

eCOMMERCE MALTA
National Strategy
2014 - 2020

MID-TERM STRATEGY UPDATE – 2017
Enabling transformation, growth and innovation

Publication Date – 11th September 2017



PARLIAMENTARY SECRETARIAT
FOR FINANCIAL SERVICES,
DIGITAL ECONOMY AND INNOVATION

mca
MALTA COMMUNICATIONS AUTHORITY

Foreword 02

Chapter 1

State of Play 03

Chapter 2

Scoreboard and Impact 05

Chapter 3

List of Initiatives 06

Chapter 4.0

Strategy Realignment 09

Chapter 4.1

Key Findings of Review 10

Chapter 4.2

Key Takeaways and Way Forward 15



Foreword

In October 2014, the Malta Communications Authority (MCA), together with Government, published the eCommerce Malta, National Strategy, 2014 – 2020¹, aimed at ensuring that businesses have the necessary means and skills to capitalise on opportunities brought about by eCommerce. The strategy sets out Government's policy in relation to eCommerce and identifies a series of initiatives that are to be implemented during the strategy plan period.

The strategy establishes four main pillars for Malta's eCommerce market up to 2020:

Pillar 1: Engendering trust in eCommerce

Pillar 2: Transforming micro-enterprises

Pillar 3: Taking SMEs and industry to the next level

Pillar 4: Making Malta a global eCommerce player

Each pillar is supported by a number of actions that the Authority proposed in order to ensure that Maltese industries can continue to grow and prosper and capitalise on opportunities presented.

By nature, eCommerce is a highly dynamic industry and therefore, actions identified in the strategy are reviewed and updated annually, whilst the strategic direction is reviewed and updated every two years. Some actions are already underway and will be ongoing. Others will be established during the strategy revision process and will be code-signed with stakeholders from government and the private sector.

The proposals that underpin this strategy revision were drawn from a 'think-tank' mostly comprising specialists from the field of digital technology and eCommerce, who were engaged in the drafting of new policy concepts, complemented by consultation with various stakeholders in the industry. As the regulatory body responsible for eCommerce, the MCA is leading the implementation of this Strategy, on behalf of the Maltese Government.

This Strategy revision reviews the current status of the policy's implementation to date and charts an updated way forward to continue to generate an eCommerce landscape that is creative, innovative, collaborative and adaptable.

¹ <http://www.mca.org.mt/sites/default/files/pageattachments/MCA%20eCommerce%20Strategy%20Document.pdf>



Chapter 1 - State of Play

Introduction

eCommerce in Europe continues to flourish and it is envisaged that this growth will continue throughout 2017. Despite the number of economic downturns in some European countries, the online market is deemed to be the key driver for growth in European retailing². More consumers are resorting to digital channels to look-up information, as it is becoming comparatively easy to search for products and/or services on the Internet³. The exponential increase in the use of mobile technology is rapidly transforming the way consumers interact with the digital world, essentially re-shaping the way consumers purchase. Nevertheless, leveraging technology is becoming paramount to satisfying the demands of both tech-savvy and traditional consumers. Moreover, the impact of emerging new technologies and services related to innovative payment methods and delivery services cannot go unnoticed due to their disruptive effect on the eCommerce model as they become mainstreamed over time. Businesses can no longer solely rely on physical (brick-and-mortar) outlets as their only point of interaction with consumers. This argument is further strengthened by the fact that consumers are using diverse and multiple channels to purchase, including in-store. Today, the challenge for businesses lies in their ability to effectively realign the physical and digital, whilst at the same time, re-think the value proposition of the customer retail experience.

Trends in online shopping in Malta

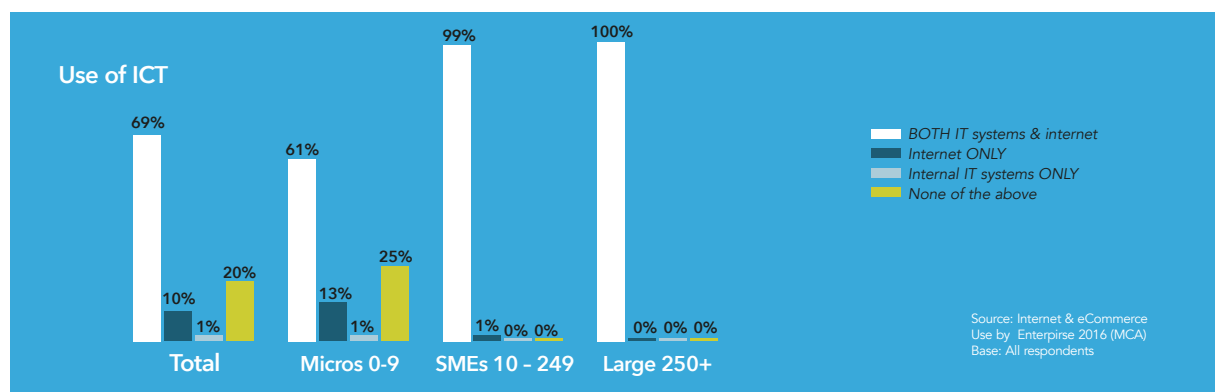
Ongoing developments in technology are opening up numerous channels for consumers to shop anytime, anywhere and through any means. Maltese consumers' use of the Internet continues to grow, as evidenced in the latest MCA study published in April 2017, whereby more than three-quarters of the Maltese population use the Internet. Interestingly, the Internet is also the first port

of call for looking up information for most internet users before making a purchase, regardless of whether this is completed in-store or online. This is further substantiated

by the growth in online purchasing – more than half of the population engages in such activity, increasing year on year⁴. However, only slightly less than a third of digital buyers purchase from local websites. These purchases are mainly related to event tickets, flights and accommodation. This contrasts to what happens in most EU countries, wherein the bulk of online purchases are carried out within one's own country⁵. Nonetheless, Internet and eCommerce uptake in Malta compare well with EU averages, however there is still room for continued growth.

Overview of online selling by businesses in Malta

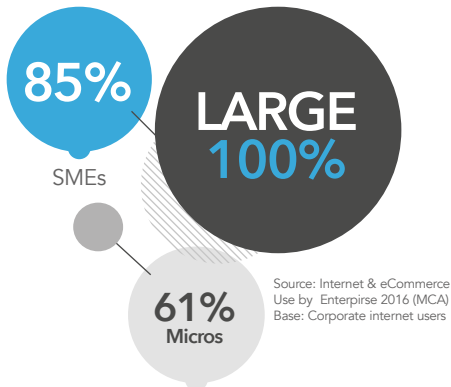
Microenterprises, SMEs and large businesses are increasingly recognising the potential benefits of digital technologies⁶. Although the brick-and-mortar model is still going strong amongst local enterprises, slightly less than half of the survey respondents also use the Internet to engage with their customers, albeit without necessarily concluding the transactions online. A potential correlation between the size of a business and the use of digital tools appears to exist, with SMEs and large enterprises embracing technology more aggressively than microenterprises. The use of ICT is substantiated by the number of businesses having a website, where larger businesses are more likely to have a corporate website. Whilst the majority of those that do not have a website claim that they do not need one, only a few cited lack of time and cost as the main reasons for not investing in one. Amongst those that do have a website, only 27% feature prices and a mere 3% list stock availability on their websites. Interestingly, businesses that include prices on their websites seem to perceive more benefits from having a website than those that do not include prices on their website.



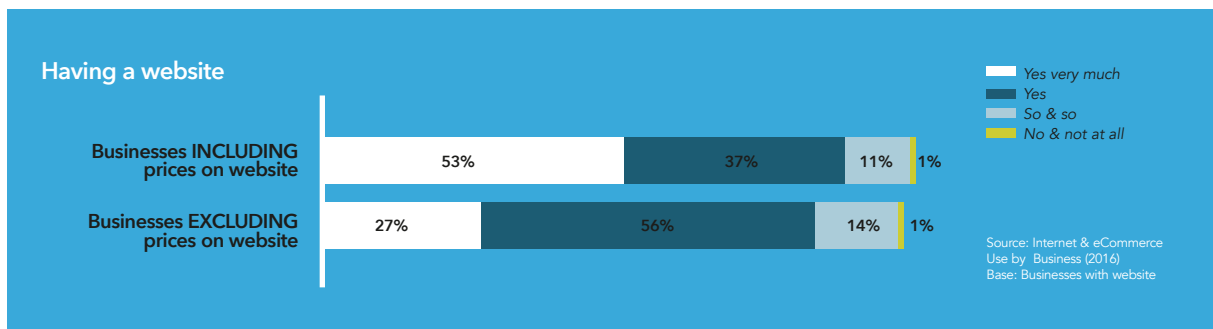
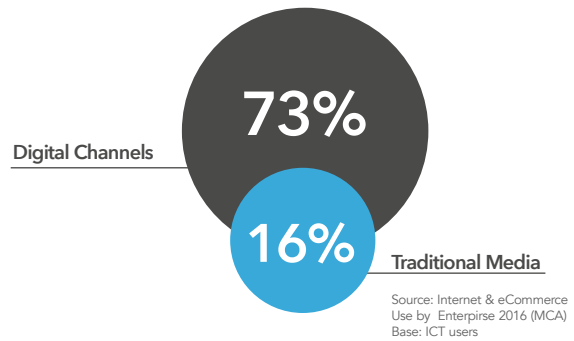
² Centre for Retail Research: <http://www.retailresearch.org/onlineretailing.php> ³ The New Customer Journey: Understanding and Engaging With Your Social-Savvy Customers: <http://www.adweek.com/digital/the-new-customer-journey-understanding-engaging-with-your-social-savvy-customers/> ⁴ Internet and eCommerce Use by Business Study (MCA 2016): <http://www.mca.org.mt/articles/internet-and-ecommerce-usage-study-december-2016> ⁵ Eurostat 2016: <http://ec.europa.eu/eurostat/data/database> ⁶ This is evident from the study undertaken by the MCA in 2016, which analyses different areas of digital transformation across the entire local industry, from the smallest to the largest business: <http://www.mca.org.mt/articles/internet-and-ecommerce-usage-study-december-2016>



Having a website

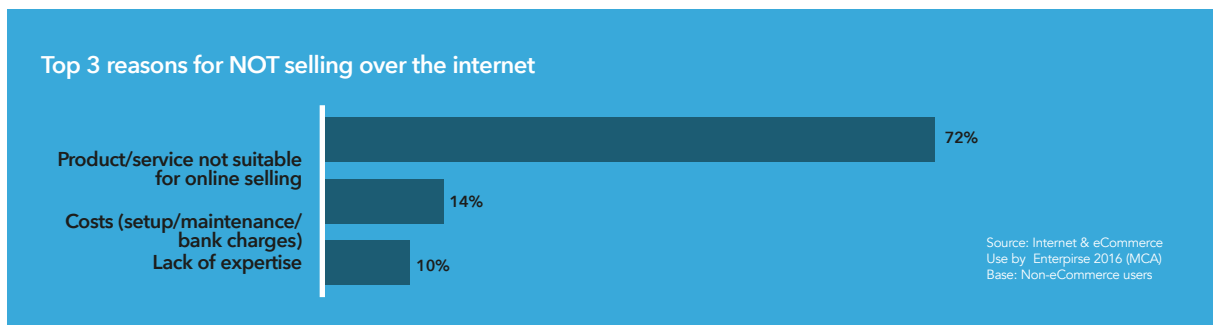


Main marketing channel used by business



Yet, less than half of the businesses analyse the data generated by the digital tools they invest in. Despite the upward trends, both in the number of data-enabled mobile subscriptions, as well as online purchasing, businesses in Malta still exhibit a degree of resistance towards online business operations. In fact, only slightly more than half the businesses with a website have a mobile-optimised site, whilst a mere 12% of digitally-enabled businesses

are selling through eCommerce channels. Almost three quarters of non-eCommerce companies are not convinced that their product or service is suitable for transactions over the Internet. In addition, there is also a lack of knowledge and low uptake of cloud services by local businesses, which still hesitate to use these and other ancillary services that are challenging the operations of SMEs and microenterprises in the digital era.



Nonetheless, research shows that the local trading sector is appreciating the benefits and effectiveness of digital marketing as a tool to be more competitive and as a means to broaden its market opportunities across a global market-space, with Facebook occupying the top spot as

the preferred platform of choice⁷. This is also confirmed by the data gathered by Eurostat⁸, which places Malta at the forefront in the use of social networks such as Facebook, LinkedIn, amongst others, for branding and promotional purposes.

⁷ Internet and eCommerce Use by Business Study (MCA 2016): <http://www.mca.org.mt/articles/internet-and-e-commerce-usage-study-december-2016>

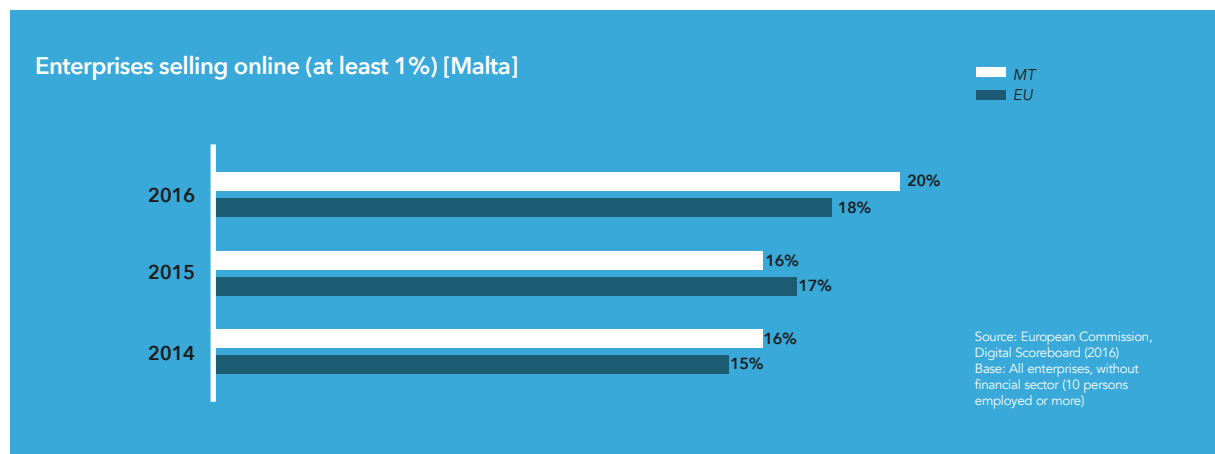
⁸ Eurostat - Social media - statistics on the use by enterprises: http://ec.europa.eu/eurostat/statistics-explained/index.php/Social_media_-_statistics_on_the_use_by_enterprises



Chapter 2 - Scoreboard and Impact

The Digital Economy and Society Index (DESI) 2017⁹, ranks Malta in the 12th place. Malta is performing above the EU average in internet use by the local population, and in the use of digital technology by businesses, amongst other areas. Maltese internet users are very active online, especially in the use of social networking sites (82%). With regard to online shopping, Malta ranks below, but close, to the EU average.

When looking at the extent to which Maltese businesses are embracing digital technology, the DESI 2017 report acknowledges that whilst SMEs¹⁰ actively use social media and RFID¹¹ technology, it still lags behind in areas relating to eInvoicing and Electronic Information Sharing. However, the data gathered along the years denotes a gradual increase in online selling, with 12% of SMEs (2015) selling cross-border. This is also reflected in eCommerce turnover, which has increased from 4.2% in 2015 to 8% in 2017¹².



⁹ DESI 2017 – source: <https://ec.europa.eu/digital-single-market/en/scoreboard/malta>

¹⁰ Definition of SME - http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

¹¹ https://en.wikipedia.org/wiki/Radio-frequency_identification

¹² DESI 2017 – source: <https://ec.europa.eu/digital-single-market/en/scoreboard/malta>



Chapter 3 - List of Initiatives

Most of the measures identified in the eCommerce Malta, National Strategy 2014 – 2020¹³ are currently underway. The following is a brief resumé of the activities per

measure, as listed under Chapter IV of the afore-mentioned strategy document.

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 - Ongoing

Various information sessions have been, and continue to be provided by the MCA in collaboration with other industry stakeholders, including Jobsplus, banks and other industry institutions. Examples include, a formal information session on Internet Banking, use of eCommerce amongst the elderly and basic eCommerce principles as part of the ENTER programme¹⁴. Other initiatives include dissemination of the best practices on social media, on the MCA website and other media channels.

PILLAR 2 Transforming micro-enterprises

This pillar aims to address the challenges that micro-enterprises 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 - Completed

The MCA established a 'think-tank' comprising a number of experts in the field of eCommerce, Internet technology and legislation. Part of the result of this 'think-tank' is this Strategy evaluation document. Moreover, the MCA liaises consistently with major stakeholders to understand issues as they arise. These stakeholders include the GRTU, the Malta Chamber of Commerce, the Malta Employers Association, as well as various stakeholders in academia.

Measure 2 - Ongoing

Various training sessions are currently on-going, targeting a number of industry verticals, including crafts, hospitality, manufacturing, retail and the services industry. The MCA will also be launching a FastTrak programme to enable SMEs and micros to establish an online presence within a short period of time.

Measure 3 - In progress

This is planned to be delivered as part of a comprehensive web-based accredited course, which the MCA will kick-start during 2017.

Measure 4 - In progress

Back in 2016, the Ministry for European Affairs and Implementation of the Electoral Manifesto (MEAIM), with the support of the MCA, launched an eCommerce and Consultancy Grant Scheme and Consultancy. The grants are aimed at facilitating SMEs' access to consultancy services to develop business plans, feasibility studies, process and systems reviews and organisation and operations reviews. It will also support SMEs in developing an eCommerce website and/or a mobile application, by financing up to 50% of the eligible expenditure.

Measure 5 - Completed

In 2015, the MCA further developed the "Blink" directory, increasing its functionalities besides integrating the directory within the newly developed 'eCommerce Guides for Business' website. This website aims to provide guidance to those seeking to operate online.

¹³ <http://www.mca.org.mt/sites/default/files/pageattachments/MCA%20eCommerce%20Strategy%20Document.pdf>

¹⁴ This offered individuals aged 25 to 64 the first stepping stone into the world of ICT, providing an insight on how technology could positively impact their lives and contribute to better employment opportunities, job mobility and productivity - first programme was an introduction to the basics of ICT in daily life contexts, whilst the second focused on the use of ICT in work related scenarios.



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 - In progress

The MCA has released a suite of eCommerce guidelines targeted at SMEs wishing to map their eCommerce journey within a structured set of initiatives. A thorough 'Audit Kit', which will enable SMEs to determine their maturity vis-à-vis eCommerce, focusing on regulatory, operational, security and other issues, is also in the pipe-line. This will be developed as part of the eLearning Portal, which is scheduled for release within Pillar 2 / Measure 3.

Measure 2 - Planned

A mentorship programme is planned to be launched in order to complement the eLearning Portal as per Pillar 2 / Measure 3. within a short period of time.

Measure 3 - Ongoing

During October 2016, the MCA, in collaboration with the Chamber of Commerce and ICON, held the 'Social Media and Trends in online Retail' seminar, to discuss developments in the widespread use of digital technology and the importance for businesses to better understand consumers' use of social media platforms. ZEST, a conference that addresses digital disruption and the opportunities this can bring about, is also another event on the Authority's calendar. The MCA will also be showcasing success stories.

Measure 4 - Ongoing

The MCA started this initiative by targeting the Crafts sector. A sector specific research study¹⁵ was conducted to identify the main challenges of this sector.

Measure 5 - Ongoing

Specific training and mentoring programmes are being rolled out in specific industries. Mentoring and hand-holding sessions were organised for a number of crafts operators within the industry.

Measure 6 - Planned

The MCA plans to roll-out this measure as part of the eLearning Portal via which training attendees can interact in real-time with subject-specific experts.

Measure 7 - Ongoing

Government will continue to provide tangible support measures, in the form of grants, which business organisations can tap into. These include the SME Diversification and Innovation Scheme, the eCommerce Grant Scheme, the SME Consultancy Services Grant Scheme and the SME Internationalisation Grant Scheme. These schemes are partly financed by the European Regional Development Fund (ERDF).

Measure 8 - Ongoing

The MCA aims to enter into discussions with various government entities and other industry stakeholders to ease supply chain operations for all industry players, making it easier to tap into a national eCommerce network. On the international front, the MCA has facilitated the process with Amazon to allow Maltese eCommerce operators to trade across the European Amazon platforms.

Measure 9 - Ongoing

The MCA is a member of the European Commission's eCommerce Expert Group and the eCommerce Foundation - an independent, non-profit organisation, which combines various European research reports and numerous other eCommerce bodies and fora.

Measure 10 - Ongoing

Throughout the year, the MCA routinely organises and supports seminars and fora which tackle, amongst other issues, business process transformation. The MCA eCommerce Forum, generally held on an annual basis, is one prime example. Furthermore the MCA participates in joint initiatives with various stakeholders as required.

Measure 11 - Ongoing

The MCA eBusiness Awards is a yearly event organised by the MCA, during which innovative eCommerce related solutions are rewarded for their work. This event provides local entrepreneurs with a spring-board from which to market their products and/or services to the industry. The MCA is also collaborating with the World Summit Awards to enable local organisations to showcase their solutions in international fora.

¹⁵ eCommerce Adoption by the Crafts (study): <http://www.mca.org.mt/initiatives/eccommerce-adoption-crafts>



Measure 12 - Ongoing

The MCA routinely conducts and publishes eCommerce-related surveys. These studies have proven to be a useful tool to industry players as they offer a genuine snapshot of the eCommerce situation in Malta at a given point in time. The MCA's surveys are completely anonymous, based on a scientific model, and are conducted in partnership with leading surveying organisations.

Measure 13 - Ongoing

The measure described in Pillar 3 / Measure 12¹⁶ is a core component of this measure. In addition, the MCA releases a number of in-depth documents related to major eCommerce issues in Malta – these are currently being undertaken during this re-alignment phase of the strategy.

Measure 14 - Ongoing

Events such as ZEST and Trade Missions, organised and supported by the MCA, provide exposure to local business on foreign case studies/experiences.

Measure 15 - Ongoing

The MCA is contributing to the 'National Strategy for Electronic Payments, which is led by the Central Bank of Malta. The objective of the Committee is to work with stakeholders and advise Government on new and evolving forms of payment. In addition, the Innovation arm of the MCA is exploring measures that would make Malta an attractive location for Fintech activity.

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 - Ongoing

The MCA has established an Innovation and Business Development team to specifically cater for this measure.

Measure 2 - Ongoing

The MCA's Innovation team is continuously engaging with foreign interests, Web summit presence, Malta Enterprise, Finance Malta, MIMCOL, and Trade Malta, to facilitate interaction between the different start-ups and create a community that promotes entrepreneurship and innovation.

¹⁶ <http://www.mca.org.mt/sites/default/files/pageattachments/MCA%20eCommerce%20Strategy%20Document.pdf>



Chapter 4 - Strategy Realignment

As with any long-term plan, a review is typically undertaken mid-way in order to evaluate the outcomes and subsequently adjust the related actions and measures as required in order to reap the desired objectives set out in the plan.

During this evaluation exercise, the MCA consulted with various industry stakeholders, including:

- micro enterprises;
- small and medium-sized businesses;
- large enterprises;
- industry supporting bodies (The Malta Chamber of Commerce, The General Retailers and Traders Union and others);
- related government entities (Ministries and other government entities);
- market experts (in the fields of digital marketing, legal, IT and others); and
- the general public.

The status table on pages 10 to 14 proves that for most of the planned measures, significant momentum has been gained. However, we are also mindful that there is still work that needs be done. Within this context, the Authority has identified measures, which have not yet resulted in the expected outcome. Therefore, the very nature of the industry itself calls for continuous realignment of the measures, especially as we move beyond the mid-way point of the strategy.

Following numerous suggestions and feedback collected from the various stakeholders and market investigations, we have identified and listed the areas that we believe need the most attention. Therefore, the MCA is re-aligning the eCommerce strategy measures to better target the following areas:

Focus Area 1 Resistance to new technologies, mostly by business owners;

Focus Area 2 Limiting local market realities in relation to economies of scale, close proximity and perceptions about general product suitability for eCommerce;

Focus Area 3 Technical skills deficit;

Focus Area 4 Relatively high postal and shipping costs;

Focus Area 5 Payment processing costs;

Focus Area 6 Preference for face-to-face interaction by a significant segment of the market;

Focus Area 7 Perception of a better deal when buying from foreign eCommerce sites;

Focus Area 8 Lack of access to financing;

Focus Area 9 Long-winded process to set-up shop;

Focus Area 10 No mobile commerce/marketing strategy or plan for most local businesses;

Focus Area 11 Shortcomings and lack of streamlining with existing business processes, both at a micro and macro level.



Chapter 4.1 - Key Finding of Review

The MCA considers the focus areas mentioned in the previous section to be the major issues, which are currently affecting local enterprises in conducting online business. Therefore, the Authority will be focusing and re-aligning its

measures as follows:

(Dependencies: pre-requirements; Risks: impact of non-action with mitigation; Benefits: expected outcome/impact; Priority: low, medium or high).

Focus Area 1 - Resistance to new technologies, mostly by business owners

Actions

A mentorship programme is planned to be launched in order to complement the eLearning Portal as per Pillar 2 / Measure 3. within a short period of time.

Dependencies

Ability to embrace change and innovation.

Risks

Unless more focus is directed towards business owners, there is a veritable risk of having a significant business segment that is unable to appreciate the eCommerce

benefits and challenges, hence putting at risk the very existence of these business organisations.

Benefits

1. Potentially quicker time to action due to interaction with main organisational stakeholders.
2. More likelihood of action by the targeted business organisations.

Priority

High

Focus Area 2 - Limiting local market realities in relation to economies of scale, close proximity and general product suitability for eCommerce

Actions

This is probably one of the more pressing issues currently facing the local business community. The eCommerce strategy already includes numerous measures, which address this issue directly. However, we feel that more needs to be done to help mitigate these challenges as much as possible. Hence, apart from the identified measures, the MCA will also work with Government to introduce more positive incentives for potential eCommerce operators. It will focus more on mentoring than on traditional training and will highlight the importance of business process transformation. Apart from the technical implementation, the MCA will carry on discussions with financial and logistics institutions to facilitate the setting up of eCommerce operations. The MCA will also continue to drive awareness on the value-added services provided by local suppliers, as opposed to foreign suppliers, when it comes to personal relationships with customers/clients, availability of products and services, and other advantages that go beyond simple price comparisons.

Dependencies

Businesses' willingness and predisposition to enhance their operations through the adoption of digital technologies.

Risks

Due to favourable economies of scale, foreign sites tend to offer lower prices. Unless tangible actions are taken in this respect, Malta will run the risk of diluting its potential in eCommerce, as sellers will develop a sceptical attitude towards online technologies.

Benefits

Ensuring that the whole local eCommerce story is explained and known by all will help sustain eCommerce in the long term. The more tangible benefits local businesses offer through their digital operations, the more consumers will engage in domestic eCommerce.

Priority

High



Focus Area 3 - Technical skills deficit

Actions

This mostly applies to areas related to 'novel' aspects of technology (such as Internet of Things (IoT)¹⁷, Big Data, quantum computing, analytics, cybersecurity, cloud computing, etc.), where resources are scarce. Subsequently, activity (by start-ups or established firms) is often obstructed from the outset due to lack of human resources. The MCA will act with the eSkills Foundation and other academic institutions to ensure that the focus is on the resources, competences and skills needed in the near future.

Dependencies

1. University of Malta
2. MCST
3. eSkills Foundation
4. Private tuition entities
5. MCAST

Risks

Human resources remain Malta's most important asset. Not implementing this initiative may render Malta a less attractive destination for foreign or indigenous investment in ICT.

Benefits

More qualified teams will lead to better output, which in turn creates more business activity.

Priority

High

Focus Area 4 - Relatively high postal and shipping costs

Actions

The MCA is closely following regulatory measures, such as the Cross-Border Parcel Delivery Services regulation, as part of a combination of measures put forth by the Commission. These measures are aimed at assisting consumers and companies to buy and sell products and services online across the EU, more easily and with greater confidence. The aim of the proposal is to increase price transparency and regulatory oversight of cross-border parcel delivery services so that consumers and small online retailers can benefit from affordable deliveries and convenient return options, even to and from peripheral regions.

Dependencies

The willingness of local logistics and postage operators to offer more competitive prices.

Risks

Inability to compete on equal terms with other sellers that reside in better-connected regions within Europe and beyond.

Benefits

More competitive postage and delivery costs for local eCommerce operators selling cross-border. Improvement in this area would be beneficial to both consumers and sellers as it is fundamental for a healthy eCommerce environment.

Priority

High

¹⁷ <http://internetofthingsagenda.techtarget.com/definition/Internet-of-Things-IoT>



Focus Area 5 – Payment processing costs¹⁸

Actions

In 2016, the MCA paved the way for local eCommerce sellers to setup shop on the global Amazon network. This development presented various benefits, including easier payment methods for retailers. However, this is only the first step amongst numerous others, as the MCA plans to study ways and means to lessen payment gateway costs with the major local banks.

The MCA aims to develop schemes related to the latest trends (such as mobile payments) for eCommerce operators. Promoting the introduction of mobile payments on the island is also essential. This could be achieved by facilitating and providing incentives to retailers and end-users availing themselves of new technologies such as NFC -based¹⁹ contactless payments using mobile phone (in-store as well as online). Moreover, providing incentives for new players in the field of digital payments to set up shop locally will offer retailers a wider range of choice and more favourable conditions.

Dependencies

1. Availability of financial institutions to provide fast track merchant accounts with favourable processing conditions.
2. Availability of Government to intervene through the partly public-owned BOV, in terms of rates, setup process, guarantees etc.

Risks

1. Erosion of eCommerce market, limited incentives for new companies to come on board, barrier to entry for existing companies, loss of business for local players to foreign operators, competitiveness versus international players.
2. Whilst several advanced countries are mulling over the idea of eliminating cash, Malta is still predominantly cash based²⁰, with cash usage actually on the increase.
3. Inaction will inevitably plunge the country into further delay when it comes to introducing much-needed innovative payment methods in support of digital business.

Benefits

1. Cost reduction in payment processing.
2. Business process optimisation.
3. Benefits also to brick and mortar businesses (in terms of security, speed of transactions, cost reduction, choice of acquiring providers)

Priority

High

Focus Area 6 – Preference for face-to-face interaction by a significant segment of the market

Actions

The MCA will design and implement effective information campaigns to raise awareness amongst the general public. Those benefits of eCommerce, which are perhaps less evident will be presented through various cost-to-benefit scenarios.

Dependencies

The effectiveness of a campaign is dependent on a number of variables which are of crucial importance, such as, the type of channel used, the frequency with which the message is conveyed and more. This should be an ongoing activity to ensure that the message gets across to the widest possible audience.

Risks

If consumers do not perceive real value in using digital channels for their purchasing needs, they will not use online services and therefore, they would risk missing out on the benefits that eCommerce brings.

Benefits

1. Improved visibility for consumers about the availability of eCommerce-related services in Malta.
2. Consumers will fully appreciate and exploit the benefits of eCommerce.
3. Further reassurance to sellers on the viability of their eCommerce operations.

Priority

Medium

¹⁸ Locally, the major acquiring services provider is BOV, with just a handful of other providers present. BOV presents rack rates on card transactions at the rate of 3% to 5% (ranging in costs between type of cards, local, SEPA, non-cards etc). To this, BOV also impose a rolling reserve, generally around 25% for 120 days. In addition, merchants would incur approximately 0.5 to 1% per transaction (plus a number of fixed costs) from a payment gateway of their choice (again, only a handful on the island). These conditions are prohibitive, particularly for merchants dealing with physical products.

¹⁹ <http://nearfieldcommunication.org/>

²⁰ <http://www.timesofmalta.com/articles/view/20161006/business-news/Malta-ranked-5th-on-its-use-of-cash.627084>



Focus Area 7 - Perception of a better deal when buying from foreign eCommerce sites

Actions

The MCA will continue to shed light on the value-added services provided by local suppliers over the eCommerce medium vs. foreign suppliers when it comes to personal relationships, local availability and other advantages that go beyond simple price comparisons.

Dependencies

Actual pricing on foreign eCommerce sites remains an issue as price is often the main determinant for a significant number of consumers when choosing the seller of choice. This is a dependency which is acknowledged by the Authority and needs to be tackled continuously.

Risks

1. Very aggressive pricing models from a number of foreign eCommerce sites.
2. Very cheap items typically available from eCommerce sites that reside outside of Europe, which may lack European quality control and certification.

Benefits

More local sellers providing added values to consumers through digital channels. This will in turn persuade consumers to select local over foreign vendors.

Priority

Medium

Focus Area 8 - Lack of access to financing

Actions

Since the inception of the National eCommerce strategy, there have already been numerous direct incentives with regard to financing. More incentives will be introduced over the coming years both via Government / EU supported grants, and in partnership with local financial institutions.

Dependencies

1. Lack of qualified and skilled personnel to tap into funding.
2. Lack of funds.

Risks

1. Loss in competitiveness and attractiveness of our country.
2. Loss in competitiveness of local retailers.
3. Survival of local retailers in a digital single market.

Benefits

Major driver to foster competitive business, sustainability in a digital single market, growth and jobs.

Priority

Medium

Focus Area 9 - Long winded process to set-up shop

Actions

Besides the measures already identified, the MCA plans to assume the role of a facilitator, aiming to ease cross-departmental communication and processes that are involved with the setup of new business ventures. A new company type with less obligations for the first few years is also being considered, which will make it easier for start-ups to commence their operation with less red tape.

Dependencies

1. Availability of financial institutions to provide fast track merchant accounts with favourable processing conditions.
2. A simplified process to set up new business ventures. However, this would not assist existing businesses in truly embracing eCommerce.
3. Availability of government entities to provide true incentives to the uptake of eCommerce.

Risks

1. Local enterprises will continue to lag behind in the field of eCommerce.
2. This would also probably impact the overall uptake of digital business (B2C, B2B, digital payments, digital signatures, e-ID, etc.) altogether, thus exacerbating the problem across the board.

Benefits

1. Optimisation of business processes.
2. Access to new markets.
3. Increase in exports (products and services).
4. A concerted push towards a digital economy.

Priority

Medium



Focus Area 10 - No mobile Commerce/marketing strategy/plan for most businesses

Actions

Mobile technology in general and in particular, mobile commerce, has grown exponentially over the past couple of years. In view of this, in the coming months, in addition to the identified existing measures, the MCA will also be rolling-out awareness training programmes on the benefits of mobile commerce. This will be complemented by the recently published mobile strategy for eGovernment services.

Dependencies

1. Retailers have yet to catch up with customer expectations.
2. Conversion is still the biggest problem for mobile commerce, as mobile checkout remains a major problem.
3. Coherent and focused mobile-centric strategy.
4. Intelligent and forward looking transposition of the General Data Protection Regulation (GDPR)²¹.
5. Funds and resources.

Risks

Mobile is the device of choice for the mainstream consumer, and a whole ecosystem is being built around it with a plug in factor in the IoT. Companies, such as Amazon, have already harnessed this, resulting in more profitability, competitiveness, and survival of retailers.

Benefits

1. Fully embracing the concept and the ramifications of mobile commerce and mobility element;
2. All society benefits from digital commerce;
3. Retailer benefits in a single and globalised market

Priority

Medium

Focus Area 11 - Shortcomings and lack of streamlining with existing business processes both at a micro and macro level

Actions

When it comes to successful online activity, businesses need to have a mature, well-defined strategy, which itself includes digital actions. B2B firms lag behind B2C companies in this regard. However, both demonstrate poor preparedness in this area. From our analysis, it clearly transpires that there is the need to re-think business processes. The MCA will offer mentoring sessions to C-level executives to address any uncertainties with regard to the strategy and digital initiatives. Moreover, the MCA will also continue to strengthen the various targeting measures, making sure that there is more focus on business transformation in all the ongoing fora and seminars that are organised.

Dependencies

1. Availability of funds.
2. Availability of mature mentors.
3. Willingness of firms to 'open-up' to appointed members.

Risks

The present *modus operandi* has not resulted in the levels of success anticipated, as take-up by businesses has remained low. Maintaining this status quo may reduce Malta's international competitiveness and put the most vulnerable operators in this field at risk.

Benefits

1. Strengthened B2B & B2C online activity.
2. Integration of digital and offline strategy

Priority

Medium

²¹ http://ec.europa.eu/justice/data-protection/reform/files/regulation_oj_en.pdf



Chapter 4.2 Key Takeaways and Way Forward

The National eCommerce Strategy evaluation exercise has provided the MCA with a useful sanity check on the continued viability and adaptability of the eCommerce strategy that was launched in 2014. From the above information, the MCA is focusing the following five key takeaways as a way forward regarding the actual measures that it will either push forward or adopt in the coming years:

1. The MCA shall assume a stronger facilitative role to the local eCommerce community. This will be done both on the innovation front to promote disruptive business models and start-ups in eCommerce, and also in mentoring the local eCommerce community.
2. The measures planned in 2014 generally catered for the issues identified, albeit, with varying levels of impact. The MCA was pleasantly surprised with this finding, especially when considering the dynamic nature of the market. Notwithstanding this, more effort needs to be exerted on some measures in order to achieve the desired outcomes.
3. Local retailers need to buy into the digital mind-shift more convincingly since a general lack of awareness of the benefits of eCommerce has been identified, both on the demand and the supply sides. Admittedly, this issue is more acute on the supply side. There are a number of public perceptions (that may at times be quite valid) that need to be tackled with regard to the local eCommerce market.
4. There is a lack of interaction that manifests itself throughout the entire eCommerce value chain. This is felt through the various stages a company goes through to establish an eCommerce storefront.
5. Developments in the Digital Single Market plan to address eCommerce issues by tackling geo-blocking, cross-border parcel delivery – making eCommerce more affordable and efficient, and promoting consumer trust through better safeguarding and enforcement of consumer rights. This will be addressed by a suite of measures that would allow consumers and companies to buy and sell products and services online more easily and confidently across the EU:
 - a. A legislative proposal to address unjustified geo-blocking and other forms of discrimination on the grounds of nationality, residence or establishment;
 - b. A legislative proposal on cross-border parcel delivery services to increase the transparency of prices and improve regulatory oversight;
 - c. A legislative proposal to strengthen enforcement of consumers' rights and guidance to clarify, among others, what qualifies as an unfair commercial practice in the digital world.
6. A diverse strategy that could be adopted by local operators would be to shift from generalists in a micro-market to specialists in the global market (perhaps part of a value chain). This is due to the market realities and dynamics, highlighted throughout this document.

The purpose of this Mid-Term Strategy Update is to realign the Authority's strategic direction. Based on the above focus areas and on the feedback received from stakeholders, the MCA will be organising a number of initiatives, supported by Government, specifically catering for the gaps that were identified. The MCA encourages readers to follow the MCA website and Social Media pages for key updates on the eCommerce initiatives.

