

## EXECUTIVE SUMMARY

Regional economic disparities continue to plague Europe. While policymakers have had some meaningful successes at the country-level, inside many European markets regional imbalances are rife and getting worse. National capital regions, increasingly home to younger, more highly educated, and more productive citizens, are accelerating as growth hubs. Their “magnetic” ability to concentrate entrepreneurs, workers and financial capital threatens to reduce market opportunities in other regions, depress national economic potential, and undermine political, economic, and social cohesion.

This paper, using two indexes to rank regions at the NUTS 2 level in EU Member States and their equivalent in the UK, provides a hopeful counterweight to evidence that national capital regions and other European urban centers are the only winners from the digital revolution. One, called **eBay Digital Density**, is based on the per capita eBay selling activity carried out by registered eBay-enabled small businesses. The second, called **Relative Economic Advantage**, is based on a region’s GDP per capita.

The analysis confirms that the national capital regions are nearly always home to the wealthiest and most advantaged regional economy. In 20 of the 23 markets with more than one NUTS 2 region, the capital region enjoys the highest GDP per capita, often by a significant margin. Twenty-one of 23 are also their country’s most urbanized. eBay Digital Density presents a far more balanced picture. Robust eBay selling communities operate in a wide mix of regions whether viewed through the lens of geography, GDP per capita, population or population density. Nine of the capital regions that top their GDP per capita index also lead their eBay small business index, but nine regions with GDP per capita below their national average are top in eBay Digital Density, demonstrating that regional economic performance and wealth does not determine the capacity for digitization. Likewise, robust eBay small business communities emerge from vibrant secondary cities and more rural regions with small cities and towns, including seven Digital Density leaders with fewer than 100 people per square kilometer.

Ecommerce marketplace platforms that provide a level playing field have transformed the ability of independent small businesses to reach buyers locally, nationally, across Europe, and around the world. The success of small entrepreneurial enterprises to engage in trade offers one set of striking and measurable contrasts between traditional and digital business models. Across the 28 European markets studied, 97 percent

of all eBay-enabled small businesses export, while just over 6 percent of traditional European businesses sell across borders. The eBay-enabled small business exporters in the 27 EU markets average 20 different international destination markets, and those in the UK average 23, far outstripping the single digit results of traditional traders. Collectively, the eBay small business communities in each market have the global export reach of corporate giants.

This report offers a different perspective on the suggestion that Europe’s national capital regions and tech startup hotspots dominate every measure of entrepreneurship, the mastery of digital tools, and the ability to exploit global trade. Rather, digitally-enabled small businesses in Europe are succeeding in a manner that is far more balanced. Therefore, policies and public investments that facilitate ecommerce by independent small businesses can disproportionately pay dividends in regions that are otherwise slipping behind the growth hotspots, spurring more inclusive progress that promotes social cohesion.

### Key Learnings

**Minor cities and rural areas are emerging thanks to digitization.** Independent small businesses are able to reach national and global markets through ecommerce, offering more choices to consumers and creating new sources of employment:

- **In 23 EU Member States** (with more than one NUTS 2 level region) **eBay Digital Density leaders average just 562 people per square kilometer**, compared to 1926 for the 23 national capital regions.
- While national capital regions top their country’s GDP per capita ranking 20 of 23 times, **they only top the eBay Digital Density ranking 9 times.**
- **97 percent of all eBay-enabled small businesses in Europe are exporting**; this rate reaches 100 percent in 22 EU Member States. This remarkable export success is far removed from traditional business operations where the comparable export rates are 6,5 percent in the EU and 6,6 percent in the UK.

**Stimulating the growth of such areas should be a priority for European and national policymakers**, for example by implementing public policies and investments that facilitate ecommerce access to SMEs.