



E-commerce refers to the purchase and selling of goods and services online and also encompasses digital payments, a segment mastered by e-bay owned PayPal .

There are several types of e-commerce:

- **Business to Consumer (B2C):** Businesses sell their products online to consumers. According to Statista, the global B2C sales amounted to a massive \$1.2 trillion in 2013, of which 29% were accounted for by the United States .
- **Business to Business (B2B):** electronic commerce between manufacturers, retailers, wholesalers .
- **Consumer to Consumer (C2C):** consumers interact with each other directly to buy or sell goods and services. This type of e-commerce is facilitated by websites offering classified ads, auctions...etc .

Heavyweights in the global e-commerce industry such as Amazon, Alibaba and E-bay are cashing-in billions and billions of revenues every year. These businesses are expected to continue thriving as the online shoppers grow in numbers and grow in online-savviness.

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Contact Information

Research Assistant: Riwa Daou

riwa.daou@blominvestbank.com

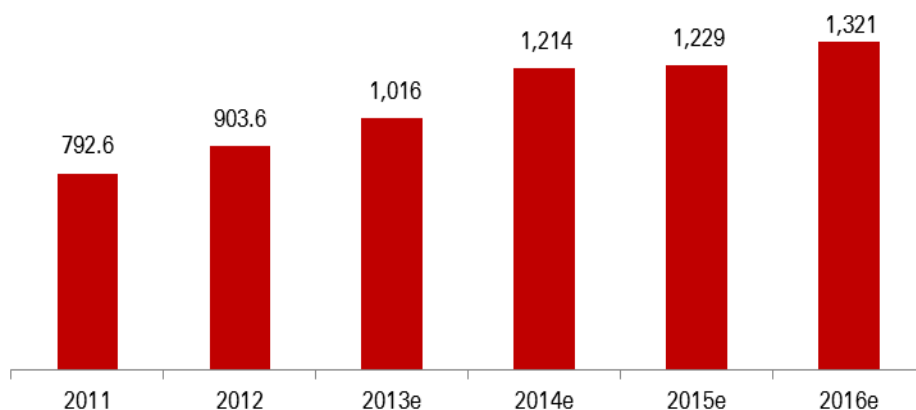
Head of Research: Marwan Mikhael

marwan.mikhael@blominvestbank.com

Research Department

Tel: +961 1 991 784

Number of Digital Buyers Worldwide, In Millions



Source: Statista

What is the state of the e-commerce industry in Lebanon today?

Lebanon has not yet seen its own Amazon or E-bay but numerous e-commerce websites have popped-up in Lebanon over the past few years. With only 10% of internet users actually shopping online in Lebanon as opposed to 40% globally, e-commerce websites have been created in various segments.

Relying on the Organization for Economic Cooperation and Development OECD's definition (detailed below) and information from market sources about their online experience, delivers a sense of how the Lebanese e-commerce scene is performing today.

Lebanon: A Fertile Land for E-commerce?

According to the OECD, measuring the e-commerce industry must go through the evaluation of three key elements:

1. E-commerce **readiness** measured by the telecommunications infrastructure as a whole.
2. E-commerce **intensity** measured by the intensity and frequency of internet use as well as the internet penetration rate.
3. E-commerce **impact** measured by the effects on a firm's performance and the perceived benefits of e-commerce.

1. E-commerce Readiness

Both the facilitators of online payments and online businesses have noted that the cost of accessing the internet and the speed of the internet are hurdles to the e-commerce industry in Lebanon. A source noted that the cost of accessing the internet in Lebanon is four times higher than other countries abroad.

On the upside, the Telecommunication Ministry has set out a plan back in June 2014 to slash prices of DSL services while increasing the speed of this service.

Lower DSL Prices, Faster Service

DSL Service	Previous Tariffs	Current Tariffs
Entry Level DSL Plan	LBP 24,000 1 Mbps 4 gigabytes data cap	LBP 24,000 2 Mbps 40 gigabyte data cap
2 Mbps	LBP 75,000 20 gigabyte data limit LBP 6,000/extra gigabyte	LBP 75,000 Unlimited download
4 Mbps	LBP 50,000 25 gigabytes	LBP 75,000 50 gigabytes
Charge for Exceeding Data Limit	LBP 6,000	LBP 2,000

Source: Ministry of Telecommunications

2. E-commerce Intensity

According to IPSOS, the Lebanese internet population totaled 2.1 million in 2014 up from 1.9 million in 2013 and up from 1.7 million in 2012. The internet penetration rate also increased from 56% in 2012 to 61% in 2013 and to 66% in 2014.

3. E-commerce Impact

The proliferation of e-commerce businesses in Lebanon and the launching of online activity in parallel to physical stores is a clear testimony that Lebanese businesses believe in the benefits of having online presence. The Lebanese businesses going online in parallel to their physical stores¹ have all noted that their online presence opened up new markets and gained them exposure in and beyond the MENA region.

¹Such as: Exotica, Hallab, Zaatar w Zeit, Libraire Antoine, M2 Multimedia Megastore, Instruments Garage...

Size of e-commerce in Lebanon and Various Segments

According to a market source, the size of the e-commerce industry in Lebanon is estimated at less than \$1M. The source positively estimates that the industry's potential is grand and can double each year for at least the coming five years.

E-commerce ventures are widely spread across various segments in Lebanon. Online presence is seen in the categories of Fashion and Accessories, Food & Beverage, Electronics, Ticketing (Airline, Concerts), Books, Daily Deals, Classified Ads, and Online Retail.

Another source believes that while the online sales of both products and services are doing well, when comparing online sales of services to online sales of products, services win. Currently, 60-70% of online users are recharging their internet accounts online. Indeed, purchasing a service online requires no delivery or shipping and is therefore more convenient, faster and simpler.

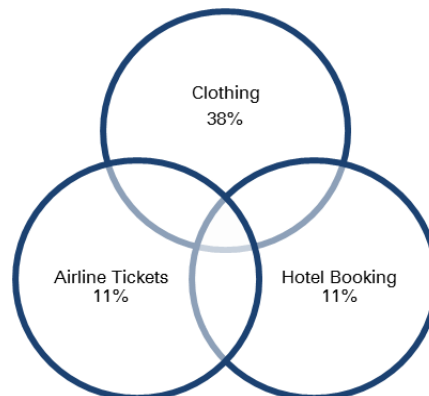
Actually, IPSOS statistics show that Lebanese use E-commerce the most for e-banking services. The biggest e-commerce usage rate of 49% is attributed to money transfer while 26% goes to paying bills and 18% is attributed to online booking of airline tickets.

E-commerce Usage in the MENA region

E-commerce Usage in the Past 6 Months	UAE	KSA	Kuwait	Lebanon	Egypt
E-Banking					
Money Transfer	43%	33%	52%	49%	31%
Balance Checking	38%	37%	52%	12%	16%
Paying Bills	43%	45%	13%	26%	36%
Booking Online					
Airline Tickets	54%	23%	34%	18%	12%
Cinema Tickets	27%	6%	13%	4%	15%
Hotel Reservation	9%	12%	5%	6%	9%
Car Rental	3%	9%	1%	7%	3%
Other types of bookings	4%	9%	5%	5%	3%
Selling items and services	3%	2%	2%	7%	4%
Purchasing items and services	6%	10%	19%	16%	5%
Auctions	2%	6%	2%	5%	35%

Source: Ipsos, Data as released at the Arabnet Conference 2013

Top Products Purchased Online in Lebanon



Source: IPSOS, Data as released at the Arabnet Conference 2013

The Challenges of E-commerce in Lebanon

The biggest challenge to the development of e-commerce in Lebanon remains the need to raise awareness towards the safety of online payments. When asked, businesses noted that Lebanese consumers are still wary of revealing their credit card information online and therefore resort to cash-on-delivery payment methods when ordering items/services online. However, they also highlighted that this trend is changing as the online sphere becomes more and more integrated into our daily routines. Sources involved in providing payment gateways for e-commerce businesses also believe that the level of trust in online payments and the use of credit cards for online purchases have increased exponentially.

Banks have played a major role in raising awareness towards e-purchases. In fact, ensuring the safety of online purchases requires the issuing bank to guarantee that the customer will be covered in case of fraud on his card. In turn, the bank also has to shield itself from the risks of fraud.

Ms. Narina Najm, one of the founders of Raghunter, an e-window shopping site offering items from local stores and designer ateliers, highlights three other challenges: Finding the right mix of product vs price, identifying your targeted customers and converting traffic into sales.

In her view, the first challenge is to understand the speed at which products are being sold and the price that the customer is willing to pay. She notes that "the biggest challenge is finding the right mix of products vs price of what is being sold on the site. We hear from our colleagues in the industry that some products sell quickly some not. So, it's important to analyze that information and react fast in changing the product mix of items."

The second challenge is to identify who your target customers are. The way you approach a customer in the MENA region differs from the way you approach a customer in Europe. Therefore, your marketing strategies need to be tailored accordingly.

The third challenge to e-commerce in Lebanon is to reach a high conversion rate, i.e. turn your website's visitors into buyers of your products/services. "Getting traffic to your site is not an easy task. More importantly getting traffic that will convert into sales is even harder. This becomes tougher when you don't have enough budget to throw on marketing", notes Mrs. Najm.

Also commenting on the challenges is Ms. Louise Doumet, founder of Lebelik, an e-shopping window for fashion and design items made by local artists. According to Ms. Doumet, it takes a lot of time for a website visitor to turn into a buying customer. Usually, a visitor's first purchase is a gift and it's only when they find the experience satisfactory that they begin purchasing items for themselves.

E-government: Important Projects in the Works

The popularity of acquiring services online has extended to government services. The e-government experience in Lebanon has been ongoing for two years now and its future prospects are fortunately not dormant. According to ministerial sources, two major e-government projects are in the pipeline: The first is in relation with creating one official government online portal which will be like a uniform commercial registrar; this project is however awaiting a political decision to be approved. The second project is still in its drafting phases and is entitled the "open-data" project.

According to sources from the Ministry of Economy and Trade, there are two pre-requisites for the development of e-government services. The first pre-requisite is optimizing the organizational procedures and reducing red tape while the second pre-requisite is preparing the IT infrastructure, which necessitates the proper hardware and the proper database.

The lack of a proper database across Lebanese ministries inspired the project of online government portal. The first government project, finalized and awaiting political approval, tends to the lack of one data set across Lebanese ministries. Currently, the biggest gap is that Lebanese ministries do not have one data set or master data. At this time each company has a different registration ID, making it difficult to create one portal grouping all companies. This is why the most imminent project is for each ministry to create a uniform data set and eventually for all ministries to have one data set that will allow the creation of one government online commercial registrar.

The second e-government project is the "open-data" project. A special committee is still drafting the clauses of this project. The main function of the "open-data" project is to regulate the information the citizen has the right to access. At some point, entering a car's license plate number in order to settle the "mecanique's" fees allowed citizens to get the name of the car's owner. The open-data project's aim is to continue offering easy fee settlement methods for citizens without compromising on the confidentiality and privacy of citizen related information.

Local Payment Gateways

While the telecom infrastructure in Lebanon and the internet speed may not be the fastest in Lebanon, the country does have two successful local payment gateways: Net Commerce and Audi's E-payment.

An e-commerce payment gateway is a "service that authorizes credit card payments and processes them securely with a user's merchant account."

Future Prospects for the E-commerce Industry in Lebanon

Two areas can be explored further on the Lebanese E-commerce scene. The first is mobile-commerce or m-commerce. Globally, market players are aware of the ever-increasing smartphone penetration rates but have realized that online consumers might browse on their mobiles but only make purchases from their laptops. Therefore, it is important to keep in mind that an e-commerce website needs to have both a friendly desktop version and a mobile-friendly version.

For your Queries:

BLOMINVEST BANK s.a.l.

Research Department
Bab Idriss, Weygand Str.
POBOX 11-1540 Riad El Soloh
Beirut 1107 2080 Lebanon

Riwa Daou
Tel: +961 1 991 784
riwa.daou@blominvestbank.com

Marwan Mikhael, Head of Research
marwan.mikhael@blominvestbank.com
+961 1 991 782

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