Bulgarian E-commerce Association

PASSPORT 2024

of the e-commerce industry in Bulgaria

with the support of: BORICA BANK SERVICES

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FOR THE BULGARIAN E-COMMERCE ASSOCIATION

Bulgarian E-commerce Association (**BEA**) was founded in 2017. BEA members include leading companies from the entire e-commerce ecosystem in Bulgaria: e-shops, platforms, e-commerce services, logistics, electronic payments.

The mission of **BEA** is to support the development of e-commerce in Bulgaria.

BEA's main priority is to lobby for better and desirable policies for the industry by cooperating with government authorities in the creation of laws and regulations related to the conduct of e-commerce.

Bulgarian E-commerce Association is a member of **Ecommerce Europe** www.ecommerce-europe.eu

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NEW OPPORTUNITIES AND CHALLENGES FOR BUSINESS

Janet Naydenova
Chairperson, BEA

The forecast for the growth rate of the B2C (business to consumer) e-commerce market in Bulgaria is 20% in 2024. The volume of the B2C e-commerce market of products and services in Bulgaria in 2023 exceeded 1.95 billion euros and expectations for 2024 are for it to reach 2.34 billion euros.

The leading reason for the increase in e-commerce purchases among consumers is the convenience of e-commerce. Consumers, many of whom were not online shoppers before the pandemic, are seeing the utility and convenience of e-commerce. Already over 50% of online users in Bulgaria aged 16 - 74 shop online and this percentage will continue to grow. The convenience of e-commerce is the new loyalty.

In online businesses, sustainability is highly valued by potential customers. As people become more aware of their impact on the environment and society, they are looking for ways to minimize it. The growth of e-commerce offers an opportunity to rethink the use of secondary materials and goods, expanding and promoting reuse, repair, repurposing and DIY. The e-commerce sector plays a key role in connecting businesses and consumers to the booming second-hand market.

In 2024, the ratio of the volume of B2C e-commerce in Bulgaria to the country's gross domestic product /e-GDP/ is 2.34%. In Europe, the e-GDP parameter averages between 4% - 5%, in Greece 7.87%, in Romania 3.32%. Forecasts indicate that the Bulgarian online market in the next 3-5 years will have a huge potential for development.

NEW OPPORTUNITIES AND CHALLENGES FOR BUSINESS

The TOP 10 Bulgarian online shops make up a total of 21.50% of the volume of the entire B2C market in Bulgaria for 2023, which shows that the future of e-commerce is not in the many niche online shops, but in the big platforms.

A challenge for businesses is the dynamic change in the business environment in terms of industry legislation and regulations. The significant amount of new legislation from the outgoing EU mandate poses a challenge for local businesses, which must be implemented at national level. A better balance is needed between implementing new regulations and maintaining competitiveness and sustainable growth.

The priority initiatives of BEA are:

- **Lobbying** for the interests of the e-commerce industry – Position Papers and working groups;
- **Studies:** Annual European E-commerce Report;
- **Studies:** Passport of the e-commerce industry in Bulgaria;
- **TrustMark –** TrustMark for online shops;
- **Trainings:** Together with the Faculty of Economics of Sofia University "St. Kliment Ohridski" and the E-commerce Success Foundation;
- **Policies:** Round tables with the institutions.

NATIONAL TRUSTMARK

Nikolay Bakalov

Leader of
"Business Development"
and „TrustMark"
BEA

National TrustMark in e-shops

The introduction of **TrustMark** on the Bulgarian market means better protection for consumers and traders by establishing a single European set of rules and ensuring clear communication of these rules. Only organizations that are part of the Ecommerce Europe TrustMark can use the logo.

More info: https://ecommercetrustmark.eu/sign-up/

How it works?

The TrustMark protects consumers when they make a purchase through an online shop in the respective country /also applies to online shops that carry out cross-border e-commerce/ and a complaint arises. The TrustMark placed on the website of an online shop that users visit means that the company has made a commitment to work in accordance with the E-Commerce Code of Conduct, ensuring ethical standards in the online market.

NATIONAL TRUSTMARK

Benefits to consumers

SHOP SAFELY

NO PROBLEMS

CONSTANT CHECKS

Benefits for merchants

INCREASE SALES

Give your consumers peace of mind with a clear code of conduct

IMPROVE LOYALTY

Ensure loyalty of your customers by offering a secure, high-quality shopping experience

INCREASE TRAFFIC

Inspire trust with a European and national logo well-known by consumers

TrustMark stimulates e-commerce by better protecting consumers and traders, by creating a single /European/ set of rules and ensuring clear communication of these rules.

Certification methodology

- ✓ The online merchant applies for National Trust Mark certification;
- ✓ According to pre-approved criteria, according to European directives /152 for Bulgaria in 13 categories/ an audit is carried out by an independent third party;
- ✓ If the audit criteria are met, the merchant is notified that he is certified, entered in the register and receives the TrustMark logo (the national one and if he is a member of the BEA - the European one) after paying the audit and license fees for 1 year;
- ✓ If the criteria of the audit are not met, the merchant is notified which criteria are not met and after their fulfillment he is certified and entered in the register (after payment of the relevant fees).

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USE OF THE INTERNET

In 2023, 85% of the entire population of Bulgaria aged 16-74 had access to the Internet and 50% of online users aged 16-74 purchased goods and/or services online.

6 445 481

85% **4 800 000**

50% **2 400 000**

Source: European Ecommerce Report 2024, NSI

ONLINE SHOPPERS

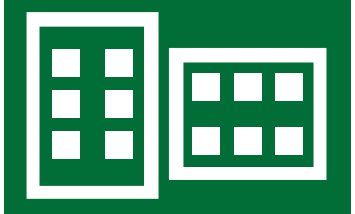
45.2% of persons aged 16-74 bought goods/services on the Internet for personal purposes in the last 12 months.

ONLINE SHOPPERS by sex

47.2%
Women

43.1%
Men

ONLINE SHOPPERS by residence



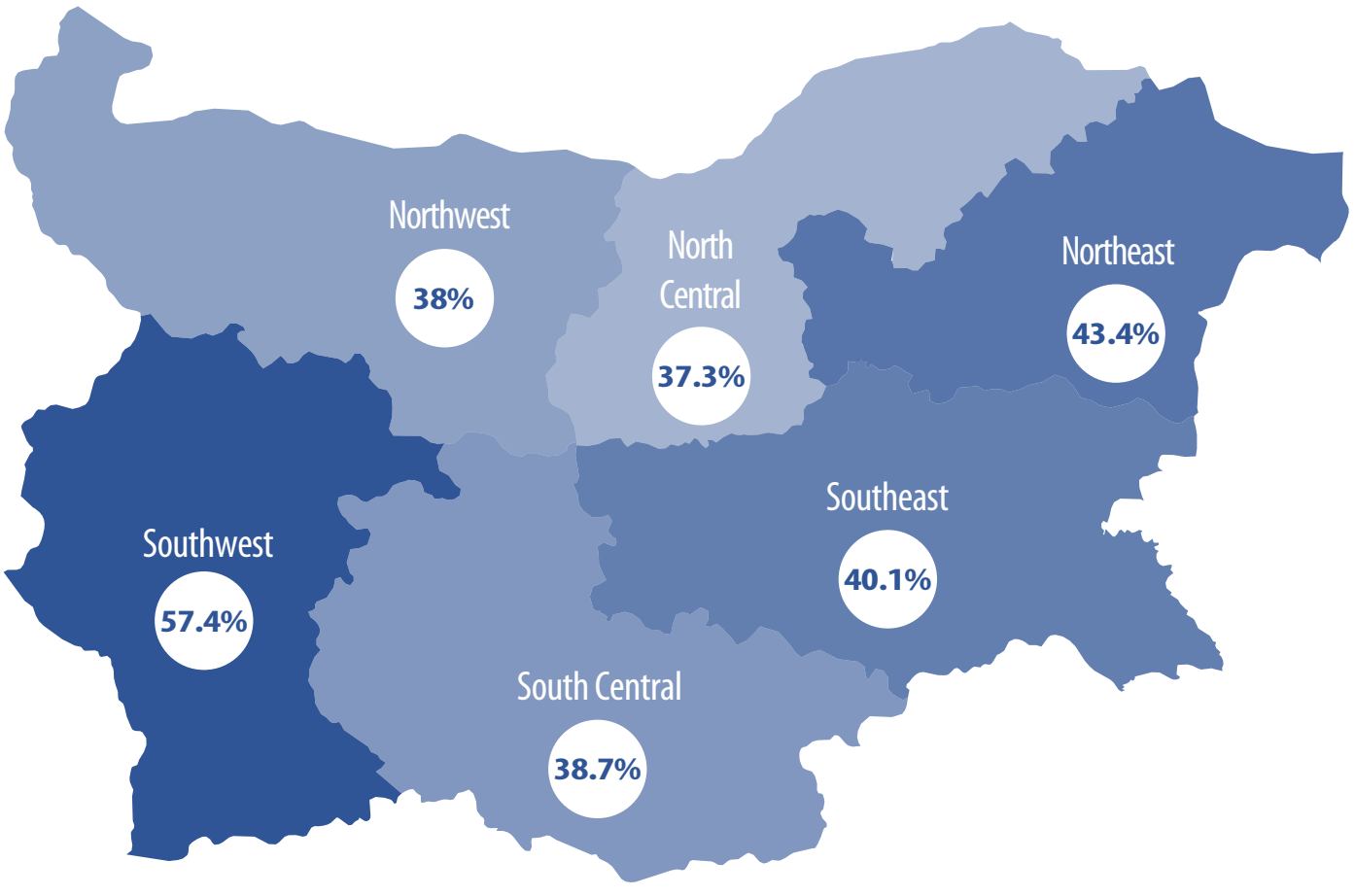
50.2%
Urban

30.7%
Rural

Source: NSI
Note: The relative share is calculated on the basis of the general population between 16 and 74 years of age.

ONLINE SHOPPERS

The largest percentage of 57.4% online buyers is in the Southwest region of Bulgaria.



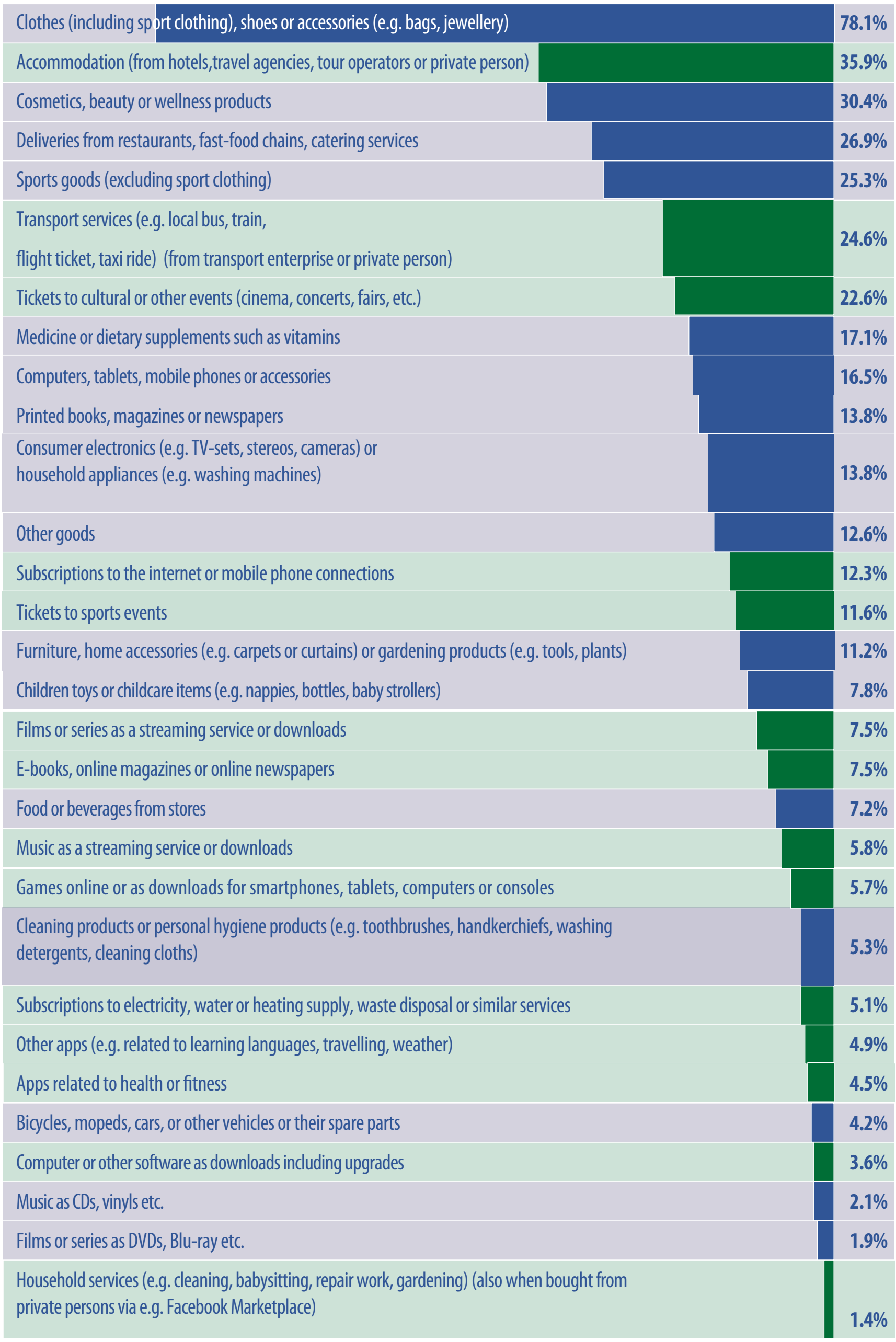
Source: NSI

Note: The relative share is calculated on the basis of the general population between 16 and 74 years of age.

ONLINE CATEGORIES OF GOODS AND SERVICES

78.1% of all online shoppers in 2023 ordered clothes (incl. sportswear), shoes, accessories (eg. bags, jewellery), 35.9% -accommodation (from hotels, travel agencies, tour operators or private individuals), 30.4% - cosmetics, beauty and health products, 26.9% - food from restaurants, fast food chains, catering, 25.3% - sporting goods (excluding sportswear), 24.6% transport services (eg bus tickets, train, plane flight, taxi) , 22.6% - online tickets for various events, 17.1% - medicines, nutritional supplements, vitamins, 16.5% -computers, tablets, mobile phones and their accessories, 13.8% - printed books, newspapers, magazines, 13.8% consumer electronics and household appliances, 12.3% internet, television and mobile phone service subscriptions, 11.6% tickets for sporting events, 11.2% - furniture, home goods, garden accessories, 7.8% - children's toys, children's accessories, etc.

TYPE OF GOODS OR SERVICES ORDERED ON THE INTERNET



Source: NSI

Note: The relative share is calculated on the basis of individuals who bought goods or services over the internet in the last 3 months before the interview.

BORICA
BANK SERVICES

E-COMMERCE
TECH SOLUTIONS BY BORICA

Facilitating online card payments

- Plug-in
- Credential on File
- Recurring payments
- InfoPay Checkout
- Pay by link

Apple Pay Google Pay

e-comPlugins@borica.bg

BORICA in service to the e-commerce business in Bulgaria

Boyan Damyanov,

head of
E-commerce Department

BORICA
BANK SERVICES

How BORICA supports e-commerce merchants?

BORICA plays a key role in the development of the payment infrastructure in Bulgaria, as e-commerce and online payments are increasingly becoming one of the company's top priorities. BORICA provides technological solutions for both e-commerce merchants and their consumer customers.

Traditionally, BORICA's participation in the payment process is associated with the provision of virtual POS terminals for card payments that reach merchants through the banks that maintain direct contact with them.

In the last 2 years, however, the company has also taken on a new role. We have rethought the model in which we operate and repositioned ourselves based on feedback from our customers. We have found that they expect us to not only build the infrastructure they need, but also to do the onboarding of the merchants and their follow-up servicing.

As a result of this feedback, we have launched a Merchant Help Desk that enables online stores to contact our technical team directly. This is a fundamental change in approach, with banks focusing on the business aspects and all technical and support activities and processes being handled by us.

What do on-line merchants need?

First and foremost, an opportunity to focus on their core business, cater to their customers, increase their turnover and profit. This implies that all other activities should take a minimum of time and effort, happening as easily as possible.

Therefore, in recent years we have focused on off-the-shelf card payment solutions, on plug-ins. Quite naturally we started with WordPress, given that it is the most popular and frequently used platform in Bulgaria. Then we offered a plugin for Magento and added a module for OpenCart. We are also working on solutions for other e-commerce platforms.

When we were creating these plugins, one of the most important factors was to make sure that they would be easy to implement and use, with no time-consuming implementation. However, that is not enough, we strive to make our services as accessible as possible. Accordingly, as a compliment to our customers, we offer the plugins for free.

What are the key factors for the success of the e-commerce business?

They are numerous and most varied, depending on the business sector, the positioning of the company, the chosen strategy, etc. But there are also factors that are common to almost all merchants, for example the need to manage customer relations. Metrics such as the cost of acquiring new customers and conversion rate in e-commerce are getting increasingly important. And they naturally lead to the need to create loyal, regular customers, to create long-term relationships.

Therefore, we have implemented services like Credential on File and Recurring Payments to help businesses.

With Credential on File, we enable the customer to save their card details when they shop at a merchant and not have to re-enter them for subsequent purchases. This service aids cardholders, motivates them to shop more often from the specific company, creates loyalty.

BORICA in service to the e-commerce business in Bulgaria

A key element in this type of service is to ensure a sufficiently high level of security, as sensitive data is involved. We provide a solution in which data is stored by BORICA in strict compliance with the relevant standards and annual audit procedures are conducted by independent external auditors.

Credential on File has been an outstanding success, with over 770,000 active registrations as of 30 September 2024, and more than 3 years of robust growth in new customers for this service.

With Recurring Payments we have taken another step forward. We enable not only the customer's card details to be saved, but also subsequent payments to be made automatically without the cardholder's involvement. The merchant also has no involvement in this, transactions are processed via our e-commerce platform, an OpenWay product.

The service is suitable for subscription payments and the highest level of security is applied. Such payments are extremely popular in many countries, including in Europe, and are still rare in the local market. We hope this will change.

How do you see the future of card payments?

The future, and increasingly the present, is about implementing technologies that require a minimum of effort of both merchants and cardholders.

One key factor is the increasing use of mobile devices for online shopping. According to research conducted by BORICA in December 2022, 56% of consumers use a mobile phone, 40% use a PC or laptop, and 4% use a tablet. It is not always very convenient to manually enter bank card details via a mobile device. It is annoying, time-consuming, and sometimes the customer just gives up on the purchase.

There is therefore a growing expectation that manual entry of bank card details in online purchases will become obsolete. And only payment solutions that are most intuitive and easy to use will survive.

Evidence in this direction is the flourishing of payments with digital wallets such as Apple Pay and Google Pay, both in physical outlets and in e-stores. We also recognize this trend and work on implementing these payments for merchants

using virtual POS terminals from BORICA, respectively our Way4 platform from OpenWay. The digital wallet solution we will offer will achieve two main objectives. Its implementation will not require any development on the part of e-commerce merchants, and the security requirements, expressed in the need for PCI DSS certification, will be covered on our side.

Services such as Credential on File and Recurring Payments are also designed to make it easier for consumers and minimize the need to manually enter card details.

What is missing in the card payment area?

What is most often lacking is a holistic, integrated approach. There are many direct and indirect actors in the payment process and if one of them is not satisfied, the whole ecosystem suffers.

In line with this vision, we strive to cater to all parties involved in payments - the e-commerce merchants as well as the banks and financial institutions that work with them. We also offer authentication solutions for cardholders making payments online.

But more often than not, the developer companies are relegated to the background. They specialize in creating complex solutions for e-commerce merchants by integrating card payments, but they also take care of many other technical aspects. Recognizing the importance of this target group, we are working on creating a Developer Portal to facilitate their work by providing more testing opportunities through Sandbox, providing direct contact with BORICA's technical team, and access to more technical documentation and program code examples.

What other trends do you expect in relation to e-commerce payments?

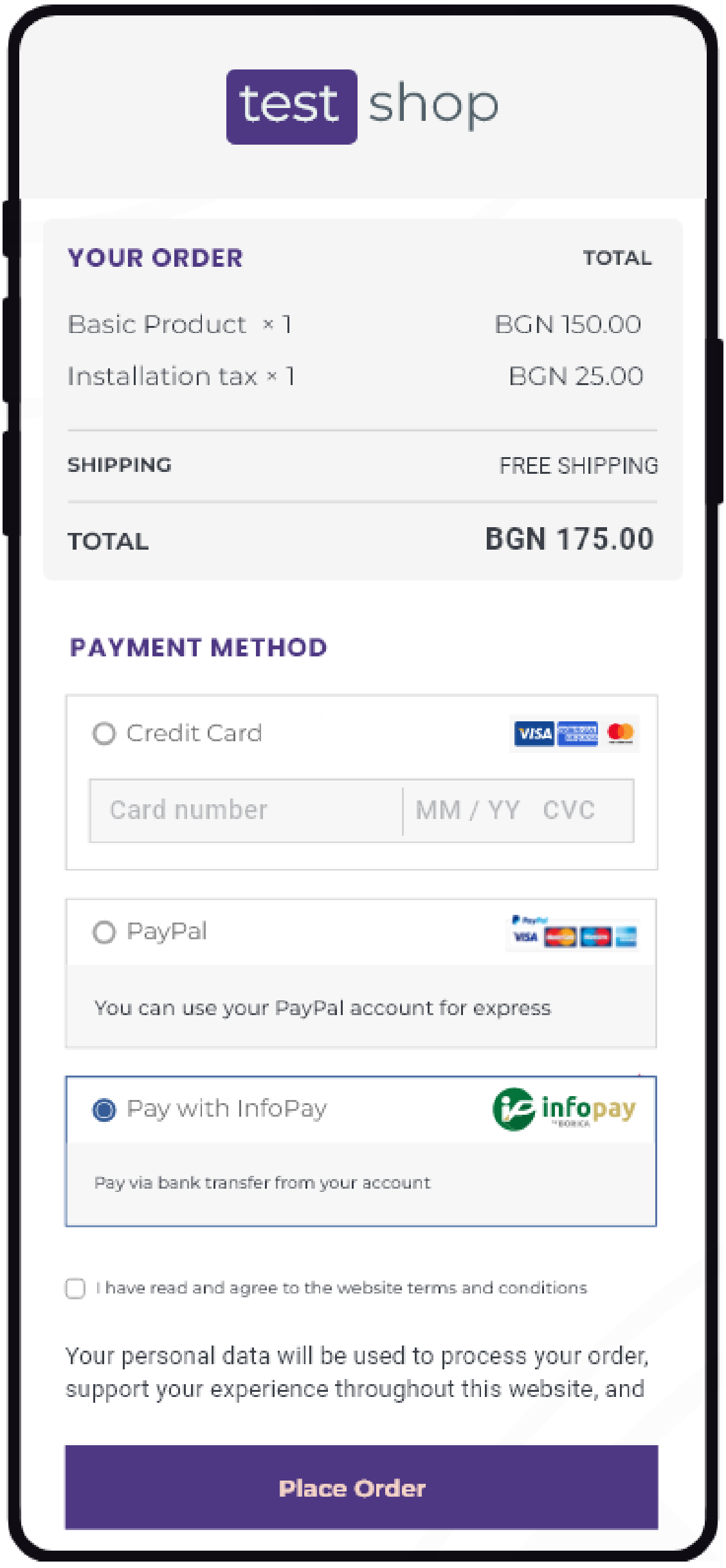
The leading trend is towards reduction in cash payments on account of increased digital solutions, which implies enriching the range of online payment options available to customers.

BORICA in service to the e-commerce business in Bulgaria

BORICA's aim is to satisfy customers' needs for fast and convenient payments as much as possible. We will therefore increasingly focus on payment solutions based on Blink instant payments.

But we are not talking only about the future. Open banking services are becoming increasingly popular in Europe and are gaining momentum in Bulgaria. We already offer such a service, this is InfoPay Checkout, which allows for an online payment to be made by a bank transfer, from account to account.

The service is suitable for insurers, utility companies, telecoms, financial companies. The main advantages for the merchant are faster receipt of funds from sales compared to card transactions, as well as lower costs. The ability to integrate with the merchant's ERP system should not be overlooked. And from the end-customer perspective, the service provides the option of online payment without the need for a bank card. The convenience and security of these payments are the same as of any other bank transfer that customers make by using their online or mobile banking.



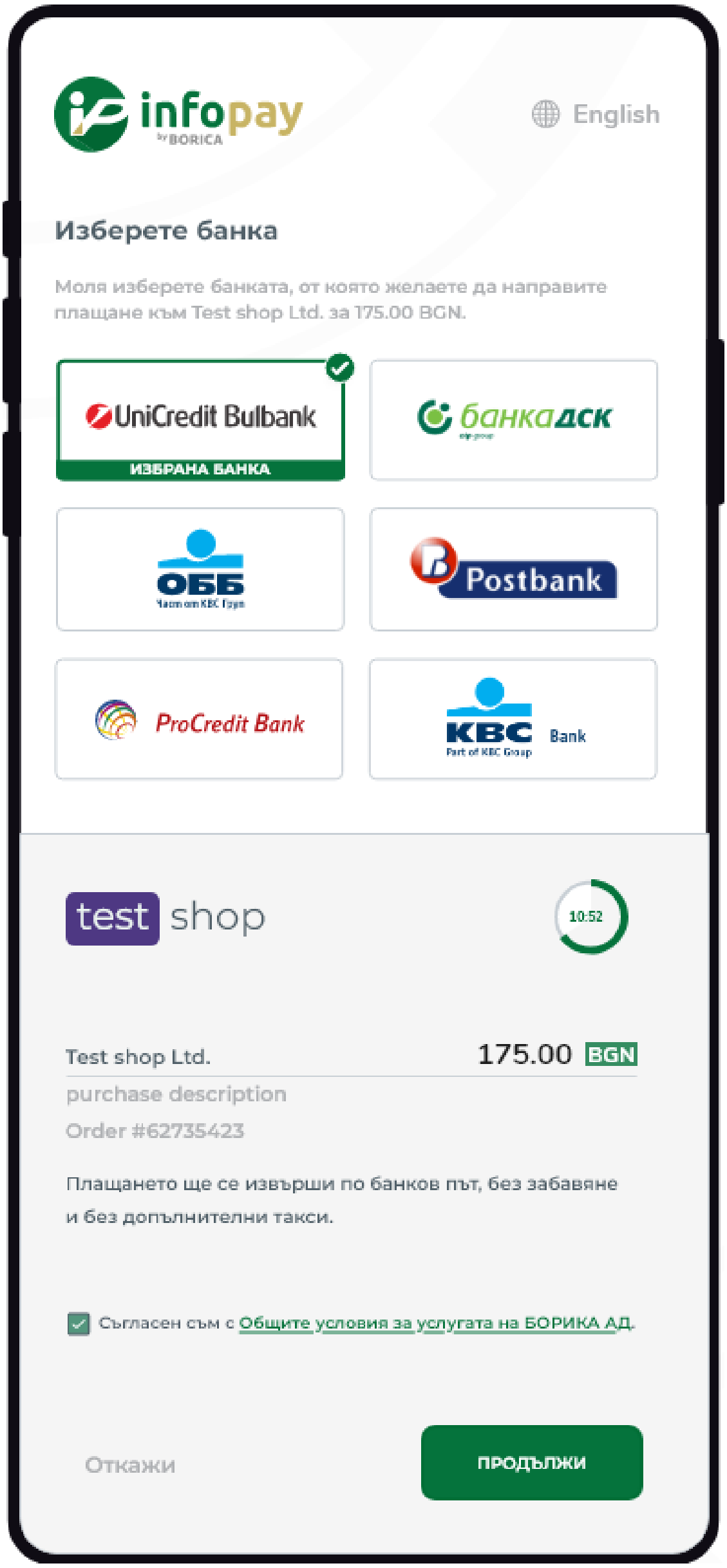
Why should merchants choose to use digital payments?

BORICA in service to the e-commerce business in Bulgaria

First of all, because it is in their interest. Goods remaining uncollected by customers are an aspect that creates a lot of worries for e-commerce merchants. This is a significant problem with financial impact for them as it leads to returned shipments and logistic costs.

Moving from cash on delivery to digital payments, which virtually eliminate the risk of the customer 'forgetting' that they have ordered goods online, is a key step in overcoming this problem. Some retailers have already realized the benefit to them of limiting cash on delivery by offering free delivery of ordered goods only when paying by bank card.

Digital payments are increasingly sought by end customers, they give greater security to all e-commerce participants and are an important part of the process of creating loyal customers.



BORICA
BANK SERVICES

CREDENTIAL ON FILE

Keeping customer's card details for subsequent purchases

- Fast, easy and convenient payments
- More loyal customers
- Option for recurring payments
- High security

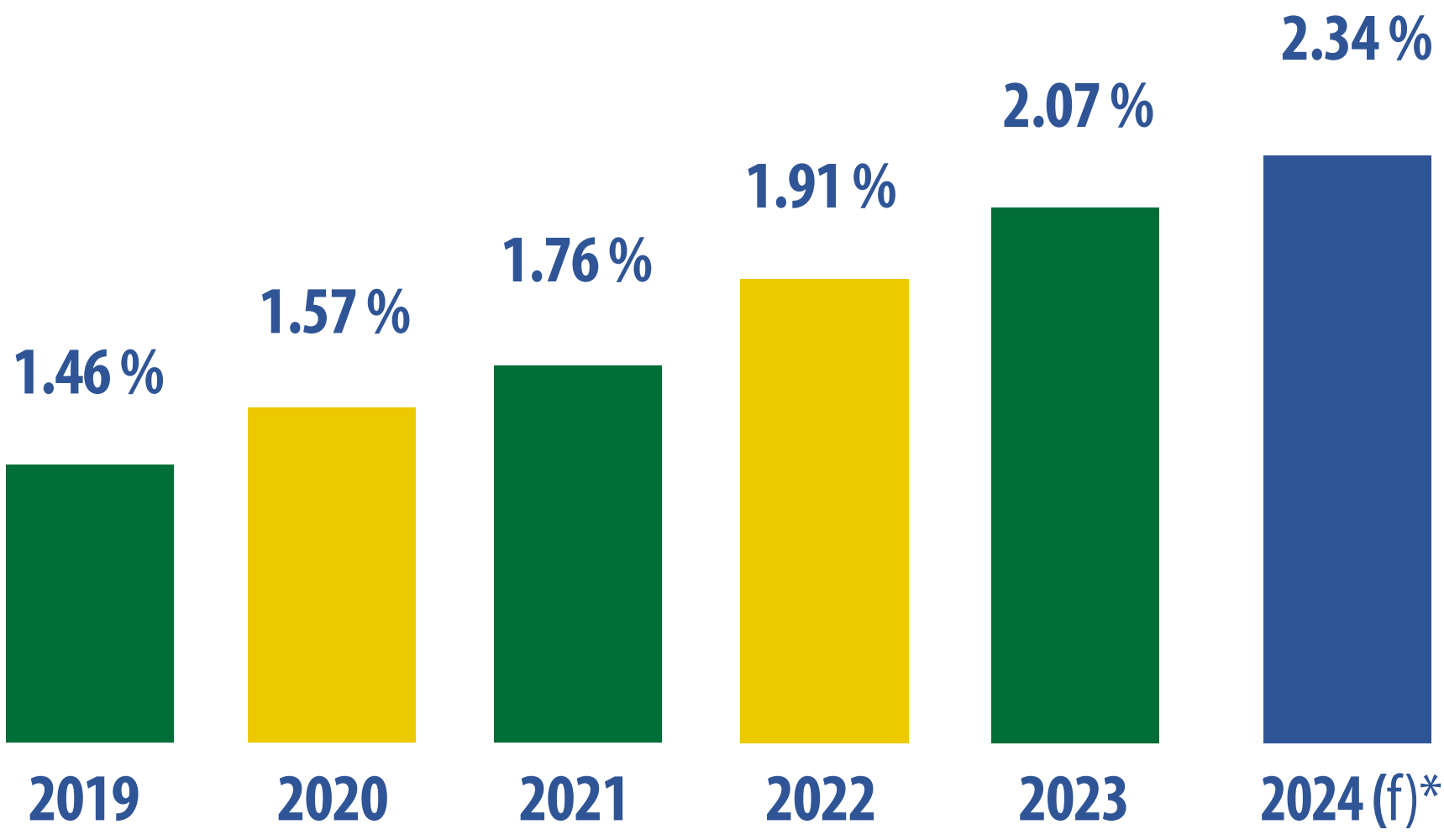
e-comPlugins@borica.bg

GROSS DOMESTIC PRODUCT (GDP)

YEAR	GDP (bln. euro)
2024 (f)*	98.800 €
2023	93.900 €
2022	86.000 €
2021	71.100 €
2020	61.900 €
2019	61.500 €

*forecast data
Source: European Ecommerce Report 2024

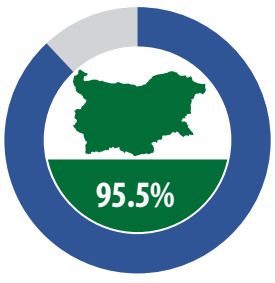
E-GDP | E-COMMERCE SHARE OF GDP



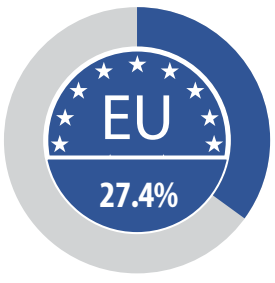
*forecast data
Source: European Ecommerce Report 2024

LOCATION OF ONLINE MERCHANTS

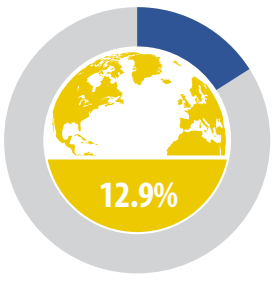
The largest percentage 95.5% of online buyers in 2023 purchased goods and/or services from Bulgarian online stores, 27.4% from online stores in European Union countries, 12.9% - outside the European Union.



Bulgarian online stores



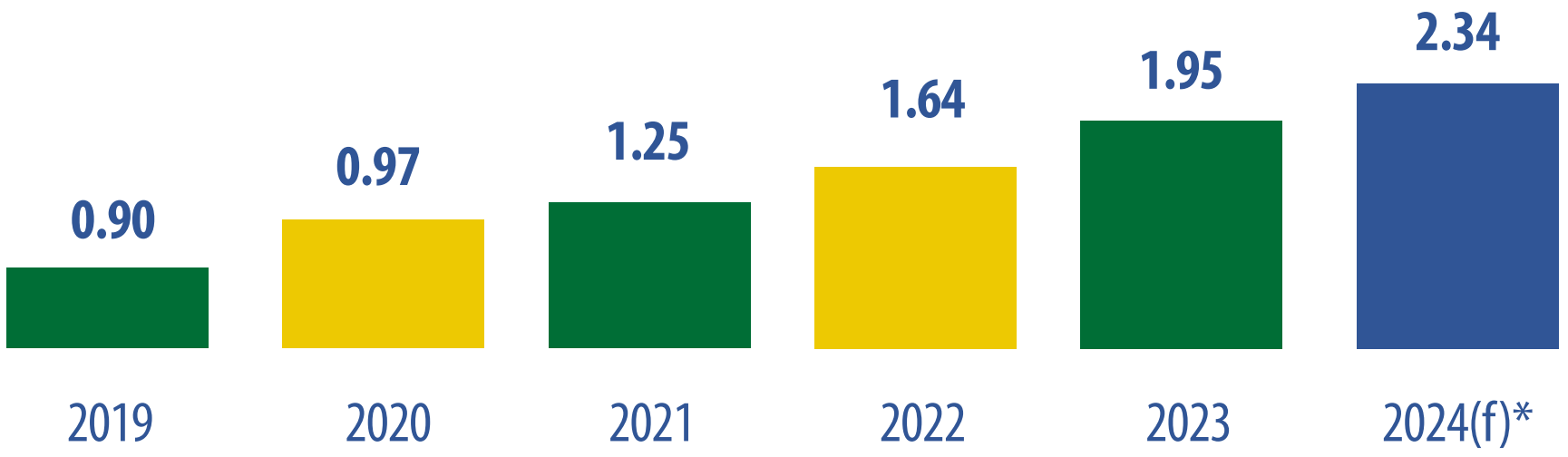
Online stores in European Union countries



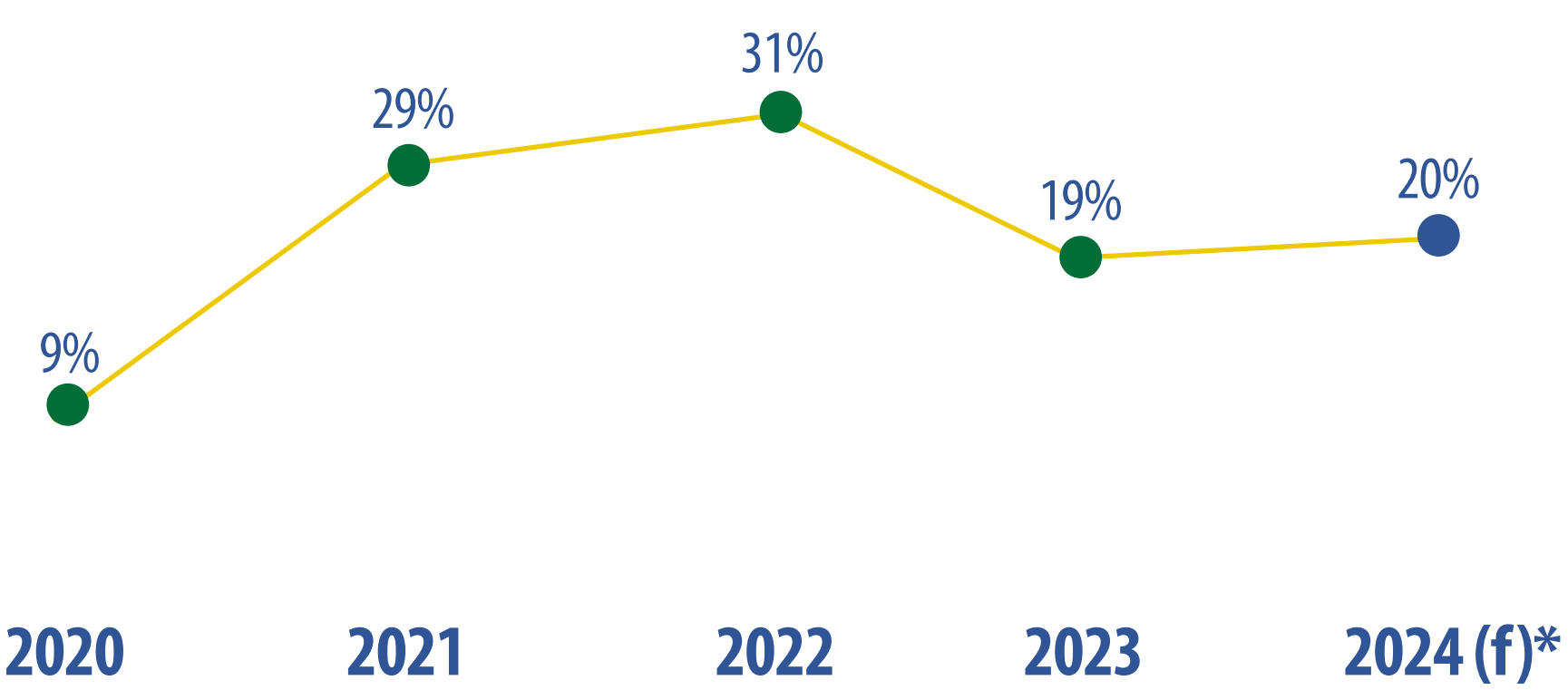
Online stores outside the European Union

Sellers country of origin is unknown

B2C ONLINE SALES OF GOODS / SERVICES /IN BLN. EURO/



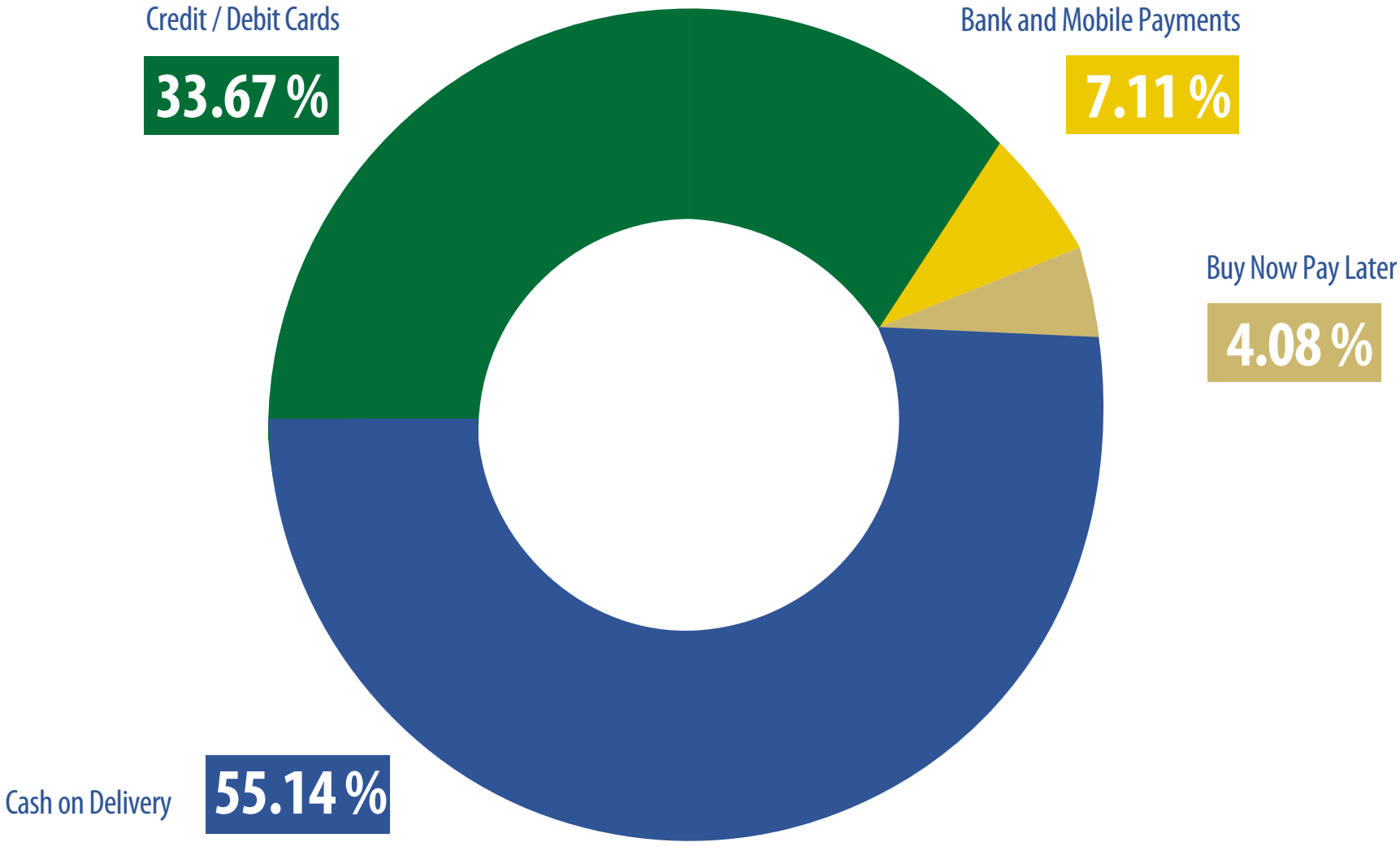
GROWTH OF B2C E-COMMERCE



*forecast data

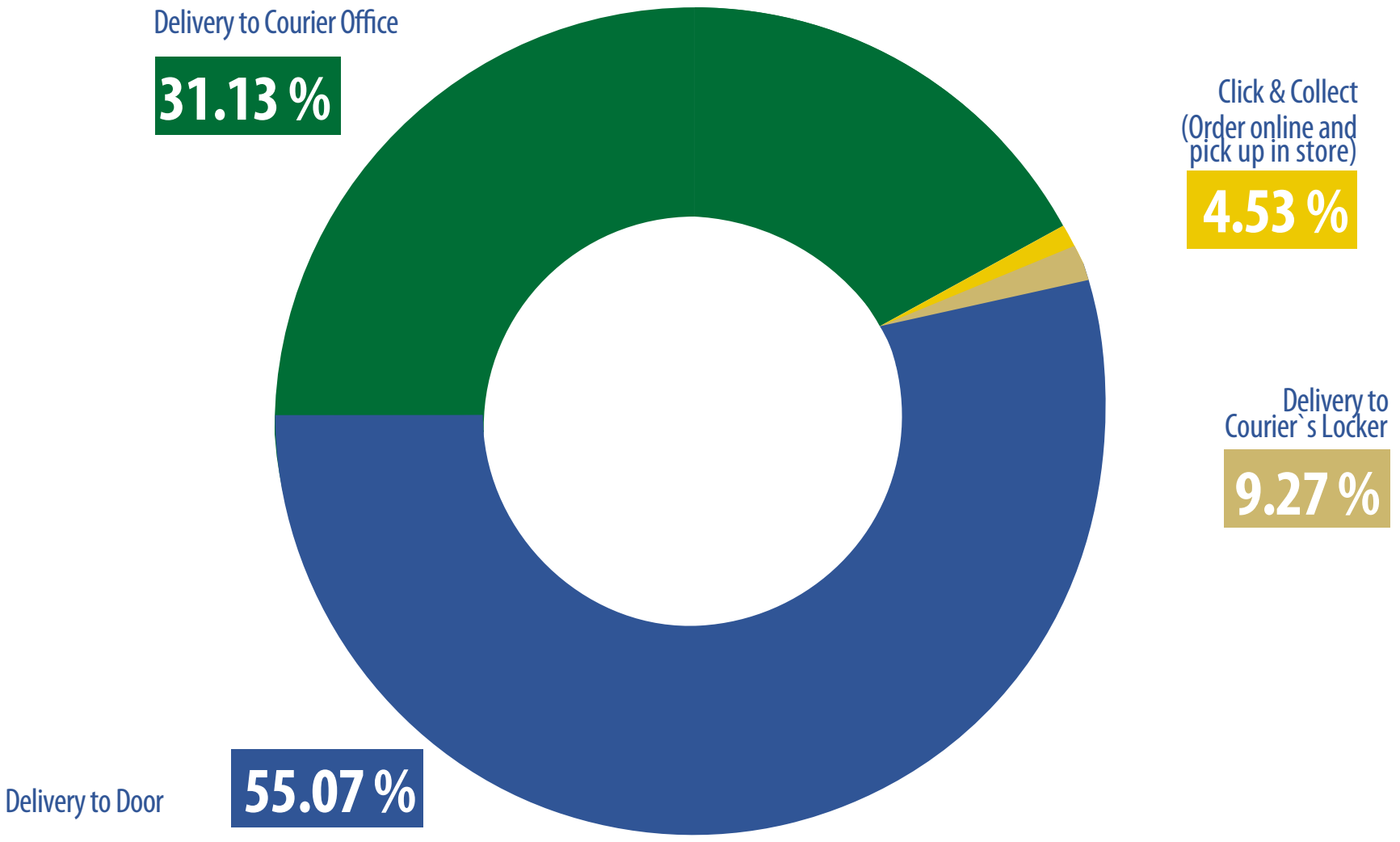
Source: European Ecommerce Report 2024

PAYMENT METHODS



Source: Bulgarian E-commerce Association survey with a scope of 4 893 464 online orders for 2023 г.

SHIPPING METHODS



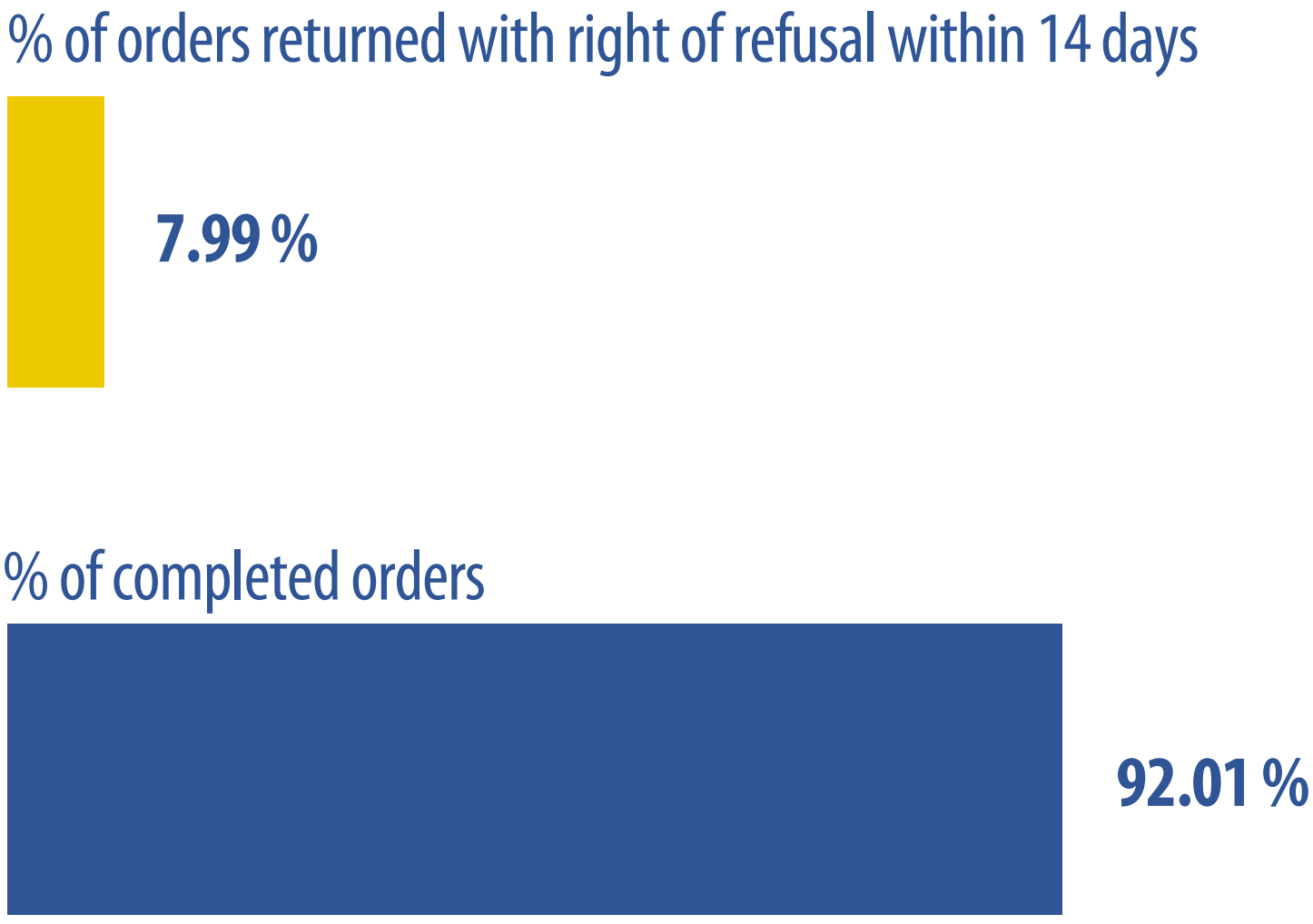
Source: Bulgarian E-commerce Association survey with a scope of 4 092 515 online orders for 2023.

AVERAGE ANNUAL ONLINE BASKET

812 euro

Source: Bulgarian E-commerce Association

% OF ORDERS RETURNED WITH RIGHT OF REFUSAL WITHIN 14 DAYS



Source: Bulgarian E-commerce Association survey with a scope of 4 092 515 online orders for 2023.

TOP 10 BULGARIAN ONLINE SHOPS 2023

Position	Online shop
1.	EMAG.bg
2.	Ozone.bg
3.	Technolopis.bg
4.	RemixShop.com
5.	eBAG.bg
6.	JYSK.bg
7.	IKEA.bg
8.	SportDepot.bg
9.	Ardes.bg
10.	ZORA.bg

The TOP 10 Bulgarian online shops together make up 21.50% of the volume of the entire B2C market in Bulgaria for 2023, which shows that the future of e-commerce is not in the many niche online shops, but in the big platforms.

Source: Forecast data for 2023 of BEA

CLARIFICATIONS

When determining the forecast data for the sales of Bulgarian online shops in Bulgaria in 2023 in order to create a ranking of the TOP 10 online shops by sales in Bulgaria, the following were taken into account:

1. Only online shops that operate through legal entities registered in Bulgaria.
2. The ranking does not include cross-border trade, but only online sales realized in Bulgaria, in order to ensure comparability of the results for the ranking.
3. The ranking does not include online shops that sell in Bulgaria through legal entities registered outside Bulgaria.
4. For legal entities with retail chains and online shops, only sales through online stores are taken into account.
5. When determining the estimated sales data for Ozone.bg in 2023, the online sales of Pulsar.bg, PCStore.bg, Baby.bg, which OZON ENTERTAINMENT AD (the legal entity, 100% owner of Ozone) acquired in 2019 and 2020, are not included.
6. When determining the estimated sales data of RemixShop.com, only sales realized in Bulgaria are included (sales realized in Greece, Romania, Poland, Czech Republic, Slovakia, Hungary, Germany and Austria are not included, in which countries RemixShop.com sell online).

Note:
After publication of the final annual financial statements for 2023, it is possible that there will be slight movements in the positions.

METHODOLOGY

In the current ranking of the TOP online shops in Bulgaria with forecast data for online sales in 2023, the used methodology is based on statistics and analysis of visits to online shops and the quality of the audience of each of them for 2023. Then a conversion % is applied for the type of business, with which the average number of orders for 2023 is obtained and the average basket in BGN is applied for the type of business. For mixed business models (with offline retail chains and online shops) additional detection of % of online business to the whole business for the type of industry is applied, as with large chains, a lot of money is invested in mass marketing, which leads to large visits to the online shop, but with a lower conversion %.

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Publisher: Bulgarian E-commerce Association

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