



BRIDGING DISTANCE TO OPPORTUNITY

An eBay Report on How the Online Commerce Platform Enables
Inclusive Economic Opportunities in France

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INTRODUCTION

Since 2011, the eBay Public Policy Lab and a team of economists at Sidley Austin LLP (Sidley) have worked together to examine how globalisation and technology empower, in particular, micro and small enterprises, and promote a more inclusive and robust economy. Covering more than 50 countries, we have studied the trade patterns and growth of enterprises using the eBay Marketplace.

This report describes how the online platform model for commerce reduces the costs of doing business over distance and thereby allows small businesses throughout France to extend their market reach. Indeed, almost all small firms leveraging the eBay Marketplace in France are international and they served customers in, on average, 23 different countries in 2016. In addition, a platform-based business strategy enables them to operate from almost anywhere in the country. We find that platform-enabled small firms are thriving also in the more peripheral regions that do not benefit from high GDP or large populations.

The commerce platform thus extends access to economic opportunity geographically as well as empowers individuals, and herein lies the potential for a more inclusive and resilient society. To put a face on this great potential, this report introduces six entrepreneurs, who have all leveraged the online commerce platform to launch businesses in different parts of France, turning a passion into a living, filling a market niche, and seeking the freedom that comes with running your own business. They prove that self-entrepreneurship is not only a viable option to traditional employment but a way of making ends meet with a deep sense of fulfillment and accomplishment.

The econometric and statistical analysis carried out by Sidley for this report is based primarily on datasets covering eBay transactions by small businesses in France for 2016. To ensure that the analysis properly captured the community of small enterprises with a meaningful commercial use of the eBay Marketplace, Sidley limited the data to transactions by professional sellers¹ with sales of more than US\$10,000² annually on the eBay marketplace. In this report, these are called eBay-enabled firms.

This report provides concrete data demonstrating how micro and small enterprises throughout France adopt a platform-based business strategy to expand internationally on their own terms.

¹ These are “vendeur professionnel” on ebay.fr.

² Approximately €9,000 in 2016.

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.

We invite you to explore our full catalogue of research at: www.ebaymainstreet.com/lab

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The research discussed points to the potential of the online commerce platform to support broader based economic growth that is less dependent on the traditional powerhouse of Île-de-France. The research suggests that the online commerce platform can contribute to increasing the economic dynamism of also the less fortunate regions.

A more inclusive French society where economic growth is less concentrated, whether by firm size or territories, is within reach of those looking to harness the power of the internet and technology. However, that requires political action at local, national and EU level. This report therefore ends with policy recommendations to support small business digital adoption, administrative simplification benefitting small traders, and to reduce costs for technology-enabled firms expanding across the Digital Single Market.

BRIDGING DISTANCE FOR INDEPENDENT FIRMS

Traditional forms of commerce over distance carry substantial costs related to transportation and logistics chains, regulatory and administrative red tape, adaptation to different legal systems, communication and marketing, uneven access to information, difficulties in matching supply and demand, trust, and enforcement. Economists have found that these costs increase as distance increases. So the further away market participants are from each other, the less likely they are to engage in commerce with each other.³

Due to the costs that come with distance, small enterprises have traditionally been confined to commerce within limited areas, such as the size of a city or the distance that a consumer would be willing to travel to the enterprise's place of business. Another way to think of it is that most traditional commerce models come with the cost of establishing certain facilities, and firms are able to capture commerce only within a relatively limited range of their facilities.

Being limited to smaller markets in this way is oftentimes an impediment to building a viable and sustainable business due to the reality that there might simply not be enough local demand available to a local enterprise. In addition, risks are heightened for locally constrained enterprises in instances where a local economy might suffer from economic shocks or tail winds that depress demand.

One of the fundamental revolutions brought about by the internet and digital technologies is through online commerce, where the cost of transacting over distance has fallen dramatically. The chief reason is

³ Examples from economic literature on this are: "The Puzzling Persistence of the Distance Effect on Bilateral Trade" (2008), by Anne-Celia Disdier and Keith Head, in *Review of Economics and Statistics* 90(1), 37-48; "The Gravity Equation in International Trade: an Explanation" (2011), by Thomas Chaney; and "Information Frictions in Trade" (2011), by Treb Allen, Job-Market paper, Yale University.

how much easier it is online to overcome uneven access to information and difficulties in matching supply and demand. Lendle et al have found that distance indeed has a much lower negative impact on firms transacting cross-border in the online marketplace.⁴ Similarly, a 2013 report by the European Commission’s Joint Research Center (JRC) concludes that distance matters far less online, explained primarily by the decline in communication-related costs.⁵ Our estimates, based on a global data set, suggest that distance matters 83% less for international eBay transactions compared to traditional transactions.⁶

Even within the EU, geographical distance has a negative effect on cross-border activity. However, the detrimental effect of geographic distance on trade within the EU is more than four times lower when commerce is conducted leveraging the online commerce platform model, as compared to traditional cross-border trade.⁷ This can also be seen in the 62% growth rate of EU cross-border commerce over the eBay Marketplace for the period 2011 to 2015, compared to the modest growth of 9% for traditional commerce.



**FIGURE 1.1
COMMERCE OVER
DISTANCE**

**Growth in cross-border
commerce**

Source: Sidley Austin LLP
analysis of eBay data; Eurostat

But, overcoming distance to the extent where Micro, Small and Medium sized Enterprises (MSMEs) start engaging in international commerce takes more than simply adding the internet to retail. The European Commission reports that, in 2014, only 12% of firms in

⁴ “There Goes Gravity: How eBay Reduces Trade Costs” (October 2012), by Andreas Lendle, Marcelo Olarreaga, Simon Schropp, Pierre-Louis Vezina, Pierre-Louis, in World Bank Policy Research Working Paper No. 6253.

⁵ “The drivers and impediments for cross-border e-commerce in the EU,” by Estrella Gomez, Bertin Martens and Geomina Turlea (European Commission, Joint Research Center), Digital Economy Working Paper 2013/2: “the results show that the importance of geographical distance is strongly reduced in online trade, compared to offline trade, due to a drastic reduction in information costs in the digital economy that enables consumers to scan a much wider territory to satisfy their wishes and place their buying orders”.

⁶ See eBay’s report “Commerce 3.0 for Development” (2013), available http://www.ebaymainstreet.com/sites/default/files/commerce_3.0_susdev_a4_fin_2015_0.pdf

⁷ See eBay’s report “Empowering People and Creating Opportunity in the Digital Single Market” (2015), available https://www.ebaymainstreet.com/sites/default/files/ebay_europe_dsm_report_10-13-15_1.pdf

retail sold online cross-border within the EU.⁸ This is strikingly different to what is happening on the eBay Marketplace where across the EU about 96% of firms⁹, predominately micro firms with less than 10 employees, engaged in cross-border sales in 2015.

The difference can be explained by how the online commerce platform model provides access for independent MSMEs to both the internet's global reach as well as to relevant technology tools that further mitigate commerce costs, such as logistics support, website design, sales insights and research tools, search optimisation and paid search marketing, etc. In contrast, retailers selling online using their own website must themselves make the investments required to attract consumers from abroad, and this often before making their first sale.

However, while the online commerce platform model enables small firms to overcome distance and serve customers remotely, it is important to note that there are still great advantages accrued by having a local presence in commerce, which is why large merchants complement their online strategy with local facilities in the key economic areas. Independent small retailers cannot afford such a strategy and platform-enabled commerce is their way of reaching customers in the most vibrant economic hubs.

DATA ON INCLUSIVE OPPORTUNITIES

“International is a catalyst of innovation [...] that serve to develop France.”¹⁰

The Public Bank of Investment Bpifrance

This report provides data from the eBay Marketplace to illustrate the degree to which the online commerce platform is creating inclusive economic opportunities in France. We can show that small firms throughout France adopt a platform-based strategy to expand their market reach and build up an international customer base, an opportunity traditionally confined to the large companies. We can also show that the online commerce platform is extending access to such opportunities also to firms located in areas outside of those with the highest GDP and the greatest population, countering a trend of growth centralized to the Île-de-France region. Our findings point to how broader based economic growth — in terms of both firm size and territories — is a real possibility for France.

TOP PRODUCTS SOLD AND EXPORTED BY EBAY-ENABLED FIRMS IN FRANCE

Top Selling Products

-  Auto Parts
-  Mobile & Home Phones
-  Antiques
-  Home & Garden
-  Collectibles

Top Exporting Products

-  Antiques
-  Auto Parts
-  Collectibles
-  Clothes, Shoes & Accessories
-  Toys & Games

Note: We have ranked the five most sold and exported product categories in terms of Gross Merchandise Volume by eBay-enabled firms in France for 2016.

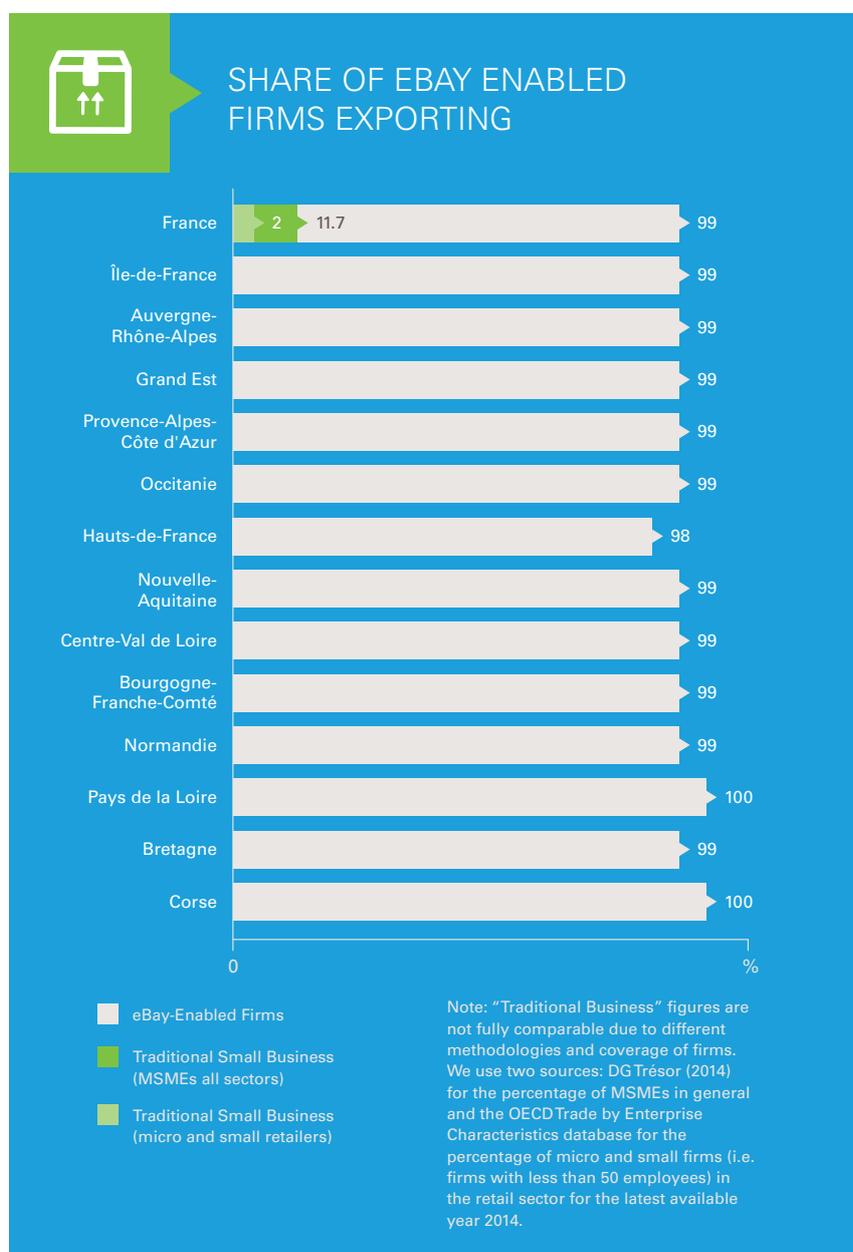
⁸ European Commission Staff Working Document, SWD (2015) 100 final, accompanying the 2015 DSM Strategy Communication. It references a forthcoming Consumer Conditions Scoreboard report with data from Flash Eurobarometer 396.

⁹ 96% of Commercial Sellers in EU's 28 Member States, i.e. sellers with USD 10,000 or more in sales and at least 10 transactions on eBay in 2015.

¹⁰ Own translation of press release of 18 September 2017.

SHARE OF EBAY-ENABLED FIRMS EXPORTING

A large body of research confirms how firms that are international are generally more productive than firms that serve the domestic market only. Higher productivity is in turn associated with more prosperous communities. As those communities are largely dominated by MSMEs, ensuring the internationalization of those firms becomes an obvious priority. Nevertheless, across OECD countries, less than 5% of micro enterprises export while typically half of large enterprises are exporters. In France, 11.7% of MSMEs in general exported in 2014¹¹ but no more than 2% of micro and small firms in the retail sector.¹² In contrast, nearly every eBay-enabled firm in France serves customers in foreign markets.



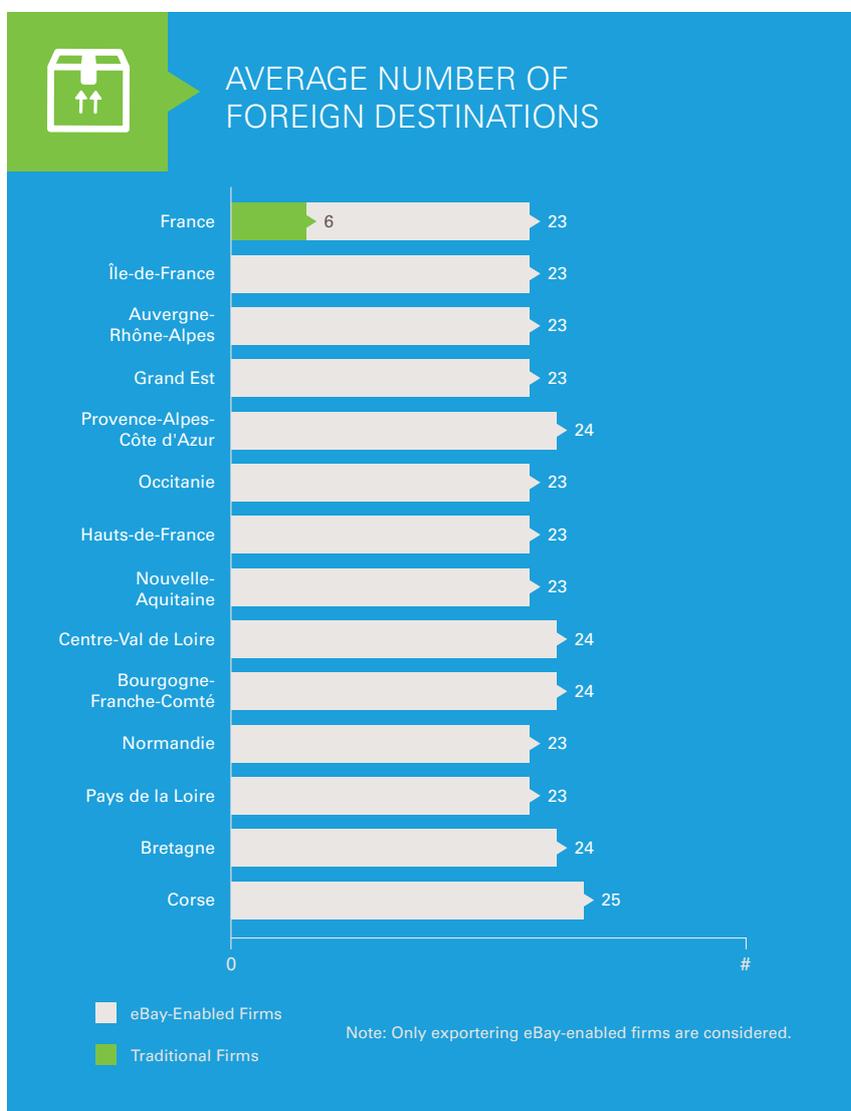
¹¹ Direction Générale du Trésor.

¹² OECD Trade by Enterprise Characteristics database, selection micro and small firms (i.e. firms with less than 50 employees) for the retail sector, latest available year is 2014.

AVERAGE NUMBER OF FOREIGN DESTINATIONS

The average number of foreign destinations by eBay-enabled firms is a powerful testament to how the online commerce platform bridges distance for small enterprises and accounts for a meaningfully different model of cross-border trade than the traditional market entry model.

Throughout France, eBay-enabled firms reached between, on average, 23 and 25 different countries in 2016. In comparison, the World Bank estimates that the average number of countries reached by exporting firms in Belgium, Bulgaria, Estonia, Portugal and Spain is around four, and INSEE¹³ estimates French exporters to reach around six countries. The OECD reports that, in a majority of OECD economies, 50% or more of exporting enterprises trade with only one other country.



Offline data:

Une analyse de la dynamique des exportations des sociétés françaises de 2000 à 2009 Institut National de la Statistique et des Etudes Economiques (INSEE), 2010. <https://www.insee.fr/fr/statistiques/fichier/1377169/ES438P.pdf>

¹³ Institut National de la Statistique et des Etudes Economiques

SHARE OF EBAY-ENABLED FIRMS REACHING 10 OR MORE FOREIGN MARKETS

OECD reports that firms that manage to export to more than 10 countries are also those dominating trade. In the traditional marketplace, that sort of market reach is confined to a relative few of the very largest firms. In contrast, the online commerce platform model makes it a realistic opportunity for the small and the many: 79% of eBay-enabled firms in France served customers in 10 or more different countries in 2016.



79% EBAY-ENABLED FIRMS
IN FRANCE REACH
10 OR MORE
FOREIGN MARKETS

SHARE OF EBAY-ENABLED FIRMS REACHING FOUR OR MORE CONTINENTS

The recent financial and economic crisis emphasized the importance of diversified international selling capabilities. Over the period 2008 to 2013, domestic demand dropped by about 4% across EU28 while extra-EU demand rose by about 7%. From the perspective of economic demand and growth opportunities, the key macro-economic driver of growth was demand from outside the EU and European firms of all sizes tried to adapt by shifting their share of export from EU markets to non-EU markets.

eBay-enabled firms proved to be the most adaptable.¹⁴ Between 2009 and 2014, they shifted their share of international selling from EU markets to non-EU markets by 52%. Large traditional firms were half as flexible, shifting their exports by 26%, whereas small traditional firms were found relatively locked into their existing markets (shifting to non-EU by no more than 14%).

Illustrating just how diversified platform-based businesses are, 62% of eBay-enabled firms in France served customers on four or more continents in 2016.



62% EBAY-ENABLED FIRMS
IN FRANCE REACH
FOUR OR MORE
CONTINENTS

¹⁴ See eBay's report "Platform-Enabled Small Businesses and Inclusive Economic Opportunities" (2016) Available https://www.ebaymainstreet.com/sites/default/files/ebay_report_pesbieo.pdf

INCLUSIVE PARTICIPATION BY EBAY-ENABLED FIRMS

“Regions matter for building productive economies and inclusive societies.”

OECD, 2016 Regional Outlook

In its 2016 Regional Outlook, OECD stresses that “regions matter for building productive economies and inclusive societies”.¹⁵ There are nevertheless increasing income gaps between regions within OECD countries. France is no exception with growing inter-regional disparities since 2000. The OECD finds that this is largely due to all regions, and in particular the poorer ones, losing ground to the Île-de-France region in terms of contributing to France’s GDP growth.¹⁶

However, a snapshot of the platform-enabled economy suggests it has the potential to “fuel the catching-up machine”, as called for by the OECD. We have analysed eBay-enabled firms and their activity, and our findings suggested that platform-enabled small businesses need not be located in the capital region, the most populous region or the richest region to be able to build thriving and international operations.

Studies of entrepreneurship has found that the number of entrepreneurs is often linked to population growth and density, and so urban areas normally have the most entrepreneurs per inhabitants.¹⁷ Our own studies of where communities of large numbers of eBay businesses per capita are found showed that they are not necessarily located first and foremost in the most populated and/or capital regions.¹⁸ We find that “Seller Hotspots” emerge also outside of the conventional ones.

Together with population, regional entrepreneurship has also been strongly correlated to economic development as measured by GDP per capita.¹⁹ The literature has even argued that regions with persistent high economic growth are characterised by more positive attitudes towards entrepreneurship.

¹⁵ OECD Regional Outlook 2016, “Productive Regions for Inclusive Societies”, 11 October 2016.

¹⁶ OECD (2016), appendix IV. Country Notes.

¹⁷ “Understanding regional variation in entrepreneurial activity and entrepreneurial attitude in Europe”, by Niels Bosma and Veronique Schutjens, *Annals of Regional Science* (2011); see also “The Regional Entrepreneurship and Development Index (REDI) – measuring regional entrepreneurship” (November 2013), European Commission, http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/regional_entrepreneurship_development_index.pdf.

¹⁸ See our initiative “Inside the eBay Economy”, which identifies Seller Hotspots in the UK, Germany, Italy, France and Spain: <http://inside-ebay.eu/inside-ebay/seller-hotspots>. These are regions with the highest number of eBay businesses per 10,000 capita.

¹⁹ European Commission (2013).

To allow us to assess the extent to which not only the numbers but also the activity of platform-enabled small business are influenced by these traditional factors determining entrepreneurship, we have created a measurement that covers both how many eBay-enabled firms a region has (similar to the “Seller Hotspots”) as well as how much sales they have. Our measurement captures the following two indicators of the level of platform-enabled business uptake in a region: (1) the number of eBay-enabled firms per 10,000 inhabitants and (2) sales by eBay-enabled firms per capita. Together these indicators make up what we call “Digital Density”, a measurement that indicates the geographical distribution of platform-enabled economic opportunities.

Ranking regions in relation to each other on Digital Density, one finds that the regions that rank high are not necessarily the ones with the highest GDP per capita or the largest population.

Of course, many eBay-enabled firms in France choose to operate in central regions, and they certainly should. But what is clear from our analysis is the power of the internet and technology to make location less of a determinative factor for commercial success: the online commerce platform makes it possible to run an international operation from rural, perhaps remote, and sometimes less economically privileged or populated areas.

DIGITAL DENSITY RANK

1 Top Region
Provence-Alpes-Côte d'Azur



AUVERGNE-RHÔNE-ALPES

Cyrille Nicolas
SPO Moto Scooter

"Internet allowed me to create my business."



AUVERGNE-RHÔNE-ALPES

Olivier Dierckx
GPA Recycleur d'automobiles

"eBay removes a lot of the barriers to setting up an ecommerce business."



ÎLE-DE-FRANCE

Sahar Emami
EyeWorld Boutique

"I'm convinced that businesses that are growing their internet presence and exporting are the future."



CENTRE-VAL DE LOIRE

Frédéric Dallois
Sovereign Antiquités

"I make a living from something I'm passionate about."



OCCITANIE

Michel Saussais
Encre4U

"I wanted to become my own boss."



PROVENCE-ALPES-CÔTE D'AZUR

Jean-Marie Carron
Heliotrade

"Digital allowed me to grow internationally."

GDP PER CAPITA RANK

1 Top Region
Île-de-France

2. Auvergne-Rhône-Alpes
3. Provence-Alpes-Côte d'Azur
4. Pays de la Loire
5. Nouvelle-Aquitaine

POPULATION RANK

1 Top Region
Île-de-France

2. Auvergne-Rhône-Alpes
3. Hauts-de-France
4. Nouvelle-Aquitaine
5. Occitanie

Source: Institut National de la Statistique et des Etudes Economiques (INSEE), latest available data on population (2016) and GDP (2014).

PLATFORM-ENABLED ENTREPRENEURS

“You are the [...] everyday services and skills that keep our cities, villages and territories alive.”

Prime Minister Edouard Philippe talking about the self-employed²⁰

The research presented in this report shows how the online commerce platform enables entrepreneurs throughout France to grow a business. But there is more to it than that. The platform model of commerce enables a great diversity of businesses, most of which were launched out of the desire to seek out the flexibility and freedom that come with running your own business, turn a passion into a living, and aspire to fill a market niche no one else has.

Platform-enabled entrepreneurs, like those presented below, show that there is an alternative to market consolidation, uniformity and dominance by ever larger corporations; and they prove that self-entrepreneurship is not only a viable option to traditional employment but a way of making ends meet with a deep sense of fulfillment and accomplishment. The potential for a more inclusive and resilient society lies in how the online commerce platform extends access to economic opportunity geographically as well as empowers individuals to launch, grow and internationalize independent businesses.

Cyrille Nicolas

SPO Motor Scooter

Cyrille Nicolas competed regularly in motorcycle races. He started to sell the spare parts that he no longer needed at the end of the racing season on eBay. Over time, he sold more and more, until selling used spare motorcycle parts became the way he made his living: “Internet allowed me to create my business. Today we have four employees and plan on hiring a fifth”, he says. Cyrille mainly sells in France with 10% of his sales coming from abroad. He was overjoyed when he saw that he was reaching and selling to people in other countries and has high hopes for the future. “We grow every year and want to diversify, including by export. Tools offered by marketplaces, such as listing translation for example, are in that sense real assets”, says Cyrille.



“Internet allowed me to create my business.”

²⁰ Own translation of speech of 5 September 2017, Dijon, France.

Frédéric Dallois

Sovereign Antiquités

In 2007, after a career in the military, Frédéric Dallois took the plunge and set up his store on eBay without knowing anything about e-commerce, or even the Internet. He created Sovereign Antiquités, as antiques have always fascinated him. Today, Frédéric's company is thriving: 60 % of his sales come from overseas sales, and he has handled more than 30 000 transactions so far in 60 different countries including Japan, Chile, Canada, Australia, Laos, Tajikistan and Kazakhstan. Frédéric even opened his own physical shop in the centre of Bourges city, where his customers can find the inventory that he also sells on-line.



"I make a living from something I'm passionate about."

Sahar Emami

EyeWorld Boutique

After losing her job as a product manager in a fashion company, Sahara Emami decided to develop her father's B2C eyewear wholesaler business online. She started listing some models on eBay and over time developed a successful online business. Along with the eBay store, Sahar also created a company website. Sahar has reinvested all the money they have made on eBay in the company and ecommerce opportunities. Today, she works with a full-time employee and would like to develop her online offer with handbags, prêt à porter fashion and jewelry from French designers.



"I'm convinced that businesses that are growing their internet presence and exporting are the future."

Olivier Dierckx

GPA Recycleur d'automobiles

GPA, an automobile recycling company, tried adding a website to their physical store, but could not dedicate enough time to the project and so very quickly the site was abandoned. In 2014, Olivier Dierckx came along and launched their store on eBay to test the water. They soon saw that GPA was able to sell rare spare auto parts and accessories at low prices and benefit from the development of online commerce in this market. Online commerce took off in the second-hand car parts and accessories market particularly with the financial crisis and drivers becoming more aware of their environmental impact. Olivier explains: "eBay buyers may not know your brand, but are reassured when they use eBay and pay with PayPal. eBay removes a lot of the barriers to setting up an ecommerce business."



"eBay removes a lot of the barriers to setting up an ecommerce business."

Michel Saussais

Encre4U

After 20 years in traditional retail, Michel Saussais decided to create Encre4U, an online shop specializing in ink cartridges for printers. He has gradually extended his offer, today selling a wide variety of products including batteries, memory cards and USB sticks, cameras, phones, tablets and computers. "I wanted to become my own boss", says Michel. "While in my job, I sketched out my plans, studied the market and then created my first website. A few months later, I opened my eBay shop. That allowed me to grow while keeping my employment, and eventually turn this into my full-time activity." 25% of the sales of Encre4U goes through the mobile app, which has enabled Michel to reach new customers.



"I wanted to become my own boss."

Jean-Marie Carron

Heliotrade

Jean-Marie Carron started his business directly on eBay in 2005. Online selling seemed like a good opportunity to allow antiques lovers to find items they could not find near their home. Today, Heliotrade employs two people; offers more than 1500 items in the Do It Yourself, home and garden accessories and equipment universe; and exports to seven different countries in Europe. "Digital allowed me to grow internationally thanks to the visibility and technical solutions offered by marketplaces", says Jean-Marie. In fact, he tried growing only through Heliotrade's own site, but found the digital marketing investments needed for visibility difficult to match. Jean-Marie explains that the business survived because he returned to online marketplaces.



"Digital allowed me to grow internationally."

POLICY ACTION

This report has described how the online platform model for commerce reduces the costs of doing business over distance and thereby allows small firms throughout France to extend their market reach. Indeed, a platform-based business strategy enables those firms to operate from almost anywhere in the country.

We find dynamic communities of platform-enabled small firms also in the more peripheral regions that do not benefit from high GDP or large populations. We see self-entrepreneurship also in those less privileged regions with individuals realizing a dream of being one's own boss and making ends meet with a deep sense of purpose. The online commerce platform thus empowers individuals and extends geographically access to economic opportunity. Herein lies the potential for a more inclusive and resilient society.

In order to ensure French small businesses and aspiring self-entrepreneurs can make the most of the opportunities that the internet, technology and the online commerce platform present, we recommend political action at local, national and EU level.

AT LOCAL LEVEL



Develop the Digital Ambassador program in all French regions to support MSMEs' digital adoption.

In 2016, France's National Digital Council - Conseil National du Numérique (CNNum) - produced a "Connected Growth" report, commissioned by the French government. The report, based on interviews with digital actors as well as traditional and technology-enabled MSMEs, identified lack of trust and knowledge as key barriers to small businesses adopting digital technology. To address these barriers, the CNNum proposes an educational program of "Digital Ambassadors".

eBay strongly supports this program and urges it to be effectively rolled out to all of France 13 regions based on CNNum's recommended pillars:

- The Ambassadors would be citizens with the adequate skills as well as respect to educate and guide MSMEs on the opportunities of adopting digital tools and technology to support a business.
- The Ambassadors would be trained through partnerships between the French government and the private sector.
- MSMEs would be able to take advantage of a small financial incentive to contract with the Ambassadors.

AT NATIONAL LEVEL



Simplify administrative processes to accelerate MSMEs' online and international growth.

President Emmanuel Macron has made administrative simplification for citizens one of his top priorities. As administrative burdens hit small businesses particularly hard and may inhibit entrepreneurship²¹, this initiative should explicitly look to benefitting small technology-enabled firms in their administrative dealings and procedures. For instance, customs processes have long been designed to match the needs of resourceful companies, sending large and regular shipments to a handful of countries. The data presented in this report shows that also small firms in France can now reach far beyond the French border. Customs formalities have yet to be modernized to match the needs of these new traders and allow customs to effectively facilitate and secure trade patterns characterized by many to many, small shipments, and a degree of irregularity.

As part of an initiative on administrative simplification, France could take the lead and pilot a modern, innovative program to adapt customs to the realities of small business platform-enabled trade. This program could be based on the following features²²:

- A digital customs portal could be made available to all French exporters, with an individual user space that allows them to generate their parcel accompanying documents, while simultaneously providing a one-stop shop for personalized contact with customs officials.
- A “Trusted eTrader” status could be achieved by small online traders through the use of the customs portal. The portal would enable a digital “paper trail” and confidence with governments for customs compliance and security purposes to be build up over time
- A public-private dialogue mapping the broader data needs that customs services have, the data generated and available, and the appropriate risk management models for online trade by MSMEs, could be engaged with the entire online trade value chain, including platforms like eBay.

²¹ See OECD on “Administrative Simplification and Regulatory Burdens,” <http://www.oecd.org/gov/regulatory-policy/administrative-simplification.htm>

²² A detailed description of this sort of program can be found in a report by the Center for Strategic and International Studies, “Fueling the Online Trade Revolution: a new customs security framework to secure and facilitate small business e-commerce” (April 2015), http://csis.org/files/publication/150421_Suominen_FuelingOnlineTradeRev_Web.pdf

AT EU LEVEL



Maintain thresholds for VAT at levels that protect small remote retailers from bureaucracy and costs related to cross-border activity.

As one of the founders and largest economies of the EU, France has an important role to play in realizing the Digital Single Market; not the least to ensure France's more than 3.5 million businesses, of which 99.9% are MSMEs, can benefit from easy access to a European customer base. In fact, eBay-enabled firms serve on average 23 different countries and little over half of those are found in the EU.

However, regulatory and legal discrepancies and unpredictability between Member States prevent or hold back MSMEs from reaping the full potential of serving a truly integrated Single Market. For example, while a One Stop Shop mechanism would greatly facilitate VAT remittance, obliging MSMEs to apply the VAT rate of the buyer's country will add substantial costs for those small retailers. In fact, online retailers, including some who are fully VAT exempt at home, would have to inform themselves about Member States' different VAT rates, even below a meaningful sales volume into each market.

The following elements would take us towards a fair, European, and small business friendly VAT framework:

- A One Stop-Shop mechanism for intra-EU online commerce.
- Thresholds that exempt firms covered by small business exemptions as well as firms with below meaningful sales volumes into another EU country from the obligation to comply with VAT rates in the destination markets.
- A mandatory and legally binding VAT database allowing e-traders to match product codes with applicable national rates.



APPENDIX

DATA DEFINITIONS

SHARE OF EBAY-ENABLED FIRMS EXPORTING

The eBay data reflects the share of 2016 eBay-enabled firms (professional sellers with \$10,000 USD or more in sales and at least 10 transactions annually on the eBay Marketplace) in France and each region, who exported in that year.

AVERAGE NUMBER OF FOREIGN DESTINATIONS

The eBay data reflects the average number of different foreign markets reached by 2016 eBay-enabled firms (professional sellers with \$10,000 USD or more in sales and at least 10 transactions annually on the eBay Marketplace) in France and each region.

SHARE OF EBAY-ENABLED FIRMS REACHING 10 OR MORE FOREIGN MARKETS

The eBay data reflects the share of exporting 2016 eBay-enabled firms (professional sellers with \$10,000 USD or more in sales and at least 10 transactions annually on the eBay Marketplace) in France, who exported to 10 or more different foreign markets in that year.

SHARE OF EBAY-ENABLED FIRMS REACHING FOUR OR MORE CONTINENTS

The eBay data reflects the share of exporting 2016 eBay-enabled firms (professional sellers with \$10,000 USD or more in sales and at least 10 transactions annually on the eBay Marketplace) in France, who exported to four or more continents in that year.

INCLUSIVE PARTICIPATION BY EBAY-ENABLED FIRMS

The so-called "Digital Density" measurement reflects two factors: (1) the number of 2016 eBay-enabled firms (professional sellers with \$10,000 USD or more in sales and at least 10 transactions annually on the eBay Marketplace) per 10,000 inhabitants in each region and (2) sales in value by 2016 eBay-enabled firms per capita in each region. The "Digital Density" ranking is an average of the region's ranking on each of these two factors. We use the geographical division of France into 13 administrative regions, as became the official regions effective 1 January 2016.

ebay