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THE GROWTH OF E-COMMERCE IN THE REPUBLIC OF SERBIA

ABSTRACT: E-commerce has an increasing importance in the world and every year the volume of e-commerce in the world and in all individual countries increases, and Serbia is no exception in this sense. It is the result of the fact that more and more advanced devices (mobile phones, smart watches, computers, tablets) are more and more available, then faster and faster internet and the increasing presence of payment cards and the increasing security of online payments. During the pandemic and lockdown, shopping suddenly became electronic, and the growth was huge – companies were pressured to make rapid digitalization, and although the post-pandemic trend is such that the growth of e-commerce has decreased, it has remained at a high level and is growing. In Serbia, trends follow similar paths. The growth in Serbia coincides with the trend of increasing online trade transactions, as well as increasing the share of mobile transactions. On the other hand, the Serbian market is specific in that the largest niche is occupied by fashion and not books and music as in the West, and the largest supplier is China. Taking over the market from classic, physical stores is not expected. The take-up percentage is too small, unless there is a big shift in the coming years, i.e. unless Generation Z comes to a dominant position with completely different buying habits and suddenly reverses the tendencies, which is very possible.

Keywords: *e-commerce, Serbia, digitalization, trends, e-market.*

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1. Introduction

Electronic commerce – also known as e-commerce or electronic business or e-business (electronic commerce or e-commerce) is an economic activity that enables the trade of various products and services from digital media, such as websites, mobile applications and social networks (OECD, 2019). Originally, the term referred to conducting transactions through electronic means. Electronic commerce has increased dramatically in recent decades, especially with the acceleration of the Internet and the strengthening and improvement of security protocols for e-payments. In this way, a wide range of commerce takes place. The advantages of adopting e-commerce are non-stop business and the creation of a single international market in the cross-border area (Pezderka & Sinkovics, 2011) as well as rapid response to demand conditions and more cost-effective personalization of offers for global market clients (Gregory, Ngo & Karavidic, 2017; Vapa Tankosić, Lekić, 2018).

In 2017, two billion people made at least one mobile e-commerce transaction (Lee, 2018), which led to a significant increase in the growth rate in countries that preferred direct purchases, meaning that e-business is slowly shifting to traditional Mediterranean countries with traditional “live shopping” (face-to-face, live shopping) and live word of mouth. It is important to note that e-commerce has skyrocketed during the pandemic and that due to the lockdown, a huge part of humanity was simply forced to buy and trade in this way, which also forced businesses (businesses, shops, cultural institutions) to turn this way of trading, that is, selling its products and services. In 2020, e-commerce collected a total of \$4.2 trillion worldwide. Latin America showed the highest growth of the entire 36.7%, even higher than in the Asia-Pacific region (26.4%). In 2021, this growth trend was no different, with global e-commerce estimated to have grown by 16.8% in revenue compared to 2020, representing approximately \$4.9 trillion for the year (Tienda Nube, 2022).

We can freely say that the lockdown has introduced a completely new business era and business customs, both for businessmen and for consumers and for users (buyers), and digitalization became a top priority. Consumers' habits have changed, and they continued to shop online, although less (there was also a yo-yo effect where, to a large extent, customers wanted to shop live and enjoy the ritual, because they longed for the old life), but part of the old, “pandemic” habits and retained, since some things that customers have found to be non-essential, can be done easily and effortlessly, electronically.

Businessmen and institutions continued with digitalization, or maintained the achieved levels of digital business, because they saw the benefit of digital platforms. In particular, the order of food delivered has increased all over the world, and the delivery business has multiplied, and these platforms have taken advantage of the “acquired laziness” of users to continue with profitable branching. The IT industry gained unprecedented momentum in the period 2020-2023, but a certain crisis and saturation can be observed in the West. In e-commerce contracts, the supplier has a strong obligation to provide information on the data necessary to understand the risks of contracting through that electronic means (Derecho Fácil, 2020). Starting from the role of electronic commerce in modern business conditions, the paper will point out the tendencies of electronic commerce at the global level, as well as at the level of the Republic of Serbia since the beginning of the pandemic until today.

2. Electronic trade in the world from the pandemic until today – tendencies

The origin of e-commerce dates back to the Berlin blockade of 1948–49 and air transport with a system of ordering goods primarily via telex (Encyclopaedia Britannica, 2023). Online shopping was essentially invented by entrepreneur Michael Aldrich in Great Britain in 1979 (Miva, 2020). Today, e-commerce is conducted through mobile devices and not only mobile phones, but also tablets, laptops and wearables such as smartwatches (Encyclopaedia Britannica, 2023).

Electronic commerce has had its bright moments in the last two decades, since, as the Internet has gained in speed and security, so did interest in e-commerce and electronic shopping. In the days of dial-up internet, everything was much slower – one song you’d buy would take hours to download, enough to go to the store and buy a CD and come back. On the other hand, the electronic payment protection was weak and hacking crime was much easier, so customers avoided sharing their data with websites. The first commercially available song on the Internet in digital format, prepared for electronic sale, was the 1997 single “Electric Barbarella” by the band Duran Duran. However, this pioneering venture did not go well because people were afraid of e-shopping, so in 1998 and 1999 the single was still released in a physical edition. The song sold for 99 cents (US).

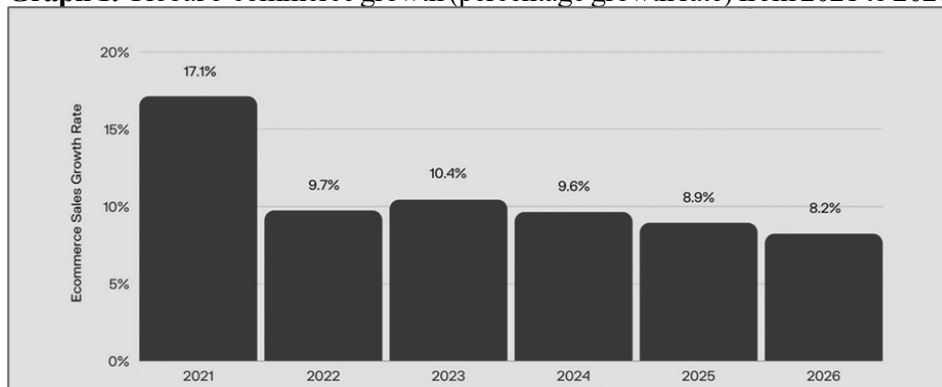
Before that, e-commerce first appeared 6 years earlier, in 1991 when Thompson Holidays Inc was founded – a travel agency with an unusual and

daring way of doing business – which allowed its customers to book trips online. According to the available data, the volume of trade almost doubled every 3 years, and jumped from a figure of 2.3 trillion dollars in 2017 to 4.2 trillion dollars in 2020, and it can be expected to be over 6 trillion dollars in 2023. Namely, the global e-commerce growth rate for 2023 is predicted to be 10.4% (total of \$6.3 trillion global sales worth). This marks an increase of 0.7 percentage points over the 2022 growth rate, while in 2021, global e-commerce growth rates has reached 17.1% due to the pandemic Covid-19 (OBERLO, 2023).

However, an advancement of digital technologies and digitalization shows how companies can drastically change their behavior (Katsikeas, Leonidou & Zeriti, 2019). Some of the good examples of how digitalization has pushed trade internationalization, improved productivity of companies, transformed or created new business models and improved interactions relation with the clients are found in numerous works (Sinkovics, Sinkovics & Jean, 2013; Katsikeas, Leonidou & Zeriti, 2019; Bouncken & Barwinski, 2020).

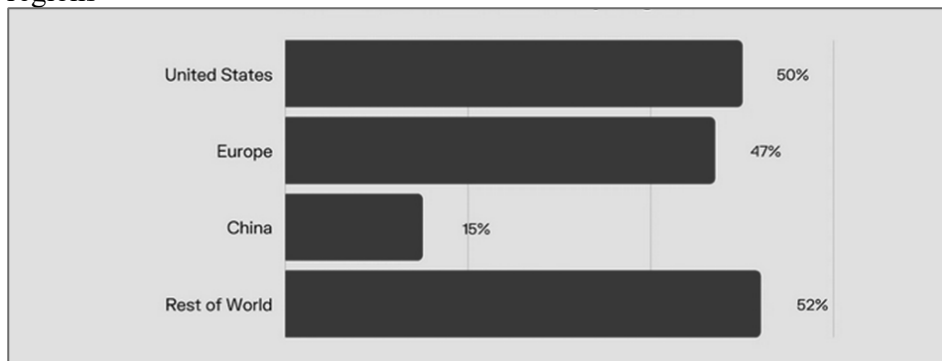
E-commerce enables ordering and paying for, say, airline tickets, even outside working hours, at night, on weekends and on holidays, and facilitates the organization of travel (not only on-the-spot shopping, but also the notorious fact that airline tickets often and unpredictably change in price, although no change in the service itself). Geographical distance in the formation of relations is decreasing. For example, as airlines began to sell tickets on the Internet, travel agencies market share decreased, as did their numbers (Encyclopaedia Britannica, 2023). Overall, the progress of the digitalization is transforming the existing models of the global economy (Ahi, Sinkovics & Sinkovics, 2023). In 2021, the percentage of consumers who have made at least one purchase online in the previous year has risen to 74% in the US, 81% in the UK and 69% in China.

The share of e-commerce in retail sales is expected to increase (OBERLO, 2023). Marketplaces like Amazon and AliExpress are booming, while many independent merchants are struggling to find their unique selling proposition and China, with its advanced technical solutions and huge market, is therefore the one who dictates trends for the global e-commerce in the next decade (Hinto, 2020). For example, in 2026, online retail sales are predicted to grow by 8.2% (Graph 1).

Graph 1. Global e-commerce growth (percentage growth rate) from 2021 to 2026

Source: OBERLO/eMarketer

Traders and marketers rightfully ask the question: in which parts of the world e-commerce has the largest growth? The e-commerce sales in the US are forecasted to grow by an astonishing 50% from \$907.9 billion in 2022 to \$1.4 trillion in 2025 (Graph 2).

Graph 2. Growth of e-commerce in the world until 2025, forecasts by the regions

Source: OBERLO/Statista

From Graph 2, in Europe, e-commerce sales will grow at a rate of 47%, in China by 15% and in the rest of the world the online sales are projected to increase by 52% (Graph 2) from just over \$1 trillion in 2022 to \$1.5 trillion in 2025 (OBERLO, 2023).

3. Growth of electronic trade in Serbia

Serbia is somewhere in the middle of the world list (assuming that there are 195 UN member countries and observers) regarding the level of e-commerce penetration, which is a result that is not so impressive, bearing in mind that many countries that are less developed than Serbia are in a higher position on this list.

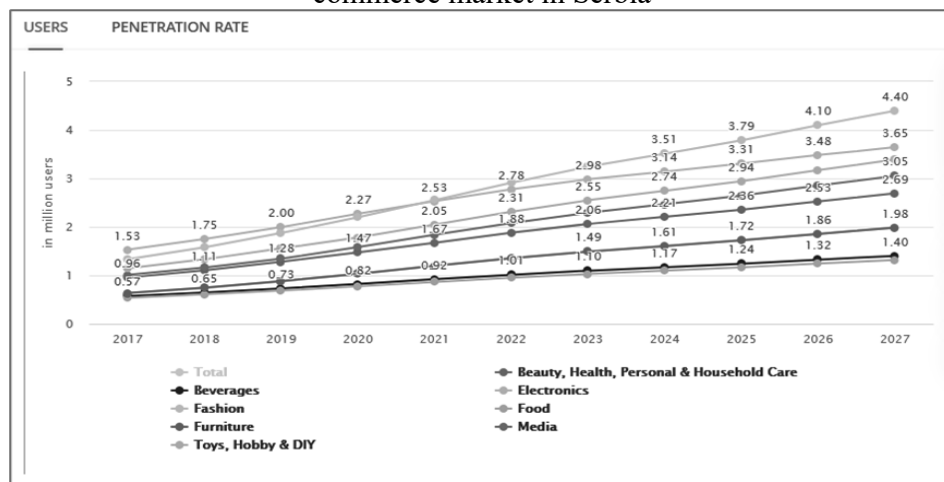
This can be explained by the fact that in Serbia a specific mentality is present (distrust of electronic commerce, trust in cash, trust in live purchases, and also, a large percentage of the elderly population that is skeptical of cards and the Internet), and the similar situation is also found in Japan which is highly developed, or in Italy, also a member of the G7). The result is below the level of development of Serbia, which is the 79th most developed country in the world in 2022 (IMF, 2022).

Thus, Serbia holds the 92nd place in the e-commerce market with a projected income of \$955.7 million by 2023, putting it ahead of Haiti. The revenue is expected to show a compound annual growth rate (CAGR 2023-2027) of 14.6%, resulting in a projected market volume of US\$ 1,650.7 million by 2027. With a projected increase of 34.5% in 2023, Serbian e-commerce market contributed to a global growth rate of 17.0% in 2023 (ECDB, 2023).

In the analyses, we can notice that five submarkets stand out the most within the Serbian global market through electronic commerce. Fashion (clothes, shoes, accessories) accounts for 30.6% of revenues from e-commerce in Serbia. This is followed by Food and Personal Care with 20.3%, Electronics and Media with 19.6%, Toys, Hobby and DIY with 18.3% and Furniture and Appliances with the remaining 11.2% (ECDB, 2023).

From Graph 3, provided by Statista, we can see a slightly different situation, i.e. it is clear that fashion, i.e. clothes and shoes, is the most important element of e-commerce in Serbia, overtaking electronics in 2021, but electronics, i.e. electronic devices, is in second place and beyond, and by 2027 gamers will not be threatened by electronics, although the gap is narrowing. Media and personal hygiene, beauty and household products follow in 4th and 5th place, followed by furniture, drinks and food in 6th, 7th and 8th place. All elements are experiencing slight growth, but it is far from the fact that physical stores shall become unnecessary in the foreseeable future.

Graph 3. The users (in millions) of certain branches in the electronic commerce market in Serbia



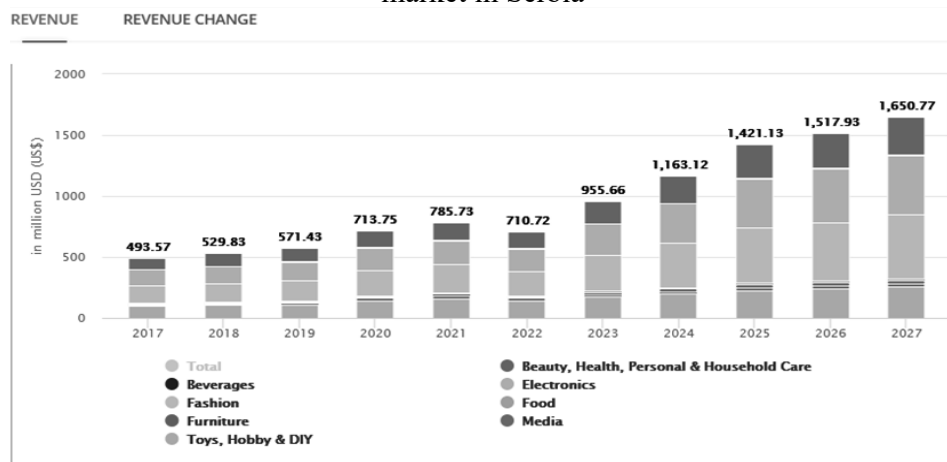
Source: Statista

At the very beginning of the Covid-19, online sales increased sharply. In 2020-2021, online food delivery increased by approximately 200%, textiles by almost 100%, and computers and technical devices by 50%. Compared to global online shopping preferences, where the majority of online consumers buy books, movies and video games (60%), in Serbia the most users buy clothing and sports products (52%) and in 2021, approximately 70% of the population bought at least one product online (Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia, 2022).

That number has increased, particularly due to previous social distancing measures, quarantines and other pandemic-specific factors. Serbia is still behind Western European countries, which have more than 90% of the population who bought at least one product per year via the Internet. Serbia is in a slightly better position and almost equals the position of Serbia in terms of the development of the economy and the e-market. Namely, according to their data from 2022, Serbia is the 81st largest market for e-commerce with revenue of 559 million dollars in 2021, which puts it ahead of Belarus and behind Tunisia (Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia, 2022).

In the Graph 4, we see that the revenue of certain branches in the electronic commerce market in Serbia has increased, from 2017 from 493.57 million USD in 2017 till 1650.77 million USD in 2027.

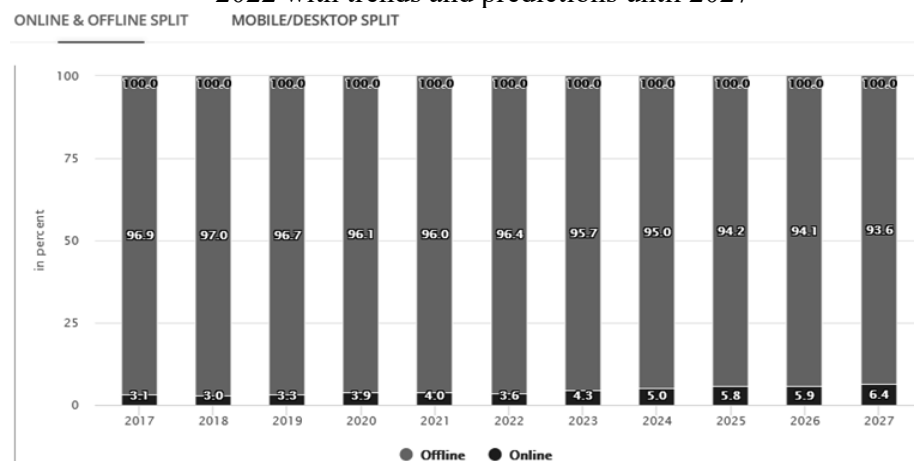
Graph 4. The revenue of certain branches in the electronic commerce market in Serbia



Source: Statista

From Graph 5, we see that the percentage of online purchases is slightly increasing in Serbia, but only by 0.5% to 0.8% per year, so no big shift is expected in the coming years unless Generation Z comes to a dominant position with a completely different buying habits and does not suddenly reverse the tendencies, which is very possible.

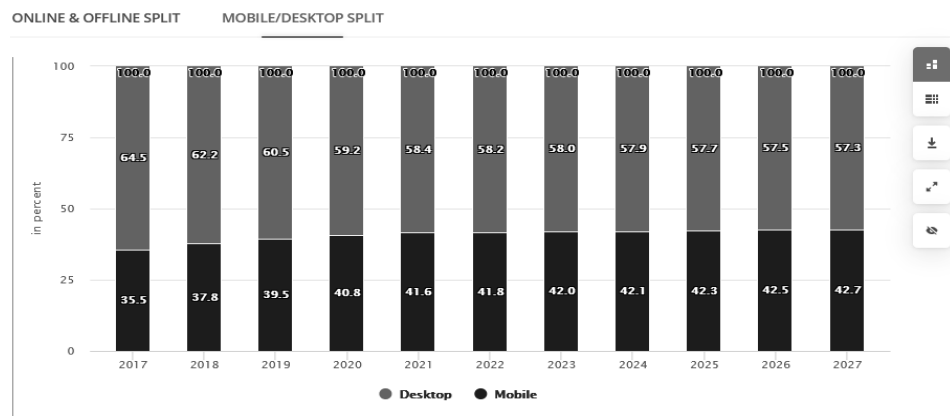
Graph 5. The ratio of online and offline shopping in Serbia from 2017 to 2022 with trends and predictions until 2027



Source: Statista

In Graph 6 it is shown how the purchases from mobile phones (laptops, tablets) and from computers is changing and we can also see a shift towards mobile devices, from 35.5% in 2017 till 42.7% in 2027.

Graph 6. The ratio of purchases from mobile phones (laptops, tablets) and from computers



Most recent update: Feb 2023

Source: Statista

Source: Statista

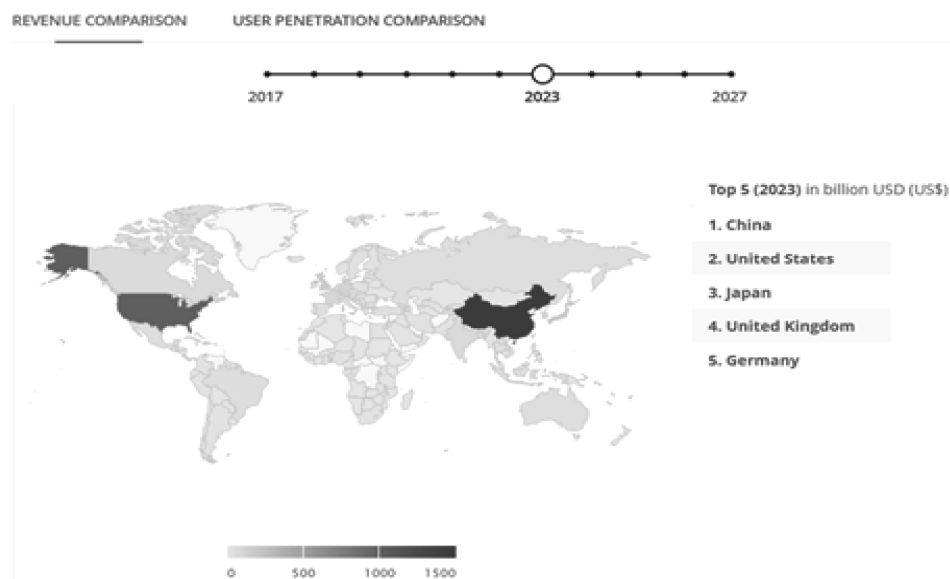
The most commonly used payment methods in Serbia are credit cards and PayPal (Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia, 2022).

During 2022, the e-commerce market revenue was forecast to reach USD 944.50 Mn in 2022 and is expected to show a CAGR (CAGR 2022-2025) of 21.19%, resulting in a projected market size of 1.6 million USD by the year 2025.

Population in China buy the most (Graph 7) in the e-commerce market and the number of users is expected to reach 4.2 million users by the year 2025. User penetration will be 56.6% in 2022 and is expected to reach 61.5% by the year 2025. Average revenue per user (ARPU) is expected to be \$242.50.

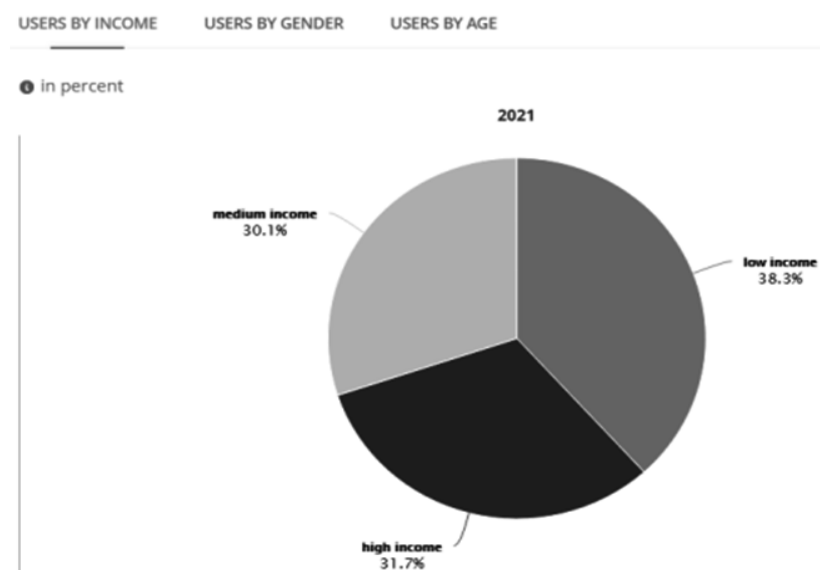
As for e-buyers by financial status, those with lower incomes, middle and higher incomes are almost equally divided into thirds, but those with lower incomes have a slightly higher predominance (Graph 8).

Graph 7. Revenue from e-commerce



Source: Statista

Graph 8. Distribution of e-customers in Serbia by financial status in 2023



Source: Statista, Statista Global Consumer Survey

The most popular online stores in Serbia are international e-stores such as Amazon, eBay and Alibaba, although domestic e-stores such as CT Retail (owner of ComTrade), Win Win and Tehnomanija also sell consumer electronics and appliances in large quantities (Welcome to Serbia, 2023). On the other hand, the competent ministry states that the largest player on the Serbian e-commerce market is Gigatron, and that its online store had revenue of \$44 million in 2021, followed by Technomania with \$40 million and Zara with \$20 million. Together, the first three stores account for 20% of online revenue in Serbia (Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia, 2022).

4. Conclusion

The percentage of people involved in e-commerce is increasing year by year – which is a consequence of the increasing technical perfection of devices, the increase in Internet speed, but also the improvement of security protocols for payment, which were the greatest for users barrier to start using e-shopping. Worldwide e-commerce sales are expected to grow by 9.6% in 2024 and 8.9% in 2025. In 2026, online retail sales are predicted to grow by 8.2%.

It is very important to note that e-business enables the so-called micro-marketing, i.e. marketing that serves targeted market segments, i.e. niches. By not talking to all customers with a uniform voice, the marketers get a stronger customer response: namely, customer loyalty increases as customers are better supported and serviced after the purchase and a better connection is established with them – they feel that marketers are speaking to them. Personalization, which refers to the provision of personalized offers and marketing messages to consumers based on their previous activities on the site.

Thanks to the fact that smartphones and payment cards are no longer a sign of prestige but part of a mandatory tool used by almost every person, growth is very present in Serbia. In this sense, it is interesting that almost 40% of e-buyers in Serbia are from the lower income group. In the future, Serbia will have a significant growth in e-commerce, and customers buy by far the most from China, mostly clothes and shoes, as well as other elements that fall under the category of “fashion”. This is in stark contrast to the situation in the world where most of the money is spent on books and music. In Serbia, it is expected that the number of users in the e-commerce market shall reach 4.2 million users by the year 2025.

Taking over the market from classic, physical stores is not expected. The take-up percentage is too small, unless there is some major shift in the coming years, i.e. unless Generation Z comes to a dominant position with completely different buying habits and suddenly reverses the tendencies, which is very possible.

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RAST ELEKTRONSKE TRGOVINE U REPUBLICI SRBIJI

APSTRAKT: E-trgovina ima sve veći značaj u svetu i svake godine se obim e-trgovine u svetu a i u svim pojedinačnim zemljama povećava, te ni Srbija u tom smislu nije izuzetak. Rezultat su sve unapređeniji uređaji (mobilni telefoni, pametni satovi, računari, tableti) koji su sve dostupniji, zatim sve brži internet, sve veća prisutnost platnih kartica i sve veća bezbednost onlajn plaćanja. Tokom pandemije i lokdauna kupovina je naglo postala elektronska, a rast je bio ogroman – firme su pritisknute da naprave brzu digitalizaciju i iako je postpandemijski trend takav da je rast e-trgovine smanjen, ona je ostala na visokom nivou i raste. I u Srbiji se trendovi kreću sličnim putanjama. Rast u Srbiji se poklapa sa trendovima povećanja onlajn trgovinskih transakcija, kao i povećanjem učešća mobilnih transakcija. S druge strane, srpsko tržište je specifično po tome što najveću nišu zauzima moda a ne knjige i muzika kao na Zapadu, a najveći dobavljač je Kina. Preuzimanje tržišta od klasičnih, fizičkih prodavnica se ne očekuje. Procenat preuzimanja je premali, osim ako se ne desi neko veliko pomeranje u narednim godinama, tj. ukoliko Generacija Z ne dođe na dominantnu poziciju sa potpuno drugačijim kupovnim navikama i naglo ne preokrene tendencije, što je veoma moguće.

Ključne reči: e-trgovina, Srbija, digitalizacija, trendovi, e-tržište.

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