REVIEWING THE PERFORMANCE OF ORGANIC E-SHOPS IN ROMANIA

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ABSTRACT

The organic market is on a growing trend in Europe and in Romania the ecommerce business for the organic products is slowly maturing. This article aims to identify the characteristics of e-shops selling organic products in Romania. For this purpose, 50 e-shops were identified and a benchmarking analysis was performed. Based on the benchmarking criteria, a scoring method was developed in order to rank the performance of these organic shops. Moreover, a consumer survey was deployed to verify some of the insights of the analysis. The results of this study have managerial implications at the strategic and also operational level. In addition, we makes recommendations for the improvement of the overall performance of the organic e-commerce in Romania based on current and previous studies.

KEYWORDS: *benchmarking, ecommerce, e-shops, organic products, Romania*

JEL CLASSIFICATION: *L81*

1. THE ONLINE MARKET IN ROMANIA

In 2014, the number of internet users in Romania reached 10 million, with a penetration rate of 49.76% while the number of mobile connections increased to 10 million in 2014, compared to 8.2 million in 2013 (Radu, 2015).

In addition, the Romanian e-tail market, meaning the sale of goods and services through the Internet which includes business-to-business and business-to-consumer sales, reached 1.2 billion euro in 2014, doubling in size since 2013 (Radu, 2015). According to the same source, the main Romanian e-commerce players' representatives estimate that the Romanian online retail exceeded 1 billion EUR in 2014, compared to approximately 600 million EUR in 2013.

In a context of expanding organic market and a growing online market for all types of products, the Romanian managers of the e-shops must make rapid decisions that allow them to constantly increase their business performance. This study aims to help managers design strategic decisions to improve their business models by creating the opportunity to analyse the decisions made by 50 online shops. The sample considered in this article refers to shops that have in their offered assortment at least one organic product.

2. RESEARCH METHODS

Since its development in 1979, benchmarking has been widely adopted as a tool by companies around the world as a quality management tool (Camp, 1989). Benchmarking has been shown to support the competitiveness of companies and success by performance assessment, continuous improvement, enhanced learning and performance (Elmuti & Kathawala, 1997).

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As this article aims to identify strategies for improving the performance of e-shops that sell organic products and keeping in mind the limitations regarding time, data access and the budget allocated for this research, a benchmarking exercise was considered an effective way of achieving this aim. One more argument for selecting this methodology is the fact that the methodology is easily replicable by online shops managers, as they most probably need a tool that can serve to constantly improve their business performance.

The main purpose of the benchmarking analysis performed is to identify the e-shops that perform well in the Romanian online market, to identify their characteristics and draw conclusions regarding improvements that can be made to support increasing business performance of all the other e-shops. The 50 e-shops in the sample are all selling organic products and delivering in Romania, locally or nationwide.

The data gathering and analysis were performed in stages, between July and September 2015. In the first stage of the benchmarking, we identified the e-shops through a snowball technique. In the second stage, the criteria for the benchmarking was selected after consulting the specialised literature and then the data was collected.

The benchmarking criteria refer to financial and non-financial data. The financial data was collected from the financial statements of all the companies owning the online shops. On the other hand, the non-financial was collected from the websites and short discussions with a shop representative. The non-financial criteria was grouped in five categories: products sold, placing the order, payment and delivery, user-friendliness, and online marketing.

Regarding the financial analysis, the sample of analysed shops reduced to 31, as only these shops were standalone companies. The 19 companies that were eliminated from the financial indicators sample, as these companies own both physical stores and online shops and the revenues from the online and offline could not be separated.

In the last stage of the benchmarking analysis, the comparison was performed and the review of the outcomes in order to suggest ways to improve the business performance. In order to offer information on overall performance of the online shops a scoring method was developed on the non-financial aspects of the online shops part of the analysis, as financial data was not comparable across all e-shops in the sample.

The results of the analysis are presented in an anonymous fashion, as the conclusions drawn are not shop specific and are relevant for many shops in a similar context.

In order to reach the goals of the present article, beside the benchmarking analysis on e-shops in Romania, a short customer survey was performed in order to gain some insight into the perspective of the customers that purchase organic products from online shops. A short questionnaire was deployed in August 2015 using Facebook and direct emails to over 1200 internet users.

The survey received 119 replies, reaching a 9.5% response rate. 92% of the respondents live in urban areas in the cities of Bucharest, Brasov, Constanta, Cluj Napoca, Iasi, Pitesti, and Timisoara while the rest are from rural areas, in the Constanta and Galati counties.

The survey did not aim to be representative at a national scale, but was designed and implemented to serve as a guide in interpreting some of the results of the benchmarking analysis. It is valuable in the sense that it brings qualitative insights.

3. RESEARCH FINDINGS AND DISCUSSION

3.1. Analysis of the Romanian organic e-shops

In this section the results of the benchmarking analysis performed will be briefly presented, stating with a general characterisation of the sample of the e-shops and following more details for each category of criteria.

The companies in the sample are registered between 1993 and 2015, 22 of them (44%) have more than three years since incorporation and eight have a little over a year since incorporation.

All of the shops are independent, meaning they are not part of any francize. Some of the companies (19/50) own both online shops and physical stores in cities like Bucharest, Bacau, Constanta, Cluj Napoca, Craiova, Galati, Iasi, Timisoara, Pitesti, Piatra Neamt, to mention just a few of the largest ones. Ten of these companies operate more than five physical stores.

Considering all the benchmark criteria, the scores that the shops obtained are presented as ranges in figure one below. 65 % of shops have scored in the lowest half of the ranges.
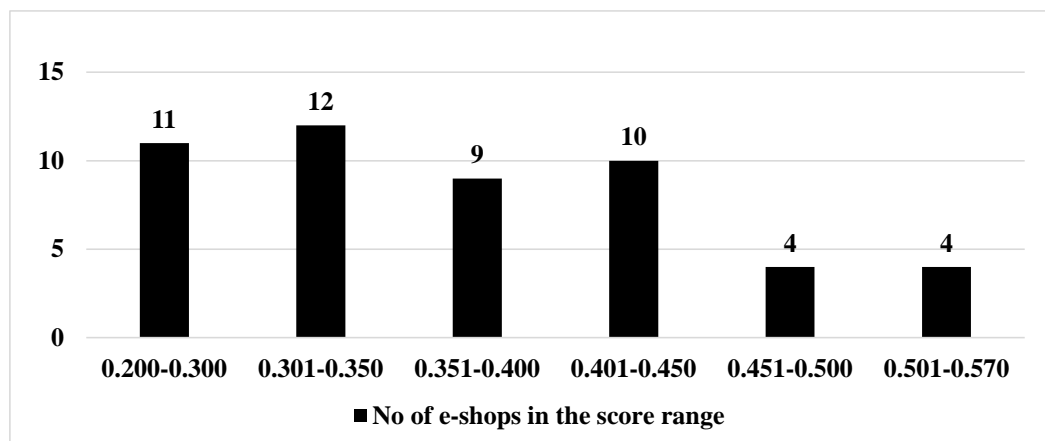

Figure 1. The distribution of the scores ranges for the 50 shops in the non-financial criteria
Source: own calculations

Analysing the financial indicators of the eight best ranked shops, only three have positive net profit margins, between 25% and 320%. The other five shops registered losses. As many of the companies in the sample had different business models, with a different mix of activities in their portfolio and different ongoing investment projects, the author decided not to introduce the financial indicators in the scoring as the results were not comparable. Of course, further investigation could be done in order to obtain more detailed insights into the different business models.

3.1.1 Assortment of products

We had a detailed look at the product offer of all 50 e-shops. Regarding the assortment of the products, 75% of the shops offer a mix of organic and non-organic products while 26% sell exclusively organically certified products. Most popular types of product categories are food, cosmetics, dietary supplements and detergents. To be more specific, 47 e-shops have foods products for sale, 41 sell cosmetics, 37 offer dietary supplements, 27 vend detergents while at 19 e-shops appliances are available. Other type of products that are available at the online shops in the sample are: plastic products, textiles, toys, seeds, and fertilizers.

The shops in the sample have product portfolios ranging from of 72 to over 4500 products. Most of the product are food and beverages, but also lots of dietary supplements.

3.1.2 Ordering and return policy

In the following paragraphs we will have a look at the process of placing an order on the websites of the e-shops in the sample, more specifically at the minimum value of the order, the order confirmation process, and the return policy.

For most of the shops the order is placed online, following a registration process in which the buyer gives the minimum information for the issuing of the invoice and the information necessary for delivery. However, for more than half of the shops it is also possible to place an order via email and also by phone.

The minimum value of the order is specified on 20 of e-shops, and it ranges between three to 70 euros. Moreover, 33 e-shops require some sort of confirmation of the order before delivery, mostly via telephone or email. The confirmation of the order is made mostly for the cash on delivery payment method, and not in the case of online payment.

The return policy of the e-shops is a commonly explain feature, with 45 of the sites presenting in a clear manner the conditions for returning the ordered products. On the other hand, there are five e-shops that have no mention of the return policy at all.

However, on some sites the return policy is not updated, meaning that they still refer to the previous legislation governing the returning of products. On 16 still mention the old laws - the Ordinance no.130 since 2000 - which was repealed by the issuing of the ordinance 34 since 2014 which transposes into the national legislation the Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on consumer rights. The above mentioned sites offer the customer only ten working days since the receiving of the product to return it without specifying a reason, not 14 as the new legislation specifies.

Most online shops return the value of the purchase in the account of the customer in 30 days from the receipt of the request of return. The return of the order is done via courier, at the expense of the customer.

3.1.3 Payment and delivery

Payment options and delivery terms and costs differentiate the experience of the customer when purchasing online. For most of the e-shops the payment is strongly connected with the delivery time and its costs, as it will be detailed in the following paragraphs.

The payment methods displayed and accepted by the e-shops in the sample are cash on delivery, payment through credit or debit card on their website, payment via bank transfer, and online payments such as Pay Pal or PayU. The most popular payment method accepted by the e-shops in the sample is the cash on delivery. This is no surprise as irrespective of the nature of the product purchase, 90% of the online shoppers in Romania prefer to pay at delivery (Radu, 2015).

The popularity of the cash on delivery payment method can be explained also by the fact that many of the e-shops mention that the purchaser has the right to inspect and return the product at the moment of delivery if they find it unsatisfactory or defective. In this way the purchaser reduces some of his risks.

The most common delivery method is by courier, as 48 shops use the services of various fast courier companies. The second most popular method is delivery via the Romanian Postal Services Company while the least common is the e-shop internal delivery system, which is available only for limited distance, in the proximity of the physical shop (if the case).

There are 21 e-shops that use the services of the Romanian Postal Services, while seven mention that they do not recommend or use this method of delivery. All e-shops that do deliver using the national mail company also offer the private courier as alternative, or use the national mail company only for those remote places where the private courier company do not deliver.

In the sample, 88% of the shops mention the value of the order for which the transports costs are borne by the seller. Considering all the 44 e-shops that provide this information, the average order for which the transport costs becomes zero for the buyer is 50 euro. However, most e-shops offer transport free of charge for orders between 34 and 56 euros, with extreme values of 2 euros and 147 euros.

The delivery time varies from maximum 24 hour to 5 days, depending on the method of delivery chosen. Usually, using the Romanian Postal Services takes the longest, while some courier companies deliver within a day or two. Some of the shops have different delivery periods for one day for the town and much longer delivery terms for delivery to different places in the country, depending also on the distance.

According to Radu (2015), in 2014 in Romania the number of online shops was estimated at 5.000, on an increase trend compared to the previous year. Out of the total of 5.000, only 1.173 adopted the 3D Secure standard offered by RomCard (the leading provider of services for card transactions in Romania), more that 15% more compared to 2013.

In our sample, regarding the security of the online transfers and card payments, only 11 of the shops have a trusted payment certificate. The others either do not specify that the online payments are secure or they simply do not accept an online payment with the credit or debit card.

3.1.4 User friendliness of the website

The current study also takes a look at the user-friendliness of the websites, meaning the ease to browse, the available search options, filters for products, the amount of information on the products. The score for the user friendliness of the site took into account the availability of the online support, possibilities of search within the site, ease in finding the products, the site map, complete contact information, terms and conditions of the site, including confidentiality, existence of the FAQ section and customers reviews for products.

A well designed user interface has a positive effect on the customers that shop online (Fan & Tsai, 2010).As a general rule, most of the e-shops are easy to browse and the information on how to place the order, delivery and payment are easily available. However, there are around five sites which are an exception, as they are not so easy to use and the potential buyer needs to spend quite some time to find all the relevant information.

On one extreme there are the elegant and easy to use sites and on the other extreme some of the shops are loaded with product ads, lack in design, have way too many colours that do not create a pleasant view, and their menu is a bit difficult to use.

An important feature that helps the customer and also builds trust is the online support that is available for 11 sites, either as a messenger that can be accessed directly on the website or via telephone.

Considering the user-friendliness criteria, the profile of the e-shops in our analysis is displayed in figure two below.
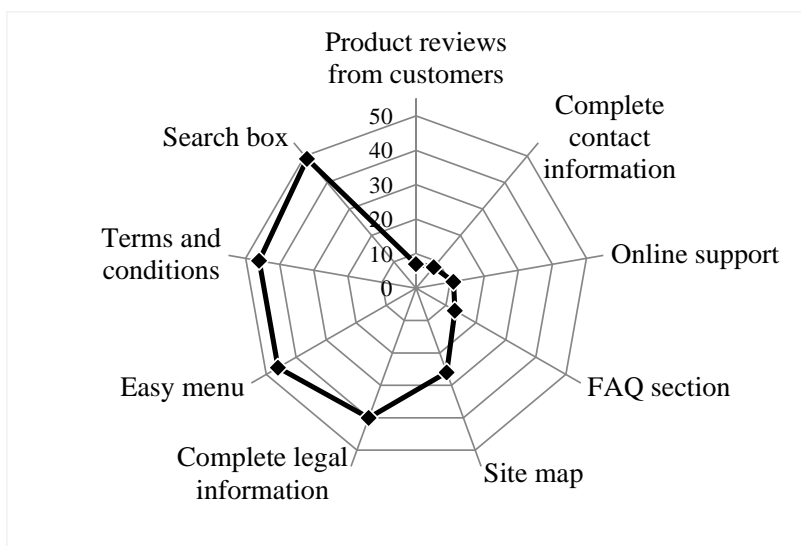

Figure 2. The shops sample profile according to the available user friendliness criteria
Source: own representation

As it is visible in the above graph, most of the sites fail to provide complete contact information (address, telephone, email of the company that owns the site), very few have online support and FAQ

section (the rest mostly explain only the delivery of the order and the return policy). Moreover, very few sites have consistent review for products from customers.

3.1.5. Online marketing strategy

A successful shop has a good and robust market strategy. Like any ecommerce business, sales are dependent of website features, assortment of products, and the services provided. The most important aspects that became criteria in the benchmarking analysis and are reflected in the score for online marketing strategy are: the use of sales campaigns and promotions for products, the use of social networks for marketing purposes, the page rank of the website as a result of search engine optimization, the existence of a newsletter and a blog, profile of the websites and relevant links from other websites to the e-shop, and additional content of the website, other than mere description of the products.

Some of the shops clearly promote one or several brands of products and 68% of the e-shops had at the moment of data collection promotional sales, price cuts, and special deals, 5-10% discounts from a certain threshold of the order's value, promotional packages for a range of products, and voucher facilities.

In order to create an overall profile of the social media marketing strategy, we considered the social networking possibilities (Facebook, Google plus, Twitter, YouTube and Pinterest). Facebook is one important and relatively cheap way of reaching customers. Some of the shops really use it to communicate offers, information on their products, promotional campaigns while other have a Facebook page that contains mostly basic information.

Data regarding the number of Facebook likes was collected for 45 of the websites. The number of likes at the moment of data gathering ranged between one and 67,406 (highest). The secondly ranked e-shop by number of likes had 19,001. The average number of likes is around 5,000 while 16 shops have less than 1,000 likes.

For the search engine optimization purposes, the existence of links to the page in question is considered helpful. What seems to be missing for many of the online shops is their presence on different other pages. Only 18 shops have profiles on different business directories, on price comparison systems and other shopping portals.

The online retail is not a single market but it is actually multiple segments that have varying preference for different retail site attributes (Papatla, 2011). The study of Papatla (2011) identifies the shopping styles of customers that respond to the service elements, ambiance of the website, and the approach to building and maintaining the customer relationship of the retail shop. The tree main styles identified are efficiency, post-purchase service and shopping experience and familiarity are all differentiating strategies adapted to a certain pattern of behaviour of the customer. In our sample, it seemed that for the large majority of the sites a clear strategy could not be identified, but rather the e-shops presented a mix of elements from two or even three of these styles mentioned in the study of Papatle (2011).

The differentiation strategies identified refer to unique site design, light structure of the site, and clear promotional deals and sales campaigns. Only few of the websites chose to position themselves as not merely e-shops, but on the websites visitors can find additional content such as articles on blogs, recipes, information on organic agriculture and health benefits of the organic products, organic news.

3.2. The consumer perspective

In order to gain more insight into the perspective of online shoppers that purchase organic products, a survey was conducted during the data gathering process for the e-shops in the sample. The survey was sent to 1244 users of social media, out of which 119 replied, resulting in a 9.5% response rate. The survey was deployed in August 2015. The age range of the respondents is 18 to 39, similar to other studies that state that average age of the online buyers is between 25 and 35, 80% of them live in urban areas (Radu, 2015).

Out of the 119 responses, 22 were eliminated as the respondents declared that they not purchase goods online. Out of the 97 that do purchase products online, 13 do it more than 3 times a month, 5 do it once a week and 79 (81%) purchase occasionally.

For those that do purchase online, we were interested in how many of them consume and purchase organic product and how often they do it. 27 out of 84 replied that they consume organic products at least 3-4 times a month, 32 more than once a week, while 25 consume organic product occasionally.

The respondents that consume organic products were furthered asked how much of their diet is represented by organic products represent. For 32 respondents, organic products represent less that 25% of their diet, for 24 the organic products represent 25-50%, for 17 organic products reach up to 75%, while eight people consume more 75% organic food. The last category, that declared that they consume mostly organic also mentioned this is due that organic products are produced in their own household or they purchase directly from a farm.

The next question referred to the motivation to consume organic products. Most of the reasons stated by respondents regarded the health benefits (74), the better taste (45), the increased nutritional value (25), and the fact that organic products do not harm the environment (one). From those respondents, 30 out of 84 purchase organic products online: 16 do it sometimes, five once a month, nine more than three times per month. These respondents also declared that they know and use up to five online shops (22), six to ten shops (nine), and more than 20 shops (four respondents).

As a proxy for the interest in organic certification, the survey asked whether the purchaser also checks the organic certification or specific logos. 75 of the 84 responded that they check frequently or every time the label of the product searching for the organic logo. Moreover, the products that are most often purchase online by the respondents in the sample are, cereals and pasta, cosmetics, dried fruits, seeds and nuts, dietary supplements, dairy products, products for children. These are all products that are readily available on most of the sites in the sample.

Studies show that consumers who feel that the retail shop does not meet their expectations tend to grow impatient and are likely to abandon their shopping cart and move to a different shop (Forester Consulting, 2009). In fact, the commissioned study conducted by Forrester Consulting on behalf of Akamai Technologies, Inc. revealed that a majority of ecommerce sites need to load a page in less than two seconds in order to keep customers happy. As page load times increase, so do the rates for shopping cart abandonment and customer churn, with 79% of online shoppers who experience a dissatisfying visit are less likely to buy from the same site again.

Another study mentions that fast loading of the page, ease of navigation efficient search and detailed product content are some features that the online consumers expect from retail sites, and increase the changes of consumer purchase (Papatla, 2011).

Therefore we also asked about the most important criteria that an online shop must meet for the respondents to consider buying from it. 22 replied that the existence of a large variety of products, 20 mentioned the prices, 17 mentioned the ease to place an order, the fast delivery and the security of the online payments, while 9 mentioned the possibility to return the products.

4. IMPLICATIONS FOR ROMANIAN E-SHOPS MANAGERS

As a result of the benchmarking exercise, several strategies to increase the business performance of e-shops emerged: use of ecommerce software, customization of the online experience for the customer, robust use of social media possibilities, clear segmentation and targeting. All these strategies are presented in the following paragraphs.

4.1. Use of Ecommerce Software
Ecommerce software are specialised products that provide the fundamental tools to run a successful online store, and it is important to find the right one for the site. On a simple search online, more than

64 ecommerce software solutions appeared to be available. Most of them promise that by using an eCommerce software the manager of the e-shop can get the online business up and running in no time. Ecommerce software analytics and reporting tools track website performance, sales and revenues and help e-shop managers understand customer behaviours. The collection and use of customer data is crucial for managers as they need to investigate the needs and preferences of their customers.

4.2. Customization of the online experience of the customer

The literature identified three types of differentiation strategies – on through price, a second thought the carrying assortment and a thirds through the services provided or experience of the customer (Wortzel, 1987). Furthermore the differentiation strategy needs to be relevant to the targeted customer segment (Morschett et al. 2006).

The Seamless Consumer Retail Survey November 2013 (Accenture, 2013), conducted by Accenture Research which encompassed 15,000 respondents from 20 countries suggests that personalized offerings are a good strategy to win trust of consumers as up to 50% of global shoppers are happy to provide retailers with their personal information-as long as it results in a truly personalized offering. Moreover, more than 60% consider to increase their purchases if they were offered a personalized subscription program, for example.

4.3. Building trust

Shopping online can be a good experience if you get good customer service, on-time delivery and purchase protection. There are several certification programs and trustmarks that help the retailers gain their customers' confidence.

Consumer trust is crucial to the success of online retailers (Qu, Zhang & Li, 2008). Additionally, a study done by Noteberg et al. (2003) reports that customers find that a third's party assurance is more effective that the store's self-proclaimed assurance in increasing the likelihood of purchase from customers.

Search engines have become necessary and convenient for customers to find online information about what they intend to purchase. However, the results pages of the search engines disclose very little or no information on the vendor companies' reliability. In a study of Ma et al. (2012) that examined thousands of price observations of online products several variables (the search result type, relative price, total number of resellers, organic and paid results of the reseller) are derived from search engine results that can be considered as cues that are relevant in referring the company's reliability.

Google Trusted Stores for example shows the seller's ratings and offers purchase protection after making a purchase on a site, covering eligible orders up to $1,000. The reviews collected through Google Trusted Stores help build the seller ratings, which show on the AdWords text ads and Google Shopping. This tool has been available for nearly three years now, but is still vastly underutilized by the majority of retailers (Irish, 2014).

In the sample, no shop had Google Trust Stores stamp, but 11 had trustmarks. This seem to point out that the use of trustmarks on the Romanian online shops is fairly limited.

The effectiveness trustmarks on e-commerce sites depends on customer recognition of the logo, meaning that they are almost useless if you use a lesser known provider. The Econsultancy reports that 76% of survey respondents had not purchased something because they hadn't recognised the logo (Charlton, 2011).

Whether e-commerce websites need trustmarks is debatable. Charlton (2011) argues that trustmarks are more significant for smaller and less well-known retailers, as they offer some form of reassurance to first time shoppers. After that, a good customer experience will play more of a part in a customer's decision to make a return purchase. Assume that smaller online retailers need to use trustmarks to reassurance first-time customers, the process of selecting the adequate trustmarks begins.
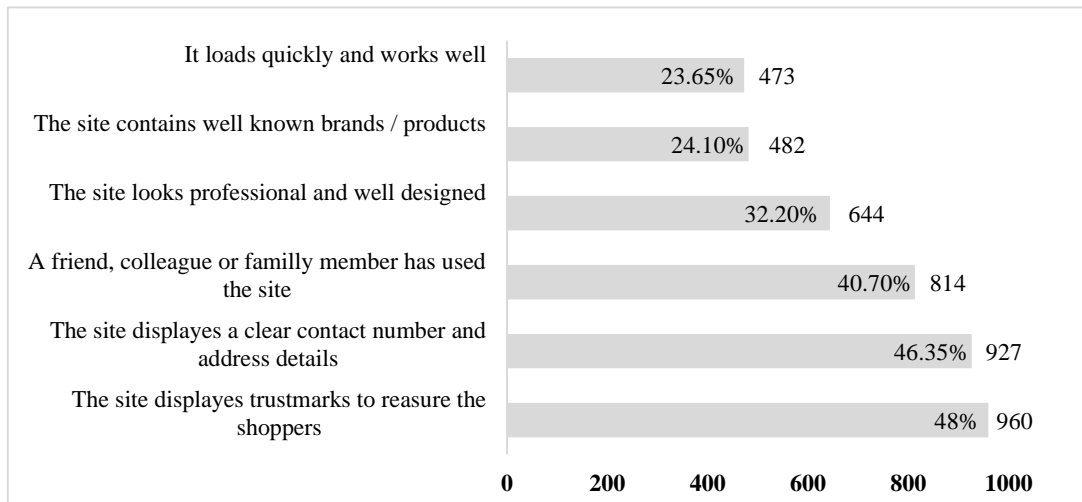
Figure 3. If you are shopping from a retailer you don't know well, how would you decide whether to trust the website?
Source: Charlton, (2011)

5. CONCLUSIONS

This article brings a new perspective on the Romanian e-shops as it investigates the strategies for increasing competitiveness, by analysing a sample of 50 e-shops with the purpose of drafting strategy recommendations for managers.

As the results of the analysis point out, use of ecommerce software, customization of the online experience for the customer, use of social media possibilities, clear segmentation and targeting are strategies that managers could use to improve their business performance. Managers can continue to use all the possibilities of social media and constantly improve the reputation of their shop in the online environment but also in a context of clear targeting of their customer segments.

Moreover, the author remarks that the benchmarking analysis could easily become a tool used for constantly investigating the potential competitive strategies by any e-shop manager.

As further research, the author is considering the inclusion of more financial criteria and financial indicators in the overall scoring and identify the potential connection between the business performance of the company and the site characteristics.

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