*e*COMMERCE MALTA
National Strategy
2014 - 2020

Foreword by the Parliamentary Secretary for Competitiveness and Economic Growth

– Hon. Josè Herrera

This Strategy is another testament to the Government's commitment to achieving a digitally driven economy. It is the second milestone achieved this year, fully complementing the 'Digital Malta' Strategy. In both cases, full collaboration between entities and engagement with stakeholders has rendered significant results. We now have an agreed plan of action, a plan to drive industry to recognise and exploit online opportunities.

eCommerce activity is on an upward trend across the globe. Locally, more than half of the Maltese population is shopping online. Consumer demand is evidently there. The opportunities for Maltese business are undisputed. It is no longer a question of 'if', but more a matter of 'when' the local business community will take their trade online. Our businesses can ill afford to miss out in such an aggressively competitive environment.

The reality is that businesses are half way there. 83% of businesses are already using computers and the Internet to run their business, out of which 85% are conducting online banking and research, while 77% are paying bills online. It is a matter of translating this business philosophy into a more consumer centric operation. We do not underestimate the challenges involved. This is what this strategy addresses.

Our role is to ensure that industry players have the necessary tools and resources to derive tangible benefits from eCommerce activity. On our part, we fully recognise the potential of this sector and how it can serve to facilitate growth across the economy. It is a sector that is dependent on robust electronic communication infrastructures and a light-touch regulatory framework, yet is intrinsically linked to other sectors such as finance and postal services. Our vision is, therefore, wide in scope. We want to ensure that all underlying contributors are strong enough to drive and support the growth of eCommerce in Malta.

I strongly believe that the will to deliver the goods is there, that the business community will make every effort to drive the digital economy, and that our institutions will continue to provide the right framework for motivating and facilitating growth. It is only through continued collaborative effort that initiatives in this sector will be implemented and sustained in the long term.

Message from the Chairman, Malta Communications Authority (MCA)

– Dr Edward Woods

eCommerce is a fast growing sector and the importance of its sustainability and continued growth is carrying more weight year-on-year. Not only are more people purchasing online, in fact 54% of the Maltese population are engaging in eCommerce activity, but they are doing so more frequently and are indeed spending more. With 43% of the population owning a smartphone, the availability of such mobile channels at the users disposal, any time, any place, provides even greater scope for such activity. The predictions are that these positive trends will continue in the coming years.

However, the uptake of eCommerce by consumers is disproportionate to the rate at which businesses are engaging in B2C eCommerce. This raises the flag on a number of fronts. Whilst Malta is performing alongside the EU average, we are still lagging behind when compared to the better performing countries such as Denmark and the Czech Republic. Furthermore, local businesses are not capitalising on the opportunities presented by eCommerce and the potential for cross-border trade. I strongly believe that businesses are slowly changing their perceptions and the approach to their operations and will indeed take the plunge in the long-run. We need to pick up speed in our efforts to support industry players in this regard.

This Strategy is the first step and is the result of a collective effort of a wide-ranging stakeholder base in identifying the challenges faced by industry players and potential areas for growth and investment. It also outlines a number of ambitious initiatives that will be implemented in the coming seven year period by Government, in collaboration with this Authority and other entities. This national strategy will undoubtedly test the mettle of our entrepreneurs in their eagerness to take up these initiatives.

We have already set the ball rolling on a number of initiatives, one of which is BLINK – a comprehensive online directory of eCommerce service providers.

Offering a wealth of information, it is the first port of call for any business that wants to start engaging in eCommerce activity.

We have certainly come a long way, but our efforts will not stop here. We must keep our ears on the ground to continue realizing and addressing the challenges faced by the industry, to ensure that the regulatory framework adequately caters for changing market conditions and that it efficiently caters for technological development in order to realize the full potential of eCommerce.

I take this opportunity to thank all stakeholders involved in the shaping of this strategy.

Our success now lies in the continued collaboration and cooperation between Government, the public and the private sector.

Executive Summary

Despite the longstanding economic downturn, eCommerce[1] continues to grow at unprecedented rates across the globe, driving radical change in consumer and business markets. This is true for all consumer markets ranging from general retail to services, such as tourism, banking and postal services. It is also true for business markets, both retail and wholesale. No country can afford to miss the opportunities brought about by this global economic reality. Moreover, this phenomenon is fuelling major shifts in cross-border trade with clear and important risk implications for local retail markets and ancillary businesses.

eCommerce is creating waves of disintermediation and reintermediation as new service models emerge to replace those that do not survive in the online world. The Internet has enabled new business models to emerge related to the use of 'big data', including location based data, 'Software as a Service' (SaaS) and 'wearable technologies' to mention but a few.

Market disruption of this magnitude creates risks and opportunities that the Maltese economy must be in a position to respectively mitigate and capitalise on. This 'ideal state' requires the development of flexible and proactive national policies that facilitate investment and support start-ups related to eCommerce, while enabling established industries to react effectively to change driven by eCommerce.

In view of the above, this strategy aims to support the take up of eCommerce and the provision of eCommerce-related services by local businesses, whilst also addressing, at a high level, the prospects for Malta to attract foreign companies providing eCommerce or ancillary services to establish operations in Malta.

It was developed following consultation with key stakeholders and it complements the eCommerce-related actions outlined in the Digital Malta strategy.[2]

The actions being proposed are framed within four main pillars:

Pillar 1: Engendering trust in eCommerce.
Identifies a set of measures to sustain and grow the local eCommerce market on the demand side.

Pillar 2: Transforming micro-enterprises.
This considers the needs of micro-enterprises and vulnerable industries that may need to undergo structural changes as a result of the widespread adoption of eCommerce by Maltese consumers.

Pillar 3: Taking SMEs and industry to the next level.
Identifies a set of initiatives to assist and further drive the adoption of eCommerce by SMEs and business sectors having the potential to capitalise on web technologies to penetrate foreign/niche markets.

Pillar 4: Making Malta a global eCommerce player.
Reviews and identifies opportunities whereby Malta may attract business activity operating or supporting global eCommerce markets.

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[1] For the purpose of this strategy, eCommerce is defined as the sale or purchase of goods and services, over computer networks, generally over systems specifically designed for that purpose. For a transaction to be classified as eCommerce, the payment and the ultimate delivery of the goods or services does not have to be conducted online. Online commercial activities that generate revenue are classified as eCommerce, even if the service is provided to the end user free of charge (e.g. free online newspapers that generate revenue from advertising are still considered to be eCommerce). Sales and purchases resulting from orders made by telephone calls, facsimile or manually typed email do not qualify as eCommerce services. eCommerce can occur between businesses (B2B), businesses and consumers (B2C) and between businesses and governments (B2G). Other forms of transactions sometimes referred to as eCommerce and which fall outside the scope of this strategy, are those between consumers (C2C) and between consumers and government (C2G & G2C).

[2] Digital Malta – https://digitalmalta.gov.mt/en/Pages/Home.aspx

Chapter I – Rationale

Online retail is estimated to be growing at much faster rates than traditional retail. Over the last three years, global online retail is estimated to have increased at an average rate of more than 18% annually compared to sales via other channels, which only grew by 1.3% annually. Over this period, this phenomenon is mostly evident in Asia Pacific, Latin America and Eastern Europe.[3]

It is estimated that global eCommerce (including B2B and B2C) has been growing, on average, 19% each year. In monetary terms, global eCommerce is expected to grow to €1.02 trillion by 2015.[4]

Cross-border eCommerce is also growing at tremendous rates. A PayPal study[5] claims that around 93.7 million online shoppers in the world's largest eCommerce markets (USA, UK, Germany, Brazil, China and Australia), are projected to have spent €77 billion in cross-border shopping in 2013. The same study also forecasts that by 2018, the number of cross-border shoppers in these markets will go up to 130 million with a projected total annual spend of €227 billion.

It is the sheer magnitude of these numbers that presents the most compelling rationale for an eCommerce strategy that addresses the threats that Maltese economic sectors have to face, as well as the opportunities that can present themselves. Ultimately, it is the business community that has to rise up to the challenge. It stands to reason however that its efforts stand a notably better chance of bearing fruit, if framed within the right policy context.

This strategy aims precisely at framing how Government will go about enabling the proliferation of eCommerce in Malta, both in terms of uptake by local operators, as well as attracting eCommerce related operations, thereby benefitting the economy in general.

The implementation of this strategy is premised on a series of actions that need to take place throughout the plan period. The measures being proposed are framed within four main pillars that address the various ingredients deemed as necessary for take up by consumers and businesses. It is nonetheless premised that take-up by the latter is out of necessity a greater priority and presents concomitant challenges. The numbers show that uptake by consumers in Malta handsomely outstrips uptake by suppliers. The numbers mentioned in Chapter IV are rather eloquent in this respect.

Thus, this strategy is weighted more towards convincing businesses on the benefits of eCommerce as a delivery channel. Beyond the intrinsic benefits, however, the need for take up on the part of economic operators can become a question of survival. This makes the proposal that much more compelling.

Beyond addressing the Maltese 'supply and demand' issues, this strategy also outlines growth opportunities that global eCommerce operations can present if the right policy climate is available. This is neither an easy, nor a short-term, quick-reward measure. Developing a policy aimed at attracting global and European eCommerce players to base operations in Malta will necessitate articulate groundwork, with a view to focusing on those niches that can best benefit the Maltese economy. Once this activity is framed in a concerted plan of action, then the likelihood of a successful outcome somewhat increases.

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[3] *Cushman & Wakefield – Global Perspective on Retail: Online Retailing - July 2013*

[4] *https://www.jpmorgan.com*

[5] *PayPal – Modern Spice Routes – the cultural impact and economic opportunities of cross-border shopping - https://www.paypal.com.au/lead_gen/SpiceRoutes/*

Chapter II – Business models and major trends in eCommerce

The availability of a labour market with an adequate supply of skills required by eCommerce businesses is a determinant factor, both in relation to the ability of local enterprises to successfully adopt these models, as well as with regard to Malta's value proposition as a potential destination for enterprises conducting eCommerce or servicing the eCommerce industry. The skill sets required by any enterprise are dependent on the business models adopted. It is therefore important to examine the most commonly found business models and major trends impacting eCommerce.

A sizeable variety of business models (see Appendix D) have developed on the Internet, with the majority of these generally entailing some form of eCommerce. Interestingly, many of these do not generate revenue directly from sale of goods, but rather from the provision of related services. At a local level, only a limited number of businesses have grasped the true essence of eCommerce, in terms of its potential beyond the mere trading of products over the Internet. The amount of untapped potential that the business community could be exploiting is therefore huge, and is effectively a primary purpose of this strategy, in that it endeavours to empower local entrepreneurs to be well-versed with the myriad possibilities that eCommerce offers.

A number of important trends are shaping the eCommerce landscape as it evolves and these are impacting the business models adopted by eCommerce providers, as well as the skill sets required by the industry. Thus, the proposed measures, listed in Chapter IV are being made in light of the following global developments.

Multichannel retailing

Major retailers are today moving into multichannel retailing providing their clients with a holistic and comprehensive retail experience. This involves the use of brick and mortar, PC-based, mobile, app-based, kiosk and other channels. It is also requiring retailers to develop high-quality content using text and video as a means of engaging with customers via these multiple channels, including social and other media channels. The reality of today's changing consumer behaviours is forcing retailers to re-think and re-define their business proposition.

New technologies on the radar

New technologies, such as Apple Watch and Google Glass, are heralding a new world of wearable technology. Retailers will need to come on board quickly to use these technologies in conjunction with mobile commerce services as they become increasingly mainstream.

Legal compliance for cross-border operations

With the rise of cross-border eCommerce, retailers need to ensure compliance with the varied legal regimes across the globe. Firms that operate globally will need to stay abreast of the various regulations and ensure they meet or exceed any compliance obligations. This is creating a demand for related legal services and support.

Big data and related new monetisation models

Big data analytics is expected to become a core activity for eCommerce providers. This phenomenon is expected to continue to evolve providing ever-more complex mechanisms designed to identify consumer preferences, shopping and usage patterns and enabling retailers to tailor and personalise the individual's shopping experience. Today retailers can collect data about their clients and provide services tailored to match the individual client. These technologies are also creating new monetisation models, allowing retailers to convert one-time purchases into recurrent revenue via the sale of related Over-The-Top (OTT) services.

Software-as-a-Service (SaaS)

SaaS is enabling businesses to change their revenue models and better engage and reward users for using their applications.

Increased integration with social media

Companies are adopting solutions that seek to better integrate online purchasing with social media activity making the shopping experience a seamless part of the user's online presence.

Localisation

Although demand for goods from abroad is strengthening across the globe, consumers still look for a localised eCommerce experience. This requires cross-border retailers to localise payment methods, currency support, as well as marketing and merchandising campaigns.

Popularity of boutique shops

Despite the growth of the large global suppliers, a survey carried out by Deloitte in 2013[6] found that smaller outlets that offer unique products and a 'local shop' experience, will remain popular with consumers.

In today's business models, the boundaries between brick and mortar operations, eCommerce and mobile commerce, social media channels and others, are blurring as businesses seek to adopt fully integrated multi-channel solutions to ensure that clients' needs can be met effectively, while servicing a diverse set of customers through different channels.
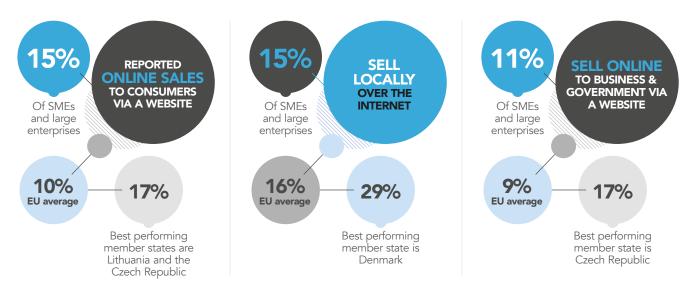
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[6] Deloitte's 2013 Annual Holiday Survey – http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_Retail_2013HolidaySurveyResults_102113.pdf

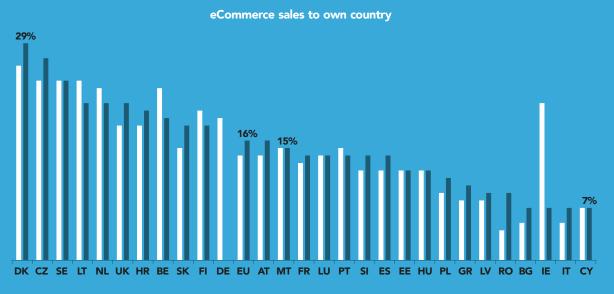## Chapter III – eCommerce, the local perspective

a. The supply side

In Malta, around 25,000 business units are micro-enterprises, representing 94.1% of all Maltese businesses. The latest study on eCommerce use by businesses that the MCA conducts biennially found that the best performing local industries for eCommerce are the real estate industry, with 35% of businesses conducting eCommerce, followed by the hospitality and tourism industry with 34% and the transport and storage industry with 32%. The worst performing industry was the community, social and personal services sector, where virtually no eCommerce is conducted.

This study is somewhat significant in the context of this strategy because it monitors eCommerce activity in Malta across the entire local industry (including micro-enterprises) distributed across seven business sectors and thereby provides a valuable ongoing update of the progress of the various facets of eCommerce in Malta.

The supply of eCommerce services by SMEs (10+ & large enterprises) is generally in line with EU average
According to the 2013 Eurostat data:

15%
Of SMEs and large enterprises

REPORTED ONLINE SALES TO CONSUMERS VIA A WEBSITE

10% EU average

17%

Best performing member states are Lithuania and the Czech Republic

15%
Of SMEs and large enterprises

SELL LOCALLY OVER THE INTERNET

16% EU average

29%

Best performing member state is Denmark

11%
Of SMEs and large enterprises

SELL ONLINE TO BUSINESS & GOVERNMENT VIA A WEBSITE

9% EU average

17%

Best performing member state is Czech Republic

eCommerce sales to own country

29% — DK

16% — EU

15% — MT

7% — CY

DK CZ SE LT NL UK HR BE SK FI DE EU AT MT FR LU PT SI ES EE HU PL GR LV RO BG IE IT CY

2011
2013

Source: Eurostat 2013
DE (2013) – Unreliable data

Malta is the second best performing member state for sales via electronic data interchange, which come in at 13% of all sales, just 2% behind Luxembourg – the best performing member state at 15% (EU average is 7%). Malta also fares particularly well with regard to electronic sales to the rest of the world reaching 10%, again just 2% behind Luxembourg (12%), whilst the EU average stands at just 4%.

However, the findings show that Malta trails significantly behind the best performing EU member states in relation to web-based trade.

Following are the challenges that need to be addressed if eCommerce is to be a driver of economic growth.
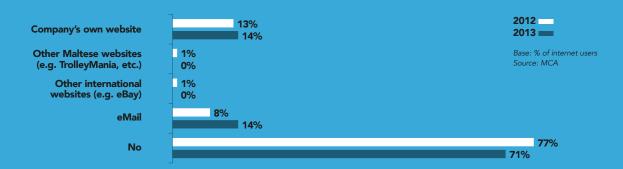
The absence of macro data
From research undertaken for the compilation of this strategy, it emerged that there is no macro data related to the value of the local eCommerce market, either in terms of overall online sales, or in terms of B2C sales. Such information is necessary as it enables policy makers and industry to take into account the extent of eCommerce activity when formulating relevant strategies and action plans.

eCommerce take-up by business still low
According to the MCA study mentioned earlier, some 14% of Maltese enterprises are selling online. This figure comprises 13% of micro enterprises, 18% of enterprises having between 10 and 49 employees, 29% of enterprises having between 50 and 249 employees and 22% of large enterprises. Almost all businesses that sell online do so via their own website, with only an insignificant amount selling through online platforms.

Selling products / services over the Internet (eCommerce)

Company's own website	13% (2012) / 14% (2013)
Other Maltese websites (e.g. TrolleyMania, etc.)	1% (2012) / 0% (2013)
Other international websites (e.g. eBay)	1% (2012) / 0% (2013)
eMail	8% (2012) / 14% (2013)
No	77% (2012) / 71% (2013)

2012 / 2013

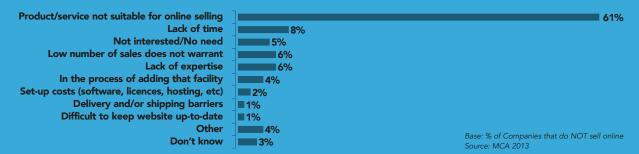Base: % of internet users
Source: MCA

Challenging the status quo
As demonstrated by the chart below, by far the most predominant reason given for not selling over the Internet was that the product is not suitable for eCommerce. This indicates a possible lack of understanding of the potential of eCommerce and its versatility as a sales medium.

Shipping costs
The general perception is that shipping is a barrier to eCommerce in Malta. Anecdotal evidence suggests that shipping costs pose an element of concern to Maltese enterprises wishing to sell goods online, particularly to foreign destinations. However, in the absence of hard evidence in this respect, further probing into the matter is warranted to determine the extent to which shipping costs could truly be deterring local businesses from engaging in eCommerce, especially cross-border.

Reasons for not selling online

Product/service not suitable for online selling	61%
Lack of time	8%
Not interested/No need	5%
Low number of sales does not warrant	6%
Lack of expertise	6%
In the process of adding that facility	4%
Set-up costs (software, licences, hosting, etc)	2%
Delivery and/or shipping barriers	1%
Difficult to keep website up-to-date	1%
Other	4%
Don't know	3%

Base: % of Companies that do NOT sell online
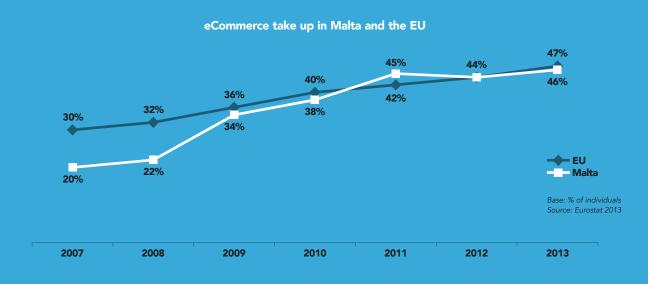Source: MCA 2013

b. The demand side

Research undertaken during the development of this strategy found no macro data related to the value of eCommerce purchases by Maltese consumers. However, this year, the National Statistics Office (NSO) will be conducting a pilot study with a view to collating data related to online spending by Maltese consumers (excluding services such as booking of event tickets, flights and accommodation) in order to obtain an estimate of the amount being spent online by Maltese consumers and an indication of the frequency with which they purchase. This may be further complemented by data that will be captured in next year's Household Budgetary Survey compiled by the NSO, which could provide more precise information about the items being bought online and the amounts being spent, per category of goods. Such information is necessary as it enables policy makers and industry players to take into account the extent of eCommerce activity when formulating related strategies and action plans.

Malta boasts a broadband coverage of 100%, with 79% of households and 95% of businesses having internet access. Over the past seven years, the Maltese market has caught up fast with the rest of the EU in terms of online shopping. Today, according to the 2013 Eurostat data, 46% of the Maltese population shops online, just slightly below the EU average of 47%.

eCommerce take up in Malta and the EU

Base: % of individuals
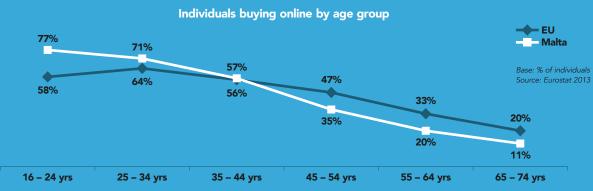Source: Eurostat 2013

However, a comparison with the UK, the best performing European market for this indicator, where 77% of the population shops online, indicates that there is still much room for growth in this regard, with the attendant future implications for Maltese consumers and the local retail market.

The same data source further reveals that Maltese 16 to 24 year olds are significantly more active in eCommerce activity than their counterparts in the rest of Europe.

This gap declines up to the 35 to 44 year age bracket, where online shopping in Malta is within the EU average.
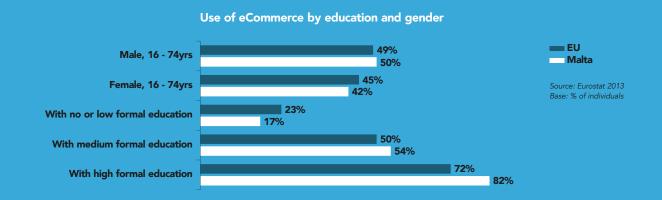
In line with the digital divide figures for Malta, which indicate a significant gap in ICT take up by people aged 45 and above when compared to the EU average, online shopping in Malta by people aged 45+ is significantly less prevalent than in the rest of the EU.

Individuals buying online by age group

Base: % of individuals
Source: Eurostat 2013

Chapter III – eCommerce, the local perspective *(continued)*

The Eurostat data further shows that Malta surpasses the EU average in respect of eCommerce by individuals with medium or a high level of education, but trails behind with respect to individuals with low levels of education. As regards eCommerce by gender, Malta is generally in line with the EU average.

Use of eCommerce by education and gender

	EU	Malta
Male, 16 - 74yrs	49%	50%
Female, 16 - 74yrs	45%	42%
With no or low formal education	23%	17%
With medium formal education	50%	54%
With high formal education	72%	82%

Source: Eurostat 2013
Base: % of individuals

The eCommerce use by individuals survey carried out earlier this year by the MCA indicates that Maltese consumers are buying online more often, with 25% claiming to use this channel more than once a month, as against 9% in 2010.

Popular items purchased from foreign online sites by Maltese eCommerce users

- Clothing & Shoes — 65%
- IT & Electronic goods — 46%
- Books — 37%

Popular items purchased from local online sites by Maltese eCommerce users
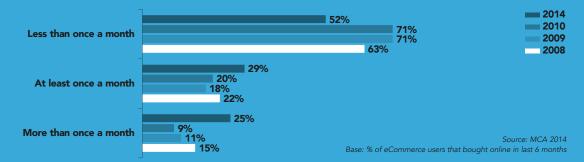
- Concert / Event Tickets — 27%
- Insurance & Financial Services — 25%
- Books — 14%
- Flights — 11%

Frequency of purchases

	2014	2010	2009	2008
Less than once a month	52%	71%	71%	63%
At least once a month	29%	20%	18%	22%
More than once a month	25%	9%	11%	15%

Source: MCA 2014
Base: % of eCommerce users that bought online in last 6 months

The study also found that in a year, a quarter of eCommerce users spent up to €1000 in online purchases, 12% spent up to €2000 whilst 6% spent more than €2000 in online purchases.

The main reason cited by those that do not shop over the Internet is lack of interest or need (32% of those that do not shop online), followed by those who are not familiar with the process (26%) and those that prefer to physically handle items prior to buying (22%). This indicates that there

is still a significant portion of the population, who could resort to online shopping given sufficient information on the subject.

The 2013 Eurostat data also reports that 44% of the Maltese population bought online from foreign merchants, second in the EU after Luxembourg where 60% of the population buys cross-border. Only 7% of the Maltese population buys from local eCommerce providers, as against 23% in Luxembourg and 72% in the UK. The imbalance between local online shopping and cross-border online shopping poses challenges to local industry that is losing business to foreign competitors, whilst also impacting, to some extent, government's tax revenues.[7]

The use of eCommerce by Maltese consumers is directly related to the extent of internet usage. This, in turn, is primarily influenced by two factors - age and level of education. With nearly 80% of young people in the 16 to 24 age bracket buying online, it is safe to forecast that Malta's performance in this regard will continue to improve over time.

c. Way forward

The challenges that Malta is facing in eCommerce call for targeted and sustained policy action to reform those industries that are not responding adequately to today's reality of online global trade and to push Malta towards the top half of the European leader board for eCommerce. Such action is also required to support those industries that have the potential to capitalise on the opportunities provided by eCommerce and to build on those areas where Malta is already performing relatively well. It is fundamental, in this regard, that the products or services for sale are suited for eCommerce. In light of Malta's geographic location, physical products that are small, light and easy to ship, or digital goods/intangible services (as demonstrated by the Gaming industry), tend to be a better fit for cross-border eCommerce.

Targeted action is required to enable enterprises (in particular those in the retail industry) to become familiar with all aspects of eCommerce-enabling enterprises, in order for these to be able to respond, in an effective and timely manner, to market shifts brought about by online trade. The local brick and mortar retail industry and its commercial eco-system need to adjust to the inevitable transformation that it will have to undergo over the coming years.

Support is also required for those businesses which build a credible business case for the roll-out of eCommerce services but encounter difficulties along the start-up phase of the operation, or those that want to extend an established and viable eCommerce activity, but need assistance to be able to do so.

Furthermore, targeted action is also necessary to ensure that those industries, which have either become dependent on eCommerce (e.g. the tourism industry), or which have the potential to extend their markets via eCommerce (e.g. the local crafts industry), are able and have the required support to embrace eCommerce.

Malta should also seek to capitalise upon the experience of those local enterprises using electronic means to receive orders and conduct sales, with a view to developing widespread use of this business model amongst local supply chains as a means of increasing efficiency and competitiveness. As sustained by the eBSN (European eBusiness Support Network for SMEs)[8], "*the competitiveness of SMEs increasingly depends on their capacity to connect better and do business with larger enterprises, to integrate global value chains and thus become international business partners*".

On the demand side, whilst the overall figures are rather comforting, it is nonetheless deemed that action is still required on two fronts. On the one hand, there is the need to focus on increasing the take up of internet use, which remains stubbornly at around 70% of the population. On the other hand, every effort must be made to ensure that those individuals, across all ages, who are internet users but who do not shop online, are better informed about the benefits and convenience derived from eCommerce and how one can safely conduct such activity.

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[7] *With respect to the latter, according to the VAT Directive (2006/112/EC), traders exceeding the distance selling threshold in any one member state would need to apply the destination principle and register for VAT in that member state. This rule is of particular interest to Malta since a substantial number of Maltese internet users carry out online purchases from suppliers in other member states (in particular the UK). However, there are instances where customers purchasing from traders established in other member states have their goods delivered by a third party (this is usually due to the foreign trader not offering international delivery) and hence the VAT of the member state of origin would be applied in such cases. The threshold adopted by Malta is that of €35,000 meaning that a trader established in another member state and whose sales turnover to Malta exceeds that amount, would need to account for VAT in Malta, at the rate applicable locally.*

[8] *http://ec.europa.eu/enterprise/sectors/ict/ebsn/what/index_en.htm*

Chapter IV – Strategic and policy recommendations

a. Policy direction

A series of measures are being proposed on the basis of the findings of this exercise. These are framed within the need to maximize the limited resources available, as well as to develop initiatives that yield tangible and measurable results. In addition, these actions are intended to encourage eCommerce adoption only when a clear business case for eCommerce exists and hence take into account the following:

- The horizontal nature of eCommerce. Measures will be undertaken in full collaboration with the relevant government agencies, sector specific regulators, industry associations and other stakeholders.

- The broad range of possible applications of eCommerce across product or service value chains.

- The diversity of enterprises that may benefit from eCommerce; and

- The increasing deployment of B2B solutions across value chains, having the potential of improving the competitiveness of enterprises all along the digitised value chain.

b. Recommended actions

This strategy recognises the following measures in relation to the growth of eCommerce:

- developing a set of measures to sustain and grow the local supply and demand sides;

- considering those vulnerable industries that may need to undergo structural changes as a result of the widespread adoption of eCommerce by Maltese consumers;

- implementing a set of initiatives to assist and further drive the adoption of eCommerce by those business sectors having the potential to capitalise on web technologies to penetrate foreign/niche markets;

- reviewing and identifying opportunities whereby Malta may attract business activity operating or supporting the global eCommerce markets.

c. Action plan

PILLAR 1 Engendering trust in eCommerce

Research indicates that those individuals aged 45+ and those with a low-level of education tend to shy away from eCommerce. This precludes them from enjoying the opportunities and benefits that online shopping begets. Therefore, this pillar will seek to entice those that may still not realise the advantages that online shopping can offer them through the implementation of educational and ongoing awareness programmes.

Measure 1

A series of information sessions about online shopping, internet banking, digital payments and online security will be held. The training will be devised in a way to accommodate the needs of the specific target group.

An ongoing awareness raising campaign will be undertaken to further complement the information sessions.

PILLAR 2 Transforming micro-enterprises

This pillar aims to address the challenges that micro-enterprises[9] are facing in light of today's digitally driven world. This suite of initiatives is aimed at facilitating the proliferation of eCommerce activity by increasing awareness amongst potential sellers on the opportunities brought about by the use of internet technology and by supporting the latter in becoming more competitive, entrepreneurial, efficient and resilient.

Measure 1
A study will investigate the challenges that micro-businesses face in light of digital technologies and consumers' propensity towards cross-border eCommerce. The outcome of this study will serve to provide government and the business community with an accurate understanding of the barriers hindering eCommerce development, provide policy direction for further future government intervention and will feed into the education and awareness campaigns forming part of this strategy.

Measure 2
Training will be organised with the aim of fostering entrepreneurship amongst small enterprises through the use of ICT and to encourage the latter to reconsider their existing business models. Through training, micro-enterprises will identify and learn how to capitalise on opportunities provided by eCommerce, whilst taking into account and mitigating against, the business risks posed by cross-border online purchasing trends of Maltese consumers and businesses.

Following are the topics that will be tackled:

- realizing the potential of social media;
- developing eCommerce capability;
- developing a global mindset; and
- understanding the importance and implications of online security and fraud prevention.

Measure 3
A dedicated mentorship programme will be devised to help micro-enterprises understand if and how eCommerce can be applied to their business and assist them in developing business strategies and investment plans.

Measure 4
Government will intervene by supporting vulnerable enterprises through tailored schemes and other initiatives aimed at fostering digital entrepreneurship and in support of projects with great growth potential in the eCommerce ecosystem and online business.

Measure 5
An online directory will provide start-ups or established businesses seeking to tap into online trading, with an easy to access list of suppliers that can provide them with the products/services required to set up and run a successful online business. The online directory will seek, to the extent possible, to offer an exhaustive list of the suppliers that offer ancillary services to online traders. Inclusion in this directory will be on a voluntary basis.

PILLAR 3 Taking SMEs and industry to the next level

In the context of a single European market within a global context, eCommerce provides SMEs with opportunities to reach global niche markets that were unthinkable of until a few years ago. This pillar will establish an SME business innovation framework that will support and ensure that both business and industry are equipped with the necessary tools and possess the right business acumen to tap into new markets, enhance competitiveness, attain an ever-more entrepreneurial flair whilst remaining resilient in the face of an increasingly globalised market shaped by technological developments and market opportunities.

Measure 1
An 'Audit Kit' will be developed, on a sector-specific basis, to help verify the robustness of businesses vis-à-vis eCommerce, in terms of:

- readiness to implement/invest in digital technologies (for companies that have not yet adopted eCommerce);

- capability: the level of use of digital technologies with special attention to eCommerce-related technologies;

- compliance: the level of conformity to laws governing eCommerce services;

- security: the level of security of eCommerce architecture, including, but not restricted to, relevant policies, standards and procedures.

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[9] For the purpose of this strategy, this includes businesses with less than 10 employees, start-ups and self-employed.

Measure 2

Through the deployment of the 'Audit Kit', a dedicated specialist advisory service will assist enterprises to further develop and enhance ICT and eCommerce capability in their business.

Measure 3

Jointly with industry representatives, an education campaign aimed at sharing experiences will target marketing professionals with a view to further their skills in digital marketing and stay on top of the game.

Measure 4

National eCommerce plans for specific sectors will be developed with the aim of supporting the latter to extend their markets via eCommerce.

Measure 5

A tailored training programme for businesses in specific sectors will be devised based on the recommendations resulting from Measure 4.

Measure 6

A helpdesk support service will be implemented and it will provide guidance and assistance to businesses for solving issues pertaining to eCommerce-related projects and it will:

- serve as an initial point of contact for businesses that require assistance in digital-related endeavours, such as the necessary formalities and the relevant aspects to consider when opening a business on the Internet, etc.; and

- assist businesses in rolling-out industry-wide initiatives.

Measure 7

Government will support enterprises that have an established and commercially viable eCommerce operation to expand their business either locally or overseas.

Measure 8

Government, in collaboration with sector specific authorities, the social partners and trade organisations, will assist industries in establishing and enhancing supply chain operations.

Measure 9

The MCA will continue monitoring and contributing to developments in eCommerce at international fora, in particular, the proposed European trust-mark for eCommerce providers, with a view to ensuring its easy accessibility and eventual take up by local businesses.

Measure 10

A series of seminars/forums will be organised involving experts and success stories from around the world to inspire established businesses to take a 'think outside the box' approach when dealing with change and transformation of their business processes and operations. These meetings will be designed to stimulate debate and discussion, whilst serving as platforms for further awareness raising, focussing on, but not limited to:

- The use of social networks as a business tool;
- eInvoicing;
- The use of eGovernment services by businesses;
- eBusiness (CRM, ERP, SEO etc);
- Multi-channel retailing; and
- Trading of digital goods in the single market.

Measure 11

The MCA will offer a platform for local entrepreneurs to showcase their innovative solutions to the entire business community and the general public, rewarding those that are distinguishing themselves in the field of ICT.

Measure 12

A periodic research will be undertaken to provide insight to the business community and the Government about trends in consumer online spending and to gauge the aggregate online spending by Maltese consumers. The information collected will provide the basis for further policy analysis and action.

Measure 13

An in-depth study will be carried out to identify the factors influencing eCommerce activity in Malta and its impact on the economy. The study will explore the levels of eCommerce activity by enterprises established in Malta and how these compare with their counterparts in Europe and beyond. Such a study would better equip the nation in providing measures that provide industries with greater stability, agility and timely response to shifting market needs.

Measure 14

International programmes supporting mobility and exposure will be promoted in order for Maltese entrepreneurs to discover new ways of doing business from programmes such as 'Erasmus for Entrepreneurs'.[10]

Measure 15

A study will be undertaken to better understand the evolving digital payments scenario by exploring the entry of new payment methods and how these can be adopted by local enterprises to further grow their business, both locally and abroad, such as:

- digital wallets;
- contactless payments; and
- eMoney.

PILLAR 4 Making Malta a global eCommerce player

The technology advancement of the past years has made eCommerce a global reality as markets converge and consolidate. The boundaries between the retail, technology, media and telecoms markets have blurred, particularly in the context of growing trade in digital goods. The advent of a stronger European digital single market, the developing North African market and the new entrants penetrating and disrupting mature industries, are some of the opportunities Malta cannot fail to explore and exploit.

Measure 1

The MCA, jointly with key stakeholders, will develop a policy aimed at attracting global and European eCommerce players to base operations in Malta.

The policy will identify and explore emergent niche opportunities for Malta, as well as weaknesses that hinder investment. The policy will particularly focus on digital goods, cloud based services and developments in warehousing and logistics.

Measure 2

The MCA will set up a helpdesk to support new foreign eCommerce ventures basing operations in Malta. The helpdesk will offer initial guidance related to the setting up of operations in Malta and will link with other relevant public entities.

Appendix A

eCommerce, a growing global phenomenon

The global number of internet users at end 2012 was estimated at 2.4 billion and is forecasted to reach 3.5 billion (50% of the world population) in just a couple of years. Today, around 40% of global internet users shop online.[11]

Mobile eCommerce is expected to grow at a faster pace than other types of eCommerce[12] with predictions that by 2014, 580 million consumers will purchase goods and services online using a mobile device. In developing, emerging and maturing markets, mobile eCommerce is providing consumers with new payment methods making it possible for them to purchase goods and services online.

Europe

Despite the economic turmoil that has plagued a number of European countries and the EU as a region in these last five years, the European online retail market is still healthy. By way of example, Greece is estimated to have experienced a growth of around 40-50% in its online retail market in 2010 and 2011.[13]

In 2012, European consumer spending via eCommerce, including online travel bookings, events and other tickets and downloads, is estimated to have grown by 19% to reach €311.6 billion, with 89% of these sales or €276.5 billion originating in the EU28. In terms of online B2C sales, as at 2012, the European eCommerce industry is dominated by the UK (€96 billion), Germany (€50 billion) and France (€45 billion).[14]

According to a recent study by Mintel[15], an independent marketing research firm based in London, European online retail sales are expected to double to €323 billion by 2018. In terms of the country leader-board, the same report predicts that the UK, Germany and France will remain the leading countries in online retail sales, but countries such as the Netherlands, Spain and Poland will grow at a faster rate.

eCommerce Europe[16] estimates that the number of B2C websites in Europe reached 550,000 by the end of 2012,

growing at a pace of 15% to 20% every year. It looks very likely that this trend will continue at an even higher rate given the growth foreseen in the emerging markets in Southern and Eastern Europe that are rapidly catching up with the more mature markets in North, West and Central Europe.

In terms of jobs, eCommerce Europe estimates that the B2C eCommerce sector has generated, directly or indirectly, two million jobs in Europe. It projects that this will continue growing in line with the ongoing increase and penetration of the Internet and the projected growth in B2C eCommerce.

It is also estimated that 3.5 billion parcels per annum are being delivered domestically and across-borders to other European countries, with this figure expected to continue growing in line with the forecasted growth for B2C eCommerce.

The growth of eCommerce in Europe is mainly attributed to a very high penetration of credit and debit cards, coupled with a high banking, internet and mobile penetration.[17]

The following provides a snapshot of two largest European eCommerce Markets - UK and Germany.

UK

The UK is the most mature eCommerce market in Europe. With 77% of the population buying online in 2013, the UK boasts the highest eCommerce penetration within the EU.[18] The UK's online consumers have helped digitise the economy, as the Internet contributes a larger share to GDP than in any of the other European countries.

It is not surprising, in light of the strength of the domestic demand for eCommerce, that UK retailers are extending their operations overseas and successfully attracting many European cross-border shoppers.[19] The UK's eCommerce market is estimated to have grown from €1 billion in 2000 to over €90 billion in 2012, of which €41 billion was eRetail.[20] The UK's cross-border sales for 2013 were

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[11, 14] *eCommerce Europe – Europe B2C eCommerce Report 2013 – www.ecommerce-europe.eu*

[12] *http://www.juniperresearch.com*

[13] *IMRG – International Developments In eCommerce – http://go.channeladvisor.com/rs/channeladvisor/images/uk-ebook-IMRG-CBT.pdf*

[15] *http://www.reuters.com/article/2013/08/15/shopping-online-europe-idUSL6N0GG28320130815*

[16] *eCommerce Europe – Europe B2C eCommerce Report 2013 – www.ecommerce-europe.eu*

[17] *Payvision – Profitable Cross-Border eCommerce Industries – Shanty Elena van de Sande*

[18] *http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_ec_ibuy&lang=en*

[19] *The Paypers – Cross-Border eCommerce Report – UK - 2013*

expected to reach €12 billion.[21] It is expected that by 2018, online retail sales will rise from 12.7% (2012) to 21.5% of the UK retail market.

In terms of cross-border sales, the UK online retail market has proven to be one of the great success stories of the past decade, recording strong growth each year. A recent Nielson research for PayPal[22] places the UK (37% of online shoppers buy from the UK) only second to the US (45%) when it comes to the most popular overseas online shopping destinations, followed by mainland China (26%), Hong Kong (25%), Canada (18%), Australia (16%) and Germany (14%).

As at 2012, 74% of UK retailers were selling cross-border, with 21% of UK retailers selling to over 100 countries. Interestingly, in 2011, 93% of Maltese online shoppers bought from UK sites. The cross-border appeal of UK sites is however not restricted to Maltese shoppers, with 74% of Irish and Cypriot shoppers buying from UK sites and between 30% and 50% of online shoppers in nine other EU member states buying from the UK.[23]

IMRG[24] estimates that by 2020, 40% of sales of UK eRetailers will be selling cross-border as against 17% this year.[25]

Revenue from mobile commerce in the UK is expected to reach €7.8 billion in 2013, accounting for 15% of UK's online retail sales. According to Capgemini and IMRG, 23% of online sales during the second quarter of 2013 originated from mobile devices.[26]

The UK's long history of distance selling through catalogues, could have given the UK a strong headstart in eCommerce. This was further fuelled by the UK ICT-savvy population, a strong supporting infrastructure, together with a number of globally recognised brands.[27] In addition, the fact that English is widely spoken in a number of countries worldwide, has surely helped it to tap markets beyond its borders.[28]

Germany
Germany is the second largest online market in Europe. It ranks 5th in the world in terms of B2C eCommerce sales. Internet usage has increased significantly in Germany in recent years with social media platforms becoming particularly popular and increasingly used for marketing purposes.

Total eCommerce turnover is estimated to have reached €45 billion in 2012 with B2C sales accounting for €36.5 billion in the same year. B2C turnover is expected to have increased to €41 billion in 2013. 10% of German online shoppers buy cross-border, while 30% of German eRetailers sell cross-border.

North America
The US online retail market is currently valued at around €128.6 billion. Its value is expected to double by 2017.[29] According to ComScore[30], the most sought after product categories are digital content and subscriptions, accessories (jewellery and watches), consumer electronics, toys and hobbies and computer software.

As at 2012, 78% of the population used the Internet[31] whilst 71% of US internet users shop online.

450 retailers make up more than 70% of the US online market, with Amazon and eBay leading the way.[32]

Omni-channel retailing is at the top of US retailers' agenda and significant investments are being made to integrate offline and online distribution networks in light of consumer demand for multi-channel retail services, allowing them to shop via the channel of their choice.

Asia
The countries that are considered to be leading the way in eCommerce in this region are Japan, South Korea, Hong Kong, Singapore and Taiwan. Notwithstanding this, because China and India are both densely populated countries and internet penetration is still low in both countries, they are considered to be very attractive emerging markets for eCommerce.

[20, 27] IMRG – International Developments In eCommerce – http://go.channeladvisor.com/rs/channeladvisor/images/uk-ebook-IMRG-CBT.pdf

[21] UK cross-border sales to hit £10bn in 2013: IMRG – http://internetretailing.net/2013/03/uk-crossborder-sales-to-hit-10bn-in-2013-imrg/).

[22] PayPal – Modern Spice Routes – the cultural impact and economic opportunity of cross-border shopping – https://www.paypalobjects.com/webstatic/mktg/pdf/PayPal_ ModernSpiceRoutes_Report.pdf

[23] The Paypers – Cross-Border eCommerce Report – UK – 2013

[24] http://www.imrg.org/

[25] The Paypers – Cross-Border eCommerce Report – UK – 2013

[26] http://www.internetretailer.com/2013/09/24/mobile-accounts-100-online-sales-growth-uk

[28] Payvision – Online Shopping Infographic; Cross-Border eCommerce in the UK – http://www.payvision.com/infographic-online-shopping-cross-border-ecommerce-uk

[29, 32] AT Kearney – The 2013 Global Retail eCommerce Index – Online Retail Is Front and Center in the Quest for Growth

[30] http://www.comscore.com/

[31] http://www.internetworldstats.com/top20.htm

China

China ranks first in A.T. Kearney's Global Retail eCommerce Index[33], which lists the most attractive countries for online retail based on online market size, technology adoption, consumer behaviour, infrastructure and growth potential.

The size of China's online retail market is expected to triple over the next three years, with sales reaching €261.5 billion by 2015.[34] A.T. Kearney[35] attributes this to improvements in infrastructure, better access to the Internet in non-urban areas, increase in the standard of living and a growing inclination to spend.

China's potential for eCommerce is undisputed,[36] particularly when considering that out of 500 million individuals with Internet access, only around 43 million individuals made their first online purchase in 2011.[37]

According to the statistical data of iResearch, the total value of China's cross-border eCommerce market reached €280 billion in 2012, up 31.5% from 2011 (this statistic includes both import and export). Cross-border eCommerce transactions in China are expected to reach €708 billion in 2016, representing an 18.5% share of the total import and export market.

Japan

Japan has approximately 100 million internet[38] users with an internet penetration of around 80%.[39] It is estimated that in 2012, Japan's total eCommerce sales amounted to €46.5 billion, 20% of which are attributed to mobile commerce.

Forrester Research Inc. predicts that by 2016, total online sales could reach €70.5 billion. B2C sales grew by €11.5 million between 2011 and 2012 and this ensured that it remained the largest B2C online market in Asia throughout 2012. However, it is being predicted that China will have surpassed Japan by the end of 2013.[40] Japan is considered to have a very efficient eCommerce eco-system due to its advanced financial and logistical infrastructures.[41]

The MENA Region – The fastest growing eCommerce market in the world

Internet penetration in the MENA region[42] has increased, from under 3 million in 2000 to around 129 million in 2011.

The highest penetration rate is registered in the GCC countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates [UAE]) with over 53% of the population having access to the Internet.[43]

In addition, the MENA region (as against, individual countries where China is by far the leader) is deemed to be the fastest growing eCommerce region worldwide with an estimated 45% year-on-year growth.[44]

According to IMRG[45], in 2011 total B2C eCommerce sales in the MENA region (including Pakistan) are estimated to have grown to between €6.6 and €7.4 billion, of which €2.6 billion in North Africa, €4 billion in the Middle East and an estimated €294 million in Pakistan. In addition, PayPal[46] reported a 29% increase in eCommerce in the Middle East and estimates that this region's online commerce market will reach €11 billion by 2015.

Leading the way in B2C eCommerce are Egypt (estimated e-sales in 2011: €2.3 billion) and the UAE (€2 billion). The region has also registered an increase in the use of Facebook in the last two years. Yet again, Egypt tops the list, followed by Iran, Saudi Arabia, Morocco, Algeria, Tunisia and the UAE.[47]

Cross-border eCommerce is booming in the MENA region, with more than 70% year-on-year growth reported by PayPal. This growth is attributed to the limited choice currently available in the MENA region. Cross-border online purchases are mainly from the US (35%), followed by Asia (30%), Europe (25%) and 10% being intra-MENA region eCommerce. The items mostly bought online, in order of preference, include airline tickets, books, software, clothing/accessories/shoes, hotel and tourism reservations, electronic equipment, videos/DVDs/games, computer hardware and sporting goods.[48]

Mobile eCommerce in this region is expected to gain ground given the growth in the use of smartphones.[49] Shopping via mobile devices is estimated to represent 10% of eCommerce (similar to the rest of the world) according to PayPal.[50] This is predicted to grow to close to 20% in the Middle East by 2015.

33 A.T. Kearney – The 2013 Global Retail Development Index – Global Retailers: cautiously aggressive or aggressively cautious?

34 Payvision – Profitable Cross-Border eCommerce Industries – Shanty Elena van de Sande

35, 38, 41 A.T. Kearney – The 2013 Global Retail Development Index – Online Retail is Front and Centre in the Quest for Growth

36 The Paypers – Chinese online shopping market may exceed USD 1 trillion by 2020 – Sept 2013 – http://www.thepaypers.com/

37 Internet World Stats – http://www.internetworldstats.com

39, 40 The Paypers – Cross-Border eCommerce Report – Japan - 2013

42 The Middle-East and North Africa (MENA) region includes Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Pakistan, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates & Yemen (as per IMRG Report)

43, 44, 45 IMRG – MENAP B2C eCommerce Overview 2012 – Focus on Middle East, North Africa and Pakistan_September 2012

46 PayPal – PayPal Insights eCommerce in the Middle East 2012-2015 – September 2013

47, 49 IMRG – MENAP B2C eCommerce Overview 2012 – Focus on Middle East, North Africa and Pakistan_September 2012

48, 50 PayPal – PayPal Insights eCommerce in the Middle East 2012-2015 – September 2013

Appendix B

SWOT Analysis
Local eCommerce industry

The following table summarises the strengths, weaknesses, opportunities and threats that local enterprises face when considering whether to start, or expand into an online commercial activity targeting local businesses or consumers. The findings are based on the research conducted, as well as the views expressed during the interviews with stakeholders.

Strengths	Weaknesses
Geographic size and density of Malta reduces cost of delivery.	Market size and diseconomies of scale.
Brand awareness if business is already established.	Geographic size – consumers may be more willing to shop from retail outlets.
Established customer base if business is already established.	Very poor World Bank ranking in relation to ease of doing business (103 out of 189, trailing other EU states by far).[51]
15% of local SMEs and large enterprises conduct electronic sales.	Micro-enterprises tend to lack resources, skills and capacity to adopt eCommerce strategies.
	Businesses have insufficient skills and expertise in relation to development, management and marketing of an eCommerce site.
	Lack of readily available and cost-effective support services for certain specialised services, (eg. in relation to catalogue management).
	General and persistent reluctance to publish prices online.
	Resistance to change traditional business models.
	General reluctance to form clusters.
	There is no government entity with a clear mandate at law to promote and advance eCommerce in Malta, therefore a specialised focal point for support and assistance is lacking.
	Standard domestic parcel post / letter mail tariff likely to be prohibitive for domestic consumers.
	Widespread perception that product / service not suitable for online sales.

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[51] http://www.doingbusiness.org/rankings

Opportunities

46% of Maltese population buys online.

78% of Maltese individuals aged between 16 and 24 years buy online.

45% of Maltese individuals use social media.

Maltese shopping online, more often, each year.

Online marketing generally less expensive than traditional marketing.

Possibility of offering payment upon delivery as a value-added service.

Possibility of offering tailored and value-added services. Gift wrapped parcels, delivery with personalised note, etc.

Easier to return products than in the case of cross-border purchase.

Possibility of building trust via word of mouth.

Possibility of forming clusters or consortia to pool resources / gain economies of scale.

Liberalised postal market.

Specific products (especially local crafts and products) could be sent as gifts overseas.

B2B eCommerce may obviate need for full eCommerce site via Electronic Data Interchange (EDI) provided by local players.

Strong financial industry providing related payment and financing services.

The small size of Malta's economy makes it easier for supply chains to be digitised. This is evidenced by the success of the eFreight project in Malta.

14% of Maltese enterprises sell online.

Boutique shops continue to be popular.

Consumers prefer localised services.

Threats

45% of Maltese consumers buy online cross-border.

Cross-border retailers enjoy economies of scale.

Consumers unlikely to purchase if eCommerce site does not have all the features available in large scale sites operated by international firms.

Over 50% of the population does not buy online.

23% of Maltese who do not buy online do not do so because they are not familiar with the process.

30% of Maltese who do not buy online are not interested in shopping online.

Competition by foreign online entrants.

Appendix C

SWOT and PESTLE Analysis
Malta's value proposition for eCommerce based enterprises

A SWOT and PESTLE analysis in relation to Malta as a location for businesses providing eCommerce or ancillary services to operate from Malta, has been undertaken. The following tables summarise the results. The findings are based on the research conducted, as well as the views expressed during the interviews with stakeholders.

SWOT Analysis	
Strengths	**Weaknesses**
Stable Government and economy.	Poor World Bank ranking in relation to ease of doing business (103 out of 189, trailing other EU states by far).[52]
Government's commitment to ICT driven economic development.	Geographical location – higher freight costs unlikely to be suitable for warehousing activities (other than possibly in relation to the MENA region).
Success stories in high-value, ICT intensive industries, such as remote gaming.	International connectivity (quality and cost) in relation to intangible and high-end content market (although the remote gaming industry success proves otherwise).
English speaking population.	Small size of local market.
Availability of a wide range of languages useful for localisation services.	Relatively immature capital investment market. Limited presence of business angel networks, venture capital investors.
Technology neutral legislation.	Low score in innovation scoreboard. Malta's ranking drops to 41st out of 144.[53]
Excellent climate and standard of living.	
Easy access to most European ICT hubs and capitals.	
Strong in the service industry.	
Strong telecommunications industry.	
Smart City as a showcase for technology.	
EU member.	
Strong cultural ties with MENA region.	
Strong banking sector.	
General availability of technical skills, data analysis, business intelligence marketing and other support services.	
Attractive fiscal incentives.	
Freeport and geographic location could render Malta ideal for transit shipments to MENA region.	

[52] http://www.doingbusiness.org/rankings
[53] World Economic Forum – The Global Competitiveness Report 2013 – 2014 – http://reports.weforum.org/the-global-competitiveness-report-2013-2014/

Opportunities	Threats
26th out of 155 in terms of the information society ranking by the ITU as at 2011.[54]	Still limited cross-border eCommerce within the EU.
Malta networked readiness – 28th out of 144.[55]	Various jurisdictions competing to attract eCommerce related FDI.
Global competitiveness ranking 47 out of 144.[56]	Rate of technological change.
Strong investment in the service sectors dependent on ICTs (banking, remote gaming).	Lack of stability in North Africa / Middle East despite high growth rates of eCommerce.
Strong growth in international eCommerce in the UK could generate some opportunities for Malta to offer ancillary services.	
Chinese Government making a strong drive to assist eCommerce providers to enter the export market.	
Malta could be an attractive destination to Chinese online enterprises seeking to penetrate the global market – ideally placed to serve EU and MENA regions.[57]	
Freeport ideally located to serve MENA region.	
Well placed in terms of eSkills.	
Many eCommerce business models not impacted by limitations related to physical exports.	
Possible opportunities as a fall-out of European jurisdictions facing economic difficulties.	
Online enterprises' need to gain security and trust could offer a niche opportunity for Malta.	
Rate of technological change provides new niche opportunities on an on-going basis.	
Next generation networks enable new business models that Malta could tap into.	

[54] *http://www.itu.int/en/ITU-D/Statistics/Documents/publications/mis2012/MIS2012_without_Annex_4.pdf*

[55] *http://www3.weforum.org/docs/WEF_GITR_Report_2013.pdf*

[56] *http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf*

[57] *"Promoting online sales abroad has become an increasingly urgent task for Chinese exporters and manufacturers", admits an anonymous source from the Ministry of Commerce contacted by China Daily.*

PESTLE Analysis

Political

- Government commitment to roll-out of fibre-to-the-home.

- Increased availability of online services.

- Active EU thrust towards single digital market.

- EU commitment to implement eInvoicing by 2020.

- SEPA to be fully in place by February 2016. Already implemented by Banks.

- Government commitment to making Malta a centre of excellence for ICT.

- Favourable financial incentives to attract investment.

- Stable political environment.

- Close ties with MENA countries and other emerging eCommerce markets.

Economic

- Economic recession – limited propensity to invest (drop of 18% in the global FDI between 2011 and 2012. Rate predicted to remain at 2012 levels in 2013).[58]

- Although FDI flows are predicted to start recovering, reaching €1.18 trillion in 2014 and €1.33 trillion in 2015, structural weaknesses in the global financial system, the possible deterioration of the macroeconomic environment and significant policy uncertainty in areas crucial for investor confidence, might lead to a further decline in FDI flows.

- A number of member states in the south of Europe facing deep recession. Potential investors able to drive a harder bargain with Governments and Unions (Spain overtook Germany for FDI in the second half of 2012).[59]

- Increased investment into Europe from emerging markets including BRIC countries, China and India.

Social

- Continuing impressive growth in eCommerce.

- The latest generation is 'digital native'.

- Cross-border eCommerce increasing steadily.

- Payment solutions increasingly pervasive.

- Social media boom.

- Increased take-up of mobile broadband.

- Consumers increasingly sophisticated users of online channels.

- Consumer preference for localised services.

- Consumer expectation of personalised online service.

Technology

- Technology is changing at unprecedented rates.

- Wearable technology (e.g. smart watches / Google glass).

- Software as a Service.

- Next generation networks.

- Increased take-up of high speed broadband.

- Increased availability of mobile broadband – Long Term Evolution (LTE) / 4G.

- Cloud computing and big data.

- The rise of enterprise resource planning (ERP) systems.

- Social media technologies and integrated strategies.

- Take-up of eSignatures.

- Upsurge in the availability and consumption of intangible goods.

[58] http://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=143

[59] http://www.ey.com/GL/en/Issues/Business-environment/European-attractiveness-survey---2012-performance-and-2013-prospects---Evaluating-Europes-FDI-story

Legal

A plethora of laws apply to eBusiness.

- eCommerce Directive

- Data Protection Directive (currently under review at EU level)

- Provisions on distance contracts

- Payment Services and eMoney Directive (SEPA)

- Consumer protection laws

- Industry specific legislation

- Quality and safety laws – liability of defective products

- General product safety law

- Intellectual property law and digital rights

- Electronic signatures (currently under review at EU level)

- VAT Rules

- eInvoicing and eProcurement rules

Cross-border eCommerce requires compliance with different rules, applicable in different countries.

Environmental

Environmental impact of eCommerce generally considered to be positive.

- Reduces shoppers travelling to retail outlets

- Online shops more energy-efficient than traditional retail outlets

- Reduces amounts of paper used

- Enables resale of used products

Shifts in physical retailing expected to generate shifts in the rental markets for warehousing space and shops.

Appendix D

eCommerce models[60]

Brokerage Model

Brokers are market-makers: they bring buyers and sellers together and facilitate transactions. Usually a broker charges a fee or commission for each transaction it enables. The formula for fees can vary. Brokerage models include:

- Marketplace Exchange – offers a full range of services covering the transaction process, from market assessment to negotiation and fulfilment. Exchanges operate independently or are backed by an industry consortium. **[Maltapark.com]**

- Buy/Sell Fulfilment – takes customer orders to buy or sell a product or service, including terms like price and delivery. **[uktomalta.com]**

- Demand Collection System – the patented "name-your-price" model pioneered by **Priceline.com**. Prospective buyer makes a final (binding) bid for a specified good or service, and the broker arranges fulfilment. **[Priceline.com]**

- Auction Broker – conducts auctions for sellers (individuals or merchants). Broker charges the seller a listing fee and commission scaled with the value of the transaction.

Auctions vary widely in terms of the offering and bidding rules. **[eBay]**

- Transaction Broker – provides a third-party payment mechanism for buyers and sellers to settle a transaction. **[PayPal]**

- Distributor – is an operation that connects a large number of product manufacturers with volume and retail buyers. Broker facilitates business transactions between distributors and their trading partners.

- Search Agent – a software agent or "robot" used to search-out the price and availability for a good or service specified by the buyer, or to locate hard-to-find information.

- Virtual Marketplace – or virtual mall, a hosting service for online merchants that charges setup, monthly listing, and/or transaction fees. May also provide automated transaction and relationship marketing services. **[TrolleyMania.com**; Merchant Services at **Amazon.com]**

Advertising Model

The web advertising model is an extension of the traditional media broadcast model. The broadcaster, in this case, a website, provides content (usually, but not necessarily, for free) and services (like email, IM, blogs) mixed with advertising messages in the form of banner ads. The banner ads may be the major or sole source of revenue for the broadcaster. The broadcaster may be a content creator or a distributor of content created elsewhere. The advertising model works best when the volume of viewer traffic is large or highly specialised. **[timesofmalta.com; maltatoday.com]**

- Portal – usually a search engine that may include varied content or services. A high volume of user traffic makes advertising profitable and permits further diversification of site services. A personalised portal allows customisation of the interface and content to the user. A niche portal cultivates a well-defined user demographic. **[Google]**

- Classifieds – list items for sale or wanted for purchase. Listing fees are common, but there may also be a membership fee. **[maltapark.com]**

- User Registration – content-based sites that are free to access but require users to register and provide demographic data. Registration allows inter-session tracking of user surfing habits and thereby generates data of potential value in targeted advertising campaigns. **[NYTimes]**

- Query-based Paid Placement – sells favourable link positioning (i.e., sponsored links) or advertising keyed to particular search terms in a user query, such as Overture's trademark "pay-for-performance" model. **[Google]**

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[60] These models are based on Michael Rappa; Institute for Advanced Analytics at North Carolina State University.

- Contextual Advertising / Behavioural Marketing – freeware developers who bundle adware with their product. For example, a browser extension that automates authentication and form fill-ins, also delivers advertising links or pop-ups as the user surfs the web. Contextual advertisers can sell targeted advertising based on an individual user's surfing activity.

- Content-Targeted Advertising – pioneered by Google, it extends the precision of search advertising to the rest of the web. Google identifies the relevant ads when a user visits that page. **[Google]**

- Intromercials – animated full-screen ads placed at the entry of a site before a user reaches the intended content.

- Ultramercials – interactive online ads that require the user to respond intermittently in order to wade through the message before reaching the intended content.

Infomediary Model

Data about consumers and their consumption habits are valuable, especially when that information is carefully analysed and used to target marketing campaigns. Independently collected data about producers and their products are useful to consumers when considering a purchase. Some firms function as infomediaries (information intermediaries) assisting buyers and/or sellers understand a given market.

- Advertising Networks – feed banner ads to a network of member sites, thereby enabling advertisers to deploy large marketing campaigns. Ad networks collect data about web users that can be used to analyse marketing effectiveness.

- Audience Measurement Services – online audience market research agencies.

- Incentive Marketing – customer loyalty programme that provides incentives to customers such as redeemable points or coupons for making purchases from associated retailers. Data collected about users is sold for targeted advertising.

- Metamediary – facilitates transactions between buyer and sellers by providing comprehensive information and ancillary services, without being involved in the actual exchange of goods or services between the parties.

Merchant Model

Wholesalers and retailers of goods and services. Sales may be made based on list prices or through auction.

- Virtual Merchant – or e-tailer, is a retail merchant that operates solely over the web. **[Amazon.com]**

- Catalogue Merchant – mail-order business with a web-based catalogue. Combines mail, telephone and online ordering. **[Lands' End]**

- Click and Mortar – traditional brick and mortar retail establishment with web storefront. **[Agendamalta.com]**

- Bit Vendor – a merchant that deals strictly in digital products and services and, in its purest form, conducts both sales and distribution over the web. **[Apple iTunes Music Store]**

Manufacturer (Direct) Model

The manufacturer or "direct model" is predicated on the power of the web to allow a manufacturer (i.e., a company that creates a product or service) to reach buyers directly and thereby compress the distribution channel. The manufacturer model can be based on efficiency, improved customer service and a better understanding of customer preferences.

- Purchase – the sale of a product in which the right of ownership is transferred to the buyer.

- Lease – in exchange for a rental fee, the buyer receives the right to use the product under a "terms of use" agreement. The product is returned to the seller upon expiration or default of the lease agreement. One type of agreement may include a right of purchase upon expiration of the lease.

- License – the sale of a product that involves only the transfer of usage rights to the buyer, in accordance with a "terms of use" agreement. Ownership rights remain with the manufacturer (e.g. with software licensing).

- Brand Integrated Content – in contrast to the sponsored-content approach (i.e., the advertising model), brand-integrated content is created by the manufacturer itself for the sole basis of product placement.

Affiliate Model

In contrast to the generalised portal, which seeks to drive a high volume of traffic to one site, the affiliate model provides purchase opportunities wherever people may be surfing. It does this by offering financial incentives (in the form of a percentage of revenue) to affiliated partner sites. The affiliates provide purchase-point click-through to the merchant. It is a pay-for-performance model – if an affiliate does not generate sales, it represents no cost to the merchant. The affiliate model is inherently well-suited to the web, which explains its popularity. Variations include banner exchange, pay-per-click and revenue sharing programmes. **[Barnes & Noble, Amazon.com]**

- Banner Exchange – trades banner placement among a network of affiliated sites.

- Pay-per-click – site that pays affiliates for a user click-through.

- Revenue Sharing – offers a percent-of-sale commission based on a user click-through in which the user subsequently purchases a product.

Community Model

The viability of the community model is based on user loyalty. Users have a high investment in both time and emotion. Revenue can be based on the sale of ancillary products and services or voluntary contributions; or revenue may be tied to contextual advertising and subscriptions for premium services. The Internet is inherently suited to community business models and today this is one of the more fertile areas of development, as seen in the rise of social networking.

- Open Source – software developed collaboratively by a global community of programmers who share code openly. Instead of licensing code for a fee, open source relies on revenue generated from related services like systems integration, product support, tutorials and user documentation. **[Red Hat]**

- Open Content – openly accessible content developed collaboratively by a global community of contributors who work voluntarily. **[Wikipedia]**

- Social Networking Services – sites that provide individuals with the ability to connect to other individuals along a defined common interest (professional, hobby, romance). Social networking services can provide opportunities for contextual advertising and subscriptions for premium services. **[Facebook]**

Subscription Model

Users are charged a periodic (daily, monthly or annual) fee to subscribe to a service. It is not uncommon for sites to combine free content with "premium" (i.e., subscriber – or member only) content. Subscription fees are incurred irrespective of actual usage rates. Subscription and advertising models are frequently combined.

- Content Services – provide text, audio or video content to users who subscribe for a fee to gain access to the service. **[timesofmalta.com]**

- Person-to-Person Networking Services – are conduits for the distribution of user-submitted information, such as individuals searching for former schoolmates.

- Trust Services – come in the form of membership associations that abide by an explicit code of conduct, and in which members pay a subscription fee.

- Internet Services Providers – offer network connectivity and related services on a monthly subscription.

Utility Model

The utility or "on-demand" model is based on metering usage, or a "pay as you go" approach. Unlike subscriber services, metered services are based on actual usage rates. Traditionally, metering has been used for essential services (e.g., electricity, water, long-distance telephone services). Internet Service Providers (ISPs) in some parts of the world operate as utilities, charging customers for connection minutes, as opposed to the subscriber model, common in the U.S.

- Metered Usage – measures and bills users based on actual usage of a service.

- Metered Subscriptions – allows subscribers to purchase access to content in metered portions (e.g., numbers of pages viewed).