



Internet Association

The Internet & Global Trade

LAUNCHING SMALL BUSINESSES
INTO THE GLOBAL MARKETPLACE



JANUARY 2015

www.InternetAssociation.org

Who

We Are

THE INTERNET ASSOCIATION REPRESENTS LEADING INTERNET COMPANIES, AND IS DEDICATED TO ADVANCING PUBLIC POLICY SOLUTIONS THAT STRENGTHEN AND PROTECT INTERNET FREEDOM, FOSTER INNOVATION AND ECONOMIC GROWTH, AND EMPOWER USERS.

FLOWS OF GOODS, SERVICES, AND FINANCE IN 2012 REACHED **\$26 TRILLION.**



OR **36%** OF GLOBAL GDP, **1.5X** AS LARGE RELATIVE TO GDP AS THEY WERE BACK IN 1990

3 billion people use the Internet around the globe

Approximately **8 TRILLION DOLLARS** is exchanged through e-commerce annually

McKinsey reports that **75%** of the Internet's positive impact is being realized by traditional industries.

There was an **18-fold increase** in cross-border Internet traffic -- **between** -- 2005 & 2012

The 2013 World Economic Forum Enabling Trade report found that

the use of technology platforms could reduce the burdens small businesses face

when selling overseas, **increasing cross-border small business sales by 60-80%**

The Internet accounts for

21%

of GDP growth of advanced economies over the past 5 years

The Internet sector has greater weight in GDP than agriculture or utilities



Economies with more Internet connections see up to 40% more benefit from participation than less connected economies.



This report highlights successful small businesses from the United States and across the globe that reach beyond their borders to offer innovative products and services. This activity generates economic value and also creates opportunities to cultivate professional and personal relationships between owners and their customers. innovation, trade, and commerce is made possible by laws that preserve the vitality of an open and consumer-oriented online environment. The global economy depends on the Internet's seamless operation, and governments must support policies that facilitate digital trade, such as:

States and across the globe that reach beyond their borders to offer innovative products and services. This activity generates economic value and also creates opportunities to cultivate professional and personal relationships between owners and their customers. innovation, trade, and commerce is made possible by laws that preserve the vitality of an open and consumer-oriented online environment. The global economy depends on the Internet's seamless operation, and governments must support policies that facilitate digital trade, such as:



Balanced Copyright Policy

Copyright policy should reflect the balanced framework in U.S. law, which provides not only strong protections and enforcement, but also robust and flexible limitations and exceptions. Without these limitations and exceptions, a website could not provide snippets and links to other websites; an Internet service could not "cache" copies of files, which allows an Internet browser to respond to inputs in a matter of milliseconds; and artists could not produce mash-ups of existing content to create new works.



Intermediary Liability

Internet platforms should not be required to police user activity or be liable for the speech of third parties. To promote e-commerce and democratic discourse, Section 230 of the Communications Decency Act enables Internet platforms to host content without being considered the speaker of that content. This has been critical to the Internet's success in the U.S.



Customs & Duties

Trading partners should increase arbitrarily low de minimis thresholds to decrease trade barriers experienced by Internet-enabled businesses. Additionally, provisions ensuring duty free treatment for all technology goods and services and the limitation of non-tariff barriers that can be imposed on technology and other goods would allow Internet-enabled small businesses to engage in global trade and commerce.



Promote Open Payment

Trade policies should reflect the important role Internet-based payment methods play in facilitating cross-border commerce. To promote interoperability and a healthy, competitive market, international policies impacting cross-border payments should focus on open standards, be technology neutral, and ensure that consumers across the globe have access to safe and secure payment methods.

THE UNITED STATES IS INTERNET-RELATED

A NET EXPORTER OF SERVICES & PRODUCTS.

Internet companies today **CONTRIBUTE \$141 BILLION** in annual revenue to the overall U.S. GDP, employ **6.6 MILLION PEOPLE**, and facilitate digital trade by enabling businesses large and small to reach customers across the globe.

The U.S. International Trade Commission estimates that digital trade **HAS ALREADY BOOSTED U.S. GROSS DOMESTIC PRODUCT BY 3.4 TO 4.8%**, through enhanced productivity and reduced international trade costs, and the effect on U.S. total employment ranged from no change to an increase of 2.4 million full-time equivalents.

97% OF US TECHNOLOGY - ENABLED COMMERCIAL SELLERS engage in exporting; U.S. technology-enabled commercial sellers selling abroad reach about 30 markets whereas traditional US businesses that export reach on average 2-3 different markets per year.

According to the U.S. International Trade Commission, U.S. exports of digitally enabled services (one measure of international digital trade) **GREW FROM \$282.1 BILLION IN 2007 TO \$356.1 BILLION** in 2011, with exports exceeding imports every year.

The U.S. **CAPTURES MORE THAN 30% OF GLOBAL INTERNET REVENUES** and **MORE THAN 40% OF NET INCOME.**

Internet accounts for **15 PERCENT OF ALL U.S. GROWTH BETWEEN 2004 AND 2009**, and Internet firms making up 3.8% of America's GDP. (Or \$600 billion in economic output.)

Case Studies in the United States

The Pro's Closet

www.theproscloset.com

Boulder, Colorado

Lightening mankind's carbon footprint one bicycle at a time.

Years ago, co-owner Nick Martin embarked on a mission while living in his Volkswagen Bus - he decided to sell all of his worldly possessions on eBay. Other than his bus and bike, Nick managed to sell everything he owned. Today, he is the proud co-owner of The Pro's Closet (TPC),



currently the nation's largest eBay store specializing in reselling used cycling gear.

Nick says that using PayPal allows TPC to reach overseas consumers. With 28 employees, the company now

averages \$5 million in sales. Though TPC has 2 physical locations - a drop off location in Denver and a main storefront in Boulder, Colorado, its services are widely available abroad. TPC has become the world's largest used cycling store with 40% of sales going to international markets like Australia and Japan. Nick credits the boost in international sales to consumers realizing that they have easy access through the Internet via eBay to products that may be unavailable in their local markets.



Rev

<http://www.rev.com>

San Francisco, CA

Rev, a venture-backed Bay Area startup, offers audio transcription and document translation to businesses around the world. Since being established, the startup is fulfilling its mission to give more people the freedom to work from home by

creating thousands of work from home jobs for translators and transcriptionists.

The company relies on a network of select freelancers and uses its technology to ensure unbeatable quality, speed, and value. Although Rev's business operations are complex with 14 full-time employees, tens of thousands of customers, and thousands of orders per month, the company uses Intuit's products to keep operational costs low and save money

to continue to build a global community of freelance translators and transcriptionists.

In addition to keeping costs low, Intuit's products, such as Online Payroll, allow Rev to seamlessly compensate its employees:

"We have full-time employees in three states and an ever-changing roster (we are growing fast!) and the Intuit Support team have been very helpful getting us through changes," said David Abrameto, Rev Chief Financial Officer.



the lovely wall co.
CHALKBOARD WALL DECALS

The Lovely Wall

<https://www.etsy.com/shop/TheLovelyWall>

Oklahoma City, Oklahoma
Making the world beautiful, one wall at a time.

After moving from Dallas, Texas to Oklahoma City,

Oklahoma with her husband, Megan Close decided to leave the world of apparel design. Together, they took out a loan to purchase their own high-end equipment to launch a vehicle graphics business. Though the business never took off, in 2013, Megan revived the business as The Lovely Wall, offering unique well-made removable wall decals and wallpaper. Today, the business operates successfully through her Etsy

shop, which has allowed her to pay off the loan, cover all of her business expenses, pay herself a salary, and invest further. Megan takes pride in designing, printing, cutting and shipping out the decals and wallpaper and explains, "I feel more comfortable getting to do it myself. I really enjoy being my own boss." Despite all of her successes, Megan faces great challenges with international shipping processes.

Blitsy

www.blitsy.com

Chicago, Illinois

Founded by siblings Ross, Ryan, and Katie Petersen, Blitsy has become one of the fastest growing crafts businesses in the United States, specializing in providing a marketing platform for a range of craft suppliers - from paper crafts to jewelry making supplies to yarn and crochet needles. The platform also provides consumers with access



to exclusive deals through ongoing flash sales. Blitsy has grown into a forum for community engagement by enabling the sharing of inspirational project ideas. Although the company started international sales only a year and a half ago, today it ships products to over 90 countries, which accounts for 25-30% of its revenue.

Bone Suckin' Sauce

<https://www.facebook.com/business/success/bone-suckin-sauce>

Raleigh, North Carolina

Based in Raleigh, North Carolina, Phil Ford initially stumbled upon his "Bone Suckin' Sauce" in 1987 when he attempted to reproduce his mother's recipe. After some encouragement, he brought the sauce to market in 1992, which has since won numerous awards including receiving an A+ rating by Health Magazine - the only barbecue sauce to receive this rating. Today, the company exports

its products to over 50 countries with 15-20% of its business coming from these exports. Both domestic and export sales are steadily growing.



The company attributes an increase in sales of its product to its Facebook engagement. To attract new customers, the company promoted its Facebook post - "Which is better on the grill? Fish, chicken, vegetables, or steaks?" - to encourage conversation among fans. As a result of the Facebook ads, online store sales jumped 83%, online store visitors increased by 28%, and the company saw a nine-fold increase in engagement with the promoted posts versus the non-promoted posts. Patrick Ford, the International Market-

"There's no other place where we can reach so many of our customers and place our product right in front of them."

ing Director of Ford's Gourmet Foods, acknowledges the importance of the company's Facebook page in helping drive sales. "There's no other place where we can reach so many of our customers and place our product right in front of them. We give them the chance to weigh in on how they

Case Studies: Abroad

Airtickets

www.airtickets.gr

Athens, Greece

Company motto: *Fast, easy, cheap!*

In 1998, Dimitris Kontogeorgos launched Airtickets after recognizing a need for business travelers to book trips easily and efficiently through a trusted partner. The road to Airtickets, however, was not as streamlined. Growing up in a small village in Greece, Dimitris trained formally as a teacher and had little computer knowledge. Due to unemployment, he was forced to leave the education field to take on a number of small jobs. Through these jobs, Dimitris acquired new skills and drew new lessons, which he eventually leveraged



when he created airtickets.gr.

Starting a website in the late 90's had its hurdles, but Dimitris persevered through the years and has grown his company to 135 employees occupying a 600 meter square office. Users now understand and reap the benefits of booking travel online. Airtickets.gr is now a household name and is the dominant travel website in Greece. In fact, one out of every two Greeks who search for online travel options ultimately chose Airtickets. The company seeks

activities in other countries such as Russia, the United Kingdom, Ireland, Poland, Turkey, Italy, Australia, India, and the United States.

Since its inception, the company has expanded to encompass other methods of online outreach through means of mobile technology by operating an award-winning App and since 2011, offering PayPal services to its customers: "PayPal is a widely trusted and recognized payment method for people all around the world. Using PayPal increases our exposure and gives us the opportunity to increase our sales by providing an additional secure payment method for our customers." - Dimitris Kontogeorgos, CEO.

WOW Media

<http://www.wowmedia.eu/>

Newark, Nottinghamshire (United Kingdom)

WOWMedia

At only 13 years old, Matt Lovett began selling candies to his classmates on the school playground in order to fund his first website, which British Rewards later rebranded to WOW Cashback. The site garnered over 200,00 members. In 2007, Matt expanded WOW

Cashback and formed WOW Media to include seven other websites operating in several online industries such as discounts, marketing, freebies, and dating. According to Matt, the company offers a wide range of online services for advertisers to generate more traffic, website owners to monetize their traffic, and consumers to save money and enjoy discounts. Shortly after its inception, WOW Media generated over £25,000 a month, opened its first offices, and started recruiting more talent.

WOW Media relies on Intuit's QuickBooks to help streamline the company's accounting and track finances. Matt acknowledges that the benefit of using QuickBooks to realize efficiencies in the company's daily operations frees up additional time dedicated to brainstorming new ideas and developing new projects. Additionally, the service allows WOW Media to engage in transactions with its customers across the globe by providing a mechanism to invoice customers in their own currency.



L'Accent nou

<https://www.etsy.com/shop/LAccentNou>

Manacor, Spain

Graceful handmade ceramic and silver jewelry

Growing up in Russia, Anastasia Shelyakina did what she was expected to do

and only found her calling as an artist after moving to a beautiful island off Spain with her husband. Realizing that she wanted to be an artist, she drew inspiration from pottery traditions of the Black Sea of her childhood and now of her new home.

What started off as experiments with air-drying clay later turned into a profitable jewelry business as Anastasia was able to save enough money from her Etsy shop to buy her own kiln, elevating her operations. To craft each piece, she works with raw materials such as clay, which she sources from wells around

the island. Then, she forms beads from the clay, pit fires them for 24 hours, washes each bead, and then polishes each one with beeswax.

Despite living on an island, Anastasia has built a thriving and fulfilling business for herself by building a customer base abroad. Over half of Anastasia's orders come from the United States, and she has developed close relationships with some of these trans-Atlantic buyers, such as Catie from Idaho. Both women formed a bond over their vegetarian lifestyles and are mothers of three. Anastasia and Catie quickly sparked a long-lasting correspondence. Last year, while traveling Europe, Catie visited Anastasia on her island, wearing, of course, one of Anastasia's necklaces. Anastasia reflects, "This is my most special experience with Etsy."

Hawkers Co.

www.hawkersco.com

Using a €30 Facebook ad coupon, the founders of Hawkerc Co. - four young entrepreneurs - launched their new sunglasses line through Facebook. Prior to its product launch, the company leveraged its Facebook page to build anticipation and demand for a completely new brand. By offering exclusive discounts to fans that "liked" its page, Hawkerc Co. created an ad campaign designed to increase brand awareness among potential customers.



To reach a broader audience, the company created a series of low budget campaigns, which allowed them to reinvest profits to create more campaigns. The Hawkerc Co. team, now a team of more than 25 people, saw

a significant return on their investment - 10 times its initial investment to be exact - and experienced 3 times as much conversation about their product in comparison to the advertising platforms. In just six months, the company gained 25,000 customer orders.

For co-founder Pablo Sanchez, Facebook is an important platform for his company; he states, "For our company, Facebook is both a window and a loudspeaker to the real world, through which we can tell people about our values and products in a personal way that has never before been imagined."

“The Internet is an important export for the United States economy.

Most Internet companies are based in the U.S. but users are predominantly located **ABROAD.**”

- MICHAEL BECKERMAN
PRESIDENT & CEO
INTERNET ASSOCIATION

Sources:

James Manyika ET AL., Global Flows in a Digital Age, MCKINSEY & COMPANY (Apr. 2014) http://www.mckinsey.com/insights/globalization/global_flows_in_a_digital_age.

James Stamps ET AL., Digital Trade in the U.S. and Global Economies, Part 1, UNITED STATES INT'L TRADE COMM'N, i (2013), <http://www.usitc.gov/publications/332/pub4415.pdf>.

Internet Enabled Part-Time Small Businesses Bolster U.S. Economy, INTERNET ASS'N, 10 (Oct. 2013), <http://internetassociation.org/wp-content/uploads/2013/10/InternetAssociationExecutiveSummary-InternetEnabled-PartTimeSmallBusinessesBolsterEconomy.pdf>.

Edward Gresser, Lines of Light: Data Flows as a Trade Policy Concept, PROGRESSIVE ECONOMY, 5 (2012), <http://www.globalworksfoundation.org/Documents/data.paper.final.pdf>.

Technology-enabled Global Trade, EBAY INC., 5, <http://www.ebaymainstreet.com/sites/default/files/US-Technology-Enabled-Global-Trade.pdf>.

Etsy Values & Impact Annual Report 2013, ETSY, 3, 13 (2013), http://blog.etsy.com/news/files/2014/02/Etsy-Progress-Report_2013.pdf

Kruti Patel Goyal, International Update, ETSY NEWS BLOG (Oct. 15, 2012), <https://blog.etsy.com/news/2012/international-update/>.

Tom Rosenstiel ET AL., How People Learn about their Local Community, PEW RESEARCH INTERNET PROJECT (Sept. 26, 2011), <http://www.pewinternet.org/2011/09/26/how-people-learn-about-their-local-community/>.

Myles Anderson, 88% of Online Consumers Trust Online Reviews as much as Personal Recommendations, SEARCH ENGINE LAND (July 7, 2014, 10:22 AM), <http://searchengineland.com/88-consumers-trust-online-reviews-much-personal-recommendations-195803>.

Vassilis Antoniadis ET AL., Connected Greece: The Internet as a Development Lever for the Greek Economy, THE BOSTON CONSULTING GROUP, 6, 29 (2012), <http://www.bcg.gr/documents/file101712.pdf>.

eBay Inc. Enabling Global Trade, YOUTUBE (Sept. 25, 2014), <https://www.youtube.com/watch?v=gf7oT-U-dJM&noredirect=1>.



Internet Association



UBER

