



EMPOWERING PEOPLE AND CREATING OPPORTUNITY IN THE DIGITAL SINGLE MARKET

An eBay report on Europe's potential

EXECUTIVE SUMMARY

About the eBay Public Policy Lab

The eBay Public Policy Lab seeks to address the public policy challenges that lie at the nexus of technology and commerce. We conduct innovative research using unique data analytics methodologies and creative insights. We seek to inspire debate at the highest levels of public policy discourse about the future of commerce and how technology can be leveraged to achieve the best possible outcomes for all.

Brian Bieron, Executive Director :: Hanne Melin, Director Global Public Policy ::
Alan Elias, Senior Manager Global Public Policy



PAUL TODD
SVP Europe



Twenty years ago, eBay's founder Pierre Omidyar had a dream, to enable people to trade online for the first time. eBay brought buyers and sellers together and democratised ecommerce.

We are now the world's most vibrant marketplace. We have more than 800 million listings attracting over 157 million buyers in 190 countries.

Today, around 25 million sellers sell on eBay and SMEs are seizing this opportunity to be part of a \$14 trillion market.

This report reflects a transformation that is happening across Europe. We are partnering with European companies to help grow and scale their businesses across borders and around the globe.

And it doesn't matter whether it's the guy who sells motorcycle parts or the family that sells Indian spices. Everyone is joining in. Entrepreneurs, whether striking out on their own or hiring employees, are using technology to make their dreams come true.

Small online European businesses are shaking up commerce because of us. They are even showing established businesses how to prosper in difficult circumstances. We make cross-border trade easy for these businesses so that they can gain footholds in new markets – and survive and thrive better than those that don't.

But, we believe more can be done. Together, we can do more to make the business environment across Europe easier for online entrepreneurs. That is why in this report we set out six core policy recommendations that we believe will boost economic growth further.

I am proud that eBay is helping to drive this new economy of inclusive opportunity. After all, when small business wins, we all win.

THE NEW COMMERCE

Since 2011, the eBay Public Policy Lab and a team of economists at Sidley Austin LLP have been working together to examine how globalisation and technology is liberating the ambitions of small businesses. This latest report describes what the digital economy is capable of delivering for the EU through a new way of conducting commerce.

Traditional commerce over distance carries costs related to transportation, red tape, communication, and other impediments. These costs increase with distance, and have traditionally constrained small enterprises to commerce within a limited area.

Technology is changing that. Online commerce reduces these costs dramatically.

The costs for carrying out commerce over distance within the EU are four times lower on eBay compared to traditional commerce. This is leading to a new era of opportunity. Small European businesses using eBay are able to serve customers all over the world – European eBay businesses sell on average to 18 countries.

INCLUSIVE OPPORTUNITY

When costs are slashed, economic opportunity expands to more places.

This is clearly demonstrated by new findings that show many of the more remote and less prosperous regions of Europe are not just participating in the digital economy – they are more active than major urban centres.

The evidence is clear. The online commerce platform model is eroding the historical link between entrepreneurial success and population density, GDP per capita, and proximity to metropolitan areas.

This is revealed by a new way of measuring economic activity online across different regions – Digital Density.

What is "Digital Density"?

It is the level of small online business activity across the EU's regions for 2014. By combining two indicators – (1) the number of eBay SMEs per 100,000 inhabitants and (2) sales by eBay SMEs per 100,000 inhabitants – we have calculated what we call the "Digital Density" of each region.¹ We have then ranked regions within each country based on how they perform in relation to the national average.

¹ The "Digital Density" is a weighted combination of the two indicators. The weighted average puts more emphasis on the sales per small online businesses, as starting up a business is the first step to selling.



“I am not saying we would have closed our doors without online sales, but business certainly wouldn't be as good as it is today”

Mario Calabrese
Footloover, Italy



“Adding an online component to our businesses has been an incredibly rewarding and fulfilling experience.”

Sahar Emami
Eye World Boutique, France



“The internet has completely revolutionised the way anyone does business. It's the future for the sale of any product.”

Teresa Pais
CorkSpirit, Portugal



“Owning my own business provides me the freedom and flexibility that I desire and it has allowed me to create opportunities for myself and others.”

Andrius Kolesnikas
SportClothes, Lithuania

ECONOMIC PROGRESS

The ability to engage in commerce over large distances brings clear benefits in terms of growth and market entry. Companies have more customers and they are less susceptible to local economic shocks.

Grow despite turbulent times

The online commerce platform has proved valuable for weathering the financial instability of recent years, not least for SMEs in countries that were amongst the hardest hit by the financial crisis. eBay-enabled small businesses in Spain, Italy, Portugal and Greece saw their sales growth outpace their country's GDP growth by approximately 15-25% on average each year for the period 2010 to 2014.

Enter new markets

The ability of new enterprises to enter the market is a key element of economic growth and an indicator of business dynamism. In the traditional economy, the birth rate of new enterprises across the EU for the period 2011 to 2012 was less than 10%. In contrast, the birth rate on the eBay marketplace ranges between 10% and 19% across the EU (calculated as an average for the period 2012 to 2014).

SNAPSHOT OF THE NEW COMMERCE

93%

of businesses using eBay in Europe engage in cross-border commerce, the majority of these businesses are micro firms with less than 10 employees.



+48%

There is a mounting interest to engage in this type of international commerce. The period 2010 to 2014 saw an increase by 48% in the number of EU firms on eBay selling to 15 or more different countries.

Almost the whole world comes within their reach. 39% of eBay-enabled SMEs that engage in cross-border commerce serve four or more different continents.

39%



The complexities involved in exporting often lead to high failure rates where firms cease to export. The chance of surviving as an exporter is more than twice as high on eBay compared with the traditional economy.

LEADERS OF THE NEW COMMERCE

eBay entrepreneurs across Europe have started successful companies for a variety of different reasons – a longing for flexibility and freedom, a desire to make a living out of a hobby, the ambition to fill a market gap. The online commerce platform has offered some of them a way out of unemployment, and others a tool for expanding an existing business.

This has created countless positive outcomes, and it is beginning to reshape the complexion of commerce across Europe.

Our research demonstrates the real world behaviour of technology-enabled enterprises, and points to tangible opportunities within the reach of those looking to harness the economic and social benefits of an inclusive European marketplace. However, ensuring widespread access to these opportunities requires political willpower and action to address certain challenges. The European Commission has shown that the willpower is there through its Digital Single Market Strategy. We hope our report will be a call for action.

SIX KEY STEPS TO REALISE THE FULL POTENTIAL OF A DIGITAL EUROPE:



NO RESTRICTIONS
No more online sales restrictions



FRAMEWORK
Conditions for platforms and their users



TRADE PROMOTION
For micro-firms



COHESION POLICY
Funded co-operatives for online commerce



EFFICIENT DELIVERY MARKET
Through interoperability, transparency, cooperation and competition.



TRUSTED E-TRADERS
Customs pilot on "Trusted eTraders"

eBay is committed to providing small businesses with the means and opportunities to grow their operations and create wealth. If politicians adopt the above six policy initiatives there is a real potential to drive even greater economic growth and unleash cross border commerce. As a champion of SMEs eBay will continue to push for the regulatory reform and policy support that would contribute to a stronger and fairer Digital Single Market, that will go a long way to securing a more prosperous future for the whole of Europe.