



*SMEA Director-General Robert S.Q. Lai*

## How E-commerce Boosts Business for SMEs

**An interview with Robert S.Q. Lai, Director-General, Small and Medium Enterprise Administration (SMEA), Ministry of Economic Affairs**

**What is the current status of Taiwan SMEs' use of e-commerce?**

Taiwan's "netizen" population is already close to 16 million, nearly 70% of Taiwan's population of 23 million. The Internet penetration is the fifth highest in the world, and more than half of netizens have used the Internet to carry out an online transaction. The World Economic Forum's Networked Readiness index for 2009-2010, measuring national ICT strengths and weaknesses, ranked Taiwan in 11th place in the world. Clearly the Taiwanese are already extremely accustomed to Internet applications. Enterprises' e-readiness and degree of utilization have been steadily rising.

According to data from Taiwan's Institute for Information Industry, in 2009 Taiwan's B2B e-commerce market scale had reached NT\$9.9 trillion, and for B2C e-commerce it had exceeded NT\$207.6 billion. In addition, in 2009 the business operations of online stores were increasingly stable; those with five years or more in business reached 25% of the total, and 49.7% of all online enterprises were at least breaking even. As these statistics demonstrate, Taiwan's e-commerce infrastructure is already firmly developed. Payment and logistics mechanisms are quite mature, especially in the convenience-store sector, increasing consumers' willingness to purchase merchandise online. The success of e-commerce has in turn increased the willingness of additional SMEs to get involved in e-commerce operations. For SMEs this trend is no longer just a future prospect – it is actual business at hand.

**How does SMEA help industries and companies to promote e-commerce applications? What are some examples?**

The Taiwan government early on recognized the power of e-commerce to bring added value to business. In line with Premier Wu Den-yih's concept of the "economics of ordinary people," we have started by providing guidance to micro-sized enterprises and special groups in remote areas.

From what we have observed, these enterprises have some exceptional products, but they don't know how to use the Internet to gain marketing exposure. We play the role of enabling them – just like large corporations with abundant resources – to play up their unique features to attract buyers. We help them to use the Internet as a starting point to create an even better business model, so that special localized products can reach the hands of consumers in other regions. Such special areas include Meishan Township in Chiayi County and Tientoushui in Changhua County. Internet exposure can even be used to attract visitors to these places, creating further marketing opportunities.

Another approach is to work with industry associations to set up and promote an e-commerce website to spur companies in those industries to use e-commerce. By enabling upstream and downstream members of an industry to interact and cooperate with one another, a new business platform is created, increasing companies' opportunities to sell their products either to other enterprises or to consumers.



*A 2009 event held by SMEA to encourage companies to get more involved in e-commerce.*

To date, such websites have yielded excellent results, such as the case last year in which we assisted the Kaohsiung Hotel Association to set up an English-language website aimed at the foreign backpacking market. Linked with Google Maps, it promotes member hotels along the route of the Kaohsiung MRT, for example permitting what was originally just the two-star Riverside Hotel to use the Greater Kaohsiung hotel portal website to develop an international market.

**What will be the future development of e-commerce for Taiwan's SMEs and how will the SMEA seek to assist them?**

According to projections by the Market Intelligence Center of the Institute for Information Industry, this year the worldwide e-commerce market value will reach US\$951.3billion. To help Taiwan's SMEs gain their share of those business opportunities, we are giving continuous support to industry to upgrade companies' ability to utilize e-commerce. We wish to enable SMEs to increase their competitiveness by expanding their overseas markets instead of being limited to domestic sales.

Based on our analysis and observation, Taiwan's SMEs definitely have sufficient opportunity and capability to market globally through e-commerce. In fact, more than half of Taiwan's online stores currently plan to develop international business.



**Vice President Vincent Siew and other officials visit the SMEA pavilion at the 2009 Information Month exhibition.**

What are Taiwan SMEs' advantages in doing e-commerce? One of their strengths is their high degree of operational flexibility, allowing them to sense – and follow up on – business opportunities anywhere in the world. Taiwanese businesses have a strong global supply chain enabling them to meet demand for all types of goods. In addition, Taiwan possesses an outstanding Internet infrastructure, and its domestic e-commerce is already highly mature and well-established. These are all crucial advantages for Taiwan enterprises in entering the international arena.

Moreover, the threshold for engaging in cross-border Internet marketing is low, the design and quality of Taiwan



**SMEA cooperated with Alibaba, AsianProducts, eBay, and Rakuten – the four leading internet platforms – in a program to help Taiwan companies enter the international e-commerce market.**

products is already at international standards, and Taiwan is well tied into international logistics channels. From the above-mentioned factors, we can see that Taiwan's SMEs have both the opportunity and the ability to vault onto this international platform. It is a goal worth encouraging the SMEs to make every effort to attain.

After confirming that Taiwan enterprises have this kind of ability and strength to develop international e-commerce, we decided to seek to lead Taiwan industry and SMEs toward the international market. In doing export sales, Taiwan SMEs may be small in scale, with limited resources and managerial experience, but we can help them leap onto such international platforms as ebay, Alibaba, Rakuten, and AsianProducts. And we can further assist them with education, training, and international e-commerce consulting services to bring their business, financial, logistical, and information flows up to par, helping them to easily enter the arena of international e-commerce.

As for identifying product features most suitable for export, we will work with companies that already have e-commerce sites, providing resources and marketing advice to help them enhance their export sales. In addition, for industries deemed to have rich potential for developing export e-commerce, we will make available additional international Internet marketing resources, enabling them – through exports via the Internet – to meet the goals of industrial upgrading and spurring business opportunities. For example, we will train consultants in international Internet marketing to ensure a continuous supply of international business and marketing expertise for Taiwan's e-commerce companies. As a result of these efforts, various Taiwan industries will be able to enjoy a new era of prosperity by means of international Internet marketing.

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