E-Commerce: Kosovo as a Competitive Landscape for Online Shopping

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E-Commerce: Kosovo as a Competitive Landscape for Online Shopping

An Honors Society Project

Rina Bulliqi

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July 2020
Abstract

This Honors project looks the opportunities for online business in Kosovo, specifically e-commerce. As Kosovo is the country with the highest number of internet users in the Balkans, online business is at a competitive advantage to thrive. This project analyzes the opportunities offered to businesses to thrive in online trade, both within Kosovo and in the region. Businesses of all sectors are quickly understanding the importance of online presence, especially given a handful of successful cases that have already established e-commerce platforms. This project considers the perspective of the customer and that of the business in terms of online shopping in the conditions offered in Kosovo today. Specifically, it considers the type of products in demand, problems encountered with online shopping, and opportunities as evaluated from respondents, and analyzes the most popular online shopping platforms for Kosovars.

The project uses a mixed approach analysis combining qualitative and quantitative research techniquess. The qualitative approach is based on literature review and in-depth interviews with businesses that have established e-commerce websites. The quantitative section focuses on findings from a survey with 312 respondents, with the majority of the sample being online shoppers. Based on the collected data, Kosovo has potential for successfully developing online businesses. In terms of demand, priority should be given to technology and textile sectors. In terms of issues, priority should be given to payments security, transportation, and product quality.
Acknowledgements

The completion of this thesis would not have been possible without the help and guidance of several people, whom I will acknowledge below.

I would like to begin by expressing my gratitude to my primary supervisor, Professor Venera Demukaj, who guided me and answered all my questions throughout this project. I would also like to thank Professor Alex Butler for being my second reader, and providing useful insight into my work. Their contribution has been priceless during this process.

I would also like to thank my family - especially my parents for participating in my study and providing feedback and ideas. Additionally, I would also like to thank some of my friends who have not only participated in my study, but have also provided critical feedback to help me improve.
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Introduction

The average Kosovar citizen is a regular user of the Internet, as determined by a project conducted by the Kosovo Regulatory Authority in 2013. The project states that around 76.6% of households in Kosovo are regular users of internet, which is the highest usage in the Balkans (Ramaj, Berisha, Havolli 2013). This has opened the doors for businesses to benefit from Internet advertising, which generates leads and revenues at a lower price than traditional advertising. Apart from cheap advertising, this level of usage of the Internet has brought businesses ways to attract revenues through online sales, best known as e-commerce. Even though some larger businesses in the trade sector have already introduced online shopping platforms, such as Gjirafa Mall and Intersport Kosova, most businesses that sell online still rely on traditional methods, which are to deliver the product to the house of the customer, and then get paid in cash. Banks in Kosovo are continuously making efforts to introduce online payments as their services, however, one of the challenges to opening an e-commerce store are online payments (export.gov, 2019). Considering that the trade sector has shown potential for success in e-commerce, this project seeks to observe and analyze the opportunities that are presented to this sector. The project aims to provide an analytical perspective to businesses that seek to develop their businesses online, through the usage of an e-commerce platform. It specifically identifies the opportunities and challenges faced by new entrants in this emerging industry in Kosovo. To do so, this paper will analyze the current existing e-commerce platforms and their level of success, with an emphasis on e-commerce platforms that have been in the market for a number of years. Additionally, it will analyze the current retailers in Kosovo to understand their current market approach, as well as future plans. The information is gathered through quantitative and qualitative research techniques.
Literature Review

E-commerce overview

E-commerce, also known as electronic commerce, occurs when computer networks are used to improve an organization’s performance (Gupta & Moyra, 2014). That is, companies engage in e-commerce because they are interested to improve their performance in terms of sales. To provide a definition, e-commerce “is an emerging concept that describes the process of buying and selling or exchanging of products, services and information via computer networks including the internet” (2014). E-commerce offers an opportunity to businesses to expand their market share. In fact, the larger the company, the more important e-business becomes in order for that company to thrive when it comes to improving customer service and product quality (Chan, Lacka & Yip, 2014). E-commerce can leverage businesses as it helps them develop their way towards new markets through access to information. Additionally, it leverages customers as it provides an opportunity for them to purchase items easily. Thus, businesses and customers both benefit from using the internet as a means to sell and purchase (Lacka, 2014). As e-commerce develops further, the line between traditional versus online shopping becomes blurred. The focus of this current research will be on Kosovo and the ease of doing online business in Kosovo by considering both sides, businesses and customers.

Businesses and e-commerce

Businesses in general and small businesses in particular are faced with limited resources. However, those limited resources are less prevalent today than they were a few decades back thanks to innovation and e-commerce technology. E-commerce helps businesses perform activities that would not have been possible in-house; however, finding the right e-commerce system for a business, several factors such as finance, marketing, market research, operations, and HR should be considered (Buxton & Walton, 2014). This analysis will focus primarily on aspects of finance, marketing, and market research, to determine the opportunities that arise for businesses that create e-commerce stores.

When it comes to finance, businesses often need to raise money to expand or sustain their operations. The most common way for businesses to do that is by using the profits from their
previous trading activity (2014). For e-commerce, benefits can include external funding sources and card payment processing. However, if the business is new, chances are it will not risk profits to develop an innovation without some security backing it up. When considering external funding sources, the main methods through which this funding is received are self-finance, bank loans, crowdfunding or peer-to-peer lending (2014). Each of these methodologies comes with its pros and cons however, it often is essential for businesses to consider these opportunities as ways to sustain the development of their business, including here e-commerce platforms. Second, card payment processing is one of the fundamental components of an e-commerce platform. Having a technology that allows businesses to receive credit card payments reduces the opportunity for lost sales as customers do not have to rely on cash for their payments, and it also provides businesses with historical data of customer purchase to predict future trends (2014). Additionally, this improves cash flow for businesses that are often faced with late payments.

Marketing is an important contributor to the success of e-commerce systems. Direct marketing is the most used and the most successful method when it comes to e-commerce (Gupta & Mourya, 2014). E-commerce allows businesses to create targeted marketing for their customers whether it is through email promotions, special offers or discounted prices. Creating a good first impression is key in turning visitors to customers of their e-commerce site (2014). The most common marketing platforms used to promote e-commerce remains digital marketing. Traditional marketing, on the other hand, is not considered as an effective marketing strategy anymore. This is true for two reasons: non-fragmented audience and a unidirectional message (Asensio, 2017). Unlike digital marketing, traditional marketing does not allow the business to speak to a targeted audience, as the knowledge of demographic of TV channels and Radios are low in comparison (Asensio, 2017). When it comes to a unidirectional message, with traditional marketing, the message would reach the customers, and they could choose whether to purchase an item or not, whereas with digital marketing, the customers have the chance to leave their feedback and communicate directly with creators (Asensio, 2017). That is, as algorithms and communication develop, so do the chances of a company to reach their desired targeted audience. This is essential when introducing new products, and applies to the development of new e-commerce platforms in Kosovo.
With digital marketing, customers can communicate with retailers and leave valuable feedback. One important aspect of marketing is market research. Market research allows businesses to collect data through which they can generate conclusions in what the next business steps should be (Buxton & Walton, 2014). That is, through the usage of internet to conduct market research, businesses can become more efficient. Additionally, market research helps businesses to decide whether they should create an e-commerce platform at all. There is a discrepancy on how frequently people shop online on different countries – this means not all businesses with benefit equally if they shift their business online (Lacka, 2014). For this reason market research is important as it helps the businesses better understand their customers.

**Customers and e-commerce**

From a customer’s viewpoint, being able to shop online means your needs are more effectively satisfied in comparison to traditional shopping (Miyazaki & Fernandez 2006). The reason for that is the ease of shopping online and finding products that fit the desired characteristics. Additionally, by being able to search for products so effortlessly, customers have the opportunity to compare products, prices and their availability, as well as to shop at times that are convenient for them, regardless of the store’s physical opening hours or location (Hart et al., 2000; Shiua and Dawson, 2004). That is, customers are able to shop at any time they want as soon as they have an Internet connection. This is not to say that customers are not aware of the risks they face if they choose to shop online. According to Lacka (2014), there are two main reasons why customers are hesitant to purchase products online; the first one is the inability of the Internet to provide the real experience, and the second is online security.

Purchasing things online is not the same as purchasing them in person. The internet can only make up for two of our senses instead of five. The senses it can make up for are sight and sound, whereas smell, touch or taste are impossible when shopping online (Lacka, 2014). While online shopping is convenient, it may not be enough for people who would rather have the full experience when purchasing an item, despite the description of the item on the site. According to Stankiewicz and Millo (2004), this the main reason that affects the ability of businesses to sell their products online, as these unpredictable features discourage customers from shopping online. As a result, customers are less likely to buy risky products, and they will most likely stick
to purchasing products they can easily understand the quality of. Secondly, the transaction process is discouraging for some customers. Having to give personal information to anonymous sources seriously discourages customers from purchasing goods as they may feel uncomfortable or may not desire to share their information online (Lacka, 2014). Finally, the number of choices available may overwhelm customers and they may be less likely to purchase products because of high expectations (Lacka, 2014). This suggests how advantages of online shopping can turn into challenges for customers.

The case of Kosovo

As any emerging economy, Kosovo faces with challenges and obstacles that hindered the development of the private sector. Two of the biggest challenges are corruption and unfair competition (ASK, 2013). Regardless of these challenges, Kosovar businesses continue their work, with a number of them facing a tremendous growth. For instance, according to World Bank’s report called “Ease of Doing Business in Kosovo”, Kosovo is ranked as 44th out of 190 economies in the World for doing business. The graph below shows the ranking of Kosovo over the years:

Figure 1: Rank of Kosovo

(World Bank, 2018)
Only from 2016 to 2017, Kosovo moved 20 positions higher, ranking it among the top 10 economies with significant improvements in the private sectors in just one year. Furthermore, despite Kosovo being Europe’s youngest country, it has maintained positive economic growth rates. In 2017, Kosovo had an economic growth of 4.4% (Export Gov, 2019). This growth is a direct result of attempts to strengthen the private sector through ease of legal procedures and more. Even though e-commerce is a relatively new concept in Kosovo, it represents a reality and an opportunity for businesses to thrive in the digital world. The presence of Internet has eased communication between businesses and customers, making online sales an attractive opportunity to generate profit. This is proven even in the case of Kosovo, where service and trade sectors are taking advantage of the opportunity, however, the sales for most businesses in these sectors are done through traditional methods (Export Gov, 2019).

Opportunities

Establishing an e-commerce platform is regulated by laws on Information Society Services whose goal, amongst others, is “to establish convenient possibilities and circumstances for development of electronic trade” (Kuvendi i Kosoves, 2012). That is, the government supports the development of electronic trade and the entire process is regulated by laws. Additionally, although the average consumer does not purchase via national e-commerce platforms, there has been a significant increase in online shopping from Amazon, Aliexpress, and other international retailers in the past few years (2019). By adding Kosovo to their shipping lists, these platforms are contributing towards a new style of shopping in Kosovo, and breaking barriers and fears associated with online shopping. Especially now with the development of e-banking from most banks in Kosovo, the opportunities to flourish are much larger than what they used to be a few years ago.

One of the biggest opportunities in starting a business in Kosovo comes as a result of the small number of procedures one needs to follow to be eligible to apply for a business. According to World Bank’s “Doing Business 2020” report, Kosovo is ranked 12th in the world for the easiness of procedures, with a score of 95.9 (2020). This score is higher than the regional average of 90.5, including here Europe and Central Asia for comparison. This applies to all types of businesses, including online businesses.
The ease of importing and exporting products to and from Kosovo offers an advantage to online businesses that are willing to bring products from abroad and sell them in Kosovo. Additionally, because exporting is even easier than importing, online businesses that aim to expand regionally can easily ship to neighboring countries.

Lastly, Kosovo has an abundant labor market, as suggested by the report of American Chamber of Commerce in Kosovo, titled “Education and Labor Market in Kosovo and European Union”. Currently, in Kosovo there are 142,500 unemployed people that are part of the labor force (Hapciu & Osmani, 2019). For e-commerce businesses this is positive because as business and demand increases, finding employees to support the business is easy.

**Challenges**

Doing business in Kosovo comes with several challenges that businesses consider before switching to a new business model. According to U.S. Country Commercial Guides for Kosovo, some of the challenges for doing business in Kosovo are the market size, weak judicial system, and workforce skills levels (2017). Each of these topics comes with a background that must be evaluated beforehand.

For instance, market size is an issue because it is small. According to the Agency of Statistics in Kosovo, Kosovo has around 1.8 million people based on the 2011 census of the population (2011). This means the market is not suitable for businesses that require large economies of scale. For businesses wanting to shift to e-commerce, this may be concern because they have to also consider how willing and capable citizens are to buy online, shrinking the market even further.

The second issue is the weak judicial system. As put forward by U.S. Country Commercial Guides for Kosovo, Kosovo lacks competency and law enforcement that protects businesses (2017). This is also applicable to e-commerce because this market is still underdeveloped and the existing laws are not clear in terms of sanctions and prohibitions in cases of breach or theft.
Finally, according to the National Development Strategy (NDS), Kosovo has a young population, where 42% of the entire population are under 24 years old (NDS, 2016). Despite this major advantage in terms of age, the education system in Kosovo and skills demanded by the market are a mismatch. Because of this mismatch, training costs are increased, making it costly for businesses to hire employees (U.S. Commercial Service, 2017). This is applicable because to establish and maintain an e-commerce platform requires more than basic computer skills, which are hard to develop in a short time without a training.

Methodology

For the implementation of this capstone project a mixed methodology was used including a review of secondary data, an online survey with citizens and in-depth interviews with businesses that have established e-commerce platforms. The combination of these three sources enabled an assessment on the opportunities of online shopping that exist in Kosovo, and the barriers that should be considered.

Literature Review

Several existing sources were utilized to understand the current situation in Kosovo in terms of online shopping. The data comes from a wide range of sources including here previous researchers, reports from international organizations and governmental platforms with a special focus on laws and regulations on doing online business in Kosovo.

Survey with Citizens

In order to understand whether there is a market for online business in Kosovo, a survey with citizens was conducted online using Google Forms, and then distributed through several social media platforms in order to get a larger number of respondents. The majority of responses came from Facebook Groups, Instagram, and LinkedIn. Once the data was gathered, it was coded and analyzed through SPSS. A total of 22 questions (see Annex I) were answered by 313 respondents. However, because this was an online survey, the sample was not particularly diverse, as responses were limited to social media users. The demographics of this sample are described below:
From the total sample, 65.8% were females and 33.9% were males.

When considering age, 86.6% of respondents were young, from 18 to 35 years old. Specifically, 59.7% were 18-24 years old, followed by 26.8% that were 25-34 years old. Responses from other age groups accounted for 16% of the total sample with 6.7% being 35-44, 3.5% being 45-54, 2.2% being 55-64, and 3.2% being 65+. It is worth noting that 6.4% refused to state their age.

As for the level of education, 92% of respondents have pursued higher education. Specifically, 28.1% have already finished some university classes, followed by 40.6% that have attained a bachelor’s degree, 22% that have attained a master's degree, and 1.3% that have a Ph.D. degree.
One in two (52.7%) respondents are employed full time. Around 26% are currently students, followed by 10% that are employed part-time (7.7%) or seasonally employed (2.2%). Out of this sample, only 7.3% of respondents said declared to be unemployed.

The respondents were asked their monthly family income, as it was previously anticipated that students would represent a significant portion of the total sample. In this situation, family income would be a better representative. Following that, 39.3% of respondents said their family income was 1000+ EUR, followed by 14.1% that said 800-1000 EUR, and 11.2% that said their family income was from 601-800 EUR. Around 25% reported a lower family income with 10.9% stating they get 401-600 EUR, 10.9% stating they get 201-400 EUR, and only 2.9% answered with less than 200 EUR.
While responses from this questionnaire come from respondents from 27 municipalities around Kosovo, the majority of responses come from Prishtina (66.5%) followed by Mitrovica, and Peja.

Lastly, the respondents were asked to state their settlement. When considering settlement, 89.1% come from urban areas whereas only 9.9% come from rural areas.

In-depth interviews with Businesses
Apart from interviews with citizens, as part of this capstone project, a total of seven local businesses that have already established e-commerce platforms or a planning to do so in the near future were interviewed. They were asked 20 questions (see Annex II). These questions gathered qualitative data on the business, the experience of the business as a platform that offers online shopping, barriers, and expectations for the future.

**Findings from Survey with Citizens**

This section discusses main findings from the online survey with 313 citizens, out of which the majority are online shoppers. This section is divided in three main parts: online shopping behavior, online shopping procedures and barriers, and opportunities for the future.

**Online shopping behavior**

The survey results show that the majority (88.2%) of respondents have shopped online at some point whereas only 11.5% of this sample have never shopped online. As such, this sample mainly provides clear opinions of those who do shop online.

![Figure 8: Have you ever shopped online?](Survey with citizens, 2020)

Those who do not shop online were asked to state the main reasons on why they do not do so. The two most popular reasons were "I don’t trust online platforms" and “I don't trust the quality of the products". Both responses were stated from 64.9% of respondents that do not shop online. Another popular reason was "I prefer to buy in physical shops" as stated by 43.2% of respondents who said do not shop online. This suggests that a part of the sample that does not shop online puts a high value on real-life shopping experiences.
Those who do not shop online were also asked if they would shop online in the future. Out of all responses, 51.4% answered with "Yes" meaning they were fully open to the idea of shopping online. Additionally, 40.5% answered with "I don't know/ Refuse", meaning they do not completely reject the idea of shopping online in the future. Only 5.4% answered with a "No" on this question.

On the other hand, about half of those who said they shop online, claimed that they shop online either “very rarely” (33.2%) or rarely (16%). When it comes to other responses, 24% answered
with "3" meaning they do not shop rarely nor often, 13.7% said they shop online often and 13.1% answered with very often (Figure 13).

![Figure 11: How often do you shop online?](chart)

(Survey with citizens, 2020)

When it comes to where respondents shop online, 47.4% said they shop both in and out of Kosovo. Out of Kosovo, however, seems to be a more popular choice as stated by 34% of respondents in comparison to 17.9% of respondents who said they only shop online in Kosovo.

![Figure 12: When shopping online, do you shop in Kosovo or outside of Kosovo?](chart)

(Survey with citizens, 2020)

Further, three in four (73.3%) respondents spend only up to 100 EUR when shopping online. Specifically, 16.2% spend less than 20 EUR, 29.6% spend 21-50 EUR, and 27.4% spend 51-100 EUR. Only 19.9% spend over 100 EUR with 13.4% spending from 101-250 EUR, and 6.5% spending 300+ EUR. Around 5% did not disclose this amount as they answered with "Don't know/ Refuse".

(Survey with citizens, 2020)
Online Shopping Procedures and Barriers

In order to determine the popularity of e-commerce platforms in Kosovo, the respondents were asked to state where they shop when shopping online. The three most popular platforms were international e-commerce shops, the first one being Ali Express, as mentioned by half of the respondents. The other two are Amazon (32.6%) and ASOS (31.3%). As for Kosovar e-commerce platforms, Gjirafa Online Shops dominate clearly as stated by 29.7% of respondents. Almost 13% of respondents mentioned other e-commerce platforms not listed in the questionnaire. The most mentioned e-commerce platform in the "Other" category was E-bay.
The most common way of paying when shopping online is through a Visa Card as stated by 42.3% of respondents. The second most common way of paying when shopping online is through cash for 24.6% of respondents, followed by Master Card (18.1%) and Paypal (12.1%).
When considering the barriers of online shopping, three main issues mentioned by the respondents were with customs (30.4%), low quality product (27.8%) and transportation (16.6%). However, a quarter of respondents have not encountered any problems with online shopping (25.9%).
Figure 16: Have you faced any problems when shopping online?

<table>
<thead>
<tr>
<th>Problem</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customs</td>
<td>30.4%</td>
</tr>
<tr>
<td>Low quality product</td>
<td>27.8%</td>
</tr>
<tr>
<td>Transportation</td>
<td>16.6%</td>
</tr>
<tr>
<td>Payment security</td>
<td>10.5%</td>
</tr>
<tr>
<td>Website issues</td>
<td>8.6%</td>
</tr>
<tr>
<td>Weak internet to process order</td>
<td>4.8%</td>
</tr>
<tr>
<td>I have not encountered any problems</td>
<td>25.9%</td>
</tr>
</tbody>
</table>

(Survey with citizens, 2020)

Opportunities for the Future

Two in three (63.6%) respondents believe E-commerce in Kosovo has a lot of potential for success whereas 18.5% believe otherwise.

Figure 17: What is the future of E-commerce in Kosovo?

<table>
<thead>
<tr>
<th>Future Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a lot of potential for success</td>
<td>63.6%</td>
</tr>
<tr>
<td>There is not enough potential for success</td>
<td>18.5%</td>
</tr>
<tr>
<td>Don't know/ Refuse</td>
<td>16.3%</td>
</tr>
<tr>
<td>Other</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

(Survey with citizens, 2020)
One important section of this project is understanding the demand for e-commerce websites, and the type of products that are needed. Apparel (56.5%), Technology (47.3%) and Beauty products (38.5%) are most mentioned industries in which respondents think e-commerce would be a necessity. Even though food industry was not expected to show demand, surprisingly, food is mentioned by 31.6% of respondents as an industry that should have an e-commerce platform.

![Figure 18: For which industries in Kosovo are E-commerce platforms necessary?](image)

(Survey with citizens, 2020)

In-Depth Interviews with Businesses

An important addition to this research project is the perspective of business owners when it comes to determining whether an e-commerce platform is a worth-while investment. For this capstone project, a total of seven (7) in-depth interviews were conducted with business owners as they are directly involved in every aspect of their e-commerce platform. The businesses came from different industries, including here food industry, apparel industry, and beauty industry amongst others. The only criteria in selecting these participants was that they operated, or at least had a part of their operations online. Businesses were asked a total of 19 questions, including here business demographic questions and questions regarding their e-commerce operations. In all of these seven interviews, it was the Executive Director or Owner who answered the questions.

Business Overview

Businesses were first asked to evaluate the overall business performance in the past six months, using a scale from 1 to 5, 1 being very poor and 5 being very good. The average evaluation was 4.42, with the majority of participants (4), evaluating their business performance with a five. Second, the participants were asked to state their business size in terms of the number of their
employees. Four of these businesses were micro businesses with fewer than 10 employees, one business was a small business with 50 employees, and two of these businesses were medium businesses with 120 employees each.

**E-commerce behavior**
Then, participants were asked to elaborate more on e-commerce platforms, and their reasons for choosing to open one. Six out of seven participants said that e-commerce use had increased over the years in Kosovo. Additionally, most of these businesses had at least some experience with e-commerce themselves, having opened an e-commerce platform for less than a year (2 businesses), 1-3 years (4 businesses), or more than 7 years (1 business). The participants mostly suggested that the main reason they chose to open an e-commerce platform was to keep up with the shopping trends here in Kosovo, and because of the demand from the customer side. One business stated they are still in the development process of their e-commerce platform, but mentioned that platforms like Etsy, Amazon, and E-bay serve well as hosts of one’s e-commerce business.

Given that the business owners mostly thought that e-commerce was necessary because of the need to keep up with shopping trends, and because of customer demand, they were then asked to evaluate whether their business performance had improved since establishing an e-commerce store by asking them to rank this improvement from 1 to 5, 1 being no improvement, and 5 being substantial improvement. The average for this question was 3.85. While two participants ranked this improvement with 3, the remaining five ranked it with a higher score, meaning they had seen significant improvements in their business performance since establishing their e-commerce platform. However, only one business stated that their e-commerce platform improved their business a lot (5). When it comes to receiving payments, most businesses (6) said they accept cash, two of them working only with cash exclusively. Other forms of payments include payments through Visa and MasterCard.

**Customers**
One important aspect of online shopping is understanding how to attract customers. The most popular method seems to be social media, considering that all interviewed businesses said they do social media marketing campaigns to advertise their e-commerce platform. Some businesses said they also rely on traditional marketing approaches to advertise their e-commerce platform, namely, TV and/or radio, as well as promotional offers that are only valid if customers shop in-
site. This includes discounts on specific products in their online stores, as well as free products in certain instances.

**Challenges**
In establishing their e-commerce platforms, businesses numbered several challenges they faced. Payment security was one of the most frequently mentioned challenges, followed by low consumer awareness of how to shop online, low desire to shop online, and product delivery issues. Furthermore, the companies expressed a lack of governmental for establishing online businesses. Despite these challenges, business mention opportunities that outweigh the possible issues that come from e-commerce.

**opportunities**
Regardless of these challenges, three out of the seven interviewed companies said they could consider shifting their business entirely online. Additionally, companies said they experienced benefits in working with an e-commerce platform. Competitive advantage in their specific industry was the most frequently mentioned benefit that came as a result of having an e-commerce platform, followed by the ability to manage their customers’ needs better. Other benefits discussed were the establishment of an online presence, a dramatic sales increase of their products, know-how, and increased transparency now that all of their prices can be found online.

All of the interviewed companies think that e-commerce has potential to succeed in Kosovo. When asked which industries they thought had the highest potential to succeed in Kosovo, the companies expressed interest in the beauty and technology industries, followed by the food industry.

**Discussion**
This project’s goal was to analyze and identify the current existing structures regarding e-commerce in Kosovo. Kosovo is a country with a high internet usage (Ramaj, Berisha & Havolli, 2013), which is beneficial to doing business due to reduced marketing costs and the potential to generate sales using the internet. When it comes to selling online, there are several opportunities and challenges that businesses are faced with. While the opportunities are briefly presented above, challenges come from obtaining a license to sell online (export gov., 2019), or even consumer demand. That said, this project used qualitative and quantitative analysis through
review of existing literature, surveys and interviews with businesses to provide an overview of
the sector in Kosovo, as well as to get insights about future of e-commerce based on what
customers and businesses expect.

Literature from around the world consider e-commerce “an emerging concept” (Gupta &
Moyra, 2014), and that it is a great opportunity for businesses to improve customer service and
product quality (Chan, Lacka & Yip, 2014). Thus, e-commerce platforms have the opportunity to
become an essential shopping tool, blurring, as such, the line between traditional and online
shopping. Different authors praise e-commerce as a cheap opportunity for small businesses
(Buxton & Walton) if finance, marketing, and market research are taken into account. Each of
these aspects are paramount to the success of small businesses. Finance is mostly concerned with
the funds to implement a platform, and securing safe bank transactions. Marketing is mostly
cconcerned with finding the means to interact with customers and successfully turning them into
leads. As expected, the most preferred marketing approach for e-commerce is digital marketing
(Gupta & Mourya, 2014). Digital marketing offers businesses an excellent way to adequately
communicate with their targeted audience because of the tools that exist within the marketing
platforms. Market research is important as it helps businesses understand their market and make
decisions according to their findings (Buxton & Walton, 2014). For the case of Kosovo, market
research is an essential tool in helping businesses decide whether they should engage in e-
commerce considering that not all industries will get an equal chance in thriving at e-commerce.
The reason for that is because in order for an e-commerce business to thrive, it needs to fulfill the
customers’ needs as well as traditional shopping does (Miyazaki & Fernandez, 2006). There
were limitations on literature review given the lack of academic resources that target Kosovo’s e-
commerce market. Given these limitations, surveys and in-depth interviews with customers and
businesses were conducted in order to see whether e-commerce does in deed present a good
opportunity for businesses in Kosovo, and that it satisfies the customers’ needs.

Before discussing the findings of the survey with citizens, some limitations regarding the
sample representation are worth considering. This survey was conducted online, shared in
various social media platforms in order to generate more responses. While this is a quick way to
gather information, it prevented control over the sample population. The majority of the sample
were females, at the age group of 18-24, with a higher level of education, employed full time, a
family income of over 1000 EUR, and come from Prishtina. While the findings may be useful, they might not be an accurate representation of the entire population of Kosovo. The survey with citizens highlighted that e-commerce was not a foreign concept to customers, as the majority had already shopped online before, at least on rare occasions. However, the amount that customers spend when shopping online is relatively low, with three out of four respondents spending less than 100 EUR. This may fall in line with the findings of Stankiewicz and Millo (2004), who suggested that customers are likely to stick to low risk products when shopping online. One finding that did not align with the literature review is that only 10% of respondents faced issues with payment security when it came to online shopping. This is contrary to the findings from the literature review, where according to Lacka, having to give personal information to anonymous sources seriously limits customers from purchasing goods (2014). A finding that shows how important the development of e-commerce platforms in Kosovo is comes from the shopping platforms customers use. International platforms such as Ali Express, Amazon, and ASOS were on top of the list, when respondents were asked where they shop when they shop online. While the literature review suggests that customers may find the overwhelming amount of choices challenging when shopping online, for Kosovo that does not seem to be the case. This accounts for lack of diversity in products from Kosovo’s online platforms, with survey respondents deeming apparel, technology, and beauty as industries for which e-commerce platforms are necessary. Having said that, customers welcome e-commerce in Kosovo, despite the perceived existing challenges.

Businesses share a similar view as well. The main limitation that came from surveying businesses was the low number of participants that accepted to be interviewed. For this project, only seven businesses were interviewed, however, one thing worth noting was that their responses were consistent with each other, meaning they shared similar views when it came to e-commerce in Kosovo. For example, six out of seven businesses see e-commerce as something that has increased throughout the past years in Kosovo, and that it offers a way for them to keep up with the shopping trends. As suggested by the literature review, e-commerce needs to fulfill the expectations of customers in the same way as traditional shopping does (Miyazaki & Fernandez 2006). For Kosovar businesses, it seems that e-commerce offers an opportunity for them to thrive, as they rated their business performance improved on a scale 3.85 out of 5 on average after they opened their e-commerce platform. Just as the literature review suggests, the
best way for e-commerce owners to promote their business is through digital marketing (Gupta & Mourya, 2014). All of the interviewed businesses said they use social media marketing campaigns to attract and interact with customers, whereas a smaller number uses traditional methods such as Radio or TV for the same purpose. For businesses, low consumer awareness is one of their biggest challenges. This could be explained from the findings from literature review where, according to Lacka, online shopping can only satisfy two of our five senses, namely sight and sound (2014). This may be unconventional for a small market like Kosovo, combined with their unfamiliarity with online shopping. Regardless of these challenges, businesses see e-commerce as something beneficial for their businesses. That is because e-commerce provided a competitive advantage in their specific industry, and that they managed their customers’ needs better. This resulted in a dramatic sales increase of their products, know-how, and transparency.

Conclusions and Recommendations

The concept of e-commerce is still relatively new in Kosovo, with only few businesses having established e-commerce platforms. As the country with highest internet usage in the Balkans, using online platforms provides businesses and customers with different opportunities that ease their day-to-day activities. This high internet usage makes it essential for businesses to have an established online presence for a higher customer reach. Additionally, the internet provides a cheaper alternative for advertising, which businesses need. When it comes to selling online, very few businesses have adopted e-commerce platforms in Kosovo. Customers worldwide value online shopping opportunities as they value choices and the comfort that comes without them having to leave their homes. When it comes to e-commerce in Kosovo, there are very few businesses that have established this method of selling. However, those businesses that have established an e-commerce platform report an improved performance since their establishment. Given this statement, it is important to observe the market potential in Kosovo and see what is in demand from the customer side and business side.

The survey yielded important information regarding customer preferences, challenges, and demand from online stores. Businesses were in line with customer demand, and those who participated in the survey had a similar idea of what the market lacks and what can be offered to Kosovar customers. All in all, the results of the survey report a positive future for e-commerce in Kosovo. Thus using desk research, as well as responses from participants, there are a few
recommendations that both businesses and customers proposed. These recommendations should serve as constructive criticism in improving the e-commerce market in Kosovo.

**Recommendation 1 – Invest in Product Quality**
The main recommendation that came from the side of customers was to raise the quality of the products. A large number of respondents stated that the quality of the products is often an issue with the pictures and description not matching the product that is delivered to them. This is a concern for customers because it discourages them from purchasing online from local producers. Thus, quality and an accurate description for that product should be a priority for every e-commerce business.

**Recommendation 2 – Improve Marketing Campaigns**
The second recommendation is for e-commerce platforms to invest in marketing campaigns in order to reach more customers. These marketing campaigns need to not only showcase the products, but also provide incentives for customers to purchase. One ideal marketing tool that was mentioned by survey respondents is if e-commerce business owners incorporate tutorials or how-to videos when it comes to shopping online. The lack of knowledge among citizens, combined with skepticism, drives off potential customers from shopping online. Thus, marketing platforms are an ideal tool to reach this audience, and to promote online shopping as an easier way for them to solve their problems.

**Recommendation 3 – Increased Government Support for both Buyers and Sellers**
There are two ways through which the government support can be increased, given that the companies have reported low support from the government. The first is developing proper regulations on e-commerce, as the current legislation is limited. Contrary to Albania, for example, which has a law on Electronic Trade (2009), Kosovo does not have laws that regulate online trade. Those businesses that function online do not pay taxes to the government. Secondly, customers demand diversity and choice; however, one thing that drives off businesses and even customers from purchasing online are the high customs tariffs. This discourages customers from ordering online because the prices of the products are highly increased when sold in Kosovo after the custom tax.

**Recommendation 4 – Payment Security**
Survey respondents expressed payment security as an area for improvement. Considering that very few stores have established online payment, customers do not view online shopping as safe
shopping methodology. Thus, by improving the payment system – including here a no cash approach, chances are more customers will view those pages as safer and they are more willing to purchase from those stores.

**Recommendation 5 – Transportation Improvement**
Late or incorrect deliveries were one of the main areas for improvement according to customers. One area of improvement is the address system. This could be easily solved from the development of a detailed Kosovo map that each e-commerce business could use for their transportation purposes. This would increase the speed and accuracy of delivery, which in turn would positively affect the chances of customers returning again.
References:


Annex I

Questionnaire with Customers

QUESTIONS RELATED TO E-COMMERCE

1. Do you ever shop online?
   a) Yes
   b) No
   c) Don’t know/ Refuse

2. IF 1=B: Why do you not shop online?
   a) I don’t trust online platforms
   b) I have had a bad experience with online shopping in the past
   c) I do not have a bank account
   d) I prefer physical shops
   e) I don’t trust the quality of the products (how it looks in photo vs life)
   f) I do not like the transport service
   g) Other, please specify ____________________________
   h) Don’t know/ Refuse

3. IF 1=B: Would you consider shopping online in the future?
   a) Yes
   b) No
   c) Other, _________________
   d) Don’t know/ Refuse

4. IF 1=A: How often do you shop online?
   a) Very often
   b) Often
   c) Not very often
   d) Very rarely
   e) Other, please specify_________________
   f) Don’t know/ Refuse

5. What do you usually buy when you shop online? (Multiple Response)
   a) Books/Magazines
   b) Food
   c) Computer Software
   d) Makeup
   e) Music, CDs
   f) Videos/DVDS
   g) Games/ Video games
   h) Home electronics
   i) Travel (Hotels, holidays etc.)
   j) Clothing
   k) Tickets (Movies, concerts, theatres etc.)
1) Services (legal, insurance etc.)
m) Other, please specify _______________
n) Don’t know/Refuse

6. How much money do you spend on online shopping per month?
   a) Less than 20 EUR
   b) 21-50 EUR
   c) 51-100 EUR
   d) 101-250 EUR
   e) 300+ EUR
   f) Don’t know/Refuse

7. What is your preferred payment method when shopping online?
   a) Cash
   b) Visa
   c) Mastercard
   d) Paypal
   e) Other, please specify _______________
   f) Don’t know/Refuse

8. When shopping online, do you shop in Kosovo or abroad?
   a) In Kosovo
   b) Abroad
   c) Both
   d) Other, please specify _______________
   e) Don’t know/Refuse

9. Which of the following e-commerce platforms have you shopped in? (FILL THE LIST) (Multiple Response)
   a) Gjirafa Online Shops
   b) MerrJep
   c) Gentli shoes
   d) Intersport Kosova
   e) Peshku i Arte
   f) Top Shop Kosova
   g) Gentli Shoes
   h) ASOS
   i) Amazon
   j) Ali Express
   k) Grouper Kosova
   l) Other, please specify _______________
   m) Don’t know/Refuse

10. Have you faced any of the following issues from e-commerce shopping?
    a) Payment security
b) Product not of the expected quality  
c) Website crash  
d) Poor internet connection  
e) Product delivery issues (delay)  
f) I have not faced any issues  
g) Other, please specify ____________  
h) Don’t know/ Refuse  

11. Which industry do you think should focus on opening e-commerce platforms in Kosovo? (TOP 3)  
a) Apparel industry  
b) Beauty industry  
c) Technology industry  
d) Food industry  
e) Interior Décor industry  
f) Other, please specify ____________  
g) Don’t know/ Refuse  

12. How should the e-commerce business improve in Kosovo:  
_________________________________________________________________  

13. What is the future of e-commerce in Kosovo?  
a) There is a lot of potential to succeed  
b) There is not enough potential to succeed  
c) Other, please specify ____________  
d) Don’t know/ Refuse  

DEMOGRAPHIC QUESTIONS  
D1. What is your gender?  
a) Male  
b) Female  
c) Refuse  

D2. What is your age? | __ __ |  

D3. What is your level of education?  
a) Primary school  
b) High School  
c) Associate Degree  
d) Bachelor Degree  
e) Master’s Degree  
f) Ph.D.  
g) NA  

D4. What is your employment status?
a) Unemployed
b) Student
c) Seasonally employed
d) Part time employed
e) Full time employed
f) Retired
g) Other, please specify _____________
h) NA

D5. What is your family income?
   a) Less than 200 EUR
   b) 201 – 400 EUR
   c) 401 – 600 EUR
   d) 601 – 800 EUR
   e) 800 – 1000 EUR
   f) 1000+ EUR

D6. What is your municipality? Please specify: ________________

D7. Settlement: Urban or Rural
Annex II

Questionnaire with Businesses

GENERAL QUESTIONS

1. Name of the business ____________________________

2. Business code in the sample: __ __ __

3. What is your position within the business?
   a) Executive Director/Owner
   b) Business Manager
   c) Other, specify ______________

4. How would you evaluate the businesses performance in the past 6 months? (Rank this performance from 1 to 5, 1 being very poor and 5 being very good)

   1  2  3  4  5

5. In the next 6 months, do you expect the business to:
   a) Increase by >25%
   b) Increase by more than 25%
   c) No changes
   d) Decrease by >25%
   e) Decrease by more than 25%
   f) Don’t know/ Refuse

6. What is the number of employees working in your company?
   __________

7. In the next 6 months do you expect the number of employees in the business to:
   a) Increase by >25%
   b) Increase by more than 25%
   c) No changes
   d) Decrease by >25%
   e) Decrease by more than 25%
   f) Don’t know/ Refuse

QUESTIONS RELATED TO E-COMMERCE

8. Do you think e-commerce use has increased over the years in Kosovo?
   d) Yes
   e) No
   f) Don’t know/ Refuse

9. How long since you have established an e-commerce platform?
   g) Less than a year
   h) 1-3 years
i) 3-5 years
j) 5-7 years
k) More than 7 years
l) Don’t know/ Refuse

10. Why did you initially decide to establish an e-commerce platform?
   g) To keep up with the shopping trends
   h) To export services/ products abroad
   i) There was a demand for the platform
   j) Other, please specify_________________
   k) Don’t know/ Refuse

11. How has your business performance improved since establishing your e-commerce platform
    (rank from 1 to 5, 1 being has not improved at all and 5 being it has improved a lot)?
   g) 1 – it has not improved at all
   h) 2
   i) 3
   j) 4
   k) 5 – it has improved significantly
   l) Don’t know/ Refuse

12. Which forms of payment do you accept?
   g) Cash
   h) Visa
   i) Mastercard
   j) Paypal
   k) Other, please specify ______________
   l) Don’t know/ Refuse

13. How do you attract online customers?
   f) Social media marketing campaign to advertise the platform
   g) Traditional marketing campaign to advertise the platform
   h) Promotional offers valid only in-site
   i) I do not do anything specific to attract online customers
   j) Free gifts campaign
   k) Loyalty cards
   l) Other, please specify ______________
   m) Don’t know/ Refuse

14. Which of the following challenges have you faced when it came to establishing your e-commerce platform?
   a) Payment security
   b) Consumer awareness is low
   c) Building the platform was costly
   d) Poor internet connection
   e) Product delivery issues
   f) Desirability is low/ preference is low
   g) I have not faced any challenges
   h) Other, please specify ______________
15. Which of the following do you consider as benefits from your e-commerce platform?
   a) Our business has increased sales drastically ever since establishing an e-commerce platform
   b) We have competitive advantage in our industry
   c) We manage our customer’s needs better
   d) Our business is considered transparent as all the prices can be found online
   e) We have established an online presence
   f) I have not had any benefits
   g) Other, please specify ______________
   h) Don’t know/ Refuse

16. Which industry do you think has the highest probability of success in e-commerce? (RANK top 3) – Extend the list with all industries
   h) Apparel industry
   i) Beauty industry
   j) Technology industry
   k) Food industry
   l) Interior Décor industry
   m) Event organizing
   n) Travel agencies
   o) Other, please specify ______________
   p) Don’t know/ Refuse

17. Would you consider shifting your business entirely online?
   a) Yes
   b) No
   c) DK/ Refuse

18. Did you receive government support in establishing your online business?
   a) Yes
   b) No
   c) Don’t know/ Refuse

19. IF 15=YES: Please specify what type of support you received from the government:

20. What is the future of e-commerce in Kosovo?
   c) There is a lot of potential to succeed
   f) There is not enough potential to succeed
   g) Other, please specify ______________
   h) Don’t know/ Refuse