INSIGHTS REPORT
12th *lab of tomorrow*

How might we increase trust in e-commerce in South- Eastern Europe in order to increase cross-border engagements?

lab of tomorrow

NEW WAYS TO NEW BUSINESS

Summary

This Insights Report provides a basis to enable you to co-create desirable, feasible and viable business ideas in the 12th *lab of tomorrow* Innovation Sprint by giving you an understanding of:

- ❑ General overview of the **e-commerce market in the South- Eastern Europe (SEE)*** and market potential
- ❑ Identified **issues and market demand**
- ❑ Secondary and primary research findings: facts and figures
- ❑ Boundaries and inspiration for the potential business solutions

***For the purposes of this project, the selected countries are the following: Albania, Kosovo, North Macedonia, Serbia, Montenegro, Bosnia and Herzegovina and Moldova.**

DESKTOP RESEARCH
January- February 2021

The conducted desktop research helped us understand the broad challenge and the potential sub-challenges of the 12th *lab of tomorrow*.

PRIMARY RESEARCH
March, 2021

USER RESEARCH in SEE	STAKEHOLDER RESEARCH in SEE and EU
• User interviews • User Surveys	• Interviews with experts, owners of e-commerce businesses and other stakeholders • Challenge Framing Workshop (10 March 2021)

The insights in this report were gathered by Desktop and Primary Research.

12th *lab of tomorrow* overview

Challenge

Challenge Definition

The cross- border share in the European Union represents around 24 % of the total online sales, while the potential of cross- border sales in South- Eastern Europe (SEE) remains untapped.
One of key challenges that the e-commerce industry in SEE region faces is the **lack of trust in e-commerce sellers**.
How might we increase trust in e-commerce in South- Eastern Europe in order to increase cross-border engagements?

Research

Research and sub-challenge definition

The research was conducted by GIZ & local experts in order to find the root causes and antecedents of the defined challenge.
The findings of the research are summarized in this Insights report.
Four sub-challenges were identified in the research phase
(Read more about the sub-challenges here).

Innovation workshop

Innovation sprint
(25 May- 03 June 2021)

6- day session where participants with expertise in e-commerce, IT, Fintech, business development, delivery and related fields will come up with business ideas that will tackle the complex challenge of trust in e-commerce in South-Eastern Europe.

Pilot phase

Starting from June 2021

The venture teams with most promising business ideas receive professional business development coaching to test and refine their idea.

This Insights report will help you find suitable business solutions for the following identified **4 sub-challenges of the 12th *lab of tomorrow* process:**

1. ***How might we increase credibility and quality of the e-Commerce sellers?***
2. ***How might we increase transparency of e-Commerce sellers in order to make them more trustworthy?***
3. ***How might we improve efficiency and reliability of last mile delivery service?***
4. ***How might we increase consumers' trust in online payments?***

More information on the challenge and each sub- challenge can be found here.

MAIN CHALLENGE:

How might we increase trust in e-commerce in South- Eastern Europe in order to increase cross-border engagements?

We are building sustainable business solutions

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

SUSTAINABLE DEVELOPMENT GOALS

with Design Thinking and Rapid Prototyping

RECOMMENDATIONS FOR THE POTENTIAL BUSINESS SOLUTIONS

- Innovative business models
- User- centric solutions
- Practicable for the companies

- Sustainable business models
- Aligned with SDGs

- Scalable solutions
- Implementable in at least 3 countries in SEE region
- Strong growth potential

- Legal boundaries
- Technological boundaries
- Not aligned with the SDGs

Read the Frequently **Asked Questions** about the *lab of tomorrow* process here.

Table of contents

REGIONAL E-COMMERCE MARKET

lab of tomorrow
NEW WAYS TO NEW BUSINESS

COUNTRIES IN FOCUS of the 12th *lab of tomorrow*

The 12th *lab of tomorrow* focuses on the regional market of the **Central European Free Trade Agreement (CEFTA) parties which are located in South- Eastern Europe (SEE).**

The Central Free Trade Agreement is a modern free trade agreement between the 7 parties Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Moldova, North Macedonia and Serbia).

CEFTA is an integral part of the pre-accession agenda **of the Western Balkans to the EU.**

>> The Regional Economic Area based on the free movement of goods, services, capital and people will, among others, **facilitate e-commerce by ensuring access to all markets** in the region.

>> In 2020, CEFTA along with other regional organizations introduced the **Green Lanes** for the transport of goods, that let essential goods benefit from priority passage.

Within the regional trade agenda, the regional activities are aimed at facilitating trade in goods and services and establishing a **regional e-commerce market**.

A **roadmap was approved** for removing the biggest barriers in the digital trade.

Action Plan 2020: The **Action plan** for establishing Common Regional Market based on the **four freedoms enriched with digital, investment, innovation & industry areas was endorsed in 2020 by the regional leaders in CEFTA.**

Read more about CEFTA here.

COUNTRIES IN FOCUS of the 12th *lab of tomorrow*

7 countries

6 languages

- Macedonian
- Moldovan
- Albanian
- Serbian
- Montenegrin
- Bosnian

6 currencies

- Macedonian denar
- Moldovan leu
- Albanian lek
- Serbian dinar
- Kosovo: Euro
- Bosnian Mark
- Montenegro Euro

Median age of total population

1. Albania______________________________36.40
2.Republic of Moldova______________________37.60
3.Montenegro___________________________38.80
4.North Macedonia_______________________39.14
5.Serbia______________________________ 41.58
6.Bosnia and Herzegovina___________________ 43.11
7. Kosovo______________________________30.05

Total population

21.4 million

Total area

253,000 km^2
(97,463 sq mi)

The rise of e-commerce in South- Eastern Europe (SEE)

Physical goods e-commerce market is estimated at around **1 billion euros** and is growing by double digit rate.

The electronic **trade of services and digital products** is estimated at **84 million euros**.

E-commerce is on the rise and the revenues would amount to around **850 million** euros (original data is in USD 954 mil cca.) with **6,6 million e-commerce users**.

E-commerce helped the countries in the region to weather the COVID-19 crisis. The scope for future growth of the e-commerce in the region is large. Building a regional e-commerce market would unlock the benefits and potential of the region. Read more in the 2020 World Bank Report..

Electronic commerce or e-commerce refers to selling and buying goods and services on the internet.

SERBIA

- Projected revenue in e-commerce market US$490m in 2021.
- Revenue is expected to show an annual growth rate (CAGR 2021-2025) of 5.59%, resulting in a projected market volume of US$609m by 2025.
- Market's largest segment is Toys, Hobby & DIY with a projected market volume of US$131m in 2021.
- User penetration will be 52.7% in 2021 and is expected to hit 61.4% by 2025.

BOSNIA AND HERZEGOVINA

- Projected revenue in e-commerce market US$237m in 2021.
- Revenue is expected to show an annual growth rate (CAGR 2021-2025) of 6.47%, resulting in a projected market volume of US$304m by 2025.
- Market's largest segment Fashion with a projected market volume of US$65m in 2021.
- User penetration will be 39.1% in 2021 and is expected to hit 43.7% by 2025.

MOLDOVA

- Revenue in the eCommerce market is projected to reach US$148m in 2021.
- Revenue is expected to show an annual growth rate (CAGR 2021-2025) of 12.44%, resulting in a projected market volume of US$237m by 2025.
- Market's largest segment is Fashion with a projected market volume of US$47m in 2021.
- User penetration will be 34.2% in 2021 and is expected to hit 38.9% by 2025.

NORTH MACEDONIA

- Projected revenue in e-commerce market: US$152m in 2021.
- Revenue is expected to show an annual growth rate (CAGR 2021-2025) of 10.15%, resulting in a projected market volume of US$224m by 2025.
- Market's largest segment is Electronics & Media with a projected market volume of US$43m in 2021.
- User penetration will be 39.3% in 2021 and is expected to hit 44.6% by 2025.

Source: Statista

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow
NEW WAYS TO NEW BUSINESS

KOSOVO

- Kosovo is the home of the fastest growing e-commerce in the region- Gjirafa.com
- more than 90 percent of Kosovo households regularly use the internet
- Payment methods for eCommerce transactions include e-banking, credit cards (Visa and Mastercard), and cash-on-delivery for the domestic market
- the majority of online purchases in Kosovo are made with EU and U.S. retailers

ALBANIA

- Revenue in the eCommerce market is projected to reach US$133m in 2021.
- Revenue is expected to show an annual growth rate (CAGR 2021-2025) of 9.71%, resulting in a projected market volume of US$192m by 2025.
- Market's largest segment is Fashion with a projected market volume of US$37m in 2021.
- User penetration will be 38.1% in 2021 and is expected to hit 40.8% by 2025.

MONTENEGRO

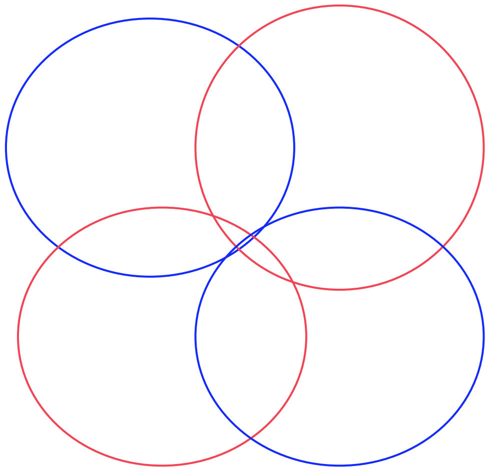
- Revenue in the eCommerce market is projected to reach US$60m in 2021.
- Revenue is expected to show an annual growth rate (CAGR 2021-2025) of 11.57%, resulting in a projected market volume of US$94m by 2025.
- Market's largest segment is Fashion with a projected market volume of US$24m in 2021.
- User penetration will be 41.3% in 2021 and is expected to hit 48.5% by 2025.

Source: Statista

The e-commerce ecosystem

Digital Connectivity

Payment Services



Capability and quality of e-commerce sellers

Logistics & Delivery

Stakeholder Map

Private Sector	Public Sector	Associations and Organizations
Entrepreneurs	Government representatives	E-commerce Associations
E-commerce sellers	Customs	Consumer protection organisations
Financial Institutions	National post offices	Chambers of Commerce
Logistics and last-mile delivery		NGOs
ICT sector		

Users
E-commerce consumers

Stakeholder refers to "individual, group or organisation who may affect or be affected by the solutions and outcomes of the project.

Types of e-commerce in SEE

Pure Player

Pure play ecommerce involves businesses that only make sales via their online storefronts. Pure play e-commerce include: online platforms and online marketplaces.

Click & Mortar

A type of business model that has both online and offline operations, which typically include a website and a physical store.

Dropshippers

Dropshipping is a streamlined form of retail business, which is on the rise in the region (especially in Serba). Dropshipping sellers from the region are internationally oriented, use various different platforms (Shopify, WooCommerce, etc.)
The seller accepts customer orders but does not keep goods sold in stock. Instead, in a form of supply chain management, it transfers the orders and their shipment details to either the manufacturer, a wholesaler, another retailer, or a fulfillment house, which then ships the goods directly to the customer.

Social Commerce

1. EXISTING COMPANIES THAT ACCEPT PURCHASE ORDERS VIA SOCIAL MEDIA PLATFORMS (FACEBOOK, INSTAGRAM)
2. UNREGISTERED COMPANIES/ PRIVATE PERSONS THAT SELL GOODS ONLINE VIA SOCIAL MEDIA PLATFORMS
   - For example, 54% of the Montenegrin companies don’t have online retail store. Most of the online retail in Montenegro works over the Instagram platform.
   - Companies from Bosnia and Herzegovina that don’t have e-shops cited as the main reason for the absence of an e-shop the following: low volume of sales, lack of time and resources for e-shop, the opinion that their product / service is not suitable for online sales, and doubt about the viability of the investment itself.

POPULAR E-COMMERCE BUSINESS MODELS IN SEE

B2C

Business-to-Consumer

C2C

Consumer-to-Consumer

- In the SEE region, multi- vendor e-commerce marketplaces and platforms are gaining popularity.
- **B2B (Business- to- Business) model is least popular and underdeveloped business model** in the countries of the region.

B2B and B2C digital markets have structural deficiencies on demand and supply side. Read more here.

E-Commerce initiatives and promotion

Initiatives and projects for e-commerce growth:

eCommerce4all

Cooperation for growth project (CFG)

E-commerce Academy- an educative online platform for upcoming entrepreneurs and e-commerce enthusiasts

E-commerce Associations in the region:

Both associations offer web manuals and educational material, as well as promote e-commerce in the respective countries.

- The Macedonian e-Commerce Association (MECA)- North Macedonia
- Serbian e-commerce Association- Serbia
- The European e-commerce Association does not include associations or other organizations from the region as members.
- E-commerce associations have two primary goals: exchange of experience between the e-commerce businesses and education of the business owners and consumers.

- Two economies in the region have an established institution responsible for e-commerce promotion.
- Four economies also have **websites** dedicated to providing information on the opportunities for and challenges of e-commerce.

Cross border e-commerce in SEE:
Barriers to regional growth

The most common reason for avoiding the global market are high international delivery costs and complicated export procedures.

Orders from abroad are rare and come mainly from diaspora clients seeking specific domestic products that are not available abroad.

E-commerce businesses selling physical goods and services in Albania, Bosnia and Herzegovina and Kosovo are mainly serving specific needs of local customers and do not try to market their products abroad.

Regional sales are managed through regional partners and branch offices, while international sales through sister companies abroad.

Research shows that mainly, the ecommerce providers in SEE region are oriented and sell in their country of origin. Some of the e-shops sell to foreign customers in the region on demand, and there are e-shops that are targeting foreign (worldwide) markets. The latter struggle with poor infrastructure, high delivery costs and customs procedures.

In comparison, the cross-border e-commerce in Europe was worth 143 billion euros in 2019 without travel, 59% of this market (84 billion euros) is generated by online marketplaces.

KEY STAKEHOLDER INSIGHTS

The **biggest barriers to the development of e-commerce** in SEE according to e-commerce sellers in the region:

- Low level of CONSUMER AWARENESS for online shopping
- UNFAIR competition and GREY ECONOMY
- Low level of DIGITAL SKILLS of the consumers and LACK OF SKILLED WORKFORCE in e-commerce
- LACK OF CONSUMER TRUST in e-commerce
- Companies that don’t have experience in doing business through an e-store are more likely to cite potential disadvantages or problems that may occur with payment systems (27%), order tracking, and warehouse management (20%).
- The companies that already have their e-shop see bigger challenges in product delivery (16%) and the maintenance of e-shops (16%).

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow

NEW WAYS TO NEW BUSINESS

Cross border e-commerce in the European Union

Ten years ago, the issue of trust was considered to be one of the most important barriers to (cross-border) e-commerce in the European Union.
This **report** describes the barriers both

on the demand and the supply side, divided into:

- **Operational barriers (language, lack of information, payment issues,etc.),**
- **Legal barriers and**
- **Barriers to trust. The trust barriers include fear of fraud, fear of non-delivery, lack of trust in e-commerce and lack of trust in the after-sales process.**
- **Other instruments that can stimulate (cross-border) e-Commerce could be: price comparison website, new payment methods, and consumer rating websites.**

According the Cross-border Commerce Europe B2C online turnover from goods exploded with 24% over 2020 up to €573 billion. **In 2020 cross-border e-commerce revenues (excluding travel) reached €146 billion i**n Europe; a record increase of 35% compared to 2019. Cross-border online sales outperformed total online sales.

The TOP 500 Cross-Border Retail Europe “made in Europe” generates €53,25 billion within the EU16 representing a market share of 61% of the total cross-border e-commerce market in Europe.

The top 10 global cross- border marketplaces operating in Europe are: Amazon (US), eBay (US), AliExpress (China), Etsy (US), Discogs (US), Wish (US), Vinted (Lituania), G2A (Poland), Farfetch (UK) and Bandcamp (US).

The Challenge:

Increasing consumer trust in e-commerce in South- Eastern Europe

lab of tomorrow
NEW WAYS TO NEW BUSINESS

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow
NEW WAYS TO NEW BUSINESS

What does trust mean?

Trust is the customer's judgment of the e-commerce seller, influenced by his behavioural, cultural and personal traits.

In e-commerce, the e-commerce seller has to be **reliable, competent, predictable, benevolent and integral** in order to be considered as trustworthy.

According to buySAFE, 81% of online shoppers feel concerned when shopping on a website with which they are not familiar.

This impacts conversion and loss of sales and customers in the long run.

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

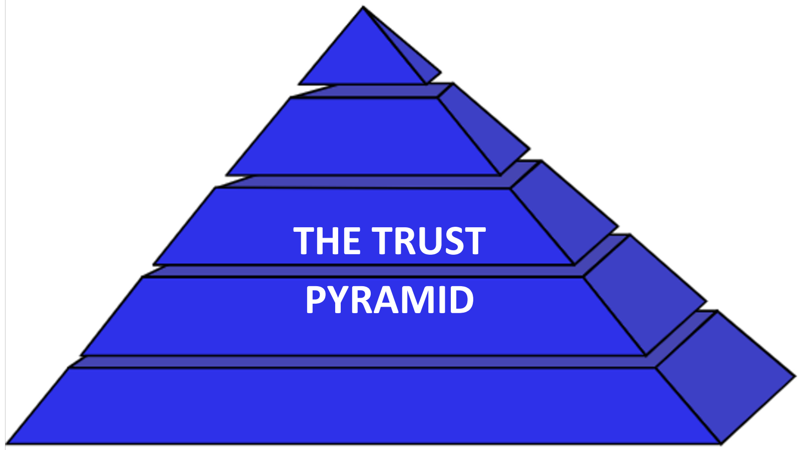
lab of tomorrow
NEW WAYS TO NEW BUSINESS

The concept of trust in e-commerce

➔ **Consumer collaboration** (encourage customers to inform each other)

➔ **Differentiators:**

1. *Tone* (secure sensitive information, privacy statement, design and content)
2. *Customer control* (access to personal information, ask permission to get personal information)



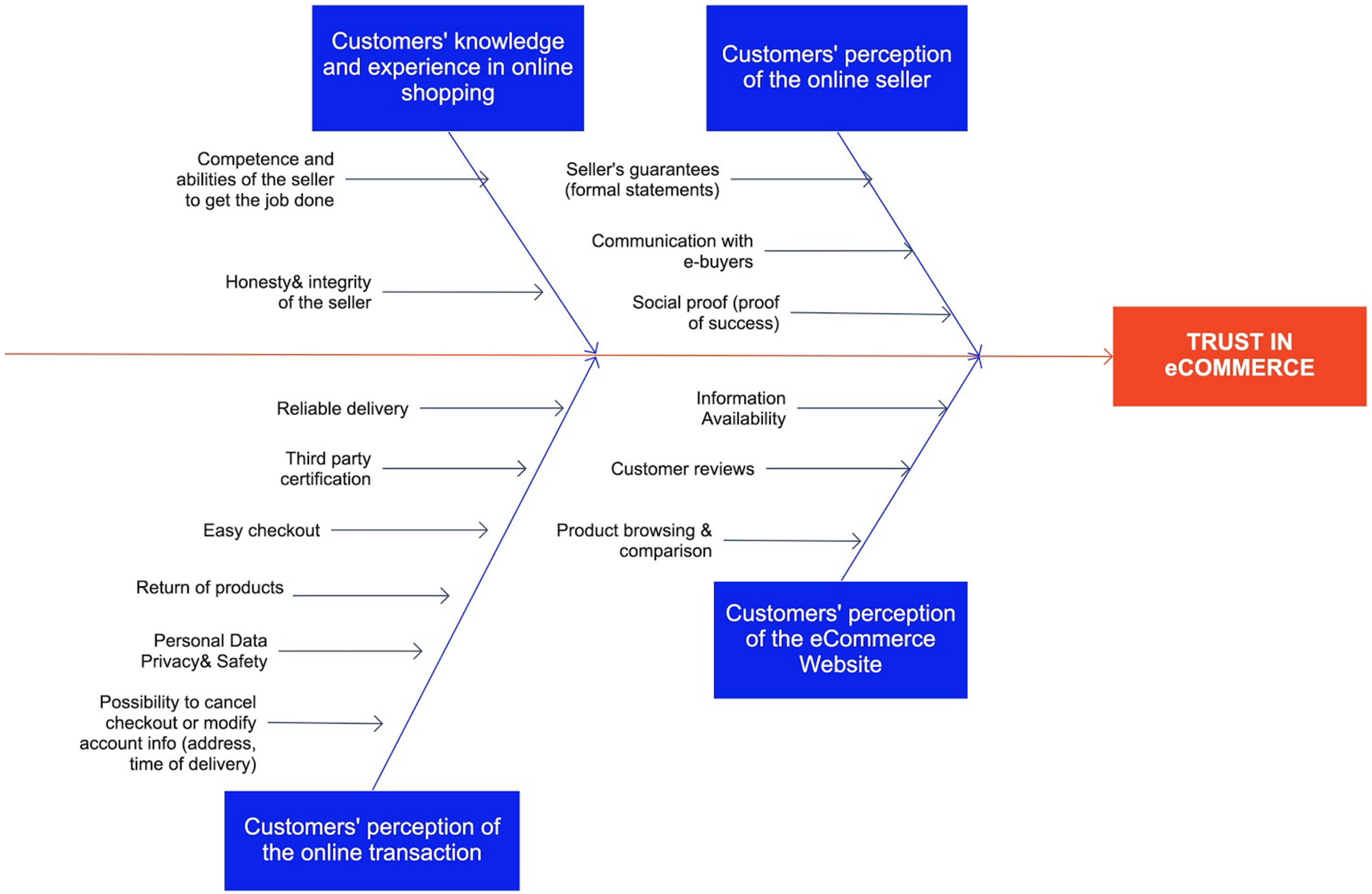
The three dimensions of consumers' trust:

- **Competence** (the company is able to fulfil promises)
- **Benevolence (focus on user's interests)**
- **Integrity** (consistency, reliability and honesty)

➔ **Basic building blocks:**

1. *Secure technology*
2. *Merchant legitimacy* (the brand is crucial, familiar names can be helpful)
3. *Robust order fulfilment* (users want to receive orders efficiently with clearly defined costs)

Factors that influence consumers’ trust in e-commerce



“eCommerce providers are not aware that trust is one of the major drivers for making a purchase decision.”

“The biggest issues for customers are delivery, customer care, unreliable stock because many e-commerce providers don’t have integrated systems.”

KEY STAKEHOLDER INSIGHTS ABOUT TRUST

"Trust arises from security. Consumers are asking whether their personal data is secure while shopping online, whether leaving a credit card to the website is safe, etc. People are not aware which signs of security should they look for when shopping online. On the other hand, e-commerce providers don't want to display logos of banks on their website, without knowing that those logos show that a bank (important institution) stands behind this e-shop, and inevitably, it increases trust in consumers."

"Managing customer care is very important. Managing the reviews is also important- because bad reviews are as valuable as good reviews because they show how the e-shop handles things."

"Both payment options and trust certificates need to raise awareness of their credibility in order to increase e-commerce growth and online payments."

"The biggest issues for customers are delivery, customer care, unreliable stock because many e-commerce providers don't have integrated systems."

"The e-commerce providers are not aware that trust is one of the major drivers for making a purchase decision."

"The e-commerce providers are not offering sufficient information/ are not transparent so that the e-buyers could make an informed purchase decision. Even more, they are preventing information."

Private companies representatives and representatives of e-commerce associations and organizations were interviewed and participated to the Challenge Framing Workshop in March, 2021.

KEY USERS’ thoughts & pain points

The local e-shops need improvements in: return policy, delivery speed, security and reputation, online payment security and more options for payment, legit websites with reviews.

The main factors that influence my decision when buying online: Verified e-shop; brief explanation of the product; that my rights as a customer are guaranteed.

I buy from foreign online stores....the law there, regulates this area much better.

I read terms and conditions and where is the website registered and to whom I can complain if something goes wrong. If everything is written clearly, it is easy to decide.

I often look if the website is secured. I check their social media profiles and look for reviews. If there are reviews on the website it will make the process easier. Also the design and the speed of the website is very important. If the design looks cheap I will think that it is a scam.

KEY INSIGHTS:

- Customers are skeptical about unknown to them e-commerce stores
- Customers fear of non-delivery, wrong orders or being unable to return the wrong purchase
- Customers are cautious regarding online payments and sharing personal & credit card data
- Reviews and recommendations are crucial for making purchase decisions

TARGET MARKET

USERS (CONSUMERS) RESEARCH

Our users or consumers are also known as **e-consumers or e-customers**.
The term *consumer* in this report is referring to the consumers who buy goods and services online from the e-commerce sellers.

Why is user research important?

Great products and innovative approaches require deep understanding of the users' needs and pain points.

By using qualitative and quantitative methods (interviews and surveys), we identified the key pain points or frustrations that consumers face when shopping online.

Disclaimer: the names and photos of the identified user personas are not realistic.

CONSUMERS' TRENDS

83% internet users across the region

69% use Internet as a communication tool (Viber, Messenger and WhatsApp)

40% online shoppers in N. Macedonia

15% online shoppers in Albania

79% respondents in Kosovo use internet for entertainment

3%-32% online shoppers in the region in comparison with 68% online shoppers in EU

Shopping is considered as a leisure activity, so customers are prone to do it in person.

The COVID-19 crisis influenced the consumers' shopping behaviors:

- ❑ Increased shopping online
- ❑ **62%** of the respondents increased shopping online
- ❑ **85%** of them will continue to shop online after the pandemic

CONSUMERS' TRENDS

Most popular foreign websites (outside of SEE region) are:

- **AliExpress**
- **Ebay**
- **iHerb**
- **Amazon**
- **Book Depository**
- **Wish**

International websites are prefered, while main motivation factors for shopping online are **THE LOWER PRICES and FREE DELIVERY.**

Consumers' purchase orders from foreign e-shops in value less than the threshold for import VAT and customs clearance fees. In the countries in the region, this threshold varies from 22- 300 EUR.

Consumers find ways to avoid customs and delivery fees. They order from foreign websites (e.g. Amazon) to the addresses of friends and relatives living in USA or EU, who will later bring the parcel to the consumer once they visit the region.

CONSUMERS' TRENDS: Most Shopped Categories

- EVENT TICKETS
- ONLINE FOOD DELIVERY
- APPS
- TOYS, HOBBY & DIY
- FASHION & BEAUTY
- MUSIC, FILM & BOOKS
- ELECTRONIC, DEVICES & EQUIPMENT

USER PERSONAS

E-commerce consumer

Price- driven buyers (the lower the price, the bigger possibility to purchase)

Consumers that prefer foreign e-shops

Consumers that prefer local e-shops

Research & Need-based buyer

The most suitable customer persona for tackling the trust issues is the research & need- based customer persona.

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow
NEW WAYS TO NEW BUSINESS

PERSONA 1: E-commerce USER

Age: **31**
Status: **Employed**
Gender: **Female**

Buys online few times per month
Prefers to buy from local shops because delivery is faster, and feels more secure (for return policies, support etc)
Would buy more often, and would buy from regional of global e-shops if convenient.

I prefer to buy from local e- shops as they are more reliable, faster and safer.
I buy mainly buy clothes, shoes and sportswear.
I shop online few times a year. I prefer to pay with cash on delivery.

EXPECTATIONS

- On time delivery
- I want to receive the same product as on the pictures (color, quality, material)
- I want to be able to return goods and be refunded if necessary
- I want to see products' photos/videos, so I can visualize the product from every angle
- I want to read reviews because transparency is important to me
- I want my customer rights to be guaranteed
- Tracking orders

FEARS & FRUSTRATIONS

I am afraid that I won't receive the product I have paid for.

I am afraid that I will receive a damaged product and the seller doesn't want to send new product.

I don't buy from unknown e-shops that I haven't heard of.

I am afraid of credit card fraud

LIKES & DISLIKES

I like locally produced products (e.g. buys homemade chocolate online)
I dislike being ignored by online shops when trying to reach them

INFLUENCED BY

Reviews
Social Media
Friends & Family

QUOTES:
" I think that local e-shops should be more responsive and to stay true to their word. 9 times out of 10 there are some issues either with the product or with the company. Although there are cases where the service or the site or the products are a total failure, there are still some good sites that have amazing customer support, which makes everything 10 times better."

Name: DINA
Sex: FEMALE
Age: 31

KEY INSIGHTS FOR PERSONA 1:

Buys mainly from local e-commerce stores in her country because:

- ❑ Has the option to pay cash on delivery (CoD);
- ❑ Believes that it would be easier to contact a local e-shop in case things go wrong with her purchase.

Biggest fears:

- ❑ **Non- delivery or delivery of damaged product**
- ❑ **Not being able to return the purchased product or receive a refund**
- ❑ **Paying online because of credit card frauds**

PERSONA 2: E-commerce USER

Age: **24**
Status: **Employed**
Gender: **Male**

I prefer to buy from foreign e-shops. The local e-shops are fake and collect data. I purchase products online only if those products are not available in offline stores.
I mainly search for electronic gadgets and equipment online, as well as clothes

EXPECTATIONS

-Easy and reliable communication with the e-shop
- No fraudulent behaviors from the e-shop
- Delivery tracking
- Bigger offer of products and prices online
- Safe payment

FEARS & FRUSTRATIONS

Inability to estimate delivery
No tracking possibility
Lack of delivery notifications/ tracking

LIKES & DISLIKES

I dislike waiting for the parcel to be delivered
I like to have bigger choice of products, which the local e-shops don't have

INFLUENCED BY

Reviews
Social Media
Friends & Family

QUOTES:
"I bought something from a local online shop. It turned out to be a fake e-shop, so around 100 EUR were withdrawn from my account without my consent."

Name: MAKS
Sex: MALE
Age: 24

The most suitable customer persona

KEY INSIGHTS FOR PERSONA 2:

Well informed buyer,
Prefers to buy from foreign online shops

Concerns when it comes to buying from local e-shops:
- **fraudulent behavior,**
- **lack of communication,**
- **inability to estimate delivery,**
- **slow & inefficient delivery**

Appreciates smooth and easy customer experience

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow
NEW WAYS TO NEW BUSINESS

CUSTOMER JOURNEY

	Browsing for products & first touchpoint with the e-commerce seller	Browsing the e-commerce store and moment of making purchase decision	Critical touchpoint: performing online transaction	From purchase to delivery- critical touchpoint for maintaining trust	Social proof and sharing experiences
Phase of journey	**Stage 1 AWARENESS**	**Stage 2 CONSIDERATION**	**Stage 3 ACQUISITION - CONVERSION**	**Stage 4 DELIVERY AND USE**	**Stage 5 USE AND ADVOCACY**
Actions What does the customer do?	Looking for something new	Browse products Compares alternatives Reads reviews / web search for more information Checks terms and policies	Goes through checkout and payment Waiting for the package	Waiting for the package Receives the package Interacts with the courier	Inearction with the product Loyalty rewards Newsletter Orders again Community interaction
Touchpoint What part of the service do they interact with?	Online search / Ads / Social Media / Blogs / Email TV / Radio Word of mouth	Word of mouth Website Other websites, forums, blogs	Payment gateway Courier page in case of tracking option Confirmation email	SMS / Email / Phone Courier Tracking order	Email / Social Media Word of Mouth Blogs and forums
Customer goals	Find something they need Find something they like Find a trustworthy online shop	Find the best deal Make the right choice Find all the information needed before making a decision	Seamless user experience Easy, safe and secure payment process Effortless checkout process	Fast and reliable delivery Tracking order Get help if problems occur	Meet expectations Quality product Share experiences

CREDIBILITY

TRANSPARENCY

CREDIBILITY & SAFE CHECKOUT AND PAYMENT

POST PURCHASE COMMUNICATION AND RELIABLE PARCEL DELIVERY

E-commerce seller

- Click & Mortar
- B2B
- Pure Play E-commerce
- Nationally oriented (sell goods locally)
- B2C
- Internationally oriented (sell goods locally and abroad)

PERSONA 1: E-commerce SELLER

CLICK & MORTAR

NEEDS:

- Automatization of processes (supply, stock, delivery, documentation)
- Reliable Last Mile Delivery
- Managing Cash-on-Delivery
- Seamless integration of offline and online stores
- Availability of multiple last mile delivery options

FRUSTRATIONS:

- Return of goods and refunds (30% to 50% return of goods online compared to 10% returns in offline stores)
- Customer support
- Customers don’t easily recognize their online stores

These sellers believe they’re **trustworthy** because:

- They exist as legal entities and as brick & mortar stores which gives visibility of their brand and proof of success
- They issue invoice or fiscal receipt upon delivery
- Experienced in retail (offline channel) and have loyal customers

PERSONA 2: E-commerce SELLER

PURE PLAY E-COMMERCE SELLER

NEEDS:

- To be able to sell & ship goods cross-border from the country of origin
- Reliable Last Mile Delivery partners
- Managing Cash-on-Delivery
- To be recognized as legit online sellers, different from the social media sellers and scam websites

FRUSTRATIONS:

- Maintaining competitive advantage on the market
- Lack of skilled and experienced employees
- Increasing customer segment and gaining trust
- Less credible than click & mortar

These sellers believe they're **trustworthy** because:

- They exist as legal entities
- Good UX, customer support and brand awareness
- Focused on customers and customer experience

THE SUB- CHALLENGES

The sub-challenges that need business solutions are:

1. Credibility & Quality

The rapid rise of e-commerce encouraged many business owners to shift from traditional sales channels to online channels and brought upon entrepreneurs huge challenges in an unknown territory of e-commerce.

Read more about the sub-challenge here.

2. Transparency

The e-commerce website is the online shop of the eCommerce company. It is the point of sale where e-customers browse for products, compare products and products' prices. inform themselves of stock availability, quality and origin of the products.

Read more about the sub-challenge here.

3. Reliable Last Mile Delivery

One of the major drawbacks and issues in e-commerce especially for cross-border trade remains to be delivery and shipping. Late deliveries, damaged goods, lack of product tracking or even lost or missed deliveries are some of the major frustrations and root causes for distrust for the ecommerce consumers. Ecommerce companies want to get things as quick as they can to customers, under the belief that they value speed above all else.

Read more about the sub-challenge here.

4. Trust in Online Payments

Consumers from the SEE region feel safer to pay in cash upon delivery. Past experiences from card frauds, data breaches and scams have an immense influence on consumer trust. Consumers are reluctant to expose their personal and payment information online and are seeking for more convenient and safer methods. The need for security, safety and assurance are some of the core measures for building trust.

Read more about the sub-challenge here.

The complexity of the challenge required defining a set of actionable sub-challenges. The four identified sub-challenges that need to be tackled are listed on this page.

SUB- CHALLENGE 1:

How might we increase credibility and quality of e-commerce sellers?

KEY INSIGHT: Customers lack awareness of e-commerce

Sub-challenge 1
Credibility and quality of e-commerce sellers

Customers are not well informed so they can differentiate the business models in e-commerce and the risks that are connected with the particular business model.

Few stakeholders pointed out that one of the **main reasons for lack of trust in e-commerce is the fear of receiving "brick in a bag" instead of the purchased product-** referring to a story that arises from P2P or C2C e-commerce where individuals sell to other individuals, and therefore the risk of frauds is greater (peer-to-peer). In B2C as well as in B2B e-commerce business models, these **risks of frauds and selling "empty boxes" are unlikely and consumers are protected by the consumer laws.**

Do customers make difference between e-commerce websites and social media accounts?

The rise of companies and individuals that use **Instagram and Facebook profiles** for reaching online customers, where the online transaction is performed through messages and paid cash on delivery, deepens the gap of confusement about (i) **whether the e-commerce seller exists** as a legal entity and performs legal business activity, and (ii) **whether the rights of the customer will be protected** in that type of online transaction.

KEY INSIGHT: Customers are sceptical about domestic e-commerce stores

Customers engage in online shopping from foreign and local (regional) e-commerce stores although they lack trust in e-commerce

Customers are more **demanding and cautious with local e-commerce stores**. One of the reasons might be that they order non- essential products from foreign websites and have lower criteria for these e-stores.

This **USAID study** for e-commerce in Serbia points out one interesting fact: lack of trust in e-commerce exists among customers, although 85% of the online customers didn't have negative experience with e-commerce stores.

KEY INSIGHTS: Customers need assurance

Sub-challenge 1
Credibility and quality of e-commerce sellers

The findings from several performed interviews in February 2021 show that e-consumers **don't buy or rarely buy and trust unknown e-shops.**

When asked "What do you do before you make a purchase decision online?" the majority of consumers stated that they perform **web search, read consumers' reviews and testimonials online** or they ask for **recommendations from friends & family**.

Frequently, consumers consult online forums where they discuss about the e-sellers, the quality of their services and the origin and quality of the goods.

Several forums were analyzed from N. Macedonia, Serbia, Bosnia and Montenegro.
The most common issues mentioned by the e-commerce consumers were unreliable and expensive delivery, lack of trust regarding the quality of the products that local e-shops offer, and poor customer service.
Their testimonials show that consumers in the region regularly buy on foreign e-commerce platforms like Aliexpress, Amazon, Ebay, iHerb, etc.

"I am interested in purchasing from a (local) website, there are cheap goods, but I am afraid to make a purchase because I don't know what will I end up with."

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow
NEW WAYS TO NEW BUSINESS

KEY CUSTOMER ISSUES

>> Is the seller who it claims to be?

>> Is the conduct of the seller based on sound business fundamentals?

>> Is the seller capable to provide on-time delivery, product quality and after purchase service?

>> Does the seller provide quality service?

>> How would a customer know that this is a legit e-commerce seller?

>> Is the website real or scam?

Research shows that more than 60% of the consumers don't shop from unknown websites.
A key constraint for e-commerce growth is the lack of trust in e-commerce, particularly in domestic e-commerce sellers.

The large and uncontrolled informal economy is pointed out as a constraint on the development of the formal digital economy. The negative experience with the informal companies translates into general negative attitude towards e-commerce and lack of trust in e-commerce companies.

Sub-challenge 1
Credibility and quality of e-commerce sellers

The consumer faces many uncertainties when visiting an e-commerce website.
Building trust means predicting those uncertainties and preventing the assumptions of the buyer with proactive behavior and assurance by the e-commerce seller.
One research framework suggests that for each individual transaction, the process of buying and selling goods consists of few phases such as: ***information (where the trust is built),, agreement (confirmation of trust) and settlement (maintaining trust).***

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow

NEW WAYS TO NEW BUSINESS

OPPORTUNITIES

>> Since there is a lack of web- specific rules that company needs to follow and the consumers are not fully aware of it and how to protect themselves, the **need for assurance from an independent third party emerges.**

>> Seals, badges or labels are a common mechanisms that aim to assure consumers that a particular online seller has been validated by an independent third party and is found to be safe. As such, these seals or badges are a form of branding. Their use is especially important for SMEs, as these are often not a well-known brand of their own. Read more in the European Union report here and more about third- party certification here and here.

REQUIREMENTS

>> **Recognizable, transparent trust enhancing mechanism** which would be clearly communicated with the customers and acceptable by the companies

>> The potential solutions should be aligned with national laws & regulations

>> The solutions should be potentially scalable in the SEE region

>> The potential solutions should be innovative and sustainable business models

>> The requirements that e-commerce sellers have to fulfil should be based on national legislations and preferably, aligned with EU regulations and global code of conduct in e-commerce.

Sub-challenge 1

Credibility and quality of e-commerce sellers

The following solutions are **not suitable** for the 12th *lab of tomorrow*:

- ❑ Awareness campaigns
- ❑ NGO or similar initiatives
- ❑ Solutions that require legal framework or amendments to existing regulatives
- ❑ Solutions that can not be implemented in at least 3 countries in the SEE region and scalable in the whole region

SUB-CHALLENGE 2:

How might we increase transparency of e-commerce sellers in order to make them more trustworthy?

KEY STAKEHOLDER INSIGHT

Trust is a complex issue.
One of the root causes is transparency and the technology enabling that transparency is deeping the gap of trust.

Ecommerce providers are not offering sufficient information/ are not transparent so that the e-buyers could have an informed decision. Even more, they are preventing information.

Trust is not a loyalty program.

KEY CONSUMER ISSUES

Sub-challenge 2
Transparency of e-commerce sellers

- Transparency regarding data: how the data is collected and used
- Lack of real, credible social proof
- Purchasing "out of stock" products is very common
- Transparency regarding prices
- Transparency of the supply chain
- Online seller's overall transparency

"One of the root causes of lack of trust is transparency, and the technology enabling that transparency is deepening the gap of trust."

Sub-challenge 2
Transparency of e-commerce sellers

KEY INSIGHT:

There is growing market pressure in favor of transparency, and in e-commerce- TRANSPARENCY IS CRUCIAL FOR SUCCESS.

The transparency of information refers to clear and understandable presentation of the products placed on the website, prices including shipping, delivery and other additional fees and taxes, clear and understandable description of payment procedures, consumer rights and obligations, etc.

Research shows that consumers are curious and tend to make informed decisions about online purchases. Consumers look for recommendations and want to be informed of other people experiences with the respective e-commerce seller or the products that are being sold.

"E-commerce providers are not offering sufficient information & are not transparent so that the e-buyers could make an informed purchase decision. Even more, they are preventing information."

By being transparent, one e-commerce company is building trust and driving customer loyalty.

In 1995, Amazon introduced consumer reviews on its website, a move that was largely viewed as brand suicide at the time. Instead, e-commerce rating and reviews enabled Amazon to build a shopping empire based on brand experience, consumers' trust, and social proof.

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow

NEW WAYS TO NEW BUSINESS

OPPORTUNITIES

One of the ways for building trust in e-commerce with sense for transparency is social proof – reviews. As mentioned above, research shows that consumers are interested in reading reviews and tend to perform research before making an online purchase. Therefore, building and maintaining online reputation is important for the e-commerce sellers.

>> Radical transparency is the future of customer experience in e-commerce. First step towards that radical transparency would be data transparency. Customers are worried about giving out personal details online- the data can be sold or misused by the company. Transparency is of vital importance to the customers.

>> At the same time, personalized experiences that customers require clash with the concept of data privacy, Personalized customer experiences require data for finding useful patterns that extend the existing business knowledge. In order to be compliant with the regulations and to personalize customer experiences, companies need an innovative data strategy that demonstrates how data sharing is creating value to the customers.

REQUIREMENTS

>> The potential solutions should be compliant with national laws & regulations (e.g. data privacy)

>> The potential solutions should be potentially scalable in the SEE region

>> The potential solutions should be innovative and sustainable business models

Sub-challenge 2

Transparency of e-commerce sellers

The following solutions are **not suitable** for the 12th *lab of tomorrow*:

- business solutions that require legal framework or amendments to existing regulatives

SUB- CHALLENGE 3:

How might we improve efficiency and reliability of the last mile delivery services?

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow
NEW WAYS TO NEW BUSINESS

KEY INSIGHT: E-commerce sellers consider last mile delivery to be their biggest "pain point"

Sub-challenge 3
Efficiency and Reliability of Last Mile Delivery

The main issues and barriers on the supply side are the following:

>> High transaction costs for delivery of physical products and payments

>> Deliveries outside the local markets are too expensive or not available for the e-commerce sellers

>> The cooperation among delivery services is weak on regional level, especially when it comes to postal services (national postal service providers)

According to research, delivery issues have influence on the **consumers' purchasing decision** and negatively affect the **reputation of the e-commerce seller.** Although these issues are not typical "trust barriers" but rather "operational barriers", are highly important for e-commerce growth (especially for cross- border). One of the few trust pillars is- delivery method, its reliability and efficiency.

"One of the 2 main trust components is reliable delivery. If the e-seller can't promise reliable delivery, customers will be hesitant."

KEY CONSUMER INSIGHTS:
Last mile delivery and CoD payments

Since e-commerce sellers outsource the last mile delivery, **the CoD payments are collected by the delivery partners,** which causes inconveniences for the e-commerce seller. Delivery companies don't offer credit card payment on POS terminal upon delivery.

Customers don't have the option to choose the last mile delivery option or its cost.
One of the reasons for that is actually the CoD payment: e-commerce sellers find inconvenient to partner with several delivery companies and manage CoD with each partner.

DELIVERY PROVIDERS

Local & national deliveries are performed by private local delivery companies, while international purchases are delivered by the national posts. Door-to-door delivery is not offered by the national posts, instead customers pick up their parcels in the post offices.

PARCEL LOCKERS

Parcel lockers are gaining reputation and popularity in the region. Paketomat is a parcel locker system (Slovenia, Croatia, Serbia) implemented by national posts and private delivery companies. Customers can pick-up their parcels 24/7 and can pay cash or card via available POS or at the gas station where the locker is placed.

KEY CONSUMER INSIGHTS: Lack of communication and information from purchase to parcel delivery

Sub-challenge 3
Efficiency and Reliability of Last Mile Delivery

- Tracking orders is an overlooked feature and very often- not available
- Missing small parcels shipped from foreign countries
- RELIABILITY of last mile DELIVERY
- SPEED of DELIVERY
- QUALITY of the last mile delivery
- Low predictability of the last mile delivery
- E-commerce sellers rarely offer in-store pick-up (in case they have offline stores). Returns of products as well are rarely accepted in-store, instead are performed by the delivery partners.

"About two weeks ago when I made a purchase from a local e-shop, they said their delivery takes two days max, but I still have not received my package and it has been 2 weeks. I also cannot get a hold of them because they do not answer their phone nor they respond to my Facebook messages."

Sub-challenge 3
Efficiency and Reliability of Last Mile Delivery

OPPORTUNITIES

Last mile delivery refers to the shipping of products between a warehouse, store or restaurant and the customer. Last mile delivery is a struggle, and even global gigants like Walmart are looking for new technologies to help them in the last mile delivery.

- ❑ Building personal connections with the customers
- ❑ Offer real- time information about a package's delivery status

Companies can take cue from ride hailing services and offer receivers mobile apps that provide information about the driver who delivers the package

- ❑ Customers might pay additional fee for delivery in certain period of time (predictable delivery)
- ❑ New ways to increase sustainability- deliver orders from multiple senders at the same time
- ❑ Deliver orders to drop- off location in the neighborhood (especially for countries with assigned street addresses)

Parcel companies can team up with eCommerce companies and tech startups for increasing their digital capabilities and international partners for solving cross- border issues.

- ❑ Parcel lockers and pick-up stations are gaining more popularity in developing countries as well in the region

LIMITATIONS

- ❑ Low LPI scores in the countries of the region
- ❑ Some of the countries in the region don't have an advanced address system
- ❑ The potential solutions should be acceptable by the e-commerce providers and the delivery services and in accordance with the legislation in the respective countries in the region

SUB-CHALLENGE 4:

How might we increase consumers' trust in online payments?

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow
NEW WAYS TO NEW BUSINESS

KEY INSIGHT: Cash- on- Delivery is the preferred payment method

Sub-challenge 4
Trust in online payments

Legal frameworks for e-payments and consumer protection in e-commerce are in place across all economies in the region, though not fully aligned with EU frameworks. For more information, read Appendix 9 of the World Bank Report here.

Since e-commerce sellers outsource the last mile delivery, the CoD payments are collected by the delivery partners, which causes inconveniences for the e-commerce seller.

>> Offering CoD payment assures customers that as a brand, you're focused on first fulfilling their order and then on getting paid for it.
>> In some countries in the region, the **e-commerce sellers offer the option of opening the package before paying for the purchase.**

>> **Lack of financial literacy** on the demand side

>> Lack of trust in financial services

>> Most of the consumers in the region **use credit card payments at foreign e-commerce stores, but locally prefer cash on delivery.**

>>For example, in Bosnia only 38% of the buyers are comfortable with paying online with credit cards.

"The only local website I buy from are auction sites and pay in cash on delivery, or on group- buying website, while I order the rest from abroad."

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow
NEW WAYS TO NEW BUSINESS

KEY CONSUMER ISSUES

Lack of trust in financial services is common on regional level.

Online payments are not perceived as safe by the consumers.

Payment in advance without being sure whether the purchased goods are in stock

An Albanian online marketplace had **over 25% of sales via bank cards** in the beginning as they were perceived as a foreign shop. When it became known that it was a domestic company, **electronic payment sales dropped to less than 1%.**

Around **60 %** of the customers in the region have concerns regarding online payments

MISUSE OF PERSONAL DATA & Data privacy

Identity and payment theft

Customers are not sure whether (and how) they are protected from scams and credit card frauds.

Sub-challenge 4
Trust in online payments

"I bought something from a local online shop. It turned out to be a fake e-shop, so around 100 EUR were withdrawn from my account without my consent."

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow

NEW WAYS TO NEW BUSINESS

OPPORTUNITIES

- Lack of specialized online payment service providers
- Lack of innovative payment systems for e-commerce
- PayPal offers limited services in the region (e.g. in North Macedonia consumers can only use PayPal to send funds
- Payments in credit cards are rare in Albania and Bosnia and Herzegovina
- Ease of setting up a company and doing business

Safety Payment Badges & Seals

Digital Wallets

Advanced Cash-on-Delivery

LIMITATIONS

- Even though regulatory environment for payments is developed, it is still not aligned with the relevant EU regulation
- Competing with local & regional banks
- Key regional challenges also include the difficulty for firms and regulators to coordinate operations across small and fragmented markets, within the constraints of complex foreign exchange rules.

Find more inspiration:

- CoD management
- Mobile money service
- Digital Wallet

Sub-challenge 4

Trust in online payments

According to the World Bank Report, the barriers to finance that include:

- Low levels of account ownership and use of digital financial services;
- Banks' risk aversion;
- High cash-use levels;
- Reduced levels of trust in financial services;
- Comparatively low financial literacy rates,
- Comparatively high cost of core financial services e.g. payments and credit,
- Comparatively low levels of accessibility to financial and capital markets,

present challenges but also opportunities to regional fintech providers seeking to increase access for both consumers and SMEs.

ANNEX 1:

Facts & Figures

Ease of Doing Business Index

Country	Index
North Macedonia	17
Albania	82
Kosovo	57
Serbia	44
Montenegro	50
Moldova	48
Bosnia and Herzegovina	90

>> With increased government support and no capital fee for registering business, **KOSOVO is developing into potential location for starting business in technology.**

>> MONTENEGRO ranks as the second country to have maximum number of entrepreneurs in Europe behind Estonia.

>> SERBIA emerged as a **leader in the region** and is one of the top 5 countries in the world in number of **blockchain developers.**

Source: The World Bank 2019. Available here .

99%
of all companies in the region are SMEs

65%
of total business sector value is generated by SMEs

10%
SMEs sell online in several economies in the region

>> The **COVID-19 crisis has harshly affected SMEs** in South Eastern Europe.

>> The countries in the region are encouraged to **intensify SMEs digitalization which would help with remote working, digital payments and increased cybersecurity.**

>> The crisis forces SMEs to **diversify their customer base** and enter new e-commerce market.

>> **E-commerce is an opportunity for SMEs to catalyse their access to new international markets** and enhance competitiveness.

Small and medium- sized enterprises (SMEs) form the "backbone of the regional economies".

Read more about the SMEs assessment in the OECD SME Policy Index here.

Read more in the COVID-19 CRISIS RESPONSE IN SOUTH EAST EUROPEAN ECONOMIES report here.

Digitalization and Innovation

3 out of 10 companies in the region introduced new or improved products and/ or services in 2019

56% of the companies in KOSOVO claim their innovations were new to their market, while 7% of the companies in Kosovo introduced innovation on the global scale.

40 % of the companies in BOSNIA and HERZEGOVINA and MONTENEGRO introduced new or significantly improved products and/ or services in 2019

Executives in BOSNIA AND HERZEGOVINA are reporting an above-average level of innovative activity across all markets relative to the region.

There has been significant progress in the past couple of years in digital transformation in the SEE region.

Digital transformation could be used as an important element in ***boosting productivity and employment*** *in the region.*

Read more in the OECD report here.

Digital Skills

The European Commission estimates that in the near future, **90%** of the jobs will require some level of **digital skills.**

The economies in the region **are behind the EU 28 member states in advanced digital skills.**

Companies are underprepared for digital security challenges: on average, only **12%** of firms in the regional economies defined or revised their **security policy** in 2019.

SERBIA is the only one economy has a **dedicated digital skill strategy.**

The majority of individuals in the economies in the region **lack basic digital skills.**

2/3 of the individuals lack skills required to navigate digital spaces.

Digital in SEE (by country)

South- Eastern Europe (SEE)	Population	Internet penetration	Online purchases/ or pays bills online	Mobile phone connection	Active social media users	Broadband mobile connections (3g-5g)	Account in financial institution
Albania	2.88 m	72%	7.3%	4.12 m	1.40 m	58%	39%
Kosovo	1.91 m	89%	15%	1,67m (93%)	1.10m (61%)	78%	52%
Serbia	8.75 m	75%	23%	8.59 m (98%)	3.70 m (42%)	82%	71%
N.Macedonia	2.09 m	81%	20%	2.24 m (107%)	1.10 m (53%)	66%	77%
Moldova	4.04 m	2.88 m (71%)	37%	4.32 m	1.20 m (30%)	71%	44%
Montenegro	629.300	465.700 (74%)	15%	1.24 m	380.000 (60%)	56%	68%
Bosnia and Herzegovina	3.50 m	3 mil (86%)	15%	3.4m (97%)	1.7 m (49%)	57%	59%

SERBIA

CURRENT MARKET TRENDS

>> Growth in consumer spending is projected to continue at above EU-average levels through the end of 2022.

>> Most popular products purchased online are clothing and sporting goods (58.2%); household goods (27.1%); electronic equipment (20.1%); while least popular are books, newspapers, magazines (2%).

RELEVANT LEGISLATION:

- Law on Electronic Documents, Electronic Identification, and Trusted Services in Electronic Business
- Law on Postal Service
- Law on Trade and amendments to the Law on E-commerce

CROSS-BORDER E-COMMERCE

>> 75% of all transactions go to non-Serbian online vendors, largely from Germany, Italy, Russia, China, and Hungary.

>> Serbia is a member of the World Intellectual Property Organization (WIPO) and has some effective enforcement instruments in the field of IPR protection.

CONSUMER PROTECTION

>> The following platforms set up by the Ministry of Trade, Tourism, and Telecommunications are intended to educate consumers and include legal advice and important information for consumers:

www.pametnoibezbedno.gov.rs
www.zastitapotrosaca.gov.rs

Source:https://www.trade.gov/

- Projected revenue in e-commerce market US$490m in 2021.
- Revenue is expected to show an annual growth rate (CAGR 2021-2025) of 5.59%, resulting in a projected market volume of US$609m by 2025.
- Market's largest segment is Toys, Hobby & DIY with a projected market volume of US$131m in 2021.
- User penetration will be 52.7% in 2021 and is expected to hit 61.4% by 2025.

NORTH MACEDONIA

>> Due to the COVID-19 outbreak, North Macedonia has seen online sales growth increasing in recent months, though almost exclusively for grocery shopping.

>> 13 banks are acquiring banks, three of them (Komercijalna, Stopanska and Uni bank) use Casys/ Cpay. Provisions for online transactions vary from 2.4% up to 6%.

RELEVANT E-COMMERCE LEGISLATION

- ❑ Law on electronic trade,
- ❑ Law on trade,
- ❑ Law on Consumers Protection,
- ❑ Law on personal data protection,
- ❑ Law on electronic communications,
- ❑ Criminal Code

>> About 80% of online purchases in 2019 in North Macedonia were made via AliExpress retail service or other foreign websites, mostly in the EU and US

>> Most ordered consumer goods are clothes and sports equipment. For specific needs, eBay is used, although on a much smaller scale. Shopping through mobile devices still lags

>>Consumers are extremely price sensitive, and price is usually the decisive factor in purchase decisions.

>> B2B eCommerce is under-developed in North Macedonia.B2B iis most common in the Information Communications and Technology (ICT) sector.

Source:https://www.trade.gov/

- ❑ Projected revenue in e-commerce market: US$152m in 2021.
- ❑ Revenue is expected to show an annual growth rate (CAGR 2021-2025) of 10.15%, resulting in a projected market volume of US$224m by 2025.
- ❑ Market's largest segment is Electronics & Media with a projected market volume of US$43m in 2021.
- ❑ User penetration will be 39.3% in 2021 and is expected to hit 44.6% by 2025.

BOSNIA AND HERZEGOVINA

The financial sector in Bosnia leads the way with many commercial banks offering e-banking to their clients.

There are 1.3 million people doing shopping online, which means user penetration may reach around 44% in four years..

>> The most significant segment is Fashion, its market volume is expected to be US$65m in 2021.

Although only 9.7% of Bosnians own credit cards, 17% of online payments are credit card payments

The most popular payment method is paying by mobile. Other ways like prepaid cards, bank transfers, or e-wallets have a marginal share.

Around 600 online stores, 300 active

E-commerce sellers from rural areas that sell artisan and home- made products or services on local and foreign markets.

Source: https://www.trade.gov/

- Projected revenue in e-commerce market US$237m in 2021.
- Revenue is expected to show an annual growth rate (CAGR 2021-2025) of 6.47%, resulting in a projected market volume of US$304m by 2025.
- Market's largest segment Fashion with a projected market volume of US$65m in 2021.
- User penetration will be 39.1% in 2021 and is expected to hit 43.7% by 2025.

MOLDOVA

RELEVANT LEGISLATION

>> Moldova passed the Law on e-commerce in 2004 regulating the main aspects of transactions over the Internet introducing such terms as electronic contract. New changes to the law were passed in line with Moldova's EU Association Agreement/Deep and Comprehensive Free Trade Area (AA/DCFTA) focusing primarily on personal data protection.
The 2004 Law on e-commerce in Moldova imposes a lot of issues: social media sellers remained outside the regulation, and most important: the law introduces a very vague wording for describing online store which leads to not being able to make a clear (legal) distinction between an online store and website.

>> The Moldovan e-commerce sector remains underdeveloped despite the growing use of the Internet. The COVID-19 pandemic has underscored the need to develop online payments and online banking systems. ·

>> Around 400 Moldovan companies are reported to have e-stores. Internet banking is becoming increasingly popular. Access to wired Internet and mobile internet is increasing as the use of smartphones has spread and some local operators are already considering upgrading their infrastructure to 5G. Most large Moldovan banks offer online payment integration methods.

>> Over 75 percent of the population uses the Internet, and there is widespread internet coverage. High-speed mobile Internet coverage is also 98%.

>> ·International e-commerce websites are popular among Moldovans, primarily for online purchases of c**onsumer electronics, with French and UK-based e-commerce gaining popularity in Moldova for clothing and footwear.** Among the international and domestic eCommerce websites, which are used by Moldovans are the following: **Ali Express, Smad Shop, Rozetka, Smart, La Redoute, Net Market, Panda Shop, Sports Direct, Zap, Amazon, ASOS, Bestseller, eBay, iHerb.**

>> Online payment is rarely used by domestic e-commerce websites, mostly preferring **cash on delivery or wire transfers.** Credit cards, paypal and webmoney remain the only viable solution for online international transactions.

- ❑ Revenue in the eCommerce market is projected to reach US$148m in 2021.
- ❑ Revenue is expected to show an annual growth rate (CAGR 2021-2025) of 12.44%, resulting in a projected market volume of US$237m by 2025.
- ❑ Market's largest segment is Fashion with a projected market volume of US$47m in 2021.
- ❑ User penetration will be 34.2% in 2021 and is expected to hit 38.9% by 2025.

Source: https://www.trade.gov/

KOSOVO

>> According to data from the Kosovo telecom regulator, more than **90 percent of Kosovo households regularly use internet,** and the number of individuals using mobile internet has reached 92.3 percent of total mobile users (country with the highest number of internet users in the Balkans)

>> While Kosovo has the highest internet penetration rate in the region, **the e-Commerce sector remains nascent**. As a result of the COVID-19 pandemic more companies in Kosovo are experimenting with using eCommerce. Most commercial banks have introduced internet banking and all utilities offer online bill payment options. Kosovo follows EU standards for eCommerce and consumer protection.

>> Well-known eCommerce websites - including **Amazon, AliExpress, and ASOS** -ship to Kosovo.

>> **The majority of online purchases in Kosovo are made through E.U. and U.S. retailers.**

>> **Payment methods for eCommerce transactions include e-banking, credit cards (Visa and Mastercard), and cash-on-delivery** for the domestic market. While third-party payment methods such as PayPal and Payoneer generally do not offer services in Kosovo, some users find work-arounds leveraging banks in neighboring countries.

>> E-commerce is regulated by laws on Information Society Services

>> According a survey in 2020, three main issues were mentioned by the respondents: **customs (30.4%), low quality products (27.8%) and transportation (16.6%).** The majority of respondents (88%) shopped online, while 11.5 % never shopped online, out of which 64.9% stating that they **don't trust the quality of the products or they don't trust online platforms.** Companies think that industries with highest potential to succeed in e-commerce in Kosovo are: beauty, technology and food industry.

Source: https://www.trade.gov/

MONTENEGRO

>>The legal framework for E-commerce in Montenegro includes the E-commerce Law (2004), Electronic Document Law (2008) and the Electronic Signature Law (2005). Since 2014, the most prominent online payment system in the world, PayPal is available in Montenegro, but only for payments from the country. The adopted legislation promotes the secure and efficient utilization of electronic communication by specifying requirements for certain electronic signatures and authorizing the issuance of certificates for electronic signatures.

>> The Government considers the further development of the digital economy one of its priorities. Montenegro has made mild progress on its digital agenda to date, including the successful investment of 250 million euros in the telecommunication sector.

>> Statistics regarding the use of computers, broadband penetration, and e-commerce are improving. According to Internet World Stats (IWS), 71.5 percent of Montenegrins are frequent users of the Internet. Due to the increased awareness of the consumer and the demand, B2C sites and has increased in the past few years. Today there are banking, bill payment, consumer products and grocery shopping through Montenegro.

>> Online payments during COVID 19: 31% increased in Montenegro

>> 70% of users pay online (36% monthly, 14% weekly)

>> 33% users buy from local e-shops, 30% from both local and international e-shops

- ❑ Revenue in the eCommerce market is projected to reach US$60m in 2021.
- ❑ Revenue is expected to show an annual growth rate (CAGR 2021-2025) of 11.57%, resulting in a projected market volume of US$94m by 2025.
- ❑ Market’s largest segment is Fashion with a projected market volume of US$24m in 2021.
- ❑ User penetration will be 41.3% in 2021 and is expected to hit 48.5% by 2025.

Source: https://www.trade.gov/

ALBANIA

>> The penetration of e-commerce among customers in Albania lags behind its regional peers. There is a large scope for further development of e-commerce in Albania.
>> SMEs in Albania could benefit from cross- border e-commerce and regional market.
>> 54 % of Albanian survey respondents indicate that they have increased their use of online shopping during the crisis, out of these
>> 74 % believe that they will continue to shop online more frequently once the pandemic is overcome.
>>Customers in Albania highlight the lack of trust in e-commerce as a significant barrier for e-commerce growth, because of the following issues:

- the risk of ordering a product from domestic sellers that does not meet expectations,
- the risk of identity and payment theft.

When it comes to cross-border transactions, these trust concerns remain a major factor.

RELEVANT LEGISLATION

- Law on e-commerce
- Law on electronic communications

Read more about Albanian e-commerce here.

- Revenue in the eCommerce market is projected to reach US$133m in 2021.
- Revenue is expected to show an annual growth rate (CAGR 2021-2025) of 9.71%, resulting in a projected market volume of US$192m by 2025.
- Market's largest segment is Fashion with a projected market volume of US$37m in 2021.
- User penetration will be 38.1% in 2021 and is expected to hit 40.8% by 2025.

LOGISTICS PERFORMANCE INDICATORS

Country	Year	LPI rank	LPI Score	Customs	Infrastructure	International shipments	Logistics competence	Tracking & Tracing	Timeliness
Albania	2018	88	2.66	2.35	2.29	2.82	2.56	2.67	3.20
Bosnia and Herzegovina	2018	72	2.81	2.63	2.42	2.84	2.80	2.89	3.21
N.Macedonia	2018	81	2.70	2.45	2.47	2.84	2.74	2.64	3.03
Montenegro	2018	77	2.75	2.56	2.57	2.68	2.72	2.58	3.33
Moldova	2018	116	2.46	2.25	2.02	2.69	2.30	2.21	3.17
Serbia	2018	65	2.84	2.60	2.60	2.97	2.70	2.79	3.33

Source: World Bank. Data for Kosovo is not available.

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow NEW WAYS TO NEW BUSINESS

References and further readings:

- E-commerce rising stars of the Western Balkans
- COVID-19 CRISIS RESPONSE IN SOUTH EAST EUROPEAN ECONOMIES
- SME Policy Index: Western Balkans and Turkey 2019: Assessing the Implementation of the Small Business Act for Europe
- https://saradnja.rs/wp-content/uploads/2019/10/Ecommerce-Study-Srbija.pdf
- https://www.jbs.cam.ac.uk/wp-content/uploads/2020/08/2020-ccaf-fintech-innovation-western-balkans.pdf
- EU online Trustmarks Building Digital Confidence in Europe
- https://www.europarl.europa.eu/RegData/etudes/etudes/join/2012/492433/IPOL-IMCO_ET(2012)492433_EN.pdf
- UNCTAD B2C E-commerce Index 2019
- https://www.oecd-ilibrary.org/docserver/9789264298576-15-en.pdf?expires=1619091132&id=id&accname=guest&checksum=BDE62561F6A7BB89A5C0187416A68482
- An Uncertain Recovery
- Electronic Commerce: Roadmap for dialogue on regulatory issues
- Increasing Trust in e-Commerce:Concepts and Examples of Insurance Solutions
- International Trade Administration
- Trust marks report 2013 ”Can I trust the trust mark?”

ANNEX 2:

About the *lab of tomorrow*

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow
NEW WAYS TO NEW BUSINESS

The *lab of tomorrow* is an open innovation process that functions as an incubator for sustainable businesses.

1 APRIL

Apply

We are looking for strongly interested entrepreneurs, company representatives and individuals who want to tackle one of the sub-challenges. The spots are limited and only 30 participants will be selected. Apply here

2 MAY

Team formation

This is a co-creation process so be prepared to team up with some of the most forward-looking innovators from the region. From the selected participants, interdisciplinary teams will be formed. Be prepared to build a business within your team.

3 JUNE

Innovation Sprint

Be prepared to enter in the **6-day Innovation Sprint from 25th of May to 3rd of June.** During the innovation sprint together with your team you will develop the business idea and create your business venture structure and your team's way forward.

4 JUNE - SEPT

Incubation

Teams with the most viable business solutions will be selected to go to the Incubation phase from June to September. The selected teams will be guided by coaches and mentors towards building and validating their business solutions until they are market ready.

5 OCTOBER

Market Pilot

At the end of the Incubation phase you will pitch your business solution in front of selected jury memebers, investors and potential consumers. Get ready for market pilot.

Federal Ministry for Economic Cooperation and Development

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

lab of tomorrow
NEW WAYS TO NEW BUSINESS

How will you benefit?

COOPERATE WITH NEW PARTNERS

✓ Work together with other entrepreneurially minded actors all committed to create sustainable business solutions in small interdisciplinary venture teams of 4-6
✓ Extend your network among local & EU corporates, SMEs, and startups, civil society

DISCOVER & LEARN

✓ Regional market opportunities
✓ Hands-on Design Thinking
✓ Product development
✓ Business Model Innovation

STRONG DEVELOPMENT SUPPORT

✓ Guided multi-day innovation sprint
✓ 3-4 months incubation support with expert coaching and mentoring
✓ Access to our network of investors

12th *lab of tomorrow* network of Partners & Investors

Rockaway Capital

South- Central Ventures

MasterCard

Read more about funding possibilities in the World Bank Report.

Explore the startup ecosystems in Western Balkans on the website of Startup Europe Networks.