



# SPECIAL ANALYSIS

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## Digital Europe – the North's dominance

## Digital market – one of the Commission’s priorities

The development and growth of technology in recent decades has reached incredible speed. This is no less true in the case of digital technology. Indeed, the overwhelming majority of the EU’s inhabitants cannot imagine life without digital technology, since it has become an essential part of it. It certainly is not essential, but many of us would no longer want to live for a long time without access to the internet. We use the internet both in our professional and private lives. This is reflected by the growing number of daily users of the internet. As the number of users is growing, so are the demands for broadband coverage and awareness of the ways to use the internet, which is placing demands on its users as well.

After all, there are truly many ways to use the internet. These ways of using it range from activities in people’s free time to shopping, internet banking and communication with state administrative bodies. A chapter in itself is the increasing popularity of using social networks, which are visited daily mainly by members of the younger generation.

However, the expansion of digital services is being met with a number of obstacles and limits. These can include blocking of certain services in specific locations. There is often a problem with connection of certain electronic services, which can often be attributed to geographical restrictions. Juncker’s Commission wants to eliminate these and other aspects that prevent increasing of the effectiveness of the interconnection and digitisation of the EU. The single digital market has become one of the Commission’s priorities.

A project team consisting of 14 European Commissioners is focusing on achieving one of the Commission’s most important priorities. One member of the Single Digital Market team is Czech commissioner Věra Jourová, who since November 2014 has been responsible in the Commission for “Justice, Consumers and Gender Equality”. The project team is headed by European Commission Deputy Chairman Andrus Ansip from Estonia. Discussions have been held at the level of the Commission regarding the issue of a single digital market, and the strategy itself for the single digital market is expected to be made public by the end of May.

**The Commission has defined three main areas** on which it will focus during its term:

1. *Better access to digital goods and services for consumers and businesses*
2. *Formation of an ideal environment for development of digital networks and services*
3. *Creation of a European digital economy and a society with long-term growth potential*

### Better access to digital goods and services for consumers and businesses

The first area will focus on easier cross-border electronic trade, particularly for small and mid-sized enterprises, thanks to harmonised consumer and contractual conditions and more effective and affordable delivery of mail. Currently only 15% of consumers purchase online from other EU member states, due to shipping prices, which often exceed the prices of the products themselves.

Another defined problem related to access to digital products and services is „geo-blocking“, which blocks services based on geography. The European Commission would like to limit such blocking of services, so that the EU’s inhabitants can use all of the online services that are available in other member states.

The European Commission will also focus on modernisation of copyrights, in order to ensure a correct balance between the interests of creators and those of users and consumers, and would like to focus on simplifying VAT rules. For small and mid-sized enterprises, as a result of the existence of different requirements and the complexity of tax regulations, there are high expenses, estimated at EUR 80 billion.

### Formation of an ideal environment for development of digital networks and services

Next, the European Commission will focus on supporting investments into infrastructure. Therefore, it will conduct a review of current telecommunications and media regulations, to ensure that they correspond to newly defined activities, particularly as far as use by consumers are concerned and due to the quickly rising number of voice calls via the internet.

The European Commission will also focus on the growing importance of online platforms (search engines, social media, mobile app stores, etc.) for a prospering economy using the internet. This will include an examination of ways to boost confidence in online services thanks to greater transparency, how to include them in the online value chain and how to enable quick removal of unlawful content.

The key for boosting confidence is expected to be the quick adoption of data protection regulations.

## Creation of a European digital economy and a society with long-term growth potential

Finally, the Commission will focus on help with the integration of new technology for all industrial sectors, since industry as a whole is a fundamental part of the European economy. Therefore, the individual standards for new technology must be established more quickly, due to their huge importance for the EU’s ability to compete.

The Commission would also like for industry and society to gain as much as possible from the data economy. Every second, large volumes of data are created by people or generated by machines, such as sensors, which gather information about climate, satellite images, digital photography, video recordings, transaction records and GPS signals. Large-volume data are an important source without question, but one that also raises important questions regarding ownership, data protection and standards. Juncker’s Commission will also focus on the quickly growing sector of cloud computing (the share of digital data stored on the cloud is expected to grow from 20% in 2013 to 40% in 2020). For the population itself, besides ensuring the proper functioning of new digital technologies, the development of digital knowledge and utilisation of the capabilities and opportunities that they offer will also be important.

## Index DESI 2015 – Digital Economy and Society

And just how do individual member states fare in the area of digitisation? At the end of February, the Commission published the DESI (Digital Economy and Society Index), which combines 33 relevant indicators related to digital performance in EU member states. This index can be understood as a certain analytical tool for comparing states with each other, and over time it provides a basis for initiating the strategy of a single digital market. Individual countries are evaluated based on performance in 5 digital areas (which are divided into further indicators):

- **Connectivity** (fixed broadband coverage, the number of fixed broadband connections, implementation of mobile broadband and/or a spectrum, NGA coverage, the percentage of participants with high-speed broadband, etc.);
- **Human capital** (internet users, basic digital skills, IKT experts, graduates of STEM fields);
- **Use of Internet** (news, music, videos, games, services, „on demand“ video, IPTV – television via internet protocol, video calls, social networks, banking, shopping);
- **Integration of Digital Technology** (electronic information sharing, RFID, social media, electronic invoicing, cloud services, small and mid-sized enterprises selling via the internet, turnover from electronic trading, cross-border online sales);
- **Digital Public Services** (use of electronic public administration, pre-filled forms, completeness of online approaches, publicly accessible data, exchanges of medical information, electronic medical prescriptions).

Data are used in DESI 2015 based on availability from 2013 and 2014. Based on their evaluation, individual member states were ranked in a ladder based on their degrees of digitisation (the maximum value is 1.0), which were determined based on results in all of the aforementioned digital areas, which were assigned weight based on their importance. Therefore, the areas of „connectivity“ and „human capital“ each represent 25% of the overall index. „Integration of digital technology“ is outweighed 20%, and the other two areas, „internet use“ and „digital public services“ each represent 15% of the index.

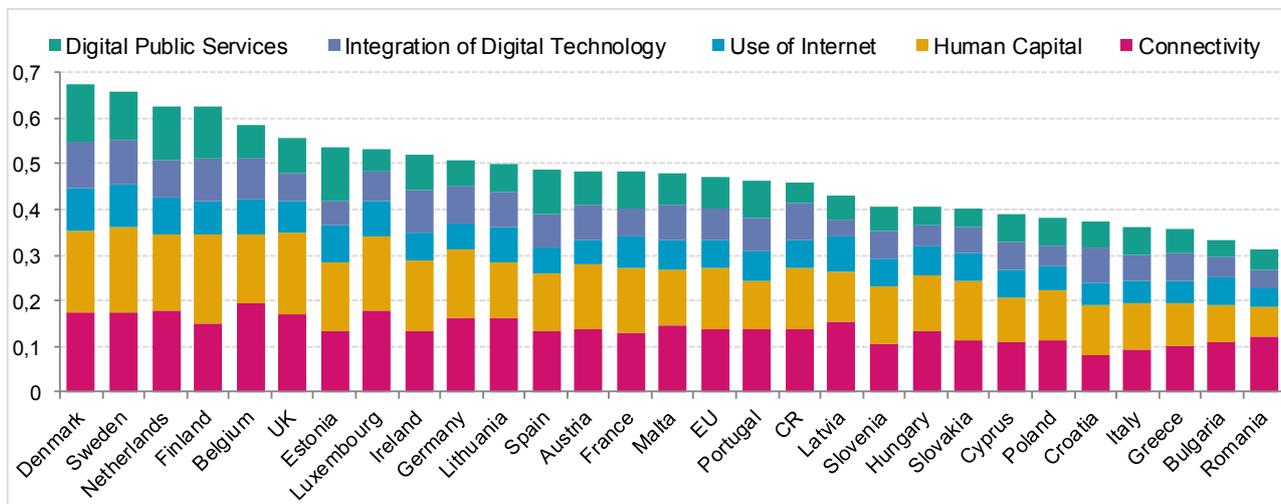
The differences in the degree of digitisation in individual EU member states are significant. Developed states with high innovation potential and a focus on new technology and progress emerged as victorious. With a grade of 0.68, when the maximum grade is 1.0, Denmark finished in first place, followed by Sweden, the Netherlands and another Scandinavian country, Finland. The bottom of the index certainly will not surprise you either. The positions of the less economically developed states of Romania and Bulgaria at the bottom (with 0.31 and 0.33 respectively) could have been expected. The fact that Greece and Italy are just above Romania and Bulgaria will not come as a surprise, but this information is evidence that these states are not in a good condition. They have not only macroeconomic problems, but also problems in the field of digitisation, which could represent a long-term problem and in the future a loss of the ability to compete.

### DESI 2015 – Czech Republic

Of the 28 member states, the Czech Republic ranks among the medium-performing states in 17th place with a grade of 0.46. (According to the DESI 2015, the other medium-performing states are: Austria, Belgium, Estonia, France, Germany, Ireland, Lithuania, Luxembourg, Malta, Portugal, Spain and the UK.) The Czech Republic emerged ahead of most former Communist countries in Eastern Europe, and the differences between it and France or Austria are very small. The Czech Republic finished overall in 17th place in the DESI 2014.

If we compare individual grades in the five main areas in the past two years, we can see that besides the area of „digital public services“ there has been improvement. Nonetheless, the other states are not waiting in the wings either in the areas of digital economy and society, and so the overall position for the Czech Republic has not changed.

### Index DESI 2015



Source: European Commission

### Index DESI 2015 in the Czech Republic

	DESI 2014		DESI 2015	
	rank	score	rank	score
<b>Connectivity</b>	15	0.48	14	0.55
<b>Human capital</b>	14	0.51	13	0.54
<b>Use of Internet</b>	19	0.37	20	0.39
<b>Integration of Digital Technology</b>	10	0.36	7	0.41
<b>Digital Public Services</b>	23	0.30	25	0.30

Source: European Commission

The Czech Republic has achieved above-average results only in the area of „Integration of Digital Technology“, where it finished in 7th place, which is an improvement by three steps on the ladder compared to DESI 2014. The results were excellent in the sub-categories „Small and Mid-sized Enterprises that sell via the internet“ (% of all SMEs with 10 or more employees, except in the financial sector) and „Turnover from Electronic Trading“ (% of turnover of all SMEs with 10-214 employees, except in the financial sector), where the Czech Republic even finished in 1st place in comparison with all EU member states.

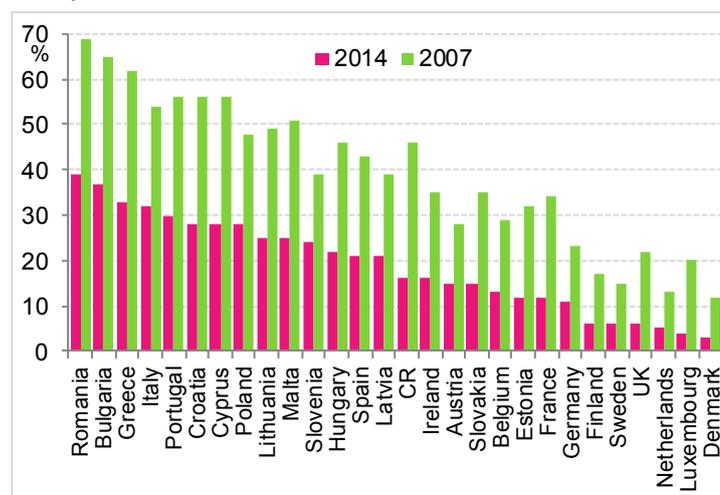
The areas of „Connectivity“ (14th place) and „Human Capital“ (13th place) finished with average results, and in those areas there was also a slight improvement in sequence. For connectivity, this was helped by a rise in interest in both fixed and mobile broadband connections. Practically all households are covered by broadband internet (in rural areas this amounts to 91% of households).

The share of the population with 4G mobile connections available is also growing (12% in 2014). The share of regular users of the internet has also grown to 76% of the population (data from 2014), which compared to the previous year is an increase by six percentage points.

We are behind the EU average in internet use. Internet use offers a wide range of options. These include reading online news (86% of Czech users), playing online games (57%) and using social networks (50%). Internet banking is also growing in popularity (58% of Czech users), as is shopping.

The area of „Digital Public Services“ seems problematic, and in it the CR not only fell by two places on the ladder compared to the previous index, but only achieved 25th place, mainly due to shortcomings related to the use of electronic public administration and completeness of online approaches.

#### Individuals who have never used the internet (aged 16 to 74)



Source: Eurostat

#### Frequency of Internet access: once a week (including every day), Individuals, 16 to 74 years old

	2014 (%)	Δ 2014-2007 (pp)		2014 (%)	Δ 2014-2007 (pp)
<b>Luxembourg</b>	93	+21	<b>Hungary</b>	75	+26
<b>Denmark</b>	92	+16	<b>Latvia</b>	72	+20
<b>Netherlands</b>	91	+10	<b>Spain</b>	71	+27
<b>Sweden</b>	91	+16	<b>Malta</b>	70	+27
<b>Finland</b>	90	+15	<b>Lithuania</b>	69	+24
<b>UK</b>	89	+24	<b>Slovenia</b>	68	+19
<b>Belgium</b>	83	+20	<b>Croatia</b>	65	+33
<b>Germany</b>	82	+18	<b>Cyprus</b>	65	+30
<b>Estonia</b>	82	+23	<b>Poland</b>	63	+24
<b>France</b>	80	+25	<b>Portugal</b>	61	+26
<b>Austria</b>	77	+16	<b>Greece</b>	59	+31
<b>Czech Republic</b>	76	+34	<b>Italy</b>	59	+25
<b>Ireland</b>	76	+25	<b>Bulgaria</b>	54	+26
<b>Slovakia</b>	76	+25	<b>Romania</b>	48	+26
<b>EU</b>	<b>75</b>	<b>+24</b>			

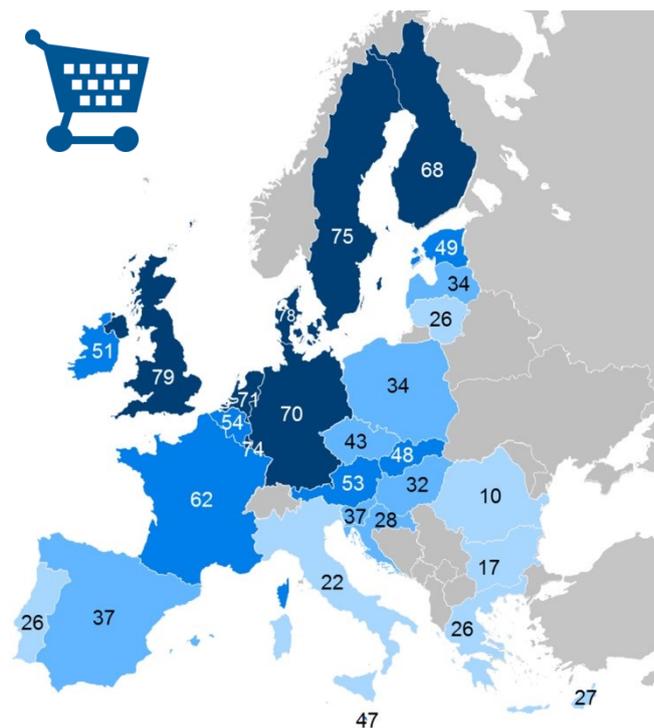
Source: Eurostat

The share of users who use the internet regularly (at least once per week) has grown in recent years practically in all EU states by tens of percentage points. Nonetheless, huge differences remain between member states. In the most developed states, the share of regular users of the internet in the age category of 16 to 74 hovers at around 90%. This is in contrast with Bulgaria and Romania, which each have approximately a 50% share. The Southern states of Italy, Greece and Portugal are only slightly better with a 60% share of internet users.

Internet use among the generation of young people in member states born more than 16 years ago has increased so much already that almost everyone in the 16-24 age group uses the internet. There is room for higher growth in the area of digital technology only in less developed states in this segment, specifically Romania, Bulgaria and Italy. Another interesting and open group with room for growth is the population between the ages of 55 and 74. This group will undoubtedly be a target also for various marketing campaigns, since in terms of numbers of users and potential clients, whether shopping, services or banking, etc. are involved, this will be a very quickly developing group of users.

As the share of active and regular internet users is growing, the share of inhabitants (in the main group of inhabitants between the ages of 16 and 74) who have not yet used the internet is falling. In countries such as Denmark, Luxembourg and the Netherlands, this is only in single percentages. However, in Romania, Bulgaria and the Southern states of the EU, it is in tens of percent. The area of digital technology is undoubtedly one of the several most important priorities of the Commission. Another step in the form of a single digital market will be approved by the Commission in May.

#### Share of inhabitants (ages 16-74) shopping online



Source: Eurostat

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