

Verifone - eCommerce in Israel – How to Sell Online on the Israeli market

There are promising opportunities for eCommerce businesses all around the world, with the eCommerce market in Israel fast becoming one of the hottest prospects. The country may be small in size and population, but it is a global economic and technological power. Israeli payment methods and the online market are rapidly expanding, and the country has a combination of characteristics that make it uniquely open to cross-border sales.

Let's look closer at what makes Israel such an exciting prospect for eCommerce businesses.

The Current eCommerce Market in Israel

According to data gathered by Statista, Israel has a nominal GDP per capita of \$53,477 USD and is already in the Top 10 in terms of per-capita online spending, with half of that being spent abroad. Around 3.75 million citizens of Israel shop online every month.

Interestingly for eCommerce businesses, the country has a particularly high internet penetration rate of 86%, with 74% of those shopping online. This is a significant base of potential shoppers. Israeli eCommerce users also tend to be affluent, with 32.9% on medium-level incomes and 35.7% on high incomes.

How Covid Changed Israeli Shopping Culture

Israel has not previously been the eCommerce incubator you might expect, considering the data above. This is because, prior to the Covid-19 pandemic, Israeli business and shopping culture had been mostly offline. Consumers have generally preferred in-person shopping due to a combination of factors including short travel distances to urban centers and an unreliable postal service.

But even with this preference for in-person shopping, Israel was still experiencing strong eCommerce growth over the last decade. The eCommerce market in Israel grew roughly 15% CAGR per year between 2009 and 2019, with a total spend over \$6.53 Billion USD in 2019 alone. Then Covid-19 struck, and Israel along with the rest of the world embraced online shopping even more as businesses closed their doors during the pandemic.

With some of the world's most stringent lockdown protocols in place, more and more Israelis began shopping online. The annual eCommerce turnover thus increased by 36% in 2020. And even though the pandemic has resided, the market is forecasted to continue increasing by 13.9% through to 2025.

Infrastructure for eCommerce Growth in Israel

The establishment of online payment methods in Israel, plus the other complex systems and infrastructure needed for the wider spread and adoption of eCommerce, began in earnest in 2019.

Before the pandemic, the Israeli government had been enacting a series of measures to curtail foreign sales and encourage domestic sellers to go online. A law was introduced placing VAT on all foreign sales over \$75 USD, and more startup money was directed to the Israeli retail-tech sector.

But in late 2019, Amazon swooped into the Israeli market with a special promotion offering free shipping for orders over \$49 USD. The promotion was so popular that it put Israel's unreliable postal service under such immense pressure that Amazon had to end the promotion a few months later. Despite rescinding the promotion, Amazon still cites Israel as a Top 10 destination for its products.

Another eCommerce giant saw the potential in Israel even earlier, with Alibaba investing in Israeli tech for years before the company set-up a direct shipping route for its AliExpress marketplace in 2019.

The establishment of this infrastructure as pioneered by Amazon and Alibaba has helped eCommerce turnover in Israel total \$11.20 billion USD, with that figure expected to hit \$13.10 billion USD by the end of 2022.

Projections see the total eCommerce turnover reach \$20.75 billion USD by the end of 2026, further emphasizing the huge opportunity that the eCommerce market in Israel is offering businesses that can take advantage of the blossoming online shopping culture.

Israel Online Shopping Category Preferences

Another factor that should encourage eCommerce businesses is the wide variety of categories that Israel's consumers shop online in. All categories are represented to some degree, though the majority of online spending is concentrated in fashion and electronics or media, with a respective 30% and 26% share of the total spend. The next most popular category is toys, hobby and DIY with an 18% share, then food and personal care with 15%. Furniture and appliances have an 11% share of the total spend.

Fashion and electronics being the most popular categories matches-up with Israel's urban and affluent online shopping base, but there is definitely potential for businesses offering other types of products.

Subscription services are also popular, with the Subscription Video On-Demand (SVOD) market bringing in \$166 million USD in 2021. The SVOD market in Israel is also forecasted to almost triple and hit \$470 million USD by 2025. Again, huge potential.

Online Israeli Payment Methods

Structural issues have caused online payment methods in Israel to lag other eCommerce hotspots when it comes to digital payments adoption and penetration. However, the recent widespread adoption of EMV-compatible infrastructure is massively improving Israeli payments methods for online transactions

Nearly three-quarters of online transactions in Israel are transacted via credit card, with Visa and Mastercard offered by all major banks in the country. The most popular credit card though is Isracard, which accounts for 19% of all Israeli online transactions.

Despite the prevalence of credit card transactions, other Israeli payment methods are growing in popularity too. Apple Pay and Google Pay have recently become online payment methods in Israel, joining local offerings like Bit and Shufersal. It is important then for new eCommerce businesses to offer a variety of Israeli payment methods to customers there, as the popularity of digital wallets and mobile carrier billing is only going to increase.

Selling Online in Israel

The customer experience could have a big impact on the success of a foreign eCommerce business in Israel. While 85% of Israelis speak English and 80% shop across borders, most Israeli consumers still prefer a native experience, especially with the cart and payment methods.

The native experience starts with the language, but also includes the local currency and payments, as well as any social and other proof displayed in the shopping cart. A scalable solution for this issue is a dynamic template that can localize pricing and language based on location and the language used by the browser.

To learn more about selling online and online payment methods in Israel, as well as privacy protections and the security of Israeli payment methods, read our eBook ["eCommerce in Israel"](#) and discover everything you need to sell on the eCommerce market in Israel.