

NORTH MACEDONIA

INTERVIEW

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COVID-19

How has Covid-19 changed consumer behavior and preferences in online shopping?

According to data from the National Bank, online transactions to domestic e-shops noted an increase of 135% in 2020, compared to 2019. However, this data includes utility bills, payments and other services, which means it's not all retail or online shopping.

According to our survey, conducted on 2.800 e-shoppers, 46% said that Covid did not affect or change their habits, and 37% said that as a result of Covid, they started buying more online and increased the number of orders they were making pre-Covid. Additionally, 20% started using e-government services for the first time. When asking respondents if these habits will stay, the majority said they intend to keep shopping online at this increased rate.

The restrictive measures imposed by the Government due to Covid have pushed people to change their behaviour. As a country with very low digital skills, this has pushed people to increase their digital skills during this time. The selling propositions of e-commerce during the pandemic were no longer "saving time and more convenience" but rather protecting our health or simply not having another choice during lockdowns and restrictive measures imposed by the Government. That was a very important factor in accelerating and pushing people to learn how to pay their bills online, how to shop groceries online etc.

Have you noticed specific product categories or retailers hit hard from the lockdown(s)?

E-commerce turnover to foreign e-shops and platforms dropped significantly in 2020 due to booking hotels, travel, and

airline tickets. The most sold product online is still apparel – there was actually an increase due to Covid. Previously, grocery shopping online was extremely small, but has grown, and it is expected that people will continue using online supermarkets to have groceries delivered at home.

How did the infrastructure fare with the increase in online shopping from Covid-19?

The increased volumes imposed challenges for e-retailers, delivery in particular. However there were businesses that were ready to respond to the challenges and capitalize on the opportunities. Some adapted with introducing contactless delivery and other Covid-related measures.

There are around 40 logistics delivery companies in North Macedonia. The pandemic increased domestic online shopping, increasing proportionally the business of the delivery companies. The challenges of the delivery companies were on one hand from the tech side, how to make their systems more efficient and handle the increase, but on the human resources side as well. As this is a very people-intensive industry, having one positive Covid case meant interrupting the whole chain and process due to isolation of others. Many increased their number of employees and vehicles to cope.

Were there any initiatives towards helping SMEs get online or stay afloat, or any digitalization initiatives?

I was part of the Government, as Minister of Finance until September 2020. We designed many COVID measures to support the business sector...putting focus not only on the "What" but the "Why" and "How". With one of the measures that was aiming to stimulate domestic consumption by giving financial assistance to targeted groups of people, we designed the measure in a way that people get it via payment cards, be able to spend it to the affected sectors aiming to also achieve other more systematic goals like speeding up our way towards a cashless society, more payment cards usage (at physical and online shops), more POS terminals. The fund for innovation and technology development had some initiatives for small grants to help with digital tools. There were interest-free loans from the Development Bank with a grant component for

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MSMEs who will apply e-commerce or digitalize processes.

Additionally, the Association helped with the transition to online commerce. With the project "Ecommerce for all" supported by USAID Business Ecosystem Project, the Ecommerce4all.mk platform was launched that represents a knowledge and resource center for all existing and new e-commerce companies. As part of the project, the Association also contributed to increasing the digital skills of over 150 MSMEs via the organized learn-a-thons and helped 40 MSMEs open their e-shop or join a marketplace through the financial and advisory support it provided.

Digitalization has definitely been put higher on the agenda now since Covid-19.

Were there any new innovations in payment/delivery methods during the lockdown?

Regarding payments, there is a new law that is expected to be adopted soon that will open the landscape for fintech companies. PayPal is available only for paying, but not receiving. Domestic companies can only connect with one of the five banks for e-payment processing, so there haven't been any innovations on the payment side during the pandemic.

Regarding delivery, many companies introduced contactless delivery during the pandemic making people feel safer with limited body contact. Some delivery companies began investing in new software and digital processes.

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I think that overall, as a country we managed to capitalize on the opportunities brought by Covid as we were navigating the challenges, but we could have done much better. And this is due to many underlying weaknesses of our society, i.e., lack of readiness for the digital economy, ability to apply digital solutions quickly, low digital skills of our nation, capacity and skills for fast adaptations, etc.

What are policymakers doing in regard to e-commerce?

E-commerce is getting more attention with the onset of the pandemic among policymakers and international donor organizations as well. There are plans for drafting a new law on e-commerce aligned with the EU standards and regulation. Other related laws are being updated and amended as well. The above-mentioned new law on payment services that is awaited to be adopted in 2021 is expected to have positive effects in the e-commerce market, as it will enable fintech solutions and stimulate more competition, especially to the banks. There is also a new law on Personal data protection complying with the EU regulations (GDPR), which has been recently adopted.

SUSTAINABILITY

What is the conversation around sustainability in e-commerce?

In recent years there is a growing discussion on the green economy and we are looking forward to seeing more efforts on this very important topic. IFIs, donors and international organizations are contributing to putting a stronger focus on sustainability. There are many non-governmental organizations and activists pushing for change that play a great role in raising awareness.

However, we still have a long way to go. For the moment, I do not think consumers are willing or able to pay more for sustainable options in e-commerce, mostly due to the level of development of our economy and the weak purchasing power.

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