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INFLUENCE OF EUROPEAN INTEGRATION PROCESSES ON THE UKRAINIAN E-COMMERCE MARKET

The paper provides the overview of the modern trends of the Ukrainian e-commerce market and compares the specific features of its development with the practice of EU countries. It defines the key drivers and restrictions of the domestic e-commerce market. Based on the influence of European integration processes, the paper provides the recommendations for the further development of the national e-commerce market.

Keywords: e-commerce, e-commerce market, online technology, European integration.

The development of the Ukrainian e-commerce market as well as the national economy as the whole is significantly influenced by the European integration process. Therefore, it is necessary to analyze the current state of e-commerce market in Ukraine and compare it with the practice of EU countries to identify the key areas for its further development.

The following paper is aimed to provide the overview of the key trends and prospects of the Ukrainian e-commerce market in the context of European integration.

According to Ecommerce Europe, Ukraine is among the top 5 leading European countries in terms of the market growth in 2014 (Fig. 1). In fact, in 2014 the Ukrainian market growth was estimated as 21.6% compared to 48% for the relevant period in 2013 was. However, the general market growth rate in Europe and Ukraine is characterized by the slowdown [2]. The abovementioned trend is caused due to the unstable economic and political situation in the country, the devaluation of the national currency, which led to the decline in the purchasing power of the population as well as the partial loss of markets (temporarily occupied territories) etc.

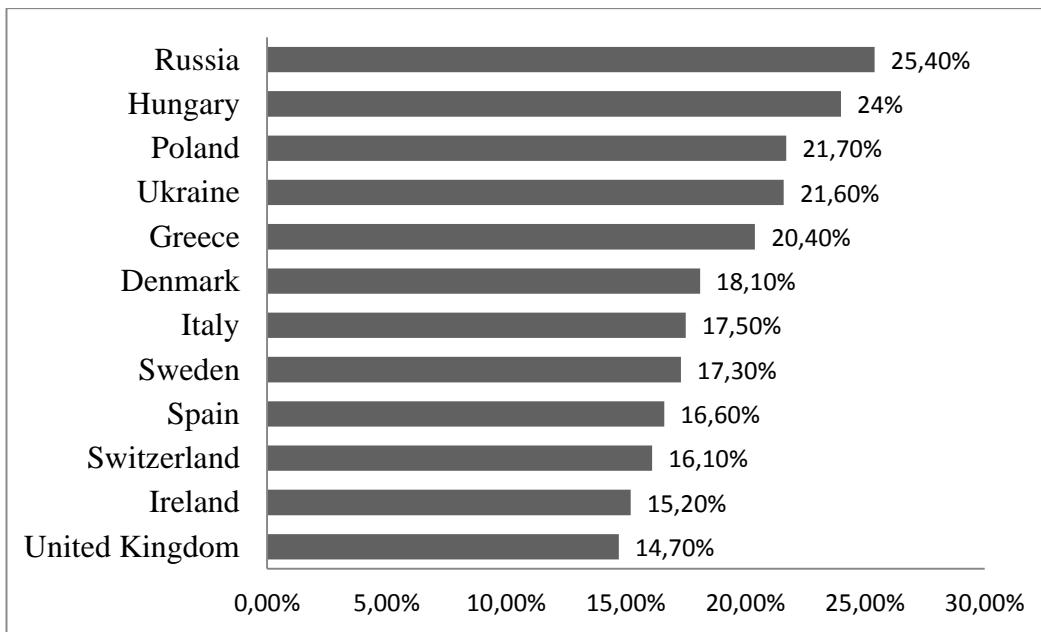


Fig. 1. The rating of e-commerce market growth in Europe [2]

Despite the abovementioned negative factors, the key driving forces which assure the growth e-commerce market in Ukraine imply the following:

- The consumers' transition from offline to online markets.
- The differentiation of the products' range, improvement of the service quality and increase of the competition due to the emergence of the new local and international players (Topmall, Choos, Pufetto, Bazzilla, Lamoda etc.).
- The entrance of the venture capital investors into the market.
- The diversification of the distribution channels based on the increase in the share of sales through the mobile sites and applications.

Despite the current economic, political and social problems, the rate of the Ukrainian e-commerce market growth is significantly higher than the average in the EU and Europe in 2012-2014 (Table. 1). The abovementioned as well as the European integration process prove the significant prospects of the Ukrainian market for the further development. However, it requires the additional support of the governmental authorities to assure the stabilization of the political situation as well as attract the investors to the region.

Table 1
The dynamics of the e-commerce market growth in Ukraine, the EU and Europe in 2012-2014*

Region	Market size in 2012 (bn. euro)	Market growth in 2012	Market size in 2013 (bn. euro)	Market growth in 2013	Market size in 2014 (bn. euro)	Market growth in 2014
Europe	312	19%	363,1	16,3%	423,8	14,3%
The European Union	277	18%	317,9	14,7%	368,7	13,7%
Ukraine	1,25	47,1%	1,850	48,0%	2,25	21,6%

*Developed by the author [1, 2]

Due to the lack of infrastructure (especially in the rural areas), the Ukrainian e-commerce market suffers from the significant difficulties [3]. In fact, Ukraine belongs to the top 5 European countries with the lowest number of Internet users (Table. 2). Thus, the e-commerce market is more developed in the large cities.

Table 2
The number of Internet users in Europe*

Country	The number of Internet users in 2013 (million)	Percentage of the population (as of 2013)	The number of Internet users in 2014 (million)	Percentage of the population (as of 2014)
Russia	84	59%	85,0	59,2
Bulgaria	4	56%	-	-
Romania	11,7	55%	10,3	51,7
Ukraine	22,7	50%	17,1	37,9%
Turkey	34,7	46%	35,7	46,6%
Greece	-	-	6,3	57,8%

*Developed by the author [1, 2]

While comparing the development of e-commerce market in Ukraine with the practice of European countries in 2012, it should be mentioned the gap between Ukraine and the UK, Germany and France in the key indicators (Table. 3). The statistics of 2012 has purposefully been taken as the benchmark due to the specifics of the current geopolitical position of Ukraine, i.e. the violation of the territorial integrity and economic downturn of the country can't be considered as the reliable factors to the objective and realistic assessment of the prospects of the Ukrainian e-commerce market.

Although 48% of the Ukrainian e-commerce market growth in 2012 belonged to the one of the highest in Europe and much intense than the growth rate in the UK, Germany or France, the quantitative indicators prove the considerable weakness of the domestic market. The volume of the market is in 76 times less and the expenditures per capita in 5 times less compared to the leader in the region).

This trend indicates that the number of e-consumers in Ukraine is much lower than in the EU due to the low level of Internet usage, the distrust to the online payment systems, etc.). The low level of expenditure per consumer is caused by the low purchasing power and the decline in dollar equivalent income, making people to focus on the meeting of the basic needs.

Table 3
The key indicators of e-commerce market in Ukraine and EU countries (2012)*

Indicator / Country	Ukraine	UK	Germany	France
E-commerce market turnover (bn. euro)	1,25	96	50	45
Share of e-commerce market sales in total GDP	0,9%	5%	1,88	2,21%
Market growth	48%	22,4%	21,6%	19,4%
The average annual cost of one e-buyer	510	2466	1351	1400
The share of e-commerce in the overall turnover	1,3%	13,7%	6,6%	4,5%

*Developed by the author [1]

The high rate of e-commerce market growth is caused due to the following factors:

1. The EU e-commerce market is characterized by the substantial development, which is coordinated and regulated by the legislative system of national regulations and EU Directives.
2. The Ukrainian e-commerce market is at the initial stage of development. Thus, the market growth rate is higher than the average in Europe due to the following aspects:
 - The gradual development of market infrastructure, i.e. the implementation of 3G technology, the introduction of new payment solutions etc;
 - The transfer of the offline shoppers into the online shoppers to save cash.

Based on the abovementioned, it has been determined that the key restrictive factors of the e-commerce market imply the following:

- The low purchasing power of the consumers;
- The unstable economic and political situation in the country, inflation and stagnation of the national economy;
- The insufficient infrastructure of the market.

Taking into account the specifics of the European integration processes, the following steps are recommended to assure the further growth of the Ukrainian e-commerce market:

1. The stabilization of the economic and political situation in the country;
2. The attraction of the additional investments into the market infrastructure;
3. The creation of the favorable tax conditions for the businesses;
4. The adjustment of the national legislation to the EU Directives as well as the Ukraine–European Union Association Agreement and potential prospects of Ukraine as the EU member state.

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