



The views expressed in this presentation are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank Institute (ADBI), the Asian Development Bank (ADB), its Board of Directors, or the governments they represent. ADBI does not guarantee the accuracy of the data included in this paper and accepts no responsibility for any consequences of their use. Terminology used may not necessarily be consistent with ADB official terms.

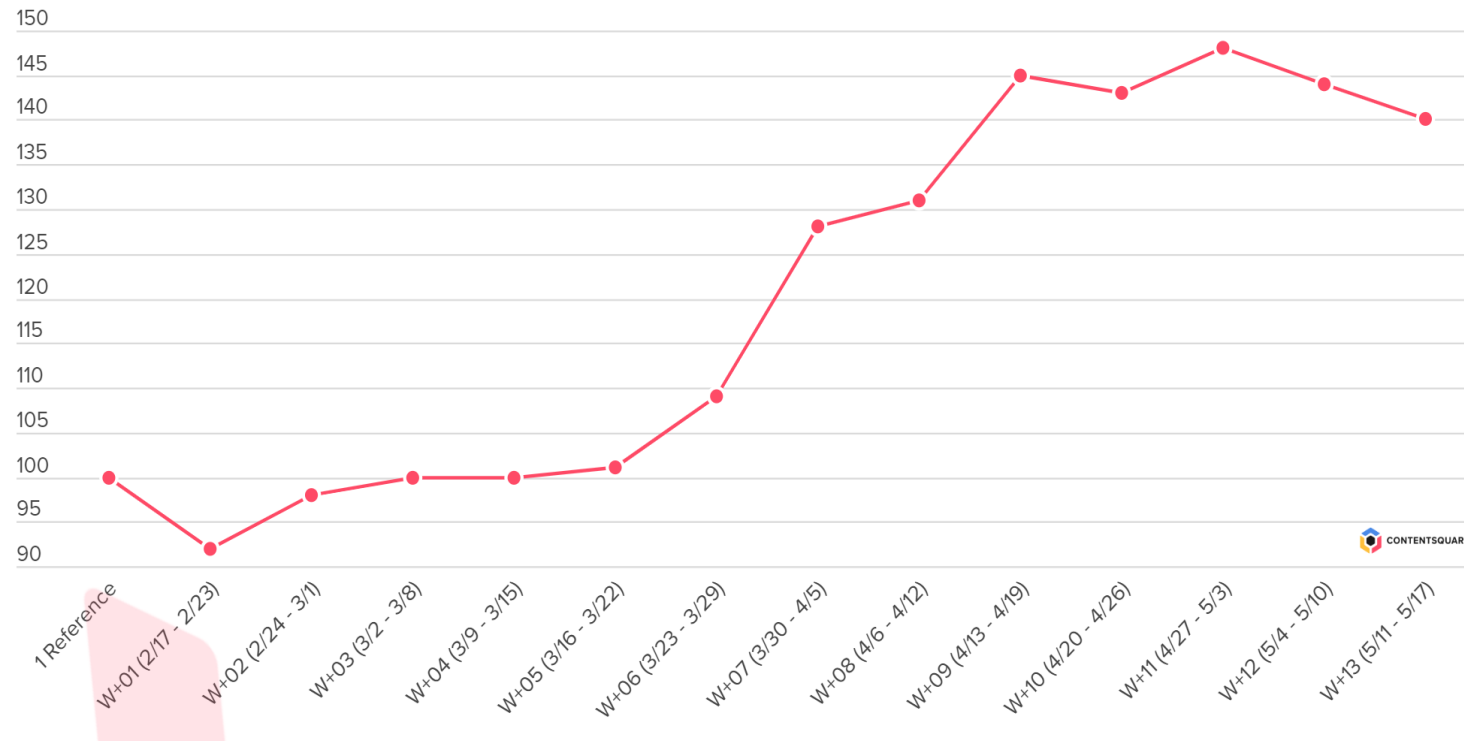
Promoting e-commerce in Rural Area: PRC's Experience

Bihong Huang
Asian Development Bank Institute
May 28, 2020



Main KPIs evolution per week (Index 100)

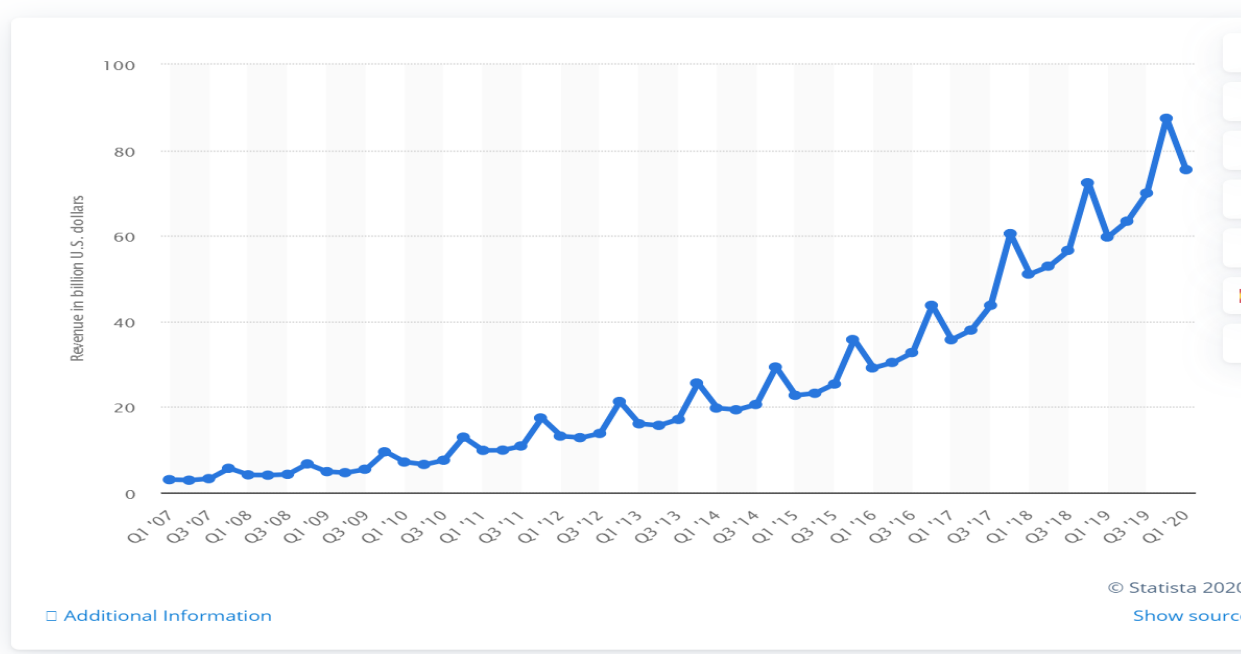
Since the Covid-19 outbreak (reference period Jan 6-Feb 16)



<https://contentsquare.com/covid-19-ecommerce-impact-data-hub/>

Net revenue of Amazon from 1st quarter 2007 to 1st quarter 2020

(in billion U.S. dollars)



<https://www.statista.com/statistics/273963/quarterly-revenue-of-amazoncom/>

Presentation Outline

- E-commerce development in Asia
- Promoting e-commerce in Rural Area

1. E-commerce development in Asia



E-Commerce in Asia

E-commerce involves the purchase and sale of products (such as physical goods, digital products or services) transacted over computer networks. Major categories include B2C, B2B, and C2C (OECD, 2011).

Asia is the fastest-growing region in the global e-commerce market. However, e-shopper penetration in Asia (the percentage of the online population that bought a product online) is the lowest globally, highlighting Asia's still untapped market lace.

Figure 16. E-commerce Sales
(In percent of total retail sales, 2016)

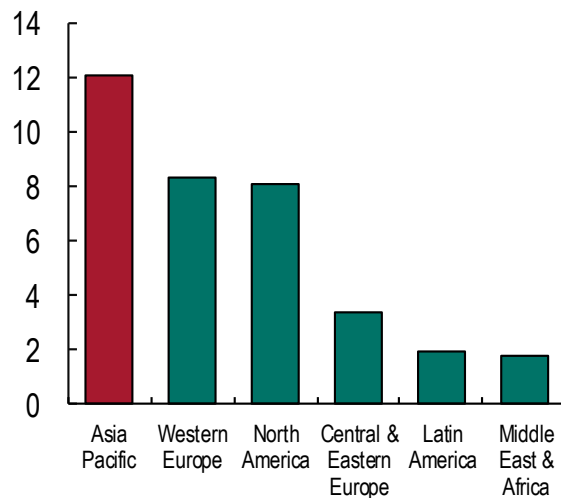
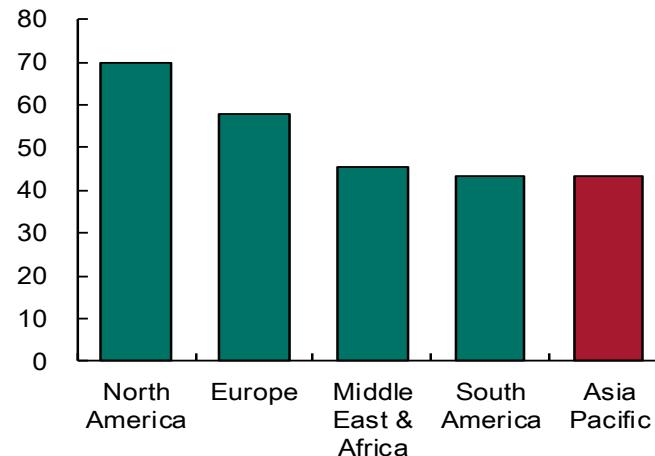
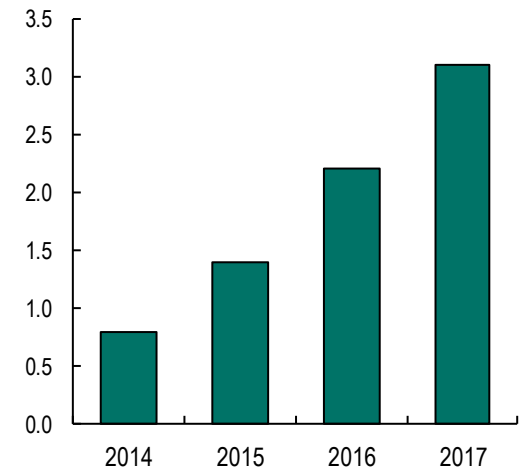


Figure 19. E-shopper Penetration
(In percent of total number of internet users)



Sources: E-commerce Foundation; and IMF staff calculations.

Figure 18. Indonesia: E-commerce Sales
(Percent of total sales)



Sources: eMarketer; and IMF staff calculations.

Sources: ystats.com; and IMF staff calculations.

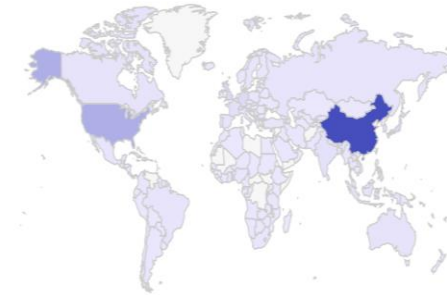
E-commerce in PRC

PRC accounted for less than 1 percent of global e-commerce retail transaction value in 2000, but that share has now grown to more than 50 percent.

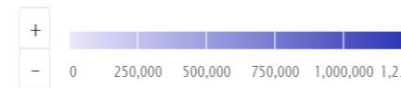
Growth rate: 100 percent a year between 2003 and 2009; 45 percent between 2010 and 2016; 23 percent in 2020

Drivers: mass adoption of mobile technologies, huge middle-income class, govern't support

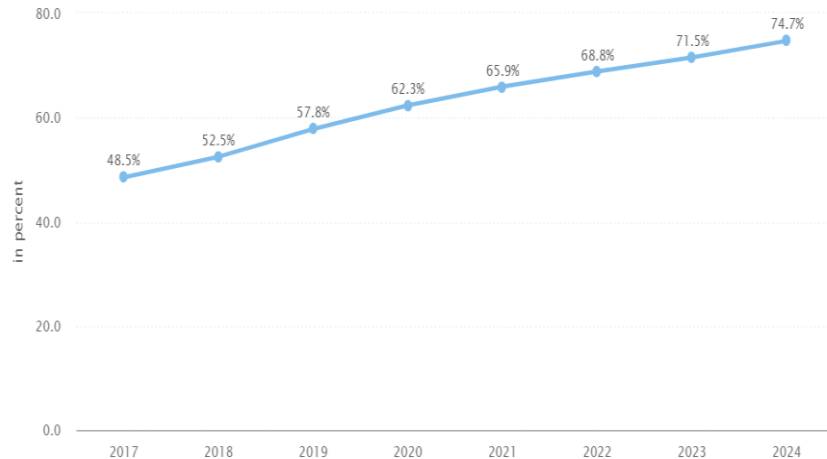
Global comparison



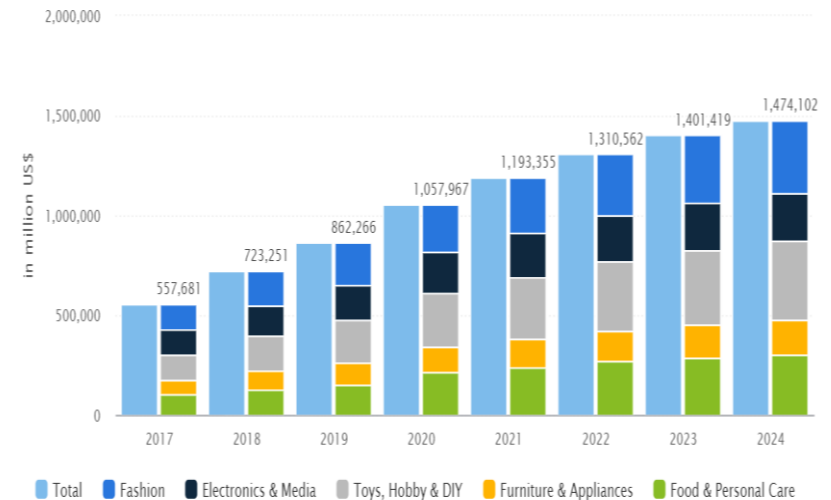
Top 5	
1. 🇨🇳 China	US\$1,057,967m
2. 🇺🇸 United States	US\$389,620m
3. 🇯🇵 Japan	US\$99,566m
4. 🇬🇧 United Kingdom	US\$92,845m
5. 🇩🇪 Germany	US\$82,457m



Penetration rate



Total revenue



<https://www.statista.com/outlook/243/117/ecommerce/china>

Benefits of e-commerce

E-commerce is especially beneficial for small firms in Asia

E-commerce provides new business opportunities and access to larger markets, supporting investment.

Fast-growing cross-border e-commerce brings greater potential to increase participation in regional and global value chains and support international trade.

Firms engaged in e-commerce export 50 percent more, relying on their skilled labor force and capacity to innovate.

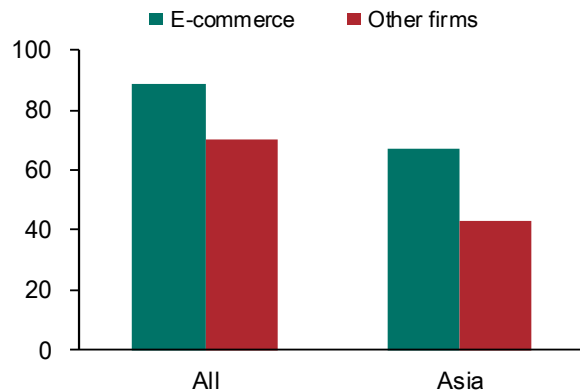
E-commerce can boost private consumption. E-commerce may translate into better access to a wide range of products and services at lower prices, ultimately boosting consumption

Benefits of e-commerce

Participation in online commerce is associated with a more than 30 percent increase in TFP at the firm level. Innovation, human capital, and to some extent access to finance account for online firms' better performance.

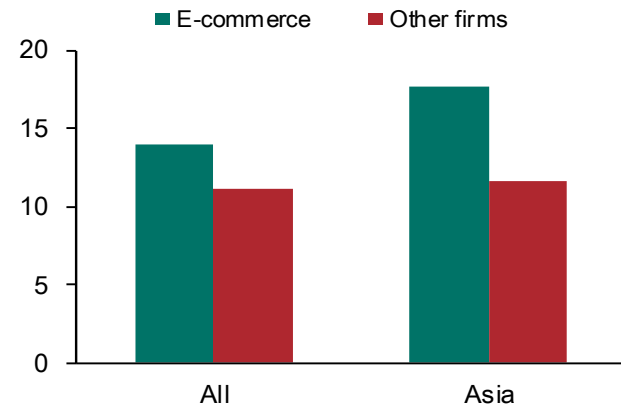
In Asia, firms engaged in online activities seem to have sizably higher labor productivity—on average 50 percent higher than other firms

Figure 34. Labor Productivity
(Average, in thousands of US dollars)



Sources: World Bank, Enterprise Survey; and IMF staff calculations.
Note: Labor productivity is the ratio of value added by the number of employees.

Figure 35. Labor Productivity
(Median, in thousands of US dollars)



Sources: World Bank, Enterprise Survey; and IMF staff calculations.
Note: Labor productivity is the ratio of value added by the number of employees.

2. Promoting e-commerce in Rural Area: PRC's Experience



E-commerce development in rural area

Importance of e-commerce for rural area

- expand the consumer base
- promote the rural economy

Major obstacles

- Infrastructure
 - Access to internet
 - ICT facilities
 - Logistics and delivery services
- Financial services
- knowledge and skills
 - Computer literacy
 - Trust in platform transactions

E-commerce in PRC's rural area

The rural population accounts for 46% of PRC's total, with agriculture accounting for about 8.6% of the GDP.

After its IPO in 2014, Alibaba announced the three major strategies “e-commerce in rural areas, globalization and big data”

- Invest 10 bn RMB to establish 1,000 county-level Service Center and 100,000 service station in rural areas

In Jan 2014, the Chinese government announced the expansion of e-commerce to the countryside as a national policy priority to foster rural economic development and reduce the rural-urban economic divide

E-commerce infrastructure: Internet in rural area

In Jan 2014, Ministry of Agriculture launched the program of Enhancing ICT Access for Rural Transformation (信息进乡入户)

Access to internet has become part of poverty reduction program

- By the end of 2018, 130,000 administrative villages, including 43,000 in poverty, are connected with optical fiber network with a speed of 65M
- By 2020, 98 percent of total 122,900 listed poor villages across the country will be covered by broadband.
- Integrating 4G network into the rural telecommunication services projects from 2018
- Rural information officers

E-commerce infrastructure: logistics and delivery

2.6 million miles of road reach into remote areas; over half of them have been built within the past 10 years.

Logistical barrier: “last mile” challenge between urban country centers and dispersed rural households for commercial parcel delivery

- Bad transportation condition
- Lack of economy of scale

Chinese gov'n't partnered with Alibaba to invest in the local distribution network to offer e-commerce in rural villages at the same price, convenience and service quality that buyers and producers face in their county's main city center

- Build warehouses as logistical nodes for rural parcel delivery near the urban center
- Subsidize transport between the warehouses and the villages

E-commerce infrastructure: financial services

Alipay: In 2004, Taobao, the largest e-commerce platform in PRC launched the first Alipay service



By the end of 2017, about 47 per cent of PRC's rural internet users had adopted mobile payments, up from 31.7 per cent a year earlier

Ant financial

- 3-1-0 lending model to SMEs complete the online loan applications in 3 minutes, obtain approval in 1 second with 0 human touch
- Ant Financial had connected to more than 2,300 rural financial institutions, served more than two million rural business and provided business loans to 180,000 small and micro corporations in rural areas, leading 30 billion RMB in total in 2015.

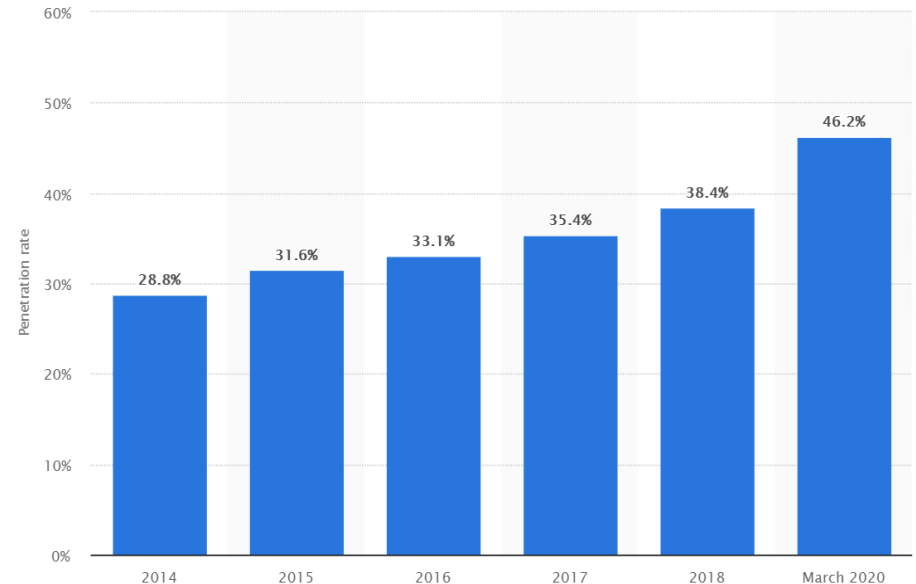
Knowledge and skills needed for E-commerce

rural internet penetration rate

Taobao village service centers

- Located in a central village location where computers and monitors are installed
- Terminal managers (村小二)
 - the firm solicits applications from potential local store operators and schedules an exam for the applicants
 - assist local households in buying and selling products
 - receives a reward of about 3-5 percent for each transaction completed

The culture and habit of shopping and selling online among the rural population is nurtured





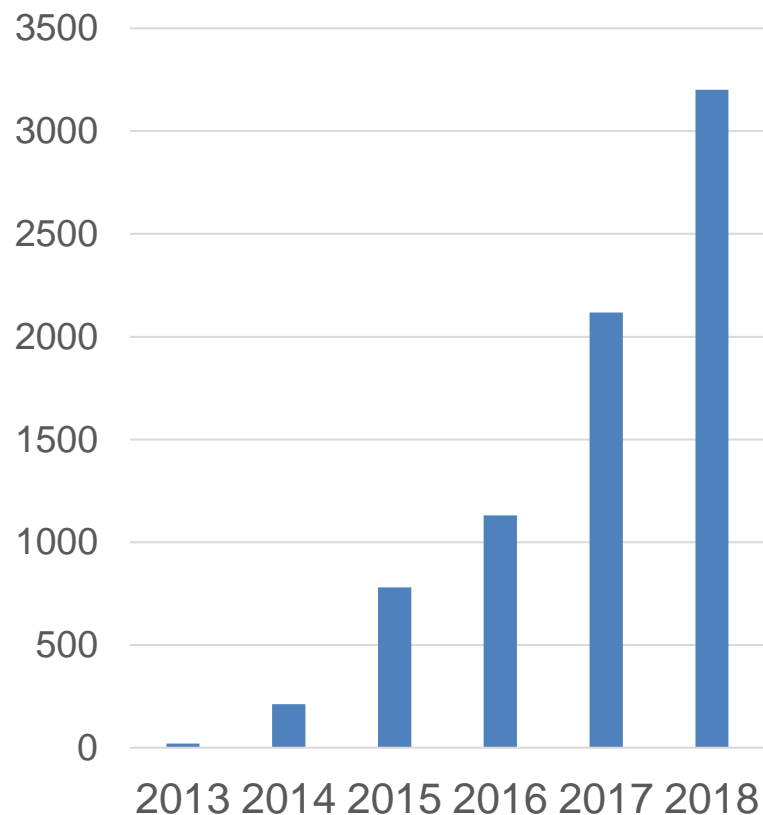
e-commerce as a strategy for rural development

The governments have

- funded training programs for rural sellers, including basic business skills and e-commerce skills, such as photography, livestreaming, online marketing, branding and online store management.
- provided subsidies, grants and technical assistance to promote rural hubs for specific agricultural or manufacturing products.
- provide credit through rural cooperative banks or e-commerce platforms



Taobao Village

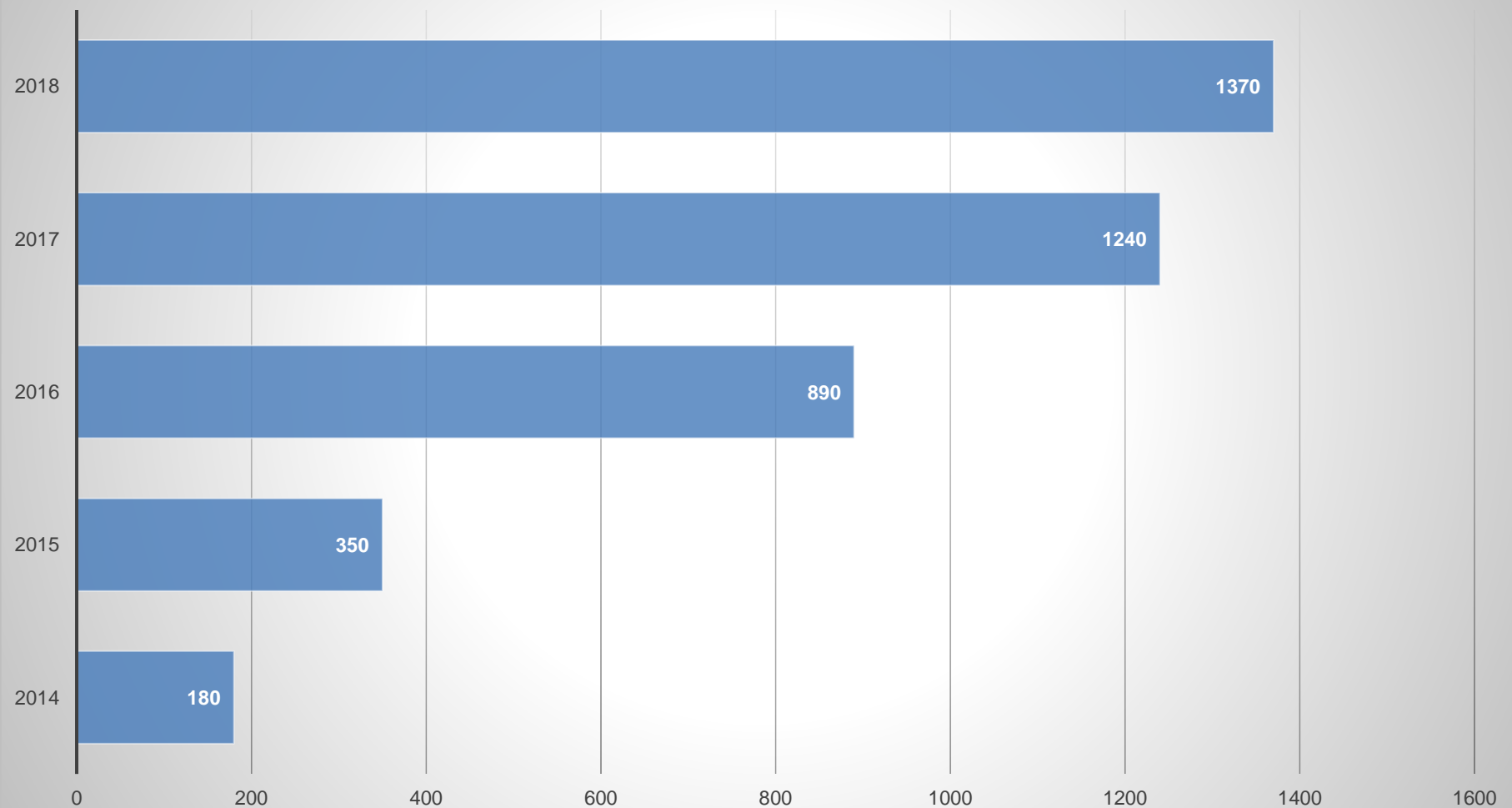


Alibaba implements the strategy of Taobao Village to promote the sales of products to cities and rural entrepreneurship

A village with a large number of online merchants who adopt Taobao as the key trading platform, relying on the Taobao e-commerce ecosystem and forming a scalable cluster.

- The trading places are mainly rural areas
- The annual turnover in e-commerce reaches 10 million RMB
- The number of active online merchants in the village reaches 100 or more, and/or active online shops account for 10% or more of the local households

ecommerce sales revenue in rural PRC





During my recent visit to Guizhou, I witnessed how trade can reduce poverty. Poverty in Guizhou was reduced from about 27% to 8% in five years. Two of the most important drivers of this poverty reduction were e-commerce in the form of a Taobao village and big data. Now agriculture products like kiwi and spicy chicken from Guizhou are shipped to many provinces in PRC and all over the world. -- Jim Yong Kim, former World Bank Group President, Nov 5, 2018

Conclusion

- E-commerce can bring in positive social and economic benefits to the rural area
- Public-Private Partnership can efficiently overcome the obstacles of developing e-commerce in rural area
- e-commerce significantly spurs entrepreneurship in both urban and rural areas. Its role is even more remarkable in rural areas.
- The governments should work together with the private sector to promote the development of e-commerce, integrate it into the local economy, and leverage it to upgrade the industrial structure.

Thank you very much!