



International Small Business Commerce

January 30, 2013

**Prepared by U.S. Postal Service Office of Inspector General
Revenue and Performance
Report Number: MS-WP-13-001**



January 30, 2013

MEMORANDUM FOR: GISELLE VALERA
VICE PRESIDENT AND
MANAGING DIRECTOR, GLOBAL BUSINESS

A rectangular box containing a handwritten signature in cursive that reads "Darrell E. Benjamin, Jr." with a black dot at the end of the signature.

FROM: Darrell E. Benjamin, Jr.
Deputy Assistant Inspector General
for Revenue and Performance

SUBJECT: International Small Business Commerce
(Report Number MS-WP-13-001)

The U.S. Postal Service Office of Inspector General has conducted a review of the U.S. Postal Service's opportunity to offer services related to international small business commerce (project number 12RS004SMT000).

This report discusses the opportunity for the Postal Service to offer products and services that may help facilitate international small business commerce. While technology has helped facilitate a connection between buyers and sellers globally, there are still many challenges that technology cannot address in completing an international small business transaction. The Postal Service could leverage its relationships with foreign posts, its role as a trusted provider, and its expansive network to offer products and services that could address such challenges. By offering products and services to fill those gaps, the Postal Service has the opportunity to not only help facilitate growth in international e-commerce, but also to boost the national and global economy by supporting small businesses.

If you have any questions or need additional information, please contact Lisa Nieman or me at 703-248-2100.

Attachments

cc: Emil Dzuray
Corporate Audit and Response Management

INTERNATIONAL SMALL BUSINESS COMMERCE

Executive Summary

International small business commerce is the exchange of goods and services across international boundaries, typically between a small businesses and an individual or between two or more small businesses. Small businesses play a vital role in both the national and global economy – a role that has become even more prevalent as the use of the Internet and mobile devices has made it easier for buyers and sellers to connect and transact business internationally.

Millions of small businesses exist globally. In fact, in 2010 there were about 27.9 million small businesses in the U.S. alone.¹ The most recent available data show that, in 2008, small businesses accounted for 46 percent of the U.S. gross domestic product.² Globally, small and medium businesses accounted for an estimated 52 percent of wealth generated in the private sector and 67 percent of employment in 2010.³

The role of small businesses in the economy is especially important at a time when both the national and global economy are struggling to recover from the recent economic downturn. In the U.S., small businesses account for nearly half of all existing private sector jobs and 64 percent of new private sector jobs.⁴ A 2012 report commissioned by the U.S. Small Business Administration concluded that 'small businesses continue to be incubators for innovation and employment growth during the current economy recovery.'⁵

The Internet and mobile devices have allowed small businesses to expand both domestically and globally. Consumers are increasingly turning to e-commerce to buy products directly from the seller. Business-to-consumer e-commerce transactions totaled an estimated \$961 billion in 2011, an increase of nearly 20 percent from 2010.⁶

¹ SBA - Office of Advocacy. (2012 September). *Frequently Asked Questions*. Retrieved January 15, 2013 from http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

² Tozzi, J. (2012, January 31) *Small Business Share of Economy Job Growth Shrink*. Bloomberg Business Week. Retrieved January 15, 2013 from

http://www.businessweek.com/smallbiz/running_small_business/archives/2012/01/small_business_share_of_economy_job_growth_shrinks.html

³ Association of Chartered Certified Accountants. (2010). *Small Business: A Global Agenda*. Retrieved January 15, 2013 from <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/small-business/pol-afb-sbaga.pdf> page 8.

⁴ SBA - Office of Advocacy. (2012, September). *Frequently Asked Questions*. Retrieved January 15, 2013 from http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

⁵ Kobe, K. (January 2012). *Small Business GDP: Update 2002-2010*. SBA. Retrieved January 15, 2013 from http://www.sba.gov/sites/default/files/rs390tot_1.pdf, page 1.

⁶ IMRG. (2012, June 7). *IMRG Publish B2C Global Ecommerce Overview 2012*. Retrieved January 15, 2013 from <http://www.imrg.org/ImrgWebsite/User/Pages/Press%20Releases-IMRG.aspx?pageID=86&parentPageID=85&isHomePage=false&isDetailData=true&itemID=7697&pageTemplate=7&specificPageType=5>

Ninety-eight percent of U.S. firms that export goods are small businesses, totaling 33 percent of the total exporting value.⁷

Despite these increases, buyers and sellers continue to face challenges in connecting and completing international transactions. The U.S. Postal Service could help address these challenges and further boost national and global growth in this market by offering products and services that address these outstanding challenges. Postal Service efforts to support international small business commerce would be consistent with the Postal Service's goals of furthering economic growth and enhancing commerce; preserving its mission to provide secure, reliable, and affordable universal delivery service; and implementing comprehensive transformation for a long-term sustainable financial future.⁸ The Postal Service could further these goals by improving logistical support to small businesses and customizing products to customer segments — such as small businesses and domestic and international users — to generate additional revenue.

The U.S. Postal Service Office of Inspector General (OIG) held a workshop on September 26, 2012, to discuss how the Postal Service could capitalize on opportunities to fulfill unmet needs within the international small business community. During the workshop, participants identified and explored challenges in conducting international small business commerce, as well as opportunities for the Postal Service to offer products and services that would address those challenges. The OIG also held a related workshop on September 7, 2012, to explore the role the Postal Service plays in peer-to-peer commerce, which is the exchange of goods and services between individuals after making initial contact through a facilitator or social network. The OIG issued a report on domestic peer-to-peer commerce and the possible role the Postal Service might play in digital identity authentication titled *Peer-to-Peer Commerce and the Role of the Postal Service*.⁹

This paper focuses on international small business commerce and makes the following key conclusions:

- There are several challenges in the international small business commerce market, such as:
 - Calculating the total cost of a product, including shipping, taxes, and customs fees.
 - Verifying the authenticity of the buyer or seller, either as an individual or as a business.

⁷ SBA - Office of Advocacy. (2012, September). *Frequently Asked Questions*. Retrieved January 15, 2013 from http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

⁸ USPS. (February 2012). *Plan to Profitability: 5 Year Business Plan*. About.USPS. Retrieved January 15, 2013 from http://about.usps.com/news/national-releases/2012/pr12_0217profitability.pdf, slide 6.

⁹ USPSOIG. (2013, January 14). *Peer-to-Peer Commerce and the Role of the Postal Service, Report No. RARC-WP-13-005*. Retrieved January 15, 2013 from http://www.uspsig.gov/foia_files/RARC-WP-13-005.pdf.

- Ensuring security of personal and financial information.
- Allowing product returns.
- Providing and receiving customer support.
- The Postal Service has an opportunity to be a key player in international small business commerce by leveraging its existing assets to provide needed products and services.

TABLE OF CONTENTS

Introduction 1

Background 1

History of Electric Commerce 2

Examples of Existing Electronic Commerce Websites 3

Trends in Electronic Commerce 4

History of Social Commerce 5

International Electronic Commerce 6

 Postal Service Efforts to Support Electronic Commerce 7

 Foreign Posts Efforts to Support International Electronic
 Commerce 8

Existing Challenges in International Small Business Commerce 9

Potential Opportunities for the Postal Service 11

Conclusion 14

Introduction

The U.S. Postal Service provides a safe, reliable channel for delivering letters, catalogues, magazines, and parcels to 150 million addresses in the U.S. and countless more worldwide. In its 2012 annual report to Congress, the Postal Service stated that “[i]n the future, mail will be highly integrated into digital experiences – and the Postal Service will be spurring innovations that leverage data and technology to help shape that future.”¹⁰ The Postal Service recognizes that “to grow we must create new solutions and products that meet the needs of tomorrow’s customers.... We must anticipate the needs of technologically connected small businesses. We must also recognize the global nature of commerce by responding to the needs of customers who operate internationally.”¹¹

The Internet, mobile devices, and social media have enhanced the ability for individuals and small businesses to connect both locally and globally. These communication mechanisms do not address all of the challenges involved in international small business commerce transactions. When these transactions entail the movement of goods, there is continued reliance on the Postal Service, or its competitors, for shipping needs. However, in addition to shipping needs, the Postal Service may be able to leverage its strengths and existing resources to provide additional services to further facilitate international small business commerce transactions.

The U.S. Postal Service Office of Inspector General (OIG) explored potential opportunities for the Postal Service to assist international small business commerce. As part of this evaluation, we considered various approaches to connecting buyers and sellers globally, including:

- The benefits to buyers, sellers, and the Postal Service.
- Optimal revenue opportunities for the Postal Service.
- The potential strengths and weaknesses of these opportunities.

Background

A small business is defined as an independent business having fewer than 500 employees.¹² Millions of small businesses exist globally. In fact, in 2010 there were about 27.9 million small businesses in the U.S. alone.¹³ Buyers and sellers now have several means of connecting to engage in commerce, including the web, mobile

¹⁰ USPS. (October 2008). *Progress and Performance: Annual Report to Congress, U.S. Postal Service (2012)*, page 8. About.USPS. Retrieved January 15, 2013 from <http://about.usps.com/publications/annual-report-comprehensive-statement-2012/annual-report-comprehensive-statement-2012.pdf>

¹¹ USPS. (October 2008). *Vision 2013 – Five-Year Strategic Plan for 2009 – 2013*. – About.USPS. Retrieved January 15, 2013 from <http://about.usps.com/transforming-business/vision2013/full-document.pdf> page 5

¹² SBA - Office of Advocacy. (2013, January 15). *Frequently Asked Questions*. SBA. Retrieved January 15, 2013 from http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

¹³ SBA - Office of Advocacy. (2012 September). *Frequently Asked Questions*. Retrieved January 15, 2013 from http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

devices, and their local postal system. This increased connectivity has allowed small businesses to expand their connections with buyers domestically, as well as beyond national borders. International e-commerce – also known as cross border e-commerce – has increased as a result of the dramatic growth in use of the Internet and mobile devices. This has, in turn, fueled the growth of international small business commerce.

Although the rate of adopting technologies differs by economy, region, and age group, access to information is available almost everywhere and worldwide use of computer- and mobile-based Internet is increasing at a fast pace. These methods for connecting are becoming increasingly accessible and affordable to a growing number of small businesses and individuals. There are now over one billion smart phones in use worldwide, a figure which is expected to double in 3 years.¹⁴

While use of the Internet and mobile devices has created rapid growth in international commerce, logistical challenges and gaps in completing an international transaction between an individual and a small business still exist. The Postal Service's role as a trusted organization, its relationship with foreign posts, and its international shipping experience may create opportunities for the Postal Service to address these challenges.

History of Electric Commerce

Electronic Commerce (e-commerce) is the buying or selling of goods and services over the Internet. In the early 1980s, individual computer users used networks to send email, participate in news groups, and share documents. In the mid-1980s, CompuServe¹⁵ provided personal computer users with tools like email, message boards, and chat rooms and then added a service called 'Electronic Mall,' which allowed users to purchase items directly from online merchants.

In 1990, a researcher proposed navigating the web using a simple interface called a browser. In 1995, online credit card sales began and Amazon.com tapped into a powerful new e-commerce market and set the standard for a customer-oriented e-commerce website. Amazon.com allowed customers to make purchases via a patented one-click checkout system. Also in 1995, a software programmer¹⁶ started a website called AuctionWeb, now known as eBay, which allowed people to use the Internet to bid on items for purchase. eBay leveled the e-commerce playing field by allowing individuals to simply sell items online without having to become entrepreneurs over the Internet. These premier websites paved the way for today's e-commerce merchants.

¹⁴ Dugdale, A. (2012, October 17). *Global Smartphone Use Set To Double in Three Years*. Fast Company. Retrieved January 15, 2013 from <http://www.fastcompany.com/3002228/global-smartphone-use-set-double-three-years>

¹⁵ CompuServe is computer time-sharing service founded in 1969. The Columbus, Ohio-based CompuServe drove the initial emergence of the online service industry.

¹⁶ Roos, D. *The History of E-Commerce*: Pierre Omidyar, a software programmer, started coding a simple website he called AuctionWeb. How Stuff Works. Retrieved January 15, 2013 from <http://money.howstuffworks.com/history-e-commerce2.htm>

The U.S. Census Bureau reported that e-commerce transactions accounted for 5.2 percent of total retail sales in the third quarter of 2012, an increase from 4.7 percent in the third quarter of 2011 and 5.1 percent from the second quarter of 2012.¹⁷ U.S. retail e-commerce sales for the third quarter of 2012 was \$57 billion, an increase of 17.3 percent from the same period in 2011.¹⁸ U.S. retail e-commerce revenue is expected to grow to nearly \$279 billion by 2015.¹⁹

Examples of Existing Electronic Commerce Websites

Consumers worldwide are increasingly moving to e-commerce websites to make purchases. Global business-to-consumer e-commerce sales are expected to exceed \$1.25 trillion by 2013, with the total number of Internet users increasing to about 3.5 billion in 2011.²⁰ E-commerce websites serve as the first and primary online interface between businesses and their consumers. Below are examples of e-commerce websites that facilitate domestic and international e-commerce:

- Amazon.com is the world's largest online e-Commerce site. In addition to operating online retail, the company also markets and sells consumer products, including the Kindle and other e-reading devices and provides cloud-computing resources. Amazon also serves as an outsourced provider for a growing number of corporate clients with a multi-channel platform, allowing customers to seamlessly interact with retail sites via Amazon's multi-stream web service platform.
- eBay is the world's largest online auction site, where anybody, anywhere can buy and sell practically anything at any time. Launched in 1995, eBay connects an impassioned community of individual buyers and sellers, as well as small business subscribers who partake in its online bargain search and exchange. The website led to upwards of \$68 billion in sales in 2011, which equates to \$2,100 'every second'.²¹
- Etsy is an e-commerce website launched in 2005 that allows individual merchants and small businesses to create virtual storefronts to display their goods for a nominal fee. Most items available on the website are handmade or vintage goods, as well as art and craft supplies. While Etsy's website is intended to serve as a global craft fair, users have provided feedback that Etsy's buying and selling process is U.S.-centric.²²

¹⁷ Census Bureau. (2012, November 16). *US Census Bureau News: Quarterly Retail Ecommerce Sales – 3rd Quarter- 2012*. Retrieved January 15, 2013 from http://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf

¹⁸ Census Bureau. (2012, November 16). *US Census Bureau News: Quarterly Retail Ecommerce Sales – 3rd Quarter- 2012*. Retrieved January 15, 2013 from http://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf

¹⁹ Indvik, L. (2011, February 28). *Forrester: E-Commerce to Reach Nearly \$300 Billion in US by 2015*. Mashable. Retrieved January 15, 2013 from <http://mashable.com/2011/02/28/forrester-e-commerce/>

²⁰ Montaqim, A. (2012, June 14). *Global e-commerce sales will top \$1.25 trillion by 2013*. Internet Retailer. Retrieved January 15, 2013 from <http://www.internetretailer.com/2012/06/14/global-e-commerce-sales-will-top-125-trillion-2013>

²¹ eBay. *Market Places*. Retrieved January 15, 2013 from <http://www.ebayinc.com/who>

²² *Etsy: Business Topics* (2012, May 9). Retrieved January 16, 2013 from <http://www.etsy.com/teams/7722/business-topics/discuss/10266051/page/23>.

- ProStores is an e-commerce company that eBay acquired in 2005. ProStores involves sophisticated e-commerce functioning for both mass-market firms and individual buyers and sellers in a relatively high-tech interface for sales, trade, and exchange. ProStores also engages its merchandisers with an e-commerce portal and platform designed to better target online customers with its adjunct online search and shop functioning. ProStores provides inventory infrastructure to secure buyer and supplier communication with its online retail tracking support.
- Shopster is the first social e-commerce network. Shopster is a user-targeted e-commerce setup that provides its users with a platform to authenticate and create both an online store and website, from which products may be sourced, inventoried, and then sold across multiple online channels including eBay and Amazon.

Trends in Electronic Commerce

The U.S. remains the world leader in international e-commerce, but as the Internet becomes more accessible to people worldwide, massive growth in online sales is expanding to other countries. In fact, China leads the world in the growth of e-commerce.²³ China's e-commerce market grew 130 percent in 2011 and is expected to become the single largest market in the world over time. Other global e-commerce trends include:

- e-commerce markets in the U.S., the United Kingdom, and Japan are growing at 10 to 15 percent per year.
- As a region, Europe is the largest e-commerce market with 19 percent growth in 2011.
- France, Italy, Spain, Russia, Turkey, and Poland are becoming the fastest-growing e-commerce markets in Europe.
- Substantial growth in e-commerce is expected in Latin America and the Middle East.

In 2010, President Obama announced the National Export Initiative to help attain the goal of doubling U.S. exports by the end of 2014, which is intended to support millions of jobs.²⁴ President Obama concluded that U.S.-based businesses need to seek consumers outside the borders, as 95 percent of the world's consumers live outside the U.S. and nearly 87 percent of world economic growth over the next 5 years is expected to take place outside the U.S.²⁵

²³ IMRG. (2012, June 7). *IMRG Publish B2C Global Ecommerce Overview 2012*. Retrieved January 15, 2013 from <http://www.imrg.org/ImrgWebsite/User/Pages/Press%20Releases-IMRG.aspx?pageID=86&parentPageID=85&isHomePage=false&isDetailData=true&itemID=7697&pageTemplate=7&specificPageType=5>

²⁴ International Trade Administration. *National Export Initiative*. Retrieved January 15, 2013 from <http://www.trade.gov/nei/index.asp>

²⁵ International Trade Administration. *National Export Initiative*. Retrieved January 15, 2013 from <http://www.trade.gov/nei/index.asp>

History of Social Commerce

Social commerce is the platform that enables individuals and organizations to access the Internet and capitalize on social media sites, such as Facebook, to sell personal items or merchandise online. Forrester Research²⁶ describes years 2011 through 2013 as 'the era of social commerce,' where major brands and retailers use social media as a channel for commerce.²⁷

Social commerce relies on the paradigm that a recommendation from a trusted friend can influence a person's online purchasing decisions, as consumers trust social recommendations, advertising, and social media. Although there is a small subset of relationships that drive people toward decision making, social media relationships help generate awareness and feed consumer trust. A Nielsen study found that purchasing decisions are likely to be influenced by trusted friends nearly 90 percent of the time.²⁸

Small businesses are increasing their social media budgets at a faster rate than their overall marketing budgets. In a 2012 survey, more than 22 percent of small businesses reported an increase in their social media budget compared to the prior year.²⁹ Sales via social commerce networks are expected to increase 93 percent annually between 2011 and 2015, reaching \$14 billion.³⁰

Elements of social commerce include features that allow users to:

- Upload a product list from the virtual inventory, arrange for shipping, and use other digital products such as coupons, advertising, or recommendations to generate revenue.
- Create a social user experience by setting up a store front as a stand-alone business and promoting awareness via email and blogs for rating products.
- Promote products by indicating their individual support for a product.
- Use awards and incentives in the form of virtual currency to encourage participation.
- Integrate mobile applications.

²⁶Forrester. About Us: Forrester Research is a global research and advisory firm, Forrester provides proprietary research, consumer and business data, custom consulting, events and online communities, and peer-to-peer executive programs. Forrester. Retrieved on January 16, 2013 from <http://www.forrester.com/home#/aboutus>

²⁷Owyang. J. (2009, April 27). *The Future of the Social Web: In Five Eras*. Forrester Blogs. Retrieved December 12, 2012 from http://blogs.forrester.com/jeremiah_k_owyang/09-04-27-future_social_web_five_eras.

²⁸Nielsen Wire. (2009, July 7). *Global Advertising: Consumers Trust Real Friends and Virtual Strangers the Most*. Retrieved January 15, 2013 from <http://blog.nielsen.com/nielsenwire/consumer/global-advertising-consumers-trust-real-friends-and-virtual-strangers-the-most/>

²⁹Vertical Response. (212, October 31). *Survey Shows Small Businesses Investing More in Social Media, But Juggling Resources*. and Page 5 –figure 4. Retrieved on December 12, 2012 from http://impagt.com/downloads/wp_mediainmix_03-08.pdf

³⁰Internet Retailer. Trends and Data. Sales. Retrieved January 16, 2013 from <http://www.internetretailer.com/trends/sales/>

Below are examples of social commerce websites that use online media to support social interaction, and user contributions to assist in the online buying and selling of products and services.

- Groupon and LivingSocial are both deal-of-the-day websites that feature discounted gift certificates usable at local or national companies. Both companies rely on social marketing sites to further promote the businesses they highlight on their sites.
- Pinterest is a pinboard-style photo sharing website that allows users to create and manage theme-based image collections such as events, interests, and hobbies. Pinterest promotes e-commerce using social means to connect consumers through the materials they find interesting, such as a favorite book, toy, recipe, and so forth. When consumers share retail products that they find interesting or useful, others visitors to the site consider this sharing to be a motivator for their purchase considerations. Thus, the social network of Pinterest users ends up promoting products and businesses. A recent survey of 7,431 online shippers conducted by BizRate Insights revealed that Pinterest motivates more online purchases than Facebook.³¹
- Polyvore is a social commerce that allows consumers to voice and discover what they like online and mix and match products they love in unique, creative ways. Polyvore hosts more than 20 million visitors monthly.

While social commerce provides a forum for buyers and sellers to connect, such sites do not fully address logistical and other challenges associated with completing a commercial transaction. E-commerce transactions are even further complicated when they are completed internationally.

International Electronic Commerce

The surge in e-commerce and social commerce has allowed buyers and sellers to expand their reach beyond domestic borders to connect and transact business internationally. Despite all of the advantages that connecting electronically brings, physical delivery of an item – either through the local postal system or its private sector competition – is still necessary to complete the transaction. As such, the Postal Service and its foreign counterparts play roles in e-commerce to varying degrees.

³¹ BizRates Insights (2012, October 15). *Online Consumer Pulse: Pinterest vs. Facebook: Which Social Sharing Site Wins at Shopping Engagement?* Retrieved on January 16, 2013 from <http://bizrateinsights.com/blog/2012/10/15/online-consumer-pulse-pinterest-vs-facebook-which-social-sharing-site-wins-at-shopping-engagement/>

Postal Service Efforts to Support Electronic Commerce

The Postal Service has several initiatives underway to support both domestic and international small business commerce. For example, the Postal Service offers 'Web Tools,' which help businesses encourage international e-commerce by making the online experience completely seamless for customers requesting the Postal Service shipping option. Web Tools enable businesses to provide rate calculators, address verification, and conduct real-time tracking of packages. Domestically, the web tool for the Every Door Direct Mail product helps support small businesses by enabling small businesses that send advertisements locally to map their coverage areas online so they can focus on the streets and neighborhoods they want to reach.

Another product the Postal Service initiated – Metro Post – helps support e-commerce domestically. The Postal Service is currently market testing Metro Post, which is a package delivery service designed to improve the experience of customers shopping on e-commerce sites by offering same-day delivery in a defined metropolitan area. The 1-year market test project kicked off in San Francisco in December 2012. As part of the market test, the Postal Service entered into relationships with qualifying e-commerce companies to offer same-day local delivery. Each participating company has at least ten physical locations nationally and one or more locations in San Francisco. Metro Post allows customers to receive same-day delivery by either using a qualifying online e-commerce platform to purchase items online, purchasing items at retail stores that have partnered with test participants, or visiting a test participant's website to purchase items. The Postal Service has also taken steps to support and expand its involvement in international commerce. For example, the Postal Service partnered with the Department of Commerce, under its New Market Exporter Initiative, to help support the effort to increase U.S. exports. Under this Initiative, the Postal Service made a commitment to identify existing small and medium businesses that export their goods and services abroad and help expand their reach to additional international markets.

The Postal Service has also recently begun helping businesses establish relationships in global markets through service-responsive and cost-competitive advertising and fulfillment services that leverage its extensive transportation and distribution infrastructure. To improve its global presence, the Postal Service reduced its international product line from eight products to four, linked international product names with their domestic counterparts, developed new packaging, and created a Global Business group to develop initiatives to increase international revenue. For commercial mailers, the Postal Service offers its Global Shipping Software solution that includes services and benefits such as generating postage statements and manifests, streamlining the shipping process, speeding up customs clearance with electronic pre-notification, and providing labels and forms.

The Postal Service, however, could expand its support of international small business commerce, particularly through e-commerce.

Foreign Posts Efforts to Support International Electronic Commerce

Other foreign posts around the world are already engaged in emerging markets to help businesses expand globally and have already taken steps to facilitate international small business commerce.

Swiss Post

Swiss Post is leveraging the technology portfolio of its subsidiary, Swiss Post Solutions, which can help support implementation and operation of a business's online shop. Swiss Post Solutions has an international network of partners that enables businesses to seamlessly conduct e-commerce beyond national borders. Services and products include storage logistics, billing, e-payment, shipment of goods, clarification of customs, securing cash collection, and addressing tax issues. Swiss Post Solutions also offers the following shipping and fulfillment services that help enable e-commerce:

- B2C Parcel³² allows e-commerce providers and traditional mail order companies to use the Internet to prepare parcels for dispatch throughout Europe. Swiss Post has established international partners to ensure delivery of products that consumers have purchased and works exclusively with well-respected, reliable logistics partners who specialize in deliveries to private customers. The B2C Parcel solution covers the entire shipping process, from collection to customs and right through to returns management;
- Track & Trace³³ is a transparent electronic delivery system that provides real-time, auditable information about the location of all incoming and outgoing items within an organization including packages, couriers, stationery, and archiving. Track & Trace allows distance sellers to track the delivery progress of their consignments at any time; and
- Pick & Pack³⁴ is a warehousing service where outbound items are picked from the warehouse and packed prior to shipment. Pick & Pack services provide logistical services for small businesses that are engaging in e-commerce, including international e-commerce.

The recent launching of Asendia, a joint venture between Swiss Post and La Poste France, will also help leverage Swiss Post's growing portfolio of global products and services and provide access to cross-border e-commerce markets from Asia to the Americas.

³² Swiss Post. *Business to Consumer Parcel*. Business Customers. Retrieved January 16, 2013 from <http://www.post.ch/en/post-startseite/post-geschaeftskunden/post-logistik/post-distribution-international-gk/post-business-to-consumer-parcel.htm>

³³ Swiss Post Solutions. *Swiss Post Solutions' Track & Trace Solution*. iTrak. Retrieved January 15, 2013 from <http://www.swisspostsolutions.com/unitedstates/us-sps-home/us-sps-leveraging-corporate-information/us-sps-mailroom/us-sps-mailroom-management/sps-us-technology-solution-ittrak.pdf>

³⁴ Swiss Post. *Outsource Your Warehousing with Our Warehousing Logistics*. Logistics. Retrieved January 15, 2013 from <http://www.post.ch/en/post-startseite/post-geschaeftskunden/post-logistik/post-lagerlogistik/post-lagerlogistik.pdf>

Singapore Post

In 2012, Singapore Post (SingPost) announced plans to launch a user-friendly online booking tool, known as ezy2ship,³⁵ to help make it easier and faster for businesses to manage and send domestic and international packages. SingPost created this new tool to help its customers handle the influx of shipping that resulted from growth in domestic and international e-commerce. Additionally, SingPost has strengthened its logistics network to help accommodate the rapid growth in e-commerce. SingPost's mail revenue increased 14.5 percent in Quarter 3 of fiscal year 2012,³⁶ compared to the same period last year due, in part, to the growth in e-commerce packages, reflected in increased international mail volumes.

Deutsche Post – DHL

Deutsche Post, the German logistics group that owns DHL, has set up new hubs and is investing further in Russia and China. DHL has already established a long-term contract in Brazil and is partnering with a wholesaler to receive, store, pick, pack, and deliver to stores across Brazil. In Mexico, DHL is providing temperature-controlled warehousing for pharmaceutical companies, and in India, DHL is working with companies to meet their complex logistics needs.

To help facilitate international e-commerce, Deutsche Post initiated a partnership with Borderlinx, a U.K.-based provider of cross border e-commerce solutions. One service under the partnership allows a buyer outside the U.S. to make purchases from any U.S. Internet retailer. The U.S. retailer integrates with Borderlinx to make their products available to the international market place. Borderlinx provides the retailers with payment solutions, order fulfillment, and delivery services to any of the 225 countries that DHL services. In return, DHL provides Borderlinx with services such as warehousing, product storage, picking, packing and consolidation of customers' orders.

Existing Challenges in International Small Business Commerce

Although the Internet and mobile devices allow buyers and sellers to connect more easily and conduct commerce across borders, some challenges remain unresolved in completing an international commerce transaction. This is also true for individuals and businesses with full access to the Internet. We identified remaining challenges, including:

- Calculating the various components of the cost to purchase the product, including the cost of the unit, shipping costs, taxes, any duties or customs, and so forth.
 - Identifying what currency to be used when purchasing products.

³⁵ Singapore Post. (2012, June 26). *SingPost Rides on Ecommerce Growth*. Retrieved on January 15, 2013 from <http://www.singpost.com/download/AboutSingPost/Media/NewsReleases/2012/pr20120626.pdf>

³⁶ Singapore Post. (2013, January 25). *Revenue Growth Driven by E-Commerce and Investment Activities*. Retrieved on January 25, 2013 from <http://www.singpost.com/download/AboutSingPost/Media/NewsReleases/2013/pr20130125.pdf>

- Determining the currency exchange rate.
- Convenience in conducting business.
 - Ability to find information about the seller and the products.
 - Determining how the buyer will pay for the product.
 - Assisting the buyer with finding out whether the product was shipped.
- Identifying the rules of transacting business with a country and the entity that governs the transaction.
 - Determining who assumes liability if the transaction does not take place correctly.
- Verifying the authenticity of the seller's business.
 - Identifying how the buyer can determine if there are any business certifications provided by countries for the seller.
 - Identifying whether there are any intermediaries who could guarantee successful completion of the transaction.
- Identifying the available measures to ensure security.
 - Security of the buyer's personal information.
 - Security of the buyer's financial information.
- Identifying how to successfully complete customs and other requirements of both the buyer's and the seller's countries for the transaction.
- Determining how buyers can receive help and support if they have questions about using the product.
- Identifying ways the seller can provide information about his or her business to buyers in the U.S.
- Determining what language the seller would use to provide information to the U.S. buyer.
- Determining how the seller markets the products to U.S. buyers and how it disseminates information to buyers about product features, including cost and quality.
- Identifying ways the buyer can establish communication similar to the face-to-face communication he or she usually employs with local sellers.

- Determining how the seller can ensure that he or she receives payment on the product that is sold.

Potential Opportunities for the Postal Service

After considering the various challenges to globally connecting buyers and sellers, we explored potential opportunities for the Postal Service to address those challenges. Specifically, we identified fifteen potential services the Postal Service could offer to international buyers and sellers, which could also help generate revenue. Finally, we assessed the feasibility of the Postal Service's ability to implement these opportunities, based on a subjective evaluation of whether:

- The opportunity is within the current regulatory framework under which the Postal Service is functioning.
- The activities are allowable under the current domestic and international laws.
- Services the Postal Service currently provides would easily fulfill some of the identified opportunities.
- Opportunities exist in markets that are currently under-served.
- The opportunity is within the core competency of the Postal Service.

The full list of 15 opportunities, in order from most to least feasible, include:

- Simplified Shipping Options at Reasonable Prices – the Postal Service could offer customers simplified shipping options at reasonable prices. For example, the Postal Service could provide flat rate packages and volume discounts to a seller in India so the seller could assure the buyer about pricing and package size.
- Software Calculator for Total Cost – the Postal Service could provide a tool to calculate the 'fully landed' cost of a shipment. This tool would take into consideration the seller's location, buyer's location, type of product being shipped, and other relevant information to provide the total cost of the transaction in the local currency. The calculator could be enhanced to include the insurance fee as a premium service.
- Enhanced Product Return Service – the Postal Service could enhance the product return service to make it easier for the buyer and integrate the seller's disposition requirements.
- Trading Partner Authentication Database – the Postal Service could provide a service to authenticate both the buyer and the seller, verifying whether the

trading partners are trustworthy and credible. This may be achieved by collecting and storing the name and address of each entity in a database, which could be checked for authenticity.

- Shipment Track and Trace System – the Postal Service could improve the tracking and tracing of international packages with greater accuracy and in real time. Currently, the Postal Service makes efforts to track and trace packages, primarily through its relationship with the 27 countries that participate in the E-Parcel Group through the International Post Corporation.³⁷ Scanning data for packages shipped to and from countries outside this group, however, is limited. Additionally, the Postal Service could improve the timeliness and frequency of delivery scans on international packages delivered domestically.
- Single-Click Shipping Service – the Postal Service could provide ‘one-click ship’ by storing the sender’s information, including maintaining an address book for the sender to enable ease of mailing or shipping items.
- Enhanced Insurance Coverage Service – the Postal Service could enhance current insurance coverage to provide more options to buyers and sellers.
- Customer Service Call Center Service – the Postal Service could provide targeted customer service to small businesses, including offering (a) frequently asked questions and answers, (b) email-based customer service, (c) chat-based customer support, and (d) live phone support. These services could be made more attractive by providing language-specific support to specific communities.
- Regulatory Compliance Management Service – the Postal Service could provide a service that ensures compliance with proper trading practices. This service could include sending alerts/notifications to buyers and sellers, providing assistance to meet government guidelines and regulations, verifying the product as legal trade, and ensuring the good condition of the product being shipped.
- Promotional and Shipping Material Distribution Service – the Postal Service could domestically distribute promotional and shipping material about international e-commerce websites and the products available on those sites.
- Customs Clearance Service – the Postal Service could help sellers through the customs clearance process. The Postal Service, with its stringent oversight, could assist pre-determined sellers in moving their shipments of pre-approved products through customs faster.
- International ‘Collect on Delivery’ (COD) Service – the Postal Service could provide enhanced COD services, including international transactions. COD

³⁷ International Post Corporation. E-Parcel Group. Retrieved January 15, 2013 from <http://www.ipc.be/en/services/epg.aspx>

allows the sender to collect money from the recipient for postage, fees, merchandise, or any combination of those. Senders use a COD service when they want to collect payment for merchandise or postage when the item is delivered to the receiver.

- Micro-Warehousing Service – the Postal Service could take advantage of its available large physical spaces to offer ‘micro-warehousing’ for small businesses. Such micro-warehousing can make fulfillment of orders move faster.
- International Package Movement Coordination Service – the Postal Service could set up an international consolidation facility to establish a presence in foreign countries. Through such a consolidation facility, the Postal Service could assist sellers in other countries in completing an e-commerce transaction, including coordinating activities to make shipments move faster through regulations.
- Seller Reputation Score Management – the Postal Service could offer a service to provide a reliable seller reputation score or rating for buyers. The Postal Service could begin such a service by first creating and managing reliable reputation management scores on U.S.-based sellers that are engaged in international commerce, derived from customer feedback and information from the Better Business Bureau. Once the Postal Service has established a reliable system for domestic businesses, it could use this system as a model to help other countries develop and pilot similar systems. This would allow buyers in other countries to obtain feedback on the reliability of the sellers, further perpetuating international small business commerce.

During our assessment of the feasibility of the opportunities, we determined that some may be harder for the Postal Service to implement than others that may require greater effort as a result of significant constraints. For example, the Postal Service may have to set up their own offices in other countries to implement some of the opportunities. However, the Postal Service may be able to use available assets and infrastructure or enhance existing services for some of the opportunities listed above, such as providing:

- Reliable tracking of international packages.
- Ability to trace exact package location.
- Product return services that may include final disposition.
- Micro-warehousing of products that are highly popular in certain regions.
- Simplified fees to make cost structure easier to manage.

Additionally, in the social commerce arena, the Postal Service may be able to offer a social commerce platform to support small businesses and work-at-home individuals by serving as a data provider to organize sellers' data, and offer information about popular brands and products. The Postal Service could also potentially offer various

value-added services, such as a discount digital mall³⁸ and deal-of-the-day providers.³⁹

Conclusion

The rapidly increasing reliance on the Internet and mobile devices is drastically changing the way that small businesses connect with their customers, allowing them to conduct more and more transactions across international borders. While technology has helped facilitate a connection between buyers and sellers internationally, there are many challenges that technology cannot address in completing an international small business transaction. Through its relationships with foreign posts, its role as a trusted provider, and its expansive network, the Postal Service is uniquely positioned to offer products and services that could address such challenges. By offering products and services to fill those gaps, the Postal Service has the opportunity to not only help facilitate growth in international e-commerce, but also to boost the national and global economy by supporting small businesses.

We suggest the Postal Service further explore the opportunities identified in this report to determine the feasibility and benefit of providing additional services to support international small business commerce.

³⁸ Digital Mall. About Us: Digital Mall serves as an e-commerce partner for businesses that offers online strategies, web development, hosting, maintenance, and multiple payment gateways. Digital Mall. Retrieved January 15, 2013 from <http://www.digitalmall.com/Default.aspx?TabID=170>

³⁹ Deal of the Day. About Us: 'Deal of the day' providers are websites that provide product and price information about the discounted prices from merchants across the Internet. Deal of the Day. Retrieved January 15, 2013 from <http://www.dealoftheday.com/about.asp>