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## ASSESSMENT OF E-COMMERCE IN BULGARIA AND EUROPEAN UNION TRENDS

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### ABSTRACT

E-commerce is increasingly entering the economies of the countries of the European Union. According to the last publication of "E-marketer", this is one of the few sectors that manage to have over a 16 % annual growth rate in 2020 (down from 20,2% last year) (1). Its advantages are indisputable, but is it likely a country as Bulgaria to be successful in its implementation?

**Purpose:** The article aims to present some characteristics of e-commerce in Bulgaria during the 2012-2019 period.

**Methods:** To conduct a comparative analysis with the European Union in terms of some key criteria, such as (growth of e-commerce, the % of companies selling online, the share of consumers shopping online, etc.

**Results:** Only 11% of enterprises in Bulgaria in 2019 are increasingly relying on e-commerce sales in order to maximize their profit. In the last two years (2018 – 2019), on average, over 50% of European Union consumers have made an online purchase but for Bulgarians, this share is only 14%.

**Conclusions:** Despite this growth, our country remains far behind, by EU average standards but e-commerce in Bulgaria has all the necessary prerequisites to be one of the most successful sectors of the economy.

**Key words:** e-commerce, online shopping, assessment, Bulgaria, European union

### INTRODUCTION

E-commerce is a global phenomenon that is growing rapidly in almost every country. As negative as it sounds, the global COVID pandemic has caused major setbacks in a number of retail sub-sectors however on another side, it is foreseen a 16% growth in E-commerce in 2020, that alone has been considered as an unexpected growth.

Let's start by defining the term "e-commerce". From the point of view of the market participants, "E-commerce is frequently referred to in terms of business-to-business e-commerce between organizations (B2B), and when conducted between organizations and consumers as business-to-consumer e-commerce (B2C)" (2). Since in this article we focus mainly on B2C e-

commerce for a working definition we will accept the one given by defined "as the exchange of products, services, or information between businesses and consumers via the Internet, and Business-to-business as the exchange of products, services, or information between businesses via the Internet" (3). The specifics of e-commerce and its variants are discussed in detail by Jewels and Timbrell (4).

Finally, we will end with a definition given by Statista, the biggest portal for statistics, defined e-commerce as follows: "The e-commerce market encompasses the sale of physical goods via a digital channel to a private end user (B2C) (5).

### METHODS

We use the National Statistical Institute data for retail sales in Bulgaria, and the editions of the European Ecommerce Report and the Statista for e-commerce sales in the European Union. As the Statista is one of our main

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sources of information, we must specify that its scope includes:

- Sale of physical goods via a digital channel to a private end user (B2C) и purchases via desktop computer (including notebooks) and purchases via mobile devices (e.g. smartphones)

- It does not include: digital media (e.g. music downloads, eBooks), digitally distributed services (e.g. plane tickets), B2B markets (e.g. Alibaba), resale of used goods (e.g. Commerce), sales between private persons (e.g. Craigslist) (6).

## RESULTS AND DISCUSSION

### 1. Ecommerce and retail sales in Bulgaria

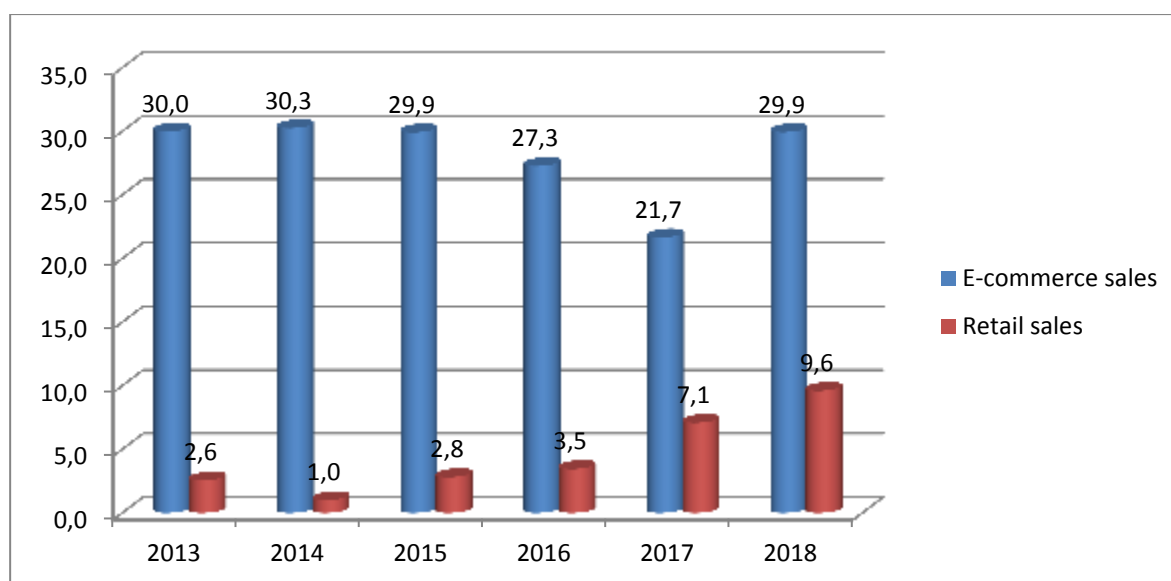
**Table 1.** Ecommerce and retail sales in Bulgaria 2012 – 2018 (euros, millions)

	2012	2013	2014	2015	2016	2017	2018
<i>E-commerce sales</i>	150	195	254	330	420	511	664
<i>Retail sales</i>	17249,5	17690,6	17868,8	18372,6	19008,2	20355,6	22310,7
<i>Share of E-commerce sales</i>	0,9	1,1	1,4	1,8	2,2	2,4	2,9

Source: Own calculations from NSI data (7) and Statista (6)

**Table 1** provides information on the online share of retail trade in Bulgaria from 2012 to 2018. In 2018, approximately 3 percent of retail sales in Bulgaria were generated online.

The leading countries in this indicator are the United Kingdom and Germany with a share of 17 and 15%, respectively, and the average for the European Union in 2018 is about 9% (8).



**Figure 1.** E-commerce and retail growth rate in Bulgaria (in %)

Although growth rates (in percentage terms) in **Figure 1** are significantly higher for e-commerce (average 28,2% per year) than retail sales (4,4%), in-store sales contribute substantially more to overall retail growth than online sales. Retail revenue increased by 1955 billion euro in 2018 compared with 152 billion euro increase for e-commerce.

There are many factors that favor e-commerce: one of the most important is the shopping convenience (9). The rest, of course, are economic reasons: online retailers often have lower costs and lower prices (10). Also, many

e-commerce sites allow users to compare the product prices they are looking for and do it quickly and with little effort. This is of course a big advantage over traditional trading, which only allows us to compare the offers only of traders close to the consumer.

Other preconditions that would favor e-commerce relate to what Genkova notes; namely, that in Bulgaria for the period 2000-2014 the relative share of domestic production is constantly decreasing at the expense of increasing imports. This trend is at odds with what is happening in the European Union (11).

Marinov questioning whether online retailers should strive to win the loyalty of all their customers?" We agree with him that the answer is no and we argue that a company's strategy for customer loyalty must depend on the profit potential that each individual customer has. "This means that incentives for different customers need to be different." (12)

Still, these analyses raise the question "What are the barriers to the wider penetration of e-

commerce in Bulgaria?" Barriers to any economic activity can be sought in two ways: problems caused by product demand and those caused by the companies offering it. We can analyze two types of statistics for consumers: those who have done e-commerce in the last 3 months and those who have generally made online sales, respectively presented in **Table 2** and **Figure 2**.

**Table 2.** Share of e-commerce users in the European union and Bulgaria from 2012 to 2019 (last online purchase: in the last 3 months)

	2012	2013	2014	2015	2016	2017	2018	2019
European Union - 28 countries (2013-2020)	35	38	41	43	45	48	50	53
Bulgaria	6	8	10	12	11	11	13	14
Ratio (EU users/Bulgarian users)	5,8	4,8	4,1	3,6	4,1	4,4	3,8	3,8

Source: Statista

*E-commerce is a function and reflection of the use of the Internet by consumers. In fact, the share of e-commerce users in the European Union and Bulgaria constantly growing and in 2019 it reached 53% and 14% respectively. In the last two years (2018 – 2019), on average, over 50% of European Union consumers have made an online purchase. For Bulgarians, this share is only 14%. Obviously, every Bulgarian in 2012 using e-commerce corresponded to almost 6 times more residents of the European Union. There has been little improvement in this respect over the last two years, to 3.8 (as it seen in table 2).*

**Figure 2** displays the share of consumers aged 16 to 75 who used online shopping in Bulgaria from 2012 to 2019. This is more than a 12% increase in comparison with 9% in 2012. In contrast, over the same period, this percentage has increased by an average of 19 percent for the European Union. If we analyze online shopping (consumers purchased online within the last 12 mounts not only in the last 3 months), the trends show an improvement in online purchases, specifically in Bulgaria.

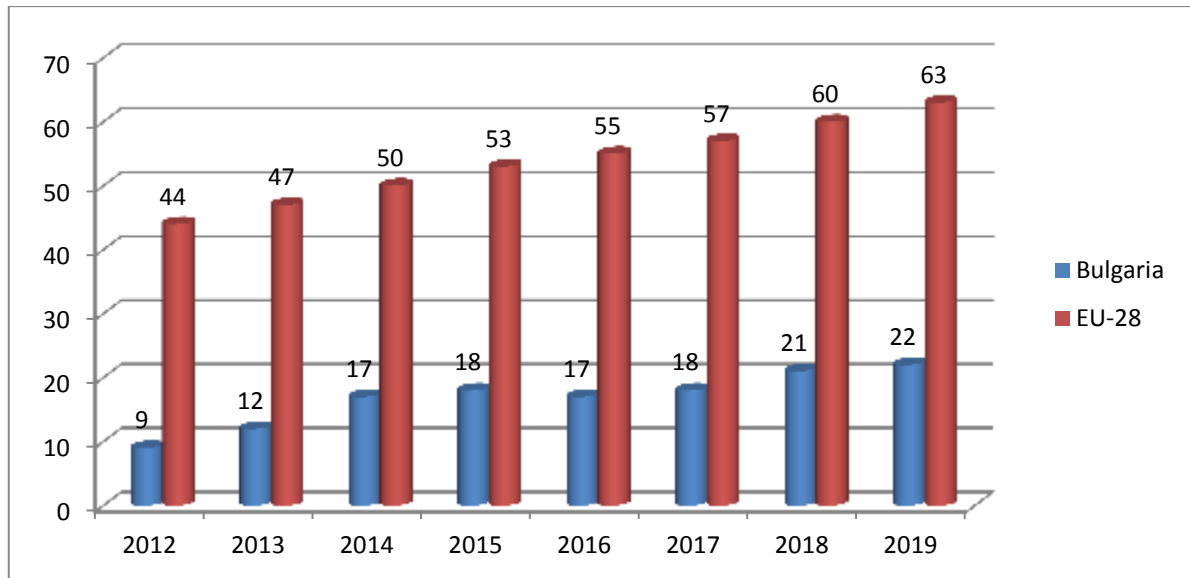
There are many factors that favor e-commerce: one of the most important is the shopping convenience. The rest, of course, are economic reasons: online retailers often have lower costs and lower prices. Also, many e-commerce sites allow users to compare the product prices they are looking for and do it quickly and with little

effort. This is of course a big advantage over traditional trading, which only allows us to compare the offers only of traders close to the consumer.

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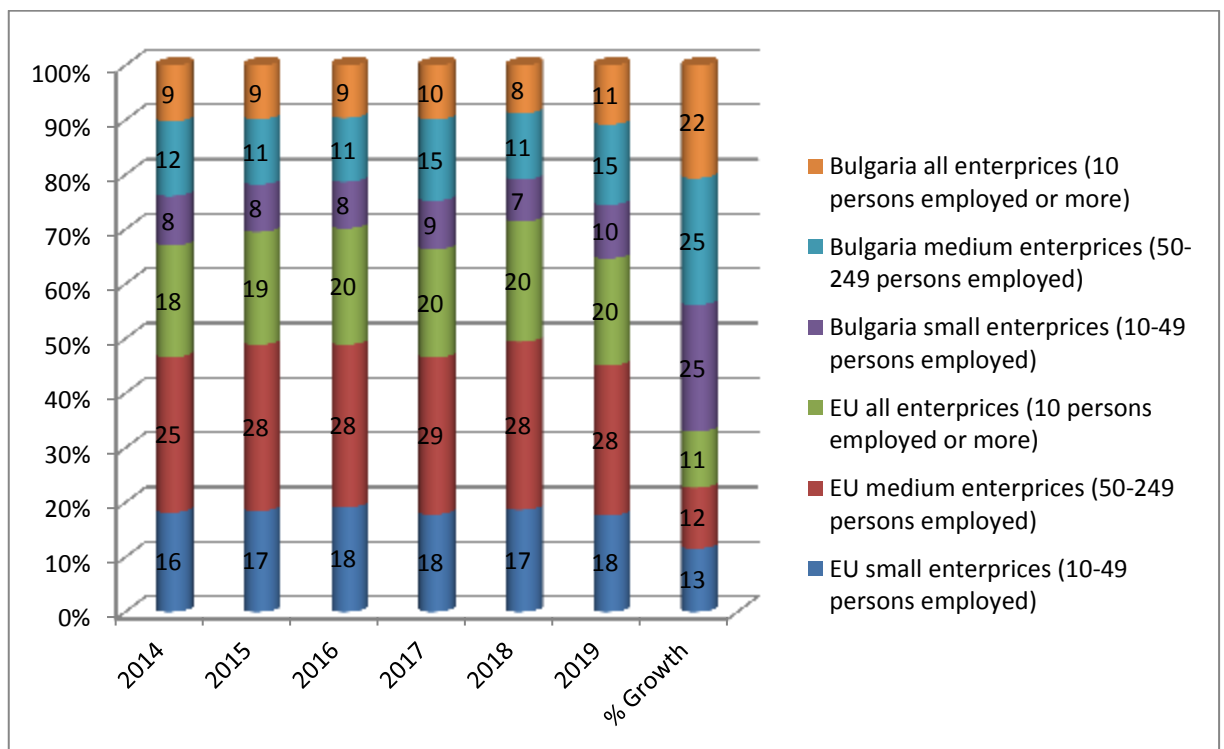
*In this article we focus on two barriers:*  
- the first reason as we noted above is the low percentage of Bulgarians using e-commerce;  
-the second is the low penetration rate of e-commerce in the activity of Bulgarian companies.

As can be seen in figure 3, 20% of enterprises in the EU in 2019 are increasingly relying on e-commerce sales in order to maximize their profits. For Bulgaria, a similar share of enterprises is 11%. No doubt, medium enterprises have more resources (both financial and labor), which facilitate the implementation of online commerce. The ratio of the share of medium and small companies in Bulgaria for the 5-year period is maintained ((12/8=1,5 in 2014 and the same 15/10=1,5 in 2019). The positive trend in e-commerce in Bulgaria is that there is greater growth than in the European Union (22% against 11% over a 5-year period). Systematic marketing research is needed to identify barriers to e-commerce in small businesses.



**Figure 2.** Share of consumers aged 16 to 75 years old who used online shopping in Bulgaria from 2012 to 2019 (purchased online within the last 12 months)

Source: (13) [https://ec.europa.eu/eurostat/statistics-explained/index.php/E-commerce\\_statistics\\_for\\_individuals](https://ec.europa.eu/eurostat/statistics-explained/index.php/E-commerce_statistics_for_individuals)



**Figure 3.** Enterprises with e-commerce sales in Bulgaria and eu (in %)

Source: Sources: <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do> (14)

Finally, we will look at what are the main ways of electronic payment to consumers? The possible payment methods are:

-Bank transfer: direct payments from one bank account to another. This payment type includes standard invoices and instant

fund transfers from buyers to merchants upon checkout (e.g. Sofort for the German market).

-Cards: credit, debit, and prepaid cards from global providers such as Visa or Mastercard and established local card schemes.

-Cash on delivery: the payment is accepted by a courier upon delivery or by the cashier at the pickup location.

-E-wallet: third-party mobile and online payment platforms that enable online money transfers, such as Paypal or Alipay.

**Table 3.** Share of payment methods in Bulgaria (in %)

	2017	2018	2019	2020
Cards	3	7,7	9,7	10,5
Cash on delivery	95	87,7	80,8	74,3
E-wallet	1	3,2	7,8	13,5
Other	1	1,4	1,6	1,7

Source: (15)<https://www.statista.com/outlook/243/130/ecommerce/bulgaria?currency=eur>

As can be seen in table3 in 2017 95% of payments in Bulgaria are made through cash on delivery, but in 2020 this share drops to 74%. The other two methods that are gaining momentum are E-wallet with a growth of 1% to 13,5% and card payments with a growth of 3% to 10%.

### CONCLUSION

In conclusion, we argue that e-commerce in Bulgaria has all the necessary prerequisites to be one of the most successful sectors of the economy.

Another issue to consider is the increase of consumers' trust e-retailers will have to conduct special educational courses, in order to explain to potential consumers all the benefits of e-commerce, and how to safely use it.

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