Digital Acceleration Dialogue:
Enabling MSME Ecommerce in Southeast and South Asia
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Dr. Kati Suominen
Nextrade Group
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

1. Policy and enabling environment
2. MSME skills development for ecommerce
3. Logistics and last-mile delivery
4. Access to finance
5. Inclusive trade

New constituencies in ecommerce development
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

Firms' projected revenue growth in 2020

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?”

- Gained new domestic customers
- Increased revenue
- Improved customer experience
- Improved cash flow
- Cut operating costs
- Became more profitable
- Increased sales to existing clients, this time online
- Found better suppliers
- Cut time managing payments and invoices
- Improved interactions with our vendors
- Diversified into new products and services
- New international customers
- Increased offline (by phone or in-store) sales
- Streamlined our workflows and operations
- Increased hiring
- Exported to new markets
- Contracted new services like logistics and IT services

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

How women-led firms sell online, by size

% of firms that use platforms to market and sell

Source: Suominen (2020) – 2,530 firms
What are we solving for?

Firms face “very significant” or “significant” challenges to use ecommerce

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Micro (1-10 employees)</th>
<th>Small (11-50)</th>
<th>Medium (51-250)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain our online store</td>
<td>90%</td>
<td>85%</td>
<td>80%</td>
</tr>
<tr>
<td>Customs procedures in foreign markets</td>
<td>85%</td>
<td>75%</td>
<td>70%</td>
</tr>
<tr>
<td>Total international delivery costs</td>
<td>80%</td>
<td>70%</td>
<td>65%</td>
</tr>
<tr>
<td>Compete for talent for ecommerce</td>
<td>75%</td>
<td>65%</td>
<td>60%</td>
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<tr>
<td>Manage our store on a marketplace</td>
<td>70%</td>
<td>60%</td>
<td>55%</td>
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<tr>
<td>Access capital for digital transformation</td>
<td>65%</td>
<td>55%</td>
<td>50%</td>
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<tr>
<td>Identify talent for our ecommerce business</td>
<td>60%</td>
<td>50%</td>
<td>45%</td>
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<tr>
<td>Access working capital</td>
<td>55%</td>
<td>45%</td>
<td>40%</td>
</tr>
<tr>
<td>Receive international payments</td>
<td>50%</td>
<td>40%</td>
<td>35%</td>
</tr>
<tr>
<td>Customs procedures for inbound trade</td>
<td>45%</td>
<td>35%</td>
<td>30%</td>
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<tr>
<td>Cybersecurity concerns</td>
<td>40%</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>Total domestic delivery costs</td>
<td>35%</td>
<td>25%</td>
<td>20%</td>
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<tr>
<td>Last-mile delivery</td>
<td>30%</td>
<td>20%</td>
<td>15%</td>
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<tr>
<td>Get a quality internet connection</td>
<td>25%</td>
<td>15%</td>
<td>10%</td>
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<tr>
<td>Manage customer interactions and after-sale</td>
<td>20%</td>
<td>10%</td>
<td>5%</td>
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<td>Copyright concerns</td>
<td>15%</td>
<td>5%</td>
<td>0%</td>
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<tr>
<td>Get computers and other hardware</td>
<td>10%</td>
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<tr>
<td>Domestic taxes</td>
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<tr>
<td>Compliance with data privacy rules</td>
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<td>0%</td>
<td>0%</td>
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<tr>
<td>Pay for internet connection</td>
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<tr>
<td>Compliance with consumer protection rules</td>
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<tr>
<td>Quality of postal services</td>
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<td>0%</td>
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<tr>
<td>Receive domestic payments</td>
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<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Access to computers and hardware</td>
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<td>0%</td>
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<tr>
<td>Paying for digital services</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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</tbody>
</table>

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.
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

Methods to receive domestic payments

- Cash
- Bank wire
- Debit card
- Credit card
- Mobile payment
- Check
- PayPal
- Transferwise
- Resolut

Methods to receive international payments (exporters only)

- PayPal
- Bank wire
- Credit card
- Debit card
- Transferwise
- Mobile payment
- Resolut
- Check
- Cash

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

- **After-sale service**
  - AR/VR
  - Advanced predictive maintenance
  - Virtual inventory of parts and components
  - Digital twins

- **Warehousing & 3PL**
  - Real-time tracking of inventory
  - RPA and AI-driven processes

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

- **Ports and terminals**
  - Port community systems
  - Port optimizer-type shipment tracking
  - IoT and blockchain to synchronize movements, maintain port assets

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

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

- **Trade compliance**
  - Government databases on foreign trade rules
  - Regtech solutions

- **Trade finance and insurance**
  - eKYC, AML processes
  - Cargo insurance management

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)
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