Chapter 6.11
Doing International Business Online for the Small and Medium Enterprise

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ABSTRACT

This chapter addresses the primary difficulties that small and medium enterprises face when doing business online with international partners. The guidance provided in this chapter is primarily for owners of small and medium enterprises rather than legal for professionals. The two main problems inhibiting online transactions are a lack of trust between the parties and the risk inherent in the exchange. This chapter analyzes ways to address these problems. Many of the practical suggestions in this chapter are inspired not by million dollar deals but by playground transactions between children. Often the simple solutions are the best ones.

INTRODUCTION

Scene One

You run a small shop that specializes in imported art from native artisans. Although you do not have the budget to travel to every place that might have interesting items, you still want to offer a variety of goods. While surfing the Internet, you locate a site that shows items that look to be perfect but the seller appears to be located in Kenya. How can you do business with someone you will never meet face-to-face? From the small digital pictures and limited descriptions, how can you be sure the goods will be as portrayed? How can you protect

yourself from all of the scams you hear about on the net? If you decide to buy, how can you resolve any disputes that might arise?

Scene Two

Your uncle produces hand-carved wooden statues and sells them in his small stall in a Nairobi market. Since the statues have proven popular with foreign tourists, he has asked you to help expand his business. Being a computer savvy student, you quickly put together a Web page with pictures of his works in hopes of exporting them. After a few months, despite having an ever-growing page hit count, you have not received any orders. What can you do to improve the chances of selling? How can you protect yourself from all the scams that exist in the wilds of the Internet?

Increasingly small and medium businesses are expanding to do business on the Internet. This is nothing new, however, as more people gain access to the Internet, international transactions for these smaller businesses will increase. For a large company, experienced teams handle international transactions. These teams normally travel and meet their counterparts face-to-face. Smaller enterprises do not have the resources and must rely on remote communications if they wish to do international business. Can the same Internet that facilitates finding potential trade partners help to solve some of these problems with international transactions and disputes?

This chapter focuses two aspects of online commerce: 1. how the various e-commerce systems can increase trust and reduce risk, and 2. should a dispute arise, how online dispute resolution can efficiently resolve problems.

In addition to direct business-to-business transactions, this chapter will examine private marketplaces such as eBay. With eBay recently signing up its 200,000,000th member, eBay has become, by population, the fifth largest "country" in the world (Whitman, 2006). Given eBay's dominance, this chapter will examine the practices that

help mitigate risk in international transactions. Moreover, eBay's acquisition of Skype, a voice over IP telephony service, opens up the potential for much more interesting features to help bring buyers and sellers closer in spirit, if not space.

This chapter will conclude with recommendations for small and medium businesses looking to engage in international business through the Internet.

TWO BASIC PROBLEMS INHIBITING ONLINE TRANSACTIONS

In our examples, the two biggest problems facing our parties are: trust and risk. First, neither party trusts the other. Moreover, there is a general distrust of Internet based businesses. Second, there are substantial risks when dealing online. The combination of low trust and high risk creates substantial barriers. Using a variety of techniques and resources, the parties can eliminate or at least reduce these two fundamental concerns.

BUILDING TRUST BEFORE THE EXCHANGE

500 years ago Tusser sagely observed, "[a] fool and his [or her] money are soon parted" (1557). This sage advice is no less true today. In fact, one can become parted from one's e-money in a single, careless click on the Internet. Just how can one trust someone in cyberspace?

Know Thy Partner

Who exactly is the person at the other end of the transaction? Knowing someone is part of building trust. In a face-to-face exchange just getting to "look someone in their eyes" can help build trust. Online this can be accomplished in a variety of ways.

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