

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



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



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



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



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



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

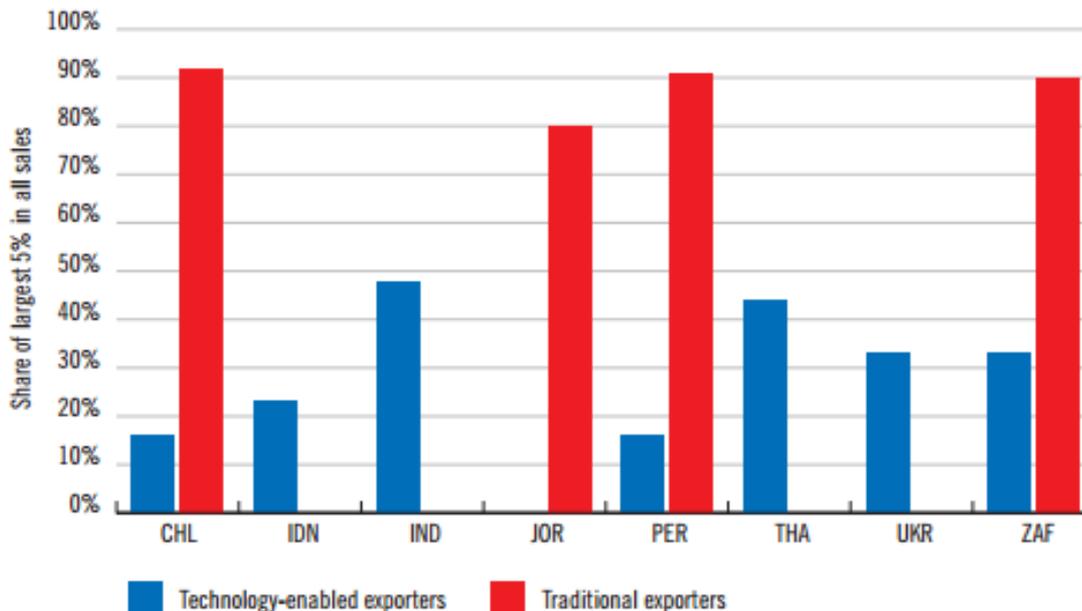


By 2018, the African e-commerce market is projected to soar to US\$ 50 billion, from just US\$ 8 billion in 2013.

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

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

	2019	2015
China	\$1,973.04	\$672.01
U.S.	\$534.95	\$340.61
U.K.	\$143.19	\$99.39
Japan	\$134.10	\$89.55
Germany	\$87.54	\$61.84

Source: eMarketer, Dec 2015

- 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.



E-COMMERCE IN CHINA
OPPORTUNITIES FOR ASIAN FIRMS



In partnership with
Alibaba Group 阿里巴巴集团
AliResearch 阿里研究院

Source: [ITC, Alibaba & AliResearch, E-Commerce in China: Opportunities for Asian Firms, 2016](#)

But... the divide remains

- 4 billion people from developing countries remain offline, and of 940 million people living 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

**Establishing
Business
Online**

**International
e-payment**

**Cross-Border
Delivery**

Aftersales

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.

Remaining Barriers	Potential Solutions
<ul style="list-style-type: none"> • Difficulties with international banking transactions • Exclusion from international e-marketplaces • Infrastructure deficit • Inexperience with sales tax and import duties • Sociopolitical barriers • The remaining digital divide 	<ul style="list-style-type: none"> • Working with policy makers, public-private action • Institutional capacity-building • Enterprise capacity-building • Corporate structure-sharing • Technology-sharing • Improved access to international transport and logistics

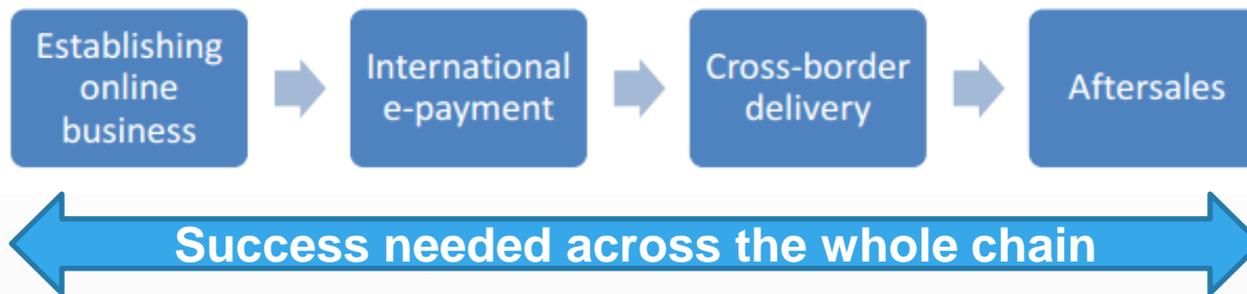
INTERNATIONAL E-COMMERCE
IN AFRICA: THE WAY FORWARD



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Source: [ITC, *International E-Commerce in Africa: The Way Forward*, 2015.](#)

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.

BRINGING SMEs ONTO
THE E-COMMERCE HIGHWAY



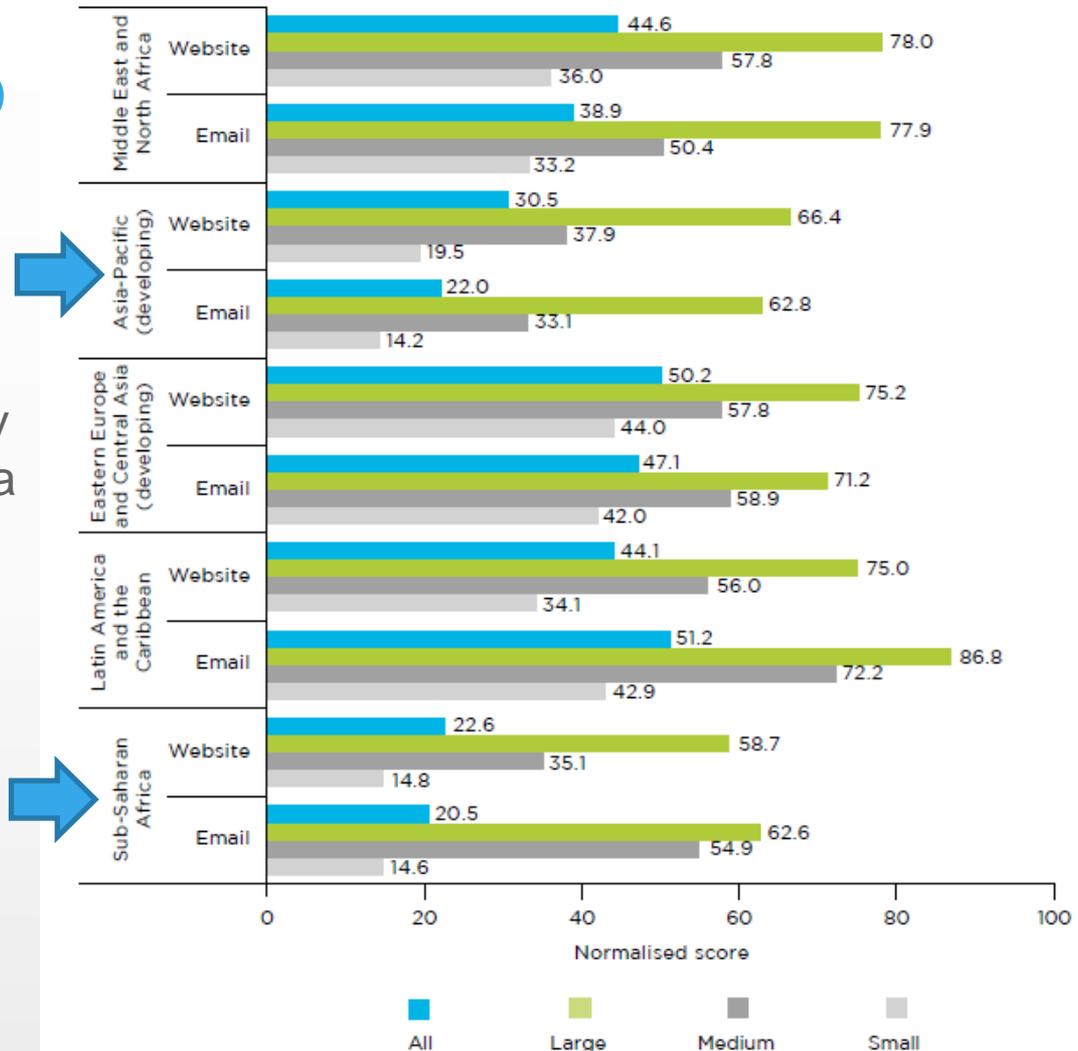
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Source: [ITC, *Bringing SMEs onto the E-Commerce Highway*, 2016](#)

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.



Source: "SME Competitiveness in Africa: Spotlight on Finance and E-connectivity", ITC contribution to ICC Survey on Trade Finance 2016

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

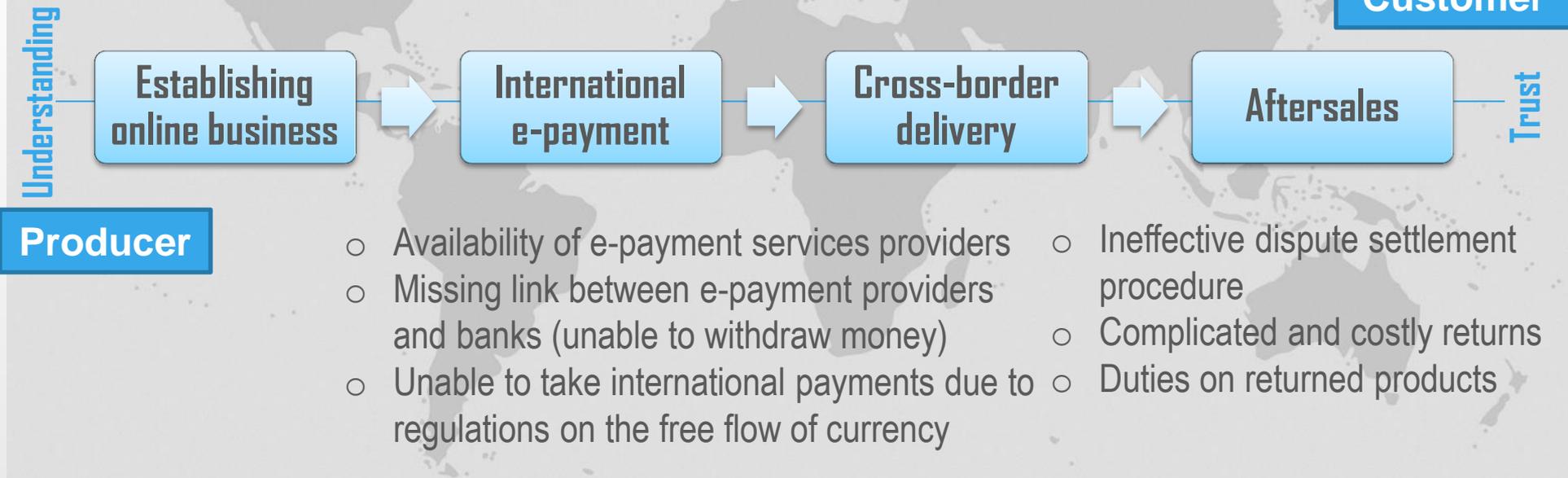
Online	Offline
<ul style="list-style-type: none"> • Internet access, cost and speed • Access to e-platforms • E-payment solutions • Regulations on data flows and server locations • E-signatures and e-contracts • Online consumer protection • Cybersecurity • ... 	<ul style="list-style-type: none"> • Customs procedures • <i>De minimis</i> • Drawback of duties when returning goods • Affordable logistics services for SMEs • Access to finance • Ease of doing business • IP rights and enforcement • Marketing tools • Business knowledge • ...

Capacity Building: E-solutions

Barriers SMEs face to conduct e-commerce

- 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

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





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<http://www.intracen.org/itc/sectors/services/e-commerce/>

