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A HOW-TO-GUIDE TO
**Navigating the Lucrative Waters
of International eCommerce**



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As the growth of domestic markets continues to slow and competition drives margins lower, more organizations are beginning to realize the benefits and opportunities that exist in the international marketplace. According to Goldman Sachs, global ecommerce sales are growing at an annual rate of 19.4 percent and will reach \$963 billion by 2013. Aggressive companies are therefore looking for ways to capitalize on this explosive growth.



KEY INTERNATIONAL ECOMMERCE CHALLENGES

While expanding into international ecommerce can be a lucrative, revenue-generating strategy, there are obstacles to selling across national boundaries that must be overcome. Language barriers, cultural differences, global shipping challenges due to lack of sufficient infrastructure and varying levels of internet capability are some of the areas that need to be addressed when venturing into the complex world of international ecommerce.

In fact, one study shows that more than 46 percent of online merchants turn away international orders because they don't have appropriate processes in place to fulfill them. International ecommerce sites also experience lower conversion rates because of the high costs of shipping and clearing customs that are passed on to end consumers.

Before entering the complicated area of international ecommerce, online merchants need to prepare for these key challenges:

1. LOCALIZING YOUR WEBSITE

The first step to selling internationally is to localize your website to each market. Visitors are more likely to respond to a website that matches their language, content, currencies and general presentation.

Once a region is selected, it's imperative that the merchant gather detailed information about the cultures, attitudes and economic health within that region, as well as the market for their products there.

Armed with this crucial data, the next step is to create a localized web store in the target market with a focus on the following areas:

- local currencies and methods of payment;
- language translation and the tone of the copy (some regions may need to support multiple languages);
- prices and promotions for that local region based on local retailers and competition;
- local customer service numbers, advertisements, etc;
- local VAT, duties and excise taxes;
- local consumer law and freight policies;

- access to store administration based on market and role, thereby enabling regional experts to manage localized content;
- IP detection that enables consumers to be directed to the correct store automatically;
- digital product delivery using global content caching or cloud services to provide fast and reliable delivery; and
- the hosting location of the store (locally or in a foreign market) should be submitted to all of the local foreign web directories for SEO purposes.

THE PROS AND CONS OF INTERNATIONAL ECOMMERCE PAYMENT OPTIONS

When selling globally, most businesses consider the following four primary payment options:



Credit Cards

Credit cards are generally trusted for payments worldwide. Most credit card companies automatically adjust consumer transactions to the local currency. To facilitate credit card payments, a business needs to open a merchant account with a bank and set up processing parameters, a process that can take a month or more to set up. Banks may charge relatively high setup and monthly fees for some merchant accounts, and often charge separate fees per transaction. Some financial institutions might hesitate to approve merchant accounts for smaller businesses, deeming such businesses as high risk.

International Wire Transfers

This form of payment is particularly popular between merchants and customers that have a previously established relationship. Wire transfers are used frequently to purchase customized items or bulk sales, especially business-to-business sales. Transfers provide the advantage of immediacy, sometimes the same day. From the merchant's point of view, this is the most secure form of payment. Once a wire transfer is initiated by a customer, it cannot be recalled, thus eliminating any possibility of fraud.

International Money Orders

Money orders are widely trusted and used by both customers and merchants. Orders issued in various currencies can be purchased for a nominal fee at a consumer's bank. A serious downside to money orders for the merchant is that the payment process can take up to 10 days to complete since the funds have to clear the merchant's bank.

Online Payment Services

One of the most popular payment options in the international market is online payment services, the most well know being PayPal. Online payment services are generally viewed as safe, cost-effective and convenient ways to accept payments across borders. There are other payment services that operate in countries where PayPal isn't available. When using online payment services, the seller pays a per transaction fee. This fee is generally lower than those charged by banks for traditional merchant accounts. Another advantage to using online payment services is that the funds are available to the merchant immediately.

One study found that in North America and Europe about 40 percent of eCommerce purchases are made by credit card. However, the most popular payment options vary greatly by country. In the U.K., 59 percent of consumers use debit cards, and Maestro is used extensively as well. In Germany, online bank transfers and PayPal are the top two payment options. In France, the most prevalent payment option is Carte Bleu. In the Netherlands, 60 percent of consumers use iDEAL online wire transfer. Two-thirds of online shoppers in China use Alipay (only about 5 percent of Chinese consumers own a credit card).

In short, to operate successfully in international markets, e-tailers must have secure, easy and cost-effective payment methods. Providing customers with easy-to-use payment options with multiple currencies is essential to building sales and growing a broader customer base.

Language and currency localization are crucial, but another key factor in driving international sales is the availability of multiple payment options. In Europe, debit cards are preferred to credit cards.

SEE "PROS AND CONS OF PAYMENT OPTIONS" ABOVE

If planning to reach a broader group of international customers, another option for online merchants is to install an ecommerce platform that can automatically detect visitor geolocation via IP detection. This, in turn, will automatically present a localized store that's specifically tailored to the visitor with regard to payment types, local logistics and trade compliance.

The ecommerce platform needs to be flexible enough to accommodate any necessary changes in layout caused by localized content. For example, French words tend to have more letters than English words. Therefore, the layout for an ecommerce site in France should allow for more room to host localized content. International ecommerce platforms also need to feature SEO per country as well as product feeds into the popular local product search engines.

The technical integration side of the ecommerce store is another challenge that companies entering the international market face — and one which can sometimes be overlooked.

Systems software that needs to be seamlessly linked and deployed include the following:

- local freight and shipping companies' software to track shipments and manage accounts in real time;
- ERP systems to capture funds at the appropriate time and report accurate warehouse inventory levels;
- returns management systems;
- local customer service systems;
- software for sales and VAT tax, recycling fees, and other local fees;
- cloud integration to quickly and reliably present local store content such as images, videos, etc.;
- content caching or cloud services to be used for digital product delivery; and
- global payment processing to ensure proper card authorization and cash distribution.

The various ways in which countries handle ecommerce transactions must be merged into one seamless system. The information technology team must be involved in every step of an internationalization process, especially in regards to the processing of credit cards. [SEE "PROS AND CONS OF PAYMENT OPTIONS" ON PAGE 3](#)

Online merchants selling overseas also need to deal with ecommerce fraud, which can seriously eat into profit margins.

A recent CyberSource study found that online fraud amounted to \$3.4 billion in 2011. The international fraud rate was 2 percent of all online purchases, compared to only .6 percent in the U.S. and Canada.

Credit card fraud, identity theft, spurious chargebacks and false returns are key drivers of ecommerce fraud. Online merchants need to have a solid fraud protection plan in place in order to minimize this threat.

2. INTERNATIONAL SHIPPING CHALLENGES

Navigating the complexities of international shipping is another key challenge facing online retailers. Problems include lost shipments, international buyers that decline shipments, shipments stuck in customs, and expensive and untimely returns. There are also increased costs and extended lead times that must be addressed when shipping products internationally.

Some questions e-tailers should consider when planning an international shipping strategy are:

- Does the selected service carrier offer real-time shipping quotes, expected delivery times and web-based end-to-end order tracking? Does your fulfillment partner have a system that selects the least expensive shipping option? Does the system verify addresses to ensure accurate delivery?
- Is your fulfillment partner an expert in preparing international shipping paper and commercial invoices? Are they well versed in the laws of export compliance?
- Should you sell internationally but deliver locally (i.e., use a local warehouse)? Can your fulfillment partner offer that capability with full global integration of information regarding shipping and inventory?



Clearly international shipping is much more complex than domestic package delivery. To ensure success with international shipping and driving cross-border ecommerce growth, organizations should pay close attention to these three areas:

1. Local Laws and Regulations

Each country has its own import and export laws and international sellers need to be aware of those in order to remain in compliance and ensure accurate and timely deliveries. While some items, such as currency, livestock and radioactive materials, are prohibited nearly everywhere, each country has a specific list of prohibited and restricted items. In addition, shippers must also contend with U.S. rules regarding cargo transported on passenger aircraft. [SEE "INTERNATIONAL LAWS" BELOW](#)

A MAZE OF INTERNATIONAL LAWS AND REGULATIONS

Listed below are just some of the rules as posted on the U.S. Environmental Protection Agency's website:
www.epa.gov/compliance/international/importexport.html

- Australia prohibits goods produced wholly or partly in prisons or by convict labor;
- Brazil's list of prohibited goods includes canes and umbrellas;
- China prohibits walkie-talkies, wrist watches, cameras, bicycles and sewing machines;
- Fiji prohibits dyes and coloring materials;
- Iran doesn't allow games involving dice, musical instruments or brown sugar;
- Italy's prohibited items list includes bells, clocks, leather goods, playing cards and typewriter ribbons;
- Nepal prohibits cameras, cinnamon, photographic paper and watches;
- Pakistan requires that fountain pens and toys be mailed in insured parcels;
- Peru does not allow gloves, household linens or wooden utensils; and
- Sri Lanka prohibits leather goods, including handbags, volleyballs and footballs.
- International merchants need a comprehensive software module in place that systemically identifies these various restrictions so that orders can be stopped before they ship.

2. Delivering the "Last Mile"

Local postal administrators establish rules in their country that impact how shipments are addressed and prepared. In addition to customs forms, value limits and size limits, many countries don't follow the U.S. standard of street address, city, state and ZIP code.

As a result, international shippers must be sure they're using proper addressing. Again, the fulfillment partner needs to have a robust, up-to-date systemic program to ensure that parcels reach the intended recipient.

Some online merchants choose to use a single carrier to provide door-to-door service. In most cases, however, these shipping expenses can make the overall cost too expensive. The most effective organizations manage shipments across multiple carriers and take advantage of reliable, efficient postal networks.

3. Duties and Taxes

Online merchants are familiar with dealing with different tax rates across multiple states and jurisdictions. Managing the varied and complex issue of taxes and duties in the international marketplace multiplies these challenges. Organizations need to employ comprehensive systems that apply, calculate, collect and remit the appropriate taxes and duties by country. The appropriate calculation is based on two factors: the shipment's origin and its harmonized code number.

Shippers need to confirm the country of origin for the goods being shipped since regulations and fees are often based not on the location of the organization or warehouse, but on the location of the original manufacturer. E-tailers that sell goods produced in countries around the world need to create a mechanism to identify, capture and communicate that information as part of their shipping documentation.

An item's harmonized code is a number established as an international standard that classifies it according to its makeup and function. These classification numbers are used by customs authorities around the world for the application of duties and taxes.



3. CUSTOMER SERVICE CHALLENGES

A key piece of any online store is the ability to provide responsive, knowledgeable customer service. This is particularly important in the international marketplace, where the complexities and potential issues are more acute.

In many cases merchants will employ a call center dedicated to handling issues such as product information, web store ordering assistance, order tracking and returns. Providing help for online buyers “in language” becomes a crucial piece of successful customer service.

Online retailers selling internationally need to provide help in the language of their foreign customers, as well as full order detail visibility and returns management. In short, their international customers should experience the same customer service levels offered to their domestic customers.

CHOOSING A GLOBAL ECOMMERCE SOLUTIONS PROVIDER

E-tailers have increasingly come to the conclusion that the most effective way to deal with the complexities of the international marketplace is to engage a full-service global provider. The best ecommerce partner will help with localized website development, multiple currencies management, multilingual support, localized payment options, robust shipping options, and extensive knowledge of customs, duties and taxes.

Teaming with the right partner allows online merchants to focus on their core business — sales, marketing and merchandising.

The most effect provider will offer the following:

- solid relationships with international, national and local carriers;
- extensive knowledge of the local infrastructure in target countries;
- multiple warehouse locations in strategic global regions;
- a robust fraud detection and management program built into its ecommerce engine;
- an in-depth understanding of the complexities of international ecommerce and international shipping;
- a comprehensive system solution for handling taxes and duties by country, with the ability to calculate, collect, remit and manage these funds;
- a web-based visibility tool for merchants to track order activity and inventory levels;
- a flexible pricing structure that allows for a least cost, growth-based engagement.
- a multichannel solution that easily allows online retailers to sell on mobile devices, eBay, Amazon, product search engines, in-store and other channels;
- a full-service ecommerce platform that allows online merchants to easily localize content

- and products while maintaining centralized control over their stores;
- benchmarking advice on best practices;
- integrated global customer service; and
- online marketing services and guidance to drive traffic to the merchant's store, thus increasing revenue.



The international marketplace is clearly the new frontier in online sales. One study forecasts that by 2015 the global ecommerce market will reach almost \$1.4 trillion. The challenge for online merchants is to take advantage of this explosive new revenue opportunity.

Three-quarters of all e-commerce stores take international orders today, but only 17 percent of them have a fully functioning international store. The successful global merchant will take advantage of this burgeoning market by engaging with a full-service provider that can take their business to the next level.

The astute online merchant who, with the help of an expert ecommerce partner, is able to convert the challenges of the international online marketplace into revenue opportunities can reap the greatest financial rewards.

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