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Q1: Respondent details

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Q2: Country or Customs territory

- INTERNATIONAL ORGANIZATION

Q3: Organization

Public sector

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Q4: Title of case story

Made in Morocco: case study on linking SMEs to the world of e-commerce

Q5: Case story focus

E-commerce development and efforts to bridge the "digital divide".

Q6: Case story abstract

Enterprises in developing and least developed countries face a number of systemic barriers to developing online trade, which can go beyond a simple lack of information technology (IT) infrastructure or connectivity. ITC can help enterprises overcome the barriers through the provision of appropriate e-solutions. Built on field experience such as the case presented from Morocco, the E-Solutions Programme proposes a set of modules that address each of the barriers and, when used together, enable greater market access for all participants in a given sector or community. ITC supported the Made in Morocco platform, regrouping over 400 SMEs, to internationalize sales to Europe, the Middle East and the US, through the provision of international payments solutions, logistics and promotional activities.

Q7: Who provided funding?

Multilateral organization

Q8: Project/Programme type

Single country, Multi-country

Q9: Your text case story

The challenge

E-commerce accounts for more than US\$15 trillion in business-to-business (B2B) transactions and well over US\$1 trillion in sales to consumers each year. Online sales present unique opportunities for small and medium-sized enterprises (SMEs) to access international markets.

Platforms such as eBay, Alibaba and Etsy, coupled with payment systems like PayPal, make it possible for SMEs to become 'micro-multinationals' selling to customers around the world.

Yet the internet-enabled erasure of geographical barriers has not yet translated into reality for SMEs in many developing countries seeking to scale up international sales.

While major B2B transactions are paid for by traditional letters of credit or bank transfers, smaller-scale purchases are more complicated. Credit card purchases do not always cross borders smoothly, and potential customers are often uneasy about having sensitive information processed by unknown foreign banks. Bank transfers for modest amounts are expensive, and the coverage of international payment systems is far from universal. Merchant accounts – essential to sell things, as opposed to simply purchase them – are not made available in several locations, due to foreign exchange controls or because small market sizes do not justify the costs of complying with anti-money-laundering controls.

Costly logistics presents another challenge to SME competitiveness: internet consumers want free shipping and easy returns.

African companies account for less than 2% of global consumer e-commerce. Morocco is an unusual case: it has a number of successful domestic e-commerce businesses, but foreign exchange restrictions, challenges managing customs duties and local taxes in destination markets, and difficulties building relationships with international buyers mean that the country's enterprises are largely absent from the global e-commerce marketplace.

The solution

ITC has developed a comprehensive package of technical and advisory services, collectively referred to as 'E-Solutions,' to help firms better understand e-commerce and overcome barriers to selling goods and services over the internet.

Some of these solutions were piloted in Côte d'Ivoire in 2014, where sellers were enabled to receive payments from the United States in a legally compliant manner through PayPal, Visa, and MasterCard. The full suite of services was put to the test in Morocco in 2015. In January of that year, a group of Moroccan SMEs that had been using e-commerce to sell products domestically formed a cooperative, called 'Made in Morocco,' with the goal of exporting. In May, the firms, whose wares range from olive oil and cosmetics to books and music, asked ITC for help with boosting their access to – and competitiveness in – foreign markets.

ITC took a multi-pronged approach. On the payments side, to enable the cooperative to correctly handle import duties and domestic taxes, and to counter customer unease with unfamiliar banks, ITC helped it establish a formal commercial presence in Europe, the United States and the United Arab Emirates. These structures enable the cooperative's members to process credit card payments and repatriate earnings in a cost-effective and transparent manner; they also reassure customers that they will benefit fully from local consumer protection laws. On logistics, ITC brokered storage, distribution, and transportation deals with international partners, including DHL, to facilitate competitive shipping times and costs, improve knowhow about dealing with border procedures, and optimize transport routes. These make it possible for Made in Morocco firms to ship in bulk – and hence at low unit cost – to 'e-fulfilment' warehouses, such as one in France, where products can be swiftly repackaged and dispatched when orders come in from the region. Importantly, the local presence makes it easy for unsatisfied customers to return purchases.

Since ITC initiated its collaboration with Made in Morocco, several members of the cooperative have sold goods such as couscous, spices, and home decoration items in Europe for the first time. The cooperative is growing, and now counts over 400 SMEs. Made in Morocco has sharply increased export sales, and has tripled its 'transformation rate' – the share of website visitors who become customers.

It has also generated its first foreign B2B deals, including a sale of argan oil worth over US\$30,000 to a hotel in Paris.

Bringing companies to market – online and in person

Generating awareness among overseas customers is among the most significant barriers faced by small firms. Beyond support for Made in Morocco's virtual presence, ITC is also working to build consumer awareness of the collective through participation trade fairs, exhibitions and special events. These physical events garner significant social media attention and are followed up by greater e-commerce sales. For example, in December 2015, ITC held 'e-Commerce Souks' – in effect pop-up stores named for the Arabic word for markets – in Geneva, enabling products from about 25 Made in Morocco members to be sold directly to individuals and local businesses. While sales at the events were modest, website analytics showed a sharp uptick in traffic from Switzerland in the following weeks leading to three times the total sales made at the e-Commerce Souks.

The success of the initial pop-up stores in spurring online sales led to a scaled up version in Switzerland in the first week of July 2016: a series of such souks dubbed the "E Commerce Caravan" travelled the length of the country from Geneva to Zurich, marketing the goods of small companies from six countries: Côte d'Ivoire, Ethiopia, Morocco, Rwanda, Senegal and Syria. Three and a half tonnes of merchandise were imported and customs cleared into Switzerland and with the support of ITC's logistics partner, DHL, displayed in dome-shaped tents at key locations. Over \$45,000 of direct sales – in cash and credit card transactions facilitated by ITC - were followed by a further \$15,000 was generated from products sold online during the week. Importantly, these cross-border sales were made not through a local intermediary, but by the SMEs themselves, under their own brands, allowing them to retain a higher share of value and profits. A critical step here was getting import and distribution permits in Switzerland and the European Union for

and profits. A critical step here was getting import and distribution permits in Switzerland and the European Union for products such as olive oil, argan oil and coffee.

Sales continue online, and eBay is setting up national portals to showcase the products of participating SMEs. Contacts facilitated during the caravan have laid the groundwork for business-to-business sales, including 'SME2SME' deals involving buyers that are SMEs rather than large multinational retailers.

Alongside its partnership with DHL, in July 2016 ITC signed an MoU with eBay, offering improved access to support and data and perhaps most significantly, a commitment to promoting African enterprises and their products through the company's highly visible platforms.

The future

In 2016, ITC has continued to extend the learning on E-Solutions to projects in Ethiopia, Mongolia, Rwanda and Senegal. The intention is to create national cooperatives and online platforms in each of the three African countries and to eventually group them into a Pan-African collective – the Africa Electronic Commerce Cooperative – for greater scale and impact. In the next steps to accomplish this vision, ITC is extending its support to a wider group of SMEs in Rwanda and in Senegal, supported by GiZ and the Organisation internationale de la Francophonie (OIF), building local capacity and seeking to extend the programme to other countries in East and West Africa.

Q10: Lessons learnt

Enterprises in developing and least developed countries face a number of systemic barriers to developing online trade, which can go beyond a simple lack of information technology infrastructure or connectivity. These can be categorized as:

- Lack of awareness and understanding of the opportunities for increased trade online and potential to overcome the barriers to this trade;
- Insufficient access, affordability and skills to use technologies;
- Inadequate availability of international and local payment solutions;
- Lack of access to cost-effective logistics (outbound and in target markets);
- Significant cultural, linguistic and business practices that need adapting to the customer service expectations of international customers;
- Lack of visibility, reputation and trust in the target markets;
- Lack of conformity with legal and fiscal requirements of target markets; and
- Government laws or policies that do not support online trade.

ITC can help enterprises overcome barriers through the provision of appropriate e-solutions. The E-Solutions programme is based on a set of modules that address each of the barriers and, when used together, enable greater access for all participants in a given sector or community. The modules consist of technologies and support (which may be delivered with partners) and include training and assistance by ITC in the implementation and evaluation of results.