

A PUBLICATION OF NETSPHERE STRATEGIES

GOING GLOBAL

STRATEGIES FOR TAPPING INTO
ECOMMERCE'S BIGGEST EMERGING MARKETS

A GUIDE TO SELLING IN INDIA, BRAZIL AND RUSSIA



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CHAPTER ONE

INTRODUCTION

EMERGING MARKETS

WORLDWIDE, THE MIDDLE CLASS IS GAINING IN NUMBERS, AND THEIR PURCHASING POWER IS STRONGER THAN EVER BEFORE

As the global population continues to grow, opportunities for businesses in the eCommerce sector will also expand. To put that international growth into perspective, each and every day the planet grows by 220,000 people. Of the 7 billion, which is ticking upward by the second, 2 billion are in the middle class – the consumer class.

Those new consumers are from every corner of the globe, but no matter how remote their location, to stay competitive, eCommerce sites must reach out to them. From Malta to Uruguay to Iceland and beyond, there's a lot to be done to bring them into the fold.

The six main areas to be concerned with when selling abroad include:

- Language
- Currency
- Shipping
- International Taxes
- Payment Providers
- Regulatory Issues

CHAPTER TWO

OPPORTUNITIES TO OPEN UP IN INDIA

INDIA

GOVERNMENT PARTICIPATION AND A YOUNG, GROWING POPULATION USHER IN THE POTENTIAL FOR POSITIVE GROWTH

The success of Indian eCommerce has risen to such a degree that the country is now reconsidering its ban on foreign investments in its eCommerce sector. Amazon and eBay, which are currently only allowed to function as third-party marketplaces, are anxious for a lift on the ban, which will allow them to sell their own merchandise. But beyond the opportunities soon to be available to the eBays and the Amazons of the world, U.S. retailers should also be hopeful for what the future holds in India, the world's second most populous country.

- India's eCommerce market grew by 88 percent in 2013 to USD \$16 billion. [Source: IBNLive.in.com]
- India's Internet base, as of August 2013, was at 150 million users, representing about 10 percent of the country's total population. [Source: IBNLive.in.com]
- Popular products sold in India include those in tech and fashion categories, such as mobile phones, iPads, accessories, MP3 players, digital cameras and jewelry. [Source: IBNLive.in.com]
- Indians spend 8 hours per day online according to a study conducted in 2012. [Source: TimesOfIndia.com]





Although eCommerce in India jumped an impressive 88 percent in 2013, doing business there comes with challenges, such as shipping goods over a deteriorating infrastructure.



WHILE THE INTERNET HAS REACHED ALMOST 11% OF INDIA'S POPULATION, SMARTPHONE BUSINESS IS WITNESSING 150% YEAR-ON-YEAR GROWTH.

- HINDUBUSINESSLINE.COM

INDIA

ADDRESSING THE BARRIERS

When creating a website or microsite for eCommerce transactions in India, be sure to address the following six issues:

- **Language** - Although English is one of two official languages in India, a dedicated microsite in Hindi will help to reach the broader population.
- **Currency** - The Indian rupee was recently cited as the most stable currency in emerging nations, according to an article from the *Economic Times*. For a positive user experience, it will be imperative to convert all pricing into the rupee instead of making customers do the math themselves.
- **Shipping** - India is ramping up a number of infrastructure improvement projects, which will greatly improve conditions for DHL and FedEx drivers. Other established shipping firms in India include TNT and DelEx.
- **International Taxes** - U.S. eCommerce companies will be happy to hear that there are no sales taxes assessed on goods shipped into India. It's important, however, to understand that there are indirect taxes like a 1 percent landing charge for all products entering the country. To get an overview of what fees could be tacked onto imports, DutyCalculator.com is a helpful resource.
- **Payment Providers** - Regardless of the country, best practices dictate various forms of acceptable payments, such as PayPal and PayU, India's biggest payment gateway.
- **Regulatory Issues** - The idea of foreign direct investment in eCommerce in India is still up for debate. Talks have moved more in favor of opening up investment opportunities, but for now, the country still blocks foreign eCommerce companies from selling directly to its citizens. B2B eCommerce and B2C via third-party marketplaces, however, are permitted.

CHAPTER THREE

ECOMMERCE HEATS UP IN BRAZIL

BRAZIL

ONLINE SHOPPING PICKS UP DESPITE HEFTY TAXES AND DUTIES ON INCOMING GOODS

Soon, all eyes will set their focus on Brazil as the largest South American country hosts two of the world's biggest athletic events. Surely, the selection of Brazil as host for both the World Cup and the 2016 Olympics is due to its position as one of the globe's most promising emerging nations.

As such, Brazil offers opportunities for eCommerce companies wanting to expand their reach. With a population of just over 200 million, Brazil finds itself amongst the top 10 wealthiest countries in the world, according to figures released by the International Monetary Fund.

- Brazil's eCommerce market could surpass the \$25 billion mark by 2017. [Source: Forrester]
- Brazilians spend more than 27 hours per month online compared to the global average of 24.7 hours. [Source: comScore via *Forbes*]
- The mobile audience in Brazil is the biggest in Latin America with 23.3 percent of Brazilians using their phones to access the Internet. [Source: [AdAge.com](#) via *Forbes*]



Like India, the opportunities in Brazil are vast but are at times coupled with setbacks. Doing business there comes with its own unique set of challenges, like dealing with steep taxes and duties that are placed on goods imported from the United States.

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B2C ECOMMERCE HAS BENEFITTED FROM THE GROWTH OF THE MIDDLE CLASS IN BRAZIL, BUT CONSUMERS FROM LOWER INCOME GROUPS ALSO HAVE BEGUN TO BE COMFORTABLE SHOPPING ONLINE.

- YSTATS.COM, B2C ECOMMERCE REPORT

BRAZIL

ADDRESSING THE BARRIERS

When creating a website or microsite for eCommerce transactions in Brazil, be sure to address the following six issues:

- **Language** - Portuguese, Brazil's official language, is one of many languages that are supported by most mid-level and enterprise eCommerce systems.
- **Currency** - Like the rupee, the Brazilian real is a stable currency that in recent periods has enjoyed positive gains against the dollar. By converting the dollar into the real for all online product pricing, customers will be spared the task of doing the math themselves.
- **Shipping** - A lot in Brazil is riding on the World Cup and the Olympics, including the repair of many roadways and ports. In the meantime, UPS and DHL, two of the world's largest shipping companies, can navigate the terrain, as can other locally established shipping firms.
- **International Taxes** - Although Brazilians are particularly fond of spending their reals on U.S. products, they typically have to pay a higher price than what Americans pay for the same goods due to exorbitant taxes. Duty rates average 23 percent, and sales taxes can be as high as 19 percent.
- **Payment Providers** - Regardless of the country, best practices dictate various forms of acceptable payments, such as PayPal, Allpago International, maxi-Pago and PagBrasil, some of the most popular payment gateways in Brazil.
- **Regulatory Issues** - As eCommerce gains in popularity in Brazil, legislation has been quick to follow. Just last year, legislation was passed requiring mom-and-pop-type shops to establish official companies or stick to selling over third-party marketplaces.

CHAPTER FOUR

HEADING NORTH TO RUSSIA

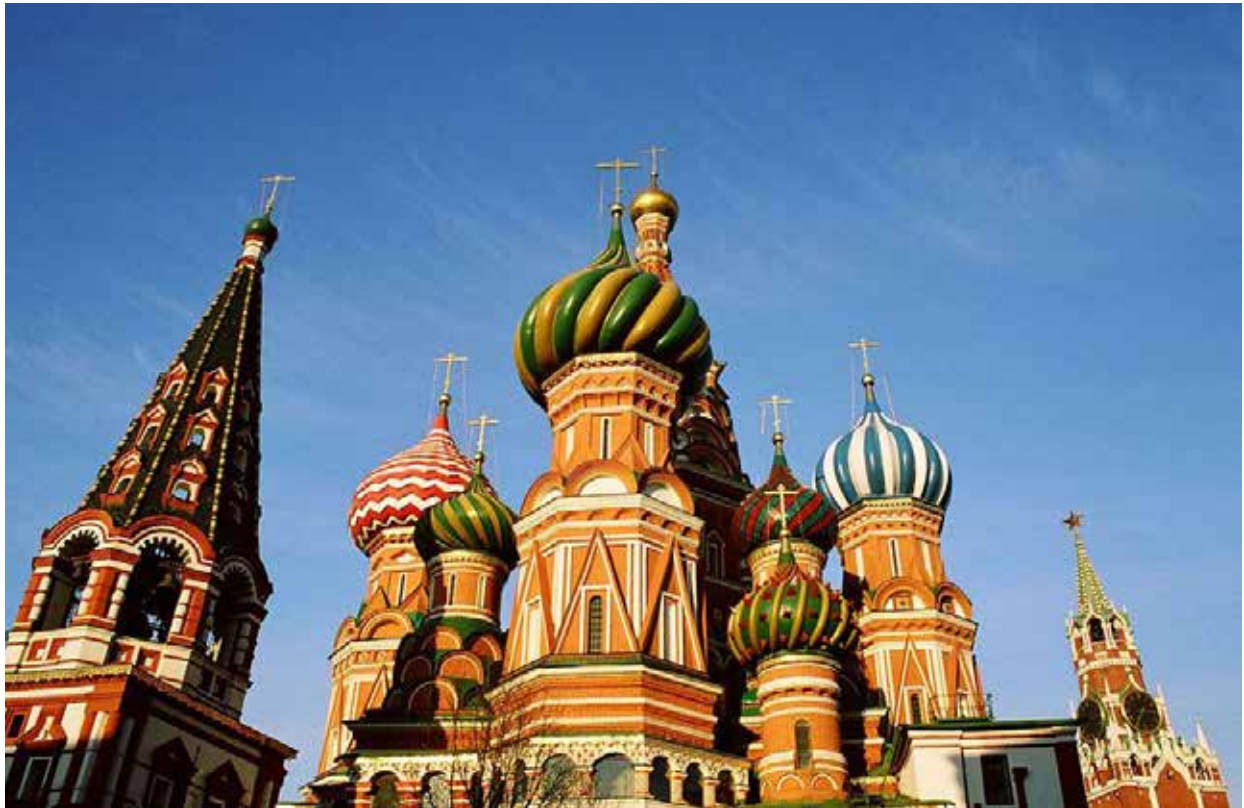
RUSSIA

BIG IN LAND MASS, BIG IN ECOMMERCE POTENTIAL

With a population of 142.5 million, the eCommerce opportunities in Russia are vast and for the majority, are fairly untapped. According to the CIA World FactBook, the country has experienced major changes since the collapse of the Soviet Union, “moving from a globally-isolated, centrally-planned economy to a more market-based and globally-integrated economy.”

Furthermore, because the cost of living is quite low in Russia, expendable income for the middle and upper class is somewhat larger than those in many other countries. The luxury goods market in Russia has also seen major upticks in recent years as its upper class continues to grow.

- Online retail reached \$13 billion in 2012, according to a June report from *East-West Digital News*, accounting for only 2 percent of the country’s total retail market but still reflecting a 27 percent increase year-on-year. [Source: TheMoscowNews.com]
- Russia entered the World Trade Organization in 2012, opening up global trade opportunities. [Source: VentureBurn.com]
- The Russian instant payment provider Qiwi significantly increased its revenues in 2012 and filed for a USD 100 million IPO on Nasdaq in early 2013. [Source: ReportLinker.com]
- 15 percent of Europe’s 408 million Internet users are in Russia, making it the biggest audience and the biggest population for growth in Europe. [Source: ComScore.com]



According to *VentureBurn.com*, Russia's eCommerce market will surpass the \$27 billion mark by 2015. In the meantime, those with a first-in mentality will be afforded a greater chance for building brand recognition with the residents there.

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WITH RUSSIA BEING EUROPE'S BIGGEST COUNTRY AND HAVING THE CONTINENT'S MOST INTERNET USERS (MORE THAN 60 MILLION), IT'S EXPERIENCING A GROWING MIDDLE CLASS WITH DISPOSABLE INCOME.

- VENTUREBURN.COM

RUSSIA

ADDRESSING THE BARRIERS

When creating a website or microsite for eCommerce transactions in Russia, be sure to address the following six issues:

- **Language** - Russian, a cyrillic-based language, is one of many that are supported by most mid-level and enterprise eCommerce systems.
- **Currency** - When international shoppers are required to convert currency on their own, conversion rates tend to suffer. Therefore, retailers that wish to do business in Russia will need to include a currency converter on their site to change the listed prices from dollars into rubles.
- **Shipping** - eBay recently announced that Russia was added to its Global Shipping Program, growing its country count to 37. Other international carriers, like DHL, can also help companies overcome the hurdles involved with shipping to the world's biggest country that spans 11 time zones.
- **International Taxes** - The Russian European Chamber of Commerce explains that "Taxation of business conducted on the Internet is a matter of active debate, intensified by the rapid development of eCommerce and the particular intricacy of related tax issues. Russian tax legislation does not specifically regulate taxation of Internet transactions, therefore eCommerce transactions should arguably be regulated by general tax legislation."
- **Regulatory Issues** - At the beginning of 2014, new customs procedures were imposed on deliveries heading to private individuals. Because the overall Russian regulatory landscape can be difficult for foreigners to navigate, it's recommended to work with credible legal council to ensure adherence to the country's eCommerce regulations.
- **Payment Providers** - PayPal was new to the Russian payment-provider scene as of October 2013. In that short time, it has already seized 9 percent market share behind [Yandex.Money](#), Qiwi and WebMoney.

CHAPTER FIVE

CONCLUSION

BRIC AND BEYOND

When Goldman Sachs first coined the BRIC acronym to group together the world's biggest emerging economies, Brazil, Russia, India and China were the only countries to make the cut. It wasn't until 2011 that South Africa was added to the list, seemingly pluralizing the acronym (BRICS). Since that time, Mexico, Indonesia, South Korea and Turkey have been lumped together under the acronym MIST as have countries in the Middle East and North Africa under the term MENA.

Because of the quickly growing international middle class, economists barely have time to create new acronyms for the many emerging regions of opportunity. In fact, emerging countries are making such major contributions to this year's eCommerce sales, which are forecasted to hit \$1.5 trillion, that it would be foolish not to consider the possibilities of selling overseas.

For U.S. retailers looking to emerging markets for growth opportunities, heading across the border can be a lucrative endeavor. That leap over the pond, however, doesn't have to be a blind leap of faith. By partnering with companies that can provide their clients with the tools and technologies they need, the journey can be a smooth one.

SIGN UP FOR A FREE CONSULTATION

BY SPEAKING WITH THE TEAM OF ECOMMERCE EXPERTS AT NETSPHERE STRATEGIES, YOU'LL BE BETTER EQUIPPED TO TAP INTO THE OPPORTUNITIES IN EMERGING MARKETS BEFORE THEY'RE ALL TAPPED OUT.



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