

COMMERCE 3.0: ENABLING TAIWANESE ENTREPRENEURS

2014



CONTENTS

02

SNAPSHOT OF KEY FINDINGS

09

TESTIMONIAL

04

OVERVIEW OF EBAY AND PAYPAL TRADE IN
TAIWAN AND EXECUTIVE SUMMARY

10

BREAKING DOWN BARRIERS TO INTERNET-
ENABLED TRADE

06

HELPING TAIWANESE BUSINESSES REACH
GLOBAL MARKETS

12

CONCLUSION

08

CREATING A LEVEL PLAYING FIELD FOR SMALL
AND LARGE ENTREPRENEURS

13

REFERENCES



Taiwan is a world leader in Internet-enabled retail exports.

According to the Institute for Information Industry, Taiwan's eCommerce transactions are growing at 20 percent annually. The Institute estimates revenue from Taiwan's eCommerce transactions reached NT\$767.3 billion (US\$25.7 billion) in 2013, and is expected to exceed NT\$1 trillion by 2015.¹

Further, more and more consumers are using their smartphones to transact, according to Google's Our Mobile Planet², Taiwan has more than 50% penetration of smartphones, and is one of the leaders in Asia Pacific in this respect.

Based on an empirical study conducted by global law firm Sidley Austin LLP, our report demonstrates that eBay commercial sellers based in Taiwan reach an average of 48 international markets – one of the highest success rates in the world among eBay sellers.

The eBay platform also encourages entrepreneurial spirit, as evidenced by share of newcomers. The share of newcomers on eBay is much higher than the equivalent share for traditional sellers, reaching 13% in Taiwan.

Cross border trade accounted for the significant majority of PayPal's total payment volume in Taiwan, as local merchants exported goods to buyers around the world.

eBay and PayPal have been playing a significant role in promoting retail exports from Taiwan.

Through eBay and PayPal we will continue to enable Taiwanese businesses to further grow and succeed.

John Lin, Vice President
MANAGING DIRECTOR, EBAY GREATER CHINA

Matthew Lee, Vice President
NORTH ASIA, PAYPAL

¹ Focus Taiwan News Channel, 17 May 2014, <http://focustaiwan.tw/news/aeco/201405170004.aspx>

² Google, Our Mobile Planet, <http://think.withgoogle.com/mobileplanet/en/>

SNAPSHOT OF KEY FINDINGS



Internet-enabled commerce lowers barriers to trade for small businesses and entrepreneurs



eCommerce platforms

reduce search costs and make products tradable that would otherwise not be sold. This directly benefits sellers and consumers



USA, Australia, UK, Russia, Canada and Brazil are the top 6 destinations for eBay commercial sellers in Taiwan

48

Commercial sellers that use eBay reach an average of **countries**; traditional sellers reach **3**



Free trade zones

Internet speeds

Simplified customs procedures

ePayments



Top 3 highest growth markets from which PayPal payments are received
Malaysia, Brazil, Thailand

Top 3 highest growth markets for eBay commercial sellers in Taiwan
Russia, Brazil, Australia



On eBay,
13%
of Taiwanese commercial sellers are newcomers compared to
5%
in traditional offline commerce

OVERVIEW OF EBAY AND PAYPAL IN TAIWAN

EXECUTIVE SUMMARY

Through the power of the Internet and technology, small businesses like never before are able to reach beyond a local consumer base and access global markets.

Commerce 3.0 is the term we have used to capture this development of online and offline worlds coming together and the merging of local and global markets. The idea that technology-enabled small businesses can maintain a local presence while providing goods and services on a global scale is a novel and exciting story, particularly for those engaged in trade policy.

International trade has traditionally been the privilege of the largest players. This is changing. The Internet creates a truly global network. If you combine it with technology solutions and services, you enable merchants and consumers to connect and establish trust across national and cultural borders.

The analysis is based on research by Sidley Austin LLP on two datasets from eBay and PayPal, respectively, and follows research conducted in Asia Pacific, United States and Europe.

The eBay data covers all eBay sales by Taiwanese sellers from 2007 to 2013. eBay "Commercial sellers" are defined as those with annual sales of USD10,000 or more.

The PayPal data contains data for PayPal Taiwanese commercial sellers from 2007 to 2013. PayPal commercial sellers are those with annual receipts of USD50,000 or more.

Internet-empowered small businesses and entrepreneurs are able to overcome some of the traditional barriers associated with international trade. But some barriers still remain while new arise as large corporations are joined by small firms and entrepreneurs on the global stage.

This report will provide several ideas for consideration to overcome these challenges.



The main products sold by eBay commercial sellers from Taiwan are **clothing, shoes & accessories, auto parts, photography, sporting goods, computing and cellphones and accessories**

FOR TAIWAN RETAIL EXPORTERS, EBAY AND PAYPAL ARE POSITIVE ENABLERS, HELPING BUSINESSES TO REACH POTENTIAL CUSTOMERS IN UNPRECEDENTED NUMBERS.

DESTINATIONS FOR EBAY COMMERCIAL SELLERS IN TAIWAN (2013)	
United States	
Australia	
United Kingdom	
Russia	
Canada	
Brazil	
Germany	
France	
Israel	
Spain	

DESTINATIONS FOR TRADITIONAL EXPORTERS IN TAIWAN ³	
China	
Hong Kong	
United States	
Singapore	
Japan	
Korea	
Vietnam	
Philippines	
Thailand	
Malaysia	

THE MAIN COUNTRIES FROM WHICH PAYPAL COMMERCIAL SELLERS IN TAIWAN RECEIVED PAYMENTS (2013)	
United States	
Australia	
China	
United Kingdom	
Hong Kong	
Canada	
Russia	
Brazil	
Japan	
Germany	

Developed markets like the United States, the United Kingdom, Australia and many countries in Europe remain ongoing strongholds for eBay sellers based in Taiwan, but eBay's vision of opening new markets across the globe is paying dividends. Traditional export markets continue to be neighbouring countries such as China, Japan and Korea.

MARKETS WITH THE HIGHEST GROWTH FOR EBAY COMMERCIAL SELLERS IN TAIWAN (2007-2013)	
Russia	
Brazil	
Australia	
Mexico	
Turkey	

eBay data reveals that of all export destinations, the markets with the highest growth for eBay commercial sellers based in Taiwan (2007-2013) are Russia, Brazil and Australia.

MARKETS WITH THE HIGHEST GROWTH FOR PAYPAL COMMERCIAL SELLERS IN TAIWAN (2007-2013)	
Malaysia	
Brazil	
Thailand	
Hong Kong	
Australia	

The fastest growing established market (based on top ten destinations) is Russia. PayPal became available for Russian users for domestic transactions in 2013. With local currency support, and more than 3 million PayPal users, it's a growing market.

MAIN PRODUCTS SOLD BY EBAY COMMERCIAL SELLERS FROM TAIWAN (2013)		
1	Clothes, shoes & accessories	
2	Auto parts	
3	Photography	
4	Sporting goods	
5	Computing	
6	Cell phones & accessories	
7	Toys & games	
8	Consumer electronics	
9	Collectables	
10	Health & beauty	

The main products sold by eBay commercial sellers in Taiwan are clothes, shoes & accessories; auto parts; and photography. This shows that platforms such as eBay help to promote exports of a very diverse range of products.

3 United Nations Comtrade database 2012.

HELPING TAIWANESE BUSINESSES REACH GLOBAL MARKETS



**eBay
commercial
sellers**

ship to more destinations
than traditional sellers



Commercial
sellers in
Taiwan
reach an
average of

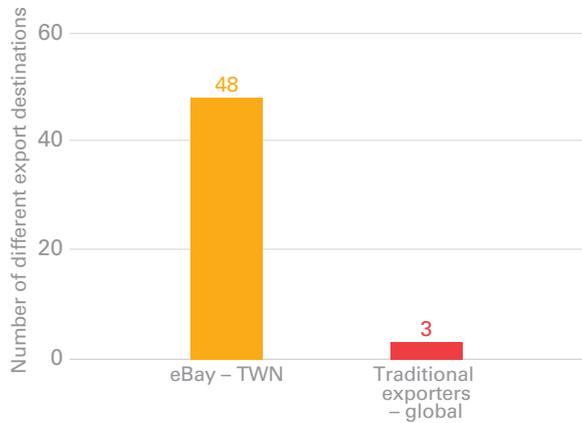
48
countries

New technologies allow entrepreneurs, including small retailers, to reach global markets directly in a way that is unprecedented in economic history. In traditional commerce, most small, medium and even large firms sell only locally or regionally. Even if they reach international markets, they normally sell to very few of them.

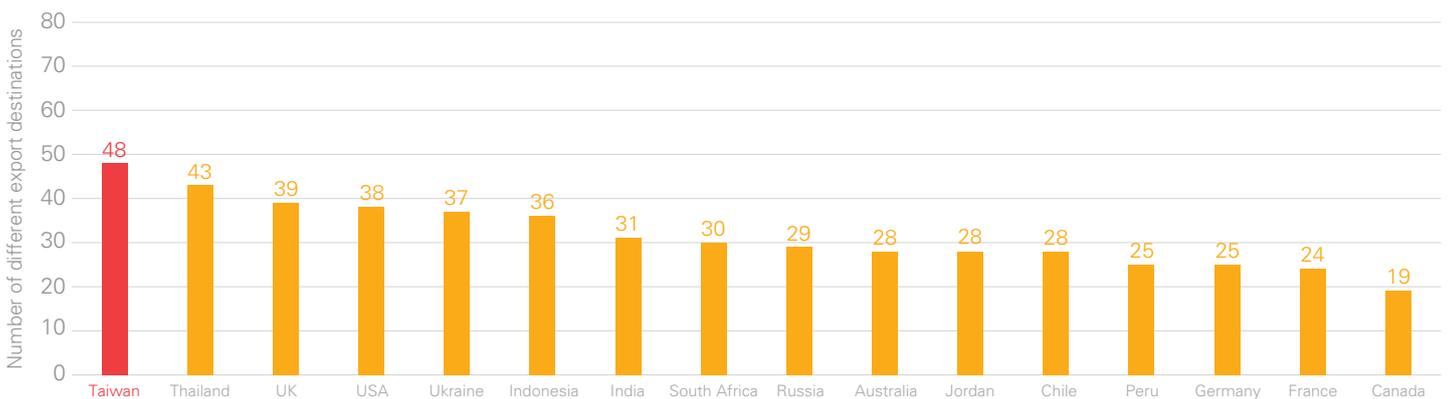
In this section, we demonstrate that the scenario is entirely different for sellers using the eBay platform. Even small eBay sellers tend to export, and they do so to many international markets. Similarly, an analysis of PayPal transactions shows that PayPal also allows users to connect to business partners or customers in a wide range of international markets.

Commercial entrepreneurs that use the eBay platform not only export much more frequently, they sell more abroad than their counterparts engaged in traditional (offline) trade. Using the same World Bank survey, we have compared the average share of sales that is exported.

Taiwan is a world leader in terms of the number of destinations to which it exports. eBay commercial sellers in Taiwan reach an average 48 export destinations, an extraordinary figure. This compares to an average of only three for traditional exporters globally.



Traditional exporters – global
(Source: World Bank Exporter Dynamics Database)



eBay commercial exporters

CREATING A LEVEL PLAYING FIELD FOR SMALL AND LARGE ENTREPRENEURS

Traditional commerce, especially exports, is dominated by a small number of very large firms



13%

eBay Taiwanese commercial sellers are newcomers



The evidence therefore clearly shows that Internet-enabled trade helps to provide a level-playing field for **small entrepreneurs**





CROSS BORDER ECOMMERCE: ILLUMINATING THE WAY TO SUCCESS

Kevin is one of the top-rated eBay sellers in Taiwan. Having recovered from a first startup failure, he now has 30 people working for him and is growing an online business that earns him tens of millions of dollars in annual sales volume.

SETTING SAIL FROM EBAY

Kevin was born and raised in Taiwan. After graduating with a degree in international trade, he decided to start his own online business, believing firmly that eCommerce was the key to success.

It wasn't easy at first. He had no capital, no overseas client base and no experience. Yet he was determined.

He started by putting ready-made garments produced by his uncle's factory up for online auction, expecting hot sales. Yet sluggish results in the months that followed left him feeling confused.

"I realize now that what's vital for the success of eCommerce is an empowering platform," Kevin says. "A powerful online platform connects merchants and consumers around the globe and provides sound policies and measures to safeguard transactions."

Recognizing eBay as a platform just like that, with a tremendous customer base, Kevin decided to try again. This time he sold car audio equipment which he believed would be easy to standardize.

Shortly afterwards, he got his first order from a buyer in Spain. From order placement to delivery, the handling process went smoothly, and this client has since become Kevin's wholesaler in Spain.

IDENTIFYING NEW CATEGORIES

Kevin soon recognized that selling car audio equipment alone wouldn't deliver lasting success, as the category had too many manufacturers. And the almost saturated market might be prone to price wars, resulting in a slip of both single-product profit and gross sales volume.

Kevin began paying more attention to what competitors were doing online and became a frequent visitor of trade fairs. After careful study, he decided to enter the solar converter market, a category that holds broad potential. Solar converter manufacturers in Taiwan had been strengthening their presence in the global arena as their technology became more sophisticated and standardized and prices came down. Selling locally-made quality solar power products to global buyers would not only drive more business but align with environmental protection, Kevin realized.

The change in market position required huge investment in time, energy and capital. From finding new suppliers to store design, product listings, order handling, delivery and receiving payment, each step needed refinement and deliberation. In retrospect, that period was what Kevin called a time of "blood, toil, tears and sweat".

But his endeavors paid off. Kevin has been receiving massive numbers of new orders from every corner of the world: the U.S., Australia, Western Europe, even Nigeria. In two years, his sales exceeded tens of millions of dollars.

This is what makes eCommerce so intriguing and powerful, he believes. And it demonstrates the value of eBay as an enabling platform through which a global consumer base is well within reach.

BLAZING A NEW TRAIL

Kevin's success as an eBay solar converter retailer has brought him invaluable experience and understanding of foreign markets and has provided him with a blueprint for future expansion.

The days of obstacles and doubts are behind him. What has sustained him in the development of his business is a simple dream—selling products to the whole world. "It's good to have dreams," Kevin says, "and it feels even better to achieve them."

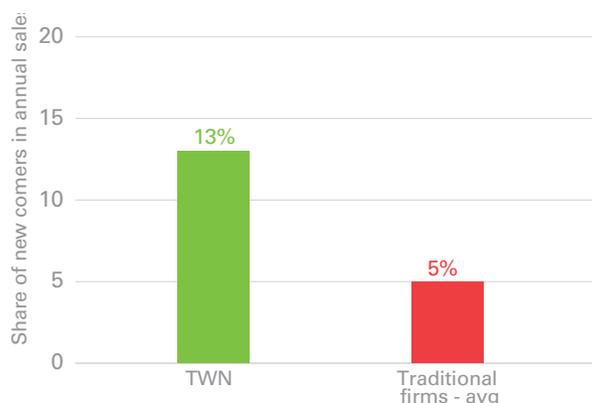
Traditional commerce, especially exports, is dominated by a small number of very large firms. For example, in most countries up to 90% of exports are conducted by the 5% of the largest exporters. Similarly, most exports are from firms that are long-established exporters, with newcomers typically accounting for 5% of sales only.⁴

On eBay, the degree of concentration is much less. While small and large sellers use eBay technology, the largest do not dominate the entire market as much as they do in traditional trade.

Traditional commerce is heavily dominated by established firms, whereas Internet-enabled commerce through eBay or similar platforms is driven by new entrepreneurs to a much greater degree.

The evidence therefore clearly shows that Internet-enabled trade helps to provide a level-playing field for small entrepreneurs. National and export sales are less dominated by the largest firms, and new firms have fairly high shares in overall sales. This is because entry barriers for Internet-enabled trade are lower, which makes it easier for newcomers to enter the market. Thus commerce platforms such as eBay have a pro-competitive effect.

As shown in our previous research for other country markets, the share of newcomers on eBay is much higher than the equivalent share for traditional sellers. For eBay, 13% of Taiwanese commercial sellers are newcomers compared to 5% in traditional (offline) commerce.



Share of newcomers – eBay versus traditional exporters

4 World Bank, Exporter Dynamics Database, 2012.

BREAKING DOWN BARRIERS TO INTERNET-ENABLED TRADE

**Free trade
zones**



**Internet
speeds**



**Simplified
customs procedures**



ePayments



This report has shown that Internet-enabled trade can provide a wide range of benefits to entrepreneurs and consumers alike. However, its full potential has certainly not yet been reached. Technological advances, especially in relation to improved access to the Internet and mobile networks, will play a key role in the future exploitation of this potential.

Internet-enabled trade needs an enabling policy environment. It is currently subject to a wide range of restrictions and faces trade barriers, especially for cross-border transactions. This applies, for example, to trade barriers that affect small transactions in particular.

We briefly summarize policy ideas that could remove barriers for consumers, businesses and retailers using technology platforms.

1. FREE TRADE ZONES

“Free Trade Zones” in Taiwan support highly efficient forms of processing. Cargo owners can make use of Taiwan as a pivot in their global supply chain, and avail themselves of world-class manufacturing, processing, research and development.

Taiwan’s traditional destination for exports has often been neighboring countries. However Internet-enabled trade partners now include the United States, Australia, United Kingdom and Russia.

Further exploration of taking advantage of these markets, leveraging the free trade zone, should be encouraged.

2. INTERNET SPEEDS

Although by international standards Taiwan has strong Internet speeds that rank it in the top 10 in the world⁵, further investment will increase speeds and continue to assist Internet-enabled businesses.

Chunghwa Telecom, the largest telecommunication service provider in Taiwan, has announced plans to boost Taiwan’s telecom infrastructure to a minimum speed of 100 megabits-1 gigabit per second by 2015.⁶

3. SIMPLIFIED CUSTOMS PROCEDURES

On September 9, 2013, the Council for Economic Planning and Development (CEPD) announced a partial revision of the Customs Act which provides for the establishment of the Customs-Port-Trade (CPT) Single Window, by integrating Customs Clearance System of the Ministry of Finance (MOF), MTNet of the Ministry of Transportation and Communications, and Trade Facilitation eNet of the Ministry of Economic Affairs. This will help simplify import and export procedures.

Businesses are able to go online for one-stop services for everything from customs and harbor management to import/export licensing, inspection, and quarantine through the CPT Single Window. The CPT Single Window also brings together information from government agencies and traders in a central database that gives access to a variety of import and export information.

It is estimated the new single window will save an estimated NT\$720 million for the government and NT\$850 million for businesses annually.⁷ The integration of information on import, export, and trans-shipment goods with trade statistics will help government agencies and businesses obtain a real-time understanding of changes in trade and help them respond to changes in a timely manner.

Continued initiatives to simplify customs procedures will further assist Internet-enabled trade.

5 Net Explorer Index, <http://explorer.netindex.com/maps>

6 The Next Web, Taiwanese Telco, commits to boosting Internet speeds, 8 July 2011, <http://thenextweb.com/asia/2011/07/08/taiwanese-telco-commits-to-boosting-internet-speeds-tenfold-by-2015/>

7 National Development Council, September 9, 2013, <http://www.ndc.gov.tw/encontent/m1.aspx?sNo=0019680>

4. EPAYMENTS

Payment and settlement systems are a critical part of the financial infrastructure that fosters the development of a country's economy and financial markets.

All electronic payments and transfers to and from Taiwan, regardless of currency, require either a purpose code or description of payment in lieu of a code. Failure to comply may result in a payment/transfer being delayed or rejected.

Future ePayments regulation should be focused on technology-neutral, risk-based guidance that recognizes differences in business models and practices.

In defining this approach, regulators should focus on those areas that present the greatest risk to the ePayments market and its consumers. Ensuring that regulatory reform maintains a level playing field for domestic and foreign organizations through the application of a consistent and logical approach to regulatory requirements is critical for market competition.

Consideration should also be given to adapting or tailoring restrictions to address the risks posed by each specific type of activity an ePayment institution may undertake. For example, some ePayment providers such as PayPal have a secure closed loop, do not allow anonymous accounts and facilitate many small transactions.

CONCLUSION

This paper has outlined how the Internet is helping to enable Taiwanese businesses and entrepreneurs on the global stage.

Opportunities for growth are significant and can be further supported by Internet-enabled trade.

eBay and PayPal are committed to contributing to the evolution of commerce and payments in Taiwan, and improving the lives of millions through Internet-enabled trade.

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