



The New European Tigers

The rapid growth of small and medium sized businesses in Bulgaria, Czech Republic, Finland, Greece, Hungary, Poland, and Romania and others.

March, 2018

Introduction



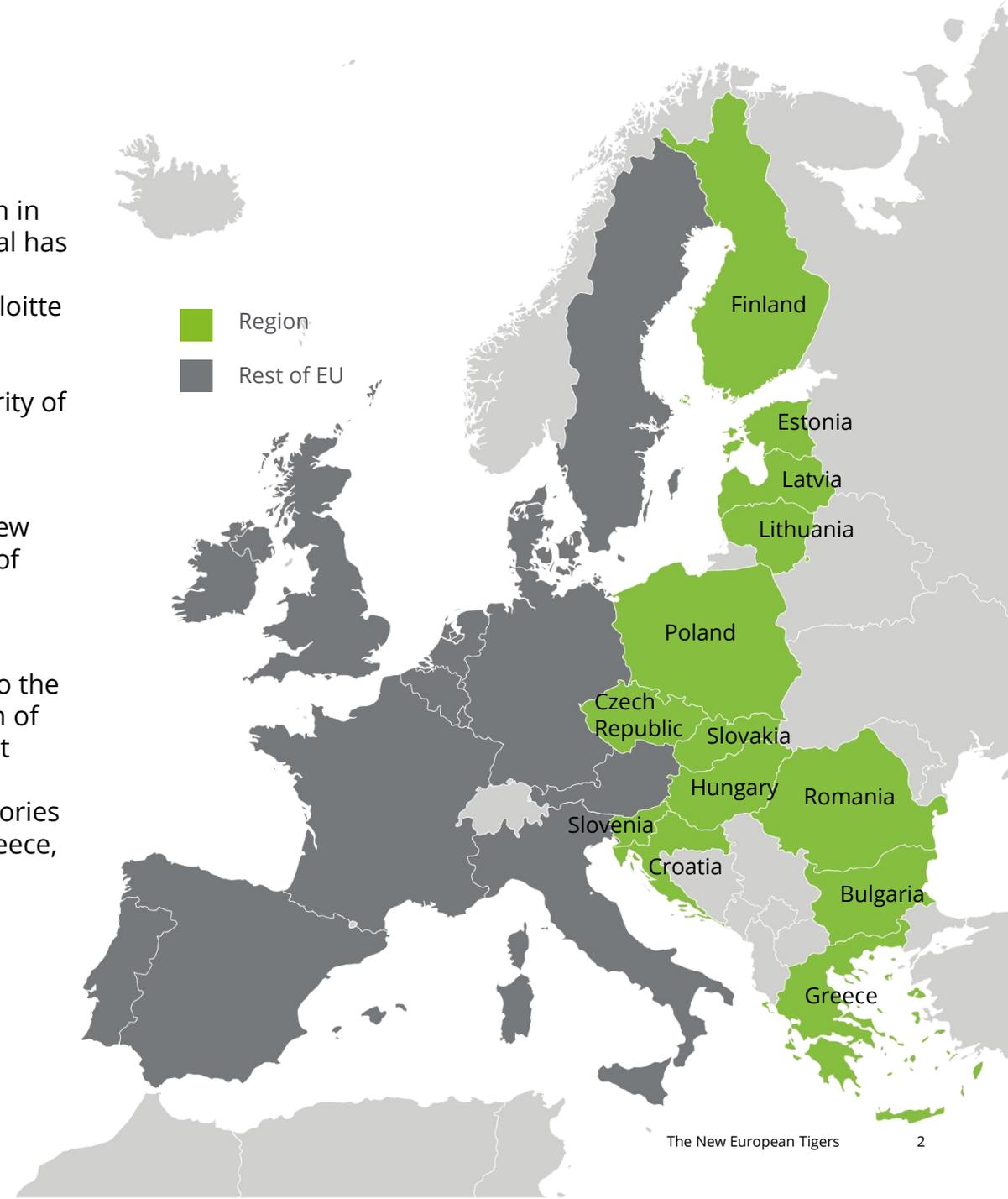
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*Senior Director & General
Manager - Northern
Central Europe*
PayPal

There's a region in Eastern Europe that's enjoying a boom in online small and medium sized businesses (SMBs). PayPal has been supporting SMBs for many years, so seeing this dynamically evolving success story we commissioned Deloitte to help us study the trends in more detail. We were particularly interested to see how new technologies in commerce and payments were helping drive the prosperity of the region.

We found the results of the research so interesting and positive that we named the markets covered in it "The New European Tigers". The report looks at the fundamentals of economic development in the region, as well as shows possible ways to develop this success further.

This report will show how the region is growing, thanks to the positive changes in infrastructure, increasing penetration of technologies and innovation, local talent and last, but not least, the development of online commerce. Look at the numbers in the report, as well as the inspiring real-life stories of companies from Bulgaria, Czech Republic, Finland, Greece, Hungary, Poland, and Romania.

Citizens of region comprise **23% of EU population**



Well-educated
and professional
local talent



People in the region are highly educated and possess valuable skills

Education

More than 35% of people in the 20-24 age group are college or university students, which is 19% higher than in the rest of the European Union.

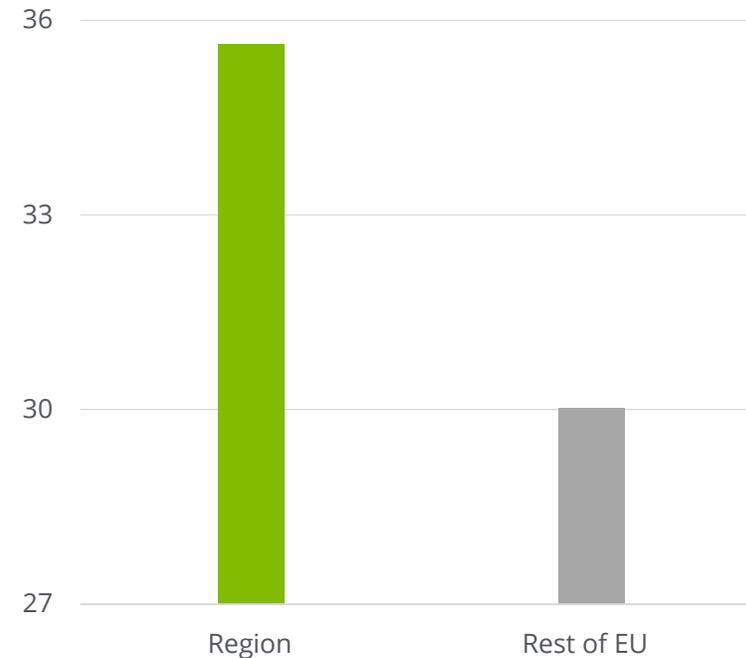
Computer skills

A similar percentage of people possess high level of computer skills in the analyzed countries as in the rest of the EU. Furthermore, the pace of improvement of computer skills in the last years in the region is more than double that of other EU countries.

Languages

The region invests in foreign languages skills. The average number of foreign languages studied by pupils of secondary education is higher in the region (average 1,6) compared to other EU countries (1,4). The equivalent number for Germany is equal to 1. Consequently the share of people claiming at least good knowledge of the best-known foreign language is about 60% in the region, equal to other EU member states.

Percentage of students



Students in tertiary education - as % of 20-24 years old in the population, Eurostat, 2015
EU - other EU countries

Competitive conditions
to start and run
a business



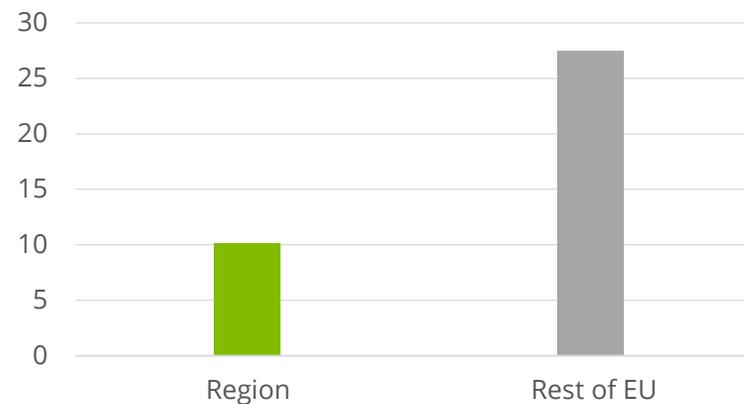
Entrepreneurs have competitive advantage connected with lower labour costs

The region is very competitive in terms of labor market. There are significantly smaller operational costs - average compensation per hour in the region is about 1/3 of that in the rest of EU - 10 EUR in the region, compared to 27 EUR in other EU economies.

The number of SMEs in the region has increased to more than 5,2 M in 2016. Growth is stable and similar to other EU countries (6-7% since 2010).

The share The New European Tigers markets in terms of number of European SMEs is over 23%. In the EU the total number of such firms was over 22M in 2016.

Average compensation of employees per hour worked (EUR)



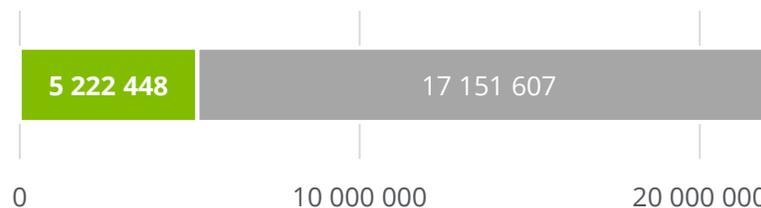
Source: Compensation of employees per hour worked, Eurostat, 2016

Growth in productivity since 2008



Source: Real labour productivity per person, Eurostat, index 2008=100

23% of European SMEs are from the region



Source: Total number of SMEs, Eurostat, 2016

It is cheaper to run a business in the region

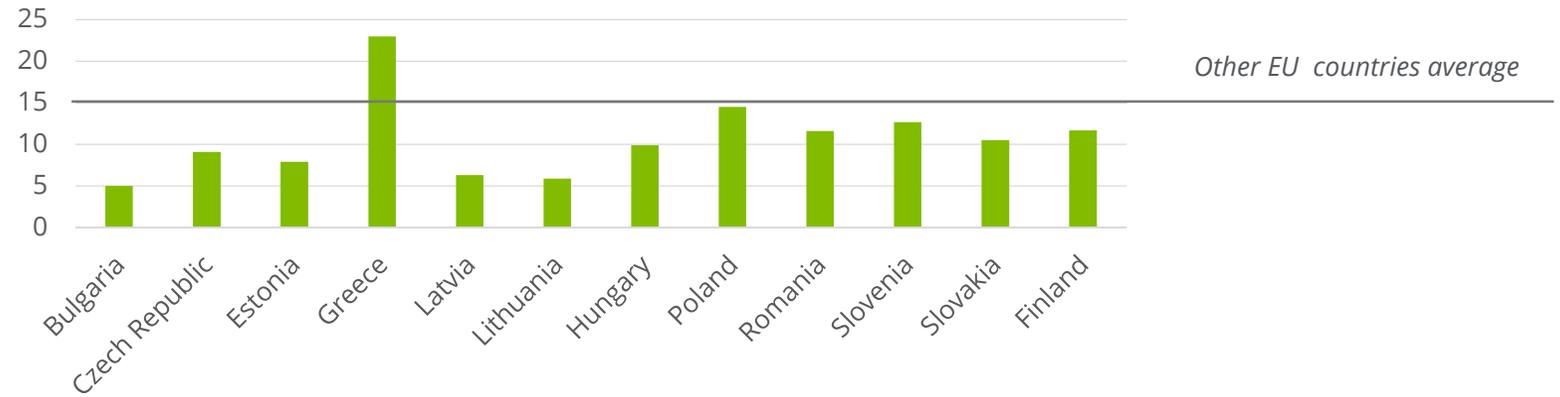
All the markets in the study are EU member states, sharing common rules and regulations in many aspects.

Lower profit taxes in the region are beneficial for faster growth of firms. Average profit tax is less than 10%, compared to an average of 15% in the other countries of the EU.

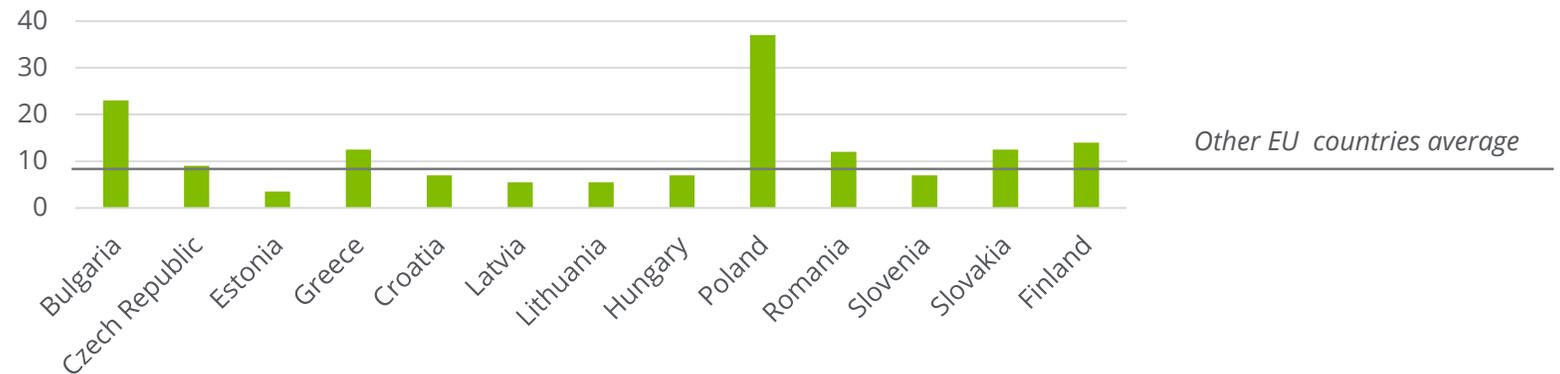
While it takes a bit longer in comparison to the rest of the EU countries to open a new company, it is still quick – on average it takes less than 12 days.

Moreover, it is relatively cheaper to establish a company in the region than in the rest of the EU – by about 30%.

Effective profit tax rate



Average time to establish a company (days)



Source (charts and description): World Bank, Doing Business, 2017

Open economy
allowing companies to
expand globally

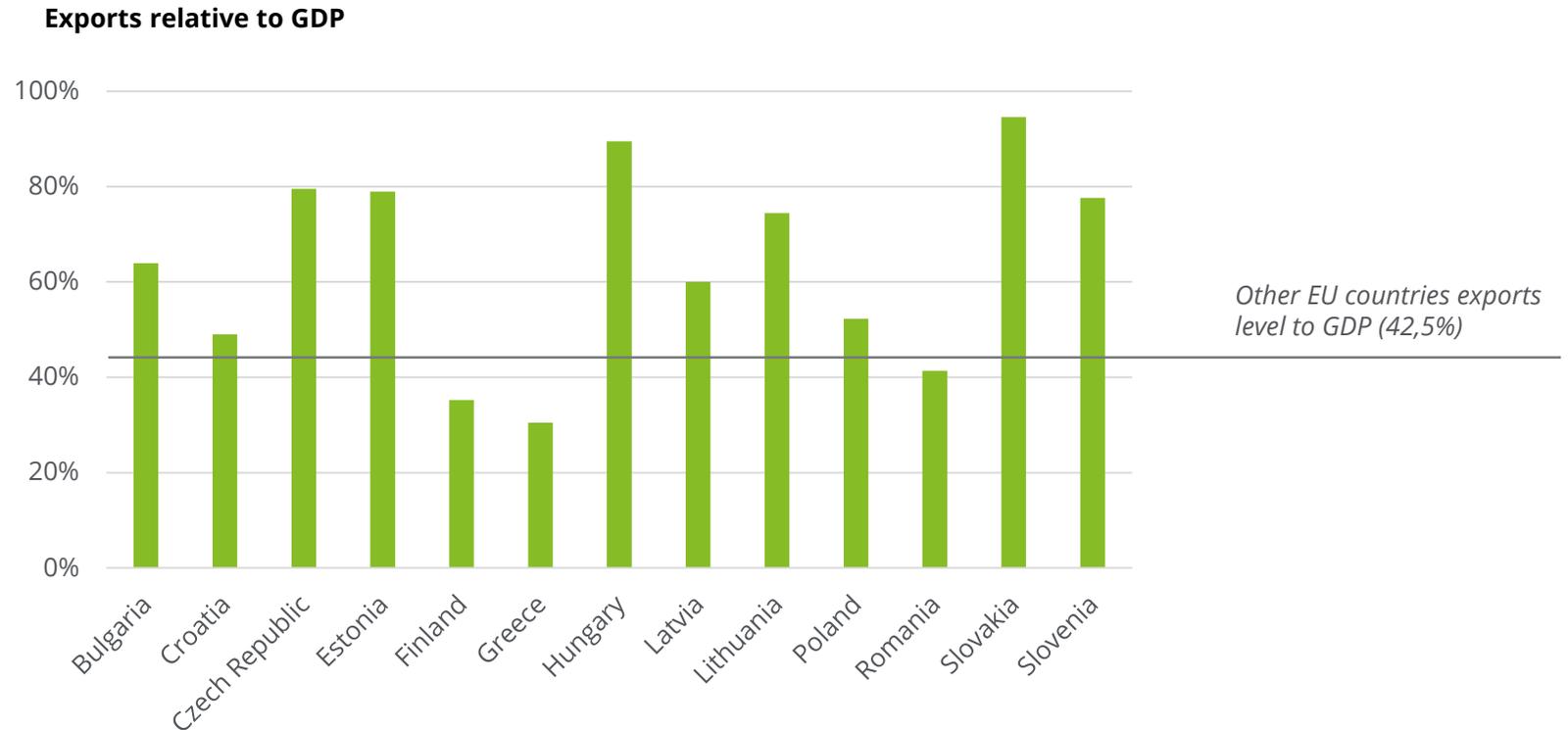


Export oriented economies in the region benefit from European Single Market

As members of the European Union The New European Tigers countries have access to an internal market that enables free movement of goods, capital, services and labour.

The region's firms are dynamically improving their openness. The sum of exports relative to the region's countries' GDP is equal to 56%, which is about 14 pp higher compared to the rest of EU.

Almost half of the exports from the region are created by SMEs – they generate 49% of total export volume, which is 6 pp higher than in the other EU member countries.



Source: Export in current prices in mln EUR divided by Gross domestic product at market prices, Eurostat, 2016 data for both values

High pace of digitalization and quality infrastructure



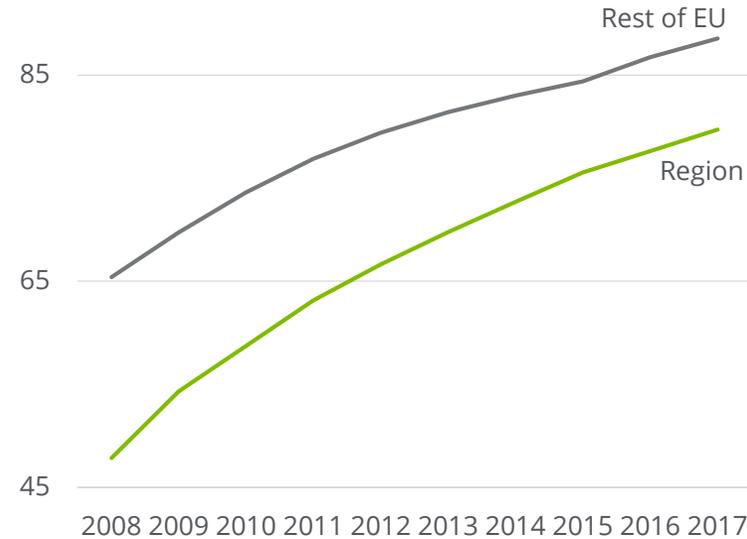
Dynamically improving internet access and use of modern payment and shopping technology

Countries from the region have significantly improved internet access in households. From under 50% access the situation has improved to about 80% which is just 10 percentage points lower than the level in other EU countries.

A similarly significant improvement can be observed in the use of internet on mobiles/smartphones. The pace of mobile adoption in the region is much higher (above 300% increase since 2007 to 2017 compared to a 200% improvement in the other EU members). About 55% of individuals used mobiles for accessing the internet in 2017.

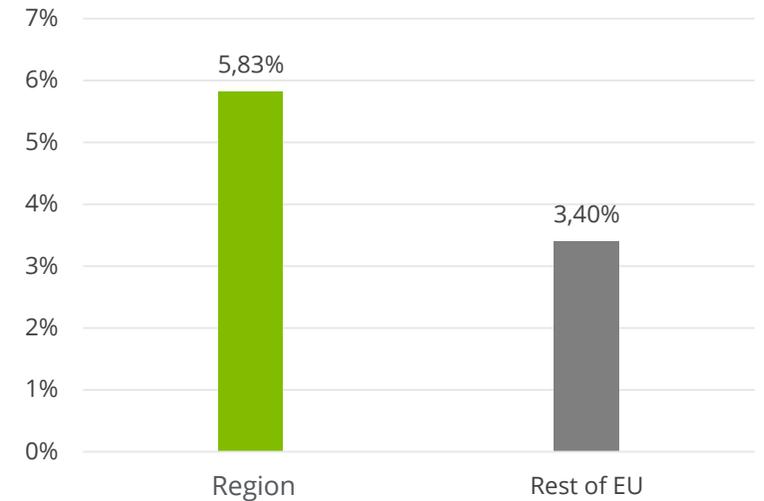
Citizens of the region are increasingly using bank cards for payment. The number of such transactions per capita has grown since 2007 by more than 250% (compared to the other EU countries where the increase was less than 100%).

Level of internet access in households



Source: Households - level of internet access, Eurostat

Level of internet access, CAGR 2008-2017



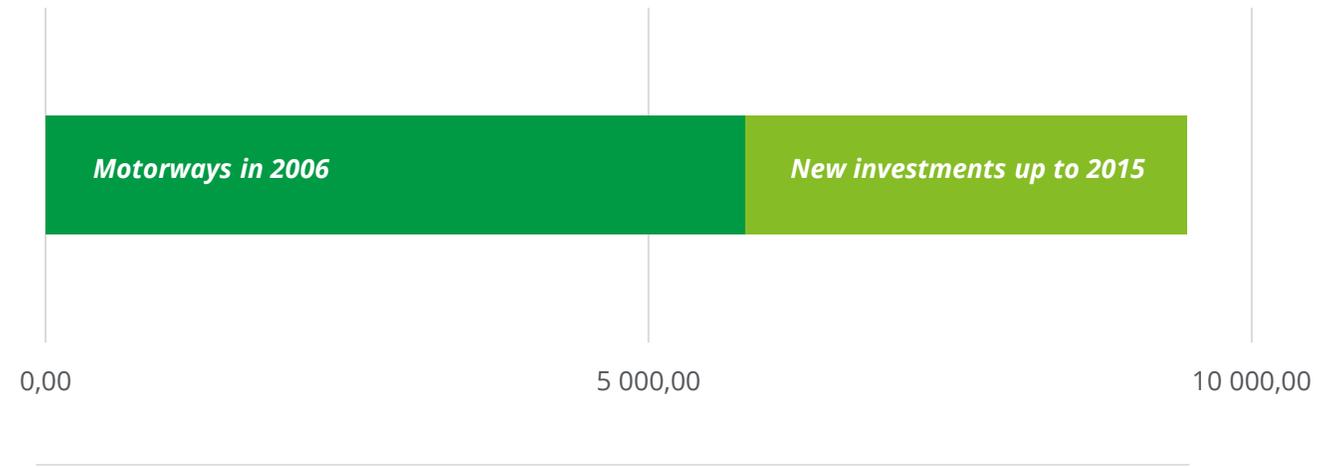
Source: Households - level of internet access, Eurostat

Investments in infrastructure enable companies to operate more efficiently

Fast growing countries from the region have made heavy investments in infrastructure. The density of modern, high-speed motorways might still be lower than in the West of the EU but the level of improvement is very high.

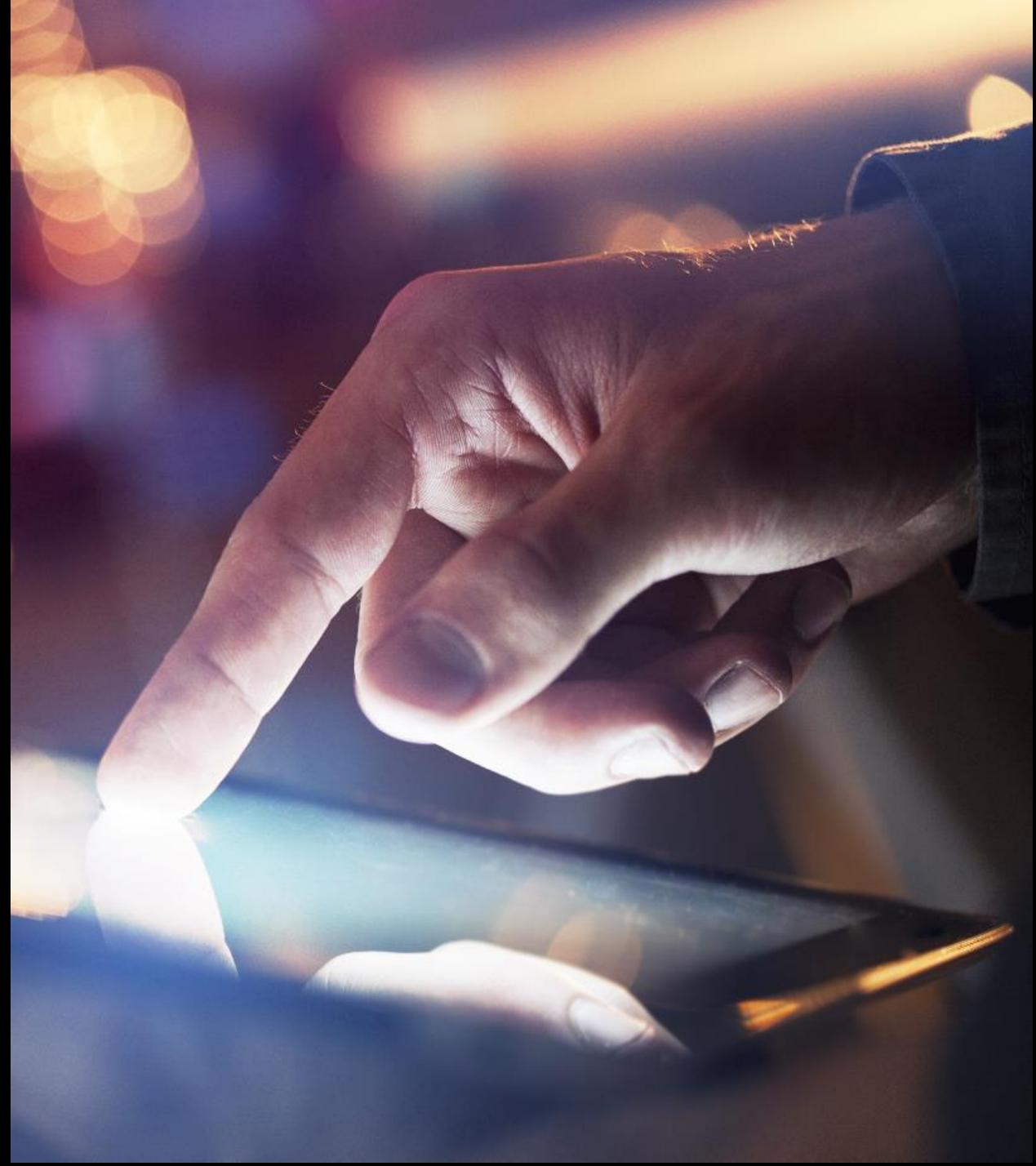
- The pace of building of new such roads was recently 5 times higher in the region than in the rest of EU.
- From 2006 to 2015 the length of motorways increased by 63%. Consequently, the infrastructure is often of better quality, as it is relatively new.
- Such development projects are supported in many countries in the region with the EU funds centered on regional cohesion and connecting EU member states.
- For example Poland is the biggest beneficiary of EU structural funds (77,6 BN EUR in 2014-2020 financial perspective).
- The region is a base for many international transport companies offering easy global shipment. For example, Poland is among the top 5 markets in Europe in terms of total transport on roads (also for foreign markets).

Length of motorways built in 2006 and length built up to 2015 in the region



Source: Length of motorways in km in 2006 and 2015, Eurostat

E-commerce
development
is fueling the economy



Online is an increasingly common strategy for running a business in the region

It is not just a cliché to say that the internet bridging distances. International expansion has never been easier than in the e-commerce era. The negative effect of distance over trade is 4 times lower when commerce takes place on online platforms.* Studies also confirm that using online channels helps businesses grow faster. Cross-border trade in the EU on eBay Marketplace has increased by 62% (2011-2015) compared to the EU average of 9% for traditional commerce.*

The size of the e-commerce market in the region adds up to 7% of the total European e-commerce market. Local companies are increasingly trading online. There has been about a 10 pp growth in the share of the turnover of enterprises on e-commerce over the last 11 years.

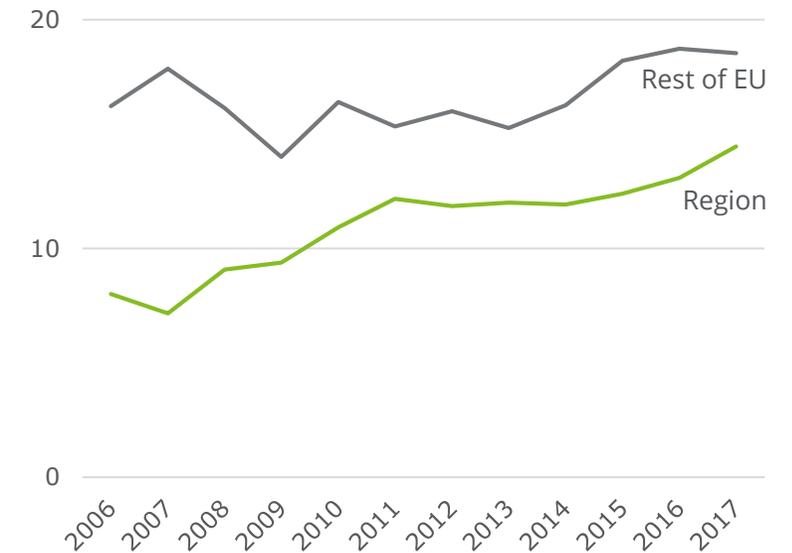
Companies from the region are becoming increasingly online driven. The share of firms receiving orders online has grown by 81% in the region since 2006, compared to a 15% growth in the rest of the EU.

Share of turnover of enterprises on e-commerce



Source: Share of enterprises' turnover on e-commerce for all enterprises, without financial sector (10 persons employed or more), Eurostat

Percentage of firms receiving orders online



Source: Enterprises having received orders online (at least 1%) as a percentage of enterprises with at least 10 persons employed, Eurostat

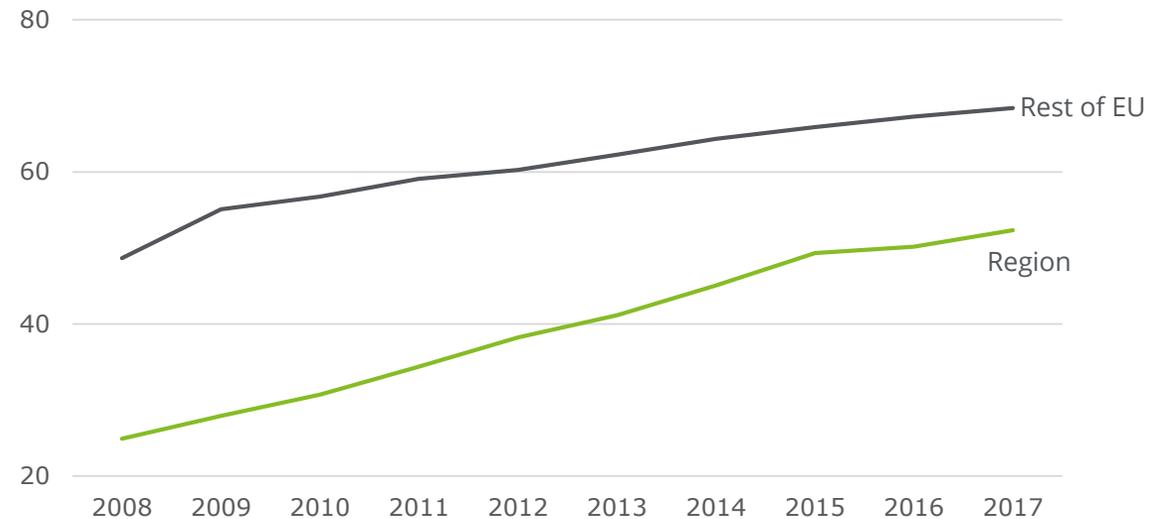
* Bridging Distance for Small Businesses in Central and Eastern Europe, An eBay Report on Technology-Enabled Market Integration, September 2017

Internal demand in e-commerce market is improving at a high pace

The percentage of internet users buying online is still lower than the average in the rest of the EU (52% of internet users has made a purchase in the previous 12 months, the average for the rest of the EU is 68%), but the growth rate in the countries from the region is significantly surpassing the rest of the EU.

Since 2008 the share of people using the internet for e-commerce has increased by more than 100% (vs 40% growth in the rest of the EU). Consequently about 1/4 of European e-commerce users come from the region.

Internet users buying online (%)



Source: Percentage of individuals who used internet within the last year, who also made last online purchase: in the 12 months, Eurostat
EU – other EU countries

Selected country profiles

Bulgaria

Czech Republic

Finland

Greece

Hungary

Poland

Romania



Growth enablers

In order to get a better and deeper understanding of the analyzed economies we developed a set of metrics. There are 5 key areas that might foster growth of companies. Each area is composed of a set of indicators. Together we assess the maturity of each country using about 50 indicators.

The country specific analyses contain data with comparison to a narrower group of countries in order to focus on the largest, yet most diverse economies. These countries (referred to as the Region) are: Poland, Romania, Greece, Czech Republic, Hungary, Bulgaria and Finland.



Financing

Possibility of obtaining financing for development and operation of business at various stages and from different sources. Necessary area for every business.



Digitalization and openness

Degree of digitalization of business and society. It comprises of online business development, ease of cross-border trade.



Talents and Innovation

Skilled employees are key for development of every business. Skilled workers and founders are the most important assets of the firm. They directly affect innovation capabilities in companies.



Infrastructure and logistics

Availability and quality of key infrastructure components for any company wishing to effectively scale up and sell products regionally and / or globally.



Institutions and legal environment

Formal determiners for doing business in a particular economy. Measures include digitalization of government services, taxes and labor regulations.

The New European Tigers development

Business perspective

Our research shows that the countries from region are developing and improving their position on the digital economy map.

In each economy different factors are determining future opportunities. However there might be some common factors regarding development of thriving online businesses.

Cost advantages in the long term

Building firms solely basing on comparative cost advantage might be risky as wages and cost of resources should be increasing to EU averages. Firms can use these advantages in the short run to build business that bring an exceptional value for customers in the future.

Think globally

The analyzed companies share a global vision. They may be starting locally but using the Internet as an enabler, it is easier now to build an international business than ever before.

Aim for excellence

As the digital economy means more options for businesses to sell their products, it also gives customers more choice. The questioned firms underline the importance of quality of goods and services provided as well as perfect user experience in achieving success.

Country level

Caring for talent

Countries from the region provide a strong basis for firms' development having a strong pool of local talents. Investments in education should be continued as skilled workers fuel modern businesses. Countries also should aim to become increasingly attractive for foreigners wanting to run business in the EU.

Business friendly

Business friendly legal and tax environment is key for SMEs' development. At the same time it is a weaker point for many countries analyzed. Eliminating barriers for firms, especially smaller ones might accelerate their growth.

Incentives for innovation

In the long term many of the countries in the region will be transforming from competing with lower costs to building its position on more value added products and services. For that transition a support for firms (like grants and tax incentives) to conduct innovation and R&D activities might be needed.

The New European Tigers stories

Along with presenting a deeper analysis of selected economies we have invited several small and medium sized companies to tell their story. The firms had different business model and goals and were at various stages of development. However, they shared a common trait – reaping the rewards of going digital and using the potential of new technologies to also accelerate growth in traditional industries.



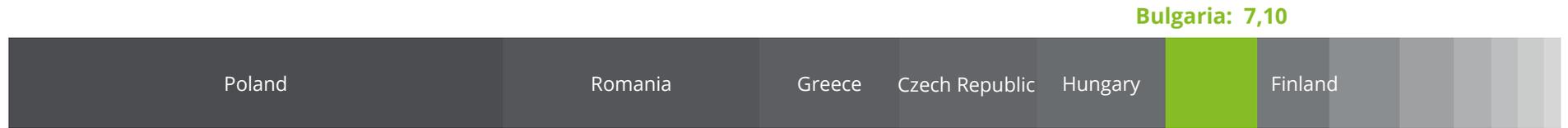
BULGARIA



Market overview

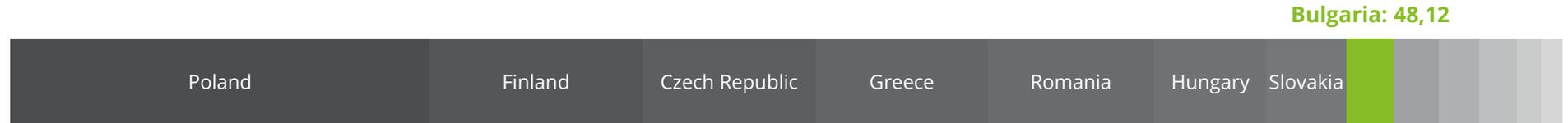
Population

Number of people, mln
2017, Eurostat



Gross Domestic Product

Domestic product at market prices,
bn EUR, 2016, Eurostat



Number of SMEs

Total number of SMEs (thousands)
2016, Eurostat



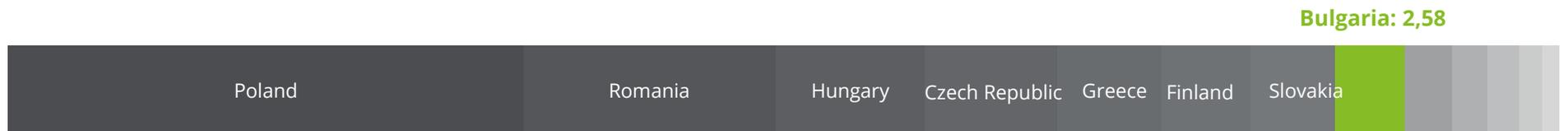
e-commerce market

E-Commerce revenue,
mln USD, 2017, Statista
(estimate for Greece using Eurostat data)



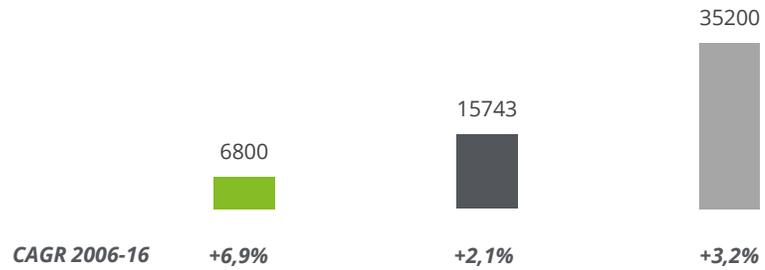
e-commerce users

Number of e-commerce market users,
mln of people, 2017, Statista
(estimate for Greece using Eurostat data)



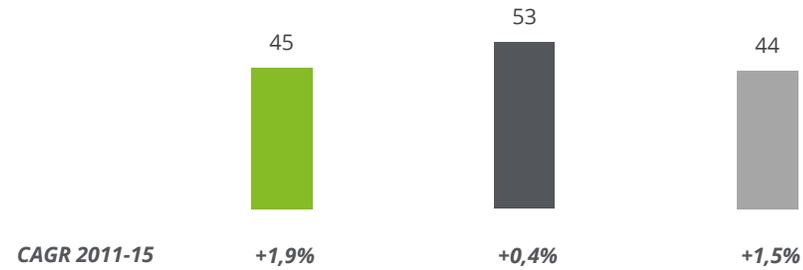
Bulgaria is bridging the gap in relevant areas

GDP per capita, 2016



Source: Gross domestic product at market prices, current prices, euro per capita, Eurostat, 2016

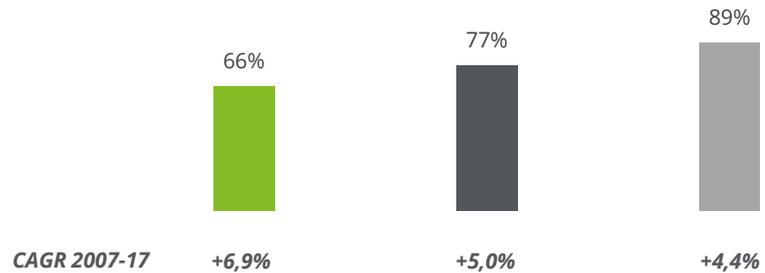
SMEs per capita, 2015



Source: Number of enterprises with 0 to 249 persons employed per number of persons having their usual residence in a country, Eurostat, 2015

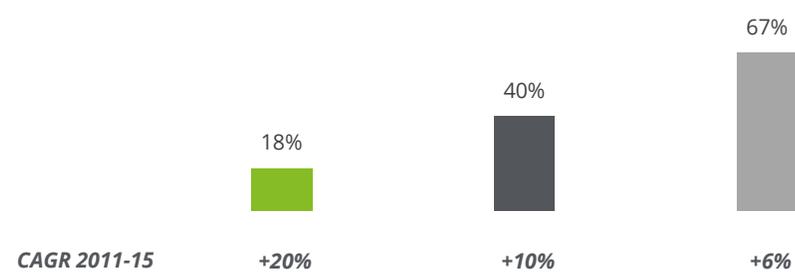


Internet penetration, 2017



Source: Percentage of households with internet access, Eurostat, 2017

e-commerce penetration, 2017



Source: Last online purchase within the 12 months, percentage of individuals, Eurostat, 2017

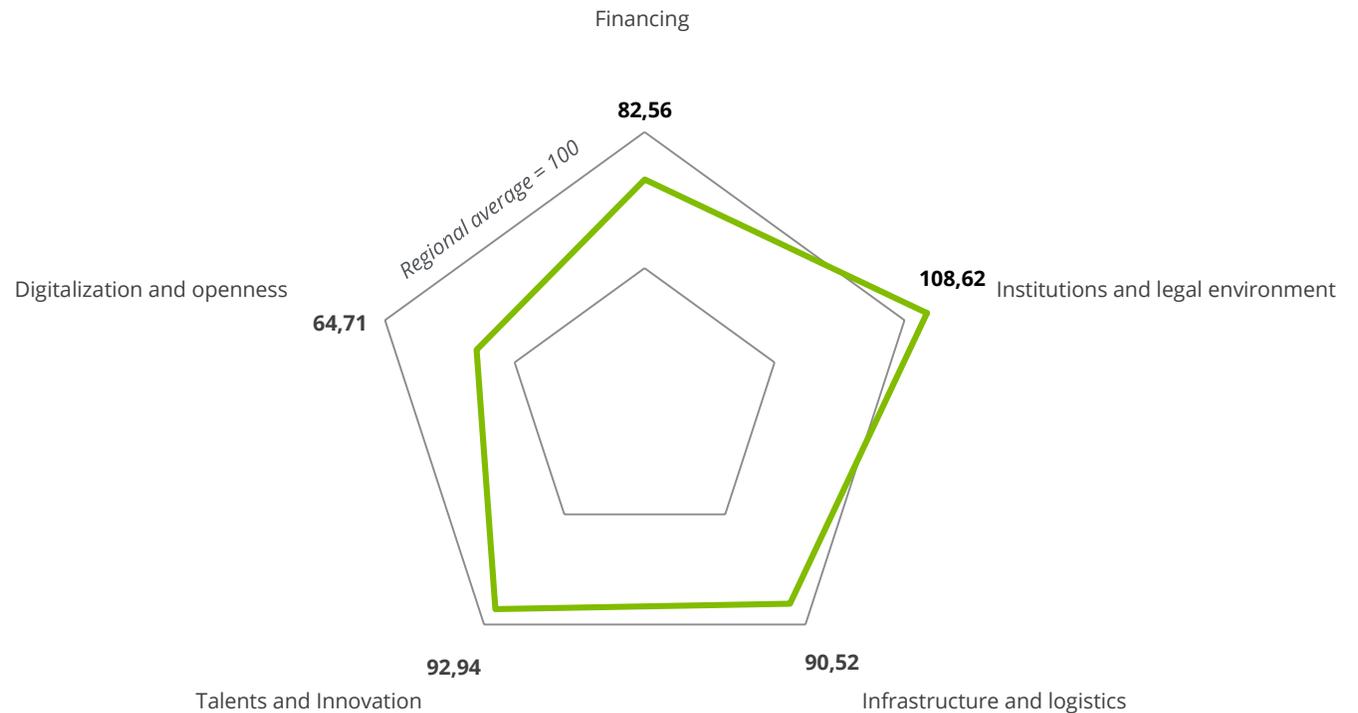
Market maturity

The maturity of the Bulgarian market was compared to the average level of key metrics in the region. Bulgaria scores highest in the institutional environment field (above regional average) as well as in the Talents and Innovation and Infrastructure and logistics areas.

Relative strengths:

- While obtaining financing for business development might be below average, ease of getting credit and value of credit relative to GDP is a strong side of the economy.
- Bulgaria is also open in terms of value of exports relative to GDP.
- Human capital might be a good basis for growth acceleration. Individual level of computer skills as well as knowledge of foreign languages is amongst the top in the EU.

Average maturity of the market in key development dimensions compared to regional average (100)



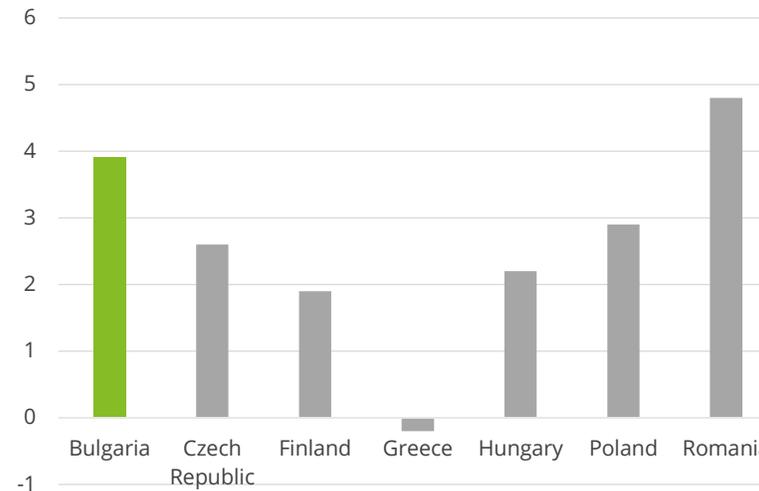
Source: Internal analysis

Market maturity

Areas for improvement:

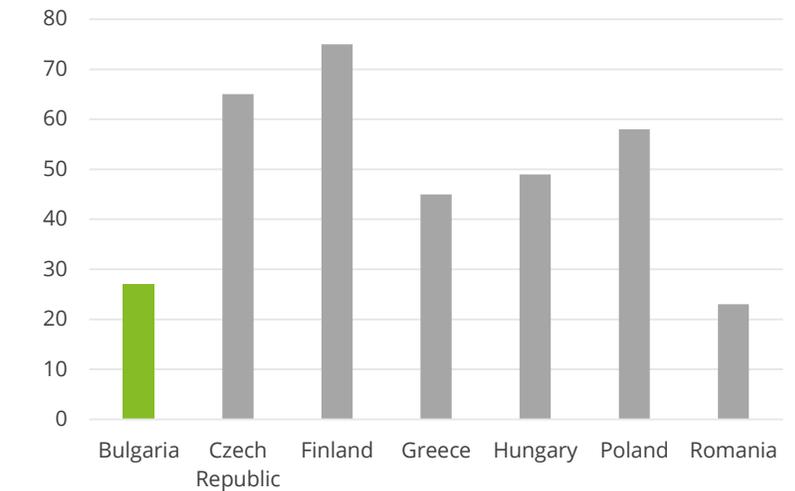
- Bulgaria achieves the lowest score in Digitalization and openness category. Internet use, both by individuals and businesses is significantly lower. However, the pace of improvement in internet access is surpassing that of the region and western Europe.
- Regarding infrastructure weaknesses, broadband and 4G coverage, as well as broadband relative price are the weakest points. This is somehow balanced by very high mobile broadband subscription rate amongst the population.
- Low levels of R&D expenditure, enterprises commercializing innovation and ICT workers are also weak factors and might pose a constraint over the country's performance.
- While Bulgaria might score above the regional average in the institutional area, this is mainly driven by low tax rates and ease of paying taxes.

GDP growth in 2016



Source: GDP growth in 2016, Eurostat

Percentage of internet users purchasing online



Source: Last online purchase: in the 12 months, Percentage of individuals who used internet within the last year, Eurostat 2017

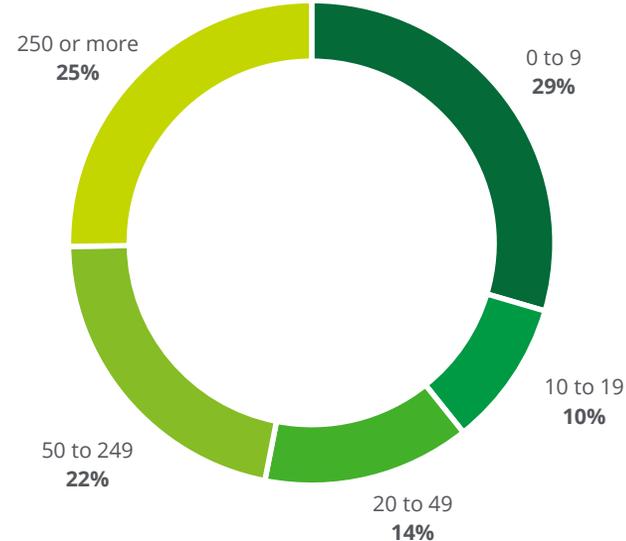
SME sector overview: $\frac{3}{4}$ of working places

Number of SMEs in Bulgaria in 2015 was **326 000**, including 27 000 with more than 10 employees. SMEs play an important role in the Bulgarian economy, being a dynamic sector.

- A sign of the potential vitality of the market is the **birth rate*** for companies with 10+ employees. In 2015 it was **19,5** - higher than the regional average (17,2) and significantly surpassing more developed markets (6,5 in Germany; 5,8 in France).
- **Share of SMEs in value added reaches 64,5%**, which is higher by 8,4 pp than in the region and 5,3 pp than in Western EU countries.
- Also the **share of SMEs in employment is relatively higher, amounting to 74,8%** (+6,2 pp compared to regional average; + 5,9 pp to WE average).

* number of new companies with 10+ employees per 1000 existing companies of that size

Employment by company size in 2015



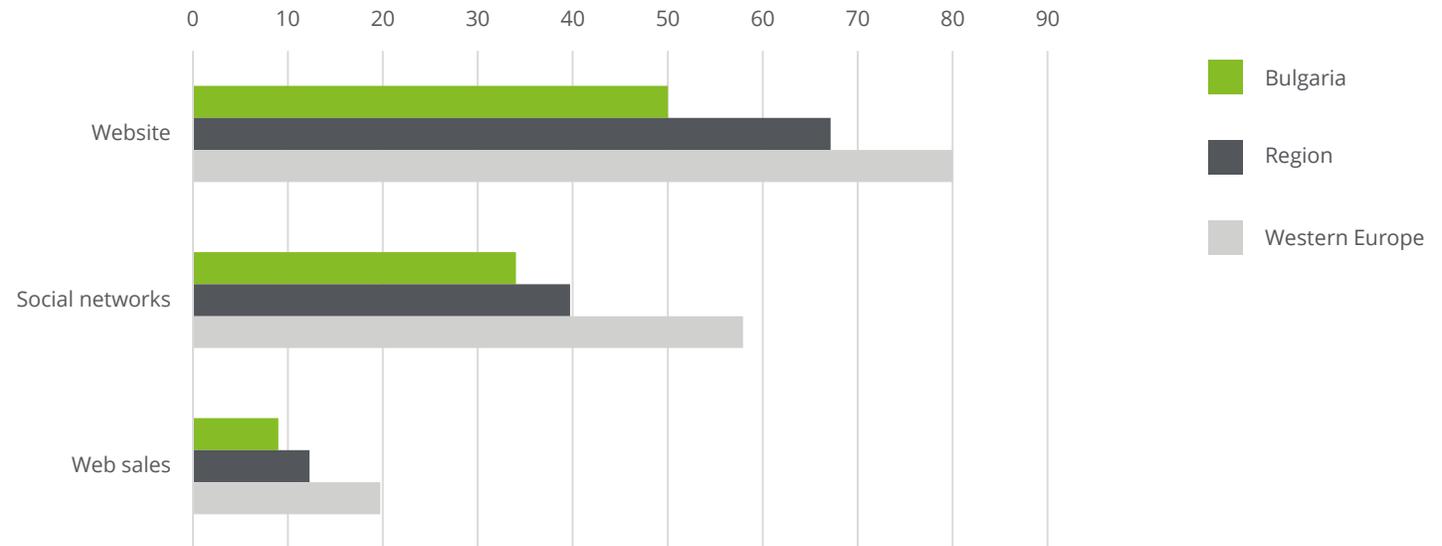
Source: Employment by company size, Eurostat, 2015

Web sales: low penetration, quick growth

While Bulgarian SMEs are still behind regional and Western firms in terms of digitalization, the situation is dynamically improving.

- 50% of SMEs in Bulgaria have websites and 34% have presence on social networks.
- 9% of SMEs in Bulgaria run web sales.
- Growth (CAGR 2012-2017) for the share of SMEs with web sales reaches 8,4%, which is higher than in the region (5,5%) and the other EU countries (4,4%).

Share of SMEs* which have or use....



Source: Enterprises having a website, Use any social media, Enterprises having received orders via a website or apps (web sales), SMEs (10-249 persons employed), without financial sector, Eurostat, 2017

Economic openness: SMEs contribute 47% to exports

The Bulgarian economy is relatively more open than other countries in terms of exports. There is a key role for SMEs.

- Bulgaria's exports amount to 30,8 bn euro, which is equal to 64% of GDP (+8 pp to regional average; +11,2 pp to WE average).
- There are 21,8 thousand exporters in Bulgaria, at least 98% of exporters* are SMEs.
- The majority of exporters* (at least 62%) are microcompanies with less than 10 employees.

Share of SMEs in export by volume



* Eurostat. Data excluding exporters with undefined number of employees

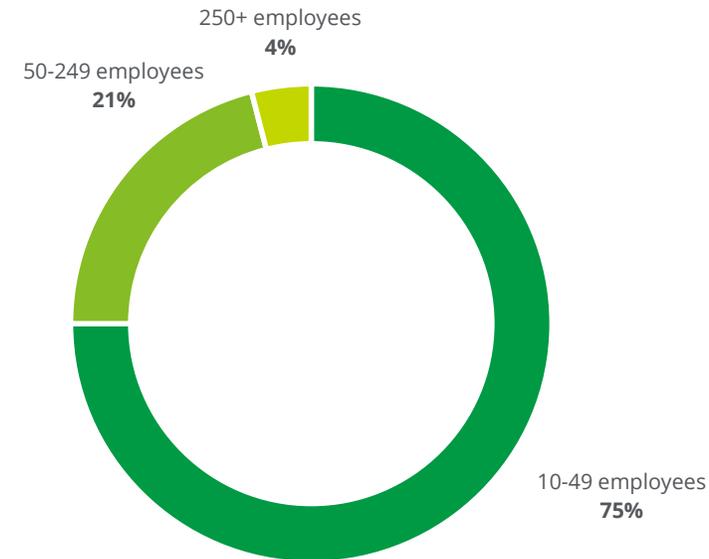
Source: Volume of export by company size, Eurostat, 2015

Online exports are dominated by SMEs

- Total number of online-exporters is about 850 (not including micro companies with less than 10 employees).
- 96% of them are SMEs, and 75% have from 10 to 49 employees.
- Share of online exporters among all SMEs with web sales is 35% which is a bit lower level than other countries (-3 pp to regional average and -9 pp to WE average).
- 10,6% of all SME exporters use cross-border web sales (-7 pp to regional average and -16 pp to WE average).
- As everywhere in Europe, digitalization of export sales is higher among smaller enterprises (11% exporters with 10-49 employees exports online and 7% large exporters - with more than 250 employees exports online).

* Eurostat. Data for SMEs refers to companies with 10-249 employees (no data available for smaller companies)

Online exporters by size



Source: Online exporters by size estimated using Eurostat data for 2017, calculation based on enterprises' distribution by size as of 2015

Online commerce – PayPal merchant statistics

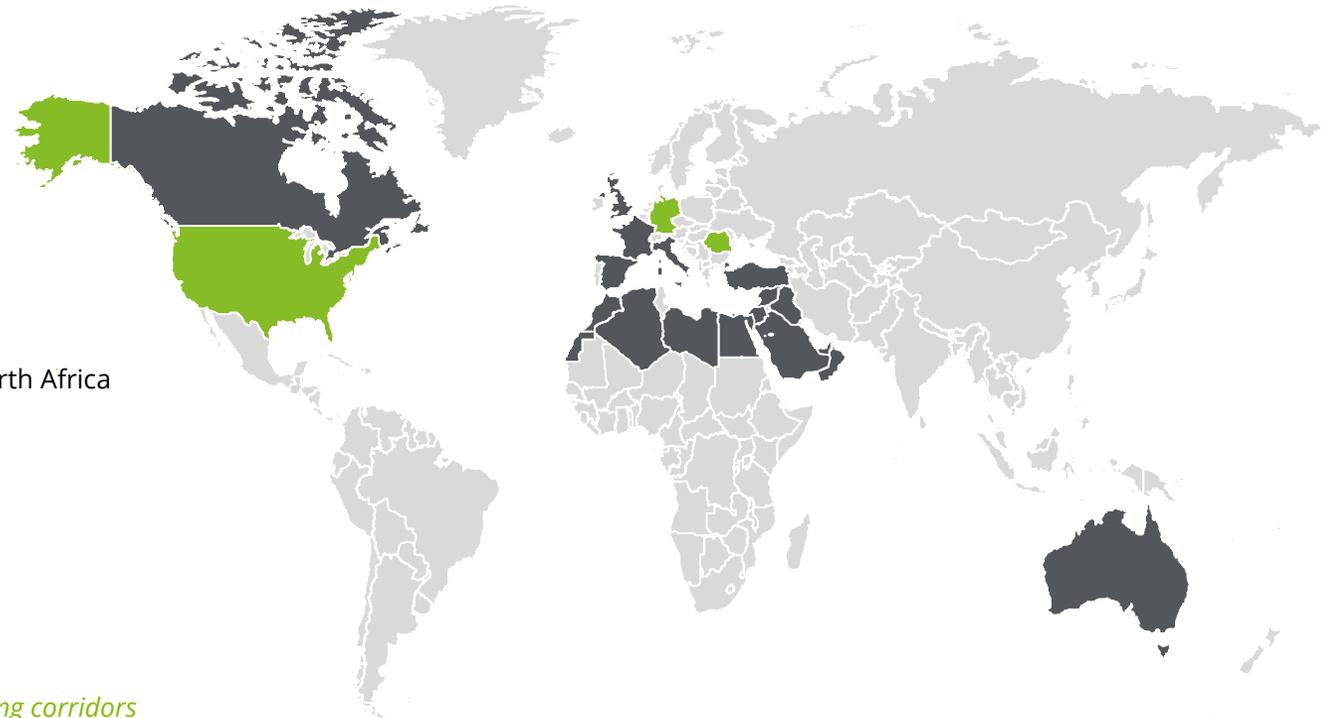
Top e-commerce categories by volume

-  Music/videos
-  Auto parts
-  Houseware
-  Fashion
-  Website services
-  Cosmetics
-  Software
-  Memorabilia
-  Electronics
-  Sport equipment

Top corridors by volume

1. USA
2. Germany
3. UK
4. Bulgaria
5. France
6. Italy
7. Middle East and North Africa
8. Canada
9. Australia
10. Spain

 *Top 3 fastest growing corridors*





Traventuria

Tour agent

Year of establishment	2009
Industry	Tourism
Headquarters	Bulgaria, Sofia
Employment	30
Percent of online sales	80%

The business

We are a specialized tour agent in Bulgaria, covering the whole range of adventure and leisure tours, namely active holidays (guided and self-guided walking tours, ski & snowboard packages, birdwatching tours, horse riding vacations), sightseeing and culture tours, transfers, congress and teambuilding events etc. Flexibility, local knowledge and perfection in all services are our distinctive feature.

The internet as an enabler

Understanding the Internet as a platform for trade highlights its broad economic potential. It emphasizes how the commercial opportunities are no longer limited to Internet companies, but are now available for businesses in all sectors of the economy, from manufacturing to services.

How do you see the future of the business and what is the role of the internet in it?

Marketers and entrepreneurs love data, and with IoT devices connecting consumers in new ways with more interactions, they'll have greater access to that data than ever before. **Smart devices will be able to track and record patterns of consumer behavior, and possibly even learn from them, making intelligent product recommendations and customizing searches in new, innovative ways.** It will also shape the future of our business, for example by helping find more customers or track their satisfaction.

CZECH REPUBLIC



Market overview

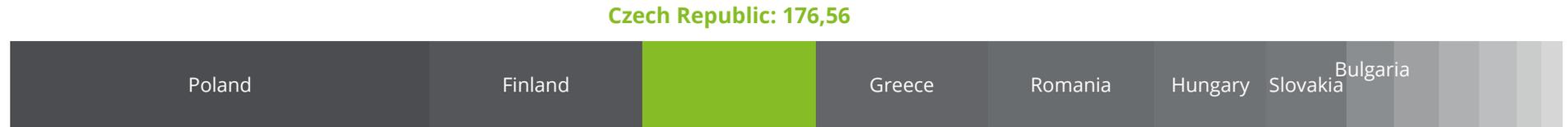
Population

Number of people, mln
2017, Eurostat



Gross Domestic Product

Domestic product at market prices,
bl EUR, 2016, Eurostat



Number of SMEs

Total number of SMEs,
2016, Eurostat



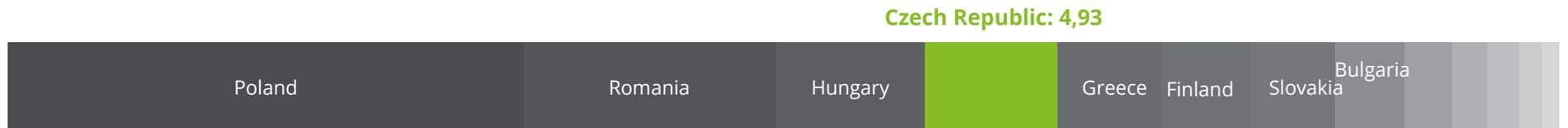
e-commerce market

E-Commerce revenue,
mln USD, 2017, Statista
(estimate for Greece using Eurostat data)



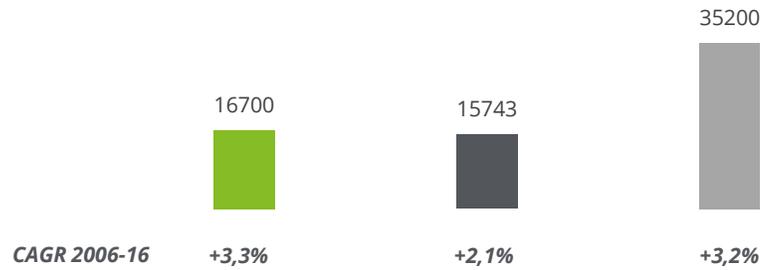
e-commerce users

Number of e-commerce market users,
mln of people, 2017, Statista
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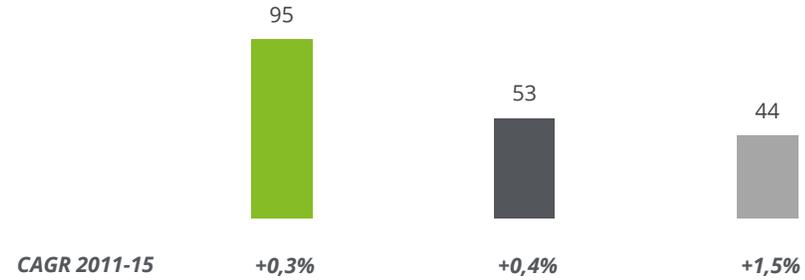
Czech Republic is ahead of the region

GDP per capita, 2016



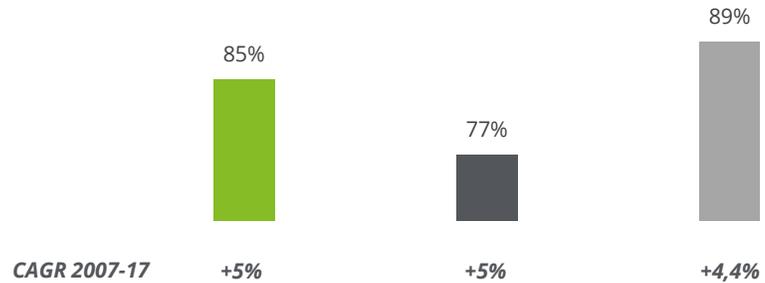
Source: Gross domestic product at market prices, current prices, euro per capita, Eurostat, 2016

SMEs per capita, 2015



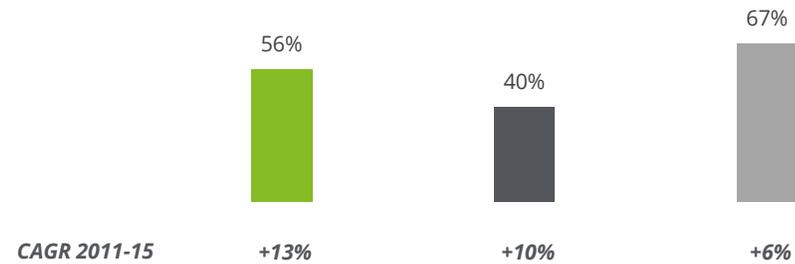
Source: Number of enterprises with 0 to 249 persons employed per number of persons having their usual residence in a country, Eurostat, 2015

Internet penetration, 2017



Source: Percentage of households with internet access, Eurostat, 2017

e-commerce penetration, 2017



Source: Last online purchase within the last 12 months, percentage of individuals, Eurostat, 2017



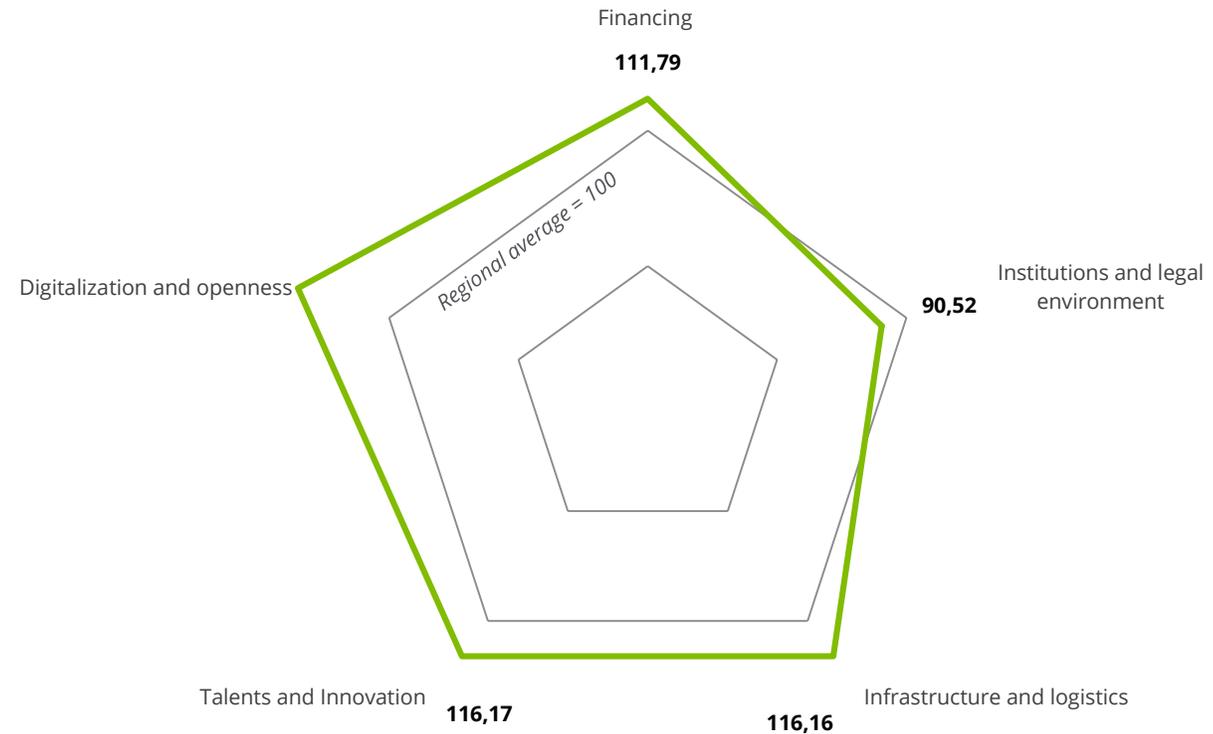
Market maturity

Czech Republic performance is above average in the countries analyzed. The best results were obtained in Infrastructure, Digitalization and Talents categories. Relative underperformance can be seen in the institutions and legal environment areas.

Relative strengths:

- Czech infrastructure and logistics metrics are close to those of high scoring EU countries. Very satisfying results were obtained for fixed broadband as well as 4G coverage. Czech Republic scores high for length of motorways.
- Talents and innovation metrics are also high. Ability to retain talent and number of foreign students are high and at the top within the region.
- Intensity of international trade is also a significant strength of the economy.

Average maturity of the market in key development dimensions compared to regional average (100)



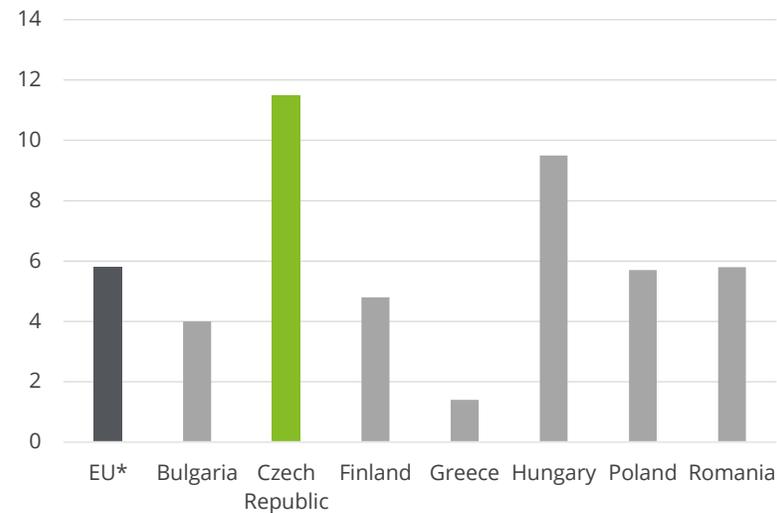
Source: Internal analysis

Market maturity

Areas for improvement:

- In some metrics within the Digitalization and openness category Czech Republic scores are relatively weaker. Fixed broadband connection by enterprise or use of internet-connected devices by individuals away from home and work is low.
- The least satisfying metrics were obtained in the Institutions and legal area where 7 out of 10 indicators were in the lowest quartile of results. Low completeness of a country's range of e-government services and low usage of such services shows potential underdevelopment in digitalization of administration.

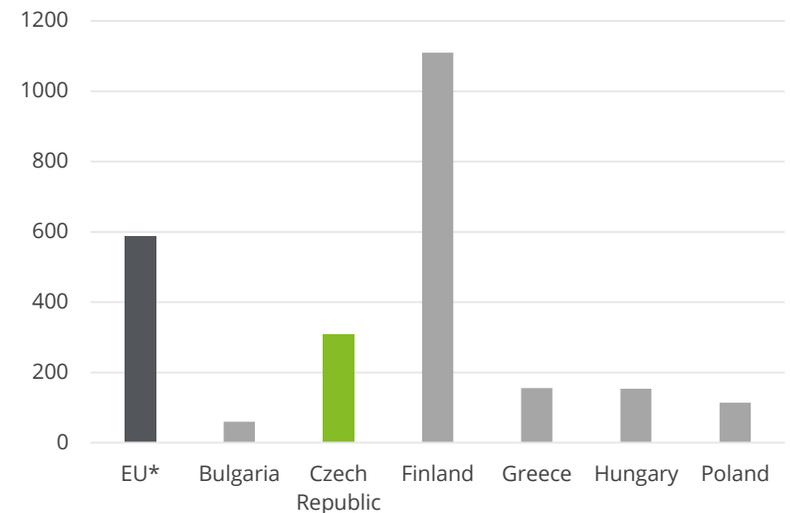
Employment in high- and medium-high technology manufacturing sectors and knowledge-intensive service sectors



* 28 countries

Source: Employment in high- and medium-high technology (...) as percentage of total employment, Eurostat, 2016

Total intramural R&D expenditure (GERD) - euro per inhabitant



* 28 countries

Source: GERD, Eurostat, 2015

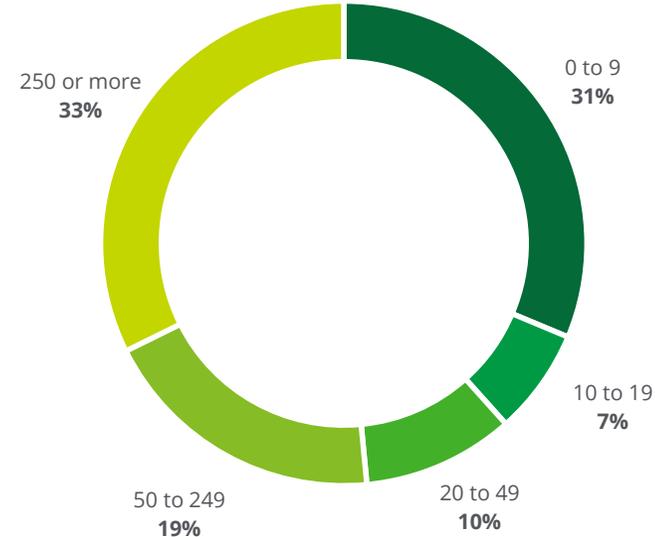
SME sector overview

The number of SMEs in Czech Republic in 2015 was **almost 1 million**, including 38 thousand with more than 10 employees. SMEs play an important role in the economy, but the impact of big firms is higher than in other analyzed countries.

- The **birth rate*** for companies with 10+ employees in 2015 was **5,2** which was lower than the region and the rest of the EU, and a number closer to that of the most developed countries in Europe.
- **Share of SMEs in added value reaches 55,1%**, which is lower than the region and the average of other EU countries.
- Also the **share of SMEs in employment is relatively lower, amounting to 67%** (68,6% for the region and 68,9% for WE).

* number of new companies with 10+ employees per 1000 existing companies of that size

Employment by company size in 2015



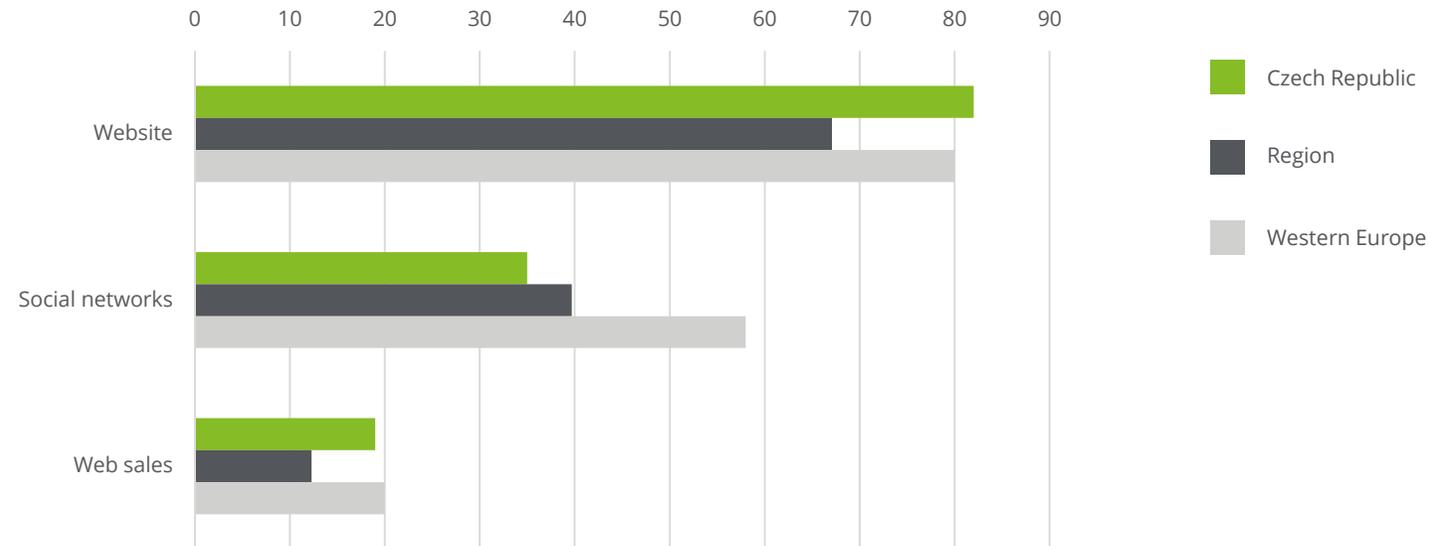
Source: Employment by company size, Eurostat , 2015

Web sales: developed, but slower growth

Czech SMEs are almost as developed in some digital metrics as Western firms, surpassing regional competitors. However, the pace of improvement is slower than in other countries.

- Above 80% of SMEs in Czech Republic have websites and 35% have a presence on social networks.
- 19% of SMEs in the country run web sales.
- Growth (CAGR 2012-2017) for the share of SMEs with web sales reaches 3,5%, which is lower than in the region (5,5%) and Western EU (4,4%).

Share of SMEs* which have or use....



Source: Enterprises having a website, Use any social media, Enterprises having received orders via a website or apps (web sales), SMEs (10-249 persons employed), without financial sector, Eurostat, 2017

Economic openness driven by bigger firms

The Czech economy is very open compared to other countries in terms of exports. However the role of SMEs is smaller here, which is a characteristic of more developed countries.

- Czech exports amount to 140,4 bn euro, which is equal to 79,5% of GDP (+23 pp of regional average; +26,7 pp of WE average).
- There are 22 100 exporters in the country and at least 93% of exporters* are SMEs.
- Unlike other countries the share of microcompanies (less than 10 employees) as a share of the number of exporters is lower than 40%.

Share of SMEs in export by volume



* Eurostat. Data excluding exporters with undefined number of employees

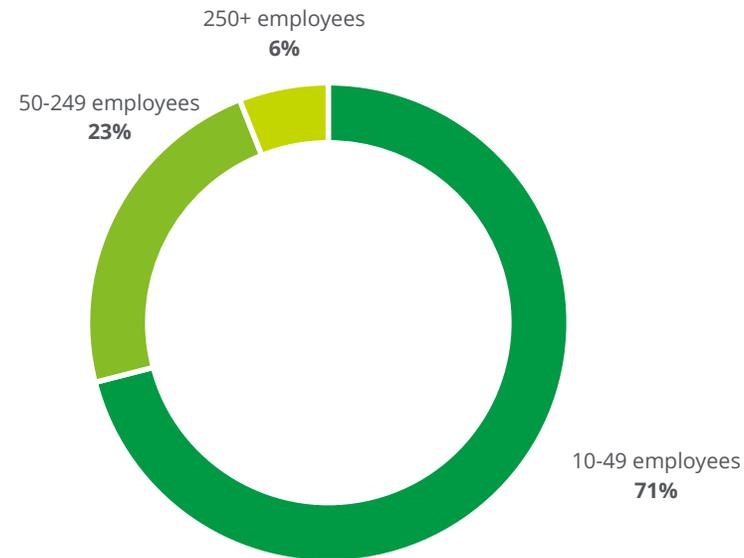
Source: Volume of export by company size, Eurostat, 2015

Online export is dominated by SMEs

- Total number of online-exporters is about 3500 (not including micro companies with less than 10 employees) which is the highest number among the countries analyzed.
- 94% of them are SMEs, and 71% have from 10 to 49 employees.
- Share of online exporters among all SMEs with web sales is 49% which is a bit higher in level than other countries (+ 11 pp compared to regional average and +4,8 pp to WE average).
- 37,6% of all SME exporters use cross-border web sales, which is higher than both regional and WE averages.
- In Czech Republic digitalization of export sales is exceptionally high among smaller enterprises (47% exporters with 10-49 employees exports online and 18 % large exporters - with more than 250 employees exports online).

* Eurostat. Data for SMEs refers to companies with 10-249 employees (no data available for smaller companies)

Online exporters by size



Source: Online exporters by size, 'Calculation based on enterprises' distribution by size as of 2015, Eurostat, 2017

Online commerce – PayPal merchant statistics

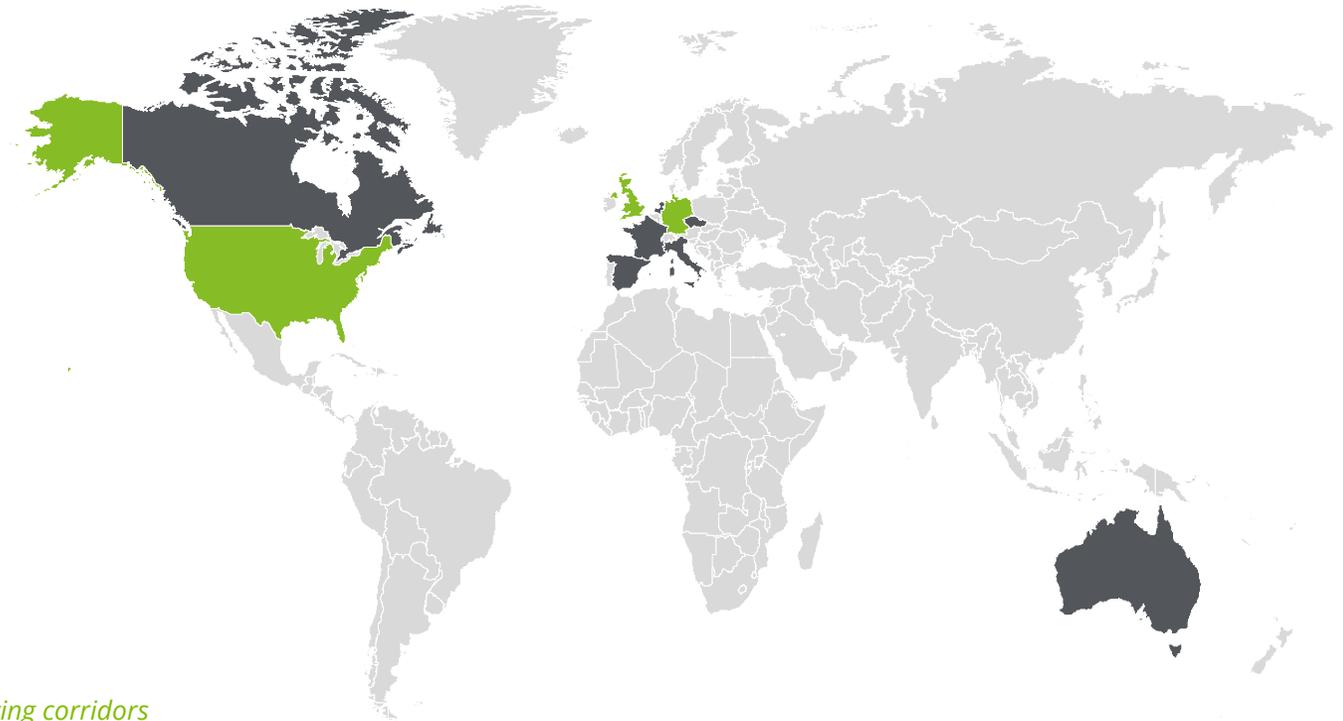
Top e-commerce categories by volume

-  Software
-  Office supplies
-  Fashion
-  Auto parts
-  Travel
-  Website services
-  Sport equipment
-  Electronics
-  Toys
-  Cosmetics

Top corridors by volume

1. USA
2. Germany
3. Czech Republic
4. UK
5. Canada
6. France
7. Australia
8. Spain
9. Netherlands
10. Italy

 *Top 3 fastest growing corridors*





Queens

Fashion retailer

Year of establishment	2003
Industry	Fashion
Headquarters	Prague, Czech Republic
Revenue in 2016	M 130 CZK (M 5 EUR)
Average growth	30 %
Employment	50
Revenue from exports	20% of transactions
Main target countries for exports	Slovakia, Germany, USA, UK, France and China
Percent of online sales	80%
Most important internet-based solution for your business	We developed most of our internet-based solutions in-house (eshop and all around it).
Capital requirements to start business	Started literally from zero. At the beginning we focused on second hand goods with only with 50 000 CZK in our pocket.

The business

Our story began at the end of the last millennium. We were young and listened to hip hop. We experimented with fashion a lot and we wanted to dress uniquely. There was a huge gap in the market. Big fashion chains and retailers hadn't yet risen. And because we didn't have an infinite budget, we were chasing interesting items in secondhand stores or at outlets. Our main idea was to bring stylish goods that could not be found elsewhere into the Czech Republic. Queens is no longer a vintage shop with a few pieces on the hanger, but a well-established Czech streetwear and sneakers store with three branches, an eshop of 8,000 items, a warehouse of 1250 m2 and top customer care. Our business is doing great.

Internet as an enabler

In 2003 we opened our first store in Brno. Then we launched an eshop in 2004. It was the first online sneakers marketplace in our country. In summer 2004 we shipped our first goods to customers in Asia. **From the start we developed our brick-and-mortar shops alongside our online one. We have always put a big emphasis on Internet usage in our business and it has been very much worth it.** Our primary advantage is that we have a relatively young customer (15-25 years, the most efficient target group being 18-23 years). At this age, people are the most active on the internet, using it on a daily basis practically nonstop. Which, of course, makes the situation much easier for us.



Queens

Fashion retailer

Growth in the region

Is it a good place to start a business?

Yes, because Central and Eastern European (CEE) markets are much less saturated than Western Europe. And it's definitely cheaper doing business there operationwise. People in CEE have also started to spend more on streetwear and sneakers and this desire is continually growing. We didn't observe this trend in CEE 10 years ago in comparison with the rest of Europe where it was very common. In combination with a good accessibility of Internet it makes for a combination which attracts many companies.

What recommendation would you share with other people who want to start a company in the region?

The key is to have a **good understanding of local market specifications, customers' behavior and legislation**. It's highly recommended to find a suitable partner who knows your target market the best. We for example teamed up with Google.

We first started locally, learned a lot and then we reached abroad. In our opinion it's much easier to do it this way because CEE markets have their specifics.

How do you see the future of the business and what is the role of the internet in it?

We want to grow continually, but the growth must be sustainable and reasonable. In 2017, we focused mainly on refreshment of our commercial spaces with a help of Czech designers Boris Klimek and Lenka Damová. **2018 will be a year of foreign expansion** – for example we recently entered German market with a new eshop - but we would not swap it for a friendly atmosphere in our company. And we will always be working on strengthening of our position in the Czech market and supporting the domestic scene connected with streetwear and sneakers.

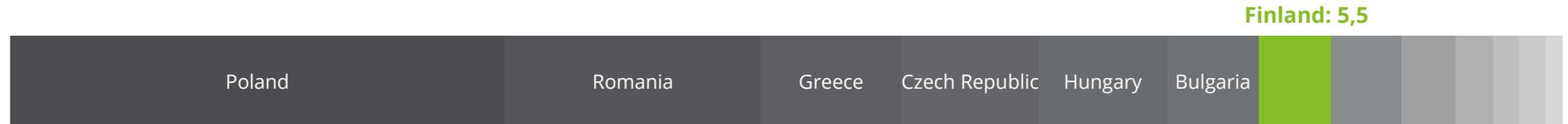
FINLAND



Market overview

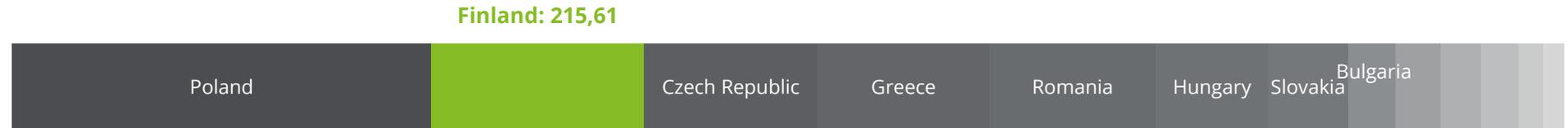
Population

Number of people, mln,
2017, Eurostat



Gross Domestic Product

Domestic product at market prices,
bl EUR, 2016, Eurostat



Number of SMEs

Total number of SMEs,
2016, Eurostat



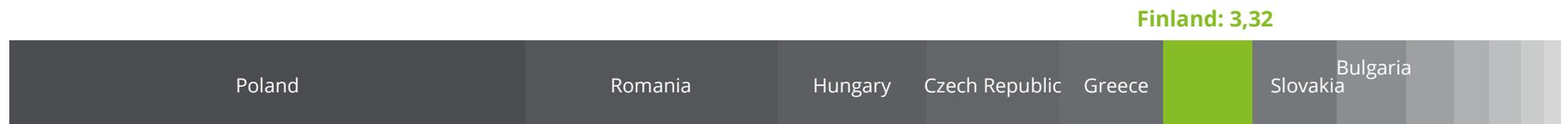
e-commerce market

E-Commerce revenue,
mln USD, 2017, Statista
(estimate for Greece using Eurostat data)



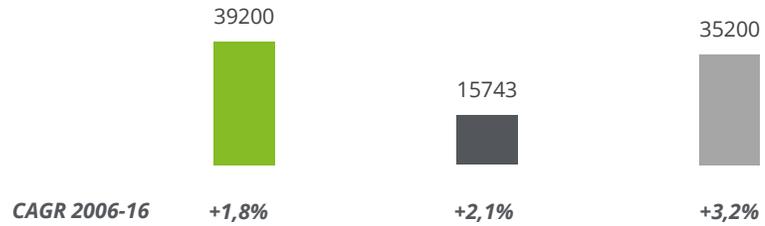
e-commerce users

Number of e-commerce market users,
mln of people, 2017, Statista
(estimate for Greece using Eurostat data)



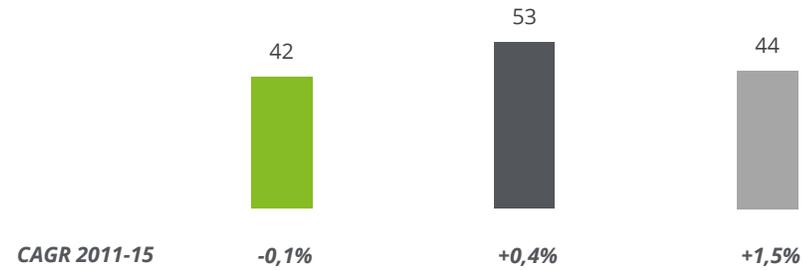
Finland has reached high development, but lower growth level

GDP per capita, 2016



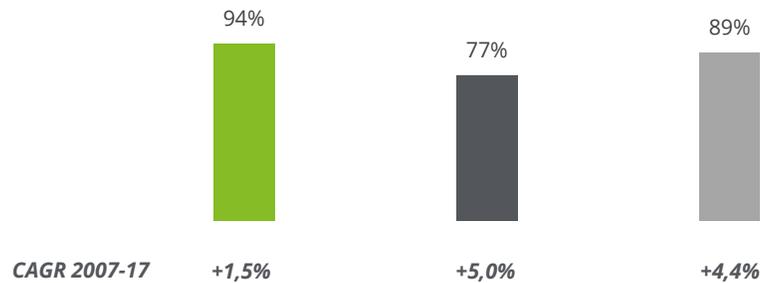
Source: Gross domestic product at market prices, current prices, euro per capita, Eurostat, 2016

SMEs per capita, 2015



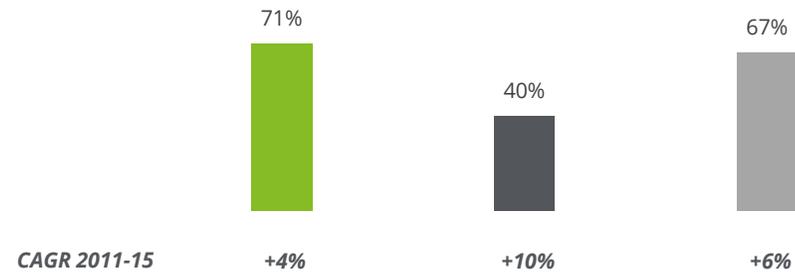
Source: Number of enterprises with 0 to 249 persons employed per number of persons having their usual residence in a country, Eurostat, 2015

Internet penetration, 2017



Source: Percentage of households with internet access, Eurostat, 2017

e-commerce penetration, 2017



Source: Last online purchase within the 12 months, percentage of individuals, Eurostat, 2017



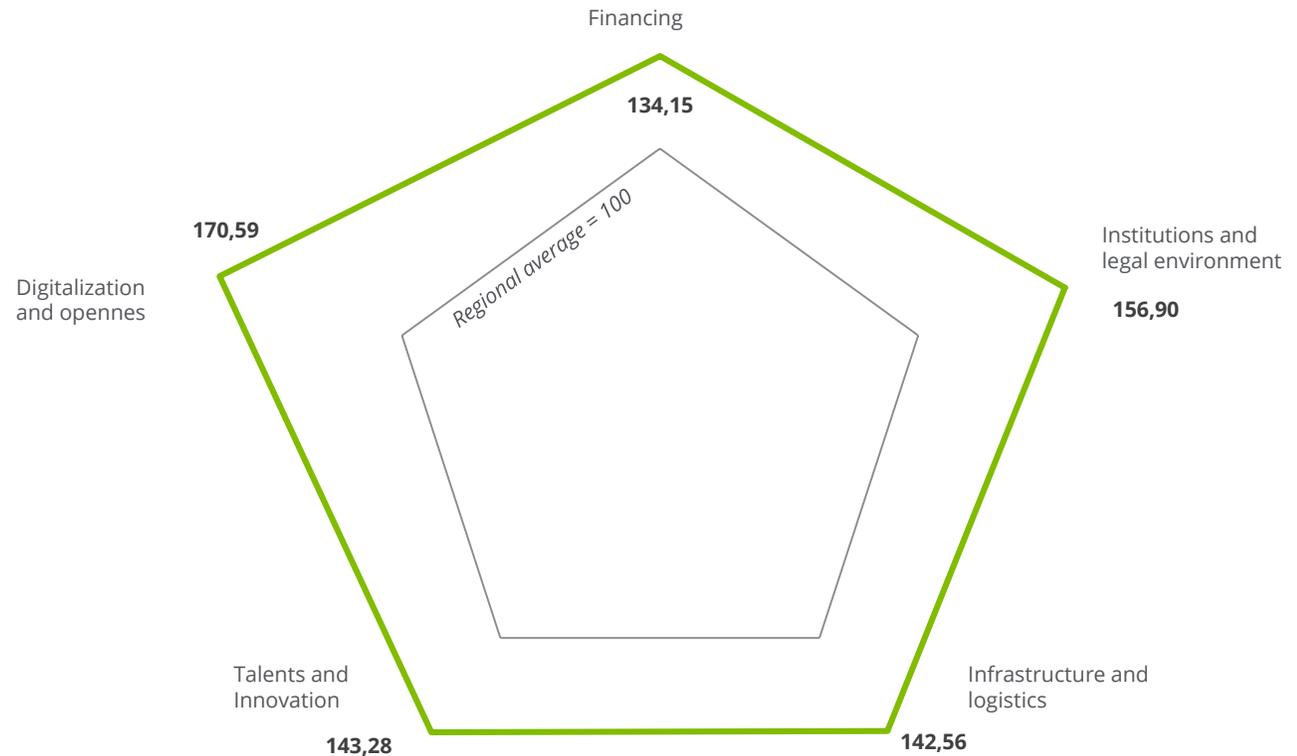
Market maturity

Finland is the best performer among the economies analyzed, achieving a similar score to the reference of the most developed markets of Western Europe. In all categories Finland scores well above average.

Relative strengths:

- Outstanding performance is achieved in *Digitalization and openness* category, where more than half of indicators were in the top quartile, including internet use by individuals and enterprises.
- Finland is also very strong in terms of education, as expenditures on this area are amongst the top of the EU level. The country has also has the highest ability to retain talent amongst the countries analyzed.

Average maturity of the market in key development dimensions compared to regional average (100)



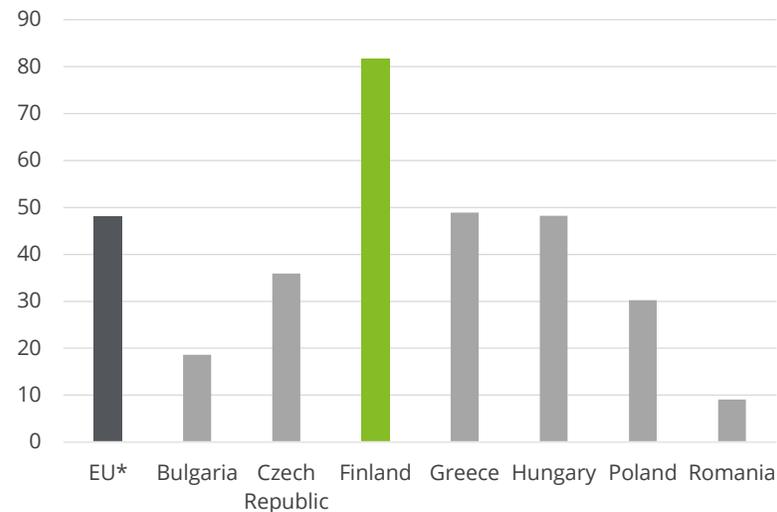
Source: Internal analysis

Market maturity

Areas for improvement:

- Whilst financing indicators outperform other countries, the household savings ratio is relatively low, which may negatively influence the availability of financing at the early stage of business development.
- Finland is one of the least export intensive economy, measured by value of exported goods and services relative to GDP.
- A relatively low performance is observed in tax related indicators. High tax rates, labor tax contributions relative to profits of enterprises and long time of opening a business might negatively influence firms' performance. This can especially be a burden for smaller companies, which need specialized services to deal with formalities.

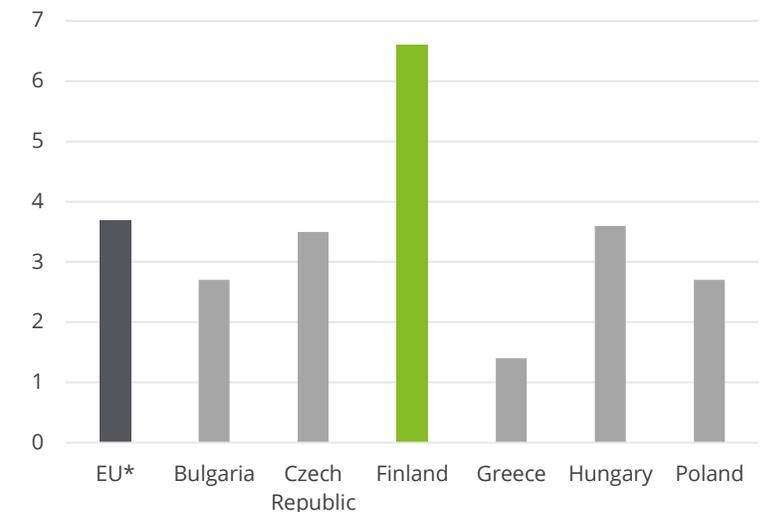
Individuals interacting online with public authorities, last 12 months



* 28 countries

Source: Individuals interacting online with public authorities in the last 12 months, Eurostat, 2016

Employed ICT specialists



* 28 countries

Source: ICT specialists as a % of total employment, Eurostat, 2015

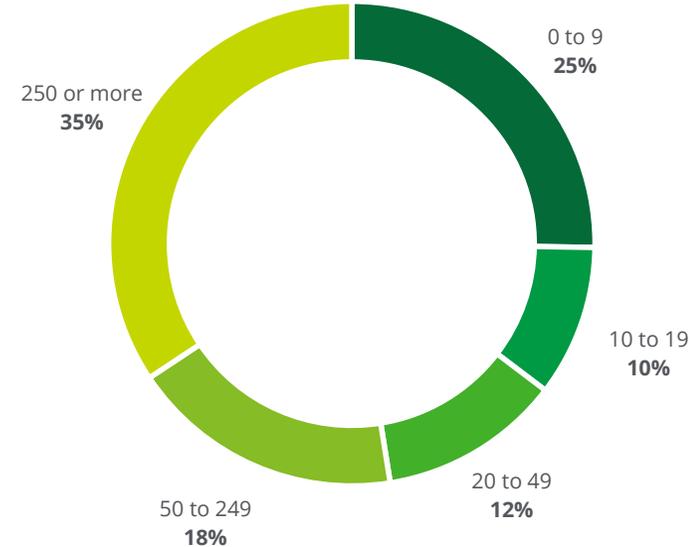
SME sector overview

The number of SMEs in Finland in 2015 was **about 229 000**, including 19 000 with more than 10 employees. SMEs play an important role in the economy, but the impact of big firms is higher than in other analyzed countries.

- The **birth rate*** for companies with 10+ employees in 2015 it was **1,9** which is lower than that of most developed countries Europe.
- **Share of SMEs in added value reaches 60,7%**, which is similar to the region and the average of other EU countries. Given the development level of Finland it is a high percentage.
- **Share of SMEs in employment is 65,6%** (68,6% for the region and 68,9% for WE).

* number of new companies with 10+ employees per 1000 existing companies of that size

Employment by company size in 2015



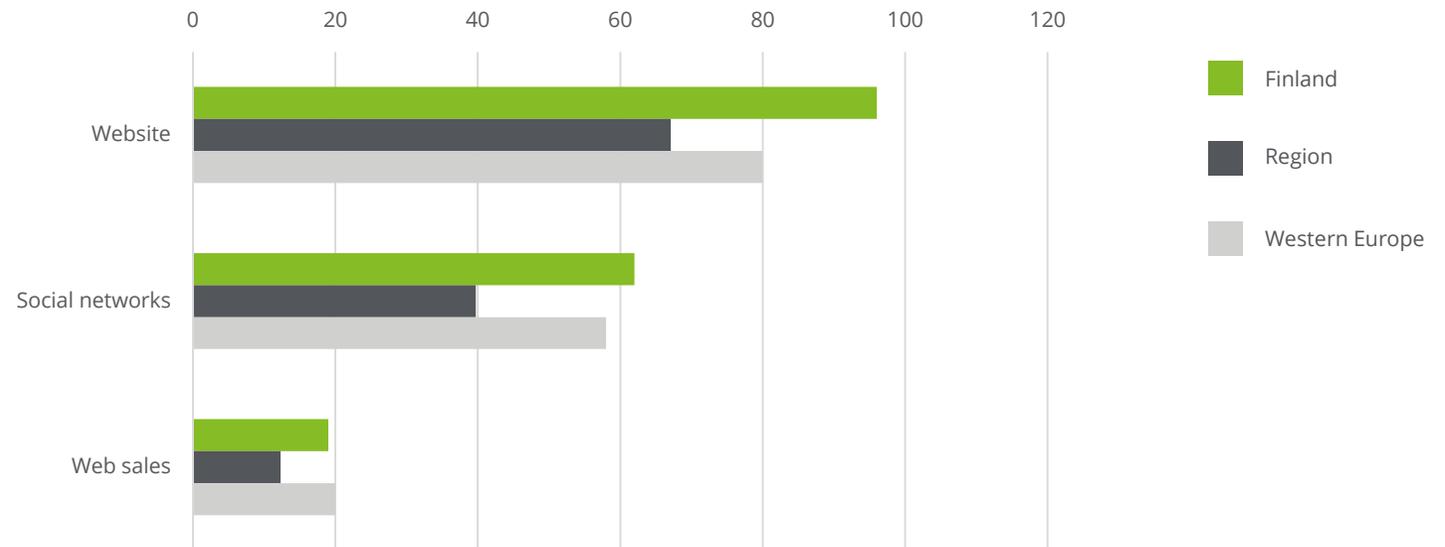
Source: Employment by company size, Eurostat , 2015

Web sales: high digitalization and fast development

Finnish SMEs are among the most digitally developed in Europe. The pace of improvement is still very high showing the big potential of the economy.

- Almost all SMEs in Finland have websites and 62% have presence on social networks.
- 19% of SMEs in the country run web sales.
- Growth (CAGR 2012-2017) for the share of SMEs with web sales reached 6,3% exceeding the region (5,5%) and Western EU (4,4%).

Share of SMEs* which have or use....



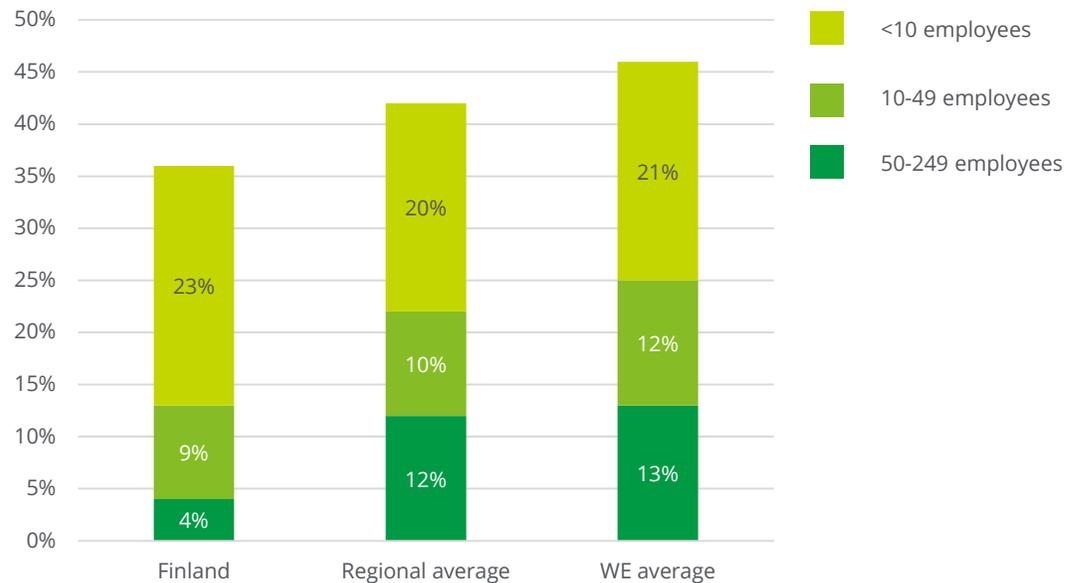
Source: Enterprises having a website, Use any social media, Enterprises having received orders via a website or apps (web sales), SMEs (10-249 persons employed), without financial sector, Eurostat, 2017

Lower export level and SME contribution

Finland is one of the least open economies in terms of exports among the ones analyzed. Also the role of SMEs in exports is smaller, which is a characteristic of more developed countries.

- Finnish exports amount to 75,9 bn euro, which is equal to 35,2% of GDP, which is lower than regional and WE average.
- There are 14 600 exporters in Finland, at least 97% of exporters* are SMEs.
- For its state of development a high number of exporters are microcompanies (less than 10 employees), amounting to 65% of all exporting firms.

Share of SMEs in export volume



* Eurostat. Data excluding exporters with undefined number of employees

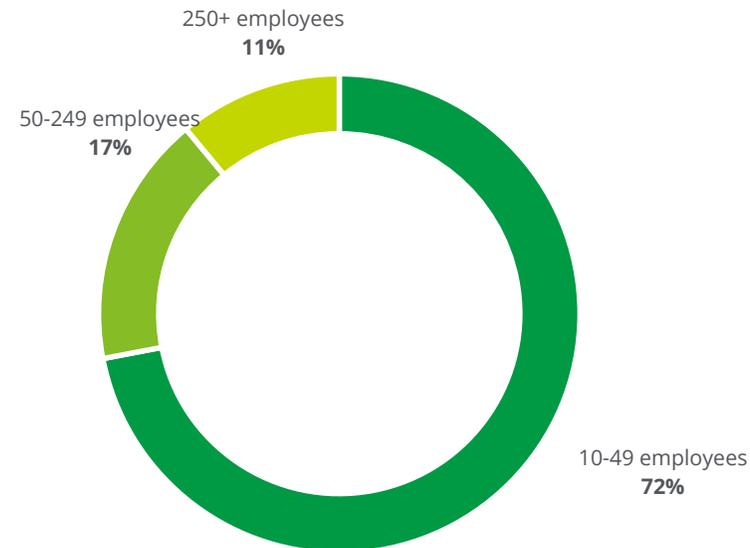
Source: Volume of export by company size, Eurostat, 2015

Online exports are dominated by SMEs, but large firms are relatively strong

- Total number of online-exporters is about 900 (not including micro companies with less than 10 employees).
- 88,6% of them are SMEs, and 72% have from 10 to 49 employees. Consequently 11% of online exporters are large firms, the highest percentage in the analysis.
- Share of online exporters among all SMEs with web sales is 24% which is a lower level than other countries (-14 pp to regional average and -20 pp to WE average).
- 19,8% of all SME exporters use cross-border web sales, which is almost equal to regional average (+3 pp).
- Digitalization of export sales is similar among smaller and bigger enterprises (22% exporters with 10-49 employees exports online and 23% large exporters - with more than 250 employees exports online).

* Eurostat. Data for SMEs refers to companies with 10-249 employees (no data available for smaller companies)

Online exporters by size



Source: Online exporters by size, 'Calculation based on enterprises' distribution by size as of 2015, Eurostat, 2017

Online commerce – PayPal merchant statistics

Top e-commerce categories by volume

-  Fashion
-  Travel
-  Sport equipment
-  Electronics
-  Music/videos
-  Software
-  Gaming
-  Auto parts
-  Pet supplies
-  Cellphones

Top corridors by volume

1. Germany

2. USA

3. Finland

4. Sweden

5. UK

6. Italy

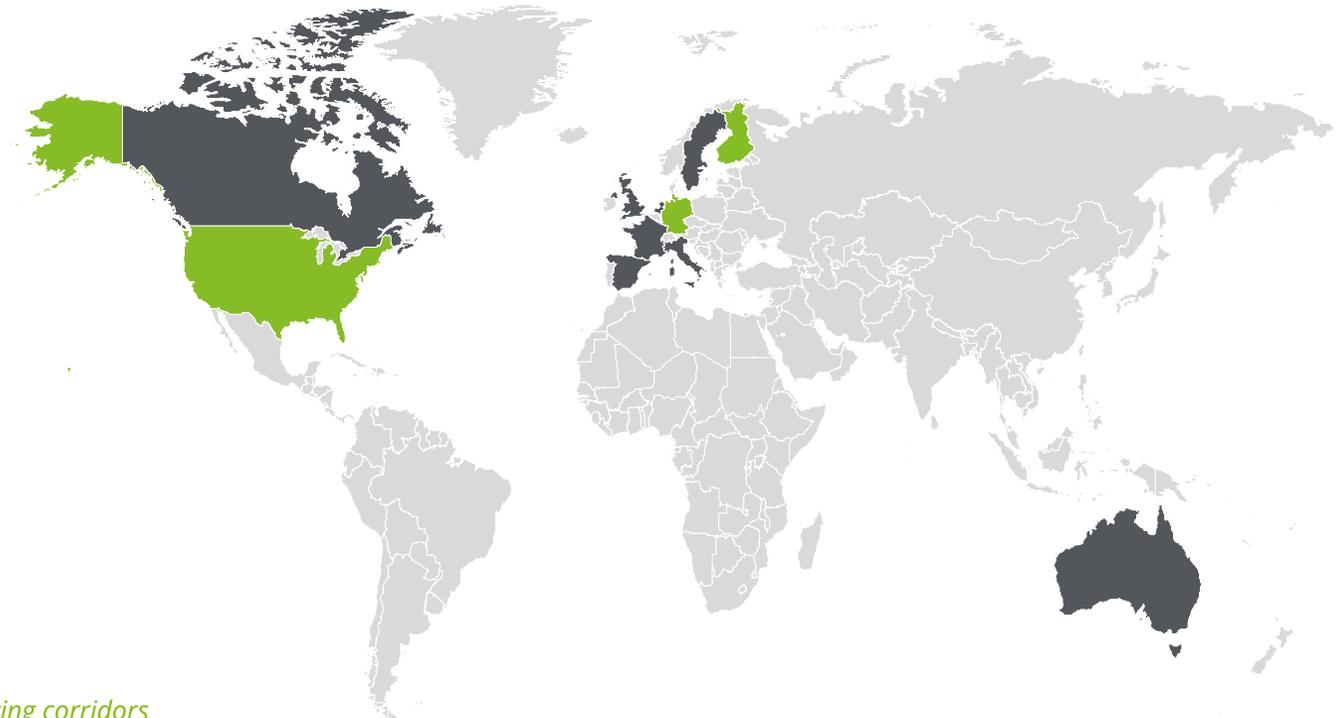
7. France

7. Australia

8. Netherlands

9. Spain

 Top 3 fastest growing corridors





Backstage Rock Shop Ltd

Music band merchandise

Year of establishment	2011
Industry	Music merchandise business
Headquarters	Tampere, Finland
Revenue in 2016	1M+ €
Growth	100% in first year
Employment	6
Revenue from exports	40 %
Main target countries for exports	United States, Germany, United Kingdom
Percent of online sales	70 %
Most important internet-based solution for your business	Shopify, Facebook, Google, Paytrail, PayPal
Capital requirements to start business	Passion for the business

The business

Our business idea is to sell official band merchandise, mainly rock and metal music. My story is that I was working in a different music company in Finland back in 2010 when the company offered me to buy the business. I've been touring a lot with different bands in Finland and in Europe so that's why we had good relations with different artists and companies. Since 2011 when we founded this company, we handle nowadays over 30 artists' official webshops at backstagerockshop.com with lots of exclusive content.

The internet as an enabler

Most of our sales come from the Internet and our marketing happens there. For growing internationally the internet is THE place for us.

Our sales channel is pretty common for the business we operate. Besides many other Finnish merchandising companies, we sell our items to well over 60 countries and that makes it a bit tricky; two official languages, four delivery companies, selling items without taxes outside EU, inside EU with three different tax systems. Always when you think of new ideas and tools for your webshop, you have to think of many different angles so that everything will go smoothly.

We have lots of different payment methods in our shop and it is really important to have many options available. Some payment methods that work for example in US markets are not valid for Russian customers etc. The security of payment methods is also really important. If the payment methods look even slightly unreliable, it makes our company unreliable in the eyes of customers.



Backstage Rock Shop Ltd

Music band merchandise

Growing in the region

Is it a good place to start a business?

For us, definitely. Most of our internet sales come from the region and that's mainly because we can guarantee faster and cheaper delivery methods for customers. Also, returning orders inside the region is easier than for example from US to Finland.

What recommendation would you share with other people who want to start a company in the region?

Concentrate first on your local markets. Then expand to other countries as well. If you are a rookie in the internet business, the best way to start is to know your own markets and then expand elsewhere. When you expand, do it wisely but do not be afraid of expanding into a new country or territory. Learn about the countries, its people and habits where you are about to expand. Every business practice is not the same in every country.

Learn your local markets first. For example we have started global sales straight from the beginning and even though I think it was a wise decision, our first two years of global internet sales were not so good, probably 90% of revenue came from local market. **Now, five years later around 60% of our internet sales are coming from abroad.**

MOOMIN

All Things Commerce

Moomin accessories

Year of establishment	2013
Industry	Toys
Headquarters	Helsinki, Finland
Revenue in 2016	€750 000
Average growth	210%
Employment	3
Revenue from exports	90%
Main target countries for exports	United Kingdom, United States, Sweden, Germany, Japan, Norway, Denmark
Percent of online sales	100%
Most important internet-based solution for your business	Shopify, Stripe, PayPal, Klarna, Slack, WordPress Mailchimp, Facebook, Google Apps
Capital requirements to start business	€150 000

The business

The aim of All Things Commerce Helsinki Ltd is to help Nordic brands launch successful online shops, supported by a content strategy. We set out to build an online shop for the well known character brand Moomin, and have in four years built a business that spans the globe with sister sites in Japan, Korea and China. Since our launch, we have rebuilt the site and shop four times to better accommodate growth and the service level the brand deserves.

The internet as an enabler

The business was completely digital and global from day one. The tools that we use allow us to use data to make decisions and move quickly. There was never any other way of doing it. One of our sister companies has physical shops with the same character and theme, and we need to be consistent in our sales approach. We handle all support through systems that we built in connection to the online Moomin shop. We are also able to set up local popup POS operations using the same tools as we use now.

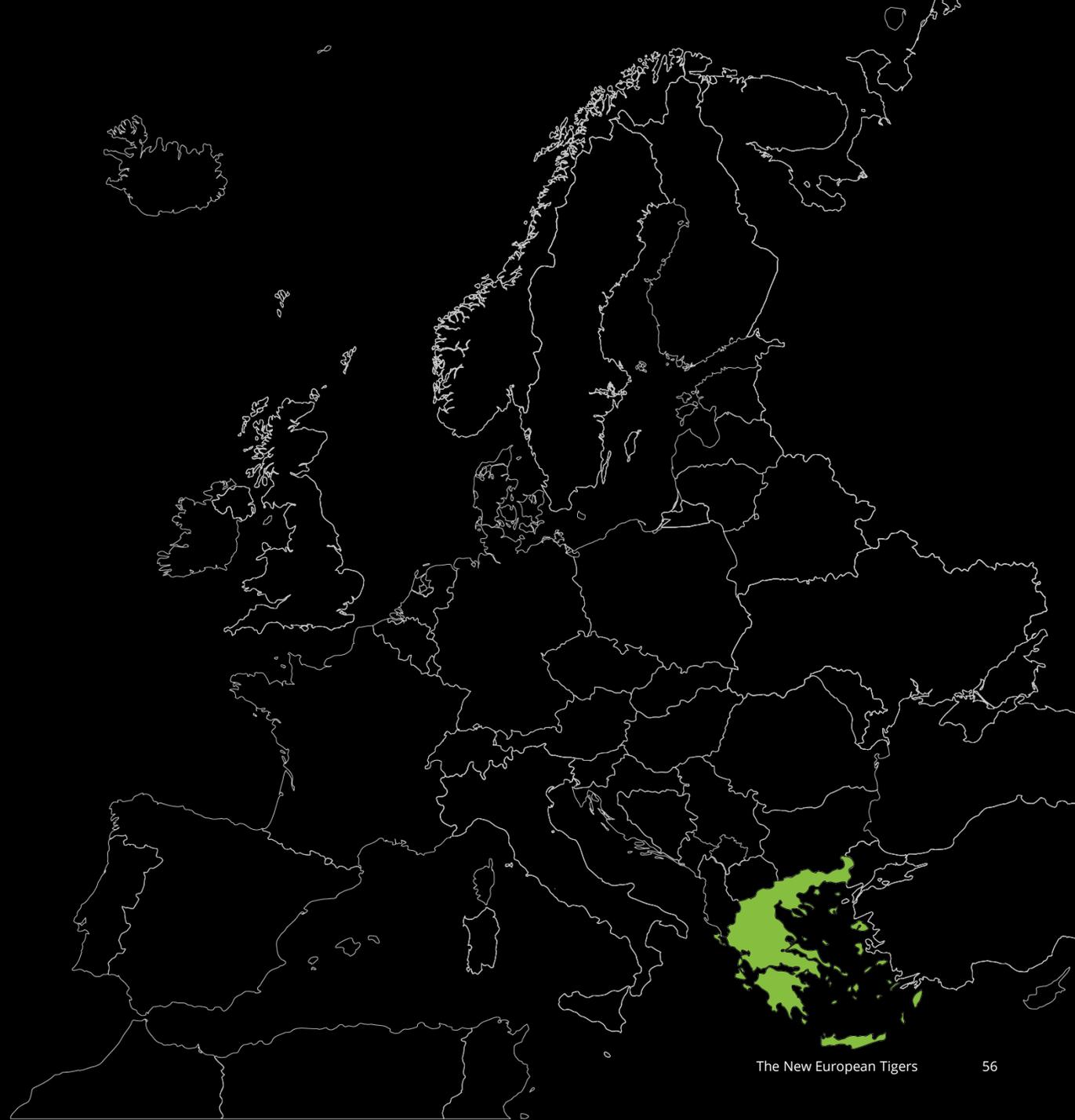
The payment systems we use are trusted and verified systems that our customers know well and rely on. As we're launching several new offline projects in the years to come, I believe we will see a strong growth and the systems that we've built will allow us to scale quickly if needed. We're looking closely at all new online systems that will help us sell, communicate and support our business.

What recommendation would you share with other people who want to start a company in the region?

When it comes to e-commerce, pick a partner who is able to help you get there - regardless of whether it's for marketing, payments or logistics. There's always someone who knows how to do it better than you do, and willing to show you for money or a piece of the pie.

The thing about scaling is that problems also scale. So I would recommend **starting with a smaller market to iron out all the small things** that might grow into big things once you try to scale. But after that is done, **go on all in and go big**. We took the leap and went global from day one. It took a while for us to get to the surface but now we're all the wiser because of it.

GREECE



Market overview

Population

Number of people
2017, Eurostat



Gross Domestic Product

Domestic product at market prices,
bl EUR, 2016, Eurostat



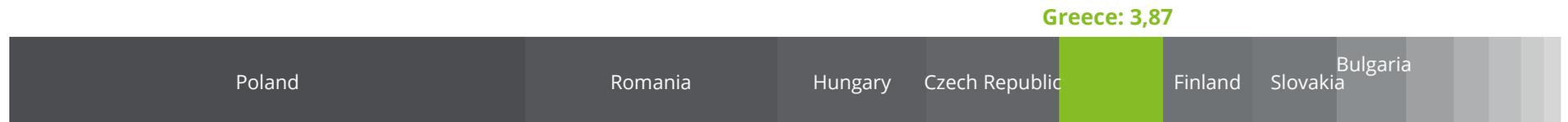
e-commerce market

E-Commerce revenue,
mln USD, 2017, Statista
(estimate for Greece using Eurostat data)



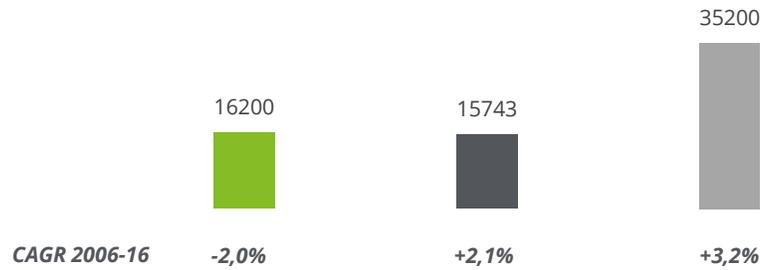
e-commerce users

Number of e-commerce market users,
mln of people, 2017, Statista
(estimate for Greece using Eurostat data)



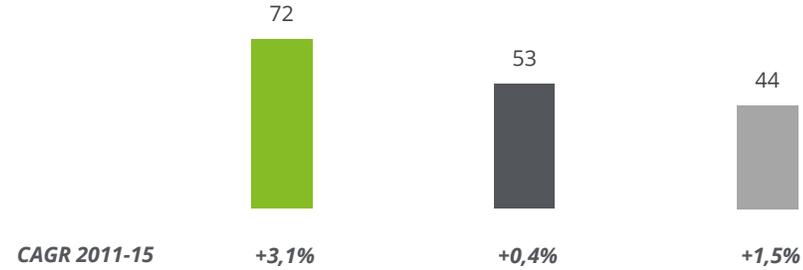
Faster growth in digital areas bridging gaps

GDP per capita, 2016



Source: Gross domestic product at market prices, current prices, euro per capita, Eurostat, 2016

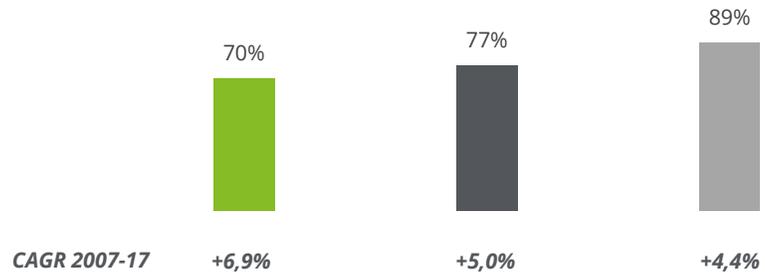
SMEs per capita, 2015



Source: Number of enterprises with 0 to 249 persons employed per number of persons having their usual residence in a country, Eurostat, 2015

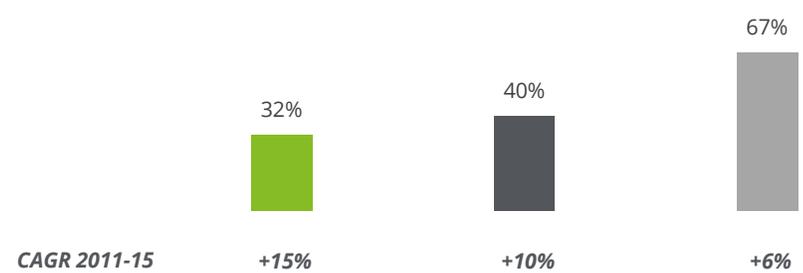


Internet penetration, 2017



Source: Percentage of households with internet access, Eurostat, 2017

e-commerce penetration, 2017



Source: Last online purchase within the 12 months, percentage of individuals, Eurostat, 2017

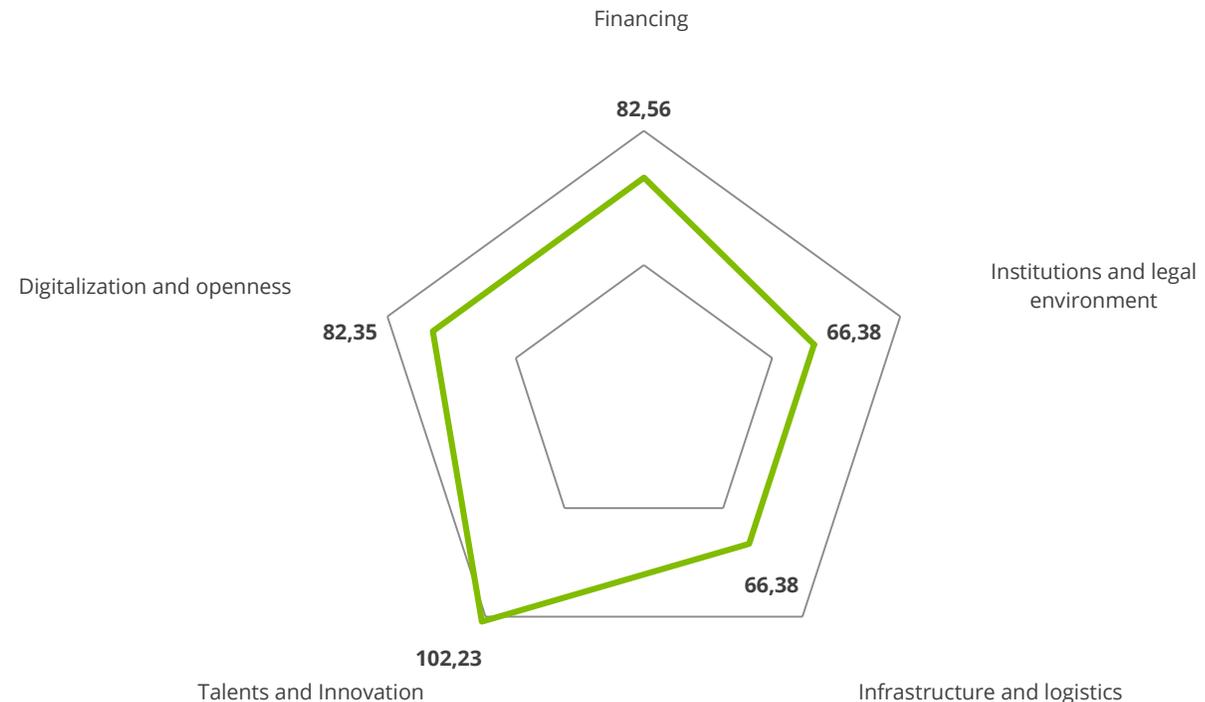
Market maturity

Greece achieves a below average total assessment, with relative underperformance particularly visible in the Institutional area. The economy however scores much better in the area of Talents and innovation.

Relative strengths:

- Value of domestic credit is relatively high in Greece and might be a counterbalance for other sources of capital for companies.
- High tertiary education attainment is Greece's strong side, achieving the best score among the countries analyzed.
- In Greece a relatively high share of enterprises reported implementing innovation, a result similar to that of the most developed EU economies.

Average maturity of the market in key development dimensions compared to regional average (100)



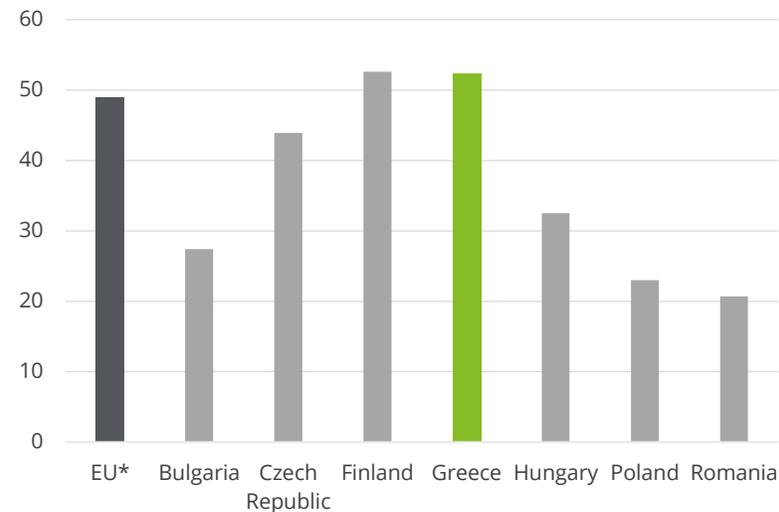
Source: Internal analysis

Market maturity

Areas for improvement:

- The lower ranks are obtained for quality of institutional environment, where almost all indicator values are in the bottom quartile. Starting business time and procedures lag behind Western economies, however, they are within the average for the region.
- Low fixed broadband coverage is not compensated for by higher mobile broadband take-up. The price for broadband is also relatively high.
- Greece scores low in terms of employment in high and medium tech sectors. It also has a relatively low new business density.

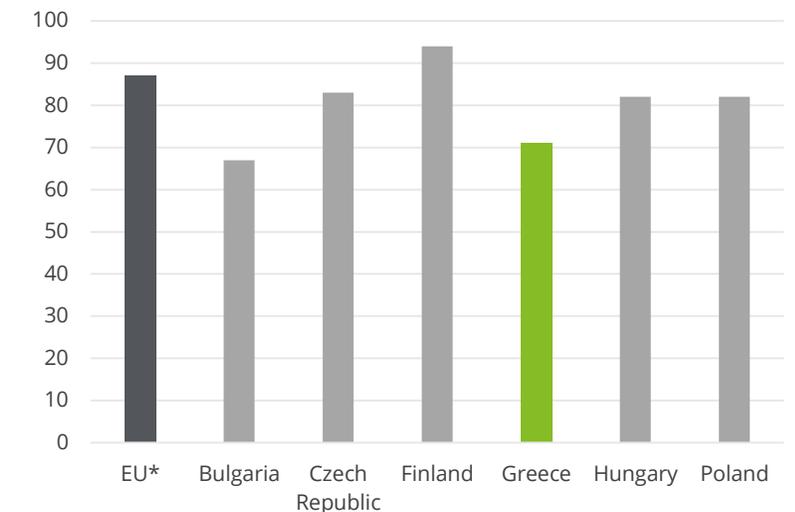
% of innovative enterprises



* 28 countries

Source: Share of enterprises that are innovative, Eurostat, 2012

Households - level of internet access



* 28 countries

Source: Share of households with internet access, Eurostat, 2017

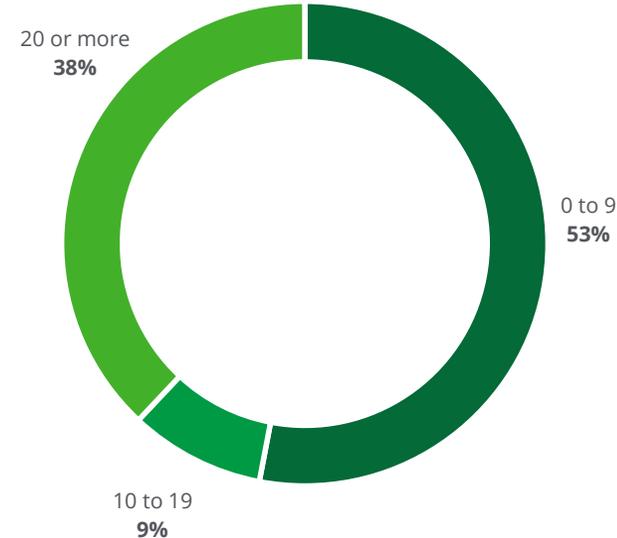
Microcompanies sector is very strong and developing

The number of SMEs in Greece in 2015 was **more than 780 000**, but the number includes firms up to 19 employees only. While the statistics on SMEs are not complete, share of microcompanies is still higher than in any other analyzed country.

- The **birth rate*** for companies with 10+ employees in 2015 was **22,1** – which is a very high number, significantly surpassing the region and WE.

* number of new companies with 10+ employees per 1000 existing companies of that size

Employment by company size in 2015



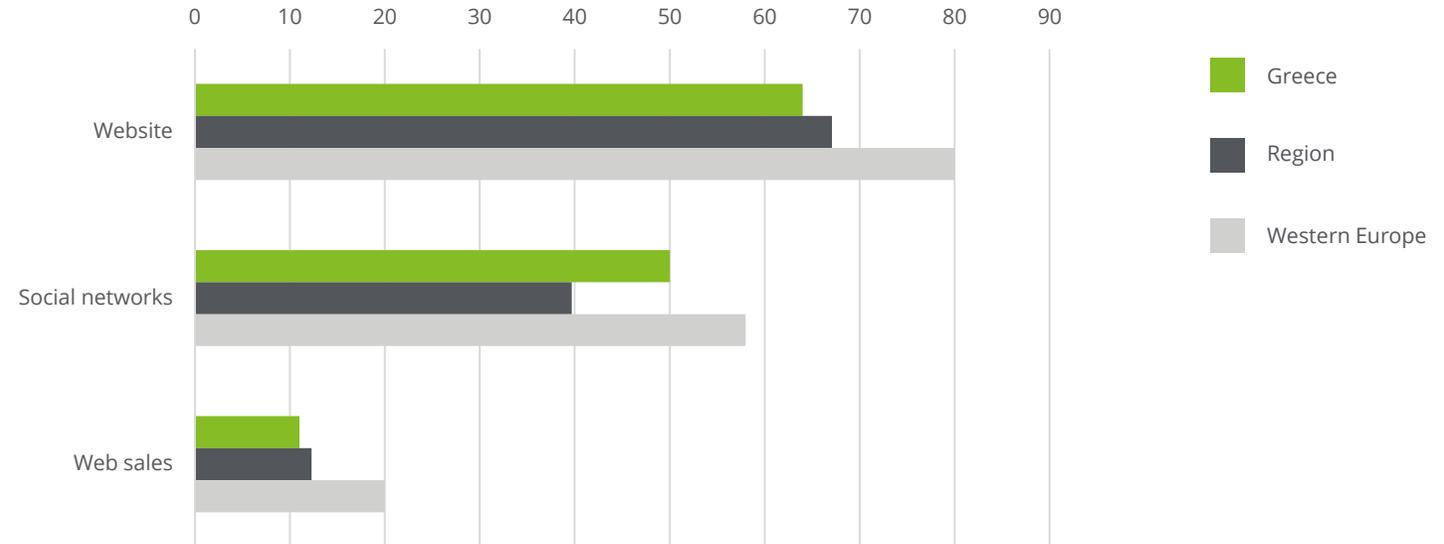
Source: Employment by company size, Eurostat, 2015

Web sales: fast development

The Greek SME sector is close to average with high improvement in key areas.

- 64% of SMEs in Greece have websites and 50% have presence on social networks.
- 11% of SMEs in the country run web sales.
- Growth (CAGR 2012-2017) for the share of SMEs with web sales reached 6,6% exceeding the region (5,5%) and Western EU (4,4%).

Share of SMEs* which have or use....



Source: Enterprises having a website, Use any social media, Enterprises having received orders via a website or apps (web sales), SMEs (10-249 persons employed), without financial sector, Eurostat, 2017

Low export level but high SME contribution

Greece is the least open economy in terms of exports among the countries analyzed. The role of SMEs in export is very high, confirming the importance of the sector.

- Greek exports amount to 53 bn euro, which is equal to 30,5% of GDP, which is lower than regional and WE average.
- There are 18 200 exporters in Greece, at least 98% of exporters* are SMEs.
- Share of microcompanies (less than 10 employees) in number of exporters is about 66%, close to regional and WE average.

Share of SMEs in export volume



* Eurostat. Data excluding exporters with undefined number of employees

Source: Volume of export by company size, Eurostat, 2015

Online commerce – PayPal merchant statistics

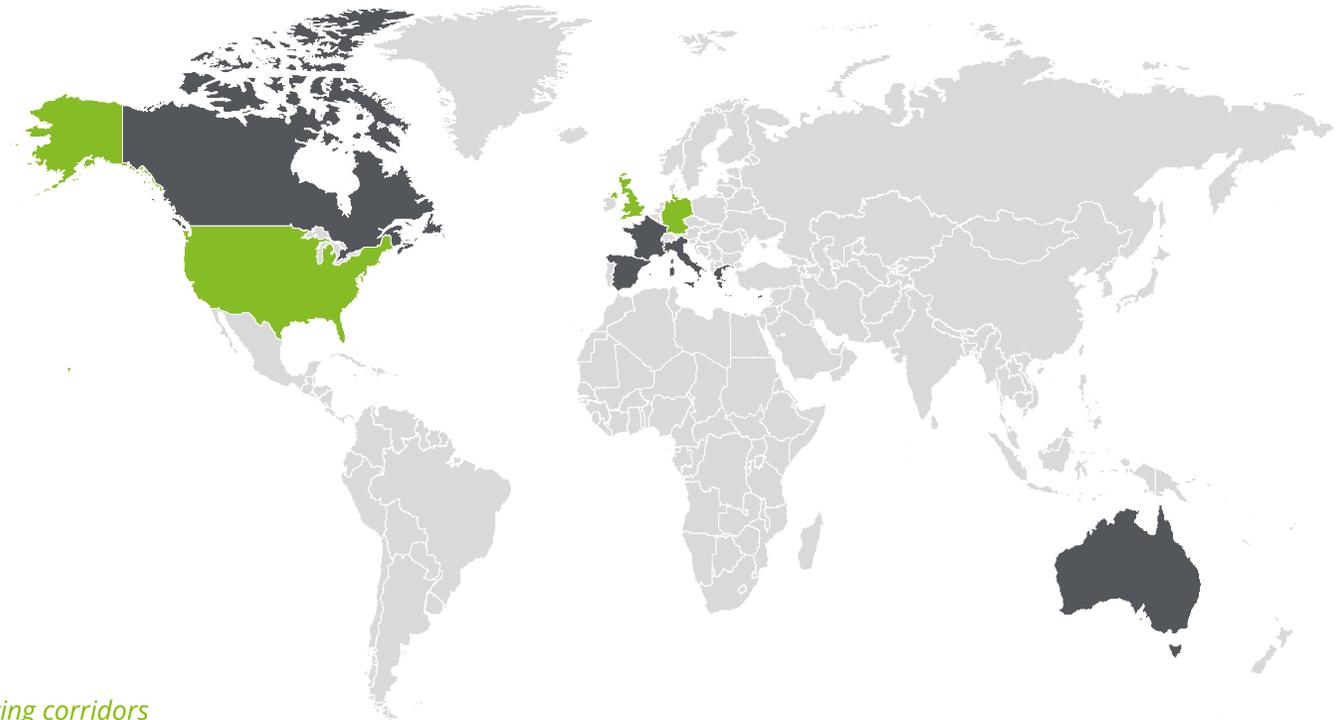
Top e-commerce categories by volume

-  Travel
-  Fashion
-  Other services
-  Website services
-  Auto parts
-  Houseware
-  Cosmetics
-  Cellphones
-  Memorabilia
-  Electronics

Top corridors by volume

1. Greece
2. UK
3. USA
4. Germany
5. Australia
6. France
7. Italy
8. Canada
9. Cyprus
10. Spain

 *Top 3 fastest growing corridors*



etouri eTouri

Vacation rentals

Year of establishment	2012
Industry	Vacation rental management
Headquarters	Rethymono, Crete, Greece
Revenue in 2016	EUR 320 000
Average growth	Close to average 50% annually
Employment	4
Revenue from exports	100%
Main target countries for exports	Mostly Europe (UK, France), also USA, Canada
Percent of online sales	100%
Most important internet-based solution for your business	PayPal, Homeaway, Airbnb, Tripadvisor, Wunderlist, Trello
Capital requirements to start business	0

The business

7 years ago my father took the decision to build a villa in order to rent it out for tourists. **As I was young and familiar with internet marketing I felt the responsibility to help him with his new small business.** The results surprised even myself. After one year I had the most successful villa in the region of Rethymno and everybody was talking about this house. I realized that the only thing I did well was to be honest with the guests in the advertisement and in the communication with them. The whole agent industry was focused on money instead of looking at the human side of the customers. I felt that I had the opportunity to start managing more villas and make my dream come true. To show respect to other peoples' holidays again!

The internet as an enabler

I have to admit that especially when I started there where many agents working offline trying to book the villas they were managing through offline channels.

From the first moment I searched how I could operate only online and I found some platforms, all being startups at that time (like Homeaway & Airbnb). This was the key to my success. I fully focused on the online business and honestly I do not believe that there is much in the tourism industry for offline businesses.

Is it a good place to start a business?

10 years ago in Greece everybody was afraid to do business, payments or shopping online. So I believe that there are still huge opportunities for new businesses to operate only using the web in other countries where such hesitation still exist!

I would recommend anyone to focus on local needs in the beginning and focus on how to organize everything in order to have an easy and automatic processes in the future. Start locally but always look into the future and prepare your company to have a **strong base to grow regionally and then globally.**

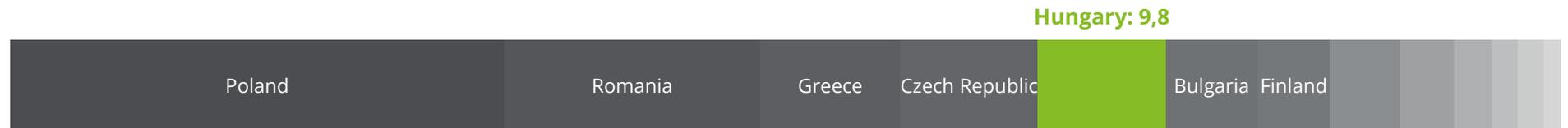
HUNGARY



Market overview

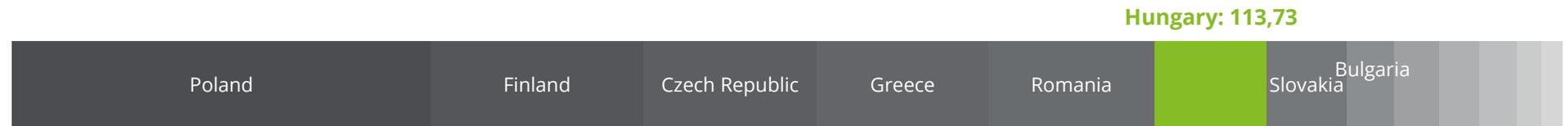
Population

Number of people
2017, Eurostat



Gross Domestic Product

Domestic product at market prices,
bl EUR, 2016, Eurostat



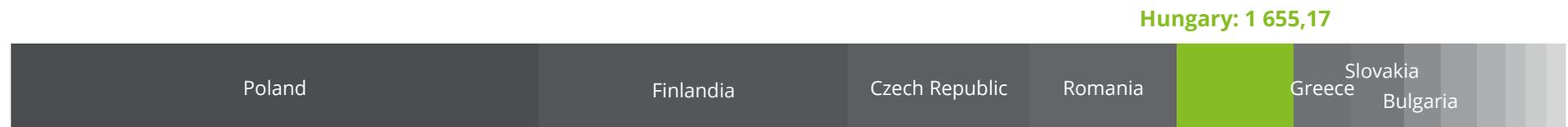
Number of SMEs

Total number of SMEs,
2016, Eurostat



e-commerce market

E-Commerce revenue,
mln USD, 2017, Statista
(estimate for Greece using Eurostat data)



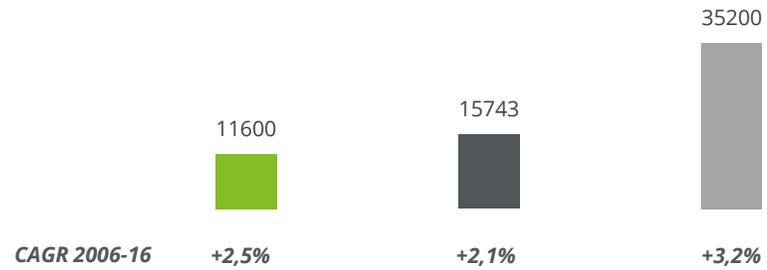
e-commerce users

Number of e-commerce market users,
mln of people, 2017, Statista
(estimate for Greece using Eurostat data)



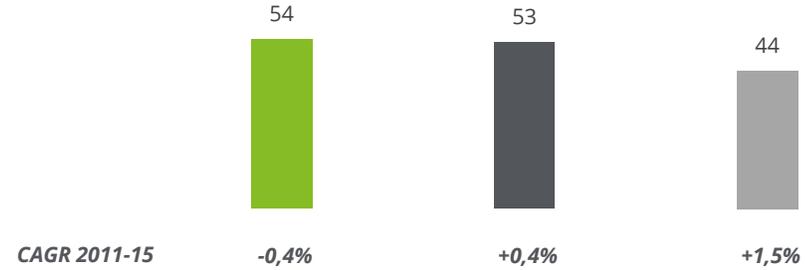
Average results with fast improvement

GDP per capita, 2016



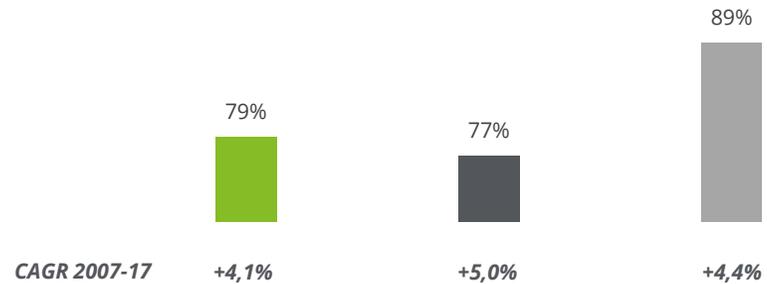
Source: Gross domestic product at market prices, current prices, euro per capita, Eurostat, 2016

SMEs per capita, 2015



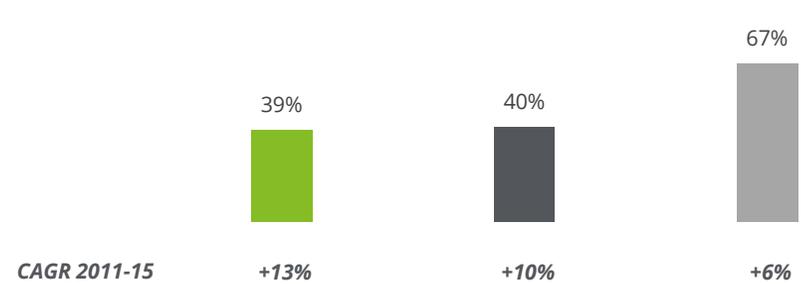
Source: Number of enterprises with 0 to 249 persons employed per number of persons having their usual residence in a country, Eurostat, 2015

Internet penetration, 2017



Source: Percentage of households with internet access, Eurostat, 2017

e-commerce penetration, 2017



Source: Last online purchase within the 12 months, percentage of individuals, Eurostat, 2017



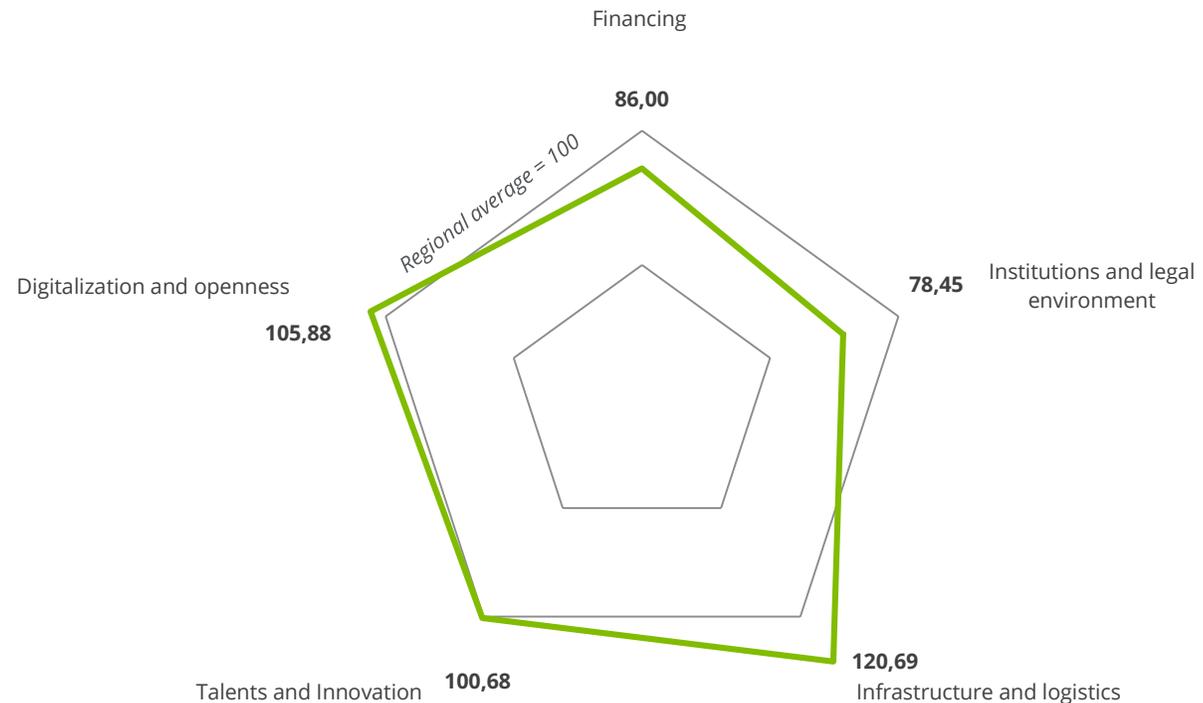
Market maturity

The score for Hungary is almost the regional average. It obtained better results in Infrastructure and logistics metrics, underperforming, however, in the Institutional and legal environment part.

Relative strengths:

- The infrastructure and logistics score is not only above average, but also higher than the EU reference. High broadband coverage, 4G availability and internet speed is a strong aspect of Hungary.
- The high number of foreign students and knowledge of foreign languages makes a good talent base for business development.
- Hungary has also a strong export oriented economy, as its value equals almost 90% of GDP. That result is better than both the EU and regional average.

Average maturity of the market in key development dimensions compared to regional average (100)



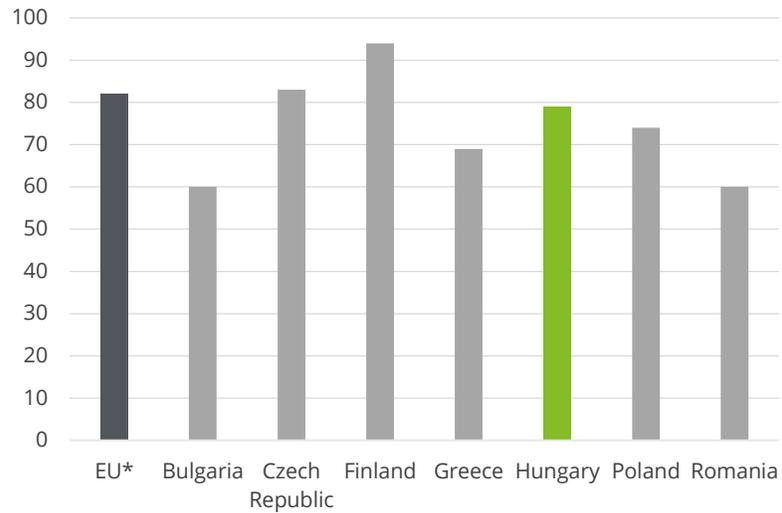
Source: Internal analysis

Market maturity

Areas for improvement:

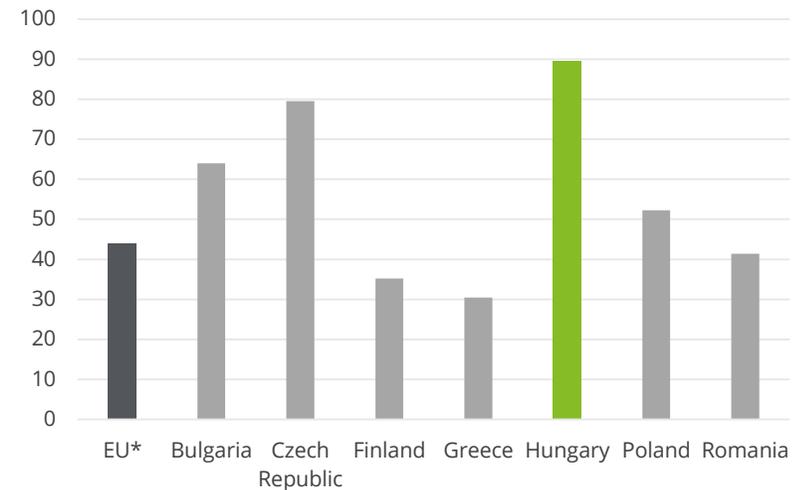
- The availability of financing is low in Hungary and lower than in the region. That especially concerns stock market capitalization or value of domestic credit. It may negatively impact businesses both at start-up and later stages of development.
- Government expenditure on education is relatively low.
- As for most countries analyzed, low scores were obtained for government e-services and complicated business procedures. Also tax system might be an obstacle in Hungary.

Internet usage by individuals



Source: Percentage of individuals that had last internet use: in last 3 months, Eurostat, 2016

Percentage of internet users purchasing online



Source: Last online purchase: in the 12 months, Percentage of individuals who used internet within the last year, Eurostat, 2017

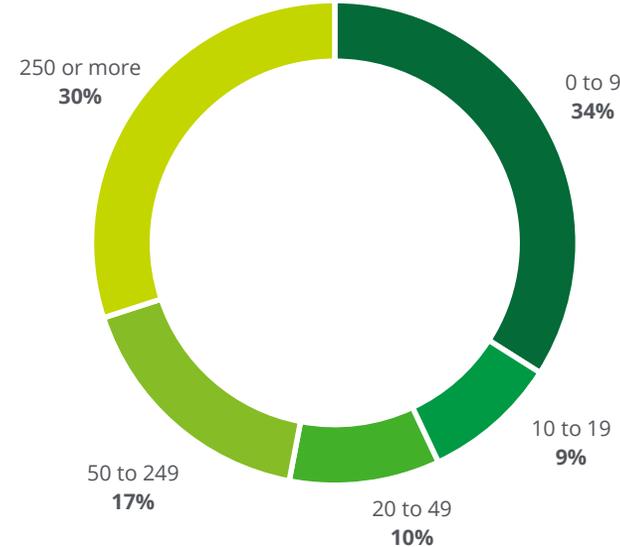
SME sector – high employment and birth rate, lower value added

The number of SMEs in Hungary in 2015 was **about 536 000**, including 31 000 with more than 10 employees. SMEs play an important role in the economy, but bigger firms contribute more value added than on average in the region.

- The **birth rate*** for companies with 10+ employees in 2015 was **27,5** – the highest among the markets analyzed.
- **The share of SMEs in value added reaches 53%**, being below that of the region and the average of other EU countries.
- **The share of SMEs in employment is 69,8%** (68,6 for the region and 68,9% for WE).

* number of new companies with 10+ employees per 1000 existing companies of that size

Employment by company size in 2015



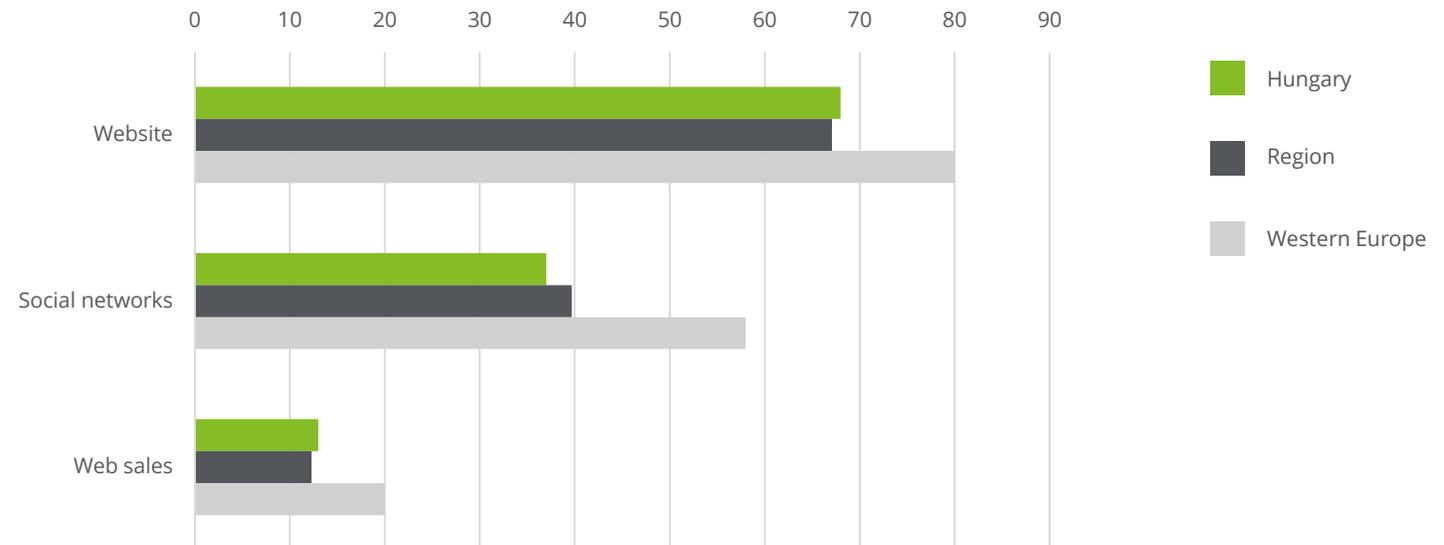
Source: Employment by company size, Eurostat, 2015

Web sales: average position, fast development

Hungarian SMEs are slightly below the regional average in terms of digitalization. The pace of improvement is very high, however, showing the big potential of the economy.

- Almost 70% SMEs in Hungary have websites and 37% have presence on social networks.
- 13% of SMEs in the country run web sales.
- Growth (CAGR 2012-2017) for the share of SMEs with web sales reached 7,6% being one of the greatest improvements in the region (average 5,5%) and exceeding Western EU (4,4%).

Share of SMEs* which have or use....



* Eurostat. Data for SMEs refers to companies with 10-249 employees (no data available for smaller companies)

Source: Enterprises having a website, Use any social media, Enterprises having received orders via a website or apps (web sales), SMEs (10-249 persons employed), without financial sector, Eurostat, 2017

Lower export levels and SME contribution

Hungary is the most open economy in terms of exports among the markets analyzed. Also the role of SMEs, especially the smallest ones in terms of exports is greater than average, showing the big potential of the sector.

- Hungarian exports amount to 101,8 bn euro, which is almost 90% of GDP, well above regional and WE averages.
- There are 32 700 exporters in Hungary, at least 98% of exporters* are SMEs.
- In terms of exporters structure, the vast majority of firms are microcompanies (less than 10 employees), amounting to almost 70% of all exporting companies.

Share of SMEs in exports by volume



* Eurostat. Data excluding exporters with undefined number of employees

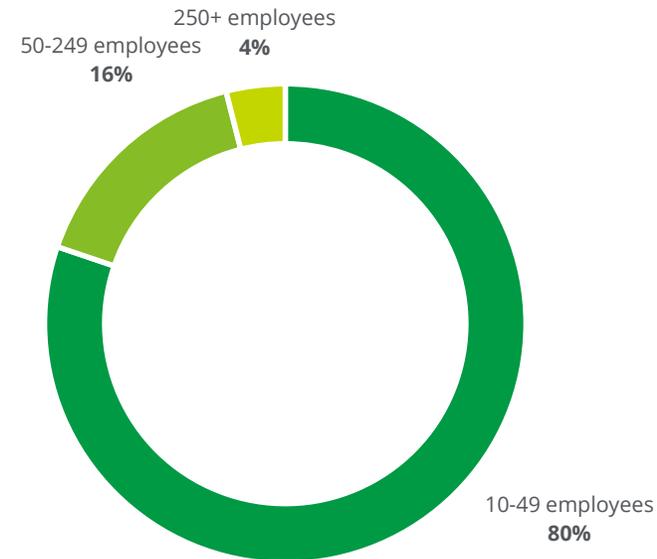
Source: Volume of export by company size, Eurostat, 2015

Online exports are dominated by SMEs, but large firms are relatively strong

- Total number of online-exporters is about 1500 (not including micro companies with less than 10 employees).
- 96,2% of them are SMEs, and almost 81% have from 10 to 49 employees. Consequently only 4% of online exporters are large firms.
- Share of online exporters among all SMEs with web sales is 36% which is a lower level than that of other analyzed countries by about 2 pp.
- 15,5% of all SME exporters use cross-border web sales, which is slightly below regional average (16,6%).
- As everywhere in Europe, digitalization of export sales is higher among smaller enterprises (17% exporters with 10-49 employees exports online and 10 % large exporters - with more than 250 employees exports online).

* Eurostat. Data for SMEs refers to companies with 10-249 employees (no data available for smaller companies)

Online exporters by size



Source: Online exporters by size estimated using Eurostat data for 2017, calculation based on enterprises' distribution by size as of 2015

Online commerce – PayPal merchant statistics

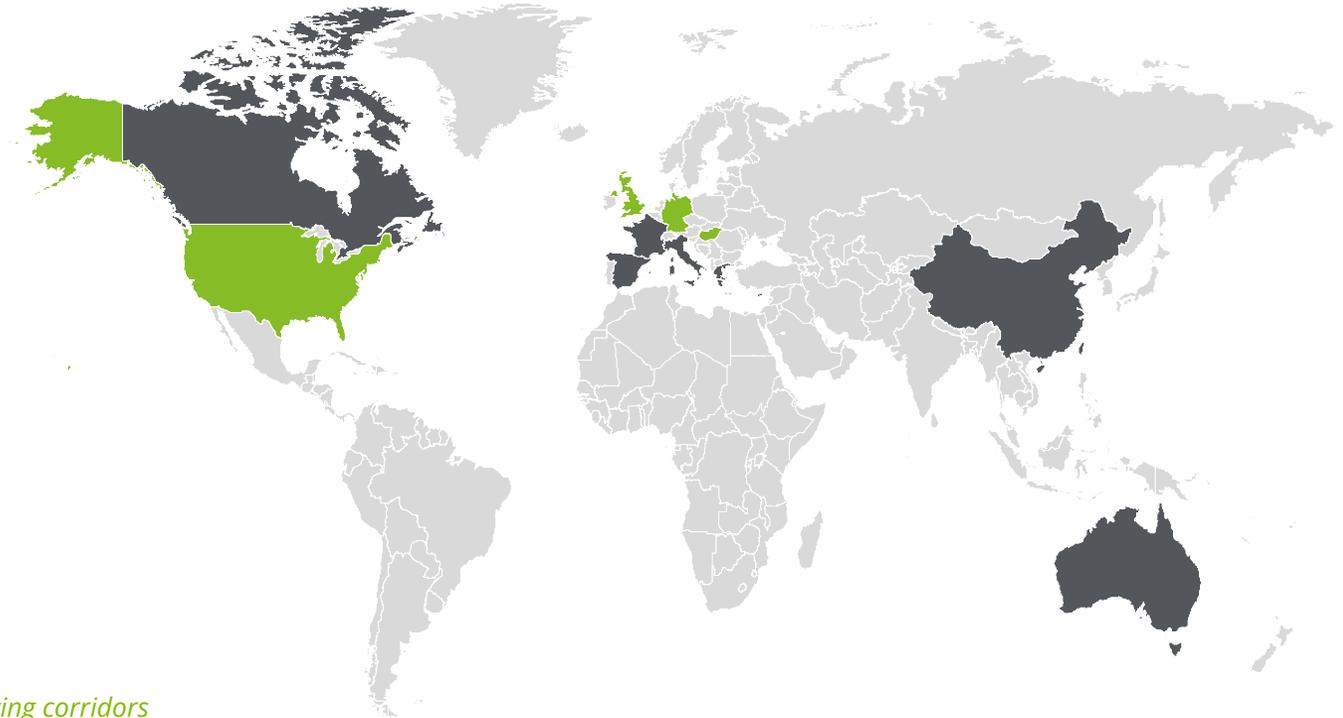
Top e-commerce categories by volume

-  Auto parts
-  Houseware
-  Travel
-  Fashion
-  Electronics
-  Tickets
-  Sport equipment
-  Software
-  Memorabilia
-  Website services

Top corridors by volume

1. USA
2. **Hungary**
3. **UK**
4. **Germany**
5. Canada
6. Australia
7. France
8. China
9. Italy
10. Spain

 *Top 3 fastest growing corridors*





MakanyMarta

Production of unique wedding dresses

Year of establishment	2004
Industry	Fashion and Design
Headquarters	Budapest, Hungary
Revenue in 2016	Under 1M EUR
Average growth	20% annually
Employment	12
Revenue from exports	60%
Main target countries for exports	US, Ireland, UK, France, The Netherlands and Hungary
Percent of online sales	60%, but mainly b2b. Overall 10% of customers sale.
Year of establishment	2014
Industry	Fashion and Design

The business

Marta Makany has dreamed of flowing dresses with beautiful details since childhood. But she did not know that she wanted to be a fashion designer until she enrolled at the University of Art and Design in Budapest in 1993. There she fell in love with the process of creation itself. Thus, the story of the MakanyMarta brand started more than 20 years ago. Her first clients were individual customers, mainly brides, their mothers, and friends. Then Marta's evening dresses became famous among Hungarian celebrities. At that time the brand was promoted via word of mouth and "red carpet" news.

Relaunch

In 2015, the company was completely relaunched. It expanded in two directions, creating more collections and offering delivery to a greater number of countries. Marta made her first steps into the international market. Her denim accessorized bridal collection UBRIDE became a highlight of the New York Bridal week in 2016. The website, registered in 2004, was renewed as well, and an online store was opened a year later, in 2016.

Share of cross-border sales is 60%. These are mainly B2B to both small boutiques and huge department stores buyers. The brand has 12 offline sales points situated in the USA, Ireland, the UK, France, the Netherlands, and Hungary. Key markets outside Hungary are Ireland, France, and the USA. The company also ships the orders to the UK. Peak season for ready-to-wear dresses is from September to February.



GPS Tuner

E-bike connectivity

Year of establishment	1997
Industry	Electric bike connectivity and telematics
Headquarters	Budapest, Hungary
Revenue in 2016	EUR 800 000
Average growth	CAGR '12-'16: 25,4%
Employment	30 (2016 EoP)
Revenue from exports	100%
Main target countries for exports	Germany
Most important internet-based solution for your business	Real-time, cloud-based data storage
Capital requirements to start business	USD 1,1M

The business

GPS Tuner is one of the global market leaders in transforming e-bikes into connected vehicles that become part of the Internet of Things. Our solution provides real-time data to our B2B partners on the key components of e-bikes, facilitating superior preventive maintenance. GPS Tuner started off by developing user-friendly navigation software for outdoor activities. The company had the no. 1 software solution for cyclists. In the past few years, however, the market in traditional bicycles has lost some of its growth drive, while e-bike adaptation has started skyrocketing.

Internet as an enabler

GPS Tuner's innovative Total Data Sense (TDS) solution is an already commercialized 'connected e-bike' concept which establishes a real-time connection and direct data flow between bike components and the cyclist's device. TDS can thus predict breakdowns and maintenance needs based on usage-pattern analytics, conduct remote diagnosis and offer customer support based on real-time historical data accessible through a cloud connection. The TDS solution translates to tangible monetary benefits for all stakeholders: users have a better control over their e-bike, can avoid unexpected breakdowns and achieve shorter service time; manufacturers have detailed insights into component performance by usage pattern, can build typical client profiles and reduce warranty claims and support new product developments; and finally, dealers lower their service and maintenance expenses.

Is it a good place to start a business?

GPS Tuner is based in Budapest, Hungary and **100% of its revenue comes from abroad, predominantly from Germany but also from the Netherlands and Asia. The proximity of the CEE region to the trend-setting German market has been an enormous advantage.** Visiting trade shows, doing on-site research, and R&D with leading manufacturers has been helped by the sheer fact of geographical proximity to Germany's most advanced and booming e-bike market. In fact, by now Hungary has established itself as the no. 3 e-bike manufacturing hub in Europe, right behind Germany and the Netherlands.

The internet has certainly reinforced the CEE-German connection and has in addition enabled the establishment of links to even more remote locations such as Asia, a rising e-bike market. Only a Silicon Valley location would have had added value to GPS Tuner's current market position as that would have offered better access to financing.

POLAND

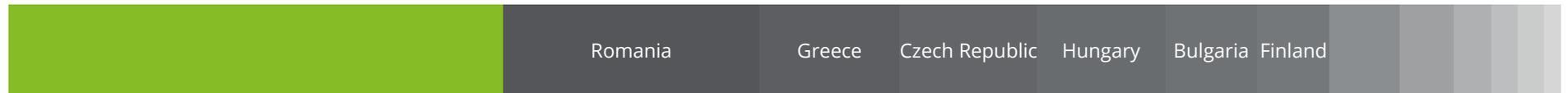


Market overview

Population

Number of people
2017, Eurostat

Poland: 37,97



Gross Domestic Product

Domestic product at market prices,
bl EUR, 2016, Eurostat

Poland: 425,98



Number of SMEs

Total number of SMEs,
2016, Eurostat

Poland: 1603368



e-commerce market

E-Commerce revenue,
mln USD, 2017, Statista
(estimate for Greece using Eurostat data)

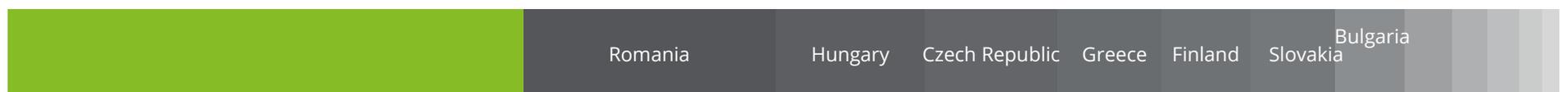
Poland: 7 522,53



e-commerce users

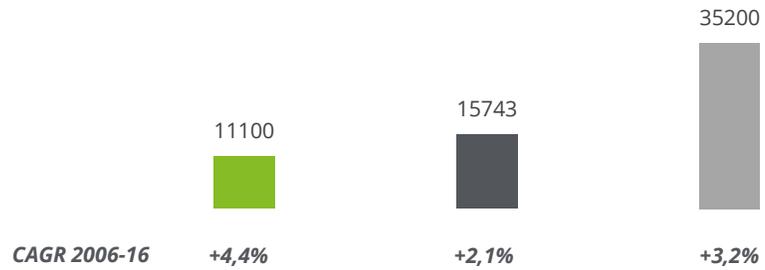
Number of e-commerce market users,
mln of people, 2017, Statista
(estimate for Greece using Eurostat data)

Poland: 19,19



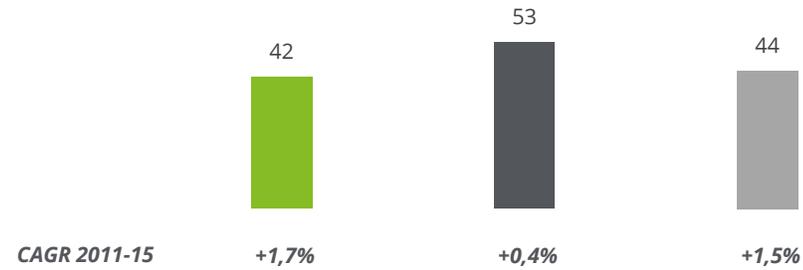
Faster growth in digital areas bridging gaps

GDP per capita, 2016



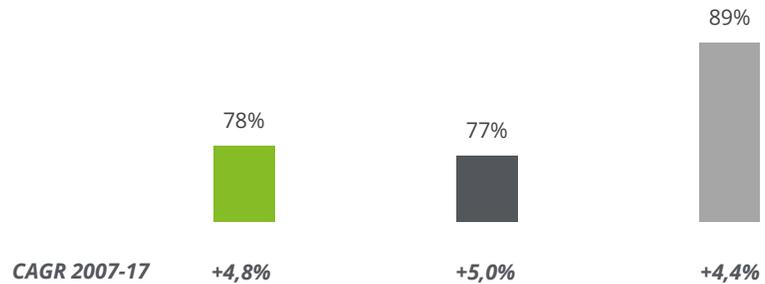
Source: Gross domestic product at market prices, current prices, euro per capita, Eurostat, 2016

SMEs per capita, 2015



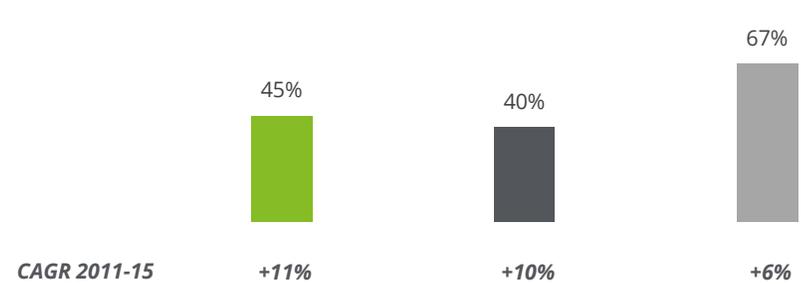
Source: Number of enterprises with 0 to 249 persons employed per number of persons having their usual residence in a country, Eurostat, 2015

Internet penetration, 2017



Source: Percentage of households with internet access, Eurostat, 2017

e-commerce penetration, 2017



Source: Last online purchase within the 12 months, percentage of individuals, Eurostat, 2017



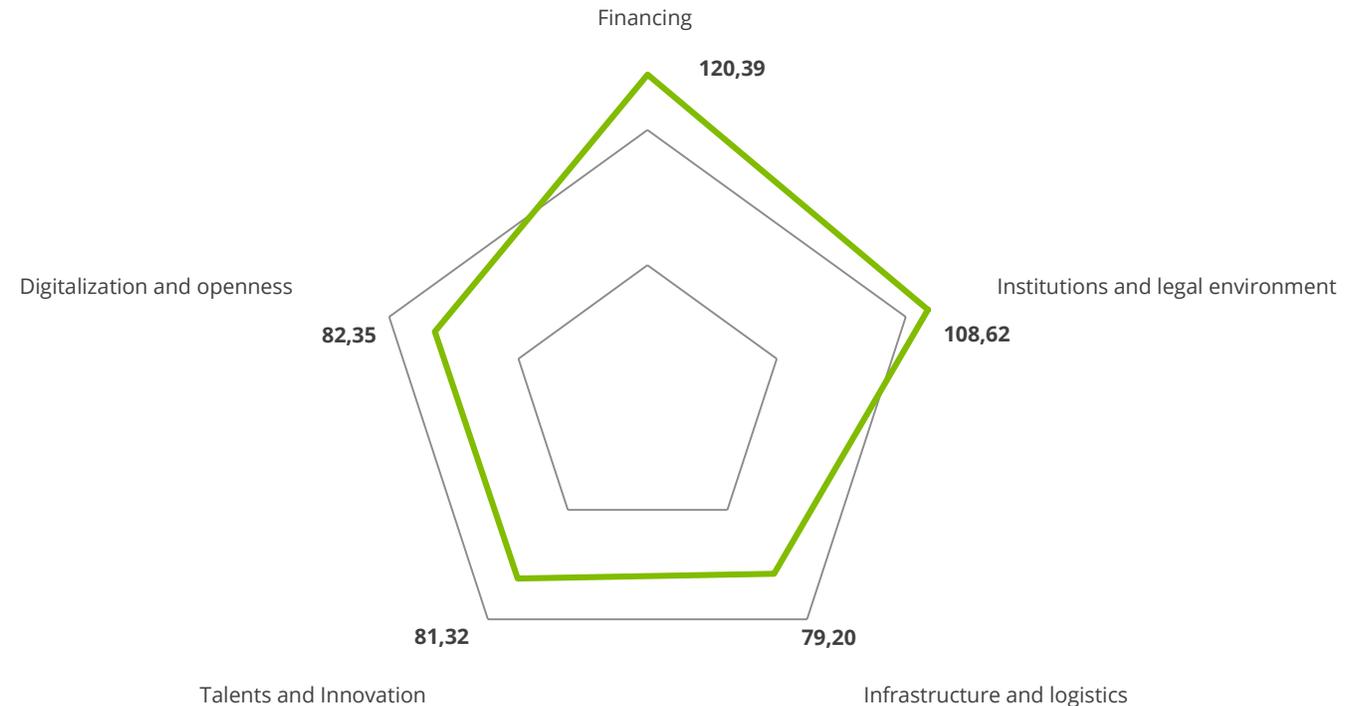
Market maturity

Poland scores highest in the Financing area, also having above average results in Institutional assessment. Metrics in other categories show relative underperformance. It is important to note that the Polish economy was the only European market not to have fallen into recession in post 2008 crisis, proving its solid foundations.

Relative strengths:

- Ease of getting credit, investment growth ratio for startups and stock market capitalization are relative strong points of the economy.
- High tertiary education enrolment and knowledge of foreign languages positively impacts talents' base of the economy.
- The number of individuals ordering goods or services online is also among the top in the region, which indicates a solid domestic demand for e-commerce.

Average maturity of the market in key development dimensions compared to regional average (100)



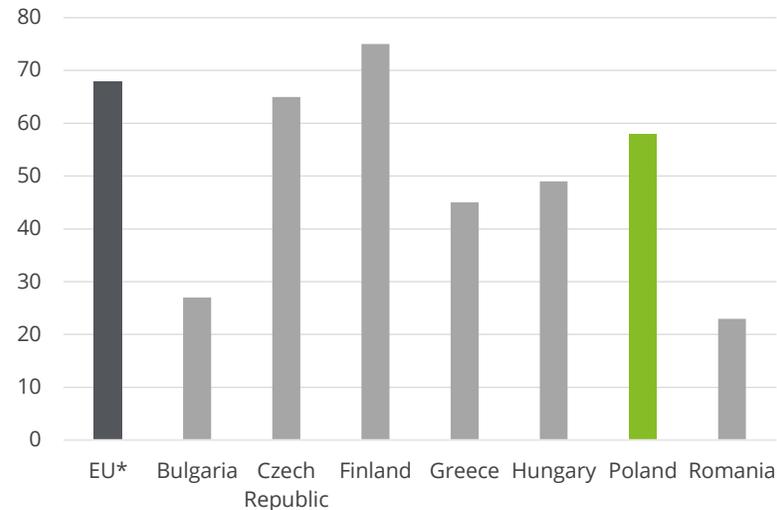
Source: Internal analysis

Market maturity

Areas for improvement:

- Relatively low new business density and R&D expenditure negatively impacts Poland's score in the Talents and innovation area.
- Internet infrastructure, namely fixed broadband and 4G coverage, internet speed, as well as affordability of those services is in bottom quartile of obtained results.
- Poland's state effectiveness, starting of business and tax indicators are relatively lower. This might somehow be compensated by good assessment of sophistication of e-government services.

E-commerce market users (%)



* 28 countries

Source: Percentage of individuals who used internet within the last year who made internet purchase in last 12 months, Eurostat, 2017

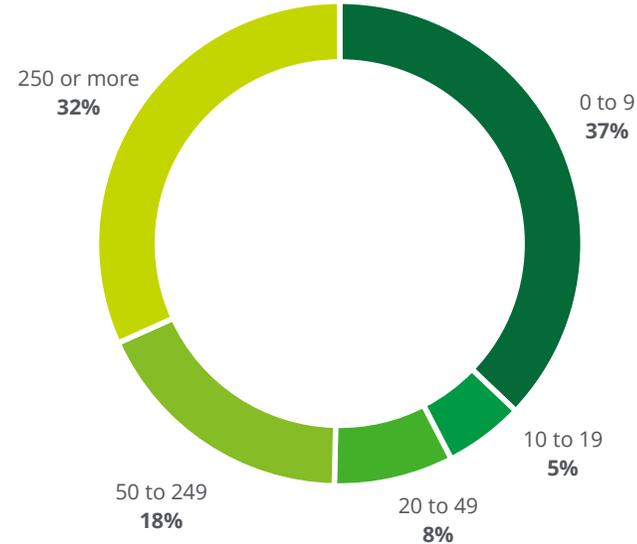
SME sector overview

The number of SMEs in Poland in 2015 was **about 1,6 million**, including 69 000 with more than 10 employees. Relatively high employment in the smallest companies might be a result of labor market regulations and self employment.

- The **birth rate*** for companies with 10+ employees in 2015 was **17,4** – which is higher than regional and WE averages, showing potential vitality of the sector.
- **The share of SMEs in value added reaches 51,1%**, which is about 5 pp lower than regional and 8 pp lower than the average of the other EU countries. This illustrates the relatively strong position of big firms in the market.
- **Share of SMEs in employment is 68,3%** (68,6 for the region and 68,9% for WE).

* number of new companies with 10+ employees per 1000 existing companies of that size

Employment by company size in 2015



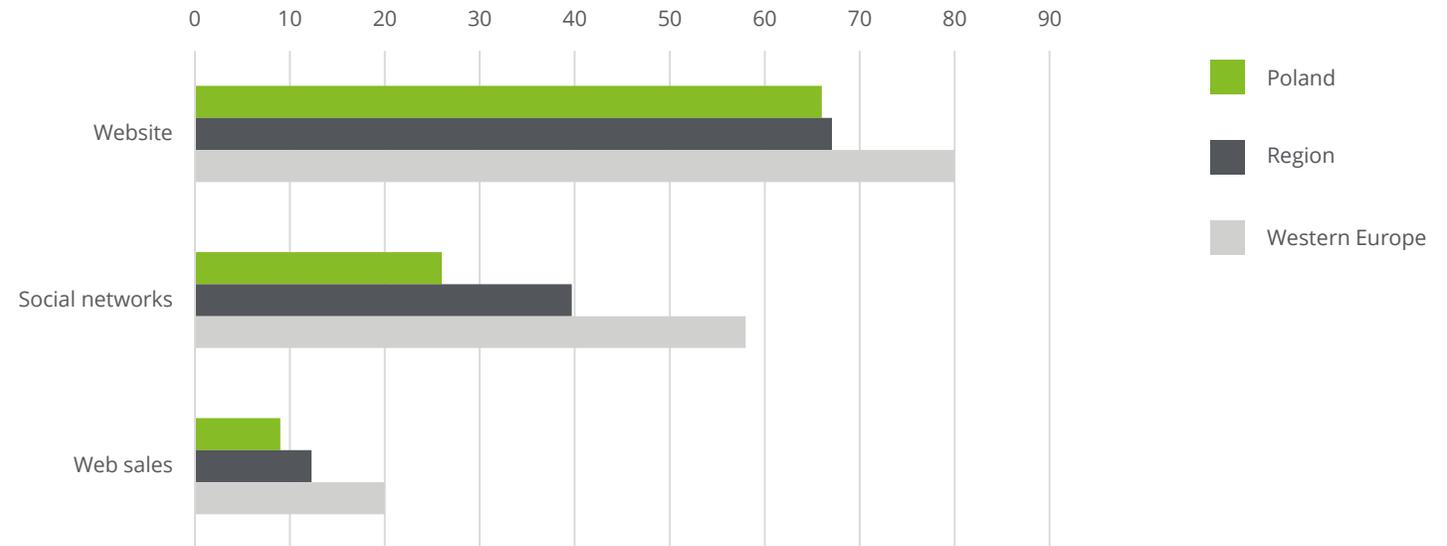
Source: Employment by company size, Eurostat, 2015

Web sales: lower digitalization than regional average

Polish SMEs are behind the regional average in terms of digitalization,, especially in social network presence.

- About 66% of SMEs in Poland have websites and 26% have presence on social networks.
- 9% of SMEs in the country run web sales.
- Growth (CAGR 2012-2017) for the share of SMEs with web sales is 2,4% which is lower than in the region (5,5%) and Western EU (4,4%).

Share of SMEs* which have or use....



* Eurostat. Data for SMEs refers to companies with 10-249 employees (no data available for smaller companies)

Average export level and SME contribution

Poland's level of exports compared to GDP is similar to WE results. The role of SMEs in exports is smaller than regional and European averages.

- Exports amount to 222,6 bn euro, which is equal to 52,3% of GDP, which is at average level (-3,7 to regional average). This is partly a result of a relatively big internal market.
- There are 115 800 exporters in Poland, at least 98% of exporters* are SMEs.
- A relatively high number of exporters are microcompanies (less than 10 employees), amounting to 70% of all exporting firms, which is the highest result among the countries analyzed. Bigger companies, however, are exporting relatively more in terms of value of goods and services.

Share of SMEs in export volume



* Eurostat. Data excluding exporters with undefined number of employees

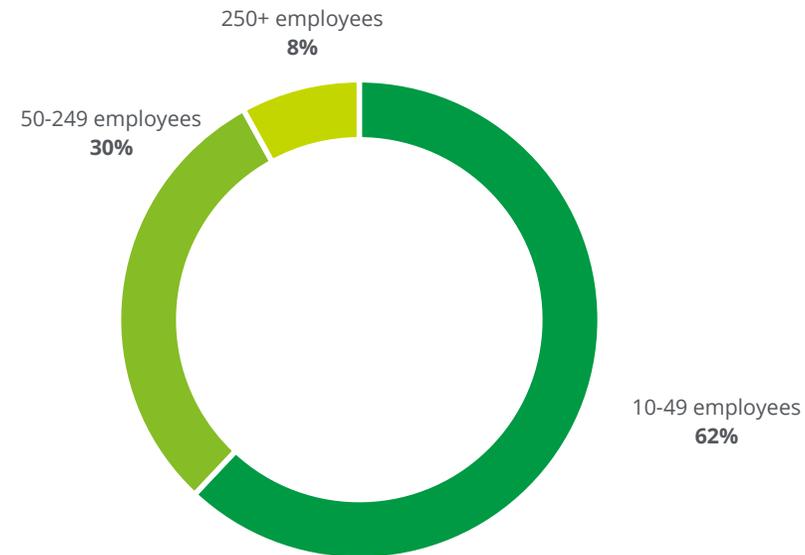
Source: Volume of export by company size, Eurostat, 2015

Online export is dominated by SMEs, but large firms are relatively strong

- Total number of online-exporters is about 2500 (not including micro companies with less than 10 employees).
- 91,8% of them are SMEs, and 62% have from 10 to 49 employees. Consequently 8% of online exporters are large firms, a relatively high percentage among the countries analyzed.
- Share of online exporters among all SMEs with web sales is 40% which is close to regional and WE averages.
- 7,7% of all SME exporters use cross-border web sales, which is below regional average.
- Digitalization of export is relatively lower in Poland than in the region, both for smaller and big companies (7% exporters with 10-49 employees exports online and 9 % large exporters - with more than 250 employees exports online).

* Eurostat. Data for SMEs refers to companies with 10-249 employees (no data available for smaller companies)

Online exporters by size



Source: Online exporters by size, 'Calculation based on enterprises' distribution by size as of 2015, Eurostat, 2017

Online commerce – PayPal merchant statistics

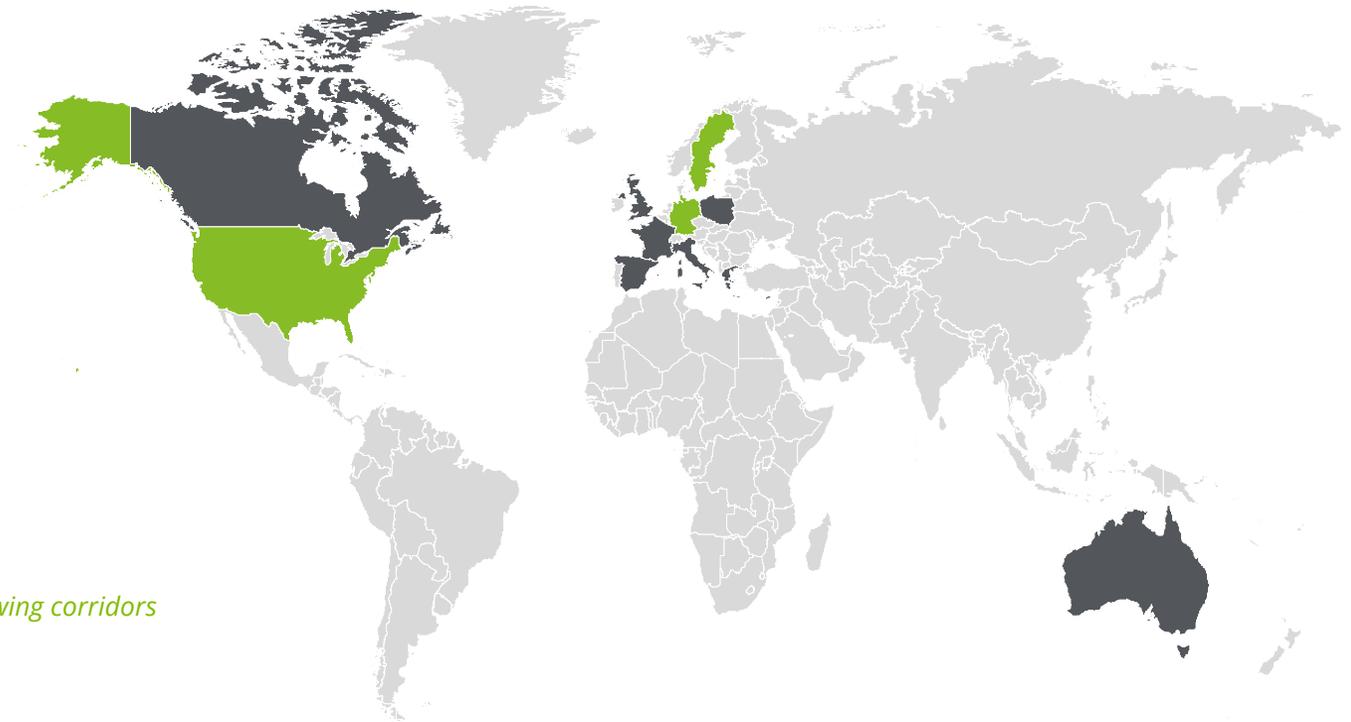
Top e-commerce categories by volume

-  Digital goods
-  Auto parts
-  Fashion
-  Sport equipment
-  Software
-  Electronics
-  Cosmetics
-  Website services
-  Memorabilia
-  Houseware

Top corridors by volume

1. USA
2. Germany
3. Poland
4. UK
5. Sweden
6. France
7. Australia
8. Italy
9. Canada
10. Spain

 *Top 3 fastest growing corridors*



answear.

ANSWEAR

Fashion retailer

Year of establishment	2011
Industry	Fashion
Headquarters	Cracow, Poland
Revenue in 2016	23 m Euro
Average growth	50%
Employment	250
Revenue from exports	60%
Main target countries for exports	Czech Republic, Slovakia, Romania, Hungary, Ukraine
Percent of online sales	97%
Most important internet-based solution for your business	PayPal, Emarsys, Insider, Quick Lizard, Google Tag Manager, Big Query, Channable, Emarsys
Capital requirements to start business	10 m Euro

The business

Shortly after I had sold my previous company, I attended a conference in London called “The Future of Retail”, where everyone was talking about the rapid growth of online retail when online retail in CEE was still “in nappies”. I wasn’t planning on coming back to retail but then I thought that a new market was just about to be born and I couldn’t miss it. When my non-competition clause expired, I started the company and that is how everything began. However, the first steps weren’t easy – big brands didn’t want to work with us and they were directing us to local distributors who usually also ran offline stores and perceived us as potential competition – a threat to their market position. Therefore, we decided to open 2 brick-and-mortar stores in order to be well perceived as partners and be able to negotiate better terms with our suppliers. Our stores were big and looked stunning – however, simultaneous development of both online and offline stores was very difficult for such a young company, as the requirements and needs of these two channels were totally different.

The internet as an enabler

It quickly became apparent that online sales were growing significantly faster than our brick-and-mortar stores. The online business requires much broader product offer, sales are more dependent on the current trends, so you have to be very quick and react rapidly to upcoming changes. I can see now that everything online is happening so much quicker than offline – launches of new collections, price management, promotions and customer relations. We decided to close our physical stores so we could fully focus on growing the online business. It was worth it, as we now have a good position on six markets in CEE – in offline retail such rapid success wouldn’t be possible in that short a period of time.

Growing in the region

Is it a good place to start a business?

Yes, it is definitely a good area to start a business – markets are not as competitive as in Western Europe. On the other hand, they are not as wealthy nor as big. Competition is growing month by month, but it is still possible to get a big piece of the pie. And after achieving appropriate scale, as well as product and processes perfection, worldwide markets stand wide open – even easier and faster to reach, thanks to the internet. Operating costs in CEE are lower, so it's a good idea to have an operation center here.

What recommendation would you share with other people who want to start a company in the region?

CEE markets differ greatly from well-developed markets in Western Europe. **CEE markets are more price-sensitive, margins are lower and the sales structure is based on lower-priced products and lower basket value.** Also, customer behavior is different – you have to use the local language, offer local and trusted payment methods and, finally, work hard to earn customers' trust, as many customers in CEE are still skeptical about the Internet.

How do you see the future of the business and what is the role of internet in it?

I think that the whole industry will continue to evolve and things will continue to change a lot. Online fashion is still at the beginning of its growth and, in my opinion, the industry will look totally different in future. Development of new technologies such as artificial intelligence, augmented reality or virtual reality will strongly influence the whole industry as well as consumer behavior. Also, all business processes will be significantly improved, as a result of new technologies and the Internet. If we keep our finger on the pulse, we can gain a lot.



Noble Lashes

Eyelash extensions

Year of establishment	2010
Industry	Cosmetic & Beauty
Headquarters	Olkusz, Poland
Average growth	340%
Employment	60 people work to make Noble Lashes successful.
Revenue from exports	24%
Main target countries for exports	We sell to over 30 countries, most of which are in Europe. The best markets for us are Germany, the UK and Sweden.
Percent of online sales	100% (excluding franchise)
Most important internet-based solution for your business	PayPal – helping to bring trust
Capital requirements to start business	From the beginning it was only my laptop, cell phone and few thousand PLN to purchase goods.

The business

I stumbled upon the eyelash extensions idea accidentally. A beautician, whom my brother knew, had started working on lashes, and knowing that I had some experience in the import/export business, she asked for my help. I did a bit of research and found what she was looking for. Our friend was thrilled. More importantly, I had found a niche market that was almost entirely untouched in Poland.

From the moment Noble Lashes hit the market it began to grow. In the first months just one drawer had sufficed for all our imported lashes. Three months later we required a room to store our goods. The next year we bought a whole flat for our business. Unexpectedly, after only six months we had to recruit some help and we bought a building for a parcel distribution center as well as land to build a warehouse. Another six months later we had outgrown even that, and moved on to a bigger one. Last year we rented some additional, technologically advanced storage space, and we're now breaking ground in the headquarters that we've always dreamed of.

The internet as an enabler

From the beginning all I needed to run Noble Lashes was my laptop and a cell phone. All my working day I spent in front of the computer talking with suppliers, handling PR and marketing, managing revenue and expenses, trying to make our brand well known and bringing more clients to our business. **The Internet gives me flexibility and freedom.** I work under my own terms, any time I want, anywhere I want. I've worked from my home, traveling by train or when relaxing on holidays. The possibility of doing business was so exciting for me and the internet makes it possible anywhere, so I could not resist working on my business wherever I was. My business from the beginning was a firm that fully relied on the Internet.



Noble Lashes Eyelash extensions

Growing in the region

Is it a good place to start a business?

The most exciting thing for me is that people from France, Norway, Switzerland, Germany and other countries, that Poland has always looked up to, are now confidently purchasing from us. In the past, Polish companies used to sell products with German labels to cover their Polish origins. **Now we are proud to be a Polish company. And proud that clients from leading European countries trust our products.** It is amazing and motivates us to keep pace and work even harder for their trust.

What recommendation would you share with other people who want to start a company in the region?

I have three pieces of advice: the first is to take care of the quality of products; second is always bring new products and trends to the market; last, but not least, is quick delivery of goods.

Focus on local needs first or start regionally / globally from the beginning?

I think the key to success is to understand your client. Try to focus on your client's needs and to satisfy them locally. In time you will be able to satisfy them globally.

For example, my clients differ in age, experience and wealth status. They are from different cities: Warsaw, Paris, Dubai, Vienna, Madrid or London, but all my clients have something in common: they love beauty and want to give their clients not only a beautiful look, but also self-esteem and self-confidence, which come together with proper eyelash extensions treatment.

That is the main reason our products are popular not only in Poland, but across Europe.

First, I established good standing in Poland and the Noble Lashes brand became well known on the domestic market, then I decided to take the company abroad. We started with the nearest markets, Czech Republic and Slovakia. Then we moved on to the next neighbor - Germany. Now, we are selling to over 30 countries and 24% of our sales come from abroad.



Spox Sox

Colorful socks

Year of establishment	2015 / 2016
Industry	Fashion accessories
Headquarters	Jawiszowice, Poland
Revenue in 2016	PLN 350k
Average growth	300%
Employment	4
Revenue from exports	Estimated 40%
Main target countries for exports	USA, German-speaking countries, Benelux, UK, Australia
Percent of online sales	Estimated 85%+
Most important internet-based solution for your business	Internationally: PayPal in Poland: Przelewy24
Capital requirements to start business	ca. PLN 50k

The business

The idea for the brand of colorful socks came from our own experience. We used to wear colorful socks before, but we were struggling to buy them in Poland, where the offering of interesting colorful socks was very limited or if it was, the socks were too expensive for a typical Pole to afford it. This is how we identified our niche. We started production of colorful socks with a general concept to make everyone's life more colorful. Our name "Spox Sox" comes from the combination of English and Polish urban slang and means "cool socks". This fully reflects our attitude to making socks - we want to offer our customers cool socks with unique designs, bold colors, best quality and reasonably priced.

Internet as an enabler

We started the business as an online store only, hence the Internet was our sole growth driver from the very beginning. In the first months we relied on e-commerce, first only in Poland, then adding international expansion. Only after a few months were we able to find wholesale customers and enter several traditional stores, concept stores and fashion boutiques in Poland and then globally. As such a traditional sales channel became our second leg of the business, however, we still don't have our own traditional stores, but rather cooperate with partnership stores. Thanks to the Internet we are able to offer our socks even in the most exotic places of the world. For example we shipped Spox Sox socks to a tiny Caribbean archipelago Turks and Caicos Islands.

We also intend to further expand geographically. Our products are already available in CEE, Western Europe and North America. Now we are entering Eastern markets and are in discussions regarding select geographies in Asia. **The Internet will play a critical role in this expansion as we don't plan to change our model of operations and will continue to sell online, but ship products from Poland.**



Spox Sox
Colorful socks

Growing in the region

Is it a good place to start a business?

We think that the CEE region is a perfect place to start a business, and Poland in particular. The demographic and economic potential of CEE translates into a large and receptive market, macro indicators are supportive and e-commerce share in retail sales is still underpenetrated vs. Western European countries leaving much room for growth. **Poland, being one of the largest economies in the region, might be a good starting point to test the product and grow the business before going regional or global.**

Looking at the example of Spox Sox it is far easier to grow the business regionally using online sales. Without online presence we would need to look for local partners and distributors in every new region. It would mean endless negotiations with new business partners, not to mention an additional entity in the distribution chain. With online sales we can offer products directly to our customers.

What recommendation would you share with other people who want to start a company in the region?

We would like to share two of our experiences after starting the business, which might constitute some guidelines for starting a company.

1. Always believe in your product and your brand. If you think you can be successful, you can influence your customers and business partners with your enthusiasm. Don't give up too early, be patient and determined, apply a systematic approach to marketing and it will pay off.
2. However, please remember, that the market always knows better and a product you think perfectly caters to customers' needs, might in fact not be well received. At Spox Sox we frequently are surprised that our designs which we like most are not performing well, while the designs which are not our favorite become best sellers.

We would recommend starting the business globally as soon as practicable. New markets offer new potential customers and might boost sales of every company. The decision should, however, depend on the nature of the business. In our case the decision was straightforward. With focus on e-commerce sales and a centralized logistics we were able to ship our products globally and add new markets with relatively low costs.



TogetherData

Big Data Analytics

Year of establishment	2016
Industry	ICT
Headquarters	Warsaw, Poland
Revenue in 2017	7 million PLN
Average growth	350%
Employment	60
Revenue from exports	20%
Main target countries for exports	LATAM, Romania, United Kingdom, Spain, United States
Percent of online sales	15%
Most important internet-based solution for your business	Specialized services connected with firm's profile - data science and analytics services, ai-based communication chatbots.
Capital requirements to start business	200k PLN

The business

When Google launched its Campus Warsaw, TogetherData founders - Michał Grams and Paweł Brach were one of its first residents. They began to develop the business, while having only one desk and two chairs to sit on. After many meetings with investors and mentors, often one-on-ones, the founders decided what they wanted the company to be and what its business model would be.

From a small startup, just within half a year, TogetherData has evolved into a more than 50 employee company.

As the first Data Science House in Poland, TogetherData helps other businesses to maximize the potential of data they possess and which they can access. The company provides integrated big data analytics and monetization services, data enrichment (offline and online), and data-driven business solutions (optimizing business processes with 1st and 3rd party data).

Internet as an enabler

Data from the internet is the primary fuel that has enabled us to start providing our services. In fact, since the beginning of our activity, we have been connecting the offline and online worlds. We analyze and extract data from paper sources, as well as those contained in digital materials. Over the past two years, we have successfully built our flagship products in the field of data enrichment and its monetization.

Companies are nowadays flooded with terabytes of data that their customers are more or less consciously generating. Much of this data comes from online channels. The main obstacle against companies efficiently managing and monetizing their data, is the lack of specialized knowledge and business know-how. The next matter is the huge amount of customer data hidden in paper documents that companies have accumulated over the years. Companies do not have any convenient access to this data. In other words, they cannot convert this information into financial profits. That's where TogetherData business begins.



Growing in the region

Is it a good place to start a business?

Companies in CEE have long understood that merely collecting and processing data is not enough today. Companies need specialized knowledge and business know-how to leverage this data in their business processes and make it useful. **Thanks to excellent technical universities and science parks, startups from CEE region have access to a large number of outstanding professionals.** The competition here is lower than in the USA. It is a very prospective region for businesses whose services are based on Big Data analysis and where many companies are interested in analytical tools for processing information.

In the case of those based in the EU, of course, the biggest challenge right now is to meet the additional restrictions imposed on their activities. It is worth mentioning about the General Data Protection Regulation (GDPR) here - the entire market will have to face the specific regulatory requirements. Everyone is preparing for GDPR to come into force. In less than a year, it will raise the bar for all of those who process data and will put forward new obligations.

What recommendation would you share with other people who want to start a company in the CEE?

It all depends on the country the entrepreneur chooses for business. It is worth bearing in mind the large differences in local legislation and support programs for new entrepreneurs, as well as the ease of doing business factor. It is also worth looking at access to qualified staff. Entrepreneurs will especially appreciate the high engagement of employees and the flexibility of employment models in Eastern European countries. High penetration of the internet, fast connection and large mobile market share enable internet companies to reach millions of potential customers. CEE is a highly developed region and when starting operations here, companies must take into account a great deal of competition. It is reasonable to cooperate with local think tanks and thriving business associations.

TAFF.ONE!™ Taff.one

Clothing brand

Year of establishment	2007 (clothing brand since 2015)
Industry	Clothing
Headquarters	Czarny Las, Poland
Revenue in 2016	PLN 85 k (clothing)
Average growth	100%
Employment	2
Revenue from exports	10%
Main target countries for exports	UK, Germany
Percent of online sales	90%
Most important internet-based solution for your business	Online payments
Capital requirements to start business	PLN 15 k

The business

The idea of clothing business arose about 15 years ago. At first the clothes were supposed to have interchangeable elements - pockets, linings, accessories. That was the initial goal of our clothing brand taff.one – to give our customers clothes that they can personalize freely by exchangeable items. Unfortunately, the technological issues forced us to drop this idea. But the idea of personalization was and still is one of the main features of taff.one.

The internet as an enabler

The business from the very beginning was designed as online-based. **One of the first things on the “to do list” was to set up an online store. Nowadays, it is a natural thing to do, especially when it comes to small clothing brands.** The cost of traditional sales through e.g. own store is huge and few people can afford it. The Internet gives you a lot of opportunities, but you need to use them wisely. Year after year, there are more and more clothing brands, so it is getting harder to succeed.

The most important thing in selling online is diversified promotion. You cannot focus only on social media or cooperation with fashion bloggers. In our case, communication with the customer has a huge impact on our business. First of all, when the client has not yet decided on purchase, you need to provide him with all the information he needs to place an order, in a variety of ways - by email, through the website and question form, Facebook, sales platforms etc. You need to keep monitoring all these tools so that nothing goes missing. Later, once the customer has placed an order, they must be notified of the status of the order. It is also important to notify them of any problems like delays, which unfortunately happen. We already know that even if something wrong happens like the belated order, we can mitigate it by adding a gift or discount to satisfy our customer.

TAFF.ONE!™ Taff.one

Clothing brand

Growing in the region

Is it a good place to start a business?

Is as good place as any other. The versatility of our clothes makes them suitable for everyone. Everyone likes to walk in clothes that do not hamper your movements and are of good quality. As the internet increases our coverage, making our products easier to access. Another advantage is the full security of the transactions provided by external partners like PayPal, the possibility of returning the goods or many personalization options like accessories and tailoring.

What recommendation would you share with other people who want to start a company in the region?

First of all, do not look at the others, do not copy, but do what you really believe! Listen to the clients, be open to suggestions, do not treat comments (if they come of course) as a bad thing, draw conclusions and modernize your products.

Focus on local needs first or start regionally / globally from the beginning?

It depends on the strategy, because the strategy determines the final product - its appearance, specification, usability etc. Introducing a particular product, we can assume that it is not intended for the local market, because it is e.g. too expensive, etc. When we started our production we assumed that it is a product we would like to use ourselves. Following this reasoning, at first we focused on the area around us - we started with our friends. They were the first to test our clothes. We listened to their opinions and adapted our clothes according to their comments. At a later stage we started to sell all over Poland and so on - we kept listening to the opinions of our customers. Some designs were created as a result of individual orders. Orders from all over Europe really started to come up when we entered large e-commerce platforms such as Dawanda or eBay.

ROMANIA



Market overview

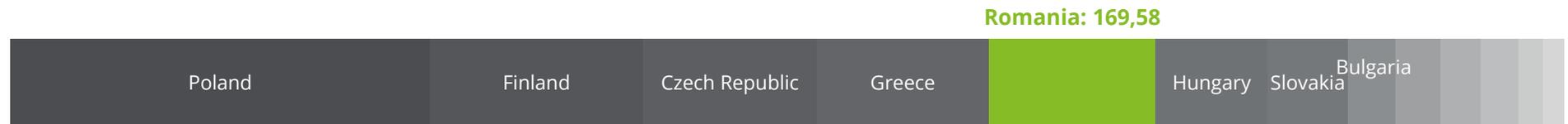
Population

Number of people
2017, Eurostat



Gross Domestic Product

Domestic product at market prices,
bl EUR, 2016, Eurostat



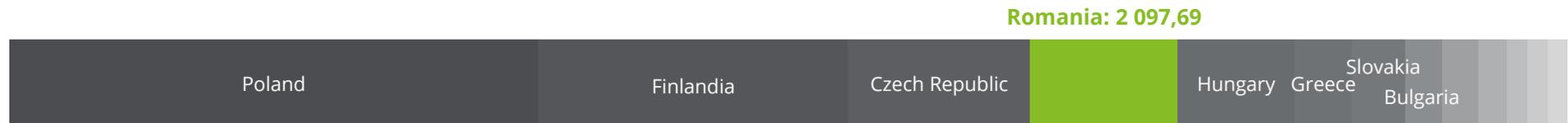
Number of SMEs

Total number of SMEs,
2016, Eurostat



e-commerce market

E-Commerce revenue,
mln USD, 2017, Statista
(estimate for Greece using Eurostat data)



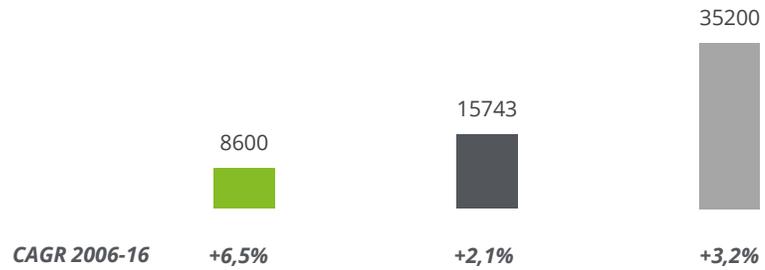
e-commerce users

Number of e-commerce market users,
mln of people, 2017, Statista
(estimate for Greece using Eurostat data)



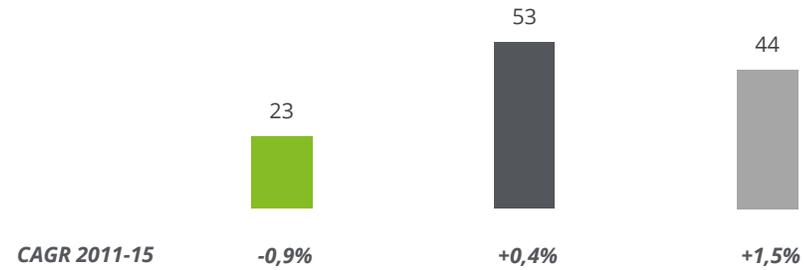
Average results with fast improvement

GDP per capita, 2016



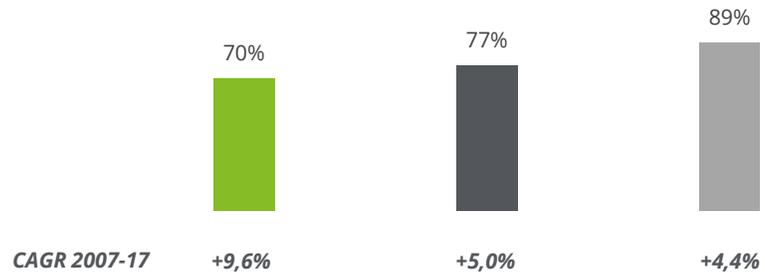
Source: Gross domestic product at market prices, current prices, euro per capita, Eurostat, 2016

SMEs per capita, 2015



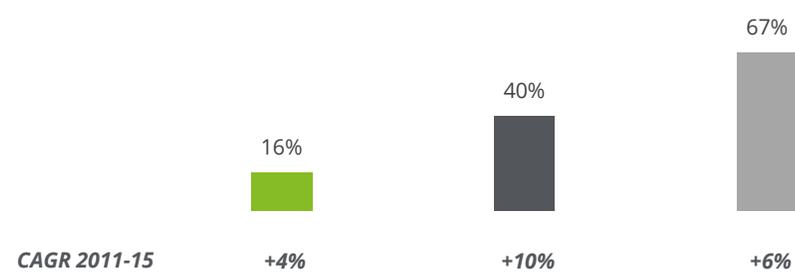
Source: Number of enterprises with 0 to 249 persons employed per number of persons having their usual residence in a country, Eurostat, 2015

Internet penetration, 2017



Source: Percentage of households with internet access, Eurostat, 2017

e-commerce penetration, 2017



Source: Last online purchase within the 12 months, percentage of individuals, Eurostat, 2017



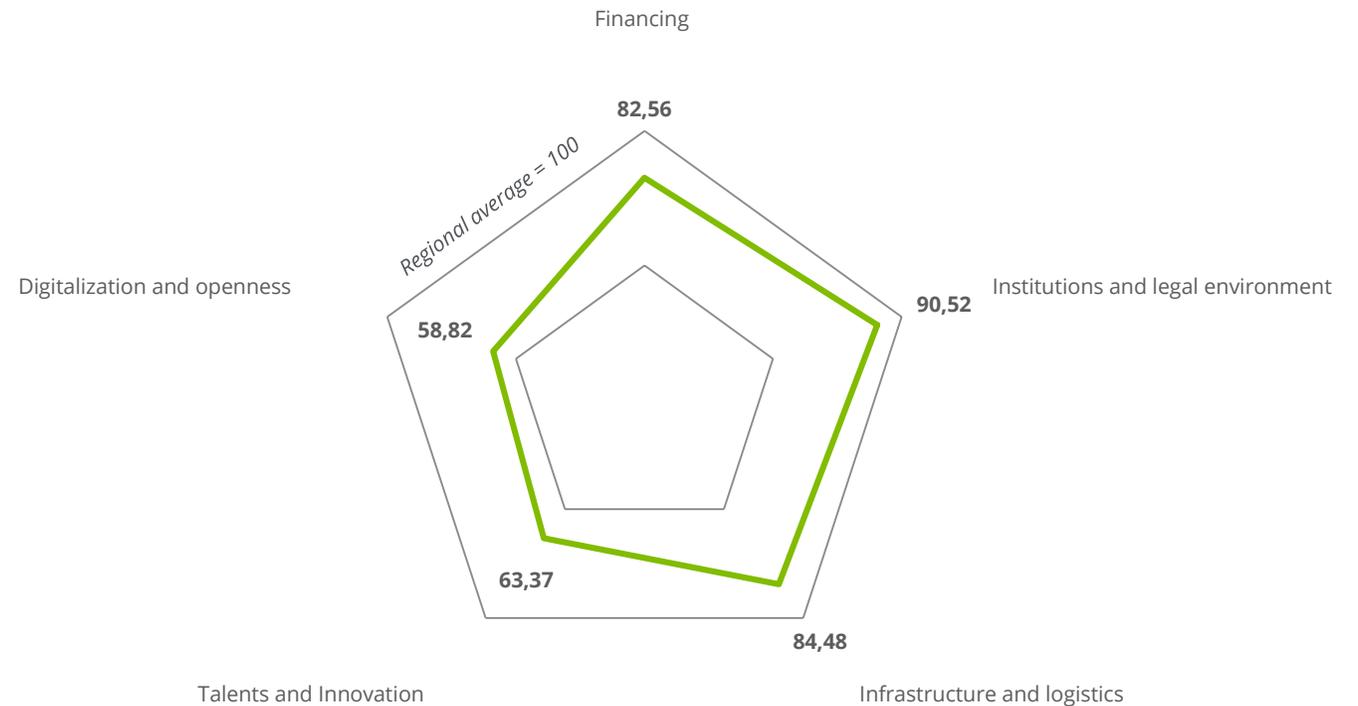
Market maturity

Romania's performance is best in Infrastructure and logistics metrics. Indicators show a significant area for improvement in comparison to the region, especially in Digitalization category.

Relative strengths:

- Romania performs relatively better in terms of new business density and level of computer skills of individuals.
- Employment in high- and medium-high technology industries is also high, equal to EU average.
- Ease of paying taxes and elasticity of labor market regulations are also strong points of the Romanian economy and might positively impact local businesses.

Average maturity of the market in key development dimensions compared to regional average (100)



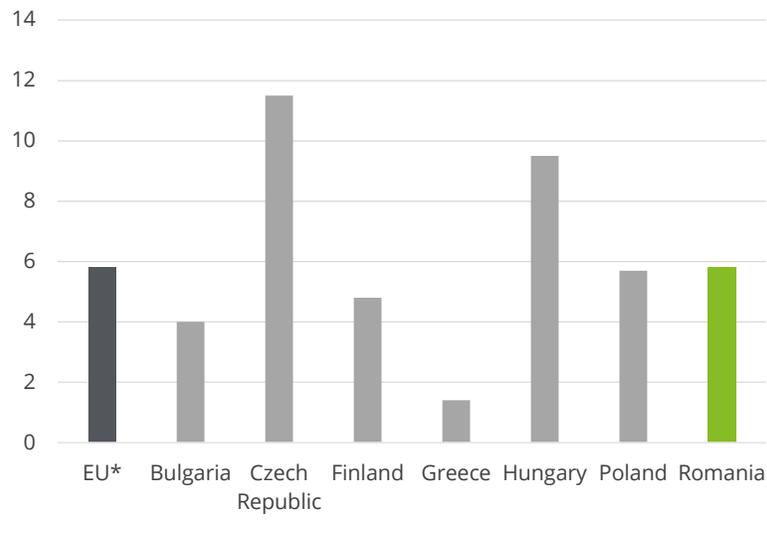
Source: Internal analysis

Market maturity

Areas for improvement:

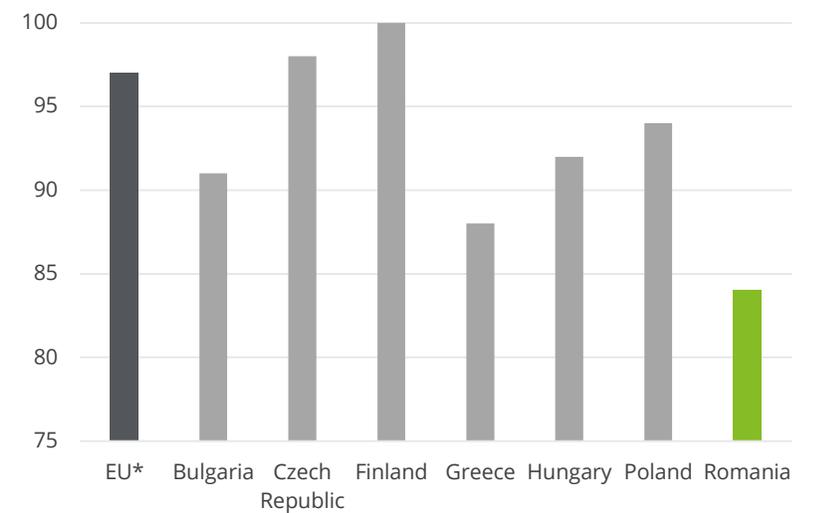
- Romania obtained low scores in Talents and innovation category, having majority of indicators in the lowest quartile of results. 3,1% of government spending allocated for education is the lowest in the region (4,6%). Along with low tertiary education attainment and ability to retain talent, it might pose a threat to SME sector in terms of possibilities to find skilled workforce.
- Internet usage or e-commerce activity of Romania citizens are among lowest in the region. Also indicators on digitalization of enterprises show relative underperformance. However high broadband speed and coverage are increasing Romania's position in infrastructure readiness.

Employment in high- and medium-high technology manufacturing sectors and knowledge-intensive service sectors



Source: Employment in high- and medium-high technology (...) as percentage of total employment, Eurostat, 2016

Enterprises with internet access



Source: Enterprises connecting to the internet via fixed broadband as % of enterprises, Eurostat, 2016

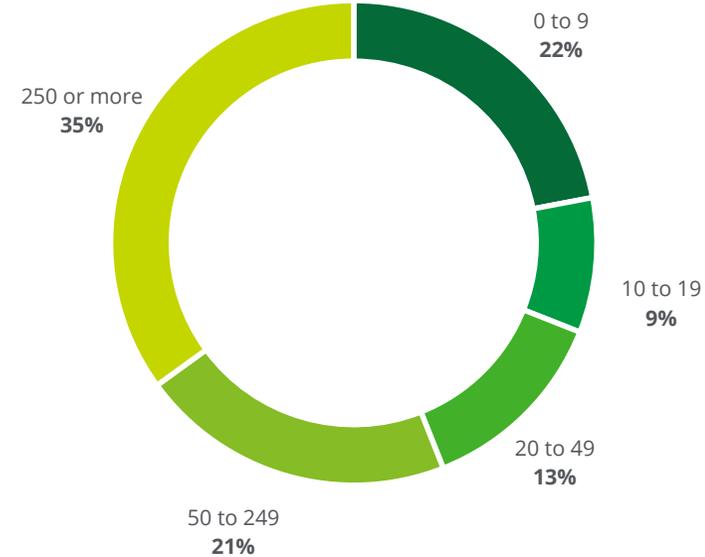
SME sector – high employment and birth rate of companies, lower value added

The number of SMEs in Romania in 2015 was **about 456 500**, including 51 thousand with more than 10 employees. SMEs play an important role in the economy, but bigger firms contribute more value added than on average in the region.

- The **birth rate*** for companies with 10+ employees in 2015 was **26,6** – one of the highest among the analyzed markets.
- **Share of SMEs in value added reaches 52,2%**, being below regional and other EU countries' average.
- **Share of SMEs in employment is 65,5%** (68,6 for the region and 68,9% for WE).

* number of new companies with 10+ employees per 1000 existing companies of that size

Employment by company size in 2015



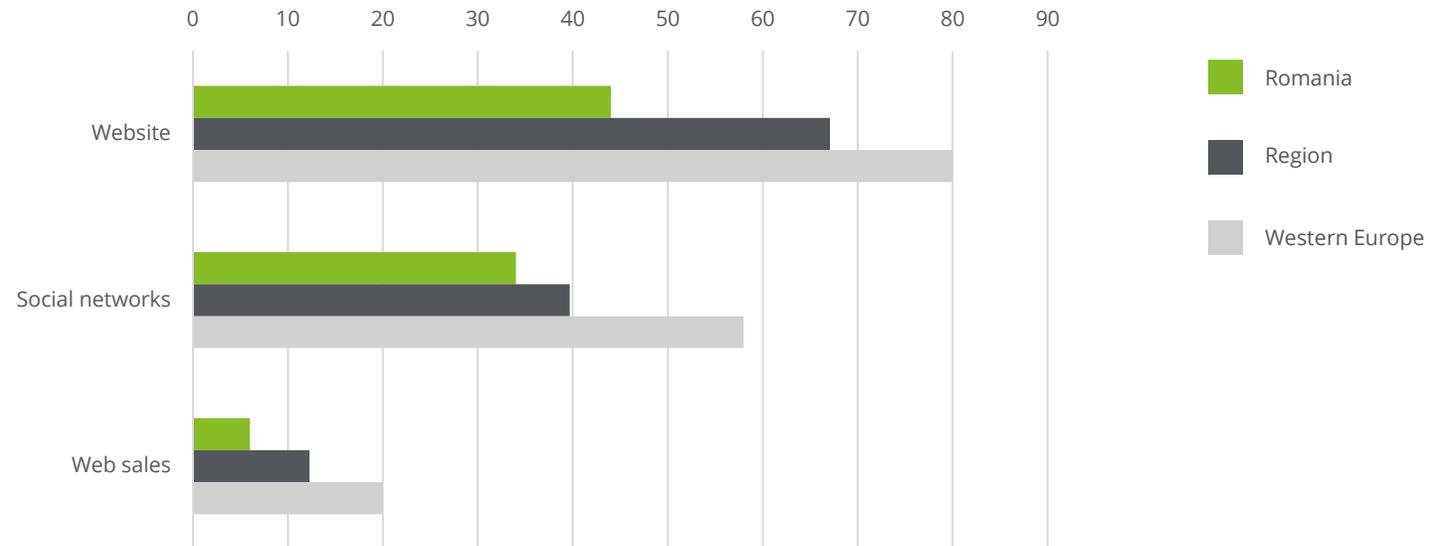
Source: Employment by company size, Eurostat, 2015

Web sales: below average performance

Romanian SMEs are below the regional averages in terms of digitalization. The pace of improvement is moderate, showing potential problems for the digital economy.

- About 44% SMEs in Hungary have websites and 37% have presence on social networks.
- 6% of SMEs in the country run web sales.
- Growth (CAGR 2012-2017) for the share of SMEs with web sales reached 3,7% being below averages for region (5,5%) and WE (4,4%).

Share of SMEs* which have or use....



* Eurostat. Data for SMEs refers to companies with 10-249 employees (no data available for smaller companies)

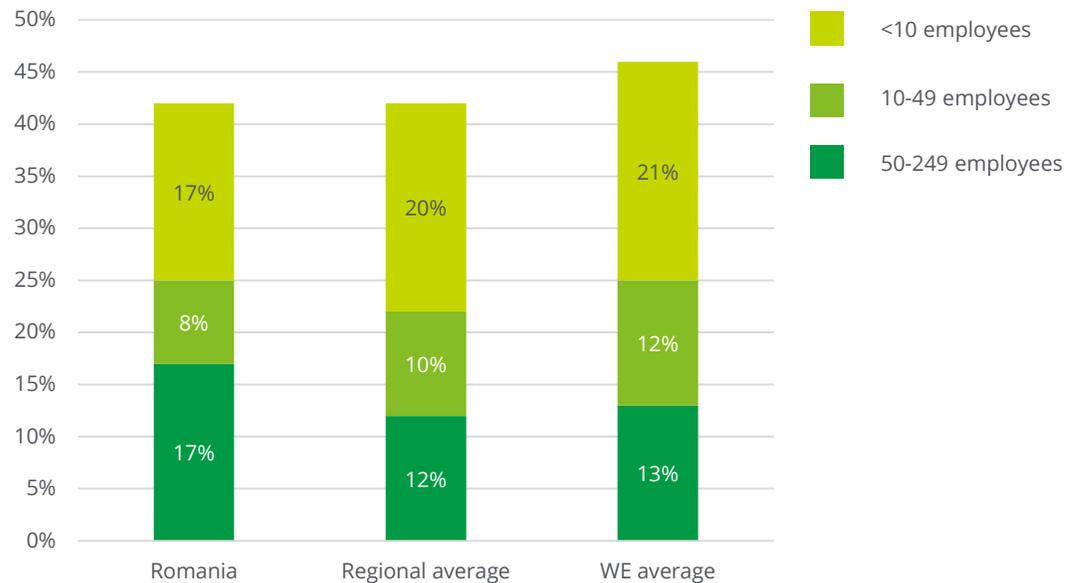
Source: Enterprises having a website, Use any social media, Enterprises having received orders via a website or apps (web sales), SMEs (10-249 persons employed), without financial sector, Eurostat, 2017

Lower export level and SME contribution

Romania's exports are below regional and WE average in comparison to GDP. Share of SMEs among exporters is also smaller.

- Romanian export amounts to 70,2 bn euro, which is about 41,3% of GDP, below regional and WE averages.
- There are 22 200 exporters in Romania, at least 96% of exporters* are SMEs.
- In terms of exporters structure, microcompanies (less than 10 employees) are less than 50% of exporters, being one of the smallest shares among the countries analyzed.

Share of SMEs in export volume



* Eurostat. Data excluding exporters with undefined number of employees

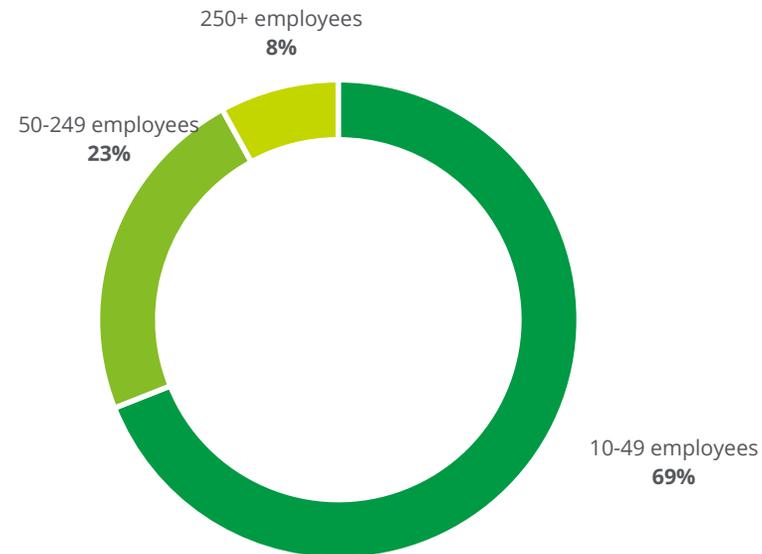
Source: Volume of export by company size, Eurostat, 2015

Online export is dominated by SMEs, but with low penetration in the sector

- Total number of online-exporters is about 900 (not including micro companies with less than 10 employees).
- 91,8% of them are SMEs, and 69% have from 10 to 49 employees. Consequently about 8% of online exporters are large firms.
- Share of online exporters among all SMEs with web sales is 28% which is a lower level than other countries.
- Only 8,6% of all SME exporters use cross-border web sales, which is well below regional average (16,6%).
- Digitalization of export sales is higher among smaller enterprises (9% exporters with 10-49 employees exports online and 8 % large exporters - with more than 250 employees exports online).

* Eurostat. Data for SMEs refers to companies with 10-249 employees (no data available for smaller companies)

Online exporters by size



Source: Online exporters by size estimated using Eurostat data for 2017, calculation based on enterprises' distribution by size as of 2015

Online commerce – PayPal merchant statistics

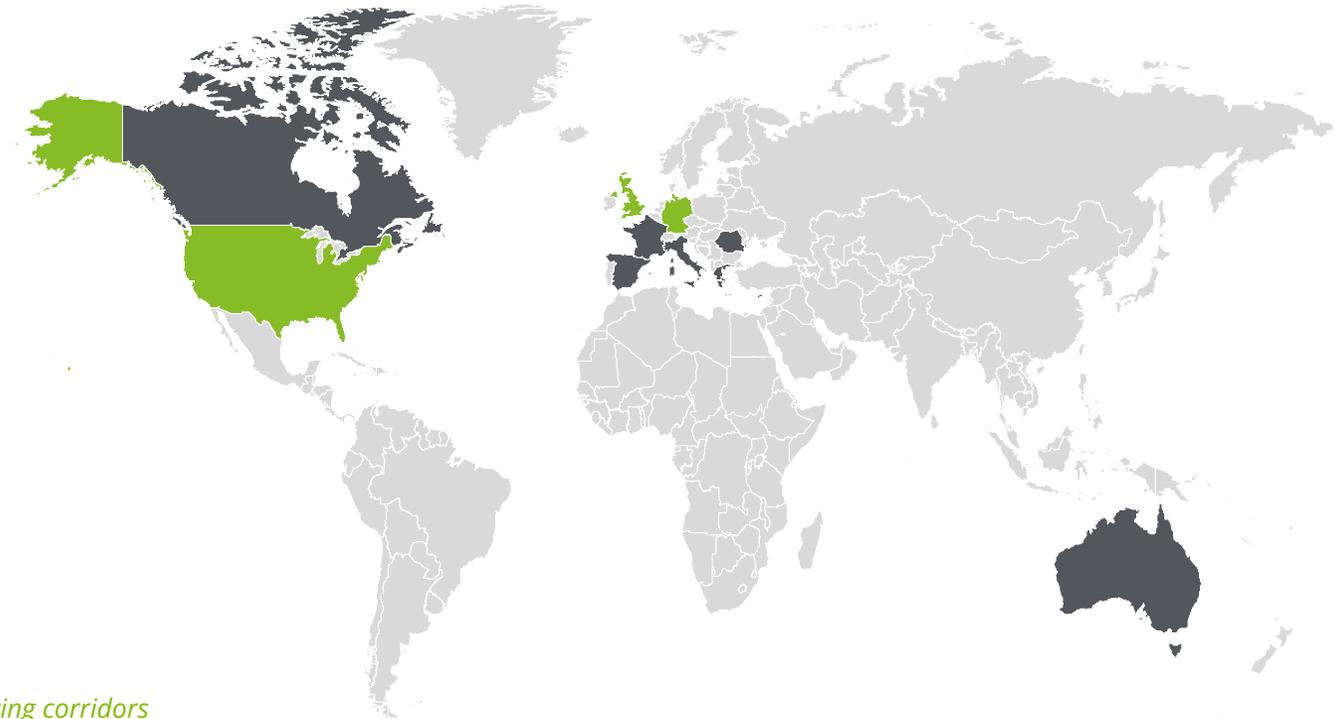
Top e-commerce categories by volume

-  Website services
-  Travel
-  Auto parts
-  Software
-  Cellphones
-  Fashion
-  Non-profit
-  Electronics
-  Music/videos
-  Gaming

Top corridors by volume

1. USA
2. UK
3. Romania
4. Germany
5. Canada
6. Italy
7. Australia
8. France
9. Israel
10. Spain

 *Top 3 fastest growing corridors*



iELM iELM

Baby Clothing

Year of establishment	2015
Industry	Baby Clothing
Headquarters	Bucharest, Romania
Revenue in 2017 (expected)	M 2 EUR
Average growth	2 000 000 EUR
Employment	89
Revenue from exports	90%
Main target countries for exports	Sweden, Germany
Percent of online sales	100%
Most important internet-based solution for your business	PayPal, Klarna, Magento
Capital requirements to start business	200k EUR

The business

We started sewing baby clothing in our garage with 2 employees. We have 6 kids so we know what are the market needs pretty well. Therefore, it felt natural for us to start working in this field.

Internet as an enabler

We started selling online from the beginning, we never had a physical store and currently we just sell online. Our main success driver was good quality at the right price and definitely the best customer service. Referrals helped us a lot. Our main customers, mothers, talk to each other a lot, so we got a lot of customers through referrals. Also, try to keep your website simple. Online is the future of retail, the earlier you get your market share the better.

Growing in the region

CEE is a young market for online businesses, otherwise it is a good place to start a business because salaries are lower than in western Europe. Good business services like law and bookkeeping are recommended, helping with the bureaucracy that you will interact with in this region. At the same time CEE online customer has to trust your website, so get third-party solutions (like payments) for accreditation of your website.

Start selling in as many markets as possible and find out which markets respond best to your product.

Deloitte conducted a comprehensive analyses of key dimensions affecting growth of SMEs, especially driven by e-commerce. Chosen indicators were taken into account for the EU member countries, focusing on countries in the region comprising of: Bulgaria, Croatia, Czech Republic, Estonia, Finland, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia.

Analysis, including market maturity assessment was based on data from the following sources: Deloitte Global R&D Survey, Eurostat database based on data from national statistical bodies, Global Innovation Index, OECD, Statista, World Bank (Doing Business report), World Economic Forum. Timeframe for the analysis (depending on data type) was 2006-2017.

March, 2018





About PayPal

Fueled by a fundamental belief that having access to financial services creates opportunity, PayPal (NASDAQ: PYPL) is committed to democratizing financial services and empowering people and businesses to join and thrive in the global economy. Our open digital payments platform gives PayPal's 227 million active account holders the confidence to connect and transact in new and powerful ways, whether they are online, on a mobile device, in an app, or in person. Through a combination of technological innovation and strategic partnerships, PayPal creates better ways to manage and move money, and offers choice and flexibility when sending payments, paying or getting paid. Available in more than 200 markets around the world, the PayPal platform, including Braintree, Venmo and Xoom, enables consumers and merchants to receive money in more than 100 currencies, withdraw funds in 56 currencies and hold balances in their PayPal accounts in 25 currencies. For more information on PayPal, visit <https://www.paypal.com/about>. For PayPal financial information, visit <https://investor.paypal-corp.com>.

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