
E-COMMERCE IN SERBIA:

INCREASING YOUR SALES THROUGH ONLINE AND E-COMMERCE SOLUTIONS



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...1.0... E-COMMERCE LANDSCAPE

...2.0... LEGAL FRAMEWORK

...3.0... MARKET PLACE PLATFORMS

...4.0... DELIVERY OPTIONS

...5.0... PAYMENT OPTIONS

...6.0... WEB SHOP DEVELOPMENT
GUIDELINES

**...:1.0:... E-COMMERCE LANDSCAPE:
AN OVERVIEW AND COMPARISONS**

1.1 ECONOMIC STRENGTH AND INTERNATIONAL TRADE IN SERBIA: AT A GLANCE

Serbian economy has been steadily growing in the last decade in the aftermath of the Global Financial Crisis of 2008.

After the outbreak of the COVID-19 pandemic, Serbia has witnessed a moderate decline in GDP of 0.98% which was among the best results in the 'Old Continent' and the West Balkan region. Serbia's GDP is expected to grow by 6% in 2021 as projected by the EBRD.

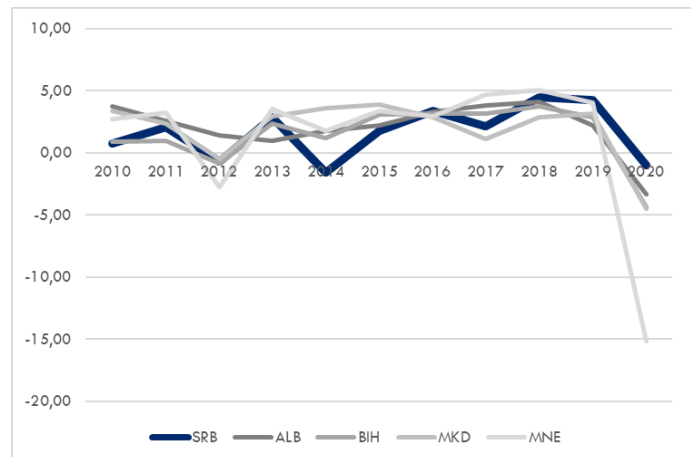


Fig. 1. GDP growth in the West Balkans region ¹
(Source: Worldbank Indicators)

Externally, Serbia can serve as a manufacturing hub for duty-free exports to a market of more than 1 billion people that includes the European Union, the Russian Federation, USA, Kazakhstan, Turkey, South East Europe, the European Free Trade Agreement members, and Belarus. This custom-free regime covers most key industrial products, with only a few exceptions and annual quotas for a limited number of goods.

Table 1. Trade agreements that Serbia concluded until AUG2021 ²

CEFTA	Serbia has been a Party to the Central European Free Trade Agreement (CEFTA) since December 2006. CEFTA is a regional free-trade agreement composed of the following members (which, together, have a total population of nearly 20 million): Albania, Bosnia and Herzegovina, Northern Macedonia, Moldova, Montenegro, Serbia and UNMIK/Kosovo.
EU	Goods originating from Serbia and exported to the EU customs area are subject to preferential customs regimes. Serbia's Stabilization and Association Agreement with the EU and Interim Agreement on Trade and Trade-Related Issues opened the door for Serbia to begin systemic reforms and harmonize its legislation with EU standards. Under this agreement, Serbia has abolished tariffs on most goods imported from the EU.
USA	The United States restored Normal Trade Relations with Serbia in December 2003, providing improved access to the U.S. market for Serbia. In 2005, the U.S. government designated Serbia as a beneficiary of the U.S. Generalized System of Preferences (GSP), providing duty-free access to the U.S. market in various eligible categories. In 2018, Serbia exported \$93 million to the United States under GSP.
EURASIA	In October 2019, Serbia signed a Free Trade Agreement with the Eurasian Economic Union (EAEU), which will replace Serbia's bilateral FTAs with EAEU member states Russia, Belarus, and Kazakhstan once all member countries ratify the agreement.
Bilateral	Serbia has concluded bilateral free-trade agreements with the Russian Federation, Belarus, Kazakhstan, Turkey, and the European Free Trade Association (Norway, Switzerland, Iceland, and Liechtenstein). Serbia is also a beneficiary of Japan's GSP (preferential duties on importation to Japan).

¹ Source of data: Worldbank Indicators (2021). GDP growth by country: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

² The US International Trade Administration (2021). Serbia—Country Commercial Guide: <https://www.trade.gov/country-commercial-guides/serbia-trade-agreements>

1.2 PRESUMPTIONS FOR THE E-COMMERCE DEVELOPMENT: SERBIA AND THE WEST BALKANS REGION

Internet is widely used in Serbia, although the country lags behind the developed West European nations. As indicated by Statista, the expected number of internet users by 2025 will reach 86.21%.

As for the e-commerce and online sales, it used to be a novelty only a decade ago in Serbia. Various market research show that in 2014, for instance, less than 15% of the population have purchased at least one thing online. Today, that figure has skyrocketed, particularly due to the social distancing measures, lockdowns, and other pandemic-specific factors.

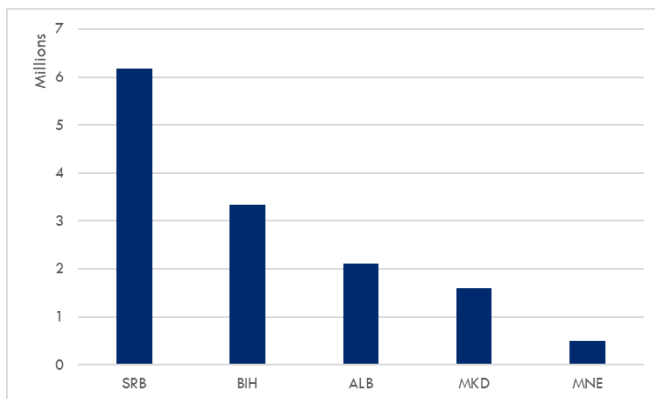


Fig. 2. Number of internet users in the West Balkan region ³

TOTAL NUMBER OF INTERNET USERS:

In the West Balkan region, more than two third of citizens are unique internet users in each and every country .

When it comes to the absolute number, Serbia leads the region. In relative terms, nonetheless, BIH and MNE are leaders.

% OF PEOPLE PURCHASING ONLINE:

Serbia leads the region of the West Balkans in terms of both the absolute and relative number of people purchasing online.

However, this is far behind the West European countries which have more than 80% of population who bought at least one product per year online (i.e., GBP, NOR, DEN, SWE or NLD).

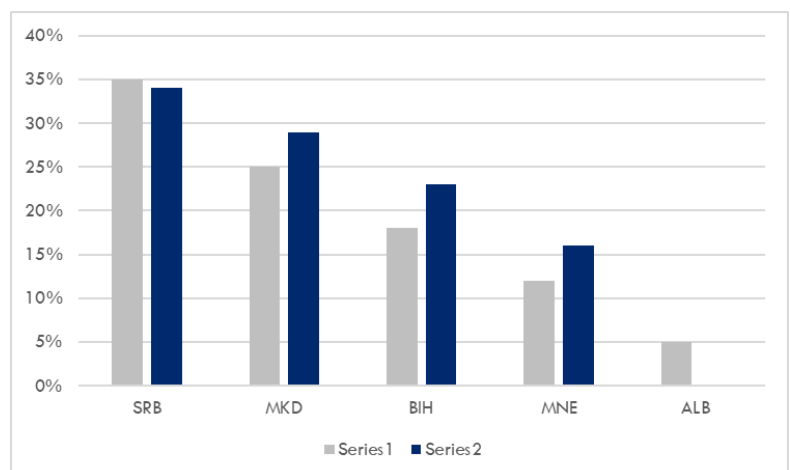


Fig. 3. Percentage of population who purchased anything on-line in 2018 and 2019—prior to COVID-19 (Source: Statista)

³ Source of data: Worldbank Indicators (2021). Individuals using the Internet: <https://data.worldbank.org/indicator/IT.NET.USER.ZS>

⁴ Source of data: Statista (2021). E-commerce worldwide—Statistics & Facts: <https://www.statista.com/topics/871/online-shopping/>

⁵ Source: Datareportal (2020).
Digital 2020: Serbia:
<https://datareportal.com/reports/digital-2020-serbia>

⁶ Source: RFE/RL's Balkan Services:
<https://www.rferl.org/a/balkans-integration-roaming-eu/31336583.html>

SMARTPHONE USERS

...:MOBILE CONNECTIONS IN SERBIA:...:

- There were 8.59 million mobile connections in Serbia in January 2020.
- The number of mobile connections in Serbia increased by 5,101 (+0.06%) between January 2019 and January 2020.
- The number of mobile connections in Serbia in January 2020 was equivalent to 98% of the total population.⁵

...:NOVELTIES IN THE WB REGION:...:

Balkan countries on July 1 dropped roaming charges for calls and text messages for all mobile-phone users across the region in a step toward regional integration. Nearly 18 million citizens of Albania, Bosnia-Herzegovina, North Macedonia, Montenegro, and Serbia will now benefit from the elimination of roaming charges during travel within the region, providing tangible results from cooperation.⁶



1.3 SERBIA & E-COMMERCE INDEX: AN INTERNATIONAL OVERVIEW

The UNCTAD B2C E-commerce Index measures an economy's preparedness to support online shopping. The index consists of four indicators that are highly related to online shopping and for which there is wide country coverage:

- A. Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+);
- B. Individuals using the Internet (% of population);
- C. Postal reliability Index; and
- D. Secure Internet servers (per 1 million people) .

Serbia was ranked as **43RD** out of 152 national economies in 2020, making an improvement compared to 2019 when the country was 44th on the list. ⁷

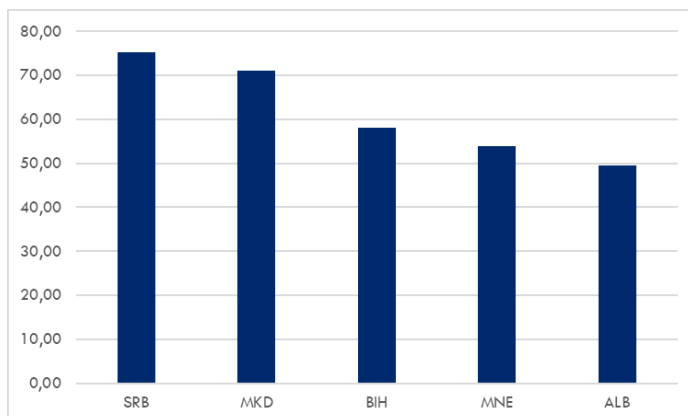


Fig. 4. E-Commerce Index for the West Balkan countries ⁷

GEOGRAPHICAL REGION:

Serbia outperforms other countries in the region in E-Commerce Index. The closest one to Serbia was North Macedonia (ranked 52nd), and the worst one was Albania (86th).

Serbia is the only country that has climbed this scale. All other countries in the West Balkan region have declined their 2019 position.

FUNCTIONAL REGION:

Serbia was listed as a rising star within the wider category of Transitional Economies.

Only two countries were better than Serbia: BLR (rank 35) and RUS (rank 41).

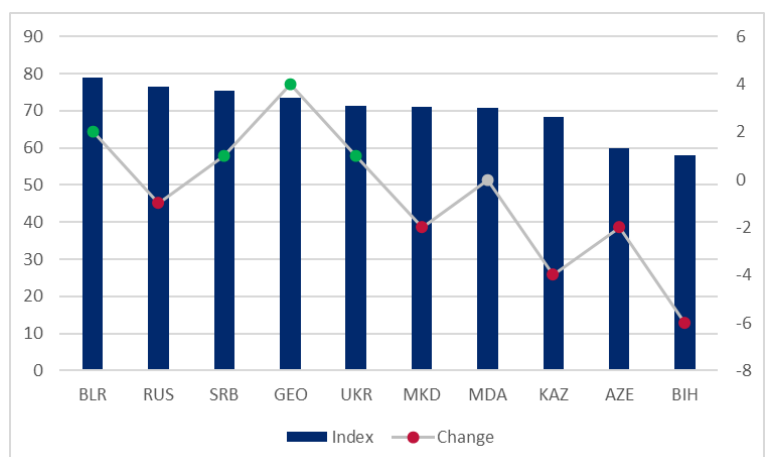


Fig. 5. E-Commerce Index for transitional countries ⁷

⁷ Source of data: UNCTAD (2021). The UNCTAD B2C E-commerce Index 2020: https://unctad.org/system/files/official-document/tn_unctad_ict4d17_en.pdf

E-COMMERCE LANDSCAPE

⁸ Source: BBC (2021). Svetski dan potrošača i korona virus: Šta je pandemija promenila i da li više kupujete onlajn (text in Serbian): <https://www.bbc.com/serbian/lat/srbija-56378437>

COVID-19 PANDEMICS & E-COMMERCE

...:KEY FACTS:...

- For YTD April 2020-2021 only, online food delivery has increased by approximately 200%, textiles by nearly 100%, and computers and technical appliances by 50%, as reported by the Ministry of commerce, tourism and telecommunications.
- At the every beginning of the pandemics, the online sales have skyrocketed. The operations of the main Serbian carriers have grown tenfold, as reported by the Association for the Electronic Communications and Information Society of the Serbian Chamber of Commerce.⁸

...:EXPECTATIONS:...

- The total number of online transactions has doubled in a single year, and the level is expected to remain high in the following years.
- The e-commerce in Serbia is becoming a saturated field and the CAGR is expected to decline by 1% in the next four years.



**...:2.0:... LEGAL FRAMEWORK
FOR E-COMMERCE IN SERBIA**

2.1 LEGAL PREREQUISITS: CURRENT LEGAL FRAMEWORK FOR E-COMMERCE

E-commerce is becoming an increasingly popular form of buying goods and services among the citizens of the Republic of Serbia. The number of internet users in the Republic of Serbia is undoubtedly increasing day by day. This is not surprising given the fact that owning a smartphone today is almost mandatory and that the former obstacles to its use, both financial and technical, are almost gone. According to a 2018 study by the Bureau of Statistics, more than 1.8M people have purchased something online. However, despite the considerable number of consumers purchasing goods/services online, the key in this area is that citizens need to know how to protect their rights when doing so.⁹

Alongside the Act on trade, and Act on Foreign trade, the main legal acts that comprise legal framework for e-commerce comprise of the following¹⁰:

...:ACT ON ELECTRONIC COMMERCE:...

The E-Commerce Act and the Commerce Act are laws that explicitly regulate an important part of the issues that are relevant to e-commerce. The legal basis for all the legal obligations is given in the Act on Obligations. With respect to the Act on E-Commerce, it should be borne in mind that although it bears a name that contains the term ecommerce, the law as such does not regulate in detail and exclusively all aspects of this type of commerce that occur in practice.

...:CONSUMER PROTECTION ACT:...

Act on Consumer Protection regulates the issue of consumer protection when shopping online. It defines the obligations of the sellers and the rights of the buyers in case of establishing a contractual relationship out of business premises.

...:CUSTOMS ACT:...

This Act shall apply to the movement of goods between the customs territory of the Republic of Serbia and other customs territories. Therefore, it is of the utmost importance when it comes to e-commerce beyond the borders of our Serbia. It is of the utmost importance when it comes to e-commerce the borders of our country.

...:ACT ON ADVERTISING:...

Advertising is the presentation in any form in connection with a business or professional or business activity, in order to encourage the sale of goods and services. In this regard, the said law prescribes what the advertiser can advertise and in what way, without suffering the sanction prescribed by law.

...:ACT ON PERSONAL DATA PROTECTION:...

Pursuant to the provisions of the Act on Personal Data Protection, the controller and the processor are obliged to process the data if there is a legal basis for this. If it is necessary for an e-commerce company to process certain personal data (name and surname, address and city for delivery of the shipment), it follows that there is a legal basis for this (processing is necessary for the execution of the contract concluded with the data subject or to take action, at the request of the data subject, before concluding the contract).

⁹ Source: The Government of the Republic of Serbia (2021). eCommerce: The Future is Now: <https://www.srbija.gov.rs/tekst/en/129967/e-commerce.php>.

¹⁰ Rewarded and adapted from: USAID (2018). Strengthening e-commerce in the Republic of Serbia, final report: <https://saradnja.rs/wp-content/uploads/2019/10/Ecommerce-Study-Serbia.pdf>

2019 LEGAL IMPROVEMENTS

THREE NEW LAWS WERE PASSED IN 2019:

#1 LAW ON PERSONAL DATA PROTECTION

#2 LAW ON TRADE

#3 LAW ON ELECTRONIC COMMERCE

THESE LEGAL IMPROVEMENTS ENABLED A NUMBER OF NOVEL ACTIONS AND INSTITUTES.



GDPR:

Harmonization of national jurisdiction to the requirements of the GDPR, such as Personal data mapping, internal acts related to the collecting, recording, processing and storing data.



E-STORES:

Introduction of e-stores as a legal term created a maneuvering space for the closer definitions of e-commerce that were not recognized in the older version of the Law.



DISCOUNTS:

The new laws introduce specific definition of various forms of sales incentives (discounts, seasonal actions, and sales) and how they can be advertised both online and offline.



MYSTERY SHOPPER:

The market inspection is empowered to act as a mystery shopper, pretending to be an interested buyer to check for procedures and payments.



DROPSHIPPING:

E-seller does not have to have the stocks of goods as an offline seller. Instead, they can only connect end-users and manufacturers.



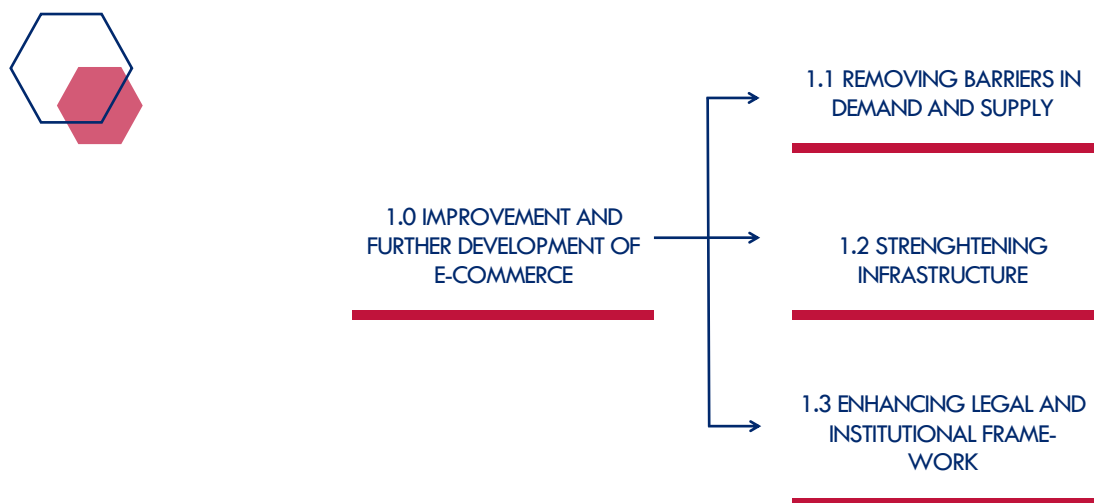
PRICING:

Additional change is the possibility for e-seller to set the price in any foreign currency whether or not the real sales takes place within or outside Serbian payment jurisdiction.

2.2 POLITICAL PREREQUISITS: GOVERNMENTAL SUPPORT

As the development of the digital economy, and therefore the development of e-commerce, is one of the Government's priorities, in October 2019, the Program for the Development of E-Commerce in the Republic of Serbia for the period 2019-2020 was adopted, with an Action Plan containing a set of measures and activities aimed at enhancing all segments in the field of e-commerce (strengthening consumer confidence in online shopping, strengthening the position of e-merchants, improving logistics flows, promoting electronic payment, etc.). This is the first government program document specifically intended for the development of e-commerce in the Republic of Serbia, whose preparation was preceded by a comprehensive analysis and research on the state of e-commerce in the Republic of Serbia, conducted within the framework of the Economic Development Cooperation Project (USAID CFG) and its key results and recommendations were integrated into this programming document.¹¹

Such and similar results and predictions point to the need to improve and further develop e-commerce in the Republic of Serbia. As the development of the digital economy, and therefore the development of e-commerce, is one of the Government's priorities, in October 2019, the Program for the Development of E-Commerce in the Republic of Serbia for the period 2019-2020 was adopted. with an Action Plan containing a set of measures and activities aimed at enhancing all segments in the field of e-commerce (strengthening consumer confidence in online shopping, strengthening the position of e-merchants, improving logistics flows, promoting electronic payment, etc.). This is the first government program document specifically intended for the development of e-commerce in the Republic of Serbia, whose preparation was preceded by a comprehensive analysis and research on the state of e-commerce in the Republic of Serbia, conducted within the framework of the Economic Development Cooperation Project (USAID CFG) and its key results and recommendations were integrated into this programming document.



¹¹ Source:
The Government of the Republic of Serbia (2021). eCommerce: The Future is Now: <https://www.srbija.gov.rs/tekst/en/129967/ecommerce.php>

Fig. 6. Hierarchy of goals in the Program for the Development of E-Commerce in the Republic of Serbia for the period 2019-2020

2.3 KEY CHALLENGES AND OPPORTUNITIES: WHAT NEEDS TO BE IMPROVED?

A number of advancements in the field of e-commerce can be stipulated or incentivized by the government, from legal and technology-wide actions to education and empowerment of entrepreneurs. Some further required measures are described below.



#1 ONLINE DISPUTE RESOLUTION MECHANISM

The online dispute resolution platform is a platform provided by the European Commission, enabling consumers and e-traders in the European Union, Norway, Ireland, and Liechtenstein to resolve disputes regarding the online purchase of goods and services without court intervention. The ODR platform is not affiliated with any traders. Consumers can use the platform to submit a complaint to an approved dispute resolution body. Said Dispute Settlement Body is an impartial organization or individual that helps consumers and e-traders resolve emerging disputes. This resolution process is known as an alternative method of dispute resolution, and as such is faster and less expensive than litigation before a court.¹²



#2 BLOCKCHAIN AND SMART CONTRACTS

Blockchain technology offers a wide range of opportunities for business advancement, government administration, and consumer protection. This would create an opportunity for exceptional economic growth and cost-effectiveness. The Republic of Serbia should encourage the growth and development of blockchain technology.

Smart contracts have evolved significantly in the short term. They enable the further development of distributed ledger technology (DLT). Security, automation of performance, and efficiency in streamlining processes are sufficient reasons for smart contracts to be fundamental to DLT takeover.¹¹



#3 EDUCATION AND INCENTIVES FOR ENTREPRENEURS

Education is a long term strategy for the improvement of electronic services in both private and public enterprises in Serbia.. Entrepreneurs need to understand and develop IT-based concepts in general. This would utterly allow for the creation of innovative product and services, new solutions, new channels of distribution and sales.

Incentives other than promotion and instructions for SME owners are also required. The incentives would support the strategies of new companies and fulfilment of desired goals for both companies and society at large.

¹² Source: USAID (2018). Strengthening e-commerce in the Republic of Serbia, final report: <https://saradnja.rs/wp-content/uploads/2019/10/Ecommerce-Study-Serbia.pdf>

...:3.0:... **MARKETPLACE ANALYSIS** FOR E-COMMERCE IN SERBIA

3.1 SERBIAN MARKET SIZE AND REVENUE STREAM: A GROWTH ANALYSIS

As reported by ecommerceDB, Serbia is 76th e-commerce market in the world. Total revenue in 2020 was US\$446 million. The annual growth in 2020 was 20%. The eCommerce market includes online sales of physical goods to a private end user (B2C). Included in this definition are purchases via computer as well as mobile purchases via smartphones and tablets. Excluded from the definition of ecommerceDB are the following: digitally distributed services (e.g., travel tickets), online stores dedicated to digital media downloads or streams, online stores dedicated to B2B markets, and sales between private individuals (C2C) within the eCommerce market.¹³



Market expansion in in Serbia is expected to continue over the next few years, as indicated by the Statista Digital Market Outlook. It has been predicted that the compound annual growth rate (CAGR 20-24) for the next four years will be 7%. Compared to the year-over-year growth of 20%, this decrease suggests a moderately flooded market. Another indicator of market saturation is the online penetration of 35% in in Serbia; in other words, 35% of the Serbian population have bought at least one product online in 2020.

Five categories are considered by ecommerceDB. Toys, Hobby & DIY is the largest segment in in Serbia and accounts for 27% of the eCommerce revenue in in Serbia. This is followed by Fashion with 26%, Furniture & Appliances with 19%, Food & Personal Care with 16% and Electronics & Media with the remaining 12%.

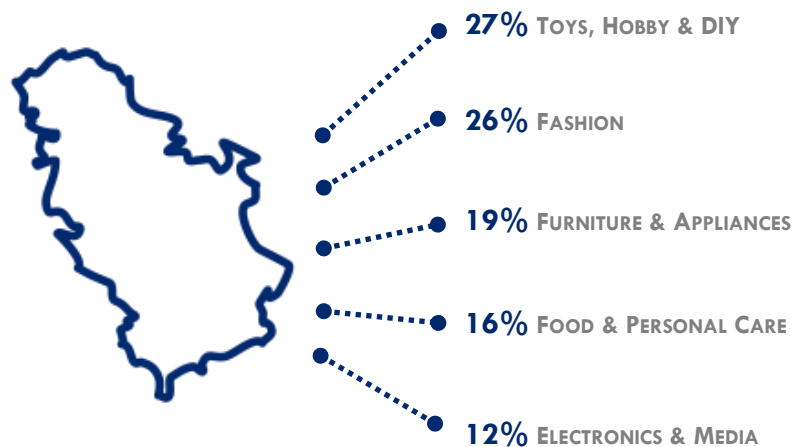


Fig. 7. Main eCommerce categories in Serbia, and their split

¹²³Source: ecommerceDB (2021). The eCommerce market in Serbia: <https://ecommercedb.com/en/markets/rs/all>

3.2 COMPETITORS IN BRIEF: LARGE RETAILERS ARE EMBRACING E-COMMERCE

Large retailers from various sub-fields are highly motivated to implement web shops and online sales. The largest e-commerce retailers come from the electronics and home appliances (Gigatron and Tehnomania). As given in the Statistical Office's report for 2019, the most agile e-commerce enterprises were medium-sized companies. As for the region—Belgrade and Vojvodina lead the way.

Table 3. Serbian enterprises' online sales split by size and region

SMALL	MEDIUM	LARGE		BELGRADE	NORTH	CENTER-WEST	SOUTH-EAST
53.4%	69.7%	78.2%	1/4	44.1%	57.8%	79.7%	71.1%
38.1%	15.7%	14.2%	2/4	44.5%	26.6%	19.8%	32.9%
4.5%	4.0%	3.8%	3/4	3.2%	8.9%	0.5%	4.4%
4.0%	10.6%	3.8%	4/4	8.2%	6.7%	0.0%	0.3%

BEST-FIT STRATEGIES TO COMPETE IN SERBIA



CUSTOMER CHOICE:

Most companies offer both online shopping and in-store experience. In some cases, retailers offer the choice of selecting the goods, and picking them in-store.

AN EXAMPLE:

FMCG retailers in Serbia are offering choose & pick-up particularly for the processed meat category.



CHANNEL DIVERSITY:

Most retailer either develop, or consider developing omni-channel strategies. Customers in Serbia highly appreciate the multi- and omni-channel options.

AN EXAMPLE:

Customers in Serbia were outraged after a fake news that a Spanish apparel retailer was planning to close in-store sales.

3.2 CUSTOMERS IN BRIEF:

WHAT DO e-CUSTOMERS IN SERBIA WANT?

As for the demand-side, customers in Serbia have been steadily increasing the online purchases in a pre-pandemic period.

FREQUENCY OF ONLINE SHOPPING:

As reported by the Statistical Office of the Republic of Serbia, in 2019 a majority of e-customers in Serbia have only shopped for one or two items per year (51%). Only 3.6% of customers can be considered as frequent e-shoppers.

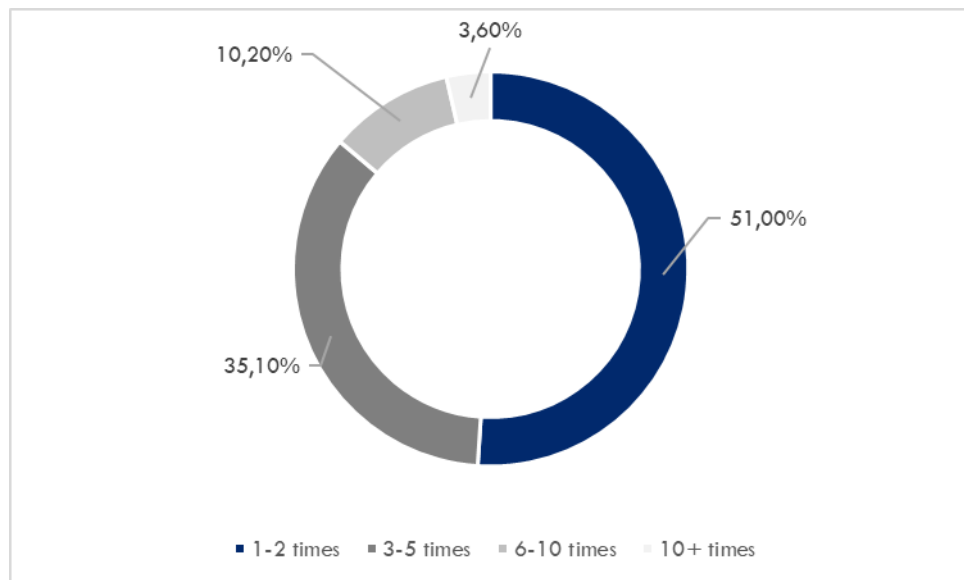


Fig. 8. Frequency of e-shopping in Serbia ¹⁴

PURCHASE VALUE:

The value of transactions is relatively small. More than a half of transactions (56%) does not surpass EUR50.

**MOST COMMON
TRANSACTION SIZE
<EUR 50**

¹⁴ Source: Statistical Office of the Republic of Serbia (2020). Usage of ICT in the Rep. of Serbia: <https://publikacije.stat.gov.rs/G2020/PdfE/G202016015.pdf>

ONLINE SHOPPING PROS & CONS

TWO STUDIES REPORTED ON THE MAIN UP-SIDES ¹⁵ AND DOWNSIDES ¹⁶ OF ONLINE SHOPPING IN SERBIA AS REPORTED BY CUSTOMERS.



MAIN BENEFITS OF SHOPPING ONLINE:

- #1 Time saving
 - #2 Comparability with other products
 - #3 Delivery on demanded address
 - #4 Large choice of products
 - #5 Not requiring physical effort
 - #6 Money saving
 - #7 Obtaining products not available in Serbia
 - #8 Anonymity
-



MAIN DOWNSIDES OF SHOPPING ONLINE:

- #1 Getting the wrong product
 - #2 Frauds in inline payment (data or money theft)
 - #3 Wrong product features
 - #4 Defective product
 - #5 Paid product never arriving
 - #6 Hidden additional costs
 - #7 Delivery delay, delivery to the wrong address
 - #8 One cannot file a complaint for a product
-

¹⁵ Source: USAID (2018). Strengthening e-commerce in the Republic of Serbia, final report: <https://saradnja.rs/wp-content/uploads/2019/10/Ecommerce-Study-Serbia.pdf>

¹⁶ Source: Bejatović, G., & Mamula, T. (2018, November). Innovations as a key factor in the development of e-commerce. In Conference proceedings of Innovation as an Initiator of the Development: MEFkon, International Conference, Belgrade (pp. 349-366).

...:4.0:... DELIVERY OPTIONS

4.1 DELIVERY OPTIONS AND CUSTOMER PREFERENCES IN EUROPE¹⁷

DELIVERY OPTIONS:

Customers expect cheap and effective delivery methods. They want optimal combination of flexibility, convenience and transit time.

COLLECTION OPTIONS:

Some customers are ready to pick their parcels up themselves. Alternative locations are parcel shops, post offices, retail stores and workplace.

58% of French e-shoppers are prepared to pick up their parcel themselves.

INNOVATION:

Innovative delivery options are desirable: short time to delivery (next day delivery), easy tracking of parcels, real time information (SMS, Viber, WA, e-mail), the possibility to plan and reschedule delivery if needed.

EASY RETURNS:

E-shoppers like to easily return an order if needed. The return procedures and process should be as easy as possible. The return should be well explained to customers and free of any charge.

70% Germany's return rate for fashion retail—the highest in Europe.

MOST RECENT TRENDS¹⁸:

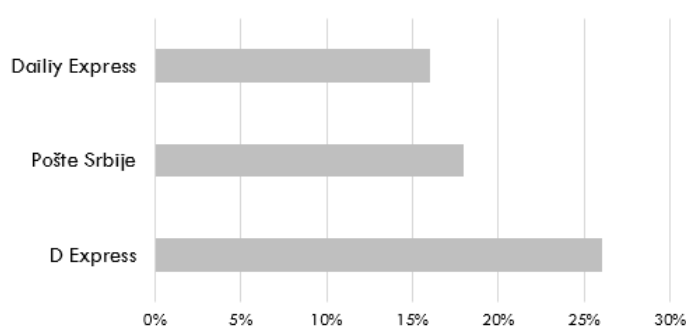
The desire to set a time for delivery is very important to buyers, as it meets new needs in post-pandemic lifestyles such as home office life. Next-day delivery continues to grow in popularity, especially for perishables. Contactless delivery as well as multiple delivery choices are also key.

¹⁷ Source: A guide to e-commerce: Europe; http://www.iberglobal.com/files/2018-2/e_commerce_europe.pdf

¹⁸ Source: E-shoppers in Europe: 2020 Barometer; <https://www.dpd.com/group/en/expertise/e-shoppers-in-europe/>

4.2 DELIVERY OPTIONS: SERBIA

TOP DELIVERY SERVICE PROVIDERS



D Express is market leader followed by Pošte Srbije and Daily Express.

Fig. 9. Market share of delivery service providers in Serbia¹⁹

An average online buyer in Serbia hasn't any significant bad experience with online deliveries..

85% of online customers have no complaints on online shopping or delivery.

for **73%** of customers delivery to the desired address is one of the main reasons for shopping online.

There are some concerns that are primarily related to delivery of completely wrong product and quality of goods below expected. The average buyer would shop more online if there is possibility to easily exchange/return products in the nearest trader's retail store. Lower delivery costs also play important role.

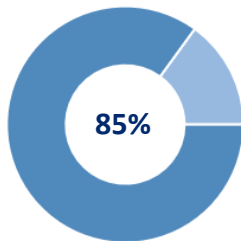
BARRIERS RELATED TO LOGISTICS PROVIDERS

- #1 Serbian market is concentrated in terms of companies providing state-wide logistics coverage. High concentration limits market competition.
- #2 Fees and charges are relatively high compared to average online purchase. This is a direct consequence of high market concentration.
- #3 Delivery times may vary a lot.
- #4 Delivery times are not precisely scheduled when parcel is ordered.
- #5 Damaged shipments occur and procedures for replacement are complicated and long lasting.

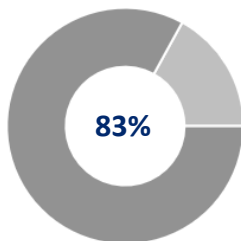
¹⁹ <https://ecommercedb.com/en/markets/rs/all>

4.3 DELIVERY EXPECTATIONS BY E-SHOPPERS

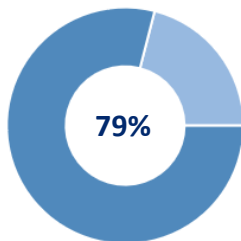
E-shoppers are more likely to purchase online if²⁰:



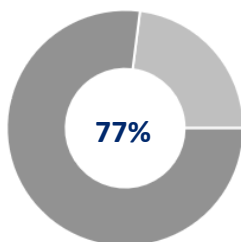
NEXT DAY DELIVERY IS AN OPTION



REAL-TIME INFORMATION ON DELIVERY TIME IS AVAILABLE



THEY CAN CHOOSE THE DAY AND EXACT 1-HOUR TIMESLOT OF DELIVERY



IF THEY KNOW THE EXACT 1-HOUR DELIVERY TIMESLOT

²⁰ Source: A guide to e-commerce: Europe; http://www.iberglobal.com/files/2018-2/e_commerce_europe.pdf

...:5.0:... E-PAYMENT OPTIONS

5.1 PAYMENT METHODS USED BY EUROPEAN E-SHOPPERS:

- #1 E-shoppers use digital wallets (Paypal, AliPay, Applepay), or debit and credit cards in most countries
- #2 Bank transfers or paying on invoice are common methods.
- #3 E-shoppers appreciate the ability to pay by mobile. Methods may be different and depend on country or service provider (bank).
- #4 In central and eastern Europe (including Serbia) e-shoppers prefer to pay cash on delivery.
- #5 Local payment options in Portugal (Multibanco), The Netherlands (Ideal), Poland (Payu) are preferred in these markets.

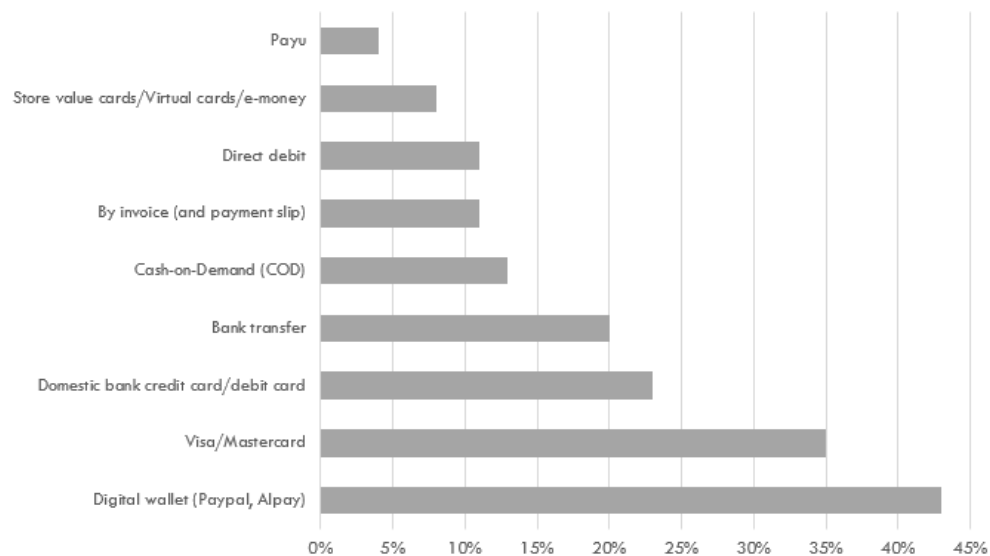


Fig. 10. European e-shoppers payment preferences²¹

4.2 PAYMENT METHODS IN SERBIA:

- #1 Payment with cash upon delivery is dominant and preferred form of payment in Serbia (around 40% of all transactions) with decreasing trend.
- #2 Cash upon delivery is followed by bank transfer (around 30%) payment cards (15%).
- #3 Banca Intesa is the first bank that introduced e-commerce service in Serbia (in 2007) and it is still leader in e-commerce market offering several payment cards (DinaCard, MasterCard, Maestro, Visa and American Express)
- #4 Today, online payment services are provided by UniCredit bank, AIK bank, Raiffeisen bank, OTP Bank, NLB bank.
- #5 Some banks are more innovative than others and you should choose the one that is most suitable for you business strategy. Cost-benefit analysis is mandatory since bank fees may be significant.

¹⁹ Source: A guide to e-commerce: Europe; http://www.iberglobal.com/files/2018-2/e_commerce_europe.pdf

COVID-19 & E-PAYMENT TRENDS IN SERBIA

A research conducted among the younger generations in Serbia show that e-Payment will continue to be a desirable option for payments. The study involved 474 participants.²⁰

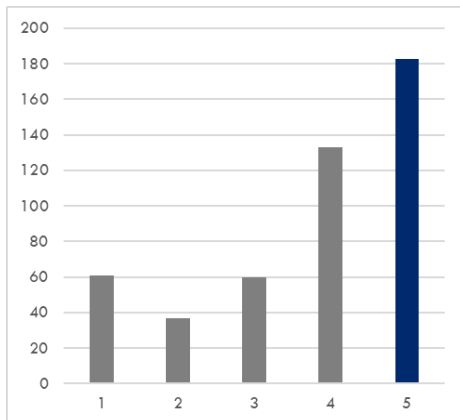


Fig. 11. I use e-payment system (EPS) more often than others

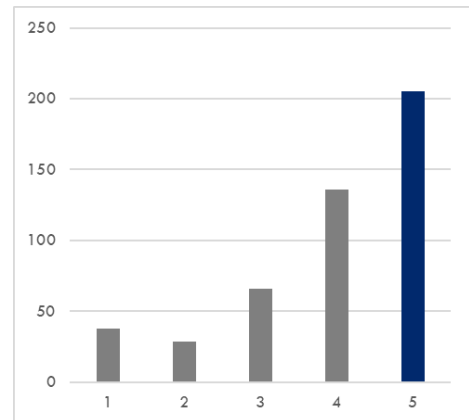


Fig. 12. I am using currently and will continue to use EPS

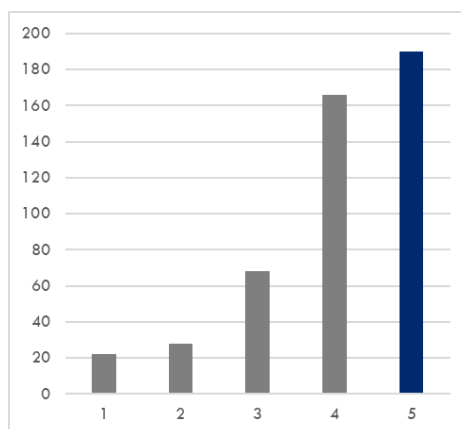


Fig. 13. I believe EPS use will increase during and after pandemics

²⁰ Source: Milosavljevic et al (2021). Pandemic specific factors of e-payment use: Evidence from Serbia (under consideration for publication in *Oeconomia Copernicana*)

...:6.0:... WEB SHOP:
A GUIDE TO A WINNING STRATEGY

6.1 WEB SHOP DEVELOPMENT

E-shoppers are looking for a tailored and personalized experience online. Brand promotion that recognizes customers as individuals helps to strengthen loyalty and increase sales. **Focus on purchase journey that is quick and easy!**

Promote brand in a following way:

- #1 Clearly communicate what is special about your brand.
- #2 Having a local origin story could give your brand a competitive advantage.
- #3 If you are able to associate organic and genuine products with local origin you should do



Software options

#1 SAS (Software as a Service)

You will pay monthly or annual fee for a ready to use e-shop. This is cheap and fast option for small and medium sized shops but it has limited customization. You will be fully dependent on updates by the provider. On the other side, there is zero cost for IT infrastructure.

#2 Extensions

This option offers more advanced customization, visual and technical features but it is still limited. Minimum features are free. Some cyber-security problems may occur.

#3 E-shop software with a dedicated CMS (content management system)

Offers flexibility and creativity including possibility to link your web shop to ERP (enterprise resource planning software). More robust and more expensive option but very flexible and adaptable to your business needs and expected business growth.

#4 Usually, you will develop web shop independently and you will try to integrate it into existing digital tools you are using. For example, you will have one vendor for ERP and other for Web shop. Web shop integration with ERP is mandatory if it is technically possible.



Costs

Operational costs include IT services, personnel, photo and video production, copywriting, professional web shop design, translation costs and technical maintenance (bugs fix, additional features, change requests etc.).

Technical costs include web hosting, renewing registered domain names and search engine optimization (SEO). SEO is particularly important because e-shoppers are most likely to find your web shop through a search engine—Google is, still, the most popular search engine. It means that you have to invest into Google AdWords and SEO tools and services.



When web shop is created do not leave it alone! You need to update product mix, provide immediate customer support, update available stock, offer promotions and discounts. Web shop is open 24/7 and should be at least bilingual.

6.2 KEY METRICS TO USE

CONVERSATION RATE (CR)

The percentage of your web shop visitors who make a purchase.

$CR = \frac{\text{Total number of site visitors who make purchase}}{\text{total number of site visitors}}$

CR depends on industry but it is around 3% on average.

- ◆ A fast and easy purchase path is very important.
- ◆ Make it easy for customers to find what they are searching for.
- ◆ Offer discounts and loyalty club benefits.
- ◆ Offer 24/7 customer support

AVERAGE ORDER VALUE (AOV)

The average amount (in RSD or EUR) a customer spends when shopping online.

$AOV = \frac{\text{total value of orders}}{\text{number of orders}}$

In Serbia, it is around 50 EUR with increasing tendency.

- ◆ Analyze customer shopping behavior.
- ◆ Find the way to offer e-shoppers more relevant products based on shopping behavior habits.
- ◆ Offer discounts and loyalty club benefits.

REPEATED CUSTOMER RATE (RCR)

The percentage of customers who are frequently purchase on your web shop.

$RCR = \frac{\text{Number of return customers}}{\text{Total number of customers}}$

The number of return customers and total number of customer should be counted for the same period.

- ◆ Provide advanced customer service.
- ◆ Provide easy and reliable return options.
- ◆ Provide versatile payment options.
- ◆ Send newsletters.
- ◆ Provide timely and personalized offers.
- ◆ Provide valuable loyalty club benefits.

WEBSITE TRAFFIC:

Website traffic refers to web users who visit your website. Web traffic is measured in visits, sometimes called "sessions," and is a common way to measure an online business effectiveness at attracting an audience.

- ◆ Promote your brand with multiple digital marketing formats
- ◆ Use effective targeting for sales campaigns
- ◆ Capitalize on free sources of visitors (social media traffic, PR, content marketing, word of mouth, mailing to existing customers)

OUTSOURCING: Professionals are widely available and they offer various services from digital marketing to web design and technical skills. Requires additional costs that may be significant but quality should be better.

KEEPING BUSINESS ACTIVITIES IN-HOUSE: Day-to-day activities related to web shop operations must be kept in-house. You should educate on your own using freely available sources online.

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