



Research of attitudes and needs of citizens, micro, small and medium size enterprises in the municipalities of Šumadija, Raška, Moravica and Zlatibor districts in the process of digital transformation and establishment of e-commerce

The research was conducted for the needs of the project "Development of e-commerce and local ecosystems during the pandemic of the COVID-19 virus" funded through the GIZ programme "Private sector development in disadvantaged regions in Serbia".



Developing Local E-commerce Ecosystems under Covid-19 pandemics



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Summary

The research was conducted within the project "Development of e-commerce and local ecosystems during the COVID-19 virus pandemic", funded through the program of the German Organization for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit) - GIZ "Private sector development in disadvantaged regions in Serbia" .

The project envisaged conducting two surveys in seven selected municipalities of Šumadija, Raška, Moravica and Zlatibor districts with the aim of researching the current level of e-commerce development:

- 1) Survey of citizens'/customers' attitudes, related to interest in online shopping, existing experience with online shopping, source of information on online shopping, advantages and disadvantages of online shopping, preferences for products/services, factors contributing to liking and disliking on-line purchasing. In this way, the starting points and criteria can be identified through which it is possible to monitor changes in respondents' attitudes towards e-commerce.
- 2) Survey of local micro, small, medium enterprises and entrepreneurs (MSMEs), related to their interests/attitudes and capacities for the application of e-commerce and digital e-commerce tools. In this way, the starting points for the attractiveness of e-commerce introduction/development, key obstacles in the application of any digital process/tool, understanding of e-commerce elements, advantages and disadvantages in e-commerce application and development and ways to overcome them can be identified.

The study is divided into several sections. In the first part, based on the analysis of available secondary sources and practical examples of application, a theoretical insight into digitalization and digital transformation in trade is given and its possible impact on changes in the volume and type of trade business is indicated.

The second section provides a description of the methodology and research sample used for research purposes. In the third part, the results of the primary research are processed and considered by a survey on a sample of citizens/customers. The section includes: (1) description of the research sample, (2) analysis of the frequency and purpose of Internet use, (3) experience in online shopping, (4) frequency of online shopping, (5) amounts and methods of online payment, (6) main reasons for online shopping, (7) the impact of the COVID 19 virus pandemic on increasing the frequency of online shopping, (8) decisive factors in online shopping, (9) preferences in online shopping, (10) motivating factors for starting online shopping .

The fourth unit provides an analysis of the results of quantitative research by a survey on a sample of 31 business entities of different sizes, whose primary activities are trade of products or trade in services. The results are presented in several segments: (1) the structure of the research sample, (2) the analysis of the frequency and purpose of Internet use, (3) the general perception of online commerce, (4) the biggest obstacles in establishing (5) analysis of existing capacities, (6) familiarity with the importance of digital transformation, (7) motivation and needs for digitalization of business.

The fifth section refers to the concluding considerations (sublimation) of the research and makes recommendations related to the most purposeful preparation and improvement of capacities for (in) running digital entrepreneurship and increased use of information technologies for business modernization in all aspects.

The research was done as a comprehensive analysis of the state of e-commerce, within which the following research was conducted:

- Desk research (Already published research on e-commerce, by the academic community, governmental and non-governmental institutions, as well as the private sector, the collection and analysis of existing statistics has been carefully considered and used as needed)
- Survey of 120 citizens/customers who actively use the Internet (a total of 105 people surveyed);
- Survey of 30 economic entities (a total of 31 economic entities surveyed).

Data was gathered using online questionnaires posted on the Google Forms platform.

The survey of citizens/customers gave significant findings for the introduction/improvement of e-commerce in selected municipalities. If we take into account that more than two fifths (48%) bought something through the internet, and that two-fifths (40%) used online shopping services both before and during the COVID-19 virus pandemic, it is concluded that the number of online shoppers is not negligible at all. The deciding factors for online shopping are a large range of products (59%), saving time and money (60%), while more favorable prices (38%) are the main reason for online shopping. 38% of respondents use online shopping at least once a month, and 79% of them prefer online shopping in domestic stores. More than half of the respondents (60%) make online purchases via mobile phones. Respondents most often buy shoes and clothes (73%), while 14% most often buy groceries and food. The COVID-19 virus pandemic brought changes in the habits and needs of consumers. During its duration, 36% of them had an increased need for online ordering, and most often bought/ordered food and services/goods from local markets. Almost 60% of respondents would prefer to buy goods/services through one platform that unites several stores, while one such platform with a large selection of products would motivate 51% of respondents to buy online.

Among surveyed representatives of economic entities, the largest number employs 1-3 workers (61%). The Internet in business is mostly used for communication with partners/clients, while 61% of them use it for product promotion. Only 16% of respondents already have developed some form of e-commerce. More than half recognize the importance and potential of online commerce and digital transformation as a new trend that they can use to improve their business, but also as an opportunity to tailor their services / products to customer needs. It is important to note that more than half of the respondents are interested in joining a common platform, but are not sufficiently informed about it, while insufficient expertise is recognized as the main obstacle to business digitalization, which could be overcome through consultations and technical assistance in implementation as the most useful support. Nearly two thirds of economic entities believe that digitalization in the segment of communication with clients and digital marketing would bring positive changes in their business.



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Introduction

Digitization and digital technology are two intertwined and tightly connected concepts that have a large space in today's business life and open up many doubts and questions.

Digitization as a term refers to the conversion of everything into digital form whenever possible and provides an opportunity for everyone to participate, if they are able to quickly adapt to the new digital environment. Digital transformation, on the other hand, describes how the use of digital technologies can change and improve the way companies operate on a daily basis and / or introduce completely new processes and business models to improve competitiveness or change companies by influencing changes in their organizational structures, management strategies and patterns of customer relationships and other companies.

Digital transformation is not only changing the way we do business today, but it is constantly creating new opportunities for growth and prosperity for all segments of both the public and private sectors. It also allows companies to stay relevant in the market and direct their strategies towards innovation through increasing their competitiveness. However, digital transformation means much more than full integration of digital technologies - it means transforming the mentality of companies in such a way that the use of digital tools and skills further strengthens the company's business skills and capacities, thus creating added value and competitive advantage. In the digital age, they need to rethink their strategic orientation in five areas such as: consumers, competitors, data, innovation and value.

Trade is the sector most exposed to changes in consumer behavior, so digitalization should be seen as a continuous process with which the company better adapts to consumers and offers improved or new services supported by digital technologies, thus reducing transaction costs, increasing trade and matching supply and demand. One of the areas that represents the most significant trend in the world (and Serbian) economy, which creates exceptional chances and opportunities for growth and development, first of all for micro, small and medium enterprises, is internet trade.

The appearance of e-commerce represents a real revolution in business, not only because of the unprecedented superior technological foundation based on modern telecommunications, computers, information technology and cryptology, but also because it fundamentally changed the sector by: removing barriers to market entry for many small businesses, increased demand for certain goods - because the problem of geographical distance is largely overcome, acting at the request of customers has reduced the need for storage of goods, new technologies have improved the relationship with customers to a higher level and thus created added value.

Thanks to the increase of online shopping, physical stores have fallen into the background, and the survival of the strongest in business and commerce now means the survival of the digitally most adequate. Providing quality products and adequate customer support is no longer enough. Consumers now expect to receive products and services in the fastest and easiest way. In addition, companies must ensure an immaculate user experience and be available to customers through all communication channels. Therefore, there is no doubt that digital transformation is the right decision, given that this trend represents a great opportunity for small producers and retailers to open new sales channels, increase the outreach of their business and create a foundation for their own sustainable growth.

The presence of multilateral *online* platforms such as Alibaba Group or Amazon.com puts additional pressure on classic retail business models. These platforms have emerged in the last twenty years as a

special kind of innovation of the business model of retail with the help of information technology, but also due to changes in the demands and expectations of consumers. They change the nature of business in the sector by directly connecting customers and suppliers. The business logic of platforms dictates that consumers are of the greatest value to them because platforms typically lack physical capital such as real estate or inventory. With the help of platforms as mediators, consumers are able to reach thousands of suppliers who are themselves forced to change their business. Suppliers in this new environment are no longer exclusively focused on delivering the most competitive combination of quality, price and speed, but are also turning into efficient customer services. It is very difficult for classic retail companies to deal with this type of competition, which offers more choice, often lower prices, and at the same time successfully transfers the risk of stocks to suppliers.

Advantages which digital platforms bring:

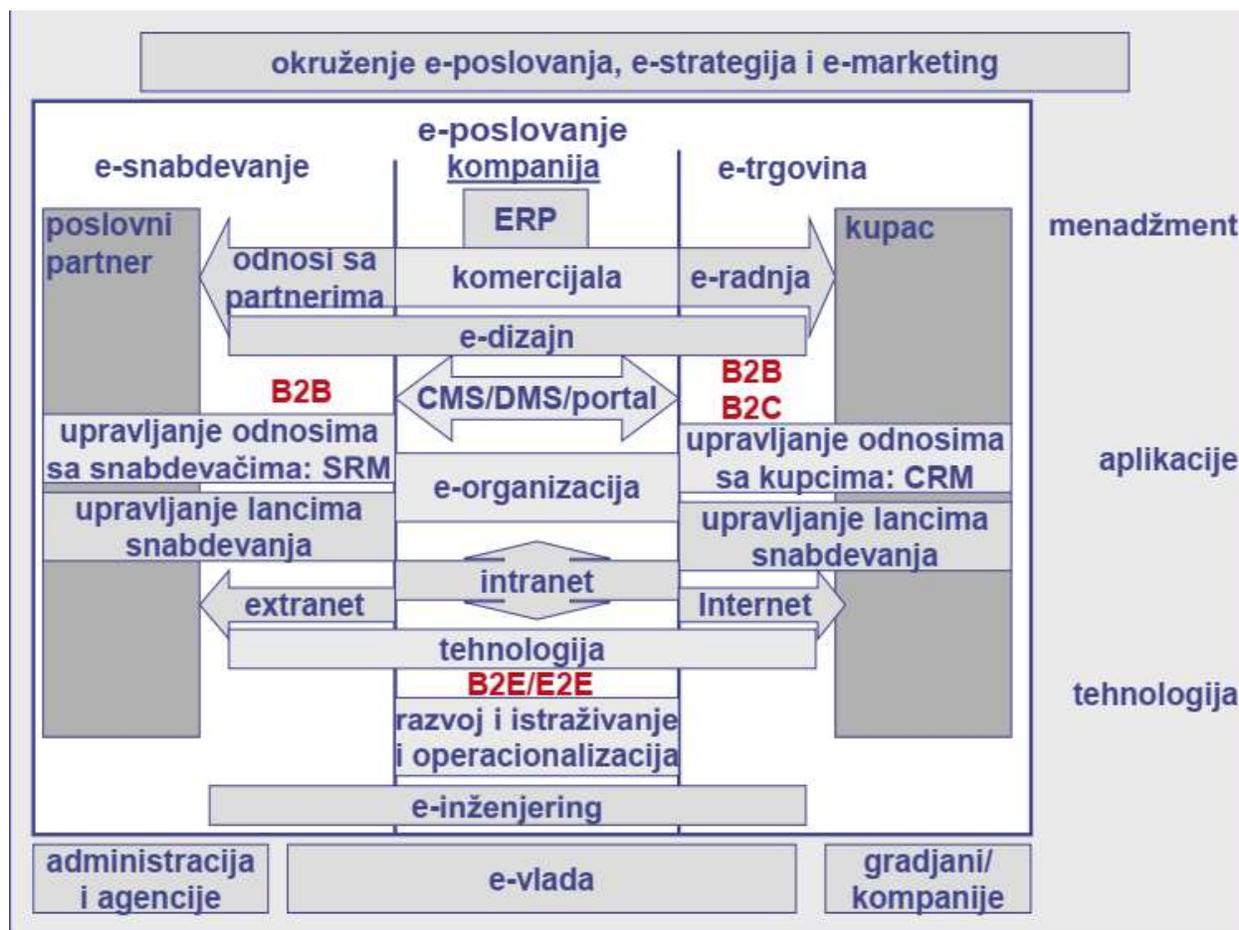
Innovations	Value for clients	Open market	Reduced transport costs	Improved welfare affects
Customized products and services	Increased selection	Agroagate supply and demand	Reduced informing and logistic costs	Overcoming market inbalance
Creation of new types of products	Confort	Increased market possibilities for small and medium size businesses	Better risk control	More efficient resource allocation
Innovative business models	Better market and costs transparency	Global export potentials	Increased production flexibility	Standardization
Flexible organization structure	Division of resources and financial assets	Optimized market aktivities		Increased trust

Source: Intorduction to e-trade Dr Marijana Vidas-Bubanja (<https://docplayer.rs/184737575-Uvod-u-elektronsku-trgovinu-dr-marijana-vidas-bubanja.html>)

Although e-commerce has been expanding enormously in the last two years, with a special focus in 2020, there are still significant challenges and problems in terms of deeper adoption and use of e-commerce. The biggest challenge for the development of e-commerce is to understand the essence of e-commerce for both the customer and the retailers, the factors of the digital ecosystem (graphic e-commerce ecosystem). Business processes, simplicity of search, dynamics of purchase, quality of content - both visual

and textual, simplicity of payment, speed and quality of delivery, contact with customers, analytical skills, ie. the whole ecosystem must be created and developed.¹

The e-commerce ecosystem consists of a number of closely related companies and organizations that, beyond physical and geographical boundaries, use the Internet as a competitive and communication platform, perform complementary tasks, share resources through virtual and other forms of alliance, exchange resources, capital and information to achieving added value, making a profit and increasing the market and productivity.



Graph e-commerce ecosystem, Source: Introduction to e-commerce. Dr Marijana Vidas-Bubanja (<https://docplayer.rs/184737575-Uvod-u-elektronsku-trgovinu-dr-marijana-vidas-bubanja.html>)

The crisis caused by the COVID 19 pandemic and the uncertain situation in which a large part of companies in all sectors in Serbia were found in a created new narrative when we talk about the way of doing business

¹ The e-commerce ecosystem includes basic e-commerce companies, suppliers, customers, financial institutions, certification bodies, payment institutions, logistics companies, insurance companies, telecommunications service providers, software and technology providers, internet providers, government services, industry associations, marketing services, e-commerce consulting service providers, etc.



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due to the completely changed way of life and business as we knew. The potential for digital transformation of companies became apparent especially after the outbreak of the pandemic and as a result of the imposition of restrictive measures to prevent its spread. Many companies have not treated digital transformation as an urgent issue, however, the advent of coronavirus has forced companies to adapt to the new circumstances virtually overnight. The pandemic has expanded the digital world, much faster than some other benefits of digitalization, to a new, larger dimension by increasing the number of people visiting it on a daily basis. Even some traditional businesses, most of whose sales are based on the physical presence of the customer, have moved part of their business to the digital world. Businesses, whether small, medium or large, that did not even think about using digital technologies before, have faced numerous changes in the way they do business and have found themselves in an unprecedented situation that necessarily requires reaction and change. Companies that found themselves in this unusual position had been forced to find ways to adapt to working with fewer workers, improve productivity, offer better services to their customers, and find a new way to communicate effectively and access consumers, whose behavior has also changed drastically in the meantime.

Consumers, as a category, include all areas of life - from business to the procurement of all life necessities, all the way to entertainment. All producers of consumer goods, as well as retailers, have been hit hard by these changes. During the pandemic, consumers turned dramatically to online channels and companies responded in the same way - they had to launch e-commerce platforms at lightning speed to survive. The pandemic has led to a much better understanding of the importance of e-commerce. Many companies have recognized the chance to reach users of their services "online".

Research on consumer habits conducted in the Republic of Serbia, with a focus on how much habits have changed since the pandemic, has indicated major changes. Nielsen research for Serbia, published in February 2021, shows that the average Serbian consumer is becoming more demanding, wants to quickly and easily find everything he needs in one store, experience of shopping and services are increasingly important attributes, it requires diversity. Also, the domestic consumer is at the same time low tolerant to "out of stock" (products that are not in stock), wants good value for money, saves money when there is a surplus, is sensitive to discounts, which are all data from the Nielsen Shopper Trends study for 2020. The study of the same name shows that slightly more customers in Serbia dared to buy online, but that is still not even close to the expansion that is recorded in more developed economies. Online shopping in Serbia is growing slowly, although data show that Serbian customers are spending more and more time using applications and social networks.

Summarizing everything that has happened since the beginning of the pandemic, what has been shown within the scope of the impact that the COVID-19 virus pandemic is the way consumers use technology, banking services or the way they purchase. It is clear that customers have adapted over time and have adopted a certain model of buying behavior. The pandemic has produced a new culture of shopping, focused on what we once called "armchair shopping" and it is very possible that a large proportion of customers, especially younger ones, who are only now forming their consumer habits, and who will soon hold most of the purchasing power, keep that culture.

The great turbulence that has affected the life so far has given the opportunity to appear new, good solutions in business.



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The digital transformation has certainly not started because of the COVID-19 pandemic. It has only brought society and businesses to the point where adapting new technologies is no longer an option but a necessity, to enable companies to adapt depending on restrictive measures and circumstances. Yet, emphasizing opportunities for business development provided by modern digital technologies such as: working from home, creating channels for online shopping, using technology in everyday work, adapting to consumer demand and expectations, finding suitable channels for communication and distribution and others changes that arose from the need to adapt to the new situation. The pandemic has shown that the potential and necessity of digitalization is obvious, not only in the financial sector, but also in all other sectors for which the digitalization of business enables easier and more efficient work.

Research Methodology

The main objective of the project ***Development of local e-commerce ecosystems under the Covid-19 pandemic*** is to provide support to MSMEs in the region of Central Serbia for entering online trade, starting from an adequate response to the ongoing shutdown due to COVID-19, as well as to explore opportunities for cooperation with the IT sector and to provide IT companies with opportunities to expand the market.

Purpose of the research: The main purpose of the research is to examine the current level of e-commerce development in the region of Central Serbia, to identify key barriers to development of e-commerce and ways to successfully overcome these barriers, as well as strengthening e-commerce, especially when it comes to micro, small, medium enterprises and entrepreneurs (MSMEs). At the same time, providing the project team and project partners with relevant information on the confirmation of the approach/strategy of project implementation. The basic project strategy is presented in two perspectives: Option 1- considers the selection of MSMEs to participate in the project, capacity building of staff and MSMEs in online commerce/purchasing management, providing technical assistance in conducting online purchases and promoting IT vendors IT purchasing solutions; Option 2: support the creation of a local e-commerce ecosystem.

For the purposes of this research, a combined methodology was used: obtaining data from primary research and secondary sources, as well as its processing using statistical methods. In addition to quantitative, qualitative methods of data collection and processing were used.

A detailed "desk" analysis was conducted first. Existing published surveys on e-commerce, by the academic community, governmental and non-governmental institutions, as well as the private sector, were carefully reviewed and used as needed. Primary research included consumer surveys and company surveys.

Location: The survey was conducted in seven municipalities: Kragujevac, Knić, Kraljevo, Arilje, Požega, Čačak, Gornji Milanovac.

Research tools: One of the selected methods for collecting data from e-commerce users is a survey, and the technique used was a structured questionnaire, conducted using the technique of "online" form filling, placed on the Google Forms platform. Survey questions were mostly closed (multiple choice questions, drop-down list and ranking). The Citizens' Questionnaire contains 23 questions related to e-commerce topics. The aim of the research is to determine their online shopping habits and attitudes and suggestions. One part of the questionnaire is intended for Internet users who do not purchase electronically, in order to determine main reasons why they do not. A similar questionnaire was created for companies, in order

to identify key barriers on the supply side, what is their motivation, as well as to see what measures could help them improve their business.

Sample structure:

The citizens survey of on online trade was conducted on a sample of 105 respondents, in the process of determining the sample, attention was given to whether the respondents live in urban or rural areas, as well as to diversification by age and gender structure. In this way, the need related to the validity and representativeness of the sample in relation to the total population was met.

The survey with business entities on online trade was conducted on a sample of 31 companies of different sizes (up to 9 employees, between 10 and 49 employees, 50 and more employees), whose primary activities of trade in products or trade in services.

Data collection period: February-April 2021

Presentation of the obtained results: The obtained results in the report are presented through graphic and table representations, which are followed by textual comments.

Research on citizens' opinions

Respondent structure

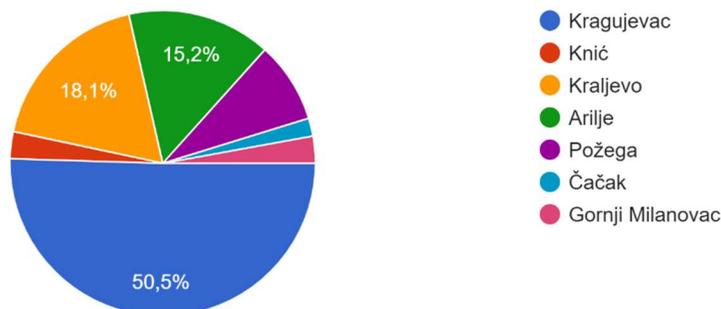
The survey included a sample of 105 respondents in the municipalities: Kragujevac, Kraljevo, Arilje, Požega, Knić, Čačak, Gornji Milanova (Table 1 + Graph A). In the process of determining the sample, it was taken into account whether the respondents live in urban or rural areas (Graph B), as well as the diversification by: gender structure (Graph C) and age (Graph D). Taking into account all the considered variables, shown through the graphs, it can be concluded that the representativeness of the sample in the research met the criteria that indicate the relevance of the obtained data. Thus, the data from this research can be taken as good guidelines for future activities.

Table 1 (Number of respondents per municipalities)

<i>Overview of respondents per municipality</i>		
Municipality	no.	%
Kragujevac	53	50.5
Kraljevo	19	18.1
Arilje	16	15.2
Požega	9	8.6
Knić	3	2.9
Gornji Milanovac	3	2.9
Čačak	2	1.8
Ukupno:	105	100.0

Q1 Navedite opštinu / grad vašeg prebivališta?

105 одговора

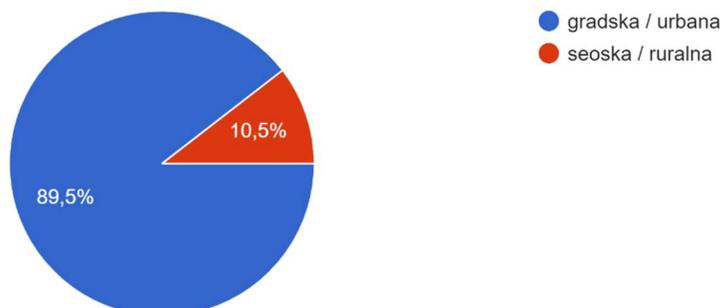


Graph A-Overview of respondents per municipality

There are noticeable differences among the respondents by area of residence. Given that in the context of e-commerce development, internet access and its quality are a basic prerequisite for e-commerce, as well as that these parameters are more advanced in urban areas, it is expected that a larger number of respondents are from urban areas. Namely, 89.5% of respondents - 94 of them live in cities - urban areas, while 11 of them (10.5%) claimed that they live in rural areas. From an individual point of view, internet access and an adequate e-marketplace are vital to conducting a successful business transaction. Based on data from 2019, only 69% of rural Serbian households are connected to fixed broadband networks, compared to 85% in urban areas. This gap not only significantly hinders access to economic opportunities for a large part of the population, but also significantly reduces the overall size and potential of the e-market.

Q2 Navedite oblast u kojoj živite?

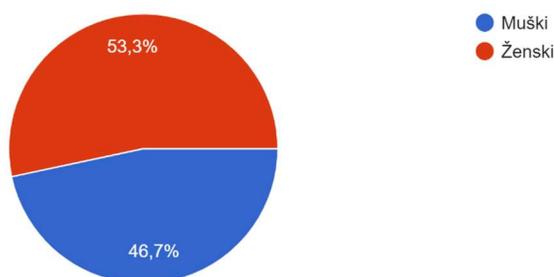
105 одговора



Graph B-Overview of respondents by area of residence

An important piece of information in the analysis of demographic characteristics is the gender of the respondents. Analyzing the results of the survey, it is found that a slightly higher number of respondents are female (53.3%). The results of crossing these data with online shopping habits show that 95% of e-commerce users are women. This data is relevant from the aspect of later development of digital targeting strategy, in terms of adapting online content to the relevant target group. If a particular product is purchased online by men and women, both groups must be equally targeted. On the other hand, products intended for only one gender group require special advertising efforts.

03 Vaš pol?
105 одговора

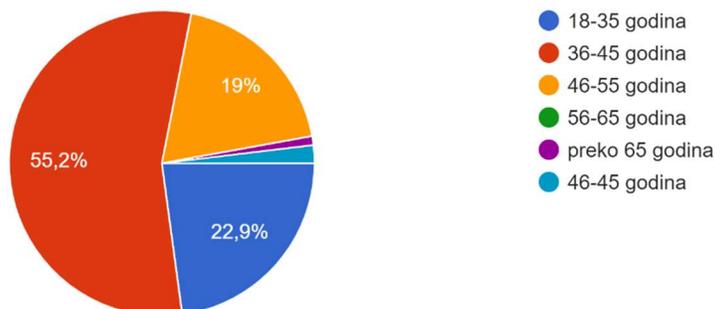


Graph C-Overview of respondents by gender

Intergenerational differences are usually the starting point of any analysis related to a certain degree of use of information technologies. In the context of the development of e-commerce, belonging to an age group is very important, especially in terms of affinity and openness to new technologies, digital trust and e-skills. According to the survey, most respondents - 55.2% belong to the age of 36-45% (which is somewhat expected for the current market situation in Serbia with average age of the population of 42.8 years), followed by persons aged 18-35 years (22.9%). The lower percentage of this age group can be explained by the fact that although it is very skilled in digital technologies and relatively open to modern e-commerce, it has low or no income, as a result of which they have limited shopping opportunities. 19% of individual online users are aged between 46-55, while there were no respondents from the category 56-65 years of age.. People over the age of 65 make up only 1% of internet respondents. A lower figure for these two age groups is expected due to certain aversion to e-commerce and modern technologies, as well as digital distrust.

04 Koja je Vaša starosna dob?

105 одговора



Graph D-Overview of respondents by age structure

Main Research Findings

Another important feature of the respondents' online behavior is the total time spent on the internet. According to the results of the analysis of daily internet use (Figure 1), most respondents - 27.6% spend 3-4 hours a day on the internet, 24.8% of them use the internet for 1-2 hours, while the smallest number use the internet less than 1 hour a day - 7.6%. 21% of respondents spend more than 6 hours a day online.

05 Koliko vremena dnevno provodite na internetu?

105 одговора

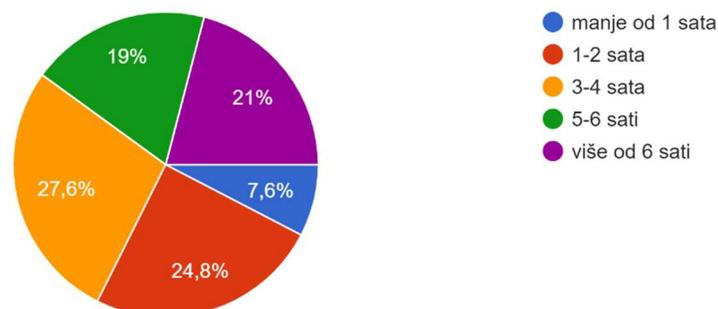


Figure 1-Daily internet usage

By crossing these data with age groups, conclusions can be drawn on how best to understand the target groups of respondents and their online behavior, in order to overcome possible obstacles to the adoption of e-commerce. The results are as follows:

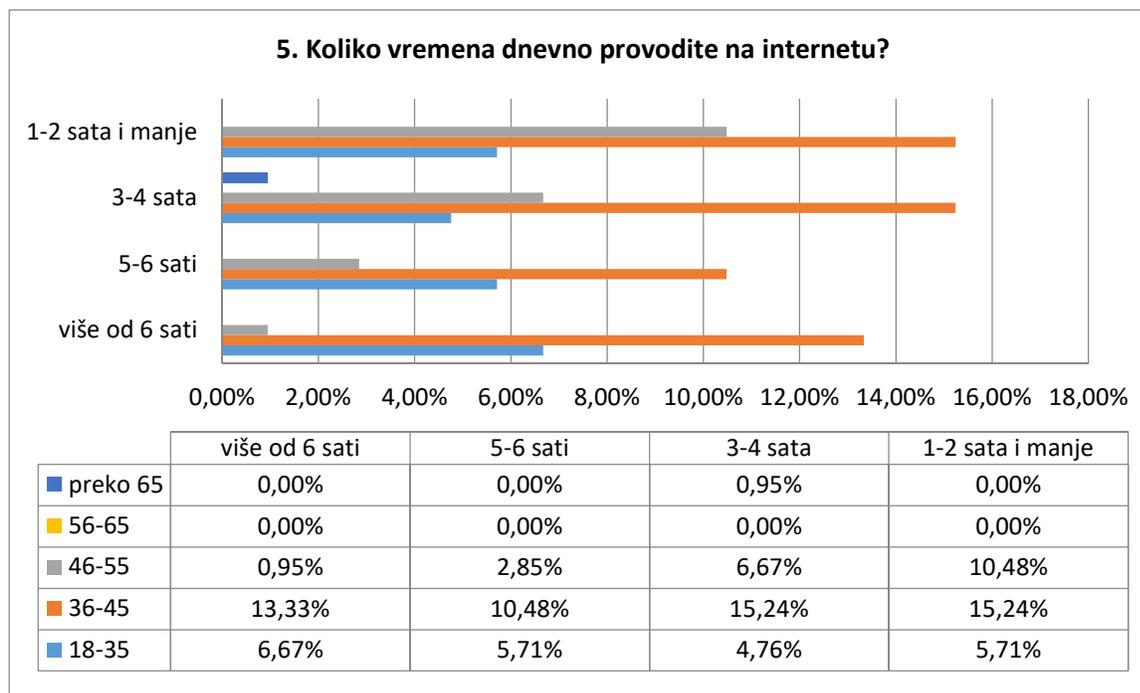


Figure 1.1 -Daily use of the Internet by age groups

If this data is compared with the purpose of Internet use (Figure 2), it can be concluded that respondents use the Internet mainly for communication via Internet mail (63.8%). The percentage of internet use for the purpose of online shopping is not negligible at all - 48.6%, followed by the rate of online payments (48.6%). Of this number of respondents, the most active are those from the age group 36-45 years (33%), followed by respondents aged 18-35 years - 11.43%, while respondents from the age group 46-55 years are represented by 5, 71%. Special attention should be paid to the use of social networks as an important feature of online behavior that is strongly associated with online shopping. In terms of the purpose of using the Internet, most respondents are focused on communication via Facebook (63.8%), while 60% of them use the Internet for activities on other social networks. Information through electronic news is used by 61% of respondents, while 41.9% mostly use the Internet for the purpose of online education and training.

06 U koju svrhu koristite internet? (izaberite jedan ili više odgovora)

105 одговора

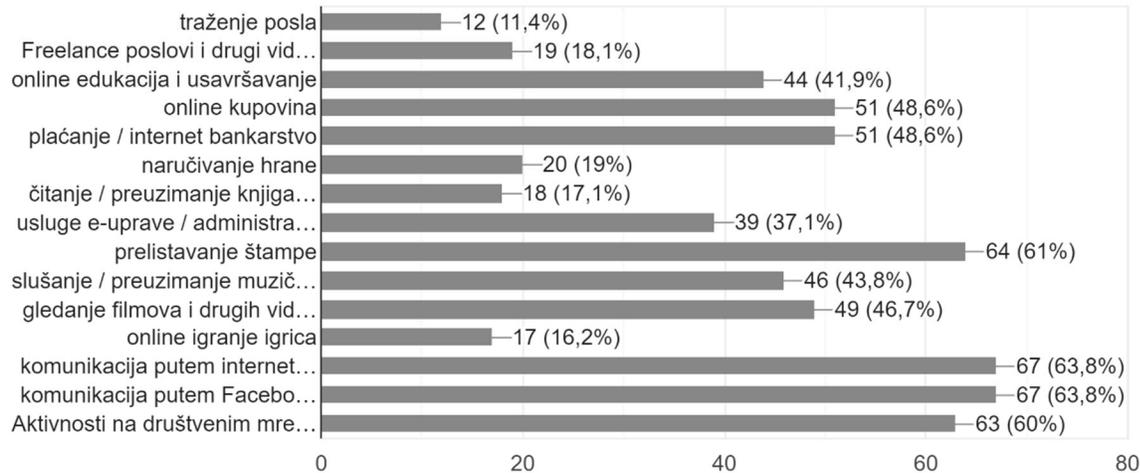


Figure 2- The purpose of using the Internet

The COVID-19 virus pandemic had different levels of impact on consumers (Figure 3), so many customers used e-commerce services for the first time, and the second only reinforced this pattern of behavior. Slightly less than half of the respondents - 47.2% bought goods or services online even before the outbreak of the COVID 19 virus pandemic, while 40.6% of them continued to use this type of purchase during the pandemic. The impact of the pandemic is noticeable in the changes in habits of 4.7% of respondents, who started using these services after its occurrence. The number of individuals who have never used online shopping services is 7.5%, of which the majority of respondents are older than 46 years (5.71%). Surveys on consumer habits conducted in the Republic of Serbia, focusing on how much habit have changed since the pandemic, have shown major changes. If we compare the first ten months of 2020 with the same period in 2019, there has been a dramatic increase in the number transactions recorded by the National Bank of Serbia, which relate to online purchases. Namely, in the first three quarters of 2020, 13,990,498 transactions of purchase of goods and services via the Internet were performed in Serbia. This is an increase of 11% compared to the whole of 2019, ie an increase of 62% compared to the same period last year. Therefore, the assumption is that online shopping is yet to prosper.

07 Da li ste i kada kupovali/naručivali putem interneta? Ukoliko je Vaš odgovor pod a), b) ili c), nastavite sa popunjavanjem upitnika. Ukoliko je Vaš odgovor pod d) pređite na pitanje broj 20.

- a) uslugu online kupovine koristili ste i pre izbijanja pandemije virusa COVID-19
- b) uslugu ste počeli da koristite nakon pandemije uzrokovane virusom COVID-19
- c) koristili ste uslugu online kupovine i pre i tokom trajanja pandemije virusa COVID-19
- d) niste nikada koristili usluge online trgovine

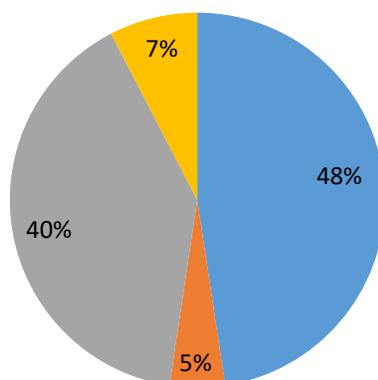


Figure 3- Impact of COVID 19 pandemic on consumer habits

An important piece of data that can be used to determine the limitations of the potential for e-commerce is the share of use of certain forms of modern technology in online commerce (Figure 4). Interestingly, mobile phones were used in 60.8% of all online purchases, while this figure for desktops or laptops was 39.2%. The assumption is that this is conditioned by several facts: unlike computers, shopping via mobile devices is done on the go, it is not the place where the device is located, but the place where the owner is, ie the one who uses the device; mobile devices are owned by one person and therefore each individual can adapt the shop application to their interests and needs and in the end Web shops are much easier to use on mobile phones, because the interface on mobile versions and mobile applications is simplified compared to standard web applications. Therefore, simplicity in use is a basic precondition for the success of an online store designed for mobile devices. "Fast life" and "chronic lack of time" have influenced Internet users to increasingly turn to mobile technologies and that all the obligations they once performed on personal computers now end up via mobile devices, which are always and everywhere with them. Statistics show that a smartphone user reaches for it 150 times during the day. These are certainly clear signals to all users of the global network to adapt their business to the changed needs of users.

08 Preko kog uređaja najčešće kupujete online?

97 одговора

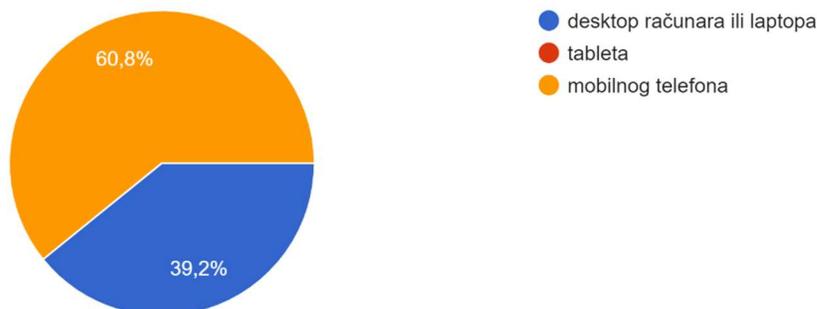


Figure 4- Use of modern technology in online shopping

Regarding situations in which Internet users buy / order goods or services via the Internet, of all Internet users, regular online customers who buy once a week make up 11.2%, while 37.8% do so once a month, and 14.3% several times a month. 36.7% of Internet users very rarely use this type of trade once a week (Figure 5). The most active age group in online shopping are respondents aged 36-45 (11.43%) who buy several times a month, while on the other hand 10.88% of them buy very rarely.

However, even though there has been a noticeable increase in e-commerce in recent years, in this respect Serbia still lags behind some EU countries whose residents buy almost twice as much online. In 2020 and the first two months of 2021, the citizens of Serbia bought online on average in 48 percent of cases, instead of going to the store, which is a slight increase compared to 2019, when there were 44 percent of such purchases. According to a Eurostat survey, more than 8 out of 10 Internet users in the Netherlands (91%), Denmark (90%), Germany (87%), Sweden (86%) and Ireland (81%) bought or ordered goods or services online. On the other hand, less than 50% bought online in Bulgaria (42%), Romania (45%) and Italy (49%).

09 Koliko često kupujete online?

97 одговора

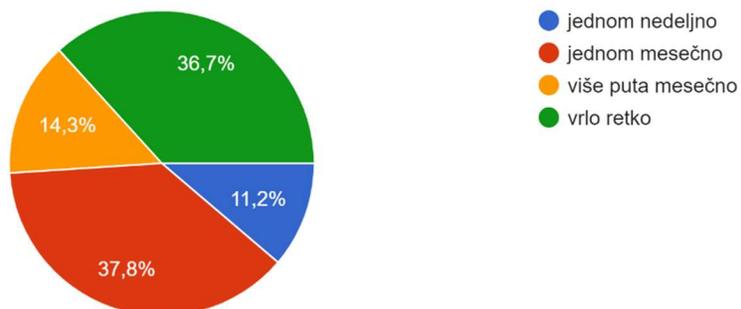


Figure 5- Frequency of online shopping

The overwhelming majority of online purchases relate to the purchase of shoes and clothing (73.1%), books (24.7%) and appliances (23.7%), while electronic equipment - mobile phones and gadgets, groceries and food and travel are represented in the identical percentage -14% (Figure 6). Other types of goods are represented with a minimum percentage of participation.

10 Šta najčešće kupujete online? (izaberite jedan ili više odgovora)

93 odgovora

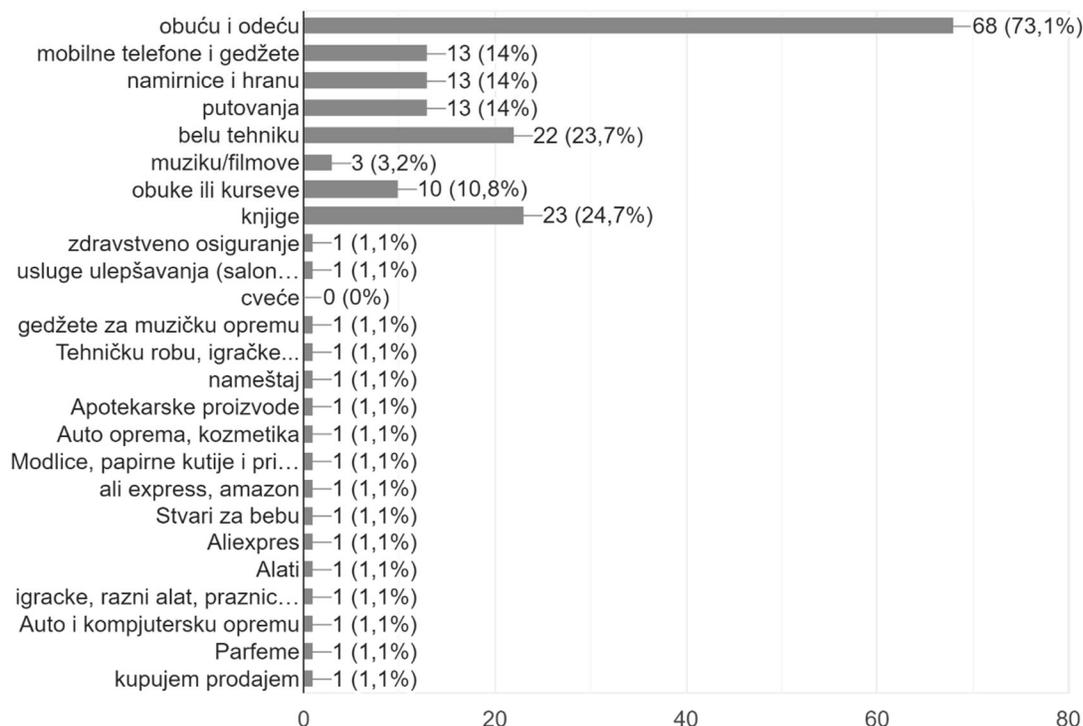


Figure 6 - Goods purchased online, by category

In terms of goods and services ordered online, the difference between Serbian and European online shoppers is quite significant. In the EU, the most common online purchases during 2020 were clothing (including sportswear) and footwear or accessories (64%), followed by streaming services or movie / series downloads (32%), deliveries from restaurants, fast food chains and catering services. (29%), furniture, household accessories or garden products (28%), cosmetics, beauty or wellness products (27%), printed books, magazines or newspapers (27%), computers, tablets, mobile phones or their accessories 26%) and music as a streaming service or download (26%). On the other hand, Serbian online shoppers mostly bought clothes and footwear - 28%, followed by electronic equipment 25%, and items from the group House and Garden with 13% (Figure 6.1.)

SVE ONLAJN KUPOVINE

	udeo kupaca	prosečna vrednost kupovine	udeo kupovne vrednosti
ukupno	88 %	2.857 RSD	
moda	28 %	3.020 RSD	25 %
elektronika	25%	2.614 RSD	19 %
kuća i bašta	13 %	3.204 RSD	13 %
sport#	9%	3.748 RSD	10 %
ostalo	9 %	2.723 RSD	8 %
zdravlje i lepota	9 %	2.479 RSD	6 %
deca	7 %	2.854 RSD	6 %
kancelarija i škola	8 %	2.069 RSD	5 %
namirnice	4 %	3.090 RSD	4 %
auto-moto	3 %	2.535 RSD	2 %
naručivanje hrane	2 %	2.320 RSD	2 %
kućni ljubimci	1 %	2.809 RSD	1 %

Figure 6 - Goods purchased online, by categories, Source <https://www.netokracija.rs/internet-kupovina-srbija-2020-istrazivanje-180243>

Certain patterns and habits expressed in online shopping behavior can be used as guidelines in overcoming obstacles / limitations in the development of e-commerce. One of such characteristics is the most common method of payment via the Internet. Rough estimates are that electronic payment, which includes payment cards, electronic wallets, electronic money, electronic and e-banking, does not exceed the share of 20-25% in e-commerce in relation to the total use on the Internet in Serbia. Payment cards and electronic money are the only payment instruments for which there is official data. It is important to note that these are rough estimates because most of the spending on the Internet in Serbia is done by cash on delivery, as shown by the results of this study according to which the three most common methods of payment when shopping online (Figure 7): cash on delivery (77, 3%), followed by online payment card (47.4%), and e-banking (17.5%). The share of cash payments is represented in 7.2%, while other forms of non-cash payment are almost negligible. In order to get a broader picture of the size of e-commerce, it is necessary to take into account the participation of other payment methods, as well as the fact that a number of online stores perform the billing process through foreign payment service providers, which is acceptable for foreign customers, in accordance with current regulations. Namely, modern

payment technologies, such as e.g. PayPal is represented by only 5.2% - this is conditionally significant restrictions in use, given that although payment via PayPal is enabled for legal and natural persons from Serbia, residents of Serbia can not perform transactions between each other. This rule means that a domestic company with its online sales can be in violation if a resident of our country buys a product / service via PayPal. In addition, it means that domestic companies cannot build local businesses relying on PayPal. Also, other means of payment, such as credit cards, are used less compared to developed countries. This can be attributed to the fact that customers are reluctant to provide their personal data (especially financial) online mainly due to security issues and lack of online customer trust, but probably also due to high costs and fees, given that payment systems in Serbia are characterized by high commissions for online transactions which makes online sales less attractive.

11 Izaberite način / načine koje najčešće koristite prilikom plaćanja online porudžbine / kupovine?
97 одговора

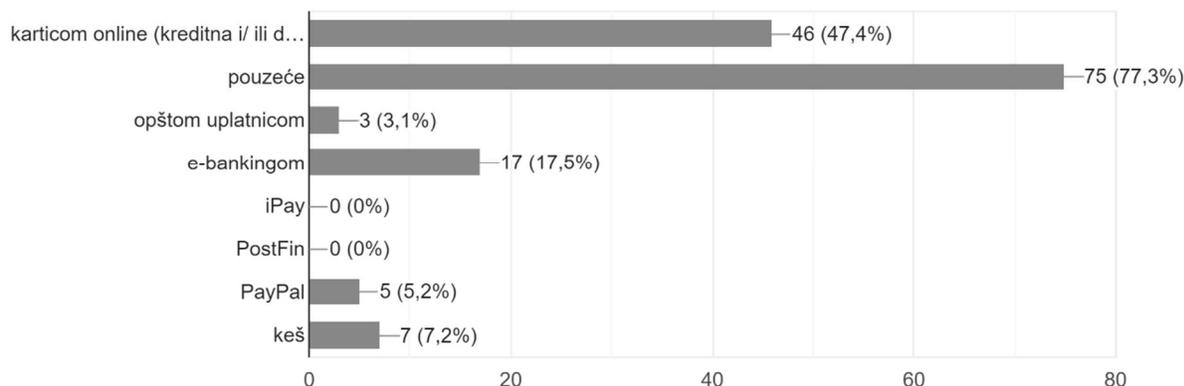


Figure 7. Payment methods percentages

According to the data of the National Bank of Serbia, the number of dinar transactions paid by card via the Internet doubled in 2020 compared to 2019. If we compare 2019 and 2020, the number of dinar card payment transactions via the Internet has doubled, and more precisely, increased by 103.55% (Figure 7.1.), the growth in the value of transactions amounted to 81.27% (Figure 7.2.).

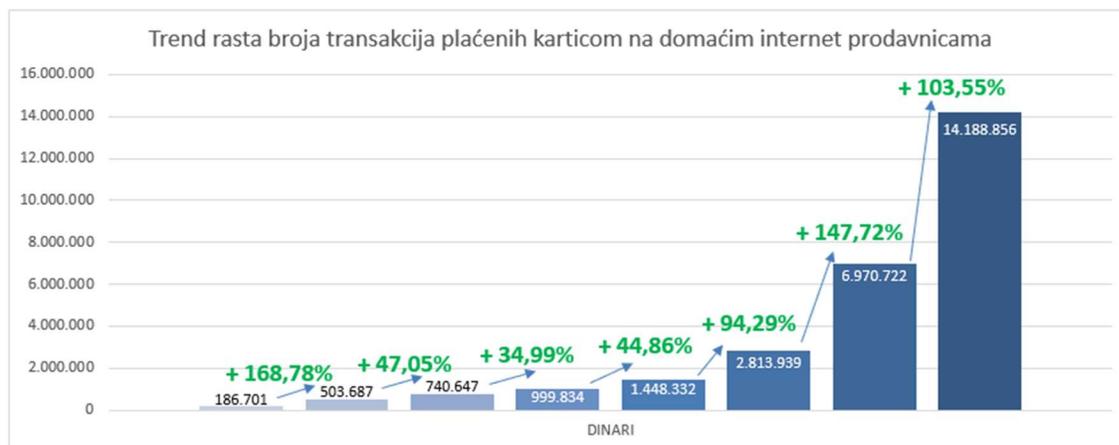


Figure 7.1. Source: National Bank of Serbia

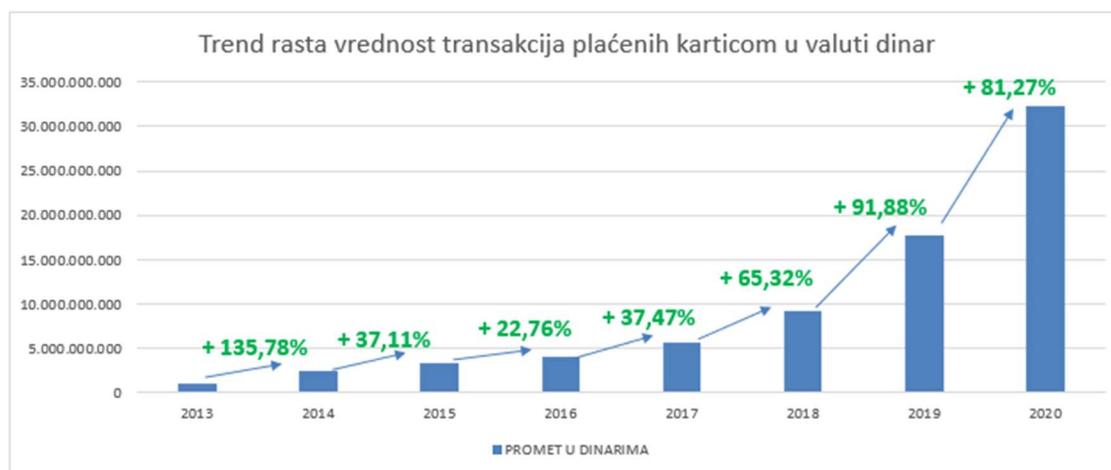


Figure 7.2. Source: National Bank of Serbia

Socio-economic factors of the population, such as income and purchasing power, are also important factors in determining the overall potential of e-commerce applications. According to a survey conducted by the Republic Bureau of Statistics in 2018, with one of the lowest average net salaries in Europe, consumers in Serbia need 75% of their net salary to afford a minimum consumer basket. Statistical data from 2021 indicate that, although income growth has been recorded, consumers in Serbia need 60% of their net earnings in order to be able to provide themselves with goods that make up the consumer basket.

Godina - Mesec	Prosečna mesečna zarada po zaposlenom u Republici Srbiji (bez poreza i doprinosa)	Potrošačka korpa u Republici Srbiji		Odnos potrošačke korpe i zarade	
		Prosečna	Minimalna	(3:2)	(4:2)

1	2	3	4	5	6
Januar	59.941	72.413,00	37.485,76	1,21	0,63
Februar	58.132	72.844,41	37.459,89	1,25	0,64
Mart	59.681	72.731,36	37.714,50	1,22	0,63
April	58.932	72.887,58	37.890,42	1,24	0,64
Maj	58.892	72.851,61	37.898,50	1,24	0,64
Jun	59.740	73.396,43	38.171,00	1,23	0,64
Jul	60.029	73.725,86	38.325,94	1,23	0,64
Avgust	58.513	73.849,46	37.934,63	1,26	0,65
Septembar	59.698	73.336,79	37.741,06	1,23	0,63
Oktobar	60.109	73.836,13	37.891,07	1,23	0,63
Novembar	60.926	73.930,22	37.872,31	1,21	0,62
Decembar	66.092	74.057,43	37.941,70	1,12	0,57

Review of purchasing power trends in the Republic of Serbia 2020

This percentage certainly varies in terms of the level of development of the municipality / city. It is 59% for cities like Kragujevac, while in Kraljevo the ratio of earnings and consumer basket is 67%. The average salary in Požega for 2020 is 50,372, while in Arilje it is 44,145 dinars. According to the data of the Republic Bureau of Statistics of Serbia, the average household allocates over 50 percent of its income for food and alcoholic beverages, basic means needed by a family and about 12 percent, is spent for cosmetics and hygiene products, while only 1.2 percent of the money goes for culture and recreation. When we take all this into account, we can say that the purchasing power of citizens is not great, nor that there are large inequalities - half of the cities and municipalities are within this range with and interval plus or minus 10% of the average. This is probably one of the major reasons that 28% of online transactions have a value of less than 3000 dinars (Figure 8). Approximately 24.2% of respondents spend on average up to RSD 5,000 per month when shopping online, the same percentage of respondents spend more than 5,000 dinars, while 23.2% of respondents spend up to 1,000 dinars per month for online purchases.

12 Koliko potrošite na plaćanja putem interneta mesečno?

95 одговора

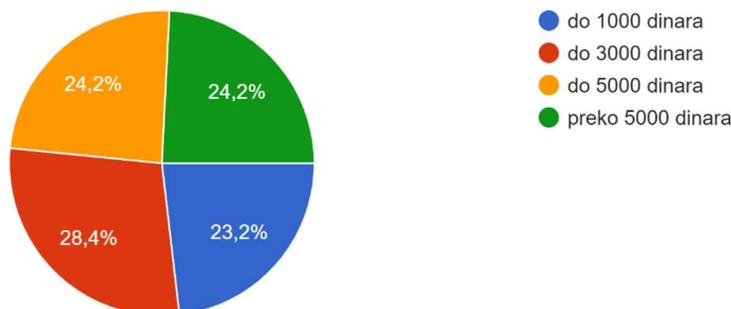


Figure 8. Monthly spending on online shopping

The situation is no better in the rest of Serbia, where it is noticed that the average value of orders decreased during 2020, which is expected due to the fact that in 2020 a large number of new customers appeared on the Internet, and in practice it turned out that new customers make their first purchases in smaller amounts. The average value of a transaction made via the Internet in the dinar currency during 2020 is 2,271.85 dinars (Figure 8.1).

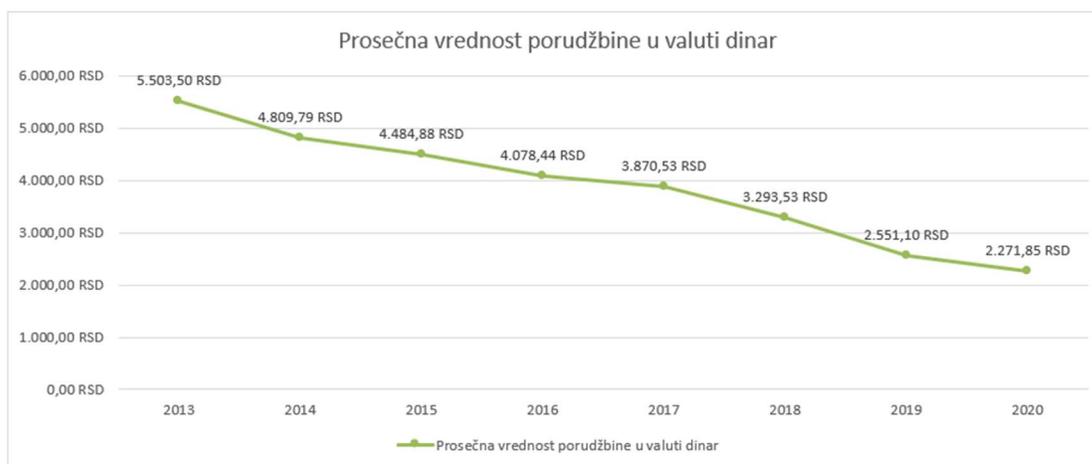


Figure 8.1. Source: National Bank of Serbia

Websites of domestic brands and manufacturers instill the most trust among online customers in Serbia, followed by sites of world famous brands and large sales sites of various goods such as AliExpress or Ebay. The fact that respondents buy and pay more in domestic online stores than in foreign ones is also shown by the following data: over 79% of purchases are related to domestic stores, while the share of foreign stores is 20.8%, of which 12.5% are from China (Figure 9) . These figures indicate a relatively low level of customer confidence in foreign stores, which can be assumed to be caused by possible logistical, linguistic

and legal obstacles (longer delivery period, fear of whether they will receive the purchased goods, whether the product expectations, warranty problems, etc.).

In October 2017, the international research and technology company Gemius conducted a survey on online shoppers in Serbia, which provided some conclusions about the state of e-commerce in Serbia based on indirect indicators of e-commerce visits. The first five favorite e-commerce sites within the analyzed sample are:

1. Aliexpress.com - 14.3%
2. Kupujemprodajem.com– 10.6%
3. Ebay.com - 9.3%
4. Limundo.com - 8.7%
5. Amazon.com - 5.7%

13 Na kojim prodavnicama preferirate da kupujete?
96 одговора

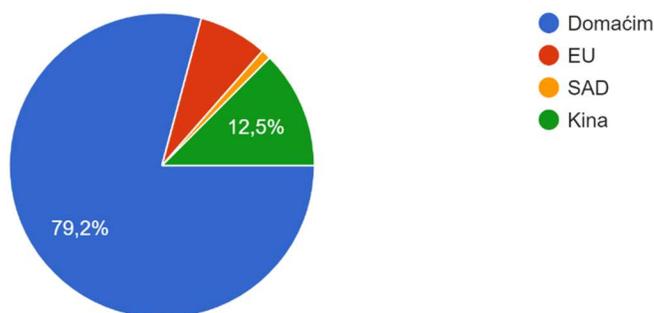


Figure 9. Preferred web markets

One of the key psychological factors that influence further development (or adoption) of e-commerce is the perceived usefulness, ie. How useful and more convenient this type of trade is comparison to the traditional way. When asked why they buy online, respondents most often stated a better price as a crucial factor (38.5%), while another crucial factor for online shopping was lack of time (29.2%). For 19.8% of respondents, existence of suitable home delivery is the determining factor (Figure 10). Other characteristics, such as more diverse offers, easier availability, better perception of the offer, distance of

large stores with a larger offer, lack of demanded goods in traditional stores, are obviously not crucial for e-commerce because they participate with 1% in respondents' answers.

14 Zašto kupujete preko interneta?

95 одговора



Figure 10. Reasons for online shopping

Koliko god je pandemija virusa COVID 19 uticala, u veoma kratkom roku, na odvajanje od ustaljenog načina života, kod 63,5% ispitanika nije promenila način ponašanja, niti njihove potrošačke potrebe, koje su ostale na istom nivou kao i pre pandemije, ali je kod 36,5% izazvala potrebu za povećanim online naručivanjem (slika 11).

15 Da li ste u toku vanrednog stanja izazvanog pandemijom virusa COVID-19 imali povećanu potrebu za online naručivanjem / kupovinom (ukoliko je odgovor "da" popunite i pitanje broj 16):

96 одговора

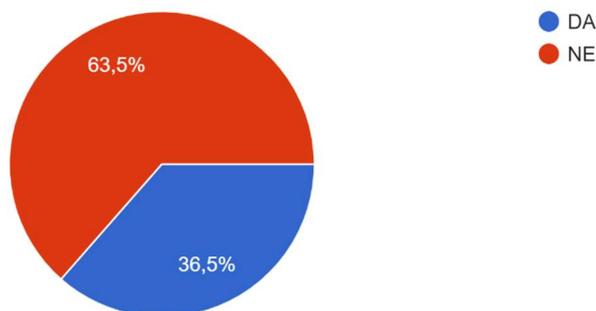


Figure 11. Impact of the COVID 19 virus pandemic on increased need for online shopping



Developing Local E-commerce Ecosystems under Covid-19 pandemics



ICT
cluster
Central Serbia

The epidemic has affected traditional channels and operations, so the benefits of digital networks, services and operations have become apparent. Namely, in response to the situation, there was a large difference in the percentage of industries affected by the infection - for example, tourism and all activities related to passenger transport were most affected. On the other hand, home delivery businesses had their hands full during this period, but they were also required to adjust, which was reflected in increased precautions and the possibility of contactless delivery.

The state of emergency led to the development of food delivery services, delivery services from local markets / grocers / butchers and medical aids (Figure 12), which recorded significant growth in this period (retrospectively 30.6%, 12.9% and 4,8%). These services served to overcome the limitation of working hours and movement, and when it comes to food, the experience is transferred from restaurants, or at least part of their experiences. In the coming period, it seems that these services will gain in importance and become part of standard behavior - they are practical, time saving, facilitate choices, and digitalization of business and online sales in these sectors will certainly be a priority and future of business. Ordering food from catering facilities is a trend that will definitely remain very influential in the coming period, regardless of the development of the pandemic. Small food producers, textile and technical goods retailers are investing significant funds in the development of online sales and are definitely counting on it as the dominant sales channel in the future, and various online sales applications are being developed, with appropriate delivery services. The essence is that the process of digital transformation in the services sector today is becoming the only way to maintain an advantage over the competition, but also to ensure survival - the application of new business models and technologies, companies significantly improve their efficiency and find new ways to reach their customers through use of modern technological solutions (hardware or software).

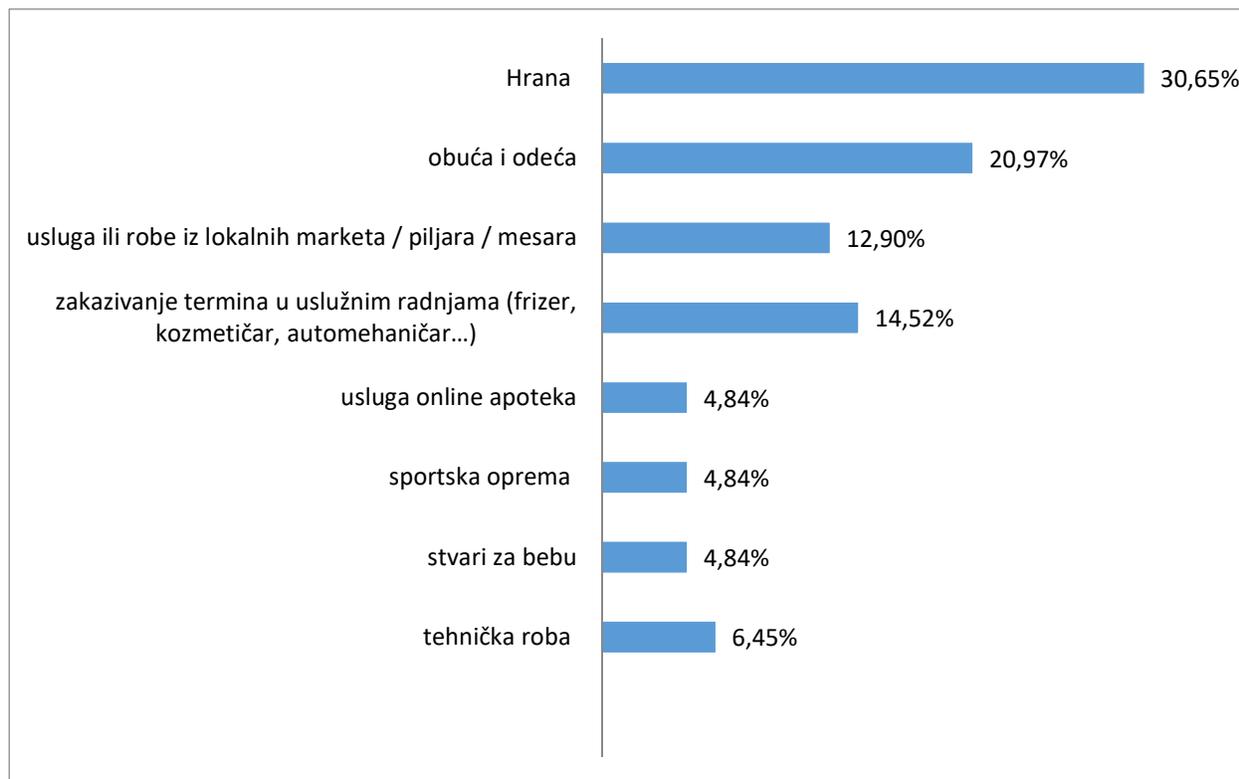


Figure 12. Most frequently purchased goods / services during the COVID virus pandemic 19

When asked, what are the key factors of online shopping - most respondents - 60.4% agreed that they are time and money savings: immediately followed by 59.4% of respondents agreed that it was a large selection of products, while for 52.1% of them it was an easy purchase option. 22.9% of respondents stated that the decisive factor is that they do not have to leave the house (ie shopping from an armchair). Limited operation of facilities is crucial for online shopping by 20.8% (Figure 13).

17 Koji su odlučujući faktori online kupovine za Vas? (izaberite jedan ili više odgovora)

96 odgovora

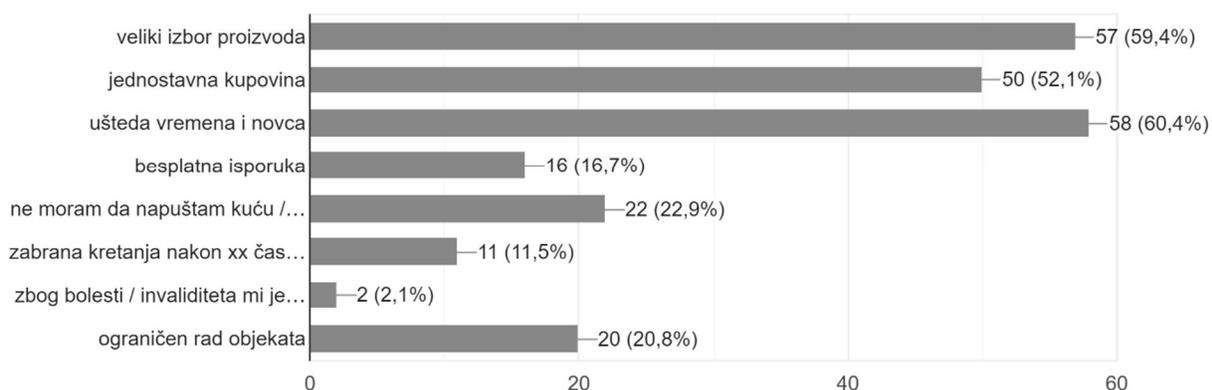


Figure 13. Decisive factors of online shopping

In terms of delivery of goods and services ordered online, the preferred method of delivery is convincingly via courier service for 89.7% of respondents. On the other hand, only 2.1% prefer to pick up goods at the store or pick-up point (Figure 14). This data shows that the quality of courier services, in the sense of delivery time, visibility and tracking capabilities of shipments, and especially delivery costs are a very important factor in building consumer confidence and their commitment to online shopping.

18 Koji je vaš preferirani način dostave / preuzimanja proizvoda?

97 odgovora

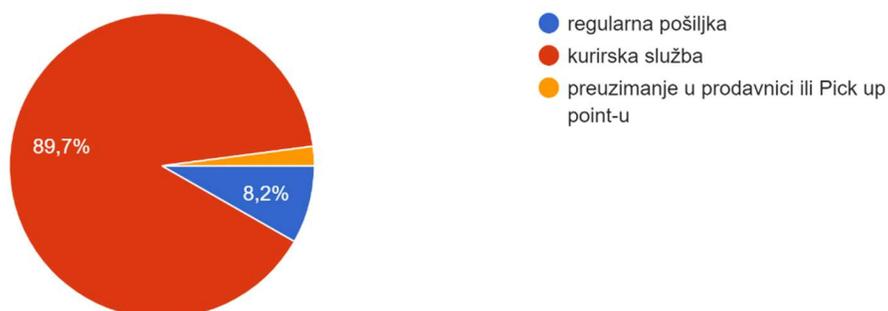


Figure 14. Preferred product pick-up method

When asked how they would prefer to buy online products / services, more than half of the respondents - 59.8% said they would like one platform that unites several stores (Figure 15). This data can be explained by the fact that e-commerce platforms are a kind of tool with full features for selling products online from one place - more diverse offer, easier comparison, usually better prices, easier availability, better order and delivery management, etc., which certainly it makes it easier for the customer and, ultimately, makes him opt for online shopping. A good example is certainly Glovo Srbija, the only platform in Serbia that enables ordering literally "anything". In addition to a modern application, through which you can easily and quickly order food, products from retail outlets, or request courier services, Glovo has brought an improved user experience, a wide range, but also efficiency thanks to cooperation with large retail chains, local restaurants and retail facilities, but also with family businesses, small and medium-sized companies and everyone else who is part of the application. Glovo application is a pioneer in the field of multi-category delivery and one of the world's leading platforms of this type, which has 3.5 million active users. The app connects users to restaurants, grocery stores, pharmacies and retail chains, and also offers a "anything" category that allows you to order literally anything.

19 Radije bi kupovali preko:

97 одговора

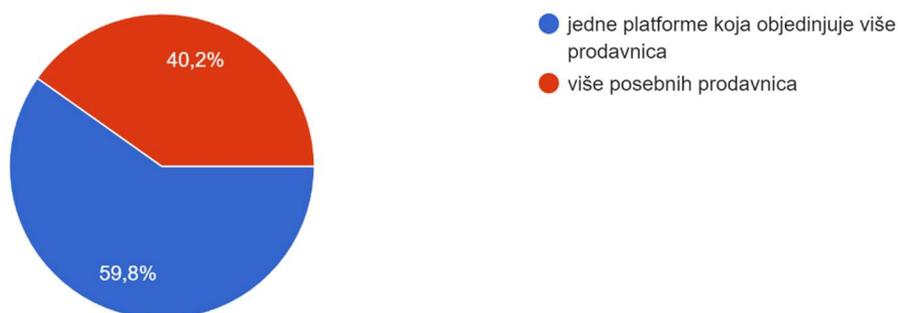


Figure 15. Preferred way of online shopping

As mentioned earlier, according to the results of the research, 7.5% of all respondents have never bought anything online, while among them as many as 56.2% of those who have not done so even through someone else. Of all Internet users, 43.8% did so one or more times (Figure 16).

20. Da li ste nekada naručili / kupili proizvod / uslugu online preko drugog lica (člana porodice, prijatelja, rođaka..)

105 одговора

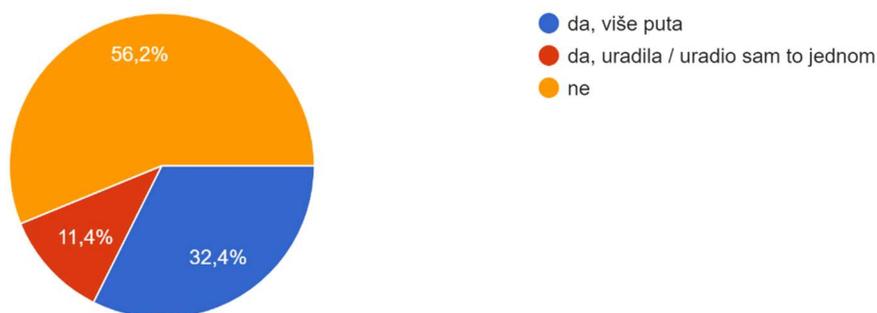


Figure 16. Online shopping with the help of others

The survey showed that traditional ways of shopping are deeply rooted in consumers because the majority of respondents - 72.4% do not buy online because they can not see the goods "live", while many 10.5% are afraid of fraud when paying with e-commerce cards. This data shows that many Internet users are reluctant to participate in online shopping, mainly due to some kind of lack of trust (distrust in delivery, distrust in product selection and uncertainty of payment methods), which shows a desire for complete control over shopping, which is not surprising. In order to turn passive visitors to e-commerce websites into active ones, it is necessary, among other things, to remove a large barrier - customer distrust, which is probably in many cases completely unjustified. Often, companies that offer goods over the Internet quite properly have a warranty with the goods, provide service of technical goods and provide replacement in case of failure, but fail to inform customers. As reasons for not using this type of purchase, 6.6% of them stated that they simply do not have the habit of shopping online (Figure 17). Based on the answers, it can be concluded that ignorance of technology is not an important factor in the decision to buy online. Despite the findings of some developed economies, that high delivery costs distract consumers from using applications, the money factor is not recognized among the surveyed consumers as a significant limitation in online shopping.

21 Koji su Vaši razlozi nekorisćenja usluge online kupovine?

76 одговора

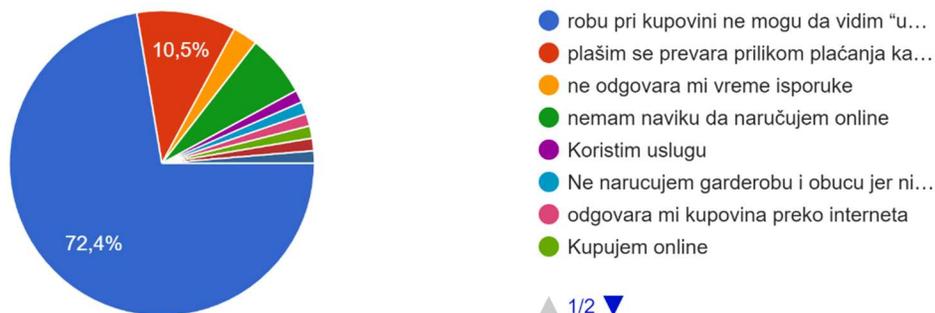


Figure 17. Reasons for not using online shopping service

The readiness of customers for e-commerce is one of the key conditions for the successful development of e-commerce. Therefore, an important factor is the issue of motivation of users to switch to online shopping. One of the basic elements of a successful conversion is to provide users with as much information as possible that is necessary to initiate the product purchase action. Among other data, such as a detailed description of product characteristics, images, prices, etc. It is extremely important to convince the customer that buying online is not a risky move, in the sense that all consumer rights are guaranteed. This primarily refers to various types of warranties, refunds, product services and the like. Online shopping is primarily motivated customers by (51.6%) a large selection of products on one platform, while the second most important criterion is a guarantee of product quality (33.3%). Only 7.5% opt for fast delivery as a motivating factor, no matter how many products are from local stores (Figure 18).

22 Šta bi vas moglo motivisati za online kupovinu?

93 одговора



Figure 18. Motivational factors for switching to online shopping

That there are no significant differences in the type of goods purchased between those who use online shopping services and those who do not, is also shown by the results in the type of goods purchased online (Figure 19). The overwhelming majority of online purchases relate to the purchase of footwear and clothing (74.7%). There is a noticeable difference in the online purchase of travel, which would be chosen by 35.2% of new users, compared to 14% of existing, books 33% of new users vs. 24.7% of existing and appliances - 29.7% of new users vs. 23.7% existing online shopping users. There is also a noticeable increase in interest in purchasing of electronic equipment - mobile phones and gadgets 20.9% (compared to 14% of existing users) and groceries and food 23.1% (14% of existing). It is interesting to note that 7.7% of potential new users would be interested in buying flowers online. For other types of goods, there are no significant differences in the answers of the respondents.

23 U slučaju da se odlučite za internet kupovinu, za koju vrstu proizvoda bi bili najviše zainteresovani? (odaberite jedan ili više odgovora)

91 одговор

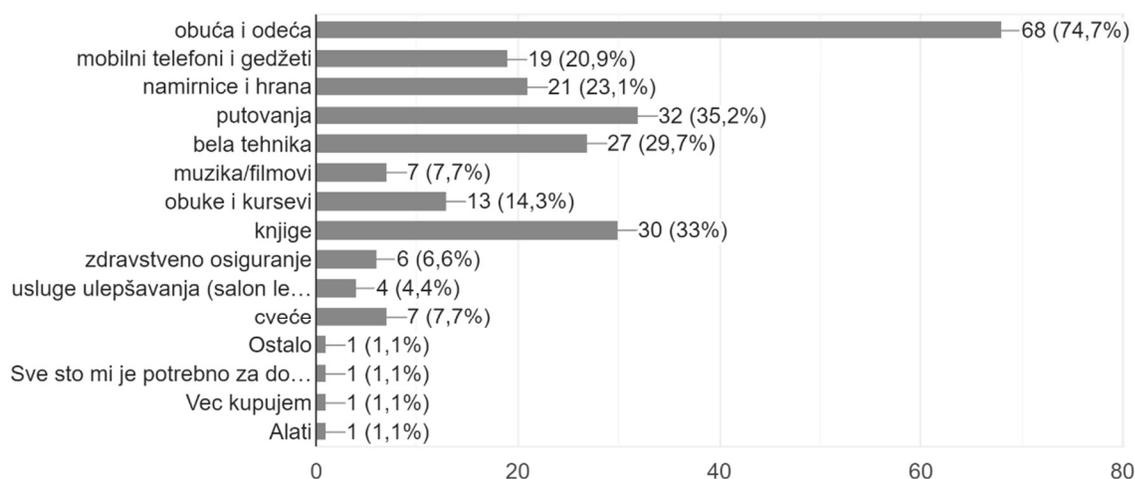


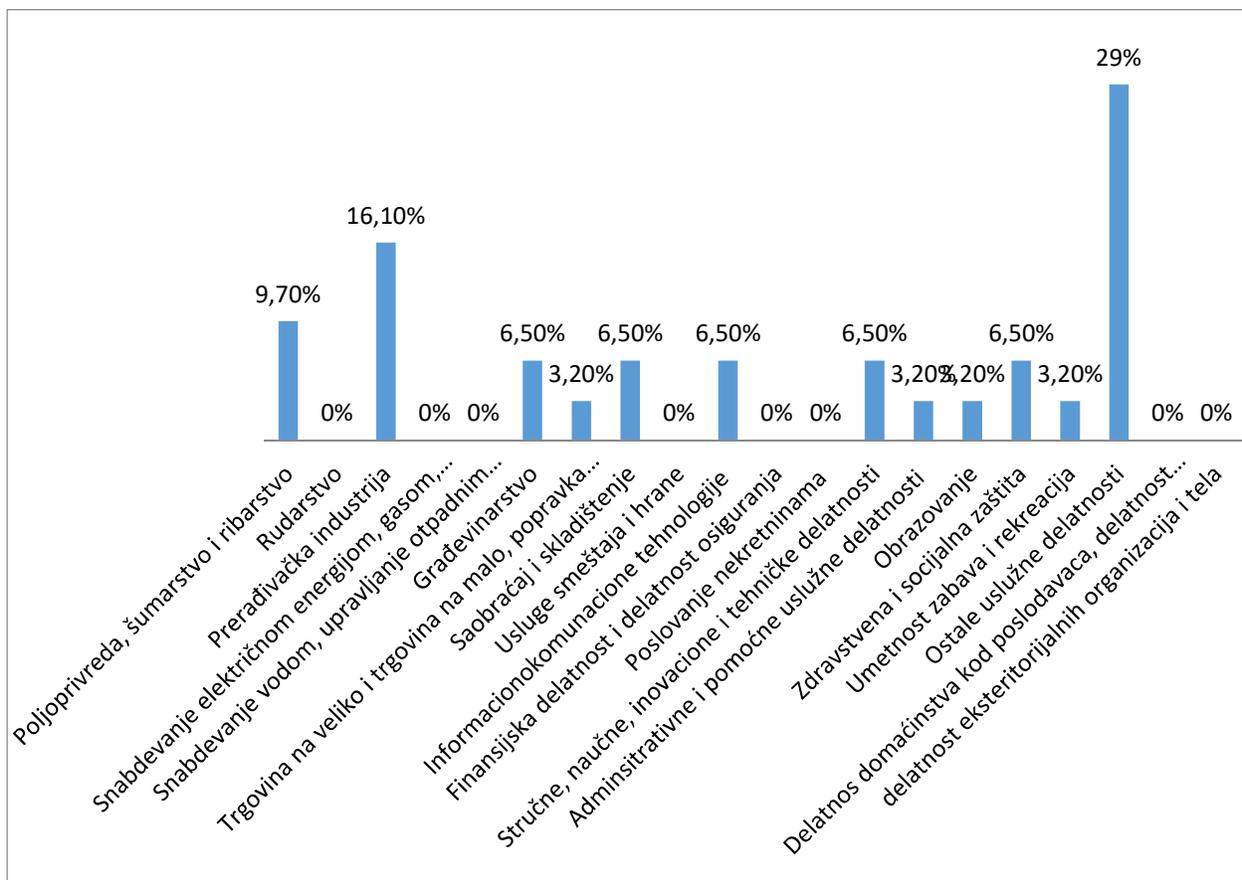
Figure 19. Type of products by categories in case of transition to online shopping

Research of MSME attitudes

Respondent structure

The survey with business entities on online trade was conducted on a sample of 31 companies in the municipalities: Kragujevac, Kraljevo, Arilje, Topola, Uzice, Knić (Table 2 + Graph F), different sizes - up to 9 employees, between 10 and 49 employees, 50 and more employees (Chart G), whose primary activities are trade in products or trade in services (Chart E).

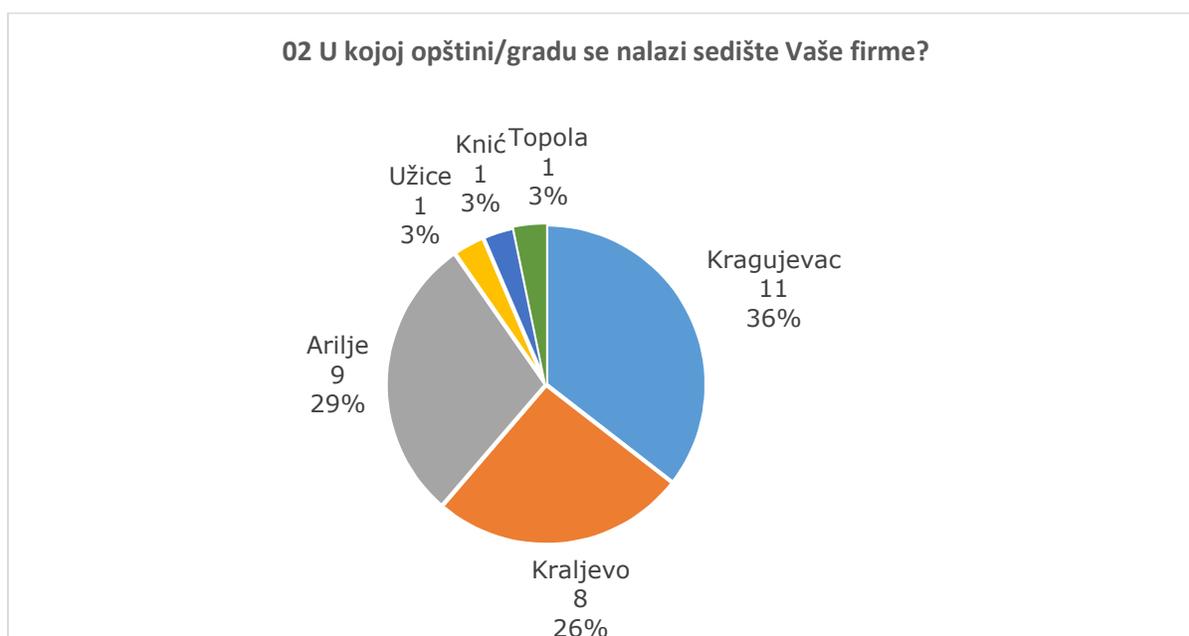
The largest number of surveyed entities comes from the sector of other service activities - 29%, followed by entities whose main activity is manufacturing (16.1%), Agriculture, forestry and fishing - 9.7%. 6.5% of respondents are engaged in information and communication technologies (ICT) and professional, scientific, innovative and technical activities. Economic entities from activities of construction, transport and storage and health and social protection are represented in the same percentage (6.5% each). Respondents in wholesale and retail trade make up 3.2%, as well as economic entities engaged in administrative and ancillary service activities and those whose activities are in the area of education. Out of the total number of respondents, 3.2% of them state art, entertainment and recreation as their main activity.



Graph E - Overview of respondents by type of activity

Table 2 (Number of respondents by municipalities)

Overview of surveyed per municipalities		
Municipality	no.	%
Kragujevac	11	35,5
Arilje	9	29,1
Kraljevo	8	25,8
Topola	1	3,2
Knić	1	3,2
Užice	1	3,2
Ukupno:	31	100,0

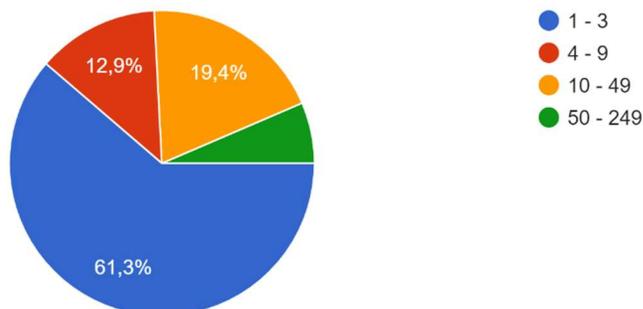


Graph F - Overview of respondents by company headquarters

When it comes to sample structure according to the size of economic entities, the largest number comes from micro enterprises and entrepreneurs (74.2%). There are 19.4% of small enterprises, while 6.5% of enterprises are classified as medium.

03 Koliko zaposlenih ima Vaša firma?

31 одговор



Graph G - Overview of respondents by number of employees

Main Research Findings

Of the total number of surveyed companies, all companies (100%) use internet for business purposes (Figure 20). This result can be interpreted by introducing the obligation to submit data to government institutions exclusively electronically. The existing internet infrastructure, characterized by the availability of different types of internet and a large number of providers, provides companies with the opportunity to take advantage of all the benefits offered by the internet, hence, 93.5% mostly use internet to communicate with customers/suppliers and e-mail exchange. A large percentage of companies - 61.3% use offered opportunities of internet for promoting their goods / services. Of the total number of surveyed business entities, it was noticed that a higher percentage of them use the internet to order goods -58.1% than those who sell their goods / services through e-commerce - 16.1% (Figure 21). For running web applications, internet is used by 38.7% of businesses. Only 25.8% use internet to store data on cloud.

04 Da li u okviru poslovanja koristite internet? Ukoliko je odgovor "NE" pređite na pitanje broj 7.

31 одговор

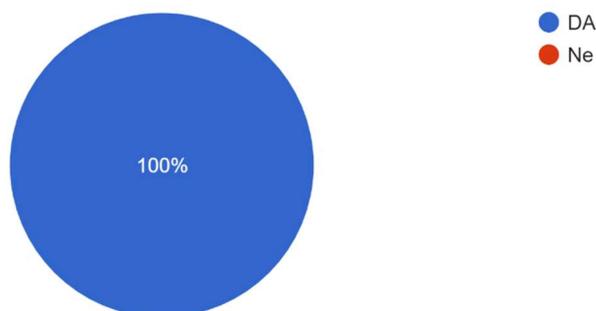


Figure 20 - Use of the Internet in business

05 Internet mi služi u svrhu (obeležite jedan ili više ponuđenih odgovora):

31 одговор

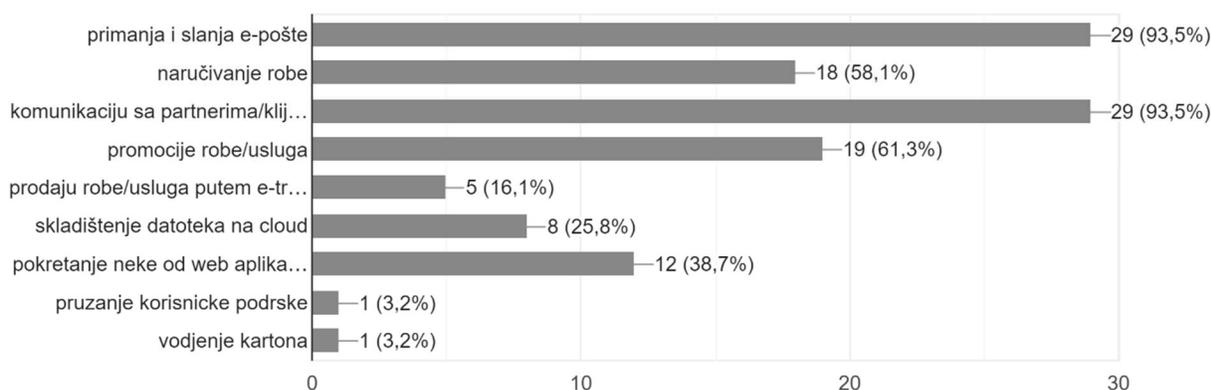


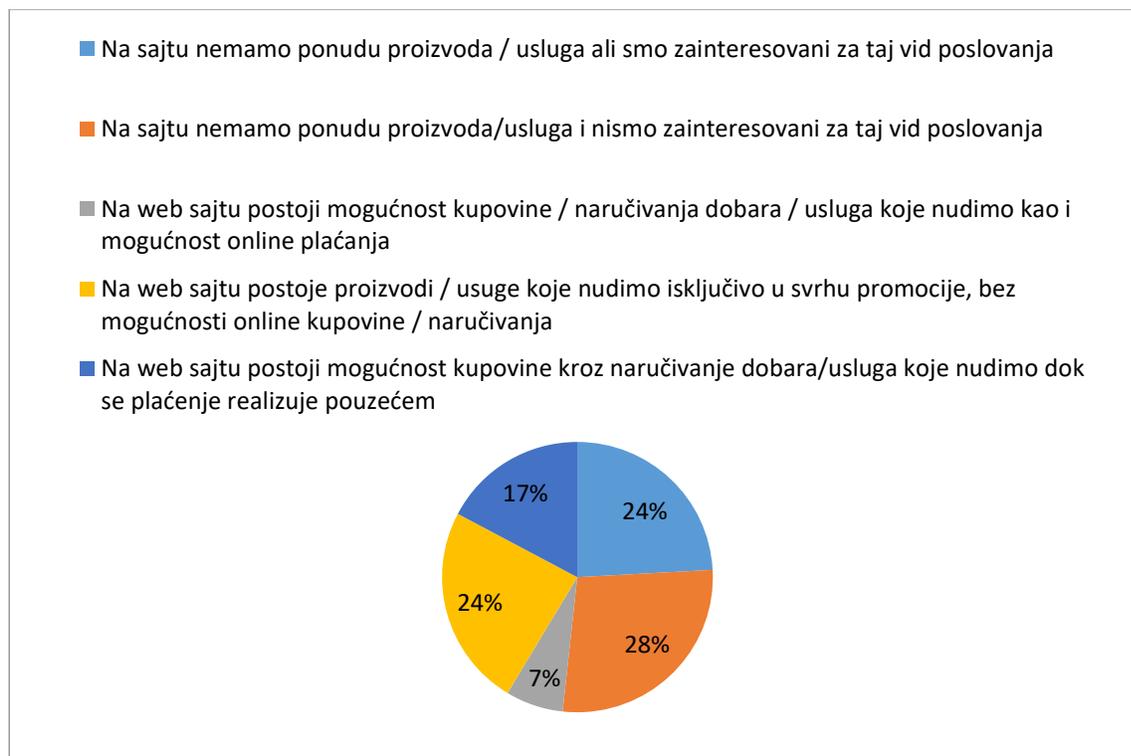
Figure 21 - Purpose of internet use

When we analyze the structure of companies that sell goods / services through e-commerce (16.1%), the results are as follows: 6.45% of medium-sized companies and 6.45% of small companies received online orders, all from the manufacturing sector in Arilje.

Only 21.5% of surveyed businesses that own a website are aware of the importance and benefits of new technologies, and how important e-commerce is as an aspect of their business, and on their websites provide the opportunity to order / purchase products / services online, of which 3.6% provides the possibility of online payment. Unlike existing e-retailers, those who do not offer their products and services in the e-shop (not engaged in online commerce) are predominantly uninterested in developing this type of business - 28.6%. The assumption is that this attitude indicates that this group of respondents is not familiar with the changes in the way goods are sold today, and therefore it is difficult for them to understand all the value of e-commerce implementation, and thus insufficient, or generally do not

understand the essence of digitalization. That it is a process in which information is combined and thus connected and easier to use, in order to simplify or speed up some actions that were previously done manually. Practically, everything that is done in the old, analog, "paper" way, with digitalization it is possible to work in a digital way. The essence does not change, only the shape, with numerous advantages of technology and computers as well as everything that networking brings with it. Thanks to digitalization, information becomes easily available for use on various platforms, devices and interfaces- that is the digital world we live in today. Furthermore, such a categorical attitude would certainly be desirable to reconsider in detail, because it is very possible that the respondents "confuse", ie do not understand the terms, digitalization, digital marketing and digital transformation. Another possible reason for rejecting to switch to this type of trade is that they do not have successful examples in their environment that would encourage them to invest in trade themselves. This speaks in favor of the need to educate businesses about the benefits of digitalization and the potential it offers.

A quarter of respondents (25%), although they pay great attention to their visibility on the Internet, use their website exclusively for the purpose of product promotion, but without the possibility of ordering or purchasing through them. On the other hand, the same percentage of respondents do not offer their products / services but recognize e-commerce as their business opportunity and opportunities to expand their market (Figure 22).



Slika 22 – Mogućnost kupovine na web sajtu firme

All businesses that have stated that they do not offer their products on the website and are not interested in this type of business (25.8%), do not recognize the importance and advantage of e-commerce and believe that the process of establishing online commerce will not improve their business. Among the 41.9% of surveyed businesses who share this view (Figure 23), 16.13% are those who offer their products on the website only for promotional purposes. This attitude may be a consequence of insufficient knowledge on how digital technologies can provide a more complete and improved service to the consumer, how digital technologies can be used to identify new markets for further expansion and company growth, and special effort should be invested in their education. The way e-business is conducted is changing rapidly due to new developments and technological changes, so MSMEs cannot ignore new trends and opportunities that can increase their competitiveness, such as: using social networks to find customers; use of video material for various purposes - from marketing to education; using mobile applications to find new customers; using cloud to save money and increase productivity... In today's business environment, companies that do not have iPhone or Android applications or technology platforms that support the exchange of goods and services, no matter how useful and successful a website they have, lose their competitive advantages. On the contrary, more than half of the surveyed business entities (51.8%) can be considered digitally aware because they understand that e-business means much more than a simple website or portal. The purpose of e-business is to improve the competitiveness of the organization, expand the market and increase the number of customers, while e-commerce is a very important aspect of e-business that uses the Internet as a medium for transactions - purchase, transmission or exchange of goods, services and / or information via the Internet, as well as the further improvement of this sales channel, is a real source of innovative and competitive advantage of the company.

07 Da li smatrate da proces uspostavljanja online trgovine može unaprediti poslovanje Vaše firme?
31 одговор

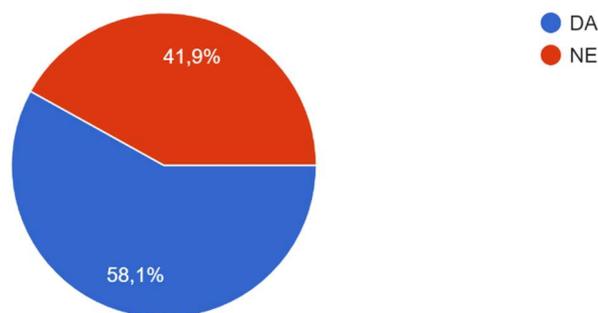


Figure 23 - Businesses that recognize the importance of online commerce

The question of the significance of this type of sales is the difference between smaller and larger economic entities. For smaller companies (up to 10 employees) and entrepreneurs (66.7% of them), online shopping is far more important for gaining a competitive advantage and survival on the market. On the other hand, the larger the company, the weaker the opinion on business improvement in this way is among 23% of respondents.

Based on the results of the survey, it can be concluded that the main obstacles hindering the process of establishing online trade for most businesses (41.9%) is insufficient expertise (lack of digital skills of the workforce), 35.5% of them are hampered by lack of funds, while 22.6% state the lack of technical capacities as the biggest barrier in (further) progress of the digitalization process (Figure 24).

08 Šta smatrate najvećim preprekama u uspostavljanju online trgovine?

31 одговор

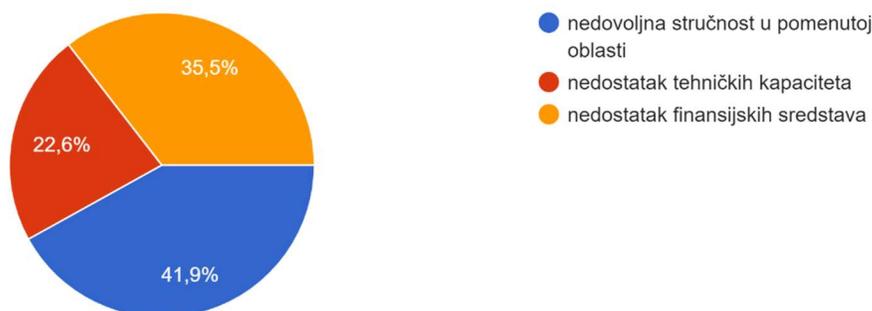


Figure 24 - The biggest barriers in establishing an online store

That insufficient expertise, ie lack of digital skills of the workforce and / or lack of human resources with experience in IT, indirectly in e-commerce, is the biggest problem in establishing or further development of online commerce, stated by almost two thirds of surveyed businesses - 74.2% do not have a person in charge of IT (Figure 25).

09 Da li u Vašoj firmi postoji lice zaduženo za IT?

31 одговор

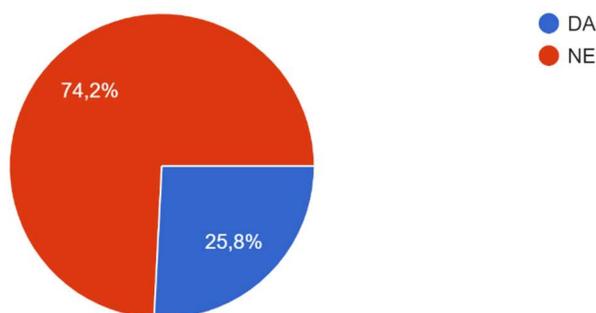


Figure 25 - Companies that have a person in charge of IT

Social networks are increasingly used in entrepreneurs for business use, which is supported by the results research. Namely, 67.7% of companies use social networks for business purposes (Facebook, Instagram,

LinkedIn, Youtube), while a share of companies do not have a profile on any social network is 32.2% (Figure 26).

10 Da li Vaša firma ima profile na društvenim mrežama? (ako je odgovor pod a, b, c, d i "other" onda popuniti i pitanje broj 11)

31 одговор

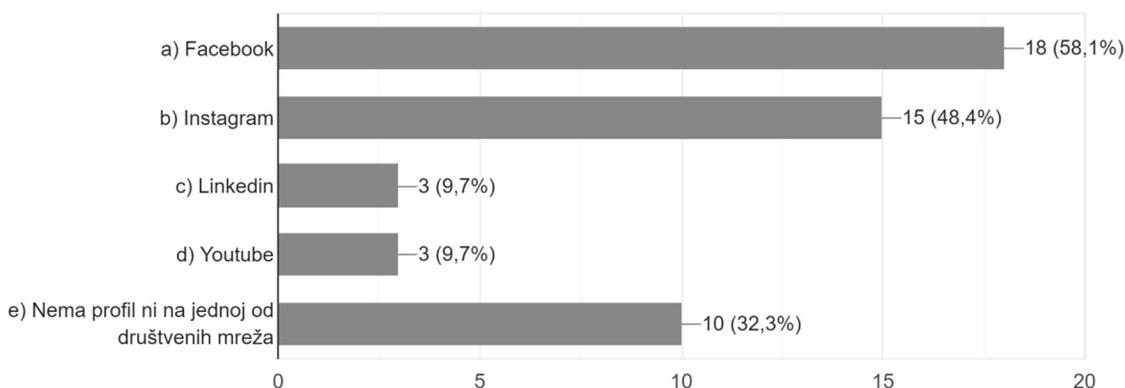


Figure 26 - Companies that have a profile (s) on social networks

Of the economic entities that use social networks for business purposes, 66.7% of them have a person within the company that maintains the profile, while 14.3% hire external persons for that purpose (Figure 27). In 19% of respondents, the lack of a person in charge of IT is overcome by the fact that the profiles on social networks are handled by whoever has time. This information should be taken into account both from the point of view of creating a positive image of the company, and from the point of view of additional education in order to develop company capacities.

11 Ko se bavi tim profilima?

21 одговор

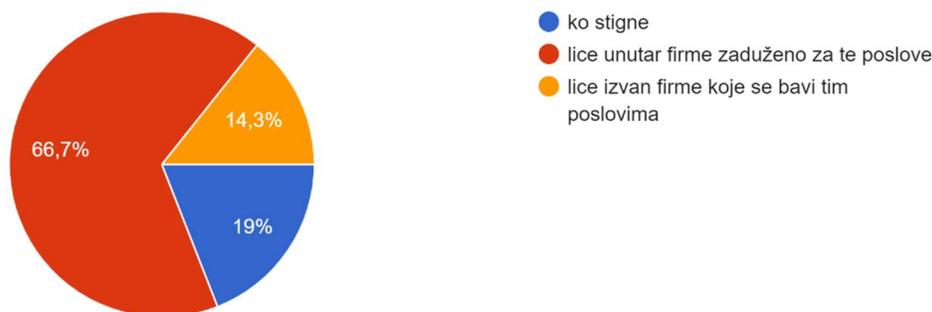


Figure 27 - Companies which have human resources to maintain profiles on social networks

The company's website is its mirror in the digital world. It is a basic tool in creating and developing the company's image and influencing customer perception. It is very important that every serious company, which operates in Serbia, has a site in the national domain. In addition to visibility and better search, the advantage of being present on the domestic internet scene is reflected in positioning of products and services of that company, but also in efficient communication with local consumers. In addition, it is known that 85-90% of clients, before hiring other companies for business cooperation, first conduct an online survey that actually begins and ends on the site. Percentage of surveyed companies that own a website and thus find their business opportunities is 61.3%. Among them, only 9.7% pay great attention to their visibility on the Internet, so they update the site on a weekly basis, while as many as 35.5% do not pay enough attention to this marketing channel, and update their site very rarely (Figure 28). As expected, all surveyed small and medium enterprises have websites - 100%, while the percentage of micro enterprises that have a website is significantly lower - 29.4%. Who wants to do business successfully, practice has shown, every company must have its "identity card" on the Internet. However, research has shown that 38.7% of companies do not have their own website, probably relying on word-of-mouth advertising that does not work best in the modern world. With the expansion of social networks, mostly everyone has moved to advertising via Instagram and Facebook. However, due to this type of presentation, without a site that would support the story of a company and give it credibility, many businesses lose their visibility. Social networks are great for communicating with users and promoting products, but the website is still a basic tool that can achieve better positioning, but also attract more interested customers. Therefore, it is necessary to pay attention to this number of business entities, and through organized education to bring them closer to the importance and necessity of existence on the Internet and how they can wisely use the potential of their website to build their Internet reputation and reach potential customers / consumers. Any business that does not have a website misses the benefits brought by one of the most powerful marketing tools available to an entrepreneur.

12 Da li Vaša firma ima web sajt i koliko su česta ažuriranja na njemu? (ukoliko je odgovor pod a, b, c onda popuniti i pitanje broj 13)

31 одговор

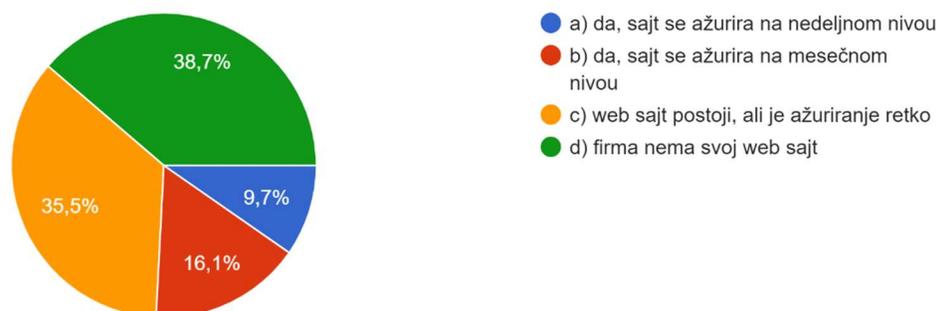


Figure 28 - Companies that have a website

Among the surveyed representatives of the business sector, 90.4% understand the potential of digital business transformation. According to the conducted research, it can be concluded that half of them understand that digitalization and application of digital technologies are key segments of business strategy that should be applied in order to improve business and survival on the market in general. The other half states that their digital transformation serves to adapt to (new) needs and consumer behavior. For those who do not have an offer of products / services on the website and are not even interested in this type of business (9.7%), digital transformation is a waste of time and money. This attitude probably stems from insufficient information or insufficient understanding of the process itself. Although the percentage of such respondents is in the minority, their prejudices could be overcome by the offered solutions in the sense that they can introduce only some types of e-business, possibly hiring external service providers, to investigate whether there are existing tools or software with which they can save time, and then consider the costs of not introducing e-business, assess the costs in relation to the potential benefits and possibly consider the application of simpler and cheaper solutions.

13 Šta za Vas predstavlja digitalna transformacija poslovanja?

31 одговор

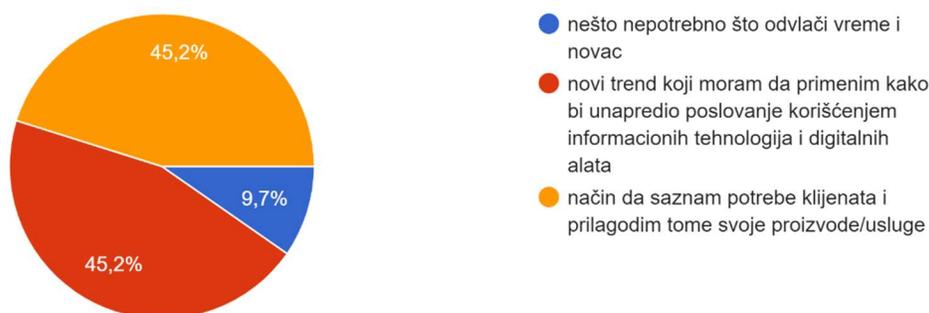


Figure 29 - Importance of digital transformation for companies

In order to encourage them to change their minds, it is necessary to first interest them in e-business itself, emphasizing what it can actually do: improve services and access to customers outside their local market, help them promote their business in a cost-effective way, help them with more efficient organization of business processes, provide fast access to the company's network, enable them to compare products and prices to find best offers, enable their company to keep up with or be preferred over the competition, reduce business transaction costs, increase their visibility and improve access for their customers; suppliers, enable them to communicate and do business outside the office, facilitate communication with partners such as suppliers, banks and government agencies Highlight the advantages of e-business compared to non-electronic business models: new business models with higher revenues, flexibility and efficiency: the ability to process complex information, product ranges and customer profiles, extended working hours: 24 hours a day, 7 days a week, 365 days a year, updated company materials, cost and time savings: less labor, paperwork, data entry, shorter transaction preparation and faster delivery, better customer relationships and increased sales using online marketing techniques, better collaboration with business partners, easier business research , analysis and forecasting, two - way communication with customers, new markets in the country and abroad, reduction of communication costs, etc.

There are many reasons for companies to initiate digital transformation. Motivating factors for digitalization of business for economic entities are shown in Figure 30. The surveyed economic entities, 12.9% of them, point out that their basic motive for digitalization is demanded by consumers. The most important reason is the significant changes in consumer behavior and habits. One third of economic entities (32.3%) see digital transformation as a necessary process towards which they should direct their business strategy in order to be the first in this area. For 25.8% of economic entities, digitalization of business, ie the use of digital tools and skills enables them to remain relevant on the market, add value and, create / increase their competitive advantage. 29% of surveyed business entities are not motivated to digitize their business at all.

14 Šta Vas motiviše da krenete sa digitalizacijom poslovanja?

31 одговор

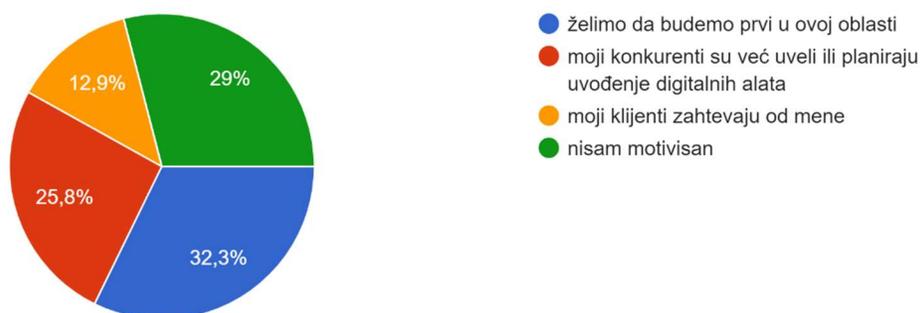


Figure 30 - Motivational factors for business digitalization

Digital transformation can cover various areas, such as digital marketing, digitalization and automation of business processes, communication, sales channels, business models and other similar processes associated with multidimensional enterprise transformation. Businesses looking for ways to improve productivity, offer the best possible customer service, and facilitate communication and access to consumers through new sales channels (60.7%) need to digitalize communication with customers. Closely related to this business segment is digital marketing, for the improvement (introduction) of which 57.1% of respondents are interested. 39.3% of economic entities see Internet sales and the introduction of electronic payment options as potential in their digital transformation (also 39.3%). 46.4% of the surveyed business entities are interested in the digitalization of administration and accounting, who believe that in this way not only would the productivity of the entire company, but also the satisfaction of all participants would be achieved. 14.3% of respondents recognize the need to translate the business model into a model that is digital and that will bring the desired survival and market growth.

15 Koji poslovni proces ili segment poslovanja ste najviše zainteresovani da digitalizujete? (Možete odabrati više ponuđenih odgovora)

28 одговора

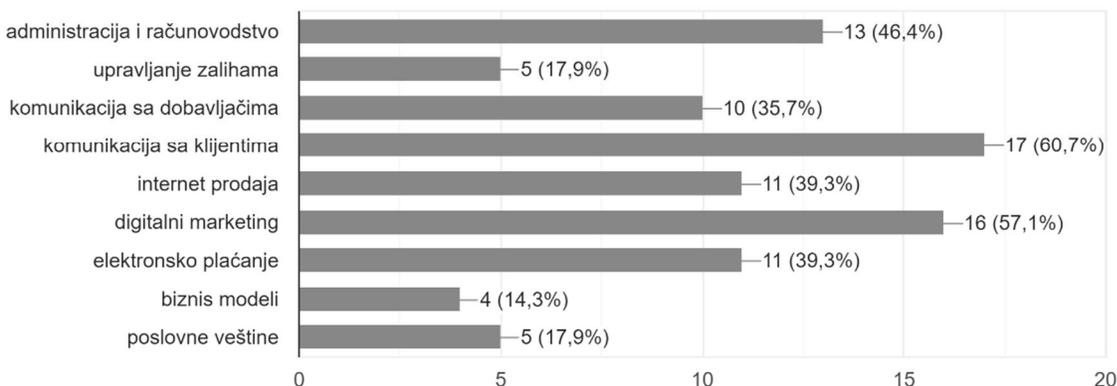


Figure 31 - Overview of areas where digitization is needed

Sometimes the best growth strategy is linking to a large trading system, which will offer products from other manufacturers / traders in parallel with its own products. Ways to organize such sales arrangements are numerous and vary in terms of transfer of ownership of goods, compensatory policies, power relations in marketing channels and the like. Through this type of cooperation, businesses can have significant benefits, especially in terms of resource use and expertise of large retailers in the field of digital marketing and sales support. Platforms are considered to be the most popular business model of the digital economy. They significantly facilitate the interaction of two complementary groups that achieve mutual benefits through the platform. Platforms gather supply and demand in one place, having all the data of both parties, which over time become referred to the platform to survive. The role of the platform is to provide a management structure and a set of standards and protocols that facilitate the interaction of participants on a large scale in order to achieve a network effect.

With the many advantages that e-commerce offers compared to traditional retail, the existence of an online platform on which more companies offer their products / services is a great solution not only for buyers to save money but also for sellers to maximize outreach with minimal costs. All the benefits that such a platform can offer are recognized by 77.4% of respondents who expressed a desire and interest in joining (Figure 32). Special attention should be paid to 54.8% of the respondents whose interest in this would be increased through additional information and / or education in this regard. From the research results, it can be concluded that 22.6% of respondents are sufficiently familiar with the key benefits that such a platform can offer, but that they need some other type of support to develop a sales model in this way.

16 Kakvo je Vaše mišljenje o online platformi na kojoj biste bili u mogućnosti da zajedno sa drugim firmimama nudite svoje proizvode / usluge?

31 одговор

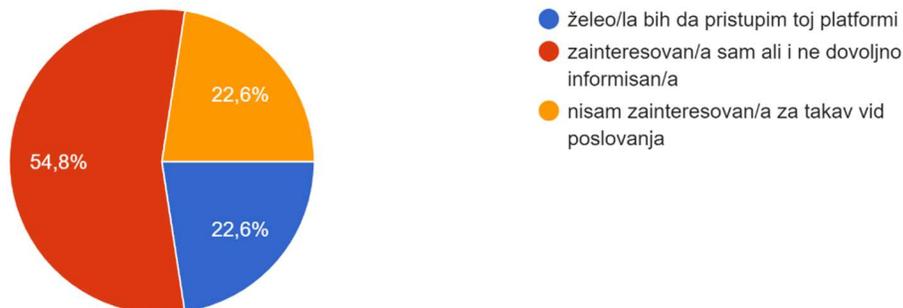


Figure 32 - Interest in the online platform

In assessing the support needed by the target group of surveyed business entities, in solving the issue of digitalization of their business (Figure 33), respondents, guided by their own needs but also the influence of their immediate environment, gave answers related to the most useful support and solutions for the introduction / improvement of digitalization. These indicators also point to the diversity of needs and problems businesses have. The most common type of necessary support is consulting and technical assistance in order to implement the solution (37.9%), followed by the need for financial assistance (34.5%). Nothing less important is the (additional) education in the field of digital marketing and internet trade, because a little more than a quarter of the surveyed companies (27.6%) point out that this type of support would accelerate their further development. Classified types of support and needs, in this manner, can be a guideline in the development of adequate and innovative action plans in the implementation and progress of e-commerce.

17 Koji vid podrške bi Vam bio najkorisniji?

29 одговора

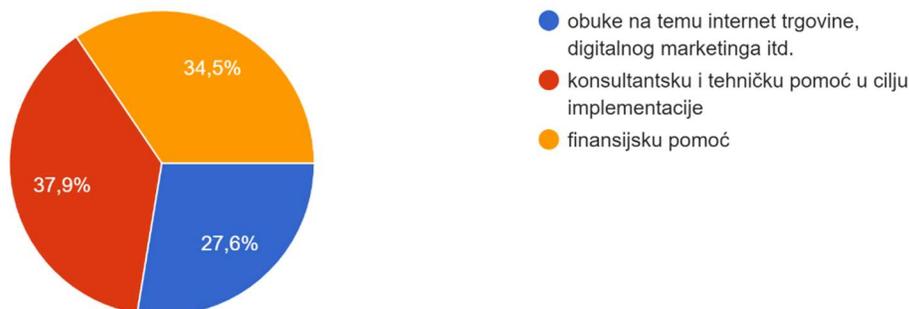


Figure 33 - Type of support necessary in the introduction of digitalization

Concluding remarks and recommendations

The survey of citizens / customers gave significant findings for the introduction / improvement of e-commerce in selected municipalities. If we take into account that more than two fifths (48%) bought something overInternet, and that two-fifths (40%) used online shopping services both before and during the COVID-19 virus pandemic, it is concluded that the number of online shoppers is not negligible at all.

The availability of infrastructure (internet access and its quality) as a basic precondition for e-commerce is expected to be more developed in urban areas, and a larger number of respondents are from these areas, among which there are more women. In the context of the development of e-commerce, belonging to an age group is very important, especially in terms of affinity and openness to new technologies, digital trust and e-skills. According to the research, more than half of the respondents belong to the age group 36-45 and they are the most active on the Internet, followed by the respondents aged 18-35. Analyzing the frequency and purpose of using the Internet, the results show that the majority of respondents are focused on communication via Facebook (63.8%), while 60% of them use the Internet for activities on other social networks. Information through electronic printing is used by 61% of respondents, while 41.9% mostly use the Internet for the purpose of online education and training. The percentage of internet use for the purpose of online shopping is not negligible at all - 48.6% and is monitored at the rate of online payments.

Experiences of online shopping show that more than half of the respondents (60%) purchase online via mobile phones. Most online shoppers buy once a month, 37.8%, while 36.7% of Internet users very rarely use this type of trade. This shows that e-commerce is underused and that people do not have the habit of shopping online regularly. The most active age group that buys several times a month are respondents aged 36-45.

Respondents' behavior in online shopping is largely defined by their purchasing power, which is limited to almost 3,000 RSD for almost a quarter of them, as well as online payment methods where cash on delivery (77.3%) stands out as the most common, slightly less than half of online payments payment card, while payment via e-banking is the least represented. This can be explained by the lack of online customer trust, but to some extent also by insufficient digital literacy. The preferred method of delivery is convincing via courier service for 89.7% of respondents.

As the main reasons for online shopping, respondents first cite saving time and money, a large selection of products and better prices. The decisive factors for this type of purchase for most respondents are saving time and money, more than half agreed that it is a large selection of products, but also the possibility of simple purchase.

The impact of the COVID 19 virus pandemic on the increase in the frequency of online shopping is noticeable in more than a third of respondents, mostly in the field of online ordering / purchasing food and services / goods from local markets. The COVID-19 virus pandemic had different levels of impact on consumers; so many customers used e-commerce services for the first time. About 40% of respondents who bought goods / services online even before the pandemic broke out continued to use this type of shopping during the pandemic.

More than two thirds of the respondents prefer online shopping in domestic stores, mostly shoes and clothes, while 14% most often buy groceries and food. Almost 60% of respondents would prefer to buy goods / services through a single platform that brings together several stores. The existence of one such platform with a large selection of products and a guarantee on product quality would motivate more than half of the respondents to shop online. The research also showed that many Internet users are reluctant to participate in online shopping, mainly due to some kind of lack of trust (in product quality - the ability to see and check the product "live", fraud when paying with cards in e-commerce, the ability to exchange or return products) .

Key recommendations:

- Promotion of e-commerce with an emphasis on its key advantages: saving money, saving time, greater choice of products, more diverse offer, easier shopping...
- Intensify the promotion on social networks (especially on Facebook)
- Education on improving the technological / digital literacy of the population
- Strengthening trust in e-commerce by intensively educating the population about the rights and obligations of e-merchants and the rights of online shoppers (guarantee, complaint, refund, cancellation of purchase ()
- Creating a single platform that brings together multiple stores according to customer needs
- Tailoring online content to relevant user groups
- Taking measures to ensure quality delivery

The results of the research of economic entities gave significant findings for the potentials of their digital transformation, which became obvious especially after the outbreak of the COVID-19 virus pandemic. Regardless of size, companies have faced numerous changes in the way they do business and have found themselves in an unprecedented situation that necessarily requires reaction and change. The companies, in this position, are looking for ways to improve productivity, to offer the best possible services to their customers, to facilitate communication and access to consumers through new sales channels. E-commerce is a life-saving solution not only during the corona virus pandemic (when it became even more present), because we are definitely entering a time when many models of modern business and interactions between seller and buyer will change. This model is also suitable for small shops and service industries, in this way consumption grows because customers have more channels to purchase products.

When it comes to the sample structure, according to the size of economic entities, the largest number comes from micro enterprises and entrepreneurs (74.2%), of which the largest percentage of them employ 1-3 workers (61%). The largest number of surveyed entities comes from the sector of other service activities - 29%, followed by entities whose main activity is manufacturing (16.1%), Agriculture, forestry and fishing - 9.7%.

In this group of respondents, the availability of infrastructure (internet access and its quality) is one of the basic preconditions, not only for e-commerce, but also for the entire business. Research showed that all companies use internet for business purposes, of which 93.5% use internet the most for communication with customers / suppliers and the exchange of e-mail. A large percentage of companies - 61.3% use Internet opportunities to promote their products / services. The likelihood that companies will participate more in the process of e-procurement than e-sales is confirmed by the fact that a higher percentage of them use the Internet to order goods -58.1% than those who sell their goods / services through e-commerce - 16.1%.

Percentages of surveyed companies that have a website and through it find their own business opportunities are 61.3%. Almost a quarter of them are aware of the importance and benefits of new technologies, and how important e-commerce is as an aspect of their business, and on their websites provide the opportunity to order / purchase products / services online, while only 3.6% provide the possibility of online payment. Unlike slightly more than a quarter of respondents who are predominantly uninterested in developing this type of business, a quarter of respondents, although they do not have an online offer of their products / services, recognize e-commerce as their business opportunity and opportunities to expand their market. Social networks are increasingly used in companies for business use, so more than two thirds of companies use Facebook, Instagram, LinkedIn, Youtube for business purposes.

More than half of the surveyed business entities can be considered digitally aware because they believe that e-commerce is a very important aspect of their business and that further improvement of this sales channel is a real source of innovative and competitive advantage of the company.

The biggest obstacles in establishing online trade for most businesses (41.9%) is insufficient expertise - lack of digital skills of the workforce, while a third is limited by lack of financial resources, while lack of technical capacity is the biggest barrier to the progress of digitalization with 22.6 % of respondents.

Among the surveyed representatives of the business sector, 90.4% of them understand the potential of digital business transformation. According to the research, it can be concluded that half of them understand that digitalization and application of digital technologies are key segments of business strategy that should be applied in order to improve business and survival in the market in general. More than half recognize the importance and potential of online commerce and digital transformation as a new trend that they can use to improve their business, but also as an opportunity to tailor their services / products to customer needs.

Motivating factors for digitalization of business for a third of businesses is the desire to be first in this area, for a quarter of respondents it is the creation of a competitive advantage through digitalization of business, ie the use of digital tools and skills, while 12.9% point out that their main motive for digitalization conditioned by customer requirements.

Given that the digital transformation covers different areas, 60.7% of companies believe that the communication digitalization with customers would improve their productivity and offer better services. More than half of respondents are interested in improving digital marketing, while 39.3% of businesses see their digital transformation in introduction of Internet sales and introduction of electronic payment options. 46.4% of surveyed business entities are interested in administration and accounting digitalization.

It is important to note that more than two thirds of respondents are interested in accessing a common platform on which several companies offer their products / services. Special attention should be directed toward the part of respondents who are not sufficiently informed, while insufficient expertise is recognized as the main obstacle to business digitalization, which could be overcome by consultations and technical assistance in implementation as the most useful form of support for 22.6% of surveyed economic entities.

The variety of needs and problems that economic entities have in resolving the issue of digitalization of their business also imposes various types of support which they need. Consulting and technical assistance in order to implement the solution is most needed for 37.9% of respondents, while training in digital marketing and e-commerce is necessary for a little more than a quarter of surveyed companies. 34.5% of surveyed businesses expressed the need for financial assistance.

Key recommendations:

- E-commerce is the fastest growing segment of trade, it is more resistant to crises than traditional trade but it is still a much less used business area than traditional trade, ie there are more business opportunities.
- E-commerce can be a great solution for the vast majority of businesses, whether they are entrepreneurs, micro-enterprises or large systems. The constant growth of turnover in e-commerce as well as the exponential strengthening of digital compared to traditional marketing indicate that e-commerce is inevitable for many because every good business must follow its consumers, and most consumers have been online for a long time.
- Educating businesses about the benefits of digitalization and potential it offers - The lack of knowledge of retailers is perhaps the biggest obstacle to the adoption and development of e-

commerce. In practice, it is noticeable that they do not have enough knowledge about this type of trade, do not understand the importance of timely information for customers, are uninformed about all the benefits of online shopping.

- When it comes to the business community dealing with online commerce, although the importance of e-commerce is largely recognized, the main barrier is ignorance and lack of information about establishing and running online stores. It is difficult to get necessary information, legal regulations in this area are unclear, traders do not know who to turn to when they want to export goods abroad, etc. Problems also occur with retailers who are already engaged in e-commerce, because it often happens that they do not know how to run an online shop, they lack experience, they do not know digital marketing, they lack quality staff who will deal with online sales, they have not found a suitable channel etc. Therefore, additional education of this part of the business community is necessary in order to acquire new knowledge and deepen existing ones.
- Use of digitalization as a realistic and inevitable solution for business survival and a good opportunity to prepare companies to be more competitive on the market. Namely, companies that are strategically oriented towards the digital, ie those who, in response to the crisis, decided to strengthen their existing online business channels: e-commerce, digital marketing, or online payments, have achieved significantly higher growth rates in the previous period, both from the average company and especially from those who are digitally invisible, ie their business is not present on the internet or within the website.
- Improving business processes using digital technologies and tools. Nowadays, when almost every business environment is empowered by new technologies that bring opportunities to develop new business models, now that the customer is more sophisticated, and exposed to constant personalized offers of increasingly developed competition - business model innovation and design of new business models are becoming key activities which ensure the survival of a company in the market.
- Supporting current digital expertise in favor of digital transformation of economic entities and increasing digitalization expertise;
- Assistance in the application of digital technologies
- With the growth of trust in e-commerce, online payments are growing proportionally. When an online store is completely online (sales and payment), only then will customers take advantage of all the possibilities of online shopping. It should be emphasized that online payments are growing from year to year and that this multi-year trend (as well as the growth of e-commerce) is getting stronger. 2020 also brought growth in online payments. Among the companies that have a webshop, there has been a significant increase in the share of companies that have implemented the online payment option.
- Adapting the digital marketing strategy to the specifics of the market, in order to effectively increase the potential of e-commerce. This is a fertile ground for the development of domestic, specialized e-markets, which have focused on a specific market target and positioned themselves through channeling IT expertise and online centralization of targeted supply and demand.
- Financing companies, in terms of digitizing their business processes and increasing business through e-commerce. It is necessary to encourage MSMEs to get involved in e-commerce flows by providing financial subsidies for starting an e-commerce business, setting up an online store,

expanding capacity, but also subsidizing in alternative ways (free website development, training in digital marketing, etc.).

- Relatively few companies have the financial resources necessary to meet all the logistical requirements of the business with existing internal capacities, so common solutions often represent certain forms of compromise. Furthermore, the cost structure of online retailers is often burdened with high operating costs. Therefore, the development of an online platform for a larger number of companies that would represent and sell their products on the web, would facilitate the process of promotion, sale and delivery of products while reducing costs and raising business efficiency.
- The Covid-19 pandemic brought an e-commerce revolution and a major change in the perception of the importance of the web shop, accelerated the growth of e-commerce worldwide and accelerated the arrival of the future in the homes of many consumers. The "Omnichannel" approach takes advantage of all channels, while minimizing the disadvantages and is therefore increasingly popular in practice. Companies sell both through classic stores and through websites and through social networks, they advertise the web address and social networks in the store, and they also have store addresses on the site.

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