

YES BANK

Transformation
series

EDITION VII

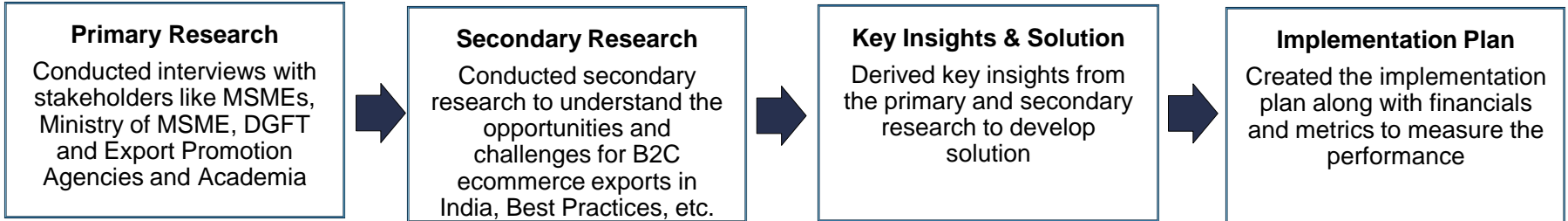
COLLABORATE TO INNOVATE

**TEAM B SQUAD
IIM BANGALORE**

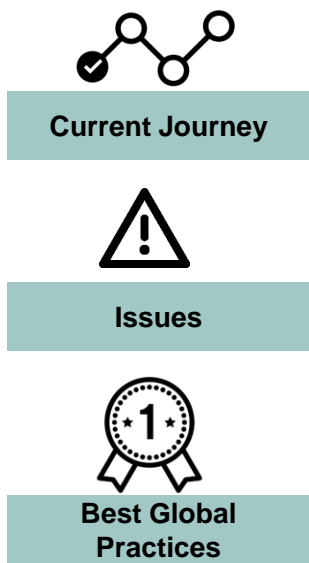
EXECUTIVE SUMMARY

Objective Design a comprehensive strategy to give push to Indian B2C ecommerce exports by mitigating existing issues and redesigning the approach towards educating and marketing them

Methodology



Touchpoints



SAMANVAY

We propose SAMANVAY, which, like its name, is an ecosystem which will ensure harmony and coordination among the present disconnected bodies, processes and policies

Comprehensive B2C eCommerce Exports Policy

Comprehensive policy to ensure coordination between government bodies, private players and MSMEs to drive B2C ecommerce export growth



SWIFT +

Single-Window Technology Platform for all stakeholders

Other stakeholders

Logistics, Infrastructure, Payment, Technology and ecommerce providers

GLOBAL WATCH

Best Practices in B2C eCommerce Exports



China



USA



UK



Other interesting practices

Policy

- MSMEs classified as per their credit worthiness, quality of products, etc. to customise export process
- Standard requirement and product certification
- Standardized return policy
- Local govt. involved in policy formulation & implementation
- Provincial-level MOUs

- Program to train exporters on ecommerce competitiveness
- Networking programmes to connect exporters new to ecommerce to experienced exporters
- Certified professionals to help exporters in their marketing initiatives

- E-Exporting Programme, which is a national level apex program has been launched to cover all aspects of B2C export promotion
- UKEF partnered with 5 major banks to provide government backed trade finance to SME's directly from their banks

- In Taiwan, SMEA invites ecommerce companies, payment gateway providers and exporters to common conferences for knowledge sharing and networking

Logistics and Infrastructure

- Cluster-level interventions for logistics and infrastructure requirement mapping
- 57.7% population has access to internet facilities

- Federal government support to state government to improve surface infrastructure
- Heavy investments in logistics 77% population has access to internet facilities

- National Productivity Investment Fund of 31B Pounds to boost infrastructure
- Heavy investments in Strategic Rail Freight Network for improving the logistics

- In Korea, Taiwan and China, a facility called Bonded Warehouse Model is used under which products are shipped in bulk to warehouse and as orders are received, goods are released

Technology

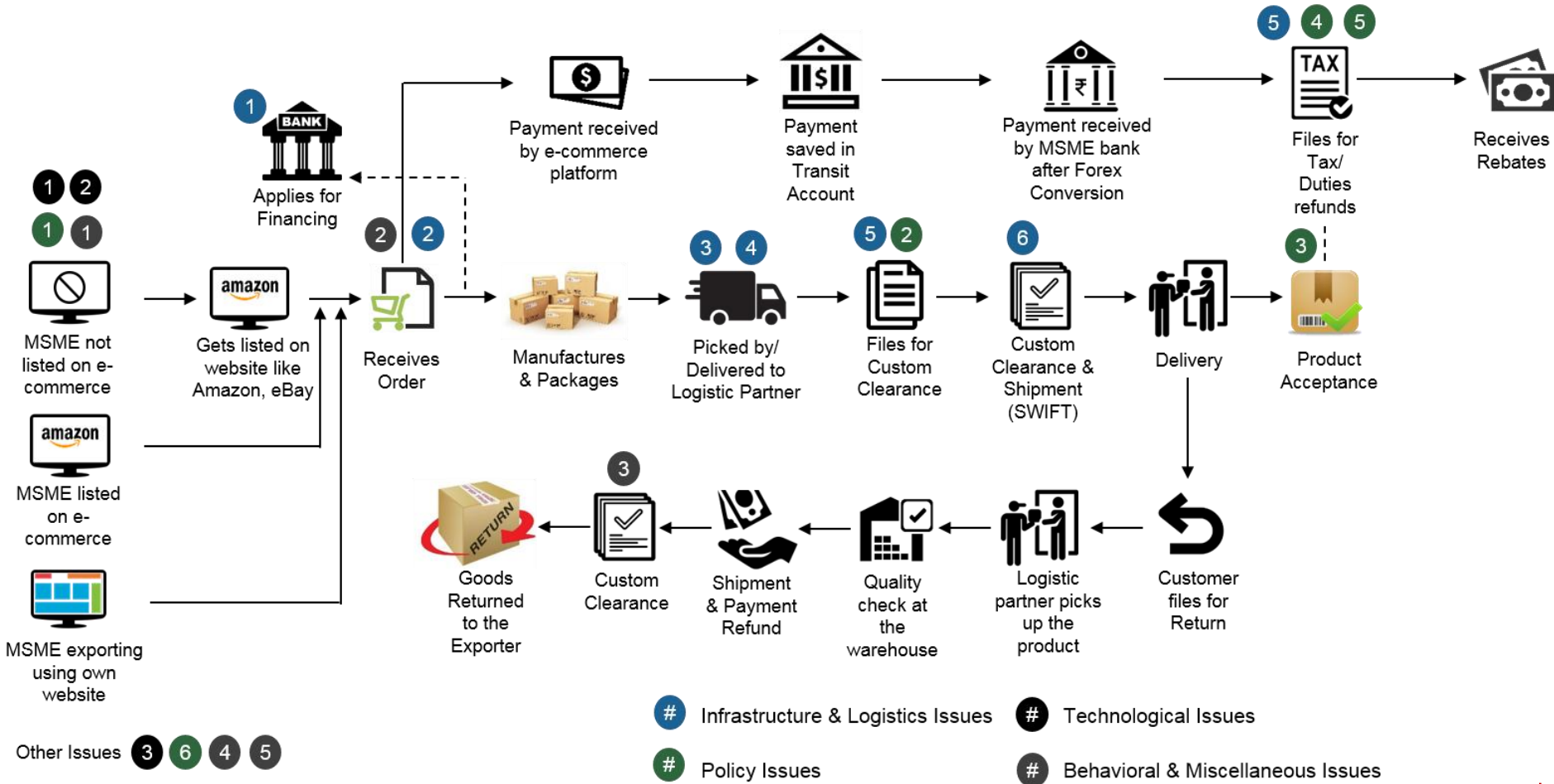
- E-Port system - single window clearance for faster customs processing
- EDI system ensures faster duty rebates and input tax credit

- Single window clearance for faster customs processing
- Central repository of research on countries to which products can be exported, market trends, etc.
- Online export assistance

- Single window clearance for faster customs processing
- Bar coding to facilitate return processes
- UKTI supporting the exports by providing info through seminars, webinar and events

CURRENT EXPORT JOURNEY

To understand the current challenges



The issues identified at each stage have been discussed in detail on the next slide

CURRENT CHALLENGES

And how the current regulations are the cause

Challenges in the journey of MSME exports

Infrastructure and logistics

- 1 Difficulty in getting finance for pre-shipment and post-shipment
- 2 No online tracking of order
- 3 Lack of physical infrastructure
- 4 Unreliable and expensive logistics providers
- 5 Multiple invoice copies required for customs clearance and tax and duty rebates
- 6 Manual customs examination

Technology

- 1 Lack of awareness about schemes, ecommerce process and internet literacy
- 2 Privacy and security concerns, fear of e-payments
- 3 Loss of opportunity for exports to RTA (Regional Trade Agreements) markets

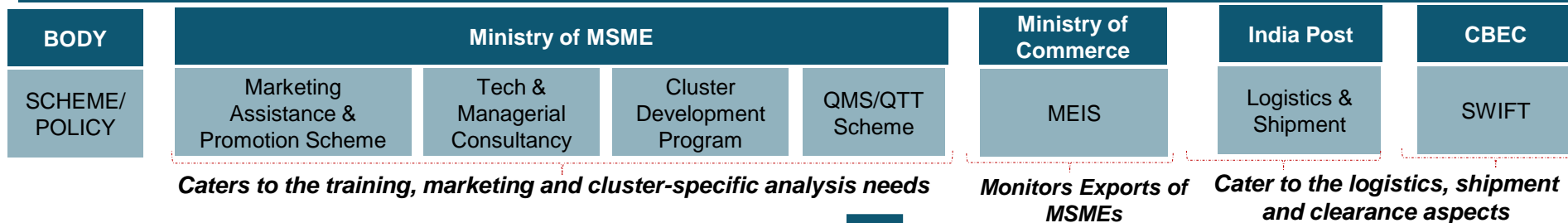
Policy

- 1 Lack of awareness about Cluster-specific initiatives
- 2 Form CN22 of India Post has no option of 'commercial shipment'
- 3 No government assurance to customers of quality of exports
- 4 Under MEIS policy, duty rebate is provided on order limit of Rs. 25000 and only 6 sectors & limited (air)ports covered
- 5 Cannot claim input tax GST refund
- 6 No nodal body exists to regulate the end-to-end process of B2C exports

Behavioural and Misc.

- 1 Difficult to part with the Traditional Mode of Trade
- 2 Attempt to push products which are manufactured already
- 3 Lack of bar coding for goods and manual process
- 4 Lack of competitiveness in MSMEs
- 5 SWIFT portal is recently implemented and lacks integration with key stakeholders

Current regulatory framework



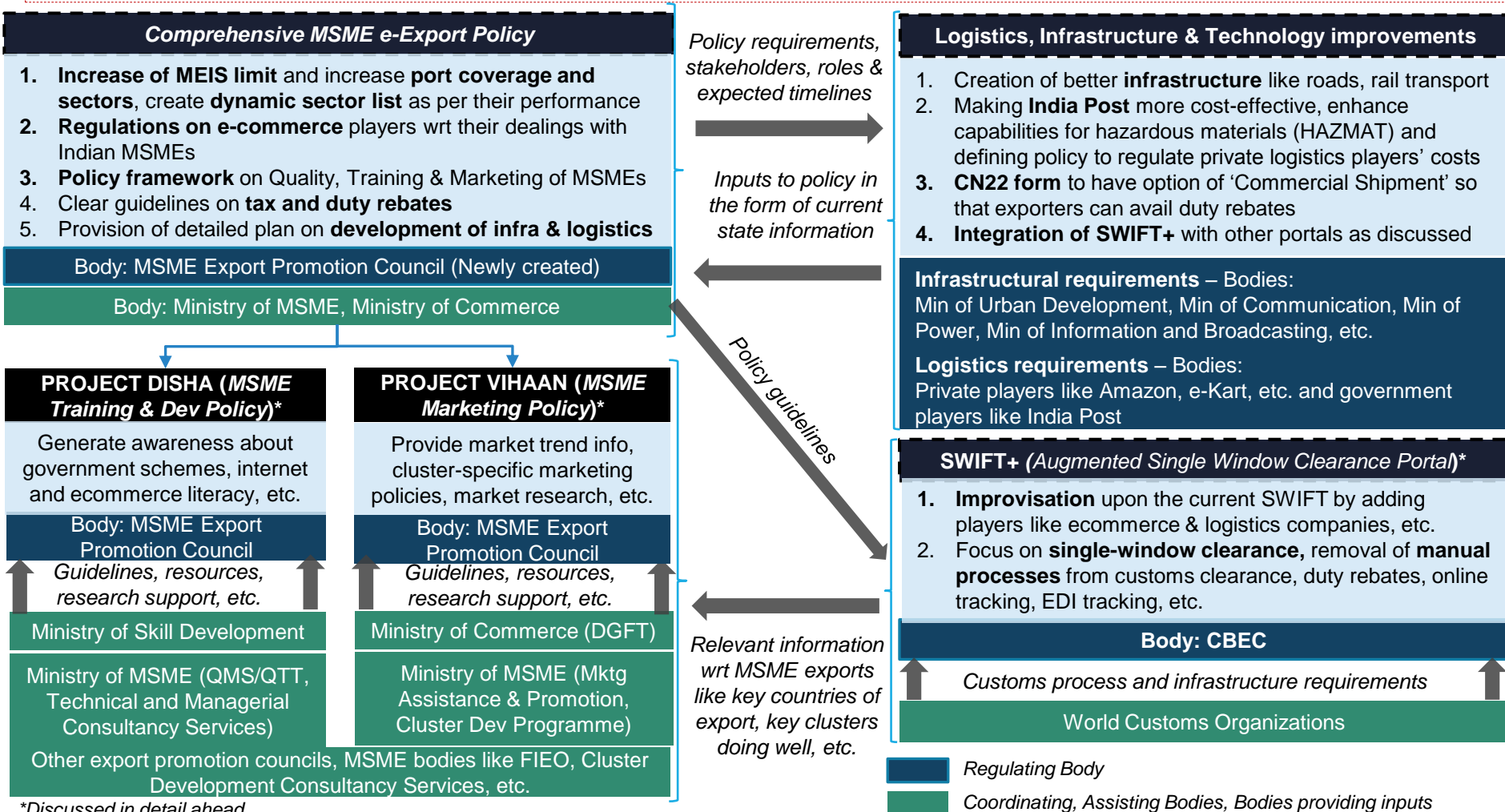
There are several government policies in place which are spread across the MSME's journey of B2C exports. However, these bodies don't work in tandem, the policies and schemes are disconnected and the exporters are largely unaware of how they can benefit from these. Further, there are several policy shortcomings. These together give rise to all these challenges.

SAMANVAY

Ecosystem Solution to boost MSME B2C e-Exports



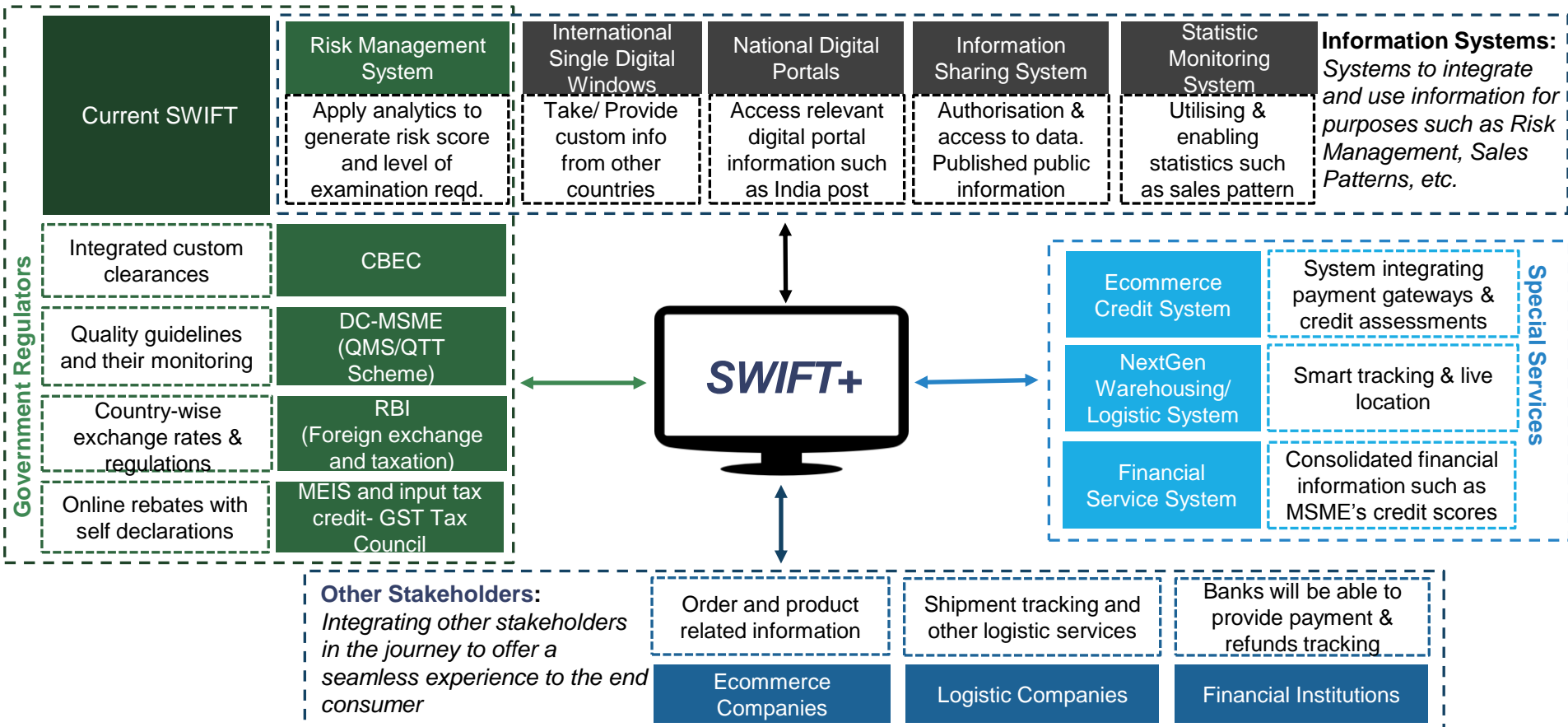
In order to bring more sharing of information among the different bodies and leverage the existing regulatory framework, we need an ecosystem



*Discussed in detail ahead

SWIFT+

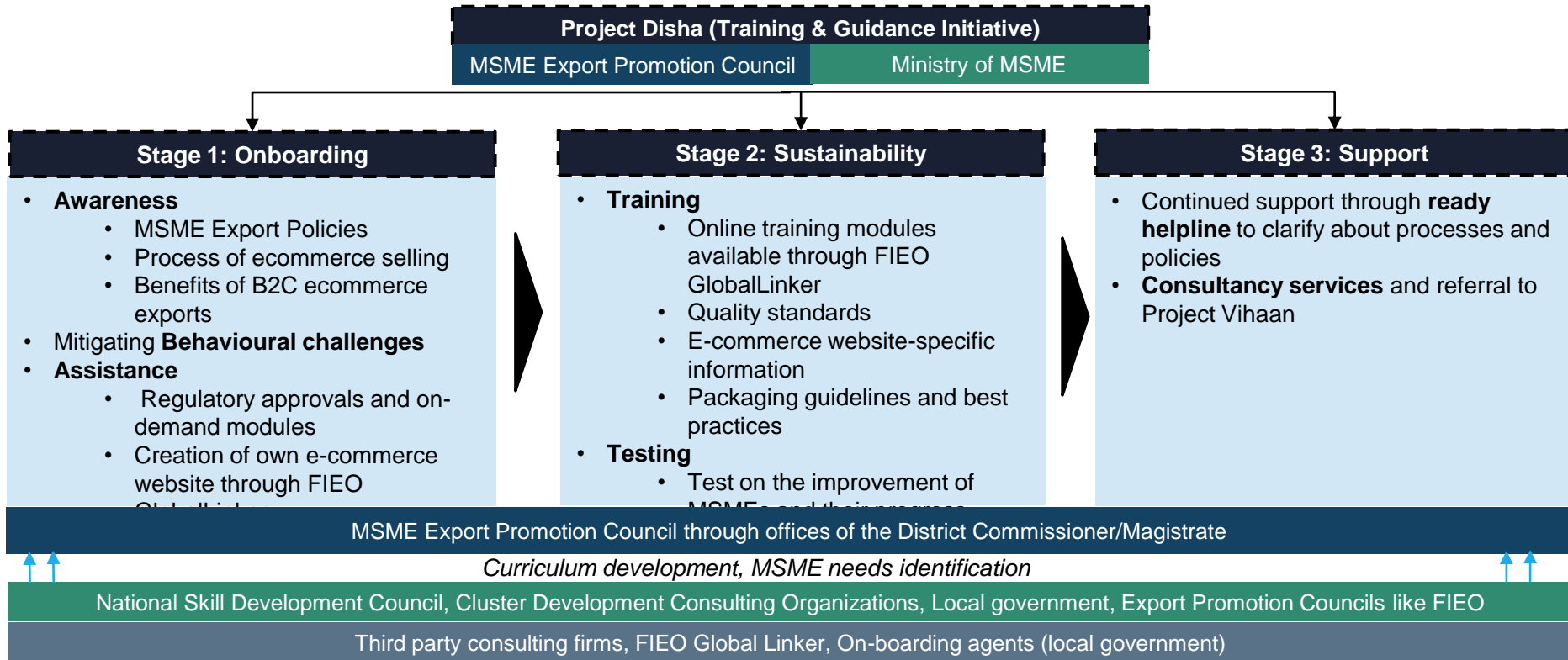
Integrated Technology Platform for exchange of information across various stakeholders



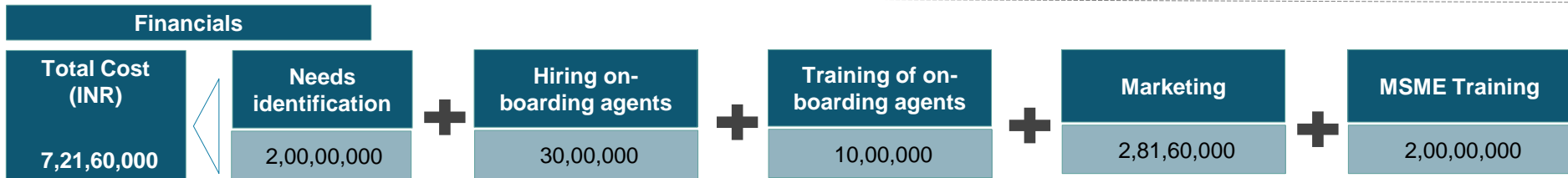
Financials	
Total Cost (INR)	
1,53,00,000	
	System Development & Integration (INR)
	1,24,20,000
	Maintenance (INR)
	28,80,000

EDUCATING MSMEs

The Idea – Project DISHA



Regulating Body
 Inputs from
 On-ground implementing agency



MARKETING MSMEs

The need for a revamped strategy

Relevant existing policies

Regulating Body	Policy/Schemes	Area of Coverage
Ministry of MSME	Marketing Assistance and Export Promotion Scheme	Participation in international trade fairs, packaging training, market development assistance (MDA Scheme) for international exhibitions, national award for quality products
	Cluster Development Programme	Cluster level identification and solution of infrastructural and behavioural issues (technology, skills, quality, market access, etc.), provision of marketing studies on importing countries
	QMS/QTT Scheme	Training on quality standards

Although there are policies present to market MSMEs, there are several issues which persist



“Government’s marketing initiatives are largely disconnected, with no real connect with the needs of MSMEs and targeted help with respect to what they should sell and how” – Mr. Rajveer, Apex Cluster Development Ltd.



Push instead of pull strategy



No sector-specific focus on export efforts



More need for cluster-level marketing knowledge



Persistent customer issues like lack of credibility of products and process

Cluster Approach: Case Study of Gujarat

- Total Clusters – 83
- Identified important clusters – 26
- Each cluster is dealt with separately to understand its infrastructural requirements, export potential, need for technology upgradation, etc.
- Bodies which have expertise in that category are managing the cluster. For example, NIFT is managing jewellery and garments clusters in Ahmedabad

Example of how key importing countries differ as per the commodities

S. No.	Principal Commodities	Major Destinations		
1	Petroleum Products	U Arab Emts (15.21%)	Singapore (12.56%)	Netherland (10.57%)
2	Pearl, Precs, Semiprecs Stones	U S A (36.85%)	Hong Kong (32.33%)	Belgium (10.23%)
3	Gold And Oth Precs Metal Jewellery	U Arab Emts (71.18%)	U S A (13.71%)	Hong Kong (5.42%)
4	Drug Formulations, Biologicals	U S A (35.78%)	U K (3.93%)	South Africa (3.72%)
5	Ship, Boat And Floating Struct	U Arab Emts (49.17%)	Singapore (13.61%)	South Africa (10.27%)



MARKETING MSMEs

The Idea – Project VIHAAN



Project Vihaan (MSME Export Marketing Initiative) will have a three-pronged focus

MSME Export Promotion Council

Ministry of MSME

Marketing Initiatives

- Assisting MSMEs in **International Trade Fairs and Expos**
- National Awards** for Quality Products
- Targeted marketing initiatives for **specific categories** of Indian exports in **specific countries**
- Development of **G-Assurance** - a rating of quality for any MSME's products – to be displayed on ecommerce websites (based on SWIFT+ data)
- Graded Marketing Assistance** Program – As per the G-Assurance score, each MSME to get customized help as per the requirement

Requirements for in-depth study and analysis of key clusters

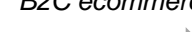


Cluster-specific info about focus countries for better targeted marketing

Cluster Initiatives

- Cluster-specific marketing interventions to solve **specific issues**. For example, a particular cluster might need greater assistance in maintaining quality because it deals with defence tools
- Cluster studies** to understand requirements and issues being faced by different clusters

List of identified MSMEs in specific clusters which are comfortable with B2C ecommerce



Specific issues being faced by MSMEs

Brand-building assistance

- Training programs on building brands by focusing on packaging, promotion, etc. for **MSMEs which have gained some experience** in selling over e-commerce
- Best practices** of good exporter brands from across the globe
- Knowledge about certification to build **credibility of brands**

MSME Export Promotion Council (DC-MSME CDP) through offices of the District Commissioner/Magistrate

↑ Provide country-wise exports info ↑

DGFT, Min of Commerce

Cluster Dev Consulting Firms, Local government functionaries

MSME Export Promotion Council (DC-MSME CDP) through offices of the District Commissioner

↑ Cluster-specific requirements ↑

Cluster Dev. Consulting Firms

Cluster Dev Consulting Firms, Local government functionaries

MSME Export Council (DC-MSME CDP) through offices of the District Commissioner

↑ Requirements of MSMEs ↑

Consulting & Training partners

Cluster Dev Consulting Firms, Local government functionaries

Regulating Body

Inputs from

On-ground implementing agency

Total Cost (INR)

17,86,00,000

Cluster Studies

5,00,00,000



Tailored marketing

12,50,00,000



G-Assurance

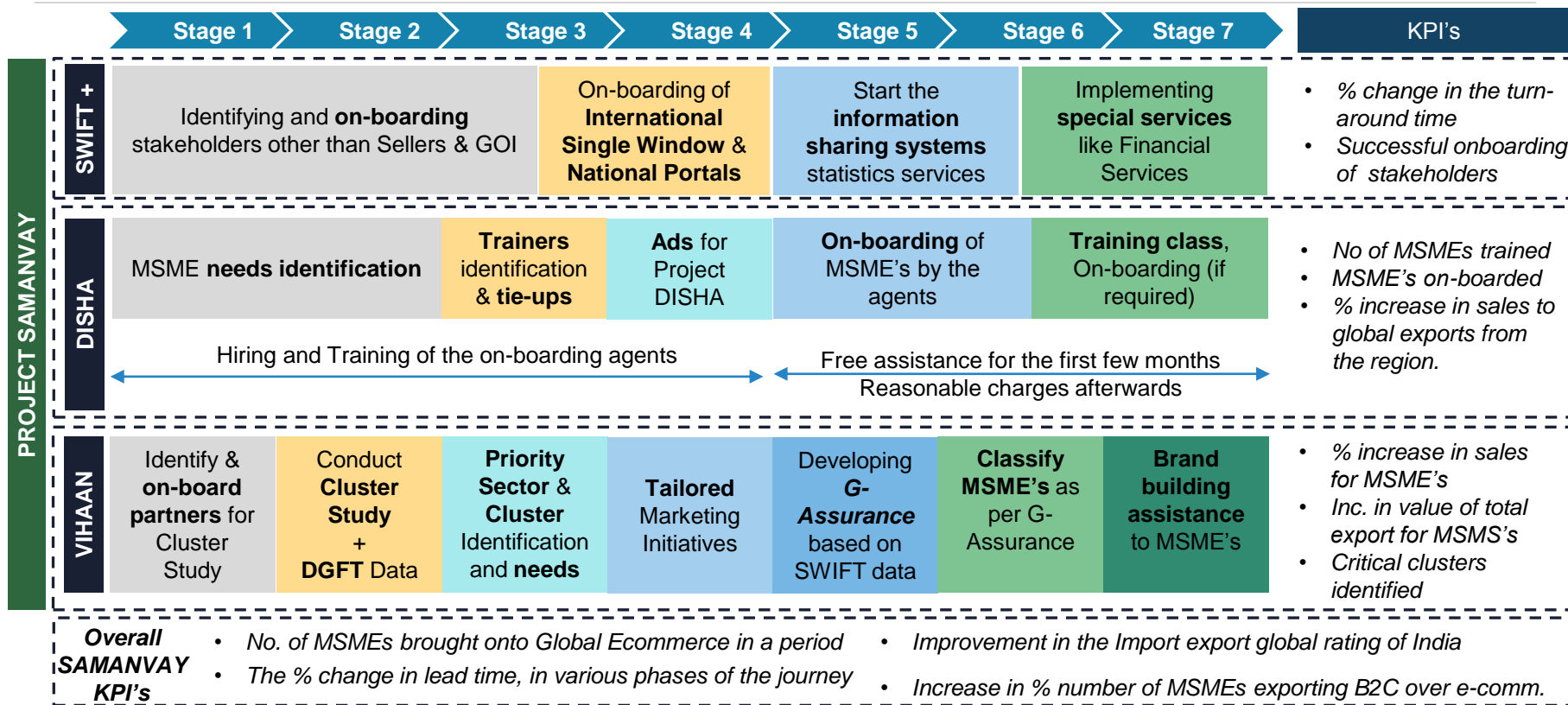
36,00,000



Brand Assistance

Outsourced ad-hoc as per need

IMPLEMENTATION PLAN & GROWTH PROJECTION



S No	Description	Current value	Year 1	Year 2	Year 3	Year 4	Year 5
1	Annual Exports by top 20 commodities for FY18	15,28,59,005					
2	Average share of MSME in India's exports	40%					
3	Annual MSME exports (top 20 comm) in FY18	6,11,43,602	6,72,57,962	7,73,46,656	8,89,48,655	10,22,90,953	11,45,65,867
	Assuming annual growth rates Y-o-Y		10%	15%	15%	15%	12%

CAGR of 13.38 %

Growth

Q & A

APPENDIX

Primary Points of Contact



Mr. Nikunj Srivastava,
Addl.. Commissioner,
DGFT



Mr. Shantanu Mitra, Add.
Development Commissioner,
Ministry of MSME



Mr. Rajveer Singh, MD,
Apex Cluster Development
Services



Prof. Rangarajan,
Head, Centre of MSME
Studies, IIFT



Mr. Sharique
Abid Sharique Enterprises



Mr. Atul
Usha Apparel



Ms. Sadaf
Aqsa Creations



Mr. Manoj Jain
Net Care Infotech



Mr. Deepak Chauhan
Cohesive Technologies

APPENDIX

Financials and Secondary Sources



Cost Workings

1	SWIFT +	1,53,00,000	
(a)	System Development & Integration	1,24,20,000	
	1 - Other Stakeholders	40,80,000	Assuming we need a team of 3-4 Software developers, 1 Tester and 1 Architect with an average monthly salary of Rs. 50000, 40000 & 100000 respectively. First 6-8 months for developing the system capabilities for sharing access to non-government players and on-boarding e-commerce companies, next 1-2 months each for integrating with Logistic companies and Financial Institutions
	2 - Information Systems	30,60,000	First 5-6 months for developing the system capabilities for sharing access and integrating with foreign governments portals, next 1 months each for National portals, 1 month for Information Sharing System and 1 month for Integrating Statistic Monitoring System. Assuming we need a team of 4 Software developers, 1 Tester and 1 Architect with an average monthly salary of Rs. 50000, 40000 & 100000 respectively.
	3 - Special Services Systems	52,80,000	3-4 months for developing and integrating each of the E-commerce credit, NextGen Warehousing and Financial Service System. Assuming we need a team of 5-6 Software developers, 1 Tester and 1 Architect with an average monthly salary of Rs. 50000, 40000 & 100000 respectively.
(b)	Maintenance (This will be incurred from next year)	28,80,000	Assuming we need 2 people for regular updating and maintaining the system. Assuming an average monthly salary of 40000

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Financials and Secondary Sources

Cost Workings

2	Project DISHA	7,21,60,000	
(a)	Needs identification	2,00,00,000	Assuming that it will be outsourced to a Third Party and assuming an approximate cost of 1000000 per district and we initially moving with 20 districts
(b)	Hiring on-boarding agents	30,00,000	Assuming we have 5 on-boarding agents per district and an average monthly salary of 30000
(c)	Training of on-boarding agents	10,00,000	Assuming an average cost of 10000 per agent
(d)	Marketing	2,81,60,000	
	Ad Development	20,00,000	Assuming an Ad development cost of Rs 2000000
	TV ads	69,60,000	Assuming we are advertising in 2 channels (one general entertainment and one news channel), Ad time of 20 sec, Ad is run 10 times in a day and for 1 month https://www.themediaant.com/television/abp-news-advertising
	Radio Ads	72,00,000	Assuming we are advertising in 20 channels (one channel per city), Ad time of 20 sec, Ad is run 10 times in a day and for 1 month https://www.themediaant.com/radio?stations=Radio%20Mirchi
	Newspaper Ads	1,20,00,000	Assuming an print size of 30 cm X 25 cm and an average print rate 800 per sqcm https://timesofindia.releasemyad.com/tariff/Times-of-India-Display-Advertisement
(e)	MSME training cost	2,00,00,000	Assuming an average cost of 10000 per MSME and we are training 100 MSME per district per year
(f)	Assistance during initial months	-	No additional cost, to be done by on-boarding agents

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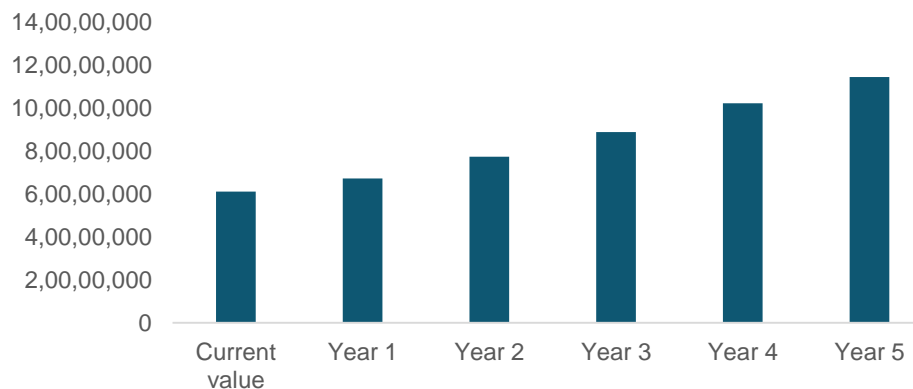
Financials and Secondary Sources

Cost Workings

3	Project VIHAAN	17,86,00,000	
(a)	Cluster Studies	5,00,00,000	Assuming that it will be outsourced to a Third Party and assuming an approximate cost of 50000000 for priority cluster and needs identification
(b)	Tailored Marketing Initiatives	12,50,00,000	
	E-commerce websites integration	-	Partnering with E-commerce websites to promote specific products in certain geographies
	Expos	12,50,00,000	Assuming the cost of subsidising one exporter for a trade fair is approx. 250000 and we are subsidising 500 exporters going for trade fair in a year
(c)	G-Assurance Rating System	36,00,000	Assuming 4 months for developing and 2 months for testing and improvement. Assuming we are hiring 3-4 analysts and a manager to develop the rating system with an average monthly salary of 100000 and 200000 respectively
(d)	Brand Assistance Team	-	This will be outsourced on adhoc basis as per need

Growth in MSME Exports

Growth of Exports by MSME's



APPENDIX

Financials and Secondary Sources



Financials

- <http://www.dcmsme.gov.in/MSME-DO/export.htm>
- <https://ic.gujarat.gov.in/cluster-development.aspx>
- <http://pib.nic.in/newsite/PrintRelease.aspx?relid=168611>
- <https://cleartax.in/s/table-6a-gstr-1-export-refund>
- <https://www.icegate.gov.in/SWIFT/about-us.html>
- <https://www.gov.uk/guidance/e-exporting>
- <https://www.thehindu.com/business/Industry/policy-drags-ecommerce-exports/article17412925.ece>
- http://dgft.gov.in/sites/default/files/bjune18_0.pdf[http://docs.iift.ac.in/cbt/msme_new/DOCS/A-3/Institutional%20Support%20for%20SMES%20\(Centre%20Level\).pdf](http://docs.iift.ac.in/cbt/msme_new/DOCS/A-3/Institutional%20Support%20for%20SMES%20(Centre%20Level).pdf)
- <https://www.investindia.gov.in/team-india-blogs/next-step-trade-cross-border-e-commerce>
- <https://www.statista.com/statistics/348309/india-barriers-for-cross-border-shopping/>
- <https://dgft.gov.in/sites/default/files/imc-EXPORT-sme.pdf>
- <https://www.statista.com/statistics/274251/retail-site-penetration-across-markets/>
- <https://www.statista.com/statistics/348108/cross-border-e-commerce-usage-worldwide/>
- https://www.unido.org/sites/default/files/2017-10/WP_17_2017.pdf
- <http://www.chinadaily.com.cn/a/201802/09/WS5a7d5aa0a3106e7dcc13bd58.html>
- https://www.ystats.com/wp-content/uploads/2015/03/Brochure_Global-Cross-Border-B2C-E-Commerce-2014.pdf
- <https://www.prnewswire.com/news-releases/global-cross-border-b2c-e-commerce-2015-300140005.html>
- <https://www.unido.org/api/opentext/documents/download/9919169/unido-file-9919169CBT> -
- <https://www.statista.com/statistics/892740/india-cross-border-online-retail-by-trade-destinations-by-country/>
- <http://dgft.gov.in/bulletin-statis-report>