Platform-based E-commerce: What is at Stake for MSMEs?

A 4.0 business ecosystem that facilitates MSME engagement in e-commerce

A presentation at UNCTAD e-commerce week
Date: 16 April 2018
“The box and ladder theory”

Traditional business is confined to a box

Limited by:
- Geographical proximity
- Supply capacity
- Limited demand
- Knowledge and skills
- Communication channels and etc.
Moving online = walk out of the box
...and become invisible in the CROWD
To become visible, you need to be TALL, or get a ladder!
Who can benefit the most from e-commerce?

- **First movers**: early adopters of e-commerce
- **Tall Guys**: have a great product or service
- **Ladder users**: learn to use tools provided by internet companies: search engine, e-commerce platforms, social media, etc.
- **Ladder builders**: build your own tools! At least a company website

(+ E-commerce platforms allow MSMEs to access the international market (especially if you are not a first mover, tall guy or ladder builder)

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**What Sells in E-commerce: New Evidence from Asian LDCs**
16 April 2018 - today
15:00 - 16:30, Room XXVII

But... we want to see that benefit extended to MSMEs in all countries

What can policy makers do to thrive MSME participation beyond platforms’ business interest?
Two main e-commerce platform models

Marketplace model
“Marketplace as a platform for third parties”

- Vendors are different firms, from different sizes.
- The platform only provides enabling services (link to payment and logistics providers) and allow with the matching with buyers, acting as a facilitator.

Inventory-based model

- The platform offers its own inventory as well
- Economies of scale play a role and competition could be fierce for smaller firms
- The platform acts both as a facilitator and a vendor itself
Some e-commerce platforms’ models

ESTABLISHING ONLINE BUSINESS

INTERNATIONAL E-PAYMENT

CROSS-BORDER DELIVERY

AFTERSALES

Credit options also available

“Become an Amazon delivery provider” – last mile delivery
How to ensure further MSME engagement in e-commerce?

- Through a **strong business ecosystem 4.0**: the more competition among platforms, the better for MSMEs.
  - ITC’s survey findings show that 15% of companies (19% in Africa) identify costly membership on e-commerce platforms as a major bottleneck when establishing online business.
  - **Access to platforms**: more reported cases of companies being denied registration as sellers on e-commerce platforms in Africa.

![Chart](chart.png)
Emerging business ecosystem in Africa

The link among platforms (not just e-commerce platforms) is key to ensure efficiency among the e-commerce process chain
How to ensure further MSME engagement in e-commerce?

• A role for competition policy?
  • For instance, India enacted regulation in 2013 that allows for 100% foreign direct investment in B2B e-commerce and in B2C e-commerce only under the marketplace model.

• A role for trade policy?
  • Inventory-based model: large shipments and warehouses
  • Online marketplace: small value shipments and de minimis

De minimis – Our survey findings show that…

Implementation of de minimis treatment is quite effective
Majority of respondents have no issue qualifying for de minimis
Keep in mind that many firms outsource their customs procedure to third parties, mainly to logistics and delivery service providers
Identifying challenges systematically is a good first step

**ITC systematic approach**

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**Process/value chain**

**Three layers of analysis/action**

See also [SME Competitiveness Outlook](#) *(launch: 5 Oct)*
E-Strategies for action

ITC embraces the digital reality and works with partners to transform digital disruption into business opportunities, especially for MSMEs.

With 15 years of experience, ITC’s e-strategies bring partner countries onto the highway.

• Deep sector expertise
• Tailored to countries’ needs
• An inclusive and pragmatic method
• Co-ownership facilitates action

E-strategies for:

• Côte d’Ivoire
• The Gambia
• Mauritius
• Rwanda
• State of Palestine
• Saint Lucia
• Sri Lanka
• Ukraine

Thank you
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