

Enabling MSMEs to Grow in the Global Economy by Operating Seamlessly Across the Omni-Channel Environment

APEC Digital Economy Steering Group

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**Asia-Pacific
Economic Cooperation**



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Introduction

Micro, Small, and Medium Enterprises (MSMEs) are a driving force of the Asia-Pacific Economic Cooperation (APEC) region, generating 7 out of 10 jobs and contributing up to 40% of gross domestic product in emerging markets. However, as the global economy evolves into a more interconnected and digital landscape, the survival and growth of MSMEs hinge on their ability to embrace hybrid business models that blend physical operations with digital innovation. The *2023 OECD Report on SMEs in Era of Hybrid Retail* underscored the imperative of ensuring that MSMEs are "fit for the era of hybrid business models" – otherwise known as omnichannel – is essential for their sustained growth and development. The future belongs to those MSMEs that can successfully navigate this shift to omnichannel strategies.

This Asia-Pacific Economic Cooperation (APEC) project aimed to strengthen policymakers' ability to 1) facilitate "integrative" policies that enable MSMEs to participate in physical *and* digital channels; 2) develop "balanced" policies that do not inadvertently favor one channel over another; and 3) collect purpose-driven data (quantitative information that reflects a company's business operations, e.g., customer engagement) from originating platforms (physical or digital) to inform policy decisions.

Policy Roundtable Workshop

In August 2024, the APEC Digital Economy Steering Group organized a policy roundtable on Enabling MSMEs to Grow in the Global Economy by Operating Seamlessly Across the Omni-Channel Environment in Lima, Peru on the margins of the 3rd Senior Officials Meeting. This interactive roundtable discussion emphasized the critical challenges facing MSMEs in the omnichannel environment and offered actionable policy recommendations to empower these businesses to thrive in an increasingly hybrid world.

Workshop Survey Findings

The policy roundtable included pre- and post-workshop surveys to gather input and evaluate outcomes from participants and APEC Member Economies. A summary of the survey findings is available in [Annex I](#).

Leveraging Omni-Channel to Empower MSMEs in the Global Economy: Policy Recommendations

Micro, Small, and Medium Enterprises (MSMEs) are a driving force of the Asia-Pacific Economic Cooperation (APEC) region, generating 7 out of 10 jobs and contributing up to 40% of gross domestic product in emerging markets.¹ However, as the global economy evolves into a more interconnected and digital landscape, the survival and growth of MSMEs hinge on their ability to embrace hybrid business models that blend physical operations with digital innovation. The *2023 OECD Report on SMEs in Era of Hybrid Retail*² underscored the imperative of ensuring that MSMEs are "fit for the era of hybrid business models" – otherwise known as omnichannel – is essential for their sustained growth and development. The future belongs to those MSMEs that can successfully navigate this shift to omnichannel strategies.

Despite the promise of hybrid business models, the path is fraught with obstacles. Limited access to digital infrastructure, regulatory complexities, digital illiteracy, and entrenched gender gaps in financing continue to stymie MSMEs' ability to fully harness the opportunities of this new economy. Here, the role of policymakers becomes vital. Through balanced and integrative policies, economies have the power to dismantle these barriers, equipping MSMEs with the tools needed to optimize supply chains, streamline customer engagement, and reduce operational costs, all while fostering resilience and sustainable growth.

By taking bold steps now, governments can ensure that MSMEs continue to be engines of innovation, employment, and economic development across the region. This paper delves into the critical challenges facing MSMEs in the omnichannel environment and offers actionable policy recommendations to empower these businesses to thrive in an increasingly hybrid world. The observations, challenges, and policy recommendations in this report are based on survey responses from APEC member economies and insights gathered from the supporting workshop held during SOM3 in Lima, Peru.

The Role of MSMEs in the Economy

MSMEs are an indispensable part of the global economy, accounting for the majority of businesses and a significant portion of employment, particularly in developing economies. Their agility and close ties to local communities allow them to innovate in ways that larger enterprises may not be able to. This ability to respond quickly to local demands positions MSMEs as critical drivers of employment, innovation, and overall economic development.

However, the transition from traditional business models operating in a single channel to an omnichannel presents substantial challenges for MSMEs. While

¹ World Bank. "Small and Medium Enterprises (SMEs) Finance." Accessed June 4, 2025. <https://www.worldbank.org/en/topic/sme/finance>.

² (Organisation for Economic Co-operation and Development) (OECD) (2023), "SMEs in the era of hybrid retail: Evidence from an OECD D4SME survey", *OECD SME and Entrepreneurship Papers*, No. 41, OECD Publishing, Paris, <https://doi.org/10.1787/882f30b0-en>.

many large enterprises have successfully adopted digital strategies to enhance their market reach, MSMEs often lack the necessary resources, skills, and support to make similar transitions. The ability of MSMEs to leverage digital tools is further constrained by the absence of policies that facilitate their integration into the digital economy. To bridge this gap, it is essential to develop inclusive policies that support the digital transformation of MSMEs while preserving their core strengths, such as their local knowledge, customer relationships, and ability to adapt to market shifts.

Observations and Challenges

- 1. Disruptive Innovation and Adaptability:** MSMEs are often more agile than larger enterprises, allowing them to swiftly implement disruptive innovations and adapt to changing market conditions. Their close connections to local communities make them uniquely positioned to understand and respond to shifts in demand. However, while this agility provides a competitive edge, many MSMEs struggle to effectively reach customers in digital channels, limiting their ability to maximize their innovation potential. Without robust digital engagement, MSMEs face challenges in expanding their customer base, which is crucial for sustaining growth in increasingly competitive markets.

The lack of resources and expertise in digital marketing and e-commerce platforms exacerbates this issue. MSMEs often lack the capital to invest in sophisticated digital tools that could bridge the gap between their innovative offerings and customer outreach. This digital disconnect becomes a significant barrier to scaling their business operations and gaining broader market visibility. As larger enterprises continue to dominate digital channels, MSMEs risk falling behind unless they can successfully integrate digital strategies that complement their inherent innovative capabilities.

- 2. Barriers to Digital Adoption:** For many MSMEs, particularly in traditional industries, the adoption of digital tools presents both technical and cultural challenges. Long-standing business practices, such as cash-based transactions and face-to-face interactions, are deeply ingrained in many regions. MSMEs that have operated this way for generations often view digital adoption as a disruption, leading to reluctance in embracing new technologies. This cultural resistance slows the adoption of digital tools, which are increasingly critical for thriving in today's global economy.

In addition to cultural barriers, access to reliable digital infrastructure remains a significant hurdle, particularly for MSMEs in rural and underdeveloped areas. Many lack affordable, high-quality internet, limiting their ability to participate in e-commerce and access new markets. This infrastructure gap exacerbates the economic divide between urban and rural regions, leaving smaller enterprises at a disadvantage compared to larger companies with more resources to invest in advanced digital tools.

Moreover, many MSME owners face a digital skills gap, particularly in developing economies. A lack of digital literacy prevents them from effectively using available tools for online marketing, e-commerce, and logistics management. Generic training programs often fall short of addressing the specific needs of MSMEs, leaving them ill-prepared to navigate the complexities of digital platforms. To fully engage in the digital economy, MSMEs require not only reliable infrastructure but also targeted, practical training that equips them with the skills needed to leverage digital tools effectively.

Addressing these barriers will require tailored policy interventions that focus on improving digital infrastructure and providing practical, context-specific training, ensuring MSMEs can fully transition to an omnichannel model and compete on a level playing field.

- 3. Regulatory and Compliance Burdens:** MSMEs face significant challenges in navigating complex regulatory and compliance frameworks, which are often designed with larger enterprises in mind. Tax compliance systems, reporting requirements, and trade regulations place an undue burden on smaller businesses, many of which lack the resources to meet these demands. MSMEs operating without traditional infrastructure often rely heavily on mobile technology, yet regulatory systems fail to accommodate this, further complicating compliance. As a result, MSMEs are frequently excluded from opportunities to expand beyond local markets due to the overwhelming administrative burden of compliance.
- 4. Barriers to Trade:** MSMEs seeking to engage in global trade through an omnichannel business model may face significant trade barriers that hinder their ability to compete effectively. Trade regulations, complex customs procedures, and high logistics costs present substantial challenges for MSMEs trying to balance between the physical and digital channels. These barriers limit their ability to seamlessly transition between local and international markets, reducing their competitiveness in a globalized economy.

In particular, customs delays and cumbersome export-import procedures disproportionately impact MSMEs by increasing costs and slowing down the delivery of goods. Unlike larger enterprises with established supply chains, MSMEs often lack the resources and expertise needed to navigate these regulatory and logistical hurdles, making it difficult for them to engage in cross-border trade. Additionally, high shipping costs and return logistics further complicate the ability of MSMEs to expand into new markets. This is especially true for businesses operating in regions with underdeveloped logistical infrastructure, where inconsistent addressing systems and inefficient transportation networks exacerbate delivery challenges. Governments should work to modernize trade regulations and streamline customs procedures to support MSMEs in accessing global markets effectively.

- 5. Gender Inequities:** Women-owned MSMEs face significant barriers that hinder their ability to grow and thrive, particularly in terms of financial access and support networks. Despite their vital role in local economies, women entrepreneurs often struggle to secure loans or investment, limiting their ability to invest in digital tools, expand operations, or enter new markets. This financial exclusion hampers their growth potential and perpetuates economic and gender disparities.

Beyond financial barriers, women entrepreneurs frequently face cultural and societal biases that limit their access to essential business networks and mentorship opportunities. These biases often prevent women from gaining the credibility and connections necessary to navigate the complexities of business development and secure resources on an equal footing with their male counterparts. This creates a cycle of resource-constrained businesses that struggle to scale. Addressing these gender disparities requires a comprehensive approach, including the provision of targeted financial products, mentorship programs, and inclusive policies that empower women-owned MSMEs to succeed in both local and global markets.

Policy Recommendations

Policymakers should prioritize creating an environment that supports both the physical and digital growth of MSMEs, recognizing the importance of integrating traditional and digital ecosystems. By encouraging MSMEs to adopt omnichannel strategies, businesses can effectively combine their local market expertise with the expansive reach of digital platforms. This approach not only helps MSMEs tap into broader customer bases but also strengthens their competitive advantage in a global marketplace. Providing access to digital tools such as marketing, customer service, and e-commerce solutions is essential to facilitate a seamless transition into the digital economy, empowering MSMEs to grow sustainably and thrive in increasingly digital landscapes.

- 1. Regulatory Flexibility for MSMEs:** Governments should introduce regulatory frameworks that accommodate the unique needs of MSMEs, providing flexibility without compromising oversight. Simplifying tax compliance systems, reducing administrative burdens, and implementing mobile-friendly regulations can ease operational constraints, particularly for MSMEs that rely on mobile technology. Streamlining processes like VAT compliance and permitting systems will reduce the friction MSMEs face in their daily operations, allowing them to focus more on growth and innovation.

Regulatory reforms should also include easing the costs associated with logistics and e-commerce returns, which often burden smaller businesses. Reducing these expenses, along with simplifying customs regulations for smaller shipments, will enable MSMEs to compete more effectively in both domestic and international markets. The introduction of VAT incentives, as seen in Ecuador's efforts to promote digital

payments, can encourage MSMEs to transition from informal, cash-based operations to formalized, digital models.

- 2. Data-Driven Policy Development:** Accurate data collection is crucial for developing effective policies that address the specific needs of MSMEs. Governments should prioritize collecting gender-disaggregated data and other relevant metrics that reflect the operational realities of MSMEs, particularly those with mobile-first models. By tracking the success of inclusivity initiatives and measuring the impact of digital transformation programs, policymakers can ensure that support is properly targeted and adapted to meet the evolving needs of MSMEs.

Data collection efforts should also focus on understanding the unique challenges faced by women owned MSMEs. The use of gender-disaggregated data will enable policymakers to evaluate the effectiveness of current initiatives and make informed decisions about future interventions. This approach not only enhances the development of inclusive policies but also ensures that women entrepreneurs receive the specific support needed to overcome the barriers they face.

- 3. Digitalization of Government Services:** Streamlining government services through digital platforms can significantly reduce the administrative burdens on MSMEs. Prioritizing the digitalization of licensing, permitting, and compliance systems will make it easier for MSMEs to navigate regulatory processes. Mobile-friendly platforms are particularly important for businesses operating in remote or underserved regions, enabling them to access government services efficiently without the need for in-person visits or complex paperwork.

The digitalization of government services also supports MSMEs in transitioning from informal to formal operations. Simplified licensing processes and tax incentives can encourage MSMEs to formalize, providing them with clearer pathways to legitimacy while reducing operational costs. By creating a more accessible regulatory environment, governments can help MSMEs scale their businesses while ensuring compliance with necessary regulations.

- 4. Tailored Training and Capacity Building:** MSMEs require specialized training that addresses their specific digital needs. Collaborating with private sector partners, governments should offer advanced, context-specific training programs that equip MSMEs with practical skills for thriving in the digital economy. These programs should focus on areas like managing e-commerce platforms, leveraging social media for marketing, and optimizing logistics through digital tools. Tailored training ensures that MSMEs can fully utilize digital platforms and improve operational efficiency.

Mentorship and networking opportunities are also crucial for the growth of MSMEs, particularly women-owned enterprises. Establishing mentorship programs that focus on long-term relationship-building can

help women entrepreneurs navigate the challenges of business ownership, gain access to critical resources, and develop sustainable growth strategies. Such programs should be modeled after successful initiatives in economies like Mexico and the Philippines, which have shown the importance of providing women entrepreneurs with both knowledge and support.

Case Study: The Department of Trade and Industry's (DTI) Negosyo Center program launched in 2014 plays a critical role in empowering women entrepreneurs across the Philippines. These centers act as one-stop shops providing business advisory services, assistance with government programs, and support in market linkages. Strategically located in DTI offices, LGUs, academic institutions, and malls, these centers are easily accessible to entrepreneurs economy-wide. For women entrepreneurs, who often face unique challenges in starting and sustaining businesses, the Negosyo Centers offer resources such as funding assistance, training programs, and workshops on financial literacy, marketing, and product development. By bridging gaps and connecting women entrepreneurs with livelihood programs and technology support, the centers enable them to thrive in a competitive entrepreneurial landscape. There are now more than 1,500 Negosyo Centers in the Philippines.

A vital extension of the Negosyo Centers is the "Kapatid Mentor Me" (KMME) Program initiated since 2016, which provides coaching and mentorship to MSMEs, including women entrepreneurs. Through this initiative, seasoned mentors guide participants on various aspects of business management, from financial planning to leadership development. The mentorship fosters a supportive learning environment and encourages peer-to-peer interaction, helping women overcome barriers such as limited access to networks and resources. The program also connects women with key stakeholders, enhancing their visibility and credibility. Together, the Negosyo Center and KMME initiatives underscore the government's commitment to promoting inclusive growth by empowering women to become influential contributors to economic development.

- 5. Expanded Access to Finance:** Access to finance remains a major barrier for MSMEs, especially for women-owned enterprises. Traditional financial institutions often impose stringent requirements that MSMEs cannot meet, limiting their ability to secure loans or investment. Governments should work with fintech providers and other financial services to develop flexible financial products, including microloans and grants, that are tailored to the needs of MSMEs. Fintech solutions, such as mobile payment platforms, can provide accessible financing options, enabling MSMEs to invest in digital tools and grow their businesses.

In regions where access to formal financial services is limited, policymakers should explore alternative financing models that support MSMEs. Programs like VAT incentives, which encourage the adoption

of digital payments, can reduce transaction costs, and improve business efficiency. Additionally, fostering partnerships between governments and private financial institutions can expand the range of financial products available to MSMEs, ensuring that more businesses have access to the capital needed for growth.

- 6. Supporting MSMEs in International Trade:** MSMEs engaged in cross-border trade face numerous logistical and regulatory barriers, which hinder their ability to compete in international markets. Governments should focus on modernizing trade regulations and streamlining customs procedures to make it easier for MSMEs to participate in global trade. Investments in digital and physical infrastructure, particularly in underserved regions, are essential for improving logistics and reducing trade costs for MSMEs.

Raising de minimis thresholds for customs duties, for example, can lower the cost of international trade for MSMEs by eliminating duties on low-value shipments. This adjustment would enhance the competitiveness of MSMEs, allowing them to engage in cross-border trade and source affordable inputs more easily, further supporting their integration into the global digital economy.

In addition to regulatory adjustments, governments should promote international engagement initiatives like the USAID E-Trade Alliance, which helps MSMEs enter global marketplaces. These programs provide MSMEs with the resources, tools, and support they need to succeed in cross-border trade, from digital marketing strategies to export logistics. By reducing the barriers to international trade, policymakers can help MSMEs expand their reach and become more competitive on the global stage.

- 7. Encouraging Innovation Through Cloud Computing:** Cloud computing and digital marketing tools offer MSMEs the opportunity to scale rapidly and efficiently. However, the high costs of adopting these technologies often prevent smaller businesses from accessing these critical resources. Governments should collaborate with technology companies to provide cloud credits and other financial incentives that make digital tools more affordable for MSMEs. This support will enable MSMEs to enter new markets, adapt quickly to changing consumer demands, and improve their overall competitiveness.

By encouraging innovation through accessible digital solutions, governments can empower MSMEs to leverage the full potential of the digital economy. Cloud computing services, in particular, provide the flexibility and scalability that smaller businesses need to thrive in a competitive market. Expanding access to these technologies ensures that MSMEs are equipped to meet the challenges of both local and global marketplaces while fostering long-term business growth.

Case Study: In response to the digitalization challenges facing traditional industries, Chinese Taipei launched the "T-Cloud Marketplace" in 2021 to support MSMEs in navigating the digital landscape. Recognizing that many of these businesses lack the expertise to sell products online or leverage digital tools, the T-Cloud platform offers over 3,000 cloud-based solutions tailored for a range of industries, including human resources, market analysis, office documentation, and customer service. Enhanced by AI-driven features like intelligent marketing and health management, the platform also provides free expert consultations and subsidies, empowering MSMEs with the resources needed for digital adoption. To date, more than 68,000 businesses have successfully utilized the platform to integrate digital tools, marking a significant advancement in the digital capability of Chinese Taipei's MSMEs.

Conclusion

MSMEs are indispensable to global economic development, particularly in emerging markets where they provide employment opportunities that contribute significantly to Gross Domestic Product. The adoption of omnichannel business models—combining physical and digital operations—offers a promising pathway for MSMEs to enhance their competitiveness and expand their market reach. Yet, significant barriers such as limited access to digital infrastructure, regulatory burdens, and gender disparities in financial inclusion continue to hinder their growth.

To unlock the full potential of MSMEs in the digital age, governments should prioritize comprehensive and inclusive policy interventions. These include expanding digital infrastructure, simplifying regulatory frameworks, promoting financial inclusion, and providing targeted training and support. By doing so, policymakers can create an enabling environment where MSMEs can flourish, driving economic growth, innovation, and resilience in both local and global markets.

Ultimately, empowering MSMEs to succeed in the digital economy is not only a matter of economic development but also of ensuring that the benefits of digital transformation are shared broadly across all sectors of society. Through thoughtful and well-executed policies, MSMEs can continue to play a pivotal role in shaping the future of the global economy. When MSMEs succeed, society at large prospers – innovation flourishes, jobs are created, and communities become more resilient. It's time to recognize MSMEs not only as the backbone of economies but as key architects of a more inclusive, dynamic, and sustainable global future.

ANNEX I: Summary of Workshop Survey Findings

The policy roundtable included pre- and post-workshop surveys to gather input and evaluate outcomes from participants and APEC Member Economies.

Pre-Workshop Survey

A pre-workshop survey was conducted to assess participants' understanding of risk assessment. Of the 22 participants, 1 completed the survey (government).

Key results of the pre-workshop survey can be found below.

1. *Based on your lived experience, what does it mean to operate seamlessly in the omni-channel environment?*

- **Response:** Assist the digitalization of MSMEs. Thus, MSMEs would have options to operate in both channels.

2. *What are some of the main challenges MSMEs encounter when transitioning to an omni-channel model?*

- **Response:** MSMEs typically have smaller budgets, making it difficult to have enough budget to invest in the technology and infrastructure needed for omni-channel operations. MSMEs would also face market competition with international cooperations, technically complex and data security problems.

3. *How can we build more inclusive, people-centered opportunities for MSMEs and those they serve at the intersection of the physical and digital economy?*

- **Response:** We can have continuous stakeholder engagement and develop accessible and affordable training programs to equip MSME owners and employees with the digital skills needed to operate effectively in a hybrid economy.

4. *How can we expand export-led growth opportunity for MSMEs at the intersection of physical and digital economy?*

- **Response:** 1. Building International Partnerships and Networks. 2.Promoting Digital Marketing and Branding. 3.Training and Capacity Building.

5. *What other policy areas and regulatory approaches can best facilitate MSMEs' opportunity at the intersection of the physical and digital economy?*

- **Response:** The development of digital infrastructure, taxation and incentives.

Post-Workshop Survey

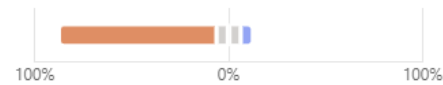
Immediately after the workshop, a survey was conducted to assess the outcomes of the capacity building exercise. Of the 22 participants, 16 completed the survey.

Key results of the survey are below.

2. The workshop achieved its intended objectives

[More details](#)

Strongly Agree Agree Disagree



Of the responses:

- 81.3% of respondents Strongly Agreed
- 12.5% of respondents Agreed
- 6.3% of respondents Disagreed

3. The agenda items and topics covered were relevant

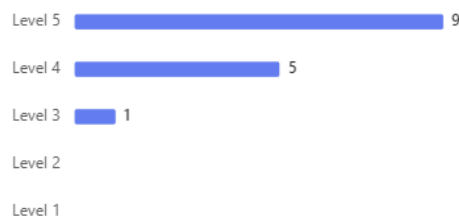
[More details](#)

Relevant 15
Somewhat Relevant 1
Not Relevant 0



9. How relevant was this workshop to you and your economy?

[More details](#)



Workshop Results and Lessons Learned

The workshop hosted 22 participants from 8 economies. Overall, 45% of the participants were women, and 55% of the participants were men.

As part of the post-workshop survey, participants were asked what they would improve about the workshop.

A summary of the responses is below.

What would you improve about this workshop:

- It'd be even better to have more government representatives to share their best practices.
- More context would have been helpful.

Conclusion and Next Steps

To better understand which policy recommendations may be helpful to APEC digital economy stakeholders, the post-workshop survey asked, “What additional policy recommendations should be considered for inclusion in the report?”

The complete list of suggestions for potential inclusion are below:

- 1) Incentivize MSME digital adoption. 2) Develop MSME-specific regulatory frameworks. 3) Promote digital skills training and capacity building. 4) Strengthen cybersecurity and data privacy regulations. 5) Facilitate access to digital marketplaces. 6) Create public-private partnerships for omnichannel infrastructure. 7) Encourage inclusive financing solutions.
- Leveraging on trade agreements for eCommerce exports and understanding key barriers.
- 1) How to support businesses in building omnichannel business models that maintain massive volume of trusted relations with customers and suppliers and underserved communities and 2) How policymakers can tap those business models to reach those who most need inclusion.

The APEC Digital Economy Steering Group looks forward to continuing to support APEC digital economy stakeholders in the region.