Background

Allegro is the **leading e-commerce marketplace in Poland**, often referred to as the **"Polish Amazon"** due to its dominant market position. Established in **1999** as an auction-based platform, it has since evolved into a **comprehensive e-commerce ecosystem**, hosting over **18–20 million active buyers** and **more than 100,000 merchants**. Allegro plays a central role in Polish e-commerce, **accounting for approximately one-third of all online sales in Poland**.

This market dominance is reinforced by Allegro's **exceptional brand awareness of ~98%** and its **status as the preferred shopping platform for 81% of Polish online buyers**. The platform's strong presence is also evident in its **high traffic volume, attracting approximately 196 million monthly visits**, a figure significantly higher than that of its competitors. Allegro benefits from **strong network effects**, akin to those seen with eBay in some global markets, further strengthening its leadership in Poland. **With a market share of approximately 45–50% in Poland**, Allegro maintains a commanding lead over any rival.

Competitive Landscape

Poland's e-commerce sector has experienced **rapid growth, with annual expansion rates of approximately 10%**, making it an attractive market for international players. As a result, Allegro faces an increasingly competitive landscape, with major global e-commerce giants entering the market and vying for consumer attention.

Amazon (US)

Amazon officially launched **Amazon.pl** in **March 2021**, having previously only served Polish consumers through its German site. Its entry into the Polish market brought **a vast product selection (~400 million items globally)** and its well-established **Amazon Prime** program. Prime offers **unlimited free next-day delivery with no minimum order requirement** and **streaming entertainment services** for just **49 PLN per year**.

By 2024, Amazon had **gained an estimated 4% share of Polish e-commerce** and **attracted approximately 20 million monthly visitors**. While these figures remain modest in comparison to Allegro's dominant position, Amazon's continued investment in **local fulfillment centers and seller recruitment** signals a long-term commitment to expanding its presence in Poland.

AliExpress (China)

AliExpress, the global marketplace owned by **Alibaba**, has been a **popular choice among Polish consumers**, particularly due to its **low prices and extensive product selection**. In **2024**, it was the **second-most used e-commerce platform in Poland**, with approximately **15 million Polish users**.

However, **long delivery times and new EU VAT regulations introduced in 2021** have reduced its appeal. The new VAT rules have **increased costs for consumers purchasing from non-EU countries**, making previously tax-free purchases more expensive. In response, AliExpress has **opened a local logistics center** and launched a **Polish-language site** to improve service and enhance its competitiveness in Poland.

Other Entrants

Several other international players have tested the **Polish and Central Eastern European (CEE) markets**, some with mixed results.

Shopee (SEA Limited, Singapore) entered the Polish market in 2021, offering **aggressive free-shipping promotions and low prices**. Despite rapidly gaining users, Shopee **struggled to monetize its operations** and **exited Poland by early 2023**, having lasted just 1.5 years.

More recently, **Temu (owned by Pinduoduo, China)** entered the Polish market in late 2023, utilizing **heavy marketing and ultra-discount pricing strategies**. Within a short period, Temu had **reached approximately 46% of Polish internet users**, an astonishing level of penetration for a new entrant.

eBay, another international e-commerce player, has **minimal presence in Poland**, having been **outcompeted by Allegro's early market dominance**. Additionally, **local retailers such as MediaExpert and Zalando** continue to compete in specialized categories, particularly **electronics and fashion**.

Regional Expansion in Central and Eastern Europe (CEE)

Allegro is **not only defending its market position in Poland but also expanding across the broader CEE region**. In 2022**,** the company acquired the Czech-based Mall Group**, a** leading e-commerce retailer in CEE**,** for €870 million (~PLN 4 billion)**.** This acquisition aligns with Allegro's ambition to become a regional e-commerce leader and preempt Amazon's potential expansion into neighboring CEE countries.

However, expanding into **CEE markets presents unique challenges**, as consumer **price sensitivity varies across different countries**, and Allegro must compete with both **local incumbents and Amazon's EU marketplaces**. Successfully **adapting its Polish success model** to new regions will require **careful pricing and logistical adjustments** to remain competitive.

Allegro's Smart! Program

A critical component of Allegro's business strategy is **Allegro Smart!**, a **subscription-based loyalty program introduced in 2018**. For an annual fee, Smart subscribers receive **free deliveries and returns on eligible orders**, **exclusive deals**, **0% installment plans**, and **early access to event tickets** via Allegro's ticketing service.

Currently priced at **59.99 PLN per year** (with an alternative monthly payment option of **14.99 PLN**), **Smart! was designed as Allegro's direct response to Amazon Prime**. The program has been highly successful, attracting **over 5 million subscribers by late 2021**. Data shows that **Smart! members shop 2.5 times more frequently than non-subscribers**, significantly boosting customer loyalty and overall transaction volume.

Despite its success, Smart! represents a major financial commitment for Allegro. The platform **subsidizes "free" deliveries**, meaning that each shipment comes at a cost to Allegro. This makes the sustainability and pricing of Smart! a crucial strategic issue, especially now that **Amazon Prime is offering a competing service at a lower price (49 PLN per year)** with additional perks such as **free next-day shipping with no minimum order** and **streaming content**.

The Pricing Dilemma

Scenario: It's early 2025. Allegro's executive team faces a critical decision: how to respond to Amazon Prime and other low-cost rivals on pricing. Specifically, they must decide on a strategic move regarding Allegro Smart's subscription price and overall platform pricing model. The dilemma is straightforward to state but tough to solve: Should Allegro adjust its pricing strategy to defend market share, or hold firm to protect margins? The decision will have far-reaching implications on customer loyalty, revenue, and the competitive balance in Poland and the CEE region.
Several factors set the stage for this pricing dilemma: **Amazon has introduced Prime at 49 PLN/year** with added **perks like streaming video and no-minimum free shipping** that **Allegro's offering doesn't fully match**. This puts Allegro in a bind – Prime's value proposition makes Smart look less special purely on paper. At the same time, **Polish consumers are highly price-sensitive and deal-seeking**: over 70% use price-comparison sites like Ceneo.pl before buying and many will switch platforms to save a few złoty. Allegro has historically thrived because of its vast seller base and local convenience, but now international competitors are willing to sacrifice profits for growth, flooding the market with low prices, free shipping, and promotions (as seen with Shopee's free deliveries and Temu's extreme discounts).

In this context, Allegro's leadership must decide how to position Allegro Smart and its overall pricing model going forward:

- Option 1: Aggressive Price Match/Cuts – e.g. **drop the Smart subscription price (which is 59,99 PLN) to undercut or match Amazon, or offer steep promotional discounts** (perhaps temporarily extend the "lowered price" that Allegro introduced when Prime launched). The goal would be to lock in users with an even cheaper deal or added months free, making Allegro the indisputable low-cost choice for subscription benefits. This could also involve lowering or subsidizing shipping thresholds so that Smart truly matches Prime's convenience (Amazon offers free next-day on any order size). Additionally, Allegro could consider reducing marketplace fees or commissions for sellers on key product categories to encourage them to keep prices on Allegro lower than on Amazon. The hoped outcome: preserve user loyalty and traffic by meeting competitors on price. The risk: this erodes Allegro's margins and may lead to a race to the bottom, jeopardizing profitability in an already tight-margin business.

- Option 2: Value Differentiation (Hold Price, Add Value) – **Maintain the Smart subscription price at 59.99 PLN (or even eventually raise it modestly), but differentiate the offering through superior local services and added benefits rather than pure price drops.** For instance, Allegro could bundle new perks into Smart (partnerships for digital services like music or video streaming, more exclusive deals, higher loyalty points/cashback, priority customer service, etc.) to justify its cost. Allegro already leverages its local advantages – an extensive network of 25,000+ pickup points/lockers for convenient free pickup, extremely fast deliveries in-country (75% of Smart orders arrive in 1–2 days) and integrations like Allegro Pay (buy-now-pay-later) with 0% financing for Smart members. These are things Amazon is still building or cannot easily localize. The strategy here is to emphasize Allegro's strengths (local know-how, trusted brand, local seller community) and make Smart about more than just free shipping. Essentially, out-value Amazon in ways beyond price. The risk: if these added benefits don't resonate as strongly as a lower price would, customers might still drift to Amazon or others for the absolute cheapest deals or broader global selection. Holding the line on price could cost Allegro some price-sensitive segment to competitors.
- Option 3: Hybrid or Status Quo **– perhaps a middle path, such as keeping the headline price of Smart the same but running targeted promotions (e.g. loyalty rewards, limited-time coupon codes for Smart users, or discounted bundle for multi-year subscriptions)**. Allegro might also segment its user base: for example, offer heavy shoppers special rates or volume-based perks, while extracting more value from infrequent shoppers. Another aspect is geographic focus – Allegro could double down on Poland with aggressive tactics while using a different approach in new CEE markets. The crux is that doing nothing is also a decision: Allegro can bet that its entrenched position will hold without drastic price changes, especially if Amazon's localization or assortment in Poland is initially weaker. But with so much at stake, a passive approach could be dangerous if the market rapidly shifts.

The dilemma for Allegro is truly a **trade-off between short-term defense vs. long-term profitability**. Cutting prices or increasing subsidies (like free shipping) could fend off competitors now, but at what financial cost? On the other hand, maintaining or increasing prices could bolster profit per user but might accelerate user attrition to Amazon, AliExpress, or new entrants who are willing to lose money to gain share. This decision is complicated further by investor expectations: Allegro went public in 2020 and made heavy investments (like the Mall Group acquisition) – stakeholders are watching how it will sustain growth. The stage is set for a classic pricing strategy decision under competitive pressure.

Market & Financial Data

To inform the decision, consider the following real-world data and realistic assumptions about Allegro's market and finances (figures are approximate, for case analysis purposes):

- Allegro User Base & Volume: Allegro has **about 21 million registered** users and **18–19 million active buyers** annually in Poland. Monthly, around 22 million unique visitors browse Allegro and customers **purchase almost 2 million products per day**. In 2024, Allegro's Gross Merchandise Value (GMV, total transaction volume) was PLN 60 billion up from 55b in 2023. This volume underlines how critical Allegro is to Polish e-commerce.

- Allegro Smart Subscription: Priced at **59.99 PLN/year (≈ $14,5)** for the full service, Allegro Smart! has amassed **5+ million subscribers in its first 3.5 years**. Smart orders must typically meet a minimum basket (e.g. 40 PLN from a given seller for free locker delivery), which encourages larger basket sizes. Subscribers' Behavior: On average, a Smart member orders 2.5 times more frequently than a non-member, increasing their annual spend. Internally, Allegro estimates that a Smart subscriber might make ~20–25 orders per year (versus ~8–10 for non-subscribers). This drives additional commission revenue from those extra sales. Financial impact: The **subscription itself yields revenue: 5 million users × 59.99 PLN = 299.95 million PLN annually** (if all paid full price). However, Allegro uses that revenue (and more) to cover logistics: every "free" shipment has a cost. For simplicity, assume an average shipping cost of 5 PLN to Allegro per Smart order (using inexpensive parcel lockers and bulk courier rates). If a subscriber **makes 20 orders, that's ~100 PLN in shipping cost** that Allegro subsidizes for a 59.99 PLN fee. This rough math shows why the pricing of Smart is delicate: too low a fee or too heavy usage can make each subscriber unprofitable. Allegro's goal is to strike a balance where subscription fees and increased commissions cover the delivery subsidies.

- Commission & Transaction Fees: Allegro's primary revenue comes from **commissions on sales (typically 6–15% per item) and additional services like promoted listings**. It generally doesn't charge buyers extra fees (aside from the optional Smart membership). Sellers often factor the commission into prices, meaning higher fees can translate to higher item prices for consumers. Amazon's seller fees in Poland are comparable (referral fees ~8–15% by category), but Amazon also offers fulfillment services (FBA) that Allegro is only starting to develop. If Allegro were to cut its commission rates or cap certain fees to help sellers lower prices, it could make the marketplace more price-competitive on goods – at the cost of foregone revenue. This is part of the "overall pricing model" consideration: not just what buyers pay, but what it costs to transact on Allegro vs competitors. (At the moment, Allegro's take rate and Amazon's are in a similar band, so price differences on identical products come more from vendor pricing strategies and shipping costs than the platforms' fees).

- Financial Performance: Allegro has grown rapidly in recent years. **Net revenues in 2023 were ~PLN 10.0 billion (about $2.5+ billion), a jump of ~68% year-on-year, partly boosted by incorporating Mall Group's revenues**. However, profitability has been under pressure. In 2023 Allegro net income ~PLN 150, 19% drop from 2023 million- due to lower margins. Operationally, Allegro's adjusted EBITDA margin has historically been healthy (~25-30% in core business), thanks to high volume and limited physical inventory risk (since it's a marketplace). But with the current investments and price competition, margins have tightened. This financial context is crucial: Allegro doesn't have unlimited cash to throw at a price war. Its ability to subsidize free shipping or lower prices is constrained by the need to eventually return to profitability. By contrast, Amazon can leverage its global profit pools or accept losses in one market for strategic reasons, and newcomers like Temu (backed by deep-pocketed parent firms) may burn cash to grab users. Allegro must thus carefully evaluate any pricing changes through a financial lens – can it afford the short-term hit, and how soon would volume increases pay back?
- Competitive Pricing Snapshot: As of 2025, Allegro Smart cost 59.99 PLN/year, while Amazon Prime in Poland cost 49 PLN/year (or 10.99 PLN monthly) and included free global shipping and Prime Video. Shopee offered free delivery vouchers and no subscription at all (effectively subsidizing shipping for each order) during its tenure. AliExpress has no subscription but often provides very cheap (or free) international shipping on small items due to Chinese postal agreements (though new VAT rules mean customers pay tax, reducing some savings). For larger or local-stock items, AliExpress sellers have started charging for quicker shipping. Temu similarly provides free shipping on low minimum orders to start. This means Allegro's 59.99 PLN/year model is just one approach among many: competitors are either bundling more for the lower price (Amazon) or charging nothing up-front but possibly making customers tolerate other trade-offs (longer wait with AliExpress/Temu). Any pricing decision Allegro makes should consider these alternatives from a consumer's perspective – if a Polish shopper compares Allegro Smart vs Amazon Prime vs "no membership but hunt for deals on AliExpress/Temu," what will they choose? The answer may vary by segment: e.g., a tech-savvy customer might pay for Prime to get fast gadgets and video streaming, whereas a bargain hunter might browse AliExpress for the absolute cheapest price on a phone case, and a loyal local shopper might stick with Allegro Smart for convenience. Allegro's challenge is to position its pricing to

capture as many of these segments as possible, or consciously decide which segment to focus on (perhaps ceding the extreme bargain-hunters to others).

Conclusion

Allegro stands at a pivotal moment as competition intensifies, particularly with Amazon Prime's aggressive pricing and expanding presence in Poland. The company must carefully navigate its Smart! pricing strategy, balancing the need to defend market share while maintaining profitability. Lowering prices could attract cost-sensitive customers but risks financial strain, whereas maintaining or enhancing value could reinforce loyalty but might not fully counter Amazon's appeal.

Beyond immediate pricing decisions, Allegro's long-term success depends on leveraging its local strengths, including its vast seller network, extensive logistics infrastructure, and deep market understanding. Its CEE expansion, highlighted by the €870 million acquisition of Mall Group, presents opportunities to establish a regional stronghold**.**

To remain dominant, Allegro must act decisively, ensuring its strategic moves align with evolving market dynamics while sustaining profitability and customer engagement in an increasingly competitive landscape.

Case to solve

To dive deeper into Allegro's pricing dilemma, break into small groups and answer the following questions. Each group will have **10 minutes at the end to present their findings,** outlining their recommended strategy, key insights, and supporting analysis. Be prepared to justify your decision and respond to questions from other groups, as if presenting to Allegro's executive leadership team.

<u>Part 1: Evaluating Strategic Pricing Options</u>

1. Analyze at least two pricing strategies, defining how each would influence revenue, profitability, and market share**.**

Consider the trade-offs:

2. Would a price increase improve unit margins but reduce customer demand?
3. Would a price cut drive more sales but at the risk of unsustainable profitability?

Financial and market impact analysis:

4. Evaluate customer price sensitivity and how changes in pricing might influence user retention and acquisition. If Smart! pricing is adjusted, will customers perceive it as a fair trade-off for added value, or will they switch to competitors?

Anticipation of competitors' reactions**:**

5. If Allegro raises prices, will competitors hold steady, or will they seize the opportunity to attract price-sensitive customers?
6. If Allegro lowers prices, will this trigger a race to the bottom where Amazon, AliExpress, and Temu engage in aggressive pricing tactics, potentially eroding margins across the industry?

Company positioning:

7. Should the company position itself as a premium service provider that competes on value rather than price, or should it prioritize affordability to retain and expand its user base? Consider how pricing decisions will impact brand perception, customer loyalty, and financial sustainability over time**.**

<u>Part 2: Strategies Beyond Pricing</u>

8. Analyze the situation from a competitive standpoint and propose non-price strategies for Allegro. Start by assessing how key competitors are likely to respond to different pricing scenarios.
9. Are they dominant market leaders capable of absorbing short-term losses to win market share, or are they smaller players that are more likely to follow Allegro's lead? Consider at least two potential competitor reactions (e.g., competitor matching price cuts, intensifying market efforts or improving customer incentives).

Alternative strategies beyond pricing:

10. Brainstorm initiatives such as product improvements, new promotions, better distribution (making the product more available or convenient) or customer

experience enhancements that could either complement the chosen pricing strategy or serve as alternative ways to compete.

11. Assess their feasibility, cost of implementation and determine whether these initiatives can be executed quickly for immediate impact or require long-term investment.
12. Consider how easily competitors could replicate these efforts- would Allegro be able to sustain a unique advantage, or would competitors quickly neutralize the benefits? Be ready to discuss which non-price moves you recommend and how they interact with the pricing decision.