

MCA
eCOMMERCE
STRATEGY
2022 - 2025



MALTA COMMUNICATIONS AUTHORITY





CONTENTS

Executive Summary	6
Definitions	8
Chapter 1 - The Current State of Play	9
1.1 A Global View of eCommerce	9
1.2 The Pandemic Effect.....	9
1.3 eCommerce in Malta – A Snapshot.....	10
Chapter 2 - Policy Context	15
2.1 The MCA's Scope and Remit.....	15
Chapter 3 - A New Strategy	17
3.1 Key Partners	18
Chapter 4 - MCA eCommerce Growth Model	19
4.1 The eCommerce Ecosystem	23
Chapter 5 - Work Plan	27
5.1 Advancing eCommerce Policy	27
5.2 Seller Capacity Building	29
5.3 eCommerce Portal.....	31
References	31



Hon Silvio Schembri
Minister for the Economy, EU Funds and Lands

INTRO

We are living in exciting times, indeed. Technology fits in our pockets and connectivity is ubiquitous. Information is just a click away, you can talk to anyone instantly, and new business opportunities are unprecedented.

In this digital age, Malta is an island no longer. Maltese consumers are not only blessed with a wide choice of products and services, but they have the tools to browse, compare and evaluate the options on offer. Maltese businesses, on the other hand, avail from sophisticated facilities to engage in the single market and beyond.

Without doubt a successful digital economy needs to rely on a robust infrastructure, a skilled workforce, and an intrepid spirit for entrepreneurial adventure. These are essential ingredients in our vision for economic and digital growth.

However, not all that is digital is automatically good. Whilst the future looks bright, we need to ensure that no barriers impede uptake and success, especially for small and micro business. Trust in the digital economy can only be instilled amongst both businesses and consumers through the nurturing of an online environment that is safe and fair.

This eCommerce Strategy is a clear drive towards this goal. With its focus on eCommerce regulation and uptake, it dovetails with the government's digital and economic aspirations. It also lays the foundation for joint coordination with other public entities and industry, crucial in these times of digital convergence.

I wish to congratulate the Malta Communications on this new strategy and wish them luck with its implementation. I take this opportunity to also encourage Maltese businesses to take full advantage of this digital drive.



Mr Jesmond Bugeja
MCA Acting Chairman & CEO

CEO INTRO

Twenty-one years ago, the Malta Communications Authority was entrusted with the responsibility for the regulation of the various electronic communications sectors with an aim of enabling Maltese citizens and the economy to derive the maximum benefit from communications technology. This coincided with Malta's entry in the European Single Market, kicking-off a wave of entrepreneurship and business innovation.

By virtue of the eCommerce Act of 2002, the Authority was mandated to implement and oversee eCommerce policy in Malta. From these beginnings, we have endeavoured to achieve and maintain a sound regulatory framework that sustains the Maltese enterprise in the digital world. We have also intervened to encourage enterprises to learn about and capitalise on the new communications technologies.

Over the past years, eCommerce adoption has grown incessantly. Despite the size of the Maltese market, we remain surprised by the ingenuity of our entrepreneurs, as the market keeps yielding novel propositions and success stories. The Authority, echoing the local, European, and global developments, believes that regulation is now approaching a pivotal juncture. Regulations can no longer discriminate between online and offline. We need to accept the realities behind complex digital services, the myriad of interconnected and intermediated players, and how these are reshaping every facet of trade. In this vein, the MCA is at present implementing two important European policies, namely the Platform to Business Regulation (P2B) and the Digital Services Act (DSA).

Maintaining a resilient regulatory framework is only one aspect of our work. We need to continue helping businesses comply with complex regulatory requirements as this is imperative for their successful participation in the Single Market and guarantee a robust internal market. We must also remain attentive to barriers that hinder growth, and work with stakeholders to ensure that these are adequately identified and addressed.

Hence, we are excited to present the strategy that will guide the Authority's work on the eCommerce front for the coming years.



EXECUTIVE SUMMARY

Back in 2014, the Malta Communications Authority (MCA), together with the government, published the eCommerce Malta National Strategy spanning from 2014 up till 2020. In 2017, this strategy was reviewed and updated to cater for developments that inevitably occurred in this sector.

The eCommerce Malta National Strategy sought to support the take up of eCommerce and the provision of eCommerce-related services by local business organisations. The strategy was developed following consultation with various stakeholders and took into consideration the Digital Malta Strategy that was launched around the same time. Over the ensuing years, the MCA developed its work programme in the area of eCommerce based on the planned outputs and main pillars identified in the eCommerce Malta National Strategy. New technologies, processes and approaches to eCommerce were observed on a virtually continuous basis. Moreover, the government has redefined the Digital Malta Strategy, which now acts as an “umbrella strategy” and an enabler for other complementary strategies published by different and specialised entities, such as the MCA.

This document outlines a new strategy that builds on previous efforts and provides policy direction to further eCommerce, both in number and in the level of service offered. Following the steady growth of global eCommerce over the years and the COVID-19 pandemic, which acted as a catalyst for exceptional advancements in technology across various industries, this new eCommerce strategy is designed to leverage the Digital Malta Strategy to further strengthen the digital economy.

Through the action plan forming part of this strategy, the MCA aspires to continue building a regulatory framework that sustains the development of an open, fair and sustainable eCommerce-enabled ecosystem. This will be aided by awareness and education initiatives with a view to accelerate uptake, build capacity and encourage excellence. This balanced approach is in line with the Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (“the eCommerce Directive”), which the MCA manages and enforces in Malta.

In view of the increase in eCommerce activity experienced in the past years amongst both enterprises and consumers, this strategy goes beyond incentivising eCommerce adoption. Whilst continuing to support newcomers to eCommerce, it will also actively support sellers who are already engaged in eCommerce and need to continue investing in their systems and improving their offering.

The strategy frames eCommerce as a journey starting from when a seller opts to go online and thereafter embarks on a continuous cycle of improvement, applying technological solutions and refined processes to deliver an improved product, achieve stronger market positioning, and gain efficiency through constant optimisations. The strategy’s specific measures are presented under three streams, namely eCommerce policy, seller capacity building, and demand acceleration.

The strategy document is structured as follows:

Chapter 1 – The current state of play: A general and updated look at the current situation of eCommerce with a focus on the circumstances in the European Union (EU) and in Malta in particular.

Chapter 2 – The policy context: Based on the current state of play and experience acquired to date, we define the way forward from a policy perspective via the new MCA eCommerce strategy. Therefore, this section comprises a definition of the MCA's scope and remit, areas of focus, priorities and change management to ensure our work programme reflects the needs and requirements of the local business community during the lifetime of this strategy.

Chapters 3, 4 and 5 – Vision and programme of initiatives: We put forward a vision and define a plan of action covering the period from 2022 till 2025 detailing planned projects and initiatives. The focus is specifically on the challenges and requirements that were identified during the compilation of this strategy.

The drafting of this strategy was developed following a wide consultation process with various interested associations, key industry players and other competent public entities, with which the MCA maintains a constant and open channel. These were consulted extensively, their feedback was duly considered and factored within the strategy.



DEFINITIONS

For the purposes of this document, **eCommerce** means the sale or purchase of goods or services via the internet or other electronic means. Whilst the transaction needs to be initiated online, the payment and the ultimate delivery of the goods or service may be conducted both online and offline.

eCommerce is understood to take many forms, including business-to-business (B2B) and business-to-consumer (B2C), amongst others.

Seller refers to the party, normally a business, engaging in the sale of goods or services online. Meanwhile, the party that purchases, typically a business or a consumer, will be referred to as the **buyer**. A **consumer** means any natural person who is acting for purposes that are outside their trade, business or profession.

eCommerce platforms are defined as intermediaries that facilitate interaction between buyers and sellers and generate value through network effects. Platforms can include online marketplaces, eMalls, social media, app stores, price comparison websites, platforms for the collaborative economy, and search engines, amongst others.

Micro, small and medium-sized enterprises (SMEs) are understood to be enterprises that employ fewer than 250 persons and have an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million.

eCommerce solution providers refer to parties that provide services to sellers to engage in eCommerce. Examples of such services include advisory, software development, infrastructure and payment processing services.

Chapter1

THE CURRENT STATE OF PLAY

1.1 A Global View of eCommerce

Whilst eCommerce growth is a global phenomenon, the magnitude of its expansion differs from region to region. The reasons behind this disparity vary widely. Less affluent regions of the world have less spending power in the first place, and this, of course, affects their propensity to purchase. According to a report by the United Nations Conference on Trade and Development (UNCTAD) [1], eCommerce growth in many developing countries is hindered by several barriers, such as infrastructure, which is taken for granted in the developed world. On the other hand, and interestingly enough, we observe that certain developing countries turned this reality to their own advantage by quickly adopting newer technologies, such as high-speed wireless communication systems, without having to consider any legacy systems that might have already been in place. The developed world, on the other hand, is normally slower at adopting newer communication technologies as it can be quite challenging to upgrade legacy technology whilst concurrently maintaining a good level of service.

Other factors that affect eCommerce use and growth relate to language barriers, affordable internet access and the level of digital skills across the population.

1.2 The Pandemic Effect

Prior to the onset of the COVID-19 pandemic, the MCA was planning a formal review process of the eCommerce strategy, which would have assessed the strategy that was coming to an end. However, COVID-19 shifted the focus in one fell swoop; it affected both personal and professional lives to an extent that was not thought possible in just a few days. People confined themselves indoors virtually overnight, resulting in friends and families getting disconnected in an unprecedented way. Business operations ground to a halt as the fear of an invisible foe took hold, whilst the medical world scrambled to understand the extent and impact of the virus with the intent of containing it in a meaningful manner.

During the first few weeks of the COVID-19 pandemic and the months that followed, the information technology (“IT”) sector transformed itself from a useful pillar of society to an indispensable ally over which most interactions started to happen. The digital world literally took over as people engaged through digital channels, quickly adopting remote work practices and significantly increasing their use of online channels to purchase products and services.

The pandemic has, undoubtedly, accelerated eCommerce in just a few months, changing the Maltese landscape in ways that would not have been possible otherwise. Whilst the younger generations were already attuned to eCommerce, the older generations, or at least a

significant part of them, tended to steer clear of eCommerce and were sceptical of it, mostly due to a lack of digital skills and the associated risks, perceived or otherwise, of eCommerce fraud, in particular. The pandemic virtually forced people to consider eCommerce as a viable shopping option; many are now appreciative of the convenience it offers. As various regions around the world, including Malta, moved towards normality, certain customer behaviours have become ingrained to some extent or other in everyday life, allowing eCommerce to maintain a steady growth despite the reopening of brick-and-mortar stores.

This phenomenal increase in eCommerce activity has been witnessed all over the globe. In the US, 11% of consumers aged 55 and over effected their first foray into eCommerce in March 2020. A similar trend has been noted in Europe; in Finland, 22% of those aged 50 and over significantly increased their online shopping due to the pandemic. Likewise, in Spain, the age cohort to mostly shop online during the lockdown was the 60+ age group at 77%. This same trend was also observed eastwards; in India, 75% of consumers aged 55 years and over claimed that they were increasingly shopping online to minimise social interaction. Similar trends were also observed in countries like South Korea and China [2].

Getting consumers to make their first online purchase can be quite a feat as there is normally a lack of trust in the overall ecosystem. However, despite the disruption that COVID-19 caused across the world, it has also managed to bring eCommerce closer to people of all ages. The compilation of this strategy is, therefore, conceived against such a background.

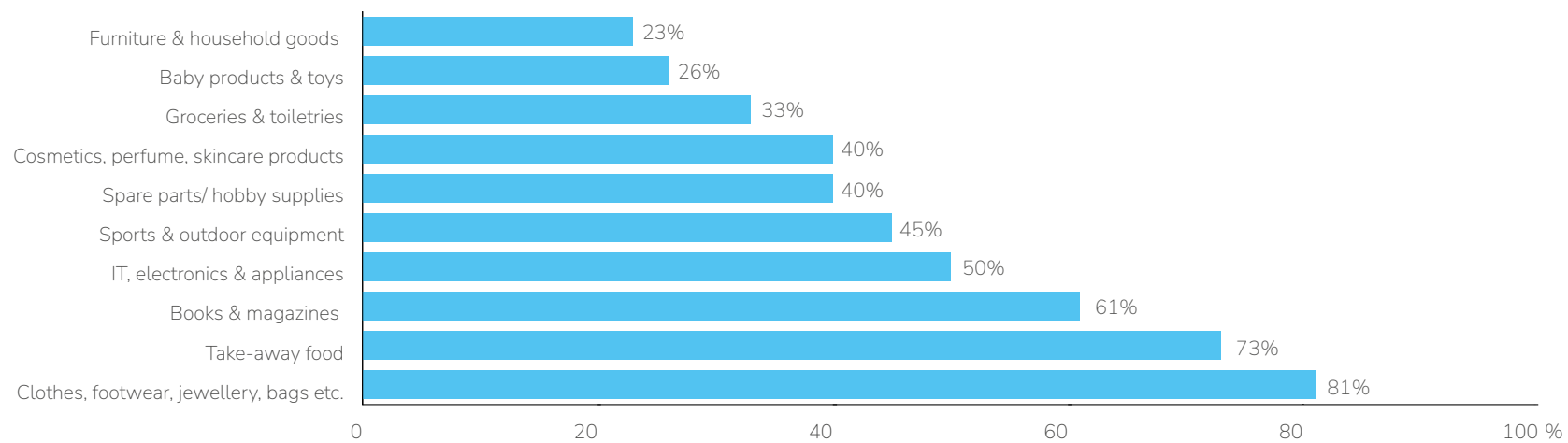
1.3 eCommerce in Malta – A Snapshot

Over the last decade, Malta has recorded significant growth in the use of the internet as almost 9 out of 10 people carry out some type of activity on the web [3], on a par with the EU average. A recent study by the MCA [4] also shows a growing disposition towards internet use on smartphones, with more and more people aged between 18 and 54 carrying out financial transactions on such a device. Over time, new channels and technologies have, undoubtedly also stimulated eCommerce growth amongst consumers around the world, including Malta.

Buying over the internet seems to have become a habit for many consumers, even though the increase was not always linear. Studies [3] [4] suggest that more than half of the Maltese population are buying online, with a marked increase in purchases from local online shops. This is certainly an interesting find as most online shopping in Malta was, until early 2020, done predominantly from foreign websites, whereas in most EU countries, domestic online shopping prevails. This increase in local eCommerce could be attributed to the influx of new websites in the local market, which appeared during COVID-19, providing consumers with a viable proposition for shopping locally, at a time when physical interaction was discouraged due to the restrictions that were imposed. Early observations post-COVID-19, albeit non-scientific to date, indicate that this trend might stay for the long term.

Figure 1: Products bought by Maltese consumers within a 6-month period

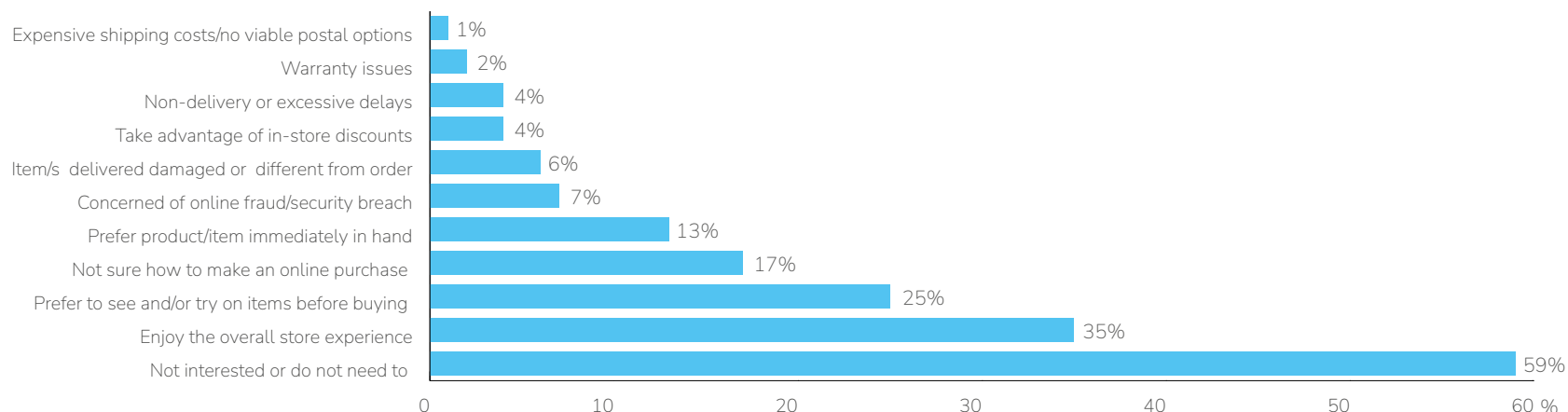
Products bought online (last six months)?



Source: MCA [4]

Figure 2: Reasons given by consumers for not using eCommerce

Reasons for not buying online



Source: Malta Communications Authority, “*Insights into Buying Behaviour Attitudes - Internet & eCommerce Use by Consumers Survey 2021*”

Source: MCA [4]

Over the years, enterprises of all sizes started to recognise the importance of investing, to some extent, in their online presence. Research conducted by the MCA between December 2020 and January 2021 (a study which takes into consideration all sizes of business, ranging from micro-enterprises to large enterprises, in order to capture a realistic picture of the local situation) reports that 61% of businesses have a website and that more than three-quarters of these businesses have invested in a mobile-friendly site. With mobile penetration reaching 124% in 2021⁵, coupled with

an increase in the use of mobiles for effecting payments online [4], investing in mobile-friendly solutions is becoming more compelling. Besides, on a global level, the use of smartphones for completing purchases is steadily increasing, making it impossible for businesses to disregard the innate power of the mobile.

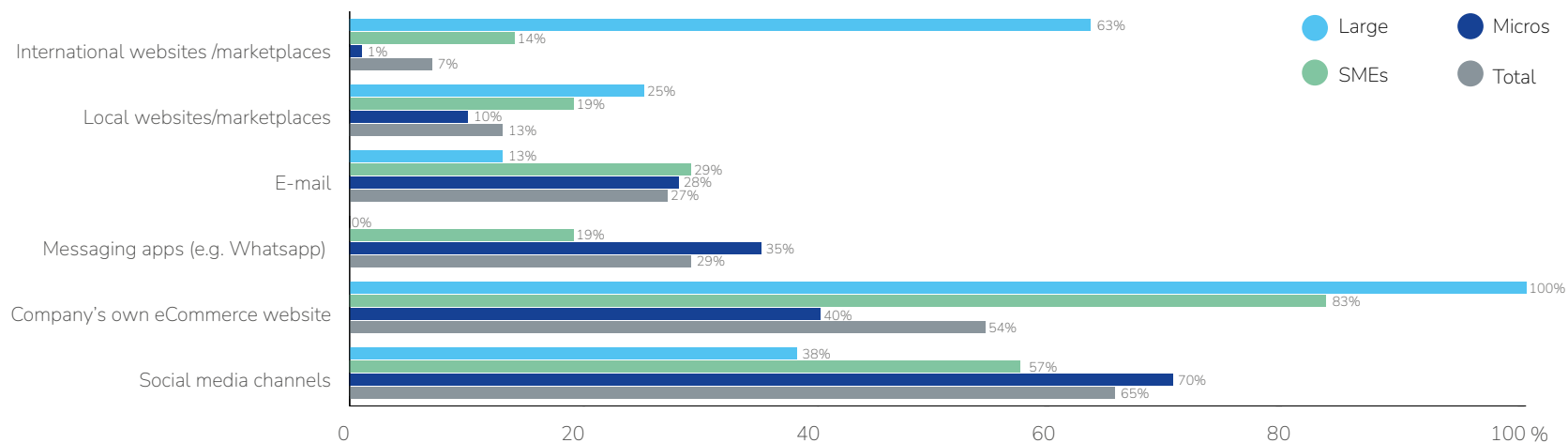
Furthermore, 76% of enterprises use social media channels to promote their business, with Facebook being the most favoured channel⁶. Indeed, it has become the norm for enterprises to have a Facebook page and advertise assiduously on this channel.

With data considered as the new currency, most local businesses are still stuck within the lower echelons of data mining as they mostly analyse past data; only a few businesses leverage the intelligence that diagnostic or predictive analytics offer, these being predominantly large enterprises. On the other hand, the adoption of cloud services has more than tripled in 4 years, with the highest growth detected amongst micro-enterprises and SMEs. To date, most large enterprises are already using cloud services and have been doing so for several years.

Online selling had already been showing signs of growth prior to the pandemic but certainly shifted gear during 2020. The same MCA study⁶ shows that 23% of local businesses are offering products/ services through their corporate eCommerce website and/or local/ foreign marketplaces. This is almost double the amount registered in an earlier study conducted in 2016. When factoring in other online channels used for transacting with customers, namely social media, messaging apps (e.g. WhatsApp) and e-mail, online selling jumps to 38%.

Figure 3: Digital channels used for selling products/services by businesses that sell online*

Digital channels used for selling products/services



Source: Malta Communications Authority, “Insights into the use of Digital - Internet & eCommerce Use by Business Survey 2021”.

*includes only businesses that sell via the company’s eCommerce website, local/foreign marketplaces and/or other online channels, such as social media, messaging apps and e-mail.

Source: MCA [6]

In preparation for this strategy, the MCA, jointly with Tech.mt, has also conducted an online survey with Malta-based eCommerce service providers (N = 33) to gain insight into recent trends. The respondents claimed that the onset of COVID-19 stimulated demand for eCommerce solutions, with most claiming an increase in demand of between 10% and 20%. However, some also highlighted the negative impact that the pandemic has had on cash flows, making it harder for businesses to secure adequate investment.

The participating service providers also noted the reactive manner adopted by many businesses in their approach towards eCommerce, restricting their focus on boosting revenue. Most appeared to be approaching new solutions without a clear business strategy or an effective marketing plan, making it more challenging for the service providers to deliver the best solution to their clients. They also mentioned the challenges that well-intended funding opportunities pose for many of their clients in terms of administrative effort and scheme rigidity, which end up negatively affecting the benefit that could be derived. Therefore, it is necessary for funding instruments to be simplified and made more flexible to address the needs of the typical target SME beneficiary whilst more awareness and education initiatives are needed to stimulate eCommerce growth.

Maltese sellers have traditionally been quite hesitant to establish an eCommerce presence. This is evidenced in past studies undertaken by the MCA, with sellers citing their lack of knowledge and familiarity with the online environment and repeatedly mentioning that their products or services are unsuitable for online sales [6], to name a few barriers to local eCommerce growth. The pandemic might have indeed acted as a catalyst for this rapid growth, as a noticeable number of micros and SMEs are focusing their efforts in either establishing an online sales channel for the first time or upgrading their eCommerce

channel out of necessity. The restrictions imposed to limit physical interaction forced businesses to turn to online channels more than ever before. However, this brought about several challenges for sellers, especially for those that had approached eCommerce as a minor or secondary channel. Even those that had invested heavily in eCommerce had to rethink their online operations to be able to handle the surge in traffic. Sellers soon found themselves struggling to manage an eCommerce operation; internal processes were put to the test and not all managed to capitalise on the opportunity of the moment. Stocks could not keep up with the demand, and at times, logistical systems literally failed to reach the high standards that seasoned digital buyers had come to expect. This was naturally bound to happen as online selling was off the radar for a good number of businesses, whilst others that had attempted a half-hearted approach either did not cope or had a tough time rising to the challenge. This rushed approach by sellers shows how eCommerce is becoming a vital alternative or a complementary sales strategy but not without presenting its own challenges. Implementing an online sales channel requires strategic planning as this needs to be streamlined with the other business channels and operations for a seamless experience. Forward-looking businesses that strategically positioned eCommerce at the centre of their operations were, indisputably, better equipped to weather the storm.

Chapter 2

POLICY CONTEXT

Our experience in implementing eCommerce initiatives, coupled with the research we carry out on an ongoing basis, allows us to reiterate and validate our vision “to support local business organisations in their digital journey”.

Keeping in mind the developments in the digital world, particularly in eCommerce, paired with an environment that is ever more biased towards a digital-first mentality, the MCA’s eCommerce vision becomes even more relevant.

Since the inception of the previous strategy back in 2014, we have kept a constant watch on the numerous developments that have taken place in the eCommerce arena, both nationally and overseas. These are being factored in the drafting of this document to ensure a strategic direction that is relevant today and in the future.

2.1 The MCA’s Scope and Remit

As a regulatory authority, the scope of the MCA vis-à-vis eCommerce is based on the Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market, which is colloquially known as the “eCommerce Directive”. This Directive, which was transposed into national law back in 2001 under Cap. 426 of the Laws of Malta, provides the MCA with the

legal instrument needed to carry out its regulatory responsibilities and largely defines its scope and remit.

Over the years, the government has also conferred the MCA with new complementary responsibilities that have further enhanced the MCA’s regulatory portfolio. For the purpose of this strategy, the MCA is taking into consideration the following regulatory frameworks:

- Regulation (EU) 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the Internal Market and repealing Directive 1999/93/EC:
- Known as the “**eIDAS Regulation**”, this was designed to instil a predictable environment that facilitates more secure electronic interactions amongst citizens, business organisations and public authorities. The eIDAS Regulation ensures that people and businesses can use their own national electronic identification scheme (eID) to access public services in other EU Member States where eIDs are available. Moreover, this Regulation has created a European market for electronic trust services, such as electronic signatures and time stamps, ensuring that these function across the EU and grant the same legal status as traditional paper-based processes.

- Regulation (EU) 2018/302 of the European Parliament and of the Council of 28 February 2018 on addressing unjustified geo-blocking and other forms of discrimination based on customers' nationality, place of residence or place of establishment within the Internal Market and amending Regulations (EC) 2006/2004 and (EU) 2017/2394 and Directive 2009/22/EC:
- The “**Geo-Blocking Regulation**” prohibits sellers from discriminating between customers based on one's nationality, place of residence or place of establishment. The Regulation addresses three specific situations of unjustified geo-blocking, namely the sale of goods without physical delivery, the sale of electronically supplied services and the sale of services provided in a specific physical location.
- The **Regulation on cross-border parcel delivery services** (EU) 2018/644 requires parcel delivery providers to make available pricing information that allows for better regulatory oversight of the services being provided. It also improves price transparency and makes it easier for national regulatory authorities to assess certain high cross-border tariffs.
- The **Platform-to-Business Regulation (P2B)** (EU) 2019/1150 lays down rules to ensure that business users of online platforms are granted appropriate transparency, fairness and effective redress possibilities. The Regulation defines the obligations that platforms need to adhere to in respect of business users, such as clearer terms and conditions, more transparency in ranking practices and an internal system for handling complaints amongst others.

At the time of writing, European institutions are debating two new important legislative measures that will have a significant impact on eCommerce when adopted:

1. The proposed **Digital Markets Act** (DMA) seeks to regulate digital markets to address competition problems, particularly by harmonising rules at a European level. Over the past years, a few large digital platforms have managed to position themselves as important brokers and gatekeepers between traders and end-users, leading many business users to become significantly dependent on these platforms. This is potentially leading some platforms to resort to unfair behaviour vis-à-vis these traders. The main objective is, therefore, to bring about more open and fair markets by restricting anticompetitive behaviour.
2. The **Digital Services Act** (DSA) is, instead, more focused on addressing harmful products, services and other content provided by online intermediaries and platforms. While revamping parts of the eCommerce Directive, this new law will provide better safeguards towards identifying and controlling illegal content and unsafe/counterfeit products delivered online. At the time of writing, the MCA was nominated by the government to act as the designated Digital Services Coordinator (DSC) in Malta. The MCA is thus following the DSA in detail as it continues to be negotiated within the European fora as we move closer to an actual regulation that will inevitably affect the EU's digital and eCommerce landscape over the coming years.

Chapter 3

A NEW STRATEGY

Building further on the achievement of the 2014 eCommerce Malta National Strategy, this strategy comprises a defined work plan of measures through which the MCA is seeking to establish a robust regulatory framework that sustains the development of an open, fair and sustainable eCommerce-enabled market. The plan further contemplates awareness, knowledge sharing and education initiatives to accelerate uptake, build capacity and encourage excellence.

The expected outcomes of this work plan are:

- a fair, open, and sustainable eCommerce regulatory framework that benefits business and consumers alike;
- an increase in Maltese SMEs selling online;
- better understanding and adoption of rules, standards, and good practices;
- increase in the adoption of novel solutions, pervasive business innovation, and widespread application of world-class standards;

The specific objectives that the MCA seeks to achieve through this work plan include:

- increasing awareness about eCommerce opportunities and encouraging good eCommerce practices;
- increasing business and technology competences through awareness and education;
- educating sellers about standards and regulatory compliance;
- facilitating stakeholder discussion and participation in future policy formulation; and
- monitoring and analysing eCommerce activity to evaluate policy effectiveness, inform discussion, and shape future policy.

3.1 Key Partners

Some of the measures identified in this work plan will be implemented jointly with these entities and as part of their respective work programmes.

Tech.mt

Tech.mt is a public-private partnership between the Government of Malta and the Malta Chamber of Commerce, Enterprise and Industry, which aims to promote Malta as a tech centre for innovative technologies. Tech.mt owns four main pillars that complement the MCA's eCommerce vision, namely:

- promotion – to give local tech companies the opportunity to showcase their work and celebrate their success;
- innovation – to expose technical professionals to innovative technology and drive academic research;
- talent – to establish a communication channel between local and foreign academia through which areas of collaboration may be identified; and
- assistance – to provide guidance in market intelligence via market research and publications.

The eSkills Foundation

In line with its vision of a well-equipped digital society, the MCA is also a founding member of the eSkills Malta Foundation. The Foundation is a national coalition made up of various representatives from the government, industry and education sectors, who can contribute to the increase in digital skills and the development of the IT profession. The eSkills Malta Foundation mandates are:

- to advise the government and relevant stakeholders on matters related to eSkills policies;
- to contribute to the expansion of ICT educational programmes and related formative initiatives;
- to lead an ICT professionalism development programme;
- to instigate further reform in the ICT educational offerings and contribute to the capacity building of the ICT education community; and
- to champion campaigns and promote the Maltese eSkills potential both locally and internationally.

With eCommerce being so dependent on information technology, we consider the eSkills Malta Foundation to be a major enabler for eCommerce now and in the future.

Chapter 4

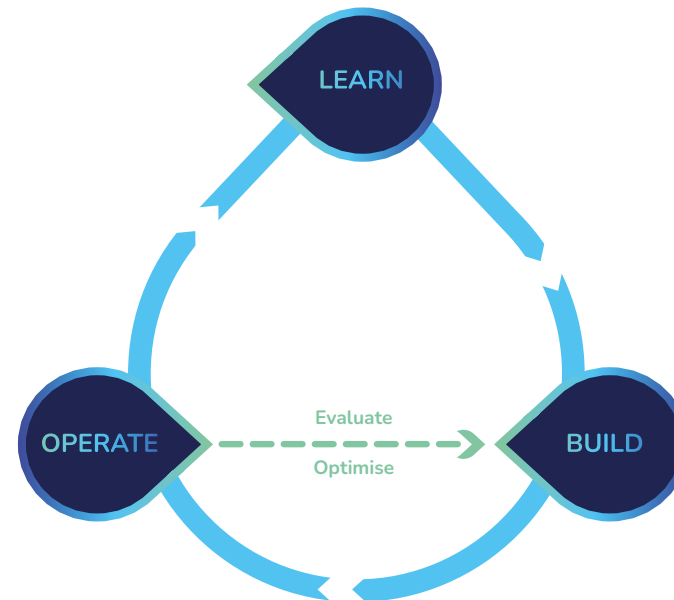
MCA ECOMMERCE GROWTH MODEL

This strategy aims to go beyond incentivising sellers to establish an eCommerce operation.

With a view to sustaining seller growth and maturity, eCommerce is considered as a journey that starts the moment a seller decides to invest in digital channels and thereafter embarks on a continuous cycle of self-improvement. Technology is seen as a dynamic tool that can be applied to deliver an improved product, enhance customer experience, achieve stronger market positioning, and gain efficiency through constant optimisations.

Therefore, an eCommerce growth model is hereunder being proposed to serve as a guide in the scoping of this work plan and its measures. The model distinguishes between the distinct stages a seller goes through when building and maintaining an eCommerce venture.

Figure 1: The eCommerce Growth Model



In this model, eCommerce maturity is represented by the degree of system integration, process complexity, automation, scale and sophistication in the sales setup. eCommerce maturity is achieved through consequent successful strategic decisions, investment and incremental improvements gained with each build cycle.

Stages in the maturity framework and modes of policy support

Stage	Description	Modes of policy support
Awareness	<p>A seller opts to start an eCommerce operation. A seller could transition from a previously successful brick-and-mortar venture or establish a completely new enterprise to capitalise on eCommerce from inception.</p>	<ul style="list-style-type: none"> • Generate awareness by sharing testimonials and best practices • Facilitate advisory support • Clear regulations and efficient public administration
Build	<p>At this point, the idea or problem has been explored, and a solution has been identified. All related business processes and resources need to be thoroughly analysed and redesigned if required.</p> <p>How the solution will dovetail within the sales pipeline and all existent operational procedures must be clearly understood, mapped and planned.</p> <p>The solution and its providers need to be identified and the work commissioned and scheduled. Beyond any capital outlays, the seller will need to establish an effective and sustainable long-term service relationship with the service providers concerned.</p>	<ul style="list-style-type: none"> • Capacitybuildingprogrammes–trainingandbestpracticesharing • Give exposure to new technologies and solution providers • Promote financial incentives

The seller also needs to invest in staffing and skilling to ensure the capacity to operate effectively.

Investment and effort are committed by the end of this stage.

The solution is implemented, and new business processes are introduced. The relationship with the solution providers is established as interaction increases.

At this stage, the staff is introduced to the new solution, and solution-specific training is given. Staff buy-in and operational discipline are imperative to ensure the best outcome.

The seller must ensure that the new solution is compliant with all existent regulations.

Operate

The new solution is now operational. Teething issues have been addressed as the relationship with the solution providers has matured, shifting from development/onboarding to support and maintenance.

During this phase, the sales pipeline and operating procedures are optimised to reflect the changes brought about by the new solution.

Operational discipline remains imperative in this phase.

The impact of the new solution on sales and operations is continuously observed and measured.

- Conduct regulatory compliance checks
- Support solution and processes training
- Education initiatives about regulation compliance
- Ensure fair, complete and efficient regulations
- Stimulate demand through consumer awareness and educational campaigns

Evaluate

Following a period of operations, the outcomes are evaluated from both strategic and operational perspectives. Insight is drawn from successes and failures.

Insight is also derived from the performance of the market and competition.

New opportunities for improvement are identified and prioritised. Strategic decisions on product development and growth aspirations are taken.

The outcome will feed into a new eCommerce build cycle.

- Facilitate advisory support
 - Knowledge sharing through case studies and best practices
-

4.1 The eCommerce Ecosystem

Sellers must be familiar with the dynamics that shape the ecosystem in which they operate and compete. They must be able to understand and adapt in a timely manner to retain market share, identify opportunities and secure growth.

Each support measure under this strategy addresses one or more of the identified dynamics.

Dynamics shaping the eCommerce ecosystem

Dynamic	Description	Modes of policy support
Competition	<p>Competition is determined by diverse local, European and global counterparts, all strategically positioned to address specific market needs.</p> <p>Whilst eCommerce opens access to markets, it also leads to an intensification in competition and specialisation.</p>	<ul style="list-style-type: none">• Regulations for a fair, open and sustainable market• Effective regulatory oversight• Seller education
Demand	<p>Demand is defined by the size of a market and its preferences. A too small a market demand might not generate the critical mass for sustainable eCommerce operations.</p> <p>Buyer propensities and expectations also change over time, impacting purchase trends and sales predictability.</p>	<ul style="list-style-type: none">• Buyer encouragement through awareness and education• Generate and share insights about markets

Technology

Sellers need to pay constant attention to technology developments. Whilst new technologies open new business opportunities, these need to fit within strategic planning and investment plans. On the other hand, failure to update can cause obsolescence.

The seller needs to maintain adequate internal competence whilst securing access to specialist skills.

- Share insights about technological developments
- Encourage the adoption of new technologies
- Capacity-building support measures

Ecosystem Enablers

Enablers provide sellers with the means to establish and operate in an eCommerce system. Enablers might include web development, platforms, payment services, social networks, hosting providers, delivery services, and digital agencies, for example.

The choice of partners can have a long-lasting impact on an eCommerce venture due to lock-ins, costs and compatibility.

- Encourage sellers to conduct in-depth analysis and explore alternatives before proceeding with a partner or a solution
- Education through case studies

Regulation

Many diverse regulations apply to eCommerce. The dynamic nature of technology and the emergence of new business models require that regulations are continuously updated.

Although this might seem overwhelming for many sellers, it is imperative that they remain compliant with all the relevant regulations.

- Awareness and education initiatives for sellers
- Stakeholder consultation to identify policy needs

4.11 The Three Seller Segments in Focus

eCommerce has drastically reduced country borders and shortened distances. However, whilst creating wider market reach opportunities, it has also intensified competition. Like prior technology-induced disruptions, many traditional businesses have found themselves challenged by new entrants that are able to generate value by exploiting new opportunities.

Traditional sellers, mostly SMEs, need support to embrace new business practices, rethink their product and market, and adopt new technologies. These sellers are central to the economy as, collectively, they are a large source of employment, hold valuable experience and specialisation, and serve economic and social needs that mainstream enterprises may not serve.

Whilst recognising the importance of helping traditional sellers with adopting eCommerce, policies also need to cater for new market entrants. New entrants, born digital, need encouragement and support, particularly because they instigate entrepreneurship, offer employment, and can grow to become tomorrow's bigger industry players and economic pillars.

A policy on eCommerce must also seek to continue supporting sellers who have so far been successful in their eCommerce endeavours. A business is a continuous journey of self-improvement and growth in a dynamic environment that is constantly changing. Businesses are themselves dynamic and need to constantly adapt and compete to retain their relevance in ever more intense and competitive markets. Economic growth and prosperity depend on the enterprise's ability to be relevant, competitive and able to generate value.

The three seller segments

Traditional **Established sellers that are adopting eCommerce for the first time**

Typically, indigenous sellers resist eCommerce due to lack of awareness, lack of funding or limited access to resources. They are late to transition to eCommerce as they react to market pressures. Furthermore, the business models and products offered by these sellers might not be so easily adaptable to eCommerce, whilst the transition can be painful.

Born Digital **New sellers joining the market with a new online presence**

Such sellers are entrepreneurial and disruptive by nature and take full advantage of eCommerce. These sellers are eager to exploit market opportunities and compete aggressively by leveraging operational efficiency and digital marketing. Being new ventures, these sellers are willing to take higher risks.

Mature **eCommerce users that continuously seek to optimise and grow their operations**

These sellers have been operating via eCommerce for some time and have developed a robust and predictable sales pipeline and stable operating procedures. They continuously seek ways to optimise their systems and procedures to remain competitive and increase their returns.

Chapter 5

WORK PLAN

In line with our vision to support local businesses take advantage of eCommerce opportunities whilst also advancing a robust regulatory framework, in this chapter, we present our work plan for the coming years. These measures address gaps identified through our past work, as well expected developments resulting from new policies such as the DSA and the P2B. These measures are presented under two distinct streams namely Advancing eCommerce Policy and Seller Capacity Building.

5.1 Advancing eCommerce Policy

A sound eCommerce ecosystem that benefits the economy and society can only materialise if a robust regulatory environment is in place and a dynamic yet sustainable ecosystem is developed. These measures are aimed at shaping tomorrow's eCommerce policy within a national and European context.

The objectives of these initiatives are to:

- actively contribute to the development of new regulatory policy;
- establish a community of stakeholders to explore economic opportunities and put forward policy recommendations; and
- maintain a healthy eCommerce environment by enforcing regulatory provisions.

5.1.1 An Effective eCommerce Regulatory Framework

Back in 2001, the MCA was tasked with the transposition and implementation of the eCommerce Directive into Maltese law. Since inception, the Authority has been monitoring all eCommerce developments, providing policy advice to government, and updating its regulatory operation to best serve the country's needs.

Over the coming years, new legislation will be introduced at national and European levels to address unprecedented technological and market developments impacting society and the economy. The DSA, in particular, is expected to introduce new tools, regulations and responsibilities to render the online world safer and more conducive to growth. Against such a background, the MCA will continue to undertake its regulatory role to enable economic development and citizen wellbeing.

5.1.2 eCommerce Insight

Supported by different tools, the MCA will continue to measure eCommerce trends and activity at the consumer and business levels, thereafter developing insight to inform industry and shape future policy.

Monitoring initiatives will include:

- the continuous review of relevant periodic and ad hoc instruments, particularly Eurostat data (DESI) and Eurobarometer;

- undertaking a biennial survey on the use of digital channels by consumers;
- undertaking a biennial study on the eCommerce perceptions of Maltese businesses;
- establishing new periodic or ad hoc data as well as qualitative and/or quantitative data collection instruments to bridge intelligence gaps or answer specific policy or industry questions; and
- establishing a systematic mystery shopping initiative to observe regulatory and service standards compliance amongst Maltese sellers.

5.1.3 Monitoring and Enforcement

The MCA will continue to fulfil its eCommerce regulatory role through programmed periodic checks on eCommerce operators to ensure compliance with the laws and regulations under its purview. The checks will enable the Authority to assist operators comply with the respective rules, and where necessary, pursue enforcement procedures.

5.1.4 The MCA Digital Services Forum

The MCA Digital Services Forum will evolve into a consultative body focused exclusively on digital services policy. It will include a wide representation from business associations of sellers, solution providers and commercial interests; leading business and technology players; the government and policy owners; consumer representative bodies; and the academia.

The Forum's mandate will be to:

- discuss opportunities and risks and put forward policy recommendations;
- discuss upcoming regulations and interventions, particularly in the context of the DSA and P2B;
- analyse progress on the implementation of this work plan and provide feedback;
- identify and share updates on market and technology developments; and
- identify and share best practices.

5.2 Seller Capacity Building

These measures focus on increasing the eCommerce readiness of Maltese sellers by intensifying awareness, building skills and making eCommerce solutions more accessible. Their aim is to support organisations of any size operating in any industry sector as well as newcomers to eCommerce, including those seeking to take their setup further.

These measures will help sellers:

1. discover and understand different eCommerce solutions;
2. understand and adhere to the main regulatory requirements;
3. seek business excellence by adopting the right technologies and following industry standards;
4. develop the necessary strategic and operational competences to run a successful eCommerce venture; and
5. learn from best business practices and success stories.

5.2.1 eCommerce Awareness for Seller

To assist eCommerce newcomers, a series of short information sessions will be organised in partnership with key stakeholders. The sessions will target entrepreneurs and employees in decision-making positions and will explore strategic aspects of eCommerce including online business models, online competition, cross-border sales and relevant regulatory compliance.

5.2.2 eCommerce Basic Compliance

The MCA, jointly with relevant authorities and other relevant bodies, will offer a basic compliance assessment service covering security, consumer and accessibility compliance to boost trust in local eCommerce whilst helping sellers achieve a higher degree of regulatory compliance. Sellers will be able to voluntarily propose their online operation for assessment.

5.2.3 eCommerce Guides

The array of regulations and standards that sellers are expected to understand and adhere to can be overwhelming. The MCA, jointly with other authorities and related bodies, will offer online guides to help existent and prospective eCommerce sellers understand applicable rules and standards.

The guides will cover the following topics:

1. Basic legal requirements to start an eCommerce operation
2. eCommerce consumer protection rules
3. Taxation in Malta, the EU and beyond
4. Cross-border sales
5. The General Data Protection Regulation (GDPR)
6. Security and risk mitigation
7. Content, advertisement and intellectual property (DSA, Copyright Directive)
8. The Payment Card Industry Data Security Standard (PCI DSS)
9. The Web Content Accessibility Guidelines (WCAG)
10. Support schemes and incentives for eCommerce investment
11. Selling via platforms – rights and obligations
12. Shipping and delivery
13. Green eCommerce – best practices for sustainability.

5.2.4 The eBiznify “Certified” Programme

The eBiznify “Certified” eCommerce Training Programme will continue to be offered to business operators. Launched in 2018 and having trained over 200 participants to date, the programme will continue to reflect new technologies and business trends. The course equips participants with a comprehensive mix of skills to successfully operate an eCommerce venture. The programme is accredited by the Malta Further and Higher Education Authority (MFHEA) at MQF level 4 with 6 ECTS credits.



5.2.5 eCommerce Readiness Training

This initiative aims to support sellers deploying eCommerce solutions to train their staff with skills needed to update and optimise operations to derive maximum benefit from investment.

The training programmes will cover:

- regulatory compliance with a focus on eCommerce, GDPR and Consumer rules;
- the use of eCommerce solutions, such as WooCommerce, Magento and Shopify;
- digital sales and marketing, including SEO, social media and pipeline-conversion management; and
- managing digital payments.

5.2.6 eCommerce Success Stories

Success stories are a great way to celebrate the achievements of local business as it succeeds in its endeavours as well as inspire other organisations to take a leap forward in their own operation. With this initiative, we aim to feature successful eCommerce transitions by documenting the journey, including any pitfalls and lessons learnt, while also highlighting good practices that lead to a successful local and cross-border eCommerce project.

5.2.7 eCommerce Event

The MCA will establish an eCommerce dedicated event featuring a seminar and an expo. The event will serve to promote compliance and best practices whilst serving as an opportunity to bring together sellers, solution providers and stakeholders.

5.3 eCommerce Portal

From the outset, this work plan will adopt a digital-first approach, aiming for the widest and most effective outreach whilst championing the use of technology and eCommerce. Therefore, a web portal will be developed to serve as the hub for all initiatives and engagements. The website will serve as the main dissemination tool for all the information and educational content produced and as a channel for consultation.

REFERENCES

- ¹ UNCTAD, “COVID-19 and E-commerce: A Global Review”, United Nations, 2021.
- ² RetailX, “Global 2020 Ecommerce Report,” RetailX, London, 2020.
- ³ National Statistics Office, “ICT Usage by Households,” National Statistics Office, Malta, 2021.
- ⁴ Malta Communications Authority, “Insights into Buying Behaviour Attitudes: Internet & eCommerce Use by Consumers Survey 2021,” Malta Communications Authority, 2021.
- ⁵ Malta Communications Authority, “Key market indicators for electronic communications and post: Q1 2017 to Q2 2021,” Malta Communications Authority, 2021.
- ⁶ Malta Communications Authority, “Insights into the use of Digital: Internet & eCommerce Use by Business Survey 2021,” Malta Communications Authority, 2021.



MALTA COMMUNICATIONS AUTHORITY

