REPORT ON GEO-BLOCKING PRACTICES (MARKET ANALYSIS) IN CEFTA

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TABLE OF CONTENTS

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* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

1. Introduction

We are now living in a world that is supposed to resemble a single digital market that empowers businesses and boosts growth in the global economy while providing greater choices and offers for consumers regardless of their location or place of origin. Some of the key benefits of e-commerce to businesses include greater customer base, lower costs, easier to scale, etc. and some of the key benefits to consumers are: wide product variety and access to global marketplaces, lower costs, saving time, more informed decision-making, etc. However, in reality, due to many existing barriers, consumers cannot fully exploit the benefits of e-commerce. There are many barriers that still block the free flow of goods and services across different markets, which prevents people from purchasing goods outside of their local markets[1] at fair prices and further protection of the consumer's rights in cyberspace. Geo-restriction practices imposed across many online shops and platforms affect people from everywhere. Some of the geo-blocking practices are mainly used to respect the local laws (online businesses such as gambling services, or alcohol merchants might use geo-blocking to deny access of their site to markets where it is prohibited or where they cannot legally operate) and as a result of licensing limitations. However, there are many geo-blocking practices that are unjustified. These practices cut users off from international communities and global markets. As a result, it creates a fractured Internet where economies are trapped in their own bubble of content instead of being able to access universal information, services, and goods.

The Common Regional Market Action Plan 2021-2024[2] envisages free movement of goods and services and the CEFTA 2021 Chairmanship of North Macedonia has committed to supporting the work towards removing unjustified geo-blocking with the identification of key geo-blocking barriers and recommendations for actions in line with EU acquis and practices, i.e. Regulation (EU) 2018/302.

Geo-blocking refers to business practices where traders are imposing geographically based restrictions. In particular, it refers to the situations when (potential) customers not being able to buy goods and services from traders located in a different CEFTA market for reasons related to their origin, place of residence, or place of establishment, hence discriminating them when they try to access the best offers, prices or sales conditions compared to local consumers or residents of the traders' CEFTA market.

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[1] For the purpose of this report, the term local will refer to the CEFTA market
[2] Common Regional Action Plan 2021-2024**:** https://cefta.int/legal-documents/#1606206000974-f4546f02-81d6

The CEFTA consolidated market represents a new opportunity for growth and expansion for businesses that offer their products or services online. Each of the CEFTA markets is a small market itself. An integrated market of 20 million people with an estimate of 1 billion euros in e-commerce will enable local companies to grow and expand their business. In order to grow, businesses need to invest in new technologies, people, improved processes, marketing, and so on. These investments can hardly be justified if a company is operating solely on one CEFTA market. However, there are many barriers before the CEFTA market can be seen as one integrated market such as lack of standardization, different rules and procedures, high delivery costs, low digital skills that are preconditions for e-commerce, lack of understanding of the different customs and administrative procedures etc. In circumstances like these many businesses are focused on their local markets, while others are investing in expansion in CEFTA aiming to access a greater market and attract a greater customer base.

1.1. Study Objective

The objective of this study is to investigate geo-blocking practices from a consumer perspective, imposed by e-shops in CEFTA markets and to analyze the nature and reasons behind the identified practices.

To address this objective, first, a mystery shopping observation was conducted to investigate the forms of geo-blocking practices and second, interviews with e-shops were conducted to investigate the reasons for the imposed geo-blocking practices i.e legal nature, customs, and delivery costs, etc. and the general views regarding cross-market selling and delivery.

The implementation of the above-mentioned investigations included a careful selection of a sample of a minimum of 20 (twenty) e-shops per CEFTA market that were subject to mystery shopping observations; desk research activities and developing a mystery shopping observation methodology; designing questions for semi-structured interviews; providing guides to mystery shoppers; setting VPN; coordinating and summarizing the results.

1.2. Research questions

The following research questions (RQ) are addressed with this study:

(1) How frequent is the practice of geo-blocking in cross-market online shopping in the CEFTA markets?
(2) Are geo-blocking practices more common in services or goods?
(3) In what stage of the online shopping process does it occur and in what form?
    (a) Is it at the beginning of the process i.e the customer cannot access the website or at the later stage during the purchase?
    (b) Is it related to mandatory registration in order to shop, delivery, price etc?

(4) What is the reason and justification for the identified geo-blocking practices?

1.3. Timetable of Work

This study was conducted from November 2021 to February 2022. The table below presents the three phases and the activities implemented in each phase and the duration and timing of realization.

Phase	Stage Name	Description of Activities	Duration	Deliverable
1	**Inception phase** - Mapping and creating a list of e-shops subject to analysis	Research and analysis (desk research and reaching out to Associations and relevant parties to compose a quality sample of e-shops)	(three weeks) W4 November; W1 and W2 December	Inception Report
		Creating a list with e-shops		
		Designing methodology and survey		
		Coordination and meetings with experts/mystery shoppers		
		Creating guides for mystery shoppers and consultations with businesses		
		Creation of an inception report		
2	**Interim stage** - Analysis to identify geo-blocking practices in place	Conducting mystery shopping by each expert for his sample of e-shops	(five weeks) W3 December 2021 to W3 January 2022	Draft final report
		Conducting consultations/ interviews with managers of e-shops		
		Writing report by each expert for his assigned CEFTA markets		
		Collecting the reporting materials from each of the experts		
		Data analysis and summarizing experts' findings		
		Creation of a draft final report		
3	**Final stage - Summary of findings and creating a final report**	Incorporating comments, fine-tuning, coordination with Experts	(three weeks) W4 January to W2 February 2022	Final report
		Creating a final report		

2. Geo-blocking practices subject to analysis

Geo-blocking practices can be divided into four main categories: **denial of access to a website, automatic rerouting, refusal to sell, and changing the terms and conditions and/or prices**[3]. Each practice can take different forms and can happen at different stages of the shopping process.

In some cases, geo-blocking takes place immediately or automatically based on the location of the shopper. Still, in the majority of cases, consumers spend significant time and effort on a website, attempting to make a cross-market (Inter-Party) online purchase, before realizing that the seller or service provider will not sell to them or will only sell under different terms and conditions.

In order to provide a clear overview of geo-blocking practices, these will be reported from the perspective of the stage during the shopping process at which geo-blocking occurred.

The online shopping process can be broken down into four key stages during which different types of geo-blocking practices can occur: access, registration, delivery and payment. A specific proportion of cross-market shoppers are blocked at each of these stages of the shopping process.

Below is a summary of the types of geo-blocking practices that can occur in each of the four shopping stages within the scope of the mystery shopping observation.

Access – website access is the first stage of the shopping process. It is defined as the stage at which shoppers enter a website and can view product information (e.g. a product page including specifications, pricing, and delivery details). At this stage, three key geo-blocking practices can potentially take place: denial of access, automatic rerouting, and changing the terms and conditions by altering product availability.

According to previous studies investigating cross-market e-commerce in Europe, automatic rerouting or sellers' blocking access to a particular website are two of the most commonly encountered issues with which geo-blocking can be associated. These occur at the very beginning of the online shopping process when consumers attempt to access a specific website that is based in a different market.

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[3] Mystery shopping survey on territorial restrictions and geo-blocking in the European Digital Single Market, Final report 2016, EUROPEAN COMMISSION, Directorate-General for Justice and Consumers

In order to evaluate the occurrence of geo-blocking during the access stage, mystery shoppers accessed the e-shop as a local e-shopper setting the IP address to the market of the seller and then as an e-shopper coming from another CEFTA market. During the initial access stage, mystery shoppers were asked to confirm that the e-shop is accessible from the local market to make sure the e-shop was active and accessible locally at the time of the mystery shopping.

The geo-blocking that occurred during the access phase will be presented in the Results section as a proportion of mystery shopping assessments that were terminated due to the mystery shopper being rerouted to another website (different market extension or different domain name), access blocked, or other reason.

Registration – registration is defined as the stage at which, after finding a product they wish to purchase, consumers need to provide specific personal information to the online retailer in order to identify themselves and be able to complete the online purchase. The requirements at this stage vary significantly per retailer.

The prevalence of geo-blocking practices during the registration stage is presented in the Results as the proportion of mystery shopping assessments that were terminated prematurely due to an issue/s related to unsuccessful registration. It is important to note that some of these issues were closely linked to delivery, e.g. delivery address not being accepted. Nonetheless, they are reported as part of the registration stage.

Delivery – delivery is defined as the stage at which consumers need to provide their shipping information related to a specific purchase that they are attempting to complete. This stage normally takes place after registering or providing the necessary personal information on the website and after having chosen the product that they wish to purchase online.

The Results section looks at the incidence of geo-blocking during the delivery stage, as the proportion of assessments that refused to accept consumers' shipping information because consumers' delivery address is located in a market to which they do not ship.

Payment – payment is the last stage of the shopping process and is defined as the stage at which consumers are required to select their preferred payment method and enter their payment card details in order to complete a specific online purchase. This stage normally takes place after successfully entering the shipping information.

In our study mystery shoppers were not provided with test payment cards from each CEFTA market or asked to complete the payment and make the purchase which represents **a limitation of this study**. Instead, mystery shoppers were asked to identify the payment options that the website offers and depending on the availability of the payment option assumption is made that if the standard payment option i.e payment with credit or debit card

is possible they would have been able to complete the purchase. Therefore, the Results section considers geo-blocking during the payment stage, assuming that if payment with an internationally accepted card was not possible the shopper would not have been able to complete the purchase.

In addition, mystery shoppers were asked to identify the price differences, if any, during their observation to identify if there are differences in the product pricing, delivery and/or handling costs. These findings are also reported in the Results under the Payment section.

Overall – the overall incidence of geo-blocking is defined as the total proportion of mystery shopping assessments (at website/e-shop level) that were terminated prematurely at any of the 4 shopping stages. The results present the overall geo-blocking occurrence firstly as a proportion of total assessments that in each of the stages had geo-blocking restrictions in place, and secondly as a proportion of total assessments while in each next stage the assessments that were blocked in the previous stage are excluded. More specifically, it is computed as the proportion of assessments during which mystery shoppers would have not been able to reach the order confirmation stage where they successfully could have entered their payment details.

3. Methodology

Mystery shopping will be used to answer RQ 1-3 and semi-structured interviews will be used to answer RQ 4.

This section presents first an overview of how the sample of e-shops was obtained and a description of the developed guides and questions for mystery shopping and interviews.

3.1. Sampling

Sectors

The first step before mapping the sample of e-shops to be subject to mystery shopping was to select representative categories/sectors that are suitable in order to collect and compose the list of e-shops that will be observed.

Table 1 shows the most frequently purchased products and services online in the CEFTA. The first part of the table presents the internet penetration and the share of internet users that have made online purchases and the second lists the most frequent categories of products and services. In addition to the data for the CEFTA markets, the table presents the EU average value to give a sense of where the CEFTA markets stand. The table presents data for five CEFTA markets as there is no available data for Albania and Moldova.

Table 1: Internet users, share of online shoppers and most frequently purchased categories online in CEFTA markets and EU average

	Eurostat 2020	EU avg	Bosnia and Herzegovina	North Macedonia	Montenegro	Serbia	Kosovo*
	Percentage of individuals who used internet within the last year	88%	73%	81%	78%	78%	96%
	Last online purchase: in the 12 months as % of individuals who used internet within the last year	73%	38%	40%	29%	48%	47%
	as % of individuals who purchased online in the last 3 months						
Products	clothes (including sport clothing), shoes or accessories	63%	56%	57%	71%	52%	77%

	sports goods (excluding sport clothing)	21%	18%	15%	28%	26%	28%
	furniture, home, accessories or gardening products	29%	22%	9%	12%	16%	23%
	cosmetics, beauty or wellness products	26%	9%	10%	17%	13%	30%
	consumer electronics or household appliances	18%	19%	6%	16%	20%	13%
Services	Online purchases from an enterprises or a private person: rented accommodation	6%	12%	1%	1%	11%	2%
	Online purchases from a transport enterprise or a private person: transport service	19%	6%	8%	10%	16%	5%
	Online purchases from a transport enterprise: transport service	18%	5%	7%	9%	15%	4%
	Online purchases from enterprises such as hotels or travel agencies: rented accommodation	17%	8%	2%	1%	14%	3%
	games online or as downloads for smartphones, tablets, computers or consoles	17%	6%	6%	6%	2%	8%
	tickets to cultural or other events	23%	6%	1%	4%	14%	2%
	tickets to sport events	6%	5%	3%	1%	10%	2%

Source: Eurostat, 2020

The following categories were selected for our study, taking into account services in addition to products that include physical delivery.

Products: clothes, sports goods, furniture, and/or cosmetics

Services: travel services (accommodation, transport or other travel services), online computer games and entertainment services, tickets to cultural and/or sports events, and hosting services.[4]

Marketplaces were also taken into consideration for the sample e-shops and categorized accordingly within the sector whose products were selected for the mystery shopping assessment.

During the selection of the categories in addition to taking into consideration the Eurostat database for most frequently purchased products, it was also taken into consideration if the CEFTA markets have local e-shops that fall within those categories.

E-shops database

For each of the 7 CEFTA markets, a sample of 25 e-shops were identified including all sectors that are subject to analysis in this study.

The sample was obtained in collaboration with local E-commerce Associations and relevant stakeholders with market knowledge who provided the most popular websites in their markets. In addition, Alexa rankings were used in cases where not enough e-shops were collected or more were collected so that the sample contains e-shops that are more popular in the local markets i.e have more visitors.

While creating the samples of e-shops it was taken into consideration that there is a fair representation of each sector or at least two online shops offering services per CEFTA market.

Pairing markets for mystery shopping

Each of the 7 CEFTA markets was paired with two other CEFTA markets for the mystery shopping observations. Mystery shoppers were provided with guides and lists of e-shops they should observe along with the VPN instructions on accessing each e-shop from the market of origin of the e-shop and the other assigned market.

Instead of random pairing, firstly the markets were paired based on similarities in language so that it is easier for the mystery shoppers to understand and navigate through the websites and vicinity - neighboring markets were matched (except for Moldova which is not neighboring with any other of the six CEFTA markets for which the pairing market was randomly selected).

And secondly, each CEFTA market was paired with one more market that is not neighboring in order to increase the credibility. Two mystery shopping observations were conducted on

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[4] The hosting services were added to the list upon demand of the CEFTA Secretariat as they should be easily accessible across markets and there should not be any regulatory issues in place.

each e-shop - once as a non-local shopper from the firstly assigned CEFTA market and second from the secondly assigned CEFTA market. Table 2 presents the pairings.

Table 2: Market pairings for mystery shopping observations

Market of origin of e-shops	First pair for mystery shopping observations	Second pair for mystery shopping observations
Albania	Kosovo*	Serbia
Bosnia and Herzegovina	Montenegro	Kosovo*
North Macedonia	Serbia	Montenegro
Moldova	North Macedonia	Serbia
Montenegro	Bosnia and Herzegovina	North Macedonia
Serbia	North Macedonia	Albania
Kosovo*	Albania	Bosnia and Herzegovina

Note: Before making a second pair for mystery shopping observations an assumption was made that if one e-shop has certain geo-blocking practices in place for shoppers of one CEFTA market the same will apply to the other CEFTA markers. However, upon completing the first round with the first market pairs some of the mystery shoppers pointed out that there are some e-shops they observed that provide delivery of goods to selected CEFTA markets but not to all (for example some Albanian e-shops sell to North Macedonia and Kosovo* but not to other markets). Due to this finding, a second pair was made and mystery shopping assessments were completed to the same sample of e-shops.

Mystery shoppers

Each mystery shopper was guided to observe the e-shop as a local e-shopper and as a non-local e-shopper (with his IP address set to the given CEFTA market as indicated above).

There were five mystery shoppers, three of them were given one CEFTA market to investigate and two were given x2 markets. A list with 25 e-shops per market was provided to the mystery shoppers along with guidelines and instructions. Each mystery shopper was asked to conduct the mystery shopping observations to at least 20 e-shops once for the firstly assigned market and once for the secondly assigned market, making in total minimum 40 observations. The mystery shoppers were selected taking into account their experience. Initial coordination

meeting took place after sending the guidelines to make sure that each mystery shopper has a clear understanding of the steps and process and during the observations and conducting interviews three more coordination meetings were held to exchange experience among each other and get additional advice, suggestions, and guidance.

3.2. Mystery Shopping Survey

Mystery shopping is defined as the use of (anonymous) resources to perform evaluations of services and transactions. It involves the use of mystery shoppers who are trained and/or briefed to observe, experience, and measure a customer service process by acting as a prospective customer and by undertaking a series of predetermined assignments to assess performance against specific criteria, reporting back on their experience in a comparable, consistent and objective way.

Mystery shopping projects can focus on interactive evaluations, observations, audits, or a combination of these. This decision depends on the market evaluation and the research objectives.

Based on the goals of the research and the set methodology this study uses an **Observations approach**.

Observations imply there is no interaction between the mystery shopper and another person. The mystery shopper just observes what is either being told, what is happening or what is present.

The observation approach requires a mystery character and provides objective and subjective information to be collected. However, in order to make the data consistent and comparable, the survey questions were composed to collect as objective answers as possible leaving no room for subjectivity.

The questionnaire was developed taking into consideration the research questions Q1 to Q3 and following the 4 stages of the shopping process. The full survey is provided in the Appendix section.

The use of Virtual Private Network (VPN)

Each mystery shopper was assigned a list of e-shops for specific markets, guides and instructions and a link to the mystery shopping survey s/he should complete during the assessment. For example, for North Macedonia, the shopper is required to "purchase" goods and services as being based in North Macedonia and as being based in Serbia in order to map the differences and if there are any restrictions.

For easier observation, each mystery shopper was asked to have two laptops/PCs for the assessment so s/he can look in parallel the e-shop from the viewpoint of a local shopper and as a foreign shopper. On one device their VPN was set to the local market, where the website is originally based (e.g. North Macedonia). On the second device, the mystery shopper was instructed to set the VPN to the location of the paired CEFTA market and attempt to purchase the very same products from the same website cross-market, pretending to be based in another CEFTA market (in our example, that is Serbia).

To accomplish this in a quick and efficient manner, the mystery shoppers I used a VPN tool provided, which allowed them to manually set their location to any of the CEFTA markets by connecting to local VPN servers. The VPN service used is extremely effective at hiding consumers' actual location.

VPN alone, despite being highly effective, is not always a 100% reliable method in hiding shoppers' actual location due to some websites using non-traditional methods to infer shoppers' location, such as browsing history and cookies. In order to address this issue, mystery shoppers will be instructed to open specific websites in an incognito window which ensures anonymous browsing, preventing websites from automatically inferring their location from sources other than their current IP address (set by the VPN server). Shoppers were thoroughly briefed on how to use incognito windows and the importance of it was well signaled before they began their assessments.

3.3. Semi-Structured Interviews

Interviews are verbal interchanges where one person, the interviewer, attempts to elicit information from another person by asking questions. There are three types of interviews - structured, unstructured, and semi-structured.[5]

In structured interviews, questions are planned and created in advance. All candidates are asked the same questions in the same order. An unstructured interview is a type of interview in which the interviewer asks questions that are not prepared in advance. Instead, questions arise spontaneously in a free-flowing conversation, which means that different candidates are

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[5] Dunn, K. (2005) 'Interviewing', in I. Hay (ed.) Qualitative Research Methods in Human Geography (2nd edn). Melbourne: Oxford University Press, pp. 79–105.

asked different questions. Since semi-structured interviews combine both the structured and unstructured interview styles, they can offer the advantages of both. They allow for the objective comparison of candidates, while also providing an opportunity to spontaneously explore topics relevant to that particular candidate. A semi-structured interview is a type of interview in which the interviewer asks only a few predetermined questions while the rest of the questions are not planned in advance.

For the purposes of this study and in particular RQ4 but also for obtaining additional information for a better overview on the perspective of the e-shop semi-structured interview was used as a research method.

The interviewer in a semi-structured interview generally has a framework of themes to be explored. The interviewers were provided with a guiding framework that was developed and is presented in the Appendix section.

4. Results

During the period between 15th December 2021 and 5th January 2022 mystery shopping was conducted at **160 unique e-shops from the 7 CEFTA markets.** Figure 1 shows the share and number of e-shops per CEFTA market.

Figure 1. Number of e-shops per market of origin of e-shops and share of each market of origin of e-shop in the total number of observed e-shops
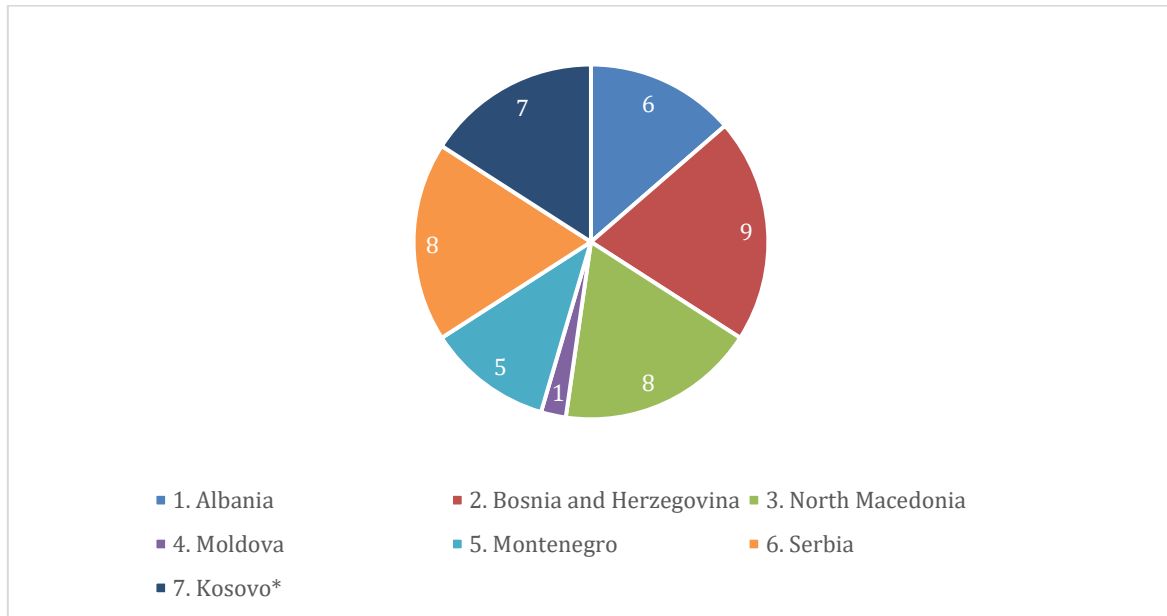
As each market of origin of the e-shop was paired with two other CEFTA markets the e-shops have undergone double assessment - one from the firstly assigned market and one from the secondly assigned market. **In total 320 mystery shopping assessments were completed out of which 74% were on goods and 26% on services**.

160 e-shops x 2 market pairs = 320 completed mystery shopping assessments

Regarding the participation of the markets that were assigned to mystery shoppers (as non-local) - 14.7% assessments were completed as the mystery shopper was from Albania, 7.8% from Bosnia and Herzegovina, 14.4% from Montenegro, 21.6% from North Macedonia 27.5% from Serbia and 14.1% from Kosovo*. Moldova was not paired and assigned as the Market in any of the pairs (Figure 2).

Figure 2. Share of the market of the non-local e-shoppers in the total number of mystery shopping assessments

- 1. Albania
- 2. Bosnia and Herzegovina
- 3. North Macedonia
- 4. Moldova
- 5. Montenegro
- 6. Serbia
- 7. Kosovo*
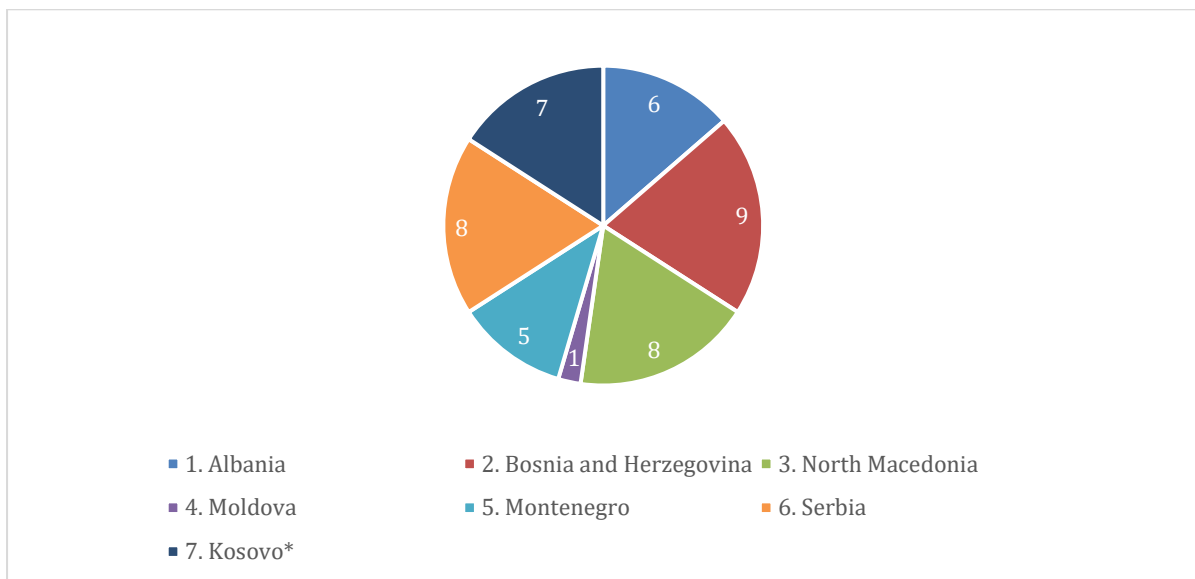
Out of the 74% of assessments conducted to e-shops selling goods, products from the following categories were observed: clothes, consumer electronics, furniture, cosmetics and sports goods. Observations were conducted to services from the following categories: accommodation and other travel services, tickets to sports or cultural events, online games or other entertainment and web hosting. Figure 3 presents the share of each of the categories in the total number of completed observations. Most of the observations on Goods were on e-shops selling clothes (22.5%) followed by consumer electronics or household appliances (17.2%) and furniture (14.4%). Most of the observations on Services were conducted on websites offering accommodation and/or other travel services (10.3%), followed by tickets for events (7.2%) and web hosting services (5.0%).

Figure 3. Observed categories of products and services

Categories of goods and services of completed mystery shopping assessments

Consumer electronics or hou… 17.2%
Web hosting 5.0%
Tickets to sports or cultural e… 7.2%
Online games or other entert… 3.8%
Accommodation and/or other… 10.3%
Cosmetics 10.9%
Clothes (including sport cloth… 22.5%
Sports Goods 8.8%
Furniture 14.4%

55 16 23 33 35 46 28 72
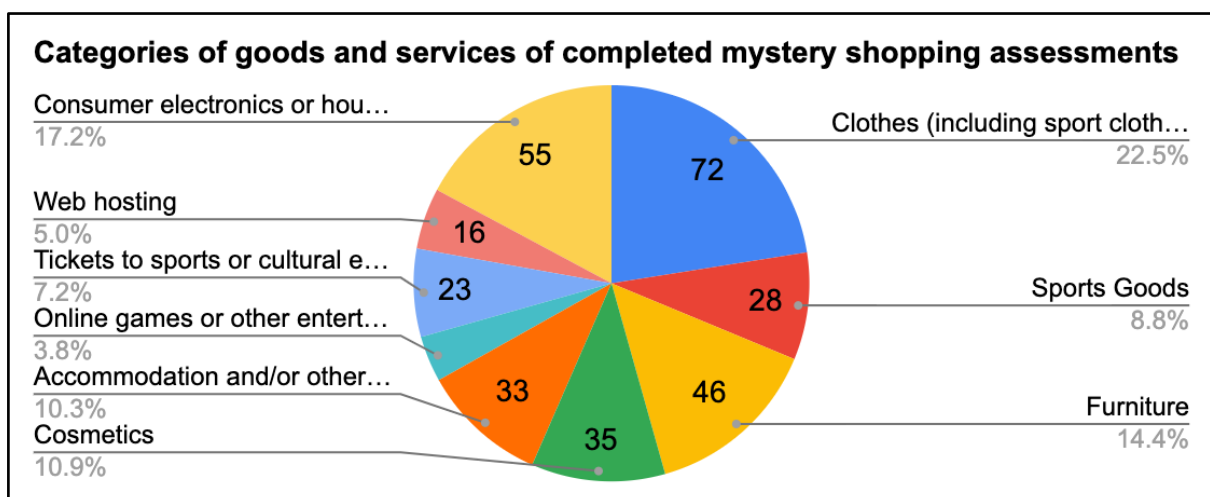
4.1. Overview of overall geo-blocking practices [mystery shopping results]

We take two different approaches to present the overall geo-blocking practices identified during the mystery shopping assessments at each of the shopping stages.

Firstly, we present the occurrence of geo-blocking at each stage as a share of the total number of assessments made, and secondly, we exclude the e-shops in each next stage that already blocked the shopper from purchasing during the previous stage.

In order to summarize and evaluate the imposed geo-blocking practices across each of the shopping stages, we take into consideration the key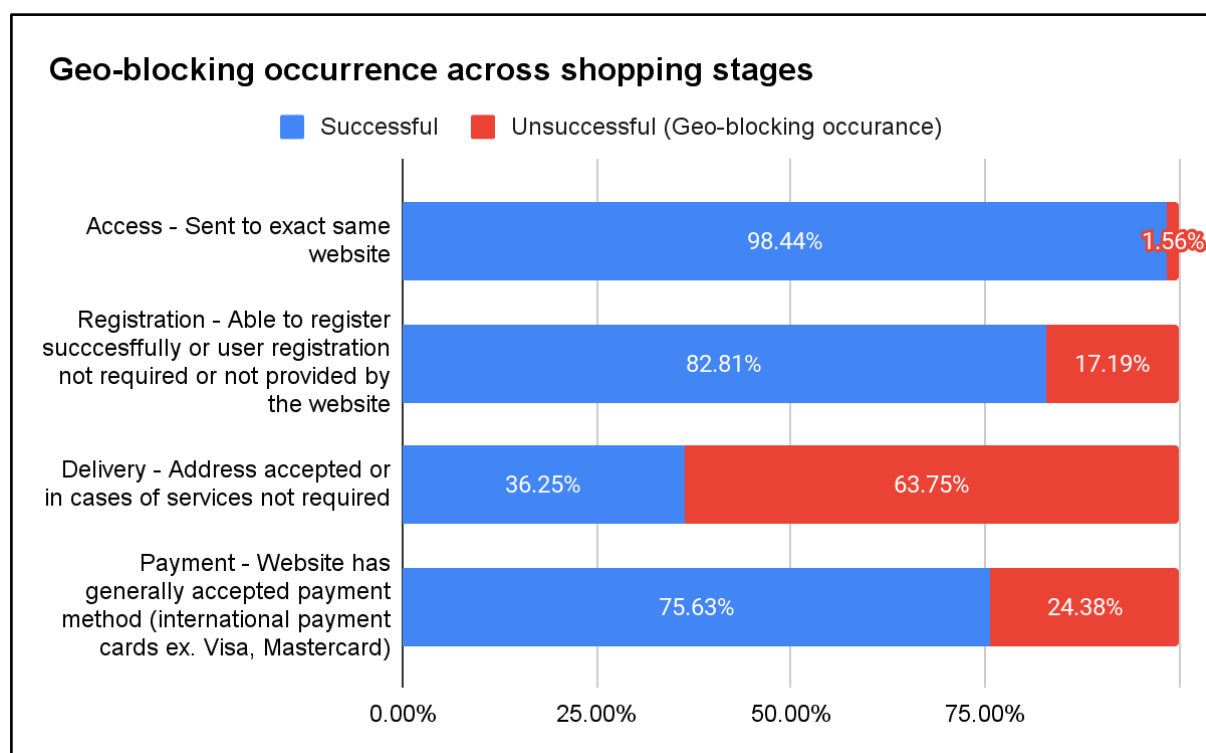 questions part of the mystery shopping survey. Almost during all assessments (98.4%), mystery shoppers were able to access the exact same website as non-local shoppers with their IP address set to the assigned CEFTA market. Only a minor percentage of e-shops (1.6%) either automatically reroute the customer to a website with a different market extension or different domain name. However, despite the rerouting even when being redirected mystery shoppers were able to find the exact same product that was subject to mystery shopping - hence in 100% of assessments mystery shoppers were able to find the same product. During the registration stage, 17.2% of assessments ended in shoppers being blocked from making a successful registration due to not accepting an address and/or phone. In 82.8% of assessments, shoppers were able to successfully complete the registration, or registration was not required or was not at all provided by the website of the e-seller. During the delivery stage, more than 60% of attempts were unsuccessful - in 63.8% of assessments addresses and/or phones from other markets were not accepted. In order to evaluate the geo-blocking during the payment stage, we assume that if the e-sellers has a generally accepted payment method (payment with internationally accepted card i.e Visa and Mastercard) the shopper will be able to complete the payment. However, this stage has not been tested fully with attempts for payments. Out of the total number of assessments, the majority of e-shops offered payment with credit/debit cards (75.6%) (Figure 4). All payment methods are elaborated more during the next section that looks at each stage in detail.

Figure 4. Success rates and geo-blocking practices identified at each stage of the shopping process as a share of the total number of assessments

Geo-blocking occurrence across shopping stages

■ Successful ■ Unsuccessful (Geo-blocking occurance)

Stage	Successful	Unsuccessful
Access - Sent to exact same website	98.44%	1.56%
Registration - Able to register succcesffully or user registration not required or not provided by the website	82.81%	17.19%
Delivery - Address accepted or in cases of services not required	36.25%	63.75%
Payment - Website has generally accepted payment method (international payment cards ex. Visa, Mastercard)	75.63%	24.38%

Next, we count the successful attempts per stage but exclude the ones that were geo-blocked in the previous stage in order to come to the final successful attempts i.e shoppers who would have been able to make orders.

The first approach does not take into consideration if for example the e-shopper was not able to complete the registration with his non-local address but later on when observing the payment methods indicated that payment is possible with internationally accepted cards. For a better overview and more clear view of the incidence of overall geo-blocking, we sort out the attempts that were blocked in each stage for the calculation for the next stage.

The funnel (Figure 5) shows that out of the total number of assessments only 27.5% were successful with no geo-blocking identified across any of the stages. Imposed geo-blocking practices stopped 72.5% of assessments from successfully making a purchase.

Geo-blocking practices were identified in 19.7% of the assessments during Registration, out of which 1.6% during Access. 65.9% have imposed geo-blocking practices on Access, Registration, and/or Delivery and 72.5% have geo-blocking practices across any or all of the stages of the shopping process.

Figure 5. Successful attempts at each stage of the shopping process as a share of the total number of assessments excluding the unsuccessful events of the previous stage
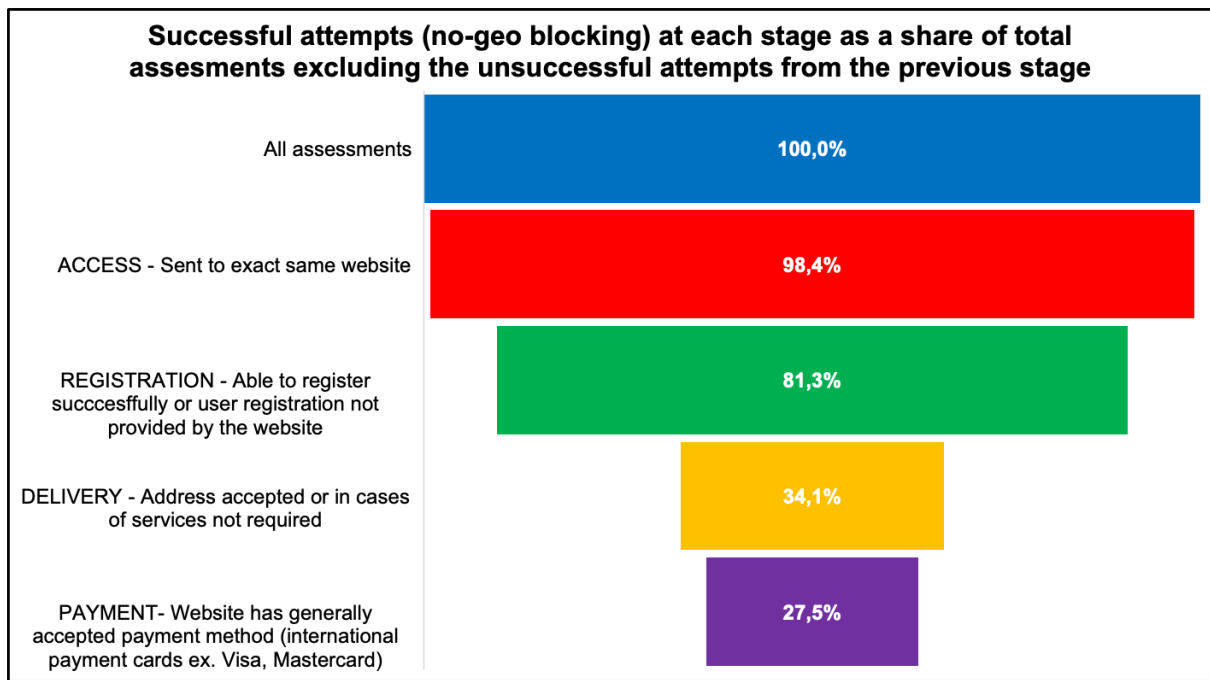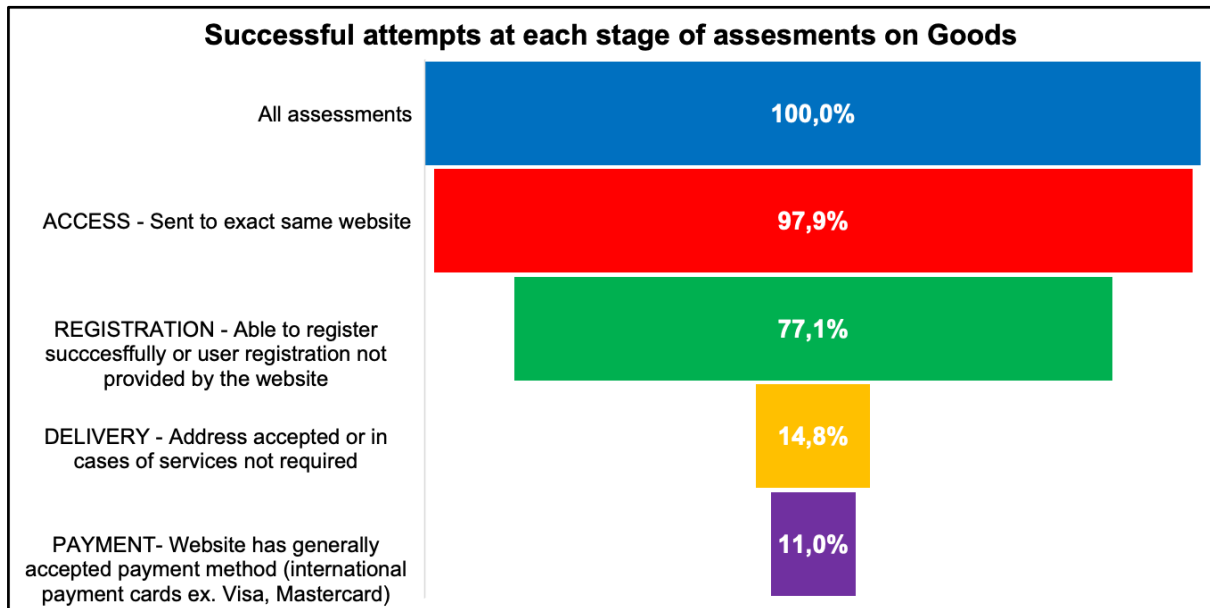
Successful attempts (no-geo blocking) at each stage as a share of total assesments excluding the unsuccessful attempts from the previous stage

Stage	Percentage
All assessments	100,0%
ACCESS - Sent to exact same website	98,4%
REGISTRATION - Able to register succcesffully or user registration not provided by the website	81,3%
DELIVERY - Address accepted or in cases of services not required	34,1%
PAYMENT- Website has generally accepted payment method (international payment cards ex. Visa, Mastercard)	27,5%

Therefore with regards to our RQ1: "How frequent is the practice of geo-blocking in cross-market online shopping in the CEFTA markets?", we conclude that 72.5% of e-shops in the CEFTA have geo-blocking practices that prevent shoppers from other CEFTA markets from shopping. And if we exclude the payment stage 65.9% of e-sellers restrict customers from other CEFTA markets from shopping.

4.1.1. Geo-blocking practices across goods and services

To investigate our RQ2 "Are geo-blocking practices more common in services or goods?" next we analyze the geo-blocking practices across the observed e-shops selling Goods and Services. As our assessments include e-shops offering Goods as well as Services it is important to take a look at the geo-blocking occurrences and success rates separately for both categories, especially having in mind that the delivery of services is either in digital format or in case of perishable services such as tickets for events or accommodation happens when the service is used (cannot be stored, returned or saved).

Of the 236 observations on Goods (74% of total assessments) only 11.0% resulted in no geo-blocking occurrence hence 89.0% of e-shops in the CEFTA market offering goods do not sell cross-market to other markets and have geo-blocking practices in place. Geo-blocking is most frequent as a form of validation of the address field resulting in the inability of the shopper to make a registration or fill the delivery form with his address outside the seller's market. On the funnel in Figure 6, we can see how the number of available e-shops for cross-market purchases narrows in each next stage and the biggest change is noted during the delivery stage when from 77.1% shrinks down to only 14.8% of e-shops who do not have geo-blocking practices in place.

Figure 6. Successful attempts at each stage of the shopping process of Goods as a share of the total number of assessments on Goods excluding the unsuccessful events of the previous stage

Successful attempts at each stage of assesments on Goods

All assessments	100,0%
ACCESS - Sent to exact same website	97,9%
REGISTRATION - Able to register succcesffully or user registration not provided by the website	77,1%
DELIVERY - Address accepted or in cases of services not required	14,8%
PAYMENT- Website has generally accepted payment method (international payment cards ex. Visa, Mastercard)	11,0%

The data is significantly different when we analyze services. Of the 84 observations on Services (26% of total assessments) 73.8% resulted in no geo-blocking, hence 26.2% of e-shops in the CEFTA market offering services have geo-blocking practices in place and refuse to sell to other CEFTA markets outside the market of the seller (Figure 7).

Figure 7. Successful attempts at each stage of the shopping process of Services as a share of the total number of assessments on Services excluding the unsuccessful events of the previous stage

Successful attempts at each stage of assesments on Services

All assessments	100,0%
ACCESS - Sent to exact same website	100,0%
REGISTRATION - Able to register succcesffully or user registration not provided by the website	92,9%
DELIVERY - Address accepted or in cases of services not required	88,1%
PAYMENT- Website has generally accepted payment method (international payment cards ex. Visa, Mastercard)	73,8%
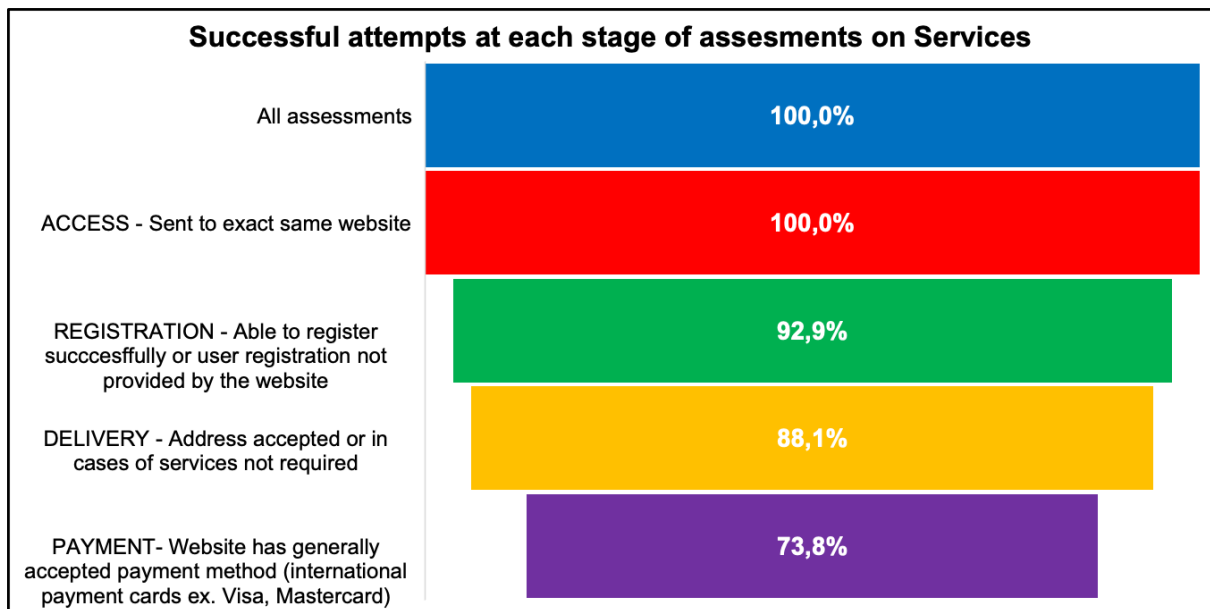
4.1.2. Geo-blocking practices across CEFTA markets

Looking at each of the CEFTA markets, overall geo-blocking practices were identified the most in Moldova (87.5%), followed by Serbia (86.4%), Kosovo* (72.0%) and North Macedonia (69.0%), Bosnia and Herzegovina (68.8%) and the least in Albania (61.9%) and Montenegro (60.9%) (Figure 8).

Montenegro (39.1%) and Albania (38.1%) followed by Bosnia and Herzegovina (31.3%) and North Macedonia (31.0%) had over 30% successful assessments that ended with no geo-blocking occurrences.

Figure 8. Successful attempts across CEFTA markets as a share of the total assessments for each CEFTA market

Geo-blocking occurrence across CEFTA markets

	Successful	Unsuccessful (geo-blocking occurence)
Albania	38.1%	61.9%
Bosnia and Herzegovina	31.3%	68.8%
North Macedonia	31.0%	69.0%
Moldova	12.5%	87.5%
Montenegro	39.1%	60.9%
Serbia	13.6%	86.4%
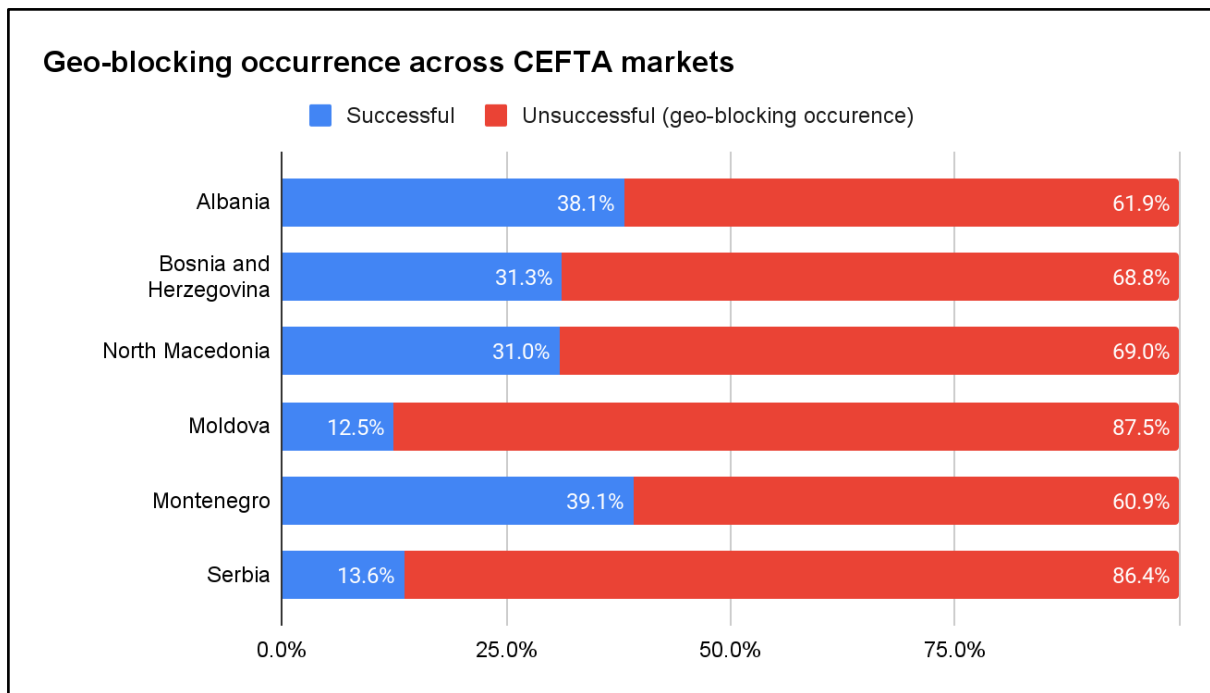
In Moldova, all assessments (100.0%) on Goods ended up being geo-blocked, 97.1% in Bosnia and Herzegovina, 94.4% in Serbia, 94.4% in Kosovo*, 80% in Montenegro and 77.8% in Albania and North Macedonia (Figure 9). On the other hand, Montenegro and Bosnia and Herzegovina do not have any geo-blocking on Services, Kosovo* has 14.3%, and North Macedonia in 16.7% of cases. In Albania, Serbia, and Moldova over 30% of websites (e-shops) offering services have geo-blocking practices or 33.3%, 50%, and 62.5% respectively (Figure 10).

Figure 9. Successful attempts across CEFTA markets as a share of the total assessments for each CEFTA market (Goods)
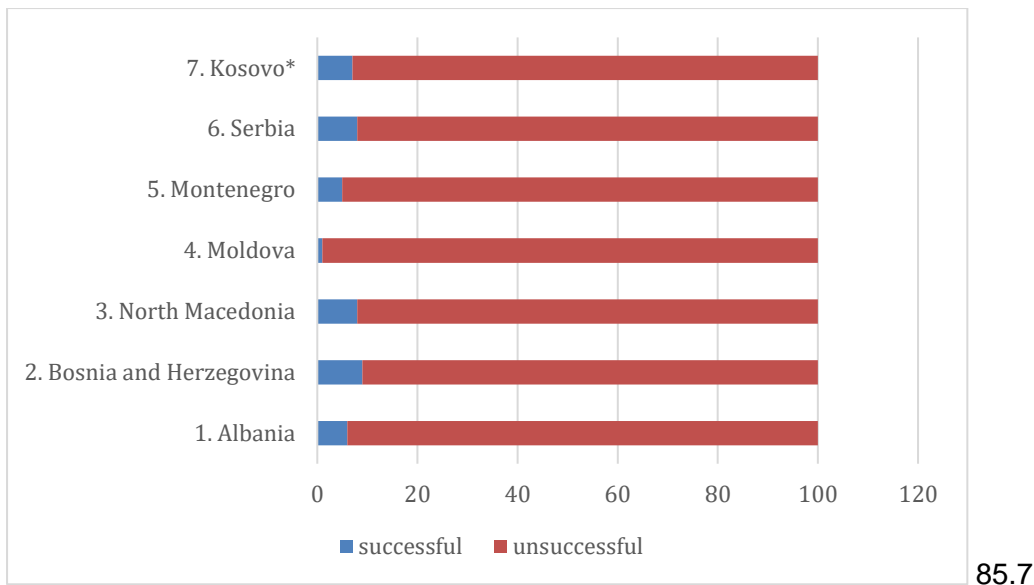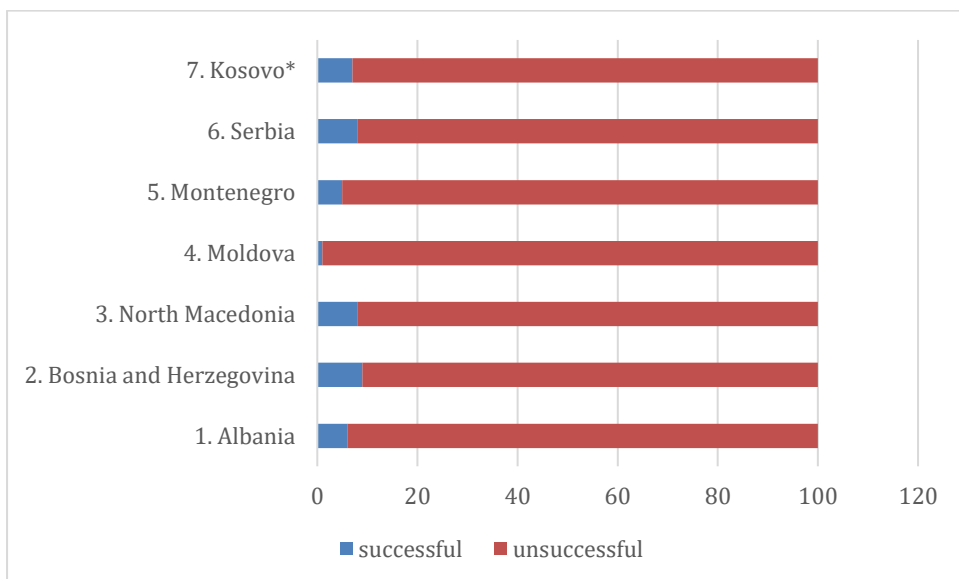
85.7

Figure 10. Successful attempts across CEFTA markets as a share of the total assessments for each CEFTA market (Services)

4.2. Geo-blocking occurrence at each stage of the shopping process [mystery shopping results]

From Figures 4 and 5 we see that geo-blocking practices are most common during the delivery stage of the shopping process. In 63.8% of assessments mystery shoppers were blocked during the delivery stage. The most common practice is restricting the field for address by not allowing addresses outside the local market of the seller.

In order to further analyze RQ3 "In what stage of the online shopping process does geo-blocking occur and in what form?", this section presents the results of the mystery shopping

observations per shopping stage and looks at the geo-blocking restriction at each stage including the detailed aspects during each stage.

### 4.2.1. Geo-blocking practices related to access

During the first stage of the shopping process (accessing the website) various geo-blocking forms can take place ranging from automatic rerouting and blocking to product non-availability.

This part investigates the geo-blocking practices identified by mystery shoppers when accessing the website and looking for the exact same product that they selected previously as a local shopper for comparison. In addition, the appearance of the website, its content, and its language are presented in this part.

For the purpose of conducting the mystery shopping observations and comparing the e-shops across the stages of the shopping process mystery shoppers used two PCs/laptops in parallel and a VPN tool installed on both that enables setting the IP address to the needed market of the observations. One of the devices was set with VPN to the origin of the e-seller and the second to the given market of the e-shopper.

The vast majority of mystery shoppers were able to access the exact same website when assessing it from another CEFTA market (98.4%). Overall, 1.6% of all website access attempts resulted in automatic redirection to a website with a different market extension, a different domain name, or were asked to select their location and were redirected to a local version of the e-shop with a different market extension (Figure 11).

Figure 11. Ability to access the same website as local and non-local shopper
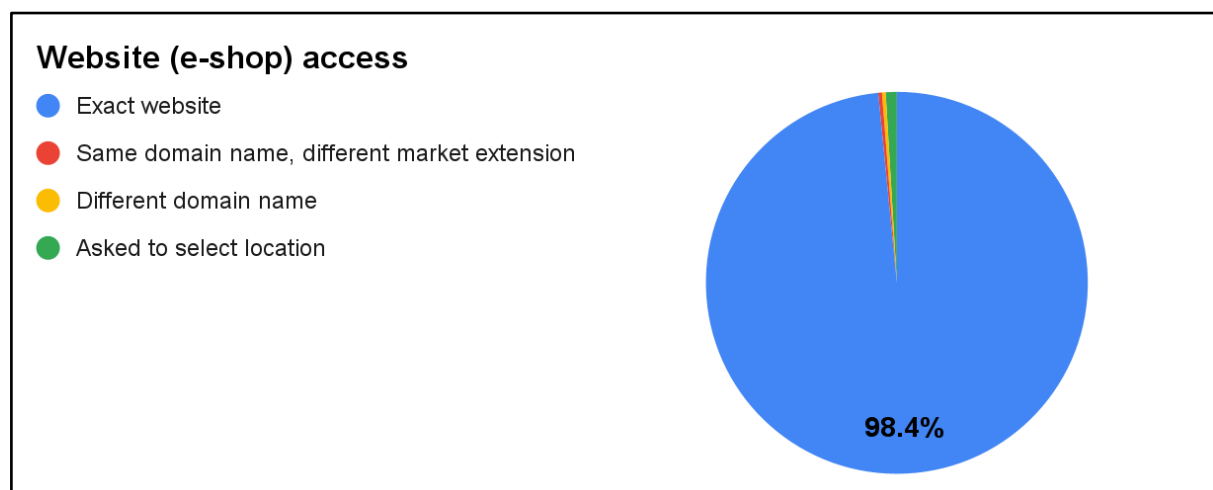
Out of the 98.4% of cases when mystery shoppers were able to access the exact same website in 73.8% were to the observed e-shops selling goods and 26.2% to services. The small share of 1.6% of the cases when mystery shoppers were restricted to reach the exact same website was on observations on goods, hence no restrictions were applied by e-shops selling services.

Looking at language availability across the observed e-shops, 70.3% are available only in the local language of the market of the e-shop, while 29.7% are available also in English and/or another language additionally (Figure 12).

Figure 12. Available languages of the e-shops
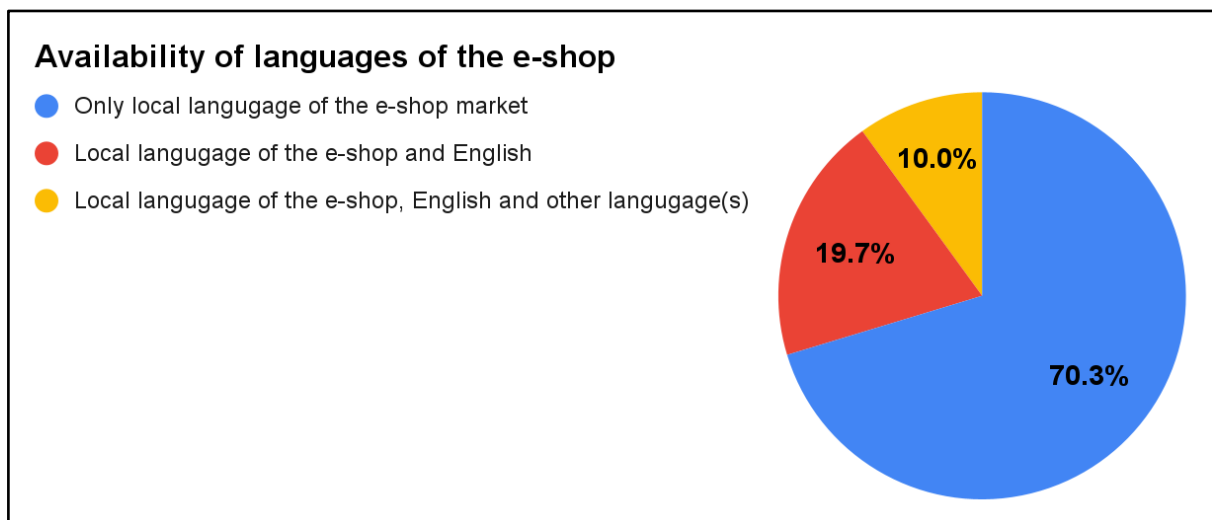
Although 29.7% of e-shops are available in English in addition to the local language, 87.2% are presented in the local language regardless of whether the visitor is assessing from a local or a non-local market, 7.2% were displayed in English in both options, 3.4% of the e-shops recognize between local and non-shopper when displaying the website and in 2.2% of the assessed websites shoppers were asked to select their preferred language (Figure 13)

Figure 13. Language the e-shop is presented to when assessing as local and non-local shopper
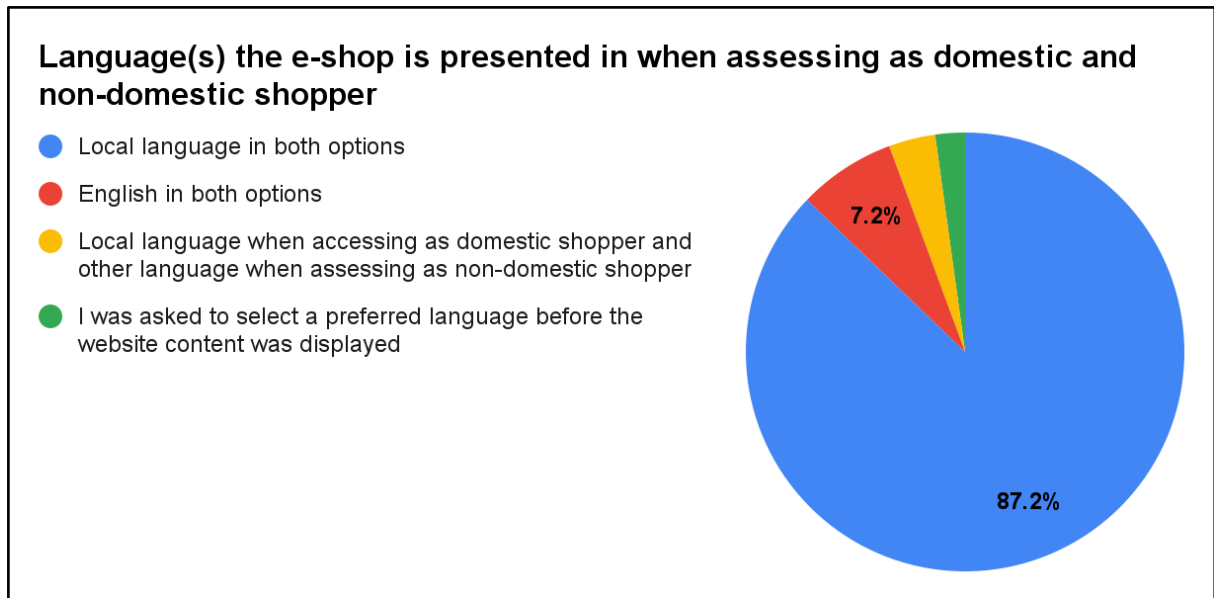
Figure 14. Differences in the displayed content of the e-shop when assessing as local and non-local shopper
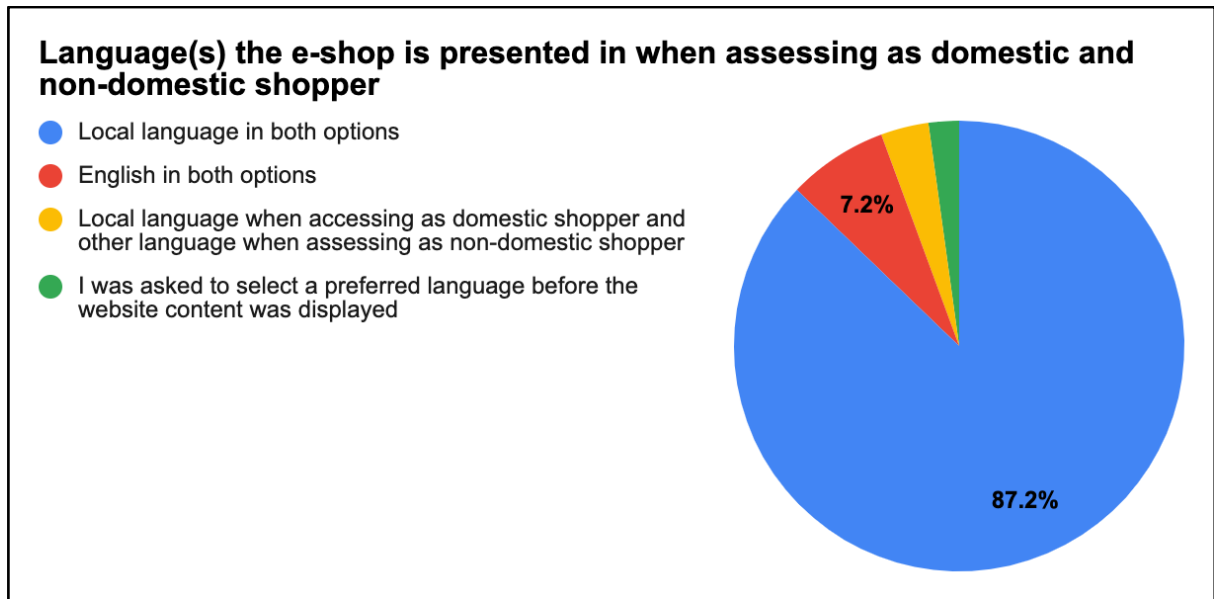
In all of the observed cases (100%) mystery shoppers found the exact same product. Compared to the ability to access the exact same website as presented in Figure 5 wherein 98.4% of cases shoppers were able to access the exact same website this shows that despite 1.6% of the assessments did not reach the exact same website still all were able to access the exact same product even though were redirected or rerouted automatically.

4.2.2. Geo-blocking practices related to website registration

This part covers the registration process before attempting to purchase products or services online based on shoppers' assessments during the mystery shopping observations. Mystery

shoppers did not have to register in order to proceed with the online purchase in 64.4% of cases.

Figure 15. Prevalence of registration requirement before making the online purchase

Registration
- No, I don't need to register in order to make a purchase
- Yes, registration is mandatory to make a purchase

35.6%
64.4%
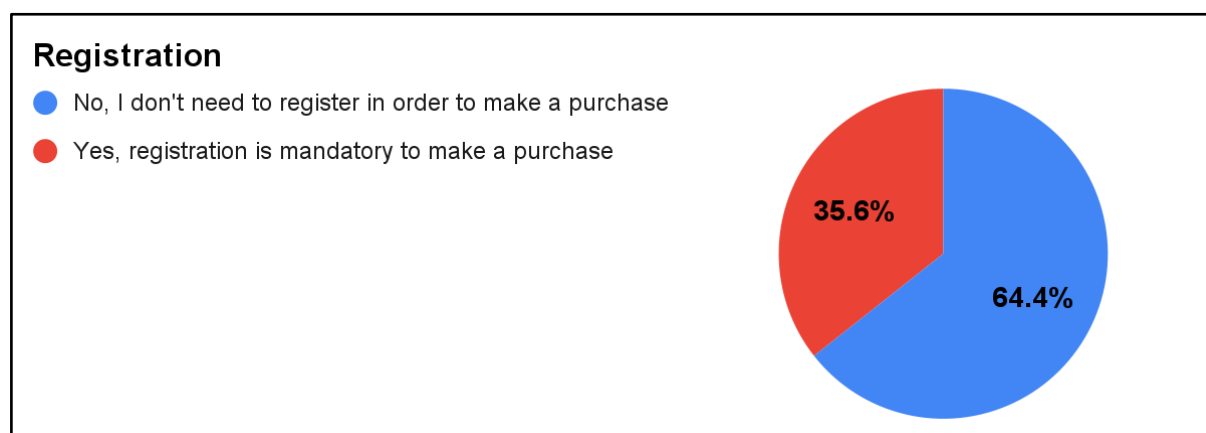
Even if registration was not mandatory to the e-shop website mystery shoppers were required to attempt to register. Figure 15 shows the requirements of the registration form and Figure 17 shows if the mystery shopper was able to complete the registration at all as a non-local shopper with an address and phone outside of the market of the seller.

In 80.3% of the cases, address and/or phone were mandatory to complete the registration process, whereas in 75% both address and phone were mandatory, and in 5.3% either address or phone was mandatory. In 9.7% of assessments, neither phone nor address was mandatory to complete the registration and 10% of websites do not have a registration process in place hence meaning they have only 'checkout as a guest' option for all purchases instead of providing the ability for user accounts (Figure 16).

Figure 16. Different elements of registration required before making the online purchase

Registration requirements
- Address mandatory
- Phone number mandatory
- Both phone and address mandatory
- Nor phone or address were mandatory
- The website does not provide user registration at all

10.0%
9.7%
75.0%
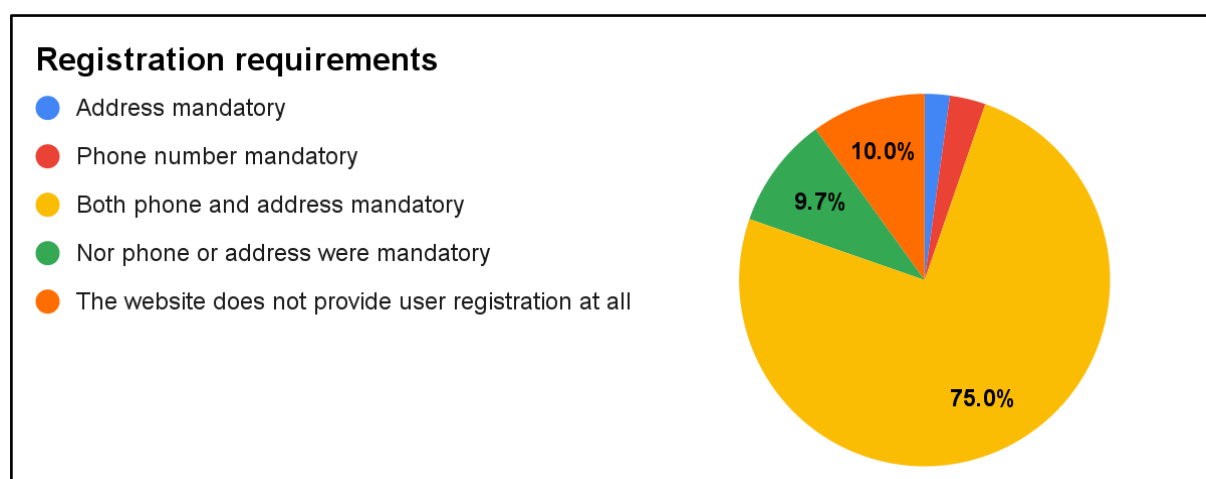
Almost half (47.8%) of the mystery shoppers encountered geo-blocking practices during registration as they were not able to make a registration with their address or phone outside of the seller's market. 37.5% of assessments were allowed to make a registration with their address and phone and in 4.7% of assessments, the form of registration of the e-shop did not contain fields for address or phone. As mentioned above 10% of the websites don't have registration processes in place at all (Figure 17).

Figure 17. Ability to make a registration before making the online purchase - overall
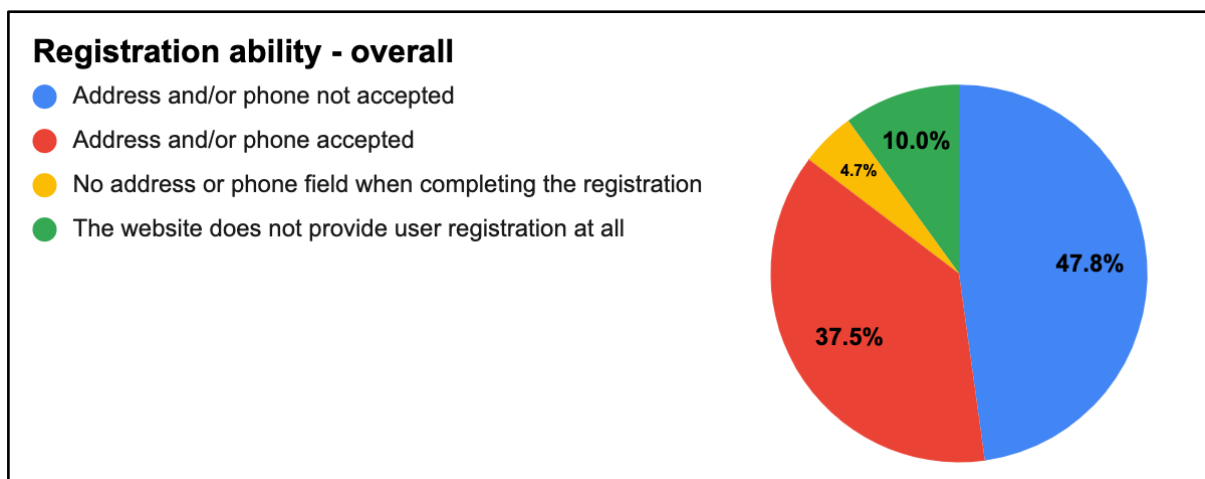
Figure 18 shows the distribution of goods and services in each of possible outcomes when making a registration. **Almost all or 94.8% of unsuccessful registrations due to the customer being blocked during registration (inability to input his address and/or phone outside the seller's market) appeared at e-shops selling goods.** Address and/or phone was accepted at 44.5% of assessments on e-shops selling goods and 55.5% on services.

Figure 18. Share of Goods and Services across registration ability before making the online purchase
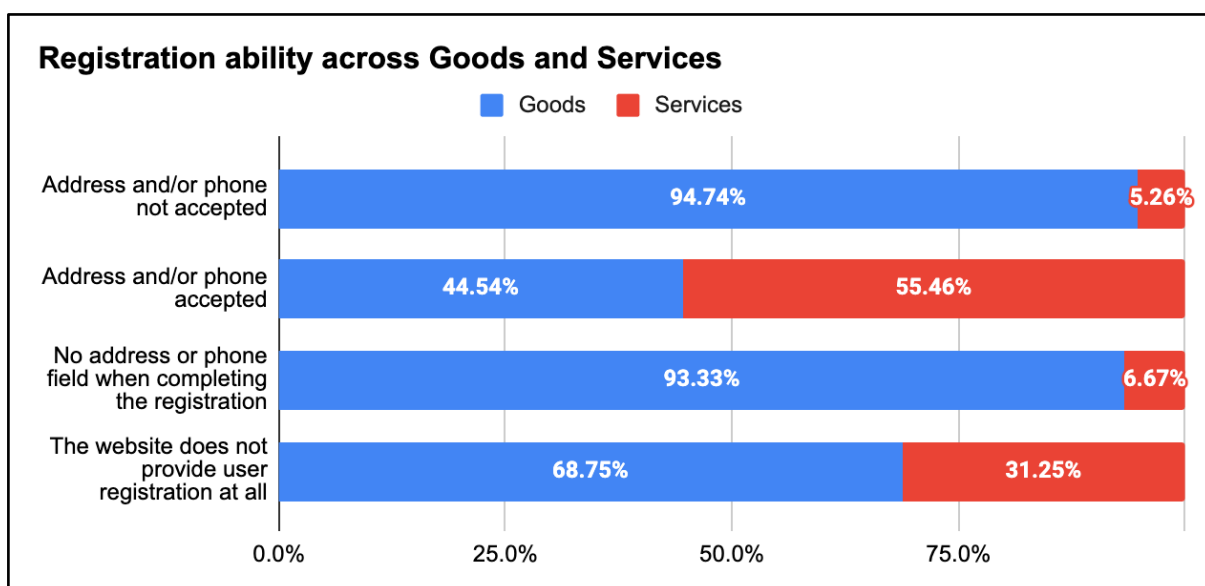
4.2.3. Geo-blocking practices related to delivery restrictions

During the mystery shopping exercise, e-shops were observed regarding the possibility to deliver to non-local markets i.e if they sell cross-markets. This part presents the findings regarding geo-blocking practices encountered during the delivery stage of the shopping process.

The majority of e-shops (64.1%) refuse to sell to other markets and are focused solely on selling on the local market. They restrict the non-local shoppers during the shopping process by restricting the address field only to local addresses. Most of these or 92% (58.8% of the total number of assessments) have automatic checks on the address field and data validation and 8% (5.3% of the total number of assessments) do not have an automatic data validation on the address field but accept the non-local market but later on inform the shopper that they do not deliver outside their local market.

30.3% of e-shops accept the address from another CEFTA market and in 5.6% of cases the address filed was not present during this process as services were observed.

Figure 19. Ability to complete the shopping process with non-local address
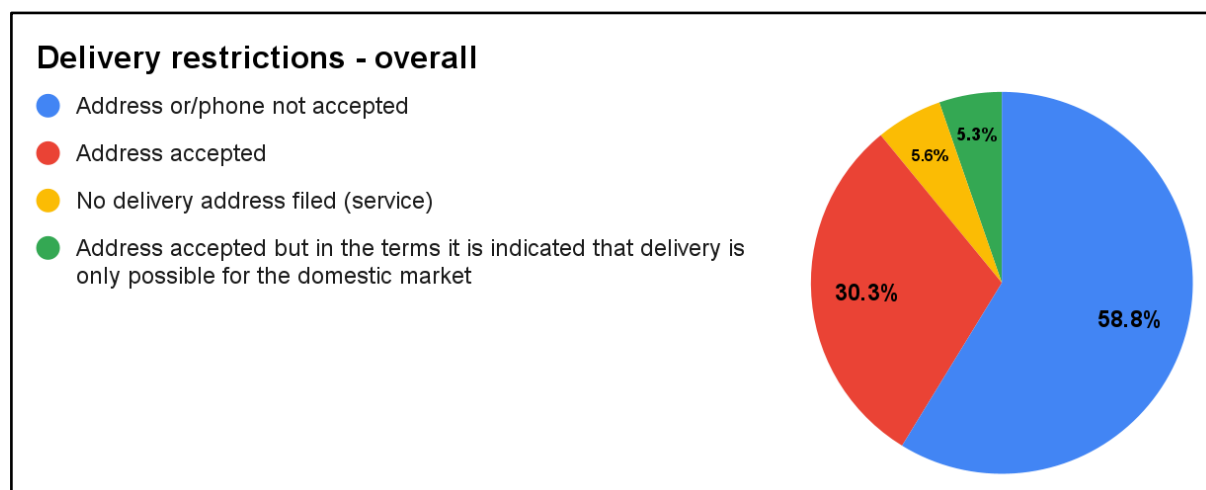
As the delivery of services can not be compared to the delivery of goods we need to look into the delivery restrictions per category i.e separately for goods and services.

The address was not accepted at 64.1% of e-shops and out of them in almost all cases (95.8%) when the address of the mystery shopper was not accepted it was when observing goods, while less than 5% of the cases when the address was not accepted was when attempting to purchase service. Out of the 30.3% when the address was

accepted, 58.8% was when shopping for a service. Out of the 5.3% of e-shops that accepted the shopper's address but did not deliver to non-local addresses almost all (94%) are regarding goods (Figure 20).

Figure 20. Share of Goods and Services across delivery restrictions when making the online purchase
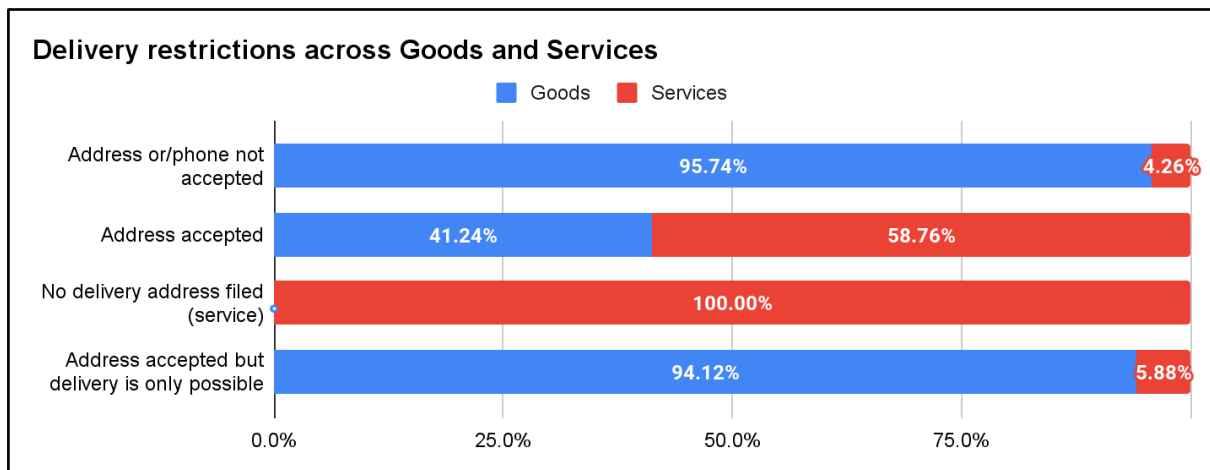
The following three figures present aspects of the delivery and additional costs for the observed e-shops that sell goods. Mystery shoppers were asked to respond to a set of questions applicable to the observations of goods. Out of the total mystery shopping assessments, 74% or 236 were assessments on Goods and the figures present the share in the number of observed goods.

During the shopping process stage before the checkout stage where they are asked to input their address, mystery shoppers were asked to observe the display of the costs for delivery and handling. They were advised if multiple options were available to select the "basic delivery" option. Figure 21 shows that 37.7% of e-shops provide free basic delivery and 39.8% apply delivery costs. In 22.5% of observations information on delivery costs was not displayed.

Figure 21. Displayed costs of delivery during the shopping process of Goods

Cost of product delivery (Goods)

- Additional delivery costs apply on top of the price of the product
- The basic delivery cost is free for this product
- Information on delivery costs is not provided at this stage

22.5%
39.8%
37.7%
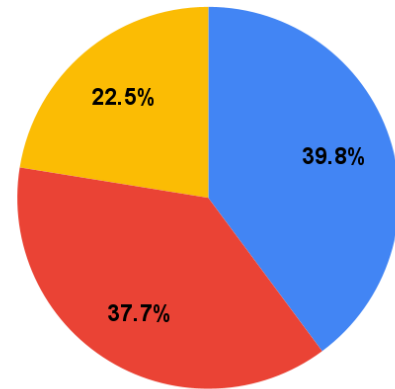
Mystery shoppers were asked to observe the displayed delivery costs while ordering, even though their delivery address might be rejected later in the delivery stage. In 64% of the cases, mystery shoppers would realize that they cannot place the order at the last stage (delivery stage), although they were able to go through the whole shopping experience up to that point.

If we take a look at Figure 22 we notice that in 80.1% of the observations on Goods the delivery costs that the shopper was displayed at this stage (before going to the next step to insert the address) were the same as for local shoppers and out of these in 36.0% of cases cost was displayed as "free". Only 8.1% of shoppers were able to see at this stage that the delivery to their location would not be possible and 5.1% could not find information on the delivery costs. In only 6.8% of the observed e-shops displayed higher delivery costs for non-local shoppers compared to the displayed costs for local shoppers.

Figure 22. Displayed costs of delivery to non-local shoppers during the shopping process of Goods

Cost of delivery for non-domestic shoppers (Goods)

- Displayed delivery cost is the same
- Displayed delivery cost is free in both options
- Displayed delivery cost is higher for non-domestic shoppers
- No information on delivery costs shown
- Delivery option not possible to my market

8.1%
44.1%
6.8%
36.0%
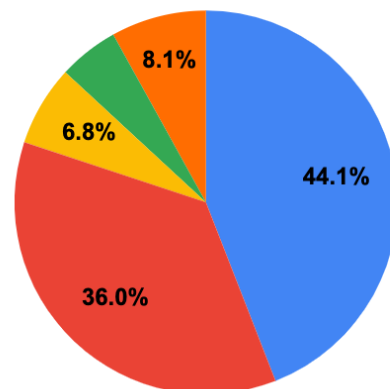
Regarding other handling costs in almost all cases (95.7%) no other handling costs were presented to the mystery shoppers (Figure 23). In 3.0% of assessments, there were handling

costs presented when assessing as a non-local shopper and no costs when assessing as a local shopper and in 1.3% other handling costs were presented during both assessments.

Figure 23. Other handling costs during the shopping process of Goods

4.2.4. Geo-blocking practices related to payment and pricing

As mystery shoppers were not provided with payment cards or means to complete the purchase and potentially reach the order confirmation page as presented in the Overall geo-blocking practices section we assume that if the e-shop provides a generally accepted payment method - payment with internationally accepted card (Visa, Mastercard) the purchase would have been completed successfully. The results however show that the most significant stage of the shopping process for geo-blocking is the delivery stage for Goods. There is a small difference in the share of e-shops that geo-blocked shoppers between stage Delivery and stage Payment.

Figure 24 and Figure 25 show the payment options offered by the observed e-shops. 75.6% of e-shops offer payment with credit/debit card, 68.4% offer payment upon delivery (cash on delivery), and 34.4% offer bank transfer payment. Mystery shoppers also identified other payment options such as 'card on delivery', 'credit' payment, and 'payment in installments' usually via local banks or microcredit companies. Gift cards/vouchers are accepted as means of payment at 15.6% of e-shops and 7.8% accept payments with Paypal.

Figure 24. Payment methods provided by e-shops

Payment options offered by e-shops

Payment option	Percentage
Credit/Debit card (ex. Visa, Mastercard)	75.6%
Cash on delivery	68.4%
Bank transfer	34.4%
Gift card/voucher	15.6%
Paypal	7.8%
Credit	4.7%
Card on delivery	4.4%
Payment in instalments	3.4%
Other	9.1%
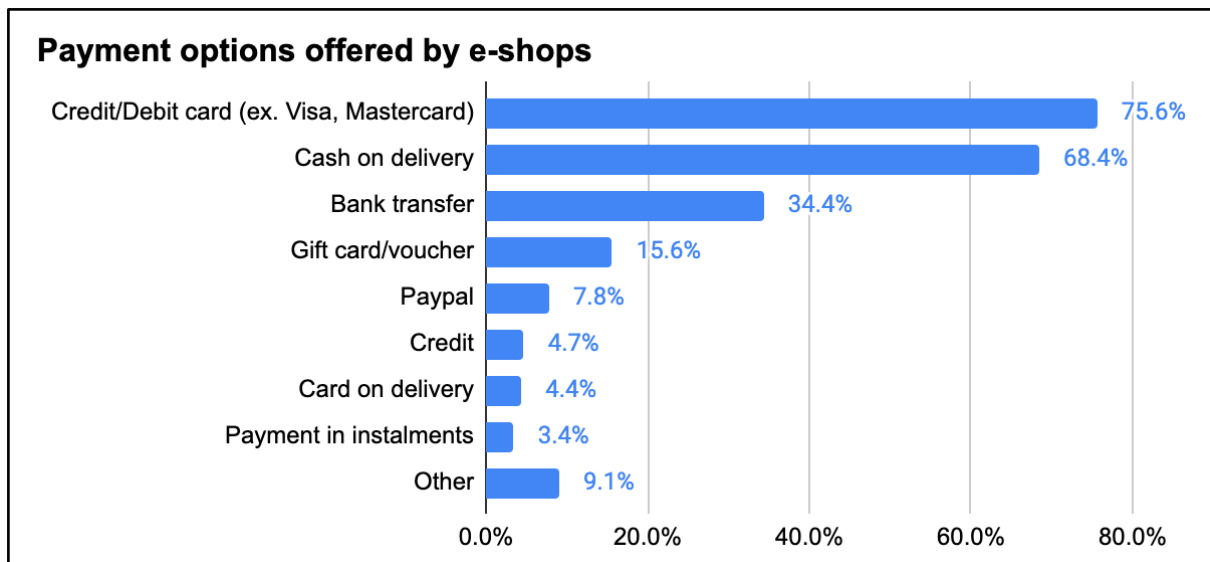
Figure 25. Payment options offered by e-shops selling Goods/Services

Payment options offered by e-shops (Goods, Services and Overall)

Goods ■ Services ■

Payment option	Goods	Services
Credit/Debit card (ex. Visa, Mastercard)	170	68
Cash on delivery	210	8
Bank transfer	88	22
Gift card/voucher	38	10
Paypal	14	8
Credit	13	
Card on delivery	12	
Payment in instalments	8	
Other	8	18

The prices of the selected products for the observations vary from 1 euro to 2.853 euros. During almost all of the assessments (99.1%) mystery shoppers found the exact product for the exact same prices when shopping as non-local shoppers as if they were a local shopper (Figure 26). There were only 2 assessments when the price was higher for non-local shoppers and only 1 case when the price was lower for the non-local shopper. The latter case is when

the mystery shopper was re-routed to a local e-shop with a different market extension where the same product was with a slightly lower price. However, during this assessment, the mystery shopper did not reach the exact same website.

Figure 26. Price differences in products and services when assessing as local and non-local shopper
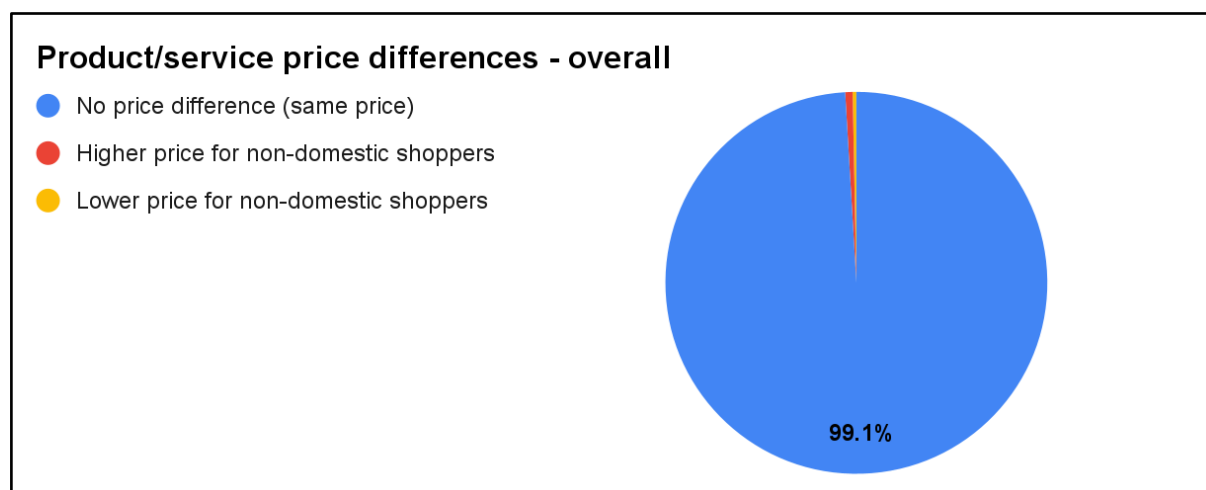
4.3. Overview of cross-market selling, geo-blocking practices and reasons for geo-blocking across CEFTA markets [qualitative assessment interviews results]

In order to answer RQ4: "What is the reason and justification for the identified geo-blocking practices?" and better understand the challenges, opportunities, and issues that the e-shops experience in regard to cross-market operations and online sales across CEFTA markets, interviews were conducted with representatives from e-shops.

The interviewers conducting the interviews were the same who were conducting the mystery shopping observations. The mystery shoppers, also referred to as interviewers, were provided with guidelines and instructions on conducting semi-structured interviews with the e-shops, including sample topics/questions that they should address during the interviews. Before conducting the interviews, the mystery shoppers had already conducted the mystery shopping observations on their sample of e-shops and were familiarized with the e-shop's business, options for cross-market delivery, etc., hence they were able to guide the interview efficiently and ask relevant questions. The interviewers played a key role in guiding the discussion and obtaining as much valuable information as possible.

The main goal of the interviewees was to identify the nature behind the geo-blocking practices if any, and to explore the e-shops more in-depth from another angle - their experiences and

points of view towards cross-market selling. The same sample of e-shops used for the mystery shopping observations was used for the interviews.
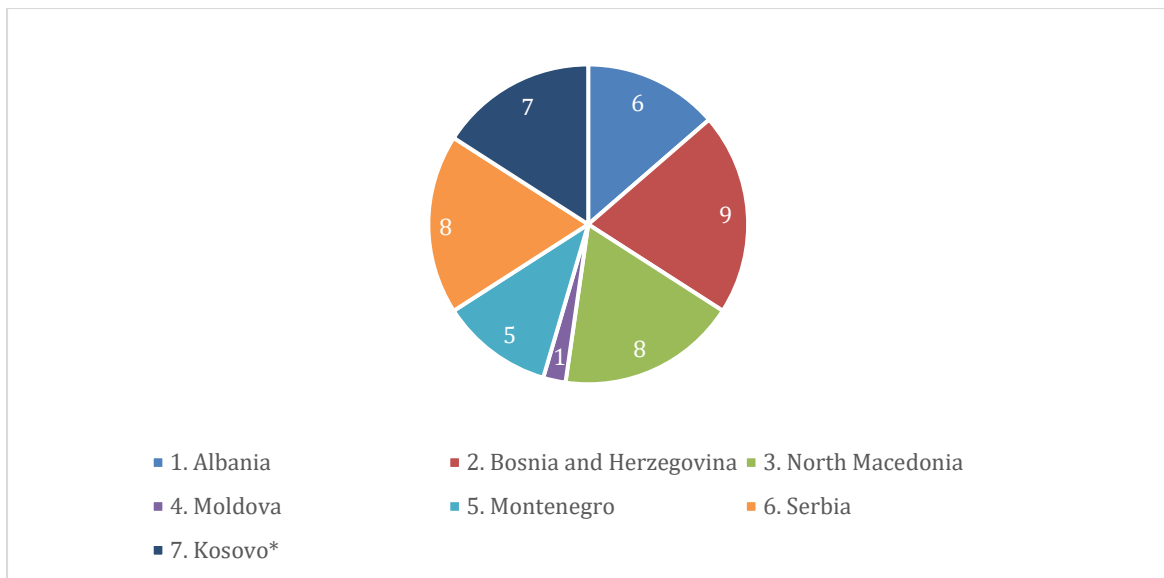
In the period between December 22, 2021, and January 11, 2022, 44 interviews were conducted in total across all CEFTA markets.

The interviews were scheduled with the help of the local E-commerce Association for the markets where they are established (Serbia, North Macedonia, and Bosnia and Herzegovina) and other relevant contacts and networks were used for the other markets (Chamber of Economy of Montenegro), in addition, direct contacts were made with e-shops. For Moldova as the direct attempts with e-shops via emails and Linkedin did not result in successfully scheduled interviews the Moldovan Association of ICT Companies and The American Chamber of Commerce in Moldova were approached for help and connections. However, as no interviews were scheduled an interview was conducted with the Moldovan Association of ICT Companies who provided a general overview of the e-commerce market and the cross-market operations and sales of local e-shops.

Before conducting the interview, the interviewers shared information regarding the study and its purpose with the interviewees, and a subset of questions/topics was sent to the interviewees with the intention to make the interview more productive.

In total, mystery shoppers reached out to 121 e-shops, attempting to schedule interviews that resulted in 44 successfully conducted interviews via online meeting (Zoom, Google Meet, WhatsApp, Skype) or in a few cases in a written form via email. Figure 27 shows the number of conducted interviews per market. Out of these 44 interviewees, 38 (86%) were with e-shops that sell goods, 4 (11%) with e-shops that sell services and one interview was done with a representative from the Moldovan Association of ICT Companies. 39 of the interviews were conducted verbally via online communication tool and 5 in written format via email.

Figure 27. Number of interviewees per CEFTA market in total

- 1. Albania
- 2. Bosnia and Herzegovina
- 3. North Macedonia
- 4. Moldova
- 5. Montenegro
- 6. Serbia
- 7. Kosovo*

The interviews were conducted with different profiles of people (founders, CEOs, marketing managers, e-commerce managers etc.) who captured the issues, obstacles, and opportunities they faced with cross-market deliveries and explained the reasons behind limiting their offerings to the local markets and the challenges they perceive for expanding and selling to other markets or face in cases where they sell cross-market.

Out of the 43 interviewed e-shops (excluding the interview conducted with the Moldovan Association of ICT Companies), only 13 (30.2%) sell cross-market and 5 of them sell services while 30 (or 69.7%) of them do not offer cross-market delivery and are focused solely on their local market. These findings resemble the findings of the mystery shopping observations where 65.9% of mystery shoppers were geo-blocked during the delivery stage of the shopping process (Figure 5) and in total 72.5% were geo-blocked including the payment stage.

Figure 28 shows a comparison of the findings from the conducted mystery shopping observations and from the interviews per market. The findings are similar however there are differences in some markets depending on the sample for interviews. The sample for the mystery shopping observations covered more e-shops while the interviews were conducted with around a third of the sample. In addition in some markets, the differences are due to the fact that the e-shops that sell at least to one other CEFTA market are considered that they do cross-market sales during the interviews, and on the other hand, during the mystery shopping observations, these same e-shops were observed from 2 markets that were paired - for one of the markets they might have geo-blocking but not for the other. This is the case with Albania and Kosovo* as the findings from the interviews show that they do cross-market sales in general in Albania, North Macedonia and Kosovo* but not to other markets. For example, these 2 markets (Albania and Kosovo*) were paired once with one of these markets where they do cross-market sales and the second time with another market where they don't in order

to ensure credibility of the findings. For Moldova data regarding geo-blocking per e-shop is not available as the interview was conducted with the ICT chamber.

Figure 28. Identified geo-blocking practices during interviews and mystery shopping observations
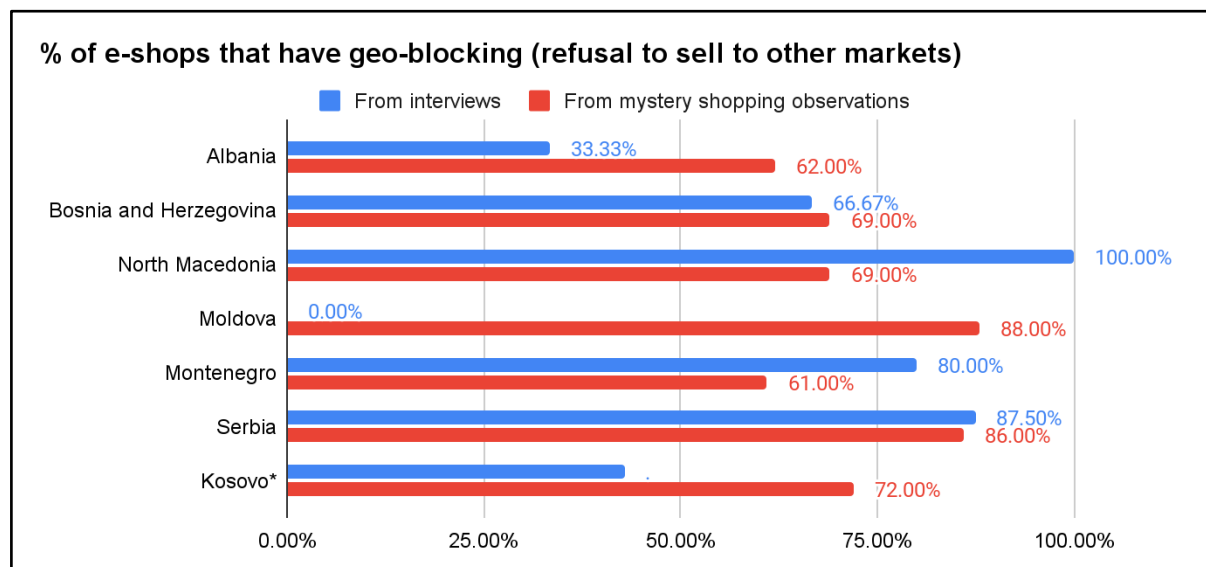
Perceived obstacles and reasons for not selling to other CEFTA markets

Logistics/delivery issues, customs clearance, and lack of standardized regulations were the three key obstacles mentioned by almost all e-shop representatives. Among other perceived barriers, these were the main reasons why e-shops do not offer deliveries in other CEFTA markets. Local courier services do not have any established partnerships or processes to handle cross-market deliveries, whereas courier services costs are too expensive making the products uncompetitive for other markets. Custom issues involve high customs fees that customers have to pay and complex customs procedures which directly impact the competitiveness of the e-shop in foreign markets and are adding administrative burdens and uncertainty. The lack of standardization, clear and uniform rules and regulations, and the lack of hassle-free processes are making the path to cross-market deliveries even harder.

The mapped challenges from all conducted interviews are categorized and described more in detail below.

- **Procurement issues**

  - **Customs fees/clearance** is a big obstacle for delivering outside of the local market for all of the interviewed e-shops. Erlis Linza, CEO of Bestseller.a from Albania says: "Having to pay customs clearances on each order means the only feasible way is to open a full business and warehouse in each of these markets instead of operating from our main warehouse".

  - **Custom processes/ administrative burdens** are also one of the biggest pain points for the e-shops in the CEFTA. Apart from the expensive customs fees that customers have to pay on top of the product and delivery price, there is a complex procedure at the BCP/CCP for handling the goods which require filling out multiple forms. Some of the e-shops representatives mentioned that they also have to pay fees of around 20-30 euros for submitting these forms. On top of that, a big problem for a lot of the interviewees was the uncertainty and unreliability of these processes which can be preventing a smooth customer experience. Uros Momirovic, Owner and General Manager at Mona Serbia said "Biggest blocker are the fees, but even without them, we won't be able to do it properly because products get held in customs for a few days, making it a complicated process for just one product. Ideally, we need more people and a smooth process for transporting and handling the goods". In relation to that, some e-shops mentioned that including private delivery companies in the process offers a smooth customs process as well but it also significantly increases the costs for the e-shop. "When international buyers visit OREA platform the first obstacle that they report is very expensive delivery, and then those that do decide to place the order encounter a second challenge when they have to pay for the customs. That too can be expensive and many are hesitant to order again." said Senita Slipac, co-founder and CEO of Oreabazaar.com, a marketplace platform for handmade products from Bosnia and Herzegovina.

  - **Double taxation** is a problem that a few of the interviewees brought up during the interviewees. They explained that if they import a product or material from a foreign market they have to pay the import taxes and then when exporting the product outside of their local market, they again, have to pay VAT on top of the price, which makes the offer uncompetitive.

  - **Return costs** are also a concern to some of the e-shops as providing free returns is introducing additional high costs when dealing with cross-market deliveries.

- **Operational issues**

  - **Logistics/Delivery** is also one of the main obstacles that the e-shops cannot overcome. Most of the e-shops are only delivering their products within their local market due to the limitations of local courier services and the lack of cooperation with courier services from other markets. "When delivering products to Albania for example, we have communication with the local posts from Kosovo* and they are talking with the post office in Albania about the last mile delivery. Not having direct communication with the post that delivers the product to the end customer leaves many open questions". – says Alma Sheholi, Head of Technology at Egjeta, Kosovo*. However, couriers are offering cross-market delivery for higher costs. Only a few of the interviewed e-shops are using these services and the rest expressed concerns regarding the high fees that customers have to pay on top of the product price. Dusan Brdar, IT Director and E-commerce Manager of Fashion and Friends, Serbia pointed out the following: "Average value of a shopping basket is 80-90 euros. It is really tough to spend additional 30 euros per delivery and be competitive with local players." For some specific markets, such as e-shops that sell furniture and household appliances, it is not feasible to offer their deliveries outside of their market as their products come with accompanying services such as product installation and assembly onsite which require company representatives to be the ones who deliver the products. In Moldova, a specific type of delivery when the owners take care of the delivery process was mentioned which is a convenient solution for small family businesses but is not scalable outside of the market. The main takeaway from this challenge would be that the local courier solutions are limiting, whereas the international delivery costs are demotivating the e-shops to offer their goods outside of the local market.

  - **Technical issues** such as multilingual websites and customer support, language localization, different currencies, high exchange rates from banks and payment instruments are also a problem for the e-shops in the CEFTA. These technicalities would introduce additional costs and burdens to the e-shops, and they were mentioned only in a few of the interviewees. In one of the markets, there are barely any online payment solutions provided as most e-shops prefer cash on delivery which can be limiting for cross-market sales as well.

- **Marketing issues**

- **Cost Per Acquisition (CPA) and brand awareness** was brought up by one of the interviewed webshops. Acquiring a non-local customer is much more expensive than acquiring a local one. The e-shop representative from Serbia explained that CPA and brand awareness costs would most likely be higher in other markets, and it would not necessarily mean that these costs would be justified with higher conversion rates.

  - **Strong competition** in other markets was an obstacle mentioned by two e-shops.

  - **Generic items** that can be found anywhere were also mentioned as a reason why some of the e-shops do not consider offering cross-market sales as they do not see their offering as fit for cross-market sales.

- **Financial issues**

  - One e-shop mentioned **VAT calculations** and **additional administration** for statistical reports which are required by each market as a concern in the case of cross-market deliveries.

  - **No governmental support** - one e-shop mentioned that there is a lack of support from the government that would encourage e-shops to start selling cross-market.

- **Legal issues**

  - **Regulations** are also one of the obstacles for the interviewed e-shops, with a focus on the need for harmonized regulation for the markets and unified laws in regards to the transport of goods, handling returns, payment methods (such as Paypal), etc.

  - **Selling rights** - Some of the e-shops explained that they have different rights for sales for some brands in different markets.

- **Customer experience** is an obstacle on its own which is connected and coming from the various previously mentioned obstacles such as customs fees, customs processes and logistics issues. Some of the e-shops specifically mentioned the customer experience as a key reason why they are not providing cross-market deliveries. "Let's say I am a foreign customer and I order something from Serbia, so if I pay more because of the delivery fees and taxes, I would like to get the product as soon as possible, not after 2 weeks. The most important thing in e-commerce is customer experience, and if the experience was not good the user might never come back." explained Smiljana Celic, Head of E-commerce at Sport Vision Serbia.

It is important to mention that some of the e-shops instead of selling with cross-market e-commerce have their own physical shops in other markets through which they are selling to local customers or offering their products via partners in other CEFTA markets. In some of the cases, this means that they do not see a need for offering cross-market delivery as the current way of handling goods with external parties/partners is functioning well enough for them. "We avoid the costs for customs and logistics by using the same e-commerce platform but having separate companies in a few CEFTA markets which operate with their own warehouse for each market." said Elvir Pivic, CEO of Mojbrend.ba from Bosnia and Herzegovina. However, in some cases, e-shop representatives explained that having separate physical shops and warehouses in different markets is also a limitation for them as they treat the market and demand completely separately meaning that their offers are different and limited in the different markets.

Willingness to sell to other CEFTA markets and introduce cross-market delivery

Having in mind the current situation and obstacles, almost none of the interviewed e-shops that are currently not selling cross-market are thinking or planning to start for the time being. However, some of them expressed enthusiasm and plans for opening full businesses and warehouses in other CEFTA markets which will be operating separately.

During the interviews, the e-shop representatives were presented with a "What if scenario" and asked if they would be willing to start selling and delivering to other markets if the obstacles they mentioned were to be removed (such as custom fees and procedures, regulations, logistics) and unified processes and procedures were in place. Most of the e-shops were very enthusiastic and expressed willingness to start selling to customers outside their local market. A representative from the e-shop bestseller.al from Albania that is currently not offering cross-market delivery said: "On the scale from 1-10 we are prepared (10) at the moment to expand our business. We are collecting all necessary data and already have all information for fulfilling customs clearances forms, so the transition from local delivery to cross-market delivery can be done very smoothly and effectively." Dragan Dulic, Retail and E-commerce executive from Serbia explained "In case of possible expansion to other CEFTA markets, first markets to be considered would be neighborhood markets with language similarities and retail brand recognition". A small number of e-shops expressed doubts about starting cross-market delivery even in the ideal scenario because of the big competition in other markets as well as because of the type of their business (i.e offering cross-market deliveries for furniture is more complex and would require more preparation).

Current geo-blocking practices

Almost all of the e-shops that do not sell cross-market have geo-blocking practices either on the registration or delivery stage of the shopping process. E-shops have validation in the registration and delivery posts that prevent the user from selecting a place outside of the local market. In some cases, the local market is preselected and the user has no option for changing it. Postcodes usually have length checks and cities fields are in a dropdown where the user is limited to choose from what s/he is offered in the dropdown menu. In a few cases, where the e-shop is delivering to other markets, there is no geo-blocking practice on the User Interface. In case of an invalid address entry or if there are no checks on the front-end, the orders are being checked internally by the e-shop operations, and the order is canceled later on or the customer is contacted. Some of the e-shops mentioned that in cases like this if they have partners in those CEFTA markets, they are usually informing the user whose order is being canceled so that they can order the same or similar product in a local partner shop.

Selling and delivering to non-local markets - Opportunity and challenge

A few of the 13 e-shops (out of 43 interviews with e-shops in total) that sell cross-market and offer cross-market delivery (for goods) are providing worldwide deliveries using DHL or FedEx, while the others are selling to a few non-local neighboring markets that offer affordable prices. However, in all cases, the local market is the main focus and the most dominant one accountable for over 90% of total sales. Regarding the worldwide deliveries, they are satisfied with the speed and procedures of delivery, but the costs are expectedly much higher. Dunja Jovanic from Serbia, Founder of 'Bebe by Dunja' - an e-shop selling designer clothes who delivers across many markets worldwide explained: "For every order outside of Serbia, we internally have to prepare around 7 documents which take approximately 30 min. per order. Then we hand the paperwork and package to DHL, and from this point on DHL handles the delivery." Valer Pinderi from Albania, Founder & CEO of Bukinist pointed out "Every order (book) can be delivered everywhere in the world, without paying additional fees for customs clearances using DHL and FedEx. Customers are ready to pay a high price for well organized delivery and logistics, in some occasions even they pay more than the cost for the product itself". Senita Slipac, co-founder and CEO of the online marketplace for handmade products Oreabazaar.ba from Bosnia and Herzegovina, pointed out "Buyers in the US are used mostly to free shipping, and buyers from Europe are used to very affordable shipping, so when those same buyers see 20-30 euros that they have to pay for shipping from Bosnia and Herzegovina, they report to us that this is the single reason why they do not complete their order. It's simply too expensive."

Overall, we can conclude that it is feasible for local e-sellers to sell and deliver to non-local markets with e-commerce and reach new clients. However, the findings from the

conducted interviews, show that only a small number of the e-shops are delivering cross-market due to the many obstacles that stand in their way.

Alternative option for selling to customers without doorstep delivery

Some of the e-shops in Serbia, Moldova, Bosnia and Herzegovina offer **'Click & Collect'/'Pick-up in store' service** giving an option to the customer to pay online and pick up the item at one of the physical stores of the seller. This option is offered free of charge and the users can select the preferred location of the physical shop or warehouse. The e-shops in North Macedonia and Montenegro do not provide this option according to the findings from the conducted mystery shoppings and interviews. And the e-shops in Albania and Kosovo* do not provide this option on their web shops but have it available upon request from the customer which is done by email, social media or phone.

There are also some e-shops offering **'Parcel Machine Service'** for a fee of approximately 2 euros (case of Serbian market). In this case, customers can select a preferred location of the available parcel machine locations and then they can pick up the order whenever it is most convenient for them.

However, not all e-shops offer the option for pick up, and this might especially be a problem for e-shops who operate solely as pure-play shops who don't have stores or warehouses where the customer can come. The other option for lockers 'Parcel machine service' depends if there is such an option present on the market.

The 'Click & Collect' and 'Parcel Machine Service' options enable every customer (including the non-local shoppers) to make orders online and have an option to get the goods. Although this is still a limitation for the non-local shoppers as they cannot get the products delivered to their doors, it provides an option for everyone to be able to complete the full cycle of an online shopping process (with the assumption that non-local payment cards will be accepted at the final step of their shopping experience).

Finally even if e-shops enable non-local customers to be able to purchase their products and collect them at a location in the local market of the seller this does not represent the opportunity, convenience, benefits and the idea of doing e-commerce.

4.4.1. Albania

Six interviews were conducted with representatives from Albanian e-shops, out of which 5 with e-shops that sell goods (consumer electronics, books, clothes and furniture) and 1 with e-shop that sell services (travel services).

The majority of the interviewed e-shops, 4 out of 6, offer cross-market delivery but only to a few CEFTA markets, and one of them offers worldwide delivery. Albanian e-shops

that are selling cross-market usually offer delivery to Kosovo* and North Macedonia. The similarities in the language, the possibility of targeting customers with the same language as for the local market, the similarity in purchasing habits, and the fact that these three markets are neighboring make them more suitable for cooperation and cross-market selling than the rest of the CEFTA. In addition, there are privately operated logistics providers in these markets who have already established some kind of cooperation between them, which makes it easier to organize the delivery across these markets.

These findings lead to the perception that when Albanian e-shops are thinking of expanding and selling to other markets North Macedonia and Kosovo* are the markets that first come to mind.

Although there are Albanian e-shops that sell cross-markets the value of the cross-market sales is still insignificant, i.e. not more than 2-5% of the total sales volume.

Perceived obstacles

Although 4 out of 6 of the interviewed e-shops are selling cross-market, they face obstacles that are limiting the expansion of the cross-market sales and delivery.

Customs fees, complex procedures for clearances and issues with double taxation were indicated as some of the key obstacles. **Fees for custom clearances** are the main obstacle e-shops face as additional fees for customs clearances are added on top of the product price making the final price for the end customer much more expensive compared to purchasing the product locally. "In the business registration center in Albania, our company is registered as an exporting business so with that it's much easier to fulfill all the documentation for export, but once again the customs clearances have its own costs" - added Fidan Ramizi, Founder & Business Development of AOOS Store.

The **complex procedures for customs clearances** with extensive documentation is another burden as there is a set of documents that should be filled for every order with very detailed data (number of packages, weight, and size of every package, price, etc) and also there is an additional cost for submitting these forms to the customs (around 20-30 EUR per package). Erlis Linza, CEO of Bestseller.al says: "Having to pay customs clearances on each order means the only feasible way is to open a full business and warehouse in each of these markets instead of operating from our main warehouse".

Some e-shops added the Issues related to **"double taxation"**, for example, if goods are imported from China, the Company pays VAT while importing the goods. Then, if the end customer is located in North Macedonia and the product is delivered there, s/he should also pay VAT on top of the price, which makes the product uncompetitive. "As we see in Europe, if an e-shop from Italy is selling to Germany they have unification of the financial software and

the end customer doesn't have to pay additional costs on the product because all taxes are included in the price. So, if we manage to do this in CEFTA, it will be much easier and more affordable for end customers from other markets to buy goods from Albania. At the moment, it's easier and cheaper to buy products from Germany than from Albania". – says Fidan Ramizi, Founder and Business development at AOOS Store.

Logistics issues, and in particular organizing good and efficient cross-market delivery for all CEFTA markets is another challenge that Albanian e-shops are facing. There are privately owned posts in a few CEFTA markets that found a way to cooperate for cross-market deliveries. However this is not in the whole CEFTA, but only a few markets. In order to lower the costs for shipping and tax, often products that should be delivered cross-market are not declared as sales to end customers, but as sales to postal services. Thus, it appears as the postal service is buying the product from the e-shop and then they are shipping it to the end customer in another market. Also, posts are declaring and shipping packages as "small packages" with amounts below 20 EUR and in this case the end customer should not pay additional costs or VAT.

There are Albanian e-shops that are using the services of logistics providers of Kosovo* because their prices are more competitive. "For the foreign customers that are ordering products from Albania, it is important to get the product fast and with low costs for delivery. Because private posts from Kosovo* are more flexible and cheaper, we are using their services." – says Valer Pinderi, CEO of Aladini.

Willingness to sell to other CEFTA markets - Albanian e-shops are ready to offer cross-market delivery

The interviewed e-shops from Albania either offer cross-market delivery or are eager to implement in the near future. A representative from the e-shop Bestseller.al that currently does not sell cross-market says: "On the scale from 1-10 we are prepared (10) at the moment to expand our business. We are collecting all necessary data and already have all information for fulfilling customs clearances forms, so the transition from local delivery to cross-market delivery can be done very smoothly and effectively."

All e-shops that were interviewed said that if the barriers for selling and delivering cross-market are to be eliminated/reduced in the future they are ready to start expanding their business to the whole CEFTA. For the moment, because of the barriers, they are rather thinking about opening a full business and warehouse in a few CEFTA markets.

The representative of Aoos.com.al that is delivering products to North Macedonian and Kosovo* noted "I must mention that at the moment all sales that we make cross-market in

North Macedonia and Kosovo* are for brands and goods that are not present in those markets."

Current geo-blocking practices
Current geo-blocking practices can be divided into three different groups.

(1) E-shops that do not deliver to other markets and have geo-blocking practice on the registration stage. These e-shops restrict registration by preventing end customers from other markets from entering any address, city or market that is outside Albania or have predefined drop-down menus where Albanian cities are listed.

(2) E-shops that allow users to register or make the order by entering a non-local address or/and city (even though they do not deliver cross-market) are analyzing the order after receiving it and are canceling the order and informing the end-user that delivery can't be done outside Albania.

(3) E-shops that deliver to other markets and have limited options for cross-market delivery. These e-shops offer to select more than one market (Albania, North Macedonia, Kosovo*) via drop-down menu and the address/city fields are free to enter any data.

Perceived challenges from e-shops that sell cross-market

One of the interviewed e-shops sells worldwide and three others are selling outside of the local market and provide cross-market delivery. Regardless of the offer for selling abroad, the Albanian market is the most dominant one (with more than 95% of the sales). Albanian e-shops that are delivering cross-market in the neighboring markets use postal services also from neighboring markets that are operating in one or few markets because they can offer affordable prices. The e-shop that is selling worldwide delivers using postal services from DHL and FedEx. Valer Pinderi, Founder & CEO of Bukinist pointed out "Every order (book) can be delivered everywhere in the world, without paying additional fees for customs clearances using DHL and FedEx. Customers are ready to pay expensively for good organized delivery and logistics, in some occasions even they pay more than the cost for the product itself".

Customers from CEFTA who are interested in placing an order from the e-shops often contact the e-shop to ask if a particular product can be delivered, but when they find out the terms of delivery and costs related to delivery, customs and taxes for the product, they give up on buying the product.

There is interest in exporting goods among the companies in CEFTA markets, although some of them already export to several neighboring markets, they face problems related to customs costs and organization of delivery in the other markets.

Often the same product happens to be charged with different customs fees for exporting in the same market. The main reasons for not reaching the potential of cross-market e-

commerce, as mentioned before, are the customs fees and procedures and the very demanding organization of cross-market delivery. It often happens that e-shops are asked if they can arrange delivery to a certain city (cross-market), but although some companies are ready to do cross-market delivery, they still postpone the implementation until further better conditions are provided.

4.4.2. Bosnia and Herzegovina

Nine interviews were conducted with representatives from the Bosnian e-shops, out of which 2 that sell services (coupons and tickets) and 7 that sell goods (clothing, consumer electronics and household appliances, furniture, sport equipment, tickets and travel services).

Most e-shops (6) are focused only on the local market and don't do cross-market sales while 3 are selling to other markets (2 of them selling services and 1 selling goods).

In all of these cases, if an e-shop does not deliver goods to one CEFTA market, it means that they do not deliver in any CEFTA market. They all see the CEFTA markets as one when it comes to delivering their products, as the main obstacles they face are quite the same (mainly high logistics costs and customs fees). They mainly practice geo-blocking by restricting the delivery address only to Bosnia and Herzegovina.

However, three of the interviewed e-shops deliver their services or products outside of Bosnia and Herzegovina. The e-shops that are selling services say they are not facing any obstacles for selling online in CEFTA or anywhere worldwide. The e-shop that is selling goods cross-market, faces the same challenges that the e-shops that do not sell cross-market perceive as obstacles and reasons for not selling cross-market. The main issues for further growth of the international online sales are the expensive delivery and the customs fees.

The e-shop that is selling goods cross-market is selling to all CEFTA markets, except Kosovo* (not listed in the options for delivery). In general, about 80-90% of sales of the e-shops that sell cross-market are coming from the local market, and between 10-20% of the orders are coming from non-local shoppers.

Perceived obstacles

The reasons why 6 out of 9 of the interviewed e-shops are focused only on the local market were explored during the interviews. **The main perceived obstacles that limit cross-market sales resemble the perceived obstacles by e-shops in the other CEFTA markets and include issues with logistics, customs and regulation.** In addition, the lack of competitiveness, strong competition and unappealing products for cross-market sales were mentioned during the interviews.

Issues with **logistics (delivery)** is the reason mostly mentioned in the interviews as the main obstacle for cross-market sales. Most of the parcel delivery companies are not providing cross-market delivery or the cost for delivery is very expensive and the buyers are canceling the orders when they see the costs for delivery. In some cases, it also takes a long time for the product to be delivered to the customer. However, international delivery companies provide cross-market deliveries for higher fees. Some e-shops are receiving complaints from customers from the EU who are not used to paying such high costs for the delivery of their products and are canceling their orders or returning their products because they are not willing to pay the customs costs. Additionally, one e-shop that sells furniture mentioned that there are not many delivery companies from Bosnia and Herzegovina that want to deliver furniture which is quite big and heavy and the courier companies are not willing to sign a contract with furniture companies for international delivery. "Outside of Bosnia and Herzegovina we don't have a cheap or economic solution to deliver our furniture to the customers." said Damir Neimarlija - Founder of Sinmax.ba. The general overview is that the high cost for international delivery is demotivating the e-shops to sell their products cross-market as they cannot compete with the local e-shops, once the cost of the delivery is added to the price of the product.

Customs fees were the next obstacle that was most commonly mentioned among the interviewees. The cost of the customs fees (which vary among different CEFTA markets) on top of the product price needs to be paid by the customers. "When international buyers visit OREA platform the first obstacle that they report is very expensive delivery, and then those that do decide to place the order encounter a second challenge when they have to pay for the customs. That too can be expensive and many are hesitant to order again." said Senita Slipac, co-founder and CEO of Oreabazaar.com. Anvar Alatović, E-commerce Manager at Pennyshop.ba said that "The final cost for the customer increases tenfold after including the customs and the transportation cost and the people from the other side are not willing to pay this amount."

Regulations are also one of the obstacles that the e-shops from Bosnia are facing. There is no harmonized regulation with the EU or the other markets in CEFTA and there are different laws connected with transporting goods for each market (e.g. handling returns). Also, there is no clear regulation in Bosnia and Herzegovina for using Paypal as a payment method, which is important for non-local buyers.

One e-shop mentioned that they have different **rights to sell all of the products outside of Bosnia and Herzegovina**. For example, out of all CEFTA markets, they have the rights to sell the US Polo products only in Bosnia and Herzegovina, Montenegro and Serbia and they have rights to sell many more different brands aside from US Polo only for Bosnia and Herzegovina.

Another e-shop mentioned that they sell **generic products** that can be found anywhere in CEFTA, thus they don't consider their products suitable for cross-market sale.

The strong competition in the other CEFTA markets is another reason why some e-shops are not considering cross-market sales. They say that there is already strong competition and there are companies selling the same or similar products in the other CEFTA markets.

Lack of governmental support for exporters was mentioned that can play as a motivator for cross-market sales and incentivize local e-shops with support and benefits to start thinking and expanding with cross-market e-commerce.

Another reason worth mentioning is that some e-shops have **established partnerships in other CEFTA markets** through which they are present and selling on the market. They have their own or partners' physical shops, warehouses and separate e-shops in other CEFTA markets. They treat each of these markets separately which prevents them from offering their whole assortment to any customers no matter where they are located.

Willingness to sell to other CEFTA markets

The interviewed e-shops that are limiting their offering to the local market only are not considering to start providing cross-market delivery in the following period with the current conditions in CEFTA. Some of the interviewees said that they are still struggling in their market, so therefore they still don't have any plans for selling cross-market or expanding to other CEFTA markets at the moment. One e-shop mentioned that they are still fighting against the gray economy that they have in Bosnia and Herzegovina and they don't feel that they are ready to expand outside of their market. Another e-shop that sells furniture added that they are also acting as a wholesaler to other companies outside of Bosnia and Herzegovina and they don't want to compete with their partners from the other markets to whom they sell their products.

Haris Peljto, Head of Digital Marketing at imtec.ba said: "I believe that e-commerce is very important for CEFTA as we have 20 million potential customers and that's more than a billion euros potential sales and that is a huge potential, however we are not yet ready to expand cross-market."

On the other hand, some of the interviewed e-shops are planning to open separate legal entities (businesses) in neighboring markets in the future to be able to avoid the current obstacles, although this can be very costly for the business. Some of the e-shops are already using this "model": "We avoid the costs for customs and logistics by using the same e-commerce platform but having separate companies in a few CEFTA markets which operate with their own warehouse for each market." said Elvir Pivic, CEO of Mojbrend.ba.

Geo-blocking practices

All of the e-shops which do not do cross-market delivery have geo-blocking practice either on registration or delivery address or on both. All of these e-shops either do not allow the user to input a market that is not Bosnia and Herzegovina or it already was predefined, and some of them have validation either on the postcode or city. For example, customers cannot select any other market that is not Bosnia and Herzegovina.

In rare cases the non-local shopper can still place the order of a product to an invalid/non-local address, and after the internal checks from the e-shop they inform the user via email that the order has been canceled.

Perceived challenges from e-shops that sell cross-market

Only one of the interviewed e-shops that sell goods provides cross-market delivery. However, the Bosnian market is the most dominant one (with approximately 85-90% of the sales). They do local and worldwide deliveries with DHL as their courier service.

They have registered export numbers and they are able to export, but the issue is that the customs fees are different for any market, and sometimes for the same item they are being charged different amounts in the same market. The interviewee said they have been losing sales because of the expensive shipping and customs costs.

Senita Slipac, co-founder and CEO of the online marketplace for handmade products Oreabazaar.ba pointed out "Buyers in the US are mostly used to free shipping, and buyers from Europe are used to very affordable shipping, so when those same buyers see 20-30 euros that they have to pay for shipping from Bosnia and Herzegovina, they report to us that this is the single reason why they do not complete their order. It's simply too expensive."

They also pointed out that they have a lot more interest in buyers from CEFTA compared to other buyers from the US for example, as the buyers from CEFTA will probably start buying more if the costs for delivery were lower. But there is the issue of expensive shipping where the buyers from the neighboring markets cannot understand why the cost for shipping is so high, compared to markets from other CEFTA or even continents where the price for the delivery seems justified.

Additional obstacles that are perceived to hinder the further growth of their business is the high bank fees for international online transactions. Ms. Slipac explained that they are the only marketplace in Bosnia and Herzegovina and in order to do business with sellers from Serbia or Montenegro they have to pay very expensive bank fees for international online transactions in CEFTA. They say that no matter the fee that needs to be paid to the seller from their marketplace from another CEFTA market, the minimum bank fee for the international bank

transaction is very high (approx. 50 euros). As a solution, they need to open legal subjects in each CEFTA market instead, which is costly.

4.4.3. North Macedonia

Eight interviews were conducted with Macedonian e-shops who sell goods and all of them do not sell cross-market but are focused solely on the local market. However, all interviews expressed interest in the topic and provided valuable insights for mapping the current state of cross-market e-commerce in the CEFTA. Macedonian e-shops perceive any of the CEFTA markets the same. They see the biggest potential for e-commerce expansion in the markets of Albania, Serbia and Kosovo*.

The perceptions and experiences of all representatives that were interviewed are very similar and consistent. They all see potential in cross-market sales, but they did not even try to start delivering in other markets as they perceive that due to the cost i.e customs fee they are not competitive on other markets in CEFTA. Only one of the e-shops has started with the implementation of cross-market sales and believes it can be implemented with the international courier that handles both delivery and customs.

Perceived obstacles

The key obstacles are related to **customs** (fees and procedures) and **logistics** (delivery, costs, time, returns, cross-market courier companies) which resembles the general findings from the other markets.

The findings of the interviews show that the Macedonian e-shops lack proper solutions and merchants lack education regarding the procedures and automatization processes for doing cross-market sales. There is also an absence of information and awareness about the potential of other CEFTA markets among Macedonian e-shops.

Most of the representatives of Macedonian e-shops mention the **customs fees** as the first pain point. Customers have to pay the customs fees (which vary among CEFTA markets) on top of the product price. They suggest there should be no custom fee or at least the thresholds to be increased i.e goods that cost 250 euros or less to be exempted from the customs fees.

Few of them mentioned that the **unreliable, uncertain, and slow customs procedures** are blocking both seamless customer experience and planned last-mile delivery.

When it comes to **delivering the goods** local courier companies are not offering cross-market services**.** This service is in direct correlation with custom procedures. The smooth and fast custom procedure would open the potential for courier business expansions and partnerships between delivery companies in CEFTA. Last-mile delivery companies need both delivery and

return processes to be seamless in order to keep customers satisfied and to use the real benefits of e-commerce.

Public Post offices in each market of the CEFTA could organize logistic infrastructure and overcome this obstacle, said one of the interviewed e-shops.

Couriers are offering cross-market sales but the cost of that service together with the custom fee is most of the time the same as the cost of goods so the e-shops cannot be competitive with the overall price.

Selling rights for other markets is an issue for cross-market delivery. Some of the multi-brand concepts do not have the authorization or contract for selling products from that brand on other markets.

Willingness to sell to other CEFTA markets

Even though the current situation on the market is not suitable for cross-market sales, 7 out of 8 e-shops were enthusiastic and say they are willing to sell to other markets. Only one e-shop thinks that their product is not competitive for other markets as they are selling imported products that are at higher prices due to the taxes and fees for importing in North Macedonia. Assuming that the other abovementioned obstacles on the market are removed e-shops say they are capable of organizing cross-market sales and delivery in terms of internal operations and customer experience. They have the capacity to make their e-shops available in other languages and invest in technical setup and adjustments. However, operating cross-market is much more complicated and not all e-shops have a full understanding of the details, processes, and matrix structure of different regulations across markets.

Geo-blocking practices

All **t**he web shops have geo-blocking practices mostly on the delivery stage. They are blocking it with Google maps, so the customer is not allowed to choose delivery addresses outside of North Macedonia. They have chosen to do the blocking on this stage and do not have any geo-blocking on the payment stage since there are purchases outside of North Macedonia mostly from the diaspora who are placing orders for their family and friends in North Macedonia.

4.4.4. Moldova

Twenty-one Moldovan e-shops were contacted via email and Linkedin and invited to take part in an interview but none of the attempts resulted in a successfully scheduled interview. The Moldovan Association of ICT Companies (ATIC) and The American Chamber of Commerce in Moldova (AmCham Moldova) were asked for support during this process to connect the

interviewer with relevant representatives of e-shops. However, the e-shops were not willing to take part and an interview was conducted with Marina Bzovii, Executive Director at Moldovan Association of ICT Companies (ATIC) who provided valuable feedback regarding e-commerce in Moldova.

According to the mystery shopping observations that included a sample of 24 e-shops (16 goods and 8 services), geo-blocking practices were identified at 87.5% of the e-shops. None of the e-shops offering goods sells to other CEFTA markets except the local market and 37.5% of the e-shops offering services sell to other markets. Only one of the e-shops that offer goods is delivering outside Moldova and in exclusively selected markets in Europe (from CEFTA only in Bosnia and Herzegovina).

Perceived obstacles

The greatest challenges the Moldovan market is facing when it comes to cross-market sales are logistics, customs procedures, and lack of implemented online payment systems with banks or other financial institutions.

Logistics services (transportation and delivery) is by far the greatest issue for e-commerce shops in Moldova. A very limited number of companies provide logistics services, and those that operate offer their services at extremely high prices or the service is not provided to a local address but to a special cargo point. The most convenient way for delivery for the e-shops in Moldova is the regular post office, but yet this solution is not providing a suitable customer experience with delivery to their doors. A common way for delivery to the door to the customer, typical for micro and small businesses or mostly family businesses, is when the owners take care of the delivery process. However, this solution is not always suitable and becomes difficult to handle when the volume of orders surpasses the ability of family owners to deliver all orders on time because of limited resources. The delivery time from placing the order till the actual order received for the city of Chisinau (the capital of Moldova) is on average up to a few days (except food delivery), for other cities even longer and for some rural areas, there is a large possibility of not available delivery at all.

A new trend in Chisinau in the field of fashion and clothing has appeared amongst the e-shops that have their own delivery. The customer is given around 10 minutes to try on the purchased items and if the ordered items are not fit for the customer the return process can be easily performed because the delivery is on hold for return at the spot. The above mentioned is referring particularly for goods excluding the food chain that has established an efficient delivery service in the capital. Moldovan market and its e-shops are facing logistic issues internally, therefore the same reason remains as the number one burden for available delivery outside Moldova.

Online payment solutions are rarely implemented from the e-shops, most of them prefer cash on delivery, bank transfer or POS terminals on delivery. There is one main reason emphasized by the SMEs (small and mid-size enterprises) related to the online payment issue and that is the deposits requested. As the interviewee, Ms. Bzovii explained "The reason behind is related to the banking world. The banks usually require deposits for every online payment for a period of 6 months or less, nevertheless, it is a long period of time." According to a recent survey, the value of the deposit consists of two parts: fixed value (from 0 to 300.000 EUR) and a percentage from the turnover (5-10%), and the period for which the bank retains the deposit is about 180 days (6 months)[6]. The issue with the bank's retention of money is that the e-shops come to the point of low cash flow, hence this causes limitations for buying new products and running the business.

Customs appear to be an issue because of the long and complicated process regarding the preparation of customs paperwork and the SMEs are obligated to learn the entire procedure by themselves. This action is not applicable when the process of delivery is provided by well-known companies such as DHL, Nova Posta or Movi. When using a third party for transportation the customs process is smooth, but on another hand inclusion of a third party results in increased expenses for the SMEs.

Willingness to offer cross-market delivery

The general sentiment regarding the willingness to offer cross-market delivery is on a low point. SMEs are heavily dedicated to their ongoing business operations on the local market and every step towards digitalization of their processes is easily interrupted when the very first obstacle emerges. Obstacles differ, might be long and complicated paperwork or even more important factor that acts as a demotivator for e-commerce is the investments and additional costs that occur. As Ms. Bzovii explained: "Moldovan Association of ICT Companies (ATIC) has a lot of recommendations on e-commerce for SMEs, even though the members of the association have more the role of intermediaries in e-commerce rather than being directly involved and responsible for the e-commerce situation in the market. I think e-commerce is passive in Moldova and the SMEs don't have a really, really strong voice to request changes."

Geo-blocking practices

Almost all of the e-shops that were observed have geo-blocking practice mostly on the delivery stage, and few on the registration stage. The shops restrict non-local customers by preventing them from entering the city, postal address or phone number. The common practice when trying to select the field "City" is in the form of a predefined list of cities and addresses from

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[6] https://ict.md/wp-content/uploads/2021/04/USAID-MSRP-cashless-economy-and-e-commerce-Jan-31-final-1.pdf

Moldova, and for "phone number" validation check is presented to check if the format of the number is with Moldovan prefix.

Due to banking infrastructure and procedures, most e-shops are focused on cash on delivery and that is one of the reasons why they are not considering selling abroad.

During the interview, it was mentioned that some of the e-shops register their company as an entity in the closest EU market, such as Romania, and by doing so the SMEs can perform delivery at low costs and faster while using services of the providers available already on the EU market.

4.4.5. Montenegro

Five interviews were conducted with representatives from e-shops from Montenegro. Four of these e-shops are offering goods in the categories of high fashion clothing brands, sports clothes and electronics and one e-shop is offering services (event tickets). **Only one (the e-shop offering services) out of the 5 interviewed e-shops does not have geo-blocking practices.** The 4 e-shops that offer goods are not offering cross-market deliveries and all of them have partnerships or separate warehouses/stores in at least one other CEFTA market.

In general, the obstacles mentioned during the interviewees with the e-shops from Montenegro were quite similar to the findings from the other CEFTA markets. The representatives explained their reasons for having geo-blocking practices that apply for all foreign CEFTA markets.

Perceived obstacles

There are a few different challenges that the Montenegrin e-shops see as a reason not to offer cross-market deliveries.

Arranging the **logistics** for delivering products outside of the local market is a big issue for the interviewed Montenegrin e-shops. The high delivery fees, the uncertainty in the delivery process, and the fact that there is no guarantee that the goods will be delivered in less than seven working days are some of the biggest challenges for these e-shops.

In addition, they see a big challenge in the **customs procedures** and the **fees** that the end customers have to pay on top of the product price. One of the representatives expressed concern about the **double taxation** (double VAT tariffs) in both of the markets which might influence the e-shop competitiveness in the foreign market.

The e-shop that is already offering their services for customers from other markets explained that **unfavorable conditions by the banks** is another challenge for some of the Montenegrin e-shops. This is not a direct obstacle to the sellers, but adding bank fees on top of the

product/service price is something that the end customer has to pay, and which might be directly impacting their sales.

Willingness to sell to other CEFTA markets

Some of the interviewees were interested in the idea of cross-market deliveries, but they do not have a clear picture of all the procedures. Most of the e-shops already have partners and/or their own physical shops in other CEFTA markets, therefore it is not in their top priorities to start offering cross-market deliveries having in mind the current limitations.

When interviewees were asked if they have plans for offering their products outside of the current market, some of them said that they would want to expand their offerings to other CEFTA markets if they find partners. **So, it seems like providing their e-commerce services and removing the geo-blocking practices is not the top priority as their strategy is based on opening representative offices in every market separately.**

When asked if they would consider starting cross-market deliveries in an ideal scenario where the obstacles were to be removed, some of the representatives were quite enthusiastic about the idea, especially for the reasons of offering their whole assortment to every market and having smooth logistics.

Geo-blocking practices

All e-shops have geo-blocking practices mostly on the delivery stage. They allow foreign customers to open, browse and start the shopping experience, but they do not accept foreign delivery addresses.

4.4.6. Serbia

Eight interviews were conducted with representatives from Serbian e-shops that offer various goods for sale (sport and casual clothing e-shops, baby items/clothing, high fashion brands, furniture, all-you-need-store, pharmacy).

The majority of the interviewed e-shops, 7 out of 8, do not offer cross-market deliveries outside their local market and are solely focused on the local market. In all of these cases, if an e-shop does not deliver goods to one CEFTA market, it means that they do not deliver in any CEFTA market. They all see the CEFTA markets as one market when it comes to delivering their products as the obstacles they face are quite the same (logistics, customs fees, returns, etc) for each of the markets. Most of the interviewees expressed a high level of disappointment about the current situation and limitations. One of the interviewees said: "So far, almost no one solved this puzzle of delivering goods outside of our local market."

However, one of the interviewed e-shops delivers its products outside of Serbia. During the interview, they mentioned that they faced the same challenges but found a way to be able to deliver cross-market.

Perceived obstacles

Most of the representatives of Serbian e-shops mention the **customs fees** as the first pain point or obstacle. Customers have to pay the customs fees (which vary among CEFTA markets) on top of the product price. "Biggest blocker are the fees, but even without them, we won't be able to do it properly because products get held in customs for a few days, making it a complicated process for just one product. Ideally, we need more people and a smooth process for transporting and handling the goods" said Uros Momirovic, Owner and General Manager at Mona Serbia.

Return rates and return costs are also a concern for the interviewed e-shops as these costs would heavily increase when providing cross-market deliveries having in mind the foreign partners that would be dealing with the shipments.

Logistics is another obstacle that stands in the way of cross-market e-commerce development. Local courier companies are not providing cross-market delivery as there is a lot of paperwork and they are not connected with non-local courier services. When there is no smooth process in place, it seems that the packages might get stuck at the crossing point for too long, might be lost, delayed, etc. However, international delivery companies provide cross-market deliveries for higher fees. But, the e-shops explained that delivery costs and delivery time would increase tremendously and could demotivate shoppers to buy. Vladimir Vidakovic - Director at Shoppster explained "Delivery costs (including XD) with custom regulations in some other markets in CEFTA would be a showstopper for sales abroad. Adding those costs in price calculation would make the final price incomparable to competitors". Dusan Brdar, IT Director and E-commerce Manager of Fashion and Friends pointed out the following: "Average value of a shopping basket is 80-90 euros. It is really tough to spend additional 30 euros per delivery and be competitive with local players." This means they cannot compete with local e-shops because of the high fees added to the product price.

VAT calculations and **additional administration** regarding the statistical reports required by each market are also concerns in the case of cross-market deliveries.

The non-standardized legal framework is perceived as one more burden for the local e-shops if considering market expansion to other CEFTA markets. There are different regulations and rules for all markets (e.g. handling delayed packages, returns, etc.).

One of the e-shops explained that there are also **technical issues** with placement of different prices for different markets, potential efforts with language localization, the need for

multilingual customer support, different currencies, high exchange rates from banks, and payment instruments that could differ in different markets.

One of the interviewees explained that the offer to other markets could introduce higher **CPA** (Cost per Acquisition) and **brand awareness costs** that could not be related to the conversion rate. This means that e-shops might need to spend more resources to reach the other market which might not necessarily mean increased profits for them.

Customer experience is another key reason why some of the e-shops are not providing cross-market deliveries. "Let's say I am a foreign customer and I order something from Serbia, so if I pay more because of the delivery fees and taxes, I would like to get the product as soon as possible, not after 2 weeks. The most important thing in e-commerce is customer experience, and if the experience was not good the user might never come back." explained Smiljana Celic, Head of E-commerce at Sport Vision Serbia.

Some of the Serbian e-shops have physical shops, warehouses and separate e-shops in other CEFTA markets. They treat the market and demand completely separately, thus operating as individual e-shops. For example, if a product is sold out in North Macedonia, but it is available in big amounts in the Serbian warehouses, this product will be unavailable for the Macedonian market as the warehouses and operations are completely separated for these two markets. This prevents the e-shop from offering their whole assortment to every customer. This situation is limiting both for the e-shop and the customers.

Willingness to sell to other CEFTA markets

Having in mind the current situation, the interviewed e-shops have no plans for expanding to other CEFTA markets and providing cross-market deliveries, with the exception of the e-shop that is already selling to various non-local markets. Dragan Dulic, Retail and E-commerce executive explained "In case of possible expansion to other CEFTA markets, first markets to be considered would be neighborhood markets with language similarities and retail brand recognition". But, **when interviewees were presented with a "What if scenario" and asked if they would be willing to start selling and delivering to other markets if fees were to be eliminated/reduced if there were standardized regulations and unified process, 3 out of 6 e-shops were completely enthusiastic and ready to do it.**

Some of the e-shops explained that they will have to do a cost/benefit analysis to decide if expanding the offer is a good idea for their business. An interesting finding is that one e-shop representative argued that having a limited market (local market only) has both advantages and disadvantages. He noted that unless you are a big player, broadening the market might also mean bigger competition which is a challenge for the smaller e-shops.

One of the e-shops also does not see a fit nor need to do cross-market deliveries for their products as they have good partnerships with lots of local partners in CEFTA. The e-shop provides free delivery in Serbia and with every delivery, they also offer furniture assembly as a free service which they believe is not manageable outside of the market.

Geo-blocking practices

All of the e-shops which do not deliver to other markets have geo-blocking practice either on the registration or delivery stage of the shopping process. All of these e-shops restrict the non-local customer by preventing non-local addresses (PO numbers) to be filled in the delivery forms i.e. all of them have validation on the postcode length and cities. For example, customers cannot choose a city that is not included in the predefined dropdown list. They have checks at the User Interface to prevent the user from ordering to an address outside of Serbia. In such a case if the user orders a product to an invalid/non-local address, they have internal checks and practices in place to cancel the order and inform the user via email.

Perceived challenges from e-shops that sell cross-market

Only one of the interviewed e-shops sells outside of the local market and provides cross-market delivery. However, the Serbian market is the most dominant one (with approximately 90% of the sales). They do local and worldwide deliveries with DHL as their courier service. They pointed out that they are satisfied with the speed of deliveries, but the biggest pain point is the paperwork. Dunja Jovanic, Founder of Bebe by Dunja, an e-shop producing and selling designer clothes explained: "For every order outside of Serbia, we internally have to prepare around 7 documents which take approximately 30min per order. Then we hand the paperwork and package to DHL, and from this point on DHL handles the delivery." The current annoyance/obstacles for the customers in cross-market deliveries are the delivery fees and customs fees that sometimes can be even higher than the actual product.

The case of Bebe by Dunja shop shows that there is a way for local brands to expand with e-commerce to other markets and reach new clients. But, due to the costs and processes, only a very small part of the e-shops are considering or doing that. The products offered should be appealing and competitive, the value and prices of the products should be higher to justify the high delivery costs, the founder should see the potential in order to invest in setting up the processes and going through the administrative procedures imposed when selling and delivering to other markets.

4.4.7. Kosovo*

Seven interviews were conducted with representatives from e-shops from Kosovo* and all of them sell goods (consumer electronics, shoes, clothes, fitness and sports equipment, and one marketplace platform).

Four of the 7 interviewed e-shops offer cross-market deliveries and 3 sell only to the local market. The ones that sell to other CEFTA markets sell and deliver to North Macedonia and Albania. Unlike other CEFTA markets where e-shops perceive each CEFTA market the same having in mind the similarity of the obstacles from cross-market sales, the e-shop in Albania and Kosovo* perceive the neighboring markets (Albania, North Macedonia and Kosovo*) as closer and more similar and offer their products to these markets. However, e-shops note that not all products are available for cross-market sale as it depends on the delivery options - some logistics providers (post offices) are delivering just small packages and others don't have constraints.

More than 90% of sales of the e-shops that sell cross-market are coming from local orders, and less than 10% of the orders are coming from non-local shoppers.

Perceived obstacles

E-shops that are selling goods cross-market, face the same challenges that the e-shops that are not selling cross-market indicate as a reason for not selling outside their local market. The expensive delivery and the customs fees are perceived as the key barriers.

Most of the e-shop representatives mention the **customs clearances** as the first and main obstacle. Customers have to pay the customs fees (around 20 EUR) on top of the product price. They suggest that in CEFTA, all markets should function as one market because we can be strong and with competitive prices only if we open the markets and become "one market" with the same regulations which will be harmonized with the European ones. The second problem when it comes to custom is uncertainty. Few of them mentioned that they cannot know the exact timeline for delivering the goods to a customer because of **uncertain customs procedures** which are blocking both seamless customer experience and planned last-mile delivery. One of the interviewees emphasized that the Customs offices in North Macedonia are working only until 4 pm. "If our truck with goods for customs clearances arrives at the end of the working day, then customs officers will leave it for the next working day". – says Blerton Krasniqi, Senior eCommerce Manager at Gjirafa Inc.

When it comes to **delivering goods** local courier companies are not offering cross-market services or they are offering limited service just to a few CEFTA markets and not for all products. On the other hand, some of the interviewed representatives said that their company organizes the international transport with their own resources and they don't have any problems with this part of the activity, but they see obstacles once they have reached the crossing point and start all the customs procedures that are very slow and demanding.

International couriers are offering cross-market delivery but the cost of the delivery reaches 5-7% of the product price which makes it more expensive for the customers. Also, delivery

companies do not deliver certain electronic devices i.e PC or TV to another market because they are not willing to take responsibility if they get damaged.

Another mentioned problem is the **lack of cooperation between the posts in different markets.** In cases where delivery providers from different markets are cooperating, the company that is selling the product has communication only with the local post and can't have on-time and efficient communication and resolution of issues.

"When delivering products to Albania for example, we have communication with the local posts from Kosovo* and they are talking with the post office in Albania about the last mile delivery. Not having direct communication with the post that delivers the product to the end customer leaves many open questions". – says Alma Sheholi, Head of Technology at Egjeta.

E-shops also indicate the **lack of harmonization of the regulation for e-commerce** as one of the challenges that is hindering the cross-market growth of e-commerce. There are different laws and bylaws related to customs, logistics, payments etc. Some representatives say that CEFTA should be a true free trade zone if not for all products at least for those that are produced in those markets.

One of the interviewees said: "We are talking about Open Balkan and cooperation between all markets in CEFTA, but when you go on the spot at the crossing point, the cooperation is not the same at the crossing points with Albania and Serbia. The rules must apply to everyone and everywhere so that we can discuss concrete steps and move forward."

Willingness to sell to other CEFTA markets

Having in mind the current situation, the interviewed e-shops which are not selling to other CEFTA markets, are not eager to implement cross-market deliveries in the near future, at least not until the main obstacles mentioned above are solved.

When presented with "What if scenario" and asked if they would be willing to start selling and delivering to other markets if fees were to be reduced or eliminated, customs procedures were facilitated and if there were standardized regulations and unified process, all of the interviewees said they would start selling in all the CEFTA markets for sure, especially those e-shops that already deliver outside Kosovo* but only in a few markets currently.

One of the e-shops that sells big fitness machines says there are other challenges due to the type of product they sell but they would be happy to solve those challenges if all other above mentioned challenges are overcome. Currently they get inquiries via email and social media for orders from North Macedonia and Albania and they make the delivery of these orders. "If the value of the order is higher, then the cost of delivery is trivial and does not affect the customer's decision to continue with the purchase. But we have products with a price of 5 or

10 euros and for them the cost of delivery almost doubles the price of the product. In such cases, we are uncompetitive in the market". - says Vedija Zekovski, Manager at SportingKS.

Geo-blocking practices

Most of the e-shops that were interviewed and delivered products in certain markets said they don't have geo-blocking practices, either on registration or delivery stage (when the customer is entering details for shipping. Some of them allow the customer to enter any address and to order a product from anywhere, but after the internal checks from the e-shop if they see an address where they cannot or do not ship they inform the customer via email that the product can't be delivered to the required place and the order is canceled. They say the reason is that they do not have software in place that automatically recognizes if the listed product can be delivered by the post operator. The companies that were interviewed say they decided that it would be better to allow entering any data for delivery and then after receiving the order to confirm (via email) if the product can be delivered to the required address. Some e-shops have limited options for cross-market delivery and offer customers to select the market (Albania, North Macedonia and Kosovo*) via drop-down menu and the address/city fields are free for entry of any data (there is no automatic address check).

On the other hand, all of the e-shops which do not deliver to other markets have geo-blocking practice either on registration or delivery stage of the shopping process. All of these e-shops restrict the non-local customer by preventing non-local cities to be filled in the delivery forms. Most of them have predefined just Kosovo* as a market and have a drop-down menu with listed cities.

Perceived challenges from e-shops that sell cross-market

Most of the interviewed e-shops are selling on the local market in Kosovo* and additionally to one or two other CEFTA markets (North Macedonia and Albania). Although the organization of cross-market delivery is difficult and demanding, still some companies are constantly looking for ways to make it as effective as possible. The logistics providers are aware of the importance and their role for e-commerce - and that their expansion to other markets and making it possible to deliver in neighboring markets either independently or by finding partners from those markets can positively affect the development and growth of the local e-sellers.

All of the e-shops that were interviewed and that sell cross-market cooperate with the delivery company Mik Mik due to their experience in cross-market delivery and are satisfied with their reputation and cooperation.

One interviewed e-shops believe that the obstacles are minor and can be resolved, thus the e-shops need to engage and put more effort in the future in order to strengthen their position when it comes to cross-market sales and delivery.

The general perception is that the main challenge that stands in the way of the entire market as a whole, is the company to succeed as much as possible to reduce customs and delivery costs borne by the end-user. The competitiveness of the businesses is hindered due to the additional costs that increase the end price for the customer and the administrative procedures that slow down the delivery.

5. Conclusion

The Common Regional Market Action Plan 2021-2024 envisages free movement of goods and services in the CEFTA. One of the priorities is removing unjustified geo-blocking. Geo-blocking refers to business practices where traders are imposing geographically based restrictions preventing (potential) customers from buying goods and services from sellers located in a different CEFTA market. The first step towards this priority is mapping and identifying the current geo-blocking practices imposed by e-sellers (e-shops) in CEFTA and investigating the reasons for such practices.

The objective of this study is to investigate geo-blocking practices from a consumer perspective, imposed by e-shops in CEFTA and analyze the nature and reasons behind the identified practices. The study uses mystery shopping observations on e-shops in CEFTA markets and semi-structured interviews with representatives from the e-shops in order to provide answers to the research questions - (1) How frequent is the practice of geo-blocking in cross-market online shopping in the CEFTA markets?; (2) Are geo-blocking practices more common in services or goods?; (3) In what stage of the online shopping process does it occur and in what form?; and (4) What is the reason and justification for the identified geo-blocking practices?.

During the period between 15th December 2021 and 5th January 2022 mystery shopping was conducted at 160 unique e-shops from the 7 CEFTA markets. Each e-shop has undergone a double observation from two assigned markets for the non-local mystery shoppers, hence in total 320 mystery shopping assessments were completed out of which 74% were on goods and 26% on services.

Mystery shoppers filled a survey for each observation and used a VPN tool in order to observe the e-shop from the two given markets as non-local shoppers. They were asked to perform actions to answer sets of questions related to each stage of the shopping process i.e to input a non-local delivery address they were given, to register etc. During the payment stage they were not given payment cards for testing but were asked to indicate available payment methods assuming that if payment with internationally accepted payment cards is possible they would have been able to complete the payment.

In order to summarize and evaluate the imposed geo-blocking practices across each of the shopping stages, we take into consideration the key questions part of the mystery shopping survey.

Looking at the occurrences in each stage as a share of the total number of completed assessments geo-blocking practices were identified in 1.6% of cases during Access stage (customers sent to website with different market extension or domain name), 17.2% during

Registration (address or phone not accepted), 63.8% during Delivery (mostly addresses and/or phones from non-local markets were not accepted) and 24.4% would have been blocked during Payment, assuming that the payment would have been successful if the e-shop has generally accepted methods for payment with international cards (Visa/Mastercard).

For a better overview and more clear view of the incidence of overall geo-blocking and presenting the overall share of e-shops who refuse to sell to non-local customers, we sort out the attempts that were blocked in each stage for the calculation for the next stage.

Therefore with regards to our RQ1: "How frequent is the practice of geo-blocking in cross-market online shopping in the CEFTA markets?", we conclude that 72.5% of e-shops in the CEFTA have geo-blocking practices that prevent shoppers from other CEFTA markets from shopping. And if we exclude the payment stage 65.9% of e-sellers restrict customers from other CEFTA markets from shopping.

Geo-blocking practices were identified in 19.7% of the assessments during Registration, out of which 1.6% during Access. 65.9% have imposed geo-blocking practices on Access, Registration, and/or Delivery and 72.5% have geo-blocking practices across any or all of the stages of the shopping process.

Regarding the occurrence of geo-blocking across goods and services (RQ2), only 11% of assessments on goods resulted in no geo-blocking practices (89% of e-shops offering goods refuse to sell to other CEFTA markets) and 73.8% of observations on services resulted in no geo-blocking (geo-blocking identified at 26.2% of e-shops offering services).

Looking at the CEFTA markets Montenegro (39.1%) and Albania (38.1%) followed by Bosnia and Herzegovina (31.3%) and North Macedonia (31.0%) all have over 30% successful assessments that ended with no geo-blocking occurrences. In Kosovo* 28% of assessments resulted in no geo-blocking identified and only 13.6% in Serbia and 12.5% in Moldova.

Geo-blocking practices are most common during the delivery stage of the shopping process (RQ3). In 63.8% of assessments mystery shoppers were blocked during the delivery stage. The most common form of geo-blocking is restricting the field for address by not allowing addresses outside the local market of the seller.

In order to answer RQ4: "What is the reason and justification for the identified geo-blocking practices?" and better understand the challenges, opportunities, and issues that the e-shops experience in regards to cross-market operations and online sales across CEFTA markets, interviews were conducted with representatives from e-shops (except for Moldova where the interview was conducted with the local ICT Chamber).

In the period between December 22, 2021, and January 11, 2022, 44 interviews were conducted in total across all CEFTA markets. **Only 30.2% of the interviewed e-shops sell cross-market (38% of them sell services) while 69.7% do not offer cross-market delivery and are focused solely on their local market.** Even for those who sell to other markets the sales from the local customers dominate with over 90% share in the total sales. Looking at each market none of the Macedonian e-shops sells to other markets. Only 12.5% of e-shops in Serbia, 20% in Montenegro and 33% in Bosnia and Herzegovina sell to other markets. Kosovo* (57.4%) and Albania (66.7%) are the only markets where more than half of the e-shops sell to other CEFTA markets. However, most of them sell to selected markets, usually Albania, North Macedonia and Kosovo* and not to all CEFTA markets. This is mostly due to similarities in languages and established partnerships of courier services in these markets. On the other hand the e-shops from Serbia, North Macedonia, Bosnia and Herzegovina and Montenegro usually perceive each CEFTA market the same and if they do not sell to at least one CEFTA market, they are not selling to any.

The most common perceived obstacles and reasons for refusal to sell to CEFTA markets outside the local market of the seller are **logistics/delivery issues, customs clearance issues, and lack of standardized regulations.**

The **issues related to delivery** of the products is mostly due to the fact that local courier services do not have any established partnerships or processes to handle cross-market deliveries, whereas international courier services costs are too expensive making the products uncompetitive for other markets. Strengthening the cooperation and establishing partnerships among the courier services in CEFTA markets can contribute to the removal of this obstacle. In addition attention should be given to local post offices and their development in order to play their role in cross-market e-commerce.

Custom issues involve **high customs fees** that customers have to pay and **complex customs procedures** which directly impact the competitiveness of the e-shop in foreign markets and are adding administrative burdens and uncertainty.

The lack of standardization, clear and uniform rules and regulations, and the lack of hassle-free processes are making the path to cross-market deliveries even harder. In order to expand to other markets local e-shops need to conform with the local regulation and rules that vary across markets. Having standardized and uniform rules and regulation for CEFTA markets can ease the path to cross-market e-commerce development.

Other legal issues that are the reason why some e-shops can't sell to other markets are the **selling rights** for certain brands that limit e-shops to certain markets where they can sell the products.

Other perceived obstacles mentioned by e-shops are the issues of **double taxation and different VAT calculations for different markets** and the **return costs and processes**. In addition there are **technical issues** that are adding costs and complexity to the potential expansion, such as the need for multilingual websites and customer support, language localization, different currencies, high exchange rates from banks and payment instruments are also a problem for the e-shops in CEFTA.

Some **obstacles from a marketing/business perspective** are the needed investments and costs e-shops need to make for expansion to other markets, such as high costs for acquiring customers and the strong competition. In addition, e-shops are concerned about the customer experience which is crucial for their brand and reputation and it affects the reliability and trust in the e-shop. It is an obstacle on its own which is connected and coming from the various previously mentioned obstacles such as customs fees, customs processes and logistics issues.

Due to the many obstacles some of the e-shops instead of selling with cross-market e-commerce have their own physical shops in other markets through which they are selling to local customers or offering their products via partners in other CEFTA markets.

Having in mind the current situation and obstacles, almost none of the e-shops that are currently not selling cross-market are planning to start for the time being. Some of them have plans for opening full businesses and warehouses in other CEFTA markets which will be operating separately.

When presented with a "What if scenario" and asked if they would be willing to start selling and delivering to other markets if the obstacles they mentioned were to be removed (such as custom fees and procedures, regulations, logistics) and unified processes and procedures were in place, most of the e-shops were very enthusiastic and expressed willingness to start selling to customers outside their local market. Some would firstly expand to neighboring markets and some say that even in an ideal scenario they are not sure about expansion due to the strong competition. There are also e-shops whose products are not suitable such as generic products or products which require on the spot assembly during delivery (furniture).

Apart from all the above-mentioned barriers and reasons there are a few - eight e-shops offering goods who are selling to markets outside their local market. They face the same obstacles that were identified at the same time as reasons why the others are not selling to other markets. The high delivery costs, the long and complex documentations and administrative procedures with customs represent a significant burden for running the business.

The CEFTA consolidated market of 20 million people with an estimate of 1 billion euros in e-commerce represents a new opportunity for growth and expansion for local businesses that offer their products or services online. **Although the findings show that it is feasible for local e-sellers to sell and deliver to non-local markets with e-commerce and reach new clients, only a small number of e-shops are delivering cross-market due to the many obstacles that stand in their way.** Part of these obstacles are due to justified business reasons such as high costs and complex procedures that hinder the competitiveness of the companies and are adding administrative burdens. The perceived legal obstacles are not making cross-market selling impossible but are making it complex and difficult. Instead, the regulation should enable a favorable climate for e-commerce expansion and currently due to lack of standardization and the complex customs procedures it is adding an additional layer of complexity for local companies. In circumstances like these many businesses are focused on their local markets. There are many barriers before the CEFTA market can be seen as one integrated market such as lack of standardization, different rules and procedures, high delivery costs, low digital skills that are preconditions for e-commerce, lack of understanding of the different customs and administrative procedures etc.