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WHAT SELLS IN E-COMMERCE

NEW EVIDENCE FROM ASIAN LDCs



16 April, 2018 @ UNCTAD e-commerce week



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WHAT SELLS IN E-COMMERCE

NEW EVIDENCE FROM ASIAN LDCs

By: Marion Jansen, ITC Chief Economist

Date: 16 April, 2018 @ UNCTAD e-commerce week



Outline

- Objective
- Using e-commerce data
- Main Findings
- Country Pages

Objective

- For SMEs to identify products that attract demand from international buyers
- For policymakers to understand how e-commerce is different from traditional trade.

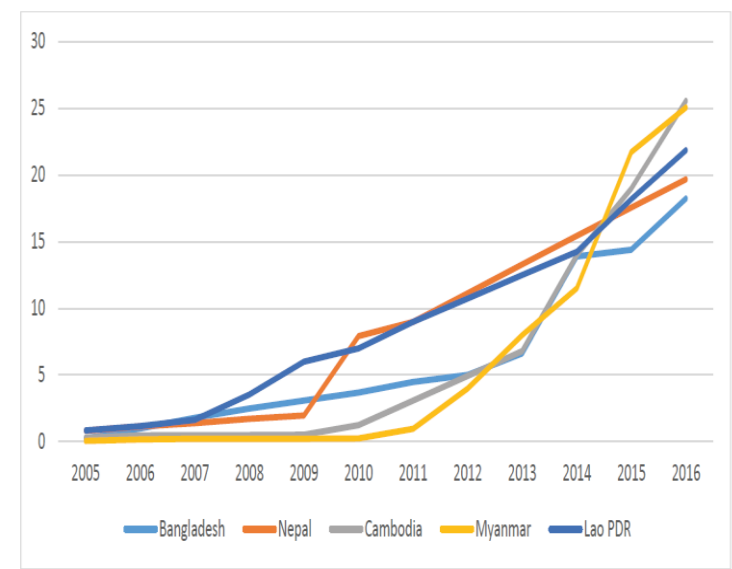
Opportunity

- Strong economic growth (7%) with industrial transformation in Asian LDCs
- Improved electricity, telecom, logistics and transportation infrastructure
- Growing SME participation in e-commerce

Challenge

- Lack of market intelligence to know what sells in e-commerce
- Understand how e-commerce is different from traditional trade

Figure 2 Internet users as percentage of population



Source: International Telecommunication Union (ITU).

Using the power of e-commerce data

- Big Data Analysis is used by large firms, hardly accessible to SMEs
- The publication uses data from Alibaba.com, the largest cross-border B2B e-commerce platform with 50 million registered buyers globally

Indicators	Definition
Registered sellers	local businesses selling through e-commerce
Active buyers	local businesses purchasing through e-commerce
Purchase inquiries	A proxy for demand/interest from buyers. A “purchase inquiry” is an action of a buyer to request information/order for purchase from a seller through Alibaba.com.

However, there are some limits to the data

- Data limited to one platform and thus do not capture the entire global e-commerce demand.
- More disaggregated data are required for in-depth analysis.
- E-commerce product categories do not correspond strictly to the HS classifications.

Findings

I. Increasing SME participation in cross-border e-commerce

- Number of sellers growing by over 30% a year (2015-2017)
- Growing demand from international buyers
- Changes in demand vary from country to country

Annual growth rate of the number of registered sellers

	Average growth 2015-2017	Number of online seller 2017
Bangladesh	29.1%	145,629
Cambodia	45.0%	26,998
Lao PDR	37.1%	4,705
Myanmar	54.1%	25,614
Nepal	33.4%	30,483
All five countries	33.7%	233,429

Findings

II. E-commerce versus traditional trade

Online and offline trade share similarities

- Products with comparative advantage in overall trade like apparel, textile, and agricultural products also feature prominently in e-commerce.
- Largest markets in both online and offline trade are US, China and India

Nevertheless, there are key differences between the two

- E-commerce focuses on processed products ready for consumption. Raw materials, such as mineral ores, do not feature prominently in e-commerce even though they are top exports in offline trade.
- Product lines populated by SMEs, such as gifts and crafts, attract greater demand in cross-border e-commerce.

Findings

II. E-commerce versus traditional trade

E-commerce helps to expand and diversify exporting products

- **Product diversification:** e.g. apparel and clothing accessories account for 86% of Bangladesh's total exports, but only 47% of total online demand. The gap is filled by agriculture, food and beverages, and consumer electronic products.
- **Greater focus on higher value-added products:** e.g. fresh mangos and cashew nuts replace cereals as top demanded agricultural products in Cambodia's e-commerce export.
- **Creating demand for new products:** e.g. Beauty and personal care products feature prominently in Cambodia and Myanmar's online trade, and are the fastest growing category for Bangladesh. Hair extension, light-weight and of high value product ideal for e-commerce, is the single largest export within this category.
- **Country-specific comparative advantages:** SMEs focus on unique offerings to avoid direct competition, e.g. in textile and leather products, star products for Bangladesh are t-shirts, jeans and hoodies. For Lao PDR, they are pillow, cushion, mat and sheet, and for Nepal, carpets and rugs account for over 70% of total inquiries received.

Findings

Opportunities for market diversification: the US, China and India remain the largest export markets, but new destinations have also emerged in e-commerce

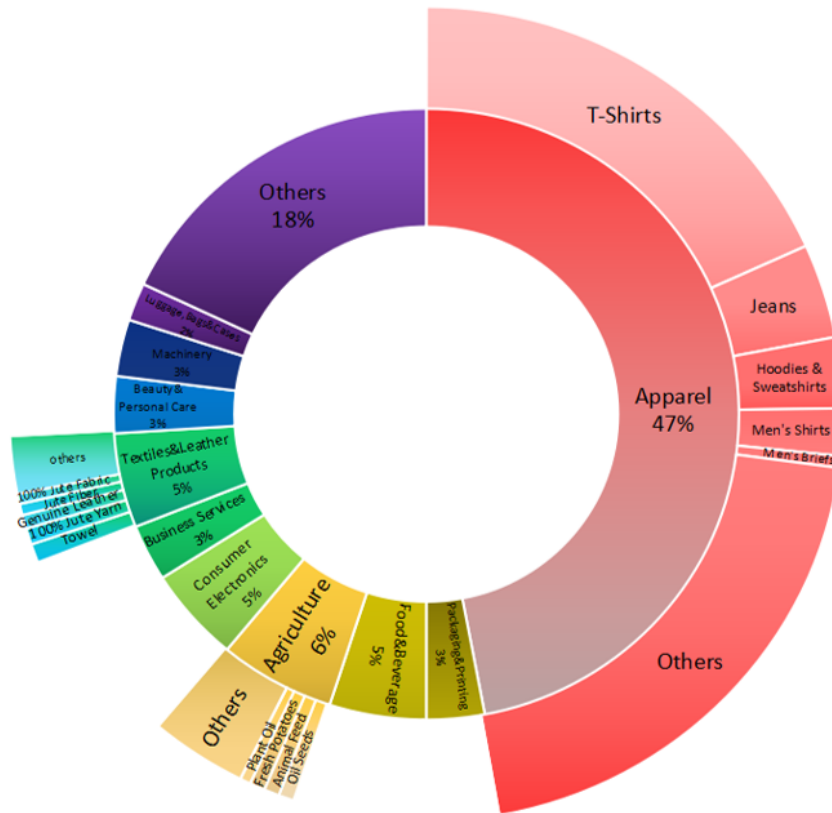
Table 6 Ranking of top ten markets in online and overall trade

Bangladesh		Cambodia		Lao PDR		Myanmar		Nepal	
Overall Trade	Ecommerce	Overall Trade	Ecommerce	Overall Trade	Ecommerce	Overall Trade	Ecommerce	Overall Trade	Ecommerce
US	US	US	US	China	US	China	US	India	US
Germany	China	UK	India	Thailand	China	Thailand	India	US	China
UK	Bangladesh	Germany	China	Viet Nam	India	India	Bangladesh	Germany	India
France	India	Japan	Canada	India	Thailand	Singapore	China	Turkey	Australia
Spain	UK	Canada	UK	Japan	Hong Kong	Japan	Vietnam	UK	Canada
Italy	Canada	China	Pakistan	Germany	Korea	Korea	Pakistan	China	UK
Canada	Pakistan	Thailand	Egypt	UAE	Canada	Hong Kong	Canada	France	Nepal
Japan	Austria	Spain	Australia	Swaziland	Poland	Germany	Thailand	Japan	Germany
Belgium	Malaysia	Belgium	Saudi Arabia	UK	Malaysia	US	UK	Canada	France
Netherlands	Russia	France	Russia	Switzerland	Australia	Malaysia	Nigeria	Italy	Russia

Country Page Bangladesh Cambodia Laos PDR Myanmar Nepal

1. Trending products

Figure 4 Trending products in Bangladesh's e-commerce exports (2017)



Product	Share
Apparel	
T-shirts	39%
Jeans	8%
Hoodies & sweatshirts	6%
Men's shirts	4%
Men's underwear	1%
Others	43%
Agriculture	
Oil seeds	10%
Animal feed	10%
Fresh potatoes	10%
Plant oil	7%
Others	63%
Textiles & leather	
Towels	15%
100% jute yarn	13%
Genuine leather	11%
Jute fibre	9%
100% jute fabric	8%
Others	46%

Source: ITC, using data from Alibaba.com.

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2. Product for growth and diversification in export

Products that saw an increased or decreased demand from international buyers over 2015-2017.

Textiles and leather products are up 12 positions in two years becoming the top demanded category for Lao PDR in 2017. This suggests a takeoff and a rapid increase in competitiveness of Lao DPR's textile industry.

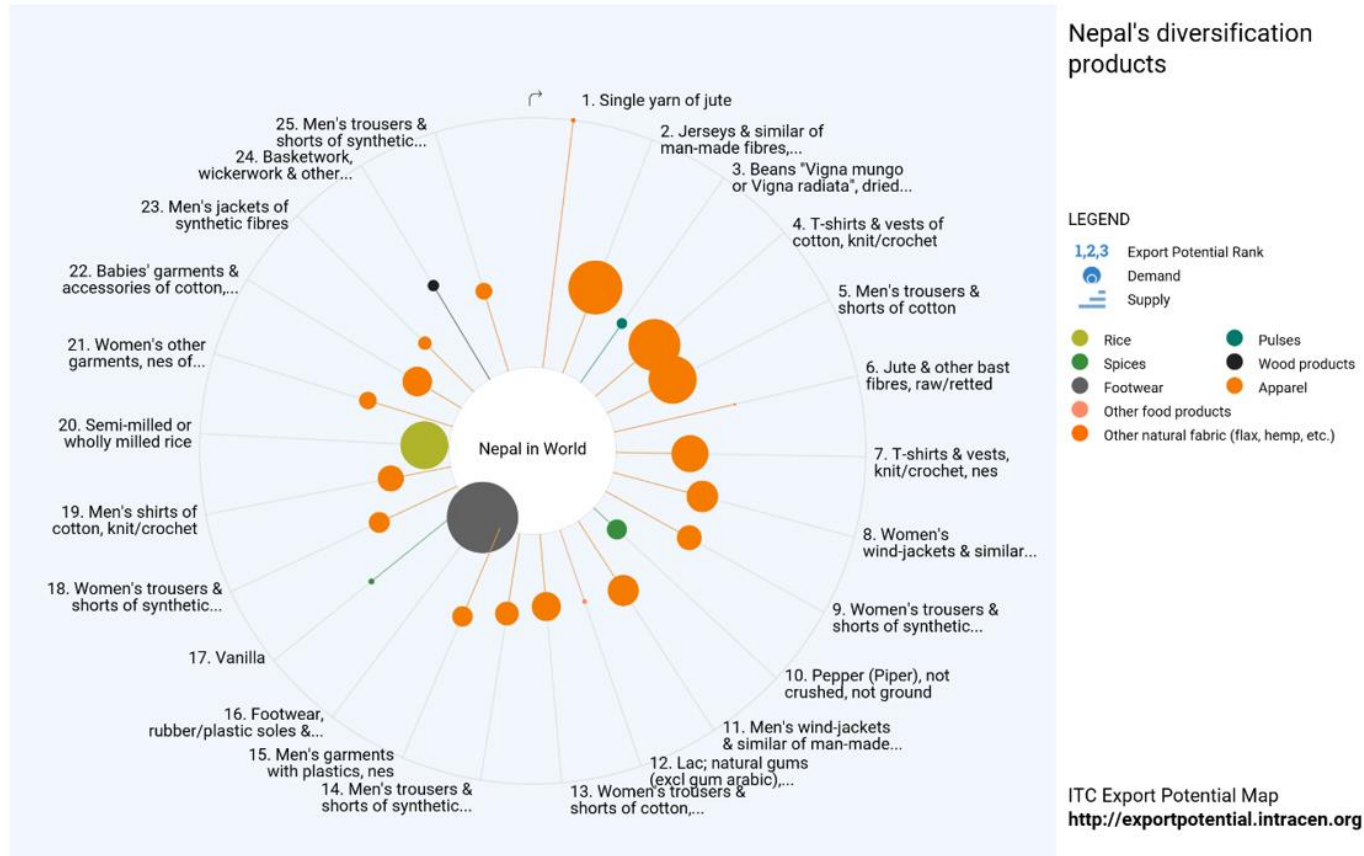
Table 14 Changes in online demand, by product category, Lao PDR (2015-2017)

Ranking	Products	Change in ranking
1	Textiles & leather products	▲ 12
2	Agriculture	▼ 1
3	Construction & real estate	▼ 1
4	Beauty & personal care	▲ 5
5	Food & beverages	▼ 2
6	Health & medical	▼ 2
7	Furniture	-
8	Minerals & metallurgy	▼ 2
9	Service Equipment	▲ 5
10	Mechanical parts & fabrication services	▲ 13

Source: Alibaba.com

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ITC's Product Diversification Indicator (PDI) analyses a country's best options for export diversification, based on its existing trade pattern and comparative advantage.



Source: ITC Export Potential Map.

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3. Markets for export growth and diversification

Ranking the countries/economies from which purchase inquiries originate, to identify where the existing and potential buyers are located.

Table 21 Top 10 markets in Nepal's overall exports (2016) and e-commerce (2017)

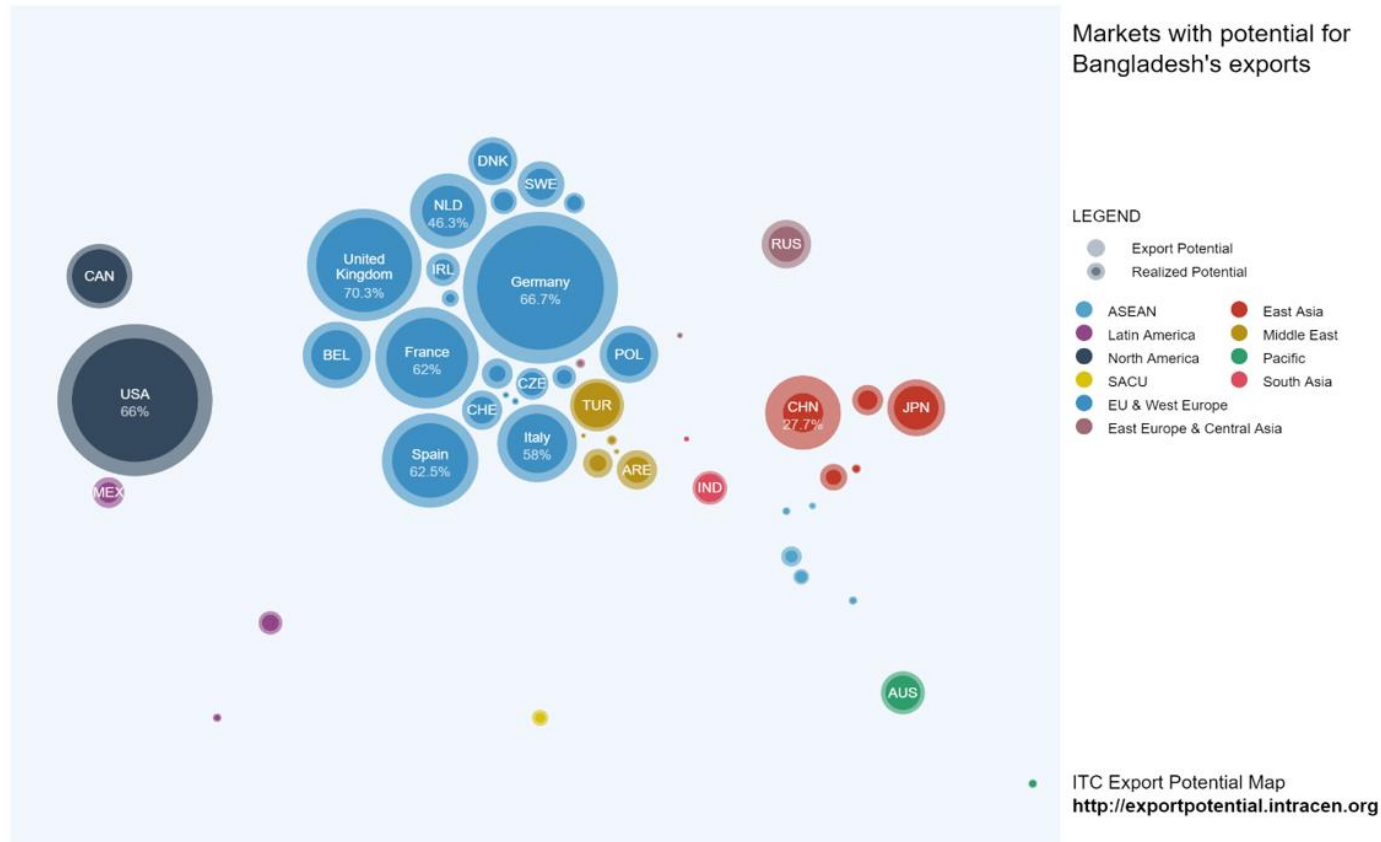
Rank	Overall exports		E-commerce	
	Market	Share	Market	Share
1	India	54%	United States	22%
2	United States	13%	China	14%
3	Germany	5%	India	6%
4	Turkey	4%	Australia	5%
5	United Kingdom	4%	Canada	5%
6	China	3%	United Kingdom	4%
7	France	2%	Nepal	3%
7	Japan	2%	Germany	3%
8	Canada	2%	France	2%
10	Italy	2%	Russian Federation	1%
Sum	Top 10 markets	91%	Top 10 markets	65%

Source: ITC trade map, Alibaba.com.

Country Page

Bangladesh Cambodia Laos PDR Myanmar Nepal

ITC's export potential map offers insights into market diversification, based on the market distribution of countries' total export potential and realized export potential.



Source: ITC Export Potential Map.

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



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Thank you

Marion Jansen

jansen@intracen.org

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

