E-COMMERCE Macedonian Association

NLB Banka

KEY FINDINGS FROM THE WESTERN BALKAN E-COMMERCE REPORT, 2024

E-COMMERCE IN THE WESTERN BALKANS

Dr. Nina Angelovska Stankov
President of the Macedonian E-commerce Association and the Balkan Ecommerce Alliance

WESTERN BALKANS MARKET SIZE & E-COMMERCE POTENTIAL

WESTERN BALKANS DIGITAL & E-COMMERCE READINESS

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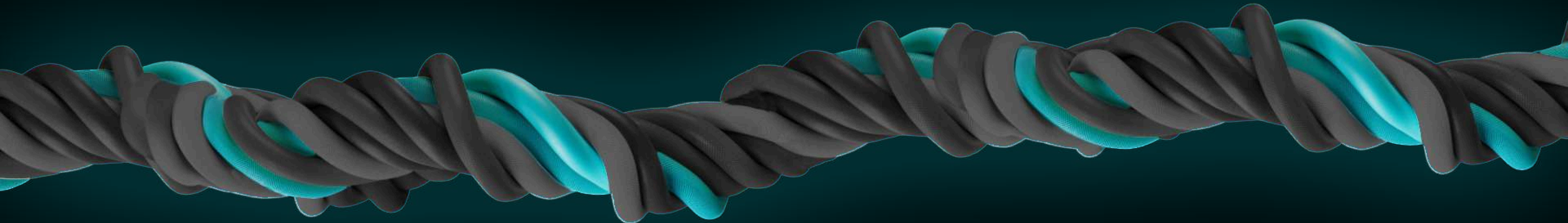
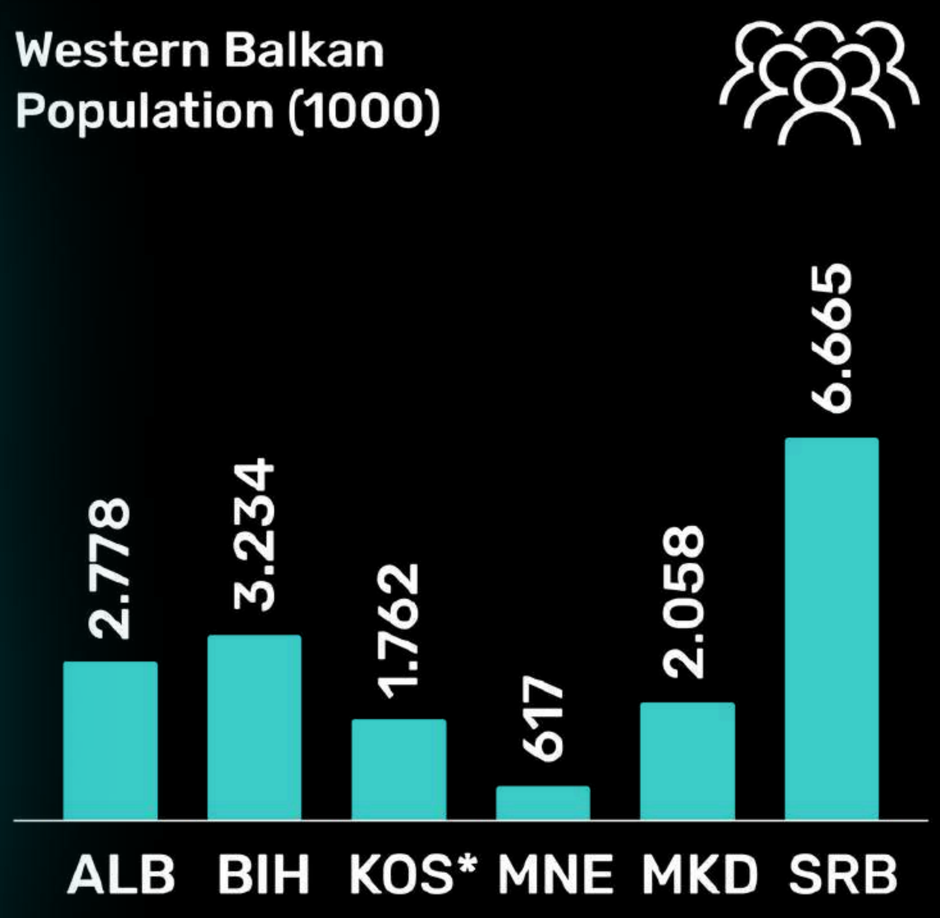
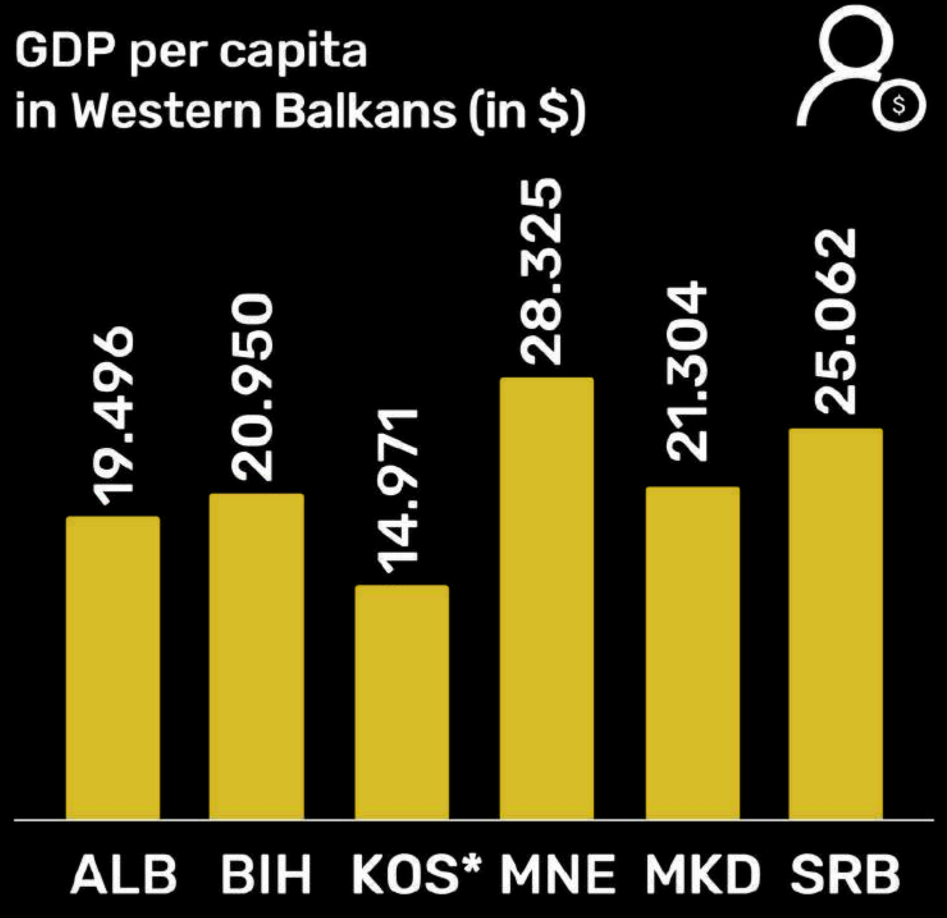
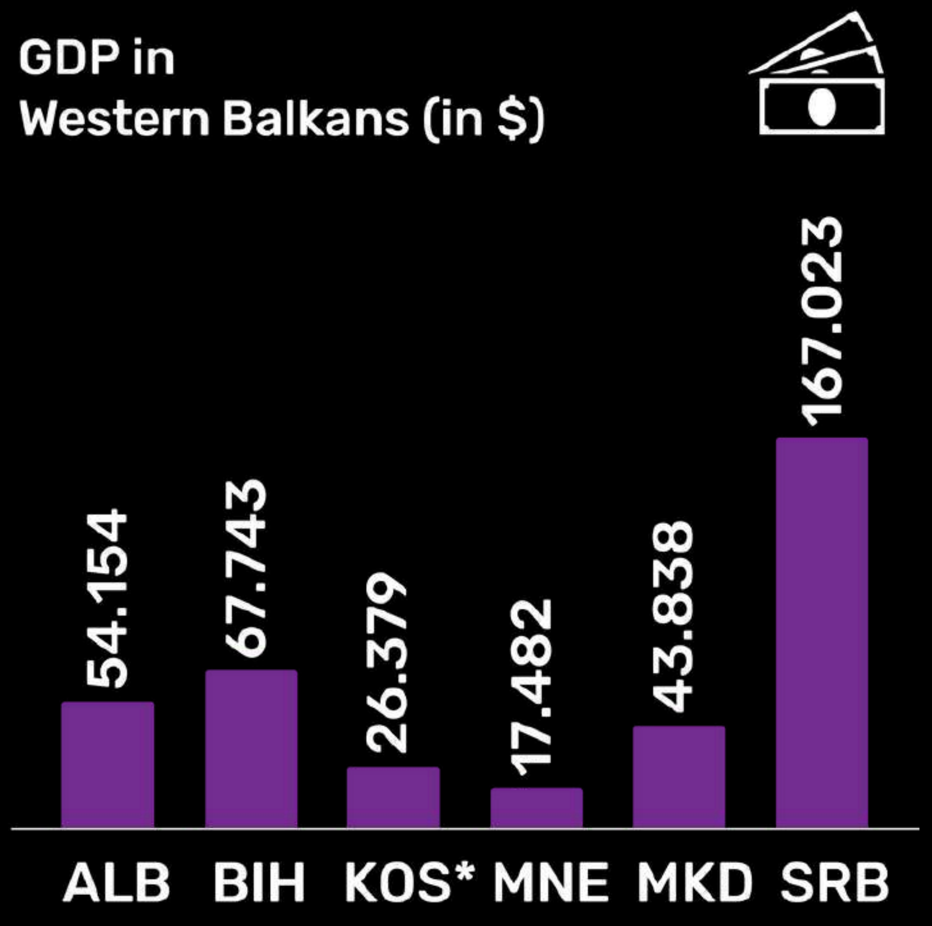


WB MARKET SIZE: SMALL FRAGMENTED MARKETS WITH LIMITED ECONOMIC CAPACITY. COLLECTIVELY A REGION WITH SIGNIFICANT ECONOMIC POTENTIAL

POPULATION 17.1M - TOTAL GDP $376.6B



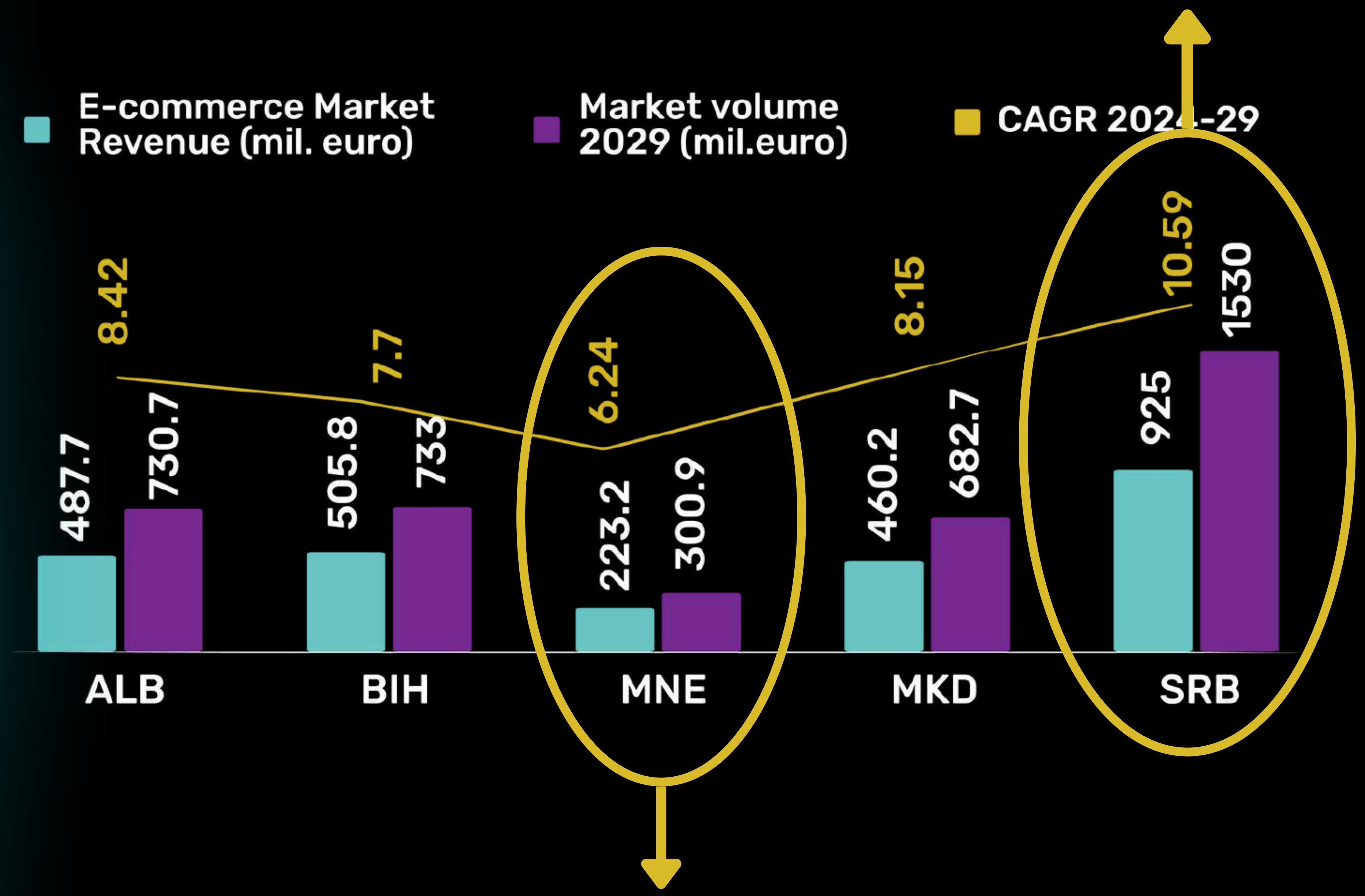


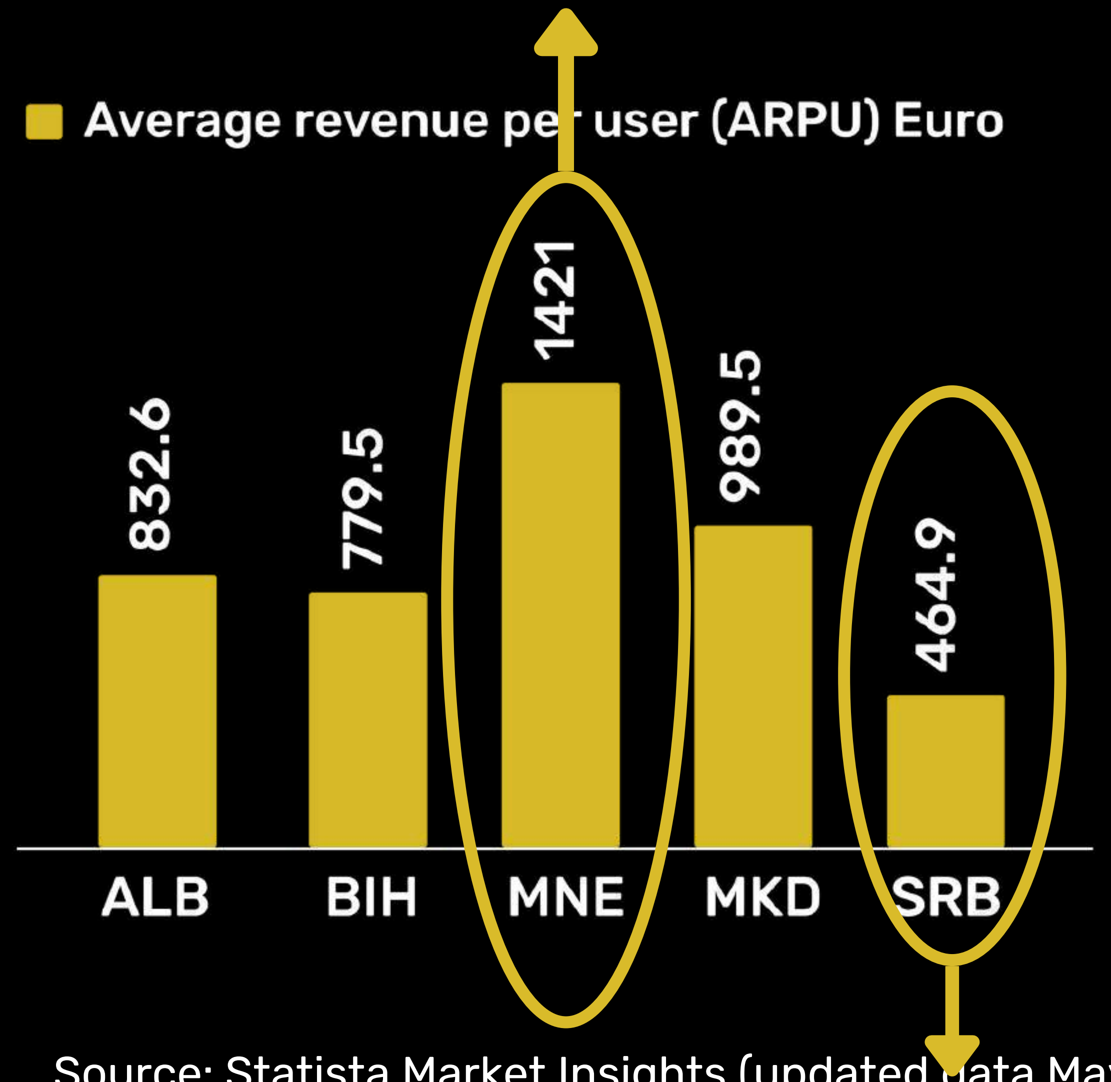


Source: Source: World Bank 2022

E-COMMERCE MARKET POTENTIAL: WB STILL FAR FROM THE EUROPEAN MARKETS. SERBIA HOLDS THE GREATEST POTENTIAL.

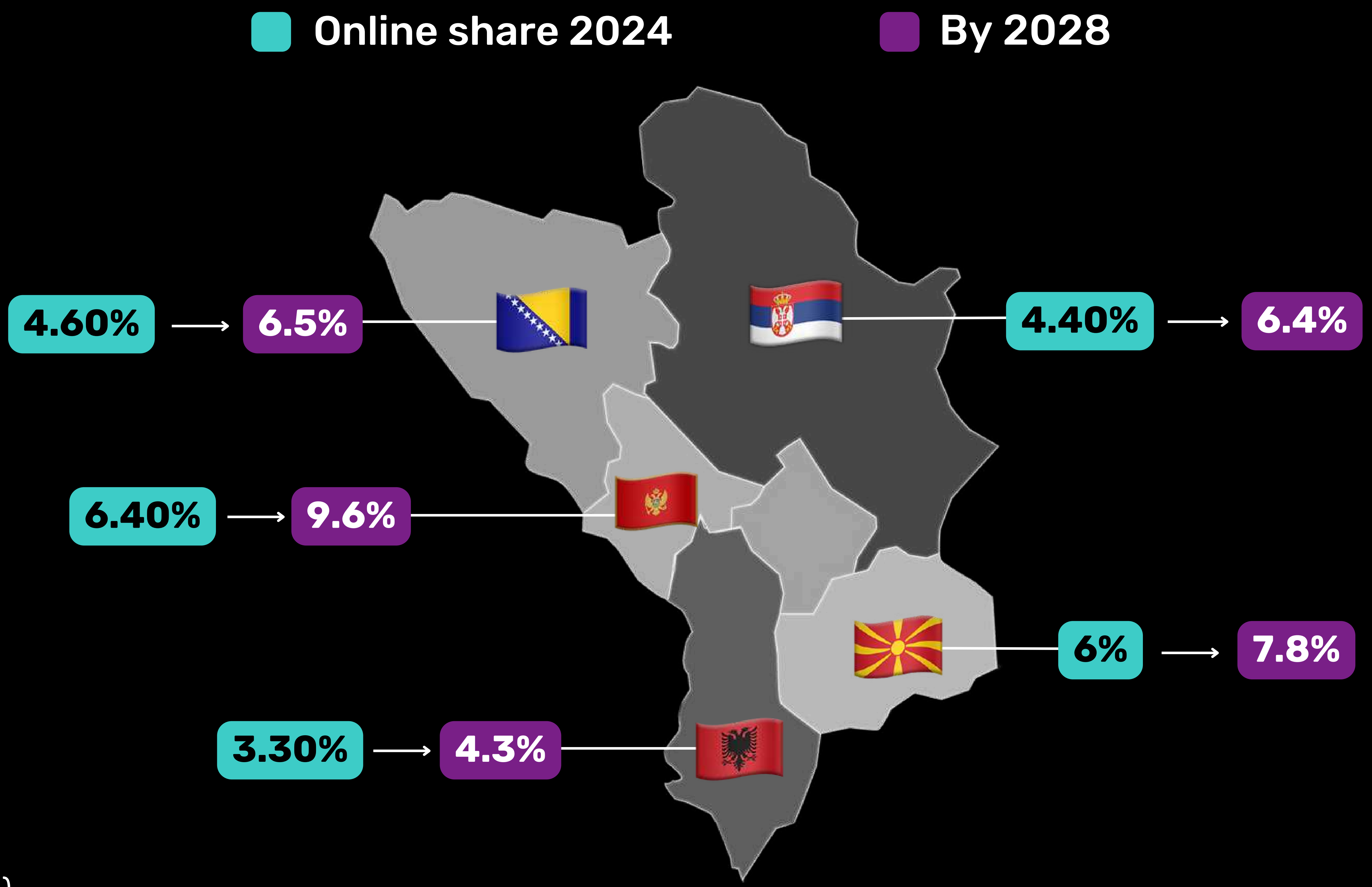
Projected e-commerce market revenue €2,6B for 2024. Market volume expected to reach €3,98B by 2029.





Source: Statista Market Insights (updated data May 2024)

E-COMMERCE MARKET POTENTIAL: ONLINE MARKET SHARE IN TOTAL RETAIL FROM 3.3% IN ALBANIA TO 6.4% IN MONTENEGRO



Source: ECDB analysis (2024)

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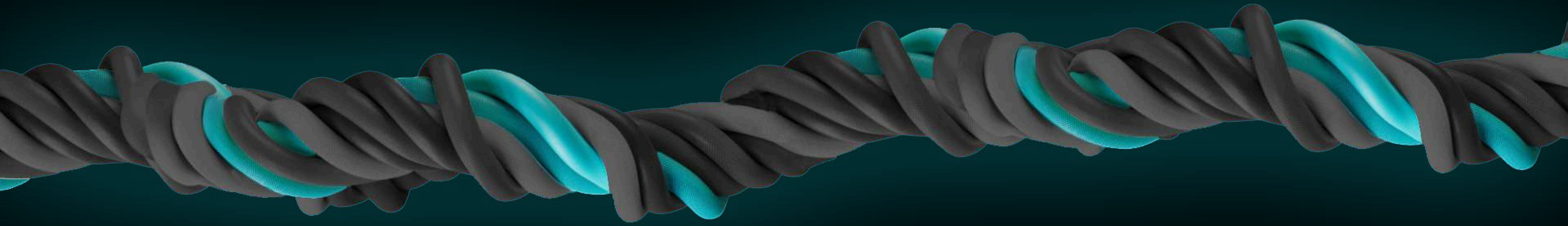

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- DIGITAL SKILLS
- THE NETWORK READINESS (NRI)

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- DELIVERY & LOGISTICS
- LEGAL FRAMEWORK

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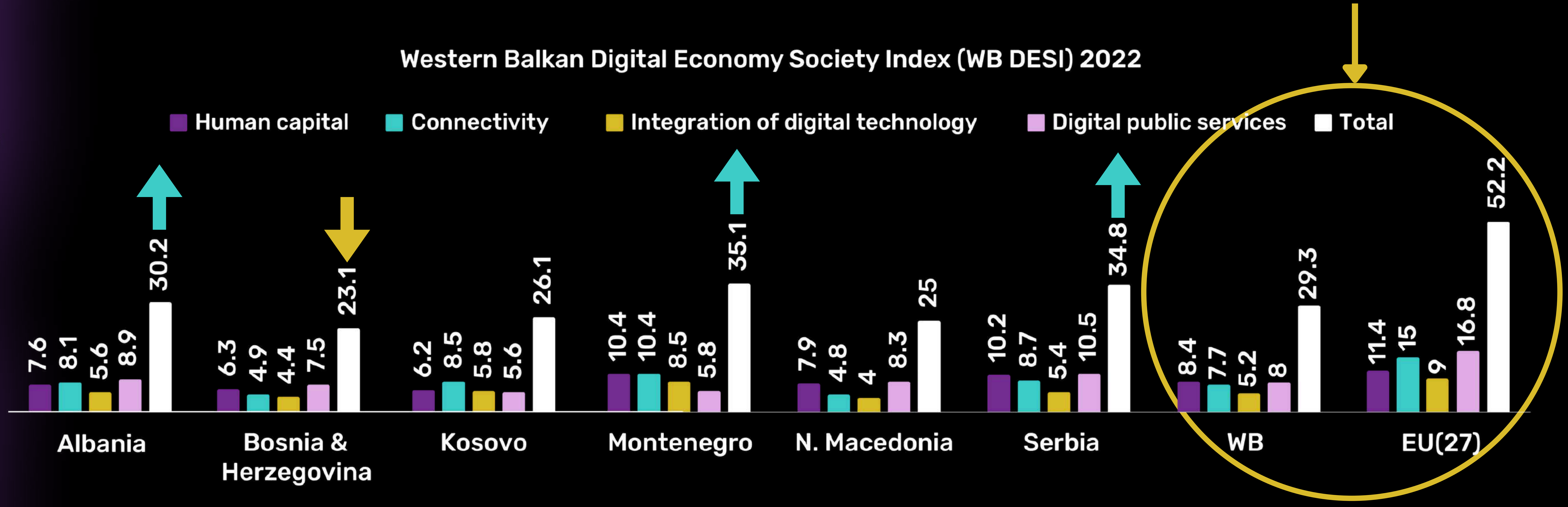
DIGITAL READINESS: DIGITAL ECONOMY SOCIETY INDEX. DIGITAL PROGRESS IN THE WB LAGS BEHIND THE EU AVG



Source: Western Balkans Digital Economy Society Index, WB DESI 2022 Report, RCC

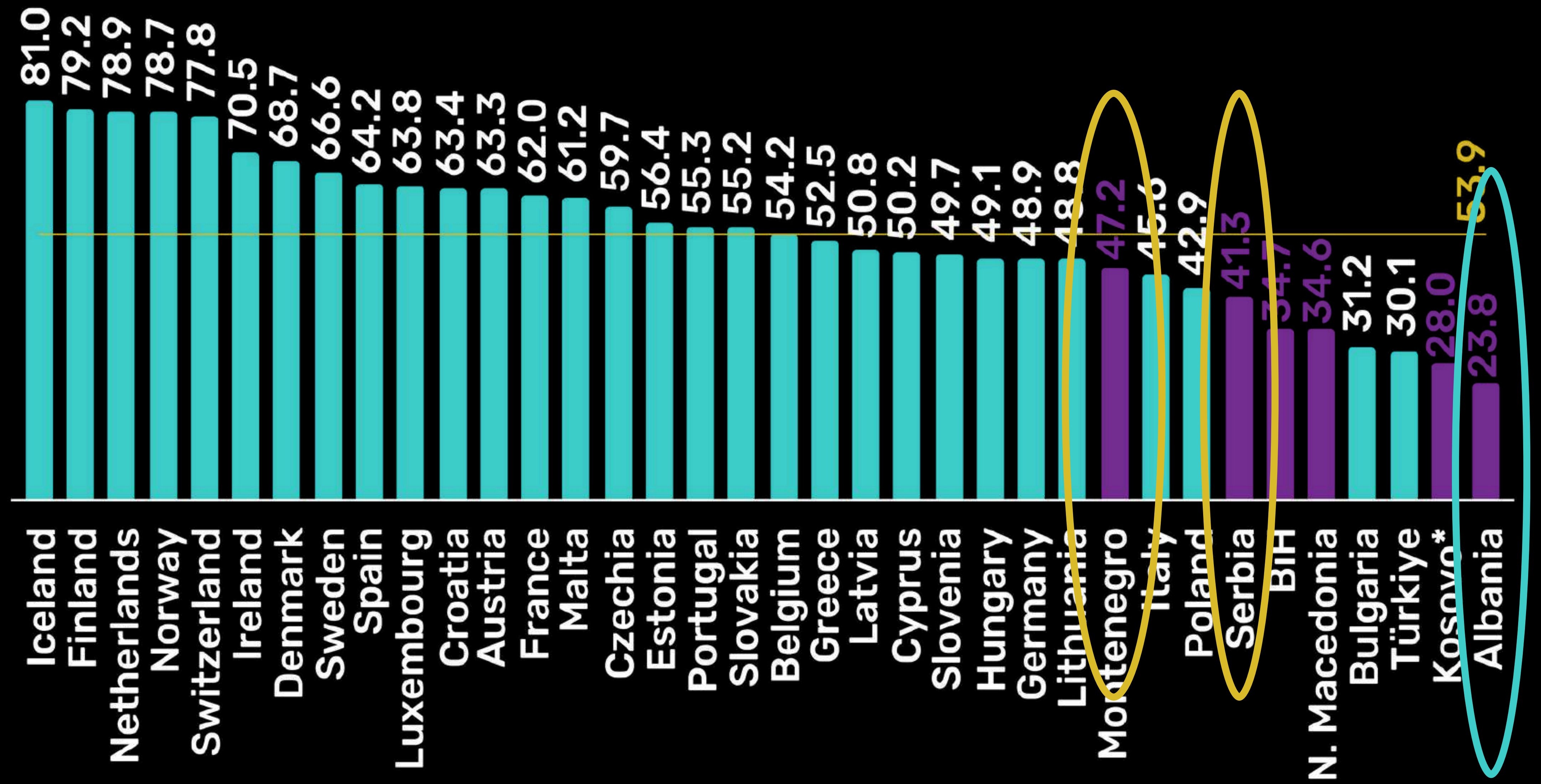
DIGITAL READINESS: DIGITAL SKILLS. THE SHARE OF INDIVIDUALS WITH BASIC OR ABOVE BASIC DIGITAL SKILLS LAGS SIGNIFICANTLY BEHIND THE EU EVG OF 54%

MONTENEGRO RANKED THE BEST WITH 47%, FOLLOWED BY SERBIA AT 43%. ALBANIA IS RANKED THE LOWEST WITH 24%

Individuals with basic or above basic overall digital skills (% of individuals), EU 2021

Individuals with basic or above basic overall digital skills (all five component indicators are at basic or above basic level)

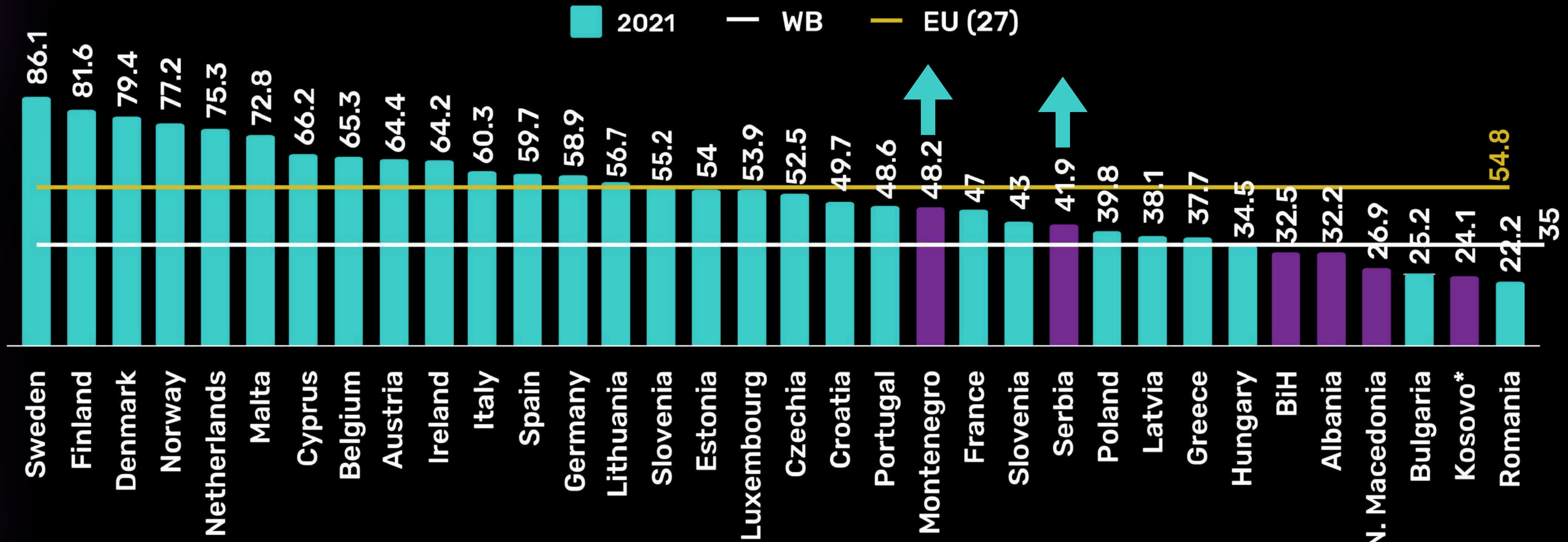
EU (27)



Source: Eurostat

DIGITAL READINESS: DIGITAL SKILLS. SIGNIFICANT GAP IN DIGITAL SKILLS OF ENTERPRISES. SERBIA AND MONTENEGRO MORE ADVANCED COMPARED TO THEIR PEERS.

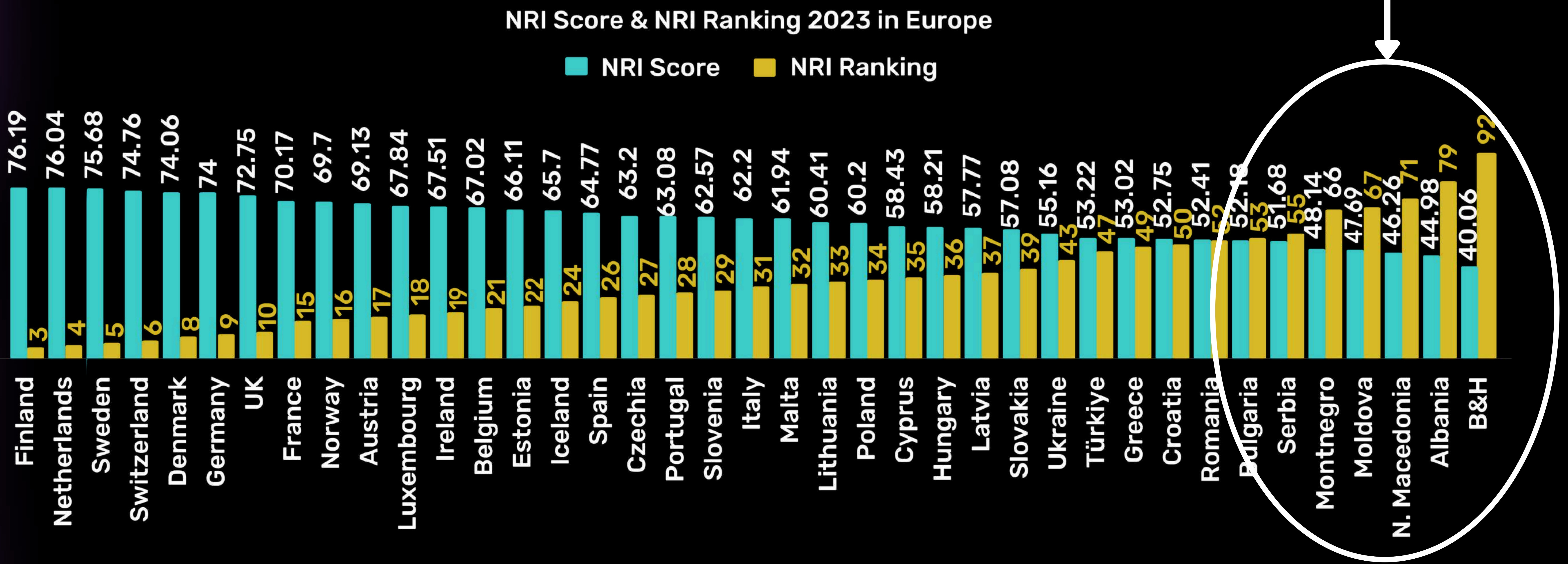
SME's with at least basic level of digital intensity (as a % of enterprises) in Europe, 2021



Source: Eurostat

DIGITAL READINESS: THE NETWORK READINESS INDEX.

THE WB IS NOT WELL PREPARED TO CAPITALIZE ON THE OPPORTUNITIES OF THE DIGITAL REVOLUTION



Source: Portulans Institute (2023)

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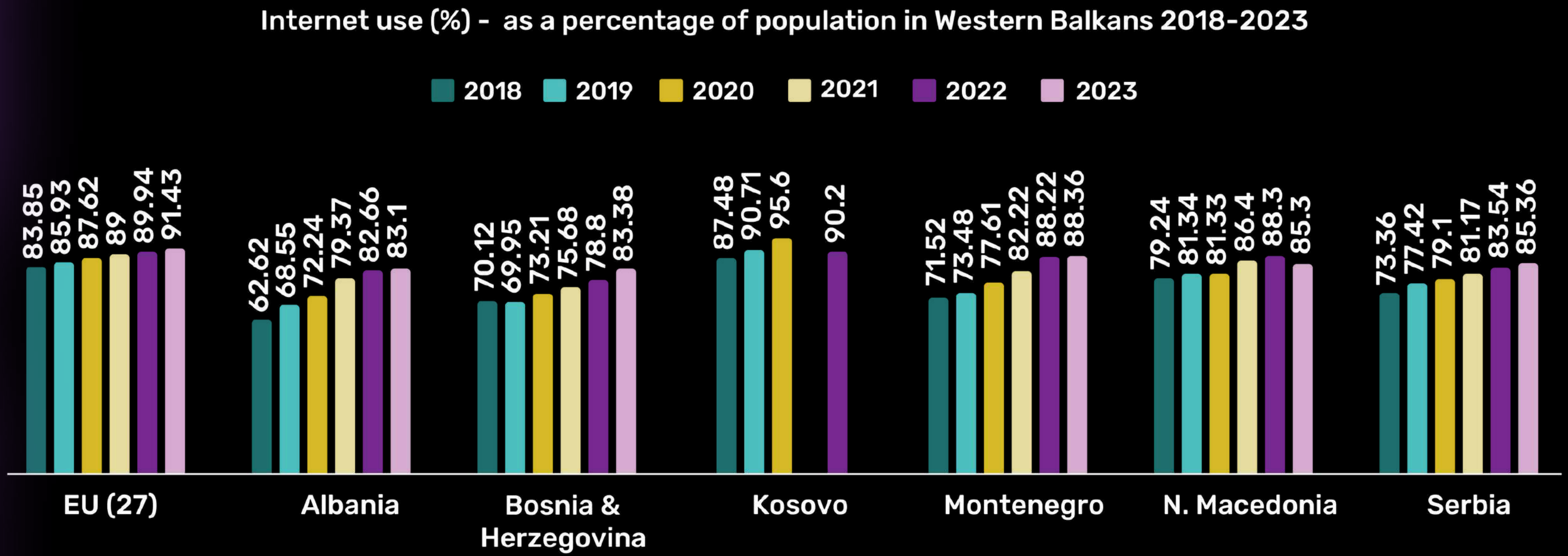
E-COMMERCE READINESS: INTERNET USE. THE REGION IS WELL CONNECTED, NOTABLE PROGRESS IN THE LAST DECADE.



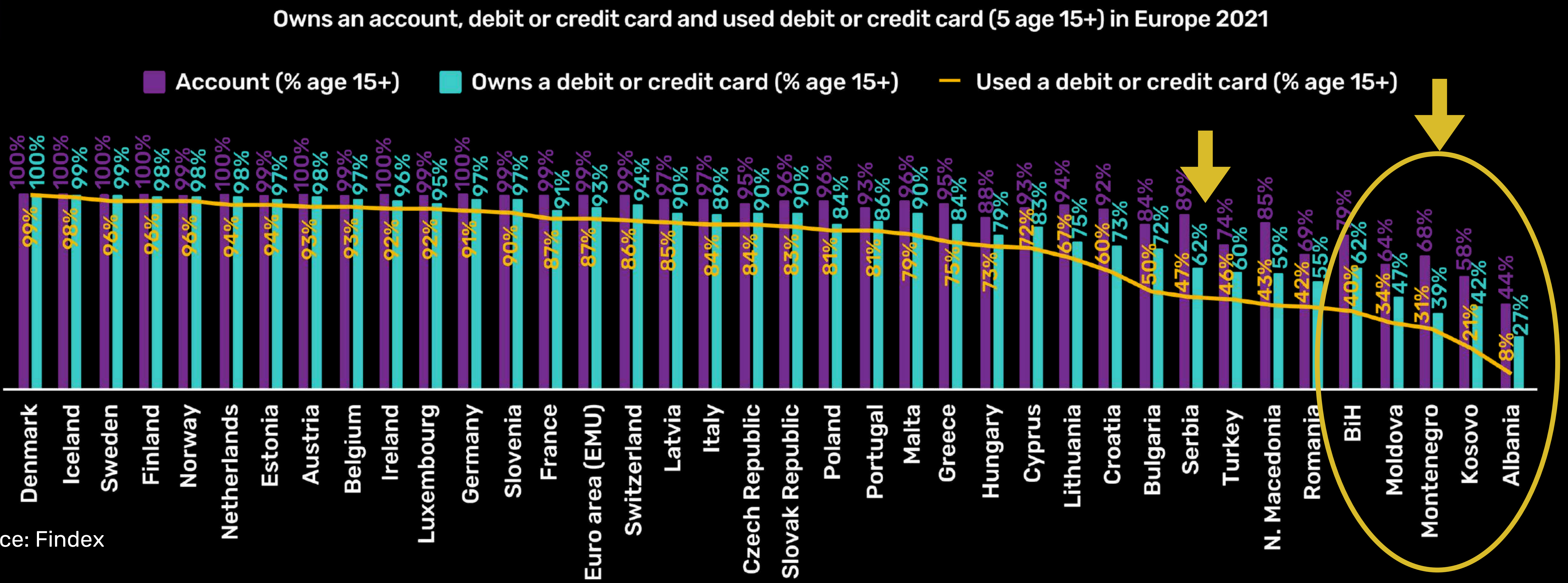
ENTERPRISES (10+ EMPLOYEES) IN BIH, MNE AND SRB ARE 100% CONNECTED, NMK 96% AND ALB 98%.

Source: Eurostat, National statistical offices (2022, 2023) , Kosovo* from 2020

Source: Global Findex, World Bank, 2021

E-COMMERCE READINESS: PAYMENT. LOWER RATES OF CARD OWNERSHIP AND USAGE. ONLY 44% OF ALBANIANS HAVE AN ACCOUNT, 27% A CARD AND JUST 8% USE THESE CARDS.

FACTORS: LOWER LEVELS OF FINANCIAL INCLUSION, LIMITED ACCESS TO PAYMENT CARDS, AND A GENERAL LACK OF TRUST IN ONLINE PAYMENT



Source: Findex

E-COMMERCE READINESS: PAYMENT. HIGH MOBILE PHONE OWNERSHIP SIMILAR TO THAT OF DEVELOPED EU COUNTRIES. HOWEVER SIGNIFICANTLY LOWER USE FOR PAYMENTS.

INSUFFICIENT DIGITAL INFRASTRUCTURE, LOW LEVELS OF TRUST IN ONLINE FINANCIAL SYSTEMS, AND LACK OF USER-FRIENDLY FINANCIAL PLATFORMS.

Own a mobile phone (% age 15+) and Use a mobile phone or the internet to make payments, buy things, or send or receive money using a financial institution account (% with a financial institution account, age 15+) in Europe, 2021

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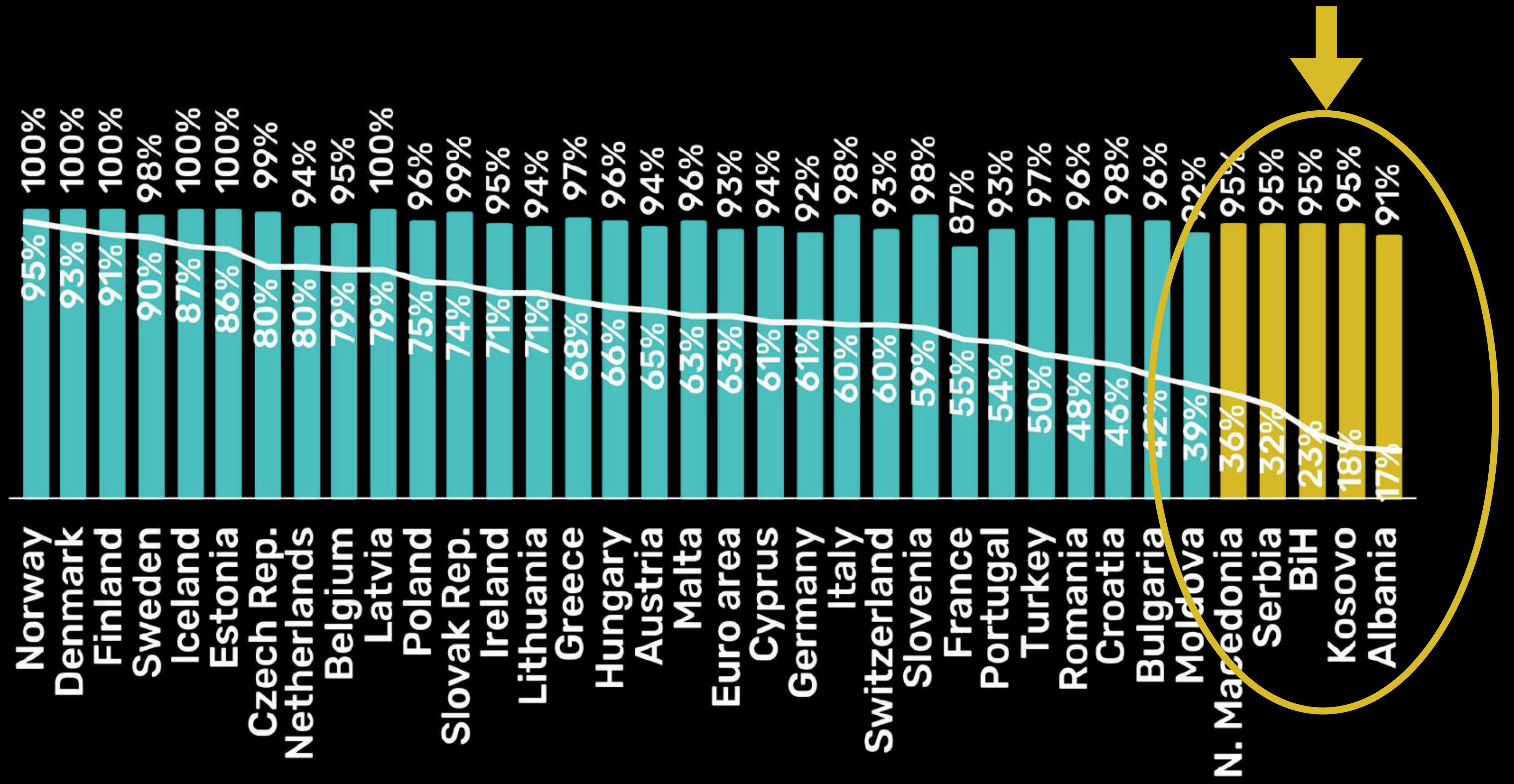
- Use a mobile phone or the internet to make payments, buy things, to send or receive money using a financial institution account (% with a financial institution account, age 15+)

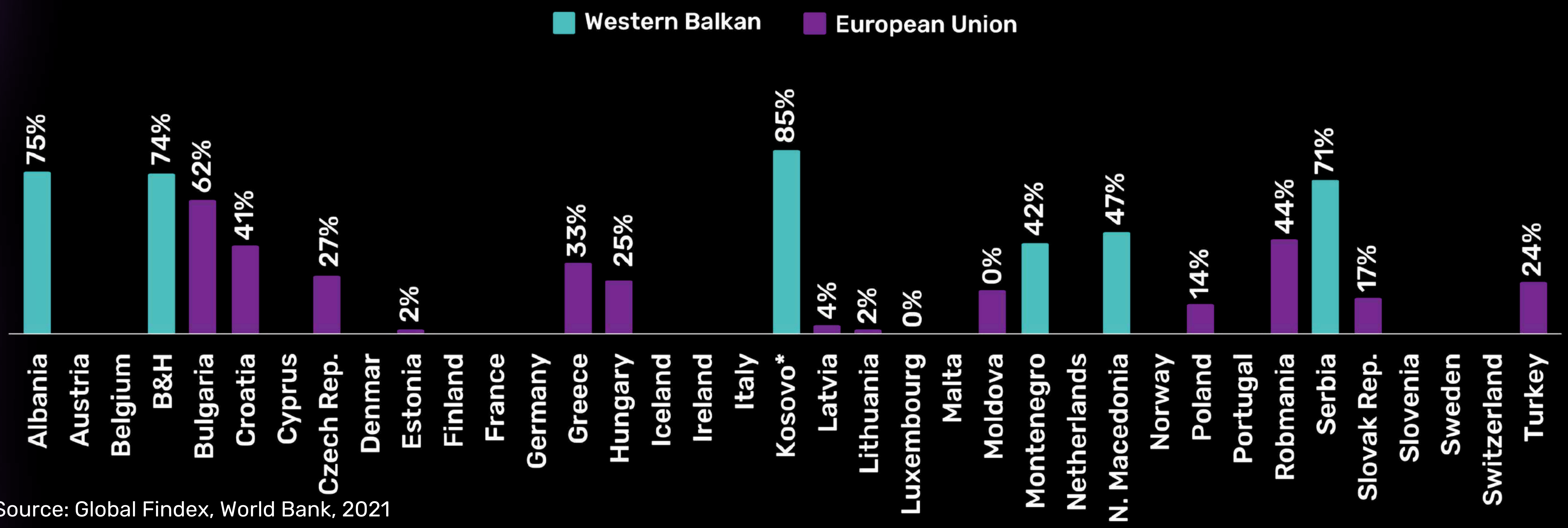


Source: Global Findex, World Bank, 2021

E-COMMERCE READINESS: PAYMENT. CASH ON DELIVERY (COD) REMAINS A DOMINANT PAYMENT METHOD IN THE WB.

IN CONTRAST DIGITAL PAYMENTS ARE THE NORM IN THE DEVELOPED MARKETS.

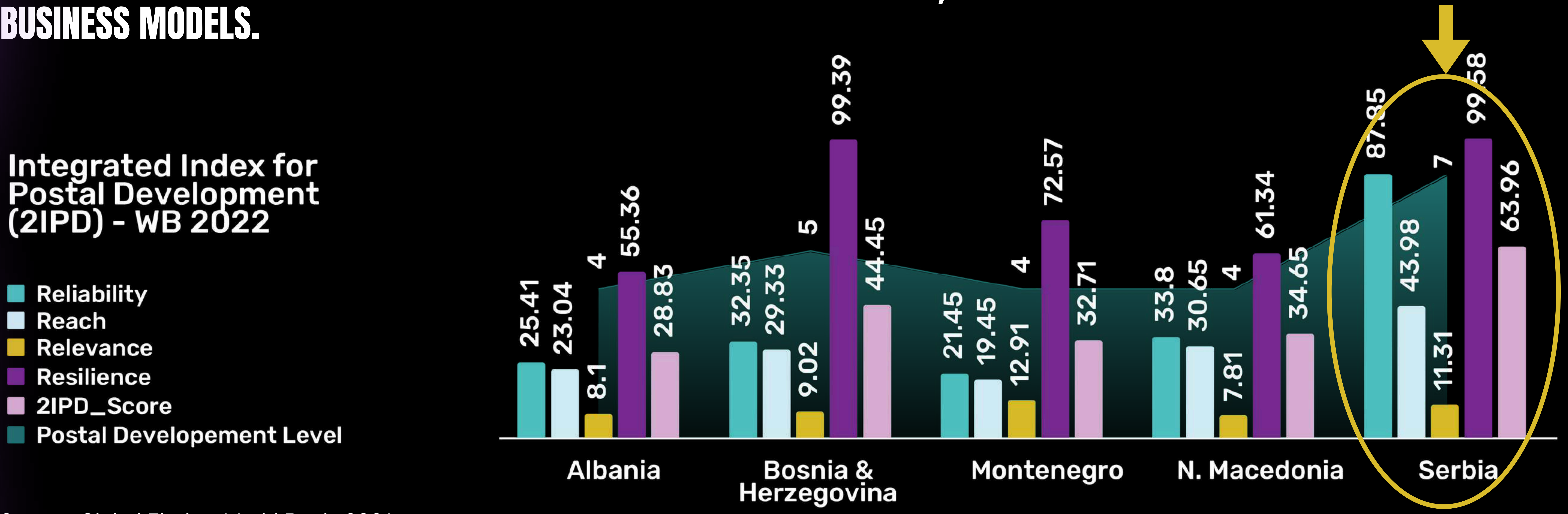
Made a cash payment upon delivery for an online purchase (% of internet purchases, age 15+) in Europe, 2021



Source: Global Findex, World Bank, 2021

E-COMMERCE READINESS: DELIVERY & LOGISTICS > INTEGRATED INDEX FOR POSTAL DEVELOPMENT (2IPD). SERBIA LEADS THE WB IN POSTAL SERVICES DEVELOPMENT.

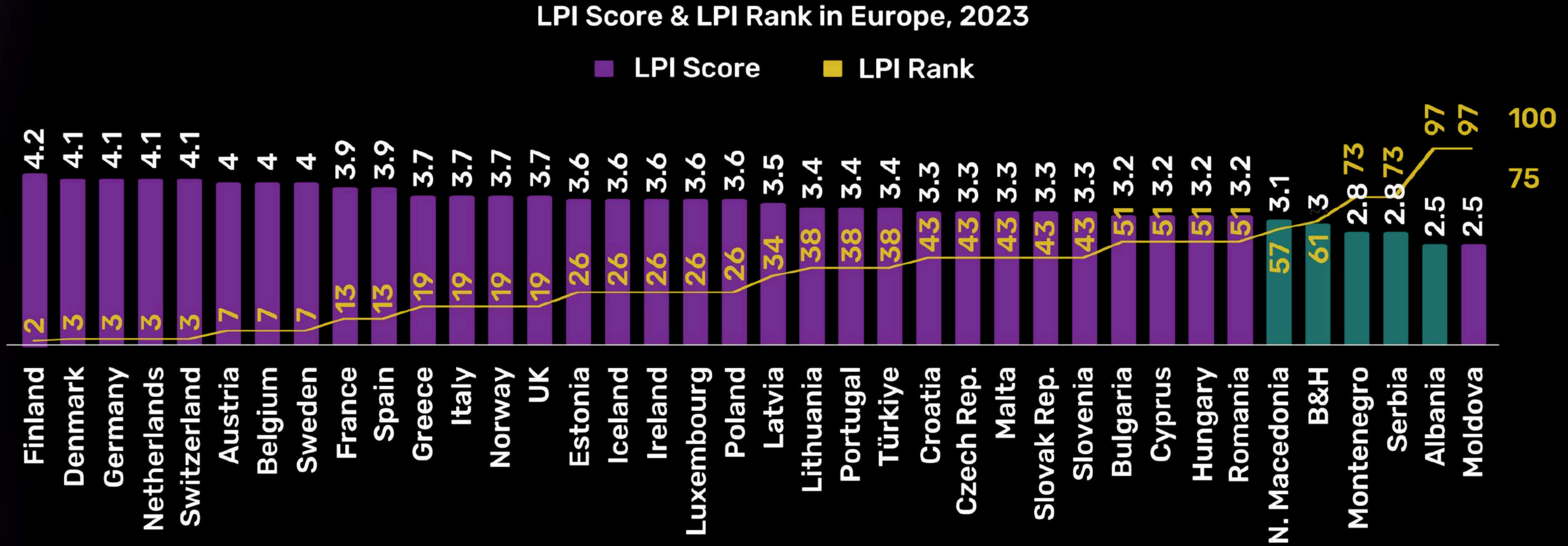
THE REGION FACES CHALLENGES IN IMPROVING POSTAL DEVELOPMENT, PARTICULARLY IN THE RELEVANCE OF POSTAL BUSINESS MODELS.



Source: Global Findex, World Bank, 2021

E-COMMERCE READINESS: DELIVERY & LOGISTICS > LOGISTICS PERFORMANCE (LPI). WB RANKED LOWEST IN EUROPE, FACING SIGNIFICANT LOGISTICS CHALLENGES.

LPI ASSESSES LOGISTICS PERFORMANCE BASED ON INFRASTRUCTURE, SERVICES, BORDER PROCEDURES, AND SUPPLY CHAIN RELIABILITY.



Source: World Bank (2023)

E-COMMERCE READINESS: LEGAL FRAMEWORK

Albania

Law on Electronic Commerce: Law No. 10128, enacted in 2009, with amendments in 2013.

Law on Consumer Protection: Law No. 9902, enacted in 2008, with amendments in 2012 and 2016.

Law on Protection of Personal Data: Law No. 9887, enacted in 2008, with amendments in 2012 and 2014

N. Macedonia

Law on Electronic Commerce: Law No. 133, enacted in 2007, with amendments in 2005 and 2020.

Law on Consumer Protection: Law No. 38/04, enacted in 2004, with amendments in 2007. 2088, 2011, 2013, and 2015.

Law on Electronic Communications: Law No. 39, enacted in 2014, with amendments in 2015, and 2018.

Law on Personal Data Protection: Law No. 42/20, enacted in 2020.

Bosnia and Herzegovina

Law on Electronic Commerce: Law No.59, enacted in 2009, amendments in 2016

Law on Electronic Legal and Business Transactions: Law No. 88/07, enacted in 2007.

Law on Consumer Protection: Law No. 25/06, enacted in 2006, with amendments in 2015.

Law on Protection of Personal Data: Law No. 49/06, enacted in 2006, with amendments in 2011 and 2015.

Montenegro

Law on Electronic Commerce: Law No. 80, enacted in 2004, with amendments in 2010 and 2013.

Law on Consumer Protection: Law No. 2, enacted in 2014, with amendments in 2014, 2015, 2017, and 2019.

Law on Data Protection: No.89, enacted in 2008, with amendments in 2009, 2012, and 2017.

Kosovo

Law on Consumer Protection: Law No. 04/L-121, enacted in 2012.

Law on Information Society Services: Law No. 04/L-094, enacted in 2012.

Law on Internal Trade: Law No. 04/L-005, enacted in 2011.

Serbia

Law on Trade:
Law No. 52/2019, enacted in 2019.

Law on Electronic Commerce:
Law No. 41/2009, enacted in 2009, with updates in 2013 and 2019.

Law on Consumer Protection: Law No. 88/2021, enacted in 2021.

Law on Personal Data Protection:
Law No. 87/2018, enacted in 2018.

Law on Electronic Communications: Law No. 44, enacted in 2010, with amendments in 2013. 2014, and 2018.

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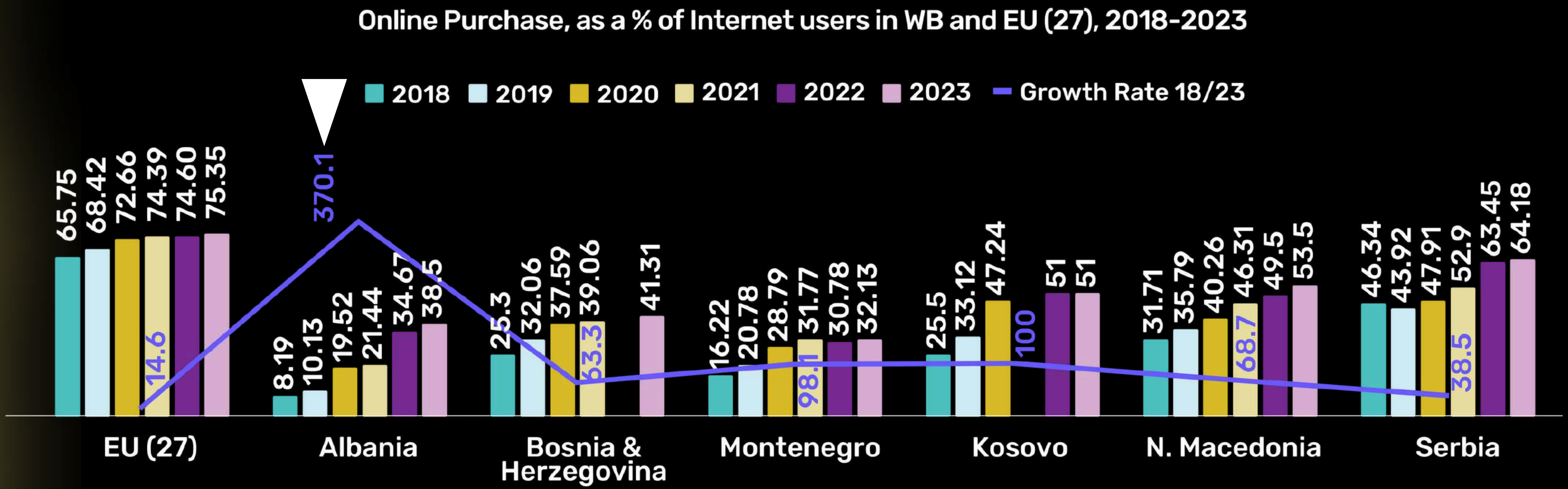
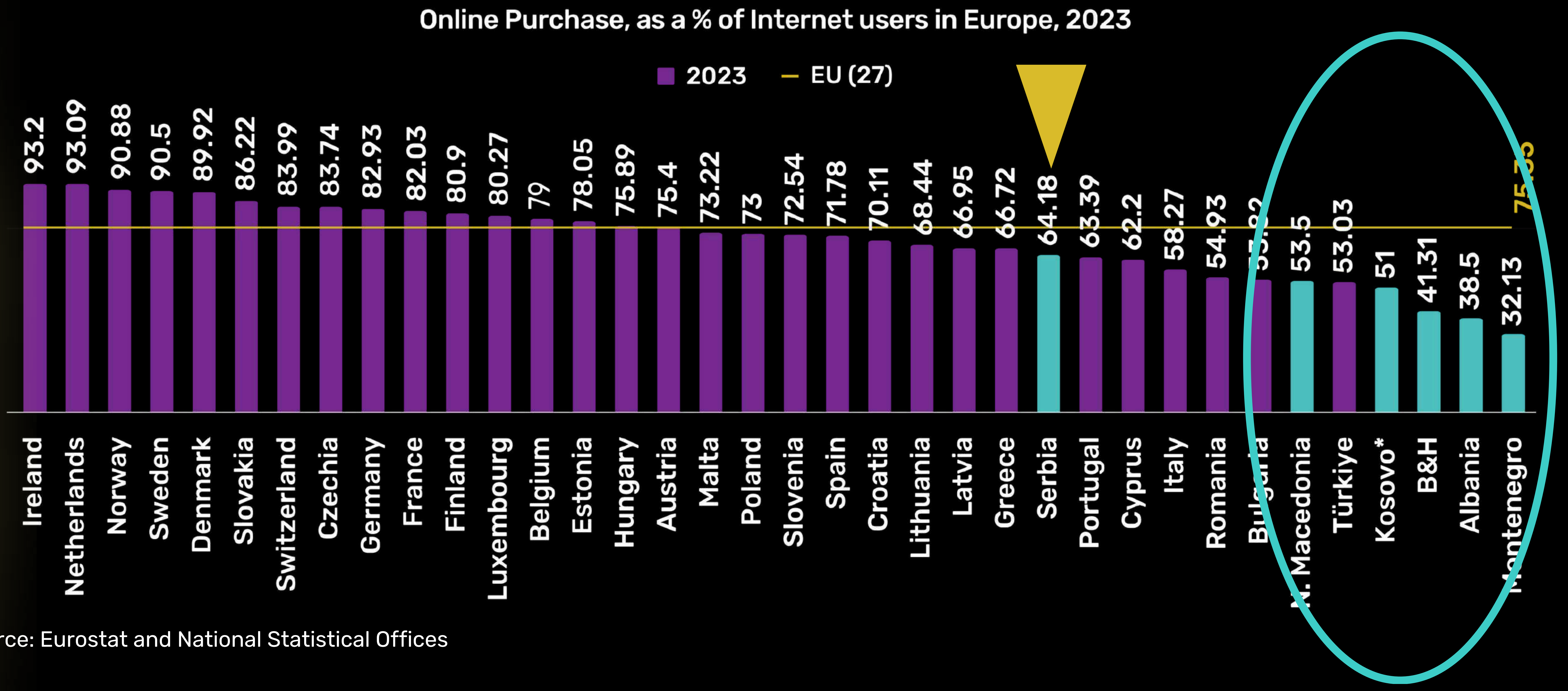
SHARE OF E-SHOPPERS > REMARKABLE GROWTH IN ONLINE SHOPPERS IN THE LAST FIVE YEARS.



Source: Eurostat and National Statistical Offices

SHARE OF E-SHOPPERS > DESPITE THE SIGNIFICANT GROWTH, THE WESTERN BALKANS STILL RANKED AT THE BOTTOM IN EUROPE.



Source: Eurostat and National Statistical Offices

E-SHOPPERS BEHAVIOR: WHAT, WHERE, HOW OFTEN, HOW MUCH

WHAT DO WB E-SHOPPERS BUY?

HOW OFTEN DO WB E-SHOPPERS SHOP?

HOW MUCH DO THEY SPEND ONLINE?

WHERE DO THEY SHOP ONLINE FROM?

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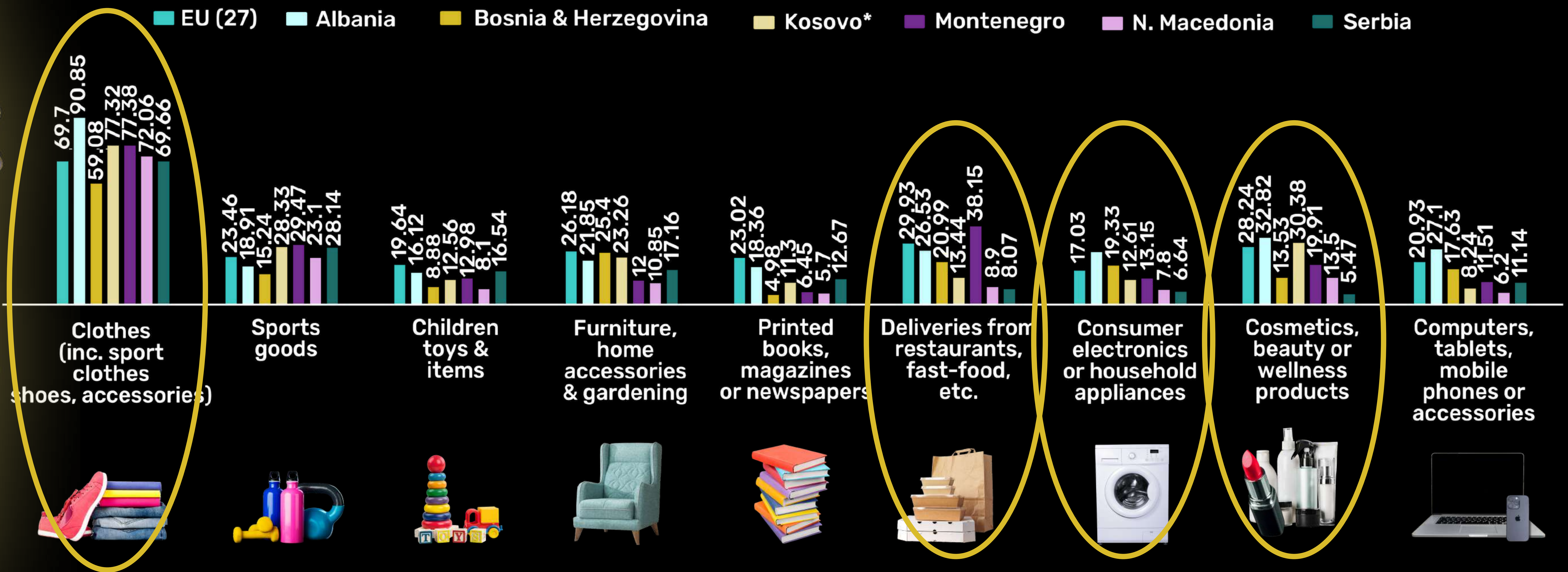
Source: Eurostat

Internet purchases - goods or services, 2023



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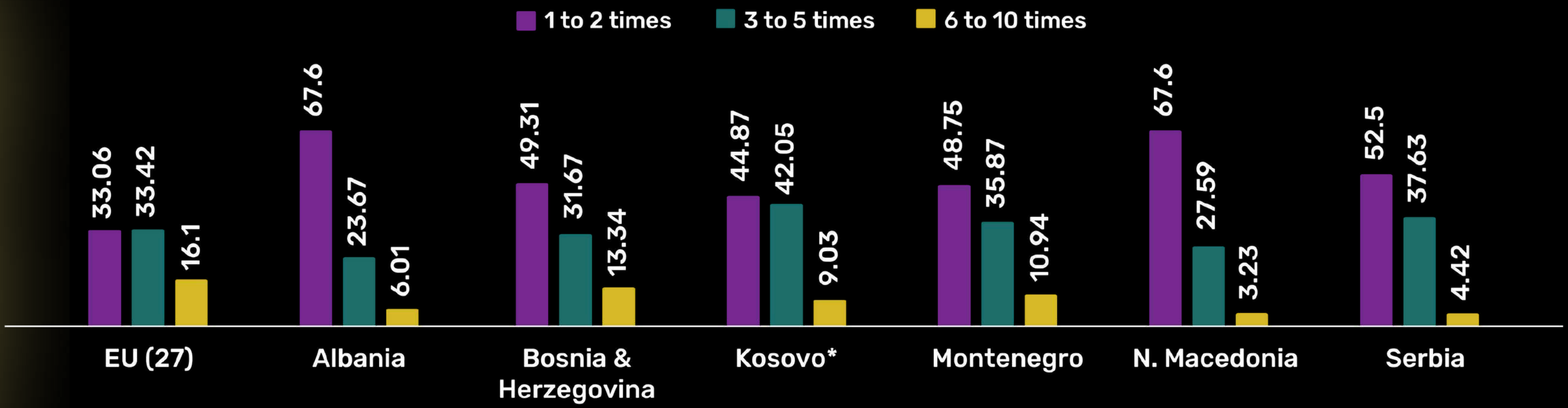
Frequency of online purchases in the last 3 months (as % of individuals who purchased online in the last 3 months), WB & EU (27), 2023



Source: Eurostat

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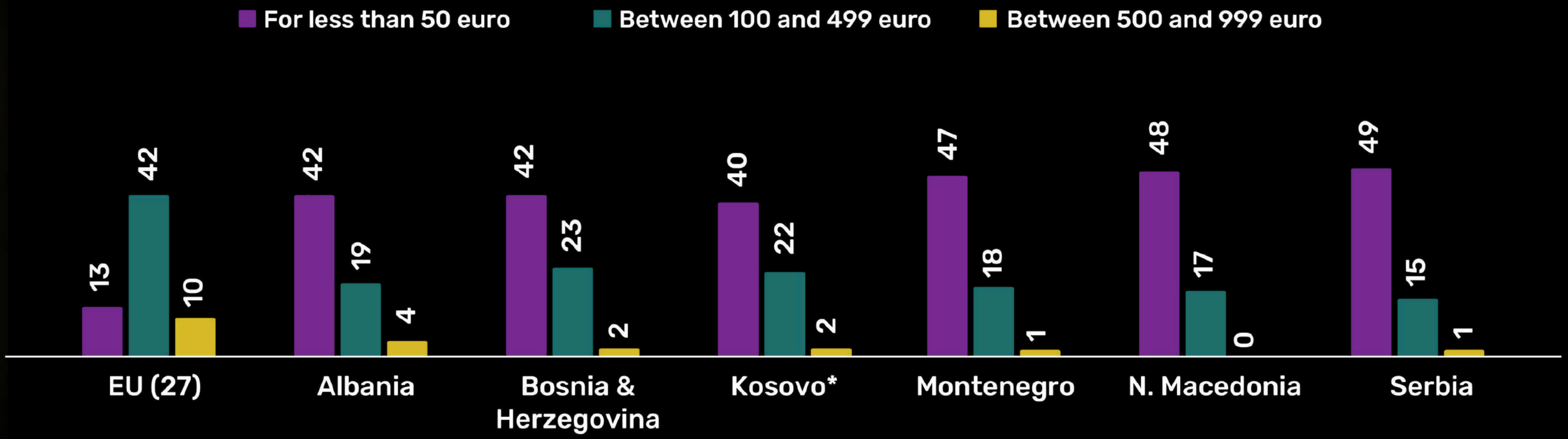
Online purchases in the last 3 months (as % of of individuals who purchased online in the last 3 months), WB & EU (27), 2021



Source: Eurostat

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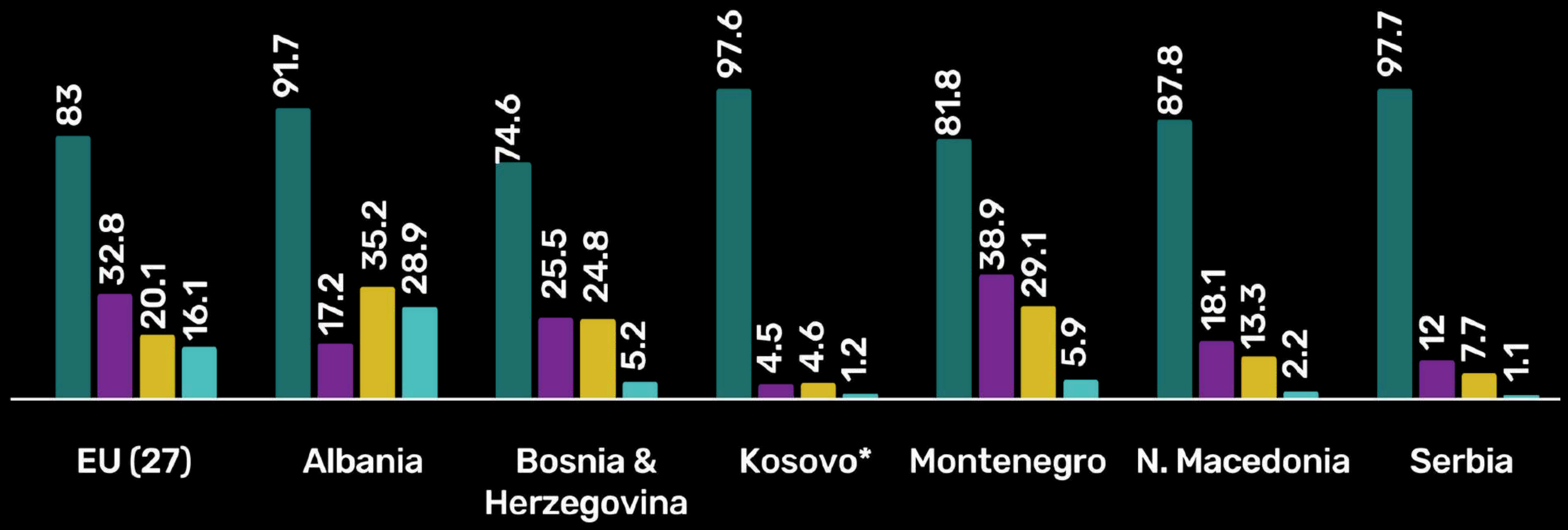
Online purchases in the last 3 months (as % of individuals who purchased online in the last 3 months)
WB & EU (27), 2023

- From national sellers
- From sellers from other EU countries
- From sellers of the rest of the world (non-EU countries)
- From sellers from unknown countries



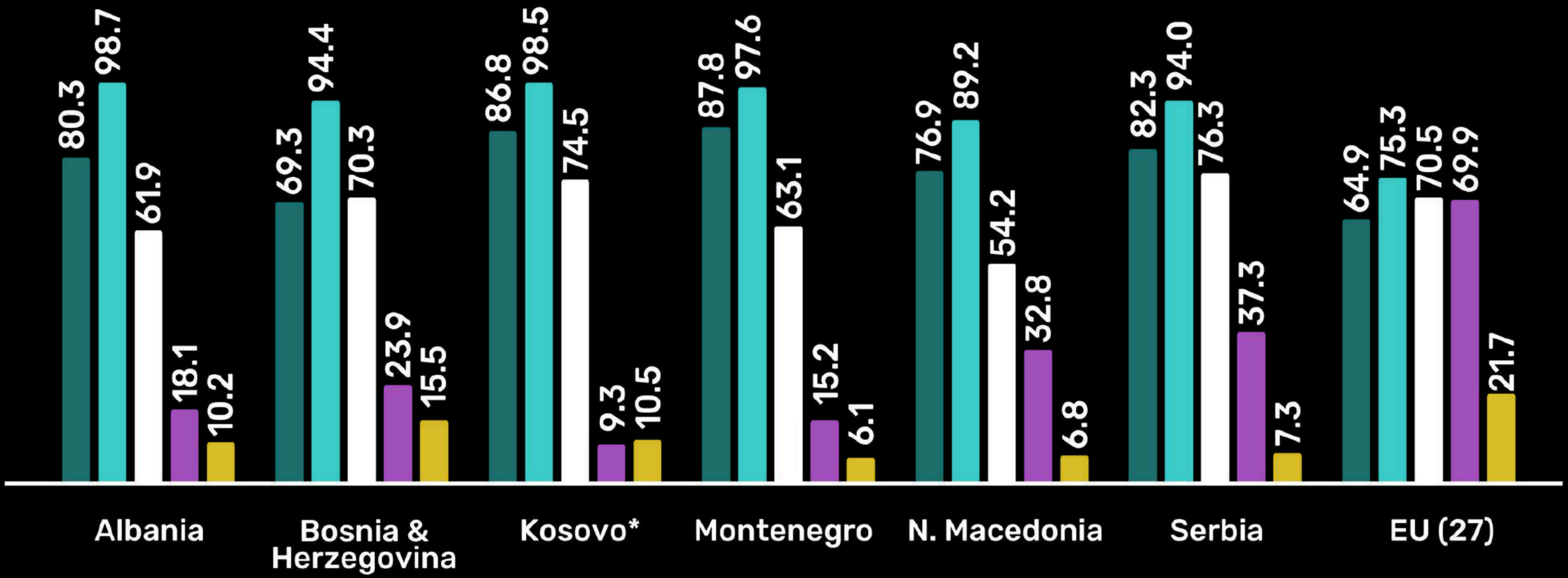
Source: Eurostat

WHAT DO WESTERN BALKANS DO WHEN ONLINE?

MOSTLY TELEPHONING, VIDEO CALLS AND SOCIAL MEDIA.

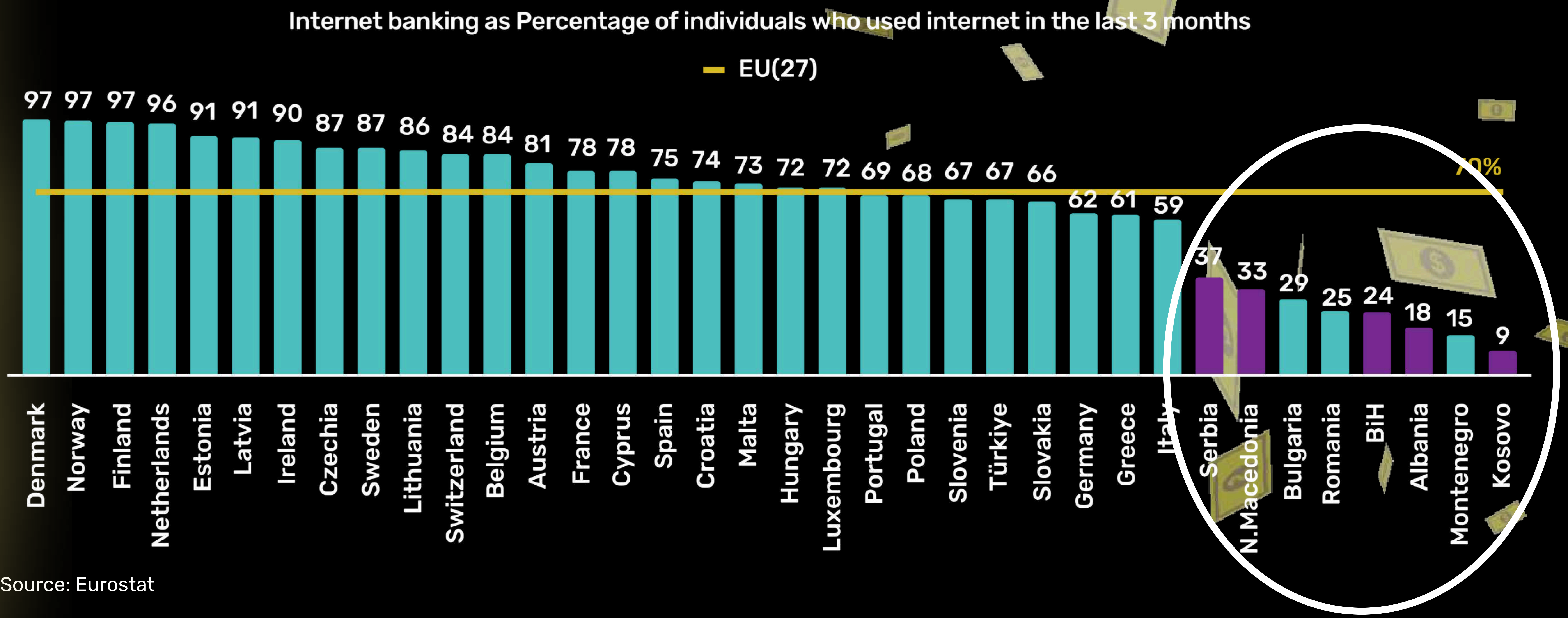
Internet activity by individuals, 2023

- Participating in social media
- Telephoning or video calls
- Finding information about goods and services
- Internet banking
- Selling goods or services



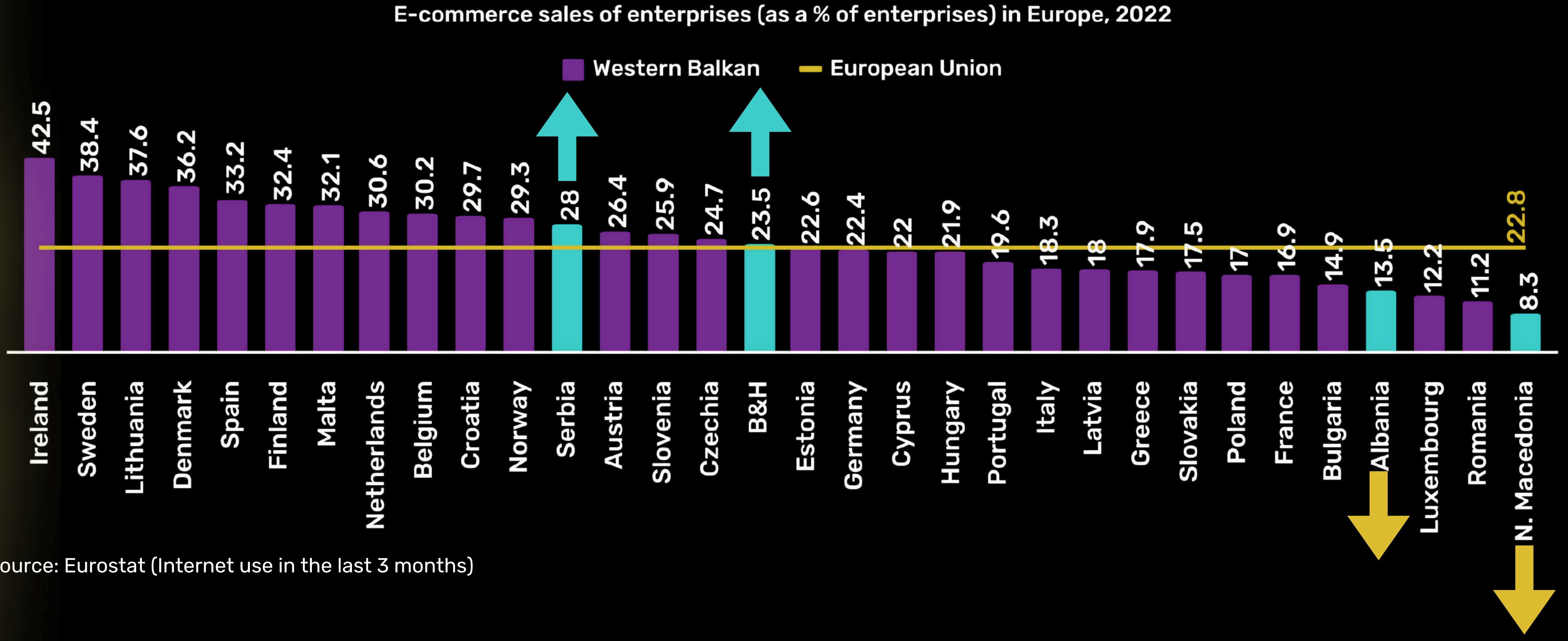
Source: Eurostat

WHAT DO WESTERN BALKANS DO WHEN ONLINE? RANKED AT THE BOTTOM WHEN IT COMES TO USING E-BANKING



Source: Eurostat

ENTERPRISES AND E-COMMERCE: SRB AND BIH STAND OUT. ALB AND MKD LAG BEHIND.



Source: Eurostat (Internet use in the last 3 months)

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CHALLENGES

E-RETAILERS EXPERIENCES> SURVEY: PAYMENT & CHALLENGES

N=40 respodents

Company market or location

BIH	20%
SRB	15%
KOS*	8%
MNE	5%
ALB	25%
MKD	28%

Number of Employees

> 250	17.5%
1-9	25%
50-249	25%
10-49	3.3%

Annual revenue in €

> 50M	7.7%
< 1M	25%
10-50M	15%
1-10M	50%

Average return rate

5-10%	25%
11-15%	7.5%
16-20%	7.5%
21-25%	2.5%
26-30%	5%
>30%	2.5%

Category

Marketplace platform	22.5%
Beauty & care (inc. nutrition & health)	17.5%
Department store (more categories)	15%
Fashion - apparel and accessories	15%
Electronics	10%
Books & Entertainment	5%
Baby and kids	5%
Sports apparel, shoes & equipment	5%
Home & Garden	5%

E-shop years of operation

5 years or more	65%
1 year	5%
2 years	7.5%
3 years	2.5%
4 years	20%

Share of online sales

≤5%	17.5%
6-10%	17.5%
11-20%	22.5%
21-50%	7.5%
51-99%	10%
100%	25%

Selling online or online and in retail store

Both in retail stores and online (Brick-and-click)	67.5%
Only online (Pure-Play)	32.5%

Average Order Value (AoV) in €

≤25	10%
26-50	32.5%
51-100	42.5%
101-200	10%
201-500	5%

E-shop success assessment from 1 to 5

2	3	4	5
7.5%	25%	47.5%	20%

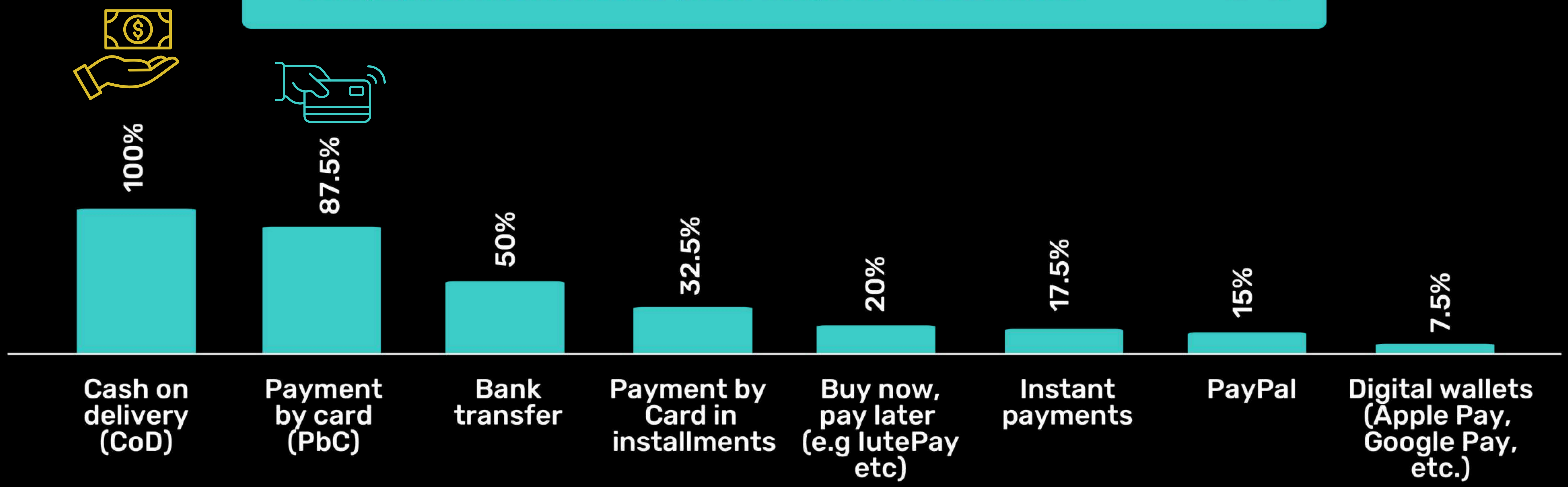
YoY growth rate

≤5%	5%
6-10%	25%
11-20%	25%
21-50%	25%
>50%	20%

CASH ON DELIVERY (COD) IS OFFERED UNIVERSALLY BY ALL E-RETAILERS WHILE 87.5% OFFER PAYMENT BY CARD (PBC)

ALBANIA AND KOSOVO LEADING IN DIGITAL PAYMENT OPTIONS

What payment methods does your e-shop offer to customers? N=40



E-RETAILERS PRIMARILY WORK WITH LOCAL BANKS. REASONS FOR DOING BUSINESS WITH A BANK INCLUDE COMPETITIVE FEES, LONG-TERM RELATIONSHIP AND INTEGRATION AVAILABILITY

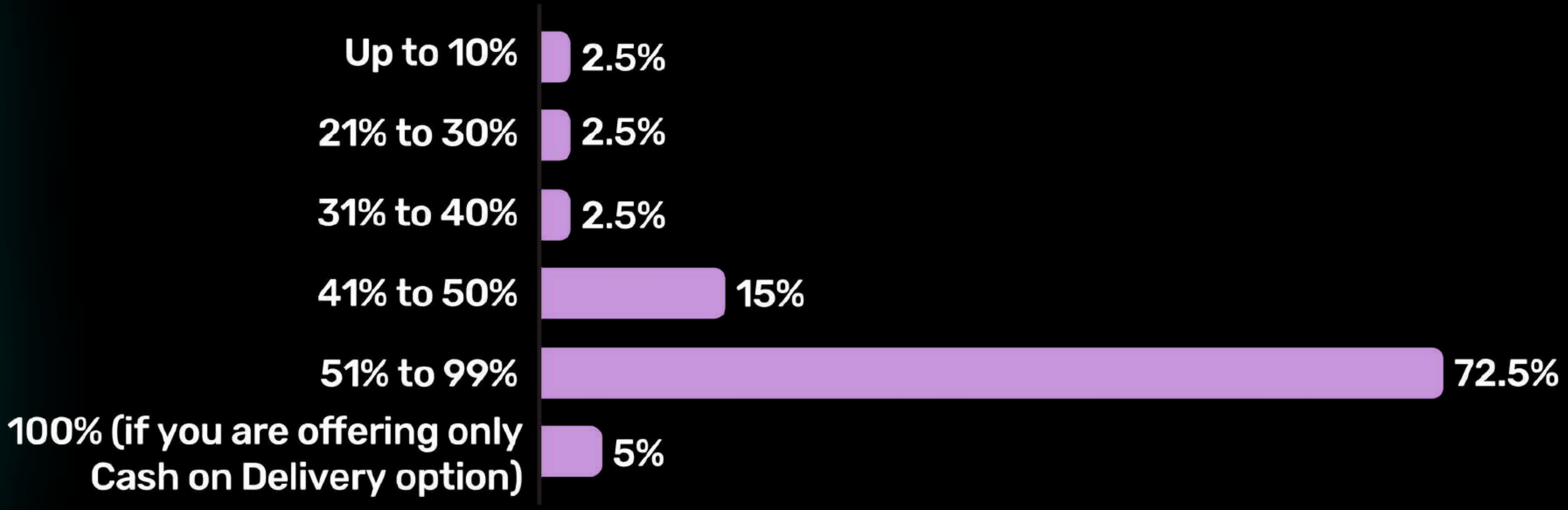
NLB AND RAIFFEISEN PRESENT IN THREE MARKETS, AND PROCREDIT BANK IN TWO.

- Long-Term Relationships and Reliability
- Competitive Fees and Cost Effectiveness
- Technology and Integration
- Security and Trust
- Additional Offerings

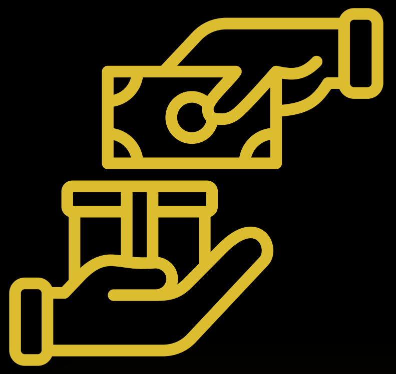
E-RETAILERS ARE GENERALLY SATISFIED WITH THE BANK THEY WORK WITH. THEY ARE LEAST SATISFIED WITH THE COSTS AND MOST WITH THE SECURITY AND PREVENTION.

COD IS DOMINANT FOR 72.5% OF RETAILERS.
63% OF E-RETAILERS PREFER PBC AND CONSIDER IT MORE COST-EFFECTIVE.

How much is the share of Cash on Delivery in your total online sales? N=40



82.5% OF CUSTOMERS PREFER CASH OVER CARD. TRUST, HABITS AND CONVENIENCE ARE SOME OF THE REASONS WHY.



REASONS FOR CASH ON DELIVERY PREFERENCE

HABIT & CONVENIENCE

- MOST RETAILERS IN CERTAIN REGIONS DON'T OFFER CARD PAYMENTS
- COD IS EASIER FOR THOSE NOT DIGITALLY SAVVY
- CUSTOMERS ARE ACCUSTOMED TO PAYING WITH CASH (CULTURAL NORMS)

TRUST ISSUES

- LACK OF TRUST IN ONLINE SHOPS
- FEAR OF NOT RECEIVING ORDERED GOODS
- CONCERNS ABOUT POTENTIAL FRAUD (E.G FAKE WEBSITES)
- PREFERENCE FOR CASH TRANSACTIONS DUE TO PERCEIVED SECURITY

GENERAL PREFERENCE

- CUSTOMERS WANT TO SEE THE PRODUCT BEFORE MAKING PAYMENT
- CASH IS PERCEIVED AS A MORE SECURE PAYMENT METHOD

ONLINE TRANSACTION BARRIERS

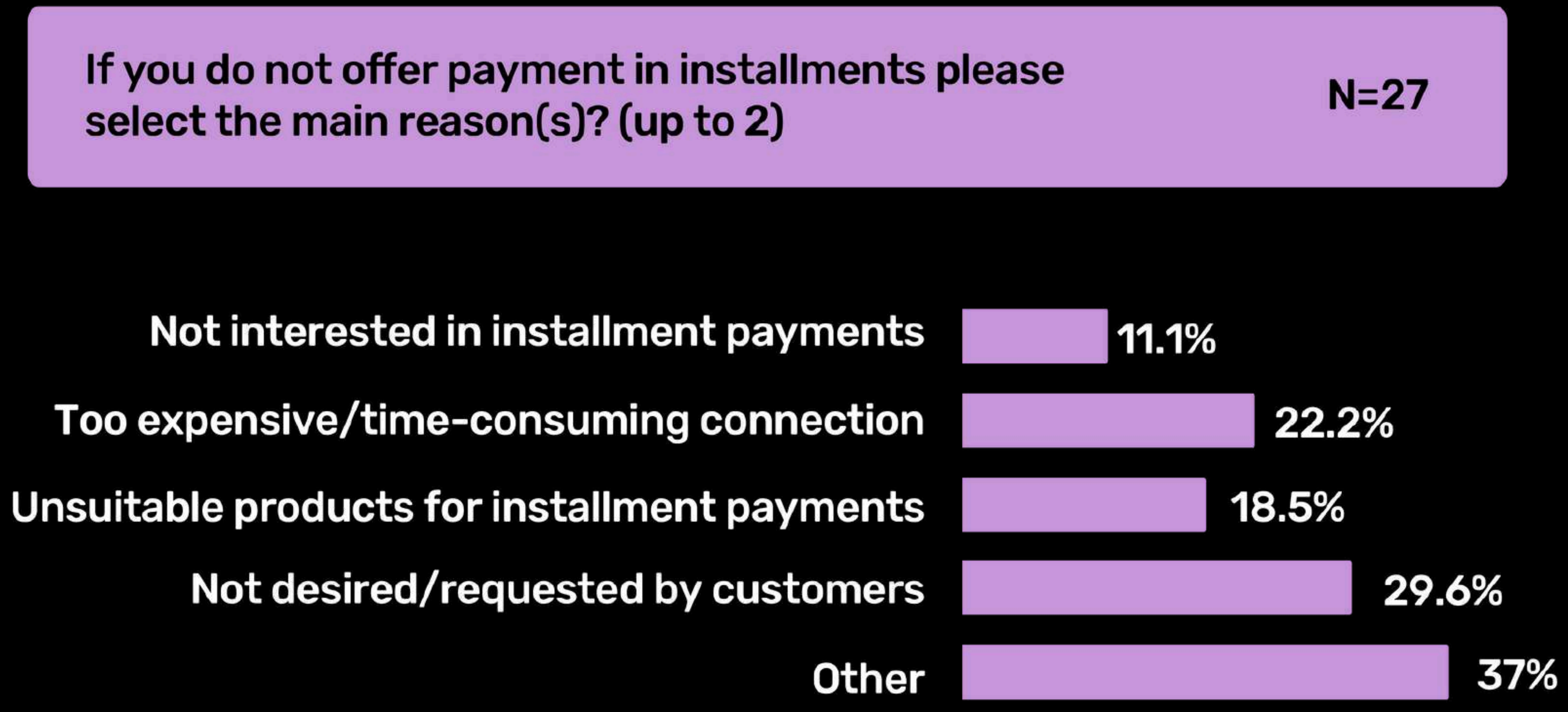
- HIGH TRANSACTION COSTS FOR MERCHANTS ACCEPTING CARD PAYMENTS
- LOW DIGITAL AWARENESS IN SOME REGIONS (E.G., BOSNIA)
- CUSTOMERS DO NOT PROCESS ORDERS THEMSELVES ONLINE

45% OF E-RETAILERS UNDERTAKE ACTIVITIES TO STIMULATE CARD PAYMENTS. HALF DO IT WITH THE SUPPORT OF VISA AND MASTERCARD

Do you do any activities or campaigns to stimulate more payments by card over cash on delivery? N=40

67.5% OF E-RETAILERS DO NOT PREFER INSTALLMENT PAYMENTS.

30% SAY THEY DON'T HAVE DEMAND FROM CUSTOMERS AND 22% CONSIDER IT AN EXPENSIVE PAYMENT METHOD.



BIGGEST PAIN POINTS OF E-RETAILERS

1. HIGH RELIANCE ON CASH ON DELIVERY (COD)
2. HIGH TRANSACTION FEES
3. INTEGRATION CHALLENGES
4. COMPLEX REFUND PROCESSES
5. WEAK CUSTOMER TRUST & DIGITAL LITERACY

SUGESSTIONS FOR IMPOVEMENT: FROM COST REDUCTIONS AND SECURITY ENHANCEMENTS TO BROADER PAYMENT OPTIONS AND BETTER INTEGRATION

- LOWER TRANSACTION FEES
- MORE MARKETING EFFORTS BY BANKS & STAKEHOLDERS TO INCREASE AWARENESS & TRUST
- NEED FOR A MULTIREFUND OPTION
- QUICK ACCESS TO CREDIT
- CARD-ON-DELIVERY PAYMENT
- NEED FOR SIMPLER INTEGRATIONS
- SECURITY MEASURES TO REASSURE BUYERS
- NEED FOR MORE PAYMENT OPTIONS (I.E RECURRING PAYMENTS)
- BUY NOW, PAY LATER (BNPL) OPTIONS
- DEMAND FOR INTSNTANT PAYMENTS AND DIGITAL PAYMENTS (APPLE PAY)

WESTERN BALKANS MARKET SIZE & E-COMMERCE POTENTIAL

WESTERN BALKANS DIGITAL & E-COMMERCE READINESS

WESTERN BALKANS STATE OF E-COMMERCE

E-RETAILERS' EXPERIENCES & CHALLENGES: SURVEY FINDINGS

ACTION AREAS & OUR WORK FOR E-COMMERCE DEVELOPMENT

PAYMENT

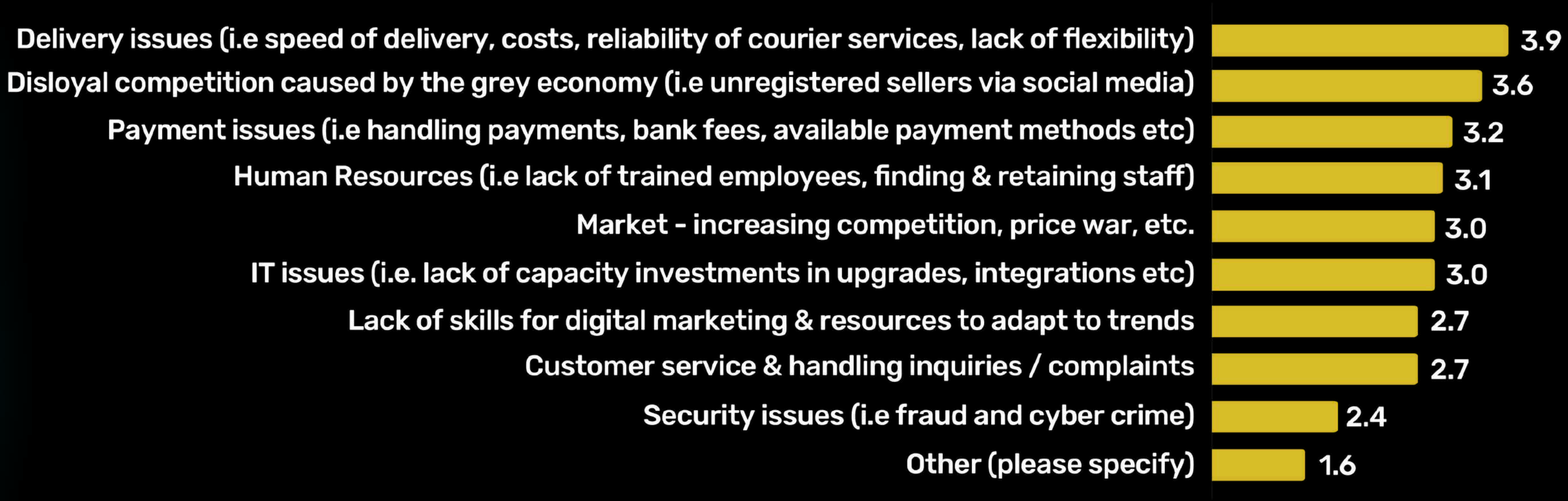
CHALLENGES

OVERALL CHALLENGES IN E-COMMERCE FOR E-RETAILERS:
DELIVERY ISSUES, FOLLOWED BY GREY ECONOMY, PAYMENT & HR

Please rate to what extent each of the following areas represent a challenge for your online shop?

1=not a challenge at all
5=very big challenge

N=39



WESTERN BALKANS MARKET SIZE & E-COMMERCE POTENTIAL

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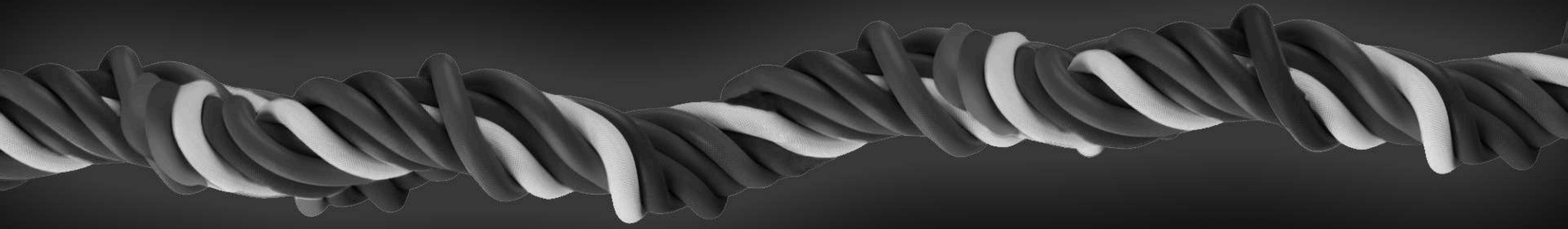


WESTERN BALKANS MARKET SIZE & E-COMMERCE POTENTIAL

WESTERN BALKANS DIGITAL & E-COMMERCE READINESS

WESTERN BALKANS STATE OF E-COMMERCE

E-RETAILERS' EXPERIENCES & CHALLENGES: SURVEY FINDINGS

ACTION AREAS & OUR WORK FOR E-COMMERCE DEVELOPMENT

WB ACTION AREAS

OUR WORK & IMAPCT

WESTERN BALKANS MARKET SIZE & E-COMMERCE POTENTIAL

WESTERN BALKANS DIGITAL & E-COMMERCE READINESS

WESTERN BALKANS STATE OF E-COMMERCE

E-RETAILERS' EXPERIENCES & CHALLENGES: SURVEY FINDINGS

ACTION AREAS & OUR WORK FOR E-COMMERCE DEVELOPMENT

WB ACTION AREAS

OUR WORK & IMAPCT

MAPPED AREAS FOR TAKING ACTION IN WB

01 ADVANCING DIGITAL SKILLS AND DIGITAL TRANSFORMATION IN THE WESTERN BALKANS

02 IMPROVING THE PAYMENT LANDSCAPE FOR E-COMMERCE

03 ENHANCING DELIVERY AND LOGISTICS INFRASTRUCTURE

04 FOSTERING CROSS-BORDER E-COMMERCE FOR REGIONAL EXPANSION AND GROWTH OF BUSINESSES

05 STRENGTHENING THE LEGAL FRAMEWORK AND COMBATING THE GREY ECONOMY

WESTERN BALKANS MARKET SIZE & E-COMMERCE POTENTIAL

WESTERN BALKANS DIGITAL & E-COMMERCE READINESS

WESTERN BALKANS STATE OF E-COMMERCE

E-RETAILERS' EXPERIENCES & CHALLENGES: SURVEY FINDINGS

ACTION AREAS & OUR WORK FOR E-COMMERCE DEVELOPMENT

E-COMMERCE
Macedonian Association

WB ACTION AREAS

OUR WORK & IMAPCT

OUR WORK AND IMPACT

LOCAL LEVEL

REGIONAL LEVEL

OUR WORK AND IMPACT: LOCAL LEVEL

ADVANCING THE E-COMMERCE OFFER COMPETITIVENESS OF MSMES

80 MSME'S STARTED SELLING ONLINE

2023 commerce awards

INCREASING DIGITAL SKILLS

120 MSME'S INCREASED THEIR DIGITAL SKILLS

PROMOTING TRUST & ADDRESSING THE GREY ECONOMY

ВЕРИФИКУВАН Е-ТРГОВЕЦ

80+ VERIFIED E-SHOPS

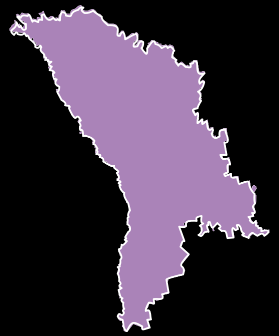
CONNECTING & NETWORKING

7TH EDITION OF ANNUAL commerce conference

RESEARCH WORK TO MAP THE STATE & CHALLENGES

USAID FROM THE AMERICAN PEOPLE | VISA | STRATEGIC DEVELOPMENT CONSULTING | NLB Banka

OUR WORK AND IMPACT



LOCAL LEVEL

REGIONAL LEVEL

OUR WORK AND IMPACT: REGIONAL LEVEL

FACILITATING CROSS-BORDER E-COMMERCE AND REGIONAL GROWTH

Balkan eCommerce Alliance

BECA

UPGRADING THE RESOURCE AND KNOWLEDGE PLATFORM FOR E-COMMERCE

ecommerce4all
REGIONAL PLATFORM

ESTABLISHED BALKAN E-COMMERCE ALLIANCE

ECS eCommerce Association of Serbia · PRIVREDNA KOMORA CRNE GORE · STIKK KOSOVO ICT ASSOCIATION · AmCham Moldova fighting for your business · eCommerce Association in Bosnia and Herzegovina · CCIT · AECA ALBANIAN E-COMMERCE ASSOCIATION · eComm ASOCIJACIJA

E-COMMERCE Macedonian Association + Co-funded by the European Union · german cooperation DEUTSCHE ZUSAMMENARBEIT · Implemented by: giz

THANK YOU!