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Using international parcel forwarders for Global Expansion [By Greg Sack](#)

Looking to increase sales revenue and considering the international marketplace? More than half of the companies in the U.S. have overcome their concerns; fraud, complex operational issues and high shipping costs. The result: an average of 17% increase in revenue. One secret is a new emerging trend of using international parcel forwarders. Retailers benefit from the fraud free solution and consumers benefit from the low cost of shipping through consolidation.

One large west coast auto parts retailer is seeing a trend that will increase their business by 5-10 Million dollars this year. Through the first 5 months of the year, they have seen no fraudulent purchases and have a return rate five times lower than their domestic return rate.

Most businesses in the U.S. are asking themselves a very common question: What are some ways we can increase our sales without increasing our costs? An increased number of retailers are looking across the pond to find new customers and increase revenues. However, this concept of globalization can come with a very high price-tag. The international marketplace has become increasingly advanced over the past few years. Significant volumes of people around the world are interested in buying products from the U.S. Many of these consumers don't have access to purchase the same goods in their country. Many well known brands are not available in other countries, but they are constantly talked about. Selection, along with a weak U.S. dollar makes the American market a very attractive place for international consumers to shop.

Social marketing and advancements in consumer logistics are increasing the demand for American products. They are finding ways to get what they want, when they want it. Twitter, Facebook, LinkedIn, Digg, and a whole plethora of other social websites are helping new and innovative products and services come to the forefront of online buying within minutes or hours of being released.

Without the overhead and expenses of a brick and mortar store, online retailers can be creative in the way they market and sell their products. In the United States, only one-half of online retail stores sell their products outside the U.S. and Canada. The companies that aren't selling their products over the pond are consistently telling the same story. The international sale is far more complex and difficult than selling in the US.

FRAUD

Online fraud tends to be the number one reason U.S. businesses will not sell their products overseas. Companies who sell their products to international consumers see an approx 4% increase in online fraud attempts. These stats can be significantly higher depending on the country.

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Why is it so hard to screen international consumers? The lack of a billing/address verification from the credit card companies makes it extremely difficult for the retailer to protect themselves. Companies like PayPal and Google Checkout have processes in place that will help mitigate charge-backs, but it does not completely remove the risks associated with these orders. Retailers are still left wondering if their converted order is fraud free or not.

Many companies have developed processes that will require the international consumer to wire payment or provide proof of ownership. In other words, they require the consumer to fax/email a copy of their most recent credit card statement or utilize the process of in-wallet, out-of-wallet checks. As you can imagine, this process is very time intensive and can cause major delays in dispatching orders.

Below are some statistics from CyberSource's 9th Annual Fraud Report:

- More than three-fourths of the merchants said they use three or more fraud detection tools with the average being five.
- The two that top the list are Address Verification (80%) and Card Verification Number (74%). The third-tool choice, which is Company Specific Fraud Screens, shows a significant usage drop to 39%.
- 6% are using out-of-wallet or in-wallet challenge questions

Merchants consistently report a higher level of order rejection on international orders due to suspicion of payment fraud. In 2008, merchants report their rejection rate on these orders is over three and one half times that of domestic orders. The actual fraud rate experienced on international orders supports this cautious approach, as merchants report the fraud risk on international orders is also over three and one half times that of domestic orders.

With online fraud on the rise, retailers have been very skeptical about opening their doors to consumers from abroad.

An online electronics store located in Manhattan experienced a regular influx of fraudulent international orders. They eventually stopped accepting international orders due to the costs of screening time associated with these orders. The concept of selling to the global marketplace was still an interest of theirs so they started using an international parcel forwarding service located in the northeast. Through this forwarder, they were able to significantly reduce their time fulfilling these orders and have yet to experience a fraudulent purchase.

OPERATIONAL CHALLENGES

If selling products to fraud free international consumers isn't hard enough, many companies have to deal with the significant changes that will take place within their company to handle these orders. The first question retailers ask themselves is "How do we do it?"

Shipping products internationally is not easy:

- Paperwork
- Export Management
- Customs Compliance
- Denied Party Screening
- Customer Service
- Website updates/changes

Let's take a deeper look into each of these categories.

Paperwork – Shipping to the international community requires significantly more paperwork than is required to ship domestically. For one, every shipment needs to have 3 copies of a commercial invoice. This process seems fairly easy, but it can prove to be cumbersome for warehouses that have been set up to run large volumes of domestic orders. Each international order needs to be taken out of the process so paperwork can be created. In addition to the commercial invoices, there are items that may need to be included with each shipment such as:

1. Certificates of Origin
2. Shippers Export Declaration (SED)
3. Export Licenses

Operations Managers need to be able to manage this process and understand when specific paperwork is needed and when.

Export Management Systems, Customs Compliance, and Denied Party Screening – Building or outsourcing an Export Management System can be very costly. The systems themselves can cost up to \$50,000 per year with an initial investment of \$100,000.

Many retailers don't understand the complexities involved in screening each international order and customer. Denied Party Screening is the process of identifying consumers that are restricted or prohibited from engaging in commerce with the U.S. on any level. Some retailers take on these risks without doing the proper research. Shipping the wrong products overseas can result in lost revenue or severe penalties such as fines and/or imprisonment.

Customer Service – Dealing with international consumers is not easy. U.S. Customer Service Agents need to learn about shipping, customs, language barriers, and exchange rates. Dealing with customer service inquiries will typically take days rather than minutes. What happens if there is a loss or damage claim? What happens if the consumer refuses to pay duties/taxes to clear their shipment from customs? All of these components increase the cost of doing business with the international market.

Website Updates/Changes – Changing your website to handle international orders can be very easy or it can prove to be very difficult.

- Allowing international credit cards
- Creating a shipping calculator (different dimensional calculations)
- Working with exchange rates and/or localizing your shopping cart
- Creating Terms and Conditions that will protect the retailer from significant losses

This area can not be overlooked. There are significant costs and restructuring that can go into changing a website's feature/functionality to accept international orders.

A large wholesaler of wedding favors started using an international parcel forwarding company, Bongo International. In the past, international orders were fulfilled incorrectly on many occasions, causing the wedding supplier significant return costs. Partnering with Bongo enabled them to verify orders and quantities at Bongo's warehouse prior to shipping the goods overseas. This new solution eliminated a lot of time and costs from their previous process because Bongo was able to handle all of the paperwork/compliance associated with each order. Working with a parcel forwarding

company enabled their overseas retailers/consumers to save a significant amount of money on international shipping costs as well.

SHIPPING COSTS

Shipping costs can be the number one factor in determining if a consumer will convert or abandon their order. International shipping costs are an 800% increase over common domestic shipping rates. Naturally, this causes a much higher abandonment rate than domestic orders. Additionally, these consumers are forced to pay duties and taxes when the goods arrive in their own country. This can increase their overall costs anywhere from 1% up to 1,100%.

Many consumers refuse shipments when the goods arrive because of these costs. What happens then? Who pays for the return? Many retailers have been stuck paying the bill for the return of the goods from international destinations. Some feel it is their responsibility, while others don't want to take the time to fight the charge-back. This unknown factor makes many retailers very uneasy about diving into the global market. Will the goods be accepted upon delivery, or will we get stuck with a back and forth transportation bill?

The utilization of international parcel forwarding companies can reduce the overall shipping costs for the consumer and it takes the "refusal to pay" burden away from the retailer and puts it on the shoulders of the forwarder.

ANALYTICS

Retailers selling their products exclusively to the U.S. market are turning away international orders on a daily basis. They understand there are many opportunities for them overseas, but they are not confident that they can sell their products without opening their business up to severe risks. Some companies even outsource their shopping carts to 3rd party vendors that purchase the goods and resell their items to international consumers. It is nice to make some additional sales, but is it worth giving all your customer data away to a 3rd party company? How will you market to these consumers and/or businesses once their contact data has left your shopping cart? Keeping and maintaining your customer data is crucial to your business's success in selling and re-selling to the international community.

Some international parcel forwarding companies provide free applications that allow them to sell to international consumers without forcing the consumer to leave their shopping cart.

INTERNATIONAL OPTIONS

This new innovative trend of working with international parcel forwarding companies allows U.S. based companies to sell their products overseas without the hassles traditionally associated with the international marketplace.

International parcel forwarders provide a US address to international consumers. They handle all the fraud screening, paperwork, compliance, and customer service associated with each order. The application used in the shopping cart allows international consumers to register for a U.S. address without leaving the shopping cart. Upon completion, the consumer checks out as if they were a domestic customer.

In the background, the international parcel forwarder will screen the consumer to ensure they are fraud free. Upon receiving an update that the customer is active, the retailer simply ships the product(s) domestically.

Retailers don't have to worry about:


1. Handling their own fraud screening
2. Creating an Export Management System
3. Processing their own paperwork
4. Customer Service

All of these components are outsourced to the 3rd party company. Once the goods have arrived in the states, the retailer is provided with their POD and walks away from the transaction, free to market to that customer again in the future. It is important to understand whether the parcel forwarder provides the retailer with fraud screening. Many parcel forwarders screen the consumer for their benefit, but not necessarily for the benefit of the retailer. This can cause a situation where the consumer uses a stolen credit card at the retailer site, while setting up a legitimate forwarding account with the forwarder.

The international consumer gains a tremendous benefit as well. Not only does this process allow them to purchase products they have been desperately seeking, but it also provides them with a significant savings. By gaining access to a US address, the consumer can consolidate all their U.S. purchases into one international shipment. This concept of consolidation isn't new as many big businesses use this same process to import their goods from international destinations such as China or India. However, this process is new for consumers that have a desire to be avid shoppers in the U.S. Consolidation can save the consumer up to 80% off common carrier rates. Savings of this magnitude encourages them to come back and make more purchases.

This new industry has opened up the eyes of many retailers who thought international expansion was only a nightmare that presented itself each day. The act of turning away hundreds or thousands of orders each year is now a thing of the past. International parcel forwarders have bridged the gap between U.S. products and consumers around the world.

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