



Trade Developments



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What Businesses in Developing Countries Need to Know and Do in International E-Business *Lessons from the CAFTA Region*

Internet technologies are now a crucial element in international business strategies, but businesses in developing countries are often not familiar with the details of e-commerce. In planning how they will participate in international trade through the Internet, these businesses should bear in mind the following points about market research, websites, selling online, delivering products and services, and sustaining customer relationships.

1. Get Connected for Market Research

Beginning to use the Internet for commercial purposes requires only a computer, access through a local internet service provider (ISP), and an e-mail account. Once connected to the Internet, a business can (1) use email to economize on international communication, (2) research possible demand for its products or services in a foreign country, and (3) investigate the competition in a target marketplace.

Businesses can use Internet directories and search engines such as Google and Yahoo to unearth a surprising amount of information on market demand and competition, and can visit

certain websites (e.g., www.barcelonactiva.es, www.infomipyme.com) to learn about online commerce. A good number of Central American businesses have carried out such research. Information can be supplemented with research conducted by local business associations and government trade promotion agencies.

Businesses can then use such information to determine which products or services can be most successfully provided to which potential customers, whether or not the Internet is the best way to reach and serve them. Information on potential customers' language, cultural milieu, and quality expectations can also help determine how products and services should be presented to appeal to those customers.

2. Build and Maintain a Website—or Have an Internet Presence

Once a business decides to participate in e-commerce, it creates a website. This involves not only designing a site with a logical structure and professional appearance, but also creating content and services. Many beginners err by underestimating the cost of creating and maintaining inter-

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esting content.

Once the website is functioning, potential customers must be made aware of its existence. Here, "publicity" usually means finding ways to have search engines list the site. Website programmers can place keywords throughout a site to ensure listing in search engine results, but ensuring that the site appears at or near the top of a listing—possibly the only listing that potential customers will view before losing interest—requires paying operators of search engines, who auction top placement in specific results lists to competing website owners. This competition can rapidly drive placement prices beyond the reach of small businesses. The cost of each "click-through" to a website generated by advantageous placement must always be balanced against the probability that the click-through will generate transactions.

Businesses, however, can participate in e-commerce without a website. Online marketplaces provide a popular alternative. Goods can be listed and sold through sites such as eBay.com, and services can be offered through general service sites such as www.doitonlinewith.us, or sector-specific sites such as www.proz.com (for translators). Business associations can also launch their own websites, such as www.camaradecomercio.org.gt, sharing the costs of site creation, maintenance, and publicity among members whose information is on the site.

Businesses in Central America, however, overwhelmingly regard having at least a simple independent website as vital to the projection of a professional image. Even small businesses consider the cost of creating a "digital brochure" (a few hundred dollars), reserving an Internet domain name (\$20-\$50 per year), and hosting a site with a local ISP (\$100 per year or less) bearable. This is fortunate, since very few organizations in the region (e.g., www.fusades.com.sv) are willing to finance the creation of websites.

3. Sell Online

Basic Costs. The cost of selling products and services online depends on the complexity of the site and of the activities supporting it. Simple sites require a database of products or services ("catalog"), order management ("shopping cart") software, and records of transactions. Most of these services can be provided by local website hosting specialists for a reasonable sum—\$25 per month or less for small sites.

Payment Management. If purchasers have credit cards and will supply numbers and other card data, the management of payments can be simple. The site owner will need an "Internet merchant" account from a company that verifies credit card transactions; the

owner pays a portion of every purchase price to the company and is immediately credited for the remaining amount of the purchase when the transaction is processed. This model works well for standard e-commerce retail sales of small items. But for large purchases that are the norm in traditional exporting, payments are usually made through letters of credit, whose details must be managed to greater or lesser degree offline.

Pricing. Small businesses just beginning to get involved in international commerce through the Internet often make pricing errors. For example, many attempts to sell small handicrafts to foreign customers through the Internet have failed because the cost of transport and delivery—sometimes several times the cost of the article itself—was not built into the price. Local artisans are not accustomed to thinking of delivery costs, and do not have the experience necessary to calculate such costs. All relevant costs must be considered when establishing prices for exported merchandise.

4. Deliver Products

Physical goods being shipped from one country to another must be accompanied by official documents, such as bills of lading, commercial invoices, and certificates of origin. Unless a business has substantial experience with the labyrinth of legal restrictions involved in international shipping, it should consider hiring logistics specialists to manage international deliveries. The largest international shippers use Internet-based tracking systems that email tracking numbers to customers, who can then monitor the progress of a delivery.

Commerce in "digital goods" such as music, software, or information (e.g., reports, data analysis, tourism) is much simpler because the goods can be transmitted directly over the Internet, nearly instantaneously and with minimal cost. Such information products, transmitted by information and communications technologies, combined with services performed in-country or abroad, offer many opportunities to build viable Internet-based businesses.

5. Sustain Customer Relationships

An enduring relationship with a customer provides more income than a brief one. To maintain relationships with customers, a business must provide not only high-quality merchandise at acceptable prices, but also help customers resolve problems, and provide information that helps customers make future purchasing decisions.

Businesses in developing countries may experience culture shock when dealing with customers in developed countries through the

Internet. These customers expect refunds when merchandise does not meet their expectations; Central American retailers, however, offer to exchange merchandise, but not refund money. Again, foreign customers expect prompt replies to questions and complaints, e-mailed or otherwise. Businesses must check their website email more than only once or twice per week-or risk losing customers' confidence and repeat business. To be successful in e-commerce, businesses must meet such expectations.

Fortunately, relationships can be strengthened through the Internet. A business can put a questionnaire on its website to learn about customers' needs and preferences or to solicit opinions of and suggestions about its services. It can also provide a place for site visitors to provide e-mail addresses for periodic communications about special offers.

Information so provided can also be used to "personalize" the site for the visitors and customers. Even something as simple as a personalized greeting when a visitor enters a site can help build a relationship. In addition, the computers that host a website record site activity so the site owner can study how visitors use the site and how the site structure could be modified to allow visitors to find the information they seek more quickly.

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