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E-commerce Challenges and opportunities in Egypt

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E-commerce has become a central element in the economic growth and the expansion of world trade.

“based on OECD”
Major Action lines for boosting e-Commerce

- **Enhancing the information infrastructure.** This involves improving access to telecommunications and Internet services at the price, reliability, and speed levels needed for e-commerce.

- **Building trust for users and consumers of electronic commerce.** addressing principles for online business and information disclosure, handling consumer complaints, provision of effective dispute resolution, education and awareness, and global co-operation.

- **Establishing ground rules for the digital market place.** The major issue arising under this theme is e-commerce taxation.

- **Managing the benefits of electronic commerce.** Its full potential will only be realized through its widespread use by businesses, consumers, and institutions.
Internet in Egypt

- Internet plays a fundamental role in Egypt. Over the past years the number of internet users grew to reach about 44% of the population.

- This enthusiastic embrace of the Internet by the Egyptian people has been sustained by ongoing government investment—focused on three equally important areas:
  - subsidizing Internet-related technology and Internet access.
  - Provide Internet training for the general population and for businesses in order to build skills and increase proficiency.
  - Introduce Arabic-language Internet content in order to broaden the reach of the Internet.

- The demographics of Internet usage in Egypt show that more than 45% of the individuals which are between (16 – 25 years), 36% of them spend more than eight hours per day online.

- Young users are described as flexible and use a variety of channels to access the Internet, with mobile Internet becoming increasingly popular.
Internet in Egypt

- Overall, Egypt’s Internet users favor “traditional” online activities including e-mailing, searching for information, VoIP, and downloading items of interest.

- Social networking is emerging as a widely popular activity. The number of Facebook users in Egypt almost tripled from pre-revolution levels (roughly 4 million accounts at year-end 2010) to April 2013 (more than 14 million accounts), with the vast majority (75%) under age 30.

- Mobile devices are increasingly becoming the dominant access mode to the Internet in Egypt. Two factors have contributed to this evolution:
  - The quick advance of technology like smart phones which are now used by about 26% of those over age 16 in Egypt.
  - Mobile Internet coverage has expanded rapidly. In 2012, 90 percent of the country’s population was covered by 3G service.
The Economic Impact of internet in Egypt

- Internet usage in Egypt is having a significant impact on Egypt’s commerce and society. But measuring that impact is difficult.
- A recent study conducted where a methodology was introduced to quantify the Internet’s economic effect through measuring its contributions to Egypt’s GDP.

**E- GDP**

**Consumption**
- Consumer transactions over the Internet.
- Consumer spending to access the Internet.

**Investments**
- Private companies’ investments in IT equipment intended for Internet access.

**Government spending**
- Spending on Internet-related technology and public access

**Net Exports**
- Exports of online goods and services as well as Internet-related (ICT) goods and services, less comparable imports.
The methodology states that the Internet’s impact on the Egyptian economy and society is not fully captured by *e-GDP numbers*. Thus – the following 3 rings (on the right were added):

**EXHIBIT 1 | Only Some of the Internet’s Impacts on the Egyptian Economy Are Captured by GDP**

<table>
<thead>
<tr>
<th>Impact Captured by GDP</th>
<th>Impact Not Captured by GDP</th>
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<tbody>
<tr>
<td>Inner circle. Egypt’s Internet economy, including:</td>
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<tr>
<td>• Consumption</td>
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<td>• Private investment</td>
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<td>• Government spending</td>
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<td>• Net exports</td>
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<tr>
<td>Ring 1. Facilitation of economic activity, including:</td>
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<td>• B2B e-commerce</td>
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<td>• Online advertising</td>
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<td>• Online consumer research for offline purchases</td>
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<td>Ring 2. Increases in productivity and exports, including:</td>
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<tr>
<td>• Enhanced efficiency in the manufacturing sector through e-procurement</td>
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<tr>
<td>• Benefits for the services sector through e-sales and improved access to information</td>
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<tr>
<td>• Gains for exporting companies through lower cost marketing and distribution to foreign markets</td>
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<tr>
<td>Ring 3. Improvements in social services and connectivity, including:</td>
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<tr>
<td>• Simplified access to jobs</td>
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<tr>
<td>• Improved access to information</td>
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<tr>
<td>• e-health and e-education services</td>
<td></td>
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<tr>
<td>• Social networking</td>
<td></td>
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</tbody>
</table>

Source: BCG analysis.
The Economic Impact of Internet in Egypt

- Egypt’s Internet economy represents £15.6 billion or 1.1% of the country’s 2011 GDP.

- Investment by private companies (such as telecom operators) and spending by Egypt’s government amounted to £12.3 billion, or 79% of the total e-GDP figure.

- Spending by consumers on access to the Internet and on transactions over the Internet, totaled £7.7 billion.

- The balance of Internet trade—composed of e-commerce imports, combined with imports and exports of ICT goods and services related to the Internet—was negative at –£4.5 billion. This negative balance was driven mainly by Egypt’s imports of ICT goods that can be used to access the Internet, such as computers or mobile phones.

The Internet’s share is comparable to that of several other sectors—for example:
- Health services (1.3%)
- Education (1.1%)
- Oil refining (1.1%)

However, it is smaller than sectors such as:
- Restaurants and hotels (3.2%)
- Wholesale and retail trade (11.5%)
- Commodities (14.9%)
Projected Growth of Internet Economy

Growth Drivers

- E-Inclusion
- Business Engagement
- E-Commerce
**Egyptian Households usage of E-commerce in 2012**

- **Percentage of Households that deals with e-commerce:**
  - The percentage of households that deals with e-commerce reached about 2% of total households using the internet.
  - 99% of the e-commerce users purchases online.

- **Fields of dealing with e-commerce:**

  ![Bar Chart]

  - Purchasing stocks and bonds or any other financial investment: 55%
  - Purchasing movies, music and photos either downloaded or delivered: 29%
  - Purchasing e-tickets and reservations: 15%
  - Online purchasing of clothes, shoes and accessories: 8.5%
  - Purchasing Electronic magazines, newspapers and books: 5.2%
  - Online purchasing of computers and its equipements, video games and softwares (or home delivery of them): 5%
**Egyptian Households usage of E-commerce in 2012**

- Fields of dealing with e-commerce according to households with children less or more than 15 years old

<table>
<thead>
<tr>
<th>Service</th>
<th>Households with children less than 15 yrs</th>
<th>Households with children that is more than 15 yrs</th>
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</thead>
<tbody>
<tr>
<td>Purchasing movies, music and photos either downloaded or delivered</td>
<td>4.7</td>
<td>16.4</td>
</tr>
<tr>
<td>Purchasing e-tickets and reservations</td>
<td>5.3</td>
<td>12.5</td>
</tr>
<tr>
<td>Online purchasing of computers and its equipements, video games and softwares (or home delivery of them)</td>
<td>7.5</td>
<td>15.8</td>
</tr>
<tr>
<td>Online purchasing of clothes, shoes and accessories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchasing Electronic magazines, newspapers and books</td>
<td>4.6</td>
<td>6.5</td>
</tr>
</tbody>
</table>
Problems facing households users of e-commerce

- Inability to return/refund of products: 48%
- Relatively higher cost: 27%
- The sold product doesn't match with advertised one: 13.2%
- Delays in delivery: 11.7%

Reasons for not using e-commerce

- Lack of knowledge of how to deal with e-commerce: 56.3%
- Lack of legal recognition of electronic contracts: 24.6%
- Lack of online payment methods (mastercard, visa, ...): 16.4%
- Lack of familiarity with foreign languages: 6.9%
- Non-existence of insurance systems in online transactions: 5%
- Fear of disclosure of financial transactions: 3.8%
Usage of e-commerce in businesses

- Real Estate, Renting, & Business Activities
- Financial Intermediation
- Communications
- Hotels & Restaurants
- Transport and Storage
- Whole Sale & Retail Trade
- Construction
- Manufacturing

Sending orders (Selling products, providing services)
Receiving orders (Selling products, providing services)

Advertising goods and services
Setting auctions and bids
Receiving financial and technical offers
Reasons for not using e-commerce by businesses

- Non existence of insurance systems in online transactions: 9.4%
- Lack of the need for e-commerce activities: 48.6%
- Data security problems: 12.9%
- Lack of legal recognition of electronic contracts: 18.9%
- Preferring face to face transactions: 47.2%
- Lack of knowledge of how to deal with e-commerce activities: 21.5%
Egypt’s E-Commerce Policies & Regulatory Perspectives
E– inclusion

- Expanding Internet and PC Literacy programs.
- Expanding the reach of the Internet across Egypt through high-quality network infrastructure (fixed or mobile BB)
- Increasing the availability of Online Arabic-Language Content
- Mobile payment
- E-signature Law
- E-signature centre of Excellency
- Mega projects (1 million smart ID cards), (6 million salary cards for gov employees)
- E-commerce committee
Business Engagement

- Raising SMEs awareness.
- Capacity Building Programs
- Providing support to businesses engaged in online exports through subsidization or “special tax” conditions.
- Adopting a sector-specific approaches leveraging PPPs.
- Enabling businesses to register their websites online and removing the requirement that a business secure a trademark before launching its website.