

Unlimited Access

It's a Small World After All...

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Key Points:

- International eCommerce is a BIG— if challenging— opportunity for U.S.-based merchants.
- Potential benefits include high margins in anxious new markets with little competition.
- Challenges include complicated shipping procedures and high costs, confusing/expensive duties and tax issues.
- Even so, in the end, international eCommerce can be very rewarding for both the U.S.-based merchant and the overseas consumer.

You're already too busy, as it is. Web traffic is up and eCommerce sales are growing, but so is competition—not to mention customer expectations in general. The last thing you need is another confusing initiative on your plate.

So...

Why even bother ?

Why even bother trying to expand your eCommerce business internationally?

Because the truth of the matter is that the vast majority of your potential market may be overseas and you've already done most of the hard work—it may be a lot easier than you realize to reach non-U.S. buyers.

High Growth...

According to research firm IDC, global internet trade exceeded \$5 trillion in 2005, fueled by nearly one billion global internet users. And data compiled by Visa International indicates that global Internet consumer sales reached \$150 billion in 2005, up 56% from the previous year vs. \$66 billion in U.S. online retail sales with a growth rate of 26% over the previous year. Bottom line: in 2005 the NON-U.S. consumer

eCommerce market was 27% BIGGER than the U.S. market, and it was growing 51% faster than the U.S. market.

... and High Margins

And you know what? The margins are better and competition is still generally less fierce. Plus, there is an undeniable demand for U.S. products that are not easily acquired in local markets.



For Example

An overseas consumer looking for shoes recently said on an international eCommerce forum that

"...we don't have much choice if we want to buy...[I am] looking for dress or casual shoes that I can't find over here. (I have difficulties finding shoes that fit, and in the States I can get what I want)..."

She was more than willing to pay a total of over \$150 for a pair of shoes that retail for \$69.95 in the States.

Where was she from? Some remote part of the Congo? Outer Mongolia?

No— Belgium. If consumers in the heart of the highly developed consumer markets of the European Union still have a need for products (at high prices) exclusively available in the U.S., you can bet the worldwide demand is there

International Challenges

So what are the primary challenges to developing an international eCommerce business?

Shipping

How much does it weigh? What are the dimensions? In an envelope, bag or box? Trackable? Insured? Express service? Oh, and how about the destination? The permutations and combinations required to rationalize international shipping can be infinitely more complex than most companies are accustomed to. Unfortunately, it's a little more complicated than shipping a standard small parcel from California to New York.

It's easy to get "lost" in the maze that is the "Harmonized Shipping Codes" classification system for calculating international customs duties...

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... let alone maneuver your way through the myriad "value-added" and "general services"-type of taxes imposed by many governments...

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And how do you bill the customer? Based on weight? As a percentage of order value? Flat rate based on total order value? It's a fine balance between finding a cost effective policy and creating a simple process that doesn't hinder the customer's buying experience.

Duties and taxes

Customs duties, taxes- XXX "harmonized shipping codes" sanctioned by UN ??? to classify virtually every conceivable manufactured product. These codes are based on not only the nature of the product itself, but the materials from which it's made, and even WHERE those materials come from.

But even at that, each country may classify things differently. One country's "natural fibre, open toe shoe" is another country's "textile-based women's sandal." And by the way, did the rubber in the soles come from Sri Lanka or Vietnam? Now add the complication that occasionally, countries decided to "invent" their own unique classifications- just because they think it's not yet sufficiently confusing already!

- Across this massive matrix, apply duty taxes varying from 0% to over 100%, depending on the product and its HS code, country of origin and destination country. As an example, the US duty tables for "footwear" (Harmonized Tariff Schedule for the United States, 2007, Section XII, Chapter 64) is 29 pages long and details at least 420 separate categorizations with duty rates of 0% to 84% (though it explicitly does NOT cover disposable footwear, orthopedic shoes and boots, or ice/rollerskates and "protective" footwear such as shinguards).
- Now comes ADDITIONAL geography specific taxes. Value-added Tax (VAT), Goods & Services Tax (GST), "Use" Taxes and Sales Taxes are assessed in a slightly different manner and again, are different from country to country, based at least partially on the particular item in question.



And I forgot to mention that there are just plain SOME things that you can not send to certain countries under ANY conditions. Such as books into the United Arab Emirates or Christmas ornaments into Japan or smoked salmon into Australia or Salami into the UK.... Got the picture?

Payment Issues

Most people can probably imagine the basic difficulty and confusion of dealing with eCommerce in multiple currencies. Fluctuating exchange rates, the technical challenges of dynamic pricing, and banking account settlement for multiple currencies are a few of the most obvious challenges. But imagine a market where a) personal checks are unknown, b) direct bank transfers (NOT the same as a "debit card") are the preferred method of paying for everything from utility bills to concert tickets, c) credit cards are still relatively scarce and d) even when customers DO use a credit card, it is almost always denominated exclusively in the local currency and your merchant account (if you HAVE one) is settled and reconciled every 30 days rather than the 2-4 days you may expect in the U.S.

You think, "so what? I guess we'll just pass on THAT particular country." Now imagine that country is the world's second largest economy full of consumers with a demonstrable thirst for U.S. products- even at up to twice the price U.S. consumers are willing to pay. In truth, that country exists, and it is called...Japan. Still want to just write it off?

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But Japan is not the only country with unique currency and payment challenges. Many German consumers prefer to pay for goods via the *Geldüberweisung* "account-to-account" system (a hybrid checking/bank transfer system) or via PostBank, part of the German national postal system. Debit or stored value cards are popular in Mexico and Latin America.

But perhaps one of the biggest concerns U.S. eCommerce merchants have when it comes to international markets is credit card risk. Indeed, international credit card "fraud" is at least double what it is in the U.S. and for the U.S.-based merchant there is seldom any recourse via the credit card company. A U.S. merchant either has to factor this into their business model or find another solution to mitigate the risk.

Opportunities Await

Still, despite these challenges, tremendous opportunities await the U.S.-based vendor willing to tackle international sales. Let's take a look at a few examples:

Say I'm looking for a very specific guitar, a Gibson Historical 1959 Les Paul Reissue (I'm flexible as to the color and finish). It's out of production, so I can't find it in most regular stores. However, I know that eBay hosts a number of guitar stores catering to collectors, so I'll check there. A search for "Gibson 1959 Les Paul Reissue" on eBay's U.S. site yields 3 results. However, I'm in Germany, so I want to find it locally, via eBay's German site. The same search also yields 3 results. So far, so good.

But wait a minute, the three guitars available on the U.S. site today sell in the range of \$3595 to \$4650, while the Germany-listed guitars go for the U.S. dollar equivalent of \$4960 to 6535 (at 1.27 dollars per Euro). That's a difference of 41-82%!

And to add insult to injury, only one of the three U.S. sites will ship outside of the United States, so I can't even easily buy it from the U.S. and have it shipped to me in Germany.

Incidentally, the same guitar in Japan in the equivalent of \$7672 in a Tokyo music specialty store.

Another example:

Take a look at these price comparisons for baby products from U.S. websites vs. Japanese eCommerce sites:

* based on 116 yen to the dollar

	US Price	Japan Price	%
Little Tikes Easy Store Play Table	\$ 38.20	\$ 181.03	374%
McLaren Volo Baby Stroller	\$ 109.95	\$ 256.90	134%
Silvercross Micro Lightweight Stroller	\$ 69.99	\$ 127.59	82%
Baby Bjorn Baby Seat 1-2-3	\$ 99.95	\$ 159.70	60%

And even after paying shipping costs, relevant duties and taxes (of which there are none in this particular example, since Japan has a personal import allowance of up to around \$140 per shipment), many overseas consumers can still save 30%-60% over purchasing locally- not to mention having access to products not available in their local markets.

How do you deal with foreign credit cards, non-U.S. currencies, and other payment methods commonly used overseas?"

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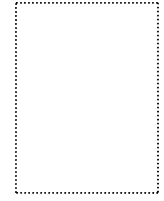
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Customer Service

The final component to truly capitalize on the international eCommerce market is customer service. In most cases, email and fax support are sufficient, though in some cases, telephone and live chat may also be desired or even required. And of course, providing the right mix of multilingual services can be a challenge.

So, it truly is a small world after all. The difficulties to international eCommerce are real, but definitely not insurmountable— especially when you find the right partners to help you navigate the options and challenges that are out there. But the payoff can be enormous, and the risk in terms of expense and effort on your part, minimal. It's just a matter of deciding that you want a piece of the opportunities that are just waiting for you (or your competitors) to capitalize upon.

Access International Benefits

International shoppers will find:

- Lower prices on U.S. goods
- Greater selection availability
- Consolidated shipping (even GREATER savings)

And U.S. companies benefit from:

- Near immediate reach into international eCommerce markets
- No change to existing operations
- NO Risk

Requirements

Access International Shipping services are a very inexpensive and cost-effective way to enter and/or expand your reach into international markets.

Initial Requirements

- Complete list of skus and product descriptions
- Link to Access International's site from your shopping cart— simple HTML code and web service integration that takes about one hour.

Fees

- 15% discount from U.S. suggested retail price
- One-time setup fee (usually \$2,000 to \$10,000— though highly dependent on the specific project.

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