

THE INTERNATIONAL DIMENSION OF E-COMMERCE IN ROMANIA

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Abstract

In the context of the accelerated globalization of digital commerce, Romania's integration into the international e-commerce ecosystem is a relevant case study. This paper explores the evolution, current state and future perspectives of Romania's e-commerce activities. We examine the main factors behind its success in this field, the challenges faced in the process and how technological innovations and strategic initiatives have been instrumental. We also analyze the wider implications of Romania's e-commerce growth on its economy and society. The research concludes by offering perspectives on future trends, highlighting the potential and opportunities ahead. This analysis serves as a basis for understanding how emerging economies can use e-commerce as a tool for global integration and economic advancement.

Keywords: e-commerce, international trade, digitalisation, innovation

Clasificare JEL : L81, L86, O33

1. Introduction and context of the study

E-commerce is fast developing worldwide. Some regions of the world are more advanced than others in this respect. Recent data from Statista (2023) points to Asia as the most advanced continent in terms of total volume of e-commerce, with nearly \$1.700 billion in revenue generated by e-commerce in 2022, followed by Americas, with close to \$1.000 billion and Europe with under \$600 billion. Australia and Africa are far behind in terms of this indicator. Retail e-commerce sales are set to continue their fast paced growth in the following years.

Romania is also fast developing in terms of e-commerce, at a faster pace than the European average. This situation is certainly facilitated by it's late start and the fact that it's still well behind the European average on most relevant indicators. In this paper we examine the evolution and current state of e-commerce in Romania, its integration into the international market, and future implications of this evolution. Such an endeavour is relevant considering the fact that online procurement of individuals is significantly different in various countries (Zaharia și Bălăcescu, 2022) and the case of Romania has interesting peculiarities.

Apart from the worldwide patterns, Romania's distinct experience in the field of e-commerce is particularly noteworthy. Despite early economic and infrastructural difficulties, at national level there was a quick adoption of digital platforms demonstrates, which contributed to an important change in consumer behavior and companies behaviour. This change has been largely attributed to the growth of mobile commerce and consistent rise in internet penetration. Of course, the recent COVID19 pandemic has fuelled its development.

2. E-commerce in Romania. International aspects

Evolution of e-commerce in Romania

All datasources indicate a steady and quite abrupt development of e-commerce in Romania in the last decade. Different datasources include a different mix of e-commerce elements, which lead to varying results in measuring the evolution or making comparisons. As a general discusion, when calculating or analysing the dimension of e-commerce in Romania it is important to clarify what is

measured – are services included or not in the statistics, are online stores from abroad that sell to Romanian customers included or not, are Romanian stores that sell to foreign customers included or not. Various datasources include in different degrees these aspects, which makes them less easily comparable. What we can compare in these statistics is the relative position of e-commerce in Romania compared to other countries. One such statistic provided by Eurostat [2023, (1)] concerns the share of enterprises' turnover on e-commerce. From 2011 to 2022 this indicator grew in Romania from 2.9% to 10.9% (276% increase, while the EU average grew from 13.2% to 17.6% (33% increase). Local statistics indicate that in 2022 e-commerce reached a level of 6.3 billion euro, with an estimated increase to close to 7 billion euro in 2023 (GPeC, 2023). As a note, these estimates are just for products sold on e-commerce channels and do not include services such as tourism, airline travel or financial transactions.

One key factor that influences the evolution of e-commerce in Romania is represented by the relevant infrastructure. Internet penetration has been a strong advantage and the development of digitalization has supported growth. Beyond such digital aspects however, other dimensions have developed in recent years, creating a more solid base for industry development: logistic centers, payment systems, courier infrastructure, marketing ecosystem and so on.

The development of e-commerce is also contingent on other aspects, such as purchasing power of the population, availability of products in online stores, quality of service provided by the online stores, quality of services provided by courier companies, the existence of adequate payment solutions and the existence of additional relevant elements of the ecosystem.

Recent Eurostat data [Eurostat, 2023(1)], indicates that the proportion of individuals that make online purchases in Romania (46%) is currently under two thirds of the EU average (68%). This is a potential source of quick sectorial growth in the future years. A more indepth analysis of this evolution was recently conducted by Florea et al. (2022).

Factors behind success

Governmental policies have done little to foster growth in this area but a positive aspect is that they did not impede it severely. In the e-commerce ecosystem there are some concerns regarding the legal imbalance between the rights and obligations of consumers versus the rights and obligations of vendors. But, so far, these issues have been satisfactorily managed by the parties involved, with proper protection of the consumers' interests.

The COVID19 pandemic provided a significant boost to the e-commerce ecosystem. With limited access to physical stores many consumers turned to online commerce. The months of home confinement gave many the opportunity to test online orders, became used to it and overcome their reluctance to this type of purchases. This boost in orders and revenue allowed e-commerce players to expand and improve their operations, increasing their competitiveness compared to physical stores.

Some general public measures taken during the COVID19 pandemic, to protect the general business environment have also benefited e-commerce companies. Many such companies used low interest loans from public programs to purchase inventory, in a period when rapid growth could have let to cash flow problems.

Adoption of new payment methods, such as BNPL (buy now, pay later), contributes to national and international development, both in terms of trade and internationalisation of e-commerce ecosystem. Many customers are interested in the use of such payment solutions, which leads to an increase in their purchasing level. In most occasions these advanced payment solutions are offered by international providers seeking to expand their business beyond their national markets and they are adopted by local sellers as alternative means of payment (Empria, eMag, 2023).

Adjustment to customer preferences and market needs

Romanian e-commerce has been successful in part because companies have been able to quickly adjust to shifting consumer preferences and market demands. The swift assimilation of

novel technologies, the launch of inventive product lines, and the execution of customer-focused business strategies are examples of this adaptability. Still, the number of products available in local online stores and marketplaces is far lower than what is available in Western countries. The fact that most online stores offer their products only in the (yet underdeveloped) market limits their possibility to fully diversify their product offering. However, the ability of Romanian e-commerce companies to react quickly to market developments and customer feedback has been essential to earning the trust and loyalty of their clients. This was made possible by the synergic effect of e-commerce sellers and service providers supporting their businesses (Saas platforms, marketing agencies, courier companies, fulfillment centers, financial solutions providers etc.).

Challenges faced

Local competition becomes stronger as companies become more experienced. Also, after the restrictions of COVID19 pandemic ended, physical stores made efforts to regain the market share of total trade they had lost. And, yet another significant challenge is represented by the desire of the customers to have again physical shopping experiences.

However, currently the main challenge for local e-commerce companies comes from international players, attracted by this developing market. These players are regional (from Poland, Slovenia, Hungary etc.) or from producing countries (mainly China). For them Romania is a large enough market to make penetration efforts worthwhile at this stage. Also, these companies have advantages over Romanian e-commerce players, such as their more extensive international experience or capacity to sell their products at lower prices.

Eurostat statistics [2023(2)] indicate that cross-border sales are at a much lower level in Romania than most other European countries. Just 2.4% of companies sell to other EU countries, compared to 5.9% of Polish companies, 6.3% of Hungarian companies or the 8.1% EU average. One aspect that still provides leverage to local e-commerce shops is the fact that just about 21% of local consumers make online purchases from other countries. This provides a comparative advantage to online shops from smaller countries, in which consumers have a larger habit of purchasing from abroad (Ecommerce Europe, 2023).

Logistics difficulties and supply chain administration

A notable obstacle confronting the Romanian e-commerce sector is the domain of logistics and supply chain management. Inadequate infrastructure for logistics has frequently resulted in order fulfillment delays and inefficiencies. Therefore, the development of effective supply chain networks and the integration of cutting-edge logistics solutions are essential for the sustained growth of e-commerce in Romania.

This issue can be split into two distinct elements: the physical transport infrastructure is clearly lacking. All shipments take much more than in Western European countries, by road, train or sea. Port infrastructure is poor and the fact that Romania is not part of the Schengen area adds delays and costs. The second aspect refers to the lack of experience and investment in logistic centers. Things are picking up in recent years but this was a factor that contributed to local inefficiencies in e-commerce.

Privacy and data security issues

Concerns about consumer privacy and data security have grown in importance as e-commerce operations rise. Maintaining customer trust and adhering to both national and international data protection requirements depend on protecting consumer data and creating a secure online shopping environment. The implementation of GDPR related procedures improved things in terms of privacy and data security but also added a layer of problems, in terms of compliance, cost and customer experience.

Economic and societal implications

E-commerce is a growth factor. During the COVID19 pandemic it fully proved its utility and in the course of serving public needs also significantly increased its share in total retail. At a social level e-commerce goes hand in hand with globalisation, digitalisation, consumerism, remote work

and other such current trends. Making shopping easier helps people save time, which they can use for more productive or leisure related purposes but it can also be seen to promote consumption beyond a sustainable level. The excessive use of packaging may raise environmental concerns while the imbalance induced by consumer protection laws may decrease the profitability of e-commerce operations to a level that no longer fosters growth.

Effects on workforce development and employment

The development of the workforce and employment in Romania have been significantly impacted by the rise of e-commerce. Numerous career opportunities have been generated by the industry, spanning from customer service and shipping to IT and digital marketing. Furthermore, as a result of this expansion, there is a greater demand for specialized skills, which has raised awareness of digital literacy and e-commerce-related training programs.

The growing importance of AI tools raises particular concerns and also opportunities for those occupying these highly digitalized jobs.

Impact on lifestyle and consumer culture

The consumer culture and way of life in Romania have also been impacted by the growth of e-commerce. Internet transactions are becoming more and more preferred over traditional means of shopping due to the convenience of internet shopping. The retail industry as a whole and also consumer expectations are affected by this transition, which is a move toward more digitalized, customer-focused shopping experiences.

Until recently an untapped pocket of e-commerce growth was represented by the fresh groceries sector, which had an insignificant market share in total e-commerce sales. The pandemic gave a particular boost to this sector, encouraging investments that led to the development of logistic chains that allow the efficient conduct of e-commerce sales in this particularly difficult trade area.

The impact of trade agreements and global partnerships

Romania's trade agreements and alliances have played a major role in shaping its entry into the global e-commerce sector. The digital single market plan of the European Union has reduced obstacles for Romanian enterprises to enter other European markets by creating a favorable environment for cross-border e-commerce. This area is still underdeveloped, but local companies feel an increasing pressure to develop cross-border operations. Furthermore, Romanian e-commerce platforms now have greater opportunities to go outside of Europe thanks to bilateral agreements with non-EU nations. However, this is a two-way street and it appears that currently there is more incoming than outgoing traffic on it.

SMEs' and startups' role

Romania's e-commerce growth has been led by startups and small and medium-sized organizations (SMEs). These organizations have contributed greatly to the current level of robustness and diversity of the country's e-commerce ecosystem by demonstrating adequate agility in adjusting to online business models. Their creative methods, which are frequently funded by local or foreign venture capital investments, have also fostered a competitive e-commerce environment in Romania.

These SMEs and startups are in a stage in which they need to mature rather fast, due to the increased competition from abroad, already mentioned before.

Consumer behavior and the evolution of e-commerce

Romanian customers have adapted to online shopping quite well. A notable transition has been seen between traditional in-store buying and online purchase, driven by elements like variety, ease of use, and frequently attractive prices provided by e-commerce platforms. The e-commerce sector has experienced considerable expansion as a result of the shift in consumer behavior, which has also pushed traditional businesses to open or increase their online presence.

Modern elements of the e-commerce process are quickly adopted by the customers. The rapidly development of locker networks led to a fast adoption of this cheaper and more convenient

delivery option. In other areas, such as modern payment solutions, there is still a relatively slow adoption rate. To exemplify, an important share of total payments for online acquisitions is still made with cash on delivery. Card payments are steadily gaining market share but not at a very fast pace.

Infrastructure development and technological advancements

The development of e-commerce in Romania has been significantly influenced by technological developments, particularly in the areas of mobile technology and payment methods. A wider range of people can now shop online because to improvements in digital infrastructure, such as expanding broadband and mobile internet availability. Furthermore, the development of digital wallets and safe online payment methods significantly raised customer confidence in e-commerce transactions. It is generally accepted that online payments are safe in Romania, both from the point of view of customers and sellers.

There is the expectation of substantial investments in digitalization and local infrastructure from the Recovery and Resilience Facility funds, which might provide an important boost to e-commerce development in Romania and increase the competitiveness of local online stores.

3. Conclusions

E-commerce developed rapidly in Romania in recent years and continues to grow at a faster pace than in other countries. The gap in the adoption of e-commerce between Romania and more developed countries will probably narrow in the future years.

We can expect a greater internationalisation of e-commerce – more foreign companies will sell products in Romania and more Romanian companies will sell their products abroad. This internationalisation will also take place at the level of product sourcing, logistics and marketing, all elements required for a proper international presence.

As it will become simpler to conduct e-commerce internationally, not doing so will put companies at a competitive disadvantage.

Prospects for the future and strategic paths

The Romanian e-commerce market is expected to continue expanding and integrating internationally in the future. Future growth will be primarily driven by strategic investments in digital infrastructure, ongoing innovation in e-commerce platforms, and a focus on improving the consumer experience. The continued global expansion of Romania's e-commerce industry will also depend on utilizing international alliances and investigating new markets.

Possible difficulties and strategies for mitigation

Although there is a great deal of room for expansion, it is important to be aware of possible obstacles like market saturation, heightened competition, and changing regulatory environments. The prosperity and endurance of Romania's e-commerce industry will depend on creating strong plans to counter these obstacles, such as expanding into new markets, investing in cutting-edge technology, and remaining flexible in the face of changing laws.

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