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# BUSINESS-TO-CONSUMER E-COMMERCE IN ROMANIA – EVOLUTION AND TRENDS

Case  
Study

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## **Keywords**

*E-commerce;  
Consumer behaviour;  
Mobile commerce;  
Social shopping;  
Omnichannel strategies*

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## **JEL Classification**

*M31, L81, L11*

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## **Abstract**

*E-commerce in Romania is a growing market that leads to a new buying behaviour. The purpose of this study is to investigate how business-to-consumer e-commerce (B2C) evolved over the past three years (2016 - 2018) in terms of value, number of acquisitions and number of online stores. We also want to understand how the preferences of Romanian consumers changed and to explore how trends like mobile commerce, voice search or social shopping are adopted by online stores in Romania. We analysed data from 2016 to 2018 and the results show that in three years the value of e-commerce increased by 94% and the number of online purchases increased from 8.4 buys per year in 2016 to 9 buys per year in 2018.*

## INTRODUCTION

The evolution of technology changed the way of shopping. Providing quality products to consumers it's no longer enough. Maklan and Klaus (2011, p.772) argue that product marketing is "still necessary, but no longer sufficient to remain competitive". Customer experience is the new concept that has been introduced to describe the new relationship between brands and customers. Customer experience is defined as "the internal and subjective response customers have to any direct or indirect contact with a business" (Mashingaidze, 2014, p. 55). Hausler (2017) identified seven characteristics of modern customers that affect their perceptions of customer experience: "customers control the experience they want, they research, explore, and share; customers are connected 24 hours a day, 7 days a week, on any internet-enabled device; customers expect personal interactions; customers compare the products they're interested in across multiple channels and devices; customers trust online recommendations more than brand statements; customers expect to be able to get everything right away; customers are ready to talk to anyone about a good or bad experience". The new expectations of modern consumer are influenced by the technological changes that impacted the commerce structures increasing the consumer interest for electronic commerce (e-commerce). Wigand (1997, p. 2) defines e-commerce as „any form of economic activity conducted via electronic connections". As in the case of traditional commerce we can talk about consumer-oriented e-commerce and business-oriented e-commerce. Chan (2014) refers to three types of consumer-oriented e-commerce: B2C (business-to-consumer), C2C (consumer-to-consumer) and C2B (consumer-to-business). In this paper we will focus on Romania B2C (business-to-consumer) e-commerce.

In 2017, Romania experienced the highest growth rate from Europe in terms of e-commerce: 37%, followed by Ukraine (31%) and Portugal (23%). In 2018, e-commerce revenue increased by 30 %, continuing to be one of the highest from Europe. Despite the high growth from the last years, in 2018 Romania was the last place in European Union for online shopping. According to Eurostat „only one fifth of Romanians made online purchases in 2018, compared to an average of 60% registered in the European Union" (Eurostat report, 2018).

In this paper, we explore how e-commerce evolved in terms of annual revenue, market share in total retail, number of acquisitions and number of online stores. We also investigate consumer behaviour and why Romanians are still reticent to buy online. In the last part we will explore how e-commerce trends are adopted by online stores from Romania.

We obtained the data from reports and statistics presented by online sources like Eurostat, Gpec

reports and Romanian National Authority for Communications (ANCOM). After analysing the data, we observed that Romania e-commerce is experiencing an upward trend and will continue to grow in the next years. Also, we identified the most important trends from e-commerce and we noticed that Romanian online businesses adapted to these trends.

## THE HISTORY OF E-COMMERCE IN ROMANIA

In Romania the e-commerce sector is still insufficiently mature both in terms of demand and the supply side. In order to understand how this sector evolved during the last years, it's important to know the milestones that marked this evolution. The most representative moments in e-commerce history are the following:

- In 1997 was launched the first online store that was selling CDs (cybershop.ro);
- In 1998, was launched eshop.ro, the first online store that introduced the "add to basket" option;
- In 2000 were launched two successful online stores: eMania.ro and okazii.ro. The website okazii.ro was the first online auction site that became in a short time the largest online store in Romania;
- The most important moment for Romania e-commerce is marked by the launch of eMag, in 2001. eMag was launched as an electronic online store but in time the offer was diversified and in present is the largest online store from Romania;
- In 2002 is created the first law that regulates the activity of online commerce;
- Another critical moment for online shopping in Romania is marked in 2004 when was implemented the 3Dsecure system, an international security standard that provides additional protection to buyers that pay using credit or debit card when shop online;
- In 2005 is launched compari.ro, the first website that allows consumers to compare prices from multiple online stores;
- In 2006 there were 433 online stores and the leader was okazii.ro;
- In 2008 okazii.ro launched a platform that allow small traders to open their own online store;
- In 2009 is launched autovit.ro, the first website for auto adds;
- In 2010, appears mercador.ro that allows consumer to become online sellers by posting ads, and elefant.ro that started its activity by selling books;
- In 2011 eMag organizes the Black Friday event for the first time in Romania;

- In 2012 the number of online stores increased to 3500 out of which 781 were registered in 3D secure system;
- In 2013 Carrefour expands into online and launches an online store available for Bucharest;
- The trend set by Carrefour is continued in 2014 when Ikea launched its own online store;
- In 2015 there were 5000 online stores and 46% of them allowed card payments.

According to Gpec report, Romanians consider that the main advantages of e-commerce are "time saving; products can be easily compared online; greater variety of products than in physical stores; online is cheaper; convenience" (Pavel, 2019). Consumers are no longer isolated and in order to satisfy the need to see and test products before purchasing they share and look for other consumers brand experience. Brands must be careful to consumer feedback as product reviews and ratings represent one of the most important criteria that consumer use to evaluate product quality in online environment (Stir, 2018).

Romanian Competition Council (2018) considers that the main characteristics of Romanian e-commerce sector are the following:

- the entry barriers are low but it's difficult to enter in the category of important players;
- there are important retailers that dominate the market creating gaps between big and small players, especially due to the investment and strategic demands dictated by technological developments;
- the cross-border trade is low and the pressure of players from outside the country is still small.

### **THE EVOLUTION OF E-COMMERCE IN ROMANIA (2016 - 2018)**

The evolution of e-commerce in Romania is strongly connected with the number of internet users. In 2018 in Romania were 14,3 million of internet users and the internet penetration reached 73.8%. According to Figure 1, in the last three years the number of mobile broadband internet connections increased by 33.64% and the number of fixed broadband internet connections increased by 13.32%.

ANCOM statistics show that in 2018 "the number of fixed internet connections in the rural area reached 1.4 million, while in the urban area the growth was slower, by 5%, up to 3.4 million. The penetration rate was 71% in urban and 41% in rural" (ANCOM, 2018). According to Eurostat, in 2018, 53% of Romanians accessed the internet every day and there are another 15% that accessed the internet at least once a week (Figure 2). Individuals that use the internet intensively represent the main segment that purchase online. Consequently, most online buyers are urban internet users.

Romania has one of the highest growths from Europe in terms of e-commerce value. According to Table 1 in 2018 the e-commerce revenue reached 3.5 billion euros, 94% higher than 2016 when the value of online shopping reached 1.8 billion euros. Despite this significant growth the market share in entire retail market remains low compared with other countries from European Union. In the last three years e-commerce market share in entire retail market doubled, reaching 8% in 2018. Also, the number of acquisitions increased from 8.4 in 2016 to 9 in 2018. These number are expected to continue to grow in the next years, the value of e-commerce marketing being estimated to reach 5 billion euros in 2020.

In 2018, in Romania, the most purchased product category was electronics, followed by fashion, home and garden and baby articles. The most important online stores are eMag.ro, Altex.ro, Cel.ro, Elefant.ro and F64.ro. In 2019, eMag is leader of Romania e-commerce and "hosts 3,500 sellers and more than 1.4 million products" (Posirca, 2017).

The most preferred method of payment for Romanians remains pay on delivery, followed by card payments and bank transfer. According to Table 2 in the last three years the number of card payments increased by 87.5% at the expense of payment on delivery. The number of payments using bank transfer remains low with no variations in the last three years. Fonseca (2014) studied the acceptance of online banking among 27 countries and showed that the level of education is one of the variables that influence the acceptance. The results of the study showed that "citizens with higher levels of education are more likely e-banking users' that do not risk" (Fonseca, 2014, p. 715) and will avoid using online payments.

The number of online stores has almost tripled in the last three years, from 5000 in 2016 to 14000 in 2018 as can be seen in Figure 3. These numbers represent only online stores that have representative traffic and orders. If we count all website that provide to consumers the "add to basket" option, according to Gpec, the number of online stores would increase at 35.000. A particularity of Romanian e-commerce is that online retailers start their businesses in traditional commerce and move to online due to the growth of this field.

The main reasons why Romanian choose not to buy online are lack of confidence regarding the veracity of the products sold online; fear of being frauded, delivery charges and the impossibility to see and test the products. On the other side the benefits that e-commerce brings are: "a great variety of brands and products, the best quality-price ratio, products can be compared in a transparent way, quick access to the latest products, access to other buyers reviews, the possibility of several delivery options, the possibility of free return and variety of payment methods" (Iacob, 2018). Romanians declare that

would be convinced to buy online if the prices would be lower than in physical stores and if the products would be delivered faster. In order to address the delivery time and costs, online stores from Romania offer to their customers possibilities like delivery on physical stores or delivery on easy box. This way products are delivered faster, there are no delivery charges and the customers have the possibility to pay on delivery using a credit or a debit card.

### **ADOPTION OF E-COMMERCE TRENDS IN ROMANIA**

When we talk about trends in e-commerce, the use of mobile devices to access internet and to shop online represents one of the most important change regarding decision making process and buying behaviour. According to Bellini and Aiolfi (2017, p. 58) consumers use mobile devices for „finding information on the web, comparing pricing and purchasing goods and services”. Shankar et al. (2010, p. 113) consider that consumers use mobile devices to: “create shopping list, search, query, compare, purchase and engage in post-purchase activities”. The possibility to connect anytime and anywhere turns mobile devices in an easy way to shop online. In Romania, in 2018, the mobile internet penetration is estimated at 85%. In terms on online shopping in 2018 “approximately 80% of the traffic recorded by major online stores is generated by mobile devices”. Therefore, 66% of online stores have a mobile optimized site. Even though desktop represents the most preferred device used by Romanians to buy online, mobile commerce is growing year by year. This growth can be observed both in terms of transaction values and in terms of number of transactions. For example, in Romania, in 2018 the average amount spent on online shopping was 51.45 euro from desktops and 44.47 euro from mobile devices. Also, Romanians prefer mobile devices over desktop to buy certain products. According to Gpec report, in 2018 “78,5% of transaction of online shops selling children’s items are made on the mobile phone and only 21,5% on Desktop. Also, 66% of Fashion items are purchased on mobile phones, as well as 63,2% Cosmetics and Beauty products” (Pavel, 2019). One of the strategies that business use to adapt to mobile commerce trend is to build online shopping apps. According to Gpec, in Romania, even though “the conversion rate on mobile devices is still half of the conversion rate recorded on Desktop for most online shops for major online stores and those that have dedicated mobile apps, the conversion rate already exceeds the Desktop” (Pavel, 2019).

Social shopping is the latest development that continues to expand in e-commerce. This concept has been adopted by businesses as social networking represents a good opportunity to “allow people to

share, communicated, recommend, and even provide product ratings based on their experiences” (Ahmad Samed, Husam, 2019). Liang and Turban (2011) define social shopping as “a subset of e-commerce that involves using social media to assist in e-commerce transactions and activities. It also supports social interactions and user content contributions”. In 2018 Instagram and Snapchat started offering their users the possibility to buy online directly from the apps. The mechanism is very simple: users can pause a story or a video and access more details about the product. They can read a description, find out the price and, eventually, if they want to make a purchase, they receive a link to direct them to the online store. Facebook allows companies to create Facebook shops. Users can buy directly from the social network app as the brand tags its products in the photos posted on the company page offering details regarding price or product description. Also, Facebook introduced “Marketplace” option that allows users to buy and sell products from their communities.

A trend associated with mobile commerce is allowing voice search inside the online stores. According to Gpec (2018) half of the text-based searches will be replaced by voice search in the next three years. In Romania the first online store that allows voice search option was introduced in 2018 and was a store dedicated to children products.

Another trend in terms of e-commerce it’s represented by applications like Bringo designed to provide delivery services. The customers login into the application, build a shopping list and depending on the delivery address chose the preferred location where they want to shop. In 90 minutes, the customers receive the products they ordered at their own door. These delivery services are designed to satisfy customer needs in the smallest details. For example if one of the products from the shopping list it’s unavailable at the location the customer has chosen, the delivery man will call the customer and provide alternatives to that specific product; or the customer can choose to receive products like sweets or toys packed separately so children won’t see them. Customers can use this application to order groceries, flowers, toys, pastry etc.

A new trend is represented by moving from multichannel retailing towards the implementation of omnichannel strategies. The concept of omnichannel was introduced in 2009 and defines “the phenomenon for which the customers consider all the retailer’s sales and marketing channels as one entity, and the shopping experience is seamless regardless of which channels the customer uses (Aiolfi and Sabbadin, 2017, p. 88). Herhausen et al. (2015, p. 2) argue that in practice, the most common strategies used for implementation of omnichannel are „the ability to check product availability in the physical store via the Internet (34 percent), the possibility to reserve products online for purchase in

the physical store (25 percent), and to return products purchased online at the offline store (15 percent)". In Romania we can see the synergy between online and physical stores in product categories like:

- home and deco (Mobexpert and Jysk allow consumers to check product availability in the physical store via their online stores);
- electronics (Altex and Media Galaxy allow consumers to reserve products online for purchase in the physical store);
- fashion (Zara allows consumers to return products purchased online at the offline store);
- bookstores (Carturesti allows consumers to pick-up products purchased online at the offline store);
- beauty (Sephora and Douglas allow consumers to accumulate points that can be used to buy products online or in physical stores).

Brynjolfsson et al. (2013, p. 2) consider that a consequence for moving to omnichannel is that "the distinctions between physical and online will vanish, turning the world into a showroom without walls".

## CONCLUSIONS

E-commerce represents an important part from total retail sales and will become more and more significant year after year. From the data analysed we can conclude that the Romania e-commerce has growth potential. As we have seen in the last three years the value of business to consumer e-commerce market increased at an accelerate rhythm (23% in 2017 and 30% in 2018) and will continue to grow in the next years as the market value and the number of individuals that buy online are still low compared to European Union countries.

The Romanian B2C e-commerce it's in an incipient phase as the small number of Romanians that choose to buy online is still experimenting. We saw that customers experience fear regarding the security of the transactions and a lack of trust regarding the quality of products sold online. We also have seen that businesses are considering these fears and adapt their strategies in order to eliminate them. One of these strategies is represented by implementation of omnichannel retail. Consumers can test the product in physical stores and to buy it online or buy the product online and pick it up from physical stores. Also, social shopping is encouraged. People are more likely to buy products they see to their friends, so customers are encouraged to take pictures with the products and post these photos on social networks in exchange for vouchers and discounts.

As future trends we expect a significant growth of mobile commerce and a diversification of product and services that can be purchased online. Mobile commerce will experience a high development in the next years, as more and more users prefer the benefits offered by these devices: the ability to buy

on the go, ease of access and the simplification of the steps required to place an order. In terms of diversification, once the e-commerce market will mature, we expect to increase the pressure exerted by international retailers.

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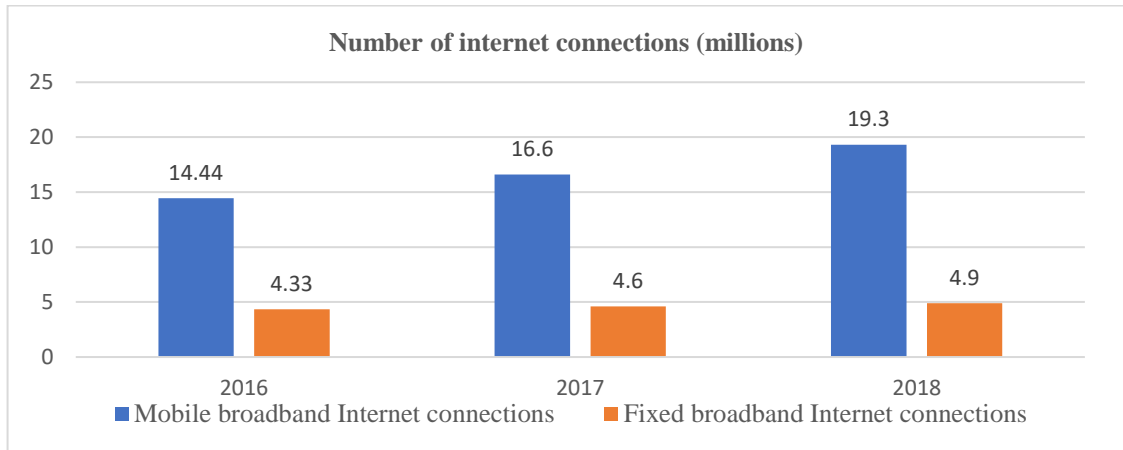


Figure No. 1  
Evolution of internet connections

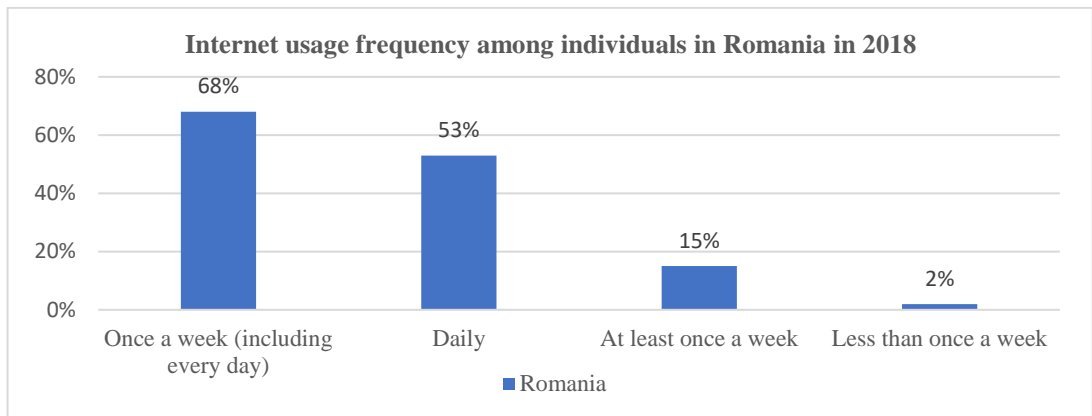


Figure No. 2  
Internet usage frequency among individuals in Romania in 2018  
Source - <https://www.statista.com/statistics/379151/internet-usage-at-home-romania/>



Figure No. 3  
Evolution of number of online stores between 2016 - 2018

## List of tables

Table No. 1

### Evolution of e-commerce in terms of revenue, market share and number of acquisitions

	<b>2016</b>	<b>2017</b>	<b>2018</b>
E-commerce revenue (billion EUR)	1.8	2.8	3.5
E-commerce market share in entire retail market (%)	4	5.6	8
Number of acquisitions / year	8.4	8.7	9

Table No. 2

### Payment methods used by Romanians

<b>Payment method</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Pay on delivery	90%	85%	83%
Card payments	8%	13%	15%
Bank transfer /Micro transfer through SMS	2%	2%	2%