



Export barriers for small and medium-sized enterprises

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Key findings

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The sector of micro, small and medium-sized enterprises (SMEs) is the most important pillar of the Polish economy. From among a total of 2.3 million firms in Poland, as many as 99.8 per cent are micro, small or medium-sized. Those businesses generate half of the national GDP and provide employment to two thirds of the total headcount in Poland. Although their role in the internal market is significant, they hardly contribute to defining Poland's position in international trade. This sector is still dominated by large companies, including multinational corporations. Micro, small and medium-sized businesses are responsible only for one third of the total export of goods and services from Poland.

Foreign sales can now grow much more dynamically thanks to e-commerce platforms. Internet tools that boost export are particularly useful to small and medium-sized businesses. Such businesses most readily establish their own online stores. In 2021 as many as 13 per cent of SMEs, i.e. about 3/4 online vendors, opted for this form. The second most popular form of online trading was to use national and international marketplaces - 9 per cent of SMEs (i.e. every other online trader) used this channel to offer their goods and services.

In this report we present barriers encountered by micro, small and medium-sized businesses planning to expand their business abroad, particularly through online sales channels. This report also discusses the existing support available to Polish SMEs and shows how to adjust these tools to make them effectively sustain international expansion.



WHAT HINDERS THE INTERNATIONAL EXPANSION OF SMES?

Based on a survey conducted by the Union of Entrepreneurs and Employers (ZPP) and expert opinions obtained during a round table meeting organised by Polityka Insight, four basic groups of factors were identified that withhold business owners from taking an extra risk and expand their businesses internationally along new sales channels.

1

No relevant knowledge and experience in:

- choosing the best sales channel for a specific business,
- choosing third parties responsible for the technical management of international sales,
- choosing third parties responsible for monitoring relevant market trends, and for proper product positioning.

2

More demanding business environment, including:

- additional costs of launching an international business (higher than starting a domestic one),
- greater competition, especially from global corporations using economies of scale,
- the cost of handling international deliveries and managing claims,
- lost gains of ceasing to be a local business.

3

Legal and fiscal challenges, such as:

- obtaining relevant business permits,
- defining what taxes on sales of goods and services should be paid and to whom,
- the need to monitor legal changes in all countries to which goods and services are exported,
- monitoring and guarding intellectual property rights, especially in developing countries.

4

Psychological barriers, such as:

- avoiding insecurity related to launching your business in an unknown economic area,
- fear of failing to meet the requirements of foreign markets' customers,
- fear of excessive consumer protection offered by market regulators in developed countries.

**WHAT TO LOOK OUT FOR WHEN DESIGNING SUPPORT TOOLS FOR SMES?**

The existing system designed to support Polish exports is rather extensive. It includes measures taken by national institutions, such as PFR, BGK, KUKE, PAIH, PARP, and by local organisations, e.g. Investor and Exporter Assistance Centres. Among tools offered by these institutions one can find both financial aid programmes, such as loans and guarantees schemes, and non-financial means of support – consulting, trainings, support in getting in touch with and addressing the right parties, and promotional activities. However, since business environment is changing rapidly, which includes the fast advancement of digitalisation, it is necessary to adjust the available support, so that business owners can be effectively helped to overcome barriers to international expansion. The adjustment of the existing support tools must reflect the current environment in which SMEs operate. The environment is made up the following three categories:

1

Economic factors

- Conservative approach to international expansion – many Polish SMEs export their goods and services indirectly, through multinational corporations which buy locally and sell globally.
- Insufficient financial resources to cover the cost of investments in international expansion and its adherent business risk.
- High insecurity and uncertainty related to the current situation, e.g. the pandemic and the war in Ukraine.

2

Regulatory and institutional factors

- Complexity and variability of the EU law on trading in goods and, more importantly, services, including e-commerce, on the European Single Market.
- Length of certification procedures, time needed to obtain necessary permits and manage appeals against official decisions.

3

Technological factors

- Insufficient use of digital tools available to businesses, especially modern software supporting: marketing actions, financial settlements and logistics related to export.
- Low digitization of administrative processes, especially ones related to market analysis and export management support.

**WHAT SHOULD BE DONE**




With regard to the abovementioned barriers and non-optimal support, in our report we recommend the following steps to be taken to help SMEs commence and continue their export activities.

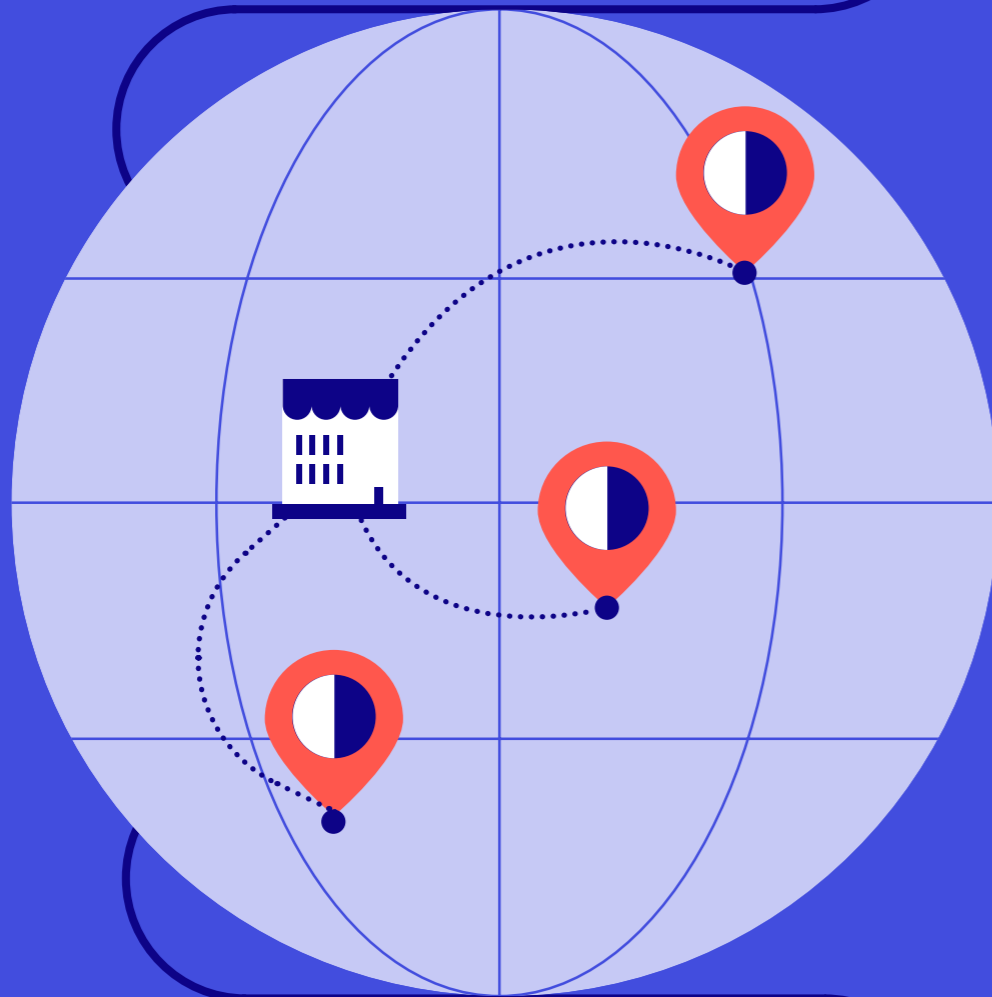
- Implementing new IT tools for SMEs, e.g. creating digital platforms with information about foreign markets or comparing the costs and benefits of various forms of online sales or financial services for exporters.
- Expanding training portfolio designed for SMEs to include current topics related to digitalisation, e.g. analysis of the profitability of international online sales and using digital tools supporting export processes – from market research to distribution.
- Developing advisory and training systems using modern forms of remote communication – from e-learning to decision trees, which support business owners who wish to commence and continue international expansion.
- Boosting cooperation between SMEs and their business environment – organising networking events, especially with national and foreign business organisations, launching trainings for local governments, expanding cooperation with large state companies, and introducing regulations that protect SMEs in their interactions with major business partners.
- Further digitalisation of administrative processes, which would make it easier for SMEs to expand their business on foreign markets – these processes should be made more flexible and most of the administrative burden should be shifted to the public sector.
- Further development of financial support for SMEs, including loans for investments necessary to enter foreign markets, and subsidies for the costs of obtaining certifications and patent protection, as well as for the participation in international trade fairs and trainings.

Introduction

Micro, small and medium enterprises suffered the most after the COVID-19 pandemic. This is not only because of insufficient financial backup amassed before the outbreak and poor awareness of aid schemes, but also because of the dominant type of business, with a considerable share of services, especially consumer services, and commerce (Helak, Czerniak, Piznal 2021). As a result, this group of businesses experienced the greatest difficulties when certain sales channels were closed down, supply chains were interrupted, people switched to working from home and HR management was changed in the times of uncertainty. They found it hard to adjust to new development strategies. Initially, only micro businesses managed to cope – smaller scale of business activities and greater flexibility meant they could quickly adjust their business to the new environment. But after a while they also started to experience adverse (direct and indirect) consequences of the new reality. Actually, this group saw the most bankruptcies.

For many companies from the SME sector the only way to avoid considerable financial losses or bankruptcy was to transfer their sales and business activity online. Business owners started using tools for distant communication and opened up online sales channels – be it on their own company websites or through domestic and international marketplaces. By going online they could not only maintain relationships with their existing customers, but also reach new ones in Poland and abroad. Some SMEs were successful, especially if they used ICT before the onset of the pandemic. For others, though, e-commerce was a major challenge.

This report sets out to analyse barriers to international expansion in the sector of Polish micro, small and medium enterprises, with particular focus on e-commerce channels. Overcoming these barriers will increase the resilience of Polish companies in the face of adverse economic events, such as pandemic or war, and will help them resume economic growth when the adverse factor subsides. In order to face these challenges, though, the involvement of the government (as regards implementing relevant regulations), public institutions (financial and substantial support) and private marketplace owners (introducing incentives for new clients and facilitating the operation of those businesses that are already using their e-commerce platforms) will be necessary. For this reason we have described the environment in which Polish SMEs operate, especially as regards the international trade ([chapter 1](#) ) , as well as economic, legal and educational barriers to expanding their sales market, particularly in online sales ([chapter 2](#) ) , and factors that affect international sales ([chapter 3](#) ) . The report is finished off with relevant recommendations.

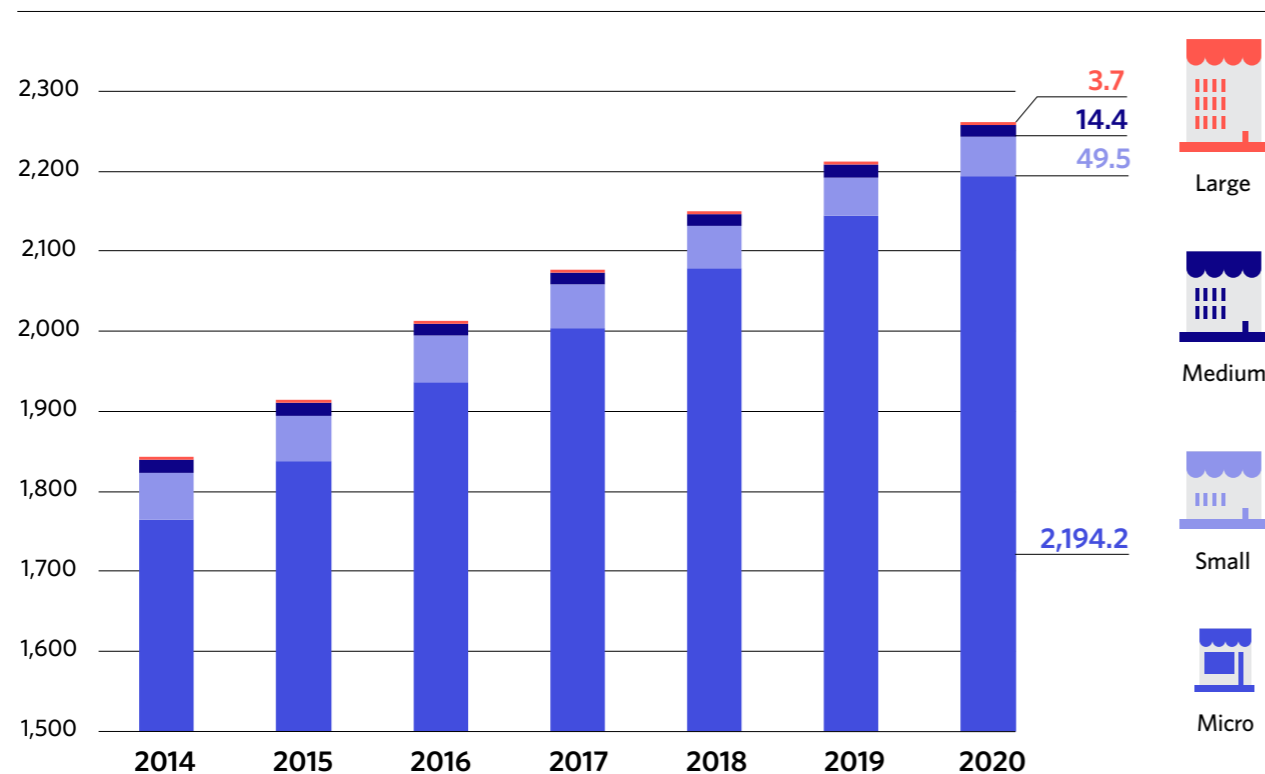


1 Factors relevant for export operations in the SME sector

SHARE OF THE SME SECTOR IN ECONOMIC PROCESSES

The sector of SMEs is the major pillar of development in most major economies. In Poland the significance of this sector is proved by the total number of businesses. From among 2.3 million non-financial businesses in Poland, as many as 99.8 per cent were SMEs in 2020. 97 per cent of them were micro-businesses with a headcount of up to nine employees, and only 3,700 were large businesses with at least 250 employees (Central Statistical Office 2020).

GRAPH 1. NUMBER OF NON-FINANCIAL BUSINESSES IN POLAND (IN THOUSANDS)

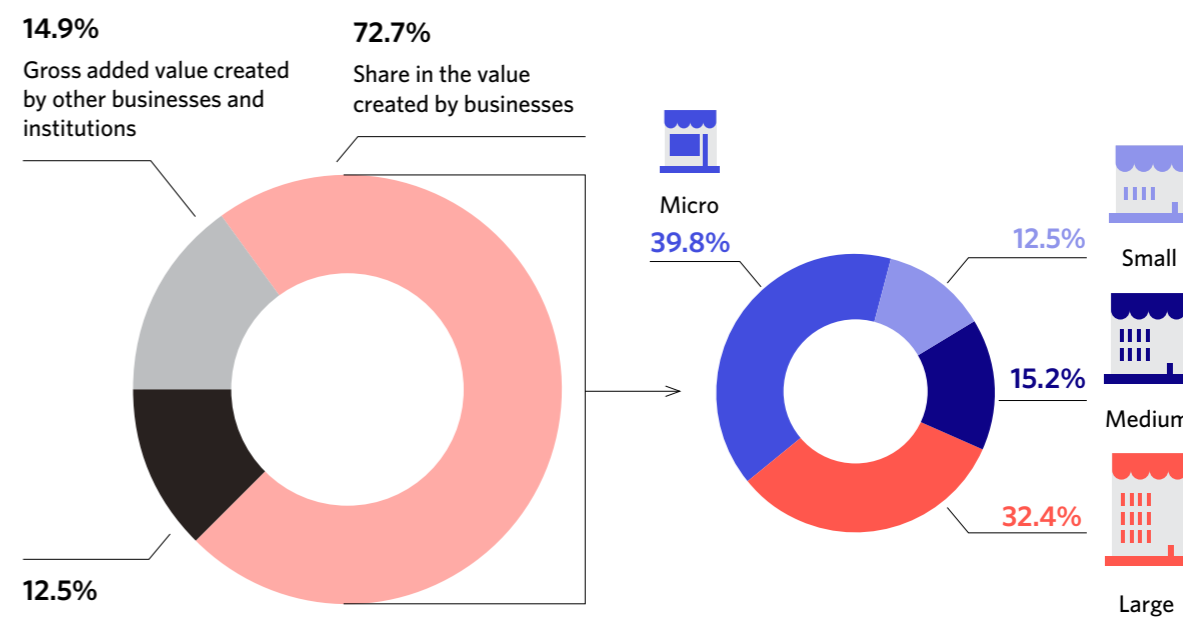


Source: Main Statistical Office (GUS).

Over the years, most of newly established businesses were micro-sized. Since 2014 the total number of businesses in Poland has increased by more than half a million, while the total number of small, medium and large companies reduced by more than 10,000. These figures might be inaccurate, because businesses might evolve and grow. It is much easier to start a micro-business than a large company. Despite the micro-size, an increasing share of micro-businesses in the total number of businesses reflects their significance for the Polish economy.

This significance is also corroborated by the data related to the share of SMEs in the GDP and in creating new jobs. According to the data provided by PAED (Polish Agency for Enterprise Development, PARP 2021), SMEs account for nearly half (49.2 per cent) of the gross added value in the economy, including up to 67.6 per cent of the value created in the business sector. This is reflected in the number of jobs – 67.4 per cent (6.75 million of people) of all those working in the business sector are employed by SMEs.

GRAPH 2. SHARE OF BUSINESS CATEGORIES IN THE GDP, ACCORDING TO THE HEADCOUNT IN 2018



Source: PARP.

With reference to individual groups of SMEs, micro-businesses are the most significant and noticeable – both as regards added value and number of jobs. Micro-businesses generate as much as 39.8 per cent of GDP in the business sector and account for 41.2 per cent of jobs. These figures – both with regard to the whole SME sector and to the individual group of micro-businesses – have remained relatively unchanged at least since the global financial crisis. The importance of SMEs is additionally borne out by the data on capital expenditures, which have been steadily growing in this sector since 2016, and in 2019 reached the

staggering PLN 105 billion – only PLN 30 billion short of the CAPEX evidenced by large businesses, whose investments are usually less risky because of the considerable financial reserve and better access to external funding. It is also good to note that business owners from the SME sector spend over 1/3 more on salaries than larger employers (Czerniak, Stefański 2016).

Whatever the criterion – be it the number of businesses, jobs or added value – Polish SMEs mainly operate in the service sector. Service providers account for more than a half of all micro, small and medium businesses in the economy and create a total of 44 per cent of the added value in this sector. Among these businesses, the major category includes professional, R&D and technical service providers and those dealing with transport and health care. The net most significant group includes trade companies (22 per cent of all businesses, 26 per cent of added value). On the other hand, industry or construction are less popular among SMEs than among large businesses. This should not come as a surprise, because the above-mentioned sectors require disproportionately high initial expenditures, which makes them profitable only when business reaches a major scale, which is hardly possible for SME.

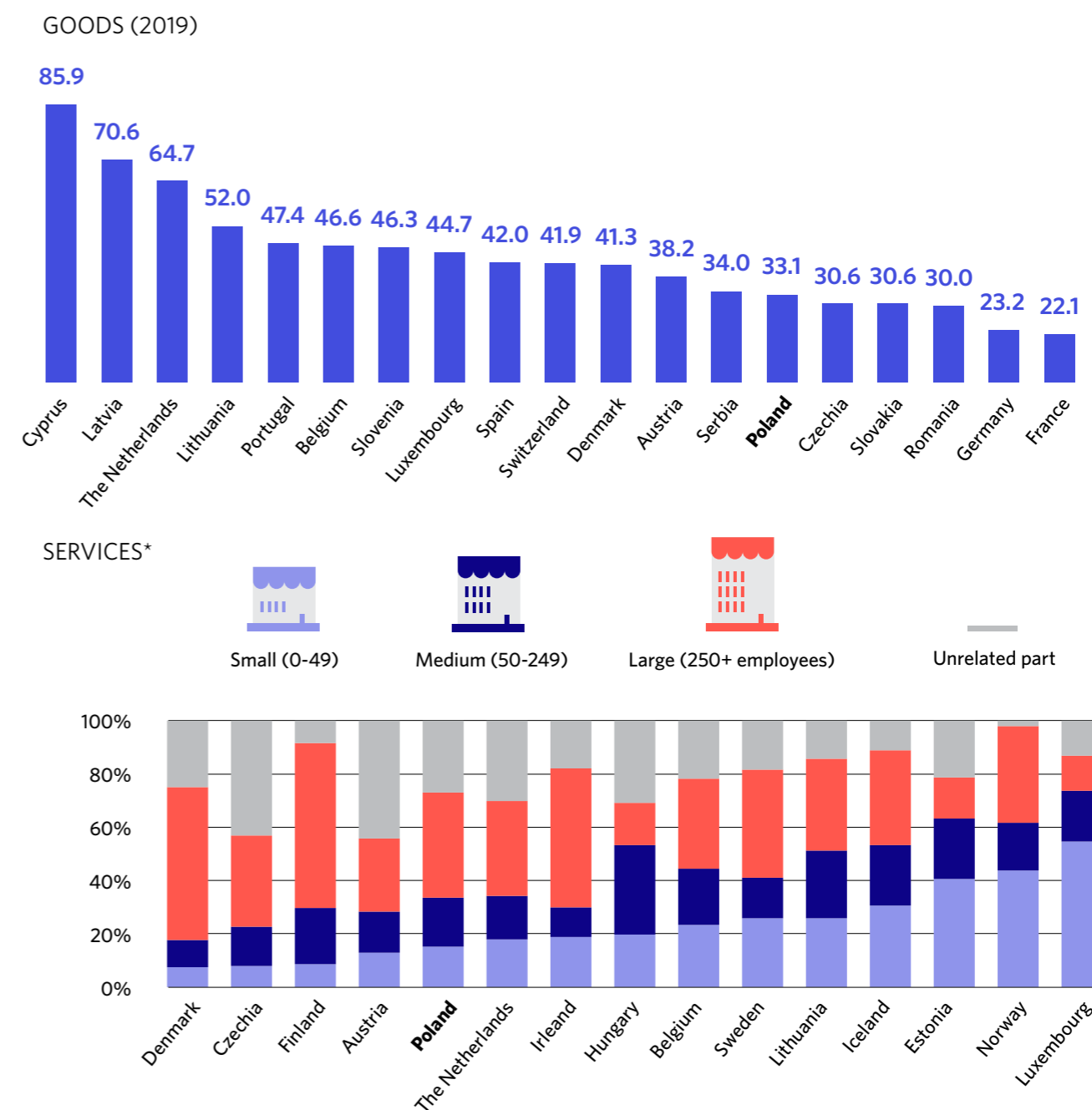
EXPORT IN SME

Unfortunately, the role of micro, small and medium businesses in the growth of internal market and creating added value in the Polish economy is not reflected in the structure of export of goods and services. As per the details obtained from Eurostat, in 2019 Polish SMEs exported goods whose total value reached EUR 59.2 billion. By way of a comparison, in 2014 this figure was only EUR 48.4 billion, which means the average increase in this period was 4.1 per cent YoY. This figure, however, is lower than the increase rate of the total export, which is 5.3 per cent per year. This explains the reduction in the share of SMEs in the export of goods each year. Before the pandemic this sector accounted for 33.1 of international sales, which is 2 percentage points less than 5 years before. The share of SMEs in service trade was almost identical. According to experimental statistics provided by Eurostat, in 2018 this share was 34 per cent (as compared to 39 per cent share of large companies) – the remaining part of services exported from Poland could not be readily linked to the size of the provider. Export structure inside the SME sector has remained unchanged. Both in 2014 and in 2019 medium businesses accounted for slightly more than a half of international sales, while the share of micro-businesses was the lowest.

The above is comparable to the data observed in other EU states, where SMEs account for 35.4 of the total export of goods, with more than half of these businesses being of medium size, just like in Poland. These statistics do differ between individual countries, depending on specific features of national economies, such as the size of the internal market and sector structure. The countries with the highest share of SMEs in the export of goods include small and innovative economies, such as Cyprus (85.9 per cent), Latvia (70.6 per cent), the Netherlands (64.7 per cent) and Lithuania (52.0 per cent.), for which international sales is the best way to expand the client base. For services, the SMEs from Luxembourg can boast the highest share (73 per cent). On the other hand, the countries where the share of SME in export is the lowest are usually strong economies with

large internal market and fewer incentives to drive international expansion. For example, in France the share of SMEs in the export of goods is 22.1 per cent, and in Germany, whose economy traditionally relies on small and medium businesses (*Mittelstand*), this figure is 23.2 per cent. The share of SMEs in Central and Eastern European countries are similar to those observed in Poland, with 30 per cent in Romania and 30.6 per cent in the Czechia and Slovakia.

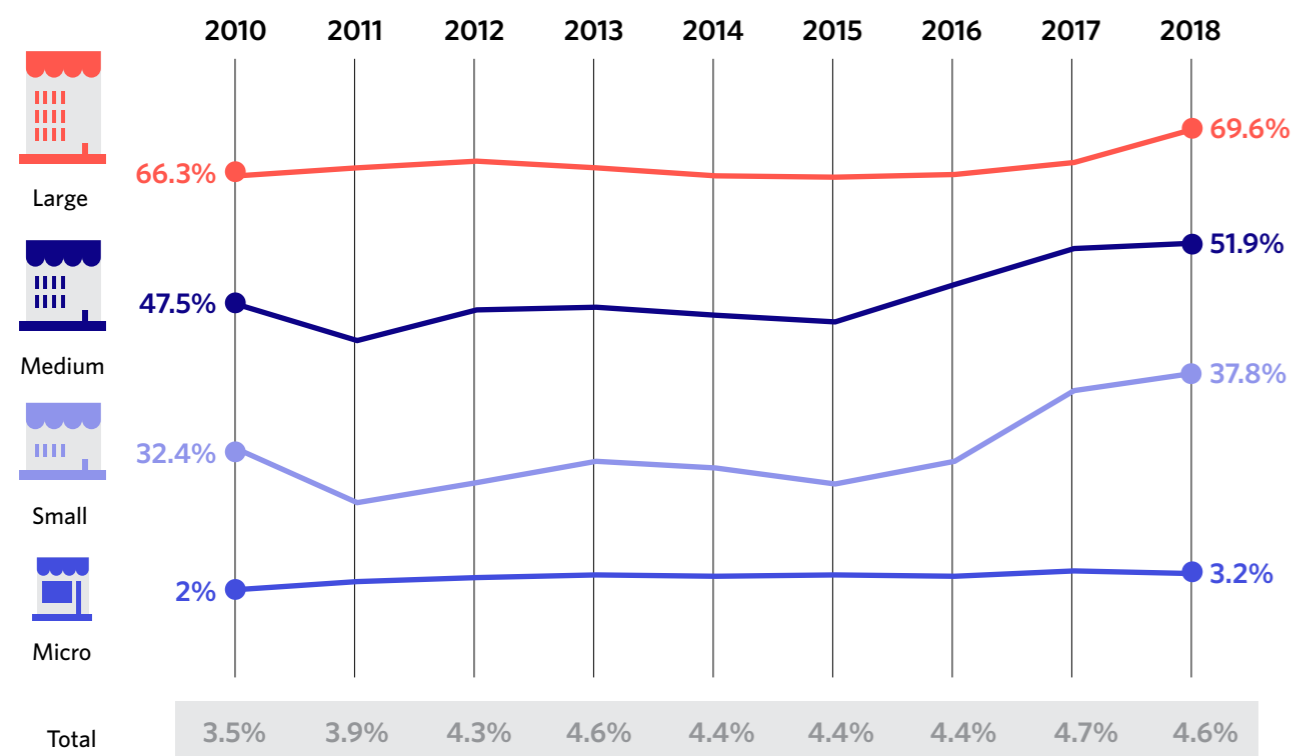
GRAPH 3. THE SHARE OF SMES IN THE TOTAL EXPORT OF GOODS AND SERVICES IN SELECTED EUROPEAN COUNTRIES (%)



* Estonia, Finland, Lithuania, the Netherlands and Poland – 2018 data; Ireland and Luxembourg – 2017 data; Denmark and Norway – 2016 data; Belgium, Iceland, Hungary, Sweden – 2014 data; Austria and Czechia – 2013 data. Source: Eurostat.

The export value in the SME sector and its share in the total export of goods are not enough to describe the full size of international expansion among smaller Polish businesses. What is equally important is the number of businesses that offer their goods abroad. According to PAED (2020), in 2018 only 4.6 per cent of Polish businesses sold their goods abroad. What is more, this figure remained virtually unchanged for years. In 2014 it was 4.4 per cent. Just like this is the case with value, export is definitely the least popular among micro-businesses, of which only 3.2 per cent decide to sell their goods abroad. Small and medium businesses more readily offer their goods abroad, but the increase in this share is rather slow. 37.8 per cent of small businesses export their goods and services (as compared to 31.1 per cent in 2014). The same is true of 51.9 per cent of medium businesses (vs 46.8 per cent in 2014).

GRAPH 4. PERCENTAGE OF GOODS EXPORTERS IN SPECIFIC BUSINESS GROUPS



Source: PARP.

When they do sell abroad, SMEs usually choose markets which are geographically and culturally close to Poland. According to Eurostat, in 2019 as much as 80.5 of export was the sales of goods to other EU member states (this tendency has remained unchanged for years – in 2014 this figure was 79.4 per cent). Most countries that receive the goods sold by Polish SMEs also happen to buy the goods exported by our large companies. The most popular choice is Germany - more than 1/4 of the goods exported by SMEs (EUR 15.2 billion) are sold there. Germany is followed by Czechia (EUR 3.6 billion), France (EUR 3 billion) and the Netherlands (EUR 2.7 billion).

GRAPH 5. MAIN DIRECTIONS OF EXPORT AMONG POLISH SMES IN 2019 (EUR MN)

15,216	Germany	1,009.2	Austria	1,014.4	Norway
		2,218.6	Italy	1,041.3	USA
		2,582.3	The United Kingdom	1,193.9	Romania
		2,679.6	The Netherlands	1,243.8	Belgium
		3,035.6	France	1,250.8	Hungary
		3,558.9	Czechia	1,270.1	Lithuania
				1,276.8	Denmark
				1,307.0	Russia
				1,595.7	Sweden
				1,766.4	Slovakia
			1,846.8	Ukraine	

Source: Eurostat.

There is also a group of countries where mainly small and medium businesses export their goods. This group includes e.g. Ukraine (51.3 of the export comes from SMEs), Norway (47.6 per cent), Lithuania (46 per cent) and Denmark (45.8 per cent). Since these economies are different, it's hard to pinpoint a single determining factor which makes them more popular among SMEs than among large companies. Only in the case of Ukraine it can be said that it is the cultural proximity, knowledge of the market and the migrants' social networks.

SMEs hardly ever export their goods to the major global economies such as the USA and China, due to significant entry barriers, geographical distance and the need to face stronger competition (especially national).

THE SHARE OF E-COMMERCE CHANNELS IN THE SALES OF SMES

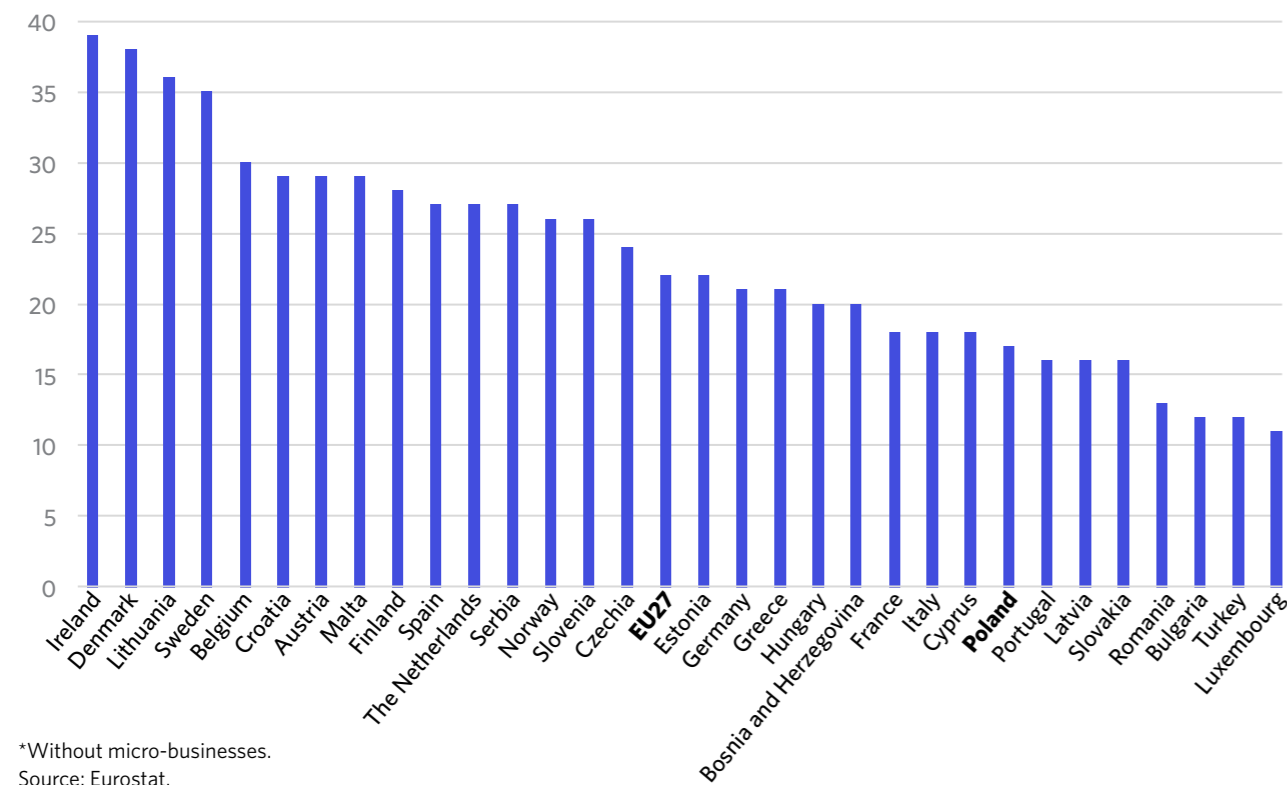
When the COVID-19 pandemic broke out, the role of internet sales channels in international business expansion increased. In the previous decade sales through one's own website or through digital marketplaces was not a popular option among Polish SMEs. According to the data provided by Eurostat, in 2019 only 15 per cent of Polish SMEs used any of the available e-commerce channels, which is 5 percentage points less than the EU average¹. The most popular form of internet sales was through websites - one's own or marketplaces. 13 per cent of small and medium companies chose this option (which is 3 per cent less than the EU average). Both figures kept growing steadily over the years, but the growth rate never exceeded the EU average. Between 2011 and 2019 the percentage of com-

¹ The data provided by Eurostat as regards e-commerce sales do not include businesses with headcount lower than 10. The studies of selected EU states prove that e-commerce activity pursued by micro-businesses is by about 1/3 lower than that of small and medium businesses (European Commission, 2021). There are, however, no structural differences in how individual channels are used by companies of various sizes.

panies using all e-commerce channels in Poland increased by 7 percentage points (as compared to +5 percentage points in the EU), while the use of web applications increased by 5 percentage points – exactly the same as in the EU.

At the onset of the pandemic some businesses decided to go online for good, which speeded up the increase in the popularity of sales channels in both of the abovementioned categories - all e-commerce channels and web applications. But not as many business owners decided to have a go at the channels as might have been expected. The number of companies using all e-commerce channels increased only by 2 percentage points (thus reaching 17 per cent), while the number of those using web applications and websites increased by 3 percentage points (to 16 per cent). This is still much less than in countries regarded as digitisation leaders – Ireland (39 per cent of companies use e-commerce), Denmark (38 per cent), Lithuania (36 per cent) and Sweden (35 per cent).

GRAPH 6. PERCENTAGE OF SMES SEELING THEIR GOODS AND SERVICES VIA E-COMMERCE* (%)



Just like it was observed in the event of traditional sales (in stores or by mail orders), the main factor in the expansion of the domestic sales and destinations of online export was logistics - namely, the possibility to reach the end customer. Each small and medium business owner who sold their products online delivered the goods in the country where their business was located. Only one in three stores (be it via e-commerce or through a web app) offered the option of ordering goods to another EU member state. The least popular option was mail order outside the EU – only one in six SMEs selling via e-commerce decided to pursue

this path. This relation is typical of most EU member states, although the scale differs between individual countries. Nearly all of the European SMEs that trade online sell their goods on the domestic market, but only ca. 40 per cent export their products to another EU member state and 25 per cent are willing to sell outside the EU.

E-commerce platforms are crucial to the development of international online sales. Among small and medium businesses, the most popular form is sales through one's own online store - 13 per cent of the SME sector chose this option in 2021 (ca. 3/4 companies that sell online). Considerable popularity of one's own sales channels is related mainly to the wish to control customer service directly. The second most popular channel was using marketplaces. 9 per cent of SMEs (i.e. every other online trader) used channel to offer their goods and services. Internet platforms were most often chosen by companies with higher turnover and greater headcount. Small companies, including micro-businesses, prefer to create their own sales websites (European Commission 2016).

INFOGRAPHIC 1. DOES YOUR COMPANY USE ANY OF THE FOLLOWING SELL YOUR PRODUCTS AND/OR SERVICES ON THE INTERNET (% - TOTAL „YES”)

	Your company's commercial website	Search engines	Online marketplaces
TOTAL	88	82	42
Company size			
1-9	88	81	42
10-49	88	81	49
50-250	91	86	51
Company's turnover in 2015			
EUR 100,000	87	87	43
EUR 100,000 to EUR 500,000	89	81	38
EUR 500,000 to EUR 2 MN	88	75	46
more than EUR 2 MN	87	84	50

Source: European Commission.

2

Export barriers experienced by SMEs

Since online sales was not popular among Polish SMEs before the pandemic, these businesses found it hard to adjust to the new economic reality after the epidemic restrictions were introduced. Although it is true that some companies tried to make the best of the situation by developing e-commerce channels, many businesses focused on surviving the crisis and ignored the opportunities related to online sales. Bank Pekao S.A. estimated (in 2021) that in the SME sector it was mainly larger and medium companies (with a headcount from 50 to 250 employees) that chose to expand e-commerce, while micro-businesses not only failed to expand this section of business activity, but even reduced online sales altogether.

The above-mentioned consequences of the pandemic were even more pronounced in SMEs that focused on foreign markets. Not only did they bear the brunt of the domestic restrictions, but they also experienced difficulties in international trade – only to mention closed borders, different scale and timing of introducing specific restrictions in individual countries, and limited availability of products and materials, especially from Asia. As a result, companies that used to focus on doorstep sales had to go online overnight. In doing so, they encountered a series of new, previously unknown barriers. Based on a survey conducted by the Union of Entrepreneurs and Employers (ZPP, 2021) and on expert opinions formulated during the round-table meeting organised by Polityka Insight in autumn 2021, the main factors that withheld business owners from taking on extra risk and expanding their business in new sales channels were: no relevant knowledge, economic factors, legal and fiscal challenges as well as psychological barriers.



LACK OF KNOW-HOW

Factors related to insufficient know-how were mentioned as the most popular barrier limiting international expansion through e-commerce. Business owners are mainly afraid to make a wrong decision as regards creating, managing and developing their own online store, as well as monitoring the sales of goods offered on international platforms. These barriers can be divided into a few groups, considering the challenges faced by business owners who decide to start international online sales:



Choice of a sales channel

A business owner who wants to go online must first decide whether to create their own online store – on their own or on a hosting platform – or market their products on one of the domestic or international marketplaces. Either option has its pros and cons, while the latter may often be covert and it happens that a business owner learns about these hidden costs when it's too late. Creating one's own online store does not serve to reach a wide group of new customers, but still requires certain expenses related to technical maintenance. On the other hand, selling goods through an existing marketplace usually forces a business owner to reduce their mark-up and conform to a number of strict guidelines. A certain customer service standard must also be maintained, e.g. as regards the returns policy or delivery time. Lack of know-how in this respect means a business owner may unwittingly choose an expensive solution and has to experience unforeseen costs and burdens, all of which discourages small and medium business owners to market their goods and services online.



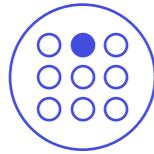
(...) my friend helped me create my on online store, but it backfired, because it's a Chinese store and comes with no user manuals or support scheme. It took me a lot of time to find my way around and I'm still learning. On the other hand, it costs an awful lot of money to have a professional, regular, ready-made online store*

* All quotes in this chapter are taken from interviews conducted for the survey held by the Union of Entrepreneurs and Employers (2021).



Choosing maintenance staff

When faced with problems with choosing a platform, business owners, especially larger ones, may feel tempted to appoint dedicated teams for online expansion. The employees of micro-businesses often don't have a specialised skillset needed to manage e-commerce (no relevant fiscal or legal knowledge, no command of foreign languages), which makes them less efficient and creates a risk of extra expenses (e.g. contractual penalties). If any resources are to be dedicated to the expansion of new sales channels, this is likely at the expense of other business activity – in micro-businesses this might lead to reduced product quality or loss of customers in traditional sales channels. An alternative to one's own internal team is hiring a third-party agency that specialises in e-commerce. Small business owners reluctantly use such resources, though, because they hope they will be able to set up their own platform without extra expenses. This is, however, a risk that hardly ever pays off. Experts claim that using professional support is still cheaper than assigning staff without relevant know-how to manage online sales.



Choosing people responsible for product placement

Just like with traditional sales, products sold online also require regular quality assurance. What is more, with online sales channels it is important to monitor and follow the rapidly changing trends. To do this, a business owner has to appoint a team responsible for analysing sales effectiveness, monitoring consumer behaviour, providing the relevant knowledge to choose a proper marketing strategy and supervising product placement. Specialist competences in this respect are hard to find in SME employees, which means a third company has to be hired to manage the e-commerce. This, however, involves extra costs and the need to understand the relevant service portfolio. Without this, online sales will not be effective and will not generate enough revenue to cover the relevant costs.



Creating an online store without showing it to the world and without drawing the consumer's attention to your products is a pointless investment, even if your product is unique and of good quality.



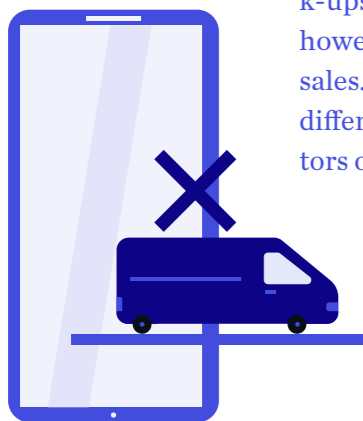
Back when I started, it was still easier to position your business in Google. Now you need to hire specialists.



Sometimes it is hard to define what actions should be taken, what will work for your products, and what is pointless.

ECONOMIC BARRIERS

Lack of relevant know-how related to online stores may entail extra costs, which should be avoided, especially in smaller businesses which don't have high mark-ups, considerable cash flow or sufficient financial reserve to rely on. This, however, is not the only economic barrier that makes it harder to start online sales. E-commerce market has its own economic principles, which may largely differ from those we know from traditional on-site sales. The characteristic factors of e-commerce include:

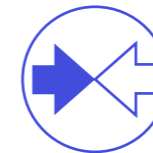


Higher initial expenditure

When starting the sales in one's own online store, a business owner must consider extra costs such as the fee for the www address, the cost of creating the website and any expenses related to hiring people who will manage the online sales and product placement. When choosing to use sales platforms, one needs to remember that the basic extra cost is the commission on sold products. Adjusting company processes to the mandatory procedures is one of the indirect costs of this option. Business owners are afraid of disproportionate fines if they fail to follow the rules. These fears are exacerbated by the fact that the rules tend to be rather detailed – one in three SMEs claims they find the terms and conditions of online marketplaces unintelligible (European Commission 2016). Experts claim otherwise, though, when they point out that the detailed nature of such terms and conditions is in fact beneficial, especially with export activities. With such detailed regulations, the risk of not conforming to mandatory EU laws is lower.



We are now trying to start online sales, but we have reached a deadlock and <platform name> does not wish for anyone to take care of it or help us. We keep receiving the same invalid instructions from different people, but we cannot find out why it is not working or whose fault it is. And we lost contact.



Greater competition

A non-financial cost of online sales is the need to compete with businesses from all over the world. Contrary to traditional sales, Polish SMEs do not only compete with similar businesses operating in a comparable environment. When going online, they have to compete with businesses from developing countries, which can rely on lower labour cost and sell their products at lower prices. The more international the sales channel is, the greater the competition. The situation of business owners who decide to use global marketplaces is particularly dire. They have to offer highly standardised products, which means the competition is really hard. Since the products are standardised, the only way to compete is by lowering the price (instead of competing with price and quality, which is the case on local markets), which is reflected in low mark-ups. As a result, this kind of sales starts being profitable only when the scale is massive, which is often unattainable for the smallest SMEs. This is corroborated by the data presented in the previous chapter, which proves that it is mainly medium businesses that use global marketplaces.



Expensive logistics

As international sales, especially through online channels, flourishes, the manufacturers need to get in touch with a number of contractors responsible for product delivery. Not all of these contractors are verified, though. Insecurity related to the quality of courier service involves extra costs. For example, manufacturers have to adjust packaging, so as to keep the product safe from damage. Sometimes they have to take out a special insurance. The temptation to cut the cost of a courier company may often lead to a drastic reduction of sales. As businesses expand internationally, the cost of mandatory returns and claims will also grow. Other potential problems include supply chain interruptions due to force majeure - business owners often experience financial losses and damage to reputation in the process. That's why in the long run it is best to use the services of a professional company that manages marketplaces and may offer extensive logistic support (such as fulfilment or dropshipping).



Alternative extra costs

Cooperation with foreign companies involves the need to shift company resources – funds and staff – from traditional sales to international trade. It also often entails a shift of direction as regards future development - the needs and expectations of foreign customers may differ from those on the domestic market. As a result, many business owners are afraid to take this step. They believe the sales on the local market might drop and they still see some potential here and would like to retain their share. That's why SMEs prefer to focus on building a stable position in the existing sector, without taking on an extra risk, which they believe to be unnecessary. This is similar to the micro-scale trap, which proves that micro-businesses created to operate locally grow much slower and invest less than their competitors that started out as small or medium businesses with the intention to expand (Czerniak, Stefański 2016).

LEGAL AND FISCAL BARRIERS

Most of the above barriers are faced not only by exporters, but also by businesses that wish to expand their sales locally, within one country. The next group of challenges pertains only to the companies planning international expansion. This group includes four categories of obligations related to adjusting local business to foreign regulations:



Obtaining relevant permits

Before a business can start selling its products on a relevant foreign market, it must obtain a permit to market the good abroad - this involves a relevant quality certificate, packaging approval and labelling. A number of formal requirements must be complied with, and often it is necessary to wait and incur extra expenses to make sure the production technology is consistent with the mandatory law. There is also a lengthy process businesses need to undergo when faced with fiscal authorities – in order to start the sales, they need to obtain the taxpayer's status, which is necessary to make the settlement with a relevant tax office.



Defining tax obligations

Another considerable challenge business owners need to face is defining the amount of tax to be paid and recognising the relevant tax office. The regulations on indirect taxes (VAT, excise tax, customs duty) are the most troublesome, because they differ from country to country and may often be insufficiently defined for international settlements of e-commerce transactions. For example, in the case of dropshipping, when an online store only accepts orders and payments, adding its own mark-up, and the product itself is sent by the wholesaler in the country from which it is ordered, the problem is how much indirect tax should be paid and by whom – the online vendor or the local wholesaler.



Constantly monitoring legal changes

Business owners must monitor changes in legal and fiscal regulations, so as to adjust their business to the new requirements. The companies often fail to devote enough attention to this aspect of business activity, though, and are soon faced with legal consequences or even fiscal penalties. To avoid such dire consequences, it is best to engage third-party support – business owners are well advised to hire a legal office which specialises in a fiscal and legal area.



Intellectual property rights

Monitoring intellectual property rights is particularly important when shipping goods to developing countries, where the level of protection is often lower than in the EU. When offering their products on such markets, Polish manufacturers are exposed to the risk related to illegal substitutes, which may soon oust the original as a cheaper option. Companies therefore need to assign extra funds and time in order to protect their intellectual property rights – trademarks, manufacturing technologies, utility models or industrial designs. Marketplaces are increasingly often offering support for manufacturers who wish to protect themselves from unfair competition, but this usually involves withholding sales for a while, which generates losses.



PSYCHOLOGICAL BARRIERS

One factor often ignored by business owners but widely discussed among experts is the psychological barrier related to starting a new and risky project. This is usually the reluctance to step out of one's comfort zone. Even business owners who take risks regularly may experience a block when it comes to large-scale projects, which require time, money and effort, while offering delayed benefits. International expansion is one of such projects. The fear of expansion may be a direct barrier, e.g. when business owners believe they have no competitive advantage over foreign businesses ("my product is not good enough to compete with global competition"), or an indirect one, when all the other challenges – economic, legal, logistic or personal - are exaggerated.

This fear is exacerbated by the recent trend among regulators, who tend to favour consumers over vendors. As a result, the owners of marketplaces find it easier to build their competitive advantage by offering high standards to their customers. This involves, for example, guaranteed immediate handling of complaints, extensive deadlines for returns and short delivery dates. It is usually business owners who have to cover the cost of such measures. No wonder they may feel stressed in this situation, especially if they own a small-scale business, and fail to conform to the ever-increasing requirements. Some are also afraid of the algorithms created by the owners of marketplaces and Internet browsers, which may convert a few negative feedbacks into a considerable drop in product placement, which in turn results in worse sales opportunities. As follows from the study conducted by the European Commission (2016), more than half of micro, small and medium business owners believe that customers' feedback impacts their sales revenue. This proportion is considerably higher among smaller companies with lower turnover.


3

Support of the international expansion of SMEs

Based on the analysis of the above-mentioned barriers, we could identify a range of measures that should be taken to support the development of export among Polish SMEs. In order for such measures to be effective, though, they must conform to the Polish legal order and the existing system of aid programmes designed for Polish businesses, and be in line with the changes resulting from the advancement of digitization. That's why before specific recommendations can be formulated, one must review the key elements of the existing system designed for the support of Polish SMEs, including the potential of digital solutions in prospective aid programmes.

EXISTING SYSTEM FOR SUPPORTING THE INTERNATIONAL EXPANSION OF SMES

The current system designed to support the development of export among Polish businesses is rather extensive and includes both national and regional initiatives. Among national public institutions it is good to mention a few financial and consulting bodies associated under the Polish Development Fund Group (PFR), such as: Bank Gospodarstwa Krajowego (BGK), Korporacja Ubezpieczeń Kredytów Eksportowych (KUKE), Polska Agencja Inwestycji i Handlu (PAIH) and Polska Agencja Rozwoju Przedsiębiorczości (PARP).

Table 1  presents solutions offered by the PFR and institutions implementing Branch Promotion Programmes. These products are offered on the national level and include a number of instruments such as trainings, consulting and non-financial support. Foreign market analyses and trainings are offered mainly by PAIH. Loans, guarantees, insurances or financing solutions for recovering export receivables are the domain of BGK and KUKE. PARP is also involved in specific aid programmes, which come in the form of grant competitions organised to promote the international expansion of SMEs. Another instrument includes Branch Promotion Programmes that support the participation of Polish business owners and their products in trade fairs and events that promote exporters from a particular branch. Moreover, PARP coordinates the participation in the Enterprise Europe Network, where one can obtain information about EU markets and get in touch with foreign contractors.

Apart from national instruments, business owners also have access to regional aid programmes. In individual voivodships there are Investor and Exporter Assistance Centres (Portal Promocji Eksportu, 2022b). Regional operational programmes funded by the EU and implemented in individual voivodships also include the support of international expansion of SMEs.

TABLE 1. EXPORT SUPPORT OFFERED BY THE PFR GROUP AND BY INSTITUTIONS IMPLEMENTING BRANCH PROMOTION PROGRAMMES – INSTRUMENTS AVAILABLE ON THE NATIONAL LEVEL

Institution	Product	Type and area of support
PFR GROUP: PAIH	Polish Tech Bridges	Consulting and financial support of international expansion to North America, Asia, Africa or Australia
	List of Business Partners	Consulting and non-financial support for SMEs seeking to export goods of services abroad or looking for subcontractors in Poland
	Map of Foreign Markets	Consulting and information about markets
	PAIH webinars	Consulting and non-financial support
	Business Partner Verification	Consulting and non-financial support
	Export Potential Analysis	Consulting and non-business support – evaluation of the export portfolio, prospective markets and actions plans
	B2B Meetings	Consulting and non-financial support, support in finding contacts
	Organising Export Trainings	Consulting and non-financial support
	Organising Business Missions	Consulting and non-financial support – participation in business missions
PFR GROUP: KUKI	Map of Export Markets	Information – key data on export markets
	Europolicy - insurance on receivables	Insurance
	Insurance on receivables - Development Package	Insurance
	Contract-related guarantees	Guarantees for bid securities, performance bonds, advance payment return, removal of defects and failures
	Factoring	Financing receivables
	Insurance on receivables – Policy without Frontiers	Insurance
PFR GROUP: BGK	KUKI GAP EX and KUKI GAP EX+	Insurance
	Financial support of export	Bank guarantees, letters of credit (discounting, confirmation, post-financing), buyback of receivables from export contracts, loan for the purchaser's bank, loan for the purchaser, pre-financing export
PFR GROUP: PARR	Branch Promotion Programmes: IT/ICT and medical equipment	Participation in trade fairs and events promoting exporters from specific branches
	SME internationalization (call ended)	Subsidy
	Enterprise Europe Network	Non-financial support – information, training, consulting related to EU markets; assistance in looking for business partners
POT	Branch Promotion Programmes - health promotion	Participation in trade fairs and events promoting exporters from specific branches
KOWR	Branch Promotion Programmes - food and nutrition	Participation in trade fairs and events promoting exporters from specific branches

BERM	Branch Promotion Programmes - furniture, cosmetics, yachts, biotechnology and pharmaceuticals	Participation in trade fairs and events promoting exporters from specific branches
M PROMOTION	Branch Promotion Programmes - car and airplane parts, construction and finishing, Polish fashion, machines and devices	Participation in trade fairs and events promoting exporters from specific branches

Notes: Data as per 15/03/2022. BPP – Branch Promotion Programme, POT – Polska Organizacja Turystyczna [Polish Tourist Organisation]; KOWR – Krajowy Ośrodek Wsparcia Rolnictwa [National Agriculture Support Centre]; BERM – BERM Sp. z o.o.; M Promotion – holding: M Promotion International Sp. z o.o. and Agencja M Promotion Sp. z o.o.

Source: Own work based on PFR (2022), trade.gov.pl (Portal Promocji Eksportu 2022), strony biznes.gov.pl (Serwis informacyjno-usługowy dla przedsiębiorcy 2022) i portalu gov.pl (Serwis Rzeczypospolitej Polskiej 2022).

ECONOMIC AND INSTITUTIONAL FACTORS IN SMES SUPPORT

It is good to analyse the Polish system of export assistance from a dynamic perspective. As new opportunities and challenges come up, the tools designed to help SME engage in export activities should be improved. In doing so, it is necessary to consider the trends and factors that impact the directions, perspectives and potential support tools as well as export barriers.

For the purpose of this report, a series of Individual In-Depth Interviews (IDI) were conducted with the representatives of institutions supporting SME and branch experts. The aim was to define the existing factors and related directions and trends of the necessary public interventions designed to support SME. There are three groups of factors that affect the design of tools for supporting international expansion among micro, small and medium businesses. The first one includes economic factors, such as the degree of diversification, the nature of business and recent economic shock. The second group refers to the legal and administrative system all the future tools will have to fit in with. The last group is the advancement of digitization – a significant phenomenon that affects support mechanisms, presented in the next subchapter.

Economic factors

Structurally speaking, Polish export is dominated by large multinationals based on global value chains. Many SMEs operate as subcontractors for such multinationals and as such they are indirectly involved in export activities. As a result, the majority of sales is within the European Economic Area, and most of the exported goods and services are destined for the German market. Moreover, Polish SMEs often experience problems related to the dominant market position of large companies, which results in lower mark-ups and reducing one's own sales to other clients.

Most of SMEs in Poland are entities that don't have sufficient resources to start their own export activities. Their financial potential is considerably lower than that of large businesses. Furthermore, the average size of SME in Poland is smaller than that of their counterparts e.g. in Germany. Plus, many of them still focus on the absorptive domestic market and do not consider international


expansion an important goal in their business operations. This is coupled with low awareness of the benefits and principles of operating on foreign markets. Also, due to the specific national history, many Polish SMEs with greater potential are businesses with low degree of digitization and high level of distrust towards digital solutions - most of these businesses are managed by middle-aged founders and currently facing the issue of succession. SMEs generally display a high level of distrust, which means they are unwilling to consortialise or participate in public aid programmes.

Economic shock of the last few years has been a serious macroeconomic factor affecting the Polish export. The outbreak of the pandemic caused a temporary collapse of export, but Polish businesses were quick to recover. Many of them took advantage of the pandemic turn towards regional supply chains, as European businesses strove to secure continuous deliveries. However, further consolidation of the position of Polish businesses in value chains will require an appropriate institutional framework (Radło i Sagan, 2021). Another external shock was the Russian aggression in Ukraine, which also shook the foundations of Polish export. It is a considerable short-term disruption of trade with Ukraine, but also with Russia and Belarus. It also caused a gap in value chains, because of trade restrictions affecting the relations between businesses from these countries and their Polish partners.

The above factors prove the following directions should be considered in supporting Polish export:

- focusing export support on the SME sector, because: (1) large companies develop their export on their own and do not rely on external support; (2) SMEs are mainly Polish businesses and supporting their export capacity could make Polish export less dependent on the trade dominated by large multinationals;
- promoting indirect export of Polish SMEs, which results from their relationships with large Polish and foreign companies - state-owned companies should deliberately choose their contractors, and large companies should be encouraged to cooperate with Polish SMEs. Also, better protection should be offered to SMEs in transactions with large companies;
- creating an insurance portfolio and guarantees that could cover a risk of potential supply chain disruptions;
- providing assistance in overcoming psychological barriers, including those related to digital solutions and international expansion;
- creating incentives for collaboration and exchanging information and supporting the creation of business associations;
- enabling the modification of action plans in projects implemented under export support programmes for SMEs. This is to accommodate the variable market environment, including macroeconomic shock;
- organising trainings in how to operate on foreign markets, how to sell products abroad, how to use digital solutions in SME etc.

Regulatory and institutional factors

These factors include legal regulations on domestic business and cooperation between business owners and regional/central administration. This category includes legal and fiscal barriers related to export procedures in Poland and abroad - the need to obtain permits, adjust settlements to local tax rules or secure intellectual property rights (see also Chapter 2 )

Certification procedures might be lengthy and expensive. Moreover, the problem with the existing public support programmes designed to promote export among SMEs is that detailed action plans must be presented and implemented even when the market environment changes. Another challenge includes complicated bureaucratic procedures for settling subsidies for SMEs. Such difficulties discourage this target group from participating in projects or make their participation hardly worth the effort.

The key conclusions drawn on the basis of the above-mentioned factors include:

- increasing the competences of SMEs as regards product approval on foreign markets and making sure exported products are consistent with mandatory regulations (including tax and customs obligations). It is therefore necessary to include these topics in trainings and information materials;
- creating information platforms presenting current knowledge of the above-mentioned topics;
- creating the opportunity to obtain financial aid to subsidise expensive certification procedures;
- creating instruments that support export among SME, focused on the protection of intellectual property rights in export - trademarks, manufacturing technology, utility models or industrial design etc. Organising relevant trainings and reimbursement of the cost of securing intellectual rights;
- increased share of public institutions in the administrative burden related to the settlement of participation in aid programmes;
- introducing regulations that protect SMEs in transactions with larger businesses and organisations - by introducing mandatory contractual clauses to protect small and medium subcontractors - with regard to mark-ups, payment deadlines, ban on sales to third parties etc.

DIGITIZATION VS EXPORT SUPPORT

Although the existing system for supporting export among Polish businesses seems extensive, a closer analysis shows that it lacks complex digital solutions. The programmes do not make the most of the available digital solutions, especially in the SME sector. In this context, it's good to notice two categories of factors. The first one includes insufficient application of digital tools that facilitate the analysis of markets and export management e.g. due to the negligence on the part of public institutions and aid programmes. The other group includes the issues experienced by small and medium businesses striving to use digital tools - this is







often caused by insufficient knowledge or psychological barriers. Digitization helps reduce the cost of developing export and faster internationalisation of business operations, which is of considerable importance to SMEs (AMTC, 2018). Implementing digital technology is not easy, though, in that it requires investment and considerable changes in business operations. To do this, it is necessary to make the most of one's resources and manage them properly (Dethine et al., 2020).

In the recent years the economic policy of developed countries has focused on supporting the digitization of SME operations. This was partly because of pandemic restrictions, but also due to the benefits of digital technologies. During the pandemic many OECD countries implemented support packages for SMEs, which included such instruments as vouchers and subsidies for business digitization, enhancing electronic administration or supporting the development of digital competences among business owners. The access to digital infrastructure as improved and certain initiatives were launched to facilitate the use of electronic administration, e-commerce and remote work (OECD, 2021).

Digitization among SMEs started to be perceived as an enhancement of export potential. This is proved by the growth of public and private digital platforms that support or manage export activities, as well as by the appearance of new instruments that increase the potential of SME internationalisation². The above trends are reflected in the empirical data related to Polish businesses – it follows that Polish e-commerce export and the related pro-export services have rapidly increased since 2020 (PWC, 2021).

Digitization has become a permanent trend in export, and the development of digital platforms is just one of its exponents. It serves to reduce the cost of export and is relevant for virtually every aspect – from market research, through marketing, insurance and finance, to legal compliance and operational support (Vide: AMTC, 2018; Ganne and Lundquist, 2019). In each of the abovementioned areas digitization helps change the business paradigm, shifting it from traditional to digital. All of these changes have serious implications for the tools designed to support the export among SME. The summary is included in [Table 2](#) followed by more detailed description.

TABLE 2. THE SIGNIFICANCE OF DIGITIZATION FOR VARIOUS AREAS OF EXPORT

Area	Actions	Traditional model	Digital model	Implications for supporting SME export activities
 Market research	<ul style="list-style-type: none"> » Identifying and estimating business opportunities » Obtaining information and understanding the target market 	<ul style="list-style-type: none"> » Troublesome and time-consuming: specialised personnel, market research agency » On-site visits to target markets 	<ul style="list-style-type: none"> » Computer data analysis » Digital tools for market research (e.g. online surveys) » Reducing the need to travel 	<ul style="list-style-type: none"> » Creation of digital platforms with information on specific markets, including foreign e-commerce platforms » Developing databases with information on foreign markets » Trainings for business owners in market research based on digital tools
 Marketing	<ul style="list-style-type: none"> » Reaching customers via advertising » Distributing promotional materials through advertising channels 	<ul style="list-style-type: none"> » Purchasing local advertising space on a foreign market (e.g. ads in the press, radio and TV) 	<ul style="list-style-type: none"> » Digital advertising channels (SEO, display, social media, video) » Using market platforms 	<ul style="list-style-type: none"> » Sharing information on digital platforms and available support for marketing activities and how to use it » Financial aid programmes available for marketing campaigns with the use of digital platforms » Trainings for business owners in digital marketing, including activities with the use of digital platforms
 Insurance and finance	<ul style="list-style-type: none"> » Access to product shipment insurance and backup financing for export projects » Obtaining information and preparing for insurance and loan security 	<ul style="list-style-type: none"> » Limited transparency » Time-consuming approach based on paperwork » Dedicated brokers 	<ul style="list-style-type: none"> » One-stop shop » Websites for comparing products » Digital financial products 	<ul style="list-style-type: none"> » Sharing information on digital platforms that offer the opportunity to compare or access financial and insurance products for exporters » Creating a digital platform for financial and insurance products for exporters, offered by public institutions » Trainings for business owners in how to use the above-mentioned platforms
 Legal compliance	<ul style="list-style-type: none"> » Regulations, rules and laws mandatory for SMEs on the foreign market » The cost of compliance – filing necessary documents and paying relevant legal fees 	<ul style="list-style-type: none"> » Time-consuming approach based on paperwork » Dedicated consultant 	<ul style="list-style-type: none"> » Domestic one-stop shop 	<ul style="list-style-type: none"> » Trainings for business owners and other stakeholders in using tax and customs platforms » Creating a platform with electronic, tax and customs services; expanding its functionalities » Integrating the Electronic Tax and Customs Service Platform with other export platforms
 Distribution	<ul style="list-style-type: none"> » Physical delivery of goods to foreign markets » Product delivery and sales channels 	<ul style="list-style-type: none"> » Manual management of supply chains » Limited information on the reasons for ineffectiveness 	<ul style="list-style-type: none"> » Automated and digital management of supply chains (e.g. the Internet of Things) 	<ul style="list-style-type: none"> » Creating a platform focused on marketplaces for various foreign and product markets (information, comparison)
 Operational support	<ul style="list-style-type: none"> » Everyday business operations, e.g. managing orders, back office tasks » Complicated IT tasks – database management, accounting, communication 	<ul style="list-style-type: none"> » Special IT equipment (e.g. servers, office software) » Communications » Dedicated travel agencies 	<ul style="list-style-type: none"> » Cloud processing and software » Voice over IP » Online tourist services 	<ul style="list-style-type: none"> » Supporting SMEs digitization in order to increase their potential, including the integration of internal business processes with external platforms

Source: Own work based on AMTC (2018).

² See also: AMTC (2018); Cenamor et al. (2019); Deng et al. (2022); Dethine et al. (2020); Elia et al. (2021); European Investment Bank. (2021); Ganne and Lundquist (2019); OECD (2021b); UK Board of Trade (2020).



Market research

Market research digitization offers great opportunities of using search and data processing tools not only with regard to potential customers, but also for cross-border trade or legal compliance in a specific country. As a result, businesses can reduce the number of people involved in market research and obtain better results. With such tools, small and medium businesses can identify business opportunities abroad more efficiently. Another aspect important for SMEs is the lower cost of market research, because there is no need to organise extensive trips abroad when other forms of market research are available, such as a video call or online survey.

The above trends show that the measures introduced to boost export among SMEs should come in the form of digital platforms with information on foreign markets – such measures could include creating databases, launching dedicated e-commerce platforms or offering trainings to those business owners who want to expand their study of foreign markets with the use of digital tools.



Marketing

SMEs can draw on the benefits of digitization also in the area of marketing. First of all, digitization helps reduce marketing costs and target end customers more accurately. It also streamlines the management of customer relations, e.g. through Connected CRM (Dempster and Lee, 2015). Digital platforms offer ready-made marketing tools that effectively boost sales (Oxford Economics, 2017). This is particularly significant for small businesses, which lack the scale and financial resources needed to launch a major promotional campaign in radio, TV or the press. Supporting the export of SMEs with digital marketing tools could involve sharing information on digital platforms and the opportunities they offer, as well as organising programmes for funding the implementation of digital campaigns or relevant trainings.



Insurance and finance

The digitization of financial and insurance services accelerated rapidly during the COVID-19 pandemic. Digital solutions in this respect include e.g. comparison engines (so that business owners can analyse competitive financial or insurance products and services offered by financial institutions to exporters) or distribution and sales platforms designed for exporters, where they can purchase financial or insurance products and services. Many such products and services are available also on general platforms managing a number of markets. Such platforms facilitate the search and comparison of financial and insurance products, and helps reduce the cost of export (ESA, 2022). For example, a Chinese platform known as Alibaba offers cross-border trade financing and credit reporting for SMEs, in cooperation with global banks and rating agencies.

Finances are inextricably bound to electronic payments. When using this method, it is necessary to consider consumer preferences in a specific region, which may be based on a prepaid sales model (e.g. PayPal), current payments (wire transfer or debit/credit card) or cash on delivery (the customer pays upon receiving the goods). Many e-commerce platforms cooperate with payment service providers. It is also possible to introduce these payment options in one's own

online store, but if a business is present on a number of markets and cooperated with various operators, the related cost might be staggering (PWC, 2019).

Considering the above, encouraging export among SMEs may involve sharing information on digital platforms that serve to compare or access financial and insurance products offered to exporters, creating a digital platform with such services by public institutions, and enabling a variety of payment methods on the platforms. It is also a good idea to organise trainings for business owners, to show them how to use such platforms.



Legal compliance

Digital solutions may reduce the costs of ensuring the necessary compliance. Such tools provide easier access to information on tax regulations or export requirements, and help automate the process of aligning one's business operations to the laws mandatory on a specific market. Exporters are willing to use such solutions: customs agencies already rely on digitized customs procedures, and the public sector also readily chooses such options. An example of a good practice in international trade is the so called one-stop shop and the Electronic Tax and Customs Service Platform (PUESC) together with the ECIP portal (European Customs Information Portal) – these solutions offer access to information on customs and tax regulations and facilitate bilateral, safe communication with customers. Services offered by the Customs and Tax Information System (SISC) via the PUESC platform and automated management of the platform mean many export processes can be more efficient and speedy. Also, this serves to facilitate the communication with customs authorities (PUESC, 2022). Another example of a good practice is the creation of the so called Global Trade Helpdesk (HelpMeTrade.org), which is an intuitive tool and a one-stop shop for information about export and import (Global Trade Helpdesk, 2022; UNCTAD, 2022).

Digital solutions that help ensure legal compliance are being improved as we speak. That's why it is necessary to organise trainings for business owners and other stakeholders, so that they know how to use customs and tax platforms in Poland and abroad. It is also important to increase the functionality of existing platforms and to make sure they can be integrated with other platforms that manage export processes.

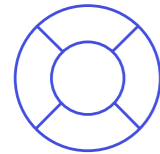


Distribution

Digital solutions are also useful in logistics, as they can reduce the cost of foreign distribution and thus make it easier for small and medium businesses. Such tools increase supply chain control by relying on solutions known from the Internet of Things. They also facilitate transport and storage processes (Bartczak, 2019, 2019; Elia et al., 2021). SMEs need to be able to use such solutions in order to join global supply chains. Small and medium businesses may be particularly interested in platforms for managing the members of a specific supply chain and marketplaces, which often provide logistic solutions on top of other services designed for exporters. Key services in online export are those offered by cross-border courier, express and parcel services (CEP), as well as those businesses that provide end-to-end service and in addition to transport and shipment also

offer support in customs and tax procedures (e.g. preparing documentation), and special applications designed to link the provider's IT systems with the system used by the online store (Pluta-Zaremba, 2016).

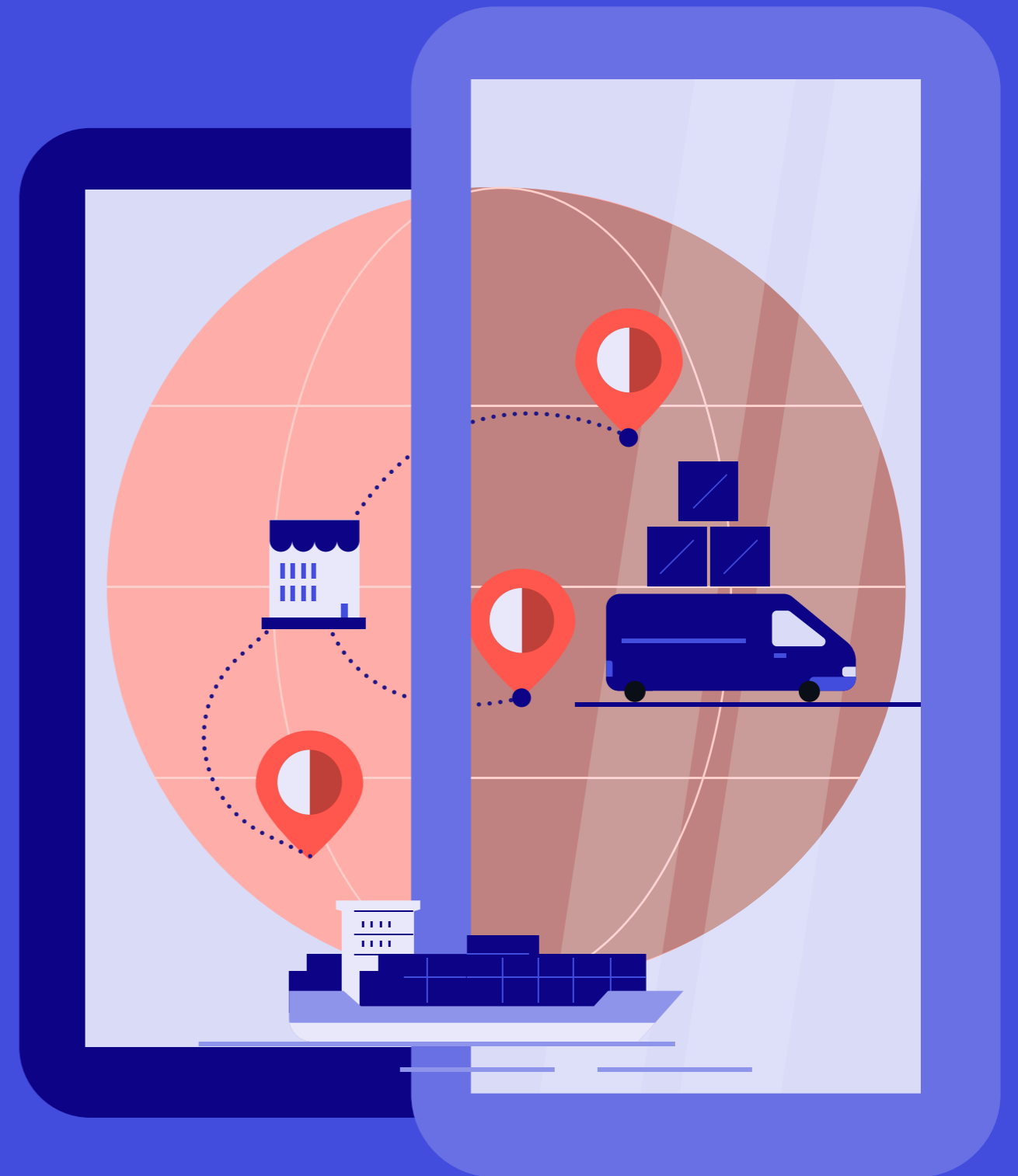
Therefore, if public institutions wished to stimulate export by offering improvements in logistics, a good idea is to share information about solutions offered by marketplaces or CEP integrators. One good practice we could identify is the comparison platform with information about foreign marketplaces, designed by the British Department of International Trade (Department for International Trade, 2022).



Operational support

As part of business operations, export may significantly contribute to increasing the sales of goods and services, which serves to increase the value of a business. The above-mentioned digital tools that boost export processes may streamline business operations in general. One should bear in mind, though, that these solutions only refer to a part of business operations. Digitization works best when it's a complex and comprehensive process, and as such it requires the integration of some, if not all, business processes within a company.

For this reason, SMEs digitization designed to facilitate export should include solutions related both to traditional sales and e-business, including e.g. Virtual Private Networks (VPN), Voice over Internet Protocol (VoIP), video calls, data security systems, cloud technologies and other solutions designed to facilitate business operations and help integrate it with e.g. a specific marketplace or customs and tax platforms.



4

Recommendations

The following recommendations focus on supporting export among Polish SMEs. These guidelines are based on the findings formulated in the previous parts of this report, rely on the existing digital tools available to exporters, and draw on best practices and experience from abroad, and on the outcomes of individual in-depth interviews with representatives of various institutions. For practical reasons, the recommendations are broken down into six categories.



IMPLEMENTING NEW IT TOOLS

- Creating a digital platform with information on foreign markets, legal regulations, administrative procedures and product approval, with the use of relevant databases.
- Creating a digital platform for comparing e-commerce platforms, considering such parameters as goods and services type, or target market (country). Such a platform would offer information on customers and managed sales channels, and would support market research, marketing, insurance and finance procedures, compliance, distribution and operational processes, in addition to specifying formal and technical requirements for joining a platform as well as available payment methods.
- Creating a digital platform for comparing and using financial and insurance services available to exporters.
- Preparing periodical analyses, summaries and recommendations for exporters in a specific industry, to present current and hypothetical consequences of economic shock caused by external factors and to indicate the related risk areas (hindrances) and opportunities (new areas of export).
- Creating a comprehensive digital platform with information on digital solutions that promote export and offer assistance in such areas as market research, marketing, insurance, finance, compliance, distribution and operational support.
- Preparing information materials including examples of successful SMEs that decided to go international, especially by relying on digital solutions.
- Appointing digitization ambassadors, who could include academics, researchers, young SME employees. They would organise trainings, participate in conferences and prepare information materials.



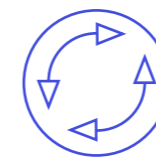
EXPANDING TRAININGS FOR SMES WITH ADDITIONAL TOPICS

- Digital solutions supporting export processes: market research, marketing, insurance and finance, compliance, distribution, operational support.
- Making decision to expand and develop online export.
- Running and expanding an online store in international trade.
- Sales through e-commerce platforms – training combines with practical use of a platform for comparing marketplaces.
- Export strategies with the use of digital tools.
- Using customs and tax platforms.
- Digital platforms for comparing and buying financial and insurance services available to exporters.



TRADITIONAL AND ONLINE CONSULTING

- Online consulting in the form of an internet tool supporting decision-making with regard to online export. It could come in the form of an extensive decision tree and promote relevant trainings. The tool would analyse a variety of options, e.g. one's own online store or an e-commerce platform, internal process vs outsourcing. The choices would include such areas as market research, marketing, insurance and finance, compliance, distribution and operational support. Separate online consulting could help evaluate one's readiness to offer goods or services online on foreign markets, or the readiness of SME to export.
- Traditional consulting related to the above-mentioned topics.



BOOSTING THE COOPERATION OF SMES WITH BUSINESS ENVIRONMENT

- Organising trainings and information meetings for SMEs focused on the above-mentioned topics and managed by business organisations, including digitization ambassadors.
- Advice offered by experts from business organisations, including digitization ambassadors, related to export support available to SMEs, with reference to the abovementioned areas of interest.
- Organising trainings in digital export-facilitating tools for local authorities, Investor and Exporter Assistance Centres and similar organisations. Promoting the use of such tools in regional strategies, provided that regional instruments should complement national solutions rather than compete with them.

- Promoting indirect export among Polish SMEs, while guaranteeing the protection of SME in such transactions by making non-discriminative cooperation a prerequisite for support offered to foreign investors.
- Developing the cooperation of state-owned companies with SMEs, in order to promote indirect export and protect SME in the process.
- Organising the so-called business mixers and networking meetings for SMEs in order to promote B2B cooperation, also with large businesses.
- Implementing solutions that promote cooperation and information exchange in public procurement and aid programmes designed to support export among SMEs. The solutions could include e.g. bonuses for consortialising with SMEs.
- Supporting the cooperation of SMEs with local authorities as regards promoting the region abroad, e.g. during foreign missions, regional brand competitions, by promoting regional brands abroad.



ADMINISTRATIVE CHANGES

- Further digitization of administrative processes, including the development of Electronic Tax and Customs Service Platform, expanding its functionalities and boosting the integration of the PUECS with other export platforms.
- Introducing regulations that protect SMEs in transactions with large businesses and organisations by introducing mandatory contractual clauses to protect small and average – mark-ups, payment deadlines, ban on sales to third parties.
- Making the procedures under export aid programmes for SME more flexible. It is necessary to allow the modification of action plans e.g. when the market situation changes dramatically.
- Taking over part of the administrative burden related to the settlement of participation in export aid programmes.



CHANGES IN FINANCIAL AID PROGRAMMES

- Adjusting financial aid instruments to the specific nature of each phase of export development: subsidising early stages and financial loans (or guarantees) for more advanced stages.
- Regional and national aid programmes (including subsidies) for the digitization of small and medium businesses – directly related to export and to other business activities. Increasing the export potential of SMEs by offering

the opportunity to integrate internal processes with external requirements of digital platforms.

- Financial support for SMEs, related to certification procedures under regional or national programmes, in order to improve access to foreign markets.
- Financial support for SMEs as regards the protection of intellectual rights on foreign markets under regional or national programmes (trademarks, manufacturing technologies, utility models or industrial designs).
- Subsidising the participation of SMEs in international trade fairs or missions.
- Financial programmes available for marketing campaigns with the use of digital platforms.

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