United Nations Conference on Trade and Development

Use of the Internet for Efficient International Trade

Guide for SME Managers

Chapter 3

INTERNET FOR INTERNATIONAL TRADE

Prepared by the UNCTAD secretariat



Chapter 3

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1. Objectives and organization of this chapter

The goal of this chapter is to show how the Internet can be useful for each key function of the import/export processes. This chapter intends to be very practical. Consequently, an array of websites and Internet-based tools will be presented.

As illustrated below, the export process can be broken down into five steps. For some steps, the Internet is very useful, while for others it is only somewhat useful. The **import process** can be broken down into three steps. For each of them, the Internet is very useful.

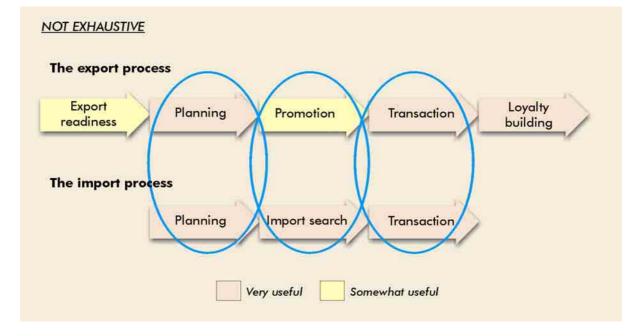


Figure 3. Breakdown of the export and import process

In this chapter, we will start by covering export readiness, the initial step of the export process. As graphically suggested by the three red ellipses, we will then cover:

(a) Planning of the export together with planning of the import processes

- (b) *Promotion* of the export process together with *import search* of the import process
- (c) Transactions of the export together with transactions of the import processes

Finally, we will cover *loyalty building*, a step related exclusively to the export process.

2. Introduction

It is important to emphasize that the Internet cannot solve directly all export-related problems faced by many developing countries. Examples of typical export-preventing issues which cannot be directly solved by the Internet, include:

- Insufficient quality
- Insufficient production capacity
- Too long/unreliable delivery deadlines
- Too high costs (e.g. due to low productivity, poor transport capabilities, complicated export procedures)

However, information found on the Internet can help take appropriate remedial measures. For instance, information about cocoa-cultivating techniques found on a website such as the one of *The World Cocoa Foundation* (www.ChocolateAndCocoa.org) can help farmers improve the quality of their products and win new overseas clients.

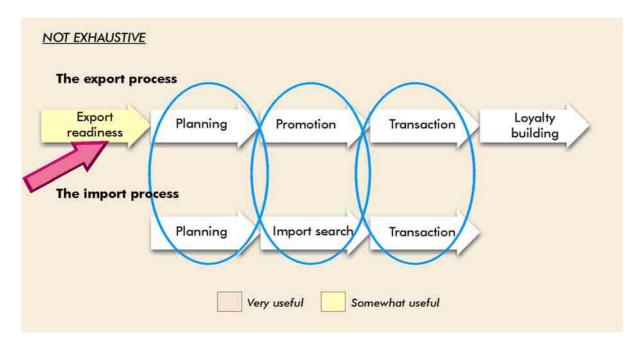
As already emphasized, the Internet is constantly evolving. New good websites appear every day. Existing websites disappear or change focus. Free websites become pay sites and vice versa. Web page addresses change. Consequently, readers should not be surprised if some portions of this chapter are no longer up to date. Furthermore, the Internet is enormous. Consequently, the websites recommended in this chapter cannot be exhaustive. For this reason, it is important to be able to use search tools effectively (refer to this topic presented at the end of chapter 1).

Finally, it is important to understand how international trade-related websites (try to) make money (or at least recover some of their costs) in order to be aware of their potential biases. Basically, most of the websites mentioned in this chapter fall into one or more of the categories below:

- They are (partly) subsidized by profitable activities or by public money.
- They sell their content (by subscription, itemized billing, overcharged connections).
- They sell (covertly or openly) information about their (registered) users (gathered explicitly or implicitly).
- They sell (online or offline) their own or other organizations' products.
- They sell (highly targeted) advertising banners.
- Their content is (openly or covertly) sponsored.
- They even do not try to bill their services in any way.
- They are simply not making money but losing money.

3. Export readiness

Figure 3a. Breakdown of the export and import process: Export readiness



The goal of this step is to evaluate one's company/product export chances and to take measures to improve those chances. To fulfil this purpose, let's consider two websites. One is Malaysian and the other is Canadian. Even though they have been designed for Malay and Canadian SMEs, they are also very useful for SMEs of developing countries.

Malaysia External Trade Development Corporation (MATRADE, www.Matrade.gov.my)

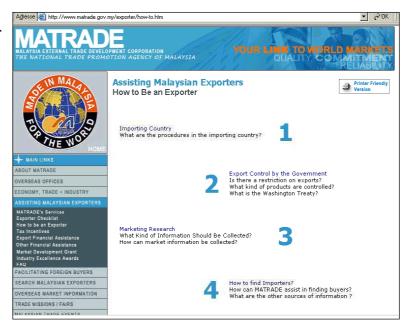
On this website, the following pages are of particular interest:

- (a) Exporter checklist (www.Matrade.gov.my/exporter/checklist.htm)
- This part gives an overview of 12 steps needed to become an exporter. Each step has a link to more detailed information.
- **(b) How to be an exporter in 21 steps?** (www.Matrade.gov.my/exporter/how-to.htm; see below). This part is comparable to the *exporter checklist* but takes a somewhat different angle. The first six steps are reproduced below to give readers an idea of content.
- Step 1: Importing country. What are the procedures in the importing country?
- Step 2: Export control by the Government. Is there a restriction on exports? What kinds of products are controlled? What is the Washington Treaty?
- Step 3: Marketing research. What kinds of Information should be collected? How can market information be collected?

Step 4: How to find importers? What are the sources of information?

Step 5: Credit inquiry. How can the importer's financial standing be known? Can the services of a mercantile agency be utilized? Is there any written credit information?

Step 6: Agreement between buyer and seller. What are the key points in an agreement? What are the general terms and conditions?



Canada Opportunities Agency (ACOA) Trade Tool Kit

(www.acoa.ca/e/business/trade/toolkit/index.shtml)

This webpage has links to two booklets:

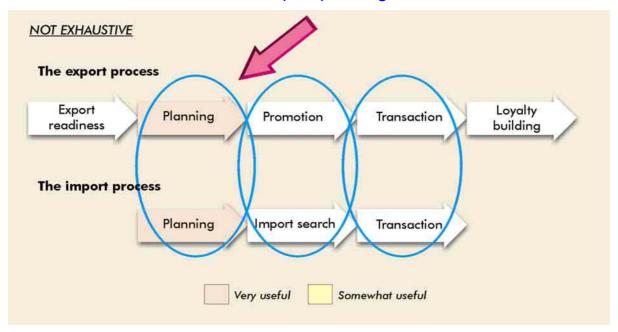
- (a) ToolKit Summary Booklet: this 12-page booklet is very useful for assessing export readiness.
- (b) Toolkit Reference Booklet on Export Financing and Risk Management Services: this booklet is an overview of the appropriate methods of payment as well as a comprehensive list of financial instruments and services available to minimize the risk of non-payment.



As a conclusion, these two websites provide some useful and free consulting for SMEs in developing countries. However, we should not expect miracles from these websites since to know what is needed in order to export is only the first step to becoming a successful exporter.

4. Export and import planning

Figure 3b. Breakdown of the export and import process: Export and import planning



The goal of these steps is to obtain all the information needed to make a sound export plan.

One of the first things that exporters need to do is to **obtain detailed information about foreign markets**. For this purpose, useful information can be found on the website of the *World Trade Point Federation* (www.wtpfed.org; click on *Market Point*, then on *Sector Information* and on *Goods* or on *Services*; this site is illustrated beside)



This site has gathered many links leading to specialized sites such as www.jetro.go.jp (a website published by the *Japan External Trade Organization (JETRO)* about the Japanese market) and www.todaymarket.com (a website published by *Today's Market Prices* about herb, fruit and vegetable wholesale market prices).

Trade statistics allow exporters and importers to assess the size of potential markets as well as to know against which countries they are likely to compete. Detailed information about trade statistics can be obtained from http://unstats.un.org (see below), a sub-website published by the *United States Statistics Division*. This site compiles many sources and publishes global updates.



Even in the era of e-commerce, face-to-face contacts remain essential, for instance to generate trustworthy business relationships. To find the right **trade shows** anywhere in the world, the site of *TSNN* (<u>www.tsnn.com</u>; see below) can be used. This site is free but requires registration. An alert system can inform surfers about specific new entries.



Trade policies also have a key impact on trade flows. Information about these policies can be found at http://www.wto.org/english/tratop_e/tr atop e.htm.

Imports are usually not duty-free. Trade tariffs are actually one of the key elements of a trade policy and can signify kev advantages disadvantages for exporters importers. To know about trade tariffs, the website www.WorldTariff.com (published by WorldTariff, a FedEx Trade Network Company) is very useful even though its information is rather expensive unless special deals at the national level have been concluded

International trade occurs within the framework of often complex legislations. In this context, **the legal aspects of international trade** can be found in *Juris International* (www.Jurisint.org; see picture). This site is a multilingual collection (English, Spanish and French) of legal information on international trade. It is the result of a partnership between the *International Trade Centre UNCTAD/WTO*⁴⁴ (*ITC*), *LexUM* of the *Center for Research in Public Law at the University of Montreal*, Canada, and *Juripole* from the *University of Nancy*, France.

⁴⁴ WTO stands for World Trade Organization (see <u>www.wto.org</u>).



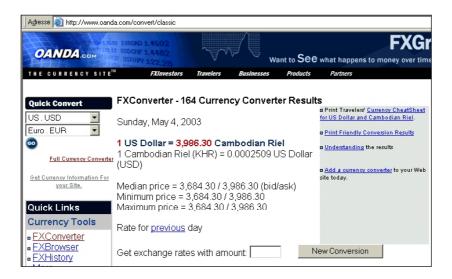
SMEs are likely to need **export financing.** Even though it is never easy for SMEs in developing countries to obtain such financing, it is worth trying. Within the site of the *International Trade Centre (ITC;* see more details later), the webpage www.intracen.org/tradinst/ (click on FINDATA – Export Credit Finance Directory) provides a good list of financial institutions in developing and transition countries that support international trade.



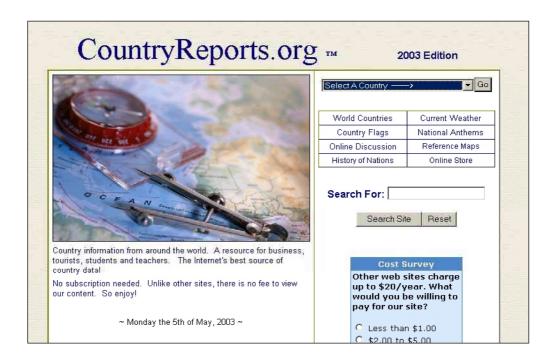
Furthermore, detailed information about trade and export finance can be found on the site of *UBS*, a major Swiss-based universal bank (<u>www.UBS.com</u>; click on *Services for Companies*, *Small Businesses*, *Trade & Export Finance*; the resulting page is illustrated below).



International trade transactions are rarely conducted in local currencies of developing countries. Therefore, **foreign exchange rates** are important. In this regard, the website of OANDA Corporation⁴⁵ (www.oanda.com or, more specifically, www.oanda.com/convert/classic; see below) is an excellent and sophisticated source for past and current exchange rates.



Finally, it is always useful to obtain **general information about target import countries**. For this purpose, the site <u>www.CountryReports.org</u> (see below) operated by *Emulate Me*⁴⁶ is excellent. Relevant information provided by this site includes history, geography, government, people, economy, transportation, communications and transnational issues. As of 2003, information provided by this site was to a large extent free, while full access to it was priced at US\$ 10 per year. The sources of information of this website are official US sources.



⁴⁵ OANDA Corporation provides several currency exchange services.

⁴⁶ Emulate Me is a web content company based in the United States.

Country information can also be obtained from www.wtpfed.org (click on *Market point* and then on *Country Information*; see below); www.wtpfed.org is a website published by the *World Trade Point Federation* (see more details later).



The disadvantage of using websites such as www.CountryReports.org is that information from official sources tends to be filtered and polished. To have a better understanding of what really happened in a country, newspapers (provided that they are independent) can be more instrumental.

The websites of **newspapers from all over the world** can be found in *onlinenewspapers.org* (www.OnlineNewspapers.com; see below).

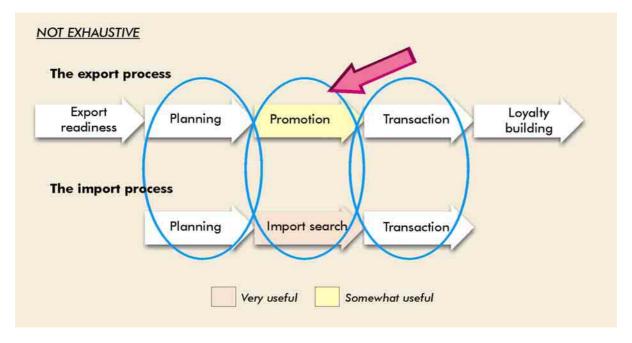


Another similar website is WebdoPresse (www.WebdoPresse.ch; in French).

As a conclusion, all these websites allow potential exporters and importers to get for free (or at very low cost) a lot of essential information that would have been otherwise very expensive and difficult to obtain.

5. Export promotion and search for import opportunities

Figure 3c. Breakdown of the export and import process: Export promotion and search for import opportunities



The goal of these steps is to help companies find clients and/or suppliers.

To promote one's products and to search for suppliers, the following Internet-related actions can bring a lot of value:

- (a) To have one's own (sub)website
- (b) To conduct direct e-mail marketing campaigns
- (c) To use e-marketplaces
- (a) To build one's own (sub)website can be relatively easy and inexpensive, but to promote it is usually a challenge (see chapter 2). In a nutshell, it is generally easier to use a website as a supporting online "brochureware" rather than as a tool to generate on-the-spot online transactions.
- **(b) Direct e-mail marketing campaigns** consist of **personalized mass e-mailing** to potential clients or leads. These e-mails can have links to one's own (sub)websites (or FTP sites). One of the key ingredients of a successful mass e-mail marketing campaign is to obtain relevant (i.e. targeted, *permission-based*) e-mail addresses. *Permission-based* means that e-mail recipients have (clearly) agreed to receive (usually promotional) e-mails about specific topics (and usually at pre-defined frequencies). Another expression for *permission-based e-mail address* is *opt-in e-mail address*. *Permission-based mass e-mails* are the opposite of *spam e-mails*, i.e. untargeted and unsolicited mass e-mails; spam e-mails can damage a corporate image because they tend to upset people who receive them.

 Potential sources of suitable e-mail addresses include:

• <u>E-mails obtained from one's own existing leads/clients</u>. An interesting way to gather e-mail addresses is exemplified by *Cafés Trottet* (<u>www.trottet.ch</u> or <u>www.trottet.com</u>), a Swiss SME selling coffee and coffee machines. From the Internet, consumers can order free samples of coffee bags. In that fashion, *Cafés Trottet* can build a database of leads.



• <u>Directories such as the World Directory of Importers' Associations</u> (see below). This directory is accessible from the website of the *International Trade Centre* (www.intracen.org/tradinst/: click on *World Directory of Importers' Associations*).



• <u>E-Marketplaces</u> are covered below. While the main purpose of many e-marketplaces is to generate online transactions, it is also possible to use these marketplaces to collect contact data (including e-mail addresses) about potential buyers or suppliers for specific products.

- Brokers of *permission-based e-mail addresses* such as:
 - o YesMail⁴⁷ (www.YesMail.com)
 - o Topica Inc (www.Topica.com)
 - o Yahoo! Inc (www.Yahoo.com)
 - o Kompass International Neuenschwander SA (www.Kompass.com)
 - o Microsoft Corporation (www.bCentral.com)
 - o *MarketingFile* Ltd (<u>www.MarketingFile.com</u>).

To know how to mass e-mail, please refer to section 8 of chapter 1.

(c) e-marketplaces (and related websites) are web-based applications which allow suppliers and buyers to meet and conduct transactions through the Internet; subsequently, physical goods are naturally shipped the normal way. These e-marketplaces play an important role for many exporting/importing SMEs. There are many variations of these e-marketplaces, sometimes called *virtual marketplaces* or *online exchanges*. The majority of them deal with *B2B (business-to-business)* relationships, as opposed to B2C (business-to-consumers) or C2C (consumers-to-consumers) relationships.

As at April 2001, there were some 2,000 marketplaces worldwide.⁴⁸ For most of these emarketplaces, the biggest challenge is to get a *critical mass*⁴⁹ of buyers and sellers. For this reason, new buyers or sellers are usually welcome to join for free (registration is however normally required). According to management consultancy *McKinsey & Co.*, most marketplaces have experienced their first transactions between a few buyers and suppliers, but with at best 1 or 2 per cent of the buyers' expenditure, the value they have realized is hardly impressive.⁵⁰ Consequently, many marketplaces will not survive, or at least not thrive.

Why do most B2B exchanges have such a low volume? For at least four reasons:

- Long-term exclusive contracts prevent suppliers/buyers from looking for new buyers/suppliers
- There are close personal relationships between suppliers and buyers
- To use these exchanges would require significant IT investments
- It is difficult to convince buyers/suppliers to change their habits. Besides, employees (e.g. buyers) may be afraid of losing their jobs.

The most successful online marketplaces tend to be relatively *closed marketplaces* run by (groups of) large buyers such as *General Electric's Global eXchange Services* (see below) and *CPG Market* (see below). A *closed marketplace* means that suppliers (or buyers) must go through an (often severe) screening process before being granted the right to use the marketplace. For instance, *General Electric* buys and sells more through its private online

⁴⁷ YesMail was acquired by *infoUSA* in February 2003 and integrated with *ClickAction*, the former e-mail marketing division of *infoUSA*, in April 2003.

⁴⁸ Total Romtec. E-marketplaces: New challenges for enterprise policy, competition and standardisation. April 2001. See www.total-romtec.com/downloads/pdf/E-MarketPlaces.pdf.

⁴⁹ What is a "critical mass" and why is it needed? Critical mass refers here to the minimum volume necessary to be profitable. For many businesses, large volumes are required in order to reach critical mass because fixed costs are high.

⁵⁰ Berryman, Ken and Stefan Heck. Is the Third Tome the Charm for B2B? *The McKinsey Quarterly*, 2001 Number 2.

marketplaces (i.e. about \$20 billion in 2001) such as "Global eXchange Services" (www.gxs.com, see below) than is traded in all the independent B2B marketplaces together.⁵¹



CPG Market (<u>www.CPGMarket.com</u>; see below) is specialized in the consumer packaged goods (CPG) industry and has been created by 28 major companies, including *Nestlé*, *Danone*, *Henkel* and *Coca Cola West*. Any supplier can register (cost: 500 euro) to be considered as a potential supplier, but competition is keen and face-to-face contacts are highly recommended to help increase one's chance of becoming a regular supplier.



After having seen two major <u>closed marketplaces</u>, let's see now four relatively successful <u>open marketplaces</u>, which are readily accessible to SMEs in developing countries.

Japan External Trade Organization (JETRO)'s Trade Tie-Up Promotion Program (www.Jetro.go.jp/ttppe/; see picture) is a leading open marketplace. The Trade Tie-up Promotion Program (TTPP) supports searches for international business partners via the Internet. Buyers and sellers are invited to post their business proposals on the TTPP website so as to search for proposals and get in touch with counterparts. One of the major strengths of

⁵¹ The Economist. E-strategy Brief: General Electric While Welch waited. 19 May 2001.

TTPP is that JETRO's foreign offices ensure a good quality of data by making contact with buyers and sellers in order to verify their seriousness.



Korea Business Opportunity (KOBO, www.kobo.net or www.kobo.org), is a site run by the Korea Trade-Investment Agency (KOTRA), which helps importers meet with exporters. It based the experience of Trade Point Chiangmai/Thailand (www.TradePointThailand.com), a Thai organization supporting local SMEs in their exporting efforts, and approximately 30 per cent of offers placed in this site in 2002 led to successful transactions. As at December 2003, there were 89,674 offers to sell or buy or for business opportunities from companies based in the Republic of Korea. Similar figures for other countries (as at December 2003) are as follows: United States (9,279 offers), Japan (1,370 offers), Mexico (536 offers), Switzerland (499 offers), France (304 offers), Cambodia (33 offers), Nepal (15 offers), Nigeria (0 offers) and Bhutan (0 offers).



Alibaba.com Corporation (www.alibaba.com; see below) is a major Hong Kong (China)-based SME-focused global e-marketplace for importers and exporters. This top-quality website has many handy features and one million registered members from more than 200 countries (but more than half are from mainland China and many others are from developing countries). Membership is free for a trial period; otherwise, it costs US\$ 299 to become a regular member; the creditworthiness of regular members is verified by major credit services companies.



Lately, exporters and importers have been advised not to expect (too many) new transactions by the simple posting of some offers to buy or sell in *Alibaba.com*. In other words, *Alibaba.com* now considers itself a tool to generate *trade leads* rather than *online transactions*. Exporters and importers are therefore encouraged to be proactive and to mention the URL of their *Alibaba.com* webpage in their offline advertisements. These advices have triggered doubts about the adequacy of *Alibaba's* business model as well as *Alibaba's* actual impact on its members. As at December 2003, there were in Alibaba.com 38,450 companies based in China. Similar figures for other countries are as follows: United States (6,041 companies), Africa (590 companies), France (294 companies), Japan (271 companies), Mexico (141 companies), Switzerland (63 companies), Cambodia (9 companies) and Bhutan (4 companies).

There are many other interesting generic e-marketplaces such as:

- Republic of Korea-based: EC Plaza Network, Inc. (www.ecplaza.net); Tpage Global Co., Ltd. (www.tpage.com, partly US-based)
- <u>China/Hong Kong (China)-based</u>: *Hong Kong Trade Development Council* (<u>www.tdctrade.com</u>)
- <u>Taiwan Province of China-based</u>: China External Trade Development Council (CETRA) (<u>www.cetra.org.tw</u>)
- <u>US-based</u>: Thomas Publishing Company (<u>www.thomasregister.com</u>); Associated Business Publications, International (<u>www.cnewsusa.com</u>); Tpage Global Co., Ltd. (<u>www.tpage.com</u>)
- <u>Europe-based</u>: Worldbid Corporation (www.eceurope.com)
- Teleservices-oriented: *Elance, Inc.* (www.eLance.com)

In addition to the above generic e-marketplaces, there are also many **highly specialized e-marketplaces**. One example is *ResortandLodges.com* (<u>www.ResortsandLodges.com</u>). This site targets the owners and users of lodges and resorts.



The best way to find other generic or specialized marketplaces is to use search tools. In addition, the following webpages which provide lists of marketplaces are useful as well:

- <u>www.gurutrade.com/wtm.htm</u> (published by the *South African Department of Trade and Industry*)
- <u>www.gurutrade.com/bd1.htm</u> (published by the *South African Department of Trade and Industry*)
- <u>www.internationaltrade.org/tradehub.html</u> (published by *the Federation of International Trade Associations, FITA*)

Specific categories of e-marketplaces are **auction sites.** Online auctioneers started mostly as C2C (consumer-to-consumers) platforms, but their major players are now full-time freelance online auctioneers, SMEs and even large corporations. Many players from developing countries are very active in these auctions. Commissions and other fees are usually affordable.



eBay (www.eBay.com) is the leading auction site. It was founded in 1995 as a non-profit endeavour. As at the end of 2002, it had nearly 62 million registered users and annualized gross merchandise sales totalled almost US\$ 15 hillion ⁵²

Trust among eBay's users is largely based on references from past transactions i.e. the so-called *Feedback Summary*. The screen capture below shows the *Feedback Summary* of

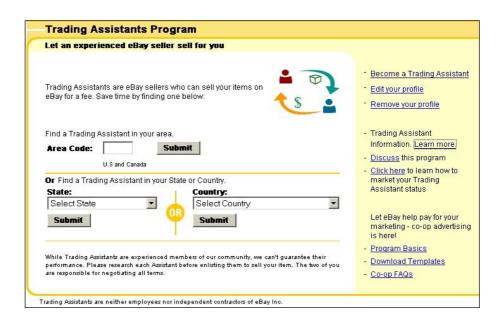
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⁵² eBay.com Inc.'s 2002 Annual Report. See http://investor.ebay.com/annual.cfm.

ThaiGem.com (www.thaigem.com); this Thailand-based exporter of gems has been evaluated 103,102 times positively by its buyers; 1,210 evaluations have been neutral and 856 have been negative (as of mid-2003). Given that the rate of positive evaluations is above 98 per cent, new buyers are very likely to trust *ThaiGem.com* despite the fact that it is a SME without a well-known brand name and which sells products that can be easily counterfeited.



eBay.com has also a <u>Trading Assistants</u> Program. <u>Trading Assistants</u> are <u>eBay</u> specialists who sell other people's products on <u>eBay</u> sites for a fee. Details can be found in http://pages.ebay.com/tradingassistants.html (see below), including how to become a <u>Trading Assistant</u> and who are the <u>Trading Assistants</u> working in a given area. To become a <u>Trading Assistant</u> could actually be an interesting business opportunity for qualified people in developing countries. As of December 2003, there were 17,472 <u>Trading Assistants</u> in the United States, 503 in France, 53 in Switzerland, 7 in Japan, 4 in India, 3 in Mexico, and 0 in Cambodia and in Bhutan.



Among many other things, *eBay.com* also provides <u>tools to build online stores</u> (see section how to build websites in chapter 1) and <u>payment mechanisms</u> adequate for a growing number of developing countries (as from 2003, *eBay* uses *PayPal.com*: see section on payments in chapter 2. *Paypal* has been acquired by *eBay*).

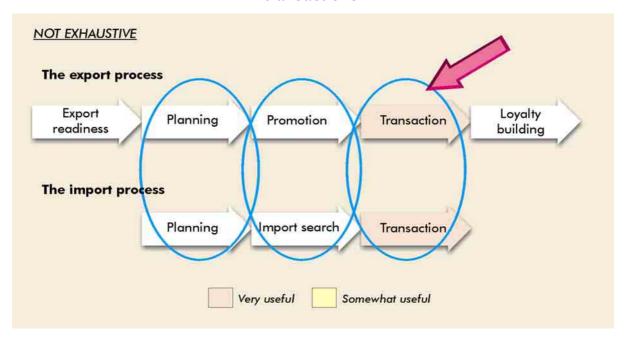
eBay.com is the leading online auction platform, but it has many competitors, such as:

- Yahoo! Auctions http://auctions.shopping.yahoo.com
- Amazon.com Auctions http://auctions.amazon.com.

As a conclusion, we can state that to find adequate clients and suppliers is an essential goal for any company. By using the Internet only, one cannot always accomplish these objectives because human contacts are often needed, at least during the initial stage of a long-term relationship. The Internet can, however, be very instrumental in contributing to the success of these goals.

6. Export and import transactions

Figure 3d. Breakdown of the export and import process: Export and import transactions



To use the Internet for *export and import transactions* does not necessarily mean that orders are taken online. The Internet can in fact be even more useful to:

(a) Communicate more effectively and at lower costs.

(b) Obtain information that facilitates transactions.

This is what this section is all about.

(a) Internet-based tools to communicate more effectively and at lower costs

In dealing with international trade transactions, companies traditionally used tools such as fax, phone and mailing of specific trade documents. Examples of these documents include purchase order, commercial invoice, export licence, certificate of inspection, certificate of origin, shipping advice, packing list, dock receipt, ocean bill of lading, air waybill (air consignment note), bill of exchange (draft) and letters of credit (documentary credit). As we have seen in chapter 1, several Internet tools such as *e-mail* (with digital signatures and encryption), File Transfer Protocol, Instant Messenger and IP Telephony can be used to make long-distance communications and exchanges of trade-specific documents more expedient and much cheaper.

(b) Internet-based information that facilitates transactions

In a commercial transaction, buyers have to evaluate their **suppliers' ability to deliver all their contractual obligations**. On the other hand, sellers have to investigate the **creditworthiness of their buyers**.

To investigate the buyers' ability (and willingness) to pay is most important, in particular if transactions are conducted without using risk-reducing instruments such as *letters of credit*. Besides, SMEs from developing countries that sell to (large) companies based in developed countries face specific risks. The reason is that the solvency of (large) companies in developed countries is usually worse than their image suggests; conversely, the solvency of (small) companies in developing countries is usually better than their image suggests.

The price of verifying suppliers' ability to meet their contractual obligations and buyers' credit rating depends very much on the scope and depth of the required verification. This price must always be compared with the values of the transactions. Naturally, very small transactions may not justify any type of verification.

A typical way to investigate a trading partner's financial and general reliability is to ask for information about him from his commercial bank. Information can also be purchased online from companies such as *Kompass* (www.kompass.com), *Dun & Bradstreet* (www.dnb.com) or *AsianCIS* (www.AsianCredit.com). Furthermore, many buyers/suppliers ask to be listed/rated by these credit rating agencies to obtain credible and displayable proof of their creditworthiness/seriousness. It is important to note that while the Internet has made it much



easier to buy information/ credit rating, it has not changed the fundamentals of this industry.

In addition to the abovementioned traditional credit agencies, some new Internet-based companies such as *Coface Rating* (www.CofaceRating.com; see picture) offer an array of services to SMEs of virtually every country in the world. Its service offering includes not an only online check of a trading partner's reliability and online application to be rated and to obtain a so-called @rating Quality Label but also insurance to protect online transactions.

Another way to verify a trading partner's creditworthiness is to consult **local trade registries** online. For example, the screen capture below shows the *Swiss portal of commercial registries* (www.zefix.ch), which is run by the Swiss Federal Government.



In Switzerland, as in many other countries, commercial registries are regional, not national. Therefore, from the above portal site, surfers can find links to local Swiss trade registries, such as the *Trade Registry of the Canton of Geneva* (http://rc.ge.ch). The screen capture below shows an example of information found about a particular company from this commercial registry of the canton of Geneva (in French).



There are, however, several difficulties to view local trade registries online:

- It may be difficult to find their website;
- Not all registries display their data online;
- Some registry data are not available for free, and payment methods may be local and/or impractical;
- Online trade registries (such as the Swiss ones) may be in the local language only.



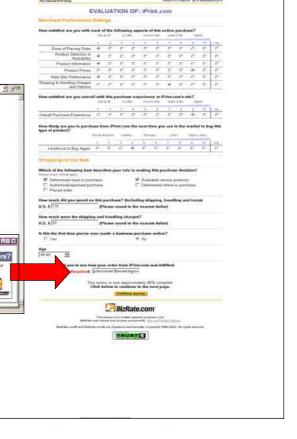
Another new interesting Internet-based company in the field of suppliers' reliability rating is *BizRate.com* (www.bizrate.com; see picture). *BizRate.com* rates online transactions primarily on the basis of clients' evaluations. Consolidated results of evaluations are publicly available. Any online supplier can apply to be rated by its customers using the *BizRate.com*'s platform.

Concretely, how does the *BizRate.com*'s evaluation system work? As soon as a buyer has made a purchase from a *BizRate.com*-rated website, he is invited to rate his purchase (see pop-up window in the screen

capture below). When a buyer clicks on the pop-up window, the evaluation questionnaire in the right part of the screen capture appears and buyers are invited to fill it. In a second stage,

each buyer receives a few weeks after his transaction an e-mail from *BizRate.com* asking him to rate the actual goods and their delivery.

return to



Other similar means to evaluate buyers/sellers include mutual evaluations used in auction sites such as eBay.com and eLance.com, as we have seen earlier.

Payments – whether online or offline – are essential processes as well. This topic has been covered in depth in chapter 2.

International transactions generally require precise contracts. **Contract models for international trade** can be found in www.JusrisInt.org (published by *Juris International*): click on *General Collections* and then on *Contracts: Models & Drafting* to be able to download 160 models.



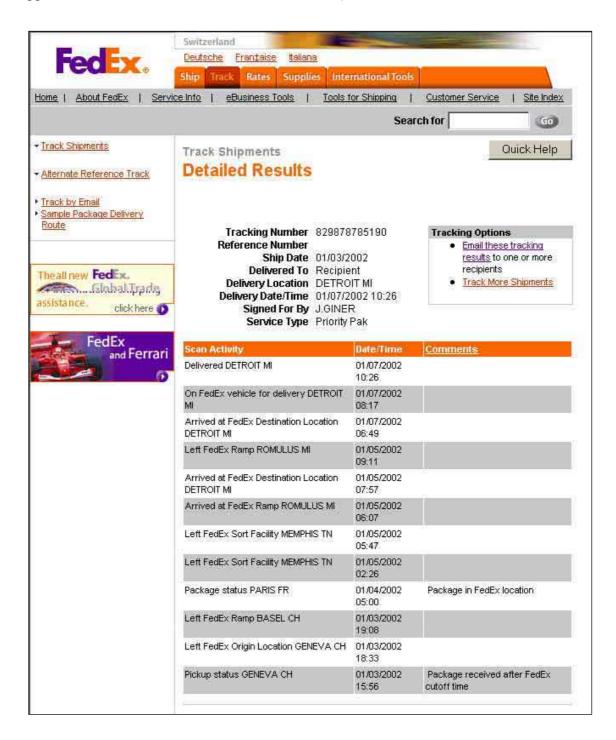
The *ICC Incoterms 2000* are among the most important contractual terms. *Incoterms* are standardized terms created by the *International Chamber of Commerce (ICC;* www.iccwbo.org) for describing conditions of sale and allowing easier international trade by helping companies in different countries understand one another. The *ICC Incoterms 2000* official source is in www.iccwbo.org/incoterms/preambles.asp; on this page, however, only preambles in read-only PDF format can be found because of copyright laws. The full version can be purchased from www.iccbooks.com.

Other *abridged* sources of information about *Incoterms* include:

- www.ubs.com/e/cc/trade exportfinance/incoterms.html (published by UBS)
- <u>www.jus.uio.no/lm/pdf/icc.incoterms.1990.pdf</u>, 1990 version (published by the *Law Faculty of the University of Oslo*)
- www.export911.com/e911/export/incoterm.htm (published by Export 911)

Finally, the Internet can also be used to **track shipments** to make sure that one's goods are delivered on time. For example, clients of *FedEx Corp*. (<u>www.fedex.com</u>) can follow online

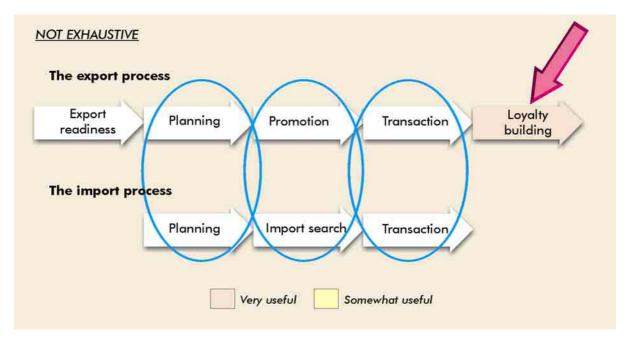
and in real time the delivery of their parcels (see the example below, which is a parcel shipped from Detroit, USA, to Geneva, Switzerland).



As a conclusion, Internet can play a key role in supporting import and export transactions even if the full transactions do not occur online. As in other steps, the key value additions of the Internet are convenience, speed and lower costs.

7. Loyalty building

Figure 3e. Breakdown of the export and import process: Loyalty building



The goal of this step of the export process is to use Internet tools to maximize the conversion of one-time clients into regular clients. In other words, we want to build customers' loyalty.

Interesting ways to convert first-time clients into loyal clients can be taken from **Swiss e-grocer LeShop.ch.** Indeed, all first-time clients are treated "like kings" and receive:

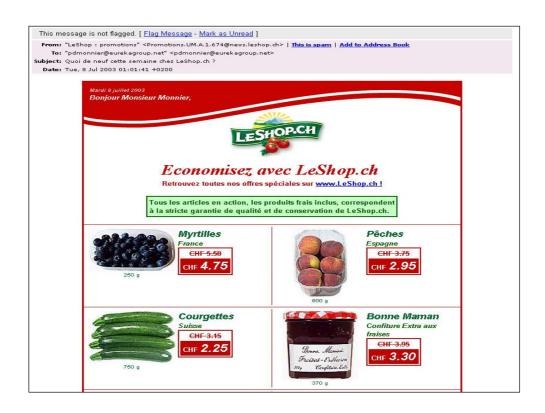
- A personalized letter from LeShop.ch's CEO.
- A couple of well-presented brochures, mouse pads, notepads and postcards, all of them featuring their websites and/or their URL.
- 50 Swiss francs (~US\$ 35) gift certificates usable for the next LeShop.ch purchases. These gift certificates are offered to LeShop.ch's clients for each new client they recruit.

Another way to build customer loyalty is to send regularly (e.g. monthly, quarterly) personalized e-mails to existing customers or leads. To avoid upsetting customers, these e-mails must contain content interesting to them. Naturally, they may contain links to websites (or FTP sites). Obviously, personalized e-mails are not sent one by one but generated automatically: the various techniques to *mass e-mail* are covered at the end of chapter 1.

A good example of personalized e-mails is *GemScoop*, the online newsletter of *ThaiGem.com*, a Thai web-based wholesaler/retailer of gems. *GemScoop* is received by more than 50,000 registered surfers. The content of *GemScoop* is primarily editorial but indirectly reminds its recipients of the existence of the commercial site *ThaiGem.com*.



LeShop.ch also sends regular (weekly) mass-emails to its clients (see below). This e-mail contains weekly rebates. LeShop.ch's clients can choose not to receive this newsletter.

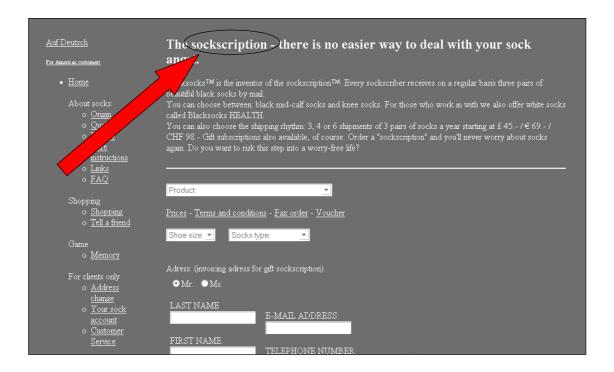


Eyes.ch (www.eyes.ch, see below) is another interesting case. This Swiss Internet retailer sells contact lenses solutions.



Eyes.ch sends regular reminders by e-mail to its clients, making reordering very handy. Interestingly, the timing of these reminders is not randomized but is based on clients' calculated consumption speed in such a way that clients receive an e-mail shortly before having to make a new purchase decision.

Switzerland-based Internet socks retailer BlackSocks.ch (<u>www.blacksocks.ch</u>; see below) uses another noteworthy strategy: it strongly pushes for recurrent orders, i.e. clients have to commit to say 12 pairs of socks, which will be delivered one by one at predefined intervals.



As a conclusion, loyalty building is especially important because it takes much more effort to win new clients than to keep existing ones. Therefore, every endeavour must be made to keep clients and to make sure that they buy as much as possible. In addition, satisfied clients bring

new clients. In this section, we have seen some effective but low-cost means to build customers' loyalty.

8. Other useful websites

Some international trade-related websites are so general that they are useful for virtually every step of the import and export processes. These sites include:

(a) International Trade Centre (ITC) UNCTAD/WTO (www.intracen.org)

The International Trade Centre (ITC) is the technical cooperation agency of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) for operational, enterprise-oriented aspects of trade development. Its website has already been mentioned on several occasions. The following sections of its website are especially useful:

- <u>www.intracen.org/tirc/</u>: this part is a general presentation of ITC's Trade Information Reference Centre; it includes:
 - o Webindex: country profile, market access, market new
 - o Online trade journals
 - Online access to databases
- <u>www.intracen.org/tradinst/</u>; this part covers, among other things:
 - o Trade promotion organizations
 - o Importers' associations
 - o Export Credit Finance Directory (FINDATA)

(b) World Trade Point Federation (www.wtpfed.org)

The World Trade Point Federation (WTPF), an international non-governmental organization established in 2000, grew out of an innovative programme of the *United Nations Conference* on Trade and Development (UNCTAD). Through a network of 122 trade information and facilitation centres, known as Trade Points, the WTPF helps small and medium-sized enterprises (SMEs) in 80 countries worldwide to trade internationally through the use of electronic commerce technologies. Its website has actually already been mentioned on several occasions.

(c) GuruTrade (www.gurutrade.com)

This site is published by the *South African Department of Trade and Industry*. It is most useful as a tutorial and as a general reference (see specifically the section entitled "Trade Tools Resources").

(d) <u>www.export911.com</u> is a comprehensive Canadian export-import learning site published by **Export 911.** It has many sample documents and mini-case studies.

(e) Australia Trade (<u>www.australiatrade.com.au</u>) is an Australian site which is very didactic and especially informative on shipping matters.

Finally, here is a list of practical websites useful for people engaged in international trade.

- For **international dialling codes**: <u>www.intelemart.com/Intlcode.htm</u> (published by *Intelemart Corp.*).
- For **world time zones**: <u>www.timeanddate.com/worldclock/</u> (published by *Steffen Thorsen*).
- For **maps** (mostly European): <u>www.multimap.com</u> (published by *MultiMap.com*).
- For **health advices and inoculation**: www.who.int/ith/ (published by the World Health Organization); www.safetravel.ch (published in French by the University Hospital of Geneva).
- For world weather: http://weather.yahoo.com (published by *Yahoo! Inc.*).
- For **worldwide plugs and sockets**: <u>www.interpower.com/pcc/guide.htm</u>. (published by *Panel Components Corporation*).
- **For unit conversion**: www.export911.com/convert/convert.htm#xConversion (published by *Export911*).
- For online (rough) **translations**: <u>www.google.com/language_tools</u> (published by *Google Inc.*).
- For plane schedules: www.Amadeus.net (published by *Amadeus GTD*).
- For **booking plane tickets and/or hotel rooms**: www.HotelDiscounts.com (published by *Hotels.com*); www.PriceLine.com (published by *Priceline.com Incorporated*); www.PriceLine.com.hk (published by *Hutchison-Priceline (Travel) Ltd*); www.eBookers.com (published by *ebookers plc*).