



# EMPOWERING PEOPLE AND CREATING OPPORTUNITY IN THE DIGITAL SINGLE MARKET

**An eBay report on Europe's potential**

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## FOREWORD BY PAUL TODD

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.



**Paul Todd**

SVP Europe, eBay

# INTRODUCTION

Since 2011, the eBay Public Policy Lab and a team of economists at Sidley Austin LLP have worked together to examine how globalisation and technology liberate the ambitions of Small and Medium-sized Enterprises (SMEs)<sup>1</sup> and promote a more inclusive economy. We have studied the patterns of enterprises using the eBay Marketplace. Irrespective of where in the world we have looked, we have found micro and small businesses leveraging the online commerce platform model to engage in expansive commerce, often on a global scale. Across the more than 23 countries we have studied so far, spanning the Americas, Africa, Asia and Europe, technology is empowering small firms to build operations that serve consumers across an average of 20 to 40 different countries.

This report continues our journey together, now studying the European Union and its 28 Member States in further detail. We believe the findings presented herein provide a clear picture of what the digital economy is capable of delivering through a new way of conducting commerce.

Traditionally, commerce over distance has come with significant costs. This impeded the ability of most micro and small firms to participate directly in international markets, and even to serve customers throughout large national markets. We have seen this manifested in the European context in limited participation by SMEs in cross-border commerce within the Single Market. It has also disadvantaged enterprises, especially small ones, situated further from central economic hubs, creating challenges for broad-based and balanced economic development.

This report describes how the online platform model for commerce significantly reduces the costs of doing business over distance and thereby allows European businesses – no matter what their size – to extend their reach from their local city or region to an unprecedented geographical area. This development opens up economic opportunities that are more inclusive and economic progress that is more prosperous and resistant to local economic shocks.

Indeed, having studied the level of small online business activity across the EU's regions<sup>2</sup> – and calculated what we call the "Digital Density"<sup>3</sup> of each region – our conclusion is that more remote and less prosperous regions across the EU are hosting communities of active online SMEs. Moreover, our investigations often showed that in less prosperous regions, close to all SMEs were selling cross-border. Such direct access to European and global markets enables them to contribute to the local economy and society, and this signals a potential for the EU to reduce imbalances between regions through digital market-driven growth.

Furthermore, our research shows that the ability to directly operate in foreign markets creates enterprises capable of growing and successfully entering and participating in new markets – despite recent years' financial recession and stagnation. Here, the potential for the EU lies in amplifying the number of European firms that take advantage of the economic benefits that larger markets generate. There is an obvious target in micro-enterprises, which account for about 94% of the EU's total enterprise population, but where only between 4% and 11% engage in cross-border transactions.<sup>4</sup>

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1 SMEs comprise three categories of companies: micro with less than 10 employees, small with less than 50 employees, and medium with less than 250 employees.

2 This report looks at the NUTS2 regions, and we have used the 2010 classification that divides the EU into 273 regions. All regions could be identified to have eBay sales, except Åland (Sweden).

3 The "Digital Density" is a weighted combination of the following two indicators: (1) the number of eBay SMEs per 100,000 inhabitants and (2) total sales by eBay SMEs per 100,000 inhabitants. The weighted average puts more emphasis on the second indicator.

4 Annual Report on European SMEs 2013/2014, "A Partial and Fragile Recovery" (July 2014), European Commission.

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## 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

The econometric and statistical analysis carried out by Sidley Austin for this report is based on eBay datasets covering transactions and of small online businesses in the EU and globally from 2010 to 2014. To ensure that the community of small commercial enterprises on eBay was properly captured, Sidley limited the data to transactions by sellers with sales of more than US\$10,000<sup>5</sup> annually on the eBay marketplace. In this report these are called “Commercial Sellers”, small online businesses or eBay-enabled SMEs.

The research discussed in this report provides robust and concrete data sets demonstrating 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 challenges such as shipping costs and time, complex customs procedures, contractual restrictions on retailers’ use of online commerce platforms, as well as to foster a climate supportive of entrepreneurship and exporting by small businesses and innovation by platform providers.

The political willpower is there, demonstrated by the ambition to create a connected Digital Single Market<sup>6</sup> for European businesses and citizens and to further the competitiveness of SMEs<sup>7</sup> as a means to realise the EU objective of cohesion<sup>8</sup>. We hope that our research will feed into this on-going work and to that end we conclude by recommending political action to create an efficient parcel delivery market in Europe and beyond, bar online sales restrictions, introduce framework conditions for platforms and their users, pilot a “Trusted eTraders” customs scheme, develop trade promotion for micro firms, and fund cooperatives for online commerce.

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5 Approximately €7,500 in 2014.

6 The European Commission relaunched its efforts to unite the EU’s digital single market in May 2015 with its Communication: “A Digital Single Market Strategy for Europe”, COM(2015) 192 final.

7 The competitiveness of SMEs is recognised as one of 11 thematic objectives under EU Cohesion Policy 2014 - 2020.

8 Article 3.3 of the Treaty on the European Union lays down the objective of economic, social and territorial cohesion.

# THE NEW COMMERCE

Commerce has always depended on connections. The difference today is how the online platform model is enabling connections that are cheaper, more evenly spread and more accessible. Indeed, the online platform model has revolutionised commerce by reducing the cost of serving consumers over a large geographical area. This has effectively opened commerce up to any entrepreneur anywhere.

## Cost of distance

Traditional forms of commerce over distance carry costs related to transportation and logistic chains, regulatory and administrative red tape, 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.<sup>9</sup>

Due to these 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 came with the cost of establishing certain facilities, and firms were able to capture commerce only within a range of their facilities.

Being limited to small markets in this way is an impediment to building a viable and sustainable business as there might simply not be enough demand available, or a local economy might suffer from economic shocks or tail winds that depress demand. This is exactly what happened during the recent financial crisis. Between 2008 and 2013, domestic demand dropped by 5% across the EU, while foreign demand has grown by almost 10%.<sup>10</sup>

Extending commercial activity to a market the size of the EU Single Market brings into play a potential customer base of 500 million people.<sup>11</sup> This creates opportunity for "*[a] lot more businesses ... starting up and existing companies ... flourishing by finding new market niches thanks to the 'long tail'<sup>2</sup> effect*".<sup>13</sup>

**"[A]bsence of a genuine common market ... and all the other obstacles to trade are equivalent to a financial surcharge which would certainly represent approximately one week's work per year on average for every family in Europe"**

*(European Parliament 2013 study citing the 1983 Albert-Ball Report<sup>14</sup>)*

The importance – not to mention the difficulties – in covering large markets can be seen in the investments big and resourceful retailers make in a network of facilities: IKEA covers 37 countries through 301 stores<sup>15</sup> and Zara 88 countries through more

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9 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.

10 Annual Report on European SMEs 2013/2014. For a paper measuring distance effects on eBay, see "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.

11 The 2015 DSM Strategy Communication.

12 Chris Anderson introduced the concept of the "long tail" in his book of 2006, describing how "[t]he era of one-size-fits-all is ending, and in its place is something new, a market of multitudes... Seen broadly, it's ... about the economics of abundance – what happens when the bottlenecks that stand between supply and demand in our culture start to disappear and everything becomes available to everyone..." A report by eBay ("Empowering consumers by providing access to the 21st century market", 2008) explains how this concept applies to online markets: [http://ec.europa.eu/competition/sectors/media/ebay\\_call\\_for\\_action.pdf](http://ec.europa.eu/competition/sectors/media/ebay_call_for_action.pdf)

13 Communication from the European Commission, "A coherent framework for building trust in the Digital Single Market for e-commerce and online services", COM(2011) 942 final.

14 Cited by the European Parliament study of 2014 "Mapping the cost of non-Europe", available: <http://www.europarl.europa.eu/the-secretary-general/resource/static/files/files/mapping-the-cost-of-non-europe-march-2014-.pdf>

15 [http://www.ikea.com/ms/en\\_IE/about\\_ikea/facts\\_and\\_figures/ikea\\_group\\_stores/index.html](http://www.ikea.com/ms/en_IE/about_ikea/facts_and_figures/ikea_group_stores/index.html)

than 2000 stores<sup>16</sup>; MediaMarkt covers 14 European countries through 1020 stores<sup>17</sup> and H&M the whole of Europe through 2612 stores<sup>18</sup>. This route to serving a wider market has not been an option for most micro and small retailers.

### Overcoming distance

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 how much easier it is online to overcome uneven access to information and difficulties in matching supply and demand. 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 costs.<sup>19</sup>

The work by the economists at Sidley Austin confirms that distance indeed has a much less negative impact on firms transacting cross-border in the online marketplace.<sup>20</sup> Based on a global data set, Sidley concluded that distance matters 83% less for international eBay transactions compared to traditional transactions.<sup>21</sup>

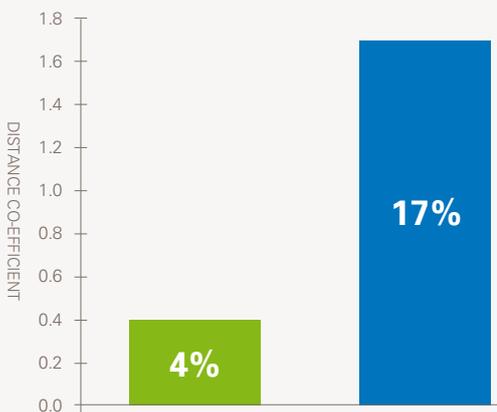
Even within the EU, geographical distance has a negative effect on cross-border activity. However, the detrimental effect of geographic distance on trade within the EU is more than four times lower when commerce is conducted leveraging the online commerce platform model, as compared to traditional cross-border trade. This can also be seen in the 61% growth rate of EU cross-border commerce over the eBay Marketplace for the period 2010 to 2014, compared to the modest growth of 15% for traditional commerce.

FIGURE 1

### Commerce over distance

Distance matters four times less online resulting in four times faster growth in cross-border commerce.

DISTANCE'S NEGATIVE IMPACT ON EXPORTS IN THE EU: COMPARING THE ONLINE WITH THE TRADITIONAL MARKETPLACE



GROWTH OF INTRA-EU CROSS-BORDER TRADE: TRADITIONAL VS TECH ENABLED



Source: Sidley Austin LLP analysis of eBay data; Eurostat and UN Comtrade data.

16 <http://www.inditex.com/en/brands/zara>

17 <http://www.media-saturn.com/de/en/retailbrands/mediamarkt/pages/default.aspx>

18 <http://about.hm.com/en/About/facts-about-hm/fashion-for-all/sales-markets/hm-worldwide.html>

19 "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".

20 "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.

21 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](http://www.ebaymainstreet.com/sites/default/files/commerce_3_0_susdev_a4_fin_2015_0.pdf)

But overcoming distance to the extent where SMEs start engaging in international commerce takes more than simply adding the internet to retail.

While recent years have seen an increase in the use of the internet as a sales channel among retailers in the EU<sup>22</sup>, there has been no clear upward trend in the level of cross-border activities.<sup>23</sup> The European Commission reports that, in 2014, only 12% of firms in retail sold online cross-border within the EU.<sup>24</sup> This is strikingly different to what is happening on the eBay Marketplace where 93% of firms, predominately micro firms with less than 10 employees, engage in cross-border sales.

The difference can be explained by how the online commerce platform model acts as an “e-commerce booster”<sup>25</sup>. It provides access to both the internet’s global reach as well as to relevant technology tools that further mitigate commerce costs, such as fulfillment services, website design, sales insights and research tools, search optimisation and paid search marketing, etc. In contrast, retailers selling online using their own website (which is 80% of online retailers<sup>26</sup>) must themselves make the investments required to attract consumers from abroad.<sup>27</sup>

Let’s take two examples.

The 2013 JRC report argues that the high cost for crossing linguistic barriers in online transactions almost cancels out the positive effect of reduced information costs more generally.<sup>28</sup> But this conclusion overlooks how technology, for certain forms of online commerce, is already serving as a bridge in this respect. Machine translation is an area eBay has focused on to reduce the negative effect different languages have on cross-border commerce. Measuring the effect this has had on US based SMEs on eBay, Sidley estimates that language as a barrier to commerce has been reduced by two thirds over the last decade.<sup>29</sup>

Another significant cost affecting cross-border commerce is consumers’ lack of trust. Only 38% of European citizens feel confident about purchasing online from another EU country.<sup>30</sup> Also here technology can bridge distance by replacing fear with acumen. For instance, on the eBay Marketplace, sellers are rated based on customer feedback, and sellers holding a constant positive feedback score and consistently delivering a great customer experience, according to certain performance requirements, may qualify for the “eBay Top Rated Seller” status (eTRS).<sup>31</sup> This is not a perfect assurance of quality, but it offers buyers insights into sellers’ track records to help inform their purchase decisions. Economic analysis of eBay trade flows indicates that the eTRS status reduces the negative effect of distance in the online marketplace by another 16%.<sup>32</sup>

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“Selling on eBay has helped expand our physical business. It’s like having a virtual shop in every country of the world.”

**Frank Burguera,**  
founder and owner of California Motorcycles, Spain.



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22 Flash Eurobarometer 359, 2013.

23 The European Commission’s Consumer Scoreboard, 9th edition 2013. The Scoreboard is based on the Flash Eurobarometer 359 which measures attitudes to cross-border commerce based on interviews with 400 companies with 10 or more employees.

24 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.

25 Report on e-commerce by the High Level Group on Retail Competitiveness (July 2015), European Commission. See paragraph 31 which explains that online platforms “constitute an opportunity for smaller businesses, which lack resources and expertise, to do business online since platforms can provide them with key services, such as marketing, payment and delivery”.

26 Flash Eurobarometer 413, 2015.

27 Consumers express much greater confidence purchasing online from within their own country than from abroad, according to the Consumer Scoreboard, 9th edition 2013.

28 The 2013 JRC report states that: “We find that the importance of geographical distance-related trade costs is indeed reduced in online trade, compared to offline trade. On the other hand, socio-cultural variables such as language increase in importance and counterbalance the declining cost of distance.”. It concludes that “language replaces distance as one of the most important sources of trade costs in the online economy”.

29 “2015 US Small Business Global Growth Report: A World of Opportunity for every American Small Business”, an eBay report produced based on economic analysis by Sidley Austin LLP, available: <http://www.ebaymainstreet.com/sites/default/files/2015-us-small-biz-global-growth-report.pdf>

30 The 2015 DSM Strategy Communication.

31 See e.g. on <http://pages.ebay.co.uk/help/sell/top-rated.html>

32 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](http://www.ebaymainstreet.com/sites/default/files/commerce_3_0_susdev_a4_fin_2015_0.pdf)

# INCLUSIVE OPPORTUNITY

## Long-lived regional variation

The European Commission has since 2000 recognised the important role online commerce could play for economic, social and territorial cohesion: *“new technologies ... provide an opportunity, by overcoming geographical obstacles, for bringing the outermost regions closer to the heart of Europe and combating various forms of exclusion”*.<sup>33</sup> The Commission has called out the so-called Information Society as a real opportunity for regional development as it could help *“even the remotest regions to network with the rest of the Union and beyond”*.<sup>34</sup>

Nevertheless, in 2008, the Commission let it be known that, in terms of economic activity, there *“continues to be heavily congested urban areas and other areas with untapped potential”* across the EU.<sup>35</sup> So whereas in 2000 there was confidence that *“through the internet and e-commerce we can achieve the ‘death of distance’”*<sup>36</sup>; eight years later, the pattern of economic activity was still *“more concentrated across the EU than population”*<sup>37</sup>.

This disappointing conclusion aligns with the literature and research where strong correlation is again and again confirmed between regional entrepreneurship or competitiveness and population density, GDP per capita and proximity to metropolitan and capital areas.

- **Entrepreneurial activity is traditionally greater in densely populated regions.** Research into regional entrepreneurship has concluded that the number of entrepreneurs is often linked to population growth and density.<sup>38</sup> A 2011 research paper found that *“urban regions, indicated by high population density, are characterised by many nascent entrepreneurs per inhabitant”*.<sup>39</sup>
- **Regional entrepreneurship and competitiveness are traditionally connected to economic growth.**<sup>40</sup> Recent research presented by the European Commission’s 2013 Regional Entrepreneurship and Development Index (REDI)<sup>41</sup> displays a close connection between entrepreneurship and economic development as measured by GDP per capita.<sup>42</sup> A strong correlation has also been found between GDP per capita and regional competitiveness – as measured by the Regional Competitiveness Index.<sup>43</sup> Taking this a step further, the literature has argued that regions with persistent high economic growth are characterised by positive attitudes towards entrepreneurship.<sup>44</sup>
- **Metropolitan and capital regions traditionally hold higher degrees of entrepreneurship and competitiveness.** For instance, the regions Berlin, Ile-de-France and London top the national REDI ranking on entrepreneurship in Germany, France and the UK. Similarly, these metropolitan and capital

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33 Press release by the European Commission with regard to a conference on the information society and cohesion, IP/00/1477 (14 December 2000), [http://europa.eu/rapid/press-release\\_IP-00-1477\\_en.htm](http://europa.eu/rapid/press-release_IP-00-1477_en.htm)

34 Press release by the European Commission in relation to the presentation of a study on structural funds and the information society, IP/03/396 (18 March 2003), [http://europa.eu/rapid/press-release\\_IP-03-396\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-03-396_en.htm?locale=en)

35 European Commission Green Paper on Territorial Cohesion, “Turning territorial diversity into strength”, COM(2008) 616 final, available: [http://ec.europa.eu/regional\\_policy/archive/consultation/terco/paper\\_terco\\_en.pdf](http://ec.europa.eu/regional_policy/archive/consultation/terco/paper_terco_en.pdf)

36 Erkki Liikanen, former Commissioner responsible for Enterprise and Information Society, press release, IP/00/1477 (14 December 2000).

37 2008 Green Paper on Territorial Cohesion.

38 See “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](http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/regional_entrepreneurship_development_index.pdf). The REDI report cites research by Bartik 1989; Audretsch – Fritsch, 1994; Keeble – Walker, 1994; Reynolds 1994; Reynolds et al., 1994, 1999; Delmar – Davidsson, 2000). As Keeble and Walker (1994), Reynolds (1994), Sternberg (2004)

39 “Understanding regional variation in entrepreneurial activity and entrepreneurial attitude in Europe”, by Niels Bosma and Veronique Schutjens, *Annals of Regional Science* (2011), referencing Armington and Acs (2002).

40 For instance a 2004 study of Germany found that the propensity to become self-employed is higher for persons living in faster growing and more densely populated regions, Wagner and Sternberg (2004).

41 REDI is a systemic index measuring entrepreneurship in a mix of EU NUTS1 and NUTS2 regions; in total 125 regions were investigated and given REDI points and ranking.

42 See page 51, Figure 5, of the REDI report.

43 Eurostat Regional Yearbook (2014), chapter “Focus on regional competitiveness”, <http://ec.europa.eu/eurostat/documents/3217494/5786493/KS-HA-14-001-15-EN.PDF>. For the purpose of the Regional Competitiveness Index, competitiveness is defined as “the ability to offer an attractive and sustainable environment for firms and residents to live and work”.

44 Bosma and Schutjens (2011), referencing Inglehart (2003), and Uhlaner and Thurik (2007).



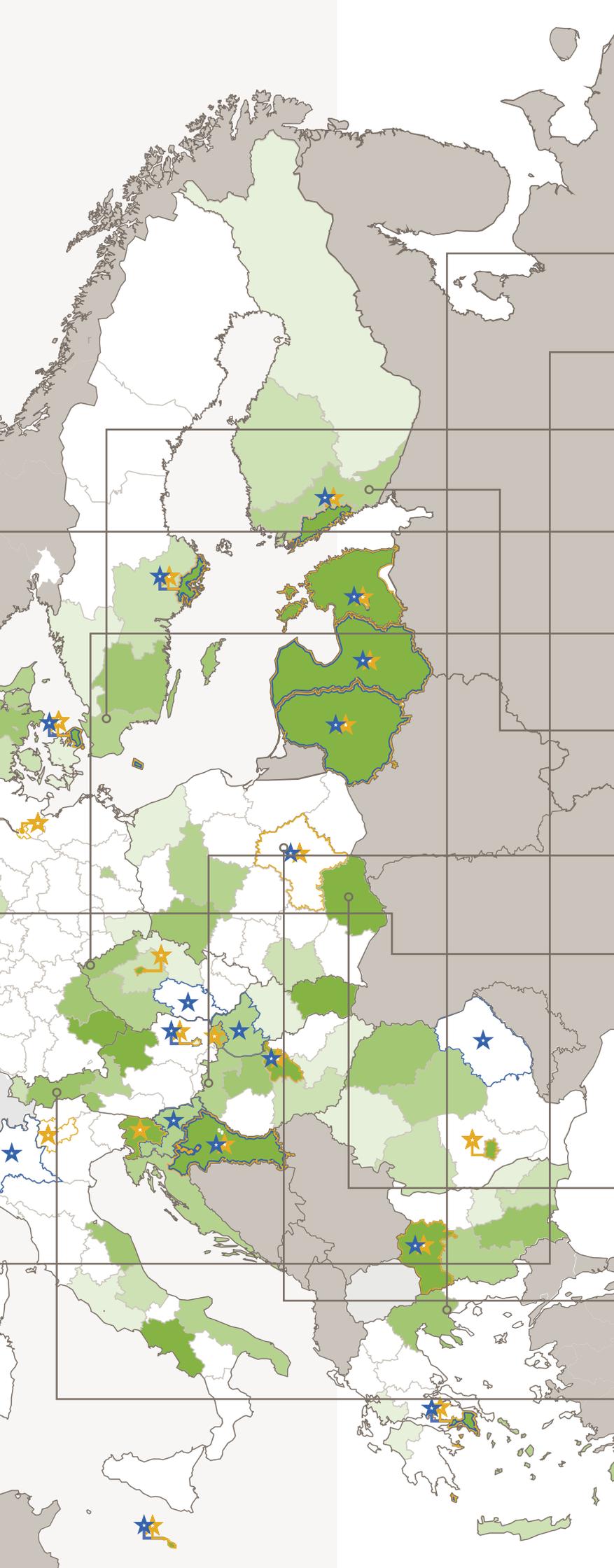


FIGURE 2

**Digital Density: technology-enabled business activity across EU regions**

Regional heatmap featuring the top 5 Digital Density ranked regions per country.

Greek region **Kentriki Makedonia** is the region with the fifth lowest GDP per capita but still the region with the second highest Digital Density ranking in the country.

**Norte** has the lowest GDP per capita of all Portugal's 13 regions; still it ranks number 2 in Digital Density.

**Småland** is one of Sweden's regions with the smallest population, which does not prevent it from becoming the country's second most "digitally dense" region.

**Liege** is the region in Belgium that tops the Digital Density ranking, but out of a total of 11 regions, it is only the 7th and 6th region in terms of GDP per capita and population.

**Severozápad**, the Czech region with both the lowest GDP per capita as well as population is actually the one with the country's second highest Digital Density ranking.

Finland only has four regions but it's noteworthy that the region with the smallest population, **Etelä-Suomi**, nevertheless manages to achieve position two in Digital Density.

A similar observation for Hungary, where the region **Nyugat-Dunántúl** with the second smallest population is the third most "digitally dense" region in the country.

The top region in terms of Digital Density in The Netherlands is in fact **Limburg** which holds the unimpressive 7th position in both GDP per capita and population out of the total 12 regions. **Flevoland** also stands out as it's the region with the lowest GDP per capita as well as the second smallest population, yet it is third in the Digital Density ranking. In contrast, the capital region Zuid-Holland comes in at position number 9.

In Poland, the region **Lubuskie** tops the country's Digital Density ranking yet has the country's second smallest population and a rather modest 9th position, out of 16 regions, in terms of GDP per capita. The region **Mazowieckie** where the capital Warsaw is situated has the country's highest GDP as well as largest population but still does not score higher than position 10 in Digital Density.

**Tirol** is Austria's second Digital Density region while it's somewhere in the middle when it comes to both GDP per capita and population measured on a national basis.

Our findings suggest that, when costs associated with commerce over distance are slashed, economic opportunity expands to not only more enterprises but also more places. Herein lies a great potential of delivering on the EU's ambition of "equal opportunities for citizens and enterprises, wherever they are located".<sup>48</sup>

### **A shift from variation to integration**

Our "Digital Density" assessment is in no way the first attempt to understand how the digital economy touches the different parts of the EU.<sup>49</sup> But, to our knowledge, ours is the first to detect a shift away from small business success being dependent on setting up operations in a metropolitan region with a large population and high overall economic activity.

The examples provided above highlight that, in many places across the EU, the online commerce platform model is weakening the long-lived linkage between entrepreneurial success and population density, GDP per capita, and proximity to metropolitan areas. When distance is reduced as an impediment to building and sustaining operations in remote locations, small businesses have a greater chance to emerge outside of the previous "must-be-in" cities and areas: enterprises are no longer confined to consumers in their very proximity but can cover an immense range at little extra cost.

Close to 100% of the eBay SMEs in the above mentioned regions sell across borders<sup>50</sup>, and most of them sell both within and to outside of the EU. In traditional commerce, this is something only fairly large enterprises located in economic hubs or with wide-spanning networks of facilities could dream of doing. Now small business owners can remain in their hometowns irrespective of where these are situated and they can contribute to the local economy and society thanks to their ability to access European and global markets.

**"Economic competitiveness can be enhanced by the development of globally integrated economic sectors and strong local economies. The global and local strands are mutually reinforcing and interlinked..."**

*(Territorial Agenda of the European Union 2020)*

Our research findings suggest a potential for economic progress that is more inclusive. The examples provided here show how the prospect of economic growth is becoming geographically more balanced in the digital economy than in the traditional economy, where thriving central hubs have been found to dominate.

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<sup>48</sup> Paragraph 8 of "Territorial Agenda of the European Union 2020: Towards an Inclusive, Smart and Sustainable Europe of Diverse Regions" (TA2020).

<sup>49</sup> For example, the Regional Competitiveness Index also measures the technological readiness of regions. The findings of the Regional Competitiveness Index, REDI and the Regional Innovation Scoreboard are measurably similar and all correlate with GDP per capita, see pages 80-85 of REDI report.

<sup>50</sup> With the exception of export rates of 94% and 97% in the regions Liège (Belgium) and Nyugat-Dunántúl (Hungary) respectively, all the other regions see 100% of eBay-enabled SMEs exporting.

“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**  
Owner of Footlover, Italy



## ECONOMIC PROGRESS

When entrepreneurs are empowered to engage in commerce over large distances, irrespective of where they are located, it creates enterprises that can grow despite turbulent times as well as enter and participate in new markets.

### Grow despite turbulent times

In its Annual Report on SMEs 2013/2014, the European Commission paints a picture of a very difficult macro-economic environment for SMEs since 2010. Likewise, UAPME’s 2014 editions of the SME Barometer showed SMEs to be only just coming out of recession and very cautiously entering into recovery.<sup>51</sup>

One explanation here is how SMEs in general have failed to tap into foreign demand. The Annual Report on SMEs related how foreign demand has proven to be a key driver of growth for most EU countries since 2008. However, as discussed further below, few SMEs and even fewer micro enterprises, a category accounting for 92.4% of the EU enterprise population, engage in exporting. For the “retail and wholesale trade” sector as a whole – one of the most important SME sectors – exporting as a demand driver represents only 7%. Thus, retail SMEs in particular miss out on the opportunities that foreign demand presents for building operations that can resist local economic shocks.

“While exports provide a much needed stimulus to many EU economies, most SMEs do not benefit in any major way directly from the growth in foreign demand for goods and services”.

*(European Commission, Annual Report on SMEs 2013/2014)*

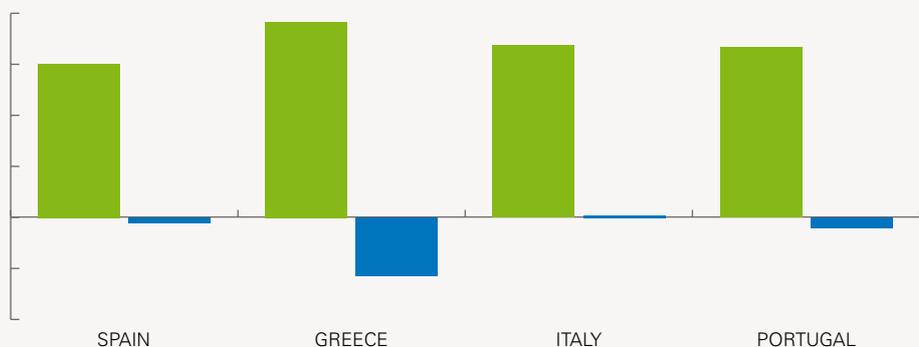
Here, the online commerce platform has proved valuable for weathering the financial instability of recent years, not the least for SMEs in countries that were amongst the hardest hit by the financial crisis.

eBay-enabled small businesses in Spain, Italy and Portugal saw their sales growth outpace their country’s GDP growth by on average approximately 15-20% each year from 2010-2014. Greek eBay SMEs exceeded GDP growth by about 25% on average every year during the same time period.<sup>52</sup>

**FIGURE 3**

### 2010 – 2014 average annual growth rate of eBay SMEs vs. GDP

We have calculated the year on year growth of “Commercial Sellers” and GDP in Spain, Greece, Italy and Portugal.



*Source: Own analysis based on eBay data; Eurostat data on country GDP (nama\_10\_gpd).*

<sup>51</sup> The Barometer by UAPME (the European Association for Craft, Small and Medium-Sized Enterprises) builds on surveys and is presented twice per year. It is available here: <http://www.ueapme.com/spip.php?rubrique120>

<sup>52</sup> We have calculated the difference in compound annual growth rates (CAGR) between the GDP and the sales of “Commercial Sellers” in Spain, Greece, Italy and Portugal for the 2010-2014 time period. Growth in sales was 15-20% every year, whereas GDP growth was around zero in Spain, Italy, and Portugal, and even highly negative in Greece.

These are countries the Commission has characterised as weak or very weak performers in relation to SME recovery.<sup>53</sup> Similarly, UAPME's Barometer revealed that the SME sector in these countries might actually have remained in recession in 2014.

Yet, in the digital economy, small businesses beat the odds and part of the explanation is to be found in how these businesses tap into demand in foreign markets through the online commerce platform. eBay-enabled SMEs in Greece, Portugal and Spain illustrate this well. Outgrowing their country's GDP, they all serve a larger geographical area than the EU average: Sellers reach on average 33, 32 and 21 different countries, respectively.

**“Selling internationally is key to our survival in the current economic climate. If we had failed to expand internationally our business would no longer be operating.”<sup>54</sup>**

Adam Mackay, founder of Blue Water Sports, one of the UK's leading online retailers of scuba diving equipment, kayaking and spear fishing equipment.

### **Enter and participate in new markets**

The ability of new enterprises to enter the market is a key element of economic growth. The birth of enterprises is thought to promote the competitiveness of the overall enterprise population by stimulating efficiency and innovation.

An OECD study described new firms as *“agents of change in the economy”*. They help support the adaptation of the economy and society to new challenges and drive economic development.<sup>55</sup> The study emphasises how *“even small innovations and small differences in growth amount to a lot when multiplied by the number of firms involved”*. The online commerce platform model triggers such an effect by indiscriminately facilitating market entry and participation.

**“The birth of new enterprises is a key indicator of business dynamism.”** (OECD, 2015<sup>56</sup>)

It is recognised as difficult to identify the birth of new enterprises, and in particular to define the timing, i.e. when the birth occurs.<sup>57</sup> We have opted for a rather high threshold, which at the same time aligns with our limitation of the data to Commercial Sellers: in our definition, new enterprise birth occurs when the annual sales of one seller go from zero to at least USD 10,000 in the following year. Based on this definition, the birth rate on the eBay marketplace (i.e. the share of such new Commercial Sellers in all Commercial Sellers in a given year)<sup>58</sup> ranges between 10% and 19% across the EU, calculated as an average for the period 2012 to 2014.

Let us then look at this range of birth rate through the lens of other ways of measuring birth. Eurostat measures *“enterprise birth”*, defining a birth as *“when an enterprise starts from scratch and actually starts activity”* and calculating the number of such new enterprises as a proportion of total number of active enterprises.<sup>59</sup> This is arguably a lower threshold than the one applied to the eBay

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<sup>53</sup> See the Annual report on SMEs 2013/2014.

<sup>54</sup> Testimonial, 31 January 2013, <https://docs.google.com/document/d/1Qdsl2FUk7tQRidEgVpeHwbX-W5Uk0FgI7YxD367bpSg/pub>

<sup>55</sup> “SMEs, entrepreneurship and innovation”, OECD (June 2010).

<sup>56</sup> “Entrepreneurship at a glance”, OECD (August 2015).

<sup>57</sup> Eurostat - OECD Manual on Business Demography Statistics.

<sup>58</sup> Defined as the share of new Commercial Sellers in all Commercial Sellers. As explained in the introduction, Commercial Sellers are those sellers with more than USD 10,000 in annual sales on the eBay Marketplace. Newcomers are those who had no sales in the preceding year.

<sup>59</sup> See section 3.4 on statistical concepts and definitions, [http://ec.europa.eu/eurostat/cache/metadata/en/bd\\_esms.htm](http://ec.europa.eu/eurostat/cache/metadata/en/bd_esms.htm)

data where we require activity generating USD 10,000. Despite that, the average birth rate across the EU for 2011 to 2012 is estimated to be less than 10%.<sup>60</sup>

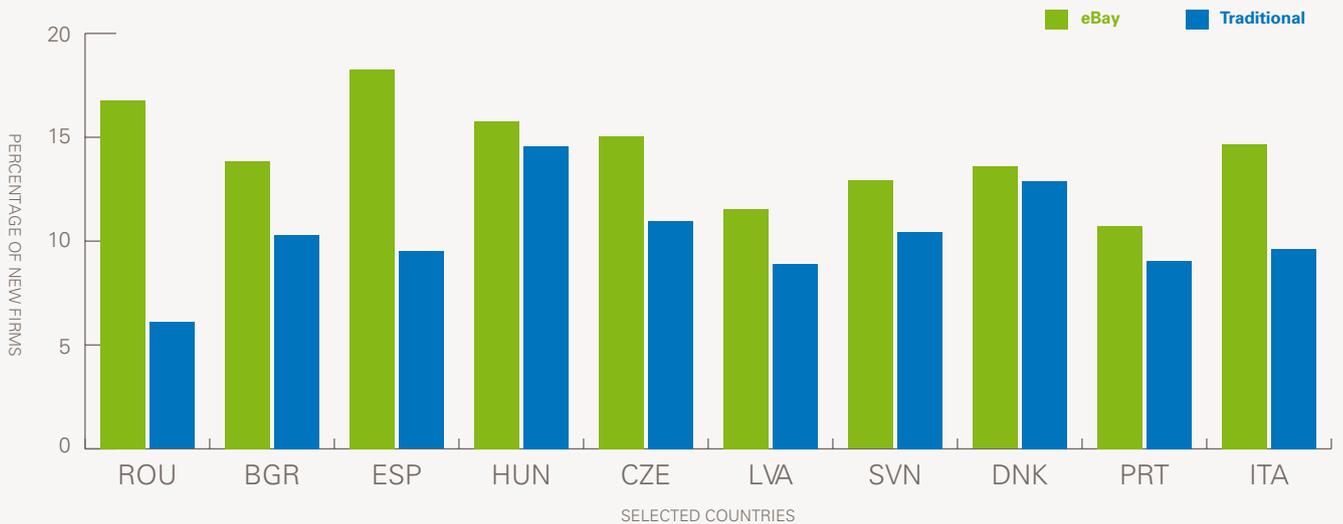
The table below illustrates the difference in birth rates on eBay for some of the EU countries the European Commission defined as weak and very weak performers in relation to SME recovery<sup>61</sup>, compared to “employee enterprise birth” data from the OECD. Here another definition is used, requiring the enterprise to have gone from zero to one employee for a birth to occur. This is a threshold possibly closer to the eBay definition. Still, there is an appreciable difference between the digital economy and the traditional economy.

For example, Italy and Spain (weak and very weak performers, respectively) have had over 50% and 90% higher birth rates on eBay compared to the traditional marketplace as measured by the OECD.

FIGURE 4

### Agents of change

The difference in “birth rate” as measured on eBay and by the OECD for countries where SMEs struggle to recover from the financial crisis.



Source: Sidley Austin LLP analysis of eBay data; OECD Entrepreneurship at a Glance 2014 data on “employee enterprise birth”, Figure 3.2 (using data from online appendix); Annual Report on European SMEs 2013/2014, “A Partial and Fragile Recovery” (July 2014), European Commission.

New enterprises on eBay are able to immediately participate in the market thanks to the transparency, traffic generation and services the online platform model provides access to. Within one year, newcomers on eBay – again defined as those taking the great leap from zero sales to sales of USD 10,000 – are able to secure a market share of between 3% and 16% in total sales by Commercial Sellers.<sup>62</sup> In light of the fact that the very large majority of Commercial Sellers export, we have compared our findings with those of the World Bank. The World Bank has measured the market share that new entrants into the export market are able to gain within one year. For the six European countries covered by the World Bank’s analysis, the market share ranges between 1% and 8%, well below what new eBay sellers reach.<sup>63</sup>

60 Eurostat, (bd\_9bd\_sz\_cl\_rx), years 2011 and 2012.

61 Annual Report on SMEs 2013/2014.

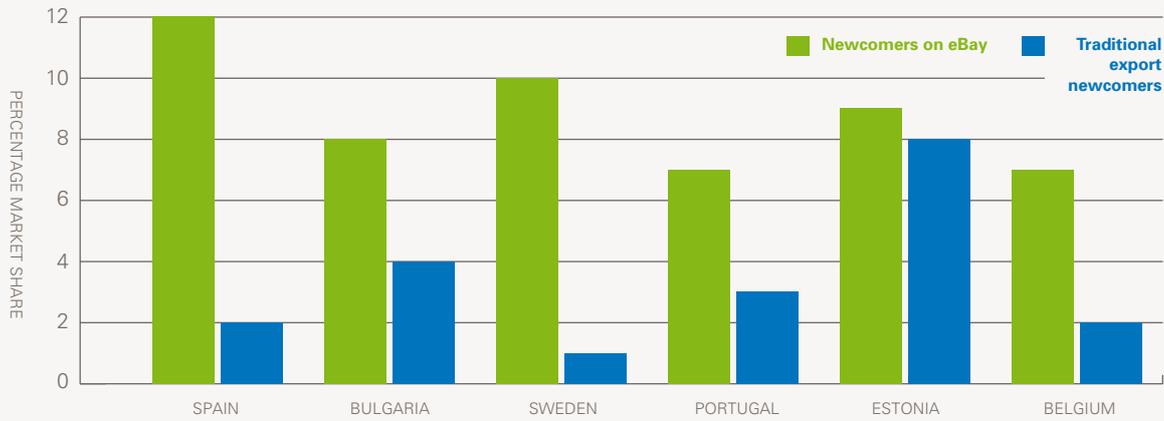
62 We measure the share of new Commercial Sellers (i.e. those with no sales the preceding year) in all sales by Commercial Sellers.

63 World Bank, Exporter Dynamic Database. Countries measured are Spain, Bulgaria, Sweden, Portugal, Estonia and Belgium.

FIGURE 5

**New competitors**

We contrast the market share of newcomers on eBay and in the traditional export market as measured by the World Bank.



Source: Sidley Austin LLP analysis of eBay data; World Bank Exporter Dynamic Database, latest available year ("market share of entrants").

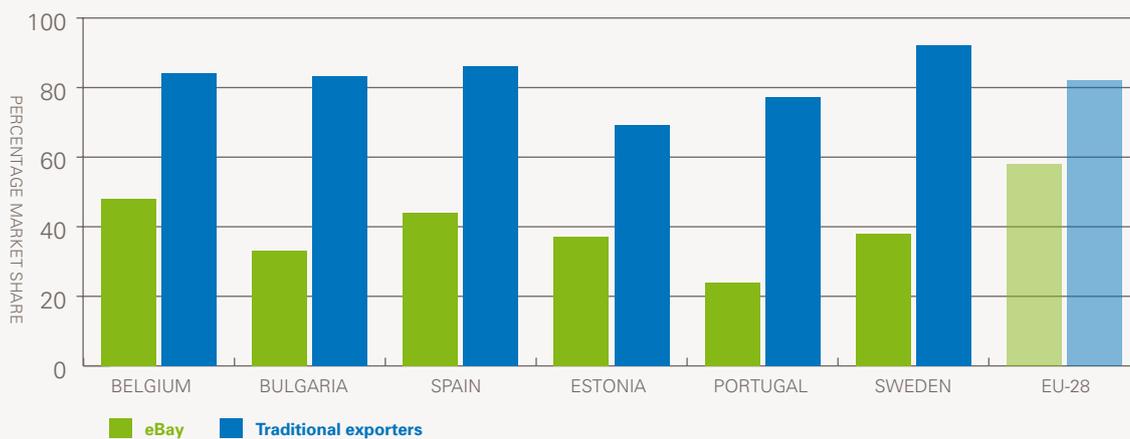
These new enterprises are competing successfully with established firms. In 2014, the top 5% (by annual sales) of eBay-enabled SMEs across the EU only accounted for 58% of cross-border transactions. Contrast that with how the top 5% of traditional firms across 6 European countries accounted for roughly 82% of exports, which means the traditional export market is a lot more concentrated.<sup>64</sup> The online platform model promotes a dynamic environment less geared towards a few "superstars" and long-established firms.

"Diversity in markets can often indicate comparative advantages and resilience to supply and demand shocks." (OECD, 2015)

FIGURE 6

**Diverse markets**

Share in exports held by the largest 5% of firms



Source: Sidley Austin LLP analysis of eBay data; World Bank Exporter Dynamic Database, latest available year.

<sup>64</sup> World Bank, Exporter Dynamic Database. Countries measured are Spain, Bulgaria, Sweden, Portugal, Estonia and Belgium.

Illustrating the dynamism of the online marketplace, since the 2011 peak of the financial crisis, 130,000 new small businesses have emerged on eBay across the EU, generating sales of about EUR 18.5 billion.<sup>65</sup> This compares with the 97,640 enterprises created during the period 2008 to 2013 through financial support from the Structural Funds under the EU's Cohesion's policy.<sup>66</sup>

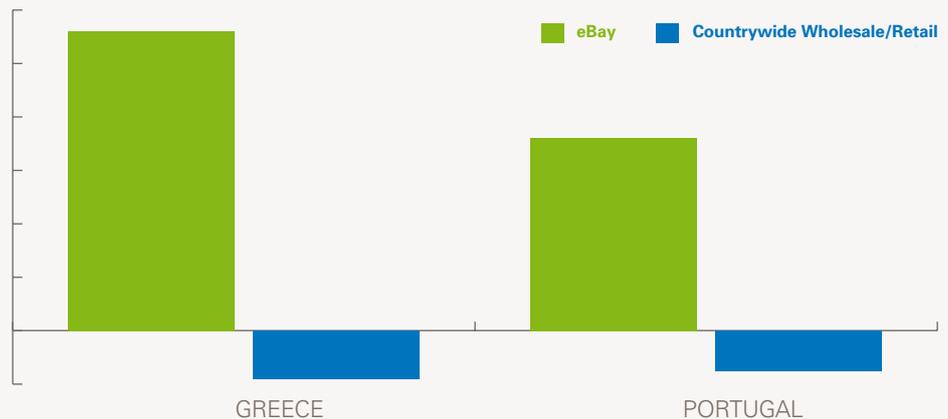
The online commerce platform is clearly a powerful tool for supporting start-ups and providing an attractive environment for small businesses. The eBay SME population has continued to grow for the period 2010 to 2014, while the general EU SME population is only estimated to recover to pre-crisis levels in terms of numbers by 2015.<sup>67</sup>

Using Eurostat data on enterprise population for the period 2010 to 2012, we can for example see that the number of enterprises (in the sector wholesale and retail trade) in Portugal and Greece decreased by about 4% and 5% annually, and a similar picture emerges for micro firms (with less than 10 employees). For that same period, the number of Portuguese and Greek small businesses *using eBay* grew by about 15% and 25% annually.

**FIGURE 7**

**2010 – 2012 average annual growth of enterprise population**

We have calculated the average growth rate of Commercial Sellers and of enterprises in the sector wholesale/retail trade in Greece and Portugal for the period 2010 to 2012.



Source: Own analysis of eBay data; Eurostat data on number of enterprises, sector NACE 2.G Wholesale & Retail Trade (sbs\_sc\_dt\_r2).

The bigger picture here is that greater small business numbers and enterprise birth rates are associated with more rapid economic growth.<sup>68</sup>

65 For the purposes of new businesses since the crisis, we consider eBay Commercial Sellers with sales of less than USD 10,000 in 2010 but more than USD 10,000 on average each year during the period 2010 to 2014.

66 See <https://cohesiondata.ec.europa.eu/en/stat/goals/yiiu-w39m/77ex-fmpt/2vfw-tpvr>

67 The Annual Report on European SMEs 2013/2014.

68 OECD June 2010 study ("SMEs, entrepreneurship and innovation"), referencing research by Audretsch and Thurik (2001), Audretsch and Keilbach (2005), Acs et al. (2005), and Erken et al. (2008).

# SNAPSHOT OF THE NEW COMMERCE

This report has described how a new way of conducting commerce allows for more inclusive participation in the EU Single Market and for economic progress that is more prosperous and resistant to local economic shocks. In fact, we are witnessing new and fundamentally different commerce patterns made possible by how the online commerce platform model dramatically reduces the cost of doing business over distance. These patterns are characterised by a growing number of small firms increasingly transacting with a large number of different countries, within Europe as well as more distant ones.

## Everyone can participate

The World Bank’s Enterprise Survey<sup>69</sup> suggests that only a small minority of a country’s overall enterprise population export. While the exact numbers on traditional exporting vary somewhat between sources, it is clear that the online commerce platform creates a unique environment: 93% of businesses using eBay in Europe engage in cross-border sales through eBay, and our estimate is that the majority of these businesses are micro firms with less than 10 employees. What is more, in countries where there is no domestic eBay site<sup>70</sup>, the online marketplace is effectively seen as a springboard to customers in other countries with firms turning to an eBay site in another country for the very purpose of exporting.

FIGURE 8

### Be an exporter

We contrast the share of “Commercial Sellers” exporting, with the share of firms exporting in the traditional economy as measured by the World Bank. (Contrasting data not available for all EU 28)



Source: Sidley Austin LLP analysis of eBay data; World Bank Enterprise Survey (2005-2009).

The online commerce platform has a particularly beneficial impact with regard to micro and small firms. Data from national statistical sources covering five EU markets – Spain, Italy, Germany, France and the UK – reveals that less than 11% of SMEs in those markets engage in cross-border activity.<sup>71</sup>

69 Latest available year, 2005 to 2009.

70 eBay has domestic sites in the following 11 European countries: Austria, Belgium, France, Germany, Ireland, Italy, The Netherlands, Poland, Spain, Switzerland and the UK.

71 See Table 9, pages 64 and 65, of the Annual Report on SMEs 2013/2014.

In fact, traditional exporting is strongly correlated to the size of companies with micro firms struggling to engage in cross-border activity. While there is a leap in exporting at the level of small firms (less than 50 employees), it is only at the level of large companies (more than 250 employees) that exporting becomes commonplace to the extent seen on the eBay Marketplace.

The significance of this becomes evident in light of micro enterprises accounting for 92.4% of the total EU enterprise population (non-financial businesses).<sup>72</sup> Still, less than 9% of them tap into exporting and so the very large majority of micro firms, and thus a dominant part of Europe’s enterprise population, fails to leverage one of the chief drivers<sup>73</sup> for commercial growth and business expansion.

**FIGURE 9**

**Exporting and size of business**

The majority of “Commercial Sellers” are micro firms with less than 10 employees. Despite their size, they engage in cross-border commerce. In contrast, micro firms in the traditional economy are rarely found to be exporting.

eBay data on “Commercial Sellers”	European Commission data
<b>EU: 93% exported in 2014</b>	EU firms in retail: <b>12%</b> exported in 2014
<b>Spain: 95% exported in 2014</b>	SMEs, any sector: <b>4%</b> exported in 2010 Micro firms, any sector: <b>3%</b> Small firms, any sector: <b>48%</b>
<b>Italy: 92% exported in 2014</b>	SMEs, any sector: <b>4%</b> exported in 2011 Micro firms, any sector: <b>1%</b> Small firms, any sector: <b>29%</b>
<b>France: 97% exported in 2014</b>	SMEs, any sector: <b>5%</b> exported in 2013 Micro firms, any sector: <b>4%</b>
<b>Germany: 94% exported in 2014</b>	SMEs, any sector: <b>11%</b> exported in 2010 Micro firms, any sector: <b>9%</b> Small firms, any sector: <b>47%</b>
<b>UK: 91% exported in 2014</b>	SMEs, any sector: <b>11%</b> exported in 2011 Micro firms, any sector: <b>9%</b> Small firms, any sector: <b>20%</b>

*Source: Sidley Austin LLP analysis of eBay data; data from the Commission Staff Working Document to the DSM Strategy Communication and the Annual Report on SMEs 2013/2014.*

**Every market can be reached**

Empowered by the online commerce platform model, enterprises can go from operating within the range of a city or a region to covering the entire world. This is what small European businesses on eBay did in 2014. On average, those businesses serve consumers in 18 different countries in a year, with on average 10 of those being EU member states and 8 non-EU destinations. To put that in context, the World Bank estimates that the average number of countries reached by exporting firms in Belgium, Bulgaria, Estonia, Portugal and Spain is around four.<sup>74</sup>

<sup>72</sup> See Table 2, page 15, of Annual Report on SMEs 2013/2014.

<sup>73</sup> Annual Report on SMEs 2013/2014: “Domestic demand (adjusted for inflation) is higher in 2013 than in 2008 in only a handful of countries (Germany, Luxembourg, Sweden, Poland, and to a lesser extent, France, Belgium and Austria). In contrast, exports of goods and services (adjusted for inflation) are higher in 2013 than in 2008 in all but 6 Member States.”

<sup>74</sup> This is in line with evidence from other countries that can be found in the economic literature.

FIGURE 10

**Average number of export destinations reached**

We contrast the number of destinations reached by “Commercial Sellers” with the number of destinations reached by firms in the traditional economy as measured by the World Bank. (Contrasting data not available for all EU 28.)



Source: Sidley Austin LLP analysis of eBay data; World Bank Exporter Dynamic Database.

Almost the whole world comes within reach of technology-enabled firms. Indeed, 39% of eBay businesses that engage in cross-border commerce are “global traders”, serving four or more different continents. However, Europe is a very important market. Indeed, 11% serve the EU Single Market exclusively and a quarter of the small eBay businesses focus on one continent, which for most is Europe.

FIGURE 11

**Reaching for the world**

	Number of different continents reached	Type	Share of all commercial sellers
EU 28	1	Continental	25.5%
EU 28	2	International	18.9%
EU 28	3	Multinational	16.5%
EU 28	4+	Global	39.1%

Source: Sidley Austin LLP analysis of eBay data.

**It’s here to stay**

These new and different commerce patterns - where 93% of small businesses engage in cross-border commerce and essentially all global markets come within their reach - are here to stay and will only grow in importance.

Over the last years, a rising number of micro and small firms have begun exploring how the online commerce platform model can be leveraged to expand the scope of their operations. The eBay SME population continued to grow for the period 2010 to 2014 and so did cross-border commerce. On the eBay marketplace, cross-border commerce within the EU grew by 61% for that period and commerce with non-EU countries grew by 104%.

This mounting interest by small businesses to engage in cross-border commerce enabled by technology is seen in the increase in the number of firms on eBay selling to 15 or more countries. For the period 2010 to 2014, the increase was 48% at EU level.

**FIGURE 12**

### Crossing borders

For the period 2010 to 2014, the number of eBay SMEs selling to 15 or more countries grew significantly. Particularly strong growth in international sales can be seen in the southern European countries.

EU	UK	Germany	France	Italy	Spain
48%	33%	55%	57%	132%	213%

Source: Sidley Austin LLP analysis of eBay data.

Moreover, technology-enabled businesses are able to implement longer-term cross-border trade strategies. The complexities involved in exporting often lead to high failure rates where firms cease to export. The World Bank collects data on exporting firms around the world, and according to this database only about 16% of new exporters across Sweden, Spain, Portugal, Estonia, Bulgaria and Belgium (EU members for which such data is available) export continuously during their first three years. In contrast, 37% of those small eBay businesses, who entered the export market in 2011<sup>75</sup>, continuously exported throughout the period 2011 to 2014. The chances of surviving as an exporter are more than twice as high on the online commerce platform compared to the traditional economy.

**FIGURE 13**

### Surviving as an exporter

We contrast the chances of surviving as an exporter on eBay and in the traditional economy as measured by the World Bank (3-year survival rates).

■ eBay ■ Traditional exporters

Belgium	19%
Bulgaria	12%
Estonia	13%
Portugal	23%
Spain	12%
Sweden	16%
Average of these 6 EU countries	16%
<b>Average eBay</b>	<b>37%</b>

Source: Sidley Analysis of eBay data; World Bank Exporter Dynamic Database.

<sup>75</sup> We define "exporter survival" as a firm that (i) did not export in 2010; (ii) exported at least USD10,000 on eBay in 2011; (iii) made positive exports in each of the subsequent years 2012, 2013 and 2014. The World Bank defines three-year survival rates by taking the share of new exporters that continue to export in the three subsequent years following their first export. See [http://siteresources.worldbank.org/INTRADERESESEARCH/Resources/544824-1337726670968/Methodology\\_Measures\\_in\\_the\\_EDD.pdf](http://siteresources.worldbank.org/INTRADERESESEARCH/Resources/544824-1337726670968/Methodology_Measures_in_the_EDD.pdf) for details.

## LEADERS OF THE NEW COMMERCE

This section introduces eight entrepreneurs, who all run small businesses on the eBay Marketplace. They represent the great diversity of businesses made possible by the online commerce platform model. They are also testament to the passion and opportunities that drive successful entrepreneurship.

These entrepreneurs have turned to self-employment for similar motives: they seek out the flexibility and freedom that come with running your own business; they want to turn a personal interest into a living; and they have spotted a niche market gap they believe they can fill. Acting upon these aspirations, the online commerce platform has offered Sahar a way out of unemployment, Mario a tool for ensuring his family's business remains competitive, and Tiago a medium for scaling a part-time occupation into a full-time business.

These entrepreneurs are all emerging leaders of the new commerce. They show that there is an alternative to market consolidation, uniformity and dominance by ever larger corporations; and they prove that self-employment is not only a viable option to traditional employment but a way of making ends meet with a deep sense of fulfillment and accomplishment.

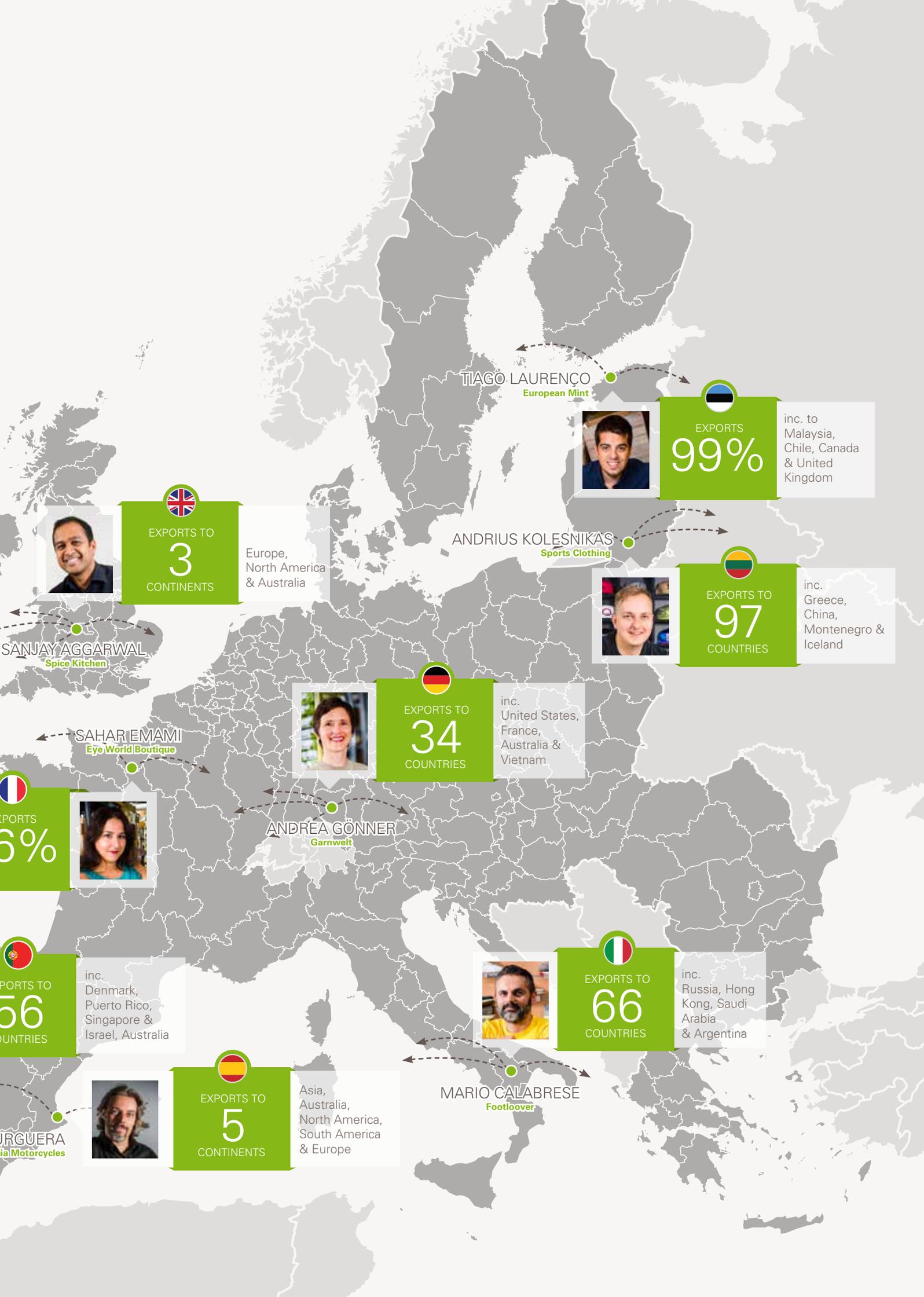
This is good news in view of the recent downturn. Already in 2010, the European Commission warned that a continuing decline of small businesses due to competitive pressure from large merchants raises territorial and social cohesion concerns.<sup>76</sup> And in March this year, the Commission reported that “[t]he legacy of the crisis is still particularly acute, in particular on labour markets with unemployment remaining very high at EU level”.<sup>77</sup>

Supporting these online, small, yet international, businesses is thus central in ensuring inclusive growth and job creation within the EU. Among the challenges such businesses face are international and intra-EU shipping costs and time, complex customs procedures, and lack of a supportive business and export climate. It must also be emphasised how the costs for scaling and expanding operations to serve cross-border markets would be prohibitively high for small businesses without access and ability to effectively leverage the online commerce platform model. Hence, contractual restrictions on retailers' use of the platform model as well as inhibited innovation capacity for platform service providers both amount to small business and export barriers.



76 Commission Staff Working Document on retail services in the internal market, SEC(2010) 807, accompanying the Retail Market Monitoring Report.

77 Communication by the European Commission, "Results of the public consultation on the Europe 2020 strategy for smart, sustainable and inclusive growth", COM(2015) 100 final, [http://ec.europa.eu/europe2020/pdf/europe2020\\_consultation\\_results\\_en.pdf](http://ec.europa.eu/europe2020/pdf/europe2020_consultation_results_en.pdf)



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Europe,  
North America  
& Australia

**SANJAY AGGARWAL**  
Spice Kitchen



EXPORTS  
**99%**

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& United  
Kingdom

**TIAGO LAUREÇO**  
European Mint



EXPORTS TO  
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**ANDRIUS KOLESNIKAS**  
Sports Clothing



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Australia &  
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Denmark,  
Puerto Rico,  
Singapore &  
Israel, Australia

**ANDREA GÖNNER**  
Garnwelt



EXPORTS TO  
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inc.  
Russia, Hong  
Kong, Saudi  
Arabia  
& Argentina

**MARIO CALABRESE**  
Footloover

**JURGUERA**  
Motorcycles



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Asia,  
Australia,  
North America,  
South America  
& Europe

ESTONIA  
**Tiago Lourenço**  
European Mint



“Our success on eBay has helped our overall business by introducing the European Mint brand to customers all over the world.”

Tiago Lourenço turned his hobby of trading coins and bullions into a full-time business. Originally from Portugal, Tiago chose to relocate himself and his business to Estonia because of its business and start-up friendly environment. Cross border sales are essential to Tiago’s business, accounting for up to 99% of his sales on eBay. Tiago has sold his products to approximately 40 countries worldwide, most commonly Europe and North America but also countries as far away as Aruba.



LITHUANIA  
**Andrius Kolesnikas**  
SportClothes



“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 was only 21 years old when he set up his own business of selling sneakers and other sports apparel. Demand being limited in a small market like Lithuania, Andrius leverages the internet and eBay selling to customers all over the world. His biggest export market is currently the US, but regular customers also come from Australia, Russia, Canada, Italy, Germany and Greece. Online visibility has allowed Andrius to grow his business quickly. As a result he’s been able to employ 24 individuals and open two physical retail stores in Lithuania.



GERMANY  
**Andrea Gönner**  
Garnwelt



“We love to come to work every day because of how successful the business has become.”

Husband and wife Andrea and Hans Gönner owned a textile company, which manufactured and sold ladies’ clothing. When the company unfortunately went out of business, the couple turned that misfortune into an opportunity by building up a new business of selling on eBay the high-quality wool they once used for ladies’ garments. What started as a means to liquidate their failed business, evolved into an extremely successful venture. Today they employ 40 people, and operations across multiple online platforms have been complemented by a shop for local customers.



SPAIN  
**Frank Burguera**  
California Motorcycles



“Selling on eBay has helped expand our physical business. It’s like having a virtual shop in every country around the world.”

In 2007, Frank opened his own retail store selling parts and accessories for motorcycles and automobiles. He noticed he had expensive products that didn’t work for local customers and so turned to eBay. Initially, eBay was simply a channel to get rid of extra inventory, but in less than a year it became a channel for expanding his physical business allowing him to add one employee and sell to international markets. Today he exports about 25% of his merchandise to countries all over Europe and the world, including the United States, Saudi Arabia and Mexico.





ITALY  
**Mario Calabrese**  
Footloover

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

Mario’s grandfather was a shoemaker by trade and his father evolved the business by opening a retail store in the small community of Grassano. In 1992 Mario’s father formally handed the business down to him, but as big shopping centres began entering the local market, the business struggled to remain competitive. In 2004, Mario therefore tried his luck selling some items on eBay, and that’s when Footloover was born. He started out slowly, selling surplus goods from the store, but soon customers asked for new and unique products. In 2013, Mario developed an international strategy and began marketing specifically to Germany, UK, the United States and Australia. Today, Footloover exports about 50% of its products and still operates two retail store in Grassano.



FRANCE  
**Sahar Emami**  
Eye World Boutique

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

In 2008, due to the economic downturn, Sahar was let go from her position as product manager for a fashion company. While searching for a new job, Sahar decided to keep herself busy by helping her father with his wholesale eyewear business. She realised that adding an online business-to-consumer (B2C) component to her father’s wholesaling business could be a successful venture. Today, the B2C online component of Eye World Boutique makes up about 80% of total turnover and 94% of its merchandise is exported, pleasing customers as far away as Japan, Hong Kong, Israel and Saudi Arabia.



ENGLAND  
**Sanjay Aggarwal**  
Spice Kitchen

**“The opportunities that our business has had over the last few years are a direct result of selling on eBay.”**

Spice Kitchen is an online artisan food business founded by Sanjay and run together with his mother and father. Born out of Sanjay’s mother’s passion for creating delicious Indian spices, the company has grown into a full-time food business servicing over 2,000 customers. Through diversification – experimenting with corporate gifting, wedding favours, supper clubs as well as different blends of spices – Spice Kitchen has increased its customer base and ensured a future of continued growth and success.



PORTUGAL  
**Teresa Pais**  
CorkSpirit

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

Prior to starting her own business Teresa worked a regular office job, but she sought to do something more creative that would spark her entrepreneurial spirit. Currently CorkSpirit is still just a very small family business, but since 2010 it has been growing at a staggering rate of 200% annually. International sales have played an integral part in the business’s rapid growth. In fact, Teresa exports about 99% of her products to customers all over the world. Her biggest markets include the United States, the United Kingdom, Canada and Australia.

# RECOMMENDATIONS FOR UNLEASHING EUROPE'S POTENTIAL

The research findings in this report cover only a very small part of the emerging digital economy and just a fraction of the EU's more than 20 million SMEs. But the importance of the findings is many times their scope. They point to real opportunities within reach for those who seek to realise the Digital Single Market and the EU objective of economic, social and territorial cohesion.

The contribution to the EU GDP of a "fully functioning" Digital Single Market is estimated at about EUR 415 billion.<sup>78</sup> This huge, untapped value is hidden in the potential of the digital economy to expand markets, offer more choice and create new sources of employment. To unleash this potential, the Commission's Digital Single Market Strategy presents a roadmap of policy measures.

The goal of a "fully functioning" Digital Single Market is the right one, and the roadmap's policy measures are very welcome. However, to ensure that the measures lead in the direction of such a "connected digital single market"<sup>79</sup>, quantitative targets should complement the roadmap.

Ambitious, yet realistic, targets could be set based on what is already happening in one part of the digital economy:

- **93%** OF EBAY SMES IN THE EU ENGAGE IN CROSS-BORDER COMMERCE
- REACHING ON AVERAGE **18** DIFFERENT COUNTRIES
- **39%** SERVE FOUR OR MORE CONTINENTS
- **37%** STILL EXPORT AFTER 3 YEARS
- IN **40%** OF THE EU'S REGIONS, **100%** OF EBAY SMES ENGAGE IN CROSS-BORDER SELLING

These are straightforward data points from our study of eBay transactions and small businesses trade patterns. They could be extrapolated to the whole European economy in the SME retail space, and inspire the setting of specific targets for 2020 – goals for the road towards a "fully functioning" Digital Single Market based on regional inclusiveness.

To ensure Europe will realise these 2020 targets, we make the following recommendations:

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<sup>78</sup> Commission Staff Working Paper to the DSM Strategy Communication: "A fully functioning DSM will present European businesses, particularly small and medium-sized enterprises (SMEs), with a potential customer base of more than 500 million people, enabling companies to make full use of ICT to scale up for productivity gains, creating growth along the way."

<sup>79</sup> In his Political Guidelines for the Next European Commission, President Jean-Claude Juncker calls for "creating a connected digital single market" as a means towards "hundreds of thousands of new jobs, notably for younger job-seekers, and a vibrant knowledge-based society".



## #1 An efficient parcel delivery market in Europe and beyond

The Sidley economists have estimated that the trade reducing effect of shipping costs is four times larger for online commerce compared to traditional commerce.<sup>80</sup> These findings are supported by surveys of, and testimonials by, small businesses engaging in or wanting to expand into cross-border trade.<sup>81</sup>

### Micro and small retail businesses would benefit from parcel delivery services that are:

- More affordable than today where cross-border prices for parcels are on average twice as high as domestic benchmark prices.<sup>82</sup>
- Faster with best-practice being 3 - 4 days anywhere to anywhere.
- More reliable with delivery within one day of promised date.
- Accessible, in terms of drop-off, pick-up, labels, information.
- Transparent, such as end-to-end shipment tracking and standardised returns.

### Progress towards these aims could be made by policy measures that:

- **Support interoperability and standardisation** in areas such as parcel sizes, labels, track-and-trace information, and service levels.
- **Increase transparency of prices** and services by creating a "one-stop-shop" web portal allowing merchants to compare delivery service offerings to targeted countries and ensure regulatory oversight of cross-border parcel delivery in the postal sector.
- **Ensure efficiency** of pan-European delivery networks by incentivising cooperation and facilitating competition between different players in the delivery value chain.

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<sup>80</sup> eBay's report "Enabling traders to enter and grow on the global stage" (2012), see page 13: [http://www.ebaymainstreet.com/sites/default/files/EBAY\\_Marketplace\\_Updated\\_FIN\\_lowres.pdf](http://www.ebaymainstreet.com/sites/default/files/EBAY_Marketplace_Updated_FIN_lowres.pdf)

<sup>81</sup> See e.g. eBay's report "Making global trade frictionless" (2013), [http://www.ebaymainstreet.com/sites/default/files/wto\\_making\\_global\\_trade\\_frictionless.pdf](http://www.ebaymainstreet.com/sites/default/files/wto_making_global_trade_frictionless.pdf) and European Commission's survey of Top 10 Barriers for SMEs, [http://ec.europa.eu/enterprise/policies/sme/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/index_en.htm)

<sup>82</sup> Green Paper by the European Commission, "An integrated parcel delivery market for the growth of e-commerce in the EU", COM(2012) 698 final.

## #2 No more online sales restrictions

This report has shown how the online commerce platform model enables more inclusive market participation and thereby promotes growth and market entry and participation by in particular micro and small businesses. An increasing number of manufacturers has in recent years responded to such broadened and intensified market competition by prohibiting their retailers from trading online and in particular on online marketplaces such as Amazon, eBay, Rakuten and Allegro (“online platform bans”). According to the European Commission, 19.1% of companies already active in cross-border online commerce and 29% of companies that are not yet active, declared that suppliers’ restrictions affecting sales on online platforms constituted or would constitute a problem for their business when selling online.<sup>83</sup>

Such distribution restrictions prevent SMEs from growing online; they limit intra and inter-brand competition, leading to higher prices, limited choice, reduced convenience, and obscurity of information for consumers; and they inhibit effective access to foreign markets, amounting to one form of geo-blocking that prevents consumers and businesses from reaping the benefits of a fully connected Digital Single Market and should as such be closely scrutinised.

We welcome the European Commission’s ongoing e-Commerce Sector Inquiry, which seeks to identify these types of contractual barriers to cross-border online commerce and facilitate enforcement action against these anti-competitive practices.

### **As a direct follow-up to the Sector Inquiry, we urge the Commission to:**

- Open a case targeting “online platform bans” imposed by manufacturers / brands.
- Remove any ambiguity with regard to the unlawfulness of platform bans from the current Guidelines to Vertical Restraints by amending the outdated paragraph 54.
- Establish an EU hotline for retailers to report any discrimination and other practices harming technology-enabled trade.



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<sup>83</sup> European Commission, Fact Sheet, 6 May 2015, [http://europa.eu/rapid/press-release\\_MEMO-15-4922\\_en.htm](http://europa.eu/rapid/press-release_MEMO-15-4922_en.htm)



### #3 Framework conditions for platforms and their users

Online activities rely increasingly on digitally interconnected ecosystems built on top of the internet's access layers. In order to reap the benefits of a connected world, citizens and businesses therefore need access to resources such as multi-sided online markets where suppliers and consumers of content, goods and services meet. These can be called digital platforms, and the online commerce platform model discussed in this report is an example.

Digital platforms enable borderless economic and social activity; they empower communication, comparison, discovery and the trading of information, services and products; and they are innovators in the digital economy and important drivers towards the development of more inclusive and participatory economies and social models.

The European Commission has announced that it will launch an assessment of the role of platforms with the aim of ensuring a "*fit-for-purpose regulatory environment for platforms and intermediaries*".<sup>84</sup> This initiative can indeed be justified by the increased economic and societal relevance of digital platforms. However, it should be driven by an ambition to ensure access and empowerment by European citizens and businesses while further supporting the innovation-capacity of growth-enabling digital platforms.

#### **This demands framework conditions that:**

- Recognise the importance of platforms for both citizens and businesses. This entails expanding the notion of digital fundamental rights from mere internet access to covering the role of digital platforms through a freedom to use them to access and disseminate lawful information, applications, content, goods and services of their choice. It also entails a policy commitment to ensure that the innovation capacity and growth-enabling role of digital platforms are promoted through public policy measures that take into account the specifics of the digital platform business models.
- Institute a fair relationship between digital platforms and their users. Establishing key rights such as non-discrimination in digital platform access and conditions of use, fair contract terms, transparency, fair data use, and the ability to change and use multiple digital platforms will guarantee users' fundamental freedoms in the long term and support the sustainable development of the Digital Single Market.

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<sup>84</sup> See section 3.3 of the 2015 DSM Strategy Communication.

#### #4 Customs pilot on “Trusted eTraders”

International trade has until just recently been made up of large, regular shipments to a handful of countries by large, resourceful companies. It is only natural that customs processes and procedures have been designed with this type of trade in mind. For instance, most indications suggest that SMEs are underrepresented<sup>85</sup> in the EU’s Authorised Economic Operators (AEO) programme. This programme is a central tool for both facilitating and securing trade through collaboration with trustworthy traders, compliant with certain security measures and in turn rewarded by faster and simplified customs handling. The result of failing to integrate small businesses into this programme is that customs formalities remain a burdensome barrier for the dominant part of the EU enterprise population<sup>86</sup>, while customs suffer from a growing haystack because of limited visibility into the steadily increasing shipments of many small parcels.

The different looking cross-border commerce patterns described in this report are here to stay, and will only grow in importance. This new reality requires fresh thinking on how to best achieve customs’ dual objectives of trade facilitation and security. To that end, the European Commission should, within the framework of the Union Customs Code and in the context of the on-going EU-US trade negotiations, initiate a pilot aimed at exploring how to leverage the fact that small online businesses operate in a digital environment rich in valuable data points, not only on products, destinations and volumes but also on the individual performance of traders who are themselves savvy online technology users.<sup>87</sup>

#### **A “Trusted eTrader” pilot should be developed out of two work streams:**

- A public-private dialogue mapping the data needs customs services have, the data generated and available within the online trade value chain, and the appropriate risk management models for online trade by micro and small businesses.
- A voluntary programme for small online traders to start building a digital “paper trail” and confidence with governments by providing the minimum necessary data for customs security purposes in a quick and affordable fashion (e.g. using a customised trade compliance platform), accessing relevant information on trade compliance rules in return, and where a consistent trail and compliance would lead to “Trusted eTrader” status over time.



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<sup>85</sup> For example, at the 2014 WCO Global AEO Conference, the integration of SMEs into AEO systems was a focus area; a panel organised at the 2013 WTO public forum discussed this issue; the Swedish National Board of Trade has raised the issue in the context of TTIP (see section 5.7 of this report).

<sup>86</sup> European Commission public consultation on the top 10 most burdensome legislative acts for SMEs, [http://ec.europa.eu/enterprise/policies/sme/files/smes/top10report-final\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/smes/top10report-final_en.pdf)

<sup>87</sup> A detailed description of this sort of proposal 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](http://csis.org/files/publication/150421_Suominen_FuelingOnlineTradeRev_Web.pdf)



## #5 Trade promotion for micro firms

As shown in this report, the share of the European SME population exporting is low whichever data source you turn to. With SMEs representing 99% of enterprises in the EU, the forthcoming EU Trade Strategy indeed needs to “*do more for SMEs*” if trade policy is to be “*effective in today’s global economy*” as is the ambition of the Commissioner for Trade, Cecilia Malmström.<sup>88</sup>

In order to move the needle for SMEs with regard to exporting, the Trade Strategy cannot afford to overlook the particular needs of micro firms. The export propensity varies considerably between micro, small and medium firms, with micro firms being greatly underrepresented.<sup>89</sup> This matters for any trade strategy aspiring to increase exporting by SMEs since micro firms account for 92.4% of the total EU enterprise population.

One priority area of the EU Trade Strategy should be information, education and awareness raising targeted at micro firms. The early 2000s saw the emergence of national programmes across the EU for supporting SME trade. However, a Commission report found in 2010 that the awareness of these types of programmes was low among micro firms; at the same time, micro firms ranked lack of adequate information and of public support as two key barriers to the internationalisation of their operations, considering them more important than small and medium firms did.<sup>90</sup>

### **The forthcoming Trade Strategy should outline an umbrella programme on “Micro Trade Promotion and Support” that could be replicated at a national level:**

- Creating a partner network spanning the commerce value chain for the purpose of reaching micro firms and educating them about the opportunities and new ways of exporting.
- Leveraging the above suggested trade compliance platform to train and build up a small squad of “micro trade experts” who would serve as online trade champions and mentors.

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<sup>88</sup> Speech by Cecilia Malmström, Commissioner for Trade, at a meeting of the International Trade Committee of the European Parliament (13 July 2015), “Modernising trade policy – effectiveness and responsibility”, available [http://trade.ec.europa.eu/doclib/docs/2015/july/tradoc\\_153621.pdf](http://trade.ec.europa.eu/doclib/docs/2015/july/tradoc_153621.pdf)

<sup>89</sup> The Annual Report on SMEs 2013/2014 presented data suggesting that between 1% and 9% of micro firms in Italy, Spain, Germany and the UK export; 20% to 48% of small firms in those same countries export.

<sup>90</sup> “Internationalisation of European SMEs” (2010), European Commission, [http://ec.europa.eu/enterprise/policies/sme/market-access/files/internationalisation\\_of\\_european\\_smes\\_final\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/market-access/files/internationalisation_of_european_smes_final_en.pdf)

## #6 Cohesion Policy funded co-operatives for online commerce

Across the EU, our “Digital Density” research has found emerging new hotspots outside of traditional “must be in” areas, where small online businesses thrive through access to larger markets. This points to a promising development underway where regional variation is replaced by regional integration. This merits attention under EU Cohesion Policy.

The overall aim of EU Cohesion Policy is to “*reduce disparities between the various regions*” and promote more balanced, more sustainable territorial development. It does so by funding national, regional or transnational programmes with regard to certain objectives, such as ICT and SME competitiveness.

The Commission has stated that EU Cohesion Policy is to support the realisation of a Digital Single Market through such funding.<sup>91</sup> To that end, we argue that investments should be focused on the dual goals of reducing imbalances between regions through digital market-driven growth and amplifying the number of European micro and small enterprises that take advantage of the economic benefits of larger markets.

### **This could take the form of a cross-border and inter-regional cooperation programme that supports micro and small firms joining in co-operatives for online commerce:**

- A co-operative is business-owned and run by and for their members. In this case, the members would be made up of small firms grouped, across national borders, from regions at different levels of “Digital Density”.
- The co-operative would assist the members in identifying, accessing and negotiating the various digital services needed for effective and successful online cross-border commerce.
- The co-operative would also serve as a sort of “self-help” export support measure. It would facilitate the spreading of experience and positive attitudes among the member firms. Literature and research have found that both at the early start-up phase and in later stages positive individual perceptions of opportunity as well as skills and knowledge strongly influence entrepreneurship.<sup>92</sup>



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91 See [http://ec.europa.eu/regional\\_policy/en/newsroom/news/2015/05/cohesion-policy-supports-the-digital-single-market](http://ec.europa.eu/regional_policy/en/newsroom/news/2015/05/cohesion-policy-supports-the-digital-single-market)

92 Bosma and Schutjens (2011), referencing Armington and Acs (2002).



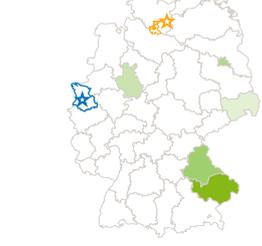
# APPENDIX: THE NEW COMMERCE ACROSS EU 28

Country trading data for comparison



### **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.<sup>1</sup> We have then ranked regions within each country based on how they perform in relation to the national average.*

EU Country	Digital Density Regional Rank	Top 5 Destinations for Exports	Top 5 Product Categories Sold (2014)	% That Export	Avg. # of Foreign Dest. per Exporter	Total # of Markets Reached by Exporters	% Sales to other EU Countries	Average annual % Growth in # of Commercial Sellers (2010-2014)	New Enterprise Rate (2012-2014)	Market Share of New Enterprises (2012-2014)
<b>AUSTRIA</b> 	<b>Oberösterreich</b>	Germany	Travel	99%	15	160	69%	-6 to -10%	12%	6%
	Tirol	United States	Sporting Goods							
	Salzburg	Italy	Auto - Parts							
	Vorarlberg	United Kingdom	Clothes, Shoes & Accessories							
	Wien	France	Jewellery & Watches							
<b>BELGIUM</b> 	<b>Prov. Liège</b>	France	Computing	97%	17	175	50%	-11 to -14%	12%	7%
	Région de Bruxelles-Capitale/Brussels Hoofdstedelijk Gewest	Germany	Stamps							
	Prov. Brabant Wallon	United States	Antiques							
	Prov. Hainaut	United Kingdom	Collectables							
	Prov. Vlaams-Brabant	Italy	Jewellery & Watches							
<b>BULGARIA</b> 	<b>Югозападен (Yugozapaden)</b>	United States	Auto - Parts	100%	36	193	58%	31% to 35%	14%	8%
	Югоизточен (Yugoiztochen)	United Kingdom	Clothes, Shoes & Accessories							
	Южен централен (Yuzhen tsentralen)	Germany	Jewellery & Watches							
	Североизточен (Severoiztochen)	France	Health & Beauty							
	Северен централен (Severen tsentralen)	Italy	Collectables							
<b>CYPRUS</b> 	<b>Entire country is one NUTS 2 Region</b>	United States	Health & Beauty	100%	38	161	44%	21% to 25%	17%	13%
		United Kingdom	Auto - Parts							
		Germany	Jewellery & Watches							
		France	Clothes, Shoes & Accessories							
		Australia	Sporting Goods							
<b>CZECH REPUBLIC</b> 	<b>Praha</b>	Germany	Collectables	100%	28	162	62%	16% to 20%	15%	11%
	Severozápad	United States	Auto - Parts							
	Jihozápad	United Kingdom	Photography							
	Střední Čechy	China	Mobile & Home Phones							
	Severovýchod	Austria	Sporting Goods							
<b>GERMANY</b> 	<b>Niederbayern</b>	Austria	Auto - Parts	94%	14	208	10%	1% to 5%	10%	4%
	Oberpfalz	Italy	Home & Garden							
	Berlin	France	Clothes, Shoes & Accessories							
	Detmold	United Kingdom	Home Furnishing							
	Dresden	Switzerland	Business, Office & Industrial							
<b>DENMARK</b> 	<b>Hovedstaden</b>	Germany	Jewellery & Watches	100%	21	124	57%	6% to 10%	14%	12%
	Midtjylland	United States	Home & Garden							
	Nordjylland	United Kingdom	Auto - Parts							
	Syddanmark	Italy	Photography							
	Sjælland	France	Clothes, Shoes & Accessories							

EU Country	Digital Density Regional Rank	Top 5 Destinations for Exports	Top 5 Product Categories Sold (2014)	% That Export	Avg. # of Foreign Dest. per Exporter	Total # of Markets Reached by Exporters	% Sales to other EU Countries	Average annual % Growth in # of Commercial Sellers (2010-2014)	New Enterprise Rate (2012-2014)	Market Share of New Enterprises (2012-2014)	
SPAIN 	Comunidad de Madrid	United States	Mobile & Home Phones	95%	21	198	22%	6% to 10%	18%	12%	
	Comunidad Valenciana	Germany	Computing								
	Cataluña	France	Home & Garden								
	Principado de Asturias	United Kingdom	Auto - Parts								
	La Rioja	Italy	Sporting Goods								
ESTONIA 	Entire country is one NUTS 2 Region		Germany	Computing	100%	33	159	59%	16% to 20%	11%	9%
			United States	Collectables							
			Italy	Coins							
			United Kingdom	Business, Office & Industrial							
			Russia	PC & Video Gaming							
FINLAND 	Helsinki-Uusimaa	United States	Collectables	100%	25	118	42%	11% to 15%	13%	8%	
	Etelä-Suomi	United Kingdom	Pottery & Glass								
	Länsi-Suomi	Germany	Clothes, Shoes & Accessories								
	Pohjois- ja Itä-Suomi	Japan	Coins								
		Russia	Auto - Parts								
FRANCE 	Alsace	United States	Auto - Parts	97%	17	203	17%	0%	11%	7%	
	Provence-Alpes-Côte d'Azur	Germany	Antiques								
	Languedoc-Roussillon	Belgium	Clothes, Shoes & Accessories								
	Île de France	United Kingdom	Mobile & Home Phones								
	Rhône-Alpes	Italy	Home & Garden								
UNITED KINGDOM 	Greater Manchester	United States	Home & Garden	90%	20	209	8%	11% to 15%	10%	4%	
	Lancashire	Australia	Auto - Parts								
	West Yorkshire	Germany	Clothes, Shoes & Accessories								
	Leicestershire, Rutland and Northamptonshire	France	Business, Office & Industrial								
	West Midlands	Italy	Sporting Goods								
GREECE 	Αττική (Attiki)	United States	Clothes, Shoes & Accessories	100%	33	180	44%	16% to 20%	13%	9%	
	Κεντρική Μακεδονία (Kentriki Makedonia)	United Kingdom	Auto - Parts								
	Νότιο Αιγαίο (Notio Aigaio)	Germany	Jewellery & Watches								
	Κρήτη (Kriti)	France	Toys & Games								
	Δυτική Ελλάδα (Dytiki Ellada)	Australia	Collectables								
CROATIA 	Kontinentalna Hrvatska	United States	Auto - Parts	100%	32	139	47%	36% to 40%	15%	11%	
	Jadranska Hrvatska	Germany	Collectables								
		United Kingdom	Music								
		Italy	Stamps								
		Australia	Coins								

EU Country	Digital Density Regional Rank	Top 5 Destinations for Exports	Top 5 Product Categories Sold (2014)	% That Export	Avg. # of Foreign Dest. per Exporter	Total # of Markets Reached by Exporters	% Sales to other EU Countries	Average annual % Growth in # of Commercial Sellers (2010-2014)	New Enterprise Rate (2012-2014)	Market Share of New Enterprises (2012-2014)	
<b>HUNGARY</b> 	Közép-Magyarország	Germany	Auto - Parts	100%	25	160	55%	11% to 15%	16%	13%	
	Közép-Dunántúl	United States	Home & Garden								
	Nyugat-Dunántúl	United Kingdom	Sporting Goods								
	Dél-Alföld	Austria	Clothes, Shoes & Accessories								
	Észak-Alföld	Russia	Jewellery & Watches								
<b>IRELAND</b> 	Southern and Eastern	United Kingdom	Health & Beauty	100%	29	189	71%	6% to 10%	13%	7%	
	Border, Midland and Western	Germany	Computing								
		United States	Home & Garden								
		Italy	Mobile & Home Phones								
		France	Auto - Parts								
<b>ITALY</b> 	Campania	Germany	Auto - Parts	92%	15	200	11%	6% to 10%	15%	9%	
	Marche	France	Clothes, Shoes & Accessories								
	Puglia	United States	Mobile & Home Phones								
	Abruzzo	United Kingdom	Computing								
	Lazio	Spain	Home Appliances								
<b>LITHUANIA</b> 	Entire country is one NUTS 2 Region	United Kingdom	Auto - Parts	100%	35	179	53%	31% to 35%	17%	10%	
		United States	Jewellery & Watches								
		Germany	Clothes, Shoes & Accessories								
		China	Collectables								
		France	Business, Office & Industrial								
<b>LUXEMBOURG</b> 	Entire country is one NUTS 2 Region	Germany	Home & Garden	100%	16	132	92%	1% to 5%	13%	5%	
		France	Home Appliances								
		United Kingdom	Auto - Parts								
		Belgium	Business, Office & Industrial								
		United States	Photography								
<b>LATVIA</b> 	Entire country is one NUTS 2 Region	United States	Auto - Parts	100%	38	184	46%	26% to 30%	12%	6%	
		United Kingdom	Jewellery & Watches								
		Germany	Computing								
		China	Clothes, Shoes & Accessories								
		Russia	Stamps								
<b>MALTA</b> 	Entire country is one NUTS 2 Region	United Kingdom	Jewellery & Watches	100%	36	142	70%	11% to 15%	19%	16%	
		United States	Photography								
		Germany	Toys & Games								
		Italy	Health & Beauty								
		Spain	Computing								
<b>NETHERLANDS</b> 	Limburg (NL)	Germany	Home & Garden	100%	24	179	75%	1% to 5%	10%	3%	
	Overijssel	France	Auto - Parts								
	Flevoland	United States	Home Furnishing								
	Gelderland	United Kingdom	Antiques								
	Noord-Brabant	Italy	Business, Office & Industrial								

EU Country	Digital Density Regional Rank	Top 5 Destinations for Exports	Top 5 Product Categories Sold (2014)	% That Export	Avg. # of Foreign Dest. per Exporter	Total # of Markets Reached by Exporters	% Sales to other EU Countries	Average annual % Growth in # of Commercial Sellers (2010-2014)	New Enterprise Rate (2012-2014)	Market Share of New Enterprises (2012-2014)
POLAND 	Lubuskie	Germany	Auto - Parts	100%	28	194	79%	31% to 35%	19%	10%
	Dolnoslaskie	United Kingdom	Home & Garden							
	Wielkopolskie	United States	Clothes, Shoes & Accessories							
	Malopolskie	France	Health & Beauty							
	Zachodniopomorskie	Italy	Sporting Goods							
PORTUGAL 	Lisboa	United States	Coins	100%	32	168	50%	11% to 15%	11%	7%
	Norte	United Kingdom	Auto - Parts							
	Algarve	Germany	Jewellery & Watches							
	Centro (PT)	France	Clothes, Shoes & Accessories							
	Alentejo	Italy	Collectables							
ROMANIA 	Bucuresti - Ilfov	United States	Auto - Parts	100%	28	162	54%	26% to 30%	17%	11%
	Nord-Vest	Germany	Jewellery & Watches							
	Centru	United Kingdom	Clothes, Shoes & Accessories							
	Sud-Vest Oltenia	Italy	Business, Office & Industrial							
	Vest	France	Coins							
SLOVAKIA 	Vychodne Slovensko	United Kingdom	Auto - Parts	100%	29	144	77%	26% to 30%	14%	4%
	Bratislavsky kraj	Germany	Business, Office & Industrial							
	Zapadne Slovensko	United States	Art							
	Stredne Slovensko	France	Sporting Goods							
		Italy	Photography							
SLOVENIA 	Zahodna Slovenija	Italy	Computing	100%	28	147	83%	26% to 30%	13%	5%
	Vzhodna Slovenija	Germany	Auto - Parts							
		United States	Home Furnishing							
		United Kingdom	Business, Office & Industrial							
		France	Coins							
SWEDEN 	Stockholm	United States	Clothes, Shoes & Accessories	100%	22	131	38%	1% to 5%	15%	10%
	Smaland med oarna	Germany	Auto - Parts							
	Sydsverige	United Kingdom	Antiques							
	Ostra Mellansverige	China	Music							
	Vastsverige	Russia	Photography							

# NOTES

## NOTES

ebay<sup>™</sup>