

# E-Business and Emerging Markets

## By Deborah M. Collier

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*Exciting times lie ahead for Internet startups and organisations conducting e-business in emerging markets. There are not only huge opportunities for localised versions of existing successful e-business models, but also e-commerce opportunities allowing both import and export to and from emerging markets.*

*Deborah Collier, President at The Certificate in Online Business, investigates and delivers some useful advice for conducting business in emerging markets.*

There are a number of challenges when conducting successful online business, and when this e-business involves international selling, the challenges are greater. Let's explore why and how e-business can be implemented to enable business to, from and in emerging markets.

### **From West to East**

With new market opportunities, the West is focusing more and more attention on emerging markets. Entering emerging markets is complex and requires careful planning and risk assessment. Understanding the culture as well as challenges such as localisation, taxation, cross-border regulations, law, infrastructure, payment processing and fraud, are all key challenges to overcome. However the opportunities for growth are immense.

More importantly, entrepreneurs and established organisations from emerging market countries are themselves in a position to innovate new e-business ideas, replicate or improve online business models from the West, for their own territories and regions.

### **From East to West**

According to a variety of professional sources, UK consumers spend more money online per person than in any other country around the globe. Market research company Emarketer predicts an average online annual spend of \$3,878 in 2013, closely followed by Australian consumers spending \$3,802. Norway, USA and Denmark follow as top spenders according to their report.

One of the biggest challenges emerging markets face is how to engage and sell to these countries accustomed to advanced, carefully planned, well-engineered shopping experiences. Not only is first-class online customer experience essential, but also meeting customer expectations in terms of service, privacy, delivery, refunds and returns and other legal aspects.



In some emerging markets there are little if any clear regulations for online business and consumer protection. E-Business legislation is virtually non-existent in many countries such as India. Brazil is

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focused on finalising their legal framework for e-business this year, and the Middle East have been working and progressing on e-business law quite considerably over the last year, and are continuing to do so. In the years to come, we can expect to see greater understanding and focus from organisations around the globe, to address issues of cross-border trading and the law.

Building consumer trust online for organisations selling from emerging markets is absolutely critical, as it is with any other online business initiative around the globe. One way of helping to build trust is to ensure consistent legal standards, particularly in terms of contract law and consumer protection.

## Asia



When we look to Asia as a marketplace, most people think of China, with the largest population and a growing middle class economy. Wealthier Chinese are now seeking more and more quality items, and will pay a higher price. They are looking to Europe for quality luxury and engineered products. In a country where family welfare, health and education are high priorities, items such as baby milk formula from the west are highly sought after, but cannot be legally imported.

China's low-cost high-volume manufacturing and selling still offers opportunities selling to countries around the globe. A manufacturer may sell in volume via Chinese marketplace Alibaba.com, which are then bought and sold for a margin by businesses, for example in the Middle East, who then sell through their own marketplaces.

Citizen-to-citizen and citizen-to-business e-commerce is also prevalent in China, where individuals supplement their incomes selling through online marketplaces such as Taobao and Alibaba.com.

The greatest opportunities lie in less established marketplaces in Asia. The penetration of cheap mobile phones in Indonesia, which has the fourth largest population in the world, will open up opportunities for e-business in the country. Around a third of Indonesia's population of 240+ million will have access to the Internet by the end of 2013. Access will be via mobile phones, rather than fixed Internet or broadband because of affordability. Businesses will need to consider what and how they can offer value to Indonesians.



## Middle East



The Middle East is in a period of growth and significant advancement in terms of e-business. People seek valuable content in both English and Arabic, presented in a way that is meaningful and engaging to them. Middle East governments are facilitating, supporting and enabling e-business through a number of initiatives. In Saudi Arabia, for example, the Saudi Post have developed their own marketplace 'E-Mall', allowing traders to sell and accept payments securely online, an initiative which has supported entrepreneurship among women, through its product collection and delivery services. In Oman the government's Information Technology Authority also provides secure credit and debit card processing to Omani businesses.

The Middle East is a good example of a region embracing opportunities for e-business and is creating localised versions of existing successful e-business models. Evidence can be seen in Middle East price comparison web site Souqalmal.com. Ebay of course has been around for some time, and has stimulated innovation to produce and use other bidding web sites such as Qatar's qbay.com.

## Latin America

Brazilians are among the most social nations in the world, and its no surprise that social media is an important channel for them to engage. Just over a third of all Brazilians, and almost three quarters of the most affluent Brazilians shop online mostly for travel and electronic goods. The challenges faced selling to Brazilians are secure payments infrastructures and delivery services. Handling taxation cross-province adds to complexity of implementing e-commerce. Access to Internet broadband is becoming less of a challenge with the fast growing use of smartphones.

In Mexico where travel, financial and entertainment are the key online purchases, physical products are still a challenge to sell online. However, Mexico is a key market for e-commerce, as customers spend more money online than anywhere else in Latin America.

## Africa

Africa is a diverse continent with differing challenges, growth and opportunities in each country. Transport infrastructure and delivery, as well as fraud, are two key challenges facing many countries in emerging Africa. Once again the penetration of mobile is facilitating online business to individuals from the largest of cities to the remotest of villages. Online services are key area of focus for African organisations and those doing business with Africa.



## Eastern Europe

Eastern Europe is working hard on growth, but has two key challenges fraud, and a shortage of customers who own credit cards. Let's take a look at the largest marketplace in Eastern Europe - Russia with a population of almost 142 million.

Morgan Stanley predicts that e-commerce in Russia will grow 35% per year until 2015. In a country where Yandex, not Google, is the primary search engine, and Ozon is the No.1 online retailer, the landscape for e-business differs to the rest of Europe. Here the wider population does not own credit cards and the majority of sales are made with cash payment on delivery. Avito.ru, and not ebay is the key place for individuals to sell secondhand and new goods.

### In Summary

Whether you are an individual, online retailer, pure play e-business, or other organisation, the opportunities for doing business over the Internet, in, to or from emerging markets are huge. Like any initiative however, it is essential to know your customer, their issues, and the challenges you may face attracting, engaging and serving them.

### Deborah M. Collier

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Deborah is the founder of the Certificate in Online Business™ (COB) series of globally-recognised industry qualifications, which were established in 2008. She developed the reputation of the programs among well-known brands gaining testimonials from Directors and managers at government organisations and leading companies such as Mars, Schneider Electric, House of Fraser and Procter & Gamble. Deborah leads the strategic direction of the training programs and company. In addition, she oversees marketing, partnerships and licensing.



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