



Students Scientific Conference

The importance of the e-business in Hungary

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Short history of e-business

The conception of the e-business determined by the IBM in 1997 October then they invented a complex internet solution for the other companies. The Big Blue experter conception was defined like the transformed business procession. In this time, most of the IT companies were trying to make the conception for their products. For instance the HP has revealed the „e-services” and then they built a whole new softver and hardver supply.

In general about the e-business

The e-business is the forwarding of products, services and paying tools via computer networks or other electronical channel. On the other hand, from the aspects of commerce the e-business is the acquisition of the products, services and information via internet or via other online services. The e-business from the aspects of business procession is the implementation of electronic network where the information replace the physical procedure. The electrical business services is also a tool which trying to gratify the government, the companies, the consumers or the management of the big companies, because they want to reach a better quality, faster attendance or decrease the expense.

The network economy like the conception of the e-business network

The spread of the open internet from the 90' we can hear the conception of the new economy or the network economy. We can analyze the movement of the companies from different aspects:

a, economic theory

b, infrastructural

c, dissection of connection

d, business economics

The information economy is the meaning of the whole bulk of the sectors, firstly the production of the information, the management, the processing, the storage and forwarding. By the way we have to think about the microeconomical effects. These effects can be for instance the marginal costs of the information which is decreasing continously. The information is totally different from the traditional material essentials. The cost of the information production is much higher than the multiplication and the spreading. This involves we cannot estimate the

cost of information normally.

a,The information can be rich and available

We can analyze the information from three different aspects:the bandwidth (the rate of data transfer, bit rate or throughput, measured in bits per second (bit/s),the customization of the individual and the interactivity.¹The availability means the size of the group where the characters are changing information each other.Between the availability and the richness of the information we can find a classically inverse relationship.The more wider reachability means more less economic richness.The economic richness can be useful when we want to analyze the rational interest and dynamic of the profit creation in the economical strategies.

b,Aspect of the infrastructural

The new economy second aspect is the infrastructural point of view or the aspect of the quantity.This means we can analyze the new economy presence with the network density index.

Connectivity:This factor is rating the working of infrastructure,which can show us how easy or hard to connect to the internet or the wireless network.This rating using the following the units the penetration of fix lines, the penetration of the cellphones or the penetration of the internet.

Business environment.The EIU can measure the economical strength,the political stability and the fiscal policy etc.with 70 different micro and macroeconomic index.This index also rates economical environment of the internet,capability of the receiving.

e-commerce consumer and business adaption means how effective the retail shops online,and how effective the automatization of the companies via internet.The electrical commerce can be effective if the shipping and paying infrastructure is well developed.This index rates the culture of credit cards,the security mechanism,the reliability of supplier.The infrastructural aspect measures the development of the digital technologies,which can be the management of the information system or the innovation process.

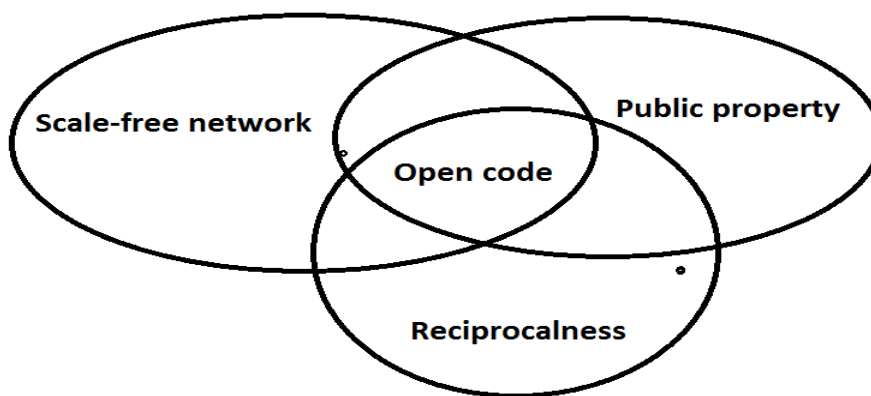
¹ [http://en.wikipedia.org/wiki/Bandwidth_\(computing\)](http://en.wikipedia.org/wiki/Bandwidth_(computing))

c,the point of view of the social economy and the dissection of the connection

The scale-free network point at in the naturally developed systems the connections don't locate randomly ,the newly connected members are trying to connect to the previous one,that is why we can speak about the contact sensitive path dependency.So the society connections will be power function distribution.

The dissection of the connection makes the connection between the economic behaviour and the normative behaviour,which can be really helpful when we want to understand the different business models.

1.The hierarchy business model by Evans

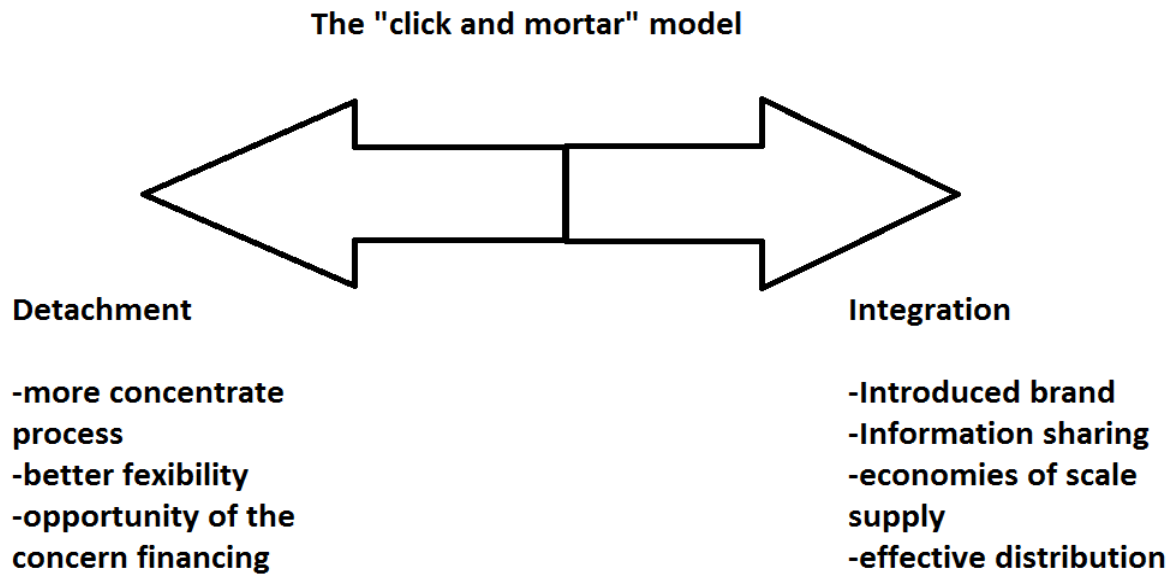


Source: **András Nemeslaki**: e-business üzleti modellek

d,The aspect of the business economics

In the 1999, the conception of the new economy was extremely optimistic. That is why these „dotcom” or „startup” companies made new services and products, which were not available without the internet. These companies founded with low funds and they leaned on the technological innovation. This was the evolution of the pure-click business model. This tendency acuted crisis in 2001, the value of the stocks dropped, most of the companies disappeared because of this. After this the evolutionist business model softened, the internet showed many new possibilities but it did not erase the classical process, they were working together. Instead of the pure click business models, the brick and mortar and the click and mortar strategies are more profitable nowadays.

2. The model spectrum of the „click and mortar”



Source: András Nemeslaki: e-business üzleti modellek

The dotcom business models:

„A dot-com company, or simply a dot-com is a company that does most of its business on the Internet, usually through a website that uses the popular top-level domain ".com" (in turn derived from the word "commercial").” Most of the „dot-com” companies used radical business models, it means some of them were non-profit and some of them used profit maximizing strategies. Lot of „dotcom” business companies founded because later on they sold them with high profit rates. The domain name speculation it is worth to notify because it is almost the same business strategy.

„Domain name speculation is the practice of identifying and registering or acquiring Internet domain names as an investment with the intent of selling them later for a profit. The main targets of domain name speculation are generic words which can be valuable for type-in traffic and for the dominant position they would have in any field due to their descriptive nature. Hence generic words and phrases such as poker, insurance, travel, creditcards, sex and others are attractive targets of domain speculation in any top-level domain².”

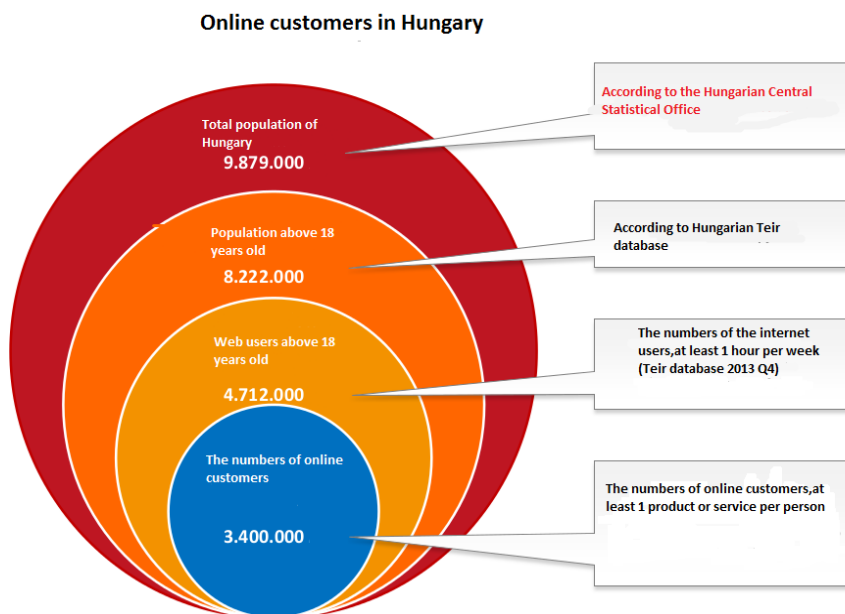
The current state of e-business in Hungary

The Hungarian electronic business position is far weaker than the other well developed

http://en.wikipedia.org/wiki/Domain_name_speculation²

countries. The internet penetration ranking shows how many people use the internet on any device (including mobile phones) from the total population. This index is 74,38% which is in the middle range on the ranking list among the well developed countries. Although the digital abyss has decreased in Hungary, the internet availability is still poor according to the EU average. The household internet availability is increasing year by year but only 71% of the households have internet which is unacceptable if we compare with the EU ranking. According to Central Statistical Office most of the companies don't have web availability only 61%. Which is far worse than the EU average which is 71%. Only 5 countries made worse index than Hungary in 2013. The mobile data usage has increased by 16% in 2013 thanks to the higher download and upload speed. Unfortunately the technological abyss is really deep if we analyze the gross minimum wage in Hungary which is only 350€ (calculated with 40 working hours per week). We can compare it with gross minimum wage in England which is 1444€, and now we can understand to buy the same computer it takes bigger efforts in Hungary. If we take a look to the illustration we can see from the web users above 18 years old only 72,34% is using the internet to buy something. Unfortunately only half of the online retail companies have the opportunity to accept credit or bank card, which is really poor.

3. The numbers of the online costumers in Hungary



Source: Teir database

The ebusiness opportunity for the small and medium sized companies in Hungary

In Hungary the small and medium sized companies also using the e-busniess solutions to decrease the maintenance cost. Most of these companies using ICT solutions which can support the inside working processes and increase the efficiency. The base of efficiency is the really simple applications and solutions what doesn't demand really expensive e-business softver. These solutions are affordable for the small and medium sized companies But the medium sized companies are more probable to benefit from these solutions. The inside processions sometimes grow with the size of the company that is why the medium sized companies are using more complex solutions. For instance they can calculate the working time and help the HR department with e-business software. The most popular applications are the inside document sharing, mostly via cloud solutions. It is really surprising small proportion of the small sized companies using on-line technologies to inventorize, although they could benefit from it. Mostly the transport companies using these solutions but it is still evanescent.

The hungarian Ebay, the Vatera

The Vatera is an auction website like the international Ebay. Nowadays the Vatera is the biggest e-business company in Hungary. The Vatera company was founded in 2000 part of the holland Vatera B.V. company. Later on the company was financed by the eQuest company. In the begginings the Vatera had an greek headquarters and it appeared three more countries Turkey Czech Republic and in Poland. In every country the local manager managed the company till 2001, when the „dotcom” bubbles bursted. After the crisis the eQuest company suspepnded the finaincing of the Vatera. In 2002 April the iEurope bought up the Vatera brand and they make a new company. In 2003 the company bought up the Kalapacs.hu website within all of the technical tools. In 2005 the turnover of the Vatera.hu was 5 billion HUF. In 2007 the brand became one of the most popular keyworld in Hungary. In this year the website has got an award from the Red Herring, because the great finance indexes, the well developed marketing and because the Research and the Development skills. In 2009 the registrated members were more than 1 million. In this year the auction company has reached more than 20 billion HUF turnover. In 2012 february the Vatera has phase in the easy buying system where the registration is not necessary. In the meantime the company were trying popularize

the brand with charity auction, which was really affective.

More detailed business summary

When the iEurope bought up the auction company the internet penetration in Hungary was really low, but the online auction sites were really popular in the USA and in Western Europe, that is why it was a patience game. But the company needed finance sources, they resell the leasing cars and they involved more financial experters. Later on the company reorganize the leadership because the internet usage has increased in Hungary. In 2006 they make the first inquiry survey between the users this was a huge step for the company. They were trying to use the offline marketing experience on online field. They focused on the user activity. Later on the Vatera became a verb in Hungarian and it has strengthened the brand value. After a while the site needed IT refreshments and making the leader information system more effective for analyzing, monthly reports and for the arrangement between the management. The company became enough strong to the regional expansion, it took more than a year to found the correct leader for the Slovakian subsidiary. In the meantime the company needed financial and law adviser for the more efficient working.

4. The schematic illustration of the iEurope business model

„Growth capital”					
Type of investment	Seed phase	Early Stage	Expansion	Later Stage	Buyout
Numbers of years	0-1 years	>1-3 years	<3-10+years	3-10+years	10-50 years
Period	The conception of ideas	First stage of development	The second development stage	The growing of the expansion capital	Stable market position and lack of growth

Source: iEurope Capital

Conclusion

In spite of the low internet penetration in Hungary, there are more and more companies adopting e-business techniques. This paper analyses the main motives of the e-business especially Vatera, but also tries to reveal the most important barriers of electronic business in Hungary. It assesses what kind of companies can benefit the most from the internet presence, and participation in electronic markets, and investigates how barriers can be eliminated.

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