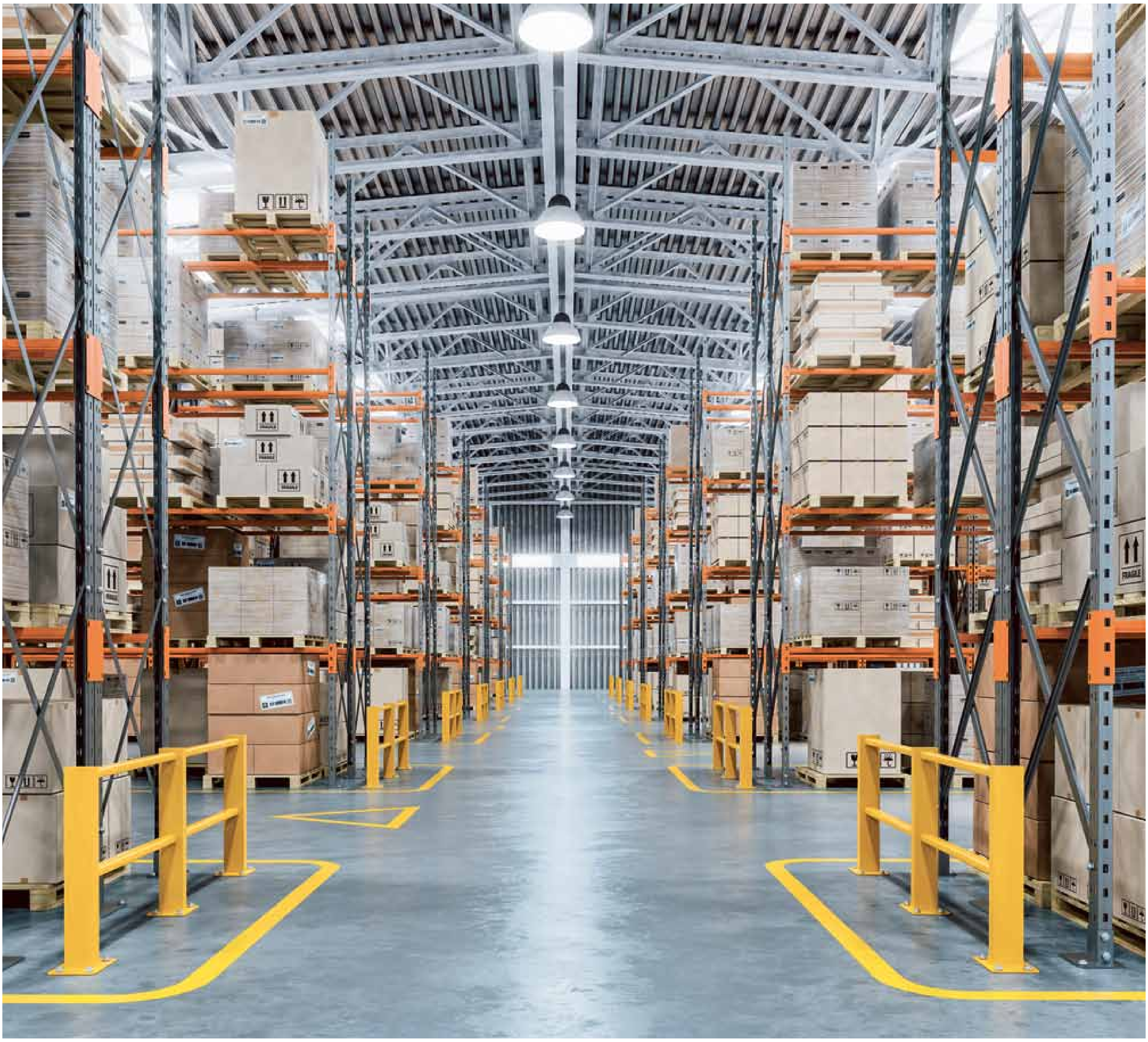
POLAND Weekly

Report

E-commerce in Poland

- local characteristics, global context



Agnieszka Bulus-Trando
BiznesINFO.TV and FMC27News

The Polish e-commerce market is booming. Both the value of products sold online and the number of online stores are growing. That has an impact on the whole supply chain, warehousing, logistics, infrastructure and labor market.

The strength of the market is not related only to domestic demand. With a growing number of cross border transactions, Poland is in a good place and it's a good time to play an important role on the European e-commerce map. And that's not the only factor that makes Poland's position stronger.
Read our report, where market leaders from Cushman & Wakefield, DHL Supply Chain and Panattoni share their insights about the prospects for e-commerce market growth in Poland and its role in Europe.

Damian Kołata

THE RISING STAR THAT IS POLISH E-COMMERCE

At the beginning of 2022, we already knew that the pandemic had completely changed the image of e-commerce in Poland and the world.

Panattoni BTS project for Amazon in Świebodzin. The 200,000 sqm facility is the company's second-largest project in Poland.

The value of the domestic e-commerce market in pandemic year 2020 exceeded PLN 100 billion, and online purchases were made by as many as 77% of internet users - as much as 15% more than in 2019. The growth of the e-commerce market also translates into higher interest among entrepreneurs. The number of online sellers - both in 2020 and 2021 - increased significantly and at the end of December 2021 the number of registered online stores was over 52,300, while at the beginning of January 2021 it was nearly 44.500. In turn, according to the predictions of Dun & Bradstreet, their number may exceed 55,000 this year.

According to official data from the Central Statistical Office (GUS), the average share of e-commerce in retail sales in 2021 was over 100% more than in 2019 and reached 9%, however rising in some months to 10.8% (April), and even 11.4% (November). The share of this sales channel in 2021 was also higher by 1.1 pp than in 2020, when stores were closed for many months and e-commerce was practically the only form of shopping.

Market future

Forecasts are still very optimistic. Analysis by PwC shows that by 2026 the gross value of the Polish e-commerce market is expected to have reached PLN 162 billion. This means an average annual increase of as much as 12%. Unity Group's forecasts go even further, foreseeing that sales in the electronic channel will grow by at least 20% annually until 2025, which would mean reaching a level of PLN 250 billion. Sales of food products and health and beauty products are expected to grow fastest.

It is also worth mentioning that for many industries, e-commerce is a very important, if not the most important, revenue stream. According to PMR, the share of online sales in the RTV / household appliances segment in 2021 reached 45%, which makes it the largest channel on the market for these products.

> Analysis by PwC shows that by 2026 the gross value of the Polish e-commerce market is expected to have reached **PLN 162 billion**. This means an average annual increase of as much as **12%**.

Moreover, this share will continue to grow and is expected to reach 51% by 2027. For comparison: in 2017, the share of online sales of consumer electronics, household appliances and consumer electronics in total sales was only 28%. The situation on the fashion market is very similar. According to KPMG, in 2020 25% of turnover in this segment was online and by 2030 this value is set to double.

Already, almost 1/5 of Poles buy all non-food products online and during the pandemic as many as 34% of consumers started buying new categories of products online. Almost 85% of Poles said that even after the end of the pandemic, they do not intend to reduce the frequency of e-shopping, and 10% intend to increase it further. The scale of online purchases is growing so dynami-

about the author

Damian Kołata
Head of Industrial & Logistics Poland, Head of E-commerce CEE, Cushman & Wakefield Poland

He began his professional career from purchase and supply management to later coordinate the cross-border movement of goods, including import and distribution logistics, and customs procedures. Next, he was responsible for the optimisation of warehouse processes, coordination of logistics operations and bringing down logistics costs on the challenging and unpredictable market of Eastern Europe. Damian was behind the concept of one of Ukraine's first online stores and supported the opening of distribution centres for Europe's biggest online fashion platform, and he was also responsible for e-commerce operations in warehouses totalling 600,000 sq m, with over 7,000 employees. Damian is also a lecturer at postgraduate studies at the Poznań University of Economics and Business focusing on the optimisation of warehousing processes and e-commerce returns management.

RECORDS LEVELS OF GROWTH AND DECREASE OF VACANCY

+16% y/y
25 mln sq m
Supply of the warehouse space in Poland at the end of Q1 2022

+31% y/y
7,5 mln sq m
Gross take-up - warehouse space leased during Q2 2021 - Q1 2022

+52% y/y
5,8 mln sq m
Popyt netto - wolumen nowych umów najmu za 2 kw. 2021 r. - 1 kw. 2022 r.

+100% y/y
4,7 mln sq m
Warehouse space under construction at Q1 2022

-3,3p.p. y/y
3,3%
Vacancy rate at the end of Q1 2022

+57% y/y
3,6 mln sq m
New supply for Q2 2021 - Q1 2022

Source: Cushman & Wakefield

cally that in 2019, leading courier companies handled one million parcels on the hottest day of the year. In the whole of 2021, InPost itself handled as many as 424 million of them, which is only slightly worse than the entire Polish KEP industry in 2018 (493 million parcels). It is also impossible not to mention that the forecast volume of items in the Polish courier network will likely amount to as much as 1.3 billion parcels in 2023, and this year will break into the magical limit of a billion parcels.
The value of the European e-commerce channel is already

> Almost 85% of Poles said that even after the end of the pandemic, they do not intend to reduce the frequency of e-shopping, and 10% intend to increase it further.

EUR 757 billion. Three markets (British, French and German) still generate almost 60% of turnover, while Poland's share is only 3%. This proves that there is still great potential for development, indicated by the positive outlook for double-digit growth dynamics.

Poland as a key region for warehouses in europe

Projected warehouse market growth in Poland is as strong as that of e-commerce. 2021 was a record year in terms of delivered warehouse space. Its stock after the first quarter of the year

DHL

ESG roll out in warehouses

Emilia Dębowska
Sustainability Director at Panattoni

Panattoni's extensive efforts to combat climate change and develop the concept of sustainable development can be enjoyed by both investors and tenants. We are consistently implementing our "Go Earthwise with Panattoni" strategy adopted in 2020 and at the same time we are a pioneer in our industry in introducing BREEAM certification, which responds to the needs of ESG indicators in environmental and partially social issues. Today in Europe, of the over 14 million sq m, as many as 8.2 million sq m have environmental certification and another 5 million sq m are being developed.
Last year, we were the first industrial developer in Poland to introduce BREEAM certification at the Excellent level to the building standard. In line with this, we have expanded our range of ecological solutions. One of them is an organically supporting CO2 emission analysis of a building's life cycle preceding its implementation. In the design phase, we take into account the emissions resulting from the construction materials used. When selecting them, we follow environmental certificates from the EMS (Environmental Management Systems) group, such as EPD (e.g. doors, insulation, drywall), FSC (construction and construction timber of legal origin), ISO 14001 of the manufacturer (e.g. concrete poles, insulation). We also perform the Life Cycle Assessment, in which we calculate the total carbon footprint of the investment in its life cycle.
Panattoni's extensive efforts to combat climate change and develop the concept of sustainable development already allow us to reduce the CO2 emissions of our facilities by over 280 tons per year for a facility with an area of 10,000 sq m. Our carbon footprint reduction strategy is being rolled out through a policy of energy efficiency, minimizing the consumption of drinking water, as well as transport solutions. In the case of the former, we place particular emphasis on solutions that increase the energy efficiency of buildings. These are: minimization of heat loss by improving the thermotechnical properties of the housing structure, energy-efficient windows, energy-saving lighting system inside the building and in the adjacent area, the use of building management systems and energy from renewable sources - our buildings are powered by renewable energy not only from energy suppliers, but more and more often we install photovoltaic installations and heat pumps, the use of which we will intensify in the future.
Another newly introduced solution is reducing the carbon footprint during construction. We try to select suppliers and producers of materials that are close to the construction sites. We also focus on cooperation with local waste recipients, thanks to which, for example, in the case of the implementation of BTS Świebodzin, the average distance traveled during their transport is only 3.1 km. In addition, with the help of a special application, we collect data from all transports on an ongoing basis (number of km traveled by the vehicle, type of vehicle and type of fuel), obtaining a total result of CO2 emissions. Ccompared to other halls (for which we have carried out certification), the facility in Świebodzin is characterized by a 50.1% lower Embodied Carbon Benchmark (kg CO2e / sq m). It is 251 kg CO2e / sq m and the average is 503 kg CO2e / sq m.

Panattoni's green parks built in the BREEAM standard at the Excellent level

WAREHOUSE LOCATIONS IN POLAND

ZACHODNIOPOMORSKIE 1
Stock (sq m) 957 701
Under construction (sq m)...309 211
Vacancy 2,3%
Headline rents 3,30-3,90
(EUR/ sq m/month)

POMORSKIE 2
Stock (sq m) 1 102 029
Under construction (sq m) 213 567
Vacancy 1,6%
Headline rents 3,50-4,20
(EUR/ sq m/month)

WARMIŃSKO-MAZURSKIE 3
Stock (sq m) 160 107
Under construction (sq m)20 991
Vacancy 0,0%
Headline rents 3,60-3,90
(EUR/ sq m/month)

PODLASKIE 4
Stock (sq m) 68 809
Under construction (sq m) .. 28 000
Vacancy 0,0%
Headline rents 3,60-3,90
(EUR/ sq m/month)

KUJAWSKO-POMORSKIE 16
Stock (sq m) 525 337
Under construction (sq m).306 936
Vacancy 2,4%
Headline rents 3,40-3,90
(EUR/ sq m/month)

MAZOWIECKIE 5
Stock (sq m) 5 591 818
Under construction (sq m) .. 645 198
Vacancy 4,8%
Headline rents 4,80-5,50
Warsaw - city
(EUR/ sq m/month)
Headline rents 3,00-4,10
Warsaw - surrounding area
(EUR/ sq m/month)

WIELKOPOLSKIE 15
Stock (sq m) 2 919 787
Under construction (sq m).. 475 766
Vacancy 0,5%
Headline rents 3,20-3,80
(EUR/ sq m/month)

ŁÓDZKIE 6
Stock (sq m) 3 625 727
Under construction (sq m) .. 673 724
Vacancy 2,5%
Headline rents 3,00-3,90
(EUR/ sq m/month)

LUBUSKIE 14
Stock (sq m) 830 470
Under construction (sq m) 359 654
Vacancy 0,0%
Headline rents................ 3,70-3,90
(EUR/ sq m/month)

LUBELSKIE 7
Stock (sq m) 331 234
Under construction (sq m) .. 52 670
Vacancy 5,9%
Headline rents 3,40-3,90
(EUR/ sq m/month)

DOLNOŚLĄSKIE 13
Stock (sq m) 3 136 775
Under construction (sq m) 631 767
Vacancy 3,4%
Headline rents 3,30-3,90
(EUR/ sq m/month)

PODKARPACKIE 8
Stock (sq m) 311 746
Under construction (sq m) .. 160 784
Vacancy 0,0%
Headline rents 3,60-3,95
(EUR/ sq m/month)

OPOLSKIE 12
Stock (sq m) 246 022
Under construction (sq m) .. 0
Vacancy 6,1%
Headline rents 3,60-3,95
(EUR/ sq m/month)

ŚLĄSKIE 11
Stock (sq m) 4 373 396
Under construction (sq m) 751 720
Vacancy 5,7%
Headline rents 3,20-3,95
(EUR/ sq m/month)

MAŁOPOLSKIE 10
Stock (sq m) 828 264
Under construction (sq m) 89 406
Vacancy 0,3%
Headline rents 3,70-4,30
(EUR/ sq m/month)

ŚWIĘTOKRZYSKIE 9
Stock (sq m) 93 530
Under construction (sq m) .. 0
Vacancy 0,6%
Headline rents 3,25-3,60
(EUR/ sq m/month)

Source: Cushman & Wakefield za 1 kw. 2022

already amounted to almost 25 million sq m, a 21% increase compared to the end of 2020 (20.7 million sq m). It is also worth mentioning that as much as 7.5 million sq m were leased throughout 2021, which is more than 50% better than in the corresponding period of 2020. Net demand, i.e. the volume of new lease contracts, amounted to 5.8 million sq m, up 68% y/y.
The high demand for warehouse space results both from the need to diversify the logistics network, adapt it to the needs of the e-commerce market and resolve the bottlenecks still visible in global supply chains, which has prompted many companies to increase their inventory levels. We observe high activity of companies from the following sectors: commercial, e-commerce, logistics and courier, production and automotive, These all report demand for various ranges of sizes and types of warehouses, including not only large distribution centers and BTS (build-to-suit) projects, but also also city warehouses, courier hubs and return centers. In addition, 4.5 million square meters were still under construction at the end of 2021, almost 130% more than in the same period last year.
Such record results did not contribute to an increase in the vacancy rate. On the contrary - their share in the total stock of warehouse space is the lowest in history and amounts to only 3.8%, which is 3 percentage points less than a year ago.

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Share of e-commerce in the Polish warehouse market
Currently, 7.35 million sq m of warehouse space in Poland, i.e. 30.7% of the total supply, is intended for the e-commerce market. This is as much as an 84% increase in the space dedicated to e-commerce services compared to 2019. The highest saturation of this type of warehouse is recorded in the following voivodships: Dolnośląskie (1,445,000 sq m), Łódzkie (1,046,000 sq m) and Śląskie (1,032,000 sq m).
E-commerce investments in the three regions mentioned above account for a total of 48% of the space dedicated to the e-commerce sector (over 3,524,000 sq m). The least of this type of space is found in the following voivodships: Opolskie, Podlaskie and Lubelskie. It should be emphasized that in many regions, warehouses serving the online sales channel constitute a significant percentage of the total supply of warehouse space. Example of this are the following voivodeships: Lubuskie (57%), Dolnośląskie (50%), and among smaller regional markets also the Świętokrzyskie (49%) and Warmińsko-Mazurskie (86%) voivodeships, where modern warehouse space provided by developers largely serves the European shopping club Zalando Lounge in America near Olsztynek.

Factors determining warehouse location and the increasing role of esg
The perception of the ideal location of a warehouse, both by tenants and developers, is evolv-

> The cooperation of operator and courier company and the distance from the nearest hub is important for over **70%** of respondents.

Amazon

ing. It also varies by sector and type of customer. Along with the dynamic development of e-commerce, developers decide to invest in warehouse parks in new regions.

From the perspective of the logistics operator, the key parameter is the efficiency of the logistics network and thus the good condition of transport infrastructure (80%) and proximity to the local market (80%).

The cooperation of operator and courier company and the distance from the nearest hub is important for over 70% of respondents. New regions on the development investment map also allow for a reduction of costs of work, which is important for 70% of respondents, and improving access to human resources (60% of respondents). The high percentage of responses indicating the importance of ecological solutions in the field of warehouse construction and warehouse operations is also interesting. This trend will be present on an even larger scale this year.

So far, when thinking about ecology in warehouses, we have usually discussed the subject of photovoltaic panels on the roof and the famous beehives on the roofs of distribution centers. For some time, however, the green approach has become more and more structured and is called ESG (environmental, social responsibility, corporate governance). The ratings of economic operators are based on these three main pillars. It is important that in this sense, ecology also means savings. According to the calculations of developers operating on the Polish market, with the use of photovoltaic panels, increased wall and roof insulation, LED lighting and an energy management system, energy consumption in a building drops by up to 50%. LED lighting together with the intelligent lighting control system DALI (Digital Addressable Lighting Interface), which adjusts the light intensity to changing environmental conditions, consumes 90% less energy than a standard bulb.

Energy-efficient and ecological lighting in Panattoni's parks

> Polish market is still extremely attractive for foreign companies also in terms of labor costs. Competitiveness can very easily be represented by a simple comparison of labor costs in Poland, the UK and Germany.

Electric car chargers, planting of vegetation, flower meadows or green roofs, in turn, reduce carbon dioxide emissions by about 381 tons per year in the case of a medium-sized warehouse. From the tenants' point of view, it is also important that green solutions affect the well-being of their employees. The greenery around the building, relaxation zones, street furniture and bicycle infrastructure increase the efficiency of people satisfied with their workplace.

Zalando, Bydgoszcz

Poland as a european logistics hub

It turns out that e-commerce operations carried out in Polish warehouses serve the Central and Eastern European market (100%). 90% of companies located in Polish warehouses handle Polish deliveries to the Western European market and 50% only to the Polish, UK and Scandinavian markets.

One of the trends indicated by the respondents is the transfer of operations from the German and Scandinavian markets to Poland, which, despite problems with the availability of human resources, is still very attractive compared to Western markets.

Despite several percent wage growth dynamics in the warehouse sector, which has been ongoing for many years, the Polish market is still extremely attractive for foreign companies also in terms of labor costs. Competitiveness can very easily be represented by a simple comparison of labor costs in Poland, the UK and Germany.

By creating a distribution center for operations that require 500 warehouse workers to pick, sort and pack orders, companies can achieve annual savings of several million euros.

These differences in remuneration will be blurred in the future, but it will still be worth locating warehouse space in Poland, serving not only the domestic market, but also Central and Western European markets. Some orientation in this area is provided by the PwC study "International Wage Projections to 2040," according to which the average salary in Poland will still be much lower than in Western Europe.

From the perspective of developers and operators active in Poland, the forecast changes in the market for the coming years are pro-growth, practically regardless of the analyzed parameters. According to the study, the strong development of e-commerce will translate into higher volumes and thus required operating space (100% of respondents). To cope with the ever-increasing costs and scarcity of human resources, companies will increasingly decide to automate intralogistics processes, although the number of employees will continue to grow.

Marek Dobrzycki

NEW GENERATION WAREHOUSE

The supply of modern warehouse space has a positive impact on the e-commerce market in Poland and is attracting new international players.

Revenues from the e-commerce market in Europe will grow. The constant growth of this segment is motivating the largest players to search for locations with pan-European potential, where warehouses and distribution centers serving more than one market can be built. The growth of German e-commerce - the largest in Europe over the next three years - has a positive impact on Poland and is crucial to the logistics map of Europe. This is because online sales are already being handled cross-border and Poland has become a hub for him.

Moreover, in Poland we have a dominant advantage of modern warehouse buildings that meet the highest standards and requirements, which distinguishes us from Western European markets, where a large part of the resources are much older warehouses and do not qualify for the "A" category.

Industrial facilities are not only places where goods are stored. Today, they are becoming modern logistics and production centers, so that the customer can get the ordered items as soon as possible.

Today, the demand for warehouse space for e-commerce services is almost 35% of the entire supply of warehouse space. Previously, mainly large batches of goods were delivered directly to stores through warehouses. Now many operations are carried out directly in logistics facilities, from which single parcels go straight to the end customers. Ordinary storage spaces have therefore become a place for preparing shipments.

The development of e-commerce is a great opportunity for many small businesses. Suddenly, they gain access to customers all over Poland, and even beyond its borders. You do not need to have large stocks of products, you do not have to deliver them to hundreds of points of sale. All you need is a piece of space in one warehouse. The problem with short series or unusual sizes disappears, because it is much easier to find people willing to buy unusual articles online. However, the development of e-commerce means not only many more orders, but also returns. This other side of e-commerce is less talked about, but especially in the case of clothing or footwear, more than half of the ordered products are returned. Often it is a conscious decision of customers who, for example, buy shoes or clothes in two different sizes at once, and then send back the one that doesn't fit.

In industrial facilities, therefore, you need to handle not only the shipment of orders, but also the processing of returns. And this is quite a challenge, because each returned item must be unpacked and analyzed for signs of use. Then it has to be cleaned, clothes ironed and packed again. All this is usually done by employees, because these are technically complicated activities. While the automation and robotization of warehouse space is progressing, it is not able to replace people. It is easier to automate standard activities such as locating specific boxes of goods and transporting them around the facility. Robots working hand in hand with people and supporting the order picking process are no longer unusual. It is much more difficult to teach robots to perform non-standard activities, and one of them is the handling of returns.

The development of e-commerce dictates the need for warehouse facilities of ever larger sizes. Their height can exceed 25 meters, and the investment itself is sometimes divided into three or four floors. For comparison, the standard for industrial facilities has so far been 10 meters and has now increased to 12 meters.

E-commerce also means new locations to meet customer expectations. In the past, delivery after a few working days did not surprise anyone. Today, such an option may scare away many internet users, who will not bother with online stores that take too long to make a shipment.

The demand for "same day delivery and "next day delivery" is growing rapidly. These are the market standards, especially in the case of the largest players and the smaller ones must quickly adapt to increasingly stringent requirements. Therefore, it is necessary to bring online stores and courier companies as close to the final recipient as possible. This is why sorting plants are created within city limits, and modern industrial space also appears in smaller centers, often with less than 100,000 residents. At the same time, the City Logistics segment, relating to the largest agglomerations, is gaining in importance.

As part of this service, platforms for 'last mile logistics' are created. This is a great option for local entrepreneurs. The possibility of renting a unit with an area of up to 1,000 sq m allows one to conduct activities tailored to the scope of the company's operations. Due to their location, city logistics facilities also be the headquarters of companies with an extensive and modern office segment, a potential showcase of the company. City Logistics facilities also often have showrooms, research and development (R&D) or customer service departments, which means that the theoretically industrial investment has the potential to become the command center of the entire enterprise.

Industrial facilities are changing their character more and more, also thanks to modern technologies. They become places of final production or preparation of articles, thanks to which sellers can quickly respond to customer demand. They, in turn, expect more and more flexibility. Therefore, in industrial facilities, blocks for children, assembled electric toothbrushes, manufactured dishwashers or manufactured elements of Christmas illumination are sorted. The popularization of 3D printers will certainly introduce further changes. The ability to quickly produce a product ordered by the customer and ideally suited to his needs is a real revolution, the effects of which we probably cannot fully imagine.

InPost space in one of Panattoni City Logistcs parks

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Panattoni is the market leader in industrial space in Europe, where it has delivered over 14 million sq m, and in Poland 10.8 million sq m. The developer is chosen by the largest e-commerce players. They are the giants of their industries, such as Amazon, Zalando, H&M or Carrefour, which use specialized and automated Panattoni big boxes or suburban distribution centers adapted to end customer service, such as Media Expert. In addition, many industry leaders operate in City Logistics facilities - dedicated last-mile delivery. The implementation within city limits is used, among others, by Globalway, Allegro, Inpost or Frisco.
For Amazon - the world leader in e-commerce - Panattoni has delivered as many as 10 investments in Central and Eastern Europe - over 1.1 million sq m in total and the projects range from 45,000 sq m to over 210,000 sq m.
Some of them have been equipped with the innovative Amazon Robotics technology and all projects have passed the BREEAM environmental certification.
The construction of 350,500 sq m of logistics space in cortical markets, but also in smaller centers, is Panattoni's response to the needs of InPost, a leader among e-commerce delivery platforms in Europe.

about the author

Marek Dobrzycki
Managing Director, Panattoni

Marek started his career at Panattoni Europe in 2007 as a development manager. Currently, he works as managing director in the Development Department, responsible for the commercialization of real estate and development of the company in Poland, covering all major markets. He has led to numerous Panattoni transactions with Amazon - including in Poznań, Sosnowiec, Wrocław, Szczecin, Bolesławiec, Gorzyczki, as well as the record-breaking facility in Gliwice - a facility with an area of 210,000 sq m. In recent years, he has also been responsible for other large projects for e-commerce. He led the implementation of over 100,000 sq m for DHL for Zalando service in Żerniki, nearly 80,000 sq m for ID Logistics / Amazon as part of Campus 39, over 50,000 sq m for the Chinese brand Globalway in Gdańsk, and the key to development for Aliexpress in this part of Europe of the facility in Łódź In central Poland.

WE ARE IN A VERY GOOD PLACE AND TIME

Interview with Monika Duda, Managing Director Poland DHL Supply Chain.

What does the development of the e-commerce market in Poland mean for DHL Supply Chain Poland?

Global e-commerce sales are expected to total $5.545 trillion worldwide in 2022. This number is expected to continue growing over the next few years, proving that e-commerce is an increasingly lucrative option for businesses.

To put it in a time perspective, ten years ago logistics was solely dedicated to logistics companies. Today, every company has to be a logistics company because this is how they leverage their deliveries and solutions to their customers. The expected e-commerce share in 2022 will be 21% of total global retail sales. That is, $0.21 of every $1 spent on retail goods this year will be online. And it is expected to continue rising, taking a larger piece of the retail pie. By 2025, it's estimated that global retail e-commerce sales will exceed $7.3 trillion and the overall e-commerce share of retail sales will hit 24.5%.

I think it's interesting that e--commerce also provides opportunities to companies that maybe did not have such good chances to compete when they were in traditional retail.

Yes, definitely. We have divided income into three segments. The first and the biggest are our largest customers, like Zalando and Amazon - the pure players or the omnichannel, big customers, where they have the tailor-made solutions in large warehouses.

Then we have a second segment within the European Fulfillment Network, where we can implement a solution for our e-commerce customers within one month, warehousing and all operations. We can deliver all over Europe. This solution is for medium-sized customers with around 10,000 orders per year. The third group are the small e-commerce firms, which we can help in our logistics centers when we have spare space.

Coming back to your question about the smaller companies which earlier didn't have the opportunity to sell, it's true that there are a lot of them, yes. Especially in Poland. But to be honest, for them it's also quite tough to sell online when you are talking about positioning and how much they have to spend on marketing campaigns to be visible online.

> By 2025, it's estimated that global retail e-commerce sales will exceed **$7.3 trillion** and the overall e-commerce share of retail sales will hit **24.5%.**

Do you think that because of what is happening on the demand side that Poland really is becoming a logistics hub for Western Europe?

Yes. We are in a very good place and time. Poland has become a regional market for Western Europe. About 40% of all the requests for us are from Germany and the rest from Western Europe and some from the US and China.

Poland is still attractive when looking at the labor market compared to our Western counterparts. We are three times cheaper than Germany and four times cheaper than Belgium, for example. We still have quite good availability of industrial and investment land, which also are less expensive than in Western Europe. The processes and the timing of the delivery of industrial buildings is between six and 12 months in Poland. Compared to Germany or Czech that is really, really fast.

The infrastructure in Poland is getting better and better. We are close to Western European markets and that is crucial, as delivery time plays an important role in e-commerce. So, as when we are close to the western border, time in logistics is vital. It allows us to deliver goods within 24 or 48 hours within the eurozone. And that's important. Data show that seven out of ten online shoppers make purchases from international sites.

So we are not only buying more online but we are also buying more from foreign countries. And for example, in 2020 there were almost 10 billion cross-border orders and 60% of them were intercontinental. What is also interesting is that more than 80% of retailers say cross-border income has been profitable to them. This trend will also help Poland grow.

Now in Poland we have 25 million sq m of warehouses. Around 40% of that space is occupied by the LSP, so companies like DHL and also our competitors. The income share is also around 40% of that market. So it's huge and it's growing.

There is another trend that I would like to discuss with you – ESG. What activities is DHL Supply Chain Poland taking in this respect?

It's very important for our company. In DHL, we have implemented the "Go Green" strategy to become carbon neutral by 2050. We have a clear strategy on what we would like to deliver by 2025, 2030 and 2050.

So we have four goals to meet by 2025. For our planet, we want to increase our carbon efficiency by 50% over 2007 levels. For our communities, we want to operate 70% of our own first and last mile services with clean pick-up and delivery solutions, such as bicycles and electric vehicles. For our customers, we want more than 50% of our sales to incorporate Green Solutions. For our society, we want to train and certify 80% of employees as GoGreen specialists and actively involve them in its environmental and climate protection activities. We also plan to join with partners to plant one million trees a year.

But what I would pay attention to with regards ESG is the share of cost and investment to develop this area properly, because these solutions are still much more expensive than standard ones. In a perfect world I would see a broader collaboration in rolling out sustainable solutions and technologies between all supply chain stakeholders, like us, warehouse developers and others.

ESG is not only E, but also S. How do you refer to social criteria?

What I always emphasize is that our sector is based on people. They are the most important asset we have and we have to take care of them properly. I'm a big fan of contracts of employment, to make sure that all employees have the same rights to go on sick leave or vacation. The way we treat our employees is the way they will treat our clients and business partners. So in the DHL Supply Chain the "S" is as important as the "E."

MARKET INSIGHTS

Jakub Gierszyński
E-commerce Director Poland
and Czech Republic Sephora

We have been observing a systematic increase in interest in shopping websites for several years, and the last two years have been a real hurricane of change driven by COVID-19. The pandemic that hit us of all was the greatest accelerator of the digital transformation and e-commerce since WiFi and smartphones came along.
Companies that coped best with the effects of COVID-19 had already implemented an omnichannel strategy, i.e. they invested in e-commerce and combined digital channels with physical sales into one consistent brand channel. In addition to omnichannel, we can observe the acceleration of e-commerce in two areas: logistics and marketplace.
Logistics has a decisive influence on the customer purchasing experience. It is the key to gaining competitive advantage. Logistics is an extension of our customer service. The buyer fully evaluates his or her shopping experiences only after receipt of the goods. To make him or her happy, two basic requirements must be met: convenience and speed of delivery. How to do it? There are many possibilities, such as using brick-and-mortar stores as fulfillment centers and implementing not only C&C or e-booking service, but also hubs, from which deliveries are delivered locally (KEP, Glovo, Uber etc.).

Aleksandra Szol
Creative Director, Ecommerce Director
and Marketing Director at MODIVO

Traditional stationary shopping will never become obsolete, e-commerce in Poland is still developing, but the trend that guarantees success is the concept of phygital. Phygital is something more than omnichannel, it combines all the best features of traditional and online shopping. The e-commerce industry needs to move with the times and put the Customer first - to treat their needs as a priority and thus try to facilitate the shopping process and make the experience more pleasant. By combining physical and digital, the Customer can benefit from the speed and ease of physical shopping, as well as experience and enjoy the amenities offered by stationary shopping. Online and offline should not work side by side, but simultaneously, supplementarily.
To deepen the shopping experience, focus on two additional aspects. Localization gives us the chance to appeal to values and feelings important to the Customer. The last element that influences positive feelings is a personalized shopping experience that guarantees comfort and shortens the shopping process, which is of great importance for Consumers nowadays.

Kamil Lentacz
board member at, Zalando Lounge
Logistics Polska

Poland is an important market for Zalando as a location for our logistics infrastructure. We noticed its potential in this region in 2016, when the construction works started at Zalando's first logistics center in Gryfino (Szczecin). We currently have three buildings and just under 0.4 million sq m of warehousing space, we are also implementing new investments in Bydgoszcz and nearby, which will expand our logistics facilities in Poland by nearly 60%.
Logistics is the key to dynamic increases in e-commerce. It is thanks to this that we are able to implement fast and professional service for over 48 million customers in 23 European markets. Each one the companies carries out on its own individual case study on the methods for processing goods, levels of automation, intralogistics in the warehouse and the form and scope of transportation roll out, including the 'last mile' to adapt them strictly to specific client needs.
Everything points to demand for warehouse space in Poland continuing to grow. For large facilities supply may be hampered by a shortage of consolidated investment areas for this type of development in the best locations, which will be an additional demand stimulant.

Sebastian Kaczmarski
Central Fulfilment Operations Manager Poland & Deputy Customer Fulfilment Menedżer Poland IKEA

Growth trends in the e-commerce market in the following years should become permanent. Still, I expect smaller growth dynamics after abrupt changes related to the COVID-19 pandemic and the remodeling of many businesses. The further development of e-commerce will also affect the warehouse industry.
In my opinion, the trend will become visible when investing in ecological surfaces / certified - adapted to the servicing of cars with zero-emissions or a neutral/positive influence on the immediate surroundings. Demand for warehouses close to cities (or in them) will further drive this. The search itself will also be an important factor in new solutions improving ergonomics and further automation of processes - on the one hand, in the context of the creation of attractive jobs for young people, and on the other hand, an aging population.
Solutions will also be important and universal surfaces that you can relatively easily adapt to changing reality (e.g. in terms of the product offer). Partly the need for new facilities can be minimized by activities that optimize the use of existing commercial space for the preparation of online orders - such an operating model is being chosen more and more by retail chains. This trend is apparent along with changes in the structures of stationary sales in many segments.

Source: Cushman & Wakefield