PECOS4SMEs

D3.3 - Cross-Border e-Commerce Strategies
Version 1.0 – 27/09/2013

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Referenced Documents

ID	Reference	Title
1	507562-LLP-2012-GR-Leonardo-LMP	PECOS4SMEs Proposal
2	507562-LLP-2012-GR-Leonardo-LMP	Evaluation Comments

Applicable Documents

ID	Reference	Title
1	FAVINOM Consultancies QMS	Quality Management Procedures

Executive Summary

This document forms the D3.3 - Cross-Border e-Commerce Strategies for the Implementation of the PECOS4SMEs Project (henceforth, "Project").

Southern Europe SMEs lack the needed knowledge to take advantage of the e-Commerce potential resulting in Southern Europe lagging within the e-Business area. PECOS4SMEs will develop a training programme concentrated on the provision of suitable knowledge and tools, which the SMEs can use to increase cross border eCommerce revenue. This includes changing sales and marketing strategies and new types of organisation and knowledge about e-Commerce technologies in a future world dominated by pervasive Internet.

The promotion of useful e-Commerce strategies for SMEs includes transfer of knowledge and practices from top performing countries in e-Commerce to lagers thus bridging the cross border sales gap between Northern and Southern Europe and helping the economic recovery of the hard hit South. As a consequence of the introduction of new technologies and concepts facilitating cross border e-Commerce, (e.g. effective link building, search engine user attitudes etc.), SMEs will make their businesses more profitable and improve their ICT and methodological competence for interactive and collaborative learning.

The project is co-funded by the Education and Culture DG under the Lifelong Learning Programme, Leonardo Multilateral projects.

The present document contains information regarding e-Commerce Strategies that facilitate cross border purchases.

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Document Glossary

Term	Description
B2B	Business to Business
B2C	Business to Consumer
CRM	Customer Relationship Management
EFT	Electronic Fund Transfer
PP	Paid placements
SEM	Search Engine Marketing
SEO	Search Engine Optimisation
SET	Secure Electronic Transaction
SME	Small and Medium Sized Enterprises
SSL	Secure Socket Layer

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1 Introduction

1.1 Purpose of the D3.3 - Cross-Border e-Commerce Strategies

The purposes of the current D3.3 - Cross-Border e-Commerce Strategies is to identify cross-border e-Commerce strategies for SMEs using as inputs the practices that need to be transferred as identified in the European Overview report, and the list of Top e-Commerce Strategies.

The decomposition of these strategies to actions for their implementation will take place in the context of deliverable D3.4. The strategies will be decomposed into a set of actions (see D3.4) to allow for a stepwise approach to the adoption of strategy. Following one set of actions, the SME will quickly achieve a better performance in cross-border e-Commerce which will increase its appetite for moving to the implementation of the next set of actions to further improve its cross border sales revenue.

The strategies to be elaborated will correspond to the specific needs of the SMEs as these were identified in the previous work package and will be made available from the project website under a creative Common License in order to further improve their sustainability through their evolution by other contributors.

1.2 Scope of the project

PECOS4SMEs will develop an innovative training system bringing new types of organisation and knowledge about e-Commerce technologies and trends and concentrated on transforming Internet trends into applicable tools for SMEs to change sales and marketing strategies. The approach to training SMEs is based on their situation (sector, financial capability, educational background, geographical location, existing infrastructure, etc.). After completion of the training, SMEs are expected to be able to engage foreign consumers by successfully implementing e-Commerce strategies designed specifically for them.

1.3 Project Objectives

The specific purpose of the proposed project is the development of e-Commerce oriented material delivered through a training system targeting solely SMEs and the deriving needs (e.g. websites friendlier to the foreign consumer, order tracking process, clear dispatch and return policies, etc.) with respect to effective use of the Internet as a sales channel. This includes changing sales and marketing strategies and new types of organisation and knowledge about e-Commerce technologies in a future world dominated by pervasive Internet.

PECOS4SMEs, in particular, aims to support European SMEs to:
- ❖ Raise awareness and interest about cross border e-Commerce.
- ❖ Learn more about the risks associated with online payments.
- ❖ Learn more about the uses of the Internet as a revenue channel.
- ❖ Analyze the knowledge development in the SME and see the strategic perspectives of this knowledge in the context of the business strategy.
- ❖ Integrate e-Commerce in business planning and innovation strategies.
- ❖ Get the strategies written down, so they are not just ideas, but an active choice, which can be communicated and understood by SMEs.
- ❖ Get the strategies incorporated in practical procedures that can be constantly updated.
- ❖ Be aware of the European cross-border trade legislation and provisions of consumer rights.

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An additional goal is to make it easier and less costly for businesses, particularly small and medium-sized enterprises (SMEs), to do business abroad and to enable consumers to reap the full benefit of the Single Market. This goal is aligned with the Europe 2020 strategy – launched on 3 March 2010 (IP/10/225) and with which the Commission is currently tackling bottlenecks in the Single Market to drive economic recovery.

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2 Cross-Border e-Commerce Strategies

2.1 Current Situation ("As-Is")

To give an indication of the impact of the Ecommerce on the European Economy, the total Gross Domestic Product (GDP) of Europe in 2012 is estimated to have reached around €16 trillion, of which the GDP of the EU28 was just over 80 per cent.

Ecommerce Europe estimates the share of the European Internet economy at 3.5%, a percentage that is set to double by 2016 and to triple by 2020.

The number of jobs created directly and indirectly by the B2C ecommerce sector is estimated at 2 million in Europe, a figure that will grow with the on-going increase and penetration of online in society, and the projected growth of (B2C) ecommerce.

According to data received from national ecommerce associations, Ecommerce Europe estimates the number of B2C websites to have grown to 550,000 at the end of 2012, growing at a pace of 15 to 20% per year and set to grow even more given the growth foreseen in the upcoming markets in the South and the East, where B2C ecommerce is rapidly closing the gap with the more mature markets in North, West, and Central Europe.

Postal and private operators have reaped the fruits of the impressive growth over the past years of (B2C) ecommerce.

Ecommerce Europe estimates the annual number of B2C parcels sent to customers domestically and across borders to other (European) countries at 3.5 billion, a number that will certainly continue to grow with the increase forecasted for B2C ecommerce in Europe.

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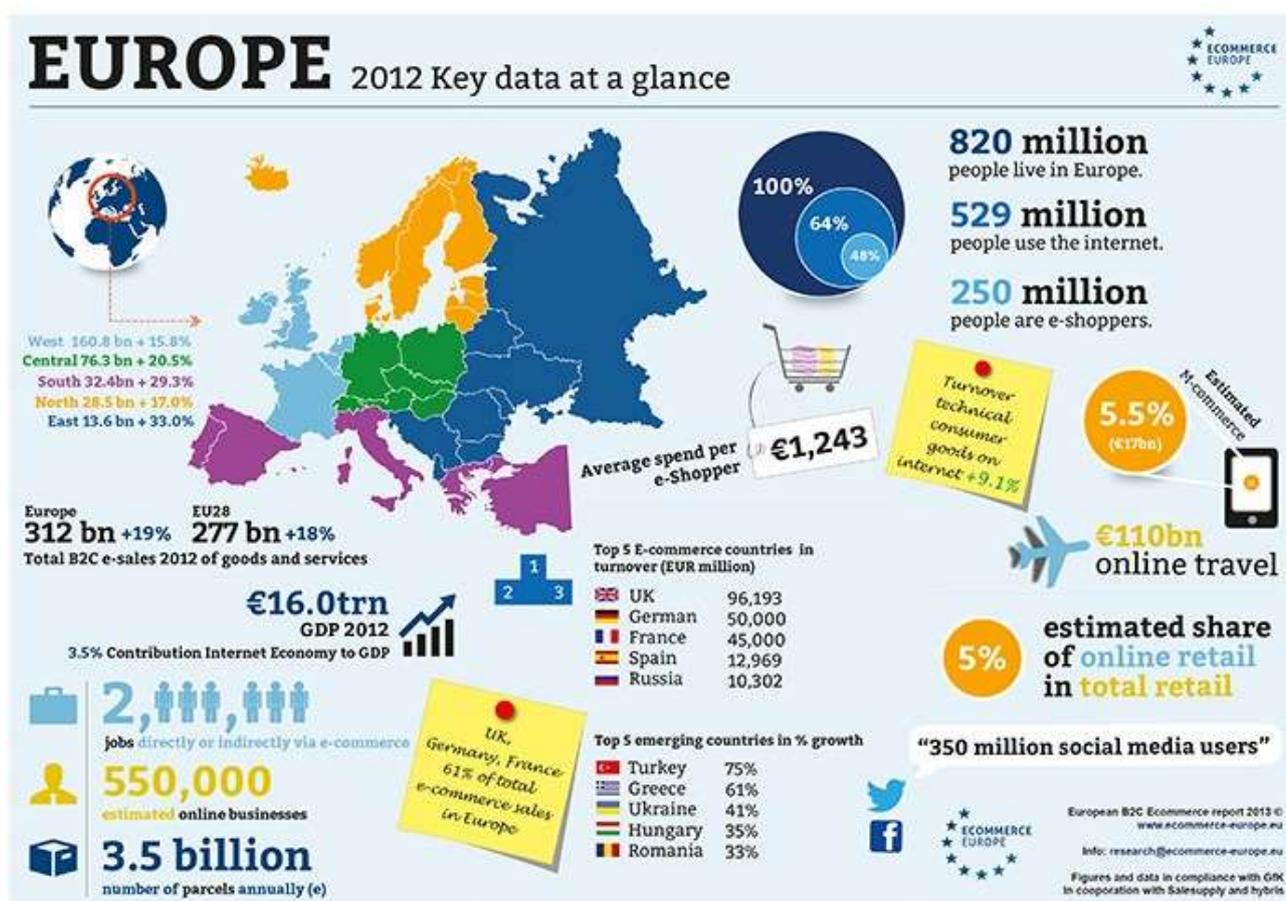
Figure 1: 2012 e-Commerce Key data infographic (source: http://www.ecommerce-europe.eu/website/facts-figures/infographics)

EUROPEAN B2C ECOMMERCE TURNOVER OF GOODS AND SERVICES, IN MILLION OF EUROS AND PERCENTAGE GROWTH, 2009-2012

European Region	2009	2010	Growth	2011	Growth	2012	Growth
West	99,0	118,1	19.4%	138,8	17.5%	160,8	15.8%
Central	44,2	53,3	20.7%	63,4	18.8%	76,3	20.5%
South	16,4	20,0	21.9%	25,1	25.2%	32,4	29.3%
North	19,2	22,0	14.2%	24,9	13.3%	28,7	15.1%
East	5,7	7,5	31.3%	10,1	34.9%	13,4	32.6%
Total Europe (47)	184,5	220,9	19.7%	262,3	18.7%	311,6	18.8%
Total EU (28)	166,7	198,6	19.1%	234,1	17.9%	276,5	18.1%

Figure 2: European e-Commerce turnover of goods and services (source: Ecommerce Europe 2013)

2.2 Strategies to achieve desired situation ("To-Be")

2.2.1 Go Mobile!

According to recent research of Eurostat[1], the degree of Internet access varies among EU Member States, ranging from more than 90% of households in Denmark, the Netherlands, Luxembourg and Sweden, to less than 55% in Bulgaria, Romania and Greece. In 2012 there were still significant disparities in broadband take-up by households, with a rate of only around 50% of households in Bulgaria, Greece and Romania.

However, Bulgaria and Romania showed impressive recent growth. The proportion of households with broadband connections in these countries doubled between 2010 and 2012.

Between 2008 and 2012, the highest growth – more than 30% – was recorded in the Czech Republic, Romania and Slovakia.

Top 5 European countries in terms of Internet access as a percentage of the population[2] in 2012:

1. Iceland (95%)

2. Netherlands (94%)

3. Norway (93%)

4. Luxembourg (93%)

5. Denmark (92%)

For the European Union (EU28) the number of Internet-users is estimated at 378 million, or 75% of the population of the European Union. According to Ecommerce Europe estimates, in 2012 the number of European e-shoppers reached 250 million for the whole of Europe and 195 million in the European Union. This means around 47% of the total number of all Internet-users in Europe and 52% of all Internet-users within the European Union.

According to Ecommerce Europe, m-commerce in Europe grew to €17 bn or 5.5% of total e-sales in 2012 and is set to explode in 2013. Last year – 2012 – can be seen as the first year of confirmation of the important place m-commerce will take in total ecommerce sales.

Ecommerce Europe expects that 2013 will be the year of the definitive break-through of mobile and m-commerce. The fast pace of mobile commerce growth is helping to drive overall ecommerce growth by converting potential bricks-and-mortar sales to digital sales for consumers using their smartphones and tablets while shopping in-store.

2.2.2 Promote, Promote, Promote!

If an e-Commerce website is not promoted, customers won't be able to find it. A variety of free and paid advertising methods are available online for this purpose

The approach could be step-wise, as follows:

- Step 1: Apply Search Engine Optimization (SEO) to your e-Commerce website. This technique makes it easier for search engines, such as Google and Bing, to find your website. Sprinkle relevant keywords throughout your website to attract search engines.

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[1] Source: Ecommerce Europe, 2013

[2] Eurostat: Survey on ICT usage in Households and by Individuals - Statistics in Focus 50/2012

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For example, if you sell second-hand clothing, use keywords and phrases like "online thrift store" and "buy used clothes." Don't overuse Flash or Javascript. Search engines have difficulty "seeing" this type of content.

- Step 2: Start and maintain a blog that relates to your e-Commerce website. For instance, if you sell DVDs on your website, write articles about new movie releases on your blog. Link the blog and the e-Commerce website together. If a reader likes your blog, he may visit your website.

- Step 3: Find forums related to your e-commerce website. Use your website's URL as your forum signature, if allowed to do so. Participate regularly in forum discussions. Get to know other posters and tell them about your website.

- Step 4: Add your website to Google Places and other directories if your business has a physical location. Google Places works best if you're trying to attract local customers.

- Step 5: Look for other websites related to your e-Commerce site. Ask the site owner if they would like to link to your website. If they agree, return the favour by putting a link to their site on yours.

- Step 6: Use the power of social networking sites, such as Twitter and Facebook, to share your e-Commerce website with others. Make a Facebook page dedicated to your e-commerce site and encourage customers to become your fans. Use Twitter to tweet about your sales, special offers and news related to your site.

- Step 7: Create business cards and pamphlets with your e-Commerce URL printed on them. Hand them out whenever appropriate.

- Step 8: Ask existing customers to tell their friends about your website. In exchange, offer a discount on a future purchase.

- Step 9: Buy Pay-Per-Click (PPC) ads. These targeted ads appear in search results. If someone clicks on the ads, they visit your site and you pay a fee. This type of advertising is quite effective, but often expensive.

2.2.3 Achieve "C"-Commerce!

This refers to customer oriented e-Commerce and can be achieved via 4 Steps, based on a recent Accenture study

1. Adopt a customer viewpoint: The only way to properly deliver to a customer is to know their motivations and expectations, and then making business decisions based on this heightened customer viewpoint to meet or better yet exceed their needs and ultimately benefit sales. When following this rule, companies can take a huge step toward ensuring all the B2B, B2C, and multichannel marketing strategies work toward this same goal.

2. Create a new organizational framework: Extinguish silos and create the framework for an integrated channel experience by establishing a new organizational blueprint with inputs from across the business. A variety of members should be seated at this new collaborative roundtable – CMO, CIO, CSO, etc. – to create a well-rounded and seamless c-commerce approach for the customer. This strategy will also help stop each channel from cannibalizing each other or competing for the same customers. This new approach can be challenging and may require a cultural shift within the business, but it is vital for everyone who has a stake in this approach to be heard.

3. Tap technology: Companies should focus on developing an integrated digital platform that is well understood and used by the entire organization, across brand and geographies. The platform should also be scalable and adaptable that will grow with a company as technology evolves and allows for continuous testing to drive innovation.

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Analytics is also a key ingredient when it comes to developing an IT and commerce strategy as the insights garnered from consumer data can help multiple departments, from sales and marketing to supply chain, to make educated decisions that could positively impact future business and the bottom line.

4. Nurture external relationships for your customers: Engage with external channels (partners, affiliates and franchises) that sell your products or services for yet another way to provide the customer with a seamless, easy and positive shopping experience. This can be done in a number of ways and a few examples include sharing product information with key retail partners to use on their sites where most customers shop, enhance websites with information that makes buying easier even if customers don't purchase from that website directly, and include trade promotions or digital coupons redeemable at retailers. If a company's commerce roadmap isn't up to par with a customer's expectations, the brand could encounter a drop in loyalty, a loss in sales, or negative comments on social media that could domino to other customers and impact further purchasing decisions. To gain a competitive advantage by creating greater value for the customer, companies need to develop a commerce strategy focused on customer behaviour across channels that can be implemented at scale.

2.2.4 Attitude to deliver!

International deliveries opening up markets outside of the country is now viewed by many as the holygrail due to the fact that, in a recession, this initiative has generated significant revenue to retailers from a standing start. The majority of retailers, large and small, offer some kind of international despatch. As e-tailers become more sophisticated and new 'hybrid' international delivery services become available (low cost, but fully tracked), then we should see inter-continental commerce rise significantly.

In summary, the growth and sophistication of delivery offered by e-tailers is still advancing significantly. We can see a theme of e-tailers tailoring their offers to their customers' habits, routines and tastes. The introduction of locker boxes is encouraging. Customers can now order much later than previously to receive a next day delivery. There is even an uptake of same day services.

Retailers are recognising the importance of delivery as part of the overall ecommerce experience and the need to provide a range of delivery options. A missed delivery is annoying for the consumer and costly to the retailer.

The convenience of knowing when a delivery can be expected is shown to be increasingly valuable with nominated day and Saturday delivery options offered by more sites.

Next day delivery is now offered by the majority of sites in acknowledgment of the demand for swift gratification.

Meanwhile retailers, are continuing to test the market appetite for same day immediate demand for their products.

Setting expectations and maximising the chances of a successful delivery is a win-win for both customer and retailer.

Some key points to be aware of regarding delivery:

- Offer international delivery
- Make the delivery charges affordable
- Provide a better guide to customs charges
- Ensure payment works
- Be flexible

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- Be clear about where you deliver

- Ensure delivery promise is kept

- Think about returns and refunds

- Enhance your customer service

- Support address capture

2.2.5 Serve and Protect!

The EU's 'cyber security' Agency ENISA, (the European Network and Information Security Agency) has issued a white paper on Safe Online Shopping. The paper analyses the anatomy of 'Online Shopping', and warns on the risks and threats. It provides different countermeasures and guidelines to consumers in the form of 5 'golden rules' on how to shop safely online. The paper also provides a comprehensive checklist for the online seller on how to operate secure online business. As many citizens lack trust in online purchases, this report increases awareness of the real risks and how to tackle them.

The paper concludes that online shopping will continue to be an increasing global trend. Yet, the biggest barrier is the fear of potential fraud or identity theft. This fear still keeps millions of consumers from buying goods or services online. This survey shows that ca 1/3 of those not having used the Internet for e-Commerce had concerns about payment security. Another 30 % had privacy and trust concerns. As 'Trust and security' is one of the six major themes of the Digital Agenda for Europe, this fear underlines the last barrier for a bigger online economy.

The paper gives a comprehensive overview of the definition, history, the main drivers and trends in online shopping. It also looks into e.g. banks payment services, the underlying Internet Infrastructure Services and online/fee fraud.

The 5 'golden rules' for consumers cover the following points:

1. Tips on avoiding fraudulent sites

2. How to protect your data when shopping online

3. Tips for safe transactions when paying online

4. Overview of legislation that protects online customers

5. How to deal with completion of the sale issues

It is essential for cross-border retailers to be up-to-date regarding the various laws that regulate consumer transactions and to provide facts to their customers regarding their adherence to regulations and commitment to data protection.

2.2.6 Attention to detail!

Attention to detail refers to the overall service provision and may comprise specific delivery options, communication, etc.

Delivery flexibility

Many retailers are still testing the price sensitivity of delivery options in the market with significant differences developing between sectors as competitors follow each other's initiatives. Standard delivery is alive and well and on the whole recognised as having a value which can be discounted for promotional activity to drive an immediacy to purchase or to increase the basket size.

Consumers can expect to pay for the convenience of knowing when their purchased product will arrive, particularly if a Saturday delivery is required but many standard delivery orders arrived within a couple of days.

Communication

There is a reduction in the overall publishing of contact email addresses and phone numbers for customers to enquire about products and services. As consumers become more familiar and comfortable with e-Commerce it may be less necessary however, more alarmingly, responses to consumer emails typically take more than 24 hours and many enquiries are not answered at all.

SMEs should pay attention to:

- Customer service phone lines

- Twitter monitoring and responses to enquiries directed to the @tag

- Text messages with details to remind the customer when to expect their delivery and offer the ability to reschedule if required.

2.2.7   Mine your data!

This refers to employing business analytics for extracting useful information from all data available in order to increase sales and grow.

The first step in the process is to establish KPIs for e-Commerce which need to be monitored. Exemplary KPI's comprise:

- Unique visitors

- Total visits

- Page views

- New visitors

- New customers

- Total orders per day, week, month

- Time on site per visit

- Page views per visit

- Checkout abandonment

- Cart abandonment

- Return rate

- Gross margin

- Customer service open cases

- Pay-per-click cost per acquisition

- Pay-per-click total conversions

- Average order value

- Facebook "talking about this" and new Likes

- Twitter retweets and new followers

- Amazon ratings, response and order turnaround time, and open cases

- Email open, click, and conversion rates

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- Referral sources: percent from search, direct, email, pay-per-click, other

2.2.7.1 Monitoring

If a dashboard that is capable of displaying most of the chosen KPIs is not available — this usually requires a higher-end, highly integrated system — then KPIs can be pulled from all monitoring tools and dashboards into a spreadsheet on a weekly or monthly basis. This will provide a snapshot of the historical performance that identifies seasonal trends and necessary troubleshooting if KPIs deviate from their normal ranges.

2.2.7.2 Peaks and Valleys

KPIs are also useful to check normal cycles. In a simplified example, if suddenly there is a bump of new customers without obvious explanation, it is useful to look at the social media activity or referral KPIs to identify new traffic sources. Perhaps the "talking about you" KPI in Facebook is high because of a new product someone is talking up. Likewise, if gross margins are suddenly much lower, it may be because cost of goods sold has increased or because more customers are taking advantage of free shipping. In short, use of dashboards or any other tools that can be used to monitor KPIs on a daily basis if possible, is important.