



**INDONESIA
DEVELOPMENT
FORUM 2019**
INSPIRE • IMAGINE • INNOVATE • INITIATE



*Kementerian PPN/
Bappenas*

KNOWLEDGE
SECTOR INITIATIVE



Australian Government

How Should Government Promote Competitiveness of Indonesia's Micro, Small, and Medium Enterprises (MSMEs) in the Borderless Trade Era?

Nika Pranata

Pusat Penelitian Ekonomi, LIPI





Introduction



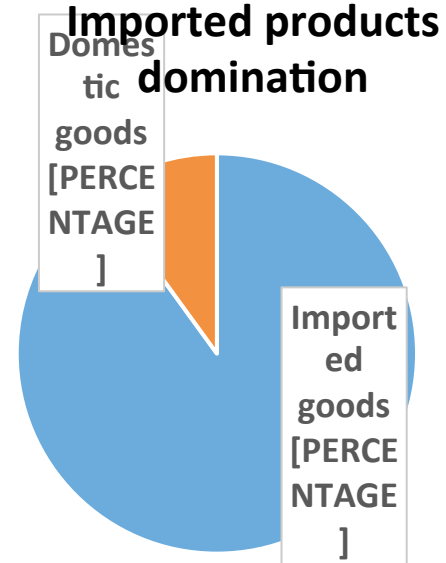
Transaction value:
Rp 112 trillion (2017)
Rp 896 trillion (2022)



Labor absorption
4 million people (2017)
26 million people (2022)
Majority are MSMEs



Increased value added:
For each Rp 10,000 purchase shift from
offline to online generates new transaction of
Rp 3,000 and Rp 1,000 of consumer saving



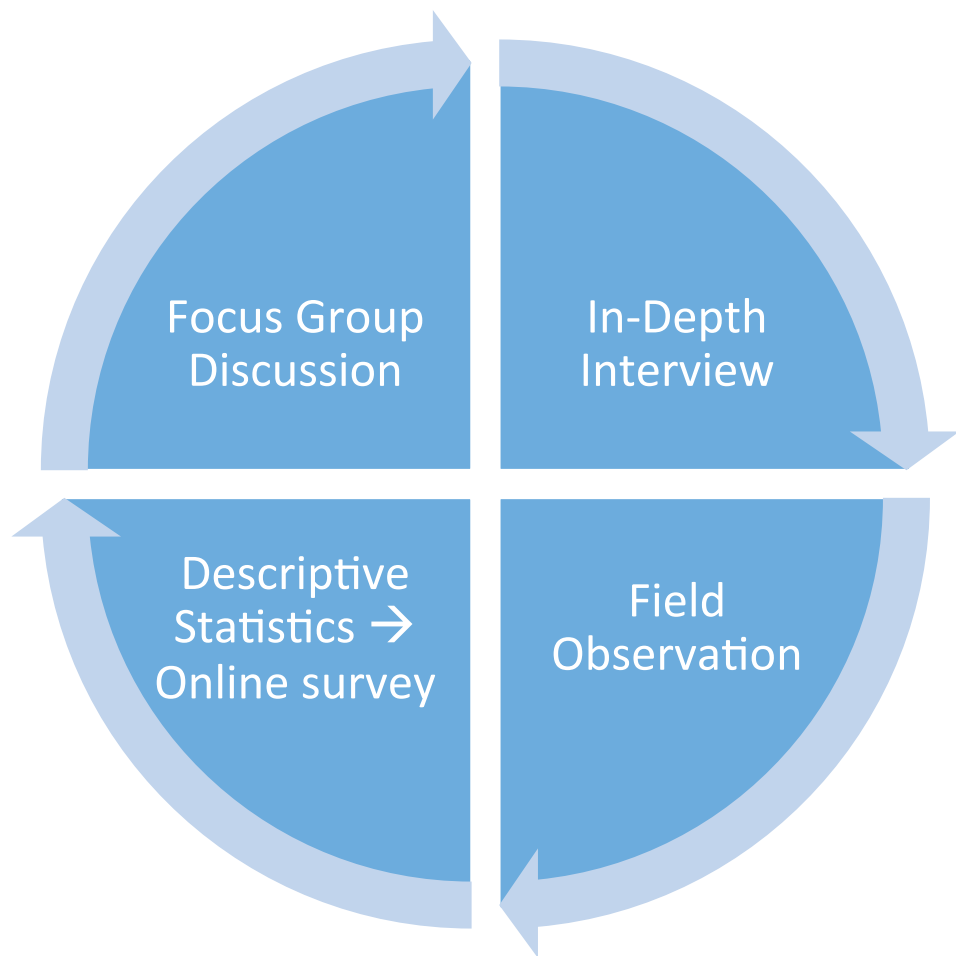
Direct Selling through Global E-Commerce Partnership:

- Lazada + Taobao
- Blanja + E-Bay
- JD.ID + Jingdong
- Etc.

Competition with overseas E-Commerce platforms from China and the US

Aliexpress, Alibaba, Banggood, Taobao, Amazon, Ebay, etc.

Research Methods



Respondents' Distributon

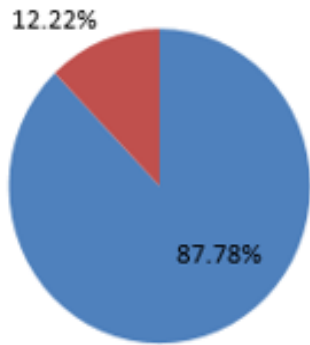
No	Region	Composition
1	Java	75.77%
2	Sumatera	13.51%
3	Kalimantan	3.77%
4	Sulawesi	3.99%
5	Bali, NTB, and NTT	2.55%
6	Papua and Maluku	0.41%
Total		100%

1626 respondents (820 online shoppers, 806 online sellers)



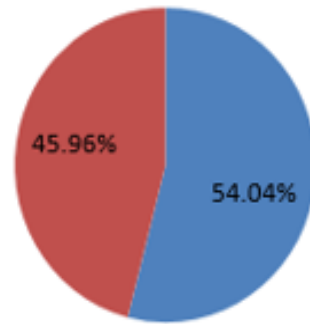
Survey Findings (Online

Do you know that you can make a purchase directly from overseas e-commerce platforms?



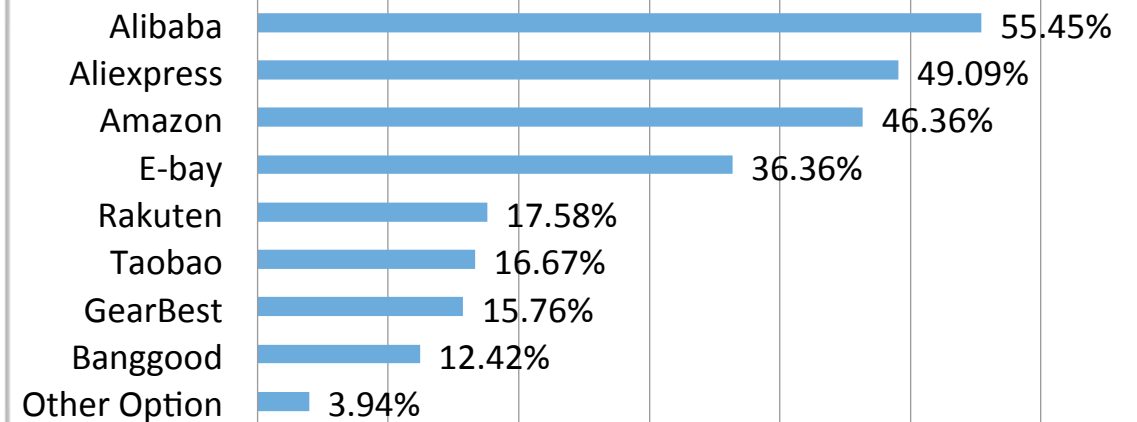
■ Yes, I do know ■ No, I don't

Have you ever purchased from overseas e-commerce platform?



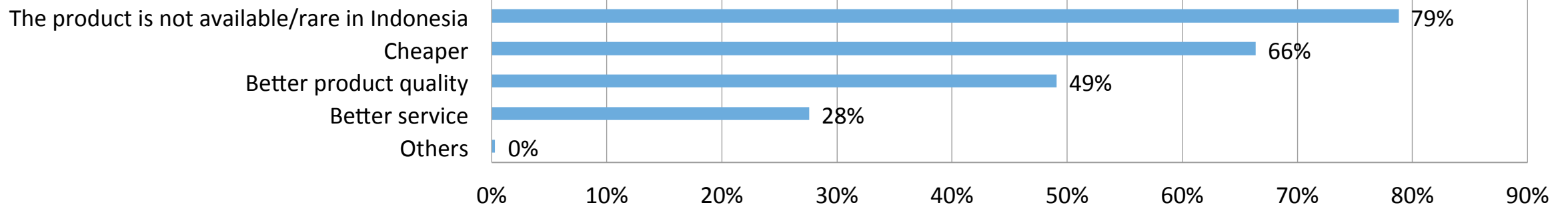
■ No, I haven't ■ Yes, I have

In which overseas marketplace you made the purchase?



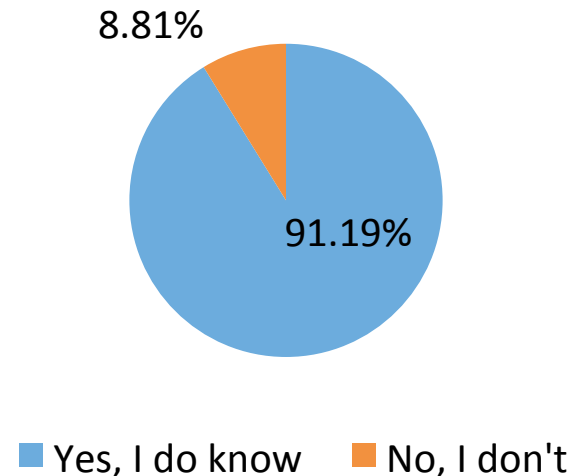
0.00% 10.00% 20.00% 30.00% 40.00% 50.00% 60.00%

Why did you buy product from overseas marketplace?



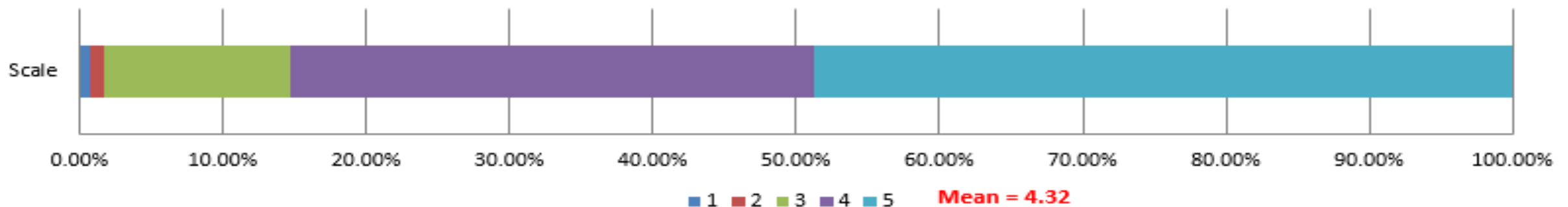
Survey Findings (Online Sellers)

Do you know that Indonesian individual shopper is able to purchase product from overseas marketplaces directly?



- Based on the field observation finding, most Indonesian sellers stated that such practice reduces their sales and threaten their businesses.
- In current fierce competition in online marketplaces, this situation will make competition fiercer which may threaten their survival in the e-commerce

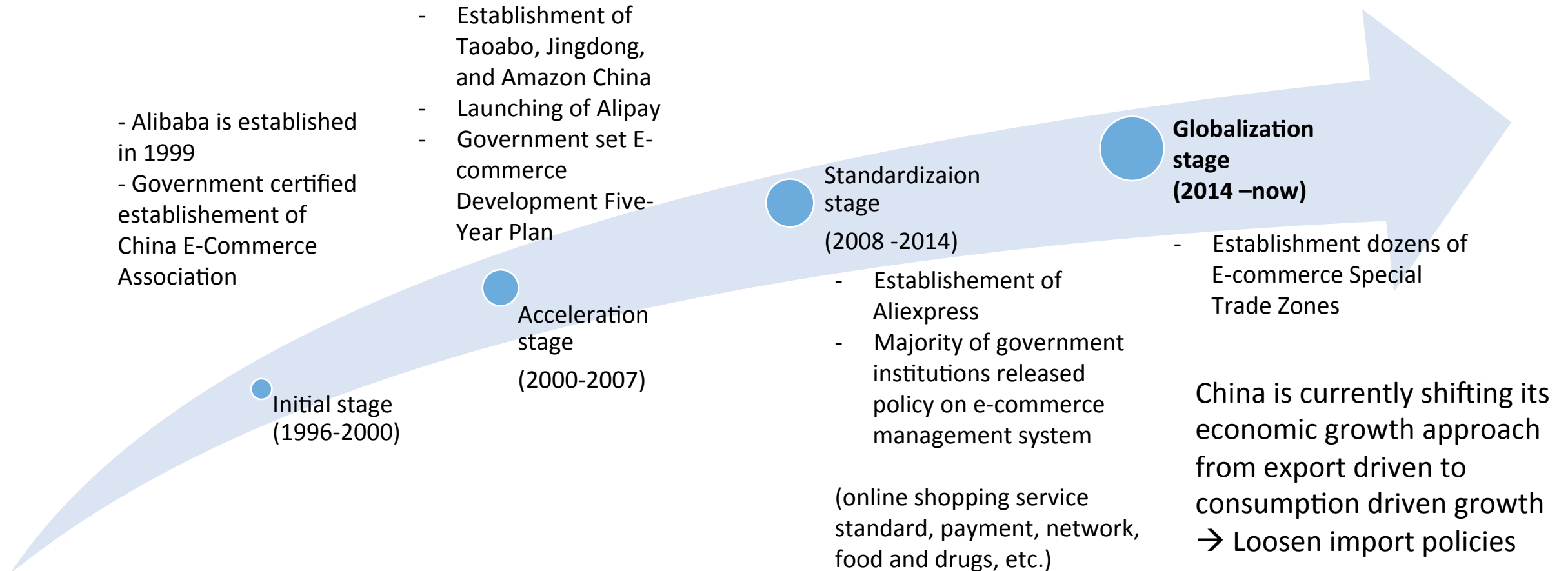
In scale of 1-5, how fierce is competition in current Indonesia's e-commerce/marketplaces (1= not fierce at all, 5=extremely fierce)



China E-Commerce

Development

- In China, online retail sales accounts for more than 35% of total retail sales. The US = 11%, Indonesia = 2.4%
- Similar to Indonesia, development of e-commerce in China is also boosted by massive internet users and growing middle income group
- One of the major factors of the rapid development of e-commerce in China is because its government has taken crucial part by strongly accelerating it with numerous favorable policies



Learning from China (1) : Taobao

Village

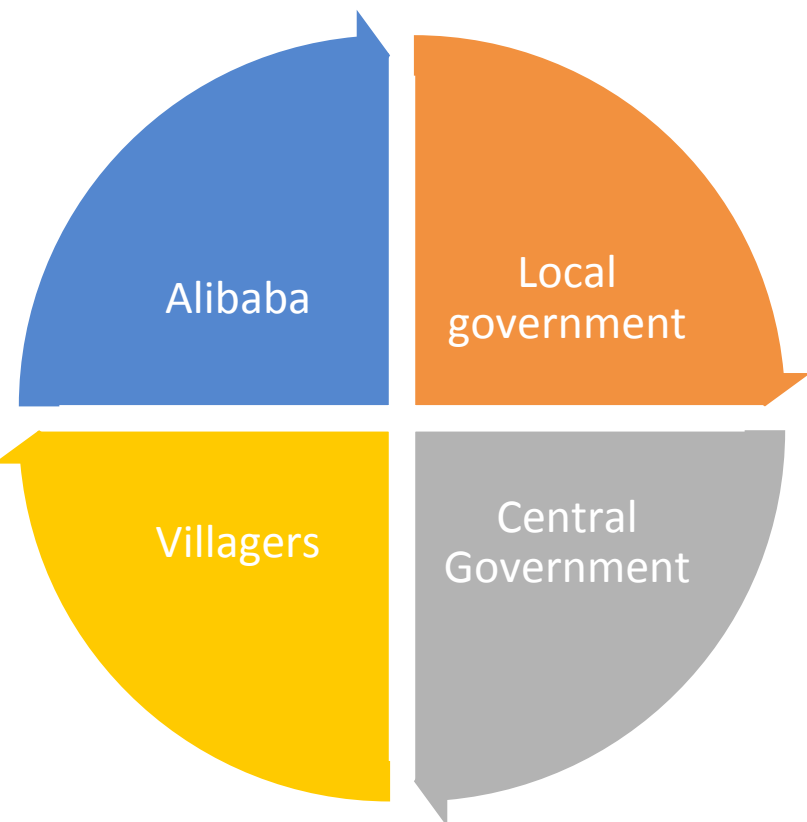
- Rural areas in China have enjoyed tremendous economic development growth as majority of the villagers are facilitated to buy and to run online shops in Alibaba group
- Those villages are called “Taobao Village”
- Requirements:
 - (i) Uses Taobao marketplace as the main platform for online selling/shopping,
 - (ii) Total annual sales volume is at least RMB 10 million,
 - (iii) At minimum 10% of village residents actively engage in e-commerce or there are at least 100 villagers running online shops

Alibaba requires local govt to make investment commitment on infrastructure improvement

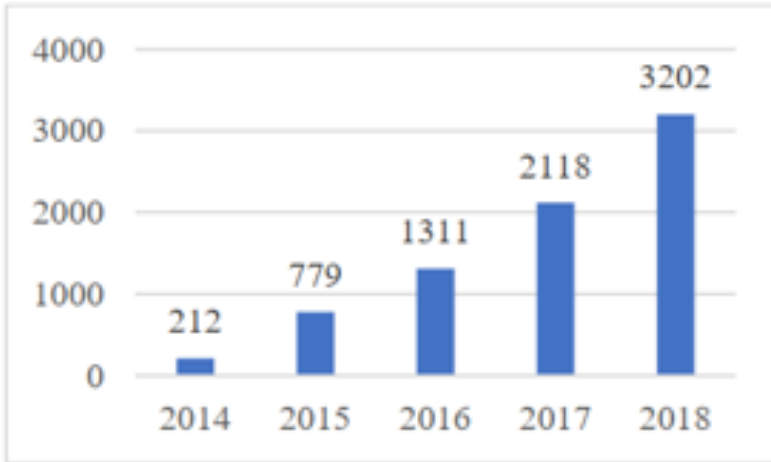
Programs and incentives:

- Capacity building (setting up online shop, design and photography)
- Financing (low interest loan by Ant Financial Services and Local govt)
- Marketing support (dedicated shop, special promotion, etc.)
- Expanding internet services and quality
- Improving logistics and distribution network
- Other numerous incentives

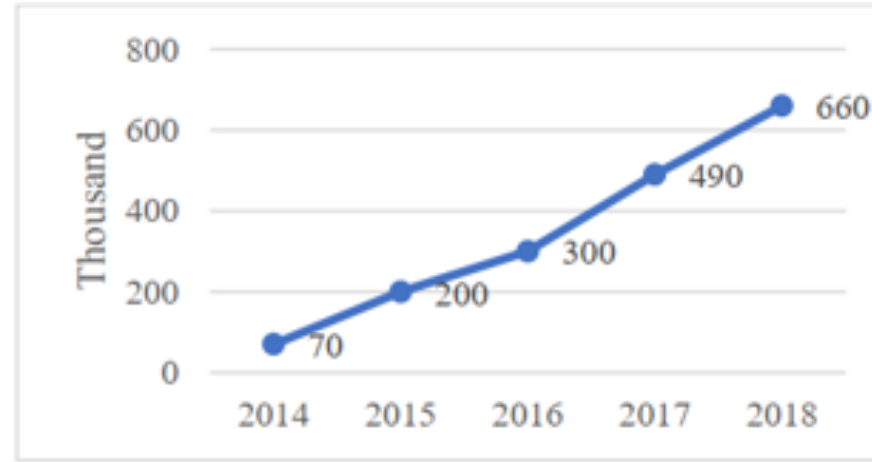
TRANSFORMATION



Impact of Taobao Village on social, welfare, employment

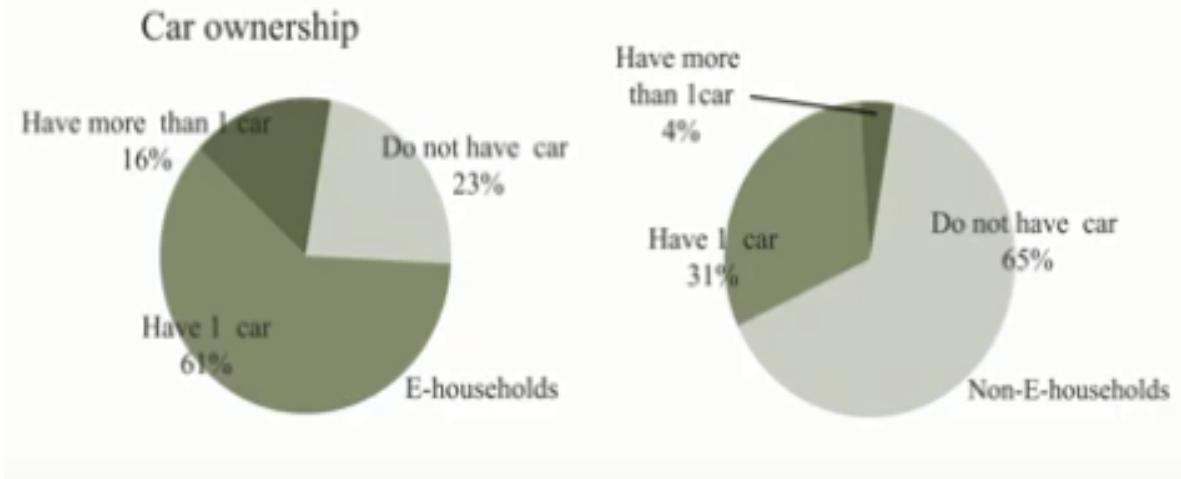


Number of Taobao Villages



Number of active online shops in Taobao Villages

Impact on employment, welfare, and poverty



840,000 direct jobs. One e-shop = 2.8 jobs



316,000 disadvantaged sellers



Alleviates poverty. Increase per capita income by more than RMB 20,000/year

Learning from China (2) : E-Commerce Special Trade Zones

- ESTZs are meant to support and ease online exporters and importers
- Benefits of ESTZs: Developed ecosystem, reduced layers of intermediaries, less inspection, improved customs clearance system and procedure, efficient warehousing management, tax incentives, etc.
- Those lead to efficiency → enhance competitiveness
- As of October 2018, there are 13 cities that have set up ESTZs. Another 22 cities will join to build them



Learning from China (3) : Unconventional E-Commerce

Channels
Govt set a limit for individual import: RMB 5,000/transaction
RMB 26,000/year

DAIGOU

- Literal meaning: 'buying on behalf of' in Indonesia: 'Jastip' or 'Jasa Titip'
- It can be student studying abroad, Chinese migrating to other countries, or even Chinese tourist
- Their products mostly 20-40% cheaper than in China
- Number of *Daigous* in Australia: 100,000 – 200,000 people
- Estimated yearly transaction: RMB 43 billion in 2016
- Considered to be placed in 'gray area' → tax evasion
- Govt has issued regulation to legalized them (as well as the platform) and set punishment and fine (up to RMB 2 million) for those whom are illegal

SOCIAL COMMERCE APP

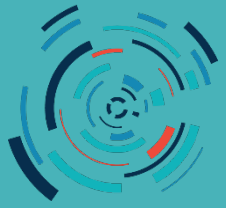
- The latest trending e-commerce channel in China
- Little Red Book Channel → RED Shop, cross border commerce
- Applies social network scheme, similar to Alimama
- Minimum 50 friends as shop fans, once fan made a purchase, shop owner get commission 10-40%
- 100 million users

WECHAT

- Wechat store, partnership with influencers
- Better customer experience through Online to Offline (O2O)

WeChat simplicity and speed





INDONESIA
DEVELOPMENT
FORUM 2019
INSPIRE · IMAGINE · INNOVATE · INITIATE

Conclusion

- E-commerce has positive impact on Indonesian economy, however it also induces greater challenge particularly from global marketplaces
- China can be the best practice for e-commerce development in Indonesia

DOMESTIC PROTECTION



Set up maximum limit of individual cross border trade



Formalize and legalize Indonesian cross border individual agent (*daigou* alike)

DOMESTIC ENHANCEMENT



Establish national scale of agriculture e-commerce



Promote Online to Offline Channel (O2O)



Promote and support establishment of e-commerce village

GLOBAL EXPANSION



Promote and support establishment of cross border e-commerce platform



Set up and support Special E-Commerce Trade Zones



Organize market aggregator



Partner with multi cross – border agents and channels (Trade atache, Tmall partners, daigou, social applications (WeChat and Red Book)



Improved logistics system and promote partnership with international couriers



Explore new potential export market such as Africa

Policy recommendations



**INDONESIA
DEVELOPMENT
FORUM 2019**
INSPIRE · IMAGINE · INNOVATE · INITIATE



Australian Government

Thank you!