

Exporting Online via your E-commerce Web Site

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If you've got an e-commerce web site - have you become an "accidental exporter", taking orders from overseas that you didn't expect?

Have you had orders from abroad that you're not sure how to deal with? Are you worried about fraud?

Have you thought about product liability?

Our E-Business Advisers help you to review some of the issues:

1. What are the benefits?

If you've created a web site that allows customers to buy online, those customers could be anywhere in the world.

This brings great opportunities - and some challenges. You can make a conscious decision NOT to accept orders from abroad, (and state this on your web site) but there can be considerable benefits in using your web site for exporting.

A few are:

- You could reduce your dependence on UK based customers.
- If your product is downloadable, your site can literally be selling to customers in other time zones whilst you are asleep.

Examples include information, music (which is legally yours to sell), even, as with one client of the authors, downloadable murder mystery games! You may need to be careful about Intellectual Property Rights (IPR) though.

- Even if your product is not downloadable, exporting can increase your profits - you may be able to supply a foreign market cheaper than local suppliers, even bearing in mind delivery costs.
- You may have a distinct image advantage being based in the UK.

For example, if appropriate for your product, you may wish to capitalise on the UK heritage aspect - selling products associated with the "Pilgrim Fathers" to consumers in the USA is one instance.

- You might already have a worldwide market for your product, if it is very specialist. An E-commerce web site might allow you to better service the needs of foreign customers.

An example is a firm selling electrically-amplified violins to professional musicians worldwide. Their e-commerce site allows musicians to easily place orders for items such as strings, chin rests etc, irrespective of where in the world they are.

2. What are the potential issues?



Fact Sheet

Although these issues shouldn't cause any major problems, there are some points that it is useful to be aware of.

- Languages - if you really intend to sell to a particular non-English speaking marketplace, it is likely that your site will need translating into the appropriate language. It is also important that someone in your firm can cope with any emails that come through in that language!

There are many translation services available that are used to dealing with the translation of web sites.

It is also possible to register foreign domain names - for example, if you wish to address Germany as a marketplace, it is possible to register your domain name with a .de ending - for example, www.ourfirm.de.

This is likely to make customers feel more willing to do business with you. The .com ending is useful too, if you want to appear truly international.

- Product liability - it is worthwhile noting that consumers in some countries can be more litigious than others!

If your product injures a consumer, you could get sued.

You may decide to pay for e.g. product liability insurance for the USA market, if your anticipated sales there make this worthwhile - or you may decide not to allow sales to consumers there at all.

- Foods stuffs can cause issues when sold abroad, besides the obvious issues of transporting fresh products a long distance.

It would obviously be inappropriate to allow sales of alcohol to a strictly Muslim country - but it is also illegal to transport many foodstuffs into Australia, (or California in the USA), because of their strict quarantine regulations.

You generally need to be aware that there can be foreign laws which will apply on sales of certain products to some countries, irrespective of where you are based - the goods sent by you are quite likely to be impounded at Customs, causing difficulty for your customer and loss for you.

- Currency - many online payment providers allow orders to be placed in one of several currencies at no extra charge.

Foreign customers are more likely to want to buy from you if they can see pricing in their local currency - e.g. US Dollars or Euro.

There is likely to be an "exchange risk", i.e. fluctuations in the currency market may mean that the pound drops in value against another currency, resulting in you not getting as much as you thought you would. You may wish to build a safeguard element into your online pricing to account for this.

Many e-commerce web sites allow sales in Pounds Sterling (£), US Dollars (\$) and Euro (€) - these currencies will probably cover the majority of transactions.

If your specific target country does not use one of these currencies, it is also possible to have many different currencies accepted via your online payment provider - e.g. Australian Dollars.

Fact Sheet

You also need to be aware that many countries charge local taxes on items imported into the country - and the consumer will pay for these.

- Delivery charges - as there is likely to be higher charges for delivery, you need to be clear about these charges for overseas customers when they purchase from you. Otherwise, you might find that your profit margin on the sale is wiped out by the cost of delivery.
- Unfortunately, there are certain countries from which fraudulent transactions do seem to originate more frequently than others.

These tend to be Nigeria, Ghana, Indonesia & The Philippines - but fraudulent orders can come from anywhere.

They often use credit cards which have been stolen or "cloned". It is also possible to get lists of credit card numbers on the Internet!

The safest methodology to adopt is to monitor all orders for unusual buying patterns before you send goods off.

For example, orders for several items that are usually bought singly, or purchase of high value items without a track record of purchases - (particularly if the item is easily resalable, such as electrical items like DVD players etc) may well be suspect.

You could also insist on a credit card verification number on all purchases. Also referred to as a CVV (card verification value) or CVV2, this three-digit number is located on the back of every Visa and MasterCard.

Needing a CVV number cuts out fraud from stolen credit card statements or numbers that are taken off of the Internet. However, if the person actually has possession of the credit card, obtaining the CVV won't help you prevent fraud.

Likewise, if the customer has given something like a hotmail.com or yahoo.com web-based email address, this may also possibly be suspect.

Another measure to discuss with your online payment provider is to check both the billing address of the card as well as the delivery address for the goods - a mismatch, particularly if they are in different countries, may indicate a stolen card.

Finally, if you have doubts, ring the customer -. If the information is correct, no harm is done.

However, if the phone number does not work, or the person seems unduly nervous, you can cancel the transaction.

We strongly suggest that you discuss this issue with your bank and online payment provider to minimise risk to yourselves.

- There are likely to be VAT issues, in that you will have to charge VAT if you are selling to a consumer within the EU. You need to speak to your VAT office re this.
- The Consumer Protection (Distance Selling) Regulations 2000 is also likely to apply for sales within the EU. You need to speak to a legal professional re this. (Also see the "Fact Sheet" in this series on this subject)

Although the list of issues seems large, there are many instances of small businesses



Fact Sheet

successfully selling abroad via the Internet.

3. Useful Links

www.uktradeinvest.gov.uk -
Web site of UK Trade & Investment, a
government funded body that assists exporters.

www.businesslink.gov.uk -
National web site of Business Link, with links to
local services