Digital Acceleration Dialogue:
Enabling MSME Ecommerce in Southeast and South Asia
4 December 2020

Dr. Kati Suominen

Nextrade Group

USAID FROM THE AMERICAN PEOPLE

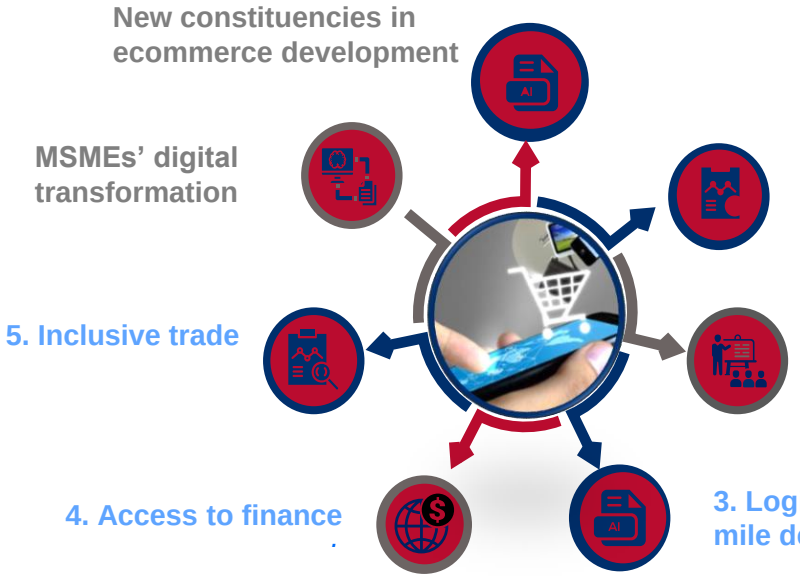
eTrade Alliance

eTrade Alliance goals, workstreams, partners

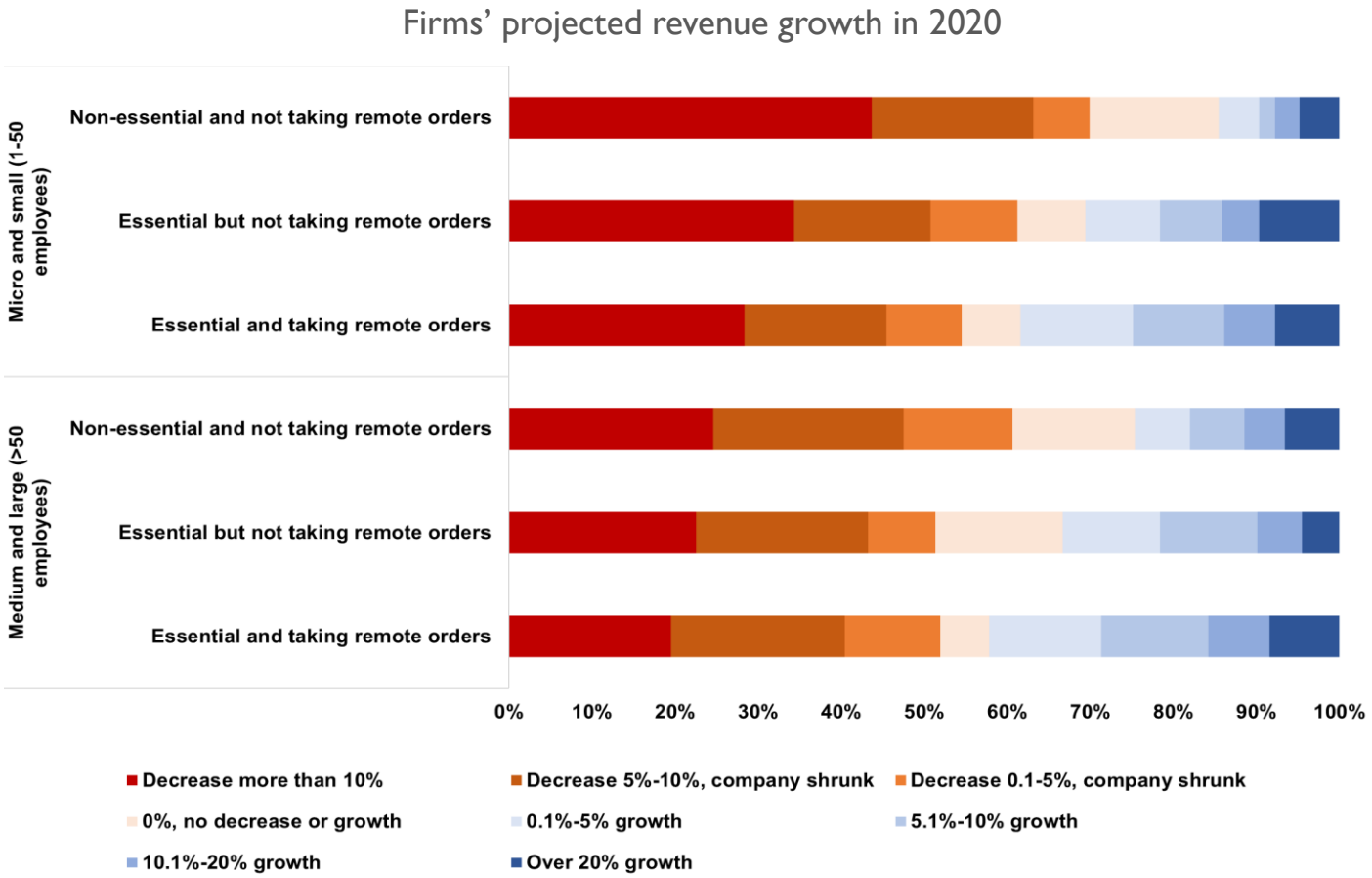
Main objectives…

1. Increase number of MSMEs selling online, including on marketplaces
2. Increase MSMEs' sales volumes online

…attained by breaking main constraints in key areas

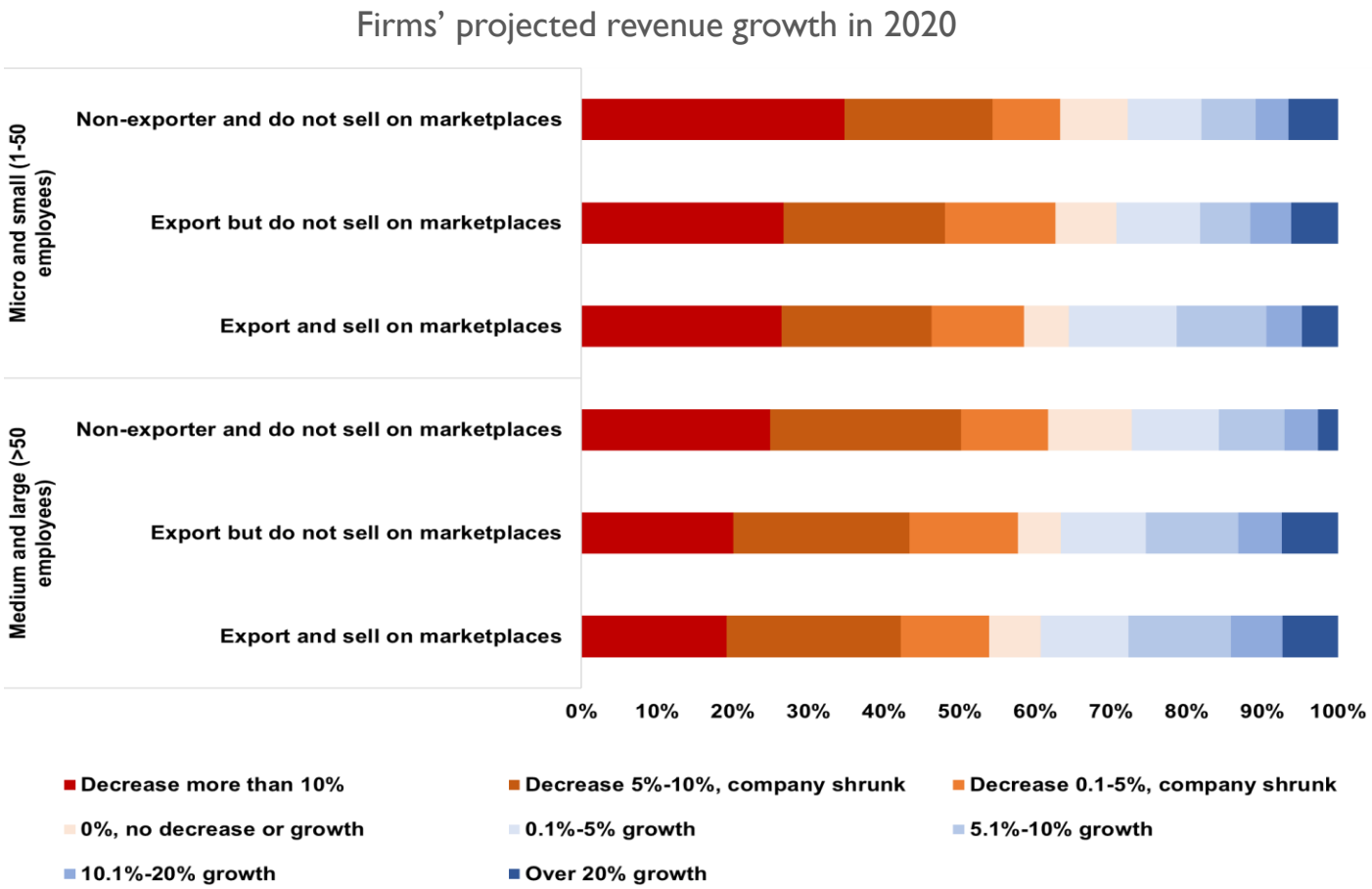


Firms that take remote orders and were deemed "essential" fared better in Covid-19



Source: Visa with Nextrade Group

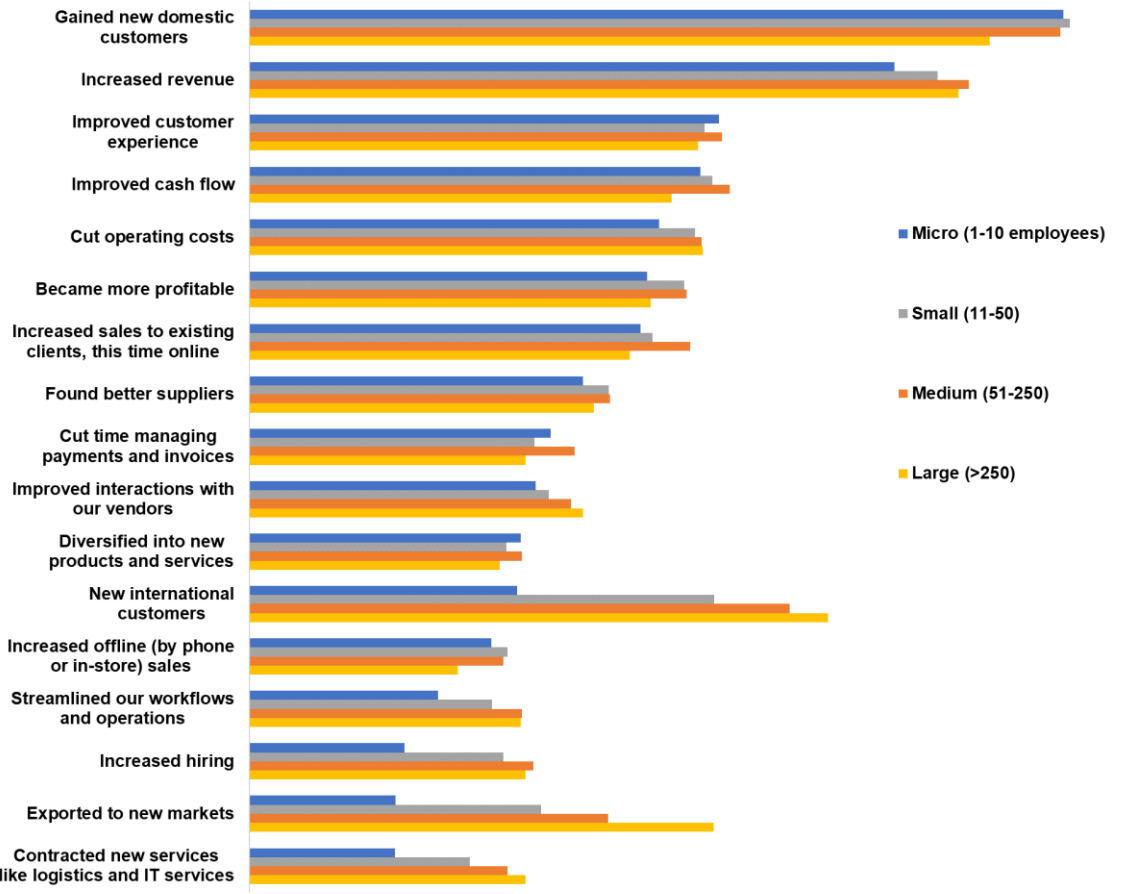
Firms that export and do ecommerce fared better in Covid-19



Source: Visa with Nextrade Group

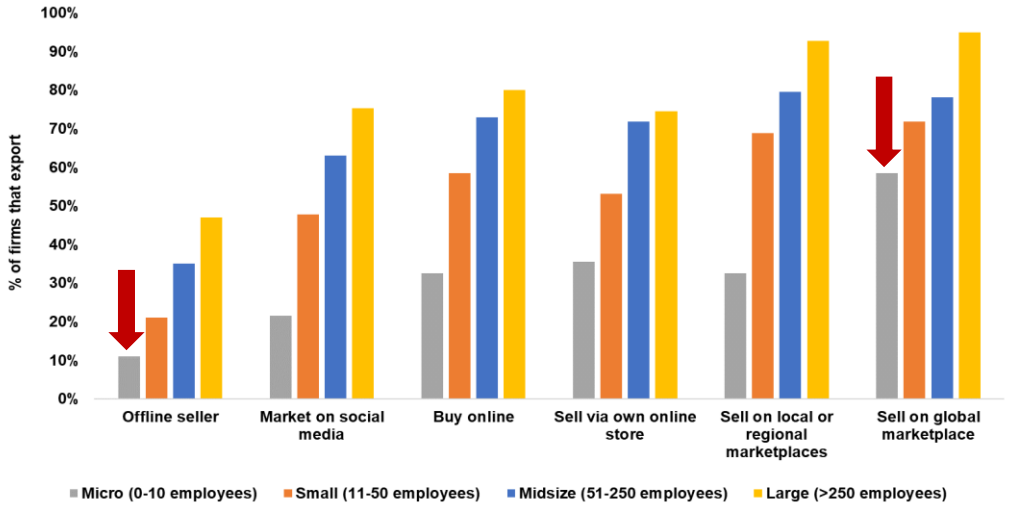
MSMEs benefit significantly from ecommerce in new customers, revenues, profit margins

"Have you secured the following gains from using ecommerce?"

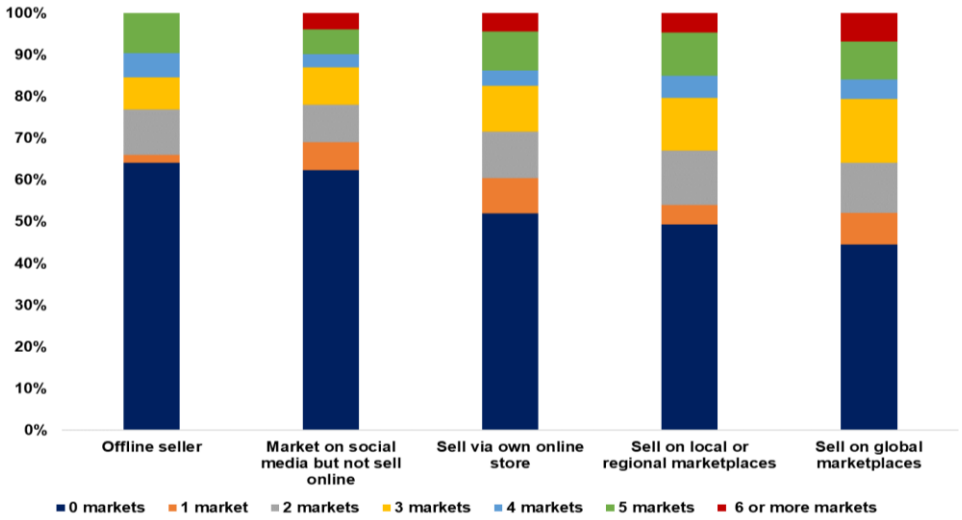


Source: Suominen (2020) – 2,530 firms

Online seller MSMEs are likelier to export

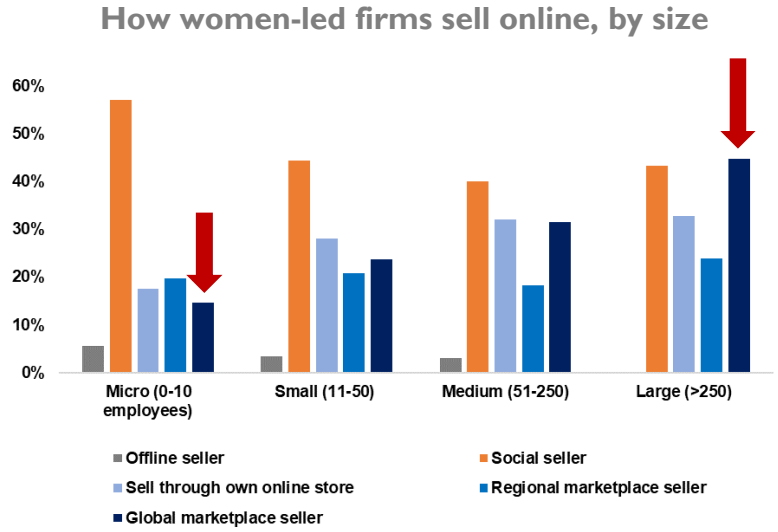


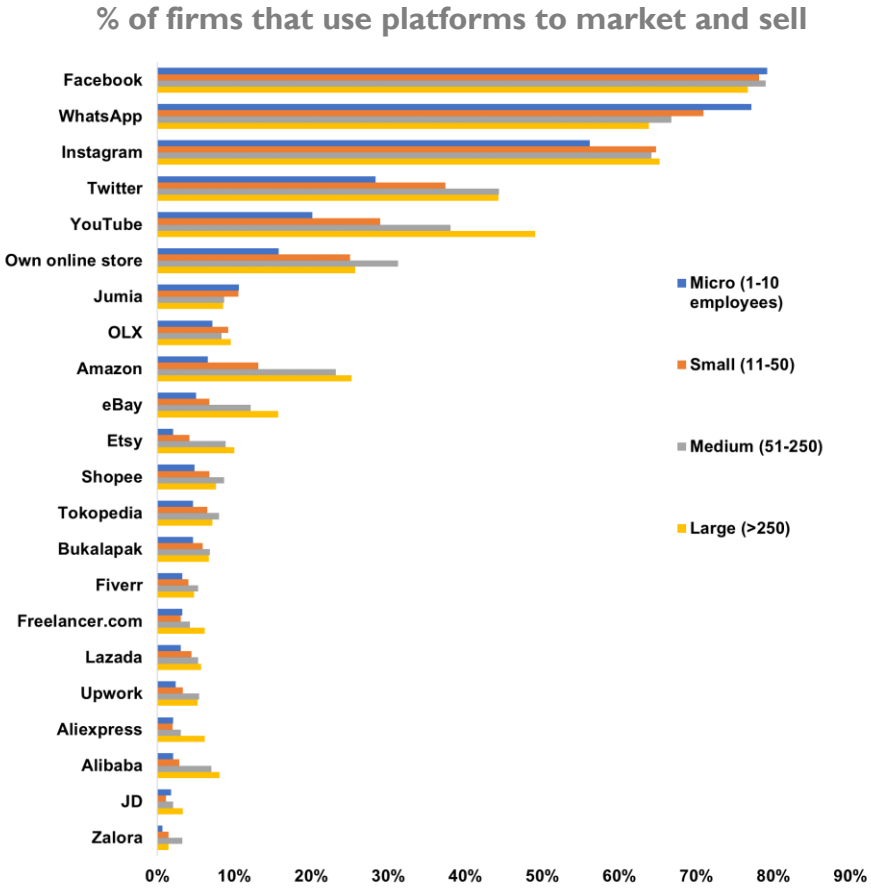
…and export to multiple markets



Source: Suominen (2020) – 2,530 firms

Small firms still use social media; larger firms leverage global marketplaces

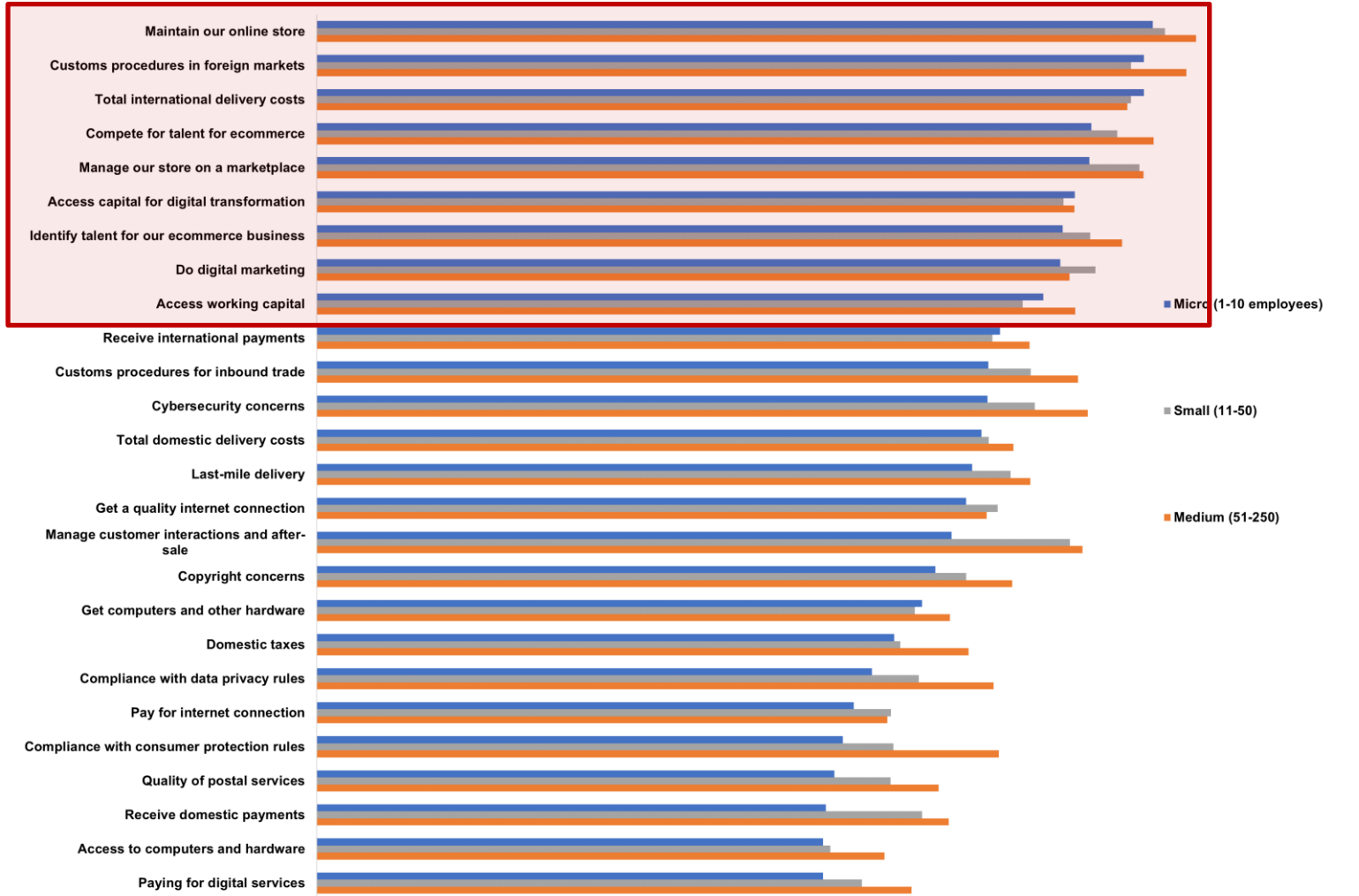




Source: Suominen (2020) – 2,530 firms

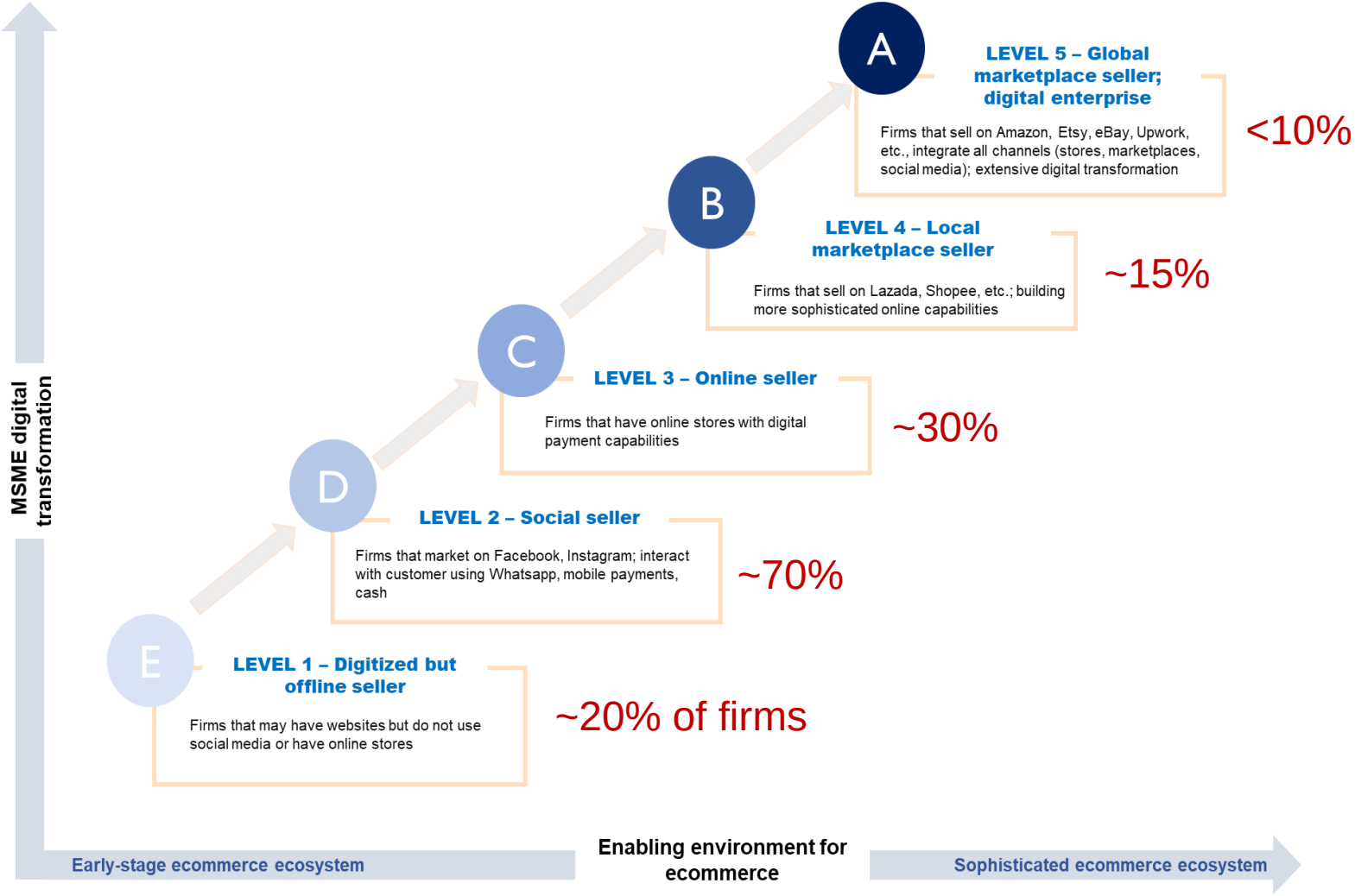
What are we solving for?

Firms face "very significant" or "significant" challenges to use ecommerce



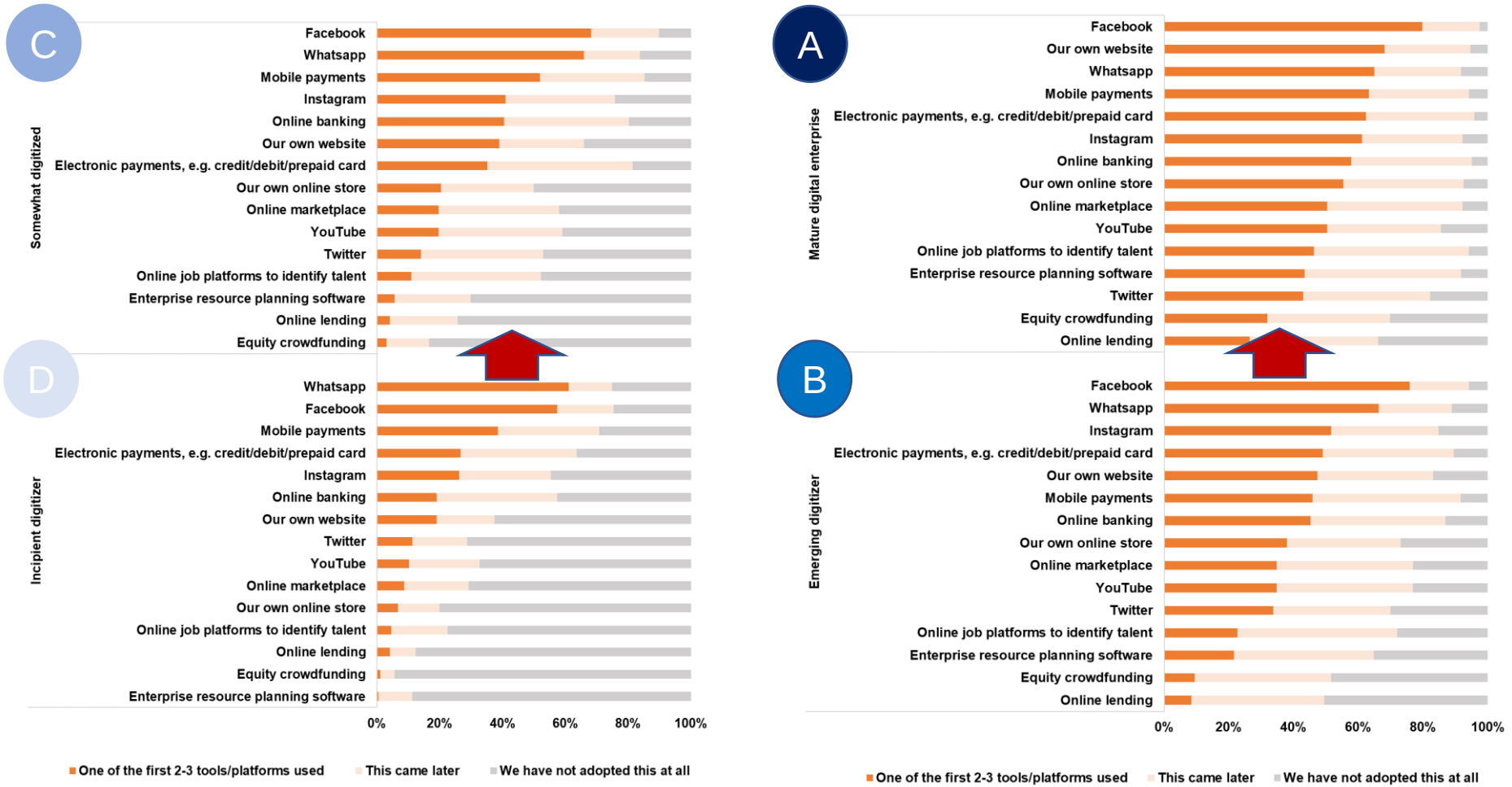
Source: Suominen (2020) – 2,530 firms

Our question: how to enable more firms to grow into online sellers → Requires better enabling environment for ecommerce, firms' digital transformation



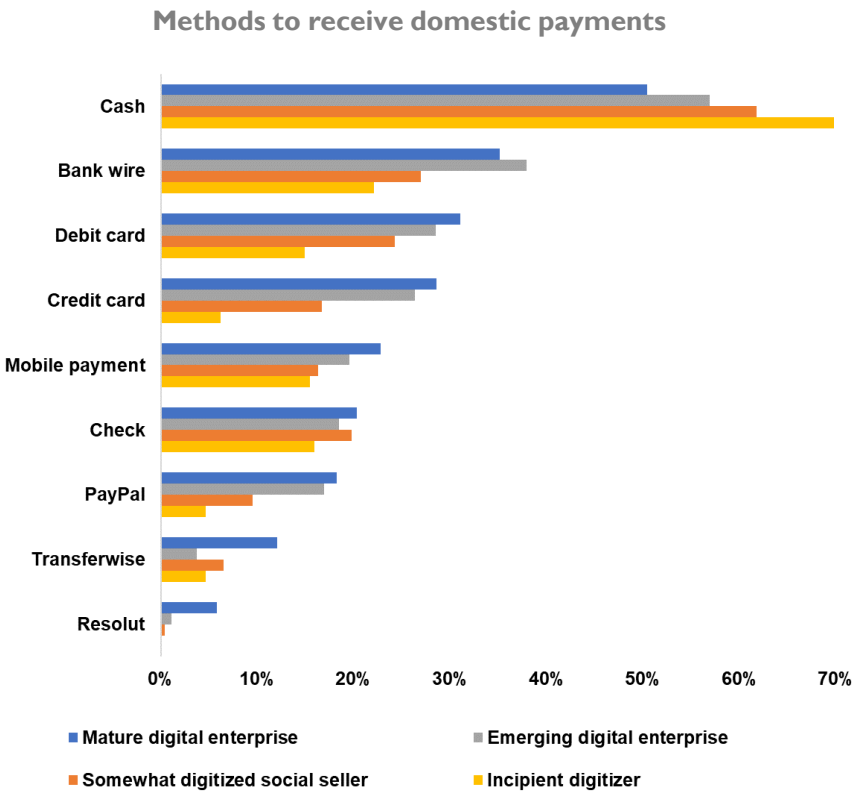
Source: Nextrade Group.

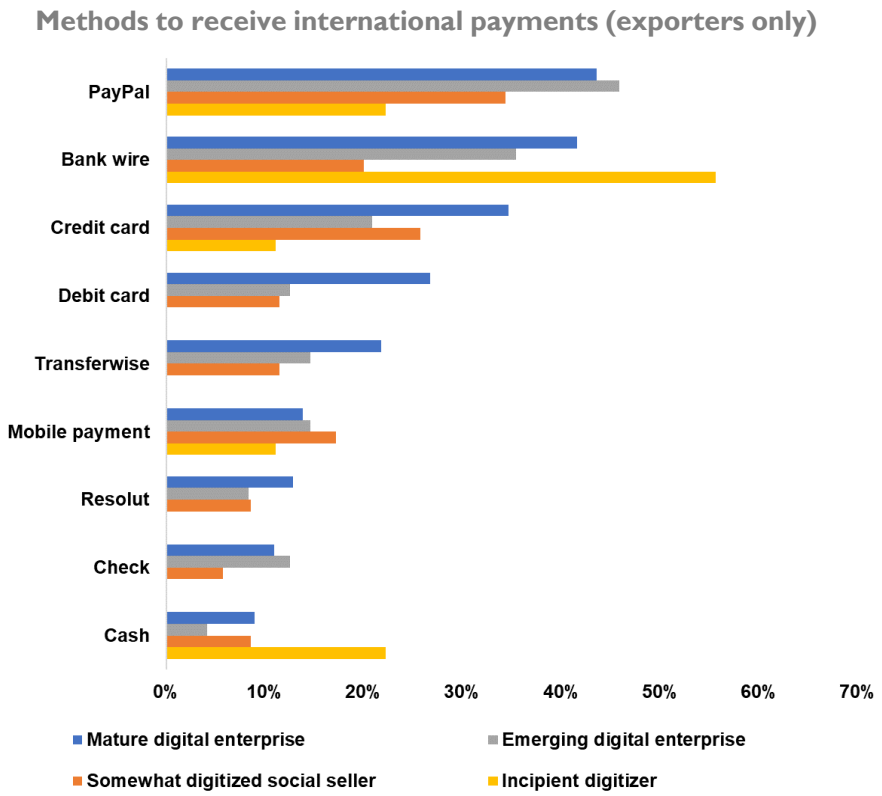
Accelerating digital journeys: firms start with social media, graduate to using software and Fintechs



Source: Suominen (2020) – 2,530 firms

Accelerating the use of digital payments





Source: Suominen (2020) – 2,530 firms

Until one day: digital sales cycle

Marketing and sales

- Online marketplaces & digital marketing
- Know your supplier (KYS) processes
- E-procurement systems

Production

- Additive and distributed manufacturing
- Real-time inventory management
- Fintech-enabled working capital

Warehousing & 3PL

- Real-time tracking of inventory
- RPA and AI-driven processes

Ports and terminals

- Port community systems
- Port optimizer-type shipment tracking
- IOT and blockchain to synchronize movements, maintain port assets

Shipment and delivery

- e-Freight booking and management
- Logtechs, freight forwarding, shipping, last-mile providers
- Smart transportation, route optimization, cargo consolidation
- Predictive retail

Trade finance and insurance

- eKYC, AML processes
- Cargo insurance management

Trade compliance

- Government databases on foreign trade rules
- Regtech solutions

Customs and single windows

- Electronic single windows
- Digital trade documents, customs declarations etc.
- Digital customs payments

Cross-border payments

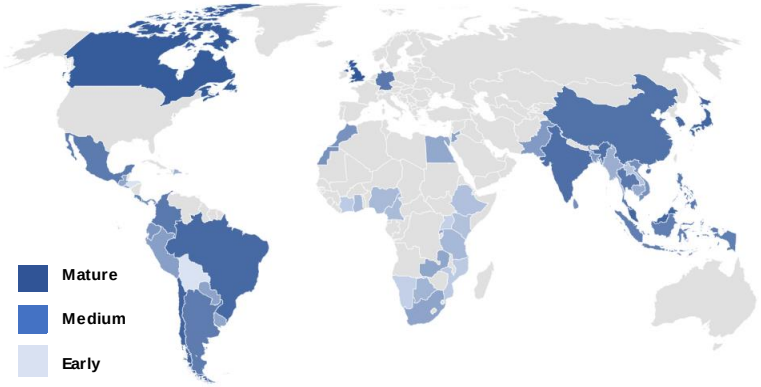
- Secure digital payments
- Electronic invoices
- Smart contracts to automate payments, settlement

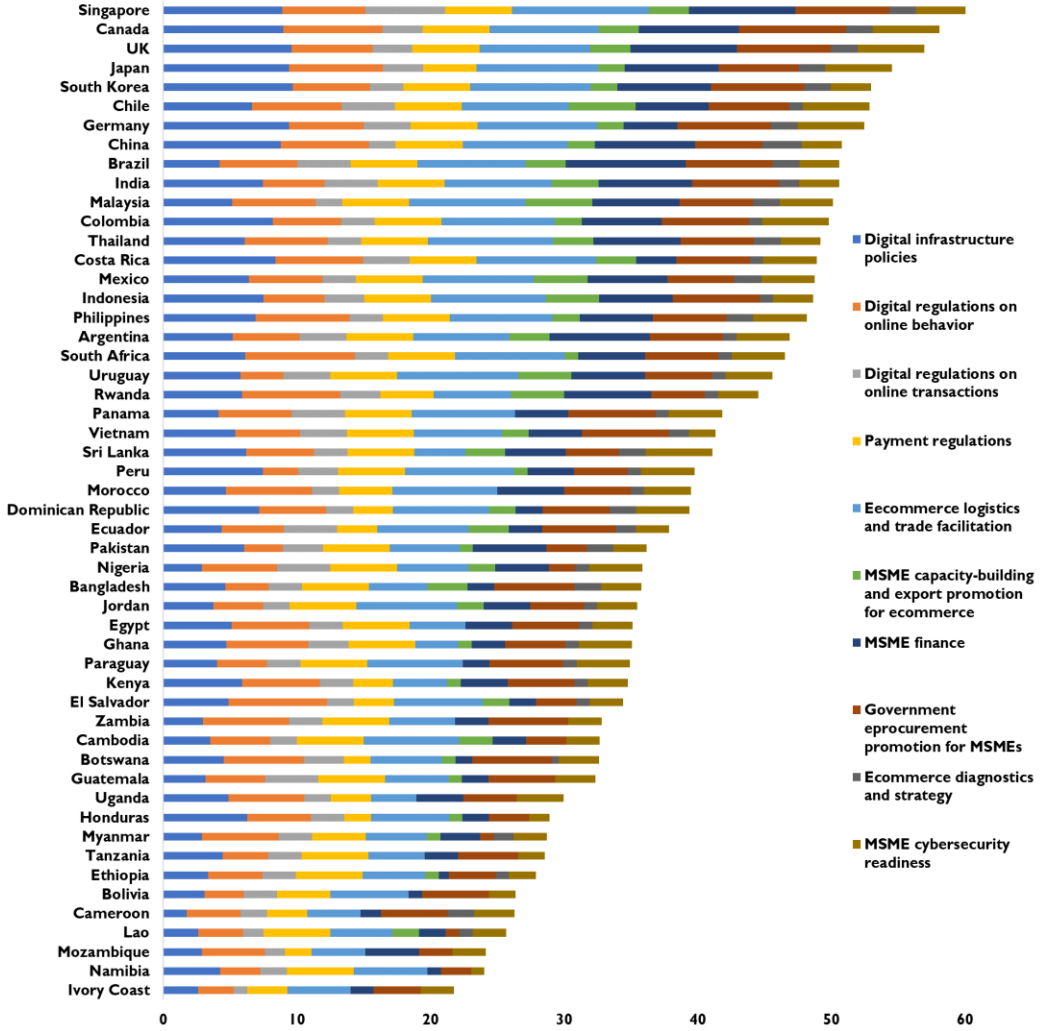
After-sale service

- AR/VR
- Advanced predictive maintenance
- Virtual inventory of parts and components
- Digital twins

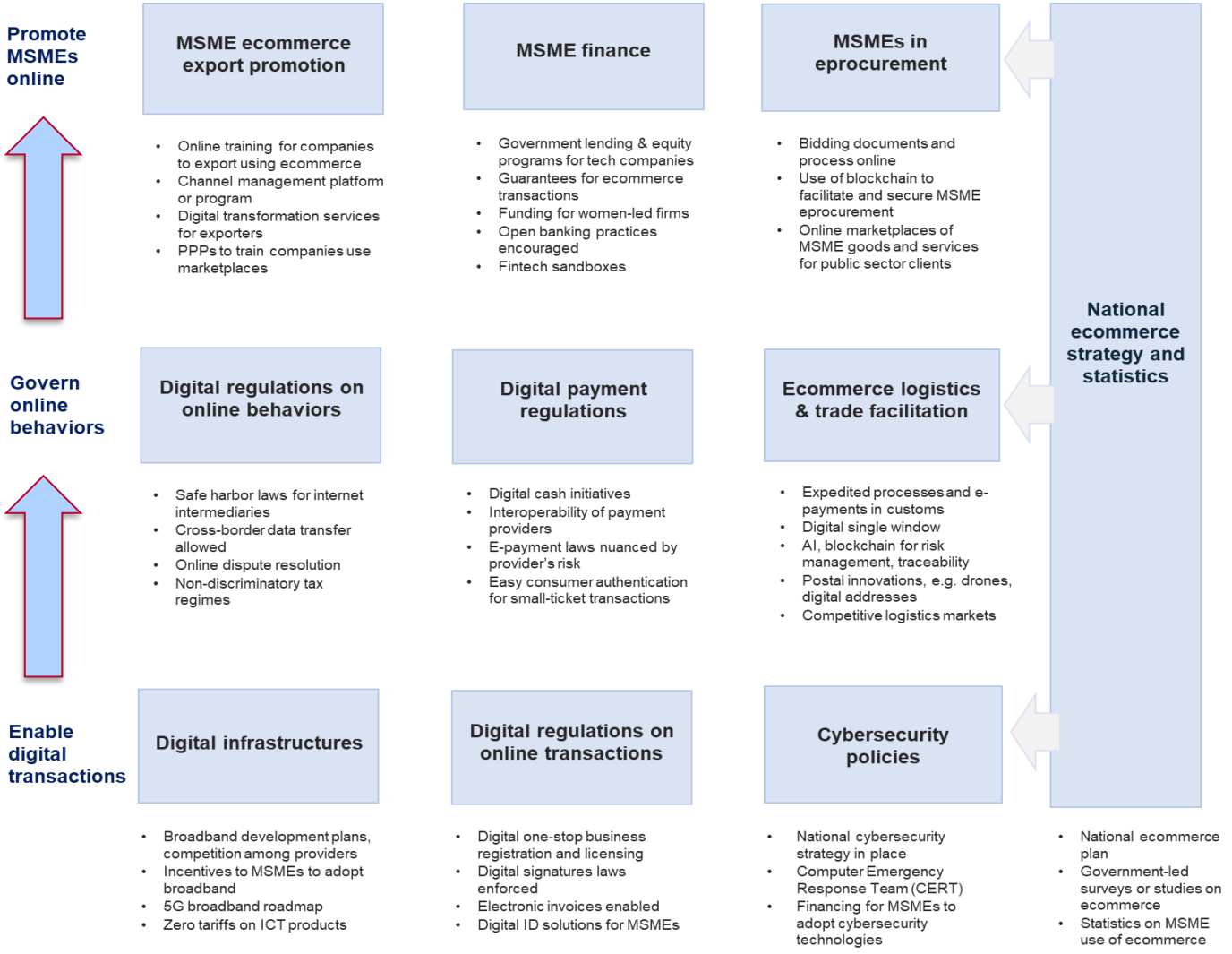
Source: Nextrade Group.

Asian economies are well on the way adopting policies conducive to MSME ecommerce: Alliance's 2020 Ecommerce Policy Index



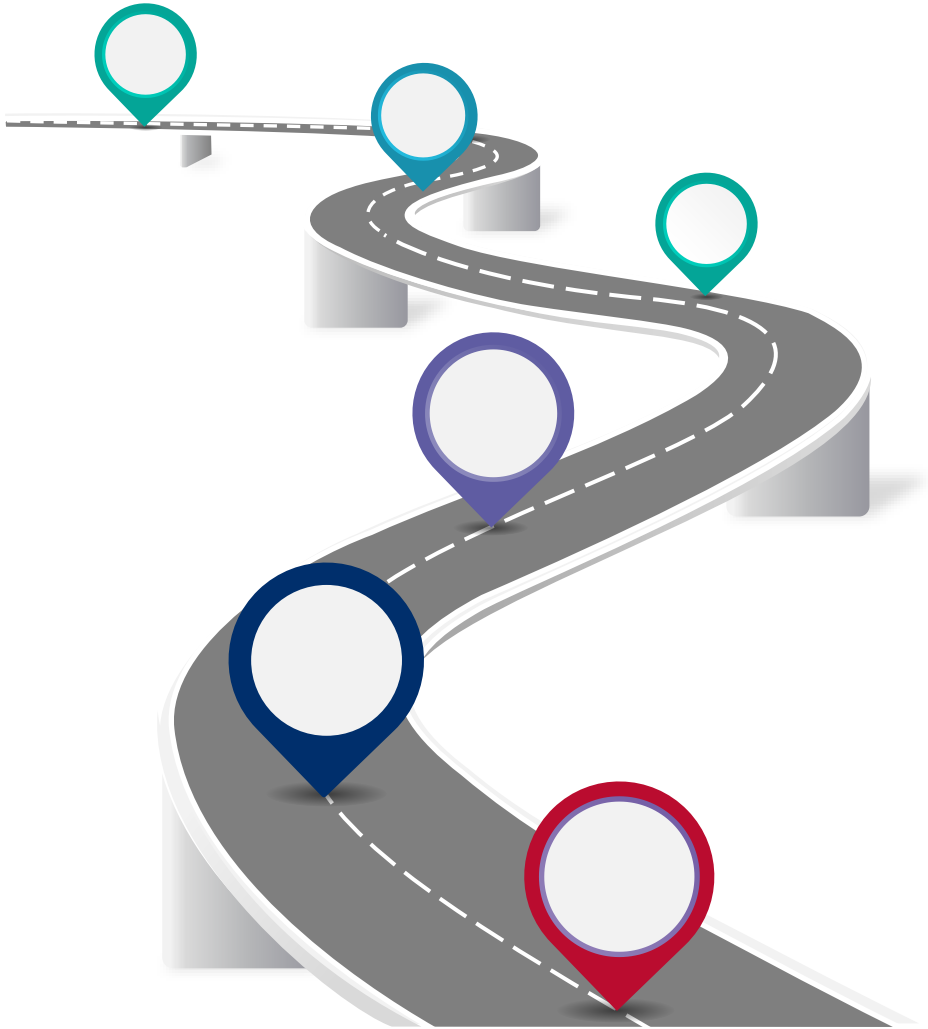


Source: Suominen, Vambell, Furtek (2020)


Promote MSMEs online
MSME ecommerce export promotion
MSME finance
MSMEs in eprocurement
Online training for companies to export using ecommerce
Channel management platform or program
Digital transformation services for exporters
PPPs to train companies use marketplaces
Government lending & equity programs for tech companies
Guarantees for ecommerce transactions
Funding for women-led firms
Open banking practices encouraged
Fintech sandboxes
Bidding documents and process online
Use of blockchain to facilitate and secure MSME eprocurement
Online marketplaces of MSME goods and services for public sector clients
National ecommerce strategy and statistics
Govern online behaviors
Digital regulations on online behaviors
Digital payment regulations
Ecommerce logistics & trade facilitation
Safe harbor laws for internet intermediaries
Cross-border data transfer allowed
Online dispute resolution
Non-discriminatory tax regimes
Digital cash initiatives
Interoperability of payment providers
E-payment laws nuanced by provider's risk
Easy consumer authentication for small-ticket transactions
Expedited processes and e-payments in customs
Digital single window
AI, blockchain for risk management, traceability
Postal innovations, e.g. drones, digital addresses
Competitive logistics markets
Enable digital transactions
Digital infrastructures
Digital regulations on online transactions
Cybersecurity policies
Broadband development plans, competition among providers
Incentives to MSMEs to adopt broadband
5G broadband roadmap
Zero tariffs on ICT products
Digital one-stop business registration and licensing
Digital signatures laws enforced
Electronic invoices enabled
Digital ID solutions for MSMEs
National cybersecurity strategy in place
Computer Emergency Response Team (CERT)
Financing for MSMEs to adopt cybersecurity technologies
National ecommerce plan
Government-led surveys or studies on ecommerce
Statistics on MSME use of ecommerce

Our goal today: Create Roadmap and pilots for MSME Ecommerce in SE and South Asia

What to do – and how to do it?



Thank you

USAID
FROM THE AMERICAN PEOPLE

eTrade Alliance