



# E-commerce in Poland: Corporate Development Strategies

## 2020 Report

mazars

Noerr

SPOTDATA



# Introduction

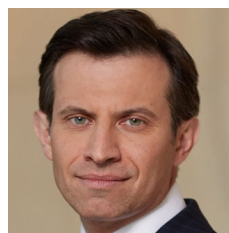
## Together with our partners, we are proud to present a report dedicated to corporate development strategies in the e-commerce market.

The study is based on an analysis of the development of selected companies operating in this area. The e-commerce sector has been growing for several years now. The COVID-19 pandemic has only accelerated this trend and has made the year 2020 unique, as new opportunities open up. Decisions on the distribution of products and services through electronic channels have been made faster, and for some companies, the launch of online sales has become essential for survival. This report describes the key success factors, trends and challenges

accompanying the development of this market. The data and opinions presented will be a valuable source of information both for companies already operating in the e-commerce market and for those considering launching this distribution channel. The report is a result of joint efforts of experts from the following companies: Mazars, Noerr and Spot Data as well as market operators such as MCI, Allegro, LPP, Frisco.pl, Hebe and PsiBufet, whom we would like to thank very much for sharing their valuable knowledge and experience.



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## Key Issues:

### **2020 Business Transformation**

The rapid acceleration of online sales is the most important business transformation of the past year. This change is particularly important due to its exceptional momentum and broad reach. Revenues of the world's largest e-commerce companies rose by about 30% yoy in Q3 2020, while in other sectors – even technological ones – the rate of growth was significantly weaker. At the same time, retailing plays such an important role in the economy that the transformation covered a large part of the corporate sector.

### **Record-High Performance of the E-commerce Industry in Poland**

According to our estimates for 2020, the e-commerce market in Poland was worth up to PLN 70 bn. After many years of growing at around 10% per year, the period of the COVID-19 pandemic has brought an almost threefold acceleration (to 43% yoy). Some of this extraordinary growth will certainly be temporary. But we believe that even after the pandemic ends, e-commerce sales will still be about 10-20% higher than in the scenario of market development without the impact of COVID-19.

### **Principal Market Changes**

One of the most important changes in online commerce during the COVID-19 pandemic is the accelerated modernisation of sales channels among the leaders of traditional brick-and-mortar retail. While the largest technology giants have been boosted in 2020, traditional companies have achieved a real breakthrough. They have begun to catch up in technological terms and, paradoxically, they can benefit the most from the turbulence associated with the pandemic.

### **Recommendations**

Two areas are crucial for effective operations in the e-commerce market: resources (technologies, logistics, competences) and economies of scale. In this report, we present nine recommendations which contribute to the development of both those areas. Our suggestions can be valuable and useful both for market leaders and for new entrants.



## Chapter 1

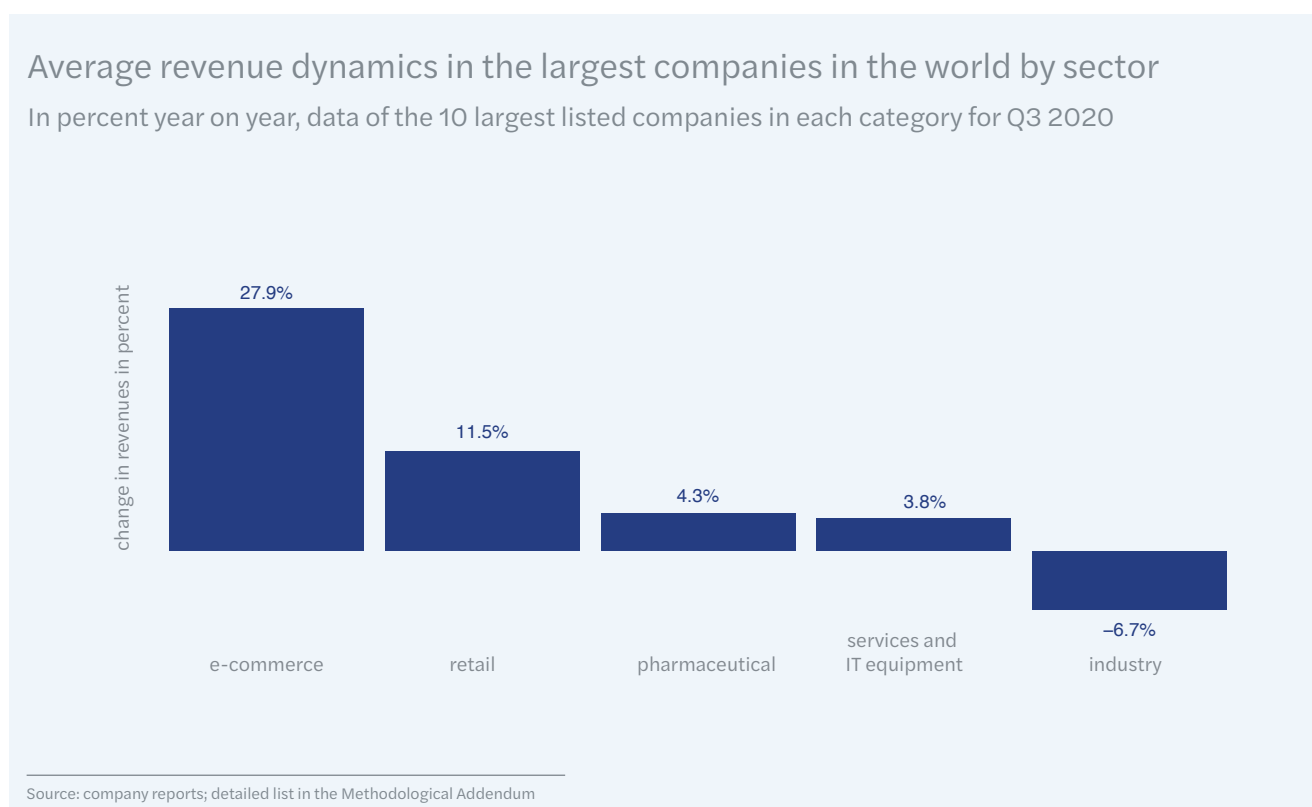
# E-commerce: the Most Important Business Transformation of the Pandemic World

**A spike in global e-commerce activity in 2020 is the most important business transformation brought about by the COVID-19 pandemic. Changes in this market are important for two reasons.**

**First, the pace of change is exceptional compared to other sectors.** In 2020, turnover in the online retail sector increased by about 30-50%, depending on the country. It is estimated that about half to two-thirds of this growth was triggered by COVID-19. Below, there is data on the revenues of the largest companies in the world by sector. It is clearly visible that e-commerce stands out. While other industries achieved revenue growth of up to 11.5%, and turnover of others shrank, in Q3 the e-commerce industry rose by about 30% yoy on average.

**Second, the transformation towards online trade concerns a sector with a very large share of the economy.** In developed countries, the direct share of retail trade in GDP ranges from 3.5 to 8%. Taking into account associations with manufacturers and suppliers in the supply chain, the importance of the sector is even greater. In addition, according to the data for the EU, approximately 40% of consumer spending goes through retail companies. Therefore, a significant proportion of customers and retail companies have directly experienced the growing importance of e-commerce.

**Chart 1.** No sector has benefited from the crisis as much as e-commerce. The largest companies improved their revenues by nearly 30%.





**Chart 2.** The impact of COVID-19 on e-commerce is visible when comparing 2020 sales with historical trends. The chart shows sales performance for multi-industry platforms (such as Allegro). Throughout the European Union, in April and May 2020 sales on such platforms were about 30% above the trend from the years 2016-2019, and in autumn these figures remained 18% above the trend.

## Retail sales on multi-industry online platforms in the EU countries

Monthly data up to October 2020; index, 2015 =100



Source: Eurostat

## 1.1 Polish Market in 2020 and Beyond

**We estimate that the value of the e-commerce market in Poland reached as much as PLN 70 bn (EUR 15.7 bn) in 2020 . This means that turnover increased by 43% over the year.**

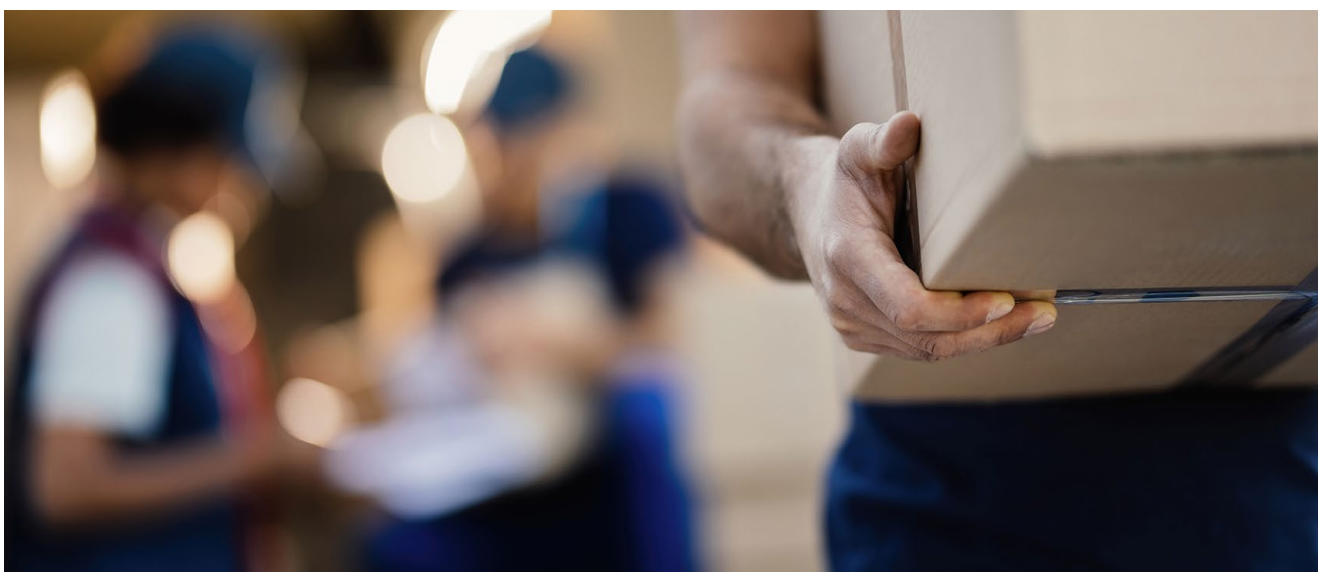
Similar calculations can also be found in other market analyses, including the estimates of eMarketer, a US-based business intelligence agency,<sup>1</sup> specialising in the digital marketing, media and commerce industries. According to their data, the estimated turnover in this market is EUR 15 bn. After many years of steady growth at a rate of around 10% per year, the pandemic period has in fact brought an almost threefold acceleration.

**It can be expected however that even after the pandemic, the e-commerce market will still be about 10-20% larger than in a scenario without the impact of COVID-19.** That means that the pandemic has accelerated the development of the market by one or two years. We think that 2021 will bring a temporary decline in the growth momentum due to the high base effect, i.e. a reference point that is already at a very high level. The growth rate should then stabilise at about 10-15% per year.

**In spring 2020, during the first wave of the pandemic, sales rose fastest in the commodity groups that had already been the drivers**

**of e-commerce sales before the turmoil,** i.e. in the segment of clothing and footwear, home furnishings as well as white and brown goods. In these categories, online sales surged by about 150% compared to the same period a year earlier. Consumers quickly switched from traditional to online shopping in areas where they already had experience and knew the online shops and brands. Only later did the industries less present in the e-commerce universe begin to gain ground.

**Online shopping has also accelerated significantly in segments where e-commerce penetration is currently low, which might be an important indicator for corporate strategists.** In some industries and businesses, the pandemic has not been so much an accelerator as a catalyst for change. This applies especially to sales of food or over-the-counter medicines. When the first wave eased up, e-commerce sales in these segments were about 25% higher than at the beginning of the year. These segments might therefore grow the fastest in the coming years (see Charts 4 and 6).

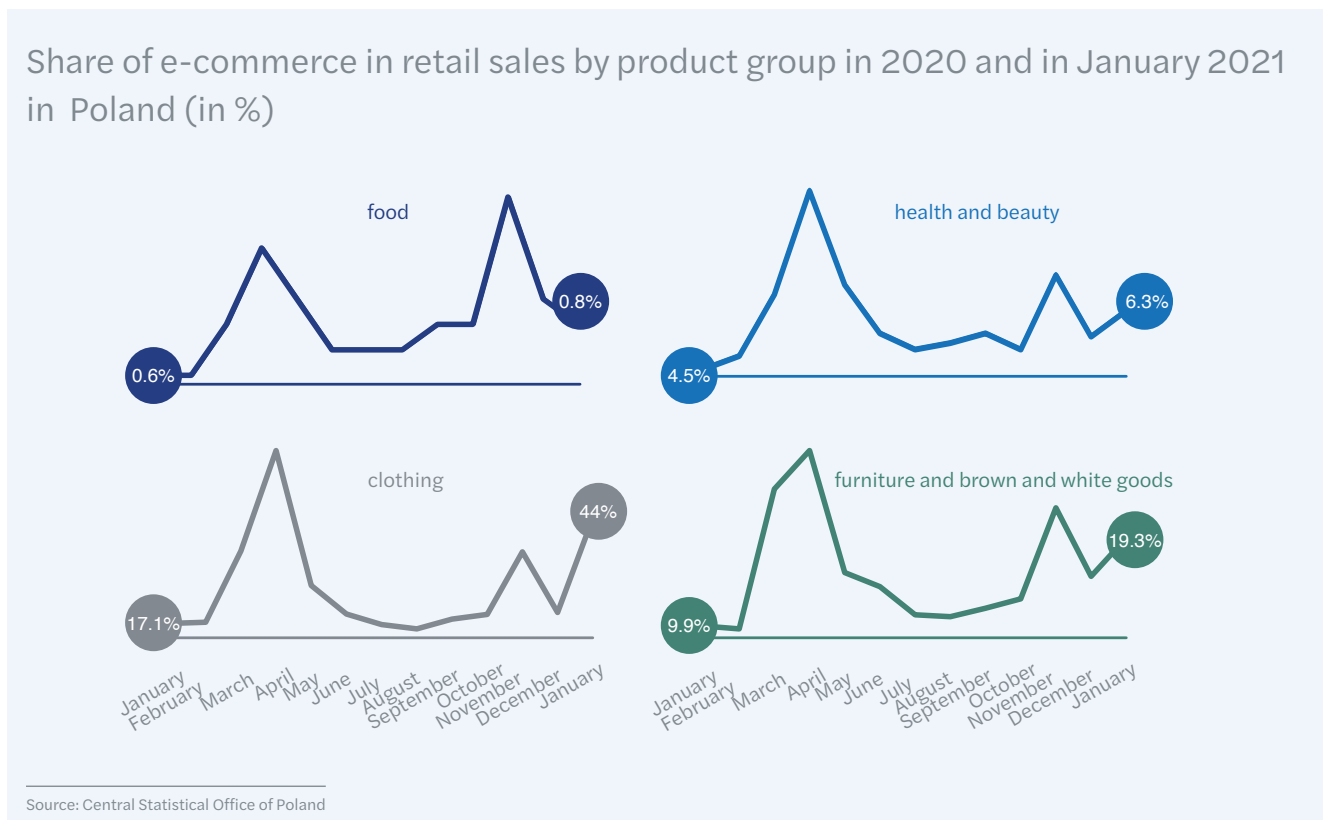


1. Ciesielski M., E-commerce and Fintech. System of connected vessels, 300Research, 2020, [https://static.300gospodarka.pl/media/2020/11/Raport\\_-Ecommercei-fintechy\\_System-naczy%C5%84-po%C5%82%C4%85czonych\\_2020-r.pdf](https://static.300gospodarka.pl/media/2020/11/Raport_-Ecommercei-fintechy_System-naczy%C5%84-po%C5%82%C4%85czonych_2020-r.pdf)

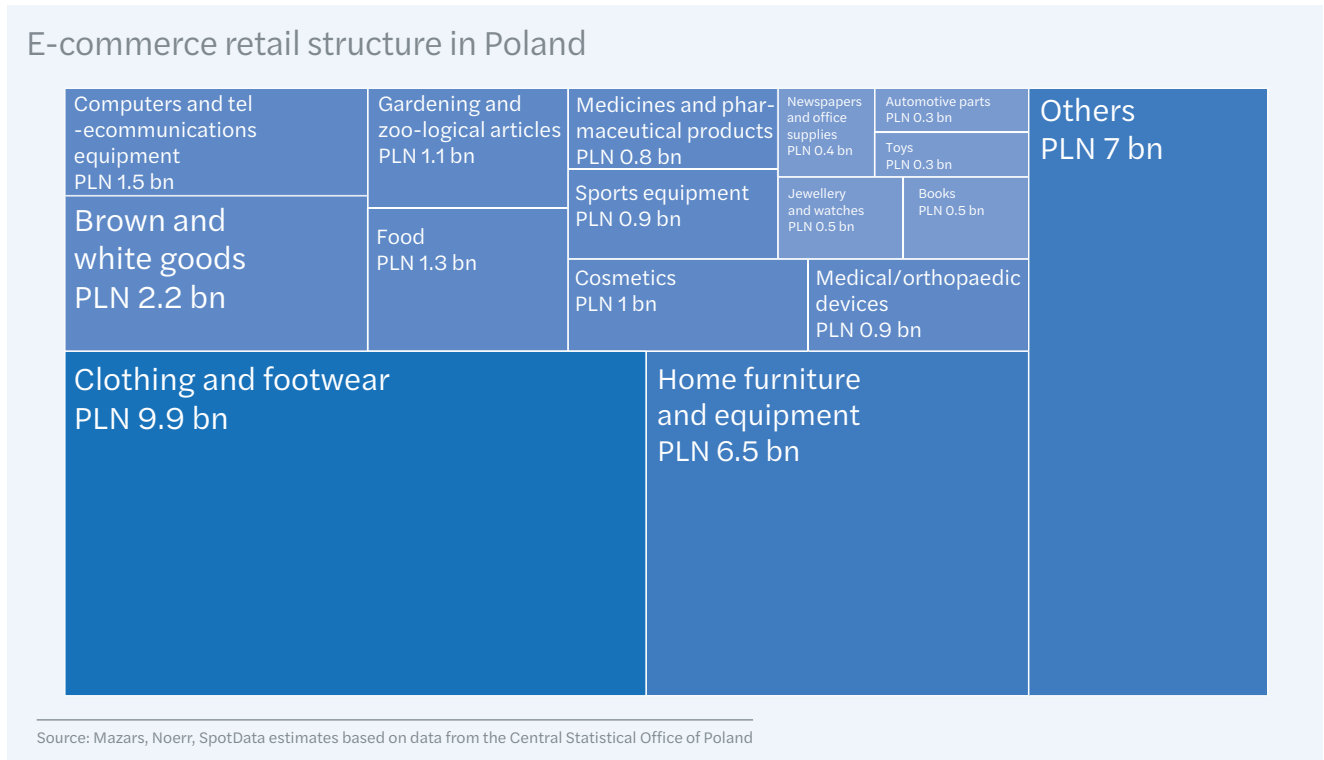
**Chart 3.** In 2020, the value of purchases in e-commerce channels in Poland increased by about 43% as compared to 2019 and reached PLN 70 bn.



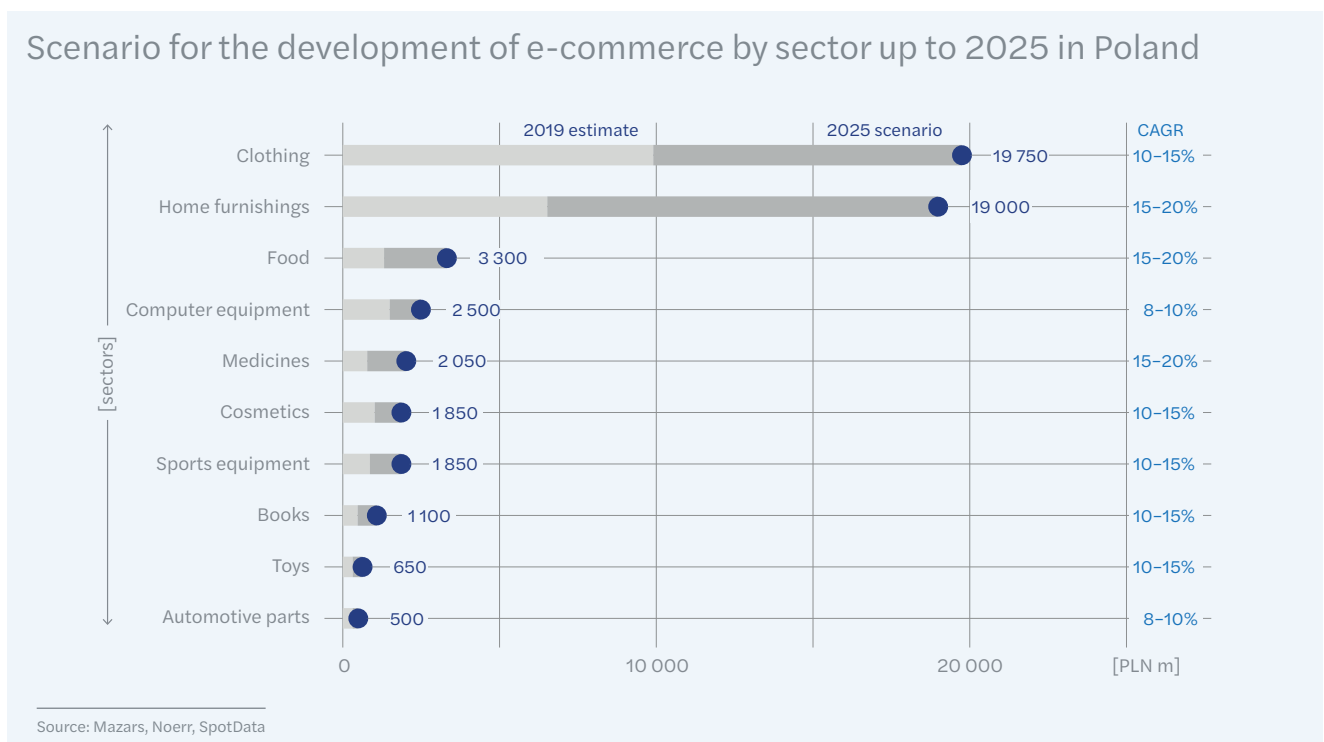
**Chart 4.** After the first wave of the pandemic eased up, food sales gained the most in terms of the development of e-commerce activities. Accelerating the digitalisation of trade in areas (and businesses) where it has been rather slow so far might be the most important change of the past year.



**Chart 5.** Structure of the Polish e-commerce market before the pandemic (2019 estimates). The Polish e-commerce market is dominated by sales of clothing and footwear as well as furniture and home furnishings. In the future, food retail, among others, might gain in importance.



**Chart 6.** The market, represented by its most essential segments, is expected to grow at a rate of 10-15% per year



## When trying to forecast the further development of the e-commerce market in Poland, its characteristics should be fully taken into consideration:

- **Share of e-commerce in retail trade**

In Poland, the share of e-commerce in retail trade is still visibly lower than in Western European countries. That additionally stimulates the growth rate of the market and is called the effect of convergence, i.e. convergence of the structure of economies. The effect should be there as long as the Polish economy as a whole grows faster than the EU average. Most macroeconomic forecasts suggest that we will be able to continue to develop at such a rapid pace. According to projections by the International Monetary Fund, by 2025 GDP growth in Poland will average 3.6% per year, as against 1.5% per year in the Euro zone.<sup>2</sup>

- **Relative digital advancement of the country**

The share of e-commerce in Poland is higher than in Western European countries with a GDP per capita close to ours. This indicates a relative digital advancement of the country. Even before the pandemic, 7% of retail trade in Poland was online, which is more than in Italy, Spain and Greece. In general, the whole region of Central Europe is quite digitally developed for its range of GDP per capita (Chart 7).

- **Market size and expansion opportunities**

The Polish market is sufficiently large to allow domestic companies to build economies of scale, and at the same time not large enough in relation to large developed markets to convince the world's largest tycoons - Amazon and Alibaba - to fully enter and start their activities here. Only at the beginning of 2021, Amazon announced its intention to create a Polish-language version of its website. Alibaba, on the other hand, provides services to Polish users through the Polish-language AliExpress website but only about 25% of shipments made through this company can be delivered within three days. This limited presence of giants might facilitate the expansion of domestic operators.<sup>3</sup>



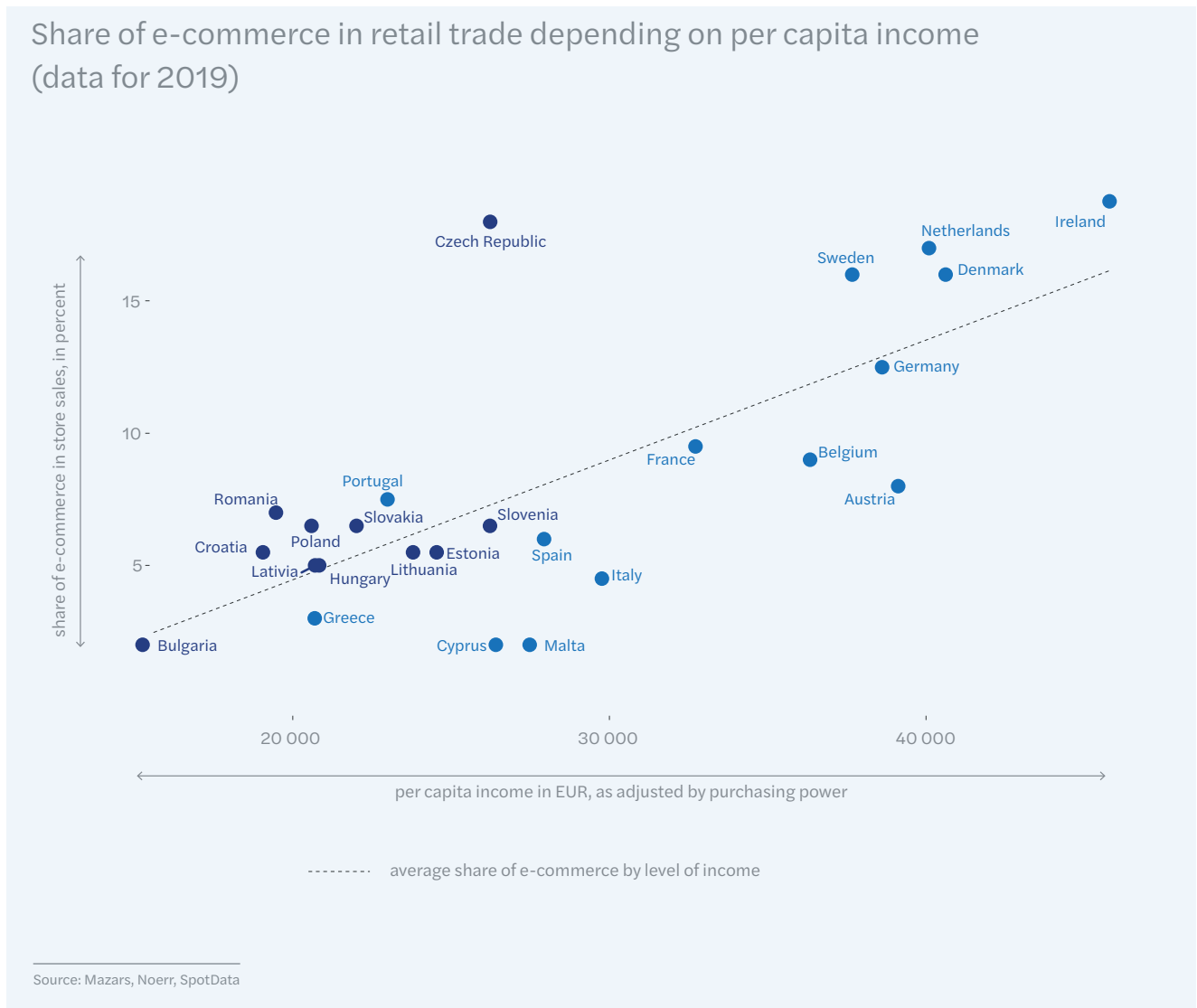
- **Conditions conducive to the activities of small and medium-sized enterprises in the e-commerce market and related investment opportunities**

The aforementioned size of the Polish market can provide space for many small and medium-sized entities to operate and quickly develop. In 2019, before the pandemic, there were about 2,000 trading companies (apart from the segment of micro-enterprises) selling online in Poland. By comparison, in the neighbouring Czech Republic, which is a very developed and much more advanced market than Poland in terms of e-commerce share, the number of such entities is 50% lower. A large number of companies create good conditions for potential financial and industry investors.

2. World Economic Outlook Update, October 2020, International Monetary Fund, <https://www.imf.org/en/Publications/WEO/weodatabase/2020/October>

3. In the coming years, AliExpress wants to increase involvement in the Polish e-commerce sector, Bankier.pl, 23.11.2020, <https://www.bankier.pl/wiadomosc/AliExpress-chce-w-najblizszych-latach-zwiekszac-udzial-w-polskim-e-commerce-wywiad-8006678.html>

**Chart 7.** The share of e-commerce in retail trade in Poland and other Central European countries is still lower than in most Western European countries but higher than in countries such as Italy, Spain and Greece.



## 1.2 Key Long-Term Lessons for E-commerce Companies from the COVID-19 Period

### The popularisation of online purchases in 2020 might trigger several lasting changes in the market.

- **Overall and sustainable growth in e-commerce sales by about 10-20% and further long-term upward trend after the pandemic.** This forecast needs to be discussed more broadly. At the outset of the pandemic, many people thought that it would permanently increase the level of online sales by about 35-40%, accelerating market development by 2-3 years. In the following months of 2020, however, it could be observed that consumers were eager to return to traditional shopping habits. In September 2020, when social and economic life temporarily returned to conditions close to normal, online sales in the EU reached a level 21% higher than before the pandemic. This is probably the best confirmation of the long-term nature of the changes we can expect from the impact of the pandemic on the e-commerce market. Therefore, it is worth realising that although 2020 was revolutionary for the e-commerce market, at the same time, consumers turned out to be more strongly accustomed to traditional forms of shopping than digital transformation enthusiasts thought.

This has been an important lesson for companies when creating development strategies. Traditional retailing will not disappear. Moreover, for many years to come, in most segments it will definitely prevail in terms of its share of sales. The ability to provide customers with access to a product range both in traditional and online channels might become a key driver of competitive advantage.

- **Rapid acceleration of the development of e-commerce in traditional retail chains to catch up the digital distance.** In 2020, contrary to the hitherto existing trends, the largest online platforms lost market shares in important market segments to traditional trade leaders. While Amazon on a global scale or Allegro in Poland increased revenues by about 50% yoy, large retail chains, forced to expand faster, reached the rate of growth even exceeding

100%. In Poland, this kind of momentum in e-commerce sales was generated last year, for example, by LPP (owner of brands such as Reserved and Cropp) and CCC (one of the largest footwear retailers and manufacturers in Europe). It might mean a reversal of the long-term trend of the growing dominance of purely online stores in e-commerce. COVID-19 has urged traditional chains to compete, which may be a real game-changer. Peter Thiel, the founder of PayPal, wrote that moving from 0 to 1 was always more difficult than the next steps<sup>4</sup> – and for many companies, 2020 meant just such a move, i.e. the first essential and courageous step towards significantly increasing the proportion of e-commerce sales.

- **Acceleration of the development of e-groceries, i.e. online food sales, which have developed below expectations so far.** This market is one of the most interesting business battlefields in e-commerce. The question is whether this segment of online commerce can be profitable in the long term and reach a share in the e-commerce market corresponding to its role in the economy. In Poland, food sales total about PLN 192 bn per year, of which just over PLN 1 bn is generated by electronic sales channels. The expansion of e-commerce in food sales is a global trend. The largest internet companies, such as Amazon and Alibaba, have already started operating in this segment. At the same time, traditional retail chains such as Walmart are investing heavily in e-groceries too. A great diversity of business models is worth mentioning here. The market includes internet giants with full-service facilities, traditional retail chains, online grocery stores with their own offer or independent courier companies (Glovo type) operating in the marketplace model. A similar diversity of business models can also be found in Poland despite the fact that the e-grocery market is still in the initial stage of its development.

4. Thiel P, Masters B., “Zero to One: Notes on Startups, or How to Build the Future”, Crown Business, 2014

Opinions are divided as to the further development of this segment. Some, as for example Tim Steiner – Chief Executive of Ocado, a major UK online food supplier – say that ultimately up to 70% of groceries can be sold through the e-commerce channel (today in the UK it is about 10% while in Poland about 1%). But there are also voices of sceptics who believe that ensuring profitability in this segment is not possible due to excessive costs. Currently, most retail chains do not earn any profit on online sales in the food segment but are instead forced to subsidise these activities.<sup>5</sup>

2020 brought a very significant change in the segment: e-grocery retailing in markets such as Poland has ceased to be a niche service and has become standard. What's more, food is the market segment that has gained relatively the most during the pandemic. The market penetration rate of e-commerce has increased by about a quarter. For the development of this segment, this might be the turning point, to be followed by a significant growth in sales. The largest retail chains in Poland are accelerating their development in this direction. In 2020, many of them, including Polomarket, Carrefour and Kaufland, launched a click & collect online shopping service. Similar changes can also be seen abroad. An example is the German Aldi chain which has introduced click & collect in British branches, although the business model of the company overall has not planned for the development of e-commerce activities. "A change in the consumer habits has been so important that it affects the assessment of profitability of online sales," says Giles Hurley, CEO of the UK branch of the company.<sup>6</sup>

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5. Eley J., Why supermarkets are struggling to profit from the online grocery boom, Financial Times, <https://www.ft.com/content/b985249c-1ca1-41a8-96b5-0adcc889d57d>

6. Eley J., Aldi steps up ecommerce efforts as it expands click-and-collect service, Financial Times, 28/9/2020, <https://www.ft.com/content/b4007137-8cb6-43d7-820a-cd25b978d74c>





## Chapter 2

# Dynamic Development Strategies

**The changes caused by the transformation of 2020 are an opportunity for many companies to develop in completely new directions. For those firmly established in the e-commerce sector, it is a powerful tailwind, pushing them towards increasing the reach of their activities. However, for those just starting a dynamic online expansion, this is the beginning of a real revolution.**

A detailed analysis of the activities, strategies and financial performance of the largest and most dynamic companies shows that two areas are key to success in the e-commerce market: **resources** (technologies, logistics, competences) and **economies of scale**.<sup>7</sup>

**In the context of e-commerce resources, “e” is the focus, rather than “commerce”, which means that when planning the development of online trade, all ideas about building resources appropriate for traditional trade should be set aside.** E-commerce companies gain their competitive edge largely from new technologies. Their use ultimately boils down to efficient management of the entire supply chain. It is therefore necessary to invest heavily in IT technologies and logistics and to build digital skills among employees.

In the most dynamic companies in the e-commerce industry, the ratio of investment to revenue is higher than the average for the traditional trade industry (see Chart 8) which indicates essential differences in the development strategies for both sectors. At the same time, it should be noted that the development of e-commerce activities often involves accepting losses at the initial stage of building a business. This is due to the simple fact that high expenditures are combined with capital outlays which in turn constitutes a burden on cash flows.

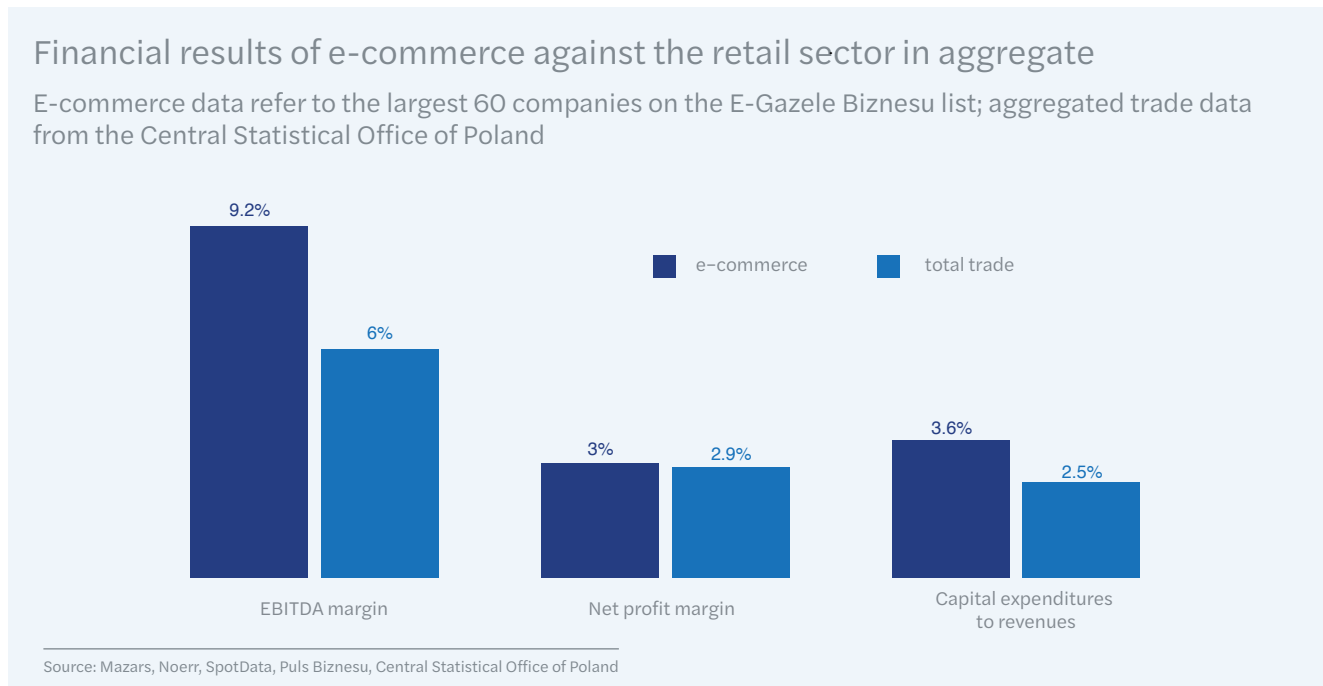
However, a survey conducted by SpotData<sup>8</sup> among private equity investors proves that it is not the amount of financial expenditures but the creation and development of the team’s digital competences that is the biggest challenge during the digital transformation of companies (44% of respondents indicated this is an important challenge; for comparison, 13% of respondents mentioned the amount of expenditure as a challenge). In addition, technological changes require a flexible approach to knowledge and skills, which is difficult to achieve in a static work environment. Therefore, the activity of e-commerce companies often requires the creation of a work culture different from that of traditional trading companies.

**The economies of scale, i.e. unit costs decreasing with rising revenues, are much more apparent in the e-commerce market than in traditional trade.** This is partly due to the substantial costs of logistics and technologies but also to lower customer loyalty. Therefore, in principle, one of the principal objectives of any e-commerce company should be scale, whether built through its own investments or through cooperation with large platforms. The importance of economies of scale makes the e-commerce market more concentrated in some segments than traditional retail markets.

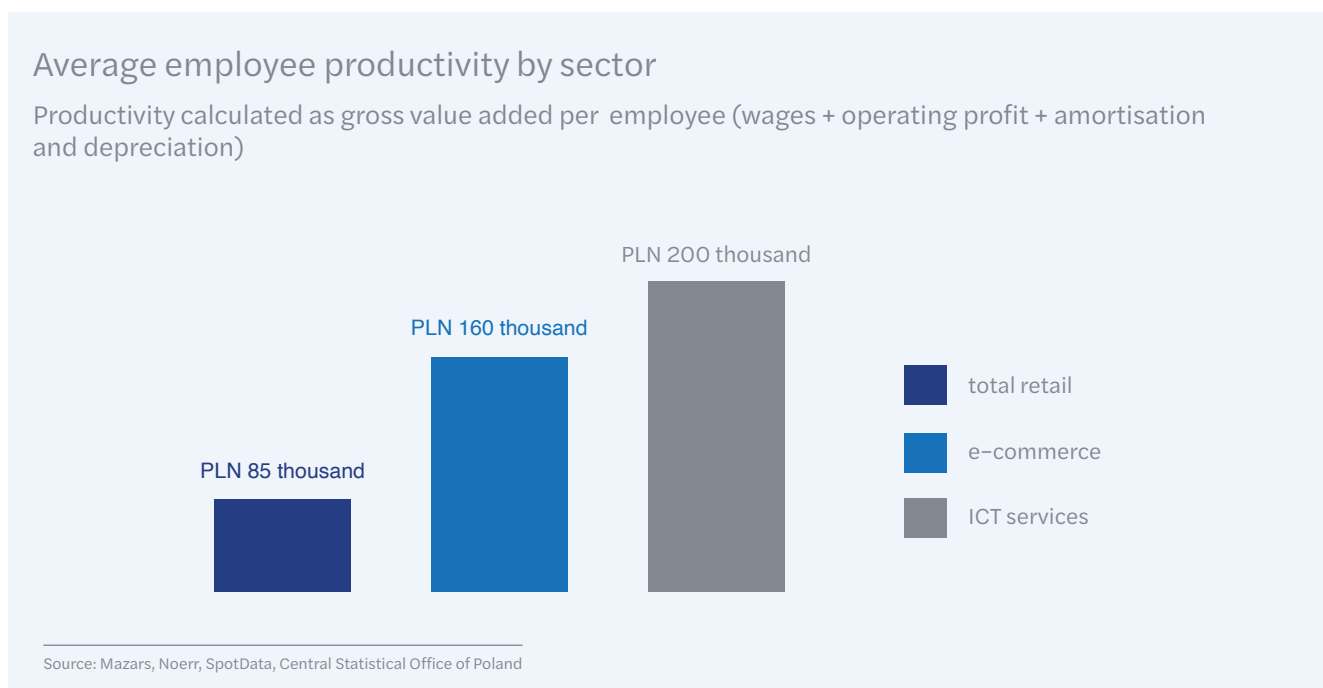
7. The analysis has been prepared based on the rankings of the largest and most recognisable companies (by, among others, “Forbes” and the Chamber of Electronic Economy) and the ranking of the fastest growing companies of online commerce (e-Gazele Biznesu, “Puls Biznesu”).

8. SpotData/Deloitte/MCI, Digitisation is more than technology. How are Polish businesses starting to catch up with digital technologies and what role do PE funds play in this process, SpotData.pl, 2018, <https://spotdata.pl/research/download/63>

**Chart 8.** Dynamic e-commerce companies invest a lot – almost 50% more than trade companies in general. Therefore, in the initial stage of operations, the net profitability of the e-commerce business is often rather limited (in relation to revenues).



**Chart 9.** E-commerce is not just a transfer of trade to another channel – it is a different operating model involving different skills. The technological profile of e-commerce companies positions them closer to the IT services sector than to the retail sector, which can be seen in the average work efficiency, largely reflecting the technological advancement of those companies. Technology is where potential competitive advantages should be sought.



## What Experts Say

**Anna Możaryn**

Senior Manager, Accounting Services Department, Mazars



### How to build competences with the help of third-party partners

Companies carrying out e-commerce sales need integrated technological solutions covering various aspects of online sales as order tracking, issuing sales invoices, cooperation with a third-party payment processor or inventory management. However, these usually do not include financial and accounting modules. With such large volumes of transactions per month as recorded in the e-commerce sector, it is worth thinking about the synergy effect and using detailed and aggregated data available in the business software for accounting and tax

purposes. One of the solutions might be to import into accounting software a set of appropriately parametrised aggregated data regarding online sales to individuals and payments categorised by payment processors, previously agreed in the business software. The legal possibilities of collectively presenting invoices issued to individuals in the new JPK V7M/V7K (Polish equivalent of Standard Audit File for Tax) make financial and accounting systems increasingly complementary to the business software of e-commerce companies.

## What Experts Say

**Anna Mirek**

Legal Counsel, Digital Business Expert, Noerr



### When building e-commerce, do not forget about IP

E-commerce cannot exist without virtual space. This means that intangible assets are one of the foundations. Entrepreneurs who can skilfully use them quickly gain market advantage. But to secure proper internet domains associated with the company's trademarks is a process, not a one-off action. While a company can independently develop know-how, running a business without using any third-party intellectual property is no longer possible (from licensing the software needed to run a website to the use of photos, films and other third-party works, etc.). An ineffective

acquisition of copyrights to software and other works, and unintended violations of third-party rights seem to be a big issue in the Polish e-commerce market. Contrary to appearances, this applies not only to small and medium-sized enterprises but also to leading companies in the e-commerce industry, which is unfortunately easy to see on their websites. Therefore, we urge entrepreneurs to attach the same importance to the protection of their intangible space as to their brick-and-mortar activities, and to do so in a continuous and well-structured manner.

## Voice of the Industry

**Maciej Kowalski**  
Senior Partner at MCI Capital



### Large entities will increase the distance

In my opinion, the coronavirus pandemic has accelerated e-commerce processes by about two-three years which means that e-commerce penetration might reach the Western European level much faster. Despite the fact that today many companies plan to switch to sales through online channels, large entities - thanks to investments, including in automation, customer service and

order fulfilment - will increase the distance from smaller players. Investments in technologies are particularly important in segments with strong competition and comparability of products. By digitalization of supplier and customer relationships and of internal processes, companies might better adapt to dynamic market changes and build competitive advantage.



## 2.1 How to Grow in the E-commerce Industry – Recommendations

We have analysed the activities of the largest and most dynamic e-commerce companies and have asked representatives of selected companies to share their experience. On this basis, a list of nine recommendations has been compiled. They will help both market leaders as well as new market entrants to plan the development of their e-commerce activities.

Table 1. Recommendations for Dynamic Development Strategies

Resources: technologies, logistics, competences	Economies of scale
1. Next-day delivery – The most important battleground today	6. Marketplace can be a lever in building the economies of scale
2. E-commerce must operate like high-tech	7. Acquisitions facilitate the process of learning new competences
3. Use of data is a prerequisite for high efficiency	8. Target markets should be a local region and the world
4. Loyalty is the foundation to build stability on	9. Combination of offline and online solutions might provide exceptional synergies
5. New frontlines in a fight for customers on the internet require flexible responses	

### A. Next-day delivery – The most important battleground today

Today, the time taken for goods to reach the customer is one of the most important measures of quality progress in the e-commerce industry. **As many as 90% of the largest industry companies in Poland under analysis consider the development of logistics facilities as one of the most important elements of the development strategy.**

Stores try to cut delivery times as much as possible because this specific characteristic of the service

significantly affects the level of customer satisfaction. **Global independent research shows that the efficiency of delivery (besides complaint-handling services) is the most essential driver affecting overall opinions about the store – even more important than the quality of the product itself.**<sup>9</sup> Such a focus might result from the fact that the quality of the product can, in many cases, be assessed before buying, but the quality of the service – only after the transaction.

9. Rajendran S., Wahab S., Ling Y., Yun L., The Impact of Logistics Services On the E-Shoppers' Satisfaction, International Journal of Supply Chain Management, Vol. 7, No. 5, 2018, pp 461-469.

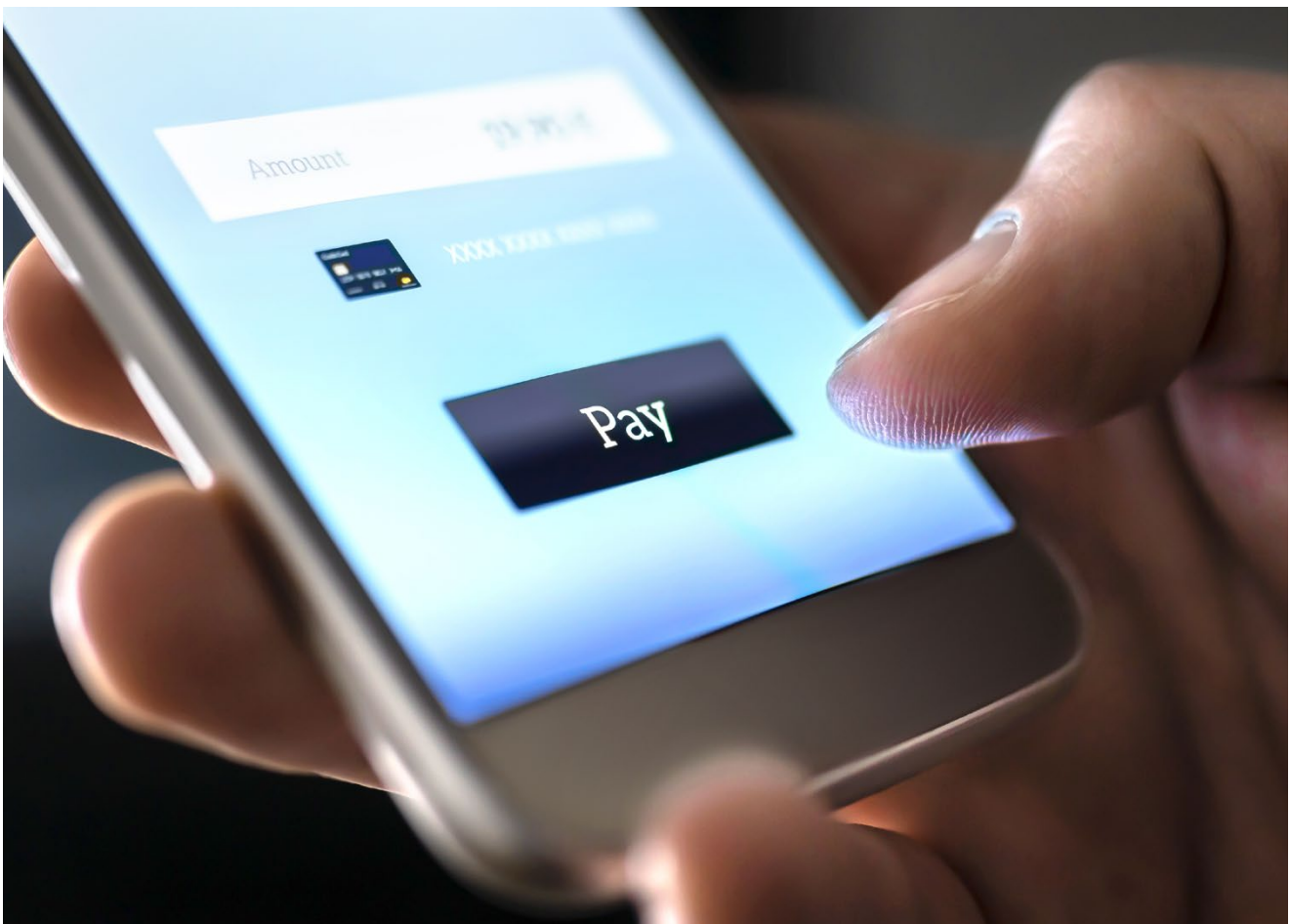
There are several important trends that e-commerce companies should take into consideration:

- **Delivery times are improving very quickly.** In large cities, companies are currently making efforts to ensure same-day deliveries where possible. In the future, deliveries will be made within an hour of placing the order. A further deepening of the market as compared to the current status might result in reaching this level faster than forecast until recently.
- **Ensuring fast deliveries requires the use of efficient “last mile” services,** i.e. at the last stage of transporting the shipment to a destination specified by the customer. That is a critical point, and that is why the largest companies take great care to control delivery conditions even at the last stage, using a network of pick-up points and parcel machines. The importance of the last mile services opens up new opportunities for companies with an

extensive network of brick-and-mortar stores. Such companies can build a competitive edge, taking advantage of the growing propensity of consumers to pick up goods in their local store.

- **Upgrading analytical systems and automation of warehouse operations** is a way to reduce delivery times. This is based on experience from large markets where analytical systems enable more accurate forecasting of demand sources and better planning of deliveries.

The volume of investment needed to build an efficient delivery system makes it an insurmountable barrier for smaller companies alone. Fortunately, more and more fulfilment providers, i.e. operators of logistics services for online stores, can satisfy all their needs. From the perspective of smaller entities, it is crucial to treat the quality of logistics services as an absolute priority and to select the operators that guarantee top quality.



## What Experts Say

**Pawel Żelich**

Legal Counsel, Real Estate Expert, Noerr



### How to proceed with investments in warehouses

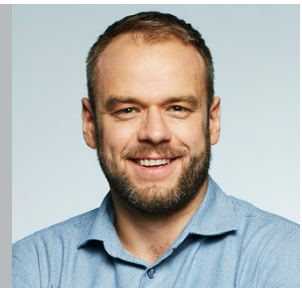
Warehouses are an essential element of logistics services. To simplify things, depending on which development strategy the e-commerce company adopts, investments in warehouses can be carried out in two ways: by purchasing warehouse facilities or by leasing them. Regardless of the solution chosen, the investor should be aware of both universal legal issues (common to purchasing and leasing) as well as specific issues related to a given investment project. Issues related to the location of the storage area (e.g. legally secured access to the public road, provisions of the local zoning plan/spatial planning, possibility of conducting operations in a given location, including environmental protection, noise restrictions, etc.) are common for both scenarios. When acquiring the warehouse space, there is also the issue of securing a legal title to the land, and when acquiring a plot for construction, it is also important to check and

control the issues affecting smooth execution of the construction process (e.g. the issue of the designated use of the property, neighbourhood, etc.). When thinking about the lease, however, it is important to remember issues that may be crucial for the stable operations of the tenant in the selected location for the entire term of the lease. These include making the tenant independent of changes in the ownership of the warehouse facilities, regulating any possible emergency situations, rent increases and service charges (together with a clear specification of what falls within their scope) as well as leasehold improvements. It is also necessary to regulate such issues as liability, performance bonds and termination of the lease. When leasing warehouse space which is yet to be built, most of these arrangements should be adapted to the risks associated with this fact.

## Voice of the Industry

**Jacek Palec**

CEO of Frisco.pl



### Warehouse automation might largely affect competitive advantage

The Polish e-commerce market, like the more developed ones, is changing its face today. The usual benefits stemming from the same, such as a wide selection of products, good price and shopping convenience, must be supplemented by safe and comprehensive solutions in times of lockdowns. Automation of warehouse and customer service processes, albeit expensive, can significantly

increase efficiency, reduce costs, and thus affect the company's edge in a very competitive market. It is worth remembering that even the best IT tools and platforms will not bring the expected result if their purchase is not preceded by a precise analysis of needs and implementation is not carried out by specialists knowing perfectly the company.

## B. E-commerce must operate like high-tech

According to a survey conducted by Salesforce (supplier of software and services to support sales processes and customer relations) among 7,000 consumers worldwide, **as many as 75% of buyers are ready to change stores if they experience any difficulties in the purchasing process.**<sup>10</sup> That shows how easy it is to lose a customer if only one link in the IT system is of low quality in terms of the so-called user experience. This can be due to the fact that generally in about 70% of cases, products put in the basket are ultimately not purchased at all. Every e-commerce company should be aware that in order for a single consumer to become a loyal customer, sales and transaction systems as well as process and supply chain management systems should work flawlessly. Efficient and effective IT technologies are essential drivers when building a competitive advantage in this market. In this respect, e-commerce is like high-tech – it is predominantly

based on intangible assets. **In traditional companies, intangible assets account for about 10% of the total balance of all the assets, while in the largest e-commerce companies this figure goes up to as much as 50%.**

Technology is such an important element in the development of e-commerce that some companies operating in this industry have gone through the path of transformation from an online trade operator to a technology service provider. A good example is Ocado, a UK e-grocer who started as an online store and today mainly offers technological solutions for e-commerce. While this development path is only available to large platforms that can provide not only marketplace services, but also fulfilment, access to the latest online technologies is the basis and foundation for any e-commerce activity. Without it, no company in the industry will be able to gain and keep a stable place in the market.

### Voice of the Industry

**Damian Zapłata**

CCO, Member of the Management Board of Allegro.pl



### Focus on customer experience

There are 120,000 retailers on Allegro, mostly small and medium-sized enterprises. For many, lockdown was a big challenge. Among them there were companies that had to move to the Internet, as well as those that had already operated there but faced unprecedented challenges such as increased demand for certain products and the need to ensure the safety of employees. Customers are more likely to buy in the Internet because online shopping has become the safest option.

The best strategy - both for Allegro and for other e-commerce companies in Poland - is to focus on providing customers (and sellers) with the best experience, competitive prices, wide choice and convenience of shopping. We want to attract more customers, encourage them to shop, enabling at the same time sellers to smoothly run a business on Allegro and reach a satisfactory sales growth. Such a strategy will certainly be supportive of the trend of trade digitisation.

10. State of the Connected Customer, Insights from 15,000+ global consumers and business buyers on a new era of customer engagement, Salesforce, 2019, <https://www.salesforce.com/resources/research-reports/state-of-the-connected-customer/>



### C. Use of data is a prerequisite for high efficiency

An important element to build effective sales and grow margins is data generated by e-commerce companies and their users. The ability to use and analyse the data is, in turn, a key competence affecting the performance of sales teams.<sup>11</sup> For example: 49% of sales teams recognised as effective use predictive intelligence in their activities. Among teams with much less impressive sales results, only 5% use this technology. The picture is similar for the use of website personalisation techniques.

Polish companies – especially small and medium-sized ones – still need to catch up. **Big data technology is used by only 6% of retail companies with at least 10 employees, while the average for the European Union is 12%.**

In most cases, the development of technologies for analysis and use of large data sets lies outside the operating scope of e-commerce companies. Nevertheless, any company in the industry can take the following actions to ensure the proper use of data and to improve sales efficiency:

- **Data audit**  
Data that is in the company's possession and can be used in processes such as product development, marketing and sales as well as pricing and demand forecasting should be audited. The vast majority of companies do not fully exploit the potential of the data they generate themselves. Examples include the pricing process which often involves benchmarking against the competition and acting intuitively, i.e. by trial and error. Proven algorithms estimating the price elasticity of demand are used much less frequently for this purpose.
- **Selection of a technology partner**  
The process for selecting a technology partner in terms of the effectiveness of offered services, related costs and technology adaptations to the needs of the company should be duly and carefully completed. Such services are provided by both large, international corporations as well as smaller domestic technology operators. Technological progress, including in the cloud computing area, means that prices for this type of services are continuously falling and today even an average Polish medium-sized company can use them.

11. Fourth Annual State of Marketing. Insights and trends from 3,500 global marketing leaders, Salesforce, 2019, [https://www.salesforce.com/content/dam/web/en\\_us/www/assets/pdf/datasheets/salesforce-researchfourth-annual-state-of-marketing.pdf](https://www.salesforce.com/content/dam/web/en_us/www/assets/pdf/datasheets/salesforce-researchfourth-annual-state-of-marketing.pdf)

## D. Loyalty is the foundation to build stability on

Customer loyalty is very difficult to gain and keep in the online world. As the Salesforce study shows, customers are quite keen to switch vendors which is why customer acquisition and retention is so expensive. The American business magazine “Fast Company” has even coined the term “**CAC as a new rent**”, which means that the customer acquisition costs (CAC) are for online companies what rent is for companies in the physical world. **Independent research shows that almost 75% of online customers like and want to receive some bonuses related to shopping, and about 33% are members, in one form or another, of loyalty programmes.**<sup>12</sup> Therefore, it is clear that companies still have a lot to do in terms of building customer loyalty.

**Analysts dealing with corporate valuations increasingly pay attention to customer loyalty as an element significantly affecting the competitive position of companies and their prospective revenues and profits.**<sup>13</sup> Loyalty begins to play the role of a soft asset, being an underlying foundation and the basis for further development of the company. Investments in loyalty can thus have an importance similar to investments in other assets, both durable and non-durable.

Market leaders do a lot in this area. Allegro has been running its Smart programme for two years now, giving active customers the possibility of free delivery. The programme has inspired and encouraged other companies in the market. Since September 2020, Empik has been promoting a similar service, under the name Premium Free. In addition, the company is also developing a subscription model, offering subscription-based access to audio content as part of the Empik Go product. The subscription model, characteristic of the media and entertainment industry, has existed for quite some time and works well in online channels too. Interestingly, more and more traditional trading companies are also exploring the possibility of developing business models based on fixed charges. For example, Ikea is developing in this direction and has just started to test a furniture lease model.

Loyalty is also of great importance for the development of data analytics. Loyal consumers know the company but the company also knows them well enough to be able to predict their preferences and provide them with customised offers.

### Voice of the Industry

**Piotr Wawrysiuk**  
Founder and CEO of PsiBufet



### Acquiring a customer is expensive so retention plays a key role in the system

Technology is of vital importance in our business. PsiBufet is not a typical e-commerce business but rather a subscription platform operating under the D2C model, i.e. direct to consumer. Based on a virtual survey conducted individually with our customers, we create personalised diet plans for their dogs. We developed the entire process from scratch on the basis of a custom sales engine. Another element of our platform is the customer panel which allows

to freely manage deliveries and payments and modify nutrition plans established for customers' dogs. In the subscription business, acquiring new customers is relatively expensive which is why it is so important to retain them and to keep continuity of supply. This is facilitated by the platform which we flexibly expand with new modules as well as by efficient and fast logistics that is crucial due to freshness requirements of the product.

12. Tahal R., Loyalty Programs in E-commerce and their Perception by the Young Adult Internet Population, Central European Business Review. 3. 7-13., 2014

13. mBank Brokerage House issues a recommendation to sell Allegro, Bankier.pl, 24/11/2020,

## E. New frontlines in the fight for customers on the internet require flexible responses

In 2020, one of the world's most prominent business transactions concerned a unique merger of a trading company with a social media operator. Walmart acquired some of the shares in TikTok. The US retail chain bought shares in the social platform that is popular among young people because it needed a channel to promote and organise sales under the 3P (third party) formula, i.e. the marketplace model.

**This transaction, not obviously relevant per se, shows how important flexibility is in order to build and keep a competitive edge. In addition, it clearly shows one of the most important technological front lines in the e-commerce market today: online marketing.**

Reaching millions or billions of customers requires more and more investment in technology. As a result, there are strong economies of scale that are characteristic of the e-commerce market. Their principal beneficiaries are large entities whose cash flows permit them to get involved in a technological struggle. **The business intelligence agency eMarketer forecasts that the social commerce market (sales through social media) will grow in the US at a rate of about 30% per year, which is much faster than the entire e-commerce market in the United States.<sup>14</sup> In turn, according to estimates by the US-based GroupM, a leader in the media investment market, in global terms, the overall spending of the e-commerce industry on online marketing is already growing faster than revenues from online commerce.<sup>15</sup>** E-commerce is therefore currently the fastest growing advertiser in the digital world. It is symptomatic that in 2019 Amazon was the largest advertiser in the world, and at the same time the only trading company in the world's top ten largest companies, previously dominated by consumer goods brands such as Procter&Gamble, Unilever and LVMH.

Because trends in the digital world are rapidly globalising **the following conclusions can be drawn for Polish companies from the analysis of the new developments taking place in the largest countries.**

- First, it is **worth planning a systematic increase in expenditure on online marketing**, assuming at the same time that the growth rate will be even faster than that of revenues. Although marketing is an operational expense, it often plays the role of investment, i.e. it contributes to building the capacity to generate revenues in the future.
- Second, customer behaviour in the digital world is changing faster than in the physical world, so **new front-lines are opening up in the fight for customers, which require quick and flexible responses**. Thus, marketing in the digital world needs a greater momentum of analytical and decision-making processes than traditional marketing.
- Third, **digital marketing should be closely integrated with data analysis systems** enabling customer profiling, testing various forms of communication reach (including A/B tests, displayed to different groups of customers and featuring content modified by a specific factor) or analysing price elasticity of demand.



14. Quote from: Devanesan J., 3 ways social commerce could take off in 2021, Techwire Asia, 19/11/2020, <https://techwireasia.com/2020/11/3-ways-social-commerce-took-off-in-2020>

15. Wieser B., E-commerce Trends: Marketplaces Thrive, D2c Slows, GroupM, 2019, <https://www.groupm.com/e-commerce-trends-marketplaces-thrive-d2c-slows/>

## F. Marketplace can be a lever in building economies of scale

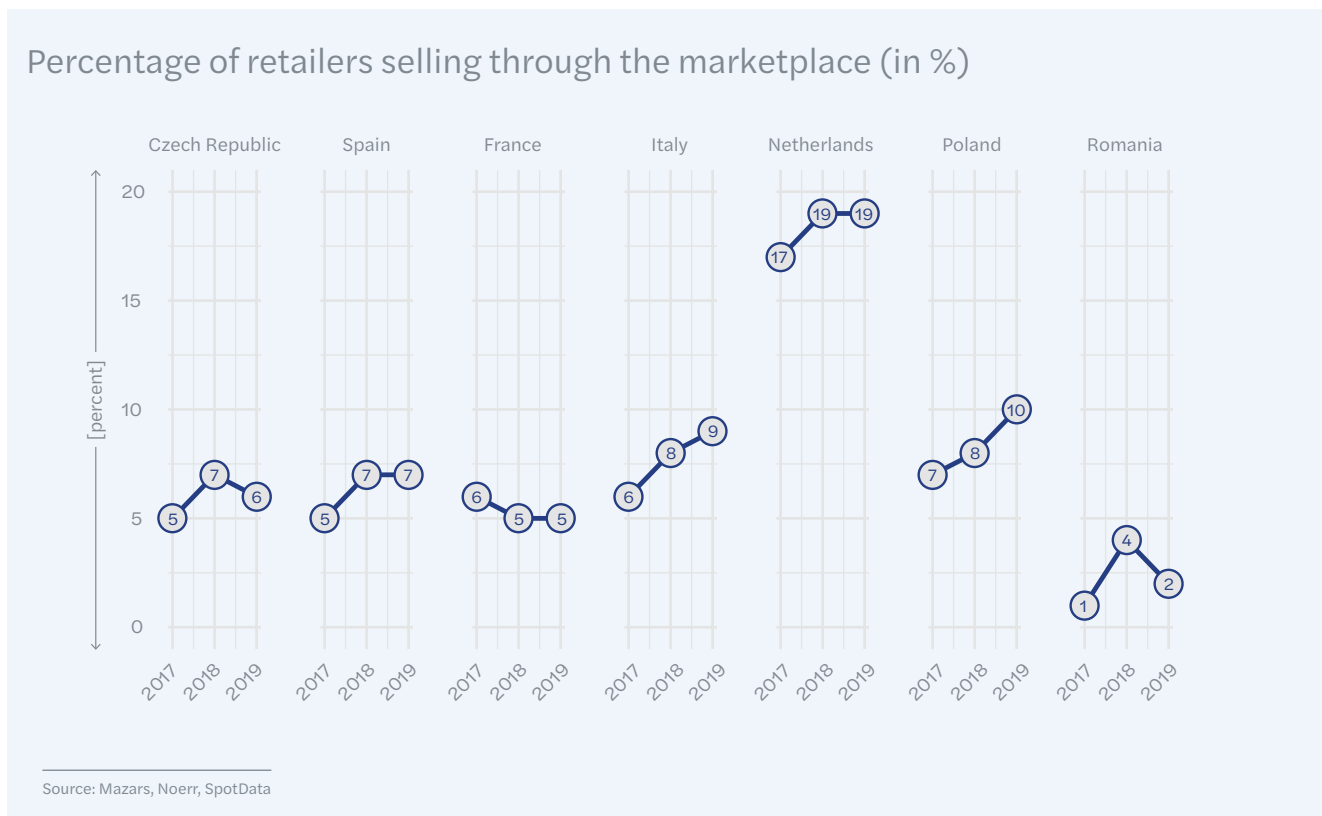
The analyses completed show that approximately 15% of the largest companies in the e-commerce market in Poland sell goods both from their own range as well as from the range offered by their partners to whom they provide their own marketplace platforms. This formula is already applied by market leaders – Allegro in Poland or Amazon in the global sphere – and more and more companies are following in their footsteps. In 2019, one in ten retail companies was using such platforms to sell their own products. In 2020, their number is estimated to have increased significantly due to the overall impressive growth of the e-commerce market but for the time being there is no precise data.

For large companies, this development direction is expected to become more and more important. In Poland, Morele.net (one of the leaders of the Polish e-commerce market in consumer electronics) and Empik (the largest chain for the distribution of cultural, knowledge and entertainment goods in the Polish market and a leader in publishing

categories) have already opened up their platforms to third-party sellers. Importantly, compared to other countries of the European Union, Poland is distinguished by a relatively wide use of marketplace solutions. This might be due to the existence in the domestic market of large, local companies providing such services (Allegro).

For large companies, the development of the marketplace solution is an additional growth driver, giving them the opportunity to significantly expand their offering without incurring burdensome financial outlays. It is worth noting that a practical breakdown of the offered range into its own products and third-party products is not very important for the competitive advantage as the latter is mainly determined by logistics and technologies. In turn, for small companies, access to the marketplace solution constitutes a growth driver because it allows them to reach economies of scale without major expenditure on developing their own sales system.

**Chart 10.** Companies in Poland very frequently use marketplace solutions. This trend is likely to continue to grow.



## G. Acquisitions facilitate the process of learning new competences

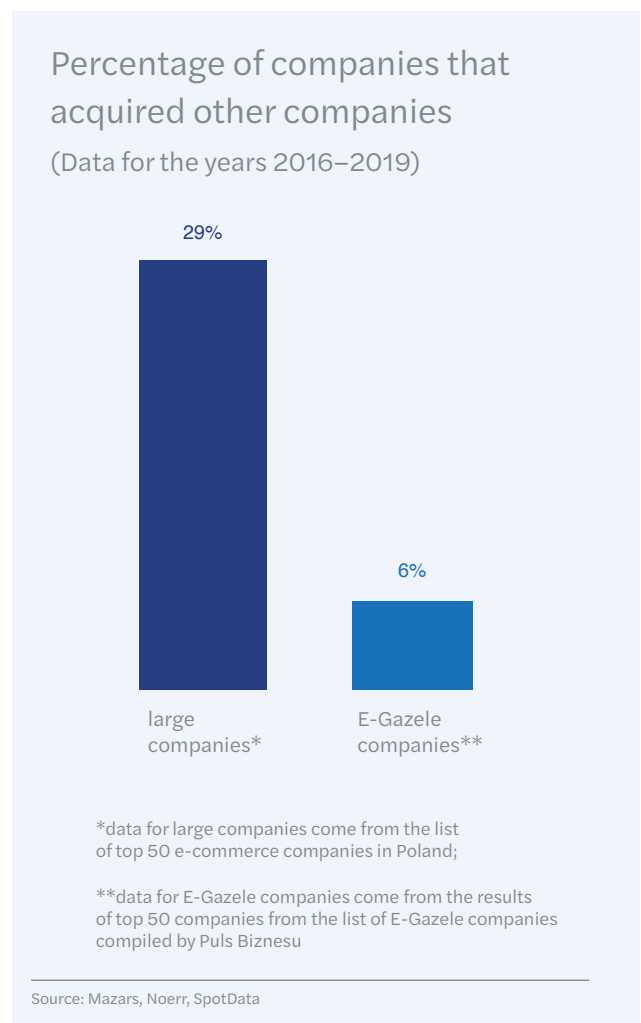
Only 29% of large e-commerce companies in Poland grow through acquisitions so this is not a popular pattern of expansion. This is because, in the digital world, it is often easier to capture the market with the company’s own resources than through acquisitions that involve the need to combine different organisational cultures and technological systems. This development path has, however, some advantages too.

- Acquisitions allow for vertical integration of the supply chain and thus contribute to a more efficient margin building in each of its links.**  
 The largest global e-commerce companies are in a constant fight for the growth of every single element of their supply chain. Companies invest in both brick-and-mortar stores allowing to ensure a rich assortment and continuity of supplies through a well-developed network of suppliers as well as in warehouses, logistics technologies and new solutions in the area of deliveries to customers. For example: Amazon is investing in autonomous vehicle companies, since it is on the lookout for prospective future cheap and fast solutions to carry out deliveries to customers.
- Acquisitions allow traditional stores to develop competences in the online world (more often), and online companies to launch traditional sales (this happens less often but is important for building omnichannel sales).** In the Polish market, an example of the process of learning new competences was the acquisition of a controlling stake in eobuwie.pl (the most popular Polish online footwear store) by CCC Group (one of the largest retail footwear companies and one of the largest manufacturers in Europe) which at that time operated mainly through brick-and-mortar stores. As a result, CCC Group gained access to the leading online footwear sales platform in Poland and a vast knowledge in the field of online trade operations. In turn, eobuwie.pl gained access to the international network of the CCC showrooms and had the opportunity to switch to omnichannel business (there are already conventional eobuwie stores in the market). With this acquisition, the e-commerce segment has become one of the most important areas of activities of CCC Group, and its main component is eobuwie.pl. After nine months of 2020, eobuwie.pl already accounted for 77% of the revenues of the Group that owns modivo.pl and deeze.pl platforms too. By comparison,

in 2019, the share of revenues from online sales was 25%. The pandemic has accelerated the development of e-commerce at CCC so strongly that the target set for 2022 – reaching a 35-40% share of online sales in revenues – was reached two years in advance, and the new target set for 2022 is over 50%.

- Acquisitions are also a way to proceed with **international expansion** (this topic is examined in more detail later in this report).

**Chart 11. 29% of large e-commerce companies are developing through acquisitions. It is not a popular pattern of expansion, but acquisitions are important for margin building throughout the entire supply chain, learning new competences and international expansion.**



## What Experts Say

### Jacek Byrt

Partner, Head of Financial Advisory Services, Mazars



### The key to success when acquiring a business in the e-commerce industry

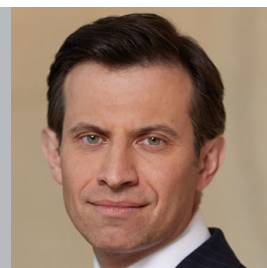
Presence in the e-commerce market has become the key to success during the COVID-19 pandemic. Acquiring a player already active in this segment seems to be the ideal solution. First, however, it is worth asking ourselves: what objective do we want to achieve? Do we plan to increase revenues by gaining access to a new sales channel, to expand the range of products offered or to enter new geographic markets? The objective of the acquisition transaction must be closely linked to the response given. We should then consider whether we have the skills

to effectively integrate the newly acquired entity with our business. For example, organisational culture differences between a traditional company and modern e-commerce activities may be so important that integration into one company might disrupt the operating activities and motivation of teams. Another fundamental issue is price. Given the high valuations of e-commerce companies, the key to success will be to produce synergies, i.e. to use the newly acquired company to significantly increase the value of our own business.

## What Experts Say

### Jakub Lerner

Legal Counsel, Co-Head of Corporate/M&A & Private Equity Practice Group, Noerr



### What aspects are the most crucial when acquiring an e-commerce company

Structured acquisitions of companies (consisting in the acquisition of shares or assets of a company or its enterprise/organised part) are usually preceded by due diligence. Its purpose is to analyse the company's activities and identify possible threats and their impact, including on the transaction under consideration, as well as to define methods to minimise those threats already at the stage of preparing transaction documents. Due to the nature of the business, entities from the e-commerce sector are audited differently from traditional companies. In addition to the usual areas of examination, such as the analysis of legal title to shares or corporate and employee documentation, the verification of the legal status of intangible assets should be definitely the area of focus. This concerns in particular rights to internet domains and software, e.g. used to handle customer relations and to operate corporate

websites. It is necessary to determine whether it has been developed specifically for the needs of a given business or whether it is the subject of a licence that can be easily transferred to a new entity. As a standard, we also investigate trademarks and copyrights, e.g. to graphic and audio-visual materials used by the company on its corporate website. The fact that entities from the e-commerce sector collect huge amounts of personal data of consumers and customers also makes it necessary to check their processing methods for compliance with the GDPR requirements. Nor should we forget to verify the terms and conditions for the use of their website or for the provision of electronic services. In the case of activities in the regulated sectors, i.e. in relation to online pharmacies or food stores, compliance with specific industry regulations, such as pharmaceutical law, must also be verified.

## H. Target markets should be a local region and the world

The economies of scale make international expansion a very important contributor to building the size of the market for e-commerce companies. **Although cross-border sales for Polish e-commerce companies are still not a standard practice – only about 30% have decided to follow that path – in this respect Poland remains at the average level in the European Union.** In addition, in the coming years a gradual increase in the percentage of companies operating in the international market is expected.

Companies whose strategy is consistently focused on expansion are the most successful when doing business abroad. This should not consist of an occasional cross-border transaction, but rather of building a brand that deliberately seeks to become global. Such an approach can often be seen already in the names of the companies concerned – English ones or ones easily pronounced in various languages, such as eSky, GOG, Answear, Risk Made in Warsaw, Mosquito, Modivo or DeeZee.

Companies successfully selling products and services abroad provide convenient online payment

methods that are popular in their customers' countries and in their customers' local currencies. In this respect, the e-commerce industry is supported by fintechs.

Due to the enormous importance of speed of delivery in e-commerce, many companies operating in this sector focus on expansion in their local region. A perfect example is the multibrand online clothing and footwear store Answear.com, owned by Wearco. Besides Poland, Answear.com is available in Bulgaria, the Czech Republic, Hungary, Romania, Slovakia and Ukraine. The store website has versions in local languages of all those countries. The company focuses on consolidating its position in individual foreign markets by expanding its product range and improving logistics. In the Czech Republic, Poland and Slovakia, it is able to deliver orders within 24 hours, and in other countries (except Ukraine) within 48 hours. Answear.com's revenues are growing dynamically from year to year, but it is cross-border sales where the biggest growth has been recorded.

### Voice of the Industry

**Jacek Kujawa**  
Vice-President of LPP



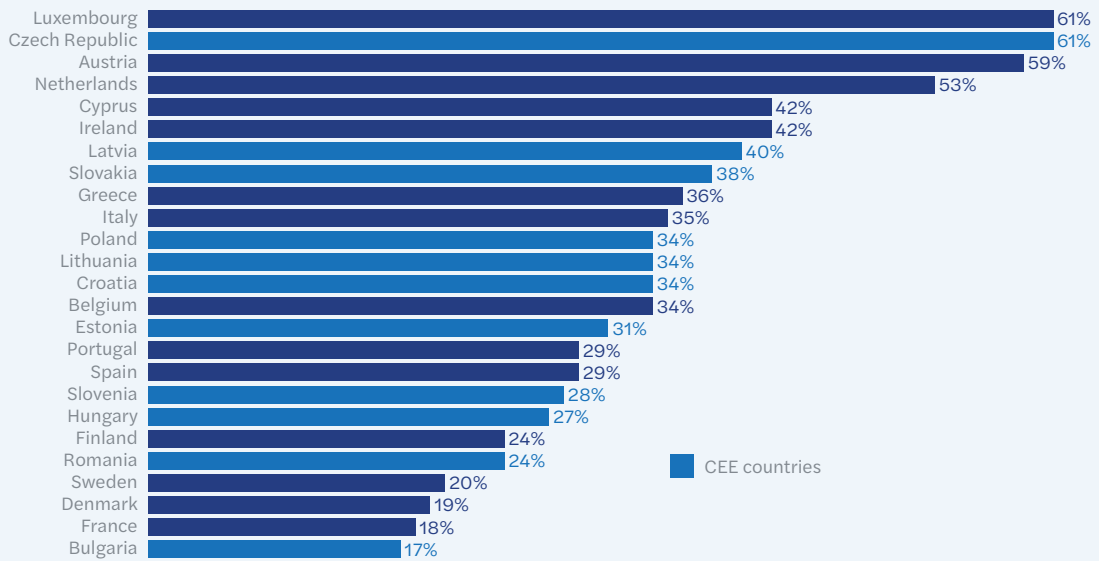
### International expansion allows to learn more about the specificity of the market

Logistics and technological facilities are among important drivers of e-commerce development. In practice, they largely contribute to efficiency of customer service and order handling. This was clearly visible when brick-and-mortar retail was frozen during the first wave of the pandemic. For LPP, that was an impulse to accelerate the next stage of digital transformation and intensive development towards integrated sales where

online and offline provide consistent shopping experience to customers. A significant element of development is also international expansion which not only increases the number of countries the offer covers, but above all provides valuable information about the customers' specificity, purchasing behaviours and expectations. This is a treasure trove of knowledge about how to adapt the offer to the customer.

**Chart 12.** In Poland, the percentage of e-commerce companies selling to other countries is at the EU average level

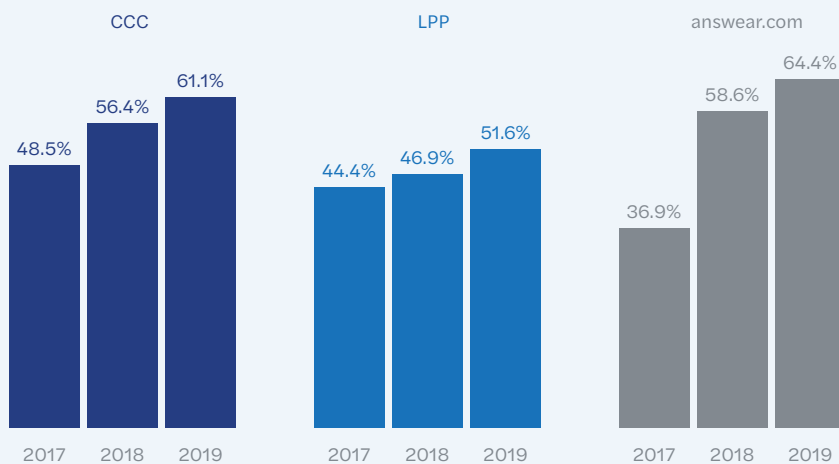
Percentage of e-commerce companies selling to the EU countries other than their home country (2019 data)



Source: Mazars, Noerr, SpotData, Eurostat

**Chart 13.** Many large companies in Poland are rapidly increasing revenues generated abroad. E-commerce is an essential growth driver.

Revenues generated abroad by selected retailing companies (in % of total revenues)



Source: Mazars, Noerr, SpotData, company reports

## I. Combination of offline and online solutions could provide exceptional synergies

The analysis of the changes provoked by COVID-19 has showed an interesting trend regarding consumers' shopping channel preferences. On the one hand, there is a clearly increasing interest in the internet, and on the other hand – after an initially strong shift towards e-commerce, consumers are returning to traditional shopping channels faster than the biggest enthusiasts of the digital transformation predicted.

This is an important message for e-commerce companies but also for traditional retail. It means that traditional retail is not losing its importance and relevance. Moreover, **the role of sales concepts integrating online and offline channels, known as omnichannel retail, is growing.** Traditional stores therefore have the opportunity to extend their presence in the e-commerce industry and effectively compete because they have the best conditions to handle both channels. So far, market shares have been grown mainly by companies operating exclusively in the online world (Chart 15). Traditional stores in the digital world have been defensive due to the difficulty in adapting their business model to the new sales channel. As a result of the observed increase in the importance of omnichannel sales, this trend might change in the near future.

What are the benefits of combining the digital world and physical sales? The answers can be found in the conclusions derived from market observation. **First, the engagement of customers in the e-commerce channel is higher in areas where the store has traditional outlets too.**<sup>16</sup> This means that the two worlds live in symbiosis rather than competing with each other. The physical presence of stores promotes online channels and vice versa. Customers appreciate the opportunity to use different shopping channels. They are also more likely to shop online when they can get to know the store in its brick-and-mortar version. **Second, customers who buy both online and offline generate much more turnover than customers**

**active in a single channel only.**<sup>17</sup> Connecting both worlds therefore increases customer loyalty which is one of the key success factors in the e-commerce market.

An example of effective integration of both sales channels is the aforementioned eobuwie.pl. In 2018, the company started to open brick-and-mortar sales points using new state-of-the-art technologies. Instead of physical goods, customers were provided with tablets through which they could choose products from thousands of pairs of shoes available on the website. In November 2020, there were already 25 such physical showrooms. In addition, the company has developed an application for customers through which they can also place orders without the need for immediate payment. Goods ordered this way can be delivered by courier, to a parcel machine or a store with a parcel pick-up point, and they must be paid for only after trying on, when the customer decides to actually buy the product. Payment must be made within 30 days.

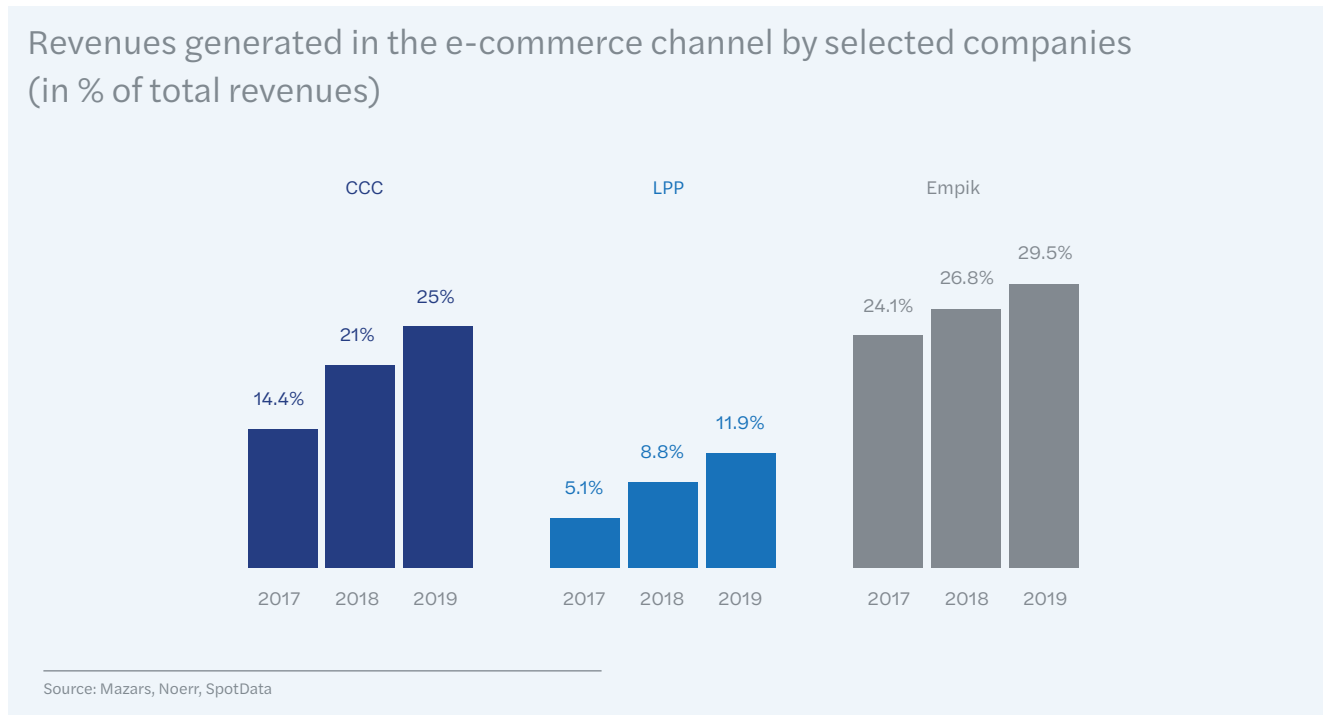
**Omnichannel is therefore not the mere coexistence of physical and online stores. This is an integration of both channels designed so that the purchasing process can take place concurrently in the online and offline world.**

LPP Group (owner of the Reserved, Mohito, Cropp, Sinsay and House brands), which manages more than 1,700 stores is, in turn, an example of a change in a reverse direction – i.e. an effective combination of well-established physical store activities with online sales and the integration of contact and sales channels. Products ordered through the online store can be picked up in several ways, including at a selected point of sale. LPP decided to focus its development precisely on the omnichannel model, redirecting 80% of capital expenditure to the development of those sales channels.

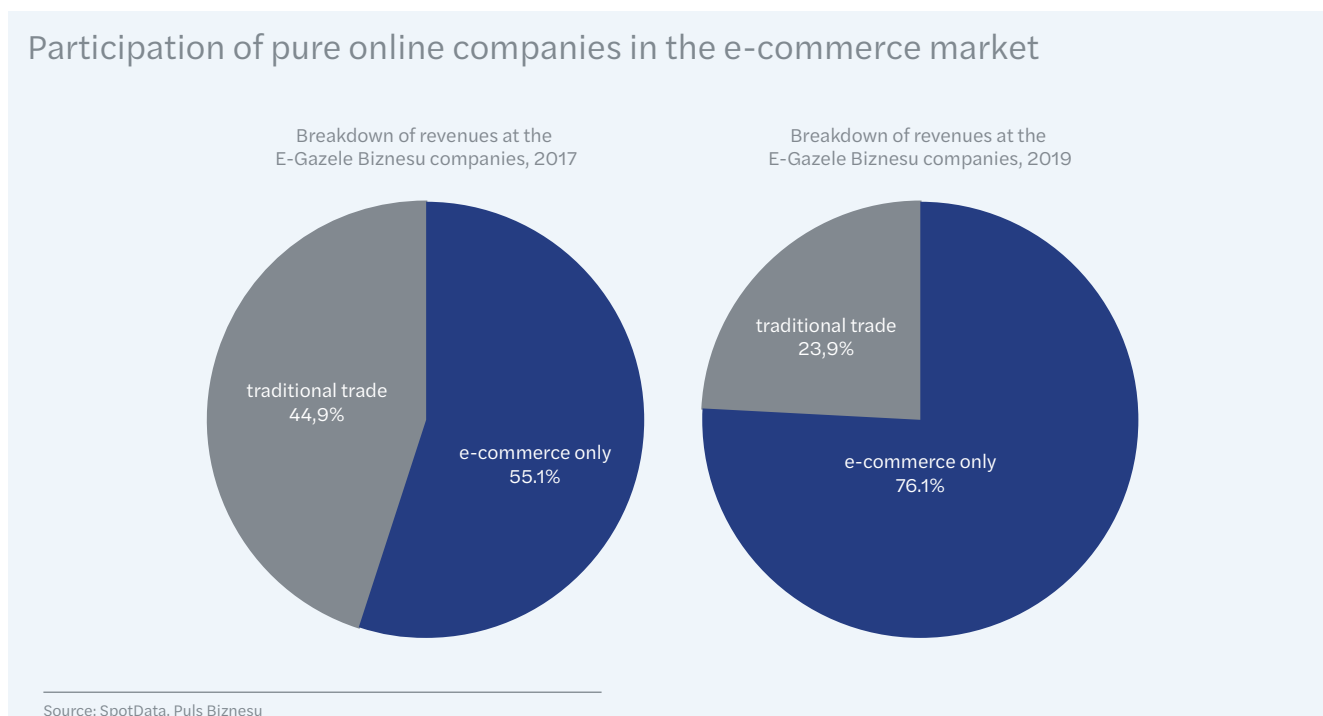
16. Eley J., Retail crisis is the mother of urban centre reinvention, Financial Times, 23/11/2020, <https://www.ft.com/content/c27806a1-0db6-448b-b170-5933e6b23c88>

17. Agnew H., Sephora ramps up store openings as it taps, Financial Times, 21/05/2019, <https://www.ft.com/content/9c12372e-7bd5-11e9-81d2-f785092ab560>

**Chart 14.** There are many examples of traditional retailers in Poland that have coped very well with the internet expansion. These are companies that effectively develop omnichannel sales.



**Chart 15.** In recent years, companies operating exclusively in the online world tended to grow their shares in the e-commerce market. Now this can change because traditional companies learn online sales much faster and can compete more effectively using the omnichannel approach.



## Voice of the Industry

**Francisco Almeida**  
E-Commerce Director, Hebe



### Consumer decisions need to be properly understood

The most important matter in the transformation from traditional trade to e-commerce is being able to create an experience where the offline and online channels complement each other, not compete with one another. I believe that the players who provide such an experience will be the most successful ones. Customers expect a reliable, consistent, personalized, and enjoyable shopping

experience independently of the channels they choose. For many retailers, this requires a profound change of mindset. The focus should be much more on understanding the different user journeys and adapting the different touch points to make sure that the path leads to a customer that is satisfied and loyal, regardless of which channel they pick to carry on with their purchase.

## What Experts Say

**Kinga Baran**  
Partner, Head of Tax Advisory Services, Mazars



### Tax challenges related to switching from offline to online

Digitalisation in the area of taxes is manifested, among others, by the application of regulations related to online cash registers, the obligation to report data under JPK\_VDEK model and the implementation of regulations on new settlement rules in the e-commerce industry in relation to mail order sales (to take effect on 1 July 2021). The new regulations will align the annual threshold for mail order sales across all the EU countries to the equivalent of EUR 10,000 net.

Once reached, retailers will have to register in the electronic VAT-OSS system and file tax returns where they will have to report the value of sales in individual countries. Afterwards, VAT rates effective in the consumers' countries will apply. Thanks to these changes, the tax-payer will no longer be obliged to register for VAT purposes and file VAT returns separately in each of the EU countries.

## Summary

2020 was a period of rapid acceleration in the e-commerce universe. Revenues from online sales grew rapidly, expenditure on the digital transformation of traditional stores rose, and companies implemented new business models. However, only after COVID-19 is over will we know which of these changes will last. Many factors indicate that the market will be about 10-20% larger than under a development scenario without the impact of the pandemic.

In addition to the growth of the e-commerce market itself, traditional retail chains catching up digitally will be an important game changer which will intensify competition between them and the online giants. The market will therefore become a field of even stronger competition fight and faster technological progress, all to the benefit of consumers.

We hope that our report will be a useful guide to the world of e-commerce and a helpful tool in planning development in this market.

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**Jacek Kujawa**, Vice-President of LPP;

**Jacek Palec**, CEO of Frisco.pl;

**Piotr Wawrysiuk**, Founder and CEO of PsiBufet;

**Damian Zapłata**, CCO, Member of the Management Board of Allegro.pl.



# Methodological Addendum

## Estimation of the size of the e-commerce market

There is no official reporting related to e-commerce activities so we estimate the size of the market based on various indirect information and data. For this purpose, we use:

- Data from the Central Statistical Office of Poland relating to online retail in 2020. This is the first publication where the statistical office estimates the volume of online sales and, in response to the pandemic, adds e-commerce-related questions to the standard survey addressed to retail companies;
- Data from the Central Statistical Office of Poland on overall retail turnover;
- Eurostat data on the share of e-commerce in business turnover;

- Eurostat data on business turnover;
- Eurostat data on the percentage of households making purchases online;
- Data from the Centre for Public Opinion Research on the percentage share of households making purchases online.

Based on those data we have compiled statistical models, estimating the size and momentum of changes in the market. Because the data are incomplete, we have made valuations using linear and non-linear models. Our final estimate of the size of the market is the average value originating from different models.

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## Analysis of corporate performance and strategies

The recommendations presented in this report are based on the analysis of the following information:

- Data on internet traffic provided by the research company Gemius and the global Statista service. Thus, we have created a list of the largest companies in the country. Then, we have analysed their management reports and financial statements as well as related articles published by “Puls Biznesu” and Bankier.pl;
- E-Gazete Biznesu ranking (the most dynamic e-commerce companies in the country),

published by “Puls Biznesu”. On that basis, we have arrived at a list of the fastest growing companies in the country;

- Data and information from industry articles, published, among others, in the “Financial Times”, “Harvard Business Review” and The Medium website;
- Results of research published, among others, by the following websites: Salesforce, eMarketer, 300gospodarka (specific research is indicated under the References).

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## Largest companies in the world included in Chart 1.

**E-commerce:** Amazon, JD.com, Alibaba, Suning.com, Rakuten, eBay, Wayfair, Zalando, Coupang, Chewy, Flipkart, ZAPPOS, Asos.com, Groupon

**Retail:** Walmart, Costco Wholesale, Home Depot, Target Corporation, Lowe’s, Alimentation Couche-Tard, Best Buy, TJX, CK Hutchison Holdings, Inditex, CJ Corp., Dollar General

**IT:** Apple, Hon Hai Precision Industry, Alphabet, Microsoft, Huawei Investment & Holding, Dell Technologies, Hitachi, International Business Machines – IBM, Sony, Intel, Facebook, Panasonic

**Pharmaceutical industry:** China Resources, Johnson&Johnson, Sinopharm, Roche Group, Bayer, Pfizer, Novartis, Merck, GlaxoSmithKline, Sanofi, AbbVie, Takeda Pharmaceutical

**Industry:** Siemens, GE, Hengli Group, Caterpillar, Sinomach, Mitsubishi E., Midea Group, Shandong Weiqiao, Deere, Mitsubishi Heavy Industries, ABB, Honeywell International, CRRC Group, 3M

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