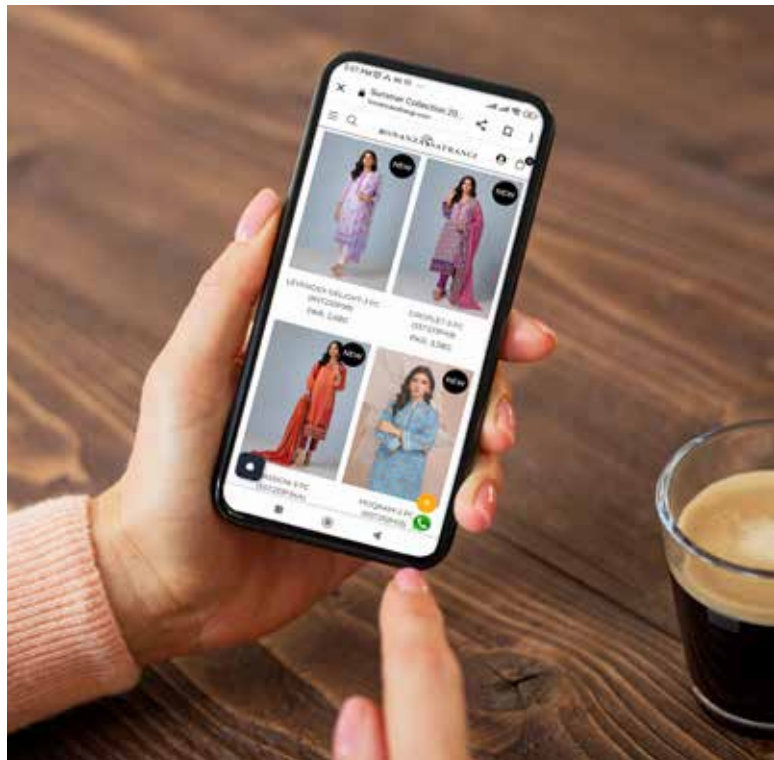
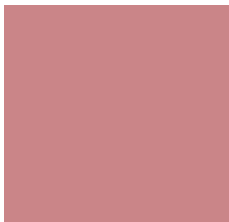




Using E-Commerce to Promote Exports of Pakistani Fashion Products



Using E-Commerce to Promote Exports of Pakistani Fashion Products

MARCH 2023

Acknowledgments

Team Leader:

Samir S. Amir

Lead Researcher:

Farah Naz Ata

Disclaimer

The findings, interpretations and conclusions expressed do not necessarily reflect the views of Board of Directors and Members of the Pakistan Business Council or the companies they represent.

Any conclusions and analysis based on the data from Statista, ecommerceDB, Payoneer, State Bank of Pakistan, Ministry of Foreign Affairs (Government of Pakistan), and the Bureau of Emigration and Overseas (Government of Pakistan) are the responsibility of the author(s) and do not necessarily reflect the opinion of these agencies. Although every effort has been made to cross-check and verify the authenticity of the data, the Pakistan Business Council, or the author(s), do not guarantee the data included in this work. All data and statistics used are correct as of 18th February, 2023 and may be subject to change.

For any queries or feedback regarding this report, please contact

samir@pbc.org.pk or farah@pbc.org.pk

The Pakistan Business Council: An Overview:

The Pakistan Business Council (PBC) is a business policy advocacy platform, established in 2005 by 14 (now 98) of Pakistan's largest private-sector businesses and conglomerates, including multinationals. PBC businesses cover nearly all sectors of the formal economy. It is a professionally-run organization headed by a full-time chief executive officer.

The PBC is a not-for-profit entity, registered under Section 42 of the Companies Ordinance 1984. Though it is not required under the law to do so, the PBC follows to the greatest extent possible, the Code of Corporate Governance as applicable to listed companies.

The PBC is a pan-industry advocacy group. It is not a trade body nor does it advocate for any specific business sector. Rather, its key advocacy thrust is on easing barriers to allow Pakistani businesses to compete in regional and global arenas. The PBC conducts research and holds conferences and seminars to facilitate the flow of relevant information to all stakeholders in order to help create an informed view on the major issues faced by Pakistan.

The PBC works closely with relevant government departments, ministries, regulators and institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues which impact the conduct of business in and from Pakistan. The PBC has submitted key position papers and recommendations to the government on legislation and other government policies affecting businesses. It also serves on various taskforces and committees of the Government of Pakistan as well as those of the State Bank, the SECP and other regulators with the objective to provide policy assistance on new initiatives and reforms.

The PBC's Founding Objectives

The major objectives of the PBC as stated in its founding documents are:

- To provide for the formation and exchange of views on any question connected with the conduct of business in and from Pakistan.
- To conduct, organize, set up, administer and manage campaigns, surveys, focus groups, workshops, seminars and field works for carrying out research and raising awareness in regard to matters affecting businesses in Pakistan.
- To acquire, collect, compile, analyze, publish and provide statistics, data analysis and other information relating to businesses of any kind, nature or description and on opportunities for such businesses within and outside Pakistan.
- To promote and facilitate the integration of businesses in Pakistan into the World economy and to encourage in the development and growth of Pakistani multinationals.
- To interact with governments in the economic development of Pakistan and to facilitate, foster and further the economic, social and human resource development of Pakistan.

The PBC is a Section 42 not-for-profit Company Limited by Guarantee. Its working is overseen by a Board of Directors. More information on the PBC, its members, and its workings, can be found on its website: www.pbc.org.pk

The PBC Member Companies





The PBC Affiliates



Table of Contents

Executive Summary	13
Major Findings	14
1. Introduction	19
1.1 B2B vs. B2C E-commerce	19
1.2 Global B2C (Retail) E-commerce	20
2. E-Commerce Logistics	25
2.1 E-commerce Order Fulfillment.....	25
2.2 Inventory Management.....	26
2.3 E-commerce Warehousing.....	26
2.4 Order Packing and Shipping.....	26
2.5 E-commerce Returns and Reverse Logistics.....	26
2.6 Merchant Facilitation Platforms.....	27
3. Pakistan's B2C Retail E-commerce	29
3.1 E-commerce B2C (Retail) Revenue Distribution in Pakistan	29
3.1.1 The Fashion Segment of E-commerce in Pakistan	29
3.2 Top E-commerce Websites in Pakistan	32
3.3 E-commerce Policy Framework of Pakistan – 2019.....	32
4. Cross Border B2C Retail E-commerce.....	34
4.1 Cross Border E-commerce Dynamics.....	34
4.1.1 Distinction between Domestic and International Supply Chains	34
4.1.2 Distinction between Domestic and Cross-border E-commerce Logistics.....	35
4.1.3 International Payment Methods.....	35
4.1.4 Challenges in Cross Border Trade	36
4.2 Spotlight on India's Cross-Border E-commerce.....	37
4.3 Spotlight on Pakistan's Cross-Border E-commerce	38
4.3.1 B2C E-commerce on WeBOC	39
4.3.2 Amazon Adds Pakistan to the List of Countries Allowed to Sell.....	39
5. Industry's Insights.....	42
6. SWOT	53
7. Recommendations.....	55
References	61
Annexure	67
A.1. Definition of E-commerce figures reported by Statista	67
Included in the definition:.....	67
Not Included in the definition:.....	67
A.2. List of Interviewees	68

List of Tables

Table 1-1: E-commerce Revenue CAGR from 2017-2021, 2017-2022 and the Forecast CAGR from 2022-2025, by Segment	23
Table 3-1: Top E-commerce Websites in Pakistan in Terms of Domestic Net Sales in 2021.....	32
Table 4-1: Distinction between Domestic and International Supply Chains.....	34
Table 4-2: Five Different Types of Cross-Border Logistics with Descriptions	35
Table 4-3: SBP Regulations for B2C E-commerce Exports on WeBOC.....	39
Table 4-4: Top New Seller Countries on Amazon’s Marketplace in the U.S. in 2022.....	40
Table 5-1: Top Countries with the Highest Number of Pakistani Diaspora in 2021	44
Table 5-2: VAT/ Custom Duties Charged on E-commerce Packages in Different Countries	45
Table 5-3: Average Shipment Costs for Zones Designated for Delivery	48

List of Figures

Figure 1-1: E-commerce’s Five Major Categories	19
Figure 1-2: Global B2B E-commerce Sales in Comparison to B2C E-commerce Sales	20
Figure 1-3: Global Retail E-commerce Sales from 2014 to 2021	21
Figure 1-4: Forecasted Global E-commerce Sales from 2022 to 2025	21
Figure 1-5: CAGR of Global Retail E-commerce from 2014 to 2021 with Forecast for 2022 to 2025	21
Figure 1-6: E-commerce (Retail) as a Percentage of Total Retail Sales Worldwide from 2015 to 2022.....	22
Figure 1-7: Global Revenue in Retail E-commerce from 2017 to 2022, by Market Segments	22
Figure 2-1: The E-commerce Logistics Supply Chain.....	25
Figure 2-2: Merchandize Return Rates Across Countries as Reported by the Global Consumer Survey.....	26
Figure 3-1: E-commerce B2C (Retail) Revenue in Pakistan by Segment from 2017 to 2022.....	29
Figure 3-2: Revenue Distribution in the Fashion Segment – 2022	30
Figure 3-3: Distribution of Revenue of Accessories Sold through E-commerce in Pakistan in 2022	30
Figure 3-4: Distribution of Revenue of Apparel Sold through E-commerce in Pakistan in 2022.....	31
Figure 3-6: Focus Areas Identified under the E-commerce Policy of Pakistan-2019	32
Figure 4-1: How do Payment Gateways Work?	36
Figure 4-2: Major Challenges Faced by Cross-Border E-commerce Enterprises in Asia -2021	37
Figure 4-3: India’s Distribution of Domestic and Cross Border E-Commerce Revenue from 2017 to 2022	37
Figure 4-4: Major Difficulties in Selling an Indian Origin Product Cross-Border	38
Figure 5-1: Domestic E-commerce Revenue from the Fashion Segment from 2017 to 2022	42
Figure 5-2: Pakistani Diaspora 2021	43
Figure 5-3: Nominal Effective Exchange Rate (NEER) of Pakistani Rupee from January 2021 to January 2023.....	46
Figure 5-4: Pakistani Emigrations from 2011 to 2022.....	47
Figure 6-1: SWOT Analysis of the Fashion Products E-commerce Industry in Pakistan.....	53
Figure 7-1: Emerging Pakistan Campaign on London’s Buses in 2017	56
Figure 7-2: News Clips Covering Pakistan Inspired Collection in 2019	57
Figure 7-3: Paul Smith “Robert Sandals” Inspired by Peshawari Chappals	57

Abbreviations

3PL	Third Party Logistics
APTMA	All Pakistan Textile Mills Association
B2B	Business to Business
B2C	Business to Consumer
BFCM	Black Friday, Cyber Monday
CAGR	Compound Annual Growth Rate
COD	Cash on Delivery
FBA	Fulfillment by Amazon
IT	Information Technology
ITU	International Telecommunication Union
ICT	Information & Communications Technologies
K.S.A.	Kingdom of Saudi Arabia
LPI	Logistics Performance Index
NEER	Nominal Effective Exchange Rate
OTP	One Time Password
PKR	Pakistani Rupee
SBP	State Bank of Pakistan
SWOT	Strengths, Weaknesses, Opportunities, and Threats
UNCTAD	United Nations Conference on Trade and Development
USPS	United States Postal Service
USD	United States Dollar
U.A.E.	United Arab Emirates
U.K.	United Kingdom
U.S.A.	United States of America
VAT	Value Added Tax
WeBOC	Web Based One Customs

Executive Summary

E-commerce (Electronic Commerce) is defined as the activity of electronically buying or selling of products using online services or the internet. Among the various categories of E-commerce, B2C E-commerce receives the most attention due to its simplicity and familiarity. In 2022, global E-commerce sales were estimated at about \$5.5 trillion, accounting for about 19.7% of total global retail sales. Fashion Products generated the highest revenue in Global E-commerce with sales of about \$837.3 billion in 2022. Amongst Fashion products, Apparel contributed 57.3% to the revenue, followed by Accessories (29.3%) and Footwear (13.5%).

The largest E-commerce market in the world is Asia, wherein South Asia's share is 5.7%. In South Asia, the largest E-commerce market is that of India (\$99.4 billion in 2022), followed by Bangladesh (\$8.0 billion), and then Pakistan (\$7.7 billion). Pakistan has experienced the largest CAGR amongst all countries in South Asia of about 71.4% between 2017 and 2022.

Pakistan's domestic E-commerce market is dominated by Electronics (\$4.2 billion in 2022), Fashion (\$1.4 billion), and Furniture (\$0.8 billion) (Statista, 2022). Among Fashion products, Apparel generated the highest share of 46% in 2022. The top 5 E-commerce websites in Pakistan by domestic sales are all Fashion websites.

Global cross-border E-commerce trade was estimated to be worth about \$784.6 billion in 2021. Pakistan's cross-border E-commerce trade was estimated to be Rs. 60 billion (\$368.3 million) in 2021 (Express Tribune, 2022). Pakistan has witnessed some milestones in domestic and international E-commerce, these include the formulation of the E-commerce Policy Framework in 2019, launch of E-commerce clearance facility on WeBOC in 2020, and Amazon adding Pakistan to its list of countries that are allowed to sell on its platform.

Considering that most global revenue in E-commerce is generated in the Fashion segment and Pakistan's top E-commerce websites in terms of revenue are also of Fashion products, ***this report focuses on how to enhance the exports of Fashion products from Pakistan using the E-commerce platform.*** To gather insights into the Fashion E-commerce Industry in Pakistan and its export potential, secondary desk research was supplemented with qualitative interviews of the Fashion Product brands which have E-commerce presence, E-commerce facilitators and banks.

Among the many issues identified the major once included: inefficient logistics; high shipment costs; lack of digitization in procedures; a market currently limited mostly to expatriate South Asians and inefficient local payment gateways. While working at resolving these major issues, it is important to have a collective approach involving all stakeholders including merchants, E-commerce companies, logistics providers, government, and the financial sector.

Major Findings

■ Covid-19 has Boosted Domestic E-commerce Fashion Sales

Before the Covid-19 pandemic, most Fashion Brands had a Domestic to International revenue split from E-commerce sales of 30% to 70%. After the Covid-19 pandemic, the split reversed to 70% Domestic and 30% International. Currently, between 10 to 35% of E-Commerce revenues of the major brands come from international sales.

■ Pakistani Eastern Wear is Well-Established amongst the Pakistani Diaspora

Pakistan's main global market for Fashion Products is the Pakistani Diaspora. Some of the demand is also generated by the Indian diaspora but that is affected by the state of relations between the two countries. Pakistani Fashion Brands are mostly competing amongst themselves in international markets. Indian and Bangladeshi Fashion Brands are not viewed by Pakistani brands as much of a competition.

■ Major International Markets for Pakistani Fashion Brands

Major markets for Pakistani Fashion brands using the E-commerce platform are the U.S.A., the U.K., the U.A.E., Canada, Australia, and other European and Gulf countries. The U.S.A. is Pakistan's largest market for Fashion exports through E-commerce, this is mainly due to its Pakistan diaspora having relatively higher incomes, a high USD to PKR conversion rate in recent times and friendlier import laws.

■ Pakistani Fashion Products are Catering Narrowly to the Pakistani Diaspora

The high reliance on the Pakistani Diaspora as customers might not be viable in the long term. Currently, the young Pakistani diaspora prefers Western Wear and in the coming years, the demand for Pakistani Eastern wear is likely to decline and be confined to festive occasions only.

■ The Demand for Eastern Wear among the Diaspora is Cyclical

Most of the Pakistani diaspora purchase Eastern Wear during Eid, Ramadan, Weddings, End of Year Sales and other Holidays when the community has festivities. For products such as shawls, the demand increases during the winter season.

■ International Marketing Strategies are Dependent on International Platforms

Most advertising takes place on Facebook, Google, Instagram, and other social media platforms. Advertising costs are in USD, which is subject to PKR to USD currency rate fluctuations. There are also no representatives of these platforms in Pakistan who can assist with any issues regarding payments or services. Lately, there are also issues in using these platforms due to difficulties in settling payments.

■ **Inefficient Logistics and High Shipment Costs**

There is lack of competition amongst international logistics providers in Pakistan, this leads to inefficiencies such as shipment delays, delays in payments, lengthy procedures for booking shipments etc. The lack of competition from domestic companies, and an inefficient state-owned logistics services provider (Pakistan Post) have led to high shipment costs, which impact demand.

■ **High Turnover Leading to a Shortage of Tech Talent for Local E-commerce Merchants**

Brain Drain especially in the tech sector is contributing to a reduction in the local talent pool. Businesses are facing problems when it comes to digital marketing and other related expertise in E-commerce. Further contributing to the shortage of tech talent is the shortage of institutions in Pakistan that offer degrees in E-commerce or facilitate in creating domain experts.

■ **Lack of Digitization in Processes**

There are a number of manual processes involved in fulfilling requirements of the State Bank of Pakistan, opening an account or other procedures at a Pakistani Commercial Bank, entering shipments on WeBOC, and in filing for Tax Rebates/ Refunds.

■ **Disconnect between the Merchants, Government and the Financial Sector**

There appears to be a disconnect between E-commerce merchants, the financial sector and the government when it comes to E-commerce. Most of these appear to be perception differences as opposed to policy.

■ **Lack of expertise of Pakistani Fashion Manufacturers to Cater to a Wider International Customer Base through E-commerce**

Local Pakistani Manufacturers and Fashion Designers lack expertise and knowledge of the current fabrics, cuts, styling, sizes, and branding of Western wear. Even though Pakistan does manufacture Western wear for international brands, it has not yet built a brand to sell Western wear in international markets. Pakistani brands are also at a disadvantage as they are unable to comply with international standards regarding care labels, and other fabric and accessory compliance requirements.

■ **Pakistan's Poor International Reputation & the Lack of a Redressal Mechanism Impacts Demand**

Pakistan's poor international reputation and the lack of a simple complaint redressal mechanism is impacting demand of Fashion products through the E-commerce platform. The fear of Credit Card Frauds, IP infringements, the requirement of Advance Payments, the inability to return products etc., have all led to a lack of trust amongst international customers.

■ **Absence of a Smooth Product Return Mechanism for International Orders**

Most brands do not offer returns, refunds, primarily due to high shipment costs and additional duties on the returned package. Some small-scale businesses offer exchange but require the customer's presence in Pakistan. This lack of a reliable and smooth product return mechanism impacts consumer trust especially in the Western markets.

■ **The Requirement of 3-D verification for Credit Card Payments Reduces Online Sales**

The requirement for 3D verification for online credit card payments is claimed to have contributed to a reduction in revenue from international sales. Some brands claim be losing as much as 20% in sales. This is mainly attributed to international customers abandoning their baskets to avoid the hassle of entering an OTP. This is primarily driven by a lack of trust in the seller and the Pakistani banking system.

■ **Payment Issues when Using Global Marketing Platforms**

Payments to Global Marketing Platforms such as Facebook, Google, etc. have to be made with a personal credit card rather than through corporate cards/ accounts. This leads to book keeping and accounting headaches, especially in large organizations. Similarly, due to uncertain economic conditions in Pakistan, some dollar transactions are denied or not processed while making payments. This makes it difficult to use these platforms for marketing.

■ **Multiple Websites using Same or Similar Sounding Names as those of Leading Brands**

There are multiple websites/ accounts/ Facebook pages that have same or similar sounding names as those of leading brands from Pakistan, these sell low quality products under the same brand or a similar sounding name. This leads to a lack of trust from overseas buyers and ultimately a loss of sales.

■ **Prices Displayed on Websites are Exclusive of Customs Duties and VAT**

Pakistani shippers are not registered in major markets with Customs/ VAT (Value Added Tax) authorities. Since, these companies are non-Resident companies, they are unable to display final consumer prices inclusive of any custom duty or VAT. Shipping costs are normally displayed at the checkout in most brands websites.

■ **Target Market is Primarily Female**

Most apparel sold internationally from Pakistan is targeted towards the female clientele. Men's suits and children's apparel are given less attention. There is a huge demand for Business Suits for Men that has not been tapped by Pakistani brands primarily due to a lack of knowledge of Western Business Suit sizes, styling and stitching. Similarly, apparel for Children produced in Pakistan are not targeted towards international customers.

- **Lack of Standardized Sizes**

The sizes for Pakistani brands vary as per brands. This causes confusion and increases the risk of a bad fit for the buyer. Buyers therefore rarely switch brands

- **Short Window to Realize Export Proceeds**

The State Bank of Pakistan requires E-commerce exporters to ensure that remittances for exports are received within 60 days. This short window means that Pakistani brands are unable to stock products in the major markets for immediate delivery. This impacts sales on platforms such as Amazon which require physical availability of products in the country in which they are being offered for sale.



1. Introduction

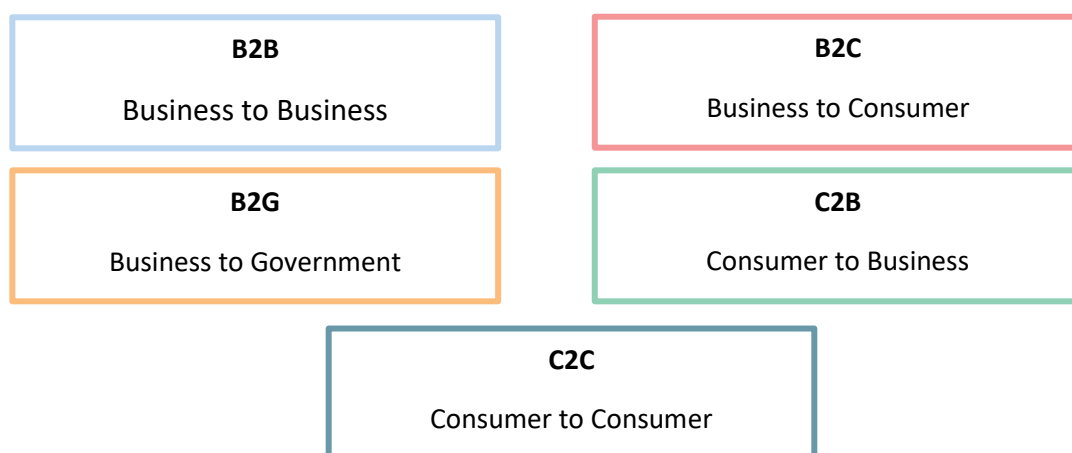
1. Introduction

E-commerce (Electronic Commerce) is defined as the activity of electronically buying or selling of products on online services or over the internet. At least for a part of a transaction's life cycle, the web has to be used for it to be classified as an E-commerce transaction, however, other technologies might also be used such as e-mail.

E-commerce has three main areas: online retailing, electronic markets, and online auctions.

Based on the nature of transactions, literature on E-commerce (Shaw, 2000 and Simjanovic, 2002) suggest the following five important categories of E-commerce which are shown in Figure 1-1. Out of these 5 categories, B2B and B2C receive the most attention in media, research, policy framework and literature.

Figure 1-1: E-commerce's Five Major Categories



Source: Shaw (2000) and Simjanovic (2002)

1.1 B2B vs. B2C E-commerce

In B2B markets, businesses sell to other businesses. The B2C market, on the other hand, involves businesses selling directly to consumers. Most of the times, the B2B transactions like wholesaler selling to a retailer leads to the product ultimately reaching the consumer. However, there are also some transactions that involve businesses buying goods or services for their own use. For example, companies like Microsoft and IBM sell software to other enterprises; these tools and software are used by these companies' employees to carry out their daily work (Heaslip, 2022).

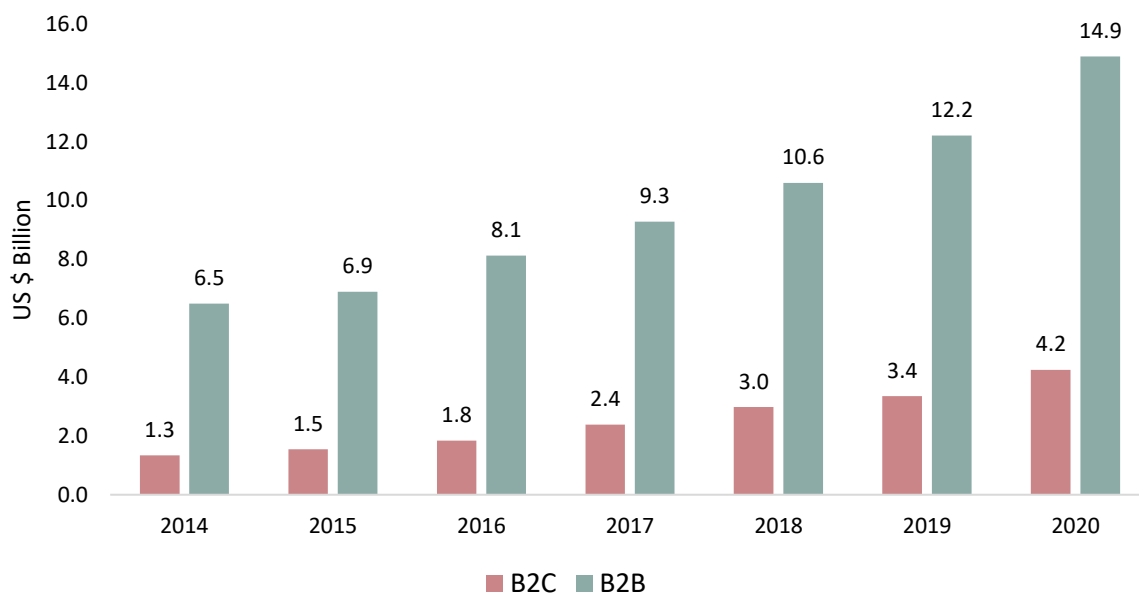
Traditionally, B2B engaged customers through sales calls, networking, trade shows, and conferences. In the B2B market, time and attention was allocated in building a relationship with the potential buyer. With the advent of technology, there has been a significant increase in the demand for quick, seamless, and personalized buying experiences. As a result, the customer engagement is beginning

to look similar to B2C, where both types invest in influential marketing through social media (Heaslip, 2022; Kaput, Barbeu, and Keller, 2022).

In E-commerce the website structures of B2B and B2C are different and so are other features. For example, Amazon deals in both B2B and B2C E-commerce and has a separate channel for B2B known as Amazon Business. Despite serving both B2B and B2C E-commerce, Amazon is well-known for its B2C service (Weatherwax, 2022).

In E-commerce, B2C receives more media attention than B2B, despite B2B E-commerce sales being 4 times higher than those of B2C as shown in Figure 1-2.

Figure 1-2: Global B2B E-commerce Sales in Comparison to B2C E-commerce Sales

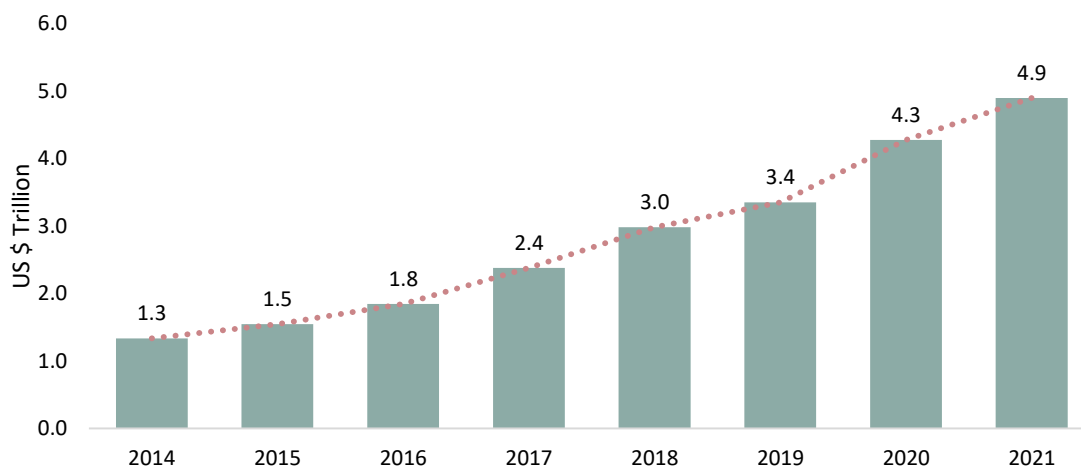


Source: Statista (2022 a)

The primary reason for more attention to B2C E-commerce is because it is more common and familiar. B2B is much more complex than B2C as well as B2C being approachable to an individual. Due to this, it is simpler and a much more researched topic. Due to B2C being more common, most of the statistics pertaining to E-commerce are usually of B2C E-commerce or retail.

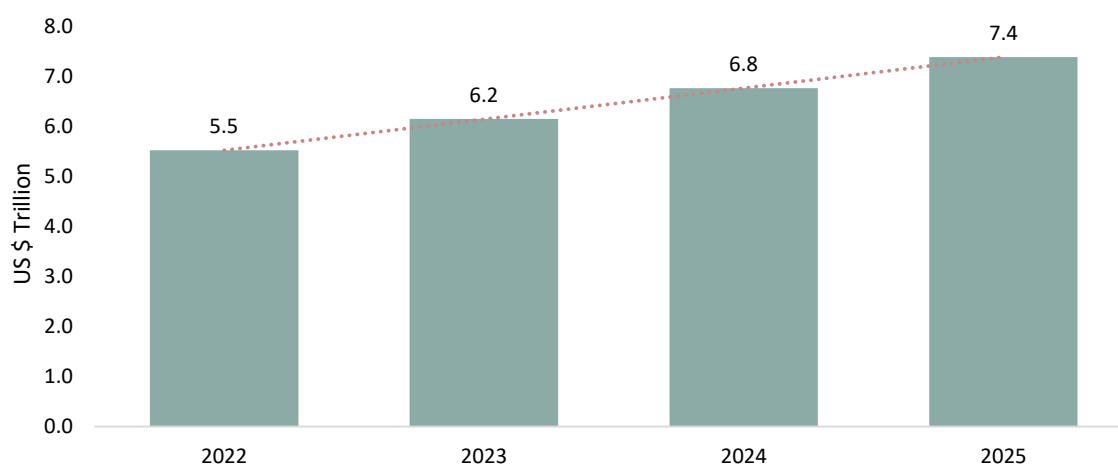
1.2 Global B2C (Retail) E-commerce

Retail E-commerce has been around since 1994. In August 1994, the first retail E-commerce transaction took place when 'Ten Summoner's Tales', a studio album by the English Rock Musician Sting was purchased for \$12.48 over a website called NetMarket. Fast Forward, the global E-commerce market was valued at \$4.9 trillion in 2021 and was estimated to have been worth \$5.5 trillion in 2022 (eMarketer, 2021). In today's world where time is of the essence, E-commerce's existence owes to its ability to allow consumers to shop online and pay online through the Internet which leads to savings of time and space for customers and enterprises.

Figure 1-3: Global Retail E-commerce Sales from 2014 to 2021

Source: International Trade Administration-U.S.A. (2022).; e-Marketer (2022)

With the E-commerce market expanding, it is forecasted that global sales would reach \$7.4 trillion in 2025. Figure 1-4 shows the projected global ecommerce sales from 2022 to 2025:

Figure 1-4: Forecasted Global E-commerce Sales from 2022 to 2025

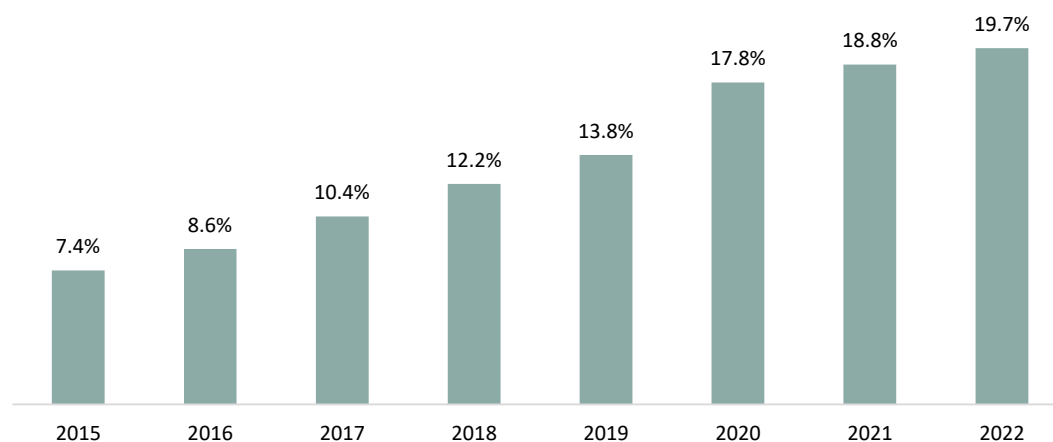
Source: eMarketer (2022)

Figure 1-5: CAGR of Global Retail E-commerce from 2014 to 2021 with Forecast for 2022 to 2025

Source: Author's calculations based on e-Marketer (2022) data

The growth of E-commerce is evident in its share increasing in total retail sales worldwide as shown in Figure 1-6. In 2015, E-commerce contributed 7.4% of total global retail sales. In 2022, this number had risen to 19.7% and is predicted to further rise to 24.0% in 2026.

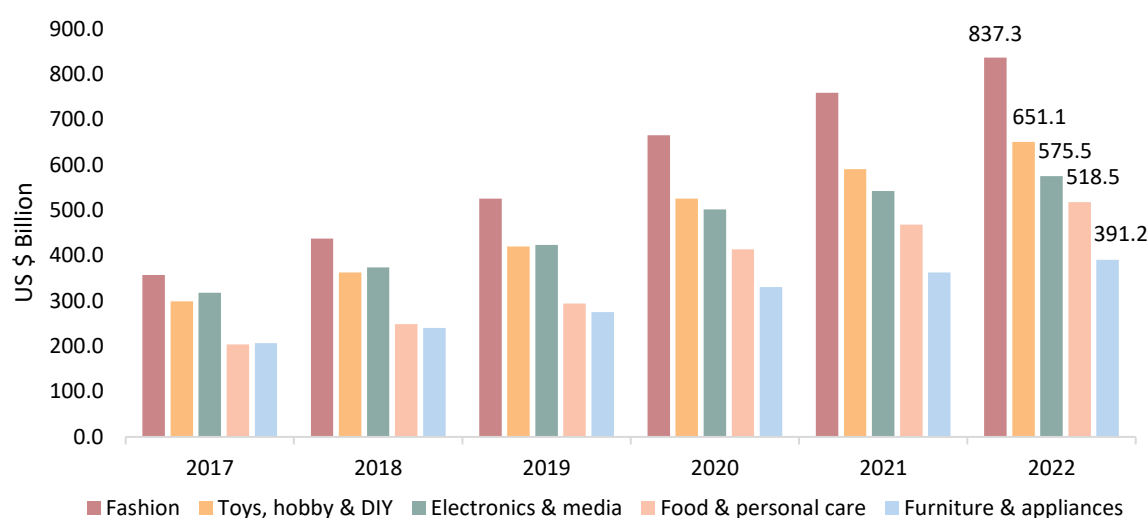
Figure 1-6: E-commerce (Retail) as a Percentage of Total Retail Sales Worldwide from 2015 to 2022



Source: Statista (2022 a)

It is important to note that the B2C (retail) E-commerce market in this context, involves selling physical goods through a digital channel to a private-end consumer. Globally, most revenue in retail E-commerce has been generated through Fashion sales, wherein Apparel constituted 57.3% of the revenue, followed by Accessories (29.3%) and Footwear (13.5%) in 2022 (Statista, 2022 a). The highest number of E-commerce users in Fashion are also of Apparel (2.0 billion), followed by Footwear (1.9 billion) and then Accessories¹ (1.5 billion) in 2021 (Statista, 2022 a). Figure 1-7 shows that the highest revenue generation in Retail E-commerce was from the Fashion segment of about \$837.3 billion (28.2% share) in 2022.

Figure 1-7: Global Revenue in Retail E-commerce from 2017 to 2022, by Market Segments



Source: Statista (2022 a)

¹ Includes clothing accessories for men, women and children, eye wear, luggage and bags, luxury leather goods, watches and jewelry and other accessories

The highest CAGR has been seen in Fashion of 20.8% during 2017-2021, while Furniture & appliances had the lowest CAGR of 15.1%. Statista predicts that the Fashion segment will be the highest growing E-commerce segment with a CAGR of 6.2%, in the 2022 – 2025 period followed by Toys, hobby & DIY as shown in Table 1-1.

Table 1-1: E-commerce Revenue CAGR from 2017-2021, 2017-2022 and the Forecast CAGR from 2022-2025, by Segment

E-commerce Revenue by Segment	CAGR (2017-2021)	CAGR (2017-2022)	Forecast CAGR (2022-2025)
Fashion	20.8%	18.6%	6.2%
Toys, hobby & DIY	18.5%	16.8%	5.6%
Electronics & media	14.3%	12.6%	3.3%
Food & personal care	23.1%	20.5%	6.1%
Furniture & appliances	15.1%	13.6%	5.2%

Source: Author's calculations on data from Statista (2022 a)

This report published by the Pakistan Business Council will be concentrating on the B2C (Retail) E-commerce and that too on cross-border E-commerce trade. Since most of the revenue generated in the Fashion segment globally is through Fashion, the focus of this report will be on enhancing the exports of Fashion products from Pakistan using the E-commerce platform.



2. E-Commerce Logistics

2. E-Commerce Logistics

E-commerce logistics is defined as the process that is used by sellers to get an order from their shipping point into the hands of the final customer. It is also sometimes referred to as e-logistics. After a purchase is made online, the order is packed, shipped and then delivered. Returns also take place either due to the delivery being unsuccessful or the customer being unsatisfied with the order.

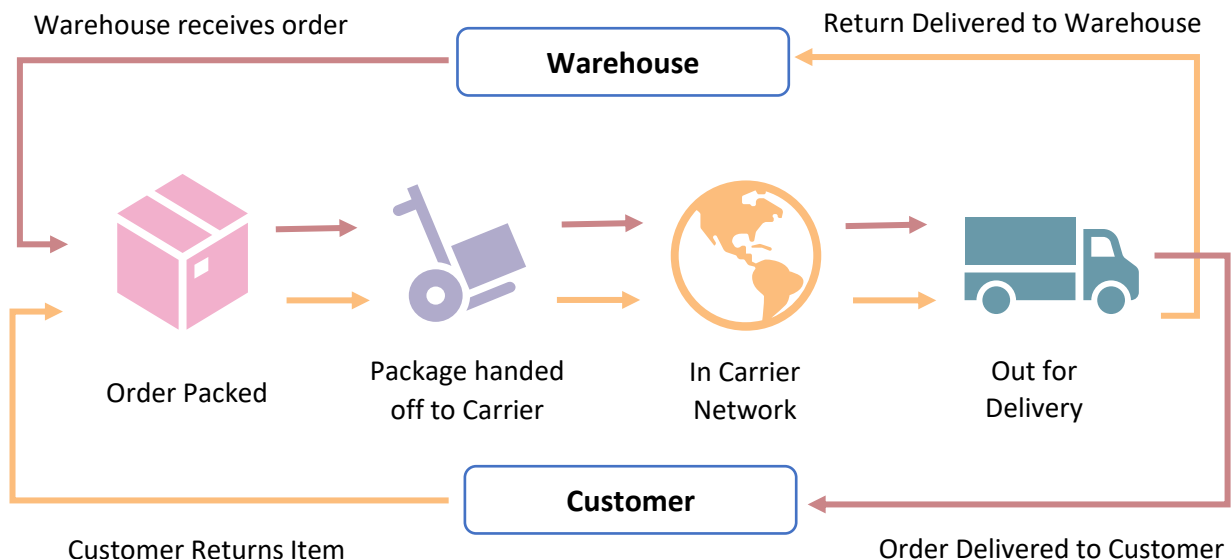
**Global E-commerce
Logistics Market-2021**

\$317.3 Billion

Source: IMARC (2022)

The supply chain shown in Figure 2-1 is a multi-step process where each component of the process is dependent on the other. It is important for E-commerce sellers to ensure that all components are functioning smoothly so that orders can be delivered to customers efficiently and on-time.

Figure 2-1: The E-commerce Logistics Supply Chain



Source: Pitney Bowes (2022)

Platforms like eBay and Amazon have made selling online assessable to small-scale sellers, businesses with limited inventory or those running their businesses from their homes. However, when inventory expands, that is when logistics management is required.

■ 2.1 E-commerce Order Fulfillment

This involves all the steps occurring within a warehouse up to the shipping stage. The steps included are warehousing, storage, packaging and giving the order to the carrier. It also involves managing inventory across warehouses within the E-commerce supply chain.

The order fulfilment stage is most important when it comes to determining the customer's unboxing experience. At this stage the seller can decide on what packaging materials to use and what to include in the package such as free samples, etc.

■ 2.2 Inventory Management

It is important to keep proper track of what merchandise is present in which warehouse. Proper inventory management allows orders to be shipped faster. Inventory management is especially important in Fashion such as selling clothes, shoes or accessories since multiple colors and sizes need to be tracked. Software programs are available for inventory management and the function can also be outsourced to a 3PL (Third Party Logistics) partner.

■ 2.3 E-commerce Warehousing

When sales are growing, sellers need to ensure availability of additional space in order to keep inventory in stock. This is where location of the warehouse, how much inventory to keep in stock and the processes followed become important.

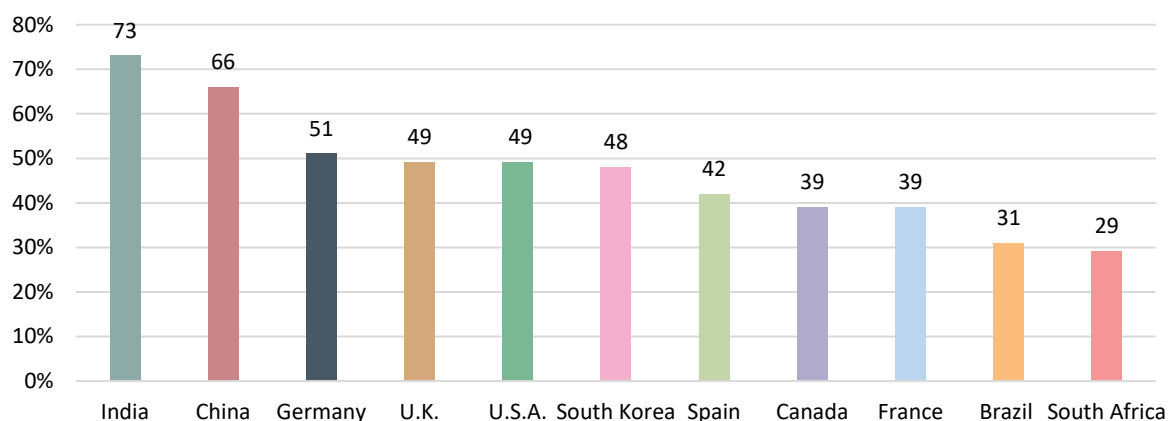
■ 2.4 Order Packing and Shipping

Order packing is not limited to making sure that the right products are in the box but that the selection of the right shipping carrier is made. Most of the time, the warehouse management system decides the specific shipping option. The customer can also decide the shipping option if the choice is given to them.

■ 2.5 E-commerce Returns and Reverse Logistics

According to a Global Consumer Survey by Armstrong (2022), return rates for online orders range between 29% & 73% across countries as shown in Figure 2-2. Since so many people have been returning orders across the globe, E-commerce returns have become an important part of the consumer post-purchase experience. It is important for sellers to ensure that reverse logistics is just as well-managed as the fulfillment process. If a product is lost, it leads to a double loss for the seller as it can't then be re-sold.

Figure 2-2: Merchandize Return Rates Across Countries as Reported by the Global Consumer Survey



Source: Armstrong (2022)

■ 2.6 Merchant Facilitation Platforms

For Merchant Facilitation, there are platforms that provide logistics support. Platforms like Alibaba and Amazon are online market places that register merchants online and offer payment, marketing, shipment and other services. These platforms have merchant stores on their websites, that customers can access on one website. Other platforms like Shopify and Magento create private stores for businesses and assist in starting, growing and managing the online store. These web servers assist in managing products, inventory, payments and shipping. There are also online logistics market places that facilitate logistics through an online portal.

2.6.1 Online Market Places

Registration on online market places like Amazon and Alibaba, offer logistics solutions to registered sellers. These platforms offer multiple transportation modes like air, rail, sea and express for door-to-door delivery. These platforms make it easy to search rates, book a shipment, and track its progress.

Amazon also offers Fulfilment by Amazon (FBA), which is a service that allows fulfilment to be outsourced to Amazon. Businesses can send products to Amazon fulfilment centers and when an order is placed, it is picked, packed, and shipped by Amazon. Amazon also provides customer services and processes returns if needed. Fulfilment centers can also be beneficial for cross-border E-commerce.

2.6.2 E-commerce Hosting/ Facilitators

E-commerce Hosting allows merchants to access a community of developers, web designers, digital marketers, creative agencies and freelancers that assist in starting, managing, and marketing E-commerce businesses.

Shopify offers fulfilment center services in the U.S.A. and Canada to clients all over the world. They offer two-day delivery in these markets, claiming simple pricing, smooth returns, and management of product storage and delivery.

Magento is an open-source E-commerce platform which offers extensions and support to build an E-commerce website and manage the business along with logistics. Magento's technology partners help merchants improve their websites by offering services of marketing automation, content management, payments, shipping, tax, hosting, and performance.

2.6.3 Online Logistics Market Places

These are platforms where business and logistics professionals interact directly with each other without the involvement of agents or middlemen. This platform allows businesses and logistics providers to plan, source and supervise shipments online. Businesses are able to book a shipment and manage the logistics from the online portal. ShipBob, Shippo, and Shipstation are some examples that offer access to several couriers.



3. Pakistan's B2C Retail E-commerce

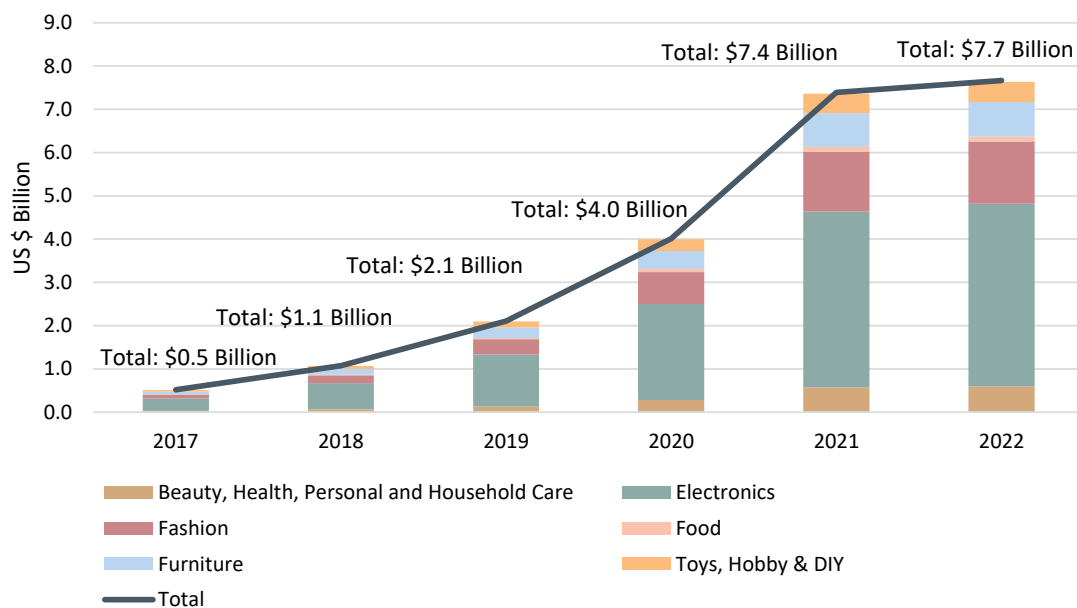
3. Pakistan's B2C Retail E-commerce

Pakistan's E-commerce market has been ranked at 39th in the world with a revenue of \$7.4 billion in 2021. E-commerce revenue had increased by 84% from 2020 to 2021, which contributed to about 18% of the world's E-commerce growth in 2021 (ecommerceDB, 2022). Following the slow growth of Pakistan's E-commerce market at 4.1% between 2021 to 2022, it is forecasted that the growth will be around 5 to 6% during 2023 & 2025. This is slower than the predicted global average of 10%.

3.1 E-commerce B2C (Retail) Revenue Distribution in Pakistan

Pakistan's domestic E-commerce retail revenue breakup is composed of about 55.0% (\$4.2 Billion) generated from Electronics, with Fashion contributing about 18.7% (\$1.4 Billion), followed by furniture at 10.6% as shown in Figure 3-1. In Electronics, 58.0% revenue was from Consumer Electronics which includes televisions, computers, mobile phones, and other appliances bought for personal use. Forty Two percent of the Electronics segment sales in 2022 was composed of Household Appliances.

Figure 3-1: E-commerce B2C (Retail) Revenue in Pakistan by Segment² from 2017 to 2022

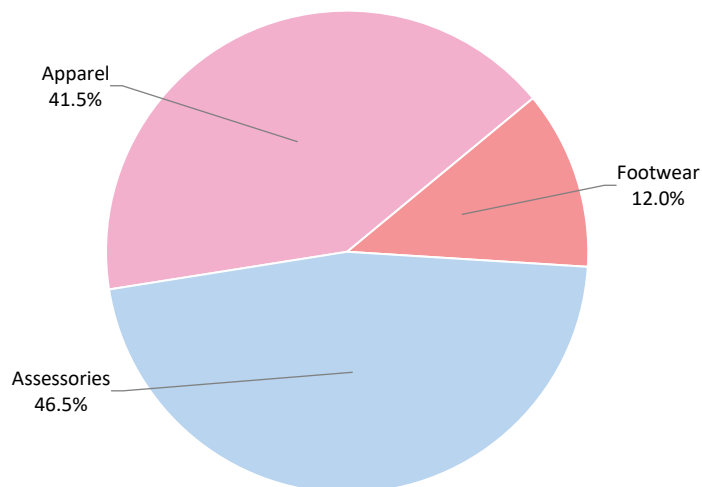


Source: Statista (2022 a)

3.1.1 The Fashion Segment of E-commerce in Pakistan

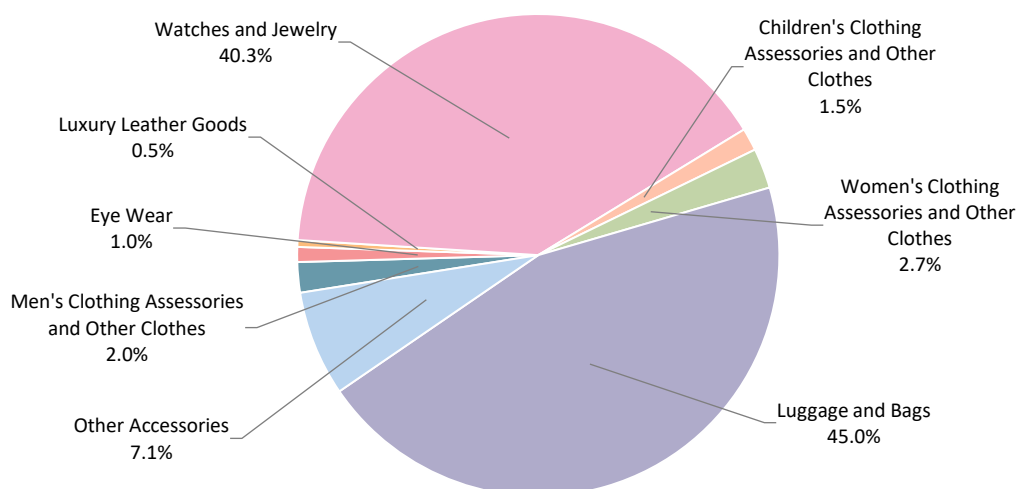
For the Fashion segment, which is the second highest revenue contributor to Pakistan's domestic E-commerce revenue, most of the revenue generated is in Accessories at 46%, which is \$669.4 million. A similar share is for Apparel at 42% amounting to \$597.5 million. The least share in revenue from the Fashion segment is for Footwear at 12.0%, and having a revenue of \$172.5 million as shown in Figure 3-2.

² Media and Beverages' revenue not included due to their insignificance

Figure 3-2: Revenue Distribution in the Fashion Segment – 2022

Source: Author's calculation on data from Statista (2022 a)

Among Accessories, the highest revenue generated in Pakistan which is about \$301.0 million is for Luggage and Bags making it 45.0% of the total revenue generated in the Fashion segment of E-commerce in 2022. Watches and Jewelry generated another \$269.6 million, or about 40.3% of Accessories segment. Other accessories categories like eye wear, clothing accessories and other clothes for women, children and men and others made up a smaller part of the Accessories revenue as shown in Figure 3-3.

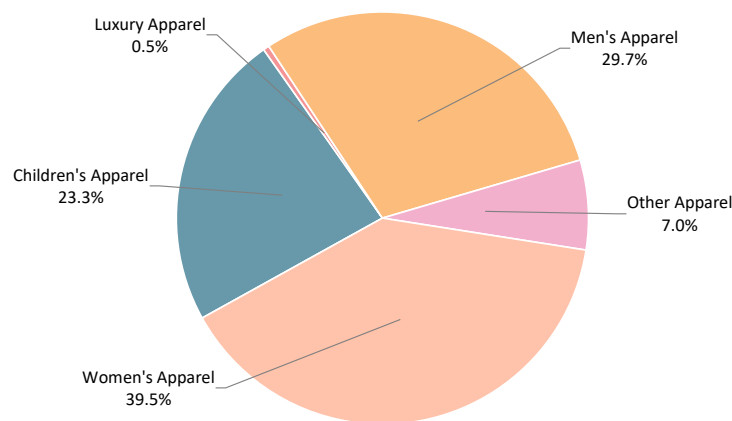
Figure 3-3: Distribution of Revenue of Accessories Sold through E-commerce in Pakistan in 2022

Source: Author's calculations on data from Statista (2022 a)

Apparel makes up about 42.0% of the revenue generated in the Fashion segment of Pakistan's E-commerce market, which is similar to the revenue share of Accessories at 46.0%.

Women's apparel contributed about \$235.8 million in 2022, or about 39.5% of the revenue generated from Apparel sales through the E-commerce platform. Men's apparel made up about 29.7% of the Apparel E-commerce revenue, with a revenue of about \$177.7 million. Children's Apparel had a revenue of about \$139.1 million comprising 23.3% of the Apparel revenue generated through E-commerce in Pakistan in 2022.

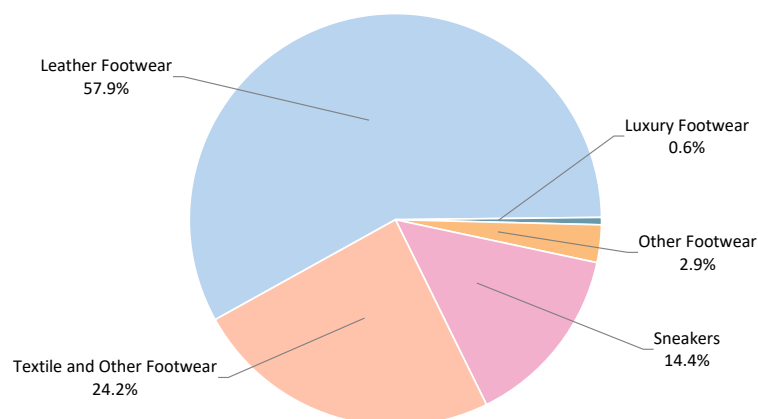
Figure 3-4: Distribution of Revenue of Apparel Sold through E-commerce in Pakistan in 2022



Source: Author's calculations on data from Statista (2022 a)

Similar to the global trend where Footwear makes 13.5% of the Fashion Segment revenue in E-commerce, Pakistan had a similar share of 12.0%. The basic reason for this being that online retail stores cannot recreate the in-store experience of trying on a shoe for size, comfort and quality. Pakistan's Leather footwear are in high demand, contributing about \$1.7 billion (60.3%) to the total local footwear industry of \$2.9 billion in 2022 (Statista, 2022 b).

Figure 3-5: Division of Revenue of Footwear Sold through E-commerce in Pakistan in 2022



Source: Author's calculations on data from Statista (2022 a)

3.2 Top E-commerce Websites in Pakistan

In Pakistan, the top 5 websites in terms of Net Sales were all websites selling Fashion Products in 2021, these are shown in Table 3-1. The top three websites; limelight.com, gulahmedshop.com and khadi.com hold 2% of the online revenue in Pakistan (ecommerceDB, 2022).

Table 3-1: Top E-commerce Websites in Pakistan in Terms of Domestic Net Sales in 2021

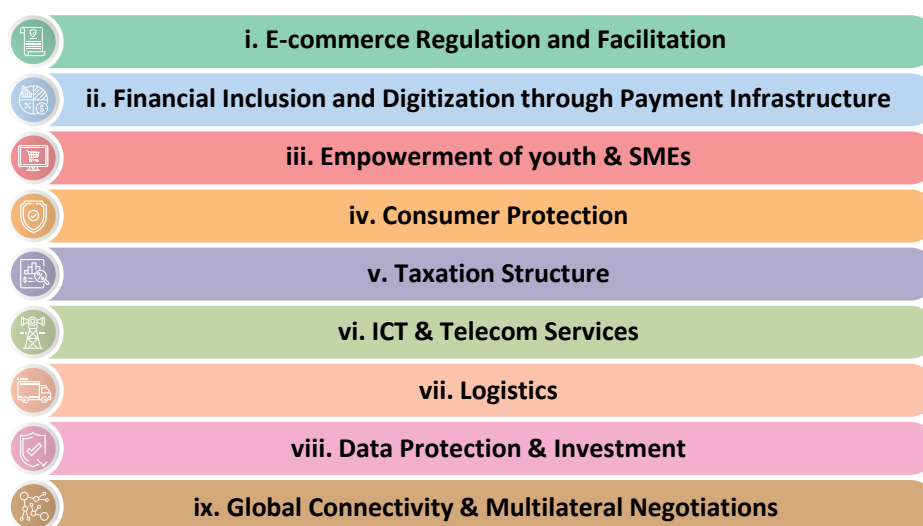
2021	Website	Owner	Net Sales	Market Share	Total Revenue Growth	Revenue Growth %
1	limelight.pk	Limelight	\$50.4m	0%-5%	>US\$50m	39.0%
2	gulahmedshop.com	Gul Ahmed Textile Mills, Ltd	\$48.1m	0%-5%	>US\$75m	33.8%
3	khaadi.com	Khaadi Pvt., Ltd	\$28.7m	<0%	>US\$50m	26.7%
4	sanasafinaz.com	SS Fashion Resources	\$23.4m	<0%	>US\$20m	33.1%
5	alkaramstudio.cm	Alkaram Textile Mills	\$22.1m	<0%	> US\$50m	31.1%

Source: ecommerceDB (2022)

3.3 E-commerce Policy Framework of Pakistan – 2019

In 2019, Pakistan launched its E-commerce policy. The focus areas of the policy are highlighted in Figure 3-6.

Figure 3-6: Focus Areas Identified under the E-commerce Policy of Pakistan-2019



Source: Commerce Division, Government of Pakistan (2019)

E-COMMERCE



Sit amet, consectetur adipiscing elit.

2

4858.00 \$

Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed diam consectetur magna euismod faucibus. In laoreet dolor magna posuam erat volutpat. Ut ante enim sed ipsum auctor, sapien (consectetur) sed ipsum auctor. Inconper suscipit) obertis sed ut aliquip ex ea commodo (consectetur) Duis mollis, euismod magna donec et habit.

SHOPPING

CHECKOUT

4. Cross Border B2C Retail E-commerce

4. Cross Border B2C Retail E-commerce

Cross Border Trade occurs when products are sold to customers beyond the geographical boundaries of a country. It can be B2C or B2B, this report will focus on B2C. Cross border trade benefits both sellers and brands in providing access to new markets, increased sales, higher revenue, all year-round demand, brand visibility and finally to help gain a competitive advantage over rivals in international markets.

**Global Cross-Border
Trade -2021**

\$784.6 Billion

There is limited data available on cross-border E-commerce trade, where most estimates do not make a distinction between domestic and international E-commerce. Any official statistics that exist for cross-border trade are derived from enterprise or consumer surveys, most capturing B2C transactions (UNCTAD, 2016).

In 2021, the global cross-border E-commerce trade was estimated to be about \$784.6 billion and expected to grow at a CAGR of 26.2% between 2022 to 2031 to reach \$7.9 trillion by 2031 (Vantage Market Research, 2022).

4.1 Cross Border E-commerce Dynamics

Cross-border E-commerce has become a necessity for online businesses to expand. After establishing a domestic presence, businesses seek growth & profitability by tapping international markets. Due to this, cross-border E-commerce sales have increased in recent years.

4.1.1 Distinction between Domestic and International Supply Chains

Compared to domestic supply chains, international supply chains are more complicated and the differences are shown in Table 4-1.

Table 4-1: Distinction between Domestic and International Supply Chains

Features	Domestic	International
Transportation	Typically uses rail, trucks, air or a combination of each	Relies mostly on sea and air transportation
Costs	Technology, storage facilities, logistics workers and transportation	Costs associated with the domestic supply chain plus tariffs/customs duties/ other taxes
Building Strong Relationships with stakeholders in the Supply Chain	Easier to do	Difficult due to unstable economics, cultural barriers, and region-specific regulations

Source: Prologis (2022)

■ 4.1.2 Distinction between Domestic and Cross-border E-commerce Logistics

For cross-border E-commerce, logistics are gradually becoming more diversified. The modes of cross-border logistics for E-commerce commonly include logistics alliances, third-party logistics, goods collection logistics, overseas warehouses, and bonded area logistics each of which are described in greater detail in Table 4-2.

Table 4-2: Five Different Types of Cross-Border Logistics with Descriptions

Type of Cross Border Logistics	Description	
Third-Party Logistics (3PL)	These are professional logistics companies with functional assets. These provide logistics-related services and sometimes more complete services to other companies	
	Advantage	Disadvantage
	Meet scattered logistics needs and save resources	Insufficient personalized demand
Logistics Alliance	It is a group or team of trading experts that work together to help companies, successfully manage and deliver their products	
	Advantage	Disadvantage
	Effective monitoring of cargo	Negative response of enterprises
Overseas Location	These are storage facilities established overseas, where domestic enterprises can transport goods to the target market countries through bulk transportation. These goods are stored in overseas warehouses, where they are sorted, packaged and distributed directly from the warehouse to meet international orders	
	Advantage	Disadvantage
	Improve customer satisfaction; improve service level	Inventory quantity is difficult to manage
Collection Logistics	It refers to operations where enterprises collect scattered small quantities of goods for transportation and distribution	
	Advantage	Disadvantage
	High efficiency and low cost	Slow delivery
Bonded Area Logistics	It is the business of warehousing, transportation, distribution, circulation processing, logistics information, loading and unloading, scheme design, and other related businesses under the customs supervision areas, which include bonded areas, customs supervised warehouses and bonded locations	
	Advantage	Disadvantage
	Short delivery time	Short storage time

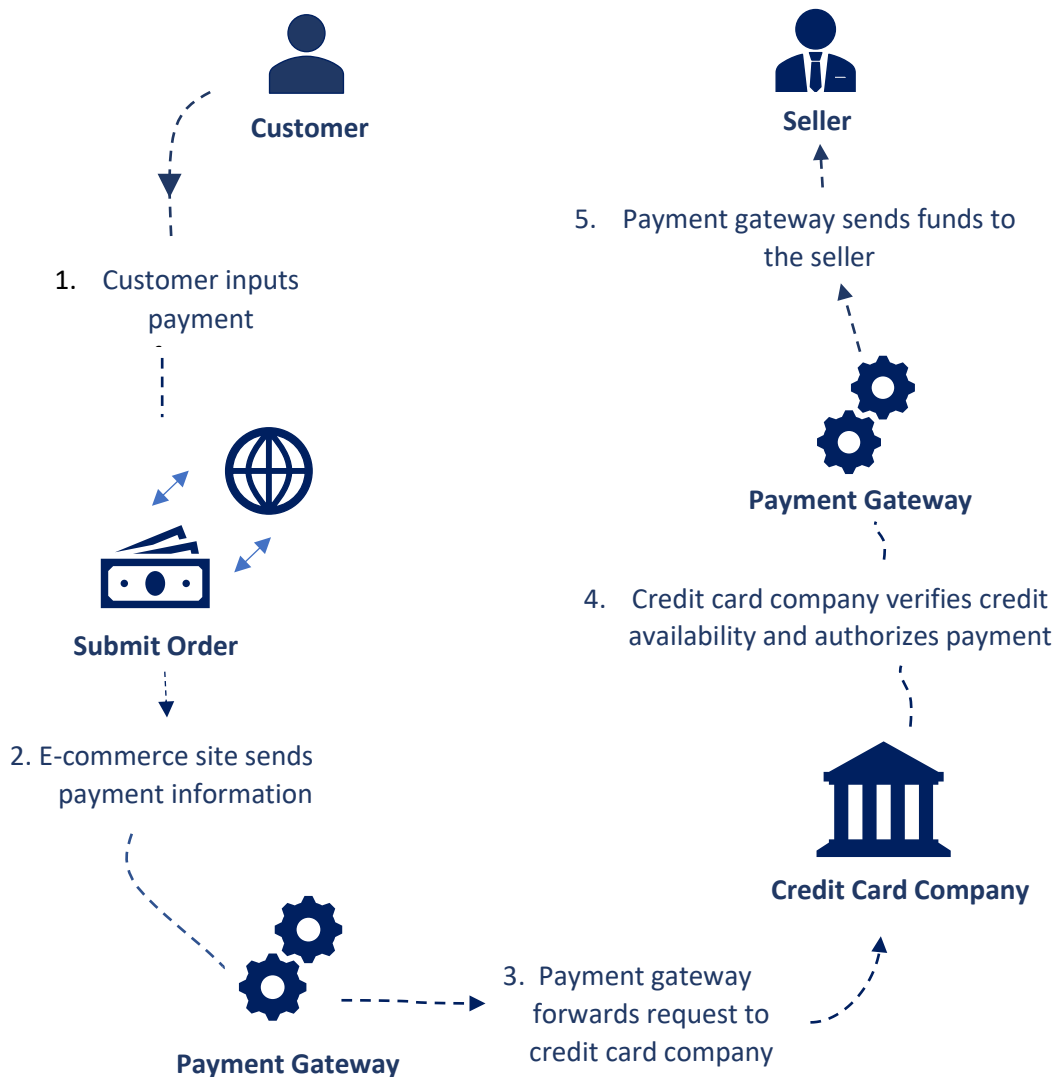
Source: Nie (2022)

■ 4.1.3 International Payment Methods

Payment methods such as Cash on Delivery (COD) are more secure for buyers as they get to pay for the product after they receive it. However, for the merchant, the COD option is risky, especially for international sales. Credit Cards, Wire Transfers and Bank Transfers are other options for cross-border E-commerce.

For cross-border E-commerce, payment gateways have become necessary. A payment gateway verifies the shopper/cardholder in order to facilitate a safe flow of payment from the buyer's account to the E-commerce platform's/ merchant's account. The process is shown in Figure 4-1.

Figure 4-1: How do Payment Gateways Work?



Source: StoreApps

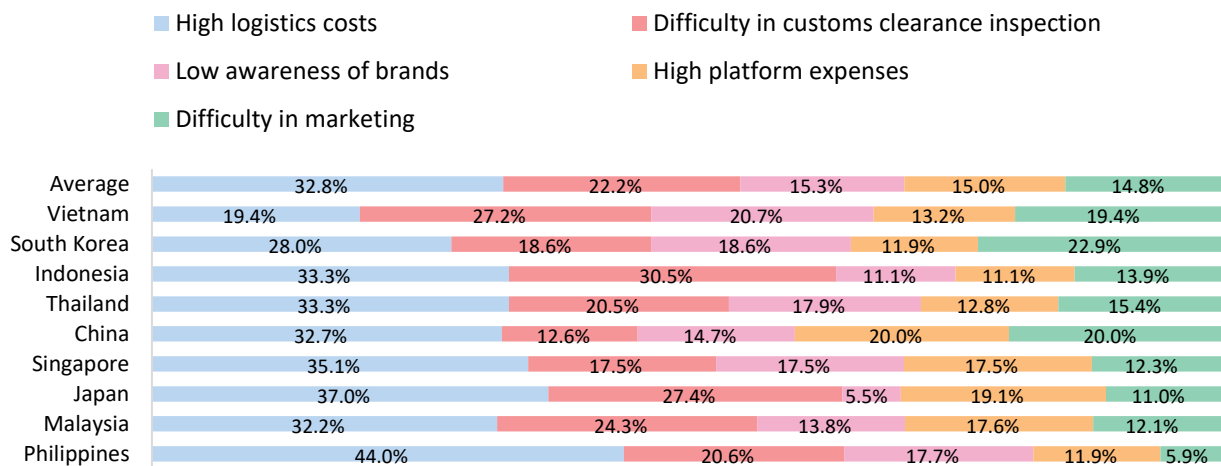
Globally, the most well-known payment gateways for drop shipping stores are PayPal, Stripe, 2checkout, Authorize.net, Skrill, Wepay, Google Checkout, and Apple Pay (Lakhani, 2022).

■ 4.1.4 Challenges in Cross Border Trade

Due to the volatile global trade environment, there are likely challenges in the trading landscape that are increasingly getting more complex. For E-commerce businesses, the same challenges as those for other traders remain such as rules of origin, tariff and non-tariff measures, and different standards.

According to a survey in 2021, high logistics costs have been reported (32.8%) as the major challenge across all Asian countries surveyed as shown in Figure 4-2. This was followed by difficulty in customs clearance inspections having an average of being a major challenge for 22.2% of the enterprises surveyed. About 14.8% of surveyed countries on average reported difficulty in marketing as a major challenge.

Figure 4-2: Major Challenges Faced by Cross-Border E-commerce Enterprises in Asia -2021



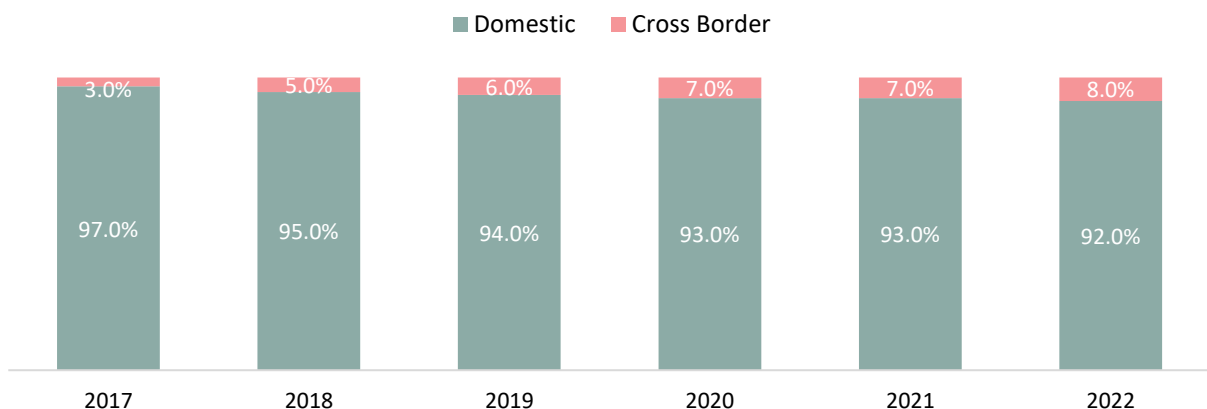
Source: Author's calculations on findings reported by Ganbold (2022 b)

4.2 Spotlight on India's Cross-Border E-commerce

India's Cross Border E-commerce, like in many other developing countries, is mostly undocumented due to the various complications in documenting cross-border trade internationally as discussed previously.

Figure 4-3 shows the percentage split between domestic and cross-border E-Commerce revenue for India from 2017 to 2022. The revenue share of cross-border E-commerce has increased from 3.0% to 8.0% from 2017 to 2022, however, it is still below 10%. This indicates that the Indian E-commerce market is focused primarily on the domestic market.

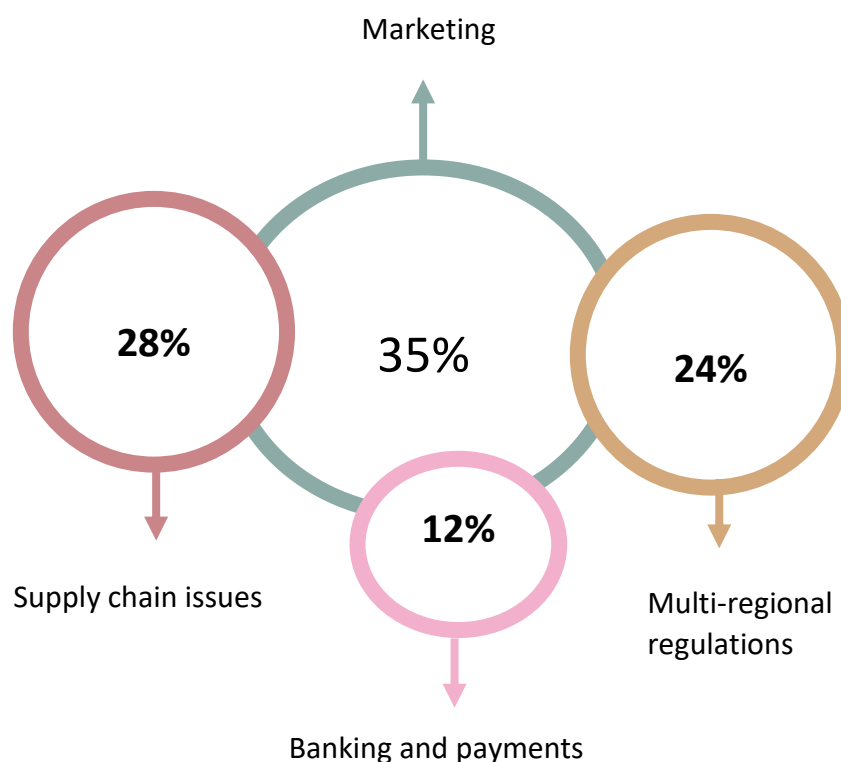
Figure 4-3: India's Distribution of Domestic and Cross Border E-Commerce Revenue from 2017 to 2022



Source: Statista (2022)

The difficulties that Indian merchants face in Cross-Border sales through E-commerce have been highlighted in Figure 4-4. According to a survey conducted of E-commerce merchants in India, about 35.0% have highlighted lack of marketing as the biggest weakness. About 12.0% highlighted banking and payments as their biggest concerns.

Figure 44: Major Difficulties in Selling an Indian Origin Product Cross-Border



Source: Payoneer (2022)

4.3 Spotlight on Pakistan's Cross-Border E-commerce

To facilitate Pakistan's E-commerce exports and to strengthen the digital economy, Pakistan's E-commerce policy-2019 has been formulated. E-commerce Cross Border Trade was estimated to have been about Rs.60.0 billion in 2021, approximately \$368.3 million³(Express Tribune, 2022).

**E-commerce Cross
Border Trade -2021**

\$368.3 million

Since, the launch of the E-commerce policy, some major developments have taken place in Pakistan's cross border E-commerce trade such as the introduction of E-commerce clearance facility on WeBOC (Web Based One Customs) and Amazon adding Pakistan in the list of authorized sellers. The details are presented in the sections below.

³ Calculated by converting the PKR to USD as per 2021 average exchange rate of 1 PKR = 162.9 USD

■ 4.3.1 B2C E-commerce on WeBOC

In November 2020, it was announced that E-commerce clearance facility had been activated on WeBOC (Web Based One Customs) to facilitate Cross-Border exports through E-commerce. Pakistan Customs has developed this clearance facility for E-commerce merchants in collaboration with the State Bank of Pakistan, the Ministry of Commerce and E-commerce operators.

The Federal Board of Revenue issued a handout in which it announced that the new system aims to facilitate documentation of E-commerce exports and E-commerce trade from Pakistan. Table 4-3 contains the SBP regulations for E-commerce on WeBOC.

Table 4-3: SBP Regulations for B2C E-commerce Exports on WeBOC

Category	Regulations
E-Forms	<ul style="list-style-type: none"> Exporters shall export their E-commerce consignments without the requirement of E-Form up to \$5,000 per consignment. The shipments shall be made through courier companies registered with Pakistan Customs who shall file the Goods Declaration in WeBOC system on behalf of exporters.
Shipment	<ul style="list-style-type: none"> The exporter shall submit their export consignment along with required details to any courier of their choice, registered with Pakistan Customs in WeBOC. The courier handling the export shipment shall file the Goods Declaration to Pakistan Customs on behalf of the exporter. Each individual consignment shall be identified on the basis of unique HAWB (House Air Waybill) number. The details of export shipments shall be accessible to banks in the E-commerce profile of the exporters in the system after the export of goods from Pakistan.
Realization of Export Proceeds	<p>Period of Realization: The exporter shall be required to ensure realization of export proceeds within 60 days from the date of shipment.</p> <p>Method of Realization: The export proceeds shall be received from abroad by commercial banks, through banking channel or international payment scheme/gateway, either in foreign currency or in Pakistani Rupee from Non-Resident Rupee Account Repatriable.</p>
Monthly Reconciliation Statement	<ul style="list-style-type: none"> Exporter shall be required to submit a monthly statement to the Authorized Dealers, in physical/ electronic form, giving details of proceeds realized against the export shipments as per prescribed format. It is to be submitted along with the relevant invoices. The Authorized Dealer will use the data provided in the format to mark the realization of outstanding export shipments in WeBOC, as per procedure specified on the State Bank of Pakistan's website. <p>Submission Deadline:</p> <ul style="list-style-type: none"> The statement shall be submitted by the exporters within five (5) working days from the end of month to which the statement pertains. Authorized Dealer would promptly follow up with the exporter if the statement is not submitted as per prescribed timeline.

Source: State Bank of Pakistan (2020)

■ 4.3.2 Amazon Adds Pakistan to the List of Countries Allowed to Sell

Pakistani merchants are allowed to sell on the Amazon Marketplace by Amazon since May 2021. This has been credited to talks between Pakistan's Ministry of Commerce, the National E-commerce Council and Amazon. At the same time as Pakistan was added to the List of Countries, Amazon added another 84 countries, including the U.A.E., Venezuela, Saudi Arabia, and Kazakhstan. As

evident in Table 4-4, thousands of Pakistani E-commerce merchants joined Amazon in the year that Amazon allowed Pakistani sellers on its marketplace making it the 3rd top selling country in the U.S. in 2022.

Table 4-4: Top New Seller Countries on Amazon's Marketplace in the U.S. in 2022

Rank	Seller Country	Rank	Seller Country
1st	United States	6th	Canada
2nd	China	7th	Vietnam
3rd	Pakistan	8th	India
4th	United Kingdom	9th	Brazil
5th	Turkey	10th	Japan

Source: Marketplace Pulse (2022)

In 2022 Pakistani Company, Utopia Deals, generated about \$650 million revenue from selling on Amazon and was the 5th largest seller on Amazon. The company sells mostly home textiles and kitchen products on Amazon (Business Recorder, 2023).

4.3.2.1 Suspension of Pakistani Accounts by Amazon

Citing fraud as the major reason, Amazon shut down about 13,500 Pakistani accounts on Amazon in August 2022. Sites of merchants operating in Mian Chanu and Sahiwal in the Punjab were declared as fraud red zones. There have been instances of sellers not delivering the product after receiving payment, of using hacked credit cards to buy gift cards and then selling those on Amazon, using Amazon Prime Account for the trial period and then deleting that account to create another to avoid being charged, etc. (Gardezi, 2022).

Since November 2022, Amazon has also introduced the "Account Health Rating" policy, where sellers are required to keep the health rate of their account of 250 ratings. If it is less than that, then they are given a grace period of 10 more days. A warning is given through e-mail and finally the account is deactivated. The policy has been relaxed from the previous automatic deactivation of accounts on Amazon (Ahmed, 2022).



5. Industry's Insights



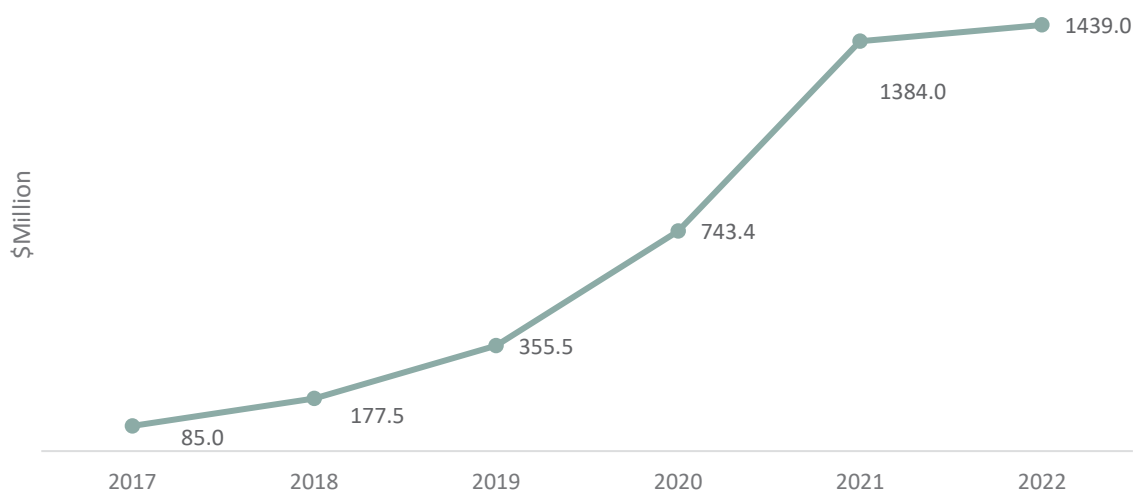
5. Industry's Insights

This section documents the insights into the Fashion Segment of the E-commerce Industry of Pakistan. These have been obtained through personal interviews with E-commerce Fashion Brands and E-commerce facilitation companies including Banks. The Fashion Brands interviewed represent different segments of Retail Fashion in Pakistan and all engage in Cross-Border E-commerce. The segments covered include Eastern Wear, Western Wear, Accessories, and Footwear. The major observations of industry participants using E-commerce for promoting exports of Fashion from Pakistan are as follows.

5.1 Covid-19 has Boosted Domestic E-commerce Fashion Sales

Before the Covid-19 pandemic, most Fashion Brands had a Domestic to International revenue split from E-commerce sales of 30% to 70%. After the Covid-19 pandemic, the split reversed to 70% Domestic and 30% International. Currently, about 10% to 35% of E-commerce revenue comes from international sales. Figure 5-1 shows the Domestic revenue surge from \$355.5 million in 2019 to 743.4 million in 2020. This surge has led the domestic fashion brands to invest in their international E-commerce sales also as overall E-commerce has become a major source of additional revenues.

Figure 5-1: Domestic E-commerce Revenue from the Fashion Segment from 2017 to 2022



Source: Statista (2022)

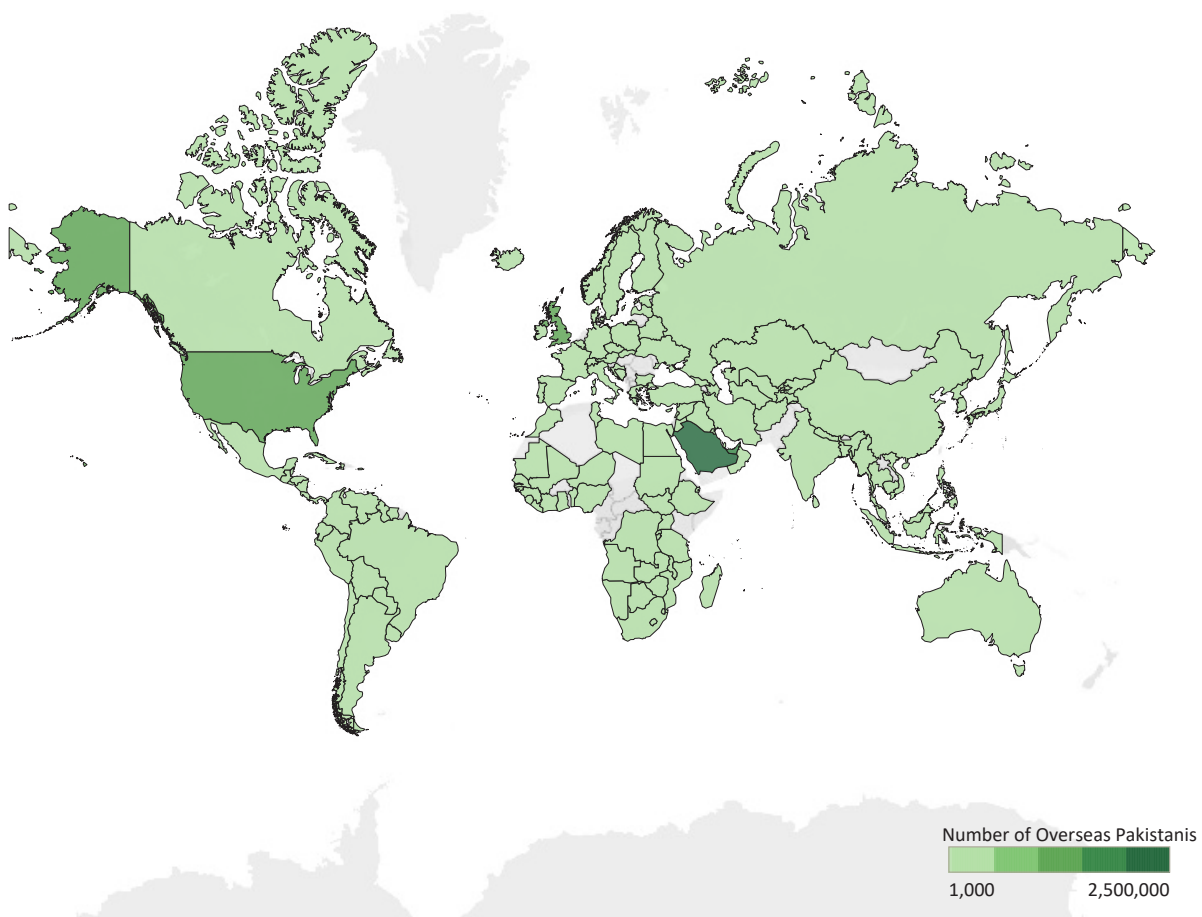
Covid-19 encouraged the Pakistani population to shop online while under lockdown and practicing social distancing. Due to this surge in online buying, many Fashion brands saw their online sales targets being achieved a year earlier than anticipated.

5.2 Pakistani Eastern Wear is Well-Established amongst the Pakistani Diaspora

Pakistan's main market for Fashion Products is the Pakistani Diaspora. Some demand is also coming from the Indian diaspora but that is affected by relations between the two countries. Pakistani Fashion Brands are mostly competing amongst themselves in the international market. Indian and Bangladeshi Fashion Brands are not viewed as much of a competition by the Pakistani brands.

Figure 5-2 shows that most of the Pakistani diaspora is situated in Saudi Arabia, U.A.E., U.K., the U.S.A., Canada, Australia, and the European countries. Table 5-1 shows the countries where most of the Pakistani Diaspora is located.

Figure 5-2: Pakistani Diaspora 2021



Source: Ministry of Foreign Affairs (2021)

Table 5-1: Top Countries with the Highest Number of Pakistani Diaspora in 2021

Rank	Country	Number of Overseas Pakistanis
1	Saudi Arabia	2,300,000
2	United Arab Emirates	1,600,000
3	United States of America	1,200,000
4	United Kingdom	1,175,000
5	Canada	223,000
6	Italy	200,000
7	South Africa	170,000
8	Oman	168,182
9	Qatar	160,000
10	Bahrain	120,000
11	Spain	120,000
12	Australia	100,000
13	France	100,000
14	Kuwait	95,453
15	Germany	75,355
16	Malaysia	61,912
17	Greece	60,000
18	Norway	43,776
19	Hong Kong	39,000
20	Denmark	35,000

Source: Ministry of Foreign Affairs (2021)

5.3 Availability of Fabric and Supporting Industries for Eastern Wear

Fabric from Pakistan has several varieties such as Lawn, Cotton, Khaddar, etc. The quality of Fabric is better than other countries that produce Eastern wear such as Bangladesh, and India. There is also high demand from these two countries for Pakistan's Fabric and unstitched collections due to Pakistan's design expertise.

There is also the availability of supporting industries for Eastern Wear such as embroidery, related accessories, etc. This aids Pakistani Designers to produce appealing fashion. Similarly, the domestic Eastern Wear market in Pakistan has high demand and thus, has a vibrant environment where companies invest in new fabrics, designs, and prints, etc.

Due to these advantages, Pakistan can easily develop Fusion Wear around the basic design of Eastern Wear. This can cater to a wider international customer base.

5.4 International Markets for Pakistani Fashion using the E-commerce Platform

Main markets for Pakistani Fashion using the E-commerce platform are the U.S.A., the U.K., the U.A.E., Canada, Australia, and other European and Gulf countries. Even though Saudi Arabia and the U.A.E have the highest number of Overseas Pakistanis, the sales of Fashion products are mainly dependent on the purchasing power of the diaspora, the currency conversion rate, and the customs regulations of that country.

■ 5.4.1 Purchasing Power of the Pakistani Diaspora

Since, most of the high-skilled high earning diaspora is located in the U.S.A., U.K., Canada, Australia and other European countries, demand from the diaspora in these countries is higher for Fashion products on E-commerce platforms. In countries like Saudi Arabia and the U.A.E., mostly unskilled or semi-skilled Pakistani workers reside and thus, do not have enough purchasing power to buy Pakistani fashion products using the E-commerce platform.

■ 5.4.2 Customs Laws on Packages Entering Destination Countries

The revenue, demand, and sales in individual markets is also dependent on the customs laws of those countries. The U.S.A. is the largest market for Fashion products through the E-commerce channel due to there being no VAT charged on packages of less than \$1,600 value as shown in Table 5-2. Since Pakistani Brands do not have high prices, most of the packages are cleared duty-free.

Table 5-2: VAT/ Custom Duties Charged on E-commerce Packages in Different Countries

Country	VAT/ Custom Duties Charged
U.S.A.	Average 5.6% duty tax on E-commerce packages of more than \$1,600 for IP countries and \$800 for CBI or Andean country
U.K.	VAT of 20% charged on all goods Exception of gifts under £39 Additional custom duties on goods worth more than £135
Canada	All items subject to 5% GST. Exception: Goods worth CAN\$20 or less Gifts from family members or friends who live abroad when the worth is CAN\$60 or less
U.A.E.	5% VAT/Duty on packages above AED 1000
Saudi Arabia (K.S.A.)	15% VAT/Duty on packages above SAR 1000

Sources: For the U.S.A.: DHL (2023); U.K.: GOV.UK (2023); Canada: Government of Canada (2023); U.A.E. and K.S.A.: PWC (2020)

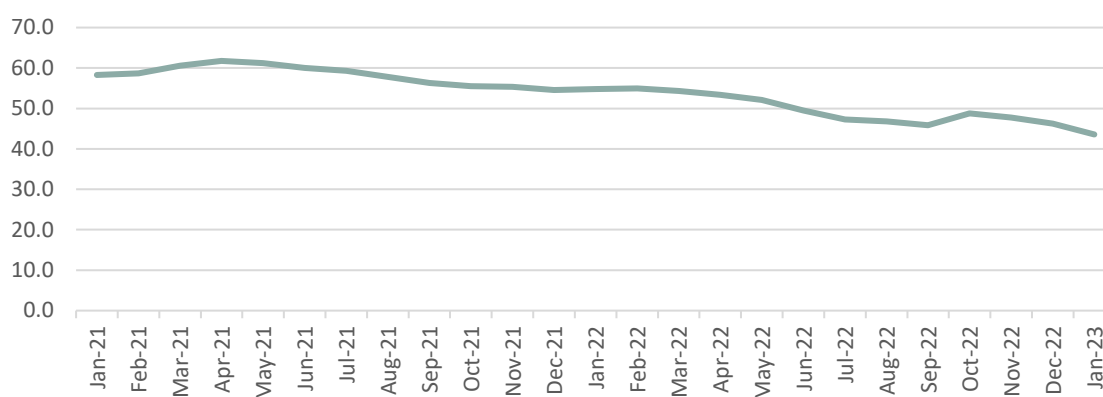
Pakistani Brands inform customers in countries like the U.K., Canada, U.A.E. and others that the package may be subject to VAT or Customs Duties. This affects demand as some customers back out. There is also uncertainty of VAT/ Duties charged in markets like the U.K., Canada, and the Gulf countries, where sometimes there is no incidence of charges and sometimes there are high customs duties charged on similar packages.

■ 5.4.3 Depreciating Currency Increases Attractiveness for Buyers

The Nominal Effective Exchange Rate (NEER) measures how a currency measures against a basket of currencies, not adjusting for inflation. The Pakistani currency has been depreciating as evident in Figure 5-3 as the NEER has been declining continuously.

For international buyers, it means that Pakistani products have become cheaper and hence, the demand for Fashion Products from Pakistan has increased.

Figure 5-3: Nominal Effective Exchange Rate (NEER) of Pakistani Rupee from January 2021 to January 2023



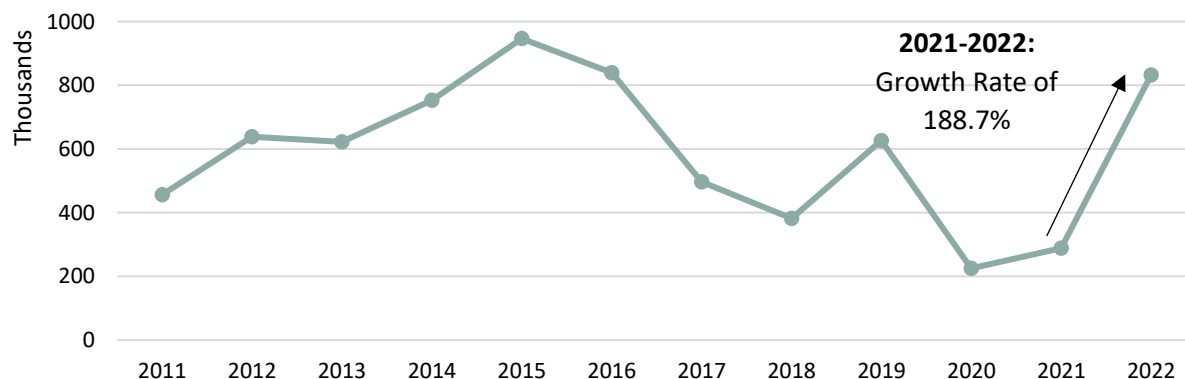
Source: SBP (2023)

■ 5.4.4 India is a Potential Major Market

Due to strained political ties between India and Pakistan, Pakistan is unable to sell its Fashion products through the E-commerce platform to this market despite there being high demand in India for Pakistani Fashion Products. This also leads to low demand among the Indian diaspora. There is a need for a mechanism to be developed through diplomacy that can allow Pakistani Fashion Products to tap into the Indian Market.

5.5 Pakistani Fashion Products are Catering Narrowly to the Pakistani Diaspora

Pakistani Fashion exports through the E-commerce channel are mostly Ready to Wear Eastern Fashion. These are targeted at the Pakistani diaspora. Pakistani emigration has increased by 188.7% as shown in Figure 5-3. Emigration had slowed down in 2021, increasing by 28% but now it has witnessed a sharp jump mostly due to relaxation of travel laws after Covid-19 subsiding. This would likely mean more demand for Fashion products from Pakistan through E-commerce.

Figure 5-4: Pakistani Emigrations from 2011 to 2022

Source: Bureau of Emigration and Overseas Employment (2022)⁴

However, this high reliance on Pakistani Diaspora as customers might not be viable in the long term. Young Pakistani diaspora prefers Western Wear and in the next 20 to 30 years, the demand for Pakistani Eastern wear is likely to decline.

The presence of Pakistani brands in Foreign Markets and their affiliation with the Pakistani diaspora opens up opportunities to also serve other customer bases internationally. There is an underexplored market of locals in foreign countries that demand Eastern Wear to attend functions of their friends of the Pakistani/Indian/ Bangladeshi diaspora. They either borrow clothes from their friends of the same descent or ask their friends in those countries to stitch it and send it to them. These customers need to be reached through E-commerce.

5.6 Demand for Eastern Wear is Cyclical

Most of the Pakistani diaspora purchase Eastern Wear during Eid, Ramadan, Weddings, End of Year Sales and other Holidays where the community gathers. For products such as shawls, the demand increases during the winter season.

5.7 International Marketing Strategies

Pakistani Fashion Products strong domestic presence contributes to international sales as most of the customer base is the Pakistani diaspora. Aside from this, advertising takes place on Facebook, Google, Instagram, and other social media platforms. These advertising costs are in USD, which is subject to PKR to USD currency rate fluctuation. There are also no representatives of these platforms in Pakistan who can assist with issues regarding payment or service.

5.8 Inefficient Logistics

There is lack of competition amongst international logistics providers in Pakistan, this leads to

⁴ Figures for 2022 are up till December

inefficiencies such as shipment delays, delays in payments and a lengthy procedure of booking and payments. Pakistan's logistics are weak according to global standards. According to the Logistics Performance Index (LPI-2018), Pakistan ranked 122 out of 160 countries.

5.9 High Shipment Costs

There are a number of excellent courier service providers for local E-commerce logistics, however, when it comes to international shipping, competition is close to none. Currently only 1 or 2 companies provide good delivery services, but the costs are very high. Charges are in U.S.D. which increase in case the PKR depreciates against the USD. For a package containing a 3-piece suit which itself costs between \$24 to \$30, courier charges are very high.

Table 5-3: Average Shipment Costs for Zones Designated for Delivery

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
Countries	GCC Countries	U.K.	Mostly European Countries	South and South East Asian Countries	Eastern Asian Countries	Australia New Zealand	U.S.A. Canada	African, Latin American, Central Asian Countries
Shipping Rates per 0.5 KG	\$47.5	\$51.7	\$54.1	\$56.4	\$59.7	\$62.2	\$64.7	\$84.1
Shipping Rates per KG	\$59.3	\$64.0	\$66.8	\$69.7	\$73.5	\$76.4	\$79.3	\$103.7

Source: DHL (2022)

The high shipping costs increase the chance of abandoned baskets, where customers do not complete the purchase. Many brands have started to subsidize the shipping cost by offering free shipping over a certain amount of shopping say above \$150 or \$200. Some merchants that offer free shipping, incorporate shipping costs into the price of the articles to encourage international sales. These high shipment costs also make it difficult to bring a product back to Pakistan if a customer demands a refund leading to losses.

5.10 High Turnover Leading to a Shortage of Tech Talent for Local E-commerce Merchants

Brain Drain especially in the tech sector is contributing to a shortage of talent. Figure 6-4 (???) shows that about 347 thousand Pakistanis that are employed overseas were skilled workers in 2022.

Businesses are facing issues when it comes to digital marketing and other expertise in E-commerce. Further contributing to the shortage of tech talent is the lack of institutions in Pakistan that offer degrees in E-commerce or facilitate in creating domain experts.

5.11 Lack of Digitization in Processes

There is a lot of paperwork, mostly manual involved in fulfilling requirements of the State Bank of Pakistan, opening an account or other procedures at a Pakistani Commercial Bank, and in filings for Tax Rebates/ Refunds. The receipts from a courier have to be manually entered into the WeBOC system. This can be easily digitalized, wherein the courier receipts are automatically entered into the WeBOC system.

5.12 Disconnect between Merchants, Government and the Financial Sector

■ 5.12.1 High Payment Decline Rates

Merchants are not satisfied with the high decline rates by local payment gateways of about 30%, while international gateways like Union Pay offer a decline rate of less than 5%. The Pakistani banking sector is concerned about the decline rates since Pakistan's financial sector has been red flagged internationally. This has been identified as a cause of high decline rates. Here, government policies are required to strengthen the financial sector in Pakistan and negotiate with the banks in other countries to improve the standing of Pakistan's financial sector.

Similarly, the requirement of 3D verification for online credit card payments is reported to have led to a massive decline in revenues from international sales, some brands claim to be losing as much as 20% of their sales. This happens as the international customers abandon their baskets to avoid the hassle of entering an OTP and due to a lack of trust in the Pakistani Banking System.

■ 5.12.2 High Charge Backs

Merchant concerns regarding high charge backs are another issue that banks or the financial sector may not be able to solve. To handle these charge backs, lawyers in the concerned markets are needed that can handle the charge backs and frauds.

■ 5.12.3 Lack of an Ongoing Dialogue between the Three Key Stake Holders

There needs to be frequent dialogues between the key representatives of E-commerce merchants, the financial sector and the government to facilitate E-commerce exports and resolve inefficiencies in the system.

5.13 Lack of expertise of Pakistani Fashion Brands to Cater to a Wide International Customer Base through E-commerce

■ 5.13.1 Lack of Skillset for Creating Western Wear

Local Pakistani Manufacturers and Fashion Designers lack the expertise and knowledge of the current trends, cuts, measurements, sizes, and branding of Western wear. Even though Pakistan does manufacture Western wear for international brands, it has not been able to build a brand to

sell Western wear to the international markets through E-commerce.

■ 5.13.2 Compliance Issues with International Standards

Pakistan has not been able to comply with international standards, there are no proper care labels specified and shrinkage tests and other similar tests are not performed.

5.14 Pakistani Fashion Products Industry Consists of Small Firms

Pakistani Fashion Products industry consists of small firms that do not have the capability or the capacity to invest in product or marketing to help scale up rapidly.

5.15 Pakistan's Poor International Reputation & Lack of a Redressal Mechanism

Pakistan's poor reputation is damaging its exports of Fashion products through the E-commerce platform. Frauds, counterfeiting, the requirement of Advance Payments, no proper mechanism for customer returns have led to a lack of trust among international customers.

5.16 Lack of Smooth Product Return Mechanism for International Orders

It is expensive to ship the product back to Pakistan when an international customer returns the product. Due to this, some brands do not offer refunds, while others bear losses by letting the customer keep the product and offer a refund. Some small-scale businesses also offer international customers the option to exchange the product when they are next arriving in Pakistan or through some acquaintance. The lack of a reliable and smooth product return mechanism impacts the trust of consumers especially in the Western markets.

Similarly, there is no mechanism of off-shore warehousing that can facilitate shipment to the international customers, facilitate in returns and reduce delivery time.

5.17 Payment Issues for Paying Global Marketing Platforms

The payments to the Global Marketing Platforms such as Facebook, Google, etc. have to be made with personal credit cards rather than with corporate cards/ accounts. This leads to book keeping and accounting headaches, especially in large organizations.

Due to the uncertain economic situation in Pakistan, some dollar transactions are denied or not processed when making payments and this, makes it difficult to use these marketing platforms.

5.18 Multiple Websites using Same or Similar Sounding Names as Leading Brands

There are multiple websites/ accounts/ Facebook pages that have the same or similar names as the leading brands from Pakistan. Some of these sellers are fake, while some sell replicas of these brands which are of poor quality. This leads to a lack of trust from the overseas buyers and ultimately loss of sales.

There is a lack of IPR (Intellectual Property Rights) implementation that impacts genuine brands. There is no badge or certification system developed in Pakistan for genuine E-commerce Fashion brand websites in Pakistan which can distinguish them from the websites that sell replicas of major brands or are fake.

5.19 Prices Displayed on Websites are Exclusive of Customs Duties and VAT

Pakistani shippers are not registered in major markets with Customs & VAT authorities. Since, these companies are non-Resident companies, they are unable to charge, collect and deposit local taxes. They are thus unable to display sale prices inclusive of customs duty and VAT. Shipping costs are normally displayed at the checkout on most brand websites.

5.20 Target Market is Primarily Female

Most fashion apparel from Pakistan destined for international markets is targeted towards the female client base. Men's suits and children's apparel are given less attention when selling abroad. This market has not been tapped due to a lack of knowledge of Western Business Suit sizes and stitching. Similarly, apparel for Children produced in Pakistan are not branded for international customers.

5.21 Lack of Standardized Sizes

The sizes for Pakistani brands vary as per brands. This causes uncertainty and increases the purchase risk on the part of the buyer. There is a need for standardized sizing which complies with international or regional sizing.

5.22 Short Window to Realize Export Proceeds

The State Bank of Pakistan requires E-commerce exporters to ensure that remittances for exports are received within 60 days. This short window means that Pakistani brands are unable to stock products in the major markets for immediate delivery. This impacts sales on platforms such as Amazon which require physical availability of products in the country in which they are being offered for sale.



SWOT

6. SWOT

6. SWOT

From the qualitative interviews conducted of the industry participants, including banks, the following SWOT analysis was generated.

Figure 6-1: SWOT Analysis of the Fashion Products E-commerce Industry in Pakistan

STRENGTHS

- Availability of Fabric suitable for Eastern Wear
- Strong Brands
- Design expertise
- Depreciating Currency increases attractiveness for buyers
- Availability of supporting industries like accessories, embroidery etc.
- Access to talented youth and IT professionals
- A vibrant domestic market allows companies to invest in new fabrics, prints, designs, etc.

WEAKNESSES

- Reliance on imported raw materials such as high-count cotton, dyes and chemicals etc.
- Lack of awareness of Western Wear, designs, fashion etc.
- Mostly small firms without the muscle to scale up for global markets.
- Lack of common sizing increases risks for customers
- No off-shore warehousing to reduce time to customer

THREATS

- Nearly totally dependent on the Pakistani Diaspora
- Logistics is expensive, at times courier costs are higher than product.
- Payment gateways are expensive and at times non responsive to merchant/customer needs
- Lack of Digitization
- IT resources are expensive and difficult to retain in a highly competitive market.
- No mechanism for COD shipments and reverse logistics
- Lack of quality intuitions training individuals for E-commerce applications
- Lack of Branding of Western Wear
- Weak IPR implementation impacts genuine brands
- Predicted Global recession in main markets likely to curb demand

OPPORTUNITIES

- Trend in Online buying has increased after Covid-19
- Rise in number of Pakistani Diaspora in the major markets
- Regional competitors are weak in terms of fashion, prints, fabric etc.
- Pakistani diaspora's affiliation with local products
- Presence in foreign markets opens up opportunities to also serve other customer bases in that country
- Fusion Wear can be developed around the basic design
- India is a major market for which some mechanism will need to be developed to exploit





7. Recommendations

7. Recommendations

To improve Fashion Products Exports from Pakistan using the E-commerce Platform, there are several policy decisions required in key areas which involves coordination between the major stakeholders in the E-commerce Fashion Industry. These include, merchants, E-commerce companies, logistics providers, the financial sector, and the government.

Some of these major recommendations are:

7.1 Training and Awareness Sessions for Fashion Designers and Merchants

E-commerce requires expertise in digital marketing, banking channels, and logistics. There is a need for frequent training sessions where merchants are briefed about the changing trends, SBP laws, customs laws of various countries, banking channel requirements and other necessary information that can aid the industry to grow as a whole. Training sessions are also required for those associated with e-commerce platforms to improve marketing and selling techniques.

There is also a need to educate fashion products designers and manufacturers about international quality standards such as care label tags and shrinkage tests to enhance the competitiveness of Pakistani Fashion Exports.

7.2 Facilitate International Logistics in Pakistan

Government needs to provide support to reduce the high international shipping costs. There is a need to improve the State-Owned logistics provider Pakistan Post to provide services that are of international standards. There is also a need to help increase competition between international logistics providers through facilitating start-ups. Pakistan can follow the example of China, where there is high competition amongst the logistics providers that has resulted in price wars and lower prices. Chinese government also offers recurrent subsidies to Chinese logistics companies to lower domestic and international delivery costs (Yining, 2023).

China also benefits from the United States Postal Service's (USPS) ePacket program that is a shipping method which is quick and affordable. The program has expanded to 35 countries, including Asian countries like Malaysia, Thailand and Japan (Pofahl, 2020). Pakistan could also build towards coordinating with the U.S.A. to seek benefits from the ePacket program.

7.3 Creation of Third-Party Service Providers in Pakistan to Handle Specific E-commerce Tasks

There is a need for third-party service providers that can complete the required paperwork and other requirements of the State Bank, Banks, and Customs. Merchants could outsource this work to those companies to save time & money.

7.4 Banking, and Customs Procedures Need to be Digitalized

There is a need to digitize banking and customs procedures in Pakistan in order to facilitate merchants, especially the SMEs. The procedures and the paperwork required should be minimized to facilitate smooth transactions. Procedures need be made transparent and updates communicated to all stakeholders.

7.5 Revision of SBP and Customs Laws

The period of retention of foreign currency for exports permitted by the State Bank of Pakistan is too short for merchants who are looking to use platforms such as Amazon which require the physical presence of goods in certain markets. Similarly, when a product is returned to Pakistan, there are additional customs duties and taxes applied to it. There needs to be a revision in these laws and practices to facilitate E-commerce merchants.

7.6 Pakistan's Image needs to be Improved

Pakistan's image needs to be improved through campaigns targeted at increasing tourism, improving law and order, political stability, and international collaborations.

There have been some campaigns launched to improve tourism in Pakistan such as Emerging Pakistan launched by the Pakistan High Commission, London in 2017. The campaign was run for four weeks on the 70th Independence Anniversary of Pakistan, where London's iconic double-decker buses were branded under the theme of "Emerging Pakistan" as shown in Figure 7-1. More campaigns like these are required to improve tourism and Pakistan's image.

Figure 7-1: Emerging Pakistan Campaign on London's Buses in 2017



Source: Shah (2017)

In 2019, the Ministry of Commerce in Pakistan, the United Nations Industrial Development Organization and Italian designer Stella Jean collaborated and brought Pakistan's handicrafts and signature hand embroidery from the valleys of Hunza, Kalash, and Gilgit to Milan. The event received international news coverage and helped in softening Pakistan's image.

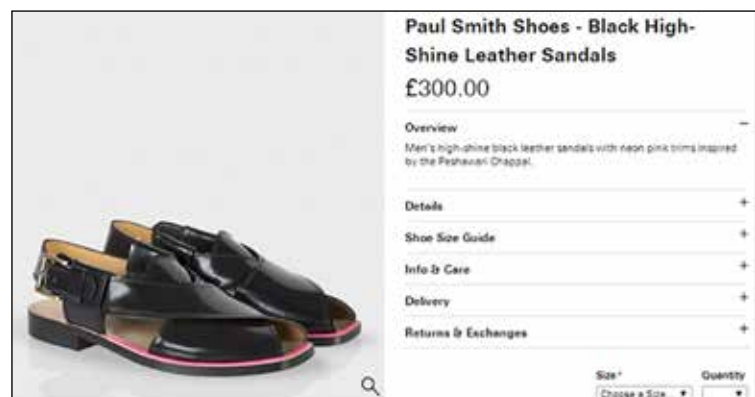
Figure 7-2: News Clips Covering Pakistan Inspired Collection in 2019

Sources: *H! Pakistan Magazine* (2019), and *Malik* (2019)

7.7 Promotion of Pakistani Fashion through Collaborations with International Designers

Similar collaborations as with Stella Jean in 2019 need to be done frequently with several other designers.

In 2014, Paul Smith (world renowned British Fashion Brand) launched Peshawari Chappals as Robert Sandals in Europe, which were later credited to be inspired by Peshawari chappals. Through this, Peshawari chappals found their way into European markets. However, there wasn't any collaboration with Pakistan but it was a step towards promoting Pakistani footwear in the European market (Malik, 2014).

Figure 7-3: Paul Smith “Robert Sandals” Inspired by Peshawari Chappals

Source: *Malik* (2014)

It is important to collaborate with international fashion designers in order to promote Pakistani fashion which would indirectly promote Pakistani Fashion brands and boost sales through E-commerce and other platforms.

7.8 Issuance of Certification or Badges to Genuine Websites of Fashion Brands

The Pakistani government needs to create a system for the recognition of genuine Pakistani E-commerce websites. A badge or certification needs to be issued to genuine websites to distinguish them from fake websites and those websites that are selling replicas. It would ensure trust amongst the international buyers on genuine brands.

7.9 Improvements in Pakistani Payment Gateways

There is a need to improve the local payment gateways which involves reducing decline rates⁵, and charge backs. This can be achieved by collaborating with international banks in order to remove Pakistan from an international bank's red flag. There is also a need to encourage foreign gateway options like PayPal, Ali Baba Pay to operate in Pakistan, which can be done with collaborations, negotiations, and fulfilling the necessary requirements.

7.10 Facilitating Digital Marketing Services Providers in Pakistan

The government needs to encourage Facebook, Google and other digital marketing tool providers to set up service centers in Pakistan in order to facilitate local E-commerce merchants. There is also a need to set up a Digital marketing unit in Pakistan by the government across major cities of Pakistan and hold training sessions on digital marketing.

7.11 Development of Ancillary Products, Fusion Wear and Western Wear Brands

There is a need for the development of Ancillary products in Pakistan to promote less reliance on imported products. In order to have diversification in the Apparel Export Basket, Pakistan needs to venture in the design of Fusion Wear and create Western Wear Brands. Training opportunities need to be provided to local designers, tailors and craftsmen on the cuts, designs, measurements and other perquisites for creating Western wear. It would result in reaching a wider customer base and reduce reliance on the Pakistani diaspora for selling apparel.

7.12 Industry needs to implement Standardization

It is important for the industry to agree to standardization with minor adjustments across brands for sizing. Local brands need to be encouraged to follow international requirements for apparel such as shrinkage tests, etc. Setting up a body/ institution that guides and implements these standards is needed.

⁵ Decline Rate is the rate at which Credit Card transactions are declined

7.13 Focus Towards a More Diversified Client Base

Pakistan needs to focus on diversifying its client base from focusing solely on the Pakistani/ Indian diaspora and the female segment of the market. What is required is the diversification into Western wear and targeting other diaspora / markets that Pakistani Eastern wear can appeal to. For this, investment in research and digital marketing is needed.

Similarly, Pakistani brands need to produce and sell more men's Apparel and children's Apparel in order to diversify. There is a need for training in producing business suits for men that meet international sizing and other requirements and a brand that sells children apparels which can compete with children apparel brands abroad.



References

References

- Aebersold, K. (2021). 6 Types of eCommerce Business Models. Elasticpath. Retrieved from <https://www.elasticpath.com/blog/6-ecommerce-business-models-b2b-b2c#:~:text=In%20eCommerce%2C%20there%20are%20five,based%2C%20and%20fee%2Dbased.>
- Agren, E.S. and Barbutiu, S.M. (2018). Barriers In The Adoption Of E-commerce In Pakistan With The Focus On Gender. International Journal of Scientific & Technology Research Volume 7, Issue 1, January 2018. ISSN 2277-8616. Retrieved from <https://www.ijstr.org/final-print/jan2018/Barriers-In-The-Adoption-Of-E-commerce-In-Pakistan-With-The-Focus-On-Gender.pdf>
- Ahmed, A. (2022). Amazon Finally Fixes Account Deactivation Issues Faced by Pakistani Sellers. Pro Pakistani. Retrieved from <https://propakistani.pk/2022/11/24/amazon-finally-fixes-account-deactivation-issues-faced-by-pakistani-sellers/>
- Armstrong, M. (2022). How Common are Online Returns? E-commerce. Statista. Retrieved from <https://www.statista.com/chart/27584/how-common-are-online-returns-gcs/>
- Bruin, L. (2018). Porter's Diamond Model: Why Some Nations Are Competitive and Others Are Not. B2U Business to You.
- Business Recorder. (2023). APTMA seeks to increase textile exports thru E-commerce. Business Recorder. Retrieved from <https://www.brecorder.com/news/40223445/aptma-seeks-to-increase-textile-exports-thru-E-commerce>
- Bussolo, M and Sharma, S. (2022). E-commerce is creating growth opportunities for small businesses in South Asia. Published on End Poverty in South Asia. World Bank Blogs. Retrieved from <https://blogs.worldbank.org/endpovertyinsouthasia/E-commerce-creating-growth-opportunities-small-businesses-south-asia>
- Coppola, D. (2022). Global Mobile Retail Commerce Sales Share 2016-2021. Mobile Retail Commerce Sales as a Percentage of Retail E-commerce Sales Worldwide from 2016 to 2021. Key Figures of E-commerce. E-commerce. Retrieved from <https://www.statista.com/statistics/806336/mobile-retail-commerce-share-worldwide/>
- Dayal, A. (2022). The need for international expansion of cross-border E-commerce. Financial Express. Retrieved from <https://www.financialexpress.com/industry/the-need-for-international-expansion-of-cross-border-E-commerce/2729311/>
- DHL. (2022). Zones and Rates. DHL Service & Rate Guide 2022: Pakistan. DHL Express. Retrieved from https://mydhl.express.dhl/content/dam/downloads/pk/en/rate-guide/service_and_rate_guide_pk_en_2022.pdf.coredownload.pdf

DHL. (2023). All You Need to Know about US Import Tax and Duties. Business- 3 Min Read. Discover Delivered by DHL. Retrieved from <https://www.dhl.com/discover/en-my/business/market-intelligence/All-You-Need-to-Know-About-US-Import-Tax-and-Duties>

ecommerceDB. (2022). The eCommerce market in Pakistan. E-commerce Market Analytics. ecommerceDB. Retrieved on November 2022 from <https://ecommercedb.com/markets/pk/all>

eMarketer. (2022) Global ecommerce sales (2020 to 2025). In Bernhardt, G. (2022). Global Ecommerce Sales Growth Report for 2020-2025. Shopify. Retrieved from <https://www.shopify.com/blog/global-ecommerce-sales>

Ganbold, S. (2022 a). Leading digital payment platforms for E-commerce Asia 2021, by country. Key Figures of E-commerce. E-commerce. Statista. Retrieved from <https://www.statista.com/statistics/1296193/asia-top-digital-payment-platforms-by-country/>

Ganbold, S. (2022 b). Leading challenges for cross-border E-commerce enterprises Asia 2021, by country. E-commerce. Statista. Retrieved from <https://www.statista.com/statistics/1296313/asia-top-challenges-of-E-commerce-by-country/>

Gardezi, A. (2022). Amazon Shuts Down Over 13,000 Pakistani Accounts Due to Fraud. ProPakistani. Retrieved from <https://propakistani.pk/2022/08/12/amazon-shuts-down-over-13000-pakistani-accounts-due-to-fraud/>

GOV.UK. (2023). Tax and customs for goods sent from abroad. Importing. Business and self-employed. GOV.UK. Retrieved from <https://www.gov.uk/goods-sent-from-abroad/tax-and-duty>

Government of Canada. (2023). Paying duty and/or taxes on imported goods. Importing by mail or courier. Importing by Mail. Import and Export. Canada Border Services Agency. Retrieved from <https://www.cbsa-asfc.gc.ca/import/postal-postale/dtytx-drmtx-eng.html>

H! Pakistan Magazine. (2019). Stella Jean's Pakistan Inspired Collection Shines Worldwide. H! Pakistan Magazine. Retrieved from <https://www.hmagpak.com/11-Nov-2019/stella-jean-s-pakistan-inspired-collection-shines-worldwide>

Heaslip, E. (2022). B2B vs. B2C: What's the difference? CO-. U.S. Chamber of Commerce. Retrieved from <https://www.uschamber.com/co/start/strategy/b2b-vs-b2c>

Kazuikenas, J. (2022). Pakistan Sellers are Getting into Amazon. Marketplace Pulse. Retrieved from <https://www.marketplacepulse.com/articles/pakistan-sellers-are-getting-into-amazon>

International Trade Administration. (2022). eCommerce Size & Sales Forecast. Data and expert insight on worldwide ecommerce exports forecast for 2021. Retrieved from <https://www.trade.gov/e-commerce-sales-size-forecast>

India Brand Equity Foundation (IBEF). 2022. Introduction. E-commerce in India. Retrieved from <https://www.ibef.org/industry/e-commerce>

IMARC. (2022). E-commerce Logistics Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2022-2027. Retrieved from <https://www.imarcgroup.com/E-commerce-logistics-market>

Ipsos. (2022). What Worries the World- September 2022. News & Events: News. Retrieved from <https://www.ipsos.com/en/what-worries-world-september-2022>

Keenan, M. (2022). Global E-commerce Explained: Stats and Trends to Watch. Global Commerce, Industry Insights and Trends. Shopify.com. Retrieved from <https://www.shopify.com/enterprise/global-e-commerce-statistics>

KPMG. (2022). The Challenges of Cross-Border International Trade. From logistics and supply chain to customer and compliance. Insights. Home. Retrieved from <https://home.kpmg/xx/en/home/insights/2022/04/the-challenges-of-cross-border-international-trade.html>

Lakhani, R.A. (2022). 8 Best Payment Gateways for E-commerce Dropshipping Stores in 2022. CLOUDWAYS. Retrieved from <https://www.cloudways.com/blog/best-payment-gateways/>

Malik, H. (2014). 'Peshawari Chappal' Makes its Way into the European Market. ProPakistani. Retrieved from <https://propakistani.pk/2014/03/13/peshawari-chappal-makes-its-way-into-the-european-market/>

Malik, S.B. (2019). Designer Stella Jean's Pakistan inspired collection hits Milan Fashion Week ramp. Arab News. Retrieved from <https://www.arabnews.com/node/1558501/pakistan>

Ministry of Foreign Affairs (2021). Country-Wise Data of overseas Pakistanis. In Ministry of Overseas Pakistanis & Human Resource Development. Year Book 2020-21. Government of Pakistan. Retrieved from <https://ophrd.gov.pk/Detail/MDg3NDM2YTtYTM2Zi00ZDdlLWJhMmEtNjEwOTJiOTdhZmU5>

Murphy, C.B. (2022). Brick and Mortar Stores. Business Essentials. Investopedia. Retrieved from <https://www.investopedia.com/terms/b/brickandmortar.asp>

Nie, X. (2022). Cross-Border E-commerce Logistics Transportation Alternative Selection: A Multiattribute Decision-Making Approach. Special Issue- Recent Advances in Industrial Mathematics and Applications 2021. Volume 2022 | Article ID 4990415 | <https://doi.org/10.1155/2022/4990415>

Phillips, M. (2022). B2B vs B2C: Why B2B matters and deserves more media coverage. Visionary Marketing and Innovation. Retrieved from <https://visionarymarketing.com/en/2022/07/b2b-vs-b2c/>

Pitney Bowes. (2022). What is E-commerce logistics? Domestic Solutions. Pitney Bowes. Retrieved from <https://www.pitneybowes.com/us/blog/what-is-ecommerce.html>

Pofahl, A. (2020). How Can China Ship So Cheap? A Secret Revealed. ECOMMERCE. LABS: Latin America Business Stories. Retrieved from <https://labsnews.com/en/articles/ecommerce/how-can-china-ship-so-cheap-a-secret-revealed/>

Prologis. (2022). What are the Challenges Associated with Managing a Global Supply Chain? A Guide to Global Supply Chain Management. Prologis. Retrieved from <https://www.prologis.com/what-we-do/resources/guide-to-global-supply-chain-management>

PWC. (2020). GCC VAT and Customs Rules for E-commerce. Helping you Navigate the Maze. PWC. Retrieved from <https://www.pwc.com/m1/en/tax/documents/gcc-vat-customs-rules-E-commerce-helping-navigate-maze.pdf>

Shah, M.A. (2017). 'Emerging Pakistan' branding on London buses. Geo News. Retrieved from <https://www.geo.tv/latest/147309-emerging-pakistan-branding-on-london-buses>

State Bank of Pakistan. (2020). Strong Growth in Digital Financial Transactions in the country in Q1 FY2020/21. External Relations Department. Retrieved from <https://www.sbp.org.pk/press/2020/Pr-03-Dec-20.pdf>

State Bank of Pakistan. (2020). Business-to-Consumer (B2C) E-commerce Exports. FE Circular No. 07 of 2020. Circulars/ Notifications – Exchange Policy Department. Retrieved from [State Bank of Pakistan \(sbp.org.pk\)](https://www.sbp.org.pk/StateBankofPakistan/sbp.org.pk)

State Bank of Pakistan. (2023). Pak Rupees per Currency Unit. Monthly Average Exchange Rates. Historical Exchange Rates. Retrieved from https://www.sbp.org.pk/ecodata/ibf_arch.xls

Statista. (2022 a). E-commerce. B2C E-commerce. Statistics. Retrieved on June, 2022. Retrieved from <https://www.statista.com/markets/413/E-commerce/>

Statista. (2022 b). Footwear – Pakistan. Consumer Markets. Retrieved from <https://www.statista.com/outlook/cmo/footwear/pakistans>

The World Bank. (2022). Internet Users as a % of population, Secure Internet Servers. Data. The World Bank Database. Retrieved from <https://data.worldbank.org/indicator/IT.CEL.SETS.P2>

Thomas, M. (2022). How Many Countries Does Amazon Operate in? (List of Locations). Query Sprout. Retrieved from <https://querysprout.com/how-many-countries-does-amazon-operate-in/>

UNCTAD. (2016). In Search of Cross-Border E-commerce Trade Data. UNCTAD Technical Notes on ICT for Development. TN/UNCTAD/ICT4D/06. Retrieved from https://unctad.org/system/files/official-document/tn_unctad_ict4d06_en.pdf

Vantage Market Research. (2022). Global Cross-Border B2C E-commerce Market Size is Predicted to Hit around USD 3,042.2 Million by 2026 with a registered CAGR of 25.1% from 2022 to 2028. GlobeNewswire by notified. Retrieved by <https://www.globenewswire.com/en/news-release/2022/09/20/2519468/0/en/Global-Cross-Border-B2C-E-commerce-Market-Size-is-Predicted-to-Hit-Around-USD-3-042-2-Million-by-2028-With-a-Registered-CAGR-of-25-1-from-2022-to-2028.html>

Ward, S. (2022). Brick and Mortar Stores vs Online Retail Sales. People still love to shop in Brick and Mortar Stores. The Balance. Retrieved from <https://www.thebalancemoney.com/compare-brick-and-mortar-stores-vs-online-retail-sites-4571050>

Weatherwax, J. (2022). B2B vs. B2C: The B2B Meaning, B2C Meaning, and Examples. Retrieved from <https://www.bluecart.com/blog/b2b-vs-b2c>

World Bank. (2018). International LPI. Global Rankings- 2018. The World Bank. Retrieved from <https://lpi.worldbank.org/international/global?sort=asc&order=Timeliness#datatable>

Yining, D. (2023). Courier companies promise fast delivery during Spring Festival holiday. Shine. Retrieved from <https://www.shine.cn/news/metro/2301125057/>



E-COMMERCE

Annexure

Annexure

A.1. Definition of E-commerce figures reported by Statista

- **Included in the definition:**

The eCommerce market encompasses the sale of physical goods via a digital channel to a private end user (B2C). Incorporated in this definition are purchases via desktop computer (including notebooks and laptops) as well as purchases via mobile devices such as smartphones and tablets.

- **Not Included in the definition:**

The following are not included in the eCommerce market: digitally distributed services (see instead: eServices), digital media downloads or streams, digitally distributed goods in B2B markets nor digital purchase or resale of used, defective or repaired goods (reCommerce and C2C). All monetary figures refer to the annual gross revenue and do not factor in shipping costs.

A.2. List of Interviewees

List of Interviewees from the E-commerce Fashion Segment in Pakistan

S.No	Company	Interviewee	Designation
1	ECOM	Zahir Rahimtoola	CEO (Chief Executive Officer)
S.No	Brand	Interviewee	Designation
2	Ego (M2 Private Ltd.)	Schallim J. Ruben	General Manager
3	Bareeze	Syed Raza Rahman Rana Bilal	Chief Operating Officer Chief Marketing Officer
4	Bareeze- Man	Arsalan Sheikh	Department (Marketing, Communication & E-commerce)
5	Bonanza	Arshad Jamal	E-commerce Head
6	Brayt	Arbab Abdul Wahid	Chief Executive Officer
7	Cambridge	Syed Jawed Asdaque Muhammad Ashraf Khan Muhammad Yousuf	Chief Financial Officer (CFO) Online Department Export/ Import Department
8	Chinyere	Manobia Khan Arsalan Sheikh	Head of E-commerce Head of Department (Marketing, Communication & E-commerce)
9	Ideas by Gul Ahmed	Ziad Bashir Ali Abdullah	Founder Director Digital Marketing Manager
10	Minnie Minors	Manobia Khan	Head of E-commerce
11	Nishat Linen	Hassan Saleem Ahsan Ali Muhammad Atif	Financial Controller Assistant General Manager Retail (E. Com) Manager ERP
12	Sana Safinaz (SSFR pvt. Ltd)	Altaf Hashwani	Managing Partner
13	Sapphire Retail Ltd.	Mohammad Imad Paracha	General Manager - Ecommerce & Digital
14	Urban Brands (HUB)	Asfandiyar Farrukh	Managing Director
S.No	Bank	Interviewee	Designation
15	Bank Al Falah	Amaar Iklas	Head of Payments and Solutions Retail Banking Group
16	HBL	Abrar Ahmed Mir Aamir Hameed	Chief Financial Officer (CFO) Head Branchless Banking



8th Floor, Dawood Center,
M.T. Khan Road,
Karachi, Pakistan

T - + 92 21 3563 0528 - 29

F - + 92 21 3563 0530

www.pbc.org.pk