

# Spotlight on innovative online markets

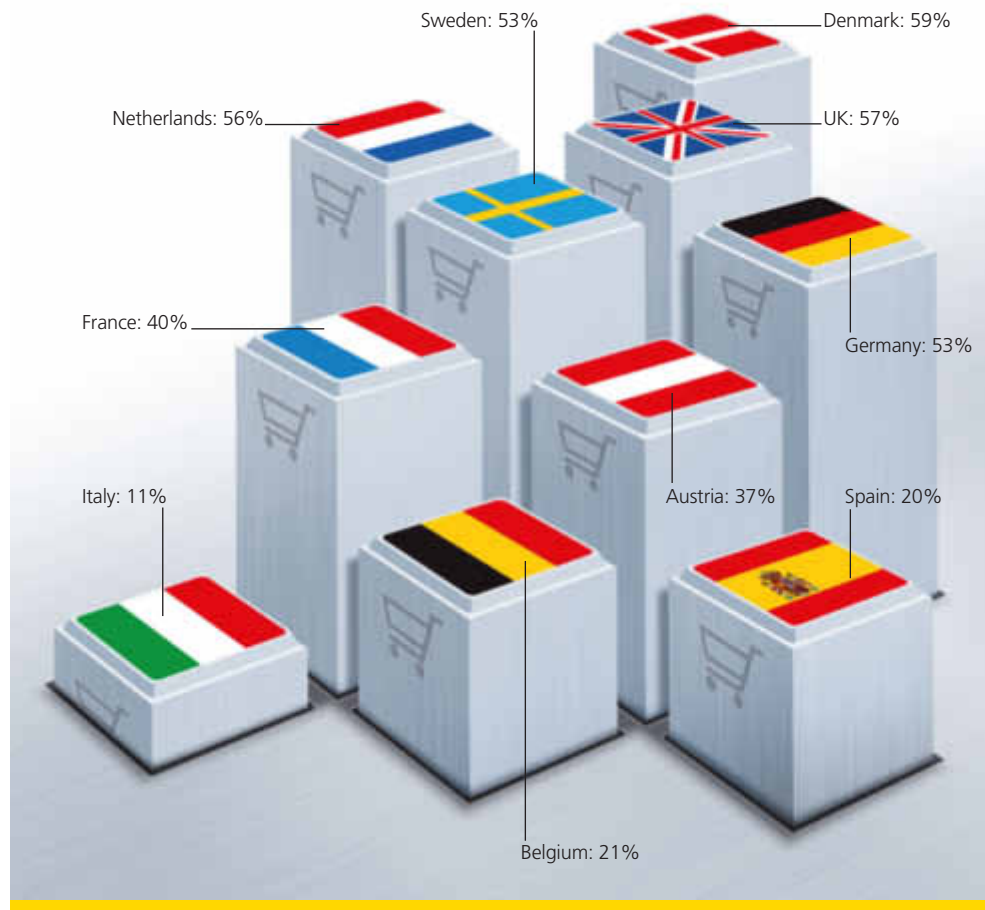
**To date, e-commerce has rarely ventured across borders. This is currently changing. However, sales and potential in the different EU markets vary. In which countries is an investment worthwhile? Which products and services have the best chances of succeeding?**

Many EU countries have yet to buy their ticket to the market of the future Internet trade. In the Netherlands, almost 90% of all private households have fast Internet access. At the same time, the necessary infrastructure is still lacking in southern European countries. In Italy, only 53% and in Spain 54% of households have Internet access. Besides, those with Internet access generally have a very slow analog connection. The situation is even worse in Eastern Europe.

## Internet retail varies throughout Europe

In the countries with the best Internet connections, the online shopping volume is also highest. The number of online shoppers is still very low in eastern and southern European countries. In Spain, for example, only 20% of the population shopped online in 2008. The situation is very different in the northern and western European countries, where more than 50% of households shop online on average.

Densely populated, Germany and the UK are by far the most profitable markets. In Germany, e-commerce sales total more than EUR 630 bn p.a. and in the UK, the



Online purchases in 2009.

figure exceeds EUR 730 bn. With a sales volume of EUR 316 bn, France is next by some margin. In Italy, Internet sales amounted to EUR 227 bn and in Spain to only EUR 121 bn in the same period.

**“Established markets will continue to benefit from their head start in the foreseeable future.”**

Dr. Thomas Krabichler, business data processing specialist at the University of Regensburg, Germany, explains: “The leading countries have a better infra-

structure and trained staff. Here, customers are less hesitant and this has a self-perpetuating effect.” Krabichler believes that the differences in trade will become more marked in the various European countries. “Established e-commerce markets will continue to benefit from their head start in the foreseeable future.”

## Not all products are suitable for online distribution

Professor Rainer Thome from the University of Würzburg, Germany, was among the first business data processing specialists who analysed the potential of elec-

tronic markets. In his opinion, selling fresh produce online distance will remain unsuccessful in the future. "The products are just not suitable for this." In recent years, many companies have failed to sell staple foods on the Internet. Migros in Switzerland and Tesco in the UK have succeeded in this segment so far. Amazon is currently running a pilot scheme in Germany.

"Sharp growth in products that are favourably priced by international comparison."

Holiday travel is the ideal product for online sales. Almost one in two western Europeans already book their holidays on the Web. In Krabichler's view, this is a classic e-commerce industry. According to him, companies which sell sportswear, books, CDs and magazines online will record the fastest growth rates in the future. Thome also expects "sharp growth in products that are particularly favourably priced by international comparison", for example consumer electronics. This also applies to offers where products vary substantially. "Take a video camera, for instance, which you can order online in five different colours and four different models. Retail outlets simply cannot compete with this kind of product diversity."

### Developing innovative ideas

The electronic movement of goods and services varies. In some countries, the sector is in a boom phase whereas others lack the necessary infrastructure. With regard to some products, buying online has almost become a matter of course. With regard to others, Internet sales do not seem very promising. How-

ever, for Krabichler as a scientist, these aspects are not dogma. "e-commerce offers opportunities for those who are willing to adopt an innovative approach." He believes that fashion retailers which turn customers into selected

club members are a typical example. Another are shop systems which establish customer loyalty by offering continuous update and maintenance services, as is already standard practice at some software manufacturers. ■

### What do people order online?

Travel, hotels, accommodation	42%
Fashion, sportswear	41%
Books, magazines	39%
Domestic appliances, furniture	35%
Tickets	33%
Films, music	29%
Electrical items (incl. cameras)	25%
Financial products, insurance	21%

Source: eurostat

	Private Internet access	Corporate Internet access
Netherlands	90%	96%
Sweden	86%	95%
Denmark	83%	98%
Germany	79%	97%
UK	77%	91%
Austria	70%	98%
Belgium	67%	Not specified
France	63%	96%
Spain	54%	95%
Italy	53%	94%

Source: eurostat

Sources: COMMISSION OF THE EUROPEAN COMMUNITIES, Report on cross-border e-commerce in the EU, Brussels, 5.3.2009 / Eurostat: Information society statistics, data extracted on 3 February 2009 at <http://epp.eurostat.ec.europa.eu> / Euromonitor International Database (2009) / 5. ePerformance-Report 2009 IKT / "Monitoring Informations- und Kommunikationswirtschaft 2009" (Monitoring information and communication commerce in 2009), German Ministry of Economics / TNS Infratest.