
Cambodia e-commerce: An Overview on Current Landscape & Future Steps

By PROFITENCE

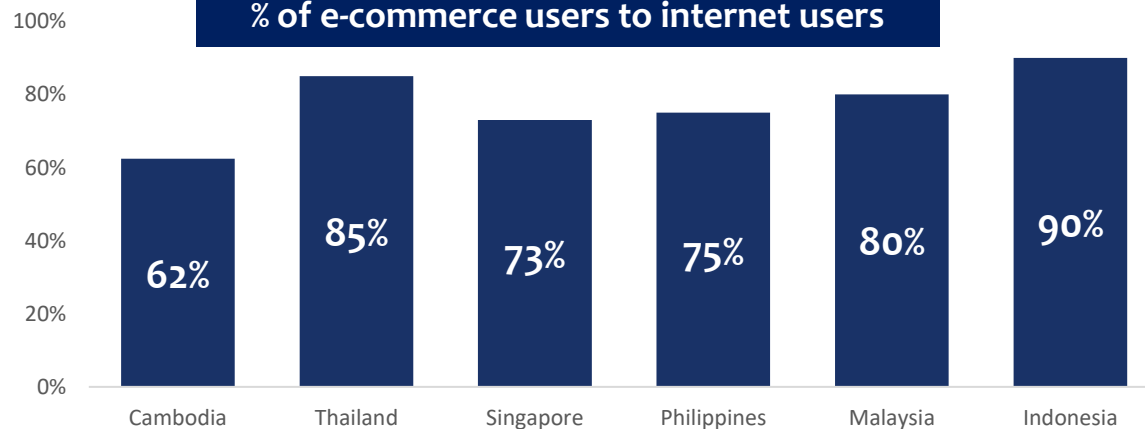
May 2020

Definition

“An e-commerce transaction is the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders. The goods or services are ordered by those methods, but the payment and the ultimate delivery of the goods or services do not have to be conducted online. An e-commerce transaction can be between enterprises, households, individuals, governments, and other public or private organisations”.¹

E-commerce can be classified by parties involved into B2B, B2C, C2B, C2C, G2B, B2G and C2G. The term e-commerce encompasses activities such as online market place, fashion, food delivery, online ticketing, gaming, beauty & cosmetics market and others. For this overview, online gaming, payment gateways, delivery businesses and travel are not included.

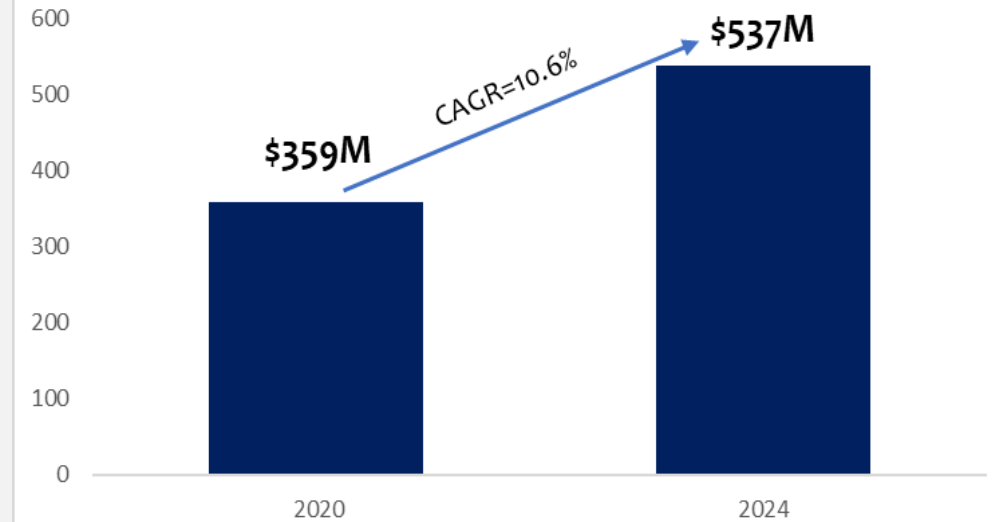
% of e-commerce users to internet users



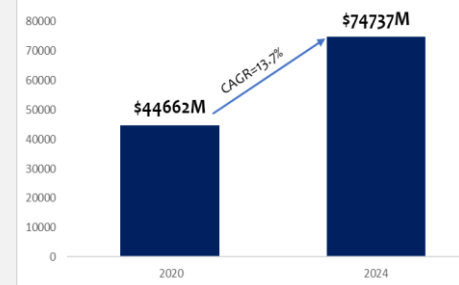
Source: Datareportal, eCommerce ASEAN

Market Size

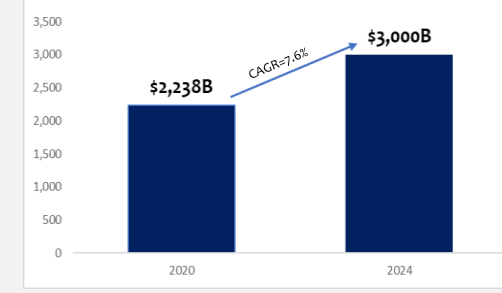
Cambodia E-commerce Market Revenue



South East Asia E-Commerce Market Revenue



Global E-Commerce Market Revenue



Source: Statista 2020

¹Note: Although there are different components of e-commerce, in this study, unless stated differently, we refer e-commerce as online market place and platforms that are modeled in B2C and C2C only. We have deep expertise on other e-commerce aspects i.e., ride hailing, delivery and online payment, which will later be integrated as our whole e-commerce ecosystem study for understanding.

e-commerce Growth Factors and Challenges

Growth Driving Factors

Smartphone penetration
 Penetration rate was **over 117% in 2019²**, 77% increase compared to 2015

Affordable mobile internet
5\$/month for 4 GB equivalent to 3% of lowest avg. monthly wage (USD 158)³

Internet penetration
76% of the population connected⁴

More access to internet

More internet usage

Wider addressable market

Large number of SMEs
 More than **500,000 SMEs⁶**

Growing income
 GDP per capita in 2020 is expected to be **USD 1730.88**, 6.8% rise from USD 1620.64 in 2019⁷

Young population
 Approx. **55%** of the population were between 20 to 34 years old in 2018⁸

A need of platforms to connect businesses to customers

More spending

Target consumers for e-commerce

Challenges/ Limitations

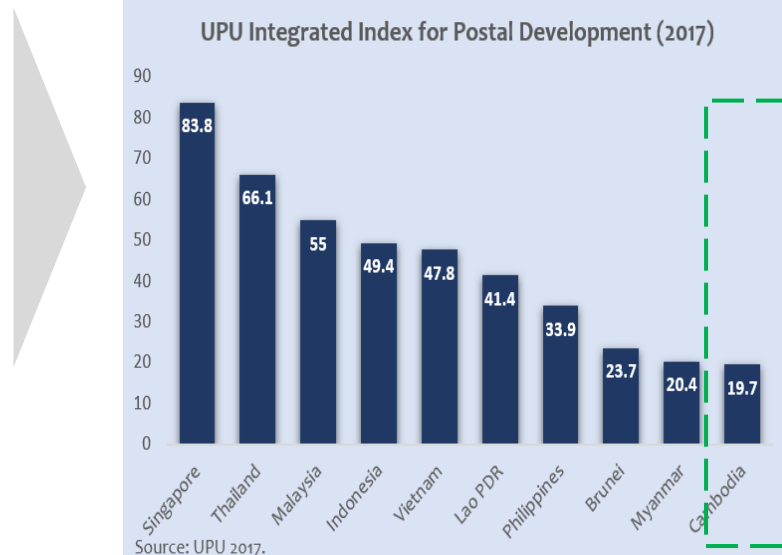
Lack of trust
 Customers are not confident on the quality of the products.
 Fear of being unable to refund or exchange.

Medium of payment
 Approx. 22% of the population have an account with FI's and 3.8% of them purchase or pay bills online⁵

Lack of IT readiness
 The concept of e-com is new in the country, accompanied by lack of qualified e-com IT experts to support the complications & manage the platforms.

Limitation of infrastructure
 Roads & house nos. outside of PP city are not properly marked. Logistic challenges need to be addressed

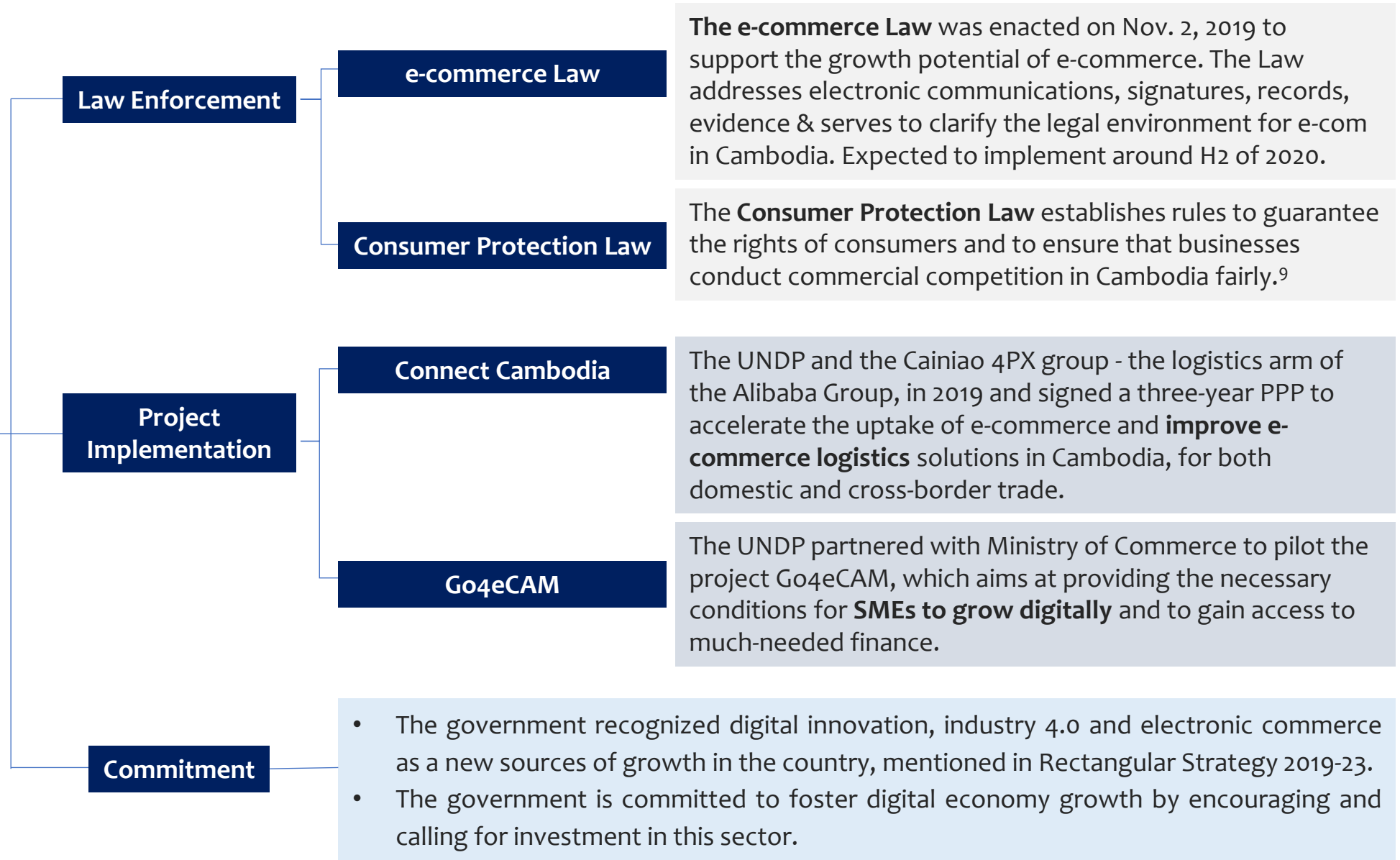
Internet speed
 Though 5G is expected to be rolled out⁹, it still lacks behind in terms of fast internet speed.



Government Support to e-commerce

Government Support On e-Commerce

Strong support from the government increases investors confidence and boost e-commerce growth like never before.



The e-commerce Law was enacted on Nov. 2, 2019 to support the growth potential of e-commerce. The Law addresses electronic communications, signatures, records, evidence & serves to clarify the legal environment for e-com in Cambodia. Expected to implement around H2 of 2020.

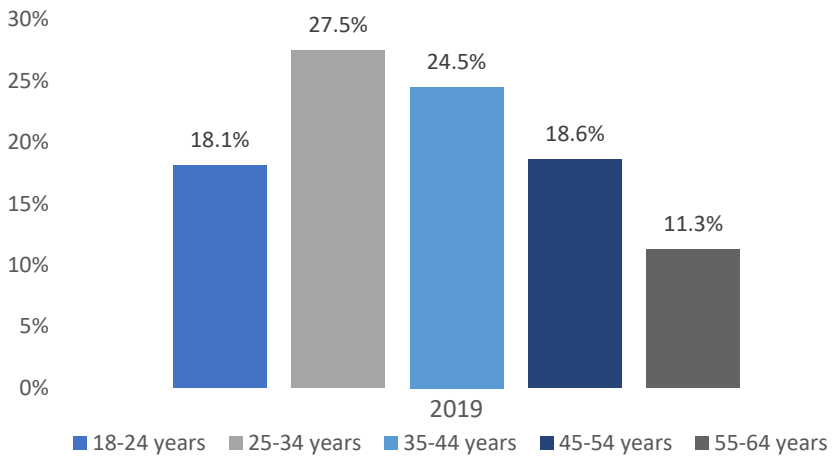
The **Consumer Protection Law** establishes rules to guarantee the rights of consumers and to ensure that businesses conduct commercial competition in Cambodia fairly.⁹

The UNDP and the Cainiao 4PX group - the logistics arm of the Alibaba Group, in 2019 and signed a three-year PPP to accelerate the uptake of e-commerce and **improve e-commerce logistics** solutions in Cambodia, for both domestic and cross-border trade.

The UNDP partnered with Ministry of Commerce to pilot the project Go4eCAM, which aims at providing the necessary conditions for **SMEs to grow digitally** and to gain access to much-needed finance.

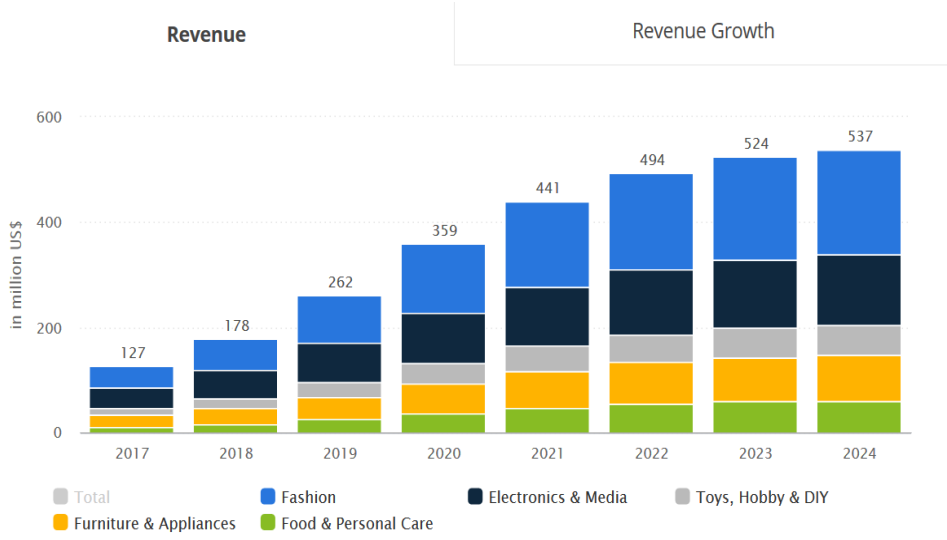
- The government recognized digital innovation, industry 4.0 and electronic commerce as a new sources of growth in the country, mentioned in Rectangular Strategy 2019-23.
- The government is committed to foster digital economy growth by encouraging and calling for investment in this sector.

Cambodian e-commerce Users by Age



Source: Statista 2019

Items Cambodians Buy Online



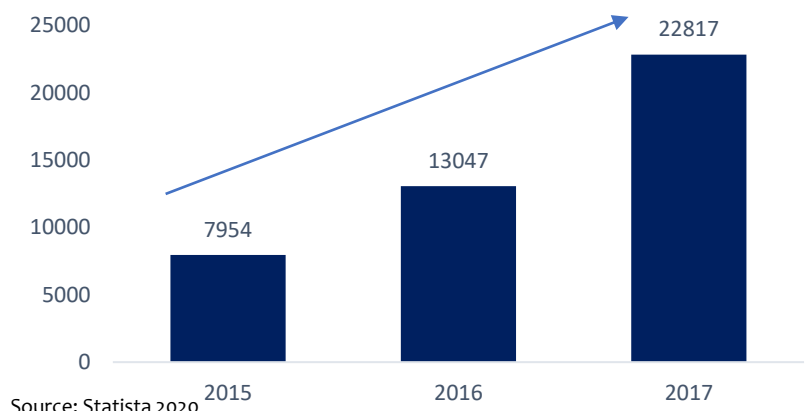
Source: Statista, January 2020

Rank	Item
1 st	Fashion
2 nd	Electronics & Media
3 rd	Furniture & Appliances
4 th	Food & Personal Care

Info

During some focused group interviews, the majority of locals prefer buying products from social commerce platform such as Facebook and Instagram. Even when people shop from e-com websites, they order products directly from China through apps such as Alibaba or TaoBao, instead of using local e-com websites.

The number of Cambodian active buyers on Alibaba grew three times within 2 years:



Source: Statista 2020

No local dominant player in the e-commerce

A need to drive consumer behavior

A case study on Thailand e-commerce (See slide # 8)



	Little Fashion	Smile Shop	My Phsar	Khmer 24	Phzar	Tinh Tinh	eCamShopping
BUSINESS MODEL	B2C	B2C	B2C, C2C	C2C	B2C, C2C	B2C,C2C	B2C
NO. BEING DOWNLOADED	100K+	100K+	100K+	100K+	5K+	1K+	1K+
LAUNCH DATE	2010	2018	2016	2009	2018	2019	2018
CATEGORY	All category	All category	All category	All category	All category	All category	All category
SELLER COMISSION	1-10%	N/A	N/A	No comission, but yearly subscription of 100\$	1-5% plus transaction fee 5%	N/A	N/A
IN-HOUSE LOGISTIC	Third Party & Own Delivery	Third Party-ZTO express	N/A	On Seller	Bloc Xpress	Third Party	Third Party
COST OF DELIVERY	PP: 1-2\$ (free for purchase 5\$ up) Province: 2.5\$ (free for purchase 10\$ up)	2\$	N/A	On Seller	PP: 1-2\$ Province: 2.5\$	1.5\$	PP: (free for purchase 10\$ up) Province:(free for purchase 20\$ up)
DELIVERY TIME	1-16 days	1-3 days	N/A	On Seller	1-20 days	1-3 days	1-3 days
RETURN POLICY	YES	YES	N/A	On Seller	YES	N/A	YES
PAYMENT GATEWAY	ABA Acleda Emoney J Trust Royal Pay&go Pi Pay Smart Luy Wing	ABA Bank Alipay Mastercard Pi Pay Union Pay Visacard WeChat Pay Wing	Cash on Delivery Pi Pay	Directly between seller and buyer	Alipay Bank Transfer (Acleda) JCB Pipay Union Pay Mastercard Visacard Wing	ABA Alipay Cash on Delivery Mastercard Union Card Visacard WeChat Pay Wing	Cash on delivery

These platforms are chosen into comparison because they have downloadable mobile application which allow us to compare the popularity of the apps being downloaded.

- **Little Fashion** is one of the oldest players in e-com & currently expanding into delivery service.
- **Smile Shop** plans to become “super app” and expand its services to include online consumer financing, groceries, and bus tickets.
- **My Phsar** and **Khmer 24** act as online marketplaces that facilitate product listing on their platforms. **My Phsar** is not involved in actual transactions and hence, do not have control over quality, safety or legality of the items listed.
- **Tinh Tinh** is a govt- backed e-com platform that is slowly gaining popularity in the country.
- **Phzar**, **MyApp** and **eCamShopping** are also new players catching up in the e-commerce sector.

It is difficult to estimate the market sizing of the above listed local players as data are not shared, however, with in-depth study, we could estimate the market sizing.

The key impact of COVID-19 on e-commerce sector is causing a shift in consumer shopping behavior from physical store to online store:

- Globally, online shopping increased by 10 to 30% due to COVID-19¹⁰. In China, early indications show that there are new customers & markets- specifically individuals aged above 36 and residents of smaller, less prosperous cities, have begun to shop online in greater numbers.
- In Europe, 13 percent of consumers said in early April that they were planning to browse online e-tailers for the first time. In Italy alone, e-commerce transactions have risen 81 percent since the end of February 2020.
- In Cambodia, more people have switched to cashless and opted for digital payment services such as bank transfer and credit card payment.¹¹
- Cambodia will be adopting to the 'New Normal' post Covid-19 and local e-commerce businesses has the potential to scale up. Delivery business have already shown significant traction during the Covid period.¹²
- Though there are areas like Taxation, lack of payment integration among banks that needs to be addressed, the enforcement of e-commerce law will boost the overall business environment.

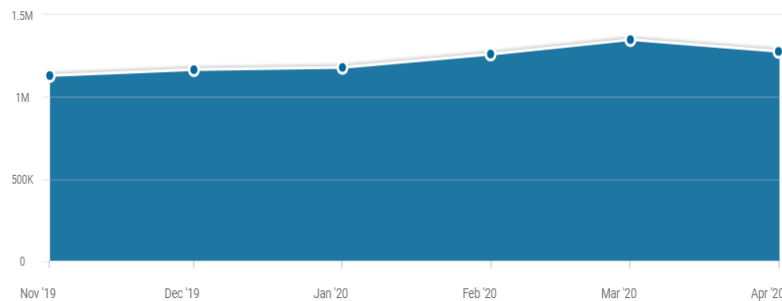
Several e-commerce websites have also seen increase in their web traffic during the COVID-19 period:

Khmer24

Total Visits ⓘ

Measured by  Google Analytics

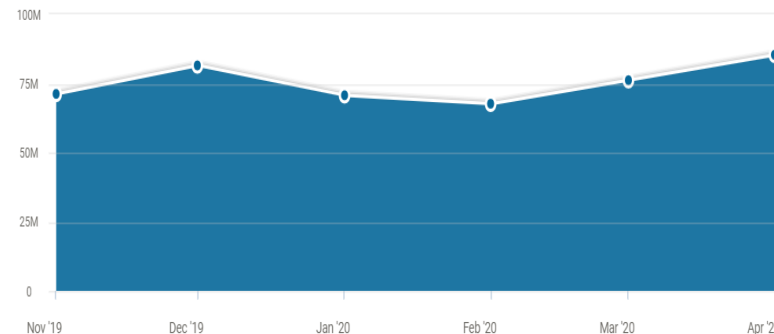
 On desktop & mobile web, in the last 6 months



Shopee

Total Visits ⓘ

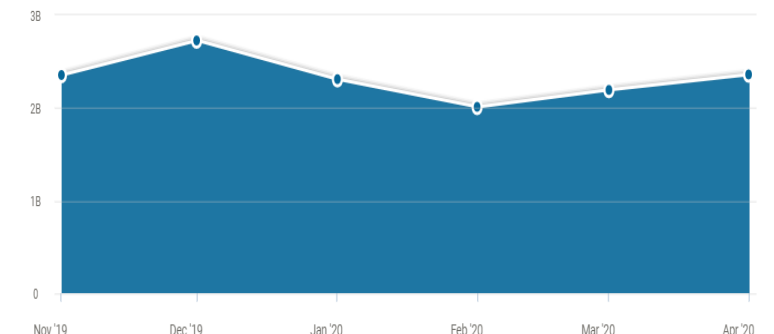
 On desktop & mobile web, in the last 6 months



Amazon

Total Visits ⓘ

 On desktop & mobile web, in the last 6 months



Case Study: Thailand e-commerce

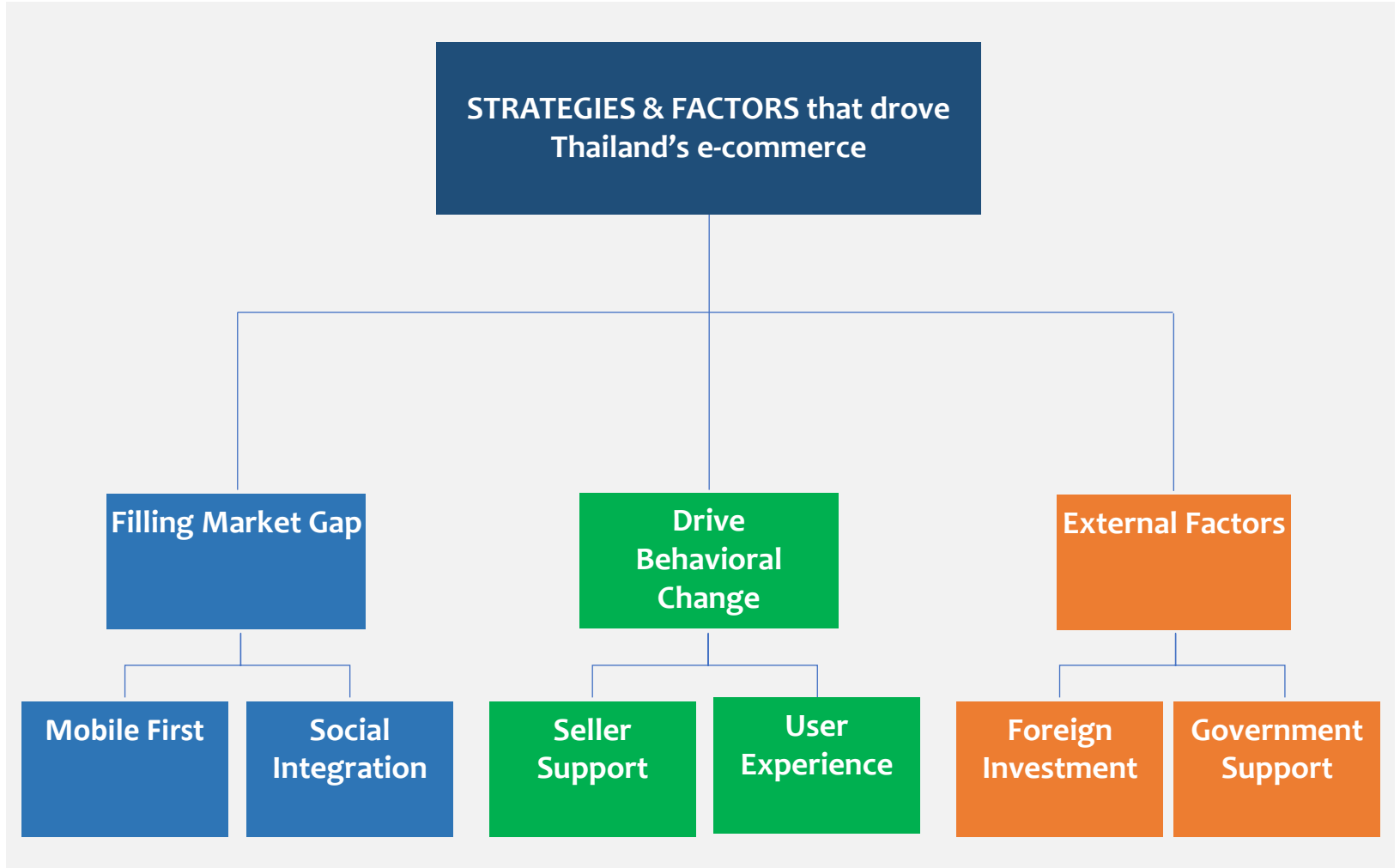
Reasons of choosing Thailand as a model for case study:

1. There are similar demographic features with Cambodia and
2. Thailand went through the same phase few years back
3. Thailand successfully managed to built up the e-commerce ecosystem including change in online shopping behavior

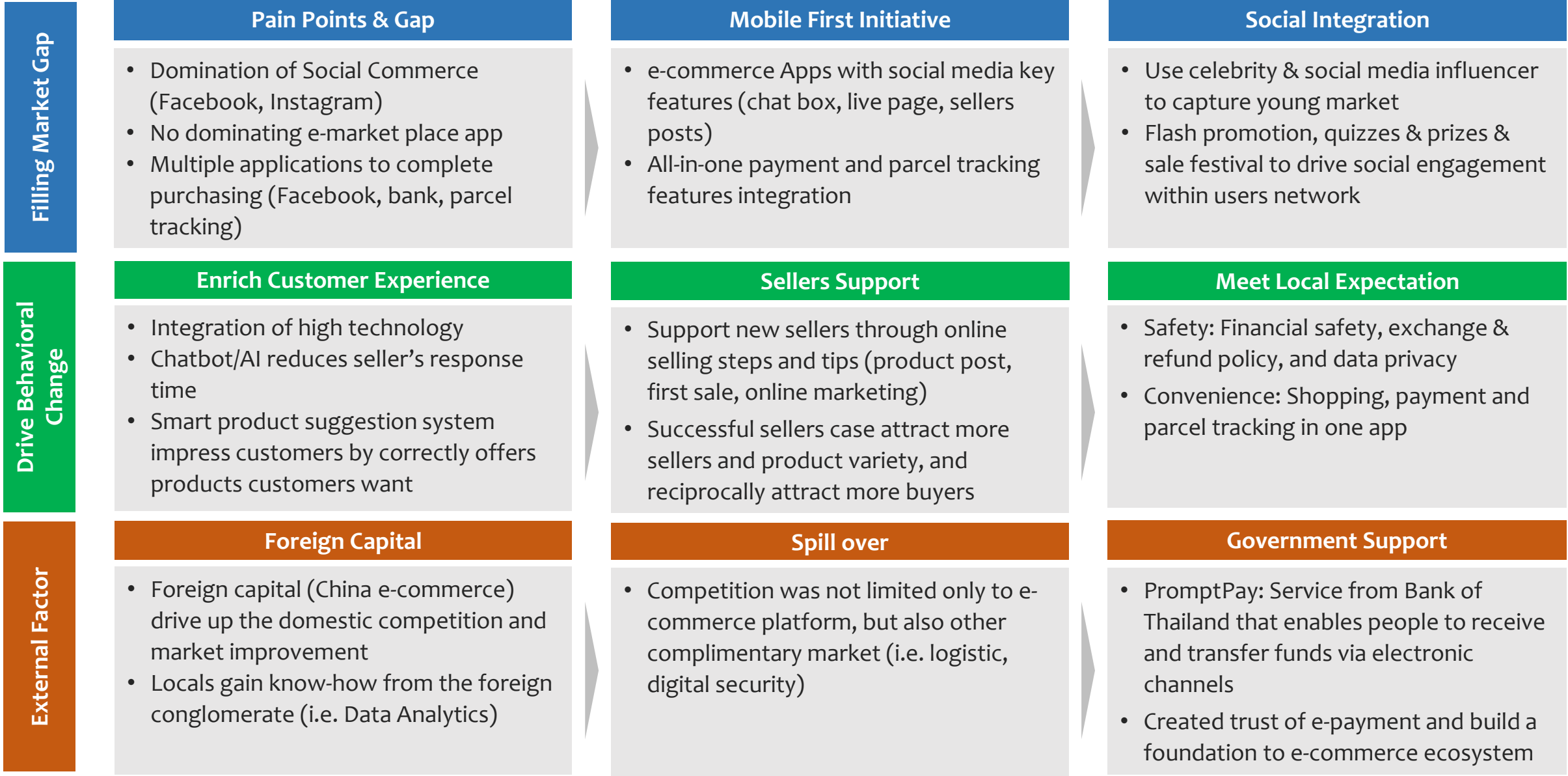
Case Study

- A decade ago, it was anticipated that e-commerce would be a big contributor to the Thai economy, but only a handful of people could foresee how it would work or what would be the shape of Thailand’s e-commerce landscape.
- Until 2016, majority of Thais were accustomed to offline channels where they can physically see, touch and bargain for the products.
- Despite high smartphone penetration, there was low volume of mobile payment transactions mainly due to lack of trust.

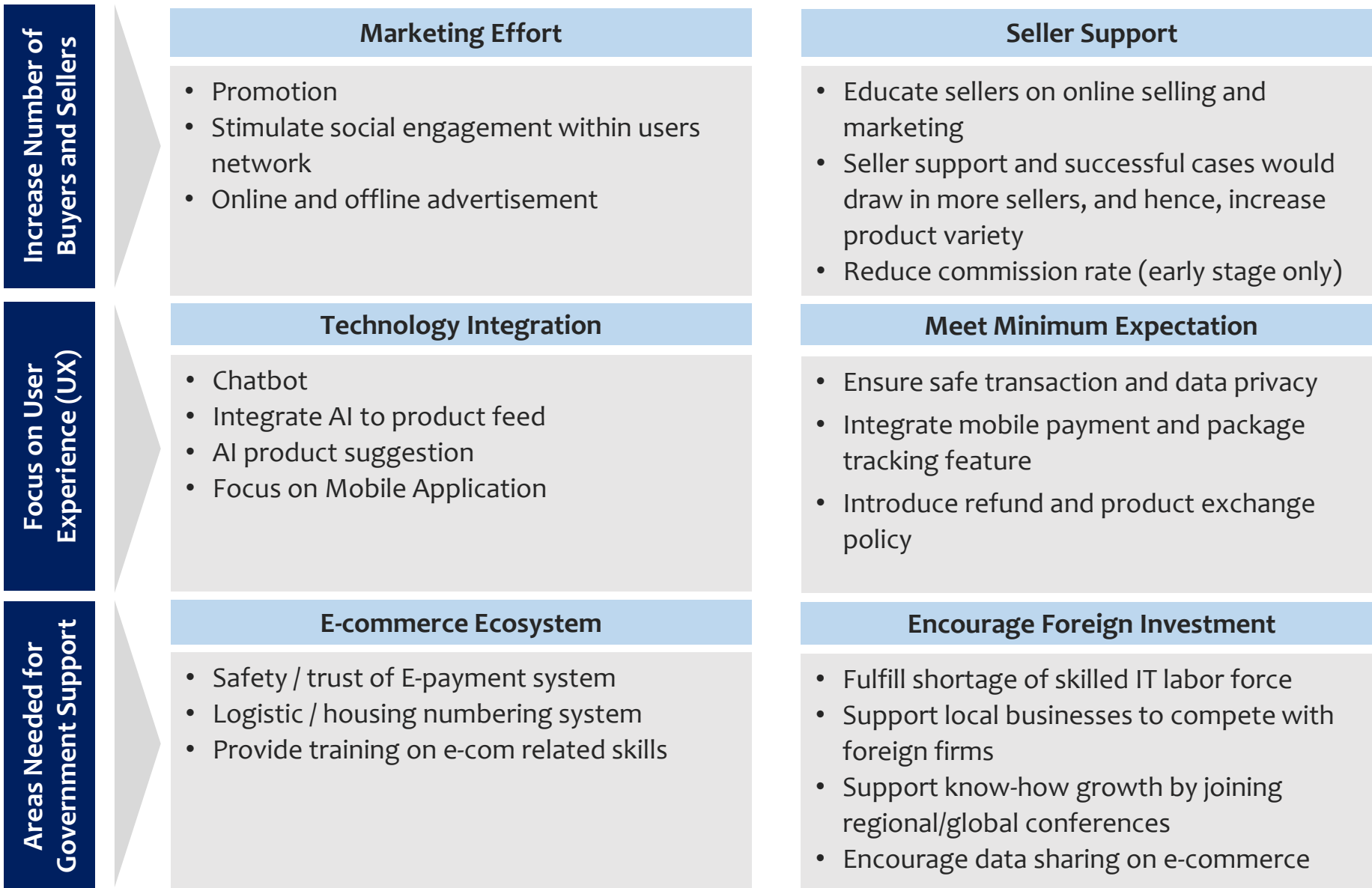
However, Thai conglomerate e-commerce players (Shopee, Lazada and JD Central) successfully built up the user base and drove consumer behavior using the following strategies:



Case Study: Thailand e-commerce (contd.)



Key Takeaways for Cambodia



How PROFITENCE can Help?



- ✓ PROFITENCE team has deep understanding of the environment, market and we can assist in providing extensive e-commerce market research, market sizing and robust study on other specific topics
- ✓ We have enough data and resources to produce a holistic research on e-commerce. We have done studies in the past on e-commerce centric businesses namely ride hailing, QSR (Quick Service Restaurants), delivery services
- ✓ Our diverse team members can provide in-depth analysis of the new e-commerce law from different angles to identify challenges and opportunities raised by the law
- ✓ Acting as a consultant advisor for leading companies in the country across different fields, PROFITENCE has strong network that can provide insightful perspective on the e-commerce potential & growth in the country
- ✓ Our team work on a set of principles and clear methodology to provide comprehensive, high-quality work which adds value to our clients.

PROFITENCE is a boutique advisory firm ready to help the clients to capitalize on opportunities in an emerging market, accelerate business growth and help turn-around businesses.

Our Mission: Delivering high quality services, be the trusted advisers & deliver high-value outcomes to our clients. We predominantly work in the CLMVT region (Cambodia, Laos, Myanmar, Vietnam & Thailand).

Our main strengths are: **knowledge of the market; experienced team and focused approach.**



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1 OECD, 2011.

2 Cambodia's 2019 Social Media & Digital Statistics (2019), Geeks in Cambodia.

3 Average Salary in Cambodia (2020), Salary Explorer.

4 Hootsuite, 2019.

5 Global Financial Inclusion (Global Findex) Database. (2012, April 19).

6 SMEs urged to register. (2019, December 17). The Phnom Penh Post.

7 Statista, 2020.

8 World Development Indicators, World Bank.

9 Smart Axiata's CEO Thomas Hundt talks 5G, 03 May 2020, The Phnom Penh Post.

10 Survey by Engine.

11 Nham24 delivers the goods. (2020, April 2). The Phnom Penh Post.

12 Delivery apps booming in midst of Covid-19 epidemic. 02 April 2020, The Phnom Penh Post.

Disclaimer:

This is an overview on the current e-commerce landscape prepared and collated by PROFITENCE and is not to be considered as a full study report. All data points are either manually collected from websites, through secondary research or during 'focus group' discussions.

The main purpose of this Overview is to prepare a holistic view on the opportunities in the e-commerce sector. This document is prepared solely for internal purposes and any data, views and comments are not to be shared, published without written consent from PROFITENCE