



PIVOTING TO E-COMMERCE



**A Point-of-View Paper from the AmCham
Small and Medium-Sized Enterprises (SME) Committee**

BACKGROUND

Small and Medium-Sized Enterprises (SMEs) play a major role in most economies – creating jobs and contributing to national income (GDP). According to the World Bank, SMEs represent about 90% of businesses and more than 50% of employment worldwide.¹ Before the COVID-19 pandemic, SMEs contributed 47% to Singapore's GDP, employing 72% of the country's workforce and constituting 99% of all its enterprises.² These enterprises are crucial to the economy, and they also comprise virtually all online sellers. They have helped improve socio-economic outcomes for millions of people and have created new markets domestically and abroad.

The statistics underpin the importance of overall SME business health to the global economy. While the impact of COVID-19 was felt by the entire business community, long-term economic recovery is closely intertwined with SME resiliency and sustainability through this certain time.

For many SMEs, digital transformation is key to keeping their doors open. In Singapore, Enterprise Singapore initially covered 90% of the costs to set up operations on Amazon Singapore, Lazada Singapore, Qoo10 and Shopee. In turn, these e-commerce companies also offered additional support, including training workshops and seller conferences, tools and features to manage their businesses, e.g., inventory management.

SMEs are well positioned to make the pivot to e-commerce given increasing consumer acceptance of shopping online, ease and variety of e-payment methods, and the rising popularity of cross-border commerce. Even after the COVID-19 pandemic is brought under control, e-commerce will continue to be an important part of retailing strategy to enable SMEs to compete with larger, better known enterprises.

RECOMMENDATION FOR SINGAPORE

To achieve success in e-commerce, SMEs should seek partnerships with government agencies, industry associations, business chambers, financial partners and technology vendors

AmCham applauds Enterprise Singapore for the Productivity Solutions Grant³ that supports companies adopting IT solutions and equipment to enhance business processes, including customer management, data analytics, financial management and inventory tracking. As announced at Singapore Budget 2021, the enhanced maximum support level of up to 80% will be extended from 30 September 2021 to 31 March 2022.

AmCham encourages SMEs to reach out to government agencies, industry associations, business chambers (like AmCham), financial partners and technology vendors for help in navigating digital transformation. AmCham member companies also offer programs that provide guidance on the development of online stores, marketing and branding, logistics, shipping and financial support to reduce the cost of technology adoption and increase the chance of success.

¹<https://www.worldbank.org/en/topic/smefinance>

²<https://www.mti.gov.sg/Newsroom/Speeches/2019/08/Speech-by-Minister-Chan-Chun-Sing-at-the-Launch-of-SME-Leadership-Academy>

³<https://www.enterprisesg.gov.sg/financial-assistance/grants/for-local-companies/productivity-solutions-grant>

RECOMMENDATION FOR ASIA PACIFIC

Governments should support SMEs venturing into e-commerce with policies that create an even playing field and align with international best practices and standards

Government initiatives to digitize small enterprises are well underway throughout the region, but more must be done to ensure e-commerce policy can enable the sector's full potential. National digital policies must be practical, give consumers more choice and control, create an even playing field, and align with international best practices and standards. Guidance from international organizations like the Organization for Economic Cooperation and Development (OECD) and the Association of Southeast Asian Nations (ASEAN) will ensure the region is at pace with global economies.

For example, cross-border data flow is core to global business and supply chains. On 22 January 2021, the 1st ASEAN Digital Ministers' Meeting

(ADGMIN) approved the ASEAN Data Management Framework (DMF) and Model Contractual Clauses for Cross Border Data Flows (MCCs).⁴ The DMF provides a step-by-step guide for businesses, SMEs, to put in place a data management system, which includes data governance structures and safeguards.

AmCham encourages governments to ensure their digital policies are clear, simple, and practical with rules to be applied consistently without additional restrictions that hinder the ability for SMEs to scale operations and trade.

Making the right policy decisions now, in times of crisis, will be crucial for both the speed of the recovery and long-term prosperity alike.

ACKNOWLEDGEMENTS

AmCham Singapore would like to thank the following individuals and companies for their feedback and support of the publication:

Andrew Wu

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⁴<https://asean.org/asean-economic-community/asean-digital-ministers-meeting-adgmin/other-documents/>