

E-Commerce Opportunities and Challenges for FMCG Companies

Masterarbeit

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Table of Contents

List of Figures	II
List of Tables	III
List of Abbreviations	IV
Abstract	1
1. Introduction	2
1.1. Motivation and Relevance	2
1.2. Structure and Objective of the Thesis	4
2. Theoretical Background	5
2.1. Fast Moving Consumer Goods	5
2.2. E-Commerce	6
3. Literature Review	9
4. Operationalization of Conceptual Framework	17
4.1. Technology Acceptance Model	19
4.2. Explanation of Hypotheses	21
4.3. Explanation of Developed Model	25
5. Empirical Study	27
5.1. Design and Data Collection	27
5.2. Data Analysis	36
5.3. Results	43
6. Discussion	45
7. Recommendations and Strategies	49
8. Limitations	51
9. Conclusion and Outlook	52
List of References	53
Appendix	A

1. Introduction

The number of people who have access to the World Wide Web (WWW) increases year by year and in Germany alone, 51 million citizens older than 14 years old use the Internet for online shopping (cf. Bitkom, 2014: 1). Consumers replace classical shopping in stores with Internet purchases. In Germany, two-thirds of online shoppers (66 percent) purchase goods over the Internet at least several times a month and 8 percent several times a week (cf. Bitkom, 2014: 1). Some enterprises have already observed opportunities and possibilities, as well as challenges that online commerce creates. Not only are clothing or media increasingly bought online. Even everyday items, like so-called fast moving consumer goods (FMCG), are increasingly ordered via online shopping (cf. Wagner and Wiehenbrauk, 2014: 3).

1.1. Motivation and Relevance

E-commerce sales are growing more rapidly than offline sales (cf. Gessner and Snodgrass, 2015: 84). The Internet has become an indispensable part of everyday life for most people and companies. A lot of companies have recognized the importance of online platforms, the possibility to interact with clients, influence them and consequently sell products (cf. Ibarra et al., 2015: 275). Its importance is growing day by day and people come in contact with each other and exchange information without boundaries of time and place (cf. Afuah, 2003: 34; Rohm and Swaminathan, 2004: 750). Enterprises are no longer dependent on the shop-hours of supermarkets. They can offer their goods seven days a week, 24 hours a day without any restrictions (cf. Bellman et al., 1999: 32).

AGOF e.V. (2015: 11) analyzed the priorities of online users (figure 1). The study indicates that Electronic commerce, with 73.4 percent, has the third highest activity by Internet users in the last three months. Only e-mailing and search engines receive higher traffic than e-commerce.

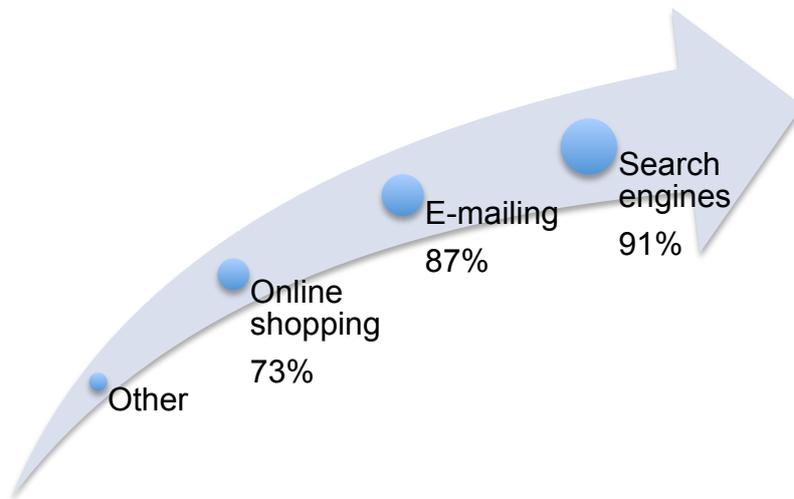


Figure 1: Priorities of Internet Users. Adapted from: AGOF e.V. (2015: 11)
 Notice: only Internet user older than 14 years in the last 3 month

Bitkom (2015: 2) analyzed that 98 percent of Internet users make use of electronic commerce. In 2011, the European Multi-channel and Online Trade Association ((cf. EMOTA, 2012: 1) analyzed that Europe has the largest electronic commerce market (total value of €246 billion) in the world. North America has an electronic commerce market with a value of €237 billion (cf. EMOTA, 2012: 1). 28 percent of online shoppers have already ordered food on the Internet (Bitkom, 2015: 2). Furthermore, in the United Kingdom, food worth 5.5 billion euros were sold via e-commerce in 2012 (cf. Wagner and Wiehenbrauk, 2014: 9).

In January 2016, RetailMeNot examined in collaboration with the Centre for Retail Research in an international study of ten countries (Germany, France, Great Britain, Italy, Canada, the Netherlands, Poland, Sweden, Spain and the USA) the development of e-commerce (cf. RetailMeNot and Centre for Retail Research, 2016). Except for Canada, all countries in the study will have a growth of average spending in e-commerce (cf. RetailMeNot and Centre for Retail Research, 2016).

Furthermore, all countries are seeing a growth in online commerce with values between 14.4 percent and 18.8 percent predicted in 2016 (cf. RetailMeNot and Centre for Retail Research, 2016). Germany will experience a growth of 18.3 percent and the growth of the stationary trade will fall by 1.7 percent (cf. RetailMeNot and Centre for Retail Research, 2016).

1.2. Structure and Objective of the Thesis

This master thesis is divided into nine chapters. The first chapter provides an overview of the relevance of the topic. The second chapter defines fast moving consumer goods and deals with electronic commerce. To understand the functioning of e-commerce, a typical online shopping process will be explained. The third part of this thesis gives an overview of the current state of research in the sector of electronic commerce and in connection with FMCG. Chapter Four explains the empirical study as well as the operationalization of the conceptual framework and the technology acceptance model. The fifth chapter is dedicated to the empirical study. A research gap in the field of e-commerce is the FMCG industry. With the adoption of the Technology Acceptance Model by Davis et al. (1989: 319) the acceptance of e-commerce for FMCG will be analyzed and leads to the research questions “What is the influence of external variables like risk, trust and cost on the acceptance of e-commerce for FMCG?” and “What opportunities and challenges grow out of risk, trust and cost on e-commerce for FMCG companies?”. Chapter seven of this thesis will give recommendations and strategies for companies in the FMCG sector. Before finishing the master thesis with a conclusion and outlook, chapter eight will discuss the limitations.

9. Conclusion and Outlook

The aim of this thesis was to determine whether external factors have an impact on the acceptance of e-commerce for sales of fast moving consumer goods and thus determine opportunities and challenges for FMCG companies.

The first chapter provided an overview of the relevance of the topic. Furthermore, the second chapter defined the terms fast moving consumer goods as well as electronic commerce and a typical online shopping process was explained. Part 4 of this thesis explained the empirical study as well as the operationalization of the conceptual framework.

Using the technology acceptance model of Davis (1989: 986), the three external variables Risk, Trust and Cost were examined and their significance level analyzed. The quantitative analysis has found out that some dimensions have an impact on the acceptance of the electronic commerce for FMCG. FMCG companies need to keep in mind that a change of Trust, Risk or Cost can have a positive or negative influence on the acceptance of electronic commerce for FMCG and thus a change in opportunities and challenges for companies in the fast moving consumer goods sector.

This thesis gives several recommendations to FMCG companies and further investigations to handle with opportunities and challenges.

Through the existing acceptance of consumers towards the purchase of fast moving consumer goods through e-commerce, the developing of new markets will continue. Even more efficient ways to save time and reduce costs are incurred and the Internet becomes more and more integrated into the Sales Process for enterprises of the FMCG sector.

If FMCG companies can meet the challenges, there will be good opportunities to exploit the possibilities of e-commerce for fast moving consumer goods in the future.