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PROBLEMS OF AND PERSPECTIVES TO ELECTRONIC B2B TRADE ON THE BASIS OF BULGARIA

Abstract: Development of information and communication technologies led to coming of the virtual market, which creates the foundations of expanding the opportunities for profit and growth and outlines new business horizons, gradually deleting geographical boundaries. The report analyses incoming qualitative changes in the field of marketing and electronic B2B trade, caused by the wide entering of modern information and communication technologies in economy, and presents the problems of and perspectives to electronic B2B trade in Bulgaria.

Key words: Electronic B2B trade, e-Services, *Smart Label, Bulgaria*

Introduction

Since the 60s of 20th Century, enterprises gradually have transferred to a new technological manner of production, in the beginning related only to automation of operational processes, and today also to development of communication networks and connection, having various shape and scope, (the so called networkizing of organizations). In other words, revolutionary development of automation is being observed, as an operational aid, which allows enterprises to operate faster and incur fewer expenses, from computer networks, connected in a global network, leading to coming of a virtual market, which created the foundations of expanding the opportunities for profit and growth and outlines new business horizons, deleting gradually geographical boundaries. The new virtual market, as the information therein is a key strategic resource, is inextricably bound up with the traditional market. A great variety of activities have been formed on the virtual market up to now, such as the Internet (e-) service (such as ICQ, e-mail), e-mail intermediary (information portals for searching of information, information online-references), etc., however, the most important is development of electronic trade. In experts' opinions, the profile of Business to Business of electronic trade has the opportunity of being developed for many times more than the profile of Business to Customer, if organizations should adopt innovation manners of management of supply in a strongly digitalized environment and when they should apply innovation marketing tools for attracting and keeping business clients. The aim of this research is analysis of coming qualitative changes in the field of management of supply and marketing of electronic B2B trade, caused by the wide entering of modern information and communication technologies, as well as to present the problems of and perspectives to electronic B2B trade in Bulgaria. One should have in mind that the problems in the report are being analysed while having in mind the maxima that they, in fact, are very well masked business opportunities, which might lead to as to increasing of effectiveness, as well as to profits from electronic B2B trade.

Nature and particulars of e-Services in electronic B2B trade

An important factor for the success of B2B trade is creating of an effective service policy. Offering of services in electronic business, in contrast to the traditional business, is only information services and services, guarantying security and convenience to the client. Offering of information services in electronic business is related to before-sale services and they are also defined as *Penalty-Services*, since the lack of such a service makes clients feeling unsatisfied

and in most of the cases upon next purchase, they should choose products of organisation's competitors, especially when it is a question of purely virtual organizations, or the so called dot-coms. Offering of services, which guarantee security and convenience to a client, is related to *Reward-Services*, and its lack has not been evaluated negatively by clients, however, its availability helps the organisation to build its positive image and satisfy more completely its clients. It is mostly in the cases when it is a question of the so called *clicks-and-bricks*, which stake on priorities, as the traditional, as well as electronic businesses.

Offering of information services in electronic business is related to information of logistic, technical and financial services, offered by the organisation and typical for the traditional policy of offering of services. In other words, in its Web-site, the organisation may inform whether it could render installation and start of the product purchased, provide for the complete set of necessary technical documentation, or whether it could offer repairs in case of need, delivery of spare parts, or render various manners of financing the purchase, such as leasing contracts, credit, etc.

To the services, which guarantee convenience to a client in electronic business, there are related automation systems of rendering assistance upon choosing of a product and the means for facilitating the contact between a user and a seller. One of the most often used tools of *eService*, which guarantee security and convenience to a client and by which means the contact between a consumer and a seller is being facilitated, is the tool of *Frequently Asked Questions -FAQ's data base*. The tool of *Frequently Asked Questions -FAQ's* is a simple and cheap way because a client may obtain an answer to questions, arisen in the course of purchasing. *Frequently Asked Questions -FAQ's data base* has been built according to the scheme of questions-and-answers as the client chooses a question, and the respective preliminary formulated and saved answer is shown to that question. For being effective, that tool of *eService* is especially important to be saved in the Right Questions Data Base, i.e. those ones, which have been more often asked by clients, for example in the *Call Center or by E-mail*. Another often used tool of *eService*, by which mean the contact between a user and a seller is being facilitated, is providing the opportunity of a feedback by e-mailing to the organisation. The advantage of that tool of *eService* is that in one and the same time it saves telephone expenses as to clients, as well as to the organisation.

The tools of *eService*, which are very effective and which guarantee convenience to a client in B2B trade are those ones, which assist the client upon their choice of a product. Yet, the Internet client has no physical contact with the goods for evaluating its qualities. One of automation systems for rendering assistance upon choosing a product in Internet, generates individual recommendations or advices each client, based on the information, gathered for the client's preferences and correlation of his preferences to other clients' preferences (*Collaborative Filtering*).

Such a system of generating individual recommendations is being used for example by the Profibooks.com Bulgarian Electronic Bookshop after the example of the biggest electronic bookshop *Amazon Electronic Bookshop*. The system operates in the way, as follows: if Client A has purchased for the first time similar books as the Permanent Client/Patron B, it is long odds that the new title, purchased by Client B would be also of interest to Client A, and the system generates automatically recommendation to Client A, based on the choice of Client B, and the fact that preferences of Client A and Client B are similar. Finally, Client A is being given the opportunity to assess the recommendation, which he has obtained, to what degree it corresponds to his requirements and wishes.

A good automated system for rendering assistance upon choosing of a product in Internet is that one where the so called *Content based Filtering* is used. Upon that system, the organisation strives for facilitating the client's search of a product, suitable for him, or a service among lots of offers, as it automatically compares entered or already saved in the profile of the client preferred features of a product and/or service with those features of the offered one. Be means of the *Content based Filtering Automated System*, the organisation strives for recommending the client such a product, which is able to possess all features, to which the client attaches importance to. Attachment "Expert" of Internet-website of Technopolis (www.tehnopolis.bg) supports the client to make the right choice as the system searches the most suitable

goods for the client after the parameters, preliminary asked by him. After obtaining the result from a few products, the client may mark the products, which he would like to compare with. After pressing the Compare push-button, the system leads him to a new page, where there the products have been compared in a form of a table. An interesting modification of *Content based Filtering* Automated System are *Web-sites*, which make comparable price analysis and give free-of-charge information to users, where it is more beneficial to purchase the respective goods or service. Very useful for the Bulgarian Internet-users is the Internet-site www.creditland.bg, with the help of which Internet-users may choose from the most suitable for them credit in comparison with the financial products of various banks.

The convenience of management of supply in electronic B2B trade guarantees the constantly wider use of the new identification technology of goods (*Radio Frequency Identification*) by building the so called *Smart Label* on their package. The main advantage of *Smart Label*, compared with the barcode, is that it allows the data, contained therein, to be reached and processed from a distance, as well as *online*. For tradesmen, it means trouble-free, without a visual contact, they may trace the movement of goods, as in the store, as well as in the wholesale or retail shop, and thus easily to manage the stock of goods.

Problems of and perspectives to electronic B2B trade in Bulgaria

A problem in development of electronic B2B trade in Bulgaria is security of enterprises and employees operating computer equipment. According to the National Statistic Institute, for the period of 2004 to 2006, a considerable growth is being observed in coming of computers into Bulgarian enterprises (fig.1).

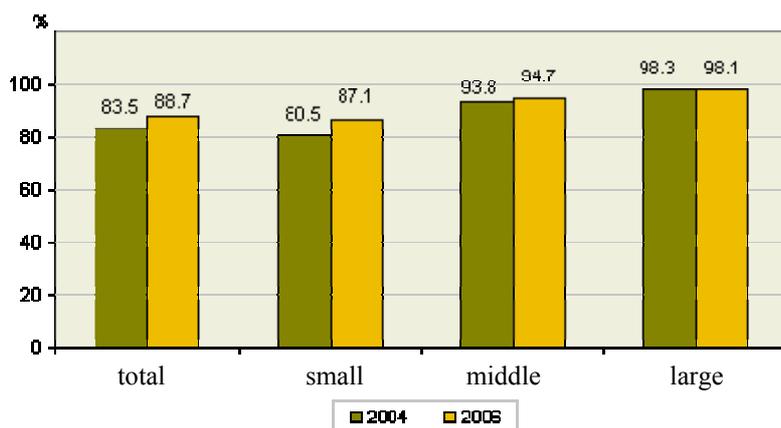


Fig.1: Percentage of enterprises, used computers in 2004 and 2006

The general trend of increasing the number of computers in enterprises is confirmed by the reached growth of 5.2 % within two years. The most considerable growth of 6.6 % of using computers is observed in small enterprises. With the purpose of increasing the productivity of enterprises, there is the need of using computers, which places on the leaders' positions the enterprises employed 50 in Bulgaria, which are best equipped with

computer engineering technologies. The data state that 98.1 % of big enterprises, employed more that 250, used to have computers at 31 January 2006. According to the National Statistic Institute, for the period of 2004 to 2006, enterprises, which used computers, disposed of also a wide range of information and technological networks, and in 2006 every second enterprise disposed of a local network of LAN (54.8 %). A growth is being noticed also in increasing of the share of enterprises, which dispose of a built-in Internet networks for internal use (6.9 % for two years). A growth is coming up in using of expensive, but reliable and guarantying fastness and security wireless LAN (12.3 % for two years). The extension of Intranet, which allows a partial coded access of external users to the network, or the so called Extranet, is the most met in computer systems of biggest enterprises (15.6 %).

Internet connection also marks some better grounded changes. According to the data, published by the Eurostat, for EC member countries, 94 % of enterprises in the Community have access to Internet, and the first placed are the Scandinavian countries, Iceland (99 %), Finland (99 %) and Denmark (98 %). The data for Bulgaria state that from enterprises, which used computers in January 2006, 84.3 % had access to Internet (fig. 2). In 2006 there was a new trend of coming up of a growth of 10.3 % in comparison with 2004 of enterprises, which were connected to the global network. From the big enterprises, employed more than 250, 97.9 % showed up with their presence in Internet in 2006.

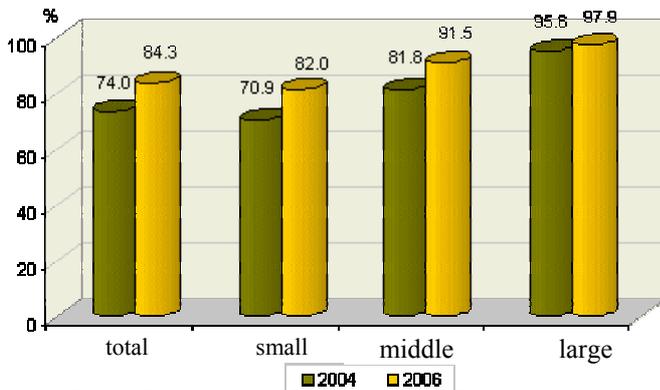


Fig. 2: Enterprises, which used Internet in 2004 and 2006.

Using of DSL access in Bulgaria is not an established practice yet, since at the very beginning of 2004, BTC/Bulgarian Telecommunication Company official announced the start of ADSL service to all users. For the time being, five packs are being offered, including two for home, and three for business users.

In Bulgaria, according to a research of Vitosha Research, since 2004, nearly the half (47%) of enterprises with computers maintain that they had been using database. Probably, a part of them, rather meant an organised data system was being used in enterprises, mostly under Excel and formal organisation of directories with files. A research of the National Statistic Institute shows that for 2004 almost one-fourth of the companies in Bulgaria (24 %) have booked Internet space and their own *website*. The largest companies are most active by showing 55 % business presence in the net, most often used for advertising of their products and presentation of catalogues and updated price information. Small companies (from 10 to 49 employees) demonstrate 22 % business presence in the net, and the average-size companies (from 49 to 249 employees) 34 % business presence in the net. The reasons of the limited use of Internet as means of making business are complex, a part of them being the very low level of connection and working speed in Internet, as well as the not well enough

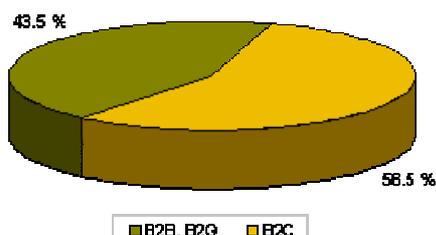


Fig. 3: Sales of enterprises, performed by Internet, according to types of clients in 2005.

developed system of electronic settlements, etc. In 2006, enterprises in Bulgaria used more often Internet with the purpose of banking and financial services (53.4 %), while in 2004, the most preferable service was marketing (61.6 %). In this year, 46.9 % of enterprises use Internet on purpose of marketing, with the purpose of their business, for researching offered products, services and their respective prices. Enterprises more often trust to Internet for making use of offered digital products (25.1 %).

According to the NSI, for the period from 2004 to 2006, concerning performed on-line sales of enterprises according to types of clients, the data state that 43.5 % of enterprises had dealt with other companies and public sector (fig. 3).

Conclusion

Internet marketing may guarantee the success of electronic B2B trade only if focusing more on particular clients and building a good system of offering services, which should replace to a certain degree the sales personnel (account managers), who play a key role in traditional market exchange. The most typical trends in the field of Internet usage in the business in Bulgaria are: The size of enterprise as a main factor for using computers in business, as well as its connection to Internet; The share is little of enterprises, which have information technological systems of management of orders or purchases, connected automatically to other information technological systems; The share is little of electronic B2B trade in Bulgaria. Bulgarian producers do not use effectively the advantages of the electronic B2B trade yet; however, the most important is that organisations may save if they perform their purchases on-line since they have the opportunity of replacing high cost sale visits by cheaper channels of contacts as they should build extranets with their key clients.

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