

SMEs can take advantage of e-commerce

The SME sector, which currently accounts for 40% of South Africa's GDP and 60% of the workplace in formal employment, can reach a larger global customer base through e-commerce but it makes operations more complicated, thus hampering the sector's potential growth.

According to Charles Brewer of DHL Express, in the wake of uncertain domestic demand, small business owners are increasingly exploring new ways of selling their products and services overseas. "There is strong evidence that going global generates lucrative growth opportunities and that SMEs engaged in international trading via channels such as e-commerce are reaping the benefits."

International growth in emerging markets

Latest research by Cisco Systems estimates that global e-commerce will increase 13.5% annually over the next three years and reach an estimated \$1.4 trillion in 2015. The research also estimates that while the US, UK and Japan will command more than 53% of e-commerce sales by 2015, emerging countries such as Spain, Brazil and Russia will grow e-commerce at rates of 26% or more annually through 2015.

Brewer says that by recognising a niche in the market and quickly adapting to meet that need, SMEs can potentially capitalise on growing customer demand and in turn create a major source of employment and wealth creation.

Doing business outside of South Africa can however present challenges and limit SME growth. "There are various considerations that SMEs need to consider when venturing outside of South Africa. One of the biggest barriers is a lack of market intelligence, especially when a company is trying to expand into different markets. Everything from culture and local customs to language barriers and complex legal producers can hamper an inexperienced business' ability to trade internationally.

"While expanding overseas can seem daunting because of these uncertainties, SMEs in South Africa can avoid some of the potential pitfalls with an efficient and reliable third party partner."

Shipping is just one component of getting your goods to markets in other countries and SMEs are increasingly turning to their suppliers for expert advice and intelligence on target markets.

"We are seeing a continued trend for a complete range of end-to-end solutions, beyond the traditional capabilities of warehousing and transportation. Securing a partner with a broad geographical footprint is being seen strategically by some SMEs as a way to gain a deeper understanding of foreign markets, explore expansion opportunities and maximise free trade zones."

Unique custom quirks

Every country has its own unique customs 'quirks' which can make international trade a minefield for SMEs lacking in-house logistics expertise. "Different customs, trade and shipping laws for imports and exports and confusing customs regulations, duties and taxes can be a real barrier to SMEs accessing global markets.

"These laws will not only govern how a shipment is received, but they will also be specific to the type of product being sent. For example, New Zealand does not apply export duty or tax for textiles and apparel, you cannot export umbrellas to Sudan, Nigeria forbids the import of leather or plastic handbags and in Gambia, you can only import odd pairs of shoes.

"For these reasons, it is important for SMEs, especially those with an e-commerce arm, to thoroughly research customs requirements, duties, processing times and potential risks that they would potentially face when shipping to a particular market, or to engage customs brokers who can take this on for them.

Automating customs processes by using online tools to process shipment documentation and developing databases with commodity information is also a good way of not only reducing the administrative burden, but also reducing the error rate and the speed in which goods are processed at a border.

Opportunities in energy

"We are seeing growing opportunities for SMEs, particularly in the energy industry, with oil and mineral producing countries and new markets with large energy finds, such as Mozambique, Kenya and Tanzania.

"The possibilities opened up by new technologies, the Internet, and modern transportation means that there are myriad overseas trade opportunities out there for South African businesses. With thorough research and a well-defined strategy, SMEs can successfully expand into new markets, compete with larger companies and use their size and nimbleness to their own advantage," concludes Brewer.

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