

Website Globalization

International E-Commerce



Hi, I'm George Tracy, the Director of the Export Assistance Center in Atlanta Georgia. Welcome to this 10th session of Export-U about website design for the global marketplace. This session is broken into 3 parts; 10a, b and c. In this particular session, 10c, we'll talk about international e-commerce from a high-level, and some of the things you'll want to keep in mind from an e-commerce perspective when dealing with customers in other countries.



Session 10C:
Website Globalization

E-COMMERCE SITE TYPES

1. Information Delivery

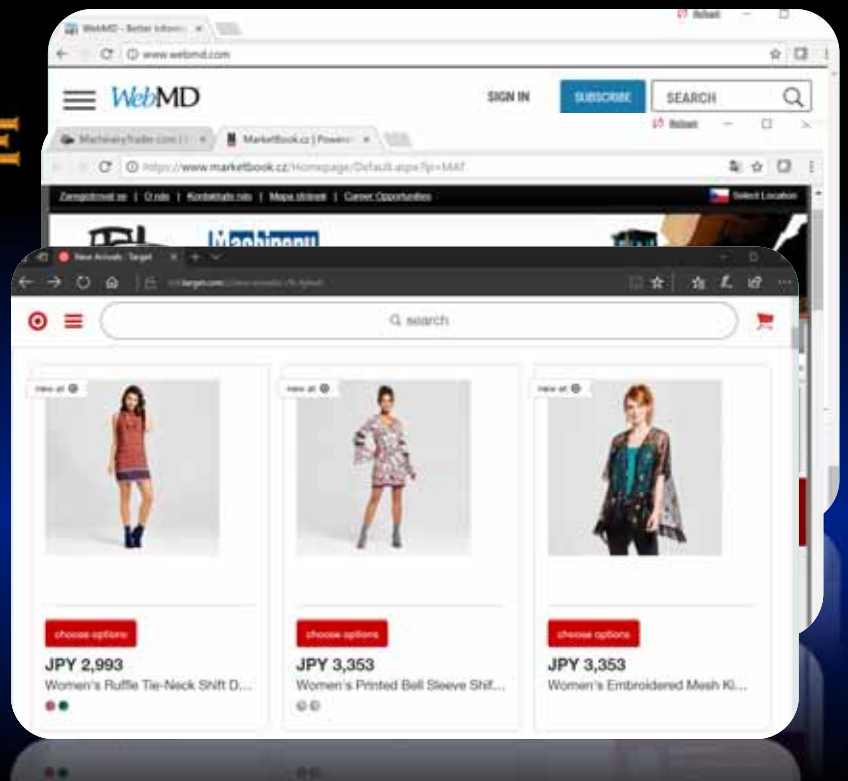
Most websites, particularly B2B

2. E-Marketplaces

Brings buyers and sellers together

3. Transactional

Electronic storefront, supporting full "end-to-end" transactions



From a general perspective, there are really three types of e-commerce sites out there on the web.

The most common type is an information delivery sites, particularly from a business-to-business perspective. In the business-to-business world, deals are typically done via real-time interaction, and not solely through the Internet. For the most part, these are the kind of clients with which our organization is engaged, so most of the information in this section is specific to business-to-business types of companies.

Another type of e-commerce site are marketplaces such as this example, machinery trader.com. They're market makers bringing buyers and sellers together, but don't typically enable the execution of a transaction online. These marketplaces are typically designed to connect businesses with other businesses as opposed to end-users of products, although there are some marketplaces that are designed to connect businesses with the final consumer.

The third general type of e-commerce site are transactional sites, like target.com seen here in this example. These kinds of sites enable full start to finish processing of an order including payment with little or no need for interaction between the

company and customer. Transactional sites for international sales are not very common today, although in some cases it can make sense depending on your business model and global structure. We'll talk a little bit more about this in the following slides.

INFO DELIVERY SITES

Free Customization or Full Customization?

XE.com offers two levels of customization that enable webmasters to seamlessly integrate our XE Currency Converter™ — the world's most popular Internet currency tool — into your site. Regardless of which you choose, both options give you:

- Live rates updated non-stop all day, every day
- Access to every world currency in existence
- Unlimited usage with no 'hidden fees'

How about adding a currency converter?

Photo: All over the web

There are many things a company can do to enhance their website to be more appealing for international customers. One very simple thing to do, at little or no cost, is to

-CLICK-1- add a currency converter to your site.

There are a number of different currency converter options out there –

-CLICK-2- this is just one example, XE.com, that enables you to place their HTML code into your website, thus enabling a currency converter for your international customer's use. It's a simple thing, but it's one more convenience that both facilitates a potential sale, and indicates that your company is both interested and sensitive to international customer needs.



Since from an international sales perspective, most transactions are typically business to business, and are often larger quantities, and consequently higher total value sales, deals ordinarily need to be negotiated between companies and their international customers.

So, the idea is to obtain as much information as possible via your Web presence to facilitate the negotiation and overall transaction. One best practice is to use online detailed forms,

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an example of which is shown here. This enables the international buyer to provide a lot of detailed information upfront, which then makes it easier for your company to evaluate the opportunity and more efficiently respond to the inquiry. In this example, one competitive advantage EPM offers is

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a response within 59 minutes of filling out this form. This is a nice touch, because the potential customer is assured of a prompt response, and is therefore more likely to fill out what can be a rather lengthy form. Your particular business needs

of course will determine the approach you should take, but this is a great example of an online e-commerce capability that can make it easier for everybody involved in the transaction.



Shopping Cart...w/o online checkout

YOUR SHOPPING CART

Love Carpet, Inc.

Shopping Cart Contents (nothing is final until you submit your order)

image	item#	item description	unit price	u.s.	qty	cost	adjust quantity here		
	ve-1	Antea Velvet Carpet-12'-Color:CR-1/2 in pile	\$9.00	lin ft.	500	\$4500.00	Increase Quantity	Decrease Quantity	Remove Item

 Empty The Cart

Order Subtotal: \$4500.00

Freight (most US Destinations) Shipping: \$100.00

Grand Total: \$4600.00

- Ohio deliveries subject to \$315.00 sales tax.
- Shipping weight: 5000.00
- Shipping cost is estimated.
- Orders will be confirmed via email.

Estimated Delivery time and price will be included in your final confirmation email.

CONTINUE SHOPPING

CHECK OUT NOW

Secure Shopping Cart by: 


TESTED DAILY 12-MAR



Another approach that some companies are taking is the implementation of an online shopping cart, but without the final capability of processing payment. This enables a potential customer to fully build out an order, in some cases even including shipping costs depending on how its set up, but then rather than completing the transaction at the end with the payment, the order is actually submitted to the company, at which point a sales associate can contact the customer, and work out the final details to complete the transaction. Companies that take this approach make it

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very obvious that the shopping cart will not enable the customer to make payment, but will create a quote from which a final deal can be reached.

This is a great idea for international sales, since ordinarily you would not want to enable international customers to fully complete an order online. And, keep in mind that very few international customers would even be willing to fully complete an order online without interaction with a sales associate at your company. For one thing, there are a number of variables in international transactions that need to be

worked out on a per transaction basis. For example, duties will vary, and often change, so it's difficult to have an automated system online that can accurately handle that kind of aspect of an international sale. And the quantities and values of international sales, which as I mentioned are typically business-to-business, really necessitate a dialogue between a company and their international buyer. But, this is another way your company can leverage the web to help facilitate the overall transaction.

LEVERAGE E-MARKETPLACES



Image: Microsoft Clipart

Another great idea and best practice is to leverage the many existing online marketplaces that are out there in many regions of the world. This slide shows just a few examples such as eBay in France, India Mart, and AliBaba.com – currently the world’s largest marketplace. These can give your company great exposure to potential customers in other parts of the world, so take advantage of them. And they’re easy to find – just use Google, or the other regional search engines discussed in our previous sessions to track down the best regional marketplaces for your particular products.



TRANSACTIONAL WEBSITES

- Feasibility depends on country & product
- Need local stocking distributor
- Rare for B2B sale of tangible goods
- Online quotes based on INCOTERMS
- Evaluate country-by-country



Now, let's talk a little more about transactional websites. A company's ability to use a transactional website for international sales is really dependent on the country, and of course the products the company makes.

Transactional sites can be a great option if you have a stocking distributor in the country. In effect, having a stocking distributor with a transactional website makes the actual sale to the end-user a domestic sale, and not really an international sale from the transactional website perspective. Transactional sites can also work well for intangible items, like software as a service, perhaps translation services and other products that don't require the shipment of a physical item.

But, as I mentioned before, business-to-business transactions of tangible goods are not typically fully executed online. There are simply too many details that need to be worked out, and accepted, by both the buyer and seller to make a start to finish online transaction for an international sale really feasible... at least for now. In all likelihood, as the Internet continues to evolve, this will change, but for now, aside from the situations I just mentioned, international transactional websites aren't really viable for both business and technical reasons.

But, as I mentioned on the previous slide, providing international customers the

ability to obtain an online quote is a best practice, and if you decide to do that, you'd typically incorporate INCO terms, or 'International Commercial' terms...but make sure you avoid the D's...that is, any 'duty paid' type of arrangements. Common practice is for the buyer to handle duties, and only in very unusual circumstances should the seller be directly involved.

If your company does decide to pursue a transactional site strategy, it will have to be evaluated on a country-by-country basis, so keep that in mind.



SHOPPING CART OPTIONS

support foreign currency, taxes etc.

Here's a screenshot of an example of one of the many shopping cart options available to you. Online shopping carts continue to become more sophisticated, and many, including this one provided by Google, support foreign currency, taxes and other facets of an international transaction. So, if your company's business model in fact does warrant use of a transactional website in other countries, for example if you do have a stocking distributor, or are selling some sort of intangible product, take a look at these because they can provide a very cost-effective solution to online sales.



PAYMENT

- **Credit Cards**
 - Not common in all countries
 - Chargebacks a possibility
- **Transfers**
 - PayPal, Google Checkout, Western Union
 - May limit sales (e.g., max \$10k)
- **Traditional approaches**
 - Wire transfer, letter of credit, etc.



Of course, no discussion about e-commerce is complete without consideration of the payment mechanisms that can be used.

Here in the United States,

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credit cards are pretty common means of paying for everything, including products and services purchased on the Internet. But, credit cards

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are not as common in all countries around the world, so keep that in mind when you're considering international payment mechanisms... not just for the Internet, but in general as well. Credit cards also run the risk of

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chargebacks which will discuss a little more detail on the following slides, and needs to be taken into consideration, especially in regards to international transactions.

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Person-to-person transfers, like those provided by PayPal, Google checkout or Western Union are great options but they limit sales volume. For example, today PayPal limits its transactions to

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a maximum of \$10,000. Each of these person-to-person payment mechanisms has their limitations, so although in some cases they're in excellent option, you need to review them and compare them to your business needs to determine if they'll actually work.

More commonly, especially when it comes to business-to-business transactions, companies ordinarily employ a more

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traditional approach to payment like wire transfers, letters of credit and so on. Your specific business needs will determine which payment mechanisms are most appropriate for your situation, and most companies end up using some combination of the three mentioned above.

CHARGEBACKS



- Reversal of a charge that has already cleared
- Rules vary by country
- Customers may simply request a chargeback
- You must pursue resolution

In regards to credit cards, I mentioned chargebacks on the previous slide. A chargeback is

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simply a reversal of a charge that is already cleared. Now, the thing about chargebacks is that –

Click-2

the rules and regulations governing them vary from country to country. In some countries, the

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customer simply requests a chargeback, and regardless of reason, the chargeback is processed and it's up to the

-Click-4-

vendor to pursue resolution with the customer – obviously a tricky situation if your customer is overseas.

CHARGEBACK REASONS

1. Buyer's card number is used fraudulently
2. Buyer makes purchase, but believes seller failed to fulfill agreement*

(* e.g., item is damaged, wrong, or never received.)



Typically there are two reasons for charge-backs:

-CLICK-1- a buyers credit card number is used fraudulently, or a

-CLICK-2- buyer makes a purchase but believes the seller failed to fulfill their side of the agreement. A good example is an

-CLICK-3- item that arrives damaged, on occasion the wrong item is sent... or an item is simply never received. Regardless of the reasons, charge-backs happen, and need to be taken into consideration if your company chooses to accept credit card payments.



CHARGEBACKS

- If you accept credit card payment you risk charge-backs
- Consider this a cost of doing business with cards
- Chargebacks factored into business risk model as overhead



Photo: All over the web.

Since all sellers that accept credit card payments run

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the risk of being liable for chargebacks, they need to take this into consideration

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as a cost of doing business. What many companies do is

-Click-3

factor chargebacks into their business risk model, and accommodate the cost through overhead allocation to their products. We highly recommend that if your company does accept credit cards that you do quantify the associated risks, and create a strategy to offset those risks.



TAXES AND DUTIES

- **Good News:** Most export sales not subject to destination country taxes:
 - Investigate country-by-country
 - European countries still charge VAT
- **Duties vary worldwide**
 - Avoid 'duty paid' exports
 - See "LINKS" section of this website



Finally, let's talk a little bit about taxes and duties.

The good news is that for the most part international sales are not subject to destination country taxation. However you do need to investigate this on a country by country basis. For example, European countries will still charge VAT, or value added tax, on international sales... and other countries may have other regulations related to taxation... and they often change. So, when making a sale to a customer in a foreign country just do a little homework to verify that you don't have any foreign tax obligation related to the international sale.

Regarding duties... they really

-CLICK-1- vary from country to country, and they change for all sorts of reasons. Below is a couple of links to sites that provide information on duties worldwide. Our recommendation is to

-CLICK-2- avoid selling your products duty paid – the common practice is for the buyer in the country to actually handle any duties and so on associated with clearing the product through customs, especially with business-to-business transactions. But again, like I mentioned with taxes, just do a little homework to

understand the duty requirements in your target countries since even if you're not going to be paying the duties yourself, it does impact the landed cost of your products, and consequently your competitiveness in that market.

The End

International eCommerce



This concludes the third session of our website globalization program. We hope this information was useful, and please contact your local Export Assistance Center, or US Commercial Service Office for further assistance with this, or anything else related to your export activity. Thank you for your time!