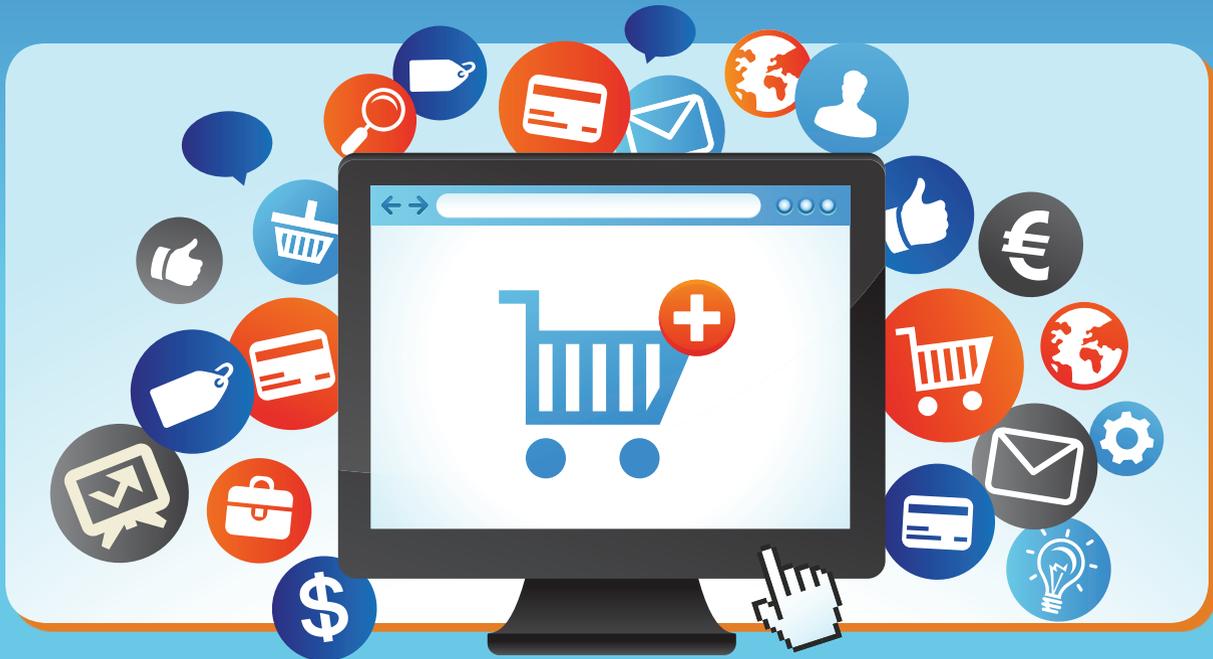


PREPARING YOUR BUSINESS FOR GLOBAL e-COMMERCE



2nd edition



A Guide for U.S. Companies to Manage Operations, Inventory, and Payment Issues







Preparing Your Business for Global E-Commerce

Second Edition

Doug Barry, Editor
U.S. Commercial Service



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This book is intended to provide general guidance for businesses and practitioners in better understanding the basic concepts of international trade. It is distributed with the understanding that the authors, editors, and publisher are not engaged in rendering legal, accounting, or other professional services. Where legal or other expert assistance is required, the services of a competent professional should be sought. This book contains information on exporting that was current as of the date of publication. While every effort has been made to make it as complete and accurate as possible, readers should be aware that all information that is contained herein is subject to change without notice.

A Message from Our Director General

E-commerce is transforming the world of trade—for consumers and businesses. Small and medium-sized enterprises now have channels to buy and sell globally while their employers and employees are sitting at their desks or, increasingly, using their smartphones.

During the past decade, the number of U.S. companies exporting has doubled, from about 150,000 to just over 300,000. The Obama administration has supported this increase in business activity, small business success, and job growth through programs such as the National Export Initiative (NEI) and NEI/NEXT. The United States has approximately 3 million small businesses, so there are more potential exporters out there. E-commerce channels can get many more U.S. companies into international markets.

E-commerce will play a big role in enhancing U.S. exports by enabling anyone with a good product or service to sell to anyone, anywhere. Whether through your own website (modified to accept and fulfill international orders) or via the array of global e-marketplaces, the conditions for growing your business with little or no initial investment have never been better, and the steps involved never easier.

Another benefit of using e-commerce to introduce your products and brand to individual buyers is that it can easily lead to agreements with distributors to sell containers of your goods, rather than one item at a time. When that happens, you'll need to be able to scale up to meet increased demand, which is what we call a "good problem." At that point, you'll be traveling to the markets you've entered, meeting new people, catering to new consumers, and learning new things about your business, your products, and yourself. It can be—and often is—an immensely

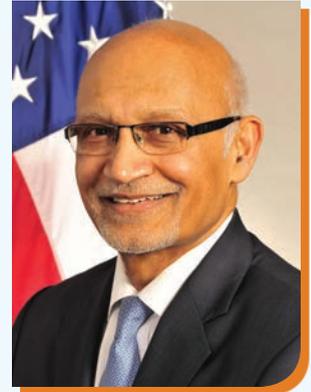
rewarding journey, both personally and professionally.

We at the U.S. Commercial Service are here to help you every step of the way. As our friends in China say, a journey of 1,000 miles begins with the first step; today, it would be with that first click on your computer. Either way, a good place to start is for you to absorb and apply the rich content in this book. Doug Barry has done a fine job of presenting the worldwide growth of e-commerce and the role and omnipresence of digital technology. You'll be amazed at the power and accessibility of the services available to help you with your international sales.

After reading this book, consider visiting export.gov, where you will find additional resources, including market research, videos on every aspect of the export process, sources of financing (to help with the scaling up), and referrals to other government agencies and our private-sector strategic partners.

We have experts in more than a hundred markets who will help find the best e-commerce or other channels for your products. In your community, you can access your local U.S. Commercial Service office—a source of local guidance, education, and networking.

The world is open for your business. And the business of the future will have increasing components of e-business. We welcome the opportunity to help open your business to the world, through both digital and traditional channels.



Arun Kumar

A handwritten signature in black ink that reads "Arun Kumar".

Assistant Secretary of Commerce for Global Markets
and Director General of the U.S. Commercial Service



Acknowledgments

The first edition of this book appeared in 2011, thanks to Ken Walsh, a Senior Commercial Officer with the U.S. Commercial Service. This second edition updates that work and adds sections that discuss trends, markets of interest (and how to sell there), success stories from small and medium-sized business owners, and nitty-gritty details on how to start or expand cross-border e-commerce sales. A lot has happened in the world of cross-border e-commerce, and we don't want you to miss a thing.

Many experts reviewed drafts of this book and contributed suggestions and resources. Among them are Bill Yue, Heather Rank, Michelle Bartram, Karen Parker, Joe Paiva, John Ward, Alysha Taylor, Jimmy Tobbyne, Maura Kawai, Brad Mathewson, Dan Crocker, John Larsen, Jennifer Stone Marshall, Caitlin Brosseau, and Sheryl Pinckney-Maas.

Curt Cultice wrote several of the case studies. Jim Bledsoe of the U.S. Commercial Service in Seattle is a whiz at research and contributed material, especially to Chapter 2. Amanda Cook arrived from Texas Tech University for an internship just in time to help us get organized. Lisa Lawn contributed her exceptional project management skills to keep everything on track and was the picture of calm in the midst of deadline pressures. Jason Scheiner designed the book, the fourth one we've worked on

together. Our executive director, Daniel Crocker, was a major cheerleader for producing this new edition, which we hope will become a dog-eared companion to *A Basic Guide to Exporting*, 11th Edition, which was recently published.

But most of all we are grateful to Director General Arun Kumar, who contributed high-level support behind the project and made sure it came to fruition.

For the Part III market briefs, we're indebted to our U.S. Commercial Service experts in each of these countries. Armed with the information they've gathered and analyzed, you'll have an advantage over your competitors. What's more, you have the 2,500-strong members of the U.S. Commercial Service, both in the United States and around the world, to help grow your business here, there, and just about everywhere.

Finally, to you the reader, we hope this book gives you both the tools and the motivation to boost your sales via international e-commerce. May your journey beyond familiar borders be profitable in every sense of the word.

May you add your mark on the world in ways that help make it a better place for all of us.

Doug Barry, Editor
Washington, D.C. • 2016

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Online Shopping



Log in

E-mail address

•••••

Log in





Introduction



You have probably made purchases on your computer or at least done some online shopping. Maybe you have found suppliers online and contacted them offline to make the purchase. Maybe you have a website for generating leads. And maybe you have the means for domestic customers to buy products directly through your website.

If you've experienced any of these, or even if you haven't, you may not be surprised by the extent to which the global village has become the global shopping mall, auction house, and catalog. It's a digital bazaar of everything, for everyone, everywhere—providing new trade routes that didn't exist just a few years ago.

This book aims to help you understand the various forces at play, to introduce you to some of the main players, and to create or expand your stage in the evolving mega global marketplace. Setting up shop and fulfilling orders globally are no longer difficult, and this book will explain how and where you can do so. Some folks have described what's happening as revolutionary, sparked by the Internet and the smartphone. Certainly, anyone with anything to sell can now, in theory, sell to billions of potential consumers. Best of all, you can access customers with a very negligible capital investment.

This is not to say that the world is now your compliant, inviting oyster. There are still some shells to be pried open. Not all markets are equally accessible. Where and how to make money are not always immediately evident. Some products may not be well suited for e-commerce. Shipping and regulations have their own sets of headaches. Rules and processes often lag leaps in technology.

But the biggest entry barriers may be those you erect yourself by assuming that international selling is too complex or risky. For example, many small businesses with international orders refuse to fulfill them because they think international shipping is a confounding hassle. This book aims to challenge your assumptions by providing common-sense solutions and resources. No entrepreneurs should give up and lose business because they don't have the facts or know the resources.

This information is tailored for small and medium-sized businesses interested in cross-border selling—through their own website, a third-party e-commerce platform, or a combination of the two. We can help you expand global activities more strategically.



This book is organized in three parts:

- An overview of the size of the market and factors behind its dramatic growth; buyer trends and preferences in key markets; prevailing business models, including your own website; and shipping, payment, and marketing solutions
- Success stories from small businesses that have successfully engaged in cross-border e-commerce
- Assessments of 17 markets worth considering and how to target them

Leveraging the U.S. Commercial Service's more than 35 years of experience in helping businesses like yours to succeed in the international marketplace, this book offers ideas to help you flourish in the world of e-commerce.

The nature of e-commerce is that new technologies are always just around the corner. New platforms, dazzling apps, and innovative support services are arriving almost daily. Who, for example, could have predicted the so-called shared economy and the disruptive effect that it is having on the way we think of hiring taxis, renting cars, or renting rooms in other people's houses? To be as relevant as possible, we've avoided stating, "This is the way it currently is" or "This is the way it will be in the future" because it probably won't be. The only certainty is the certainty of more change.

About the Author

Doug Barry is a former Senior Trade Specialist with the U.S. Commercial Service, the trade promotion arm of the U.S. Department of Commerce's International Trade Administration. During his career at the U.S. Commercial Service, he counseled U.S. companies on starting and increasing sales to global markets. Since joining the U.S. Commercial Service in 1998, Mr. Barry served in a number of leadership roles, including international assignments in Thailand, Singapore, and China. His previous book, *A Basic Guide to Exporting*, 11th Edition, was published in 2015 by the U.S. Department of Commerce. Also in 2015, he was named International Trade Educator of the Year by NASBITE.

Earlier in his career, Mr. Barry taught at the University of Alaska Anchorage, where he served as executive director of the Alaska Center for International Business. As the first director of the Alaska–Russia Center, he led efforts to create small enterprises in and trade with the Russian Far East. He also was a producer for ABC News, based in New York and London. Mr. Barry has won numerous national awards for his television documentary work.

Mr. Barry holds a doctorate from Columbia University, a master's degree from New York University, and a bachelor's degree from San Francisco State University.





PART I

Overview





Chapter 1

What Is E-Commerce?

E-commerce, also known as digital commerce, is the act of selling and buying via the Internet. Our definition includes transactions in which not all of the activity takes place online. A website may play a role in informing a buyer about a product or offer for which the purchase takes place offline. That is a common model that is not captured in official e-commerce statistics. Similarly, a goods producer or wholesaler may depend on partners—distributors or retailers in other countries who sell goods to customers using their own e-commerce channels. The U.S. company may support these efforts with product photos and descriptions but not sell directly to end users.

We will discuss here two main types of e-commerce:

- **Business to consumer** (B2C)
- **Business to business** (B2B)

There are also two additional types:

- **Consumer to consumer** (C2C)
- **Business to government** (B2G)

In C2C, private citizens sell to other private citizens using an e-commerce or social media platform. The consumer may have even purchased an item from a business e-commerce platform and then used a different platform to sell it to a friend or social media contact.

In B2G, government agencies use the web to automate their procurement processes. Requests for proposals and quotes are posted online, usually via an official foreign government website. This process is sometimes called e-procurement, but it is also e-commerce insofar as the solicitations and proposals or quotes are communicated digitally. Additionally, every year, multilateral organizations such as the North Atlantic Treaty Organization and the United Nations procure billions of dollars of products and services from the private sector. Many procurement websites, quite a few of them in English, are listed in the appendix. U.S. companies generally have not aggressively pursued B2G, partly because they have not been aware of the opportunities. If your company is interested in any aspect of B2G, you should contact your nearest U.S. Commercial Service office.

During our research for this book, we found it useful to use the term **business to everyone** (B2E) because the distinctions are becoming increasingly blurred. Some



sites are specifically for B2B, but a business can find new products to sell to its customers while searching B2C or C2C websites. Social media platforms, such as Facebook and Twitter, have blurred the market even further. These sites allow individuals who are socializing to purchase goods in designated “stores” or to purchase items recommended by their online friends and contacts. By clicking ads flashed on their personal pages, social media users arrive at apps that take their order and payment and arrange delivery.

It’s a new world out there. Just how big is it, and what are the implications for you and your business?

Size of the Market

In 2014, consumers used e-commerce technology and processes to buy USD 80 billion worth of goods and services from sellers in other countries. We call this **cross-border e-commerce**. For example, if a consumer in Australia buys an item via your U.S. website, that’s cross-border e-commerce. And if the entire transaction is completed online, it counts toward the USD 80 billion. But if payment is made offline after the buyer has found you via your website, that purchase probably has not been counted. It is still important from our perspective, because the sale would not have happened if a buyer had not found you online.

Thus, official statistics probably underestimate—by a lot—the amount of digitally influenced trade taking place—trade from the point at which a buyer becomes aware of a product or service online to the point at which it’s delivered. With the value of worldwide retail around USD 14 trillion, it’s not hard to imagine the importance of modern technology, including smartphones, tablets, and e-marketplaces.

Cross-border e-commerce is dwarfed by e-commerce that occurs within countries. Chinese consumers, for example, spent over USD 300 billion via e-commerce channels in 2014. A detailed picture of the Chinese embrace of e-commerce and what it might mean for your business appears later in the book.

Total worldwide e-commerce in 2014 was a startling USD 1.3 trillion (at least). It will continue to grow.

Survey company eMarketer compiled data that shows a rapidly expanding Asia Pacific market, led by China, overtaking North America in percentage growth and value. Young adults in China have money and a big appetite for foreign goods.

Official statistics probably underestimate—by a lot—the amount of trade taking place that is digitally influenced.

Growth and Projected Growth in E-Commerce (percent)

Region	2013	2014	2015	2016	2017	2018
North America	34.9	32.9	31.7	31.1	30.7	30.6
Asia Pacific	28.3	31.2	33.4	35.1	36.4	37.4
Western Europe	26.4	25.4	24.6	23.9	23.3	22.7
Latin America	4.2	4.3	4.2	4.1	3.9	3.7
Central & Eastern Europe	4.1	4.0	3.8	3.5	3.3	3.2
Middle East & Africa	2.2	2.3	2.3	2.4	2.4	2.5

Source: eMarketer

Value of E-Commerce by Region (USD billions)

Region	2013	2014	2015	2016	2017
North America	431.0	482.6	538.3	579.9	660.4
Asia Pacific	383.9	525.2	681.2	855.7	1,052.9
Western Europe	312.0	347.4	382.7	414.2	445.0
Latin America	37.6	48.1	64.9	70.6	74.6
Central & Eastern Europe	49.5	58.0	64.4	68.9	73.1
Middle East & Africa	48.1	57.7	64.9	70.6	74.6

Source: eMarketer

Don't be too concerned about where cross-border e-commerce is today. It is expected to grow—substantially—in the years ahead. The Boston Consulting Group anticipates cross-border sales will mushroom to USD 350 billion by 2025. Payvision expects the payoff to happen much sooner—that cross-border e-commerce sales will reach USD 300 billion by 2018. Other forecasters predicted earlier in the decade that e-commerce would be well into the trillions of dollars by now, but their forecasts were knocked off track at least partially by currency crises, “dot-com” busts, and the mammoth global recession.

A reliable harbinger is how the big logistics companies position themselves to stay abreast of, if not ahead of, the trend lines.

Major logistics providers have been splurging on acquiring cross-border e-commerce companies. For example, FedEx purchased Bongo, an e-commerce fulfillment business, and UPS bought a similar company called i-parcel. FedEx then agreed to acquire, pending government approval, TNT Express, a parcel delivery company based in the Netherlands but with a strong presence throughout Europe and in Brazil. As cross-border trade continues to grow, look for acquisitions and consolidations to continue as supply chains become more efficient. Such growth could be stimulated further if regional trade agreements now being negotiated become law. Later in this book, we look at some e-commerce drivers that are just over the horizon and that could cause excitement now and in the coming years.

Logistics companies have been rapidly expanding their cross-border capabilities, including fulfillment solutions and local and regional delivery options.



The good news is that some of you won't have to wait long. U.S. craft beer sellers, most of them small, saw an uptick of more than 50 percent in international sales in 2014, primarily from e-commerce sales. Presumably, most buyers have other brews to choose from, including local options. The fact is, foreign buyers like what Americans have to offer, and that gives you an advantage over some international competitors.

Drivers of Cross-Border E-Commerce

The biggest driver seems to be saving money. A general perception, if not an expectation, among buyers is that buying online will be cheaper than buying in a store. Consumers in the Republic of Korea, for example, can buy certain Korean-made consumer items in the United States for less, even when freight and various sales taxes are added. [Meh.com](#), a relatively new U.S. shopping site, often posts stories about Korean customers quickly buying up speaker docks when they're offered for sale, even though the products are available from Korean retailers.

Main Reasons to Buy Online

According to data from Morgan Stanley Research, customers have many reasons for buying online:

- I save money.
 - U.S.: 41 percent
 - Globally: 49 percent
- I save time.
 - U.S.: 30 percent
 - Globally: 34 percent
- I can shop from anywhere, any time.
 - U.S.: 32 percent
 - Globally: 34 percent
- It's easier to compare prices.
 - U.S.: 25 percent
 - Globally: 32 percent
- I have more choices.
 - U.S.: 27 percent
 - Globally: 27 percent
- I like having products delivered.
 - U.S.: 31 percent
 - Globally: 27 percent
- The products are not available in stores.
 - U.S.: 32 percent
 - Globally: 21 percent
- I get free shipping.
 - U.S.: 29 percent
 - Globally: 18 percent
- I can pay in installments or get flexible terms.
 - U.S.: 3 percent
 - Globally: 5 percent
- There is more product information.
 - U.S.: 8 percent
 - Globally: 13 percent
- I can read customer reviews.
 - U.S.: 19 percent
 - Globally: 17 percent
- I can find higher-quality products.
 - U.S.: 2 percent
 - Globally: 4 percent
- Other reasons
 - U.S.: 4 percent
 - Globally: 2 percent

Survey results are often influenced by the way questions are asked. In a 2014 survey conducted by DHL, consumers worldwide were asked how the unavailability of products in their domestic market ranked in their desire to purchase them via cross-border e-commerce. Analyzing the

regional differences in results could be useful in planning web and selling strategies. Consumers name five main reasons for ordering, with variations between types of market:

- Products not available domestically
 - Emerging economies: 74 percent
 - Europe: 74 percent
 - Americas and Asia Pacific: 72 percent
- Lower prices
 - Emerging economies: 57 percent
 - Europe: 69 percent
 - Americas and Asia Pacific: 62 percent
- Greater selection
 - Emerging economies: 49 percent
 - Europe: 35 percent
 - Americas and Asia Pacific: 41 percent
- Higher quality
 - Emerging economies: 49 percent
 - Europe: 8 percent
 - Americas and Asia Pacific: 15 percent
- Assurance against counterfeiting
 - Emerging economies: 24 percent
 - Europe: 4 percent
 - Americas and Asia Pacific: 6 percent

Other drivers are demographic. According to the Organisation for Economic Co-operation and Development, the number of people in the world defined as middle class will grow to 4.9 billion in the next 15 years. There were 1.9 billion in 2009. The Asia Pacific region will be home to 2.7 billion of these new middle-class consumers, and North America's share will drop to 10 percent from 2009's 26 percent, according to the Brookings Institution.

Many of these consumers will purchase across borders, but consumers doing so now are more numerous than you might think. According to a study sponsored by PayPal, 56 percent of online buyers made at least one cross-border purchase in 2013. The average annual spending is about USD 300, with Australians and Danes serving as world-class spenders at USD 1,000 and USD 3,000, respectively.

Barriers to Cross-Border E-Commerce

The good news is that many buyers plan to increase cross-border purchases, according to a number of recent consumer surveys. This suggests that perceived barriers to making such purchases are falling or that peer encouragement is influencing buying decisions. And as barriers are reduced or removed, purchases will likely increase. Indeed, some of the barriers mentioned by survey respondents have already been reduced or eliminated, or are in the process of being removed.

When you shop, you like to save money. Everyone does. And studies have shown that consumers expect prices online to be cheaper than in brick-and-mortar stores. Furthermore, in some places, such as Korea, cross-border online shopping can give better prices than buying from a domestic web store—even for products made in the consumer's own country!



According to recent data from Alphawise and Morgan Stanley, barriers can include:

- Concerns about security of payment
 - U.S.: 32 percent
 - Globally: 30 percent
- Easier to return products bought in stores
 - U.S.: 39 percent
 - Globally: 29 percent
- Products lost or damaged during shipment
 - U.S.: 6 percent
 - Globally: 16 percent
- Shipping costs too high
 - U.S.: 36 percent
 - Globally: 26 percent
- Need to see and touch the products
 - U.S.: 38 percent
 - Globally: 41 percent
- Delivery takes too long
 - U.S.: 6 percent
 - Globally: 13 percent
- Don't have enough trust in online retailers
 - U.S.: 12 percent
 - Globally: 19 percent
- Don't trust the quality of products online
 - U.S.: 13 percent
 - Globally: 16 percent
- Products not available online
 - U.S.: 4 percent
 - Globally: 4 percent
- Other reasons
 - U.S.: 9 percent
 - Globally: 6 percent

Duties and Taxes

Trust in online sellers is reasonably high everywhere except Asia, according to a study sponsored by UPS. Time and experience may spur an increase in customers' trust and willingness to buy direct, but if your goal is more Asian sales, you might first consider selling on a "brand name" platform where trust has already been established.

Another barrier, according to a study by Forrester Research, is duties—the percentage charged by customs authorities on the value of the item above a threshold value. **De minimis value**, as the threshold is known, varies from country to country. Items imported into the United States are subject to duty when the value is over USD 200, but a bill in Congress would raise that amount to USD 800. In Australia, duty and taxes kick in after the first USD 1,000. In Canada, it's USD 25; in some other countries, it's USD 5. In Europe, the average is about USD 190. Worldwide, 56 percent of individuals surveyed said they would buy more if duties were reduced or eliminated. That opinion is shared by 80 percent of consumers surveyed in Latin America. Knowing which value applies to which country can help you estimate the landed cost—the full cost the customer will pay—so you can communicate this price to the buyer. A list of values by country can be found in Appendix D.

Pay attention to each export market's de minimis value. A few cents sometimes makes the difference between a cheap transaction and a big tax bill!

What the Customer Usually Pays

- Cost of the goods, including your profits
- A handling fee, added at your discretion
- Freight
- Insurance
- Duty, if applicable
- Sales tax, set by the country where the buyer lives
- Return freight, unless you agree to cover a portion or all of it

By the way, many items can be received duty free if the goods meet the rules of origin under free trade agreements. And bilateral and multilateral efforts are under way to lower duty rates further among countries that don't have free trade agreements.

Other barriers involve rules and regulations. They too have improved, but more work needs to be done. Chapter 4 provides information on how to comply with the regulations of some of our main trading partners; Part III includes market-by-market details that should also help make exporting easier for your company.

If a potential buyer has never heard of your company or your product or service, he or she may hesitate to make a purchase. Recent studies report that 42 to 50 percent of the buyers surveyed said reputation, trustworthiness, and ability to verify such attributes play a role in purchasing decisions. A consumer would weigh such factors in evaluating whether to make purchases from the website of a small U.S. company.

A buyer balances this concern with the desire to acquire an unusual item or one seen as a good buy. Clearly, the latter wins out in many cases. Also, the high esteem that many foreign buyers have for U.S. products, services, and companies may help your company. Nevertheless, buyer wariness, at least until perceptions change through experience, may require that your strategy involve more than one selling channel.

Your online reputation is as important in the United States as it is in Australia or Germany. Online customer comments such as "terrible customer service" and "the product didn't work as advertised" can be translated easily. Collect too many negative comments and the best international e-commerce marketplaces may not want you to join them, or they may throw you out if you are already a member.

Where Are the Cross-Border Consumers?

According to a 2014 Nielsen survey, customers from the following countries have started making or will increase their cross-border purchases:

- | | | |
|------------------------|------------------------|------------------------|
| • Mexico | • Brazil | • United Arab Emirates |
| – Start: 20 percent | – Start: 18 percent | – Start: 15 percent |
| – Increase: 39 percent | – Increase: 33 percent | – Increase: 32 percent |
| • Russia | • China | |
| – Start: 20 percent | – Start: 17 percent | |
| – Increase: 34 percent | – Increase: 35 percent | |



What Are They Buying?

The Nielsen survey asked consumers around the world what they were buying. The product categories vary somewhat among countries. Also, the list doesn't include products such as car parts, which eBay says make up a hefty chunk of its cross-border business. Books also are not on the list, but they are popular—especially e-books. Low-weight items are popular because they are cheaper to ship long distances.

The top cross-border online shopping categories from the Nielsen report are

- Clothing, shoes, and accessories (USD 12.5 billion)
- Health and beauty (USD 7.6 billion)
- Personal electronics (USD 6 billion)
- Computer hardware (USD 6 billion)
- Jewelry, gems, and watches (USD 5.8 billion)
- Home electronics (USD 5.4 billion)

Who Are They Buying From? Advantage: United States

The United States is the world's biggest exporter of manufactured goods and services. Still, only about 4 percent of all U.S. companies export. And more than half export to only one country, mainly Canada. If your company currently exports (or plans to export), you are a rarity, and an important one. E-commerce can help more companies sell more to more countries. And buyers in these countries seem predisposed to "buy American," assuming other buyer criteria are met.

Also, two of the world's biggest e-commerce platforms are U.S. based: eBay and Amazon. Two of three logistics giants are U.S. based: UPS and FedEx. With such visibility and presence, it's no wonder that consumers worldwide are willing to have the United States as a preferred provider.

Who's Selling?

Not long ago, big companies dominated world trade. Today, though, most exporters are small and medium-sized companies. Large e-commerce platforms have increasingly enabled more small companies to engage in international trade. In a recent report, the online marketplace eBay said that 95 percent of its U.S. sellers (190,000 unique users) are exporters, with annual sales of more than USD 10,000 each. By contrast, the U.S. Department of Commerce says that about 4 percent of total U.S. companies export. One conclusion is that marketplaces have become a magnet and an enabler for exporting companies; these companies often use a variety of selling platforms, including their own websites. Companies that sell globally online also seem to grow more quickly and survive longer.

Consumer Behavior and Preferences

The world of e-commerce is a small business's oyster, but prying it open to seize the pearl takes some effort. That message is the main takeaway from a recent FedEx study of over 9,000 consumers from all over the world..

The good news is that for the consumer, shopping knows no borders. From Brazil to Bahrain, people are buying what they see on TV shopping channels, mobile devices, and even small business websites.

Consumers who shop across borders prefer to purchase from well-known multibrand retailers with established, strong reputations for service and reliability. Fifty-seven percent of consumers are buying physical goods rather than music or e-books.

Consumers in different parts of the world buy different things online. Buyers in the Asia Pacific region like food. North Americans buy video games. Everyone buys apparel.

The United States, the United Kingdom, and China are the top three online exporters. Canadians are the biggest cross-border e-shoppers, with 91 percent of Canadian respondents having made an online purchase. Sixty-eight percent of Brazilians said they bought from a goods supplier in another country. Europeans tend to buy from within Europe, perhaps because such purchases are duty free.

The study, conducted for FedEx by Forrester Research, includes recommendations for small businesses—a customer segment that FedEx is eager to grow. Rather than rely on your own website to lure international buyers, the study suggests selling via eBay, Google, or Alibaba if your goal is the Chinese market. You may want to be in more than one marketplace, or have different products in different markets, depending on your strategy. Consumers look for unusual products that are otherwise unavailable or are hard to find in their home markets.

They also want good products from known sources, a preference that helps explain the reluctance of some buyers to buy directly from a business's own website even if it might be cheaper to do so. Consumers who don't know a business might worry about getting ripped off. There may seem to be a contradiction between wanting unusual products and being reluctant to buy from the websites of unfamiliar businesses in an unfamiliar country, but keep in mind that some buyers are in new territory here.

The FedEx study and other studies confirm what we already know: that cross-border e-commerce is growing quickly, and so are the opportunities for your small or medium-sized enterprise (SME). We are in the age of omnichannel selling, or multiple ways of reaching buyers at a relatively low cost for SMEs. Let's look now at the main types of channels.

Terrible customer service is anathema to successful e-commerce.

Always pay attention to your customers' needs. In some cases, it may help to have multilingual staff or contractors.





Chapter 2

Primary Sales Channels

There are three main e-commerce channels to consider: your company's website (with or without integrated payment and fulfillment); one or more of the global third-party e-commerce platforms; and smaller, regional or market-specific e-commerce platforms. (These platforms are identified in the country e-commerce profiles in Part III of this book.) Some global platforms have country-specific sites targeting local buyers and sellers, but the platforms are also open to other sellers. Keep in mind that consumers are showing a preference for marketplaces that feature many products and many brands.

It's common for sellers to use multiple channels to reach more potential buyers. Your choices, then, are to go broad or narrow. Quickly developing a presence in multiple channels at once may tax your ability to monitor and manage them all, however. One option is to start narrow: use your own site plus a popular marketplace with worldwide reach. Test the waters before expanding further.

Selling to Consumers

According to *Multichannel Merchant* magazine (July 2014), U.S. retailers use several methods to sell to international customers:

- Through marketplaces (eBay, Amazon, Alibaba, Rakuten, etc.): 40.5 percent
- With international versions of the exporter's own website: 33.3 percent
- Via international payment on the exporter's own website: 26.1 percent
- By translating content depending on where it's being viewed: 20.7 percent
- By using a third-party company to market globally: 9.0 percent

Transactional Site

Everyone who shops online has visited transactional sites. A transactional site may be an electronic storefront for a brick-and-mortar retailer, a catalog business, or a manufacturer showroom and is used to sell directly to the public. Transactional sites conduct full "end-to-end" transactions via the website, allowing customers to search for, order, and pay for products online, as well as allowing them to contact the company for after-sales service. The most sophisticated sites create efficiencies

by integrating the transaction process with back-office systems such as accounting, inventory, sales, and other business functions.

Marketing Site

An informational site generates sales by promoting company and product awareness, rather than by directly handling online transactions. Its function is similar to a brochure, providing information about the product or service, as well as information on how to purchase. Because this type of site is often static and doesn't require the software systems necessary for online transactions, it is less expensive to design and maintain than a transactional site.

E-Marketplace

E-marketplaces are market makers. They bring buyers and sellers together to facilitate transactions. Participation in a marketplace often provides an efficient way of finding a customer without the expense of building a proprietary transactional website. Some marketplaces offer fixed prices and auctions.

Advantages

- Huge audience with more than a billion customers
- Well-known brand that is a source of trust and comfort to buyers and sellers
- Global reach
- Market- and product-specific marketplaces
- Fixed price and/or auctions
- Business-to-business (B2B) and business-to-consumer (B2C) needs served on one platform
- Relatively easy to create a virtual store that's viewable on mobile devices
- A la carte fulfillment options that include secure payment, delivery, and returns
- Help with country-specific documentation and regulations
- Availability of fulfillment centers near overseas customers, which can speed delivery and reduce freight costs
- Some protections against fraud and intellectual property theft

Disadvantages

- So big that your store or products may be hard to locate
- Additional time needed to manage your activities to increase sales
- Competitors likely to be present on the same marketplace
- Various fees that may reduce your margins

The Big E-Marketplaces

eBay

eBay began in 1995 out of offices in Silicon Valley. The company expanded internationally in 2010. In addition to eBay.com, there are eBay sites in 25 countries. eBay recommends that U.S. exporters use the main eBay.com platform, along with country-specific eBay platforms, such as those in Europe and Asia. In total, eBay says it has buyers and sellers in 203 countries.

Seventy-nine percent of eBay sales are fixed price; the rest are auctions. Sellers, including cross-border ones, engage in a mix of both types of transactions. Worldwide, eBay has 149 million buyers, a nicely sized “community,” coming to one place to shop. Twenty-two percent of its business now is cross border. And that business grew 26 percent in 2014, up from nothing a few years ago.

The majority of eBay’s U.S. sellers are selling across borders. The sellers indicate the overseas markets in which they want exposure and for which they are able to fulfill orders. The bulk of purchases are clothing, electronics, books, and the like—but collectibles and auto parts also are big. Additionally, through a third party, eBay assists sellers who want help with fulfillment, including international shipping. PayPal, which was part of eBay but in 2015 spun off into a separate company, provides payment solutions to 188 million active customer accounts worldwide. eBay says that 96 percent of businesses in Canada have a web presence, but only one in four business websites can process electronic payments. No such data was available for the United States, but the ratio may be similar, suggesting a gap in payment-processing capability.

eBay does not currently warehouse products in overseas markets, but it may do so in the future.

Applications, or “apps,” are increasingly important, and eBay says that it has invested heavily in them. For example, many consumers now shop online using their smartphones, so eBay has invested in making product photos look great on phones’ smaller screens. Twenty-five percent of eBay purchases are now mobile, up from 1 percent in 2010; however, many consumers who browse listings on their phones still wait until they get back to a home or office computer to complete the order.

Smartphone-friendly websites are increasingly important. Search engine giant Google recently announced that mobile phone-friendly sites will appear higher on search results, likely meaning that having (or having your products on) such a site will be an important part of your search engine optimization (SEO) strategy.

Amazon

Amazon began operations in 1995 and now has more than 244 million members. According to a recent annual report, in 2014 Amazon hosted merchants from more than 100 countries and helped them connect with customers in 185 countries. Nearly 20 percent of overall third-party sales now occur outside the sellers’ home countries, and merchants’ cross-border sales nearly doubled in 2014.

Many companies start small and add more channels over time. If you grow your presence too quickly, you may not have the resources to maintain them all.

eBay’s mobile traffic has grown exponentially in just a few years. Many people use the eBay app when looking for things to buy, even if they use a desktop or laptop for the actual purchase.

One of Amazon's programs, Vendor Express, is designed to help sellers get started with Amazon. A company sends Amazon some sample products, and Amazon attempts to sell them on its worldwide platform, taking care of all the details. If the samples sell, Amazon will buy more and deposit the sales proceeds into the business's bank account. The benefit of the program is that Amazon does everything but make the products. The downside is that sellers do not interact with the buyers and do not have access to their information. Product categories are limited to those Amazon thinks sell best. More details on this program are available at vendorexpress.amazon.com.

Amazon operates marketplaces in the United States, Canada, the United Kingdom, Germany, France, Italy, Spain, China, Japan, and India. At this time, the India marketplace is restricted to companies with a physical presence in India. U.S. sellers wishing to sell on the Amazon European marketplaces must have a value-added tax (VAT) number from the European Union; you can apply for a VAT number online. You also will need to place product descriptions in each of the European marketplaces in which you wish to sell. China places additional restrictions on sellers, and you should contact Amazon to find out what they are.

Like all the major marketplaces, Amazon cautions sellers to be aware of U.S. export and foreign country import regulations. Consider these issues: If you're not the manufacturer, do you have the manufacturer's permission to sell the product in another country? Does the product need a U.S. government export license? Do you need a license from a national agency to sell in a particular foreign country? Are testing and test data needed before a country will issue you permits to sell to consumers? How do you need to handle personally identifiable customer data? Amazon can help answer those questions.

Amazon operates fulfillment centers wherever it has marketplaces. You can ship products to these centers and have Amazon pick, pack, and deliver the orders, often within the one- or two-day delivery window that customers increasingly expect. Amazon charges a fee for this service, and you should carefully calculate all fees and costs associated with a

E-Commerce Platform Checklist

- What countries are the best markets for my products?
- Have I asked for advice from my local U.S. Commercial Service office?
- Have I looked at the market research and Country Commercial Guides on export.gov?
- Do I understand what regulations apply to my products so they can be sold in a different country?
- If I'm not the manufacturer of the products, do I have permission to sell them outside the United States?
- Have I checked several marketplaces to see if there are products similar to mine and what prices they are selling for?
- Have I studied online product photos and descriptions for ideas about how to promote my products?
- Have I read buyer comments on marketplaces for ideas about how my products can be more competitive?
- Have I considered the advantages and disadvantages of fulfilling my own international orders, compared with having an e-commerce marketplace fulfill them?
- Do I have the resources and know-how to do my own fulfillment?
- Have I compared the costs of the different marketplaces and factored in the charges for the services I want to purchase from them and other providers?
- What is my profit margin after calculating fees, which often exceed 10 percent of the purchase price? Can I compete?

selling solution, including the payment method. Determine whether you can make a profit after subtracting all of the costs from your selling price. The good news is that many Amazon export customers say they are making money on their cross-border sales. But some don't, and the difference depends on the pricing strategy, buyer interest, and your own internal cost controls.

Amazon was in China early, but now Alibaba is the dominant player. Amazon responded by opening a store on Tmall, an Alibaba marketplace. According to *Internet Retailer* magazine, Amazon launched its second store on the platform to sell imported food, women's shoes, toys, and kitchenware. Amazon reportedly has 15 fulfillment centers in China and will handle deliveries itself.

Alibaba

Alibaba's aim is to be a major international player, with many more users outside of China than in. Founder Jack Ma has said repeatedly that he wants to help small and medium-sized companies everywhere to sell throughout the world, including in China.

Given that globalization is Alibaba's most important strategy for the coming decades and that the company's goal is to help 10 million global businesses serve 2 billion consumers around the world, Alibaba is moving aggressively on many fronts simultaneously, including the U.S. market.

Change occurs rapidly in this hyper-competitive industry. But trends are looking good for buyers and sellers as new innovations appear.

Other Marketplaces

Marketplaces continue to proliferate, each catering to specific product niches, countries, and regions. Many of the marketplaces are in languages other than English. If you're interested in a specific marketplace, please contact your local U.S. Commercial Service office.

Alibaba offers several different platforms, each with its own e-commerce focus:

- **Alibaba.com**—Promoted as an international B2B marketplace, this website is currently available in 14 languages. It is not transactional; it mainly serves as a kind of yellow pages. The site is targeted at international buyers and sellers outside of China. In the United States, many small businesses and entrepreneurs use *Alibaba.com* to source raw materials and products from China and around the world. They also can use the site to market themselves and sell to the rest of the world.
- **Tmall**—This B2C platform serves the domestic China market in the Mandarin language. Non-Chinese sellers can participate, but they need local help to do so. A few U.S.-based companies with substantial experience in China offer to help U.S. companies sell on Tmall. Launched in April 2008, *Tmall.com* features international and Chinese brands, and foreign retailers have established storefronts on *Tmall.com*.
- **Tmall Global**—This relatively new site helps foreign companies, especially small and medium-sized ones, sell to Chinese consumers. No time-consuming product or business registration is required because sales are treated as if they occur outside of China, even though the goods are shipped to Chinese consumers. Tmall Global is not its own platform; it's an extension of *Tmall.com*, so it benefits from Tmall's substantial traffic.
- **1688.com** (in Mandarin, the numbers read aloud sound like "Alibaba")—This platform serves the domestic China market in the Mandarin language. However, plans are in place to begin helping Western wholesalers sell to Chinese businesses through this site. U.S. companies will need to post text in Mandarin; that requirement could change if Alibaba adds translation capabilities.

The following list of marketplaces provides examples of what's currently available and is not an endorsement or recommendation:

- [ExportNow.com](#) (China via Tmall; U.S. based)
- [WebPortGlobal.com](#) (English and Spanish language; U.S. based)
- [MercadoLibre.com](#) (B2C; Latin America)
- [Mercatrade.com](#) (B2B; Latin America)
- [Walmart.com](#) (consumer products; U.S. based)
- [B2Wdigital.com](#) (consumer products; Latin America)
- [Etsy.com](#) (art and collectibles; U.S. based)
- [DHgate.com](#) (English language; China based)
- [iOffer.com](#) (English language; U.S. based)
- [Tradeindia.com](#) (English language; India based)
- [Tradekey.com](#) (multiple languages; China based but global marketplace)
- [Rakuten.com](#) (global; Japan based)
- [kaymu.com](#) (emerging markets throughout Africa, Asia, the Middle East, and Europe)
- [Newegg.com](#) (computers, electronics, and consumer goods; U.S. based)

Social Media Stores

Social media is another emerging e-commerce channel. For example, you can now create stores on Facebook, Google Shopping, and other sites. These channels are in their infancy, and their market share is low. But Facebook claims to have 50 million business pages. No data is available on their effectiveness for reaching cross-border buyers. However, social media is hugely popular abroad, especially in Asia, which has some of the highest concentrations of social media use (255 million Facebook users, for example). Consumers regularly discuss and evaluate products. Friends' recommendations can lead to purchases.

In the Republic of Korea, for example, social media users share information about U.S. companies and product websites. Friends of friends then go to the sites, make purchases, and direct that the deliveries go to a U.S.-based forwarder, from which they are shipped to Korea. (The intermediary is needed because many U.S. businesses that have websites will not ship internationally.) Word of mouth will bring buyers to your site. According to a study by Forrester Research, 33 percent of buyers surveyed worldwide learned of a purchase opportunity from someone they knew. However, 58 percent of surveyed buyers still relied on search engines.

Influencing purchasing decisions in other countries using social media is not easy. To learn tips and strategies, contact your local U.S. Commercial Service trade specialist.

Social media is incredibly popular all over the world—especially in Asia. Consumers talk with friends, colleagues, and even strangers about both the products they buy and their experiences with sellers.

Home Shopping on Television

Television shopping doesn't fit neatly into the typical e-commerce models, but it needs to be considered on its own merits. The best-known practitioner is QVC, a U.S.-based company that has expanded to the United Kingdom, China, and other countries. You may be familiar with its U.S. presence, a 24/7 cable TV channel on which hosts showcase and sell many different kinds of consumer items. Featured products are competitively selected. To be considered, you need to send a sample to QVC, and the staff members will evaluate it based on what they think will sell in a particular market. If interested, they will buy the products from you in sufficient quantities to meet the demand. Being featured on their shows is, of course, a potential product promotion bonanza. Details about QVC's selection process can be found at QVC.com.





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Chapter 3

Your Company Website

A good website is an important part of your e-commerce strategy, and it doesn't need to be expensive to create. International buyers actively search online across borders for products to buy. According to a recent study by Forrester Research, 58 percent of buyers who make online purchases from outside their own country find the vendors through online searches. Another large portion of buyers learn about products and vendors by word of mouth, presumably from acquaintances who find them through online searches. Another source for reaching cross-border e-commerce customers is online ads that refer potential buyers to a website.

Nearly 60 percent of online shoppers rely on search engines to find international sellers.

Types of Websites

There are two main types of websites: marketing and transactional. A marketing site promotes the product and brand and provides information on how the product can be purchased. A transactional site allows the buyer to select the product, pay for it, and have it delivered. Both forms allow opportunities to interact with the buyer and enhance the all-important “customer experience.” For example, in South Africa, a local company sells kitchen goods on its website and still manages to put a handwritten thank-you note in each box.

You may have the means to receive payment and the willingness to ship goods. Even then, some inexperienced international buyers may be reluctant to buy directly from your site, but they still may look at your site and even contact you for information. Look at the metrics available from Google to see the home countries of the shoppers who visit your site. Then you can experiment with Google ads targeted at consumers in those countries and drive more of them to your site, or to your virtual store in one of the global marketplaces that has tools to collect payment, arrange shipping, and handle returns.

Much as with brick-and-mortar stores, word of mouth and “viral” customer stories can quickly lead to many new customers—as long as people have good things to say about you!

It's your call whether to have your website precede your store on a big marketplace. Some experts advocate setting up both. Others advise getting your feet wet with a



store in a marketplace, then creating your company website and applying lessons learned. No single answer is best for everyone or for every market. Whatever option you choose, you can build your own site, have one built for you, or create a store online by using services such as PrestaShop, Shopify, Magento, and Volusion.

In 2015, a Forrester Research survey for FedEx captured how customers found online merchants outside their home country:

- Search engines: 58 percent
- Online ads: 39 percent
- Word of mouth: 33 percent
- Social media: 31 percent
- E-mail promotion: 27 percent

Advantages of Using Your Company Website

- Buyers worldwide can find your company and view your products.
- You can choose to use the site to generate offline inquiries or to sell direct.
- You can build a fully transactional site yourself or outsource the building of it.
- You can use readily available apps to create an online store and start selling the same day.
- You can acquire apps for processing payment and arranging delivery.
- You can acquire apps that make your site smartphone friendly and improve search engine optimization (SEO).
- You can acquire apps to manage selling across numerous platforms, including your site, third-party marketplaces, and social media stores.
- You control the entire customer experience.

Disadvantages of Using Your Company Website

- It takes work and planning to create a good one.
- Too many businesses merely create the site and forget about it.
- Too many businesses create a site for U.S. buyers and ignore international buyers.
- A fully transactional site that appeals to an international buyer requires an investment (but prices have fallen to the point that most businesses can afford to have an effective site).
- Accepting credit card payments means putting in place procedures to detect fraud.
- You control the entire customer experience.

Regardless of whether you sell directly to online buyers, use one or more of the large marketplaces or their country-specific affiliates, or do a combination of both, you should take several steps to ready your company website for global commerce. You can do this work yourself or outsource most or all of it. For the do-it-yourself reader, or for individuals who want a little more detail, we will discuss the importance of domain names in the next section.

Step 1—Select a Domain Name

A key component to establishing a web presence is choosing a web address, also known as a uniform resource locator (URL). A web address should be short, simple, descriptive, and memorable to customers in the target market. ICANN-accredited registrars can concurrently register your web address for each country in which you register.

Using Country-Level Domain Codes

Every country (as well as some territories) has a reserved, two-letter country code domain (e.g., the United Kingdom has the domain .uk; for a complete list, visit bit.ly/1NhhWkY). An online exporter might want to choose domain names localized for its target markets. Locally branded domain names can increase brand awareness, web address recall, and even brand sales and loyalty. In addition, local search engines may display locally relevant content by filtering search results to include local country code domains only—something to consider when deciding whether to localize or internationalize your site. Companies that want to have a local domain name should research the rules for the particular country, as registration requirements vary. For more information, please visit iana.org.

Internationalizing Your Domain Name

Companies seeking foreign customers may also consider an “internationalized” or “multilingual” domain name. Such domain names are web addresses written in characters other than the Roman alphabet. For example, a company called “Bright Light Bulbs” wishing to sell in China could have a domain name that would use the Chinese characters for “bright light bulbs” in its web address. Internationalized domain names allow customers to search and access sites in their native language. Again, most ICANN-accredited registrars can assist you in registering domain names in various countries.

A localized domain name (e.g., ending in .uk for the United Kingdom) is sometimes a good way to show customers you’re serious about their market

Step 2—Choose a Web Host

A **web host** is simply a company that “hosts” your website’s files—basically, storing them on powerful Internet-connected computer systems and allowing them to be accessed by users all over the world. A variety of free and subscription-based web host services is available. Hosting may be purchased from many different kinds of companies offering a wide range of services.

Hosting services often go beyond website maintenance to include domain name registration, website design, and search engine optimization. For some online exporters, it may be most feasible to use a web host in their target market to take advantage of all of these localized services. The location or nationality of the host does not typically affect accessibility of the site. However, when choosing a host, companies should ensure that the host servers reside within a stable infrastructure and are maintained to ensure optimal reliability. Companies also should consider whether they will be storing the personal information of citizens of the European Union (EU) or of other nations that restrict exporting personal data. The personal data of EU citizens



can be sent only to countries deemed “adequate,” or to companies using approved model contracts and binding corporate rules, or to those participating in the EU-U.S. Privacy Shield program. Companies also should take into account potential negative perceptions if they store personal data in nations in which fraud or identity theft is rampant.

As with domestic hosting services, agreements should be clear and enforceable regarding the ownership of intellectual property, performance specifications and warranties, security, privacy, the right to transfer the site to a different host, and contract termination. The hosting service that you contract with should agree to provide the same level of security and privacy that your company promises clients whose information it collects.

Step 3—Get Visible on Search Engines

Most people use search engines to find information on the Internet. Major U.S. search engines such as Google and Bing will find your website automatically; however, in some markets, you may need to register your site with multiple local search engines.

There are a number of international search engines. Some search engines, such as baidu.com, are in native languages and characters. Others are popular U.S. search engines with international links, such as br.search.yahoo.com. Online exporters should find out if they need to register with each target market’s preferred search engines.

Step 4—Localize and Internationalize Your Content

Companies seeking foreign audiences will want to localize or internationalize their websites, or provide a mixture of both approaches. Forrester Research notes that “visitors linger twice as long [on international sites] as they do at English-only URLs; business buyers are three times more likely to buy if addressed in their own language; and customer service costs drop when instructions are displayed in the user’s language.”

Localization consists of adapting your website to meet the linguistic, cultural, and commercial requirements of a targeted market. Internationalizing a company’s website enables the company to be multilingual and to be sensitive to cultural conventions without the need for extensive redesign. Localization or internationalization must be part of the online exporter’s corporate strategy for website and business development. Features that should be considered include

- Language
- Cultural nuance, such as differences in color association and symbols
- Payment preferences
- Pricing in the appropriate currency or currencies
- Web metrics and visitor reports
- Regular maintenance and updating of content

More information on localization and internationalization can be found at gala-global.org.

Step 5—Fulfill Orders

Guidelines for order execution and after-sales service are similar for offline and online transactions. You can easily add a checkout app to your website from a growing number of vendors. You can specify the payment methods that you will accept. Keep in mind that overseas buyers may have different payment methods than you're used to and that the app or third-party checkout service you acquire needs to provide these options.

You can also create your own site and online store using vendors such as Shopify. These services provide templates, which can be customized—up to a point. You can purchase a domain name and install a checkout function. Some vendors claim to have a store up, running, and taking orders within a couple of hours—and no computer programming skills are needed.

Is Your Website Mobile Friendly?

Most of us carry mobile phones that have more computing power than our desktop computers did 10 years ago. We rely on these devices to perform many tasks—including shopping.

The mobile e-commerce trend is global, but buyers in some countries are more avid than those in others. Shoppers in mainland China make more mobile purchases than do shoppers of any other country. According to a recent survey by eBay, 33 percent of all e-commerce orders were placed through a mobile device, including smartphones and other wireless devices, rather than on a desktop computer.

Even if your product photos look great on a regular computer screen, they may appear squeezed or amateurish on a smaller smartphone screen. Fortunately, apps are available to translate your web pages into formats that look good on small-screen wireless devices.

In general, keep the design of your site simple and the pages easy to navigate. Use inviting colors that contrast well. Avoid gimmicks such as text that pulsates or objects that spin. Keep in mind that English is a second language for most of your international visitors. Simplicity, brevity, and clarity are good design principles for all visitors.

Vendors who provide online stores say that they are “mobile compatible”: trust but verify by testing on your own mobile devices.

Check Out the Checkout

Provide a currency calculator so that buyers from other countries don't have to search the Internet for one. Collect only the minimum amount of information to prevent data entry frustration. Abandoned shopping carts, which are left when the customer closes the browser and does not complete the transaction, are a common headache for online sellers. They are also a metric that you can retrieve and use to try to determine why customers are leaving your site before hitting the pay button.



Try using your site as a marketing vehicle while conducting transactions offline. Work with a third party, such as the U.S. Commercial Service, to help you attract prospective buyers, to conduct due diligence, and to pass qualified leads to you. Customers—especially potential distributors in markets you’re new to—will welcome your company’s personal involvement in the transaction. Smaller companies often excel at this kind of customer service, and some buyers love and expect it.

How many tasks your website can perform depends on your products and how scalable you want production and sales to be. If you want to sell and collect payment on your site, you’ll need some tools that are readily available in the e-commerce marketplace.

Other Fulfillment Solutions

E-commerce may be your sole business model. More likely, you are managing multiple selling channels and have only recently become excited by the prospects of cross-border trade. You likely may prefer not to do the payment collection and fulfillment yourself.

A number of fulfillment providers are available, including Bongo International and UPS i-parcel. You can integrate them with your website. They can manage the shopping cart, calculate landed costs for shipment to customers, figure out the lowest-cost shipping, prepare all customs documents, collect the money in whatever currency the buyer prefers, and even translate the checkout page into multiple languages. They will also arrange the shipping, taking advantage of volume and consolidation to procure good rates.

They take a percentage of sales as their fee, but you can add it to the cost of goods for pricing purposes. The fulfillment services also will handle returns, which customers require and businesses hate to arrange.

These kinds of services can address some overseas buyers’ aversion to buying online from small sellers in faraway places. A FedEx-funded survey of consumers around the world indicated a strong preference for purchasing from the mega e-commerce platforms because of trust and reliability concerns. U.S. companies that won’t ship internationally also lose sales from cross-border buyers. Outsourcing fulfillment is a way to prevent those missed sales.

Exchange rate and VAT calculators let international customers buy from you without struggling to figure out the cost.

Third-Party Logistics Supplier App Checklist

- Offers ease of use
- Accepts multiple forms of payment used by international buyers
- Provides fraud protection
- Offers language translation
- Consolidates and tracks shipments
- Repackages to save money on freight costs
- Has a foreign currency calculator
- Facilitates customs clearance
- Checks compliance with U.S. export regulations
- Offers transparent costs and fees
- Has a full landed costs calculator
- Implements a returns policy
- Provides customer service

As always, shop around for the best deal. What happens after that is up to you. Just remember what the buyer wants: clear photos and descriptions of products, easy-to-understand pricing and payment options, a choice of transit times, data security, and a simple returns policy.

Providing those requirements in one automated solution allows smaller companies to rocket to the front of the cross-border e-commerce pack.

Making Your Site Visible

A number of steps are required to ensure that your e-commerce site will appear when customers are looking for the kinds of products you sell.

Lay the SEO Foundation for Your Site

Most people create a website before developing their store. This is an important first step, because not only does your website serve as a kind of calling card but also you can use it to develop your brand. The store component of your website can be added later. What's important is that you include quality information without gimmicks or irrelevant content, so that search engines will recognize your site as useful.

You can choose from multiple vendors, such as Ecwid, which allows your store to easily integrate into any existing website. The store can then appear on social media sites such as Facebook and related selling platforms.

Use Intuitive Site Structure

Build your site so that it's simple and user friendly. Make it easy for visitors to find what they are looking for. Use plain language and avoid buzzwords, keeping in mind that your international visitors may not be fluent in English. The last thing you want is for visitors, including search robots, to get lost on your site. Consider welcoming international visitors prominently and telling them that you ship internationally.

Make your contact information clear and easy to find. All search engines pay attention to whether there is contact information on the site, including phone numbers and e-mail addresses.

Use Original Content and Include Relevant Keywords

It should be obvious to your website visitors what your company does, what services you provide, and what products you sell. You also may include useful content on your website, such as a section about your company history or an "about us" paragraph on your home page. Original content also may come in the form of a blog, which can help bring more traffic to your site. If your product is made or designed in the United States, be sure to mention it, because international buyers overwhelmingly have a high opinion of U.S. products. Make sure you describe products in detail, as some international buyers will prefer more information to less.

If your products qualify under existing free trade agreements, your website should say that, so buyers are aware they'll save money. Also, make it easy for wholesalers and distributors to get in touch—pallets and containers may be even more profitable than individual orders.



Use Your Own Photos

Whenever possible, take and use your own product photos. Doing so will enable those images, with links to your store, to be found by Google Image Search. Consider hiring a specialist product photographer.

Use Links That Are Easy to Understand

Whenever possible, use plain language to name your site's deeper pages. For instance, instead of machine-generated characters (such as *example.com/index.htm/?path=4215e7&first=yes*), name your pages with understandable words, such as *example.com/about/ourteam*. Plain language web addresses are easier to read—by people, but also by search engines. The easier a search engine can see where it's being led, the higher a web address may rank in search results. Many website builders allow you to name or rename the new pages you create for your site.

Apply Unique Metadata

Metadata tags describe content in a few words. They make it easier for search engines to display your site in the results from relevant search queries. Whenever possible, add tags to your photos and videos.

Keep Your Content Fresh

You should update your content as often as possible, even if you add just a few new items at a time. Compelling content will keep visitors on your site longer. The more time they spend, the more relevant your site will be, which affects your search ranking.

Use Search Widgets and Categories

A well-designed menu can help visitors navigate through a store by showing the main categories of products. A search field can help visitors quickly find specific products for which they may be looking. And if search engines see that your site is easier to navigate than your competitors' sites, your site will be ranked higher than theirs.

Get Shoppers to Buy More

Tantalize the visitor into clicking more links to see additional products or services. Consider using a widget that shows what other customers commonly buy in addition to a specific product, or what items are currently popular or on sale. Let users set up automatic reminders for products they need regularly.

Checklist for Online Store Providers

- Multiple types of electronic payments accepted from multiple countries
- A currency converter at checkout so customers can easily determine cost
- Capability to translate store web pages into different foreign languages
- Content management system that allows you to write blogs, solicit feedback, and archive what you or others write
- Optimization for different-sized screens, including desktop monitors, tablets, and phones

Mine Data for Best Results

Don't just put up the site and the store and then forget about them. Your site can be a source of valuable data on where visitors are coming from and what they're looking at. Are buyers abandoning the checkout page before completing the transaction? If you track their activity, you may discover a problem with payment options or some other stumbling block. Maybe you need an app that enables the buyers to switch to a page in their native language. To assess visitor behavior, consider an analytics tool that will integrate with store apps. Google Analytics is one example. If visitors are coming from a particular part of the world, consider using search engine ad tools to attract more of them to your site. You pay for the ad only when someone clicks through to your website or online store.





Chapter 4

The Global Marketplace



You've decided to start selling your products globally, and you now have the opportunity to market and sell to the 95 percent of the world's population that lives outside the United States. But new opportunities bring new responsibilities: in this case, complying with regulations, collecting additional information about your product, and managing new risks. Don't be discouraged. Thousands of small and medium-sized companies are thriving in the global marketplace.

This chapter describes the information you'll need to complete international sales and integrate that information into your business operations from the very beginning of the sales-and-fulfillment process.

We'll explore the steps you'll need for going global, in terms of both operations and sales fulfillment. Before beginning these tasks, however, your business should conduct the proper steps for developing a new market or territory, such as creating a market-development plan, allocating proper resources, and ensuring senior management buy-in. The U.S. Commercial Service offers one-on-one business consulting to help walk you through the process of developing an export plan. You don't need a plan to sell internationally, but taking advantage of the growing opportunities and managing risks will be difficult without one.

Intellectual Property Protection

You should take steps to protect your intellectual property (IP), including your brand names, company name, trademarks, logos, and anything else that's part of your company or product identity. Simply because you have protected your IP in the United States does not mean it is protected anywhere else. Patent and trademark "trolls" search the Internet looking for IP that they can grab and register in other countries. Then, when your business arrives (e.g., in a large marketplace's country-specific e-commerce platform, such as [Alibaba.com](https://www.alibaba.com)), the trolls inform you that you've violated their IP and demand large fees to license property that you didn't know you don't own.

One way to protect your investment is to register your IP in markets you've targeted. Registration is often easy and inexpensive. In the European Union (EU), for instance, you register only one time and gain protection in all EU countries. For additional information on registering and protecting your IP in key countries around the world, visit [stopfakes.gov](https://www.stopfakes.gov) or contact your local U.S. Commercial Service trade specialist.

Collecting Product Information

When exporting products, you typically have to provide more information to government agencies and shipping companies than when selling domestically. This information is transmitted in certificates of origin, commercial invoices, packing slips, and special export-reporting systems. We'll discuss those documents and systems later in this book. In this section, we'll take a look at the information you need to complete those documents, and we'll suggest strategies for collecting and storing the information.

First, we'll explain the basic concepts behind product classification and then review some strategies to help you classify your products.

Harmonized System Codes

Every imported or exported item is assigned a classification code that corresponds to its product type. These numerical codes are used by countries worldwide for statistic-gathering purposes. They also determine which tariffs, if any, will be applied to the product. Additionally, foreign trade regulations require exporters to include the correct classification code on export documentation.

All import and export codes used by the United States are based on the Harmonized System (HS) of the Harmonized Tariff Schedule (HTS). Virtually all countries base their tariff schedules on this system, making it easier to conduct international trade.

The HS assigns specific six-digit codes for varying classifications of products and commodities. Countries that use the HS can classify their products even further by adding additional digits.

For example, the United States uses 10-digit codes to classify products. The first six digits are the standard HS number that any country would use. The last four digits are unique to the United States and classify the product more specifically. The entire 10-digit code is known as a Schedule B code. Schedule B codes are administered by the U.S. Census Bureau, and they are important to know when exporting.

E-Commerce Plan Checklist

- Which e-commerce channels should you select and why?
- What are your target countries (English-speaking countries, free trade agreement partners, those with high rates of cross-border purchases, etc.)?
- What are your projected sales and revenues versus anticipated e-commerce expenses?
- Are the target countries compatible with the e-commerce channels?
- Who is selling similar goods? How are they describing the products, and in which marketplaces and at what prices?
- What can be learned from online buyer comments?
- What goods will you sell, and what prices will you charge, taking into account your costs and the costs to the customer (including estimated duties and taxes)?
- How will you handle fulfillment? What parts, if any, will you outsource?
- Will you work with government export assistance programs?
- How will you protect your intellectual property (IP), such as trademarks and designs? Should you formally file for protection in each international market?
- What are the steps for complying with U.S. and foreign market regulations, and who on your staff will be responsible for compliance?
- What are your customer service policies for international sales?
- How will you handle warranty matters and returns?
- How will website content be managed in accordance with best practices?
- What metrics will be used, and how will analyses be acted on?

Let's look at how the United States and Japan classify a men's wool overcoat with a fur-lined hood. In the United States, the Schedule B number is 6201.11.0000; in Japan, where overcoats with fur are distinguished from those without, the number is 6201.11.100. Both numbers start with the same six "harmonized" digits, but Japan adds three and the United States adds four. These variations in classification can make a big difference.

Overcoats with fur are taxed at 12.8 percent in Japan, whereas overcoats without are taxed at 9.1 percent. If the Japanese buyer purchases an overcoat without fur but gets charged the duty rate for a coat with fur, the buyer unknowingly pays almost 4 percent more than he or she should have. The more you know about the codes and the duty rates for your products in specific markets, the lower the landed cost price will be, and the more you can save your customer.

Why You Need to Know Your Product's Schedule B and HS Codes

Exporters need to know their product's Schedule B and HS codes so they can

- Determine applicable import tariff rates and determine whether a product qualifies for a preferential (lower) tariff under a free trade agreement.
- Complete the many required shipping documents, including commercial invoices, certificates of origin, and other documents.
- Comply with U.S. law, where applicable.

How to Identify Your Product's Schedule B Code

You need to determine the Schedule B code for each item you plan to export. Modifying your inventory system—adding a data field for each product's Schedule B code—will simplify your export process because you'll have ready access to the relevant Schedule B codes. The U.S. Census Bureau offers a free, widely used Schedule B search tool (uscensus.prod.3ceonline.com) that can help you classify your products. The Schedule B search tool is the most commonly used method for classifying products. Simply follow the easy on-screen instructions to find the appropriate code for your product. To learn more about Schedule B and the search engine, visit census.gov/scheduleb.

If your product is difficult to classify, the Customs Rulings Online Search System (CROSS) database (available at rulings.cbp.gov) can help you find the Schedule B code. CROSS contains official, legally binding rulings from other exporters' and importers' requests for Schedule B codes. Use this database to determine whether other exporters or importers requested a ruling on the same or a similar product and, if so, what that ruling was.

If at any point you need help classifying your product, contact your local U.S. Commercial Service trade specialist. He or she can help you identify the appropriate HS and Schedule B codes, as well as duties and taxes for specific countries.

Multiple Items Shipped as a Set

For the most part, determining a product's Schedule B code is straightforward. For example, let's consider an unassembled bicycle that is sold in a box containing the bicycle frame, handlebars, pedals, and seat. On official documentation, this product would be classified as a bicycle (because the item is sold as one unit) and not as several different components. Some sets, however, are harder to classify. Rule 3 of the HTS General Rules of Interpretation (GRI) addresses composite goods, mixtures, and items that are sold in a set. The GRI has established a three-step process for determining the Schedule B code in such situations:

- 3(a) The heading that provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to parts only of the materials or substances, contained in mixed or composite goods, or to parts only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods.
- 3(b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3(a), shall be classified as if they consisted of the material, or component, that gives them their essential character, insofar as this criterion is applicable.
- 3(c) When goods cannot be classified by reference to 3(a) or 3(b), they shall be classified under the heading that occurs last in numerical order among those that equally merit consideration.

Special Circumstances: Textiles and Apparel Shipped as a Set

Unique rules govern Schedule B codes for textiles and apparel sets. Let's say that Company X sells a set consisting of a hat, a shirt, and a pair of pants. According to the GRI passage excerpted above, a set should be classified under one Schedule B code. However, textiles are treated differently, as per Chapter 50, Note 14:

Unless the context otherwise requires, textile garments of different headings are to be classified in their own headings even if put up in sets for retail sale. For the purposes of this note, the expression "textile garments" means garments of headings 6101 to 6114 and headings 6201 to 6211. (Note: These heading numbers include most articles of clothing.)

If the shirt and pants are composed primarily of textiles with different headings (i.e., the first four digits of the Schedule B number), then each item in the set must be listed separately under its own product classification. In our example above, export documentation must list the shirt, pants, and hat under separate product codes.

Many countries and regions, including Canada and the European Union, apply these atypical rules to textiles.

Tips for Your Business Strategy: HS Codes

Determining the HS and Schedule B codes for your products can be complicated, depending on how many products you have and how diverse your product line is. The following strategies can help you simplify the product classification process.

Working with Your Suppliers

If you need to classify a large number of products, asking your suppliers to provide HS or Schedule B numbers could save you time. If you resell products that you purchased wholesale, your suppliers may have classified them already, especially if those suppliers have exported or imported them in the past. If you're reselling products imported from an international supplier, then the shipping documentation probably lists the HS number and may contain the full Schedule B number. Keep in mind that modifying the product (e.g., adding new trim) may change its classification.

Always remember, though, that you, the exporter, are responsible for correct reporting to the U.S. government, regardless of any classification your supplier may suggest. This is important when determining whether simply to accept your supplier's suggested Schedule B numbers.

Top Sellers

If your company has thousands of items in inventory, you may not need to classify all of them, especially if you're just beginning the classification process. Remember, you need to assign Schedule B codes only to items that will actually be exported. If you plan to sell only some, rather than all, of your items to international clients, or if you think there is no market outside of the United States for certain products, then classify only the ones you plan to export.

Start by classifying your top-selling products. Use these criteria to determine which products to code first:

- Products with a history of international sales, if any
- Top-selling products overall
- Products you have determined to be the top prospects for international sales
- Items in sales materials (catalogs, your website, etc.) that can be accessed by international customers

Grouping

Another time-saving strategy for classifying large numbers of products is to group them by product type. As noted earlier, the Schedule B book is divided into chapters, with similar products found in the same chapter. For example, Chapter 65 addresses headgear. Grouping all your hats, helmets, and headbands together and classifying them simultaneously according to the information in Chapter 65 would be much easier than constantly jumping from product to product in your catalog. By focusing on one chapter at a time, you will become much more

Additional suggestions for using your supplier's HS codes:

- Use them as a guide to direct you to the approximate location of the code in the Schedule B book, and then use your own analysis to determine which code you will use.
- Conduct your own product classification, and then use the supplier's code as a way to double-check your work.

familiar with the classification codes in the chapter so you can quickly identify the correct codes for your products.

Worldwide Sales Permission

If you sell products that you didn't manufacture, be sure that your distribution agreements allow you to resell the products internationally. Some manufacturers don't want their products sold internationally because they are concerned about issues such as liability and warranty coverage. If an item you offer domestically can't be sold internationally, don't spend time classifying it.

Pricing

In general, you'll want to select products that let you earn a profit. At the same time, you need to be conscious of what competitors are charging for similar products. You can easily get this information the same way buyers do: by comparing products and prices online.

These days, on- and offline exporters must carefully monitor the prices of their products against the value of the dollar. For example, some buyers may have to pay 25 percent more for your product this year than last. Depending on the product and the market, little profit may be possible from the sale, but you can take some practical, common-sense actions to help manage a changing dollar's effect on your pricing and profit.

Dealing with Distributors

Distributors purchase larger quantities than do individual consumers, so selling in bulk is usually more efficient and profitable. Distributors in other countries may come across your website or products (in e-commerce marketplaces, for example) via keyword searches or social media. You can also seek out distributors: research which countries demonstrate potential demand for your products, and then seek out reputable distributors in those countries. Regardless of how you start to work with distributors, keep the following basic considerations in mind (your company can tailor this checklist to its own needs; key factors will vary significantly depending on the products distributed and countries involved):

Ways to Manage a Strong Dollar

- Stress quality and total cost of ownership over up-front cost.
- Find new ways for your customers to save on shipping—e.g., slower shipping if items aren't needed quickly, or bulk sales if your product isn't perishable.
- Offer longer payment terms.
- Focus on free trade agreement countries, so buyers will pay fewer taxes and fees.
- Expand operations in foreign countries that use the U.S. dollar as currency or that peg their currency to the dollar.
- Help your resellers or distributors with the cost of promotions and trade events, so they can pass savings on to retail customers.
- Talk to your logistics providers about international warehousing—depending on the market, you may save on shipping and storage fees.
- Find new ways to pack and ship your product. Is your product a liquid, and can it be concentrated or powdered? Do you use elaborate packaging, and is it cheaper to print and package in the foreign market, instead of at home?
- Be aware of de minimis values. If your product currently costs a little more than the de minimis value and you drop the price just a few dollars, your product might actually become dramatically cheaper! See Appendix D for a reference of major markets' de minimis values.
- Communicate with your buyers frequently. Ask about changes in their marketplace and what you can do to keep their business. Customer service goes a long way!

Size of Sales Force

- How many field salespeople does the representative or distributor have?
- What are the distributor's short- and long-term expansion plans, if any?
- Would the representative company need to expand to accommodate your account properly (e.g. hire more staff, expand its warehouse)? How quickly would it be able to do so, once a contract is signed?

Sales Record

- Has the company experienced consistent sales growth? If not, why not? Try to determine the company's sales volume for the past five years.
- What is the average sales volume per outside salesperson?
- What are the distributor's sales objectives for next year? How were those objectives determined?

Territorial Analysis

- What sales territory does the representative company cover?
- Is the sales territory consistent with the coverage you desire? If not, is the representative or distributor able and willing to expand the territory?
- Does the representative company have any branch offices in the territory to be covered? If so, are they located where your sales prospects are greatest?
- Does it have any plans to open additional offices, either in your existing target markets or in places you may wish to expand to later?

Product Mix

- How many product lines does the representative company handle?
- Are these products compatible with yours?
- Is there any conflict of interest (e.g., does the representative company distribute any competing products)?
- Does the distributor represent any other U.S. companies? If so, which ones (names and addresses)?
- Would the representative company be willing to alter its present product mix to accommodate yours?
- What is the minimum sales volume that the representative or distributor needs to justify handling your lines? Do its sales projections reflect that minimum figure? From what you know of the territory and the prospective representative or distributor, is the projection realistic?

Facilities and Equipment

- Does the representative company have (or can it readily acquire) adequate warehouse facilities?
- What is the method of stock control?
- Does the distributor use a computerized inventory management and fulfillment system? Is the system compatible with yours?
- What communications capabilities do they have (fax, broadband, e-mail)?
- If your product requires servicing, is the representative company equipped and qualified to perform that service? If not, is it willing to acquire the needed equipment and arrange for training? To what extent will you have to share the training cost? Are there alternative ways in the market to service the product?
- If required, is the representative or distributor willing to inventory repair parts and replacement items?

Marketing Policies

- How is the sales staff compensated?
- Does the representative company have special incentive or motivation programs?
- Does it use product managers to coordinate sales efforts for specific product lines?
- How does it monitor sales performance?
- How does the representative or distributor train its sales staff?
- Would it pay or share expenses for its sales personnel to attend factory-sponsored seminars?

Customer Profile

- What kinds of customers is the distributor currently in contact with?
- Are the distributor's interests compatible with your product line?
- What are the distributor's key accounts?
- What percentage of the total gross receipts do those key accounts represent?

Principals Represented

- How many principals are currently represented by the representative or distributor?
- Would you be the distributor's primary supplier?
- If not, what percentage of the total business would you represent? How does that percentage compare with other suppliers' share of total business?

Promotional Thrust

- Can the representative company help you compile market research information to be used when making forecasts?
- What media does it use, if any, to promote sales?
- How much of the company's budget is allocated to advertising? How are those funds distributed among various principals?
- Will you be expected to contribute funds for promotional purposes? If so, how will your cost be determined?
- If the representative or distributor uses direct mail, how many prospects are on the mailing list?
- What type of print and electronic media does the distributor use to describe the companies and products that it represents?
- If necessary, can the company translate your advertising copy?
- Does the representative have a website to promote the product?
- Can it provide product demonstrations and training, if needed?

Country of Origin

HS codes and country of origin are both used to determine the tariff on goods entering a country. A certificate of origin is an official statement that indicates in which country the goods were produced.

Country-of-origin determinations are governed by many rules; in certain circumstances, discerning a product's origin is difficult. For example, if you import raw plastic pellets but then process them to manufacture a telephone handset in a U.S. facility, is the handset considered to be of U.S. origin? Or if you import telephone handset parts but then assemble and paint the finished product in the United States, what is that product's country of origin?

It depends. We'll discuss why we need to determine country of origin first, and then we'll discuss strategies for how to do it.

Why Do You Need to Specify Country of Origin?

Countries enter trade agreements with one another to lower tariffs on items produced in those countries. For example, Country A and Country B sign a trade agreement that lowers the tariffs on goods traded between the countries to 0 percent. As a result of the agreement, to get the lower rate, manufacturers must certify that their products originated in Country A or B. If a product originated in Country C, then was shipped to Country B, and then was reshipped to Country A, that product is not eligible for the lower tariff, because the lower rate applies only to items originating in Country A or B.

The United States, Canada, and Mexico are members of the North American Free Trade Agreement (NAFTA), which offers preferential (i.e., lower) tariffs for items produced in those three countries. For example, Canada wants to ensure that items coming from the United States were actually produced there and not simply shipped to the United States from a non-NAFTA country, only to be forwarded to Canada. Therefore, Canada demands certificates of origin for all imports and a specific NAFTA Certificate of Origin for items produced in the three NAFTA countries.

Each country participates in multiple trade agreements, so each must determine a product's country of origin to apply the appropriate tariff rate. In addition, many countries restrict imports or have quotas on imports from certain regions, so certificates of origin are used to ensure compliance with those regulations.

Strategies for Determining Your Product's Country of Origin

Wholesale Products

If you're a retailer, not a manufacturer, then determining a product's country of origin should be fairly simple: ask the manufacturer. The manufacturer will know the sources of the product's raw materials and will have the most accurate information for determining the country of origin; sometimes only the manufacturer can determine a product's country of origin.

If the inventory you purchase is imported and shipped directly to you, the country-of-origin information should be noted on the import documentation. In such cases, you can simply enter that information in your inventory-management system. If you use multiple suppliers from different countries (e.g., you've been using a supplier from Mexico and then decide to buy from

one in Japan), you need to separate your inventory by country of origin, keep all necessary documentation, and make sure that your inventory-management system accurately reflects the country of origin for every item.

Manufactured Products

Determining the country of origin of the products you manufacture requires you to identify, assign a value to, and determine the country of origin of every component of your product. You then calculate the value of the foreign parts used in your product as a percentage of the total cost of all components. The resulting percentage can be used to determine from which country your product originates. An alternative method is to indicate the country where the components underwent the substantial transformation that turned them into the finished product. You can find more information about classifying your product by searching [export.gov](https://www.export.gov).

Free Trade Agreements

The United States has negotiated multiple free trade agreements with partner countries, giving those countries preferential tariff rates on items that originate in the United States; those rates can be as low as 0 percent. A list of current U.S. free trade agreements is provided by the Office of the U.S. Trade Representative (ustr.gov). Additional agreements are in the negotiation process.

NAFTA was created to facilitate tariff-free trade among Canada, Mexico, and the United States; as a result, the United States trades more with these partners than with any other countries. Under NAFTA, unique origin determination rules apply; you can find them on [export.gov](https://www.export.gov). The site also explains how to comply with the Rules of Origin (found in Section 401 of the agreement) and how to complete a NAFTA Certificate of Origin.

Country-of-Origin Documentation

Commercial Invoice

The country of origin is listed on two documents used during shipping: the commercial invoice and the certificate of origin. Every shipment must include a commercial invoice that lists the country of origin for each product it contains; the information on that invoice will be used to determine the tariff rates for exports.

Always keep track of your paperwork, and make sure your software is up to date!

If you imported what you're selling and re-exporting, look at your import paperwork to find the country of origin.

If you use multiple suppliers from different countries—e.g., you buy some items from Mexico and others from Japan—when you export, you'll need to mention each item's country of origin.

Certificate of Origin

A certificate of origin is an official document signed by the exporter certifying the country of origin for each product contained in the shipment. With lower-value shipments (e.g., those under USD 1,000) customs officials will accept the country-of-origin information on the commercial invoice. Shippers may want to include a certificate of origin with larger-value shipments to ensure that nothing is held up in customs as a result of insufficient documentation. Certificates of origin certified by the U.S. Chamber of Commerce or local chambers are now issued by [ecertify.com](https://www.ecertify.com) for a nominal fee.

NAFTA Certificate of Origin

NAFTA requires a specific certificate of origin; you should familiarize yourself with it, because you're likely to send goods to either Mexico or Canada. Sometimes a certificate of origin is not required. If the goods are valued at USD 1,000 or less, the exporter may simply add an explanatory statement to the commercial invoice. You can find information about such statements on [export.gov](https://www.export.gov).





Chapter 5

Export Controls

To protect national security, foreign policy, and economic interests, the United States has established regulations that limit, or even prohibit, certain exports. Known as **export controls**, these regulations also limit transactions with certain individuals, organizations, or countries. Because there are compelling reasons to prohibit certain transactions, noncompliance (i.e., exporting to certain parties or failing to acquire a needed license) can lead to severe punishments and penalties. Most products exported from the United States, including shipments facilitated by e-commerce, don't require a license, but some knowledge of the regulations is needed to avoid trouble.

Do I Need a License?

This is one of the most frequently asked questions we receive at the U.S. Commercial Service. The answer usually is “no,” because 95 percent of all items exported from the United States to foreign buyers don't require an export license, even though the items are subject to U.S. government export control laws and regulations. These laws and regulations determine whether you can sell your product to an international buyer, which countries you can export it to, and which buyers you can sell to. However, just because your product is among the 95 percent that don't require a license doesn't mean that you can sell it anywhere and to anyone.

Export Administration Regulations and the Bureau of Industry and Security

Most U.S.-sourced items and some internationally sourced items that are considered dual-use (possessing both commercial and military proliferation applications), as well as certain purely commercial and munitions items, are subject to the Export Administration Regulations (EAR), which are administered by the Bureau of Industry and Security (BIS). The EAR are available at [bis.doc.gov](https://www.bis.doc.gov).

To determine whether your item is subject to the EAR, you will need to refer to the EAR's Commerce Control List (CCL) to see if your item has an Export Control Classification Number (ECCN). Every item specifically listed in the EAR has an assigned ECCN. If your item falls under the jurisdiction of the U.S. Department of Commerce and is not listed on the CCL, it is designated as EAR99. Most EAR99 commercial products will not require a license to be exported. However, depending on the destination, end user, or end use of the item, even an EAR99 item may require a BIS export license.

Although relatively few items subject to the EAR require export licenses, licenses are required in certain situations involving national security, foreign policy, short supply, nuclear non-proliferation, missile technology, chemical and biological weapons, regional stability, crime control, or anti-terrorism.

Management and Compliance

To ensure compliance with the EAR and to manage export-related decisions and transactions, you can establish an Export Management and Compliance Program (EMCP). An EMCP lets you analyze pieces of information and individual decisions, and then build them into an organized, integrated system.

The BIS website has information on the nine core elements of an effective EMCP. In particular, note the EAR's mandate for sufficient record keeping.

If you have a catalog of dozens or hundreds of items that you want to sell globally, you should create a written compliance plan. In addition to studying the online BIS videos and publications, the person responsible for managing your company's plan should consider attending specific EAR and export-control seminars. Visit bis.doc.gov or contact your local U.S. Commercial Service office to learn more about training or to sign up for seminars. You can also contact BIS for guidance on developing your plan and to review the final document.

Strategy

An item subject to the EAR either will have a specific ECCN or will be designated EAR99. When adding a product to your inventory or reviewing your current product line, ask your suppliers whether they can provide the necessary classification information. Then, create a "classification information" data field in your inventory-management system, and add a related field that lists the countries to which export of that product is prohibited by the EAR or is subject to licensing requirements. If you are obtaining classification information from your suppliers, work closely with them to understand how they determine the ECCN. Remember that, as the exporter, you ultimately are responsible for obtaining any necessary licenses.

All of your export documentation must include your export classification and license numbers. When you create a commercial invoice or an Automated Commercial Environment (ACE) filing, you should be able to pull the numbers directly from your inventory-management system. For certain types of exports listed in Section 758.1 of the EAR, BIS requires the filing of electronic export information in ACE, regardless of value or destination. When completing forms (on paper or online), the U.S. Postal Service and major freight carriers may require you to enter "NLR" (No License Required) for certain EAR shipments. Details on EAR99 can be found at bis.doc.gov.

It's a good idea to establish a company-wide policy for product classification under the EAR and the associated HS numbers (see Chapter 4). That way, if the inventory-management system doesn't list an ECCN or EAR99 designation, your company knows the item is ineligible for international shipping. If possible, adapt your inventory-management software so it flags problematic orders. You need to be especially careful with items that are subject to the EAR, whether the items have ECCNs or are EAR99; you don't want to inadvertently violate the EAR.

International Traffic in Arms Regulations

The International Traffic in Arms Regulations (ITAR) control the sale of defense items and defense services. These items and services provide the United States with critical military or intelligence capabilities. If you produce or sell these items, you need to learn about the ITAR, including potential requirements to register with the U.S. Department of State's Directorate of Defense Trade Controls (DDTC). Details can be found at pmddtc.state.gov.

Start by finding out whether your item for export (hardware, technical data, or defense service) is on the U.S. Munitions List (USML) found in Part 121 of the ITAR. If it is, then explore the ITAR website for complete information on ITAR licensing.

Exporting controlled items that are listed on the USML without first obtaining proper licensing has very serious legal consequences.

Persons Subject to Trade Restrictions

Both the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) and BIS administer and enforce economic and trade sanctions against certain foreign countries, companies, and individuals. OFAC and BIS maintain lists of persons (natural persons and entities, including corporations) that are subject to trade restrictions, including restrictions on the export of items that fall within their jurisdictions. Both agencies also maintain trade restrictions on certain countries, including countries that are subject to trade embargoes. You can find the consolidated screening lists from BIS, OFAC, and the U.S. Department of State at 1.usa.gov/1J7UYY2.

If you need help performing these obligations, you can hire a third-party company to conduct these checks for you in real time. You can also purchase software to help you remain in compliance. Freight forwarders also may flag problematic transactions. Please be aware that, as the exporter, you bear primary responsibility for compliance with export controls, and you are responsible for obtaining any required licenses.

Anti-diversion Clause

To help ensure that U.S. exports go only to legally authorized destinations, a destination control statement (DCS) must generally be entered for items subject to the EAR—except for items designated EAR99 and items eligible for certain license exceptions. The commercial invoice and bill of lading (or air waybill) for nearly all commercial shipments leaving the United States must display a statement notifying the carrier and all foreign parties (the ultimate and intermediate consignees and purchaser) that the U.S. material has been exported pursuant to the EAR and may not be diverted. The minimum anti-diversion statement for goods exported under U.S. Department of Commerce authority says, "These commodities, technology, or software were exported from the United States in accordance with the Export Administration Regulations. Diversion contrary to U.S. law is prohibited."

As the exporter, it's your responsibility to comply with all export controls and acquire any needed licenses. If you want to know if you're compliant, talk to your local U.S. Commercial Service trade specialist before you ship.

Exceptions to the use of the destination control statement are listed in Part 758.6 of the EAR. The U.S. Department of Commerce, an attorney, or the freight forwarder can provide advice on the appropriate statement to use.

Import Regulations of Foreign Governments

Import documentation requirements and other regulations imposed by foreign governments vary from country to country. As an exporter, you must be aware of the regulations that apply to you. For instance, some governments (especially in the Middle East) require consular invoices. Other countries may require certificates of inspection, health certification, and various other documents. If required documents are missing or inaccurate, the shipment may be delayed until the paperwork is in order. Shipping companies are very good at helping you through the customs clearance process, but you should plan ahead and learn what is required.

The U.S. Commercial Service offers a collection of more than 125 Country Commercial Guides at [export.gov/ccg](https://www.export.gov/ccg). Each country guide includes a section on import regulations, including required documents and any unique or unusual requirements. The large e-commerce marketplaces also have good information, but unless you have them or some other third party do the packing and shipping for you, the responsibility for getting things right is yours.

Protecting Your Intellectual Property

Just as there are more channels than ever through which to sell your products, there are now more opportunities for others to steal your trademarks and copy your designs. The rights granted by registering a U.S. patent, trademark, copyright, or mask work (design of a semiconductor chip) extend only throughout the United States. Rights provided by a foreign country may be greater or less than rights provided under U.S. law. There is no such thing as an international patent, trademark, or copyright—and no real shortcut to worldwide protection of intellectual property. However, some treaties and international agreements do provide minimum standards for the protection and enforcement of intellectual property.

International Agreements

The Paris Convention for the Protection of Industrial Property is the oldest treaty relating to patents, trademarks, and unfair competition. More than 160 other countries are parties to the Paris Convention; it sets minimum standards of protection and provides two important benefits: the right of national treatment and the right of priority. **National treatment** under the Paris Convention means that a signatory country will not discriminate against nationals of another signatory country in granting patent or trademark protection. The rights provided by a foreign country may be greater or less than those provided under U.S. law, but the rights will be the same as those that the country provides to its own citizens.

The Paris Convention's **right of priority** allows the applicant one year from the date of the first patent application filed in a Paris Convention country (six months for a design or trademark) in which to file in other countries. This means that after the first filing, neither publication nor

sale of an invention will jeopardize patentability in countries that grant a right of priority to U.S. applicants, as long as their application is submitted before the end of the priority period.

Not all countries adhere to the Paris Convention, but similar benefits may be available under another treaty or bilateral agreement. These substantive obligations have been incorporated into the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and are binding for all WTO members.

The United States also is a party to the Patent Cooperation Treaty (PCT), which provides procedures for filing patent applications in its member countries. The PCT allows you to file one “international” application with the U.S. Patent and Trademark Office to designate member countries in which a patent is sought. Filing the international application extends by 18 months the period in which you may fulfill the national requirements for each country.

Additionally, the Hague Agreement Concerning the International Deposit of Industrial Designs (also known as the Hague System) allows for registration of up to 100 industrial designs in member countries. You can apply using a single application and in a single language.

The United States is also a member of the Madrid System for the International Registration of Marks, which allows for filing of trademark protection in member countries.

Contact the U.S. Patent and Trademark Office to file a patent, trademark, or design registration application outside the United States.

There is no such thing as an international patent, trademark, or copyright—and no real shortcut to worldwide protection of intellectual property. However, some treaties and international agreements do help make IP protection and enforcement easier.

Trademark Law

A trademark is a word, symbol, name, slogan, or combination of these that identifies and distinguishes the source of sponsorship of goods and that may serve as an index of quality. Service marks perform the same function for businesses dealing in services rather than goods. In most countries, trademark rights are acquired only through registration, and many countries require local use of the registered mark to maintain the registration. Whether a given mark can be registered in a particular country will depend on the law of that country. For example, some countries do not protect service marks.

If your business is expanding, your mark may be known and registered in the United States. Even though you may not be quite ready to do business abroad, you should—as soon as possible—decide where you will need trademark protection and apply for it. Deciding where to file is a business issue: you must balance the expense of registration against its benefit. At a minimum, you will want to file in countries in which you will do business. You may also find it desirable to file in countries that are known sources of counterfeit goods, although some national laws require local use to maintain a registration.

Although trademark laws impose no deadlines for registering a mark, you should register promptly. If you wait too long, you might find someone else has already registered it, and then recovering your mark may be costly—or even impossible.



Chapter 6

Ordering and Payment



You've worked hard to build a marketable product, make your brand recognizable, launch a great website, and create compelling product pages that attract international customers. Now is the time to maximize payment options for your international buyers while minimizing the risk of online fraud. Also, you want to ensure that you are collecting the appropriate information from your international customers, as well as communicating all the responsibilities that buyers and sellers have in any online transaction.

Collecting Order Information

When you're ready to sell internationally, make sure that essential customer information doesn't fall through the cracks. Use these tips to create clear, customer-friendly payment pages:

- Label your fields as clearly as possible, and provide alternative field names to help customers who don't speak English as their primary language. For example, "First" could be displayed as "First Name/Given Name" and "Last" as "Last Name/Family Name/Surname."
- Include four lines for the address field to accommodate longer international addresses.
- Add a field for "Country."
- Insert a "Country Code" field above or beside the "Telephone Number" field.
- Ask for "State/Territory/Province," rather than just "State."
- Request "ZIP/Postal Code" rather than just "ZIP Code." Also, if your system uses the "ZIP Code" entry to automatically fill in the "City" and "State" fields, you might want to offer separate fields for "ZIP Code" and "Postal Code"—many other countries use five-digit postal codes, and a postal code keyed into the "ZIP Code" field could introduce errors in the customer's address.

Many online vendors now offer apps that you can install for a seamless look and feel on your existing online store or website. These apps generally include information for shipping and payment, and some are available in multiple languages, allowing the buyer to choose which language appears in the app.

Payment Options for Your International Customers

Now that you have the customer's order details and delivery information, it is time to collect payment.



U.S. companies that sell online most likely accept payment by credit cards that have been issued by banks in other countries. American Express, Visa, MasterCard, and Discover are the most frequently used payment systems worldwide, in both brick-and-mortar and online stores. In some countries, though, other payment methods are just as popular, if not more so. In many European countries, for example, people buying online often pay by wire transfer or with country-specific payment cards (e.g., CB in France). If you have determined that there is a large market for your products in a particular country, you may want to research that country's favored payment methods to determine if accepting them would increase sales.

Western Union has a payment-by-wire app that can be added to your website. Another payment option is PayPal, a third-party service that processes payments from customers' credit cards and bank accounts and then forwards you the money in the manner you choose. PayPal has become increasingly popular among U.S. companies selling online to foreign buyers. Sellers like it because they don't assume the risk of collecting the buyer's payment information, and because PayPal, which collects from the buyer's bank account or credit card, essentially guarantees payment to the seller. PayPal is most popular in North America and Latin America, and it is gaining popularity worldwide. However, it also may have drawbacks. For example, it may take more time to access your money than with a traditional payment processor.

Before you enter into a payment processing agreement, find out how payment disputes are resolved. In some cases, a credit card holder can dispute a charge weeks (or even months) after the seller has received payment. It's also important to know who takes the hit in the event of a fraudulent transaction. If it's you, keep shopping around.

You'll also want to consider the costs associated with every payment option. If you are already selling online, discuss with your current bank and payment processor the fees associated with international payments. Many companies specialize in processing payments from international customers, and it's important for you to be familiar with the risks, benefits, and potential pitfalls of working with them before you set up an account.

The Culture of Online Fraud

Accepting online payment, even from established credit card companies or payment processors, exposes the seller to some risk. According to a recent *CyberSource Annual Online Fraud Report* (available at cybersource.com), U.S. merchants continue to reject three times as many international orders (7.7 percent) as domestic orders (2.4 percent). Merchants reject orders they suspect may be fraudulent. But there is some good news: the same survey notes that actual international e-commerce fraud rates for U.S. merchants have been declining. The drop can be attributed in part to companies that apply safeguards against unauthorized credit card use.

Although the trends in online fraud are encouraging, U.S. companies still need to be vigilant, especially in countries that used to be considered "safe" for e-commerce retailers. The U.S.

Dealing with fraud is part of doing business, both at home and abroad. A reputable payment processor can help reduce your company's risk.

Commercial Service has a long history of reports from U.S. exporters about online fraud coming from China and Nigeria, but now fraudulent activity is occurring in places where it once was rare; the U.S. Commercial Service is now receiving complaints about fraudulent activity in Singapore, the Nordic countries, and other previously low-risk countries. In response, many e-commerce marketplaces manage fraud risk, and some third-party logistics providers also have payment services that protect sellers against fraud.

Chargebacks

The possibility of incurring chargebacks (when the cardholder's issuing bank requests a reversal of charges on behalf of the cardholder) is one of the more frustrating aspects of accepting payments online. Weeks, and sometimes months, after having received payment and delivered goods, a U.S. exporter might hear from a credit card holder, or credit card issuer, that wants the exporter to reverse a charge for various reasons, including fraudulent use of the card or dissatisfaction with the product. Excellent products, good customer service, and clear return policies should reduce chargebacks and returns.

According to a recent *CyberSource Annual Online Fraud Report*, chargebacks account for nearly 50 percent of fraud claims. (The other half are claims made by the cardholder to the issuing bank, which then issued its own credit on the account). Because of the dollar volume involved in fraud, credit card issuers are playing a more active role in the mediation process on chargebacks. The CyberSource report noted that merchants win about 42 percent of the chargebacks they dispute with credit card companies.

Ways to Minimize the Risk of Fraud

Common Sense

If something seems wrong—for example, if a buyer's billing and shipping addresses don't match (especially if the addresses are in different countries)—don't process the order until you're sure the credit card and delivery address are legitimate.

Address-Verification System (AVS)

Ask your bank how you can ensure that a buyer's credit card is valid. An AVS—available from your credit card processing company and used to verify the identity of a card holder in Canada or the United Kingdom—can determine whether the address on a buyer's credit card account matches the address the buyer typed into your online order form.

Card Security Code (CSC)

At the time of purchase, many sellers require the customer to enter not only the credit card number but also a three- or four-digit security code (usually found on the back of the card, often referred to as a CVV or CVN). In theory, that number is available only to the cardholder,

Every payment option has associated risks and costs, but also benefits. The U.S. Commercial Service can help you find what's right for you.

Lots of technologies and tools can help minimize fraud. Sometimes, though, your best defense is just being mindful and using common sense.



so requiring it helps reduce the incidence of fraud. However, as more sellers require buyers to provide CSCs, savvy crooks likely will find ways to capture them, thus reducing the CSC's effectiveness as a fraud-prevention tool.

Internet Protocol (IP) Geolocation

Geolocation is available from several companies and enables a seller to identify a prospective buyer's geographic location (country, region, ZIP/postal code) through the IP address of the computer being used. If the country or region of the buyer's credit card address doesn't match that of the IP address, the seller can flag the order and then investigate further or reject the order outright. This method is increasing in popularity, particularly among larger exporters.

Background Checks



U.S. exporters—especially if involved in business-to-business (B2B) sales totaling thousands to millions of dollars to a foreign agent or distributor—should conduct background checks on prospective buyers, even if that means taking the payment process offline or placing it on hold. Background checks may involve purchasing a credit report on the prospective buyer, calling up references, or other practices. Conducting online due diligence in certain countries can be difficult; information about the company might be published in a language you can't translate, or the practice of posting reviews of buyers and sellers online might not be popular. Several companies can provide financial information about foreign buyers, and the U.S. Commercial Service can also assist ([export.gov/salesandmarketing](https://www.export.gov/salesandmarketing)). Background checks can be costly and time-consuming, so they should be used only for higher-value orders.

Country Exclusions



If your company is small and you're just testing the export waters, you might not want to ship to countries where the risk of fraud is high. Just be sure that your site lists those countries; that way, prospective customers won't waste time building an order that can't be filled.

Third-Party Payment Products



You can shift fraud risk to a third party, such as PayPal or Alipay. The third party will take on the responsibility of vetting the buyers and their creditworthiness. Similar to providers of commercial bank cards, the payment product company will charge a transaction fee and a fee for converting a foreign currency into dollars.

Additional Resources

The best resources you have for combating fraud are your bank and the credit card companies themselves. These groups spend millions of dollars to combat credit card fraud, and then they share that information with you in an effort to reduce fraud. You can also visit [usa.gov](https://www.usa.gov) and search for "Internet fraud" to find more information on reporting and combating fraud.

Incoterms

When the goods you export arrive at their destination, the importing country requires that all applicable tariffs (import taxes levied by the destination country) and local taxes, including value-added tax (VAT), be paid. Many companies require the buyer to pay these tariffs and taxes. Buyers typically want to know the final price, with shipping and taxes included (known as the **landed cost**), before they agree to buy, but you might not be able to provide it. Tariffs and taxes vary widely throughout the world, so determining those rates before you ship can be difficult. Be clear about your policy on tariffs—specifically, who pays and when payment will be due. The shipping companies you select often act as freight forwarders, helping you complete shipping documents, helping you estimate duties and taxes, prepaying them for you, and then invoicing you. If you use the U.S. Postal Service for lighter-weight shipments, its local partner in the buyer's country will collect duties and taxes.

Shippers worldwide use standard trade definitions (called **Incoterms**) to spell out who's responsible for the shipping, insurance, and tariffs on an item; they're commonly used in international contracts and are protected by International Chamber of Commerce copyright. Familiarize yourself with Incoterms so you can choose terms that will enable you to provide excellent customer service and clearly define who is responsible for which charges. You can find a list of Incoterms at [export.gov/logistics](https://www.export.gov/logistics) or with help from your local U.S. Commercial Service trade specialist.

The most common Incoterms are EXW (ex works); FOB (free on board); CIF (cost, insurance, and freight); CPT (carriage paid to); DDU (delivered duty unpaid); and DDP (delivered duty paid). Most B2B e-commerce agreements will use EXW, CPT, or CIF; most business-to-consumer (B2C) transactions will use CPT or CIF (and sometimes DDP). With the exception of DDP, these Incoterms require the buyer to pay all tariffs and taxes upon arrival. To make sense of all these terms, you should take the time to understand their usage.

For sample language you can use on your website, check out the "Two Examples of Standard Terms" box on this page. Also, keep in mind that some (maybe even most) customers are unfamiliar with Incoterms; whenever you use one, be sure to spell out in plain language what it means.

Two Examples of Standard Terms

"Orders that are shipped to countries outside the United States may be subject to import taxes, customs tariffs, and fees levied by the destination country or the shipping company. These charges are the customer's responsibility and will be billed by the delivery company. We have no control over these charges and are unable to estimate them. Tariffs and taxes are neither collected nor included in your price calculation at the time of your order; for an estimate of these fees, which vary by region, contact the customs office in your area."

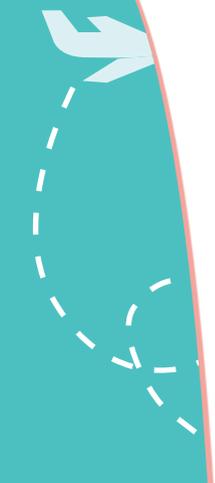
"It is the buyer's responsibility to ensure that the product can be lawfully imported to the destination country. The recipient must bear any additional charges for customs clearance; we have no control over such charges and cannot predict what they may be."

Standard Terms for Shipping

Customers will expect you to post international shipping terms on your website. Your legal counsel should review all your terms and conditions.

International Order Preparation Fees

Selling internationally is labor intensive. Shipping preparations take longer; plus, you spend time adding product information to your inventory-management system. To recover these costs,



a company might charge its international customers an international order preparation fee—a type of handling charge. Some companies opt for a flat fee, while others use a sliding scale or a percentage of the total order to determine the fee. Whatever method you choose, if you charge an international order preparation fee, display it clearly on the checkout page.

Introduction to Tariffs and Taxes

According to [export.gov](https://www.export.gov), a tariff (also known as a duty) is a tax levied by a government on the value of an imported product. In some instances, sales taxes, local taxes, and customs fees also will be levied. Tariffs increase the prices of imported goods; as a result, such goods may be less competitive within an importer's home market.

Tariffs and taxes can significantly increase the final price of your product, so you need to understand not only how they will affect sales and pricing, but also how to communicate these extra charges to your customers so there are no surprises during the purchasing process.

Managing Customer Expectations on Tariffs and Taxes

Understanding what happens after you ship goods to your international customers will help you provide the best possible, most cost-effective customer service. Depending on which Incoterms you apply to the order, one of two things will happen.

- **Delivered Duty Paid (DDP):** A package arrives at the buyer's shipping address with all tariffs paid. The delivery service might ask the buyer to sign for it before handing it over.
- **Other Delivery Incoterms, with Duties Unpaid (e.g., CPT, CIF, or DDU):** The buyer is responsible for paying all tariffs and taxes when the goods arrive. The delivery service either will take the package to the buyer's address and release it only after the buyer has paid all applicable tariffs and taxes or will send a note informing the buyer that the package has arrived, that tariffs and taxes are owed, and that the package will be released upon payment of those charges.



When you communicate taxes and tariffs effectively, your customers encounter fewer surprises. And good experiences mean happier customers.

Delivery Methods: Advantages and Disadvantages

Delivered Duty Paid



For the buyer, DDP is the easiest option—the package arrives and the buyer doesn't need to do anything other than open it. The seller, however, assumes a fair amount of risk. For one thing, you have to estimate what the tariffs and taxes will be when the order arrives and charge the customer the appropriate amount. If you calculate incorrectly, you might undercharge the customer and lower your profit (or even lose money) on the transaction, or you might overcharge the client and risk losing business.

Delivered Duty Unpaid

Although in this scenario the buyer bears a more obvious burden (the buyer has to pay additional fees when the package arrives), the seller might bear one, too. If buyers don't know beforehand that they are responsible for paying taxes and tariffs, they might take their business elsewhere and perhaps even refuse delivery of the package. Both scenarios cost the seller money; in the latter, the seller has to pay for return shipping.

To avoid any hiccups, never assume that your buyers know about the fees associated with international shipping. Always be as clear as you can; even if you can't provide an estimate, tell the buyer which circumstances will generate additional fees.

Overnight or two-day delivery is possible from North America to most of the world, but the cost can be steep, especially for large or heavy items. International mail via the U.S. Postal Service may be a lower-cost option, though your goods may take longer to get to the customer. Several online services exist to help you find the best shipping deals.

How to Calculate Tariffs

Calculating taxes can be difficult and time-consuming, especially when you want to ship multiple items in multiple orders to multiple countries. To calculate a tariff, you'll need the item's Harmonized System (HS) or Schedule B number, its country of origin, its destination, and the value of the shipment (in many cases, the value includes shipping costs).

The item's HS code (the first six digits of its Schedule B number) will help you determine the individual tariff on that item. More information, including links to tariff schedules, sales tax, and VAT rates, is available through links at [export.gov/logistics](https://www.export.gov/logistics).

Note that the European Union (EU) requires all retailers to collect VAT for online sales of digital products and services to EU customers. If your company sells directly to EU customers, VAT registration will be required in one of the EU countries. Many third-party e-commerce providers can offer solutions that include VAT collection.

When you search for any product's tariff rate, you'll notice that its Schedule B number isn't identical to its product identification number in the destination country.

Always remember that only the first six digits of these product identification codes will match. The United States uses 10-digit classification numbers, but that's not true of all countries. To determine the tariff on your product, you'll have to reclassify it using the destination country's product identification number.

Real-Time Calculation for Clients

As mentioned earlier, calculating taxes is not particularly easy. The method outlined above is not possible to do on your website in "real time." You will need to devise some strategies for calculating in real time. One is to use the duty calculators available in the large e-marketplaces. Their checkout function estimates the amount of duties and taxes and charges the buyer for



them at checkout. The customer is charged for everything only once. There are no surprises, which reduces the chances that the product will be refused or returned.

Narrowing Your Geographic Focus

If you find that your products are doing particularly well in a few countries, you might consider limiting your exports to those spots. Doing so will allow you to learn the tax systems of just a few countries, instead of dozens. As you become more comfortable with tariffs and have the resources to expand your product distribution, you may want to target additional countries where you think your products will do well. You might consider posting country-specific information on your website—e.g., “If your order is going to the United Kingdom, the estimated duty on this compressor will be 5 percent, and the VAT will be 23 percent.”

This doesn't mean you need to ignore orders from other countries. For customers from other countries, explain that you will still accept their order, but that it must be submitted using another method (such as e-mail) so that you can provide all the correct details.

Narrowing Your Product Focus

Another way to simplify operations is to sell only a portion of your line internationally; consider making only core products eligible for export. For example, if you mainly sell sunglasses but you also sell eyewear accessories (e.g., lens cleaners and repair kits), you might want to make those accessories ineligible for international shipping. Fewer products mean fewer HS numbers and, in turn, fewer tariff calculations.

“Ballparking”

Another strategy when calculating tariffs is to get your figures in the ballpark and not worry about hitting home runs. You're in the business of retailing, not shipping. As long as you're earning good margins on your core products and your tariff estimates are reasonable, you should be fine. Estimate the tariffs on categories of your product line for specific countries or regions with the highest current or anticipated sales. Assume that you'll overestimate some tariffs and underestimate others, and that ultimately you'll break even. Individual tariff rates change frequently, so you can't hope for 100 percent accuracy.

Your Customs Broker

When calculating tariffs, remember that someone—usually a customs broker—will have to collect the tariffs and remit them to the proper government agency. Most shipping companies will provide these services for a fee. Find out what the fee is, and try to incorporate it into the final cost you give your buyer. Shipping companies also provide online tariff calculators.

Third-Party Assistance

Many third-party service providers have developed customized and off-the-shelf solutions to help you manage international tariff calculations. The available solutions offer different approaches for calculating tariffs, taxes, and shipping costs.

For example, let's say your website transfers customer orders to a shopping cart on an e-commerce service provider's website, where the customer completes the transaction. Depending on your service contract, the service provider may be responsible for tariff calculation, shipping, fraud protection, product classification, licenses, and export compliance.

Shipping and Returns

Like tariffs and other taxes, shipping costs can affect the price your customer pays for your products significantly. There are several ways to reduce costs associated with shipping small packages by air. You can find information about larger shipments (e.g., those sent by ocean-going container load) at [export.gov/logistics](https://www.export.gov/logistics).

Setting Rates

The rates for shipping your item will be based on factors including its value, dimensions, and weight, as well as your profit margin. When selling small, lightweight items with high margins (e.g., jewelry), you might choose to charge the customer a flat rate or no shipping fee at all. When selling an item with a low margin (e.g., consumer electronics), you'll need to find inexpensive shipping options and calculate the cost accurately to preserve your profits.

Shipping companies can be valuable partners when you are calculating shipping fees; many offer real-time tools that can be used on your website. Shipping fees typically fall into three categories: flat rate, in which the seller charges a set rate per item purchased or a set rate per order; percentage, in which the seller multiplies the total purchase price by a set percentage; or real time, in which the seller calculates shipping charges at the time of purchase on the basis of the item's weight and dimensions. If you're familiar with shipping items domestically, then you know that a package's weight typically determines its shipping cost. However, for international shipping, the package's dimensions are just as important, so you'll want to find out the ideal package size—often the smallest container possible. Also, you'll need to enter each item's weight and dimensions in your inventory-management system so you can accurately calculate its shipping cost.

You may already be used to figuring out shipping weight. However, for international shipping, package dimensions are often just as important.

Choosing a Provider

Like any supplier, a shipping company will take into account your volume when setting prices and agreeing upon which services to provide. Sticking with one vendor rather than spreading your orders among many could help keep your shipping prices low. Keep in mind, though, that the shipper you want to work with might not be able to deliver to every country. Try to anticipate where you'll be shipping, and ask the company about its resources in those countries; for example, does it have employees on site, or does it outsource to a subcontractor? You'll probably want to build relationships with both a primary shipper and a reliable backup. That way, you'll be covered if your primary shipper encounters workplace or customs problems in any given country.



The U.S. Postal Service (USPS) provides excellent value on international packages weighing less than 70 pounds. The USPS does not bill for duties and taxes, so buyers must pay them at the post office in the country where they live. Expedited service is available for an additional fee.

Some online services offer to shop for the best freight rates for you. You give them your package's parameters (e.g., size, destination, preferred delivery time), and they tell you which carriers have the best price.

Tracking

Some shippers allow you and your customer to track packages in transit. When choosing a shipping provider, find out what tracking services they offer and the cost for those services. If the cost is high, you might want to increase your shipping charges on international orders accordingly or offer tracking as an optional service (at the buyer's liability).

Alternative Delivery Locations



Some international buyers, especially those in Asia, prefer the flexibility to ship to an alternative delivery location (e.g., a local store or a neighbor's home). Some U.S. freight companies gladly provide delivery to these locations and may also have storefronts that will hold packages for pickup. As you plan your fulfillment strategy, keep these customer preferences in mind, and select service providers that can accommodate them. Some providers' apps can fit seamlessly with your checkout page; in some cases, they offer comprehensive checkout solutions in which the buyer can select payment method and shipping options, including alternative delivery locations.

Communicating with Buyers: Returns



When your customer places an order, you must specify the exact terms (shipping, returns, insurance costs, etc.). Be particularly careful when identifying who's responsible for paying tariffs and other taxes (as well as any other fees that might be incurred), and clearly state how your company handles returns.

Returning an international package is costly and time-consuming; clear communication about returns could save you time and money. State your returns policy in plain language, and specify who is responsible for shipping charges and restocking fees. Be sure to make clear in your sales terms that any customer who wants to return merchandise must first request a return merchandise authorization (RMA), which will contain specific information about returning merchandise. List the e-mail address and phone number the customer should use to request an RMA. (To see how other retailers handle RMAs, search the web for "return merchandise authorization," or visit your favorite web retailers' RMA pages.) Finally, keep in mind that sending a replacement or refunding the purchase price and letting the buyer keep the item might be cheaper than paying for return shipping; you can weigh the various costs when reviewing a customer's RMA request.

The best way to avoid returns is to provide your customers with the most comprehensive product description you can. Your online description should contain everything you know about the product, as well as several clear photos. Also, be aware that warranty laws differ from country to country. If you're shipping directly to consumers, you might be required to honor a longer warranty period.

Insurance

If you want to insure your packages, you can buy insurance from either your shipping company or a third-party insurance company. You can purchase insurance on each package that is sent, or you can arrange to be charged a monthly fee based on your shipping volume and your loss history; do some research to determine what would be most cost-effective for you. If you want to give your customers the option of insuring their purchases, your shipping provider or shipping-insurance company can help you develop a formula that will set the insurance fee for any order.

Extra Fees

International shipments entail additional costs, such as document preparation and broker's fees. To defray these expenses, some sellers add a flat handling fee to every international shipment.

Terms and Conditions

Here are some terms and conditions you might want to consider adding to your website (your legal counsel should review all your terms and conditions):

- **Export Regulations:** All commodities, technology, and software are exported from the United States in accordance with the Export Administration Regulations. Diversion contrary to U.S. law is prohibited.
- **Tariffs and Taxes Paid:** Tariffs and taxes will be prepaid, and a (add amount) broker's fee will be assessed per order.
- **Tariffs and Taxes Unpaid:** The recipient is responsible for all tariffs, taxes, and customs fees at time of delivery. We will estimate these charges upon request.
- **Nondelivery:** If you refuse delivery of an item after it reaches its final destination, if you refuse to pay tariffs and taxes, or if you are unavailable for delivery after a certain number of attempts, you will be responsible for any import tariffs, taxes, and shipping and handling fees incurred to send the shipment back to the merchant in the United States, as well as any restocking fees that may be applicable.

Be careful when specifying shipping terms. Leaving out details may increase your costs—or even lead to angry customers.

Automated Commercial Environment

Federal law requires every exporter to use the Automated Commercial Environment (ACE) to report any shipment in which a product (or group of products classified under the same Schedule B number) is valued at USD 2,500 or more, or any shipment that requires an export license. You can ask your shipping company for assistance (for a nominal fee, the shipper will complete the ACE for you). For more information on ACE filing requirements and instructions, visit cbp.gov/trade/automated or contact the U.S. Commercial Service.



PART II

Success Stories



Comic Art on a Global Canvas

The Company

The Scott Eder Gallery specializes in collecting and selling comic book art. Located in New York City, the Gallery started 25 years ago and was virtual until recently, when exhibition space opened in Brooklyn.

About 30 percent of the company's sales are international, and many of them are via e-commerce, according to owner Scott Eder. Buyers are mainly from Europe, especially the United Kingdom, Germany, France, Italy, and Spain. Eder also has customers in Singapore and Hong Kong.

Channels

The Scott Eder Gallery specializes in a niche art product, and to increase exposure it uses a multichannel approach: both its website and eBay. The company generates sales from both, but eBay produces the most (in particular, auction sales); in turn, Eder has rewarded eBay with exclusive business loyalty for the past 20 years. Eder says, "I'm considering trying a competitor, just to compare them, but I'm happy with the volume of business I have and don't really have the time to manage much more."

As for the company's own website, it can accept credit card payment and has a checkout function built by a company that specializes in comic book art websites. For that, Eder pays USD 100 a month.

Eder likes eBay because its brand is well known and trusted around the world.

"Buyers are attracted to American products and brands, and they appreciate American business practices."

So far, Eder has seen no reason to appear on country-specific versions of eBay's main platform (e.g., eBay Hong Kong) because, in his experience, buyers looking for art are comfortable with English or can use translation software to understand what they need to know: "Buyers in those countries—browsing products on the country-specific platforms—are not expecting to find U.S. goods on their local eBay sites, but do expect to find them on the main platform, which is the one that buyers in the U.S. use."

Platforms like eBay are essentially enormous catalogs with the ability to accept payment and ship what you buy (or sell). Eder finds that the auctions are the most successful sales tool because of the excitement they generate; the last few minutes are a shot of adrenaline—bids pour in!

Eder sets the minimum price he will accept for his item before the auction begins. He used to put one item on the auction block each week, but he has cut back to every other week because too much exposure puts downward pressure on his prices.

Eder knows of other eBay sellers who grumble about the increasing fees eBay has charged its sellers over the years, but he still feels that eBay is a good deal because of the amount of traffic and sales it can generate. Eder estimates that for the different service

options he uses, he pays about 10 percent of the purchase price, which he factors into his sales price.

Once he has made a sale over eBay, Eder fulfills the order himself. Even though he could pay eBay to do this for him, he prefers to do it himself, largely because of the special handling required for works of art. Eder also appreciates having direct contact with his customers. He is keenly aware that he must follow eBay's terms of service, especially when it comes to shipping out orders within 24 hours of receipt. Tardy deliveries and other poor service lead to negative reviews, which can hurt future sales—and repeat offenders can be booted off the platform.

In 15 years of selling online, Eder has been the victim of fraud only once. "In that case, which happened many years ago, my company bought some art that turned out to be not as advertised." For sales through his website, he checks the purchaser's credit card status with the card's issuing bank before sending the goods.

Lessons Learned

Eder has several pieces of advice:

- Establishing and maintaining the buyer's trust is the key to repeat business. If you use an e-commerce platform to list your goods, you must retain the buyer's trust by getting favorable customer reviews or

the platform will dump you. In addition to feedback about tardy shipping, customers will give you negative feedback if their goods arrive in poor condition. Eder has his shipping containers made to order so that the art is carefully protected, largely eliminating damage and the expense of returning rejected art. "Over the years, I've learned what works best—how much thickness is needed to protect the art while not wasting space and keeping the weight (and therefore the shipping cost) as low as possible."

- Good customer service is as important online as off. "I'm available to customers and readily engage them via e-mail. If there's an issue, I address it immediately. As a result, I get a lot of repeat business."
- "You learn by doing. I've done thousands of auctions over the years, and you get a feel for how to do them and to make the most from them. What's key is to get in there and get the experience. It's fun. It's exciting."
- "Take advantage of the seminars and other learning opportunities that the big platforms provide sellers, usually for free. They'll help you get better results, because the technology and buyer psychology change."
- "I'm a better buyer than I am a seller. I like buying and holding art, enjoying it, then selling it years later for a big profit. I like flipping things rapidly much less. If I paid closer attention to changing the product mix and analyzing what happens on the platforms and my website, I could make a lot more money. E-commerce has made that possible like nothing else in my lifetime."



Made in Oregon, Unleashed in Japan

The Company

Ruffwear designs and manufactures products for dogs, such as backpacks, booties, leashes, and assorted gear. Launched 17 years ago in Bend, Oregon, the company now sells to buyers in about 50 countries.

Tripp Sickler is Ruffwear's international business planner, one of 20 employees working for founder Patrick Kruse. Kruse started the company after he went on a camping trip in the Oregon wilderness; his dog was thirsty, but he didn't have a convenient water container to carry around. He invented a "reverse tent," a nylon, collapsible device that holds rather than repels water. The product, designed and marketed in the United States but manufactured under Ruffwear's supervision in Vietnam, was an instant hit.

Parched pooches can now find relief in Germany, France, and the United Kingdom. Recently, Japan has come on strong, with sales of more than USD 300,000 last year. China will soon be in the mix, once a squabble over trademarks is resolved. Norway is a good market because, in Ruffwear's experience, folks there are dog lovers and have lots of leisure time to enjoy their dogs' company. Russia looked good for a time, but recent international sanctions and a nose-diving ruble have been bad for business.

Currently, 25 percent of sales are international, with annual growth in double digits. Owner Kruse's focus on refreshing

Ruffwear's product line every six months with new and updated items keeps customers coming back for more, and it also keeps copycats chasing their tails.

Channels

Ruffwear has a different business model than other companies profiled in this book. Its chief strategy is to build a network of distributors in the United States and abroad. Sickler explains that, because Ruffwear doesn't want to compete for sales with its distributors, it has avoided doing business-to-business or business-to-consumer e-commerce on its U.S.-based website. But that doesn't prevent distributors or retailers from selling products via their local websites, and they do just that. After all, they know their customers and pet-parenting habits best. They also know that customers appreciate having both brick-and-mortar and e-commerce options.

"We are in advanced discussions with our European distributors to create a 'Pan Europe' e-commerce website," said Sickler, "and it would take advantage of supply chain efficiencies that larger shipping and warehousing volumes can generate."

The web, then, plays a different but important role in generating international sales. The corporate site is translated into French and German. These languages were selected because France and Germany have been excellent markets, and consumers there are



interested in abundant product descriptions and dog-lover content. “Our website provides effective online education about our products and our company,” says Sickler.

Lessons Learned

Sickler’s experience offers several lessons:

- The company’s website supports its brand and is a source for conveying brand values to distributors, retailers, and consumers. The site is filled with photos and stories of dogs and their families having fun in outdoor settings. The photos online and in the company’s product catalog feature Ruffwear employees and their pets enjoying time outdoors in Oregon’s waterways and forests. “We don’t fly in supermodels from Los Angeles for photo shoots,” says Sickler. “We love our dogs and our products, and we want to convey that to our customers.” And customers get to see the very people they’re buying their pet gear from, with their own dogs. It’s a good story, well told.
- Just because the company doesn’t sell directly to consumers doesn’t mean its distributors and retailers don’t. In fact, Ruffwear supports those channels’ e-commerce efforts with photos and text descriptions. After all, it’s easier, faster, and cheaper for Ruffwear’s distributors and retailers to exchange or return items because they’re located in the same country as the customer. It’s also cheaper for them to ship lots of items to a single location than for Ruffwear to send one item to many.
- Translating web pages into different languages can be expensive, so Sickler recommends that you get a good feel for your customers’ whereabouts before making the investment. When translating product descriptions, you should use only native speakers or highly skilled non-native speakers. Language recognition software, though improving, is no substitute—mistakes can be comical, embarrassing, or even offensive.

- If you choose the distributor business model described here, make sure you offer excellent customer service. Work with distributors on inventory management and logistics so products can be shipped immediately instead of having to be back-ordered, resulting in customer frustration and lost sales. “We put a lot of effort into making an efficient supply chain,” says Sickler, “and it really pays off.”

- To reduce the risk of trademark trolls, register your intellectual property (IP) in countries that could be relevant to future sales growth. The process is neither difficult nor expensive, and it could save you a lot of headaches and expense later if you had to litigate or pay a troll to buy a trademark that belongs to you—but only in the United States. (Registering your IP internationally is discussed in Chapter 5.)

- Take advantage of state and federal export assistance programs. For advice on registering IP in China and finding overseas distributors, Sickler has reached out to the U.S. Commercial Service, which has more than 100 offices throughout the United States (including one in Portland, Oregon) and offices in more than 80 countries.

Sickler is very bullish on the role of international trade and how it can help small U.S. businesses grow bigger and smarter. “We depend on trade and want to see freer, more transparent trade in the future,” he says, adding that he’d like to see more free trade agreements.

When I was in Japan, our new distributor asked me,

What’s it like to be going down this street in Japan, dragging a suitcase full of dog products?

I said to him,

I wouldn’t trade this moment or this job for anything.

Jockey for Position in Global E-Commerce

The Company

Paul Arnold and his wife own VTO Saddlery, which specializes in English-style horse-riding apparel and equipment. Most sales are generated via the web, with about 10 percent coming from international customers. VTO Saddlery's best international markets are Canada, New Zealand, and Australia. Arnold has also noted an uptick in sales to Japan and Brazil. The company has seven employees, including the owners.

Channels

For international sales, Arnold relies mainly on his own website, which has operated since 2000. For his shopping cart and site design, he subscribes to Miva (miva.com).

The average order is a little over USD 100, though saddles can exceed USD 1,000 or more. Arnold does all shipping himself. So far, Arnold's pages are in English only, and prices are in U.S. dollars, but he provides a currency converter at checkout. Also at checkout, buyers are informed that they are responsible for paying duties and taxes.

To generate international sales, Arnold uses Google ads and some paid newspaper ads in foreign markets with strong demand (e.g., Australia). He has experimented with major e-commerce platforms, but Arnold says their fees are too high to make the needed product margins—"The almost 15 percent of every purchase we'd have to pay is a bit rich for what we need to charge." For

Arnold, it makes more sense to focus on one platform—his own. Because a lot of his business is generated by word of mouth, his brand's international penetration does not matter as much.

Arnold admits he spends less time these days attracting new international customers, because it is easier to grab low-hanging fruit: U.S. buyers are spending again after a long, painful absence. A common business pitfall is to ignore or abandon their international customers during times of plenty at home. He admits, "There are just so many hours in a day. But there are interesting things happening in e-commerce, so you have to keep an open mind."

Lessons Learned

Arnold's biggest lesson is the importance of providing excellent customer service. He and his employees promise to ship within 24 hours of receiving an order. They scan the order, and if they think a customer may have made an error (e.g., buying two of the same item, not realizing the item already comes in pairs), they will contact the buyer. "Good communication has decreased our return rate to less than 5 percent of all shipments," Arnold says. Prompt responses and quick problem solving also generate positive word of mouth, leading to more sales.

One of the biggest lessons for Arnold is the amount and sophistication of fraud in the world. He's stopped accepting orders



from Nigeria, Russia, Indonesia, and Thailand because of the volume of bogus orders from those countries and the volume of stolen credit cards in circulation: "I've even had bogus orders from Singapore and noticed that when I was scammed from there, I suddenly started receiving orders from all over the region."

Arnold believes that thieves share information and immediately target a business that has been successfully duped once. He realizes he will probably end up rejecting legitimate orders, but at this point in his business development, that's a cost he's willing to pay.

Arnold also has received fraudulent orders from Canada, where up to 50 percent of his legitimate orders come from. He feels that about one in four orders is suspect, so he's spent considerable time creating procedures to weed out the bad ones. Now, more than 90 percent of fraudulent orders are caught.

Crooks also use computer programs to generate millions of numerical combinations, hoping that one will be an active account belonging to someone. In another scam, thieves have the numbers from dozens of stolen cards and punch in numbers on different sites until one of them works.

Third-party logistics services exist that actually take ownership of your goods and are then responsible for loss, damage, or fraud. They have robust systems for detecting fraud.

Arnold also uses the U.S. Postal Service to reduce the high cost of freight. Saddles cost around USD 140 to ship to overseas customers by Postal Service, and air freight costs about USD 800 for the same item; Arnold makes certain his online customers appreciate the difference. "The downside," Arnold explained, "is that there's a weight limit on what the Postal Service will accept, tracking can be an issue, and the Postal Service in the buyer's country will not deliver until duties and taxes are paid." An additional upside (other than

lower costs) is that the Postal Service does not charge brokerage fees, which the large freight forwarders sometimes charge.

Arnold also has many pieces of advice:

- Use Geobytes (geobytes.com) or a similar service to identify a customer's IP address using an e-mail address or credit card information. Knowing a customer's IP address can help you determine his or her physical location.
- Check the customer's physical address against the IP address. If the physical address is Miami but the IP address is, say, Venezuela (which has happened more than once), Arnold won't ship.
- Call the phone number given by the customer, and match the e-mail address given with the one used when communicating about the purchase.
- If a customer makes multiple attempts to purchase with different credit cards, Arnold assumes that the cards are stolen.
- If a customer uses a proxy server (Geobytes will tell you), Arnold won't ship. "Why," he asks, "would a person in Germany use a proxy server in Maryland?"
- Arnold also red flags customers if they order a large quantity of an item in the same size or color.
- If a customer selects the first item on the web page for more than one purchase, it's a red flag, suggesting that the buyer isn't shopping for his or her own use but to fence the goods upon arrival.
- Be wary if a buyer uses the fastest/most expensive shipping option, especially for cheap items.

If you have a popular product with limited availability in specific markets, you're in a good position for e-commerce success.

Holmes on Homes Sparks Interest in Foams

The Company

Pat Gililand had been working in the fluid-power industry and plastic injection molding field for years when he lost his job after Hurricane Katrina in 2007. However, he soon found opportunity from watching the *Holmes on Homes* television show, picking up on the idea of using spray foams for roof insulation and investing USD 45,000 to start his own business.

Today, Gililand is president of SPF Depot, a Bossier City, Louisiana, manufacturer and refurbisher of spray-foam equipment, spray guns, hoses, and other tools used to spray foam insulation, bed liners, asphalt paving machines, roofing applications, and displays.

“If you’ve seen *Jurassic Park*, the monsters are created by use of spray foam, as well as the rock waterfall features in Las Vegas,” Gililand says. “In Kuwait, the military used our spray devices to put foam on military tents for insulation. We have several hunting-supply manufacturers that use our products to construct deer stands and duck blinds. These are just a few examples.”

About 30 percent of the company’s overall business is international, with e-commerce accounting for all of its export sales. SPF Depot ships to about 36 countries. Its leading markets include Canada, Poland, New Zealand, Japan, Russia, and China.

Channels

Gililand’s foray into e-commerce exporting was unintentional. It started in 2007, when a prospective customer in Canada found SPF Depot’s website and tried to buy some parts on open credit. Gililand wasn’t able to take credit cards at the time; still, he shipped the order on open terms and soon received payment. Soon thereafter, a customer in Malta made inquiries; this time, Gililand was prepared, making a small sale and delivery to Malta via the U.S. Postal Service, with payment made through PayPal.

A few months later, Gililand discovered that a huge manufacturer in Canada was using SPF Depot’s products in its training classes. He learned that people attending the classes would go back to Europe wanting to use the same products they had used in their training. This was a major breakthrough that led SPF Depot to begin selling throughout Europe.

“Our business originated on eBay; we would recondition the worn parts people sent and back our work with a one-year warranty,” Gililand says. “This allowed the customer to get a part like new for less than a new one, and one that would last years rather than the parts of other manufacturers, which might last for just days or weeks.”

Having started on eBay, the company gravitated to Google, Yahoo!, and Bing. “Once you start on one, they multiply,” Gililand says. “eBay is the fastest by far, with

products going instantly to the top of the search engine page where other platforms pick it up, often with good results." For example, earlier this year, SPF Depot garnered USD 13,000 in sales in one month, a near-record for the company.

"I picked eBay because it was the fastest, cheapest, and easiest, and I was already very familiar with the channel," Gililland says. "Previously, I had my own site for a couple months, but it wasn't much, and soon found I needed a store site with better support."

"On Google and Yahoo!, one of the keys is picking out specific words so people will see your products," he explains. "For example, if you are selling auto parts, you need to be specific, such as 'bumper for '49 Chevy,' or 'antique auto parts.' I use an e-commerce provider that provides templates for creating our web pages, and it makes it very easy for me to do it all myself."

As for other marketing strategies, the company finds Facebook minimally useful, but it does get some exposure from LinkedIn. More prominently, Gililland's blog, "Pat's Tech Tips," is very effective. The blog has positioned SPF Depot as a resource for buyers while also attracting customers who might have been dissatisfied with the level of service competitors provided.

"Customers value after-sales service, even if they have to pay more initially for the original product," Gililland says.

SPF Depot has held off selling to distributors in the United States and Canada, preferring direct orders. Contractors make up the bulk of SPF Depot's customers, and having distributors in these markets won't grow the company's market as much as shift it. However, overseas, the company has distributors in Kuwait, Poland, and China; SPF Depot currently is pursuing new distributorships in Germany, Ireland, and Dubai. A new manufacturing and distribution facility in Ireland will help speed up deliveries to Europe.

Lessons Learned

Gililland says he isn't sure where he would be without e-commerce. "I wouldn't have this business. I could be riding on the back of a

Without e-commerce,
***I wouldn't have
this business.***

But after seven years in this field,
***I could open something
new tomorrow
and soon make
\$1–2 million
a year.***

garbage truck, or mowing grass, I have no idea. But after seven years in this field, I could leave it today, open something new tomorrow, and be making USD 1 million to USD 2 million a year fairly fast. If you'd told me five years ago that I'd be doing USD 2.5 million to USD 3 million annually through e-commerce export sales, I'd have thought you were nuts."

Gililland has learned several other lessons along the way:

- When it comes to selecting a bank for doing international business, be sure to pick a larger institution that deals internationally on a regular basis. Many smaller banks are ill equipped to easily deal with international business transactions.
 - Get your company set up to accept credit card payments to help ensure you will be paid—but be aware of the hidden fees the companies charge. "Early on, I didn't have a credit card account, and I shipped on open terms," Gililland says. "I didn't have too many problems getting payment, but you can't take that risk forever, so a credit card or PayPal is the way to go. Also, find out about any shipping restrictions on your product. I wasn't aware that aerosol cans, oils, and fluids can only be shipped by ground. As such, I've had to improvise, providing empty canisters that can be filled at the point of destination.
 - Be aware that you will need harmonized codes for the components of your products, and you will need certificates of origin to ship to NAFTA countries. "Everyone on our staff is trained on the export shipper systems of UPS, FedEx, DHL, and USPS, as well as harmonized codes and tracking service so we know when customers receive the goods."
 - Be aware of sensitive terminology related to your product. "For example, we are careful not use the term 'spray guns' when going through customs. Instead, we use the term 'foam sprayers.'"
 - Be selective about using distributors. They can be helpful if they market your products, but many times they simply sell your products on the web at big discounts, undercutting your market price and reducing your margins.
- "Consider how you will handle typical customer pain points, such as returns, payment, duties and taxes, cost, language, and other issues," Gililland says. "The most important thing is taking a preventive approach. I have photos of my products with my logo, so regardless of language barriers, people can easily find and describe what they want. My website also has the ability to translate into more than 100 languages. It's rare that I have any issues with customers, but when I do, I get back to them right away and offer replacements."
 - International addresses may not always be as consistent or precise as U.S. addresses. "Once, I sent an order that was never received. After the customer called, I sent a replacement that was returned to me because somehow the mail carrier could not find the address," Gililland says. Before shipping to a new international market, do some research or talk to your shipping partners.
 - "For the European market, I sell direct to anyone outside of Poland. But if it's a small order any place in the EU region, I pass it on to our distributor in Poland, so the customer can get the order fast and save a bundle on shipping fees."
 - Take advantage of resources that help businesses learn about e-commerce. "UPS and FedEx offer an import/export school where companies can learn about harmonized codes, NAFTA forms, and so forth. Our university here, Louisiana State University, offers classes on e-commerce, and the U.S. Commercial Service conducts export symposiums that anyone can attend to get help on exporting their products." But keep in mind that not every lesson applies to every market. Be sure to check out the courses carefully beforehand, and don't be afraid to ask questions before signing up.
 - Finally, realize that your early and biggest mistakes likely will be your most expensive ones. Try not to make the same mistake twice.



Let Your Partners Help with the Heavy Lifting

The Company

Sophia Leaguedi is a serial entrepreneur; her latest creation, Ameroc Export, is a wholesaler and manufacturer's representative for forklifts and forklift tires. She says she was born with a fire inside her and it burned bright through her early life, enabling her to leave her native Morocco and eventually settle in Chicago—once known as the city of broad shoulders and now, increasingly, of brains.

"These different manufacturers don't want to export on their own," says Leaguedi, whose accent has traces of her native Arabic and French, two of the five languages she speaks fluently. Wholesalers are the largest category of U.S. exporters; significantly more numerous than companies that make the things they sell, wholesalers play a key role in the creation of wealth and jobs.

Leaguedi purposely represents only U.S. manufacturers. "I want to give back to the county that has given me so much," she says. "In North Africa and other parts of the world, there are certain restrictions on what kinds of roles people, especially women, are allowed to have. That's not the case here."

Channels

Leaguedi has a company website that mentions her nomination for the State of Illinois Exporter of the Year Award, but it's not a transactional site. Instead, she pays

[Alibaba.com](#) USD 1,200 (with a 50 percent discount this year) for a "Gold" membership. Alibaba lists her products, vets potential buyers (in her case, distributors), and promotes her products via the platform. Alibaba offers two lower-cost membership levels, but Leaguedi prefers the extra services included with Gold. After being an Alibaba member for only a few months, she had several "serious" inquiries from Africa and the Middle East, and was soon in the final stages of negotiating a distributor agreement in Jordan worth about USD 70,000 per month.

Leaguedi does not use Alibaba to generate sales leads in China, because Chinese makers of similar products are her worldwide competitor, and she can't compete with them successfully in their own home market—at least not now. She also uses [Tradekey.com](#), an e-marketplace focusing on Asia.

Leaguedi is bullish on prospects for solving one of the exporter's biggest needs: finding overseas buyers inexpensively. "This technology [sites like Alibaba] has given small companies like mine the means to sell products and services anywhere, anytime, to anybody," she says.

In 2015, there was so much business that Leaguedi needed to hire a manager for her e-commerce marketing and sales. Her longtime goal of creating a successful company selling U.S. products and hiring U.S. workers seems closer to fruition.

Lessons Learned

Leaguedi has many insights to share:

- All markets are different; it's smart to prioritize a small group of markets rather than casting your net widely and sitting passively by to see what turns up.
- Leaguedi focuses on countries that have free trade agreements (FTAs) with the United States. Twenty countries have such agreements (including Jordan), and additional agreements are being negotiated.
- Leaguedi reasons that Jordanian buyers save a great deal of money by purchasing her tires instead of those made in India, Sri Lanka, or China. Even if those countries eventually sign FTAs with other markets that also have FTAs with the United States, she will have first-mover advantage.
- Leaguedi also believes that U.S. products and business practices have a competitive advantage in the world, which is why she chooses to represent only them.
- Company websites and e-commerce marketplaces are insufficient as Leaguedi's only channels. To find additional opportunity, she joins U.S. Department of Commerce trade missions, which find and screen buyers interested in buying U.S. products. Recently, Leaguedi went on a mission to the Middle East, where she signed an Israeli distributor to a long-term agreement. The mission was led by a deputy under secretary, who ranked high enough to gain the cooperation of foreign host governments. Leaguedi has since joined the Department of Commerce trade mission to Latin America, which covers several trade agreement countries, including Peru, Chile, and Colombia.
- Leaguedi also makes use of Chicago- and Illinois-based export assistance resources, including Small Business Development Centers, which introduced her to Alibaba; the local U.S. Commercial Service office; and the Illinois State International Trade Office, which offers grants to help defray the cost of international marketing efforts. "A trade mission can cost around USD 16,000 to visit several countries in a region," Leaguedi says. "To get a grant for half of that amount is a big deal, especially when you walk away with a deal worth many thousands [of dollars], as we did in Israel."
- Start with a few products on an e-commerce platform. The products selected should be ones for which you can charge a decent margin to justify freight costs, taxes, and other costs paid by the buyer. Before you start, figure out whether everyone will make money after you pay all the expenses.
- Make sure any manufacturer you represent has the capacity to fulfill both domestic and international orders. After all your work, the worst thing your company could discover is that there's not enough product. Federal loan guarantee programs can help cover the costs of producing more inventory, offering extended terms to buyers, and marketing products and services in overseas markets.
- Jump on inquiries when they come in. If communication is an issue, use translation software or an online translation service, or find a local native speaker who can at least get you over the initial introductions. You shouldn't rely on translation software to set up contracts, but software may at least help you and a potential customer start a conversation.



Wheeling and Dealing— West Virginia to the World

The Company

When you travel domestically or overseas and come across a truck made in the United States, there's a good chance it has a part supplied by Wheeling Truck Center. So says Chad Remp, president of the fourth-generation family business started by his grandfather in 1933 and based in Wheeling, West Virginia.

"We sell around the world and have an inventory of more than 10,000 truck parts," says Remp. "Most of the parts are for U.S.-built models that are 10 to 15 years old. With some 210,000 trucks sold each year in the United States and thousands more overseas, we'll be seeing good demand for years."

The company's customers include truck-repair facilities, truck fleets, and companies with maintenance and repair shops. Along with its strong domestic presence, Wheeling Truck Center exports to nearly 100 countries, including Malaysia, Australia, Singapore, Peru, Chile, the Republic of Korea, Bolivia, the United Arab Emirates, Poland, and Turkey. Exports account for 50 percent of the parts division's sales.

"Altogether, our company made over USD 2 million in international sales in 2014, but of course, we're looking to do much more," Remp says. "Free trade agreements [FTAs] have benefited our company, and some of the most profitable markets are U.S. FTA partners, with Korea being a particularly good example."

Channels

Wheeling Truck Center started exporting around 2010, when Remp was looking to get rid of obsolete parts and inventory. Given his prior experience invoicing international orders to Canada, Remp decided that actively promoting international orders was a viable option. It proved to be a turning point for the company, and things grew from there.

"We put some items on our website and heard from a prospective buyer in Peru, and [we] made a sale," Remp says. "Then a colleague mentioned we should look up the local U.S. Commercial Service. They arranged a business matchmaking trip for us to Peru, where we met up with our customer and many new prescreened prospects that led to additional sales."

In the process, Remp's father, who was influential in his son's starting the exporting business, became a convert. Previously skeptical when the U.S. government would step in to assist in the export process, Remp's father became convinced after his son landed additional customers in Peru from the U.S. Commercial Service business matchmaking service. Wheeling Truck Center soon stepped up its web presence, which now accounts for the majority of sales because of its flexibility and the types of products available.

"Most of our customers are other businesses and want to talk with us beforehand

to ensure they are getting the right part, which is critical for us in building long-term relationships,” Remp says. “With eBay or Amazon, the interaction is much more limited. That’s fine if you are buying a book or a shirt, but it’s not effective for our line of business.”

Remp sells some items, such as engine parts, filters, and sensors, through eBay and Amazon because of his familiarity with their platforms. Remp says e-commerce is rapidly evolving: what the company is doing today, it could not have done just a few years ago.

“We’re advertising on Facebook. Google Shopping didn’t exist years ago. We’re also marketing and retargeting with banner ads based on customers who have contacted us previously. We also have specific analytics on demographic information and know which country an inquiry is coming from. We work closely with the marketing company Direct Online Marketing in planning our strategies.”

Because Wheeling Truck Center doesn’t sell exclusive products but is a retailer offering truck parts that other companies can provide, it doesn’t use international distributors.

When it comes to handling customer pain points such as returns, payment, duties, taxes, cost, language, and so on, Remp sees smooth sailing for the most part, although sometimes the company needs to send a new replacement part if one fails. While shipping may be expensive, building and maintaining customer loyalty takes precedence. Although most buyers are aware of duties, the paperwork can sometimes be challenging, depending on the market.

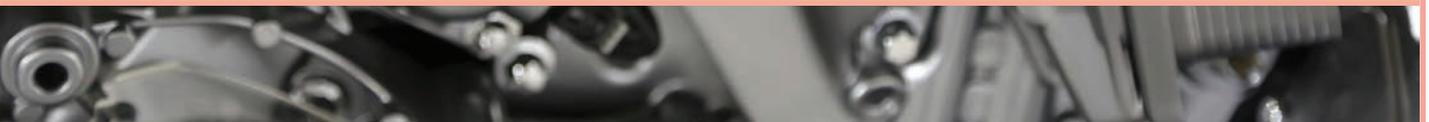
Where would Remp be without e-commerce? “That’s a good question,” he says. “My sales would be much smaller, no question.”

Remp also sees new market opportunities on the horizon: “My goal is to help my customers keep on truckin’. I’m looking to expand into more markets. One of my new targets is Africa, and I plan to travel there in the near future. And I’m hitting the road next week to South America.”

Lessons Learned

Remp has learned many valuable lessons:

- Have an export game plan. Check the denied-seller lists to find out where and to whom you are allowed to sell your products. Target international markets. Remp says, “We make extensive use of U.S. Commercial Service programs, such as export counseling, business matchmaking, and business facilitation services. We have a list of prospective customers, and the U.S. Commercial Service’s overseas posts will make additional recommendations. Having the U.S. government as part of the process brings a lot of credibility in the eyes of the buyer, and we’ve seen good results.”
- Think long term to grow your business. Be careful—if something sounds too good to be true, it probably is. If anyone is in a hurry or offers to pay more, that might be a red flag.
- “We use credit cards initially,” Remp notes. However, as your business relationship grows, your customer might want to make much larger purchases, which can be facilitated better by making bank transfers or by financing through the Export-Import Bank of the United States.”
- “Find a good marketing partner,” Remp advises. “We work with Direct Online Marketing, which helps us with web templates and marketing strategies.”
- “Paperwork can sometimes be a challenge,” says Remp. “For example, Russia, Brazil, and Argentina usually do not accept FedEx invoices, so we create our own. Sometimes it’s the little things.”



Racing into Global Markets

The Company

It's not hard to find Tess Winningham and Gary Gann—find them at any race track in Alabama. (Gann used to race in NASCAR at the old Birmingham International Raceway.) A few years ago, during some amateur racing events, Gann began to see demand for a quicker, easier way to diagnose wear and tear on tires and suspensions.

In his garage, he started working on a new prototype system. Soon, Winningham resigned from her business development job to help Gann market the product. The husband-and-wife team formed Alignment Simple Solutions in 2011. They successfully tested the first prototype at the Charlotte Motor Speedway in North Carolina during the ChumpCar World Series of Racing.

"Our 'QuickTrick' compact portable wheel alignment diagnostic systems cost less than 10 percent of traditional fixed state-of-the-art equipment," says Winningham. "Our system weighs only 15 pounds. Almost anybody can use it after watching our five-minute training video."

"In many parts of the world, people are keeping their vehicles longer, and roads are often rough and the weather uneven, which means gradual wear and tear on suspension and alignment," Winningham explains. "Hobbyist do-it-yourselfers are our largest market, as well as people who run maintenance and alignment shops. We're also selling to a lot of hot-rod enthusiasts."

The product also allows for better preventive maintenance: potential alignment problems can be diagnosed early on, saving an average of 184 sets of tires for every 1,000 vehicles, according to one client study.

"About 20 percent of our business is international, with e-commerce as the primary source," Winningham says. "We have sold direct to consumers and businesses in more than 95 countries and just signed an agreement with our first international distributor in New Zealand and Nigeria. We are also in talks with companies in Canada, the United Kingdom, and Australia."

Channels

Winningham says the company started exporting via eBay almost from its start, eventually expanding to Amazon, Google Shopping, Sears Marketplace, and eCRATER.

Winningham explains, "eBay was the easiest and most obvious choice and is a great platform for proof of concept, because there are no major costs involved to place your products, and it's a popular global platform. If your product has a value to people, it's a perfect testing spot, and people pay in advance. The other platforms we've used are among the most commonly known, so we felt they were good additional choices."

Winningham's experiences with different e-commerce platforms vary greatly, with eBay being easier and others more complex. For example, Amazon is great for customers,

she says, but can be more difficult for sellers, depending on the type of product being marketed—a seller may need to provide UPC codes, proof of concept, and proof of demand.

Winningham adds: “We employ a variety of marketing strategies in target markets. Our international customers found us originally as they were searching for a solution. Now we do some social media advertising and promotion, newsletters, and a few international publications when needed. We always keep up with the latest trends and tips on our blog.”

Winningham also gets export counseling from her local U.S. Commercial Service and Small Business Development Center offices. She was encouraged to join an Alabama Department of Commerce trade mission to Bremen, Germany, through which she met several prospective distributors through prescreened meetings arranged by the U.S. Commercial Service, as well as introductions made by the Alabama Department of Commerce.

“As a result, we developed an enhanced export strategy, and within a few months, we made sales to more than 30 countries,” Winningham reports. “We also established a foothold in Germany, from where we made new sales to the United Kingdom, Finland, and Norway.”

One of Alignment Simple Solutions’ biggest advocates has been the Alabama International Trade Center, which collaborates closely with the Alabama Department of Commerce and has provided international market studies and help finding industry contacts.

“Our future goals are to balance our domestic sales with international for a more sustainable sales cycle,” says Winningham. “Our biggest competitor has a presence in every developed country and some emerging economies. But with the help of new free trade agreements, there will be additional opportunity for more exports—for us, and for other U.S.

businesses—which will create jobs and help our economy as a whole.”

Lessons Learned

Winningham offers important guidance to other new exporters:

- More than 90 percent of potential customers are outside the United States, and competition may be less fierce in many areas. Establish new international relationships early on to mitigate risk. Then maximize your use of e-commerce to market your product or service.
- “With all the no- or low-cost export resources from the U.S. Commercial Service, U.S. Small Business Administration, Export-Import Bank of the United States, and other federal, local, and state export resources, there is absolutely no reason not to be selling outside of the United States,” Winningham says.
- “Know the consumer market you are selling to, as it may be different than in the United States,” Winningham advises. “For example, in the United States, our major market is males ages 40 to 65 who don’t use a lot of social media. But in Japan, our target audience is much younger, and they use social media and enjoy modifying their cars.”
- “Our greatest e-commerce challenge was understanding the benefits and tools that are available at no cost,” Winningham notes. “I encourage everyone to use the free consultation calls, tools, marketing and analysis reports, and everything else that is offered at no cost. This will greatly contribute to your success and provide much-needed support.”
- “One benefit of selling internationally is that it makes us immune to decreased sales during different times of the year,” Winningham says. “Many of our customers like to get out and work on their cars in the spring and summer. We see a decrease in enthusiast customers when the weather gets cold at home. But our fall and winter are Australia’s spring and summer, so when U.S. enthusiasts are waiting for next year, our Kiwi friends and Australian mates are ready to work on their cars, so we have a more steady revenue stream.”

Sitting Pretty with E-Commerce

The Company

California-based Jordana produces and sells cosmetics under two major brands, including about 1,500 different products. In the 20 years since the family-run business started, the company has expanded sales to more than 40 countries, with international sales generating about 50 percent of revenue and continuing to grow. The company has about 60 employees in the Los Angeles area.

Channels

Jordana's major U.S. retail customer is Walgreens. Most international customers buy directly from Jordana's website. Foreign distributors are another important part of the mix, and some of them sell online on their own websites in their own countries. Jordana is now evaluating marketplaces that operate only in countries of interest.

According to international sales director Lisa de la Flor, a Chinese e-marketplace recently imported several of Jordana's products—and sold 2,000 units in two hours, with all of the activity taking place after midnight.

Lessons Learned

Jordana's experience with e-commerce has yielded several lessons:

- Pricing is the key to expanding the e-commerce business and achieving the desired margin. When the company started selling via e-commerce, it was happy to get orders. Then it noticed that its products began appearing on other

websites. That those websites were not specifically authorized to sell Jordana products on the web was one issue; that the sales prices were below what Jordana and its authorized distributors were selling for was another. "You need to learn from your mistakes," says de la Flor. "You have to think about the what-ifs and try to control them as much as possible." The solution will likely be specific terms and conditions to address the pricing and reselling issues.

- These terms and conditions will come in handy with Jordana's new e-commerce venture in China, because the Chinese platform operator has an interest in preventing unauthorized sellers from accessing the product.
- Knockoffs and trademark infringement are another problem in China. One attempt to trademark the Jordana name has already been made, with a Chinese party altering the name slightly. Efforts are underway to get it to cease and desist.
- Appointing distributors in foreign markets is a good way to increase sales and prevent unauthorized sellers and intellectual property theft. There are many traders, both honest and shady, who monitor online sales activities and chatter about products. They use this information to identify new products to pursue. This kind of product research brought an inquiry from Morocco. De la Flor referred the lead to her distributor in that country, who will then determine what expanding to Morocco would bring to the team.
- Look at how e-marketplaces in your target countries promote products. In the Chinese marketplace, products are photographed from every conceivable

angle. Promoters even put a ruler next to the Jordana lipstick to show exactly how long the product is. These details are important to Chinese consumers.

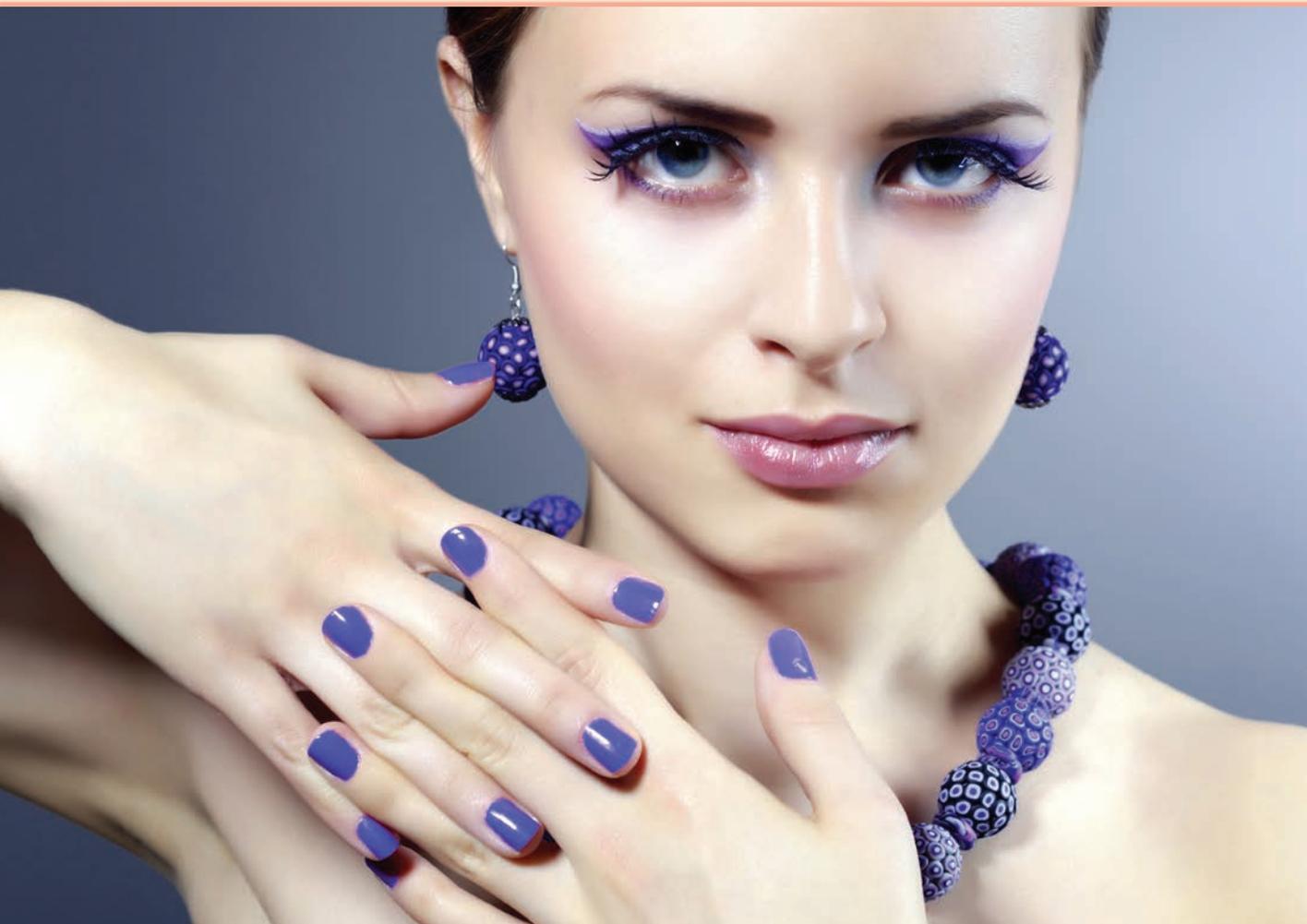
- Reputations can be damaged just as quickly as data travels over the Internet. You might not permit animal testing on your products, but a country where you'd like to sell your product may require it. Animal rights groups also have an international presence and have criticized small and medium-sized companies for allowing their products to be tested on animals, even though it is against the company's stated policy. Make sure you enter the international market with your eyes open.
- Simply creating a web presence with the functionality to collect payment and fulfill orders is not enough to generate substantial sales. Just as you promote in your domestic market, you must promote

your e-commerce presence. You need to blog about your product and get others to blog. Create buzz. Use social media to promote your brand and your products. The e-commerce channels are just that—channels. You have to manage them, and you have to promote on them.

- The U.S. Commercial Service can find distributors for your products, provide advice on regulations, and help identify the best markets. Its services are excellent, and the cost is either free or highly affordable.

A Chinese e-marketplace recently imported several products made by Jordana.

***In just two hours,
2,000 units sold—
all after midnight.***





PART III

Country Briefs



Israel

Summary

Cross-border purchasing is a driving force in the global marketplace. The most popular category is fashion. Cross-border shoppers are valuable consumers: they spend double what domestic online customers spend. In Israel, 72 percent of consumers shopped online and 82 percent shopped cross border in the past year. Free shipping and security can drive cross-border trade.

Market Entry

Popular E-Commerce Sites

- eBay Israel
- P1000
- Walla!Shops
- Best Buy
- GetIT

Digital Advertising

Digital ads can appear in search engines, display or banner ads, and digital video. Lead generation occurs through sponsorship, e-mail, and rich media (interactive media).

Current Market Trends

According to a survey conducted by PayPal in 2014, 72 percent of Israelis shopped online in the past 12 months.

Online Payment

Credit cards and PayPal are the most popular methods of online payment.

Cross-Border E-Commerce

Eighteen percent of online purchasers shop only domestically, 72 percent shop both domestically and cross border, and 10 percent shop only cross border.

Mobile E-Commerce

In 2013, mobile spending was USD 169 million—10.23 percent of the total spent online.

Social Media

Facebook, Twitter, Instagram, and LinkedIn are the most popular social media sites.

Statistics

Population: 8.3 million
GDP (USD): 305 billion
Currency: Shekel (ILS)
Languages: Hebrew, Arabic

Contact

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Current Demand

Percentages of Goods Sold Online

- Baby and children's supplies: 42
- Consumer electronics: 52
- Appliances and furniture: 26
- Entertainment and education: 41
- Clothing and apparel: 32
- Cosmetics and beauty products: 19
- Gardening supplies and tools: 16

Total Online Commerce (2013–16)

Year	Value (USD millions)	Change (%)
2013	1.733	
2014	2.047	+18
2015	2.336	+14
2016	2.608	+12

Source: Ipsos Research, 2014; 2015 and 2016 values are projected.

Services

- Tourism: hulyo.co.il (hotels and flights)
- Education: lamdan.co.il (database of private teachers)
- Financial services: etrader.co.il (a broker)

Major Buying Holidays

- Rosh Hashanah
- Sukkot
- Hanukkah
- Pesach (Passover)
- Israeli Independence Day
- Black Friday (same day as U.S. Black Friday)

Challenges

Intellectual Property Rights

Israeli intellectual property law is pursuant to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS); therefore, Israeli customs is authorized to enforce any intellectual property right, trademark, and copyright violations caused by imported products.

Data Collection

According to Israel's Protection of Privacy Law, data gathering is allowed only with the agreement of the user; any usage of the data also requires the user's consent.

Regulation

In 2011, Israel's legislature passed an e-commerce bill that regulates electronic documents related to e-commerce. The legislation determines the terms of receiving and sending orders by electronic messages and establishes new instructions regarding Internet companies' duty of confidentiality in regard to "distributors of information."

The Israeli Bureau of Consumer Protection and Fair Trade oversees enforcement of Israel's consumer protection law.

Prohibited Products

Any product that might be considered a threat to national security, public health, public safety, or the environment is prohibited. Imported products from hostile countries or from countries that do not have diplomatic relations with Israel are forbidden.

Kenya

Summary

Kenya has well-defined business-to-consumer (B2C) and business-to-business (B2B) market segments in major sectors such as telecommunications, banking, and retail. B2B includes business-process outsourcing, Internet marketing and advertisement, information security services, and enterprise resource planning. B2C includes premium-rate subscription services (e.g., downloaded ringtones, music, and games); consumer mobile services; toll-free telephone service; and online banking.

Generally, U.S.-made products are appealing to consumers for a variety of reasons; top among the reasons is that Kenyan consumers feel U.S. products are of better quality than, for example, Chinese products. According to Kenya National Bureau of Statistics data, the value of U.S. exports to Kenya rose to KES 29.5 billion (around USD 289 million) in May 2015, compared with China's KES 21.1 billion (around USD 207 million). Kenyan trade experts expect Kenyan demand for U.S. products and services to continue to increase steadily.

Statistics

Capital: Nairobi
 Population: 45 million
 GDP (USD): 61 billion
 Currency: Shilling (KES)
 Languages: English, Swahili

Market Entry

Popular E-Commerce Sites

The most commonly used sites are

- jumia.com (general shopping)
- cheki.co.ke (cars)
- olx.co.ke (similar to eBay or Craigslist)
- rupu.co.ke (general shopping)

Global sites such as Amazon and Alibaba also are gaining popularity.

Digital Advertising

Consumers now have access to 3G- or 4G-enabled smart devices, and ads are now often placed on social media platforms. However, traditional ad placements on TV, in print, and on the radio are common and most preferred, as they reach a wider audience. Digital and traditional billboards (found on major highways) are also used.

Fulfillment

- FedEx
- DHL
- Aramex
- Express Kenya

Contact

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Current Market Trends

Ninety-four percent of transactions in Kenya are still made in cash, according to McKinsey. However, an increasing number of consumers with reliable Internet access are choosing to make purchases online. Eighty-five percent of Kenyans have adopted electronic means of payment, including bank accounts, prepaid cards, or other payment products. According to a new study by MasterCard, some factors affecting online purchasing include broadband costs, logistics, fragmented and open markets, poor literacy rates, and distrust because of Internet fraud and cybersecurity issues.

According to a World Bank report, Kenya's economy is larger and growing more quickly than previously estimated (following a rebasing of growth figures), further elevating the country as an economic powerhouse in Sub-Saharan Africa. As a result of ongoing infrastructure projects and the recent decrease in oil prices, if current trends continue, Kenya's gross domestic product (GDP) was projected to have grown 6.0 percent in 2015 and 6.6 percent in 2016. The report continued to say that even if growth slowed, GDP should increase 5.6 percent in both 2015 and 2016, and 5.7 percent in 2017.

Online Payment

Ticketsasa is used to purchase advance theater and movie tickets. Mobile payment platforms such as M-Pesa and web store-integrated platforms such as Jumia and Rupu are the most popular methods of accepting payment. Online credit card use remains low, representing less than 1 percent of Kenyan online shoppers.

Cross-Border E-Commerce

Currently, less than 5 percent of Kenya's population engages in cross-border

e-commerce. However, an increasing number of consumers and small and medium-sized businesses are beginning to shop cross border.

Mobile E-Commerce

About 5 percent of consumers make e-commerce purchases on their cell phones. Active marketing by companies such as Jumia and OLX has contributed to the increase in demand. Nearly 90 percent of Safaricom's mobile subscribers use the M-Pesa mobile payment platform to make money transfers and cashless payments for goods and services. (The "M" stands for mobile and *pesa* is the Swahili word for money.) Once customers create an M-Pesa account, they put cash into their account through any of the 65,000 agents located countrywide. The service now enables mobile diaspora remittances to and from the United Kingdom through Skrill and to the United States through Western Union.

Social Media

Facebook, Twitter, Instagram, and LinkedIn are the most popular social media sites.

Current Demand

Services

Tourism and hospitality websites such as tripadvisor.com and sleepout.co.ke are major online hotel booking service providers. Online banking and other mobile financial services are also popular.

In the education sector, distance learning is available at the graduate level through virtual classrooms, videoconferences, and online blackboards.

Major Buying Holidays

- Valentine's Day
- Eid
- Easter
- Christmas

Challenges

Intellectual Property Rights

Any content that violates intellectual property rights is prohibited. This prohibition applies to all intellectual property, such as movies, music, and patents.

Data Collection

The Communications Authority of Kenya (CAK; formerly the Communications Commission of Kenya) regulates information and communication technology (ICT). CAK may impose licensing restrictions for safeguarding online consumer information collection and distribution.

Regulation

CAK provides licensing for transformational e-commerce initiatives. ICT is covered under a variety of laws, including the Science and Technology Act (Cap. 250) of 1977, the Kenya Broadcasting Corporation Act of 1988, and the Kenya Communications Act of 1998. Overall, a proper legal and regulatory framework for e-commerce is lacking in Kenya. According to CAK, increased use of e-commerce and other e-transactions may lead to increased cybercrimes and attacks, which will need to be addressed through robust legal frameworks and enhanced network security.

Prohibited Products

- Soaps and cosmetic products containing mercury
- Used tires for light commercial and passenger vehicles
- Narcotic drugs
- Counterfeit goods of all kinds
- Agricultural and industrial chemicals listed in the East African Community Customs Management Act of 2004

South Africa

Summary

Business-to-business (B2B) customers are frequently also business-to-consumer customers, so relationships are generally the same. Both types of customers have become accustomed to performing consumer product research online. As a result, both are using either consumer websites or B2B versions of consumer websites to purchase products and services either for their companies or as individuals.

Market Entry

Popular E-Commerce Sites

- takealot.com
- amazon.com
- bidorbuy.co.za
- groupon.co.za
- ebay.com
- game.co.za
- computicket.com
- mrp.com
- zando.co.za
- picknpay.co.za
- clicks.co.za
- edgars.co.za
- spar.co.za
- woolworths.co.za

Digital Advertising

Studies have shown the effectiveness of digital ads that appear on mobile devices. South Africa currently boasts a mobile penetration rate of 135 percent, and as data

prices and smartphone prices continue to drop, mobile devices will be at the forefront of digital advertising. Other forms of digital advertising often appear on popular social media, news, and e-commerce sites.

Current Market Trends

- 45 percent of online shoppers are in Gauteng, the South African province that encompasses both Pretoria and Johannesburg (two of the country's largest cities).
- 9.2 percent of shoppers have household income of over ZAR 70,000 per month (around USD 4,850).
- 73.7 percent of shoppers use e-commerce to make payments, pay utility bills, and transfer money at least once a week.

Online Payment

Credit cards, cash cards, bank transfers, and PayPal are all used in South Africa. Special online shopping credit cards are the most frequently used.

Cross-Border E-Commerce

The South African consumer market tends to trust international retailers more than local business. As a result, international sites are used much more frequently.

Statistics

Capital: Pretoria
 Population: 51.7 million (2011)
 GDP (USD): 350.63 billion (2013)
 Currency: South African rand (ZAR)
 Languages: English (business), others

Contact

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Mobile E-Commerce

More than 38 percent of South African consumers use their mobile devices for online purchases.

Social Media

- Facebook
- Instagram
- Twitter
- Flickr
- Tumblr
- Google+
- LinkedIn
- Badoo
- Pinterest

Current Demand

Services

Books, airline tickets, hotel reservations, and event tickets are the service-related items most often purchased online.

Major Buying Holidays

Apart from major internationally observed holidays, such as Christmas and Valentine's Day, there are none. Certain e-commerce sites run daily promotions to promote online purchases.

Challenges

Intellectual Property Rights

South African authorities are eager to improve compliance with intellectual property rights (IPR) laws, as required by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). However, there are still concerns about copyright, piracy, and trademark counterfeiting.

Businesses must comply with all IPR legislation pertaining to the consumer market. The U.S. Commercial Service can provide more information and help with registering products and trademarks.

Regulation

E-commerce is regulated in South Africa by the Consumer Affairs Committee. The committee sets out basic guidelines that require that suppliers (not users) of "cryptography" services or products register their names and addresses (and the names of their products, with brief descriptions) with the Department of Communications. Unless a (local or foreign) supplier has registered, it cannot provide services or products in South Africa.

Prohibited Products

- Drugs
- Pornographic material
- Plants, seeds, bulbs, and raw cotton
- Furs
- Unwrought gold
- Uncut diamonds
- Ammunition
- Furniture
- Honey and beeswax
- Dry ice
- Uncooked meat and poultry
- Dangerous goods as defined by the International Air Transport Association

Canada

Summary

Most online sales in Canada are business to business (B2B). Manufacturing and wholesale retailing are the most active business e-commerce sectors. B2B transactions are generally used to buy indirect supplies and direct materials, to sell products and services to new vendors, to leverage an online presence, and to invest in e-procurement solutions.

A survey conducted in 2006 by Statistics Canada indicated that approximately 68 percent of e-commerce transactions were B2B exchanges. Business-to-consumer (B2C) channels have a lower volume in Canada. Canada is very large and has lower population densities than the United States, so physical distribution channels have been slower to develop. Therefore, electronic orders (with the exception of digital delivery, such as airline tickets) are not very cost-effective, and B2C online transactions are not as strong within Canada. The B2C model usually consists of an electronic storefront (e.g., a website) that sells online to consumers.

In 2010, retail e-commerce in Canada was a USD 15.3 billion market, double its 2005 value. Consumers spent an average of

USD 1,362 per person, and 89.4 percent paid by credit card. In 2014, online sales made up 5 to 8 percent of Canada's total retail sales, generating more than USD 20 billion.

Seventy percent of Internet-connected Canadian small and medium-sized enterprises (SMEs) make online purchases, yet only 18 percent make online sales. Among Canadian SMEs selling online, 72.5 percent indicated that only 25 percent or less of total sales come from online channels. In a 2011 Canadian Federation of Independent Business survey, Canadian SMEs indicated that the cost of implementing an e-commerce platform was the biggest obstacle to accepting electronic payments.

Market Entry

Popular E-Commerce Sites

The most popular e-commerce sites are Amazon, eBay, Costco, and Walmart. The most popular e-commerce site, amazon.ca, controls 7 percent (about USD 1.5 billion) of the total USD 21.6 billion e-commerce sales in Canada, followed by eBay, Costco, and Walmart, which together account for close to 10 percent of e-commerce.

Statistics

Capital: Ottawa
Population: 35.75 million (est. 2015)
GDP (USD): 1.785 trillion (est. 2014)
Currency: Canadian dollar (CAD)
Languages: English, French

Contact

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Digital Advertising

Given the increasing access to and presence of the youth population on social media sites, digital ads have more consistently targeted social media rather than the traditional online news and information sources. Currently, 36 percent of digital ads are placed on social media, 18 percent on entertainment sites, and 12 percent on portals. The remaining ads are placed on news and information sites, directories, and similar outlets.

In terms of consumer preferences, younger Canadians make more mobile purchases and are more responsive to mobile ads. According to the Interactive Advertising Bureau of Canada, 2013 online ad revenue amounted to USD 3.8 billion from desktop and laptop ads and USD 443 million from mobile ads, showing a growing revenue rate for mobile ads.

Digital video advertising is also becoming more popular. According to comScore, mobile commerce (m-commerce) is on the rise, because of the increasing mobile connectivity of smartphones and tablets. Digital advertising now has surpassed TV advertising revenues and is poised to become the favorite advertising venue in Canada. As mentioned in a 2014 Ernst & Young report, “Retailers should invest in better mobile-enabled technology and enhanced websites for tablet users.” Ernst & Young advises, “They should also consider a significant shift in spending to digital advertising and social media.”

Fulfillment

- amazon.ca
- integratedfulfillment.com
- farrow.com
- shipwire.com
- directdistribution.ca
- radial.com
- wiptec.com
- rakuten.ca

North American Free Trade Agreement

Under the North American Free Trade Agreement (NAFTA), no customs duties or tariffs are levied on qualified U.S.-made products entering Canada. To get duty-free status under the NAFTA rules of origin, a commercial NAFTA import over CAD 1,600 (around USD 1,200) must be accompanied by a NAFTA Certificate of Origin, and a commercial import less than CAD 1,600 requires only a statement of origin from the exporter that the product is U.S. made. Canada looks at the origins of the component parts of an item and evaluates whether they are transformed in the process of manufacture into another category to determine whether the product is entitled to NAFTA treatment. This process can be quite complex; for more assistance, including instructional videos, you can visit 1.usa.gov/1IprYOW or contact your local U.S. Commercial Service trade specialist.

Current Market Trends

Online purchases that have digital delivery, such as travel tickets, are the items most often purchased online: 58 percent of Canadians shop online for airline tickets, followed by services such as hotel bookings and car rentals. According to the Canadian Internet Registration Authority, the top five types of goods and

services purchased most often online by Canadians are

- Travel arrangements: 58 percent
- Entertainment event tickets: 52 percent
- Clothing, jewelry, and accessories: 42 percent
- Books, magazines, and online newspapers: 42 percent
- Music: 35 percent

In general, items that are the same from one retailer to another sell better online than do items unique to a specific store or items that customers want to see or touch, such as cars, food, and similar products.

Social Media

Social media is becoming very popular throughout Canada. According to Statistics Canada, more than two-thirds of Canadians who spent time online visited social networking sites such as Facebook or Twitter. Canada's most popular social media sites are

- Facebook
- Twitter
- LinkedIn
- Tumblr
- Pinterest
- YouTube
- Google+
- Myspace

Current Demand

In 2012, Canadians spent USD 18.9 billion online for goods and services, up 24 percent from 2010. Demographically, younger Canadians (ages 25 to 34) were more likely to purchase online, and 67 percent of them made web purchases. The number of Canadians over the age of 65 rose from 40 percent in 2010 to 48 percent in 2012, suggesting one potential reason that online purchasing represents only about 4 percent of total retail sales.

Census metropolitan areas with the highest rates of Internet use include Kelowna (93 percent), Regina (90 percent), Victoria (90 percent), and Calgary (89 percent).

Services

- Tourism (tickets, sports equipment, and travel packages)
- Education (books, magazines, and newspapers)
- Financial services (tax software and brokerage accounts)
- Leisure (music, toys, games, and videos)
- Technology (software and hardware)

Challenges

Intellectual Property Rights

Companies must be aware of their copyright, trademark, domain, and patent rights—not only to safeguard their own efforts, but also to prevent accidental unauthorized use of other individuals' intellectual property.

Canada remains on the Special 301 "Watch List." The International Intellectual Property Alliance (IIPA) has advised Canada to prioritize legislative and regulatory reform and related enforcement. An IIPA report states, "It is hard to avoid the conclusion that Canada remains a magnet for sites whose well-understood *raison d'être* is to facilitate and enable massive unauthorized downloading."

Canada has introduced legislation with the goal of addressing intellectual property right issues.

Data Collection

Canadian data collection restrictions are essentially similar to U.S. laws. The most important data-gathering restrictions in Canada



pertain to data on children and other sensitive information.

- When a company places ads on social media sites (such as Facebook) known to be used by minors (persons under 18 years of age), the company cannot collect or use the minors' data without parental consent. Therefore, children's web-browsing behaviors are not automatically used to target online advertising.
- Sensitive information cannot be collected without explicit consent by the consumer.

Most data-gathering restrictions, apart from restrictions related to sensitive information, concern the consumer's willingness to disclose information to first and third parties. Although asking for permission is highly recommended, there are no specific rules regulating non-sensitive consumer information.

The Digital Advertising Alliance of Canada has started an "opt out" initiative, in which consumers can decide whether they want to receive targeted advertising messages. Data gathering of specific user behavior strictly for the purpose of delivering online advertising can be declined by the consumer. Separate provisions exist for first parties, third parties, and service providers that engage in online behavior-based advertising.

Regulation

U.S. companies need to comply with Canada's federal data privacy laws, including the Privacy Act and the Personal Information Protection and Electronic Documents Act (PIPEDA), as well as provincial privacy laws. PIPEDA requires persons or companies that collect personal information during the course of commercial activities to inform the subject of all possible uses of the data and to obtain consent for their use.

Since 1998, the government has adopted a "technology-neutral" approach to e-commerce taxation, which avoids Internet-specific taxes.

Taxes and Other Costs

Import Duties

The main barrier faced by companies that ship to Canada is import duties. The maximum duty-free value of a shipment to Canada is extremely low—the maximum personal exemption limit (PEL) is CAD 20 (about USD 15), compared to the U.S. maximum PEL of USD 180.

U.S. businesses exporting U.S.-originated merchandise into Canada are not required to pay duties on shipments going into Canada. This does not apply to merchandise without U.S. origin. Many U.S. businesses find it difficult to ship to Canada if they are selling products not made in the United States. For example, when a U.S. company ships a product labeled "Made in China" to Canada, the Canadian customer must pay the import duties associated with Chinese products. Several U.S. companies have reported that when Canadian customers refuse to pay import duties, the U.S. companies are then left to bear the cost, eliminating much or all of any gross margin they realized as part of the sale.

Further, many U.S. retailers feel that the collection of duties by Canadian authorities can be unpredictable.

Import Taxes

In Canada, there are three types of sales taxes: provincial sales tax (PST); federal sales tax, called the goods and services tax; and the combined harmonized sales tax (HST). Every province except Alberta implements a PST or the HST. The territories of Yukon, Northwest Territories, and Nunavut do not have territorial

sales taxes. These taxes may or may not apply to goods being shipped into Canada. For more information on applicable taxes, please visit bit.ly/1FCIsMQ.

If taxes are not collected up front, the customer will have to pay them on delivery. Collecting taxes upon purchase of the goods is a procedural hurdle that many small U.S. retailers find onerous and not worth the effort, although several service providers offer time-of-purchase tax collection services to streamline the process.

Brokerage Fees

Brokerage fees tend to make up the bulk of the cost for most cross-border shipments. The fees are included in UPS or FedEx air shipments, but they are not included in ground shipments, and the driver may be required to collect them. According to several e-commerce websites, shipping to Canada via the U.S. Postal Service (USPS) is the “safest” way for a U.S. company to reduce the risk of extra fees when shipping to Canada. The USPS is also widely reported to be the cheapest option.

Unless the U.S. shipper instructs otherwise, most carriers (DHL, UPS, FedEx, and others) will

add their own brokerage fees automatically when the product enters Canada, and many vendors complain that the rates are quite high (often 10 percent of the declared value of the goods). U.S. companies that ship to Canada often hire customs brokers, who have a reputation for being faster and cheaper than the major carriers.

If a customer refuses to pay the duties, sales tax, or brokerage fees, the carrier can bill the shipper. In some cases, if the Canadian customer does not accept the shipment and it is returned, the shipper will be charged duties, taxes, and brokerage fees going into Canada and brokerage plus freight on the return trip to the United States. These issues make some companies hesitant to ship to Canada.

Prohibited Products

Dangerous items or products that mimic the appearance of dangerous items, such as inert or replica munitions and lighters containing fuel, are prohibited from entering Canada. The Canada Border Services Agency will prevent these products from entering Canada through the mail. For more information on items that can't be mailed, refer to Canada Post via bit.ly/1QUv7Ji.

Colombia

Summary

It is safe to do business in Colombia. Moreover, Colombians have an affinity for U.S. goods and frequently visit the United States as tourists and shoppers. Many Colombians have post office boxes in the United States, used to receive goods purchased from U.S. online vendors who refuse to ship internationally. Colombians then organize their own shipments to their businesses or homes.

Small and medium-sized enterprises (SMEs) play an important role in the Colombian economy. It is easier than ever to reach Colombian SMEs online, and for them to reach suppliers in the United States. SMEs, often referred to in Colombia as *MiPyMEs* (an acronym for *micro, pequeña, y mediana empresas*—literally, micro, small, and medium enterprises), include about 90,000 companies, which generate 40 percent of the country's GDP and 80 percent of all jobs. They are focused in the industrial, retail, and service industries. The share of SMEs connected to the Internet rose to 60 percent by the end of 2013, compared with only 7 percent in 2010.

Statistics

Capital: Bogotá
Population: 48,227,000
GDP (USD): 378.4 billion
Currency: Colombian peso (COP)
Language: Spanish

Market Entry

Popular E-Commerce Sites

Although no information about online commerce platforms is openly available, portions of studies carried out by companies such as FedEx, PayU Latam, and comScore indicate that the most prominent online commerce platforms include

- mercadolibre.com.co
- dafiti.com.co
- linio.com.co
- mercadoshops.com.co

Current Market Trends

According to a recent FedEx study, business-to-business and business-to-consumer SME e-commerce is estimated to have reached a combined USD 3.5 billion in Colombia, an increase of 41.3 percent compared with the previous year (above the world average of 29 percent). A separate report by PricewaterhouseCoopers quoted within the FedEx study (using data gathered from Colombian payment-processing companies) estimates Colombia's total online commerce at USD 8.3 billion (2.2 percent of 2013's GDP.)

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Online Payment

- Credit card: 55 percent
- Cash at authorized collection points: 34 percent
- Debit (checking or savings): 11 percent

Current Demand

Several types of items are commonly purchased online:

- Airline tickets
- Electronics
- Hotel reservations
- Clothing
- Coupons
- Footwear

The majority of transactions came from the cities of Bogotá, Medellín, and Cali.

Challenges

Colombia's tax and customs agency, DIAN, does not specifically impose additional taxes on online sales. However, the associated goods in the transactions are subject to the appropriate value-added tax (VAT) and tariffs, and added costs are associated with the taxes levied on payment-processing companies (withholding tax of 1.5 percent, VAT withholding of 2.4 percent, and 0.414 percent industry and trade withholding tax, for a total of about 4.3 percent). For more information, please visit bit.ly/1O6ktxL.

Mexico

Summary

Mexico's business-to-consumer market is much more developed than its business-to-business (B2B) market. Mexican development bank NAFIN is developing a new platform to promote B2B e-commerce.

Companies entering the market can use English. Their customers are likely to belong to the upper-middle class and will know English. However, companies wanting greater market penetration should offer Spanish-language sites.

Market Entry

Popular E-Commerce Sites

Airplane tickets and hotel reservations have traditionally been the most popular online purchases, so travel sites such as [despegar.com](#), Expedia, and TripAdvisor are among the most popular. The Spanish Privalia and Brazilian Netshoes sites also have been successful in the clothing and accessories market. Online marketplaces such as Mercado Libre are also used, as is iTunes for video and music purchases.

Digital Advertising

E-mail marketing is the most popular method, followed by search engine advertising, social network pages, social network ads, and online portal banner ads.

Fulfillment

Amazon opened a fulfillment center in Mexico in 2015. Most companies use the fulfillment centers of logistics companies such as DHL and FedEx.

Current Market Trends

There are currently 50 million Internet users in Mexico; 37 percent claim to have made an online purchase. In 2013, the e-commerce market was valued to be USD 9.2 billion, an increase of 42 percent from 2012. Buyers are evenly distributed along gender lines. Nearly a third of buyers (32 percent) are age 25 to 34, followed by buyers age 18 to 24 (31 percent) and 35 to 44 (17 percent).

Online Payment

- Credit card: 64 percent
- Direct bank deposit: 12 percent
- Online wire transfer: 11 percent
- Cash in participating stores: 9 percent

Statistics

Capital: Mexico City
Population: 120 million (est. 2013)
GDP (USD): 1.26 trillion (2014)
Currency: Mexican peso (MXN)
Language: Spanish

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Cross-Border E-Commerce

- Mexican sites only: 44 percent
- Mexican and foreign sites: 39 percent
- Foreign sites only: 5 percent

Mobile E-Commerce

No data is available specific to purchases, but 12 percent of consumers access e-commerce via a smartphone, and 8 percent from a tablet.

Social Media

Facebook, Twitter, LinkedIn, and YouTube are the most popular social media sites in Mexico.

Promotions and Discounts

From most to least popular, Mexican shoppers look for discounts, free shipping, some number of months without interest payments, and (to a lesser degree) gifts and reimbursements.

Current Demand

During 2013, tourism (airline and bus tickets) fell from the top ranking for online purchases (double most other categories) to sixth place behind music and movies, computers, entertainment tickets, clothing and accessories, and hotel reservations.

Major Buying Holidays

Christmas (online purchases begin to spike in November because of the *Buen Fin* promotions—the Mexican equivalent of Black Friday). The month of May also sees a lot of e-commerce traffic (Mother's Day and the beginning of the summer holiday season).

Challenges

Intellectual Property Rights

Mexico has no intellectual property rights (IPR) regulation specific to e-commerce. Either the

Mexican Institute for Industrial Protection (IMPI) or the National Copyright Institute (INDAUTOR) will likely oversee e-commerce IPR, but no final decision has been made.

Data Collection

Federal law includes preliminary regulations for protection of personal data held by private parties. Companies must generate a privacy notice for all their electronic communications (including websites), advising customers of the way their data will be handled. Mexico is adopting a self-regulation model concerning further data protection legislation. Compliance will not be mandatory, but companies that do comply will gain incentives, such as a better reputation, facilitation of international data transfers, and avoidance of penalties. The self-regulation framework is still under development by the National Institute for Transparency, Access to Information, and Protection of Personal Data (IFAI).

Profeco, the Mexican consumer protection agency, is also becoming involved in data privacy and has signed a memorandum of understanding with the U.S. Federal Trade Commission. The Mexican Internet Association, AMIPCI, issues a trust seal for e-commerce sites and is a member of the World Trustmark Alliance.

Regulation

E-commerce is featured in Mexico's national digital strategy, to be developed via better connectivity throughout the country. ProSoft, a program of the Mexican Ministry of Economy, promotes the use of online platforms both to consumers and to the Mexican industrial sector. The National Institute for Entrepreneurs, also under the Mexican Ministry of Economy, has programs in place to encourage e-commerce among small and medium-sized companies.

Peru

Summary

By the end of 2014, Peru was estimated to have had nearly 12.6 million Internet users, with a market penetration rate of 38 percent. This figure is still well below countries such as Panama, Chile, Argentina, Mexico, Brazil, and Colombia, which each exceed 50 percent market penetration. Further, only about 30 percent of the population has at least one bank account, well below the regional average of 50 percent.

Peru lacks much of the infrastructure needed for e-commerce. However, there are signs that the situation is improving. New communication technology is being installed throughout the country, and smartphones are becoming increasingly popular. As a result, more people are gaining Internet access.

In 2014, the mobile market expanded to 31.9 million lines, representing a high national density of 107 percent (more lines than people). In addition, Peru's Red Dorsal de Fibra Óptica (fiber-optic network) is currently in development. The network is intended to unite 180 provincial capitals and 21 regional capitals by adding 13,400 kilometers of electrical cable to the country's current

electric distribution infrastructure. This project aims to reduce the cost of Internet access and began operation in mid-2016.

In contrast to the limited access available, Peruvian users spend an average of 18.2 hours a month on the Internet—Latin America's second-highest average usage, surpassed only by that of Argentina. The majority of Internet users (56 percent) are men between the ages of 15 and 24.

Of Peru's 200 top private companies, only 72 percent conduct electronic transactions through their own website or through a third party. On the regulatory side, SUNAT (Peru's tax authority) uses electronic means to exercise the detailed control of tax collection. Therefore, SUNAT has issued a regulation (Resolution 188-2010-SUNAT) to establish the electronic invoice, *norma de la factura electrónica*. However, unlike other countries, Peru has no comprehensive state policy promoting the widespread growth of information and communications technology.

Businesses are beginning to use their own business e-mail accounts, instead of informal personal e-mail addresses (through Hotmail or Gmail) to conduct business. Owning

Statistics

Capital: Lima
Population: 31,151,643 (est. 2015)
GDP (USD): 403.322 billion (proj. 2015)
Currency: Nuevo sol (PEN)
Languages: Spanish, Quechua, Aymara

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a company e-mail server allows Peruvian businesses to appear more professional.

Market Entry

Popular E-Commerce Sites

According to April 2014 data from comScore Media Metrix, from April 2013 to April 2014 the most visited retail sites (by unique visitor) in Peru were

- Mercado Libre: 976,000
- Amazon: 480,000
- sagafalabella.com.pe: 377,000
- eBay: 273,000
- alibaba.com: 263,000
- apple.com: 261,000
- Linio: 244,000
- buscapacompany.com: 184,000
- cineplanet.com.pe: 176,000
- www.ripley.com.pe: 170,000
- netflix.com: 137,000

The use of travel-related sites is increasing, with above-average use for the region (not including Brazil). According to the same data, the most visited travel sites in 2014 were

- lan.com: 378,000
- despegar.com.pe: 195,000
- tripadvisor.com: 168,000
- travelspike.com: 112,000
- priceline.com: 105,000
- booking.com: 98,000
- aviance.com: 98,000
- atrapalo.com: 92,000
- marriott.com: 71,000
- perutoptours.com: 70,000

According to Arellano Marketing (2013), 7 percent of online purchases come from people ages 18 and over. Common purchases are products (79 percent), services (33 percent), discount coupons (8 percent), and tablet and smartphone apps (7 percent).

Digital Advertising

The main means of digital advertising are

- E-mail marketing
- Social networking sites
- Search engine optimization
- Publicity (banners) in search engines

In 2013, 56 percent of online shoppers reached vendor sites through social networking sites. Additionally, according to recent surveys, the main retail companies plan to develop mobile marketing strategies.

Fulfillment

The company BSF Almacenes del Perú rents fulfillment centers; it has two properties, one 130,000 m² facility in Villa El Salvador and a second, larger 700,000 m² facility in Lurín. The company also offers freight elevators and office space rentals. It currently provides services for Saga Falabella, Ripley, Sodimac, Tottus, Cencosud, Plaza Veá, and Supermercados Peruanos.

Linio also has its own fulfillment center in Villa El Salvador.

Current Market Trends

E-commerce transactions via credit card grew from 2.2 million in 2012 to 4.1 million in 2014, representing an 89 percent increase in two years. At the same time, the amount traded has increased 80 percent, from USD 668 million in 2012 to USD 1.868 billion in 2014.

The Lima Chamber of Commerce (Cámara de Comercio de Lima, or CCL) predicts that in 2015 there will be a 50 percent increase in e-commerce sales, owing to an increase in sales related to food and entertainment industries. Lima continues to be the country's main economic hub, and other cities such as Cusco, Trujillo, and Chiclayo are starting to show positive economic results.

A 2014 survey showed that 75 percent of the population owned a cell phone, with 16 percent being smartphone users. In addition, smartphones accounted for 49 percent (6.7 million units) of mobile equipment sold nationwide. The growth and use of mobile devices (especially smartphones) allow users to make online purchases more easily, mainly through the use of apps—both from Peruvian companies and across borders. As a result, mobile e-commerce should continue to grow.

Items such as food, apparel, and utility bills are expected to be the most relevant to consumers who use mobile payment systems.

Online Payment

- Credit cards
- Debit cards
- Prepaid cards
- Bank agencies
- Cash on delivery
- Bank deposit
- Payment in store, after ordering online

Cross-Border E-Commerce

A majority of purchases (63 percent) are of foreign products, demonstrating the lack of local supply.

Social Media

According to 2014 comSource Media Metrix data, the most visited social media sites (counting total unique visitors) between April 2013 and April 2014 were

- [facebook.com](https://www.facebook.com): 5,101,000
- [linkedin.com](https://www.linkedin.com): 2,468,000
- [taringa.net](https://www.taringa.net): 1,992,000
- [ask.fm](https://www.ask.fm): 1,232,000
- twitter.com: 753,000
- [scribd.com](https://www.scribd.com): 333,000
- [tumblr.com](https://www.tumblr.com): 277,000
- [deviantart.com](https://www.deviantart.com): 155,000
- [tagged.com](https://www.tagged.com): 152,000

Although Facebook leads Peru's list of most visited social media sites, it is not the only one being visited. Recent data shows that Instagram is becoming increasingly popular in Peru. Instagram, a social media network through which users share photos and content, can give exposure to global and local brands.

Promotions and Discounts

E-commerce in Peru is known for deals and discounts. A single national promotion can let some companies sell more over a short period of time than they would normally sell all year in their physical stores. Sites such as Groupon, OferTop, and Cuponatic are popular among price- and value-conscious Peruvian consumers.

Current Demand

Services

Travel and Tourism

- Tourism packages and set-date promotions are popular (for example, products related to the Christian Holy Week, July national holidays, and New Year's Day).

Education

- Online certification courses and postgraduate programs.

Financial Services

- Internet banking and mobile banking.

Planning

- Online project management software in Spanish may grow in demand.

Engineering and Architecture

- Online programs for designing may become popular.

Major Buying Holidays

Since 2012, CCL has promoted Cyber Monday, which takes place on the Monday after the U.S. Thanksgiving holiday. Cyber Monday usually occurs in late November or early December. Also, since 2014, CCL has promoted CyberMami, which is held right before the Peruvian Mother's Day, which is celebrated on the second Sunday of May.

Some companies, such as Saga Falabella, also launch their own seasonal promotions, such as Madrugón, which takes place when a new season arrives.

Challenges

Intellectual Property Rights

Peru has signed the Tratado Derecho de Autor de la Organización Mundial de Propiedad Intelectual and the Tratado de Interpretación o Ejecución y Fonogramas de 1996. Also, the framework of the United States–Peru Trade Promotion Agreement includes a chapter on intellectual property, including brands, geographical indications, web addresses, innovation, and technological development. It also seeks to protect the moral and economic rights of the authors who own the intellectual property. The aspects covered in the chapter on intellectual property were incorporated into national legislation through Law No. 29316 on January 14, 2009.

In spite of this, Peru has remained on the Office of the U.S. Trade Representative's special 301 "Watch List" since 1992 because of continued high piracy rates, inadequate enforcement of intellectual property rights (IPR) laws, and weak or unenforced penalties for IPR violations.

Data Collection

Recently, unauthorized sharing of users' personal data has become a top issue. The government has begun to implement laws, such as 2013's Law of Protection of Personal Data, to both improve safeguards of personal data and protect a user's reputation and privacy.

All companies who do business in Peru and handle user data are obligated to follow the law, and are required to declare

- An online privacy policy to inform users of the purpose and audience for the data
- The owner of the database
- Consequences of sharing the information
- Means to exercise users' rights

Regulation

Currently, Peru has no specific law on e-commerce, nor has any proposal been discussed. Peru's most recent e-commerce-related actions are included in Chapter 15 of the United States–Peru Trade Promotion Agreement and cover aspects such as electronic service delivery, digital products, transparency, consumer protections, authenticity, and paperless trade administration, with the purpose of eliminating barriers and promoting the development of e-commerce. Additionally, Peru's private sector has developed proposals to promote e-commerce: for example, the CCL promotes the creation of the Instituto Peruano de Comercio Electrónico (Peruvian Institute of Electronic Commerce), which would be an observer and advocate of the sector.

The Asociación de Bancos del Perú (ASBANC) is also helping to create a stable and secure e-commerce market. ASBANC has been

working on the Proyecto de Dinero Electrónico (Electronic Money Project), called *Modelo Perú*, which seeks to create a platform for conducting financial transactions using mobile phones. Electronic money users can make money transfers and pay utility bills and taxes up to PEN 4,000 (approximately USD 1,268) per month. Soon, users will be able to purchase goods and services from providers who take part in this safe and secure electronic platform.

Prohibited Products

The General Customs Law (Decreto Legislativo No. 1053), its regulations (Decreto Supremo No. 010-2009-EF), and the Customs Crimes Act (Ley No. 28008) dictate what tradable commodities are prohibited or restricted. The laws aim to safeguard national security as well as the right to life, health, and the environment, among other local concerns related to customs processes. In addition to administrative penalties and fines, any person who brings in or removes such merchandise may be subject to imprisonment for 8 to 12 years.

A detailed list of prohibited and restricted goods is available at bit.ly/1ETkzWT.

Resources

Arellano Marketing. 2013. "Un 7% de Peruanos Realiza Compras por Internet." February 12. bit.ly/1UIZsgN.

China

Summary

E-commerce is rapidly increasing in China. In May 2015, it accounted for around 10.6 percent of all retail sales. Of the more than 632 million Chinese Internet users, 47 percent are online shoppers—equivalent to nearly the entire U.S. population.

According to the Chinese government's National Bureau of Statistics (CNBS), e-commerce sales totaled USD 449.12 billion in 2014, up 49.3 percent from USD 300.74 billion in 2013. In comparison, U.S. e-commerce sales totaled USD 304.91 billion in 2014, according to U.S. Department of Commerce estimates (February 2015). And China's e-commerce market is growing more than three times more quickly than the U.S. e-commerce market.

Although Chinese online shoppers have an official average income much lower than that of the average American, Chinese middle-class income is growing rapidly according to CNBS. The Chinese research company iResearch forecasts that China's e-commerce market will grow at a 27 percent rate over the next four years.

U.S. companies planning to sell products via Chinese e-commerce platforms can

use a traditional approach and establish a company in China, such as a subsidiary, a joint venture, a wholly owned entity, or a local distributor or agent. Or they can use cross-border e-commerce to sell the products directly from the United States. Within the massive growth of e-commerce in China, an additional format—called bonded online shopping—allows cross-border online shopping via government-approved websites. Goods imported via bonded shopping are exempt from certain import duties, consumption taxes, and value-added taxes; the goods are only subject to personal postal articles tax. Cross-border e-commerce is still relatively new and is likely to experience significant changes as additional regulations are put in place.

Market Entry

In 2014, approximately 18 billion Chinese consumers purchased an estimated USD 161 million in foreign goods. More than 2,000 Chinese enterprises focus on cross-border e-commerce, but only a handful are experiencing significant volume: Tmall Global, USA Shop, and a few others.

Statistics

Capital: Beijing
Population: 1.67 billion
GDP (USD): 10.3 trillion
Currency: Renminbi (RMB)
Language: Mandarin Chinese (official)

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Popular E-Commerce Sites

Alibaba accounts for 50 percent of the online business-to-consumer (B2C) market with its Tmall platform and for more than 90 percent of the consumer-to-consumer (C2C) market with its Taobao platform.

JD.com is Alibaba's chief rival, at 25 percent market share. It relies on better logistics and has a reputation for selling authentic, non-fraudulent products.

Other big players include NASDAQ-listed Dangdang, Walmart-invested Yihaodian, and Amazon. However, all together, these three companies together have less than 3 percent market share.

There are ongoing efforts to make more U.S. goods available to Chinese buyers. Chinese middlemen generally buy foreign-sourced goods and take care of China's complex licensing process. To avoid the licensing process entirely, a U.S. company can ship its product directly from the United States, so the products are treated as sold outside the country (and thus do not need in-country licensing).

For example, Alibaba operates Tmall Global, a marketplace designed to help non-Chinese companies sell to Chinese consumers. Jingdong Mall (JD) is also working to sell more U.S. products through a similar channel that is tailored for smaller companies.

If you wish to sell via Tmall or Taobao, you must properly register the products with the sites—a process that requires a Chinese partner or expertise in the Chinese market. Your local U.S. Commercial Service trade specialist can connect you to our China offices for support with the process.

Digital Advertising

Digital ads can be placed in all the venues familiar to U.S. companies: e-commerce sites, focused portals, search engines, blogs, and online forums. Placing them programmatically is a problem, however, given China's strict licensing rules for advertisers. Consumer preferences depend on the offering and the context; however, in terms of conversion, efficiency, and scalability, search engine advertising is hard to beat. Although typically less than 1 percent of people who view an ad click on it, those who do so have prequalified themselves as serious prospects. The low bid prices and easy testing parameters further distinguish search engine marketing as a go-to tactic.

Current Market Trends

Authenticity and diversity of goods have become the two biggest priorities for online consumers, leading to major growth in China's cross-border e-commerce industry. E-commerce import value was roughly USD 161 million in 2014, driven by approximately 18 million Chinese shoppers.

More than 80 percent of Chinese use mobile devices as their primary means of Internet access. Also, an increasing number of e-commerce sites specialize in specific product categories, such as imported food, baby products, and independent designer brands. Specialty sites are growing in popularity, fueled by large amounts of venture capital. They are not necessarily eating into the market share of Alibaba, China's biggest e-commerce provider, though. Plenty of opportunity exists, given the 30 percent average annual growth of the industry as a whole.

Online Payment

Alibaba's payment gateway, Alipay, has roughly half of China's online payment market share. The remainder is dominated by Tencent's Tenpay and by UnionPay. However, credit cards are growing in popularity. Visa and MasterCard are now offered through China Construction Bank and HSBC China.

Mobile E-Commerce

In 2014, Chinese consumers spent close to USD 150 billion via their smartphones and tablets, up 239 percent from 2013, according to iResearch. Mobile computing is expanding much more quickly than desktop computing, so mobile e-commerce is incredibly important.

Social Media

Recently, WeChat has been gaining in popularity. Former champion Weibo began hemorrhaging active users in 2013, following a variety of events in China's online community.

WeChat is a mobile app that provides much more intimacy than Weibo did, as well as voice messaging and other added-value features. It has quickly grown to approximately half a billion users. As a result, parent company Tencent has made in-app stores possible and integrated with Alibaba rival JD. Although there are C2C success stories for those stores, JD integration has not been the threat to Alibaba that was expected, and Tencent is now even selling products on Tmall.

Tencent is now concentrating on in-stream targeted ads—similar to some Facebook ads—and the app's main e-commerce value will most likely be in online to offline use, which its mobile-first user experience is suited for.

Other once-big social sites based on microblogging, such as Renren and Kaixin,

have basically fallen by the wayside in the rush to mobile multimedia communication. Interestingly, Tencent's QQ application, the predecessor of WeChat, has more than 700 million users and is China's most popular instant messaging app, preferred over e-mail and phones for a wide variety of communications.

Promotions and Discounts

Group buying and flash sales are most commonly used on Chinese e-commerce sites. They are generally used for products with highly recognizable, competitive brands or for restaurant meals and movie tickets. Holiday promotions, including for Christmas and Valentine's Day, also are very common.

Current Demand

Both B2C and B2B have been revolutionized by the Internet. Alibaba has changed the way China does business; it empowers smaller vendors and customers with transparency and escrow payments. B2B was particularly hampered by postsocialist, traditional modes of patronage and kickbacks. Now more than 70 percent of China's 2014 USD 1.6 trillion in total e-commerce transactions is B2B. As for B2C, this channel comprised 9 percent of China's total retail for 2014.

High-end shopping malls are becoming more popular in urban centers; however, China's population is spread over a huge geographic area. As a result, China's booming consumer class often needs to rely on e-commerce.

Major Buying Holidays

China's Singles' Day, November 11, is easily the world's largest e-commerce sales day, topping over USD 9 billion in 2014. However, because of the deep discounts offered by China's major

sellers, Singles' Day is actually more about brand-boosting than profit.

Contrary to what one might expect, the Lunar New Year does not drive huge e-commerce numbers. Because of the massive number of people taking time off to visit family, delivery is slowed.

Challenges

Leaving some English in one's packaging helps convey a sense of international quality and adds to a brand's foreign cachet, but 99 percent of marketing copy must be in Mandarin.

Sales copy must be both accurately translated and effectively written, but finding a qualified, capable, and bonded translation company can be difficult.

Intellectual Property Rights

Copycatting is a byword for doing business in China. However, the huge publicity around fraudulent goods has led to China's adoption of a streamlined process for registering copyrights and trademarks. The process, including legal fees, can cost a few thousand dollars or less.

Luxury brands have suffered the most from intellectual property theft, and many iconic U.S. companies find copyright claim-jumpers awaiting them in China. For a relatively unknown U.S. brand, there is less threat of piracy.

Issues mainly arise when a company has a vested interest in developing and making products within China—defense components, cloud software, and aerodynamics equipment. However, legal remedies are evolving rapidly, particularly in the e-commerce space. The government is trying to promote transparent e-commerce as a pillar of its consumer economy.

Regulation

The government has taken a very public stance in promoting e-commerce. There have also been several highly publicized crackdowns on online sellers of fraudulent goods. Streamlined regulations have been created to govern consumer transactions.

Issues mainly arise when U.S. companies fail to acquire the proper license. However, a Chinese e-commerce platform can advertise on behalf of a U.S. company that does not have a license, provided that the company's products are clearly advertised as coming from overseas.

Certification of products for major product categories, such as cosmetics and health supplements, is quite strict and time-consuming. Cross-border commerce enables Western goods to clear customs rather than be licensed for sale in China, an advantage that has helped fuel the rapid rise of cross-border e-commerce in China.

India

Summary

Three business-to-business (B2B) transactions are common in India:

- **Buyer-controlled:** A consortium of buyers aggregates its purchases. This enables buyers to manage the procurement process efficiently with lower administration costs and uniform pricing.
- **Seller-controlled:** Sellers catering to fragmented markets such as chemicals, electronics, and auto components come together to establish a common trading platform for the buyers.
- **Third-party exchanges:** Exchanges are controlled neither by actual buyers nor by actual sellers, but by a third party. An exchange provides a platform for business transactions between the buyers and sellers and thrives purely on the fees and commissions generated by matching buyers with sellers.

Several variants of the business-to-consumer (B2C) model operate in India:

- **E-tailing:** An online transaction occurs between the buyer and the holder of inventory or a reseller for retail goods. Online sale of retail goods, such as apparel, home goods and furnishings, baby products, health care products, and automobiles, comes under the purview of e-tailing. Myntra and Jabong are two websites that Indians use for e-tailing.

- **Financial services:** Online transactions involving insurance services and fund-based transactions such as utility bills fall under this category. PolicyBazaar and Insurance Bazaar are two websites used for financial services.
- **Online classifieds:** Online job listings, matrimony sites, and sites selling cars or real estate are examples of online classifieds. Naukri and Monster are two examples.
- **Other online services:** Entertainment ticketing, prepared food delivery, and grocery delivery fall under this category. Examples include Indian Railway Catering and Tourism Corporation (IRCTC), BookMyShow, and foodpanda.

The B2C e-commerce ecosystem broadly includes

- E-commerce players that provide the platform and set up support processes to facilitate online transactions
- Regulatory bodies that define regulations affecting incumbents, new players, and other constituents
- Service providers and other supporting elements that facilitate the flow of cash, information, and goods and services

E-commerce is growing heavily in India. Marketplaces such as Flipkart, Snapdeal, and Amazon are currently the biggest. The Indian government forbids foreign

Statistics

Capital: New Delhi
 Population: 1.22 billion
 GDP (USD): 5.07 trillion
 Currency: Indian rupee (INR)
 Languages: Hindi, English

Contact

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direct investment (FDI) in B2C, so non-Indian companies can operate only as marketplaces for locally sourced goods.

Jabong and Myntra have exclusive agreements to sell international brands in India. For example, Jabong sells Dorothy Perkins and River Island. These brands do not have a direct presence, but companies such as Jabong and Myntra offer them a way to sell in India.

Currently, FDI in India's multibrand retail market is limited to 51 percent. Amazon would benefit the most if there were any changes in the rule, because it could bring its U.S. sellers into the marketplace. Currently, 100 percent FDI is allowed in B2B e-commerce, a policy that helps companies like Walmart operate a cash-and-carry business. Recently, the government began to review FDI in B2C e-commerce, amid a sharp divide between Indian and foreign players. Although companies like Amazon argue that opening up this sector to FDI will be good for consumers, Indian companies say that Amazon will squeeze and manipulate small businesses and flood the market with Chinese products.

So although the channels for smaller U.S. exporters may currently be limited and the available ones take some work to develop, the market may open further in the future.

Market Entry

Popular E-Commerce Sites

- Flipkart
- Snapdeal
- Amazon
- eBay
- Myntra
- MakeMyTrip
- Yatra
- Cleartrip
- Ibibo
- BookMyShow

Digital Advertising

Ads are placed on mobile platforms, on websites, in newsletters, and in videos. The shares of digital media are

- Search: 30 percent
- Display: 23 percent
- Social media: 18 percent
- Mobile: 14 percent
- Video: 12 percent
- E-mail: 3 percent

Current Market Trends

E-commerce has increased significantly, from USD 4.2 billion in 2010 to USD 14 billion in 2014. It has grown 53 percent since December 2013. Growth has been driven mainly by the online travel industry—booking rail, air, and bus tickets; hotel accommodations; tour packages; and travel insurance—which is expected to contribute 61 percent to India's total 2015 e-commerce. E-tailing, which includes purchases of various consumer products and services, such as books, apparel, footwear, jewelry, home and kitchen appliances, consumer durables, electronics (mobile phones, computers, and laptops), and home furnishings, now constitutes nearly 29 percent of the overall share.

Online Payment

The most popular electronic payment methods are netbanking (44 percent); debit cards (32 percent); credit cards (21 percent); and mobile wallets, prepayments, and Immediate Payment Service (3 percent). However, 60 to 70 percent of payments are made using cash on delivery.

Mobile E-Commerce

More than 13 percent of all e-commerce transactions currently are made on mobile devices.

The number of mobile subscribers in India jumped from 261 million in 2007–08 to 940 million in 2014. Internet penetration is soaring in rural and urban India. Rural Internet use is growing by 58 percent per year, with smartphones and 3G subscriptions driving growth. In 2016, India is projected to have approximately 382 million smartphone users, up from 29 million in 2012. Similarly, the number of 3G subscribers could expand at a compound annual growth rate of 84 percent—from 23 million to 266 million—during the same period.

Thanks to rising Internet penetration, the total number of India's Internet users now exceeds the number of people who have completed primary education. This shift emphasizes the increasing relevance of India's digital economy.

Social Media

Facebook and Twitter are the most popular social media sites.

Current Demand

Currently, e-travel makes up nearly two-thirds of the total e-commerce market. E-tailing, which includes online retail and online marketplaces, has become the fastest-growing segment in the larger market, having grown around 56 percent between 2009 and 2014. As of 2015, the e-tail market is estimated to be USD 6 billion. Books, apparel and accessories, and electronics are the best-selling products through e-tailing, constituting around 80 percent of product distribution. The increasing use of smartphones and tablets via broadband

and 3G has led to a strong consumer base, which is likely to increase further. Vertical-specific e-commerce players in India are

- Travel: MakeMyTrip, Goibibo, Yatra, IRCTC, and Cleartrip
- Real estate: MagicBricks, CommonFloor, 99acres, and Housing
- Fashion: Jabong, Myntra, Yepme, Zovi, and FashionandYou
- Furniture: FabFurnish, Pepperfry, Urban Ladder, and Zansaar
- Health: HealthKart, Lenskart, and Portea Medical
- Education: EduKart, Meritnation, Edureka, Toppr, and Embibe

Recently, more consumers are shopping online for groceries, hygiene products, and health care products.

Major Buying Holidays

- Diwali
- Dussehra
- Rakhi
- The last week of December

Challenges

Intellectual Property Rights

The Internet is boundless with minimum regulation, and therefore protecting intellectual property rights (IPR) is challenging and a growing concern. Although some laws in India protect IPR in the physical world, it is unclear whether they apply to e-commerce. There are currently several significant IPR issues.

Copyright

There is limited copyright protection of the content and design of websites, the software underlying the platform, and the content transmitted over such platforms.

Trademarks

In addition to protecting its own trademarks, an e-commerce business that sells or markets other brands on its portal would also have to ensure the protection of those trademarks.

Patents

Where permitted by law, patents protect the functionality of software and the methods underlying e-commerce. In India, there is no patent protection for a computer program per se, so alternative methods are needed to protect software or trademarks owned by a third party, and an e-commerce business has to obtain the requisite approvals.

Hyperlinking, Framing, and Meta Tagging.

E-commerce companies need to market their business and their ability to constantly adapt. E-commerce companies sometimes have to deal with issues related to hyperlinking, deep linking, framing, and meta tagging. Companies need to understand the legal implications of each.

Third-Party Platform and Content Development

Often, questions about intellectual property ownership relate to the platform on which the business is carried out. Often e-commerce companies outsource web or platform

development and content creation to third-party contractors. You can use several strategies to protect your ownership:

- Use a written agreement that clearly spells out the ownership of the IPR, including clauses on terms, territory, and the nature of the right.
- If third-party intellectual property is used by the contractors, put in place a written agreement on the chain of title with respect to third-party IPR and permissions. Be mindful of the terms and conditions under which software has been licensed.
- Recognize that content available on public websites may require permission from its owner or author before you can reuse it. Content can include, for example, product details, factual information, and third-party logos. In all of those instances, the IPR, such as copyright, may be infringed.

Data Collection

Data privacy and protection laws are in place. Sensitive personal data or information is defined in the Information Technology Act.

Prohibited Products

These products, as well as products related to them, are prohibited:

- Liquor
- Firearms
- Narcotics
- Tobacco

Japan

Summary

Japan's e-commerce market is one of the largest and fastest growing in the world. Japan's Ministry of Economy, Trade, and Industry estimated the business-to-consumer e-commerce market in Japan in 2013 at USD 91.8 billion, with 17.4 percent annual growth. The business-to-business e-commerce market in Japan in 2013 was estimated at USD 1.5 trillion, with 4.4 percent annual growth.

U.S. companies selling via e-commerce have multiple options to consider for e-commerce platforms, payment methods, shipping logistics, and customer service. Several large e-commerce companies offer services and solutions to help U.S.-based merchants sell their products in Japan.

When considering the Japanese e-commerce market, exporters should keep in mind that communicating in Japanese and providing excellent customer service are incredibly important to Japanese consumers.

Market Entry

According to Bloomberg and Euromonitor International, the major e-commerce companies in Japan and their estimated market shares include

- rakuten.co.jp: 29 percent
- amazon.co.jp: 15 percent
- apple.com/jp: 4.5 percent
- shopping.yahoo.co.jp: 3.2 percent

Popular E-Commerce Sites

Numerous other e-commerce companies operate in Japan, and many niche sites focus on narrow ranges of products.

Department Stores

- Sogo & Seibu: edepart.omni7.jp
- Isetan: isetan.mistore.jp
- Mitsukoshi: mitsukoshi.mistore.jp
- Daimaru: daimaru-matsuzakaya.jp
- Takashimaya: takashimaya.co.jp/shopping
- Aeon: aeonmall.co.jp

Statistics

Capital: Tokyo
Population: 127,064,340 (2014)
GDP (USD): 4.901 trillion (2014)
Currency: Yen (JPY/¥)
Language: Japanese

Contact

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Apparel

- Zozotown, zozo.jp
- Mash Style Lab, ms-lab.com/fashion.html
- Adastria, adastria.co.jp
- FIVE FOXes, online.fivefoxes.co.jp
- F.O. International, fo-kids.co.jp
- Onward Kashiya, www.onward.co.jp
- Origami, origami.co

Groceries

- Ito-Yokado, www.itoyokado.co.jp
- Maruetsu, www.maruetsu.co.jp
- Daiei, netsuper.daiei.co.jp
- Apita, apita.co.jp

Books and Media

- Book-Off, bookoff.co.jp
- Kinokuniya, www.kinokuniya.co.jp
- Sanyodo, webshop.sanyodo.co.jp
- Tsutaya, tsutaya.tsite.jp

Digital Advertising

Digital ads are often placed on websites and mobile platforms, and many options exist.

In 2014, Internet advertising exceeded USD 8 billion for the first time ever and grew at a 12.1 percent rate, driven by growth in smartphone and video ads and ads using new advertising technologies.

In comparison, 2013 Internet advertising total expenditures were more than USD 7.5 billion, approximately 15.7 percent of all advertising expenditures, growing at a rate of 8.1 percent per year (Dentsu 2014).

Fulfillment

The major fulfillment centers in Japan include Amazon Japan (11 fulfillment centers), Rakuten (1 fulfillment center and plans for 2 new distributors), and Yahoo Shopping (7 distributors).

Current Market Trends

Online Payment

Credit cards are the most popular form of payment for e-commerce transactions.

Convenience store cash payments are also popular in Japan. Amazon Japan and other e-commerce companies allow customers to order online, choose a convenience store for delivery, and pay in cash before picking up their order. This process caters to the large number of Japanese consumers who prefer to pay in cash.

Mobile E-Commerce

The most significant online purchasing trend in Japan is the rapid increase in mobile e-commerce transactions (m-commerce). In the first quarter of 2015, m-commerce transactions topped 50 percent for the first time, according to the 2015 Criteo *State of Mobile Commerce*.

The mobile device share of transactions is higher in Japan than in any other country. In 2015, more than 50 percent of e-commerce transactions were via mobile device. About 90 percent of mobile transactions are made using smartphones, and the other 10 percent on tablets. By the end of 2015, m-commerce was expected to represent at least 60 percent of total e-commerce transactions.

Japanese consumers are very engaged in the mobile shopping experience. They view three

times more products on mobile applications than do consumers in the United States, and the overall sales conversion rate is 9.3 percent—almost four times higher than in the United States—according to Criteo, a mobile advertising company.

According to comScore research (2013),

- 86 percent of all Japanese Internet users visit online retail sites, among the highest percentage in the world, ahead of the world average by 9 percent.
- 54 percent of Japanese mobile users are over 45 years old, the highest percentage for this age group among the developed markets.

Social Media

According to 2015 data from GaiaX Social Media Lab, LINE, Facebook, and Twitter are the most common social media sites. Instagram, Ameba (a blogging site), Mixi, and Google+ also are commonly used.

- LINE (52 million users, 30 million daily)
- Facebook (24 million monthly users)
- Twitter (19.8 million monthly users)
- Google+ (15 million users)

Promotions and Discounts

Most e-commerce companies in Japan offer loyalty or frequent-shopper programs.

Most stores offer loyalty points that can be redeemed to buy goods or get discounts. Yahoo Shopping and Rakuten have had loyalty point programs for many years, and Amazon Japan started its program in May 2015.

Yahoo Shopping collaborates with Tsutaya, a large company that operates rental stores and convenience chains, participating in the Tsutaya t-point system that partners with many stores,

convenience stores, hotels, and online travel sites. Since 2013, the partnership has enabled Yahoo Shopping customers to spend t-points earned through purchases at participating local convenience stores.

Rakuten has a Rakuten Super Points program that allows 1 percent of the purchase price to accrue as points. On Fridays and Saturdays, the Super Points rate is doubled. Rakuten partners with some of Japan's top convenience stores, gasoline stands, and even funeral homes.

Rakuten also has a credit card program that provides a 2 percent return on purchases made at Rakuten. Signing up for the credit card is easy—even for foreigners, who usually have difficulties obtaining a Japanese credit card.

Current Demand

The percentage of Japanese consumers who report some cross-border online purchases is relatively low: 59 percent, compared with a global average of 82 percent, according to market research by Forrester Research (forrester.com). Communicating with consumers in Japanese, providing high-quality customer service, and understanding Japanese consumer behavior are important factors to consider. U.S. companies often find that partnering with Japanese companies or selling via Japanese e-commerce platforms helps them reach more Japanese consumers.

Market analyses estimate that cross-border purchases make up 10 to 20 percent of transactions.

Services

Tourism e-commerce is well established in Japan. The number of travelers booking online continues to rise.

Popular tourism websites include

- expedia.co.jp
- travel.rakuten.com
- jtbgmt.com
- jalan.net
- travel.yahoo.co.jp
- travel.mapple.net

Major Buying Holidays

Giving gifts and celebrating the start of the four seasons are important parts of Japanese culture that fuel shopping and sales.

The most significant season is winter, from the end of November until the New Year, when many national holidays and important events occur. Baseball, the national sport of Japan, is a key part of the winter sales season, with the Japan Series held in November. In 2013, Rakuten offered major discounts and extra loyalty points when the company's Tohoku Rakuten Golden Eagles baseball team won the championship.

One of Japan's two traditional gift-giving seasons, *Oseibo*, occurs between Christmas and New Year's Day, making it a busy time of year for gift purchases. At the beginning of the year, many shops offer *fukubukuro*, or "lucky bags," filled with goods at a steep discount. Special online *fukubukuro* are increasingly commonplace. Online *fukubukuro* are appealing to consumers because they can relax in their homes instead of fighting the crowds to get one of the lucky bags.

Many stores also celebrate *Hatsu-uri*, literally "first sale," at the beginning of the year. Because many people can take off only a couple of days during this time, customers often purchase gifts

online and have them delivered directly, rather than giving them in person during a trip home.

The summer season, from June until September, is another important time of year for giving gifts and shopping, fueled by annual summer bonuses and summer vacation. *Ochugen*, Japan's other traditional gift-giving season, takes place in July, and *Obon* (honoring of one's ancestors) is in mid-August. In Japan, families often live apart, so during this vacation family members return home, bearing gifts to show gratitude.

Spring is considered a season of beginnings. The new school year starts, and companies announce department transfers. Golden Week, a week-long break from the end of April until the beginning of May, is a peak shopping time.

Challenges

U.S. companies selling online through their U.S. or global websites should carefully research Japan's shipping regulations. Japan strictly prohibits entry of narcotics and related paraphernalia, firearms, firearm parts and ammunition, explosives and gunpowder, precursor materials for chemical weapons, microbes that are likely to be used for criminal acts, counterfeit goods or imitation coins or currency, obscene materials, or goods that violate intellectual property rights (IPR). Other restricted items include, but are not limited to, certain agricultural and meat products; endangered species; and ivory, fur, and other animal parts banned from trade by international treaty. For more information on prohibited goods, please visit bit.ly/1EVNBod.

In addition, Japan imposes restrictions on the sale or use of certain products, including medical products, pharmaceuticals, agricultural products, and chemicals. Japan Customs

reviews and evaluates these products for import suitability before shipment to Japan. The use of certain chemicals and other additives in foods and cosmetics is severely regulated and follows a “positive list” approach.

Regarding personal use, Japan restricts entry of

- More than one month’s supply of medicines that are toxicants, dangerous products, or prescription drugs
- More than two months’ supply of medicines that are non-prescription drugs or quasi-drugs
- More than 24 units (normal size) of similar cosmetic products

Body (hand) soaps, shampoos, toothpastes, hair dyes, and other toiletries all fall under the categories of either quasi-drugs or cosmetics.

Veterinary drugs are subject to import restrictions in accordance with Japan’s Pharmaceutical Affairs Law.

For more information on prohibited and restricted imports, please visit bit.ly/1IYNIA1.

Intellectual Property Rights

Japan generally has strong protections for IPR. As in the United States and other countries, companies should protect their intellectual property and trademarks.

Regulation

The Ministry of Economy, Trade, and Industry (METI) is the main government ministry concerned with e-commerce. The *Interpretative Guidelines on Electronic Commerce and Information Property Trading* were developed in March 2002. They facilitate trade by clarifying how the Civil Code and other relevant laws apply to various legal issues surrounding

e-commerce, intellectual property trading, and related matters. Revisions were recently adopted and are summarized in the METI report titled *Revision of the Interpretative Guidelines on Electronic Commerce and Information Property Trading*, available at bit.ly/1OdrwDP.

Japan has several laws and regulations that govern cross-border data flow. Japan is currently in the process of amending its regulatory framework regarding personal information and data.

Language

Most Japanese e-commerce platforms require the use of Japanese by merchants and suppliers. Japanese is also recommended when targeting cross-border shoppers to e-commerce sites in the United States.

Resources

Government

- Ministry of Economy, Trade, and Industry, www.meti.go.jp/english
- “Towards eQuality: Global E-Commerce Presents Digital Opportunity to Close the Divide Between Developed and Developing Countries—MITI’s Proposal for WTO E-Commerce Initiative” (2nd Draft), bit.ly/1OA3ZuV
- Ministry of Internal Affairs and Communications, bit.ly/1hYtIYK
- Japan Customs, www.customs.go.jp/english/index.htm

Trade and Industry Associations

- Japan Association of New Economy, bit.ly/1EOY84S
- The Japan Chamber of Commerce and Industry, www.jcci.or.jp/english
- JETRO, www.jetro.go.jp/usa

Data

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Personal Information Protection Act

- Jones Day. 2014. "Framework for Amendment to Japan's Personal Information Protection Act." August, bit.ly/1KEP3y6
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- Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society. 2013. "Directions on Institutional Revision for Protection and Utilization of Personal Data." Dec. 20, bit.ly/1gag5ir
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IPR

- World Intellectual Property Organization (WIPO), "Intellectual Property Issues Related to Electronic Commerce." bit.ly/1XMz7O1
- WIPO, "Understanding How Intellectual Property (IP) Relates to E-Commerce," bit.ly/1NiDzir
- Intellectual Property Association of Japan, ipaj.org/index_e.html
- Japan Patent Office, www.jpo.go.jp
- WIPO Index of Japan IP-Related Laws and Regulations, bit.ly/1ieh6bj

Loyalty Points

- Amazon and Yahoo Loyalty Point Programs, bit.ly/1FymLO9
- Yahoo Shopping T-point Partnerships, bit.ly/1JUBrZQ

Korea, Republic of

Summary

Sales from foreign online sellers to Korean buyers have grown rapidly for several years and exceeded USD 2 billion in 2015. U.S. retailers and manufacturers should focus on promotions designed to attract Korean consumers. Korea is one of the most wired countries in the world, and consumers actively shop across borders, primarily from U.S. online retailers. Cost-conscious Koreans and U.S. companies alike benefit from the U.S.-Korea Trade Agreement (KORUS FTA). Several factors make Korea an excellent market to target:

- Koreans' cross-border e-commerce purchases are expected to reach USD 8 billion by 2018. Online purchases reached USD 1.5 billion in 2014, up from USD 274 million in 2010.
- Domestic retail prices are often higher in Korea than in other countries. The Korean government has encouraged "parallel imports" and other direct purchases from overseas online shopping malls as a way to help Korean consumers find less-expensive products.
- Multibrand online retailers such as Amazon and eBay are the e-commerce sites most visited by Koreans.
- Some Korean consumers pay for a U.S.-based reshipment service to use as a U.S. mailing address. This allows them to shop at U.S.-based e-commerce sites and purchase products not targeted for international shipping. U.S.-based reshipment centers often have multiple warehouses in different states, each offering different benefits. For example, Delaware-based warehouses offer lower taxes, and California-based warehouses allow for faster ship time to Korea.
- Seventy-three percent of all of Koreans' overseas online purchases are from the United States. Of 15.5 million Korean customs clearance records in 2014, 11.4 million parcels were from U.S. online retailers.
- The most popular products purchased by Koreans from foreign websites are apparel (19 percent), dietary supplements (14 percent), footwear (13 percent), food (11 percent), cosmetics (11 percent), and handbags (8 percent).

Market Entry

Korea's historically high consumer prices were often caused by import and sales channels that were dominated by Korean conglomerates, which maintained exclusive distributorship agreements. Consumer complaints about overpriced goods led the government to encourage parallel imports and direct purchases from international

Statistics

Capital: Seoul
Population: 49.04 million (2014)
GDP (USD): 1.45 trillion (2014)
Currency: S. Korean won (KRW)
Language: Korean

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e-commerce sites. As part of the effort, and following the guidelines set forth in the KORUS FTA, in 2014 the Korean government simplified customs procedures for almost all consumer goods, excluding restricted items such as medicines. Items listed as restricted must go through import customs clearance, with a duty-free range up to KRW 150,000 (around USD 130).

U.S. goods valued at less than USD 200 (including taxes, shipping, and handling), or goods from other countries valued at less than USD 100, are eligible for the simplified customs procedure—list clearance, a quick, one-day customs clearance procedure—if the logistics or courier company provides the full packing list to Korea Customs and the item qualifies as a personal use item. If it does not qualify as a personal use item, the product is considered to be for commercial use and is subject to taxation and a normal import customs clearance procedure.

Popular Online Retailers

According to a 2014 study by the Korea Consumer Agency (KCA), Amazon and eBay are Korea's most frequently used online shopping sites. Single-brand e-commerce sites such as Polo Ralph Lauren or Gap are not as popular as multibrand online retailers. Amazon and eBay are typical online open markets where registered individual sellers offer various products at competitive prices. Because Koreans are very price sensitive, they often shop via multiple major international online marketplaces.

KORUS FTA

KORUS FTA went into effect on March 15, 2012. As stated in Chapter 7, Article 7.7 (g), express shipments from the United States are duty free

only when the product is sold for less than USD 200, including taxes, shipping, and handling.

Chapter 6, Article 6.16 (a), states that a purchaser of online goods sold for under USD 1,000, per shipment and imported from the United States can enjoy KORUS FTA benefits and is exempt from KORUS FTA certification or documentation. The purchaser can continue to purchase items and import them as long as the purchase does not exceed USD 1,000 each time the items are shipped to the customer and as long as the consumer is not trying to evade compliance with KORUS FTA. However, Chapter 6 also gives Korea Customs the right to verify that purchases are indeed being purchased from overseas in good faith and not as a tactic to evade KORUS FTA documentation. Article 6.16 (b) generally relates to products that are already enjoying a 0 percent basic tariff rate.

Current Market Trends

Koreans have consistently increased the amount they spend on international e-commerce. According to Korea Customs Service (KCS), online purchases were USD 274 million in 2010 but reached USD 1.5 billion in 2014 for a compound annual growth rate (CAGR) of 54.1 percent. Korean media sources indicate that foreign direct purchases will grow to USD 8 billion by 2018.

According to Statistics Korea, the domestic retail industry has also grown but not at the same pace as purchase demand. In 2014, domestic sales totaled USD 264 billion. The CAGR has been only 3.8 percent.

Jikgu, a Korean term for direct purchasing from foreign retailers, used to be mainly for products not available in the Korean market. Today, however, *jikgu* is common, and every year more people are shopping across borders. According to the Korean magazine *MK Economy*, prior

Korea's Most Popular International Online Retailers

Rank	Company	Origin	Major Items
1	Amazon	U.S.	All items
2	eBay	U.S.	All items
3	iHerb	U.S.	Dietary supplements, functional food, groceries, etc.
4	Shopbop	U.S.	Women's fashion
5	6pm	U.S.	Apparel, shoes, bags, accessories, etc.
6	Amazon Japan	Japan	All items
7	<i>drugstore.com</i>	U.S.	Beauty care, diet, apparel, infant care products, etc.
8	Walmart	U.S.	Apparel, sundries, home appliances, groceries, etc.
9	Rakuten	Japan	All items
10	Taobao	China	All items

Source: Korea Consumer Agency; Note: as of October 2016, drugstore.com is no longer in operation and now forwards to walgreens.com

to 2012 only 10.3 percent of Koreans made overseas purchases and used foreign websites. That number grew to 36.2 percent in 2013 and then to 53.2 percent in 2014.

According to a 2014 report by the Korea Chamber of Commerce and Industry (KCCI), 57.4 percent of survey respondents had purchased goods through foreign online retailers at least once in the previous year. Ninety-six percent of the respondents from another KCCI survey said they would continue to purchase from overseas online retailers. In 2015, *MK Economy* noted that 57.1 percent of consumers who had purchased goods from overseas websites said they plan to increase the amount of their purchases because they were "satisfied with the purchasing experience."

Good prices and good deals were listed as the main reasons for cross-border shopping. A 2013 report conducted by the lobbying group Consumers Korea lists Korea as one of the more expensive places in the world for 30 out of 60 researched products. Korea is the third-most-expensive place to buy Heineken beer and the fifth-most-expensive place to buy Chanel perfume. Surprisingly, some Korean-

made products such as TVs and smartphones are more expensive in Korea than anywhere else. South Korean manufacturers argue that the domestic prices on those goods are often higher because they include delivery, installation, and long-term warranties, which increase the purchase price. However, many Korean consumers have started buying Korean-brand goods from foreign websites because the cost is lower, even after international shipping fees and import duties.

Buying Agents

Between 2001 and 2010, Korean consumers usually purchased imported products from Korean e-commerce sites. Registered sellers still act as buying agents for Korean sites; however, registered sellers are becoming less popular as more people choose to buy directly from overseas websites. Registered sellers either purchase large quantities of goods from overseas sources before they get orders from customers, or they purchase goods after getting orders from customers and then sell the products at prices that include international shipping, tariffs, and a commission fee. Using

a buying agent is still common for consumers who lack foreign language skills and who lack a U.S. mailing address, because some U.S.-based sellers do not offer international shipping. According to a 2014 survey by the KCA, CaniShow and Wizwid scored the highest in consumer satisfaction among e-commerce providers that offer buying services.

The KCA reported that the five Korean buying-agent websites with the highest satisfaction rates are

- canishow.co.kr
- gmarket.co.kr
- wizwid.com
- auction.co.kr
- njoyny.com

Reshipment

Since 2010, warehouse companies have started opening reshipment centers in the United States to provide mailing addresses to Korean consumers, thereby enabling more Korean consumers to buy goods directly from overseas websites—and save more money. Reshipment centers are often located in California, Delaware, New Jersey, and Oregon, allowing Korean consumers to choose either to pay less sales tax or to receive their products more quickly. (For example, shipment from Delaware takes longer, but no sales tax is charged.)

According to KCA, Korea's five most popular reshipment companies are

- malltail.com
- box.wemakeprice.com
- nygirlz.co.kr
- iporter.co.kr
- ohmyzip.com

Reasons Koreans Shop Across Borders

According to 2015 data from *MK Economy*, the four main reasons are

- Lower prices: 71.4 percent
- Brand not available in Korea: 20.6 percent
- More variety available: 5.0 percent
- Better-quality products: 3.0 percent

Current Demand

Of 15.5 million customs clearance records in 2014, 11.4 million parcels were from U.S. online retailers. The United States is the source of nearly 75 percent of Koreans' total cross-border e-commerce purchase, primarily because of the benefits permitted by KORUS FTA.

Import Clearance by Source (2014)		
Source	Parcels (#)	Share (%)
United States	11,412,000	73.5
China	1,697,000	10.9
Germany	839,000	5.4
Hong Kong	568,000	3.7
Japan	365,000	2.4
United Kingdom	219,000	1.4
France	124,000	0.8
New Zealand	109,000	0.7
Others	197,000	1.3
Total	15,530,000	

Source: Korea Customs Service

According to the report *The Shopping Habits of Korean Consumers*, Koreans spend, on average, USD 827 annually on foreign websites. In January 2015, the magazine *MK Economy* noted that more than 50 percent of Koreans make purchases from overseas websites multiple times a year:

- 1–2 times: 48.2 percent
- 3–12 times: 35.7 percent
- 13+ times: 16.1 percent

KCS reports that in 2014, 96.7 percent of cleared products were valued at less than USD 200. Although items valued over USD 1,000 occupied only 0.3 percent of clearances, this category demonstrated a 757 percent growth rate since 2009. KCS stated that Koreans started to purchase expensive products such as TVs, smartphones, bikes, and watches from overseas websites because of the big gap between the price for these products within Korea and the price for the same or similar products from other countries, even when tariffs are included.

Korean Customs Clearances (2014)

Value (USD)	Products (approx. #)	Share (approx. %)
< 50	503,855,000	25.0
50–99.99	5,764,000	37.0
100–149.99	4,155,000	27.0
150–199.99	1,274,000	8.0
200–999.99	400,000	3.0
1,000+	52,000	0.3
Total (approx.)	515,500,000	

Source: Korea Customs Service

A 2014 study commissioned by four Korean credit card companies (Shinhan, Samsung, Hyundai, and KB) and reported in 2015 by Ho-Jeong found that Korean men spend more at overseas websites than Korean women. More than 54 percent of all purchases using those four companies' credit cards were made by Korean men who purchased electronics and information technology products. Korean women purchased apparel, handbags, and shoes. The study also stated that people in their 30s were the most active purchasers, accounting for 47.6 percent of all online purchases, with consumers in their 20s becoming more active.

Challenges

When shipping items to Korea, always be careful to follow the correct procedures and regulations. KORUS FTA has removed or simplified many former barriers, but incorrect paperwork or declarations can create unexpected costs.

Resources

Government

- KORUS FTA Rules of Origin and Procedures, 1.usa.gov/1MbSvAp, 1.usa.gov/1Ode6Yz, and 1.usa.gov/1g9Yxmq
- Flow chart of the processing of international parcels, bit.ly/1IYGmGy
- Parcel clearance, bit.ly/1LkvsO6
- Parcel clearance—scope of allowance, bit.ly/1LkvAgr
- Statistics Korea (KOSTAT), kostat.go.kr/portal/english
- Korea Customs Service (KCS), bit.ly/1OzGthq
- Ministry of Strategy and Finance (MOSF), english.mosf.go.kr
- Korea Consumer Agency (KCA), english.kca.go.kr

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Singapore

Summary

Online shopping in Singapore tripled from SGD 1.1 billion (around USD 788.6 million) in 2010 to SGD 3.5 billion (around USD 2.5 billion) in 2014. It was expected to increase to SGD 4.4 billion (around USD 3.154 billion) in 2015, and it may reach SGD 46.3 billion (around USD 33.2 billion) by 2020. Singapore has an ultrahigh-speed, pervasive, and trusted information and communications technology (ICT) infrastructure and has dedicated itself to becoming the world's first Smart Nation. The World Bank has already ranked Singapore the easiest place to do business in the world. A stable government of law, strong intellectual property protection, and an advanced infrastructure network, combined with widespread use of English, allow U.S. companies excellent opportunities to sell to Singapore's growing e-commerce market. Moreover, Singaporeans enjoy one of the highest disposable incomes in Asia. Situated at a crossroads of international shipping and air routes, Singapore is a center for transportation and communication in the region and an ideal gateway into the Asia Pacific e-commerce market.

Statistics

Population: 5.47 million
 GDP (USD): 307 billion
 Currency: Singapore dollar (SGD)
 Languages: English (business),
 Mandarin, Malay, Tamil

Market Entry

E-commerce sites popular with Singaporeans include

- Amazon
- Groupon
- eBay
- Apple
- Reebonz/
Kwerkee
- RedMart
- Qoo10
- Luxola
- HipVan
- Bellabox
- Clozette
- Rakuten
Singapore
- VanityTrove
- Wego
- Taobao
Singapore
- ZALORA
- Carousell

According to BPost International, Singaporeans reported five main reasons for buying from foreign e-commerce sites:

- No local availability: 58 percent
- Greater choice: 48 percent
- Less expensive: 44 percent
- Better discounts: 42 percent
- Strong Singaporean dollar: 35 percent

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Some effective online promotions on e-commerce sites include percentage discounts, buy-one-get-one deals, and free delivery. Promotions for Black Friday, Christmas, Chinese New Year, and Google Online Shopping Festivals also drive online purchases in Singapore.

Fulfillment

Singapore is a major center for transportation and communication in Southeast Asia. Singapore hosts many local fulfillment centers, and some, such as Singapore Post, provide a full-service, end-to-end–managed e-commerce solution. And Singapore’s Changi Airport, featuring more than 90 airlines serving more than 200 cities, has established itself as a major regional aviation hub. Singapore is also a leading international maritime center, home to more than 120 international shipping groups. The World Bank’s Logistics Performance Index ranked Singapore as Asia’s top performer with regard to global freight forwarding and express carriers. Its well-developed logistics and infrastructure network has attracted major international logistics companies such as FedEx, UPS, and DHL to locate major hubs in Singapore.

Current Market Trends

Singapore has room to grow rapidly. According to Euromonitor, Singapore and neighboring Malaysia generate nearly half of Southeast Asia’s total online retail sales, even though the two countries account for only 8 percent of the region’s population.

According to Forrester Research, 60 percent of Singapore’s e-commerce sales come from cross-border orders, a significant percentage compared with countries such as Malaysia (40 percent), Japan (18 percent), and the Republic

of Korea (25 percent). The Financial Study Association of Amsterdam also highlights Singapore’s suitability as an e-commerce test bed, noting that the high share of cross-border trade offers businesses unique insights into Asia Pacific’s online shopping behavior.

Singapore has the most mature e-commerce payment infrastructure in Southeast Asia. A survey by Payvision showed that most domestic e-commerce sales are paid for using credit cards and bank transfers. Cash on delivery is not as commonly used in Singapore as in other countries in Southeast Asia. (For cross-border purchases, Singapore’s preferred payment methods are credit cards and PayPal.)

Social Media

Singaporeans are among the world’s most active users of social media. They use Facebook, YouTube, Google, LinkedIn, Instagram, Twitter, Tumblr, and Pinterest, as well as various messaging apps.

Current Demand

Singaporeans are avid shoppers, and shopping online is especially popular with young adults and higher-income households. A recent study by Visa stated that 26 percent of Singaporeans shop online at least once a week—the highest percentage in Southeast Asia. Consumers ages 25 to 44 most frequently shop online.

Singapore has one of the most developed ICT infrastructures in the world, with a nationwide ultrahigh-speed fiber-optic broadband network. According to the Infocomm Development Authority of Singapore (IDA), 86 percent of Singaporean households are connected to the Internet. In February 2015, Singapore’s smartphone penetration reached 148 percent, with 4.4 million 3G subscriptions



and 3.3 million 4G subscriptions. Singapore is a leading early-adopter market for tablet ownership, with household penetration estimated to be 54 percent at the end of 2014. The high adoption rate for mobile devices is driving mobile e-commerce, with 55 percent of online shoppers choosing to shop using their mobile devices, according to PayPal.

Singaporean shoppers are spending more money online; the average consumer spends USD 1,861 a year on purchases, according to PayPal. More than a quarter of this money goes toward travel expenditures, with 75 percent of consumers making their vacation bookings online. Almost half of them do so using their mobile devices. According to Vulcan Post, the most common items that e-retailers sell online include

- Travel services
- Fashion and beauty products
- Entertainment and lifestyle products
- General insurance
- Electronics and information technology

Challenges

Singapore is generally a free port and an open economy. More than 99 percent of imports enter Singapore duty free. However, Singapore levies high excise taxes on beer, wine, liquor, tobacco products, motor vehicles, and petroleum products. The government controls importation of items it considers a threat to health, security, safety, and social decency.

Full lists of prohibited products and controlled goods and their corresponding controlling agencies can be found at bit.ly/1hUHICR and bit.ly/1QmMjEm.

Items under export control can be found at bit.ly/1ObhfYY.

The IDA identifies and facilitates the adoption of ICT to enhance Singapore's competitiveness and drive economic growth. It offers a variety of programs and initiatives to meet industry needs and develop new areas of growth. It actively encourages businesses in Singapore to embrace e-commerce. The Singaporean government has strengthened statutes and regulations to boost consumer confidence in e-commerce. U.S. companies interested in doing business in Singapore should be aware of the applicable regulations and laws:

- Electronic Transactions Act
- Sale of Goods Act
- Misrepresentation Act
- Computer Misuse Act
- Copyright Act
- Trade Marks Act
- Personal Data Protection Act

According to the Inland Revenue Authority of Singapore, license fees payable for the importation of computer software are considered royalty income because the fees are a payment made for the "use or right to use any movable property as well as commercial, scientific, technical, or industrial knowledge or information." These imports are subject to a withholding tax of 10 percent if the payment is made by a Singapore resident to an e-merchant outside Singapore. The tax does not apply to shrinkwrapped software, user-downloaded software, site-licensed software, and hardware-bundled software.

A 7 percent goods and services tax (GST), similar to a sales tax, is levied on all imported goods and services valued above SGD 400 (about USD 320), payable directly to Singapore Customs at the point of import. For more information, please visit bit.ly/1Fwve4o.

Resources

Trade Events

- eTail Asia, etailasia.wbresearch.com
- Seamless 2017, terrapinn.com/exhibition/seamless

Contacts

- Infocomm Development Authority of Singapore, ida.gov.sg
- Singapore Customs, customs.gov.sg
- Singapore Business Federation, www.sbf.org.sg
- Department of Statistics, singstat.gov.sg
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The Benelux Union

Summary

Formed in 1944, the Benelux Union comprises three countries: Belgium, the Netherlands, and Luxembourg. Wedged between France and Germany and bordering the North Sea, the three countries share close cultural ties. The politico-economic union has its own institutions, including the Benelux Parliament. Although some customers speak English, targeting them in their own languages will more likely lead to success.

Market Entry

Fulfillment Centers

Many of Europe's largest fulfillment centers are located in the Netherlands. (Companies that have only one European fulfillment center generally find the Netherlands to be the best location.) Regional fulfillment centers (serving both online and brick-and-mortar needs) are available in every market for larger exporters with special needs.

However, the largest brands often prefer a location in northern continental Europe.

- Holland International Distribution Council, ndl.nl
- S&H Multi-channel Fulfilment, bit.ly/1QMrMt5
- MCS Fulfilment, bit.ly/1JfbuSY
- Bol.com, bit.ly/1KmxQUC

Online Payment

According to Marketingfacts, the electronic payment system iDEAL is the most common way to pay in the Netherlands. It allows customers to buy products on the Internet using direct online transfers from their bank account. In 2014, *Ecommerce News* reported that because Amazon and eBay do not accept iDEAL, they have not gained much market penetration in the Netherlands. In Belgium, 85 percent of online payments are made using Ogone.

Social Media

According to a 2015 report by Oosterveer, Facebook, YouTube, Google+, LinkedIn, and Twitter are all very popular in the Netherlands. Instagram and Snapchat are gaining in popularity, especially for users between 15 and 39 years of age. Pinterest is

Statistics

Capital: Brussels
Population: 28.5 million
GDP (USD): \$1.379 trillion (est. 2013)
Currency: Euro (EUR/€)
Languages: Dutch, French, German, Luxembourgish

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widely used by both young people and people over age 20. Facebook usage is declining in the youngest age range as it increases among much older users. The largest social media platform, overtaking even Facebook, is WhatsApp, according to a January 2016 update.

In 2015, *Luxembourg Wort* reported that Facebook was by far the 2014 social media leader in Luxembourg, with users representing 57 percent of the population, followed by LinkedIn (9 percent), and Google+ and Twitter (8 percent each). Only 1 percent of Luxembourg residents used WhatsApp.

Statista (n.d.) reports that, in 2013, the most popular websites in Belgium were Facebook, YouTube, Wikipedia, Google+ and Twitter.

Digital Advertising

Online advertising is outpacing print advertising throughout Benelux. Most businesses take advantage of browser cookies for direct advertising and product placement on other websites. Ads appear on social media and search engines, in web stores, and on news websites.

Companies are actively developing programmatic media technologies (also known as programmatic marketing or programmatic advertising) to automate media buying, placement, and optimization. Companies decide how to place ads using automated systems that track business progress and consumer habits, thereby allowing for highly directed ad targeting. Most publishers view it as an essential part of their marketing strategy. *eMarketer* reports that, in a February 2014 study conducted by FaR for Improve Digital, 89 percent of publishers said they were selling between 51 percent and 100 percent of their inventory programmatically.

The Netherlands has the highest programmatic advertising adoption rate in all of Europe. According to Marketingfacts (2014a and 2014b), online advertising sales in the Netherlands add up to USD 1.7 billion. Only the United Kingdom, Germany, France, Italy, and Russia boast higher sales volume—and the Netherlands has the most valuable sales-to-population ratio.

Current Market Trends

Benelux residents are among Europe's most avid e-commerce users. In 2015, Eurostat reported that 79 percent of Luxembourg's population ages 16 through 79 made online purchases—the third-highest percent among European Union (EU) member countries. Only the United Kingdom and Denmark had higher proportions of e-buyers. The Netherlands was only slightly behind, at 71 percent.

In 2014, within Belgium, Luxembourg, and the Netherlands, total online spending increased by 31.7 percent compared with 2013, and consumers made 2 percent more online purchases. This increase in spending led to a 10 percent increase in revenue from shoppers. In the coming years, Marketingfacts projects that these numbers will continue to increase.

According to a 2014 PostNord survey of both Belgium and the Netherlands, in 2012 the two countries' top eight e-commerce products were

- Clothing and footwear: 38 percent
- Home electronics: 28 percent
- Books: 23 percent
- Cosmetics: 13 percent
- CDs: 13 percent
- Films and DVDs: 12 percent
- Children's articles: 11 percent
- Home furnishings: 9 percent

Online travel services also are popular purchases. According to Eurostat, In 2015 travel was the most popular online purchase in Luxembourg and was only slightly behind clothing and sporting goods in Belgium and the Netherlands.

Some of Europe's popular web stores are located within Benelux, according to *Ecommerce News* (2014). Among them, wehkamp.nl, bol.com, Coolblue, HEMA, and food-ordering platform thuisbezorgd.nl are headquartered in the Netherlands; ZEB, Schoenen Torfs, and Bel&Bo are headquartered in Belgium. Only two of Europe's most popular web stores are headquartered outside Benelux: Zalando (Berlin) and H&M (Stockholm).

Thuiswinkel (2013) reports that in the Netherlands, 13 percent of 2013's total e-commerce purchases were made via e-commerce over mobile phones (m-commerce). However, m-commerce popularity keeps growing in popularity: during just the second half of 2013, total e-commerce spending was USD 1.7 billion. Of that, about USD 976 million (more than 57 percent) was via m-commerce; of m-commerce transactions, 30 percent (USD 270 million) were via smartphones and 70 percent (USD 706 million) were via tablets.

Current Demand

Cross-Border E-Commerce

According to *Ecommerce Europe* (2015), Luxembourg has Europe's highest rate of cross-border online purchase. As a small country, it has limited domestic online offerings. Thus, 65 percent of its online consumers buy their products and services from other countries.

About 2.8 million Dutch purchased goods from a foreign website in 2014; total cross-

border spending was USD 519 billion. Twenty percent of Dutch consumers purchased goods via a foreign website, according to *Ecommerce News* (2015). The United States ranks fourth with regard to the Netherlands' cross-border spending.

Many Belgian retailers were relatively late to use e-commerce, so more foreign companies are active in Belgium than in the Netherlands. German, French, and Dutch companies are the most important e-commerce players in Belgium, and Belgium's market is more open to foreign companies than is the Dutch market. Both countries are strong in services such as warehousing and infrastructure, according to AT Kearney (2015).

Major Buying Holidays

- Valentine's Day (February 14)
- Carnaval (February–March)—costumes
- King's Day (April 27, Netherlands)—orange and Dutch goods
- Mother's Day (second Sunday of May)
- Father's Day (third Sunday of June)
- Grand Duke's Day (June 23, Luxembourg)
- Halloween (October 31)—gaining popularity, but not as popular as in the United States
- Sint-Maarten (November 11, Belgium)
- Sinterklaas (December 5, Netherlands; December 6, Belgium)—equivalent to Christmas sales
- Christmas (December 25 and 26)

Challenges

In Benelux, the largest websites are not in English. According to Welink research from 2014, addressing a target audience through advertising in English is sometimes possible,

but—as the Kissmetrics blog reports—it may not be advisable:

Countries like Norway, Denmark, and the Netherlands score well on the ability to speak English. That's why many American e-commerce businesses decide to target these countries in English. However, it's also important to take national pride into consideration here, meaning that even Norwegian, Danish, and Dutch customers appreciate if you target them in their own language, resulting in better success rates.

However, even if you decide to go for a local language, you should be careful. Both the Dutch and close to half of the Belgians (the Flemish) speak Dutch as a native language. But just like American English is different from British English, Dutch in the Netherlands differs from Dutch in Belgium. And, both the Dutch and the Flemish prefer to be addressed in their own language.

In general terms, you should aim for local languages as much as possible.

Data Collection and Usage

Cookies are allowed, but if tracking cookies are used, the law requires that they be mentioned on the website. Companies are not allowed to share personal information unless permission has been asked for and granted. The Netherlands has incorporated key EU directives on privacy into its national law, including the personal data, data retention, and privacy and electronic communications directives.

In the Netherlands, processing any personal data requires the data subject's unambiguous consent. However, certain types of personal

data—for example, concerning a person's religion—may not be processed at all.

Internet service providers have an obligation to protect the privacy of users and subscribers. The Dutch Data Protection Authority is involved in protecting personal data, but two other agencies also play a role in supervising telecommunications service providers and the telecom market.

Additionally, a constitutional amendment on the protection of digital rights has been discussed in the Netherlands. More information on this topic is available from the Library of Congress at 1.usa.gov/1J0QwXS.

Regulation

Belgium and the Netherlands each have an e-commerce sellers association, BeCommerce (becommerce.be) and Thuiswinkel.org, respectively. All e-commerce companies may join, provided they meet the necessary entry criteria. Members then may display the organization's quality mark.

For example, member companies must

- Have a privacy policy showing company information, including contact details
- Show product prices including value-added tax (VAT)
- Mention the delivery time
- Give the customer at least a 14-day return period
- Have a clear complaints procedure
- Be financially stable

In 2014, Thuiswinkel reported that in the Netherlands, many member company criteria are established by law, but a few are Thuiswinkel's own.

Prohibited Products

- Counterfeit goods
- Endangered species (animals and plants)
- Animal products and foodstuffs (e.g., live animals and animal products)
- Plants, flowers, fruit, and vegetables
- Weapons and ammunition, toy weapons, and fake weapons
- Medicines
- Drugs
- Articles of cultural interest (cultural goods—artwork, antiques, etc.)
- Environmentally hazardous substances (e.g., fireworks)

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France

Summary

In 2014, 59 percent of the French population (nearly 34 million people) shopped online. The total business-to-consumer (B2C) sales was EUR 57.5 billion (USD 64 billion), and business-to-business (B2B) sales (made by 20 percent of companies) were estimated at EUR 71 billion (USD 79 billion). France ranks sixth in the world for e-commerce (B2C) and third in Europe behind the United Kingdom and Germany. The shares of B2B and B2C e-commerce represent, respectively, 3 percent and 9 percent of France's total commerce.

Market Entry

Popular E-Commerce Sites

About 28.7 million Internet users have visited one of the top 15 e-commerce sites at least once.

The top five sites in France, in order of unique visitors per month, are

- Amazon: more than 16 million
- Cdiscount (everything from high-tech items to food): 9.8 million
- Fnac (cultural and electronic goods): more than 9 million
- eBay: 8.65 million
- Price Minister: 7.79 million

Digital Advertising

Digital ads rank second, after TV but ahead of print, in France's advertising investments, with 25 percent of market share and a total investment of EUR 2.9 billion (around USD 3.15 billion). Ads are mainly served via social media (41 percent of total digital market), video (28 percent), and mobile applications (14 percent).

French Internet users feel ads should be related to the web content; as a result, traditional advertising is no longer as efficient. New advertising methods such as "native advertising" are emerging to cope with the challenges of the mobile environment.

Statistics

Capital: Paris
Population: 67 million (2014)
GDP (USD): 2.27 trillion (2014)
Currency: Euro (EUR/€)
Language: French

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Fulfillment

- Diffusion Plus, www.dataone.fr
- Viapost, viapost.fr
- Amazon, amzn.to/1UICuq9
- ID Logistics, www.id-logistics.com
- France Routage (press), f-r.fr

Current Market Trends

Online Payment

In France, common payment methods include

- Credit cards: 80 percent
- Virtual wallet: 27 percent
- Gift cards: 14 percent
- Virtual credit cards: 11 percent
- Installment plans: 8 percent
- Debit cards: 7 percent
- Checks: 5 percent
- Bank transfers: 5 percent

Common alternative payment methods include Allopass, which allows customers to pay via text or phone call; CM-CIC Paiement, which offers online payment for small businesses; HiPay, an e-wallet; Moneo, a service allowed on French bankcards to make small purchases; PayPal; and Paysafecard, a payment-processing service that allows customers to pay with a username and password instead of a PIN.

E-commerce via smartphones and tablets is becoming more popular. It currently accounts for EUR 2.6 billion of e-commerce sales. “Click and collect,” in which people order online and then pick up their goods at a store or locker, is increasingly popular. Collaborative consumption also is becoming more common—for example, web-based car sharing and food purchases directly from the producer.

Cross-Border E-Commerce

In France, consumers buy domestically and across borders on web shops, in Germany (41 percent), in the United Kingdom (29 percent), and across the European Union (EU). They also purchase from web shops in (French-speaking) Canada (18 percent) and from the United States (18 percent). In France, shoppers plan and pay for their business trips and vacation expenses online, but they also purchase books, music, fashion, and consumer electronics from web shops across Europe. Compared to the European average (15 percent), more French online buyers cross-border shop (19 percent).

Cross-border e-commerce offers multichannel retailers business opportunities for international expansion. Approximately 25 percent of France’s online merchants already sell internationally, generating 10 percent of their sales. Sales are supported by international demand for French fashion and beauty brands.

Language is a main driver for cross-border e-commerce: 368 million people worldwide speak French. Many French speakers live in northern Africa, 10 million live in Canada, and 11 million are in neighboring Belgium and Switzerland.

Mobile E-Commerce

In 2014, 33.8 million people (7 percent of France’s population) made purchases online—4.6 million of them via their smartphones and tablets.

Social Media

More than 30 million French people use social media; 86 percent say that they belong to at least one social media site, but only 50 percent are active users.

The top nine sites in France by total number of members are

- Facebook: 63 percent
- Skype: 47 percent
- Copains d'avant: 36 percent
- Google+: 32 percent
- Deezer: 28 percent
- YouTube: 27 percent
- Twitter: 17 percent
- Trombi: 14 percent
- LinkedIn: 14 percent

Facebook, YouTube, and Google+ are leaders and still growing. Twitter, Spotify, Dailymotion, Instagram, Tumblr, and Pinterest also are growing. Trombi and Copains d'avant have many members but are thought to be in decline.

Promotions and Discounts

A variety of online promotions are used. Many companies offer no-interest installment payments or free samples. In addition, free shipping, free next-day delivery, or free returns often attract customers.

The key to success is not only having a professionally translated website, but also choosing the right partners to promote your brand and website to clients. This is essential to optimize your chances in the sophisticated and highly competitive French market.

Current Demand

On average, French online shoppers make 18 purchases per year, with an average expense of EUR 1,515 (USD 1,685). They mainly buy tourism services (62 percent); online subscriptions, tickets, and similar items (54 percent); cultural products (52 percent); clothing (49 percent);

beauty products (27 percent); and home decor (27 percent).

Major Buying Holidays

- Christmas
- Mother's Day (last Sunday in May)
- Father's Day (second-to-last Sunday in June)
- Valentine's Day

In addition, seasonal sales (*les soldes*) run for six weeks in early January to mid-February, and again in the summer from late June until early August. They are, without a doubt, France's most important national sales promotions.

Challenges

Data Collection

Seller responsibilities include

- Notifying customers if their data will be collected and saving customer data
- Allowing customers free access to any stored personal data, including whether or not the company has any information stored about them
- Providing all information in plain language and fully explaining any codes or shorthand
- Correcting errors or deleting customer data, upon request by the customer

At the moment of data collection, customers can prohibit their information's use for commercial purposes or release to a third party. All collection must be performed without fraudulent, unfair, or illegal practices.

Anyone in France may ask the National Data Processing and Liberties Commission (CNIL) to proceed with checks of his or her personal information. The information may be recorded in files concerning state, defense, or public security (right of indirect access); the CNIL

verifies relevance and accuracy and keeps information up to date. The CNIL can also demand that information be corrected or removed.

Data controllers' obligations include

- Reporting the file and its characteristics to the CNIL, except when exempted by law or by the CNIL
- Ensuring that citizens are in a position to exercise their rights through information
- Maintaining security and confidentiality to keep data correct and prevent release to unauthorized third parties
- Accepting on-site inspections by the CNIL and replying to any request for information

Regulation

France follows the EU regulatory framework for e-commerce: Directive 2000/31/CE of June 8, 2000. The rights of consumers engaged in electronic commerce are governed by the French Consumer Code.

In France, the consumer has specific rights related to online purchases. For instance, the seller's full contact details should always be fully available to shoppers, the full cost of products or services (including any extra fees) must always be clearly declared, and delivery and return policies and fees must be clearly laid out.

U.S. companies entering France should understand not just France's e-commerce laws, but also EU laws.

For more information, visit bit.ly/1VSfm5C.

Language

The French language is a major part of French culture; English is very uncommon, and most French Internet users don't speak much English. In addition, the Toubon Law (Law 94-665 of August 4, 1994, relating to usage of the French language) requires French to be used for all written, spoken, or audiovisual advertising. Therefore, both to appeal to French customers and to avoid any legal issues, U.S. sellers should be prepared to have a French-language website—or, at minimum, some form of easy-to-access French translation that includes product details and other important web content.

Product packaging, instructions, and manuals must also be in French.

Prohibited Products

A long list of items have export barriers—essentially, anything that would require an export license. Common items in this category include medical devices, machinery and equipment, and anything involving emissions into the environment. Prohibited items include hazardous materials, such as weapons and chemicals. For more details on forbidden or restricted products, please visit bit.ly/1KJIETm.

For details on the European Commission's e-commerce directive, visit bit.ly/1ik1MKi.

Germany

Summary

Germany's e-commerce sector is the third most active in the world, behind only the United States and the United Kingdom.

According to *The Paypers*, in 2013, the number of cross-border sales made by German shoppers totaled 11.1 million for the United Kingdom, 8.6 million for the United States, and 6.2 million for China.

Market Entry

Popular E-Commerce Sites

Many large U.S. players are also well established in Germany. In April 2014, *Ecommerce News* reported that Germany's most popular shopping websites were

- **amazon.de**: 22.5 million visitors
- **ebay.de**: 21.0 million visitors
- **otto.de**: 4.7 million visitors
- **tchibo.de**: 4.0 million visitors
- **zalando.de**: 3.8 million visitors

Most business-to-consumer (B2C) customers prefer German-language websites.

Digital Advertising

Many successful ads appear on mobile apps. In a recent 7,000-person Internet World survey, 72 percent of Germans surveyed said they were open to having retailers communicate with them on their mobile devices and wanted to use point-of-sale technology to help inform purchases. Price-related promotions were most popular among those surveyed: 47 percent said they would like to receive special offers and discounts, 43 percent expressed an interest in accessing detailed product information, and 43 percent wanted to be able to reserve or arrange delivery using their smartphones while in the store.

In 2014, EUR 1.198 billion (around USD 1.3 billion) was spent in Germany on e-commerce advertising. Ströer Digital reached 38.33 million users with its advertisements in 2015, InteractiveMedia CCSP reached 34.49 million, and Axel Springer Media Impact reached 34.18 million.

Fulfillment

Numerous qualified fulfillment centers are available throughout Germany, as well as the European Union (EU) as a whole. The U.S.

Statistics

Capital: Berlin
Population: 83.8 million (2013)
GDP (USD): 3.4 trillion (2013)
Currency: Euro (EUR/€)
Language: German

Contact

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Commercial Service can assist you in identifying a suitable partner.

Current Market Trends

Online Payment

According to data from About-Payments, in 2012 the four most popular means of payment were

- Payment on account: 58 percent
- Online payment service providers, such as PayPal: 52 percent
- Direct debit: 46 percent
- Credit card: 34 percent

Mobile E-Commerce

In 2014, the blog Econsultancy reported that 15 percent of German consumers make a monthly purchase via their smartphones.

Social Media

Facebook is by far the dominant social media site. More than 20 million Germans used Facebook in July 2012, according to SonnComm Marketing. Total social media penetration includes

- Facebook: 56 percent
- Stayfriends: 9 percent
- XING: 7 percent
- Google+: 6 percent
- Twitter: 6 percent

Promotions and Discounts

Internet Retailer Magazine studied effective e-commerce promotions (bit.ly/1Q4FuGt) and

found that surveyed customers said the most persuasive promotions or deals were:

- Unconditional free shipping: 73 percent
- Free returns: 70 percent
- Sales and specials: 62 percent
- Coupons/rebates for cash or percentage off: 56 percent
- Percentage discounts: 54 percent
- Rewards or loyalty points: 46 percent
- Limited-time deals: 43 percent
- Free shipping based on minimum purchase amount: 42 percent
- Quantity-based discounts: 34 percent
- Free gift with purchase: 31 percent

Current Demand

A Pitney Bowes poll asked Germans which products they had purchased online over the past 12 months and had delivered to their home:

- Books: 61 percent
- Clothes: 61 percent
- Magazines: 45 percent
- Shoes: 42 percent
- Electronics: 38 percent
- Movies: 33 percent
- Beauty products: 32 percent
- Groceries: 27 percent
- Toys: 26 percent

Major Buying Holidays

The Christmas season is the key e-commerce season. Green Monday (the first Monday in December), an online shopping promotional event prior to Christmas, is Germany's single biggest online shopping day.

Challenges

Intellectual Property Rights

To effectively manage intellectual property rights (IPR) in the EU:

- Companies must have an overall strategy to protect their intellectual property.
- IPR are protected differently in the European Union than in the United States.
- Rights must be registered and enforced in the EU under local laws.

U.S. trademark and patent registrations will not provide protection in the EU. No “international copyright” exists to automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions. Those conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so entrepreneurs should consider applying for trademark and patent protection even before selling products or services in the EU market. Companies must understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in the EU. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisers. Companies may wish to seek advice from local attorneys or IPR consultants who are experts in EU law. The U.S. Commercial Service can provide a list of local attorneys on request.

Although U.S. government officials want to assist U.S. businesses, they cannot offer

help if the rights holders have not taken the fundamental steps necessary to secure and enforce their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated because of legal doctrines, such as statutes of limitations; laches; estoppel; or unreasonable delay in prosecuting a lawsuit. Advice from the U.S. government is not a substitute for the obligation of a rights holder to promptly pursue a case.

Furthermore, businesses are advised to conduct due diligence on potential partners. Negotiate and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IPR. Consider carefully, however, whether to permit a partner to register your IPR on your behalf. Doing so may create a risk that your partner will list himself or herself as the IPR owner and fail to transfer the rights should the partnership end. Keep an eye on the cost structure, and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in the EU require constant attention. Work with legal counsel familiar with EU laws to create a solid contract that includes non-compete clauses and confidentiality or non-disclosure provisions.

Data Collection

Data protection and privacy laws are stringent, and consumer protection guidelines and competitive advertising also are highly regulated. Companies should consult with a lawyer before collecting, storing, or processing any sort of data in Germany. Other potential challenges involve laws pertaining to unfair competition and rebates.

The EU's general data protection directive spells out strict rules concerning the processing of personal data. Businesses must tell consumers that they are collecting data, the purpose of the data collection, and to whom the data will be disclosed. Data subjects must be given the opportunity to object to the processing of their personal details and to opt out of having such data used for direct marketing purposes. This opt-out should be available at the time of collection and at any point thereafter. Although the EU is considering new legislation (the General Data Protection Regulation), the 1995 directive remains in force.

EU-U.S. Privacy Shield Framework

The EU's current data protection directive provides for the free flow of personal data within the EU and also provides for protection of the data leaving the EU.

The U.S. Department of Commerce and the European Commission negotiated the EU-U.S. Privacy Shield Framework to provide U.S. companies with simple, streamlined means of complying with the adequacy requirement. The framework allows U.S. companies that commit to a series of data protection principles (based on the current directive)—and that publicly state that commitment by annually “self-certifying” on a dedicated website—to continue to receive personal data from the EU. Signing up is voluntary, but the rules are binding on any companies that do. For more details, visit export.gov/safeharbor.

The Federal Data Protection Act (*Bundesdatenschutzgesetz*) implements the EU directive on data protection and is Germany's main legal source of data protection.

Examples of sectoral laws include

- Telemedia Act (*Telemediengesetz*), which applies to providers of telemedia services (such as websites)
- Telecommunication Act (*Telekommunikationsgesetz*), which applies to providers of telecommunication services
- Criminal Code (*Strafgesetzbuch*)
- Social Security Codes I, II, IV, V, and X, which regulate the processing of health and other personal data in connection with the provision of medical and social security services

Regulation

The e-commerce directive provides rules for online services in the EU. It requires providers to abide by rules in the country where they are established (country of origin). Online providers must respect consumer protection rules and indicate contact details on their websites, clearly identify advertising, and protect against spam. The directive also grants exemptions from liability for intermediaries that transmit illegal content by third parties and for unknowingly hosting content. For more information, visit bit.ly/1O4fAW1.

The EU applies value-added tax (VAT) to sales by non-EU-based companies of electronically supplied services (ESS) to EU-based non-business customers. U.S. companies that are covered by the rule must collect and submit VAT to EU tax authorities. Starting on January 1, 2015, all supplies of telecommunications, broadcasting, and electronic services are taxable at the place where the customer resides. In the case of a business customer, this location is either the country where the business is registered or the country in which it has fixed premises. In the case of consumers, the location is where they are registered, have their permanent address, or usually live.

As part of the legislative changes of 2015, the commission launched the Mini One-Stop Shop (MOSS) scheme, use of which is optional. The MOSS is meant to facilitate the sales of ESS from taxable to nontaxable persons (B2C) located in EU member states in which the sellers do not have an establishment to account for the VAT.

The scheme allows taxable persons (sellers) to avoid registering in each member state where customers live. A taxable person who is registered for the MOSS in a member state (the member state of identification) can electronically submit quarterly MOSS VAT returns detailing supplies of ESS to nontaxable persons in other member states (the member states of consumption), along with the VAT.

The most important pieces of legislation on VAT are the EU VAT Directive 2006/112/EC and its implementing regulation, 282/2011. For further information relating to VAT on ESS, please visit bit.ly/1KdrrOM.

Resources

- About-Payments. 2012. "Most popular German e-commerce payment method is payment on account." October 12. bit.ly/1O4hqWM
- *Ecommerce News*. 2014. "The top 10 online stores in Germany." July 18. bit.ly/1Kbt8rF
- *The Paypers*. 2013. "Cross-Border E-commerce Report—Germany." bit.ly/1SYFz0v
- Christopher Ratcliff. 2014. "32% of UK Consumers Make Purchases on a Smartphone: Stats." Econsultancy (blog). March 13. bit.ly/1KdsYnY

The Nordic Region

Summary

The Nordic region—Sweden, Finland, Norway, and Denmark—is Europe’s sixth-largest economy. Despite possessing four languages and cultures, consumer preferences are relatively homogeneous.

Generally speaking, Nordic consumers are early adopters when it comes to technology. They have the highest Internet penetration in Europe, and they have high disposable incomes. On average, a larger percentage of the Nordic population uses smartphones than in the rest of Europe.

English is spoken widely in all the Nordic countries, and it can be used business to business (B2B). For business to consumer (B2C), language depends on business strategy. Generally, B2C websites should be in a local language and should accept local payment services, in addition to general European e-commerce best practices.

Vendors that enter the Nordic region’s B2B market generally need to present the same level of service to their business customers as they would to consumers. B2B likely makes up at least 50 percent of the e-commerce market, so providing a high-quality B2B e-commerce experience—not just B2C—is essential for success.

Statistics

Population: 25 million

Currencies: Swedish krona (SEK),
Norwegian krone (NOK),
Danish krone (DKK), Euro (EUR/€)

Languages: Swedish, Finnish,
Norwegian, Danish

Market Entry

Popular E-Commerce Sites

- Komplet: electronics, home, wellness—Norway, Sweden, Denmark, and Finland
- Elkjøp: omnichannel electronics—Norway, Sweden, Denmark, and Finland
- H&M: domestic, apparel—Norway, Sweden, Denmark, and Finland
- IKEA: furniture—Norway, Sweden, Denmark, and Finland
- Ellos: domestic, apparel—Norway, Sweden, Denmark, and Finland
- Bolia: furniture—Norway, Sweden, Denmark, and Finland
- Dustin Home: electronics—Norway, Sweden, Denmark, and Finland
- Nelly—accessories, apparel—Sweden
- NetOnNet: electronics—Norway, Sweden, Denmark, and Finland
- Adlibris: books—Sweden
- cdon.se: electronics, music, books—Norway, Sweden, Denmark, and Finland
- Elgiganten: electronics—Norway, Sweden, Denmark, and Finland
- Dansk Supermarked: appliances, apparel, general merchandise—Denmark
- Coop—appliances, apparel, general merchandise—Denmark
- XXL: sporting goods—Norway and Sweden
- DealExtreme: electronics—international

Contact

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In addition to Nordic e-commerce sites, many consumers shop with eBay and Amazon.

Digital Advertising

Traditional ad channels include

- Google ads and affiliates
- Facebook
- Online newspapers
- National classified services
 - *Finn.no* is Norway's primary real estate and job posting website. The site is also a portal for airplane tickets, rental properties, boats, and motorcycles.
- Blogs
 - Paying top bloggers for publicity can sometimes open huge opportunities. Bloggers increasingly take on some of the codes of conduct applied by traditional media houses, such as revealing their sponsors.
- Other online ads

Fulfillment

Many of Europe's largest fulfillment centers are located in the Netherlands. (Companies that have only one European fulfillment center generally find this to be the best location.) Regional fulfillment centers (serving both online and brick-and-mortar needs) are available in every market for larger exporters with special needs. However, the largest brands often prefer a Northern continental Europe location.

Omnichannel Retailing

To achieve seamless e-commerce, a company must meet the consumer in all available channels. *Omnichannel* refers to the integration of the physical and digital channels so that consumers can easily find information and make purchases. Omnichannel opportunity awareness is increasing among retailers in the Nordic countries, in parallel with consumers'

heightened expectations for seamless e-commerce. Retailers are also increasingly aware of the importance of availability and logistics, including inventory. For seamless e-commerce to function, products need to be available in all channels.

Traditional integration has involved brick-and-mortar retailers reaching out to their customers online. However, the next generation of retailers is starting with a global online business model and then allowing consumers to pick up their purchases at local stores or other physical locations. For example, Amazon recently created its "Amazon Lockers," so consumers can buy products online and, at their convenience, visit their assigned locker and pick up their delivery.

The largest global omnichannel retailers are starting with the largest European markets, such as the United Kingdom, Germany, and France. In time, this may help local Nordic retailers, such as IKEA, H&M, Bolia, XXL, and Elkjøp, get a head start with omnichannel retail, since they may be able to take advantage of existing infrastructure.

Note that omnichannel strategies often require significant capital investments. They're typically pursued mainly by larger corporations with strong brand names (or major aspirations).

Current Market Trends

In 2014, Nordic consumers shopped online for a total of EUR 15.4 billion (around USD 16.7 billion), according to a PostNord (2015) study. Nordic e-commerce-related B2C transactions increased 15 percent over the previous year. PostNord found that the Nordic countries had the second-highest spending per year per capita, after the United Kingdom.

E-Commerce Europe uses a different method for listing the e-commerce revenues, estimating



that the Nordic market adds up to EUR 42.5 billion (around USD 46.08 billion). Growth rates are about the same in each of the Nordic countries, ranging from 14.2 percent in Finland to 18.1 percent in Denmark.

Clearly, the region is a leader in per capita e-commerce spending. E-Commerce Europe suggests that Norwegian e-commerce customers, who spent EUR 2,592 per capita (around USD 2,810), are the biggest spenders in Europe. Sweden, Finland, and Denmark are among the top countries.

Because the PostNord and E-Commerce Europe studies consider only commodities—not services or more intangible products such as airplane tickets and hotel rooms—the actual market values may be even higher than reported.

Online Payment

Debit and credit cards are the most popular form of payment for e-commerce transactions. However, individual consumer preference varies considerably from country to country. For example, according to 2015 PostNord data, consumers in Sweden and Finland report a preference for paying directly via bank account.

Cross-Border E-Commerce

Nordic peoples have always been internationally focused. The countries are open for international trade, and the region has the highest share of imports in relation to total e-commerce transactions. The region also has a close relationship with the United States, and consumers are generally receptive to U.S. goods and services. U.S. SMEs interested in using e-commerce are likely to find customers in the Nordic countries.

Online stores from the United Kingdom are the most popular. On average, 41 percent of Nordic

residents who shop online from foreign sites (including 50 percent of Danish e-commerce consumers) buy from sites based in the United Kingdom. The United States and Germany are nearly tied for second place, and China is third but increasing in popularity.

Consumers in the Nordic countries understand English well; the language can be less of a barrier than the perceived distance from the seller. Customers in the Nordic countries commonly use international websites that are poorly localized—or maybe not localized at all. In such cases, the vendor has to offer something unique that the customer cannot find locally or sell the product at a compelling price. Free shipping may also help convince the customer to place an order. However, if the customer needs to deal directly with customs, then the inconvenience may cause them to shop elsewhere.

Because the Nordic countries are somewhat remotely located, customers have traditionally accepted long delivery times. However, just as e-commerce continues to let business move more rapidly, customers increasingly want shorter delivery times. The average acceptable delivery time is 4.3 days, but over the past year, 1 in 10 Nordic residents have grown to expect their deliveries within 1 or 2 business days. In Denmark it's even higher—2 in 10. This preference indicates suppliers may have to deal with increasingly tight delivery times, and e-tailers may need to seek out alternate delivery methods for their customers.

Mobile E-Commerce

According to an E-Commerce Europe report, 57 percent of Finns own smartphones, as do 69 percent of Danes, 68 percent of Norwegians, and 75 percent of Swedes.

At the June 2015 E-Commerce Europe Annual Conference, a representative of the UK brand

Accessorize reported that no consumers used their mobile phones to shop for the brand four years ago. Today, 70 percent use their mobile devices. Although Accessorize targets its clothes and accessories to one specific demographic, its experience follows larger business trends. (Accessorize has an omnichannel strategy in all Nordic countries.)

More than one in seven Nordic residents stated that they shopped for goods online using only their mobile devices during October through December 2014, according to a PostNord study (2015). Mobile shopping was even more popular in Sweden—nearly one in five. Swedish consumers may have adapted more quickly because Sweden’s omnichannel selling is more advanced than it is in the other Nordic countries, and because many Swedish retail chains have websites that work well in the mobile space. Denmark reports the lowest proportion of shoppers using mobile devices, perhaps because Denmark does not yet have many large e-commerce companies. The websites of Danish companies, therefore, may not be as responsive as sites in Sweden.

Social Media

Nordic people generally use sites such as Facebook, LinkedIn, Instagram, Twitter, and Pinterest. Facebook is especially dominant, and Norway is one of the few countries of the world where Facebook ranks number one in terms of most visited sites. (Google is the most visited site in most other countries.)

Current Demand

As of 2014, and across all Nordic countries, the top product category is clothing and footwear. The second-most popular is generally home electronics, except in Sweden, where books take second place. Other popular products are cosmetics, skin care, and hair products, and sport and leisure items.

Sweden

- Top cross-border sources were the United Kingdom (42 percent), the United States (29 percent), and Germany (25 percent).
- On average, 33 percent of Swedes purchased products from foreign sites at least once every three months.
- Total cross-border e-commerce was approximately EUR 1.2 billion (around USD 1.3 billion)—about 21 percent of total e-commerce spending.
- Swedish online purchases from foreign sites account for only 7 percent of cross-border e-commerce.

Finland

- Top cross-border sources were the United Kingdom, Germany, Sweden, and the United States.
- On average, 49 percent of Finns purchased products from foreign sites at least once every three months.
- Total cross-border e-commerce was EUR 961 million (around USD 1.4 million)—about 40 percent of total e-commerce spending.

Norway

- Top cross-border sources were the United States (41 percent), the United Kingdom (41 percent), and China (27 percent).
- On average, 36 percent of Norwegians purchase products from foreign sites at least once a month, and 62 percent at least once every three months.

Denmark

- Top cross-border sources were the United Kingdom (50 percent), Germany (29 percent), and the United States (18 percent).
- On average, 38 percent of Danes purchased products online from foreign sites at least once every three months.
- Total cross-border e-commerce was EUR 770 million (around USD 835 million)—about 24 percent of total e-commerce spending.

Major Buying Holidays

- Christmas is by far the largest commercial driver for e-commerce.
- Halloween and Valentine’s Day also drive some sales.
- The U.S. Black Friday creates only limited additional sales because the Nordic countries do not observe the Thanksgiving holiday. However, retailers seem to pick up on American holidays to generate extra traffic, so Black Friday could become a significant factor in a few years.

Challenges

Intellectual Property Rights

Manufacturers need to make sure their intellectual property is protected, whether they produce a physical product or something intangible such as software, art, or music. Enforcement has generally been good and was recently strengthened throughout Europe.

Enforcing intellectual property rights (IPR) violations on intangible products has been less of a priority for police and customs in the Nordic countries, but the laws are currently being updated. Sweden has been a particular problem for the motion picture and music industries, mainly because of piracy via peer-to-peer download services. However, a lack of government response has also been a problem.

IPR considerations are regulated by each country’s official patent offices. Regionally, the Nordic Patent Institute was established by the governments of Denmark, Iceland, and Norway to enhance the patent services of each member’s national patent office.

Data Collection

The Nordic countries maintain a relatively strict policy on storage of personal identity information compared with the rest of the

world. The general regulatory framework mirrors the European Union (EU) policies, and additional national restrictions may apply. U.S. online resellers need to be mindful of their customers’ data and follow all required standards.

The Norwegian Data Protection Authority is responsible for protecting individuals’ right to privacy and processing of their personal data. Regulations are available at bit.ly/1MnoSK3.

Regulation

The Nordic region is a part of the European Single Market; therefore, effective strategies should apply to Europe as a whole, even for companies focusing on the Nordic region. E-commerce is a priority of the European Commission, through the Digital Single Market. The European Union intends to

- Harmonize consumer and contract rules with more efficient and affordable parcel delivery.
- Simplify VAT arrangements to boost the cross-border activities of business, especially SMEs (which typically have trouble dealing with complex foreign tax rules).

Prohibited Products

The Nordic region generally follows the European Union restriction regarding levels of hazardous materials—Restriction of Hazardous Substances Directive and Waste Electrical and Electronic Equipment Directive. (Norway is not part of the EU, but has similar regulations.) Contact your local U.S. Commercial Service trade specialist for an up-to-date list of items.

Resource

- PostNord. 2015. “E-Commerce in the Nordics 2015.” bit.ly/10AedLD

The United Kingdom

Summary

The United Kingdom (England, Wales, Scotland, and Northern Ireland) has a long history as a major player in international affairs. It fulfills an important role in the European Union, United Nations, and North Atlantic Treaty Organization. The United Kingdom is a leading trading power and financial center and is the third-largest economy in Europe after Germany and France. Although part of the European Union, the United Kingdom is not part of the Eurozone, and so its currency is not the euro.

More than 80 percent of homes in the United Kingdom have access to broadband.

UK consumers have more devices than ever. In 2015, the average consumer owned 3.3 devices, up 10 percent from 2014. Some 51 percent own tablets, and 75 percent own personal computers. The British are heavy Internet users: 85 percent go online at least once a day. That figure rises to 92 percent among individuals under 44 years old.

With so many Internet-connected devices at their fingertips, the British increasingly are multiscreening. For example, 64 percent go online while watching TV, with 63 percent using their smartphones and 36 percent using a tablet, desktop, or laptop.

Statistics

Capital: London
Population: 64.6 million
GDP (USD): 2.8 trillion
Currency: Pound sterling (GBP/£)
Language: English

Market Entry

Popular E-Commerce Sites

The top 20 UK e-commerce sites (in order of popularity) are

- amazon.co.uk: general e-commerce
- ebay.co.uk: general e-commerce
- rightmove.co.uk: residential property
- gumtree.com: general e-commerce
- tesco.com: groceries
- apple.com: technology
- netflix.com: movies and television shows
- autotrader.com: automobiles
- booking.com: travel and vacations
- zoopla.co.uk: residential property
- johnlewis.com: clothing and home goods
- asos.com: fashion
- marksandspencer.com: clothing and home goods
- diy.com: home improvement
- asda.com: groceries
- next.co.uk: fashion
- etsy.com: arts and crafts
- currys.co.uk: appliances and electronics
- boots.com: health and personal care
- ikea.com: furniture and home goods

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The most popular types of e-commerce sites are

- General online retailers
- Price comparison sites
- Department stores
- Bus or train companies
- Banks and other financial institutions
- Airlines
- Supermarkets and grocery stores

Digital Advertising

Spending on digital advertising in 2014 was more than USD 11 billion, up 14 percent from 2013. Mobile advertising accounted for 59 percent of the market. The breakdown includes

- Paid search: 52 percent
- Display: 32 percent
- Classified: 15 percent
- Other: 1 percent

The United Kingdom is on course to become the first country in the world where spending on digital advertising outstrips all traditional formats combined. As consumers increasingly shop on smartphones and tablets, more than half of the nation's 2015 advertising budget was expected to go to digital media, including a boom in paid-for results on search engines such as Google. The total UK advertising market was expected to hit USD 24 billion in 2015, up 5.5 percent from 2014. Just over USD 12 billion was expected to be spent on advertising via search engines, in mobile apps, on newspaper websites, or through video-on-demand services such as ITV Player or 4oD.

Fulfillment

The United Kingdom has a robust fulfillment infrastructure with many options.

- United Kingdom Warehousing Association, ukwa.org.uk
- Asendia, asendia.co.uk
- DK Group, dkfulfilment.co.uk
- DMC, dmcdist.co.uk
- James and James, e-commercefulfilment.com
- ProFS, profulfilment.com
- Storeship, storeship.co.uk

Current Market Trends

Online sales grew 13 percent year-on-year in April 2015, following an unprecedented four months of merely single-digit growth, according to the latest figures from the IMRG Capgemini e-Retail Sales Index. April sales were up 4 percent month-on-month, the highest recorded for this period since 2007, as online shoppers were apparently unaffected by the uncertainty regarding who would win the upcoming general election.

The global increase in average temperatures seemed to provide a boost to UK clothing sales; as a result, clothing industry growth increased 15 percent. The travel sector also continued to perform well in April, up 20 percent year-on-year. Mobile commerce continued to drive overall online sales growth. April's figures showed that mobile sales increased 52 percent year-on-year and 8 percent over March.

Today, 59 percent of British buyers research products online before they purchase offline. Conversely, nearly half (49 percent) research products offline before making a purchase online. A quarter of British consumers (25 percent) research their purchases online only. The effect of growing Internet use and mobile penetration is particularly relevant for local businesses. Four out of 10 people use smartphones to look for local information, such as products and prices, and 61 percent do research locally a day or less before purchase.

Online Payment

Almost all UK-based online businesses accept credit or debit cards, including Visa and MasterCard. American Express, Diners Club, and JCB are less popular. Many websites use PayPal or other similar services. UK consumers are becoming much more aware of the issue of online identity theft and will generally conduct financial transactions only on secure websites.

Popular payment methods include

- Credit cards: 40 percent
- Debit cards: 35 percent
- PayPal: 21 percent
- Other: 4 percent

Mobile E-Commerce

Nearly three-quarters (71 percent) of residents have a smartphone (compared with the European average of 61 percent), and 60 percent use search engines via their smartphone at least once a week.

A recent study by vouchercodes.co.uk and the Centre for Retail Research shows that smartphones and tablets are now used for one-third of purposes leading up to a purchase, with 20 percent of consumers shopping on their smartphones regularly and 14 percent using them as their primary shopping device.

The study revealed that mobile is now a key tool for shoppers' discovery and research. Nearly half (46 percent) of consumers research purchases and read reviews, 43 percent browse online stores, and 38 percent make price comparisons. Mobile in-transit was also shown to be a significant untapped sales opportunity for retailers. Although only approximately 11 percent of consumers make transactions while traveling to work, two-thirds of these customers spend between GBP 10 and GBP 200. On their way home, 16 percent of consumers will

research specific products, browse social media, or check online stores for inspiration.

As consumers shift to more engaged shopping, 16 percent will research coupons and discount codes, 15 percent will make price comparisons, and 20 percent will read product reviews.

Two in five shoppers (40 percent) had used their mobile phones for shopping purposes while in physical stores in the previous three months. The most common smartphone uses when out shopping were killing time while waiting for friends, family members, or a partner (89 percent); finding out more about a product (56 percent); and purchasing goods (43 percent).

One-third (33 percent) of shoppers had used their mobile device in-store to get discount codes, and 15 percent had used mobile applications to find the most relevant products. More than a fifth (21 percent) also claimed that discount coupons delivered to their smartphones would drive them into a store they had not planned to visit.

Increased mobile shopping activity means improved mobile offerings can benefit retailers' overall e-commerce sales. Consumers comfortable shopping via their smartphone make 4.5 more online transactions and spend GBP 238.56 more in a three-month period (GBP 668.82 compared with GBP 430.26) than do non-mobile shoppers.

Social Media

- Facebook
- YouTube
- Twitter
- LinkedIn
- Reddit
- Instagram
- Imgur
- Tumblr
- Pinterest

Promotions and Discounts

Coupons are popular with consumers. A number of websites provide coupons that give

discounts at most of the United Kingdom's leading retailers. Popular sites include

- vouchercodes.co.uk
- wowcher.co.uk
- groupon.co.uk/vouchers

Current Demand

Services

There is a special scheme for non-EU companies selling downloadable software over the Internet to clients within the European Union. The European Union classifies this type of transaction as an electronically delivered service. Non-EU companies selling downloadable software to EU customers must be registered for value-added tax (VAT) in at least one member state within the EU. Different requirements apply for accounting for VAT, depending on whether the customer is a corporation or an individual and depending on where the customer is physically located. This is a complex subject; companies should either engage an accountant to advise them or ensure that they are familiar with the regulations. For more information about the United Kingdom's "electronically supplied services: special scheme for non-EU businesses," please visit bit.ly/1UIxMIX.

Major Buying Holidays

- New Year's Day
- Valentine's Day (February 14)
- Easter
- Mother's Day (second Sunday of May)
- Father's Day (third Sunday of June)
- Black Friday—UK retailers are slowly adopting Black Friday sales, even though Thanksgiving is not a UK holiday.
- Christmas Day and Boxing Day (December 25 and 26)

Challenges

Intellectual Property Rights

The UK legal system provides a high level of intellectual property rights (IPR) protection. Enforcement mechanisms are comparable to those available in the United States. The United Kingdom is a member of the World Intellectual Property Organization (WIPO), the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Universal Copyright Convention, the Geneva Phonograms Convention, and the Patent Cooperation Treaty. The United Kingdom has signed and, through various EU directives, implemented both the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty, known as the "Internet treaties."

The UK Trade Marks Act of 1994 (bit.ly/1K36Efl) provides for the registration and protection of trademarks and has been harmonized with the EU trademark directive.

Trademarks are considered personal property in the United Kingdom and are normally registered for a period of 10 years with an option to renew. However, trademarks may be removed from the register if a period of five years has elapsed, during which time there has been no bona fide use of the trademark in relation to the goods by the proprietor.

Trade secrets, confidential test data, and other commercially sensitive information are not specifically subject to legal protection, but the misappropriation of such information from business premises may be subject to criminal law. Action under employment law also may be taken against an employee who, by disclosing information, breaches a contract with his or her employer. In addition, confidential test data, submitted in conjunction with a registered

application for pharmaceuticals or veterinary products, enjoy 10 years of exclusive protection from the date of authorization, provided the product is marketed in the United Kingdom.

For additional information, visit ipo.gov.uk.

Data Collection

Cookies are allowed, but websites must tell people if they set cookies and must clearly explain what the cookies do and why. The website must also get the user's consent, typically through a pop-up box. Consent must be knowingly given.

An exception is made for cookies that are essential to provide an online service at someone's request (such as to remember what's in an online basket or to ensure security in online banking). The same rules also apply if companies use any other type of technology to store or gain access to information on someone's device.

The Data Protection Act regulates the use of personal data in the United Kingdom. For information about the scope of the regulations, definitions, and more, visit bit.ly/1O6cnVJ.

The Privacy and Electronic Communications Regulations (PECR) give people more privacy in relation to electronic communications. There are specific rules on

- Marketing calls, e-mails, texts, and faxes
- Cookies (and similar technologies)
- Security for communication services
- Customer privacy regarding traffic and location data, itemized billing, line identification, and directory listings

Regulation

The main rules covering sales on the Internet are the Consumer Contracts Regulations of 2013 (bit.ly/1NnbBIQ). These rules set out the rights that consumers have when making purchases over the Internet.

The Information Commissioner's Office helps organizations comply with PECR and promotes good practices by offering advice and guidance. It will take enforcement action against organizations that persistently ignore their obligations, starting with those that generate the most complaints. For more information, visit bit.ly/1OHQ71I.

Prohibited Products

Goods that are prohibited from being imported into the United Kingdom include

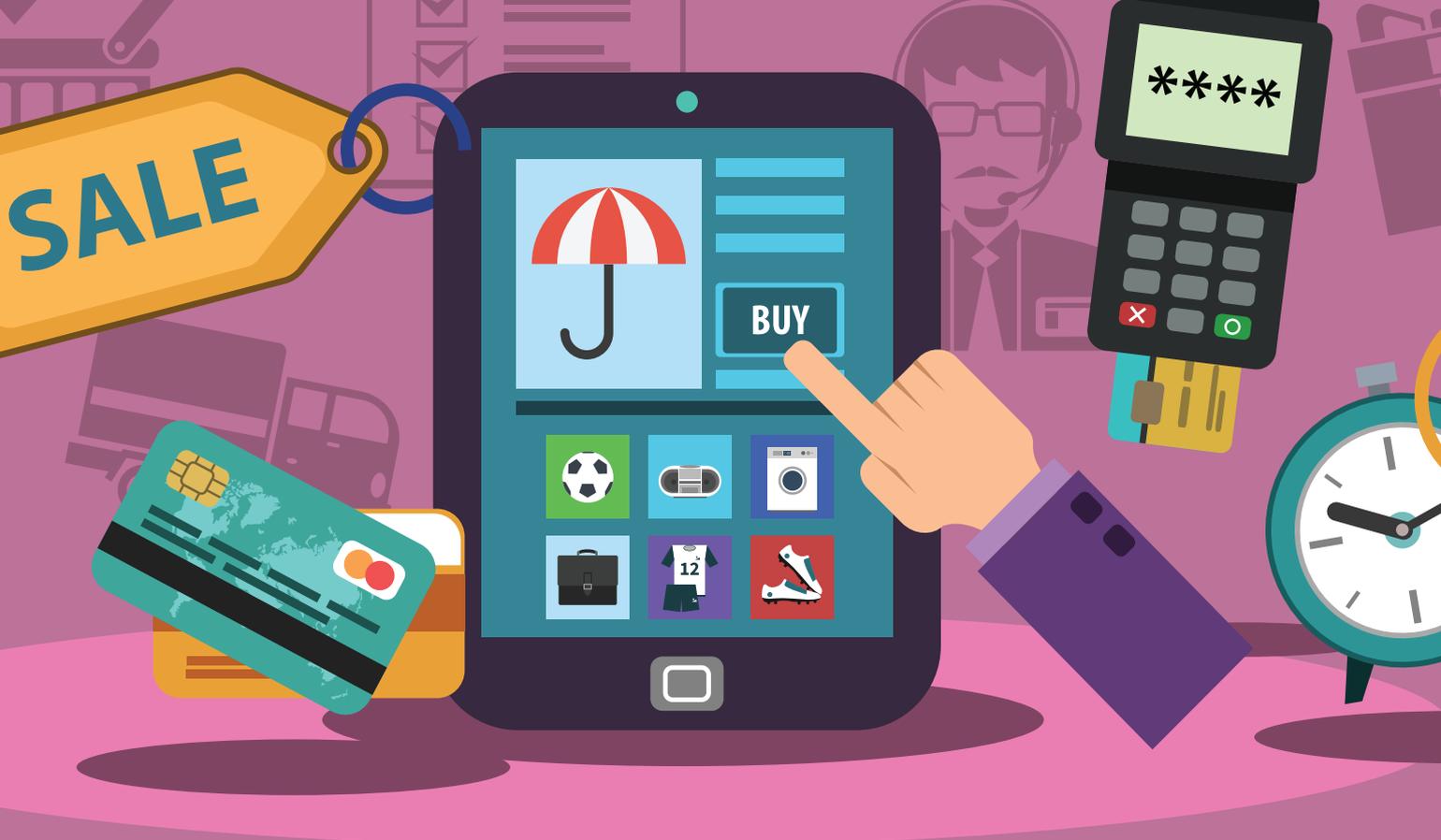
- Illegal drugs
- Offensive weapons, such as switchblades
- Self-defense sprays, such as pepper spray and CS gas
- Endangered animal and plant species
- Rough diamonds
- Indecent and obscene materials
- Personal imports of meat and dairy products from most non-EU countries
- Goods suspected of infringing IPR (such as "pirate" copies of movies or music)

In addition, some goods are restricted, including firearms, explosives, and ammunition. A special license is required to bring them into the United Kingdom. Some food and plant products also are restricted.



Conclusion





Summary

A Look Ahead

E-commerce has grown by leaps and bounds, and all signs point to more growth to come. Its cross-border twin also is growing rapidly. The distinction between business to business and business to consumer has become increasingly blurred as individual consumers and businesses seeking new products or vendors use the same tools and marketplaces to find what they need.

There are several pain points for small businesses seeking online cross-border sales:

- Regulation compliance
- International shipping costs
- Widening e-commerce channels
- Payment methods
- Complex paperwork
- Returns
- Fraud

International buyers have their own pain points:

- Cost of goods and services
- Duties and taxes
- Ship times and missing deliveries
- Customer service, communication, and product return issues
- Missing or counterfeit goods

Despite mutual pain, the number of international sellers and buyers continues to expand. Reasons for growth include improvements in worldwide connectivity, smart devices with access to global products, the marriage of e-commerce and social media, a growing global middle-class with money to spend, a desire for novelty, and the thrill of a good deal. Also, smaller businesses can engage in cross-border e-commerce more easily these days, further expanding the universe of available goods. As this book illustrates, advances in technology and a hyper-savvy tech service industry have created tools that make it easier to sell to buyers in other countries. For a modest investment, a small company can begin taking and fulfilling international orders in a matter of hours. That's worth repeating: in a matter of hours. Most of the pain points can be addressed by acquiring the right set of apps and outsourcing all or some of the fulfillment process.

Yes, the Millennials (those who reached young adulthood around the year 2000) may be leading the charge into the online future, but members of Generation Z (the generation born after the Millennials) are very comfortable with digital commerce and have started consuming online and influencing their peers about what and where to buy.



Trade Agreements

If you are interested in cross-border e-commerce, you have additional reason for optimism: more trade agreements. As this book goes to press, the Trans-Pacific Partnership (TPP) is still a hot topic, and its implications are still making news headlines. The law also would provide more intellectual property protection and better treatment for investments.

An additional agreement is being negotiated with countries of the European Union. If approved by all parties, the agreement would further lower tariffs on qualifying goods in Europe. In addition, technical standards would be harmonized, lowering the delays and expense incurred by companies trying to bring their products into compliance. The result should be more trade and more opportunities for cross-border e-commerce.

Separately, the European Union is trying to amend regulations that are unfriendly to small businesses. Amendments under consideration include a series of exemptions for small businesses that would reduce compliance and operating costs. Foreign small businesses trying to sell into the European Union also would benefit. Currently, small businesses in Europe struggle to sell across borders, even within the continent. The European Union government estimates that changes to the current welter of regulations limiting cross-border trade could save the small exporter up to USD 30,000 per year in unnecessary costs.

The U.S. Congress has approved legislation that raises the limit on low-value exports subject to duties from USD 200 to 800. This action is not reciprocal in other countries, but the legislation directs the administration to negotiate similar terms with other governments.

Trade Facilitation

The World Trade Organization's Trade Facilitation Agreement is intended to reform customs procedures (especially in developing countries) in order to provide more efficiency, transparency, and speed for goods crossing borders. Various glitches and snafus add significant costs to the process of moving goods from one country to another. This agreement, if fully implemented by member states, should lower the costs of doing business and generate more trade, especially in Africa, India, and Southeast Asia.

The only two country markets with populations of more than 1 billion—China and India—have been cautious about opening their markets to foreign competition, especially with regard to e-commerce. However, China is placing more emphasis on increasing consumer spending, which in time should increase imports of consumer products. Alibaba, by far the largest e-commerce player in China, has vowed to make it easier for small foreign companies to sell to Chinese consumers. These efforts are in their early stages, and it's not possible to judge their significance.

India is in the midst of a debate over how to roll out economic reforms, including opening the domestic market to more foreign investment and competition. There is general agreement within India that reforms are needed. U.S. companies have few options to sell via e-commerce, but those options may soon expand. Meanwhile, keep an eye on developments, and test the available channels by contacting the U.S. Commercial Service in India.

Single Window Initiative

The Single Window Initiative is a U.S. effort to make the processes for expediting goods in and out of the country more efficient. For exports, a company would submit all documentation to a single agency (window) for processing and approval. Documents would be submitted, responded to, and tracked electronically. Interagency and information technology coordination are formidable. The system is scheduled to be in place by 2017 and should make the documentation and regulatory side of shipping goods easier and less costly.

Expanding Access to the Internet

Countries vary widely in their ability to access information (as well as goods and services) via the Internet. In 2013, the Boston Consulting Group developed a scheme to score countries on the basis of factors such as access to high-speed Internet, the degree to which governments limit Internet access, and the amount of business transacted via digital means, among others. None of the rankings is particularly surprising, though a couple of countries in the Middle East (e.g., Qatar and the United Arab Emirates) come out ahead of European stalwarts Italy and Spain. The countries with “low-friction” scores are likely to be better positioned to engage in e-commerce; as such, the scores provide another criterion for market selection, promotion, and sales.

Every day, the United States works in front of but mostly behind the scenes to lower trade barriers for U.S. companies. Taken together, all of these initiatives (when fully in place) should make cross-border e-commerce easier and more profitable. There’s no reason to hesitate before opening a virtual store on your own website or in an e-commerce marketplace. As we like to say, “The world is open for your business.”

Appendix A: Glossary of Terms

Alibaba

Chinese e-commerce company that provides consumer-to-consumer, business-to-business, and business-to-consumer sales services through web portals.

Amazon

Seattle-based online marketplace that claims an active user base of 244 million customers. Amazon operates web stores in 13 countries in addition to the United States. The company offers services that range from listing a business's inventory in its online store to order fulfillment and payment services.

Apple

California-based technology company that was a pioneer in personal computers and easy-to-use interfaces. Apple has created consumer markets in both hardware and software by introducing the iPod personal media player and the accompanying iTunes media player software, the iPhone smartphone and accompanying apps, and the iPad tablet computer.

Automated Commercial Environment (ACE)

System that replaces the document used to control exports and acts as the source for official U.S. export statistics. ACE is required for shipments when the value of the commodities, classified under any single Schedule B number, is more than \$2,500. ACEs must be prepared and submitted, regardless of value, for all shipments requiring an export license or destined for countries restricted by the Export Administration Regulations (EAR). The exception is Canada, where the ACE filing is not required except for products requiring an export license.

B2B

See *Business to Business*.

B2C

See *Business to Consumer*.

B2G

See *Business to Government*.

Bill of Lading

Contract between the owner of the goods and the carrier. For vessels, there are two types: a straight bill of lading, which is not negotiable, and a negotiable, or shipper's orders, bill of lading. The latter can be bought, sold, or traded while the goods are in transit.

Bing

Microsoft search engine.

Black Friday

In the United States, the day after Thanksgiving and the unofficial kickoff to the Christmas shopping season. Many stores offer promotions and early opening hours to attract customers, many of whom have the day off as part of a four-day weekend.

Blog

Regularly updated web page or website written in an informal style. Some blogs contain personal information and are like online diaries; others feature news and commentary.

Booted Off

Removed from a platform, usually because the user failed to follow the platform's terms of service.

Brand Value

Premium that consumers will pay to obtain a good or service from a particular company because of loyalty, perceived quality, status, or other factors.

Brick and Mortar

A store that has an actual, permanent location and is not virtual.

Business Facilitation Services

Logistical and administrative support to businesses involved in international trade. Services range from assisting in obtaining visas to organizing meetings and arranging for drivers and interpreters.

Business Matchmaking

Service that provides opportunities for business leaders to meet to potentially arrange sales or deals. Often small businesses are brought together with larger companies or the government in their own or different countries. Business matchmaking is one service provided by the U.S. Commercial Service.

Business Model

Plan that describes the way a business makes money.

Business to Business

Business model in which a business sells goods or services to another business. Business to business is often abbreviated B2B.

Business to Consumer

Business model in which a business sells goods or services to consumers. Business to consumer is often abbreviated B2C.

Business to Government

Business model in which a business sells goods or services to the government. Business to government is often abbreviated B2G.

C2C

See *Consumer to Consumer*.

Certificate of Export Declaration

Customs form completed and submitted by an exporter at the port of export to provide information on the amount, nature, and value of the exports. A certificate of export declaration also serves as an export control document. Such documents are now generally filed electronically.

Certificate of Origin

Signed statement required in certain nations attesting to the origin of the export item. Certificates of origin are usually validated by a semiofficial organization, such as a local chamber of commerce. A North American Free Trade Agreement (NAFTA) Certificate of Origin is required for products traded among the NAFTA countries (Canada, Mexico, and the United States) when duty preference is claimed for NAFTA-qualified goods.

CFR

Incoterm indicating that cost and freight will be paid by the seller to a named port of destination. The risk transfers to the buyer after the goods leave the port. The shipper is not responsible for final delivery or for insurance. See also *CIF*, *CPT*.

Chinese New Year

Most important social and economic holiday in China, marking the beginning of the new year according to the lunar calendar and celebrated with a week off work to visit family. Chinese New Year falls in January or February. Celebrated for 15 days, Chinese New Year is also known as Spring Festival and is an occasion for sales promotions in Asian countries and other locations, such as the United States.

Christmas

Christian holiday falling on December 25 and commemorating the birth of Jesus. Christmas has become both a religious and a secular tradition in many countries. The tradition of giving gifts has encouraged retailers to offer promotions in Western countries and throughout the world. The Christmas shopping season starts as early as October and runs until Christmas Day.

CIF

Incoterm indicating that cost, insurance, and freight will be paid by the seller to a named overseas port. The seller quotes a price for the goods shipped by ocean (including insurance), all transportation costs, and miscellaneous charges to the point of debarkation from the vessel. See also *CFR*, *CPT*.

Commercial Invoice

Document prepared by the exporter or freight forwarder and required by the foreign buyer to prove ownership and to arrange for payment to the exporter. The commercial invoice should provide basic information about the transaction, including a description of goods, the addresses of the shipper and the seller, and the delivery and payment terms. In most cases, the commercial invoice is used to assess customs duties.

Consignment

Delivery of merchandise to the buyer or distributor, whereby the latter agrees to sell it and only then pays the U.S. exporter. The seller retains ownership of the goods until they are sold but also carries all of the financial burden and risk.

Consumer to Consumer

Business model in which consumers sell goods or services to one another through online auctions. Consumer to consumer is often abbreviated C2C.

Contract

Written or oral agreement that is legally enforceable.

Copyright

Protection granted to the authors and creators of literary, artistic, dramatic, and musical works; sound recordings; and certain other intellectual works. A computer program, for example, is considered a literary work in the United States and in some other countries.

Counterfeit

A fraudulent imitation of another company's product. Registering copyrights, patents, and trademarks is essential, particularly in countries that are known sources of counterfeit goods.

CPT

Incoterm indicating that carriage will be paid by the seller to a named destination. This term replaces CFR and CIF for all modes of transportation, including intermodal. See also *CFR*, *CIF*.

Currency Converter

Tool used for calculating the value of currency or the cost of an item on the basis of the current exchange rate between two countries.

DHL

International shipping company that is part of the Deutsche Post DHL Group. It has a presence in 220 countries and territories worldwide.

Distributor

Merchant in the foreign country who purchases goods from the U.S. exporter (often at a discount) and resells them for a profit. The foreign distributor generally provides support and service for the product, thereby relieving the U.S. exporter of these responsibilities.

Distributor Business Model

Business model in which manufacturers contract with a distributor that handles transactions with wholesalers and retailers. Manufacturers and distributors do not deal directly with consumers under the model.

eBay

Originally a marketplace for online auctions. However, eBay now also serves as an online presence for retailers, providing fulfillment, shipping, and payment services. The company has fulfillment centers in the United States, Europe, and Asia.

E-commerce

Practice of buying and selling over the Internet.

E-Commerce Europe

Association representing companies that sell goods and services in Europe. Ecommerce Europe's activities include lobbying on behalf of its members and certifying companies with the Ecommerce Trustmark.

Ecommerce Trustmark

Initiative of Ecommerce Europe to provide a symbol that appears on websites to ensure potential customers that their consumer rights will be enforced. Participating companies promise to uphold the program's quality standards and to follow the program's procedures for handling disputes with consumers.

eCRATER

Online marketplace and e-commerce website builder based in Irvine, California.

Euromonitor International

Market-research company based in London that provides business intelligence reports and data.

Export-Import Bank of the United States

Official export credit agency of the U.S. government. Acting as a government corporation, the bank finances and insures foreign purchases of U.S. goods for customers unable or unwilling to accept credit risk.

Export License

Government document that authorizes the export of specific goods in specific quantities to a particular destination. Some countries require an export license for most or all exports. Other countries require the document only under special circumstances.

Export Packing List

List that itemizes the exported material in each package and indicates the type of package, such as a box, crate, drum, or carton. An export packing list is considerably more detailed and informative than a standard domestic packing list. It also shows the individual net, tare, and gross weights and measurements for each package (in both U.S. and metric systems).

Ex Works (EXW)

International trade term that describes an agreement in which the seller is required to make goods available, suitably packaged, and ready for pickup at the seller's business. The buyer assumes all other transportation costs and risks.

Facebook

Social networking website that provides businesses with the opportunity to advertise to consumers directly through advertising. In addition, businesses interact with their customers on Facebook pages that both post information to consumers and accept comments from them.

FedEx

Global courier delivery service based in Memphis, Tennessee. FedEx provides additional services to businesses seeking to participate in e-commerce.

Fence

Intermediary who purchases goods, sometimes illegally, for eventual resale.

Financial Study Association of Amsterdam

Organization that links business students at the University of Amsterdam to faculty and businesses. Activities include conducting studies of e-commerce.

FOB

Incoterm that means free on board and is used in international sales contracts. In an FOB contract, a buyer and a seller agree on a designated FOB point. The seller assumes the cost of having goods packaged and ready for shipment from the FOB point, whether it is the seller's own place of business or some intermediate point. The buyer assumes the costs and risks from the FOB point, including inland transportation costs and risks in the exporting country, as well as all subsequent transportation costs, such as the cost of loading the merchandise onto a vessel. If the contract stipulates "FOB vessel," the seller bears all the transportation costs to the vessel named by the buyer, as well as the costs of loading the goods onto that vessel. The same principle applies to the abbreviations FOR (free on rail) and FOT (free on truck).

Free Carrier

Seller is required to deliver goods to a named airport, terminal, or other location in which the carrier operates. Once the goods are delivered to the carrier, the costs of transportation and the risk of loss transfer to the buyer.

Free Trade Agreement (FTA)

Treaty signed by at least two countries to reduce trade barriers, such as import quotas and tariffs, and to increase the trade of goods and services between the signatories.

Freight Costs

Costs incurred in moving goods. Such costs include packing, palletizing, documentation, and loading and unloading costs; carriage costs; and marine insurance costs.

Freight Forwarder

Agent for moving cargo to an overseas destination. Freight forwarders are familiar with the import rules and regulations of foreign countries, the export regulations of the U.S. government, the methods of shipping, and the documents related to foreign trade.

Fulfillment Service

Third-party warehouse that prepares and ships orders for a business.

Google

American technology company that specializes in Internet-related products and services, including online advertising technologies, cloud computing, and software. Probably best known for its search engine, Google restructured in 2015, becoming a subsidiary of a new parent company, Alphabet.

Groupon

Global e-commerce marketplace that connects subscribers with local merchants by offering activities, travel, goods, and services in more than 28 countries.

Harmonized Commodity Description and Coding System

Internationally standardized system of names and numbers used to classify traded products. The harmonized codes have six digits, which describe the item in sets of two-digit numbers. Each set of numbers provides a progressively specific description of the item.

ICT Infrastructure

Information and communications technology infrastructure, which comprises all of a business's computer hardware and software as well as its communication equipment.

Incoterms

See *Terms of Sale*.

Infocomm Development Authority (IDA)

Singapore government agency that identifies and facilitates the adoption of information and communications technology (ICT) to enhance Singapore's competitiveness and to drive economic growth.

Inland Revenue

Name used by many countries for their tax collection agency. Great Britain formerly had an Inland Revenue Service, but it has been merged with HM Customs and Excise and is now HM Revenue and Customs.

Instagram

Online mobile photo-sharing, video-sharing, and social networking service that enables users to share photos and videos publicly or privately on the app or through other social networking platforms.

Intellectual Property

Creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names, and images used in commerce. See also *Intellectual Property Rights*.

Intellectual Property Protection

Means of protecting intellectual property involving the registration of copyrights, patents, and trademarks.

Intellectual Property Rights (IPR)

Collective term used to refer to new ideas, inventions, designs, writings, films, and other creations of the mind that are protected by a copyright, patent, or trademark.

Intellectual Property Theft

Violation of intellectual property rights through unauthorized use of intellectual property protected by a patent, trademark, registered design, or copyright.

Internal Revenue Service (IRS)

Agency of the U.S. government that is responsible for collecting taxes and enforcing tax laws.

Internet Protocol (IP)

Method by which information is sent from one computing device to another. See also *IP Address*.

IP Address

Unique address that a computing device such as a personal computer, tablet, or smartphone uses to identify itself and communicate with other devices on the Internet Protocol (IP) network.

Knockoff

Inferior copy, generally of an expensive, popular product.

Lessons Learned

Useful information gained through experience that an organization retains for future use and that can be shared with other organizations.

Licensing

Arrangement in which a company sells the rights to use its products or services but retains some control. Although not usually considered to be a form of partnership, licensing can lead to partnerships.

LinkedIn

Business-oriented social networking site.

Market Price

Economic price for which a good or service is offered in the marketplace.

Marketing Partners

Companies, professionals, or salespeople who join forces for marketing and sales in the hope that their similar or complementary offerings will expand the market for each. The partnerships often involve joint advertising but may also include the creation of a product that combines elements of each brand.

Marketing Strategy

Combination of a company's marketing goals into one plan. A marketing strategy should take into account market research and focus on the right product mix to create maximum profit potential and sustain the business.

Multichannel Approach

Business effort to interact with potential customers on various platforms. For example, print and television advertising could be accompanied by efforts to reach consumers on social networking sites.

North American Free Trade Agreement (NAFTA)

Trade agreement between the United States, Canada, and Mexico featuring duty-free entry and other benefits for goods that qualify.

Outsourcing

Contracting a part of a business process to another party.

Packing List

See *Export Packing List*.

Patent

Right that entitles the patent holder, within the country that granted or recognizes the patent, to prevent all others, for a set period of time, from using, making, or selling the subject matter of the patent.

Payvision

Amsterdam-based company that handles cross-border processing of payments in e-commerce.

Pinterest

Visual bookmarking tool that enables users to track and share ideas, including suggestions of items and services to purchase.

Platform

Business model that creates value by facilitating exchanges between businesses and customers.

Product Mix

Range of product lines that a company offers to consumers.

Proxy Server

Computer server or application that acts as an intermediary between the company's server and the open Internet. The proxies protect the company's server and increase performance speeds by reducing the traffic on the company's server.

Sanctions

Actions taken against other nations for political reasons. Economic sanctions include trade barriers and restrictions on financial transactions.

Search Engine

Software system that searches for information on the Internet.

Sears Marketplace

Online store for the Illinois-based retail chain. The website is a marketplace for merchants to advertise and sell their products to Sears customers. Sears provides payment transactions so that consumers' credit card information is not distributed to individual merchants. Merchants may hire Sears to provide fulfillment and arrange for shipping or do so themselves.

Smart Nation

Singapore's national effort to create a future of better living through tech-enabled solutions.

Social Media

Internet-based applications that enable people or companies to create, share, or exchange information and user-created content.

Supply Chain

Sequence of processes involved in the production and distribution of a commodity.

Tariff

Tax imposed on a product when it is imported into a country. Some countries also apply tariffs to exports.

Terms of Sale

Terms that define the obligations, risks, and costs of the buyer and seller in the delivery of goods involved in the export transaction. These terms are commonly known as *Incoterms*.

TradeKey

E-marketplace that focuses on Asia.

Trademark

Word, symbol, name, slogan, or combination thereof that identifies and distinguishes the source of sponsorship of goods and may serve as an index of quality of a particular product.

Trademark Infringement

Unauthorized use of a trademark or service mark on or in connection with goods or services in a manner that is likely to cause confusion or deception about the source of the goods or services.

Translation Software

Programs that enable people to translate content from one language to another on a computer.

Troll

Person who posts inflammatory or off-topic comments in an online community or in response to other people's Internet posts with the deliberate intention of upsetting readers or disrupting normal discussion. The term has also come to mean one who engages in Internet harassment.

Tumblr

Microblogging platform and social networking website that enables users to post multimedia and other content to a short-form blog.

Twitter

Online social networking service that enables users to send and read messages, or "tweets," of up to 140 characters, as well as photos.

Universal Product Code (UPC)

Type of barcode that is used to track retail items.

UPS

Atlanta-based freight company that provides logistics and distribution services throughout the world and that offers international trade management and customs brokerage, supply chain design and planning, and other business services.

U.S. Free Trade Agreement Partners

Twenty countries that have signed a free trade agreement with the United States to reduce trade barriers, such as tariffs and import quotas, and increase trade of goods and services. At present 14 free trade agreements are in effect, with other agreements at various stages of negotiations. The U.S. free trade agreement partners are Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, the Republic of Korea, and Singapore.

U.S. Postal Service (USPS)

Independent agency of the U.S. government that, in addition to providing domestic postal services, provides shipping services to more than 180 countries.

Virtual Company

Organization that uses computer and telecommunications technology to extend its capabilities by working with employees or contractors throughout the country or the world.

World Bank

Group of five development institutions working to alleviate poverty worldwide.

World Bank's Logistics Performance Index

Interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their performance on trade logistics and determine what they can do to improve their performance.

Yahoo!

California-based technology company known for its web portal, search engine, mail service, news and media website, and related services.

YouTube

Video-sharing website that provides a distribution platform for original content creators and advertisers of all sizes.

Appendix B: Definitions of Abbreviations

ACE	Automated Commercial Environment
AV	adjusted value
AVS	address-verification system
B2B	business to business
B2C	business to consumer
B2G	business to government
BIS	Bureau of Industry and Security
C2C	consumer to consumer
CAFTA-DR	Central America and Dominican Republic Free Trade Agreement
CCL	Commerce Control List
CDC	Centers for Disease Control and Prevention
CEO	chief executive officer
CFR	cost and freight
CIA	Central Intelligence Agency
CIF	cost, insurance, and freight
CIP	carriage and insurance paid to
COO	certificate of origin or chief operating officer (depending on context)
CPA	certified public accountant
CPT	carriage paid to
CROSS	Customs Rulings Online Search System
CS	U.S. Commercial Service
CSC	card security code
CTO	chief technology officer
CVN	Card Verification Number
DCS	destination control statement
DDP	delivered duty paid
DDTC	Directorate of Defense Trade Controls
DDU	delivered duty unpaid
DHL	DHL (formerly DHL Worldwide Express)
DOC	U.S. Department of Commerce
DOE	U.S. Department of Energy
DOS	U.S. Department of State
EAR	Export Administration Regulations
ECCN	Export Control Classification Number
EMC	Export Management Company
EMCP	Export Management and Compliance Program
ESS	electronically supplied services
ETC	Export Trading Company
Ex-Im Bank	Export-Import Bank of the United States
EXW	ex works
FAS	Foreign Agricultural Service or free alongside ship (depending on context)
FCA	free carrier
FDI	foreign direct investment
FedEx	FedEx (formerly Federal Express)
FOB	free on board
FTA	free trade agreement
FTZ	free trade zone

GDP	gross domestic product
GEE	Global Entrepreneurial Ecosystem
GRI	General Rules of Interpretation
HS	Harmonized System
HTS	Harmonized Tariff Schedule
IBP	International Buyer Program
ICT	information and communications technology
IDA	Infocomm Development Authority
IIPA	International Intellectual Property Alliance
IP	Internet Protocol or intellectual property (depending on context)
IPR	intellectual property rights
IRS	Internal Revenue Service
ITA	International Trade Administration
ITAR	International Traffic in Arms Regulations
LLC	Limited Liability Corporation
LLP	Limited Liability Partnership
MDB	Multilateral Development Bank
NAFTA	North American Free Trade Agreement
NC	net cost
OFAC	Office of Foreign Assets Control
PCT	Patent Cooperation Treaty
RA	return authorization
RMA	return merchandise authorization
ROI	return on investment
ROO	rules of origin
RVC	regional value content
SBA	U.S. Small Business Administration
SBDC	Small Business Development Center
SEO	search engine optimization
SME	small and medium-sized enterprise
TANC	trade agreements negotiations and compliance
TFC	Trade Fair Certification Program
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
TV	transaction value
UPC	Universal Product Code
UPS	UPS (formerly United Parcel Service)
URL	uniform resource locator
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USML	U.S. Munitions List
USPS	U.S. Postal Service
USTDA	U.S. Trade and Development Agency
USTR	Office of the U.S. Trade Representative
VAT	value-added tax
VNM	value of nonoriginating materials
VOM	value of originating materials
VP	vice president
WTO	World Trade Organization

Appendix C: Free Trade Agreements Chart

	Year Implemented	Merchandise Processing Fee	Direct Shipment Imported Directly Transit and Transhipment	Rule of Origin Citation	Rule of Origin	Regional Value Content Calculation Method	Automotive Goods	De Minimis	Chemical Reaction and Related Rules of Origin	Special Origination Rules	Drawback Restriction	Documentation Required	Responsibility for Compliance	Repair and Alteration Provision
NAFTA	1994	1	3	GN* 12 (b), 19 CFR 181, append. II S4	7,8	14	Yes,20	25	Yes, for certain petroleum products	27	Yes	Yes,31	Exporter	Duty Free
Chile	2004	1	3,4	GN 26 (b), 19 CFR 10.451	7,9	15	No,21	26	Yes, HTS [†] Ch. 27–38, GN 26 (m) (vi)	No	Yes	No,32	Importer	Duty Free
Singapore	2004	1	5	GN 25 (b), 19 CFR 10.531	7,9,10	15	No,21	26	Yes, HTS Ch. 27–40, GN 25 (n) (v)	28	No	No,32	Importer	Duty Free
Australia	2005	1	5	GN 28 (b)	7,9	15 (automotive only)	22	26	Yes, HTS Ch. 27–40, GN 28 (m) (vii)	No	No	No,32	Importer	Duty Free
Israel	1985	1	6	Agreement Annex 3	11	16	No	No	No	29	No	33	Importer	No
Jordan	2001	2	6	GN 18 (b)	11	16	No	No	No	No	No	No,32	Importer	No
Bahrain	2006	1	5	GN 30 (b)	11,12	17	No	No	No	No	No	No,32	Importer	Duty Free
Morocco	2006	2	5	GN 27 (b)	11,12	17	No	No	No	No	No	No,32	Importer	Duty Free
Oman	2009	1	5	GN 31 (b)	11 or 13	17	No	No	No	No	No	No,32	Importer	Duty Free
CAFTA-DR	2006–2009	2	3,4	GN 29 (b)	7,9	18	Yes,23	26	Yes, HTS Ch. 27–40, GN 29 (m) (vii)	30	No	No,32	Importer	Duty Free
Peru	2009	1	3,4	GN 32 (b)	7,9	18	Yes,24	26	Yes, HTS Ch. 27–40, GN 32 (m) (vii)	No	No	No,32	Importer	Duty Free
Korea, Rep. of	2012	1	3,4	GN 33 (b)	7,9	18,19	Yes,23	26	Yes, HTS Ch. 27–40, GN 33 (m) (vii)	No	No	No,32	Importer	Duty Free
Colombia	2012	1	3,4	GN 34 (b)	7,9	18	Yes,24	26	Yes, HTS Ch. 27–40, GN 34 (m) (vii)	No	No	No,32	Importer	Duty Free
Panama	2012	1	3,4	GN 35 (b)	7,9	18	Yes,23	26	Yes, HTS Ch. 27–40, GN 35 (m) (vii)	No	No	No,32	Importer	Duty Free

* General Note

† Harmonized Tariff Schedule

1 Exempt for Originating Goods

2 No exemption

3 Transhipment—may not leave customs control or undergo production in a third country

4 Transit—may not leave customs control or undergo production in a third country

5 May leave customs control but may not undergo production in a third country

6 May change hands in non-retail sale for re-export; may not undergo further production in third country

7 Wholly obtained or produced

8 Wholly of originating materials, tariff shift, and/or Regional Value Content

9 Wholly of originating materials, tariff shift, and Regional Value Content

10 Integrated Sourcing Initiative (ISI)

11 Wholly of Growth, Product, or Manufacture or Value Content plus Substantial Transformation

12 19 CFR 102 or Product Specific Tariff Shift

13 Product Specific Tariff Shift

14 Transaction Value and Net Cost method where there is regional value of content (RVC)

15 Build-Up or Build-Down method where there is RVC

16 U.S. materials plus direct cost of processing must equal 35 percent of appraised value (up to 15 percent second market content)

17 U.S./second market materials plus direct cost of processing must equal 35 percent of appraised value

18 Build-Up, Build-Down, Net Cost (limited)

19 Indirect materials are disregarded when computing value of originating materials in Build-Up RVC

20 Tracing the value of certain non-originating materials and Net Cost required

21 RVC percentage is 30 percent Build-Up or 50 percent Build-Down method where there is RVC

22 Certain tariffs require net cost

23 Automotive goods may use Net Cost, Build-Up, or Build Up for RVC

24 Automotive goods must use Net Cost RVC

25 7 percent of transaction value with exceptions

26 10 percent of transaction value with exceptions

27 Preference Criterion E for certain high-tech goods

28 Integrated Sourcing Initiative for certain high-tech goods imported from Singapore

29 Qualified Industrial Zones: Gaza, West Bank, parts of Jordan

30 Qualifying goods for certain agricultural products

31 NAFTA certificate of origin must be in importer's possession at time of claim

32 Freeform paperwork of required type (certification, supporting statement, declaration) with data elements upon request by Customs

33 Green Form unless approved exporter

Appendix D: De Minimis Values

Maximum Values for which Goods May Be Duty Free

The chart below is provided **only for general reference**. Exchange rates change daily; local de minimis values may change periodically. For the latest information, please consult your preferred foreign exchange converter or contact your local U.S. Commercial Service trade specialist. For a list of offices, visit [export.gov/usoffices](https://www.export.gov/usoffices).

Country	Value (local)	Value (USD)
Andorra	EUR 12	13.41
Armenia	AMD 150,000	314.34
Australia	AUD 1,000	777.12
Austria	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Azerbaijan	USD 100 ³	1,000.00
	USD 200 ³	200.00
Bahrain	N/A	N/A
Belarus	EUR 10	11.17
Belgium	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Bolivia	USD 100 ⁴	100.00
Bulgaria	EUR 150 ¹	167.55
	EUR 15 ²	16.75
Brunei	BND 400	296.35
Cambodia	KHR 204,297.50	50.00
Canada	CAD 20	16.03
Chile	CLP 18,767.85	30.00
China	RMB 50 ^{1,2}	8.06
Croatia	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Cyprus	EUR 150 ¹	167.55
	EUR 17 ²	19.01
Denmark	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Dominican Republic	DOP 8925	200.00
Ecuador	USD 400 ³	400.00
Estonia	EUR 150 ¹	167.55
	EUR 21.98 ²	24.58
Ethiopia	EUR 20	22.37
Finland	EUR 150 ¹	167.55
	EUR 22 ²	24.57
France	EUR 150 ¹	167.55
	EUR 22 ²	24.57
	GEL 500 ^{3,5,6}	218.32
Georgia	GEL 1000 ^{3,5,7}	434.64
	GEL 3000 ^{3,5,7,8}	1,309.93
Country	Value (local)	Value (USD)

Country	Value (local)	Value (USD)
Germany	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Greece	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Guatemala	N/A	N/A
Honduras	USD 500 ⁹	500.00
Hungary	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Iceland	ISK 1,000	7.54
India	INR 10,000 ⁵	156.30
Indonesia	IDR 661,050	50.00
Iran	USD 50	50.00
Ireland	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Israel	ILS 385.35	100.00
Italy	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Japan	JPY 10,000	80.58
Jordan	JOD 20 ¹⁰	28.23
Korea, Rep. of	USD 100 ¹¹	100.00
Latvia	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Liberia	12,699 LRD	150.00
Lithuania	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Luxembourg	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Malaysia	MYR 500	0.46
Malta	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Mexico	MXN 775.26	50.00
Morocco	MAD 300	30.91
Netherlands	EUR 150 ¹	167.55
	EUR 22 ²	24.57
New Zealand	NZD 400	286.97
Norway	NKR 200	25.90
Panama	USD 200	200.00
Country	Value (local)	Value (USD)

Country	Value (local)	Value (USD)
Paraguay	PYG 509,551	100.00
Peru	PEN 631.60	200.00
Philippines	PHP 15	0.48
Poland	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Portugal	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Qatar	USD 822	822.00
Romania	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Russia	RUB 7,964	147.16
Rwanda	USD 400	400.00
Singapore	SGD 400	297.90
Slovak Republic	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Slovenia	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Spain	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Sweden	EUR 150 ¹	167.55
	EUR 22 ²	24.57
Switzerland	CHF 5	5.35
Taiwan	TWD 3,000	97.52
Thailand	THB 1,000	29.72
Uganda	UGX 30,850	10.00
Ukraine	UAH 2,095	100.00
United Kingdom	EUR 150 ¹	167.55
	EUR 22 ²	23.00
Uruguay	UYU 5352	200.00
United States	USD 200	200.00
Venezuela	VEF 635	100.00
Vietnam	VND 1,000,000	45.84
Country	Value (local)	Value (USD)

- 1 Customs duties
- 2 Value-added tax
- 3 Weight limit applies
- 4 Postal shipments only
- 5 Noncommercial shipments only
- 6 HS headings 0401-0406, 1702-1704, 2101-2102; chapters 6, 7, 8, 19
- 7 Commodities in HS chapters 28-96
- 8 Applies to air freight
- 9 Some exceptions apply
- 10 Commercial samples
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