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Use of the Internet
for Efficient International Trade

Guide for SME Managers

Chapter 2

INTRODUCTION TO E-BUSINESS

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Chapter 2

INTRODUCTION TO E–BUSINESS

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1. Objectives and organization of the chapter

The objective of this chapter is twofold: (a) to understand the key success factors for the business success of Internet applications; (b) to identify obstacles to e-business success and to be aware of ways to cope with them.

The Internet can be an effective tool to:

- **Acquire new clients and leads:**[22] This is covered by the section "*Using websites as means to acquire new clients and leads*" in this chapter.
- **Obtain key business information:** This has been covered in general in chapter 1 (see its section 13 about *search tools*); this topic will also be revisited in chapter 3 through many examples of useful websites.
- **Serve better existing customers:** This is covered by the section "*Serving clients (and other stakeholders better) and at lower costs*" in this chapter.
- **Reduce costs drastically:** This has been covered to some extent in chapter 1 in the sections describing low-cost and effective Internet-based communication tools (*e-mail, FTP, IP telephony, instant messengers)*. This topic is also covered (but from a different angle) in the section "*Serving clients (and other stakeholders) better and at lower costs*" of this chapter.

Despite the potential benefits of the Internet, many businesses have so far lost a lot of money in their Internet ventures; to a large extent, this is due to unrealistic expectations which led to unsound *business models*. In this chapter, we also analyse in detail the following three barriers to successful use of e-business:

- **Exclusivity of distribution channels**
- **Payments**
- **Logistical challenges**

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[22] A lead can be defined as a prospective client.

Finally, we conclude this chapter with an overview about **new Internet-based business models.**

2. Introduction

On 6 April 1998, *LeShop.ch* (www.leshop.ch, see below), an Internet-based grocery shop, was inaugurated in Switzerland. Technically, this website was impressively practical. Using it, buyers could create typical shopping baskets and make their weekly grocery purchases in a few minutes. The Swiss Post was in charge of delivering the parcels.

On the day of the inauguration, surfers could read the following message on this website: "*We had 800 page views during the first morning. Our overloaded servers went down; we are sorry to be unable to serve you*".

The following day, it was stated in the Swiss press: "*In LeShop.ch, 800 orders have been taken at the same time. Its overloaded servers went down. e-Commerce goes up exponentially in Switzerland and major established retailers are likely to go bankrupt soon*".


Question 1: What is the difference between *800 page views* and 8*00 orders taken at the same time*? Well, making reasonable assumptions, *800 orders taken at the same time* are 40,000 times more than 8*00 page views*! [23]
Question 2: What is the truth? *800 page views* or *800 orders taken at the same time*? Perhaps none of them. Several experts claim that this website never opened its door on this day.

The main message of this introduction is a warning. **It is essential to be very critical when reading press articles and books about e-business**. It is a fact that journalists rarely have the expert knowledge and/or the time to verify whether the information they have received makes sense or not; besides, they are also influenced by powerful product vendors. Below are two other examples of exaggerated "hype" (i.e. extravagant claims). One example has been

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[23] Calculations/assumptions are as follows: 800 page views means about 80 visitors and about 20 buyers. Fifteen seconds are required to take an online order (i.e. to click on the *Order* button and to wait for the order confirmation from the server; this obviously excludes the time spent surfing on the website before taking the order). In one morning (i.e. four hours), there are 960 times 15 seconds. Dividing 20 buyers by 960 gives 0.02 orders taken at the same time, i.e. 40,000 times more than 800.

taken from *Business 2.0*, a reputable business magazine and the other example is a book (i.e. "*e-business or out of business*") sponsored by *Oracle*, a major (Internet) software vendor.
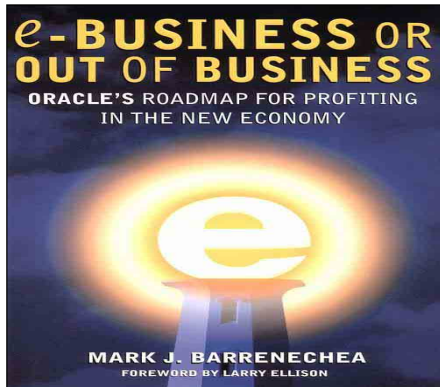
Source: Mark J. Barrenechea, e-business
or out of business, publisher: Tower
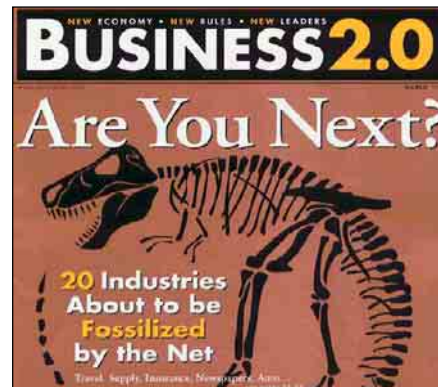
Source: Business 2.0 (March 1999)

The consequences of this misleading information are that **many companies made wrong Internet-related decisions and lost vast amounts of money**. In the three years since the Internet investment boom peaked in the first quarter of 2000, at least 962 substantial Internet companies have shut down or declared bankruptcy and at least 3,892 Internet companies have been acquired,[24] often at very low prices. Moreover, many existing companies had quite unfortunate e-business projects.

All the hype surrounding the Internet has generated several **e-business-related diehard myths.** Let's take this opportunity to dismiss them one by one.

Myth 1: **It is easy to sell one's products over the Net.**
Truth: No. Marketing costs are typically prohibitive, but it is easy to use the Net to *reduce* the costs of *order taking* from *existing* clients.

Myth 2: e-commerce has no borders.
Truth: No. High international marketing and logistics costs make e-commerce often a local endeavour.

Myth 3: Intermediaries are doomed to die.
Truth: No. Most manufacturers are usually not equipped and not willing to deal with end-customers. In addition, intermediaries often provide important services, including sales and promotion, market intelligence, wholesaling, warehousing, transport, import/export procedures, after-sales services, money collection, disposal of unsold goods, quality control, and financing. What is, however, true is that the way intermediaries operate is somewhat modified.

Myth 4: SME and large corporations are on the same footing.
Truth: No. Established brand names and financial resources are clear advantages for large corporations because online customers tend to feel more comfortable about dealing with companies they know and trust.

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[24] Webmergers, Inc. Internet Companies Three Years After the Height of the Bubble (3 August 2003).

Myth 5: To pay with credit card items purchased over the Internet is risky for buyers.
Truth: No. Sellers bear the risks of fraud while buyers take virtually no risk (see section about *payments* in this chapter).

Furthermore, some e-commerce myths are even *specific to developing countries*

Myth 6: Capacity building in Internet technical matters is greatly needed in developing countries.
Truth: No. There are highly qualified technical people in probably all countries of the world because Internet-related technical knowledge is easily accessible for free, e.g. through *source codes* of webpages.

Myth 7: Developing countries need to be made aware of the possibilities of e-business.
Truth: Mostly inaccurate because many people in developing countries tend to be excessively aware of the e-business possibilities to the extent that they overestimate its impact and have unrealistic expectations. What is really needed is critical analysis of real opportunities and potential pitfalls.

Myth 8: Developing countries cannot take advantage of e-business given their lack of adequate local Internet infrastructure.
Truth: Mostly inaccurate, because websites targeting foreign customers can be prepared locally offline and uploaded on servers in developed countries such as the United States. As an example, in 2003, 40 per cent of the major Latin American commercial websites were run on servers located in the United States.[25] Only minimum Internet capabilities such as local access are required. However, if local online customers are targeted, limited use of the Internet in developing countries is a real disadvantage.

Myth 9: Developed countries are knowledgeable about e-business, developing countries are not.
Truth: Mostly inaccurate. The many failures of e-business in developed countries show that this myth is not correct even though there is now a good accumulation of experiences in developed countries. Fortunately, companies from developing countries can take advantage of these experiences to leapfrog their counterparts in developed countries.

Earlier in this chapter, we saw that we cannot blindly trust newspapers or books. So what are **more reliable sources of information about e-business?**

- One's own experiences as cyberseller and cyberbuyer
- One's personal contacts with cybersellers and cyberbuyers
- The reports of listed companies (annual reports, stock exchange filings…). These reports can be found in:

    o Corporate websites
    o http://cbs.marketwatch.com (published by *MarketWatch.com, Inc.)*
    o www.sec.gov (published by the *US Securities and Exchange Commission*)
    o www.yahoo.com: see Finance area (published by *Yahoo! Inc.*)
    o www.edgar-online.com: pay site (published by *EDGAR Online, Inc.*)

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[25] James Curry, Oscar Contreras and Martin Kenney (2001). The Internet and E-commerce Development in Mexico. University of California at Berkeley and El Colegio de la Frontera Norte.

Even if many companies use the Internet poorly because of unreliable information sources and deceptive myths, there are fortunately many **good business uses** such as:

- **Acquisition of new clients and leads** (this topic will be covered in this chapter)
- **Better service to (existing) clients** (this topic will be covered in this chapter)
- **Collection of useful business information** (see the section on *Search Tools* in chapter 1 as well as in chapter 3)
- **Reduction of (interaction/communication) costs** (see sections on *e-mail, FTP, IP telephony, instant messengers* in chapter 1).

We will now see several good e-business examples, as summarized in table 3. The examples we have selected illustrate the four above-mentioned good business uses of the Internet; for the sake of relevance, these examples have been taken from a combination of:

- Small entities (including SMEs) and large entities[26]
- Established entities and newly created (fully Internet-oriented) entities[27]
- Entities based in developing countries and based in developed countries

Table 1. Examples of good business use of the internet

Name of the entity (country):	MAIN GOOD BUSINESS USE OF THE INTERNET				TYPE OF ORGANIZATION		
	GET NEW CLIENTS & LEADS	SERVE CLIENTS BETTER	GET BUSINESS INFO	KEEP COSTS LOW	SMALL ORGA-NIZATION	ESTA-BLISHED ORGA-NIZATION	DEVE-LOPING COUNTRY-BASED
Cambodia Handicraft Assoc. (Cambodia)	YES		YES	YES	YES	YES	YES
Sherab Entreprise (Bhutan)			YES	YES	YES	YES	YES
SM Technologies (Thailand)		YES		YES	YES	YES	YES
Tortas Perú (Peru)	YES	YES		YES	YES		YES
OSEC (Switzerland)		YES	YES	YES		YES	
Pierre Boutique (Thailand)		YES		YES	YES	YES	YES
Nordea (Nothern Europe)	YES	YES		YES		YES	
Atlas (Viet Nam)	A little	YES		YES	YES		YES

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[26] Entities refer to both companies and not-for-profit organizations.

[27] At the beginning of the e-business boom, it was widely believed that only new fast-growing Internet-based start-ups had a chance to take full advantage of the Internet. However, experience and the above examples show that it is mostly established organizations that ended up taking advantage of the Internet.

Example 1: Cambodia Handicraft Association (CHA)

- <u>Type of entity:</u> Small not-for-profit organization; existing entity; based in a developing country (LDC)
- <u>Main good business use of the Internet:</u> Get new clients and leads; get business information; keep costs low

The *Cambodia Handicraft Association (CHA)* (www.bigpond.com.kh/users/wthanchashop/) is a 34-person (as of 2003) association which trains students to make and sell handicrafts.

In 2002, its sales amounted to about US$ 43,000, 70 per cent being through the Internet to foreign clients. Online sales have been achieved combining three actions:

(a) Having a sub-website in Khmer, Japanese and English;

CHA workshop in Cambodia

(b) Obtaining contact data (including e-mail addresses) of potential clients on the basis of a careful manual search from the web;

(c) Contacting about 20 potential clients per day by sending them promotional e-mails. These e-mails contain a link to the above mentioned sub-website.

Example 2: Sherab Enterprise

- <u>Type of entity:</u> SME; existing entity; based in a developing country (LDC)
- <u>Main good business use of the Internet:</u> Get business information; keep costs low

Sherab Enterprise is a Bhutanese SME which imports and distributes forestry products. It uses the Internet to find competitive suppliers (using for instance *Alibaba.com Corporation:* www.Alibaba.com; see below as well as more details in chapter 3). It also places online orders, which is much more convenient than fax ordering. Payments are done using traditional offline methods.[28]

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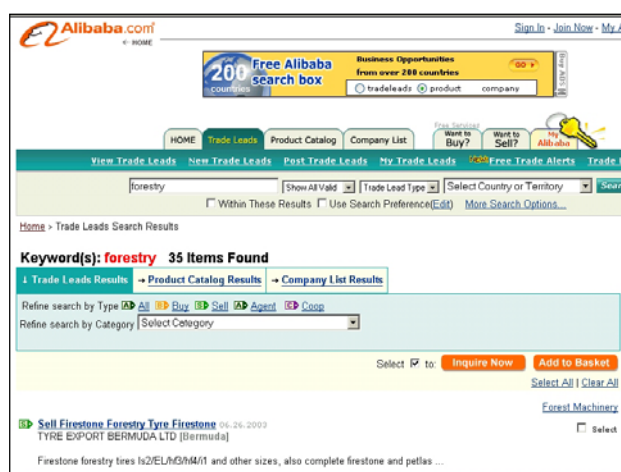
[28] Credit cards are not used for at least three reasons: Sherab Entreprise does not have access to this payment method as it is barely available in Bhutan; commissions (around 4-5 per cent) would be too high; the risks of fraud would have to be borne by Sherab Entreprise.

Example 3: SM Technologies

- Type of entity: SME; existing entity; based in a developing country
- Main good business use of the Internet: Serve clients better; keep costs low

SM Technologies (www.SMtechnologies.biz) is an SME based in Chiangmai, Northern Thailand. It uses an Extranet to communicate with its *existing* US/Canadian buyers. Thanks to this Extranet, buyers can conveniently visualize products, ask for design modifications and place orders.

Example 4: Tortas Perú

- Type of entity: SME; newly created (fully Internet-oriented) entity; based in a developing country
- Main good business use of the Internet: Get new clients and leads; serve clients better; keep costs low

Tortas Perú (www.TortasPeru.com) is a Peruvian SME run by a former housewife. This company sells online an array of cakes made and delivered by freelance housewives located all over Peru. *Tortas Perú*'s clients are Peruvian expatriates living mostly in the USA (i.e. enjoying a relatively high standard of living and being able to make credit card online payments), while the recipients of the cakes are their relatives or friends back home (i.e. making deliveries much easier since they occur locally).

Example 5: OSEC

- Type of entity: Medium-size not-for-profit organization; existing entity; based in a developed country
- Main good business use of the Internet: Serve clients better; get business information; keep costs low

OSEC (www.osec.ch) is a semi-private Swiss organization responsible for promoting exports of Swiss SMEs. It used to have an expensive and enormous paper-based "Export Directory". This directory was available for sale and consultation in Swiss embassies, trade fairs and so forth.

A few years ago, *OSEC* decided to discontinue its "Export Directory" and to replace it by much more practical and less costly CD-ROM and Internet versions (see below).

Example 6: Pierre Boutique

- Type of entity: SME; existing entity; based in a developing country
- Main good business use of the Internet: Serve clients better; keep costs low

Pierre Boutique (www.PierreBoutique.com) is a medium-sized SME based in Thailand. It is specialized in custom-made clothes, targeting mostly overseas tourists visiting Thailand. *Pierre Boutique*'s strategy is simple and straight-forward: to use its boutiques to sell a first order and to take precise measurements of its clients. In a second step, *Pierre Boutique* uses its website to take sub-

sequent orders from its clients once they are back home.
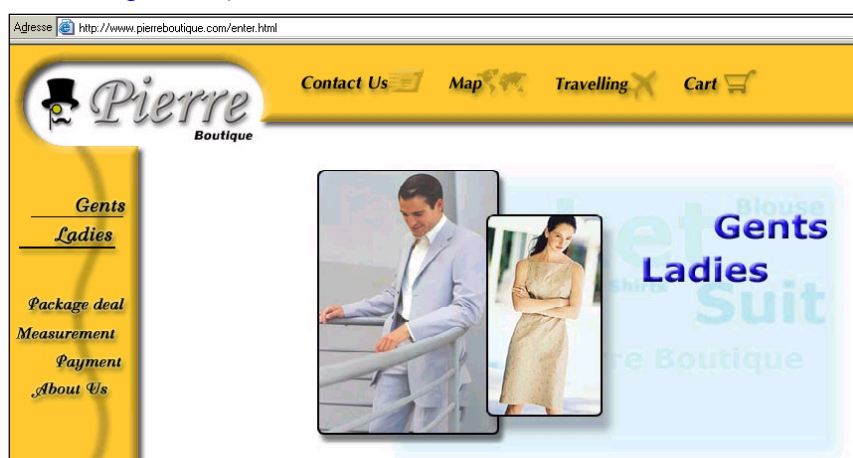
Example 7: Nordea Bank

- <u>Type of entity:</u> large corporation; existing entity; based in a developed country
- <u>Main good business use of the Internet:</u> Get new clients and leads; serve clients better; keep costs low

Nordea Bank (www.nordea.com) is a major 35,000-employee bank based in Sweden and with a very strong presence in Northern Europe. In a high-wage country such as Sweden, it is estimated that the cost of making an online transaction is between 1 and 10 per cent of the costs of making a transaction in a physical outlet.[29]

Consequently, *Nordea Bank* made significant efforts to encourage its customers to carry out transactions using the Internet. As a consequence, in 2001 one third of its 10 million customers were e-customers. This has led to a drastic reduction in the number of branches from 800 to 400; thanks to lower transaction costs, Nordea also saw a 22 per cent profit increase in 2000. But this had social costs as well: about 5,000 employees have been made redundant.[30]

Example 8: Atlas Industries

- <u>Type of entity:</u> SME; newly created (fully Internet-oriented) entity; based in a developing country
- <u>Main good business use of the Internet:</u> Get new clients and leads (to some extent); serve clients better; keep costs low

Atlas Industries (www.atlasindustries.com) is a new Vietnamese SME which produces detailed design plans for overseas architects. The output of its work is sent by Internet to its clients. In 2003, Atlas Industries had about 85 employees, many of them being Vietnamese architects and engineers.
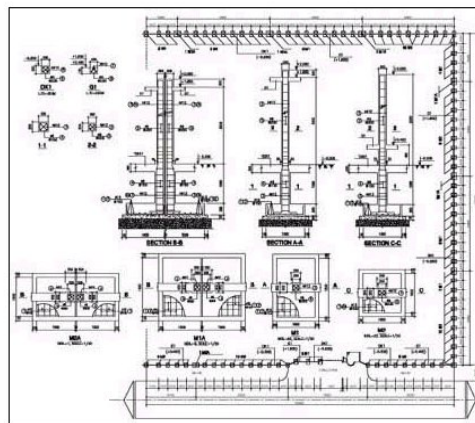
Design plans for overseas architects

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[29]Several studies have been conducted in this field. As an example, in 1996, international consultancy Booz Allen Hamilton calculated the cost of making a banking transaction using several channels. Results are as follows: full service branch: US$ 1.070; telephone: US$ 0.540; ATM: US $0.270; Internet: US$ 0.010.

[30] BusinessWeek; *"Getting a Bang out of E-Banking"* 16 April 2001. In this article, the cost of an online transaction is estimated to be US 11 cents vs. US$ 1 for a manual transaction.

We have just seen some examples of successes but let's not forget to analyse the many **e-business failures**. Typical examples of failures in developing countries are organizations attempting to sell products such as local handicrafts exclusively through a website. These organizations hope to generate and deliver profitably a massive amount of orders from end-clients located all over the world, bypassing all traditional intermediaries. However, nearly all these endeavours have failed completely, primarily for the following reasons:

- **Websites are not known/trusted enough by potential buyers.**
- **(Powerful) intermediaries do not want to be bypassed** and they are ready to defend their existence.
- **Potential clients do not trust online payments**; besides, **sellers may simply have no trusted way to charge (online)**.
- **The physical deliveries of products are far too costly,** particularly for relatively small quantities of products.

We will cover in this chapter how SMEs in developing countries can tackle the above obstacles.

On the basis of the analysis of many successful and unsuccessful cases in e-business, we can deduce that **the majority of e-business winners** are:

(a) Existing companies/organizations intensively using the Internet rather than Internet-based start-ups;

(b) Companies/organizations using the Internet to improve <u>existing</u> client-supplier relations (better services and lower costs) rather than trying to acquire new clients;

(c) Companies/organizations engaged in business-to-business (B2B) transactions rather than business-to-consumer (B2C) transactions. B2C transactions often have the disadvantages of having comparatively high logistics and promotional costs. In 2003, there were about US$1.4 to 3.7 trillion of B2B Internet transactions,[31] accounting for about 95 per cent[32] of all e-commerce.

Atlas premises in Viet Nam

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[31] Figures vary significantly based on sources: US$ 3.7 trillion (Forrester), US$ 3.6 trillion (Gartner Group), US$ 1.6 trillion (IDC), US$ 1.4 trillion (eMarketer).
[32] UNCTAD (2002). E-Commerce and Development Report.

As a **conclusion to this introduction**, we would like to bring to the fore a key message.

E-Business is business

The "e" is less important than the word « Business »

The "e" is not the objective

The "e" is only a possible tool

This tool is often but not always highly useful …

… for some but not for all processes.

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3. Using websites as a means to acquire new clients and leads

One objective of many commercial websites is to attract surfers such as prospective clients and to (help) convert them into profitable (long-term) clients while minimizing internal sales channels conflicts. To minimize the latter means preventing more online sales from triggering fewer offline sales, which would lead to worse asset utilization and declining profitability.

Without specific promotional efforts, websites are normally fully unknown and have therefore very few visitors. Website statistics may be misleading because many page views (visits) are generated by search tools robots, not by "human surfers". To build reasonably good websites can be relatively easy, fast and cheap, but to promote any website is usually very expensive. Publishers of well-known global websites such as Amazon.com (www.Amazon.com) spend over US$ 100 million per year on advertising.[33] Why is so much money needed? Because a website competes directly with all other websites and because the web is a *pull medium* (i.e. users must *proactively* get/*pull* information, for instance by typing a website address).

To promote a website, existing strong brand names are very instrumental. In this regard, it is much easier for a big and well-known company such as *IBM* than for an unknown SME of a developing country to promote a website.

In general, the Internet is much more useful for generating leads (i.e. prospective clients) than new clients who place immediate online orders. The Internet is also outstandingly useful for *taking online orders* from *existing* clients.

Many methods can be used to build website traffic so as to acquire new clients and leads. The most important methods are explained and illustrated in the following pages.

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[33] More precisely: in 2002, marketing expenditure (net of cooperative reimbursements) was to the tune of US$ 125 million (but US$ 180 million in 2000). Source: Amazon.com Inc. 2002 Final Annual Report. See http://media.corporate-ir.net/media_files/irol/97/97664/reports/2002_Annual_Report_FINAL.pdf.

Method 1: Advertising

To promote a website, *offline* **(i.e. traditional, outside the Internet) advertising** can be used. Typical offline media are TV, radio, magazines and newspapers. This form of advertising is generally expensive, but it usually instils trust and builds a brand image.

Advertisement can also be *online* – placing, for instance, advertising banners in other websites. Online advertisement/sponsorship tends to be more affordable; it can bring traffic but is less good at creating trust.

When advertising, it is important **to** *target* **one's audience.** For instance, in the web page below taken from *Google* (www.google.com), advertisements (called "*Sponsored links*") to the right appear only when surfers make a search related to Cambodia.

In the example below, we see that banner advertisements on the website of the *New York Times (*www.nyt.com*)* can target users very precisely on the basis of criteria such as demographic, content, environmental and delivery factors.

To minimize advertisement costs, it is essential to **take advantage of advertisement campaigns that are not done specifically to promote a web site**. This is for instance what *Touch The Wild (Pte) Ltd*, a small Zimbabwean tour operator is doing with its regular print advertisements (see picture).

With traditional media, it is a challenge to **measure the impact of an advertisement campaign.** Fortunately**,** the Internet allows precise and on-the-spot advertisement impact monitoring.
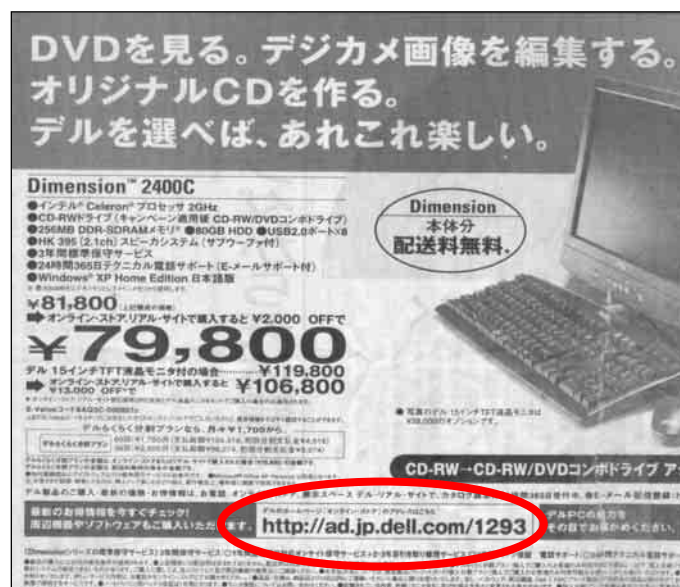

Example: in the *Dell Computers (Japan)'s* newspaper advertisement below, a specific webpage is mentioned (i.e. http://ad.jp.dell.com/1293) in such a way that it is possible to know precisely how many online visits this advertisement has generated.

Online advertisement has its own terminology, such as cost per thousand (CPM), click-through-rate (CTR) and cost-per-click (CPC). Details are beyond the scope of this manual. A good online reference is *Sean O'Rourke's* website www.MarketingTerms.com.

Method 2: Exploiting existing infrastructure

It is essential to minimize advertisement costs while maximizing advertisement impact. For this purpose, it is essential to use one's own existing infrastructure as advertisement platforms. In this context, website addresses must be mentioned on stationery, business cards and so forth. Some other examples include:

Low-cost airline **EasyJet** found its own very forceful way to make its website (www.easyjet.com) known, as shown in the below picture.

Because EasyJet`s website is very easy to use and because it offers prices which are slightly lower than in other channels, about 90 per cent of EasyJet's orders are taken over the Net.

Mon Epicier (www.monepicier.fr), a local grocer in Southern France, uses its own physical shop to advertise its commercial website.

In Dublin, cloth retailer **Woollen Mills'** URL (www.woolenmills.com) can be found not only at the entrance to its stores but also on its bags (see picture) and on its receipts. This is very important for *Woollen Mills* because many of its clients are tourists: once they are back home, the only way for them to buy *Woollen Mills* products is to use the Internet.

Method 3: Exploiting face-to-face contacts

Even in the Internet age, face-to-face personal contacts remain an essential way to acquire clients, while websites and personalized mass e-mails play the role of *valuable support tools*.

Concretely, when businessmen take part in trade fairs, they should make sure to obtain the e-mail addresses of the prospective clients they meet. Later, it will be possible to mass e-mail personalized messages to these prospective clients; these messages would have links to webpages and would be sent for instance to inform prospective clients about new products.

Method 4: Targeting the "Diaspora" (e.g. Cambodians living outside Cambodia)

The "diaspora" can be a relatively easy target partly because **word-of-mouth** is very effective among these expatriate communities. Many successful commercial sites from developing countries actually target their respective "diasporas".

We have already seen the example of Tortas Perú; another example is *Terra Network's* www.DeCompras.com which targets Mexican workers in the United States who wish to buy products for their relatives in Mexico. In addition to a website, DeCompras.com also has printed catalogues, which are available at money-exchange offices. Customers can buy online or pay in the money-exchange offices. The dual online-offline strategy of DeCompras.com is a definite plus which should be emphasized.


Other examples include El Salvador's www.LaTienda.com.sv (published by *Creativos de Internet de El Salvador* and *Mendoza Enterprises*), Ghana's www.GhanaMall.com.gh (published by *Ghana.com*), Bolivia's www.BoliviaMall.com (published by *BoliviaMall.com*), Bangladesh's www.Munshigi.com (published by *Munshigi.com ltd*) and Ethiopia's www.EthioGift.com (published by *EthioLink*).

Method 5: Making public relations work for you

Taking advantage of the press is a must. Editorial articles usually have much more impact (i.e. are much more credible) than advertisements. As an example, in 2003, about 15 per cent of orders received by Bhutanese tour operators came directly from their websites, bypassing their foreign agents.[34] This has been possible largely thanks to the fact that the *Lonely Planet* guidebook about Bhutan recommends a selection of Bhutanese tour operators (including their

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[34] Estimate based on a survey conducted in 2003 by the author.

website addresses) as illustrated below.[35] This *Lonely Planet* guidebook provides both visibility and credibility to the recommended tour operators.
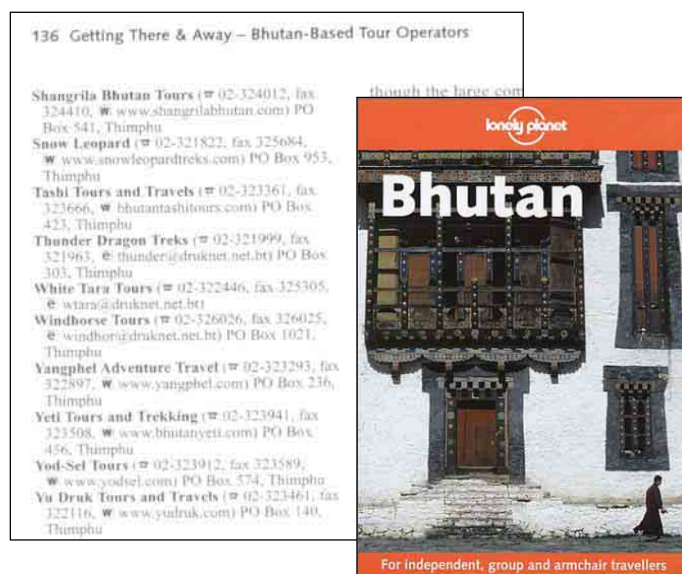
Press coverage rarely comes by chance but requires long-term sincere contacts with key journalists, newsworthy stories and good online press corner. An exemplary online press corner is Swiss online supermarket *LeShop.ch*'s (http://info.leshop.ch/uk/Welcome.html; see below). Its press corner contains the following elements:

- Portrait of the corporation
- Past press releases
- Press clippings (at least the positive ones!)
- (Print-quality) pictures and logos
- Contact details
- Registration form (to receive the latest press releases by e-mails)

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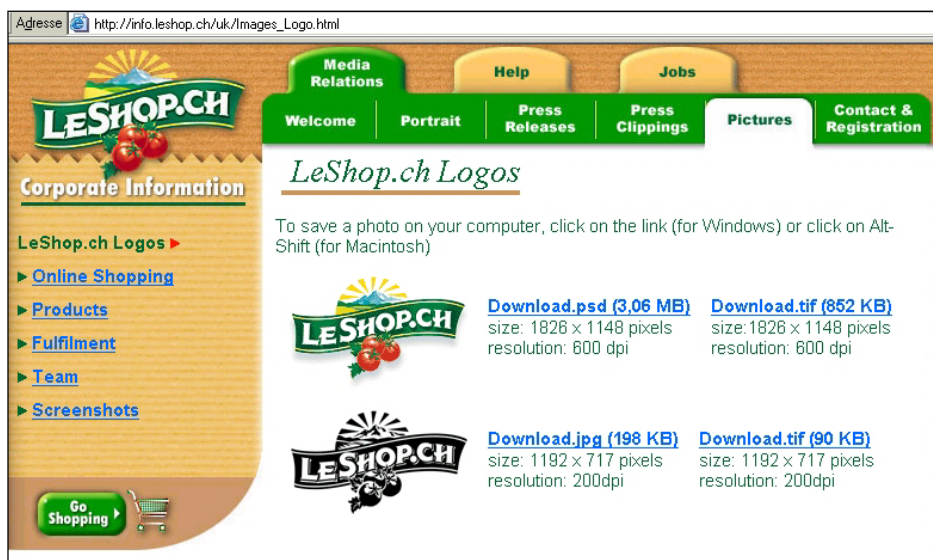
[35] Lonely Planet Bhutan, 2nd edition, 2002.

Finally, the example of *SwissFriends.ch* (www.SwissFriends.ch) is particularly interesting. This is a Swiss website which provides its members with dating and meeting opportunities using online classifieds. The SME running this website felt it was not properly covered by the local press and it did not have enough funds to place traditional advertisements. Consequently, Swissfriends.ch decided to publish 300,000 copies of a 25-page bimonthly magazine called – as one could have expected – SwissFriends.ch. What is most interesting is that Swissfriends.ch managed to publish this magazine without spending a penny! How have they done it? On one hand, this magazine is distributed at near-zero incremental costs by partner companies: *La Redoute* (a major catalogue retailer), *Salles Europlex* (a large cinema operator) and *Kiosques Naville* (an important chain of kiosks). On the other hand, SwissFriends.ch generates cost-recovering revenues from this magazine thanks to 13 pages of advertisements and five pages of (disguised) *advertorials* (i.e. paid advertisement looking like editorial content). Some of these advertisements/advertorials are sold while others are offered to the distribution partners. Finally, the remaining seven pages are used for internal editorial content.

Method 6: Offering free value-added services

Many websites have developed considerable traffic of web surfers by offering for free real value-added services. Web browser-based e-mail services and search tools can be included in this category.

A creative example is *Postage4Free.com (*www.Postage4Free.com), whose Unique Selling Proposition seemed unbeatable: any US resident could register some personal data, including area of interests on this website, in order to receive by mail ten 25-cent stamps *for free*. How could Postage4Free make money by giving out stamps for free?

- First of all, Postage4Free.com commercializes the personal data it has collected. This operation can be done legally because, according to the general clauses of this website, surfers who indicated their data explicitly gave permission to Postage4Free.com to use their data for commercial purposes.
- Postage4Free.com did not ship 10 loose stamps but 10 envelopes with printed stamps. Each envelope had printed advertisements corresponding to its recipient's interests.
- Postage4Free.com also inserted coupons within its shipments. Needless to say, coupons matched recipients' interests.

Method 7: Mass e-mailing

Mass e-mailing (i.e. sending a large quantity of e-mails) can be effective for acquiring new clients. The *Cambodian Handicraft Association (CHA)* is a good example of an organization which managed to acquire most of its clients by sending targeted mass e-mail. It can, however, also be dangerous in the sense that it can upset potential clients.

The crux of the matter is to obtain *good e-mail addresses.* Good e-mail addresses mean addresses of a well-selected audience willing to receive commercial e-mails about specific topics. (See also chapter 3 to learn how to collect e-mail addresses and see chapter 1 to learn how to mass e-mail). Finally, it is also important to give prospective clients the possibility to easily erase their data from a mass-e-mailing database.

Another enlightening example is *Tequila Cascahuín,* a Mexican SME commercializing its own tequila. Thanks to persistent targeted mass e-mailing, *Tequila Cascahuín* won major new contracts with clients in the United States, Switzerland and Colombia.


Practically, how did *Tequila Cascahuín* proceed? Using the Internet, they patiently built a database of worldwide leads (wholesalers, retailers, importers, trade organizations, chambers of commerce). Subsequently, they sent personalized e-mails to these leads referring to their website www.cascahuin.com.mx, used as an "electronic brochureware" (i.e. a simple static website without any transactional capabilities). Finally, Tequila Cascahuín proceeded with the normal commercial actions to conclude new long-term contracts, i.e. to send samples to leads and to show the factory and the plantations to prospective clients.

**Method 8: Cross-selling and co-branding**

A strong brand brings significant advantages, but to build a strong brand is usually a very expensive endeavour. Therefore, SMEs are advised to team up with well-established companies that have strong brand names.

For instance, when surfers register in Yahoo! Mail, a very well known web-based e-mail service, they are automatically offered 100 free business cards from www.iPrint.com (published by *iPrint.com*, a wholly owned subsidiary of *BrandVia, Inc.*). More precisely, data entered when registering in Yahoo Mail are automatically transferred into iPrint.com's

promotional business cards in such a way that surfers can order their new business cards with one single click (see below).
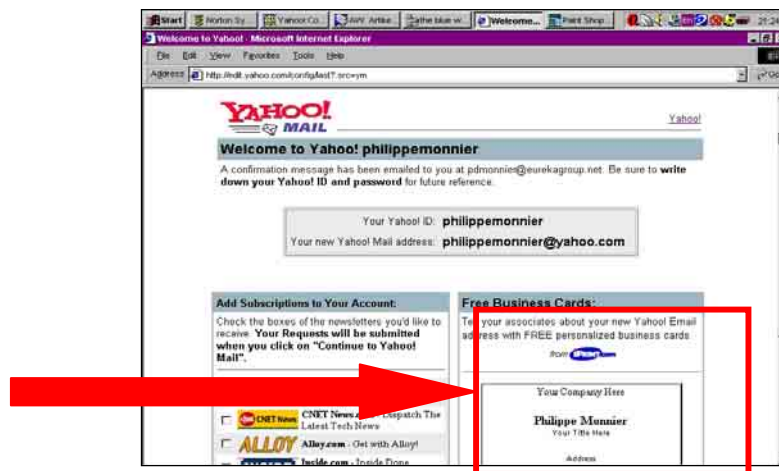
Another example of a co-branding operation is shown below: *Bluewin* (www.Bluewin.ch), a major Swiss Internet access provider has a co-branding promotional agreement with two Internet-based start-ups: *easyInternet.ch* (www.t-shirts.ch) and *OnlineTies.com Sàrl* (www.OnlineTies.com).
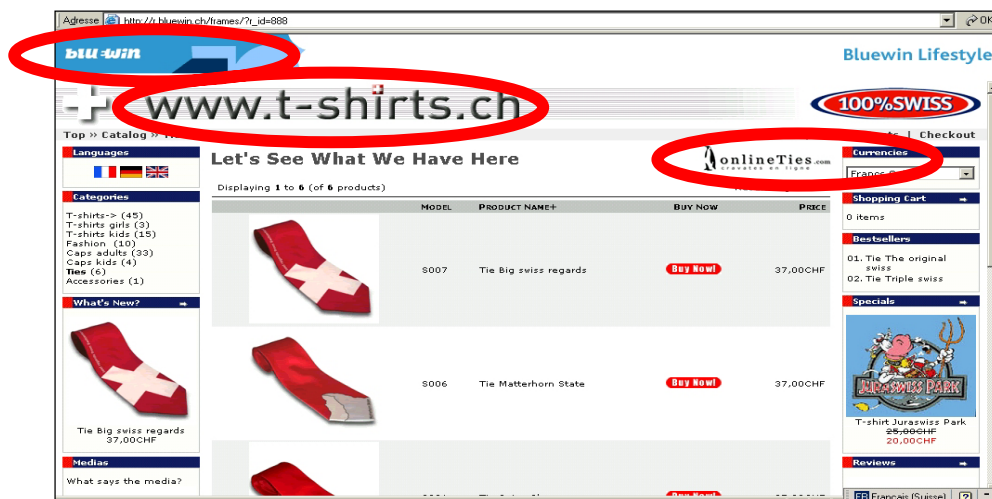
Method 9: Use of marketplaces and auction sites

Marketplaces, auctions and related websites allow suppliers and buyers to establish contacts through the Internet. Using these websites, suppliers (respectively buyers) can also build credibility based on the evaluation of the buyers (respectively suppliers).

More ample information about marketplaces, auctions and related websites can be found in chapter 3 in the section "Export promotion and search for import opportunities".

Method 10: Use of search tools

SMEs can find useful information about prospective clients by using effectively search tools. More ample information about search tools can be found in chapter 1 (see section *"Understanding Internet search tools"*).

To conclude this section, we would like to reiterate some **important statements:**

- **It is often best to *combine* online and offline actions to acquire new clients.**
- **The Internet is usually far more effective for acquire *leads* than closing on-the-spot online transactions.**
- **The Internet is usually more effective for acquiring and processing *orders* and *serving existing clients better (see next section)* than *new clients.***

4. Serving clients (and other stakeholders) better and at lower costs

One of the major strengths of the Internet is that it can be used to serve better one's clients and other stakeholders. By stakeholders we mean all people and entities interacting with one`s company (or organization). Stakeholders include clients, users, suppliers and resellers. To serve stakeholders better, countless initiatives can be taken and these initiatives are only limited by one's imagination.

To proceed systematically, it is necessary to analyse one by one the needs of all stakeholders. In the table below, readers can find a non-exhaustive list of stakeholders and typical corresponding online applications to serve some of their potential needs. For each stakeholder, we also indicate whether an Internet site, an Extranet site or an Intranet site is likely to make more sense.

Table 2. Online applications for stakeholders

Stakeholder	Possible online applications	Internet vs. Intranet vs. Extranet
Users	User's manual, list of after-sales services and repair centres	Internet
End buyers	Information about products, list and location of retailers, ordering, reference projects, order status	Internet
Resellers	Inventory levels, ordering, commercial policy, product information, order status	Extranet
Suppliers	Inventory level, tender documents, orders on hand, integrated sales forecasting	Extranet
Media	Press releases, (selection of) clippings, contact people, print quality photo database, reference projects	Internet or extranet
Investors, shareholders	Letters to the shareholders, share (historical/current) values, links with online brokers	Internet or extranet
Job market	Jobs available, employment policy, applicants' questionnaire	Internet
Employees	All internal information which must be shared/communicated, e.g. travel expenses, internal newsletter, order status, order management	Internet

The Internet can lead to drastic cost reductions using communication tools such as *e-mail, FTP, IP telephony and instant messengers*, as mentioned in chapter 1. Furthermore, thanks to the Internet, many fewer people may be required to perform given activities. For instance, far less time is required to send an e-mail than to send a fax. In addition, thanks to the Internet, it is possible to optimize data management, i.e. to minimize time-consuming activities such as multiple data entry.

Let's now see some examples of good Internet use to serve one's stakeholders better.

Example 1: Thailand-based tailor *Pierre Boutique* (www.PierreBoutique.com) displays a map of its retail outlets on the Internet so that customers can find them easily

Example 2: Using the Internet, diversified retailer *Amazon.com* (www.Amazon.com) informs its customers about the delivery status of their order. This information is both sent by e-mail (see below) and made available from a personalized web page. Informing clients proactively not only enhances the overall service quality but also drastically reduces operating costs (i.e. less time spent to deal with clients' inquiries).

To conclude this section, we wish to emphasize again that the **Internet is easier to use to serve one's stakeholders better while saving costs than to generate new sales from new customers**.

However and importantly**, the Internet can be highly useful to <u>contribute</u> to triggering <u>offline sales</u>**. In other words, many clients make web-based purchase decisions but buy offline. For instance, in Europe, 13 million trips taken abroad were initiated on the Net but booked and paid for offline, while only 3.8 million trips were booked and paid for online.[36]

5. Coping with the exclusivity of distribution channels

From the website below published by a Thailand-based travel agency, we can observe that surfers can book hotel rooms in different Cambodian hotels such as the *Sunway Hotel.*

However, **surfers will not find in this website the phone number (or the e-mail address) of the *Sunway Hotel.*** Why? Because the Thailand-based travel agency would like clients to book through them than directly with *Sunway Hotel.*

Intermediaries such as agents, importers, exporters, dealers and distributors usually take important commissions. Understandably, (local) manufacturers/service providers would like to bypass (foreign) intermediaries and get the higher prices paid by end clients. *Technically*, the web could be used to reach directly final (foreign) buyers.

Needless to say, those **intermediaries are prepared to go a long way to prevent direct sales.** A good example is *Levi Strauss & Co's* (www.levi.com): at the beginning of the boom years of the Internet, Levi's was successfully selling online directly to its end clients; however, they soon ended up being boycotted by its angry retailers.

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[36] Internet European Travel Monitor. July 2000. See *www.etourismnewsletter.com/efocus.htm*.

In the process of selling products abroad, it should be recalled here that **intermediaries often provide important value-added services,** including clientele acquisition, logistics, administration and financing.

Despite the development of the Internet, it can be observed **that many/most manufacturers do not sell directly (online).** This is for instance the case of the model boat manufacturers from Madagascar (see opposite). The reason is that if they sell directly (online), the French companies importing and retailing their products in Europe would feel bypassed and would lose interest in distributing these model boats.
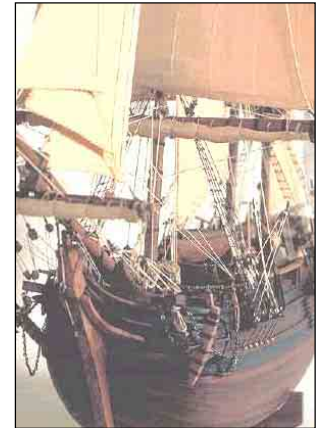
Another example is *Reuge Music* (www.reugemusic.com, see below), a Swiss manufacturer of music boxes; *Reuge Music* systematically reroutes its end clients to foreign agents.

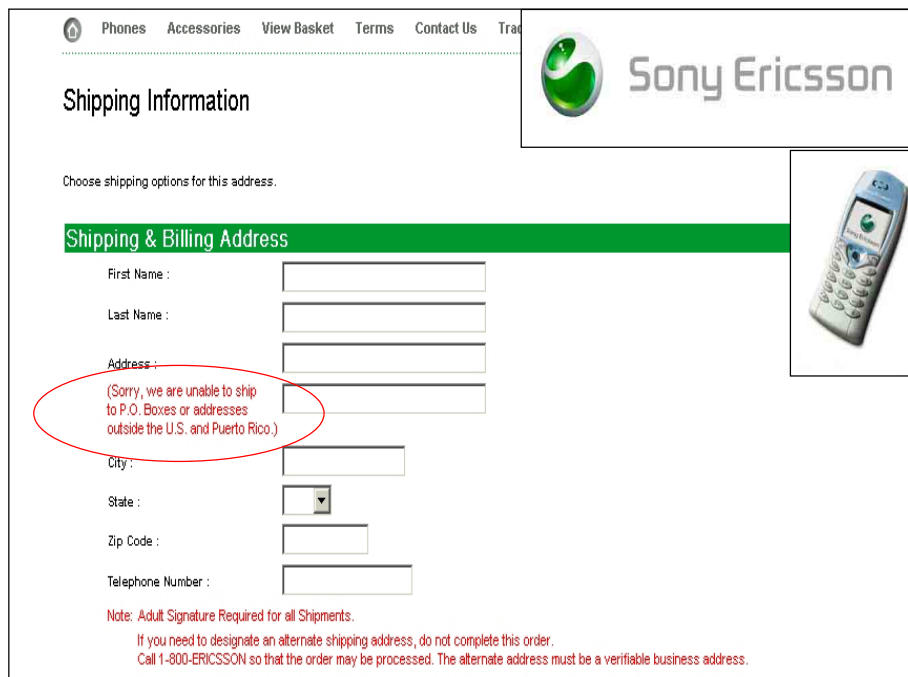*Omega (www.omega.ch)*, a well-known Swiss watch manufacturer, goes even further: it clearly indicates in its home page that it does not sell (directly) online (see below).

WARNING !

The OMEGA Internet site is strictly a show-window.
No OMEGA watches should be sold through special Internet sites.

OMEGA watches covered by the international warranty are sold only through the worldwide network of selected authorized dealers.

Some players may sell directly online, but they only deliver in a restricted area. This is the case of *Sony Ericsson*. Only US residents are allowed to buy from its website www.SonyEricsson.com and enjoy the competitive US prices.

To sum up: the Internet is, technically speaking, a borderless medium; as such, it is in competition with most established distribution channels. Put differently, the Internet does not inherently respect:

- Exclusive distribution territories
- Moral or contractual) rights of intermediaries
- Market price differences between countries

Taking the standpoint of manufacturers/exporters in developing countries, **how can the Internet be used to reach end clients without being subject to the reactions of intermediaries?** This issue is especially important if intermediaries are strong and well organized because they can take effective retaliatory measures. For these cases, one or several of the following solutions can be applied.

Solution 1: Team up with the distribution network

In China, *Haier* (www.Haier.com; see below) sells extensively online, but its retailers are used as fulfilment partners in charge of delivery, repair and cross-selling. This strategy is also applied by *Ford* in the United States through the website www.Forddirect.com. In addition, both *Haier* and *Ford* have extranets allowing their retailers to order online in an efficient manner.

Ford used strong arguments to convince their dealers to team up with FordDirect.com. Here are some of these arguments:

- "Gone will be the huge inventories that represent guesses of consumer preferences."
- "Gone will be the need to slash prices on vehicles that sit unsold when those guesses are wrong."
- "It is a better idea to accept FordDirect.com than to disappear."

Another interesting case is Switzerland's *Switcher* (www.Switcher.com; see below). *Switcher* manufactures textile products and has hundreds of retailers, many of them in Switzerland. When a retailer acquires a client, he normally provides him with a numbered loyalty card. If this client makes an online purchase, he is encouraged to indicate its loyalty card number because, by doing so, he pays reduced shipping expenses. For each online sale, Switcher grants double-digit commissions to the retailer who has acquired this client.

Solution 2: Apply the same price policy for all channels, including direct sales

This strategy is followed by Nepal's *Buddha Air* (www.buddhaair.com). This local airline company sells both directly (online and offline) and through a myriad of agents. However, final prices are the same regardless of the sales channel. In this way, *Buddha Air* is not competing frontally on the basis of prices with its agents.

Solution 3: Apply country-specific prices

Such a policy is applied by *Wenger* (www.Wenger-Knife.ch; see below), a Swiss manufacturer of knives. Wenger allows its retailers to sell online using their own website provided they apply locally "recommended" prices. *Wenger* tightly controls these "recommended" online prices and take measures against those retailers who do not abide by this gentlemen's agreement. A typical retaliatory measure would be to increase wholesale prices (legally, it would be difficult to stop delivery, at least in Europe). In case of online sales, retailers are actually allowed to deliver outside their contractual territories: such a policy is feasible because high freight costs make cross-border sales rather unattractive.
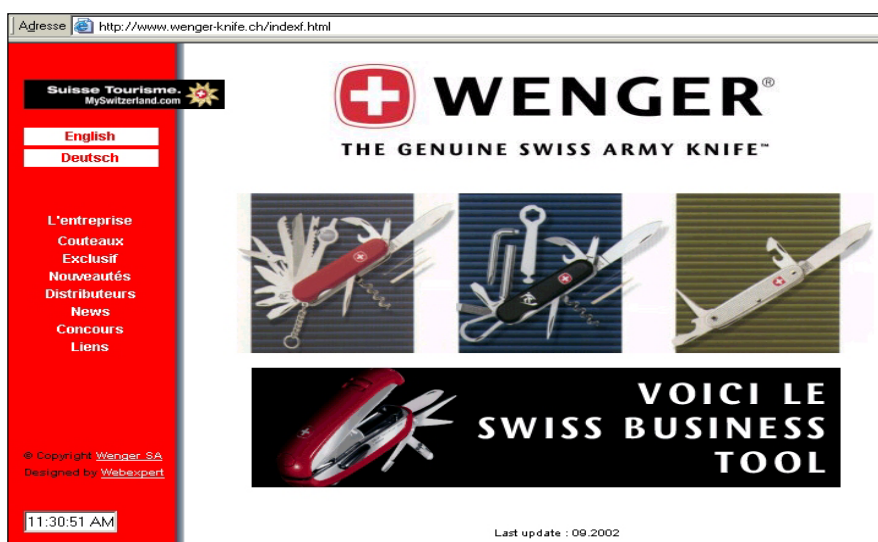
Solution 4: Sell online only special products

This strategy is applied by *Nestlé* in France (www.nestle.fr; see below). In this website, only *customized* products for corporations are sold. In other words, Nestlé France does not sell online the same items which are sold by retailers in France.

Solution 5: Consider the web as a territory per se

Companies can consider that the Internet is a sales territory as if it were a continent, a country or a city. Therefore, these companies officially appoint some intermediaries as "official (or authorized) online retailer", the same way they appoint other intermediaries as official retailer for a given geographical territory. This policy is, for instance, followed by *Invensys (www.BestPower.com;* see below), which appointed a few companies as "authorized online retailers".
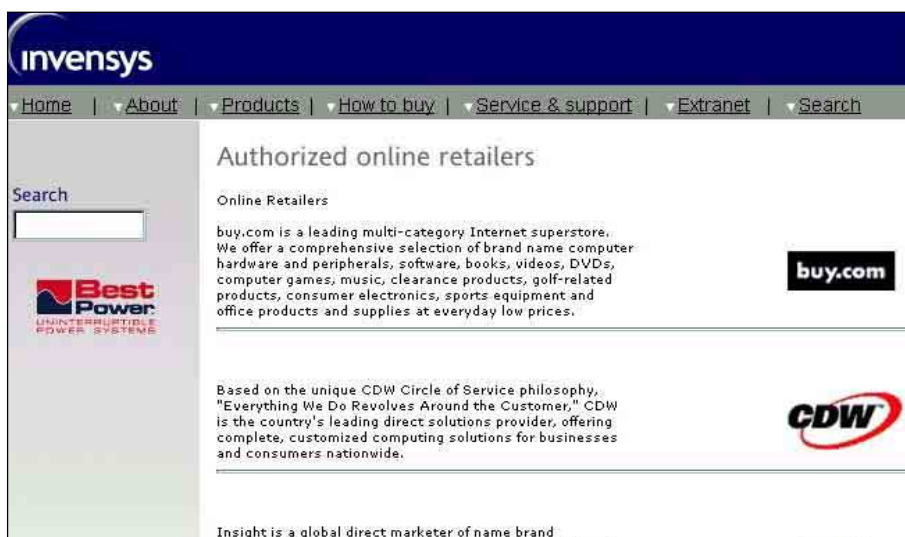
Solution 6: Sell only directly

This may be the best policy, but it is extremely hard to have it applied by established companies given their already existing distribution networks. Companies which have traditionally sold directly enjoy here a significant advantage. This is the case of *Dell Computers*, *Cisco* and *EasyJet*. Besides, in the United Kingdom and in Ireland, most bed and breakfast and guest houses (see example of *Glenogra*; www.glenogra.com, below) are also in this situation.
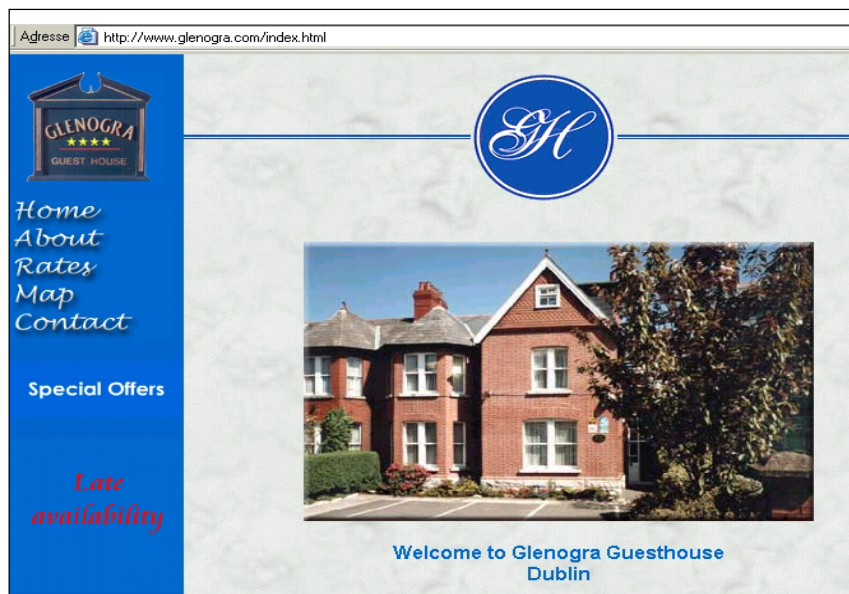
Solution 7: Sell online "remaining" capacity only

The idea here is to sell through the Internet unsold tickets (often with discounted prices) as "last-minute offers". This strategy is for example followed by *Priceline* (www.priceline.com, www.priceline.com.hk) for plane tickets, hotel rooms and car rentals.

Solution 8: Target only specific geographical markets

In these cases, companies sell online only in new markets where they do not have any established network of distributors. An example is the French newspaper *Le Monde diplomatique,* which used the Internet to penetrate the Brazilian, Chinese, Japanese and Russian markets.

Solution 9: Make small reversible online trials

The idea here is to test the online market and to assess the reactions of one's distribution network without alienating it for good. This is exactly what *Fiat* was doing when they started to sell online their exclusive *Barchetta* model: they announced that it was a four-month test limited to the Italian market.

6. Dealing with payments

E-business means using the Internet in any possible way to serve business purposes. E-business does not necessarily mean selling online and means even less taking online payments. Furthermore, it is possible to sell online but to use offline payment methods such as letters of credit; it is indeed not only possible but often desirable to do so because online payment methods are not well established yet.

As of 2003, surprisingly enough, there were _too many_ online payment methods. However, none of them has so far emerged as _the universal standard_. What's more, many online payment services have been discontinued over the past years. To become a standard, an online payment method would need to meet an array of difficult criteria such as:

- *Ease of use for all* (i.e. for buyers, sellers, and intermediaries such as banks)
- *Affordable s*et-up and operation for all
- *Critical mass o*f users, at least locally, ideally globally
- *Excellent security* for all
- *Excellent _perceived_ security* by all

In the tables below, we will now review the key characteristics of main online and offline payment methods available for orders taken through the Internet.

Table 3. Key characteristics of offline payment methods

Payment method	Key characteristics
Bank-to-bank transfers (by cable wire or by TT [37])	■ Efficient ■ Often used in the B2B world, but not much in the B2C arena ■ Sellers (buyers) bear the risks if post-payments (pre-payments) are made; risks are shared in the case of down payments ■ Solvency/reputation inquiries about the contracting parties are usually required in order to reduce the payment risks
Cash on delivery (COD)	■ Risks are shared between buyers and sellers ■ Usually possible only with a few neighbouring countries ■ Relatively expensive and inefficient
Letters of credit (L/C)	■ The preferred way for large B2B transactions ■ Expensive and administratively heavy but offers good security for buyers and sellers
Transfers using Western Union	■ Dense worldwide network ■ Very fast but high transaction costs [38]
Cheques & money orders	■ Inefficient and rather expensive ■ Good B2C acceptance ■ Sellers (buyers) bear the risks if post-payments (pre-payments) are made; risks are shared the in case of down payments ■ Additional risk: cheques without funds (this risk is, however, very limited in the case of money orders)

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[37] Telegraphic transfer.
[38] Example: as of December 2002, the commission to transfer US$ 150 from the United States to Peru amounted to about US$ 20.

Table 4. Key characteristics of online payment methods

Payment method	Key characteristics
Credit card using SSL SSL (Secure Sockets Layer) is a commonly used protocol for managing the security of a message transmission on the Internet. When SSL is used, surfers can notice a closed lock (see below) icon at the bottom of their browser.	■ Very commonly used for small amounts (say below US$ 500) ■ High commission (2-5%) to be borne by sellers ■ Paper-intensive and time-consuming (unless the process is fully automated) ■ Worldwide ■ Many buyers believe it is quite safe ■ Fraud risks are significant but they are _borne by sellers._ [39] In cases of fraud, the **sellers** have to pay so-called _chargeback fees_ (which may also include penalty fees) ■ Fraud rate varies between a couple of percent and up to 50% (e.g. in the case of porn content sites) ■ (Online) fraud databases to reduce fraud risks are available but are expensive ■ A special distance-selling contract (between sellers and a bank) is needed. This contract (called _merchant account_) is difficult for an SME to get, especially if it is based in a developing country. ■ An alternative to these distance-selling merchant accounts is to use an "umbrella merchant account", i.e. a merchant account obtained by a financially sound company such as _Internet Billing Company, LLC_ (www.iBill.com) but redistributed to less creditworthy companies Disadvantage: 12-18% commission. Furthermore, _chargeback fees_ (including an US$ 15 penalty) are to be paid by sellers
Credit card without SSL When SSL is not used, surfers can notice a open lock icon at the bottom of their browser.	■ Not much used ■ Worldwide ■ Wrongly perceived by buyers as unsafe ■ Risks of fraud are fully borne by sellers
SET (www.setco.org) SET (Secure Electronic Transaction) is a system developed/supported by Visa, MC, Amex, IBM, Microsoft and Verisign, and designed to provide secure payments on the Internet.	■ Safe for both buyers and sellers ■ Buyers are identified thanks to a digital signature located in the hard disk of their computer ■ High commission (2-5%) ■ Worldwide ■ Commercially, SET has not met its expectations because of its great complexity and costs ■ To supersede SET, Visa has recently launched "_Verified by Visa_" and _MasterCard_ has recently launched "_Secure Code_"
PayPal (www.PayPal.com) Paypal is an online payment solution with 35 million account members in 38 countries. Originally developed for auction sites such as eBay (www.eBay.com).	■ Safe for both buyers and sellers ■ Can be linked to either a credit card or a bank account ■ Fees to be paid by sellers: 2.2% + $0.30 per transaction ■ Used by eBay and eBay Stores (see chapter 3) as their standard payment method ■ Good chance of becoming _the online payment method of tomorrow_. Probably the best way for SMEs in developing countries to make and accept payment online: however, to be allowed to use this system, there is an application procedure to be followed.

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[39] In other words, buyers typically bear no fraud risks. Indeed, credit card holders are contractually entitled to receive full refunds if they do not receive the items they have purchased online (and if their credit card has been fraudulently debited).

In the case of **payments by credit card** (with or without SSL), we have seen that sellers bear all the risks of fraud. **How can sellers reduce fraud rates?** By considering the following **warning signs:**

- Suspicious billing and/or shipping addresses
- Untraceable e-mail address
- Expensive and/or multiple items
- Express shipping
- Shipping address differs from billing address
- New website/Internet-based company
- Leave at door or delivery to a post box

Other tips to reduce fraud risks are as follows:

- Ask buyers to pre-register.
- Ask for a down payment for transactions above a certain amount.
- Record IP address of buyers and let them know about it (IP addresses cannot formally identify a buyer but most of them do not know it).
- Ask for the "three extra digits" of a credit card[40] (see below:[41] these digits are not printed in transaction slips and change whenever a credit card is renewed).

Source: www.privcom.org/images/cw2.gif(published by PrivCom*)*

- Another (rather expensive) way to fight or fraud is to use online **escrow services** such as *Escrow.com, Inc.* www.Escrow.com or *SafeBuyer (*www.SafeBuyer.com). These services can be used in conjunction with credit cards, wire transfers, money orders or cheques. Procedures are similar to the procedures used by *letters of credit*: funds are hold until the buyer is satisfied with the goods. Therefore, online buyers and sellers are protected from fraud. As at mid-2003, fees of these escrow services were relatively high (e.g. US$ 24 for a US$ 400 transaction by credit card). Generally, these services could be considered for transactions above US$ 500.
- Finally, large online merchants sometimes systematically consult expensive and extensive online fraud databases provided by companies such as *CyberSource Corporation* (www.Cybersource.com).

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[40] Also known as *CVV2* (standing for *Card Verification Value 2*) or CVC2 (standing for *Card Verification Code 2*).
[41] PrivCom. 9 January 2004. See www.privcom.org/images/cvv2.gif.

Summing up: on the basis of the solutions available for SMEs in developing countries (as at 2003), the most adequate payment methods are likely to include:

- *Paypal* (particularly if one's clients are from the United States)
- *Bank-to-bank transfers* (mostly for B2B transactions and assuming that there is a good level of confidence among suppliers and buyers)
- *Letter of credit* (for large B2B transactions)
- *Credit cards with SSL,* exercising care and using *escrow services* whenever needed.

7. Tackling the logistics challenges of e-commerce

To use the Internet to contribute to generating or to generate sales is only one part of the story. Once sales have been achieved, products must be delivered. The main challenge of the delivery is often the "last mile", i.e. the delivery to the doors of the clients.

Let's take an example. Migros is the largest Swiss chain of retailers. When Migros' clients buy in a retail outlet, they pick up their goods, pack, wrap and carry them home (they even do this rapidly if they buy refrigerated goods); furthermore, clients usually pay cash (this means no collection problem for Migros). However, should these clients purchase goods from the website of *Migros* (www.Migros-shop.ch), it is up to Migros to deal with all the above time-consuming logistics and handling tasks. Partly because of its lack of experience in these tasks, Migros finds it very difficult to generate profits from its online grocery operations.[42]

What are some **solutions to these logistics and handling challenges**?

Solution 1: Deal with B2B transactions rather than with lower volume B2C transactions. Indeed, logistics (shipping, handling, etc.) unit costs decrease proportionately with volume.

Solution 2: Deal with services rather than with products. Services can be sent via the Internet at virtually no cost.
.
Solution 3: Target one's "diaspora" living abroad but deliver locally, as illustrated earlier in this chapter with the example of *Tortas Perú.*

Solution 4: Use your own infrastructure. Example: the articles sold online by *Swiss Airline* (www.Swiss.com) are delivered exclusively in Swiss Airlines planes.

Solution 5: Use the existing outlets of partner companies. Example: in Australia, Internet gift retailer *Wishlist.com.au* (www.WishList.com.au) delivers 30 per cent of its goods through 65 convenience stores located in *BP* gas stations. In Japan, online bookstore *esBooks* (www.esbooks.co.jp) delivers its goods through 8,000 *Seven Eleven* convenience stores.

Solution 6: Establish ad hoc delivery outlets. Example: in France, catalogue cum Internet retailer *La Redoute* has established many pick-up points. These outlets are also used to hand out catalogues, take orders and receive returned goods.

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[42] Migros decided in 2003 to sell its products online through LeShop.ch, its (former) competitor specialized in Internet retailing.

Solution 7: Organize personal deliveries by clients themselves. Example: in China, collectible auctioneer *Eachnet.com Corporation* (www.EachNet.com) realized that the goods sold and bought through its website could not be delivered by the local post and could not be paid for online unlike in the United States. Therefore, EachNet.com decided to concentrate in large cities only and to have its users meet personally to exchange goods and make payments.

8. Inventing new internet–based business models

To use the Internet profitably for business purposes poses many challenges in developed countries, let alone in least developed countries. To tackle these challenges, it is necessary to devise imaginative business models. One of the most interesting cases is *EthioLink's* www.EthioGift.com (see below) from Ethiopia, a least developed countries. EthioGift.com is in the business of selling online live sheep and other Ethiopian specialities such as cakes.
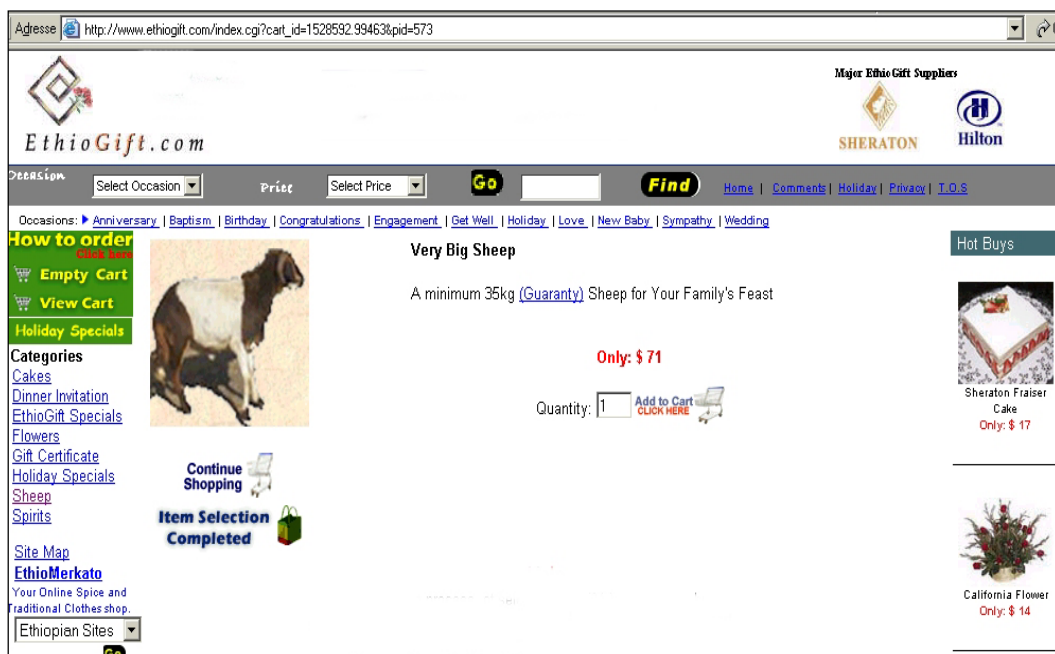
Which challenges does EthioGift.com has to cope with? First of all, two big challenges that all online sellers face in any country:

- How to promote a website at low cost?
- How to deliver sold products at low cost?

But there are also some challenges specific to least developed countries:

- How to deal with (online) payments in a country where distant-payment methods such as credit card are non-existent?
- What to do about the fact that Internet penetration in Ethiopia is close to zero?

- What to do about very low purchasing power in Ethiopia? Who can afford to pay US$ 72 for one sheep?
- How to deliver live sheep in Ethiopia? The local post would not do it and, besides, many streets have no names.

Well, EthioGift.com devised a creative business model that addresses all these obstacles. Here is how it looks like.

Table 5. Business model of EthioGift.com

Obstacles	Solutions
Low Internet penetration/low purchasing power in Ethiopia	Ethiopians living in the United States and in the United Kingdom are targeted
Expensive website promotion	Sales/promotion are done through Ethiopian restaurants in these countries
Expensive/difficult delivery	Local delivery of live sheep in Ethiopia; international delivery of cakes in bulk to Ethiopian restaurants
Non-existent distant payment methods in Ethiopia	EthioGift.com obtained a credit card Internet-based merchant account from a Canadian bank. Therefore, it can accept credit card payment through the Internet
The local post cannot be used	Use of own small fleet of vans
Streets without name	Clients describe delivery place and even draw sketches online

For developing countries, one of the major business opportunities generated by the Internet is teleservices. Teleservices are services provided through the Internet, usually by suppliers located in low-cost developing countries to clients in developed countries. Some examples are as follows:

Example 1: In Nepal, Multimedia Call Centre *ServingMinds* (www.ServingMinds.com.np, see below) provides the following teleservices: Internet-based call centre, e-mail handling, text chat, co-browsing, etc.
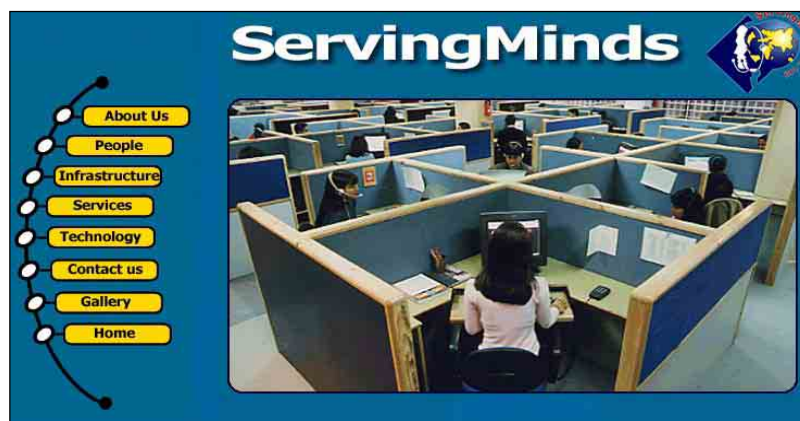
Example 2: In the Philippines, *Medi-Type* (www.medi-type.com; see below) **provides medical transcriptions to US doctors**. In other words, reports of patient consultations are dictated by US doctors and sent by Internet to *Medi-Type* where the typing is done by medical students. Completed reports are sent back to the US doctors using the Internet. Importantly, *Medi-Type* is officially registered in the United States because US doctors feel more comfortable in dealing deal with an US company.
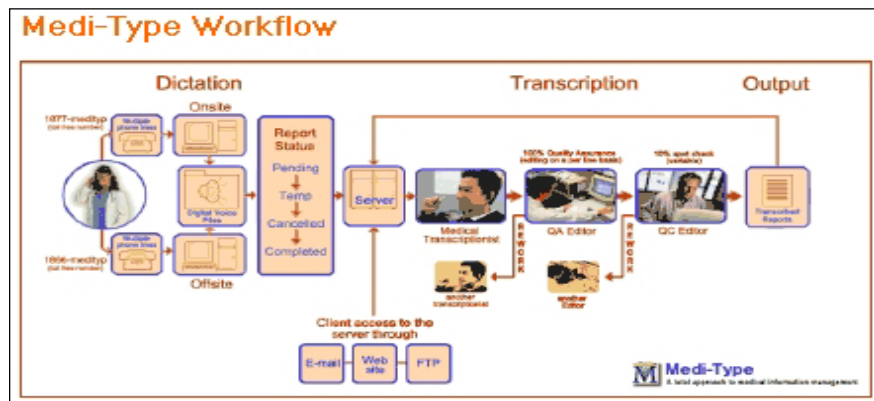

Example 3: In Togo, *CAFE* (www.cafe.tg; see below) **provides data scrubbing services to US phone operators.** Concretely, employees in Togo make Internet-based phone calls to all people listed in the phone books of their clients in order to verify data accuracy.


Example 4: In Madagascar, *Ibonia* (www.ibonia.com) **provides to French companies the following teleservices**: design of websites for travel agencies and scanning of documents.[43] Importantly, Ibonia works with an agent in France selling and defining clients' requirements. Furthermore, *Ibonia's* CEO has studied in France, which helped him to win the confidence of French clients and to better understand their requirements.

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[43] Ibonia receives books by regular mail, scans them and returns them by Internet.

Example 5: In Nepal, the *National Information Technology Institute (P) Ltd* (NITI, www.niti.com.np) provides map drawing services. For one of their clients based in Japan, they update the map of metropolitan Tokyo (see below) and send it using FTP.


Tokyo Metropolitan map
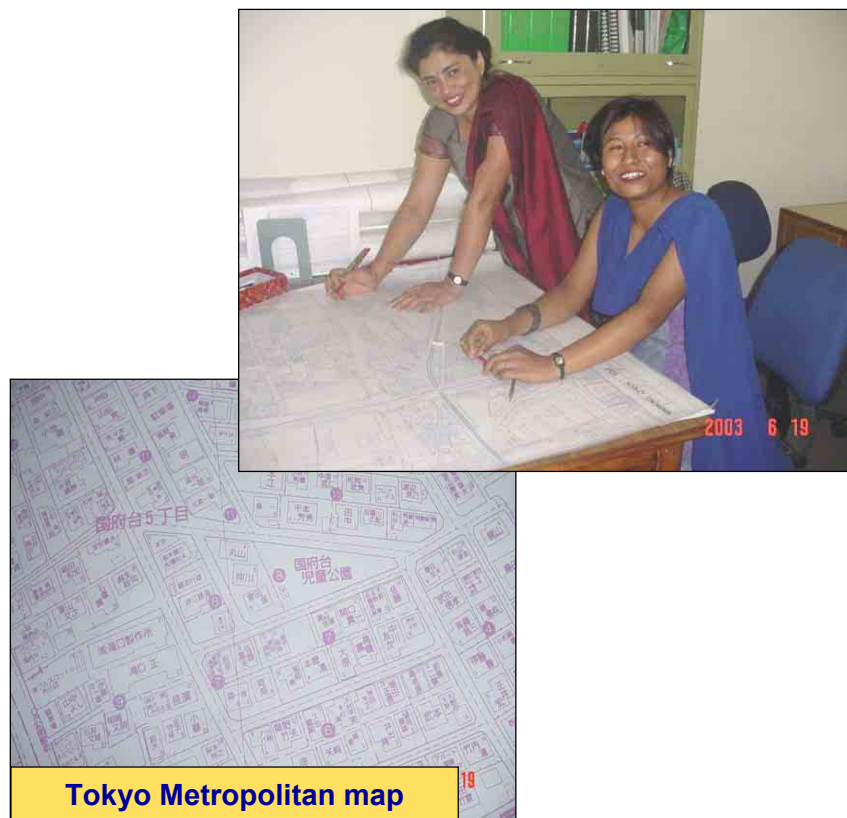
Example 6: In Cambodia, *Digital Divide Data* (www.DigitalDivideData.org; see below) provides accurate data entry services to 50 foreign clients, as of mid-2003. Many of these clients are US universities. Output is usually received and sent via the Internet. After two years of operation, Digital Divide Data (DDD) has about 100 employees with above average working conditions; its 2002 revenues were to the tune of US$ 150,000. To acquire clients, DDD works with three US-based sales representatives and sends daily targeted promotional e-mails.
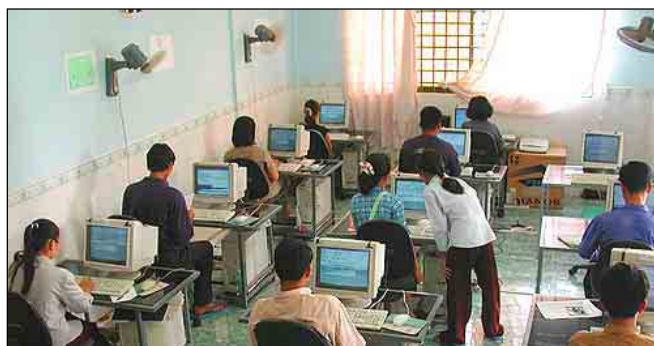
Office of Digital Divide Data

Finally, we can note that one way to generate ideas of teleservices or to start offering teleservices is to use the US-based teleservices exchange platform *eLance* (www.elance.com).
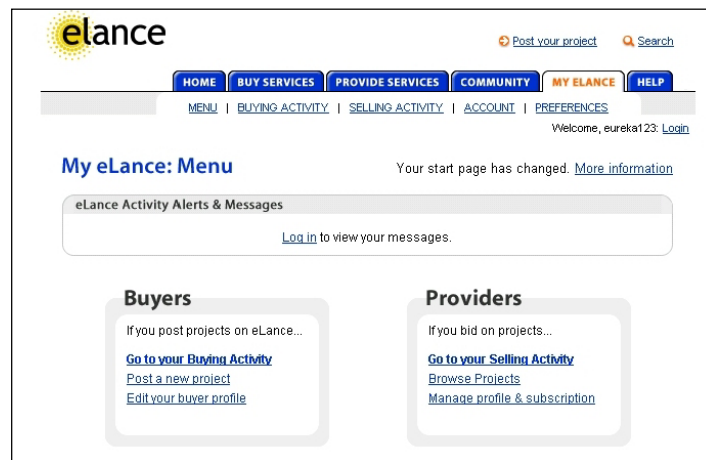
As a conclusion, we can say that teleservices provide great potential opportunities for developing countries but there are also important challenges and competition is fierce. To succeed, it is important to be particularly strong in the three following areas:

(a) Ability to sell: for this reason, many successful teleservices companies work with sales agents located in the countries of their clients.

(b) Ability to understand precisely clients' wishes: for this reason, the founders/driving forces of many successful teleservices companies have lived several years in the country of their clients.

(c) Ability to deliver timely quality services: many teleservices companies have failed for this reason. In other words, the quality and punctuality of their services did not meet their clients' expectations.