E-COMMERCE: GLOBAL AND DOMESTIC DEVELOPMENT TRENDS

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Abstract. The paper studies and analyzes the current state and trends in the development of e-Commerce at the global and regional levels. It reveals the nuances of domestic e-Commerce and forms its forecast characteristics for the coming period. In the course of the research, the theoretical foundations of the category of "e-Commerce" and related concepts of online trading are revealed. The trends of the worldwide development of e-Commerce and the nuances of its implementation in Ukraine are investigated.

Based on the critical analysis of statistical data and other information sources, the main prospects for the development of e-Commerce in Ukraine are formed.

Keywords: electronic trading, Internet, e-Commerce, online purchases, online store, market place, Internet platform.

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Problem statement

Significant development of information technologies and their integration into the business environment have formed the prerequisites for the development of e-Commerce, which is now increasingly gaining the momentum. Traditional trade, which historically positioned itself as a dynamic type of economic activity and was formed during the transition from the natural method of production to the commodity method, is rapidly transforming in modern conditions. Taking into account the specifics of trade as a sphere of the national economy, new methods, forms and models of trade, items, means and tools of trade are being tested. At the same time, trade itself does not cease to perform its main socio-economic function (distribution and redistribution of consumer goods and its bringing to the end consumer is ensured; receiving of profit from such business processes; satisfaction of the needs of the end consumer, etc.). Today, the active development of Internet technologies leads to the use of the global network as a platform for trade, as a result of which the subject of trade acquires the forms of modern retail chains and shops with a form of self-service, the object of trade expands to virtual goods and electronic content, and the methods (means) of payment for goods become electronic money. The Internet is becoming a platform for trading.
E-commerce is now becoming one of the most promising areas of business both at the global level and at the national level, provoking countries to closer trade contacts, integration of modern technologies and stimulating the development of other sectors of the economy.

Analysis of recent research and publications

Many works of foreign and domestic scientists and economists are devoted to the study of e-commerce and e-business, revealing its theoretical and practical aspects. Thus, Ye. O. Alekseenko. A. Bezuhla. S. Drazhnitsya. O.V. Orlik. O. Shaleva and others highlight the basic principles of e-commerce. types of Internet businesses, offer methodological sets to assess the effectiveness of shopping in the online space and the feasibility of such e-business. At the same time, the constant development of information technologies, their active usage by consumers and the increase in electronic requests of the latter provoke the emergence of new aspects of the development of online trade. Thus, the results of theoretical scientific developments in the field of e-commerce require additional research and updating in the realities of the domestic market.

The aim of the work is to study the theoretical and practical aspects of e-Commerce in the global and local level, to identify the main trends and prospects of its development.

To achieve the above goal, the following tasks have been developed:
- to study the essence of e-commerce and determine its place in trade;
- to analyze the features of the global and domestic e-commerce market through the indicators of trade, the ratings of countries to determine the place of Ukraine in the global and European online trading market;
- to form the main trends of the development of e-commerce and the possibility of their application in the practice of domestic online retail.

The economic nature of e-Commerce is defined differently by each researcher, ranging from restricting trade exclusively to the Internet platform to conducting business transactions using the Internet. Based on the results of such diverse developments, it is possible to form a generalized definition of e-Commerce as the interaction of the commercial nature of the subjects of different markets (consumer, industrial, domestic, international) using the means of modern information systems, their networks and technologies. The concept of e-Commerce today includes such related phenomena as: electronic exchange of information, electronic movement of capital, e-trading, e-money, e-marketing, e-banking, e-insurance services.

There is no doubt that e-commerce has developed so widely because of its consumer preferences over traditional forms of trade, namely:
- the price of goods and services on the Internet platform is lower due to their lower cost (no labor costs, rent, storage costs, etc);
- round-the-clock customer support via the Internet resource, available access to a wide selection of goods "without borders", it is possible to compare products and prices in different stores;
- there is a function of the viewing and publication of product or seller reviews, to study specifications of the goods and services from practical experience of purchasing in video-reviews;
- no boundaries for the goods market;
- it is possible to use different methods of promotion of goods, means of Internet marketing, social marketing, customize a trade offer, to use direct sales, etc.
Thus, e-commerce has significant advantages in the form of additional opportunities for both the consumer and the seller, which allows to make a purchase faster and more convenient.

A few years ago, online sales of goods was mainly the prerogative of large online stores of home appliances and electronics due to the purchasing tactics of the choice of goods, based on the inspection and consultation in off-line stores. But today, the advantages of buying and selling goods through online stores are understood by both sellers and consumers. Most modern sellers are trying to equalize prices, which, as a result, leads to the statement of today's boom in the segment of online stores for different products (from clothing to food) (Drazhnitsya, 2018).

The volume of the e-commerce market in the world is growing rapidly, having a significant impact on the dynamics of retail trade and the level of competition between market participants (Fig. 1).

![Chart](image.png)

**Fig. 1. Dynamics of volume of Online trade in the world in 2014 -2018 and forecast for the 2019-2021) (in billion U.S. dollars)**

Systematized by the authors, based on the sources (Retail e-commerce sales worldwide from 2014 to 2021)

As can be seen from figure 1, by the end of 2021, the projected volume of online trade will be 4878 billion US Dollars. Further development of the market depends on a number of factors: GDP per capita, the level of penetration of banking services, Internet and smartphones, development of logistics infrastructure, reliability of delivery, as well as business conditions.

Analysis of the development of e-commerce in Ukraine in comparison with European countries according to the analytical report European-e-commerce 2018 indicates the presence of significant problems. Thus, the level of Internet penetration in Ukraine in 2018 is the lowest among the five worst countries and amounted to 66%. Along with countries such as Albania (66.8%), Croatia (69.3%), Bosnia and Herzegovina (69.6%), Bulgaria (70.4%), while
the European average is 83.1%. The highest rate in countries such as Sweden (99.7%), Switzerland (98.3%), Iceland (98%), Denmark (97%). Netherlands (97%). The level of penetration of Bank cards according to the press release of the NBU in 2018 in Ukraine – at 63%. while in Hungary - 75%. Belarus - 81%. Denmark – 100%. According to experts, the Ukrainian law requires improvement with the purpose of unshadowing of handling cash, reduction of the volume of smuggling and consumer protection. This will be facilitated by the implementation of Directive 2006/112/EC, which provides the harmonization of concept of the invoice, procedure of its issuance, usage and storage of electronic invoices in Ukraine with EU standards. The best indicators relate to the growth rate of e-commerce in Ukraine. The growth rates of the e-commerce market in Ukraine and Europe in 2017 are shown in figure 2.

![Fig. 2. Growth rate of e-commerce in Europe in 2017](image)

Systematized by the authors based on the sources (European Ecommerce Report 2018 Edition)

The world e-commerce leaders in terms of e-commerce turnover are as follows: China ($766.5 billion). United States of America ($595.1 billion). UK ($174.2 billion). Japan ($114.4 billion). France (71.9 billion dollars.). Germany ($66.2 billion). South Korea ($64.8 billion). Canada ($35.7 billion). India ($25.5 billion). Russia ($22.8 billion) and other countries. including Ukraine with a turnover of $ 5.65 billion. Thus, the world ranking of countries by the volume of e-commerce turnover has the following form (Fig. 3).

According to figure 2, the rest of the world, except for Top-10 countries, accounts for 14.8 % of global e-commerce turnover, including Ukraine.
Fig. 3. Share of e-commerce turnover of Ukraine and the world, %
Systematized by the authors based on sources (Drazhnitsya, 2018)

Although the volume of the market of online trade in Ukraine cannot yet be called significant (3.5% of the total retail trade in 2017 and 4.5% in 2018), the growth rate is significant, as evidenced by the data shown in figure 4.

Fig. 4. Dynamics of volumes of online trade in Ukraine for the period 2007-2017, billion dollars
Systematized by the authors based on sources (Malovychko, 2015; European Ecommerce Report 2018 Edition; Official website of the State statistics service of Ukraine)
Citizens of Ukraine increasingly trust Internet sales because they offer lower prices, which allows customers to save money; offer a fairly wide range of products; contribute to saving time of consumers; offer prompt delivery of goods at a low price. During 10 years since 2001, the number of users of the world wide web in Ukraine has increased more than 50 times. The explosive growth of the audience is expected to cause a sharp increase in demand and supply: if in 2005 in the Ukrainian segment of the network was registered about 500 trading platforms, by 2008 they amounted to about 3 thousands, and today there are more than 20 thousands.

Dynamics of indicators of development of e-Commerce in Ukraine are shown in Table 3.

**Development of e-commerce in Ukraine**

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<td>The volume of online trade. billion USD</td>
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<td>0.55</td>
<td>0.73</td>
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<td>1.59</td>
<td>2.37</td>
<td>3.24</td>
<td>4.44</td>
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<td>Growth.%</td>
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<td>-8</td>
<td>34</td>
<td>50</td>
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<td>49</td>
<td>37</td>
<td>37</td>
<td>27</td>
<td>31</td>
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<tr>
<td>Penetration of e-commerce. %</td>
<td>0.7</td>
<td>1.0</td>
<td>1.1</td>
<td>1.3</td>
<td>1.6</td>
<td>2.3</td>
<td>2.9</td>
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Systematized by the authors based on sources (Malovychno, 2015; European Ecommerce Report 2018 Edition; Official website of the State statistics service of Ukraine)

The table shows that the growth rate of penetration of e-commerce in the economy of Ukraine is also growing. Thus, if at the beginning of the market development in 2005, the volume of online trading in Ukraine amounted to 0.1 billion US Dollars. in 2017. this figure reached $7.43 billion, which accounted for more than 74-x growth in the market volume.

The trust of domestic consumers of Internet goods is growing more and more. and preference is given to offers with lower prices, which allows customers to save money; offers a fairly wide range of products; contribute to saving time of consumers; offer prompt delivery of goods at a low price. Thus, according to the results of the study by TNS company, the number of Internet users in Ukraine at the end of 2018 was more than 22 million people, and the share of users making purchases in online stores reached 31% (or 6.9 million people).

Majority of consumers use their home PCs, laptops and mobile phones when making online purchases (Fig. 5), while analysts record an increase in the number of orders from mobile devices by 2.2 times. On average, in the market, purchases from mobile devices already generate about 30% of all sales and this figure continues to grow.

According to the Global digital-2019 report, the total population of Ukraine in January 2019 decreased by 0.5 % or 213 thousand people, compared to the data as of January 2018. The number of prepaid mobile users decreased by 2.2% or 1 million over the same period. the number of Internet users increased by 60 % or 15 million. The number of active users of social networks increased by 31% or 4 million people. The frequency of Internet usage: daily - 72%. at least once a week - 21% once a month - 4% less than once a month - 2%.
Fig. 5. Distribution of on-line purchases by domestic consumers by digital devices in 2017, %

Systematized by the authors based on the sources

17 million users are active users of social networks or 39% of the total population. The number of active users of social networks, who use mobile devices in January 2019 amounted to 13 million or 30% of the total population of Ukraine. Comparative characteristics of the advertising audience of social networks in Ukraine is as follows: the total audience of advertising (monthly active users) in brackets shows the dynamics of growth in 2019 compared to 2018: Facebook - 13 million (+8.3%). Instagram - 10 million (+5.3%). Twitter - 575 thousand (+2.7%). Registered users LinkedIn - 2.5 million (+8.7%). Such positive dynamics in population mobilization creates opportunities to expand the e-commerce market in Ukraine in the near future.

Now the most popular form of interaction of economic entities in the implementation of any commercial activity in Ukraine is B2C. That is. Business to the Consumer. An element of retail trade. Specialized websites for purchase/sales of goods. where economic entities carry out their commercial activities are the main tool of this form.

Online trade by demonstrating positive dynamics causes corresponding structural changes in domestic trade networks. Increased competition and the need to intensify the struggle for the consumer. We are talking about the active implementation of marketplaces.

According to the portal of the Association of Retailers of Ukraine. the largest group of sites in the segment of online trading – are the projects of the company EVO – Prom.ua. Bigl.ua. Crafta.ua. Shafa.ua. All of the above sites are marketplaces. In 2017 Ukrainians have spent on the Prom.ua. Bigl.ua. Crafta.ua. Shafa.ua marketplaces (EVO company projects) 14.2 billion UAH. This is 68% more than in the same period of 2016. The number of orders increased by 61%. During 2018 on Evo marketplaces (Prom.ua. Bigl.ua. Crafta.ua. Shafa.ua) Ukrainians purchased goods for 9.5 billion UAH. plus, another 10.5 billion UAH – on the websites of companies on Prom.ua and the number of orders increased by 47%.

The average check in 2017 was 962 UAH. Then in 2018 it was (on EVO sites) 1190 UAH.

In addition, marketplaces are growing faster than online stores. The total traffic of marketplaces in 2016 amounted to 194 million. and in 2017 – to 207 million. In comparison with 2016, traffic increased by 12.7 million. Thus. new buyers are increasingly opting for trading platforms. Every fifth product was purchased from the site of a company certified by Prom.ua.

While retailers in most cases earn on sales. marketplace make their business bet on the promotion of goods and services. Thus, likely becoming competitors not to the online stores. but for social networks and search engines.
The three most popular foreign online stores among Ukrainians include Amazon, AliExpress and eBay.

The main categories of products, which domestic consumers are buying online today include clothes – 81%; electronics – 73%; beauty and health products – 58%; goods for home and garden – 49%; gifts, books – 47%; goods for sports and leisure – 43%; auto-moto products – 32%; children goods – 31%; goods for the provision of services – 30%; food – 19%. Three groups of products – electronics, household appliances and clothing remain the undisputed leaders in terms of sales among domestic buyers. According to one of the leaders of Ukrainian retail – LeBoutique – the volume of e-commerce in the fashion segment is 200-250 million US dollars. Relatively new segments, which are on demand online, include handmade goods and the secondary market of goods.

Online shopping is the most popular among residents of large cities (44.6% of Internet buyers in Ukraine). Experts attribute this trend to different levels of Internet penetration and the intensity of technical equipment modernization.

In the field of online trade in Ukraine there is a clear gender inequality. Thus, 80% of customers of online stores are men. And most of them belong to the age of 26-50 years. They work mainly in the field of trade (16%), information technology (10%), construction (7%), transport and communications (5%). Their positions are: business owners and heads of departments – 19%. Directors and IT-engineers – 7%. Deputy managers – 5%. That is, the total monthly income of more than half of the participants of online shopping exceeds the average in Ukraine. At the same time, according to the results of the research conducted by the company Prom.ua, the database of 1.26 million customers, who made at least one purchase during the last year was analyzed. Of them, 52.4% were women and 47.6% were men.

The key components of the Internet are communication, information, commerce, communion and comfort. At the same time people purchasing online exactly those products that do not violate the main rule of e-commerce: if the purchase of a group of goods online simplifies the life of the client, the customers will switch to online.

According to the results of the Google report, the behavior of domestic online users in relation to purchases made in online stores is determined by the following:
- Ukrainians shop online more often than residents of other Eastern European countries, such as Poland and Romania;
- more than 90% of all purchases are made from a computer and the share of mobile devices in this indicator is less than 10%;
- 38% of Ukrainian online users at least once a year make a purchase in some foreign online store, while 45% never bought anything from abroad, naming language barrier as the main deterrent;
- 76% of users compare alternative products with each other, and 70% read tips on choosing a particular product;
- the main factors that repel (may repel) from making purchases online, for Ukrainian consumers are the dubious reputation of the online seller (77%), the inability to see and test the goods before making a purchase/order (73%), uncertainty about the decency and reliability of the online seller (72%), uncertainty that the paid goods will be delivered in proper (intact) condition (48%), low level of service (45%).

Thus, the Ukrainian market is at the stage of formation and has a huge potential for growth. This is especially possible due to the parallel qualitative development of the market of Internet banking, postal and courier services in Ukraine. Thus, in addition to the electronic
market of goods sales. the popularity of Internet banking services and payment transactions via the Internet is growing. Today "PrivatBank", "Raiffeisen Bank Aval" and others are the leaders in the implementation of the latest methods of transactions. These services provide all payments via the Internet. and created applications for mobile phones that would make certain banking operations as easier as possible.

Also, the advantages of e-commerce are used also by delivery services. without which the purchase of electronic products is practically impossible. Modern delivery services which comprise 78% of all methods of delivery. differ in the speed of transfer and processing of payments and goods. And of course. in their work they also use computer technology and the latest software. According to the Ukrainian Association of direct marketing. the most powerful and most popular commercial (non-governmental) delivery service from online stores is "Nova Poshta". In 2017. Nova Poshta strengthened its position in e-commerce: the share of deliveries to Nova Poshta customers from the online trading segment within Ukraine is growing by about a third from year to year. In 2017. the trend continued and the company delivered about 33 million shipments for e-commerce or 30% more than in 2016.

Analysis of foreign experience in the development of e-Commerce allows us to identify the main trends. tools and technologies that will lead to a boom in e-Commerce in the coming years. which can be successfully implemented in Ukraine in order to improve the competitiveness of domestic e-commerce.

1. Lead scoring. This is the functionality of the digital system. through which you can understand the degree of involvement of the lead and willingness to buy. The system awards points for certain actions of users. and the more points it gets. the hotter is the lead. For example. lead visited a certain page of the site -1 point. opened the letter - 2 points. clicked on the link in the letter - 4 points. went to the site again - 10 points. There can be any conditions for scoring. The introduction of such a powerful marketing tool makes it possible to get a lead estimation and work selectively with the right customers. An example of the simplest scoring. which is used today. are the black-lists of buyers. who do not regularly redeem their orders. and which allows to add more consumers. The development of such a tool is due to the fact that companies lose a lot of money for the return of non-purchased orders. For example. US mail processes 1 million returns daily. bearing losses for businesses.

There are many powerful scoring services in the West. among the domestic systems that declare the presence of lead scoring in its Arsenal are AmoCRM. Getresponse. TimeDigital CRM. However. it is important for the service that provides lead scoring to provide different conditions (triggers) for scoring. In most CRM-systems - it's just scoring for the transition to another stage of the operation or for view the page. This scoring will not help much. In the near future. Facebook developers are working to create scoring tool for further optimization of the advertising campaign for the desired leads. All this shows importance and development of Lead scoring in the near future.

2. Personalization of advertising. Most online stores make personalized offers for customers - offer them to see products that may be of interest for them. It uses browser history. location. and pre-order information. With help of personalized recommendations. profits of the shops may increase on average by 10-15%. But using only Yandex Metrics or Google Analytics is no longer effective. As a minimum. you need to take into account the data from the SMM-Department and sales Department. In international practice. there are systems created on the basis of Big Data and artificial intelligence. which firstly. create the most clear portrait of the client. and secondly analyze the optimal time. which allows the
advertiser to show ads to the most targeted customers at the right time. Consequently, the development of such systems will find application in indigenous practice.

3. Transactionality of social networking platforms and instant messengers. (the user is able to make a purchase without leaving the platform). Thus, the percentage of Chinese buyers that make purchases in social networks on a regular basis is 55% and there it is considered as norm. An example of one of the most popular messengers that has become a successful platform for online trading in China is WeChat. Following this direction, developers of Instagram have added a new feature "Purchases in Instagram". where it is possible to mark products with active links in their publications. Subscribers can see the price and description of the goods by clicking on the mark. as well as be able to click on the link and place an order. Given the growing popularity of such platforms as Facebook and Instagram. in Ukraine. it is important for domestic online merchants to activate these platforms. because today it is more convenient form of customers feedback.

4. Implementation of virtual assistant - Chat bot. Chat bot can be simple (with a standard set of phrases) and can be developed with artificial intelligence. Such a virtual assistant optimizes the time of the buyer to choose the goods and answer his questions, which facilitates the work of the seller. because it can call the client and say the specified text; send SMS or letter to the email address; send a message to the social network or messenger from which the client wrote. This virtual assistant not only understands live speech. but is also able to learn. Thanks to the tools of artificial intelligence. it is possible to analyze the purchases and preferences of the user. as well as to offer him a product from the sphere of his interests and make cross-sells or upsells.

5. Expanded marketplaces for big sellers (18 of the world's largest online marketplaces sell goods worth more than $ 1 trillion a year. Analysts predict that by 2020. marketplaces will account for 40% of the global online retail market) etc.

According to Forrester Research. in 2016-2017. more than 50% of online purchases are distributed through the marketplaces (first of all through Amazon, Alibaba, JD.com and eBay). The forecast for 2022 is 67%. Thus, marketplaces continue to gain popularity. their influence is growing every year.

6. Installment payments purchase. The peculiarity is that this is not a typical loan. but installments without overpayments. which are provided by a special service. At the same time. the business owner that connects online installment payment of this service makes payments for the difference in the conversion of the site. The higher the difference. the greater the reward. Thus. three parties’ benefit: the client receives the goods without overpayments. the entrepreneur increases sales without increasing advertising costs. and has the opportunity to increase conversion. the service earns on increase in conversion and provides installment payments. Such a business model. already practiced in the US. is attractive and will have development. as customers are willing to make purchases with installment payments rather than immediate ones.

7. Use of augmented and virtual reality technologies. Additional reality helps to understand how the product will look in real conditions. which helps to make a decision about the purchase (for example. online fitting in 3D). The technology is successfully used today and will continue to develop.

8. Optimization for mobile devices. Improving conversions from mobile traffic. Mobilization of e-business is gaining momentum. According to the forecasts of the research company eMarketer. mobile will account for about 73% of the global e-Commerce market by 2021. Despite the growth of mobile traffic. e-commerce in the domestic space is not
developing so successfully, so an important trend in this direction will be the increase in the conversion of mobile traffic. This will be possible due to:

- firstly. the elimination of restrictions between sites and mobile applications (in practice, technology of Progressive Web Apps is already used as a hybrid of the last two);
- secondly. by optimizing mobile advertising systems, which are based on artificial intelligence and Analytics.

Therefore, given the fact that today 54% of all customers make requests using smartphones and this number is only increasing, in order not to lose such a number of potential customers, in 2019 the site should be optimized for mobile devices as a must.

9. Logistics optimization. The development of this trend is due to the need to improve customer service and ensure their loyalty, as the number of Internet users is growing not so fast. In the West, the model of delivery in the format of "to the nearest branch", but to the "nearest store to the home" becomes more and more popular. The introduction of this trend is possible in the domestic market. Such points of delivery of orders can be popular retail chains near home as a mean to optimize logistics costs and convenience for the consumer.

10. Omnichannel. In order to become one of the leaders and dissociate from competitors, you need to pay attention to multichannel marketing. The basic principle is to combine different channels to communicate with customers and make sales. The company should work systematically to use all available channels to attract buyers, as each of them can make a contribution to make a profit. Multichannel is also important in communication with users, so companies should use messengers, social networks, email, chat bots and push notifications to show the importance of customer feedback. For foreign online stores it is normal, but in Ukraine the multi-channel marketing is a novelty. Example of work with a different channels for the acquisition of buyers have an online store Rozetka.ua.

11. Voice search and image search. According to Comscore, by 2020 more than 50% of all search queries will be voice-based. In accordance with updates of search engines there's a need to change the sites as well with a focus on voice search. Such companies as Google, Yandex, Pinterest are working to improve photo-search. Visual search is already implemented on some e-commerce platforms.

12. Elimination of free returns option (the growth of firms' costs due to frequent returns of goods forces sellers to use deterrent measures from returns: from a complex policy of refusal and return of goods to bonuses for consumers from receiving other goods);

13. Refocusing on ethical e-Commerce (transparency and sustainability of materials and prices that are particularly relevant for Eco-friendly consumers);

Based on the aforementioned, we can conclude that for the successful competition of domestic enterprises in the e-commerce market there's a need to optimize business processes. This is due to the fact that the number of Internet users in Ukraine is growing, but not so fast. The main e-commerce market has formed, thus, for the further increase of profits, e-commerce market participants should focus on optimizing business processes, reduction of costs. This can be done by implementing aforementioned by automating processes within the company that will simplify marketing and sales, reduce staff costs, improve the quality of customer feedback and accordingly, the conversion rate.

Conclusion

Thus, we see that the global e-commerce market is gaining significant momentum. Domestic e-Commerce is at the beginning of Internet evolution and demonstrates high growth.
rates. The barriers for entry into the Internet market are relatively low, and the benefits of e-commerce for users and entrepreneurs are tangible. However, at the present stage, the domestic e-commerce market has many unresolved issues, which hinders its development. The Outlook for e-commerce in Ukrainian online stores is generally positive, as more consumers will become online buyers and more stores will switch to e-commerce. The total potential volume of domestic e-commerce by the end of 2019 will be close to 14 billion US Dollars. Analysis of the e-Commerce market in Ukraine reveals the main trends and prospects of its development: improvement of logistics infrastructure; development of e-marketing; active use of mobile technologies; growth of online sales both in the world and in Ukraine; active use of mobile devices for online shopping; even deeper penetration of the Internet in Ukraine.

References


