

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

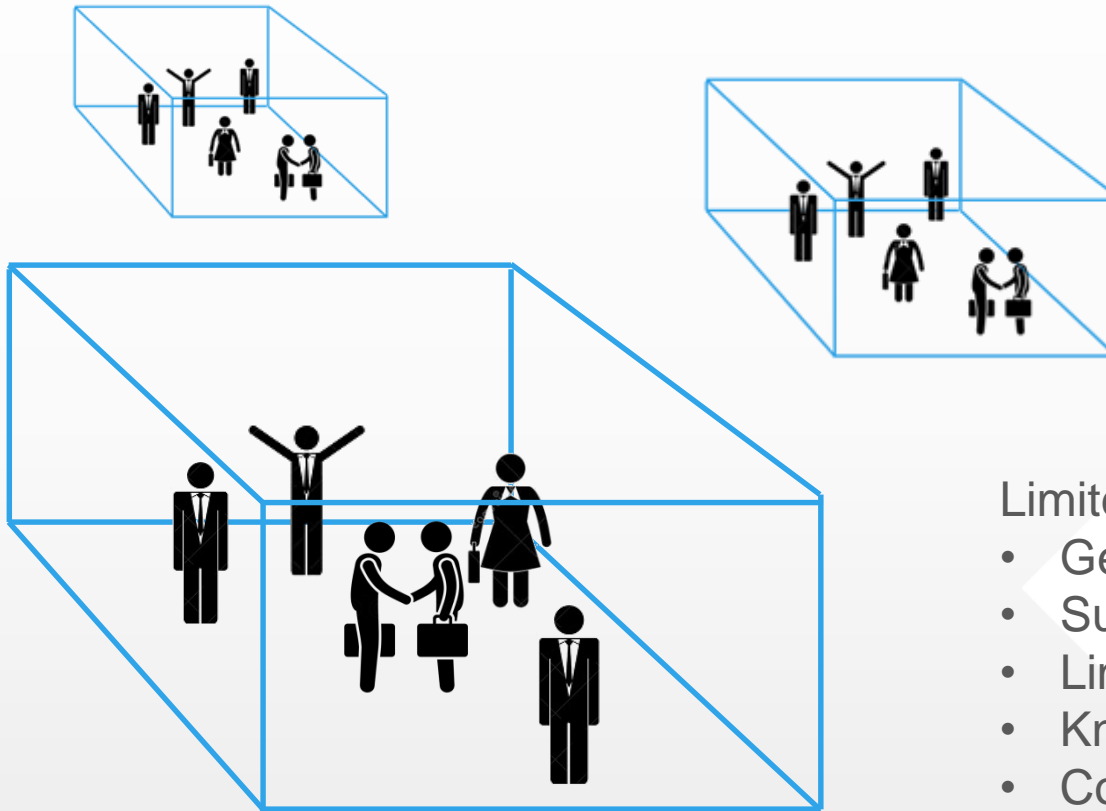
A 4.0 business ecosystem that facilitates MSME engagement in e-commerce

A presentation at UNCTAD e-commerce week  
Date: 16 April 2018



# “The box and ladder theory”

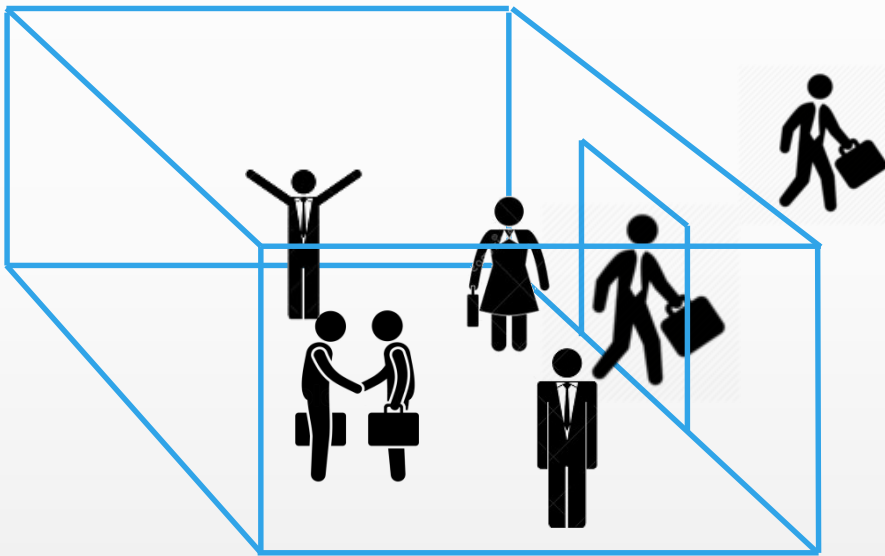
Traditional business is confined to a box



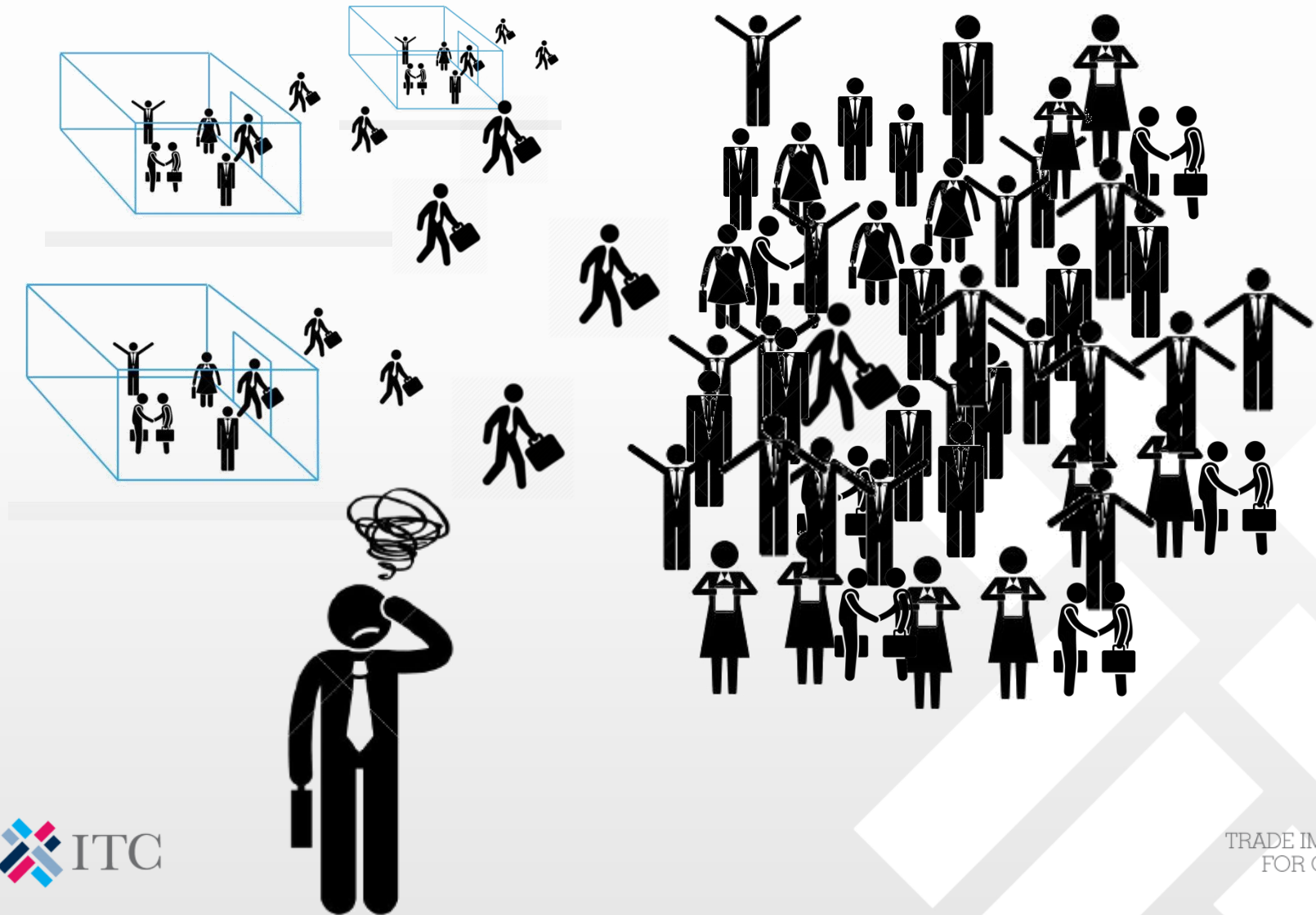
Limited by:

- 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

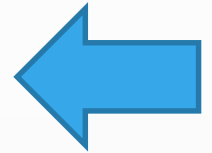


To become visible, you need to be  
TALL, or get a ladder!



# 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)

*What Sells in E-commerce:  
New Evidence from Asian  
LDCs*

16 April 2018 - today

15:00 - 16:30, Room XXVII

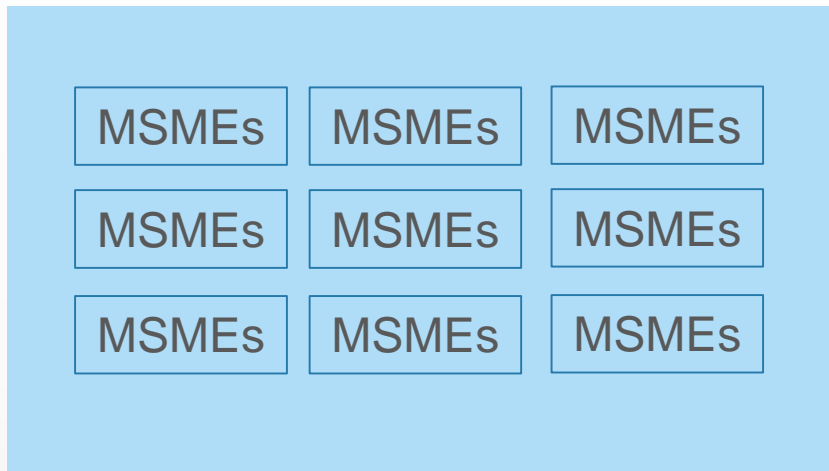
**But... we want to see that benefit extended to MSMEs in all countries**

**What can policy makers do to thrive MSME participation beyond platforms' business interest?**

# Two main e-commerce platform models

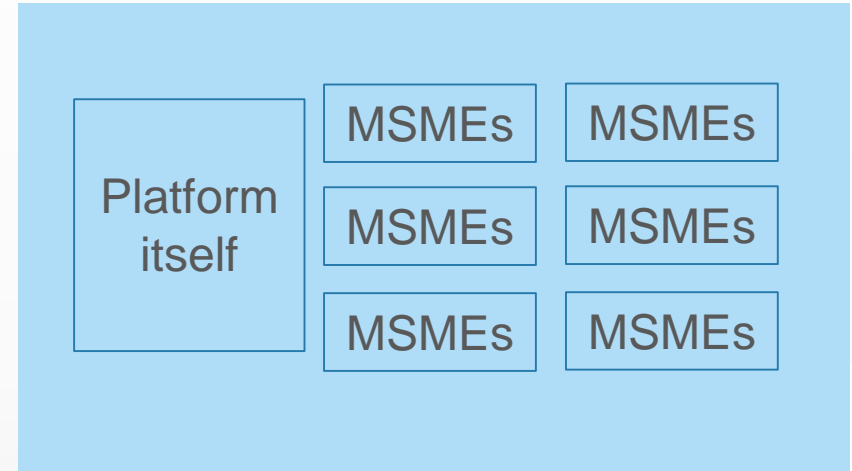
## Marketplace model

“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



“Become an Amazon delivery provider” – last mile delivery



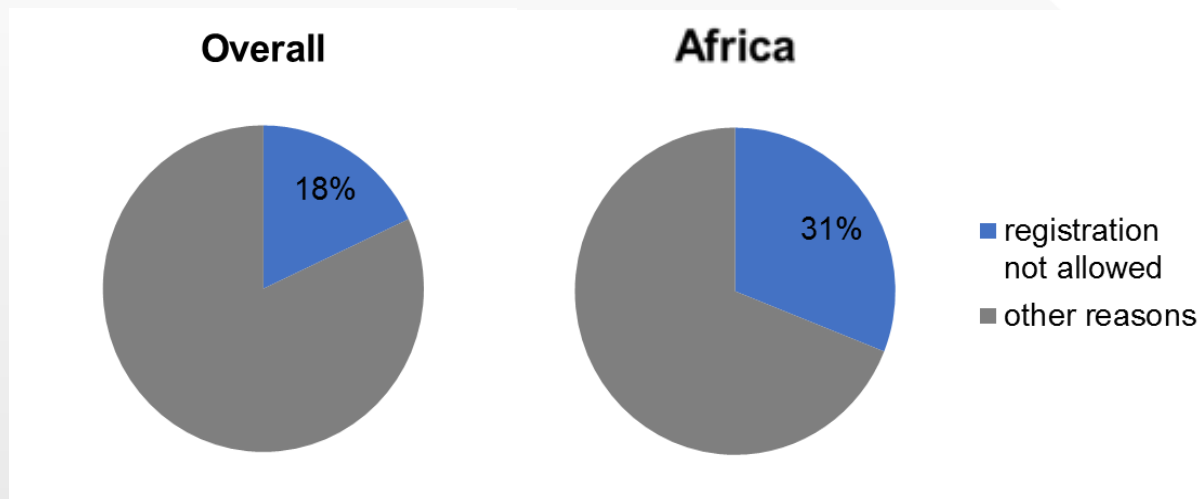
Credit options also available



# 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

## SME COMPETITIVENESS OUTLOOK 2018



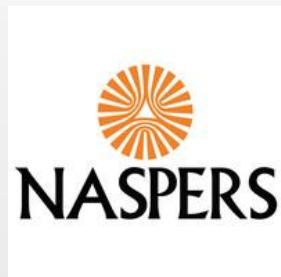
# Emerging business ecosystem in Africa

ESTABLISHING  
ONLINE BUSINESS

INTERNATIONAL  
E-PAYMENT

CROSS-BORDER  
DELIVERY

AFTERSALES



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...

**ON AVERAGE 1/3**  
of e-commerce exports receive  
**de minimis** treatment.

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

PHASE LAYER	ESTABLISHING ONLINE BUSINESS	INTERNATIONAL E-PAYMENT	CROSS-BORDER DELIVERY	AFTERSALES
Firm-level capabilities				
Immediate business ecosystem				
National environment				

Process/ value chain

Three layers of analysis/ action



See also [SME Competitiveness Outlook \(launch: 5 Oct\)](#)

TRADE IMPACT  
FOR GOOD

# 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

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

