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Study on the twin transition of SME retailers

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1. Abstract

The retail ecosystem is experiencing significant changes driven by technological advancements and shifting consumer behaviour. In retail, digitalisation is not only modernising operations but also transforming the relationship between businesses and consumers. To adapt to this evolving landscape, retailers are embracing digital technology, implementing multi-channel retailing and offering customer-centric innovations. Additionally, both businesses and consumers are becoming more conscious of their environmental impact, leading to efforts to improve environmental performance and more sustainable shopping choices.

The COVID-19 pandemic and recent political and economic shocks have further intensified these changes, presenting challenges, but also opportunities for the retail ecosystem. In such economic downturns and during transitional periods, small retailers, as many other small and medium-sized enterprises (SMEs), often face difficulties. To survive and remain competitive, they need to demonstrate agility, resilience, be able to adopt new technologies and potentially reinvent their business models.

In light of these challenges, it is crucial to support retail SMEs in adopting digital and green business solutions to help maintain their attractiveness and viability. This study focuses on identifying and collecting success stories from small retailers that have embraced such solutions and transformed their business. It highlights the lessons learned, analysing both the drivers and the barriers of such transformation. The inspiration from successful transformation stories can help retail SMEs recognise the potential benefits of the digital and green transition and realise the practical steps they need to take to embrace it.

The study is done within the framework of the European Commission #RevitaliseRetail initiative[1] which promotes knowledge and best practices exchange among retail SMEs, associations, local authorities, policymakers and civil society. The initiative builds upon the European Commission Communication "*A European retail sector fit for the 21st century*"[2] and the "*Facing the Future: Practical guide for fostering the revitalisation and modernisation of the small retail sector*"[3] both published in 2018.

The study also provides valuable insights which will feed into the green and digital transition pathway for the retail ecosystem[4], co-created by the European Commission and retail ecosystem stakeholders.

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[1] More information at: Retail (europa.eu)

[2] European Commission (2018), *A European retail sector fit for the 21st century* – COM (2018) 219 final, https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A52018DC0219

[3] European Commission (2018), *Facing the future: practical guide for fostering the revitalisation and modernisation of the small retail sector: #RevitaliseRetail*. Facing the future - Publications Office of the EU (europa.eu)

[4] For more information on transition pathways for industrial ecosystems, see EU Transition Pathways (europa.eu)

2. Resumé

L'écosystème de la vente au détail connaît des transformations majeures sous l'effet d'avancées technologiques et de l'évolution du comportement des consommateurs. Dans cet ecosystème, la numérisation ne se contente pas de moderniser les activités des distributeurs, mais elle transforme également la relation entre les entreprises et les consommateurs. Pour s'adapter à ces changements, les distributeurs adoptent les technologies numériques, mettent en place des stratégies commerciales multicanales et proposent des innovations centrées sur le client. En outre, les entreprises et les consommateurs sont de plus en plus conscients de leur impact sur l'environnement et font des efforts pour améliorer la performance environementale et faire des choix d'achat plus durables.

La pandémie de COVID-19 et les récents bouleversements politiques et économiques ont accentué ces transformations, créant de nouveaux défis, mais également des opportunités pour l'écosystème du commerce de détail. Dans cette période de ralentissement économique et de transition, les petits commerçants, comme beaucoup d'autres petites et moyennes entreprises (PME), sont souvent confrontés à des difficultés. Pour survivre et rester compétitives, elles doivent faire preuve d'agilité et de résilience, être capables d'adopter de nouvelles technologies et éventuellement de réinventer leurs modèles commerciaux.

Face à ces défis, il est important de soutenir les PME du commerce de détail pour qu'elles restent attractives et maintiennent leur viabilité. Cette étude se concentre sur l'identification et la collecte d'exemples de réussite de petits commerçants qui ont adopté de telles solutions et ont transformé leur activité. Elle met en évidence les enseignements tirés de leur expérience, en analysant à la fois les facteurs favorisant cette transformation et les obstacles rencontrés.En s'inspirant des exemples de transformations réussies, les PME du commerce de détail peuvent prendre conscience des avantages potentiels de la transition numérique et écologique et mettre en œuvre les mesures concrètes nécessaires pour réaliser ces changements.

L'étude est réalisée dans le cadre de l'initiative #RevitaliseRetail[5] de la Commission européenne qui promeut l'échange d'informations et de bonnes pratiques entre les PME du commerce de détail, les associations, les autorités locales, les décideurs politiques et la société civile. L'initiative s'appuie sur la communication de la Commission européenne intitulée "Adapter le commerce de détail de l'UE aux exigences du XXIe siècle"[6] et sur le document "Affronter l'avenir: Guide pratique sur la promotion de la revitalisation et de la modernisation du secteur du petit commerce de détail"[7], tous deux publiés en 2018.

L'étude fournit également des informations précieuses qui contribueront à orienter les trajectoires de la transition verte et numérique pour l'écosystème du commerce de détail[8], co-créée par la Commission européenne et les parties prenantes de l'écosystème du commerce de détail.

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[5] Pour plus d'informations: Retail (europa.eu)

[6] Commission européenne (2018), *Adapter le commerce de détail de l'UE aux exigences du XXIe siècle* - COM (2018) 219 final.

[7] Commission européenne (2018), *Affronter l'avenir : guide pratique sur la promotion de la revitalisation et de la modernisation du secteur du petit commerce de détail : #RevitaliseRetail*, Affronter l'avenir - Office des publications- Office des publications de l'UE (europa.eu).

[8] Pour plus d'informations sur les trajectoires de transition pour les écosystèmes industriels, voir les trajectoires de transition de l'UE (europa.eu).

3. Introduction

As part of a highly interconnected global economy, the retail ecosystem is undergoing massive changes worldwide, driven by technological development and changing consumer preferences. Retailers and wholesalers are increasingly embracing digital technology and multi-channel retailing, combining traditional brick-and-mortar shops with online sales or developing their sales activity entirely online. Consumer preferences have evolved towards rapidity, convenience and an omnichannel shopping experience. E-commerce has opened up new markets for retailers and has given consumers access to a larger choice of products.

At the same time, businesses and consumers have become increasingly conscious of their environmental impact. Consumers have been increasingly attracted by sustainable shopping options and the proximity economy with local shops and products. Retailers have striven to respond to this demand by proposing more sustainable products and services. They have also been trying to make their operations more energy efficient and sustainable to reduce energy costs and their impact on the environment. However, both consumers and retailers are confronted with the significant cost of such sustaiable choices. Recently, the cost of living crisis has pushed consumers to search for a lower price and has limited retailers' capacity to invest in the transition.

These changes have been further accentuated by the Covid-19 crisis and more recent political and economic shocks such as the Russian invasion of Ukraine and the resulting energy crisis and inflation. During the pandemic, the retail ecosystem had to deal with the closure of most non-food shops in many EU countries and then with a historically low consumer purchasing power due to the soaring energy prices. It has caused strong pressures on the financial viability of many retailers, in particular SMEs. Small businesses are typically less well equipped to withstand economic downturns, but also to take advantage of the opportunities of an economic transition. SMEs are crucial for the retail ecosystem as they represent two-thirds of its employment and over 60% of its value added.[9] They are also a key element of the social fabric in urban and rural local communities, they offer proximity and contribute to vibrant city and town centres. However, adapting to the digital era or introducing sustainable solutions can be difficult for many of them due to a number of external and internal factors, such as a lack of favourable regulatory framwork, administrative burden, operational costs and difficulties to access finance or the lack of skills and other resources. Also, in comparison to bigger retailers, SMEs are less able to benefit from economies of scale, e.g. on logistics and to provide consumers with a large selection of immediately available products online. Physical shops are also increasingly under pressure of online pure players, discounters developing their business model beyond the low-price offer and rapidly growing formats such as quick commerce. While convenience stores and small local supermarkets gain on importance responding to a growing consumer trend of proximity and convenience, small non-food retailers in particular may find it difficult to remain attractive to consumers.

In this challenging and changing context, it is important to support retail SMEs in maintaining their attractiveness and viability. Learning from a variety of successfully transforming retail SMEs should help them see the opportunities the transition of their own business may bring.

This study aimed to identify and collect success stories of EU retail SMEs that have undergone a twin transition, i.e. implemented green and/or digital solutions in their operations, leading to the transformation of their business models. It looks at the transformation of SME retailers from a business perspective and presents the challenges

[9] European Commission (2023), Annual Report on European SMEs 2022/2023, Annual report on European SMEs 2022/2023 - Publications Office of the EU (europa.eu)

small retailers have been facing, the drivers and barriers of the transformation as well as 20 transformation success stories from 16 EU Member States.

The range of the analysed cases is very wide: it includes small retailers from different retail segments, different channels (physical shops as well as online players and omnichannel retailers) and different locations (both urban and rural areas).

The study has been carried out within the framework of the European Commission #RevitaliseRetail initiative which promotes knowledge and best practices exchange among retail SMEs, associations, local authorities, policymakers and the civil society. The initiative builds on the European Commission Communication "*A European retail sector fit for the 21st century*"[10] and the "*Facing the Future: Practical guide for fostering the revitalisation and modernisation of the small retail sector*"[11] both published in 2018.

The study also provides valuable insights which will feed into the the green and digital transition pathway for the retail ecosystem[12], co-created by the European Commission and retail ecosystem stakeholders.

The study team would like to thank all the retail SMEs which have contributed with providing insights and information for this study.

[10] European Commission (2018), *A European retail sector fit for the 21st century* – COM (2018) 219 final, https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A52018DC0219

[11] European Commission (2018), *Facing the future: practical guide for fostering the revitalisation and modernisation of the small retail sector: #RevitaliseRetail*, Facing the future - Publications Office of the EU (europa.eu)

[12] For more information on transition pathways for industrial ecosystems, see EU Transition Pathways (europa.eu)

4. Structure and methodology

The main deliverable of the study is a compendium of success stories of 20 EU retail SMEs from 16 Member States which transformed their business to respond to changing consumer needs. The full version of the compendium is available in Annex A. A shorter version of the compendium is also available as a separate brochure, translated into most EU languages.

The study also analyses the drivers and barriers of the green and digital transition of SME retailers based on a survey of companies and provides an overview of the business environment for retail SMEs in 27 EU Member States in form of separate country fact sheets (Annex C).

4.1. Compendium of success stories

The compendium contains success stories of 20 retail SMEs which attempted to transform their business to attract consumers. The gathered success stories are presented from the perspective of companies, reflecting the steps undertaken by companies to transform their business. The success stories were identified via a survey and desk research.

Survey

The survey played a key role in identifying retail SMEs that have effectively transformed their operations, while also uncovering the factors driving their transformation and the obstacles they encountered along the way.

The survey was open from 28 June to 14 October 2022. In total, 8 385 targeted SMEs opened the survey (start page views) and 400 responded. Out of 400, 273 self-identified as a retail SME based in the EU that had implemented either green, digital or customer-centric solution. Among those 273 respondents, 141 completed a substantial part of the survey; 130 have also provided contact details and 76 agreed to be featured as a success story.

The geographical distribution of the answers collected and respondents who have provided contact details, is provided in the table below.

Table 1 Geographical distribution of all respondents that have provided their contact details.

Geographical location	Count of respondents	Geographical location	Count of respondents
Germany	58	Denmark	1
Italy	17	Finland	1
Ireland	13	France	1
Slovenia	11	Hungary	1
Belgium	7	Malta	1
Austria	6	Portugal	1
Spain	5	Romania	1
Estonia	2	The Netherlands	1
Bulgaria	1	Outside of the EU	1
Croatia	1		
TOTAL		**130**	

There was an overrepresentation of some Member States such as Germany, Italy, Slovenia and Ireland. The survey also failed to collect relevant answers from several Member States such as Latvia, Lithuania or Cyprus. A quality check of the responses showed that several SMEs were not relevant as some respondents were not SMEs but represented chambers of commerce or business associations. Following the quality checking of the survey data, 14 retail SMEs were selected to feature among the 54 success stories.

Desk research

To identify the remaining 40 examples of SMEs as well as additional insights on the drivers and barriers, extensive desk research has been carried out. The key information sources used for the additional research are provided in the table below. In addition, to further expand the range of cases and to identify innovative digital and green examples, 8 examples of start-ups were identified among the sources below and included in the list.

Table 2 List of key information sources for desk research

List of key information sources for desk research	Link
EREK	https://clustercollaboration.eu/erek/database
ECESP	https://circulareconomy.europa.eu/platform/en/good-practices
DG REGIO	https://ec.europa.eu/regional_policy/en/projects/
INTERREG	https://www.interregeurope.eu
Get digital, go green	https://www.digitalsme.eu/get-digital-go-green-resilient/
OECD	https://www.oecd.org/digital/sme/
Best Startup EU	https://beststartup.eu
Crunchbase	https://www.crunchbase.com/

The selection of the success stories aimed to achieve a proportional representation of different retail segments, company sizes, types of SMEs (physical, online or multichannel) and sub-types of innovation (green, digital or other customer-centric solutions). The list of 54 identified success stories is available in annex B.

Compendium of success stories

From the 54 success stories identified, a sample of 20 examples from 16 Member States has been selected, balanced, again, in terms of geographical coverage, retail segments, sizes of companies and the types of transformation implemented. The table below displays the list of the selected success stories. The chosen companies have all agreed to feature in the compendium.

The selected success stories have been developed through desk research (e.g. analysis of the company's website) and were complemented by semi-structured interviews with the representatives of the companies. The semi-structured interviews questionnaire included questions aiming to capture the socio-economic context of the country when the transition was implemented, the type of transformation implemented and an overview of its diverse impacts (environmental, social, impact on company's performance etc.), noting also if the transformation has been positive or negative for the company.

Table 3 Selected success stories

Name	Country	Retail segment	Size	Short description of the success story	Website
Antiquariat Buchtip	Austria	Antiquarian books	Micro	Bookstore focusing on selling antiquarian books that has greened its internal operations, bought greener services from other companies, started selling online, introduced digital solutions in customer communication and advertisement and digitalised company's internal operations	https://www.buchtip.at
Peeq	Belgium	Lightning, Electronics	Small	One-stop lighting shop specialising in residential lighting and introduced digital solutions in customer communication and advertising	https://www.peeq.be
Yuman Village	Belgium	Clothing, Electronics, Accessories	Small	Clothing, electronics and accessories store that started selling online and introduced more ecological and sustainable products in the shop's assortment	https://yumanvillage.be
KEEPR	Denmark	Furniture	Micro	Furniture store that started selling online and greened its internal operations	https://keeprcollective.com
Kierrätyskeskus	Finland	Furniture	Small	Furniture store that started selling online, greened its internal operations	https://www.kierratyskeskus.fi
Group Digital	France	Electronics, Home improvement	Small	Electronics and home improvement shop that has started selling online	https://www.group-digital.fr
ARESGO Haushaltswaren GmbH	Germany	Household goods, Vacuum cleaner accessories	Small	Company that sells household goods and vacuum cleaner accessories and that digitalised and greened its internal operations as well as introduced digital solutions in customer communications	https://www.aresgo.de
Frischebäcker Marcus Wulfhorst	Germany	Grocery	Medium	Grocery store that digitalised and greened its internal operations, introduced digital solutions in customer communication, advertising	https://www.der-frischebaecker.de
Swappies	Hungary	Clothing	Small	Clothing store that introduced more ecological and sustainable products in the shop's assortment	https://www.swappis.hu
Charles Fay	Ireland	Clothing	Micro	Clothing sore that has digitalised its internal operations	https://charlesfay.ie/pages/about-us

Name	Country	Retail segment	Size	Short description of the success story	Website
Cork Flower Studio	Ireland	Flowers	Micro	Flower shop that started selling online and bought greener services from other companies	https://www.corkflowerstudio.com
Manzato Anna di Lessi Luca & C. snc	Italy	Grocery	Micro	Grocery store that started selling online, bough greener services from other companies, greened its internal operations and introduced more ecological and sustainable products in the shop's assortment	https://enotecamanzato.it
MA di MOLINARI &c snc	Italy	Clothing	Micro	Clothing company that has introduced digital innovation with a strong focus on customer experience	https://enotecamanzato.it
MJrever	Lithuania	Clothing	Small	Clothing company that started selling online	https://cosmoway.lt
Ernster – L'esprit	Luxembourg	Books	Medium	Bookstore that started selling online	https://www.ernster.com
Wildernis	Netherlands	Plants; Gardening products	Micro	Company that focuses on selling indoor plants that have been sustainably grown or organically grown. The shop has also started selling online	https://wildernisamsterdam.nl
Luzem Zero Waste Shop	Poland	Beauty; Grocery	Micro	Beauty and grocery store that started selling online and introduced more ecological and sustainable products in the shop's assortment	https://luzem.eu
O'Benefício	Portugal	Clothing	Small	Clothing shop that has introduced ecological and sustainable products in the shop's assortment	https://manifestobeneficios.com
Benedict-Cukrček Chocolate	Slovenia	Grocery	Small	Company specialising in chocolates that started selling online and digitised the company's internal operations	https://cukrcek.si
Legumbres Astorga	Spain	Grocery	Micro	Grocery store that started online, introduced digital solutions in customer communication, advertising and customer-centric innovation	https://www.comprarlegumbres.com

4.2. Country fact sheets

Country fact sheets (available in Annex C) provide background information about retail SMEs in 27 Member States. They aim to characterise the market retail SMEs operate in and their performance, as well as develop an understanding of the specific political, economic and social context within each Member State.

The country fact sheets have been developped based on **desk research**, which helped identify the trends, business drivers and barriers faced by SMEs in each Member State. This provided an overview of the situation of the retail SMEs at the Member State and the EU level. In addition, desk research was also used for the background information on the impact of Covid-19 in the country and in the retail sector and how the National Recovery and Resilience Plans (NRRPs) were targeting the retail sector.

Literature review delivered an in-depth characterisation of the market and the current trends. The literature review was used to identify the relevant data sources that lead ultimately to the country fact sheets.

Finally, a **quantitative analysis** helped to develop a sound understanding of the structural features retail SMEs face in each Member State. Available data was also used to analyse trends of the retail SMEs in each MS in relation to the twin transition.

Statistical data from several sources was gathered to characterise the market and to identify ongoing trends. More specifically, the quantitative analysis was based on structural business data (Eurostat), data on the uptake of digital technologies (e.g. OECD Going Digital Toolkit[13]), sustainable indicators (Eurostat and Flash Eurobarometer). DG GROW provided access to retail data from Euromonitor that was used to forecast the development of the retail market in the next years. The scope of the retail ecosystem used in the statistical analysis was focused on NACE G47, which is "*Retail trade, except of motor vehicles and motorcycles*".

Most of Eurostat data was available until 2021, which allowed to analyse the impact of the Covid-19 pandemic on the ecosystem. However, in some instances, significant data gaps existed at the country level (i.e. for Luxembourg and Finland).

[13] OECD Going Digital Toolkit, see: https://goingdigital.oecd.org

5. Twin transition of EU retail SMEs

5.1. The retail ecosystem in the EU

Box 1 The retail ecosytem in Europe

The retail ecosystem is an 'economic heavyweight':

- With almost 5.5 million companies, the retail ecosystem has the highest number of firms among all industrial ecosystems [14].
- It is also the largest ecosystem in terms of employment with almost 30 million employees.
- Being at the end of the value chain, the retail ecosystem creates gross value added of over 1.4 trillion euros, the highest among all industrial ecosystems.
- Retail trade generates around 5 % of the total value added of the EU economy. Overall, the retail ecosystem, which includes other economic activities such as wholesale and parcel delivery, accounts for 11,5% of EU value added[15].

The **retail ecosystem** covers grocery and non-grocery retail, relevant wholesale and on-line platforms. In a broad picture, it involves an entire chain from production, wholesale, retail, transportation, logistics and warehousing, e-commerce platforms and consumers themselves, all of them interconnected through the sale or re-sale of products and / or services, both online and physically. Real estate needs to be added as a key component for physical retail shops as much as communication industries for the digital presence. The retail ecosystem is characterised by different business models, such as integrated chains, franchise systems, groups of independent retailers, consumer cooperatives, independent SMEs etc. Channels of sales range from physical shops, multi and omni-channel players to pure online players and marketplaces. Being by far the largest ecosystem, retail virtually serves all ecosystems, ensuring the contact with the final consumers[16]. Some of the most closely linked ecosystems to the retail ecosystem are agri-food, textiles, social economy and proximity and tourism.

In retail and wholesale, SMEs are the dominating type of enterprise, representing 99.9% of all enterprises and accounting for 67.9% of jobs and over 60% of value added[17]. Additionally, 55% of the enterprises in the EU retail sector operate with no employees and only 10% of companies operate with more than five employees[18]. Retail and wholesale SMEs also stand out as the most numerous group among all EU SMEs. One in four small and medium sized enterprises in the EU is active in retail or wholesale.[19] However, small independent retail

[14] European Commission (2022), Annual Single Market Report, SWD (2022) 40 final, https://ec.europa.eu/docsroom/documents/48877

[15] Eurostat Retail trade volume index overview https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Retail_trade_volume_index_overview&oldid=585909#Turnover_for_retail_and_wholesale_trade

[16] European Commission (2022), Annual Single Market Report, SWD (2022) 40 final, https://ec.europa.eu/docsroom/documents/48877

[17] European Commission (2023), Annual Report on European SMEs 2022/2023, Annual report on European SMEs 2022/2023 - Publications Office of the EU (europa.eu)

[18] Eurostat (2023), Enterprise statistics by size class and NACE Rev.2 activity (from 2021 onwards). https://ec.europa.eu/eurostat/databrowser/view/SBS_SC_OVW/default/table?lang=en

[19] European Commission (2023), Annual Report on European SMEs 2022/2023, Annual report on European SMEs 2022/2023 - Publications Office of the EU (europa.eu)

businesses are increasingly giving way to large retail chains[20]. A net of 200,000 retail businesses ceased to exist between 2014 and 2018[21].

Despite the predominance of SMEs in the retail ecosystem, Europe also hosts some of the largest and most important retail enterprises worldwide. Among the global top 10 retail companies, five originate in the EU (e.g. Schwarz Group, Aldi, Ahold Delhaize, Carrefour and Ikea). They are active mainly in the field of discount grocery, grocery and furniture. Out of the Top 50, the EU is well represented too: roughly half of the Top 50 global retail companies originate in the EU[22].

The retail sector mainly serves final demand and therefore occupies an important position in value chains both as a provider of goods to households and as an outlet for goods of other sectors [23].

While the impact of the Covid-19 pandemic in the retail ecosystem is undeniable, it affected retailers differently depending on the goods sold and the channels of distribution chosen. The pandemic accentuated the changes which started already earlier. For example, global e-commerce sales accounted for 13.6% of total retail sales in 2019[24] yet they grew to 25.7% in 2020 and are forecasted to continue to grow[25]. While bigger companies are already predominantly online, smaller retailers are little by little increasing their online presence.

Likewise, the sustainable transition is increasingly becoming key for retail businesses to respond to consumers' demand as well as to policy requirements.

The Russian invasion of Ukraine and the resulting energy crisis have had further consequences for the ecosystem, impacting its ability to invest in the transition. Due to the soaring energy prices and high inflation, retailers and wholesalers have been confronted, on the one hand, with raising operating costs and product prices and on the other, with shrinking consumer purchasing power.

To withstand current economic uncertainties and possible future crises, the retail ecosystem needs to embrace the green and digital transition and build its resilience.

5.2. Twin transition in retail: trends

The twin transition is reshaping the relationship between businesses and consumers, as retailers strive to meet the demands for convenience, rapidity, lower prices and sustainability. In this context, it is essential to understand the trends associated with the twin transition in the retail sector. By understanding these trends, retailers can effectively navigate the changing landscape and capitalise on the opportunities presented by the twin transition.

Digital trends

The Covid-19 crisis led to a significant rise in online shopping as the digital channel was often the only way consumers could have access to the goods they needed. European e-commerce turnover increased by 13% in 2021, reaching €718 billion, nearly doubling the

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[20] EuroCommerce (2021), The Value of European Retail, a Factbook, May 2021, https://www.eurocommerce.eu/app/uploads/2022/08/2021_05_20-VERF-Full-FINAL.pdf

[21] Eurostat (2023), Business demography by size class (from 2004 onwards, NACE Rev. 2). https://ec.europa.eu/eurostat/databrowser/view/BD_9BD_SZ_CL_R2__custom_7093449/default/table?lang=en

[22] National Retail Foundation (NRF) (2021) based on Kantar, 2021, https://nrf.com/resources/top-retailers/top-50-global-retailers/top-50-global-retailers-2021

[23] OECD (2020), COVID-19 and the retail sector: impact and policy responses https://www.oecd.org/coronavirus/policy-responses/Covid-19-and-the-retail-sector-impact-and-policy-responses-371d7599/

[24] eMarketer (2021), Top global e-commerce markets https://www.emarketer.com/content/global-ecommerce-forecast-2021

[25] Ibid.

turnover value of 2015[26]. From 2018 to 2022, the share of retail enterprises of 10 employees or more with e-commerce sales of at least 1% turnover grew from 22.5% to 29.4%.[27]. There are clear disparities of e-commerce uptake across the EU Member States, with Northern European countries leading (Western Europe still holds the largest share of total turnover at 63%) while southern and Central and Eastern European Member States Member States are catching up slowly[28].

The Covid-19 lockdowns have also led to an accelerated uptake of online selling channels by small retailers which helped them to face the crisis. Between 2019 and 2021, the share of turnover of EU SMEs related to e-commerce activity grew from 11 to 12% and the percentage of SMEs selling on-line cross-border from 8 to 9%. However, overall, only 18% of SMEs sell online (versus 38% of large enterprises) and only 9% sell cross border online (versus 24% of large enterprises)[29].

Regarding products purchased on-line, the growth has been more pronounced for certain categories such groceries[30]. In 2022, the most common online purchases of goods were clothes (including sports clothing), shoes or accessories (ordered by 42% of internet users), followed by cosmetics, beauty or wellness products (17%), furniture, home accessories or gardening products (16%)[31]. The highest shares of internet users who bought or ordered goods or services over the internet in 2022 were recorded in the Netherlands (92%), Denmark (90%) and Ireland (89%). On the other side of the spectrum, fewer than 50% had shopped online in Bulgaria (49%), while Italy (57%) and Portugal (63%) also lag the EU average[32],

While e-commerce sales increased because of the lockdowns, it is forecasted that consumers' behaviour changes are likely to remain. In 2022, 91% of people aged 16 to 74 in the EU had used the internet, 75% of whom had bought or ordered goods or services for private use. The proportion of e-shoppers grew from 55% in 2012 to 75% in 2022, an increase of 20 percentage points[33].

Therefore, the trend among retail businesses to **increasingly integrate online and physical retail, also known as omnichannel retail,** is expected to continue and grow. Omnichannel creates a new paradigm for retailers, with implications across the value chain. The role of physical stores evolves (e.g. as showrooms) offering customers new shopping experiences, along with personalised advice. There is a range of technological trends and developments that enable these changes and foster the creation of new business models.

Sustainable trends

The rising concerns about the environmental impact of retail and consumption, the need to increase the company's energy-efficiency and lower its operational costs as well as the need to comply with certain current or future regulatory requirements are key drivers for retail SMEs to transform their business. Both at the policy level and at the level of consumer

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[26] Ecommerce Europe, EuroCommerce, European e-commerce report 2022, https://ecommerce-europe.eu/wp-content/uploads/2022/06/CMI2022_FullVersion_LIGHT_v2.pdf

[27] Eurostat data on E-commerce sales of enterprises by NACE. Internet source: https://ec.europa.eu/eurostat/databrowser/view/ISOC_EC_ESELN2__custom_5454548/default/table?lang=en

[28] Ibid.

[29] European Commission (2022), Digital Economy and Society Index (DESI).

[30] McKinsey & Company (2021b), The consumer demand recovery and lasting effects of COVID-19. https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-consumer-demand-recovery-and-lasting-effects-of-Covid-19#

[31] E-commerce continues to grow in the EU. Internet source: https://ec.europa.eu/eurostat/web/products-eurostat-news/w/DDN-20230228-2

[32] Ibid.

[33] Ibid

trends, there is a growing pressure on retail firms to engage with more sustainability driven models.

Consumers' awareness towards conscious shopping has increased in the last decade and the demand for value driven products as well as for circular business models is now highly relevant for 30% of the customers[34]. In some countries, the shifts in consumer preferences are very prominent: in 2020, 65% of German consumers expressed their willingness to buy more high-quality items that last longer[35]. However, more recently, with the cost of living crisis, consumers have become more price-sensitive and can often not afford making the sustainable choices they would wish to.

In sum, the trends in digitalisation and sustainability are creating new opportunities for retail businesses to remain competitive and attractive to consumers, distinguish themselves from online platforms and go beyond the mere sale of products. Physical shops get new functionalities. Shops of the future could take on the role of showrooms, offer tailor-made solutions, provide additional services and advice from trained staff, turning shopping into a unique experience. Shops may also become production centres e.g. through 3D printing outlets or play a role of fulfilment centres (e.g. in case of "quick commerce" and instant deliveries) or circular hubs offering waste collection and repair and re-use schemes.

This demonstrates the centrality of the retail ecosystem for delivering key functions in today's and the future economy, also serving an increasingly digitalised consumer environment and sustainability demands.

5.3. Twin transition in retail: challenges for retail SMEs

While the twin transition brings a set of opportunities for companies in the retail ecosystem, it also comes with a concrete set of challenges for smaller companies. Due to the differences between big and small retail companies in terms of resources (financial, human resources and, consequently, skills), but also in terms of scale, smaller companies cannot easily tackle digital and green transition barriers.

Digital transition and key challenges

Digital tools bring significant benefits to retail SMEs. For example, digitalisation reduces transaction costs by providing better and quicker access to information and communication between staff, suppliers and networks. Also, digital tools can help access the global markets, through reductions in costs associated with transport[36]. More specifically, the retail SMEs with the help of digital tools can communicate with their customers and sell online. Regarding the latter, digitalisation enables retail SMEs to offer customers online shopping possibilities using multiple access points (e.g. computer, tablet, mobile phone) or engage customers anywhere through a continuous and integrated experience of physical and online shopping (omnichannel)[37]. Digital transition has also enabled small retail SMEs to offer their products through large online platforms. For instance, at the time of COVID-19, online platforms have opened new sales and sourcing channels for SMEs and facilitated their

[34] McKinsey & Company (2020), NEF spotlight: The path forward for retail's sustainable future, https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/nef-spotlight-the-path-forward-for-retails-sustainable-future

[35] Ibid.

[36] OECD (2021), The Digital Transformation of SMEs, OECD Studies on SMEs and Entrepreneurship, OECD Publishing, Paris, https://doi.org/10.1787/bdb9256a-en.

[37] Gouveia, F. D., & São Mamede, H. (2022). Digital Transformation for SMES in the Retail Industry. Procedia Computer Science, 204, 671-681.

access to multiple types of digital networks which might be key for the survival and expansion of both existing and nascent SMEs[38].

In addition, to be visible online and effectively serve local consumers, small retailers can create local e-commerce platforms, gathering shops in a neighbourhood or a town. During the pandemic's lockdowns, many local shops felt the need to join or create such platforms to increase their visibility and attract consumers. Such solutions enable retail SMEs to share the costs of investment in selling online (website maintenance, online stock management, etc) or organise common deliveries. There are already many initiatives of this kind across the EU (which can be organised, for example, by the type of activity or product sold, e.g. flowers, beauty products, restaurants, fashion or by location, e.g. regrouping all retailers and consumer services in a town or a neighbourhood). This is a new step in the digitalisation of local commerce that is likely to develop further.

However, the uptake of digital technologies by retail SMEs is lagging behind large companies. This can be explained by the fact that small companies do not have enough resources or scale to address obstacles to digitalisation. According to Eurobarometer 486 survey on SMEs, Start-ups, Scale-ups and Entrepreneurship, 24% of surveyed retail SMEs indicate that the lack of financial resources, regulatory obstacles and uncertainty about future digital standards are key challenges to digitalisation, followed by a lack of information technology infrastructure, such as high-speed internet connection (20%)[39]. IT security (17%) and internal resistance to change (15%) are also listed as key barriers to digitalisation for retail SMEs. In addition, businesses in countries with a low digitalisation level of the retail sector need more knowledge of the latest business trends, technologies and models to be able to adopt online retail models. The CEOs', managers' and employees' digital skills are further barriers to adopting the new digitalisation tools[40].

Another group of challenges is pertinent to retail SMEs that sell through large online platforms. On the one hand, large online platforms can enable SMEs to digitalise by significantly reducing the investment needs or facilitating cross-border trade. On the other, the fee structures of the platforms and the sharing of sensitive business data with the implicit acceptance of matching algorithms on which SMEs have no influence or even information present challenges.[41]

Sustainable transition and challenges

SME retailers do not only struggle with digitalisation trends, but they are also facing challenges in creating greener business models. According to recent data[42], only 18% of retail SMEs already have a concrete strategy in place to reduce their carbon footprint and become carbon neutral or negative.

According to the results of the Eurobarometer 498 survey which focuses on the sustainability transition among SMEs, difficulties encountered when trying to set up resource efficiency actions by retail SMEs include the complexity of administrative or legal procedures (34%), cost of environmental actions (27%), lack of specific environmental expertise (23%), lack of supply of required materials, parts, products or services (22%), the complexity associated with environmental labelling and certification (24%)[43].

[38] OECD (2021), The Digital Transformation of SMEs, OECD Studies on SMEs and Entrepreneurship, OECD Publishing, Paris, https://doi.org/10.1787/bdb9256a-en.

[39] Flash Eurobarometer 486: SMEs, start-ups, scale-ups and entrepreneurship.

[40] Ecommerce Europe, EuroCommerce (2021), E-Commerce report 2021 (provided by EuroCommerce to Technopolis Group).

[41] OECD (2021), The Digital Transformation of SMEs, OECD Studies on SMEs and Entrepreneurship, OECD Publishing, Paris, https://doi.org/10.1787/bdb9256a-en.

[42] European Commission (2022), Flash Eurobarometer 498: SMEs, green markets and resource efficiency.

[43] Ibid.

Also, according to the Eurobarometer 486, the following aspects are preventing the SME enterprises across all economic sectors from becoming sustainable: lack of consumer demand (30%), lack of financial resources (27%), incompatibility of the sustainable transition with the business model of the company (25%) and lack of awareness about how to integrate sustainability into the enterprise's business model (23%)[44].

[44] Flash Eurobarometer 486: SMEs, start-ups, scale-ups and entrepreneurship.

6. Twin transition in retail: drivers and barriers for retail SMEs

While the retail ecosystem is adopting the twin transition and is becoming more digital and sustainable, there are several barriers that hamper its transformation, but there are equally initiatives and measures that foster the uptake. This section focusses on the overview of the results of the survey on the drivers and barriers of the transformation for retail SMEs and of the literature review.

The overview starts with external and internal drivers that have been found to boost the transformation of retail SMEs and continue with the external barriers that hamper the transformation.

6.1. External transformation drivers

The external drivers for a digital and green transformation identified in the literature can be grouped into three main categories:

- **Changes in consumer needs and behaviour** incentivise retail SMEs to undergo digital and/or green transformation[45]. This change is evident as more EU citizens use digital technologies[46] and can shop at any time and from anywhere, boosting the adoption of omnichannel approaches by SMEs. It also helps customers to access information about prices, products, promotions and more convenient delivery services from a wider group of providers. As a result, retail SMEs digitalise to address the uptake of the technologies by the customers. At the same time, recent surveys have reported an increase in **value-driven shopping**[47]. Consumers across Europe have started to choose retailers not only due to their product value (e.g. pricing, quality) but also considering wider values they resonate with. This includes environmental factors such as sustainability, or the product's impact on the environment. Consequently, to capture the environmentally aware consumer base, retail SMEs had to introduce sustainable, greener products and/or services.
- The last years have brought a **wide range of technical applications** in all segments of the retail value chain. While Internet of Things (IoT) or robotics were introduced to facilitate the work in production processes and warehouses, data analytics enhanced physical retail, transportation, logistics, as well as the development of e-commerce marketplaces and online sales. For retail SMEs, the adoption of digital technologies is regarded as an approach to enhance their competitiveness. For example, the implementation of a digital solution for inventory management and optimisation of logistics can lead to cost reductions. Furthermore, companies are often inspired by what their competitors are doing. Often, they tend to adopt digital or green technologies if competitors were adopting them as well.
- Environmental sustainability pressures such as **legislation or regulatory initiatives** require/incentivise retail SMEs to integrate sustainability into their

[45] OECD (2022), SMEs & Hybrid Retail: adapting to the new normal. A "Digital for SMEs" (D4SME) knowledge event. https://www.oecd.org/cfe/smes/D4SME%20Hybrid%20Retail%20Webinar%20-%20Key%20Highlights%20-%20June%202022.pdf

[46] McKinsey & Company (2021a), Survey: European consumer sentiment during the coronavirus crisis (France, Germany, Italy, Spain, UK), March 2021. https://www.mckinsey.com/business-functions/maketing-and-sales/our-insights/survey-european-consumer-sentiment-during-the-coronavirus-crisis

[47] Omrani, N., Rejeb, N., Maalaoui, A., Dabić, M. and Kraus, S., 2022. Drivers of Digital Transformation in SMEs. IEEE Transactions on Engineering Management.

business model[48]. Potential penalties and high fines in case of non-compliance with environmental regulations force small and large retail companies to adopt more sustainable practices[49].

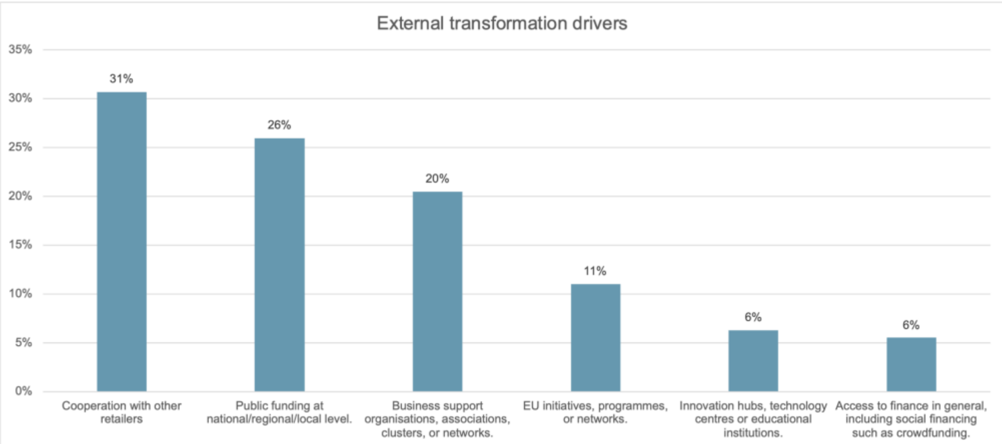
In addition, public authorities' actions also play a crucial role in facilitating the twin transition. The following measures can be used to incentivise digital transformation[50] and the adoption of sustainable models among retail SMEs:

- Technology support and assistance through targeted financial support (e.g. consultancy vouchers, grants), technology extension programmes (e.g. diagnosis, self-assessment tools, e-business solutions, guidance and package of learning material) or a mix of both approaches.
- Training and upskilling programmes by reducing training costs (e.g. via tax incentives, subsidies), promoting workplace training (e.g. via employer's networks and associations, apprenticeships programmes) and strengthening management skills in SMEs.
- Connecting SMEs with knowledge networks through for example cooperation programmes with large firms or online platforms, the introduction of SME-led public procurement or networking interfaces (e.g. digital innovation hubs, centres of excellence, clusters and co-working spaces).

Overall, the whole retail ecosystem is going through a systemic transformation driven by a shift in customer demand, technological change and environmental sustainability pressures. To remain competitive, retailers need to keep on growing their digital capabilities and embrace new technologies to adapt to market and consumer requirements.

The retail SMEs survey results complement the external transformation drivers identified in the literature. The figure below provides an overview of external drivers among the surveyed retail SMEs.

Figure 1 External transformation drivers – multiple answers allowed



Source: Technopolis Group survey: Twin transition for retail SMEs. Number of responses: 127.

According to the survey responses, 31% of SMEs reported that **cooperation with other retailers was an external driver that has facilitated their transformation. Public funding** available at national, regional, or local levels was mentioned by 26% of SMEs and

[48] Yadav, N., Gupta, K., Rani, L. and Rawat, D., 2018. Drivers of sustainability practices and SMEs: A systematic literature review. European Journal of Sustainable Development, 7(4), pp.531-531.

[49] OECD (2021), The Digital Transformation of SMEs, OECD Studies on SMEs and Entrepreneurship, OECD Publishing, Paris, https://doi.org/10.1787/bdb9256a-en.

[50] McKinsey & Company (2021a), Survey: European consumer sentiment during the coronavirus crisis (France, Germany, Italy, Spain, UK), March 2021.

the **activities of business support organisations, associations, clusters, or networks** were mentioned by 20% of the surveyed SMEs.

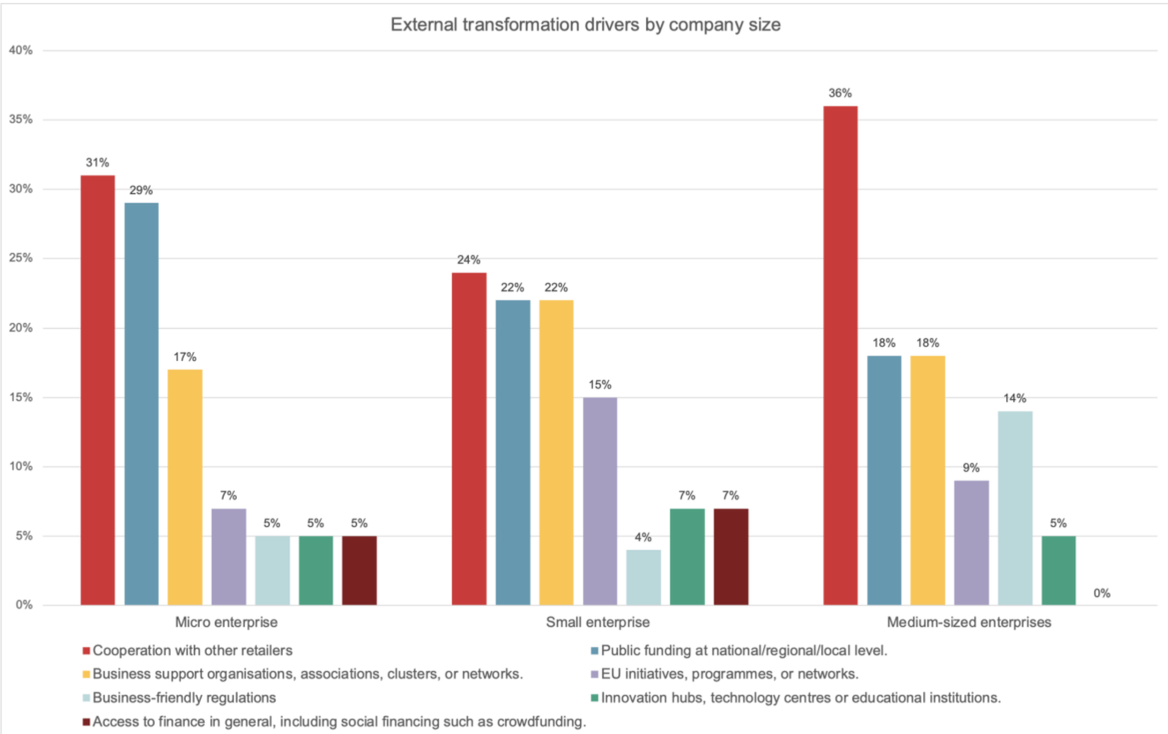
The reported importance of the availability of public funding at national/regional and local levels is aligned with other similar surveys[51]. Estimates show that retail and wholesale companies will need to invest an additional 0.8% to 1.6% of their revenue till 2030 on average to implement digital and green transformation[52].

The remaining **external transformation drivers** include assistance from innovation hubs, technology centres and educational institutions, business-friendly regulations and access to finance in general. In addition, some SMEs indicated other external drivers that include:

- Ecological beliefs and general awareness on climate change.
- The need to connect, share and drive new solutions.
- Covid-19 inflicted lockdowns.

The figure below reveals key external transformation drivers reported by companies of a different size.

Figure 2 External transformation drivers by company size – multiple answers allowed



Source: Technopolis Group survey: Twin transition for retail SMEs. Number of responses: 127.

The survey results indicate that:

- The most important external transformation drivers for micro-enterprises (less than 10 employees) are cooperation with other retailers (indicated by 31% of micro-enterprises) and public funding (reported by 29% of micro-enterprises).

[51] McKinsey & Company (2022), Transforming the EU retail and wholesale sector. https://www.mckinsey.com/industries/retail/our-insights/transforming-the-eu-retail-and-wholesale-sector

[52] Omrani, N., Rejeb, N., Maalaoui, A., Dabić, M. and Kraus, S., (2022), Drivers of Digital Transformation in SMEs. IEEE Transactions on Engineering Management

- For small enterprises (10 to 49 employees), the key external drivers are cooperation with other retailers (reported by 24% of small enterprises), availability of public funding and assistance from business support organisations (both drivers were reported by 22% of the responding small enterprises).
- The most frequently reported external driver of transformation for medium-sized enterprises (50 to 249 employees) is the cooperation with other retailers (reported by 36% of medium-sized enterprises).

6.2. Internal transformation drivers

The main internal drivers for digital and green transformation identified in the literature can be grouped into three categories:

- The necessity to **address internal operational problems** or optimise processes facilitating the adoption of digital technologies. For example, there is a greater need for SMEs to gain new business insights, unravel strategic information, communicate with internal and external stakeholders and cut down operational costs[53].
- **Management support** is a critical determinant of digital technology adoption. Supportive attitudes and policies, allocation of financial resources and the existence of a strategic roadmap enhance the digitalisation and/or green transformation processes. In addition, the culture in the organisation that includes personal and ethical values of owners, managers and employees drives, for example, environmental responsibility in SMEs[54].
- The **availability of skills** and resources influences the organisation's decision to adopt digital and/or green technologies[55]. During the 4th OECD Digital4SMEs roundtable[56], multiple stakeholders stressed the importance of the internal capabilities of the enterprise, notably the skills of employees, for successful digital and/or green transformation.

The retail SMEs survey results complement this picture. The figure below provides an overview of internal transformation drivers for surveyed retail SMEs.

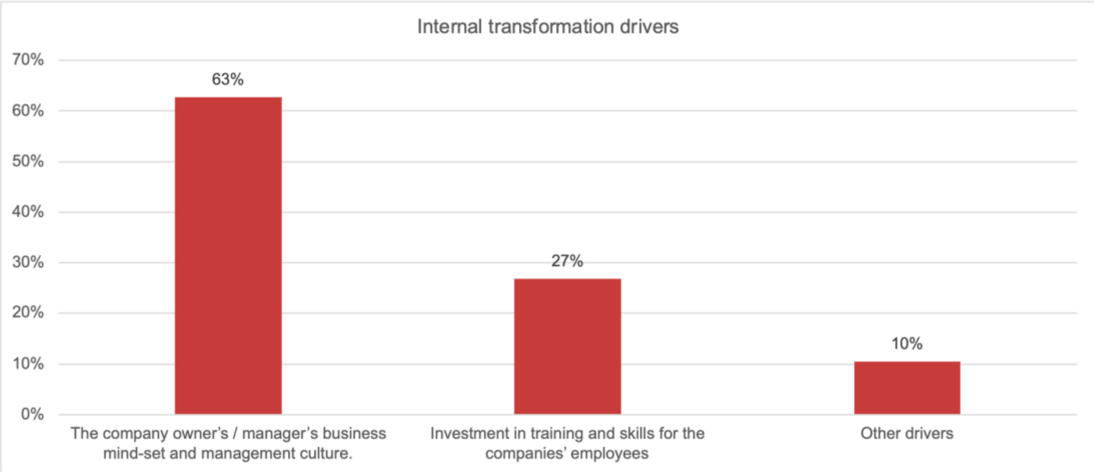
[53] Yadav, N., Gupta, K., Rani, L. and Rawat, D., (2018). Drivers of sustainability practices and SMEs: A systematic literature review. European Journal of Sustainable Development, 7(4), pp.531-531.

[54] Omrani, N., Rejeb, N., Maalaoui, A., Dabić, M. and Kraus, S., 2022. Drivers of Digital Transformation in SMEs. IEEE Transactions on Engineering Management

[55] McKinsey & Company, (2022), Transforming the EU retail and wholesale sector. https://www.mckinsey.com/industries/retail/our-insights/transforming-the-eu-retail-and-wholesale-sector

[56] OECD (2022), 4th Digital for SME roundtable. https://www.oecd.org/digital/sme/events/4th-d4sme-roundtable.htm

Figure 3 Internal transformation drivers – multiple answers allowed



Source: Technopolis Group survey: Twin transition for retail SMEs. Number of responses: 153

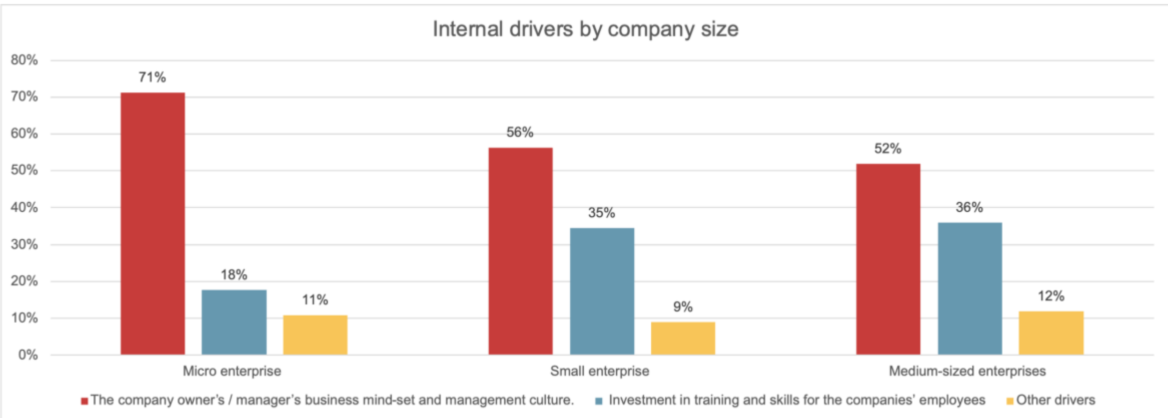
According to the survey, the business mindset of the company's owner or manager and the management culture was the most frequently reported internal transformation driver (reported by 63% of respondents) followed by the investment in training and skills of the company's employees (reported by 27% of respondents).

In addition, some SMEs indicated other internal drivers such as:

- the trust of the board of directors and innovative and enthusiastic employees for medium-sized companies.
- The increasing number of customers and the expansion of the enterprise.

The figure below reveals key internal transformation drivers reported by companies of a different size.

Figure 4 Internal transformation drivers by company size – multiple answers allowed



Source: Technopolis Group survey: Twin transition for retail SMEs. Number of responses: 153.

The survey results indicate that:

- The company owner's/manager's business mindset and management culture was reported by 71% of micro enterprises (less than 10 employees) as internal transformation driver. Investments in skills development plays a small role as a driver. Only 18% of micro enterprises indicated this as a driver. The result may not be surprising given that micro firms often consist of only the owner.
- For 56% of small (10 to 49 employees) and 52% of medium-sized (50 to 249 employees) enterprises the main internal driver is the business mindset and

management culture, but investment in training and skills are also important for 35% of small and 36% of medium-sized companies.

6.3. External transformation barriers

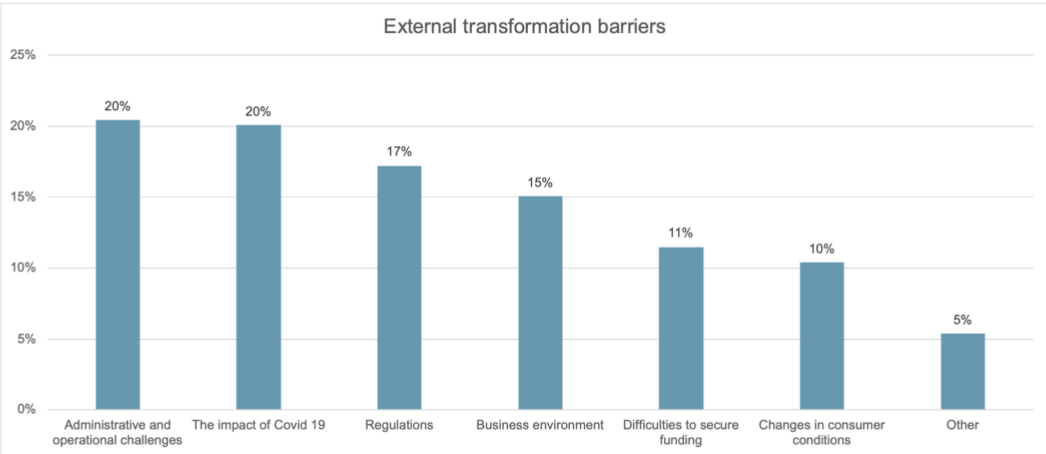
The main external barriers to digital and green transformation identified in the literature can be grouped into two categories:

- **External shocks** (e.g. the Covid-19 pandemic, supply chain disruptions, the Russian invasion of Ukraine, inflation and high energy prices)[57].
- **Lack of access to high-quality infrastructures** such as fixed or mobile broadband connection. Connectivity is key and the lack of access to high-quality internet connection hinders both digital and green transformations[58].

In addition, in the Flash Eurobarometer 486 survey, SMEs reported that the lack of consumer demand is an external barrier to sustainability.

The retail SMEs survey results complement this picture. The figure below provides an overview of external barriers for surveyed retail SMEs.

Figure 5 External transformation barriers



Source: Technopolis Group survey: Twin transition for retail SMEs. Number of responses: 279

According to the survey results, the top three barriers for the companies were the administrative and operational challenges (reported by 20% of respondents), impact of the Covid-19 (also reported by 20% of respondents) and regulations (reported by 17% of respondents). Modalities of the business environment, difficulties to secure funding and changes in the consumer conditions were reported by 15%, 11% and 10% of the respondents respectively. In addition, some SMEs indicated other external barriers such as:

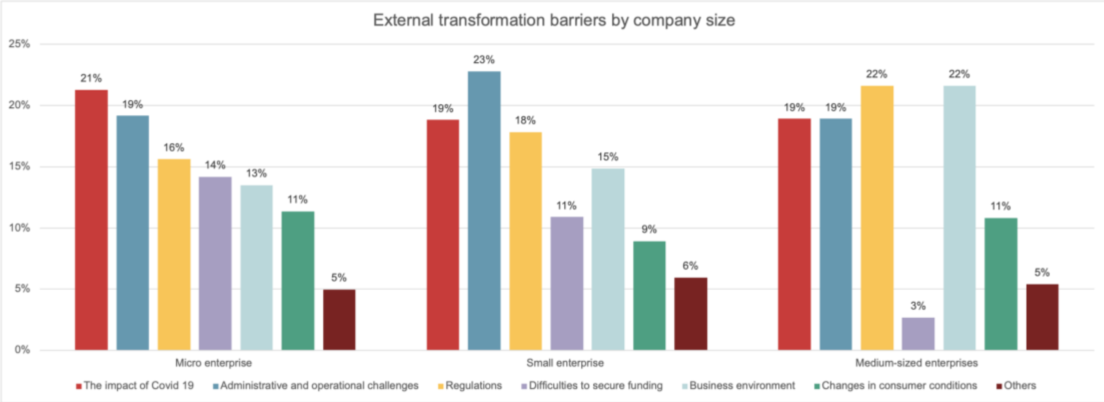
- Lack of time and resources (e.g. poor quality of IT equipment).
- Inflation and changing consumer habits (e.g. more saving).

The figure below reveals key external transformation barriers reported by companies of a different size.

[57] Single Market Forum 2020-2021 Workshop outcome.

[58] The 4th OECD Digital4SME roundtable discussion.

Figure 6 External transformation barriers by company size



Source: Technopolis Group survey: Twin transition for retail SMEs. Number of responses: 279

The key findings from the survey indicate that:

- Covid-19 had impacted companies of all sizes, slightly more micro-enterprises (less than 10 employees) were concerned.
- Administrative and operational challenges were the barrier most often indicated by small-sized companies (10 to 49 employees), while regulations and the business environment were most often mentioned by medium-sized companies (50 to 249 employees).
- Difficulty in securing funding was more often a barrier for micro-enterprises (for 14% survey) while for small enterprises (11%) and for medium-sized companies this was less often a barrier (3%).

Box 2 Key external and internal transformation drivers and barriers

In brief, the analysis of external and internal transformation drivers and external transformation barriers indicates that:

- The three most often reported external drivers include:
    - Cooperation with the other retailers.
    - Available public funding at national, regional, or local level.
    - Activities of business support organisations, associations, clusters, or networks
- The frequency of reporting external drivers slightly differed by the size of the enterprise:
    - For micro (less than 10 employees) and small enterprises (10 to 49 employees), the availability of public funding is key.
    - The key external driver for medium-sized companies (50 to 249 employees) is cooperation with other retailers.
- The company’s owner or managers' business mindset and the management culture is the key internal transformation driver. For small and medium-sized companies, investment in training and skills is equally an important driver.
- For the retail SMEs, the most frequently reported external barriers are:
    - Administrative and operational challenges.
    - The impact of Covid.
    - Regulations.

7. Recommendations for dissemination and outreach

The following recommendations on how to improve the exchange of best practices and raise SMEs awareness of the relevant support programmes for the green and digital transition have been developed based on the analysis of the desk research and the literature review, as well as the interviews with retail SMEs and retail associations.

Reaching retail SMEs is not easy. Retail SMEs in Europe are in more than 95% of the cases micro or small enterprises. Their day-to-day activities take most of their time and they do not have sufficient resources to follow, participate and engage in EU level activities.

This section presents the general recommendations and feedback received from several retail associations and stakeholders. It also makes suggestions how to improve the engagement with retail SMEs and dissemination activities by the European Commission over a three-to-four-year timeframe.

General recommendations on the dissemination and outreach:

- Messages from the European Commission must be relevant to the SMEs. They must focus on retailers' needs and their day-to-day challenges.
- Communication and outreach activities should be communicated through the channels used by retail SMEs. Many companies are part of their local/regional retail association and/or chamber of commerce which diffuses a lot of information or organises relevant events and engages with the relevant companies.
- To the extent possible, communication should be done in the local language. Language should also be simple and clear, avoiding EU jargon.
- It is important to make use of intermediaries and outreach organisations that are in constant contact with SMEs. An effective way is to tap into existing networks and platforms.
- When asking intermediaries or outreach organisations to diffuse information from the European Commission, it is key that the material and messages are ready-made to make the process of reposting or sharing as easy as possible.
- Outreach organisations could support the dissemination of good practices by organising local/regional events where retail SMEs would be invited.
- When organising these events, national/local preferences should be considered (for example, in some countries, stakeholders may prefer to have longer meetings, in others working breakfasts work well, while in others, afterwork activities are preferred).
- As an increasing number of SMEs is present on social media such as Instagram or LinkedIn, the European Commission should use these channels to inform retail SMEs about its activities. Short and visual messages are a preferred way to communicate. TV ads are also a good channel to approach small enterprises.
- Any communication should have a human angle to make it closer to the enterprises.
- National governments should have an active role in transmitting the relevant information from the EU level to the regional and local level.

Specific recommendations on the dissemination of the success stories:

- For retail SMEs it is very interesting and inspiring to read about the success of other retailers. Success stories provide inspiration and allow SMEs to learn about the activities of their peers. Hence, showcasing the transition and work done by local champions is very useful.

- The success stories should be short and highlight the benefits of the transformation.
- The SMEs need to understand the benefits and the business case of the transformation. They need to be able to apply the lessons learned in their business practice.

7.1. Communication strategy

Based on the feedback from the retail and business associations and the experience of the consortium[59], we propose the following three-step approach on a potential communication strategy to boost the dissemination of good practices as well as the European Commission's engagement with retail SMEs across the EU.

The ideas are grouped from easy-to-implement and less resource intensive to more resource-intensive and requiring more time to fully launch. We propose a timeframe of four years to implement the actions.

Short-term (Year 1-2):

- Use collaborative means to identify user needs, e.g. organise an online workshop and/or a survey of stakeholder associations, chambers of commerce, individual companies.
- Strengthen the support at local level. To this end, it is suggested to explore further the existing initiatives such as the Enterprise Europe Network (EEN)[60] and in particular the activities and work of the Sector Group (SG)[61] Retail, to establish dedicated contact points serving as a direct link with local retail SMEs to facilitate the establishment of working relationships, ensure efficient communication and targeted assistance.
- Design and set up an **online platform/website to** display good practices and share information, for example on EU/national/regional/local policies, other relevant initiatives as well as funding opportunities, etc. The platform should have:
    - A clear visual identity and an attractive and recognisable name that can be easily identified by SMEs in their online searches.
    - Clear functionalities allowing users to access the relevant content easily as well as a range of simple and accessible functions to engage with the users (e.g. such as information on relevant EU legistlation affecting the retail SMEs and funding opportunities).
    - The platform could be branded #RevitaliseRetail to build upon the work already carried out under the initiative.

The platform could also include:

- RSS feeds[62] or a subscription option for a newsletter or news on relevant topics.

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[59] The consortium is composed of Technopolis Group, Arctik and Ecoprenuer. Among the three organisations there is vast expertise in designing and implementing communication campaign, network animation, stakeholder management among others.

[60] Enterprise Europe Network, see: https://een.ec.europa.eu

[61] The SGs are a group of Network partners who commit to work together to meet the specific needs of their clients operating in a particular sector.

[62] RSS (Really Simple Syndication) is a content distribution method that consolidates information sources in one place and provides updates when a site adds new content.

  - a chatbot to identify relevant documents and answer simple questions/provide guidance, ideally in all EU official languages.

In addition, budget should be envisaged to develop an outreach campaign (emailing, social media activities etc.) for promotion of the platform.

Medium-term (Year 3-4):

In collaboration with other existing initiatives such as the Sector Group Retail of the EEN, the following activities could be developed in the medium term once the platform/website proposed in the point above is online:

- Organisation of training events at regional/national level to upskill the small business owners towards the twin transition.
- Organisation of networking events at local level (hybrid) with short presentations of new funding opportunities and policy developments as well as best practices to inspire retail SMEs.
- Creation of an online forum for business owners to discuss with each other in their local languages about their struggles and achievements. This could be part of the online platform for knowledge and best practice sharing described above.
- Engage with the EU retail SMEs community to encourage them to share their best practices that can inspire others.
- Showcase media content/publications about the successful business transformations, such as those included in this report, to inspire other business-owners to embrace the twin transition.

Long-term (Year 4+):

- #RevitaliseRetail to become a well-known brand and knowledge hub for small businesses (the ‘go-to’; household name) in the retail ecosystem for information and networking opportunities.
- Host (annual or bi-annual) EU-wide events to keep businesses up to date with funding opportunities and policy developments. This initiative should be coupled with the workshops organised under the #RevitaliseRetail initiative.

8. Conclusions and lessons learned

The twin transition has had a profound impact on retail small and medium-sized enterprises (SMEs) which account for 99.9% of all companies in the EU retail ecosystem. The rapid advancement of technology and the increasing demand for sustainable practices have disrupted traditional business models, forcing retailers to adapt or face significant consequences. On one hand, digitalisation has transformed consumer behaviour, with online shopping becoming increasingly popular and the rise of e-commerce giants posing a threat to brick-and-mortar establishments. On the other hand, there is a growing demand for more ethical and sustainable business practices and products.

Both recently and long-time established SMEs already have or will need to embrace the twin transition, requiring them to be present online, be more innovative in their operations, adopt sustainable practices and effectively communicate their brand values to cater to evolving customer preferences and stay competitive in a rapidly changing market landscape.

The main characteristics, drivers and barriers of the twin transition of retail SMEs

Based on a literature review, the analysis of the survey results and interviews with retail SMEs and associations the following conclusions can be formulated:

- Retail SMEs implement a **variety of digital and/or green solutions**. This includes changing or merging retail channels (physical, online, omnichannel), introducing new product assortment, changing/improving operational and managerial processes, improving consumers' shopping experiences, increasing the visibility of the company and changing/improving methods to attract consumers.
- Several **external factors drive** the transformation of large numbers of retail SMEs. Collaborative activities with other peers and public support measures are most often mentioned by retail companies of all sizes. The activities of business support organisations, clusters and networks facilitate digital and/or a green transformation mainly in small and medium-sized retail firms. However, only few retailers among those showcased in the success stories were to some extent aware of EU-level activites in this area.
- The company owner's or manager's business mindset and management culture was the most frequently reported **internal transformation driver.** For small and medium-sized companies, the **investment in employee training and skills** is also very often indicated.
- Other **key challenges** faced by SMEs include insufficient financial and human resources, administrative and operational challenges and the impact of the Covid-19 pandemic.
- **The broader dissemination** of (local) success stories could improve the information basis of retail SMEs. This could be complemented with information about relevant programmes, funding and/or training opportunities at the EU and national/regional/local levels. Dissemination activities should be tailored to the specificities of the targeted SMEs. In general, the language (preferably use of local language), content (presentation of practical information) and relevant communication channels (social media, print, etc.) should be adapted to the target group. An essential component of dissemination activities is the collaboration with retail associations, SMEs networks and national, regional and/or local authorities. This could be concentrated (and tailored) in a dedicated online platform.

Lessons learned from the success stories

The success stories show how private companies found ways to transform their businesses in embracing green and digital solutions. Many EU retail SMEs may struggle to digitalise their businesses or to make them greener, yet, the collected stories have shown that embracing the twin transition has helped many small retailers gain new customers, increase their profits and remain competitive. For many of them this has led to entirely new business models. Some of them benefitted from public support at local, regional, or national level, but in many cases the transition was carried out step by step using own funds. The cases should not only inspire other businesses, but also public authorities to identify appropriate support measures to help retail SMEs in their green and digital transition.

Overall, the following lessons learned were identified through the success stories:

- **The twin transition is beneficial for the company.** Companies that have introduced green and/or digital solutions witnessed an increase in profitability and the number of new customers attracted, leading to an improved position in the market. Implementation and the use of green and digital technological solutions resulted in the reskilling and upskilling of the workforce or the recruitment of new employees.
- **The twin transition is beneficial for the local economy.** By embracing this transition, there is a notable promotion of the proximity economy and local supply chains. Retail SMEs play a vital role in strengthening local economies by sourcing products from nearby suppliers, thereby supporting local producers and businesses. This not only boosts economic activity but also fosters a sense of community and resilience. Moreover, the twin transition contributes to the improvement of the quality of life in both urban and rural areas. The adoption of sustainable practices reduces environmental impacts, leading to cleaner and healthier living environments. Simultaneously, the integration of digital technologies enhances convenience, accessibility and personalised experiences for consumers, thereby improving their overall quality of life. These benefits are particularly evident in micro, small and medium companies operating in various retail sectors, such as clothing, groceries, jewellery and electronics, as they actively participate in the twin transition and leverage its advantages.
- **The twin transition is beneficial for consumers.** The twin transition was key to ensure the viability of SMEs and retail SMEs are a crucial element of the vitality of city-centres and of rural areas. They provide consumers with proximity, a greater choice of business models and products.
- **The green and digital transition of retail SMEs includes a range of technologically less complex options, but it can also include more technologically demanding and resource-intensive solutions.** For example, changing or merging retail channels through the launch of an online shop, improving company's visibility online through digital marketing campaigns or changing the assortment by including more sustainable products seem to be relatively 'easy' solutions for small and medium-sized retailers to implement. Still, creating and maintaining an online shop is time-consuming. Technologically sophisticated and financially intensive solutions, such as solar panels or photovoltaic installations to improve company's energy efficiency or chatbots to enhance the shopping experience, were less often identified.
- **The start of the transformation is the most difficult stage, which requires significant financial and human resource investments.** At the start, the financial investment needed for the twin transition may weigh on the companies and the positive results only show several months later. In most success stories, retailers financed the transition from their own funds. Some of them used social or crowd funding. Many retailers did not seem aware of public funding and for those who

were, the support did not seem sufficient. In addition, private banks seem hesitant to provide loans to retailers wishing to transform their business. Hence, numerous twin transition success stories indicate that SMEs interested in implementing green and/or digital technologies should anticipate a greater need for financial and human resources at the beginning of the transition.

- **Local, regional and national public authorities are the key actors supporting the twin transition of the retail SMEs.** The success stories reveal that the support measures from municipalities, local incubators and national funding programmes have helped SMEs embrace the digital and green transition. They do not necessarily have to take the form of funding. For example, mentoring or coaching by public bodies seem also to be a great support for SMEs in their transition. Knowledge about EU-level initiatives supporting the green and/or digital transition is less widespread: some SMEs indicated no awareness of such initiatives but showed interest in learning more about them.
- **While changing consumer habits is an important factor driving the green and digital transformation of shops, the cost of products/services remains relevant for consumer choice.** The changes in consumer behaviour and preferences driven by technological development, external shocks and economic and social trends motivate retail SMEs to digitalise and/or to focus on sustainability. However, retail SMEs need to balance the transformation costs and the product pricing to maintain the attractiveness of their offer and remain competitive.
- **The key internal driver of the twin transition is the owner's mindset and willingness to undergo a digital and/or a green transformation.** The success stories reveal that it is often the vision of the owner that drives the transformation of the business. A supportive business environment leading to an exchange of good practices and inspirational examples is also important. Many success stories show that entrepreneurs got their inspiration from other retailers, also in other EU countries.
- **The main barrier to the transformation lies in the insufficient availability of financial resources, human capital and necessary skills.** Limited access to funding and high implementation costs hinder their adoption of sustainable and technological advancements. Moreover, the shortage of skilled employees and the need for continuous learning add to the challenges. To overcome these barriers, collaboration with larger companies, government support and investment in training programs are crucial. By addressing these challenges, retail SMEs can unlock the benefits of sustainable and digital practices, bolstering their competitiveness in the evolving retail landscape.

Annex A – Compendium of 20 Success stories

As described in Section 4, the study identified 54 success stories of EU retail SMEs that transformed their business to respond to changing consumer needs (see Annex B for a full list). This annex presents a sample of 20 success stories from 16 Member States, chosen to ensure a balance in terms of geographical coverage, retail segments, sizes of companies and the types of transformation implemented. The chosen companies have all agreed to feature in this compendium.

The selected retail SMEs have all gone through a deep transformative process. Some of them have become more sustainable by greening their operations and offering a more sustainable assortment of goods; some others have digitalised their business by creating websites and online shops to attract and reach new customers; and some others have implemented both green and digital business solutions.

The success stories include a diverse range of enterprises coming from 16 EU Member States and active in retail segments such as grocery, electronics, home equipment, interior decoration, clothing and accessories, books or flowers. Several companies started their journey only recently, others did so during the Covid-19 pandemic and some already a long time ago.

Read the stories to learn more!

Success story of Legumbres Astorga (Spain)

Name	Legumbres Astorga
Size	Micro enterprise
Location	Lerma, Burgos (Spain)
Founding date	1985
Scope of activities	Offline/online
Retail segment	Grocery
Website	https://www.comprarlegumbres.com

Source: shared by the company

A family business funded in 1985 – Legumbres Astorga – for many years had a constant presence in the street markets of villages across the provinces of Burgos and Palencia selling legumes, flowers and plants. However, in 2020 the lockdown steered the company towards launching an online shop.

As in many other cases, Legumbres Astorga went through a transformation at the start of the Covid-19 pandemic. In March 2020, in a couple of days, Spain went into full lockdown, bringing forth numerous limitations on business activities. While supermarkets and grocery shops that offered first necessity products were among the few retailers that remained open, Legumbres Astorga faced significant obstacles. Even though the company offered first necessity products, it fully relied on the operation of daily street markets in towns and villages around the provinces of Burgos and Palencia which were shut down. This has led to the materialisation of an already nurtured idea to launch an online shop. In other words, the Covid-19 inflicted lockdown accelerated the move towards e-commerce. After more than

35 years of selling in street markets, the pandemic put their business at risk but also offered an opportunity to embrace the digital transition.

Legumbres Astorga embraced digital transformation by developing an online shop. The digital store ensured that Legumbres Astorga could continue selling their products during the Covid-19 lockdown. The early days of the lockdown were full of uncertainty since Legumbres Astorga's survival was at risk. However, Laura, the owner of the company, decided to embrace the lockdown as an opportunity rather than a threat.

Little by little the products sold in person became available on the website. Legumbres Astorga has also developed social media presence on channels such as Facebook or Instagram to promote their activities, as well as a blog. The blog offers recipes to inspire customers to prepare recipes using their products. Moreover, in the early stages of the pandemic, Laura presented the company in one of the most popular radio programmes in Spain, which also helped to attract new customers and increase their visibility. Overall, the outreach campaign resulted in higher traffic, which motivated Laura to offer as many products online as possible.

In addition, Legumbres Astorga has also been taking steps to improve their sustainability over the last six years. Legumbres Astorga greened their internal operations by only using paper in the packaging offered to the clients.

The company also introduced a broader assortment of ecological and sustainable products and is working on including multiple options for customers with food intolerances and allergies at reasonable prices.

Legumbres Astorga aims to sell as many products as possible that originate from local regions. Only the products that cannot be produced in Spain are imported from abroad. Likewise, Legumbres Astorga also works to purchase greener services and products from external companies.

The company made use of their funds to develop the online shop. The development required a considerable investment at first and later, monthly payments for the maintenance and yearly payments for diverse licenses followed. Only after the website was launched, the company received a grant dedicated to the support of digitalisation from the regional government. However, due to the previous approach of selling in street markets rather than in a traditional brick-and-mortar shop, Legumbres Astorga always faced difficulties in receiving governmental support, as it was not considered a retail establishment.

The main internal driver for their sustainable practices were the owner's aspirations and ecological awareness. Long before it was mandatory to replace plastic bags in retail, Legumbres Astorga had already shifted to paper bags. Laura is also constantly learning and upskilling herself to be able to do as many things as possible by herself. The positive support from the clients was an external driver for Laura to continue her work online and to increase the assortment by including as many healthy and sustainable options as possible. Finally, the importance of the Covid 19 pandemic as an external driver to accelerate their digital transition is undeniable.

The main internal barrier was the lack of time since the owner of the Legumbres Astorga is the only full-time employee. Being in a rural area of Spain also adds a layer of complexity since Laura must commute to the nearest city for some activities and administrative procedures. The poor internet connection in a rural area also posed a challenge.

In general, Legumbres Astorga has positively benefited from the implemented twin transition. The most relevant impacts were on:

- **profitability**: the website and the online shop allowed to reach more customers and therefore increased sales and profitability.
- **number of customers:** the customer base expanded as those who usually acquired products during their summer vacations could now also purchase them online.

- **position on the market and competition with other retailers**: the broad set of sustainable, healthy and gluten-free assortment provided a competitive edge in comparison with other retailers.
- **use of technologically advanced solutions**: the company has implemented technological solutions for their online shop and website.
- **use of more sustainable materials**: the usage of plastic decreased as only paper bags and packages are used.
- **promotion of proximity economy, local supply chains and the improvement of quality of life in urban or rural areas**: multiple products were sourced from local sources creating opportunities for local farmers.

The key lesson learned: It is not always easy, but it's worth it. Legumbres Astorga would encourage all other retail SMEs embracing the digital transition to be persistent with their activities. For Laura, starting a website was not an easy endeavour as it required learning how to use new software and tools. Nevertheless, an established group of clients before the launch of an online shop provided a head start.

Having an online shop also requires a change in communication with the customers, since the clients often expect an imminent response, quick delivery of the products and personal relationship. Similarly, it is important to offer a variety of products. In the case of Legumbres Astorga, more than 60 types of legumes were offered. This placed the company ahead of its competitors.

The story of Legumbres Astorga shows that innovating and learning about new sale channels and ways to renew the assortment, both in the market and in the online store, increases the resilience and sustainability of the business.

Success story of Cork Flower Studio (Ireland)

Name	Cork Flower Studio
Size	Micro enterprise
Location	Cork, Ireland
Founding date	2007
Scope of activities	Offline/online
Retail segment	Home improvement & decoration; Flowers, Irish Design & Take Away Coffee
Website	https://www.corkflowerstudio.com

Source: https://www.corkflowerstudio.com/about-cork-flowers

Cork Flower Studio, an independent florist in Cork City, was established in 2007. The Cork Flower Studio creates fresh bouquets, gifts, jewellery and home decorations, at the same time protecting the planet and building Cork's community. The passion and dedication that Cork Flower Studio has demonstrated during these years has created a sustainable business, bringing benefits not only to the owner but also to the local community and its inhabitants.

Changing little by little. Since 2018, the Cork Flower Studio has gradually introduced more climate-friendly activities and increased the environmental awareness of Cork's citizens. The company operates in a sector that is reluctant to engage in green transformation. In addition, most of the flowers sold in Ireland are imported from the Netherlands, thus, posing a notable negative climate impact. However, due to the disruption in supply chains caused by the Covid-19 pandemic, they have also increased the number of local suppliers they work with.

Cork Flower Studio transformed without any additional help from other companies or the public sector. Over time, Cork Flower Studio increased the number of climate-friendly initiatives reaching great visibility in the community and serving as an excellent example of how to gradually transform business and influence the clientele. In addition, the Cork Flower Studio has an online shop, selling flowers and locally designed products.

Cork Flower Studio underwent a green transformation. The first action that the company took was the greening of the company's internal operations by introducing a multiple-use packaging option – glass vases. Being aware of the generated waste, Cork Flower Studio has gradually substituted single-use packaging. Instead of wrapping and selling the flowers using several layers of plastics, the company has completely removed the use of plastics and now distributes the flowers using only glass vases.

In addition, to attract more clients and offer a diverse and unique experience in the physical shop, the Cork Flower Studio has set up a coffee shop. The customers could enjoy a takeaway glass cup of coffee as a deposit scheme was set up as part of a broader scheme in collaboration with the local universities. Thanks to this, the popularity of the Cork Flower Studio increased in the local community, especially among the younger cohort of customers. The opening of a coffee shop in their premises created a win-win situation for both Cork Flower Studio and the customers. The clients could enjoy coffee from a glass cup as single-use plastic cups were substituted. This idea was not initially born as part of the company's green project, but once they started to reduce the use of single use plastics in the flowers, they organically moved into other areas. Customers can also enjoy local food and milk.

Cork Flower Shop also offers green delivery services as the last mile transportation is made by cargo bikes. While the studio has also vehicles to deliver to further areas, the company has the plan to shift towards fully electric vehicles.

The main internal driver for change was an excellent teamwork attitude including discussions, a solution-base mindset and an accurate analysis of the pros and cons of the transformation, which has allowed Cork Flower Studio to transform the business. Innovation, enthusiasm and a keen eye for a sustainable business were the key factors that allowed Cork Flower Studio to become a greener company and to benefit from this transformation.

An external driver of the green transformation was also a favourable external environment that further helped the company in the transition. After they switched to more sustainable practices, they received mentoring support in resource efficiency through the Local Enterprise Board, the regional office of Irish entrepreneurs.

The Cork Flower Studio approached the green transformation by minimising the risk and using its financial resources. The step-by-step transformation allowed the company to engage in a swift green transition without the need for external funding. However, given the recent increase in climate awareness, the Irish government has set up cargo bike funding, supporting a greener mobility in the country.

Cork Flower Studio encountered several barriers in the process of green transformation, mostly related to the difficulties in dealing with bigger suppliers that would not reduce the volume of plastic in their shipments.

In general, Cork Flower Studio has positively benefited from the implemented green transition. The most relevant impacts were on:

- **profitability**: the choice of reusable cups for coffee, local products and the removal of single-use packaging have attracted more customers and improved the shopping experience.
- **position on the market and competition with other retailers**: the company gained visibility at the local level and access to new markets thanks to the initiatives taken and their appearance in local and national press showcasing their work.
- **environmental performance**: the use of sustainable mobility and packaging has drastically reduced the company's environmental impact.
- **the promotion of proximity economy, local supply chains and the improvement of quality of life in urban or rural areas**: the use of local food and flowers increased the cooperation with local suppliers. The use of cargo bikes improved the quality of life in Cork.
- **the cooperation with other local economic and societal actors and/or local authorities**: Cork Flower Studio participated and shared their experience in the green economy promotion events such as the annual plastic-free festival. The Cork Flower Shop story inspired other florists to explore greener choices.

Overall, the green transformation was successful as the Cork Flower Studio has experienced an increase in the number of customers and an improved level of satisfaction by the customers, leading to a win-win situation for customers, entrepreneurs and a respect for the environment.

One of the takeaways suggested by Justine, the owner of Cork Flower Shop, is that people are reluctant to change. A proper understanding and awareness of the climate issue through communication is a crucial step to start making the difference. The team engaged in continuous explanations and discussions with customers on the benefits of reducing the plastic packaging both for the flowers and the coffee. In addition, according to Justine, it is important to listen and learn from other experiences. The owner has gained much from the stories of other retailers and plans to keep learning from peers in the future.

The key lesson learned: even the smallest changes can have a positive impact. Cork Flower Studio started with one small change which led to the development of new, successful ideas and a positive contribution to the environment. Likewise, a determined leadership is key for the success of any change.

Success story of Yuman Village (Belgium)

Name	**Yuman Village**
Size	Micro enterprise
Location	Brussels, Belgium
Founding date	2017
Scope of activities	Offline/online
Retail segment	Clothing, Electronics, Accessories
Website	https://yumanvillage.be

Source: https://www.visit.brussels/fr/professionnels/venue-details.Yuman-Village.275500

Yuman Village is an ecological “one-stop shopping” store located in the heart of Brussels which brings together hundreds of circular and sustainable products (e.g. clothing, electronics, accessories, cosmetics). All products are made from recycled materials, eco-designed and based on natural materials to limit the impact on the planet. The store is based on a mixed model approach: it purchases sustainable products from suppliers and sells them but also helps small companies to start their projects by welcoming them and giving them visibility. In addition, Yuman Village also organises various events to raise awareness regarding specific topics: conferences, zero waste workshops, repair cafes.

A sustainable business from the start. The company started its business in 2017 after observing the multiplication of organic stores based on short supply chains opening throughout the EU (especially in Sweden). In Belgium at that time, more and more entrepreneurs were already developing new sustainable products and services. For instance, in 2020, Belgium ranked as third country in the European Union in terms of recycled waste[63].

In this context, the founders of Yuman Village identified a potential to develop their original concept of a sustainable shop. At that time, circular economy in Brussels was still a fledgling project but has developed very positively over the past six years.

The company is based on a mixed model. On the one side it consists of purchasing material from suppliers and selling it; and on the other side of welcoming small companies who want to test their activities. The company works with 80 suppliers among whom 70% are from Belgium and the majority are small companies. Therefore, it offers direct and indirect support to the local economy. The company has also launched more structural partnerships with other actors such as Pêle-Mèle, a second-hand bookshop in Brussels.

Twin transition in place. The company has introduced both green (introduction of more ecological and sustainable products in the shop’s assortment, introduction of eco-cheques and local money, introduction of a recycling programme) and digital innovations (moving from one retail channel to another: from selling in physical shops to selling online).

The main transformation undertaken by the company is a green transition. First, it should be noted that the company was created initially with the aim to have a positive impact and to be sustainable. Hence, all products sold are sustainable, eco-designed, coming from a short supply chain and aim to extend and revalorise the product’s life. The company accepts ecochèques[64] and local money, the Zinne, which is Brussel's local currency. However, the local money is rarely used (less than five people over the past few months made use of it) but, on the other hand, the eco-cheques are a success as almost all products are eligible to this form of payment.

At the same time, the company is undergoing a digital transformation. The company has developed a website which includes an online shop and a blog. The website was created in 2018 together with the opening of the shop. The creation of the online shop is more recent and was a consequence of the Covid-19 crisis. In the first quarter of 2020, the store had to close its doors for many weeks. The leaders of the company created the online shop to maintain a minimum activity level and digital ties with customers. However, the impact of online selling is marginal as it only represents 5% of the company’s turnover now. Nevertheless, both the website and the online shop serve as a showcase for the company and help to boost its outreach. Going further into the digital transition would require the company to invest a significantly larger budget in comparison to what they do today. It is not planned for the moment as most of the business is made through the physical selling point.

[63] Eurostat (2023), Treatment of was by waste category, hazardousness and waste management operations. https://ec.europa.eu/eurostat/databrowser/view/ENV_WASTRT__custom_6332948/default/table?lang=en

[64] In Belgium, an ecocheque is a voucher given by the employer to the employee for the purchase of ecological products and services.

Funding the change. To launch its concept and later to further engage in green and digital transformation, the company made use of joint financing from four different sources. They used at first their private capital and contracted a loan granted by ING and Finance Brussels. The company also received financial support from the regional government. Yuman Village benefited from the call for proposal "BeCircular", an initiative from the Government of the Brussels Capital Region. Yuman Village received this support twice – during the initiation phase of the company in 2018 and in 2021. Lastly, the company has resorted to fundraising through the LITA platform which funds projects with positive impacts. In general, the company has not benefited from any EU financial support, however, it has received funds from the regional government.

The company did not experience a lack of financing and, most importantly, it has not been a barrier to the creation of its green or digital projects. In addition, the company has also received cross-functional support and help in the structuring of ideas from Hub Brussels, the Brussels Agency for business support.

However, the company faced some obstacles since the launch of its activity. First, the company had to face the Covid-19 crisis which negatively affected its nascent activity. The company had to close its doors for many weeks and saw its economic activity, which depended exclusively at that time on sales in physical shops, drastically slow down. The Covid-19 crisis was also followed by other socio-economic upheavals, such as rising inflation, which negatively impacted consumer purchasing power. In addition to these external factors, the company also faced difficulties finding a location in Brussels. The fragmentation of the Brussels real estate market between several local actors made it difficult for the company to find premises and was an obstacle to its development.

The transformation of the company has had a positive impact on:

- **profitability:** the green transition initiated by this SME is at the core of its business model and contributed to its profitability. However, for the moment, the online shop (and the associated maintenance costs) generate bigger costs than the value it brings.
- **number of customers**: the number of clients increased in 2019 and has been stable in 2021 and 2022 (around 35 thousand euros of transactions per year). The company's turnover is positive. The concept has a strong potential with considerable interest and positive feedback from consumers.
- **company's position on the market and competition with other retailers**: Yuman Village creates positive synergies between circular partners and helps them grow their businesses. It also helps small companies to start their projects by giving them visibility.
- **environment:** Yuman Village's recycling programme helps involve consumers in the circular economy and has a positive impact on the environment, on the social environment and the business.
- **promotion of proximity economy, local supply chains and the improvement of quality of life in urban or rural areas**: Ecochèques and local money reduce the ecological footprint, promote resilience in the local community, support and stimulate community relations including the economic ones. In addition, the developed website allows Yuman Village to boost its outreach when organising events or trying to raise awareness regarding specific topics.

Overall, the company aims to have the maximum impact while remaining sustainable to maintain and develop its ties with the local community (citizens and businesses).

Success story of Swappis (Hungary)

Name	Swappis
Size	Small enterprise
Location	Budapest, Hungary
Founding date	2019
Scope of activities	Offline/online
Retail segment	Clothing
Website	https://www.swappis.hu

Source: https://magyarvelemeny.com/ruhabolt/budapest/swappis-ruhaforgo-second-hand-/

Swappis is a retail clothing store in central Budapest that aims to limit the negative environmental impact of the fashion industry with a business model focusing on circularity and the reuse of second-hand clothes. The clothing retail store offers consumers a sustainable alternative to clothing overconsumption and focuses on sustainable solutions to expand the lifespan of clothing items. Swappis not only offers the option to customers to buy second hand clothes, but they can also sell their clothes, ensuring a circular approach. In addition, their vision is to create a community of like-minded people with interest in sustainable fashion, through membership and the organisation of events.

Tünde Fritzson-Bajdor launched Swappis Ruhaforgo four years ago in Hungary. The idea was inspired by her experience in Sweden where she had already opened a similar shop during her time living there. She was then a student in sustainable fashion and acknowledged the negative environmental impact of the sector and the importance of following a greener approach in fashion. Her objective was to accelerate the transition towards sustainable fashion and to provide an alternative to linear supply chains. The importance of second-hand clothing, donation shops and flea markets in Sweden encouraged her idea of merging the reuse practice into the clothing industry.

Back in Hungary, she founded Swappis in Budapest in 2019 with the aim of overcoming the inefficient clothing recycling system existing in the country. The Hungarian second-hand clothing market is almost entirely covered by big players such as Háda, Humana or Cream. There is no collection system at all for clothes at all and the most common option is to choose from imported clothes in second-hand shops. The ecological footprint of this solution is which is also of a magnitude greater than if the clothes were collected domestically. In this context, Swappis offers an alternative based on an innovative reusing concept, merging good practices, sustainable use of technology and organisation of community-building events such as clothes' exchange fairs in-house.

Swappis is a clothing store that was born with a sustainable concept from its founding. As the name suggests, the entire nature of the business is to "swap" clothes in a circular economy perspective. Swappis' process starts with customers who give clothes they no longer use to the shop. Based on the clothing quality and the condition, the customer receives Swappis points that are registered in the customer's Swappis account. With the points they accumulated customers receive discounts up to 50% in the Swappis shop for their own purchases, encouraging them to also purchase second hand clothes.

Regardless of the discounts prices range between 500 ft (around €1.27) and 10000 ft (around €25.48), making Swappis products affordable for many clients and making sustainable fashion available without extra financial effort.

In addition to the clothes swap system, Swappis organises local events for its community. Most events consist of clothes fairs where people can exchange clothing items in various locations, contributing to the local transition towards circular economy and bringing the concept to more citizens.

The initial investment to open Swappis in Budapest was minimal. Swappis was able to use hangers for free and the cost of the first cash register was covered using the second month income. The cost of the store's renovation was limited as the owner decided to keep a rustic and eclectic interior that is eventually appreciated by the customers. The first investments were used to have access to a warehouse and to hire two shop assistants to help running the business. At a later stage, Swappis received EU funding from EIT Climate KIC[65]. The grants were used to buy IT equipment and to relocate the shop to a bigger place in the city centre of Budapest.

Thanks to the EU grants, Swappis also initiated its digital transition and included more technologies in its internal processes and customer services: they bought new iPads, introduced card and online payments, created a new app and an online database with customer' data. Swappis' strategy is to keep acquiring more professional and digital infrastructure to grow the business into a cutting-edge store.

A driver and enabler for the creation of Swappis is the owner's experience in Sweden, that has allowed her to see the good practices existing in the Swedish clothing sector. She also realised that people are increasingly more aware and conscious of the environmental impact of their purchases and that is has become a key factor in consumption choices.

The main barrier that Swappis encountered is the reluctance of customers to buy clothes and the clothes stock management. As citizens become more conscious of the importance of reusing clothes, they give away their old clothing items quite easily, but they appear more reluctant to buy clothes. Consequently, people tend to bring more items than what they buy, leaving the shop with a huge amount of supply, but without a demand that matches the volume.

In general, Swappis has positively benefited from its sustainable fashion practices that feed into the green transition of the fashion industry. The most relevant impacts were on:

- **profitability:** Swappis' sustainable concept has been profitable from the very beginning, with profits from the first opening month. The success is not unique: experts believe that, in a few years, the second-hand clothing market could overtake fast fashion, that currently dominates the industry. Researchers also point out that second-hand stores can target various market segments covering different social and consumer groups with Generation Z (those born between 1997 and 2010) being the most enthusiastic second-hand buyers.
- **employment:** in addition to the owner, Swappis currently employs two people, who work full-time. They spend two days per week just stocking and processing new arrivals. Future investments will be used to recruit new employees in the Swappis' team to help constantly grow the business.
- **number of customers**: Swappis can count on a regular customer base. The Swappis community already has 1,500 members in Hungary. Community-building also takes place online, as in addition to its website, Swappis is active on social media and has a constant communication with customers, mostly on style advice. Over the 4 years of activity, more than 7000 people have handed their clothes to Swappis.

[65] EIT Climate KIC refers to European Institute of Innovation and Technology Climate Knowledge and Innovation Community. See https://www.climate-kic.org

- **use of technologically advanced solutions:** thanks to the recently received EU funds, Swappis introduced a digitalised database in which there are 4000 registered members, as well as new technological devices (e.g. cash registers, iPads). They also launched the Swappis app.
- **environmental impact**: Swappis contributes to mitigate the negative environmental impact of the fashion industry by reducing clothing waste. In its first year of activity, more than 5 tons of clothes were collected by Swappis to have a second life. The average customer brings about 3-5 kg of second-hand clothes to Swappis per person each year. With clothing consumption of the average European being around 6 kilos per year and per person, Swappis prevents a considerable share of clothing to end up as waste. In addition, as 85% of all textiles go to waste yearly, providing the alternative of reuse is key to reduce the environmental impact of the industry.
- **revitalisation of urban areas**: Pesthidegkút, the neighbourhood of Budapest where Swappis' store was initially located (before moving to the city centre) has become more popular among citizens.
- **social impact**: donations of unsold clothes to local communities have contributed to create a positive social impact in Budapest. Additionally, according to the owner, there is a "growing media focus on sustainability – everyone knows what climate change and ecological footprint are and what they can do to reduce it". She is already at the forefront of this, raising climate awareness through social media to encourage their community to follow sustainable lifestyle patterns and adhere to conscious consumer behaviour.
- **the cooperation with other local economic and societal actors and/or local authorities**: inspired by the success of Swappis, a previous employee has opened a similar shop in another location in Budapest. Thanks to the second shop, a fruitful collaboration is going on also with the municipality. The main objective to accomplish will be to involve more actors in the project and to increase the shop culture in the city through Swappis events.
- **successfulness of the business after the transformation:** with growing profitability, customer base and a circular system, Swappis encountered no difficulties in gaining popularity, without any effort to advertise the business. A further step would be to share the good practices abroad: "It seems like a big dream to grow Swappis into an international chain," says the owner.

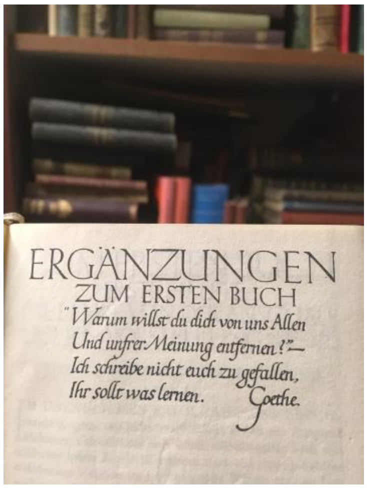
The key lesson learned according to the owner's experience is to change the persistent presence of a predominant linear economy, linear supply chains and fast-fashion consumption mindset in the clothing sector. In addition, having a shop with thousands of customers coming in and out (driven by Swappis' growing popularity) requires efforts of management and a bigger team.

A further objective of Swappis will be to invest in citizens' engagement to adopt more sustainable practices and to collaborate with designers to reuse the recycled materials for a useful purpose.

Prospects of going digital. According to the owner, people tend to visit the website, but they eventually prefer to come to the physical shop to bring their clothes and to "try a dress, to touch the materials". Despite it being important to increase the shop's visibility, creating a website with a specific e-shop section is not one of the business priorities now, given the important resource consumption of e-commerce at this stage of the business. However digital technologies remain key for Swappis as the online presence, especially trough social media, is considered a crucial part of the business by the owner, allowing her to communicate with her customers, also offering style advice.

Success story of Antiquariat Buchtip (Austria)

Name	Antiquariat Buchtip
Size	Micro enterprise
Location	Vienna, Austria
Founding date	1998
Scope of activities	Offline/online
Retail segment	Books
Website	https://www.buchtip.at/webmanager/view.php?dirid=0



Source: https://www.facebook.com/photo/?fbid=3375772752491108&set=pb100063438860893.-2207520000

Founded in 1988, Antiquariat Buchtip is a micro-enterprise selling antiquarian and second-hand books based in Vienna (Austria). Since 2005, Antiquariat Buchtip has been selling antiquarian books physically and online via their own website and on large e-commerce platforms. Antiquarian books are a very specific type of product to be sold online, which makes Antiquariat Buchtip one of its kind.

Work-life balance: The transformation in the business model and the development of an online channel to sell their goods was a mean to enable the owners of the company to have more work-life balance, especially after the company owner became a mother. Opening an online shop allowed them to continue their business outside the opening hours of the physical shop.

Going digital: The transformation started very early, at the beginning of the new millennium by launching an online shop. The business became fully digital in 2005. In addition to their physical and online store, they are also present on large e-commerce platforms, which allows them to access a bigger customer base.

Having an online shop and a website has also boost the digitalisation of their internal operations. They have an online catalogue of more than 10,000 titles and the whole purchase process (from the moment the customer checks the catalogue to the shipment) is now digitalised.

The final digital transformation is linked with the communication channels they use to contact their customers. In addition to their presence in social media channels such as Facebook, they have developed a service of personal advice to customers on request as well as pick-up options, personal correspondence and automated online correspondence during the transactions.

The decision of Antiquariat Buchtip to go digital years before online stores became a mainstream practice has put them in the vanguard of their business. This early adoption has allowed them to be future proof and aligned with the current practices.

A green approach too: the concept of antiquarian books is also aligned with the green transition, since it offers a second life to books and allows customers to access books that might have been discontinued. In addition, the company has increased the number of green services that they acquire from other companies such as packaging and shipping. For the packaging, the company reuses existing packaging material and when not possible they use recyclable materials. All the shipping is delivered using the climate neutral service of Austrian Post.

The investment required to start the digitalisation of the company was not very big and it has paid off since then.

One of the main drivers of the digitalisation was the previously acquired experience in using digital tools, their easy implementation and use. This eased their transition to a fully online business. They started using their digital management software in 1998 and continue to develop it in-house to address the new needs they have.

The complexity of EU regulations. Among the barriers they have faced, one of the most complex one to address was the new EU regulations on online trade, the packaging guidelines and the VAT rules for online retailers. These new administrative requirements have added an additional layer of complexity to their operations. Despite the generally positive perception of their online operations, they have been occasionally perceived negatively as an online retailer in the broader retailer community.

The transformation of the company has had several positive impacts on:

- **profitability**: having access to a broader base of customers (some of them from as far away as Australia) has helped them to increase their profitability and their economic performance.
- **position on the market and competition with other retailers**: being a frontrunner in having an online shop already more than 20 years ago has given Antiquariat Buchtip a lead in comparison with other retailers and has allowed them to position themselves in the market.
- **use of technology advanced solutions**: the company has digitalised all their operations which has also helped them to better manage their inventory and keep an updated overview of their sales.
- **environmental performance**: the company has also improved their environmental performance, not only due to the circular approach of the business but also thanks to the reuse of packaging materials and the climate neutral shipping system they use.
- **networking**: having an online presence has also allowed Antiquariat Buchtip to engage in networking activities with other SMEs going through a similar transformation. Antiquariat Buchtip was able to merge the antiqueness of the book, as a traditional medium to access to culture, with the digital world, expression of modernity and future.

Thanks to that the company achieved the objective of reviving old books in a way that is fit for the future. It has also made them accessible through archives and a digitised catalogue. Eventually, because of the digitalisation, Antiquariat Buchtip was able to create a greener impact by adopting a zero-waste approach.

Success story of Manzato Anna di Lessi Luca & C. snc (Italy)

Name	Manzato Anna di Lessi Luca & C. snc
Size	Micro enterprise
Location	Mariano Comense, Italy
Founding date	1970
Scope of activities	Offline/online
Retail segment	Grocery
Website	https://enotecamanzato.it

Source: Shared by the company

Manzato Anna di Lessi Luca & C. snc is a small family-run business created in 1970, known to offer high-quality food products to their customers. It is a grocery store specialised in local and Italian food, as well as a wines and spirits. It also sells some non-food daily use products. Manzato Anna di Lessi Luca & C. snc offers shopping experience to their customers, including tasting their products (food and wine) to increase the awareness of local products.

A difficult period for retailers. With more than 50 years of activity, Manzato Anna di Lessi Luca & C. snc illustrates how to successfully merge tradition with innovation to keep growing, even through difficult times. In the recent years, the grocery retail sector in Italy has been facing continuous crises due to internal and external factors, hitting particularly SMEs. The recent crises of the Covid-19 pandemic and the Russian invasion of Ukraine have negatively affected their business. Furthermore, the forced closure of several months in 2020 stopped their business and revenue. The war in Ukraine and the consequent energy crisis drove energy costs upward, creating heavy pressure on companies. The energy crisis also disrupted considerably food supply chains, affecting groceries' stocks and provision of goods.

Luca Lessi, associate of the company, stresses the necessity to transform to avoid the risk of closing their activity. He says "either you innovate or you close" referring to the need to attract customers and at the same time to find efficient solutions to be more sustainable and to make savings for the next investments. As the youngest associate, Luca Lessi has been in the driving seat of changing the business with the ambition of transitioning towards a sustainable and innovative business model. However, until now there was a lack of support at regional level for the green transition of SMEs. Lombardy now offers enough occasions and tools to inform the citizens on the importance of green investments, but still more needs to be done. At national level, the efforts to help SMEs to adopt sustainable solutions in their businesses are still insufficient for some entrepreneurs.

Implementing a twin transition. The transition of Manzato Anna di Lessi Luca & C. snc started around 10 years ago and it has adopted digital and green innovations in recent years. With the implementation of e-commerce practices, the products selected by the shop have become accessible to a broader range of consumers and the store has extended its customer base.

Becoming more sustainable. At the same time, it adopted a sustainable approach linked to the services and products sold. Manzato Anna di Lessi Luca & C. snc introduced several internal actions that allowed the company to be more sustainable and limit the volume of waste produced.

The company reduced their energy consumption by installing a photovoltaic system as part of the shop's electricity production. This system not only limits negative environmental impact of the shop's activities but also allows the company to save 20% of the shop energy costs. They are also using LED lighting in the selling area to reduce energy consumption.

Another sustainable activity carried out by Manzato Anna di Lessi Luca & C. snc is the bulk selling of tap cleaning products. These detergents are available in bulk for customers to collect in their own containers, allowing a considerable saving of packaging and reduction of plastic waste. The initiative has been a success, with various reactions from customers depending on their cultural background and interest for sustainability. Some of them immediately understood the pros of the product and were very enthusiastic about substituting the heavy plastic packages, while others have been initially more reluctant to transform their habits. The key message of this initiative according to the initiator is that once the customer can see the benefits of the sustainable innovation, they are ready to accept the change and to adopt more sustainable lifestyle. Thanks to this tap cleaning product selling innovation, Manzato Anna di Lessi Luca & C. snc was able to reduce by 20-25% the use of plastics, in comparison to the years before the transformation.

Regarding the specialised products sold such as gourmet food and wine, the shop pays special attention to select high-quality products. The choice of products is a highly important component of the company's values. It mostly supplies seasonal products, produced by local farmers and contributing to the local economy. In addition, the high-quality products allow it to differentiate from the offer of their mainstream competitors.

The digital transition adopted by Manzato Anna di Lessi Luca & C. snc was necessary to broaden the audience and to reach new customers. The creation of the shop's website and the online shop have allowed clients to discover the shop's concept and to get information on the next tasting events organised, but also to buy their products in a simple and immediate way. Having a digital presence is highly important and the owners pay constant attention to the image of the company online and in social media. The company hired an expert of digital communication to have a professional and up-to-date profile in the virtual world.

Use of their own funds. The initial investment to adopt the transformation was made entirely by the company. Manzato Anna di Lessi Luca & C. snc applied to local banks for financial support. However, due to financial institutions preferences for short-term loans while the company wanted to have a longer timeframe for paying back the loan, the financing was not granted. Even though the company had difficulties at the beginning to get funds for the necessary investments, they managed to renovate the shop and add new equipment (for conservation and treatment of food, ovens, fridges, a blast chiller, cold storages, etc). Recently they were eligible for a support from Italian national plan to support innovation and entrepreneurship, which provided them with fiscal advantages and national funding.

The manager's mindset and ambition to have a positive impact on the environment was a main driver for transition. At the same time, it allowed them to make substantial savings and increase its online outreach.

In its green and digital transformation, the company has encountered several issues. One of the major barriers encountered was the lack of awareness of Italian citizens of the importance of sustainability (including in entrepreneurship) that prevented the consumers from changing their habits into more sustainable behaviours.

In general, Manzato Anna di Lessi Luca & C. snc has positively benefited from the implementation of the twin transition practices. The most relevant impacts were on:

- **profitability:** the energy-saving initiatives allowed the company to make important savings that have helped the business to invest and grow. The development of their e-commerce enlarged the customer base and increased the revenues of the shop.

- **number of customers**: the choice of bulk sale and refill options has attracted new curious customers and created a new base of regular clients to rely on. The company also reached new customers thanks to the development of its e-shop.
- **employment:** the focus on digital technologies and online presence pushed them to hire a digital communication expert to take care of the social media presence and the online content of the shop.
- **environmental performance:** the bulk sale and refill initiative has caused a drastic reduction of the use of plastics (reduction of 20%-25%), leading to less waste and a positive environmental impact.
- **promotion of proximity economy, local supply chains and the improvement of quality of life in urban or rural areas:** Manzato Anna di Lessi Luca & C. snc prefers to use local foods and products which has a positive impact on the local economy by improving the incomes and the visibility of local brands and producers.

The key lessons learned: "In Italy, there is still an under-developed perception of the importance of the green factor in the contemporary entrepreneurship. Despite the gradual increase in sustainability of sales, enterprises still face difficulties in dealing with the citizens' lack of awareness and they often do not see the benefits of implementing green initiatives in-house."

Advice to other retailers: The best advice the owner would give to other SMEs is not to wait too long before implementing sustainability initiatives: even the smallest change can make a difference if done jointly with others. Considering only the short-term results and the economic profit is a damage for both the companies and the environment.

Success story of Frischebäcker Marcus Wulfhorst (Germany)

Name	Frischebäcker Marcus Wulfhorst
Size	Medium-sized enterprises
Location	Bielefeld, Germany
Founding date	1896
Scope of activities	Offline/online
Retail segment	Grocery
Website	https://www.der-frischebaecker.de

Source: shared by the company

Frischebäcker Marcus Wulfhorst is a German bakery run across generations. Back in 1896, the bakery was founded and continues over the centuries to offer high-quality products for their local community. With the growth of the business, Frischebäcker Marcus Wulfhorst was able to expand and add a total of eight shops, mostly located in Bielefeld (North Rhine-Westphalia). The solution-oriented mind-set demonstrated by Valerie and her husband Marcus gives a perfect example of resilience in the context of the twin transition.

As many other SMEs in Europe, also Frischebäcker Marcus Wulfhorst has been heavily affected by Covid-19 which pushed the company to transform. After an initial analysis of consumers' behaviour forecast and the competitive environment, the company decided to innovate by introducing sustainable practices and especially new digital tools.

Digitalising the company: Frischebäcker Marcus Wulfhorst adopted a digitalised approach in both internal and external operations. To better communicate with the various locations across the city and Land, innovative solutions have been implemented. These include the involvement of online meetings to communicate with the rest of the team as well as the use of a cash register software and tablets to substitute the use of paper and fax that had the high risk of getting lost and were incredibly slow in terms of reachability. Improved communication between Headquarters and the locations allowed also to optimise the daily plan of the bread to be baked using a common server. The internal processes were also digitalised and all paper use was removed thanks to the use of tablets, scales and computers.

In terms of external operations, the company created a website to increase their engagement with customers. The company is also present in a local community online shop where customers can acquire their products among other local retailers.

A sustainable bakery: In addition, the company adopted a green transformation. They are already using hybrid vehicles for delivery and they are planning to transition into electric vehicles to reduce the environmental impact. They have also transformed their packaging to make it more sustainable. The company removed the use of plastic and replaced it with organic materials. This packaging has a higher cost than the plastic one, but the company has preferred to be more sustainable. The company also uses regional and local products as much as possible, supporting local food supply chains.

Funding the transition: for the company to implement the IT solutions, they received public funds to cover two thirds of the initial expenses. Despite the initial aid, the company faced many difficulties afterwards, mostly due to the unexpected extra costs that it entailed.

The main internal driver for the transformation was to create innovative solutions to improve internal communication across shops. In addition to that, the reception of public funding and the option to get access to EU funds encouraged the company to change. Valerie, the owner and her family showed to be the most important driver in the business' twin transition thanks to their solution-based mindset and innovative culture.

However, the company also encountered several barriers, mostly related to the high costs of the transformation. Firstly, a high number of unexpected extra costs related with the IT solutions implemented have caused several challenges for the business and has threatened its survival. Additionally, the change of customers' habits that was not forecast, especially in relation to recent events such as the pandemic and war in Ukraine, has also taken toll on the business. Many customers are reducing their expenses and the company has seen a reduction of sales and an increase of their costs due to the higher price of the sustainable packaging.

Finally, the biggest challenge encountered was the quality of the employees. As explained by the owner "Bakeries and especially bakery's shop assistants have still a poor image in Germany, despite the many tasks and expertise required by this job (such as client service, know-how of the bakery products and ingredients, barista and cooking abilities and excellent communication)". Due to this, the company is struggling to find savvy employees and is forced to hire people with many CV gaps, including the almost total absence of IT know-how. To close this gap, the company has introduced dedicated in-house trainings.

In general, Frischebäcker Marcus Wulfhorst has positively benefited from the implemented green transition practices. The most relevant impacts were on:

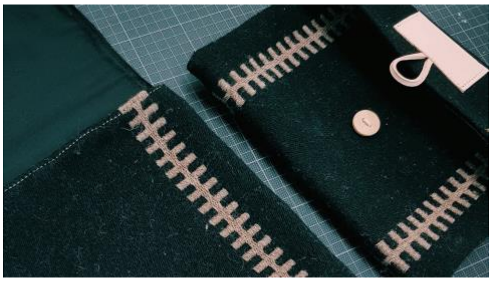
- **position on the market and competition with other retailers**: the position of the company has improved with their online shop present in the local community website.

- **use of technologically advanced solutions**: the company has implemented new tools and IT services for their internal communications and logistics which increase efficiency.
- **environmental impact**: the use of sustainable mobility and packaging has helped to reduce the company's environmental impact.
- **employment**: due to the difficulties encountered to recruit skilled employees, Valerie came up with innovative and effective solutions to upskill and reskill her staff. These include the introduction of weekly online zoom meetings to simplify the communication process and to train on the technological process of the company. These upskilling sessions include also training on the use of new tablets as well as various seminars on hygienical rules and safety among other topics. Organising the trainings online has allowed to save a lot of time.

The key lessons learned is to reconsider and be careful of the unexpected costs that might appear during the digital transformation. A suggestion given in this regard is to increase the support for IT services (for example by giving more templates to work on) to SMEs as they often face difficulties because of the high costs of services offered by IT firms and the challenges in negotiating with them. In comparison to big companies, SMEs often do not have access to high budgets or concrete expertise and are forced to not transition due to the lack of means. Valerie gave the example of the unsuccessful try to introduce an online shop on their website and mobile app due to the lack of web design expertise and challenges in developing an attractive website.

Success story of O'Benefício (Portugal)

Name	O'Benefício
Size	Microenterprise (less than 10 employees)/Start-up
Location	Leiria, Portugal
Founding date	2016
Scope of activities	Offline/online
Retail segment	Fashion Accessories (Backpacks) and Spirits
Website	https://obeneficio.com/en/



Source: shared by the company

O'Benefício develops limited edition products (100 units each), with particular attention to the sustainable use of materials and local knowledge. By adopting artisanal production methods and respecting fair trade and the environment, the company makes high-added-value products and applies the principles of the circular economy. The company is based in Óbidos, Portugal and was incubated at Start-up Lisboa. It is a talent-oriented company that operates as an enabler for local economic development. Their co-creation model is a differentiating factor. The company uses it to remunerate those who oversee product creation and production. In general, the objective of the O'Benefício is to develop products that benefit everyone in the value chain.

Inspired founders. Ricardo and Paulo, the founders of O'Benefício believed in creating their own business. In the beginning, they already had the ambition to create products for major national and international brands in the fields of global communication and advertising. In the unfortunate context of an economic recession, that resulted in the unemployment of one of the founders, O'Benefício was created in 2016.

Going global but starting from the local community. "We have global ambitions, but we know that growth comes from the ability of your brand, product or service to penetrate the market where it was born." These are the words that Paulo and Ricardo used to describe the objective and the starting point of their business. The business became more sustainable as the awareness of their products increased, organic growth took place and popularity quickly built up among the local community.

The importance of teamwork. The team that Ricardo and Paulo set up is made up of people who can positively contribute to the local community. "Creativity and innovation in an open ecosystem that allows analysis, discussion and growth." This is the definition given by the founders to describe the values of their business.

Since the beginning, the main driver of O'Benefício was to do good for the local community. The name of the company is revealing this, as O'Benefício in English means benefit exists. O'Beneficio creates high-quality products in the sectors of agri-food and fashion. The point that distinguishes O'Benefício from the others is the innate humanist, ethical and socially responsible approach they use to produce these products.

A Portuguese innovative mindset. O'Benefício has benefited from an innovative community present in Lisbon and in Portugal. Thanks to numerous hubs and incubators, the Portuguese territory is now thriving with local start-ups and companies in many different sectors. For O'Benefício, the major support came from Start-Up Lisboa, an incubator that supports the growth of Portuguese entrepreneurs during their first year of activity. Start-up Lisboa acted as a hub that connected the company with other entrepreneurs.

O'Benefício Introduced more ecological and sustainable products in their shop's assortment. More specifically, they produced backpacks made of end-of-life seat belts, that would have been otherwise disposed of, thus displaying good practice by reusing, remanufacturing and repurposing. Paulo and Ricardo have analysed the automotive industry by focusing on recycling and upcycling materials and identified a problem – the non-utilisation of seat belts in the recycling process. That was the starting point of the O'Benefício. In addition, the founders identified the right partners that allowed them to develop the whole process of collecting, treating and reusing seat belts to backpacks. The urge to recycle car materials came from the incredible number of discarded cars: in Portugal, around 109,000 vehicles were discarded in 2022, according to Ricardo and Paulo (Source: Rede Valorcar Portugal). Considering that one vehicle on average provides three meters of seat belts, O'Benefício has a source of highly durable raw materials for their products.

O'Benefício underwent a digital transition by developing a website with an e-shop. They also sold gin using non-fungible tokens (NFTs) to digitalise the shopping experience. Thanks to the NFTs, customers not only can purchase a bottle of gin, but also exclusive music and videos created by the O'Benefício designers. According to the founders, "the emergence of a new decentralised economy, with a large community of developers, accelerated the digitalisation of O'Benefício.

In terms of investments, Paulo and Ricardo did not receive any public funding when starting their business. Later they applied for and received support from EU funds. The funding was meant to foster the internationalisation of the brand and increase exports to European markets. However, due to excessive reporting and administrative requirements, the founders decided to focus on the growth of the company and building high-added value products. Paulo and Ricardo indicated that the long process of applying for funding also discouraged them to do it again in the future.

Among the most difficult barriers, Ricardo and Paulo indicated the predominant focus of investors on the growth of the company rather than environmentally responsible projects that contribute to the overall growth of the economy. This approach focuses on the financial results of the company, disregarding the project or the concept behind it.

In general, O'Benefício has positively benefited from the green and digital transition. The most relevant impacts were on:

- **position on the market**: thanks to the excellent marketing campaign and the original and innovative concept of the business, O'Benefício gained visibility in their local community and in Portugal.
- **employment**: founded during a dire economic period, O'Benefício was not only able to create a successful business but enabled creative and innovative minds in the local community to express themselves.
- **use of technologically advanced solutions**: O'Benefício used the NFT to digitalise the shopping experience.
- **environmental performance**: O'Benefício's reuse of seat belts has helped reduce the CO2 emissions as less CO2 was generated from producing new backpacks and created a win-win situation for their business and the environment.

According to the founders "contexts are not repeatable." That is why the case of O'Benefício may differ from others. However, the company is firmly convinced that digital and green transitions are inevitable and the sooner they become part of the company's pillars, the better. Despite the feeling that there is still no real ecological awareness and that only a small part of the world's population has this concern at the top of their minds, Paulo and Ricardo have the feeling that they are slowly moving forward. Nevertheless, tackling the real problem is harder.

The key lesson learned: Ricardo and Paulo are satisfied with the work done. They recognise the mistakes and different options that could have led to different solutions. In the end, however, growth takes place through errors. The owners also shared a piece of advice on the importance to be flexible and able to adapt to radical changes. Being resilient, patient and willing to innovate is equally important. For other companies in the clothing segment, Ricardo and Paulo left a message – *"the terms such as slow fashion, ethical fabric, sustainable materials, fair trade and upcycling or circular economy have entered our lexicon and are unlikely to leave."* The owners believe that it is one of the pillars of the future and O'Benefício embraces it.

Success story of peeq (Belgium)

Name	peeq
Size	Small Enterprise
Location	Heist-op-den-Berg, Belgium
Founding date	1979
Scope of activities	Online
Retail segment	Electronics, Lighting
Website	https://www.peeq.com

Source: https://www.peeq.fr/a-propos-de-peeq.l

Peeq is a one-stop lighting shop specialising in residential lighting and accessories in Heist-op-den-Berg, Belgium. It is a family business that was founded in 1979 by Paul de Meutter. With over 50,000 products sold, the company has grown to become one of Europe's most important lighting companies, particularly in the designer lighting and technical lighting segments. The company had both a physical and an online store until 2021. Since 2021, the company is operating only online.

E-commerce pioneer in Belgium. In 2004, more than twenty years after its foundation, the company was no longer attracting new customers because the Belgian national market was saturated. To overcome this obstacle, Jef de Meutter, the founder's son, decided to create an online shop to reach other markets and sell the products globally. While at the time there were many small and medium-sized companies in Belgium, only 3% of them had an online presence. Thus, creating an online shop at that time was an unexplored potential for the company's development. His father was initially sceptical of the success of online shops as they were still in their early stages of development. However, in 2011, the online shop accounted for more than half of the company's total revenue. Moreover, the creation of the website provided the company with access to foreign markets. Today, the shop sells products to European countries such as the Netherlands, France, Germany, the United Kingdom and Switzerland (highest turnover after Belgium). The shop's activity is not limited to Europe; the website also provides services to non-European countries, including China, for which a dedicated business unit exists.

The development of a user-friendly website. The website was redesigned in 2011 to make it more user-friendly. Search options, a better view of products and a simplified ordering process were introduced. A year later, the peeq blog was launched to provide customers with inspiration and information on the latest lighting design trends. More than 100 articles were published on the blog in 2012. The blog has become less important over time as other social media platforms that allow for greater reach for inspirational content have emerged. However, technical articles published on the blog continue to be an important driver of traffic.

Improving the website's user experience has been the top priority for the company. As a result, peeq launched a completely new website in 2015. Since then, the filter and search options have been significantly expanded to continuously improve the website's user experience. When purchasing a lamp, for example, a system with automatic suggestions for the correct light bulbs was added to the website. Because the company was already established at the time, it was able to use its private funds to implement digital tools.

The Covid-19 crisis accelerated the company's digital transition. When Europe was forced to go into lockdown for a year, the company's online sales skyrocketed. Customers who were unable to shop in person ordered online and picked up their products in neighbouring parcel lockers where they were delivered. To accommodate the increased demand, additional 8,000 m2 of warehouse space were temporarily added to the existing shop.

The transition to a fully online store. In March 2021, due to its success, the company decided to close the physical shop and move all its activities online. Thanks to their online presence, the company is now also present in markets outside of Europe.

Introduction of more environmentally friendly packaging. Furthermore, due to the increased activity during the Covid-19 crisis, a new packaging line was introduced to handle larger volumes. This new packaging line is almost entirely plastic-free and made from recycled materials.

The digital transformation has been extremely beneficial for the company's development in terms of:

- **profitability:** the digital transformation has allowed the company to grow and scale much more quickly. In 1997, the company had only 8000 products in its assortment. After launching its online store in 2013, the company had over 40 000 products available online. Online shopping led to more sales as the peeq products have also been offered internationally.
- **customers:** because of online activity, the company was able to attract new customers. The company estimates that without the use of e-commerce, 90% of its current customer base would not have been reached.
- **company's position in the market and competition with other retailers:** the company's market position has improved because of the digital transformation. It is now one of Europe's most-known lighting companies in the segments of designer and technical lighting.
- **technology**: the pursuit of efficiency is central to the company's growth strategy. To that end, the company is constantly aiming to adopt new tools. For example, to increase efficiency in operation, peeq is replacing current software with a Microsoft Dynamics 365 solution.

The key lesson learned: *"Always aim to be the same business online as you were offline. If you are known for your great services and complete product range, offer it online as well".* The company recognises that there is more competition and indicates that to be successful a company must stand out. According to the peeq: *"The easiest way to stand out is by doing what you do best".*

Success story of Group Digital (France)

Name	Group Digital
Size	Small Enterprise (10 to 49)
Location	Laon, France
Founding date	1987
Scope of activities	Offline/online
Retail segment	Electronics, Home improvement and decorations
Website	https://www.group-digital.fr

Source: https://www.lejdc.fr/marzy-58180/economie/fermeture-du-magasin-digital-a-marzy_1940531/

Group Digital is a cooperative company founded in 1987 that brings together nearly 200 independent merchants. The cooperative is managed by its members (elected volunteers) and day-to-day operations are conducted by a team of fewer than 20 employees. Group Digital has more than 200 merchants specialising in image, sound, multimedia and home appliances. The company also distributes products from the biggest brands in the home appliances market and strives to stay at the forefront of technological innovation. Through its activity, it aims to defend independent and local traders which contribute to economic dynamism in France.

An early digitalisation. Group Digital launched its website in 2007. The early creation of the website reflects the company's desire to stay at the forefront of innovative practices while increasing profitability. With the website the company also aimed to provide customers with better guidance during their purchasing journey and improve proximity to customers.

Digitalisation was accelerated by the Covid-19 crisis. Covid-19 helped the company to overcome the psychological barriers associated with the transition and raised awareness of the necessities that needed to be implemented. Group Digital embarked on a digital transformation over the years. This includes the change from one retail channel to another (with the creation of an online shop), the digitalisation of the company's internal processes (digitalisation of the inventory) and the introduction of digital solutions in customer communication (through the creation of a digital newsletter). Although the company's digitalisation was successful, it had to overcome numerous hurdles, including administrative and operational obstacles.

The transformation of the company has had multiple positive impacts on:

- **employment:** the transformation has improved the image of the company as an attractive employer and led to an increase in the number of employees. The digitalisation of the company has also allowed for hybrid work based on a model that combines working in the office with working remotely.
- **company's position in the market and competition with other retailers:** the digital transformation has made it easier to reach new customers and has contributed to higher customer satisfaction. It has also helped to improve operational efficiency. However, the company's transformation had no impact on the company's profitability or the number of customers, which has remained stable over the years.
- **technology**: since the transformation, the company has been using more advanced technological solutions. This allowed to offer new services and training.
- **social Impact:** the transformation has helped to promote neighbourhood economies, local supply chains as well as increased cooperation with other retailers.

The key lesson learned: “Never stop being on the lookout to anticipate and think about the next move in order to be in continuous improvement and prepare internally for future changes”.

Success story of Kierrätyskeskus (Finland)

Name	Kierrätyskeskus or Helsinki Metropolitan Area Reuse Centre
Size	Medium-Sized Enterprise
Location	Helsinki, Finland
Founding date	1990
Scope of activities	Offline/online
Retail segment	Furniture, Household Items, Clothes, Sport Gears, Books
Website	https://kauppa.kierratyskeskus.fi

Source: https://circulareconomy.europa.eu/platform/en/good-practices/kierratyskeskus-growing-chain-big-box-re-use-stores-across-helsinki

Kierrätyskeskus, also known as Helsinki Metropolitan Area Reuse Centre, is a non-profit organisation, which provides an alternative to single-use culture. The company is based in the Helsinki Metropolitan area and runs 12 shops (in Helsinki, Espoo and Vantaa) and a nationwide online website. The Helsinki Metropolitan Area Reuse Centre sells second-hand furniture, household items and sustainable craft supplies. Kierrätyskeskus aspires to benefit the local community by increasing environmental awareness among people, companies and organisations around the Helsinki metropolitan area.

Founded in 1990, the Helsinki Metropolitan Area Reuse Centre has evolved over the years from a trading centre for second-hand items to a full-fledged reuse centre with a sorting centre, retail shops and an online shop. When it was founded in the 1990s, it employed fewer than 10 people; today it employs several hundred, out of which around 100 employees are subsidised through government employment programmes. Today, the company has three main lines of activity: collecting and sorting used products, selling second-hand items and organising training and workshops for different stakeholders to raise environmental awareness. The company sells furniture, household items, clothing, sports equipment and books which account for 50% of its products. The products are only sold in Finland; however, the offered trainings are available for everyone outside Finland.

Green Transition at the heart of the corporate concept. By collecting used items and selling them in physical and online shops, Kierrätyskeskus aims to provide an alternative to disposable culture and have a positive impact on the environment. Out of the 6 million items circulated in the Reuse Centre in 2022, 45% were given away for free to maximise reuse and minimise waste and only 10% were incinerated. The company also aspires to benefit the local community by increasing awareness among people, companies and organisations around the Helsinki metropolitan area. To succeed in this, the company offers environmental education and consulting services to 60,000 children, adolescents, adults and educators each year. Kierrätyskeskus also organises environmental awareness events and provides educational materials. To measure its positive impact, the company uses Eco

Compass audits as well as Life Cycle Assessment (LCA) calculations. The company has also benefited from EU-funded projects such as the project “Circuit”. [66]

A Digital Transformation in the making. The company's digital transformation began in the first decade of the 2000s with the creation of a website. A few years later, in 2015, the company decided to continue its digital transformation by setting up a webshop under a separate domain from the website. The purpose of setting up a webshop was to improve customer experience and meet changing customer expectations. The conversion was also intended to reach new customers by giving them the opportunity to access items online without having to visit the physical shops. The changeover was a success. Today, the webshop receives more than 2000 visits per day, of which about 50% are outside the Helsinki area.

The digital transformation led to the introduction of more advanced technologies such as cloud services and Microsoft PowerBi analytics tool. The main difficulty during the digital transformation was the nature of the Reuse Centre. As most of the items that are sorted and sold in the physical shops are one-off items, setting up a webshop that stores all available items is a laborious process as every single item must be priced and described. This process can be extremely time-consuming if it is not automated, especially as the number of items the shop must process has reached 6 million in 2022. Therefore, the company is now trying to automate the processes to save resources.

The company has participated in various projects related to digital transformation at the national and European level. The company believes that with more financial resources it could engage in more expensive experimentation to develop more automated and customised solutions. Overall, the company expects to continue its digital transformation and is already in the process of developing new customised tools that use artificial intelligence, such as a chatbot that answers customers' questions or an algorithm that would recommend products to customers based on their previous purchases.

A social enterprise. Kierrätyskeskus has a strong positive impact on both the local economy and the social environment. For example, 20% of the company’s employees are disabled people, long-term unemployed, students of Finnish language, trainees and community service workers. The company provides them with active support, retraining opportunities and prepares them for reintegration into the labour market. The company also works with many different partners, including other retailers and local schools. With the financial support from Helsinki Region Environmental Services (HSY), the company carries out around 2000 visits in local day-care centres or schools every year.

The Kierrätyskeskus' sustainable and social work has been recognised. In 2021, the company was among the top 3 nominees from Finland for the UNESCO - Japan Prize on Education for Sustainable Development.

The green and digital transformation had a positive impact on:

- **environmental performance:** in 2022, 6 million items circulated in the Reuse Centre, 45% were given away for free to maximise reuse and minimise waste and only 10% were incinerated.
- **employment:** today, the company employs several hundreds employees out of which around 20% are disabled people, long-term unemployed, students of Finnish language, trainees and community service workers.
- **use of technologically advanced solutions:** the digital transformation has led to the introduction of more advanced technologies such as cloud services and Microsoft PowerBi analytics tool. The company is in the process of developing new customised tools that use artificial intelligence, such as a chatbot that answers

[66] Circuit project, more information at: https://www.circuit-project.eu

customers' questions or an algorithm that would recommend products to customers based on their previous purchases.

- **customer outreach:** the setting up of a webshop was a success. Today, the web shop receives more than 2000 visits per day, of which about 50% are outside the Helsinki area.
- **local community**: The company provides employees with active support preparing them for reintegration into the labour market. The company also works with many different partners, including other retailers, local schools and local day-care centres.

The key lesson learned: *"You need to surround yourself with capable and reliable partners, especially when it comes to digital transformation. You also need to understand the processes behind digitalisation".*

Success story of MJrever (Lithuania)

Name	MJrever
Size	Microenterprise
Location	Vilnius, Lithuania
Founding date	2016
Scope of activities	Offline/online
Retail sector segment	Clothing, home decor
Website	https://MJrever.com/

Source: https://www.instagram.com/p/CTcREmVjL_b/

MJrever is a luxury loungewear, pyjamas and home decor brand that has created an online store and runs a physical studio/showroom. The company has gradually introduced digital tools and activity such as social media advertisement campaigns, e-shop, website and search engine advertisement. The digitalisation of the company resulted in more customers visiting the studio/showroom and a higher number of sales.

MJrever was founded by Monika Janavičienė in 2016. The founder was nurturing the idea to offer luxury loungewear, pyjamas and home decor products to the Lithuanian market for a long time. The final push to establish MJrever emerged as the founder noticed a niche for similar products.

Currently, the company is running a physical studio/showroom and an online shop. At first, the studio/showroom was used to display lounge suits, pyjamas, robes, pillows and home fragrances. Later the customers could visit it and purchase products physically.

MJrever has undergone a gradual digital transition as new and more sophisticated digital tools were used over time. MJrever first developed its website, the e-shop and launched social media campaigns via Facebook and Instagram accounts. This has increased the company's visibility in the Lithuanian market, increased the proximity to customers and provided better guidance during their purchasing journey. The company also launched Facebook and Google AdWords campaigns. The latter targets the Lithuanian market, while the Facebook advertisement campaigns reach all three Baltic states.

The company was also interested in joining the Amazon Handmade community. However, the requirements to store products in Amazon warehouses were incompatible with the nature of the products offered. All MJrever products are unique as they include the initials of the customer.

The digital tools were introduced using internal financial resources. Revenue was gradually reinvested to launch and maintain the e-shop, the social media accounts and the digital advertisement campaigns. The available public financing measures were not sufficient to address the company's needs. According to the owner, however, the availability of public funding would be vital in facilitating the expansion to other markets such as Sweden, Poland and Germany through search engine advertisement.

The main digital transition driver was the objective to increase sales, reach more customers and scale up the business. In addition, with the e-shop, the company aimed to increase efficiency in tracking orders and managing stock. The main obstacle during the transition was the access to finance, the lack of expertise and people that could launch a Google AdWords campaign. To address this barrier, MJrever has subcontracted a specialised company that helped to set up the campaign.

The key results of the digital transition for MJrever were an increased pool of customers, higher brand exploration and a larger pool of physical studio visitors.

The key lesson learned: at the beginning it is expensive to launch a digital advertising campaign and it takes a couple of months for the first results to show. However, it is worth it and, in the end, pays off.

Success story of Benedict-Cukrček Chocolate (Slovenia)

Name	Benedict-Cukrček Chocolate
Size	Small enterprise
Location	Ljubljana, Slovenia
Founding date	1993
Scope of activities	Offline/online
Retail segment	Grocery
Website	https://cukrcek.si

Source: https://www.inyourpocket.com/ljubljana/cokoladnica-cukrcek_38444v#&gid=1&pid=1

Since 1993, the Slovenian family company Benedict has been creating premium luxury high-quality hand-made chocolates with dedication and love. The headquarters and the chocolate production site are in Ljubljana. It is also possible to find Benedict Cukrček products in hypermarkets and other specialised chocolate shops. The chocolate shop operates under the Cukrček brand, which is best known for chocolate with salt, chilli and apple wrap.

Going digital. Benedict-Cukrček Chocolate went through a digital transition in 2016. Despite the initial difficulties to secure funding and a highly competitive business environment, the company was able to transform itself by gradually merging retail channels and by digitalising some internal operations. The latter include having a digitalised inventory and the presence of an e-shop on their website. The transformation was supported by a successful social financial campaign and a crowdfunding initiative. In addition, marketing on the website and social media accounts (Facebook and Instagram) and the creation of a digital newsletter, created a solid and profitable online presence for Benedict-Cukrček Chocolate. Digitalisation has also improved the employees' skills as the company invested in the training of the staff on the use of digital tools.

The digital transformation of Benedict-Cukrček Chocolate had a positive impact on:

- **profitability**: due to an online communication campaign and user-friendly e-shop, Benedict-Cukrček Chocolate's profitability has increased.
- **position on the market and competition with other retailers**: the online presence has given Benedict-Cukrček Chocolate more exposure in comparison to the other chocolate shops in Ljubljana.
- **use of technologically advanced solutions**: the digitalisation of the company has enabled the use of more technologically advanced marketing tools.
- **promotion of proximity economy, local supply chains and the improvement of quality of life in urban or rural areas**: the Benedict-Cukrček Chocolate attracted locals and tourists and, consequently, increased the attractiveness of the whole city.

With a firm determination to change, Benedict-Cukrček Chocolate provides an example of the ability to adapt to adversity. The company was able to overcome the initial financial difficulties and develop a more profitable business.

Success story of Charles Fay (Ireland)

Name	Charles Fay
Size	Micro enterprise (less than 10 employees)
Location	Cavan, Ireland
Founding date	1936
Scope of activities	Offline/online
Retail segment	Clothing
Website	https://charlesfay.ie/pages/about-us

Source: https://shorturl.at/AQR28

Charles Fay was established in 1936 by Charles & Mary Fay as a boot, shoe and leather warehouse for ladies and children. 84 years after its foundation, the store has been modernised with a focus on more specific areas like lingerie, casual ladies' fashion, baby and kids' school wear and chefs' uniforms. In 2019, the company's internal operations were digitalised. Overall, the digital transition resulted in increased profitability, an increased customer base and a better position of the company in the market.

The physical shop of Charles Fay is in Cavan, Ireland. The company is also present online (it has its website). Since its establishment, the company was managed by one family and was gradually modernised. In the second decade of the 21st century, Charles Fay expanded the products offered. The company offers lingerie, women's casual fashion, baby and kids school wear and chefs' uniforms. In 2019, the company underwent a digital transformation: a website was developed and social media accounts of Facebook and Instagram were created.

The key driver of the transformation was the company owner's business mindset and management culture. In addition, Charles Fay received support from business support organisations, associations, clusters and networks. The key barrier to digitalisation was the business environment, the impact of Covid-19 and changes in consumer conditions.

The transformation of the company has had an impact on:

- **The company's market position, profitability and competition with other retailers have been enhanced through its transformation.** By expanding its operations to encompass both digital and physical channels, the company has significantly improved its market standing. It has become more prominent when compared to its competitors and this heightened visibility has contributed to its success. Additionally, the company's newly developed website has played a crucial role in attracting a larger customer base, both domestically and internationally.

The key lesson learned: The division of product lines makes it easier for customers to shop and even though presence on social media might not lead to direct sales, people notice the company and, as a result, they might remember it when they are searching for products in the future.

Success story of MA di MOLINARI &c snc (Italy)

Name	MA di MOLINARI &c snc
Size	Micro enterprise
Location	Brescia, Italy
Founding date	1922
Scope of activities	Offline/online
Retail segment	Clothing
Website	N/A

Source: https://zaubee.com/biz/molinari-hxfom74v

With more than 100 years in operation, MA di Molinari is a historical boutique based in the city of Brescia, Lombardy region, Italy. The current owner of the shop, Maristella Molinari, belongs to the third generation of owners spanning since 1922. MA di Molinari sells high-quality clothes. Thanks to the recent customer services addition, MA di Molinari provides evidence of how tradition and innovation can successfully be merged in the Italian clothing retail sector.

In 2020, MA di Molinari introduced digital innovation with a focus on customer experience. Due to the active presence of the company in large social media channels (LinkedIn, Facebook), the company was constantly updating its customers on the latest trends and products sold. Through the same channels, MA di Molinari also gathered customer feedback. In addition to the stronger online presence, MA Molinari introduced new services to improve consumer shopping experience. The services included product home delivery and online shopping options.

According to the owner: “Transformation for us means evolution and evolution is a mandatory step in our family-run business. Having three generations behind us, it is extremely important for us to keep improving ourselves.” – says the owner. Consequently, her determinsation and focus on consistent improvement have been the main drivers behind the MA di Molinari transformation.

The decision to undergo the transition was made during the Covid-19 outbreak. The drastic changes that the pandemic brought for the Italian entrepreneurs incentivised Maristella Molinari to transform, renovate her shop and adapt to the new lifestyles of lockdowns. Despite the COVID-19 crisis, the owner was able to find diversified and innovative ways to reach her customers without physical contact and face-to-face communication.

While the transformation was successful, Maristella Molinari claimed that the transition did not come without difficulties. According to the owner, one of the most challenging barriers to overcome was the lack of initial opportunities to secure the necessary funds to transform the company. In addition to that, administrative and operational challenges hindered the transformation. The challenges were related to the crisis that affected Italy in 2020 and the forced closure of almost every entrepreneurial activity.

MA di Molinari's transformation is an example of a successful digital transition that had an impact on:

- **profitability of the company**: the online shop and new services introduced allowed MA di Molinari to increase the profitability of the business.
- **position on the market and competition with other retailers**: due to more active and targeted communication, MA di Molinari increased the fidelity of their customers and their online presence. This created a strategic advantage for the company in comparison with other retailers in Brescia.
- **number of customers**: the new services offered by MA di Molinari received positive feedback from the customers, allowed the company to become more popular in Brescia and eventually attracted new clients.
- **use of technologically advanced solutions**: due to the transition, the company and its employees got acquainted with using social media and e-commerce.

The key lesson learned: it is important to merge innovation and tradition. Maristella Molinari stressed the necessity to adapt her business to modern times. However, despite the need to change, especially during the Covid-19 pandemic, the owner has been very careful in preserving the nature of her 100 years old company. Significant attention was paid to the quality of the products. Thanks to this, now MA di Molinari represents a success story of running a historical yet modern boutique, able to keep clientele engaged and, at the same time, to attract new customers.

Success story of Wildernis (The Netherlands)

Name	Wildernis
Size	Micro enterprise
Location	Amsterdam, Netherlands
Founding date	2015
Scope of activities	Offline/online
Retail segment	Plants, Gardening accessories, Gardening products
Website	https://wildernisamsterdam.nl

Source: https://wildernisamsterdam.nl/en/

Wildernis – a green oasis in the heart of Amsterdam. The company was established in 2015 with the primary objective of making the city greener by selling only sustainable products. The company focuses on selling indoor plants that have been sustainably or organically grown, as well as pots and accessories made in the most sustainable way possible. The company has two full-time employees, who are also the owners of the shop and seven freelance employees, including six store attendants who work one or two days a week and one store manager who works three days a week. The company has undergone both a green and digital transition. The company did not receive support from the national, regional, or local government for its transition. The founders of the shop were not aware of twin transition policies at the European level. Overall, the company's transition can be seen as a response to the increasing demand for sustainable products and the growing awareness of environmental issues among consumers.

Sustainable products. The shop's focus on selling only sustainable products reflects its commitment to promoting environmentally responsible practices. It only sells indoor plants that have been grown organically or as sustainably as possible. All plants available in the store and in the webshop originate from growers with at least the MPS-A or A+ sustainability certificate[67].

The shop also sells other sustainable products such as a pot line produced in the Netherlands with German clay and lead-free glazes, hanging planters produced in the Netherlands at an emission-free factory, macrame hangers made of 100% cotton at a social workshop in Amsterdam West and plastic pots from recycled material. All products are produced in Europe and comply with European standards and regulations. This further emphasises the company's commitment to sustainability.

As part of its sustainable transition, Wildernis introduced more ecological and sustainable packaging. The shop's use of sustainable packaging materials and its efforts to minimise waste through reusing materials and donating unsold outdoor plants to public

[67] The MPS supports horticultural entrepreneurs worldwide in their efforts to operate more sustainably. For that purpose, MPS Group has developed and manages a range of innovative certification standards and on- and offline tools. These certificates ensure that sustainability in the horticulture sector is increasingly becoming an integral part of the day-to-day business activities. MPS standards are internationally recognised and at the cutting edge of the horticulture industry. MPS-A+ is a "leader" qualification, for those with the best environmental performance. More information at https://my-mps.com/diensten/mps-abc/mps-abc-milieuscore/?lang=en

neighbourhood gardens also demonstrate its commitment to reducing its environmental impact. Over time, the company started greening its internal operations. For example, Wildernis started using energy-efficient LED lights and infrared panels, as well as time switches for energy-intensive appliances.

Digital Transition. The shop has also embarked on a digital transition. It has created a website with an e-shop. The company has also introduced Lightspeed for point-of-sale inventory management to increase the efficiency of internal operations. In terms of digital advertisement campaigns, the shop has a strong social media presence, with 80 000 followers jointly on Facebook and Instagram. In addition, the company has developed a digital newsletter that is regularly disseminated using the Mailchimp tool. According to the owner, further digital transformation could increase the company's profitability. However, lack of resources and funding for product selection, photographing webshop products, adding products to the webshop, managing stock, packaging and online marketing constitutes an obstacle to digital transformation.

Social impact and cooperation with local actors. The shop works together with local artists such as illustrators and designers. Also, Wildernis cooperates with green professionals and sustainable organisations to organise workshops and lectures about plants, nature and (urban) gardening. The Wildernis is also supporting the low-income population in Amsterdam and public gardens through the donation of plants. Overall, with its actions, the shop helps to create a sense of community and a shared commitment to sustainability and social responsibility.

The digital transformation has had a positive impact on the company's profitability. However, according to the founder, it is hard to estimate if the shop reached more customers due to its already-established green identity or further sustainable transition.

Overall, the company's focus on sustainability and its commitment to environmentally responsible practices are commendable. The efforts of Wildernis to promote sustainable products and reduce its environmental impact have a positive contribution to the community.

The key lesson learned: "From a retailer's perspective the digital transition is more time consuming and costly than expected".

Success story of ARESGO Haushaltswaren GmbH (Germany)

Name	ARESGO Haushaltswaren GmbH
Size	Small Enterprise (10 to 49)
Location	Essen, Germany
Founding date	1997
Scope of activities	Offline/online
Retail segment	Household goods, Vacuum cleaner accessories
Website	https://www.aresgo.de

Source: http://www.aresgo.de/wir.html

Aresgo Haushaltswaren GmbH was founded in August 1997. Initially located in Bochum, the company moved to its current premises in Essen in 2004. In April 2010, the company name has changed from "ARESGO Arne Rehse" to "ARESGO-Haushaltswaren GmbH". The company sells household goods and vacuum cleaner accessories. It attaches great importance to the quality of its products; the work carried out by its employees and invests in research and development to constantly improve product quality. The company has undergone a digital and green transition.

The company has undergone a digital transformation which involved the digitalisation of the company's internal operations as well as the implementation of digital solutions in customer communications. The company sells its product through its website and e-commerce platforms such as Wortfilter.

The company has also undergone a green transformation by greening the company's internal operations. It has made several profitable environmental protection investments since 2004. These investments include installing a 16 KW solar system on the roof in 2008, renewing the water system in 2012, replacing wood warm-air heating with pellet warm-air heating in 2013 and starting an extensive recycling program. In 2014, the company changed 80% of the lighting to LED. This has resulted in saving 400 kWh per month. The company has also reduced primary energy consumption by more than 30% through insulation and window glass replacement and is now generating 50% of its electricity by itself. ARESGO Haushaltswaren GmbH highlights that investing in environmentally friendly technologies and practices are financially viable decisions as energy-efficient measures pay off in less than 3 years.

The transformation of the company has had the following impact on:

- **profitability**: The company's profitability has remained stable over the years.
- **employment:** Due to the transformation, additional employees were hired.
- **environmental performance**: The transformation has improved the company's environmental performance. As a result, ARESGO Haushaltswaren GmbH has received the "Energy Saver Award" from the State of North Rhine – Westphalia for its photovoltaic installation. This recognition highlights the positive impact the company's sustainability efforts have on the environment and energy consumption.
- **technology**: Since the transformation, the company has been using more advanced technological solutions related to energy efficiency and renewable energy production.

The key lesson learned: "In the end, the majority of end customers do not care where the articles come from, or how they are produced, what is important is what they cost".

Success story of KEEPR (Denmark)

Name	KEEPR
Size	Micro-enterprise
Location	Copenhagen, Denmark
Founding date	2021
Scope of activities	Offline/online
Retail segment	Furniture
Website	https://keeprcollective.com

Source: https://keeprcollective.com/pages/om-os

KEEPR is a digital platform for preloved and excess design furniture. It partners with design brands and finds homes for their preloved and excess products, saving them from going to waste. The main idea behind KEEPR is to counter “fast furniture", challenge the idea of perfection and embrace the beauty in imperfections. The aim is to place more used furniture into circulation and make sustainable furnishing easy.

Emma, one of the KEEPR founders, gave a comprehensive overview of the situation in which she decided to establish her eco-friendly business two years ago. Denmark is a leading country in terms of adopting circular economy initiatives and is well-known for delivering high-quality design products in Europe and across the world. Despite this, Emma stated that “Danes consume way above earth’s biocapacity”. Due to this, a long process is yet to be taken before Denmark could be considered a full sustainable country.

The company was founded in 2021 and launched its website in 2022. In 2021, Denmark was still under restrictions and in partial lockdown because of the Covid-19 pandemic. However, Emma and her collaborators stressed that this was the most suitable time to open their business as: “the consumer confidence in 2021 augmented after a drastic fall the year before”. Moreover, the founders of KEEPR witnessed an increasing interest in sustainable business and circular economy in Copenhagen. The care for sustainability is also present at national level in a form of public sector support for SMEs and start-ups. Thus, KEEPR received free counselling from institutions such as “Erhvervshus Hovedstaden” (offered by Danish Agencies for Trade Promotion) before officially launching the business.

KEEPR is an inspirational case on how to use digital solutions for a sustainable cause. Thanks to the online platform they have created, KEEPR can offer a wide range of second-hand furniture. The products they have in the web shop, are all sourced directly from brands. The furniture comes from showrooms, exhibitions and leasing or take-back programmes. KEEPR possesses also a second sorting category that enables brands to buy products directly from manufacturers that would otherwise be destroyed. As Emma stated, their business model is commission-based. Now, the products are sold without refurbishment or renovation. Emma, however, explained that in the upcoming future, KEEPR will add the possibility to sell also renovated preloved furniture.

The decision to choose the furniture as core product was made by identifying a market niche. The existing competitors, that have a physical shop, often dedicate much time to bidding, negotiating prices and coordinating with sellers. In addition, a car is needed (sometimes even a trailer) to pick furniture up. According to the owner, that is why: “we started KEEPR to make it easier, by mirroring a normal web-shop and offering consumers a smoother user experience.” Moreover, internal research carried out by the company in 2021 shows that the 80 percent of customers in the second-hand market belong to the age group of 26-50. In addition, KEEPR found that: “on average, people buy 1,4 piece of furniture per year - a frequency we are trying to increase with KEEPR.”

In terms of investments required, KEEPR used national funding. They have received a grant from the Innovation Fund Denmark (State fund under the Danish Ministry of Higher Education and Science) and a funding from the Danish Business Authority to apply for a "green" certification (B Corp). The Danish Business Authority granted the company € 270.000 for 18 months. Moreover, six months before launch of the company the founders invested € 15.000 from their own resources.

KEEPR was established as a sustainable solution to reduce the furniture overconsumption and waste of existent products. One of the main drivers behind KEEPR success story is the innovative and environmentally focused mindset of founders. The founders had a dream to use their professional experience for sustainability. Therefore, it was eventually decided to focus on the second-hand furniture sector. According to Emma, "the world produces much more than we can ever consume - this also applies to furniture. In the past, there used to be high-quality furniture that could be passed on for generations. Now furniture has become a consumer product which we replace according to the trends and colours of the time. Consequently, more than 11 million tons of furniture are going to waste in Europe each year".

KEEPR is company made from inspiration as the EU Green Deal was the starting point. Following Emma's words, "furniture companies (amongst others) are increasingly forced to seek out new solutions as they face stricter legal requirements." In the current changing Europe, Emma suggested that "the circular transition can be accelerated through partnering with furniture industry businesses". To support this, help is offered at the national level as well. Denmark offers a wide range of opportunities to inform about circularity. For example, "Danish Lifestyle & Design Cluster" inspired KEEPR to create a solution that would match the needs of various brands in Denmark. Furthermore, research papers, the Circular Furniture Days Exhibition and networking and the start-up office space "Lifestyle Lab" were valuable sources of inspiration for KEEPR to implement a circular business model. The inspiration to launch a web shop for furniture came from international vintage sites such as Selency and Vinterior.

Emma stressed the difficulties experienced in changing consumers' habits, especially in relation to the higher price that people should pay for higher quality second-hand items (with few exceptions for design icons). Due to the recent crisis, people have become more cautious about their expenses, which "often overshadows the need to do good". Therefore, another important challenge for KEEPR, according to Emma, is to constantly "inform consumers about the impact of their decisions and nudge them to make second hand their first choice."

KEEPR has created many benefits for the company and the local community, including positive impact on:

- **profitability**: having a unique business in the Danish retail sector increased the profits.
- **position on the market and competition with other retailers**: following Emma's words, "even though we don't sell the same (new) products as traditional furniture retailers, we compete for the same customers. In that sense, the circular business model definitely gives us a competitive edge compared to traditional retailers."
- **environmental performance**: the entire idea behind KEEPR is based on sustainability and reducing the impact on the environment.
- **promotion of proximity economy, local supply chains and the improvement of quality of life in urban or rural areas**: despite being new in the market, KEEPR was able to save more than a thousand pieces of furniture from going to waste and helped around 500 consumers to furnish their homes more sustainably.

Even though the company was founded recently, Emma offered valuable insights on how to run a sustainable business. Among the good practices shared, communication appears to be a fundamental yet complex issue. On the one hand, Emma recognises that "greenwashing is becoming an increasing problem" as companies may be tempted to go the easy way and make misleading claims about environmental merits of their products and services. On the other, she sees the communication as an essential component of offering sustainable solutions: "Consumers need to know how and why it is beneficial to the environment or society".

Emma recognises the importance of a solid and committed network for a "circular change". Forums, updates, news on the recent developments and innovation in the retail sector can play a fundamental role to foster the change in the field.

Finally, a certain personal attitude is needed when running a sustainable business model: flexibility, agility and a test-and-learn approach, readiness to tackle any issues and make further improvements are essential.

Success story of Luzem Zero Waste Shop (Poland)

Name	Luzem Zero Waste Shop
Size	Micro-enterprise
Location	Kraków, Poland
Founding date	2020
Scope of activities	Offline/online
Retail segment	Cosmetics; Grocery
Website	https://luzem.eu

Source: https://krowoderska.pl/sklep-luzem-tutaj-wszystko-kupisz-na-wage-zeby-nie-produkowac-smieci/

Luzem Zero Waste Shop is based in Kraków, Poland. The physical shop was opened in May 2020 and an e-shop was added a few months later. The main characteristics of Luzem Zero Waste Shop success story are the dedication and motivation of the two founders – Elina and Jarek, Ukrainians living in Poland – and the exclusive production and selling of local food and hand-made cosmetics using natural ingredients.

Luzem Zero Waste Shop opened in 2020. Despite the hardships inflicted by the Covid-19 pandemic, Elina and Jarek were motivated to create a green company. "We do our business for ourselves, for a better and cleaner future". Their eco-friendliness is evident from the focus on minimising waste and on selling local products. The store has not received any support from national or regional authorities and the owners are not aware of the support dedicated to the twin transition at EU level nor of the opportunities to get public funds at national and local level.

The main idea behind Luzem Zero Waste Shop is to be a sustainable business. Not only the products are local, but they are also sold in an eco-friendly manner. The shop incentivises the use of jars or containers brought by clients rather than plastic packages. They collaborate with apps helping avoid food waste such as Foodsi[68] and Too Good to Go[69]. They also collaborate with small producers as they are often more flexible in adapting to consumer requests and providing the solutions needed.

Developing digital solutions for green ideas: Luzem Zero Waste Shop has a mission to reduce the waste and the environmental impact as much as possible. Elina and Jarek are aware of the incredible effort that a large part of the global population should do to have a considerable impact. However, they are proud that with their new-born business they are making the Polish entrepreneurial world greener and more sustainable.

Luzem Zero Waste Shop also launched a communication campaign through digital tools. As the founders stated, social media play a key role, therefore, the shop is present on Instagram, Facebook and TikTok. Elina and Jarek did not hesitate to create an online shop and personal website of their company just few months after the opening of the physical shop in Kraków. The owners recognise the need to be present and active online to gain visibility.

In terms of investments, the business was financed entirely by the founders through one-time investment in 2020. Overtime, the business grew progressively and Elina and Jarek are no more alone in running the company as an employee joined to support them.

On the one hand, the lack of external funds was the main barrier faced by Elina and Jarek. Because of this, it was necessary for the founders to limit the budget dedicated for online advertising on Google and other social media where the shop is present. On the other, the most important driver for running a green business is the owners' motivation and positive mindset to develop more sustainable habits for customers and the community.

The Luzem zero-waste philosophy had a positive impact on:

- **number of customers:** Luzem Zero Waste Shop attracted environmentally conscious clients to the shop.
- **environmental performance:** thanks to their zero-waste philosophy, Luzem Zero Waste Shop has almost no impact on the environment.
- **use of technologically advanced solutions**: an e-shop, a personal webshop and the QR code payment (as substitution of the cash payment) were introduced by the shop.
- **promotion of proximity economy, local supply chains and the improvement of quality of life in urban or rural areas:** the focus on selling uniquely local products has contributed to the proximity economy in Kraków.

Succeeding through adversities: With few funds available, but with a great willingness of Elina and Jarek, the story of Luzem Zero Waste Shop is a clear example that "everyone has the power to change this world globally and locally". Running this business for owners is not only about profitability, but also about educating others to develop greener habits and to positively impact the environment.

[68] Foodsi, see: https://www.foodsi.pl

[69] Too good to go, see: https://www.toogoodtogo.com/nl-be

Success story of Ernster L’Esprit Livre (Luxembourg)

Name	Ernster L’Esprit Livre
Size	Medium Enterprise
Location	Luxembourg
Founding date	1889
Scope of activities	Offline/online
Retail segment	Books, Textbooks, Audiobooks
Website	https://www.ernster.com/de/home

Source: https://www.concorde.lu/shop/ernster-lesprit-livre/

Ernster l’Esprit Livre is a family business that was founded by Pierre Ernster in 1889 in the ville haute neighbourhood of Luxembourg-city. The company has a rich history spanning over a century and it has successfully navigated through numerous challenges over the years, including the Second World War. The business has been passed down through generations of the Ernster family. Fernand Ernster, the current general director, has been with the company since 1984 and has played a key role in modernising the business. He introduced computerised stock management, created a website for the bookstore and made it possible to purchase books online. In 2018, Paul Ernster joined the company as a manager, bringing new ideas to the business. Today, the company employs 110 people and has a total of ten sites.

Early Digital Transition. Ernster l’Esprit Livre started its journey towards digitalisation in 1980 with the adoption of a management software that allowed more efficient and streamlined operations. A few years later, in 1997, it created its first website. Ever since, it has engaged in different projects of digitalisation of internal operations, adapting to the demands of digital age, such as PDF invoicing module, API connection with the B2C delivery service and electronic invoices to public service customers. The latest project of the company is to digitalise the invoices received from suppliers.

The company recognised the benefits of digital transition early on, realising that it would give them advantages in terms of time and resources. The company was not aware of the importance of the twin transition in Europe or of the EU policies supporting it but will look more into it.

Financing the transition. The digital transition was resource intensive activity. It required significant financial investments. Updating and maintaining digital tools were also costly as the company had to keep investing in new versions of websites and management software as technology continued to evolve. In addition to the financial costs, the digital transition also required significant investment of time and human resources. Ernster L’Esprit Livre ‘s digital transition has been financed both by private funds and by public subsidies from the Luxembourgish government. The company did not make use of European funds but is aware of funding opportunities that could exist at the local, national and European level. The company has faced several transformation barriers such as the need for more financial and human resources. This is also the case for their latest project, the digitalisation of invoices. The company is not eligible to receive national public funding as the management software solution comes from Switzerland. Furthermore, major IT changes require a significant adaptation time and might require further investments in employee training.

The digital transformation has been beneficial for the company’s development:

- **profitability:** Through the automation of certain tasks and streamlining processes, the company was able to save time and resources, which translated into higher profitability.
- **customers:** The digital transformation has allowed the company to reach more clients. The new website has resulted in a 400% increase in sales in 5 years.
- **employment:** The digital transformation has led to an increase in employment in the company.
- **technology:** The digital transformation has led to the integration of new technologies such as new invoice management programmes.
- **market position in comparison to other retailers**: The digital transformation has improved the company's position in the market. Investing early in the digital transition helped the company to stay competitive and survive while many other retailers disappeared over the years.

The key message shared: "In general, digital transformations are never easy to implement. Whether from a financial point of view or simply because of the change they require. But in the end, most of our transitions have been very beneficial to our company. We believe it is important to understand our needs to make a transition that is beneficial in the medium and long term".

Annex B – List of 54 Success stories

This annex presents a full list of 54 success stories of European retail SMEs that had undergone a green and/or digital transition or had introduced any kind of customer-centric innovation. The success stories have been selected following the methodology presented in section 4.

Table 4 Overview of 54 success stories identified

Name	Country	Retail segment	Size	Short description of the success story	Website
Antiquariat Buchtip	Austria	Antiquarian books	Micro	Bookstore focusing on selling antiquarian books that has greened its internal operations, bought greener services from other companies, started selling online, introduced digital solutions in customer communication and advertisement and digitalised company's internal operations	https://www.buchtip.at
Dogsworld GmbH	Austria	Pet supplies	Small	Pet supplies store that has greened its internal operations, started selling online and introduced digital solutions in customer communication, advertising.	https://www.dogsworld.at
Peeq	Belgium	Lightning, Electronics	Small	One-stop lighting shop specialising in residential lighting and introduced digital solutions in customer communication and advertising.	https://www.peeq.be
Yuman Village	Belgium	Clothing, Electronics, Accessories	Small	Clothing, electronics and accessories store that started selling online and introduced more ecological and sustainable products in the shop's assortment	https://yumanvillage.be
Lufu Kids	Bulgaria	Clothing, Toys	Small	Children's clothing and toys store that chose greener services bought from other companies	https://lufukids.com
Remix	Bulgaria	Clothing	Small	Clothing company that sells second-hand and outlet clothing online	https://remixshop.com/bg/site/about-us

Name	Country	Retail segment	Size	Short description of the success story	Website
Miret	Croatia	Clothing	Micro	Clothing shop that has introduced more ecological and sustainable products in the shop's assortment	https://www.miret.co
Romulic d.o.o	Croatia	Electronics/photography	Micro	Micro-enterprise operating in the field of photography and electronics that implemented a digital transition by moving from selling in physical shops to selling online	https://romulic.com
Earth and Ocean	Cyprus	Home improvement & decoration, Clothing	Small	Clothing, home improvement and decoration store that introduced more ecological and sustainable products in the shop's assortment	https://earth-and-ocean.com
So easy stores	Cyprus	Grocery	Medium-sized	Grocery store that started selling online and introduced more ecological and sustainable products in the shop's assortment	https://soeasystores.com
Nabaleno	Czech Republic	Beauty; grocery	Small	Beauty and grocery shop that introduced more ecological and sustainable products in the shop's assortment and chose greener services bought from other companies	https://www.nebaleno.eu
Neszenzeno	Czech Republic	Grocery	Medium-sized	Grocery store that greened its internal operations (for example improving energy efficiency, waste management)	https://nesnezeno.eco
KEEPR	Denmark	Furniture	Micro	Furniture store that started selling online and greened its internal operations	https://keeprcollective.com
Moss Copenhagen	Denmark	Clothing	Medium-sized	Clothing company that has started selling online	https://www.mosscopenhagen.com

Name	Country	Retail segment	Size	Short description of the success story	Website
Denim Dream	Estonia	Clothing	Medium-sized	Clothing company that has started selling online and digitalised payment process	https://www.denimdream.com
Expert Eesti OÜ	Estonia	Electronics	Medium-sized	Electronics shop that has started selling online and has introduced digital solutions in customer communications,	https://www.expert.ee/et/
Äkäslompolo SportShop	Finland	Sports shop	Small	Sportswear shop that started selling online	https://www.akaslompolosportshop.fi/en/frontpage/
Kierrätyskeskus	Finland	Furniture	Small	Furniture store that started selling online, greened its internal operations	https://www.kierratyskeskus.fi
Group Digital	France	Electronics, Home improvement	Small	Electronics and home improvement shop that has started selling online	https://www.group-digital.fr
Heschung	France	Clothing	Small	Clothing company that started selling online	https://www.heschung.com
ARESGO Haushaltswaren GmbH	Germany	Household goods, Vacuum cleaner accessories	Small Enterprise	Company that sells household goods and vacuum cleaner accessories and that digitalised and greened its internal operations as well as introduced digital solutions in customer communications,	https://www.aresgo.de
Frischebäcker Marcus Wulfhorst	Germany	Grocery	Medium-sized	Grocery store that digitalised and greened its internal operations, introduced digital solutions in customer communication, advertising	https://www.der-frischebaecker.de

Name	Country	Retail segment	Size	Short description of the success story	Website
Cosmos	Greece	Sports Equipment	Medium-sized	Sports equipment store that started selling online and greened its internal operations	https://www.cosmossport.gr
Soulis S.A	Greece	Packaging	Small	Packaging company that digitalised its internal operations and introduced digital solutions in customer communication, advertising.	https://soulis.gr
Kartaltex	Hungary	Furniture, Textile	Small	Furniture and textile shop that started selling online, digitalised internal operations and introduced digital solutions in customer communication	https://kartaltex.hu
Swappies	Hungary	Clothing	Small	Clothing store that introduced more ecological and sustainable products in the shop's assortment	https://www.swappis.hu
Charles Fay	Ireland	Clothing	Micro	Grocery store that introduced more ecological and sustainable products in the shop's assortment and greened company's internal operations Clothing sore that has digitalised its internal operations	https://charlesfay.ie/pages/about-us
Cork Flower Studio	Ireland	Flowers	Micro	Flower shop that started selling online and bought greener services from other companies	https://www.corkflowerstudio.com
Manzato Anna di Lessi Luca & C. snc "	Italy	Grocery	Micro	Grocery store that started selling online, bough greener services from other companies, greened its internal operations and introduced more ecological and sustainable products in the shop's assortment	https://enotecamanzato.it
MA di MOLINARI &c snc	Italy	Clothing	Micro	Clothing company that has introduced digital innovation with a strong focus on customer experience	NA

Name	Country	Retail segment	Size	Short description of the success story	Website
Velosock	Latvia	Producing and selling bike covers	Micro	Bike cover store that started selling online, introduced more ecological and sustainable products in the shop's assortment and greened its internal operations.	https://velosock.com
Woodly Organic	Latvia	Clothing	Micro	Clothing store that has introduced more ecological and sustainable products in the shop's assortment	https://woolyorganic.com
MJrever	Lithuania	Clothing	Small	Clothing company that started selling online	https://cosmoway.lt
UAB "AJ šokoladas"	Lithuania	Grocery	Small	Company specialising in chocolates and desserts that started selling online and digitised company's internal operations	https://ajsokoladas.lt
Ernster – L'esprit	Luxembourg	Books	Medium	Bookstore that started selling online	https://www.ernster.com
Kritzel Fabrik	Luxembourg	Art	Small	Art shop that started selling online	https://letzshop.lu/fr/vendors/kritzel-fabrik
Greens Supermarket	Malta	Grocery	Medium	Grocery store that started selling online, digitalised its internal operations and introduced customer-centric innovation	https://www.greens.com.mt
Maduma	Malta	Home improvement & decoration	Small	Store focusing on home improvement & decoration products and that has introduced more ecological and sustainable products in the shop's assortment	https://maduma.com.mt

Name	Country	Retail segment	Size	Short description of the success story	Website
Wildernis	Netherlands	Plants, Gardening accessories, Gardening products	Micro	Company that focuses on selling indoor plants that have been sustainably grown or organically grown. The shop has also started selling online.	https://wildernisamsterdam.nl
Schijvens	Netherlands	Clothing	Small	Clothing shop that has greened its internal operations	https://www.schijvensmode.nl
Luzem Zero Waste Shop	Poland	Beauty; Grocery	Micro	Beauty and grocery store that started selling online and introduced more ecological and sustainable products in the shop's assortment	https://luzem.eu
Moon Dot	Poland	Clothing, Accessories	Micro	Clothing and accessory store that started selling online and introduced customer-centric innovation	https://moondot.pl
Good After	Portugal	Grocery	Small	Grocery store that started selling online, introduced digital solutions in customer communication, advertising, digitalised and greened its internal operations	https://goodafter.com/pt/
O'Benefício	Portugal	Clothing	Small	Clothing shop that has introduced ecological and sustainable products in the shop's assortment	https://manifestobeneficios.com
Adventure Light	Romania	Clothing, Camping equipment	Micro	Clothing and camping equipment store that started selling online, digitalised its internal operations and introduced digital solutions in customer communication and advertising.	https://adventurelight.ro

Name	Country	Retail segment	Size	Short description of the success story	Website
Remesh (Ateliere Fără Frontiere)	Romania	Clothing, Accessories	Small	Clothing and accessories company that has greened its internal operations	https://www.atelierefarafrontiere.ro
ANDREA SHOP, s.r.o	Slovakia	Electronics	Medium-sized	Electronics store that started selling online and introduced customer-centric innovation	https://www.andreashop.sk
Flexity Yoga	Slovakia	Clothing, Sport equipment	Micro	Clothing and sports equipment store that started selling online, digitalised its internal operations, introduced customer-centric innovation and employed digital solutions for communication and advertising.	https://www.flexity.sk
Alpine Princess Clothing	Slovenia	Clothing, Sport equipment	Small	Clothing, sports equipment shop that started selling online and digitalised company's internal operations	https://alpineprincessclothing.com
Benedict-Cukrček Chocolate	Slovenia	Grocery	Small	Company specialising in chocolates that started selling online and digitised the company's internal operations	https://cukrcek.si
Legumbres Astorga	Spain	Grocery	Micro	Grocery store that started online, introduced digital solutions in customer communication, advertising and customer-centric innovation	https://www.comprarlegumbres.com
Perfumerías Passion Beauté	Spain	Beauty	Micro	Perfume store that started selling online and introduced digital solutions in customer communication and advertising.	http://www.passionbeaute.es
Axel Arigato	Sweden	Clothing	Medium-sized	Clothing company that has started selling online and digitalised its inventory and payment process	https://axelarigato.com

Name	Country	Retail segment	Size	Short description of the success story	Website
Mr Bear Family	Sweden	Beauty	Small	Manufacturer of moustache and beard products that started selling online	https://www.mrbearfamily.com

Annex C – Country fact sheets

The retail ecosystem in Austria - *Market overview*

European Commission

99.75%

of retail companies are SMEs *(Eurostat)*

42.3%

of the Austrian retail workforce works in SMEs *(Eurostat)*

45%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **382,000 people** in Austria (9% of the total Austrian workforce), generating about **4.3% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **42,284 companies**, accounting for 13% of the total number of Austrian companies *(Eurostat)*.

99.75 % companies in the ecosystem are SMEs, which employ **42.3% of the workforce** and generate **45% of the total added value** of the sector. On top of this, **89.6% of the SMEs are micro-enterprises,** which is below the EU average (93.22%) *(Eurostat)*.

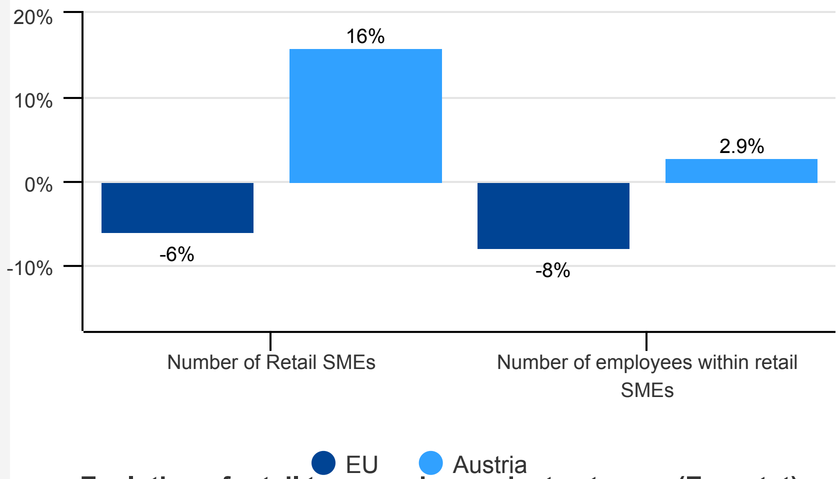
Market dynamics

The total number of retail enterprises increased by 5% in the period between 2012 and 2019, while the total number of employees increased by 7.4% for the same period. Austria experienced a positive trend, with a 16% increase in the total number of SMEs, while the EU as a whole witnessed a 6% decrease. Regarding employment, Austria witnessed an increase of 2.9% in the number of employees within SMEs, compared to the EU's 8% decline (see Market change figure on the right) *(Eurostat)*.

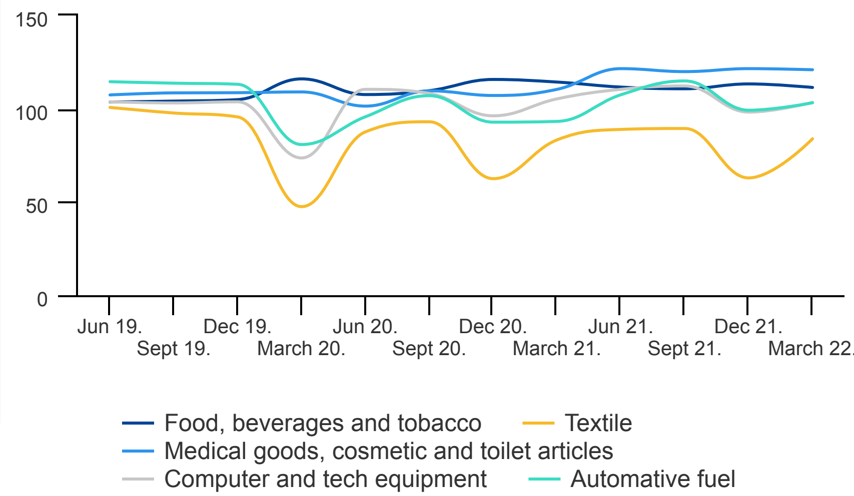
Between June 2019 and December 2019, the turnover of textiles decreased by 5%, while food and other goods increased around 1%. As of March 2020, **the revenue of retail companies was affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food, drinks, medical and hygienic related articles increased or remained constant, the turnover of textiles, tech equipment and automotive fuel fell by 77%, 30% and 41% respectively, compared to December 2019 *(Eurostat)*.

After the first Covid-19 wave (March 2020), **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which improved its pre-pandemic levels by June 2020. Data from April 2022 shows that Austrian retailers' turnover has not yet recovered to pre-pandemic levels in the case of textiles (-13%) and automotive fuel (-14%) *(Eurostat)*.

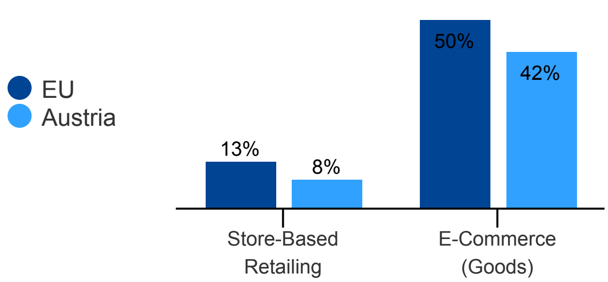
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

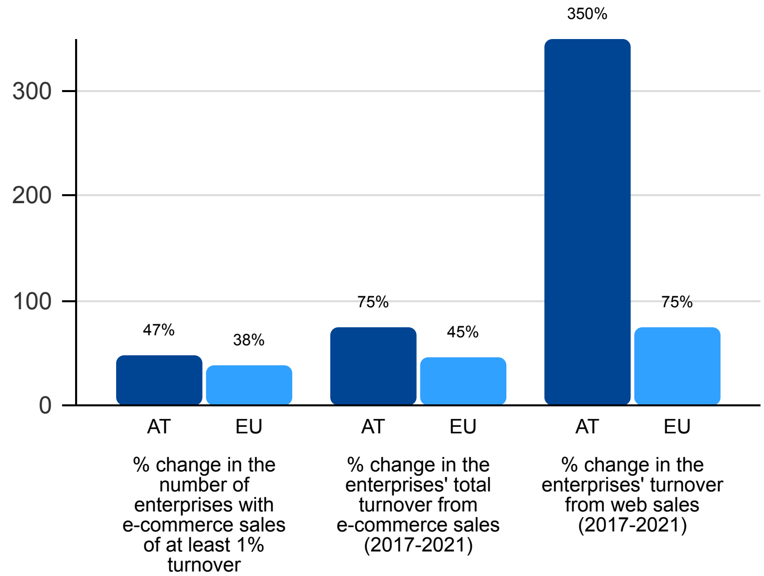


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Austrian retailers. **Sales through online channels increased by 17% in 2020 and by 23% in 2021**, compared to 2019 data. On the other hand, store-based retailing, increased 1% in 2020 and 2% in 2021, also compared to 2019 sales. Moreover, **e-commerce sales are forecasted to grow by 21% in 2026, compared to 2021**, while Austrian store-based retailing is expected to grow by 8% *(Euromonitor International, Retailing Industry Edition, 2022)*.

The retail ecosystem in Austria - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% has grown more in Austria than in the EU on average. Turnover from web sales has increased 350% during the same period (2% to 9%)*. Enterprises' total turnover from e-commerce sales is also above the EU growth. These indicators show the progress in the uptake of online sales made by Austrian companies over the past years *(Eurostat).*



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, 21% of Austrian SMEs were selling online and 16% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

Over one in three Austrian SME retailers indicated barriers related to framework conditions such as **regulatory obstacles or uncertainty** about future digital standards. Only **8% of Austrian SMEs indicated financial resources in comparison to 19% in the EU on average** as a barrier to engage with digitalisation activities *(Flash Eurobarometer 486).*

Barriers to digitalisation	Austria	EU 27
Uncertainty about future digital standards	21%	15%
IT security issues	15%	12%
Lack of skills, including managerial skills	15%	16%
Internal resistance to change	15%	13%
Regulatory obstacles	12%	13%
Lack of IT infrastructure	12%	12%
Lack of financial resources	8%	19%

Sustainability uptake

Austrian retail enterprises are changing their business practices to be more sustainable. Among Austrian retail SMEs, 41% are already saving materials and consuming less waste in their business. Slightly over half of those who are becoming more sustainable are relying on their own technical expertise to be more resource efficient. 51% of Austrian retail SMEs offer green products and services or plan to do so in the next two years *(Eurostat).*

41% of retail SMEs are already saving materials, energy or waste to be more resource efficient

19% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

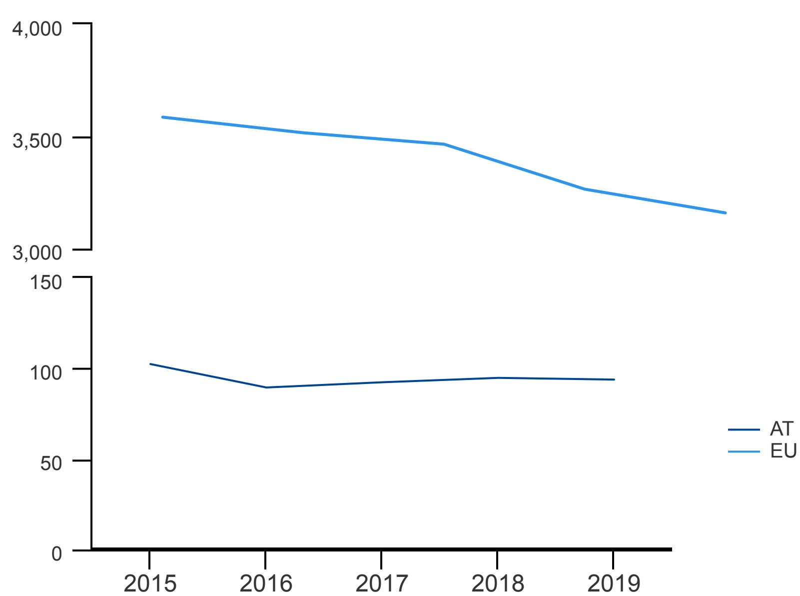
37% of retail SMEs rely on own financial resources to be more resource efficient

51% of retail SMEs are either offering green products currently or planning to in the next two years.

53% of retail SMEs rely on their own technical expertise to be more resource efficient

Analysing air emissions of the Austrian retail sector, we observe **a decrease of 8% in the period 2015-2019.** This falls in line with the EU emission decrease for the sector, however, the EU emission decreased slightly more, a 12% *(Eurostat).*

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)

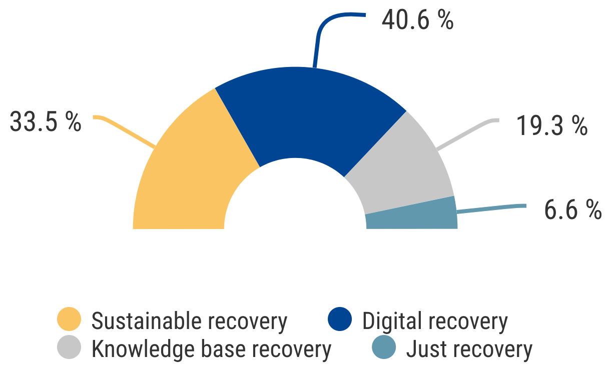


The retail ecosystem in Austria - *Background*

National Recovery and Resilience Plan

Austria's NRRP amounts to €4,499 million in grants, €3,461 millions of which will be financed by the EU and the rest is supplied by the national budget. The additional funds and new reforms will complement the already implemented economic recovery programmes and national economic stimulus packages. The plan is expected to address the **twin transition** and has a clear focus on **inclusive growth** *(Austrian National Recovery and Resilience Plan).*

Budget allocation in the Austrian NRRP



The Austrian NRRP's aims to support climate protection, foster digitalisation, and provide for education and research. The plan is developed around four components: **1) Sustainable recovery, 2) Digital recovery**, 3) Knowledge-based recovery, and 4) Just recovery.
Under the Digital recovery, €605 millions of investments support **"Digitalisation and ecological transformation of businesses".** Particularly, €32 millions of this amount goes for the '**Digitalisation of SMEs**' package. This package includes providing advisory support on digital business models and processes, e-commerce and online marketing, IT and cybersecurity, and digital administration *(Austrian National Recovery and Resilience Plan).*

According to the European Semester analysis, high administrative burden in Austria discourages investment, especially among SMEs, and regulatory restrictiveness is high for certain professional services, including **retail.** In response, the subcomponent 2.C of Austria's NRRP is expected to reduce these bureaucracies and compliance costs for businesses by improving Austria's **e-governance**. Furthermore, the plan includes a reform introducing a **new company form** ('Austrian Limited', 4.D.8). Additionally, the plan includes three reform proposals aiming at the **liberalisation of business regulations** (4.D.11) *(Commission Staff Working Document - Austria National Recovery and Resilience Plan).*

COVID-19 impact in the country

In 2020, **Austria's real GDP declined by 6.7%**, partly due to the decline in tourism caused by the COVID-19 pandemic. Supported by decisive government measures to protect businesses and stimulate consumer spending, the economy recovered to pre-pandemic level in the third quarter of 2021, with real GDP growing by 4.5% over the year. The economy is now expected to expand by 3.9% in 2022 and by 1.9% in 2023. In spite of the economic growth, the inflation remains high. After reaching 2.8% in 2021, headline inflation is expected to peak at 6.0% in 2022 before gradually easing to 3.0% in 2023 *(European Semester report 2022 - Austria).*

The IMF report shows that among EU countries Austria ranks 2nd for COVID-19 aid measures. Only Greece spent a higher portion of its GDP (13.7%) on aid instruments, while Austria invested 11.7%. Thanks to this aid, the insolvencies were reduced by over 60% and around 100,000 jobs were secured according to the Austrian Institute for SME Research *(SME Performance Review 2021/2022)*. Despite this employment protection, the post-pandemic growth is creating a labour shortage and skill gap *(European Semester report 2022 - Austria).*

The retail ecosystem in Belgium - *Market overview*

European Commission

99.9%

of retail companies are SMEs *(Eurostat)*

49.2%

of the Belgium retail workforce works in SMEs *(Eurostat)*

53%

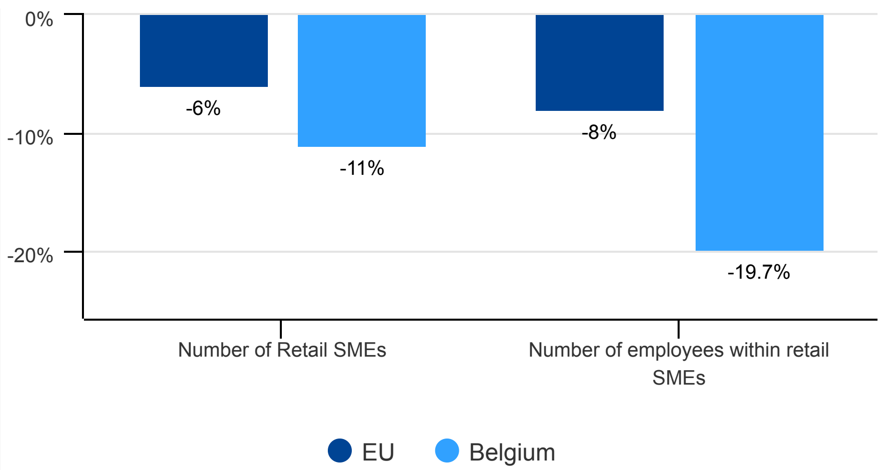
of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approximately **309,000 people** in Belgium (6% of the total Belgian workforce), generating about **3.9% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **447,000 companies**, accounting for 10% of the total number of Belgian companies *(Eurostat)*.

99.9 % companies in the ecosystem are SMEs, which employ **49,2% of the workforce** and **53% of the total added value** of the sector. On top of this, **95,35% of the SMEs are micro-enterprises** *(Eurostat)*.

Market change during the period between 2012 and 2019 (Eurostat)



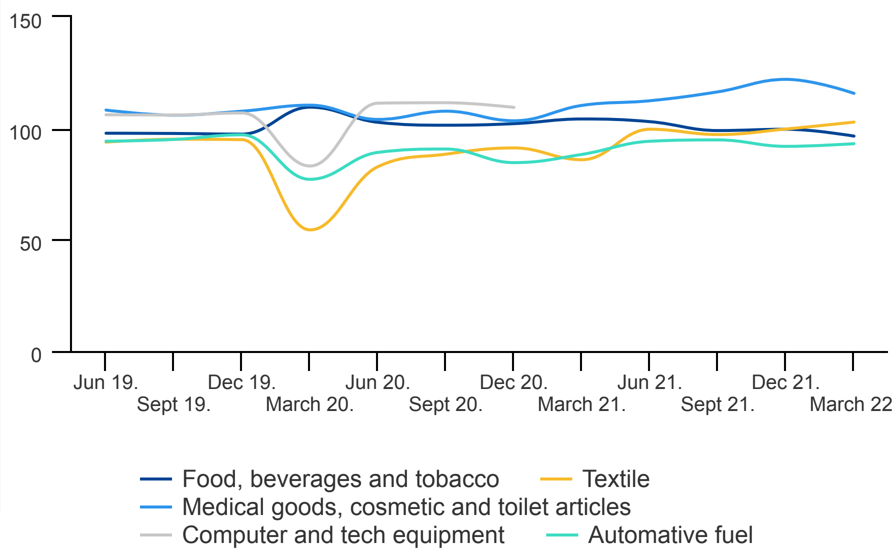
Market dynamics

Between 2012 and 2019, there was a 17% decrease in the total number of retail enterprises, and a 20.6% decrease in the total number of employees in the retail sector. When comparing Belgium and the UE, it can be observed that the performance of SMEs differed. **Belgium experienced a negative trend, with a 11% decrease in the total number of SMEs**, while the EU as a whole witnessed a 6% decrease. Regarding employment, Belgium had a relatively more important reduction in **the number of employees within SMEs, with a decrease of 19.7%** compared to the EU's 8% decline (see Market change figure on the right) *(Eurostat)*.

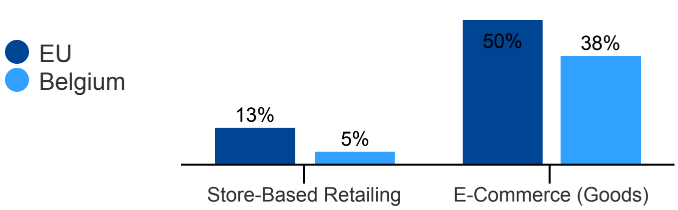
Between June 2019 and December 2019, the turnover of food, textiles and other goods increased by 1% to 3% on average. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food, drinks, medical and hygienic related articles remained constant or slightly increased (by 9 in the case of food retail), the turnover of textiles, tech equipment and automotive fuel fell by 67%, 39% and 42% respectively in April 2020 *(Eurostat)*.

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which almost increased by 4% its pre-pandemic levels in June 2020. Data from May 2022 shows that Belgium textile retailers' turnover increased pre-pandemic levels (+14%), while automotive fuel turnover is currently still 4% points behind its pre-pandemic levels *(Eurostat)*.

Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

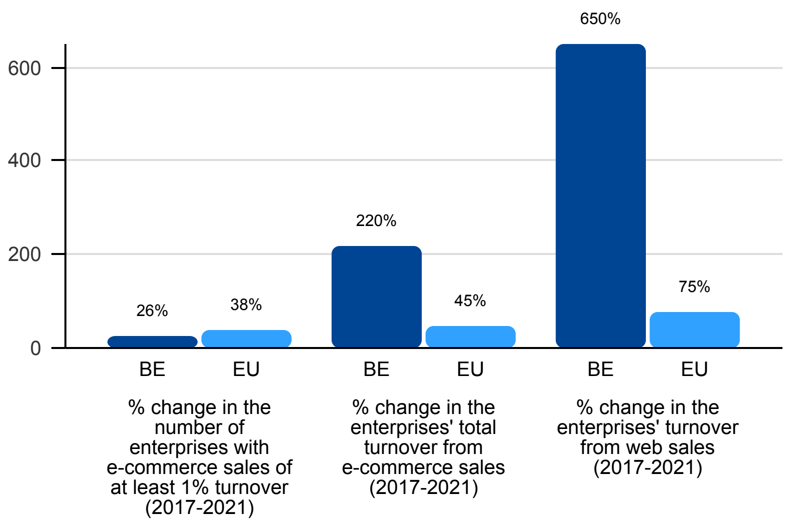


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Belgium retailers. **Sales through online channels increased by 36% in 2020 and by 43% in 2021**, compared to 2019 data. On the other hand, **store-based retailing, decreased 5% in 2020 and 3% in 2021**, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 38% in 2026, compared to 2021, while Belgium store-based retailing will grow by 5% *(Euromonitor International, Retailing Industry Edition, 2022)*.

The retail ecosystem in Belgium - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown 10% less in Belgium than in the EU on average. However, enterprises' total turnover from e-commerce sales has increased five times more in Belgium. Also, turnover from web sales has increased over 8 times more in Belgium than in the EU, a 650% (from 2% to 15%)*. These indicators show the progress in the uptake of online sales made by Belgian companies over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, over 27% of Belgian SMEs were selling online and over 15% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

Approximately one in three Belgian SME retailers indicated barriers related to framework conditions such as **regulatory obstacles or uncertainty** about future digital standards. Another 30% of Belgian retail SMEs stated that **IT security and infrastructure** is also a barrier for digitalisation. However, only 8% indicate financial resources as a barrier in comparison to 19% at EU level *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Belgium	EU 27
Internal resistance to change	18%	13%
IT security issues	18%	12%
Uncertainty about future digital standards	17%	15%
Regulatory obstacles	17%	13%
Lack of skills, including managerial skills	13%	16%
Lack of IT infrastructure	11%	12%
Lack of financial resources	8%	19%

Sustainability uptake

Belgian retail enterprises are changing business practices and the offer of products to be more sustainable. Among the Belgium enterprises, 40% are already saving materials and consuming less waste in their business. 61% of those who are becoming more sustainable are relying on external advice from private organisations for production of green products/services. 60% of Belgian retail SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498)*.

40% of retail SMEs are already saving materials, energy or waste to be more resource efficient

17% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

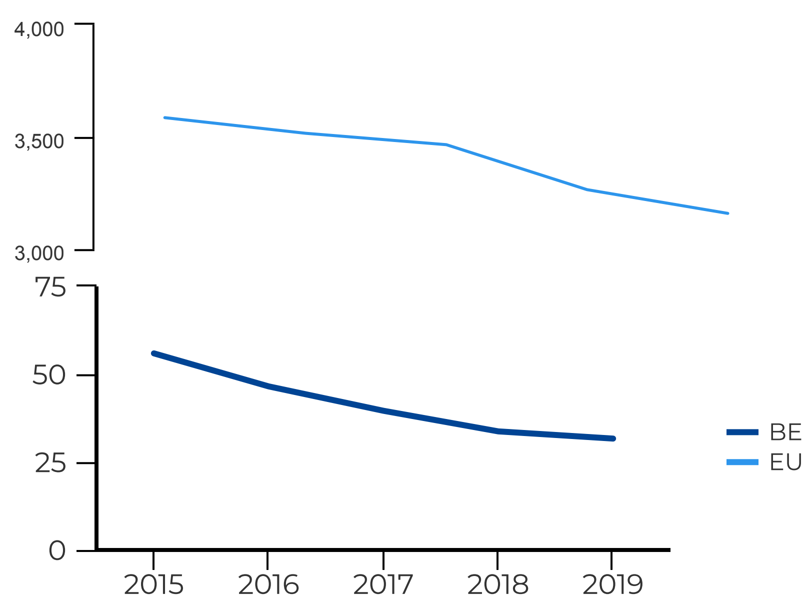
55% of retail SMEs rely on own financial resources to be more resource efficient

60% of retail SMEs are either offering green products currently or planning to in the next two years.

61% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Belgian retail sector, we observe a considerably **decrease of 43% during the period between 2015 and 2019.** The 43% decrease is approximately 3.5 times larger than the EU total emissions decrease of 12% in the same period and the largest of the EU *(Flash Eurobarometer 498)*.

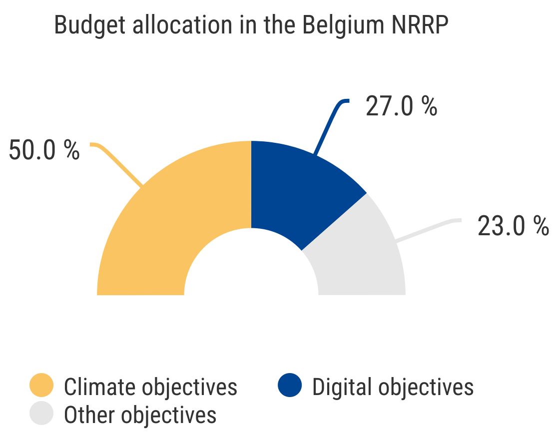
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Belgium - *Background*

National Recovery and Resilience Plan

Belgium’s NRRP receives €5.9 billion funds from the EU. Belgium’s plan will protect the climate through large-scale energy-efficiency renovations and the greening of road transportation. In addition, it will digitalise the public administration, strengthen cybersecurity, making public spending more efficient and sustainable, and improving education and training across the country *(Belgium National Recovery and Resilience Plan).*



The plan sets **six strategic axes** and 17 components. The axes are **1) Climate, sustainability and innovation, 2) Digital transformation,** 3) Mobility, 4) Social and living together, **5) Economy of the future and productivity**, 6) Public finances. The Digital transformation axis targets enhanced cybersecurity and **better infrastructure** with an investment of €763 million, around a 13% of the total. Consequently, there are limited investments directly targeting the digitalisation of businesses. However, businesses will eventually benefit from the support to reinforced cybersecurity and from investments in skills and improved digital public services *(Commission Staff Working Document - Belgium National Recovery and Resilience Plan).*

According to the EU Semester Analysis, **labour shortages** risk hampering further economic growth in Belgium and this shortage hits SMEs harder. The job vacancy rate, jobs that do not find a suitable worker and are still open, reached a historically high level of 4.7% in the fourth quarter of 2021, one of the highest in the EU. The Axis “Economy of the future and productivity” in the Belgian NRRP aims to address this issue with nearly €1 billion of budget *(Belgium National Recovery and Resilience Plan).*

COVID-19 impact in the country

Belgium's economy performed well prior to the COVID-19 crisis but was hit hard by the pandemic. In 2020, restrictions on economic activities led to a decline in **Belgium’s real GDP by 5.7%**, with **consumer spending declining by as much as 8.2%**, slightly more than the average of the euro area *(European Semester Report - Belgium)*. The State and Regions of Belgium provided enormous support in mitigate the crisis, especially for SMEs. For instance, loans, payment deadline extensions, tax breaks, guarantees, and subsidies were among these support measures *(SME Performance Review 2022- Belgium).*

Belgium's economy recovered quickly as a result of government measures to protect businesses and jobs. In 2020, employment remained stable, and employment growth resumed vigorously in 2021 to reach pre-COVID levels. Thanks to the government's business support measures, bankruptcies even reduced during the pandemic, roughly 30% lower than pre-crisis levels. Investment and foreign trade recovered quickly as well, surpassing pre-crisis levels by early 2021. **Overall, real GDP growth rebounded to 6.2% in 2021**, exceeding the EU average of 5.9% *(European Semester Report 2022 - Belgium).*

The retail ecosystem in Bulgaria - *Market overview*

European Commission

99.95%

of retail companies are SMEs *(Eurostat)*

76%

of the Bulgarian retail workforce works in SMEs *(Eurostat)*

69%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **291,000 people** in Bulgaria (10% of the total Bulgarian workforce), generating about **5.6% of the gross value added product** in the country. Including enterprises of all sizes, the ecosystem is composed of **99,000 companies**, accounting for 28% of the total number of Bulgarian companies *(Eurostat).*

99.95 % companies in the ecosystem are SMEs, which employ **76% of the workforce** and generate **69% of the total added value** of the sector. On top of this, **96,2% of the SMEs are micro-enterprises, above the EU average** (93.22%) *(Eurostat).*

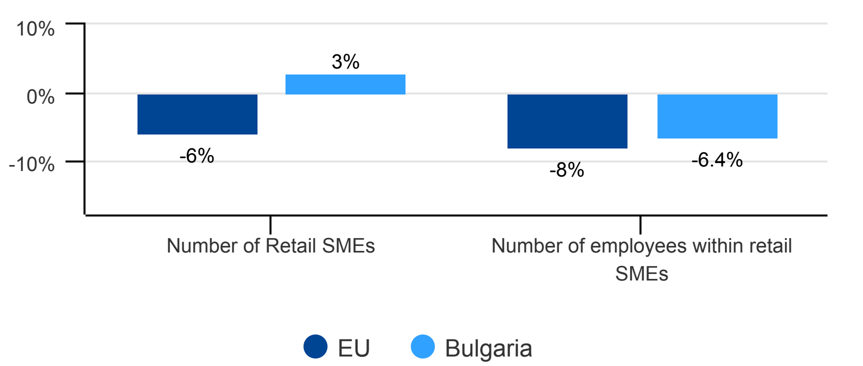
Market dynamics

Between 2012 and 2019, there was a 1% decrease in the total number of retail enterprises, and a 2.4% decrease in the total number of employees in the retail sector. When comparing Bulgaria and the EU, it can be observed that the performance of SMEs differed. **Bulgaria experienced a positive trend, with a 3% increase in the total number of SMEs**, while the EU as a whole witnessed a 6% decrease. Regarding employment, Bulgaria had a relatively smaller reduction in **the number of employees within SMEs, with a decrease of 6.4% compared** to the EU's 8% decline. (see Market change figure on the right) *(Eurostat).*

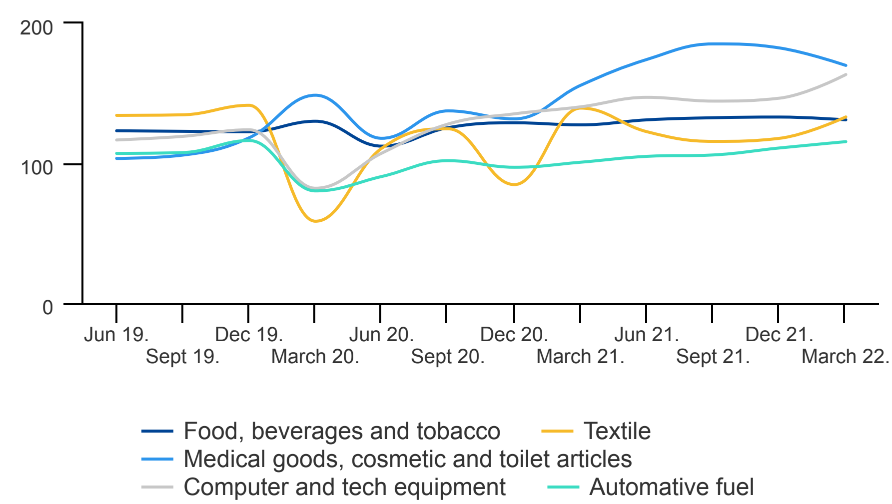
Between June 2019 and December 2019 the turnover of food, textiles and other goods increased between 5% to 14% on average. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution.** While the turnover of essential goods such as food, drinks, medical and hygienic related articles increased by 3%, the turnover of textiles, tech equipment and automotive fuel fell by 70%, 22% and 35% respectively in April 2020 *(Eurostat).*

After the first Covid-19 wave (March 2020), **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which reached its pre-pandemic levels in August 2020. Data from May 2022 shows that Bulgarian textile retailers' turnover has not yet recovered pre-pandemic levels (-3%), while tech equipment turnover is 27% points behind its pre-pandemic levels *(Eurostat).*

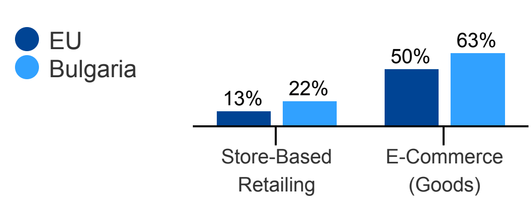
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

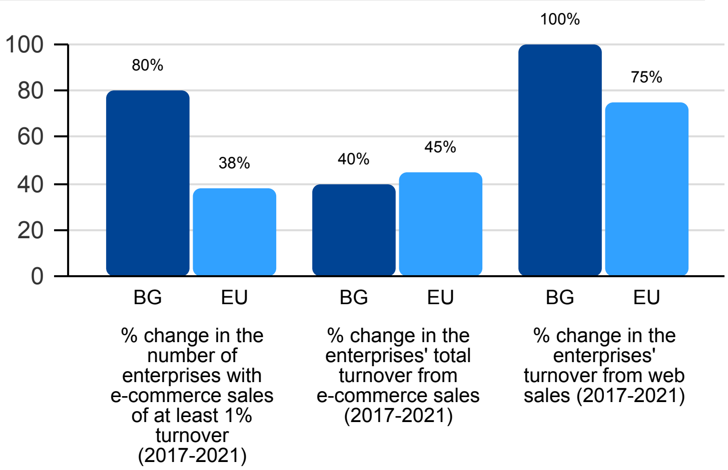


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Bulgarian retailers. **Sales through online channels increased by 52% in 2020 and by 106% in 2021, compared to 2019 data**. On the other hand, **store based retailing, decreased 7% in 2020 and increased by 1% in 2021, also compared to 2019 sales.** Moreover, e-commerce sales are forecasted to grow by 63% in 2026, compared to 2021, while Bulgarian store-based retailing is expected to grow by 22% *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Bulgaria - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 **the number of enterprises with e-commerce sales of at least 1% turnover has grown more than twice as much in Bulgaria as in the EU on average.** Also, turnover from web sales has increased 100% (3% to 6%)*. Enterprises' total turnover from e-commerce sales is the only indicator that falls below the EU growth.
These indicators show the progress in the uptake of online sales made by Bulgarian companies over the past years *(Eurostat).*



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, 11% of Bulgarian SMEs were selling online and over 3% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

42% of Bulgarian SME retailers indicate a lack of resources, such as financial resources, skills and IT infrastructure as mains barriers to digitalisation. Only 10% indicated regulations as an obstacle and only 8% internal resistance to change. *(Flash Eurobarometer 486).*

Barriers to digitalisation	Bulgaria	EU 27
Uncertainty about future digital standards	21%	15%
Lack of financial resources	21%	19%
IT security issues	19%	12%
Lack of IT infrastructure	11%	13%
Lack of skills, including managerial skills	10%	16%
Regulatory obstacles	10%	13%
Internal resistance to change	8%	12%

Sustainability uptake

Bulgarian retail enterprises are changing their business practices to be more sustainable. Among Bulgarian retail SMEs, 39% are already saving materials and consuming less waste in their business. 45% of those who are becoming more sustainable are relying on their own technical expertise and financial resources to be more resource efficient. Yet, 55% of Bulgarian retail SMEs do not offer green products or services and do not plan to do so in the next two years (Note: low sample size) (*Flash Eurobarometer 498).*

39% of retail SMEs are already saving materials, energy or waste to be more resource efficient

25% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

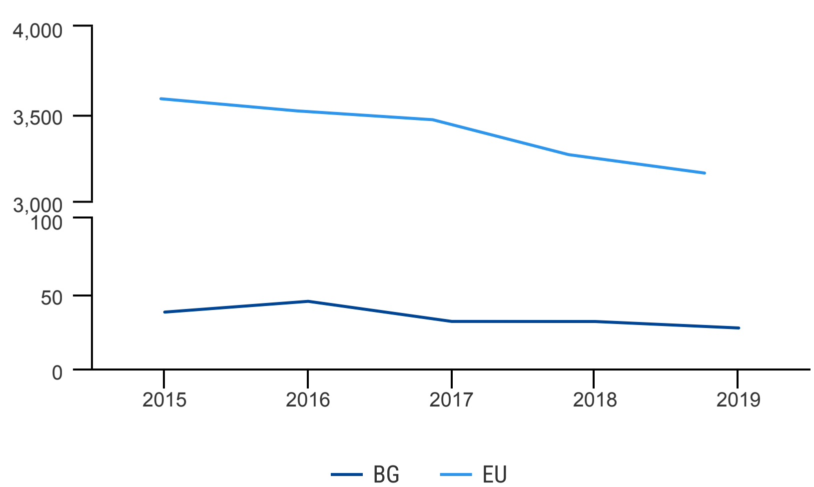
45% of retail SMEs rely on own financial resources to be more resource efficient

55% of retail SMEs do not offer green products or services and do not plan to do so

50% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Bulgarian retail sector, we observe a considerable decrease of 28% in the period between 2015 and 2019. This decrease percentage in Bulgaria is approximately twice larger than the EU total emissions decrease of 12% in the same period. Interestingly there was a sharp increase from 2015-2016 but then fell again below 2015 levels in 2017 *(Flash Eurobarometer 498).*

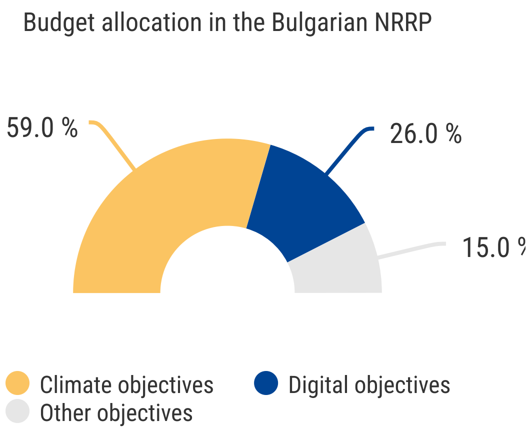
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Bulgaria - *Background*

National Recovery and Resilience Plan

Bulgaria's NRRP consists of €6.27 billion grants from the EU. This plan aims to accelerate the decarbonisation of the energy sector, promote large-scale deployment of digital infrastructure throughout the country, and support investments for improving education and skills. The Bulgarian NRRP builds on the strategic document "*National Development Programme BULGARIA 2030*" and comprises twelve components under four policy pillars: 1) Innovative Bulgaria, **2) Green Bulgaria**, 3) Connected Bulgaria, and 4) Fair Bulgaria *(Bulgarian National Recovery and Resilience Plan).*



Bulgaria's plan includes a comprehensive program for assisting Bulgarian companies in their innovation and expansion as they make the transition to a **greener**, **more digital** economy. The program, which primarily targets SMEs and mid-caps, covers a range of objectives, including growth and technological modernization, innovation, renewable energy systems and energy storage facilities implementation, energy efficiency and renewable energy, climate neutrality, and digital transformation. Particularly, €15.65 million is granted to the "Economic Transformation Programme — Fund 1 Growth and Innovation" for "**ICT and cybersecurity in SMEs**", which comes in form of vouchers supporting activities such as digital marketing services, web-based ICT services for platforms, and software solutions for the optimization of management, production and logistic processes *(Commission Staff Working Document - Bulgaria's National Recovery and Resilience Plan).*

Furthermore, there are investments in the Bulgaria's NRRP which will indirectly benefit the SMEs. These investments include a nearly €270 million allocation for "Large-scale deployment of **digital infrastructure**", an approximate €165 million for "Provision of **digital skills trainings** and set-up of a platform for adult learning", and several investments to **digitalise public services**. These investments are expected to facilitate the twin transition in Bulgarian enterprises *(Bulgarian National Recovery and Resilience Plan).*

COVID-19 impact in the country

The COVID-19 pandemic halted Bulgaria's notable economic growth over the preceding five years (3.6% on average), which was driven by growing private spending and a strong labour market. However, the recovery was quite fast. Real GDP growth rose to 4.2% in 2021 after falling to -4.4% in 2020, mainly supported by household consumption and export of goods. Moreover, GDP is expected to expand by 3.7% in 2022 and 3.9% in 2023, according to the European Commission forecast. The government balance recorded a 4% GDP deficit in 2020 due to the economic decline.This deficit increased to 4.1% in 2021, despite predictions estimated it that it will improve to 3.6% due to the economic growth *(European Semester Report 2022 – Bulgaria).*

When the COVID-19 pandemic broke out in the year 2020 in Bulgaria, SMEs saw a decrease of 4.0% in employment and 2.6% in added value creation. However, there was a recovery in 2021; SMEs fully recovered in terms of added value with a 7.4% increase, and employment partially recovered with a growth rate of 1.4 %. In fact, the swift introduction of short-time work schemes supported by EU aids helped to avoid further adverse labour market changes *(SME Performance Review 2022 – Bulgaria)*.

The retail ecosystem in Croatia - *Market overview*

European Commission

99.5%

of retail companies are SMEs *(Eurostat)*

40.8%

of the Croatian retail workforce works in SMEs *(Eurostat)*

35%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **133,000 people** in Croatia (8% of the total Croatian workforce), generating about **6% of gross value added** in the country. Including enterprises of all sizes, the ecosystem is composed of **447,000 companies**, accounting for 9% of the total of Croatian companies *(Eurosat)*.

99.5 % companies in the ecosystem are SMEs, which employ **40.8% of the workforce** and generate **35% of the total added value** of the sector. On top of this, **93% of the SMEs are micro-enterprises,** similar to the EU average (93.2%) *(Eurostat).*

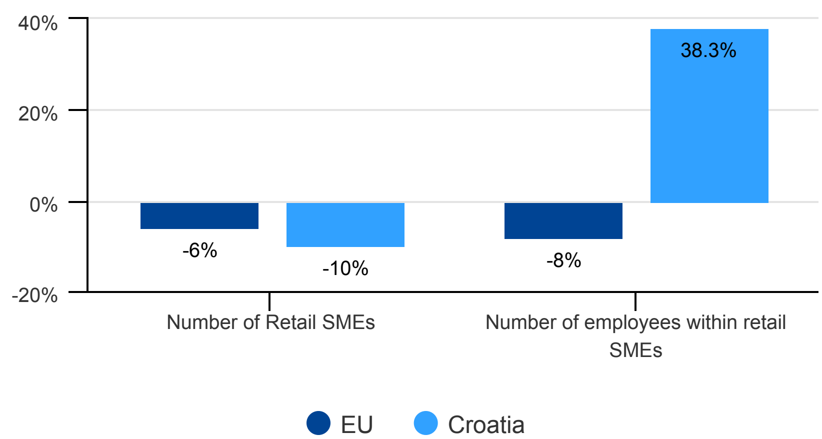
Market dynamics

The total number of retail enterprises decreased by 11% in the period between 2012 and 2019, while the total number of employees decreased by 0.7% for the same period. When comparing Croatia and the UE, it can be observed that the performance of SMEs differed. **Croatia experienced a negative trend, with a 10% decrease in the total number of SMEs**, while the EU as a whole witnessed a 6% decrease. Regarding employment, Croatia experienced a significant increase in **the number of employees within SMEs, with an increase of 38.3%** compared to the EU's 8% decline (see Market change figure on the right) *(Eurostat).*

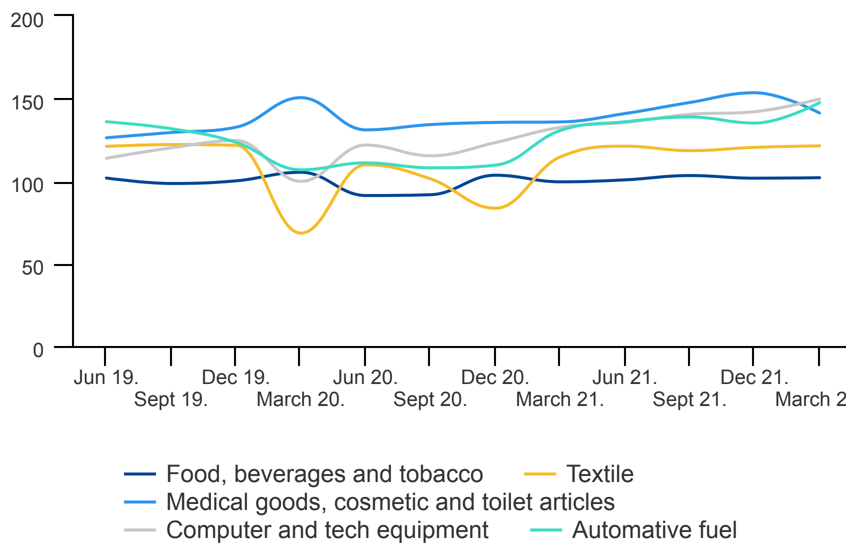
Between June 2019 and December 2019, the turnover of food, and fuel decreased while textile and computers retail turnover remain constant or slightly increased. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. The turnover of essential goods such as food, drinks, medical and hygienic related articles slightly decreased by 9%, while the turnover of textiles, tech equipment and automotive fuel fell by 81%, 35% and 26% respectively in April 2020 *(Eurostat)*.

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which almost reached its pre-pandemic levels in June 2020. Data from May 2022 shows that Croatian textile retailers' turnover has already recovered and even improved pre-pandemic levels (+21%), as well as tech equipment retail which turnover is currently 20% points ahead its pre-pandemic levels *(Eurostat).*

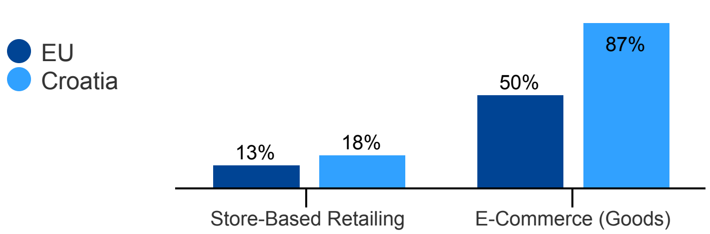
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

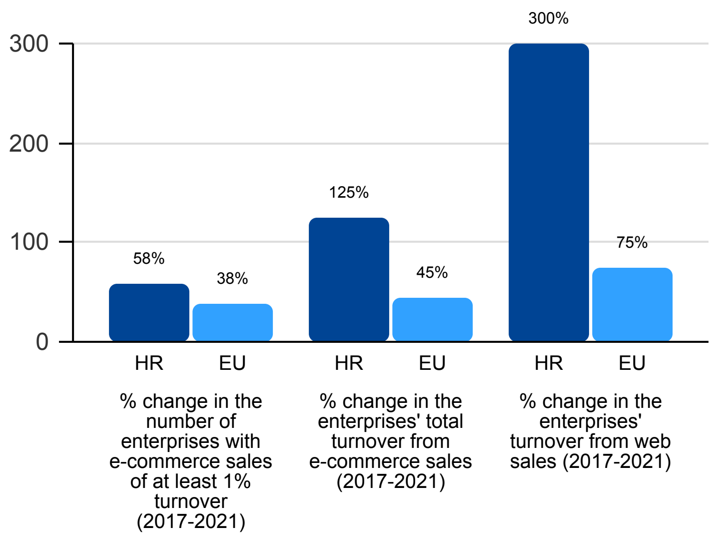


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Croatian retailers. **Sales through online channels increased by 52% in 2020 and by 97% in 2021**, compared to 2019 data. On the other hand, **store-based retailing, decreased 3% in 2020 compared to 2019 sales**. Moreover, e-commerce sales are forecasted to grow by 87% in 2026, compared to 2021, while Croatian store-based retailing will grow by 18% *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Croatia - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown close to twice as much in Croatia as in the EU on average. Turnover from web sales has increased 300% over the same period (1% to 4%)*. Enterprises' total turnover from e-commerce sales is also almost three times higher than the EU average. These indicators show the progress in the uptake of online sales made by Croatian companies over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, over 29% of Croatian SMEs were selling online and almost 13% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

Over two thirds of Croatian SME retailers **indicate a lack of resources, such as financial resources, skills and IT infrastructure as barriers to digitalisation**. Only 9% indicated regulations as an obstacle and only 3% internal resistance to change which are lower than the EU average values of 19% and 13% respectively *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Croatia	EU 27
Lack of IT infrastructure	29%	12%
Lack of financial resources	24%	19%
Lack of skills, including managerial skills	14%	16%
IT security issues	12%	12%
Uncertainty about future digital standards	10%	15%
Regulatory obstacles	9%	13%

Sustainability uptake

Croatian retail enterprises are changing business practices and the offer of products to be more sustainable. Among the Croatian retail SMEs, 48% are already saving materials and consuming less waste in their business. Above half of those who are becoming more sustainable are relying on their own financial resources to be more resource efficient. 59% of Croatian retail SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498)*.

48% of retail SMEs are already saving materials, energy or waste to be more resource efficient

21% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

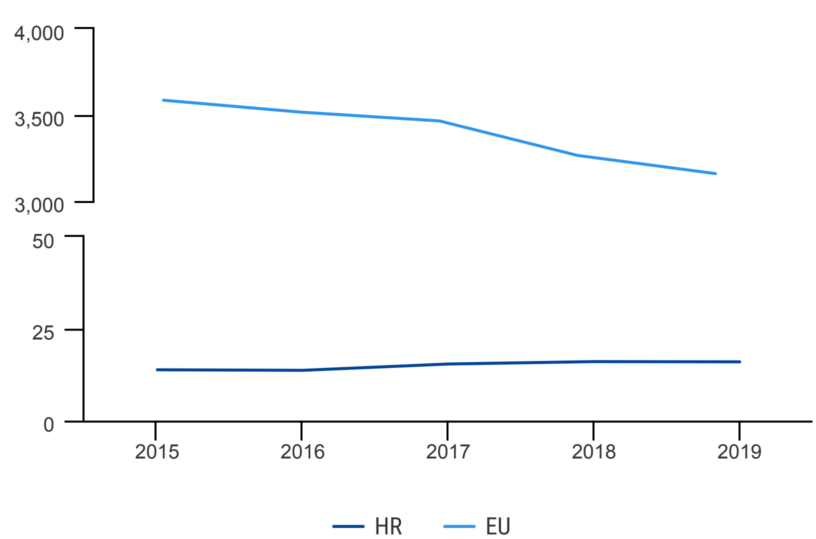
57% of retail SMEs rely on own financial resources to be more resource efficient

59% of retail SMEs are either offering green products currently or planning to in the next two years.

81% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Croatian retail sector, we observe a sizeable increase of 16% during the period between 2015 and 2019. **Croatia is one of the few countries where air emissions from retail have increased.** The 16% increase is the second highest in the EU, behind Estonia at 111% *(Flash Eurobarometer 498)*.

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



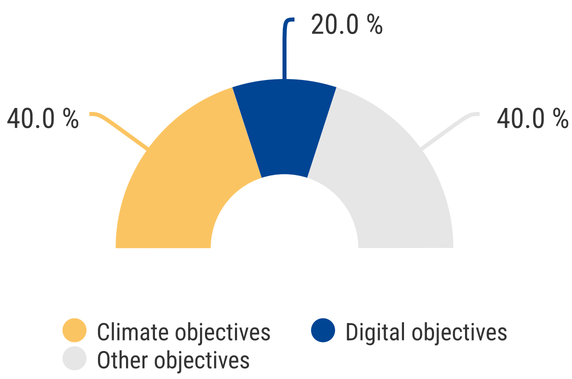
The retail ecosystem in Croatia - *Background*

National Recovery and Resilience Plan

Croatia's NRRP amounts to €6.3 billions in grants. The goal of the plan is to accelerate the **green transition** especially in energy and transport, **enhance digitalisation of the public and private sectors**, improve the business environment, strengthen labour, social and education policies, and increase the efficiency of the public administration and of the justice system *(Croatian National Recovery and Resilience Plan).*

There are five components in Croatia's NRRP: 1) Economy, 2) Public administration, judiciary and state assets, 3) Education, science and research, 4) Labour market and social protection and 5) Health. The plan also includes a €789 million initiative for renovation of buildings, in response to the two major recent earthquakes in Croatia *(Croatian National Recovery and Resilience Plan).*

Budget allocation in the Croatian NRRP



Three subcomponents in the Croatian plan are dedicated directly to SMEs: 1) fostering energy efficiency, heat and renewable energy to decarbonise the energy sector SMEs with €30 million, 2) strengthening the competitiveness of entrepreneurs and fostering the green and digital transition of the tourism sector SMEs with €74.7 million, and **3) supporting SMEs for the transition to an energy and resource-efficient economy with €99.5 million** (*Croatian National Recovery and Resilience Plan).*

Further, there are numerous measures in the plan to improve the business environment as a whole and incentivise innovation and research and development (R&D). For instance, **the subcomponent 1.1 "Resilient, green and digital economy" with around €740 million worth of investments,** includes investments and several regulatory changes to reduce the administrative burden on businesses and continue the liberalisation of regulated professions. Further, €318 million investments under the subcomponent 3.2 "Boosting research and innovation capacity" will contribute to increasing innovation, productivity and competitiveness of Croatian businesses through the revamping of the framework for funding research and attracting and retaining talents. At the same time, measures in the components on strengthening policy making (C2.1) and public procurement (C2.9) will support the better use and higher absorption of EU funds, thereby contributing to the economic cohesion within Croatia (*Croatian National Recovery and Resilience Plan).*

COVID-19 impact in the country

In 2020, Croatia took a major hit from the COVID-19 crisis and two devastating earthquakes. Consequently, an 8.1% fall in real GDP was recorded in 2020. However, **Croatia's real GDP expanded by 10.2% in 2021**, completing a full V-shaped recovery. Growth was mostly supported by a better-than-expected performance of the tourism sector and robust consumer spending *(European Semester Report 2022 - Croatia).*

Throughout the crisis, the Croatian government has been quick and decisive in preserving jobs and liquidity, ensuring a quick recovery. State aid to SMEs has increased from €197 million to €397 million as a result of incentive programmes implemented by the government in 2020. State aids increased by 102% in 2020, after increasing by 12% in 2019 compared to 2018. By the last quarter of 2021, a total of more than €2.4 billion had been invested in job-preservation measures from national budget as well as EU funds *(SME Perfromance Review 2022 - Croatia)*

The retail ecosystem in Cyprus - *Market overview*

European Commission

99.8%

of retail companies are SMEs *(Eurostat)*

67.9%

of the Cypriot retail workforce works in SMEs *(Eurostat)*

68%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **38,000 people** in Cyprus (10% of the total Cypriot workforce), generating about **5.4% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **447,000 companies**, accounting for 16% of the total number of Cypriot companies *(Eurostat).*

99.8% companies in the ecosystem are SMEs, which employ **67.9% of the workforce** and **68% of the total added value** of the sector. On top of this, **94.7% of the SMEs are micro-enterprises** *(Eurostat).*

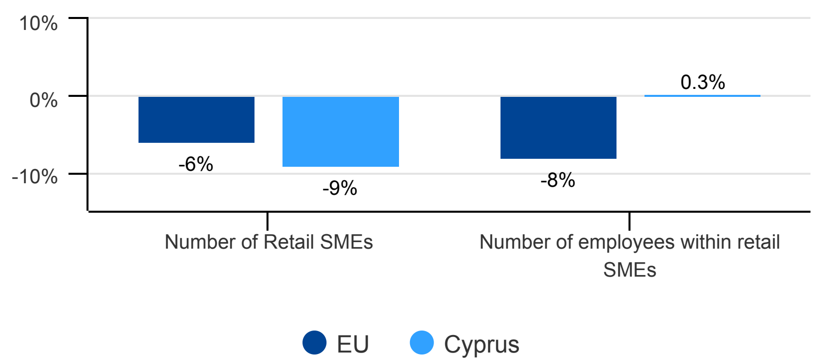
Market dynamics

The total number of retail enterprises decreased by 7% in the period between 2012 and 2019, while the total number of employees increased by 5.5% for the same period. When comparing Cyprus and the UE, it can be observed that the performance of SMEs differed. Cyprus experienced a negative trend, with a 6% decrease in total number of SMEs, while the EU as a whole witnessed a 6% decrease. Regarding employment, Cyprus experienced an increase in the number **of employees within SMEs, with an increase of 0.3%** compared to the EU's 8% decline (see Market change figure on the right) *(Eurostat).*

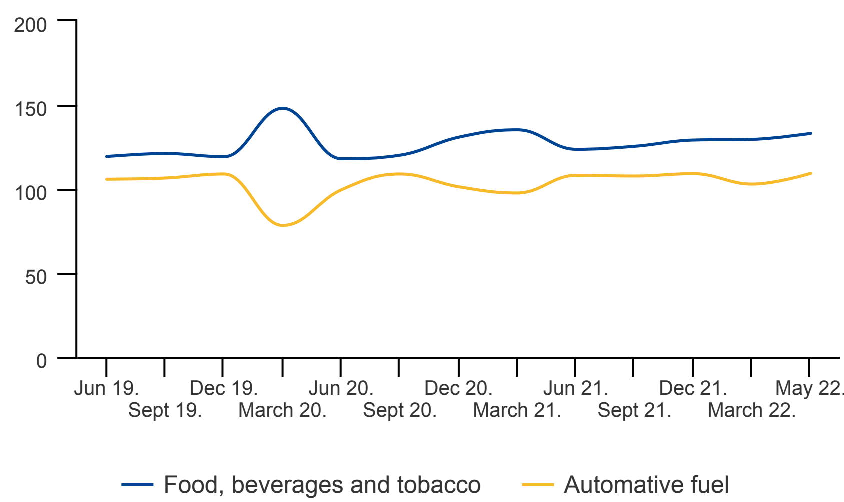
Between June 2019 and December 2019, the turnover of food and fuel retail remained constant or slightly changed. As of March 2020,**the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution.** While the turnover of essential goods such as food and drink articles increased (+3%), the turnover of automotive fuel fell by 61% in April 2020 *(Eurostat).*

After the first Covid-19 wave, **the recovery to pre-pandemic levels for fuel retail was** reached in September 2020. Data from May 2022 shows that Cypriot food retailers' turnover is 10% points ahead compared to its turnover in December 2019 *(Eurostat).*

Market change during the period between 2012 and 2019 (Eurostat)

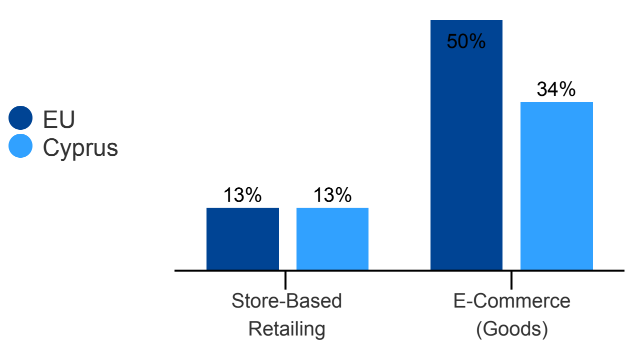


Evolution of retail turnover by product category (Eurostat)



There is no data available for other product categories

SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

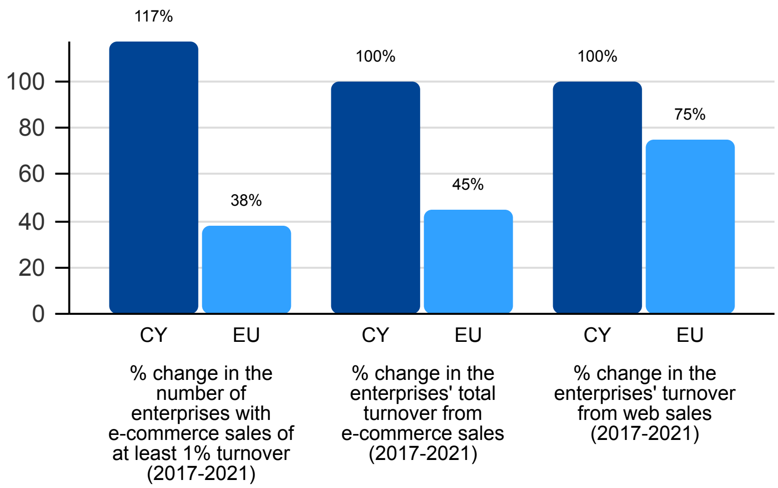


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Cypriot retailers. Sales through online channels increased by 23% in 2020 and by 31% in 2021, compared to 2019 data. On the other hand, store-based retailing, decreased 6% in 2020 and 1% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 34% in 2026, compared to 2021, while Cypriot store-based retailing will grow by 13%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Cyprus - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown more than three times as much in Cyprus as in the EU on average. Turnover from web sales has increased 100% between 2015 and 2019 (1% to 2%)*. Also, enterprises' total turnover from e-commerce sales is twice above the average EU growth. These indicators show the progress in the uptake of online sales made by Cypriot companies over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, almost 20% of Cypriot SMEs were selling online and almost 8% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

Over a quarter of Cypriot SME retailers indicated **lack of financial resources as a barrier to digitalisation.** Framework conditions such as insufficient skills, IT infrastructure and uncertainty about future digital standards account for over 45% over the barriers. However, very few see regulatory obstacles or security issues as barrier (6 and 8% respectively compared to 13% and 12% in the EU on average) *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Cyprus	EU 27
Lack of financial resources	27%	19%
Uncertainty about future digital standards	16%	15%
Lack of IT infrastructure	16%	12%
Lack of skills, including managerial skills	16%	16%
Internal resistance to change	12%	13%
IT security issues	8%	12%
Regulatory obstacles	6%	13%

Sustainability uptake

Cypriot retail enterprises are changing their business practices to be more sustainable. Among Cypriot retail SMEs, 47% are already saving materials and consuming less waste in their business. More than half of those who are becoming more sustainable are relying on their own technical expertise and financial resources to be more resource efficient. 52% of Cypriot retail SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498)*.

47% of retail SMEs are already saving materials, energy or waste to be more resource efficient

18% of retail SMEs indicated cost of environmental actions as a barrier to be more resource efficient.

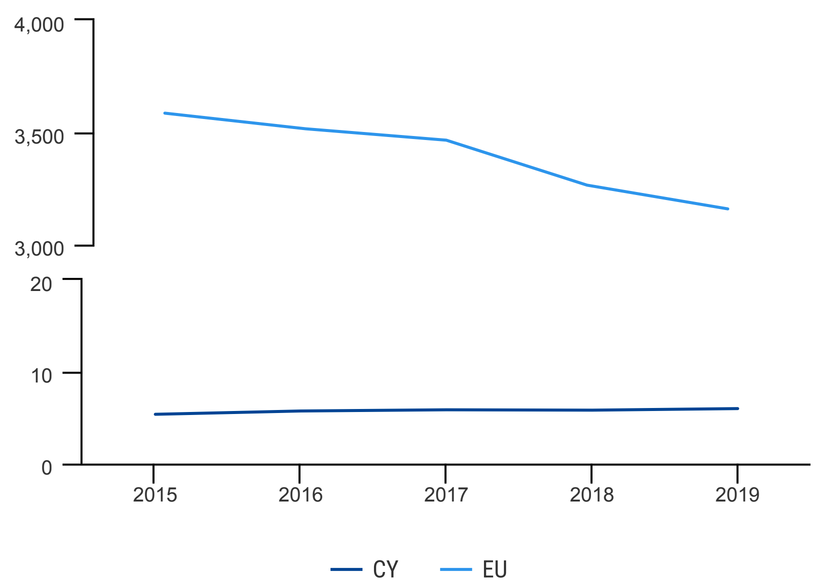
56% of retail SMEs rely on own financial resources to be more resource efficient

52% of retail SMEs are offering green products currently or planning to in the next two years

40% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Cypriot retail sector, **we observe an increase of 12%** during the period between 2015 and 2019. Cyprus is one of the few countries where air emissions from retail has increased. However, they have started from a low base of 5.37 particulates to 5.99 particulates currently *(Flash Eurobarometer 498)*.

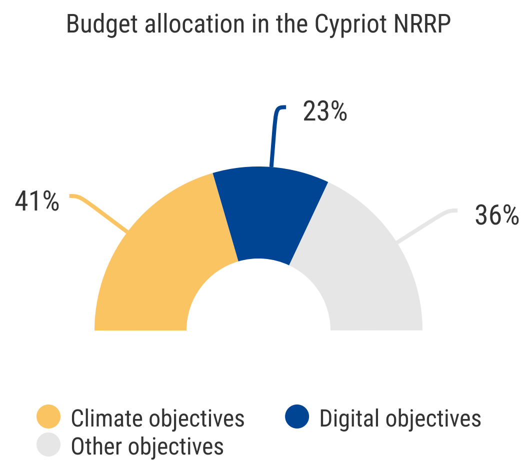
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Cyprus - *Background*

National Recovery and Resilience Plan

Cyprus's National Recovery and Resilience Plan (NRRP) consists of €1 billions of grants and €200 millions as loans. The Cypriot plan will support energy efficiency and renewable energy generation, connectivity, and the digitalisation of the public administration, and improve education and training across the country. The plan is composed of 13 components grouped in five policy axes: 1) public health, civil protection and lessons learned from the pandemic, **2) accelerated transition to a green economy,** 3) strengthening the resilience and competitiveness of the economy, **4) towards a digital era,** and 5) labour market, social protection, education and human capital *(Cyprus's National Recovery and Resilience Plan)*.



The investment on **digitalisation** covers both public and private sectors. Subcomponent 3.3 **"Business support for competitiveness"** with €51 million is expected to unlock the potential of **digital technologies and to contribute to the digital transition of SMEs.** There are also measures in this subcomponent to address insufficient **access to funding**, especially for SMEs and start-ups. The digitalisation in the public sector as part of the component of the plan is also expected to indirectly benefit the businesses *(Cyprus's National Recovery and Resilience Plan)*.

Green transition in the SMEs is another area of concern for the Cypriot NRRP. Subcomponent 2.1 **"Climate neutrality, energy efficiency and renewable energy penetration"** backs the national energy efficiency and renewable energy targets for 2030 by investing €269 million in improving the energy efficiency of the building stock and other infrastructures, and supporting **green investments for SMEs**, households, the wider public sector and NGOs *(Commission Staff Working Document - Cyprus's National Recovery and Resilience Plan)*.

Furthermore, subcomponent 3.2 **"Enhanced research and innovation"** also aims to **enhance financial support to start-ups, scale-ups, and SMEs to develop local talent and attract talent** from abroad to work in research and innovation, with emphasis on specific thematic areas, **including ICT** *(Commission Staff Working Document - Cyprus's National Recovery and Resilience Plan)*.

COVID-19 impact in the country

The COVID-19 pandemic only temporarily halted Cyprus's previous years' dynamic growth, and the economy recovered strongly in 2021. **Real GDP contracted by 5% in 2020**, which was less pronounced than the EU average and less than the 6.6% contraction experienced during the 2013 financial crisis. The economy quickly recovered, and GDP increased by 5.5% in 2021. This strong performance was due to support measures, which cushioned the drop in income and consumer spending and helped vulnerable sectors such as tourism to survive the crisis. However, the Cypriot government is struggling to address the budget deficit due to the pandemic support measures in 2020, and to control the inflation increase from growing oil and raw material global prices *(European Semester Report 2022 - Cyprus)*.

Access to finance for SMEs was improving in recent years, but the COVID-19 crisis had a negative impact. Despite government measures, the COVID-19 pandemic has hurt firm liquidity, especially in the tourism industry. Due to late payments by struggling firms, cash flow problems can spread to other firms and sectors. In response, the European Investment Bank (EIB) and other international development banks have offered lending programmes. However, Cypriot banks are reluctant to lend due to high debt overhang. This issue highlights the need to develop alternative funding sources, notably equity and risk capital financing. Private investments and local capital markets are underdeveloped, and this limits access to equity for innovative SMEs *(Commission Staff Working Document - Cyprus's National Recovery and Resilience Plan)*.

The retail ecosystem in Czechia - *Market overview*

99.90%

of retail companies are SMEs *(Eurostat)*

53%

of the Czech retail workforce works in SMEs *(Eurostat)*

44%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **360,000 people** in Czechia (7% of the total Czech workforce), generating about **4.2% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **116,000 companies**, accounting for 11% of the total number of Czech companies *(Eurostat)*.

99.90 % companies in the ecosystem are SMEs, which employ **53% of the workforce** and generates **44% of the total added value** of the sector. On top of this, **97,5% of the SMEs are micro-enterprises** *(Eurostat)*.

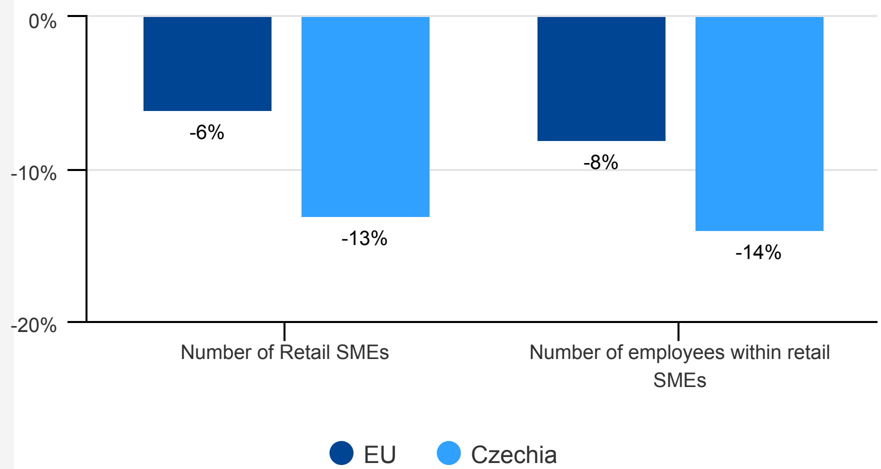
Market dynamics

The total number of retail enterprises decreased by 12% in the period between 2012 and 2019, while the total number of employees increased by 0.7% during the same period. When comparing Czechia and the UE, it can be observed that the performance of SMEs differed. **Czechia experienced a negative trend, with a 13% decrease in total number of SMEs,** while the EU as a whole witnessed a 6% decrease. Regarding employment, Czechia experienced a decrease in the number **of employees within SMEs, with an decrease of 14%** compared to the EU's 8% decline (see Market change figure on the right) *(Eurostat)*.

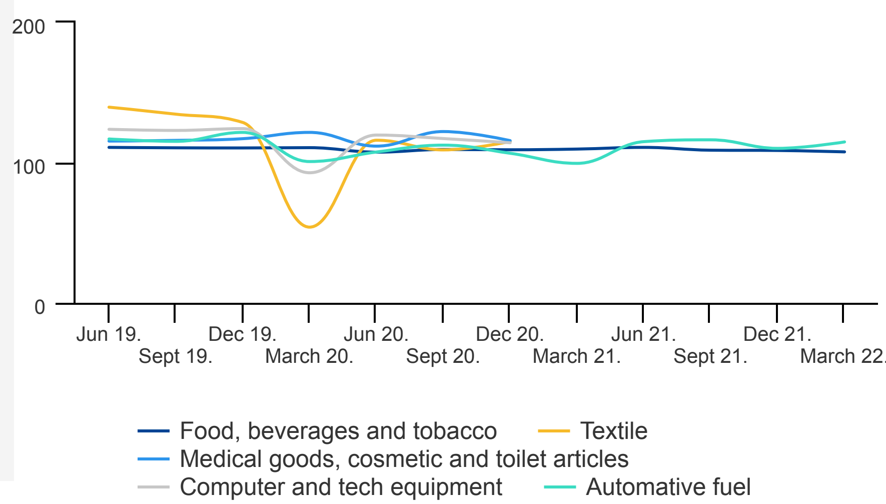
Between January 2018 and December 2019, the turnover of food, textiles and other goods increased by 3% to 5% on average. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food, drinks, medical and hygienic related articles remained constant, the turnover of textiles, tech equipment and automotive fuel fell by 90%, 70% and 56% respectively in April 2020 *(Eurostat)*.

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which almost reached its pre-pandemic levels in June 2020. In spite of this, data from May 2022 shows that Czech textile retailers' turnover recovered almost to pre-pandemic levels (-1%), while tech equipment turnover is currently still 15% points behind its pre-pandemic levels *(Eurostat)*.

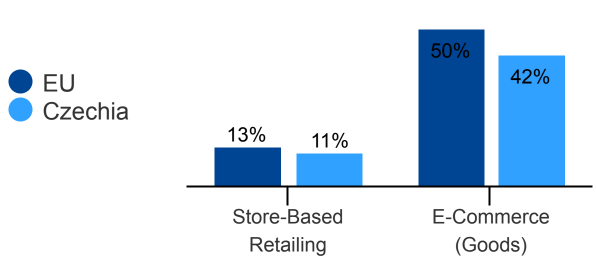
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)



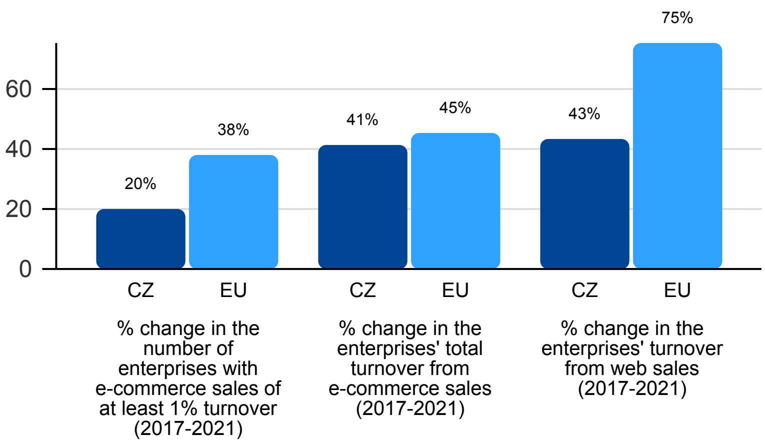
Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Czech retailers. **Sales through online channels increased by 27% in 2020 and by 52% in 2021**, compared to 2019 data. On the other hand, s**tore-based retailing, decreased 7% in 2020 and increased 1% in 2021**, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 48% in 2026, compared to 2021, while Czech store-based retailing will grow by 11% *(Euromonitor International, Retailing Industry Edition, 2022)*.

The retail ecosystem in Czechia- *Twin Transition*

European Commission

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown half as much in Czechia as in the EU on average. Also, turnover from web sales has increased 43% (14% to 20%)*, much less than in the EU on average. Enterprises' total turnover from e-commerce sales falls below the EU growth as well. These indicators show the developments in the uptake of online sales by Czech companies over the past years *(Eurostat).*



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, almost 23% of Czech SMEs were selling online and 11% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

Over 40% of Czech SME retailers indicated barriers related to insufficient financial resources, skills and IT Infrastructure. Hesitancy towards digitalisation is also a barrier with 45% of respondents indicating that uncertainty about future standards, resistance to change and security issues are barriers, which is slightly above the EU share at 40% in total *(Flash Eurobarometer 486).*

Barriers to digitalisation	Czechia	EU 27
Lack of skills, including managerial skills	18%	16%
Internal resistance to change	17%	13%
Uncertainty about future digital standards	16%	15%
Regulatory obstacles	13%	13%
Lack of financial resources	13%	19%
IT security issues	12%	12%
Lack of IT infrastructure	11%	12%

Sustainability uptake

Czech retail enterprises are changing business practices and the offer of products to be more sustainable. Among the Czech enterprises, 39% are already saving materials and consuming less waste in their business. Roughly half of those who are becoming more sustainable are relying on their own financial resources to be more resource efficient. Yet, 60% Czech retail SMEs do not offer green products or services and do not plan to do so in the next two years *(Flash Eurobarometer 498).*

39% of retail SMEs are already saving materials, energy or waste to be more resource efficient

18% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

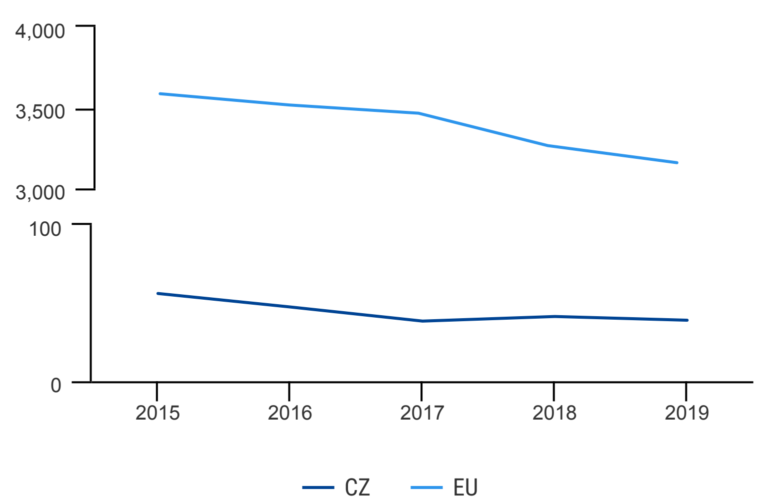
49% of retail SMEs rely on own financial resources to be more resource efficient

60% of retail SMEs are not offering green products currently or planning to in the next two years.

83% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Czech retail sector, we observe a large **30% decrease during the period between 2015 and 2019**, which is two and half times larger than the EU drop in emissions. Czechia has one of the largest decreases in emissions across the EU *(Flash Eurobarometer 498).*

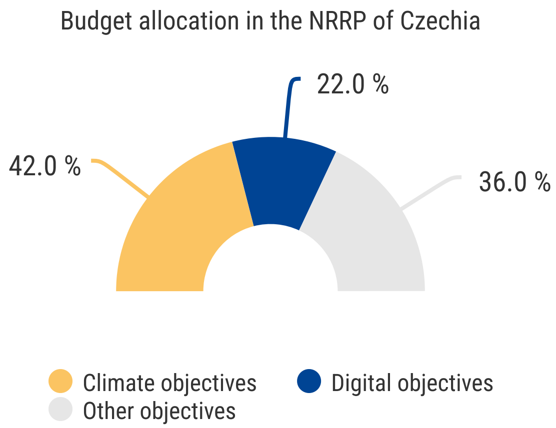
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Czechia - *Background*

National Recovery and Resilience Plan

Czechia has set out a €7 billion NRRP to emerge stronger from the pandemic. The plan fosters digitalisation, protects the climate through large-scale energy-efficiency renovations, renewable energy, railway infrastructure and sustainable mobility, and includes key reforms in the areas of education, health and business environment *(Czechia's National Recovery and Resilience Plan).*



Czechia's NRRP is built on its global development vision "Strategic Framework 2030", presenting 26 components across six areas: **1) digital transformation,** 2) physical infrastructure and **green transition,** 3) education and labour market, 4) institutions, regulation and business support, 5) research, development and innovation, and 6) health and resilience of the population. The *digital transformation*funds in Czechia's NRRP that deal with businesses are mostly aimed at **R&D-intensive SMEs** and start-ups. However, the digital innovation ecosystem that Czechia wants to develop through these incentives and supports is expected to spill over into all sectors eventually. Moreover, the measures in the *education and labor market* area aim to address one of the pressing issues of companies in Czechia, which is access to **experts for the digital transition**. More than €1.5 billion will be invested in this part *(Czechia's National Recovery and Resilience Plan).*

The *institution, regulation and business support* component also come with a notable subcomponent "New quasi-equity instruments to support entrepreneurship" with €39 million to help relieve the pressure on the cash flow and working capital of SMEs and enterprises post pandemic. This support comes in form of a newly created **quasi-equity instrument** to help fast-growing companies that need to raise capital in a flexible way through a national development bank *(Czechia's National Recovery and Resilience Plan).*

COVID-19 impact in the country

The Czech economy was strongly growing, mostly due to solid domestic demand and foreign trade, and catching up with the EU average before the covid crisis. The annual average GDP growth was of 2.5% between 2010 and 2019, significantly higher than the EU average of 1.6% over the same period. GDP per capita in Purchasing Power Standards (PPS) also increased *(EU Semester Report 2022 - Czechia).*

The Covid crisis had a severe impact on the economy, but the country has been recovering steadily. The real GDP contracted by 5.8% in 2020 due to the containment measures and the dropped in the foreign demand among other reasons. During 2021, the Czech economy rebounded by 3.3% and it is expected that the economic activity will regain momentum in 2022 and 2023, surpassing its pre-pandemic level *(EU Semester Report 2022 - Czechia).*

The retail ecosystem in Denmark - *Market overview*

European Commission

99.62%

of retail companies are SMEs *(Eurostat)*

36%

of the Danish retail workforce works in SMEs *(Eurostat)*

46%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **253,000 people** in Denmark (10% of the total Danish workforce), generating about **3.3% of the total gross value added** in the country. Including enterprises of all sizes, the ecosystem is composed of **18,125 companies**, accounting for 8% of the total number of Danish companies *(Eurostat)*.

99.62 % companies in the ecosystem are SMEs, which employ **36% of the workforce** and generate **46% of the total added value** of the sector. On top of this, **83,47% of the SMEs are micro-enterprises,** below EU average (93.2%) *(Eurostat)*.

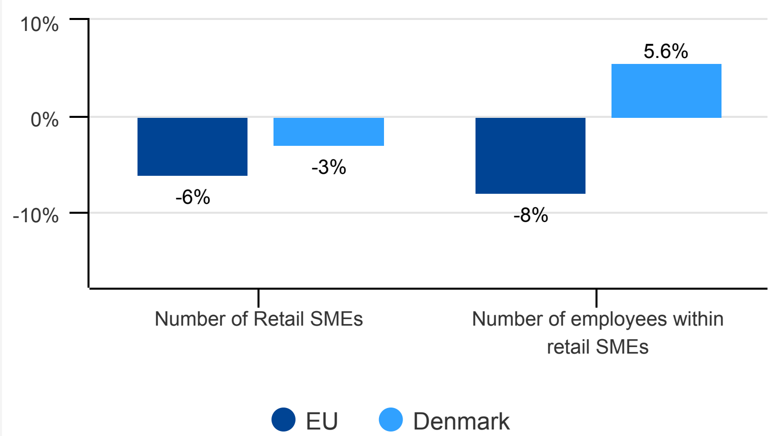
Market dynamics

The total number of retail enterprises decreased by 12% in the period between 2012 and 2019, while the total number of employees increased by 44% for the same period. When comparing Denmark and the UE, it can be observed that the performance of SMEs differed. Denmark experienced a negative trend, with a 3% decrease in total number of SMEs, while the EU as a whole witnessed a 6% decrease. Regarding employment, Denmark experienced an in increase in the number **of employees within SMEs, with an increase of 5.6%** compared to the EU's 8% decline (see Market change figure on the right) *(Eurostat)*.

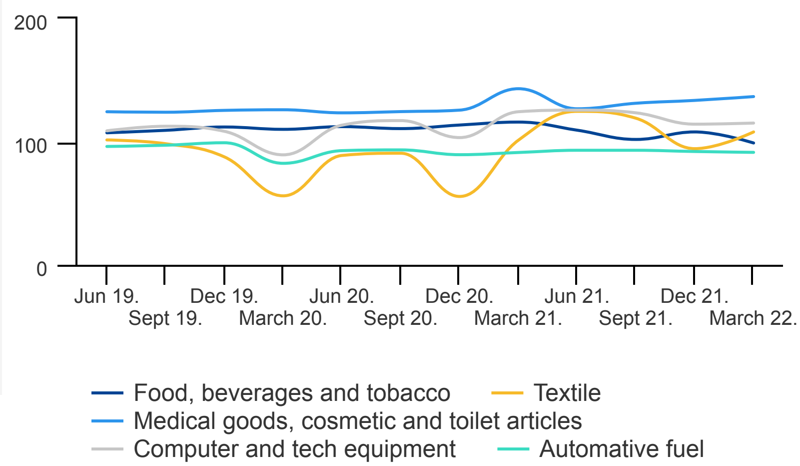
Between June 2019 and December 2019, the turnover of the studied retail categories remained constant or slightly increased, with the exception of textiles retail which decreased by 9%. As of March 2020, **the revenue of retail companies was affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food, drinks, medical and hygienic related articles increased by 7%, the turnover of textiles, tech equipment and automotive fuel fell by 63%, 20% and 20% respectively, compared to December 2019 *(Eurostat)*.

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quick in the retail of textiles and computers and other electronic equipment**, which improved their pre-pandemic levels in June 2020. Data from May 2022 shows that Danish textile retailers' turnover has already recovered and significantly improved the pre-pandemic levels for the case of textiles (+31%) and computer tech (+5%) *(Eurostat)*.

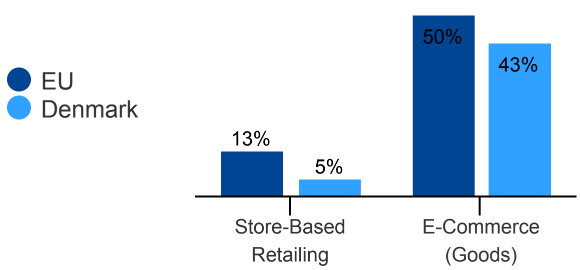
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

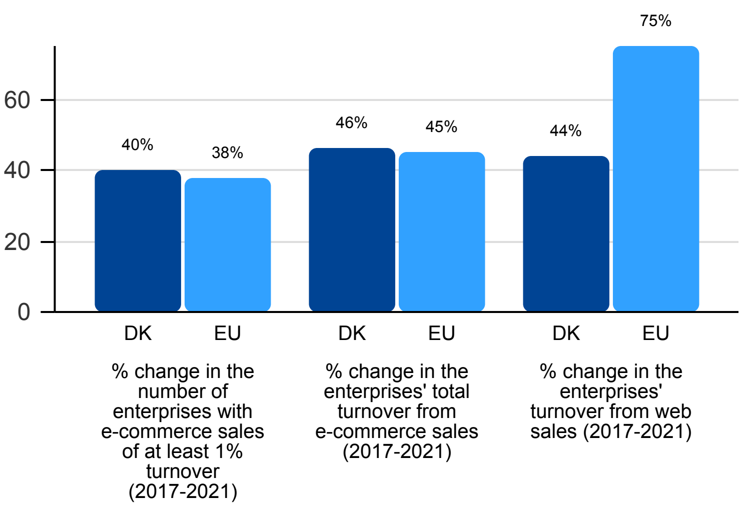


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Danish retailers. **Sales through online channels increased by 18% in 2020 and by 36% in 2021**, compared to 2019 data. On the other hand, **store-based retailing, increased 3% in 2020 and 6% in 2021**, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 43% in 2026, compared to 2021, while Danish store-based retailing will grow by 5% *(Euromonitor International, Retailing Industry Edition, 2022)*.

The retail ecosystem in Denmark - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown only slightly more in Denmark than in the EU on average. Enterprises' total turnover from e-commerce sales is also only slightly above the EU growth. However, the 44% increase in turnover from web sales (from 9% to 13%), was only a bit more than half of the EU average growth*. These indicators show the developments in the uptake of online sales by Danish companies over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, over 34% of Danish SMEs were selling online and almost 14% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

Nearly one in three Danish SME retailers indicated digitalisation barriers related to framework conditions such as **regulatory obstacles or uncertainty** about future digital standards. Over 45% of Danish retail SMEs stated that **insufficient resources, skills and infrastructure** are also seen as a barrier for digitalisation *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Denmark	EU 27
Uncertainty about future digital standards	19%	15%
Lack of skills, including managerial skills	19%	16%
Lack of financial resources	18%	19%
Regulatory obstacles	14%	13%
Internal resistance to change	12%	13%
Lack of IT infrastructure	10%	12%
IT security issues	8%	12%

Sustainability uptake

Danish retail enterprises are changing business practices and the offer of products to be more sustainable. Among, Danish retail SMEs, 39% are already saving materials and consuming less waste in their business. A third of those who are becoming more sustainable are relying on their own technical expertise and financial resources to be more resource efficient. 70% of Danish retail SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498)*.

39% of retail SMEs are already saving materials, energy or waste to be more resource efficient

19% of retail SMEs indicated lack of supply of required materials, parts, products or services as a barrier to be more resource efficient.

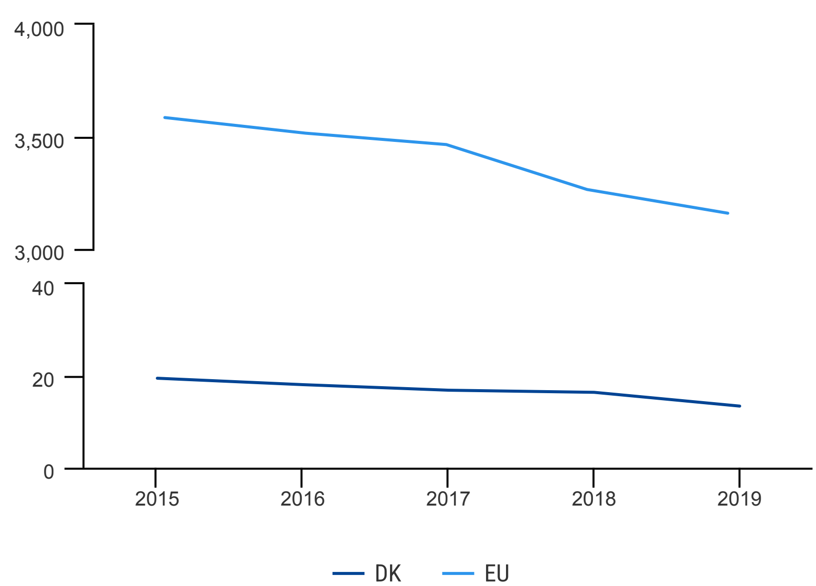
34% of retail SMEs rely on own financial resources to be more resource efficient

70% of retail SMEs are either offering green products currently or planning to in the next two years.

72% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Danish retail sector, we observe a **steady decrease of 18% during the period between 2015 and 2019.** However, the yearly decrease is reducing, from 17% decrease in 2016 to a 8% decreased in 2019. On the other hand, the EU total emissions decrease 12% in the same period *(Flash Eurobarometer 498)*.

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)

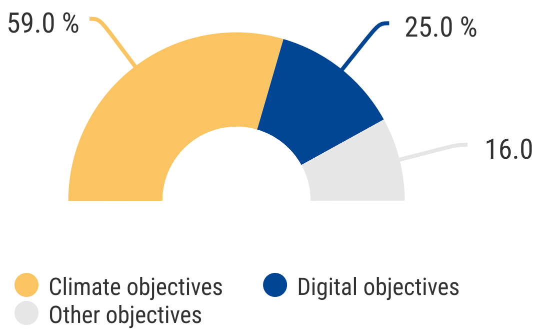


The retail ecosystem in Denmark - *Background*

National Recovery and Resilience Plan

Denmark's NRRP is a €1.5 billion investment plan. The plan's focus on facilitating the **green transition** with nearly 60% of the budget spent on green measures. Digitalisation of the private and public sector, as well as sparking R&D activities and improving the healthcare system are the other goals of Denmark's recovery plan *(Danish National Recovery and Resilience Plan).*

Budget allocation in the Danish NRRP



Seven components form the structure of Denmark's NRRP: 1) Strengthening the resilience of the healthcare system, **2) Green transition** of agriculture and environment, 3) Energy efficiency, green heating and carbon capture and storage, 4) Green tax reform, 5) Sustainable Road transport, **6) Digitalisation**, 7) Green R&D. The Digitalisation component commits €9 million to facilitate **SME's digitalisation**through measures including prolongation of an existing scheme called ***SME:Digital*** which offers subsidies and consultancy to small and medium companies for digital transformation and enhancing their e-commerce and e-export capabilities *(Danish National Recovery and Resilience Plan).*

What is more, within the green transition measures, €80 million are dedicated to SMEs for **green contracts** such as energy renovation of buildings or industry energy efficiency improvement, if they promote local employment. Further, the extension of high-speed **broadband coverage** under the Danish NRRP will possibly **connect new SMEs to the digital economy.** Lastly, the R&D investments in Denmark's recovery plan are expected to have a positive spill-over effect on productivity in all businesses *(Danish National Recovery and Resilience Plan).*

COVID-19 impact in the country

Before the COVID-19 pandemic, Denmark had a prolonged period of sustained and balanced growth. In 2019, the Danish GDP per capita was 176% of the EU average, the third highest among all Member States. The economy growth on average 2.5% from 2015 to 2019, considerably higher than the EU average. This came after the minimal growth that the economy had between 2011 and 2014, where the GDP only grew an average of 0.9% due to the 2008 financial crisis and a housing market bust *(EU Semester Report 2022 – Denmark).*

While the COVID-19 crisis impacted the Danish economy, **it was less than in many other EU Member States.** The volume of Danish exports was largely reduced, but consumer spending contracted only moderately thanks to the policy measures implemented. The economy quickly recovered and by the second quarter of 2021 it returned to pre-pandemic levels. The real GDP rebounded at a rate of 4.7 in 2021 *(EU Semester Report 2022 – Denmark).*

The retail ecosystem in Estonia - *Market overview*

European Commission

99.46%

of retail companies are SMEs *(Eurostat)*

46%

of the Estonian retail workforce works in SMEs *(Eurostat)*

51%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **52,000 people** in Estonia (9% of the total Estonian workforce), generating about **5% of the total gross value added** in the country. Including enterprises of all sizes, the ecosystem is composed of **6,464 companies**, accounting for 8% of the total number of Estonian companies *(Eurostat).*

99.46 % companies in the ecosystem are SMEs, which employ **46% of the workforce** and create **51% of the total added value** of the sector. On top of this, **92.31% of the SMEs are micro-enterprises,** below EU average (93.2%) *(Eurostat).*

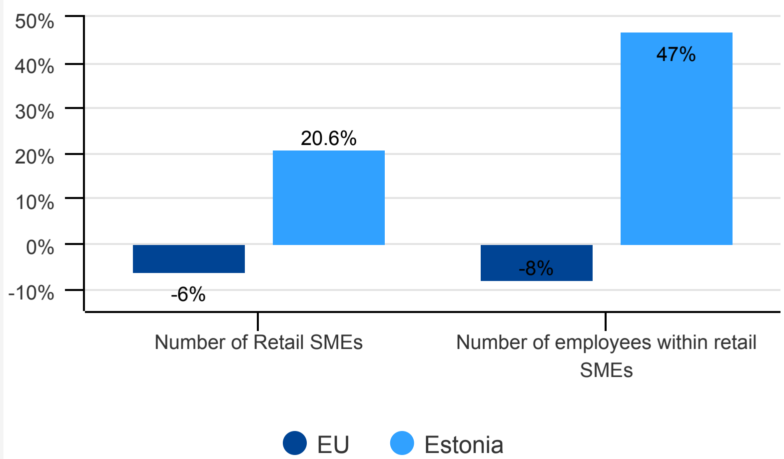
Market dynamics

The total number of retail enterprises increased by 22% in the period between 2012 and 2019, while the total number of employees increased by 9% for the same period. When comparing Estonia and the UE, it can be observed that the performance of SMEs differed. Estonia experienced a positive trend, with **an increase of 29.6% in total number of SMEs, while the EU as a whole witnessed a 6% decrease.** Regarding employment, Estonia experienced a significant increase in the number **of employees within SMEs, with an increase of 47%** compared to the EU's 8% decline (see Market change figure on the right) *(Eurostat).*

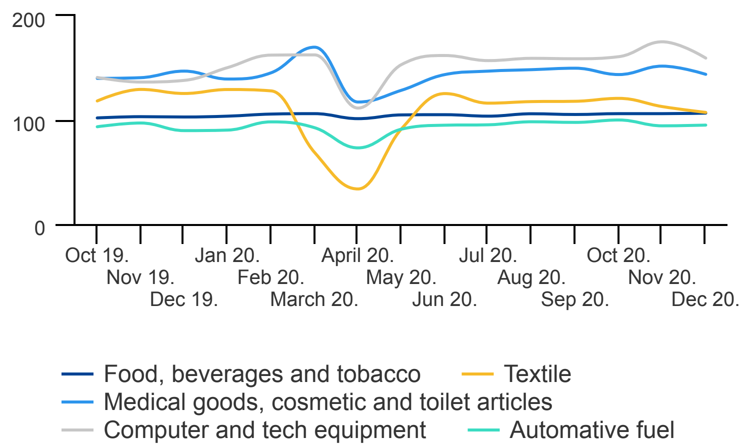
Between June 2019 and December 2019, the turnover of food, textiles and other goods increased between 1% and 4% on average. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food and beverage slightly decreased (-2%), the turnover of textiles, tech equipment and automotive fuel fell by 73%, 19% and 18% respectively in April 2020 *(Eurostat).*

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which reached its pre-pandemic levels in May 2020. The latest data shows that Estonian textile retailers' turnover had not yet recovered pre-pandemic levels (-15%), while tech equipment turnover is 15% points ahead its pre-pandemic levels *(Eurostat).*

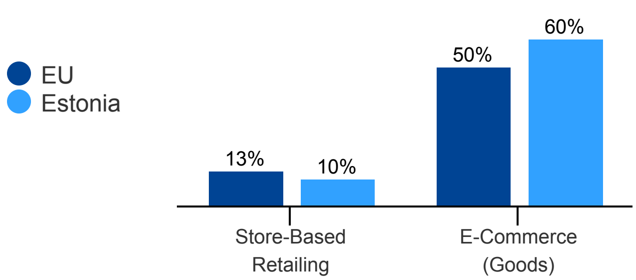
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)



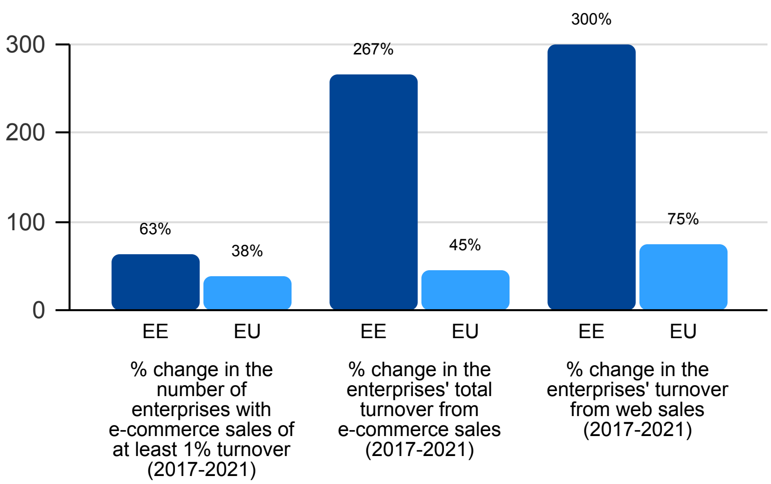
Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Estonian retailers. **Sales through online channels increased by 32% in 2020 and by 64% in 2021**, compared to 2019 data. On the other hand, **store-based retailing, increased by 1% in 2020 and by 5% in 2021**, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 60% in 2026, compared to 2021, while Estonian store-based retailing will grow by 15% *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Estonia - *Twin Transition*

European Commission

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown almost twice as much in Estonia as in the EU on average. Also, turnover from web sales has increased 300% over the same period (2% to 8%)*, four times more than in the EU on average. Enterprises' total turnover from e-commerce sales has also increased over 260%, six times more than the EU average growth. These indicators show the progress in the uptake of online sales made by Estonian companies over the past years *(Eurostat).*



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, over 18% of Estonian SMEs were selling online and almost 9% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

Nearly 80% of Estonian SME retailers indicated that insufficiencies are the biggest barrier to digitalisation, namely financial resources, skills and IT infrastructure. 44% of SMEs pointed to the lack of financial resources compared to only 19% in the EU on average. However, it should be noted that the sample size is only 39 SMEs which might show a biased view on the reality of the country (Flash Eurobarometer 486).

Barriers to digitalisation	Estonia	EU 27
Lack of financial resources	44%	19%
Lack of IT infrastructure	15%	12%
Lack of skills, including managerial skills	21%	16%
Internal resistance to change	8%	13%
IT security issues	8%	12%
Uncertainty about future digital standards	3%	15%
Regulatory obstacles	3%	13%

Sustainability uptake

Estonian retail enterprises are changing business practices and the offer of products to be more sustainable. Among Estonian retail SMEs, 41% are already saving materials and consuming less waste in their business. Slightly more than half of those who are becoming more sustainable are relying on their own financial resources to be more resource efficient. 54% of Estonian SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498).*

41% of retail SMEs are already saving materials, energy or waste to be more resource efficient

14% of retail SMEs indicated cost of environmental actions as a barrier to be more resource efficient.

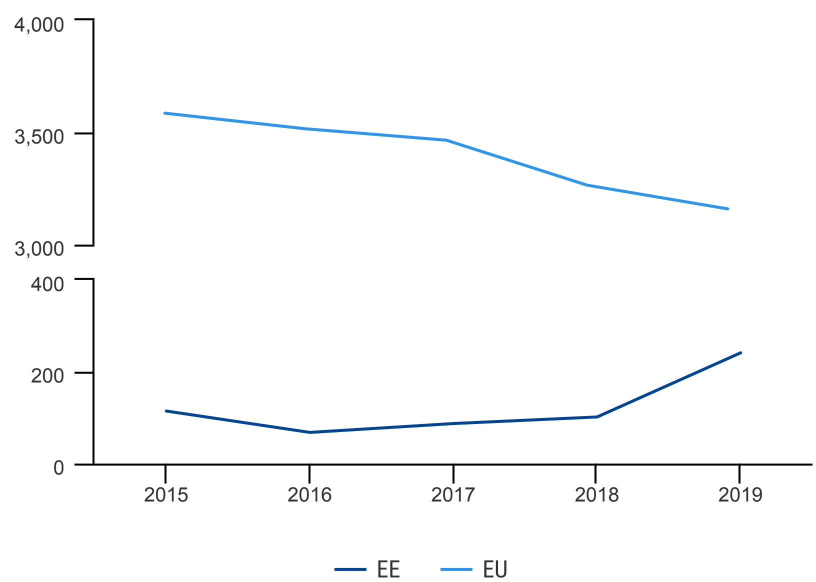
54% of retail SMEs rely on own financial resources to be more resource efficient

54%

of retail SMEs are offering green products currently or planning to in the next two years.

Analysing air emissions of the Estonian retail sector, we observe a **large 111% increase during the period between 2015 and 2019**, which is largest increase in the EU. As we can see, the Estonian retail emissions initially experienced a large reduction from 2015-2016 however it then steadily increases and more than doubled between 2018-2019 *(Flash Eurobarometer 498).*

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)

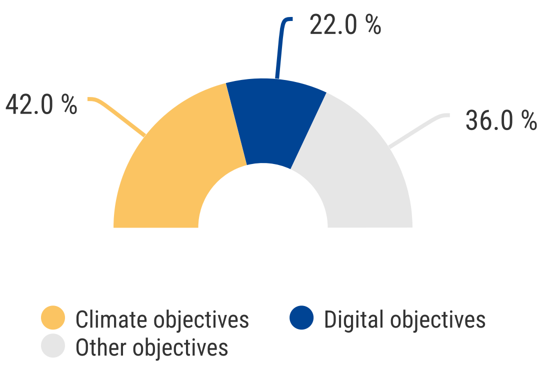


The retail ecosystem in Estonia - *Background*

National Recovery and Resilience Plan

The NRRP of Estonia provides €969.3 millions of grants in total. Reforms and investments included in the Estonian plan are expected to contribute to the **green and digital transitions,** the resilience and accessibility of the health care system, social inclusion, and anti-money laundering. The plan is based on the national strategy *Estonia 2035* and introduces support measures across six components: 1) **Digital transition in enterprises, 2) Green transition in enterprises,** 3) Digital State, 4) Energy and energy efficiency, 5) Sustainable transport, and 6) Health and social protection *(Estonian National Recovery and Resilience Plan).*

Budget allocation in the Estonian NRRP



Around €83 millions of the **digital transition** grants under component 1 of the plan will support the **digital transformation in the private sector, including small, medium and micro businesses**. This support includes financial support at different stages of digital transition, as well human capital development support, in form of **upskilling and retraining** of ICT specialists and **awareness-raising** programmes for SME managers. Moreover, more than €24 millions is devoted to construction of very **high-capacity networks**, which will enhance the digital connectivity throughout the country and foster the digitalisation of businesses *(Estonian National Recovery and Resilience Plan).*

The green measures in Estonia's NRRP also valorise human capital development through a €15 million investment in **"Green skills to support the green transition of enterprises".** The rest of the fundings in the green line aim at R&D-intensive activities and businesses, including a €100 million devotion to the ***Green Fund*** venture capital to support green technology companies. Other measures in the Estonian NRRP will generally influence Estonian SMEs and retail sector through positive spill overs *(Estonian National Recovery and Resilience Plan).*

COVID-19 impact in the country

Prior to the pandemic, Estonia's economy performed remarkably well. **Real GDP per capita increased at an average annual rate of 3.7% from 2010 to 2019, which is among the highest in the EU. The pandemic's effects on the Estonian economy were minimal and short-lived.** Estonia's real GDP shrank by 3.0% in 2020, less than most other EU Member States, and then had a robust recovery of 8.3% in 2021. Minimal COVID restrictions, household income support schemes, and a pension system reform were the main reasons for the fast economic recovery. Despite this strong recovery, the general government balance fell sharply from 0.1% of GDP in 2019 to -5.6% in 2020 and is not expected to go over -2.4% in 2021 *(European Semester Report 2022 - Estonia).*

The retail ecosystem in Finland - *Market overview*

European Commission

99.65%

of retail companies are SMEs *(Eurostat)*

39.46%

of the Finnish retail workforce works in SMEs *(Eurostat)*

50%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **147,367 people** in Finland (6% of the total Finnish workforce), generating about **3.4% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **17,610 companies**, accounting for 8% of the total number of Finnish companies *(Eurostat)*.

99.65% companies in the ecosystem are SMEs, which employ **39.46% of the workforce** and generate **50% of the total added value** of the sector. On top of this, **88.26% of the SMEs are micro-enterprises,** below EU average (93.2%) *(Eurostat).*

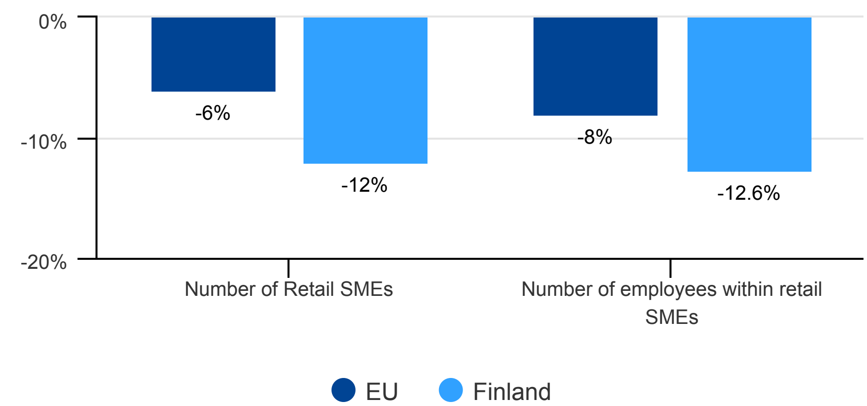
Market dynamics

The total number of retail enterprises decreased by 17% in the period between 2012 and 2019, while the total number of employees decreased by 10.4% for the same period. When comparing Finland and the EU, it can be observed that the performance of SMEs differed. Finland experienced a negative trend, with a 12% decrease in the total number of SMEs, while the EU as a whole witnessed a 6% decrease. Regarding employment, Finland had relatively larger reduction in **the number of employees within SMEs, with a decrease of 12.6% compared** to the EU's 8% decline (see Market change figure on the right) *(Eurostat).*

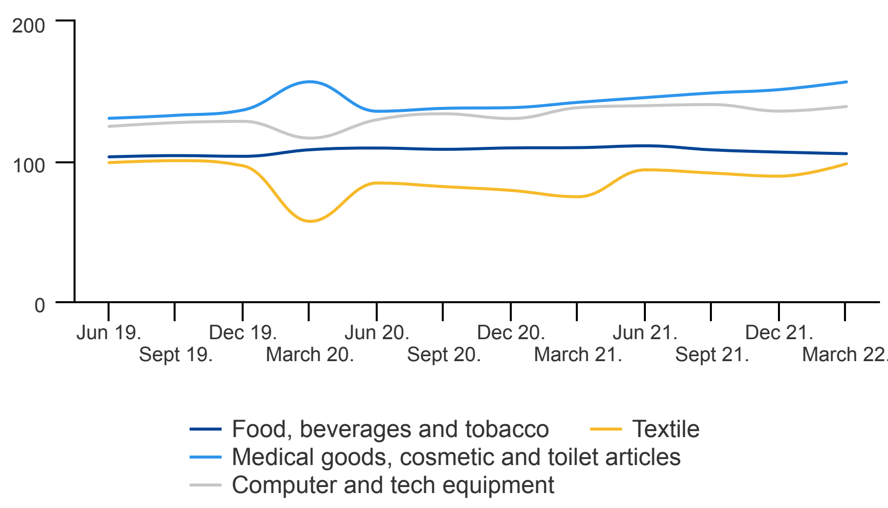
Between June 2019 and December 2019, the turnover of food and other goods remains constant or slightly increased. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food, drinks, medical and hygienic related articles slightly changed (+5% and -2% respectively), the turnover of textiles and tech equipment fell by 64% and 14% respectively in April 2020 *(Eurostat).*

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which almost reached its pre-pandemic levels by May 2020. Data from April 2022 (latest data available) shows that Finnish retailers' turnover has already improved in comparison to pre-pandemic levels, with tech equipment and textile retail 6% and 8% ahead compared to its turnover in December 2019 *(Eurostat).*

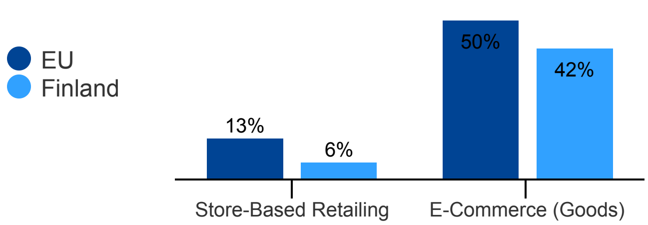
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)



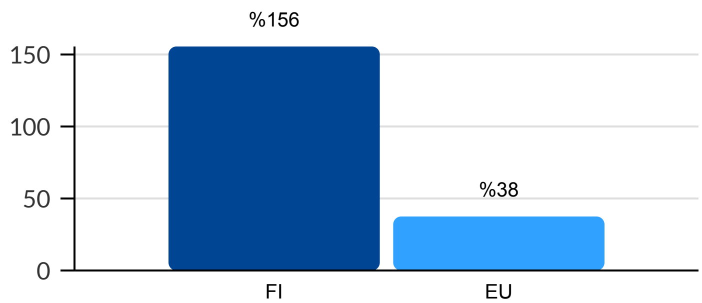
Technological development together with the closure of physical stores during the pandemic **have consolidated e-commerce among Finnish retailers.** Sales through online channels increased by 20% in 2020 and by 36% in 2021, compared to 2019 data. On the other hand, store-based retailing, increased 2% in 2020 and 3% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 41% in 2026, compared to 2021, while Finnish store-based retailing will grow by 6%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Finland - *Twin Transition*

European Commission

Digital uptake

The graph below shows that between 2017 and 2021 there number of enterprises with e-commerce sales of at least 1% turnover has grown almost more than 4 times as much in Finland as in the EU on average. This reveals that Finnish enterprises are up-taking digital practices at a higher pace than the EU average *(Eurostat)**.



% change in the number of enterprises with e-commerce sales of at least 1% turnover (2017-2021)

**Data on % change in the enterprises' total turnover from e-commerce sales and on % change in the enterprises' turnover from web sales was not available for Finland*

In 2022, 27% of Finnish SMEs were selling online and over 7% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

Over a half of Finnish SME retailers indicated barriers related to lack of resources such as **financial, skills and infrastructure**. Only 8% of Finnish SME retailers indicated IT security issues as a barrier in comparison to the EU average of 12% *(Flash Eurobarometer 486).*

Barriers to digitalisation	Finland	EU 27
Lack of skills, including managerial skills	22%	16%
Lack of financial resources	20%	19%
Internal resistance to change	16%	13%
Uncertainty about future digital standards	15%	15%
Lack of IT infrastructure	10%	12%
Regulatory obstacles	9%	13%
IT security issues	8%	12%

Sustainability uptake

Finnish retail enterprises are adjusting their business practices and are offering sustainable products. Among Finnish retail SMEs, 41% are already saving materials and consuming less waste in their business. 44% of those who are becoming more sustainable are relying on their own financial resources to be more resource efficient. 66% of Finnish retail SMEs offer green products or services or plan to do so in the next two years *(Flash Eurobarometer 498).*

41% of retail SMEs are already saving materials, energy or waste to be more resource efficient

14% of retail SMEs indicated lack of demand for resource efficient products or services as a barrier to be more resource efficient.

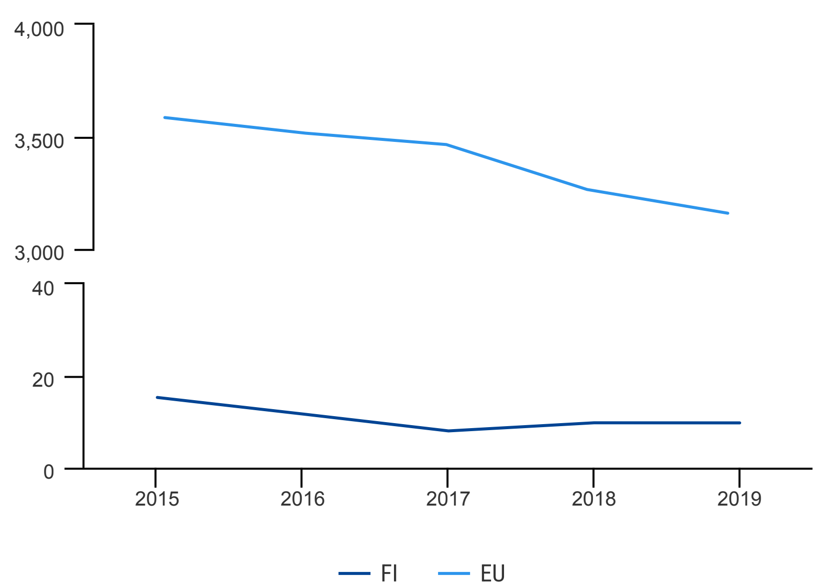
44% of retail SMEs rely on own financial resources to be more resource efficient

66% of retail SMEs are either offering green products currently or planning to in the next two years.

71% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions in the Finnish retail sector, we observe a **considerable decrease of 36% in the period between 2015 and 2019.** This reduction has been three times larger than the total decrease in EU emissions which was 12% in the same period *(Flash Eurobarometer 498).*

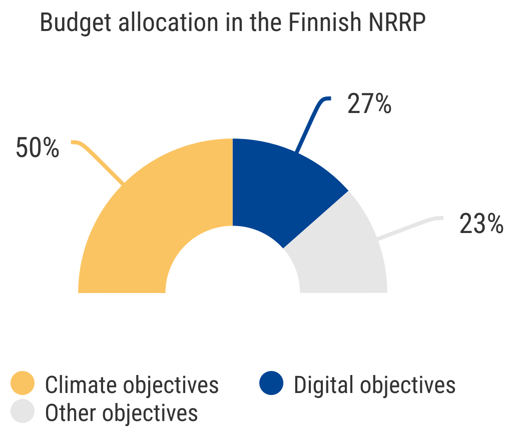
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Finland - *Background*

National Recovery and Resilience Plan

Finland's National Recovery and Resilience Plan provides €2.1 billions in grants. The plan comes with a **huge investment in the green transition, worth nearly 50% of the grants**. Further, the plan will support the digital transformation in Finland, research and innovation activities, employment and upskilling, as well as healthcare access and social services *(Finland's National Recovery and Resilience Plan)*.



Finland is allocating €20 millions for the "**Innovation aid for growth enterprises**" to *"increase RDI investments by SMEs and to improve their potential for embracing the green and digital transition"*. The aid targets enterprises with the greatest growth potential that employ solutions **reducing emissions** in Finland and elsewhere. The aid comes in different forms, including funding, advisory services, information and contacts on target markets *(Finland's National Recovery and Resilience Plan)*.

The "**growth accelerator programme for small enterprises**" is another component in the Finnish NRRP to support small and micro-enterprises planning on internationalisation. The programme promotes implementation of **digital technologies** in the business operation and helps the small enterprises to boost their internationalisation capabilities *(Finland's National Recovery and Resilience Plan)*.

Lastly, the measures in favour of employment and upskilling in Finland's NRRP amount to nearly €280 million. These measures are expected to improve labour skills and address the labour shortage in Finland. Finnish businesses, including SMEs, will therefore benefit from the resulting improvements in the labour market *(Finland's National Recovery and Resilience Plan)*.

COVID-19 impact in the country

In 2020, the COVID-19 epidemic caused **a 2.3% real GDP decline in Finland**. Compared to a 5.9% decline in the EU, this is one of the mildest pandemic recessions among the EU Member States. Domestic demand decreased as people increased cautious savings and had fewer opportunities to spend. The economy began to recover during the third quarter of 2020, solidifying substantially by the second quarter of 2021, and growth surpassed pre-crisis levels in the second quarter of 2021. Overall, strong domestic demand pushed Finland's real GDP growth to 3.5% in 2021 *(European Semester Report 2022 - Finland)*.

Employment had a fast recovery as well. The employment figure declined during the pandemic downturn, however, it quickly recovered, and both the employment rate and the number of vacancies rose above pre-pandemic levels in 2021 *(European Semester Report 2022 - Finland)*.

Businesses in Finland have experienced less damage from COVID-19 than their EU counterparts. What is more, SMEs in Finland were shown to be less susceptible to trade shocks than large enterprises, according to a 2021 analysis by the OECD and Statistics Finland, while being indirectly affected by these shocks *(SME Performance Review 2022 - Finland).*

The retail ecosystem in France - *Market overview*

European Commission

99.89%

of retail companies are SMEs *(Eurostat)*

49.9%

of the French retail workforce works in SMEs *(Eurostat)*

53%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **957,000 people** in France (7% of the total French workforce), generating about **4.1% of the total gross value added** in the country. Including enterprises of all sizes, the ecosystem is composed of **435,564 companies**, accounting for 15% of the total number of French companies *(Eurostat).*

99.89 % companies in the ecosystem are SMEs, which employ around **49.9% of the workforce** and create **53% of the total added value** of the sector. On top of this, **96% of the SMEs are micro-enterprises,** above EU average (93.2%) *(Eurostat).*

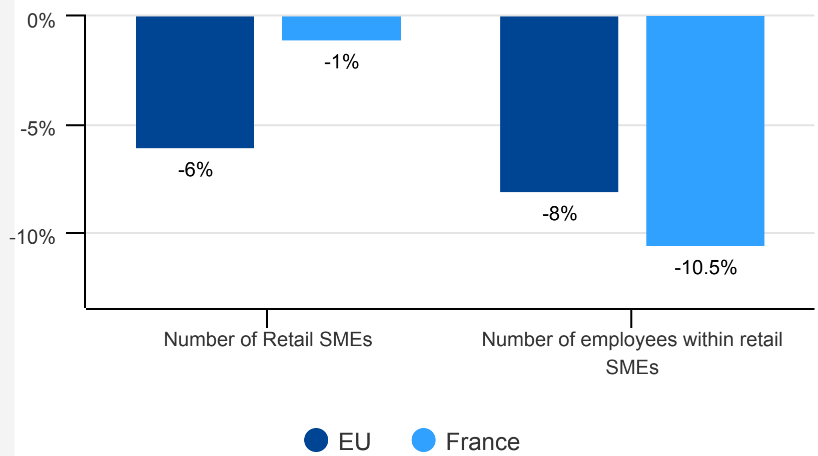
Market dynamics

The total number of retail enterprises decreased by 6% in the period between 2012 and 2019, while the total number of employees increased by 0,02% for the same period. In the case of SMEs, **the number of employees decreased by 10.5%** and the **total number of SMEs increased by 1%.** When comparing France and the EU, it can be observed that both experienced a decrease in the number of employees within retail SMEs. **France experienced a slight negative trend, with a 1% decrease in the total number of SMEs**, while the EU as a whole witnessed a 6% decrease. Regarding employment, France experienced a relatively larger decline in **the number of employees within SMEs, with a decrease of 10.5% compared** to the EU's 8% decline. (see Market change figure on the right) *(Eurostat).*

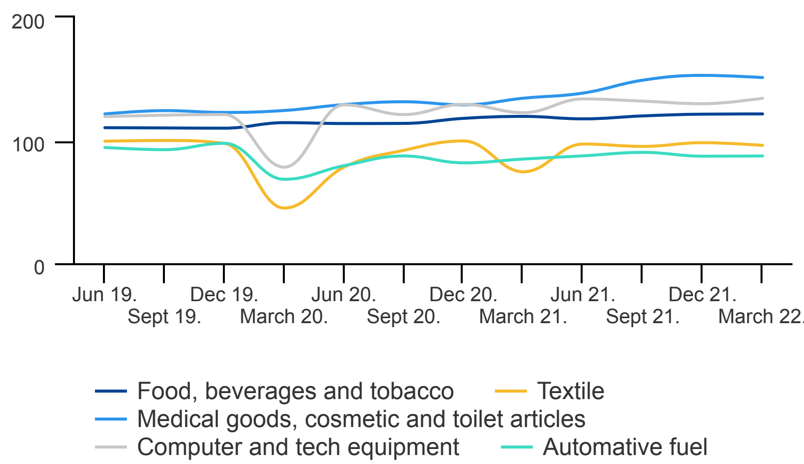
Between June 2019 and December 2019, the turnover of food, textiles and other goods increased between 1% and 4% on average. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food and medical products remained constant, the turnover of textiles, tech equipment and automotive fuel fell by 86%, 60% and 64% respectively in April 2020 *(Eurostat).*

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which reached its pre-pandemic levels in June 2020. Data from April 2022 shows that French textile and automotive fuel retailers' turnover have not yet recovered pre-pandemic levels (-7% and -10%, respectively), while tech equipment turnover is 11% points ahead its pre-pandemic levels *(Eurostat).*

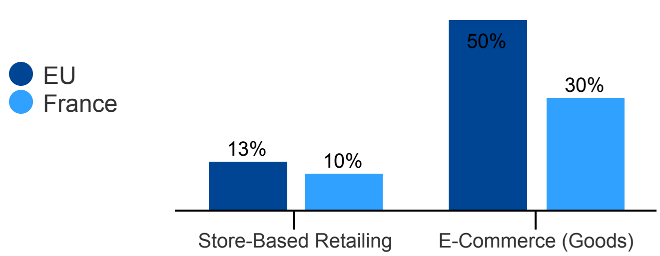
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

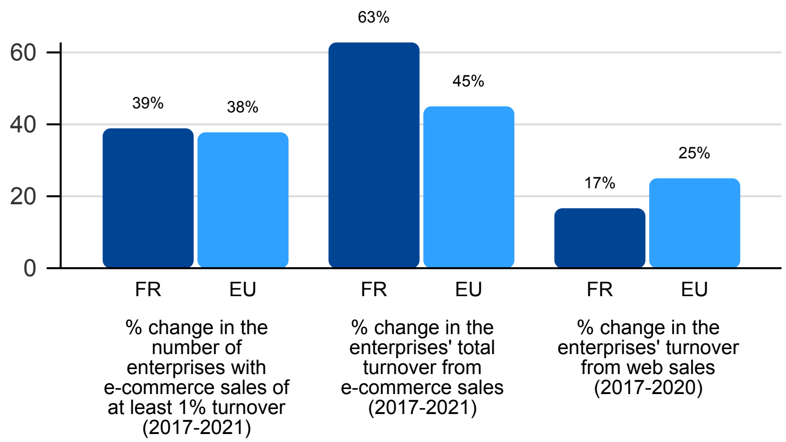


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among French retailers. **Sales through online channels increased by 29% in 2020 and by 52% in 2021**, compared to 2019 data. On the other hand, **store-based retailing, decreased by 3% in 2020 and by 1% in 2021**, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 30% in 2026, compared to 2021, while French store-based retailing will grow by 7% *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in France - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown as much in France as in the EU on average. Turnover from web sales has increased 17% between 2017 and 2020 (6% to 7%)*, less than in the EU on average. However, enterprises' local turnover from e-commerce sales is ahead of the EU growth. These indicators show the developments in the uptake of online sales by French companies over the past years *(Eurostat).*



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, over 12% of French SMEs were selling online and 6% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

Nearly one in three French SME retailers indicated barriers related to framework conditions such as regulatory obstacles or uncertainty about future digital standards. Over 40% of French retail SMEs stated that insufficient resources, skills and infrastructure is also seen as a barrier for digitalisation *(Flash Eurobarometer 486).*

Barriers to digitalisation	France	EU 27
Lack of skills, including managerial skills	17%	16%
Regulatory obstacles	16%	13%
Uncertainty about future digital standards	15%	15%
Lack of financial resources	14%	19%
Internal resistance to change	13%	13%
Lack of IT infrastructure	13%	12%
IT security issues	12%	12%

Sustainability uptake

French retail enterprises are changing their business practices to be more sustainable. Among French retail SMEs, 42% of retail SMEs are already saving materials and consuming less waste in their business. Less than a half of those who are becoming more sustainable are relying on their own technical expertise and financial resources to be more resource efficient. 54% of French retail SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498).*

42% of retail SMEs are already saving materials, energy or waste to be more resource efficient

15% of retail SMEs indicated cost of environmental actions as a barrier to be more resource efficient.

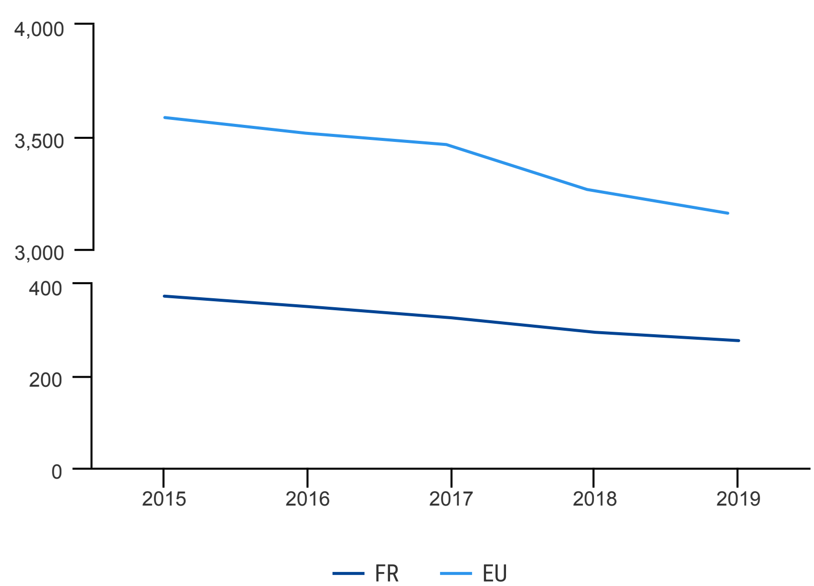
46% of retail SMEs rely on own financial resources to be more resource efficient

54% of retail SMEs are either offering green products currently or planning to in the next two years.

56% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions in the French retail sector, we observe a large decrease of 26% during the period between 2015 and 2019. The decrease is the largest decrease across the EU. As we can see, the French retail sector for emissions is trending downwards steadily, however, they have started from a relatively high base of 373.9 particulates *(Flash Eurobarometer 498).*

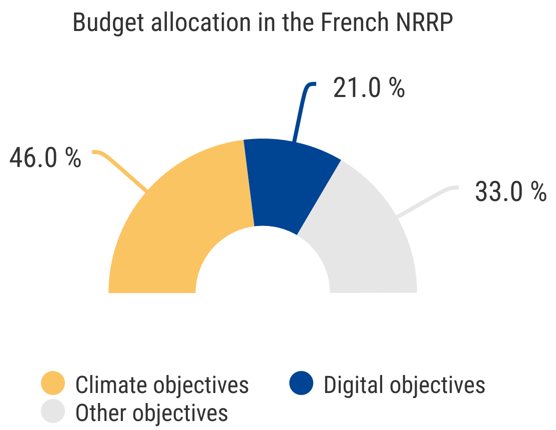
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in France - *Background*

National Recovery and Resilience Plan

France's National Recovery and Resilience Plan will be financed by €39.54 billion in grants. The goals of the NRRP are to protect the climate through a large-scale energy-efficiency renovation programme, invest in training to make the labour force fit for the post-COVID economy and digitalise public administration and the private sector. The NRRP is a subpart of 'France Relance', a larger recovery strategy adopted by France, worth €100 billion in total *(French National Recovery and Resilience Plan)*.



The French NRRP has nine components: **energy renovation; ecology and biodiversity**; infrastructure and green mobility; **green energy and technologies**; **business support;** technological sovereignty and resilience; digitalisation of public administration and support for the cultural sector; job protection, youth, disability, vocational training; and research, health and dependency, territorial cohesion *(French National Recovery and Resilience Plan)*.

SMEs are targeted as part of the business support and digitalisation of public administration component. The first one has the objective of strengthening the competitiveness, while the second one has the goal of **digitally upgrading SMEs and mid-caps** *(French National Recovery and Resilience Plan)*.

COVID-19 impact in the country

Before the COVID-19 pandemic, the French economy was recovering after years of moderate growth. Between 2017 and 2019 the GDP grew by more than 2% on annual average, reaching the EU average. **However, this upward trend was stopped due to the COVID-19 crisis, which caused the GDP to fall by 7.9% in 2020.** High contact services such as tourism as well as the transport and construction sector were the most affected *(EU Semester Report 2022 – France)*.

The country implemented large public support schemes to alleviate the shock to the private sector. The measures had a positive impact, and the real GDP growth was of 7% in 2021, reaching pre-pandemic levels in the fourth quarter of 2021. External trade was the only demand component that did not return to the pre-crisis level *(EU Semester Report 2022 – France)*.

The retail ecosystem in Germany - *Market overview*

European Commission

99.80%

of retail companies are SMEs *(Eurostat)*

45.5%

of the German retail workforce works in SMEs *(Eurostat)*

48%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **3,375,000 people** in Germany (10% of the total German workforce), generating about **3.3% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **320,000 companies**, accounting for 12% of the total number of German companies *(Eurostat).*

99.80 % companies in the ecosystem are SMEs, which employ **45.5% of the workforce** and create **48% of the total added value** of the sector. On top of this, **83 % of the SMEs are micro-enterprises,** below EU average (93.2%) *(Eurostat).*

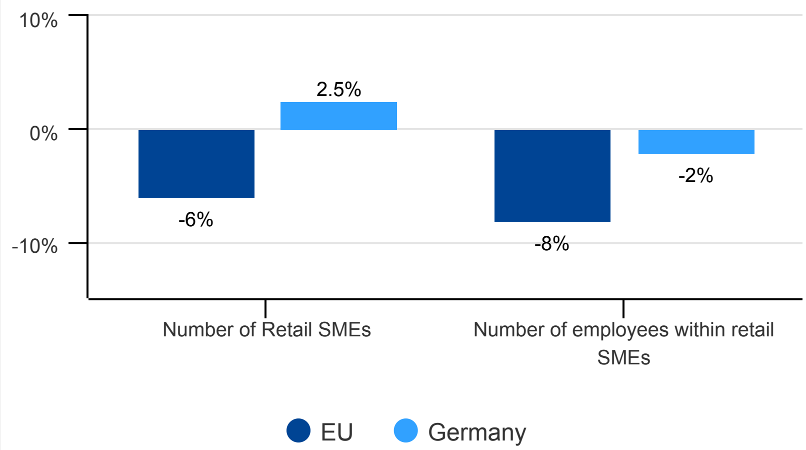
Market dynamics

The total number of retail enterprises decreased by 1% in the period between 2012 and 2019, while the total number of employees increased by 10.5% for the same period. When comparing Germany and the EU, it can be observed that the performance of SMEs differed. **Germany experienced a positive trend, with a 2.5% increase in the total number of SMEs**, while the EU as a whole witnessed a 6% decrease. Regarding employment, Germany had a relatively smaller reduction in **the number of employees within SMEs, with a decrease of 2% compared** to the EU's 8% decline (see Market change figure on the right) *(Eurostat).*

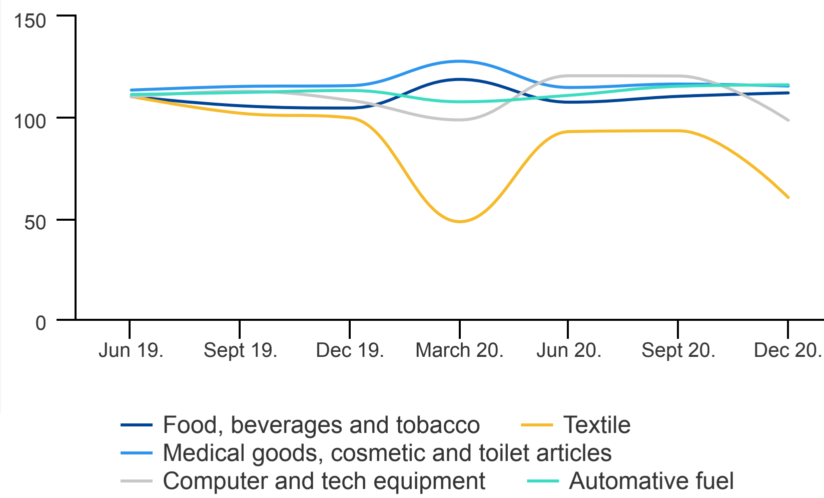
Between June 2019 and December 2019, the turnover of the studied retail categories remained constant, with the exception of textiles retail which decreased by 8%. As of March 2020, **the revenue of retail companies was affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food, drinks, medical and hygienic related articles increased by 7%, the turnover of textiles, tech equipment and automotive fuel fell by 73%, 17% and 7% respectively, compared to December 2019 *(Eurostat).*

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which improved its pre-pandemic levels in June 2020. Data from December 2020 (latest data available) shows that German textile retailers' turnover had not yet recovered to pre-pandemic levels for the case of textiles (-40%) and automotive fuel (-9%) *(Eurostat).*

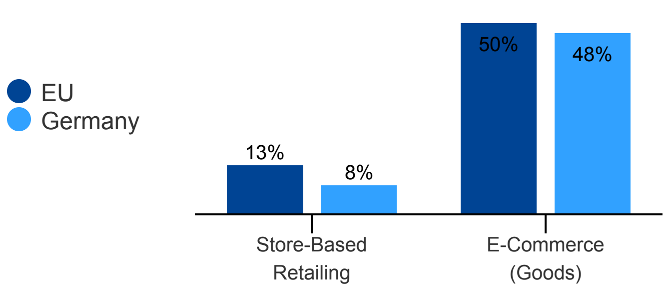
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

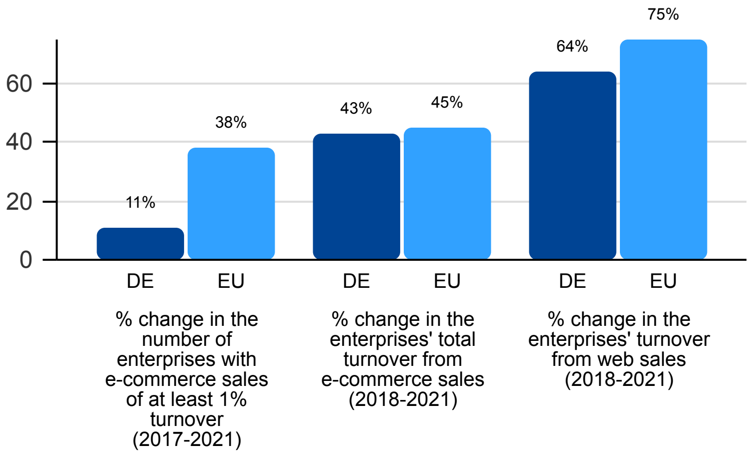


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among German retailers. **Sales through online channels increased by 34% in 2020 and by 42% in 2021, compared to 2019 data.** On the other hand, **store-based retailing, increased by 2% in 2020 and increased by 3% in 2021**, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 46% in 2026, compared to 2021, while German store-based retailing will grow by 8% *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Germany - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown over three times less in Germany than in the EU on average. Also, turnover from web sales has increased less than in the EU, 64% between 2018 and 2021 (11% to 18%)*. Enterprises' total turnover from e-commerce sales over the same period was close to the average EU growth. These indicators show the developments in the uptake of online sales by German companies over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

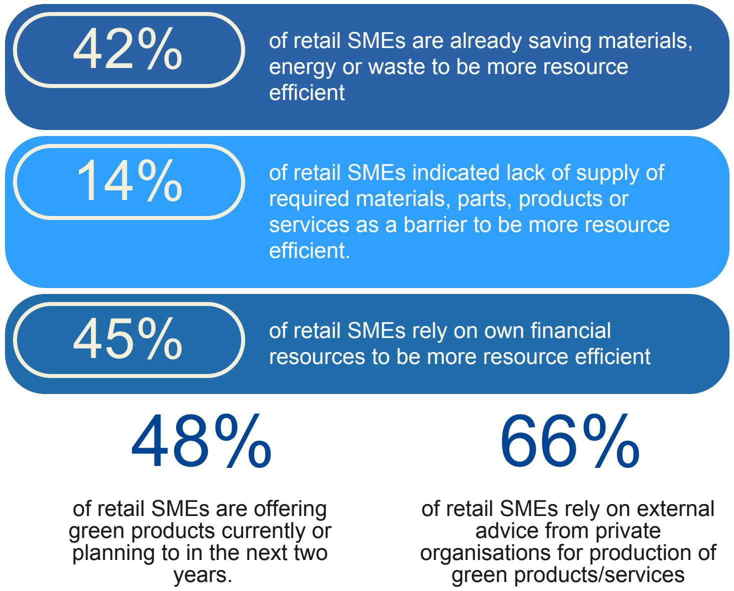
In 2022, 19% of German SMEs were selling online and 10% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

Over 50% of SME retail respondents from Germany indicate IT issues such as future standards, security issues and infrastructure as a barrier to digitalisation. Lack of financial resources as a barrier is lower in comparison to the rest of the EU with 14% of retail SMEs selecting it in comparison to 19% at EU level, while IT security issues and regulatory obstacles have been chosen more often than in the EU on average. Financial resources are therefore not the main obstacle preventing German retailers from embracing digitalisation *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Germany	EU 27
Lack of IT infrastructure	21%	12%
Uncertainty about future digital standards	18%	15%
Regulatory obstacles	15%	13%
IT security issues	15%	12%
Lack of financial resources	14%	19%
Lack of skills, including managerial skills	12%	16%
Internal resistance to change	9%	13%

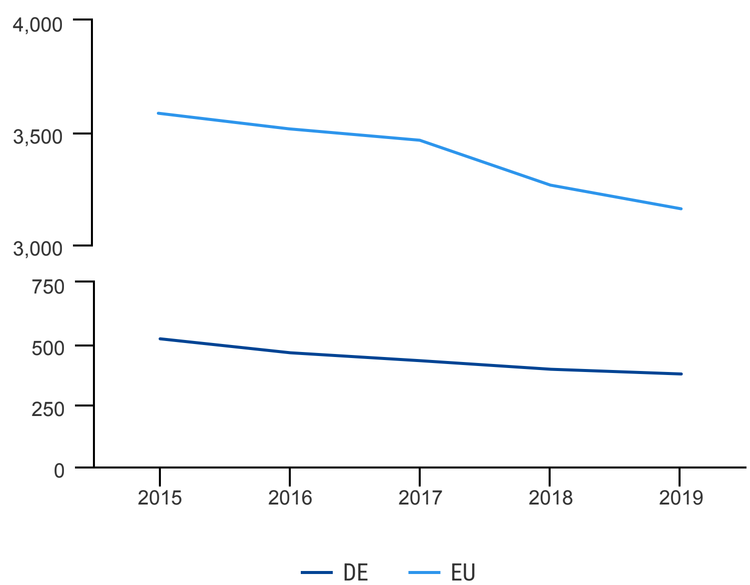
Sustainability uptake

German retail enterprises are changing their business practices to be more sustainable. Among German retail SMEs, 42% are already saving materials and consuming less waste in their business. Close to half of those who are becoming more sustainable are relying on their own financial resources to be more resource efficient. Yet, 52% of German SMEs do not offer green products and services and do not plan to do so in the next two years *(Flash Eurobarometer 498)*.



Analysing air emissions of the German retail sector, we observe a large decrease of 28% in the period between 2015 and 2019. The 28% decrease is approximately 2.5 times larger than the EU total emissions decrease (12%). However, it should be noted that the emissions started at a relatively high base of 520.5 particulates *(Flash Eurobarometer 498)*.

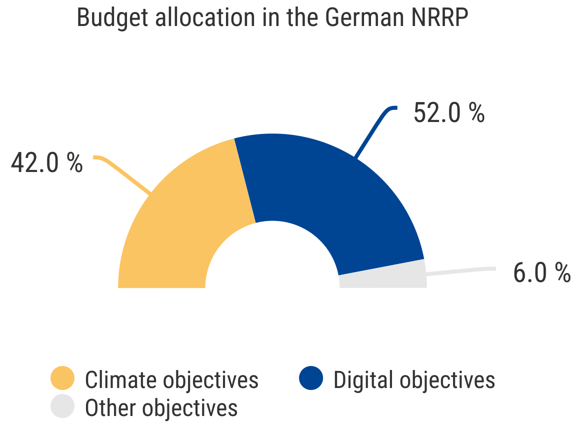
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Germany - *Background*

National Recovery and Resilience Plan

Germany's National Recovery and Resilience Plan will be financed by €25.6 billion in grants. The goals of the NRRP are to support large-scale energy-efficiency renovations, digitalise the public administration and improve education and training across the country. The NRRP has a strong focus on the green transition with more than 40% of the funds, but even bigger on the digital transition with more than 50% of the funds *(German National Recovery and Resilience Plan).*



The German NRRP has 6 components: c**limate policy and green transition; digitalisation of economy and infrastructure**; strengthening of social inclusion; strengthening of a pandemic-resilient healthcare system, and modern public administration and the reduction of barriers to investment. These measures are expected to create 230,000 new jobs and increase the GDP by 1.89% by 2040 *(German National Recovery and Resilience Plan).*

Following the recommendations of the Council the NRRP has the objective of improving the **digitalisation of public services and SMEs**, as well as reducing regulatory and administrative burden, and strengthening competition in business services and regulated professions *(German National Recovery and Resilience Plan).*

COVID-19 impact in the country

Before the COVID-19 crisis the German economy was already slowing its growth. For the 10 years after the financial crisis the growth was above the EU average, but it halved to just over 1% in 2018-2019. This slowdown was the consequence of slower global growth and trade, as well as weakening productivity growth and transformations in the car industry. There is still a strong east-west divide in the country when it comes to regional GDP and growth *(EU Semester Report 2022 – Germany).*

The country implemented policy mechanism to alleviate the impact of the pandemic. The short-term work schemes helped to reduce job losses and employment recovered to pre-pandemic levels. Other mechanisms targeted companies to avoid insolvencies and income support was made available to households. **These measures helped to contain the GDP decline to only 4.6% in 2020, below the EU average.** Public investments increased by 6% to contain the decrease in overall investments *(EU Semester Report 2022 – Germany).*

The retail ecosystem in Greece - *Market overview*

European Commission

99.96%

of retail companies are SMEs *(Eurostat)*

68.8%

of the Spanish retail workforce works in SMEs *(Eurostat)*

36%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **440,500 people** in Greece (12% of the total Greek workforce), generating about **4.7% of the total gross value added** in the country. Including enterprises of all sizes, the ecosystem is composed of **143, 185 companies**, accounting for 20% of the total number of Greek companies *(Eurostat)*.

99.96 % companies in the ecosystem are SMEs, which employ **68.8% of the workforce** and create **36% of the total added value** of the sector. On top of this, **97.16% of the SMEs are micro-enterprises,** above EU average (93.2%) *(Eurostat)*.

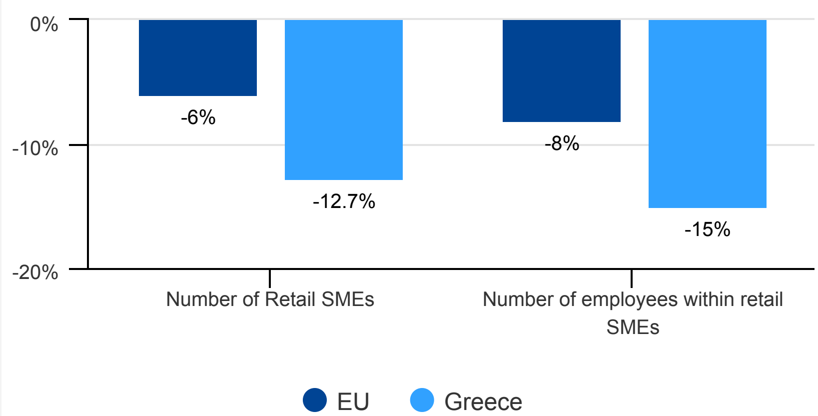
Market dynamics

Between 2012 and 2019, there was a 15% decrease in the total number of retail enterprises, and a 1.65% decrease in the total number of employees in the retail sector. When comparing Greece and the EU, it can be observed that the performance of SMEs differed. **Greece experienced a more pronounced negative trend, with a 12.7% decrease in the total number of SMEs**, while the EU as a whole witnessed a 6% decrease. Regarding employment, Greece had a larger reduction in **the number of employees within SMEs**, **with a decrease of 15% compared** to the EU's 8% decline. (see Market change figure on the right) *(Eurostat)*.

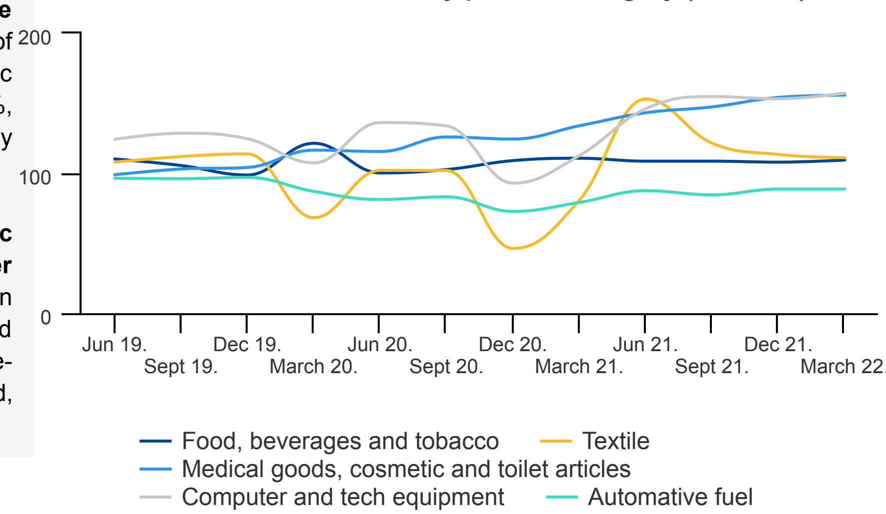
Between June 2019 and December 2019, the turnover of food, textiles and other goods changed between -3% to 4% on average. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food, drinks, medical and hygienic related articles remained constant or slightly decreased by 3%, the turnover of textiles, tech equipment and automotive fuel fell by 75%, 49% and 33% respectively in April 2020 *(Eurostat)*.

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which improved its pre-pandemic levels in May 2020. Data from April 2022 shows that Greek textile and automotive fuel retailers' turnover has not yet recovered pre-pandemic levels, being still -2% and -8%, points behind, respectively *(Eurostat)*.

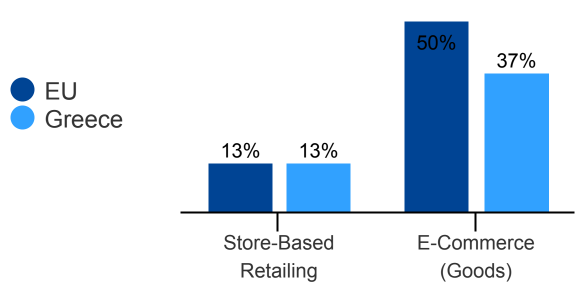
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

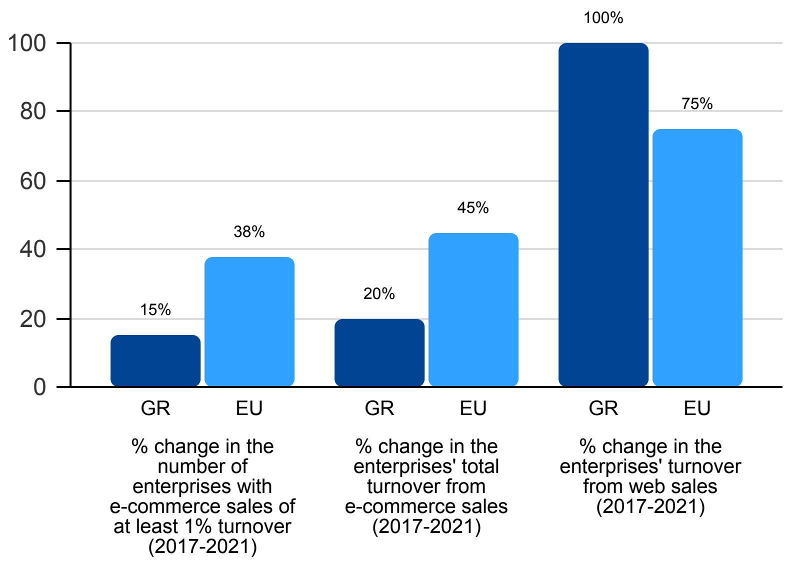


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Greek retailers. **Sales through online channels increased by 29% in 2020 and by 49% in 2021, compared to 2019 data.** On the other hand, **store-based retailing, decreased by 8% in 2020 and by 5% in 2021**, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 37% in 2026, compared to 2021, while Greek store-based retailing will grow by 13% *(Euromonitor International, Retailing Industry Edition, 2022)*.

The retail ecosystem in Greece - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown less than half as much in Greece as in the EU on average. Turnover from web sales has increased 100% during the same period (3% to 6%)*. Enterprises' total turnover from e-commerce sales falls below the EU growth. These indicators show the developments in the uptake of online sales made by Greek companies over the past years *(Eurostat).*



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, almost 17% of Greek SMEs were selling online and 7% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

Nearly a quarter of Greek SME retailers indicated lack of financial resources as a barrier to digitalisation with another 21% indicating lack of IT infrastructure. However, very few see regulatory obstacles, security issues or internal resistance to change as a barrier, all being 8% or below *(Flash Eurobarometer 486).*

Barriers to digitalisation	Greece	EU 27
Lack of financial resources	24%	19%
Lack of IT infrastructure	21%	12%
Uncertainty about future digital standards	18%	15%
Lack of skills, including managerial skills	16%	16%
IT security issues	8%	12%
Internal resistance to change	7%	13%
Regulatory obstacles	6%	13%

Sustainability uptake

Greek retail enterprises are changing their business practices to be more sustainable. 42% of retail SMEs are already saving materials and consuming less waste in their business. 55% are using their own financial resources to be more resource efficient. 67% of Greek retail SMEs offer green products or services or plan to do so in the next two years *(Flash Eurobarometer 498).*

42% of retail SMEs are already saving materials, energy or waste to be more resource efficient

15% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

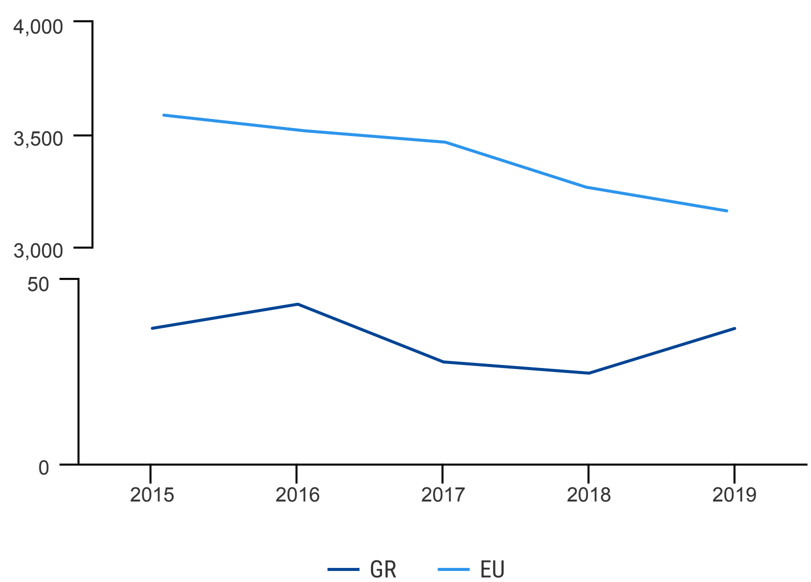
55% of retail SMEs rely on own financial resources to be more resource efficient

67% of retail SMEs are either offering green products currently or planning to in the next two years.

65% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions in the Greece retail sector, we observe no change in emissions in the period between 2015 and 2019. As a result, Greece is the only EU Member State where the emissions remained the same and a displayed a high variance during the analysed period *(Flash Eurobarometer 498).*

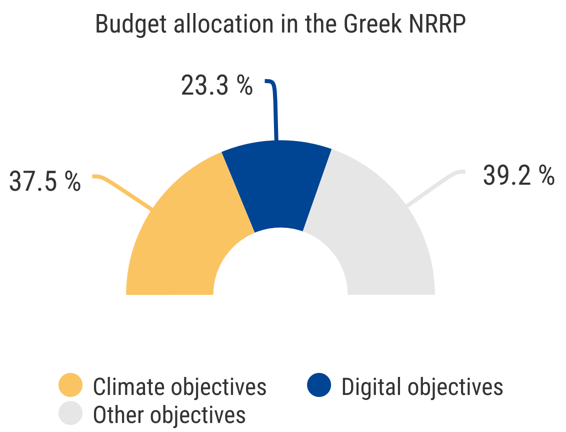
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Greece - *Background*

National Recovery and Resilience Plan

Greece´s National Recovery and Resilience Plan will be financed by €30.5 billion, consisting of €17.8 billion in grants and €12.7 billion in loans. The goals of the NRRP are to facilitate the decarbonisation of its economy, and the digitalisation of the public and private sectors, and will improve the business environment, tax and justice systems, labor policies and health care. The plan is the sixth biggest in terms of funds, and Greece is the biggest beneficiary per capita *(Greek National Recovery and Resilience Plan).*



The Greek NRRP has 4 components: gr**een transition; digital transformation;** employment, skills and social cohesion, and private investment and transformation of the economy. The plan will foster the uptake of digital technologies by businesses, especially SMEs. The green transition is focused on the decabornisation of the country, improving the energy networks, promoting the use of renewable energies, and improving the energy efficiency of buildings. *(Greek National Recovery and Resilience Plan).*

The SMEs will receive an estimation of €1.7 billion in subsidies through the different components of the NRRP. In addition, reforms are also promoted to support the growth of enterprises size in Greece *(SME Performance Review 2022 – Greece).*

COVID-19 impact in the country

As consequence of the 2007-2008 crisis, structural reforms were implemented in Greece. The country also completed three financial assistance programmes and when the COVID-19 crisis hit the country was still under post-programme economic adjustment. Before the crisis, the Greek GDP was 63.3% of the EU average, 25 percentage points below its peak in 2007 (88.2%). The country was also hit harder than the rest of the EU during the pandemic, the GDP contracted by 9% in 2020, significantly more than the 5.9% average in the EU. However, in 2021 the economy improved and there was a rebound of 8.3%, in comparison to the 5.3% average in EU *(EU Semester Report 2022 – Greece).*

The country also implemented a series of public support measures, receiving also support from the EU's SURE instrument to sustain the economy and support the recovery. The measures also targeted households and business *(EU Semester Report 2022 – Greece).*

The retail ecosystem in Hungary - *Market overview*

European Commission

99.92%

of retail companies are SMEs *(Eurostat)*

65.65%

of the Hungarian retail workforce works in SMEs *(Eurostat)*

58%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **314,900 people** in Hungary (7% of the total Hungarian workforce), generating about **4.5% of the total value added** in the country. Including enterprises of all sizes, the ecosystem is composed of **82,100 companies**, accounting for 13% of the total number of Hungarian companies *(Eurostat).*

99.92 % companies in the ecosystem are SMEs, which employ **65.65% of the workforce** and create **58% of the total added value**of the sector. On top of this, **95.3% of the SMEs are micro-enterprises,** above EU average (93.2%) *(Eurostat).*

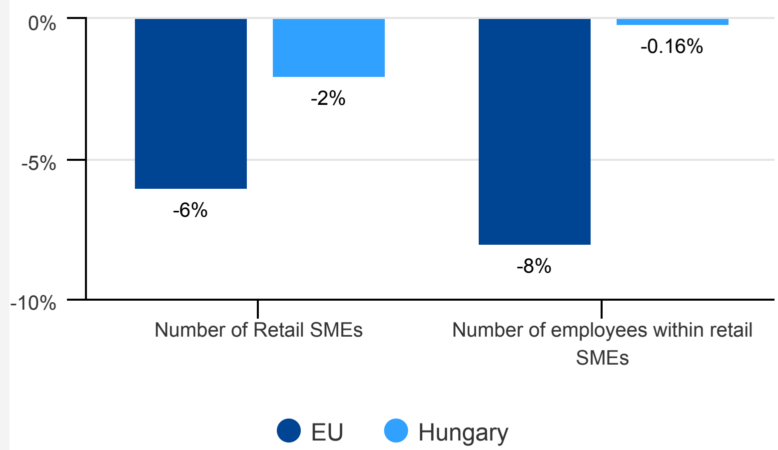
Market dynamics

The total number of retail enterprises decreased by 3% in the period between 2012 and 2019, while the total number of employees decreased by 0.8% for the same period. When comparing the EU and Hungary, it can be observed that the performance of SMEs differed. **Hungary experienced a negative trend, with a 2% decrease in the total number of SMEs**, while the EU as a whole witnessed a 6% decrease. Regarding employment, Hungary had a significantly smaller reduction in **the number of employees within SMEs, with a decrease of only 0.16% compared** to the EU's 8% decline. (see Market change figure on the right) *(Eurostat).*

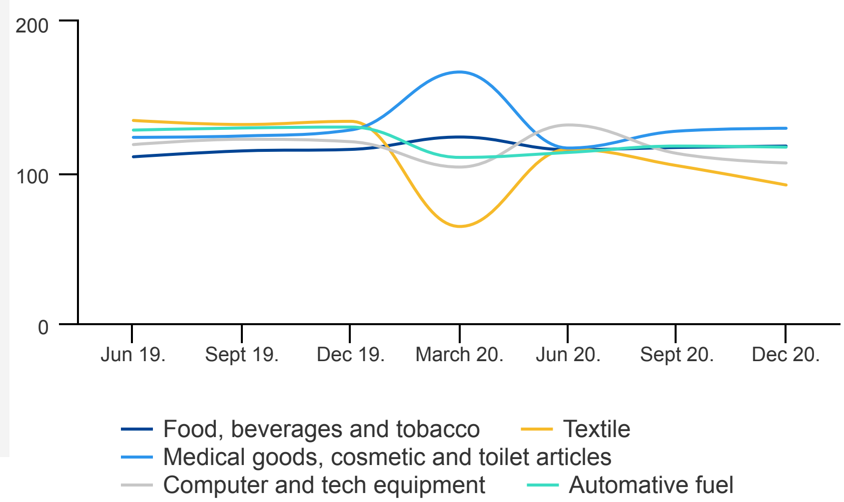
Between June 2019 and December 2019, the turnover of food, textiles and other goods remained constant. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food, drinks, medical and hygienic related articles remained constant or even increased, the turnover of textiles, tech equipment and automotive fuel fell by 91%, 38% and 27% respectively in April 2020 *(Eurostat).*

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which reached its pre-pandemic levels in June 2020. Data from December 2020 (latest data available) shows that Hungarian retailers' turnover had not yet recovered pre-pandemic levels, with the turnover of textiles, tech equipment and automotive fuel still behind by 32%, 12% and 10% *(Eurostat).*

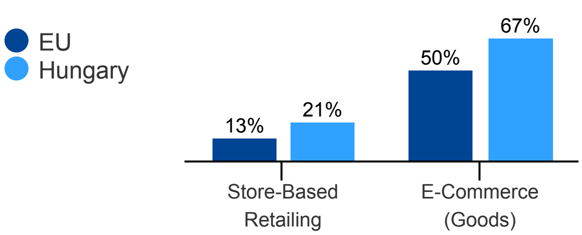
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

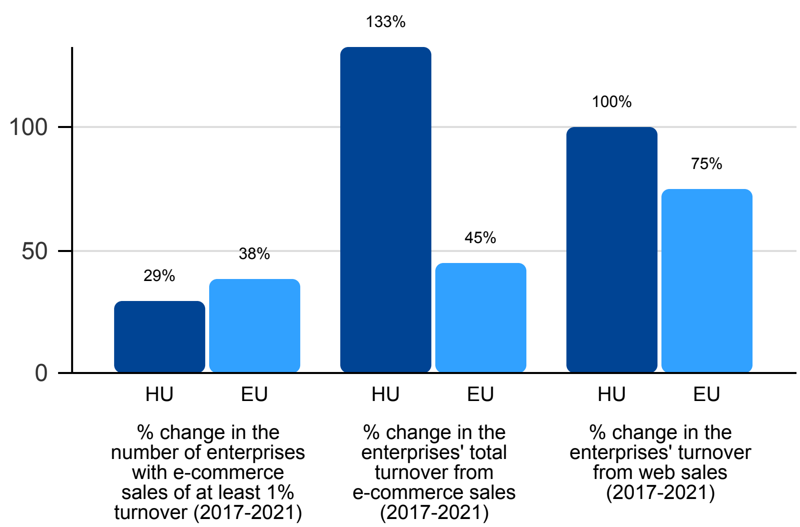


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Hungarian retailers. Sales through online channels increased by 40% in 2020 and by 88% in 2021, compared to 2019 data. On the other hand, store-based retailing, increased by 2% in 2020 and increased by 10% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 67% in 2026, compared to 2021, while Hungarian store-based retailing will grow by 21% *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Hungary - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown less in Hungary than in the EU on average. Turnover from web sales has increased 100% over the same period (3% to 6%) *, which is above the EU average growth. Enterprises' total turnover from e-commerce sales has grown three times as much in Hungary as in the EU on average. These indicators show the progress in the uptake of online sales made by Hungarian companies over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, 20% of Hungarian SMEs were selling online and almost 7% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

Nearly 50% of Hungarian retail SMEs indicated that the barriers to digitalisation they face were **linked with insufficient resources, namely financial, available skills and IT infrastructure.** Uncertainty about future digital standards (18%) is also one the biggest barrier for Hungarian retail *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Hungary	EU 27
Uncertainty about future digital standards	18%	15%
Lack of skills, including managerial skills	18%	16%
Regulatory obstacles	13%	13%
Internal resistance to change	10%	13%
Lack of IT infrastructure	11%	12%
IT security issues	11%	12%
Internal resistance to change	10%	13%

Sustainability uptake

Hungarian retail enterprises are changing their business practices to be more sustainable. Among Hungarian retail SMEs, 49% are already saving materials and consuming less waste in their business. Over 60% of those who are becoming more sustainable are relying their own technical expertise and financial resources to be more resource efficient. 50% of Hungarian retail SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498)*.

49% of retail SMEs are already saving materials, energy or waste to be more resource efficient

21% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

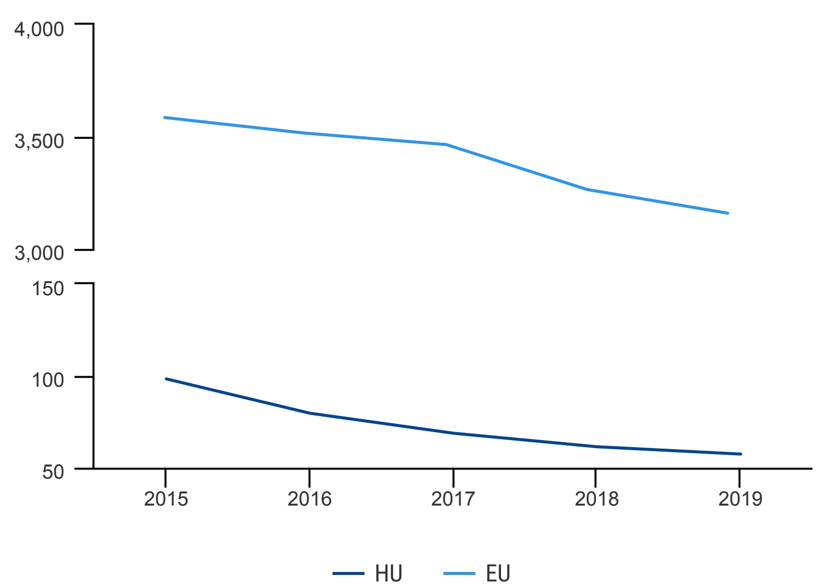
61% of retail SMEs rely on own financial resources to be more resource efficient

50% of retail SMEs are offering green products currently or planning to in the next two years.

71% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions in the Hungarian retail sector, we observe a considerable decrease of 42% in the period between 2015 and 2019. The 42% decrease is approximately 3.5 times larger than the EU total emissions decrease, which was 12% in the same period and one of the largest of the EU *(Flash Eurobarometer 498)*.

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Hungary - *Background*

National Recovery and Resilience Plan

Hungary´s National Recovery and Resilience Plan published in May 2021 allocates €7.2 billion to face the social and economic challenges caused by COVID-19. The NRRP supports on the one hand the health and education system that were heavily affected by the crisis, but also digitalisation and green transition due to their contribution to the long-term economic growth of the country *(Hungarian National Recovery and Resilience Plan).*

However, the European Commission has not accepted yet the NRRP. The country has failed to implement the country specific recommendations outlined in 2019 and 2020 regarding most notably the rule of law *(SME Performance Review 2022 – Hungary).*

Until the acceptance of the plan, the Hungarian government is financing the project with their funds, which poses a threat to the 2021 deficit target *(SME Performance Review 2022 – Hungary).*

COVID-19 impact in the country

Hungary's GDP per person has increased since the country joined the EU in 2004, going from 63% of the EU average to 76% in 2021. Becoming an EU Member State helped the country to attract large foreign investments, bringing capital and technology into the country. **This upward trend was stopped by the COVID-19 pandemic,** when the real GDP fell by 4.5% in 2020. However, it bounced back by 7.1% in 2021, already surpassing its pre-covid levels *(EU Semester Report 2022 – Hungary).*

A strong policy stimulus was implemented with measures targeting the banking system, public loans or grants to finance private investment. Likewise, the country also received EUR 651 million from the SURE scheme *(EU Semester Report 2022 – Hungary).*

The retail ecosystem in Ireland - *Market overview*

99.69%

of retail companies are SMEs *(Eurostat)*

48.86%

of the Irish retail workforce works in SMEs *(Eurostat)*

63%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **242,308 people** in Ireland (11% of the total Irish workforce), generating about **2.4% of the gross value added** in the country. Including enterprises of all sizes, the ecosystem is composed of **23, 874 companies**, accounting for 9% of the total number of Irish companies *(Eurostat).*

99.69% companies in the ecosystem are SMEs, which employ **48.86% of the workforce** and generate **63% of the total added value** of the sector. On top of this, **83.9% of the SMEs are micro-enterprises,** below EU average *(Eurostat).*

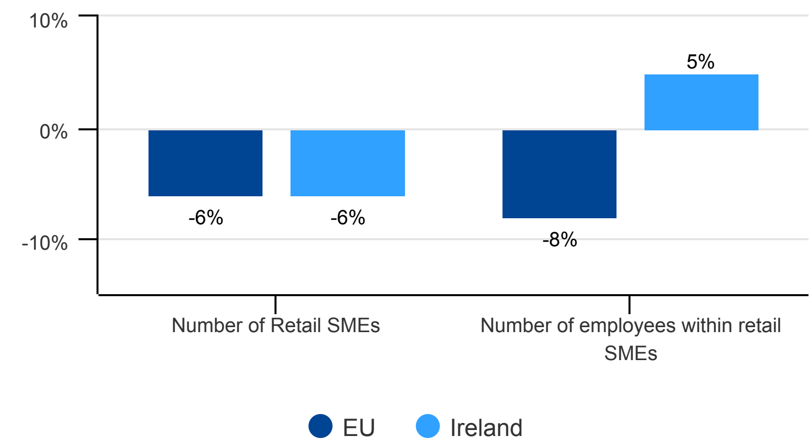
Market dynamics

The total number of retail enterprises decreased by 7% in the period between 2012 and 2019, while the total number of employees increased by 15.4% for the same period. Both Ireland and the EU experienced a negative trend, with a 6% decrease in the total number of SMEs. Regarding employment, however, Ireland experienced an 5% increase in **the number of employees within SMEs, compared** to the EU's 8% decline (see Market change figure on the right) *(Eurostat).*

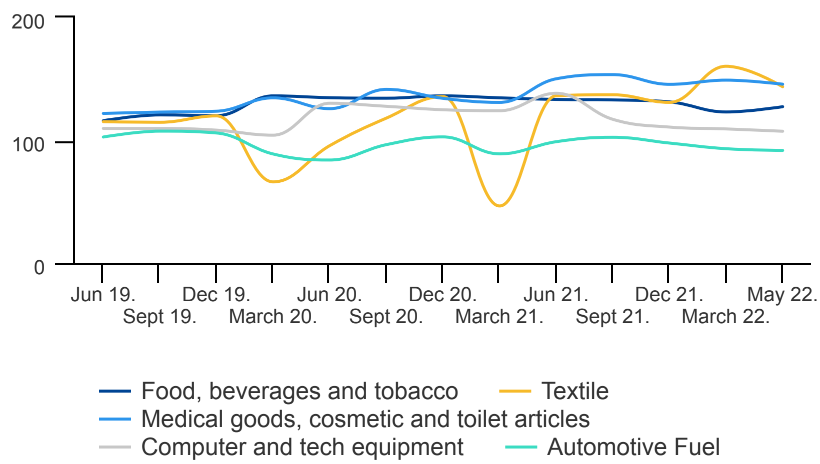
Between June 2019 and December 2019, the turnover of food and other goods remained constant or slightly changed. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food and drinks and medical and hygienic related articles slightly changed (+13% and -12% respectively), the turnover of textiles, tech equipment and automotive fuel fell by 82%, 41% and 50% respectively in April 2020 *(Eurostat).*

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which almost reached its pre-pandemic levels by May 2020. Data from May 2022 shows that Irish retailers' turnover has already recovered to pre-pandemic levels, with textile turnover 20% higher now. Fuel seems to be the worst performing retail business, 13% behind compared to its turnover in December 2019 *(Eurostat).*

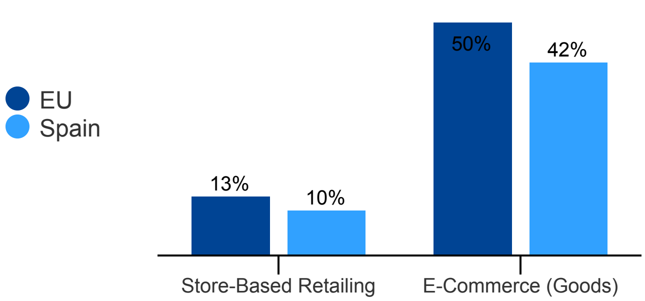
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

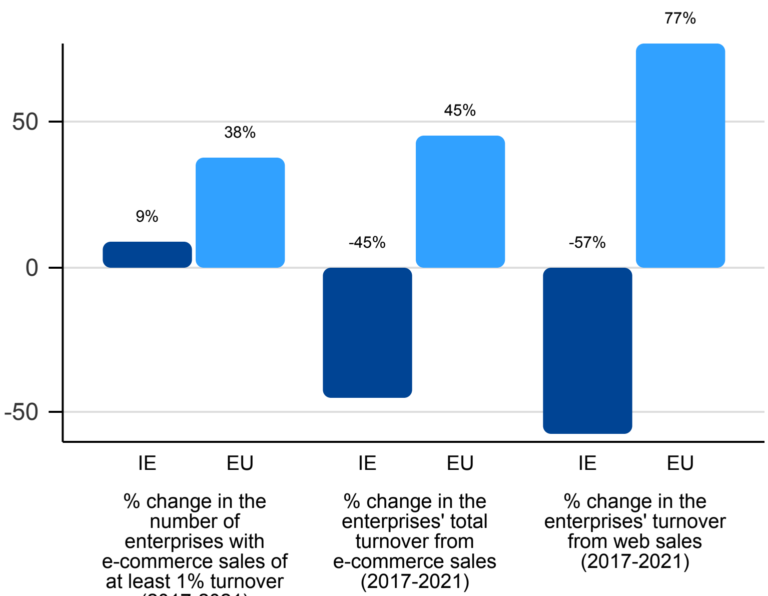


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Irish retailers. Sales through online channels increased by 46% in 2020 and by 61% in 2021, compared to 2019 data. On the other hand, store-based retailing, decreased 12% in 2020 and 10% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 30% in 2026, compared to 2021, while Irish store-based retailing will grow by 15%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Ireland - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown a quarter as much in Ireland as in the EU on average. Turnover from web sales has decreased 57% between 2017 and 2021 (30% to 13%)*. Enterprises' total turnover from e-commerce sales has also sharply decreased which is in contrast to the growth rate of 77% in the EU on average. These indicators show the developments in the uptake of online sales by Irish companies over the past years *(Eurostat).*



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, 35% of Irish SMEs were selling online and 11% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

Over 40% of Irish SME retailers indicated **barriers related to insufficient resources** such as skills, infrastructure, and finance as a barrier to digitalisation. Internal resistance to change is the highest barrier to digitalisation at 17% *(Flash Eurobarometer 486).*

Barriers to digitalisation	Ireland	EU 27
Internal resistance to change	17%	13%
Uncertainty about future digital standards	16%	15%
Lack of IT infrastructure	16%	12%
Lack of skills, including managerial skills	15%	16%
Regulatory obstacles	14%	13%
IT security issues	11%	12%
Lack of financial resources	9%	19%

Sustainability uptake

Irish retail enterprises are changing their business practices to be more sustainable. Among Irish retail SMEs, 32% are already saving materials and consuming less waste in their business. 35% of those who are becoming more sustainable are relying on external technical expertise and 46% are relying on their own financial resources to be more resource efficient. 72% of Irish retail SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498).*

32% of retail SMEs are already saving materials, energy or waste to be more resource efficient

23% of retail SMEs indicated cost of environmental actions

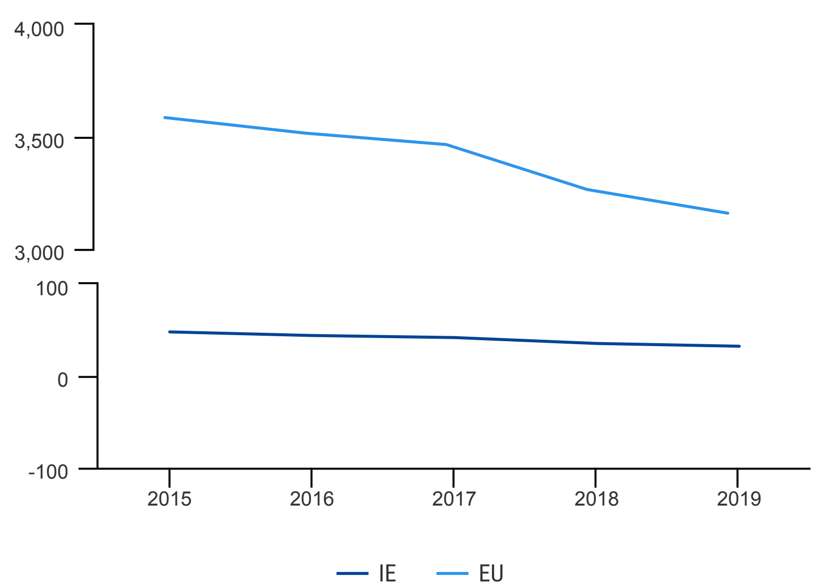
46% of retail SMEs rely on own financial resources to be more resource efficient

72% of retail SMEs are either offering green products currently or planning to in the next two years.

35% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions in the Irish retail sector, **we observe a sizeable decrease** of 33% between 2015 and 2019. The decline is aligned with the overall trend of decreasing emissions in the retail sector in the EU. *(Eurostat).*

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)

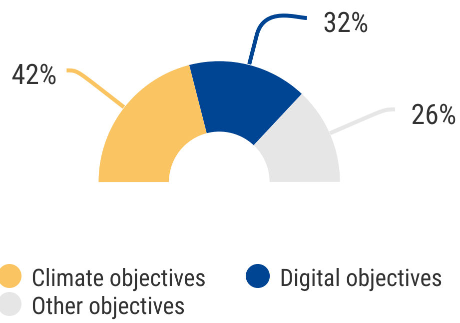


The retail ecosystem in Ireland - *Background*

National Recovery and Resilience Plan

Ireland's National Recovery and Resilience Plan (NRRP) consists of €989 millions of grants. The plan that Ireland has in place will assist **energy efficiency**, sustainable mobility, biodiversity and ecosystems, **the digitalisation of public administration a*nd companies,*** *and it will also contribute to upskilling (Ireland's National Recovery and Resilience Plan).*

Budget allocation in the Irish NRRP



Ireland's plan includes a component to support **SMEs' digitalisation**. In fact, Irish SMEs fall behind in the **digitisation of business processes** such as supply chain management, enterprise resource planning, and customer relationship management. To address the imbalance in digitalisation, this component provides €85 millions of grants and **introduces actions to strengthen the digital transformation of enterprises, especially SMEs, across all sectors in Ireland**. It includes establishing four **European Digital Innovation Hubs** (EDIHs) in Ireland to facilitate cross-border collaboration and strengthen value chains *(Ireland's National Recovery and Resilience Plan)*.

'**SME test**' is another measure in favour of SMEs within the Irish NRRP to reduce entrepreneurial regulatory hurdles. According to this programme, policymakers should follow four stages to **examine the effects of legislations on SMEs**. **The goal is to minimise excessive regulatory impediments SMEs experience when launching and growing their business.** Consistent use of the SME test across government departments should lessen SMEs' regulatory burden. The strategy also mentions early steps towards a **unified SME platform**, which would minimise SMEs' administrative burden. In addition to these measures in the NRRP, Ireland's national online retail and online trade voucher programmes also assist SMEs online presence *(Ireland's National Recovery and Resilience Plan).*

COVID-19 impact in the country

Ireland was the only country in EU to avoid a recession during the pandemic as the strong performance of multinationals, particularly in ICT and pharmaceuticals, bolstered economic activity. Ireland's real GDP grew by 5.9% in 2020 and again by a remarkable 13.5% in 2021. This growth is projected to continue at 5.4% and 4.4% in 2022 and 2023 respectively. However, Ireland's economy exhibits a dual nature; **There is a considerable performance gap between domestic companies and giant multinationals in Ireland**. For instance, gross value added in sectors dominated by multinationals grew by 23.1% in 2020, while it declined by 8.7% in other sectors *(European Semester Report 2022 - Ireland).*

Significant government assistance **prevented a surge in unemployment and bankruptcies**. The official unemployment rate gradually grew from less than 5% prior to the pandemic to 7.8% in May 2021, however COVID-adjusted unemployment ranged between 1⁄4 and 1⁄3 of the labour force during peak restrictions *(Commission Staff Working Document - Ireland's National Recovery and Resilience Plan).*

Lending to businesses has decreased since the start of the pandemic, which could indicate a decline in investment, as well as reduced access to funding. Total lending to businesses declined by 4.6% on an annual basis in the second half of 2020. **SMEs have been particularly hard hit, with new lending to these businesses falling significantly during the year (-17.6% annually in the second half of 2020), with the most affected sectors also being the ones hardest hit by the pandemic, notably real estate, transportation, wholesale, retail, and hospitality**. Part of this could be attributed to decreased investment, particularly in construction *(Commission Staff Working Document - Ireland's National Recovery and Resilience Plan).*

The retail ecosystem in Italy - *Market overview*

European Commission

99.95%

of retail companies are SMEs *(Eurostat)*

69.87%

of the Italian retail workforce works in SMEs *(Eurostat)*

68%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **1,858,878 people** in Italy (9% of the total Italian workforce), generating about **5.3% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **577, 651 companies**, accounting for 16% of the total number of Italian companies *(Eurostat).*

99.95% companies in the ecosystem are SMEs, which employ **69.87% of the workforce** and generate **68% of the total added value**of the sector. On top of this, **97.34% of the SMEs are micro-enterprises,** above EU average (93.2%) *(Eurostat).*

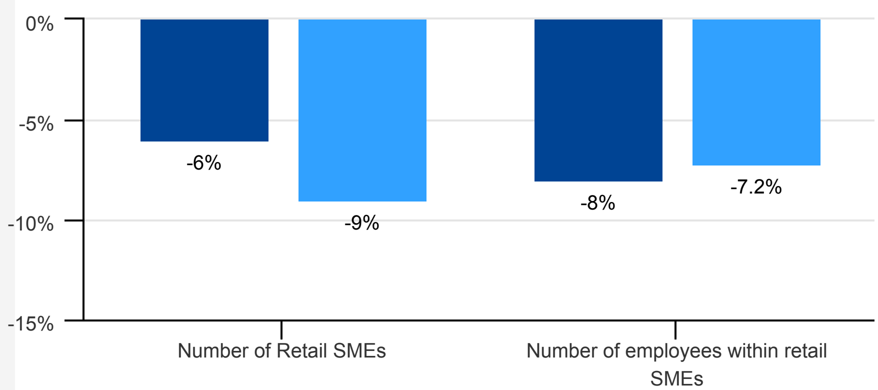
Market dynamics

The total number of retail enterprises decreased by 10% in the period between 2012 and 2019, while the total number of employees increased by 9% for the same period. **Italy experienced a negative trend, with a 9% decrease in the total number of SMEs**, while the EU as a whole witnessed a 6% decrease. Regarding employment, **Italy had a relatively smaller reduction in the number of employees within SMEs, with a decrease of 7.2%** compared to the EU's 8% decline. (see Market change figure on the right) *(Eurostat).*

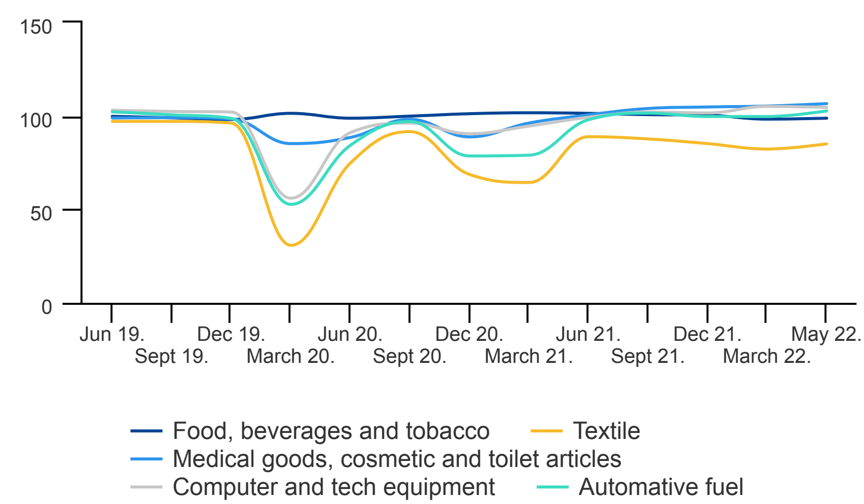
Between June 2019 and December 2019, the turnover of textiles, food, fuel, computers, and other retail goods remained constant slightly decreased. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food and drinks, and medical and hygienic related articles slightly decreased (-2% and -12% respectively), the turnover of textiles, tech equipment and automotive fuel fell by 86%, 61% and 66% respectively in April 2020 *(Eurostat).*

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which almost reached its pre-pandemic levels by August 2020. Data from May 2022 shows that Italian textile retailers' turnover had not yet recovered to pre-pandemic levels, still 12% points behind *(Eurostat).*

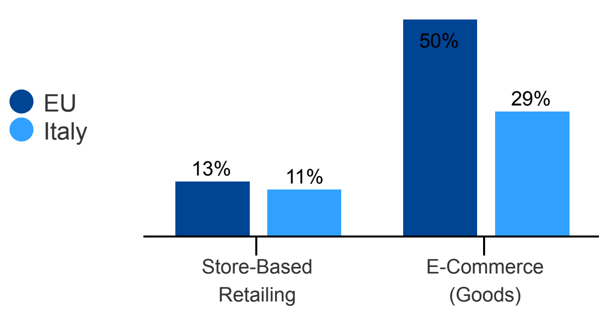
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)



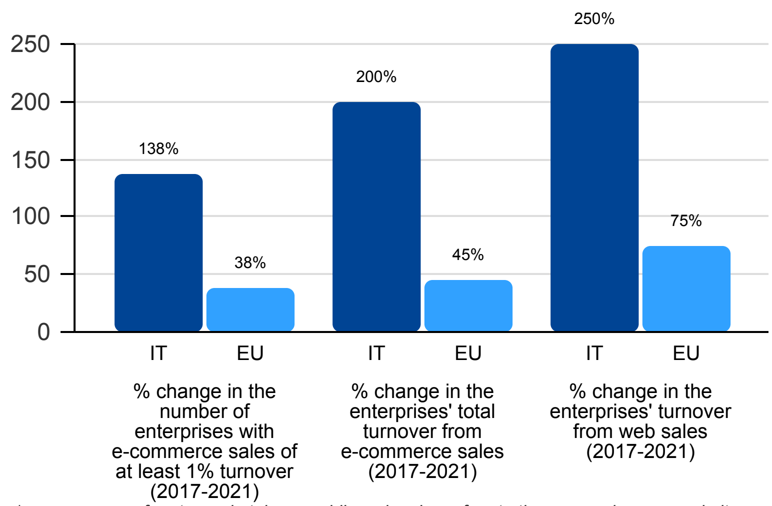
Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Italian retailers. Sales through online channels increased by 30% in 2020 and by 53% in 2021, compared to 2019 data. On the other hand, store-based retailing, decreased by 3% in 2020 and increased by 2% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 29% in 2026, compared to 2021, while Italian store-based retailing will grow by 11%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Italy - *Twin Transition*

European Commission

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown more than three times as much in Italy as in the EU on average. Also, turnover from web sales has increased 250% (2% to 7%)*, over three times above the EU average growth. Enterprises' total turnover from e-commerce sales has grown over four times more than the EU average. These indicators show the progress in the uptake of online sales made by Italian companies over the past years *(Eurostat).*



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, 13% of Italian SMEs were selling online and 7% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

Over 41% of Italian SME retailers indicated barriers related to framework conditions such as regulatory obstacles or uncertainty about future digital standards. Only 2% of Italian SMEs indicated IT security issues as a barrier to engage with digitalisation activities in comparison to 12% in the EU on average. However, the response rate is low for Italy which may cause responses to be biased *(Flash Eurobarometer 486).*

Barriers to digitalisation	**Italy**	**EU 27**
Regulatory obstacles	29%	13%
Lack of financial resources	24%	19%
lack of skills, including managerial skills	12%	16%
Uncertainty about future digital standards	12%	15%
Lack of IT infrastructure	10%	12%
Internal resistance to change	10%	13%
IT security issues	2%	12%

Sustainability uptake

Italian retail enterprises are changing their business practices to be more sustainable. Among Italian retail SMEs, 43% are already saving materials and consuming less waste in their business. More than a third of those who are becoming more sustainable are relying on external technical expertise and their own financial resources to be more resource efficient. Yet, 60% of Italian retail SMEs do not offer green products or services and do not plan to do so in the next two years *(Flash Eurobarometer 498).*

43% of retail SMEs are already saving materials, energy or waste to be more resource efficient

23% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

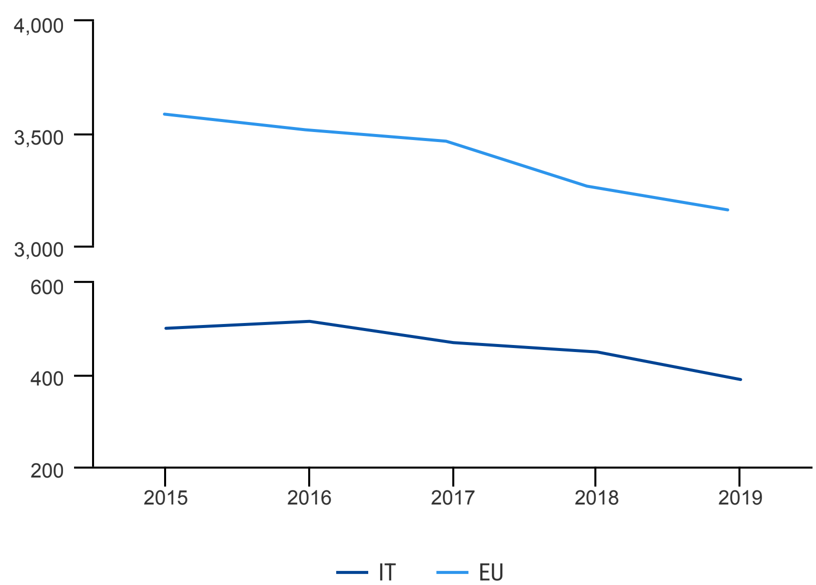
38% of retail SMEs rely on own financial resources to be more resource efficient

60% of retail SMEs are not offering green products and do not plan to do so in the next two years

44% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Italian retail sector, **we observe a steady decrease** between 2015 and 2019 and overall, a 22% decrease. This falls in line with the EU emission decrease for the sector, however it is double that of the EU emission which decreased by 12%. *(Eurostat).*

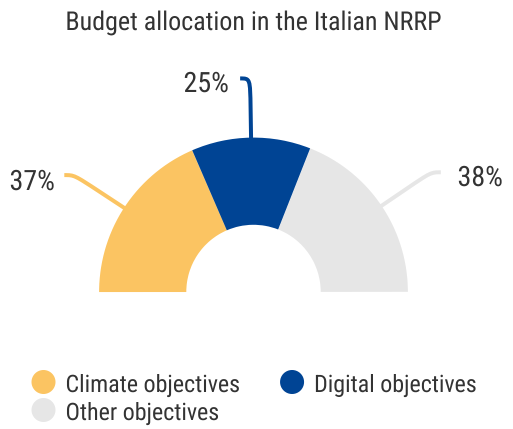
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Italy - *Background*

National Recovery and Resilience Plan

Italy's National Recovery and Resilience Plan (NRRP) is a massive €191.5 billion plan with €68.9 billions of grants and €122.6 billions of loan. The plan aims to foster the **digitalisation of the public and private sectors, support the green transition through large investments in energy efficiency and circular economy,** strengthen the education and research systems, and provide better facilities in transportation and healthcare *(Italy's National Recovery and Resilience Plan).*



Italy plans to invest €250 million to support **"start-ups and venture capital active in the ecological transition"** with the aim of stimulating the development of an innovation ecosystem **on green transition, including circular economy**. Followingly, the plan envisages establishment of a **Green Transition Fund (GTF)** particularly to serve this goal. Furthermore, €800 millions of investments in the Italy's NRRP is dedicated to **improving the logistic systems** for agri-food, fishing and aquaculture, forestry, floriculture, and plant nursery. This improvement plan in certain parts targets agri-food SMEs, and it is expected to benefit the producers as well as consumers and make the whole system greener with less waste. A €250 millions more is also being allocated for the digitalisation of the logistic chain in Italy *(Italy's National Recovery and Resilience Plan).*

Further, a series of **regulatory reforms** in Italy's NRRP and investments attempt to remove long-standing barriers for entering strategic business sectors and to simplify and streamline the Italian bureaucracy. Overall, these measures are expected to minimise the time required to start a business in Italy and enhance the legal certainty as one of the great challenges in doing business in the country *(Commission Staff Working Document - Italy's National Recovery and Resilience Plan).*

COVID-19 impact in the country

With a real GDP still 3% below that of pre-global financial crisis of 2008, Italy hadn't fully recovered from the previous recession when the COVID-19 struck. In 2020, real output fell by 9%. However, Italy's strong industrial foundation and competitive export sector, along with a prompt policy reaction led to a fast and solid rebound. Real GDP nearly reached pre-pandemic levels in 2021 with a 6.6% growth. Moreover, unemployment also fell from 9.9% in 2019 to 9.5% in 2021. However, new jobs are mostly temporary and labour productivity is low *(European Semester Report 2022 – Italy).*

According to Confindustria, the COVID-19 crisis affected 73.1% of SMEs moderately, while 17.9% were severely affected. To make up for the losses, the government enacted several measures, including non-repayable grants for small enterprises and self-employed citizens (worth €3.5 billion) and a loan moratorium that benefited around 143,000 businesses *(SME Performance Review 2022 – Italy)*.

The retail ecosystem in Latvia - *Market overview*

99.74%

of retail companies are SMEs *(Eurostat)*

54.97%

of the Latvian retail workforce works in SMEs *(Eurostat)*

49%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **84, 605 people** in Latvia (10% of the total Latvian workforce), generating about **6,2% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **12,767 companies**, accounting for 16% of the total number of Latvian companies *(Eurostat).*

99.74% companies in the ecosystem are SMEs, which employ **54.97% of the workforce** and generate **49% of the total added value**of the sector. On top of this, **92.43% of the SMEs are micro-enterprises** *(Eurostat).*

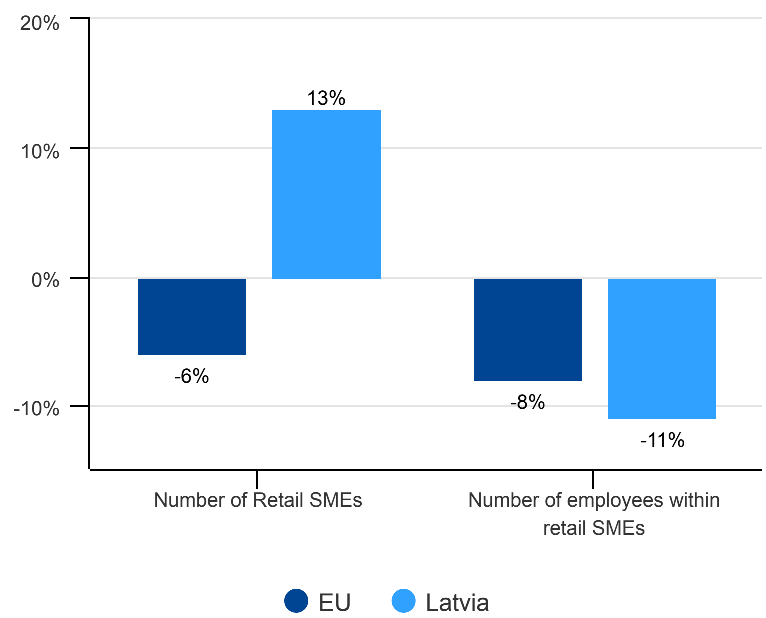
Market dynamics

The total number of retail enterprises decreased by 10% in the period between 2012 and 2019, while the total number of employees decreased by 8% for the same period. Latvia experienced a positve trend, with a 13% increase in the total number of SMEs, while the EU as a whole witnessed a 6% decrease. Regarding employment, Latvia had a relatively a stronger reduction in the number of employees within SMEs, with a decrease of 11% compared to the EU's 8% decline. (see Market change figure on the right) *(Eurostat).*

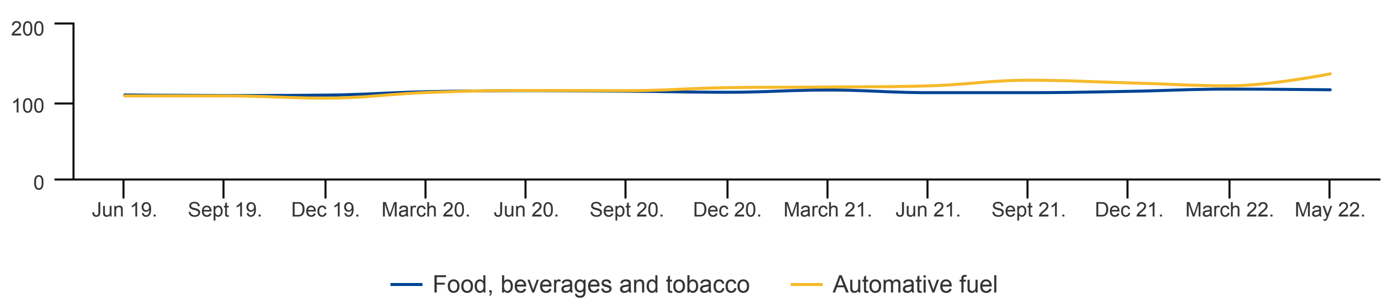
Between June 2019 and December 2019, the turnover of food and fuel retail remained constant or slightly increased. As of March 2020, the revenue of essential goods such as food slightly decreased (-1%) and the turnover of fuel fell by 2% in April 2020 *(Eurostat).*

Data from May 2022 shows that Latvian retailers' turnover has already reached pre-pandemic levels, with fuel and food retail 6% points ahead compared to its turnover in December 2019 *(Eurostat).*

Market change during the period between 2012 and 2019 (Eurostat)



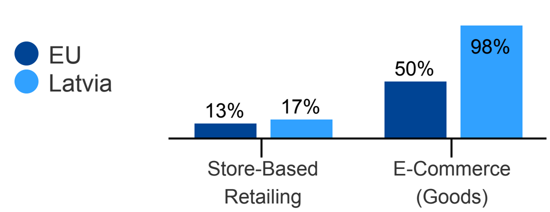
Evolution of retail turnover by product category (Eurostat)



There is no data available for other product categories.

Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Latvian retailers. Sales through online channels increased by 23% in 2020 and by 50% in 2021, compared to 2019 data. On the other hand, store-based retailing, increased 1% in 2020 and 8% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 98% in 2026, compared to 2021, while Latvian store-based retailing will grow by 17%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022).*

SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

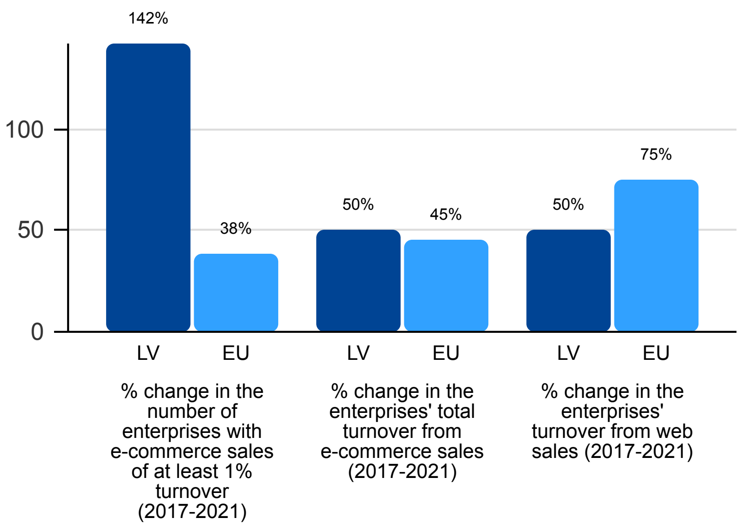


The retail ecosystem in Latvia - *Twin Transition*

European Commission

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown almost four times as much in Latvia as in the EU on average. Also, enterprises' total turnover from e-commerce sales is above the average EU growth. Turnover from web sales has increased 50% between 2015 and 2019 (2% to 3%)*, however it lags behind the EU average growth of 75%. These indicators show the developments in the uptake of online sales by Latvian companies over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, over 15% of Latvian SMEs were selling online and over 6% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

Over one in three Latvian SME retailers indicated **barriers related to framework conditions** such as regulatory obstacles or uncertainty about future digital standards. Only 8% of Latvian SMEs indicated lack of infrastructure in comparison to 12% of the EU as a barrier to engage with digitalisation activities *(Flash Eurobarometer 486).*

Barriers to digitalisation	Latvia	EU 27
Uncertainty about future digital standards	18%	15%
Regulatory obstacles	17%	13%
Lack of skills, including managerial skills	15%	16%
Internal resistance to change	14%	13%
Lack of financial resources	18%	19%
IT security issues	10%	12%
Lack of IT infrastructure	8%	12%

Sustainability uptake

Latvia retail enterprises are changing their business practices to be more sustainable. Among Latvian retail SMEs, 48% are already saving materials and consuming less waste in their business. Almost half of those who are becoming more sustainable are relying on their own technical expertise and financial resources to be more resource efficient. Yet, 55% of Latvian retail SMEs do not offer green products or services and do not plan to do so in the next two years *(Flash Eurobarometer 498).*

48% of retail SMEs are already saving materials, energy or waste to be more resource efficient

17% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

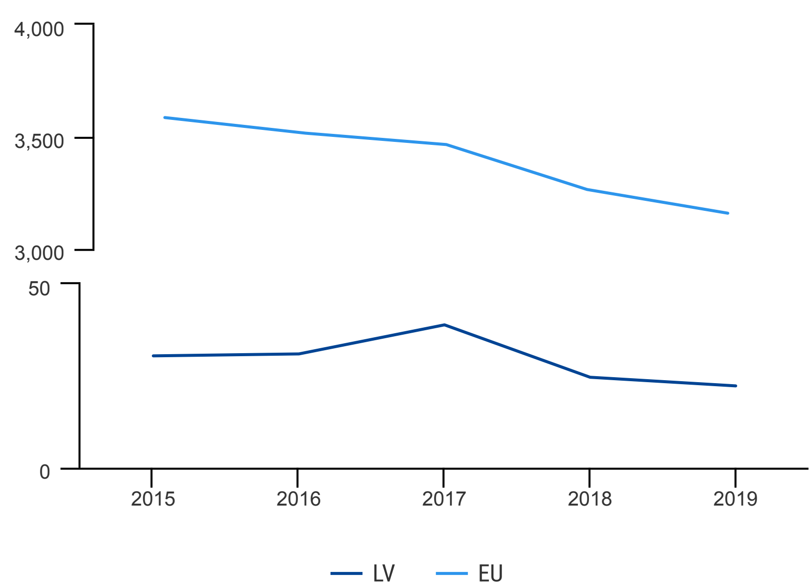
47% of retail SMEs rely on own financial resources to be more resource efficient

55% of retail SMEs are not offering green products and are not planning to do so.

64% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Latvian retail sector, **we observe a steady decrease** between 2015 and 2019 and overall, a 27% decrease. This falls in line with the EU emission decrease for the sector, however it is more than double the total EU decrease of 12% (*Eurostat).*

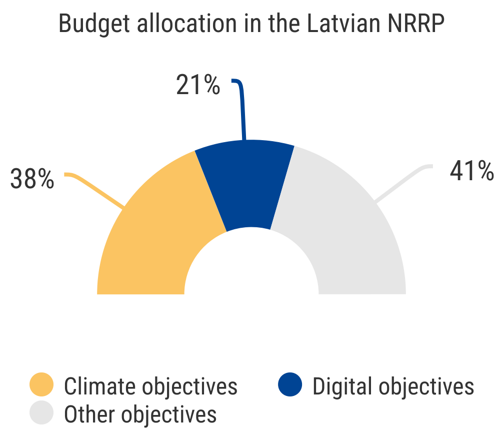
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Latvia - *Background*

National Recovery and Resilience Plan

Latvia receives €1.8 billions of EU grants to implement its National Recovery and Resilience Plan **(NRRP)**. The plan aims **to improve digital infrastructure and digital skills to support the digital transition in the government and firms, foster green transition** through energy efficiency improvements and public transportation renovation, and address social and regional inequalities *(Latvia's National Recovery and Resilience Plan).*



Latvia's plan for digitalisation addresses its three major challenges: a lack of skills, limited rural connection, and **a low level of business digitalisation**. Notably, component 2.2 of the plan on **"Digitalisation and innovation of companies"** grants €40 millions as a "support for the **digitisation of processes in commercial activities**" and €20 million for "development of key **digital skills of enterprises**" to the digitalisation end. Further, to the innovation end, more than €24 million is allotted to support start-ups and SMEs launching new products, and €10 million is invested in establishing digital innovation hubs *(Commission Staff Working Document - Latvia's National Recovery and Resilience Plan).*

In the green line, Latvian businesses will benefit from the €121 millions national programme envisaged in the NRRP to increase **corporate energy efficiency**. This fund is planned to be implemented in the form of a combined financial instrument *(Commission Staff Working Document - Latvia's National Recovery and Resilience Plan).*

COVID-19 impact in the country

Latvia's 3.6% GDP shrink in 2020 due to the pandemic was less prominent compared to the EU average. Nonetheless, Latvia's recovery was slow and stretched out over 2021 and 2022, mainly due to low vaccination rates and longstanding lockdowns. The projected 5.6% GDP growth for 2022, however, is expected to halt at around 2% due to Russia's invasion of Ukraine. The 2023 prospect is also no higher than 2.9% GDP growth *(European Semester Report 2022 – Latvia)*.

In response to the economic recession caused by the epidemic, Latvia enacted a significant budgetary support package. The measures were intended to preserve jobs and support the livelihoods of vulnerable people, assist enterprises - mainly SMEs - in covering fixed expenses during closure, and facilitate a quicker economic recovery by increasing investments. In consequence, however, the government deficit grew significantly from 0.6% of GDP in 2019 to 7.3% of GDP in 2021 and is projected to remain at 7.2% of GDP despite the large reduction of COVID-19 support measures *(European Semester Report 2022 - Latvia).*

The retail ecosystem in Lithuania - *Market overview*

European Commission

99.74%

of retail companies are SMEs *(Eurostat)*

38.61%

of the Lithuanian retail workforce works in SMEs *(Eurostat)*

27%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **126,853 people** in Lithuania (10% of the total Lithuanian workforce), generating about **6.6% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **33,382 companies**, accounting for 15% of the total number of Lithuanian companies *(Eurostat).*

99.74% companies in the ecosystem are SMEs, which employ **38.61% of the workforce** and generate **27% of the total added value** of the sector. On top of this, **96.48% of the SMEs are micro-enterprises,** above EU average (93.2%) (*Eurostat).*

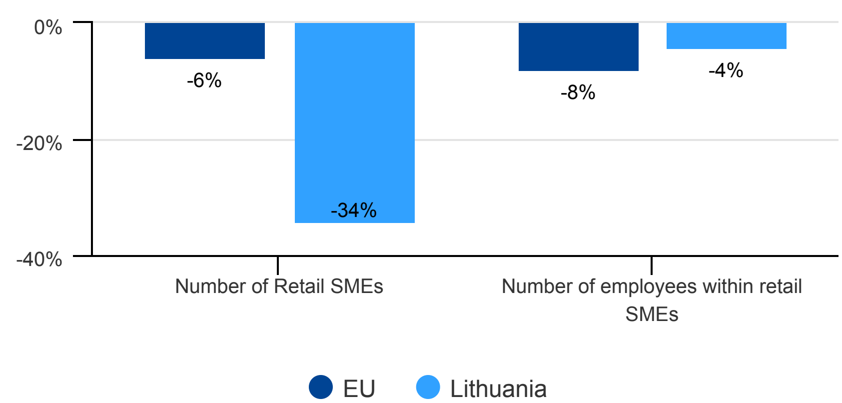
Market dynamics

The total number of retail enterprises decreased by 10% in the period between 2012 and 2019, while the total number of employees decreased by 5.05% for the same period. **Lithuania experienced a negative trend, with a 34% decrease in the total number of SMEs**, while the EU as a whole witnessed a 6% decrease. Regarding employment**, Lithuania had a relatively smaller reduction in the number of employees within SMEs, with a decrease of 4%** compared to the EU's 8% decline. (see Market change figure on the right) *(Eurostat).*

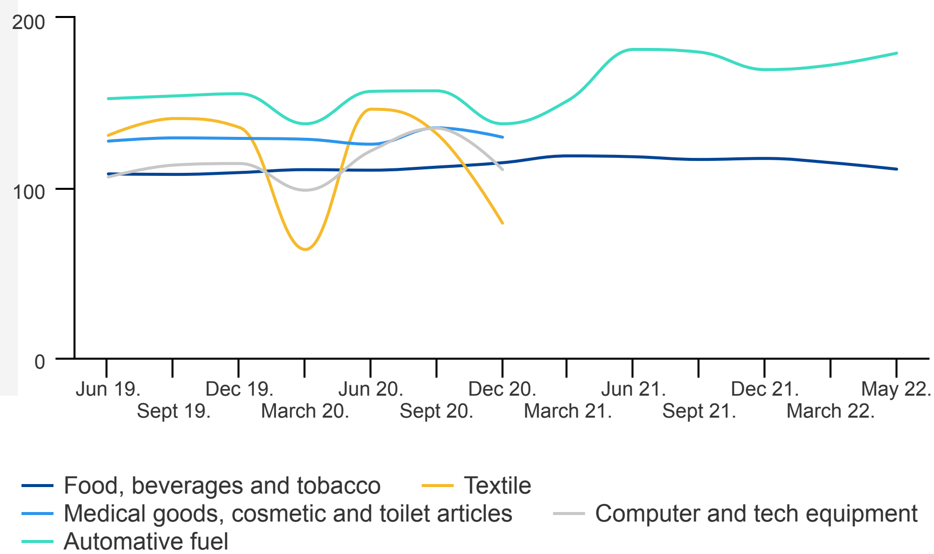
Between June 2019 and December 2019, the turnover of tech equipment increased by 7%, while the turnover for food and other goods remains constant or slightly increased. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food and drinks, slightly decreased (-1%), the turnover of textiles, tech equipment, medical goods and automotive fuel fell by 72%, 28%, 15% and 28% respectively in April 2020 (*Eurostat).*

After the first Covid-19 wave, **the recovery to pre-pandemic levels was reached by July 2020 for all the retail studied goods** (*Eurostat).*

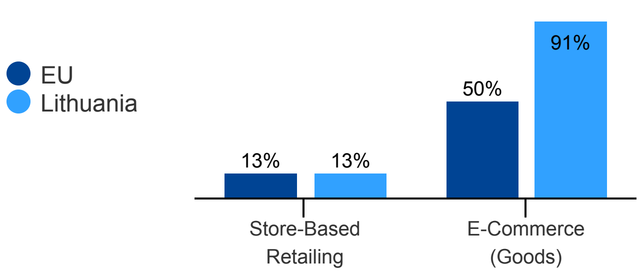
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

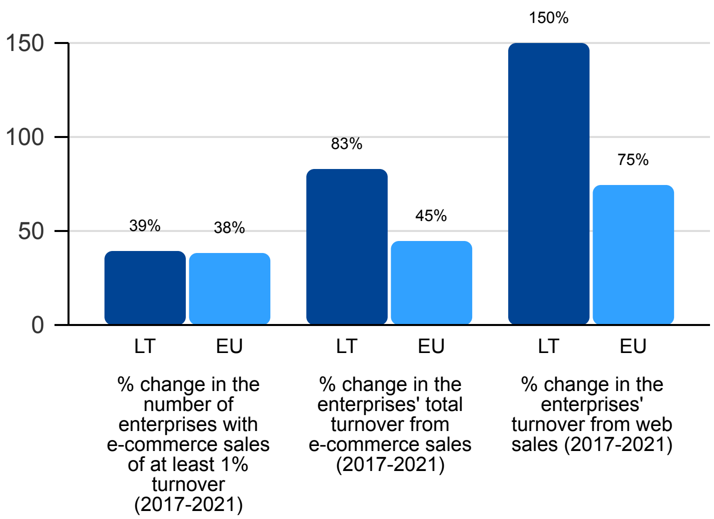


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Lithuanian retailers. Sales through online channels increased by 41% in 2020 and by 74% in 2021, compared to 2019 data. On the other hand, store-based retailing, increased by 1% in 2020 and by 5% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 91% in 2026, compared to 2021, while Lithuanian store-based retailing will grow by 13%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Lithuania - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown as much in Lithuania as in the EU on average. Turnover from web sales has increased 150% between 2017 and 2021 (4% to 10%)*, twice as much as in the EU on average. Enterprises' total turnover from e-commerce sales is also above the average EU growth. These indicators show the progress in the uptake of online sales made by Lithuanian companies over the past years *(Eurostat).*



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, over 31% of Lithuanian SMEs were selling online and over 12% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

Over two thirds of Lithuanian SME retailers **indicated lack of resources**, such as finance, skills, and infrastructure as a barrier to digitalisation. However, only 6% of respondents indicated a lack of IT infrastructure as a barrier which is low in comparison to the EU average of 12% *(Flash Eurobarometer 486).*

Barriers to digitalisation	Lithuania	EU 27
Lack of financial resources	38%	19%
Lack of skills, including managerial skills	21%	16%
Uncertainty about future digital standards	13%	15%
Internal resistance to change	10%	13%
IT security issues	8%	12%
Regulatory obstacles	6%	13%
Lack of IT infrastructure	5%	12%

Sustainability uptake

Lithuanian retail enterprises are changing their business practices to be more sustainable. Among Lithuanian retail SMEs, 53% are already saving materials and consuming less waste in their business. More than half of those who are becoming more sustainable are relying on their own financial resources to be more resource efficient. Yet, 55% of Lithuanian retail SMEs do not offer green products or services and do not plan to do so in the next two years *(Flash Eurobarometer 498).*

53% of retail SMEs are already saving materials, energy or waste to be more resource efficient

15% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

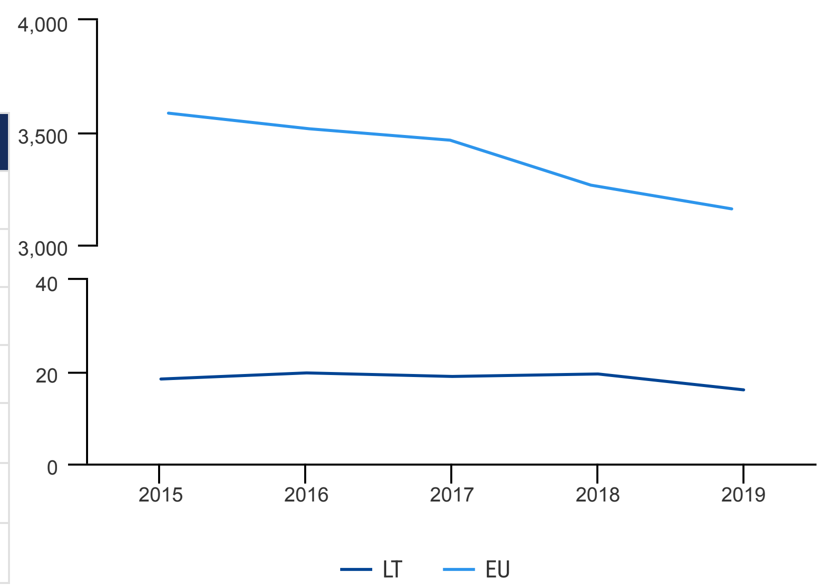
55% of retail SMEs rely on own financial resources to be more resource efficient

55%

of retail SMEs are not offering green products currently and do not plan to do so in the next two years

Analysing air emissions of the Lithuanian retail sector, **we observe a steady decrease** between 2015 and 2019 and overall, an 13% decrease between 2015-2019. This falls in line with the EU emission decrease for the which was 8% *(Eurostat).*

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)

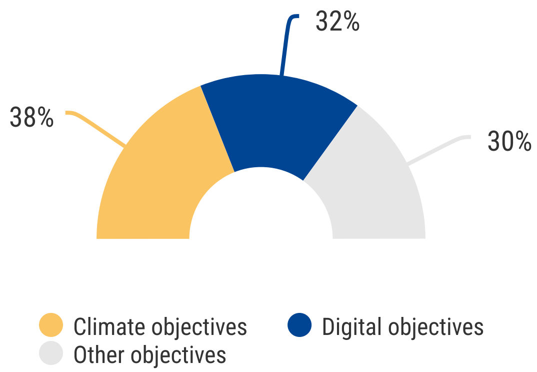


The retail ecosystem in Lithuania - *Background*

National Recovery and Resilience Plan

Lithuania's National Recovery and Resilience Plan (NRRP) is financed by €2.2 billion of EU grants. The plan aims to improve the healthcare system, invest in **renewable energies,** and green transportation, enhance digital skills and **digital infrastructure**, promote education and innovation, reform the tax system, and provide better social protection *(Lithuania's National Recovery and Resilience Plan)*.

Budget allocation in the Lithuanian NRRP



A €15 million grant in Lithuania's NRRP is allotted to support the **development and deployment of digital technologies in businesses**. This innovation grant is expected to contribute to the digital transition in SMEs in Lithuania. Furthermore, to foster green innovation and support the **green start-up ecosystem** in this part, a €5 million grant is included in the plan *(Commission Staff Working Document - Lithuania's National Recovery and Resilience Plan)*.

The other measures in favour of the **twin transition in SMEs** include a nearly €13 million fund to diversify its support measures in favour of entrepreneurship. This is as part of Lithuania's employment support programme with the aim of contributing to the digital and green transformation. Further, to support building competences for the green and digital transformation, €20 million is allotted to support firms holding **apprenticeship programs** *(Commission Staff Working Document - Lithuania's National Recovery and Resilience Plan)*.

COVID-19 impact in the country

Following a slight contraction of less than 1% in 2020, Lithuania's real GDP increased by 5.0% in 2021. **Lithuania's real GDP decreased only marginally** during the pandemic due to its limited reliance on tourism and specialisation in manufacturing products with more resilient demand *(European Semester Report 2022 – Lithuania)*.

In contrast to most EU member states, **Lithuanian SMEs experienced positive employment growth** (1.4%) in 2020. In 2021, Lithuanian SMEs continued to expand rapidly, with value added increasing by 11.2% and employment expanding by 2.1%. The tourism ecosystem, Lithuania's sole ecosystem that had a substantial slump in 2020, recorded 8.7% rise in SME value added in 2021, following a 10.6% decline in 2020. Based on data from early 2022, it was projected that SME value added and SME employment in Lithuania would continue to rise substantially this year, by 9.6% and 3.5%, respectively, but the war in Ukraine will have an impact on these forecasts *(SME Performance Review 2022 - Lithuania)*.

The retail ecosystem in Luxembourg - *Market overview*

European Commission

99.7%

of retail companies are SMEs *(Eurostat)*

34.5%

of the Luxembourgish retail workforce works in SMEs *(Eurostat)*

34%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **27,350 people** in Luxembourg (10% of the total Luxembourgish workforce). Including enterprises of all sizes, the ecosystem is composed of **3,300 companies**, accounting for 9% of the total number of Luxembourgish companies *(Eurostat).*

99.7% companies in the ecosystem are SMEs, which employ **34.5% of the workforce** and **34% of the total added value** of the sector. On top of this, **85.7% of the SMEs are micro-enterprises** *(Eurostat).*

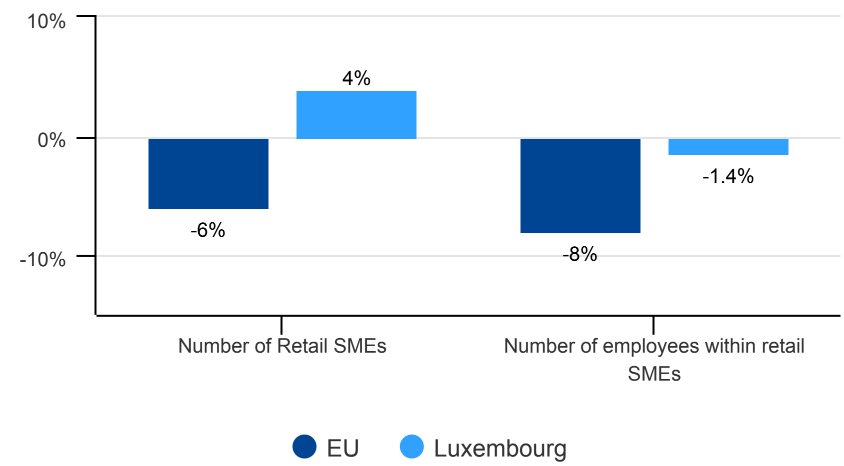
Market dynamics

The total number of retail enterprises increased by 6% in the period between 2012 and 2019, while the total number of employees increased by 13.3% for the same period. **Luxembourg experienced a positive trend, with a 4% increase in the total number of SMEs,** while the EU as a whole witnessed a 6% decrease. Regarding employment, **Luxembourg had a relatively smaller reduction in the number of employees within SMEs, with a decrease of 1.4%** compared to the EU's 8% decline. (see Market change figure on the right) *(Eurostat).*

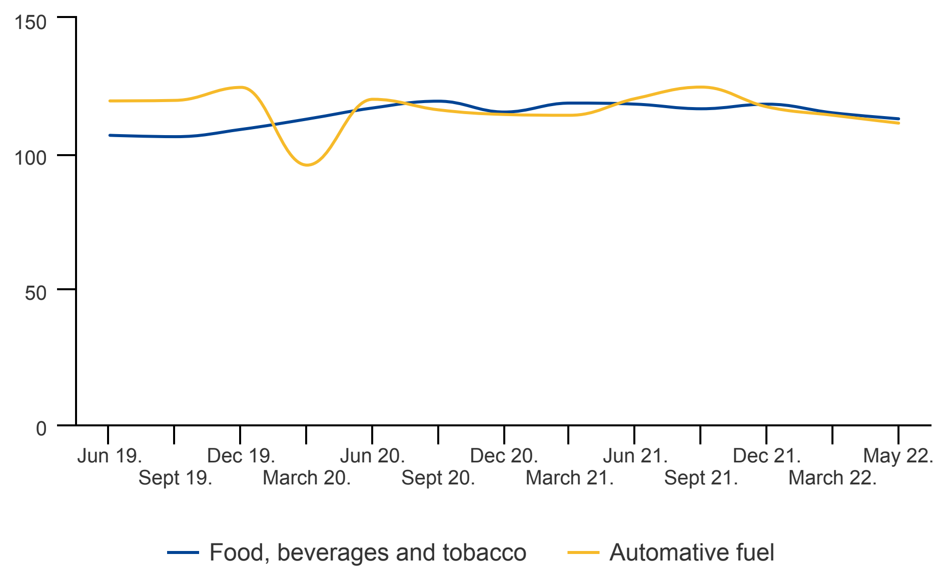
Between June 2019 and December 2019, the turnover of food and fuel retail remained constant or slightly increased. As of March 2020,**the revenue of** essential goods such as food slightly decreased (-6%) and the turnover of fuel fell by 50% in April 2020 *(Eurostat).*

After the first Covid-19 wave, **the recovery to pre-pandemic levels in the retail of fuel** reached its pre-pandemic levels by July 2020. Data from May 2022 (latest data available) shows that Luxembourgish food retailers' turnover recovered to pre-pandemic levels, while fuel retail is still 11% points behind compared to its turnover in December 2019 *(Eurostat).*

Market change during the period between 2012 and 2019 (Eurostat)

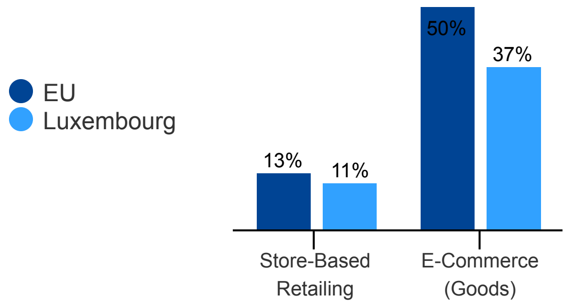


Evolution of retail turnover by product category (Eurostat)



There is no data available for other product categories.

SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

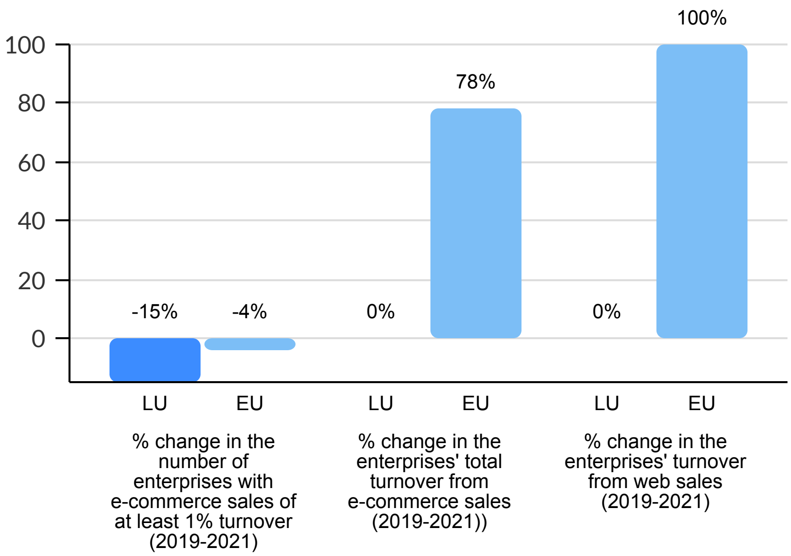


E-commerce sales in Luxembourg are forecasted to grow by 37% in 2026, compared to 2021, while Luxembourgish store-based retailing will grow by 11%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Luxembourg - *Twin Transition*

Digital uptake

The graph below shows that between 2019 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has decreased almost four times as much in Luxembourg as in the EU on average. Also, turnover from web sales has not increased between 2019 and 2021 (remaining at 1%)*. Enterprises total turnover has not increased either. These indicators show the developments in the uptake of online sales by Luxembourgish enterprises over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, only 8% of Luxembourgish SMEs were selling online and 7% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

Nearly one in two Luxembourgish SME retailers indicated as barriers to digitalisation security issues, resistance to change or uncertainty about future standards. It is the only EU country where all categories of barriers have been indicated by over 10% of SMEs *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Luxembourg	EU 27
Internal resistance to change	18%	13%
IT security issues	17%	12%
Uncertainty about future digital standards	14%	15%
Lack of skills, including managerial skills	16%	16%
Lack of financial resources	14%	19%
Lack of IT infrastructure	11%	12%
Regulatory obstacles	11%	13%

Sustainability uptake

Luxembourgish retail enterprises are changing business practices to be more sustainable. Among Luxembourgish retail SMEs, 42% are already saving materials and consuming less waste in their business. 42% of those who are becoming more sustainable are relying on their own technical expertise and financial resources to be more resource efficient. Yet, 56% of Luxembourgish retail SMEs do not offer green products or services and do not plan to do so in the next two years *(Flash Eurobarometer 498)*.

43% of retail SMEs are already saving materials, energy or waste to be more resource efficient

16% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

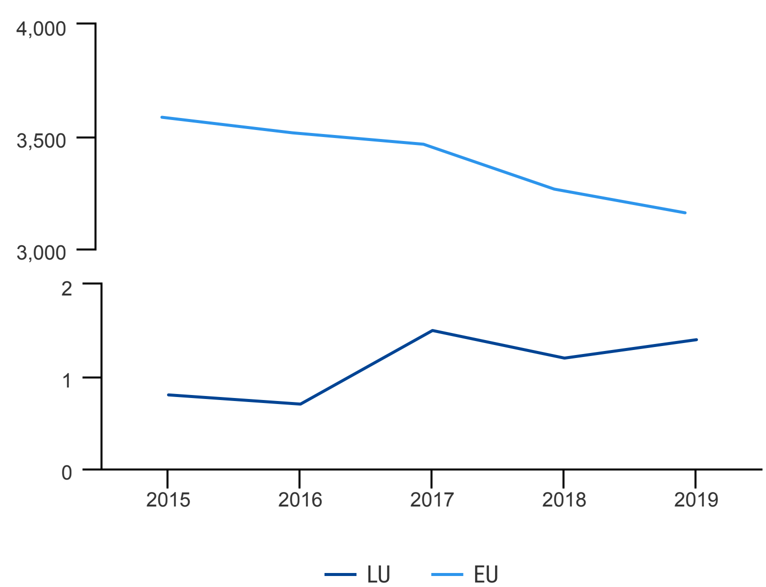
42% of retail SMEs rely on own financial resources to be more resource efficient

56% of retail SMEs are not offering green products and do not plan to do so in the next two years

41% of retail SMEs rely on external advice from public bodies for production of green products/services

Analysing air emissions of the Luxembourgish retail sector, **we observe a large increase** between 2015 and 2019 and overall, a 75% increase. This is the second largest increase of the EU (Estonia's was the largest at 111%). However, Luxembourg has a very low level of particulates at 1.4, while the EU average in 2019 was 117 *(Eurostat)*.

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)

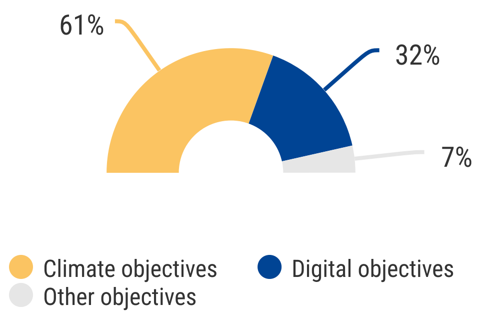


The retail ecosystem in Luxembourg - *Background*

National Recovery and Resilience Plan

Luxembourg's National Recovery and Resilience Plan (NRRP) receives €93.4 millions from the EU. The plan will support **renewable energy** and transportation, biodiversity protection, **digitalisation of government**, and affordable housing. The strategy will train job seekers, part-time workers, and older workers, as well as strengthen the healthcare system's resilience *(Luxembourg's National Recovery and Resilience Plan)*.

Budget allocation in the Luxembourgish NRRP



There are no major components focusing on the twin transition in SMEs in the Luxembourg's NRRP. However, many measures in the plan will have positive spill overs. For instance, the employment component of the plan sets out a reform and two investment plans. The "**Skillsdësch**" reform envisages the development of a skills strategy to promote the acquisition of new skills that meet the requirements of companies and the profiles of the professions of tomorrow. "**FutureSkills**" and "**Digital Skills**" are two investments components with €1.5 millions and €5 millions budgets respectively to support skilling, reskilling, and upskilling for digital and future-oriented employment *(Luxembourg's National Recovery and Resilience Plan)*.

COVID-19 impact in the country

Luxembourg was one of the least affected member states by the economic effects of the COVID-19 crisis. Real GDP declined by 1.3% in 2020 (compared to a 6.1% decline in the EU overall), with GDP exceeding pre-crisis levels in the fourth quarter of 2020. In 2021, Luxembourg recorded an astonishing 6.9% real GDP growth. Job creation continued in 2020, with employment increasing by 2.0% (compared to 3.6% in 2019), mostly due to robust government support *(Commission Staff Working Document - Luxembourg's NRRP)*.

SMEs in Luxembourg experienced strong increase in value added and employment in 2021, with growth rates of 18.0% and 2.4%, respectively. Large firms grew at a somewhat faster pace of 21.7% and 3.0%, respectively. In both 2020 and 2021, the digital ecosystem experienced considerable growth, with SME value added expanding by 8.1% in 2020 and 11.4% in 2021, and SME employment increasing by 2.1% and 3.5%, respectively. Based on statistics from early 2022, it was projected that SME value added and SME employment in Luxembourg would expand by 6.8% and 3.4%, respectively, this year, but the war in Ukraine will have an impact on these forecasts *(SME Performance Review 2022 - Luxembourg)*.

The retail ecosystem in Malta - *Market overview*

European Commission

97%

of retail companies are SMEs *(Eurostat)*

59.74%

of the Maltese retail workforce works in SMEs *(Eurostat)*

45%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **21,049 people** in Malta (8% of the total Maltese workforce), generating about **4.3% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **5,227 companies**, accounting for 16% of the total number of Maltese companies *(Eurostat)*.

97% companies in the ecosystem are SMEs, which employ **59.74% of the workforce** and generate **45% of the total added value** of the sector. On top of this, **93.27% of the SMEs are micro-enterprises, above EU averagare93.27% of the SMEs are micro-enterprises, above EU average (93.2%) (93.2%)** *(Eurostat)*.

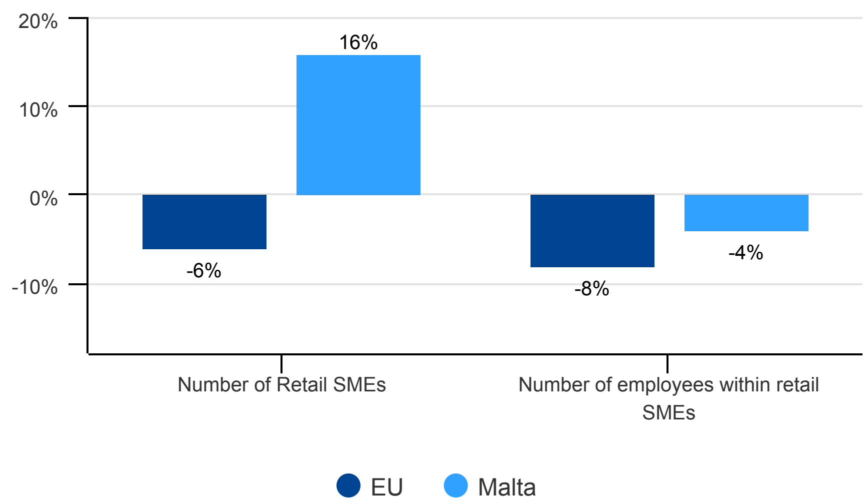
Market dynamics

The total number of retail enterprises decreased by 12% in the period between 2012 and 2019, while the total number of employees increased by 27.7% for the same period. **Malta experienced a positive trend, with a 16% increase in the total number of SMEs**, while the EU as a whole witnessed a 6% decrease. Regarding employment, **Malta had a relatively smaller reduction in the number of employees within SMEs, with a decrease of 4%** compared to the EU's 8% decline. (see Market change figure on the right) *(Eurostat)*.

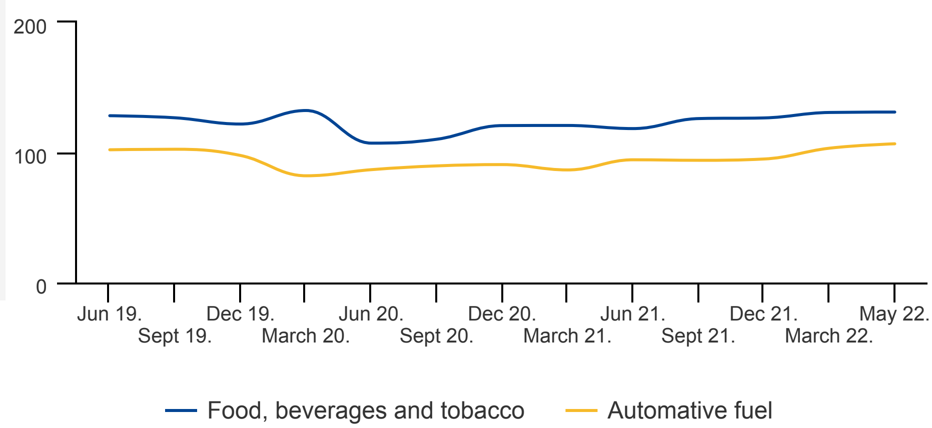
Between June 2019 and December 2019, the turnover of food and fuel retail decreased by 5%, and 4%. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. The turnover of essential goods such as food and drinks decreased by 13% and the turnover of fuel fell by 28% in April 2020 *(Eurostat)*.

After the first Covid-19 wave, **the recovery to pre-pandemic levels of food retail was reached in December 2020, while fuel retail** almost reached its pre-pandemic levels in May 2021. Data from May 2022 (latest data available) shows that Maltese retailers' turnover has already improved pre-pandemic levels, with fuel 9% points ahead and food retail 8% points ahead compared to its turnover in December 2019 *(Eurostat)*.

Market change during the period between 2012 and 2019 (Eurostat)

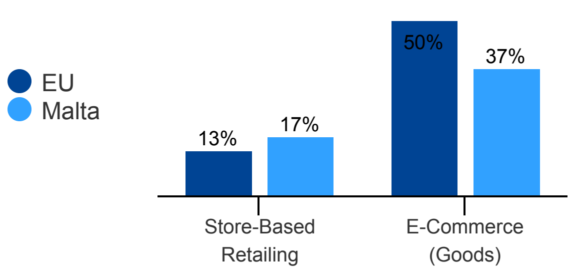


Evolution of retail turnover by product category (Eurostat)



There is no data available for other product categories.

SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)



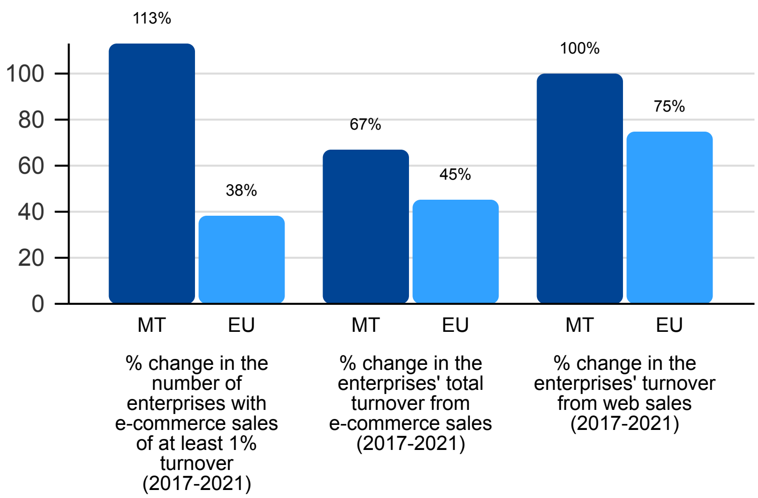
Moreover, e-commerce sales for Maltese retailers are forecasted to grow by 37% in 2026, compared to 2021, while Maltese store-based retailing will grow by 17%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022)*.

The retail ecosystem in Malta - *Twin Transition*

European Commission

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown almost three times as much in Malta as in the EU on average. Turnover from web sales has increased 100% between 2017 and 2021 (2% to 4%)*. Enterprises' total turnover from e-commerce sales have also grown more than the EU average. These indicators show the progress in the uptake of online sales made by Maltese companies over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, almost 30% of Maltese SMEs were selling online and 13% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

Over one in two Maltese SME retailers indicated security issues, resistance to change and uncertainty about future standards as barriers to digitalisation. Only 9% of Malatse SMEs pointed to regulatory obstacles in comparison to 13% in the EU on average *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Malta	EU 27
Lack of skills, including managerial skills	21%	16%
Internal resistance to change	17%	13%
IT security issues	16%	12%
Uncertainty about future digital standards	14%	15%
Lack of financial resources	13%	19%
Lack of IT infrastructure	11%	12%
Regulatory obstacles	9%	13%

Sustainability uptake

Maltese retail enterprises are changing their business practices to be more sustainable. Among Maltese retail SMEs, 43% are already saving materials and consuming less waste in their business. Roughly half of those who are becoming more sustainable are relying on their own financial resources to be more resource efficient. Yet, 53% of Maltese retail SMEs do not offer green products or services and do not plan to do so in the next two years *(Flash Eurobarometer 498)*.

43% of retail SMEs are already saving materials, energy or waste to be more resource efficient

18% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

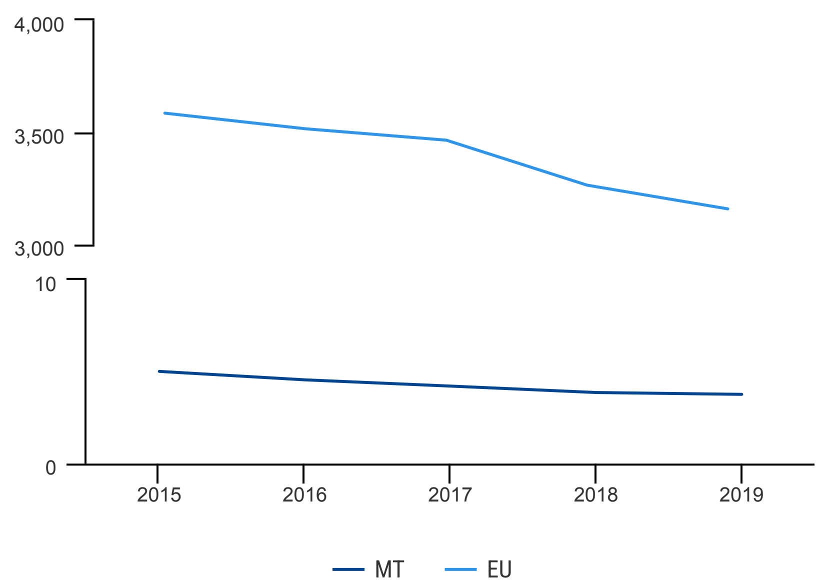
46% of retail SMEs rely on own financial resources to be more resource efficient

53%

of retail SMEs are not offering green products or services and do not plan to do so in the next two years

Analysing air emissions of the Malta retail sector, **we observe a steady decrease** between 2015 and 2019 and overall, a 25% decrease. This falls in line with the EU emission decrease for the sector, however it is twice as large as the average EU decrease of 12% *(Eurostat)*.

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)

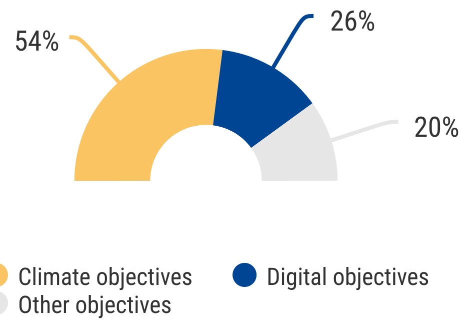


The retail ecosystem in Malta - *Background*

National Recovery and Resilience Plan

Malta plans to execute a €316.4 million NRRP financed by the EU. The plan aims to **stimulate climate neutrality and circular economy transition,** decarbonise the transportation, foster **digital transition,** strengthen the health system, improve the education quality, and improve the institutional framework in Malta *(Malta's National Recovery and Resilience Plan).*

Budget allocation in the Maltese NRRP



The digitalisation component in Malta's NRRP has a budget of circa €55 million. The measures in this component support reforms and investments to stimulate digitalisation in the public and private sector. Particularly, €15 million is allotted to rolling out measures in favour of **digital transformation in the private sector**. As the private sector in Malta is dominated by SMEs, the direct and indirect benefits of the digitalisation measures in the NRRP is expected to bless Maltese SMEs. The green investments in the NRRP, however, are mostly targeted at renovating buildings and expanding renewable energies *(Malta's National Recovery and Resilience Plan)*.

COVID-19 impact in the country

Malta's real GDP fell by more than 8% in 2020, mainly due to the disruption to international tourism and the loss in domestic demand after the pandemic lockdown. **Consumer spending fell by more than 10%, particularly in retail and hospitality**. Investment declined mostly because of a drop in construction. However, the economic impact was minimised by government stimulus programmes designed to soften income shock and support employment. Real GDP growth is forecasted to grow by 4.2% in 2022 *(European Semester Report 2022 - Malta).*

The pandemic led to nearly a **16% decline of value added for SMEs** in Malta. However, this decline was followed by a recovery in 2021 of more than a 13% increase. **SME employment, on the other hand, recorded a nearly 4% increase** in both 2020 and 2021. Based on data from early 2022, it was projected that SME value added and SME employment in Malta would recover rapidly this year, increasing by 18.6% and 4.6%, respectively, but the military intervention against Ukraine will have an impact on these forecasts *(SME Performance Review 2022 – Malta)*.

The retail ecosystem in the Netherlands - *Market overview*

99.88%

of retail companies are SMEs *(Eurostat)*

42.42%

of the Dutch retail workforce works in SMEs *(Eurostat)*

50%

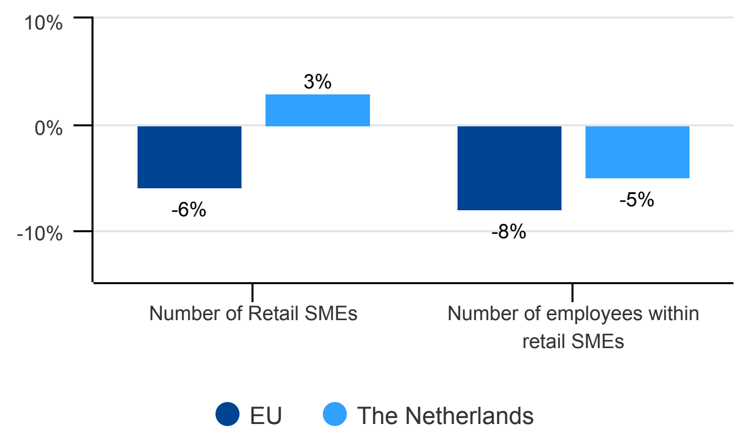
of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **892,688 people** in the Netherlands (11% of the total Dutch workforce), generating about **4.2% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **140,152 companies**, accounting for 11% of the total number of Dutch companies *(Eurostat)*.

99.88% companies in the ecosystem are SMEs, which employ **42.42% of the workforce** and generate **50% of the total added value**of the sector. On top of this, **96.63% of the SMEs are micro-enterprises,** above EU average *(Eurostat)*.

Market change during the period between 2012 and 2019 (Eurostat)



Market dynamics

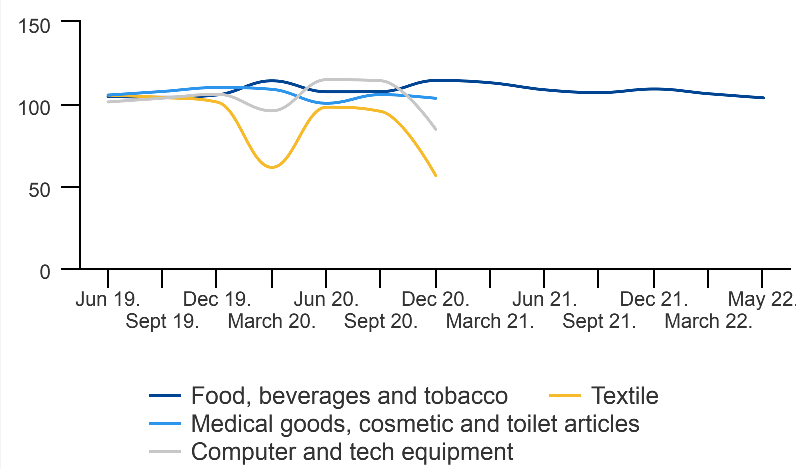
The total number of retail enterprises increased by 41% in the period between 2012 and 2019, while the total number of employees increased by 9% for the same period. **The Netherlands experienced a positive trend, with a 3% increase in the total number of SMEs**, while the EU as a whole witnessed a 6% decrease. Regarding employment, **the Netherlands had a relatively smaller reduction in the number of employees within SMEs, with a decrease of 5%** compared to the EU's 8% decline. (see Market change figure on the right) *(Eurostat)*.

Between June 2019 and December 2019, the turnover of textiles decreased by 4%, while the turnover for food and other goods remains constant or slightly increased.

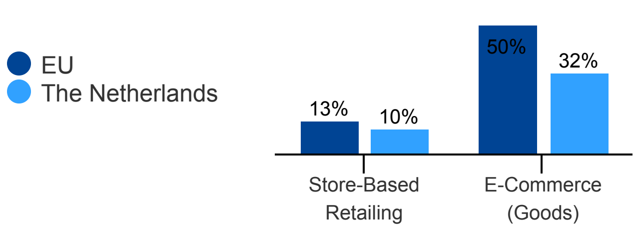
As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food, and drinks slightly increased, the turnover of textiles, tech equipment and medical goods fell by 59%, 11% and 19% respectively in April 2020 *(Eurostat)*.

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which almost reached its pre-pandemic levels by May 2020 *(Eurostat)*.Data from December 2020 (latest data available) shows that Dutch retailers' turnover had not yet recovered to pre-pandemic levels, with retail of computers and other electronic equipment and Textile retail still 20% and 44% points behind, probably because of the second wave that hit European countries in October 2020. Food seems to be the best performing retail business, 8% ahead to its turnover in December 2019 *(Eurostat)*.

Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

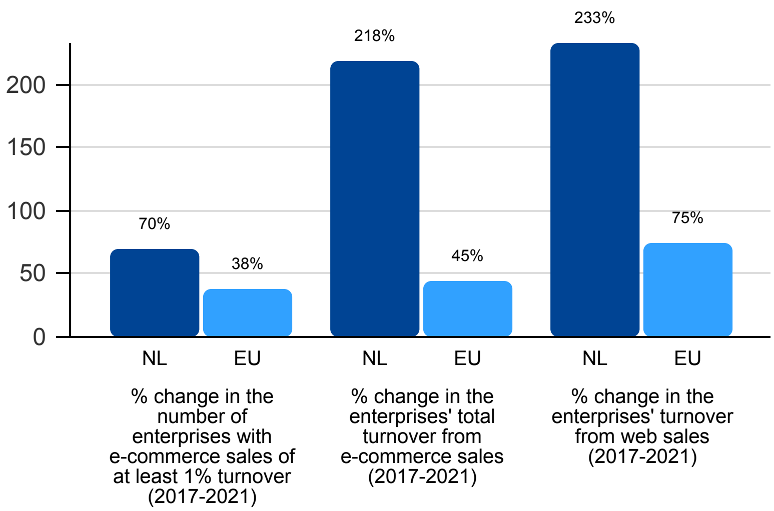


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Dutch retailers. Sales through online channels increased by 44% in 2020 and by 67% in 2021, compared to 2019 data. On the other hand, store-based retailing, increased 3% in 2020 and 7% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 10% in 2026, compared to 2021, while Dutch store-based retailing will grow by 32%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022)*.

The retail ecosystem in Netherlands - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown almost twice as much in the Netherlands as in the EU on average. Also, turnover from web sales has increased 233% between 2017 and 2021 (9% to 30%)*, almost five times as much as in the EU on average. Enterprises' total turnover from e-commerce sales is also well above the average EU growth. These indicators show the progress in the uptake of online sales made by Dutch companies over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, over 24% of Dutch SMEs were selling online and almost 13% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

Nearly one in three Dutch SME retailers **indicated barriers related to framework conditions** such as regulatory obstacles or uncertainty about future digital standards. Only 9% of Dutch SMEs indicated IT infrastructure in comparison to 12% of the EU as a barrier to engage with digitalisation *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Netherlands	EU 27
Lack of skills, including managerial skills	19%	16%
Internal resistance to change	18%	13%
Regulatory obstacles	16%	13%
Uncertainty about future digital standards	15%	15%
IT security issues	12%	12%
Lack of financial resources	10%	19%
Lack of IT infrastructure	9%	12%

Sustainability uptake

Dutch retail enterprises are changing their business practices to be more sustainable. Among Dutch retail SMEs, 37% are already saving materials and consuming less waste in their business. Around half of those who are becoming more sustainable are relying on their own technical expertise and financial resources to be more resource efficient. 58% of Dutch retail SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498)*.

37% of retail SMEs are already saving materials, energy or waste to be more resource efficient

15% of retail SMEs indicated cost of environmental actions as a barrier to be more resource efficient.

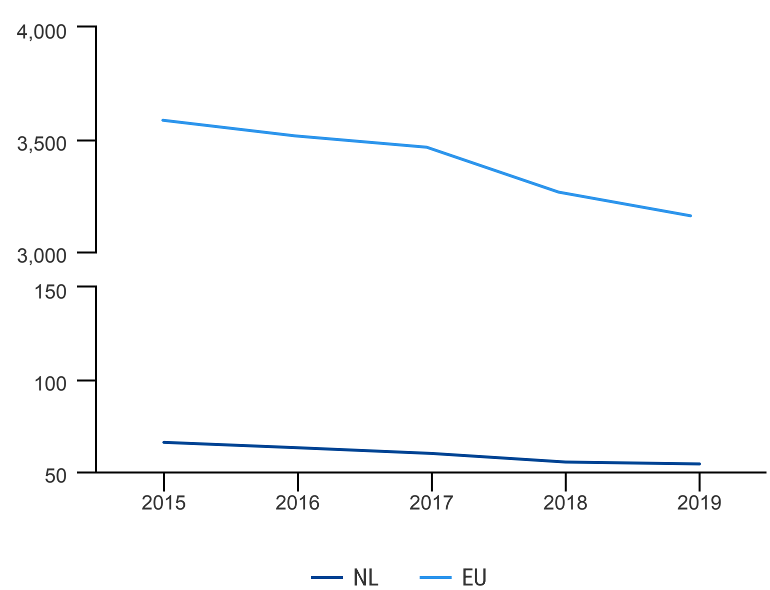
49% of retail SMEs rely on own financial resources to be more resource efficient

58% of retail SMEs are either offering green products currently or planning to in the next two years.

67% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Netherlands retail sector, we **observe a steady decrease** between 2015 and 2019 and overall decrease of 18%. This falls in line with the EU emission decrease for the sector, however, the EU emission decreased slightly less at 12% *(Eurostat)*.

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Netherlands - *Background*

National Recovery and Resilience Plan

Netherlands is entitled to a €4.7 billion EU grant for its National Recovery and Resilience Plan (NRRP). The Dutch plan is organised around six pillars: **encouraging green transition, accelerating digital transformation,** improving the housing market with a focus on building renovation, strengthening the labour market, pensions, and future-oriented education, strengthening the public health sector and pandemic preparedness, and combating aggressive tax planning and money laundering *(European Commission press release)*.

The Dutch NRRP was submitted in May 2022, a year later than most of the other NRRPs. The delay was due to the delays in the formation of a new executive after elections in early 2021. The NRRP is now under assessment, and it still must be approved *(European Commission press release)*

COVID-19 impact in the country

The COVID-19 pandemic has had minimal impact on the Dutch economy. The vaccination program during the first half of 2021 allowed the economy to reopen, and consumer spending quickly increased. Strong exports and positive net trade because of the global trade recovery significantly boosted GDP growth as well. At the same time, supply-side bottlenecks that were mostly brought on by labour shortages and disruptions in the global supply chain hindered investment activity. The Omicron variation in the fourth quarter of 2021 led to increased restrictions, yet overall, 2021 GDP growth was strong, clocking in at 5.0% *(European Semester Report 2022 - Netherlands)*.

Following a decrease of approximately 2% in 2020, SMEs in the Netherlands recovered in 2021, with a rise in value added of nearly 8%. On the other hand, employment in SMEs started to shrink in 2020 and didn’t recover in 2021, with approximately 1% of loss every year. Projections based on 2022 data predict that the Netherlands' SME employment and SME value added will both expand by around 5% and 1% in 2023, however these projections will be impacted by Russia's action against Ukraine *(SME Performance Review 2022 - Netherlands)*.

The retail ecosystem in Poland - *Market overview*

European Commission

99.95%

of retail companies are SMEs *(Eurostat)*

57.54%

of the Polish retail workforce works in SMEs *(Eurostat)*

48%

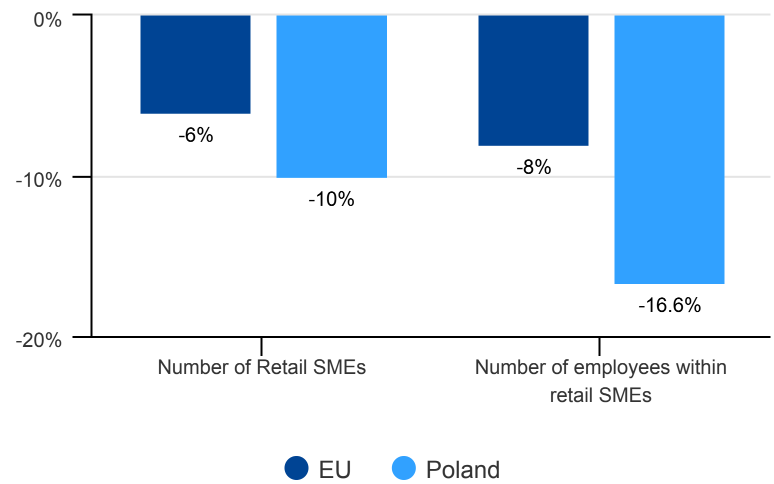
of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **1,254,599 people** in Poland (8% of the total Polish workforce), generating about **7.9% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **286,795 companies**, accounting for 14% of the total number of Polish companies *(Eurostat).*

99.92% companies in the ecosystem are SMEs, which employ **57.54% of the workforce** and generate **48% of the total added value**of the sector. On top of this, **95.91% of the SMEs are micro-enterprises** *(Eurostat)*.

Market change during the period between 2012 and 2019 (Eurostat)



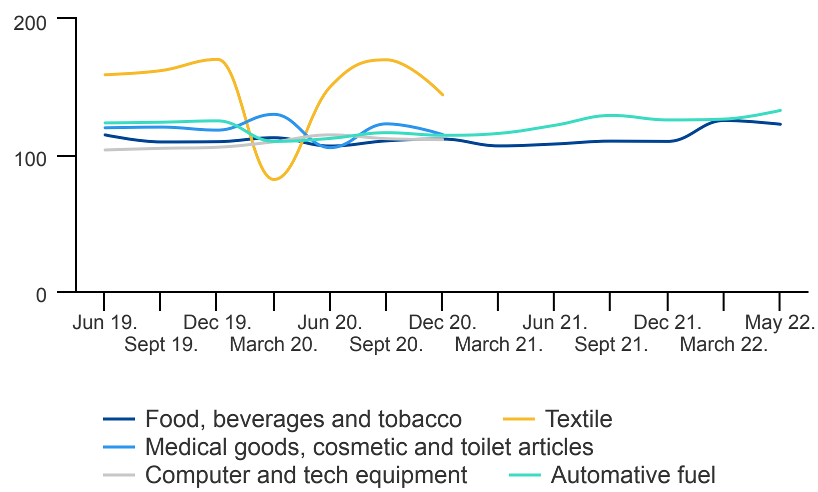
Market dynamics

The total number of retail enterprises decreased by 7% in the period between 2012 and 2019, while the total number of employees decreased by 1.7% for the same period. P**oland experienced a negative trend, with a 10% decrease in the total number of SMEs**, while the EU as a whole witnessed a 6% decrease. **Regarding employment, Poland had a stronger reduction in the number of employees within SMEs, with a decrease of 16.6%** compared to the EU's 8% decline. (see Market change figure on the right) *(Eurostat)*.

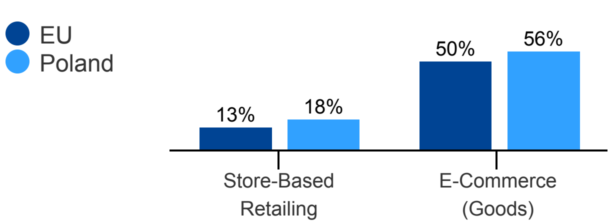
Between June 2019 and December 2019, the turnover of food decreased by 4%, while the turnover for textiles and other goods remains constant or slightly increased. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of goods such as food and drinks; medical and hygienic related products; and tech equipment articles decreased less (-6%, -12% and –9%), the turnover of textiles and automotive fuel fell by 64% and 23% in April 2020 *(Eurostat).*

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which reached its pre-pandemic levels by May 2020. Data from January 2021 (latest data available) shows that Polish retailers' turnover had not yet recovered to pre-pandemic levels, with fuel and textile retail still 8% and 15% points behind respectively. Tech equipment seems to be the best performing retail business, 5% ahead compared to its turnover in December 2019 *(Eurostat).*

Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)



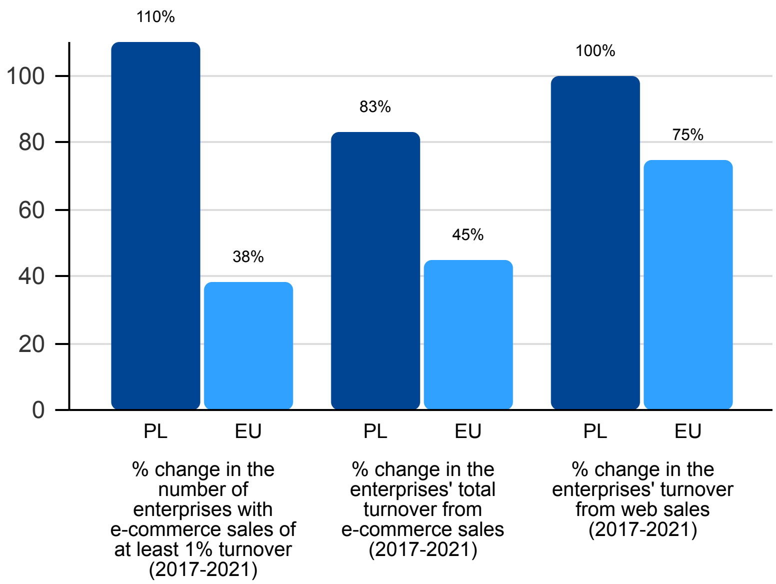
Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Polish retailers. Sales through online channels increased by 55% in 2020 and by 94% in 2021, compared to 2019 data. On the other hand, store-based retailing, decreased 2% in 2020 and increased 3% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 56% in 2026, compared to 2021, while Polish store-based retailing will grow by 18%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Poland - *Twin Transition*

European Commission

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown almost three times as much in Poland as in the EU on average. Also, turnover from web sales has increased 100% between 2017 and 2021 (5% to 10%)*. Enterprises' total turnover from e-commerce sales is also above the average EU growth. These indicators show the progress in the uptake of online sales made by Polish companies over the past years *(Eurostat).*



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, over 13% of Polish SMEs were selling online and over 5% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

Over one in three Polish SME retailers indicated barriers related to framework conditions such as regulatory obstacles or uncertainty about future digital standards. Only 9% of Polish SMEs indicated lack of skills in comparison to the EU average of 16% as a barrier to engage with digitalisation activities *(Flash Eurobarometer 486).*

Barriers to digitalisation	Poland	EU 27
Regulatory obstacles	19%	13%
Uncertainty about future digital standards	18%	15%
Lack of financial resources	18%	19%
IT security issues	13%	12%
Internal resistance to change	12%	13%
Lack of IT infrastructure	12%	12%
Lack of skills, including managerial skills	9%	16%

Sustainability uptake

Polish retail enterprises are changing their business practices to be more sustainable. Among Polish retail SMEs, 52% are already saving materials and consuming less waste in their business. Almost half of those who are becoming more sustainable are relying on their own financial resources to be more resource efficient. 50% of Polish retail SMEs offer green products or services or plan to do so in the next two years *(Flash Eurobarometer 498).*

52% of retail SMEs are already saving materials, energy or waste to be more resource efficient

20% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

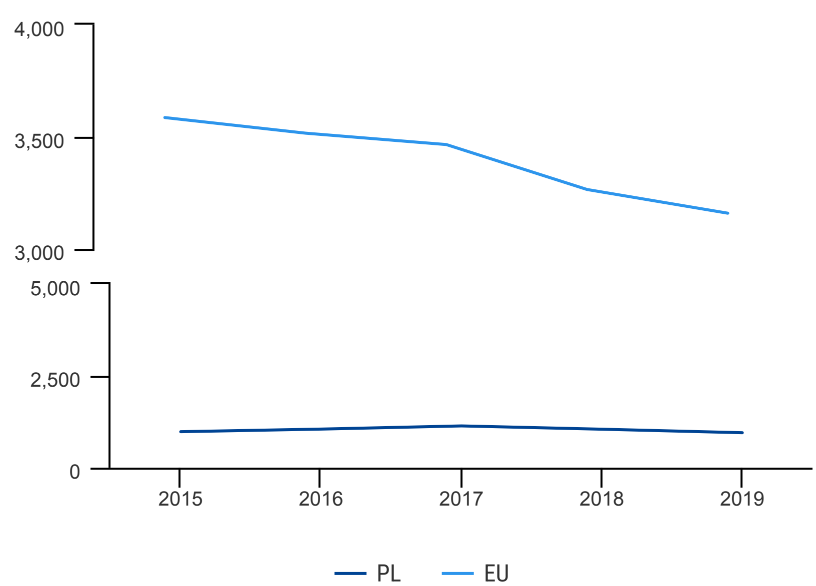
45% of retail SMEs rely on own financial resources to be more resource efficient

50% of retail SMEs are offering products and are planning to do so in the next two years

80% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Polish retail sector, **we observe a steady decrease** between 2015 and 2019 and overall, a 3% decrease between 2015-2019. This falls in line with the EU emission decrease for the sector but the average EU emission decrease was more prominent at a 12% *(Eurostat).*

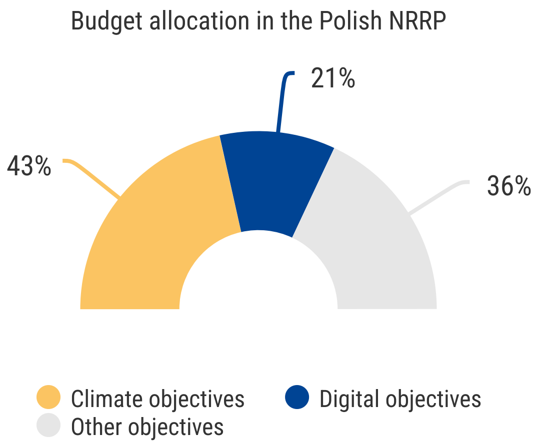
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Poland - *Background*

National Recovery and Resilience Plan

Poland's National Recovery and Resilience Plan (NRRP) adds up to €35.4 billions, financed by €23.9 billion in grants and €11.5 billion in loans. The Polish plan promises to boost the economic development and productivity, **foster digitalisation,** enhance the judicial independence, improve air quality, improve healthcare system, and expand renewable energy sources *(Poland's National Recovery and Resilience Plan).*



A variety of initiatives geared toward SMEs are included in the Polish NRRP and are anticipated to have a long-term effect on the Polish economy, as SMEs account for more than 42% of total employment. SMEs in the **agri-food industry** would notably profit from investments made to boost their competitiveness and accelerate the transition to a greener, more digital economy in their operations. Investments in **reskilling** are expected to assist SMEs in the hospitality, culture, and tourist sectors in the medium term by increasing productivity growth and competitiveness. The NRRP offers financial assistance to SMEs and mid-cap companies to enable them to innovate and develop low-emission transportation and alternative energy solutions *(Commission Staff Working Document - Poland's National Recovery and Resilience Plan).*

SMEs will also profit indirectly from a robust demand drive brought on by other investments and enhanced infrastructure. For instance, it is anticipated that efforts to expand access to **high-speed internet** will help SMEs compete more effectively and foster innovation, especially in rural areas. Overall, the strategy is anticipated to help achieve the new EU **Industrial Strategy**'s goals of increasing strategic autonomy, **supporting the twin transition**, and making EU industry more competitive on a worldwide scale *(Commission Staff Working Document - Poland's National Recovery and Resilience Plan).*

COVID-19 impact in the country

Prior to the crisis, the Polish economy was doing well, with real GDP expanding by 4.7% in 2019 and the unemployment rate reaching all-time lows. **The pandemic caused a 2.2% reduction in GDP in 2020**, as quarantine hindered economic activity and global demand fell. Nonetheless, substantial governmental support and the country's lower reliance on high-risk sectors meant that the impact of the crisis was substantially milder than the EU-wide downturn of 6%. Despite recurring COVID-19 waves and supply chain disruptions, real GDP recovered robustly in 2021, rapidly returning Poland to its pre-pandemic output trend *(European Semester Report 2022 – Poland)*.

In 2020, Polish SMEs faced declines in value added and employment, by 2.7% and 1.4% respectively. However, it didn't take long for them to recover within the next year, reaching 7.9% growth in value added and 2.4% in employment. It is also worth to note that after the pandemic, nearly 70% of Polish companies invested in new hardware and software, in the 2020-2021 period *(SME Performance Review 2022 – Poland)*.

The retail ecosystem in Portugal - *Market overview*

99.95%

of retail companies are SMEs
(Eurostat)

61.83%

of the Portuguese retail workforce works in SMEs *(Eurostat)*

61%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **455,393 people** in Portugal (10% of the total Portuguese workforce), generating about **5.3% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **128,154 companies**, accounting for 14% of the total number of Portuguese companies *(Eurostat)*.

99.93% companies in the ecosystem are SMEs, which employ **61.83% of the workforce** and generate **61% of the total added value**of the sector. On top of this, **96.44% of the SMEs are micro-enterprises,** above EU average (93.2%) *(Eurostat)*.

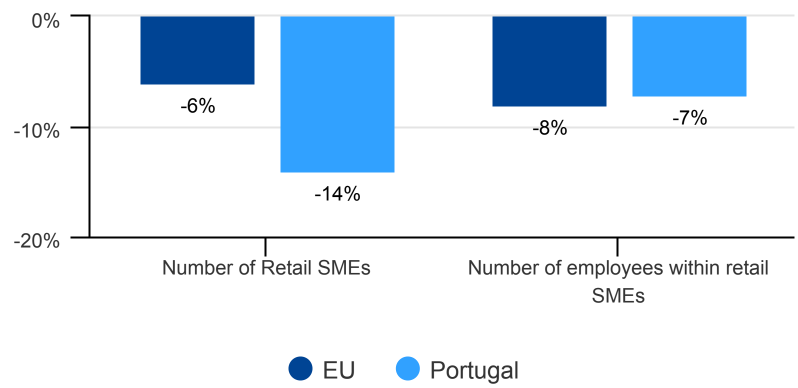
Market dynamics

The total number of retail enterprises decreased by 10% in the period between 2012 and 2019, while the total number of employees increased by 1.8% for the same period. **Portugal experienced a 14% decrease in the total number of SMEs,** in contrast to the EU's 6% decrease overall. In terms of employment, Portugal experienced **a 7% reduction in the number of employees within SMEs**, which is better than the EU average decline of 8%. (see Market change figure on the right) (Eurostat)

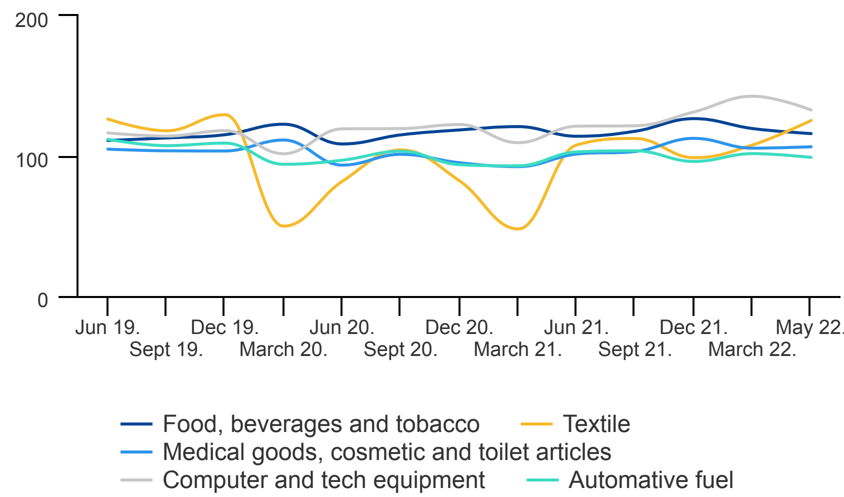
Between June 2019 and December 2019, the turnover of all studied retail goods remained constant or slightly increased. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food and drinks; medical and hygienic related articles slightly decreased (-8% and -14%), the turnover of textiles, tech equipment and automotive fuel fell by 89%, 31% and 38% respectively in April 2020 *(Eurostat)*.

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of computers and other electronic equipment**, which almost reached its pre-pandemic levels by June 2020. Data from May 2022 shows that Portuguese retailers' turnover for some goods has not yet recovered its pre-pandemic levels, with fuel and textile retail still 9% and 3% points behind. Tech equipment seems to be the best performing retail business, 9% ahead compared to its turnover in December 2019 *(Eurostat)*.

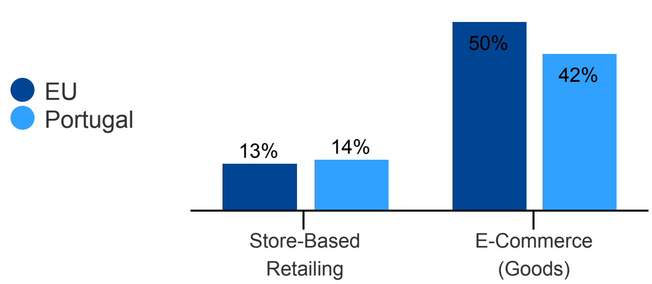
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

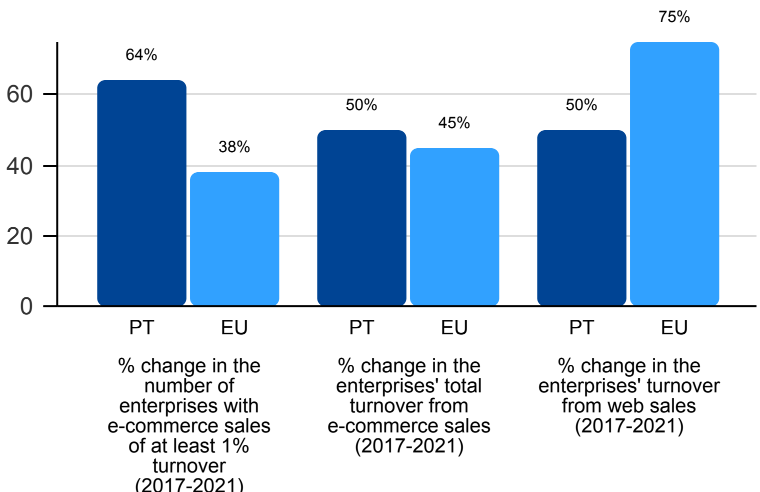


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Portuguese retailers. Sales through online channels increased by 57% in 2020 and by 71% in 2021, compared to 2019 data. On the other hand, store-based retailing, decreased 3% in 2020 and remained constant in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 54% in 2026, compared to 2021, while Portuguese store-based retailing will grow by 14%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022)*.

The retail ecosystem in Portugal - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown almost twice as much in Portugal as in the EU on average. Enterprises' total turnover from e-commerce sales is also above the EU growth. Turnover from web sales has increased 50% during the same period (2% to 3%)*, which is below the EU average growth of 75%. These indicators show the developments in the uptake of online sales made by Bulgarian companies over the past years *(Eurostat)*.



e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)

In 2022, almost 18% of Portuguese SMEs were selling online and 8% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

One in three of Portuguese SMEs retailers indicated barriers related to framework conditions such as regulatory obstacles or uncertainty about future digital standards. Only 5% of Portuguese SMEs indicated IT infrastructure as a barrier to engage with digitalisation activities in comparison to 12% in the EU on average *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Portugal	EU 27
Uncertainty about future digital standards	23%	15%
Lack of financial resources	21%	19%
Internal resistance to change	16%	13%
Regulatory obstacles	14%	13%
IT security issues	11%	12%
Lack of skills, including managerial skills	11%	16%
Lack of IT infrastructure	5%	12%

Sustainability uptake

Portuguese retail enterprises are changing their business practices to be more sustainable. Among Portuguese retail SMEs, 41% are already saving materials and consuming less waste in their business. 43% of those who are becoming more sustainable are relying on their own financial resources to be more resource efficient. Yet, 51% of Portuguese retail SMEs do not offer green products or services and do not plan to do so in the next two years *(Flash Eurobarometer 498)*.

41% of retail SMEs are already saving materials, energy or waste to be more resource efficient

16% of retail SMEs indicated lack of supply of required materials, parts, products or services as a barrier to be more resource efficient.

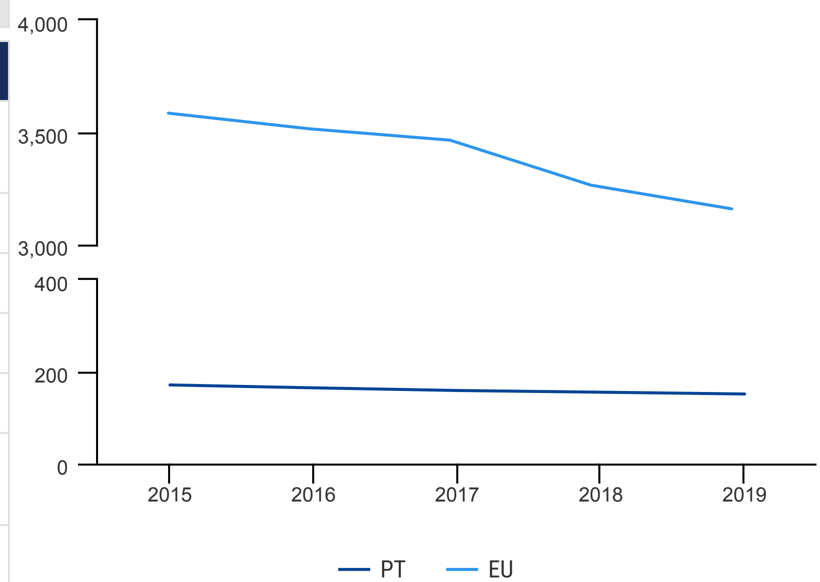
43% of retail SMEs rely on own financial resources to be more resource efficient

51% of retail SMEs are either offering green products currently or planning to in the next two years.

35% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Portuguese retail sector, **we observe a considerable decrease** of 12% in the period between 2015-2019. This falls in line with the average EU emission decrease for the sector which was 12% *(Eurostat)*.

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)

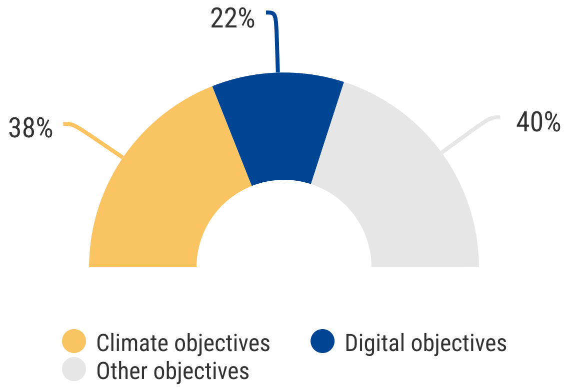


The retail ecosystem in Portugal - *Background*

National Recovery and Resilience Plan

Portugal's National Recovery and Resilience Plan (NRRP) amounts to €16.6 billion, consisting of €13.9 billion in grants and €2.7 billion in loans. The plan is structured around three pillars: resilience, **climate, and digital transition**. There are twenty components with actions to improve the health system, housing, and social cohesion, to promote research and innovation, to support skilling, upskilling, and reskilling, **to foster the transition to a green and circular economy**, to digitalise schools and public sector, and **to assist enterprises in their digital transition** *(Portugal's National Recovery and Resilience Plan)*.

Budget allocation in the Portuguese NRRP



Enterprises 4.0, with a total of €650 millions, is an important component in Portugal's NRRP to **target the low digitalisation of enterprises**, **in particular SMEs.** The actions foreseen in this component include 1) Strengthening of the digital skills of employees in the business sector; **2) Modernisation of the business model of companies and their production processes;** 3) Creation of new digital marketing channels for products and services**; 4) Innovation and incorporation of advanced digital technologies in firms;** and 5) Stimulating digital entrepreneurship *(Commission Staff Working Document - Portugal's National Recovery and Resilience Plan)*.

The components on skills will also facilitate the twin transition for SMEs, including the component "modernisation of vocational education and training institutions" with €521 millions to procure **equipment for digital skills**, €36 millions for "**skills for the green economy**", and €14 millions to "**support digital skills**"*(Commission Staff Working Document - Portugal's National Recovery and Resilience Plan)*.

COVID-19 impact in the country

Prior to the COVID-19 crisis, the Portuguese economy was developing at a solid pace. However, the country's **reliance on tourism** (13% of employment in 2019) made the economy more susceptible to the pandemic, resulting in an **8.4% GDP contraction in 2020**. In 2021, the Portuguese economy expanded by 4.9%, regaining more than half of the output level lost in 2020. As a result of the easing of restrictions, Portugal's high vaccination rates, and the predicted recovery in the export of services spearheaded by the country's sizeable tourism industry, growth is projected to rise to 5.8% in 2022. Moreover, most headline labour market indicators recovered to pre-pandemic levels in 2021 *(European Semester Report 2022 - Portugal)*.

In 2021, **SMEs in Portugal recovered** both in terms of value added and employment, increasing it by 6.2% and 3.6% respectively, following the previous sharp 2020 decline of 11.1% and 4.0% respectively. The State Aid Temporary Framework was one of the main government support measures, for a total budget of €5.2 billions, mainly through **direct grants and liquidity support for SMEs** *(SME Performance Review 2022 - Portugal)*.

The retail ecosystem in Romania - *Market overview*

European Commission

99.95%

of retail companies are SMEs *(Eurostat)*

60.58%

of the Romanian retail workforce works in SMEs *(Eurostat)*

53%

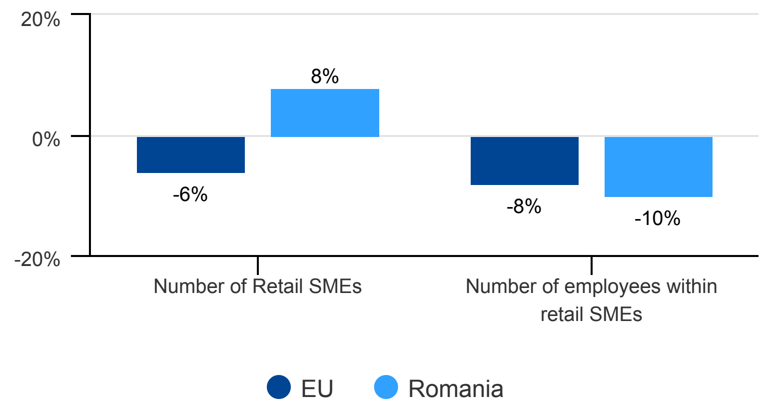
of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **486, 821 people** in Romania (6% of the total Romanian workforce), generating about **6.3% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **100,634 companies**, accounting for 19% of the total number of Romanian companies *(Eurostat).*

99.91% companies in the ecosystem are SMEs, which employ **60.58% of the workforce** and generate **53% of the total added value**of the sector. On top of this, **93.73% of the SMEs are micro-enterprises** *(Eurostat).*

Market change during the period between 2012 and 2019 (Eurostat)



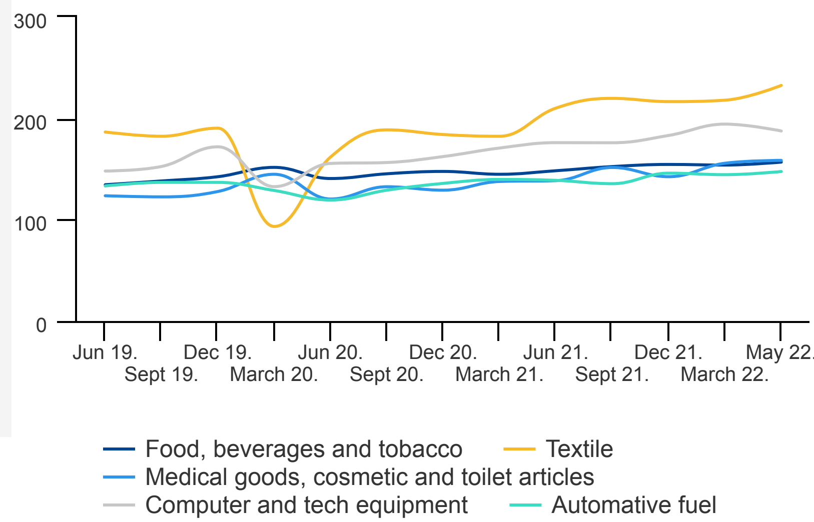
Market dynamics

The total number of retail enterprises decreased by 2% in the period between 2012 and 2019, while the total number of employees increased by 6% for the same period. In terms of the number of SMEs, Romania has seen an 8% increase, outperforming the EU average. However, t**he retail sector in Romania experienced a 10% decrease in the number of employees**, falling slightly below the EU average (see Market change figure on the right) *(Eurostat).*

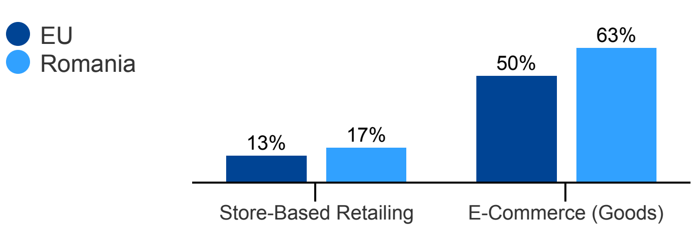
Between June 2019 and December 2019, the turnover of tech computer goods increased by 16%, while the turnover for food and other goods remained constant or slightly increased. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food and drinks; and medical and hygienic related articles slightly decreased (-9% and 2%, respectively), the turnover of textiles, tech equipment and automotive fuel fell by 86%, 45% and 39% in April 2020 *(Eurostat).*

After the first Covid-19 wave, **the recovery to pre-pandemic levels was quicker in the retail of food and computers and other electronic equipment**, which almost reached its pre-pandemic levels by June 2020. Data from May 2022 shows that Romanian retailers' turnover has already recovered to pre-pandemic levels, with medical goods and textile retail 24% and 22% points ahed. Food retail (10%), tech equipment (9%) and fuel (8%) are also ahead compared to its turnover in December 2019 *(Eurostat).*

Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)



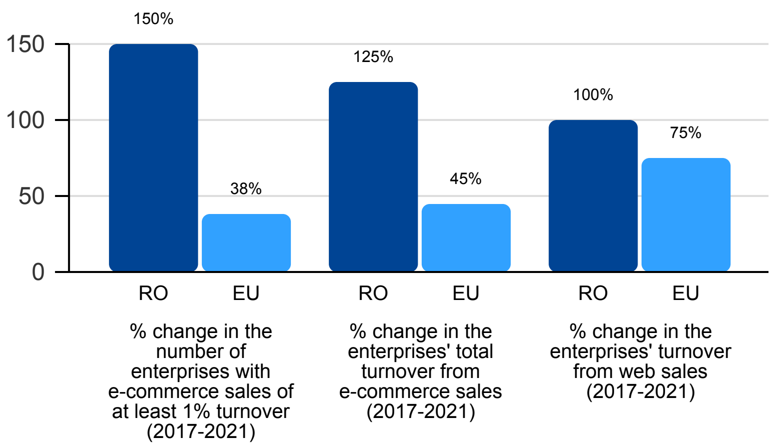
Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Romanian retailers. Sales through online channels increased by 31% in 2020 and by 50% in 2021, compared to 2019 data. On the other hand, store-based retailing, increased 3% in 2020 and 8% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 63% in 2026, compared to 2021, while Romanian store-based retailing will grow by 17%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Romania - *Twin Transition*

European Commission

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown more almost four times as much in Romania as in the EU on average. Also, turnover from web sales has increased 100% between 2017 and 2021 (4% to 8%)*. Enterprises' total turnover from e-commerce sales is also above the average EU growth. These indicators show the progress in the uptake of online sales made by Romanian companies over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, 10% of Romanian SMEs were selling online and 4% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

40% of Romanian SME retailers indicated lack of financial resources as a barrier to digitalisation, which is the highest result for this barrier in the EU. However, internal resistance to change, lack of IT infrastructure, future standards uncertainty and IT security issues are very low in comparison to the EU averages (6%, 6% and 5% in comparison to 15%, 12% and 12% respectively) *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Romania	EU 27
Lack of financial resources	40%	19%
Regulatory obstacles	24%	13%
Lack of skills, including managerial skills	11%	16%
Internal resistance to change	8%	13%
Uncertainty about future digital standards	6%	15%
Lack of IT infrastructure	6%	12%
IT security issues	5%	12%

Sustainability uptake

Romanian retail enterprises are changing their business practices to be more sustainable. Among Romanian retail SMEs, 57% are already saving materials and consuming less waste in their business. Almost half of those who are becoming more sustainable are relying on their own technical expertise and financial resources to be more resource efficient. 60% of Romanian retail SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498)*.

57% of retail SMEs are already saving materials, energy or waste to be more resource efficient

16% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

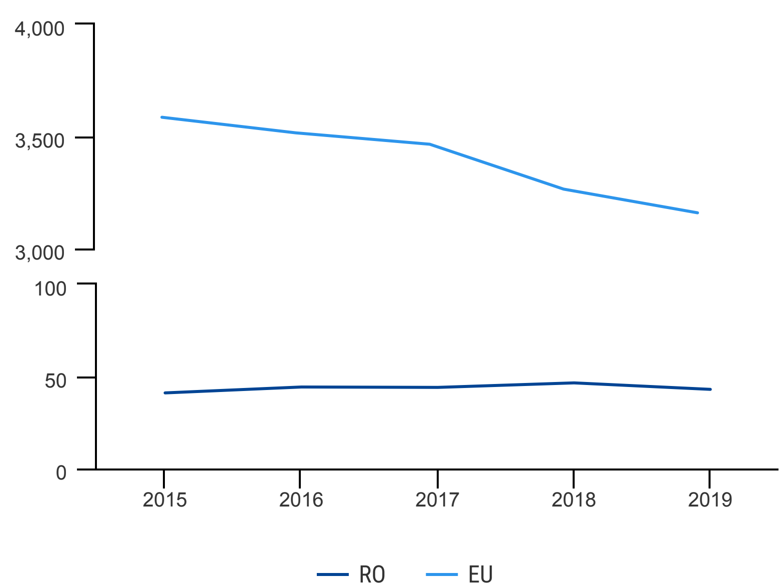
47% of retail SMEs rely on own financial resources to be more resource efficient

60% of retail SMEs are either offering green products currently or planning to in the next two years.

63% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Romanian retail sector, **we observe a slight increase** between 2015 and 2019 and overall, an 5% increase. This goes against the trend of the EU, which fell by 12% overall. However, the Romanian retail sector particulates emission of 43 falls well below the EU average of 117 for particulates in 2019. *(Eurostat)*.

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)

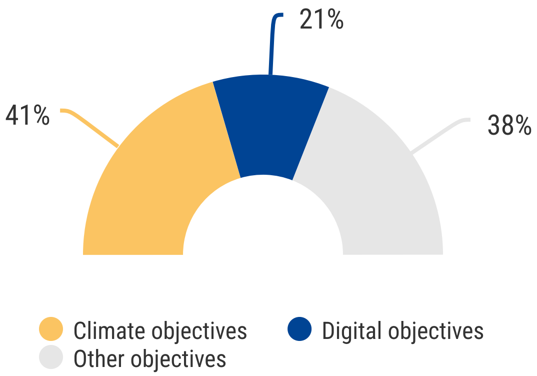


The retail ecosystem in Romania - *Background*

National Recovery and Resilience Plan

Romania's National Recovery and Resilience Plan (NRRP) amounts to €29.2 billion, with roughly equal share dedicated to loans and grants. The plan is as high as 13 % of Romania's 2019 GDP. It aims to tackle long-standing structural challenges hampering Romania's competitiveness through supporting wide-reaching reforms and investments, related to aspects such as: the full digitalisation of the tax administration, ensuring the sustainability and fairness of the public pension system, the reform of the healthcare and education systems**. It also fosters sustainable and digital investments** and supports research and development activities *(Commission's Staff Working Document - Romania's National Recovery and Resilience Plan)*.

Budget allocation in the Romanian NRRP



Component 9 of the Romanian NRRP includes **support to Businesses and R&D&I**, allocating €2.55 billion in loans, especially for the **digitalisation of companies** (€550 million). Moreover, the plan foresees investments for creating a digital platform for providing simplified public services for business including for obtaining licences, and access to finance to SMEs and companies through financial instruments and grants *(Commission's Staff Working Document - Romania's National Recovery and Resilience Plan)*.

The green transition is a significant focus of the NRRP, as climate change objectives account for 41% of the Plan's total allocation. The NRRP foresees reforms and investments to significantly decarbonise the energy and transport sectors, unlock the potential of renewable energies and the energy and resource efficiency of private and public buildings. Sustainable urban mobility and the deployment of charging infrastructures for electric vehicles, climate change adaptation and circular economy are other measures to be implemented as well *(Romanian National Recovery and Resilience Plan)*.

COVID-19 impact in the country

Romania's economy has been navigating the recovery from the COVID-19 crisis with a 5.5% GDP growth in 2021. The country's growth model has mainly been driven by private consumption, while exports of economic goods and services (though slightly rising), have not been surpassing the imports. Although Romania's GDP is expected to grow by 2% in 2022, thanks to foreign direct investments and EU funding, the Ukraine conflict has affected Romania's growth prospects, with rising inflation, rising prices and uncertain economic conditions soon *(European Semester Report 2022 - Romania)*.

The COVID-19 crisis afflicted the SMEs across sectors, which is why the government launched a range of measures to counteract a recession, with the help of EU funding. This included the Coronavirus Response Investment Initiative, with €550 million allocated to immediate business support through non-repayable grants for small enterprises, and a temporary 100% EU financing of cohesion policy measures (€463 million in 2021). The national guarantee fund for SMEs was also mandated by the government to provide **easier access to loans for SMEs** *(European Semester Report 2022 - Romania).*

The retail ecosystem in Slovakia - *Market overview*

European Commission

99.95%

of retail companies are SMEs *(Eurostat)*

63.3%

of the Slovak retail workforce works in SMEs *(Eurostat)*

52%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **60,165 people** in Slovakia (7% of the total Slovak workforce), generating about **4.9% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **56,213 companies**, accounting for 11% of the total number of Slovak companies *(Eurostat)*.

99.88% companies in the ecosystem are SMEs, which employ **63.3% of the workforce** and generate **52% of the total added value**of the sector. On top of this, **97.72% of the SMEs are micro-enterprises** *(Eurostat)*.

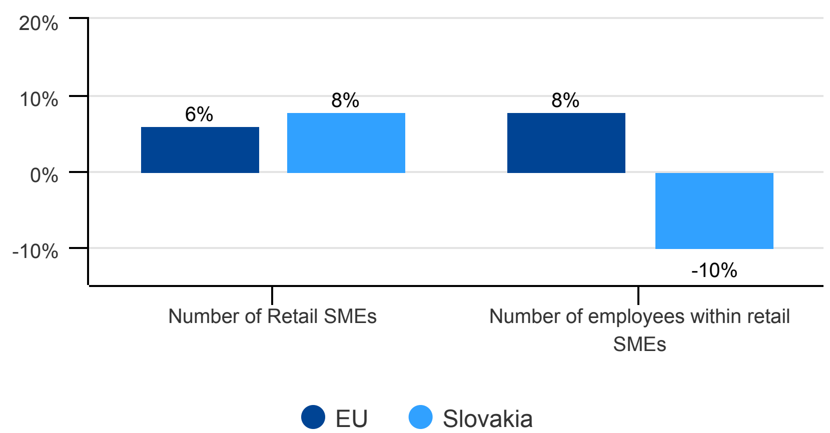
Market dynamics

The total number of retail enterprises decreased by 3% in the period between 2012 and 2019, while the total number of employees decreased by 10.2% for the same period. **Slovakia experienced a 7% decline in the number of SMEs in the retail sector,** a trend that is less significant compared to the EU average. **Regarding employment, Slovakia experienced a 12.3% drop in the number of employees,** resulting in a lower employment level in this sector compared to the EU average(see Market change figure on the right) *(Eurostat)*.

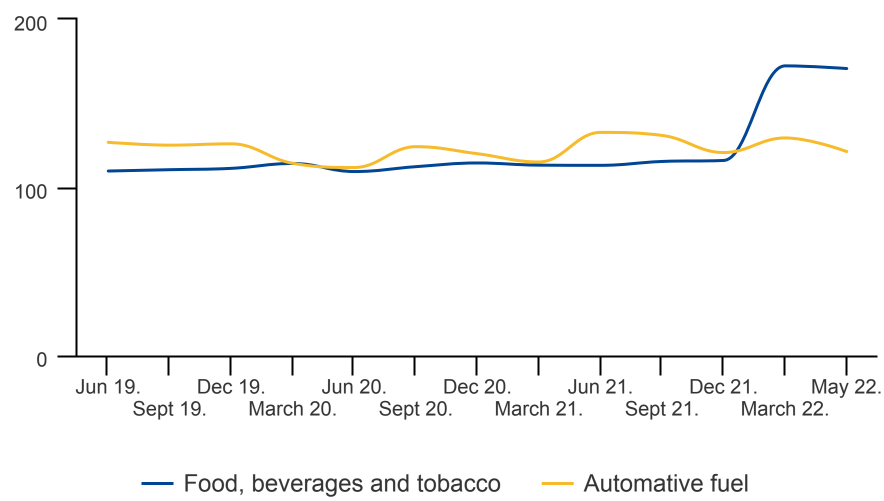
Between June 2019 and December 2019, the turnover of food and fuel retail remained constant. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. The turnover of essential goods such as food and drinks increased by 2% while the turnover of fuel fell by 18% in April 2020 *(Eurostat)*.

After the first Covid-19 wave, **the recovery to pre-pandemic levels of fuel retail was reached in September 2020.** Data from May 2022 (latest data available) shows that Slovak food retailers' turnover has already improved pre-pandemic levels by 54%, however fuel retail is still 4% points behind compared to its turnover in December 2019 *(Eurostat)*.

Market change during the period between 2012 and 2019 (Eurostat)

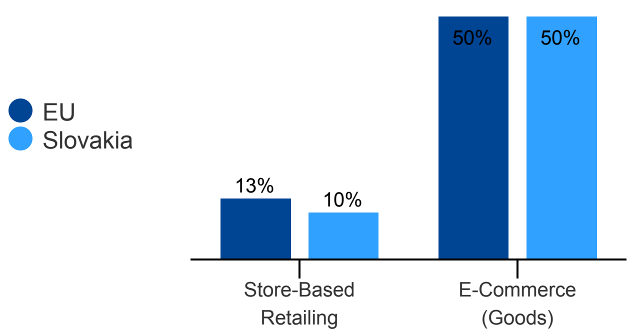


Evolution of retail turnover by product category (Eurostat)



There is no data available for other product categories.

SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)



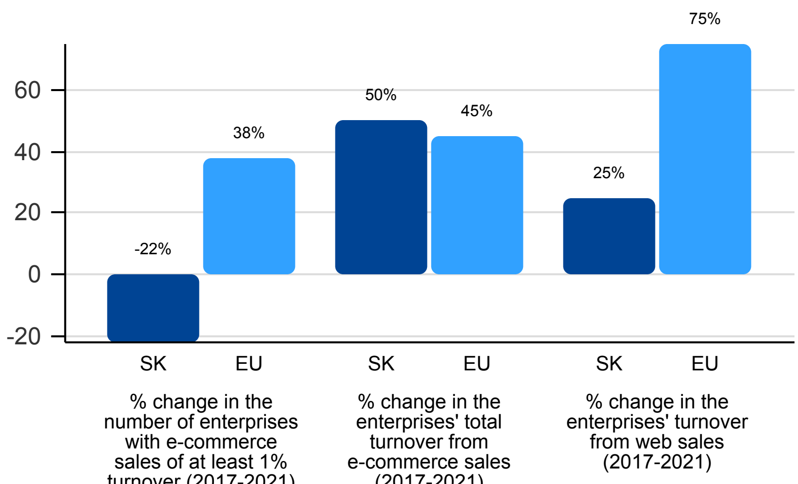
Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Slovak retailers. Sales through online channels increased by 29% in 2020 and by 54% in 2021, compared to 2019 data. On the other hand, store-based retailing, decreased 1% in 2020 and increased 8% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 50% in 2026, compared to 2021, while Slovak store-based retailing will grow by 15%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022)*.

The retail ecosystem in Slovakia - *Twin Transition*

European Commission

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has decreased by almost a quarter in Slovakia. However, turnover from web sales has increased 25% between 2017 and 2021 (4% to 5%)*, which is still only a third of EU average growth. Enterprises' total turnover from e-commerce sales is the only indicator that falls above the EU growth. These indicators show the developments in the uptake of online sales by Slovak companies over the past years *(Eurostat)*.



e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)

In 2022, 14% of Slovak SMEs were selling online and over 6% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

Over half of Slovak SME retailers indicated **barriers related to resources** such as finance, IT infrastructure or skills as a barrier to digitalisation. Only 8% of Slovak SMEs indicated future digital standards as a barrier to engage with digitalisation activities in comparison to 15% in the EU on average (*Flash Eurobarometer 486*).

Barriers to digitalisation	Slovakia	EU 27
Lack of financial resources	25%	19%
IT security issues	17%	12%
Lack of skills, including managerial skills	16%	16%
Regulatory obstacles	10%	13%
Lack of IT infrastructure	15%	12%
Internal resistance to change	10%	13%
Uncertainty about future digital standards	8%	15%

Sustainability uptake

Slovak retail enterprises are changing their business practices to be more sustainable. Among Slovak retail SMEs, 51% are already saving materials and consuming less waste in their business. Almost half of those who are becoming more sustainable are relying on their own technical expertise and financial resources to be more resource efficient. 50% of Slovak retail SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498)*.

19% of retail SMEs indicated complexity of administrative or legal procedures as a barrier to be more resource efficient.

51% of retail SMEs are already saving materials, energy or waste to be more resource efficient

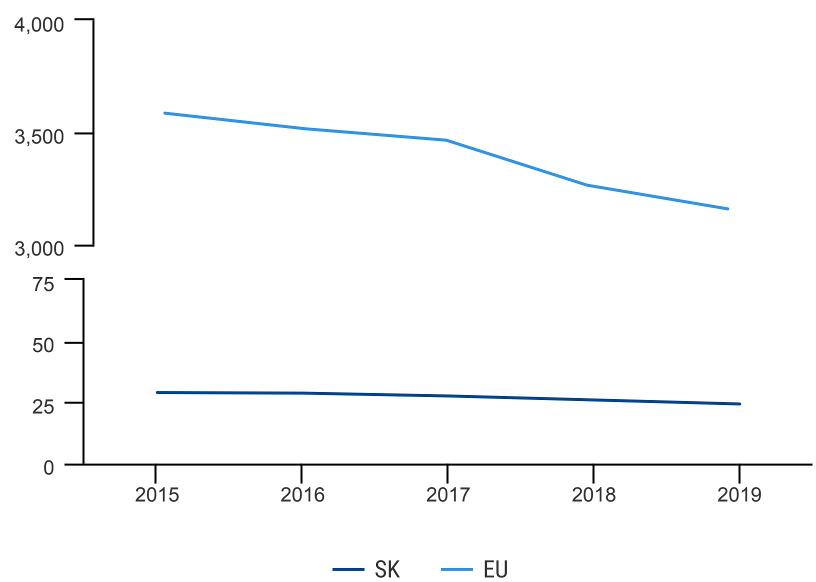
47% of retail SMEs rely on own financial resources to be more resource efficient

50% of retail SMEs are either offering green products currently or planning to in the next two years

51% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Slovak retail sector, we observe a considerable decrease of 20% in the period between 2015 and 2019. This falls in line with the EU emission decrease for the sector, however, the EU emission decreased less at 12% *(Eurostat)*.

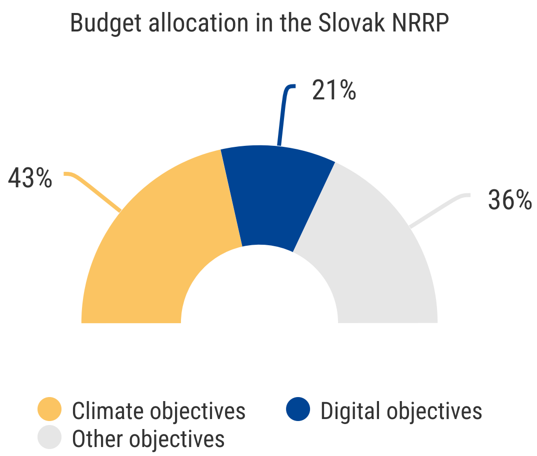
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Slovakia - *Background*

National Recovery and Resilience Plan

Slovakia's National Recovery and Resilience Plan (NRRP) will be financed by €6.3 billion in grants. The plan consists of 18 components in five areas: **the green economy**, education, research and innovation, health, **and public administration digitalisation**. It aims to improve healthcare services across the country, reform and digitalise government, protect the environment through large-scale building renovations, greener transportation, and improve education *(Slovakia's National Recovery and Resilience Plan)*.



Slovakia's digital measures are established upon the **Slovak Digital Transformation Strategy 2030**. **A new, more effective digital transformation governance model should promote the growth of the digital ecosystem.** Investments will be made to assist the development and implementation of innovative digital technologies, with the goal of completing technology-oriented competence centres and collaboration platforms. Slovak enterprises, particularly SMEs, will be encouraged to digitise through "voucher" schemes (e.g., **digital and innovation vouchers**) and supported by **Digital Innovation Hubs (DIHs) projects** linked to the EU Digital Innovation Hubs (EDIHs) network. The emphasis on developing digital skills and expertise among businesses, notably SMEs, will help Slovakia adapt to changing production processes in both the industrial and service sectors *(Commission Staff Working Document - Slovakia's National Recovery and Resilience Plan)*.

What is more, investments, notably in the construction and service sectors, will provide a strong demand drive that will be especially beneficial to Slovak SMEs. An important portion of the investment will be invested in **green building renovation**, which should aid in reviving the construction industry, which has been severely impacted by COVID-19. It should generate new jobs, including local jobs, that are especially relevant for SMEs. Furthermore, the **transformation of the automobile industry** to higher value-added alternatives will also be aided by the new infrastructure for alternative fuels, boosting the local manufacturing sector along the entire supply chain *(Commission Staff Working Document - Slovakia's National Recovery and Resilience Plan)*.

COVID-19 impact in the country

The economy of Slovakia has weathered the COVID-19 quite well, despite the stalling recovery and rising inflationary pressures. Following a steep decline in real GDP in 2020, economic activity rebounded in 2021. However, the recovery stalled at the end of the year because of another wave of COVID-19 infections and worldwide supply bottlenecks, which negatively impacted Slovakia's export-heavy industrial sector. The Russian invasion of Ukraine is anticipated to further cloud the economic outlook in the next years, reducing forecast annual GDP growth to 2.3% in 2022 and 3.6% in 2023 as rising energy and commodity prices raise production costs and diminish consumer purchasing power *(European Semester Report 2022 - Slovakia)*.

The value added of Slovakian SMEs expanded by 3.6% in 2021, while employment fell by 0.1%. Significantly greater rise in value added was achieved by large companies (13%), but they also faced a faster decline in employment (2.8%). Based on data from the beginning of 2022, it was anticipated that SME value added and SME employment in Slovakia would increase by 12.3% and 2.5%, respectively, this year, but Russia's war of aggression against Ukraine will alter these projections *(SME Performance Review 2022 - Slovakia)*.

The retail ecosystem in Slovenia - *Market overview*

European Commission

99.95%

of retail companies are SMEs *(Eurostat)*

40.13%

of the Slovenian retail workforce works in SMEs *(Eurostat)*

45%

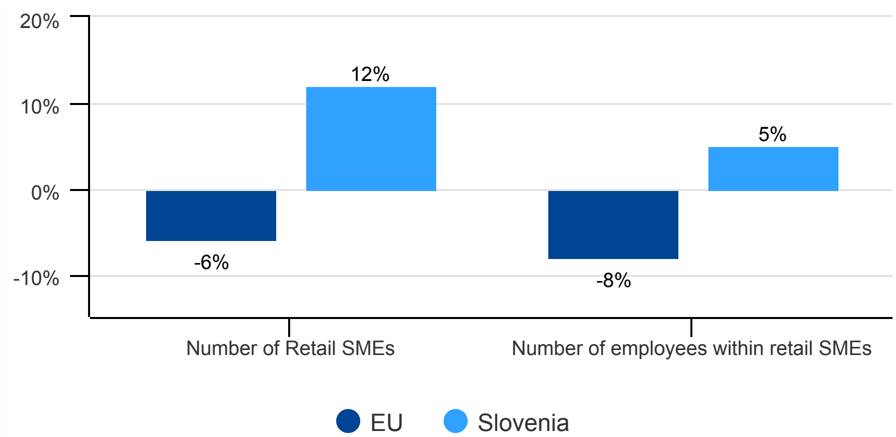
of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **337,243 people** in Slovenia (7% of the total Slovenian workforce), generating about **3.3% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **53,751 companies**, accounting for 8% of the total number of Swedish companies *(Eurostat)*.

99.77% companies in the ecosystem are SMEs, which employ **40.13% of the workforce** and generate **45% of the total added value** of the sector. On top of this, **93.07% of the SMEs are micro-enterprises** *(Eurostat)*.

Market change during the period between 2012 and 2019 (Eurostat)



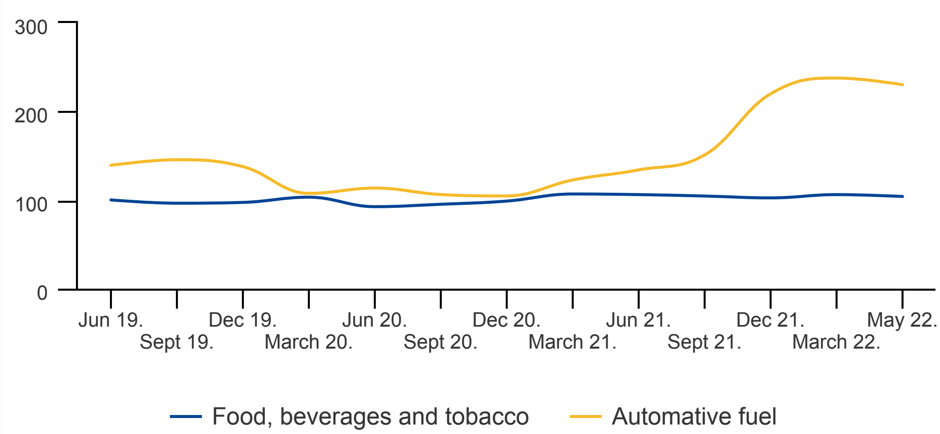
Market dynamics

The total number of retail enterprises increased by 4% in the period between 2012 and 2019, while the total number of employees increased by 9.3% for the same period. **Slovenia experienced a positive trend, with a 12% increase in the total number of SMEs**, outperforming the EU average. Regarding employment, Slovenia saw a more **substantial growth in the number of employees within SMEs, with an increase of 5% compared to the EU's** average (see Market change figure on the right) *(Eurostat)*.

Between June 2019 and December 2019, the turnover of food and fuel retail remained constant. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. The turnover of essential goods such as food and drinks increased by 2% while the turnover of fuel fell by 18% in April 2020 *(Eurostat)*.

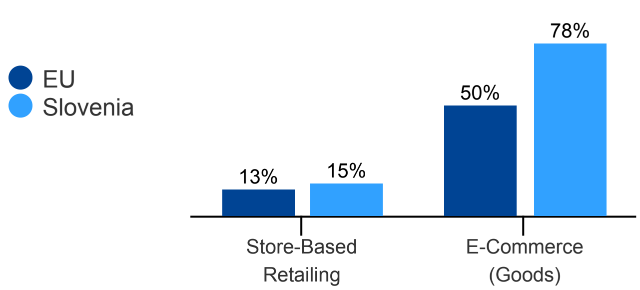
After the first Covid-19 wave, **the recovery to pre-pandemic levels of fuel retail was reached in September 2020.** Data from May 2022 (latest data available) shows that Slovenian food retailers' turnover has already improved its pre-pandemic levels by 54%, however fuel retail is still 4% points behind compared to its turnover in December 2019 *(Eurostat)*.

Evolution of retail turnover by product category (Eurostat)



There is no data available for other product categories.

SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

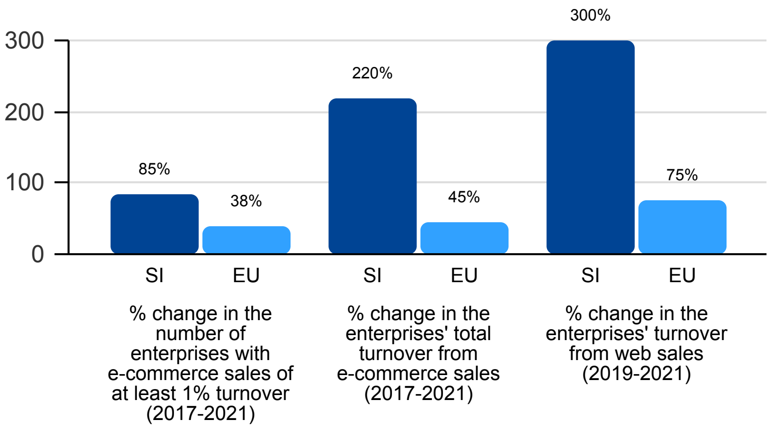


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Slovenian retailers. Sales through online channels increased by 55% in 2020 and by 108% in 2021, compared to 2019 data. On the other hand, store-based retailing, decreased 3% in 2020 and increased 5% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 78% in 2026, compared to 2021, while Slovenian store-based retailing will grow by 15%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022)*.

The retail ecosystem in Slovenia - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown more than twice as much in Slovenia as in the EU on average. Also, turnover from web sales has increased 300% between 2019 and 2021 (2% to 8%)*. Enterprises' total turnover from e-commerce sales has also increased almost five times as much as the EU growth. These indicators show the progress in the uptake of online sales made by Slovenian companies over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, 19% of Slovenian SMEs were selling online and 13% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

Over 40% of Slovenian SME retailers indicated barriers related to resources such as skills, finance, and IT infrastructure. Only 8% of Slovenian SMEs indicated regulatory obstacles as a barrier to engage with digitalisation activities in comparison to 13% in the EU on average. However, response rates were low so results could be biased *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Slovenia	EU 27
Lack of skills, including managerial skills	17%	16%
Internal resistance to change	17%	13%
Uncertainty about future digital standards	16%	15%
Lack of financial resources	16%	19%
IT security issues	14%	12%
Lack of IT infrastructure	13%	12%
Regulatory obstacles	8%	13%

Sustainability uptake

Slovenian retail enterprises are changing their business practices to be more sustainable. Among Slovenian retail SMEs, 38% are already saving materials and consuming less waste in their business. 44% of those who are becoming more sustainable are relying on their own technical expertise and financial resources to be more resource efficient. 58% of Slovenian retail SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498)*.

38% of retail SMEs are already saving materials, energy or waste to be more resource efficient

15% of retail SMEs indicated lack of supply of required materials, parts, products or services as a barrier to be more resource efficient.

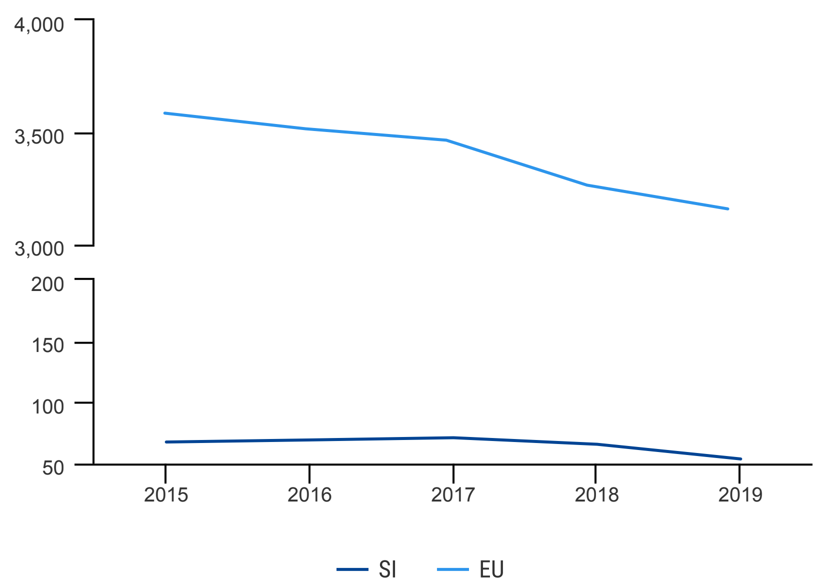
44% of retail SMEs rely on own financial resources to be more resource efficient

58% of retail SMEs are either offering green products currently or planning to in the next two years.

64% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Slovenian retail sector, **we observe a considerable decrease of 16%** in the period between 2015 and 2019. This falls in line with the EU emission decrease for the sector, however, the EU emission was less prominent, at 12% (Eurostat).

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)

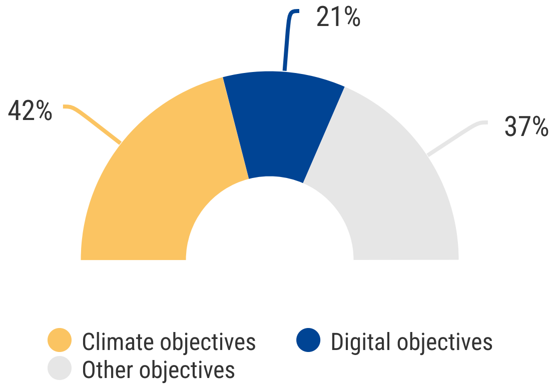


The retail ecosystem in Slovenia - *Background*

National Recovery and Resilience Plan

The €2.5 billion Slovenian National Recovery and Resilience Plan (NRRP) includes €1.8 billion in EU funding and €705 million in loans. The plan from Slovenia will aid in the decarbonisation of the construction, energy, and transportation sectors. It will also **promote digitalization and digital skills** and lead to significant changes in the long-term care, health, and pension systems. Additionally, it will help corporate research and innovation and enhance the business environment *(Slovenia's National Recovery and Resilience Plan)*.

Budget allocation in the Slovenian NRRP



A number of measures in the Slovenian NRRP **directly targets twin transition in SMEs**: To facilitate the digital transformation, the component "**Digital transformation of the economy**" has allotted €34 million for industries and €10 million are dedicated to SMEs. Also, more than €10 million is dedicated to support "**environmentally-friendly production processes and resource efficiency in SMEs**" as part of the "**integrated strategic project for the decarbonisation of Slovenia through the transition to a circular economy**". Moreover, the €121 million fund "Providing innovative ecosystems of economic and business infrastructure: SMEs" aims to provide different forms of **business support to SMEs**, including business model verification, IT platform design, pilot projects, etcetera (*Slovenia's National Recovery and Resilience Plan* and *Commission Staff Working Document - Slovenia's National Recovery and Resilience Plan*).

COVID-19 impact in the country

COVID-19 disturbed a time of robust economic expansion and rising labour market conditions in Slovenia. From 2014 to 2019, the economy expanded by almost 20%. In 2020, the GDP per capita was 89% of the EU average. GDP decreased by 4.2% as a result of the pandemic outbreak in 2020. Nonetheless, government actions to mitigate the socioeconomic repercussions of the crisis prevented a quick rise in unemployment and bankruptcies *(European Semester Report 2022 - Slovenia)*.

Slovenia adopted eleven aid packages totalling around 4,9 billion euros. Additionally, Slovenia received EUR 1.1 billion in temporary EU aid to safeguard employment and wages through the Support to mitigate Unemployment Risks in an Emergency (SURE) programme. Measures to strengthen SMEs' resilience to future external shocks were also taken by the Slovene Enterprise Fund, for example in the form of bank loan guarantees with interest rate subsidies, direct loans and incentives for the digital transformation of SMEs. These measures contributed to the rapid economic recovery and 8.1% growth in 2021. By the third quarter of 2021, the economy had already returned to pre-epidemic levels *(SME Performance Review 2022 - Slovenia).*

The retail ecosystem in Spain - *Market overview*

European Commission

99.95%

of retail companies are SMEs *(Eurostat)*

57.8%

of the Spanish retail workforce works in SMEs *(Eurostat)*

71.2%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **1.76 million people** in Spain (9% of the total Spanish workforce), generating about **5.2% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **447,000 companies**, accounting for 13,2% of the total number of Spanish companies *(Eurostat)*

99.95 % companies in the ecosystem are SMEs, which employ **57.8% of the workforce** and **71.2% of the total added value** of the sector. On top of this, **97% of the SMEs are micro-enterprises** *(Eurostat).*

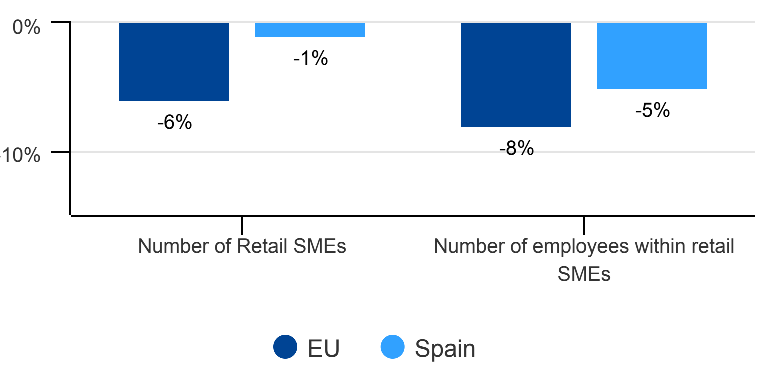
Market dynamics

The total number of retail enterprises decreased by 4% in the period between 2012 and 2019, while the total number of employees increased by 5% for the same period. **Spain, experienced a 1% decrease in the number of SMEs; however, when compared to the EU average, the Spanish retail sector performed better**, exhibiting a less severe negative trend. Regarding employment, **the number of employees in Spain decreased by 5% compared to the EU's 8% decline** (see Market change figure on the right) *(Eurostat).*

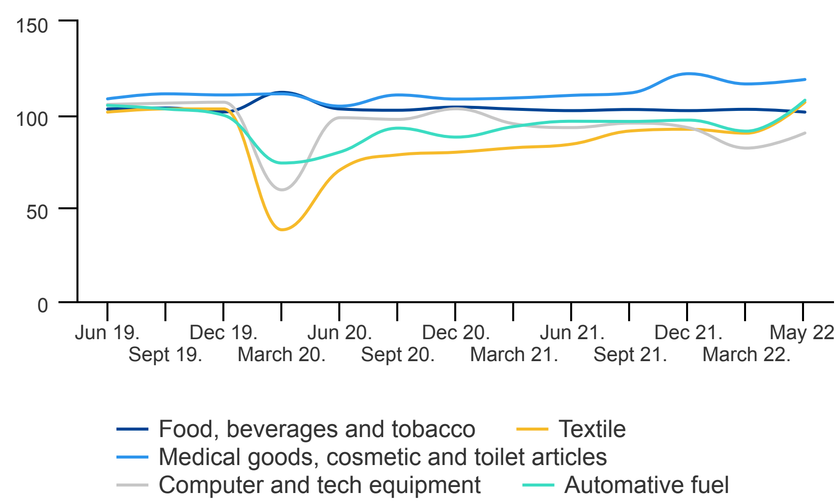
Between January 2018 and December 2019 the turnover of food, textiles and other goods increased by 3% to 5% on average. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food, drinks, medical and hygienic related articles remained constant, the turnover of textiles, tech equipment and automotive fuel fell by 90%, 70% and 56% respectively in April 2020 *(Eurostat).*

After the first Covid-19 wave, **the recovery to prepandemic levels was quicker in the retail of computers and other electronic equipment**, which almost reached its pre-pandemic levels in June 2020. In spite of this, data from May 2022 shows that Spanish textile retailers' turnover recovered almost to pre-pandemic levels (-1%), while tech equipment turnover is currently still 15% points behind its pre-pandemic levels *(Eurostat).*

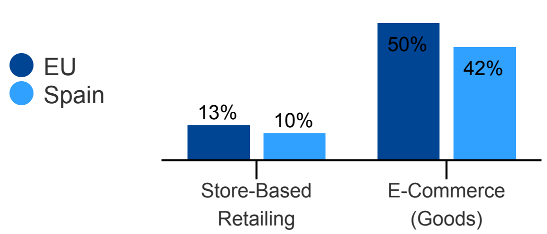
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

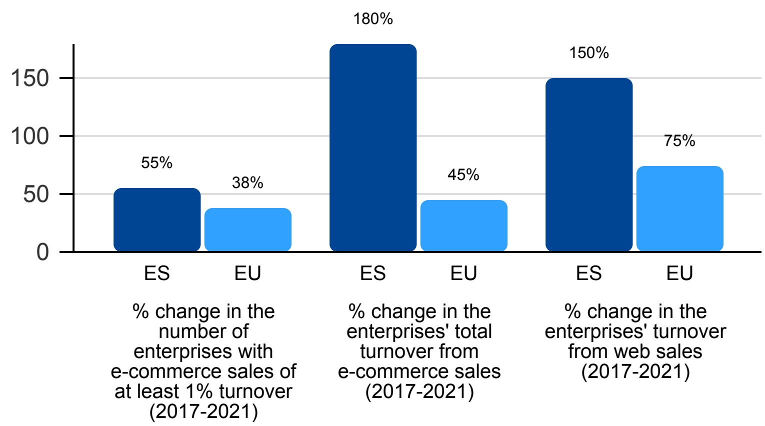


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Spanish retailers. **Sales through online channels increased by 56% in 2020 and by 94% in 2021,** compared to 2019 data. On the other hand, **store based retailing, decreased 6% in 2020 and 2% in 2021,** also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 42% in 2026, compared to 2021, while Spanish store-based retailing will grow by 10% *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Spain - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown more in Spain than in the EU on average. Turnover, from web sales has increased 150% in the same period (4% to 10%)*. Enterprises' total turnover from e-commerce sales has also increased four times as much in Spain as in the EU on average. These indicators show the progress in the uptake of online sales made by Spanish companies over the past years *(Eurostat).*



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, 29% of Spanish SMEs were selling online and 9% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023).*

Over one in three Spanish SME retailers indicated barriers related to framework conditions such as **regulatory obstacles or uncertainty** about future digital standards. **15% of Spanish SMEs retailers also found the lack of digital skills** as a barrier to engage with digitalisation activities *(Flash Eurobarometer 486).*

Barriers to digitalisation	Spain	EU 27
Uncertainty about future digital standards	18%	15%
Regulatory obstacles	17%	13%
Lack of skills, including managerial skills	15%	16%
Internal resistance to change	14%	13%
Lack of financial resources	14%	19%
Lack of IT infrastructure	12%	12%
IT security issues	11%	12%

Sustainability uptake

Spanish retail enterprises are changing their business practices to be more sustainable. Among Spanish retail SMEs, 43% are already saving materials and consuming less waste in their business. Roughly half of those who are becoming more sustainable are relying on their own financial resources to be more resource efficient. 53% of Spanish retail SMEs offer green products or services or plan to do *(Flash Eurobarometer 498).*

43% of retail SMEs are already saving materials, energy or waste to be more resource efficient

15% of retail SMEs indicated complexity of administration or legal procedures as a barrier to be more resource efficient.

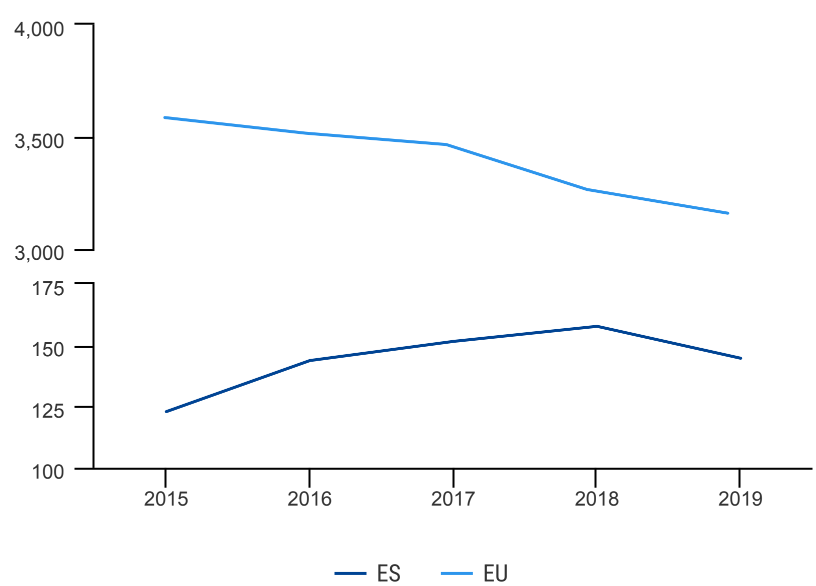
47% of retail SMEs rely on own financial resources to be more resource efficient

53% of retail SMEs are either offering green products currently or planning to in the next two years.

71% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Spanish retail sector, **we observe a considerable increase of 18% in the period between 2015 and 2019.** However, the yearly increase is reducing, from 17% increase in 2016 to a 8% decreased in 2019. On the other hand, the EU total emissions decrease 12% in the same period *(Flash Eurobarometer 498).*

Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)

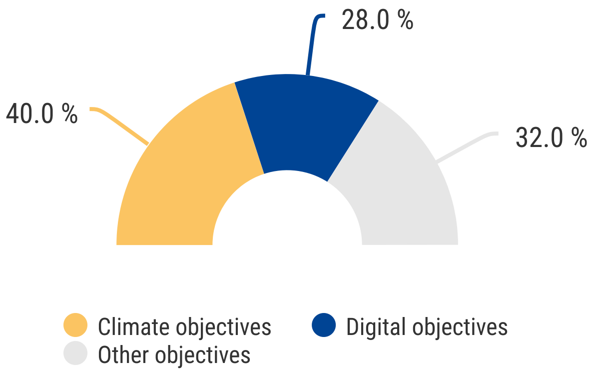


The retail ecosystem in Spain - *Background*

National Recovery and Resilience Plan

Spain's National Recovery and Resilience Plan will be financed by €69.5 billion in grants. The goals of the NRRP is to digitalise the public administration, protect the climate through large-scale energy-efficiency renovations and renewable energy investments, improve the functioning of the labour market and upgrade education and traninig across the country. The NRRP is expected to increase the resilience of the country *(Spanish National Recovery and Resilience Plan).*

Budget allocation in the Spanish NRRP



The NRRP has been designed with the objective of helping SMEs, according to the Spanish Government: "The plan includes a significant number of measures aimed at strengthening the ecosystem of SMEs, increasing their competitiveness and potential growth by reinforcing their resilience and boosting the green and digital transition" (*SME Performance Review 2022 - Spain).*

Tha plan includes 4 main objectives: ecological transition, digital transition, social and territorial cohesion and gender equality that are further developed across 10 catalyst policies and 30 components. One of the components is **"Support to SMEs", with a budget of 4.9 billion euros, a 7% of the total, which also targets Retail.** There are three main actions: the Trade Modernisation Programme, the Sustainable Markets Programme and the - Reinforcement of the Center for Research and Quality Control. The actions are aligned with the overarching goal of the Twin Transition *(Spanish National Recovery and Resilience Plan).*

COVID-19 impact in the country

The pandemic stopped six years of economic growth and job creation. **Spain's GDP grew by 17% and 2.7 million jobs were created between 2013 and 2019. The growth was stopped in 2020, when the GDP was contracted by 10.8%, the biggest decrease in the EU.** The nature of the Spanish economy such as the reliance on tourism activities and other contact-intensive services, and a business fabric where SMEs are predominant also contributed to the impact. As a result, more than 1.1 million workers (largely temporary employees) lost their jobs and the employment rate decreased by 4.5 percentage points in the first three months of the crisis *(EU Semester Report 2022 - Spain).*

The retail ecosystem in Sweden - *Market overview*

European Commission

99.77%

of retail companies are SMEs *(Eurostat)*

40.13%

of the Swedish retail workforce works in SMEs *(Eurostat)*

45%

of the total added value of the sector is generated by retail SMEs *(Eurostat)*

Market size

The retail sector employs approx. **337,243 people** in Sweden (7% of the total Swedish workforce), generating about **3.3% of the GDP** in the country. Including enterprises of all sizes, the ecosystem is composed of **53,751 companies**, accounting for 8% of the total number of Swedish companies *(Eurostat).*

99.77% companies in the ecosystem are SMEs, which employ **40.13% of the workforce** and generate **45% of the total added value** of the sector. On top of this, **93.07% of the SMEs are micro-enterprises, slighly below EU average (93.2%)** *(Eurostat).*

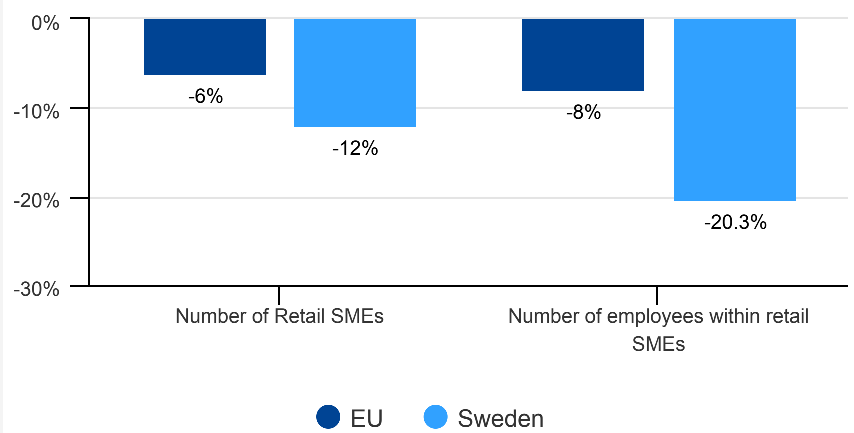
Market dynamics

The total number of retail enterprises decreased by 12% in the period between 2012 and 2019, while the total number of employees increased by 7% for the same period. **In Sweden, there was a 12% decline in the total number of SMEs**, compared to a 6% decrease across the European Union. When it comes to **employment, Sweden experienced a substantial 20.3% reduction in the workforce**, which is notably higher than the EU's 8% decline *(Eurostat).*

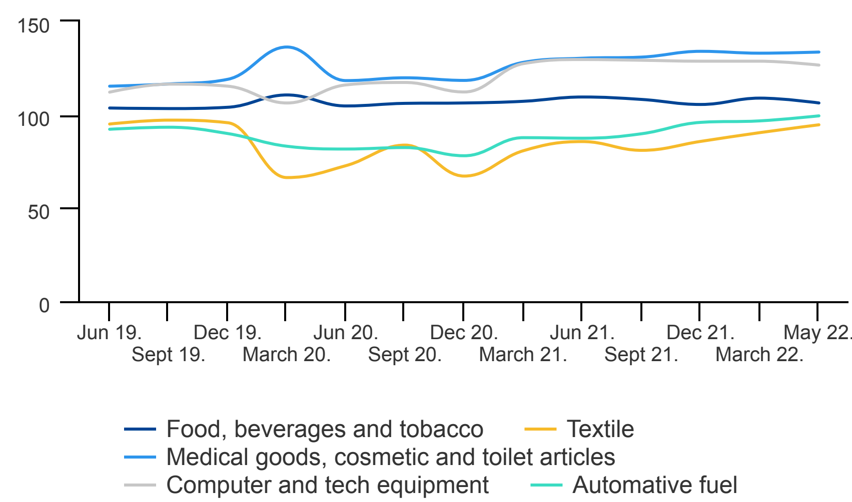
Between June 2019 and December 2019, the turnover for food and other retail goods remained constant or slightly increased. As of March 2020, **the revenue of retail companies has been affected by the pandemic, but differently depending on the goods sold and channels of distribution**. While the turnover of essential goods such as food and drinks and medical related articles as well as tech equipment, remained constant (-1%), whereas the turnover of textiles and automotive fuel fell by 32% and 16% respectively in April 2020 *(Eurostat).*

In the case of textile retail, the recovery to pre-pandemic levels was only achieved in September 2021.The turnover of fuel retailersreached its pre-pandemic levels by February 2021. Data from May 2022 shows that Swedish retailers' turnover has already recovered to pre-pandemic levels, with computer tech, fuel, and medical goods retail around 11% points ahead compared to its turnover in December 2019 *(Eurostat).*

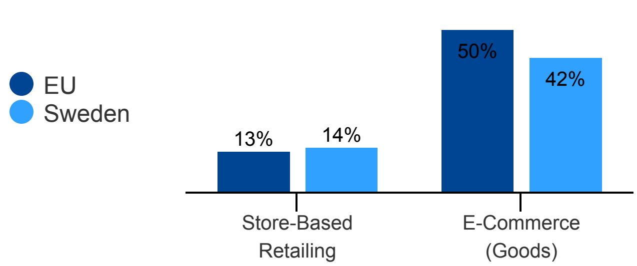
Market change during the period between 2012 and 2019 (Eurostat)



Evolution of retail turnover by product category (Eurostat)



SMEs sales forecast growth for the period 2021 - 2026 (Euromonitor)

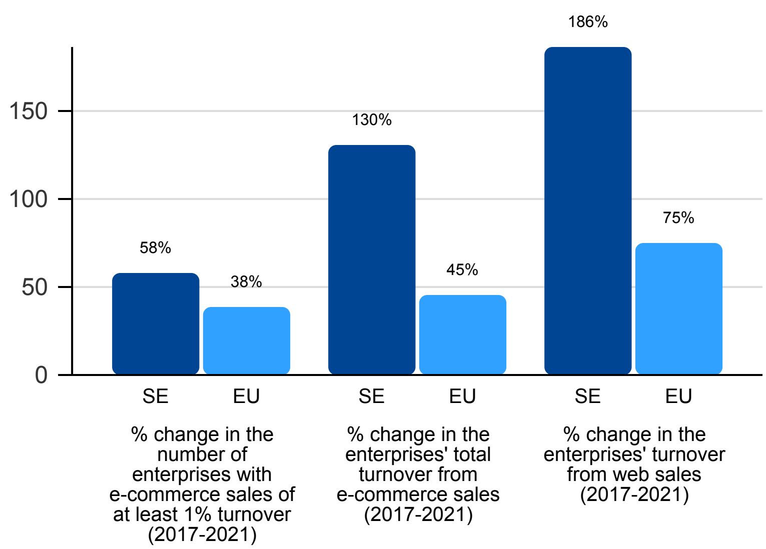


Technological development together with the closure of physical stores during the pandemic have consolidated e-commerce among Swedish retailers. Sales through online channels increased by 40% in 2020 and by 68% in 2021, compared to 2019 data. On the other hand, store-based retailing, remained constant in 2020 and increased by 3% in 2021, also compared to 2019 sales. Moreover, e-commerce sales are forecasted to grow by 38% in 2026, compared to 2021, while Swedish store-based retailing will grow by 14%, showing the shift towards digital channels *(Euromonitor International, Retailing Industry Edition, 2022).*

The retail ecosystem in Sweden - *Twin Transition*

Digital uptake

The graph below shows that between 2017 and 2021 the number of enterprises with e-commerce sales of at least 1% turnover has grown more in Sweden as in the EU on average. Also, turnover from web sales has increased 186% between 2017 and 2021 (7% to 20%)*. Enterprises' total turnover from e-commerce sales is also above the average EU growth. These indicators show the progress in the uptake of online sales made by Swedish companies over the past years *(Eurostat)*.



**e-commerce refers to marketplaces, while web sales refers to the companies own website or apps (Eurostat)*

In 2022, almost 36% of Swedish SMEs were selling online and over 10% were selling on-line cross-border as compared to 19% and over 8% respectively in the EU on average *(Digital Economy and Society Index, 2023)*.

Over half of Swedish SME retailers indicated barriers to digitalisation such as internal resistance to change, security issues and future digital standards. Only 4% of Swedish SMEs indicated IT infrastructure as a barrier to engage with digitalisation activities in comparison to 12% in the EU on average *(Flash Eurobarometer 486)*.

Barriers to digitalisation	Sweden	EU 27
Internal resistance to change	21%	13%
Lack of skills, including managerial skills	20%	16%
Lack of financial resources	18%	19%
Uncertainty about future digital standards	16%	15%
IT security issues	14%	12%
Regulatory obstacles	8%	13%
Lack of IT infrastructure	4%	12%

Sustainability uptake

Swedish retail enterprises are changing their business practices to be more sustainable. Among Swedish retail SMEs, 38% are already saving materials and consuming less waste in their business. Roughly half of those who are becoming more sustainable are relying on their own financial resources to be more resource efficient. 74% of Swedish retail SMEs offer green products and services or plan to do so in the next two years *(Flash Eurobarometer 498)*.

38% of retail SMEs are already saving materials, energy or waste to be more resource efficient

15% of retail SMEs indicated cost of environmental actions as a barrier to be more resource efficient.

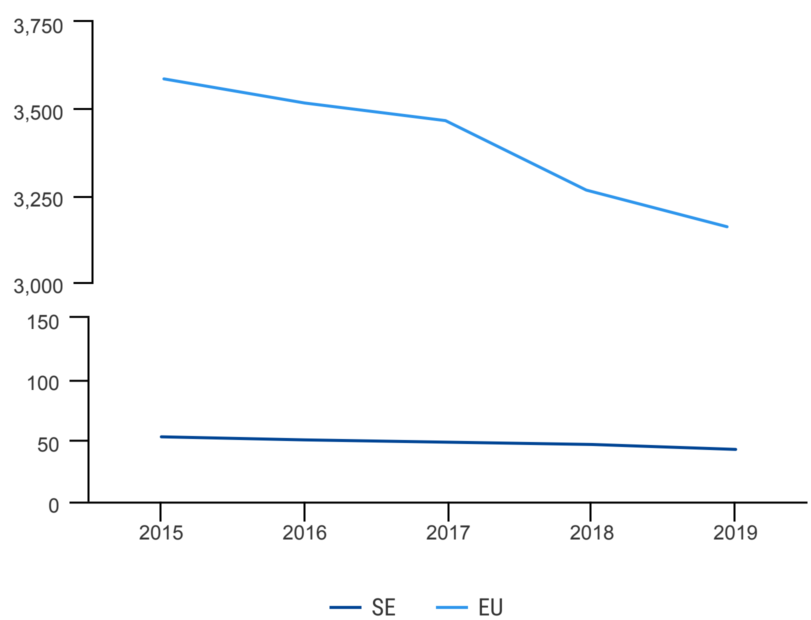
49% of retail SMEs rely on own financial resources to be more resource efficient

74% of retail SMEs are either offering green products currently or planning to in the next two years.

71% of retail SMEs rely on external advice from private organisations for production of green products/services

Analysing air emissions of the Swedish retail sector, **we observe a considerable decrease** of 19% between 2015 and 2019. This falls in line with the EU emission decrease for the sector, however, the EU emission decreased more at 12% *(Eurostat)*.

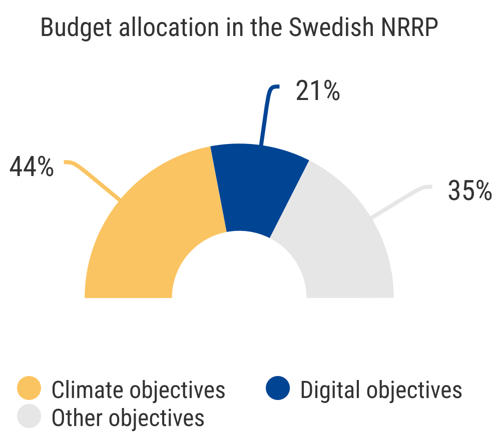
Evolution of air emissions by fine particulate matter (PM2.5) in the retail sector (tonnes) (Eurostat)



The retail ecosystem in Sweden - *Background*

National Recovery and Resilience Plan

Sweden is moving forward with a National Recovery and Resilience Plan (NRRP) worth €3.3 billions in total. The plan aims to support the **transition to green and circular economy** through local and regional grants and infrastructural investment, expand connectivity both in terms of railway system as well as broadband, and improve the labour market through education *(Sweden's National Recovery and Resilience Plan)*.



SMEs, especially in technology-intensive sectors, can gain from NRRP's horizontal support programmes to **facilitate their shift to a greener economy**. This comprises the "**Industrial Leap**" and "Climate Leap" initiatives, which offer investment support to boost research and development projects on industry decarbonisation as well as funding for local and regional efforts to **reduce CO2 emissions** *(Commission SWD: Sweden's NRRP)*.

Further measures in Sweden's NRRP in favour of the business environment and SMEs include an extensive plan worth €412 millions to boost the number of available student admissions in higher education and support vocational training and education. Also, an approximate €500 millions investment to make **high-speed internet** connectivity (above 100 Mbps) available to all homes and enterprises in Sweden *(Sweden's National Recovery and Resilience Plan).*

COVID-19 impact in the country

In 2020, the Swedish economy contracted by 2.9%, with private spending facing the worst decline. Beginning in 2021, a robust recovery propelled by private spending and exports began. In 2021, the real GDP expanded by 4.8% as the pandemic began to subside and policy support remained in place. In the second quarter of 2021, the Swedish economy had already surpassed its pre-pandemic peak. The high level of internet penetration and digital skills shielded value chains in Sweden and enabled remote working during the COVID-19 crisis, supporting the recovery *(European Semester Report 2022 – Sweden)*.

After a decline in value added (-0.4%) and employment (-1.8%) in 2020, the Swedish SME sector experienced a considerable rebound in 2021, with value added increasing by 8.9% and employment by 0.8%. Nonetheless, large enterprises outperformed SMEs in 2021, as their value added and employment expanded by 17.3% and 1.1%, respectively. Based on data from early 2022, it was anticipated that the value added, and employment of SMEs in Sweden would continue to increase by 6.4% and 2.5%, respectively, this year, but Russia's action against Ukraine will alter these projections *(SME Performance Review 2022 – Sweden)*.

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