

# THE EVOLUTION OF E-COMMERCE IN ROMANIA

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## Abstract

*The evolution of e-commerce in Romania in the past few years was significant and in 2016 the total amount of money spent on online shopping exceeded 1.8 billion Euros. Since it is believed that e-commerce will be the future trend in global commerce, this topic has an increased importance in the specialized literature. The purpose of this paper is to present the evolution of the e-commerce market in Romania, mainly in the past two years, and to outline the trends that are expected to occur this year and in the near future. The paper presents a short literature review regarding the concept of e-commerce and a secondary data analysis regarding the characteristics of the e-commerce market in Romania.*

**Keywords:** *e-commerce, consumer-oriented e-commerce, electronic commerce, e-commerce market, online sales.*

## 1. Introduction

In commerce the pace of change is rapid and one of the most prominent transformations was created through the strong development and expansion of electronic commerce. E-commerce generated a paradigm shift for sales and “has changed the way business is conducted in many industries” (Schneider, 2015), becoming an efficient way to lower costs and increase profits from sales. In this field, both the demand and the supply are going through significantly changes that “pose big challenges for retailers, and also represent unprecedented opportunities to innovate on behalf of customers” (World Economic Forum, 2017). E-commerce managed to form a “global marketplace” (Chan, 2004, p. 284) and created sales opportunities for sellers and many purchasing opportunities for buyers (Schneider, 2015).

E-commerce is believed to be the future trend in global commerce and online sales are expected to grow from around 10% today to 40% or even 50% in some sectors in 2027 (World Economic Forum, 2017). The future of shopping will be therefore mainly electronic.

In Romania, consumers’ orientation towards electronic commerce became more and more significant in the past few years. Factors such as a higher rate of Internet penetration and usage, wage increase, VAT decrease and price decrease, contributed to the growth of online sales in Romania in the recent years (GPeC, 2017). According to the official Romanian e-commerce market report, published by GPeC (2017), in 2016 the total value of the e-commerce market in Romania exceeded 1.8 billion Euros, more with 0.4 billion Euros than the value recorded in 2015.

Given the importance of e-commerce, numerous papers and studies are dedicated to this topic in the existent specialized literature. The role of this article is to outline the current characteristics of the e-commerce market in Romania and to identify, through a secondary

data analysis, some trends regarding its future development.

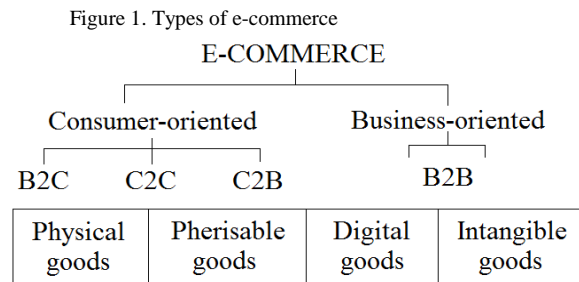
## 2. The concept of e-commerce

According to Chan (2004, p. 292), “e-commerce concerns the sale and purchase of goods and services by electronic mechanisms, in general, and on the Internet, in particular”. Taking into consideration only the last aspect of e-commerce, Carey (2001, p. 5) considers that “e-commerce (or electronic commerce) is the term used to denote a commercial (usually contractual) transaction that takes place between two or more people using the communications infrastructure known as the Internet”. Schneider (2015), emphasizes that the term electronic commerce means not only shopping on the Internet, but it also includes different types of business activities that use Internet technologies. Thus, several categories of electronic commerce can be defined, depending on “the types of entities participating in the transactions or business processes” (Schneider, 2015, p. 6).

Since e-commerce can relate to both consumer-oriented and business-oriented aspects (Chan, 2004), e-commerce can be easily separated in these two main categories. As it can be seen in Figure 1, *the consumer-oriented e-commerce* can be divided furthermore into three types: B2C (business-to-consumer), C2C (consumer-to-consumer) and C2B (consumer-to-business). *The business-oriented e-commerce* (B2B) deals with commercial transactions carried out between business partners or collaborators.

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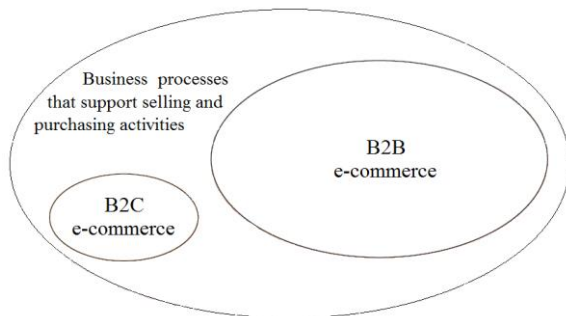
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Source: Chan, 2004, p. 285 (adaptation).

Beside these two main categories, e-commerce also involves business processes that support selling and purchasing activities. Figure 2 shows the relative size of e-commerce elements in terms of money volume and number of transactions. According to it, the business processes that support selling and purchasing activities are the largest element of e-commerce, followed by the business-to-business (B2B) e-commerce and the business-to-consumer (B2C) e-commerce (Schneider, 2015).

Figure 2. Elements of e-commerce



Source: Schneider, 2015, p. 8.

For this paper only the business-to-consumer e-commerce shows interest. *The B2C e-commerce*, also known as consumer shopping on the Web (Schneider, 2015), involves the selling of tangible or intangible goods from an electronic retailer (e-retailer or e-tailer) to individual consumers and it resembles to some extent the traditional retail business (Chan, 2004). The retail business can be represented by a hybrid retailer, who sells goods both in the physical and in the digital environment, or it can be represented by an electronic retailer, who sells goods only in the digital environment. The types of goods that can be sold include: physical goods, perishable goods, digital goods and intangible goods (services) (Chan, 2004).

The mechanism of B2C e-commerce is based on a series of key elements, such as: a virtual shop, a search engine to facilitate finding products on the virtual shop, an e-catalog for presenting product information, a virtual shopping cart, communication and customer support, payment functions and physical or digital product delivery services (Chan, 2004). In order to ensure a greater success of sales, “companies must be able to transfer their merchandising skills to the Web” (Schneider, 2015, p. 20) and convince customers to buy through marketing, advertising and promotions.

According to Schneider (2015) there were 3 stages in the evolution of e-commerce. The first stage of development lasted from 1995 until 2003, the second stage lasted from 2004 until 2009, and the third stage started in 2010 and it is still under development. The third stage in the development of e-commerce was determined by a number of factors such as (Schneider, 2015):

- an increasing number of mobile devices users and the proliferation of high-speed mobile phone networks that enabled more connections between consumers and retailers.
- an increasing interest towards social networking platforms from both the users and the companies; the companies engaged social networks in commerce and started to use them for advertising, promotion and sales.
- an increasing number of small businesses started to sell online.
- an increasing number of tracking technologies were integrated into e-commerce.

Along with the development of smartphones and tablets, the e-commerce activity diversified. Mobile devices became more powerful and popular and started being used in different application areas, including retail. The mobile telephone-based commerce, known as mobile commerce or m-commerce, offers new opportunities for online businesses and it is one of the main future trends in e-commerce.

Referring to the opportunities that e-commerce offers, it should be mentioned that the main advantage of B2C e-commerce is that it simplifies the consumer buying process. On the Internet, the consumers can easily obtain more information and they can compare and evaluate products and prices. These aspects enable them to take better decisions and to have a greater control over the buying process. “E-commerce provides buyers with a wider range of choices than traditional commerce” (Schneider, 2015, p. 22). On the Internet, consumers can analyze different products or services, sold by different sellers, thus improving their decision, saving time and money.

### 3. The e-commerce market in Romania

According to the official Romanian e-commerce market report published by GPcC (2017), in 2016 the total value of the e-commerce market in Romania exceeded 1.8 billion Euros. This figure took into consideration only the value of the e-tail market (tangible goods sold online, disregarding their nature), excluding services such as: bill payments, utilities paid online, event tickets, plane tickets, hotel or holiday reservations etc. Compared to 2015, the Romanian e-commerce market grew by approximately 30%, from 1.4 billion Euros to over 1.8 billion Euros. Between 2014 and 2015 the total value of the e-commerce market grew from 1.1 billion Euros to over 1.4 billion Euros. Therefore in the last years, the e-commerce market has experienced a continuous growth, of about 30% per year. “The e-commerce industry is one of the

few Romanian industries growing constantly every year” (GPeC, 2017). If the growth trend will continue, next year the Romanian e-commerce market (on the e-tail segment) will exceed the threshold of 2 billion Euros.

The e-commerce share in total retail was of approximately 4% in 2016, similar to 2015 when the share varied between 4% and 5%.

In 2016 in Romania were registered approximately 11.2 million Internet users, more with 0.2 million than in 2015, meaning an Internet penetration rate of 58%. Regarding the number of consumers, in 2015 there were registered 6.7 million online shoppers. In terms of the supply, on the Romanian market, in 2016 there were approximately 5000 online shops active and over 20000 websites that have shopping flow and add-to-cart active buttons.

A selection of the main aspects regarding the evolution of the e-commerce market in Romania between 2015 and 2016 is presented in table 1.

Table 1. The evolution of e-commerce in Romania between 2015-2016

<b>E-commerce aspects</b>	<b>2015</b>	<b>2016</b>
Romania's population	19.8 mil.	19.4 mil.
Internet users	11 mil.	11.2 mil.
Internet penetration rate	56%	58%
Smartphone penetration rate	50%	70%
Online orders placed from mobile devices	25-30%	35-40%
Online shopping value (e-tail)	1.4 bil. €	1.8 bil. €
Average value of online shopping/day	3.8 mil.€	4.9 mil. €
Average number of purchases/year	8.2	8.4
Black Friday sales	100 mil.€	130 mil. €
Online card payment	514 mil.€	745 mil. €

Source: GPeC, 2016&2017.

According to GPeC (2017), in 2016 the average number of purchases made by a Romanian online buyer was 8.4, increasing from 8.2 purchases in 2015, 8.1 purchases in 2014 and 7.9 purchases in 2013. Also in 2016, the average value of online shopping per day was 4.9 million Euros, increasing from 3.8 million Euros in 2015.

The weekdays on which most of the Romanians purchase products online are Wednesdays and Thursdays.

During Black Friday 2016, the Romanians bought products online of 130 million Euros, increasing from 100 million Euros spent during Black Friday 2015. During Black Friday 2014 the total value of sales was around 75 million Euros. “According to top online

shops in Romania, Romanian people's appetite for discounts was the reason why online shops started having more and more frequent Black Friday campaigns (sometimes named differently)” (GPeC, 2017), each of these campaigns generating an approximately 30% growth in online sales.

The main product categories that were sold online in 2016 are similar to those sold in 2015. The top four product categories were: *Electro-IT&C* (e.g. PC and computer parts, notebooks, tablets, mobile phones, electronics and home appliances), *Fashion & Beauty* (e.g. clothes, shoes, accessories, cosmetics, products, watches etc.), *Home & Deco* (home design products, furniture etc) and *Baby, Kids and Toys* (e.g. toys, strollers, baby clothes, diapers etc.). “Comparing to 2015, the transaction average order value decreased for all the above categories with the sole exception of Home & Deco where the average order value doubled” (GPeC, 2017). In 2015, for *Electro-IT&C*, the Romanian buyers spent 680 RON, a higher average order value than in 2016, when they spent 669 RON per transaction. For *Fashion & Beauty* the average order value decreased from 180 RON in 2015 to 161 RON in 2016. For *Home & Deco*, the average order value doubled from 220 RON in 2015 to 474 RON in 2016. For *Baby, Kids & Toys*, the average value order decreased from 210 RON in 2015 to 203 RON in 2016.

During the last two years, the smartphone penetration rate grew significantly in Romania, increasing from 50% in 2015 to 70% in 2016. Romanian buyers started to use smartphones for shopping online and browsing online shop content. “Therefore, the top Romanian online shops reported significant increase in mobile device traffic: over 50% of online shops visits come from mobile devices” (GPeC, 2017). The number of online shopping orders placed from mobile devices has grown as well, from 25-30% of total orders in 2015 to 35-40% in 2016.

Regarding online card payments, in 2016 the total value grew significantly, reaching approximately 745 million Euros, increasing by 44.9% from the value registered in 2015, when the total value was 514 million Euros. In 2014 the value of online card payments was 337 million Euros. Out of the total value, in 2016 *RomCard* processed 575 million Euros in 3D Secure and registered a significant growth comparing to 2015, when the company processed 394 million Euros. *Netopia mobilPay* processed 170 million Euros in 2016, more than in 2015, when the company processed 120 million Euros.

Romanians preferred online card payments especially when they paid for services and less when they paid for e-tail. Out of the total payment methods used in the e-tail segment, the online card payment percentage was approximately 6-7%, both in 2015 and 2016. The preferred payment method (approximately 90% of orders) was cash on delivery. Other payment methods such as online banking, micropayments by SMS etc. were used only for 2% or 3% of all the payments. The top three product categories for online

card payments included: bills payment, e-tail payments and telecom services payments.

In 2016, 64% of Visa card online payments were directed to international online merchants. The purchases included mainly plane tickets, but also travel and hotel reservations, as well as online adult websites and gambling & casino websites. The average order value on Visa cards increased from 40 Euros in 2015 to 50 Euros in 2016. The figures show that in 2015 Romanian buyers “spend more money in foreign online shops than in Romanian online shops, the average order value being 58 Euros for foreign shops and 40 Euros for Romanian online shops” (GPeC, 2016).

#### 4. Future trends of e-commerce in Romania

Although most of the Romanian online buyers prefer to purchase from desktop devices instead of mobile devices, mobile commerce has grown considerably since 2015 (GPeC, 2016). According to the official Romanian e-commerce market report published by GPeC (2016), in 2015 “1.4 million Romanian online shoppers used a mobile device to complete a purchase, and approximately 850.000 used a mobile shopping app to complete a purchase”. Mobile commerce was “the trend of 2016 and will continue to be the main focus for 2017, as Romanian online shops have understood that the mobile is no longer the future but the present” (GPeC, 2017). Given the fact that m-commerce is having a fast development, the main aspects that need to be optimised are improving the online shop mobile user experience and the websites loading time (GPeC, 2017). Also, the e-tailers must adapt the website content and communication to this new trend.

Nowadays consumers expect “to order something on their mobile devices, have it delivered or pick it up in store – often on the same day, in a few hours, or even in a few minutes. It’s up to retailers to adapt to these changes – and in some areas even lead the way – or they’ll fall behind and disappear” (World Economic Forum, 2017). Consumers want everything to happen fast. The Romanian consumers are looking for the online shops to offer them several advantages, such as: free delivery, discounts and promotional campaigns, free returns, and fast delivery (GPeC, 2016). Online shops and delivery companies must be able to complete these demands. The e-commerce market must become a more proactive and less reactive market (GPeC (3), 2017). The e-tailers should try to innovate in order to keep up with the changing consumer demands and behaviour.

Besides mobile, other important keywords regarding the future development of e-commerce in Romania include: video content, automation, personalization and omnichannel experience (GPeC (2), 2017).

Given the fact that by 2020 Google estimates that 80% of online content will be video content, the e-

tailers have the opportunity and obligation, at the same time, to create and deliver quality video content (including live streaming, vlogging, virtual reality etc.), in order to improve communication and promotion, to increase consumers’ trust and to stimulate their sales (GPeC (2), 2017).

The companies should also adopt marketing automation in order to measure their results and to establish patterns regarding their consumers’ buying behaviour. Marketing automation will help companies to be present and communicate online with their consumers at the right moments and in the right context.

Personalization is another important aspect. The most successful companies will be those who will communicate and customise their content according to their customers’ profile and interests.

The omnichannel or multichannel experience will be a source of competitive advantage. A pleasant consumers’ experience should be created by retailers at all points of contact, both online and offline, and both before and after the purchase.

#### 5. Conclusions

The Romanian e-commerce market had a continuous growth during the last years, of about 30% per year, and it will continue to develop based on the trends that were presented in this paper. Taking into consideration that the e-commerce market is a global market, it should be mentioned that the future development of electronic commerce in Romania will follow the international trends. The long-term developing trends will involve 3 main directions (World Economic Forum, 2017):

##### 5.1. An increasing power and influence of consumers

Given the fact that on the Internet, consumers have a greater control over their shopping experience, and that their satisfaction is very important for retailers, in the future consumers “will be more empowered than ever to drive the change they want” (World Economic Forum, 2017). The development of technology, artificial intelligence, augmented reality and virtual reality will help consumers to fulfill their needs in a simpler way. Since they will have less time to buy from physical stores, they will prefer to choose mainly products sold online. Consumers will choose to shop with retailers who are able to sell different types of products and who will provide transparency around product information, pricing and the supply chain, so that they can be satisfied about the purchase.

An important shift on the market is represented by the fact that “until recently the price was the important factor influencing the buying decision, but now the smaller price is not the only factor – Romanian people start paying attention to the quality of service and post-acquisition services, time of delivery and time of response and the price is no longer the main factor.

The quality of service becomes the most important differentiator in Romanian e-commerce” (GPeC, 2016).

### 5.2. Global access to a wider range of goods

E-commerce offers a wider range of choices for consumers than traditional commerce and on the Internet, consumers can analyze different products or services, sold by different sellers from all around the world. The retailers that will offer the most qualitative services will have the chance to be elected and to sell more.

### 5.3. Shared value

According to World Economic Forum (2017), “retailers will only survive if their business creates shared value that benefits shareholders and society”. Social and environmental sustainability will appeal more to customers in the future.

Based on all the information presented in this paper, retailers should improve their online sales activity and align to the international trends. Also, further research in this domain should be carried out since it is an evolving domain and its pace of change is extremely rapid.

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