

LEARNING BY EXPORTING

E-COMMERCE IS THE PLATFORM FOR EUROPEAN ENTREPRENEURS TO TEST, TRY, SELECT & GROW

The large majority of small firms using eBay and PayPal trade cross-border. These entrepreneurs operate in a different environment empowering them to think and act globally.

The main characteristic of the online marketplace is that it is almost flat. Geographical distance reduces online EU cross-border trade by less than 3% compared to 16% observed for offline.

The key beneficiary of this flatter marketplace is the small entrepreneur. By leveraging the global reach of the Internet and the efficiency of various digital services, entrepreneurial small firms build up a customer base that spans across countries – not cities! It is not unusual to serve consumers in as many as 170 markets. The average customer pool for a UK firm on eBay taps 21 different markets.

E-commerce is thus a platform from where entrepreneurs can test and try out product categories and service models, select which ones work or don't work based on experience and feedback, and from there go on to grow global businesses with a local basis.

¹ Available: <https://www.ebaymainstreet.com/commerce-3>

Our suite of "Commerce 3.0" reports¹ describes how firms on the eBay Marketplace initially grow by trading different product categories; but as they gain experience, they specialize and grow through higher sales per category rather than by continuing to expand into new categories. These firms leverage the "flatness" of the online marketplace to learn what works best for them through real life experiences.

It did start very small because it's a frightening step going from employment to self-employment. ... With eBay, you can start with £50 of stuff. I think it is a great way to start, and you can test the market.

Rachel White, founder of www.thingimijigs.com

The idea that your product could be available to the whole world, that was mind-blowing to me.

Erik Fagerlind, founder of Sneakersnstuff

We used our own experience to build it up.

John Hewitt, founder of Bamford Trading, UK

An EU policy agenda fit for this "learning by exporting" mindset should focus on:



Harmonizing shipping and postal regimes



Fortifying intermediary liability exemption regimes



Increasing de minimis thresholds for customs duties



Introducing international copyright and trademark exhaustion



Creating confidence in digital payments



Rolling out electronic customs

SUPPORTING LEARNING BY EXPORTING: EU POLICY TO HELP OVERCOME THE CHALLENGES FACED BY EUROPEAN ENTREPRENEURS

CHALLENGE 1

EXPENSIVE CROSS-BORDER SHIPPING

"It is currently very expensive to ship cross border and we're constantly working on our pricing structure because of it."

Erik Fagerlind in Sweden started Sneakersstuff together with a friend in 1999. Today they employ 53 people across three physical stores and an online shop. The online shop makes their products "available to the whole world" says Erik. Indeed 70% of the business is export.

"It has become a very successful business ... we have seen our hard work pay off."

Andrea and Hans Goenner in Germany sought to liquidate a failed textile company selling the wool online. It turned into a very successful venture – Garnwelt – specializing in high quality, branded wool and trading online as well as through a small store. They sell mainly domestically with a little exporting to the US, Russian and Australia; they would expand further internationally if shipping rates were lower and the services more predictable.

RECOMMENDATION

Create a Parcel Delivery Scoreboard to measure progress on the actions set out by the European Commission in its 2013 roadmap for completing the single market for parcel delivery, and including the recommendations by the European Parliament in its resolution of 4 February 2014.

CHALLENGE 2

BURDENSOME CUSTOMS ADMINISTRATION IN INTERNATIONAL TRADE

"The secret to our success is the variety and quality of our products. Our competitors were only offering ham and chorizo so we decided to diversify."

William van de Merwe's business JamonShop in Spain sells Spanish ham and culinary products to Spanish expats and gourmets across the EU. The US would be a fantastic market but legal requirements around permits for bio-matter shipments prevent this from becoming a viable business prospect.

RECOMMENDATION

Conclude a free trade agreement with the US that reduces administrative burdens for small businesses and set a global best practice standard for SME-friendly trade deals.

CHALLENGE 3

PRESCRIPTIVE 20TH CENTURY PAYMENTS REGULATION THAT IMPEDES ROLL-OUT OF INNOVATIVE ONLINE PAYMENT METHODS

"The power of PayPal lies within the security and protections that it provides to the customer."

Jean Louis Gone was quick to establish his business Varionet as an online player even if the online optical market is still very new to French consumers. The ambition was to enable his business to join the global optical industry while also position it as a leader in the French market. Gone uses PayPal finding it a quick and trusted solution.

"Most of my customers use [PayPal] because of its convenience and security."

Oliver Margaron in the UK turned his part time venture into a full time business in 2008 outgrowing his bedroom, the garage, a shipping container and a small warehouse. He sells audio-visual items and accessories, doubling sales every year and today exports account for about 40% of operations.

"Using PayPal increases our exposure."

Dimitri Kontogeorgos was a pioneer when he started airtickets.gr in 1998. In 2000, airtickets.gr made just one travel reservation per week and today they make one reservation per minute. By leveraging the internet, his company has experienced tremendous growth going from a handful of employees to 135. Dimitris recognizes the increasing importance of mobile technologies in what he views as "the era of portability," and the company proudly operates an award winning app.

RECOMMENDATION

Risk-based approach should be the preferred regulatory methodology in the area of payments security legislation. It could be implemented in a measurable, objective and balanced manner through dynamic performance standards, and enforced by a single supervisor through the application of the home member state principle.

CHALLENGE 4

ONLINE SALES RESTRICTIONS

"I'm seriously concerned about manufacturers' efforts to forbid me from selling on online marketplaces – often for poor reasons. We're basing ourselves on an Omni-Channel retail strategy: we reach consumers through our brick-and-mortar stores, through our own online shop, and through our presence on online marketplaces."

Andreas Müller, CEO of Deltatecc/extpert Müller Group, was just a student looking to make some extra cash in his spare time when he and his friends decided to start a business selling items online on the eBay platform in 2002. Today, Deltatecc is among the most successful online companies of branded entertainment and household goods in Germany.

RECOMMENDATION

Stop discriminatory distribution restrictions in online commerce by vigorously enforcing competition law against vertical restraints

CHALLENGE 5

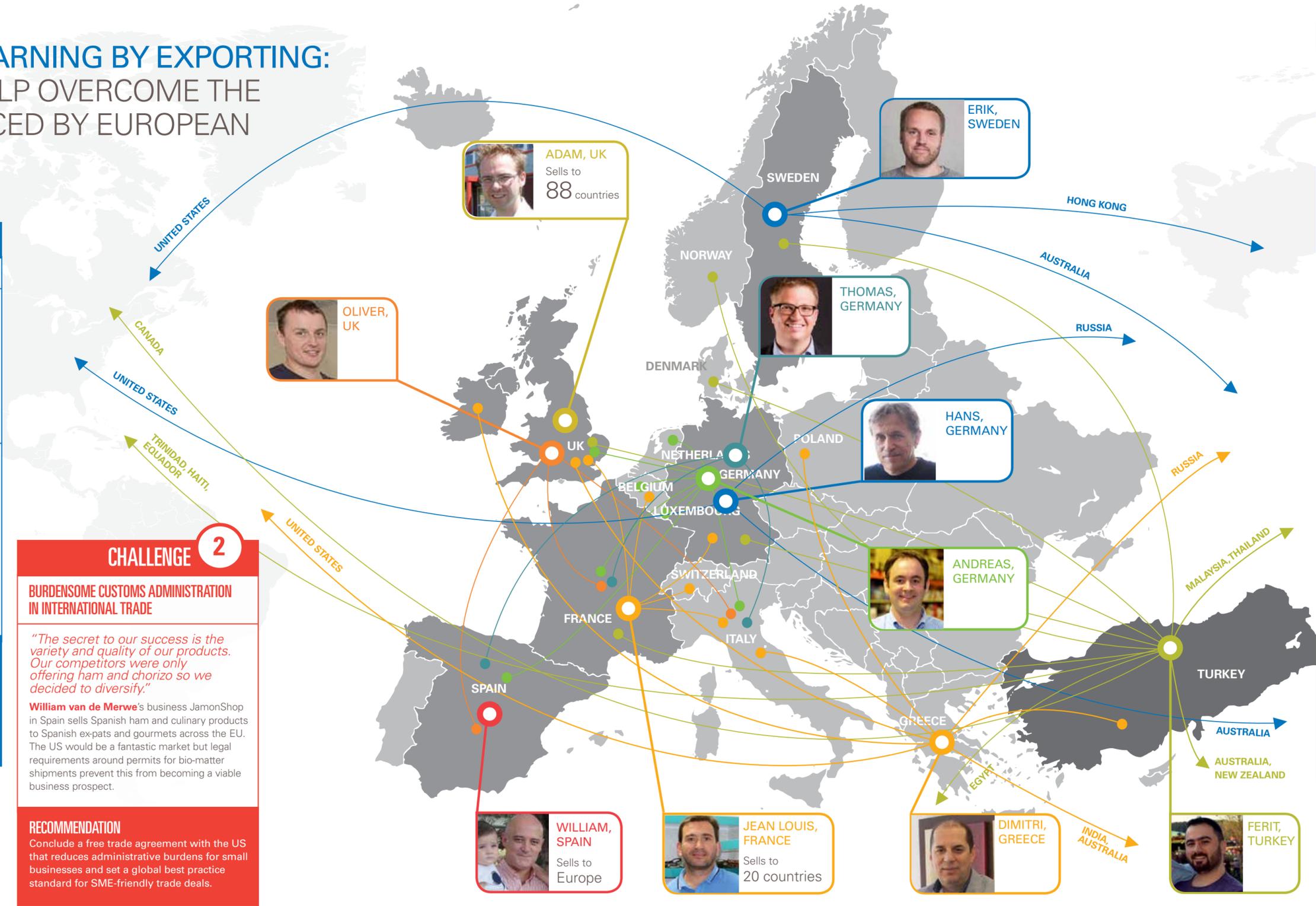
MAINTAINING OPEN MARKETPLACES AS DISTRIBUTION TOOL FOR SMES

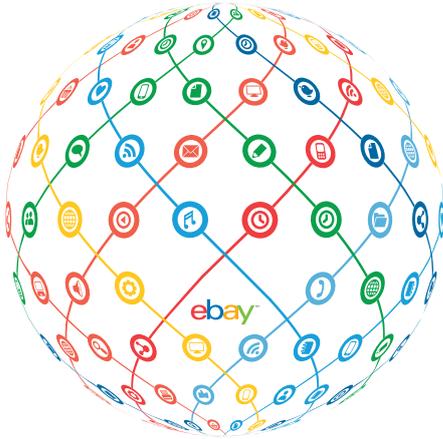
"Without eBay we would not be where we are today. eBay gave us the possibility to sell our products and it allowed us to grow."

Thomas Berkenkämper's company Bedifol started out with one I-did-it-myself product, successfully sold on eBay, and now sells 148,000 protective film products for 19,000 different devices. 50% is exports, mainly to Europe.

RECOMMENDATION

Member States must safeguard the important role of internet intermediaries in the ecosystem, and refrain from imposing general monitoring obligations or liability without actual knowledge on intermediaries.



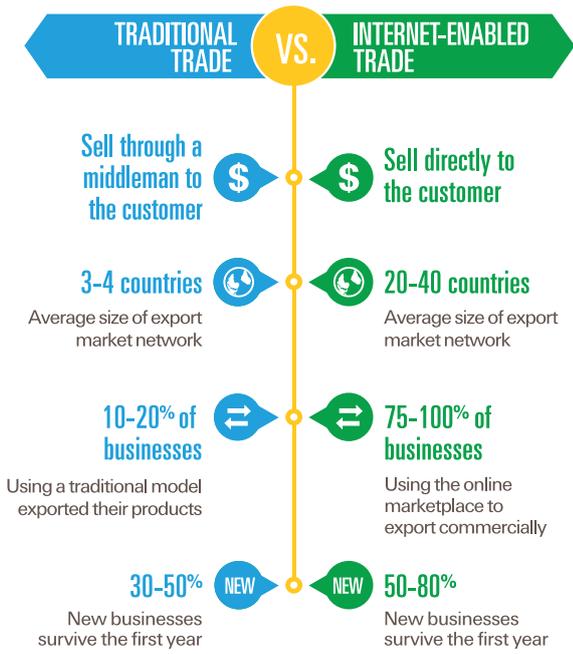


21st CENTURY TRADE

Through the power of the Internet and technology, small businesses are able to reach beyond a local consumer base and access global markets like never before.

WE CALL IT COMMERCE 3.0

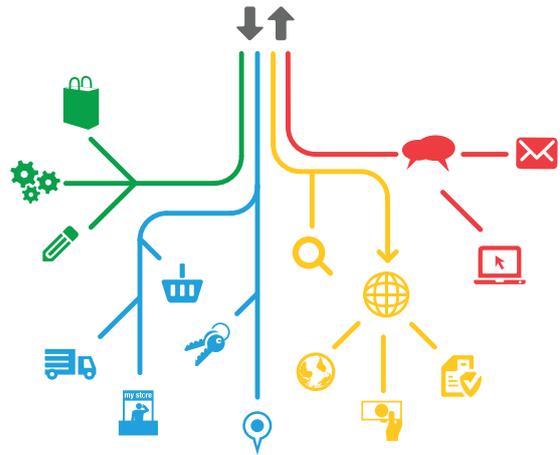
Commerce 3.0 represents the change taking place when international trade is no longer the privilege of the largest players or select countries.



TECHNOLOGY-ENABLED BUSINESSES

- ✓ Maintain local presence
- ✓ Contribute to local economy
- ✓ Increase revenue through global customer base

Trade barriers are 83% lower on global digital marketplaces; 94% lower for trade from developing countries



MOVING COMMERCE 3.0 FORWARD

What it takes:

Government policies that better empower technology-enabled small businesses to grow and thrive globally.

- SERVICES**
 Electronic payment methods, marketing services and translation
- LOGISTICS**
 Improved customs processes, harmonized shipping regimes
- INTERNET**
 Investment in interconnected broadband, smartphone technology
- POLICY**
 Fortifying intermediary liability exemption regimes, introducing SME-friendly free trade agreements, raising de minimis thresholds for customs duties, introducing balanced intellectual property rights regimes