THE ECONOMIC OPPORTUNITY FROM ACCESSING ONLINE SELLING IN THE EU'S PERIPHERAL AREAS

The role of the postal channel as a key enabler of the EU Single Market, firms' growth and regional cohesion via e-commerce

CLIENT: AMAZON

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EXECUTIVE SUMMARY

Firms in the EU's peripheral regions face several challenges compared to firms in urban regions. Smaller addressable market size and customer base, weaker infrastructure, and lower innovation rates are a few examples of such challenges, which all translate into an overarching challenge of socio-economic cohesion in the EU.

However, when it comes to technological readiness, the peripheral regions are not far behind the urban economic centres. Thus, selling products online offers a valuable business opportunity for firms located in the EU's peripheral regions. This has become even more important as economic activity increasingly has concentrated in the urban regions of the EU.

To tap into the e-commerce growth opportunities, e-sellers in peripheral regions must have access to convenient and reliable logistics and delivery solutions. The national postal operators naturally play an important role in connecting e-sellers in peripheral regions with their customers, partly due to their history of nationwide coverage and local presence, also in very remote areas. Thus, for policymakers caring about digital transformation it is key to foster positive framework conditions for this sector.

In the spring of 2020, the EU Commission's DG GROW opened a process of evaluating the EU Postal Services Directive, an important regulatory framework for national postal operators in the EU. Against this background, this study analyses three relevant research questions for e-commerce and postal sector business and policy decision-makers: *(i) what is the value of B2C e-commerce from peripheral regions in the EU, (ii) how much of this value is supported by the EU postal networks, and (iii) how much of it is exported to other countries, thereby supporting further social cohesion and growth in peripheral areas?*

Based on new empirical research, we find that firms located in peripheral areas of the EU that sell products online to final consumers – e-sellers in peripheral regions – generate online revenues of an estimated EUR 110 billion that support approximately 300 thousand jobs in EU peripheral regions. The online revenue generated represents approximately 2 per cent of EU peripheral GDP. As retail is a key sector in the economy and is increasingly going digital, this number can be expected to rise in the future. In fact, our research reveals that revenue and employment growth of e-sellers in peripheral regions have in recent years outpaced that of the general economy, by 59 and 24 per cent, respectively.

We also find that approximately 75 per cent of peripheral e-sellers' online revenue is generated by sales to customers based outside the local region and, in total, e-sellers in EU peripheral areas export products for a value of approximately EUR 11 billion to other countries. Out of this, 70 per cent is intra-EU exports and 30 per cent is extra-EU exports. This confirms the key role that digital tools play in furthering the achievement of the Single Market – a key EU political objective.

As to the role of the postal sector in enabling the growth of e-commerce originating in peripheral areas, all e-sellers in peripheral areas participating in our research state that they use the postal network to ship (at least a part of) their products.[1] In total, we find that approximately 40 per cent of the value of products sold online by e-sellers in peripheral regions are shipped by the national postal operators. In 2019, the EU postal operators thus shipped an estimated EUR 45 billion worth of products. This corresponds to over 110 thousand jobs in the EU's peripheral regions supported by online retail activity via the postal channel.

Because of the Covid-19 pandemic, online retail activity has gained importance throughout the world. Consequently, the findings presented in this report (based on pre-pandemic data) in terms of revenues generated by e-sellers in peripheral areas, and the value of e-commerce goods shipped by the national postal operators are most likely higher already at the time of publication of this report.

A brief note on consultancy research: As is standard in our field of professional services, research is designed so that (i) the client chooses the research question; (ii) we analyse and address the question to the best of our knowledge; (iii) findings and conclusions are our own. Professional services independence is ensured via a diversified portfolio of business, spanning across public sector and private clients across industries. For further information, see www.copenhageneconomics.com. We remain available for and appreciate any questions or comments.

[1] All surveyed e-sellers shipped at least one product in 2019 with the postal service.

1 EU'S PERIPHERAL REGIONS

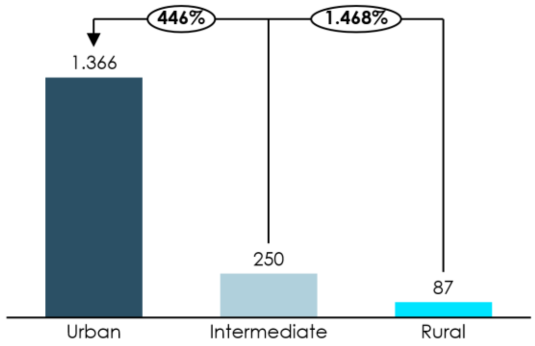
1.1 Peripheral regions in the EU are important but face cohesion challenges and present infrastructural gaps

EU regions that are classified by Eurostat as rural make up 45 per cent of the EU's territory. Together with the intermediate regions, they make up as much as 90 per cent of the EU's territory. Grouped together, rural and intermediate regions can be classified as *peripheral* regions. The remaining 10 per cent of the EU's territory are urban regions.[2]

Compared to urban regions, intermediate and rural regions are sparsely populated. In the EU, the average urban region counts almost 1,400 persons per square kilometre, while intermediate and rural regions (on average) are populated by 250 and 87 persons per square kilometre, respectively. In other words, urban regions are almost 1,500 per cent more densely populated than rural regions, and almost 450 per cent more densely populated than intermediate regions, see Figure 1.[3]

The EU's peripheral regions offer opportunities for a multitude of high-value economic activities. Although the peripheral regions – in particular the rural regions – have a higher share of primary (agriculture, forestry and fishery) and manufacturing sectors than urban regions, the service sector (hereunder retail) make up approximately two-thirds of the EU peripheral economy. [4]

Figure 1 Average population density in EU27, 2018, persons per square kilometre



Source: Eurostat Population density by NUTS 3 region [demo_r_d3dens]

However, the past decades have seen a shift where people, and with them high value-added economic activities, increasingly are moving to urban areas.[5] This trend shows no sign of weakening and the population growth of the EU's urban centres have outpaced that of the peripheral regions by more than 50 per cent over the past five years.[6] As a consequence, while peripheral regions make up 90 per cent of EU territory, they are only home to 60 per cent of the EU population. Furthermore, less than half of EU GDP is produced in peripheral areas. Rural areas in particular account for 15 per cent of EU GDP.[7]

1.2 Firms and particularly SMEs based in peripheral areas face several challenges to stay competitive

The cohesion and infrastructural challenges faced by peripheral regions in the EU and described above make it challenging for firms in peripheral regions to stay

[2] Throughout the report we refer to "peripheral regions" as the sum of rural and intermediate regions, as defined by Eurostat, see [Eurostat Urban-Rural Typology](#).

[3] : Eurostat Population density by NUTS 3 region [demo_r_d3dens]

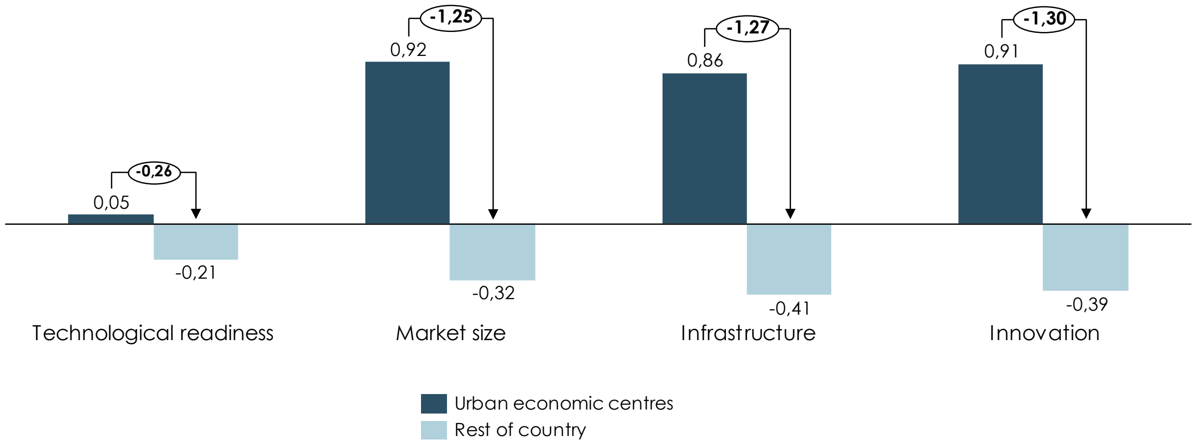
[4] Measured as gross value added (GVA) in European Commission (2018), *Rural areas and the primary sector in the EU*. In EU urban regions, the service sector GVA is 80 per cent of total GVA, while in rural regions it is 65 per cent and in intermediate regions 69 per cent.

[5] The urban areas benefit from agglomeration effects, where human and financial capital cluster in areas where there already is relative capital abundance.

[6] Eurostat, Population by NUTS3 region [demo_r_pjangrp3]

[7] Eurostat, Gross domestic product (GDP) at current market prices by NUTS 3 regions [nama_10r_3gdp]

Figure 2 Regional competitiveness index in Germany, France, Italy, Spain and Poland, 2019
Competitiveness score by region, compared to the EU average = 0



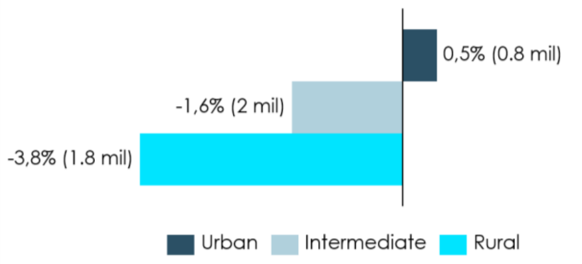
Source: EU Regional Competitiveness Index 2019. The urban economic centres are the NUTS2 regions Oberbayern, Île de France, Lombardia, Comunidad de Madrid and Warszawski stołeczny. The EU average includes the EU28, i.e. the current EU Member States and the UK.

competitive. For example, the 2019 EU Regional Competitiveness Index reveals that peripheral areas score well below the urban centres in terms of infrastructure, measured *inter alia* as the number of people that can be reached within a 1.5-hour car or train ride, potential market size and innovation, see Figure 3.[8] This makes it difficult to reach sufficient scale for businesses, especially SMEs, in peripheral areas.

Peripheral regions are also at a comparative disadvantage when it comes to factors such as the level of disposable income per capita, higher education, labour market efficiency and business sophistication.[9] During the last decade, for example, the working age population has increased in the EU's urban areas but decreased in the periphery, meaning a smaller customer base and pool of workers. This is especially the case in the EU's rural areas, see Figure 3.[10]

As a result, firms in peripheral areas are more limited in their business opportunities and they struggle to innovate new products, business solutions and customer offerings, given the uncertainty that any fixed costs of innovating will pay off in sufficiently higher revenue.

Figure 3 Working age (15-64 years) population demographic change in the EU27, 2011-2016



Note: Absolute population change in brackets.
Source: Copenhagen Economics analysis, based on Eurostat.

[8] Potential market size was estimated based on disposable income, GDP and population, see [European Regional Competitiveness Index](#).

[9] Source: EU Regional Competitiveness Index 2019.

[10] Copenhagen Economics' calculations based on Eurostat.

1.3 Selling products online offers firms in peripheral areas access to customers all over Europe

Despite the challenges outlined above, there are opportunities for firms in peripheral areas to tap into the modern economy and EU business opportunities. As visible from Figure 2 above, compared to other structural factors, the EU's peripheral regions are relatively not far behind the urban economic centres when it comes to technological readiness.[11] Thus, utilising modern digital technologies is a way for firms in peripheral areas to stay competitive.[12]

E-commerce represents a solution to some of the identified challenges for firms based in peripheral areas. Any firm, including the ones based in peripheral areas, can sell online through their own web shop and via online marketplaces, thereby overcoming the challenges related to long distances, low population densities, and limited purchasing power in peripheral areas.

In particular, selling products via an online marketplace reduces transaction costs, leverages economies of scale and scope (a firm does not need to build a website from scratch) and allows firms to access a large pool of customers (who are already shopping on the marketplace). This has become increasingly important during the Covid-19 pandemic, where weekly European online retail activity has been 35-70 per cent higher from April until early August 2020, compared to the same weeks in 2019.[13] Consequently, the e-commerce trends that we present in this report (based on pre-Covid data) and the importance of access to reliable delivery options have only been accelerating as a consequence of lockdown and quarantine measures.

In theory (as well as in practice) firms in peripheral areas of the EU can thus reach millions of customers via online channels – connecting with not only national but also foreign customers – and this can happen irrespective of where in their country these firms are based. This opportunity is however only available if the products sold online can be delivered to the customers within a reasonable time and at a reasonable price. If this was not the case, peripheral e-sellers would not be competitive, also after adjusting for lower costs available in peripheral areas, such as lower cost for storage.

Furthermore, we have established that sellers hailing from peripheral areas make a significant (circa 50%) share of the total e-commerce sales. Besides, as analysed further below in this study, a significant share (near 90%) of peripheral e-sellers reach a customer base in other region of their own country, which signals that their commercial success is of benefit to consumers in other (incl. urban) areas.

Therefore, it is clear that any barriers to peripheral firms' accessibility of e-commerce can hamper the overall consumer e-commerce experience, irrespective of where consumers are located.

1.4 The postal channel offers worldwide delivery at close proximity for e-sellers in peripheral areas

Across the EU, national postal operators provide delivery services throughout the country, covering extensively not only urban areas but also the most rural ones.

In fact, due to regulatory requirements linked to the postal universal service obligation (permanent service provision at all points in the territory, minimum 5 times per week – see box further below), in rural areas the density of the national postal operators' networks is often relatively higher than the share of population residing there, see Figure 4.

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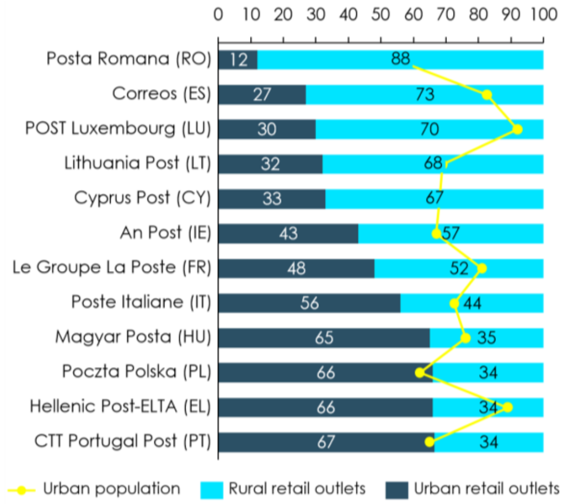
[11] Technological readiness is measured *inter alia* as the share of households with access to broadband and internet, share of households buying over the internet, enterprises having received orders online, firm-level technology absorption, etc.

[12] This has been acknowledged previously, e.g. by the EU-funded Transforma project, that aims at boosting innovation and entrepreneurship in rural areas by enhancing people's digital and e-business related skills (http://transforma-project.eu/about/).

[13] Data from Covid-19 Commerce Insight: https://ccinsight.org/trends-by-location/.

Figure 4 Share of postal service points in urban and rural areas, and share of urban population



Source: IPC (2019) Global Postal Industry Report 2019.

Whereas postal operators have historically used their networks for delivering letters, once the only communication mean over long distances, as mail letter volumes decline, postal operators leverage to an increasing extent their network to deliver parcels too. Postal operators are thus well-positioned to provide last mile deliveries across and between countries, supporting small-scale online sellers based in peripheral areas in reaching their customers, especially outside the e-sellers' local regions.

Combined, the opportunities from e-commerce and access to nation-wide pickup and delivery options mean that the postal channel can act as an equalizer by allowing businesses in peripheral areas to reach customers anywhere, overcoming cohesion and infrastructural challenges.

> 1. Member States shall ensure that users enjoy the right to a universal service involving the permanent provision of a postal service of specified quality at all points in their territory at affordable prices for all users.
> 2. To this end, Member States shall take steps to ensure that the density of the points of contact and of the access points takes account of the needs of users.
> 3. Member States shall take steps to ensure that the universal service is guaranteed not less than five working days a week, save in circumstances or geographical conditions deemed exceptional, and that it includes as a minimum:
> — one clearance,
> — one delivery to the home or premises of every natural or legal person or, by way of derogation, under conditions at the discretion of the national regulatory authority, one delivery to appropriate installations.

Source: EU Postal Services Directive, Art.3.

1.5 Research questions and methodology

The value of goods sold via e-commerce in the EU has been estimated to EUR 200-250 billion.[14] Whereas this value includes e-commerce originating from both urban and peripheral regions, the value of e-commerce sales from peripheral areas only has so far not been appraised. This raises a first research question: **What is the value of B2C e-commerce from EU peripheral regions?**

As previously mentioned, online channels to sell products are only valuable to sellers based in peripheral areas if they can ship their goods to customers in a relatively fast and convenient way. This raises a second research question: **How much of the e-commerce value from EU peripheral regions is supported by the EU postal network?**

Finally, a key value driver of the EU lies in the EU Single Market and the possibility for firms and consumers to sell and shop across borders. This raises a third research question: **How large is the value of e-commerce sales from EU peripheral regions (supported by the EU postal network) to other countries in the EU Single Market and beyond?**

In this study we answer these three research questions. In order to do so, we have conducted an in depth literature analysis yielding relevant secondary data, as well as gathered novel primary data by running a survey among more than 2,000 firms based in peripheral regions in five of the largest EU countries (France, Germany, Italy, Poland, Spain).[15] Additionally, we have conducted interviews with e-sellers based in peripheral areas in Germany, France and Spain.

[14] Sources: : Copenhagen Economics' calculations, based on data from, Eurostat, ecommerceDB, PostNord (2019) E-commerce in Europe 2019, Ecommerce foundation (2019) European Ecommerce Report 2019, Casaleggio Associati (2020) E-commerce in Italia 2020, CNMC (2019) Ecommerce in Spain press release, FEVAD (2019) France E-commerce Report 2019, Handelsverband Deutschland (2020) Online Monitor 2020.

[15] The survey was directed at any firm selling at least some of their products online. The survey covers pre-Covid-19 times, so the results during and following the Covid-19 lockdowns would probably be larger since e-commerce has boomed since the outbreak of the pandemic. More info on the survey is in the Appendix.

2 PERIPHERAL E-COMMERCE

2.1 Online channels support more than EUR 100 billion of B2C retail revenue in EU peripheral regions

E-sellers in EU peripheral regions participating in our survey report that they generate almost 50 per cent of their revenue via online channels, on average. The other 50 per cent is generated via offline channels, such as brick-and-mortar sales, see Figure 5. For EU B2C retailers as a whole, 13 per cent sell online and a total of 2 per cent of EU retail turnover is generated from those online B2C sales.[16] Thus, while e-sellers in peripheral regions are able to combine multiple sales channels to cater to different customer needs and preferences, the online channel is more central to retailers in peripheral regions than for the economy-wide retailer.

At the outset of this study we expected that e-commerce sales activity would mainly concentrate in urban areas, to the detriment of the many peripheral areas present across Europe. We based this expectation on patterns apparent for business models and activities made possible by new digital technologies – which are often associated first and foremost with urban areas. For example, the peripheral areas of France and Italy represent only approximately 25 per cent of the countries' gross value added in the information and communication technologies sector.[17]

To our surprise, while researching this study we found out that selling products online is a modern, digital solution that is not predominantly used just by sellers in the well-developed and already wealthy urban centres of the EU. Online selling is an activity performed to a significant extent by firms from the EU's peripheral areas – thus these areas are successfully tapping into this business opportunity.

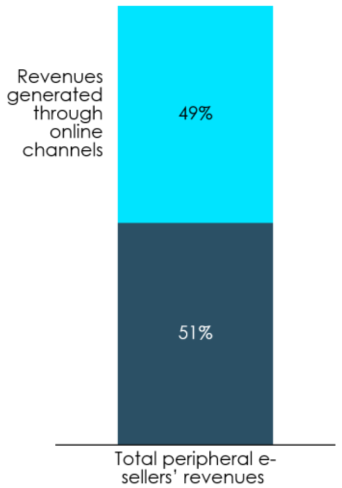
Indeed, novel data from sellers' use of Amazon marketplace allow us to estimate that, in 2019, EU sellers located in peripheral areas accounted for approximately 50 per cent of total B2C online retail sales.[18] The share of online retail sales activity stemming from peripheral areas is thus larger than the expected minor share associated with high tech or professional services in peripheral areas. Instead this share is equal or even slightly larger (by an average 3 per cent) than the peripheral areas' share of the total economy-wide activity.

In other words, online retail (in particular, marketplace-based e-selling) acts as an equalising factor, enabling e-retail firms in peripheral areas to realise an opportunity to contribute to the economy larger than what occurs for all sectors of the economy.[19]

Thus, while technological change and the surge in e.g. information and communications technologies and other knowledge-intensive industries have been associated in general with increased geographical inequality between urban and peripheral areas in the EU,[20] the online selling business model is rebalancing this spatial inequality and can thus be a valuable factor for socio-economic cohesion.

[16] Eurostat, Summary of EU aggregates (isoc_ci_eu_en2)
[17] Eurostat, Gross Value Added by NUTS3 region (nama_10r_3gva)
[18] Based on data from French, German, Italian, Polish and Spanish sellers' use of Amazon marketplaces.
[19] Eurostat, GDP at current market prices (urt_10r_3gdp)
[20] Tello et al, 2019, *Exploring the recent upsurge of regional inequality in Europe.*

Figure 5 Peripheral e-sellers' share of total revenues generated through online channels



Source: CE survey of 2,000 sellers in EU peripheral areas active across all platforms and channels.

Selling products via online channels has enabled firms in peripheral areas to realise business opportunities beyond those available to the pure off-line players. Based on our research we find that, in total, selling products via online channels (firms' own web shop or third-party marketplaces) supports an estimated **EUR 110 billion** of revenue for firms located in EU peripheral regions.[21] This corresponds to almost 2 per cent of EU peripheral GDP.

The revenues generated through online channels in peripheral areas support approximately **300 thousand jobs in EU peripheral regions**.[22] This corresponds to 0.3 per cent of total EU peripheral jobs.[23] These jobs bring value to the peripheral communities, as also acknowledged by the e-sellers in peripheral areas that we have interviewed as part of our research, see case studies in Appendix A.

2.2 Peripheral online retailers grow faster than the economy-wide comparator

Total European e-commerce sales are estimated to have grown by 13 per cent in 2019 compared to the year before.[24]

The e-sellers in peripheral regions in our survey, however, report that they have grown even faster than that. Between 2018 and 2019, peripheral e-sellers' online revenue grew by almost 40 per cent, while their employment grew by almost 20 per cent.[25]

Thus, selling online enables economic activity and job creation in the EU's peripheral regions. Over the past two years, the revenue and employment growth of peripheral e-sellers have outpaced that of the overall EU economy, by 59 and 24 per cent, respectively, see Figure 6.

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[21] Source: Copenhagen Economics' calculations, based on data from peripheral e-sellers survey, Eurostat, PostNord (2019) E-commerce in Europe 2019, ecommerceDB markets database, and Amazon.

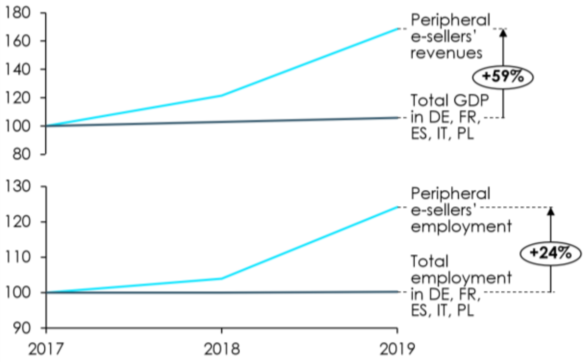
[22] Copenhagen Economics calculations based on data from peripheral e-sellers survey, Eurostat National Accounts employment data by industry, Swedish Trade Federation: Key financial figures for retail 2014, Händlerbund: E-commerce in Germany.

[23] Source: Copenhagen Economics' calculations, based on data from peripheral e-sellers survey, Eurostat.

[24] https://ecommercenews.eu/ecommerce-in-europe-e621-billion-in-2019/. The estimate includes both EU and non-EU countries, as well as e-commerce of both goods and services.

[25] Source: Copenhagen Economics' calculations, based on data from peripheral e-sellers survey, Eurostat.

Figure 6 Revenue and employment growth, peripheral online vs economy-wide



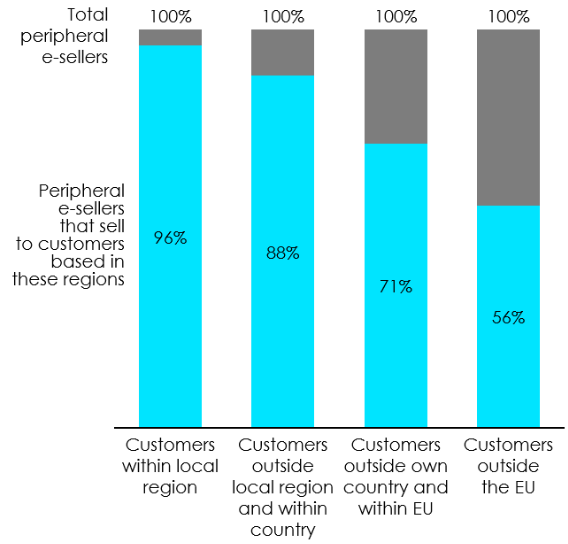
Source: CE survey of 2,000 sellers in EU peripheral areas active across all platforms and channels, Eurostat. Note: Index, 2017 = 100.

Thus, while firms in the EU's peripheral regions are facing several structural challenges, the possibility to sell products via online channels offers one sustainable conduit to maintain successful businesses also outside the urban economic centres.

2.3 Peripheral e-sellers are reaching customers outside their home region through online channels

The increased reach of the online sales channel is also evident when looking at actual sales patterns for firms in peripheral areas selling online. While 96 per cent of e-sellers in EU peripheral regions sell to customers in their home region, as much as **91 per cent** sell to customers located anywhere outside the e-seller's home region (domestically or abroad). 88 per cent of e-sellers in EU peripheral regions sell to customers located in other regions within their home country, while as much as 71 per cent of peripheral e-sellers have customers located in other EU countries and more than half, 56 per cent, of them use online channels to reach customers globally outside the EU, see Figure 7.

Figure 7 Share of peripheral e-sellers that sell to customers based in different regions

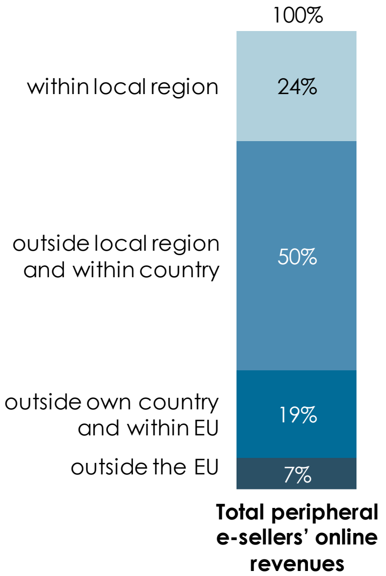


Source: CE survey of 2,000 sellers in EU peripheral areas active across all platforms and channels.

Our research also reveals that the majority of peripheral e-sellers' online revenues (76 per cent) is generated via sales to customers located outside the e-seller's home region, see Figure 8. In total, online sales to customers located outside the e-seller's home region support more than **EUR 80 billion** in 2019 revenues for firms located in EU peripheral regions.[26]

[26] Source: Copenhagen Economics' calculations, based on data from peripheral e-sellers survey, Eurostat.

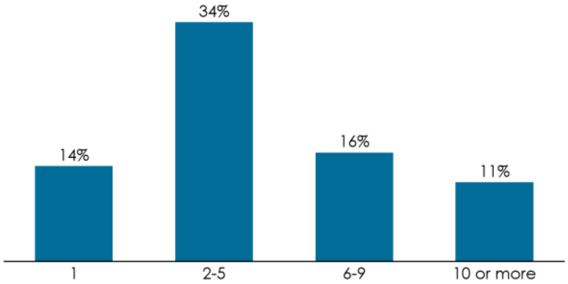
Figure 8 Share of peripheral e-sellers' revenues generated from customers based in different regions



Source: Combined data from CE survey of 2,000 sellers in EU peripheral areas active across all platforms and channels, as well as trade patterns from sellers' activity on Amazon marketplace.

The peripheral e-sellers in our survey reach customers in many different countries. More than 60 per cent of the firms that export to other countries do it to more than one export destination and more than 10 per cent of the peripheral e-sellers export to more than 10 countries, see Figure 9.

Figure 9 Number of countries peripheral e-sellers export to



Source: CE survey of 2,000 sellers in EU peripheral areas active across all platforms and channels.
Note: The remaining 25 per cent of peripheral e-sellers do not export to any country.

Peripheral e-sellers export to both countries within and outside the EU. The surveyed e-sellers in France, Germany, Italy, Poland, and Spain report that they export to more than 50 different countries across the globe see Figure 10. Germany, France, Austria, Belgium and Italy are the five most common export destinations. For exports outside Europe, the most common export destinations are the USA, China, Russia, Canada and Japan.

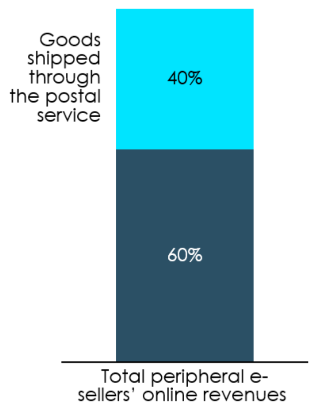
3 THE POSTAL CHANNEL

3.1 The EU postal channel supports more than EUR 40 billion worth of products sold online by e-sellers in peripheral regions

Our survey evidence shows that **all** e-sellers in peripheral areas use the postal network to ship (at least a part of) their products.[27]

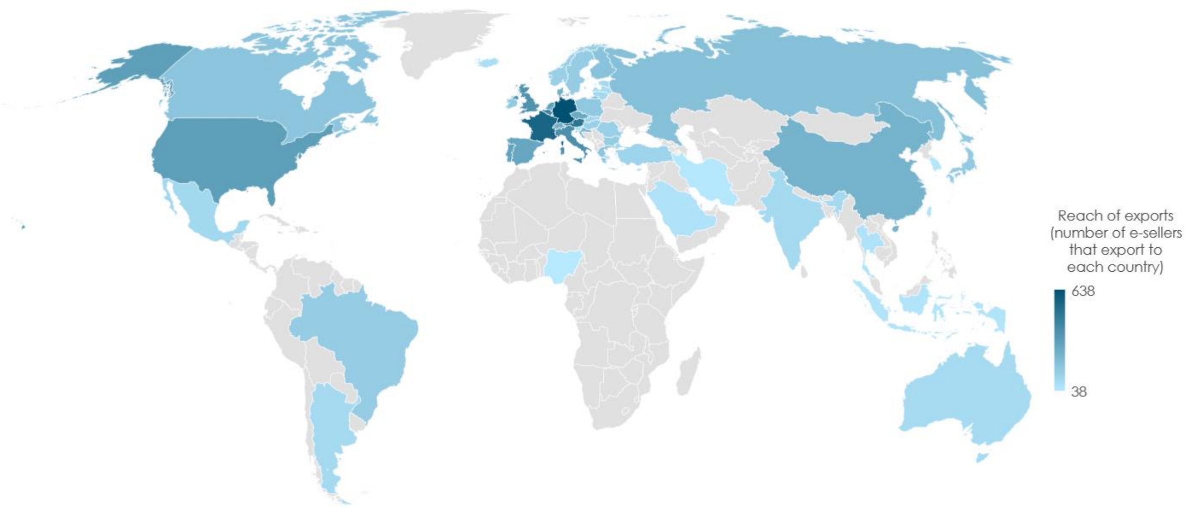
On average, **40 per cent** of peripheral e-sellers' online revenues are generated from products sold online that are shipped through the postal service, see Figure 11. This share corresponds to more than **EUR 40 billion** of peripheral online sales revenue across the EU.[28]

Figure 11 Share of peripheral e-seller's online revenues from goods shipped through the postal service



Source: CE survey of 2,000 sellers in EU peripheral areas active across all platforms and channels.

Figure 10 Countries that peripheral e-sellers in our survey export to



Source: CE survey of 2,000 sellers in EU peripheral areas active across all platforms and channels.

[27] All surveyed e-sellers shipped at least one product in 2019 with the postal service.

[28] Source: Copenhagen Economics' calculations, based on data from peripheral e-sellers survey, Eurostat.

The peripheral e-sellers' revenues generated from products shipped through the postal service support more than **100 thousand peripheral jobs**. This corresponds to 0.1 per cent of total EU peripheral jobs.[29]

3.2 The postal channel supports EUR 11 billion worth of exports from EU peripheral regions

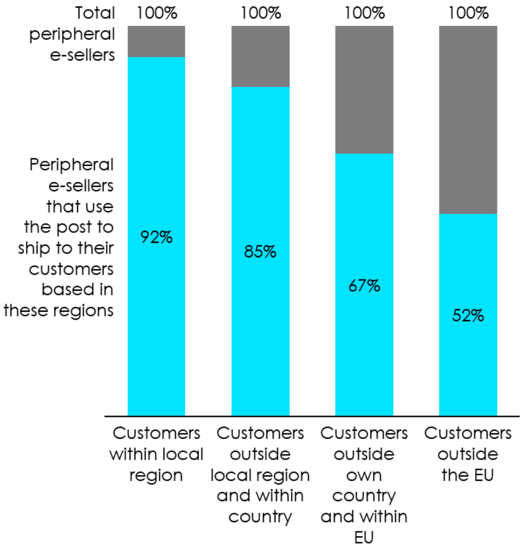
The postal service allows peripheral e-sellers to overcome infrastructural challenges reaching customers based in other regions of their country, in other EU countries and in countries outside the EU.

In total, the revenue generated from customers based outside peripheral e-seller's local regions and shipped via the postal service amount to more than **EUR 30 billion**, corresponding to **28 per cent** of peripheral e-sellers' total online revenues.[30]

Based on our research, we find that the postal channel supports approximately **EUR 8 billion** of exports to other EU countries from peripheral areas, corresponding to circa **1.3 per cent** of total intra-EU exports, and **EUR 3 billion** of exports to non-EU countries from peripheral areas, corresponding to circa **1.0 per cent** of total extra-EU exports. Thus, in total – EU peripheral sellers are delivering EUR 11 billion worth of exports per year thanks to the postal channel.[31]

In our research across five large EU markets, 88 per cent of e-sellers based in peripheral regions use the postal service to ship products to customers based outside the e-seller's home region:[32] **85 per cent** use the postal service to ship goods to customers based in other regions of the e-seller's country, **67 per cent** use the post to reach customers in other EU countries, and **52 per cent** use the post to reach customers outside the EU, see Figure 12.

Figure 12 Share of peripheral e-sellers that ship online sales to customers based in different regions via the postal service



Source: CE survey of 2,000 sellers in EU peripheral areas active across all platforms and channels.

These shares are very similar to the share of e-sellers selling to customers in different regions (Figure 7), suggesting that most e-sellers in peripheral areas use the post for their shipments, irrespective of whether they are shipping domestically or internationally. The shares also show that although the postal service provides an important service to peripheral e-sellers for both national and international shipments, it is not the only option available, as also confirmed by our e-seller interviews (see case studies in Appendix A).

[29] Ibid.

[30] Source: Copenhagen Economics' calculations, based on data from peripheral e-sellers survey, Eurostat, Amazon marketplace sellers' patterns.

[31] Exports of consumer products. Please see a comprehensive list of HS codes included as consumer products in appendix C.

[32] All the surveyed e-sellers that shipped at least one product in 2019 through the postal service count towards the 88 per cent.

4 CONCLUSIONS

E-commerce helps firms in the EU's peripheral regions to overcome cohesion and infrastructure challenges, and to create value and job opportunities. We find that e-sellers in peripheral regions generate online revenues of an estimated EUR 110 billion, supporting approximately 300 thousand jobs in EU peripheral regions. Furthermore, we find that approximately 76 per cent of peripheral e-sellers' online revenue is generated by sales to customers based outside the e-seller's local region.

The national postal operators with their nationwide delivery networks and local presence are valuable in supporting e-sellers in peripheral regions to participate in the e-commerce economy and connect with their customers. In this way, the postal channel can effectively act as an equalizer by allowing businesses in peripheral areas to reach markets and customers anywhere, overcoming cohesion and infrastructural challenges.

Based on our novel research, we find that approximately 40 per cent of the value of products sold online by e-sellers in peripheral regions was shipped by the national postal operators in 2019. Thus, the EU postal operators all together shipped more than EUR 40 billion worth of products sold online by e-sellers in peripheral regions. As a result, the postal channel supported over 1 million jobs in the online retail sectors in the EU peripheral regions in 2019. As the Covid-19 pandemic in 2020 has caused online retail to increase by up to 70 per cent compared to 2019 levels, the value of goods shipped by national postal operators – and the jobs created as a result – are most likely higher already at the time of publication of this report.

In the context of evaluation of the EU Postal Services Directive by the European Commission, it is important not to forget about European peripheral regions. The results of this study show the importance of a sustainable postal service that provides reliable delivery solutions, suitable for peripheral e-sellers' business models (in terms of quality and price).

EU regions' infrastructure endowments are key to investments and competitiveness. Peripheral areas have greater sensitivity to infrastructure (networks) and services – compared to their urban counterparts. If the delivery sector were to evolve towards reduced coverage and service provision, this would disproportionately impact businesses and consumers located in peripheral areas. In turn, this would harm economic participation and opportunities for small business and consumers in those areas, which include many vulnerable and underserved communities.

The novel evidence in this study demonstrates that the postal channel – built over a long history of nationwide coverage and local presence, also in very remote areas – is well positioned and is already supporting e-sellers across peripheral EU regions in making the most of the growth and employment opportunity of digital transformation.

Therefore the postal service should not be an "unsung hero" – on the contrary, policymakers interested in promote (i) the EU Single Market, (ii) territorial cohesion, (iii) SME opportunities and (iv) digital transformation will benefit from making sure to foster positive framework conditions for the sector and support its sustainability.

APPENDIX A: CASE STUDIES

As part of this research, the team at Copenhagen Economics conducted interviews with e-sellers based in peripheral areas in Germany, France and Spain, on their use of online channels and the postal service to reach customers.

Heim & Büro Versand GmbH
Nister, Germany

Heim & Büro is a German company selling home and office products from the rural town of Nister. The founder Thomas Weigel started his career in the distance-selling business. The business at the time was to print catalogues, receive the orders via phone and send the products to customers via post. After more than 20 years as employee, he decided to start his own business and in 2010 he founded Heim & Büro, a company that now employs 27 people, owns the brand ONVAYA® and sells products across borders.

Heim & Büro has leveraged its online presence on marketplaces such as Amazon, eBay and Real to reach customers both in Germany and abroad. Online sales enabled and continues to enable Heim & Büro's growth. Heim & Büro's business would change completely today if it did not have access to the online channel, i.e. its customer base would shrink immensely if it had to rely on catalogue sales. By maintaining and growing an international customer base, Heim & Büro bring value to the local community of Nister, generating revenues, tax contribution and employment. The company currently employs 27 people, in a diverse range of positions: IT, marketing, photography and media, customer service, logistics and warehousing.

Heim & Büro sells products manufactured by others as well as own products. Most of Heim & Büro's own brand products are produced in China, but the company also produces in Germany and other European countries. The growing range of own products resulted in the registered retail brand ONVAYA® in 2015, under which existing and new products are now established.

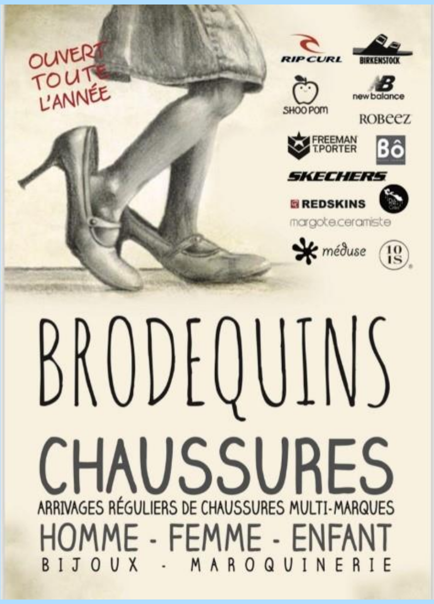
To ship its products, Heim & Büro relies mainly on the national postal operator (DHL by Deutsche Post) and DPD (part of Le Groupe La Poste), depending on the size and weight of the parcels. Heim & Büro finds DHL more convenient for smaller and lighter packages. For both types of shipments, a delivery person from DHL or DPD comes to Heim & Büro's warehouse to load the parcels and prepare them for shipment. DHL in particular provides a separate container, which facilitates loading and reduces the use of plastic. Moreover, Heim & Büro value the trust that DHL built, where both final customers and Heim & Büro's warehouse workers know DHL and its delivery people. If DHL was not available to Heim & Büro for shipping its products to customers, it would use DPD instead. However, Heim & Büro finds that it would lose the personal service value that both Heim & Büro's warehouse workers and Heim & Büro's customers have with DHL delivery people.

Source: Copenhagen Economics' interview with Heim & Büro Versand GmbH, May 2020

Brodequins
Le Bois Plage En Re, France

Brodequins is a French shoes and accessorises shop based in the rural town of Le Bois Plage En Re, on the Île de Ré island. Brodequins opened its first physical shop in 2017. Shortly after, in 2018, the founder saw the opportunity of opening a second shop online, opening up the possibility to reach faraway customers. In 2019, it started selling its products through Amazon Marketplace. Through online shops, Brodequins is now selling to customers across France, Germany, Italy, Spain, and the UK.

Over the last three years, Brodequins has in this way being able to expand its business quickly and reach customers abroad. Brodequins is now looking into opening up to additional countries and expand its business further, leveraging online channels. To ship its products to customers, Brodequins uses the national postal operator (Chronopost by Le Groupe La Poste). When Brodequins needs to ship its products, a delivery person from Chronopost comes to Brodequins and picks up the parcels ready to be delivered. The decision to use the postal operator was driven by cost considerations.



Source: Copenhagen Economics' interview with Brodequins, June 2020.

Suminstros Rodríguez
Benavente, Spain

Suministros Rodríguez is a company that sells both B2B supply parts such as bearings, chains and electronics, as well as B2C gardening and cleaning tools. The company has been in business for 35 years and is based in the peripheral city of Benavente, in the North-West of Spain.

Suministros Rodríguez has been selling its products mainly offline, but it saw an opportunity to reach customers in other parts of Spain and across borders through online channels. Suministros Rodríguez has both its own webshop where customers can order and get products delivered, and a page on Amazon Marketplace. On Amazon, Suministros Rodríguez can reach many private consumers: around 85 per cent of Suministros Rodríguez's customers on Amazon are private consumers.

Through the online channels, Suministros Rodríguez has been able to grow a customer pool outside Spain in countries like Belgium, France, Germany, Italy, and the Netherlands.

To deliver products to its customers in Spain, Suministros Rodríguez utilises the Spanish national postal operator, Correos, while for international deliveries, it uses other European postal operators. If Suministros Rodríguez did not have the postal operator available for its deliveries, it would need to rely on other more expensive delivery operators, driving up its costs.

Source: Copenhagen Economics' interview with Suministros Rodríguez, June 2020

APPENDIX B: INFORMATION ON THE E-SELLER SURVEY CONDUCTED AS PART OF THIS RESEARCH

As part of this research, we have conducted (through a third-party survey research firm) a survey among firms selling (at least part of) their products online and located in peripheral regions in Germany, France, Italy, Spain and Poland.

The total sample size was more than 2,000 firms. The screening factors were:

1. Online seller: to be included in the survey, the respondent firm had to sell at least part of its products through online channels (own web-shop or online marketplace)
2. Peripheral location: to be included in the survey, the respondent firm had to be based in either a rural or an intermediate area in one of the five countries, identified by the postcode of the seller's main location.

The quotas of respondents in the survey was split equally between the five countries (i.e. 400+ respondents per country) and balanced between rural and intermediate areas according to the share of GDP that these areas contribute in their respective countries.

The information we collected in the survey concerned the e-sellers' business activity in 2019, i.e. before the outbreak of Covid-19. The e-sellers' online revenue information referred to revenues generated online (i.e. from own web-shop or online marketplace), from products meant for final use (i.e. B2C or products used by businesses, e.g. stationery).

APPENDIX C: INFORMATION ON THE CONSUMER PRODUCTS CONSIDERED IN THE INTERNATIONAL TRADE ANALYSIS

Category	HS Classification code
Antiques	9701 9702 9703 9706
Baby	6111 6209 9501 9502 9503 490300 871500 940490
Books, comics and magazines	4901 4902 970200
Business, office and industrial	8201 8304 8459 8460 8461 8462 8463 8465 8517 9018 481960 852020 940600
Auto parts	8803 8714 8708
Clothes, shoes and accessories	61 62 64 65 420221 420222 420229 630900
Hobbies and crafts	4203 4414 4817 340600 701610 731910 960330 960340
Home and garden	57 3922 6303 8450 9103 91059405 230910 392610 481960 830300 850910 851610 851660 940310 940330 940340
Jewellery and watches	7101 7102 7103 7113 7114 7116 7117 9101 9102
DVDs, film and TV	3706 852490
Music	8524
Photography	9006
Pottery and glass	6911 7013
Sporting goods	9506
Sports memorabilia	9705
Stamps	490700 970400
Toys and games	9501 9502 9503 9505 9506
Musical instruments	92
Mobile and home phones	8517
PC and video gaming	950410 950430
Consumer electronics – audio	8518 8519 8521 8528 9007
Art	9701 9702 9703
Health and beauty	3301 3303 3304 3305 3306 330730 330790

ABOUT COPENHAGEN ECONOMICS

Copenhagen Economics is a specialised economics consultancy and leader in the Nordic region. Our economists provide advice and analyses in the fields of competition, regulation, international trade and impact assessment.

We provide hard facts and clear stories, enabling our clients and their stakeholders to make superior decisions based on sound analysis.

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- is independent and partner-owned
- counts more than 90 employees, mostly with Ph.D. or M.Sc. in Economics
- includes economists from various nationalities / languages: Danish, Dutch, English, Finnish, French, German, Hungarian, Italian, Lithuanian, Norwegian, Portuguese, Romanian, Spanish, Swedish
- and operates across the world.

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