E-commerce and Development

Key Trends and Issues

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E-business vs. e-commerce

**E-business**: the use of ICT to:

- facilitate business processes e.g. by
  - communicating with governments, suppliers and clients
  - purchasing or selling goods and services on line (e-commerce)
- automate business processes
- manage resources and
- implement business policies (in marketing, HR, finance, etc.)

**Working definition of e-commerce**

- OECD: An e-commerce transaction is the sale or purchase of goods or services over computer mediated networks (broad definition) the Internet (narrow definition).
- Payment and delivery of the good or service can be offline.
- Orders received/placed by telephone, fax or normal mail are excluded.
The ICT landscape is evolving

- Number of Internet users growing
- Improved access to international broadband
- Mobile revolution
  - Rapid uptake of Internet-enabled mobile phones (smartphones)
- Spread of social media
- Governments eager to provide e-government services allowing for online transactions
- Cloud computing raises new opportunities and risks

Sources: UNCTAD, ITU, Internet World Stats
Measuring e-commerce is difficult

- Little official statistics on e-commerce
- Core Indicators of the Partnership on Measuring ICT4D
  - Orders received or placed by enterprises (UNCTAD)
  - Orders placed by individuals in a household (ITU) over the Internet.
    - Do not measure *value* of transactions
    - Do not capture *domestic vs international dimension*
    - Do not consider *impacts* of e-commerce
- Private data sources
  - Varying, opaque methodologies
  - Limited geographical coverage, focus on developed countries
  - Expensive to use
Global e-commerce trends – estimates vary

Still well below levels once anticipated

- Forrester (for 2013)
  - B2B e-commerce: $559 billion (US market only)
  - B2C e-commerce: $252 billion (US market only)

- Interactive Media in Retail Group (for 2013)
  - B2C e-commerce sales: $1.25 trillion

- Goldman Sachs (for 2013)
  - Retail web sales: $963 billion

- eMarketer (for 2013)
  - B2C e-commerce sales: $1.3 trillion

Predictions before the dot.com bubble burst:

- B2B e-commerce: $4.5 trillion by 2005 (Goldman Sachs)
- B2B e-commerce: $7.3 trillion by 2004 (Gartner)

Sources: Forrester, Goldman Sachs, IMRG, eMarketer
E-commerce is growing fast

Amazon net sales 2001-2012 (USD billions)

from $2.5 billion to $61 billion – ~43% outside North America

Source: Amazon annual reports
Developed economies dominate the market...but emerging economies are expected to catch up

Sources: eMarketer
Other signs of rapid growth in the South

- **China**
  - E-commerce has grown by 120% a year since 2003
  - Set to surpass US in 2013 as largest e-commerce market
  - Alibaba now employs 24,000 workers

- **China, India and Indonesia** expected to grow fastest in 2013

- **Latin America**: from $1.6 billion to $43 billion in past decade
  - Brazil accounts for largest market share (59%)

- **Middle East and Africa**: its share in global e-commerce expected to rise from 1.6% to 3.5% by 2016

Sources: Economist, Morgan Stanley, eMarketer
Lessons from European business surveys (1)

Great variation in e-commerce use

Figure 3: E-commerce sales and purchases, turnover from e-commerce, 2010 (% of enterprises, % of total turnover)

Source: Eurostat (online data codes: isoc_bde15dec, isoc_ec_evaln2)
Lessons from European business surveys (2)

- Larger enterprises more active in e-commerce
  - 19% of large companies’ turnover from e-commerce
  - 4% of small companies’ turnover from e-commerce

- Cross-border e-commerce sales not fully exploited
  - 14% of enterprises sell online to domestic market
  - 6% of enterprises export online to other EU market

Source: Eurostat
Lessons from the Republic of Korea

- 62% of all businesses with 10 or more employees sold or bought online in 2011, up from 50% in 2010

- Industry variation
  - ICT sector has highest usage of e-commerce sales
  - Real estate and construction services use e-commerce sales the least

- E-commerce usage increases with the size of the business

- Main benefits from e-commerce sales
  - Reduced transaction time
  - Reduced transaction costs
  - Ability to reach new customers

Source: MOPAS and NIA
What do UNCTAD data show?

*Share of enterprises using e-commerce varies considerably*

- More than half of all enterprises in Brazil placed online orders.
- More than 95% of enterprises in Egypt, Thailand and Azerbaijan did not.

Source: UNCTAD

Note: methodology varies
UNCTAD’s work on measuring e-commerce

- Awareness-raising of e-commerce data issues for ICT policies (e.g. @ ITU’s WTIM 2012 in Bangkok)
- Advisory services on e-commerce statistics (e.g. ESCWA)
- Capacity building:
  - UNCTAD Manual for the Production of Statistics on the Information Economy (periodically revised)
  - Statistical training on core indicators and on e-commerce, through UNCTAD course and in collaboration with members of the Partnership on Measuring ICT for Development and countries (e.g. China, Latin America)
    - Draw on experience of EUROSTAT and Republic of Korea
Features of online consumers in LAC

- Most online consumers research products online before buying
- 90% use their smartphones for e-commerce
- Most consumers use credit cards to buy online
- Other forms of payment:
  - electronic funds transfer
  - debit card
  - cash on delivery
- Clothes and electronics top products bought online
- E-commerce made more on international than local sites
- Concerns: Shipping and delivery, costs, fraud, data protection

Source: comStore Study (Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela)
Few micro-enterprises in low-income economies use e-commerce

- Micro/small businesses key for poverty reduction
- Limited impact of e-commerce due to:
  - Few micro-enterprises use computers or the Internet
  - Limited trust in online transactions
  - Lack of awareness of possibilities/limited digital literacy
- Growth-oriented enterprises more likely to benefit
- B2B important for to link up with value chains
  - E.g. E-Choupal (India) – farm inputs to soya growers
- B2C opportunity to reach new customers:
  - E.g. Web-based marketing of handicraft (Botswana, India)
- Mobile commerce offers opportunities

Source: UNCTAD, Information Economy Report 2010
Opportunities for developing countries

**AS PRODUCERS**

- Access new markets
  - Domestic and foreign
- Overcome distance
- Interact with governments
- Fragmentation
  - Participate in value chains (B2B)
  - Offshoring of services

**AS USERS**

- Access to goods and services at lower prices (consumers)
- More competition
- Access to knowledge and technology

+ Link to e-government!
Challenges and issues: a long list

- Affordable ICT infrastructure (Internet, broadband)
- Digital literacy among producers and users
- Electronic payment systems
- E-commerce platforms – local content
- Branding/recognition
- Delivery and distribution networks (physical transportation)
- Tracking, monitoring and taxing transactions
- Legal framework to build trust
- Risk of bias/unfair competition
- Circumvention of trade barriers
  - Licensing, immigration restrictions, bans
Strategies to achieve e-commerce
A multidimensional challenge

- Key policy areas:
  - Infrastructure and access
  - Human resources
  - E-payment solutions
  - Legal issues
- Tailor national ICT strategies to each country
- Involve all stakeholders: supportive public intervention with private sector initiative
- Benchmark against and learn from other countries
- Use internationally agreed indicators and collect data
Challenges for creating enabling legal environment for e-commerce

- Lack of trust in e-commerce
  - Brand recognition
  - E-payment solutions
  - Delivery, etc

- Limited understanding on legal issues related to e-commerce

- Shortage of skills and trained experts in establishing and implementing e-commerce laws

- Differences among countries (legislation, capacity, resources)

- Existing regional agreements

- Need for global interoperability, use of international models (e.g. UN Convention on E-Contracting)
Legal issues related to e-commerce

- Electronic signatures and authentication
- Electronic contracting
- Consumer protection
- Privacy and data protection
- Computer crime
- Taxation and custom duties
- Intellectual property rights

Cross-border e-commerce and regional harmonization

- International models: UNCITRAL Models Laws on e-commerce and Convention on e-contracting; EU Computer crime Convention; OECD Consumer Protection Guidelines, etc.
- Harmonization of taxation, customs duties, data privacy and security, difficult due to different socioeconomic conditions
UNCTAD’s E-commerce and Law Reform Program

- Launched in 2002 to respond to the needs expressed by policy makers of developing countries at various fora, including UNCTAD conferences and the World Summit on the Information Society (WSIS)
- Assists countries in Africa, Asia and Latin America in building legal and regulatory frameworks for e-commerce
- UNCTAD works in close collaboration with partners (UNCITRAL, UN regional commissions, OECD, etc)
- Financially supported by Finland
UNCTAD’s E-commerce and Law Reform Program

Objectives and activities

- Overall objective: to support developing countries’ efforts towards the preparation of an enabling legal and regulatory environment for electronic commerce by:
  - *Raising awareness and building capacity* of policy and law makers, including parliamentarians
  - *Training course* on Legal Aspects of E-commerce
  - *Reviews of national laws and regional agreements*
  - *Technical support* in the preparation of regional harmonized legal frameworks (e.g. East African Community and the ASEAN)
UNCTAD’s E-commerce and Law Reform Program
Some achievements to date

- Comparative studies on regional cyberlaw harmonization
  - Latin America
  - Central America
  - East African Community (EAC)
  - Association of South-east Asian Nations (ASEAN) (in 2013)

- Developed distance learning course
  - English, French and Spanish

- Development of two cyberlaw frameworks in the EAC

- Helped with the drafting of laws
  - Cambodia, Lao PDR
Thank you for your attention!