

EXECUTIVE SUMMARY

Regional economic disparities continue to plague Europe. The dominance of national capital cities presents a particularly striking challenge. As they economically “pull away” from the rest of their respective countries it threatens to undermine balanced growth and social viability.

This paper presents eBay data that counters the perception that Europe’s leading urban growth hubs are always destined to outperform the rest in digital commerce. Rather, the digitalisation of small and medium-sized enterprises (SMEs) can harness technology to address regional imbalances rather than worsen them. Regions perceived as secondary, economically depressed, rural, and less prepared for the digital transition often outperform national capitals and tech hotspots.

Two indexes are used to rank and compare Nomenclature of territorial units for statistics (NUTS) regions within EU Member States and their UK equivalent. **eBay Digital Density** is an index based on the measurement of eBay small business activity on a per-capita basis. **The Regional Prosperity Index (RPI)** measures a region’s per capita GDP. In both cases, the figures are based on per capita activity and normalized to allow for comparisons between regions with larger and smaller populations, and countries with higher or lower overall levels of economic development.

RPI results confirm that the national capital cities are nearly always located in the most advantaged region. The 18 capital regions in European countries with at least five NUTS2 regions have an average RPI value that is 65 percent higher than the country as a whole, compared to an average of just 6 percent higher for the leading eBay Digital Density regions.

Comparing eBay Digital Density leaders to noted European tech hotspots again reveals SME digitalisation as an inclusive tech phenomenon. The 15 hotspots averaged a RPI value of 119, less than the capital regions but still well above average, while the group of leading eBay regions in the same countries scored an average of just 88, a meaningfully more inclusive result.

eBay Digital Density results also challenge predictions of so-called “Digital Readiness”. Based on an analysis of EU NUTS regions that graded and ranked them into quartiles from “least prepared” (Red) to “most prepared” (Green) for the digital transition, the national capitals were unsurprisingly all rated Green. But eBay Digital Density leaders were very diverse, with more leaders coming from regions in the bottom two quartiles than were from Green regions, including four eBay leaders

coming from Red regions. These findings demonstrate that SME digitalisation can upset traditional digital expectations.

Finally, eBay Digital Density challenges the expectation that urbanization, including higher population density, is inevitably linked to tech-driven economic success. Nearly every national capital region has the highest population density in their respective countries, and each is predominantly urban. Top eBay small business communities come from a wide range of regions, including some very rural, with six having population densities below 100 people per square kilometer.

eBay Digital Density continues to challenge the assumption that Europe’s national capital regions and tech startup hotspots will dominate every measure of entrepreneurship and mastery of digital tools. Instead, policies and investments to promote digitalisation and ecommerce by independent small businesses can pay inclusive growth dividends in regions otherwise slipping behind.

Key Learnings

- **National capital regions average 1911 people per square kilometer, while leading eBay regions average just 644**, including six top eBay regions with under 100 people per square km.
- **Thirteen eBay Digital Density leaders are regions with GDP per capita below their national average.** National capital regions, by comparison, top their country’s GDP per capita ranking 19 of 23 times.
- **Four top eBay Digital Density regions are rated as “least prepared” for the digital transition**, defying expectations of “digital readiness”.

Stimulating the growth of secondary and urban regions should be a priority for European and national policymakers, for example by implementing public policies and investments that facilitate ecommerce access to SMEs.