

Evaluation Level of Competition in the Market for Internet Trading

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Abstract: The main competitive advantage of online stores as well as traditional retail stores is the number of visitors and their confidence. Unlike traditional forms of trade online competitors are just a click away from each other. Internet shops can be divided into two categories: retail offlay-new business and purely virtual stores. More recently, the majority of off-line sellers are not interested in the benefits of e-Commerce, so, their sales through the Internet have been dwarfed by the actual turnover. Small and medium-sized off-line company started its business in order to SETIS diversify and expand markets. Recently, however, off-line players are actively entering the electronic market and tend to occupy a leading position on it which leads to increased competition in this market.

Key words: Off-line retailers, online stores, e-Commerce, competition, competitiveness

INTRODUCTION

To assess the level of competition in the domestic market of e-Commerce, not necessary to use not only quantitative but also qualitative indicators. The main quantitative indicator is sales online retailers for the year. Also takes into account information about the average check, conversion as well as data on the methods of payment and delivery. Formation of strategy and infrastructure competitiveness as well as the Russian market of information technologies has the features of the development (Askhatova *et al.*, 2013; Bagautdinova *et al.*, 2014; Gainova *et al.*, 2013).

MATERIALS AND METHODS

Investigation of the factors of market competition is essential for the development of the national economy (Berry *et al.*, 1999; Vickers, 1995; Mia and Clarke, 1999; Owen *et al.*, 2007; Auerbach and Skott, 1988; Samiee, 1994). To assess the level of competition in the market of e-Commerce Russia following methods were used: the method of comparison, the index method, the Herfindahl-Hirschman Index (Owen *et al.*, 2007; Feld and Grofman, 2007; Goyal and Park, 2002). Comparison method allowed us to determine the rating of online stores such important quantitative and qualitative indicators as the volume of sales, the average size of purchase receipt, payment methods, shipping and delivery of geography. To assess the degree of market concentration, the proportion of retailers in this market was used Herfindahl-Hirschman.

RESULTS AND DISCUSSION

For the ranking of online retailers have been used, good-willingly submitted their data for the following quantitative indicators: sales volume and average ticket size. These data provided the following online stores: “Zakazhi 24” Ozon.ru, Sapato.ru, Boutique.ru and “Yutinet.ru.” Many online stores have reported only the number of visitors to the site or the number of orders, the size of the deviation of sales. Off-line retailers reported share of online sales in total sales of the company.

Among the stores that combine features of offline and online stores were found three leaders: St. Petersburg retailer “Yulmart” won first place. He began his work in the format of an electronic catalog at the shop-warehouse. Now the retailer has 10 full-warehouse store in St. Petersburg, Moscow, Krasnodar, Nizhny Novgorod, Rostov-on-Don, Kazan as well as 65 points of issue “Yulmart-outpost”. This retailer is to use a hybrid model of trade: buyers make choices on the internet but take the goods yourself. Second place went to the retailer “Citilink”, FMCG-third hypermarket “Utconos”. Starting with a table of orders and issuing network of hypermarket “Utconos” launched ordering system through the site and courier delivery. Thus, he came to the format of the online supermarket. But still working within the Moscow Region, he risks to cede its leadership online megastore Ozon.ru which makes extensive use of regional marketing.

Great chance to break into the leaders have Enter and e5 (project X5 RetailGroup) also thanks to regional

Table 1: Economic characteristics of online stores

Quantitative indicators					
Retailers	Range	The average annual turn-over (billion rub.)	Pace growth (%)	Market share (%)	Rating
Kupivip.ru	Clothing, shoes, ak-sessuary (fashion)	5.81	100	6.10	6
Ulmart.ru	Digital technology, electronics	9.60	98	10.12	1
Lamoda.ru	Clothing, shoes, ak-sessuary (fashion))	3.10	-	3.11	8
Citilink.ru	Household appliances, electronics	9.42	200	9.92	2
Quelle.ru	Clothing, shoes, ak-sessuary (fashion)	2.77	-21.30	2.95	9
Utconos.ru	consumer goods (FMCG)	9.35	0.64	9.43	3
Komus.ru	Office supplies	4.12	260	4.32	7
Holodilnik.ru	Household appliances, electronics	7.10	70.20	7.36	5
Ozon.ru	Household appliances, electronics, clothing, shoes, accessories, digital products, electronics, consumer goods, services	8.88	78.10	9.32	4

marketing. As an exemplary online hypermarket Ozon.ru introduced to the market of online trading new format and broke away from the other players. It should be noted also that most online stores specialized on the segments of fashion, cell phones, appliances and computer equipment.

In the market of household appliances, computers, cars and electric goods high dynamics of development showed “Utinnet.ru”. Rating assessment were subjected to retailers which are multi-brand stores. However, the rating changes and one of the leaders of online market nominated single-brand stores. For example, brands of consumer electronics and the clothing chain (FinnFlare, Incity, KiraPlastinina, Sela). It is known that while only 8% of Russian internet customers regularly buy goods online stores specific brands whereas, for example, in the UK 28% of buyers. Rating estimation of diversity of payments showed that leaders are Ozon.ru and Sotmarket.ru. They offer their customers all the existing methods of payment: cash, credit cards and electronic money.

Sapato.ru and Dostavka.ru. used six methods of payment: cash, bank cards, bonus cards, credit cards, bank transfer (for legal entities), gift cards. In general, online stores are used from two to five payment methods. The most popular way is to pay cash to the courier. In second place credit cards with the ability to pay them both online and courier, the third electronic money. Retailer Quelle.ru is an outsider in terms of possible payment methods. It applies only cash on delivery through the “Mail of Russia”. The delivery method is also one of the most important criteria rated online stores. Most online stores deliver to all regions of Russia (except for e-commerce bulky goods).

On a variety of delivery methods used by leaders of the goods are Sapato.ru and Sotmarket.ru who use the delivery of goods by courier or mail as well as provide an opportunity to its customers to get the goods on their own point of issue or at the post office. Only use courier retailers holodilnik.ru, pleer.ru, notic.ru. The combination of delivery methods depends primarily

on the specific features of the products. Assess the degree of market concentration retailers using their economic characteristics (Table 1). Assessment of the competitiveness of online stores hold using the concentration index of the first n-shops and Herfindahl-Hirschman. Concentration index of the first n-stores (CR_n)-otrazhaet cumulative market share of the first n- market-leading stores:

$$CR_n = \sum_{i=1}^n S_i, \quad 0 < CR_n \leq 1$$

where, S_i is a share of the store in the market. If CR_n insignificantly deviates from 0, the market is characterized by low concentrations. If the index CR_n is close to unity, then the market is highly concentrated:

$$CR_n = 0.101+0.099+0.094+0.093+0.073+0.061+0.043+0.037+0.031+0.029 = 0.661$$

The resulting index value of the first n shops size 0.661 witness a high level of concentration in this market. The Herfindahl-Hirschman index is calculated as the sum of the market shares of n-shops:

$$HHI = \sum_{i=1}^n S_i^2$$

S_i parameters can be expressed sales share the ith store in total sales in the market. If we denote the total sales in this market through Q_i while sales of ishop through the Q_i, then the Herfindahl-Hirschman index will acquire the following form:

$$HHI = \sum_{i=1}^n (Q_i / Q_t)^2, \quad 0 < HHI \leq 1$$

HHI index reflects information about the size of all the shops in this market. If HHI near index to 0, the market

there are many relatively small stores. If its value is close to 1 then the market is dominated by one large trading network. For monopoly $HHI = 1$. To calculate this indicator construct an auxiliary table (Table 2):

$$HHI = 0.0102 + 0.0098 + 0.0088 + 0.0086 + 0.0053 + 0.0018 + 0.0013 + 0.0009 + 0.0008 = 0.0512$$

The Herfindahl-Hershman = 0.0512. Value of the index indicates a high competitive strength as well as onizkoy market concentration which contradicts the terms of the concentration of the first n shops. This is due to the fact that the previous figure is not able to inform about the relative share of the largest magazinovna market. In relation to online trade are important indicators of competitiveness and quality indicators: delivery method payment method, delivery geography. The data for these indicators are shown in Fig. 1. From the Table 1, it is clear that the most competitive in terms of payment methods are Ozon.ru and Komus.ru. Providing a diversity of potential buyers payment methods, these online stores strengthen its position in the market of electronic commerce. The least attractive in terms of this criterion is

an online store Quelle.ru which is used to pay a delivery charge. In terms of delivery methods leading position occupied Ozon.ru and Lamoda.ru and the least attractive in this category were Holodilnik.ru and Komus.ru. Competitive analysis of online stores based on the geography of deliveries has shown that the vast majority of e-commerce stores cater for all federal districts, except Ulmart.ru, Citilink.ru and Komus.ru who chose a priority only some regions. A Utconos.ru sells its products only in the territory of Moscow and the Moscow region. It should be noted that the online megastore Ozon.ru has greatest chance of long-term development of both qualitative and quantitative criteria.

Table 2: Reference table for calculating the index HHI

Retailers	S_i	S_i^2	Rating
Kupivip.ru	0.061	0.0037	6
Ulmart.ru	0.101	0.0102	1
Lamoda.ru	0.031	0.0009	8
Citilink.ru	0.099	0.0098	2
Quelle.ru	0.029	0.0008	9
Utconos.ru	0.094	0.0088	3
Komus.ru	0.043	0.0018	7
Holodilnik.ru	0.073	0.0053	5
Ozon.ru	0.093	0.0086	4

Economic characteristics of quality indicators retailers		
According to the method of payment	According to the method of delivery	Geography of deliveries
Cash courier: Ulmart.ru, Citilink.ru, Utco-nos.ru, Ozon.ru, Holodil-nik.ru Kupivip.ru, Komus.ru, Lamoda.ru. Credit card: Ulmart.ru. Electronic money (Yandex-money, WebMo-ney): Ulmart.ru, Holodil-nik.ru, Ozon.ru, Kupivip.ru, Komus.ru, Lamoda.ru. Credit card: Citi-link.ru, Utconos.ru, Ozon.ru, Holodilnik.ru, Kupivip.ru, Komus.ru, Lamoda.ru. Cash on delivery: Ozon.ru, Komus.ru, Lamoda.ru, Quelle.ru. Bank Transfer: Ozon.ru, Komus.ru. Postal Order: Ozon.ru. Payment terminals: Ozon.ru.	Courier delivery: Ulmart.ru Citilink.ru, Utconos.ru Ozon.ru, Holodilnik.ru, Kupivip.ru, Komus.ru Lamoda.ru. Pickup: Ulmart.ru, Citilink.ru, Utconos.ru. Ozon.ru, Lamoda.ru, Quelle.ru. Mail: Ozon.ru, Kupivip.ru, Lamoda.ru, Quelle.ru. Post offices: Lamoda.ru.	Central, Northwestern, Southern, Volga Federal District: Ulmart.ru, Citilink.ru; Central, Northwestern, Southern, Volga, Siberian, Ural Federal District: Komus.ru. All federal district: Ozon.ru, Holodilnik.ru, Kupivip.ru, Lamoda.ru, Quelle.ru.

Fig. 1: Economic characteristics of quality indicators retailers

CONCLUSION

Currently, the share of e-Commerce in the total volume of Russia's trade is about 2% and the recognized leaders, Britain and the United States, it exceeds 10%. According to the forecast of the company Cushman and Wakefield online market in Russia will grow annually by 20-30% and by 2020 its share will amount to 6-8% of total sales. The main limiting factors for further development of e-Commerce in Russia is the infrastructure and logistics. Many global Internet giants are preparing to enter the Russian market. However, while they plan to trade in Russia exclusively electronic content that can be attributed to problems with logistics (shipping and payment). However, US experts have found that e-commerce serves as a stop inflation. Therefore, in the context of the global financial crisis, it is useful to actively develop.

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