



SMALL ONLINE BUSINESS GROWTH REPORT

Towards an inclusive global economy

OVERVIEW

Digital technology has driven a seismic and unprecedented shift in the global economy over the last decade. In fact, increased use of digital technologies is projected to add \$1.36 trillion to the world's top 10 economies by 2020.¹ While globalization has traditionally favored multi-national and capital-backed start-ups, technology is rapidly changing the economic landscape, allowing new players to enter the global stage and reach consumers and trade goods in new ways. Over the last four years we have seen the growth of an emerging, inclusive economy that is opening doors for small businesses around the world according to data from eBay's *Small Online Business Growth Report*.²

eBay's team of economists and data analysts examined eBay trading data in 10 countries from

2010-2014 to understand the benefits of technology and access to digital trading platforms for small businesses. Among the findings, our data revealed that, in general, eBay Small Business (SMB) Sellers are starting businesses more frequently, growing faster, and trading more internationally than traditional small businesses.

The Internet is proving to be a great equalizer. It has allowed small online businesses to compete with large enterprises in global commerce, and dramatically outpace small offline businesses in foreign sales. In emerging economies, small online businesses are enjoying similar business development opportunities as those in the most advanced economies.

METHODOLOGY

The economic analysis carried out by Sidley Austin and the eBay Public Policy Lab for this report is based on eBay datasets covering the activity of sellers with sales of more than \$10,000 annually on the eBay marketplace, which for the purposes of this report are called "eBay Small Businesses (SMB) Sellers" or "eBay SMB Sellers." It also looks at the results of various subsets of those eBay SMB Sellers, including "Established Commercial Sellers" who operated as eBay SMB Sellers throughout the five-year research window and "Newcomers" who started selling on eBay after 2010. The report looks at growth and trade data for eBay SMB Sellers from 2010-2014 in 10 countries: the United States, the United Kingdom, Germany, Italy, Australia, Mexico, Brazil, Colombia, India and Korea.

ENTREPRENEURSHIP 2.0: DIGITAL MARKETPLACE OUTPACES COMMERCE GROWTH

Against the backdrop of a relatively subdued global economy, consumer demand continues to drive the growth of eCommerce. The expansion of the Internet has not only allowed more small businesses to come online, but coupled with globalization, consumers are now seeking products that are diverse, often pulling brands into a market by sheer demand. eCommerce has a strong role to play in leading overall retail growth and, in comparison to offline trade, it has become one of the most dynamic growth sectors. Our data supports this global trend, with the 10 markets analyzed for this report experiencing sustained annual growth for Established Commercial Sellers from 2010-2014.

MUMBAI | INDIA

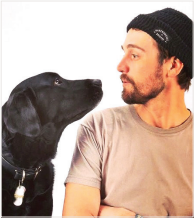


Artisan Mohammed Taushif Ansari migrated to Mumbai from a northern Indian state a few years ago. He was inspired to turn his craft into his own business manufacturing and exporting leather garments. With eBay, he launched his dream and grew it exponentially. Today he has his own retail brand, [Skin Outfit](#), and exports to 30 countries. At just 24 years old, Taushif has successfully built an online business that employs a staff of five, including one master craftsman and four artisans.

Taushif's entire business is retail exports on eBay, where he exports to 30 countries under the Skin Outfit brand he has created.

For the purposes of this report we compared two distinct segments of eBay Small Business (SMB) Sellers, also known as eBay Small Businesses:

- **Established Commercial Sellers** are those who operated as eBay SMB Sellers for the duration of the research period (2010–2014).
- **Newcomers** are eBay SMB Sellers in 2014 who started operating on eBay in 2011 or later.

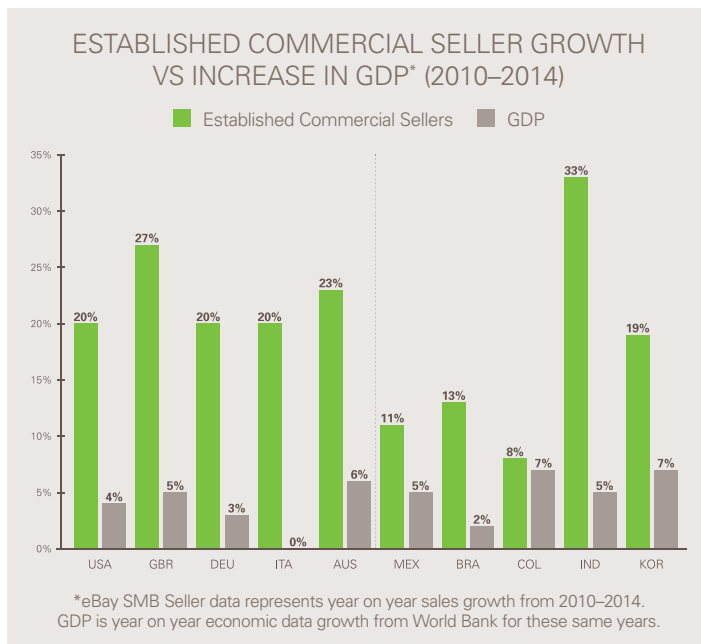


An avid cyclist and minimalist, Nick Martin used eBay to sell all of his worldly possessions, with the exception of his bike and vehicle. The experience on the platform motivated him to launch [The Pro's Closet](#) in 2005, which is now the nation's largest eBay store specializing in reselling used cycling gear. He reaches local, national and even international customers, which has helped fuel his business' considerable growth and driven the construction of a new 15,000-square-foot warehouse to accommodate future expansion.

eBay's platform has afforded Nick the opportunity to reach customers around the globe, contributing to his business' staggering growth.

Around the world the data tells an assortment of interesting stories about the way small businesses are leveraging technology to create global opportunities.

In the U.S., Brazil, Italy and India, for instance, the average annual growth rate of sales of Established Commercial Sellers since 2010 is much higher than yearly economic growth during that same period. eCommerce in Italy continues to be a growing market despite domestic economic challenges. Established Commercial Sellers in the country grew at a rate of 20 percent per year compared to the overall Italian economy which was flat, with essentially zero growth.



Across Latin America, eCommerce is starting to grow at a significant pace. Some of the most striking growth trends from our data emerged in developing markets such as Colombia and Brazil.

- Colombia's eCommerce industry grew more than 40 percent during 2014 after years of lagging behind the global trend.³ The number of eBay SMB Sellers in Colombia tracked this trend, growing an

average of 46 percent per year from 2010–2014. Likewise, the sales growth for Newcomers in Colombia from 2013–2014 exceeded eCommerce growth in 2014 by over four times, increasing by 163 percent for that year.

- In Brazil, where eCommerce makes up a greater share of the total retail market than elsewhere in the region (3 percent⁴), Established Commercial Sellers averaged 13 percent year over year sales growth. That rate of growth is more than six times the overall economic growth rate in Brazil during the same time period.

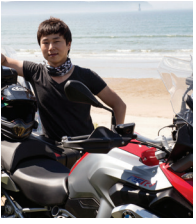
It's clear from the increase in the number of sellers coming on to the eBay platform that we are at an inflection point for small online business growth. The increasing numbers, coupled with confidence in online retailers is contributing to the global economy.

This holds especially true in India. It took a decade for the number of Internet users in India to move from 10 million to 100 million, but the subsequent leap to 200 million happened in only three years.⁵ During that time, the number of eBay Small Businesses in India grew at an average annual rate of 73 percent.

Often overshadowed by larger countries in the region, South Korea is home to APAC's third largest retail eCommerce market and the seventh largest retail eCommerce market worldwide.⁶ Established Commercial Sellers have seen considerable year over year sales growth (19 percent). The continued growth in South Korea is also evident through new sellers on the platform, with more than half (65 percent) of the country's eBay Small Businesses categorized as Newcomers.

In the U.S., eCommerce is leading retail growth with eBay Established Commercial Sellers' online sales growth outpacing the economy—20 percent average annual growth online in comparison to 4 percent average annual GDP growth.

DAEJEON | KOREA



In 2011, college student Yonghoon Kim turned his car and motorcycle hobby into a [business on eBay](#) after winning an eBay Korea competition. On eBay he benefits from convenient access to a global market for his auto parts without any high initial investment costs. He has experienced growth of 10-15 percent each year, and has expanded into an office and inventory warehouse. Today, he ships all of his products internationally to more than 30 countries, and leverages eBay’s language tools to help make selling across borders smooth and convenient for his customers.

With eBay, Yonghoon enjoys access to the global market and has developed relationships that have helped his business to grow 10–15 percent every year.

ACCESS TO THE WORLD IS FUELING GROWTH

Increasing international trade is crucial to expanding global opportunity and prosperity. Traditionally, only large businesses have engaged in global commerce due to the level of capital investments and infrastructure required to reach a global audience. Technology has enabled small businesses to operate as big businesses do—reaching a global customer base and unlocking the potential of global trade and investment.

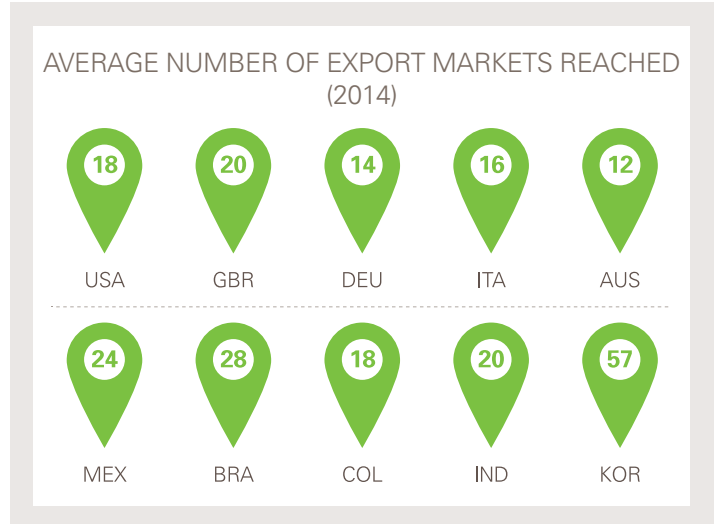
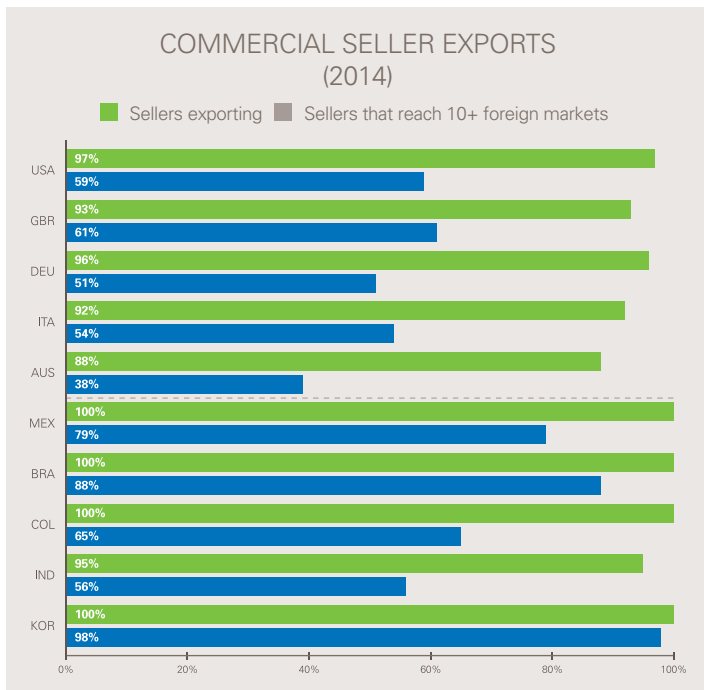
For example, one of the biggest barriers to operating globally is language. Technology has helped to minimize the costs of translation and communication, helping small businesses gain access to the global economy. Trading globally helps those small businesses to gain new customers and maintain steady economic growth.

The eBay platform allows small online businesses to scale and trade globally. Nearly every eBay Small Business Seller exports (more than 95 percent)

and these independent entrepreneurs are growing globally at an unprecedented rate due largely to the worldwide access provided by technology.

Offline the U.S. trade gap is widening and exports have fallen to a three-year low.⁷ During that same time period, eBay SMB Sellers continued exporting in high numbers with 97 percent of exporting in the U.S. and 59 percent of those exporting to 10 or more countries. As President Obama said in his recent letter to the eBay Main Street Community, “We have to make it easier for entrepreneurs like you to sell.”

Just as striking from a global perspective, eBay Small Business Sellers are trading at an equal rate in both developed and emerging economies. In many developing countries, every eBay Small Business Seller exports, including Mexico, Brazil and Colombia.



In developed economies like the U.S. and UK, 59 and 61 percent of eBay SMB Sellers, respectively, export to 10 or more countries. This is also true in emerging economies where 79 percent of eBay SMB Sellers in Mexico and 88 percent in Brazil are exporting to 10 or more countries.

GRASSANO | ITALY



Mario Calabrese and his family have been in the footwear business since 1935. In 1992, Mario's father formally handed the business down to him, just as big shopping centers began entering the local market. Struggling amongst the competition, Mario turned to eBay in 2004 to find new revenue streams. He launched [Footloover](#), selling his store's surplus goods initially, and then responding to customer demand for new and unique products. In 2013, Mario developed an international strategy to market to Germany, England, the U.S. and Australia; and today, Footloover has grown its exports from just 10 percent of sales to almost half.

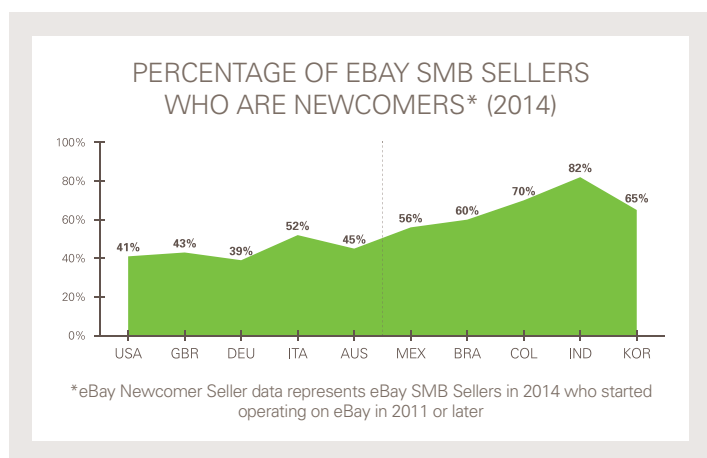
Today, Footloover exports about 50 percent of its products and still operates two physical locations in Grassano, Italy.

Even in countries with robust domestic growth like Korea, the opportunity to build global revenue while retaining a strong local presence and economic contribution has been significant with 98 percent of eBay SMB Sellers in Korea exporting to 10 or more markets.

THE DEMOCRATIZATION OF COMMERCE: DISAPPEARING BARRIERS CREATE SURGE OF ONLINE NEWCOMERS

If the future of digital commerce is about finding new approaches to trade and investing in long-term sustainable growth, the barriers to entry for small online businesses need to be addressed.

Globalization has traditionally favored multi-national and capital-backed start-ups. Around the world, barriers such as shipping, language, customs and access to capital have limited global trade among small businesses. Technology is lowering the barriers to entry for small online retailers, creating a more inclusive democratized model of global commerce and providing greater equality of opportunity as evidenced by the number of Newcomers that we see on eBay's platform.



Start-ups around the world are joining the digital economy every day and demonstrating sustainable growth. In 2014, in the 10 countries studied, at least two

in five eBay SMB Sellers were Newcomers. Examples include: 41 percent of eBay SMB Sellers in the U.S., 39 percent in Germany and 43 percent in the UK.

In developing markets—many of which are countries full of small businesses—that number is even higher. In 2014, more than half of eBay SMB Sellers were Newcomers in Mexico (56 percent), Colombia (70 percent) and India (82 percent). In Brazil, 60 percent of eBay SMB Sellers were Newcomers despite the nation's recession, which has negatively impacted offline small businesses.⁸

The extraordinary pace of change of eCommerce and technology over the past five years has helped open up the world for small businesses. eBay is proud of the work that we have done to enable small businesses to expand into new global markets. From our global shipping platform to our machine translation technology to our advocacy on reforming customs regimes, we are helping to create a level playing field for all sellers on our platform, regardless of size.

An open and fair marketplace can create immense economic value and become a force for good in society. eBay will continue to innovate and advocate for our sellers as they fuel the creation of a more enduring and inclusive global economy.

Visit ebayinc.com/enablingcommerce to explore how technology-enabled commerce is fueling the growth of small online businesses worldwide and impacting the global economy.

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