

Post-pandemic Challenges and Evolutions for the Romanian E-Commerce Market

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Abstract

The purpose of the present paper is to provide an in-depth analysis of Romanian e-commerce under the influence of Covid-19 and to highlight the positive evolution of the e-commerce phenomenon in Romania.

Amid the Covid-19 pandemic, the Romanian e-commerce market has known an upward evolution, of progressive growth. This led to the situation where large numbers of well-established players that used to be present exclusively offline on the retail market have chosen to concentrate a significant amount of their resources in transferring their business online, but also to the emergence of new participants that have been mesmerized by the appeal of e-commerce, in general, and by the extremely good results of the Romanian e-commerce market, in particular. The fact that the prospects are good for the Romanian e-commerce market is an opinion unanimously shared by many local entrepreneurs and is also confirmed by the yearly increase in sales.

Key words: e-commerce, marketing strategies, online business

J.E.L. classification: M31

1. Introduction

As new, revolutionary technologies emerge, companies need time to adapt in order to make steps in the right direction. There is also a high level of reluctance, which is manifested at all levels of organization.

Even though the personal computer appeared 4 decades ago, companies continued to use the classic working ways for a long time after, with paper or carbon paper being some examples in this sense, only after the 1990s adopting the new technology for creating and connecting working locations in a network, managing inventories, etc.

2. Literature review

The Internet is more than a new way of promotion or a new marketing policy, it is an absolute business philosophy that allows and facilitates the exchange of personal, physical and virtual experiences, from a sender to a final receiver.

Ever since the first online ad appeared in 1994, when HotWired made an ad to AT&T and asked, “Have you ever clicked your mouse right here? You will”, the classic approaches of trade, either local or international, have fundamentally changed. (Agrawal et al., 2009, p.100) The business paradigm would change its content, B2C but also B2B relations moving to another level, much more developed and customized. It was found that between 1993 and 1998, advertising through the print media decreased by about 3% in the US, leading to a decrease in the revenues of concerned newspapers, which led to the idea of the gradual disappearance of print media and its replacement for the online press.

After 1996 and until now, there has been a significant increase in online advertising revenues, an increase that has also been supported by the development of the online consumer segment. (<https://www.wmm.ro/publicitate-online-inceputuri-si-prima-campanie-publicitara-pe-web/>)

Figure no. 1. The beginning of online advertising



Source: <https://www.wmm.ro/wp-content/uploads/2015/09/inceputurile-publicitatii-online.jpg>

It is well known that e-Commerce is the main factor that determines and facilitates the globalization of the world economy by removing the routes between partners and reducing the communication time to complete the business between the concerned partners. In other words, the globalization of the world economy is the main factor that helps the development of e-commerce. (OECD, 2000).

The Internet is a channel for sending and promoting messages from a sender - a trading company, a channel that is compatible with (almost) all classic promotion techniques, but also with other promotional techniques, such as:

- branded content;
- experiential marketing;
- advertising through play;
- promotion through influencer. (Ban, 2020, p.235)

Electronic commerce (e-Commerce), according to the Organization for Economic Co-operation and Development (OECD), is the conduct of business via the Internet, with the sale of goods and services taking place offline or online. (OECD, 1997, p.157) In Figure no. 2 we will see a distribution of the total sales obtained from e-commerce, at global level, for 2018, UNCTAD source. We notice that the undisputed leader is the United States, with a value of \$ 8,640 Billion, followed by Japan and China. What we will find is that B2B is about 5 times more valuable than B2C.

Figure no. 2. E-commerce sales: Top ten economies in 2018

Rank	Economy	Total e-commerce sales (\$ billion)	Share of total e-commerce sales in GDP (%)	B2B e-commerce sales (\$ billion)	Share of B2B e-commerce sales in total e-commerce (%)	B2C e-commerce sales (\$ billion)
1	United States	8,640	42	7,542	87	1,098
2	Japan	3,280	66	3,117	95	163
3	China	2,304	17	943	41	1,361
4	Korea (Rep.)	1,364	84	1,263	93	102
5	United Kingdom	918	32	652	71	266
6	France	807	29	687	85	121
7	Germany	722	18	620	86	101
8	Italy	394	19	362	92	32
9	Australia	348	24	326	94	21
10	Spain	333	23	261	78	72
	10 above	19,110	35	15,772	83	3,338
	World	25,648	30	21,258		4,390

Source: <https://www.growglobal.com/global-e-commerce-b2b-e-commerce-5-times-bigger-than-b2c-e-commerce/#:~:text=The%20value%20of%20global%20B2B%20e-commerce%20in%202018,the%20list%20for%20both%20B2B%20and%20B2C%20e-commerce.>

The world has known the Internet and has become an integral part of it, whether we are referring to everyday life, or the classic communication that has been replaced by virtual, online communication, through social networks such as Facebook, Instagram, Tik Tok, Pinterest, Snapchat, etc., but also the classic business approach has been gradually replaced by one of virtual communication and promotion.

In Figure no. 2 we can see a statistics regarding the use of the internet from a global point of view. Thus, as at March 31st, 2021, the total number of Internet users worldwide is 5,168,780,607 active users.

Figure no. 3

WORLD INTERNET USAGE AND POPULATION STATISTICS 2021 Year-Q1 Estimates						
World Regions	Population (2021 Est.)	Population % of World	Internet Users 31 Mar 2021	Penetration Rate (% Pop.)	Growth 2000-2021	Internet World %
Asia	4,327,333,821	54.9 %	2,762,187,516	63.8 %	2,316.5 %	53.4 %
Europe	835,817,920	10.6 %	736,995,638	88.2 %	601.3 %	14.3 %
Africa	1,373,486,514	17.4 %	594,008,009	43.2 %	13,058 %	11.5 %
Latin America / Carib.	659,743,522	8.4 %	498,437,116	75.6 %	2,658.5 %	9.6 %
North America	370,322,393	4.7 %	347,916,627	93.9 %	221.9 %	6.7 %
Middle East	265,587,661	3.4 %	198,850,130	74.9 %	5,953.6 %	3.9 %
Oceania / Australia	43,473,756	0.6 %	30,385,571	69.9 %	298.7 %	0.6 %
WORLD TOTAL	7,875,765,587	100.0 %	5,168,780,607	65.6 %	1,331.9 %	100.0 %

NOTES: (1) Internet Usage and World Population Statistics estimates are for March 31, 2021. (2) CLICK on each world region name for detailed regional usage information. (3) Demographic (Population) numbers are based on data from the [United Nations Population Division](#). (4) Internet usage information comes from data published by [Nielsen Online](#), by the [International Telecommunications Union](#), by [GfK](#), by local ICT Regulators and other reliable sources. (5) For definitions, navigation help and disclaimers, please refer to the [Website Surfing Guide](#). (6) The information from this website may be cited, giving the due credit and placing a link back to www.internetworldstats.com. Copyright © 2021, Miniwatts Marketing Group. All rights reserved worldwide.

Internet Users in the World by Geographic Regions - 2021

Source: <https://www.internetworldstats.com/stats.htm>

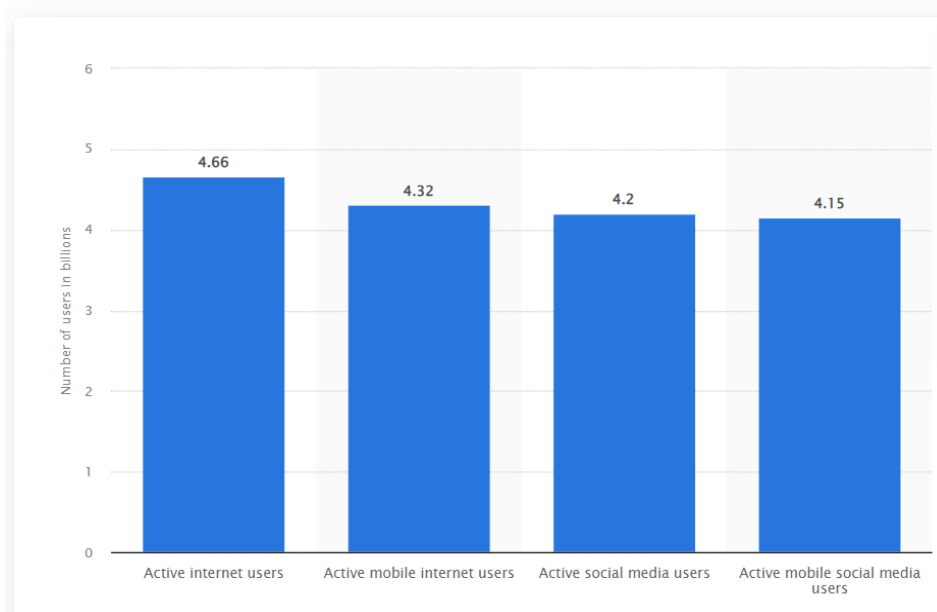
Online businesses have blown up with the confidence that entrepreneurs have begun to have in online promotion, the mirage of earnings has begun to become a reality, online consumer segments have grown with the emergence of various social media platforms. In 2004 and 2006, respectively, two of the social networks most used in the online environment at present were born: Facebook (the new Meta, year 2022), created by Mark Zuckerberg, respectively Twitter, created by Jack Patrick Dorsey Christopher Isaac Stone, Noah Glass, Evan Williams.

Regarding the current online users, most of those who use social networks, use the smartphone as a communication terminal. As we will see in Figure no. 4, the global digital population related to the use of social media via smartphone has a share of 4.15 billion active users, compared to 4.66 billion total active internet users, which indicates the huge interest in social networks.

Figure no. 4

Global digital population as of January 2021

(in billions)



Source: <https://www.statista.com/statistics/617136/digital-population-worldwide/>

3. Research methodology

This paper focuses on a marketing research conducted by combining office research with the observation method. (Jugănar, 1998, Jupp, 2010)

The information collected and used in this research belongs to the type of secondary information. We used various sources, divided into two categories, classic sources (books, articles, etc.) and online sources. The vast majority of sources used are online.

We processed the information and made personal interpretations (Silverman, 2004) on the studied phenomenon, the online commerce in Romania impacted by the Covid-19 pandemic.

4. Findings

The 1990s coincided in Romania with the transition to a free market economy, and the access to state of the art information technology determined the newly established companies to get in touch with it. The Internet, in its incipient form, has begun to take shape. Since the appearance of the first online store in Romania, in 1997, inaugurated by PC NET, cybershop.ro, and until now, things have evolved to what is today the modern online commerce, respectively the 50th place in the world, with a value about \$ 3 billion, reported for 2020.

In 1998, the online store e-shop.ro appeared, which was to introduce the famous shopping cart, in a more rudimentary version than what exists nowadays. In 2000, the Ordinance no. 130/2000 inured, the one that was to regulate from the legal point of view the status of the contracts concluded remotely, a first step in what constitutes the legality of online business in Romania. In 2002, the Law on Electronic Commerce appeared, the Law no. 367/2002, which would further regulate the activity of electronic commerce, so “The future sounds good online”.

On December 17th, 2001, the famous Emag.ro platform was launched, which would set the tone for marketplace e-commerce, in a similar formula to Amazon.com, Ebay.com, Alibaba.com and which would eventually become the market leader in Romania, but also with outlets to other markets, in Hungary - Emag.hu, Bulgaria - Emag.bg.

In 2006, according to data provided by ANCOM, over 4 million Romanians browsed the Internet, with various purposes, either to purchase a product, or to socialize, or just to obtain information from various fields, offered by specialized search platforms. Also in 2006, there were over 433 online stores, according to research by GPEC and underclick.ro.

In 2008, according to data provided by GPEC at the request of ANCOM, the number of online stores reached 875, respectively we notice the doubling of the number of stores in about 2 years, from 2006 to 2008. We notice an increased interest of Romanians for online commerce, a very good motivator also being Romania's accession to the EU in 2007, which generated Romania's opening to the international B2B and B2C market. Romanians were more and more active, both in the position of potential buyers, but also in the position of entrepreneur, in online format. Thus, after the appearance and the possibility to use Google services for promotion, such as: Google AdSense, Google Ads, Google Merchant, etc., the Romanian entrepreneurs activated and made full use of these facilities and grew their online business.

In 2011, the volume of online transactions related to e-commerce registered a figure of approximately EUR 120 million, in relation to the Romanian local market, according to Romcard data. Online marketing is becoming a necessity, large corporations starting to rethink the classic promotion strategies. Online promotion spending on various channels, such as Google and Facebook, has increased. A new context of online promotion, affiliate marketing, has also emerged, and in 2009 Emag launched today's famous affiliate platform, Profitshare.

In 2012, the total number of online stores reached the spectacular figure of 3,500, according to the GPEC Report. We notice a 4 times higher increase during the period from 2008 to 2012, from 875 stores to 3,500. In 2012, the volume of online transactions related to e-commerce recorded a figure of approximately EUR 500 million in relation to the Romanian local market, and as a percentage of the total retail market, the e-commerce retail market represented 1.3%.

In 2014, the total number of online stores reached 5,000, according to the GPEC Report, and in 2015 the e-tail market reached a traded value of approximately EUR 1.5 billion (excluding services, utilities and tourism), with approximately 11 million online users, according to data provided by Romcard. (<https://issuu.com/gpecro/docs/istoria-e-commerce-ro>)

In 2017, the value of online shopping made by Romanians was about EUR 2.8 billion, 40% higher than the previous year, 2016, according to data provided by GPEC. Also, E-commerce as a percentage of total retail reached 5.6%.

With the emergence of Covid-19 at an international level, but also at local level, in Romania the companies, be they foreign or domestic, from various branches of activity, have enhanced the online activities, in order to compensate the losses from the offline segment. Covid-19 restrictions have accelerated the growth of the e-commerce segment, due to the inability of consumers to purchase from the classic offline segment. Thus, whether we are talking about B2B or B2C, things have evolved to an unprecedented acceleration in the online area, entrepreneurs realizing that they have no choice but to outsource activities in this direction, to invest heavily in digital technology and further training courses, for to face this new challenge. Thus, according to estimates by ARMO (Romanian Association of Online Stores), the e-commerce sector reached the threshold of EUR 5.6 billion, at the end of 2020, by EUR 1.3 billion more than in 2019, exceeding the estimate with about EUR 500 million, an increase attributed to the Covid-19 pandemic, which led to an unplanned acceleration. ([Raport GPeC E-Commerce România 2020: Cumpărături online de 5,6 miliarde de euro, în creștere cu 30% față de 2019 | Blog-ul GPeC](#))

“Estimates from the Europe e-Commerce Report for 2021 show a total turnover generated by the Romanian e-commerce sector of around EUR 6.9 billion. We are witnessing a doubling of the turnover in online commerce in the last 4 years, a trend that makes e-commerce one of the most efficient and dynamic sectors of the Romanian economy”, added Florinel Chiș, ARMO Executive Manager. (<https://www.zf.ro/business-hi-tech/asociatia-romana-magazinelor-online-estimeaza-cresteri-pest-20-20302028>)

For the year 2021, we notice a 23-24% e-tail market growth compared to the data provided for the year 2020, from EUR 5.6 billion to 6.9 billion. Taking into account that at European level the annual (2020/2021) growth is about 12%, Romania has a considerable advance, almost double. However, we must keep in mind that this is possible due to the fact that Romania is still ranked among the last countries in Europe, in terms of Internet access, digitization, etc.

The Covid-19 pandemic also led to the emergence of many new online businesses, entrepreneurs who noticed fantastic opportunities, who put them into practice, taking advantage of the growing appetite of Romanians for online purchases, these becoming a must-have for certain types of products and services.

This evolution of the Covid-19 pandemic in Romania has had a direct and strong impact on the growth of e-commerce and the speed-up of the adoption of online payment by card. The main players that helped this rapid growth were online stores, as well as shoppers. During this period, we also noticed a significant transition from cash pay-on-delivery to the courier to card payment, the population's confidence in the payment method by card increasing rapidly. Thus, after an analysis by DreptulLaBanking, based on BNR statistics, it was found that the volume of card transactions increased by 60% in June 2021 compared to June 2019. Also, the total number of cards amounts to 19.2 million in June 2021, compared to 17.7 million cards in June 2019. The annual increase in the volume of card transactions, reported in June 2021 compared to June 2020, is 46%. (https://adevarul.ro/economie/bani/tranzactiile-plata-cardurile-crescut--60-doi-ani-fondul-pandemiei-1_617f993c5163ec42710b4ea1/index.html)

5. Conclusions

In a world crushed by the Covid-19 pandemic, with a global economy affected in many areas of activity (hospitality, classic trade, passenger air transport, etc.), we still see a definite boost in the area of online commerce. Large companies such as Amazon, Facebook (Meta), Tesla, have reported increased in revenues in 2021 compared to the previous year 2020, when the Covid-19 pandemic began. Romania is no exception, the figures say it all, online commerce is the one that has outpaced the other fields of activity, companies such as Emag.ro, Fashion Days, Vivre.ro, have had increases in sales during the pandemic, and things do not seem to stop here. Other predominantly offline companies have added or improved the online version, offsetting the losses caused by the pandemic, in some cases reporting better financial data than the period preceding the Covid-19 pandemic.

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