

# **The adoption of e-commerce trends and the financial performance of SMEs in the Balkan region**

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## **Abstract**

The e-commerce acceleration since the occurrence of the Covid-19 pandemic has reshaped the world. Through this new way of conducting business, new 'online' world has been created, in which every company is required to be flexible and adapt to the new circumstances. However, the SMEs in the Balkan countries were not fully prepared for this new digital transformation and only the most agile ones were able to adapt to this trend. Therefore, the digital channels through which the companies managed to sell their products and offer their services deeply affected the companies' financial performance. Undoubtedly, the e-commerce trends affect the consumers' perception towards the companies' brand values. Thus, the future economic stability depends on the choices that are made today. Accordingly, the aim of this paper is to provide understanding of which marketing trends have shown to exercise positive results in the performance of the SMEs in the Balkan region.

**Keywords:** e-commerce, company, financial performance, Balkan

## **1. Introduction**

The aim of the paper is to show the impact of new e-commerce trends on the financial results of small and medium enterprises, as the most important economic entities, within four countries - Bulgaria, Croatia, North Macedonia and Bosnia and Herzegovina. The influence of new trends is inevitable in today's conditions, when Covid-19 is part of everyday life. In this region, technological and digital readiness is very small which is an obstacle for further development. The budgets of each of the analyzed countries are small, usually with excessive indebtedness. Such a situation has a huge impact on the way each entity works. This causes problems in conquering new ways of working and entails higher costs.

E-commerce has revolutionized retail. It has evolved to meet the changing needs of people, and to make online shopping easier for the modern day customer. Undeniably, one of the biggest impacts, if not the biggest on e-commerce trends in the future will be COVID-19. (Market Watch, 2020) This year, 2021 looks to build on this incredible momentum, leveraging the tools and trends that defined a monumental year for online shopping.

After a brief introduction, the literature will be reviewed, followed by a presentation of the methodology and the descriptive analysis, where secondary data is used. In the end a brief conclusion about what was obtained as a result is presented.

## 2. Literature review

Covid-19 is a disease that has spread around the world and made huge changes in the life of every individual. The COVID-19 pandemic has disrupted the consumer habits of buying as well as shopping. Consumers are learning to improvise and learn new habits. (Sheth, 2020)

At the same time, the companies are learning the new way of working and adopting the new trends that are happening around them. This trends will have a lasting impact on the products and the way of buying them. (Stanford and Chow, 2021). Businesses must be digitally prepared to respond to consumer needs. To keep up with new ways, they must first follow consumer as well as digital trends. (Deloitte Digital, 2020). E-commerce is seen as a useful tool that could solve many social and economic issues if appropriately applied. (Karine, 2020)

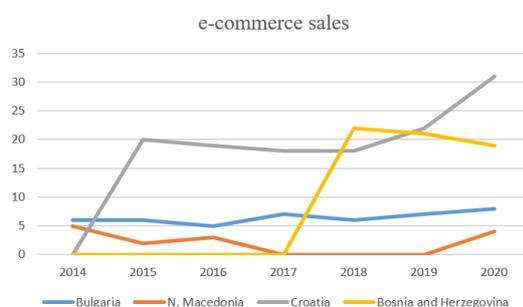
Moreover, small and medium-sized enterprises in the Balkan region still have much to improve in their work to adapt to new ways of buying by their consumers. They receive recommendations and guidance from the World Bank and other governmental, state, non-profit organizations. Embracing digital transformation, ensuring a regulatory framework that is future proof, can have an important impact on economic growth and employment. (Florian, 2020) This will mean better financial results for the companies themselves and an easier way of shopping for consumers.

## 3. Methodology

For conducting the analysis, the main method that was used is descriptive analysis for the time period 2014-2021. The limitation of the data and the missing observations, especially for 2021 are the reason why in some graphs this year is not presented. Furthermore, the period of the data is annual, with the data being obtained from Eurostat and Statista websites. Due to the limitation of the research, only two Balkan countries are more deeply analyzed, N. Macedonia and Bulgaria. Additionally, for Croatia and Bosnia and Herzegovina general overview of their E-commerce sales and GDP growth is presented. The main variables of interest are E-commerce sales, GDP growth, Ad spending growth by segment, Ad spending growth desktop and mobile and Revenue per segment (E-commerce).

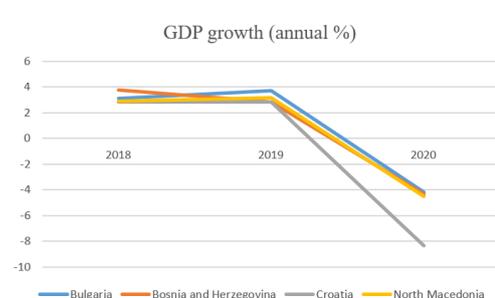
## 4. Results and discussion

Figure 1- E-commerce sales (2014-2020)



Source: Eurostat website (2021)

Figure 2- GDP growth (2018-2020)



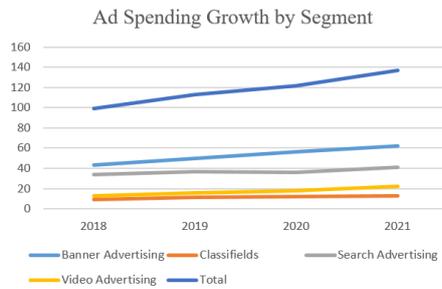
Source: The World Bank Database (2021)

From Figure 1 it can be seen that the E-commerce sales have drastically increased since the occurrence of the Covid-19 in N. Macedonia and Croatia. Nevertheless, slight decrease can be noticed in Bosnia and Herzegovina, while in Bulgaria the e-commerce sales have remained

almost constant in the period 2014-2020. Although in some countries there are fluctuations regarding the E-commerce performance, the financial condition in them has worsened from 2019-2020. In other words, there has been drastic decrease in the GDP growth. The results show that online activities have increased, but undoubtedly the financial situation was deeply affected by the corona crisis.

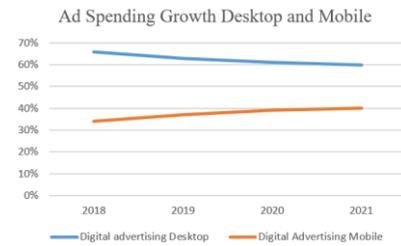
- **Bulgaria**

Figure 3-Ad spending growth by segment



Source: Statista website (2021)

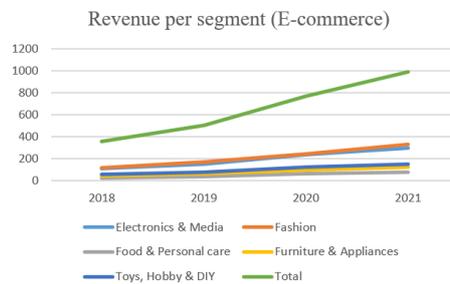
Figure 4-Ad spending growth desktop and mobile



Source: Statista website (2021)

From Figure 3 it can be seen that the spending in advertising in different segments has remained constant in Bulgaria for the period 2018-2021. The same condition stands for the desktop and mobile ad spending (Figure 4). This implies that the corona crisis has not fully affected the advertising spending in Bulgaria.

Figure 5-Revenue per segment (E-commerce)

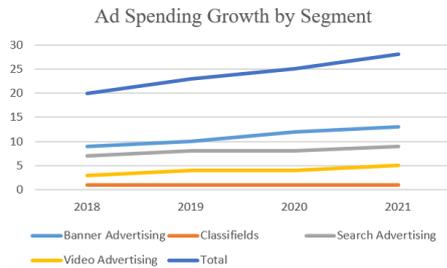


Source: Statista website (2021)

The results in Figure 5 show that the total revenue for the chosen segments in E-commerce has been increasing throughout the years. However, an immense increase can be noticed from 2019-2021, which suggest that the pandemic has positively affected the E-commerce revenues in Bulgaria.

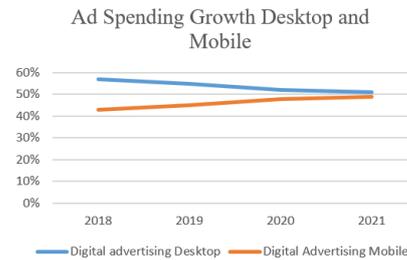
- **N. Macedonia**

Figure 6-Ad spending growth by segment



Source: Statista website (2021)

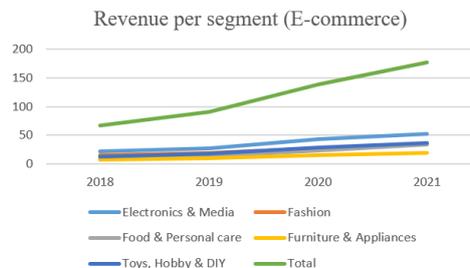
Figure 7-Ad spending growth desktop and mobile



Source: Statista website (2021)

From Figure 6 it can be seen that the total advertising spending in N. Macedonia has been increasing from 2018-2021, especially from 2020-2021, while the advertising spending on desktop and mobile has remained constant, with slight decrease from 2020-2021. Undoubtedly, the pandemic has influenced the companies in increasing their advertising activities.

Figure 8-Revenue per segment (E-commerce)



Source: Statista website (2021)

In Figure 8 similar results are obtained as for Bulgaria. Hence, in N. Macedonia, the companies have obtained an increase in their E-commerce revenues in the period since the occurrence of the pandemic.

## 5. Conclusion

In this paper, short presentation of the existing literature has been provided regarding the Covid-19 pandemic and how the companies have been affected. Furthermore, only those who adapted quickly managed to provide positive results in what is known as the most severe financial crisis in the last decade. Nevertheless, the analysis focused on the Balkan countries, with an emphasis only on N. Macedonia and Bulgaria, due to the limitation of the length of the research. The results showed that the e-commerce trends and sales have shown positive results in the years since the occurrence of Covid-19, while the GDP in these countries has declined, which shows that the companies had been affected by the crisis. Therefore, this paper provides only limited research on the stated topic, which creates space for further research in this matter.

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