# Online services in the EU: Both local and global, with the US as the dominant supplier

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Online services in the EU are highly fragmented: Europeans surf mostly on US-based websites which account for about 54% of online activity, while activity on EU-based websites accounts for 42%, according to a new JRC report. Only 4% of the EU's online services activity takes place on websites from other parts of the world.

The findings have been published in the paper "International Trade in Online Services". Online services activity ranges from delivery of digital media or search engines' results to e-commerce and travel services. The analysis includes a total of 39 countries; the EU28, some other European states, the US and major emerging market economies. It combines paid and "free" online services in a single measure based on the number of page views on the websites of online service providers. According to the study, the internet is both local and global: a large number of highly diversified local online services websites attract relatively little traffic and a small number of truly global giant service providers account for the bulk of all activity.

The paper supports the European Commission's Digital Single Market aim, which is to bring down existing barriers and create an environment where businesses and society can fully benefit from digital services and tools.

Irrespective of their location, suppliers do not generally operate across all Member States - less than 1% of online suppliers actually deliver their services to all 28 Member States. In fact two-thirds of the suppliers active in the EU cover no more than four countries. Half of the online activity in the EU is linked to a few very large online service suppliers. The top 1% of EU-based providers only generate 5% of EU's online activity.

Demand for online services in larger countries is relatively more inward-focused compared to smaller countries - as predicted by (offline) international trade models. The US is the big exception: 32% of its domestic online service providers also operate abroad and this activity is nearly twice as big as domestic activity in the US. This confirms the position of the US as the dominant supplier of worldwide online services.

Online trade costs are much lower than those offline, as geographic distance plays a less important role. Somewhat surprisingly however, online consumers have a strong preference for home market providers - much more so than offline, though this preference varies. Once consumers decide to go outside their home markets, language becomes an important obstacle - cultural and linguistic borders reinforce consumer preferences for the home market. The paradox between declining market costs and increased home bias is a consequence of the decline in online information cost that offers consumers the possibility to explore the long tail of niche market products and services that are hard to find in local offline shops, in the online home market as well as on the global internet.

**More information:** ec.europa.eu/jrc/en/publicatio … rade-online-services

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