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E-COMMERCE MARKET

IN ROMANIA

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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E-COMMERCE MARKET IN
ROMANIA
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December 2020

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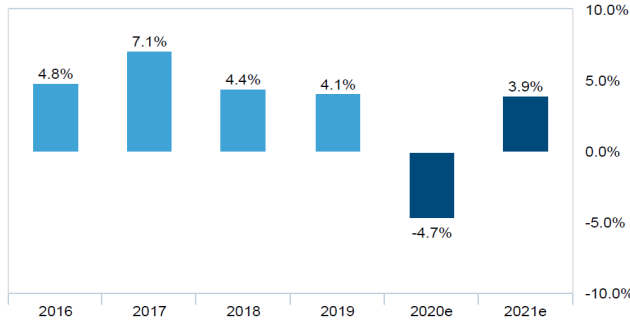


1. GENERAL ECONOMIC OVERVIEW

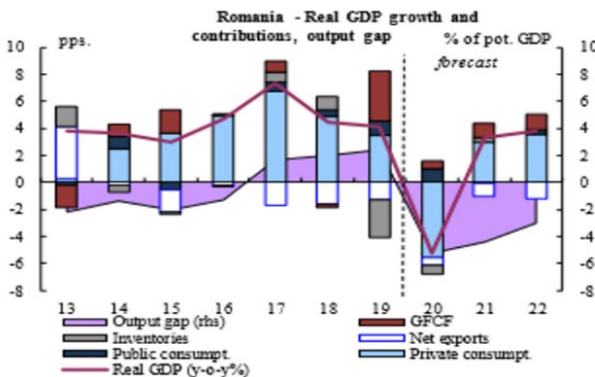


Romania, member of the European Union since 2007, is a country with vast potential. Located at the crossroads of three great markets: the EU, the CIS and the Middle East, having a surface of 238397 sq km and a population of approximately 20 million, Romania has seen strong positive economic growth in the last years and has become one of the most dynamic and attractive large market in Europe.

GDP (real,y/y)



Source: Erste Group Research



Source: European Commission, forecast autumn 2020

Romania's economy remained strong in 2019.

The GDP expanded by 4.1% (data, Erste Group Research) which was close to the level of 2018, however less when compared to the growth rate of 7.1% in 2017. The record rates in 2017, the highest since 2008 and the highest in the EU, were mainly due to an increase in household consumption, which was boosted by wage increases and tax cuts. During 2018 and 2019 the private consumption decelerated, however it remained significant and continued to contribute positively to the GDP growth. Investments had a positive contribution as well, 2019 being marked by a recovery of investments as a result of the dynamic activity in constructions. The contribution of net exports to the GDP growth was still negative in 2019.

COVID-19 pandemic has had a negative impact. Romania's economy is expected to contract in 2020, but to recover in 2021.

Contribution of the main activities to the gross domestic product (%)

	2017	2018 ¹⁾	2019 ²⁾
Agriculture, forestry and fishing	4.3	4.3	4.1
Industry	23.7	22.8	21.8
Construction	5.2	5.5	6.4
Services	57.3	57.8	58.1
Gross value added	90.5	90.4	90.4
Net taxes on products	9.5	9.6	9.6
Gross domestic product (GDP)	100.0	100.0	100.0

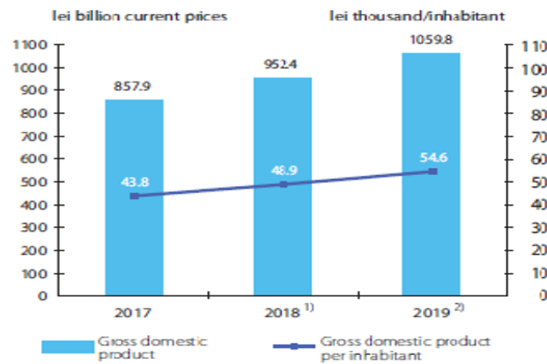
Note: The data were calculated according to the methodology of the European System of Accounts 2010 (ESA 2010).

¹⁾ Semi-final data.
²⁾ Provisional data.

Source: National Institute of Statistics, Romania in figures 2020

Considering the evolution of the GDP by activity sector, the National Institute of Statistics shows that in 2019 services have had the highest contribution to GDP formation (58,1%), followed by industry (21,8%), construction (6,4%) and agriculture, forestry and fishing (4,1%).

Gross domestic product and gross domestic product per inhabitant



¹⁾ Semi-final data.
²⁾ Provisional data.

Source: National Institute of Statistics, Romania in figures 2020

In 2019 the level of the GDP in Romania was LEI 1059.8 billion (around EUR 223 billion), and the GDP per capita was LEI 54.6 billion (EUR 11,500), data- National Institute of Statistics. Although there has been registered consistent growth, Romania still ranks the second-poorest country in the EU, mainly due to the disparities between the regions across the country.

Romania's gross minimum wage (EUR 446) is the third lowest in the EU, although the country has recorded the EU's highest percentage increase in minimum wage over the past 10 years.

Monthly average nominal earnings (lei¹/employee) / ¹			
1 EUR = 4.8730 RON (average)			
	2017	2018	2019
	gross / net	gross / net	gross / net
Total	3223 / 2338	4357 / 2642	5297 / 3099

Source: National Institute of Statistics, Romania in figures 2020

The monthly average wage can differ significantly depending on the industry and regions in the country. The capital and the big cities, where the largest local and multinational companies are operating, as well as industries like IT and telecommunication, oil and gas or banking, register the highest salaries. HoReCa, the textile and food industry pay the lowest salaries.

Unemployment rate' (%)

2017	2018	2019**
4,9	4,2	3,9

* according to the ILO (International Labour Office)

** provisional data

Source: National Institute of Statistics, Romania in figures 2020

The growing economy in Romania has generated new working places and the unemployment rate has registered a decreasing trend during recent years, reaching 3.9% in 2019 compared to 4.9% in 2017 and 4.2 % in 2018.

previous year =100

YEAR	CONSUMER PRICE INDICES-%	INFLATION RATE-%
2013	103,98	4,0
2014	101,07	1,1
2015	99,41	-0,6
2016	98,45	-1,5
2017	101,34	1,3
2018	104,63	4,6
2019	103,83	3,8

Source: National Institute of Statistics

After two years of negative record lows in 2015-2016 as a result of VAT cut and decline in food prices, inflation started to be on a positive trend at the beginning of 2017 mainly due to the significant wage raise. 2018 and 2019 still registered positive inflation percentage being influenced by higher prices of food goods, utilities and services.

The government strategy of wage-led growth during the last few years have stimulated the household consumption and GDP growth rates, but this model has also generated bigger

General consolidated budget balance (% of GDP)

	2018 Achieved	2019 Achieved	2020 Estimates
budget deficit (ESA methodology)	-2.9	-4.3	-6.7
Budget deficit (cash)	-2.9	-4.6	-6.7

Source: Ministry of Public Finance, National Commission of Strategy and Prognosis

Source: European Commission, European semester convergence programme Romania

external deficits, and in 2019 the country exceeded the EU's 3% budget gap limit.

According to the European Commission report, autumn 2020 economic forecast, Romania's economy is expected to recover gradually (+ over 3%) in 2021 and 2022.

Private consumption appears to become positive again, after the severe contraction of 2020 due to the strict lockdown measures.

Investment is projected to rebound and contribute positively to the GDP growth.

Imports are expected to rise at a higher pace than exports, thus the net exports will continue a negative contribution to growth.

The outlook and the economic recovery in Romania will depend on the evolution of the COVID-19 pandemic as well as on the impact of the economic stimulus packages.



Macro indicators

Main features of country forecast - ROMANIA

	2019		Annual percentage change							
	bn RON	Curr. prices	% GDP	01-16	2017	2018	2019	2020	2021	2022
GDP	1059.8		100.0	3.8	7.3	4.5	4.2	-5.2	3.3	3.8
Private Consumption	674.0	63.6		5.7	10.8	7.7	5.5	-8.8	4.9	5.8
Public Consumption	183.7	17.3		-0.4	4.4	3.3	6.0	5.9	-0.1	1.7
Gross fixed capital formation	250.5	23.6		6.3	3.5	-1.1	17.8	2.5	4.1	4.5
of which: equipment	101.0	9.5		4.3	-9.9	11.6	31.8	2.0	3.3	3.1
Exports (goods and services)	427.6	40.4		11.2	7.8	5.3	4.0	-13.1	6.6	7.6
Imports (goods and services)	468.5	44.2		12.9	11.5	8.6	6.5	-10.6	8.5	9.7
GNI (GDP deflator)	1043.5	98.5		3.7	7.7	4.5	4.7	-5.0	3.3	3.9
Contribution to GDP growth:	Domestic demand			5.6	8.2	5.1	8.3	-4.0	4.0	5.0
	Inventories			-0.3	0.8	1.0	-2.8	-0.6	0.3	0.0
	Net exports			-1.4	-1.7	-1.6	-1.3	-0.6	-1.0	-1.2
Employment				-1.5	2.4	0.1	0.0	-2.6	0.3	1.2
Unemployment rate (a)				7.0	4.9	4.2	3.9	5.9	6.2	5.1
Compensation of employees / head				13.8	14.8	12.9	9.5	8.2	4.6	4.0
Unit labour costs whole economy				7.9	9.6	8.2	5.1	11.1	1.6	1.4
Real unit labour cost				-2.4	4.7	1.9	-1.7	8.1	-1.3	-1.4
Saving rate of households (b)				-9.6	-7.3	-2.3	-3.7	11.3	13.4	13.1
GDP deflator				10.8	4.7	6.2	6.9	2.8	2.9	2.9
Harmonised index of consumer prices				8.2	1.1	4.1	3.9	2.5	2.5	2.4
Terms of trade goods				2.3	-2.3	0.6	1.0	-0.3	0.5	0.5
Trade balance (goods) (c)				-10.2	-6.8	-7.5	-7.8	-8.8	-9.4	-10.1
Current-account balance (c)				-5.8	-3.4	-4.4	-4.7	-4.6	-4.8	-4.9
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-4.7	-1.8	-3.2	-3.2	-3.0	-3.1	-3.2
General government balance (c)				-3.2	-2.6	-2.9	-4.4	-10.3	-11.3	-12.5
Cyclically-adjusted budget balance (d)				-3.4	-3.2	-3.6	-5.1	-8.6	-9.9	-11.5
Structural budget balance (d)				-	-3.2	-3.2	-5.0	-8.6	-9.9	-11.5
General government gross debt (c)				26.2	35.1	34.7	35.3	46.7	54.6	63.6

(a) as % of total labour force. (b) gross saving divided by adjusted gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP.

Source: European Commission – forecast autumn 2020_Romania

2. E-COMMERCE MARKET (B2C)

Romania is a large and dynamic market with a population of almost 20 million people.

The Internet is becoming more and more popular for all categories of the population. According to the National Institute of Statistics there has been registered a growing number of Internet users every year. 82,3% of the total population with ages between 16 and 74 have had access and used the Internet in 2019, the number of Internet users having reached approx.12,1 million, compared to 69,7%, namely 10,6 million Internet users registered in 2016.

% of total persons – age 16 - 74

year	% persons - no Internet use	% persons - Internet use	number of persons - Internet use
Anul	Persoane care nu au folosit internetul niciodată	Persoane care folosesc sau au folosit vreodată internetul	
A	B	1	2
TOTAL PERSOANE	2016	30,3	69,7
	2017	26,5	73,5
	2018	21,2	78,8
	2019	17,7	82,3

Source: National Institute of Statistics – Population access to information and communication technology 2019 / 2018 / 2017 / 2016

The most used device for accessing the Internet in Romania is the mobile phone (smartphone) both in the urban and rural areas, having reached up to 98% in 2019, over 10% increase compared to 2018. At a great distance follows the use of computer (PC), then the laptop and the tablet where the share of Internet users has been much higher in urban areas than in rural areas.

% of total persons – age 16-74, who have used the Internet by access device & by residence

year	residence	access device			
		mobile phone	laptop	tablet	calculator / PC
2018	urban	86%	40,10%	21,80%	54,80%
	rural	86%	23,30%	12,20%	42,80%
2019	urban	97,90%	45,50%	21,90%	na
	rural	98%	27,50%	14,80%	na

Source: National Institute of Statistics – Population access to information and communication technology 2019 / 2018

According to Eurostat the proportion of persons in Romania aged 16 - 74 having shopped online in the 12 months prior to the 2019 survey stood at 23%, which is far low compared with the EU proportion of 63%. However the low share of e-shoppers in Romania highlights the huge potential of growth of the Romanian e-commerce market in the following years.

Internet use and online purchases, 2019

(% of individuals)

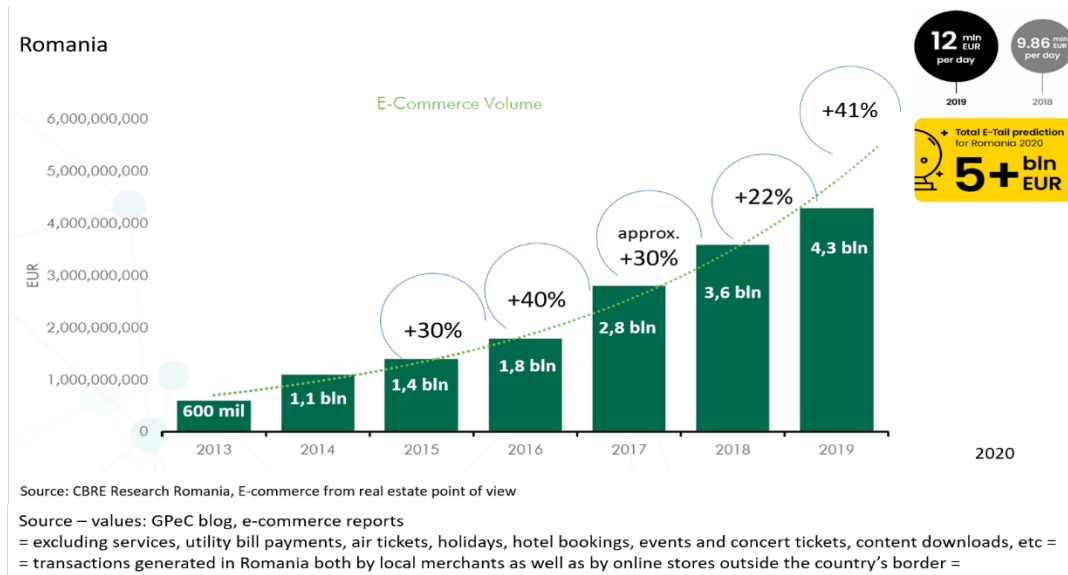
	Proportion of individuals who:	
	Used internet within the last 12 months	Purchased online within the last 12 months
EU-28	88	63
Romania	80	23

Source: extract Eurostat, e-commerce statistics for individuals, January 2020

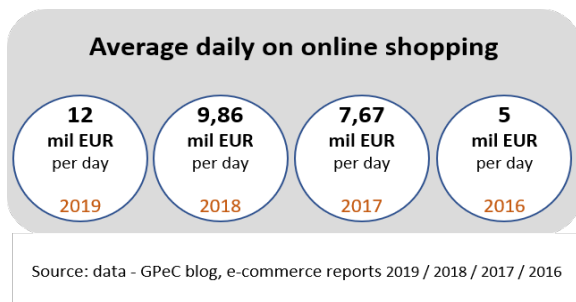
Ecommerce News Europe (July 2020) quotes that e-commerce in Europe is expected to be worth EUR 717 billion at the end of 2020, an increase of 12,7% compared to 2019. The same source shows that Western Europe continues to be the most developed e-commerce market in Europe, accounting for 70% of the total e-commerce value.

The highest growths though can be found in the Eastern part of Europe.

E-commerce growth dynamics in Romania has been impressive over the past 5 years with an average annual growth of over 30%, reaching a value of EUR 4,3 billion in 2019, four times higher than in 2014 when EUR 1,1 billion were recorded, according to GPeC calculations (the largest community of Romanian online retailers, evaluator of market dynamics).

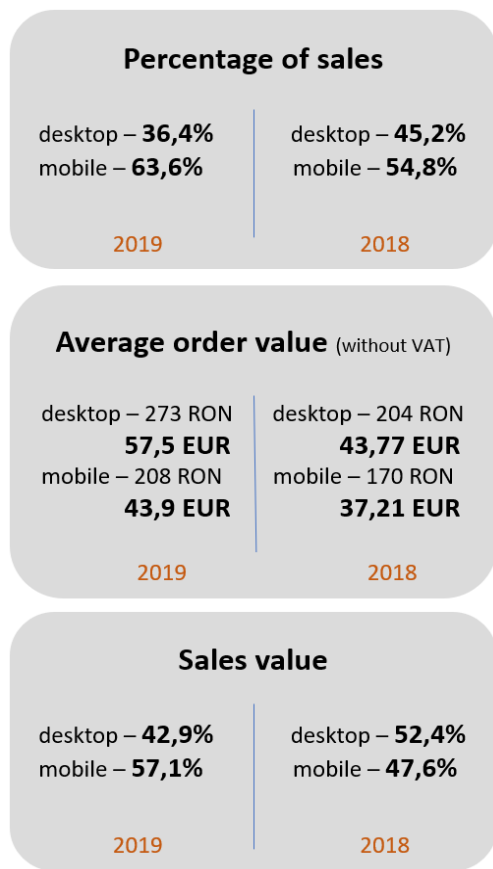


Private consumption has been the main contributor to the economy growth in Romania, as a result of a higher purchasing power stimulated by the government strategy during 2015-2016 to increase wages and to decrease VAT. These factors have boosted the e-commerce market growth as well.



GPeC calculations show that on average Romanians have spent EUR 12 million shopping online every single day in 2019, more than double the average daily value of EUR 5 million recorded in 2016.





Source: data – GPeC blog, e-commerce report 2019

The online purchases are made mostly from mobile phones rather than desktop and this trend is increasing. 63,6% of online sales have been generated by orders placed from mobile in 2019, almost 9% higher compared to 54,8% recorded in 2018.

According to the statistics from 2Performant quoted by GPeC, the average online order value has increased in 2019 compared to 2018, both in case of desktop transactions, as well as in mobile transactions: 57,5 EUR for desktop and 43,9 EUR for mobile in 2019, compared to 43,77 EUR for desktop and 37,21 EUR for mobile in 2018.

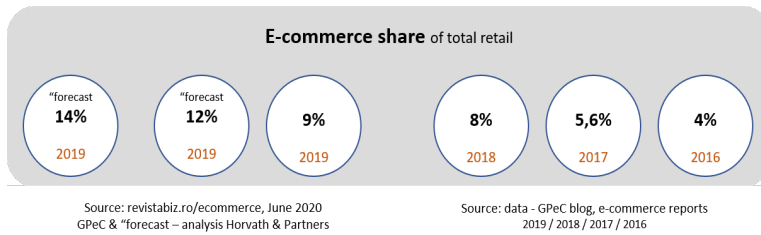
In 2019 the total online sales value from mobile was higher (57,1%) than the total online sales value from desktop (42,9%), compared to 2018 when the total online sales value from desktop was higher (52,4%) than mobile (47,6%).

E-commerce represents 2.42% of the GDP in Romania (Ecommerce Europe data, report 2019) and the accelerated trend growth is foreseen to continue in the next few years.

The situation imposed by the pandemic (closing of non-essential stores, work from home and distance-learning), contributed to a strong development of the online commerce. Many Romanian companies have adopted the e-commerce concept in the course of this year. The online shopping has accelerated and at the same time the number of Romanians shopping online increased by 13% in 2020 compared to 2019. Thus Romania’s e-commerce market is estimated to reach about EUR 6 billion in 2020, at least 40% more compared to 2019, according to a study conducted by iSense Solutions research agency for the GPeC annual local e-commerce event, November 2020.



The e-commerce market share of total retail in Romania has been registering significant



growth. According to an analysis performed by Horvath & Partners, quoted by revistabiz.ro - June 2020, the e-commerce market share of total retail is estimated to reach 12% in 2020, and 14% in

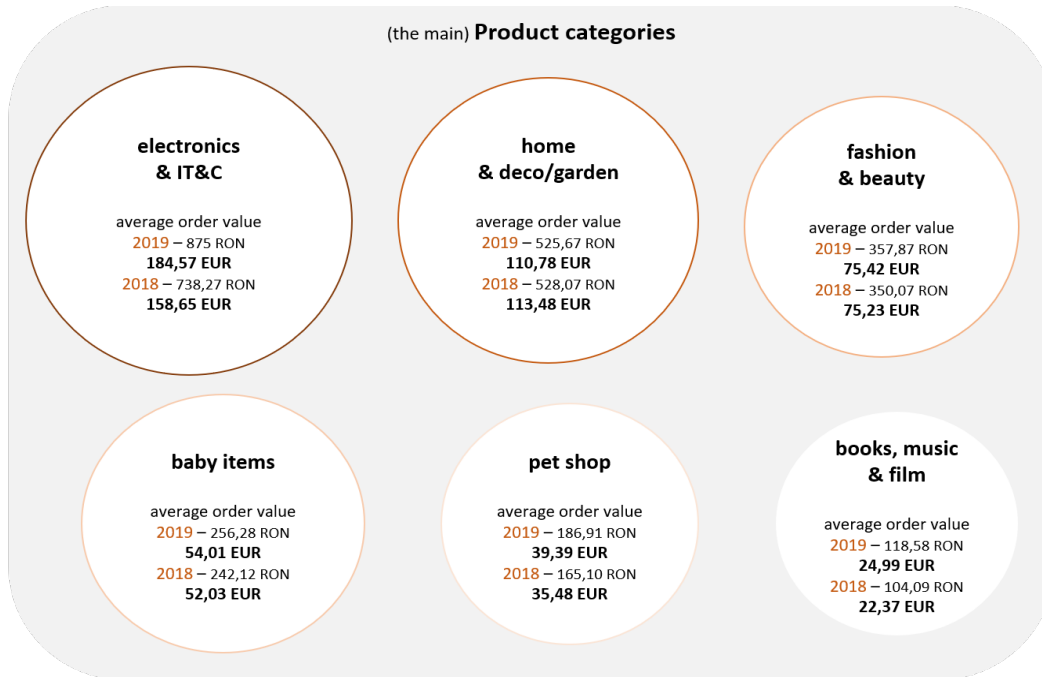
2021, rising from 9% in 2019 and 8% in 2018, calculations mentioned by GPeC e-commerce reports.

The main products sold through e-commerce over the past years in Romania are:

- electronics & IT&C
- home & deco/garden
- fashion & beauty
- baby items
- FMCG
- pet products
- books, music & film
- catering, ready meals delivery
- etc

Electronics, computers and laptops, home appliances, clothing and fashion accessories, as well as cosmetics and pharmaceuticals continue to rank first in the preferences of online shoppers in Romania. The highest growth in average order value in 2019 compared to 2018 was represented by the Electro and IT&C category ($\approx 184,57$ EUR from $\approx 158,65$ EUR), followed by fashion ($\approx 39,11$ EUR from $\approx 37,68$ EUR), baby items ($\approx 54,01$ EUR from $\approx 52,03$ EUR), pet shop ($\approx 39,39$ EUR from $35,48$ EUR), books, music & film categories ($\approx 24,99$ EUR from $\approx 22,37$ EUR).





Source: data – GPeC blog, e-commerce report 2019 / 2Performant

mobile vs desktop 2019
(transaction shares by category)

baby items	-> mobile 77% / desktop 23%
fashion & beauty	-> mobile ≈ 72% / desktop 29%
pet shop	-> mobile 58% / desktop 42%
home & deco/garden	-> mobile 49% / desktop 51%
electronics & IT&C	-> mobile 48% / desktop 52%

Source: data – GPeC blog, e-commerce report 2019

Baby items, cosmetics and clothing articles are mostly purchased on mobile – over 70% transactions on mobile compared to less than 30% on desktop, while electro and IT&C or home and garden categories show a rather balanced transaction rate – around 48-49% on mobile and 52-51% on desktop.



In the pandemic context, the online sales dynamic has been impressive. Many categories of products have experienced strong sales growth in 2020, the fastest evolution in terms of

Evolution 2020 compared to 2019
(average transaction value)

- Catering / ready-meals delivery -> + 124%
- Books / magazines -> + 113%
- Pet Shop -> +113%
- FMCG -> +110%
- DIY -> + 87%
- Computers, accessories software/hardware -> + 61%
- Fashion -> + 45%

Source: data – iSense Solutions / GPeC blog, e-commerce report 2020

online sales being recorded by catering services, ready-meals delivery with an increase of 124% compared to 2019, according to iSense Solutions.

Other categories of products which recorded sales growth in 2020 compared to 2019 have been: books and magazines (+113%), pet shop goods (+113%), FMCG (+110%) etc.

Payment method			
	cash on delivery	online by card	online 'other' <small>online banking, sms</small>
2016	90%	6-7%	3%
2017	85%	12-14%	1-3%
2018	83%	15%	2%
2019	80%	20%	
2020		*+17% (compared to 2019)	

Source: GPeC blog/iSense Solutions - e-commerce reports
2020 / 2019 / 2018 / 2017 / 2016

*based on information provided by Romcard, mobilPay, PayU, Netopia Payments

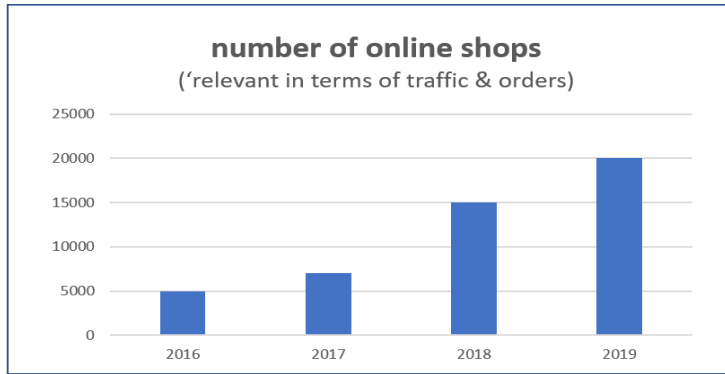
The preferred method of payment by the Romanian customers for the online shopping is 'cash on delivery', however the percentage is decreasing year by year - 80% in 2019, which is 10% less compared to 2016. The percentage of the online payments by card has been on the rise. 2020 has recorded an increase of 17% in payments by card for the online orders compared to 2019.

The Romanian customers are mostly looking for a mix of brands and discounts when they buy online. Black Friday (discount) campaigns have had a positive impact on the e-commerce market in Romania, generating considerable growth in online sales, average value orders and number of searches for various categories of products. According to the Romanian Association of Online Stores information, quoted by GPeC, during the Black Friday of November 2019, Romanians made online purchases worth EUR 253 million, which was somehow similar to the value recorded during the Black Friday in 2018, but approximate 30% higher compared to 2017. Year 2020 has been even further marked by promotions and discounts for online shopping due to the pandemic, which coupled with the Black Friday campaign have resulted in even stronger online sales.

Among other determining factors for the Romanian online customers there are: delivery time, return policy, reliability and quality of information on the website, loyalty programs, easy communication and answers to different questions.

The number of online shops in Romania is considerably growing every year. At the end of 2019 over 20000 merchants in Romania out of approx. 35000 websites with the function 'add to cart' were actively selling online, compared to approximate 15000 in 2018, 7000 in 2017 and 5000 in 2016.





Source: data from Financial newspaper, zf.ro February 2020 – eMAG info
 Source: data from GPeC blog, e-commerce reports

‘approx. 35.000 sites with the function ‘add to cart’ but not significant due to very low traffic

Many of the online merchants start their business directly in a Marketplace, without necessarily having a website of their own.

Leading marketplaces, ranked in order by visitors to the website platform, in Romania:

(source: Ecommerce Europe data, European E-commerce report 2019)

- emag.ro (the biggest player in the Romanian e-commerce market)
- AliExpress.com
- Amazon.com

Other major market players:

- * pcgarage.ro
- * cel.ro
- * elefant.ro
- * olx.ro
- * merchantPro.ro – most popular SaaS solution in Romania

Major market players by category of products:

- * vivre.ro (deco)
- * f64.ro (photo)
- * Dedeman, Leroy Merlin, Hornbach, Bricodepot, Mathaus.ro, E-bricolaj.ro (DIY)
- * H&M, fashiondays.ro, Zara, Aboutyou, Bershka, Miniprix (fashion)
- * Farmacia Tei(pharma & cosmetics)
- *Sephora, Yves Rocher, Notino, Douglas, Marionnaud.ro, make-up.ro (cosmetics)
- * Sensiblu, Medifarm, PCfarm, Efarma (pharma)
- * Nichiduta, bebebliss.ro, babyneeds.ro, dipoland.ro (baby items)
- * Carrefour, Kaufland, Auchan, Mega Image, Cora, Bringo, Glovo (FMCG/fashion)
- * Altex, Flanco, MediaGalaxy, evomag.ro (electronics & IT&C, home appliances)

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3. TRENDS & OPPORTUNITIES

- growth in preference among the consumers for the online shopping due to the pandemic, customers feeling more and more uncomfortable with shopping in physical stores
- optimization of websites so that customers can easily access and shop by using their mobile device
- development of fast delivery applications
- cross-border online trade – shopping online in other countries & cross-border delivery
- expansion at international level of the local e-commerce major players
- expansion of logistics storage space due to the increase of online sales & logistics optimization
- population of almost 20 million people -> 2nd market after Poland in Eastern Europe in terms of consumer potential
- strategic location at the crossroads of three great markets: the EU, the CIS and the Middle East -> bridge between East and West for 500 M consumers market -> trade
- positive macroeconomic development and increase in the standard living of the population
- growing wages -> consistent boost of retail sales and online retail sales
- one of the highest growth rate in Europe in terms of e-commerce value
- e-commerce sector still insufficiently developed both in terms of demand and in terms of supply -> great potential for grow and opportunities for international players to enter the market
- people very open to global and international players
- part of International Market Place Network (IMN) - emag Romania, Cdiscount France, ePrice Italy, Real.de Germany



4. ORGANIZATIONS AND MAIN TRADE FAIRS/EVENTS

Romanian Association of Online Stores (ARMO)

<https://www.armo.org.ro/>

52 Turturelelor street, sector 3, Bucharest

contact@armo.org.ro

Association of Big Retailers in Romania (AMRCR)

<https://www.amrcr.ro/>

155 Victoriei ave, sector 1, Bucharest

+40 729 729 075 / contact@amrcr.ro

TechSoup – independent non-profit organization / technology resources & education

<https://www.techsoup.ro/>

Bucharest

contact@asociatie.techsoup.ro

International Marketplace Network (IMN)

<https://imnnow.com/en/home.html>

GpeC – the most popular e-commerce event in Romania and CEE

<https://www.gpec.ro/en/>

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- * Romania-insider.com - *ecommerce news*

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