E-commerce for Inclusive Development
Connecting SMEs to Global Markets

A presentation at the E-Commerce Week, UNCTAD.
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E-commerce for SDGs

1. NO POVERTY

Chinese 'Taobao villages' created opportunities for the poor communities in rural areas connecting them with international markets.

2. QUALITY EDUCATION

The e-learning market reached US$35.6 billion in 2011 and there are approximately 13 million of cross-border online students.

3. GENDER EQUALITY

In developing countries, women are 23% less likely to have Internet access than men. In Sub-Saharan Africa the percentage is 43% less.

4. DECENT WORK AND ECONOMIC GROWTH

By 2025, online talent platforms could increase global GDP by US$2.7 trillion annually.

5. INDUSTRY, INNOVATION AND INFRASTRUCTURE

Within 2 years after its launch, M-PESA transfers amounted to 10% of Kenya’s GDP. Today it accounts for nearly half.

6. PARTNERSHIPS FOR THE GOALS

By 2018, the African e-commerce market is projected to soar to US$ 50 billion, from just US$ 8 billion in 2013.

Source: ITC, E-Commerce and SDGs, 2017
E-Commerce as a source for Inclusive Development

E-commerce accounts for **12% of trade in goods** globally

E-commerce shows less concentration of sales by top sellers

E-commerce allows for **more diversified exports** in terms of the products and markets.
- A digital exporter in Peru reaches on average 25 countries, while a traditional one reaches only 3.

E-commerce is **more welcoming to new entrants**.
- Newcomers (sellers that did not make any sales over the previous year) account for 20% of online sales annually, while their share in traditional exports is around 2% only.

E-Commerce Chinese market as a source for Inclusive Development for SMEs in developing countries

- Cross-border B2C transactions will represent 30% of total B2C transactions globally by 2020.
- China will be the largest cross-border e-commerce market by 2020, according to China Internet Watch. Thus, it offers significant export opportunities for SMEs in the region.
- China’s online shoppers spend 176% more per purchase when buying from overseas than domestically.

Retail e-commerce sales (billion USD) - rank by 2019 projections

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$1,973.04</td>
<td>$672.01</td>
</tr>
<tr>
<td>U.S.</td>
<td>$534.95</td>
<td>$340.61</td>
</tr>
<tr>
<td>U.K.</td>
<td>$143.19</td>
<td>$99.39</td>
</tr>
<tr>
<td>Japan</td>
<td>$134.10</td>
<td>$89.55</td>
</tr>
<tr>
<td>Germany</td>
<td>$87.54</td>
<td>$61.84</td>
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</tbody>
</table>

Source: eMarketer, Dec 2015

But… the divide remains

- 4 billion people from developing countries remain offline, and of 940 million people leaving in LDCs, only 89 million (9.5%) use internet.

- 90% of adults in developed economies have a bank account, only 13.4% in low-income economies. In Sub-Saharan Africa, less than 1 in 5 adults have a bank account.

- The logistics performance gap between rich and poor countries remains and the convergence trends observed between 2007 and 2014 has reversed. High-income countries score 45% higher than low-income countries in the WB Logistics Performance Index (2016).

- Inadequate infrastructure and legislation for implementing and monitoring consumer protection policies in many developing countries.
International e-commerce in Africa: the way forward

- There is huge potential for e-commerce in Africa. McKinsey estimates that the African e-commerce market will reach $75bn in revenues per annum by 2025.
- The development of local e-commerce platforms such as Jumia, Konga, and Kara, the adoption of mobile money, the increasing reach of Internet connectivity and the innovation that characterized African entrepreneurs suggest this.

<table>
<thead>
<tr>
<th>Remaining Barriers</th>
<th>Potential Solutions</th>
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<tbody>
<tr>
<td>Difficulties with international banking transactions</td>
<td>Working with policy makers, public-private action</td>
</tr>
<tr>
<td>Exclusion from international e-marketplaces</td>
<td>Institutional capacity-building</td>
</tr>
<tr>
<td>Infrastructure deficit</td>
<td>Enterprise capacity-building</td>
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<tr>
<td>Inexperience with sales tax and import duties</td>
<td>Corporate structure-sharing</td>
</tr>
<tr>
<td>Sociopolitical barriers</td>
<td>Technology-sharing</td>
</tr>
<tr>
<td>The remaining digital divide</td>
<td>Improved access to international transport and logistics</td>
</tr>
</tbody>
</table>

E-commerce Process Chain

Bringing SMEs onto the e-Commerce Highway provides a checklist of essential ingredients that should be available to ensure the competitiveness of SMEs engaged in cross-border e-commerce:
- at the firm level;
- within the immediate business environment;
- at the national level.

Courses:
- E-Commerce for SMEs: An Introduction for Policymakers, SME Trade Academy
- Digital Commerce (just-in-time Geneva-based course), jointly developed with Diplo, Geneva Internet Platform, CUTS and UNCTAD

ITC has launched an e-commerce survey recognising the need for better analysis of the operational experience of SMEs around the world, with the aim to better situate policy and support initiatives. Results will be available in July.

Source: ITC, Bringing SMEs onto the E-Commerce Highway, 2016
Digital Divide when it comes to enterprise size

There is a huge connectivity gap between large and small enterprises. This is particularly the case in sub-Saharan Africa and the Asia-Pacific regions.

Higher capacity to connect can compensate for weak logistics and geographic disadvantages, e.g. location in landlocked countries.

There is also a digital divide when it comes to gender

ITC calculations reveal that:

• Small-firms are still more 10 times less likely use email than male managed firms and 8 times less likely to have a business website.

• Women-managed firms are 13% less likely use email than male managed firms.

Source: "Bridging the small business and gender divide to foster inclusive growth", ITC chapter to be included in the 2017 Aid for Trade at a Glance, (forthcoming).

But connectivity is only the beginning of the story. SME success depends on many other factors and not all of them are digital.
Along the chain there are both online and offline elements to consider

<table>
<thead>
<tr>
<th>Online</th>
<th>Offline</th>
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<tbody>
<tr>
<td>• Internet access, cost and speed</td>
<td>• Customs procedures</td>
</tr>
<tr>
<td>• Access to e-platforms</td>
<td>• De minimis</td>
</tr>
<tr>
<td>• E-payment solutions</td>
<td>• Drawback of duties when returning goods</td>
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<tr>
<td>• Regulations on data flows and server</td>
<td>• Affordable logistics services for SMEs</td>
</tr>
<tr>
<td>locations</td>
<td>• Access to finance</td>
</tr>
<tr>
<td>• E-signatures and e-contracts</td>
<td>• Ease of doing business</td>
</tr>
<tr>
<td>• Online consumer protection</td>
<td>• IP rights and enforcement</td>
</tr>
<tr>
<td>• Cybersecurity</td>
<td>• Marketing tools</td>
</tr>
<tr>
<td>...</td>
<td>• Business knowledge</td>
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Understanding

Establishing online business

- Product isn’t a good fit for e-commerce
- Poor marketing of products
- Lack of online visibility
- Access to register as vendors on e-commerce platforms

International e-payment

- Lack of adequate infrastructure (roads, airports, railways, ports)
- Inefficient/unreliable transport services
- Complicated customs procedures
- Lack of simplified customs procedures (e.g. deminimis)

Cross-border delivery

- Availability of e-payment services providers
- Missing link between e-payment providers and banks (unable to withdraw money)
- Unable to take international payments due to regulations on the free flow of currency

Aftersales

- Ineffective dispute settlement procedure
- Complicated and costly returns
- Duties on returned products

Producer

Customer
Thank You

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