Cross-Border E-Commerce Landscape

Submitted by: ComexPerú
PPD – APEC ODR

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Manager of Corporate Affairs
AGENDA

• Cross-border e-commerce landscape.
• ODR – The Peruvian experience.
• Business-led mechanisms.
AGENDA

CROSS-BORDER E-COMMERCE LANDSCAPE
No time in history has been more favorable for small-business owners.
CROSS-BORDER E-COMMERCE LANDSCAPE

• **Information**
  Information on opportunities, suppliers and prices

• **Low cost**
  Computational power (esp cloud computing)

• **Access**
  Global customer base

Source: Google – Gov and Public Affairs
CROSS-BORDER E-COMMERCE LANDSCAPE

Increasing value of digital platforms...

- Increase Efficiency
- Improve Transparency
- Lower Cost
- Access Global Suppliers
- Integrate Value Added Services
- Reach Global Demands
CROSS-BORDER E-COMMERCE LANDSCAPE

CHINA DRIVES CROSS-BORDER GROWTH
CHINA SENDS TO THE WORLD

China is a front runner and is expected to continue to lead cross-border growth

US$1.525B
China’s anticipated B2C eCommerce transaction value in 2020

41%
China’s anticipated cross-border share in 2021

China outbound express is mainly on the rise

9% - 19%
Range of Increase
China to United States
China to Canada
China to Australia

-2% - 6%
Range of Decline
China to European Union

Source: Accenture
CROSS-BORDER E-COMMERCE LANDSCAPE

According to the WTO...

• Manufacturing MSMEs direct exports account 10,6% of their total sales while 8,6% are considered indirect exports.

• This rate goes down to 7,6% in developing economies, contrasting the developed world where MSMEs represent 34% of total exports.

• In MSMEs providing services, only 4,7% of their sales are cross-border, with 3,7% of indirect exports.
CROSS-BORDER E-COMMERCE LANDSCAPE

However, not everything is great for MSMEs...

Alarming data:

- 820m cross-border E-Commerce disputes in 2016
- One-in-20 cross-border contracts end in dispute
- Single dispute on average involves 6 companies

Source: HONG KONG – APEC TRADE POLICY GROUP
CROSS-BORDER E-COMMERCE LANDSCAPE

COST AND TIME IMPLICATIONS

• Average disputed sum: US$53,000
• Average time to settle: 15 months
• Cost of US lawyer: over US$1,000 per hour
• Result: over one-third of disputes never resolved

Source: HONG KONG – APEC TRADE POLICY GROUP
ODR – THE PERUVIAN EXPERIENCE
THE PERUVIAN EXPERIENCE

• Launched back in October 2019.

• Available 24/7 through any electronic device for claims related to e-commerce transactions.

• Leverages on Indecopi’s Citizen Service Platform (SAC) which solves the claims through mediation and/or conciliation mechanisms.

• Reclama Virtual uses a simplified online form.

• It includes complimentary features such as: status of the claim, consumer map, alternative sources of dispute resolution, etc.

• It was created as result of the digitalization process of INDECOPI in partnership with the e-government national secretariat.
**How does it work?**

1. Register your claim through the simplified online form.

2. INDECOPI contacts the customer at the earliest assigning a claim number and a dedicated case officer.

3. In 1 working day, INDECOPI contacts the supplier and starts the mediationconciliation process. The claim could be solved entirely online.
How does it compare to other existing dispute resolution mechanisms?
A successful experience

Claims at the national level

<table>
<thead>
<tr>
<th>Month</th>
<th>2019</th>
<th>2020</th>
<th>% annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>jan</td>
<td>6014</td>
<td>7335</td>
<td>22%</td>
</tr>
<tr>
<td>feb</td>
<td>5531</td>
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<td>-38%</td>
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<td>apr</td>
<td>5614</td>
<td>1009</td>
<td>-82%</td>
</tr>
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<td>5855</td>
<td>2592</td>
<td>-56%</td>
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<td>jun</td>
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<tr>
<td>jul</td>
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<td>14741</td>
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<tr>
<td>aug</td>
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<td>10346</td>
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<tr>
<td>oct</td>
<td>6125</td>
<td>11330</td>
<td>85%</td>
</tr>
<tr>
<td>nov</td>
<td>7231</td>
<td>9908</td>
<td>37%</td>
</tr>
<tr>
<td>dec</td>
<td>7037</td>
<td>9771</td>
<td>39%</td>
</tr>
<tr>
<td>Total</td>
<td>70998</td>
<td>96444</td>
<td>36%</td>
</tr>
</tbody>
</table>

% Incr. 35.84%

Claims through Reclama Virtual at the national level

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<th>Año 2019 1/</th>
<th>Año 2020</th>
<th>% anual</th>
</tr>
</thead>
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<tr>
<td>jan</td>
<td>8473</td>
<td>8532</td>
<td></td>
</tr>
<tr>
<td>feb</td>
<td>7251</td>
<td>10735</td>
<td></td>
</tr>
<tr>
<td>mar</td>
<td>14418</td>
<td>39514</td>
<td></td>
</tr>
<tr>
<td>apr</td>
<td>35495</td>
<td>24422</td>
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</tr>
<tr>
<td>may</td>
<td>15292</td>
<td>209549</td>
<td>1012%</td>
</tr>
<tr>
<td>jun</td>
<td>3040</td>
<td>18105</td>
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<tr>
<td>jul</td>
<td>7596</td>
<td>13427</td>
<td>77%</td>
</tr>
<tr>
<td>aug</td>
<td>8216</td>
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<td>69%</td>
</tr>
<tr>
<td>sep</td>
<td>11330</td>
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<td>403%</td>
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<td>7335</td>
<td>8532</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18852</td>
<td>209549</td>
<td>1012%</td>
</tr>
</tbody>
</table>

1/ Since launching of Reclama Virtual on october 2019.

Source: INDECOPI
BUSINESS-LED MECHANISMS
**BUSINESS-LED MECHANISMS**

## RETAILER EXPECTATIONS RISE

RETAILERS ARE DEMANDING MORE

### Most problematic pain points in cross-border eCommerce

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics and delivery</td>
<td>43%</td>
</tr>
<tr>
<td>Compliance with local regulations</td>
<td>39%</td>
</tr>
<tr>
<td>Offering exchange and returns</td>
<td>32%</td>
</tr>
<tr>
<td>Cross-border payments/multicurrency</td>
<td>28%</td>
</tr>
<tr>
<td>Data protection</td>
<td>25%</td>
</tr>
<tr>
<td>Pricing/costs of products &amp; services</td>
<td>23%</td>
</tr>
<tr>
<td>Ease of integration</td>
<td>22%</td>
</tr>
<tr>
<td>ROI</td>
<td>16%</td>
</tr>
</tbody>
</table>

### Biggest game-changer for cross-border eCommerce

<table>
<thead>
<tr>
<th>Issue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online marketplaces continuing to dominate</td>
<td>23%</td>
</tr>
<tr>
<td>Internet of things</td>
<td>12%</td>
</tr>
<tr>
<td>Rise in alternative payment methods</td>
<td>12%</td>
</tr>
<tr>
<td>m-Commerce</td>
<td>9%</td>
</tr>
<tr>
<td>50% of retailers offering international delivery</td>
<td>9%</td>
</tr>
<tr>
<td>Easier entry to emerging markets</td>
<td>7%</td>
</tr>
<tr>
<td>Greater knowledge of how to do business internationally</td>
<td>6%</td>
</tr>
<tr>
<td>China’s “One Belt One Road” scheme</td>
<td>4%</td>
</tr>
</tbody>
</table>

Profitability is challenging cross-border eCommerce retailers—they must compete with domestic retailers on speed and delivery prices.

BUSINESS-LED MECHANISMS

Example: An all-in-one solution... DHGate.com

Quick Facts

- Approximately 2.2 million sellers globally
- 26 million enterprise and individual buyers from over 222 countries and regions
- 22 million product listings
- A transaction every 1.3 seconds
- Multilingual sales in English, French, German, Italian, Portuguese, Russian, Spanish, Arabic, Korean and Turkish
- Our partners include American Express, DHL, FedEx, MasterCard, Visa, UPS

Source: DHgate.com
BUSINESS-LED MECHANISMS

Enhancing trust in global e-commerce

Trust and Safety

- Seller identities and business history are verified automatically and manually
- Seller behavior is monitored 24/7
- Sellers compensate buyers in the event that they don’t honor business policies
- Dishonest seller accounts are immediately black listed and closed indefinitely
- Quality control system prevents fraudulent, illegal, and counterfeit products from being allowed onto our platform
- Products are inspected by quality control professionals prior to shipment
- Customer information is encrypted and guarded from hackers

Source: DHgate.com
BUSINESS-LED MECHANISMS

Companies can play a key role...

• Creating effective mechanisms of trust and compliance that lower the incidence of disputes.

• Easing the burden on policy-makers and consumer defense agencies.

• Facilitating information for speedy dispute resolution.

• Offering enhanced services for cross-border e-commerce transaction (e.g. escrow services).