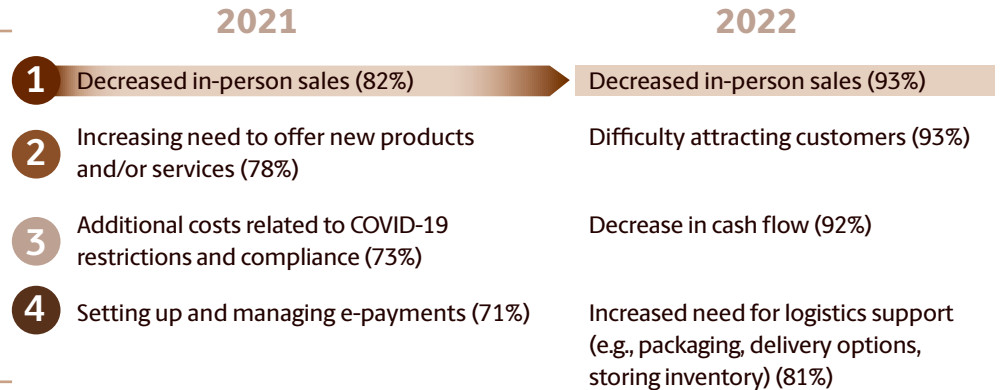# Indonesia
Supporting SMB Growth: Unlocking Recovery through E-commerce

UPS, in partnership with Nathan Associates and Indonesia Prima, surveyed 165 SMBs in Indonesia to better understand how national and international trade policy can best support SMBs to compete in the global online marketplace. 77 percent of the surveyed SMBs were women-owned. Below are some of the challenges, trends, and recommendations that emerged from this survey.

Ongoing Impacts of COVID-19

In a similar survey from the prior year, SMBs also reported that decreased in-person sales was their top challenge from COVID-19. Decreased in-person sales and difficulty attracting customers were equally ranked as the top challenge in 2022.

2021

1. Decreased in-person sales (82%)
2. Increasing need to offer new products and/or services (78%)
3. Additional costs related to COVID-19 restrictions and compliance (73%)
4. Setting up and managing e-payments (71%)

2022

1. Decreased in-person sales (93%)
2. Difficulty attracting customers (93%)
3. Decrease in cash flow (92%)
4. Increased need for logistics support (e.g., packaging, delivery options, storing inventory) (81%)

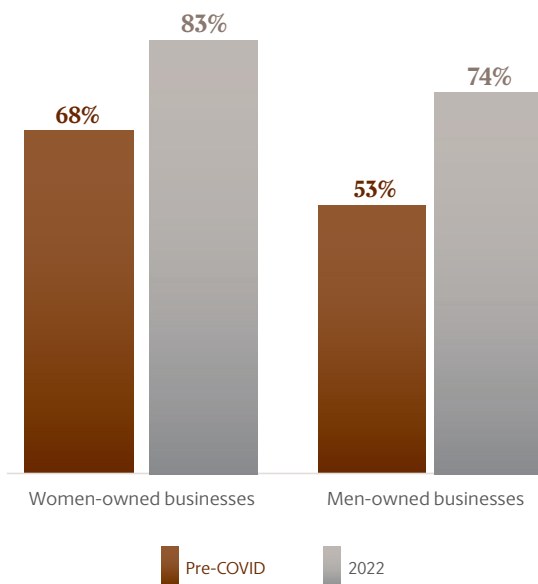## E-commerce Trends and Challenges

Primary e-commerce challenges in 2022

- Online marketing and branding
- Management of online sales platforms
- Compliance with digital laws and regulations
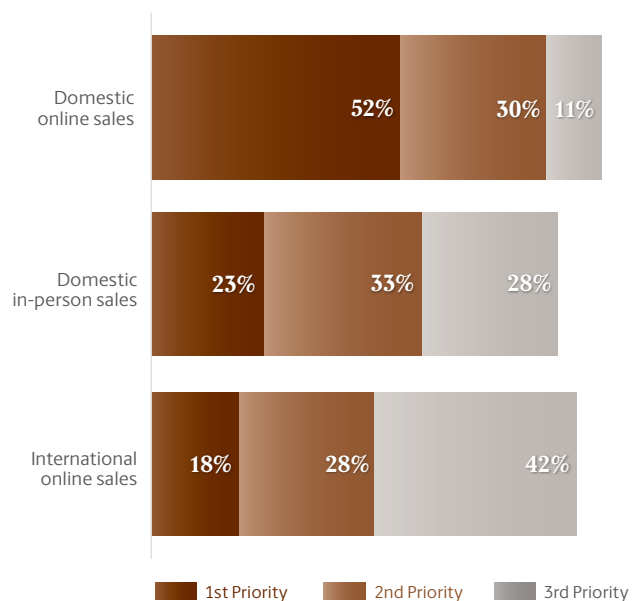- Access to information about how to run an e-commerce business

Is e-commerce a priority?

For SMBs that are currently selling online, e-commerce is a priority area of growth for their business. SMBs overwhelmingly indicated a desire to grow their domestic online sales, followed by domestic in-person sales.

SMBs Selling Online from Pre-COVID to 2022

- Women-owned businesses: Pre-COVID 68%, 2022 83%
- Men-owned businesses: Pre-COVID 53%, 2022 74%

Legend: Pre-COVID | 2022

SMB Business Growth Goals for the Next Two Years

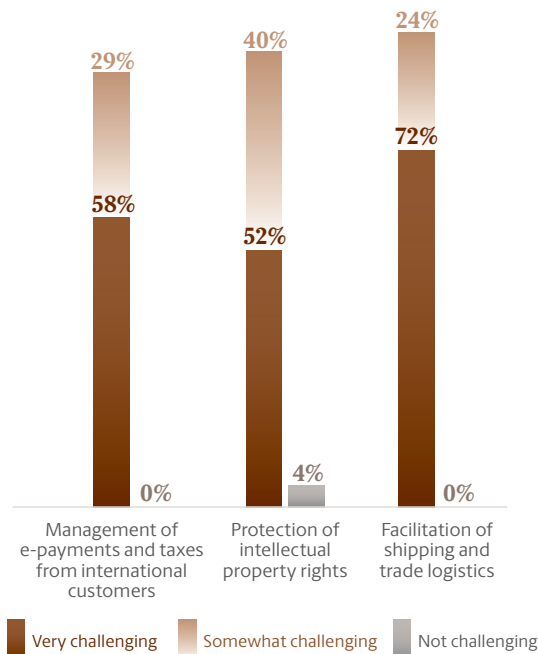|	1st Priority	2nd Priority	3rd Priority
Domestic online sales	52%	30%	11%
Domestic in-person sales	23%	33%	28%
International online sales	18%	28%	42%

Export Trends and Challenges

Only 15 percent of SMB respondents have engaged in exporting, but, of these, 60 percent said that exporting has gotten easier since the COVID-19 pandemic began. In 2021, protection of intellectual property rights and management of e-payments and taxes from international customers were top challenges. This year, facilitation of shipping and trade logistics has also been flagged as a top challenge, and over 80 percent of SMBs also identified navigation of export taxes and duties and access to information on international markets, trade compliance, and customs requirements to be "very" or "somewhat" challenging.

Challenges to SMB E-commerce Exports

	Very challenging	Somewhat challenging	Not challenging
Management of e-payments and taxes from international customers	58%	29%	0%
Protection of intellectual property rights	52%	40%	4%
Facilitation of shipping and trade logistics	72%	24%	0%

SMB Policy Intervention Priorities to Support E-commerce Exports

	1st Priority	2nd Priority	3rd Priority
Access to information on international markets, trade compliance, and customs requirements	56%	20%	4%
Management of e-payments and taxes from international customers	12%	36%	32%
Navigation of export taxes and duties	12%	28%	32%
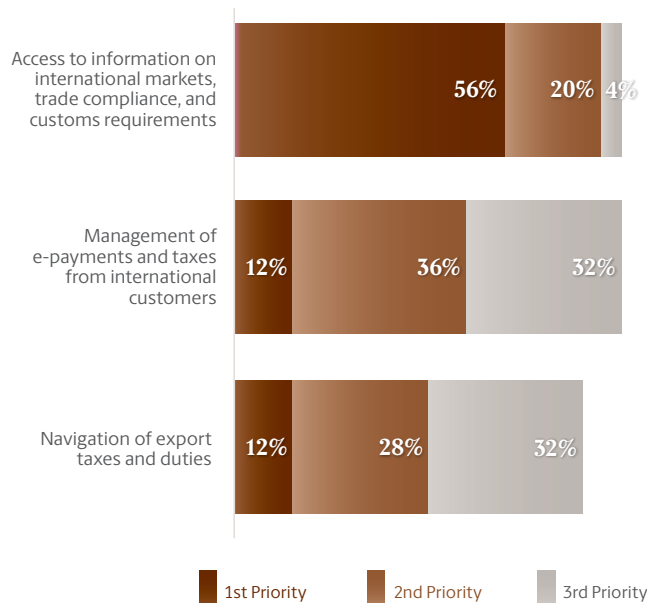
Policy Recommendations

Increase Business Capacity for SMBs. Provide tax credits, subsidies, or special funds to help SMBs invest in services and platforms to enhance their competitiveness.

Expand SMB Digitization Support. Policies and programs such as special credits or funds could help support online business training for SMBs to increase their capacity to develop and maintain online sales.

Provide Reliable Internet Access. Invest in high-speed internet connections and other publicly accountable digital infrastructure, especially in rural areas.

Protect Intellectual Property Rights. Provide support to SMBs in filing for intellectual property rights for their products. Policies should create favorable conditions for enterprises in creating, forming, applying, and protecting their intellectual property rights.

Ease Access to Trade Information. Invest in outreach programs to better educate SMBs on Indonesia's free trade agreements and export opportunities while also expanding business development workshops for SMBs to better navigate the process of exporting their products to international markets.

Streamline Trade Facilitation and Border Procedures. Simplifying and providing facilitation support for customs processes will enable SMBs to ship their products more seamlessly from Indonesia to international customers.

Provide Digital Marketing Support. Partner with e-commerce marketplaces and SMB associations to educate SMBs about digital marketing platforms, their benefits, and costs.