

Cross-Border

The new frontier in E-commerce

Both domestic and cross-border E-commerce is booming in developing markets such as India, China, Indonesia and Malaysia. This encompasses not just direct-to-consumer retail, but also shipments of electronics, pharmaceuticals, and consumer packaged goods. Getting cross-border E-commerce right starts with extending optimised domestic operations; domestic logistics and strategies to address legacy processes and technology can unlock opportunities both here and abroad.

Ritika A Bholra

The last few years has witnessed the E-commerce industry transform the way business is done in India. With increasing internet and smartphones penetration—online business has not only charmed consumers in the metro cities but has also reached out to the remote areas—tier III and tier IV cities. Reports say that the Indian E-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion as of 2017. The ongoing digital revolution in the country has definitely increased India's total internet user base— to 829 million by 2021 from 604.21 million as of December 2018. And now, with popular foreign retail brands like Vero Moda, H&M, Zara, Mango, GAP, GUESS, Shoppers Stop, etc. going online or merging with E-commerce firms like Amazon, Flipkart, Myntra, Jabong, Shein and Ajio has increased the craze and customer's expectations to buy more and more. Apart from apparel, what's trending is electronics, automotive, baby supplies, toys, limited-edition accessories and home décor items/luxury products.

At present, considering the high demand from across the world, the E-commerce industry has gone one step forward. The next step in the trade is *Cross-Border Shipment*.

With increased exposure and income, India is actually experiencing a huge surge in the growth in cross-border E-commerce spends. It is quite clear that Indians are not really satisfied with what's on offer in the domestic market and are ready to explore and expand their shopping horizon. After all, when they are getting international brands like Burberry, Chanel, Prada, Hermes, Louis Vuitton, limited-edition watches, electronic items, cell phones, etc. at comparatively lowest prices, then who would want to miss out. Global E-commerce companies are helping Indian customers get foreign products at the luxury of sitting at home. Though the trend is new in India, it

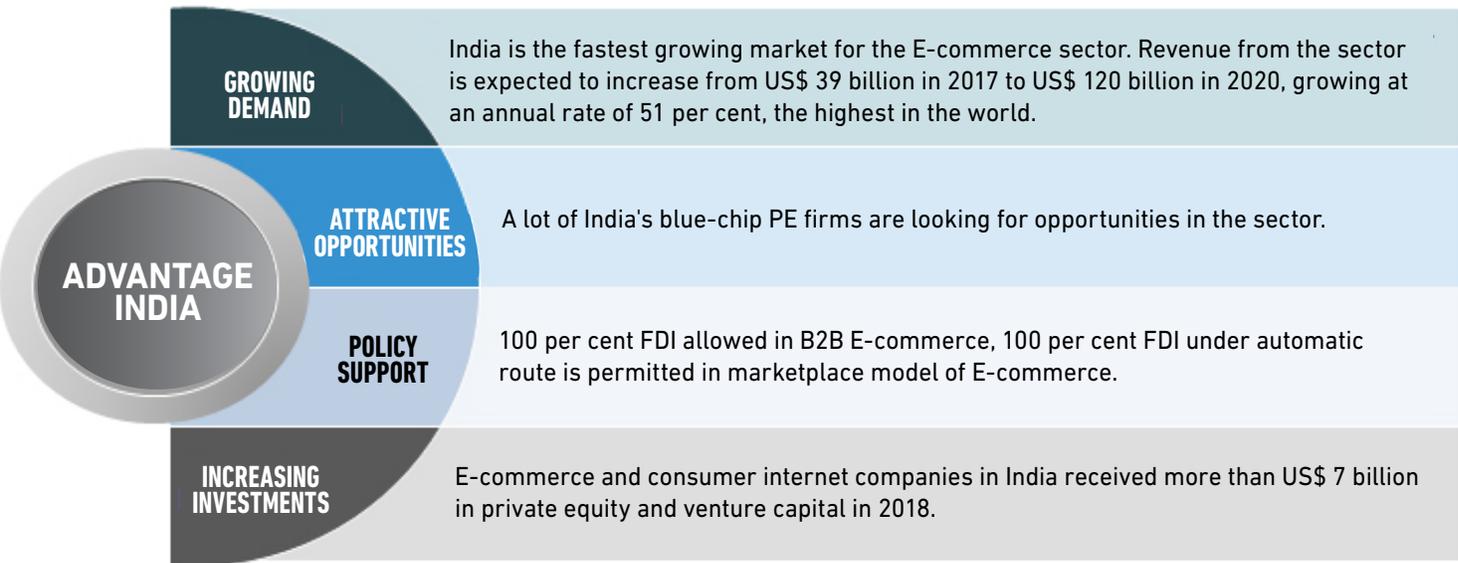


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is growing. According to recent reports, global E-commerce giants like Amazon and eBay have made enormous investments in the Indian market, and Alibaba (popular global E-commerce firm) is also planning to venture and invest in India soon.

Next Level: Global Reach

India is a massive market and Indian E-commerce industry has witnessed tremendous growth and positive feedback in the last few years. It's the right time for the MSMEs to now look globally to grow their operations. The next step, according to experts is to focus on and to promote Cross-border E-commerce to expand the customer base. **Rachid Fergati, Managing Director-**



Indian subcontinent at UPS says “We are seeing that the fastest growing customers are often those doing business across borders. Our industry plays a key role in connecting small and medium sized business to global markets – being global is not just for big companies. From my standpoint, supply chains are enablers of cross-border trade and world markets. That is why UPS moves three per cent of the world’s GDP”

According to a report by PWC, over the past two decades, India’s gross domestic product (GDP) has risen by more than US\$ 1 trillion, in the process of bringing millions of citizens into the fold of an emerging middle class. Therefore by 2021, India’s emerging and middle-class segments combined will comprise nearly 900 million people— which will open up new opportunities for growth and business. The Indian E-commerce market is expected to grow to US\$ 200 billion by 2026.

Fergati believes that growth of the industry has been triggered by the increasing internet and smartphone penetration. It is therefore not a surprise that a really large international consumer and E-commerce companies are anchoring their presence in India. These developments will have a significant impact on cross-border trade to and from India. Logistics will play a critical role in connecting these products, people and enterprises across borders.

Dipanjn Banerjee, Vice President – Sales (Express Division), Ecom Express informs that India is experiencing a surge in cross-border E-commerce and has reached approximately \$500

million in 2016 with an estimation to reach \$2 billion by 2020.

“With such rapidly rising prospects, there are certainly huge opportunities for cross-border trade to thrive,” says Banerjee. E-commerce has made it easier for the global brands to reach Indian customers and has emerged as one of the fast-growing trade channels available for the cross-border trade of goods. There is a growing appetite for international brands and better-quality products amongst digitally connected Indian shoppers (including huge expat population living in India) prompted with rising income levels and aspiration plus increased awareness. The global marketplace has provided consumers more choices than ever before.

Apart from the growth triggered by increasing internet and smartphone penetration, digital connectivity has also provided opportunities for our MSMEs to participate in the international trade and reach customers from other countries (including Indian diaspora living abroad). Currently, about five per cent Indian MSMEs contribute to exports, however, due to the large range of diverse categories that Indian artisans churn out, the momentum will allow millions of registered MSMEs to gain most in the due course of time.

On a similar note, **Saurabh Prabhakar, Operations Manager- Supply Chain Management, Amazon India** shares, “For India, there is a huge opportunity and space to grow and invest in cross-border shipment. Our competitors are mainly China and the US. China is aggressively moving in the direc-



Indian MSME units, particularly those with second and third generation entrepreneurs in the business are quicker to adopt technology, thus witnessing improved business efficiency. This has further resulted in huge opportunity for MSMEs that earlier had limited marketing options and can now directly connect with the buyers across global markets.

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CMO & Head - Business Development, Blue Dart





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Managing Director- Indian subcontinent, UPS



tion of cross-border shipment and if, India as a country has to excel in cross-border E-commerce, the whole community has to work towards it.” For instance, if we compare shipment via India Post with China Post, the cost of it is twice and time consumed is also doubled. Therefore, if we want to succeed in this space, all of us have to be competitive.”

Besides, Prabhakar feels that when it comes to cross-border E-commerce, 50 per cent of the cost is logistics, so if we can't make it cheaper, even 30 per cent, we are not competitive enough and we will be out of the business. “That is what is happening right now,” says Prabhakar. “If a small or medium business tries to enter in this space, their products will prove to be pretty expensive for foreign customers. For example, why would somebody in Spain buy a western tee that cost 20 euro when the person is

er to adopt technology, thus witnessing improved business efficiency. This has further resulted in huge opportunity for MSMEs that earlier had limited marketing options and can now directly connect with the buyers across global markets.”

Kulkarni continues, “Cross-border shipping has given an opportunity to the Indian MSMEs to cater to a larger market and engage with the international consumers directly. This will help them reduce the transaction cost, will eliminate cross-border payment issues via e-payments, contribute to creating brand value and at the same time will be able to increase revenue base and improve margins. Cross-border E-commerce is an appropriate platform, where the MSMEs can expand and scale up their market outreach as cross-border trade facilitates a level playing field for an otherwise skewed traditional export market.”

Citing a report, Kulkarni says that B2C cross-border E-commerce in India is estimated to reach \$2 billion by 2020.

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Indian products going global

According to the UPS Pulse of the Online Shopper Study 2019, which captured evolving trends, preferences and expecta-

tions of online shoppers in 15 countries and regions, including India, a wide range of categories are being purchased by online shoppers. Apparel has the largest global market penetration followed by entertainment, healthcare, home ware and technology. “Overall, apparel is the most popular online purchase in Asia Pacific and America. India has been a supplier to world markets for apparel and has a competitive edge due to availability of raw materials and abundance of skilled manpower,” says Fergati.

According to Banerjee, the US, UK, UAE and South Asian countries are major export destinations for Indian merchants selling online products such as automotive, baby supplies, toys, clothing, footwear, wearable and accessories, jewelry, watches, cosmetics, health products, digital entertainment, leather goods, handloom and handicrafts and educational services that can be traded through international B2C E-commerce marketplaces.

Prabhakar jots down the list of products which he observed most-sold in foreign countries.

- Indian clothing– ethnic and traditional wear.
- Spices are in demand, especially Pepper and saffron.
- Fashion jewelry would get a lot of traction.
- Handcraft goods.
- Electronics, although China has dominated the market.

getting the same at 15 euro at a local shop? So, that is the catch, because there is a lot of space to grow and in order to cash on it, we have to work towards making it more competitive as a whole industry.”

Agreeing with Prabhakar, **Ketan Kulkarni, CMO & Head - Business Development at Blue Dart** enunciates, “E-commerce has become an important driver to create new markets in otherwise inaccessible geographies. MSMEs account for more than 98 per cent of the total industrial units in India and a new trend of boom in digitization amongst these MSMEs is on the rise. Indian MSME units, particularly those with second and third generation entrepreneurs in the business are quick-



For India, there's huge opportunity and space to grow and invest in cross-border shipment. Our competitors are mainly China and the US. China is aggressively moving in the direction of cross-border shipment and if, India as a country has to excel in cross-border E-commerce, the whole community has to work towards it.

SAURABH PRABHAKAR
Operations Manager- Supply Chain Management, Amazon India



Embracing Challenges

Challenges are a part and parcel of every organisation. But to overcome the challenges, E-commerce companies should adopt firm strategies which can enhance speed, accuracy and efficiency of the business operations. Few challenges in cross-border shipment are lack of adequate infrastructure to facilitate the trade and efficient logistics to move the products to and from the country in minimum time possible. Also, digital transactions, analytics, advertisements require lots of investments. Risks of non-payment, loss of goods in transit and default customers are other few areas which need to be looked at.

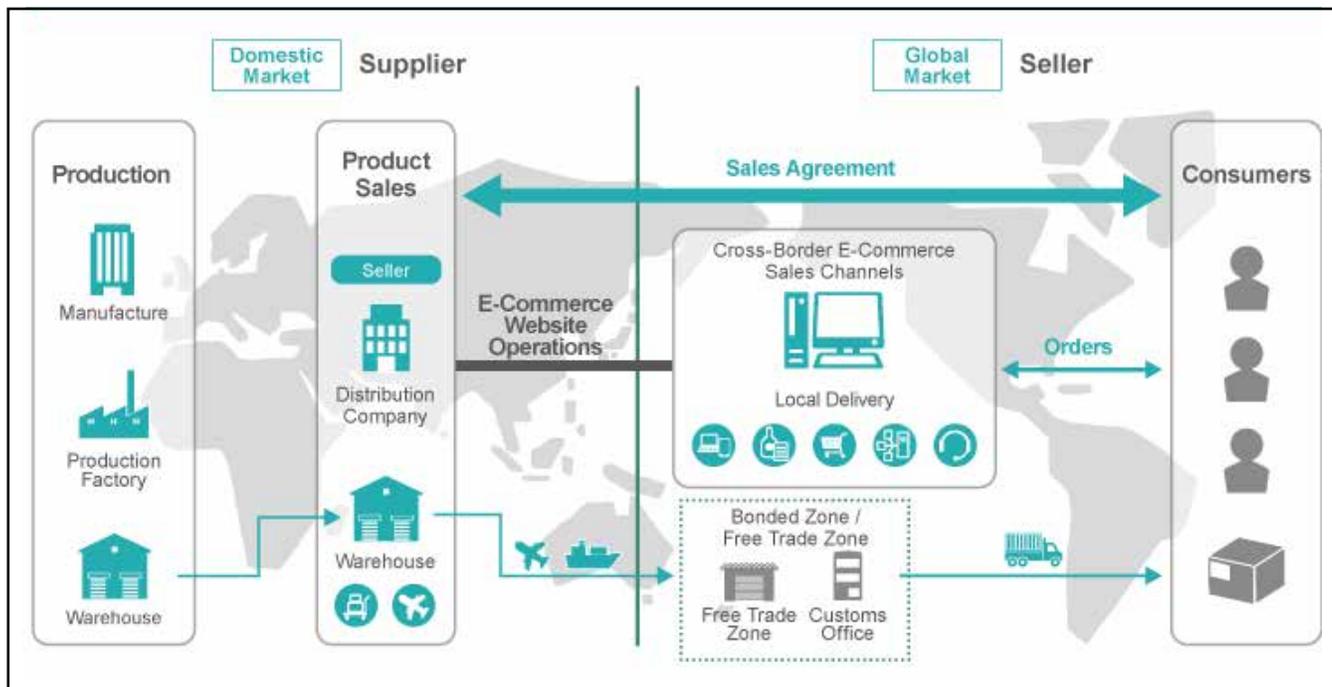
Fergati observes that E-commerce is about a larger ecosystem. The E-commerce industry is about speed, accuracy and scale. He highlights three strategies that businesses can employ to help their business cross trade borders.

Find the right international partner: Businesses looking at international expansion should choose the right partner and consider capabilities such as network reach, their expertise in global trade, and the technology they offer to help make worldwide shipping more automated. Especially, if the goods in the supply chain cross borders in different phases of completion and in different shipping modes, they need to

think about how integrated the provider's network is. Compliance procedures and regulations differ as geographical borders are crossed. The right logistics partner can help anticipate and ensure compliance at every stage, even before the shipment reaches the transit point. The state of infrastructure and level of accessibility also differs from place to place, making adaptability in transitioning to different modes of transportation, if required, whilst maintaining the quality of the shipment.

Have the right technology tools: Technology plays an even crucial role in the E-commerce industry. It needs a robust technology platform that can manage the flow of information seamlessly. E-commerce is about convenience for a shopper so it also requires creation of convenient delivery solutions such as UPS My Choice®, as the customers demand it. Visibility of the product is also critical since the shipper has already invested in the product and the consignee has paid for it.

Consider risk of non-payment: Risk of non-payment can be a business limiting concern, especially for SMEs. Risks of non-payment can be due to defaulting customers, loss of goods in transit, etc. Solutions such as trade credit protection, cargo insurance, etc. can help mitigate these risks and facilitate cross-border trade.



On a similar note, Kulkarni asserts that there are certain key challenges that need to be resolved for the Indian E-commerce industry to continue witnessing the growth in the future. "Customer acquisition cost and customer loyalty as discounting alone is not a sustainable way, enhancing the delivery experience through improved supply chain infrastructure, scalability in terms of talent, processes and systems, uncertainty on regulations, data protection, seamless integration of front end and back end infrastructure, payment costs (high return rates on Cash on Delivery), etc. will need resolution," points out Kulkarni.

No doubt, the E-commerce industry in India is rising at a prospering rate, more so with the ongoing digital transformation in the country that is expected to increase India's total internet user base to 829 million by 2021 from 560.01 million



Cross-border E-commerce is estimated to reach \$1 trillion by 2020

as of September 2018. However, the E-commerce industry in India lags far behind compared to the western countries. Banerjee explains, "One of the challenges that surround Indian E-commerce is the low penetration of acceptance of electronic payments methods as well as credit card by customers. This has led to the adoption of Cash on Delivery services by E-commerce companies in order to increase the number of transactions and acquire first-time customers. This was a plausible solution however, many of the customers refuse to pay money at the time of product delivery which result in high returns and eventually lose out on sales and revenue." Although, Banerjee says, Internet is the mainstay of E-commerce and its prevalence is growing, yet the rate of internet penetration in India is dismally low. However, increased availability of bandwidth, affordable data plans and increased awareness driven by the government programs can rapidly bridging the digital gap between urban and rural India."

Reaching out to global consumers

Experts believe, by engaging in the cross-border E-commerce; MSMEs will be able to access a larger pool of global consumers.

Citing a report, Fergati says, cross-border E-commerce is estimated to reach \$1 trillion by 2020. According to PWC, by 2040, the purchasing power of the emerging countries of the E7 is expected to double that of the G7. India and China will be the key drivers of that growth. Those staggering statistics also represent an emerging market for Indian SMEs. "I see cross-border E-commerce as a heat map that lights up as stakeholders across the world get connected. More Indian SMEs need to be connected to this heat map. Logistics companies such as UPS are connectors between global markets, local businesses and demanding customers," he affirms.

Agreeing with Fergati, Banerjee clarifies that the spread of

E-commerce is rapidly changing the face of international trade. "As India quickly begins to adopt E-commerce, MSMEs can now look to grow their customer base in the different countries by participating in the speedily growing global E-commerce market. Cross-border trade would not only help MSMEs in brightening their chances to grow their businesses internationally but it would be cost-effective for small businesses to use e-platforms and their logistical facilities to sell their products in wider geographical areas. Cross-border E-commerce also allows MSMEs to explore customers in newer geographies which might not have significant trade relations with India. By unlocking the opportunities created by digitisation and digital trade, the importance of connectivity has resulted in a huge opportunity for MSMEs," tells Banerjee.

Kulkarni concludes saying, "There will be 2.07 billion digital buyers in the world by end of 2019. As India quickly begins to adopt E-commerce, MSMEs can now focus on growing its operations globally. For expanding their reach to a global level, they would have to promote cross-border E-commerce. By simply focussing on the products that can be traded through B2C E-commerce such as jewellery, leather goods, handloom and handicrafts there is an available \$ 52 billion market opportunity. By engaging in exports, companies will be able to gain invaluable access to the tremendous global opportunity."

Cross-border shipment, though, slowly picking up in India, is the trend which is going to stay forever. It will not only boost the Indian economy but will also help Indian E-commerce players go global and attract foreign investors to the Indian market. [CC](#)