

## Electronic commerce in Albania during the Covid-19 pandemic

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### Abstract

E-Commerce is one of the most dynamic sectors in Europe and has a huge impact on the economy of European countries. Adoption of e-commerce is considered one of the most profitable strategies to strengthen and expand the competitive potential and reach the international market.

Electronic commerce is considered as an aid tool by which Albanian enterprises provide access to customers both inside and outside the country.

For a sustainable development of e-commerce it is necessary to create a suitable environment which should include the development and inclusion of a number of components such as the necessary logistics and customs system, digital connections, online payments, skills and opportunities of the private sector as and the appropriate regulatory framework for e-commerce.

The use of digital technologies has already become a new reality that does not affect the activity of people, on the contrary, it is an effective tool used by enterprises in all their processes, whether operational processes or business development.

As in the rest of the globe, in Albania during the Covid-19 crisis, e-commerce affected the continuation of economic life, despite the constraints and social distancing, and influenced the change in consumer behavior in the process of purchasing products and services.

E-commerce has the potential to play an important role to overcome the physical distance between buyers and sellers, connecting Albania's small domestic economy with larger and more affluent markets abroad.

The year 2020 was challenging, in many ways, not only for Albania, but for the whole world. The COVID-19 pandemic accelerated the trend of mass use of digital technologies because it had lagged behind other countries in the region and European Union countries.

Even in Albania, many enterprises, universities, schools, individuals, etc., embraced a development model based on technological and innovative transformation.

Rapid technological developments, massive use of ICT and the Internet have influenced organizations to apply Internet-based technologies, World Wide Web and wireless communications to transform their businesses, to increase the quality of customer service, to increase the number and quality of products and services launched in the market and meet customer requirements.

**Keywords:** electronic commerce, digital technologies, COVID-19, www, banking system.

### Introduction

According to Darwin's Origin of Species, "It is not the strongest species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change environment in which it finds itself." So, we can say that the ability to adapt to new occurrences and developments is an opportunity to survive and move faster than the surrounding environment.

The COVID-19 pandemic with the restrictions applied not only in Albania but also in the whole world brought the change of the consumers' attitude towards the purchase of products through the Internet.

The COVID-19 pandemic accelerated the trend towards the use of new digital technologies by both individual users (consumers), but also by enterprises. The pandemic showed that enterprises which were oriented towards the use of digital technologies as well as those which adapted in this respect, not only survived successfully but also created new advantages.

The new situation faced by consumers and various enterprises in Albania and around the world affected the way of doing business, influenced the establishment of new ways of communication between enterprises and consumers, influenced the provision of new products and services, influenced the taking of measures to meet customer demands, influenced the improvement of the quality of service delivery and the reduction of informality in the e-commerce sector.

The COVID-19 pandemic noted the need to move towards rapid digital transformation in all sectors of the economy and social life. Without innovations, improvements and investments in digital technologies it would be difficult to overcome the negative situation created by the imposition of restrictive measures imposed due to the COVID-19 pandemic.

Digital transformation is used for the entire enterprise business portfolio, in customer behavior analysis, in the digitalization and automation of work processes which cost time and money, etc.

But, the process of digitalization must be carried out appropriately because a positive experience must be created and provided to each customer in order for him (the customer) to come back again.

Referring to the data collected by INSTAT, AKEP, Bank of Albania, Albanian Post, World Bank, etc., for several years, it can be seen that e-commerce in Albania occupies a small place in the general market but still the new situation created influenced to have a higher growth compared to other sectors and at the same time affected the normal functioning of meeting the demands of Albanian consumers for products and services.

Since payments are mainly made to and from individuals, businesses and government entities, the Bank of Albania, in cooperation with other public and private sector authorities (commercial banks, non-bank financial institutions, savings and loan associations, insurance companies, enterprises has led the reform of the payment system in Albania, influencing the implementation of modern systems for secure and efficient payment processing throughout the banking sector, together with a modern and comprehensive legal and regulatory framework.

## Literature review

I looked up the term Electronic commerce in the popular encyclopedia Wikipedia. The outcome of my research as of November 04, 2021, is documented in the subsequent lines.

"Electronic commerce, commonly written as E-Commerce, is trading in products or

services using computer networks, such as the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Wikipedia, 2021)

Andam (2013) defines e-commerce as: "Transforming an organization's processes to deliver additional consumer value through the application of technologies, philosophies and the paradigm of computerization of the new economy."

According to Radilsky and Cognella (2015), "Electronic Commerce has become a significant element in the modern global economic environment. "E - commerce" is defined as the use of a computer network, primarily the Internet, to buy and sell products, services, information, and communication. However, e-commerce may also be considered as an application of technology using the Internet. It may also represent another aspect of being a tool for increasing efficiency and lowering costs in organizations".

Electronic commerce is the exchange of goods and services between (usually) independent organizations and/or persons supported by a comprehensive usage of powerful ICT systems and a globally standardized network infrastructure. (Martin Kutz, 2016).

According to Chaffey and Chadwik (2016), "Electronic commerce (e - commerce) refers to both financial and informational electronically mediated transactions between an organization and any third party it deals with. So, e-commerce involves management not only of online sales transactions, but also of non-financial transactions such as inbound customer service enquiries and outbound email broadcasts, so you can argue that e-commerce is open to all online organizations".

To many people, the term "electronic commerce" means shopping on the part of the Internet called the World Wide Web. However, electronic commerce also includes many other activities, such as businesses trading with other businesses and internal processes that companies use to support their buying, selling, hiring, planning, and other activities. Companies that operate only online are sometimes called dot-com or pure dot-com businesses to distinguish them from companies that operate in physical locations (solely or together with online operations); however, online business activity has become so integrated with everyday life in much of the world that few people worry about these distinctions any longer. (Schneider, 2017).

Electronic Commerce and digital business are an exciting area to be involved with, since many new opportunities and challenges arise yearly, monthly and even daily. Innovation is a given, with the continuous introduction of new technologies, new business models and new communications approaches (Chaffey, 2017).

**E-commerce** involves the use of the Internet, the World Wide Web (Web), and mobile apps and browsers running on mobile devices to transact business. More formally, e-commerce can be defined as digitally enabled commercial transactions between and among organizations and individuals. Each of these components of our working definition of e-commerce is important. *Digitally enabled transactions* include all transactions mediated by digital technology. For the most part, this means transactions that occur over the Internet, the Web, and/or via mobile

devices. *Commercial transactions* involve the exchange of value (e.g., money) across organizational or individual boundaries in return for products and services (Laudon and Traver, 2021).

## Methodology and data collection

The Survey on Information and Communication Technologies Usage in Households and by Individuals is a statistical survey conducted in households and targets all individuals residing in Albania from 16 - 74 years old in households.

The survey collects data on issues related to the use of information and communication technology in the household and by individuals, such as: on household equipment for information and communication technologies (telephone, computer equipment, Internet access), on Internet use, e-commerce, e-government, etc.). In order to analyze more aspects of the use of new technologies, the questionnaire is dynamic so new sections are included with different frequency.

The conduction of a direct interview by the interviewers through a questionnaire includes households' questions and base data of the household and is conducted also an individual interview for each person present in the household over 16 - 74 years old.

The questionnaire structure:

- General information;
- Demographic characteristics of household members;
- Individual questionnaire (socio-demographic characteristics, modules for the ICT usage from them).

The survey data are used as one of the inputs for calculating the indicators on ICT's usage and communication technologies used by households and individuals.

In 2020 the Survey on Information and Communication Technologies Usage in Households and by Individuals was conducted with a sample of 7,200 households. At the end of the survey, about 5,293 households distributed uniformly throughout Albania were interviewed. The response rate of the households, calculated as a ratio of the number of households that completed the survey to the number of households selected, expressed as a percentage was 73.5 %.

For measuring the level of indicators of the usage of information and communication technology conducted in 2020 the survey on "Information and Communication Technology" in economic enterprises with 10 and more employed.

The purpose of the Survey on "Information and Communication Technology" is to collect and disseminate harmonized and comparable information on the usage of Information and Communication Technology (ICT) in the enterprise. For measuring the use of ICT, INSTAT interviewed 1,752 enterprises of all legal forms and property types with 10 and more employed.

The observation units are enterprises with 10 and more employed that have been active in the Statistical Business Register. The survey covers units in the Statistical Business Register performing activities by NACE classification. Data are collected by using CAPI method with face to face interviews using tablets.

## Situation of ict usage and E-commerce in Albania

As it has been emphasized, the assessment of the situation of the use of digital technologies by the population and enterprises in Albania, has been made based on the data collected by some state bodies such as INSTAT, AKEP, Albanian Post, Bank of Albania, etc. , as well as international organizations such as the World Bank, which organize broad-based surveys and have the highest opportunities and accuracy in data collection in the territory of the Republic of Albania.

Based on the collected data, it is estimated that during 2020, the COVID-19 crisis affected the acceleration of the digitalization of the Albanian economy. The use of digital technologies has found increasing use in every aspect of life, both by individuals and by enterprises. Based on the data published by AKEP and INSTAT we notice that for 2020 we have that: (<http://www.instat.gov.al/>).

- 98.5% of enterprises use computers, compared to 98.3% in 2019,
- 27.8% of employees use computers in enterprises, compared to 27.2% in 2019,
- 98.4% of enterprises have internet access, compared to 98.2% in 2019,
- 13.3% of enterprises sell products online, compared to 12.8% in 2019,
- 72.2% of the population aged 16-74 use the Internet, of which 88.2% use it every day,
- 83.3% of Albanian households have access to the Internet, compared to 82.2% in 2019,
- 19.5% of the population aged 16-74 have made online purchases, compared to 10.1% in 2019,
- 27.6% of enterprises increased the number of remote meetings conducted via Skype, Zoom, MS Teams, etc.
- 19.2% of enterprises increased the number of employees who have remote access to the enterprise's e-mail system,
- 13.5% of enterprises increased the number of employees who have remote access to the enterprise ICT systems in addition to e-mail.
- Digital transformation is also transforming the banking sector. For 2020, referring to the data published by the Bank of Albania for 2020, we note that:
  - 738 ATM terminals were in use, having an increase of 10.4% compared to 2019,
  - 12,213 POS terminals were in use, having an increase of 10.9% compared to 2019,
  - 143 virtual terminals for the use of cards were in use, having an increase of 14.4% compared to 2019,
  - 2386 terminals for the use of electronic money were in use, having an increase of 11.4% compared to 2019
  - 1,286,220 active bank cards were in use, having an increase of 10.7% compared to 2019,
  - The number of bank card payments reached more than 5.8 million payment transactions, reaching at the same time the highest level ever realized by the Albanian banking system.

These statistics, with the increase of physical and virtual infrastructure, increase of payments with virtual terminals show that Albania is following the trend of other countries that are more advanced in this sector.

Covid-19 oriented businesses towards e-commerce as a survival alternative by making investments to strengthen digital channels for receiving orders, payments and fulfilling customer orders, while maintaining an appropriate standard of quality of service for customers and eliminating informality in economics.

According to data obtained from the postal service, it is estimated that during 2020, in Albania there were about 3200 businesses operating each month in the e-commerce sector.

During 2020, the postal service (state postal service and private postal service) had a significant increase in line with the dynamics of the situation created by the COVID-19 pandemic.

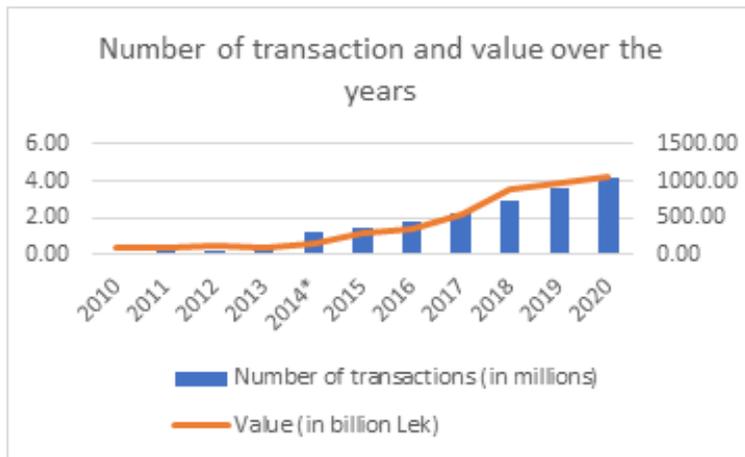


Figure 1: Number of transaction and value over the years (source: Bank of Albania)

One of the most obvious effects of the pandemic on banking sector operations was the encouragement of the use of alternative payments. Restrictions imposed and fears that contact with cash could increase the risks of infection prompted Albanians to use more non-cash payment instruments. Thus, the number of transactions through remote banking channels, such as internet banking or mobile banking reached a record figure of 4.12 million, having an increase of 14% compared to a year ago, while the value of transactions during 2020 reached 1044 billion lekë, having an increase of about 9%. Internet banking service is provided by 11 of the 12 banks operating in Albania.

Despite these enthusiastic results of the banking system, the relative backwardness of Albania in the use of electronic payment instruments is reflected in the lower number of digital payments compared to other countries in the region and are about 11% lower than in Kosovo, 37 % lower than in Serbia and 67% lower than in Eurozone countries.

During 2020, Albanian consumers have spent about 90 million euros in the formalized e-commerce sector. The dominant part of payments (about 94%) is realized according to the principle “cash on delivery” and this is another problem which requires the commitment of all actors involved in the e-commerce sector (banks, non-bank financial institutions that provide payment and transfer services , enterprises, consumers),

in order to invest in digital technologies to create the necessary infrastructure for making online payments. This investment will also serve to formalize the activity of enterprises operating in the e-commerce sector, thus affecting the revenues that accumulate in the state budget as a result of paying fiscal obligations. However, the explosion of e-commerce does not herald the end of physical stores because as the reality shows after the lifting of some of the restrictive measures, shoppers flocked again to shops and malls, bringing at the same time moderating the growth rates of e-commerce.

## **Conclusions and recommendations**

The purpose of this paper is to present the situation in which the e-commerce in Albania is developing, highlighting the positive aspects and the obstacles it faces in the Albanian environment.

At the same time, this paper aims to contribute to the increase of information regarding the functioning of e-commerce in Albania and can serve as a basis for other further studies as well.

It should be noted at the outset that e-commerce in Albania is growing steadily and in some parts of the population, especially among young people, it is becoming a common habit.

The COVID-19 crisis affected the acceleration of the digitalization of the Albanian economy. The use of digital technologies has found increasing use in every aspect of life, both by individuals and by enterprises.

Covid-19 oriented businesses towards e-commerce as a survival alternative by making investments to strengthen digital channels for receiving orders, payments and fulfilling customer orders, while maintaining an appropriate standard of quality of service for customers and eliminating informality in economics.

During 2020, the postal service (state postal service and private postal service) had a significant increase in line with the dynamics of the situation created by the COVID-19 pandemic.

A major problem in the functioning of electronic commerce remains the purchasing infrastructure itself and many of the Albanian companies are moving towards the tendency to delegate payments through physical services such as payments to the carrier, payment to partner shops, while this process could have been simplified to the maximum if orders and payments would be made both online.

One of the most obvious effects of the pandemic on banking sector operations was the encouragement of the use of alternative payments. Restrictions imposed and fears that contact with cash could increase the risks of infection prompted Albanians to use more non-cash payment instruments.

Despite the incentive for the use of alternative payments, it results that in Albania the number of payments that are not made with physical money is still low both in relation to the countries of the region and in relation to EU countries. The reasons for the still low use of non-cash payments in Albania vary from the low number of adults who have an account, to the form of various payment products available in the country, insufficient access points in service and receipt of electronic payments,

low level of financial culture and high informality in the economy and labor market. It is recommended to take a series of measures to regulate e-commerce, eliminate informality, guarantee adequate quality of service, etc.

Legal and regulatory measures should be focused on several aspects such as:

- Supervision of e-commerce through clear identification of e-commerce actors, their role, activity and overall impact of the digital economy on the Albanian economy,
- drafting simple guidelines for enterprises that support e-commerce regarding the categorization of their services, in order to formalize their activity.
- At the same time, the e-commerce sector needs to adopt a new law in order to regulate the market and fully formalize the activity in the e-commerce sector. Formalization will make it possible for consumers to be oriented towards formalized businesses as in them every purchase is accompanied by a product warranty.
- Improving the postal service (public and private) and increasing the service for electronic commerce,
- Drafting support policies based on the legislation of developed countries in the field of e-commerce, in order to promote competition between companies operating in the e-commerce sector,
- Unification of postal service tariffs and improvement of the distribution infrastructure of this service, which is very important to complete the connection between online sellers and consumers,
- Supporting Albanian enterprises operating in the e-commerce sector in order to be competitive outside the territory of Albania, by improving the export infrastructure,
- The banking system needs to be better focused towards the “bank of the future” and for this it is necessary to make further investments for the technological transformation that will lead to the change of internal processes, the provision of services and new communication channels. with customers, which will lead to the transformation of business lines, channels and products to achieve a higher productivity.
- The engagement of the banking system in the management of financial transactions in the e-commerce sector will also affect the reduction of payments in the “cash on delivery” model, the reduction of informality in the e-commerce sector, the creation of a complete database, etc.
- Improvements to the payment system and support infrastructure, including:
- Intensify collaborative efforts to ensure that the National Card Payment Infrastructure (SWITCH) launches full-scale operations - with most or all card issuers and recipients, as soon as possible , according to the relevant management agreements;
- analyzing the possible implementation of the infrastructure to enable the processing of “instant payments” at the level of low value payments
- implementing a policy for fair and open access to the payment infrastructure;
- effective mitigation of financial risks in payment infrastructure;
- make full use of the current infrastructure of IDs and modern identification services for customer recognition processes.

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