

# E-commerce in the United States of America

## A guide for Australian businesses – August 2022

## Executive summary

The sophisticated e-commerce market of the United States of America (US) presents excellent opportunities for Australian brands that have differentiated products and strong digital marketing capabilities. The US has 82.72 million cross-border online shoppers who can access brands through online sales channels including e-commerce marketplaces, localised branded websites and social media.1

Popular US e-commerce marketplaces include Amazon, Walmart and eBay. Using these mega marketplaces increases brand exposure and searchability, and offers an avenue for product validation. Significant opportunities exist in speciality marketplaces such as Etsy for Australian brands with speciality products. Invesp reports that 34 per cent of US consumers regularly use international e-commerce sites to make purchases.2 Leading product categories include apparel, books and video games, computer equipment, toys, and beauty products.3 The food and beverage category has grown the fastest during the COVID-19 pandemic as US consumers moved to online shopping during lockdowns.

Although the scale of the US market and its cultural similarities to Australia are appealing, exporters will need to consider whether their product is differentiated enough to penetrate the highly competitive domestic market. For commercial shipments, eligible Australian products receive preferential tariffs under the Australia-United States Free Trade Agreement (AUSFTA). This has helped many Australian exporters enter the US market online by allowing them to have more competitive prices.

The US regulatory requirements for products sold online are the same as those sold offline through traditional exporting or bricks and mortar retail. However, there are complex rules and regulations at the state level, specifically regarding state sales taxes.

To be successful, exporters need to invest heavily in digital marketing, especially social media marketing. Exporters will want to communicate with the 193.9 million4 people using Facebook and 114.6 million5 people on Instagram in the US. Integrating influencer marketing into your social media strategy can increase conversion rates of your US e-commerce sales.

Product return rates are high in the US, and consumers expect free and timely shipping. Exporters will need a competent logistics provider to manage these efficiently in the US and to be competitive against domestic brands.

The US e-commerce market is forecast to grow as COVID-19 accelerates consumer online shopping behaviour. Australian exporters are positioned well to seize this opportunity.

## International e-commerce strategy blueprint

Online export, also known as cross-border e-commerce, is when consumers purchase products online from sellers in a different country.

Successful online exporters take time to develop a cross-border e-commerce strategy. Our experts have developed a blueprint to help guide your research. Developing your strategy is not a linear process, and the decisions made at one step can influence those made at others. As you go through the process, be prepared to revisit steps and make changes.

Your customer experience and brand loyalty will be determined by how effectively you research and manage this cycle.

For example:

* Selling from a marketplace instead of your own website may influence which logistics solutions you use.
* Great promotions on social media may fail to convert sales if you don’t provide shoppers with detailed information and payment options in their currency.
* Long delivery delays can make it difficult to build an ongoing relationship with customers and gain repeat purchases.

Adjust the strategy when going through the process. The following components are interdependent. Adjust your strategy, as necessary.

### Market Selection Research

Research potential export markets and narrow down options. Research:

* Market, product categories and competitors
* Website and social media data to see where there is customer interest
* Regulations, labelling and importing country requirements
* Trademark registration
* Taxes and duties

### Business Model Selection

Understand the various online business models and match them to your business risk appetite and operational capacity. Look at the following models:

* Sell to a distributor
* Sell from your website
* Sell through a marketplace
* Sell on social media

### Marketing and Sales

Promote your brand and drive traffic to your website or online listing for conversion. Invest in:

* Promotion
* Pricing model
* Digital marketing
* Localisation
* Optimisation

### Enabling Business Operations

Implement systems, infrastructure, people, and positive business culture to scale your business for international operations. Look into the following areas:

* Logistics
* Returns policy
* Systems integration applications
* Suitable payment methods
* Finance and grants
* Local customer service
* Ongoing customer relationship management

## US e-commerce market snapshot

* US$768 billion e-commerce total sales revenue in 20216
* US$1.3 trillion e-commerce online shopping revenue forecast by 20257
* 75% of consumers have tried a new shopping behaviour, and most intend to continue beyond the pandemic8
* 74% of consumers begin their product search with Amazon9
* 19% projected e-commerce sales of total retail sales by 202410
* 35% forecast growth in online essentials shopping post-pandemic11
* 57% of marketers expressed plans to expand influencer marketing12
* 20% to 30% average return rates from e-commerce sales in the US13

## US e-commerce market overview

In 2021, the US was the world’s second largest e-commerce market behind China.14 With excellent logistics infrastructure, a tech-savvy population and a business-friendly environment, the US is one of the leading markets for online marketplace shopping.

It also has the second highest number of cross-border online shoppers in the world: 82.72 million.15 In 2020, e-commerce sales represented 15 per cent of total retail sales in the US.16 This is expected to reach 19 per cent by 2024.17

McKinsey & Company, COVID-19 Consumer Pulse Survey 2020 says that of the 75% of consumers who have tried a new shopping behaviour since COVID-19:

* 40% have tried a new shopping method and 73% intend to continue
* 36% have tried a different brand and 73% intend to continue
* 33% tried a different retailer/store/website and 79% intend to continue
* 25% tried a private label/store brand and 80% intend to continue
* 20% tried a new digital shopping method and intend to continue

Source: McKinsey & Company, COVID-19 Consumer Pulse Survey 2020

### US consumer shopping behaviour during COVID-19

The COVID-19 pandemic has changed global consumer behaviour, with many switching to online shopping. This upward trend is expected to grow in the US as people incorporate physical distancing and stay-at-home orders into their everyday lives. US consumers are now more hygiene conscious and online shopping behaviours are likely to persist beyond the pandemic.18 McKinsey & Company’s consumer pulse survey results indicate 35 per cent growth in online shopping for essentials post-pandemic. Product categories include over-the-counter (OTC) medicines, groceries, household supplies and personal care products. Another prediction based on the survey is for higher than 15 per cent growth in non-essential product categories such as vitamins and supplements, snacks, jewellery, skin care and make-up, and apparel and accessories.

There has been a shift in US consumer brand loyalty. Thirty-six per cent of US consumers have switched to a different brand since COVID-19 started.19 McKinsey & Company states 75 per cent of consumers have tried a new shopping behaviour, and most intend to continue it beyond the crisis.20

#### More people now expect to make some of their purchases online than before COVID-19

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Before COVID-19** | **Expected growth after COVID-19** | **% growth in customers purchasing category online** |
| OTC Medicine | 23 | +10 | +44% |
| Groceries | 25 | +10 | +41% |
| Household supplies | 25 | +10 | +38% |
| Personal-care products | 26 | +10 | +38% |
| Alcohol | 19 | +7 | +34% |
| Furnishings and appliances | 46 | +14 | +30% |
| Food takeaway & delivery | 38 | +11 | +28% |
| Fitness and wellness | 39 | +11 | +28% |
| Vitamins and supplements | 40 | +11 | +27% |
| Non-food child products | 40 | +10 | +25% |
| Snacks | 28 | +6 | +20% |
| Jewellery | 54 | +10 | +19% |
| Apparel | 60 | +11 | +19% |
| Skin care and make-up | 47 | +9 | +18% |
| Accessories | 56 | +9 | +18% |
| Footwear | 52 | +8 | +16% |
| Tobacco | 26 | +4 | +15% |
| Books/magazines/newspapers | 64 | +7 | +11% |
| Consumer electronics | 66 | +6 | +10% |
| Entertainment at home | 80 | +3 | +4% |

Source: McKinsey & Company, COVID-19 Consumer Pulse Survey 2020, Popular US Product Categories

### Popular online product categories

The sheer scale of the market presents many opportunities for Australian exporters looking to sell online in the US. The top product categories for retail e-commerce sales are computer and consumer electronics, apparel and accessories, and furniture and home furnishings. There is also strong consumer appetite for health, personal care and beauty products, which grossed US$73.52 billion in total sales in 2020; and foods and beverages, which grossed US$45.47 billion in total.21 Opportunities exist for Australian businesses with high-quality products and strength in these areas.

Invesp reports that 35 per cent of US consumers regularly make purchases from international e-commerce sites.22 The driving factors are cheaper prices online and access to unique brands and speciality products that are not usually available in US bricks and mortar retail stores.

The food and beverage category has been the fastest growing during COVID-19, with consumers turning to online food shopping during lockdowns. This presents excellent opportunities for Australian premium food and beverage exporters that wish to enter the US market online.

#### Invesp lists the top products purchased by US Shoppers from overseas as:

* 31% Apparel
* 22% Books and video games
* 16% Computer equipment
* 15% Toys
* 14% Beauty products

**Many US consumers begin their online product search and shopping journey using the Amazon marketplace. Jungle Scout states that the number is as high as 74 per cent of US shoppers.23 Jungle Scout’s 2021 State of the Amazon Seller Report outlined the top product categories on Amazon, as shown below.**

**14%** Beauty products

#### Top 10 Categories

|  |  |
| --- | --- |
| Home and kitchen | 40% |
| Sports and outdoors | 21% |
| Toys and games | 19% |
| Beauty and personal care | 19% |
| Health, household and baby care | 18% |
| Kitchen and dining | 16% |
| Office products | 15% |
| Garden and outdoor | 14% |
| Tools and home improvement | 14% |
| Pet supplies | 13% |

Source: Jungle Scout, 2021 State of the Amazon Seller Report

### The rise of social commerce

Selling on social media – also known as social commerce – is a new and growing trend. Social media integrates marketing and selling, which can lead to higher sales rates. The US has had a significant uptick in e-commerce sales because of social media selling. Shoppers under the age of 34 are now 2.5 times more likely to shop on social media in the US than before COVID-19.24

Social commerce is likely to increase as social media companies continue to integrate shopping functionality into their applications. Staying across this emerging trend and factoring it into your marketing and sales strategy will add to your competitive advantage.

Social media is also an easy way to communicate directly with your customers, drive traffic to your marketplace listing or website, and build brand loyalty.

## Is the US the right market for you?

Before committing resources to selling online in the US, consider if it is the right market for your brand and business. Ask yourself whether your business can successfully scale up to process orders to the US and whether the costs of doing so make your product’s price viable in the market.

### The benefits

#### Mature and large market

The US and Australia have a lot of similarities. Both are English-speaking nations with long and profitable trade and investment histories. Australia has considerable market access advantages under the AUSFTA. This is attractive for many Australian exporters shipping commercial quantities.

#### Tech-enabled population

US consumers are early technology adopters, with 85 per cent smartphone penetration25 driving the US$282.8 billion mobile commerce market.26 Significant opportunities exist for tech-enabled brands with good digital marketing capability.

#### Rising socially responsible consumer market

US consumers increasingly want to buy products from brands that are socially and environmentally responsible. According to Euromonitor International, 64 per cent of US consumers feel they can make a difference to the world through their choices and actions.27 The socially responsible shopping trend is increasing as consumers seek brands with ethical supply chains. They also want brands that align with their social and environmental interests. Australia’s strong reputation for clean and green brands resonates well with this consumer segment. Australian brands with good social and environmental positioning can tap into this growing market.

### The challenges

#### Highly competitive consumer sector

Pricing and product differentiation are two major challenges in the highly competitive US consumer sector. To cut through, Australian products will need a unique selling proposition and be priced well. When determining retail and promotional prices, you’ll need to factor in logistics costs, duties and taxes, currency conversion and local service provider fees. These costs can significantly eat away at your profit margin or can lead you to price your product out of the market. Striking the right balance is key.

#### Returns logistics

US consumers expect free and timely product returns, and the US has high product return rates: between 20 per cent and 30 per cent from e-commerce sales.28 This will fluctuate depending on seasonal spending such as holiday e-commerce. Apparel being the highest product category for returns will also impact rates. Your advertised returns policy and third-party logistics (3PL) provider will need to meet this demand to be successful.

You’ll also need to determine if managing high product returns is financially viable, as return logistics can be costly. Consider consolidating your returned products in the US and shipping them back to Australia with a 3PL provider or an agent.

#### State sales tax complexity

One of the biggest challenges is understanding and navigating complex state sales taxes. Unlike Australia, the US doesn’t have a broad-based federal tax on products, such as GST. States charge sales taxes at the point of transaction and the rates vary between jurisdictions. Whether you pay sales tax or not is determined by a physical or economic ‘nexus’. A physical nexus can be created by your storefront, warehouse and sales team location. An economic nexus is when a business generates a certain amount of sales in a state creating tax obligations.

There is assistance available. If you are selling from your own website, there are many software programs that automatically calculate these taxes for you. Good programs will integrate into your existing business management systems and website. Most online marketplaces will calculate sales tax for you.

We also recommend you engage a US tax professional to verify all information for your situation.

## Market Selection Research

You need to research the following areas to see if the US is suitable for your product:

### Regulations and importing country requirements

* When sending orders direct via post or courier, your shipped products will need to clear customs. The [e-commerce compliance guide](https://www.cbp.gov/sites/default/files/assets/documents/2020-Jan/E-Commerce%20Compliance%20Guide%20for%20Online%20Sellers.pdf) issued by US Customs and Border Protection outlines how you can get your products cleared and delivered on time.29 To manage expectations, notify your customers on the expected customs clearance times.
* If sending commercial shipments above the $800 duty-free threshold, you will need to comply with all US importing rules and regulations.
* There are specific requirements for food and health supplements. These products require production facility registration. This facility registration number is required for the Prior Notice of Shipment process, including when products are sent through international postage channels. If this is not done, the shipment may be returned to the sender or destroyed. The FDA’s [Sending Food Through International Mail Subject to Prior Notice](https://www.fda.gov/food/importing-food-products-united-states/sending-food-through-international-mail-subject-prior-notice) web page and [Australia Post’s international post guide](https://auspost.com.au/sending/send-overseas/international-post-guide/results/united-states)31 provide more information.30
* The US Food and Drug Administration (FDA) regulates the importation of a large range of products. All food, drugs, biological substances, cosmetics, medical devices and electronic devices that emit radiation require registration and approval. You’ll need this approval prior to sending commercial shipments to the US.
* Customer delivery times for mail, online or phone orders are regulated in the US. Under the [Federal Trade Commission 30-day rule](https://www.ftc.gov/legal-library/browse/rules/mail-internet-or-telephone-order-merchandise-rule)32 if the seller cannot meet the advertised timeframe for delivery, or 30-day default, the seller must seek the customer’s consent for the delay. You’ll need a competent logistics provider to meet this need to avoid risking costly returns.

### Product labelling

* The [US FDA](https://www.fda.gov/home) regulates product certification, labelling and packaging standards. Packaged food, cosmetics and complementary medicine products must follow the provisions in the related laws. We recommend engaging service providers to verify and confirm all information, as navigating federal and state rules and regulations can be complex.
* The State of California publishes a list of harmful chemicals under Prop 65 labelling regulations, as part the *Safe Drinking Water and Toxic Enforcement Act 1986*. Prop 65 requires the state to publish a list of chemicals known to cause cancer, birth defects or other reproductive harm. It also outlines the safe levels for those chemicals. Australian businesses wanting to export to California must comply with these labelling regulations if their company employs more than 10 people. Failure to comply can leave your business vulnerable to litigation in the event of Californian authorities or a citizen reporting it. If an enforcement claim is successful in the courts, and it was instigated by a member of the public, the complainant qualifies for 25 per cent of any monetary penalty imposed.

For more information see advice on the [Practical Ecommerce](https://www.practicalecommerce.com/california-prop-65-impacts-ecommerce-merchants) and [Multichannel Merchant](https://multichannelmerchant.com/blog/assessing-california-prop-65-impacts-on-ecommerce-catalog-content/) websites.

It’s important to note that this is only one of the many product labelling and safety requirements in the US. There are many compliance audit companies that can run a Prop 65 audit along with any other safety requirements for a particular product. For more information, see advice on the [SGS Labs](https://www.sgs.com/en/news/2018/01/understanding-california-proposition-65-commonly-asked-questions) and [UTS Inspection](https://www.utsinspection.com/news_view_27.html) websites.

### Trademark registration

* The Australian government agency [IP Australia](https://www.ipaustralia.gov.au/) states, ‘In general terms, IP registration and protection in the US is very similar to Australia. However, the civil litigation process for enforcement is considered to be more aggressive and expensive compared to Australia.’
* Copyright registration is administered by the [US Copyright Office](https://www.copyright.gov/) of the Library of Congress.
* You can register patent, trademark and design applications online through the [United States Patent and Trademark Office](https://www.uspto.gov/) (USPTO) website and copyright through the Copyright Office website.

### Competitor research

* Research your competitors and product category to ascertain your competitive advantage. You want to understand who your competitors are and their value proposition. You can:
* find your top competitors selling in the US using Google
* check out their websites, social media and online marketplace listings
* compare your product price with that of your leading competitors.

### Taxes and duties

US taxation is complex. Your tax and duty obligations can depend on the business model and logistics solution you are using. Contact a qualified tax consultant to verify your tax responsibilities. Following are some examples:

#### a. Sell from your own website and ship individual parcels direct to consumers

In this scenario, you would use Australia Post or an international courier to ship your products.

* **Import duties**   
  Postal shipments have a tax-free threshold of US$800. Any shipments below this value do not attract import duty.
* **State sales tax**  
  Sales tax liability is applicable when you have either a physical or an economic sales tax nexus. Sales made direct to customers from Australia or from your Australian website are deemed remote. They are not subject to US sales tax until state thresholds are met, which creates an economic sales tax nexus. State thresholds vary between states and are commonly set around US$100,000 per annum or more than 200 transactions. If you are using a 3PL provider, warehouse, agent or shopfront in the US, this can establish a physical nexus that activates sales tax liability on any transaction.

#### b. Sell from your website and ship bulk to a warehouse in the US

Products are shipped domestically in the US to the end consumer when orders are placed.

* **Import duties**  
  Commercial shipments may attract import duties. Australia has a Free Trade Agreement (FTA) with the US. This provides preferential tariffs for approved products that also meet the Rules of Origin test. Check out duties on [DFAT’s FTA Portal](https://ftaportal.dfat.gov.au/).  
    
  Commercial shipments to US warehouses and fulfilment houses will incur import duties if the total value of the shipment is over US$800, even if the shipment is made up of individually packed items destined for many individual shoppers.
* **State sales tax**  
  Warehousing can create a physical or economic nexus, which will trigger a requirement for the seller (you) to collect state sales tax where applicable. You need to determine the states in which you have a nexus and then register for sales tax there.

**There are accounting programs to help you keep track of your sales tax obligations. Software examples include Avalara, Taxjar and Quaderno. These tools can also be used with Shopify Plus. We recommend hiring a US tax consultant to verify information.**

### Australia-United States Free Trade Agreement (AUSFTA)

**If sending commercial shipments above the $800 threshold, you can take advantage of the AUSTFA.**

Australian goods are subject to zero tariffs if they qualify under the Rules of Origin test. Rules vary according to each different product’s Harmonized System Code (HS Code). For more information, go to [DFAT’s Free Trade Agreement Portal](https://ftaportal.dfat.gov.au/). Nominate your HS Code and click on the tab for the Rule of Origin information. Answer the questions to assess your product’s origin status.

You must provide a Certificate of Origin to receive preferential tariffs under AUSFTA. Check out [US Customs and Border Protection](https://www.cbp.gov/trade/free-trade-agreements/australia) for more information and templates for statements regarding Certificates of Origin.

## Choosing an online US business model

There are four main ways to sell online in the US, and you can use more than one at a time. This report focuses on selling direct to consumers, but you can also sell to a distributor that lists and sells your product online.

### 1. Sell from your own website

Sell direct to customers overseas. You’ll need capacity to manage the marketing, customer service, shipping and returns, or you can engage service providers to do this.

Tailor your website to suit a US audience. Customers often visit websites to research products and verify their authenticity, even if they place an order elsewhere.

Our experts recommend using:

* US measurements and sizing
* US English – it’s not always the same as Australian terminology.

### 2. Sell through online marketplaces

Online marketplaces are suitable if you have a branded product and some experience in e-commerce. You’ll need to learn how to use marketplaces and manage the day-to-day operations such as marketing, customer service and logistics.

Each marketplace has different requirements, costs, services and policies for listing your product. The matrix over the page outlines some of the things you should consider.

#### US marketplace matrix

|  | **Amazon** | **Walmart** | **eBay** | **The Home Depot** | **Target** | **Kroger** | **Etsy** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Business model** | B2B2C  B2C | B2C  B2B2C | B2C  C2C | B2B2C | B2B2C | B2B2C | B2C  C2C |
| **Product categories** | General retail | General retail | General retail | Home improvement | General retail | Online groceries | Handcrafted items |
| **Fees and conditions** | Monthly  fee +  commission  fee on each transaction | Commission  fee is  charged on  each  transaction | Listing fee + commission  on each  transaction | Importer to establish listings  Need a  local  partner  to launch  Not open  for seller  registration | Importer to establish listings  Need a local  partner  to launch  Not open  for seller registration | Importer to establish listings  Need a local partner  to launch  Not open for seller registration | Listing  fee +  commission  on each transaction |
| **Logistics model** | Fulfillment by Amazon or fulfil by merchant | Walmart fulfillment Services or fulfil by merchant | Fulfil by merchant | Home Depot to manage logistics | Pickup and delivery managed by Target | Kroger to manage logistics | Fulfil by merchant |
| **Retail e-commerce sales 2020  (US$  billions)** | 309.48 | 53.3 | 37.53 | 18.16 | 92.4 | 13.26 | 6.57 |
| **US retail  e-commerce share^** | 41.4% | 7.2% | 4.3% | 2.3% | 2% | 1.6% | 0.9% |

Sources: [eMarketer](https://content-na1.emarketer.com/us-digital-grocery-forecast-2021?ecid=dfda7bcd4b86471fba0d362c1f4a962e) and [Frost and Sullivan](https://research.frost.com/assets/1/f0a502e4-4463-11e8-b626-1aa9f74f20ad/9e4e8382-0baa-11ec-bd97-16b415e7a400/research?eui=2e18e64e-19a5-11ec-b925-d627ad951e4c&loginas=false&sessionId=null). ^ [Statista](https://www.statista.com/statistics/274255/market-share-of-the-leading-retailers-in-us-e-commerce/)

**Note:** ‘Fulfil by merchant’ is when the seller manages the logistics.

**Note:** B2B is when a business transacts with a business. B2B2C describes when a business sells to another business who then sells to consumers. B2C is when a business sells direct to a consumer. C2C is when customers transact directly.

#### Marketplace profiles

[Amazon](https://sell.amazon.com/?ld=AZFSSOA&ref_=footer_soa), the market leader, had a 41 per cent market share of leading retail e-commerce companies in the US in October 2021.33 There are two ways of selling on Amazon: as a vendor or as a third-party marketplace merchant. Amazon also offers a fulfilment service, Fulfilment by Amazon (FBA), which is easy and efficient to use. Due to FBA, the company’s large customer base and an easy-to-use seller interface, Amazon is a popular option for Australian businesses looking to start exporting to the US.

[Walmart](https://marketplace.walmart.com/), the world’s largest retail chain, launched its online marketplace in 2009. Walmart’s market share of leading retail e-commerce companies in the US in October 2021 was 6.6 per cent.34 However, according to a report by Jungle Scout, Walmart is growing five times faster online than Amazon e-commerce.35 Jungle Scout’s research attributed this growth to Walmart’s price and customers’ familiarity with the brand. Shoppers were also attracted to having an easy pickup and returns system at nearby stores. On 18 March 2021, Walmart opened its marketplace to international sellers. Australian businesses can sell on the marketplace after receiving approval from Walmart via its registration process. Walmart no longer requires brands to be stocked in their bricks and mortar stores before listing online. This new strategy is designed to compete directly with Amazon’s international seller program.

[eBay](https://www.ebay.com/sl/sell?sr=wnstart) is an online marketplace selling new and used products. It was one of the first marketplaces to offer a customer-to-customer (C2C) business model. Today, eBay offers B2C and B2B business models. In October 2021, eBay’s market share was 4.2 per cent of retail   
e-commerce companies.36

### 3. Sell on social media

Social commerce can lead to higher sales conversion rates. In 2021, 4 per cent of online sales were made on social commerce.37

Social commerce means you’ll still need to manage logistics, regulatory requirements and returns, unless you engage an e-commerce service provider to do this for you.

### 4. Sell to a distributor

You can sell to a distributor that sells online. This is like traditional exporting. To avoid competition between distributors, double-check your product isn’t already listed online. You can negotiate online channels in your distributor agreement. You will still need to invest in brand awareness campaigns and ensure your business can scale up to meet commercial quantities.

## Marketing and sales

### Product price

In determining your product price, you’ll have to factor in all the costs associated with selling online to the US and judge if this is profitable. Check out your competitors’ pricing to establish a benchmark to work from. Customers compare pricing by researching online marketplaces.

When determining your product price, consider:

* freight costs for delivery to end consumers
* fees per transaction charged by the marketplace
* import duties and sales taxes
* estimated return rates for your product type in the US (factor in costs to manage returns and costs if the returned products can’t be resold)
* marketing costs such as paid advertising on marketplaces and local marketing service providers
* local customer service provider fees.

### Promotion and advertising

Simply listing products on an online marketplace or on your own website isn’t enough; you need to develop an effective marketing strategy to grow sales. A common mistake is assuming the online marketplace will drive traffic to your listing for you. You still need to attract customers to your listing or website through marketing. This means either promoting your products yourself or engaging professional service providers to manage and promote products within the marketplace.

#### Resources for digital marketing

* [Meta Blueprint](https://www.facebookblueprint.com/student/catalog) has information on how to drive traffic from Facebook to your website.
* The Shopify Blog has a variety of tools and information on [how to sell online](https://www.shopify.com.au/blog/topics/sell).
* [Google Digital Garage’s](https://auspost.com.au/sending/send-overseas/international-post-guide/results/united-states) learning module will help develop your long-term social media plan.
* [Meta for Business:](https://www.facebook.com/business/marketing/instagram) Instagram provides information on Instagram marketing.
* Grow your business with [Google Ads](https://ads.google.com/intl/en_au/home/#!/) teaches you how to improve visibility of your business in Google searches.

You may want to consider social media marketing, including influencer marketing, content and paid digital advertising. Influencer marketing is growing – 57 per cent of marketers expressed plans to expand influencer marketing, according to a study by Linqia.38 Many exporters use this marketing tactic to launch their brands in the US market and increase brand awareness and sales.

Following are some tips for marketplace marketing.

Check your product ranking by researching your product on the marketplace.

* Consider paid advertising with the marketplace.
* Conduct your own social media to help drive brand awareness.
* Engage influencers that complement your brand and match your target audience.
* Build customer relationship by monitoring product customer reviews.

You can take advantage of peak US online sales days and plan promotional activity in the lead-up to these key dates:

* New Year – January
* Valentine’s Day – February
* Mother’s Day – May
* Father’s Day – June
* Amazon Prime Day
* Black Friday – November
* Cyber Monday – November

The hard work doesn’t stop once your online sales have been established. Conduct ongoing research to ensure you’re up to date with regular changes in overseas e-commerce markets. Adjust your marketing activities to stay in tune with these consumer trends.

In the US, promotions and advertising are regulated. Product marketing language and claims used on websites and social media accounts must comply with [Federal Trade Commission rules](https://www.ftc.gov/).

There are also FDA requirements to consider even if no product claims are made on the product packaging or labelling.

## Enabling business operations

Prepare your business operations so that when sales are made, orders can be processed smoothly. Consider the following.

### Logistics

Choosing the right logistics solution and factoring in returns logistics can make or break your business in the US market. It will determine if your listed product price is competitive and if you can provide free quick delivery in line with US consumer expectations.

Restrictions associated with COVID-19 have created difficulties for exporters using 3PL providers in the US. Many exporters are opting to send products direct from Australia instead of bulk shipments to the US where there is risk of business and logistics shutdowns. Product delivery delays in a highly competitive market can hinder your brand, so consider your customer’s experience. You should be transparent with delivery times. The situation is continuously evolving, and your business must be able to adjust.

Regardless of which shipping option you use, you’ll need to complete the export documentation correctly. Providing incorrect or misleading information can cause delays and can be expensive.

There are many ways to ship your products to the US.

### Bulk Shipping using third-party logistics providers (3PLs)

Bulk shipping using a 3PL is a common logistics solution when your sales grow in the US.

This is different to the more traditional business model of selling to an importer where they take ownership of the goods.

When sending commercial shipments to a 3PL, you retain ownership of the goods when they are warehoused. To do this, you will need to complete a registration process for taxation as a foreign entity.

Then you can ship your products to the 3PL warehouse for storage. Your fulfilment partner picks and packs the products, and ships it to the customer.

The bulk shipping/3PL model can work in two ways at the transaction level.

#### 1. Bulk shipping before receiving orders

You send products in bulk to the US to be warehoused. Sales have not occurred yet. Your 3PL provider will pick and pack when orders are placed in-market. Your fulfilment partner will do last-mile delivery. Most 3PLs will have a fulfilment partner however this is not always the case. This option is ideal for experienced exporters to the US, or for when exporters have a mix of online and offline customers.

##### Advantages

* You will have stock in the market for faster delivery and a better customer experience.
* Better management of large sales volume.
* Preferential tariffs if your products qualify under the AUSFTA.

##### Disadvantages

* You may have unsold stock leading to higher warehousing fees.
* May be risky for products with short expiry dates.
* Cashflow management can be an issue when sales are slow as the product is already shipped in-market without being sold.

#### 2. Consolidated bulk shipping after receiving multiple orders

Individual orders are placed from the US. The orders are consolidated in Australia and shipped in bulk to your 3PL provider in the US. They breakdown the order for last-mile delivery by your fulfilment provider. When using this model, be aware of the US$800 tax-free threshold. If your shipment is valued at more than this, you’ll be liable for taxes and duties. This option suits exporters who have regular online orders in the US.

##### Advantages

* Lower per unit freight costs opposed to postage or courier charges.
* Preferential tariffs if your products qualify under the AUSFTA.

##### Disadvantages

* When one portion of the order is held for inspection by customs, the whole shipment can be held up. This may lead to delivery delays for all orders.

### Individual direct parcel shipment

Shipping parcels direct to your customer is a good option for new e-commerce exporters with higher-value and low-weight shipments, or exporters testing the market. This model is also known as door-to-door service or self-fulfilment.

You can use Australia Post or an international courier service such as FedEx or DHL.

#### Other things to consider when selecting a 3PL provider:

* Most 3PLs can also manage product returns. Some 3PLs are integrated with major e-commerce marketplaces as well.
* Check your fulfilment service provider is experienced with e-commerce, as not all 3PLs providers are.

Your shipping volume will determine which provider is best suited to your needs. Many services have a minimum order requirement.

### Payment method

Payment services can streamline payment gateways, currency conversions and digital wallets. They help sellers to tailor payment solutions to how local consumers prefer to pay for their goods. Payment service providers can charge set-up fees, subscription and referral fees, and transaction service fees. Compare fees across providers.

When shopping online, 58 per cent of US consumers use cards to pay for their products.39 FIS Global projects digital wallet payments will account for 33 per cent of all US e-commerce transactions and will surpass credit card payments by 2022.40 Contactless payments soared because of COVID-19 restrictions. Digital and mobile methods are forecast to continue to grow.

Popular US payment service providers include:

* [PayPal](https://www.paypal.com/business) – provides payment services globally, and is one of the most popular payment service providers in the US
* [Amazon Pay](https://www.amazon.com/Amazon-Pay/b?ie=UTF8&node=19185228011) – allows customers to make payments through their Amazon account without leaving the shopping window
* [Xero Stripe](https://www.xero.com/au/partnerships/stripe/) – provides various payment platforms to set up a marketplace, bill customers and receive payment
* [Payoneer](ttps://www.payoneer.com/au/) – offers a cross-border payments platform that allows online sellers to pay and get paid globally as easily as they do locally
* [OFX](https://www.ofx.com/en-au/) – formerly OzForex – offers a multi-currency account for online sellers
* [Airwallex](https://www.airwallex.com/au) – offers services that provide real-time access to competitive foreign exchange rates and allow you to accept international payments as if they were local payments.
* You may require a local bank account to receive payments when selling through some marketplaces or when using payment service providers.

### Insurance

We recommend you take commercial insurance to cover e-commerce activity, including product liability, privacy, cyber and intellectual property risk.

### Local customer service

Plan how and when you will deliver local customer service, taking note of the time difference and local customer service etiquette. A common barrier to cross-border e-commerce success is customers being unable to speak with someone locally. A quarter of US consumers want direct and timely customer service.41

### Language and metrics

Use US English for your website, marketing collateral and any other communication materials. Not all Australian terminology and products metrics translate to the US. Check that your product search keywords are US-friendly. The product description on your website should match the real product; otherwise, you will end up with higher return rates.

When selling apparel, use accurate and detailed size dimensions. Sizing doesn’t seamlessly convert from metric to imperial. General size categories such as S, M, L and XL are not common in the US. Providing a sizing comparison chart helps customers to choose the right size.

### Returns policy

US consumers are accustomed to free returns, but to maximise profits you’ll need to keep returns to a minimum. You may be at a disadvantage if you cannot offer the same service as local brands or are not using a 3PL provider which can handle returns and exchanges.

Most consumers will check your returns policy before deciding to go ahead with the purchase. Some online marketplaces will dictate the returns guidelines. Make sure your returns policy matches the marketplace’s to avoid customer dissatisfaction.

Following are things to consider helping manage returns:

* Avoid double taxation by filling out the correct customs and import documentation (this is a common mistake and can be costly).
* Find an agent in the US to consolidate returns monthly (if the total return value is more than US$25,000 the agent will need to be a registered US entity).
* Choose when to refund the purchase with your returns agent. You can do this when the agent receives the product or when you do. This can take up to a month, and prompt returns are an important part of the customer experience.

### Ongoing customer relationship management

To build brand loyalty, you want to maintain a good relationship with your customers after their order has been shipped. Social media and instant messaging apps are effective tools businesses can use to foster relationships with customers. Deploying a customer relationship management (CRM) tool to manage your customer interactions can improve customer satisfaction. Survey your customers regularly to understand their level of satisfaction and identify areas for improvement.

### Systems integration

You’ll require more processes, infrastructure and people as your business digitally transforms and expand internationally. This can be complex and expensive. Managing multiple databases and software systems across internal departmental divisions, and external partners is resource intensive. Implement programs and Application Programing Interfaces (APIs) to integrate these functions and drive back-end efficiencies.

The good news is that there are many automation and integration tools you can access to make this process smoother. EY recommends the following four main e-commerce systems to integrate.42

1. **Enterprise resource planning (ERP)**   
   Manages day-to-day business operations including finance, inventory management, human resources, and supply chains.
2. **Customer resource management (CRM)**  
   Software to track and manage your customer interactions and information.
3. **Marketing technology**   
   Automate and accelerate your marketing and communications functions to drive sales. Implement systems to connect your e-commerce and marketing technology.
4. **Product information management (PIM)**   
   Process for management product data to market and sell products through distribution channels.

## Case study

### Pimp My Salad

When Pimp My Salad co-founders, Olga Plotnikova and Alex Komarov, started exporting their wholefood salad toppings to the US from Byron Bay, NSW, it quickly became clear they needed a US-based approach to fulfilling customer orders. They had used an Australian-based consolidator, but this strategy became unviable because there were too many intermediaries eating into profit margins.

So they investigated a B2C model, using Amazon as the marketplace and Fulfilment by Amazon (FBA) as their logistics solution. They engaged a US-based professional service provider to set up their Amazon shopfront and backend management system.

Initially, Olga and Alex invested heavily in digital marketing to ensure their brand was optimised at the top of their product category in online listings. They wanted to drive traffic to their listing and build brand and product awareness. They hired a full-time service provider to manage this, and say this investment was fundamental to their success in the market.

COVID-19 disrupted their logistics solutions. Previously, they would ship their products to Amazon in bulk, which would store and dispatch orders when they were received in-market. But capacity constraints from lockdowns resulted in Amazon limiting bulk shipments and warehousing. Olga and Alex needed to find an alternative solution, so they began shipping pallets to a US logistics company and using FBA for last-mile delivery. They have found this logistics solution to be the most efficient and cost-effective, as it is fully automated.

The US was an attractive market for Pimp My Salad under Australia’s free trade agreement with the US, and the business qualified for preferential tariffs. When Olga and Alex talk to Australian business owners looking to export to the US, they advise them to find a consultant or chamber of commerce that understands the Rules of Origin. They can provide guidance on the correct documentation, which will avoid costly delays.

Olga and Alex credit Austrade’s Export Market Development Grant (EMDG) with helping them grow into the US. It allowed them to avoid the risk of expensive market investigation and testing. Using the grant money, they attended trade shows in North America and worked with local marketing agencies to develop their product to suit US consumers. For example, their service provider advised them to change their product packaging to appeal to US consumers and reduce logistics costs. They changed their original glass jars to ziplock bags, and then started selling value packs.   
This advice about tailoring their product was very profitable as it helped increase sales and reduced expensive freight costs.

For those entering the US market, Olga and Alex’s main advice is to be prepared to offer timely 24-hour customer service and free returns delivery. Also, recognise that US business representatives value face-to-face meetings to build relationships and generate partnerships.

## Case study

### Coconut Bowls

Social media marketing and a localised logistics solution allowed eco-friendly brand Coconut Bowls to double its business overnight after expanding into the US.

Coconut Bowls was founded in 2016 by young entrepreneur Jake McKeon, who created the company to replace single-use plastics with natural and ethically sourced products. The Byron Bay business repurposes discarded coconut shells into handcrafted bowls. It aims to reduce waste and help everyone across the supply chain.

Jake launched the business and its products on Etsy in Australia. From there, coconutbowls.com was developed using e-commerce platform Shopify. Early on, Jake understood the importance of investing in digital marketing, especially via social media, to build brand awareness and sales. Coconut Bowls grew its audience quickly, and most of them were located outside Australia, especially in the US. The business responded to this by developing its international transaction website using Shopify Plus.

Initially, Coconut Bowls shipped from Australia to overseas markets, but this became expensive and impractical. So the business opened a distribution hub in Hong Kong, which enabled it to ship to customers around the world. However, this logistics solution eventually also proved to be prohibitively expensive.

The shipping costs and delivery times from Hong Kong to the US were becoming a costly barrier, and the business was unable to scale this fulfilment strategy profitably. When delays occurred, it also created customer support challenges.

Determined to capitalise on its huge social media following and make the business work in the US, Coconut Bowls worked with a Californian fulfilment partner early in 2017. Jake was also encouraged to expand into the US due to the large scale of the market, ethical consumer purchasing behaviour and strong demand. By mid-year, Coconut Bowls was set up and shipping orders within the US. Its business revenue doubled overnight. It could now offer competitive shipping rates, efficient deliveries and real-time local customer service to its US customers.

Coconut Bowls is a recipient of Austrade’s Export Market Development Grant (EMDG), which helped its team members attend trade shows in North America. It also used the grant funding to partner with local marketing agencies and service providers to learn the local business environment, which was integral to its rapid growth in the US.

Coconut Bowls’ success is demonstrated by the numbers. It has sold to more than 200,000 customers worldwide and has millions of people in its social media community. Its primary market is the US, but it has expanded to the United Kingdom and Germany while maintaining its Australia-based operations.

Following are the Coconut Bowl team’s tips for success in the US market:

* Invest in digital marketing, such as local influencers, social media ads, regional google search and shopping. (The US was an attractive market for Coconut Bowls due to its large scale, its eco-friendly customer base and the high level of social media engagement with the brand.)
* Set up international transaction capabilities like local currency and payment solutions, while ensuring that you tailor content to localised markets.
* Be quick to capitalise on latent demand from your social media audience by setting up logistics and operations in the US.
* Adjust your logistics strategy to reduce shipping costs, which can eat into margins and are also a barrier to purchase. Be willing to change logistics solutions and go with a local US fulfilment partner to maximise profits and customer satisfaction.
* Build shipping rates into your pricing model so customers aren’t presented with the actual cost of shipping to them. US consumers are accustomed to fast, low-cost shipping due Amazon’s premium service.
* Use funding and grant programs, such as EMDG, to help test markets and fine-tune your brand and product offering in the US.

## How Austrade can help?

The Australian Trade and Investment Commission (Austrade) is the Australian Government’s international trade promotion and investment attraction agency. We deliver quality trade and investment services to businesses to grow Australia’s prosperity. We do this by generating and providing market information and insights, promoting Australian capability, and facilitating connections through our extensive global network. We also provide financial assistance for exporters through programs such as the Export Market Development Grants scheme. To discover how we can help you and your business, visit austrade.gov.au or contact us at: [info@austrade.gov.au](mailto:info@austrade.gov.au) or on 13 28 78 (within Australia).

### Export Market Development Grants scheme

Austrade’s EMDG scheme helps Australian businesses grow their exports in international markets. These grants encourage small to medium-sized enterprises (SMEs) to market and promote their goods and services globally.

Since 1 July 2021, the EMDG scheme has provided up-front funding certainty, so you know how much you will receive during your grant agreement (over 2 or 3 years) and can plan your promotional activities with confidence.

SME exporters can apply for 3 different grants over 8 years (these don‘t need to be consecutive years) for eligible promotional activities.

Grants are available in 3 stages, called tiers. Each tier provides a different level of support for SMEs as they grow their export markets. The lengths of these grants reflect the different stages of an exporter’s journey.

### Export Finance Australia

Export Finance Australia (EFA) (previously known as EFIC) is the Australian Government’s export credit agency. The agency provides financial expertise and solutions to drive sustainable growth that benefits Australia and its partners. Through loans, guarantees, bonds and insurance options, EFA:

* supports SMEs, corporates and governments to realise export opportunities or contribute to the export supply chain
* helps finance sustainable infrastructure in the Pacific region and beyond
* provides defence export finance through the Defence Export Facility.

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