UNION OF ENTREPRENEURS AND EMPLOYERS

ZPP BRUSSELS

FOCUS ON EUROPE

EU DIGITAL SINGLE MARKET: A CATALYST FOR BUSINESS GROWTH IN THE CEE REGION

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INTRODUCTION

The e-commerce sector in the Central and Eastern European (CEE) region has experienced dynamic growth in recent years, mainly due to the increasing digitalisation of economies and integration into the European Union's Single Digital Market (DSM). This integration enables companies, especially small and medium-sized enterprises (SMEs), to access new markets, which has a positive impact on their competitiveness and cross-border trade opportunities. The Digital Single Market plays a key role in their development, eliminating barriers to online trade and promoting the harmonisation of regulations across the European Union, resulting in a better operating conditions for companies in the CEE region. In this report, we take a broader look at the main aspects of the development of the e-commerce sector and the challenges faced by companies seeking further expansion.

As the data shows, countries such as Poland, the Czech Republic, Hungary, Romania and Slovenia are experiencing significant growth in e-commerce. In 2023, the value of the e-commerce market in the region increased by 29%, reaching EUR 104 billion. Forecasts indicate that by 2026, the share of e-commerce in retail sales in Poland and the Czech Republic could reach 23% and 24% respectively, highlighting a strong growth potential. The growth is also being driven by investments in modern digital infrastructure and the development of logistics, which enables companies to fulfil orders efficiently.

The Digital Single Market makes it much easier for companies in the CEE region to operate internationally. Previously, companies had to struggle with discrepancies in the legal regulations in their respective countries, which made expansion into other markets difficult. The harmonisation of online trading regulations reduces operational costs and simplifies procedures. In 2021, the value of cross-border e-commerce sales in Europe amounted to EUR 237 billion, 59% of it coming from marketplace platforms. Standardised regulations give companies from the CEE region the opportunity to expand rapidly into European markets, resulting in their increased competitiveness.

Despite their dynamic growth, Central and Eastern European companies have to deal with significant barriers that limit their expansion. High delivery costs, especially for international shipments, significantly increase operating costs. Differences in legislation, particularly concerning VAT and customs duties, further complicate cross-border trade. Complicated logistics procedures generate delays and additional expenses. The lack of uniform standards across the European Union forces companies to adapt to different regulations, making it difficult for them to operate in foreign markets. Research indicates that 38% of e-commerce managers perceive a lack of knowledge of foreign markets and regulatory difficulties as the main obstacles to international expansion.

EU regulations that aim to harmonise tax laws play a key role in facilitating e-commerce operations. The future will tell whether initiatives such as the finalised VAT in the Digital Age (ViDA) package have the potential to simplify tax procedures, which will support businesses operating in international markets. However, entrepreneurs still point to the need for changes to some legislative proposals in this area and further harmonisation of regulations, especially in the context of cross-border trade, where differences in customs and tax regulations continue to be a problem. Full regulatory harmonisation would enable companies to manage their operations more efficiently and reduce the costs associated with adapting to different legal systems.

The CEE region is experiencing increasing competitive pressure from Chinese e-commerce platforms such as Temu and Shein. The low prices these companies offer stem from a number of factors, a key one being the support they receive from the Chinese government. The subsidisation of Chinese companies is part of the state policy aimed at strengthening the position of domestic companies in international markets. One of the most important elements of this support is the creation of special pilot zones for cross-border e-commerce trade. These zones offer preferential conditions in terms of customs, taxes, foreign exchange and logistics. Under this model, by the end of 2022, approval has been granted for 165 zones, which promotes the competitiveness of Chinese platforms in foreign markets. These zones are home to industrial parks, supported by China's party-state apparatus, which bring together companies involved in the production and export of goods. These companies gain an advantage over local competitors through access to financial and logistical resources, which translates into significantly lower operating costs and, consequently, more attractive prices for consumers. This strategy poses a serious threat to local businesses, especially small and medium-sized enterprises (SMEs), which lack comparable resources. Therefore, both initiatives taken by entrepreneurs and regulatory action at state and European level to counter unfair competition and protect local markets are important. The report by Sarek highlighted that without proper regulations, Chinese platforms could further erode the competitiveness of local companies.[1]

Poland is the leader of the e-commerce sector in the region, where the value of the e-commerce market in 2023 amounted to approximately EUR 16 billion, which represents an increase of 20% compared to the previous year. To give an example, the Allegro platform, which is the largest player in Poland, serves more than 20 million users per month and is constantly expanding its operations, including expansion into foreign markets. The dynamic growth of the sector in Poland is driven by the increasing number of internet users, the development of the logistics infrastructure and the changing preferences of consumers, with more people opting for online shopping. Poland also attracts international investors, which further stimulates the growth and competitiveness of the e-commerce sector in the region.

The prospects for further development of the e-commerce sector in Central and Eastern Europe are very promising. However, in order to fully unlock the potential of the Digital Single Market, it is necessary to eliminate trade barriers and, above all, further harmonise regulations and ensure their effective enforcement. Support for technological innovations such as artificial intelligence, data analytics and process automation can significantly accelerate the growth of companies and increase their competitiveness in the global market. It is also crucial to invest in the development of digital skills among employees and the modernisation of logistics infrastructure, which will allow companies from the CEE region to further develop and strengthen their position on the international stage.

1 *https://eizba.pl/wp-content/uploads/2024/05/Foray-China-Report-on-China-Party-State-Support-for-Ecommerce-Export-Development-DOCX_REVISED.pdf.*

I. THE EU DIGITAL SINGLE MARKET - ORIGINS

1. Development of the Digital Single Market

The Digital Single Market (DSM) is one of the European Union's most ambitious and strategic projects aimed at fully integrating digital markets in Europe. It has become a key economic project of the EU aimed at creating an open and competitive digital market within its borders, based on consistent principles. From the very beginning, the process has focused primarily on eliminating obstacles for companies operating in the digital space on a cross-border level, such as in the area of e-commerce, and on facilitating to access to digital content and services for consumers across the EU.

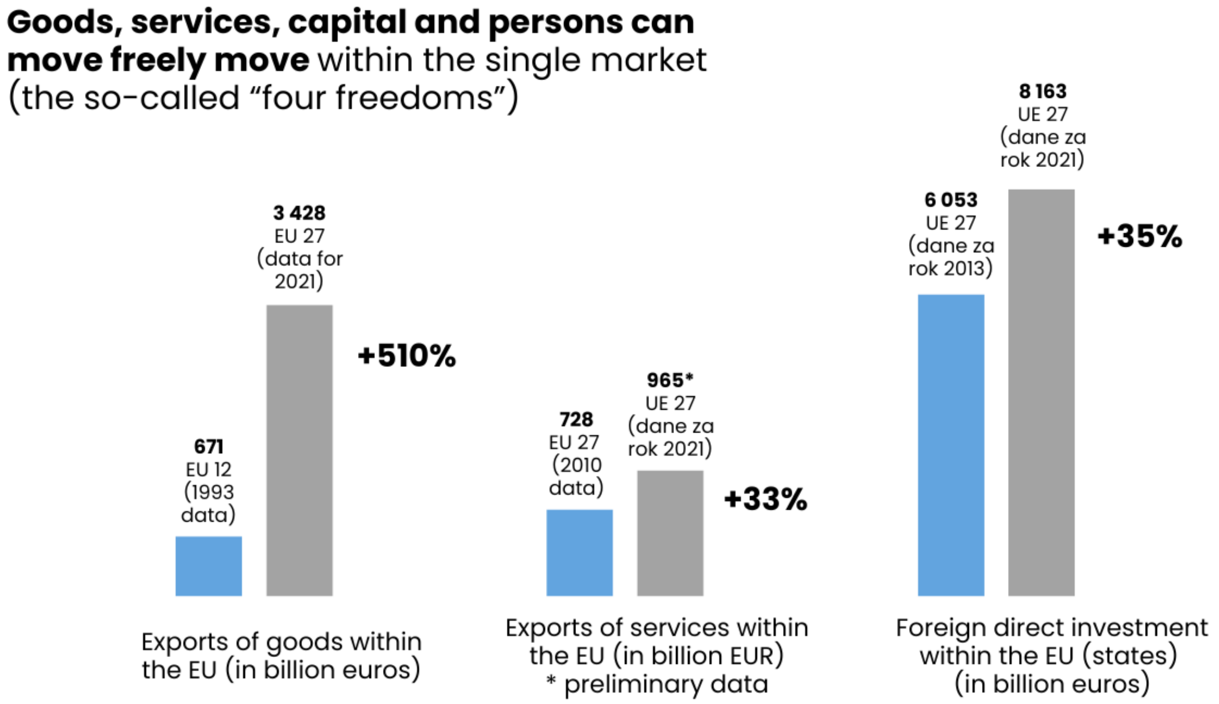
Its origins are deeply rooted in the European integration processes, which began in the 1950s with the creation of the European Communities. From the outset, the EU's aim was to create a unified economic space in which goods, services, capital and people could move freely.

Since the creation of the European Economic Community and the signing of one of the two Treaties of Rome in 1957, one of the main objectives — as set out in Article 2 of the Treaty — has been to create a common market, harmonise the economic policies of the Member States and promote sustainable development and improved living standards.[2] Article 3 of the treaty further detailed the areas that needed to be addressed to achieve this goal, including the elimination of customs duties between Community members, the introduction of a common customs policy towards third countries, the elimination of barriers to the free movement of persons, services and capital, and the development of common policies in areas such as agriculture and transport.

A significant moment in the development of the Single Market was the adoption of the Single European Act (SEA) in 1987. This treaty not only extended the scope of cooperation, but also imposed on Member States the obligation to implement the measures necessary to create a common internal market. The SEA established that this market should be an area without internal barriers to the free movement of goods, persons, services and capital, with a set deadline of 31 December 1992. The deadline was met and we recently celebrated the 30th anniversary of the single market.

2 *https://www.coleurope.eu/sites/default/files/research-paper/beep41_0.pdf.*

INFOGRAPHIC 1. 30 YEARS OF THE SINGLE EUROPEAN MARKET - ACHIEVEMENTS



Source: Rada Unii Europejskiej, https://www.consilium.europa.eu/pl/infographics/30-years-of-the-eu-single-market

These treaties only provide the formal framework for the establishment of the European single market. Their implementation and supervision were the result of intensive work by the Commission and experts to align the economic policies of the Member States and open up the internal market to the free movement of people, goods, services and capital. The main objective was to revive and accelerate the development of the European economy, which had experienced difficulties in the last decades of the 20th century. After the experience of two world wars, the Community countries concluded that the future lay primarily in economic cooperation.

With the development of digital technologies, it has become necessary to adapt the European market to new economic realities. For this reason, in May 2015, the European Commission, under the leadership of Jean-Claude Juncker, presented the Digital Single Market strategy, aimed at eliminating barriers to digital trade, harmonising regulation and strengthening the competitiveness of European businesses in the global market[3]. The European Commission's guidelines included a forecast suggesting that the creation of an integrated digital single market could generate annual economic growth of up to EUR 415 billion and create around 1.5 million new jobs[4].

The Digital Single Market strategy is based on three main pillars that reflect the EU's comprehensive approach to the development of the digital market:

- **Improved access for consumers and businesses to goods and services in the digital space:** eliminating cross-border barriers that limit the development of e-commerce and make it difficult for consumers to access products and services from other Member States. Key initiatives include regulations related to contracts, consumer protection in online shopping, as well as simplifying parcel delivery.

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3 *https://eur-lex.europa.eu/legal-content/PL/TXT/?uri=CELEX%3A52015DC0192.*
4 *https://op.europa.eu/pl/web/general-report.*

- **Creating the right conditions for the development of digital networks and services:** developing the digital infrastructure essential for the modern economy. The EU is investing in technologies such as 5G, broadband networks and the development of digital platforms. A key element also involves the revision of telecommunications and audiovisual media regulations to bring them into line with the requirements of the 21st century.
- **Maximising the growth potential of the digital economy:** investing in innovative technologies such as artificial intelligence (AI), big data and the Internet of Things (IoT). The aim is to create conditions that foster the development of new digital products and services and to support small and medium-sized enterprises (SMEs), which play a key role in the European economy[5].

The DSM Strategy was implemented progressively, starting with extensive public and business consultation aimed at identifying priorities and challenges. As a result, the European Commission introduced regulations on copyright protection, the free flow of data, the protection of privacy and the security of digital networks and services. Following the required consultations, these regulations were adopted and implemented in individual EU Member States. Currently, the European Commission is monitoring and evaluating the progress of the Digital Single Market to ensure its smooth functioning and adapt it to changing needs.

The implementation of the DSM strategy required the introduction of a series of regulations aimed at harmonising legislation across the EU. The most important of these are:

- **Electronic Commerce Directive (2000/31/EC):** It established the basic rules for the operation of digital services in the EU, including regulations on online sales, online advertising and online contracts. This was one of the first attempts to harmonise digital market regulations at EU level.
- **2002 Telecoms Package:** It harmonised regulations on electronic communications in the EU, which facilitated the development of telecommunications services and internet access across the continent. This was a key step towards building a single telecommunications market.
- **Regulation on Roaming (EC) No. 717/2007:** Also known as 'roaming regulation', it introduced restrictions on roaming charges within the EU. This allowed businesses and consumers to use telecommunications services while travelling in the EU at a lower cost, significantly facilitating business operations in foreign markets.
- **Digital Market VAT Reform (2015):** It introduced new rules for taxing digital services, under which VAT must be paid in the country of the customer rather than the seller. This change was intended to level the playing field for companies from different Member States.
- **General Data Protection Regulation (GDPR, 2016/679):** It came into force in May 2018 and was aimed at harmonising data protection regulations across the EU. The GDPR strengthened citizens' rights to control their personal data and imposed strict rules on companies regarding data collection, processing and storage.
- **Regulation on the Free Flow of Non-Personal Data (2018):** It has made it easier for companies to process data across the EU, reducing operational costs and enabling better use of data in the European economy.
- **Directive (EU) 2019/790 on Copyright in the Digital Single Market:** It introduced new rules for sharing content online, including a requirement for online platforms to obtain licences for copyrighted material. The directive also aimed to ensure that creators and publishers are compensated for the use of their content by online services and to strengthen copyright protection in the context of new technologies.
- **Platform-to-Business (P2B) Regulation (EU) 2019/1150:** It aimed to promote fairness and transparency in relations between online platforms and businesses that use them. The regulation also set rules for mediation in disputes and imposed transparency obligations on platforms regarding their terms of service.
- **European Parliament and Council Regulation (EU) 2018/644 of 18 April 2018 on Cross-Border Parcel Delivery Services**: This regulation increased price transparency for parcel delivery services within the EU in order to make it easier

5 *https://zpp.net.pl/wp-content/uploads/2023/12/Raport-JCR-PL.pdf*

for consumers to compare offers and lower shipping costs in cross-border trade.

- **European Parliament and Council Regulation (EU) 2018/1807 of 14 November 2018 on the Free Flow of Non-Personal Data within the EU:** It made it easier for companies in the EU to process non-personal data in different countries, potentially leading to cost savings of 20-50%. The regulation supports the development of a data-driven economy by eliminating barriers to the flow of information across the EU.
- **European Parliament and Council Directive (EU) 2018/1972 of 11 December 2018 establishing the European Electronic Communications Code:** It introduced uniform rules across the EU for electronic communications, facilitating easier switching between telecom service providers. The directive also introduced a higher level of consumer protection and encompassed online services such as instant messaging and email.
- **European Parliament and Council Regulation (EU) 2019/1150 of 20 June 2019 on Promoting Fairness and Transparency for Business Users of Online Intermediation Services:** The regulation requires platforms to provide easy access to their terms and conditions at every stage of their interaction with businesses, with the aim of ensuring a fair playing field for small and medium-sized businesses using online platforms.
- **Digital Markets Act (European Parliament and Council Regulation (EU) 2022/1925):** The new regulations aim to create a fairer and more competitive conditions in the digital market, in particular by regulating the activities of the largest platforms, referred to as 'gatekeepers'. The aim is to enable smaller companies and start-ups to be more innovative and competitive.
- **Digital Services Act (DSA) (European Parliament and Council Regulation (EU) 2022/2065):** It aims to protect consumer rights, promote innovation and economic growth in Europe. The regulation introduces obligations for digital platforms to remove illegal content and ensure greater transparency in algorithms, improving online safety for internet users.
- **Europe's Digital Decade Programme (2020):** This is the latest EU initiative to accelerate Europe's digital transformation by 2030. This programme focuses on the development of digital skills, building sustainable digital infrastructure, supporting the digital transformation of businesses and digitalising public services. They aim to strengthen the EU's position as a global leader in digital technologies.

The regulations introduced have had a significant impact on the operation of companies in the EU. According to a 2019 study commissioned by the Internal Market and Consumer Protection Committee (IMCO), "The European Digital Single Market. Economic Benefits for Citizens and Businesses", the introduction of the EU Council's Regulation and the 2018 VAT Directive for e-commerce could save businesses up to 2.3 EUR billion per year from 2021 onwards, while also increasing VAT revenue for Member States by EUR 7 billion[6]. In addition, it was expected that SME businesses could achieve substantial savings by reducing their annual VAT compliance costs by 14-18%, which could amount to EUR 68 billion across the sector. Since the publication of this study, additional regulations have been introduced, such as *one-stop-shop* schemes and the *VAT in the digital age*, further simplifying procedures.

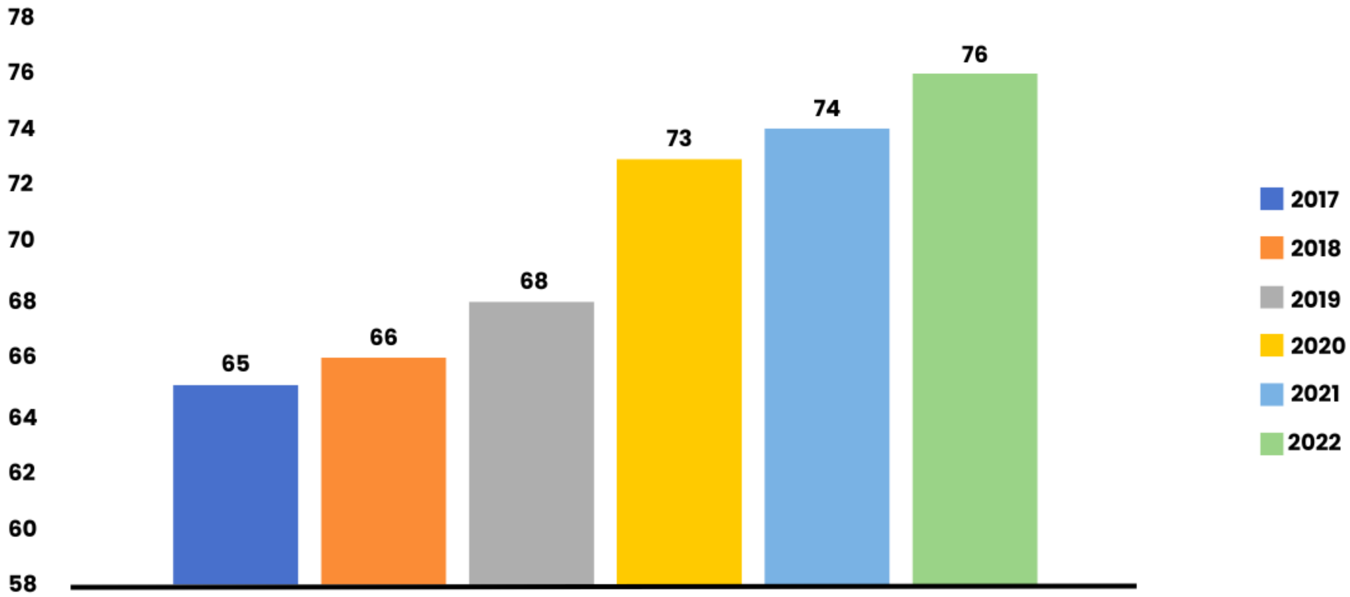
2. The Digital Single Market and the e-Commerce Sector

EU regulations related to the Digital Single Market are crucial for the development of cross-border digital services and online commerce within the European Union. The harmonisation of rules within the DSM has made it easier for companies to operate in international markets, which is particularly beneficial for small and medium-sized enterprises. Thanks to these regulations, companies can expand into other EU countries without incurring the high costs of adapting to local legal and logistical requirements.

Cross-border e-commerce in the European Union is experiencing dynamic growth, with an average annual increase of 18% within the Digital Single Market. In 2021, the value of cross-border sales reached EUR 237 billion, of which EUR 141 billion (59%) was generated by marketplace platforms such as Amazon, AliExpress and OLX. This growth highlights the increasing popularity of online shopping beyond customers' home countries.

6 *https://www.europarl.europa.eu/RegData/etudes/STUD/2019/631044/IPO.*

INFOGRAPHIC 2. E-BUYERS IN EU27. PERCENTAGE OF INTERNET USERS WHO HAVE BOUGHT GOODS OR SERVICES ONLINE



Source: EC Report

Despite these positive trends, entrepreneurs remain cautious about operating in foreign markets. For example, according to Eurostat data, in 2021 only 5% of Polish companies engaged in online sales outside the country, which is significantly lower compared to countries such as Austria, Belgium, the Netherlands or Slovenia, where the percentage was between 12% and 15%.[7] The main barriers mentioned by entrepreneurs are lack of knowledge of foreign markets, as well as logistical challenges. A survey conducted by Strix shows that as many as 38% of e-commerce managers consider a lack of business knowledge about foreign markets to be a significant obstacle to expanding operations outside of Poland.

The benefits of the Digital Single Market are also enjoyed by consumers. The elimination of roaming charges and easier access to online content are some of the key improvements resulting from EU regulations. Since the reduction of roaming costs in 2016, Polish consumers have saved billions of euros. If roaming charges remained at 2016 levels, Polish users would have to pay an additional EUR 3 billion in 2021. In addition, consumers have gained greater freedom to use digital services across the EU, significantly improving the convenience of using mobile and online services while travelling abroad.

Despite the challenges, the prospects for e-commerce development in Poland and across the EU are promising. Examples of Polish companies such as Allegro, Answear, CD Projekt, 4F, Inglot, InPost and LPP show that effective use of the opportunities offered by the DSM can lead to dynamic growth in foreign markets. These companies have successfully expanded their operations into other EU countries, taking advantage of harmonised regulations and the growing demand for online shopping. For example, Allegro, Poland's largest e-commerce platform, serves more than 20 million customers per month and is successfully strengthening its position as the leading e-commerce platform with European roots. Similarly, Answear, which specialises in clothing and footwear, delivers its products to more than 10 European countries. CD Projekt, known for computer games such as “The Witcher” and “Cyberpunk 2077”, benefits from harmonised copyright and data protection regulations, enabling its effective operation in the European market.

7 *https://csm.org.pl/wp-content/uploads/2023/05/Jednolity-rynek-cyfrowy_raport.pdf.*

The EU Digital Single Market offers vast growth opportunities for e-commerce companies, but taking full advantage of them requires entrepreneurs to adapt to the new regulations and invest more in logistics and know-how. In particular, Polish companies that are not yet fully exploiting the potential of the DSM, should focus on overcoming barriers related to the lack of knowledge of foreign markets and develop logistics competence in order to compete effectively in international markets. For consumers, on the other hand, the Digital Single Market has already brought significant benefits in the form of reduced costs and better access to digital services, resulting in greater satisfaction and convenience. Therefore, the further development of e-commerce in Europe will depend on the ability of entrepreneurs to make effective use of the DSM regulations, as well as continued EU efforts to eliminate barriers to cross-border trade.

In the context of the rapidly developing e-commerce market, the Digital Single Market is a fundamental element of the European Union's economic development strategy. Both businesses and consumers benefit from harmonised regulations and a more open digital market. As additional uniform and competition-based regulations are introduced, the value of cross-border e-commerce is expected to continue to increase, bringing benefits to both small and medium-sized enterprises and large corporations operating in European markets.

II. DIGITAL ECONOMY IN THE CEE REGION

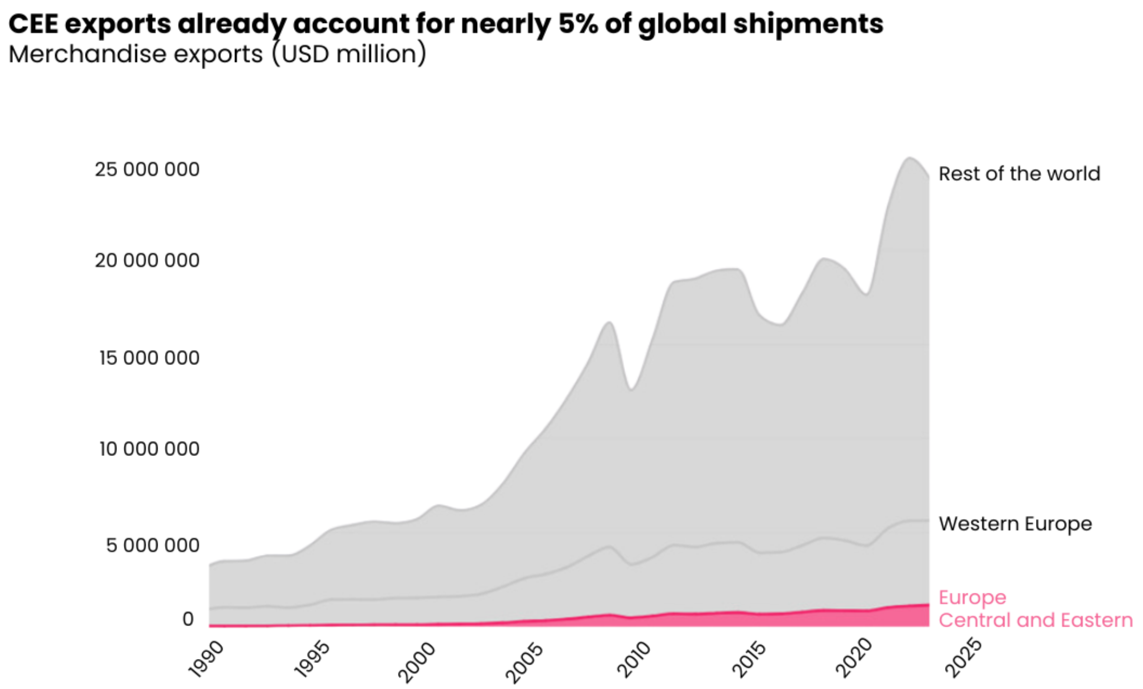
1. Introduction to the Evolution of Central and Eastern European Economies in the Context of Recent Technological Development

in the Context of Recent Technological Development Over the past three decades, following political and economic transformation, the countries of Central and Eastern Europe have experienced significant economic growth, driven by access to the European Union Single Market, traditional industrial sectors, dynamic exports, foreign investment and support from EU funds. The eleven EU Member States from Central, Eastern and South-Eastern Europe have seen three decades of growth, integration with Western Europe and a transition to a market economy. In 2019, the EU Member States in the Central and Eastern Europe had reached 70% of the per capita GDP of the old Union. This represented an increase of 15 percentage points from 2007[8] and was a clear signal that the region was developing rapidly.

Several key factors have contributed to the CEE region's economic success: a strategic geographic location that makes the area an important link between Europe and Asia; relatively low labour costs paired with attractive returns on investment; a highly skilled workforce and strong traditions in selected manufacturing sectors. Data from recent years show that the region has gradually increased its share in global goods trade from less than 1.5% in 1993 to more than 4.8% in 2023. The impressive growth rate despite persistent structural gaps is evidenced by the fact that the exports of all the countries of CEE accounted for less than 6% of Western Europe's goods exports in 1993, whereas by 2023, this share had risen to over 25%.[9]

8 *https://library.fes.de/pdf-files/bueros/warschau/18048.pdf.*
9 *https://pie.net.pl/35-lat-europy-srodkowo-wschodniej.*

INFOGRAPHIC 3. THE EXPORTS OF CENTRAL AND EASTERN EUROPEAN (CEE)



Source: UNCTAD

2. Scaling up Innovation in Central and Eastern Europe

Since 2007, the process of increasing cohesion between the CEE countries and the Western EU has slowed down, especially for the more developed countries of the region. The depletion of cheap labour, rising labour costs and lower productivity levels compared to Western European countries are becoming apparent. In addition, there is a noticeable decline in the inflow of EU funds after 2020, which may undermine the prospects for further growth. There are many indications that the current growth model may be reaching its limits, signalling that it is high time to consider a new approach to the economic integration of the region. In order to remain competitive in the global market, it is necessary to continue to invest in technological development and innovation.

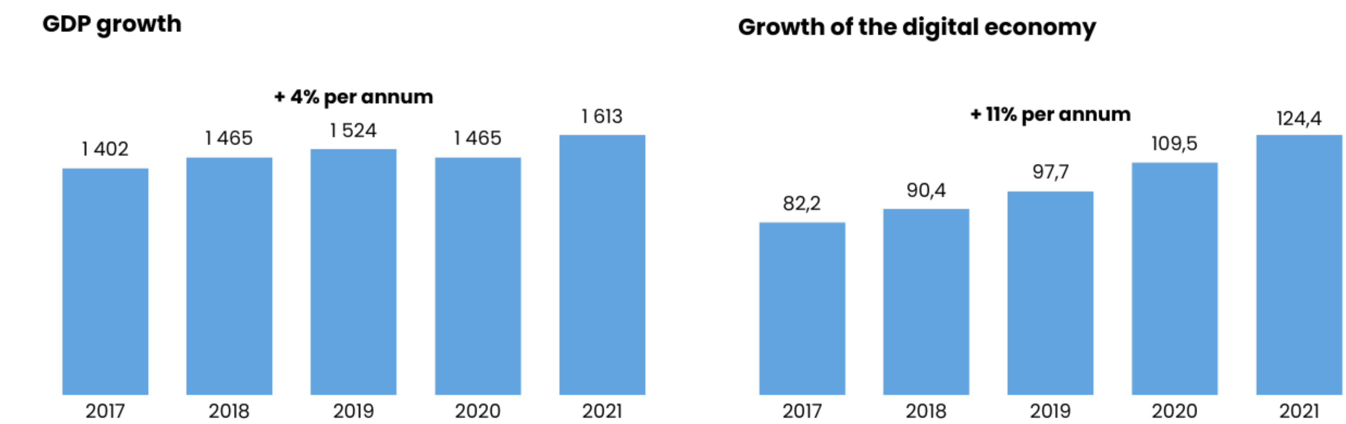
In the face of these challenges, digitalisation is becoming a key factor that can stimulate future economic development in CEE. As McKinsey's report "The Rise of Digital Challengers" shows, accelerating digitalisation could add EUR 200 billion to the region's GDP by 2025[10]. In an optimistic scenario, the digital economy could account for up to 16% of the region's GDP, an increase of 30% over current levels. Currently, the digital economy accounts for around 6.5% of the region's GDP, which is comparable to the largest EU economies, but still well below the level achieved by digital leaders such as Sweden (9% of GDP)[11].

In addition, the report shows that the growing digital economy has made a key contribution to the economic development of the 10 CEE countries over the past five years. In addition to Poland, these include: Bulgaria, the Czech Republic, Croatia, Lithuania, Latvia, Romania, Slovakia, Slovenia and Hungary.

[10] *https://www.mckinsey.com/pl/~/media/McKinsey/Locations/Europe%20and%20Middle%20East/Polska/Raporty/Polska%20jako%20cyfrowy%20challenger/The%20Rise%20of%20Digital%20Challengers%20-%20CEE%20report%20in%20English.pdf.*

[11] *Ibidem.*

INFOGRAPHIC 4. DIGITAL CHALLENGER ECONOMIES, 2017-2021



Source: McKinsey analysis, Global payments map (by McKinsey), Euromonitor, IDC, World Bank

According to reports, Central and Eastern Europe is experiencing dynamic growth in the new technology sector, which is becoming a key driver of economic growth in the region. The region, which includes 11 countries such as Poland, the Czech Republic, Hungary and Romania, stands out in particular for its robust information and communication technology (ICT) sector. While still lagging behind the more developed economies of Western Europe, in several digital areas the countries of the region perform significantly better than those of Western Europe: proportionally, the digital sector of the CEE region has more companies and employs more people[12].

Spendings on research and technological development in the region also show an upward trend. This is evidenced by the data. In 2021, the digital economy in Central and Eastern Europe exceeded baseline projections by EUR 17 billion[13]. This growth is fuelled by growing investment in IT services, the development of digital infrastructure and increased spending on research and development (R&D). An analysis conducted in 11 CEE countries by the consulting firm PwC in collaboration with experts from the CEE Digital Coalition shows that the average number of ICT companies per 1,000 inhabitants is 4.35 in the countries of the region, compared to just 2.13 in Western European countries. In addition, exports of commercial ICT services in the region increased more than sixfold between 2005 and 2021[14]. These figures demonstrate significant potential for innovation, creativity and readiness to implement unique solutions on a broad scale in our digital economy.

Digitisation, however, is progressing unevenly across sectors. The financial and ICT sectors are the most advanced in terms of digitalisation, while other sectors such as agriculture, industry or public administration are lagging behind. To bridge the gap, increased investment in digital technologies and the development of digital infrastructure will be of key importance.

It is worth noting that in some areas the CEE region is ahead of more developed EU economies, for example in terms of the share of employment in the ICT sector or the number of ICT enterprises per 1,000 inhabitants. However, ICT companies in Western Europe are characterised by higher productivity (EUR 135,512 of added value per employee compared to EUR 45,351 in CEE). CEE countries are underperforming in terms of digitalisation of businesses and citizens, as well as indicators such as e-commerce sales, cloud services, use of big data and e-government services, indicating the need for further convergence.

12 *https://cyfrowapolska.org/pl/raport-pwc-i-cee-digital-coalition-kraje-europy-srodkowo-wschodniej-maja-potencjal-do-tego-by-zbudowac-europejska-doline-krzemowa.*

13 *https://www.mckinsey.com/pl/~/media/mckinsey/locations/europe%20and%20middle%20east/polska/raporty/digital%20challengers%203/polska%20jako%20cyfrowy%20challenger_digital%20challengers.pdf.*

14 *https://cyfrowapolska.org/wp-content/uploads/2024/04/CEE_Digital_Coalition_Report_2024.pdf.*

TABLE 1. ICT SECTOR DEVELOPMENT

ICT sector development		
	Central and Eastern Europe	**Western Europe**
Share of employment in CIT sector (2021)	**4,8%**	**4,2%**
Number of enterprises in ICT sector per 1000 inhabitants (2021)	**3,9**	**2,1**
Average value added person employed, EUR (2021)	**45 351**	**135 512**
Share of ICT value added in total value added (2021)	**5,7%**	**6,3%**

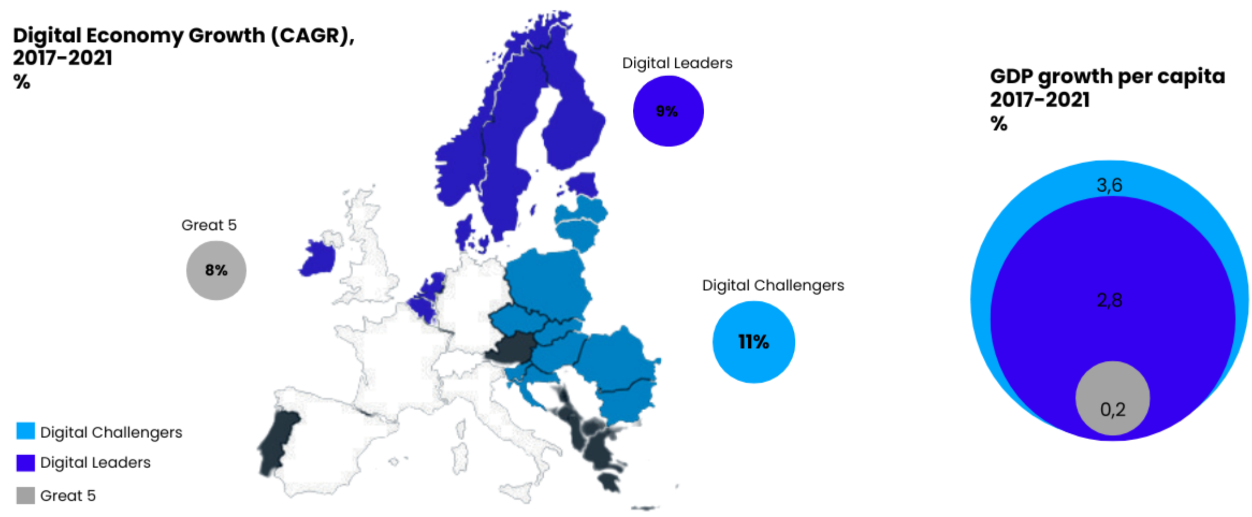
Source: CEE Digital Coalition Report

Despite an overall increase in internet accessibility, some CEE countries, such as Romania and Bulgaria, are still lagging behind in the digitalisation of public administration and online services. It is necessary to continue investments in infrastructure and promote educational programmes that will improve citizens' digital skills. The digitalisation of businesses also shows significant differences in the degree of adoption of new technologies. For example, the Czech Republic, Slovenia and Estonia are leading the way in the adoption of technologies such as cloud computing, while other countries such as Romania and Bulgaria have lower digitalisation rates among small and medium-sized enterprises (SMEs). This diversification creates both challenges and opportunities for CEE countries, which can benefit from the experience of the region's digitalisation leaders.

By 2025, the digital economy in CEE is poised to become one of the key drivers of economic growth, bringing benefits in the form of increased productivity, greater global competitiveness and higher living standards for the region's citizens. To achieve this, coordinated action by all stakeholders—from policymakers to business leaders and citizens—will be necessary. In the long term, the development of new digital economy sectors such as the Internet of Things (IoT), artificial intelligence (AI) and big data analytics could further accelerate the digitalisation of the region and strengthen its position in the global market. The digital economy in CEE countries covers a wide range of sectors, from traditional areas such as banking and retail, which have been transformed by online transactions, to new areas such as e-commerce platforms, digital content production and cloud services. Digitalisation and the adaptation of new technologies are becoming increasingly crucial for the region's economic development, contributing to productivity, innovation and global competitiveness. Digitalisation indicators in the region reveal mixed results—in some CEE countries, such as Estonia, Lithuania and Slovenia, the level of digitalisation of businesses and societies is comparable or higher than in many Western European countries, while other countries, such as Romania and Bulgaria, have much lower rates.[15] This poses a challenge but also offers an opportunity for investment in digital infrastructure and educational programmes that will accelerate the digitalisation process.

[15] *https://www.mckinsey.com/pl/~/media/McKinsey/Locations/Europe%20and%20Middle%20East/Polska/Raporty/Polska%20jako%20cyfrowy%20challenger/Raport-McKinsey_Polska-jako-Cyfrowy-Challenger.pdf.*

INFOGRAPHIC 5. THE RATE OF GROWTH OF THE DIGITAL ECONOMY IN THE REGION HAS SIGNIFICANTLY INCREASED NOT ONLY GDP GROWTH AMONG THE DIGITAL CHALLENGERS, BUT ALSO THE RATE OF GROWTH OF THE DIGITAL ECONOMY AMONG NORTHERN AND WESTERN EUROPEAN COUNTRIES



Source: McKinsey & Company

III. E-COMMERCE SECTOR IN THE CEE REGION – CHARACTERISTICS AND BARRIERS TO ITS DEVELOPMENT

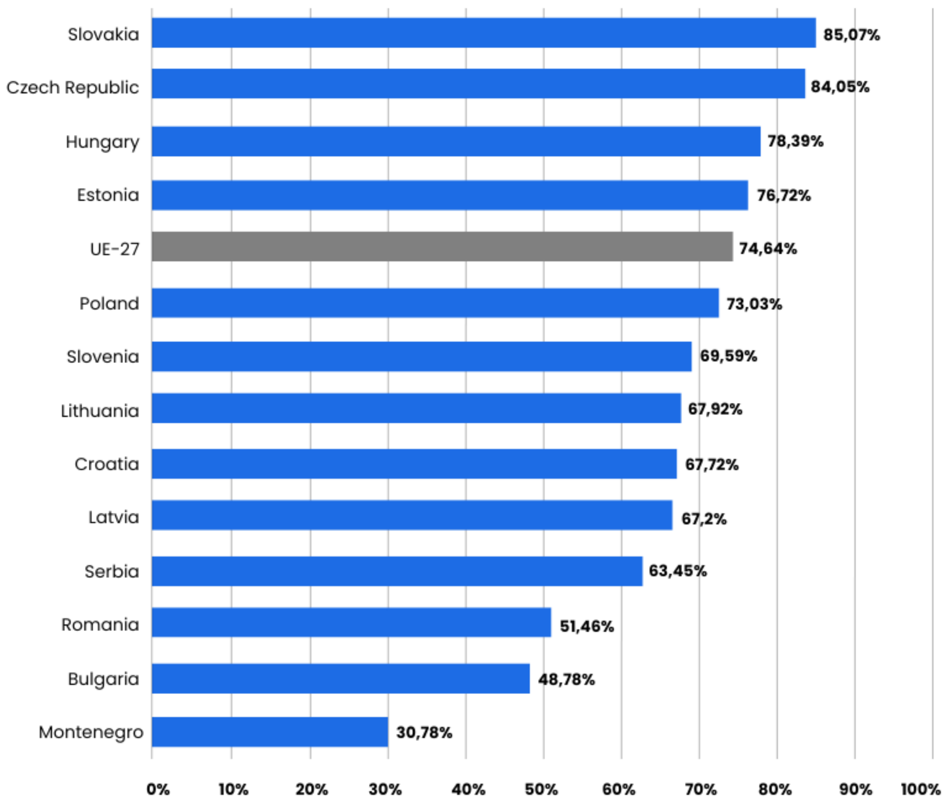
1. E-commerce Sector in the CEE Region - Characteristics

With access to the Digital Single Market and the increasing digitalisation of the economy, the CEE region is emerging as one of the most dynamic centres of e-commerce development in Europe. According to the Ecommerce Europe report, the online market in the CEE region will grow by 29% in 2023, reaching a total value of EUR 104 billion[16]. In addition, CBRE's optimistic forecasts show that by 2026 the share of the e-commerce market in Central and Eastern Europe could reach almost one-fifth, and in Poland and the Czech Republic even more, 23% and 24% respectively[17]. Countries such as Poland, Slovenia, the Czech Republic, Hungary and Romania are experiencing rapid growth in the area of e-commerce, driven by increased access to the internet, growing consumer interest in online shopping and intensifying efforts to digitalise the economy.

16 *https://autopay.pl/baza-wiedzy/blog/ecommerce/5-najwazniejszych-wnioskow-z-european-ecommerce-report-2023.*

17 *https://biuroprasowe.cbre.pl/206178-kanal-online-obejmuje-juz-15-proc-wszystkich-zakupow-w-naszej-czesci-europy-za-4-lata-bedzie-to-jedna-piata.*

INFOGRAPHIC 6. PERCENTAGE OF INTERNET USERS WHO ORDERED OR PURCHASED GOODS OR SERVICES ONLINE IN THE LAST 12 MONTHS IN THE CEE REGION IN 2023, BY COUNTRY



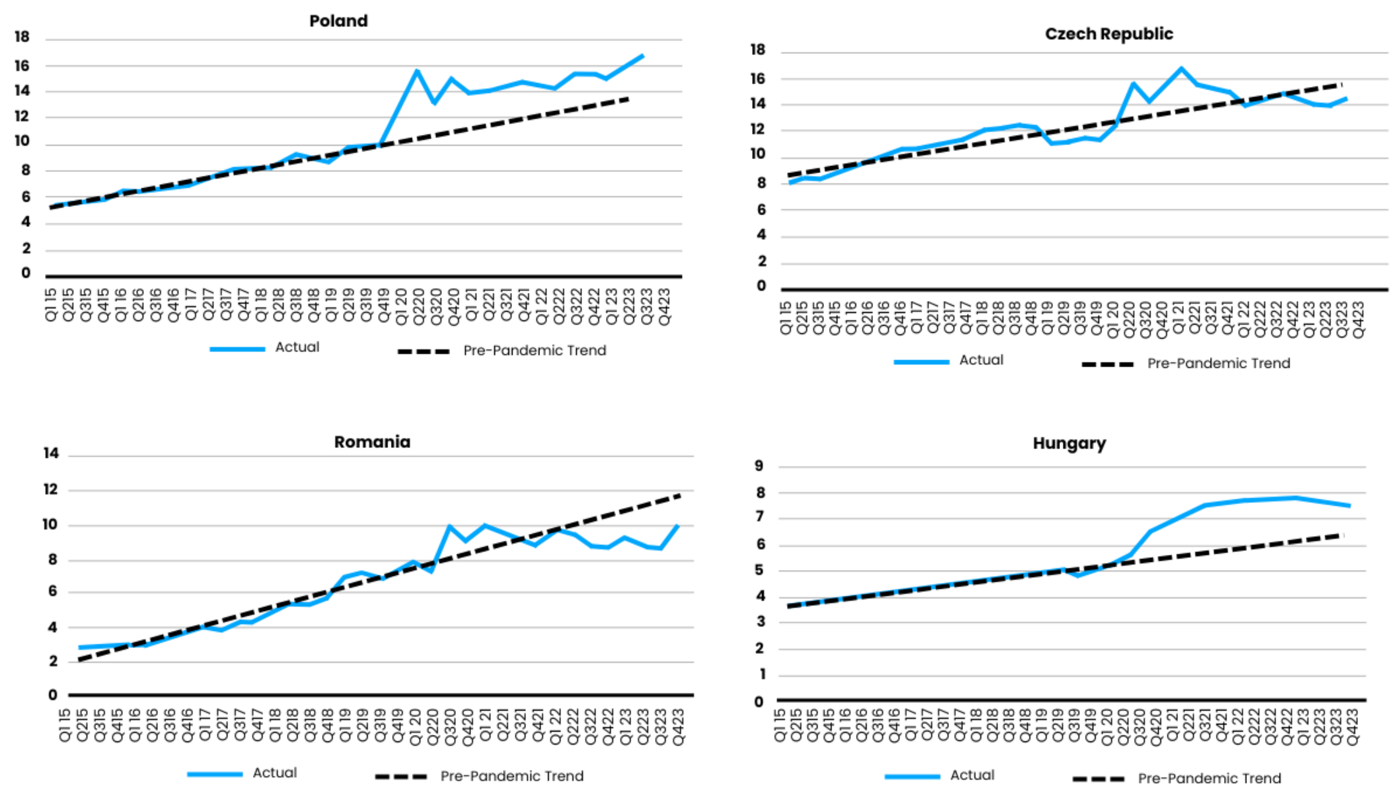
Source: Statista

Although the countries of Central and Eastern Europe are economically still lag behind Western Europe – with total online shopping expenditures in Central and Eastern and Southeastern Europe accounting for just under 10% of total sales on the continent – it should be noted that the growth rate of e-commerce in countries such as Poland, Romania, the Czech Republic, Hungary and Estonia is significantly higher than in other parts of the continent. Online commerce is gaining popularity, supported by rapid technological developments. In these countries, the level of competition is lower, which translates to fewer market entry barriers. Consumers are more open to international purchases due to the limited availability and variety of products locally. The region is also characterised by significant cultural diversity and varying consumer preferences, which creates many opportunities for exploration and development in different market segments.

A major driver of e-commerce growth was the outbreak of the COVID-19 pandemic in 2020, which led to a sharp rise in e-sales and permanently changed consumer shopping behaviours. The pandemic-induced surge in e-commerce growth reached 55% in Poland, 48% in the Czech Republic, and 25% in Romania. However, only Poland has maintained this growth trend even after the lockdown was lifted. As a result, Poland is currently 3 years ahead of the pre-pandemic forecast development trend for online shopping, while the Czech Republic is behind by 1.3 years and Romania by 1.4 years[18].

[18] *https://biuroprasowe.cbre.pl/274555-polska-wyprzedza-europe-pod-wzgledem-tempa-rozwoju-e-commerce.*

INFOGRAPHIC 7. E-COMMERCE PENETRATION RATE, 2015-2019 TREND AND ACTUAL (%)

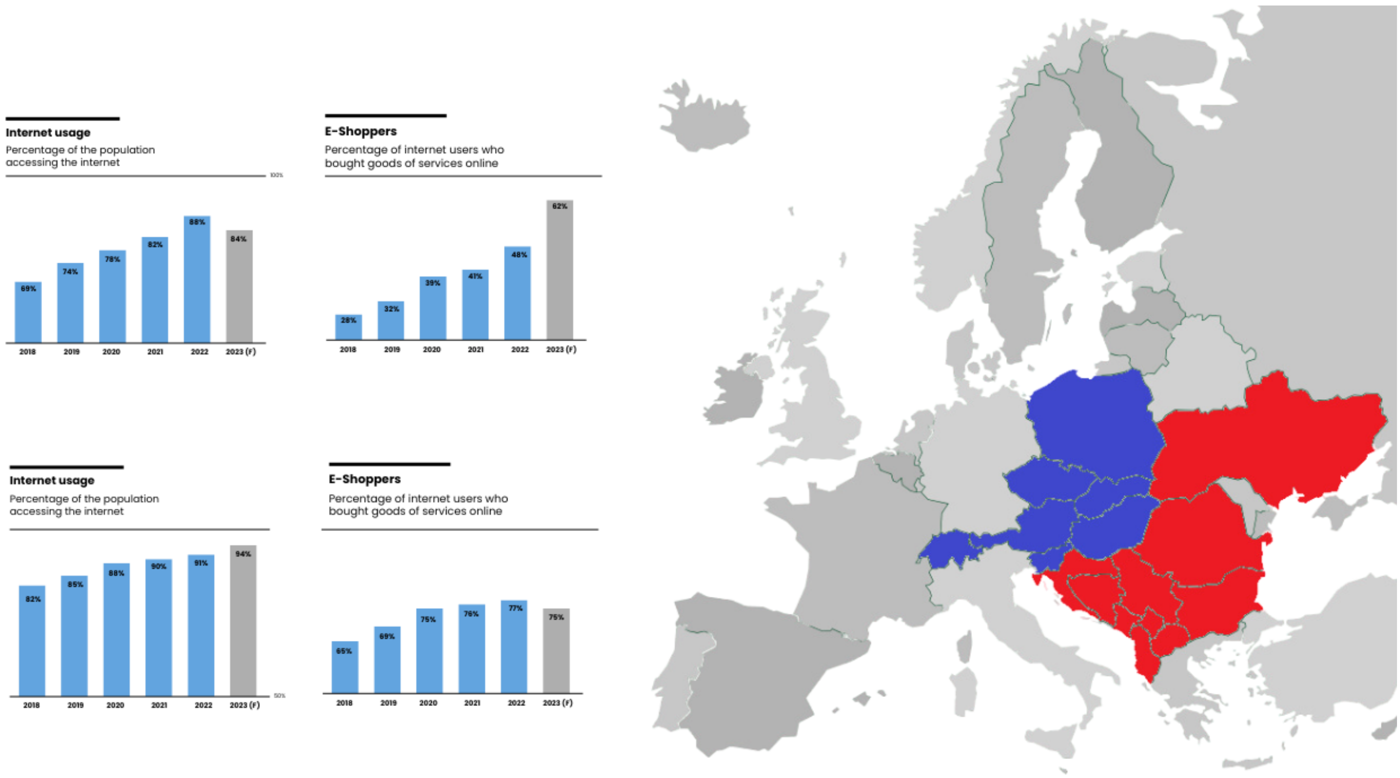


Source: CBRE

Another important, previously mentioned, factor influencing the development of e-commerce in the CEE region is the growing number of internet users. In Poland, over 30 million people were internet users in 2023, accounting for almost 80% of the population.[19] . Similar trends are evident in other countries in the region, such as Romania and the Czech Republic, where the numbers exceed 70%. The rise in mobile users is particularly significant, as more and more consumers are using mobile devices to shop online. In 2023, the share of mobile commerce in the total value of e-commerce transactions in the CEE region was around 50%, indicating the growing importance of this sales channel.

[19] *https://raportstrategiczny.iab.org.pl/uzytkownicy-internetu-w-polsce.*

INFOGRAPHIC 8. NUMBER OF INTERNET USERS AND ONLINE SHOPPERS IN CENTRAL AND EASTERN EUROPE



Source: E-commerce Europe Report

The most popular product categories sold online in the CEE region in 2023 were clothing and accessories, driven by a growing interest in fashion and easy access to global and local brands. Other popular categories included food and beverages, cosmetics, home furnishings and furniture. The COVID-19 pandemic has further reinforced these trends, forcing consumers to shop online more often, which directly impacted the growth in these categories.

The FMCG segment is also rapidly growing. The rise in popularity of online grocery shopping in the CEE region was particularly evident during the pandemic, but the trend continues as consumers have come to appreciate the convenience and wide selection of products available in online shops. In Poland, online FMCG sales grew by 15% in 2023, reaching EUR 1.5 billion.

The dominant e-commerce platforms in the region include eMAG, Allegro, Amazon and local marketplaces such as Skroutz and Ananas. On the other hand, the 2023 study shows that 46% of respondents do not sell their products on any marketplace, suggesting significant growth potential in terms of using these platforms to increase sales in both local and international markets. Marketplaces are playing an increasingly important role in e-commerce in the CEE region. In Poland, Allegro, the largest e-commerce platform, has more than 20 million monthly active users, making it one of the most important players in the region. operating in Romania and Hungary, eMAG is a leading player in these markets, with annual revenues exceeding EUR 1 billion.

2. Barriers to the e-Commerce Sector in the Digital Single Market

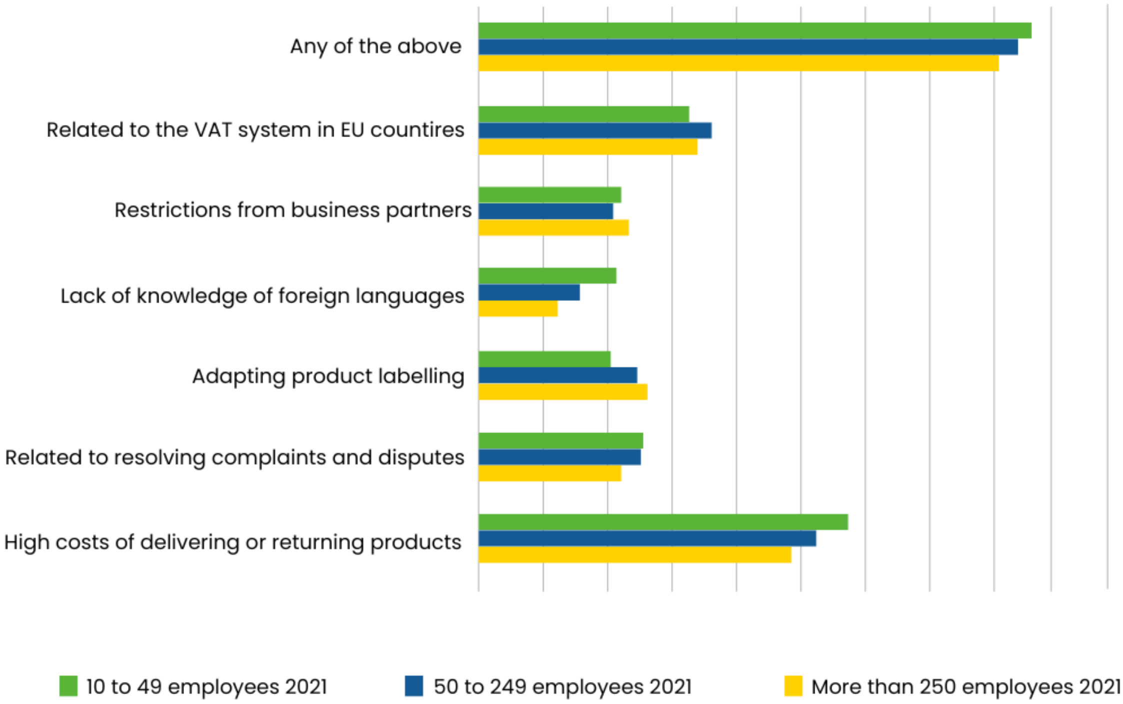
The development of e-commerce in the CEE region faces numerous challenges, especially in the context of cross-border expansion. High delivery costs, complex operational procedures and a lack of experience in international sales are the main obstacles for companies planning to expand beyond national borders. In a 2023 survey, more than a third of online retailers in the CEE region reported expecting a revenue increase by up to 20% compared to the previous year. Despite this, many companies are still struggling due to limited budget and a lack of expertise in online sales. Cross-border expansion in the CEE region is further complicated by diverse regulations between countries. The lack of uniform standards and complex customs procedures can be a barrier for companies planning to expand into international markets.

Over the past decade, a number of legislative measures have been taken to facilitate the free movement of goods and services by reducing barriers to cross-border e-commerce in the EU. Between 2014 and 2019, the EU institutions introduced nearly 40 separate legislative initiatives as part of the Digital Single Market strategy, aimed at reducing these barriers. Further measures were introduced in the last term (2019-2024), many of which focused on further reducing barriers in the digital space[20]. In this context, the new term of office of the European Commission should primarily focus on the evaluation of the regulations introduced in recent years and ensuring their effective implementation in the EU market.

While many of these measures, such as the simplification of the VAT system and the enhanced harmonisation of consumer protection regulations, should in theory bring benefits, there are doubts about their effectiveness. It is important to note that the Digital Single Market strategy has attempted to address the concerns raised by both e-entrepreneurs and consumers. In a number of studies, both large and small e-commerce businesses point to a number of ongoing challenges.

[20] *https://www.europarl.europa.eu/infographic/legislative-procedure/index_en.html.*

INFOGRAPHIC 9. OBSTACLES TO CROSS-BORDER ONLINE SALES BY COMPANY SIZE, 2021



Source: Eurostat data (table isoc_ec_wsobs)

3. Cross-border tax barriers

The basic VAT mechanisms are common across Member States and are defined in EU legislation. According to a 2019 study commissioned by the Internal Market and Consumer Protection Committee (IMCO) entitled "The European Digital Single Market. Economic Benefits for Citizens and Businesses", the introduction of the EU Council Regulation and the 2018 VAT Directive for e-commerce could have helped reduce compliance costs for businesses by EUR 2.3 billion annually from 2021. At the same time, these regulations may have increased VAT revenues in Member States by EUR 7 billion per year.[21]

However, in the area of cross-border trade and basic VAT mechanisms, the opportunities of the single market remain untapped. EU law provides Member States with a great deal of flexibility in three key areas: setting VAT rates and defining products and services eligible for reduced rates, the mechanisms for paying VAT to national authorities, and the rules for charging, crediting and refunding VAT in cross-border transactions.

Another major regulatory difference is the way VAT is calculated. In e-commerce, this tax is paid in the country where the commercial contract is concluded, while in the case of cross-border sales within the EU, it is paid in the country where VAT is due. VAT applies to shipments from the seller's country only for small sales, up to a maximum of EUR 100,000, with Member States able to lower this limit to EUR 35,000. Once this limit is exceeded, sales are taxed

21 *https://www.europarl.europa.eu/RegData/etudes/STUD/2019/631044/IPO.*

in the country of destination[22]. For purchases from the U.S. or Chinese online shops, VAT (usually 23%) is added if the value of the product exceeds EUR 45. In addition, for goods with a value of more than EUR 150, customs duties are applied.

The lack of harmonisation leads to tax competition between Member States, which can have both positive and negative effects. In the Eurochambres survey, 60% of retailers identified the diversity of VAT procedures as a problem[23]. The regulatory change in 2015, which introduced VAT collection based on the country of use, has made it necessary for online sellers to comply with different rules in each Member State where they operate.

These regulations are dynamic and require regular updates, which poses a challenge, especially for small and medium-sized enterprises (SMEs). In response to these difficulties, the EU has taken measures such as strengthening the Mini One Stop Shop (mini-OSS) mechanism to make it easier for online sellers to operate across borders. However, the lack of VAT harmonisation still creates the risk of double taxation or taxation gaps, particularly in the CEE region. In Central and Easter Europe, the diversity of regulations and the lack of uniform standards create major barriers for companies planning to expand into foreign markets.

New regulations introducing digital reporting (DRR) and mandatory e-invoicing have helped to reduce the VAT gap in the EU, but have imposed additional costs on sellers, especially those operating across borders. The growth of e-commerce has highlighted differences in VAT implementation between Member States, forcing many sellers to register for VAT in several countries.

The European Commission has proposed the VAT in the Digital Age (ViDA) initiative to simplify and harmonise VAT procedures, but its implementation faces challenges. While these measures have the potential to improve harmonisation, it is still difficult to predict whether they will actually reduce the burden on sellers, especially SMEs.

4. Consumer protection

Europe benefits from a harmonised set of horizontal, sector-independent consumer protection measures. However, as entrepreneurs point out, these measures do not ensure full harmonisation. Member States can (and often do) go beyond the requirements of the currently applicable horizontal instruments. In the case of the Unfair Contract Terms Directive (93/13/EEC), only six of the 27 Member States (22%) refrained from going beyond its minimum standards: Croatia, Cyprus, Denmark, Ireland, Latvia and Lithuania.

'Gold plating' of regulations (i.e. adding requirements beyond the EU legal minimum) by Member States, raises compliance costs for businesses operating in a cross-border market, as they need to be aware of the specific regulations in each Member State they sell to. E-commerce traders appreciate the horizontal approach taken by EU consumer protection law, but it still poses significant challenges. As noted by the European Commission, the Regulation on the law applicable to contractual obligations (Rome I) allows parties to a contract to choose the law that will apply to their contract and specifies which law will apply if no choice is made. A trader who 'targets' consumers in another country can either apply the consumer's national law or choose another law (in practice almost always the trader's national law).

In the latter case, the trader must also comply with the mandatory consumer contract laws in the consumer's country, insofar as these laws provide a higher level of protection. When a trader does not target consumers in a particular Member State, but agrees to conclude a contract at the consumer's initiative, the consumer does not benefit from the more protective provisions of his or her national law. It should be noted that this means that active sales are treated differently from passive sales.

22 *https://eizba.pl/wp-content/uploads/2024/02/Raport-e-Izby-Cross-border_e-Commerce_Marka_bez_granic_2024_skrot.pdf.*
23 *https://www.eurochambres.eu/wp-content/uploads/2020/08/Business-Survey-The-state-of-the-Single-Market-Barriers-and-Solutions-DECEMBER-2019.pdf.*

The Commission is fully aware of these challenges. As explained in the 2020 working paper: "While the Consumer Rights Directive and the Unfair Commercial Practices Directive in general are based on a full harmonisation approach (with exceptions in some areas and allowing Member States several regulatory choices), four other legal acts (Directive 1999/44/EC on consumer sales and guarantees, Directive 93/13/EEC on unfair contract terms and Directive 98/6/EC on price indications) provide for minimum harmonisation".

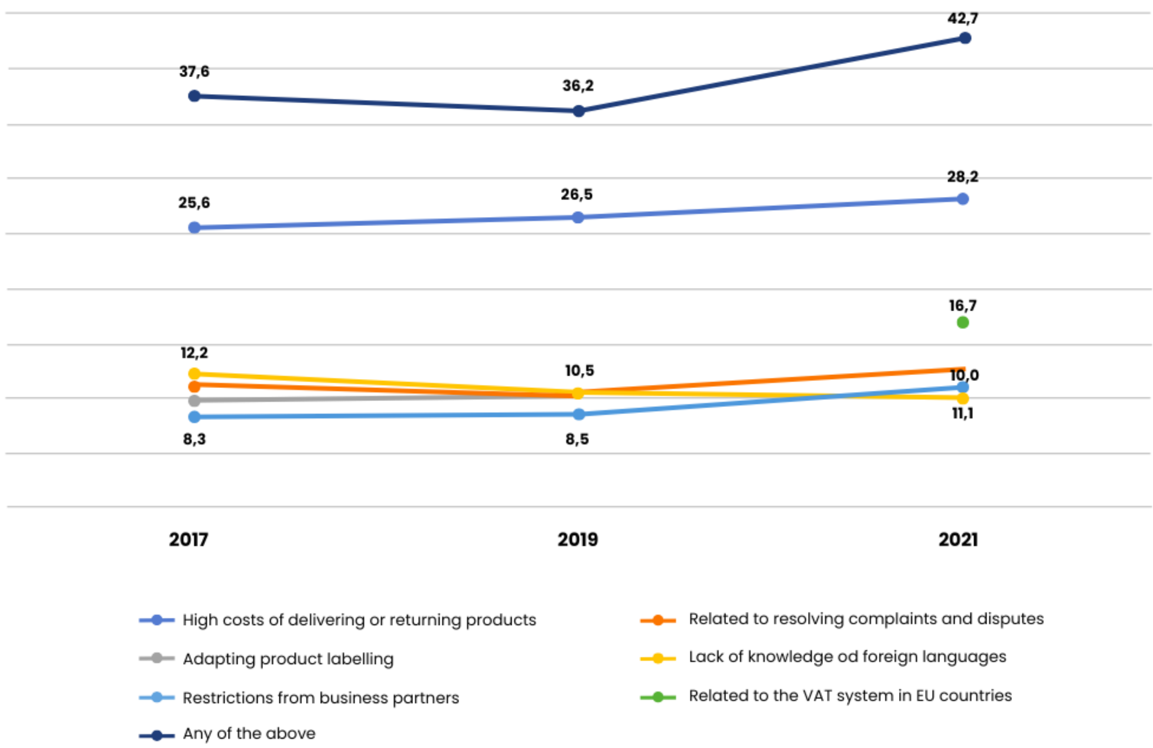
The Commission has attempted to strengthen harmonisation with two new legislative proposals that were subsequently adopted, namely the Digital Content Directive and the Sale of Goods Directive[24]. Most aspects of these two new directives did not come into force until 1 January 2022.

However, none of these really solve the underlying problem, for two main reasons. First of all, each of the new directives introduces maximum harmonisation with regard to certain elements, such as what constitutes compliance, who bears the burden of proof and what remedies are available in the event of non-compliance. However, many other key aspects remain the responsibility of Member States. In addition, the new directives only apply to digital content, digital services and goods. No new harmonisation provisions have been introduced in other areas beyond the specified ones.

Eurostat data clearly suggests that entrepreneurs are concerned about the challenges of resolving commercial disputes. In the CEE region, consumer protection in the e-commerce market is becoming increasingly important due to the rapid growth of online trade. In recent years, countries in the region have introduced a number of regulations aimed at increasing consumer safety and aligning local laws with EU standards.

[24] *https://cdn.ceps.eu/wp-content/uploads/2024/04/2FAajR4z-CEPS-InDepthAnalysis-2024-06_EU-Single-Mkt-digital.pdf*

INFOGRAPHIC 10. EVOLUTION OVER TIME OF TRADE IMPEDIMENTS FOR COMPANIES WITH MORE THAN 20 EMPLOYEES THAT MAKE CROSS-BORDER SALES OVER THE INTERNET IN THE EU



Source: Eurostat data (table isoc_ec_wsobs)

Hungary is one of the countries that have updated their consumer protection legislation. The new regulations introduced additional obligations for ISPs and increased penalties for violations of consumer rights. These changes include, among other things, updating the rules on conciliation boards and making it mandatory to inform consumers of the costs associated with services provided by local post offices, with the aim of increasing transparency in online transactions.[25]

The OECD has also developed consumer protection guidelines for e-commerce, which are applicable throughout the CEE region. These guidelines emphasise the importance of transparent and effective consumer protection mechanisms, focusing on data security, fraud prevention and clarity of information on products and services.[26]

Despite the progress, the CEE region continues to face challenges related to consistent enforcement of regulations and sectoral exclusions. This hinders full implementation of consumer protection at a level comparable to Western European countries, which remains a significant challenge for regulators in the region.

In addition, in 2023, new consumer regulations for e-commerce introduced significant changes, particularly with regard to price promotions and transparency of offers. The key changes stem from the implementation of the EU Omnibus Directive and accompanying regulations, designed to curb unfair market practices and empower consumers.[27] From January 2023, entrepreneurs are required to clearly indicate the lowest price of an item from the 30 days prior to the discount. This is to prevent artificial reductions that could mislead consumers into believing they are receiving greater savings than actual ones. An example of such practices is the use of crossed-out prices that were never actually in effect. Exceptions to this provision include perishable products, where the obligation is limited to displaying the current price and the price before the first reduction.

This obligation applies not only to direct sales, but also to advertisements for products and services. In practice, this implies changes to the IT systems and sales policies of companies, which can generate additional costs for adapting systems to monitor and display appropriate prices[28]. Although these regulations apply throughout the European Union, their enforcement remains inconsistent. Oversight largely depends on national consumer protection authorities, and its effectiveness can vary. There are significant differences in terms of enforcement. As a result, the same rules may be applied differently across different Member States[29].

One example of this disparity is the functioning of the EU CPC (Consumer Protection Cooperation) network, which aims at cooperation between national consumer protection authorities. However, due to the differences in resources and competences of these bodies, cooperation is often ineffective. The problem may be the lack of consistent control measures, which in some cases undermines actual consumer protection.

Besides the lowest price transparency requirement, other important changes include the obligation for online shops to disclose the reliability of customer reviews. Online shops must now report how product reviews are obtained to ensure that the reviews reflect the opinions of genuine shoppers and are not manipulated. While these changes are an important step towards building consumer trust in the digital marketplace, they also force traders to implement additional verification procedures and update their terms and conditions. One of the most challenging aspects, especially for smaller companies, is to ensure compliance with these new regulations with limited technical and human resources. At the same time, larger operators equipped with more advanced CRM systems and IT support can adapt their operations more quickly to the new regulations. The new consumer-related regulations in e-commerce, particularly those concerning the presentation of prices and promotions, aim to increase transparency and eliminate

25 *https://www.wolftheiss.com/insights/changes-to-hungarian-consumer-protecion-regulations.*
26 *https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0422.*
27 *https://grantthornton.pl/publikacja/8-najwazniejszych-zmian-dla-e-commerce-w-2023-r.*
28 *https://responso.com/pl/blog/zmiany-prawne-w-ecommerce-w-2023.*
29 *https://webmakers.expert/blog/najwazniejsze-zmiany-prawne-w-ecommerce-w-2023.*

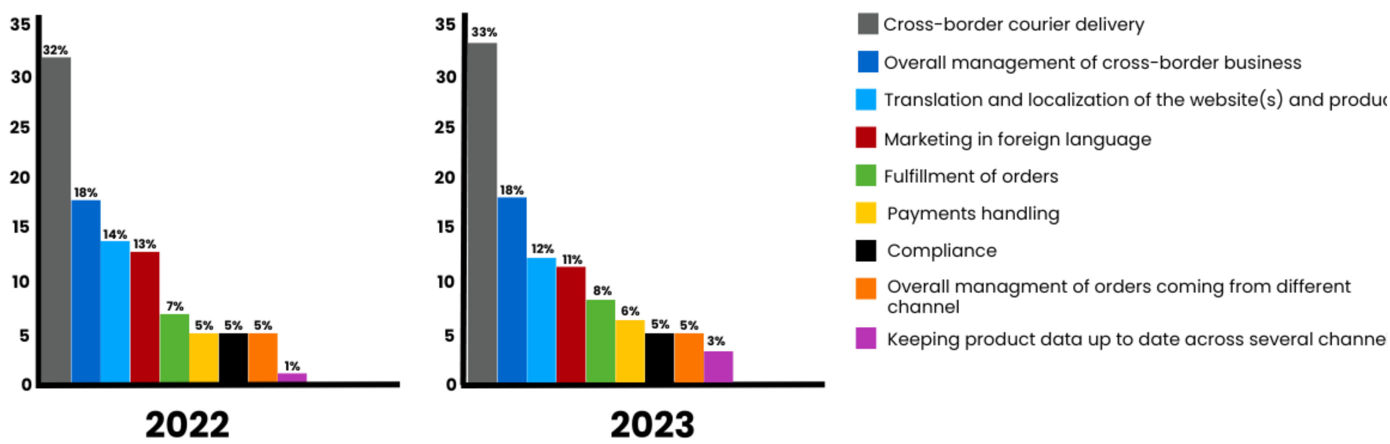
unfair practices. However, the differing approaches to their enforcement and the varying effectiveness of national authorities pose a significant challenge to the uniform implementation of these regulations across the European Union. The industry must not only adapt its processes, but also monitor local regulations and how they are enforced to avoid penalties and build positive consumer perceptions.

5. Parcel deliveries

Parcel delivery may not seem like an issue directly related to digitalisation, but in fact, half of all e-commerce in the EU involves goods that must be physically delivered after an online order has been placed. However, the ability of EU Single Market members to capitalise on e-commerce growth is limited primarily by the high cost of shipping goods between EU countries[30].

30 *https://mediaposthitmail.bg/reports/Mediapost_CEE_Ecommerce§_Survey_2023.pdf*

INFOGRAPHIC 11. WHICH ARE THE BIGGEST CHALLENGES FOR YOU WHEN YOU SELL CROSS-BORDER?



Source: https://mediaposthitmail.bg/reports/Mediapost_CEE_Ecommerce§_Survey_2023.pdf

Concerns about the high costs of cross-border parcel delivery by National Postal Operators (NPOs) led the European Commission to propose legislative action in May 2016[31]. NPOs are not the only parcel delivery providers, but due to their historical obligation to provide universal services, they play an important role in delivering parcels to sparsely populated regions.

Research shows that high costs, delivery delays and difficulties with returns are significant barriers for consumers and businesses, especially in the SME sector. These problems mainly concern basic cross-border parcel delivery services, not express or courier services, or shipments from smaller businesses. Price analysis in this sector is challenging due to a lack of transparency, but available data suggests that prices set by national postal operators (NPOs) are significantly higher for cross-border parcels than for domestic ones.

The European Commission has analysed the rates for parcels weighing 1 and 2 kg with tracking functionality. It is estimated that 86% of products bought online weigh less than 2kg. The results of the analysis are concerning: average rates for cross-border parcel delivery remained stable in most countries between 2019 and 2021, with the exception of Finland and Hungary, which saw price decreases and increases respectively. In many countries, domestic parcel delivery rates have

31 *https://cdn.ceps.eu/wp-content/uploads/2024/04/2FAajR4z-CEPS-InDepthAnalysis-2024-06_EU-Single-Mkt-digital.pdf.*

also increased. Cross-border rates are on average two to nine times higher than domestic rates.

Price increases are due to various factors, including inflation and lack of productivity growth. NPOs, forced to maintain costly delivery networks across the country, may be particularly inclined to raise cross-border prices, which are not as tightly regulated as domestic rates for letters.

This situation particularly affects the Central and Eastern European region, where the e-commerce sector is growing rapidly, but still faces significant logistical challenges. High cross-border delivery costs remain a significant barrier to the development of online commerce in CEE countries, especially for small and medium-sized enterprises, which have limited bargaining power to secure better delivery terms. Although the popularity of e-commerce is growing, many small businesses in the region still struggle to offer competitive delivery prices, which limits their ability to compete in European markets.

Unsurprisingly, Regulation (EU) 2018/644 of the European Parliament and of the Council on cross-border parcel delivery services has not lived up to expectations in terms of lowering prices.[32] The regulations introduced by the Commission were aimed at increasing price transparency for consumers, strengthening the powers of national regulators to collect data, requiring them to assess cross-border prices and opening up wholesale NPO parcel delivery networks to competitive services. However, the final version of the regulations weakened these measures by abandoning the requirement for access to the wholesale parcel delivery market. While the new legal provisions will increase transparency, their impact on cross-border parcel delivery prices will be negligible. Given the limited powers to collect information and the lack of data, it will take time to fully assess the impact of the regulations. It is likely that additional legislation will be required in the coming years to address the pricing issue.

As long as prices for cross-border parcel delivery remain significantly higher than domestic delivery costs, the problem will exacerbate. New regulations are needed to counteract unjustified price hikes. Meanwhile, the entire NPO business model is under immense pressure. Resolving the issue of high cross-border shipping prices will require fixing the overall NPO business model to restore its profitability. This requires a fundamental reshaping of the sector, which may include a reduction in NPO costs for providing universal services or increasing government financial support.

In addition, another controversial aspect is the regulation of the Universal Postal Union (UPU), particularly with regard to the subsidisation of international shipments, especially from China. Under UPU agreements, developing countries such as China can benefit from preferential rates of so-called terminal dues for deliveries to other countries, including the European Union and the United States. These rates, often set at a much lower level than the actual costs, effectively lead to national postal operators (including Poczta Polska) de facto subsidising imports from China. This situation is particularly burdensome for local companies, which incur higher domestic shipping costs compared to low-cost imports from China.

Under current regulations, China, despite being the world's second largest economy, still benefits from rates intended for developing countries. For instance, shipping a small parcel from China to Europe can be significantly cheaper than domestic shipping, putting local entrepreneurs at a competitive disadvantage. In the US, for example, this practice was causing serious financial losses for the US Postal Service, which eventually led to regulatory changes in 2020, when the US was allowed to set higher rates for shipments from countries such as China. The situation in Poland is similar. Despite having to comply with global UPU regulations, Poczta Polska struggles with low rates that do not cover the actual costs of delivering parcels from Asia.

6. Unfair competition from Chinese e-commerce platforms

The growing dominance of Chinese e-commerce platforms poses a major challenge for local businesses in the CEE region. Supported by government subsidies,

32 *https://single-market-economy.ec.europa.eu/sectors/postal-services/parcel-delivery-eu_en.*

favourable regulation and investment in infrastructure, Chinese companies are rapidly increasing their presence in CEE markets, posing a significant threat to local players.

The growing dominance of Chinese companies is a systemic problem and is not solely the result of weak, insufficiently enforced regulations within the European Union. According to a report by e-Izba, since the COVID-19 pandemic, the Chinese economy has slowed markedly, prompting the Chinese Communist Party to focus on stimulating economic recovery.[33]

Export growth has been identified as an effective way to quickly mitigate the difficult economic situation. Given the rapid growth in the value of exports in the e-commerce model in previous years, it has been recognised as an effective tool to increase the overseas expansion of Chinese companies. Since 2020, Chinese authorities have intensified measures supporting e-commerce exports, such as subsidies, grants and other forms of financial support at each stage of production or shipment of goods, infrastructure development and favourable regulations.

The Chinese authorities were prepared for this—long before the COVID-19 pandemic, they were already providing support to businesses operating in the e-commerce model, helping them to gain an advantage over foreign companies. China's economy is controlled by the government and aligned with the political objectives of the Communist Party of China, driven by economic plans and the supporting legal regulations. Guidelines and regulations issued at the central or provincial level often contain general provisions that instruct local authorities to implement specific measures to support the expansion of Chinese companies. Higher-level plans set out objectives, measures, industries to be supported and the bodies responsible for carrying out the tasks. For example, the plan to support the development of e-commerce in Jiangsu Province aims to establish 120 manufacturing parks by the end of 2025, and ensure that at least 600 companies achieve high competitiveness in foreign markets.

Tax preferences and subsidies mainly support exports. Companies engaged in retail export sales are exempt from VAT and consumption tax and can benefit from a preferential CIT rate of 4%. In addition, businesses can count on support in the form of preferential foreign investment insurance and export credits provided by Sinosure. The success is evident in the data. According to Reuters, Chinese e-commerce platforms particularly strong in the fast fashion segment, such as Temu and Shein, now account for around half of China's cross-border e-commerce, while the entire cross-border e-commerce from China takes up around a third of global air freight capacity for long-distance transport[34].

For the e-commerce sector in CEE, which is still in the development stage, such a situation is particularly challenging. Local businesses do not have the same resources and support as their Chinese competitors, making it difficult for them to compete on equal terms. As a result, local players may be marginalised in the market, raising growing concerns about the future of the region's domestic e-commerce sector. The European Commission recognises the problem of Asian dominance in the e-commerce sector and has announced that the first step of wider controls over Chinese companies trading online will be new regulations[35]. Chinese companies are taking advantage of the opportunity to sell goods worth up to EUR 150 without paying customs duties by marketing them in the European Union as individuals rather than as businesses. In 2022, Temu and Shein paid a total of EUR 0 customs duties in the European Union[36]. This leads to mass imports of products at dumping prices. As a result, the Chinese sales platform Temu has conquered many European markets in just six months, which would have been impossible for other e-commerce companies. According to Rzeczpospolita, 2.3 billion items under the duty-free

[33] *https://eizba.pl/dla-czlonkow-e-izby/dokumenty-strefy-dla-firm/raport-e-izby-nt-wsparcia-e-commerce-w-chrl-2.*
[34] *https://zpp.net.pl/komentarz-zpp-w-sprawie-potrzeby-regulacji-chinskich-platform-e-commerce.*
[35] *https://www.reuters.com/business/retail-consumer/eu-takes-aim-chinas-temu-shein-with-proposed-import-duty-ft-reports-2024-07-03.*
[36] *https://zpp.net.pl/wp-content/uploads/2024/09/Komentarz-ZPP-w-sprawie-chinskich-spolek-e-commerce-1-1.docx.pdf.*

threshold of EUR 150 entered the EU in 2023, with e-commerce imports more than doubling year-on-year.[37] Chinese retailers also benefit from subsidised shipping costs, making it cost-effective to ship cheap goods by air.

The problem goes far beyond unfair price competition. Products placed on the European market often lack adequate safety testing and quality control. A 2021 investigation found that the materials used to manufacture Shein clothing contain high levels of potentially hazardous chemicals, including lead, perfluoroalkyl substances (PFAs) and phthalates.[38]

This requires effective mechanisms to enforce the regulations already in place, as Chinese companies can change their product range or sales rules within a single week. Similar practices are being pointed out by leading European consumer organisations—seventeen of which have lodged a formal complaint with the European Commission about the operations of the Chinese e-commerce platform Temu[39]. Above all, the organisations draw attention to the platform's illegal practices and actions that may violate the Digital Services Act (DSA). Among the allegations are the sale of unsafe, non-compliant products or even counterfeits. The focus has primarily been on the Temu platform, which, according to the organisations, often leaves consumers in the dark about the actual supplier of the products, making it difficult for them to make informed decisions and verify EU safety certificates. However, the allegations go beyond safety concerns. Consumer organisations also point to unfair commercial practices, such as manipulating consumers with deceptive interfaces (*dark patterns)* or making it difficult to close accounts.

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37 *https://www.rp.pl/handel/art40759601-beda-cla-na-produkty-kupowane-z-chin-ke-planuje-uderzenie-w-temu-i-shein.*

38 *Ibidem*

39 *https://businessinsider.com.pl/biznes/europejskie-organizacje-skarza-sie-komisji-europejskiej-na-temu/sej2hw1.*

IV. REGIONAL LEADERS

1. Poland

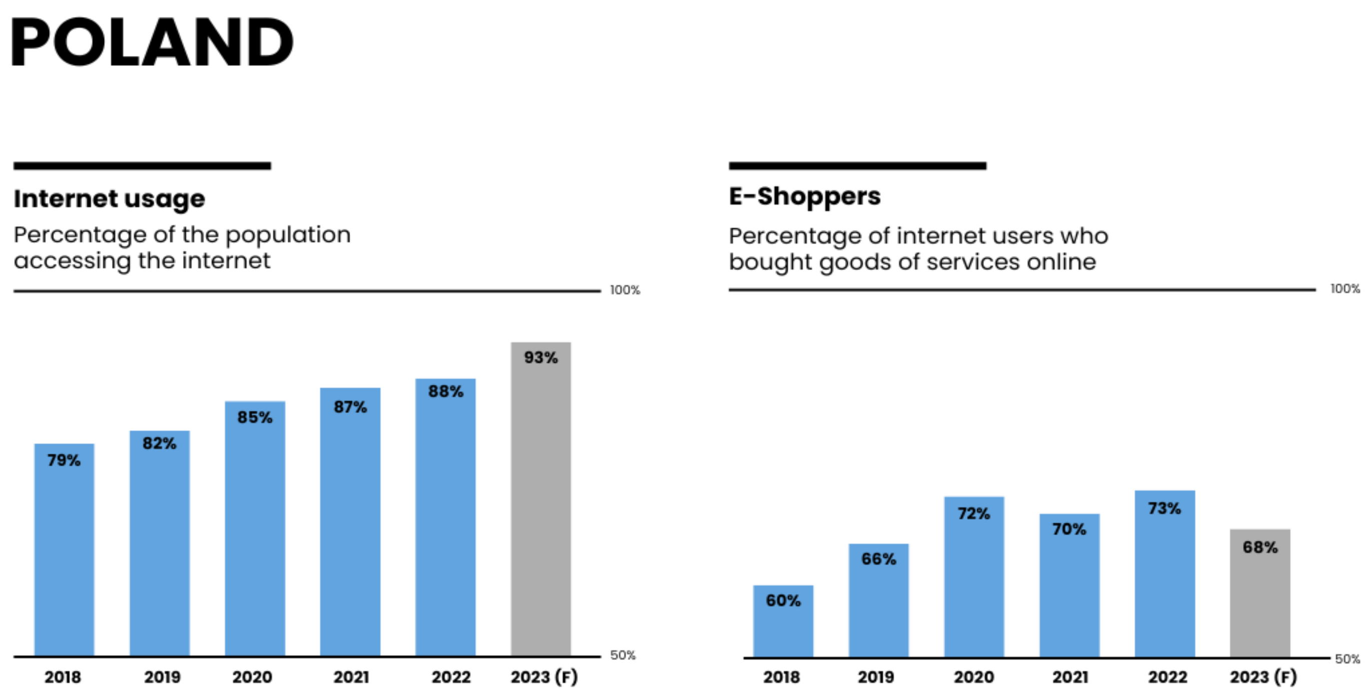
PPoland's e-commerce sector is one of the most dynamically growing in Central and Eastern Europe, with a value of around EUR 16 billion in 2023, which represents an increase of around 20% compared to the previous year. The market is expected to grow to USD 22 billion by 2028, indicating an average annual growth rate of 6%. The main player on the Polish e-commerce market is Allegro, which generates significant revenues and continually expands its services both in Poland and on international markets In 2022, Allegro recorded revenues of USD 1.4 billion and the number of users of the platform is growing steadily[40].

The internet is used by 91% of Poles, which corresponds to around 34 million people, with 75% of them making online purchases regularly. The value of the e-commerce market in Poland in 2023 was approximately EUR 16 billion, with a projected growth to USD 22 billion by 2028[41]. The main market segments are consumer electronics, fashion and food products. Polish consumers prefer online payments, although the cash-on-delivery option remains popular. During campaigns such as Black Friday, the number of online transactions increases significantly, with card payments accounting for about 65% of the total.

[40] *https://eizba.pl/wp-content/uploads/2023/02/Raport_e-Izby_Dekada_polskiego-e-commerce_2023.pdf?linkId=100000182697161.*

[41] *https://www.pwc.pl/pl/media/2024/2024-08-21-prognozy-strategyand-polski-rynek-e-commerce-bedzie-wart-192-mld-zl-w-2028-roku.html.*

INFOGRAPHIC 12. NUMBER OF INTERNET USERS AND ONLINE SHOPPERS IN POLAND



Source: European E-commerce Report 2023

An example of this is Allegro, which is not only expanding its services in Poland, but also abroad, introducing innovative logistics and fulfilment solutions that contribute to increased sales and the expansion of its product offerings. The Polish e-commerce sector is characterised by dynamic growth and has enormous potential. As a market leader, Allegro continues to strengthen its position in Poland and the CEE region. The growing number of internet users, their increasing reliance on online shopping and the development of logistics infrastructure and payment systems make Poland an attractive market for e-commerce companies.

Currently in Poland, we can observe the first effects of the implementation of the Digital Services Act (DSA) and the Digital Markets Act (DMA) into national law. Particular attention should be paid to the new tools related to product safety controls and the reporting of counterfeits, as improper implementation could violate the principles of fair competition. The national legislation implementing the DAC Directive7 is also controversial, especially regarding compliance with GDPR and the scope of required data, as well as the obligations for sellers and the reporting requirements for platform operators. These regulations will not be enforced against platforms outside the EU, especially Chinese ones, which could weaken the competitiveness of Polish and EU players compared to non-EU sellers.

The Polish e-commerce market is also affected by EU regulations such as Right to Repair and Green Claims. New regulations regarding packaging and packaging waste, as well as changes to EU Regulation 2019/1020 and EU Directive 2019/904 have a significant impact on e-sellers[42]. These include, among other things, restrictions related to recycling, returnable packaging and the proportion of packaging to content. The Omnibus Directive (EU 2019/2161) introduced new information obligations for sellers, which forced changes to the documentation of online shops and the need to adapt their operations.

Polish e-commerce platforms and retailers are increasingly working with logistics companies specialising in environmentally friendly delivery solutions. Many companies, especially in the food sector, are investing in electric vehicles, reducing local air pollution and carbon emissions. In cities such as Gdańsk, Poznań, Warsaw and Krakow, bicycle couriers are gaining popularity. This solution also reduces emissions at the final delivery stage.

The pandemic has significantly accelerated the development of e-commerce in Poland, with an annual growth of 28% since 2020. Currently, all Polish internet users have made at least one online purchase. Key technologies being developed by the Polish e-commerce sector include artificial intelligence (AI), virtual reality (VR) and big data analytics. In addition, the development of omnichannel, international e-commerce and online exports is opening up new opportunities, especially for SMEs. Technologies such as ChatGPT have the potential to revolutionise many professions by automating routine tasks, creating new career opportunities and forcing innovative approaches to education.

The Polish e-commerce market is developing dynamically and analysts predict further expansion. Key factors driving this growth include modern technologies, the development of omnichannel strategies and the growing awareness that e-commerce has no borders, making it the most effective tool for expanding online exports.

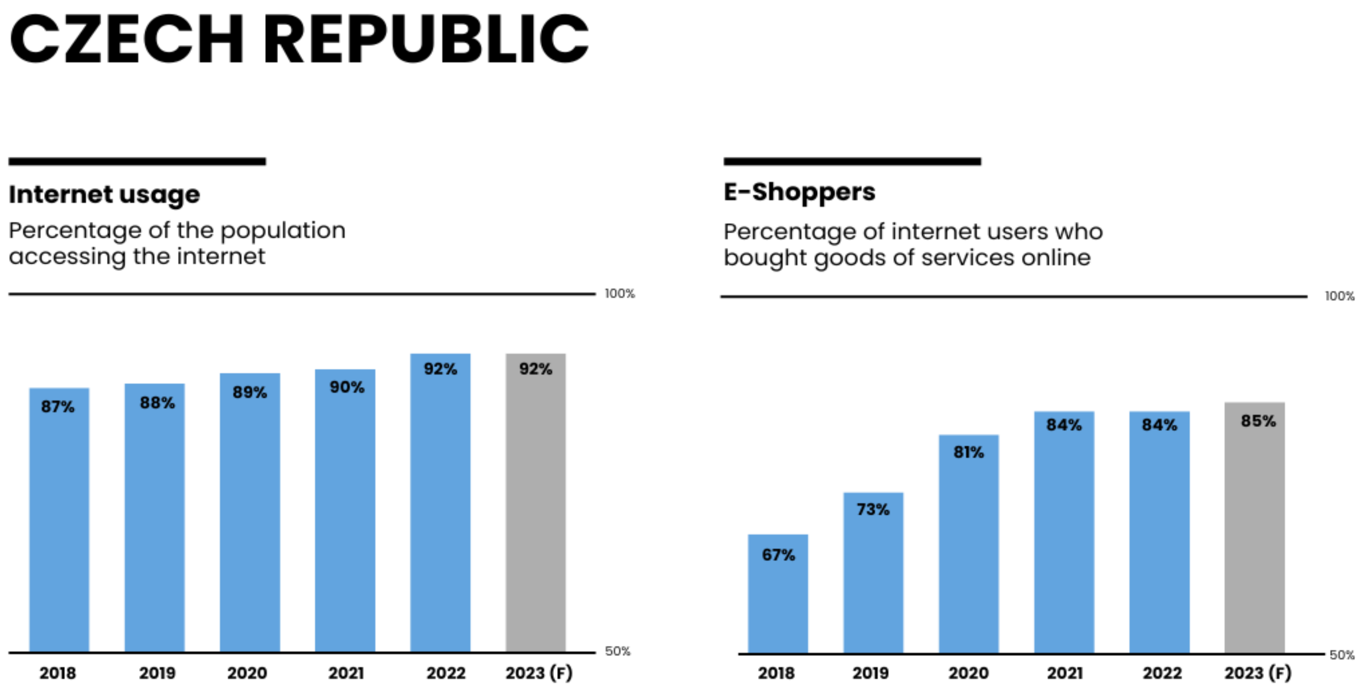
2. Czech Republic

The Czech e-commerce market is experiencing dynamic growth, distinguished by a high number of local online shops. In May 2022, the number of e-shops in the Czech Republic was almost 51,000, which is equal to five shops per 1,000 inhabitants – the highest rate in Europe. The share of e-commerce in total retail trade in the Czech Republic is 13.5%, demonstrating the growing role of online shopping in the daily lives of Czechs. In the first half of 2022, turnover on the Czech e-commerce market amounted to CZK 67 billion (approximately PLN 12.5 billion), with forecasts indicating that it could reach a record level of CZK 222 billion by the end of the year. The Czech e-commerce market, which was worth CZK 98 billion in 2016, grew to CZK 196 billion in 2020, showing an annual growth rate of 17%, placing the

42 *https://ecommerce-europe.eu/wp-content/uploads/2023/11/European-Ecommerce-Report-2023-Light-Version.pdf.*

Czech Republic among the fastest growing e-commerce markets in Europe. According to Eurostat, as many as 75% of Czechs will be shopping online in 2021, an increase of 25 percentage points over the past five years.

INFOGRAPHIC 13. NUMBER OF INTERNET USERS AND ONLINE SHOPPERS IN CZECH REPUBLIC



Źródło: European E-commerce Report 2023

The average order value was CZK 1,677 (approximately PLN 318) and the average annual spending per person in online retail was CZK 8,794 (approximately PLN 1,670). Czechs are loyal customers of local e-shops and often use price comparison websites and reviews before making a purchase, the most popular of which are Heureka.cz and Zbozi.cz.

At the beginning of 2023, the Omnibus Directive was incorporated into Czech law, correcting previous transposition errors. No new national regulations are currently expected to affect the e-commerce sector, although changes to VAT and taxation are planned for 2024. The biggest impact on Czech e-commerce has come from the new sales rules, which introduced changes in the area of complaints, although their practical effects are still unclear. Further information on the EU's planned green initiatives is also awaited. While specific rules for sustainable transport have not been introduced in the Czech Republic, local logistics companies are developing procedures in this respect. Although there are no new regulations regarding returns and repairs, the increasing pressure in terms of sustainability expectations is influencing the actions of individual companies. Digitalisation in the Czech Republic is progressing, although it is facing difficulties due to the slow pace of digitalisation of public services. In 2023, artificial intelligence (AI) technology is in high demand and its potential is widely discussed. Although no direct changes related to disruptive technologies, such as ChatGPT, have been noted in the Czech market, their future implementation is planned by many companies.

The Czech e-commerce market has been hit by high inflation, which reached 17% in 2022 and exceeded 10% in 2023, mainly due to the armed conflict between Russia and Ukraine. The rise in popularity of

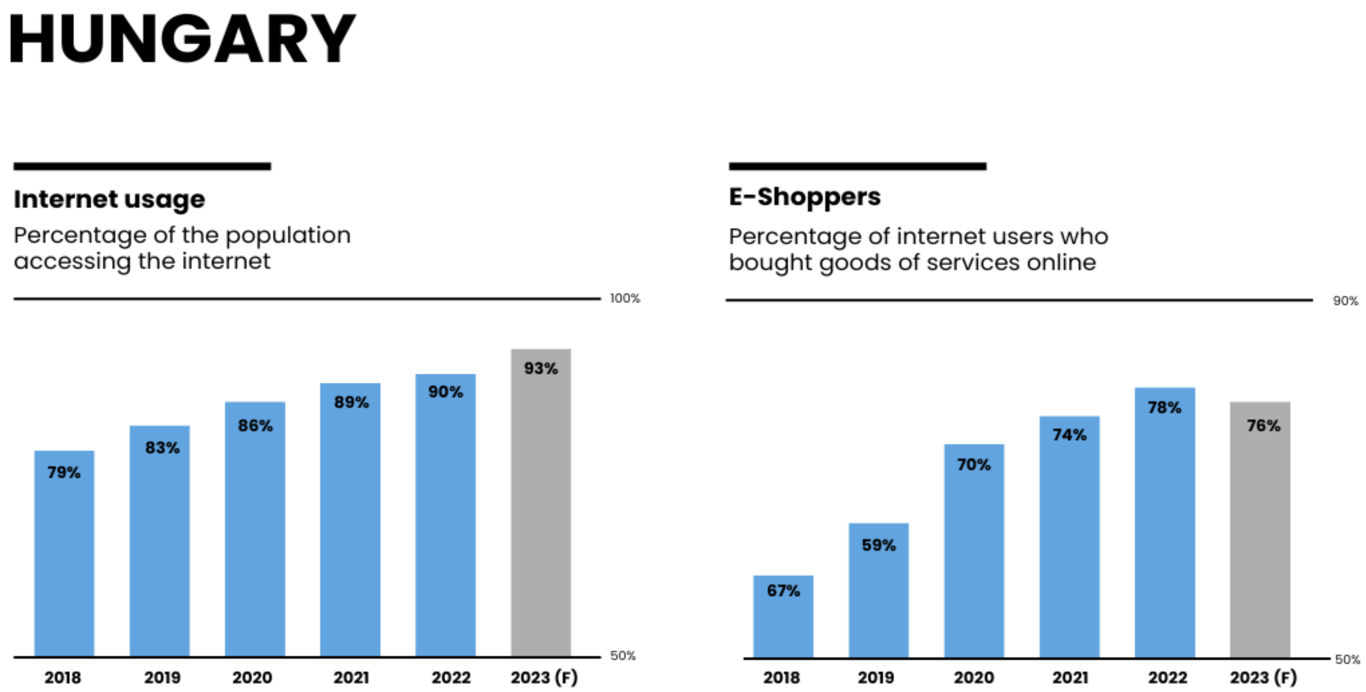
pick-up points and parcel lockers, such as Zásilkovna, has become the dominant delivery method. Prepaid or cash-on-delivery payments using debit and credit cards are also gaining popularity. In 2022, the Czech e-commerce market saw its turnover decline for the first time, following the sharp growth during the pandemic years and the impact of inflation, which caused consumers to be more cautious. However, growth is expected to recover in the second half of 2023. Marketplaces such as Kaufland and Allegro are starting to play an increasingly important role, while leading local online shops continue their expansion. In summary, the Czech e-commerce market is characterised by consumer loyalty to local shops, a wide range of available products and the growing role of cashless payments and self-service pick-up points. With the dynamic growth and an increasing number of online shops, the Czech Republic maintains its position as one of the most developed e-commerce markets in Central Europe.

3. Hungary

The pandemic significantly accelerated the development of e-commerce in Hungary, but the growth rate is now slowing down due to high inflation. Hungarian consumers attach great importance to price, which contributes to intense competition between local and international brands. In a country of 10 million inhabitants, a fifth live in Budapest and one in three Hungarians live in the metropolitan area, which significantly affects the logistics sector. Almost half of online retail sales are concentrated in and around Budapest, where spending is above the national average.

71% of Hungarians have shopped online at least once and the average annual spend is around EUR 300. Popular online shopping destinations include China, Germany and the USA. Despite the growing popularity of card payments and bank transfers, cash on delivery remains one of the most frequently selected payment methods.

INFOGRAPHIC 14. NUMBER OF INTERNET USERS AND ONLINE SHOPPERS IN HUNGARY



Źródło: European E-commerce Report 2023

The largest player in the Hungarian e-commerce market is the eMAG.hu platform. Other notable platforms include Alza.hu and Aboutyou.hu. The largest market shares are held by categories such as electronics, food, personal hygiene and furniture. Fashion, although accounting for a fifth of the market, is one of the most frequently purchased product categories by Hungarians.

The pandemic has changed Hungarians' logistical preferences, increasing the popularity of home delivery, which is now the preferred option for most customers due to its convenience, speed and predictability. Parcel lockers are also growing in popularity, especially in the context of rising fuel costs and inflation. Companies such as Packeta, FoxPost and Sameday are rapidly expanding their network of parcel lockers, which are becoming increasingly accessible to consumers.

The Hungarian e-commerce market is facing challenges due to high inflation. Rising food prices and falling consumption are forcing online retailers into intense competition, which may encourage medium-sized players to take customers from smaller competitors and expand into foreign markets. To support the cross-border development of Hungarian e-commerce companies, a new agreement – the Hungarian Digital Retail Alliance – was established in 2022, whose founding members include Google, DHL and Mastercard. The Hungarian e-commerce market is also affected by local regulations, such as the introduction of price caps and special taxes, which have mainly affected the FMCG segment. In addition, EU VAT regulations on cross-border sales and new rules on promotions could have significant implications for e-commerce. The growing competition has led to the establishment of new warehouses and courier companies offering higher service standards.

There is a growing emphasis on more sustainable delivery methods, which is reflected in the growing share of PUDO pick-up points and parcel lockers. Many logistics companies are starting to incorporate electric vehicles and bicycles for deliveries in city centres. Although free returns are not yet commonplace, there has been an increase in the number of retailers offering the option to return goods via PUDO or parcel lockers.

Digitalisation in Hungary is progressing, although large multinational companies are leading the way, with small and medium-sized enterprises only now starting to adapt to the new trends. The most significant change is the increasing use of digital payment solutions, although cash on delivery still dominates. Hungarian e-commerce platforms such as Shoprenter are introducing AI tools to help shop owners improve product descriptions and automate marketing. Chatbots are also becoming increasingly important, and their effectiveness can be increased through integration with tools such as ChatGPT.

High inflation has reduced Hungarians' disposable income, prompting consumers to look for cheaper solutions and limit their online shopping. Although a slowdown in online sales was expected after the pandemic, the current economic situation has further exacerbated this trend. Online shops from neighbouring countries are also gaining more importance, forcing Hungarian retailers to open up to foreign markets.

One of the most important developments in the Hungarian e-commerce market was the entry of the Polish Allegro platform into the Hungarian market. Allegro, one of the largest e-commerce platforms in Poland, has decided to expand into Hungary, further intensifying competition in this market. With its strong position in the Polish market and growing popularity in Central and Eastern Europe, Allegro has the potential to play a significant role in the Hungarian e-commerce market, competing with local and international players.

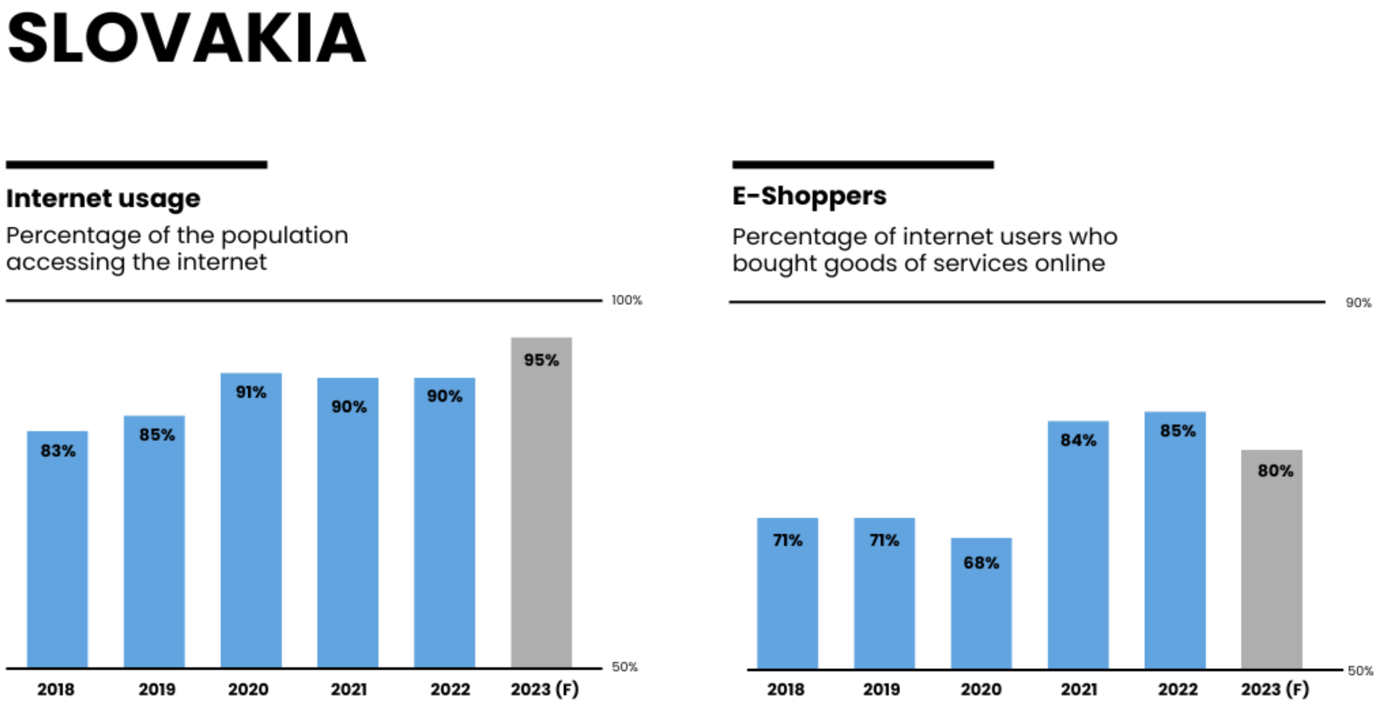
The Hungarian e-commerce sector faces challenges due to high inflation and increasing competition from neighbouring countries, but at the same time is adapting to new technological trends and changes in consumer preferences. In order to maintain growth and competitiveness, it is necessary to adapt to dynamic economic and technological changes and to take an innovative approach to online trading.

4. Slovak Republic

The Slovak e-commerce market is growing rapidly, becoming an important part of the country's economy. In 2021, it was valued at USD 2.6 billion and the number of online shops grew to 14,300, marking a 14% increase compared to the previous year. E-commerce accounts for about 7% of retail sales, which translates to 1.09% of Slovakia's GDP.

In terms of product categories, the most popular segment in the Slovak e-commerce market is toys, hobbies and DIY, which generate sales of around USD 412 million. Other categories include electronics and media (USD 358.3 million), fashion (USD 227.3 million), furniture and home appliances (USD 213 million), food and personal care products (USD 200 million). It is worth noting that online grocery shopping saw a significant increase in popularity during the pandemic.

INFOGRAPHIC 15. NUMBER OF INTERNET USERS AND ONLINE SHOPPERS IN SLOVAKIA



Źródło: European E-commerce Report 2023

Like Czechs, Slovaks like to use price comparison sites before making a purchase, with Heureka.sk being the most popular platform of this type. The growing number of users making purchases via mobile devices is playing an increasingly important role in the market, with more than half of transactions taking place via smartphones.

The largest players in the Slovak e-commerce market are platforms such as Alza.sk, Mall.sk, and iTesco.sk. Alza.sk is the market leader, while Mall.sk gained significance after being acquired by Poland's Allegro in 2022. Slovaks are also open to online shopping from abroad, especially from their Czech neighbours, further strengthening the integration of e-commerce between the two countries.

In terms of payment preference, payment cards are the most common choice (41%), although cash on delivery is still very popular (32%). The rise in popularity of mobile shopping is also evident through the growing number of local e-commerce apps.

The Slovak Ministry of Investment, Regional Development and Informatisation plays a key role in the country's digital transformation, supporting the further development of the e-commerce sector. As a member of the European Union, Slovakia complies with EU regulations on online sales, which facilitates cross-border trade and ensures consumer protection.

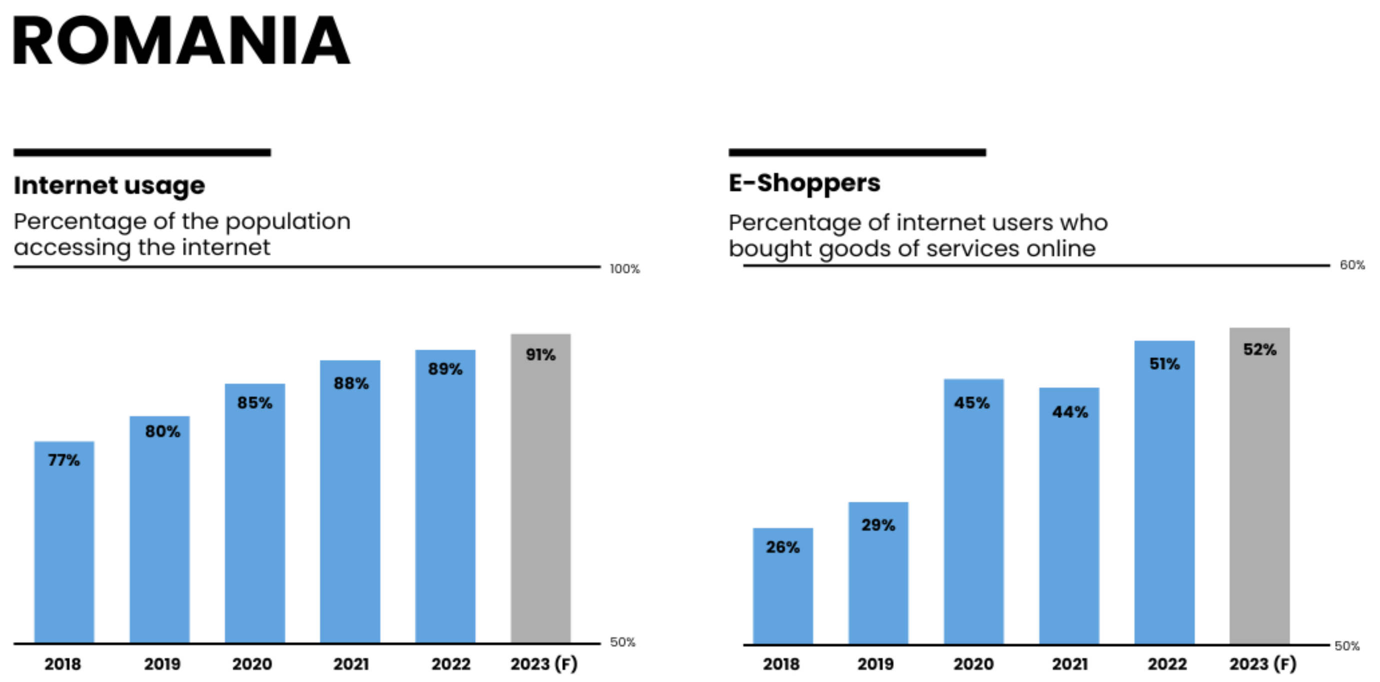
In summary, the Slovak e-commerce market is characterised by dynamic growth, high penetration of mobile devices, a growing number of online shops and strong ties with the Czech market. This makes Slovakia an attractive market for local and foreign e-commerce players. Analysts predict its further growth driven by modern technology and growing consumer awareness of online shopping.

5. Romania

The Romanian e-commerce market is one of the fastest growing in Central and Eastern Europe, with a value reaching EUR 7 billion in 2023, an increase of 16%

compared to the previous year. Projections suggest that by 2028, this market will reach USD 8.3 billion, representing an average annual growth of 7%. The eMAG platform dominates the Romanian e-commerce market, generating USD 845 million in revenue in 2022. The company is expanding its operations into the Central and Eastern European region, supporting more than 56,000 retailers, which contributed to a 23% increase in their sales in 2023.

INFOGRAPHIC 16. NUMBER OF INTERNET USERS AND ONLINE SHOPPERS IN ROMANIA



Źródło: European E-commerce Report 2023

91% of the Romanian population (around 13 million people) use the internet, 68% of whom shop online. The market was worth EUR 7 billion in 2023, with a projected increase to USD 8.3 billion by 2028. The most important product categories are fashion (46%), food and personal care products (19%) and electronics (15%). Romanian consumers prefer cash on delivery, although the share of card payments has increased significantly, especially during campaigns such as Black Friday, when as many as 7 out of 10 customers chose this form of payment. Price is the most important criterion for 80% of consumers when choosing a shop, although the variety of delivery methods or speed of order lead time are also crucial.

eMAG is expanding its services in Hungary and Bulgaria, where fulfilment programmes and logistics automation have contributed to a 71% increase in sales for retailers using these services. The Romanian e-commerce sector is in a dynamic growth phase, with significant potential for further development. The leader in the market is eMAG, which not only leads domestically but is also establishing its position as a regional giant. The growth in internet users, their shopping preferences and the development of logistics and payment methods make Romania a market with huge potential for companies planning to expand in Central and Eastern Europe.

Increased interest from rural consumers and flexible delivery and payment options have contributed to the growth of e-commerce in the country, despite challenges such as the war in Ukraine and global economic uncertainties. Romania is in a key phase of implementing new measures to develop the e-commerce sector by increasing security and simplifying online transactions. Initiatives include the introduction of an electronic ID card, digital identity and a new framework law governing electronic signatures. However, the proposed law, which requires operators to respond to customer calls within five minutes, could affect e-commerce operations, especially in the context of modern customer service solutions.

The emphasis on digital transformation of the public sector, supported by the Recovery and Resilience Fund (RRF), is also a significant element of national policy. These initiatives aim to integrate Romanian society into the world of modern technology, which supports the development of the country's digital ecosystem. Romania is actively pursuing the electrification of the transport sector, leading to faster and less carbon-intensive deliveries. The introduction of parcel lockers represents a more environmentally friendly delivery option, reducing carbon emissions by up to 95% compared to traditional courier services. More and more consumers and courier companies are paying attention to the environmental impact of their operations, promoting a more sustainable future. Romanian retailers, both small and medium-sized enterprises (SMEs) and large corporations, are increasingly using digital technologies to expand their reach and reduce operating costs. They use e-commerce platforms and fulfilment services, which allows them to focus on sales and procurement. The use of AI-based tools such as chatbots and virtual shopping assistants is growing in Romania, indicating a shift towards a more technology-oriented consumer experience. Companies see technologies such as ChatGPT as a tool to automate routine tasks, allowing employees to focus on professional and personal development.

V. RECOMMENDATIONS

1. Harmonisation of regulations

One of the main challenges faced by e-commerce companies in the CEE region is the lack of uniform regulations across the European Union. The diversity of regulations across member states creates a complex legal landscape in which businesses must navigate. This often entails additional costs and time due to the need to adapt the business to local regulations. For small and medium-sized enterprises, which make up a large part of the region's e-commerce sector, these differences can be a significant barrier to growth. Examples include discrepancies in data protection laws, local requirements for complaints and returns and other discrepancies in broadly understood consumer law, obligations for businesses stemming from environmental protection and sustainable development laws, as well as customs regulations, which can significantly affect the operations of companies planning to expand internationally.

This is why simplification and harmonisation of regulations is so important, especially in the tax area, where discrepancies in VAT systems often complicate business operations in several markets. Currently, businesses often have to register for VAT in different countries, which generates significant administrative costs and additional accounting obligations. The introduction of the 'VAT in the Digital Age' (ViDA) initiative, which aims to simplify and standardise VAT procedures across the European Union, has the potential to significantly reduce the operational burden on businesses while accelerating cross-border expansion. The new solutions will enable more efficient handling of international transactions, reduce bureaucratic barriers and increase transparency in the tax system. However, it is important to remember that the implementation of the new solutions, including the mandatory VAT IOSS, will be a challenge for many e-commerce companies.

In addition, simplifying customs procedures is critical for businesses selling goods in international markets. Currently, entrepreneurs must face diverse import and export procedures, depending on the destination country, which requires knowledge of local regulations and the use of costly logistics services. In addition, the ongoing revision of the EU Customs Code aims to address the challenge of improving the competitiveness of the EU economy in relation to players from outside the EU. Harmonising these procedures at the EU level would enable smoother flow of goods between countries, which in turn could increase the competitiveness of Central and Eastern European companies in Western European markets. Another key issue is the harmonisation of consumer protection law, including the procedures introduced by the Omnibus Directive. In the longer term, the full integration of the digital market and the harmonisation of regulations could also attract more foreign investors, who will gain more confidence in the legal stability and transparency of procedures in the region. This will enable companies from the CEE region to compete more effectively with players from other parts of Europe, as well as increase their global market share.

2. Omnichannel development and integration with marketplace platforms

The growing importance of marketplace platforms such as Allegro, eMAG or Amazon is a key element in the development strategies of e-commerce companies, especially in the CEE region. These platforms provide access to a wide range of customers in both domestic and international markets, significantly expanding sales reach. However, many sellers in CEE still do not fully leverage their potential, which limits access to the wider market and hinders growth. This often stems from a lack of knowledge about how these platforms operate, as well as concerns about integration costs and commissions. Integration with marketplaces offers companies many benefits, including easier access to new markets without the need to build their own sales infrastructure. These platforms offer ready-to-use marketing tools, payment systems and advanced logistics, which simplifies operations and reduces costs. For smaller companies in the CEE region that may have limited resources, collaborating with marketplaces is an effective way to increase sales and accelerate growth. Another key element of the strategy is the implementation of an omnichannel approach that enables customers to have a consistent shopping experience across all channels—online and offline. Customers expect a seamless service, whether they are browsing products online or buying in a physical shop. Omnichannel allows companies to better respond to customer needs, which builds loyalty and boosts sales.

In the CEE region, an omnichannel strategy is particularly important as it enables companies to compete more effectively in the global marketplace. The combination of different sales channels makes it possible to reach new groups of customers who value flexibility and convenience. However, implementing this model requires investment in technologies such as order management systems (OMS) and customer relationship management (CRM) systems that synchronise activities across all sales channels. E-commerce platforms contribute to the development of omnichannel approaches by offering off-line companies an easy way to launch an online sales channel. This is especially attractive for micro and small enterprises. The integration with marketplaces and the development of omnichannel strategies are key elements in the development of e-commerce businesses in the CEE region. Companies that invest in these solutions can increase sales, improve customer relationships and gain a competitive advantage in the demanding global market.

3. Supporting the digitalisation of SMEs

Small and medium-sized enterprises (SMEs) are the backbone of the e-commerce sector in the CEE region, but often face barriers to expanding into foreign markets. Lack of sufficient financial resources and limited knowledge of logistics, digital marketing and adaptation to various EU regulations pose major challenges. In addition, high delivery costs and complex cross-border trade procedures significantly limit their opportunities for growth.

Financial support, especially in the form of subsidies and grants from the European Union, can help SMEs overcome these barriers, enabling them to invest in modern logistics solutions, digital platforms and international expansion. Another important element of support is training programmes that help entrepreneurs gain knowledge in key areas such as cross-border logistics, digital marketing, legal compliance and managing advertising campaigns. Developing competencies in these areas and better utilising marketplace platforms will allow SMEs to scale their operations, improve operational efficiency and compete in foreign markets. Such support, especially financed from EU funds, could be crucial for the continued growth of the e-commerce sector in the CEE region and strengthening its position in the global market.

> *A smoothly functioning digital single market is a prerequisite for the successful overseas expansion of European technology companies. During the legislative cycle in the European Union (2019-2024), a huge number of regulations setting the framework for the operation of technology companies, including online platforms in particular, have been adopted or modernized. It is hoped that they will produce the results envisioned by the drafters, primarily for the benefit of European scale-ups and their ambitious development plans. Now it's time to enforce the rules effectively, so as to restore a level playing field for competition in the European market. This is particularly important in areas where the most systemic risks are identified and the scale of irregularities is a threat to the safety of European consumers. It is extremely important that the adopted regulations do not remain just a provision on paper, but are effectively enforced by both the European Commission and member state authorities.*
>
> **Anna Mazur, EU Regulatory Affairs Manager, Allegro**

4. Introduction of sustainable logistics solutions

Logistics and delivery are a crucial element of e-commerce operations, especially in cross-border trade, where efficiency and transport costs affect a company's competitiveness. In the CEE region, entrepreneurs face challenges such as high delivery costs, differences in courier service quality and limited availability of modern infrastructure. High costs can deter customers and problems with timely delivery negatively affect consumer satisfaction. Improving delivery efficiency is therefore becoming a priority for companies aiming to compete effectively on the market.

Sustainable and environmentally friendly logistics solutions are increasingly important, driven by both the growing environmental awareness of consumers and EU regulations limiting CO_2 emissions. In developed countries, consumers are increasingly opting for companies that offer environmentally friendly delivery options, and this trend is rapidly gaining momentum in the CEE region. One solution that benefits both companies and the environment is the development of parcel lockers, which allow the consolidation of shipments and a reduction in the number of individual deliveries. This not only lowers costs, but also reduces CO_2 emissions. The popularity of this solution is growing in Poland, the Czech Republic and Hungary. Another step is increasing the share of electric vehicles in courier fleets, which can reduce emissions and noise. In cities with smog problems, implementing such fleets can improve company image and public health. Bicycle couriers are an additional green option, reducing the environmental impact of the e-commerce industry.

For Central and Eastern European companies, investing in environmentally friendly logistics solutions can become an important part of their strategy. Parcel lockers, electric vehicles and EU funding for sustainable development can help companies reduce costs and attract environmentally conscious customers. In the long term, sustainable logistics will not only improve the image of companies, but also reduce their dependence on fossil fuels and prepare them for future environmental regulations.

5. Combating unfair competition

E-commerce companies in the CEE region are increasingly facing unfair competition from Chinese platforms, such as Alibaba, JD.com, as well as newcomers like Temu and Shein. With government subsidies and favourable regulations, these platforms can offer products at much lower prices, destabilising the market. Small and medium-sized enterprises in the CEE region, which do not have access to similar forms of support, are unable to compete on equal terms. This weakens their position both in domestic and international markets, limiting their opportunities for growth and expansion.

GLOSSARY OF ABBREVIATIONS

AI – Artificial Intelligence

CEE – Central and Eastern Europe

CRM – Customer Relationship Management

DAC7 – Directive on Administrative Cooperation

DMA – Digital Markets Act

DSA – Digital Services Act

EMF-ECBC – European Mortgage Federation – European Covered Bond Council

EOG – European Economic Community

FMCG – Fast-Moving Consumer Goods

GDP – Gross Domestic Product

GDPR – General Data Protection Regulation

ICT – Information and Communication Technology

IMCO – Committee on the Internal Market and Consumer Protection

IoT – Internet of Things

IOSS – Import One Stop Shop

JRC – Digital Single Market

mini-OSS – Mini One Stop Shop

NPO – National Postal Operator

OMS – Order Management System

OSS – One Stop Shop

R&D – Research and Development

SMEs – Small and Medium Enterprises

UPU – Universal Postal Union

VAT – Value Added Tax

ViDA – VAT in the Digital Age

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