

E-commerce Facilitation

in Bosnia and Herzegovina
Case Study

Author: Adis Muhović

April 2023

Supported by:



Implemented by:



Problem Overview

Developing e-commerce benefits companies' business development and improves the experience and position of the consumers and the outlook of the labour market. There are many advantages of e-commerce. Companies can increase their competitiveness by broadening their market by reaching consumers far from their physical stores, thus increasing turnover and simultaneously lowering operational costs. Consumers enjoy the convenience of shopping from home and benefit from the broad market competition, as they have more choices and the opportunity to make optimal shopping decisions. At online stores, one can shop for products or brands unavailable in local stores, compare prices, and have a wide range of goods and services available more quickly. Simultaneously, e-commerce development creates demand for more sophisticated jobs in the trade industry – better-paid jobs requiring complex skills.

But more than a few factors can lower consumers' trust in a new market practice like online shopping, thus discouraging consumers from engaging in it and slowing down the utilisation of benefits for all sides. There are two groups of these factors. The first relates to the capability of companies (market players) to address and minimise the practical drawbacks of online shopping. These drawbacks include the quality of product description and presentation since consumers cannot physically see or feel the product or interact with sales personnel to inquire about details. This also includes price and shipping time, the ease of returning products, and the availability and security of web platforms and payment processing. The second group of factors refers to rules and regulations that could hinder or obstruct market growth.

Before MarketMakers launched the intervention, there was no abundance of data on the e-commerce market in Bosnia and Herzegovina (BiH). The Agency for Statistics of BiH (BHAS) researches the use of information and communication technologies (ICT) in enterprises and households. The data shows that one in five companies (21.7%) in the country received orders online during 2017¹, while more than three-quarters (76.4%) of households/individuals have never placed an order over the Internet². Compared with the data available for the EU countries³, the number of companies that offer their products and services online in BiH was in line and slightly above the share of such companies in the EU (19.2%). Still, the population of BiH buying online is significantly lower than the EU average (64%)⁴.

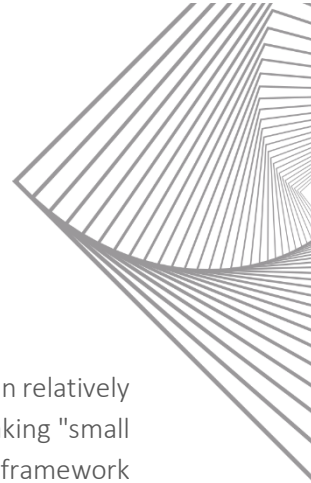
The legislative framework in BiH was suitable for the digitalisation of commerce. Companies and individuals with registered business operations for trade (trade companies and sole traders) could legally start trading online on one or multiple platforms – their website/app, numerous marketplaces, third-party sites, or social media platforms. Traders could also accept various payment methods – bank transfer, cash on delivery, and credit card processing – payment gateways. The availability of payment methods was limited only by the platform traders chose, and the only option that allowed companies to offer usage of all payment methods was to build their webshop.

¹ Agency for Statistics of Bosnia and Herzegovina, Use of Information and Communication Technologies in Bosnia and Herzegovina, 2019, pg. 38, https://bhas.gov.ba/data/Publikacije/Bilteni/2020/IKT_00_2019_TB_0_BS.pdf

² Ibid 1, pg. 22.

³ Eurostat, E-commerce statistics, table E-sales and turnover from e-sales, EU, 2012 to 2021, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=E-commerce_statistics&oldid=570392#Web_sales_dominant_in_all_EU_countries

⁴ Eurostat, E-commerce statistics for individuals, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=E-commerce_statistics_for_individuals



The legislative framework is restrictive in terms of "fixing prices" of postal fees, which resulted in relatively high prices of both express deliveries and deliveries with a "cash on delivery" option, thus making "small purchases" with fast or method favoured by consumers economically unviable. The legislative framework is also restrictive for FinTech development, as it doesn't allow companies to process payment transactions. Money transfer is an operation only banks and formal financial institutions are permitted to conduct legally. In terms of online payment processing, this reduces the possibility of new market entries, especially for leading global players, thus reducing the competition and disabling the reduction of payment processing costs and fees.

The lack of capacities of market inspectorates to monitor online sales and detect illegal sales online (via social media and online marketplaces) was one of the biggest complaints of legal online sellers on the institutional framework. The grey market reduced the competitiveness of legal webshops and reduced the inflow of tax money into public budgets. An illustrative example is that clothing products, as most purchased products online in BiH, are the second most often informally purchased. According to a quantitative survey on the informal economy conducted in 2019⁵, 31% of the population who admitted buying goods/services from illegal providers purchased clothes. Authors of the report suggested that apart from a portion of these purchases related to hand-tailored clothes and bazaars, such high percentages might, to some extent, reflect the rapid expansion of online trade.

In their efforts to acquire more data and put the BiH market developments in the perspective of opportunities and challenges of regional countries, the MarketMakers staff attended the regional e-commerce conference "E-commerce Day 2018" in Zagreb. It was also evident at this event that there is no data available for the segmented e-commerce market in BiH, contrary to countries like Croatia, Serbia, and Slovenia, where different actors join forces to systematically work on the development of e-commerce solutions and discuss how to keep up with global trends.

Considering all this, to help the broad adoption of e-commerce in BiH, it was sensible to analyse factors that hindered the adoption of this beneficial practice (especially on the consumer side) and to plan and design the interventions based on research findings. These interventions should help inform and incentivise the market players to adapt existing or establish new business processes and practices and to make joint efforts for systematic development of the e-commerce sector in BiH through activities towards retailers, consumers, and policymakers.

⁵ Centre for Policy and Governance, 2020, Shedding Light on the Shadows – Exploring Informal Economy in Four South East European Countries



MarketMakers' Intervention

2.1. Research into E-commerce Market in BiH

To obtain an overview of the e-commerce sector, understand the market, and identify development challenges and opportunities, MarketMakers commissioned a research on the e-commerce market in BiH from the perspectives of consumers (individuals) and the business sector. Research agency Valicon conducted the research. Desk, qualitative⁶, and quantitative research⁷ were conducted to explore the companies' prospects for the future. The perspective of consumers was acquired through quantitative research⁸.

This activity was implemented from January to April 2019, an appropriate and necessary step to acquire data and recommendations for further intervention planning. Research on internet users' habits and behaviour delivered different results compared to data available from BHAS, as half of the surveyed internet users (54%) stated that they shop online several times a month or at least once every three months. More than a third of internet users shop online at least once a month. The research concluded that from the consumer perspective, shopping has practically moved to the Internet, especially in the stages of search and decision-making, when consumers also decide whether to buy online or offline. A significant shift was evident on the demand side, with several barriers to (more frequent) shopping identified – lack of habit, lack of experience, fear about shopping security, and personal and financial reasons. Research showed that the preferred payment method remained cash on delivery, the first of several advantages of domestic webshops, next to fast shipping and delivery. Domestic online retailers' weaknesses to be addressed to increase e-commerce transactions in BiH are value for money, product descriptions, insufficient customer reviews, and shipping prices.

Recommendations for improving the e-commerce market on the consumer side include raising awareness of the benefits of online shopping and card payments and educating consumers on how to shop safely online. Recommendations for improving the market from the business perspective included what information and education retailers need and what activities (funding, cooperation, and workforce training) could incentivise and popularise the adoption of e-commerce and spur growth.

In the period September – December 2019, based on the results of the research, MarketMakers designed an intervention for the growth of e-commerce with three major components:

- financial support for 40 new webshops,
- a marketing campaign for the education of consumers, the establishment of the E-commerce Portal,
- creating preconditions for formalising the partnership and establishing the E-commerce Association.

In the same period, MarketMakers met 15 major market players in e-commerce to choose the leading partner and make a partnership for joint actions on improving e-commerce in BiH. In January 2020, MarketMakers signed the Memorandum of Understanding (MoU) with five e-commerce partners (OLX, Monri, BIT Alliance, DHL, and Liliun Digital) to start the implementation of the intervention. Before the MoU signing, MarketMakers invested in the creation of an elaborate investment plan for e-commerce, which was based on the market analysis, Valicon e-commerce research and stakeholder analysis (more on [02.3. Establishment of the E-commerce Association](#)) conducted by MarketMakers IT Sector Leader

⁶ In-depth interviews (IDI) with 12 companies, six with a webshop and six without.

⁷ CATI method, survey sample of n=100 companies, 50 that have webshops, and 50 that do not

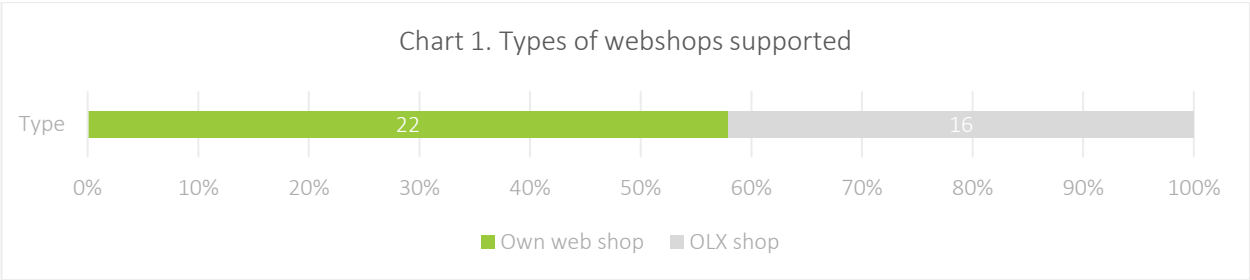
⁸ CAWI method, survey sample of n=1.500 internet users in BiH

and an external expert. The total amount invested in Valicon research on e-commerce, external business consultancy support in intervention planning, and 1st e-commerce test shop (Commerce Care) was 74,000.00 BAM. The investment plan was a pitch to attract these parties into the MoU and joint investment.

2.2. Financial support for launching new webshops

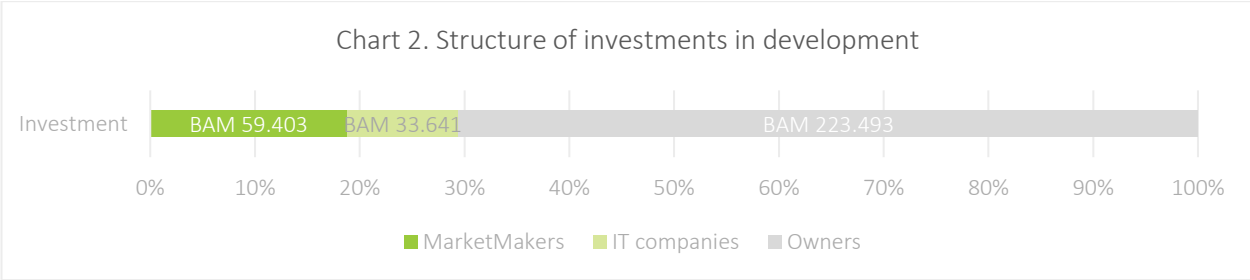
Overview

Implementation of the investment in new webshops (trade digitalisation) started in June 2020 with the above-listed partners. By December 2020, the intervention funded 20 new webshops, and by April 2021, it created 38 new webshopsⁱ List of 38 supported webshops. The intervention included different types of companies – from large producers/retailers to small family businesses. Of these 38 new online retailers, 22 chose to build their webshop, while 16 opted for the shop on a partner (the country's most popular) marketplace - OLX.



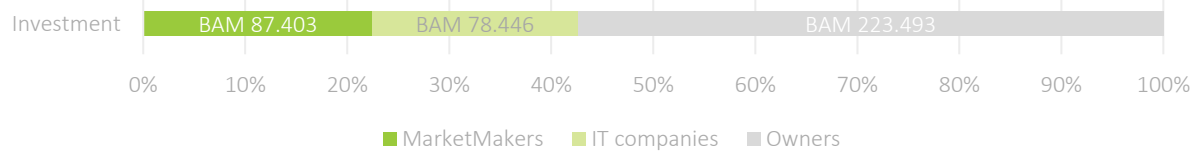
Market relevance

Over 81% of the total 316,536.08 BAM invested in developing all webshops came from partner IT companies and business owners (beneficiaries). The investment structure (see Charts 2 and 3) indicates that this intervention was relevant and aligned with market needs. The investment's form and design also reflect the MarketMakers' approach – that financing they provide should serve only as a first incentive that reduces initial costs and risks.



When considering additional funds invested in the promotion campaigns for safe e-commerce and the e-commerce conference, the total invested in development and promotion amounts to 389,341.08 BAM, of which MarketMakers invested 22.4%. In contrast, partners and business owners invested 77.6%ⁱⁱ Recapitulation of investment in the development of webshops and the promotion campaigns.

Chart 3. Structure of investments in development and marketing



Interviews with representatives of two IT companies who developed six out of 16 webshops (37.5%) supported through the intervention helped to analyse the intervention design's quality further. Both interviewed representatives agree that this intervention "nudged" their clients into investing in a webshop. They also agree that most of their clients (beneficiaries of the investment) would opt to invest in a webshop at some future point, but most probably not immediately. Both representatives cited two reasons for these inclinations. First is that demand from clients' customers for online orders has increased constantly. The second is that restrictions imposed during the COVID-19 pandemic raised concerns that businesses must prepare for future "black swans" (similar unexpected events). The timing of the intervention is particularly interesting, as lockdowns imposed by the governments due to the COVID-19 outbreak just ended, and physical stores were reopened and functioning as before the lockdowns. In that sense, the opportunity that lockdowns, and a substantial spike in online retail, represented for online retailers has passed. However, the scars of those who "missed the opportunity" were still fresh.

With "social distancing" in place and things "back to normal", many clients once again perceived the investment in a webshop as an "expensive experiment" with a relatively "uncertain return on investment". Both IT companies' representatives believe that intervention, as designed (to reduce the initial investment for clients by 30% with subsidy incentives from MarketMakers and partner IT firms), broke the psychological barrier for clients in two ways. For one group – those clients who were unsure about the profitability of the launch of online sales, it drastically speeded up the decision to invest, as time was of the essence to reduce the investment cost by using the time-limited offer. One of the two representatives emphasised that this intervention nudged even the decision of a few clients who applied for funding for their pilot projects but were not supported, as later they invested in those projects on their own. For the second group – those who were indecisive about whether they should invest in a more costly option (with more functionalities), the intervention eased the decision, as it allowed them to get more (all functionalities) for the money they wanted to invest at some point. In both cases, the intervention accomplished its goal – to help companies decide to invest in launching online sales.

Interviewees gave two different answers when asked if there is a better way to design an intervention to help the growth of the e-commerce sector and create new IT jobs. The first is related to the scope of funding; that intervention could be "more ambitious" by providing more funds to fund more companies. The second is associated with the design of the intervention. Instead of investing in new adopters, one interviewee argued that money could be better invested in helping existing and "proven" online retailers analyse their operations and solutions and provide recommendations for increasing sales and scaling businesses. He believes it would have a more significant impact on the growth of e-commerce, although he admits it could have a limited effect on new employment in the sector. This is an interesting point of view, especially considering that all clients of both interviewed representatives supported within the intervention reported high satisfaction with their online sales experience and committed to investing more in online sales and marketing.

Data and information available to MarketMakers from qualitative and quantitative research on the perspective of companies provided no evidence to support the premise that companies with webshops are ready to invest additional funds to improve online sales. Pursuing such a solution would be a "shot in the dark" without such evidence. Nevertheless, investing in improving the webshops of retailers already committed to and having experience with online sales seems more sustainable than investing in new adopters who experiment with online sales without prior experience.

Sustainability

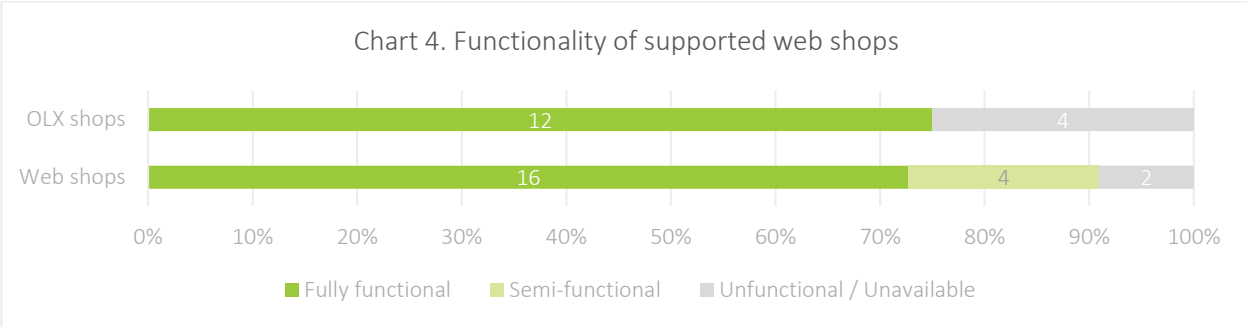
Within this intervention, these results were reported back to MarketMakers from 38 supported webshops by January 2022:

- 26 companies reported revenue growth because of activities within the intervention,
- 22 new IT jobs were created because of actions within the intervention,
- companies invested 320,596 BAM in implementing new business ideas, and
- partners invested additional 37,069.10 BAM in the maintenance of activities within the intervention.

These outcomes suggest that the intervention is sustainable and yielded multiple returns on a small initial investment. Further analysis of supported webshops confirms that these reports align with the quality and functionality of supported webshops, which determined the sustainability of each project.

At the time of this analysis, 28 out of 38 supported webshops (73.7%) were fully functional and running, which is a reasonable success rate. Sixteen webshops and 12 OLX shops are operational with all webshop functions – customers can order products online (through a cart), review products, or comment on their purchasing experience, and products have good descriptions and photos (published in line with recommendations on how to describe and present products online).

Four out of 38 supported webshops (10.5%) were semi-functional, as the websites are operational but don't have all the webshop functionalities. Some websites are catalogues, not webshops – customers can see product photos and (more or less detailed) descriptions. Still, they can't order directly from the website or cannot review the product and comment on purchasing experience. In addition, six out of 38 supported webshops (15.8%) were unavailable at the time of the analysis. Four OLX shops and one webshop were inactive, and one website only listed a "coming soon" sign.



2.3. Establishment of the E-commerce Association

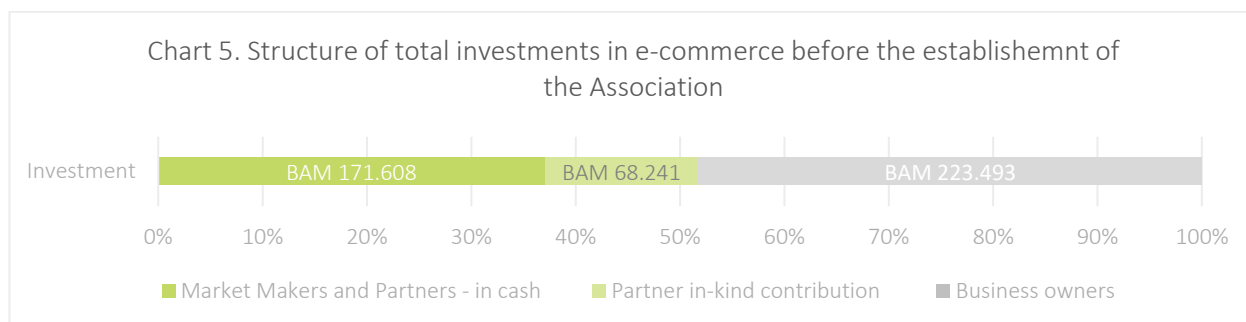
Overview

In December 2020, with 20 partners in the interventionⁱⁱⁱ Partners and collaborators, the request was submitted for registration of the E-commerce Association. Also, the E-commerce Portal was launched, and a marketing campaign for the education of consumers was created. By April 2021, the intervention had 22 partners who, with the support of the MarketMakers team:

- Developed a three-year business plan for the E-commerce Association,
- Conducted an analysis of the Consumer Protection Act in the context of e-commerce, with recommendations for improvements for online sellers,
- Ensured the cooperation of the E-commerce Association with AmCham (American Chamber of Commerce in BiH) and Mozaik Foundation,
- Ensured project cooperation and funding from GIZ (German Society for International Cooperation) regional e-commerce project and the Government of Canton Sarajevo,
- Attracted the interest of a dozen of companies to become members of the Association,
- Established contact with e-commerce associations in the region and ensured their interest in cooperation.

The total value of MarketMakers’ intervention cash contribution for developing e-commerce before investment in the establishment of the Association (including research, consultancy, and financial support for new webshops) was 161,402.75 BAM. This amount, however, does not include the financing by the private sector – IT companies (78,445.67 BAM) and beneficiary companies who opened or improved their web shops (223,492.66 BAM), which was inspired through the intervention and public call for support for e-commerce web shops. The total contribution of MarketMakers and leading partners was 239,848.42 BAM, which excludes the time and cost of MarketMakers Sector Leader, who coordinated the entire investment. Partner and MarketMakers’ contribution includes a cash investment of 171,607.75 BAM and 68,240.67 in-kind. Webshop owners invested 223,492.66 KM. The investment pre-Association total was 463,341.08 BAM (see Chart 5)

iv Pre-Association investment (investment does not include MM staff in-kind contribution, which is approximated at 165.000,00 for five years).



From September to December 2021, partners and MarketMakers worked on business plan adjustments, membership sales plans, and sales presentations in local languages and English.

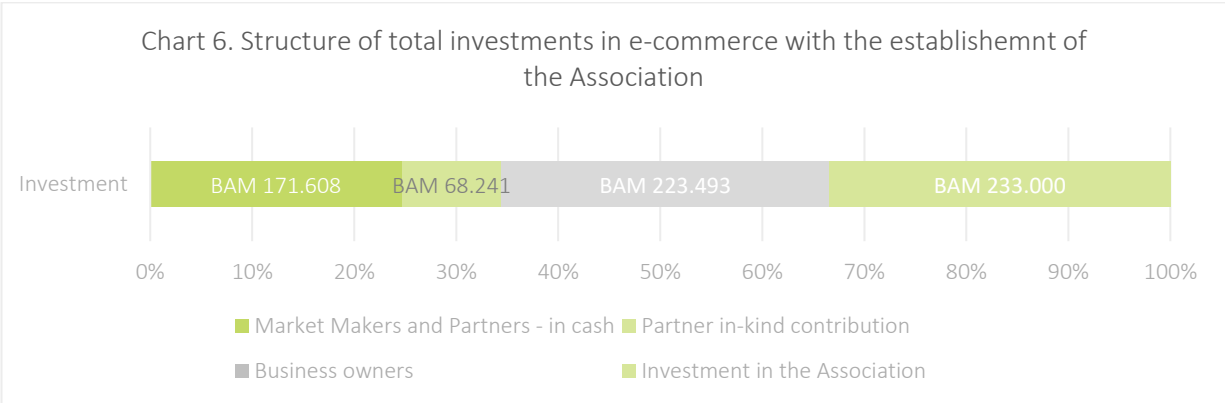
In October 2021, four founders formally registered the E-commerce Association – BIT Alliance (Association of IT companies), OLX (most popular online marketplace), Lilium Digital (Marketing Agency), and Arbitri (Association of legal professionals – arbitrators and mediators). The Mission of the Association is to organise and conduct continuous training of e-commerce participants in BiH, actively promote e-commerce in BiH, and advocate for revising the legal framework and public policies, making them oriented towards developing the e-market in BiH.

The cooperation contract between MarketMakers and E-commerce Association was signed the next month – in December 2021, with a contract value of 149,000.00 BAM. The E-commerce Association started its official work in January 2022, when the Director of the Association was formally employed,

followed by the employment of the Association's Coordinator in February 2022. From February to March 2022, the Associations' staff, supported by the MarketMakers team, attended over 100 sales meetings with private companies, banks, and donors.



Following the Associations' needs, MarketMakers invested an additional 11,000.00 BAM for legal services and business plan correction from January to March 2022. MarketMakers prepared with the Association a tender for technical assistance/capacity building of Association staff and board members during this period, and in April 2022, hired a consultant to provide technical assistance for the Association for six months. Additional investment in strengthening the Association, further e-commerce research, legal analysis, business planning, and communication and marketing by the end of March 2023 was 73,000.00 BAM. The total investment in the Association by the end of the intervention was 233,000.00 BAM.^v Investment in the E-commerce Association In the words of MarketMakers sector leader, this was a time-consuming and energy-intensive process, but essential for building capacities of private sector actors to run, fund and grow an association successfully.



Market relevance

The E-commerce Association plans to implement the following services and activities:

- To establish and implement an e-commerce academy to train online retailers. The commercial service addresses the need of the companies to (re)train the currently inadequate workforce needed to administer, maintain, and promote webshops.
- Provide access to Trustmark certificate (safe shop – safe e-commerce). The certification will enable users to improve their shopping experience and help them choose where to buy, thus significantly improving consumers' confidence in the market and increasing the usage of e-commerce. The service addresses both needs of the companies and the consumers, and it should standardise webshop design and development and the procedures for user protection.
- Organize annual e-commerce conference. The activity addresses the need for companies to stay up-to-date with global trends, share knowledge, and learn how to improve and evolve in line with consumer expectations. It should also help the Association and domestic decision-makers to



understand how to adapt the legal framework and public policies to protect consumers and enable e-commerce growth.

- Organize free webinars on partner services (legal services, e-commerce solutions, etc.). The activity addresses several recommendations for improving the e-commerce market from the business perspective – it should popularise e-commerce among companies by informing them about benefits, recommending trusted partners and service providers, educating them about procedures, investment of time, money, and workforce, etc.



These services and activities were designed based on the best practices and lessons learned from the experience of the associations in the region. The Association adapted them to the BiH context, determined to launch all of them quickly with all challenges and hurdles of other associations in mind.

By June 2022, the Association accomplished and prepared the following:

- 25 paying members,
- One campaign to support MSEs with NLB Bank (7 beneficiaries of support),
- Organized one education session with CSO Nahla (15 users – 4 education modules),
- Generated over 20,000.00 BAM income,
- Prepared annual operational work plan for 2022,
- Prepared annual work programme with complete finances and two-year cash flow,
- Participated in 3 educational events within the GIZ project,
- Established contacts with all associations in the region,
- Signed an Agreement with the E-commerce Association from North Macedonia,
- Works on the development of the Regional E-commerce Portal.
- Completed the activities from the first tranche of the contract with the MarketMakers and started the implementation of the next steps of the business plan – establishing three key services: E-commerce Academy, the Conference, and Trustmark Certificate.

When this analysis was concluded, E-commerce Academy was launched as one of three essential services. Market response to this service surpassed all expectations. The initial plan was to have 20 trainees in the first year, but by the time applications closed, more than 50 candidates/companies had applied. The first e-commerce conference, “Let’s do e-commerce”, was successfully organised and held in Sarajevo in March 2023, with a slight delay. The activities of the MarketMakers staff ensured this activity was implemented with the support of other international donors and the cantonal government. The work on Trustmark is in the early stage of development, and this gap remains unaddressed.

Sustainability

Interviews were conducted with representatives of the three founders of the Association, the Director of the Association, and two members/partner IT companies to acquire information on the Association’s activities and sustainability.

All interviewees share a common perspective on the sure sustainability of the Association. They all feel that the Association is an inclusive and open organisation with a sound foundation to ensure the

generation of sufficient and diversified income from memberships, commercial, and project-based services for self-sustainable work in the interest of all members and the e-commerce community.

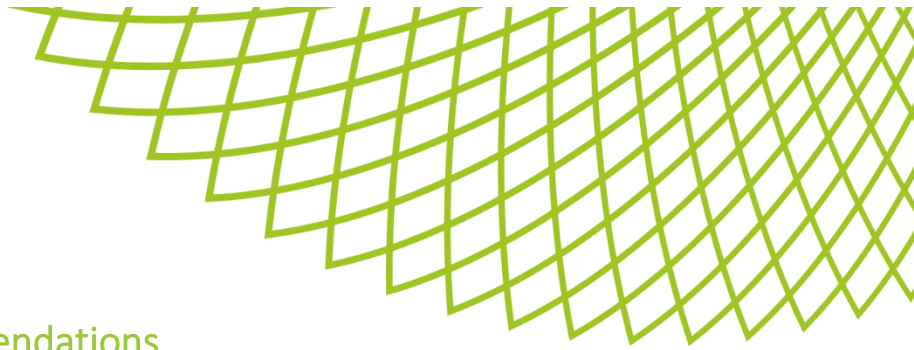
Two common threads are evident with all interviewees. Firstly, they all feel they spent too much time on administrative procedures. Private sector actors are accustomed to efficient and effective use of time and resources; thus, they often do not communicate activities and processes through written reports and strict administrative procedures, so one can expect they will find such donor procedures burdensome and inconvenient. Administrative work was also to be expected, considering that more than 20 companies were involved in the process and that this was the beginning of the creation of the complex organisation. All procedures and practices were to be made and established in this period, which will ensure the Association's sustainability.

Secondly, all interviewees said that too much time was spent dealing with themselves for objective reasons. The first obstacle was hit in the early stage of preparation work for the Association. When the five e-commerce partners (signatories of the Memorandum on Cooperation with the MarketMakers) had done a substantial job, one decided to submit the request for association registration independently, without involving others. Partners spent much time and effort trying to find common ground and overcome this challenge. In the end, they decided to part ways and continue working on building an association that would be the ownership of all identified stakeholders as the only way to foster cooperation and promote fair market competition. The second challenge presented itself in the early stage of the Association's official commencement of business when it became clear that the expectations between the founders needed to be more precise and that different parties understood their rights and obligations differently. That miscommunication resulted in the decision of one of the four founders to leave after the considerable waste of time and energy on post-festum communication.

Nevertheless, although the time-consuming process was more than frustrating for all actors, from donors to the private sector, all interviewees agree that it was helpful that things happened as they did in the beginning, as it made the further business plan implementation and decision-making easier. Interviewees said that following donor-recommended guidelines and positive examples on organising and running an association only strengthened the Association and that doing everything "by the book" helped founders further develop and grow the Association. The interests of the Association should always be above the interest of a single company, be it a founder or not.

Interviewees underlined the active role of MarketMakers in these and other more minor challenges the partners and the Association encountered along the way. By providing partner-like support and understanding, conducting research, preparing paperwork, assisting in specific topics, and ensuring the technical support to set up internal processes, MarketMakers helped partners safeguard the permanence of the Association and maintain high enthusiasm for work.

In line with the mutual feeling about wasting time on obstacles, a familiar feeling was that planning wasn't the project's strongest suit and that implementation deadlines were unrealistic, combined with the constant pressure to deliver. The MarketMakers team is aware of this fact, and they admit that they compressed the implementation of activities that objectively need 18 to 24 months in a 12 months project due to project time limitations. Therefore, the MarketMakers team had patience and a drive to help partners in all circumstances, with occasional disagreements arising at work. Although not implemented under perfect circumstances, most project activities were implemented, and the Association has tremendous potential to grow.



03

Lessons Learned & Recommendations

Before analysing the scalability of activities and outputs implemented by the MarketMakers, we need to put it in the context of the approach to Development Assistance. MarketMakers implements interventions with the systemic approach (Market System Development – MSD), which should be transformative instead of transactional. From the Development Aid perspective, it is the "teach a man to fish, and you feed him for a lifetime" part of the "give a man a fish" proverb. Essentially, interventions aim to have long-term sustainable and scalable results by identifying incentives for local actors to change and be bearers of systemic change. At the same time, financing they provide should serve as the first incentive or mitigate risks associated with "the change", and it should avoid market distortions.

Market System is "the network of *actors* and *factors* that interact to shape the outcomes of an exchange"⁹. It gives the actors (market players as receiving parties) the ability and knowledge to offer¹⁰ marketable goods and services while opening the market for all actors by improving factors that support, shape, and regulate market exchange. These factors are divided into Supporting Functions (sector-specific functions such as information, skills, infrastructure, finance, and market access) and *Rules* (the legislative and regulatory environment, including policies, voluntary standards and social norms that guide day-to-day attitudes and conduct)¹¹.

MSD involves a three-step process: Strategy (select sectors and the work focus), Analysis (understand which aspects of the system are not working, moving from visible 'symptoms' to the 'causes', and Action (facilitate change by building both the incentive and capacity of partners).

Before replicating and scaling this intervention, the implementing party must understand the market and identify development challenges and opportunities. For that, repeating the **research on the e-commerce** market from the perspectives of consumers and businesses is **a crucial precondition**. It is important to highlight that both parts of the intervention were pivotal for the circumstances of BiH. The financial support for webshop development was essential to increase the high-quality offer on the e-commerce market. In contrast, the e-commerce association creates a community that will continually improve the supply side and raise the standards in the industry, simultaneously educating consumers and working with decision-makers and other stakeholders on the betterment of security and market competition.

3.1. Financial support for launching new webshops

In regard to adapting this part of the intervention, the qualitative and quantitative research on the companies' perspective should include questions on the readiness of companies with webshops to invest additional funds in improving online sales, as that would be a good source of information whether this is an option in your country.

⁹ International Labour Organization, The Lab: Market systems development for decent work, POLICY BRIEF: A Systemic Approach to Creating More and Better Jobs, Page 3, Box 2: Defining a 'market system'

¹⁰ create, fundraise, distribute

¹¹ Ibid **Error! Bookmark not defined.**

This financial support could be easily scaled or replicated in BiH or other countries. In terms of scaling this intervention in BiH, implementing party can do so based on these criteria: a) as partners only choose IT companies whose clients established functional webshops, reported positive experiences and increased revenue within this intervention; b) as beneficiaries only choose market players with "high e-commerce potential" product range – for BiH those are technical equipment and fashion products (but carefully, these two also have the most competition), large products (home, garden, furniture), "niche" products (specific and not widespread), and retailers who have a wide range of products available; c) as beneficiaries only choose market players with human resources (internal or outsourced) to run the webshop or provide enough technical support for businesses to develop with web sales.

In terms of replicating investment in webshops in other countries, the implementing party would be advised to start with a smaller "trial" investment, regardless of available funds. A trial-and-error process is how you test new ways of working. The initial activities should be implemented with a diverse group of IT companies as partners and a group of beneficiaries selected based on recommendations of previously conducted research on consumer behaviour to identify sectors with the highest e-commerce potential. Further investments (scaling) of the intervention would be advised based on lessons learned from BiH and initial investment results.

3.2. Establishment of the E-commerce Association

The intervention's most complex set of activities was establishing the E-commerce Association. As with any process, this one can go smoothly, but there are a few lessons to remember. Firstly, it is vital to perform due diligence on stakeholders you invite to be partners – look out for the market monopolists or actors with a significant market share who are more interested in keeping their position rather than market expansion and the entrance of new players in the market. Especially inquire about how well potential partners cooperate with other market players and what drives them to collaborate. It is not recommended to work with those market players who are not interested in sharing knowledge or investing toward common Association goals, those who are not interested in further market development but only work for their benefit. The association should be composed of those players ready to invest with others to develop the market and, therefore, lower e-commerce barriers for all companies.

To ensure the sustainability of the Association, provide complete and active support to your partners. This support refers to legal advice, business advice and financial advice. Association founders are private-most often private sector actors and do not understand all the procedures and requirements for civil society organisations, so ensure they get professional development and provide legal support. Also, MarketMakers' example of sharing success is a good lesson – join forces with other projects and development agencies, help the Association to connect with the donors and decision-makers, or to prepare documents for public calls. If possible, include other associations in the founders to capitalise on knowledge exchange: in the case of MarketMakers, the Association of IT companies "BIT Alliance" is one of the founders of the E-commerce Association and also one of the most prominent associations in BiH with over nine years of existence which has many policy advocacy and membership and operations lessons learned to share and transfer.

It is recommended that the director and founders of the Association are well informed on donors' procedures given that, in most cases, these company representatives and staff are new to these procedures and norms, which they might find burdensome to navigate and comply with. In the case of MarketMakers, training on procedures and continual support by MarketMakers staff was provided to navigate and comply with the donor rules from visibility to the procurement of goods and services,

reporting, financial management, project management etc. In addition, five months of training support in business planning and CSO operation was provided by an external expert.

Know that your partners value time and good communication, so plan and communicate on time. Be mindful of your goals and constraints, and if you encounter a significant barrier in establishing a complex, transparent, and inclusive organisation, you probably will know that you need to adapt your plan. Try not to “compress” the implementation plan, but if donor procedures require you to, be prepared to go above and beyond to help your partners accomplish set goals. If, for objective reasons, your partners can't satisfactorily implement some of the activities, learn from MarketMakers’ practice and understand that this is the kind of people that needs to deliver with a certain level of quality and will not settle for less. Own that, adapt again, work with them (even more), and give them more time; your actions will make the intended change.

Attachments

ⁱ List of 38 supported webshops

	Fully functional		Semi-functional		Unfunctional / Unavailable	
Webshops	1.	FIS d.o.o. Ambijenta	17.	BH Food	21.	Montecristo BH /
	2.	Ekupon d.o.o.	18.	Detools		Modiana (coming soon)
	3.	Dženex d.o.o.	19.	Watch line		
	4.	Tesco d.o.o.	20.	Savina d.o.o.	22.	TTK Grupa d.o.o.
	5.	AM Support d.o.o.				
	6.	Steg d.o.o.				
	7.	Mint ICT				
	8.	Poljonet				
	9.	Buci bu d.o.o.				
	10.	SOZR „Sofić“				
	11.	Altermedia d.o.o.				
	12.	Elektro Jurić d.o.o				
	13.	JungleTribe d.o.o.				
	14.	Apoteka PharmaNov				
	15.	Vienna Osiguranje				
	16.	BE-HA PROMO / Trek				
OLX shops	23.	Abitec d.o.o			35.	Leburic komerc
	24.	Laurus d.o.o			36.	Alkibia
	25.	Limex d.o.o			37.	Vatrozastita
	26.	Menn electronic			38.	AD TEXO
	27.	MIT Alex d.o.o.				
	28.	BK Linea				
	29.	TR PACOMOBY				
	30.	MILTOM d.o.o.				
	31.	Detas d.o.o				
	32.	HIDRORING d.o.o				
	33.	Metago d.o.o				
	34.	BIOPROTEX d.o.o				

ⁱⁱ Recapitulation of investment in the development of webshops and the promotion campaigns

	Cash		In-kind		Total	
	BAM	%	BAM	%	BAM	%
MarketMakers	87,402.75 BAM	27.2%	0.00 BAM	0.0%	87,402.75 BAM	22.4%
Partners	10,205.00 BAM	3.2%	68,240.67 BAM	100.0%	78,445.67 BAM	20.1%

Total (intervention)	97,607.75 BAM	30.4%	68,240.67 BAM	100.0%	165,848.42 BAM	42.6%
Business owners	223,492.66 BAM	69.6%	0.00 BAM	0.0%	223,492.66 BAM	57.4%
TOTAL	321,100.41 BAM	82.5%	68,240.67 BAM	17.5%	389,341.08 BAM	100.0%

iii Partners and collaborators

	Partners	Collaborators
Marketplaces	OLX, OREA Bazar	
Financial institutions/cards schemes/payment systems	Unicredit Bank, VISA, Monri Payment, BAMCARD	
Associations	Bit Alijansa, ARBITRI	Foreign Trade Chamber of BIH
Marketing services	Lilium Digital	McCann Agency, Universal Media
Logistics (postal service)	DHL	
IT companies	Icenet – Misija, Imel, Lampa Studio, Ave Studio, Tingea, Promotim, DVC Solutions, Technetis, IDK Studio	
Webshops		Univerzalno, Penny Shop

iv Pre-Association investment (investment does not include MM staff in-kind contribution, which is approximated at 165.000,00 for five years)

	Investment cost (BAM)	Year
Valicon research on e-commerce and external business consultancy support in intervention planning + 1st eComm test shop (Commerce Care)	74,000.00 BAM	End of 2018/2021
MM and partners intervention investment (total MarketMakers and partner in intervention before the investment in the Association)	165,848.42 BAM	2019/2021
Private sector investment in e-shops co-financed by MarketMakers	201,525.27 BAM	2021
Private sector investment in OLX e-shops co-financed by MarketMakers and OLX	21,967.39 BAM	2021
TOTAL	463,341.08 BAM	

v Investment in the E-commerce Association

	160,000.00 BAM	2021/2023
Total other investments for e-commerce paid directly by MarketMakers: To strengthen the eComm Association, MarketMakers directly financed costs related to further e-commerce research, legal analysis, business planning, and communication and marketing	73,000.00 BAM	2021-2023
Total investment of MarketMakers in the E-commerce Association	233,000.00 BAM	2021-2023
Pre-Association investment	463,341.08 BAM	
Total e-commerce MarketMakers investments without MarketMakers staff costs	BAM 696,341.08 BAM	2018/2023
TOTAL INVESTMENT WITH MM STAFF APPROXIMATED COSTS FOR FIVE YRS	BAM 861,341.08 BAM	2018/2023



Supported by:



Implemented by:

