

ebay

# Italy

# Small Online Business

# Inclusive Growth Report

# Contents

## 01 Executive Summary

## 03 Introduction

## 04 Part 1: Revolutionary eBay-Enabled Trade Opportunities for Italy's Small Businesses and Entrepreneurs

06 Share of eBay-Enabled Small Businesses Exporting

07 Average Number of Foreign Destination Markets

09 Share of eBay-Enabled Small Businesses Reaching Ten or More Different Foreign Markets

10 Share of eBay-Enabled Small Businesses Reaching Four or More Continents

11 Italy: eBay Economy vs. Traditional Economy

## 12 Part 2: eBay-Enabled Commerce Countering Regional Economic Disparities in Italy

12 Italy Faces Significant Economic Challenges and Striking Regional Disparities

13 Regional Measures of Entrepreneurship and eBay Digital Density

13 eBay Digital Density in Italy's Economically Challenged Regions

13 eBay Small Business Activity in Regions with Highest Poverty Rates

15 Italy: Top eBay Digital Density Regions

16 eBay Small Business Activity in Regions with Highest Unemployment Rates

17 Comparing Net Enterprise Growth Rates

## 18 Conclusion

## 20 Appendix

# Executive Summary

Since 2011, the eBay Public Policy Lab has used marketplace data to examine, measure and report on how technology has expanded opportunities for independent small businesses and entrepreneurs in more than 50 countries spanning six continents. In all cases we have found eBay-enabled small businesses leveraging the online commerce platform to engage in expansive commerce, often on a global scale. This report explores trade and inclusive economic impacts of eBay-enabled small businesses and entrepreneurs across Italy.

Modern global trade has been dominated by large corporations. The overwhelming majority of business enterprises in all countries, including Italy, are small businesses, and most are locked into their local market and rarely serve foreign customers. However, a new model of small business trade, powered by the Internet, is emerging. Platforms for Internet access, commercial services and shipping are enabling an unprecedented number of independent small businesses to connect with consumers and establish trust across national and cultural borders. Small businesses are able to create a storefront online and compete in national and global markets, while at the same time maintaining and even growing their physical presence and employment in their local community.

This report details the global trade achievements of eBay-enabled small businesses in every region of Italy. Data on comparable offline trade results are provided when available. In short, nearly every eBay-enabled small business in Italy is an exporter reaching customers in markets across Europe and around the world. The top five export destinations for the products of eBay-enabled small businesses in Italy are Germany, the United States, France, the United Kingdom and Spain.

The export success of eBay-enabled small businesses is a good news story of inclusive global trade. At the same time, many people across Europe are concerned that technology is accelerating forces of economic concentration with the most prosperous communities enjoying the bulk of all economic growth. The second part of this report investigates whether eBay's success in using technology to empower small businesses is contributing to privileged communities getting richer and everyone else getting poorer, agnostic to this overall trend, or even countering the forces of economic concentration and providing a boost to economically challenged communities.

The second part of the report highlights the particularly strong performance of eBay-enabled small businesses in many of Italy's most economically challenged regions. Italy is a country that has suffered both widespread economic stagnation as well as meaningful regional disparities. A key finding is that a number of regions with the highest poverty rates and unemployment rates in Italy, where the traditional economy has faced very deep and long-term challenges, have some of the most robust and fastest-growing eBay-enabled small business communities. Three of the most noteworthy are Sicilia, Calabria and Campania. Campania, with

## Italy

### Share of Enterprises Exporting



eBay-Enabled Small Businesses

VS.



Traditional Businesses

### Average Number of Foreign Destination Markets

19

eBay-Enabled Small Businesses

### Share of Enterprises Exporting to 10+ Markets



eBay-Enabled Small Businesses

VS.















Traditional Businesses

### Share of eBay-Enabled Small Businesses Exporting to 4+ Continents



eBay-Enabled Small Businesses

Regions with Highest Poverty Rates	Traditional Economy		eBay Economy	
	Poverty Rate	Jobless Rate	Net Rate of Growth: # of eBay-Enabled Small Businesses	eBay Digital Density Regional Rank
Sicilia	 41.8%	22.1%	 54.1%	9
Campania	 36.9%	20.4%	 77%	1
Calabria	 34.6%	23.2%	 69.7%	11
Molise	 30.6%	12.8%	 12.5%	13
Basilicata	 27.7%	13.3%	 80.5%	4
Puglia	 27.4%	19.4%	 46.5%	3

the second highest poverty rate and the third highest unemployment rate in the country, is the top region in Italy based on eBay “Digital Density” and the most robust eBay-enabled small business community. Finally, while net enterprise growth in the overall economy was depressed, with the number of business enterprises declining from 2012 to 2016, on eBay the net growth in the number of eBay-enabled independent small businesses was 40 percent.

eBay’s global commerce platform is conclusively reducing the barriers that have traditionally locked most independent small and micro businesses, including in Italy, into their local market. Access to consumers across the country, Europe more broadly, and globally, are now available to small enterprises in communities across every region of the country. While this is a major growth opportunity for independent small businesses all across Italy, the ability to access customers outside of the local market is proving especially valuable to enterprises in remote and less advantaged communities. Government tax, regulatory and economic development policies aimed at enabling meaningful local economic development in less advantaged and remote regions should pay particular heed to the challenges facing technology-enabled independent small business models.

# Introduction

In recent years, technology has provided more equal economic opportunities for small businesses who have availed themselves of the new opportunities.<sup>1</sup> Since 2011, the eBay Public Policy Lab and a team of economists at Sidley Austin LLP (Sidley) have been working together to examine, measure and report on how globalization and technology are liberating the ambitions of independent small businesses and entrepreneurs.

We have studied more than 50 countries, spanning six continents, and all 50 U.S. states, and in all cases, we have found eBay-enabled small businesses leveraging the online commerce platform to engage in expansive commerce, often on a global scale. This report presents findings coming out of this collaboration, exploring trade and inclusive economic impacts of the global commerce opportunities available to Internet-enabled small businesses and entrepreneurs across Italy.

The analysis carried out by Sidley for this report is based on data covering transactions on the eBay Marketplace from 2012 to 2016. Sidley economists then looked at which sellers are registered to addresses in Italy. When analyzing the activities of small online businesses on eBay, the data was limited to transactions by business-registered sellers with sales of \$10,000 USD or more annually on the eBay Marketplace. In this report, these sellers are called “Commercial Sellers” or “eBay-enabled small businesses”. In order to provide relevant comparisons to business activity in the overall economy, Sidley economists have analyzed comparable Eurostat data.

Part 1 of this report focusses on the most inclusive form of global trade, cross border commerce by smaller firms. Robust and concrete data demonstrates that eBay-enabled small businesses across Italy are engaging in international trade at a scale once reserved for the very largest corporations. The numbers are striking. A massive 96% of eBay-enabled small businesses in Italy export – a far higher rate than businesses that have not embraced online tools – and these small businesses reach on average 19 different countries annually, again dwarfing traditional export reach. They are effectively Small Business Global Traders, and they operate from cities and towns across all of Italy.

Part 2 of this report explores how the revolutionary ability for even very small enterprises to access consumer demand in far-away locales, which is most strikingly illustrated by the international trade data in the first section of the report, is enabling more inclusive economic growth in Italy by fostering much stronger enterprise growth in regions of Italy that have traditionally been disadvantaged on a range of economic and social measures. A per capita analysis of eBay-enabled small businesses, a measurement we call “Digital Density”, reveals a strikingly inclusive phenomenon related to eBay selling activity in Italy. Seven of the Top Ten regions in Italy based on eBay Digital Density are

## About the eBay Public Policy Lab

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

We invite you to explore our full catalogue of research at: [www.ebaymainstreet.com/lab](http://www.ebaymainstreet.com/lab)

**Brian Bieron**  
Executive Director

**Alan Elias**  
Senior Manager  
Global Public Policy

among the ten most economically disadvantaged regions based on poverty rate, including all of the Top Five Digital Density performers.

An analysis of data on the rate of growth in net business enterprises in Italy's NUTS2 regions reveals that eBay-enabled small business growth is countering the disturbing trend toward greater economic concentration and regional disparities. While traditional small businesses are largely dependent on the health of the local economy, and therefore suffer great vulnerability to local sluggishness and downturns, access to remote demand through a global commerce platform empowers independent small businesses who are not located in a country's most prosperous metropolitan areas and regions. In short, while regional economic disparities remain a deep and lasting concern in Italy, and overall net enterprise growth is sluggish and even negative across much of the country, the net growth in number of eBay small businesses shows a more balanced and inclusive pattern with many of the most challenged regions showing extraordinarily strong results.

# Part 1: Revolutionary eBay-Enabled Trade Opportunities for Italy's Small Businesses and Entrepreneurs

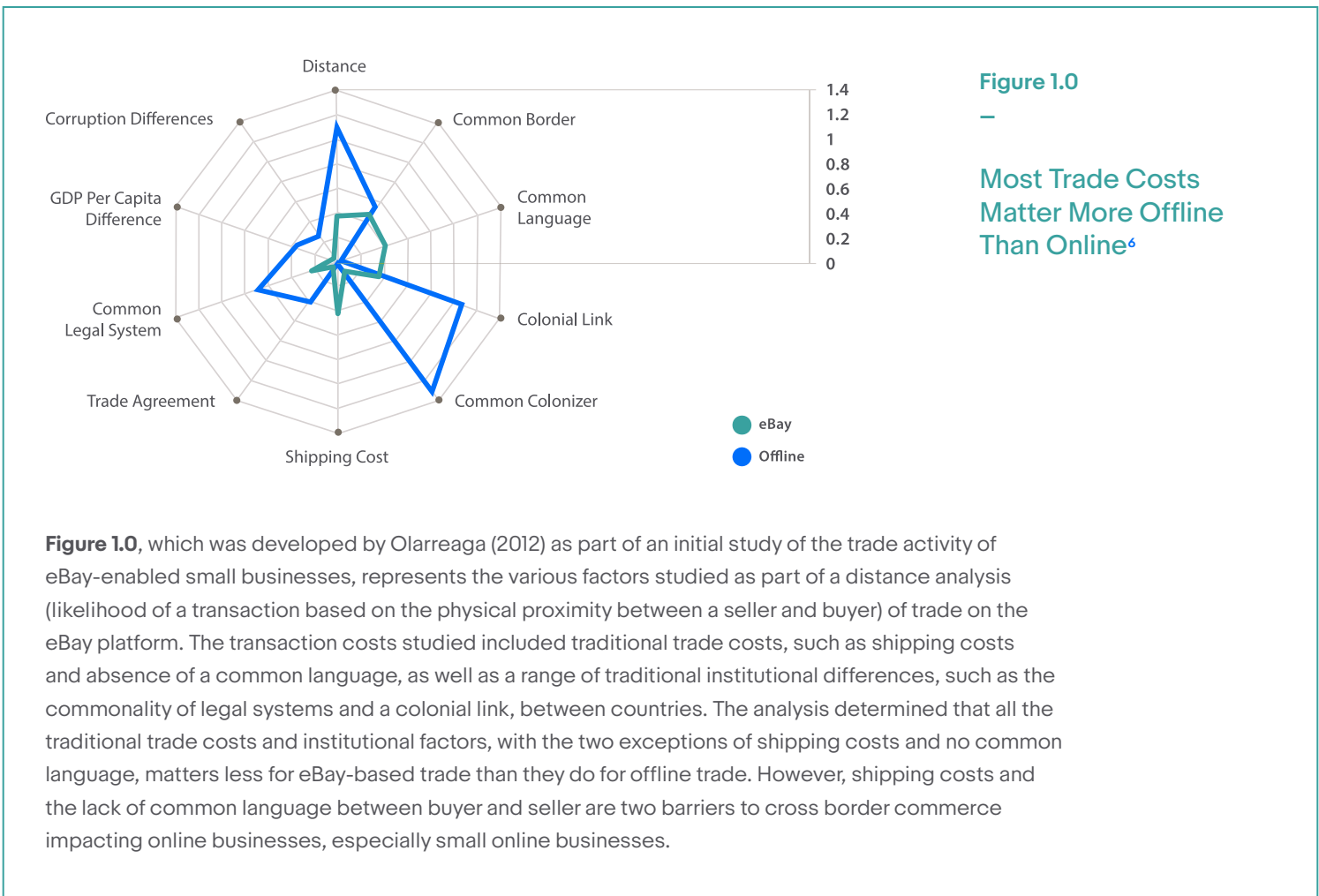
Traditional forms of commerce over distance carry substantial costs related to transportation and logistics chains, regulatory and administrative red tape, adaptation to different legal systems, communication and marketing, uneven access to information, difficulties in matching supply and demand, trust, and enforcement. Economists have found that these costs increase as distance increases. So, the further away market participants are from each other, the less likely they are to engage in commerce with each other.<sup>2</sup>

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

Being limited to smaller markets in this way is oftentimes an impediment to building a viable and sustainable business due to the reality that there might simply not be enough local demand available to a local enterprise. In addition, risks are

heightened for locally constrained enterprises in instances where a local economy is chronically underperforming, might suffer from an economic shock, or faces headwinds that depress demand.

One of the fundamental revolutions brought about by the Internet and digital technologies is through online commerce, where the cost of engaging in commerce 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. Lendle et al have found that distance indeed has a much lower negative impact on firms transacting cross-border in the online marketplace.<sup>3</sup> Similarly, a 2013 report by the European Commission’s Joint Research Center concludes that distance matters far less online, explained primarily by the decline in communications costs.<sup>4</sup> Our estimates, based on the global data set, suggest that distance matters 83% less for international eBay transactions compared to traditional commerce.<sup>5</sup>



Evidence of the differential impact of distance on cross-border activity between traditional business models and the online platform model in the EU can be seen in an analysis of traditional and eBay-enabled small businesses in Europe from 2011-2015. At a time when financial world shocks significantly impacted the economy depressing demand and increasing the need for firms to access export markets, cross-border commerce by eBay-enabled small businesses increased 62%, compared to the modest growth of 9% for traditional commerce.<sup>7</sup> However, overcoming distance to the extent where Micro, Small and Medium-sized Enterprises (MSMEs) start engaging in international commerce takes more than simply adding the Internet to retail. The European Commission reports that, in 2014, only 12% of firms in retail sold online cross-border within the EU.<sup>8</sup> This is strikingly different from the cross-border success of eBay-enabled small businesses in Europe, predominantly small and micro firms, with 96% of them exporting.

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

However, while the online global commerce platform model enables small firms to overcome distance and serve customers remotely, it is important to note that there are still great advantages accrued by having a local presence in vibrant and healthy local markets, which is why large merchants complement their online strategy with local facilities in the key economic areas. Not only do local investments in vibrant economic hubs provide important advantages to larger firms, but they also foster an investment cycle that benefits those in thriving regions. Independent small retailers cannot afford such a strategy and global platform-enabled commerce is the way of reaching customers in the robust market hubs.

## Share of eBay-Enabled Small Businesses Exporting

A large body of research confirms how firms that are international are generally more productive than firms that serve the domestic market only. An analysis of enterprise-level export data reveals that 5.8% of all Italian firms are exporters.<sup>9</sup> The share of small businesses exporting on the eBay Marketplace<sup>10</sup> is possibly the most striking data point presented in this report. In short, 96% of the eBay-enabled small businesses in Italy are exporters, a level of exporting that is unprecedented in the traditional economy. The highest regional rate is 98% of eBay-enabled small businesses in Sardegna exporting, while the lowest export rate was 88% of eBay-enabled small businesses in Provincia di Trento, the only rate falling below 90 percent.



## Footloover

### Mario Calabrese GRASSANO, ITALY

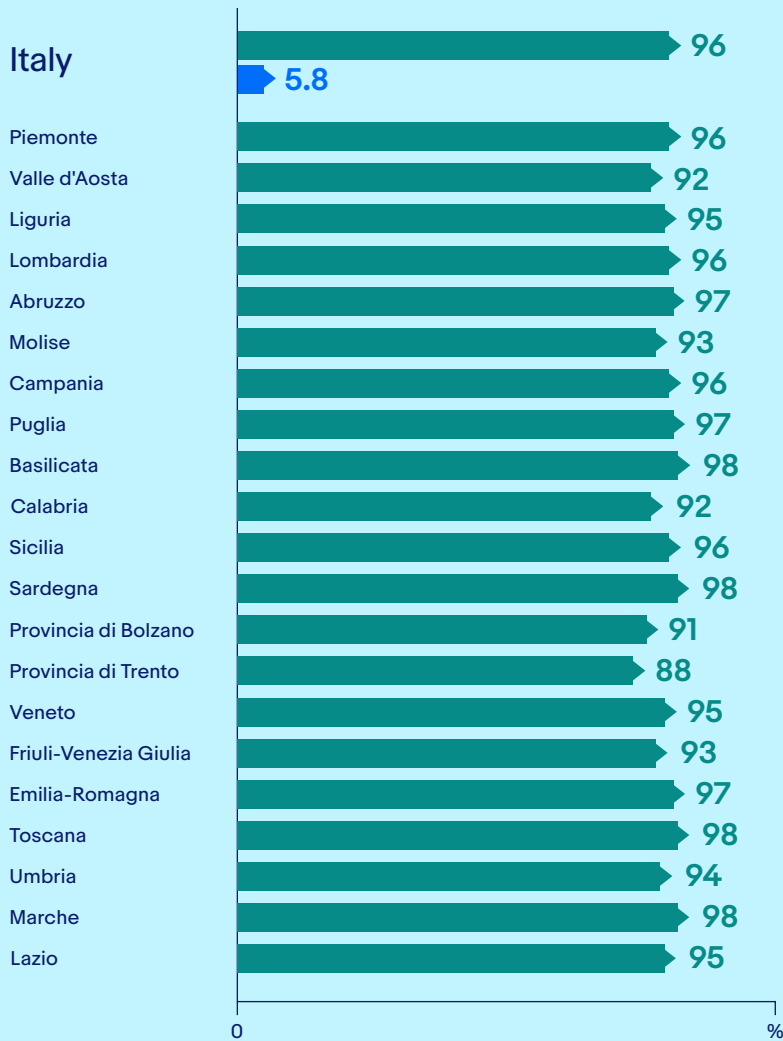
Mario and his family have been in the footwear business since 1935. Mario's grandfather was a shoemaker by trade and used to manufacture shoes by hand. Mario's father evolved the business by opening a brick and mortar retail store in the family's community of Grassano, a small town in the South of Italy with a population of about 6,000. In 1992 Mario's father formally handed the business down to him, but as big shopping centers began entering the local market, the business struggled to remain competitive. In 2004, with no computer experience whatsoever, Mario tried his luck selling some items on eBay at the suggestion of his family and friends, and Footloover was born. That first year online was more of an experiment, but since 2005 the business has seen phenomenal growth, reaching up to 130% annually. Today, Mario still operates two physical locations in Grassano, and about 20% of the products he sells are manufactured in Italy. Between 2004 and 2012, Footloover exported about 10% of its total sales through ebay.it, but in 2013, Mario developed an international strategy and began marketing on other eBay platforms including Germany, England, the U.S. and Australia. Today Footloover exports about 50% of its total sales.





FIGURE 2.0  
Share of eBay-Enabled Small  
Businesses Exporting

● eBay-Enabled  
Small Businesses  
● Traditional  
Businesses



## Average Number of Foreign Destination Markets

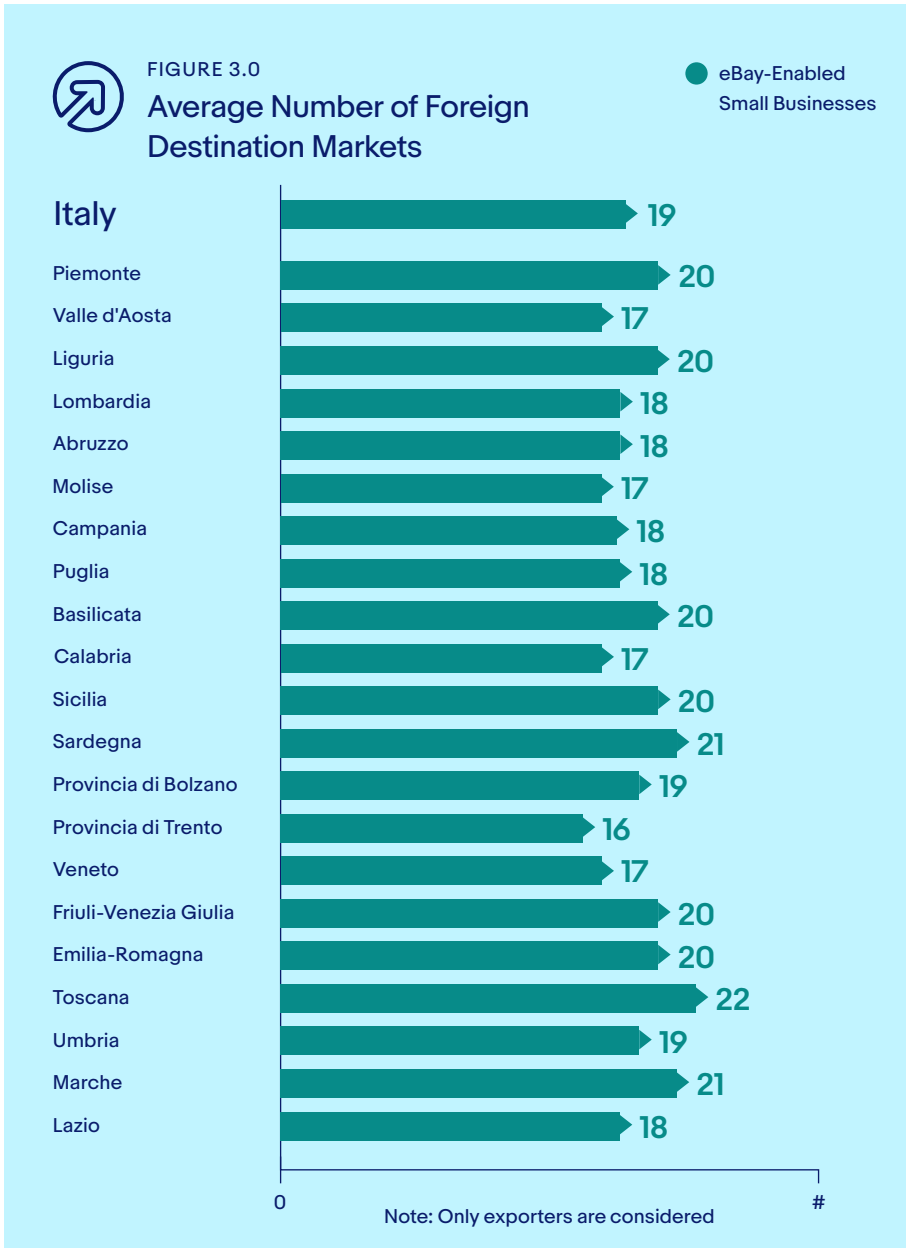
The average number of foreign markets reached on an annual basis provides a key measurement of export activity and market diversity. It is traditionally understood that businesses considering exporting to a new country market face costs of entry, and therefore expanding their business by exporting to more country markets leads to higher entry costs.<sup>11</sup> Escalating entry costs leads to the presumption that smaller firms will tend to export to fewer countries. However, when examining the figures for eBay Commercial Sellers we see a powerful testament to how eBay bridges distance for small enterprises and provides access to markets that were unreachable through the traditional model of trade.

In Italy, the average number of export markets reached by eBay-enabled small business exporters is 19.<sup>12</sup> Regrettably, there is no comparable rate available for Italian traditional exporters, although rates calculated by the World Bank for equivalent enterprises in European countries including Belgium, Bulgaria, Portugal and Spain was around four markets, while an analysis of French exporters by INSEE<sup>13</sup> estimated six markets.<sup>14</sup> The average number of markets reached by eBay-enabled small businesses exceeded 20 in Italian regions as diverse as Toscana - the one region with a rate of 22 markets, Marche and Sardegna.

## Top 5 Destinations for Exports<sup>15</sup>

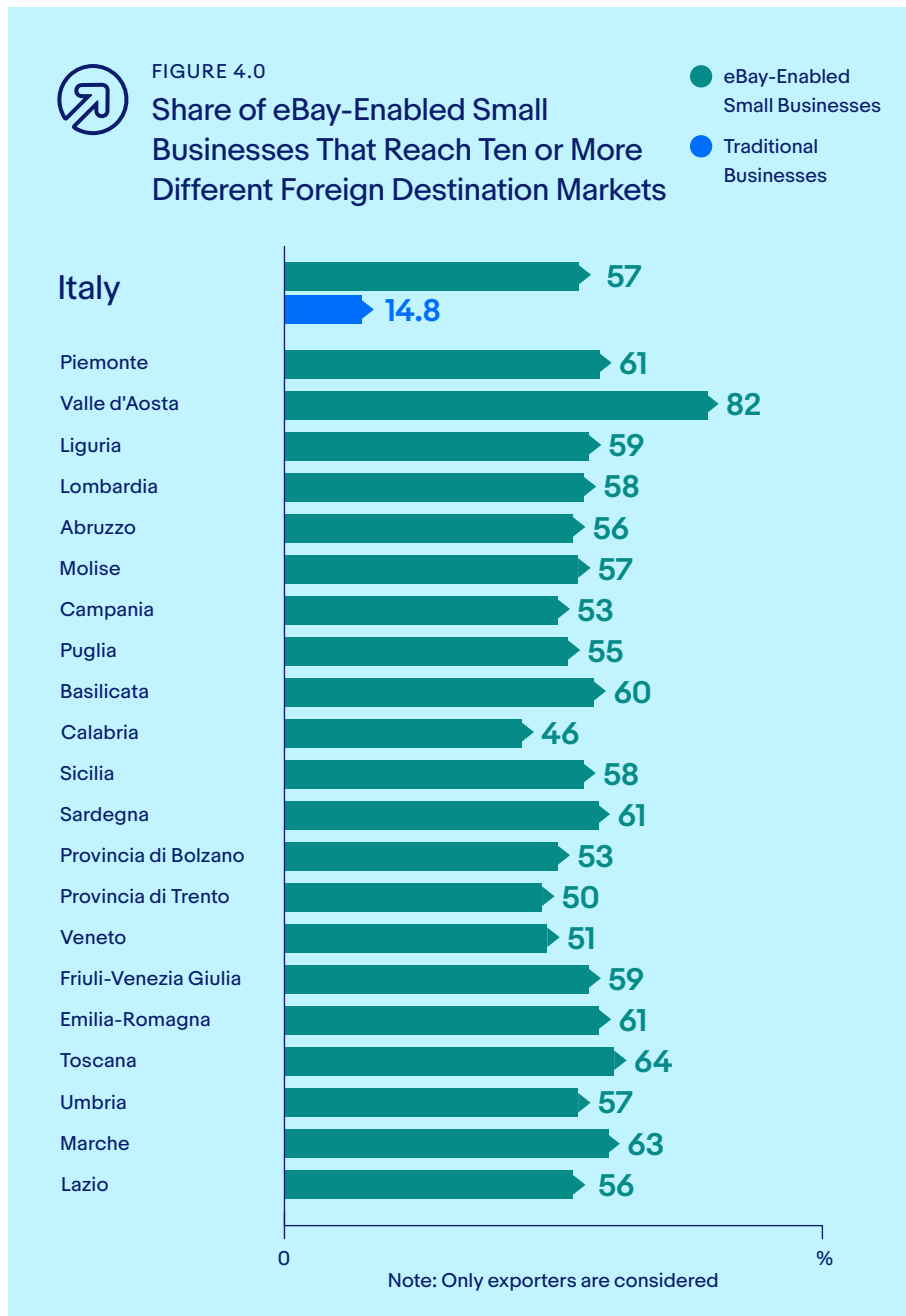
### Italy eBay-Enabled Small Businesses

1. Germany
2. United States
3. France
4. United Kingdom
5. Spain



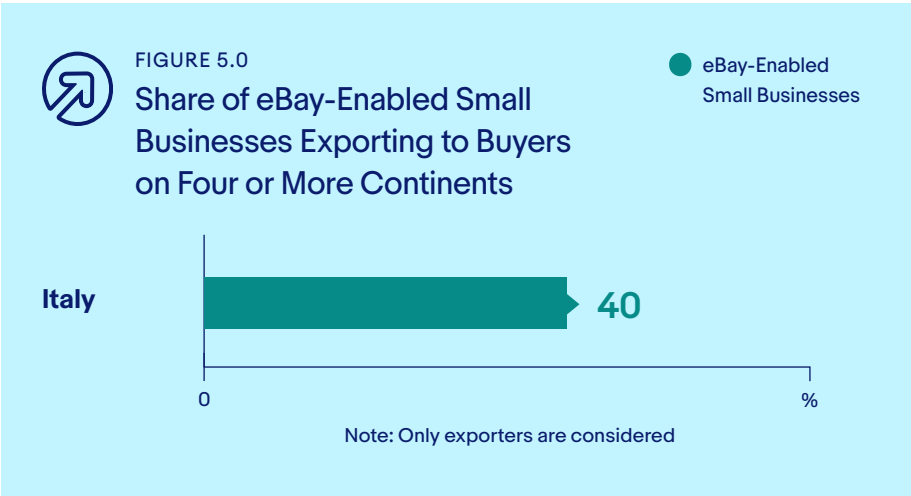
## Share of eBay-Enabled Small Businesses Reaching Ten or More Different Foreign Markets

OECD reports that firms that manage to export to more than 10 countries are also those dominating trade. In the traditional marketplace, that sort of market reach is confined to a relative few of the very largest firms. In Italy, just 15% of firms that export make sales in 10 more markets.<sup>16</sup> In sharp contrast, 57% of eBay-enabled small businesses in Italy serve customers in 10 or more different countries.<sup>17</sup>



# Share of eBay-Enabled Small Businesses Reaching Four or More Continents

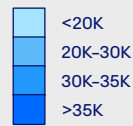
Though a non-traditional measurement of scale and scope of exporting activity, we have calculated the continental reach of eBay-enabled small businesses.<sup>18</sup> For the purposes of this analysis, sales were designated to buyers on one of six continents: North America, South America, Europe, Asia, Africa, and Australia. When an eBay-enabled small business exported to a buyer in a country on a continent, they were credited with an export to that continent. Additionally, when an export sale is made to a country on the same continent as the seller, that sale is counted as an export to that continent (e.g. A sale from an Italian-based eBay seller to a buyer in France is an export to a European export market). We classify an eBay-enabled small business with sales to four or more continents in a year to be a “Global Seller”. Forty percent of the eBay-enabled small businesses in Italy achieved the status of Global Sellers.



# Italy

## eBay Economy vs. Traditional Economy

GDP Per Capita  
by NUTS2 Region



Italy  
Region Data

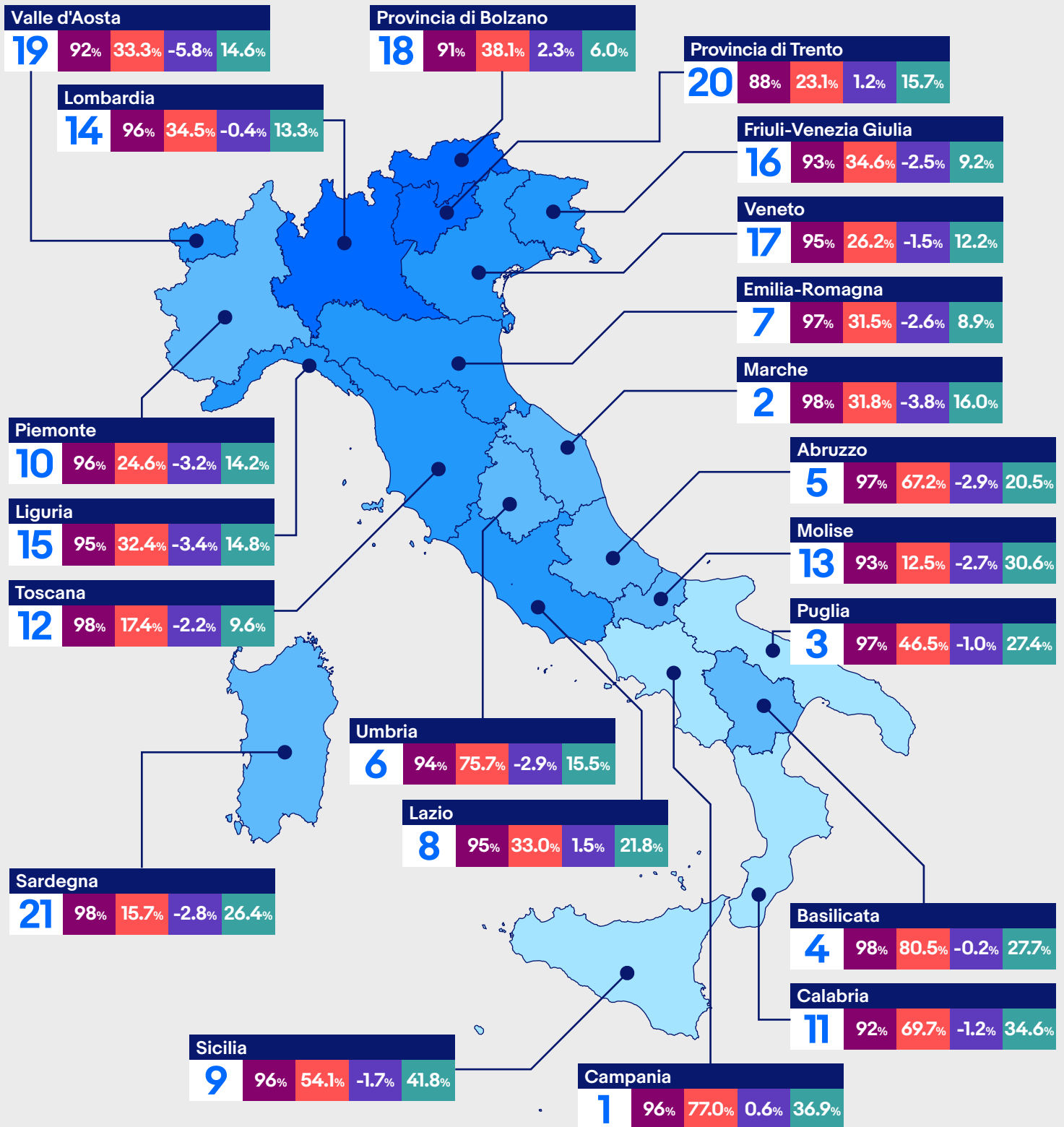
eBay Digital  
Density  
Regional Rank

Share of  
eBay-Enabled  
Small  
Businesses  
Exporting

Net Rate of  
Growth - # of  
eBay-Enabled  
Small  
Businesses

Net Rate of  
Growth - # of  
Business  
Enterprises

Poverty  
Rate



# Part 2: eBay-Enabled Commerce Countering Regional Economic Disparities in Italy

In this section of the report we turn to evidence that the expanded commerce opportunities available to independent small enterprises across Italy using eBay's Internet-enabled commerce platforms, in particular the ability to reach consumers outside of their local market, is leading to more inclusive regional economic growth than is evident in the overall economy. This analysis is presented in the context of widely held concerns that Italy remains plagued by significant regional economic disparities which are particularly evident in the context of poverty rates, unemployment, especially of women and youth, and low productivity. The rate of growth in the number of business enterprises in a jurisdiction, in particular, in each of Italy's 21 NUTS2 regions, is taken as a proxy for vibrancy and growth in the local economy. Lower rates of growth in the number of enterprises, or even falling enterprise numbers, is conversely taken as a proxy for stagnation and sluggish growth opportunities.

## Italy Faces Significant Economic Challenges and Striking Regional Disparities

There has been widespread empirical study and analysis related to the economic challenges facing Italy in recent decades. The OECD reports that household income fell by 10% from 2005 to 2016, one of the most significant declines among OECD countries, and household net wealth declined by 18% during the economic crisis years between 2010 and 2014.<sup>19</sup> Prolonged weak economic growth has undermined efforts to raise employment levels, reduce poverty, and improve skills and productivity.<sup>20</sup>

Hand-in-hand with prolonged economic stagnation is evidence of inequality at both the individual household level as well as between Italy's regions. Household income distribution analysis by the OECD finds Italy in the bottom third, with the average income of the top quintile almost six times greater than the bottom quintile.<sup>21</sup> Long-standing regional economic disparities plaguing Italy worsened between 2000 and 2016 and Italy leads all OECD countries in terms of regional unemployment difference. The residents of Italy's largest metropolitan areas have fared somewhat better than others, as cities with populations above 500,000 faced less of a decline in GDP than the rest of the country between 2010 and 2016.<sup>22</sup>

## Regional Measures of Entrepreneurship and eBay Digital Density

Studies of entrepreneurship in the traditional economy have found that the number of entrepreneurs is often linked to population growth and density.<sup>23</sup> Regional entrepreneurship levels have also been strongly correlated to economic development as measured by GDP per capita.<sup>24</sup> In short, traditional economic expansion, in particular in the form of new enterprise formation, would be expected in the most populace and wealthy regions. One of the most striking examples of the concentration of new enterprise formation in a relatively small number of wealthy metropolitan regions can be seen in the United States, where the Economic Innovation Group revealed in a 2016 report that half of all net enterprise formation in the U.S. from 2010 to 2014 occurred in just 20 wealthy counties (from among over 3,000 U.S. counties overall) in seven states.<sup>25</sup>

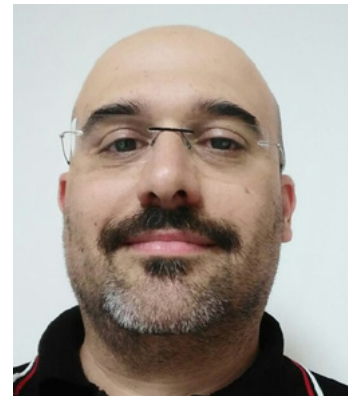
eBay-enabled small businesses, many of whom are micro businesses and individual entrepreneurs, operate in communities all across countries where eBay is a major ecommerce platform, including Italy. In order to better understand and compare the level of entrepreneurial activity on the eBay platform between regions that have widely different population levels and profiles, the eBay Public Policy Lab developed a measurement of eBay commercial seller activity that controlled for population differences. We call this measurement “Digital Density”, and it reflects the number of eBay-enabled small businesses on a per capita basis. A higher digital density rank represents greater eBay-enabled small business activity.

### eBay Digital Density in Italy’s Economically Challenged Regions

Our regionally-focused studies of where communities of large numbers of eBay-enabled small businesses per capita are found have showed that they are not necessarily located first and foremost in the most populated or capital regions. However, an analysis of eBay Digital Density at the regional level in Italy goes far beyond confirming that the most wealthy and prosperous economic hubs do not necessarily lead to the greatest level of eBay-enabled small business activity, but instead, a number of the most economically challenged regions are home to the most successful and fastest growing communities of digitally-enabled small businesses.

### eBay Small Business Activity in Regions with Highest Poverty Rates

As noted earlier, Italy suffers from long-standing and serious regional economic disparities. One reflection is high poverty rates in many of Italy’s 21 NUTS2 regions.<sup>26</sup> In fact, Eurostat figures indicate that 12 of Italy’s 21 regions have poverty rates in excess of 15%, and nine above 20 percent.<sup>27</sup> eBay-enabled small business activity in the high-poverty regions are remarkably strong, a level of bottom-up inclusive entrepreneurship that is striking even for eBay-enabled growth.

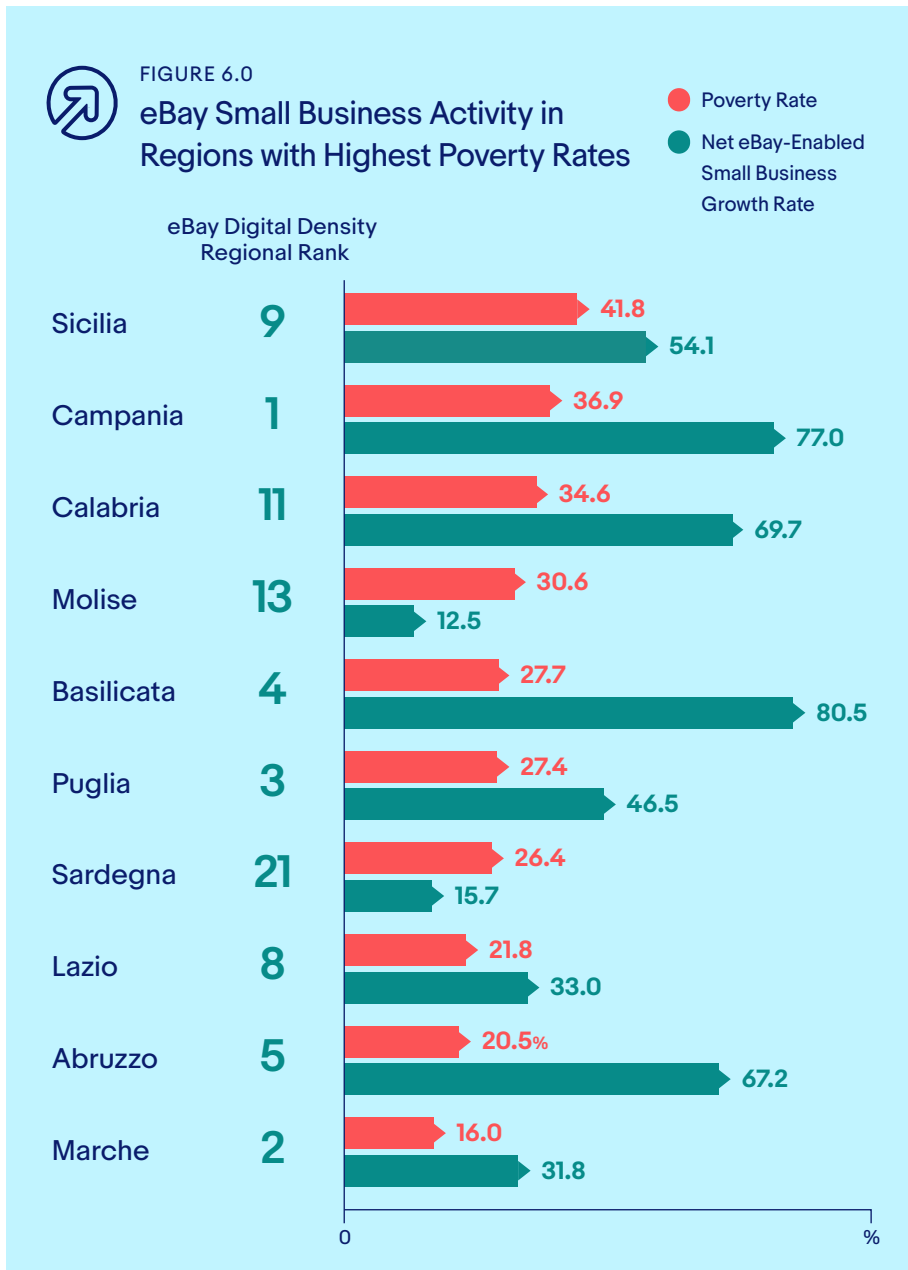


## Temesa Casa

**Marco Vetere**  
AMANTEA, ITALY

Temesa Casa was born from the idea of two brothers, Marco and Paolo in 2014. They both have more than 15 years of experience in sales, mainly focused in bathroom furnishing. The company began its activities in a small town in Calabria and export worldwide. Italian products are in high demand in Europe due to their high standards and good quality. Due to the high demand from its customers, Temesa Casa is expanding its products portfolio in order to include a full availability of home furnishing and “Do it Yourself” products. Temesa Casa also provides excellent customer service available 24/7. Temesa Casa aims to provide a unique Italian experience in terms of bathroom furnishing and to obtain absolute satisfaction from its clients. The company prides itself by offering products only made in Italy.

Seven of the Top Ten regions for eBay Digital Density in Italy are among the ten regions with the highest levels of poverty, including the top five regions for eBay Digital Density. In addition, the regions with the highest poverty rates are also home to some of the strongest net growth in the number of eBay-enabled small businesses, with six of the highest net enterprise growth rates from 2012 to 2016 appearing in regions with the highest poverty rates, including five of the six regions with the top poverty rates.



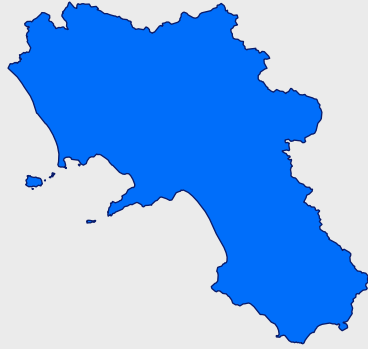


# Italy: Top eBay Digital Density Regions

## Campania

eBay Digital Density Rank **1**

A region of Southern Italy marked by mild climate, beautiful coasts and richness in arts, history and gastronomy. Home of Naples, Capri and the Amalfi Coast.



Population  
**5,850,850 (3rd)**

GDP Per Capita  
**18,300 (18th)**

Poverty Rate  
**36.9% (2nd)**

Unemployment  
**20.4% (3rd)**

eBay Enterprise Growth Rate (2012–2016)  
**77% (2nd)**

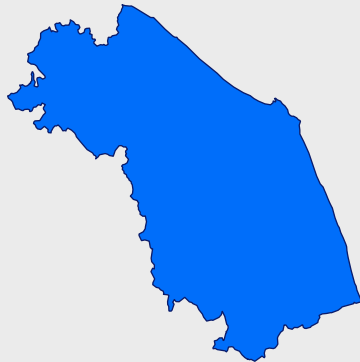
### Top Ten Regional Export Categories

- 1. Auto - Parts
- 2. Clothes, Shoes & Accessories
- 3. Computing
- 4. Jewelry & Watches
- 5. Mobile & Home Phones
- 6. Sporting Goods
- 7. Home & Garden
- 8. Health & Beauty
- 9. Home Appliances
- 10. Consumer Electronics - Video

## Marche

eBay Digital Density Rank **2**

A region of central Italy on the Adriatic Coast, known for its shoemaking tradition, with the finest and most luxurious footwear manufactured in this region.



Population  
**1,543,752 (13th)**

GDP Per Capita  
**26,600 (12th)**

Poverty Rate  
**16% (10th)**

Unemployment  
**10.6% (10th)**

eBay Enterprise Growth Rate (2012–2016)  
**31.2% (15th)**

### Top Ten Regional Export Categories

- 1. Clothes, Shoes & Accessories
- 2. Auto - Parts
- 3. Jewelry & Watches
- 4. Musical Instruments
- 5. Health & Beauty
- 6. Consumer Electronics - Video
- 7. Collectables
- 8. Home & Garden
- 9. Sporting Goods
- 10. PC & Video Gaming

## Puglia

eBay Digital Density Rank **3**

A southern region forming the heel of Italy's "boot," Capital Bari is a vibrant port and university town, while Lecce is known as "Florence of the South" for its baroque architecture.



Population  
**4,077,166 (8th)**

GDP Per Capita  
**17,800 (19th)**

Poverty Rate  
**27.4% (6th)**

Unemployment  
**19.4% (4th)**

eBay Enterprise Growth Rate (2012–2016)  
**46.5% (7th)**

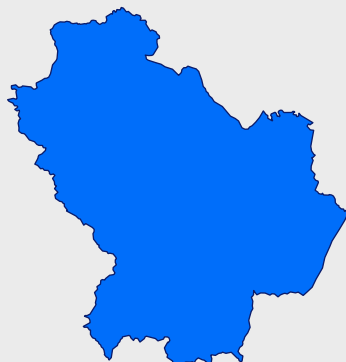
### Top Ten Regional Export Categories

- 1. Auto - Parts
- 2. Clothes, Shoes & Accessories
- 3. Home & Garden
- 4. Consumer Electronics - Video
- 5. Home Appliances
- 6. Computing
- 7. Home Furnishing
- 8. Consumer Electronics - Audio
- 9. Sporting Goods
- 10. Toys & Games

## Basilicata

eBay Digital Density Rank **4**

A region of forests and mountains in southern Italy, Basilicata is an emerging tourist destination thanks in particular to the city of Matera.



Population  
**573,694 (17th)**

GDP Per Capita  
**26,600 (12th)**

Poverty Rate  
**27.7% (5th)**

Unemployment  
**13.3% (6th)**

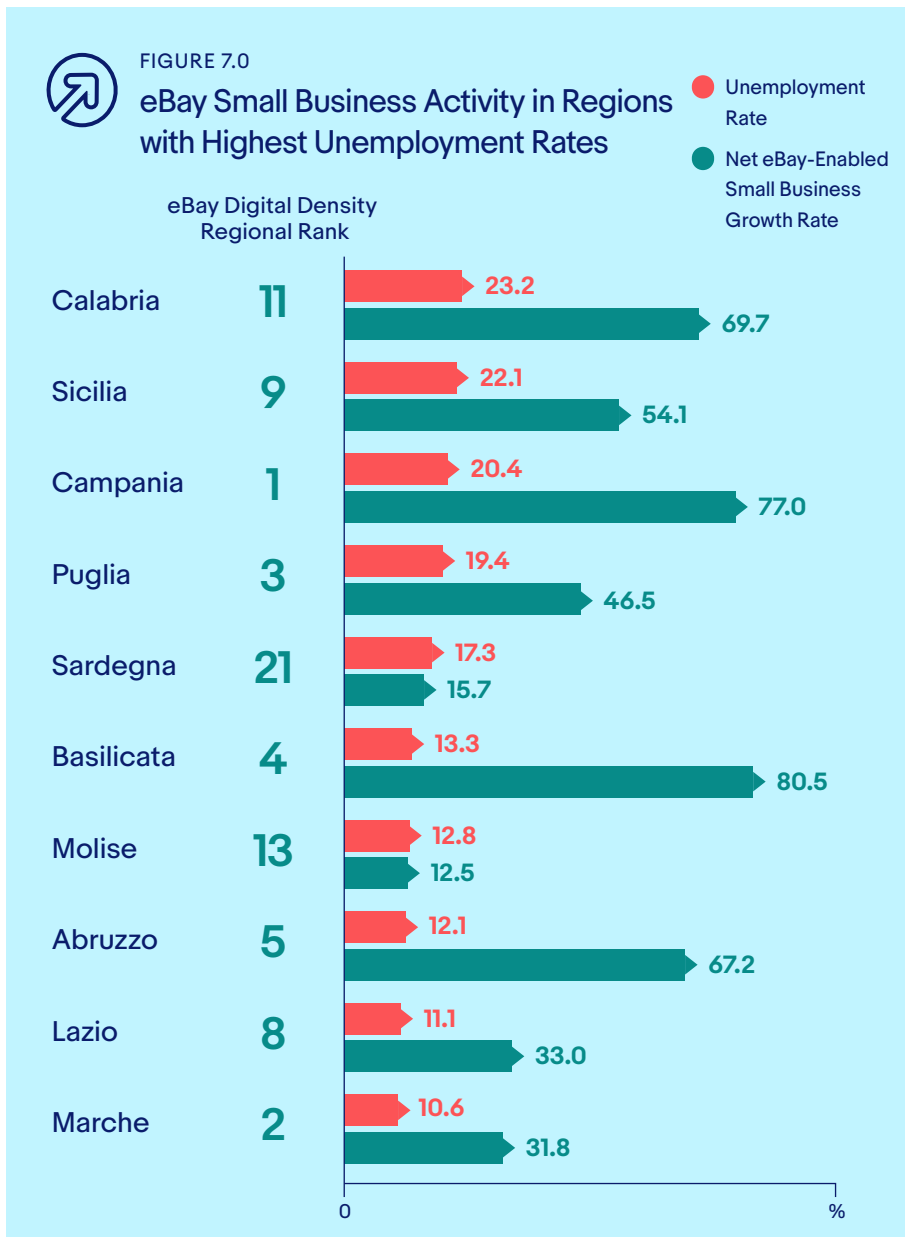
eBay Enterprise Growth Rate (2012–2016)  
**80.5% (1st)**

### Top Ten Regional Export Categories

- 1. Clothes, Shoes & Accessories
- 2. Auto - Parts
- 3. Jewelry & Watches
- 4. Musical Instruments
- 5. Health & Beauty
- 6. Consumer Electronics - Video
- 7. Collectables
- 8. Home & Garden
- 9. Sporting Goods
- 10. PC & Video Gaming

## eBay Small Business Activity in Regions with Highest Unemployment Rates

Italy suffers from great regional disparities in terms of unemployment, the largest such problem among OECD countries. Ten regions face double-digit unemployment, with three regions, Calabria, Sicilia and Campania in excess of 20 percent.<sup>28</sup> Seven of the Top Ten regions for eBay Digital Density in Italy are among the ten regions with the highest unemployment levels, including the top five regions for eBay Digital Density. In addition, a number of the regions with the highest unemployment rates are also home to some of the strongest rates of net growth in the number of eBay-enabled small businesses, with six of the highest net enterprise growth rates from 2012 to 2016 appearing in regions with the highest unemployment levels. Calabria, Sicilia and Campania, regions that topped 20% unemployment, each produced greater than 50% increase in the number of eBay-enabled small businesses from 2012 to 2016.



## Comparing Net Enterprise Growth Rates

Very low growth in the net number of business enterprises in Italy would not be a surprise given the sluggishness of the overall economy. However, the -1.3% nationwide reduction in total business enterprises from 2012 to 2016 is striking.<sup>29</sup> The comparable rate of growth in the net number eBay-enabled small business was 40 percent.

At a regional level, only four regions in Italy exhibited any growth in number of businesses enterprises. The top performers in the traditional economy were Provincia di Bolzano, Lazio, Provincia di Trento and Campania. The 2.3% rate of net enterprise growth in Provincia di Bolzano was the only regional rate exceeding 2 percent. On eBay, by comparison, every region experienced double-digit growth in the net number of eBay-enabled small businesses from 2012 to 2016. Seven regions saw net enterprise growth exceeding 40%, with Basilicata leading the way with an 80% increase in the number of eBay Commercial Sellers, resulting in the fourth highest level of Digital Density among Italy's regions. **Figure 8.0** shows the level of reduction in net enterprises in the ten Italian regions with the largest declines in the net number of business enterprises, along with the comparable increases on eBay in each region.

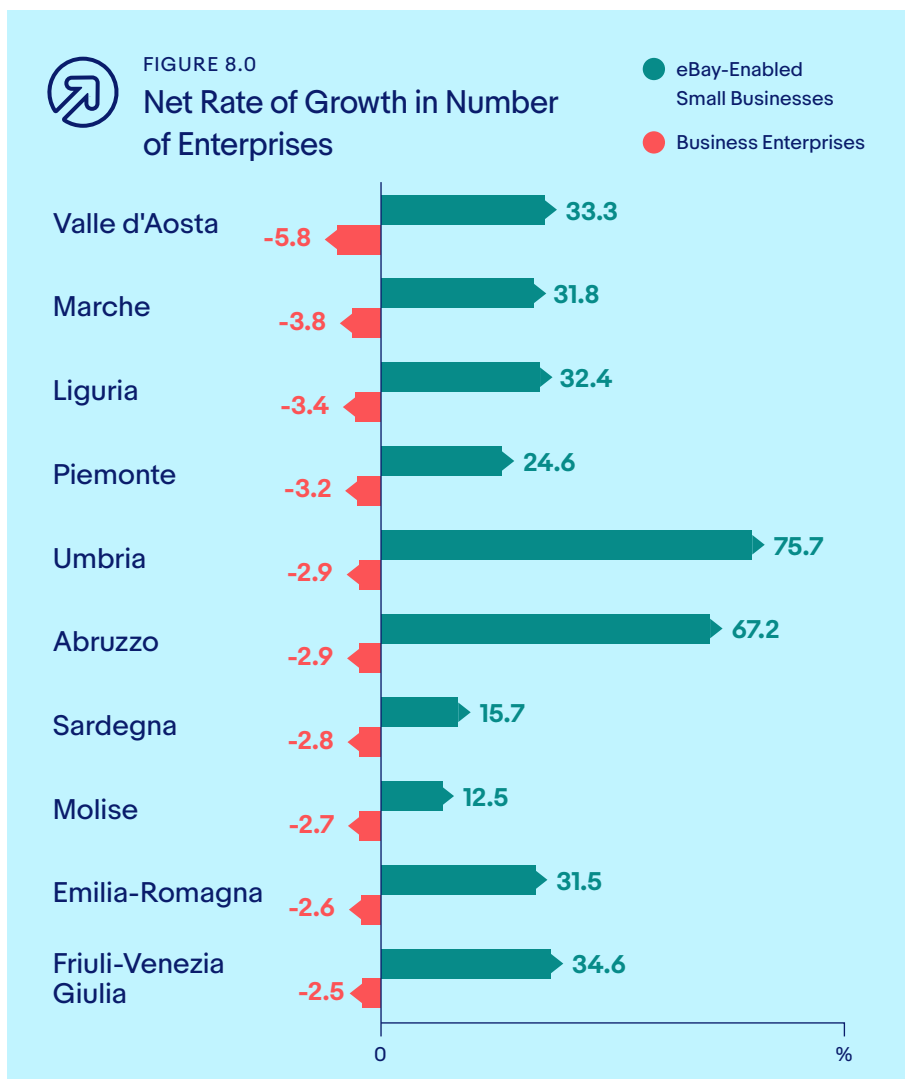


### Youdreamitaly

#### Maria Gabriella Russo

NAPLES, ITALY

Before having children, YouDreamItaly.com co-owner Maria Gabriella Russo spent her career in the exports and logistics department of a global dairy company. After children, she took a break from the workforce for a short time before she and her husband Vincenzo decided to start their own venture. Combining Vincenzo's IT background with Maria's export expertise, the duo took a risk starting their own ecommerce business, but since 2011 have seen great success. Through YouDreamItaly.com and eBay, Maria and Vincenzo sell the best Italian (Campania - South of Italy) food products. Thanks to these online platforms, the couple is able to share a taste of Italy with the world, while maintaining the flexibility to spend plenty of time with family. In the past few years, business has been such a success that Maria and Vincenzo are seeking additional warehouse space for their ever-increasing inventory.



# Conclusion

It is widely recognized that the Internet and technology platforms have dramatically changed economies globally and the opportunities available to people nearly everywhere. The world seems a smaller place, and the global economy appears closer to every community. Some find these changes as a positive, and some see disturbing trends and challenges. One concern is that technology and Internet services promote economic concentration with the most prosperous communities enjoying the bulk of the wealth and meaningful growth in the economy, while growth for those not fortunate enough to be living in a prosperity hub is slow to non-existent. This fuels the concern that the rich are getting richer and the poor are getting poorer, and that technology and global commerce are contributing to this phenomenon by powering the increasingly smaller number of global growth hubs.

This two-part report looked at the impact of eBay-enabled small businesses and entrepreneurs in Italy who use the eBay commerce platform to reach consumers across Italy and around the world. The ability to serve consumers who are not in the local market is a fundamental benefit of the Internet commerce model, which is especially beneficial to smaller enterprises. The data on exporting by eBay Commercial Sellers in Italy is striking and consistent with the trade performance of eBay Commercial Sellers globally. In short, 96% of eBay-enabled small businesses based in Italy are exporting and averaging 19 export markets per year. And these striking export numbers, which dwarf export rates in the traditional economy, are being achieved by small businesses in communities across Italy, whether based in the country's metropolitan centers or more rural and traditionally agricultural regions.

The second part of the report explores more deeply the very strong performance of eBay-enabled small businesses in many of Italy's most economically challenged regions. Italy is a country that has suffered both widespread economic stagnation as well as meaningful regional disparities. A number of regions with the highest poverty rates and unemployment rates in Italy, where the traditional economy has faced deep and long-term challenges, have some of the most robust and fastest-growing eBay-enabled small business communities. Three of the most noteworthy are Sicilia, Calabria and Campania. Campania, with the second highest poverty rate and the third highest unemployment rate, is the top region in Italy based on eBay Digital Density and the most robust eBay-enabled small business community. Finally, while net enterprise growth in the overall economy was flat or negative across Italy, on eBay net growth in the number of eBay-enabled small businesses was very strong.

eBay's global commerce platform is conclusively reducing the barriers that have traditionally locked most micro and small businesses, including in Italy, into their local market. Consumer demand and commerce opportunities across the country, Europe more broadly, and globally, are now available to small enterprises in communities across Italy. While this is a major growth opportunity for independent small businesses all across Italy, the ability to access customers outside of

the local market is proving especially valuable to remote and less advantaged communities. Government tax, regulatory and economic development policies aimed at enabling meaningful local economic development in less advantaged and remote regions should pay particular heed to the challenges facing technology-enabled independent small business models.

# Appendix

# eBay Digital Density Ranking

1. Campania
2. Marche
3. Puglia
4. Basilicata
5. Abruzzo
6. Umbria
7. Emilia-Romagna
8. Lazio
9. Sicilia
10. Piemonte
11. Calabria
12. Toscana
13. Molise
14. Lombardia
15. Liguria
16. Friuli-Venezia Giulia
17. Veneto
18. Provincia di Bolzano
19. Valle d'Aosta
20. Provincia di Trento
21. Sardegna

# Resources

- <sup>1</sup> Although there is no single standard, small businesses are generally considered to be firms of less than 500 employees, although a standard of 250 employees is not uncommon. A subcategory of micro enterprises is also commonly used, often representing firms with fewer than 10 employees, although again ranges vary but generally fall below 20 employees.
- <sup>2</sup> Examples from economic literature include: Disdier, Anne-Celia and Keith Head (2008) “The Puzzling Persistence of the Distance Effect on Bilateral Trade.” *Review of Economics and Statistics* 90(1), 37-48; Chaney, Thomas (2011) “The Gravity Equation in International Trade: An Explanation.” *Journal of Political Economy*, The University of Chicago; Allen, Treb (2011) “Information Frictions in Trade” Job-Market paper, Yale University.
- <sup>3</sup> Lendle, A., M. Orlareaga, S. Schropp, and P.L. Vezina (2012) “There Goes Gravity: How eBay Reduces Trade Costs.” World Bank Policy Research Working Paper No. 6253. Available at: <http://documents.worldbank.org/curated/en/260421468147866905/There-goes-gravity-how-eBay-reduces-trade-costs>
- <sup>4</sup> Gomez-Herrera, E., B. Martens, and G. Turlea (2013) “The Drivers and Impediments for Cross-Border E-Commerce in the EU.” European Commission Joint Research Center Technical Reports: Digital Economy Working Paper 2012/2. Available at: <http://publications.jrc.ec.europa.eu/repository/bitstream/JRC78588/Ifna25778enn.pdf>
- Note: “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” [Page 21]
- <sup>5</sup> eBay (2013) “Commerce 3.0 For Development.” Available at: [https://www.ebaymainstreet.com/sites/default/files/eBay\\_Commerce-3-for-Development.pdf](https://www.ebaymainstreet.com/sites/default/files/eBay_Commerce-3-for-Development.pdf)
- <sup>6</sup> Orlareaga, Marcelo, and Sidley Austin LLP (2012) “Enabling Traders to Enter and Grow on the Global Stage.” [See Page 12] Available at: [http://www.ebaymainstreet.com/sites/default/files/eBay\\_Enabling-Traders-to-Enter-and-Grow-on-the-Global-Stage.pdf](http://www.ebaymainstreet.com/sites/default/files/eBay_Enabling-Traders-to-Enter-and-Grow-on-the-Global-Stage.pdf)
- <sup>7</sup> eBay (2017) “Bridging Distance to Opportunity: An eBay Report on How the Online Commerce Platform Enables Inclusive Economic Opportunities in France.” [See Page 5, Figure 1.1] Available at: <https://www.ebaymainstreet.com/policy-papers/bridging-distance-opportunity-french-small-businesses>
- <sup>8</sup> 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.
- <sup>9</sup> Source for total number of Italy enterprises that export to all countries of the world including EU (all NACE activities) (2016): Eurostat: “Trade by NACE Rev. 2 activity and enterprise size class” (code: ext\_tec01), available online at [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ext\\_tec01&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ext_tec01&lang=en)
- Source for total number of Italy enterprises (business economy except activities of holding companies) (2016): Eurostat: “Business demography by legal form (from 2004 onwards, NACE Rev. 2)” (code: bd\_9ac\_l\_form\_r2), available online at [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=bd\\_9ac\\_l\\_form\\_r2&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=bd_9ac_l_form_r2&lang=en)
- Share = (total number of Italy enterprises that export) / (total number of Italy enterprises)
- <sup>10</sup> The eBay data reflects the share of 2016 eBay-enabled small businesses (those with \$10,000 USD or more in sales on eBay) in Italy, who exported in that year.
- <sup>11</sup> For example, see Roberts, Mark J. and James R. Tybout. “Directions in Development: What Makes Exports Boom?” (Washington, D.C.: The World Bank, 1997a); Bernard, Andrew and Joachim Wagner. “Export entry and exit by German firms.” *Review of World Economics (Weltwirtschaftliches Archiv)*, 137 (2001), 105-123.; Bernard, Andrew and J. Bradford Jensen. “Entry, Expansion, and Intensity in the U.S. Export Boom, 1987-1992.” *Review of International Economics*, 12 (2004b), 662-675.
- <sup>12</sup> The eBay data reflects the average number of different foreign markets reached by 2016 eBay-enabled small businesses (those with \$10,000 USD or more in sales on eBay) in each location, who exported in that year.
- <sup>13</sup> Institut National de la Statistique et des Etudes Economiques
- <sup>14</sup> Bellas, D., J.C. Bricongne, L. Fontagné, G. Gaulier, and V. Vicard (2010) “Une analyse de la dynamique des exportations des sociétés françaises de 2000 à 2009.” Institut National de la Statistique et des Etudes Economiques (INSEE). Available at: <https://www.insee.fr/fr/statistiques/fichier/1377169/ES438P.pdf>
- <sup>15</sup> The eBay data reflects the top 5 export country destinations (based on sales) for 2016 eBay-enabled small businesses (those with \$10,000 USD or more in sales on eBay) in Italy, who exported in that year.
- <sup>16</sup> OECD Trade by enterprise characteristics data, 2016, for Italy, retrieved from [https://stats.oecd.org/Index.aspx?DataSetCode=TEC4\\_REV4](https://stats.oecd.org/Index.aspx?DataSetCode=TEC4_REV4)
- <sup>17</sup> The eBay data reflects the share of exporting 2016 eBay-enabled small businesses (those with \$10,000 USD or more in sales on eBay) in each location, who exported to 10 or more different foreign markets in that year.
- <sup>18</sup> The eBay data reflects the share of exporting 2016 eBay-enabled small businesses (those with \$10,000 USD or more in sales on eBay) in Italy, who exported to four or more continents in that year.
- <sup>19</sup> OECD (2017) “How’s Life in Italy?” Available at: <http://www.oecd.org/italy/Better-Life-Initiative-country-note-Italy.pdf>
- <sup>20</sup> OECD (2017) “OECD Economic Surveys: Italy.” Available at: <http://www.oecd.org/eco/surveys/italy-2017-OECD-economic-survey-overview.pdf>
- <sup>21</sup> OECD (2017) “How’s Life in Italy?” Available at: <http://www.oecd.org/italy/Better-Life-Initiative-country-note-Italy.pdf>
- <sup>22</sup> OECD (2018) “Regions and Cities at a Glance 2018 – Italy.” Available at: <https://www.oecd.org/cfe/ITALY-Regions-and-Cities-2018.pdf>
- <sup>23</sup> See: Bosma, Niels and Veronique Schutjens (2011) “Understanding Regional Variation in Entrepreneurial Activity and Entrepreneurial Attitude in Europe.” *The Annals of Regional Science* 47(3):711-742; European Commission (2013) “The Regional Entrepreneurship and Development Index (REDI) – Measuring Regional Entrepreneurship.” Available at: [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)



<sup>24</sup> European Commission (2013).

<sup>25</sup> Economic Innovation Group (2017) "The 2017 Distressed Communities Index." Available at: <https://eig.org/wp-content/uploads/2017/09/2017-Distressed-Communities-Index.pdf>

<sup>26</sup> See our initiative "Inside the eBay Economy", which identifies Seller Hotspots in the UK, Germany, Italy, France and Spain: <http://inside-ebay.eu/inside-ebay#seller-hotspots>. These are regions with the highest number of eBay businesses per 10,000 capita.

<sup>27</sup> Eurostat, At-risk-of-poverty rate by NUTS2 regions (tgs00103).

<sup>28</sup> Eurostat, Unemployment rate by NUTS2 regions (tgs00010)

<sup>29</sup> Eurostat. Business demography by size class and NUTS 3 regions [bd\_size\_r3] / Population of active enterprises in t - number / Industry, construction and services except insurance activities of holding companies.

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