E-commerce is changing how the world does business

E-commerce is increasingly leading the way in the global marketplace, taking a bigger share of world trade, creating more jobs, and pushing economic growth, but also challenging Asia's developing economies.

The United Nations Conference on Trade and Development estimated global e-commerce sales from business-to-business and business-to-consumer transactions amounted to 16.1 trillion dollars in 2013. In 2014, 40 percent of three billion people online engaged in e-commerce.

Although most e-commerce transactions occur in developed markets such as the United States, the United Kingdom, Northern Ireland, and Japan, developing countries led by those in Asia are catching up. Many are important buyers and sellers of goods and services online.

The People's Republic of China (PRC) now has the largest business-to-consumer market in the world, followed by the United States. The PRC's Alibaba Group grew 120 percent and had 24,000 employees from 2012 to 2013.

Indonesia and India are growing the fastest in this market segment. As a result, the combined share of Asia and Oceania in the world's business-to-consumer market is projected to be 37 percent in 2018 from 28 percent in 2013.

Many factors spur e-commerce growth: advancements in information technology and connectivity, changes in business models, and a supportive regulatory and legal environment in many countries.

The World Economic Forum in 2013 reported digitization had created six million jobs globally and provided a 193-billion-dollar boost to world economic output in 2011. By 2020, about 20 percent of all jobs will be online.

Labor market changes do cause unemployment as people move from one job to another. But the McKinsey Global Institute found internet access has helped small and medium-sized enterprises—or SMEs—in eight developing countries create three-point-two jobs for every job lost.

E-commerce eliminates the costs of having a physical storefront. It connects supply and demand without the traditional physical limitations and transaction costs.

E-commerce also helps local businesses access global value chains—that is, production, marketing, and after-sales services. It provides them a presence in foreign markets and access to foreign suppliers. Local businesses become more productive because of more efficient use of technology, heightened competition, and greater consumer choice. E-commerce also creates jobs as firms start to expand.

Distance from markets is less a barrier to trade. In Central Asia, e-commerce trade is 60 percent cheaper than traditional trade. In India, 98 percent of online firms engage in exports compared with only nine-point-six percent of total firms. Trade by SMEs has increased, with e-commerce broadening the potential consumer base.

Global leader People's Republic of China or PRC has started various strategies to further develop e-commerce.

Of the 649 million internet users and 557 million mobile internet users in the PRC, 361 million are online shoppers.

A 2015 China Central Television survey showed that 20.5 percent of 100,000 respondent families said they were involved in entrepreneurial activities, up from some 13.7 percent in 2014.
The ratio of cross-border e-commerce to total trade volume in the PRC rose to 14.8 percent in 2014 from 4.4 percent in 2008. In 2015, the expected total trading volume was at one trillion yuan, with Anhui province-based eZubao moving about 800 million yuan a day.

To expand its cross-border trade, the government initiated "One Belt, One Road"—playing on the "Silk Road" trade route of old—to strengthen infrastructure by land through Central Asia and maritime routes through Southeast Asia to South Asia, Africa, and Europe.

The PRC government is promoting e-commerce by creating 53 national e-commerce model cities, 34 e-commerce zones, and 500 special industrial parks.

From a policy brief, The Development Dimension of E-Commerce in Asia: Opportunities and Challenges, by ADBI senior economist Aladdin Rillo and former ADBI research associate Valdimir dela Cruz.