. Modern human cannot even imagine his life without an Internet access, online banking and supporting apps for practically everything he or she has in his pocket. Money? Bitcoins, Visa Paywave, ApplePay. Dinner? TripAdvisor, Foursquare. Movie or music? Itunes, Apple Music, Google Play, Spotify, Deezer. Books? Bookmate, Litres, IBooks. I can continue the list with dozens and dozens of examples. We simply cannot deny the fact that E-Commerce is now global.

In this essay I will try to prove that Web-trading is a blessing for traditional market performances. By analyzing and comparing the situations in companies that gladly use the possibility of entering the life of their customers deeply by providing online services and those which prefer to live in the previous century, we will see the difference. Also I am going to look at this from the position of a customer, share my experience and the opinions of other users. Besides, as there is an opposite point of view, I plan to look at it closer and refute.

As we can understand, all the introductions were made, all the theses were claimed, and I do not see any obstacles to start our fascinating journey into the world of online-trading.

Briefly about the basics of web-trading

Before we start analyzing and comparing the companies, we need to point out the definition of E-Commerce. According to Wikipedia (<https://en.wikipedia.org/wiki/E-commerce>), **Electronic commerce**, commonly written as **e-commerce**, is the trading or facilitation of trading in products or services using computer networks, such as the Internet. Basically, it is a way to sell your product by WWW including online shopping, internet of things, streaming

services, software sales, etc. So in my essay i will analyze the difference between companies that somehow use this abilities and those which do not.

Analysisof the music market

Everybody loves music, whether it is hardrock, hip-hop or jazz. Before the historical presentation of iPod and iTunes service, practicaly every house was equiped with CD-remote. Today the situation is completely different. Put a hand inside your pocket and you will find a smartphone (probably iPhone, by the way) or a walkman. Either on phone or on player, you do download music. So in my essay I will look at this market closer.

Let us travel in time into 1960s. Recordshops are prospering, growing and earning their customer base.

August of 1963. 1,920,000 of “She Loves You” by the Beatles records sold in Britian. [provided by OCC]

October of 1975. 2,440,000 of «Bohemian Rhapsody» by the Queen records sold in Britian. [provided by OCC]

In the 21st century the market situation has dramatically changed. John Kennedy, Chairman and Chief Executive of IFPI, in his report “Music How, When, Where You Want It – But Not Without Addressing Piracy” (2010) claims that “overall, global music sales fell for the tenth year running in 2009. Full year figures were not available at the time of going to press, but physical global sales in the first half of 2009 were down by 12 per cent, excluding performance rights income (IFPI)». The same picture can be spotted in Russia. Semyon Brozhitov, the author of an article called «V Rossii Suschestvennoe Padenie Prodazh Cifrovyh Diskov» (2014), provides data from GfK resource, which shows us that the CD-records sales declined for 41% in 2013. Also it is mentioned that the majority of

supermarkets (“Ashan”, ‘Mediamarkt’) reduce the amount of CD product and some of them, for example “Technosila” or “Karusel”, even stop selling records.

Why this happens? The answer was already given above: smartphones and walkmans do not have any CD-output. Digital or e-commercial branch of music industry imminently grows while sellers of physicals literally die out. Let us take a closer look. After the appearance of iTunes, then Google Play and Amazon the age of digital music had started. It was able to memorize all of your favourite tracks and albums without even having a single CD.

But now the revolution goes forward with the invention and, which is more important, popularization of streaming services such as Spotify, Apple Music, Deezer, etc. Data journalist Felix Ritcher from statista.com shares his opinion about the processes happening in this industry in his report «The Rise of Music Streaming Continues». He claims that «the growing popularity of streaming came at the expense of other market segments. CD album sales and album downloads declined by 11 and 3 percent, respectively, and digital track sales dropped by 12 percent. The only other format that is rising in popularity is vinyl. The format of analog music lovers continued its comeback with a 29 percent increase in LP sales»[see Attachment 1 for the barchart]. Speaking about numbers, Felix mentions: «Shortly after the Financial Times reported that Apple Music has passed 10 million subscribers, market leader Spotify went on record saying that the company had enjoyed the fastest subscriber growth in its seven-year history in the second half of 2015. Estimates put Spotify’s subscriber base between 25 and 30 million and total monthly listeners - Spotify has an ad-supported free tier - between 75 and 100 million».

Finishing this part, i'd like to speak about the circumstances which led to such consequences. Why people do not buy CDs anymore? Because it is inconvenient. CD can be scratched, lost or even broken. A number of bytes can't. This is what I wanted to prove: e-commerce is so attractive just because it is

simply easier. Attach your credit card and listen to your favourite music without even standing up.

E-Commerce from the customer's point of view

Now I would like to begin the most interesting and controversial part of the essay. As it is commonly known, not a single project, whether it is start-up or even huge multinational corporation, cannot exist without a customer base. Trading or service, you need someone to pay for it. That is why I will be speaking about customer's reaction on the e-commercial branch of the market in this part.

Before I start drawing any conclusions, I'm going to provide data which will show us the situation in this sphere in different countries.

For example, according to <http://ecommercenews.eu> website, 59% of Russians were internet users in 2013 (which makes it Europe's number one in terms of Internet users because of the population), and the amount of online sales at the same year was 10.4 billion euros. As it is mentioned in the article at the same resource, "Russian consumers generally distrust the safety of online transactions and, in certain cases, the honesty of online retailers. That's why cash on delivery is the main payment method (around 80%), as far as physical goods are concerned. Bank cards aren't used very often for purchases even in brick and mortar stores, but online it also represents a low part of total online consumer spending. The most popular local electronic currencies are Yandex Money, Webmoney and the QIWI Wallet. PayPal began serving domestic transactions only in late 2013. 93% of all domestic purchases made online are cash-on-delivery, according to SPSR express». (see Attachment 2 for the piechart).

Speaking about the products which Russians prefer to purchase throughout the Internet, it is mentioned in the text that «in 2013, according to InSales, the largest product categories in Russian ecommerce were (ranked in order): household appliances and consumer electronics, clothes and shoes, computers and notebooks, car spare parts, mobile phones, furniture and interior, B2B equipment and construction materials. Note that for example car spare parts (€355.7 million)

is a way more popular product category in Russia than books and DVDs (€89 million). SPRS Express states that electronics and fashion represent 57% of total online spending».

The most popular e-commercial resources in Russia are AliExpress, eBay, Ozon and Avito.

As it is commonly known, everything is better to understand in comparison. That is why I decided to provide data about the United Kingdom in same categories.

According to the same resource, the percentage of users in the United Kingdom is 82, but in case of its smaller population (63.7 million people in 2013), Russia had more users in general. According to data from the Centre for Retail Search online sales in the United Kingdom account for 10.7% of total retail sales. It's worth 110.5 billion euros according to IMRG/Capgemini.

In the article devoted to e-commercial situation in Britain and provided by the same resource it is mentioned that «in the UK credit cards are the most popular payment method for purchases made online. Almost forty percent of all online transactions in the UK are paid by credit card. More than 3 in 10 online transactions take place thanks to debit cards. Another popular online payment method in the UK is PayPal, which together with credit and debit cards represent 96% of all online payments». (see Attachment 3 for the piechart). As we can see, in comparison with Russians, British people do not use cash for their online purchases, while our people prefer cash to credit or debit cards.

Speaking about the most popular categories of products, it is said: «Fashion and sporting goods are a very popular product category in the United Kingdom, followed by travel and household items. Other popular product categories are movies & music and books & magazines».

The biggest players in the UK's online retail market are Amazon (16 percent market share), followed by Tesco (9%) and eBay (8%). Other big online retailers are Asos, Argos, Play.com, Next and John Lewis.

All these numbers and percentage rates are just hints to the real answer on our question. Frankly speaking, I do not even think that it is really valuable and necessary to know the figures, because the true importance is in the opinions of users and customers. I will try to explain this statement before I continue proving my point of view. I bought a Samsung smartphone in 2014 and after a month of exploitation I have realised that I do not like it. It had a bad battery, slow interface, etc. But, unfortunately, I didn't have any ability to change it because of the financial situation. It means that I still had to use Samsung mobile services and they considered me as their happy customer. But I was not. And in that year (2014) I was in their performance rates, in their graphs and figures no matter what I thought about their product.

What I am trying to say is that data is meaningful without a single doubt but, as Mark Twen once said, "There are three types of lies: lies, damn lies and statistics». Therefore, let us take a closer to opinions and experiences of different people.

For sure this part of my essay can not be academic enough due to the fact that scientists do not write about internet-shopping a lot. Mostly I will find information on the forums provided by users in their messages. For example, a "What do you think about online-shopping?" theme on the [makeuptalk.com](http://www.makeuptalk.com/f/topic/97798-what-do-you-think-about-online-shopping/) (<http://www.makeuptalk.com/f/topic/97798-what-do-you-think-about-online-shopping/>) is full of different views and impressions. User **divadol** writes: «I'm an old veteran of internet shopping. I've been shopping online for over 11 years and I have no plans of changing that. I love it that I buy it and it arrives at my door in a few days or buy something from Hong Kong or China for pennies and it comes to my door in 2 wks». (punctuation and grammar are not changed). We can see the tendency of convenience. People say that they love the idea of buying things without going out, line-waitings and crowds. To be more convincing I am going to provide one more idea. **reesesilverstar** says: «I think it's one of our best inventions! I hate crowds and pushy salespeople or snobby ones. I love being able to avoid them». Also i have found one more discussion of this topic in the Intertnet.

On the enotes.com anonymous with the nickname **Isumner** writes: «I enjoy shopping online because I can do so in the comfort and privacy of my home. I can shop in my pajamas and no one knows the difference. I can compare prices with the click of a mouse. I can save money and prevent the frustration that comes with heavy traffic and no available parking. It is so convenient to shop online.

Everything is literally at your fingertips». Moreover, **booboosmosh** claims: «I like to online shop for some things. Books are an easy one, and I will often order them used from Amazon. If a book used is a penny, and shipping is three-ninety-nine, I get a book for \$4, and I'm fine if it's a little used. Textbooks are often cheaper online, but make sure it's the correct edition. I can buy plants online, but not clothes. Clothes I need to try on, and I'd lose too much money returning things for size, kind of material, etc.

Sometimes I'll order things on eBay because there is some protection with PayPal: for Christmas I ordered about ten pairs of angel's wings. It was so much easier than trying to find them in stores at that time of the year since Halloween was over, and we were doing a Christmas pageant. It depends on the item. Heavy things I won't order (I've learned that lesson), but sometimes something obscure: a cute pin from a school from the 1940s or '50s, which doesn't cost much, but looks nice on a jacket, is an interesting piece of Americana, and reminds me of one of the gifts that Boo Radley gives the kids in "Mockingbird." These purchases are the best: they usually don't cost a lot; you just have to be careful not to get carried away. And as long as you're not expecting real gold for a couple of bucks, there isn't a lot at stake».

After providing so much different oints of view we can follow some major tendencies. First of all, people love their ability to shop “in their pajamas”, or, simply speaking, from their house. Also they can save a lot of money by choosing the best option which makes them even more dedicted to online shopping instead of going to mall. Moreover, it saves a lot of time for them.

Now i would like to find out what kind of products are the most popular to be bought online. According to lifehacker.com, or, to be more presice, Adam Pash

and his article “What Do You Buy Online vs. in Stores?», «the old brick and mortar stores are still responsible for the majority of sales in most of the categories, save for a few notable categories, including books, clothing, and electronics». As we can see, the author claims that 3 types of products are mainly bought on the Internet. (see Attachment 4 for a more detailed infographic).

Opposite points of view and my arguments against them

Online-services can be a great way for a small businesses to increase their sales and widen their reach. It's also convenient for consumers, who can buy at their convenience, without having to leave their homes or spend the day fighting queues at the shopping mall to pick up the best deals. But, unfortunately, nothing in this world is undoubtful. Some people think that e-commerce badly affect markets and businesses, customers and their experience from buying one's products. For example, Irene Lizarraga mentions four different aspects of web-commerce which can badly influence customer's view on e-traiding in her article “Negative Effects of E-Commerce». Firstly, author writes about privacy doubts: “It is easy to collect a lot of personal information from a consumer using an e-commerce website, sometimes too easy. Since all online transactions are recorded, it's relatively easy to create an online profile of the buyer, and use that to send targeted advertisements. However, many will agree that this is an intrusion on a consumer's right to privacy, and it's something that is heavily regulated on many countries. This means small businesses aiming to establish an online presence using e-commerce need to be aware of the legislation that applies, as mistakes can be costly both in terms of fines and customer trust». I'm not sure that it is even meaningful. In my opinoin, this problem is not actual anymore. As a usual customer of Internet shops I can claim that every respecting company which provides this type of services always gives a choice to it's clients in case of allowing access to privat information. Every registration procedure has a step

including acceptance of following conditions such as geolocation, phone number, e-mail address, etc.

As the second keypoint, Irene mentions security. She writes: “Another negative effect of e-commerce is its effect on consumers' security. Online transactions are inherently more insecure than those conducted in person because there's no way to guarantee that the person making the payment is the actual owner of the credit card used. At the same time, when the customer inputs the payment information they risk a third party intercepting it if the website doesn't comply with the adequate security measures, giving rise to credit card fraud and identity theft. Merchants need to be aware of the risks electronic transactions carry, and work towards securing the systems to the highest standards». This argument does not hold any water. I will provide an example of aliexpress.com. When you buy something there, you should be signed in and authorised as a certified client. Your credit card gets checked and approved, and only after that you can trade. From the position of client security, the customer protection service exists. It allows one to get cashback in case of fraud.

Furthermore, author writes about price wars. What she says is that “merchants used to selling at their shop may often find selling online an extremely competitive marketplace. Their products are displayed alongside competitive offers, often from different countries or bigger retailers with access to better wholesale prices. This can affect the retailer negatively, as they cannot sell as much as they expected to actually make a profit, or the consumer's when online stores cut corners in order to become more competitive or products are purchased from illegitimate retailers because they had the best price». We can see that Irene is not an economist at all because she speaks about competition on market as about something that badly affects the situation. It is absolutely meaningless because it simply contradicts the laws of economy. Competition stimulates. Competition motivates. Good educated manager knows that if you are on a competitive market, you do not have to sell illegitimate product or provide bad quality for a high price, you should bring innovation, be better than your opponents, attract and engage

your customer with desirable properties, satisfy your client. If you do not understand this, maybe you simply do not need to work in this sphere.

As the last point Lizarrga writes about returns and complaints: “Selling online means usually a higher return rate on products than when the purchase was conducted in person. This is due partly to the fact that customers haven't seen the goods in person prior to purchase, but also to the fact that many online shoppers buy things on impulse, and by the time they receive them at their home they have changed their mind and make use of favourable return policies. While a big retailer would have no problem accommodating this, it can be highly disruptive for a small business with limited stock management». This part is not just wrong, it is really weird and odd. Actually, it is called feedback and it is very useful for a small business because it allows to recognize your mistakes and fix them. If you have a lot of complaints, maybe you do something improperly.

As a little P.S. to the main part: my own experience in online-shopping.

Before I make my conclusions I would like to share my own thoughts about e-commerce, and I will speak not as an author trying to defend his own point of view, but as a regular client.

I use online-services really a lot. I pay for Apple Music, periodically buy some stuff at Aliexpress, use Delivery Club to order food, use soap4.me to watch series online and iBooks to read literature. Generally speaking, I'm an active customer.

To tell you the truth, I absolutely love it. I can not imagine my routine life without all these things, all these beautiful services I use constantly. Of course, if they weren't existing, I would find a way to make my life more comfortable, but if they do, why not to use them fully and properly. It is so convenient, so attractive and saves me hours of my youth. I do not waste my time at library searching for a book because I can buy it online (or download for free). Such things as iCloud substitutes all the hard drives, flash drives and disks so I save not only time but

also space in my flat, bag and pockets. I hope that someday I will be able to replace keys because I always forget where I leave them.

To sum up this little postscriptum, I'd like to agitate you to start using all this functional abilities that makes our lives easier if you still do not.

Conclusion.

As far as all the subtheses were overlooked, I think that it is time to draw some results. After analysing the market of music industry I have realised that e-commerce beneficially affects the trading and becomes a profitable branch of these sphere with the help of streaming services. Moreover, I have found that retailers understand that even better than me and refuse distributing physical records. After that I started thinking about this topic from the position of customer and came to some interesting thoughts. Data showed that e-commercial culture throughover the world constatnly grows while people become more and more educated in terms of online-trading. I mean that their trust to the web-shops increases while their concerns disappear dramatically. The progressing popularity of this trading schemes means that our world is becoming more open and willing to develop. To my mind, be against e-commerce today is not just weird but also stupid and improper. In fact, during the economic activity in the past, large enterprise frequently has advantage of information resource, and thus at the expense of consumers. Nowadays, the transparent and real-time information protects the rights of consumers, because the consumers can use internet to pick out the portfolio to the benefit of themselves. The competitiveness of enterprises will be much more obvious than before, consequently, social welfare would be improved by the development of the e-commerce. The e-commerce is not a kind of new industry, but it is creating a new economic model. Most of people agree that the e-commerce indeed to be important and significant for economic society in the future, but actually that is a bit of clueless feeling at the beginning, this problem is exactly prove the e-commerce is a sort of incorporeal revolution Generally speaking, as a type of business active procedure, the e-commerce is going to

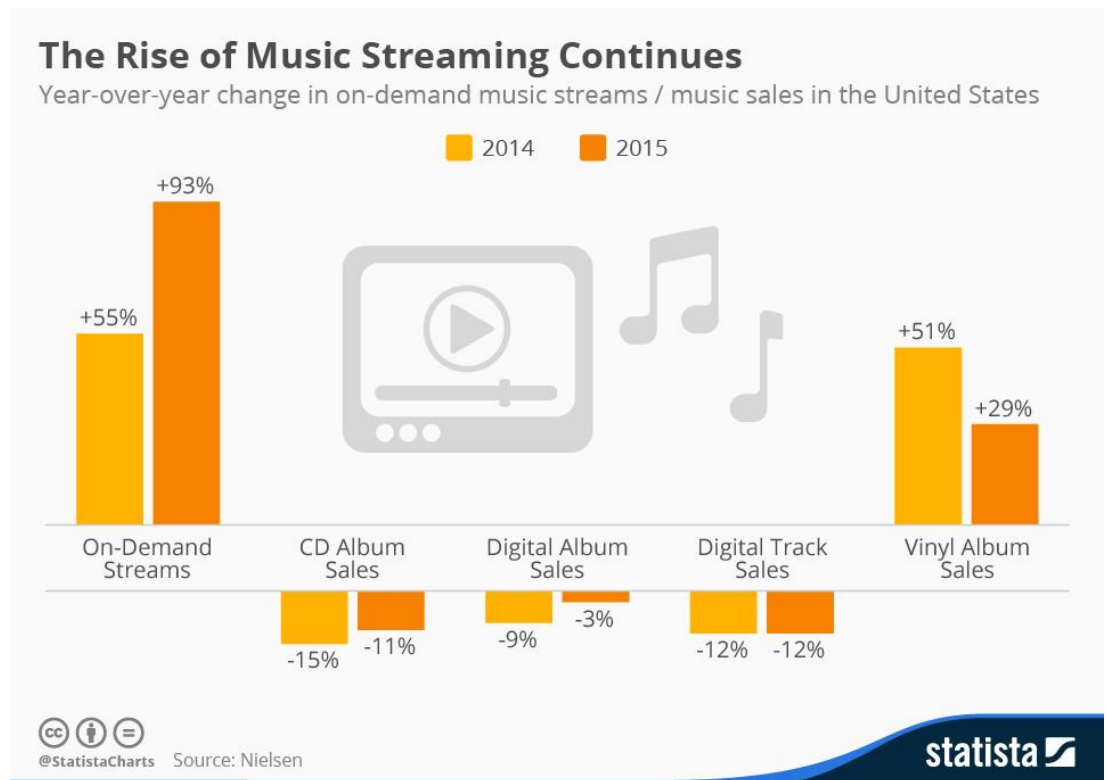
leading an unprecedented revolution in the world, the influence of this model far exceeded the commercial affair itself. Except the mentioned above, in the area of law, education, culture and also policy, the e-commerce will continue that rise in impact. The e-commerce is truly to take human beings into the information society.

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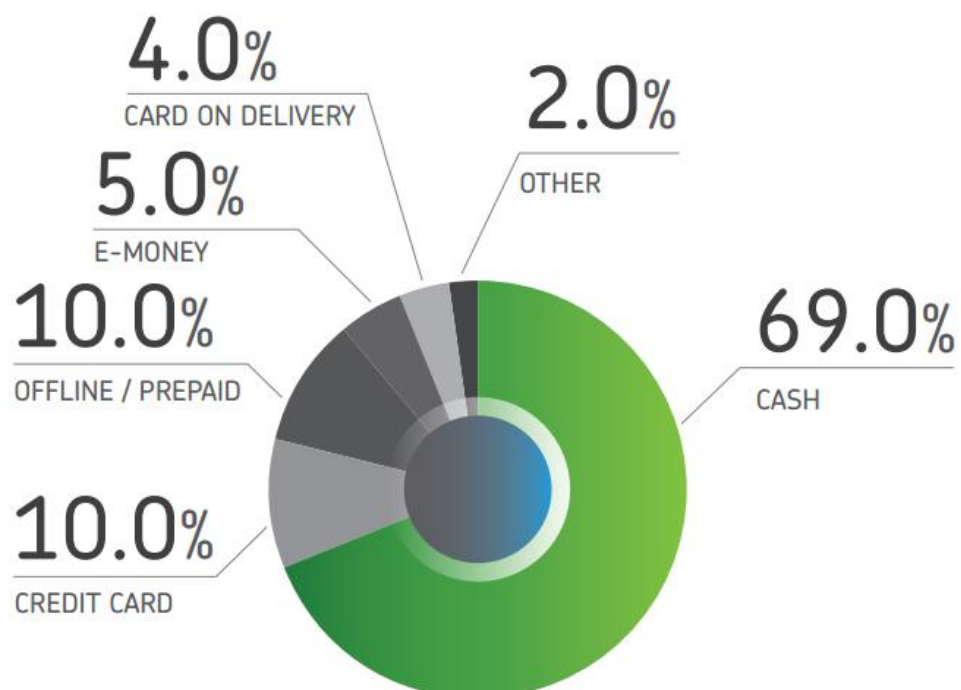
Attachments

1. Provided by statista.com



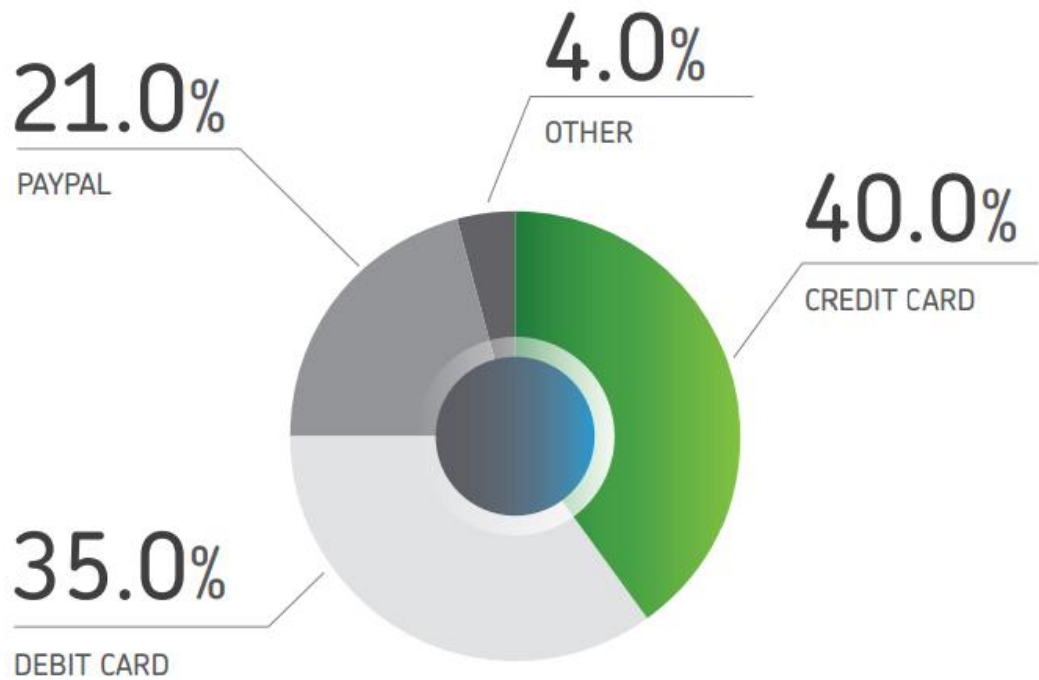
2. Provided by PayVision

ONLINE PAYMENT PREFERENCE IN RUSSIA %



3. Provided by PayVision

ONLINE PAYMENT PREFERENCE IN THE UK %



4. Provided by U.S. Census Bureau

