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ENTERING THE E-COMMERCE MARKET

IN SPAIN

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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MARKET IN SPAIN
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August 2019

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1.4 SECTORS E-COMMERCE IN SPAIN

Due to the large growth in e-commerce, it is interesting to look more in-depth in which specific sectors consumers purchase their products. In 2018, the largest e-commerce sector in Spain was entertainment and culture (68%), travel and holiday accommodation (66%) followed by electronics (61%) (IAB, 2019). Most online purchases for these sectors accounted for €100 to €499 (Ecommerce Foundation, 2019).

In general, there is still a difference between products and services when purchasing online. Physical products such as clothing, furniture, and books are more often purchased online than services such as travel tickets and restaurant bookings. Digital content, for example software and online games, is also sold online but to a lesser degree than physical products and services (IAB, 2019).

1.4.1 Chocolate sector

It is complex to find facts and figures about online sales of chocolate in Spain. Therefore, the Spanish chocolate sector will be discussed in general and we will have a look at the general online food sales. This does thus not only include chocolate but different kinds of food products.

In 2016, the Spanish chocolate market grew by 11%, and represented a value of €184 million for that particular year (European Supermarket Magazine, 2016). Nestlé's Chocolate Barometer acknowledged that in 2015, 60% of Spanish families bought chocolates, especially at Christmas. Other days on which consumption is higher is on Valentine (5%), Father's Day and Mother's Day (both 3%) (Sweetpress, 2016).

In 2015, a report from Nestle Market Intelligence Department released results of chocolate consumption in Spain. Interestingly, there are regional differences when it comes to chocolate purchasing. Spain's north-eastern region which includes Catalonia, the Balearic, and Aragon, accounted for 24% of the national chocolate consumption in Spain. The Southern area, Andalusia and Extremadura, followed with 18%. The Community of Madrid represented 15% of Spain's total chocolate consumption. Spaniards living in the area of Barcelona spend on average 25% more on chocolate per year (Sweetpress, 2016).

In 2018 Nestlé España remained the leading seller of chocolate confectionery. This leading position can be associated with its brand awareness with different brands including Kit Kat, Milky Bar, Crunch, Caja Roja, etc.. Sales of other present brands as Ferrero Ibérica and Chocolates Valor further increased in 2018. The reason for this is the positively changing Spanish economy and the increasing sales of higher added value goods by consumers (Euromontitor International, 2018).

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The graph of Statista shows the estimated growth for both online food and fashion sales for upcoming years. Notice that the revenues are represented in US dollar. If converted from US dollar to euro, fashion and food and personal care represent respectively €4 million and €3.2 million in 2018. By 2023, these two sectors are expected to yield €8 million for the fashion sector and €6.5 million for food and personal care sector (Statista, 2019). The conversion from US dollars to euros was done with the help of the website VALUTA FX (Valuta FX, 2019).

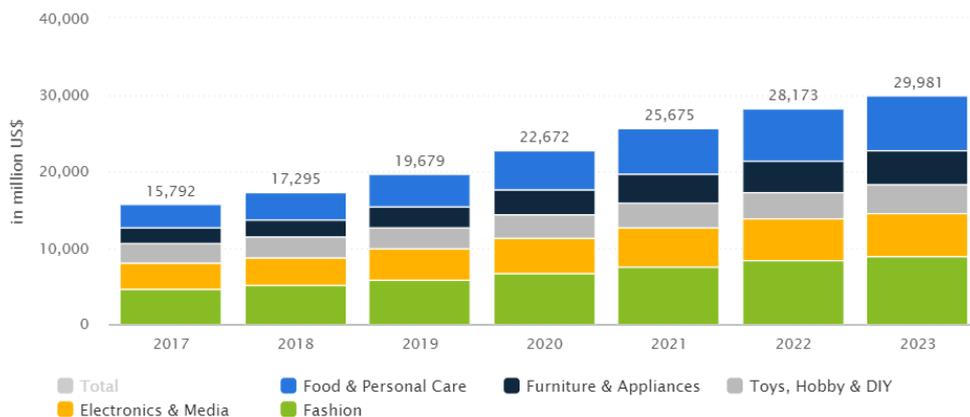


Figure 4: Predictions of sectors in the e-commerce market (in millions), Statista, 2019

In 2018, according to net sales, the most popular stores in the Spanish online fashion sector were El Corte Inglés, Zalando, Zara, Privalia and Pull&Bear. Their revenues amounted to respectively €355 million, €265 million, €160 million, €129 million and €111 million (Statista, 2019). Almost every mentioned store is of Spanish origin. Therefore, it is clear that Spaniards prefer to buy from international stores which originate from Spain.

1.5 PAYMENT METHODS IN SPAIN

According to the Statista graph below, Spanish citizens prefer paying via PayPal when buying products online. Over one year, the percentage of using PayPal as a payment method increased with 7%. For 43% of online sales in 2018 Spaniards used debit and credit cards. (Statista, 2019). The graph below of Statista shows the payment methods and the differences in use for 2017 and 2018.

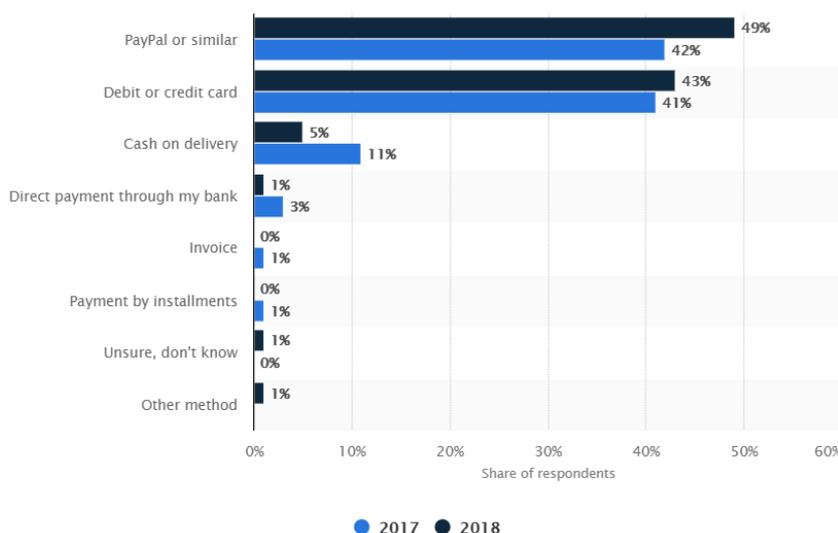


Figure 4: Preference of payment methods in Spain in 2017 and 2018, Statista, 2019

turned into one of the strongest growers in the EU and is ranked at the 14th place of the largest economies worldwide (Kiprop, 2018). This is reflected in increasing customer demand. Furthermore, business investments and export to Spain is growing and the unemployment rate is falling. In 2017, Spain imported products and services valued at €310 billion (Flanders Investment and Trade, 2019).

E-commerce in Spain was worth 27.96 billion euros in 2018. That's an increase of 17 percent compared to the previous year. For this year, a growth of about 20 percent is expected, which would mean ecommerce in Spain will be worth 33.56 billion euros at the end of 2019 (Ecommerce News, 2019).

5.2 WEAKNESSES

Many Spaniards still do not master the English language, therefore it is an absolute must that company websites are in Spanish (Tello, 2009).

Since 2015, Spain did recover (partially) from the financial crisis from 2008. After the financial crisis, Spain was confronted with a very high (youth) unemployment which needs to decrease. In 2018, Spain had a youth unemployment ratio ¹ of 11.3% which is really high compared to the other EU countries (Eurostat, 2018).

5.3 OPPORTUNITIES

The online market provides around 27.5 million potential buyers between 16 and 65 years in Spain (IAB, 2019).

Spaniards are very open, talkative and social people and this reflects in their use of social networks. This reflects the impact of networks on the e-commerce market. In 2016, social networks lead 26% of online customers, principally youngsters, to websites. Before actually purchasing a product online, 20% of the online buyers check social networks first as a source of information (Ecommerce managers, 2017).

Also, the purchased products through mobile phones (m-commerce) are growing, despite the fact that 49% of the Spaniards still feel more comfortable purchasing products online from the computer. Mostly elderly people find it difficult to purchase products from their mobile phones because of different factors (Ecommerce managers, 2017). These factors include the convenience of the computer (36%), the small screen (18%), lagging websites and the security of the payment seems unreliable (16%) (IAB, 2019).

In 2018, the use of the computer to buy online decreased by 8% in comparison to 2017. Still, the computer is the most preferred device followed by smartphones (45%), tablets (17%) and Smart TV or console (6%). The use of smartphones increased by 8% compared to 2017 (IAB, 2019).

¹ Percentage of unemployed people (aged 15-24) in the total population. It is an unemployment-to-population measure.



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August 2019

