

SOFTWARE RETAILERS FROM BRAȘOV AND THE ONLINE STORES

PhD Student Axenia Bianca BOITOR

Transilvania University of Brașov

Email: bianca.boitor@unitbv.ro

Abstract:

This paper presents the factors that influence the online marketing strategies of software vendors from Brașov County. An analysis of the software retailers' attitudes from Brașov regarding online marketing and advertising was made. A survey among vendors from Brașov was undertaken and the results of this research show an orientation of lesser extent to online sales and marketing of the retailers' activity. 20 responses were collected from software companies which trade software products and services in Brașov County. The results are very important for the companies that sell software products and services not only on the local market but also at national level. The paper presents the main reasons why software retailers from Brașov County, which is one of the most developed software markets in the country, have a lesser orientation towards online selling of software products and services. More than 400 companies involved in the software domain operate in Brașov City only. Research questions regarding the effects of the present economic situation, the online marketing strategies used in the software industry, and details about the online activity of each company where part of this research.

Keywords: *research, strategy, website, software, online sales.*

Introduction

The main results obtained from carrying out a market research in Brașov County are presented. Through this research, we attempted to quantify opinions and attitudes of software traders in Brașov County regarding the marketing of software products and services through online shops and their corporate customer segment.

The paper aims at revealing if the software retailers from Brașov County have the tendency to focus on the online marketing strategies or not. This subject is treated mainly because of the changes that have occurred in the customers' purchasing behavior over the last years.

The players in the software distribution channel do not want to be left behind. They are attempting to leverage their access to customers by

setting up online software stores. Users can purchase software online from a variety of sources (ComputerWorld, 1997, p. 32). The commercial use of the Internet is still increasing, and online shopping becomes more and more a part of our day-to-day life (Van Noort et al., 2008, p. 59). Compared to the brick and mortar stores, the Internet lowers the entry and set up costs for new sellers (Biswas and Biswas, 2004, p. 38), making it relatively easy for a deceptive online retailer to set up a storefront on the Internet that is as genuine looking as its legitimate counterpart (Roman, 2010, p. 374).

The software industry in Romania

The software industry involves applications, operating systems, video games or even social networks, but also

telecommunications and hardware. One could wonder what exactly the software and information technology industry in Romania is. According to the new Romanian Classification of National Economic Activities, operational since 2008, the main economic activities in this industry in Romania include: IT&C manufacturing industry, IT&C services and software and IT services (editing software, publishing of computer games, publishing of other software products, information technology

services or repair of computers and communication equipment).

According to data provided by the Romanian Institute of Computing Technology, software and IT industry in Romania has experienced significant growth in the last years.

The table presented below shows the evolution of IT & software industry in Romania regarding turnover, production, number of employees and exports.

Table 1

Romanian IT&C industry during 2007-2011

Romanian Total IT&C industry during 2007 - 2011	2007	2008	2009	2010	2011
Turnover, EUR million	8.279	9.381	8.554	9.269	9.245
Sold production EUR million	6.809	7.937	7.661	8.357	8.489
Added value, EUR million	3.733	3.902	3.475	3.403	3.424
Exports, EUR million	2.008	3.008	3.378	4.322	4.720
Staff	123.733	130.555	118.243	118.008	119.105

Source: M. Vuici (2011,2012), *IT&C industry in România during 2007-2011*, <http://www.itc.ro/download/972>; Accessed: 26.05.2012

The total industry turnover exceeded EUR 9.2 billion in 2011. Production/services sold reached EUR 8.4 billion (2011), and the total number of employees declined slightly reaching 119.105 (2011). A stronger increase in 2011 was seen by IT & C exports that reached EUR 4.7 billion (Vuici, 2012, p. 4). These increases were made almost entirely of hardware and electronic manufacturing, driven by exports and

dominated by Nokia platform that has come to represent two thirds of the total in 2010. Instead, the service sectors have evolved negatively influenced by the stronger contraction of the internal market. (Vuici, 2011, p. 4) Foreign investments had an important role in this sector, for example the new center of IBM in Braşov, the new center of Perot Systems in Bucharest or Cap Gemini in Iaşi. (Vuici, 2010, p. 21).

Table 2**Romanian IT&C industry evolution during 2007-2011**

Total IT&C industry during 2007 – 2011	2007 / 2006	2008 / 2006	2009 / 2006	2010 / 2006	2011 / 2006
Turnover, %	24%	37%	24%	32%	41%
Sold production, %	24%	43%	40%	52%	55%
Added value, %	23%	25%	14%	12%	13%
Exports, %	4%	56%	75%	124 %	145 %
Staff, %	12%	12%	7%	7%	8%

Source: M. Vuici (2012), *IT&C industry in România during 2010-2011*, <http://www.itc.ro/download/972>; Accessed: 28.05.2012

Local IT & software industry

Braşov is one of the first 5 counties that generate a significant turnover for the software and services sector in Romania. The next table shows a

classification of the first 5 counties in Romania regarding the software and services sector in 2010, Braşov being included in this classification.

Table 3**Software and services sector, distribution by counties in 2010**

County	No. of companies	Turnover (mil. Euro)	No. of employees	% companies	% turnover	% no. of employees
Bucureşti	5.518	1.578	29.839	38%	66%	53%
Timiş	741	216	5.605	5%	9%	10%
Cluj	1.143	166	5.090	8%	7%	9%
Iaşi	510	78	2.270	3%	3%	4%
Braşov	747	76	2.617	5%	3%	5%

Source: M. Vuici (2011), *IT&C industry in România during 2009-2010*, <http://www.itc.ro/files/ITC-IndIT&C2009-2010.pdf>; Accessed: 26.09.2012

According to the Romanian Institute for Computers, in Braşov, in 2010 the number of firms operating in the software, information technology and hardware industry was 747 with a turnover of EUR 76 million and providing employment to 2617 people.

The number of firms in Braşov County represents 5% of all companies operating in Romania in this sector, and their turnover is 3% of the total turnover in the industry at national level.

Although the crisis has affected the software industry, companies have managed to survive. In our opinion, the revenues from software retailers were affected given the reduced consumption at the national level and we want to

emphasize that traders had to face these changes in consumption patterns, declines in sales due to the lower income of customer segments. Another reason, in our opinion, why sales decreased for local traders is represented by the changes in the users' consumption behavior due to a very rapid development of online marketing and sales. From our perspective, both companies and individual users resort to this method of purchasing products for the following reasons: convenience, offer of all necessary information or even online or on the phone provided security and technical support.

Thus, purchasing online applications and software products or services proves to be very advantageous to customers in terms of acquisition time and cost required. Even if online procurement in Romania still represents a small percentage, this consumer behavior is increasingly adopted quickly by clients and potential clients, especially in the services and software domain, where the dynamics is very high.

Literature review

The effective use of the Internet enables software developers to provide anytime/anywhere access to their products. With online software distribution, customers can purchase and immediately download software products even to their smartphones, tablets and other devices. In addition, online software distribution reduces logistics, hardware, and supply costs, and allows software companies to address more points of sale worldwide at low cost (Hu and McNaughton, 2011, p. 98).

Online software selling can be identified as a direct distribution channel when software manufacturers sell their products and services using their own website. There is another case when the online selling of software products and services can be considered an indirect distribution channel. This happens when the manufacturer sells his products online through a distributor website, for example Flanco Retail S.A., which is one of Microsoft Corporation distributors and partners in Romania (flanco.ro, 2012).

Previous research has shown that online software selling consists of a large number of unlicensed products. The Software & Information Industry Association conducted a review of online software sales on auction sites – including those of Amazon.com Inc., eBay Inc., Excite Inc., Yahoo Inc., in 2000. The research showed that 91% of the software auctioned was sold

illegally. Of the 1300 online software transactions it monitored, only 138 involved products that contained legitimate software licenses (ComputerWorld, 2000, p. 32).

In recent years, multiple research studies have shown that the online software transactions have become increasingly less illegal, and the complexity of trading software online has become increasingly lower. This is due to the appearance of software as a service. Today's economic crisis makes it imperative that small and medium size businesses find new ways to perform their operation in a more cost-effective fashion (Guo et al., 2011, p. 1).

Software as a service is gaining ground with the significant increased number of vendors moving into this space and the recent success of a bunch of leading players on the market (Sun, Zhang, et al., 2007, p. 558). SaaS delivers software functionalities to a big group of clients over web with one single instance of software application running on top of a multi-tenancy platform (Guo et al., 2007, p. 551).

One of the main reasons why software as a service is so successful on the international market and even in Romania is that it reduces costs, which is a big advantage in the fight against piracy.

Research methodology

The general hypothesis from which we started in the implementation of this research was as follows: a decrease has been suspected lately as regards software physical sales and a change in consumer behavior triggered by the clients' orientation towards online shops. Over the last years the number of people shopping online multiplied 40 times and online consumer spending grew more than 700 times faster than the total retail trade (Molenaar, 2010, p.66).

For the research conducted, we interviewed the representatives (managers, sales directors and so on)

of the following software and IT retailers in Braşov County (via the pencil + paper interview method): Shortcut Computers (2 stores), Space Dragon, Vanel, Simconet, Lorandra, AskforIT, Cagitech, Best Tech, Heso, Computer Valley, Easy Link, Monedin, 2NET Computer (2 stores), TLN, Domo (2 stores), Media Galaxy and Flanco. The researched population consisted of the brick and mortar stores that sell software products and services on the local market and the sampling method used was systematic with a mechanical step length of 2 (a sample of 20 from 40 companies identified on the local market).

The questionnaire included various research questions not only about traditional software marketing but also about online software marketing. Companies representatives were asked to respond to research questions concerning the amount and percentage of sales made by individual customers, as well as by the customer segment that consists of corporate

clients, about the reasons why traders use online promotion or marketing activities or have not adopted these marketing strategies yet.

The operationalization of the questionnaire was performed using the SPSS software program and the results presented in the paper were obtained using several methods of descriptive and bivariate analysis as shown in the following chapters.

Research findings

Regarding the way the activity of the software stores in Braşov County has been affected by the current economic situation, the consequences were represented by a dramatic decrease in sales for 18 stores in 2011. If at Shortcut Computers stores in Braşov, sales have not experienced negative changes, the largest decreases in sales were registered at the stores presented in Table 4 as follows:

Table 4

Decreases in sales of software retailers from Braşov (2011/2010)

Name of software retailer	Decreases in sales (2011/2010)
Vanel	-50%
Monedin	-40%
Heso	-30%
Media Galaxy	-35%

Other stores affected in terms of sales in 2011 regarding the customer segment consisting of corporate clients are: Lorandra and Computer Valley, where lower sales were due to the legislative changes (changes of the law led to the closure of a significantly high number of small and medium size companies which were clients of the above mentioned shops).

Stores that are least affected by the current economic climate in terms of the acquisition and use of software are: Shortcut Computers, Ask for IT, Best

Tech and TLN. They did not recorded significant decreases in sales. Other consequences of the economic and political-legislative climate currently mentioned by the representatives of the stores are:

- changes in consumer behavior regarding: the decision to purchase products at lower prices for replacing old products; consumers are more cautious when making this decision, preferring to repair old products first, then purchase a new product;

- profit tax law changes affected small shops that had low sales in the 2010-2011 period.

Although 14 stores and managers agree that online software product sales began to have an upward trend in Romania in recent years, surprisingly, only 5 stores offer their clients an online store. Among the main reasons why local stores selling software and hardware in Braşov County do not sell products online, are:

- the risk existing on the Internet; companies fear of the existence and occurrence of false customers and orders, which can affect them in terms of the efficient use of human and financial resources when they order products from suppliers and when they pay an advance for them;

- the financial risk; because of the small size of stores that sell software and hardware on the Braşov market, the financial risk of opening an online store as well is very high and the companies are not prepared to have additional expenditures like maintenance of warehouses for products or to have a very low success with the new online store;

- the sale of software products is a secondary object of activity; those who mentioned this reason are representatives of software and hardware shops which have focused their activity on selling hardware or providing service and support, so selling software is a small part of their business and is not considered a priority market for these shops;

- there are sufficient orders at the brick and mortar store or on the phone; some shops believe the level of sales and number of customers currently registered are sufficient for their activity, they do not want to develop their business by posting an online presence in terms of an online store;

- related software and partner services offered are customized; the reason is revealed in particular by representatives of stores that sell

software for a customer segment that consists of companies, products that are tailored to the needs, type of business, business size and so on for each client;

- the small size of the firms; since most companies that sell software and hardware in Braşov have no more than 10 employees (See Table 5) and their turnover in 2010 was LEI 500,000 below (See Figure 1), they did not focused their activity to online marketing and sale of products, especially those such as software products.

Most software and hardware stores that sell their products on the local market in Braşov County do not have an online store even if they have adopted the promotion strategy through a proper website (16 of 20 respondents have their own website). The main reasons they resorted to this type of promotion, through websites, are:

- providing customers information regarding the company, store, products, and contact details; it is one of the most common answers among respondents, a total of 6 respondents mentioning this reason when interviewed;

- to cover the online customer segment; this is also one of the most common reasons mentioned by respondents when interviewed, six respondents mentioning this reason; due to a growing online market, but also because of the IT domain in which they operate, on the online segment a promising number of potential clients can be found, that is why stores have resorted to this type of promotion;

- companies are active on the online segment; three interviewed representatives think that since their company is online active, it is unconceivable that they do not promote their own business through a website, emphasizing that "if you do not have a website, you do not exist";

- it is one of the best types of promotion; this reason is mentioned by two respondents who believe that online promotion, including the promotion

through a website is one of the best promotion methods at present;

- increased access to the store and products; another reason cited is the customers' easy access to the shop and products sold by means of websites; customers access the company's website and get information regarding the store, the offer and the

decision to purchase products is made easier;

- increased online competition; this reason appears also among the final answers, companies considering the need of online presence through a website due to high competition not only physically but also online.

Table 5

Dimension of stores by number of employees

Name of the company	Number of employees
Shortcut Computers 1	4
Shortcut Computers 2	17
Dragon Space	2
Vanel	4
Simconet	2
Lorandra	3
AskforIT	4
Cagitech	3
Best Tech	12
Heso	26
Computer Valley	1
Easy Link	8
Monedin	2
2NET Computer 1	2
2NET Computer 2	8
TLN	3
Domo 1	18
Domo 2	18
Media Galaxy	30
Fianco	23

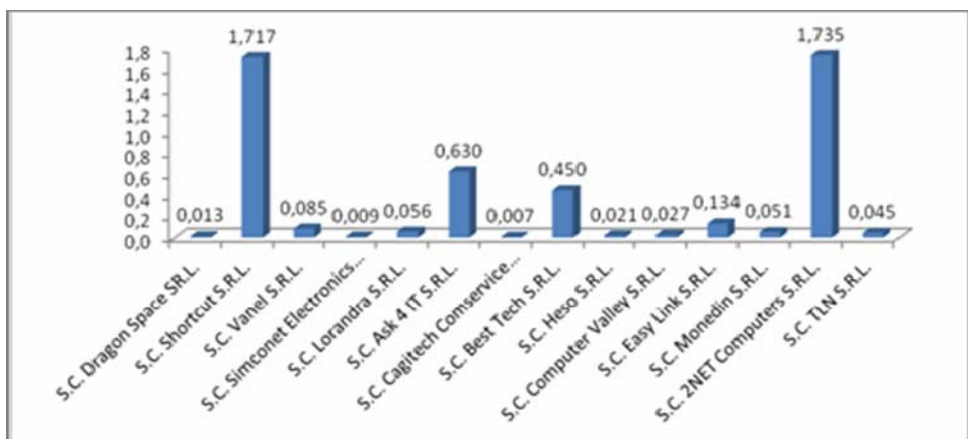


Figure 1. Turnover of the software retailers in Braşov (2010 – mil. Eur.)

Four respondents confirmed that their stores are not presenting a proper site because of the following reasons:

- two of the surveyed companies consider that they do not need this way of promoting their company because it would require allocation of additional human and financial resources, which are not within the budget of that stores;
- small size of the company; traders do not consider it necessary to

promote their business through a website due to the small size of their business;

- also, another reason why one of the companies which took part in the research currently lacks a proper website is that the site is under construction and in the near future it will be active; so in this way the company can promote the shop and the business online.

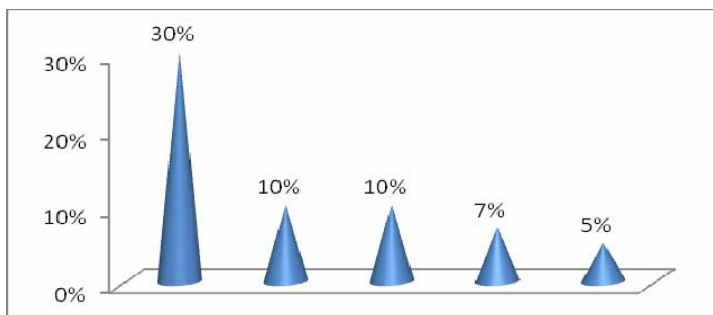


Figure 2. Online sales percentage of total monthly sales of software and hardware traders from Braşov that have an online store

Even if 15 traders currently do not have an online store, five of them do not want to use this type of promotion in the near future because of the following reasons: lack of budget, the small size of the store and business, the need for a storage of products sold online. Seven merchants of those who did not open an online shop would like to open one in the near future for the following reasons: it is a necessary requirement for satisfying the online demand, in the near future the tailored software products and services for the customers segment comprising companies will be suitable for online marketing. Four local dealers among the respondents are undecided on this matter.

The traders who have online shops recorded the following values in terms of total online sales percentage of total monthly sales: Ask 4 IT - 30%, Domo (store 1) - 10%, Domo (store 2) - 10%, Flanco - 7% and Media Galaxy - 5% (See Figure 2).

One of the main reasons why a large number of local traders do not sell software and hardware products online is that of incompatibility of sold products with online sales. This is due to the software complexity and the customer segment to which the traders address. Thus, the companies that took part in this research have a large number of activities and business dedicated to the corporate customers segment.

50% of surveyed stores record over 50% of monthly orders made by business customers (See Figure 3). Only three shops, Domo 1, Domo 2 and Dragon Space Computers have a lower percentage than 10% of the total monthly orders made by corporate customers. Most major retailers whose customers are corporations and companies registered a rate of over 80% (Vanel, Lorandra, Ask 4 IT, Best Tech, Computer and Monedin Valley). 2 of the interviewed traders confirmed that their clients are fully corporate, TLN and Heso. Larger stores such as Media

Galaxy, Flanco, 2NET and Shortcut Computers have a percentage of total monthly orders made by corporate

customers recorded between 30% and 60%.

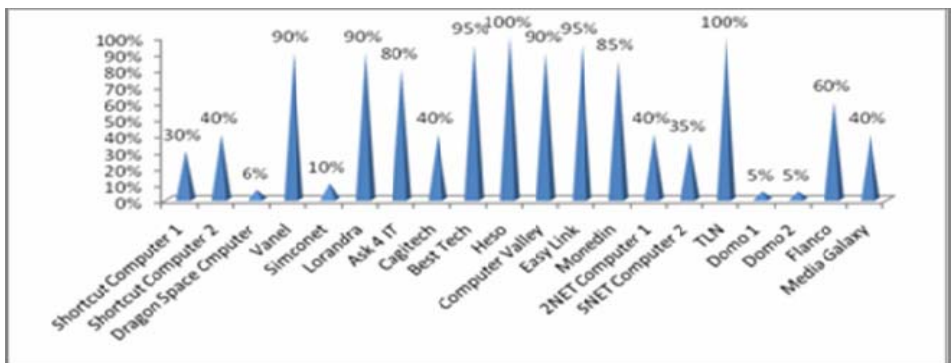


Figure 3. Percentage of orders made by the corporate customers from the total number of orders for each store on a monthly basis

Most of the companies that have all the clients corporate customers have the highest values obtained from selling the products to this segment of customers (Heso - 100%, TLN - 100%, Best Tech - 95%, Easy link - 95%, Computer Valley - 90%, Lorandra - 90%, Monedin - 85%). Stores registering the lowest percentage of

sales to business customers have the smallest revenue coming through from this segment (Domo - 5%, Dragon Computer Space - 20%, Simconet - 30%). Substantial differences regarding the percentage of total orders and the percentage of total value of sales are only recorded just for three traders (See Figure 4).

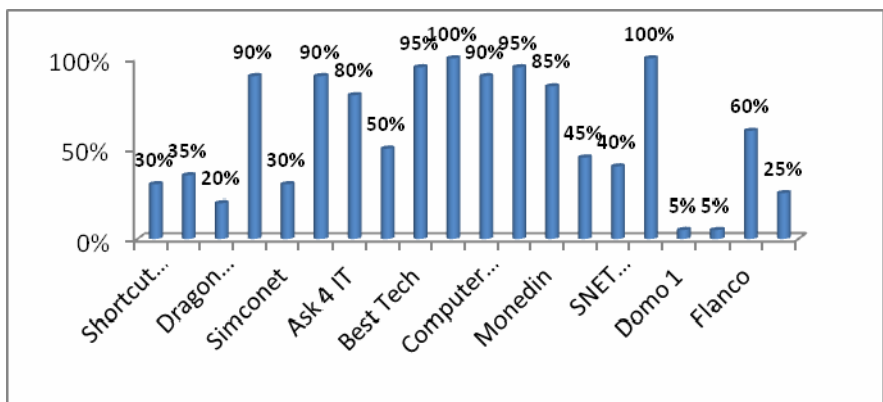


Figure 4. Percentage realized by the corporate customers of total sales value of software products for software traders in Braşov

If the Media Galaxy percentage of orders that came from the corporate customers reached 40, the recorded

value of corporate segment sales is only of 25%. Also at Simconet, the percentage of orders is only 10% but

this percentage represents 30% of the total value of software sales. The same situation is encountered at Dragon Space Computers, where the percentage of orders made by companies is only 6% but this percentage represents 30% of the total value of software sales.

Regarding the characterization through time and experience of the participants at the research, we have

the following situation on the Braşov market (See Figure 5).

Although most companies are operating on the Braşov software and hardware market for more than six years (13 companies have an experience of over 10 years), they do not consider necessary to focus their activities on the online software commerce because of the reasons mentioned above.

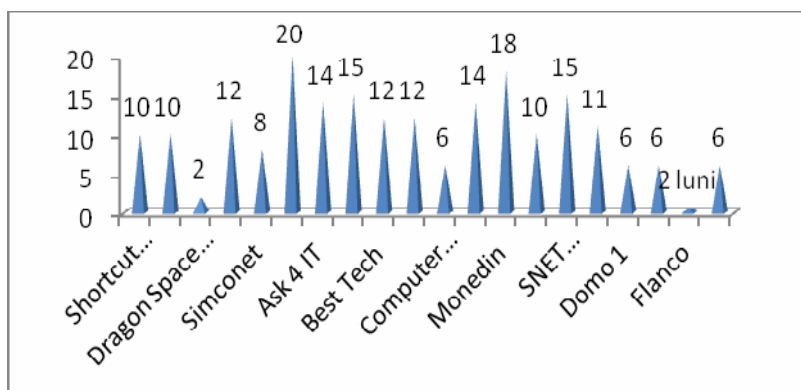


Figure 5. Age and experience of the software and hardware stores on the software market in Braşov (years)

This is caused by the relatively small size of the business activity, the small size of software products market in Braşov County and also because of the large national competition. What emerges from the research is that the big companies, that have opened stores in many cities of the country, have adopted the online strategies due to significant differences of their business size and marketing budgets, not only for software products but also for hardware and other electronic products. It is the case of large chain stores that carry out their business at national level: Domo, Media Galaxy, Altex and Flanco.

Conclusions

Following completion of the research, it can be concluded that software and hardware vendors from Braşov County are not interested in

developing an online activity due to the small market size and because the size of the activities and budgets do not allow it. The only ones who managed to enter on the online segment of customers are retailers that are part of large chain stores that sell software products nationwide. Their online activity is more simple because of the significant size of the online customers segment at national level and because the activity and the size of the national business has allowed them a consistent part of budget to be focused on the development of their online business, allowing them to realize economies of scale in the online marketing of products.

Orientation of the local shops to online strategies, by selling online products, does not depend on the age and existence of companies on the

market. While most companies are operating locally for over 8 years and have formed a sufficient number of loyal clients to achieve the expected earnings, they are not interested in covering a new segment of clients. The online customers segment for them is considered to not be significant in size and value. This is caused, in particular by the size of stores and not by their age and experience on the Braşov software market.

Store size is generally small and is determined by the small size of the software market in Braşov. This market is not very large in terms of two important customers segments: individual customers and corporate customers.

This also leads to a stronger orientation towards the physical

customer segment and not to the virtual one. This orientation of the stores, to the brick and mortar selling of software products and services is determined also by the type of products sold. Most stores have products that are tailored especially for the corporate clients, products that are adopted to each company and each business separately. Software is customized by traders, taking into account the size of companies that are clients of the activity, the number of employees, company profile and so on.

Because of these reasons, these products, while they are software products and are an integral part of information technology domain, can not be sold online due to their complexity, complexity generated by the corporate customers and their needs.

Acknowledgment:

This paper is supported by the Sector Operation Programme Human Resources Development (SOP HRD), ID76945 Financed from the European Social Fund and by the Romanian Government.

REFERENCES

- Biswas, D. and A. Biswas (2004), „The Diagnostic Role of Signals in the Context of Perceived Risks in Online Shopping: Do Signals Matter More on the Web”, *Journal of Interactive Marketing*, 18, 30–45.
- Copeland, Lee (2000), “Online Auctions Fuel Software Piracy”, *ComputerWorld*, 24 April, 32.
- Guo, C.-J., Sun, W., Huang, Y., Wang, Z.-H., Gao, B. (2007), „A Framework for Native Multitenancy Application Development and Management”, *Proceedings of The 9th IEEE International Conference on E-Commerce Technology and the 4th IEEE International Conference on Enterprise Computing, E-Commerce, and E Services*, IEEE Press, Tokyo, 551-558.
- Guo, C.-J., Sun, W., Jiang, S.-B., Huang, Y., Gao, B., Wang, Z.-U. (2011), „Study of Software as a Service Support Platform for Small and Medium Businesses”, *New Frontiers in Information and Software as Services, Service and Application Design Challenges in the Cloud*, Springer, Heidelberg, 1-31.
- Gupca, V.(2008), *14-in-1 Computer Course Kit*, Dehli: Deamtrech Press Publishing.
- Hu, S., McNaughton, R.-B. (2011), “Online Distribution of Packaged Software”, *Software Business, Proceedings of Second International Conference, ICSOB 2011*, Springer, Brussels, 98-109.
- Ioncica, M., Minciu, R., Stănciulescu, G. (1999), *Economia serviciilor*, Bucureşti: Uranus Publishing.
- Kotler, Ph. (1997), *Marketing Management*, Bucureşti: Teora Publishing.

- Lefter, C., Brătucu, G., Bălăşescu, M., Chişu (2006), *Marketing*, 2th Edition, Vol. II, Braşov: Publishing House of Transilvania University.
- Market Wach (2010), „Software as a service, alternative to licenses piracy”, *Market Wach*, February 13.
- Molenaar, C. (2010), *Shopping 3.0. Shopping, the Internet or Both*, Farnham: Gower Publishing Limited.
- Picarille, L. (1997), „Online distribution still up for grabs”, *ComputerWorld*, April 14, 32.
- Popescu, B. (2012), „Cum se vede IT-ul de pe Tâmpa”, *Efinance*, January, http://www.efinance.ro/articol.php?id_revista=201101&id_sectiune=ecity&ordine_sectiune=1; Accessed: 09.01.2012.
- Roman, S. (2010), „Relational Consequences of Perceived Deception in Online shopping: The Moderating Roles of Type of Product, Consumer's Attitude Toward the Internet and Consumers Demographics”, *Journal of Business Ethics*, 95, 373 – 391.
- Sun, W., Zhang, K., Chen, S.-K., Zhang, X., Liang, H. (2007) „Software as a service: An integration perspective”, *Proceedings of ICSSOC 2007, LNCS*, Krämer, B.-J., Lin, K.-J., Narasimhan, P. eds., Vol. 4749, Springer, Heidelberg, 558-569.
- Van Noort, G., P. Kerkhof and B. M. Fennis (2008) „The Persuasiveness of Online Safety Cues: The Impact of Prevention Focus Compatibility of Web Content on Consumers' Risk Perceptions, Attitudes, and Intentions”, *Journal of Interactive Marketing*, 22, 58–72.
- Vuici, M. (2011), „IT&C Industry in Romania during 2009-2010”, Bucureşti: *Institute of Computing Technology*, May.
- Vuici, M. (2012), „IT&C Industry in Romania during 2010-2011”, Bucureşti: *Institute of Computing Technology*, May.
- Webopedia (2012), What is Software? A word definition from webopedia, <http://www.webopedia.com/TERM/S/software.html>; Accessed: 12.05.2012.
- <http://www.flanco.ro/it-c/software/microsoft-retail.html>; Accessed: 21.09.2012.