



BRIDGING DISTANCE FOR SMALL BUSINESSES IN GERMANY

An eBay Report on How the Online Commerce Platform Promotes
Inclusive Economic Opportunities

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INTRODUCTION

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

This report describes how the online platform model for commerce reduces the costs of doing business over distance and thereby allows small businesses throughout Germany to extend their market reach. Indeed, almost all small firms leveraging the eBay Marketplace in Germany are international, they served customers in on average 18 different countries in 2016, and they operated from almost anywhere in the country.

The research presented in this report shows that the online platform model of commerce has the potential to support inclusive growth by micro and small enterprises, to promote regional inclusion, and to enable self-employment. The online commerce platform thus supports diversification of the German economy in multiple ways: it broadens export participation beyond large companies and dependent small firms and it spreads business creation and growth more evenly across the country.

To put a face on this great potential, this report introduces seven entrepreneurs, who have all launched businesses, in different parts of Germany, leveraging the online commerce platform to expand internationally, turn a passion into a living, and fill a market niche. 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.

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

¹ These are "gewerblicher Verkäufer" on ebay.de.

² Approximately €9,000 in 2016.

ABOUT THE EBAY PUBLIC POLICY LAB

The eBay Public Policy Lab seeks to address the public policy challenges that lie at the nexus of technology and commerce.

We conduct innovative research using unique data analytics methodologies and creative insights. We seek to inspire debate at the highest levels of public policy discourse about the future of commerce and how technology can be leveraged to achieve the best possible outcomes for all.

Brian Bieron
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This report provides concrete data demonstrating how micro and small enterprises throughout Germany adopt a platform-based business strategy to expand internationally on their own terms. The research discussed points to the potential of the online commerce platform to support broader based economic growth both in terms of contributing firms and regions. A more diversified German economy that furthers the existing trend of declined disparities between regions is within reach of those looking to harness the power of the internet and technology. However, that requires political action at local, national and EU level. This report therefore ends with policy recommendations to support the digitization of small retailers; address the practice of so-called “cease and desist” letters; and root out online sales restrictions, such as platform-bans.

BRIDGING DISTANCE FOR INDEPENDENT FIRMS

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

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

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

One of the fundamental revolutions brought about by the internet and digital technologies is through online commerce, where the cost of transacting over distance has fallen dramatically. The chief reason is how much easier it is online to overcome uneven access to information

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

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

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



FIGURE 1.1
COMMERCE OVER
DISTANCE

Growth in cross-border commerce

Source: Sidley Austin LLP analysis of eBay data; Eurostat

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

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

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

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

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

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

The difference can be explained by how the online commerce platform model provides access for independent MSMEs to both the internet's global reach as well as to relevant technology tools that further mitigate commerce costs, such as 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 must themselves make the investments required to attract consumers from abroad, and this often before making their first sale.

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

DATA ON INCLUSIVE OPPORTUNITIES

This report provides data from the eBay Marketplace to illustrate the degree to which the online commerce platform is creating inclusive economic opportunities in Germany. We can show that the platform-model of commerce supports diversification of the German economy by enabling internationalization also by small and independent firms – exporting is today dominated by large companies and dependent small firms – and by supporting entrepreneurship and enterprise creation in more and in poorer regions across the country.

SHARE OF EBAY-ENABLED FIRMS EXPORTING

MSMEs play a key role for the German economy, representing about 99% of enterprises. In terms of numbers, wholesale and retail is the sector with amongst the largest share of MSMEs.¹⁰ Ensuring that these firms thrive and are able to benefit from globalization is about economic prosperity but equally about people's belief and trust in

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

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

¹⁰ Destatis Statistisches Bundesamt / Eurostat

trade, openness and government.¹¹ For instance, only about 40% of the German population has expressed trust in that trade creates jobs.¹²

The global financial crisis affected labour productivity growth in both MSMEs and large enterprises. In Germany, labour productivity growth post crisis has been weaker in MSMEs than in large firms. MSMEs have underperformed large firms in recovery.¹³ One explanation may be found in how MSMEs in Germany show a significantly lower average probability for exporting than large enterprises.¹⁴ In comparison to other OECD countries, Germany has a low share of total MSMEs in export.¹⁵ This should be considered against a background of empirical studies confirming that international firms are more productivity than purely domestic.¹⁶

As described, traditional trade is resource dependent. Trade participation typically only increases with size and/or scale. For example, large enterprises accounted for about 81% of German exports in 2013 and MSMEs together for only about 17%. Within the group of MSMEs, middle-sized enterprises had the highest proportion of exports at 12%, small enterprises accounted for 4% and micro firms held only 1%.¹⁷ This correlation between size and trade activity can be seen in the retail and wholesale sector (see table). The relatively great leap between small and medium-sized enterprises in terms of the share of companies exporting could perhaps to some degree be explained by how medium-sized enterprises to a greater extent are controlled by or closely linked to a large company ("dependent firms").¹⁸ This is reflective of the importance of resources and scale for exporting: small dependent firms show a higher foreign trade activity and twice as large probability to export than independent MSMEs.¹⁹

In striking contrast to the traditional economy, nearly every eBay-enabled firm in Germany export. These firms are predominately micro in size and they are trading as independent businesses thanks to them adopting a platform-based strategy to expanding their geographical reach. The online commerce platform is empowering these very small and independent firms to take advantage of globalization through direct access to world markets.

¹¹ OECD, "Small, Medium, Strong. Trends in SME Performance and Business Conditions," May 2017.

¹² OECD, "Towards a Better Globalisation: How Germany Can Respond to the Critics," April 2017.

¹³ OECD, May 2017.

¹⁴ In 2011, MSMEs were exporting with an average probability of 7.8% compared to large enterprises of 31.6%. "The economic importance of small and medium sized enterprises in Germany", authored by Dr. Rene Söllner, German version published in *Wirtschaft und Statistik* 1/2014, https://www.destatis.de/EN/Publications/WirtschaftStatistik/TheEconomicImportance_Soellner_12014_.pdf;jsessionid=616A9F3231E0B8DEFDCA8B2AE006A84B.internetLive2?_blob=publicationFile

¹⁵ OECD, May 2017.

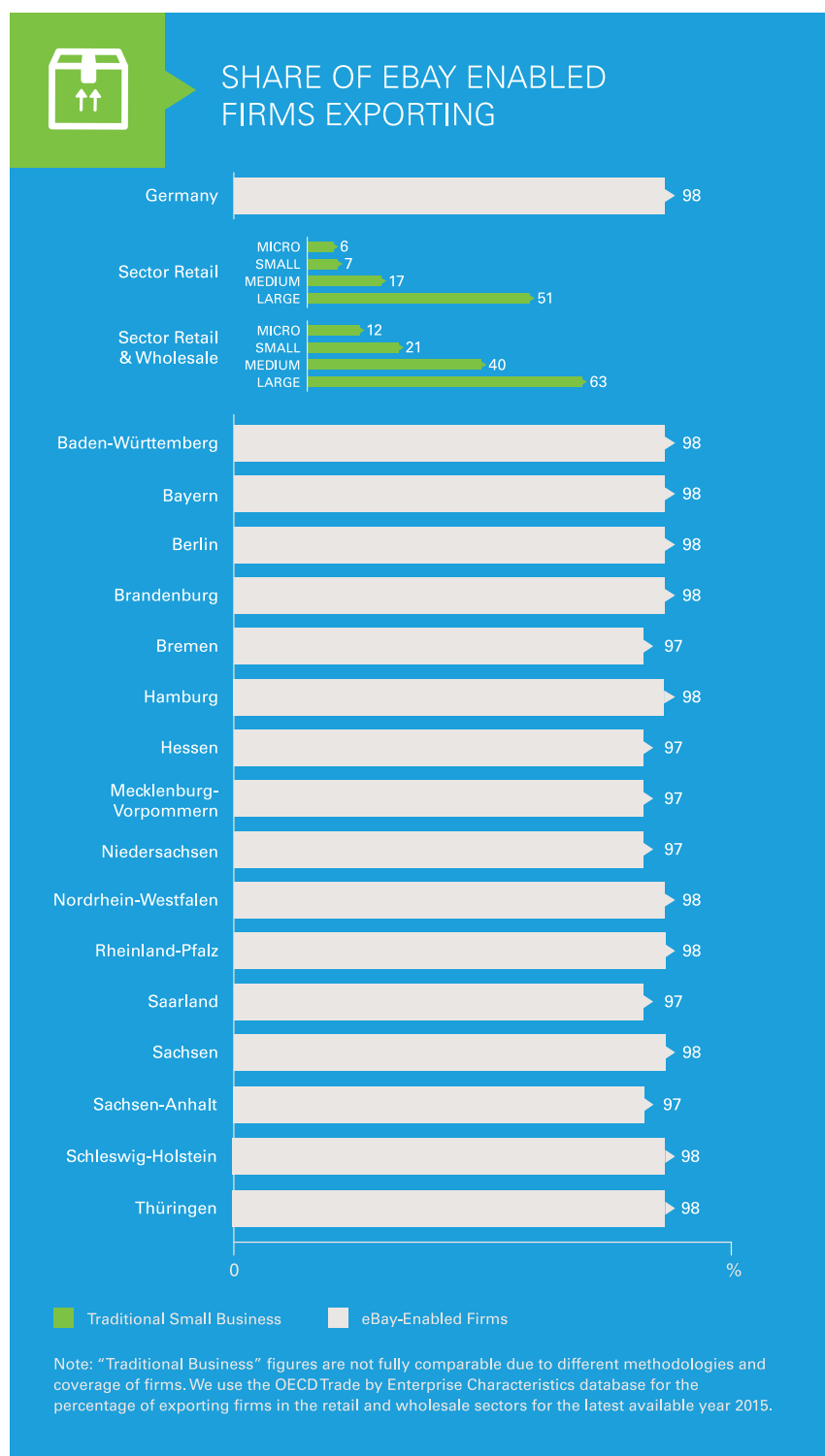
¹⁶ WTO, World Trade Report 2016; OECD, May 2017.

¹⁷ Destatis Statistisches Bundesamt, 2013, <https://www.destatis.de/EN/FactsFigures/NationalEconomyEnvironment/EnterprisesCrafts/SmallMediumSizedEnterprises/SmallMediumSizedEnterprises.html>

¹⁸ Söllner (*Wirtschaft und Statistik* 1/2014) found that, in 2011, every second medium-sized MSME was controlled by another enterprise.

¹⁹ Söllner, *Wirtschaft und Statistik* 1/2014.

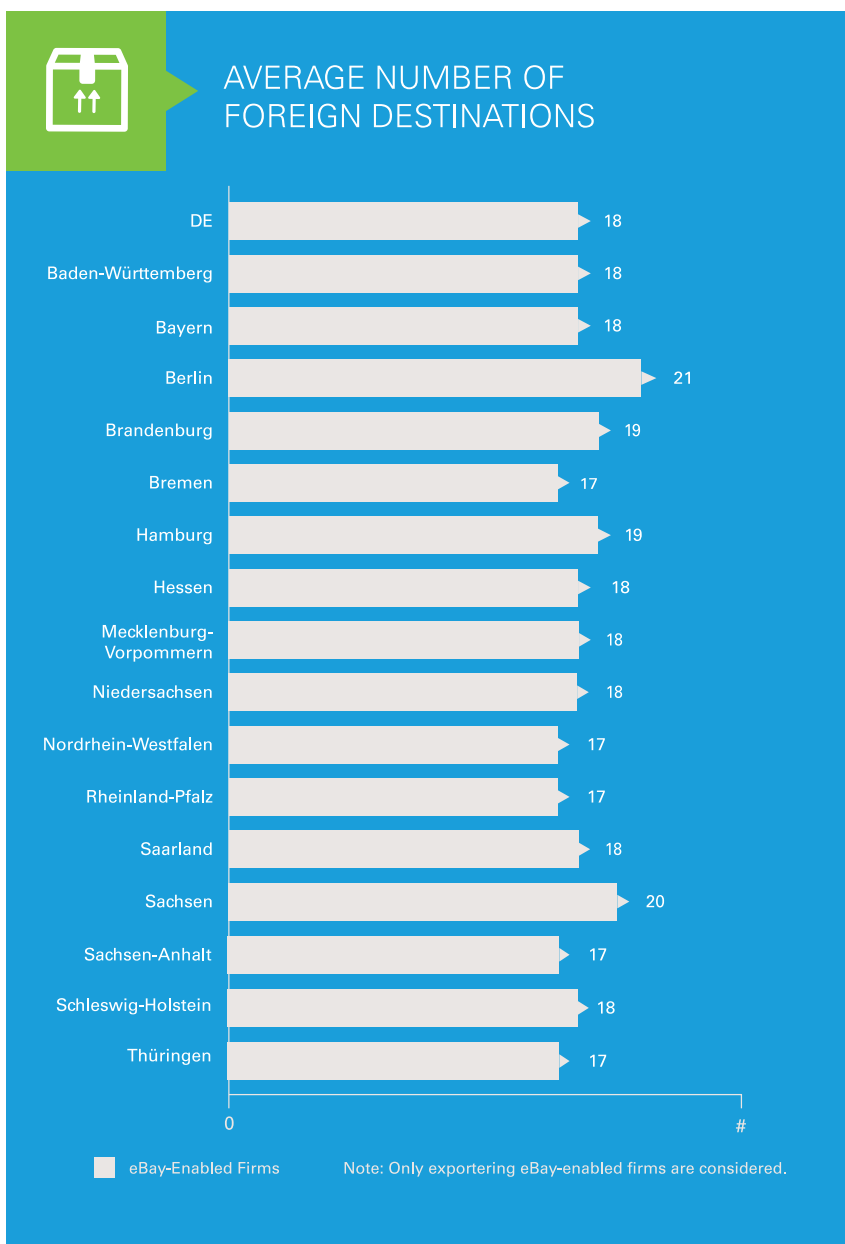
As the online commerce platform opens up trade to in particular micro and small firms, this broadens the basis of economic growth and diversifies the German economy away from direct or indirect dependence on the country's large companies. Moreover, the platform-based trade strategy holds one response to the OECD's recommending that Germany target special efforts at small firms to allow them to better tap into the benefits of world markets and thereby ensure that the whole of Germany is better placed to take advantage of globalization and to boost the population's trust in it.



AVERAGE NUMBER OF FOREIGN DESTINATIONS

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

Throughout Germany, eBay-enabled firms reached between 17 and 21 different countries in 2016. In comparison, the World Bank estimates that the average number of countries reached by exporting firms in Belgium, Bulgaria, Estonia, Portugal and Spain is around four. The OECD reports that, in a majority of OECD economies, 50% or more of exporting enterprises trade with only one other country.



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

OECD reports that firms that manage to export to more than 10 countries are also those dominating trade. In the traditional marketplace, that sort of market reach is confined to a relative few of the very largest firms. In contrast, the online commerce platform model makes it a realistic opportunity for the small and the many: 62% of eBay-enabled firms in Germany served customers in 10 or more different countries in 2016.



62% EBAY-ENABLED FIRMS IN GERMANY SERVED CUSTOMERS IN **10 OR MORE** DIFFERENT COUNTRIES IN 2016.

SHARE OF EBAY-ENABLED FIRMS REACHING FOUR OR MORE CONTINENTS

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

eBay-enabled firms proved to be the most adaptable.²⁰ Between 2009 and 2014, they shifted their share of international selling from EU markets to non-EU markets by 52%. Large traditional firms were half as flexible, shifting their exports by 26%, whereas small traditional firms were found relatively locked into their existing markets (shifting to non-EU by no more than 14%).

Illustrating just how diversified platform-based businesses are, almost a third of eBay-enabled firms in Germany served customers on four or more continents in 2016.



1/3 EBAY-ENABLED FIRMS IN GERMANY SERVED CUSTOMERS ON **FOUR OR MORE** CONTINENTS IN 2016.

²⁰ See eBay's report "Platform-Enabled Small Businesses and Inclusive Economic Opportunities" (2016) Available https://www.ebaymainstreet.com/sites/default/files/ebay_report_pesbieo_.pdf

GERMANY GEOGRAPHICAL INCLUSION

“Inclusive entrepreneurship policies aim to offer all people an equal opportunity to create a sustainable business.”

OECD 2017, The Missing Entrepreneurs.

Entrepreneurship plays an important role in the economy as a driver of innovation and job creation. It also holds potential for strengthening social inclusion by giving another option for earning income and contributing to society.²¹

The German labor market has for sure fared much better than nearly all EU countries over the last decade with very low unemployment rates well below the EU average. This may at least partially explain a “lost momentum” in integrating unemployed people into the labor market through self-employment.²²

Self-employment rates in Germany are relatively low compared to EU average. In 2016, the German self-employment rate was 9.3% compared to 14% for the EU. Germans were also less likely than the EU average to expect to start a business over the 2010 to 2014 period (9.4% vs 12.4%) and the proportion of people involved in setting up or managing a new business was also below EU average.²³

For Germany, ensuring that all people have an opportunity to be successful as an entrepreneur should be embraced as one tool to address emerging economic challenges, create new jobs in a changing society, and ensure continued progress in bridging the gap between its richest and the poorest regions.²⁴ This entails ensuring that aspiring entrepreneurs and existing enterprises can be successful in all parts of the country.

Indeed, traditionally regional entrepreneurship has been strongly correlated to economic development as measured by GDP per capita.²⁵ The academic literature has even argued that regions with persistent high economic growth are characterised by more positive attitudes towards entrepreneurship.

²¹ OECD, “The Missing Entrepreneurs: policies for inclusive entrepreneurship,” December 2017.

²² OECD, December 2017.

²³ OECD, December 2017.

²⁴ OECD, December 2017; OECD, Regional Outlook 2016.

²⁵ “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.

Even though Germany has seen decreased regional inequalities (in terms of GDP per capita) since 2000 and the poorer regions have outperformed the richer regions, there are disparities when it comes to regions' contribution to total enterprise growth in Germany.

We have measured and compared net traditional business growth with net eBay-enabled business²⁶ growth across Germany's 16 Bundesländer for the period 2010 to 2014.²⁷ Looking at the percentage contribution of each region to total growth in enterprise numbers, we find that more regions and more poor regions are able to contribute to total enterprise growth in the platform-enabled economy than in the traditional economy.

Traditional enterprise growth in Germany was clustered in the two richest southern regions of Baden-Wurtemberg and Bayern as well as the capital region Berlin. In contrast to the traditional economy, all four of the poorest regions (Sachsen-Anhalt, Thüringen, Brandenburg, and Mecklenburg-Vorpommern) capture a share of total enterprise growth in the platform-enabled economy. Moreover, two third-tier GDP level regions, Sachsen and Rheinland-Pfalz, contribute to eBay-enabled firm growth at par with that of Berlin, which was not the case in the traditional economy.

Platform-enabled business creation is more geographically inclusive by being less dependent on the economic growth of the regions. In fact, traditional business creation appears to be more than twice as related to how rich a region is than platform-enabled business creation.

HOW DEPENDENT IS BUSINESS CREATION ON A REGION'S ECONOMIC SIZE?



+0.14

EBAY-ENABLED BUSINESS GROWTH



+0.36

TRADITIONAL BUSINESS GROWTH

We measured the correlation between total eBay-enabled and total traditional enterprise growth and the regional distribution of GDP per capita. Correlation is a statistical technique that shows whether and how strongly pairs of variables are related. Correlation is typically measured by the "correlation coefficient," a number that ranges from -1.0 (perfect negative correlation) to +1.0 (perfect correlation)]. Net eBay-enabled business growth is hardly correlated with GDP per capita across regions (a correlation coefficient of +0.14); whereas the correlation coefficient between net traditional business growth and GDP per capita is considerably higher at +0.36.

²⁶ The category of eBay sellers for this study were those with at least USD 10,000 in annual sales on eBay and at least 10 annual transactions. The annual threshold of \$10,000 USD is converted into local currency (€ EUR) based on the 2015 exchange rate to the \$ USD.

²⁷ eBay report, "Towards a More Regionally Inclusive Economy: an eBay study of the contributions that regions make to total enterprise growth in the UK and Germany"; January 2018, available: https://www.ebaymainstreet.com/sites/default/files/ebay_report_uk-germany_v652.pdf. For methodology, see page 4 of the report.

Another way to illustrate the ability of the online commerce platform to support inclusive entrepreneurship and enterprise growth is by studying the regional distribution of active eBay communities of small businesses. To that end, we have created a measurement that covers both how many eBay-enabled firms a region has as well as their sales. Our measurement captures the following two indicators of the level of platform-enabled business uptake in a region: (1) the number of eBay-enabled firms per 10,000 inhabitants and (2) sales by eBay-enabled firms per capita. Together these indicators make up what we call “Digital Density”, a measurement that provides guidance on the geographical distribution of platform-enabled economic opportunities at a more granular regional level.²⁸

Alongside a strong correlation to an area’s economic development, studies of entrepreneurship have found that the number of entrepreneurs is often linked to population growth and density, and so urban areas normally have the most entrepreneurs per inhabitants.²⁹ Ranking the regions in relation to each other on Digital Density, one finds that the regions that rank high are not necessarily the ones with the highest GDP per capita or the largest population.

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

The online commerce platform thus supports diversification of the German economy in multiple ways: it broadens export participation to micro and small enterprises and it spreads business creation and growth more evenly across the country.

²⁸ Digital Density is measured at NUTS 2 level.

²⁹ “Understanding regional variation in entrepreneurial activity and entrepreneurial attitude in Europe”, by Niels Bosma and Veronique Schutjens, *Annals of Regional Science* (2011); see also the European Commission’s REDI Index 2013.

BRIDGING DISTANCE TO OPPORTUNITY IN GERMANY

The online commerce platform promotes economic opportunities also in regions without high GDP or large populations.

* **DIGITAL DENSITY** is a measurement to capture the following two indicators of the level of platform-enabled business uptake in a region:

- 1) The number of eBay-enabled firms per 10,000 inhabitants
- 2) Sales by eBay-enabled firms per capita.

Together these indicators indicate the geographical distribution of platform-enabled economic opportunities.

- LOWER DIGITAL DENSITY REGIONS
- HIGHEST DIGITAL DENSITY REGIONS



GDP PER CAPITA RANK

1 Top Region Hamburg

2. Oberbayern
3. Darmstadt
4. Stuttgart
5. Bremen

Source: Eurostat, latest available year, 2015

POPULATION RANK

1 Top Region Düsseldorf

2. Oberbayern
3. Köln
4. Stuttgart
5. Darmstadt

Source: Eurostat, latest available year, 2016

REGIONAL SELLERS



THÜRINGEN

Tobias Krist
ceilingfanshop

“eBay is an excellent marketplace for cross-border trade”



SAARLAND

Andreas Müller
Deltatecc

“we are selling products across Europe”



TÜBINGEN

Andrea and Hans Gönner
Garnwelt

“Via eBay, we suddenly had direct access to our target group”



HAMBURG

Bülent Özcan and Jörg Dumke
Wunderkopf

“From the beginning, we received requests from eBay users from all over the world every day”



DARMSTADT

Torsten Hornung
Feine Sachwerte

“eBay means emotion and passion to me”



FREIBURG

Christian Schläfer
FanSport24

“eBay allowed me to turn my passion for sports into a successful business”



LÜNEBURG

Christoph Burmester
Avides

“The Internet has no borders – Therefore, we ship almost all articles worldwide”

PLATFORM-ENABLED ENTREPRENEURS

The platform model of commerce enables a great diversity of businesses, most of which were launched out of the desire to seek out the flexibility and freedom that come with running your own business, turn a passion into a living, and aspire to fill a market niche.

Platform-enabled entrepreneurs, like those presented below, show that there is an alternative to market consolidation, uniformity and dominance by ever larger corporations; and they prove that self-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. The potential for a more inclusive and resilient society lies in how the commerce platform both extends access to economic opportunity geographically as well as empowers individuals to launch, grow and internationalize independent businesses.

Tobias Krist

ceilingfanshop

Tobias Krist founded his business in 2002 and is today a global entrepreneur. He sells ceiling fans and accessories. About half of his total sales is generated abroad and he supplies almost the entire world, including Australia, South Africa, South Korea, Argentina and the European overseas territories. "We wouldn't have achieved the international reach that eBay offers through an own web shop. Above all, the close cooperation with WebInterpret opened up markets to us that had previously remained inaccessible due to language barriers".



Andreas Müller

Deltatecc

Deltatecc started in 2003 as a small student project at the University of Saarland, founded by Andreas Mueller. Together with his brother, he sold surplus inventory from family's offline business on eBay. After only two years, the company had a turnover of more than 150,000 euros per month. Today, Deltatecc has 40 employees and both its own web shop and marketplace presence. "With eBay's wide reach, we are selling products across Europe. First and foremost: Germany, Austria, England, France, Italy and Spain", says Andreas Müller.



Torsten Hornung

Feine Sachwerte

Torsten Hornung's family has been selling coins and stamps for three generations. Over the last 20 years, Torsten has used eBay to sell products in 73 different countries worldwide. "Ideally, a Japanese buys an Austrian stamp with a Hungarian stamp from a German seller - that's eBay. In this way, an international product returns to its origins, thanks to the existing infrastructure." Since 2017, Torsten Hornung has creatively connected his local store and his eBay shop. He presents selected items in modern and high-quality LED displays in his shop window - each equipped with QR codes that lead directly to the eBay offers. Passers-by who pull out their smartphones are led to the eBay offers via QR code. "eBay means emotion and passion to me. My buyers are almost always interested in the item itself," says Torsten Hornung.



Christian Schläfer

FanSport 24

In 1999, Christian Schläfer founded one of the first German online shops for sports fans on eBay. Since then it has been his philosophy to have the best possible offer in stock for fans. 10 employees are managing the daily sales and production of fan articles for trade, industry, clubs and private shoppers. The company's most important markets are France, Great Britain, Italy, Spain, Austria, Switzerland and the USA. While fans of exotic teams from their home countries often find it difficult to buy fan articles, these barriers can be easily overcome with the internet.



Bülent Özcan and Jörg Dumke

Wunderkopf

Bülent Özcan is a hairdresser and Jörg Dumke has his origins in online business; together they founded Wunderkopf in June 2016 to sell hair care products and hairdressing supplies online. Within short, they have started selling to other EU countries. "The European market for hair care products, hairdressing products and perfumes is here. From the very beginning, we received several requests from eBay users from all over the world every day. The demand for products that are only produced for the German market is enormous. And so the next logical step was to internationalize our eBay shop," says Jörg Dumke. The opportunity lies in products, such as different shades of hair dyes, that are not available in local stores.



Andrea and Hans Gönner

Garnwelt

Husband and wife Hans and Andrea Gönner founded their company Garnwelt in 2010. They have been riding the wave of the knitting and DIY trend of recent years. "Via eBay, we suddenly had direct access to our target group, the business has literally exploded," says Hans Gönner. Their business has developed into one of the leading online suppliers of craft supplies with around 7,000 articles from various manufacturers and sells around 600,000 balls to hobby knitters and fashion designers every year. They employ about 20 people with an annual average growth rate of 30%. "Thanks to latest IT technologies, we are a very lean company. At the moment, we expand our business internationally and introduce new products such as knitting sets. We plan to make intensive use of the various eBay marketplaces," says Andrea Gönner.



Christoph Burmester

Avides

Avides Media AG was founded in 1997 by Ralf Hastedt in his garage in Brockel near Rotenburg/Wümme – at that time under the name Internet Media Service I-M-S. The business idea was to import English videos and make them available to a broader market via the Internet. Today, the company has developed into Europe's leading remarketing brand, distributing new goods, B goods, returns and used goods all over the world and listing over 400,000 items in several eBay shops. Christoph Burmester and his partner Ralf Hastedt generate 30 percent of their turnover abroad. In total, Burmester and its 180 employees supply between 150 and 170 countries with their eBay shops every year. The core markets are Italy, Spain and Austria.



POLICY ACTION

“Online commerce needs to be strengthened. We achieve this through less red tape and the development of the European Internal Market.”

Daniela Kluckert, Member of Parliament³⁰

This report has described how the online platform model for commerce reduces the costs of doing business over distance and thereby allows small firms throughout Germany to extend their market reach. Indeed, a platform-based business strategy enables those firms to operate from almost anywhere in the country. We find dynamic communities of platform-enabled small firms also in the more peripheral regions that do not benefit from high GDP or large populations. We see that the online commerce platform enables self-employment also in those regions, with individuals realizing a dream of being one's own boss and making ends meet with a deep sense of fulfillment and accomplishment. The commerce platform thus empowers individuals and extends geographically access to economic opportunity. Herein lies the potential for an inclusive and resilient society.

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

AT LOCAL LEVEL



Support local retailers to fully embrace the opportunities of digitization.

Retailers may need some form of support to embrace the transformation required in order to take advantage of the economic opportunities that in particular online commerce platforms present. A practical illustration of how such support could look is the pilot project initiated by Mönchengladbach's private sector development authority in 2015. The authority contacted eBay for help with bringing local businesses online, and eBay assisted with establishing online presence for the businesses and advising them on marketing their products to local as well as foreign customers. The pilot phase ran for nine months, and during that period the 79 participating businesses sold a total of 87,000 items online, generating more than €3,2m in additional sales.

³⁰ Own translation of: "Der Onlinehandel muss gestärkt werden. Wir stärken ihn durch Bürokratieabbau und den Ausbau des europäischen Binnenmarkts." 2017, <https://www.e-commerce-magazin.de//bvoh-podiumsdiskussion-parteien-fuer-den-wettbewerb-im-onlinehandel>.

The project's primary objective was to bring online the town's merchants. But the project also led to the majority of participating businesses starting to engage in exports. During the pilot phase, a total of 84 different countries were served out of Mönchengladbach. eBay has since expanded this type of digitization project to other German cities, e.g. Diepholz. The key success factor has proved to be a close liaison between local retailers, cities and the online marketplace.

The new German Government has indeed recognized how retailers need information and practical support in order to take the necessary steps towards digitization. To that end, it is creating a competence center for trade to support micro, small and medium-sized retailers when faced with new developments. This is an important first step that has started with the "dialogue platform" during the last legislative procedure.

eBay strongly supports the plans of the new German Government to create a competence center to help especially small retailers to digitize their businesses:

- This program should support MSMEs in the important journey from offline to a multi-channel strategy in providing the necessary information for retailers in an easy accessible way and should enable retailers to connect.
- The program should (financially) support MSMEs in taking the first relevant steps in creating a digital business, i.e. the roll-out of an electronic enterprise resource planning system (ERP).
- Cities and communities should closely liaise with merchants to plan and execute a digital strategy – ideally with having a dedicated team to accompany this process.

AT NATIONAL LEVEL



Target national barriers that hamper digital growth by small businesses.

In Germany, a company can send a competitor a cease and desist letter if they feel the competitor is not complying with German laws. Unfortunately, this rule is abused by some lawyers and companies that have made a business model out of it. A study in 2017 by Trusted Shops has found out that almost 50% of online merchants had received a cease-and-desist letter in the last twelve months – with usually 1300 EUR per letter with overall costs of 4700 EUR.³¹

³¹ <https://shopbetreiber-blog.de/2017/11/23/trusted-shops-abmahnstudie-2017-abmahnvereine-werden-zum-problem-fuer-online-haendler/>.

In a survey, eBay together with ECC Köln found out that 82% of the asked online merchants called policy makers for effective measures against cease and desist-letter abuse.³² 87% of the merchants were unsatisfied of the measures that the old Government has undertaken in this field. Moreover, almost 25.0000 people have supported an online petition that calls for legislative changes to address this issue.³³

eBay strongly supports the plans of the new German Government to address cease-and-desist letters:

- We urge the German Bundestag to quickly pass a law that addresses this issue. Such a new law could for example address the amount in dispute (“Streitwert”), limit the number of potential claimants or the number of addressable provisions.
- Moreover, such a new law could also end the so-called “Fliegender Gerichtsstand”, i.e. the possibility to sue at any court in Germany, which makes it even harder to discover an abuse.
- The new competence center for trade should engage with online merchants to understand which barriers prevent these from doing more online business and should then suggest further measures to cut down these barriers.

AT EU LEVEL



Prevent online sales restrictions for the integration of the EU Digital Single Market.

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.

Online sales restrictions, e.g. so-called “platform bans”, hamper the development of pan-European online commerce. Some manufacturers prevent their authorized retailers from selling

³² <https://www.ebayinc.com/stories/press-room/de/jeder-zweite-onlinemarktplatzhaendler-wuenscht-sich-einen-digitalisierungsminister-in-der-naechsten-bundesregierung/>

³³ https://epetitionen.bundestag.de/content/petitionen/ 2018/ 03/ 08/Petition_77180.html.

tangible goods over online-marketplaces, like eBay. These bans prevent retailers 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. The application of platform bans should be closely scrutinized.

eBay calls for strict scrutiny of brands that limit the ability of online merchants to use various sales channels, including online marketplaces:

- Policy makers should support the work of national competition authorities, like the German Federal Cartel Office, that addresses the abuse of contractual limitations of online sales.
- Moreover, policy makers should encourage retailers to use several online channels and facilitate for the reporting of limitations and problems imposed on them.
- Germany should engage in the renewal of the EU Vertical Restraints Regulation (VBER) with a focus on so-called platform bans.



APPENDIX

DATA DEFINITIONS

SHARE OF EBAY-ENABLED FIRMS EXPORTING

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

AVERAGE NUMBER OF FOREIGN DESTINATIONS

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

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

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

SHARE OF EBAY-ENABLED FIRMS REACHING FOUR OR MORE CONTINENTS

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

INCLUSIVE PARTICIPATION BY EBAY-ENABLED FIRMS

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

ebay