

How E-commerce is Changing the Trade Landscape for SMEs



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Globalization and the digital age are providing people around the world with the ability to conduct business transactions in a border-less marketplace where “convenience” is the order of the day.

With the click of a button, data transfers, banking and the purchasing of goods and services can be executed via the internet, also known as E-commerce. In essence, E-commerce provides a platform for companies, irrespective of their size, to contend in the digital trade. But to what extent has E-commerce changed the trade landscape for small and medium-sized enterprises (SMEs)? Let's explore further.

With technological advancements, SMEs are connecting with their target market in a timely and efficient manner for cross-border commercial activities, thereby widening market access to their goods and services. But, trade facilitation agencies tend to focus on providing export financing, and ignore technical assistance to get small and medium enterprises on-line, in order to expand their client base, and boost sales.

Meanwhile, consumers are increasingly buying online because of convenience, and access to information. SMEs increasingly understand that good or bad reviews will make or break a sale, not just access to credit at their local ExIm bank.



“Today's SMEs know they can reach markets beyond their shores through digital exports.”- Y. Bartlett, Trade Consultant

That's not to say that export credit agencies don't have a their place in the supply chain. They just need to better evolve with the times. Traditional suppliers still need clear links to export credit, but online suppliers need online payment providers that are secure, nimble, and resolve disputes quickly.

There are ever expanding opportunities for suppliers, including those from "evolving economies", to export intermediate goods and services for processing to large online companies. Cross-border E-commerce allows SMEs to participate in the international trade, and by extension the global economy, by reducing costs and increasing efficiency in information search, communication and global marketing. For example, over 80% of eBay's SME platform users are exporters.

The implication here is that traditional supply chains are facing increasing disruption as buyers and sellers turn to digital trade. In a survey conducted by the Nielsen Global Connected Commerce Report (2016), 57% of respondents spanning 26 countries indicated that they purchased from an online retailer "overseas" in the past six months.

Online marketing channels are more diversified, allowing SMEs to distinguish themselves from their larger competitors by being more flexible with respect to product differentiation and customization. In some instances, SMEs are able to leverage this advantage by engaging in strategic partnerships with large corporations developing and launching new products.

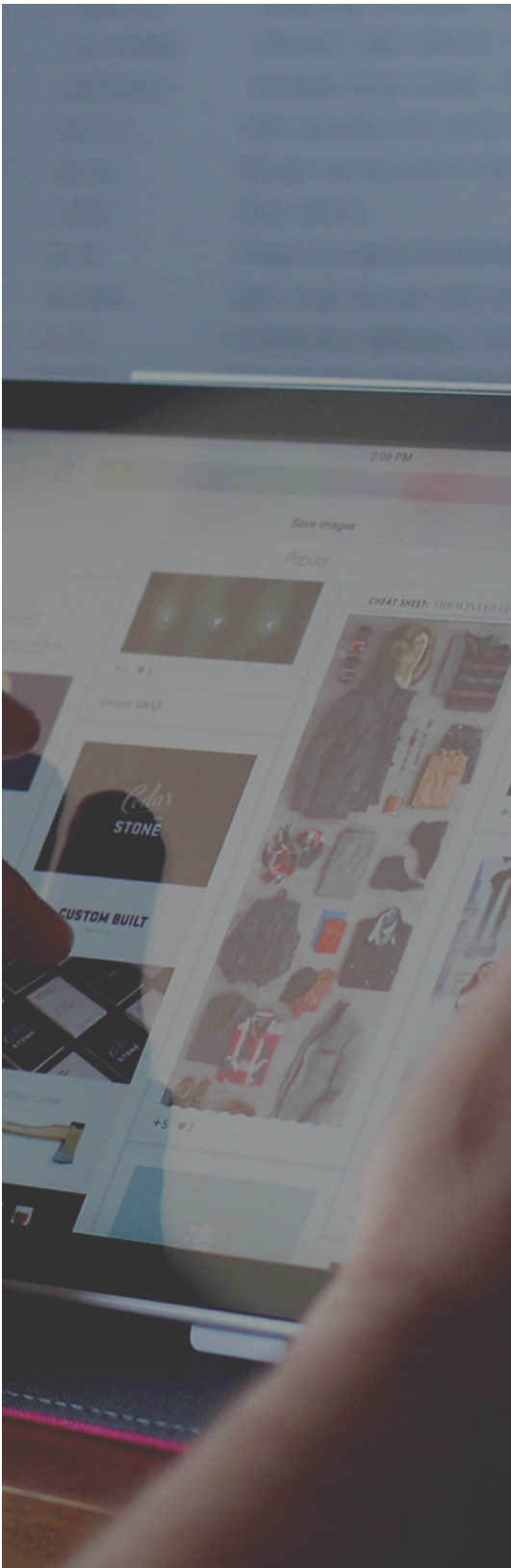
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Ecommerce platforms such as Alibaba, Amazon and eBay have established strong linkages between themselves and SMEs. These SMEs are often given support with respect to payment infrastructure, logistics and marketability.

According to a study by McKinsey Global Institute (2016), "small businesses worldwide are becoming "micro-multinationals" by using digital platforms such as eBay, Amazon, Facebook, and Alibaba to connect with customers and suppliers in other countries." The study indicates that Ecommerce accounts for approximately 12 percent of global trade.

As to be expected, Ecommerce is becoming more alluring to many SMEs, especially those that are at the start-up stage of their business, primarily because the transactional and operational costs of an online business are lower than the traditional brick and mortar retail business, faced with costly overheads.

With Ecommerce, SMEs can offer attractive prices for their goods and services, build their reputations, and overcome structural limitations, while online shoppers understand that other costs, like shipping and handling for example, are add-ons for the convenience of purchasing with just a click of a button, from anywhere in the world.





ABOUT THE AUTHOR....

Magda Theodate is an international trade lawyer and global development consultant. She has over two decades of experience contributing to and managing development projects led by international agencies such as the World Bank, Organization for Economic Cooperation & Development, Inter-American Development Bank and United Nations Development Programme. She is the Senior Consultant and Managing Director of Global Executive Trade Consulting. To learn more, please follow her @GlobalExecTrade or visit: www.globalexecutivetrade.com