**European Polytechnic Institute, s.r.o.**

# BACHELOR WORK

**2004**                                                                                **Martina Matějková**

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## Subject: Management and marketing of foreign trade

# DEVELOPMENT AND USE OF ELECTRONIC COMMERCE
# IN THE CZECH REPUBLIC

**(Bachelor work)**

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**Introduction**

For my bachelor work I chose a permanent to today's world „Development and use of the Internet", focused on customers market. We are at the beginning of the 21st century. Information technology and computing technology is around us and becoming an indivisible part of our lives. Expansion of the computers, nets and mobile solutions have achieved huge dynamic over the last 40 years, which we can economically compare to installation of electric energy.

The Czech Internet was and still is discovering new kinds of electronic shops and virtual shop canters, of great variety. The first inspiration was taken from foreign models but this influence is becoming less important as we learn form our own experience in creating original and imaginative outlet designed specifically for Czech customers.

In my bachelor work I'll engage the problem in the next development of the Czech e-business oriented on sale commodities to end customers in the consumer's market.

At the end of my work will be the basic information about the present environment of the Internet to direct ways, which is taking development of the Internet population and which makes end part of potential customers in virtual shops. And in association with this I'll try to describe future opportunities in part of assortment policy of the Internet distribution make for end customer. I'll try to characterize development of communication and communications technology and possibilities of propagation e-business and in not least line I'll engage to problematic of the structure Internet's shops.

Internet is a dynamic medium with significant capacity and task of this work will be describe in short horizon trend, which will Czech Internet consumer's market go after.

*„Internet je odrazem fyzického světa. Odraz není kopie, která je věrná, ani obraz, který něco převezme a něco vynechá; odraz povinně převezme vše, ale přetvoří si to podle svého – a dokáře si přidat leccos svého. Pravděpodobně vše, co existuje ve fyzickém světě, bude odraženo světem internetovým; Internet je zde až pozoruhodně vynalézavý – vždy očekávejte, že je to trošku říše za zrcadlem, kde se fantazii (díky technologii) meze nekladou.“*

Jiří Hlavenka

Conclusion

In my bachelor work I have described new possible directions of development of Internet electronic shopping on the Czech Republic's consumer markets. This theme appealed to me especially for the reason that I'm interested about the Internet and its opportunities and potential.

In the process of formulating this project on the above mentioned problem I gained a lot of new information about the current state of Internet commerce, and also about ways of its next development. Problematic was perhaps only the disparateness, and also the dividedness of the individual available data in the case of specific and incomplete Internet research.

I see the aim of my work as described in the prognosis about the development of specific areas of the Internet store, but also the development of electronic commerce on the Internet as a whole.

I believe that I have prepared space for future students, who can, in the near future compare my conclusions with the new future e-commerce situation, and they will be able to describe subsequent development. The Internet environment is so dynamic that their comparisons will have their own significant impact.

**Index**

**1 Environment feature**

**„People change Internet or Internet changes people?"**

*Anonym*

## 1.1 Internet characteristic

Below name „Internet" is today very often understand first of all as most supplemented application, World Wide Web (next only WWW) and in common situations is Internet mostly change in meaning with this service . Is not good to imagine that in few years will dominate to Internet services like we know them today. During economical (management) qualification is good to think about Internet in width-ranging.

*Basic character:*

**Global**

One of the Internet's characteristic is global expanse. In perspective with the other media (e.g. television, radio) the Internet is not the first global media. Main new attribute for these services it is price. Till now global expense of all traditional media was expensive. On the other hand the Internet as media offers its global expanse for free, as a part of its services. Every contribution we enter is reachable from the whole Internet. Situating application on the Internet cost no more than situating application locally. So the Internet is exactly a global medium in its own right. Next new factor of global expanse is in a way of view. Net (Internet), we can see is the same all over the world.

**Swiftness**

When we talk about electronic media we consider all public services in real time. All changes are seen in the same places and in the same time.

**Automation**

The third main character is ability to automate things. This ability is made exactly by connection of an unlimited number of computers in one net. We as users often forgot this aspect when we use the Internet and use it like an elongated hand for easily communication. But if we let needed requests make by application service, we use at the options of net. E.g. searching service of the Internet, this part makes for us technology. At this time there is a big reserve in this automation area which can solved only predetermined operations.

*Factors of development:*

Consequences of the Internets dynamic development we can find in two main levels: in the growth of users bases, thanks to this growth mass of this media (namely chapter users) and in making better of use technology, which comes in growth of automation (concrete technology are not part of my analysis, I only mention their meaning and trend).

At this time we are at the beginning of change. Extensibility between users is growing at a very interesting level for commercial use (more than 15 % of inhabitants and around 90 % of active companies) and technology possibilities of use are excellent. I would like to describe this automation mainly in part devoted to electronic commerce and its applications in retail (B2C – business to consumer – business focused on end users) and wholesale (B2B – business to business – mainly wholesale background kind of business between entrepreneurs).

## 1.2 Origin and development of the Internet

At the beginning of the 60´s at the time of the Cold War was born thing to create a net which can connect most important academic, states and strategic computers. This net was drawn up for reliable operation without main control center and had to be able work in case that some of the pack is not able to work, e.g. in ramification of army action.

In August 1969 in the USA the first was introduced net, called ARPANET with four packs and step by step other connections were made to the net, firstly universities and from 1973 moved to include the European continent. In 1982 was the complete development of the communication port TCP/IP and in 1989 was developed on land Institute physic of corpuscle CERN hypertext document, where can be marked words refer to another documents place on another pack of the net, which is physically on another continent. From 1990 when is for this net standardly use protocol TCP/IP has starting call „Internet" and at this time also CERN for its own need made programming set, which was called Web (cobweb). Web for its advantages had very fast extended and today is imagine in form World Wide Web (www = universal cobweb) most use part of the Internet. In 1992 appeared graphic browsers, which allows the view pictures joined to the text. Just being of www and together with development of personal computers, attracted on the Internet millions of new users and this boom starting developed in year 1993 more intensively also in commercial part.

At this time access to the Internet servers several hundreds millions of people around the whole world and it is still growing.

## 1.3 Beginning of the Internet in Czech Republic

In 1990 the center for Czech technology study (ČVUT) in Prague, was connected to a European scientific net EARN (European Academic and Research Network). Official date of connection of ČSFR to the Internet was introduced in November 1991, when ČVUT made

first experiments with Internet connection to Linz. In the next year the Ministry of Education provided 20 millions crowns for constructing a root network between university towns.

Development of Internet services for the public begun in CR after the 1995. The next boom of Internet in CR was in 1999 thanks to the completed public telephone network digitalization, set in up cheaper rates for Internet connections, thanks also to cheaper computers and the establishment of free Internet providers.

**Tab. 1.1 Stage of Internet development in Czech Republic**

| Time | level | Character |
|---|---|---|
| 1991-1995 | Academics | Internet was for academics and no commercial activities were realized. In spite of this part was very important for the business development, because from these users commercial growth was established. |
| 1996-1999 | popularization | At this time penetrated most of the popular sites, many of companies make their Internet presentations. Internet is coming to the institutions, companies and slowly into households. The number of people who use Internet grows. Internet marketing activities are still separate from marketing activities uses until this time. |
| 1999 - ???? | Integration | Czech Internet becoming commercially interesting. As symbolic beginning of this stage we can consider sale of Seznam in 1999/2000. This stage is most characteristic for reinterpretation of Internet business presentations. Companies change their static sites for making money and not for spend. Next characteristic is integration Internet marketing activities in to marketing mix. Advertisements running on the Internet. |

Source: P.STUCHLÍK, M. DVOŘÁČEK. Marketing na Internetu. 1. vyd. Praha: Grada Publishing spol. s.r.o., 2000.

## 1.4 Comparison between traditional media and Internet

Internet is relatively new media and its opportunities open new, remarkable markets. Internet has many specifics, which make differences from the other until today use media and this specifics offers advantages for the Internet users. Next tab balances parameters between traditional media and service WWW, main technology Internet tool.

*Tab. 1.2 Comparsion between traditional media and Internet*

|  | urgency | Clearness | Package identification | Response speed | Cargo (CPM) | Production cargo | Penetration of basic markets |
|---|---|---|---|---|---|---|---|
| **TV** | High | Very high | Good | High | High | High | Very high |
| **Radio** | High | Low | Very low | High | Low | Low | Very high |
| **Magazines** | Low | Middle | Very high | Middle | Middle | Middle | Middle |
| **Newspaper** | Low | Middle | Good | High | Middle | Middle | Very high |
| **Billboards** | Very low | Very low | Good | Middle | High | High | High |
| **WWW** | Low | Very high | Very high | Very high | Low | Low | High |

Source: P.STUCHLÍK, M. DVOŘÁČEK. Marketing na Internetu. 1. vyd. Praha: Grada Publishing spol. s.r.o., 2000.

**Urgency** is media measurement of persistence. Some of media give a chance to escape form commercial influence on customers, some of them not. In WWW case it is necessary to have regarded for concrete conditions of usage of these services. (Site speed, place of information…).

**Clearness** show media ability how explain usage of product. On the web is possible to describe product by text, pictures, video clips, is possible to make 3D pictures, or use hypertext to describe concrete parts of whole product.

**Package identification**   this media ability is visibility of a product package. Web offer the same service as traditional media but also some more services like the ability to buy the product on-line.

**Respond speed** express how fast the customers respond to commercial information. High value of www service support ability to order the product immediately and the

possibility to pay credit. Also speed of the actualization of commercial information is prominent for this service.

**Cargo** this parameter express cargo relate on acquisition of time and or place in media and it associate on thousands viewers, listeners or visitors. Production cargo own business information like cargo on making advertisement, poster or web pages. Production cargo on Internet services can be different, it depend on demands which firm want from Internet pages.

**Penetration of main markets** mark the media is ability to impact on important consumers areas, where there is, very often, concentrated consumers demand. Internet is connecting with developed telecommunication infrastructure, with high schools and people with above-average education and income and also with bigger towns for which is this characteristic is typical.

**2 Theoretic basis**

## 2.1 Internet users

Characteristic of end users is in business one of the basic bottom line factors. In comparison with other media it is possible with some programs about users, actually about visitors of specific parts of net to find out much information.

As Internet use is very varied (browsing www pages, e-mail client, FAQ groups, searching, download files, etc.), but the problem is in own term „user". Very important is to watch what kind of Internet connection user's have, if the connection is from home or if the user connection is at work. Next factor is how many times he does one visit the Internet in any period. From a global perspective it is the "penetration" factor and by definition so what number from the whole population are Internet users, potential customers.

### 2.1.1 Internet users in Czech Republic

Generally speaking half the population in CR is over 18 year (48%) and lives in households where there is a computer:

- 2/3 citizen say, that their computer has Internet connection (66%)
- Each seventh user thinks about Internet connection from their home computers (15%)
- Fifth say, their computers hasn´t got Internet connection and they don't think about it (19%).

Chance communicate through the Internet with other users has home every third citizen (32%);

- Absolute majority of citizen with home Internet connection are classifying as Internet users (94%).

Not only these analyze but also many of other indicates that different conditions and chance use information technology and especially Internet is going to be limited factor for citizen for their fulfillment. There is not going only about work market, but also about communication, information, leisure time, it is about chance completely be in modern information society.

*Graf č. 2.1 Internet in the households – ČR*



Internet in the household / CR

Has
32%

Hasn't
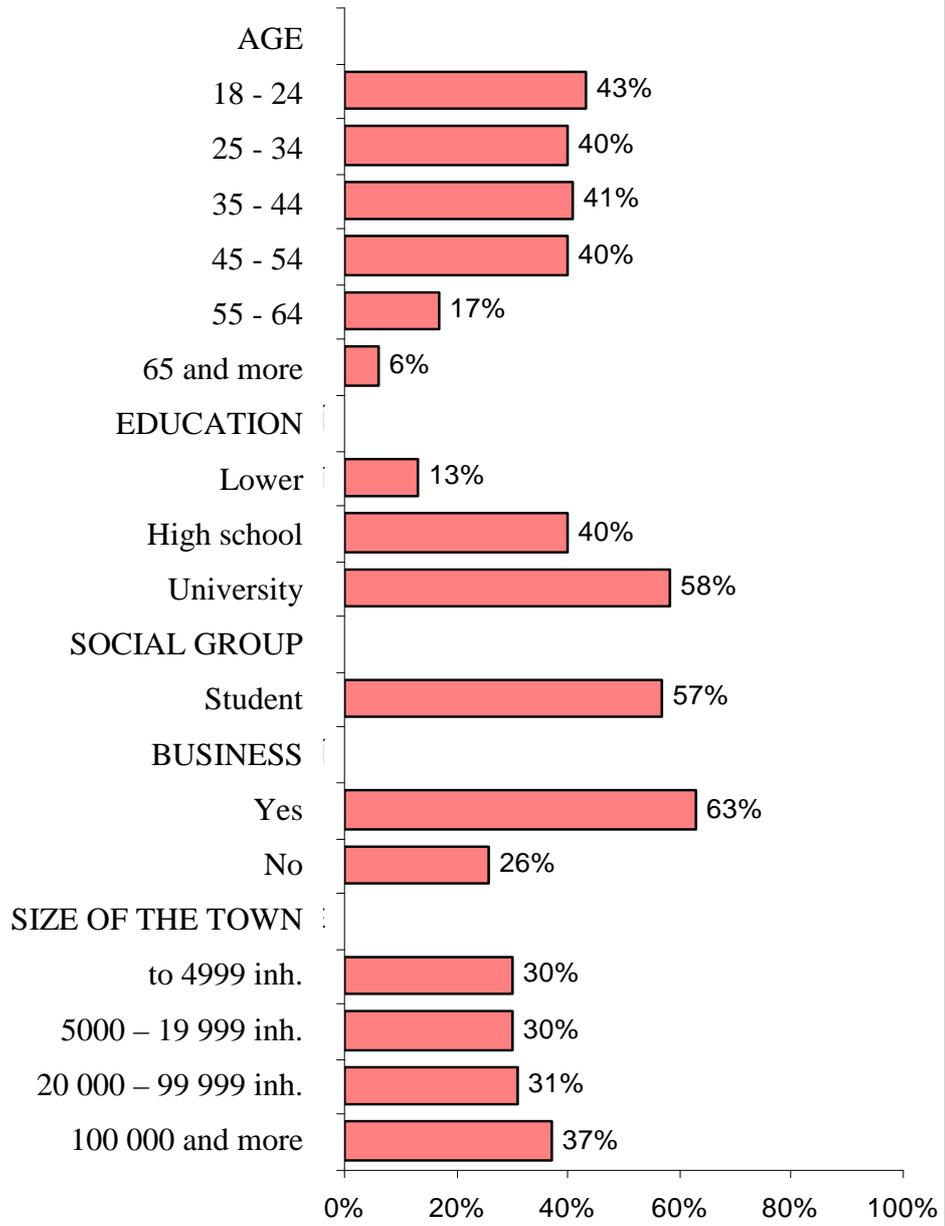Don't plane
56%

Hasn't
But Plane
12%
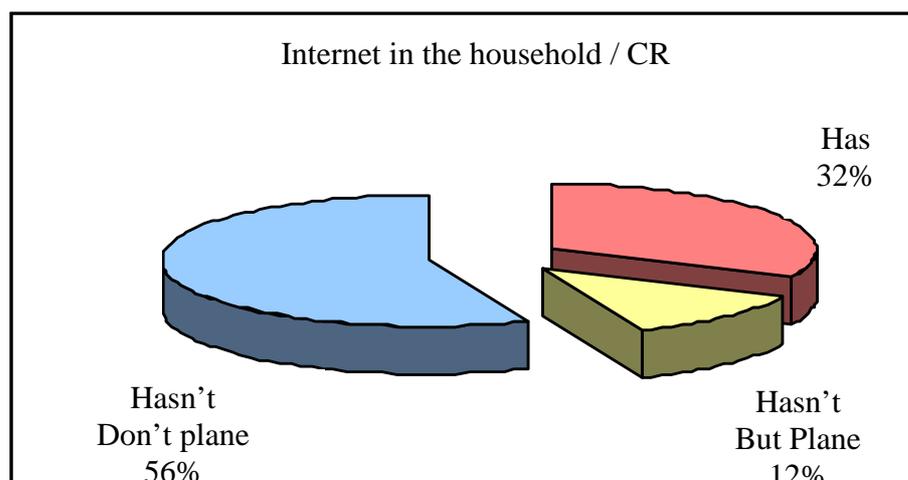
From a many researches we can see that men connect to the Internet more often than women. Chance communicating through the Internet is four form then people in the age 18 to 54 Seniors, visibility having less chance. Relation between facilities and education is very marked. Participation of people with a lower level of education which can reach Internet from home is low (13%)[1]. People with A levels are (40%) and people with academic degree is (58%). In households with Internet connection lives (57%) students.

*Graf č 2.2 Internet in the households*

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[1] Attachment number 1

## Internet in the household / CR

**AGE**
- 18 - 24: 43%
- 25 - 34: 40%
- 35 - 44: 41%
- 45 - 54: 40%
- 55 - 64: 17%
- 65 and more: 6%

**EDUCATION**
- Lower: 13%
- High school: 40%
- University: 58%

**SOCIAL GROUP**
- Student: 57%

**BUSINESS**
- Yes: 63%
- No: 26%

**SIZE OF THE TOWN**
- to 4999 inh.: 30%
- 5000 – 19 999 inh.: 30%
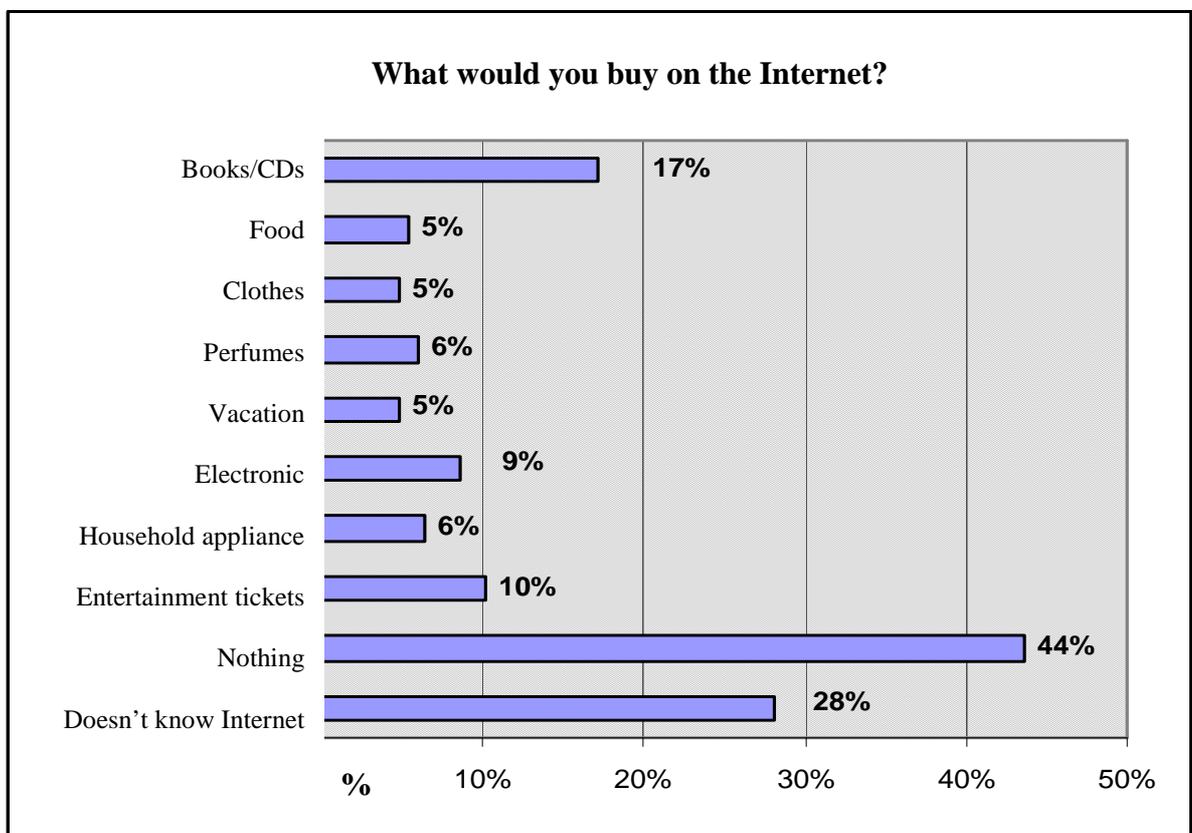- 20 000 – 99 999 inh.: 31%
- 100 000 and more: 37%

**2.1.2 Internet shopping**

We have seen that Internet users use the Internet, in part for shopping. We will look now at Internet problem in the shopping context.

From GfK´s[2] analysis in Great Britain, which investigates the Internet population not only in Czech, respondents were not only people who use the Internet, but also they appeal people who don't use Internet. From this study they found that 43, 6% of respondents will not buy any kind of products from the Internet. The most popular kind of goods are books and CDs, theater tickets and perfumes.

*Graf č. 2.3 What would you buy on the Internet*



**What would you buy on the Internet?**

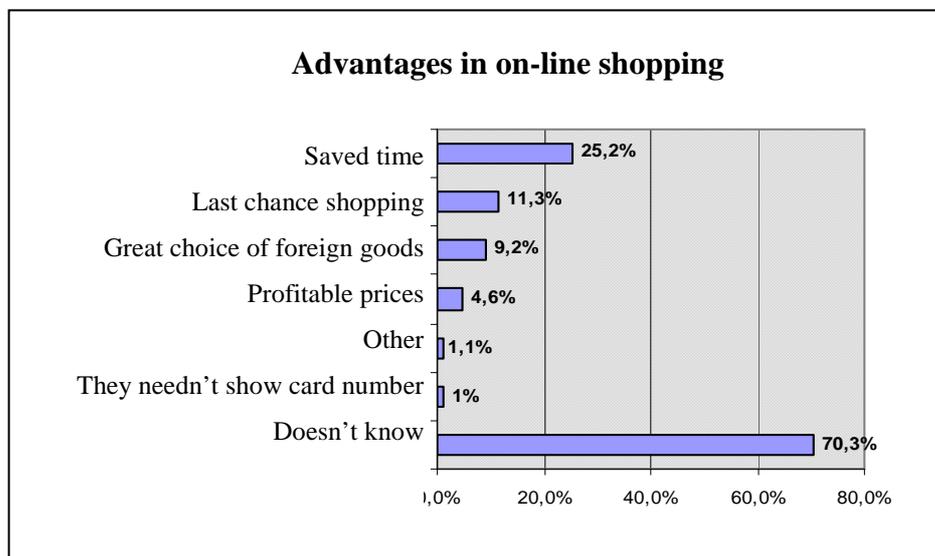| | |
|---|---|
| Books/CDs | 17% |
| Food | 5% |
| Clothes | 5% |
| Perfumes | 6% |
| Vacation | 5% |
| Electronic | 9% |
| Household appliance | 6% |
| Entertainment tickets | 10% |
| Nothing | 44% |
| Doesn't know Internet | 28% |

**%**   10%   20%   30%   40%   50%

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[2] In this research "on-line shopping" British firm GfK Great Britain, which was contacted by a firm Intel on the year 1999, they address 1000 Czech respondents. Zdroj: http://www.e-komerce.cz/ec/ec.nsf/0/C3E607FF53074142C125687E0025752E Attachment number 2

21

The analysis investigated opportunities that people can find in Internet shopping. The most important factor of on-line shopping was that 25,5% of respondents said that it saved time.

*Graf č. 2.4 Advantages in on-line shopping*

**Advantages in on-line shopping**

| Category | Percentage |
|---|---|
| Saved time | 25,2% |
| Last chance shopping | 11,3% |
| Great choice of foreign goods | 9,2% |
| Profitable prices | 4,6% |
| Other | 1,1% |
| They needn't show card number | 1% |
| Doesn't know | 70,3% |

0,0%   20,0%   40,0%   60,0%   80,0%

On-line shopping also has many negative sides. The main reason why people don't want to use Internet shopping is it's impossibility to touch or feel the product, or to try it. People are concerned with the possibility of receiving defective or damaged goods.
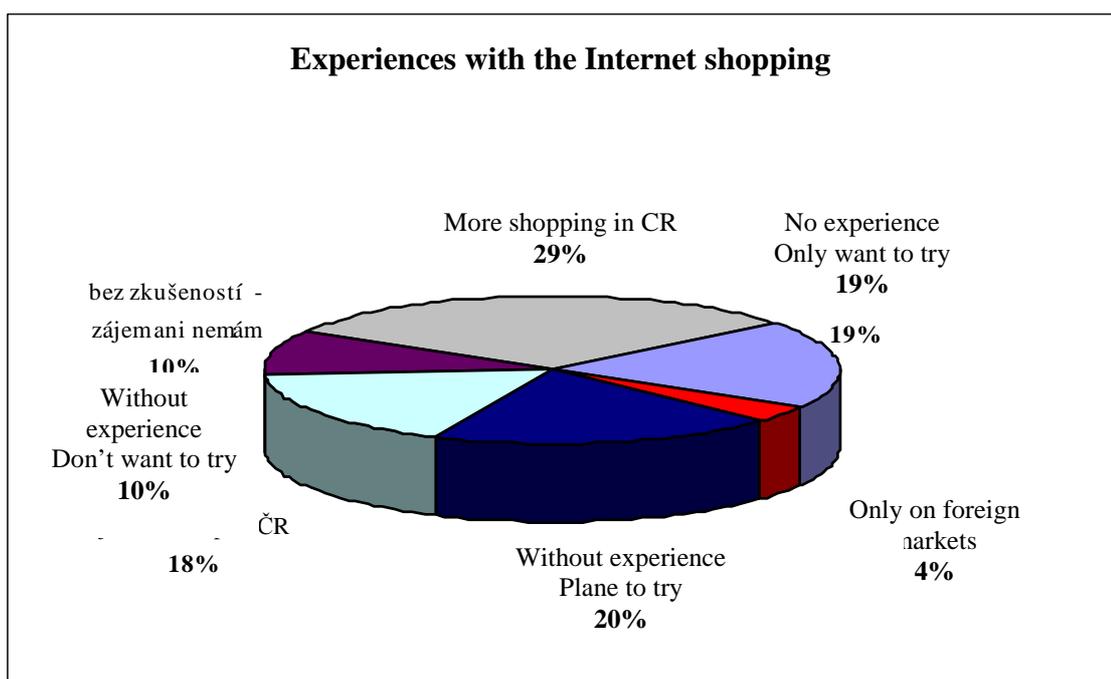
*Graf č. 2.5 Practical problems in the Internet shopping*
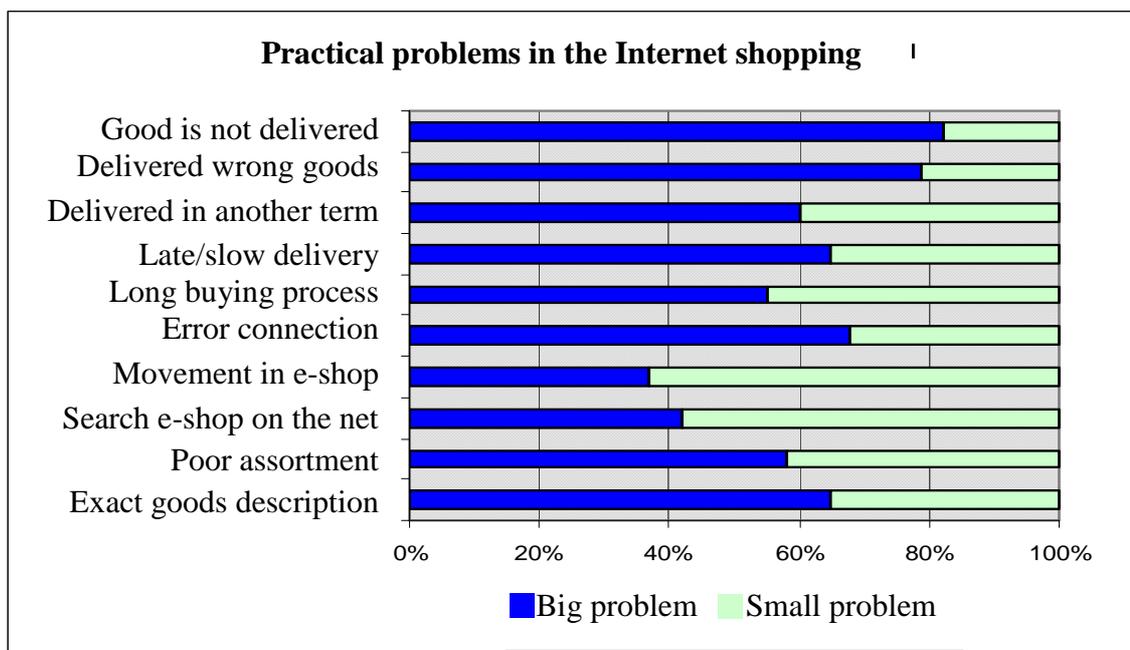
Czech Internet population has a positive reaction to Internet shopping. Although in July 2000[3] still 49% of Internet users have no personal experience with Internet shopping, but only 10% of all users don't plan try Internet shopping.

*Graf č. 2.6 Experiences with the Internet shopping*



**Experiences with the Internet shopping**

More shopping in CR
**29%**

No experience
Only want to try
**19%**

**19%**

bez zkušeností -
zájem ani nemám
**10%**

Without
experience
Don't want to try
**10%**

ČR
**18%**

Without experience
Plane to try
**20%**

Only on foreign
markets
**4%**

One purchase in CR
**18%**

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[3] This research of the Czech Internet users is realized by Center of the electronic commerce (CEO), 5. level of the research was made in the time June – July 2000 with the 1463 respondents.

## 2.2 Behavior of buyers in the market

Behavior of buyers in the market is very difficult process. People want to buy a thing or service to satisfy their own wishes and needs. Rational motives of people behavior in the shopping process are very complicated, unforeseeable and irrational.

In the market we can separate two basic segments:

Consumer market – All individuals and households, that buy things or need some services for personal need.

Industrial market – All people, buying goods and services for the next processing of the products, which they then sell or rent or distribute on.

Always is the first question how will buyers react to different traders or stimulations. For an explanation of relations between market motivation and the buyer's reaction help us model "behavior of buyers". This model illustrated the process of changing market motivations and environment's inputs in buyers "black box", where "buyer's decisions" can be modified.

Decision is independent of his cultural, social, personal and mental factors. Most of these factors are unknown and sellers can't change these factors so they must be taken into consideration.

| External motivation | | Customer's black box | | Purchasing decision |
|---|---|---|---|---|
| **Marketing** | **Surround** | *Buyers' quality* | *buyers' decision process* | -product choice |
| -product | -economy | -cultural | -ensure needs | -mark choice |

$\longrightarrow$  $\longrightarrow$

- *Cultural factors* – Cultural factors has the widest effect on consumer behavior. Culture is a file of speculations, norms, values and traditions, which individuals use for their orientation in society and which we embrace in the process of socialization. Each culture is made by subculture and these are divided in to social classes and groups.

- *Social factors* – In to this group of factors belong reference groups, family and social roles and conditions. Reference groups are all groups which have prime (face to face) or not prime influence on behavior of individual. The family make the most prominent reference group which form action of buyers. Role is behavior which we wait for individual, who take some position and is tied down with it. Status is give by people who take some position and what he can wait from the other. People often buy goods which correspond to their role and status.

- *Personal factors* – In these factors when are reflected in the buyers shopping behavior, we assort age, his personal life style, job, financial position, personality and from this information we can form a picture of the customer's. Together with details of their pastime activities a profile can be achieved.

- Psychical factors – In these factors belongs motivation, sense, experiences and position. Each person has a different kinds of needs. Motive is then necessary thing

that is strong and make people take action. His action depends on situation. People can feel same situation differently by influence of three processes: alertness, distorted and remember. On the basic of previous experiences people get practice. By action and with experiences then take their own positions. This again affects their buying behavior.

## 2.3 Phases the buying decision process

Buying process starting long ago before own shopping and go on long after. So it is necessary to take care about the whole buying process and not care only about buying decisions, which make one part of the whole process. It is not good to maintain that all buyers must go through all buying processes of each shopping. Especially when they buy products with low interest (for example daily buying of bread) the buyer can miss some stages. On the other hand sometime he can come back to same phase. Buying process is very often described by the fifth stage model[4].

*Fifth stage model of buying process*



**Finding needs** – need is difference between real state and demanded state. Can be made by internal (for example hungry) or outside motivations (for example food aroma). People needs have special hierarchy. When he satisfies one kind of need begin the feeling to satisfy[5] the next needs, soi-distant higher needs. Wishes are aspect of people needs and indicate the way

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[4] KOTLER, Ph. Marketing podle Kotlera, Jak vytvářet a ovládnout nové trhy, 2. dotisk 1. vyd., Praha: Management Press, 2002
[5] Attachment number 3

how people want to satisfy their need. Some wishes are able to be accomplished but others not. Objectively accomplished wishes are limited by factors (for example: will, salary, savings, etc.). Customer's problem (his need and wish) is the kind of opportunity that the seller or producer wants to know in order to provide that need or whish.

- **Information collection** – consumer makes his own decisions about shopping based on basic information. If the buyer has less information or he feel that information he has can be distorted, he try to find some answer in the shop FAQs. Range where is customer able to look for information, this range is define by opportunities and expended cargo, but also value of acquired information from point of view to reduction risk of bad buy. We differentiate information source in to three groups:
  - Personal sources (family, friends, known people)
  - Commercial sources (advertisement, exposed goods, showing actions, etc.)
  - Public sources (mass media, Internet, etc.)
  - Experiences (personal test of product, etc.)

**Option rating** – when the buyers is convinced that has got all necessary information, he can begin to evaluate. Consumer is making complex meaning about single kinds of shopping and his meaning depend on his own experiences and results of selective sense, distorted and delay.

**Deciding about purchase** – Also in case that the customer is deciding to buy the product he must consider a number of factors. For example if he buys now or should he postpone it. Customer is also considering where to buy the product. In this stage are two very important factors:

Attitude of the others (on power and sense of the second person depend if he change the first decision.

Unexpected factors (for example urgent need, unexpected price growth)

**Behavior after purchase** – The seller has job finished on competition of the purchase. This should be followed by finding out if the users are satisfied with the product or service. Satisfaction increases the possibility of repeated sales and also mean probability that customer will spread the word. (Satisfied customer talk about their experience, on average, with three other people. And unsatisfied customer, with eleven people). Customer satisfaction support by Internet can be effectively applied with an offer of user help about use of product, etc. by form:

Frequently asked questions (FAQ)

E-mail support

Support with chat groups

For customer satisfaction it helps to provide a means to complain within a reasonable time frame.

## 2.4 Internet and marketing

Marketing is trying to satisfy corporation interests, customer's interests and company interests. So that marketing can really co-ordinate these interests it must provide between these groups with, support and a two way communication system. Key word for marketing is communication

Internet makes communication between users easy with millions people with different jobs, education, hobbies. Marketing commonly works with all traditional tools of communication, starts with questionars, post, telephone, etc. and finish by use of mass media. Internet offer all opportunities of traditional communication, but more effectively. Internet allow discussion with concrete user and communicate with him, but also you can talk to

millions users with the same interest and to each other. The Internet is the new global market palace perhaps.

First of all it is necessary to explain two basic notions, which are connected with business on the Internet.

- E-commerce: this name is in the majority cases connected with Internet shopping and providing services. At this time it is still new and making new e-commerce solutions and business models.
- E-business: is on a lower level then the above name, includes not only Internet shopping and providing services, but also mean transformation of all process inside and outside the firm, with usage of modern technology on base technology for makeing effective all firms processes (internet and external)

Simply we can say that the name e-commerce (or Czech e-komerce) is subset of e-business.

## 2.5 Electronic business

On the Internet, but also in not virtual world is lot of business made by two subjects – seller (business) and end user (customer). The relation who is between them we can define like this:

- **B2B** (business-to-business) – mean business between companies. Abbreviation is connects especially to make easy Internet communication between companies. When you do the B2B business it is mostly a long-term business relation, which is confirmed by contract. It is not traditional shopping, but there are concluded contracts between companies. In this group of business is also use name B2B markets (e-markets, B2B exchange) it means provided place (system base) for business with many kinds of commodities, we can compare this business to commodity stock market.
- **B2C** (business-to-consumer) – Selling products to end customer's through the Internet or other technology – so it means without physically contact between seller and customer. It offers its products or own services or only Internet services. This kind of service is common in CR. We can say that on Czech Internet are 2500 functioning

B2C shops. For grow of this service help firms which offer servers where is easy to build own electronic shop.

- **C2C** (consumer-to-consumer) – stock exchanges, auctions, where Internet is negotiator between supply and demand. Servers which provide these services has a role something like concentrator of supplies, they moderate business cases and provide place for business partners.
- **C2B** (consumer-to-business) – this service present sellers who provided their products (for example wood, glass, etc.) and other businessmen buy these products use them for their own products and sell them to customers.

In my bachelor work I'll devote to business through the Internet electronic shop to end user (B2C).

**Common kinds of electronic business by from (B2C):**

- **Electronic shop** (e-shop) this is a common form how to realize electronic business and it is about strict line with "Stone shop".
- **Electronic supermarket** (e-mall) unite many shops for example under the common well-established mark, common advertisement. Measurement of integration of individual shops to common supermarket cam be very different form the other. For the individual firm these mean the association first of all saves expense, time and work put together with build and operation of own Internet shop and also contribution of better selling in working supermarket. For customer it means better range of goods and better accompaning services.
- **Electronic stock exchange** (e-procurement) is demand and broking goods and services. It can be supplement about connected services, for example it is about interactive negotiation or arrange of all operations.
- **Electronic auction – is** same mechanism like traditional auctions. Presentation of the products on offer can be different.

In this work I'll concentrate especially on the first two forms of electronic business. This form of selling goods and services allows customers not only shopping in brick-and-mortar shop, but also is possible to see the goods on the Internet and buy on-line. This means that customer save a lot of time.

Build up Internet shop, which is not only blank form, but which is able to acquire customers and also in a high quality and flexibility to satisfy their whishes and needs. This is one of the hard standard Internet activities. Companies must very carefully think about all parts of the retail mix when they build their sales strategy which can win over the customer and hold them.

## 2.6 Marketing decisions in retail Internet business

Retailers very often try to find such marketing sales strategy to catch the customer and hold them. There is lot of decisions which sellers must solve and these decisions still affect their action and especially their success in the competition market, so called retail mix. This mix is made from:

- Decision about finish market
- Decision about products
- Decision about services
- Decision about price
- Decision about competition
- Decision about communication
- Decision about shop look

**Decision about target market**

This is the most important decision for the retailer. Until isn't finish market exactly characterized and mark the retailer cannot make any other decisions about products, shop look propagation, price, etc.

The Internet breaks borders between states, regions and also towns. Internet shops can practically reach the whole world, or the whole state, can be aimed at every citizen and that is a really strong advantage. But the advantage has also a big risk of strong competition, which can appear unexpectedly and from anywhere. Will it be cheaper; technologically better, will it have stronger investment, etc…

The second possibility is shop oriented on market niche and the third possibility is shop specializing in local users i.e. a market niche. In these two cases we try to address a community, part of a nation clearly described by their hobbies or with knowledge that these people live in the same region and share its interests, needs and demands.

Shop targeting a market niche is less threatened by competition, but its turnover will not so high (although the relative profit can be higher then profit from general shop). This kind of shop must be merge with community on which is made for.

**Decisions about products**

Range of products must be same like the finish market wait for. There is adjudicatory element of competition fight between shops. Seller must consider weight and depth of demand.

Internet can be used in two ways of selling in distribution forms:

Internet is like a distribution canal: works like place for selling and buying thanks to this is customer's goods delivered (software, information, fun, e-books, mp3 music, etc.) Internet it is place for selling and buying: physically distribution comes by another tools (books, flowers, electronic, etc.)

At this time it is the first form that is very popular and is still growing, so use Internet like distribution canal. In my work I'll look at the Internet as a place of selling and buying.

Internet shop; enjoy huge advantages as opposite to the brick-and-mortar shops. Huge range in brick-and-mortar shops uses lot of storage space, many employees and growing expense, however in the Internet shop only needs a good database for storing the goods.

Internet supermarkets are very attractive, but their operation brings a lot of problems (complex choice of goods, guaranteed delivery, delivery confirmation, guarantee of product/service, etc.)

Lots of Internet shops are specialized shops (books, CDs, software, toys, etc.). Specialization is the key to key to success. But here also hold the rule 80/20: 80% turnover is

made from 20% of products choice, although variated of choice attracts the customer's and the demand of products which are not normally accessible is a good argument for the customer that the Internet shop is better than a traditional shop.

The products situated on the Internet is necessary their innovation. It the shop wants to remain successful it must continually review its product – INNOVATE. Innovation can be:

Technology innovation – innovation of process which cannot user see (for example change of algorithm of searching, that it will be faster and more intelligent)

Innovation of user interface – innovation how may page look like.

Contents innovation – innovation about what we can find on the pages

**Decisions about services**

Service is an action offered by one side to other side, it is absolutely not tangible and it doesn't make any acquisitioned ownership. Its realizations can, but also cannot be connected with physically product.

Services character:

*Not tangible ness* – offer service is necessary make tangible ness i.e. present evidences to support abstract demand. Internet seller can not offer only goods but also own sale by the electronic way. He must inform us about range but also about sale (for example trade, guarantee and complaint conditions, information about company, etc.).

*Not divisibility*

*Changeability* – services which depend on provider, where and when.

*Ephemeralness* – Services is not possible to store. This reality is becoming very problematic especially in seasonal deviations of demand and supply (for example needed of packaged services in time when the Christmas shopping starts on the Internet).

Basic offer service is availability a huge number of information, which is offer by Internet seller to customers. Intent of information is needed especially for kind of unknown goods. In the brick-and-mortar shops is not sell the goods which is unknown and so it isn't in demand.

Very important for buyers is delivery. This reality is related with buying psychology. Decisions about buying are very often irrational, instant decision to buy but this same does not last for long. For the buyer is not important that he really don't spend money in case of long delivery time. In his mind the money is spent and he still doesn't have the good. Long delivery times are becoming a disappointment.

**Decision about price**

Prices are a key factor for place of product and must be strictly fixed with respect of finish market, assortment of offer services with respect to the competition. Destination of price is not express expenses, but the value sense by a product consumer. On the Internet in use are two price policies:

Low price: this policy watches most of e-commerce in result of propagation

High price: this policy become into consideration in case that the shopping on the Internet offer to buyer for him important advantages (comfort, fast shopping, delivery in time and on place,…)

The most exacting is to convince user to make his first Internet shopping and the impulse which can very often help to break through shyness and fear is profitable price. One of the Internet characteristics is its dynamic. This can be a very good use when a price is creating. Technology can change its height in dependency on current, instant situation.

Many users shopping on-line choose only products at a price that they can afford on their salary. Products with higher absolute price users only watch and collect information and shopping experience in retails.

On-line shops often reach incomes not only from selling good but also from advertisements which they have on their pages. Incomes form advertisement in different way subsidize price of goods. Problem of this is achieving the best profit balance beneath lower price advertising income time shortfalls.

Some of the virtual shops don't use income from advertising to subsidize low prices, but they use it from high prices of service, which customer must order (for example package product, etc.). This strategy expects to lure customers with advertised low price and he will not check prices of all other accessorial services.

Compensation of good buy over the Internet is possible by different ways. Mostly use on finish Internet market are these:

*Credit cards* – in CR are using these cards sporadically, particularly because credit cards are not yet that common in CR

*Cash on delivery shopping* – this kind of shopping is used frequently. Its advantage is financing prices with extras for post on use service.

*Transmission from account* – Innovator of this service in CR was Expandia Bank (now E-Bank)

*By way of payment invoice;*

*By way of unique payment system*;

Micro payment -  this are payments fro goods and services which are so small that for users doesn't imagine load, but on the other hand can – thanks to a huge number of users – it bring not so small income. System of micro payment mostly provides external company. Example of this service can be server I Like Q

With help of protocol SET – SET is a communication protocol, which uses code, digital signatures and digital certification. Secure payment between owner of credit card and seller on the Internet surround.

**Decision about communication**

Communication is asset for information from source to users. Communication process by transparent form represent Laswell´s model[6].
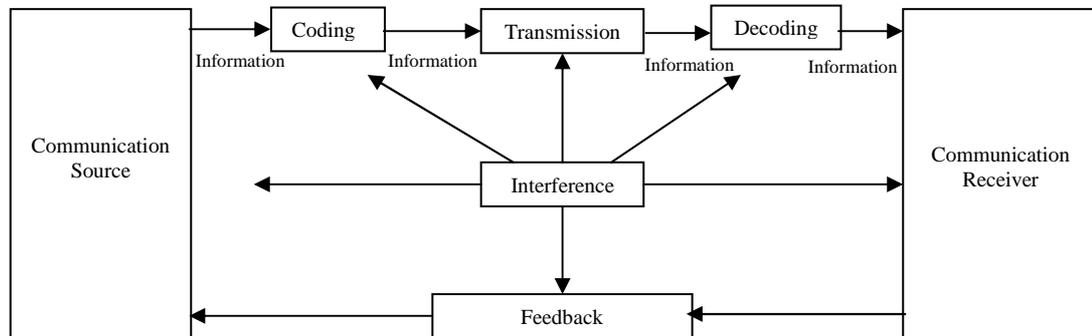


In this model is seller a source of communication. He transfers information into understanding form which can user (buyer) read. Announcement will be transfer thorugh the media (Internet) to recipient and he decodes the message in form understandable for him. Back links is then kind of reaction on announcement (buying, interest on product…). In whole process can impact interferences, which communication process interrupt and distort.

Very important is the set up destinations of marketing communication. Basically the seller adjudicates about selection and usage of individual parts of marketing mix. Destinations of marketing communication on the Internet can be defined by this:

Knowledge ability (and differentiate) – make, increase or keep level of knowledge

*Increase supply – stimulate current or next customers to buy*

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[6] Source: KOTLER, Ph. Marketing podle Kotlera, Jak vytvářet a ovládnout nové trhy, 2. dotisk 1. vyd., Praha: Management Press, 2002

*Preference* – build up consumer's preferences

*Build up positive image* – or gain it


Trader must use promotional tools in support of his image enhancement. Marketing communication of Internet shop can be realized by these parts of communication mix.

*Public relations* – impersonal, strictly unpaid form of communication about product or about company (report about firm or product in independent media, sponsoring….).

*Sale promotion* – sale stimulation through the common short time increase of shopping value (presents, bonuses, competitions, judging programs ….)

*Advertisement* – strictly pay form of impersonal communication about product or firm (line advertisement, advertising squares, text advertisement…)

*Tab. č. 2.1*

| Element | Expense character | Advantages | Disadvantages |
|---|---|---|---|
| **Advertisement** (Advertising, Netvertising, Webvertising) | Fees for advertisement place. | Effectively make people known about a product. Low expenses (depend on quality of advertisement). | Higher total expenses. Difficult to know how many people was hit by it (on the Internet too) |
| **Public relation** (PR, publicity) | No strictly fees, often exist strictly expenses to make good relationship. | The most reliable information source. | Is very difficult give own advertisement into media. Firm doesn't take care about the whole campaign |
| **Sale support** (Sale promotion) | Different, it depend on choose way. | Effective way how to change people preferences at the short time. | Very easy for competition to copy your advertisement. Can make a war with promotional materials. |

*Source:* STUCHLÍK, P. a DVOŘÁČEK, *M. Marketing na Internetu.* 1. vyd. Praha: Grada Publishing,spol. s r. o., 2000.

**PUBLIC RELATIONS** are an important tool of modern marketing. We differentiate four main activities in PR:

*Relationship with press* – messages out of the advertising section are trustworthy and more effective then an advertisement. Today on the Czech Internet exists virtual news and magazines, which has an influence on public understanding of the Internet. And that is important not to forget this virtual press. Although a classic paper press doesn't lose its meaning.

*Company communication* – first of all communication with target and keeps a good relationship with professional and non-professional public.

*Building company identity* – is connected with company communication and is different from the complex and long time homogenous approach.

*Lobbying* – Especially state institutions for the purpose of support or changing legislative and regulative barriers.

**SALES PROMOTION CONTAIN** file of different tools which has short time character, they are built for stimulation faster or bigger product shopping. Internet seller must by this sell promotion tool try to increase loyalty of buyers to given virtual shop. Internet buyer's loyalty is very problematic. This consumers change virtual shop in reason that they have small price advantaged or some kind of sell promotion.

On the Internet it is possible to give all forms of common sales promotion tools:

*Quantity discounts* – a very effective way to convince the buyer to buy more goods at once. The prices of several kinds of goods, or different kinds is lower than the total price of individually bought products.

*Competitions, lottery, games*

*Vouchers* – this kind of discount service can be successfully used also in virtual shops.

*Membership programs* – on the Internet are also similar discounts like those in retail clubs. These discounts allow members to buy all goods at discount. Often there are conditions to membership, such as providing personal information or paying membership fees.

*Products for free or presents*– purchase bonuses mean that if buyer orders one kind of product the second is for free, or he gets a present (a present differs form product for free, because you can't buy a present).

*Product for special price* – a product, which is possible to buy at a special price if buyer orders some kind of goods.

*Gift certificates* – the customer doesn't buy a product for the recipient, but he buys him a certificate with which the recipient can buy a random product in a concrete virtual shop.

*Electronic money* – buyers get bonuses in the form of a virtual sum, which is added to his account in the virtual shop. Money can be used only for buying products during subsequent visits to this shop. This encourages growth in loyalty and stimulates further purchases.

*Samples* – sending samples through the Internet is a very effective tool because ordering sample by the customer is easy and an almost perfect way of targeting the customer.

*Possibility of refund without reason for explanation* – this tool actively overcomes the disadvantage of not being able to "feel" the product over the Internet.

*Product guarantees* – extension of guarantees beyond the competition is an effective sales promotion tool, if is this advantage is communicated. The next guarantee also decreases buyers' fear to order the product.

ADVERTISEMENT has a basic target: to impact the buyer's decision. Fundamental is alluring the attention of well targeted customers, primarily potentially promising customers of our shop page.

There are many methods how to do this. Among the most important belong:

**Advertisements on the Internet thanks** to banners, advertising squares and icons are on difference form classic advertisement interactive.

*Internet advertisement advantages:*

*Targeted* – The campaign is possible to adapt for country, region, and professional targets of groups. It is possible to set these campaigns on some days over the week, at a time during the day and according to types of operating systems and browser www pages.

*Easy measure of users reactions* – is possible to evaluate the number of viewing advertisements on the pages, and it is possible to find out how many users responded to the advertisement by clicking on it (and also getting descriptions of the product or service or even of order forms), is possible to find out on which servers was the advertisement most effective etc.

*Deliverability and flexibility* – advertisement lines, squares, icons…. can be represented anytime 24 hours a day, 365 days a year. The advertisement is on the Internet pages and is represented always and continuously. It is not necessary to interrupt working pages (as in television or radio transmission). If response on an advertisement doesn't correspond to expectation it is possible to stop the campaign promotion and change it with minimal expenses.

*Interactivity* – This is the main difference between advertising on the Internet and advertising in classic media. With an easy click to view the advertisement the user can find detailed information about products or services.

**Advertisement in print media and non Internet media** - This form of propagation about virtual shops is not possible. On the whole it is not possible to target individual potential clients because it is necessary to target a wide spectrum of people and that is very costly.

**Quality indexation in the browsing centers** - Location of active hyperlinks on the Internet shop pages to the different browsers is a very important form of giving notice about it. Users

work with search servers and use them for basic orientation in the Internet net. Long time investment is for example a special hyperlink in a concrete specialized section.

***Cooperation and alliance with other servers or other media, which has great activity*** - Individual webs, which are connected by this way mutually corresponds their visitors on other members of alliance, so called "friendly servers". An example of this alliance on the Czech Internet is idnes.cz

***Publicity „enlightenment"*** - For example, active attendance in newsgroups, which are oriented on the virtual shops' problems.

**Decision about the look and structure of the virtual shop**

The virtual shop or Internet supermarket are programmed, so that customers who access the shop is oriented very quickly. Internet shop structures are able to show wanted goods without problems and also are able to make walking through the shop (shop catalog) easy for the customers. The structure of common shop server is illustratively shown in the next scheme.

*Graf č. 2.7 Internet shop structure*
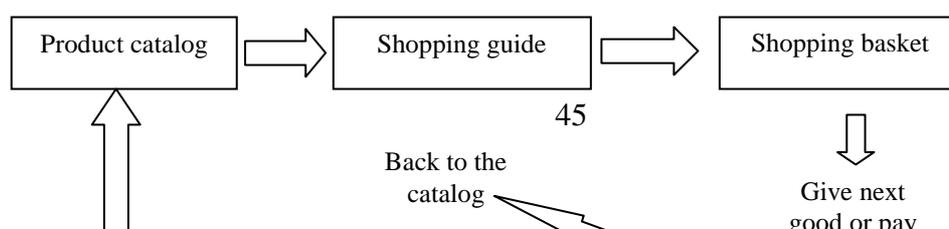
Basic structure on-line shop server is made by these parts:

*Catalog of products and services* – An index of presented products is the shop core. Most of the Internet shops offer big assortments of products. For better orientation through the shop the goods are arranged thematically into synoptic categories. Customers can go through the product categories, which he want to see and there he can chose products (for example – white electronic – washing machines – brand ROMO washing machines – concrete types of washing machines). The catalog should contain detailed information about offered products including actual prices. The standard of the Internet shop also includes full text searching, mainly by key words. The catalog must be transparent and offer easy orientation for users.

*Customer's reactions* – Part of the catalog is place provided for the users where they can give their opinions on the product. The next customers have chance how to verify the satisfaction of the users with the products, which they want too buy. To this kind of information and recommendation users get big weight.

*Guide through the order* – The next step in shopping is to order. A product which doesn't need any other modification or adjustment to customers needs may be immediately inserted into the shopping basket, for example books, CDs, etc. (viz. Shopping basket). But most of the products need this modification (for example company T-shirts), in order for this to become the next phase between this shopping action – getting special information from the customer (T-shirt color, size, number of pieces, message on T-shirt, message color, its size).

*Shopping basket* – Customer order products by inserting them into the shopping basket and after finishing he pays. The shopping basket is a page containing a short description about products, which the customer chooses. Similar to physical shops customers can insert products into the shopping basket or take them out and survey more information about the product. The buyer can also use a running calculation of the total sum for products he chooses, possibly for subsequent purchases.

*Guide through the product shopping* – After choosing the product the customer is on the end level shopping. This phase can be divided into a few steps:

*Payment type selection;*

*Specify date and time for delivery*;

*Specification of additional parts of order (for example type of package paper etc.);*

*Display complete fill order with request of transfer confirmation.*

***Client account** –*   The client account is a file with basic information about the customer (name, e-mail, user name and password, etc.), and with his full summary about delivered or current orders. Customers can watch which of their orders were completed and send by post, and they know when they can expect delivery, etc. On the basis of information from this account the seller can make analyzes and after that can offer customers better services. Some selling servers also remember the number of the computer where the user made his purchase and then can offer him categories of products which the customer has looked at before.

## 3 Application of theoretic bases


 The ideal shop does not exist; neither in the world of brick-and-mortar shops, nor in the virtual Internet shops. They cannot exist because every human, every consumer, every customer is different. There are differences between individual visions of what is ideal[7].


 Nonetheless, I'll try to show ways in which the internet seller may about creating a good internet shop, which will survive in growing competition. Which attributes are necessary have and what can't the seller forget. The Internet offers many opportunities and new technology, and with it many opportunities, which can be effectively used. In this application I have come out with data accessible until February 2004.


## 3.1 Decision about target market

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[7] Ideal – suitable for all needs, perfect

A seller who accesses the Czech Internet with the decision to be successful must choose his or her own target group of customers. He must define the customer, to whom he will provide his services.

Thanks to the global Internet character the seller isn't limited to traditional brick-and-mortar shops by the target area and local competition. His customer can be basically anybody, without consideration on region. Because the world of Internet is far in its development and competition in foreign markets is stronger, I recommend to be focused on the Czech market. Prominent opportunity comes with knowledge about local conditions and especially language and culture knowledge.

The Czech Internet population is in its basic specific finish group, which have common interests just about the Internet and work with this media. The Internet connections have, according to a study done by the agency DEMA a.s., now 48% of citizens of the Czech Republic over 28 years of age.

In order to select the appropriate target group, without limiting the definition of the final target market on the basis of a varied specific group of people working with the Internet, it is necessary to consider the structure of this group. While developing prognosis about the number of users indicates the total growth trend, we don't assume that there will be a significant change in the greater structure of this group of users. This change will be slow.

Demographical environment of the Czech Internet characterize these factors:

*Dominant position of men in Czech Internet population (79%[8])*

*Average age of the Internet users is around age 28-30*

*73% is connecting from work*

*High level of education Internet users*

**Dominant position of men in Czech Internet population**

79% of Czech Internet users are men. For the Internet seller this data is very interesting because it indicates a strong presence of the male element in this area. But also an increased relative position of women at the Internet on the present value of 28% and this growth indicates a possibility to orient the Internet market to women. Their relative percentage still means less than the male percentage, but this trend is growing up in the next few years.

On this foundation it is possible to note that currently men are still of greater interest to the seller than women, but as the presence of women users increases, the male position will decrease.

Internet sellers are still sure ff the impact of male Czech customers to the virtual market. This reality suggests an assortment structure of Internet shops. As the data indicates till 15.3.2001, there were 2351 registered shops on the browser Centrum.cz, 138 supermarkets and 2213 shops specializing in specific assortments and depth. From this summarization predominate shops with computers, which made 12,6%, 8,2% shops offer mobile technology and 7,6% are

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[8]Source: http://www.park.cz/pruzkum/opui.htm

virtual shopping servers focused on consumer goods. The assumed target group of customers are particularly men, as we can deduce form the assortment of products just now described.

But the number of shops focused on the mentioned assortments and its relative representation in the total number of shops doesn't mean that just these shops are successful.

## Average age of the Internet users is around age 28-30
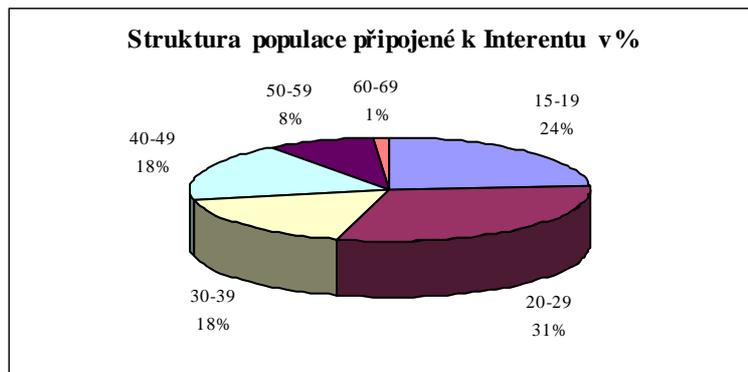
*Tab. č. 3.1 Part of population connected to the Internet*

Age group ⟶

| věková skupina | % |
|---|---|
| 15-19 | 3,61% |
| 20-29 | 4,54% |
| 30-39 | 2,67% |
| 40-49 | 2,73% |
| 50-59 | 1,27% |
| 60-69 | 0,21% |
| 70+ | 0% |

Source: zpráva DEMA a.s, únor 2004 „*Vybavenost domácností občanů ČR technikou*"

The most important target groups are people in age 15-49 years. And because the age of the group of users is around 15-19 years these people are mostly dependent on their parents, they have no salary, I suppose that from view point as a target group for virtual shops they aren't so important. Their importance will grow when they move in to the higher age group. More important from this view are people in age 20-49. That people over 40 years use the Internet mainly to work.

*Graf č. 3.1 Structure of population connect to the Internet in %*

Source: zpráva DEMA a.s, únor 2004 „*Vybavenost domácností občanů ČR technikou*"



**Struktura populace připojené k Interentu v %**

50-59 8%
60-69 1%
15-19 24%
40-49 18%
30-39 18%
20-29 31%

The presented data shows that most the important and the biggest target group is the population in age 27-35 years. These people get married, possibly permanent partnerships (in this time is the most probably age to get married 25-29 years and marriage age is still growing), they build their homes, have children (probably age of mother when she has first baby is 26,6 years).

## Users majority are connected from an office

Although the number of home-connected users is growing from about 20% on 63% of all Internet users who have the chance to be connected, but the number of users who are connect from their work (73%) is still important.

Because these are people who work with the Internet, with computers, they are mainly employees in the office (70,6%[9]). Working hours of these people are between 8-18 hours. This data has for the Internet seller very important meaning, particularly that business hours in brick-and-mortar shops is covered with this working hours. An exception is only the center of Prague and today also supermarkets and hypermarkets which have business hours till evening hours.

For these users will be better buy things on the Internet, excluding goods of daily needs.

Connection form work also identifies places for offering goods to companies as end customers. For example, computer technology (12,6% of all Czech electronic shops), communication technology (8,2%), but also office needs (on office assortment is in CR oriented 4,6% e-shops). Advantages of choosing this target group is higher future increase of money. But what is not so easy for the Internet shops is the competion with stable suppliers which have contracts with companies.

### High level of the Internet users' education

More then 58% of the Internet population has academic education and 40% have secondary education. We can suppose that with the growing number of users their average education will decrease, but this decrease will not be radical from a short term perspective. High levels of users' education correspond with the fact that ¾ users are connecting from their work.

### Summarization of the target group

The most important and the most extensive target group for e-shops is as we can see from before data the age group 27-35 years, people with at least a secondary education and working in the office.

## 3.2 Decision about product assortment

From the chapter before it is clear that this is the most profitable target group on which Internet sellers should be oriented. One of the basic conditions for building a good Internet shop is to provide the products and services which correspond with needs and wishes of the target group on which is Internet seller is oriented.

The advantages of narrow specialization, which we can see in traditional shops – the possibility to display concrete types of consumer goods chosen form the wide spectrum of manufacturers of concrete product, specialty offers, customer support, advice, the complete shop atmosphere adapted to the goods being sold- all of these advantages can be found in the Internet shop. The specifics named above, especially the depth of specialized offers, are for the Internet shop considerable competition advantages against traditional stone shops. They are all inseparable parts of the Internet shop[10].

So there is a question about the width of assortment. The possibilities of the Internet allow offers to customer's huge varieties of products without high expenses on the display of the products, on rental of place or expenses on selling power. The Internet is a place which offers for specialized shops their development and their width of assortment of specialized goods. I think that for customers it is more comfortable to find on one place more products and "need not" leave the shop.

The Internet population is formed in considerable part by men. Although their position is slowly disempowering the women section of users, but men are still dominant. For this reason it is better to orient the Internet shop primarily on men – into this category of goods belong primarily software and hardware products.

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[9] Source www.park.cz, 5. kolo průzkumu uživatelů, attachment number 4
[10] Source: http://www.dkozak.cz/konzult/internet.htm

Target group are people in age 27-35 years. Assortments, which are offered in e-shops, must be for this group. People in this age are becoming independent, building their homes, getting married, possibly forming permanent partnerships, furnishing flats, and having children.

In today's time there is a trend of healthy live style and active use of free time, which these people in this age group actively watch. For them are good products for example sports clothes or equipment. But it is possible to offer another way how to spend free time for example selling books, music, etc.

Selling books and music on the Internet, how say analyze is very prospective in this time. We can see it shows a growth trend and users connect this kind of shopping with smaller fear. On the Czech Internet market exist in this area big competition with a strong position. (Sell music: www.albumcity.cz, www.bontonland.cz , www.vltava.cz, sell books: www.vltava.cz, www.knihservis.cz, www.ceskyamazon.cz, www.grada.cz, etc.). Development is also in offer of music not only in physical format, but also as information in responsible formats (for example MP3 format).

Big competition is typical and other kinds of goods for leisure time, except music and books, right to 6,2% of e-shops offer this assortment. And on sporting goods are oriented around 5% of e-shops. What is in absolute data approximately 140 shops with leisure time products and 100 shops with sporting equipment.

It is shaping up that there are huge reserves in shops with gift goods on the Internet. It is not about everyday products and buyers want to gift somebody with something new, which is original and mainly joyful. In this case still higher demands will be put on the seller, not only in the area of assortment, but especially in the seller's ability to help the buyer find the most suitable present.

Interesting categories for offering goods on the Internet are airplane tickets. The Internet is an effective, transparent and especially faster alternative in reserving or buying these products. If you imagine how much time you safe when you buy a ticket on the Internet and not by personal visit. We can expect still considerable growth of this Internet service. The same considerable growth can be expected in selling entertainment tickets.

If we imagine the target group character, then we can better choose our assortment, which we will sell. The target group are people who get married, found partnerships and furnish their homes. If we consider that these people are all day in the office and their working hours cover the opening hours in stone shops, we have before us huge place for Internet selling.

I don't suppose that people will buy things in huge standard, such as those products, which make up home furnishings (for example furniture). Couple will want to see these products in person in traditional shops and they will spend a lot of free time choosing the right one.

I think that a big place for Internet selling is also in smaller parts of house equipment, without it can be not a single one and this equipment doesn't create individually so big part of expense. For all that is necessary to make time to buy it. If we suppose that these people work in offices and their working time covers opening hours, we can conclude that for young couples it is better to buy this type of equipment on the Internet than spend free time in stone shops.

*Recommended assortments*:

- software, hardware;
- music and CDs;
- books;
- airplane tickets, tickets;
- small and bigger home equipment (coffeemakers, dashers, food processors, boilers, vacuum cleaners);
- home accessories (shelves, shelving, chairs, flowerpots, stands, pegs, handles, pelmets,);
- dishes (plates, cups, glasses, different kind of pots, cutleries…);
- housing haberdashery (curtains, draperies, bedclothes, towels, bed linens, small carpets rugs, textile jalousies…);
- tools, common use in household (screwdrivers, spanners, tool sets…);
- children's products (baby beds, special baby chairs, but also toys...);

## 3.3 Decision about services

### 3.3.1 Information

Services bid up attraction of the Internet shop and supplement selling assortment. The basic service, which the Internet shop must offer to its customers is the provision of information about buying products. In the future this sense of information will grow with the growth of literacy of the Internet population.

Virtual e-shops with information help balance disadvantages, such as those that mean the users can't touch the product. The basic picture is about the offered product. As the technology growth and the Internet connection are faster and faster we can expect the use of web cameras to see the whole product from all sides. Currently, this service is utilized by only a small percentage of sellers.

The provided data must be the most extensive. But it is unreal to provide a big amount of information right in the Internet shop database to each and every product. It can discourage buyers, who don't want so much data (for example the customer wants to buy a boiler and he needs to know only the basic parameters, like contents, power and for his satisfaction is good if this boiler can be in blue color, which goes together with his or her kitchen). In the basic offer can be only some basic parameters.

Selling servers must be able to provide extensive information to demanding clients (more technical parameters, product characters, specific attest version, certificates, hygienic norms, professional opinion of expert, designer's recommendation, flat architect, shop opinion…). There are many ways how to achieve this. The suitable choice is for example the form of the active links on makers' pages, who manufactured the mentioned product, or links to the virtual shop database. It means to provide the customer with information, which brick-

and-mortar shops have never had or never will have because shop assistants are not able to keep so much information about the products.

As a very effective way keep the customer's attention are also good comments and product scales (the newest, the most frequently shopped stores, the cheapest etc). This service provides information to customers about best buys, but it is also going to increase attendance to the products emphasized in this way.

Information can also be searched for in a suitable form, as in how to find other products, which are offered by this firm, and in books the user can also find other books to choose from by the same author.

Negotiation is shifting from the seller to the buyer because overhead expenses of the change of suppliers (competition suppliers are only a "click away form here") and for free is possible a huge amount of information about products and their prices. On the other hand, buyers can be surprised by this power, which is available to them. They want to have the chance to buy things in one place, and they want to have information and support, which they can trust. This is precisely the place for open-chance third parties – information and intern mediators. Speed, extent and the accessibility of the Internet as well as low expenses on their distribution and support make new business opportunities. Information intern mediators can collect information from buyers and sellers, add their own value and present them to people who evaluate their usefulness.

### 3.3.2   Personal factor of sale

The Internet lacks the personal factor in buying (other people in the shop, shop assistants, etc.), who are in traditional shopping important and key, and also the psychological factor is important. This is necessary to balance in another way. The easiest form is the integration of the personal factor into the Internet presentation, and allowing clients to express their own opinions on the product. This provides new information about the product from the

consumers' view, and also adds a psychological factor to the shop (the shop tracks how satisfied the customer is with the product – is able to ask the customer about his opinion when he buys a concrete product or receives it – selling communication). In this time this method to deliver products successfully is being used on the selling server Vltava (www.vlatava.cz).

### 3.3.3 Shop atmosphere

The shop assistant's personality makes the atmosphere in the traditional shop. Internet possibilities are different. A technology shop's atmosphere can be created by using colors. On the basis of color psychology the individual parts of selling servers can be different color combinations (for example a section with bedclothes – dark blue, a section with white technology – white, a section with dishes – light brown etc.…).

With Internet technology growth and with the possibility to utilize new technology and programming applications, shops will be able to progressively fill the customer's wishes. When the customer can choose from possible color combinations on the page, he will be able to establish what he wants and what is suitable for him (today have this service for example server www.Email.cz), and thus make up the shop by a background corresponding to its meaning (dishes sale – on background can be soft picture of the kitchen). This is relating to the fast Internet connection, so that the Internet "surfer" is able to enjoy his shopping.

### 3.3.4 Goods delivery

Delivery time can't be long. Today's standard common delivery time is 5-10 days (www.vlatava.cz, www.albumcity.cz). Specialized products, which are not commonly

available, take 10-15 days, (passing are neither longer delivery times). Delivery expenses also play their own role.

In the problem with delivery goods today traditional shops have dominance over the Internet shops. Their main advantage is that the customer can have his purchased product immediately. To consolidation position of the Internet selling, not only on the Czech market, it is necessary to make better supplier's ways and create shorter delivery times of ordered goods to customers on minimum. Or possibly offer opportunities how to choose delivery methods with some price distinction of individual options.

a) **Czech post - goods** cash on delivery; this is a service which is provided by Czech post. Chosen goods are delivered directly to the address, which is indicated on the order. The price is dependent on package weight, and the delivery time is currently around 3-10 days. Czech post offers the use of service business packages, which guarantee the customer delivery of ordered goods strictly to his home (the postman must try to catch customer at least two times at home).

b) Guarantee of delivery personally at home; shops make contracts with transport companies (for example DPD – Direct Parcel Distribution, EDIS, Autopost Express, Czech courier, Messenger, TopTrans, Parcel Service)[11], which deliver goods strictly to the customer at the latest to within 48 hours; today the client pays for this service 100-150 crowns; a similar alternative is a self delivery service, which the e-shops can provide. Precisely this way of delivering goods reduces delivery time, and in the future at least this will balance the competition of the traditional shops.

How to get on well with customers is also to offer delivery of products for free. In this case the customer buys something and the price will be higher than that appointed in the shop.

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[11] That are firms offered interstate delivery system over the whole Czech Republic.

### 3.3.5 Next services

Among these services can be for example:

- Sending goods like presents including gift wrapping, congratulations on the donatory address
- Possibility to send catalogs of product innovations, discounts, clearance sales, specialties by e-mail etc.
- Recommended choices, lists of the most common sale products
- Competitions, promotions, extra discounts, everything that attracts customers to more often visits or longer stays on the web
- Money-back guarantees
- Testing shopping[12]
- Own electronic magazine about branch of products, which the shop offers

## 3.4 Decision about price

Prices are the only part of the marketing mix, which produce income. In this subhead I will show some principles that affect the level of prices for goods sold on the Internet, and I will focus on the style of development payments for products bought in this way.

### 3.4.1 Price policy

Shops and supermarkets, which have traditional images (or manufaturers, who sell their products in tradtional ways), and newcommers to the Internet, can come into advantage by

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[12] It is going about service offered test buy, all steps are same as the real purchase, but the customer must say that is going about test shopping. This service for example offer Spotrebak.cz

shortening delivery channels when they create their price policy. The next chart presents distribution channels in the traditional stone shop market.

Because these subjects, which use traditional sales methods, and have built backgrounds, for example in the form of storerooms, use of Internet shopping enables them eliminate some parts of distribution chain. Short chain offers decrease product price for the end consumer because unnecessary parts of the distribution chain. I suppose that this important advantage will give e-shops more attention in the next time. Because prices as a part of the marketing mix is one of the key factors affecting the customer's final decisions.

The advantage in decreasing prices by making decreased expenses in short distribution is not so fundamental for Internet shops, which make their existence without brick-and-mortar buildings. For these shops it is necessary to build offices and storerooms and these expenses show up in product prices.

On the Internet it is very easy to compare prices for goods in different e-shops. For this reason the price level of the Internet shops will still be low. With the exception of buying luxury products, purchasing via the Internet will be a prestigious affair. In this case high prices positively impact the overall impression from the shopping experience.

Prices for accessory services will affect total prices, but buyers don't give them so much fundamental attention, as to the basic product price.  To keep customers is not the high price for accessory services (post and package price...) a good strategy. If the client must in the final phase pay for the product price, which is higher than the basic present price, this can

make a negative sense from the whole shopping experience and can create negative references.

## 3.4.2 Payment methods

*Cash on delivery* – today this method is one of the most used forms of payment. Virtual shops are slowly becoming aware of other forms of payment, and the cash on delivery payment will be only for accessory service.

*Cash payment whit personal acceptance* – with growing usage of delivery by distribution with delivery companies, possibly own delivery services, is cash payment used more in this time (www.albumcity.cz, www.bontonland.cz…). In the future, with growing technology secure and growing, customers trust the Internet possibility and with this kind of payment will give up chance to another payment ways.

*Payment on the bank account* – paying for goods on the seller's bank account, this kind of payment want a time lag.

*Payment by force of credit card* - in this time is used OK credit[13] card provided by Multiservis and HomeCredit, we can't exclude that in the future similar forms of selling on credit will be developed.

*On-line payment by force E-Bank* – this bank was first in CR, who concentrated on opportunities to use the Internet on straight banking. Today it has a marked position in payment of Internet shopping and its service are used by a considerable percentage of virtual shops and we can anticipate growth.

*Payment by (credit) card* - to the customer is on shop pages for use (to print) confirmation. In this form it is necessary to fill in data, and in case that the customer will allow the transaction which he confirms with his signature. Thus, the filled out form is then sent by fax on shop fax number. When the shop receives the filled out form, he verifies the transaction in the bank.

*GSM Banking* – payment made by mobile phone. If the client has service GSM banking active in his bank, he can receive easily fast and secure information about his account form anywhere, make banking transactions, and use other services offered with this service.

*Micro payment system* – system provided this way of payment on the Czech Internet is service I Like Q (www.ilikeq.cz). I Like Q is a transactional system with virtual currency Q. The customer can transfer his currency and make money, and on the other hand spend money. Also, it is possible to buy this currency for money and also sell it back for CZK[14]. In this time

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[13] Ok credit offer Czech bank. It is going about bank credit. When is OK credit approve for the client, he gets financial reserve, from which he can take money when is purchase made. This card is for whole life and the customer pay monthly the sum on this card and also take a sum from this card.
[14] Near information in the attachment number 5

is this kind of payment in its beginning phases, but now 15 servers work as collectors and 18 servers as emitters of Q money.

Internet shops are leading this kind of payment for purchasing goods in the direction of Internet banking and now we can suspect that this trend will be growing in the near future.

Traditional ways of payment will be held as part of accessory service for customers, but domination will get cashless payments, micro payment systems and also GSM banking technology.

## 3.5 Decision about communication

Communication targets of the virtual shop on future customers and present customers are the basic way how to pull them on to the shop pages. The next step is to satisfy them about profitability shopping in this concrete shop, and sell them products to his satisfaction.

### 3.5.1 Advertisement

**Internet advertisement**

Propagation of the Internet shop is appearing as the best way how to address target groups of future customers of this virtual shop. In this time exists different ways how Internet advertisement can be presented.

The most popular are advertising banners, which keep high relative part on the whole capacity of the financial resource, invest in to the Internet advertisement[15]:

*Full banner* – its standard size is 468x60 pixels; these adverting areas are placed in the upper part of the pages, so on prestige places, which can users, see in fist time.

*Icon* – standard size is 88x31 pixels; today the second most commonly used form of advertisement; icons are placed on whole places of the pages, but mostly in their bottom area.

*Vertical banner* – standard size is 120x240 pixels;

*Square button* – standard size is 125x125 pixels;

*Half banner* – standard size is 234x60 pixels[16]

The above presented forms of presentation on the Internet are in this time regarded as common and are used by many servers (including e-shops). But there are also opinions that this size of advertisement has been overcome and that it is necessary to come up with something new. Development of advertising Internet market will relate on bigger advertising areas:

*Big square* – compensate classic banners in upper, bottom and other areas and become part of the text. This is offered by interactive technology Macromedia Flash, and it offers new possibilities thanks to a fundamental enlargement of part of the advertising area, which is not limited by one line of the text and a brief slogan. This form on the other hand brings information without needs to reach wanted page by clicking.

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[15] P. STUCHLÍK, M. DVOŘÁČEK. Marketing na Internetu. 1. vyd. Praha: Grada Publishing,spol. s r. o., 2000.
[16] Attachment number 6

*Supersticials* – their format is different. This kind of presentation sticks to the principle opening new window (they don't reach size of whole page, but also offer much more area for advertisement information), which is open for the user during a visit of a concrete page. Mostly until some time spend on this page, it means that if the user is on the page and stays there (for example pages with computers) we can suspect that he may have interest about this concrete assortment (new type of processor) and then is opened a new window with offers on this product.

*Intersticials* – this advertisement uses whole areas on the monitor, and is read before opening the whole search page (for example before searching webpage with hardware is open for user advertisement page on new type of processor). The advantage is that it hits all users of the concrete page, but there is still the disadvantage in the size of this page (around 100kb). That is why we suspect huge development of this advertisement after the Internet speedup[17].

*Skyscraper-* weight vertical line is enlarged type of the classic vertical banner. The disadvantage of this advertisement is its graphic size, which makes slower searching pages, but provides a faster connection and this is a disadvantage balanced with bigger advertising areas, which make it possible to say more information about the product. In this time this advertisement is used by server iHned.cz (www.ihend.cz)

Internet shops must consider whether or not they will make their own propagation by, or if he commits it to an advertisement agency. The decision depends also on the size of the virtual shop. I suppose that the Internet will be developing into professional advertisement

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[17] This kind can be use at this time for example server www.vltava.cz use this type of advertisement. Because the users are often connected to the Internet by dial up connection so usage of this advertisement is possible.

and that is a way I can recommend particularly to bigger electronic shops, which count with glide of customers, and commit their campaign to agency. The agency can monitor the market and the most important server in specific target categories. The client chooses who must be addressed and the advertisement agency makes the whole campaign.

On the Czech Internet we can find two types of advertisement agencies, which secure advertising campaigns. Main is:

*Change campaign*

The main principle here is showing banners at a of rate 1:1 (1:2, 5:4…), by this the client is (e-shop) viewing banners, collecting credits, which can then be used for his own propagation, in to own showing his banners on other pages. Representative groups of this Internet advertising agency type are Billboard.cz, Mr. Lin(x), eReklama or TextLink which focus on changing text advertisements.

I don't think that this is a good means of presenting the Internet shop. If the server accesses this system, it is not guaranteed that on his pages will be present the advertisement on products, which the customer can buy in this shop. It can happen that the competition's advertisement is also present and that is undesirable. Although some Internet shops use this change advertisement, I suppose that in the future this will be a cheap form of propagation, especially on the part of non-commercial servers.

**Advertising in printed media and not Internet media**

Although reaching the target group by this form of advertisement is hard, printed advertisement is another way how to address future customers and it belongs to this media.

Printed (billboard) attention on services, which can be offered on the Internet (also electronic shopping) has in this time a global character, and the objective is to say to customers that this type of information, services and products can also be found on the Internet. The advantage of printed information is catching also the group of future customers, who yet don't know it, but are going to remain part of the Internet population.

Advertising area for virtual shops offers mainly magazines oriented on the Internet and computers. Superficially to suspect growing Internet literacy among CR users, we can suspect that advertisement about virtual shopping will be more common also in magazines focused on other areas, and the daily press, in the radio and television or on the billboards.

Television with direct response from users (Direct Response Television) with shopping channels will still motivate users, in order to realize their response through the Internet instead of today's mostly frequently used toll-free telephone numbers 0800. Phone representatives of the selling company will have knowledge about what users see on the Internet and in the television[18].

**Quality indexation into the searching centers**

Bringing shops closer to customers is possible thanks to Internet searching centers. Placed text links on the virtual shop pages on these browsers are a key for their "appearance" especially for Internet beginners. Browsers divide individual links into the categories and subcategories and the server can allow that, which best fits its content[19].

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[18] Source: http://www.dkozak.cz/podpora/media/marketing.htm
[19] Attachment number 7

A way how to give notice about shop existence is the priority statement. Priority statement is a form of advertisement, which is in compliance with definite criteria this link get into a category of the Internet browser or portal and there is a display before other entered links. Priority statements can show key words (metatags). In this case links show preferred before other links found by the browser.

**Cooperation or alliance with other webs or another media with huge field of activity**

There is going about a new marketing method used especially on the Internet so called affiliate/associates programs. The purpose of these programs is to make higher numbers of visitors, in other words, Internet shop turnover. This method is based on cooperation between shop servers (for example Shopcenter.cz) and affiliated webs, which place on their pages links (picture, sound, animation, and hypertext) on these servers.

If someone from the customers of the affiliated webs uses this link and comes to a business server and buys, the provider of the affiliated web will get a percentage from turnover. Although that percentage of visitors, who on the affiliated business server buy something, is very small (experience from the USA said about one hundredth percentage) this from of cooperation is in this time still stronger[20].

In to a rapid decrease of success of the line advertisement it seems that just affiliate and associates programs will be the main marketing tools in the near future of the Internet.

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[20] Source: http://reklama.atlas.cz/internetova_reklama.asp

An interesting way to give notice about a server or a product sold on it is cross propagation. Constant alliance with a second server means that from time to time the second server gives notice about a partner's server, articles, reviews, recommendations.

**Propagation by "enlightenment"**

The Internet is a huge area full of information. Very practical sources of this information are forums. Their advantage is the user's honesty and knowledge about problems. This is a good way for companies to catch endless numbers of input for manufacturing their products or services better. There is also a place for active Internet seller's connection to these forums.

So if the firm will actively follow these public forums about the assortment, which they produce, they can find information without the expense of research agencies. With this active approach the company can also answer user's questions or respond to problems, which appear in forums. By this way the firm can present itself, or refer to their web pages, if it is dealing with a growing knowledge about them in public.

**Public relations**

A very important part of the PR shopping center is building relationships with the press, such as the Internet press as well as traditional press. Reference initiated in the article has noticeable sense about the firm (server). Responses can be positive and also negative. On

the Czech Internet there exist a lot of "press", which are oriented just only on e-commerce, but also lot of visits and read Internet magazines, which are oriented on similar themes[21].

Public press releases or daily showings of ascending successes of the virtual shop are from the press web pages accepted very positively, and these press servers don't inhibit the release of displayed information like this.

Good advertisement is also the server connection into a special research group or monitoring. Results from this research provides attention in the Internet (but not only in this) "press". And part of these results from the research is also a list of connected servers; in consequence we can say some kind of electronic shop propagation.

The next important PR part is building up company identity. There is going about slow process which is company coming to current customer and the future customer awareness. One way to build up a good name is to provide respectable access to customers, which means positive reference and a bolstering of the company name (server). Same is it with attending Internet and also non Internet actions (conference, competitions, sponsoring…). But the graphic appearance of the pages and their arrangements and colorfulness also bears impact.

Off-line propagation also plays and will continue to play a key role. Web addresses and e-mail addresses must be seen on the whole of company materials (business cards, letters, advertising materials, press release and next information, fax and also advertisements).

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[21] www.e-Komerce.cz, www.novinky.cz, www.lupa.cz, www.neviditelnypes.cz, www.idnes.cz, www.ihned.cz, www.novaekonomika.cz,

With growing expenses of Internet advertisement the sense of PR for server communication will also increase.

**3.5.2 Sale support**

Internet customer's loyalty is very problematic. Consumers shopping on the Internet change virtual shops also from the case that the prices are lower or some other kind of selling form. On the Czech Internet services have appeared, which offer customers a way to find in the virtual shops wanted goods then arrange these goods according to their own criteria (for example arrange by price).

On the Internet it is possible to transfer all common sale support tools:

*Quantity discount* – for products which are appointed on common users this kind of discount hasn't been very exploited;

*Competitions, lottery, and games* - this is a very useful means of attracting customers to the virtual shop pages. The target is very often to find information on questions and the competitor must "click" server pages to find the right answers, and thus the customer is informed about the shop's entire offer. An important part of these games is also getting not so

much representation, but at least information about visitors and buyers (e-mail, age, sex, education…), what allow prepare offer for this target group.

*Membership programs*– many of the virtual shops, especially those, which whose offer is not specialized on one assortment, work with registering their clients (getting information and making shopping for the customer easier, for example when the customer often buys things on these pages he need not repeatedly fill in his address because this it is already in a database to which the customer is connected with a password). Membership programs offered by some of the virtual shops depend on allowing the customer access for cheaper prices but after they have paid a membership fee.

*Products for free and presents* – bonuses, which are given to the customer when he buys some products and the second product is for free, or gifts (a gift is different from a free product, because is not possible to buy a gift).

*Products for special price* – goods, which can be bought if the customer buys another product. Then this product is offered at a special price.

*Gift certificates* – The donator doesn't choose a specific product for the recipient, but he buys a certificate, which enables the recipient to buy some products in a particular virtual shop and pay by means of this certificate.

*E-money* – a special reward if customer buys a product is to write to him amount on his virtual account in concrete shop, possibly in a group of shops. Four loyalty programs exist on the Czech Internet:

Bonus.centrum

Fazole

Moje dukáty

I Like Q


*Samples* – sending samples via the Internet is an effective tool because ordering samples is easy and targeted almost perfectly.

*Product refunds without need for customer explanation*– this kind of sale promotion is not so common, especially due to its expensiveness  (the customer sends back the product at his own expense), a that is way I don't suppose that growth of this service will be significant in the future. As a better idea is the possibility to lapse orders (without expenses) until a limited time[22].

## 3.6 Decision about shop look and structure

For e-shops it is particularly important to evoke through their web pages an atmosphere of reliability and trustworthiness to their customers and satisfy them, that offer products or services representative of quality and professionalism. As a part of help or special link places on the server is the appearance of secure data and information about which kind of security this server uses.


Important is the very design of the homepage. This page must be clear and intuitive. Available to the visitor must be easy search engines on this page and the visitor also must be able to go from one commodity to another commodity. If he for example will want go to the

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[22] This service for example Offer server Obchodni Dům (www.obchodnidum.cz)

category "books" as a part of furniture equipment he must only click four times and that is enough.

The same rule holds true for the graphic look. The view has to be as big as necessary, visually descriptive and catchy, so that the customer can create a realistic picture about the offered products, so that the real color of the product corresponds with the color on the web page, etc.

Shop web pages are necessary to change and keep them still fresh, so that customer with his next access into the virtual shop finds here a new or growing offer. Save money in this area is not the way to the success.

Flooded Internet channels: One e-marketing difficulty can be flooding of the Internet selling offer because of unexpected interest from the customers. If the firm doesn't account for this problem and isn't ready in time to face it, it can happen that the first customers' enthusiasm disappears very fast. Each firm must be ready in time for unexpected big success and if the budget allows then it is good to have capacity reserves.

Common mistakes in web pages proposal, which are appear and can put future customers off , are these[23]:

_Use frames_ – some browsers do not support frames, and this is becoming a main disadvantage for their use. Although these frames are use friendly the user is surrounded by and assure by a good arrangement of the virtual shop;

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[23] Holly M. Burns: Top 15; Karel Kilián: Nejčastější chyby tvůrců webových stránek, Source: http://www.dkozak.cz/konzult/marketing.htm

*Oversupply of hi-tech elements and tricks* – these elements force users to install still newer explorer tools (without these elements make access for users worry) and it also puts future users off form the shopping;

*Not contrasting background* – doesn't allow make offer more contrasts; its disadvantage is also fusion of the server with a huge number of competitive servers; a poorly used color combination is going to be chaotic;

*Lot of animations* – dynamic animation makes the user heedless and he doesn't watch the offer;

*Content disorganization and disunion – overuse of the graphic* – graphic applications slow down the speed of the complete page view, although is their sense for the virtual shops important and indispensable; with the development of alternative opportunities how to connect to the Internet (telephone or wireless connection) the disadvantage of time dilation will slowly decrease; overuse of the graphic causes users to become disoriented. For those who have set "stop using graphic elements", *chaos in fonts* – over the whole shop page it is good to use a united font, so that the page doesn't loose its harmony and doesn't affect customers with disparate sense;

*Inrealitive and old information*

*Missing citation of use sources* – as a part of recommendation presented with products, it is good to use also source, it means if is it shop opinion or somebody else with a link on his opinion or e-mail;

*Dead, unreadable, abstruse links* – orientation in the overall structure of the Internet shop depend on suitable, strictly defined and clearly show links, which navigate the customer over the "products in shelf ", that is why unreadable links are unsuitable, unusual and particularly insufficient explicitly before defined cascade sheet styles.

*Negative assertion, feeble argumentation* -

*Missing alternative text under the picture* – this problem depends on the "users viewing of the graphic parts", if is missing alternative text under the picture, the user tends to switch off the graphic setting, and thus he is lacks orientation on the server's pages;

*Usage of the not standard tags*– usage of the not standard programming tags to users can, with the technological possibilities of the installed browser, make accessing the e-shop Internet pages problematic;

*Usage of the unsuitable formats* – many of the Internet pages are programmed in HTML code, with usage of another programming language can be reached a higher quality and higher comfort, but at the price of the higher instability;

*Special symbols and Czech* – on the Internet shop pages should be marked the choice of Czech coding (diacritical markings, etc.).

*Pages size* – some of the servers don't use optimization for viewing size, which can be optimal only on monitors with a higher resolution (1024x768 pixels) and this can make for disorientation for users with lower monitor resolution;

Internet shop should be constructed, so that they can offer to their users what they are looking for. So that accomplishes their needs and doesn't discourage them with some complication during the shopping. It is necessary to respect the following rules:

- Minimum clicks needed to reach chosen and purchased product.
- Two methods to search a product (catalog and full text searching).
- Contex help (detailed help, FAQ) use for each window for that concrete window (pro shopping, for registration…).
- Help for new buyers.
- Information about company.
- Detailed information about accessibility on the product.

- Showing complaint rules.
- Information about the most commonly shopped for product.
- Size definition – missing size definition about a product to buyer can't make real imagine about shopping goods, which can result in the end to his negative feeling from the shopping experience.
- User possibility whenever he wants, check on his order status.
- And especially shop transparency.

## Attachment number 1

**Internet in the Czech households**

### Internet in the household / CR

| Category | Value |
|---|---|
| **AGE** | |
| 18 - 24 | 43% |
| 25 - 34 | 40% |
| 35 - 44 | 41% |
| 45 - 54 | 40% |
| 55 - 64 | 17% |
| 65 and more | 6% |
| **EDUCATION** | |
| Lower | 13% |
| High school | 40% |
| University | 58% |
| **SOCIAL GROUP** | |
| Student | 57% |
| **BUSINESS** | |
| Yes | 63% |
| No | 26% |
| **SIZE OF THE TOWN** | |
| to 4999 inh. | 30% |
| 5000 – 19 999 inh. | 30% |
| 20 000 – 99 999 inh. | 31% |
| 100 000 and more | 37% |

## Internet in the household/by education



Legend:
- 1997
- 1998
- 1999
- 2000
- 2001
- 2002
- 2003

**Lower**
- 1%
- 1%
- 2%
- 4%
- 8%
- 12%
- 13%

**High school**
- 3%
- 5%
- 12%
- 18%
- 27%
- 32%
- 40%

**University**
- 6%
- 16%
- 26%
- 30%
- 40%
- 50%
- 58%

## Internet in the household / CR



Has
32%

Hasn't
Don't plane
56%

Hasn't
But Plane
12%

## Attachment number 2

**How people trust to the Internet shopping**

From the GfK Great Britain[25] research was discovered a differences between male and female factor in the Internet shopping. As this research present male factor are more willing to make their business on the Internet.. More often than woman they buy books, technology and household appliance. Woman buys perfumes and food.



Zdroj: http://www.e-komerce.cz/ec/ec.nsf/0/C3E607FF53074142C125687E0025752E

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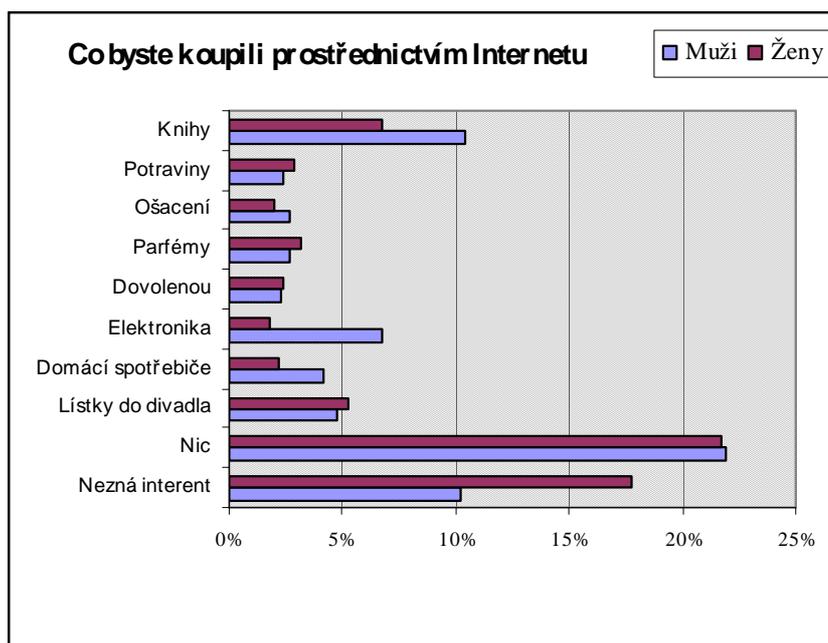
[24] Zdroj dat: zpráva DEMA a.s., únor 2004 „Vybavenost domácností občanů ČR technikou

[25] In this research "on-line shopping" British firm GfK Great Britain, which was contacted by a firm Intel on the year 1999, they address 1000 Czech respondents. Zdroj: http://www.e-komerce.cz/ec/ec.nsf/0/C3E607FF53074142C125687E0025752E

**Attachment number 3**

**Human needs**

Kinds of needs:

*Biogenic* – this state is case by the psychic and biogenic strain (hunger, thirst, uncomfortable feeling…).

*Psychogenic*– we can understand as a desire for appreciation, respect, etc. most of the psychogenic needs are not so marked to make individual satisfied at the moment.

**Maslowov's pyramid of the needs[26]**

Self-
realization

Needs of the respect (self-
respect, praise, status)

Social needs

Needs of safety
(security, safeness)

Physiological

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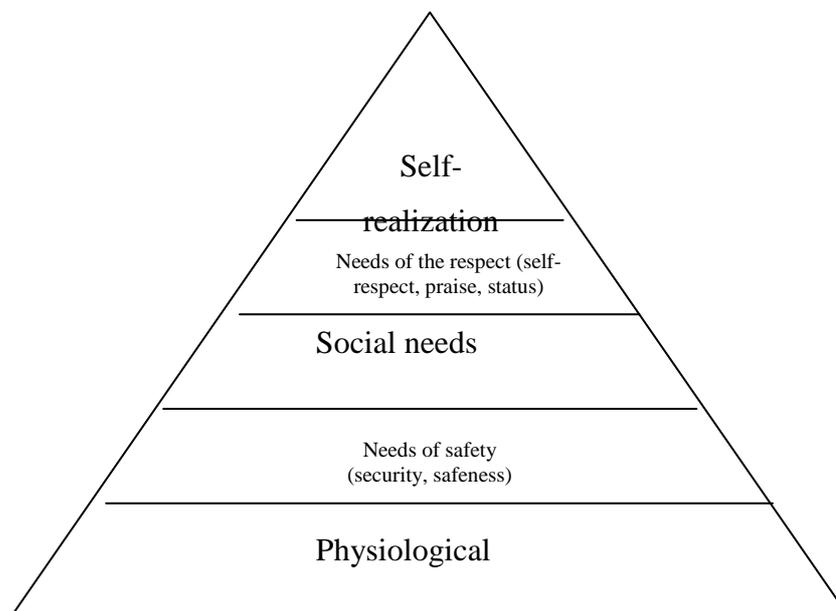
[26] KOTLER, PH. *Marketing Management*. Přel.: Dolanský, V. a kol. Praha: Victoria Publishing, a.s., 1991.

## Attachment number 4

*Working labor of the Internet users*

| Position | % |
|---|---|
| Students | 22,0 |
| Information Technology | 18,0 |
| Special position (teacher, constructor, journalist, doctor, etc.) | 15,4 |
| Individual business activity | 14,2 |
| Position in the marketing and trade activity | 11,1 |
| Position in the economy and financial activity | 7,5 |
| Top management | 4,3 |
| Workman position | 3,8 |
| Other (pensioner, household, etc.) | 3,6 |

Zdroj: www.park.cz, *5. kolo průzkumu uživatelů Internetu*

## Attachment number 5

## Micro payment system I like Q

**Generally about IlikeQ** (source: http://www.ilikeq.cz)

ILIKEQ is a transaction system with the virtual currency Q. It is a fist system in the Czech Republic and it is allowing so called micro payment on the Internet I LIKE Q users can use different ways how to use this virtual currency, when they are on the Internet. It is possible to receive this currency by the many ways and also spent. As you can buy this currency for CZK you can sale it for CZK.

Internet servers connect to this service ILIKEQ work as emitters or as a recipient of the currency Q (collectors). Server can work as an emitor and also as collector. Detail describe of emitors and collectors below.

I LIKE Q didn't collect any of the user's information. If the user wants use this service, he needs only:

1) User name

2) Password to enter the system

3) Secure password for entrée the ILIKEQ account.

**Q – currency IlikeQ**

Virtual currency characteristic Q:

- It is fixed for CZK
- It is convertible with CZK
- rate 100 Q = 1 CZK
- 100% covering the currency Q with CZK

Quantity of the Q currency at outstanding "I LIKE Q" system always respond to deposit CZK on a special account and it is display in the right relation 100 Q = 1 CZK. By this is cover a 100% protected.

User and the other subjects connected to this system can buy Q currency for the CZK in the limited rate.

**Connected subjects / servers**

**Emitor** (give currency Q)

Emitor "bought" ILIKEQ currency Q for CZK and it is use as rewards for their users -

emitors pay them. There is a lot of ways:

- Cooperation for creating WWW server (help with a content, active presence in a discussions, etc.)
- Users registration at emitor
- Provide more information to emitor (for example personal information, etc.)
- Users agreement about receiving advertisement e-mails
- Information about new product
- Etc.

As example of the emitor can be news server. These servers pay to users for a displayed content or its sites.

**Kolektor** (receive Q)

Kolektor "collects" from the user a currency Q, like let them pay for services. This collect currency then the kolektor can change for CZK from the ILIKEQ provider. Some of the examples:

- Provide paid content on the server
- Sale of the digital products (MP3, photos, e-books)
- Sale of the common products (books, CD, flowers, electronics)

Classic kolektor presents e-shop.

As was mention before a server can work as emintor and also as kolektor.

**Kinds of micro payment in the system ILIKEQ**

## Membership payments

| Transaction capacity | 5 – 5000 Q |
| --- | --- |
| Description | Movement of the Q currency on the other account – by user to kolektor or by emitor to user |
| Purpose | Bonuses for users activity, payment for the digital goods |
| Example | Server sale digital photos. For each display / downloaded photos is paid to user 200 Q |

| Transaction capacity | Maximally 100 Q | **Q** |
| --- | --- | --- |
| Description | Clearance is made cumulatively for the time period for each server | **pay** |
| Purpose | Mostly as a bonuses for the server visit | **men** |
| Example | News server as a emitor pays to user maximally once a day for each display site 10 Q. (time period and other rules are made by the server). | **ts** |

## Q transaction

| Transaction capacity | Maximally 500 Q |
| --- | --- |
| Description | Transaction currency Q on the other user´s account. Q transaction is made after placing secure password |
| Purpose | Strictly payments between users ILIKEQ, payments in e-shops (a la Expandia bank) |
| Example | User bought cigars in e-shop. Total price of the purchase is 50000Q (tzn. 500 CZK). User chooses Q transfer and after placing his password he send a 50000Q on ILIKEQ e-shop account. |

**Advantages in micro payment system ILIKEQ:**

- *Micro payment* **-** ILIKEQ offer payment in hundreds but also in pennies.
- *Comfortable* **–** use ILIKEQ as an electronic pocket user can anytime and anywhere full his pocket when from every bank.
- *Security*- In ILIKEQ pocket user can have currency how much he needs and wants. And your money is secure by two passwords. ILIKEQ security is the same as use e-banks.
- *Speed* - Payments and transfers from the account to the account are made immediately. Electronic products you receive after payment. Servers reward you immediately.
- *Zero fees* – Establishment and operation of your account is for free. User doesn't pay for anything. Only exchange for CZK is paid.

- *Anonymity* - ILIKEQ it is not necessary to provide some information to the server.

## Connected servers:

| Kolektory - utrácejte Q | |
|---|---|
| **123shop.cz** | Internetový obchod prodávající knihy /více než 30.000 titulů/,výukové a zábavné CD-ROMy, spotřební elektroniku od firem Panasonic, Technics, Thomson, Philips, Casio, Secco ad. Dodávka až do domu či kanceláře jen za 49Kč. Možnost sledování zásilek na internetu. |
| | Veškeré nákupy na 123shop.cz lze hradit Q, limitní částkou je 5 000 000 Q. |
| **A1crazy** | Ta nejlepší zábava na infernetu. |
| | Q můžete utratit za animované pohledy, eDárky, puzzle ... |
| **Cigars** | Virtuální trafika Cigars.cz-Mostex - doutníky, tabák, doplňky. |
| | Veškeré nákupy v této trafice můžete nyní zaplatit i ve Q. |
| **Evídky** | Obchod elektronickými texty |
| | Prodej literárních děl v čistě elektronické podobě. |
| **Joint Line** | Služby a produkty v systému Joint Line, Fan Club |
| | Osobní, speciální, motorové a manažerské stimulátory. Doprava a poštovné zdarma při koupi za Q. |
| **mshop.cz** | Mobilní telefony a příslušenství |
| | Nakupujte mobilní telefony za Vaše Q! Do konce března získáte poštovné zdarma a navíc slevu 200 Kč. |
| **Nabit.cz** | Zasílání log na mobilní telefony Nokia. |
| | Zaslání loga stojí 200 Q, zatím je možno zasílat loga operátorů a skupin volajících. |
| **nokia.funlife.cz** | Server pro příznivce mobilních telefonů NOKIA. |
| | Pošlete si loga, melodie i celé profily anebo vlastní logo do systému vložte. |
| **Neknihy** | Nakladatelství a knihkupectví nevázané literatury - NonLibri |
| | Prodej literárních děl v čistě elektronické podobě. |
| **Piškvorky** | Piškvorky - no comment |
| | Jedna partie stojí 1 Q. Při výhře ale 10 Q inkasujete! |
| **Prescogroup Shop** | Výroba kalendářů a reklamních předmětů |
| | Nákup atraktivního zboží v "Presco Q Shopu" |
| **Shop.cz** | Virtuální obchodní dům s širokou nabídkou zboží a služeb. Doprava zdarma. |
| | Všechny nákupy můžete zaplatit prostřednictvím Q. Velice výhodné dobíjení kupónů Paegas, Eurotel a Oskar . |
| **STC** | Server pro rekreační hráče tenisu nad 30 let. Organizuje řadu turnajů po celé České republice. |
| | Můžete zaplatit registrační poplatek nebo startovné turnajů pomocí Q. |
| **xlotto** | Vyhrajte vsazením svých šťastných čísel on-line skvělé výhry! |
| | K nabití lotto účtu můžete použít svá Q. |
| **YouOnWeb.cz** | Tvorba WWW prezentací a webových aplikací a další internetové služby. |
| | Můžete využít 10% slevu na všechny naše produkty, zaplatíte-li zálohu pomoci Q. |

| Emitory - získejte Q | |
|---|---|
| **bilezbozi.cz** | Specializovaný internetový obchod s bílým zbožím - ledničky, pračky, myčky, sporáky a sušičky. |
| | Po zakoupení a zaplacení zboží získáte 5000 Q. Seženete-li tři kupující, dostanete extra bonus ve výši 100 000 Q! |
| **Březen** | Březen - měsíc Internetu - projekt s cílem upozornit na obrovský význam Internetu |
| | Q za hlasování v sérii anket |
| **Dobré zprávy** | DZ - Magazín plný optimismu |
| | Dobré zprávy Vám dají Q za návštěvu jejich stránek |
| **eBiz.cz** | Zpravodajství o e-komerci |
| | za každou anketu, ve které hlasujete, dostanete až 30 Q, a při čtení článků dostáváte 5 Q každou minutu |
| **Evídky** | Obchod elektronickými texty |
| | Q za odeslání propagační pohlednice |
| **Fincentrum** | Největší český server věnovaný osobním financím |
| | Na Fincentru můžete nyní získat až 300 Q. Stačí, když se zúčastníte našeho výzkumu. Za vyplnění první části dotazníku získáte 200 Q a za vyplnění druhé části dalších 100 Q. Tak na co ještě čekáte! |
| **I LIKE Q** | I LIKE Q Profil |
| | za vyplnění každé položky v profilu dostanete jednorázově 20 Q |
| **Korunka.cz** | Virtuální obchodní dům - mimo jiné Bílá technika, Spotřební elektronika, Foto... Doprava po celé ČR zdarma, nákup i na splátky. |
| | Zákazník obdrží 10 Q za návštěvu některého z "horkých tipů" na stránkách www.korunka.cz. |
| **Mr Barter** | Volně přístupná aplikace pro výměnný obchod. Je určena pro firmy i soukromé osoby. |
| **mshop.cz** | Mobilní telefony a příslušenství |
| | Za návštěvu rubriky I LIKE Q získáte 10 Q / den. |
| **Net-news.cz** | Zpravodajský server - ekonomika, politika, sport, kultura, soutěže o ceny |
| | Platba 10 Q za registraci, platba za každý přečtený článek a hlasování v anketě. |
| **New-Pla.net** | V obchodním domě New-Pla.net se pomocí virtuálního výtahu dostanete do každého z jeho 11 pater. Nakoupit zde můžete hi-fi techniku, mobilní telefony, počítačové vybavení, hračky, knihy, CD, audio a video kazety, domácí spotřebiče a skleněné výrobky. Pouze zde se setkáte i s Bazarem, ve kterém nabídnout svoje zboží můžete i Vy. Zaplatit lze různými způsoby a to jak kreditními kartami tak i na splátky. Prosím, račte si nastoupit :-) |
| | Za registraci dostanete 200 Q, za podání inzerátu do Bazaru získáte 10Q/ks, za každý nákup bude Vám připsáno množství Q stejné jaká je výše Vašeho nákupu (např. za nákup 450,- Kč získáte 450 Q), za každou návštěvu předem stanovených pater delší než 10 min - 20 Q/den. |
| **Obchodní dům** | www.obchodni-dum.cz |
| | Věrnostní platba za účast v soutěži. |
| **Odpovědna** | Odpovědi na otázky z internetových soutěží |
| | Věrnostní odměna za prohlížení detailu soutěže. |
| **Piškvorky** | Piškvorky - no comment |

# Attachment number 7

## Branch Indexation

Cars

Audio, video, TV, sat

Travel

Home pages

Transport

Economy a finance

Film and TV

Graphic

Games

Music

Internet

MP3

Media

Towns and country

Religion

Other

Shopping

Ungovernmental

Companies

Politics

Industry

Nature

Reality and living

Advertisement, marketing

Restaurants

Sex a erotic

Services

Software

Competitions and survey

Sport

Building industry

School and education

Culture

Wars, fights

Science and technology

Governmental and state org.

Leisure time

Computers

Warez

WWW

Health

Agriculture

Fun a humor

Animals

Attachment number 8

## *The Czech Law related to the Internet*

| Název normy | Citace | Nabývá účinnosti |
|---|---|---|
| Zákon o právech a povinnostech při vydávání periodického tisku a o změně některých dalších zákonů (tiskový zákon) | 46/2000 Sb. | 14.3.2000 |
| Zákon o ochraně osobních údajů a o změně některcýh zákonů | 101/2000 Sb. | 1.6.2000 |
| Zákon, kterým se mění některé zákony na ochranu průmyslového vlastnictví | 116/2000 Sb. | 10.5.2000 |
| Zákon o právu autorském, o právech souvisejících s právem autorských a o změny některých zákonů (autorský zákon) | 121/2000 Sb. | 1.12.2000 |
| Nařízení vlády, kterým se stanoví seznam oborů živností voných | 140/2000 Sb. ve znění nařízení vlády č. 468/2000 Sb. | 1.1.2001 |
| Zákon o telekomunikacích a o změně dalších zákonů | 151/2000 Sb. | 1.7.2000 |
| Zákon, kterým se mění zákon č. 65/1965 Sb., zákoník práce, ve znění pozdějších předpisů, a některé další zákony | 155/2000 Sb. | 1.1.2001 |
| Nařízení vlády o centrální bance | 168/2000 Sb. | 26.6.2000 |
| Zákon o ochraně průmyslových vzorů a o změně zákona 4. 527/1990 Sb., o vynálezech, průmyslových vzorech a zlepšovcích návrzích, ve znění pozdějších předpisů | 207/2000 Sb. | 1.10.2000 |
| Zákon o elektronickém podpisu a o změně některých dalších zákonů | 227/2000 Sb. | 1.10.2000 |
| Zákon o informačních systémech veřejné správy a o změně některých dalších zákonů | 365/2000 Sb. | 23.10.2000 |
| Zákon, kterým se mění zákon č. 40/1964 Sb., občanský zákoník, ve znění pozdějších předpisů, a některé další zákony | 367/2000 Sb. | 1.1.2001 |
| Zákon, kterým se mění zákon č. 513/1991 Sb., obchodní zakoník, ve znění pozdějších předpisů, zákon č. 385/1992 Sb., o notářích a jejich činnosti (notářský řád), ve znění pozdějších předpisů, zákon č. 15/1998 Sb., o Komini pro cenné papíry a o změně a doplnění dalších zákonů, ve znění zákona č. 30/2000 Sb., zákon č. 200/1990 Sb., o přestupcích, ve znění pozdějších předpisů, zákon č. 99/1963 Sb., občanský soudní řád, ve znění pozdějších předpisů, a zákon č. 328/1991 Sb., o konkursu a vyrovnání, ve znění pozdějších předpisů | 370/2000 Sb. | 1.1.2001 |
| Oznámení Ministerstva financí o vydání opatření, kterým se upravuje účtová osnova a postupy účtování pro podnikatele | 116/2000/55 Sb. | 1.1.2001 |
| Zákon, kterým se mění zákon č. 586/1992 Sb., o daních z příjmů, ve znění pozdějších přepisů, a některé další zákony | 492/2000 Sb. | 1.1.2001 |
| Nařízení vlády, kterým se vydává celní satebník a kterým se stanoví sazby dovozního cla pro zboží pocházející z rozvojových a nejméně rozvinutých zemí a podmínky pro jejich uplatnění (celní sazebník) | 441/2000 Sb. | 1.1.2001 |
| Nařízení vlády, kterým se stanoví technické požadavky na rádiová a na telelkomunikační koncová zařízení | 426/2000 Sb. | 1.5.2001 |

## Attachment number 9

## Presentation of the B2C business

# Summary

A new market which is representing by the Internet brings a lot of possibilities to be used it a different areas. Internet offered a lot of possibilities and new technology which are connected with it. And also offer wide scale of possibilities, how to use them effectively. Its marked opportunity is in selling goods to end users.

The customer of the virtual shop can be everybody without regard on their area. Still will be growing impact of the information about offer a products at the horizon of the Internet and the Internet stores. Not just only information with professional character (more technology parameters, product character, strictly meaning of the attests, hygienic norms, professional opinion), but also information in a form of the customers opinion to a concrete product (form so called personal selling element).

With the Internet technology growth and with a possibility of usage new technology and programming application will be still formed by user's wishes (for example color background of the selling server).

For stronger position of the Internet selling will help better delivery chains and created shorter time on minimum to deliver product to the customer. With the Internet development will also still put the accent on the electronic shop structure, so that purchasing will be comfortable for the user, fast and without complication and so that virtual shops can be still use alternative for shopping. Internet was developed into a new, interactive and dynamic media and offer lots of opportunities for use.

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