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**Article**

## Differences between software retailers from cambridge and brađsov regarding online marketing strategies

The International Journal of Management Science and Information Technology (IJMSIT)

**Provided in Cooperation with:**

North American Institute of Science and Information Technology (NAISIT), Toronto

*Suggested Citation:* Boitor, Axenia Bianca; Bréatucu, Gabriel (2013) : Differences between software retailers from cambridge and brađsov regarding online marketing strategies, The International Journal of Management Science and Information Technology (IJMSIT), ISSN 1923-0273, NAISIT Publishers, Toronto, Iss. 9-(Sep), pp. 36-54

This Version is available at:

<https://hdl.handle.net/10419/97858>

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An official publication of The North American  
Institute of Science and Information Technology

ISSN:1923-0265

**INTERNATIONAL JOURNAL OF**

# **Management Science and Information Technology**



NAISIT  
PUBLISHERS **III**

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# **The International Journal of Management Science and Information Technology (IJMSIT)**

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The International Journal of Management Science and  
Information Technology (IJMSIT)  
Special Issue: knowledge strategies, decision making and  
IT in emergent economies

## **Differences between software retailers from cambridge and braşov regarding online marketing strategies**

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### **Abstract:**

This paper presents an analysis and a comparison of the software traders' attitude from Braşov and Cambridge cities regarding the online promotion and marketing strategies used on the software market. Two surveys among traders in Cambridge and Braşov were performed and the results of the research emphasize a consistent difference between the software traders from Cambridge and those from Braşov. A large orientation to the e-commerce was discovered between the software retailers from Cambridge and a very small orientation to the online marketing and sales between the software traders from Braşov. At the research took part 13 software companies from Cambridge area and 21 software traders from Braşov area.

**Key words:** Internet, research, online sales, software

### **1. Introduction**

This paper aims at revealing if there are significant differences between the software retailers from Braşov and those from Cambridge when it comes to online marketing strategies and e-commerce. This subject is treated mainly because of the changes that appeared in the last years and the importance that is given to the Internet and the online commerce.

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). The Internet makes it possible for consumers to handle great amounts of information (Dholakia, N. Et al., 2002). Users can purchase software products



and services online from a variety of sources (ComputerWorld, 1997). The online marketing strategies and advertising are being more efficient as the technological advance took place. As the research from emarketer.com (2010) shows, for example, the online advertising spending in the U.S. reached \$25,8 billion in 2010 (with 13,9% more than in 2009). In Europe, these spending are rising at \$5,95 billion in the U.K. (7% more than in 2009) and at \$17,1 billions in Western Europe (France, Germany, Italy and Spain).

The reports of Internet World Stats show that in the United Kingdom the number of Internet users was at 30th of June 2012 of 52.731.209, with of penetration of 83.6% of the total population and in Romania of 9,642,383 with a penetration of only 46.1% of the total population.

The difference of Internet Usage in Romania and UK are very big, mainly because the population of Romania has lower access to Internet than the UK population and the consumer e-commerce remains largely embryonic throughout the country. Between the main reasons why e-commerce in Romania is not that much popular are: lack of trust in the Internet, market size, lack of awareness and education among citizens of Romania, low income levels and lack of certified authority in e-commerce infrastructure.

The digital economy in UK grew at a rate of 10.9 per cent a year. The sector contributed £121bn to the UK economy in 2010 or 8.3 per cent of GDP. The British shoppers make 13.5% of their purchases online, higher than 7.1% in Germany, 5% in the USA and 6.6% in the world's most wired nation, South Korea. (Kuchler, 2012)

In 2009, electronic commerce in Romania exceeds 75% in 2008 reaching Eur92.8 million value, with a total of 1,246,130 transactions, twice the number recorded in 2008. In 2010, as in previous years, the products sold online had the same tendency : telecom sector had accounted for 45% of transactions processed by Avangate, followed by tourism with 38%, services 10% and eTail 7%. In the first nine months of 2011, e-commerce online payment recorded a volume of 121.4 million euros, up by 11% over the same period of 2010 (Zgură et al., 2011)

The main results of two surveys among traders of software products and services from Cambridge and Braşov areas are presented. Through these surveys, we attempted to quantify opinions and attitudes of software retailers from Cambridge and Braşov regarding the e-commerce and the online selling of software products and services.

## **2. Literature review**

The internet provides a brilliant new platform for communicating, buying, and selling. Its benefits will only grow over time. Business leaders have lauded its potentials. By embracing the Internet early,

companies have greatly reduced their costs compared to late adopting competitors: (1) Bill Gates, chairman at Microsoft, sees the Internet as indispensable for companies: The Internet is not just another sales channel. The future company will operate with a digital nervous system, (2) Dell, by selling customized computers through low-cost telecommunications and Web channels, has a much lower cost of doing business than HP/Compaq, IBM, and Apple. Dell has grown at twice the rate of the rest of the industry and is now the leading personal computer seller in the United States, (3) Oracle run an ad claiming to have saved over a billion dollars by using its internet-based systems in running its own business (Kotler, 2003).

Electronic Commerce is one of the most important aspects to emerge from the Internet. It allows people to exchange goods and services immediately and with no barriers of time or distance. Any time of the day or night, one may go online and buy almost anything one desire. (Satterlee, 2001) The Internet has many benefits, but one is very important for the business and companies in absolutely every domain. This is the benefit of e-commerce. Selling products online is a very efficient way of developing a business and gaining competitive advantage. This is the reason way many companies, locally and globally have taking into account the online marketing strategy. The Internet offers companies the possibility to reach a total different segment of clients. This is why the Internet in the information technology and software industry is a necessary condition for a company to succeed on the market. The technological progress has led to the development and adaptation of software products and services for online selling and for online marketing strategies.

Internet advertising made available to marketers various techniques and forms of corporate messaging. Internet advertising takes the form of banners, buttons, pop-ups, sponsorships, paid results in search engines and so on. The most important advantage of this kind of advertising is that the Internet enables the transmission of advertising message anywhere in the world. Also, the Internet allows those who promote their product to personalize the message for different segments of users, enhancing customer loyalty and generating increased profits (Talpău and Boitor, 2011). Online advertising becomes more about conversations, connections, and shared control and less about passive consumption of packaged content. For brands to benefit from this phenomenon, they must invite consumer participation and encourage consumers to engage with their brand (Tuten, 2008).

## **2.1 The online sales in romania and the united kingdom**

E-commerce in Romania has eclipsed conventional retail sales over the last several years as increasing salaries and escalating disposable income have driven good growth in retail sector. The acceptance of online trading in Romania is increasing at a very fast rate. The research made by the specialists from Ecommerce Journal show that products like digital cameras, laptops, home appliances, and mobile phones are the most popular items chosen by the Romanians for making online purchase. 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. In 2006, the e-commerce market in Romania registered the volume of €125 milion or \$185.7million. In 2008 e-commerce market in Romania touched €275 million or \$408.5 million (Vuici, M., 2011).

As shown in the research of the Romanian Institute of Computing Technology the IT&C industry in Romania (See Table 1), in 2011 has recorded a value of €9.245 mil., with € 136 mil. less then the value recorded in 2008.

**Table 1. IT&C Industry in Romania (2008-2011)**

<b>Romanian IT&amp;C industry 2007 - 2011</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Turnover, EUR million</b>	9.381	8.554	9.269	9.245
<b>Sold production, EUR million</b>	7.937	7.661	8.357	8.489
<b>Added value, EUR million</b>	3.902	3.475	3.403	3.424
<b>Exports, EUR million</b>	3.008	3.378	4.322	4.720
<b>Staff</b>	130.555	118.243	118.008	119.105

*Source:* Vuici, M. (2011, 2012), IT&C industry in Romania during 2007-2011, 2012

However, the exports from this industry had a considerable increase in the last three years, reaching the value of €4.720 mil. in 2012, from the value of €3.008 mil. recorded in 2008. Also the sold production reached a value of €8.489 mil. in 2011, but the number of people working in this industry decreased from 130.555 in 2008 to 119.105 in 2011.

Braşov County is one of the first 5 counties in Romania that has a very developed software market and the value of €76 million represented in 2011 the part which Braşov contributed to the overall Romanian software market. Also Braşov is providing employment to 2617 people in present (Vuici, 2011).

Less than 1 in 5 online users in the CEE region actually shops online, according to the findings of the CEE Telco Industry Report 2011, an international study conducted in 15 CEE countries on a sample comprising more than 15,000 respondents (ETC New Media Trend Watch, 2011).

In general, less than one in five online users in the CEE region actually shops online. In the Czech Republic, where online shopping is the most popular among CEE countries, as many as 54% of the online population use the web to hunt for bargains (See Fig. 1).

Slovakia and Slovenia are also CEE leaders in terms of online shopping. The percent of online population in Romania that uses online shopping is of 37.2 (CEE Telco, 2011).

E-commerce in Romania increased by 24% in 2011 compared with the previous year, generating a financial turnover of €158.9 million. Unlike in previous years where growth was experienced in some Romanian online business sectors, but not others, in 2011 growth was experienced uniformly across all sectors (RomCard, 2011).

As The UK's Industry Association for E-retail reported, the United Kingdom has the 2 world e-commerce rank with a value of online sales recorded in 2011 of €68.2 bilion. This represents an increase with €0.6 bilion from the value of €58.8 bilion recorded in 2010 (Boitor, 2012).

The online sales in the United Kingdom have registered in recent years a high growth due to the consumer behavior which is different from that of Romanian consumers.

If in the United Kingdom the technological progress is accepted faster and the consumers have a lower skepticism towards the Internet and towards the possibilities offered by the Internet, Romanian consumers believe that online acquiring has a much higher risk than other ways of acquiring goods and services.

As The Center for Retail Research shows, e-commerce is one of the fastest growing markets in Europe. Based on CRR research commissioned by Kelkoo, 2011 online sales in the UK represented 12.0% of UK total retail trade. In 2008, online was equivalent to only 8.6% of retail sales ( Center for Retail Research, 2012).

The data from Fig. 2 shows a bigger percent of the online trade in the United Kingdom than the values recorded in the other countries from Western Europe.

The online trade in UK reached in 2011 a level of 12% from the total retail trade compared to the level of 9% reached in Germany, or 7.3% reached in France.

UK is the leading Europe's market for software and IT services with a market value of £58 billion (approx. €71 billion). Independent research by Microsoft has indicated that the market could drive the creation of 2,500 new businesses and 78,200 new jobs by 2013. The UK's success is built on several key strengths (UK Trade and Investment, 2012):

- The UK is a powerhouse for software development attracting £930 million pa software R&D investment from international businesses.
- In addition the UK is home to over 100,000 specialist software companies and all the major global software companies such as Microsoft, IBM and HP have sizeable operations here.

Software development benefits for the UK economy are clear. In February 2006, the UK Treasury has revised the way in which it measures in the British economy the total value of "self" investment made in the software industry. This led to a massive jump in the estimated value of its investments made in software (reaching at €16 billion from an estimated €3 billion in 2003). This recalculation resulted in an increase in the GDP of Great Britain by 1%. Overall, the software industry in the UK has 1 million registered employees and annual produces a gross value added of €37 billion, this representing 45% of the annual gross value added of the United Kingdom (The Working Party for Developing the Future, 2006).

A trend analysis conducted by people from The Chartered Institute for IT indicates that the contribution of the software sector in the UK economy, while ten years will be about 1.5% of GDP. Considering GDP increasing by about 2% per year, it is estimated that by 2014, the United Kingdom's GDP will rise to about €1476 billion and the contribution of the software industry would be about €22 billion (Tech Market View, 2009).

### 3. Methodology

The main hypothesis from which we started in the implementation of this research in Cambridge and Braşov was as follows: there is a significant difference between the vendors of software products and services from Braşov and does from Cambridge when it comes to online marketing and software online trade.

For example, Cloud computing is really a structural change related to the emergence of computers and servers in the mid 1980s. Within ten years, SaaS (Software as a Service) is the dominant mode of software delivery. And, within 2-3 years, more people will access the Internet on mobile platforms than on laptops and PCs.

Also, organizations opt for projects with a clear and rapid return of investment which involve software-as-a-service subscription. These trends were true before the recession, but accelerated in recent years. They will also lead to a change in landscape suppliers, as previously dominant companies will find their benefits reduced due to strategic changes that have occurred or will occur in the near future of IT market (Carnelley, 2010).

For this research, we interviewed the managers, sales directors and so on of the following software and IT: (Cambridge) Babilon IT solutions, Cantab Millenium Computers, Comet 1 (Cambridge), Comet 2 (Bedford), Computer Resale, John Lewis, Mango Store, Maplin Electronics, PC World/Currys Megastore 1 (Cambridge), PC World/Currys Megastore 2 (Bedford), Staples 1 (Cambridge), Staples 2 (Bedford) and WHSmith; (Braşov) 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 brick and mortar stores that sell software products and services on the local markets represented the researched population and the sampling method used was systematic with a mechanical step length of 2 (a sample of 20 from 40 companies identified on the Braşov market and a sample of 13 from 26 companies identified on the Cambridge market).

The questionnaire included different research questions not only about online software marketing but also about marketing strategies, segments of customers and so on. Companies representatives were asked to respond to research questions concerning the amount and percentage of online sales made by individual and corporate customers, about the reasons why traders use online promotion or marketing activities (Lee et al., 2004, Lefter, 2004) or have not adopted these marketing strategies yet.

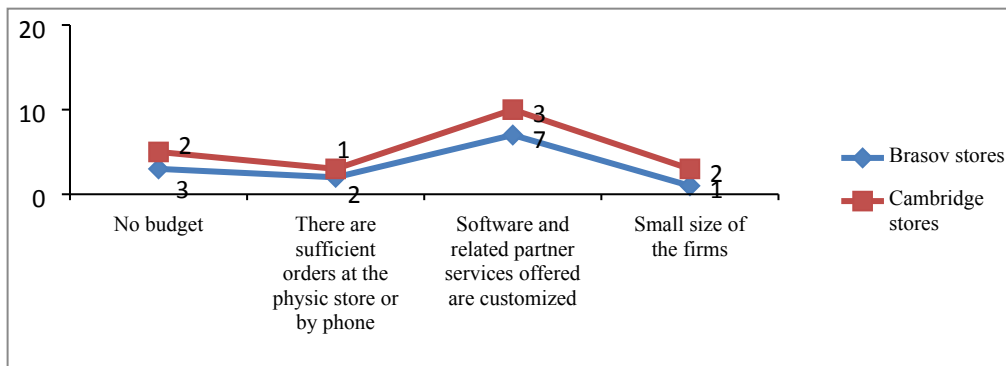
The operationalization of the questionnaire was performed using the SPSS software program (Constantin, 2006, Wagner, 2010) and the results presented in the paper were obtained using several methods of descriptive and bivariate analysis as shown in the following sections.

The results of the research will indicate the differences between the Romanian stores and the English stores regarding the online marketing strategies and will confirm the opposite focuses of the vendors from Braşov and from Cambridge.

#### **4. Results of the research**

14 retailers from Braşov and the people in their management agree that online software products and services sales began to have an upward trend in Romania in the past few years, only 5 stores have an online store. The main reasons why local stores selling software and hardware in Braşov do not sell products online, are: danger existing on the Internet, low budget, sale of software products and services is secondary object of activity, there are sufficient orders at the brick and mortar store or by phone, and partners offer customized related software and services, or the size of the companies selling software products and services is small (See Fig. 3).

**Fig. 3. Responses regarding the main reasons why software retailers from Braşov and Cambridge do not sell software products through online stores**



As well, all the surveyed stores from Cambridge and the managers agree that online software products sales began to have an upward trend in the UK and Europe as well in recent years. But only four stores that are subject to this research do not make available an online store. The remaining 9 stores in Cambridge and surrounding shops offer their clients virtual stores and have taken into account the online marketing strategies. Of the four main reasons why local stores in Cambridge, which sells software and hardware, do not sell products online, are the following: no budget, there are sufficient orders at the brick and mortar store or by phone, software and related partner services offered are customized, reduced size of the companies, the firm's online store is under construction, employees encourage customers to use free and open source software such as Open Office and so on (See Fig. 3). Other reasons why retailers in Cambridge aria have not adopted the online selling strategy of their products are: owners and store employees encourage customers to use free software and open source software such as Open Office and so on or the e-shops are under construction. Opening a virtual shop



requires allocating a pretty long time, because all the features of the store must be functional and in this way the software products will reach the end users as soon as possible.

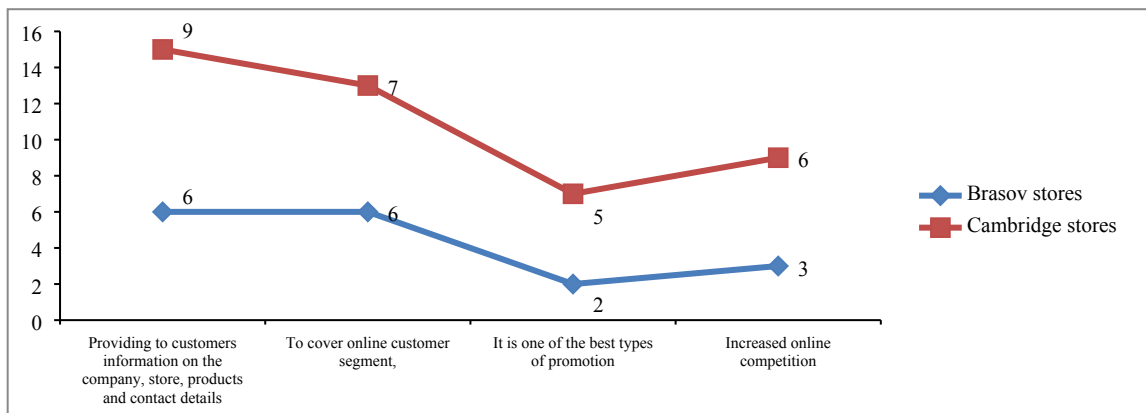
Among the reasons why a large number of software stores from Cambridge offer their clients an online store comparing with the Romanian shops are:

- ✓ increased online competition; stores have opened online shops because the competition in the online sales segment is increasingly fast, representing the main reason for the English retailers to open virtual stores;
- ✓ online customer segment coverage; stores are motivated to open virtual shops by covering online customers segment, for these stores this customer segment is large enough to provide them online the necessary software products;
- ✓ ease of purchasing; stores think that through virtual stores, besides selling these software products, they make available to all customers who have Internet access information regarding the company and their products;
- ✓ changes in consumption behavior of customers; software retailers consider that through online shops they have reduced the effort of consumers when it comes to purchasing software products and beyond, now customers can purchase products with just a simple click, going to the physical store being no longer required.

Even the number of stores from Cambridge that offer clients virtual shops is larger than the number of Romanian stores, the situation is different when it comes to promoting the company through an own website. 92% from Cambridge software stores have an own website and 80% of Romanian software stores have an own website.

What is very interesting is that the reasons why the stores from Cambridge promote their business through a website are very similar with the reasons chosen by the managers of the Romanian stores. Among these reasons we mention: providing to customers information on the company, store, products, and contact details, to cover online customer segment, companies are active on the online segment, it is one of the best types of promotion or even increased online competition (See Fig. 4).

**Fig. 4. Responses regarding the main reasons why software stores from Braşov and Cambridge promote their business through an own website**



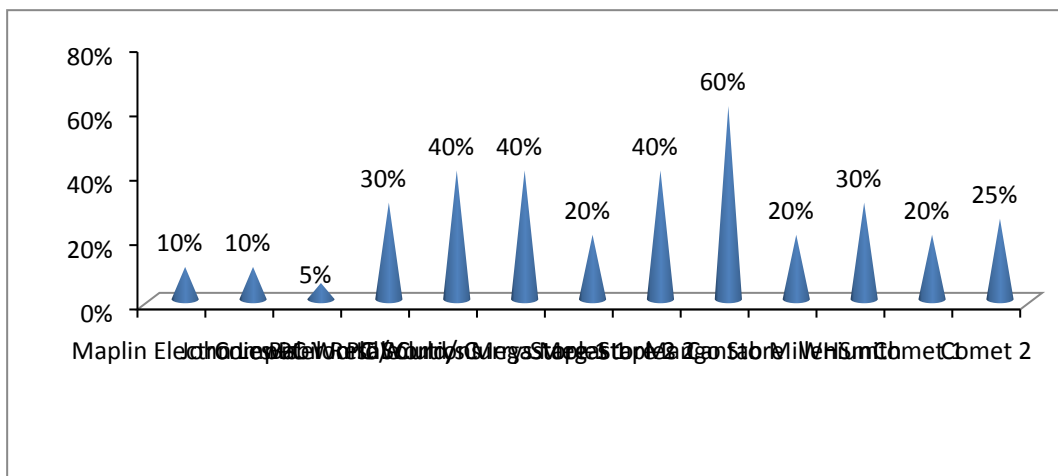
The reasons why companies from Cambridge and Braşov have virtual stores or promote their business through a website are very similar, but the number that practice these strategies are very different. The vendors from Cambridge are more open to online marketing and to online stores than the vendors from Braşov, the main reason of this focus being the adaptation of companies and customers to the technological progress and to the development made through the Internet. The Romanian customers do not have such important changes in their behavior like the clients from the United Kingdom and a longer period of time is needed for the customers to adopt easier the online channel.

In terms of total online sales percentage from total monthly sales, the Braşov traders, who have online shops, recorded the following values: Ask 4 IT - 30%, Domo (store 1) - 10%, Domo (store 2) - 10%, Flanco - 7% and Media Galaxy - 5%. One of the main reasons, why a large number of local Braşov traders do not sell software and hardware products online, is the incompatibility of marketed products with online

sales. This is due to software complexity and customer segment to which the traders address. 50% of surveyed stores record over 50% of monthly orders made by business customers.(Boitor, A.-B., 2012) Only three shops, Domo and Dragon Space Computers have a lower percentage than 10% of the total monthly orders made by corporate customers. Ask 4 IT, Best Tech, Computer, Lorandra, Monedin and Valley Vanel, whose customers are companies registered a rate of over 80%. TLN and Heso confirmed that their clients are fully corporate. 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%.

The situation regarding the online sales percentage of total monthly sales for the software stores in Cambridge is the next one: Comet 1 (Cambridge) – 20%, Comet 2 (Bedford) – 15%, John Lewis – 20%, Maplin Electronics – 50%, PC World/Currys Megastore 1 (Cambridge)– 25%, PC World/Currys Megastore 2 (Bedford)– 25%, Staples 1 (Cambridge) – 50%, Staples 2 (Bedford) – 50% and WHSmith – 10% (See Fig. 5). The main reason why the percentage is bigger than the percentage recorded at the software stores in Braşov is the compatibility of sold products with the online sales channel. This is due to more simple software products. Thus, from the companies that took part in this research, a large number are devoted to the segment of home users. 90% of stores surveyed record a rate below or equal to 40% of the total monthly orders made by business customers (See Fig. 5).

**Fig. 5. Percentage of total monthly orders conducted by corporate clients of software traders in Cambridge**



Only one store, Mango Store has a higher percentage, of 50%, of total monthly orders made by business customers. Most major retailers whose customers are home users had a percentage below 20% of all monthly orders made by business customers (Computer Resale, John Lewis, Maplin Electronics). Larger stores such as Staples 1, Comet, WHSmith, Staples 2, PC World/Currys Megastore 1, PC World/Currys Megastore 2, Millennium, or Babylon Cantab IT Solutions have a percentage of total monthly orders made by business customers located between 20% and 40%, remaining orders being made only by home users. One store has recorded a higher percentage of orders made by business customers.

Exceptional circumstances make it two stores from PC World/Curry Megastore chain which has a separate online shop for corporate customers segment. This chain of stores that operate nationwide in the UK has chosen to divide their business strategy into two parts: a store for customer segment consisted of corporate clients and a store for customer segment consisted of individual users. Thus, this

strategy was expanded in online marketing activities by opening a shop dedicated to the segment of business customers.

Although most companies operating on the Cambridge software and hardware market for over six years (six companies have a business for over 10 years), they considered it necessary to focus their work on the online trading of software products because of the reasons mentioned above. What emerges from the research is that not just large companies that have opened stores in Cambridge city have adopted the online marketing strategies but also companies of medium or small sizes. Cambridge city population is only about 125,000, compared, for example, with Braşov municipality which has a population of about 228,000 inhabitants.

Stores size in the Cambridge area is generally a medium size which is determined by the local software market. This market is not very large in terms of two important customer segments, the segment of home users and the corporate segment. This also leads to a stronger orientation towards the home users and not to the corporate segment of customers. This is due to a different consumption behavior of the corporate segment but also due to the complexity of software products design for this segment. Local software vendors prefer to focus their activities on the home users segment and on the online selling of software products as well.

In the case of Romanian stores located in Braşov most companies are operating on the local software and hardware market for more than five years as well. But, compared with the stores from Cambridge area, they do not consider necessary to focus their activities on the online software commerce. This is caused by the relatively small size of business and activity, the small size of software products market in Braşov County and also because of the large national competition (Boitor, 2012).

What emerges from the research is that the big companies that opened stores in Braşov 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 (Boitor, 2012).

One of the main reasons why a large number of local merchants selling software and hardware products have open online shops is that of compatibility of products sold online. This is due to the simplicity of the sold software products and of the customers segment to which the retailers address. Thus, from the companies that took part in this research, a large number have their business dedicated and oriented to the segment of individual customers.

Orientation of the local shops to online strategies, both in Cambridge and Braşov, by selling online products, does not depend on the age and existence of companies on the market. Most companies are operating locally for over 8 years and have formed a sufficient number of loyal clients to achieve the expected earnings. Even if the situation in terms of age and size of companies is similar on both markets, the Romanian vendors are not interested in covering a new segment of clients like the English ones. The online customers segment for them is considered not to 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.

#### **4. Conclusions**

According to this research there are very important differences between the online strategies used by the software vendors from Cambridge, the United Kingdom, and the Romanian software vendors from Braşov. If almost every interviewed store from Cambridge and Braşov chose to promote the business through an own website, more English stores offer their clients a virtual store as well. The main reason why the Romanian participants and the English participants at this research have different opinions regarding the online sale of software products comes from the consumer behavior and the customer segments to which vendors address (Boitor & Brătucu, 2012).

Following completion of the research, it can be concluded that in the Cambridge area, software and hardware traders are interested in developing their online business even if market size, business size and budget are small. Online activity of these stores is facilitated due to the significant size of online customers segment nationwide, not just locally, and intense changes occurring in consumer purchasing behavior has allowed merchants to resort to selling software products through virtual stores.

The orientation of local shops to the online business and marketing does not depend, from interviewing subjects, on the age and existence on the market of companies. Even though most companies operating locally for over 10 years and have created a large enough loyal clientele for achieving expected gains, they are interested in covering a new segment. The Cambridge software retailers considered the online customers segment to be significant in size and value.

Store size is generally medium due to the Cambridge and Braşov local software markets. These markets are not very large in terms of two important customers: individual and corporate customers. This fact leads to a stronger orientation towards the physical customers segment. This is due to different consumption behavior of corporate customers segment as well as to complexity of software products dedicated to this segment.

There is a very strong correlation between the chosen customer segments and the online sale of the software products. The English stores have a larger individual user segment to satisfy than the Romanian stores, which focus their activity to the business segment. Thus, the complexity of software products changes and it becomes more important and stronger in the case of stores that sell the software products to the business segment of customers. For these stores is better to promote the products and the business through online promotion channels, but is better not to sell the products online. If the Romanian stores want to go online, they also have to orient their business more to the home users segment. This objective requires marketing campaigns that focus on customer information and change of the customer behavior, making the clients more confident in the online sales channel (Boitor & Brătucu, 2012).

## **5. Acknowledgement**

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

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