



BUSINESS
FINLAND

US E-COMMERCE MARKET REPORT

*A guide to entering the US and
growing your Nordic e-commerce business.*



FOREWORD

Running an e-commerce business is not always easy and entering a new market certainly isn't any easier. We know. But we got you covered.

At Business Finland and Business Sweden's our job is to support Nordic companies to grow abroad and flourish in their global expansion. That creates new jobs, pays taxes, and brings positive awareness to our countries worldwide.

And we know that the demands and expectations from customers with regards to technical solutions, marketing channels, payment methods, shipping providers, and local culture shift as you move into new markets. Even in your local market, it's often hard to get everything under control. But it is usually even trickier when you go global and try to adapt to a place you have less inherent knowledge about.

This report aims to give you an overview of the US market. After reading it, we hope you will have a better understanding of trends in the US, such as how marketing is developing and what structural things to consider when entering the US e-commerce market.

We will give you examples of Nordic companies operating in the US and get their advice on what to do and what not to do when entering the market. We want to show you what the US market looks like today, what challenges we usually observe as Nordic e-commerce companies try to adapt, and the opportunities to go big!



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"We have a potato peeler in a shoe box on our porch!"

Chronicle by Linn Tagesson, Senior Advisor Business Sweden, Co-Founder Babyshop Group

As I am writing this, I have spent a month in Greenwich, Connecticut, about 50 minutes by train from Business Sweden's New York Office; my new workplace. Previously I have been running my own e-commerce company, babyshop.com, which I co-founded 15 years ago, and suffice it to say; I am an avid online shopper.

In my new role at Business Sweden, I get to do something I love to do – supporting e-commerce companies in their global expansion. Through all the ups and downs, challenges, and celebrations, I know that running an e-commerce company is an emotional roller coaster. So being able to support companies on that journey feels almost like a duty rather than a job. It is something I have to do and feel passionate about. And if me sharing my experiences, good and bad, can support any company in succeeding, that is fantastic!

One month into my first expat experience and already 48 home deliveries later, I feel confident enough to write a few lines about my experience with e-commerce in the US.

As a Swedish e-retailer, I have not felt eager to shop from the big American e-commerce dragons, I much rather support smaller local or Nordic e-commerce companies. Nevertheless, it didn't take more than a few days before I resigned to signing up for Amazon Prime, and since I've tried some of the other larger players as well.

And with a recent lease on a house in hand, the need to do some serious shopping was evident. So me or a family members have made our way through Target, Amazon, HM Home, IKEA, Wayfair, Home Depot, eBay, and Etsy by now, as well as some smaller e-tailers.

We live on a dead-end street so there is no point in going down our street unless you are visiting one of the houses, and there is only about 30 of them in a quiet residential area in Connecticut. Our realtor assured us that this was a calm and safe street for dogs and children where they could run around safely and play. However, with the benefit of hindsight, I don't think she had a good view of the logistics patterns when she made those claims. Without exception, there is a delivery truck on our street every time I look out the window. It is primarily the usual suspects in FedEx, UPS, or DHL, and the occasional local company that I am not previously familiar with. A couple of times a week I see a tiny white car from the local post-service go by, but it only stops at the classic American mailbox for a second before moving on. The larger packages come with the other carriers.

Once the deliveries started arriving the first thing that struck me was that an order of 10 products is never delivered all at once! Items are delivered to the entrance now and then throughout the day in multiple



different deliveries and often with a lot of air inside each package. **Drop shipping or in any case, non-consolidated warehousing feels like the standard.**

Take a short time to think about what you need when ordering things for a kitchen? Quite many different things like frying pans, a toaster, knives, pots, cutting boards, silverware, lunch boxes, and a thousand other things. And yes, I know there are starter packs, but not everything is in one starter pack.

Some things are sent together, and some things are sent one by one, however, when you discover that you have ONE potato peeler inside a shoe sized box on your porch, you really have to start wondering about the environmental impact of that item... but also the profitability for Amazon and the potato peeler brand. Unfortunately, the big e-commerce platforms in the US seem to be far away from the sustainability thinking of their Nordic counterparts for now. **Convenience (at least pre-purchase) is everything.**

Adapters for European electrical outlets seem to be an ever-present need in our home. Razors, iPads, computers, mobile phones, electric toothbrushes, and pretty much everything else you use on an everyday or occasional basis now rely on them. It felt like such a stupid product to order online so buying it in the nearest town felt like the natural option, but the dialogue went something like this:

- Hi, do you have adapters for European devices in the US?

- Whaaat are you kidding? That you gotta get at Amazon... (*Very annoyed look*)

- Oh, okay, I'm sorry for asking

Walking out I almost felt a little ashamed for asking such a dumb question in an electronic hardware store larger than most stores in Sweden. Stupid me. **E-commerce has truly changed physical retail here.**

However, when it comes to returns, it seems items must be handed in at a physical store of some sort. And order number is not enough to make a return. You need to do a pre-filled return form online and then show the barcode to the cashier at the return desk. And you definitely can't return an opened box. **Returns feel hostile.**

But of course, there is always an exception, one supplier delivered broken glasses and plates. I took photos and documented this and contacted customer service. I was positively surprised when the answer was that she didn't even need to see any pictures, I was instructed to give away broken items, and that replacement products were already on their way to my home. The experience was great. Although I wonder who would benefit from pieces of a broken plate.

Customer service via email is hopeless. Phone lines have long waiting times. Chat bots are everywhere and despite their limitations are probably the best way to contact customer service. I don't like it. I feel ridiculous talking to a stuffed Teddy bear avatar about my needs. I am just not sure his experience in the category I am browsing will suffice. Nor do I like his snotty suggestion on what I should say. Chat bots are

“ - Hi, I'm returning this package, here you go! Have a good day, bye!

- But mam, this is not properly closed!

- But I have closed it so that I'm happy with it, I would like to send it like that.

- You must tape it.

- Ok... do you have some tape I can use?

- Yes, \$3.95 please

- Are you serious?

- Yes, mam

- Do you accept apple pay?

- No, mam, cash please

still some ways off from passing the Turing test and I want to chat to a real person. But to be honest, quite often the Teddy bear or one of his avatar colleagues manages to provide the information I need. **Service is functional, not pleasant.**

Some things in the customer experience are just not there. My sense is that many rely on too many third parties in their value chain to provide a good experience. And the Nordics have gotten further in digital solutions related to delivery and returns, while on average prioritizing customer service to a larger extent.

However, the US beats the Nordics on fast at-home deliveries and high delivery accuracy. Only one of our deliveries has been lost, strangely enough, three 96-gallon bins disappeared, but apart from that everything has arrived within a couple of days and most of the time already the next day. The ever-present nature of the delivery trucks makes me think of when you land with an airplane on a clear day near a big city and see all the cars like small ants, it almost doesn't seem real. Like I am part of the Truman show.

When the large electronic store in town refers to an e-commerce competitor as the only place to buy what I am looking for. And when you realize that our

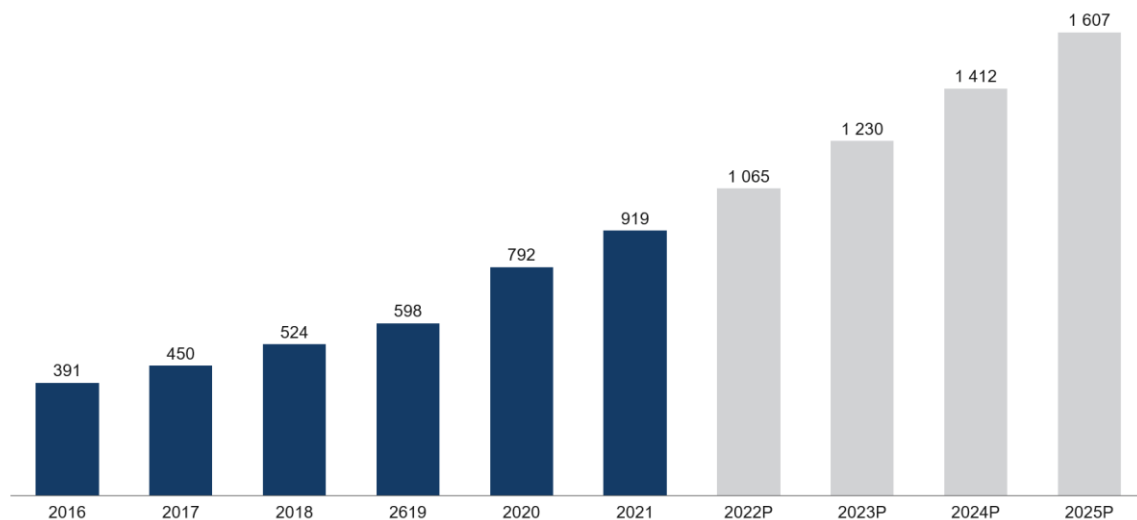
favorite local grocery store, Whole Foods, with a large organic and vegetarian selection, is owned by Amazon, you realize that the world is a bit upside down compared to what I am used.

Despite a couple of bad experiences and right or wrong, so far, e-commerce rules in the US. It's hardly worth going to a store, and even when you do, the store staff refers you to go back home and open up your laptop. Wide assortment and strong logistics somehow beat a relatively poor post-purchase experience.

US E-COMMERCE

The e-commerce market in the United States is the world's second largest after China. The total market size in 2021 was estimated at USD 919 billion and is expected to continue to grow at a pace of 15% per year and reach a total of USD 1607 by 2025.

Retail e-commerce sales in the United States, 2014-2025 USD Billions

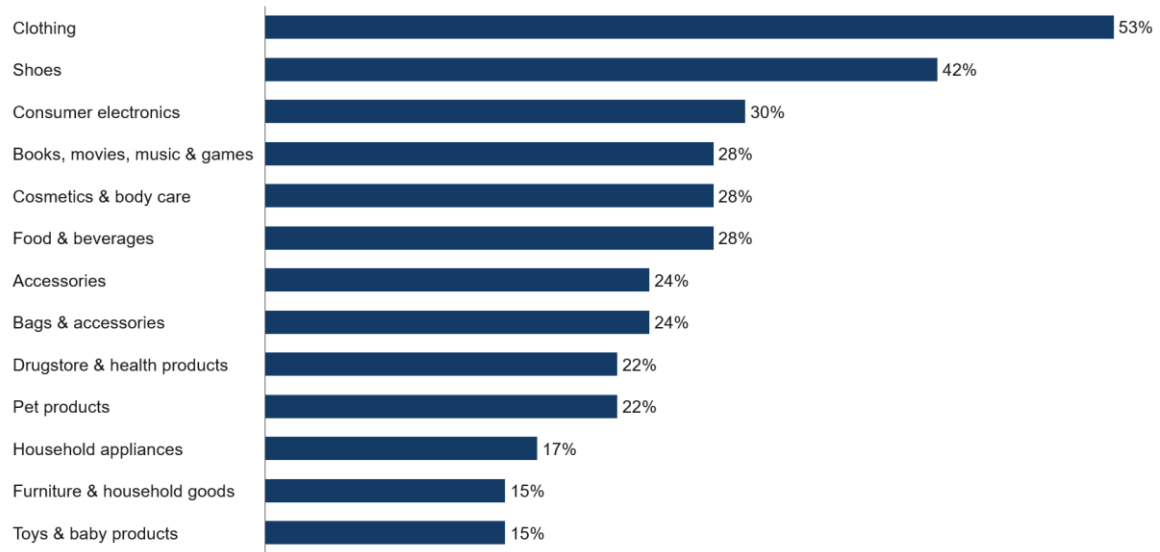


The top three most popular online purchase categories among US consumers according to a 2022 survey are Clothing (53%) and Shoes (42%), followed by Consumer electronics (30%). But of course, that does not mean there are not big opportunities in other categories as well. One example of a relatively small segment that is growing quickly is the food category. In fact, growth in food is expected to outperform all other categories over the period of 2017 to 2025 with an expected CAGR of 26%. The category has naturally been boosted by the COVID-19 pandemic which kept consumers from physically visiting restaurants and supermarkets with one survey from 2020 showing that as many as 79% of consumers had tried to shop for groceries online, a big jump from the 39% that had tried to do it before the pandemic.

From a food service perspective, restaurants needed to adapt quickly to respond to the changing consumer landscape. According to Rewards Network, a financial service company, almost 42% of all restaurants added home delivery as an option after the initial COVID-19 lockdowns and many believe that the shift in consumer behavior is likely here to stay.

Online purchases by category in United States, 2022

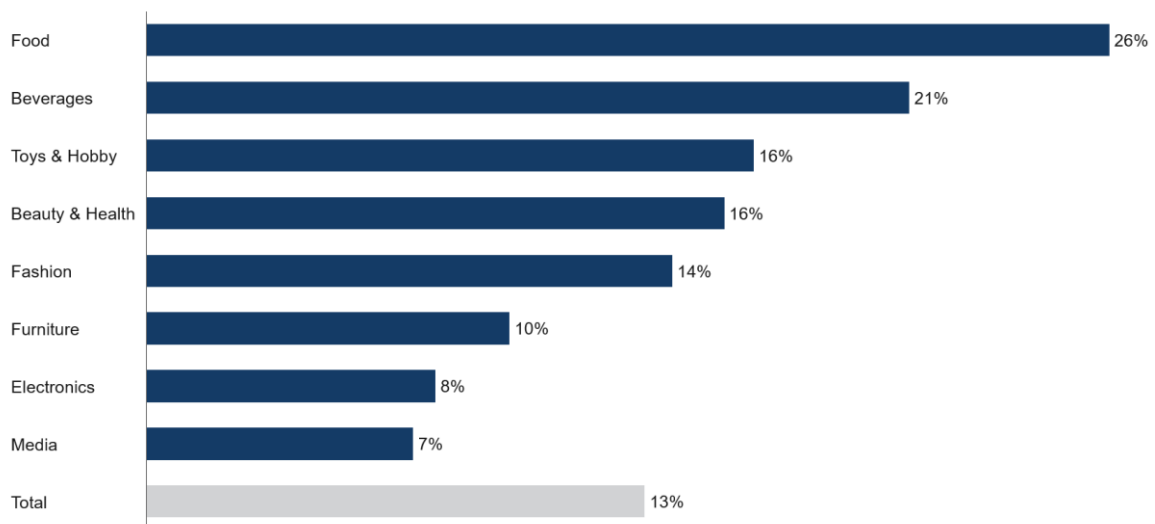
Share of respondents



The CAGR for all e-commerce categories in the period of 2017-2025 is expected to be 13% where Fashion, which entails both Clothing and Shoes from the above graph, has an expected CAGR of 14%.

E-commerce sales CAGR in United States, 2017 - 2025 by product category

US e-commerce sales CAGR 2017-2025, by category



MARKET DEVELOPMENT DURING COVID-19

The COVID-19 pandemic changed a lot of things and really highlighted the fragility of global supply chains. The partial shutdown of cities and countries that are large producers of goods meant that there were severe disruptions across the globe and across product categories.

On top of this there was the incident in the Suez Canal in March 2021 where the container ship M/V Ever Given blocked the Suez Canal for almost a week, resulting in shipping disruptions. Furthermore, shipping prices rose dramatically and a container from China increased in price from about 2,000 USD to 10,000 USD in the span of two months and many businesses soon learnt that the contract they had with their factories and/or shipping providers were no longer valid. Orders were renegotiated, cancelled, or heavily delayed. This incident only further exemplified how delicate global supply chains are and the reliance that commerce has on shipping, and a canal with a width of 100 meters.

In general, what has come to be true is that when supply chains falter, large companies are prioritized ahead of smaller companies, and large companies are better equipped to handle the challenges. It makes sense, but it isn't fair. And perhaps this will have long-term consequences for how smaller companies chose to structure their value chains.

In the US, the largest online businesses grew even larger during these turbulent years. Partially because they didn't have the same impact on their supply chains. For example, Amazon can rely much more on their own supply chain which includes a shipping fleet, an air fleet, and trucks along with a strong procurement organization that were quick to adjust and quickly found alternative ways of sourcing goods. And partially because new unexperienced shoppers often turned to the e-commerce giants where they felt safer to make their first online purchase.

Market share of leading companies in United States, as of October 2021

Leading online companies in the US 2021, by market share



A consequence of the pandemic and people spending more time inside and in front of their computers was that many physical stores had to close. Naturally e-commerce companies grew a lot and for several reasons. First of all, new groups of consumers changed their shopping behavior to online and the sheer act of staying more at home created demand for a whole host of new products within interior and household goods. Furthermore, money that had previously been allocated to events, experiences, traveling, and restaurants was at least partly replaced by online shopping.

With this new look environment marketplaces benefitted a lot. Value segment marketplaces have always stood out but during the pandemic with the growth of new categories such as food and furniture, relatively new, less value segment focused marketplaces, such as Wayfair (furniture) and Kroger (food) established themselves in the top biggest e-commerce websites in the US.

So what happens now as we are moving to a post-pandemic (or learn-to-live-with-the-pandemic) world? Naturally we won't see the same massive growth in e-commerce as we saw over the previous two years (2020 and 2021) forever, in the Nordics we have even observed a bit a recoil during the spring of 2022. However, in the US e-commerce market we do expect to see continued growth of about 15% per year until 2025 so there should be ample opportunity for Nordic companies looking to enter.

E-COMMERCE SHOPPING PATTERNS

When talking about e-commerce in the US there is a lot of focus on Amazon and the other giant players in the space. However, the US market is also made up by some of the largest and most successful DTC-brands globally with big names such as Glossier, Dollar Shave Club, and Warby Parker. There are also a lot of shopping clubs such as Haute Look, Groupon and Gilt; as well as marketplaces where companies and individuals can buy and sell products like Fab and Etsy. In addition, most US retail chains offer a similar, or larger, range of products online compared to their physical stores.

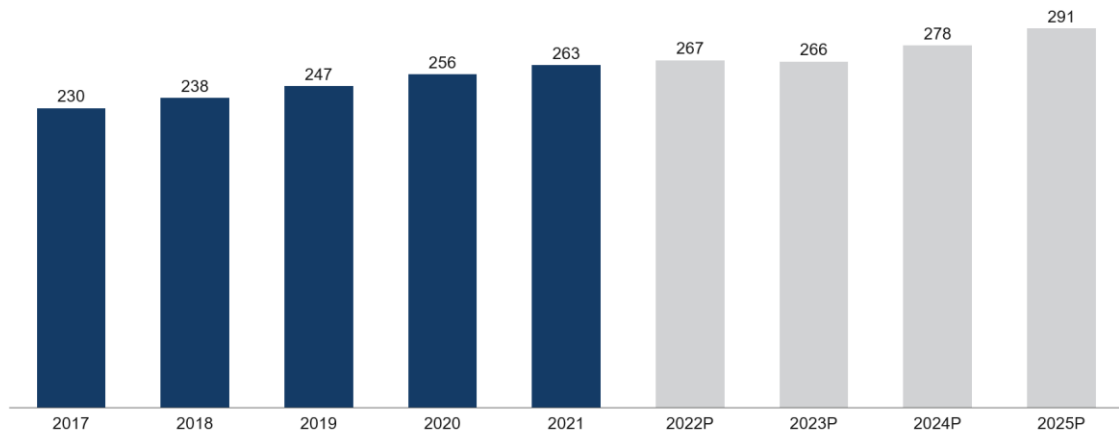
All in all, the US e-commerce landscape is highly evolved and very competitive across services and product offering but, with such a large market there is also always opportunity if you can find a product niche and a target customer group.

The e-commerce market entry landscape (not exhaustive)



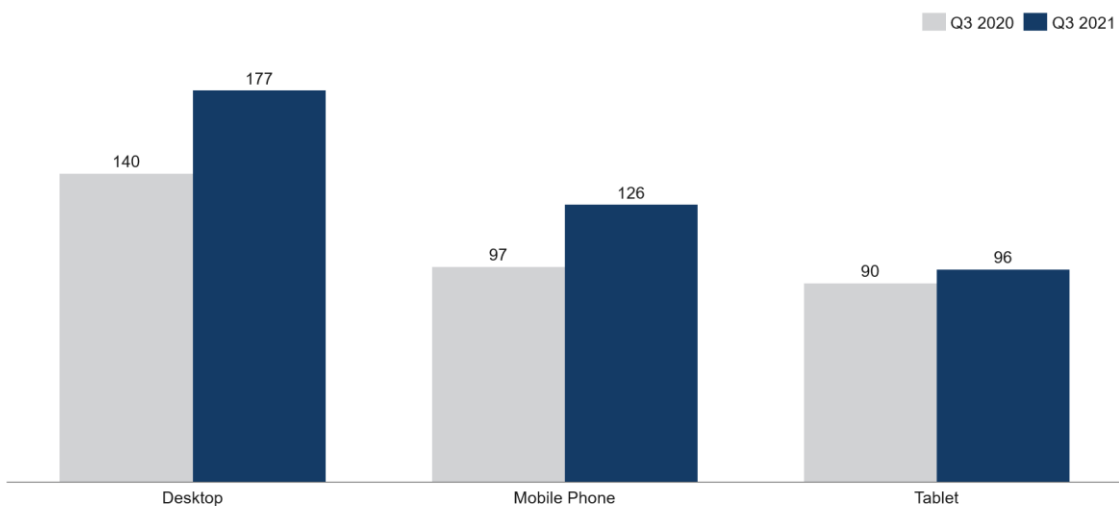
accounts for 17% of US digital buyers. However, the group that spends the most per buyer online, is consumers aged 45-54.

Number of digital buyers in United States, 2017 – 2025 USD Millions



American men spend more money online than women, but the proportion who shop online is the same between genders. American customers also spend the most online in a global context, and the average order value (AOV) was 133 USD in Q3 2021. Though it differentiates depending on what device you use where desktop has the highest AOV followed by mobile phone and tablet.

Average Order Value (AOV) United States, as of Q3 2020 and Q3 2021 US AOV 2020 – 2021, by device

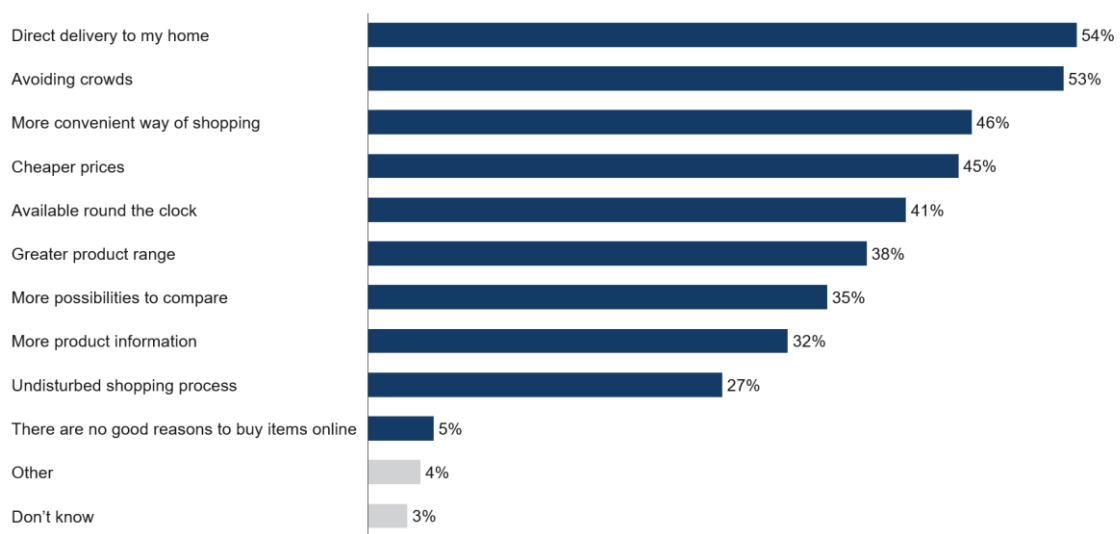


The conversion rate (CR) also differentiates between devices. The CR among US online shoppers is generally higher for desktop than mobile users. As of the third quarter of 2021, four percent of e-commerce website visits via a computer were converted into purchases, whereas the CR from smartphones landed around two percent on average.

The behavior of the American consumer is slightly different compared to many other countries. The number one reason why they decide to shop online is so that they can get the item directly delivered to their home followed by avoiding crowds and that shopping online is simply more convenient than visiting a physical store. Another determining factor is that the consumer have the perception that it is cheaper to buy online than in a physical store.

Drivers of online purchases in United States, 2022

Drivers of online purchases in the US 2022

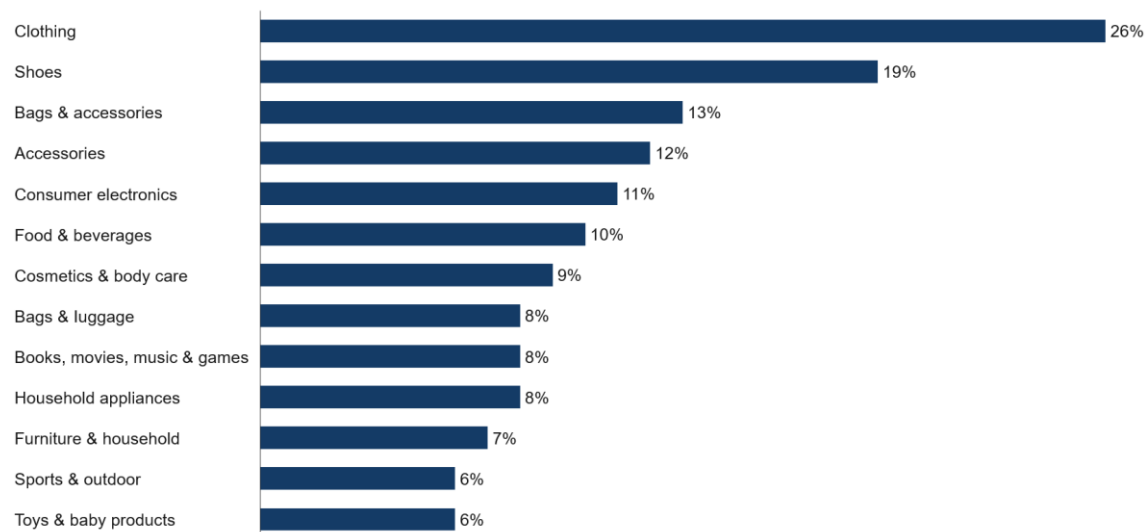


The US consumer often use Amazon as a reference also when buying in a store. They simply search for the product on Amazon to compare online pricing and availability. That is one of the reasons why many brands prefer to be present on Amazon even if it's not their main sales channel.

Many of the American customers prefer to shop via marketplaces where they can find and purchase goods from various sellers in one place. When looking at Amazon and Walmart, which is the two largest marketplaces in the US, the combined market share of their US e-commerce sales accounts to 47%. Maybe that is why e-commerce customers in the US claims they feel safer and more secure when shopping online from companies registered domestically, even though there are no legal requirements for foreign e-commerce companies to be registered in the US

Returns of online purchases by category in United States, 2022

Returns of online purchases in the US 2022



Return rates differ a lot by category where clothing and shoes are at the top while furniture and toys are at the bottom.

There are several ways to affect the return rate, for example by having clear product descriptions and sharp images that showcase the products with the right colors that will help guide the customer in a better way. Analyzing and improving the customer experience is important to get return rates in control. Near half of all online buyers in the US also think that product reviews are helpful when shopping online, so this could be a win-win for both businesses and consumers to keep return rates down.

Returns is a big cost for most online businesses and there is a constant development in trying to lower the costs of returns. One way of reducing the cost for a return is to accept not having the item sent back and let the customer keep it. This is possible when sending the customer replacement parts or to kindly ask the customer to donate the damaged item and then send the customer a new product without having the old one being sent back. This way the company saves freight cost in one direction at least. There are also several tech solutions to help e-commerce businesses analyze customers with high return percentages and customers with historically low return rate. This data can help the e-commerce's to make decisions regarding how to handle the customers return enquiry. Some companies have programs which includes giving extra service to customers with high return rate to actively work to reduce the risk of a return and at the same time keep the frequency from those customer groups. There are also stories about e-commerce companies that has blocked customers with high return rate from shopping at their website at all or that they exclude them from any further marketing.

Mobile e-commerce

E-commerce sales via smartphones in 2021 was expected to generate sales of USD 221 billion in the US. Sales from smartphones are expected to surpass USD 400 billion by 2024, nearly double the amount of 2021. Number of mobile shoppers is however only expected to grow by 10-15% over the same period, the growth are mostly accounted for by younger shoppers growing up and starts spending more money online.

The companies benefitting the most from this trend of mobile shopping are likely the large marketplaces that have many app users. For example, Amazon users that can order new items or restock old ones only

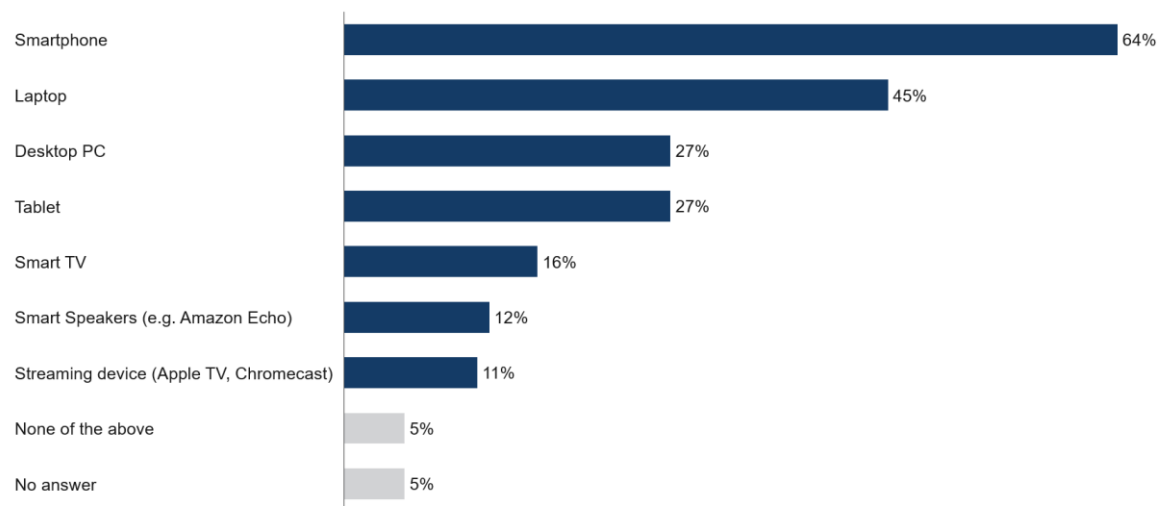
with a few clicks with free delivery through Amazon prime. A couple of years old study found that 85% of the time a consumer used their phone to browse Amazon, they used the site through their app which creates a stickiness to Amazon and gives them the possibility to have a more personalized experience toward the consumers. On the contrary, other retailers such as Target, the study showed that users spent 60% of their time on the company's regular website, despite offering an app.

The average purchase from a mobile is lower than from a computer. In Q3 2021, the average order value from a mobile user was 126 USD per transaction while the equivalent from a computer was 177 USD which accounts to a 40% increase when using a computer.

By 2025, more than 10% of all retail sales in the United States is expected to be generated via mobile commerce. A growth of seven percentage points since 2018.

Online purchases by device in United States, 2022

Online purchases by device in the US 2022



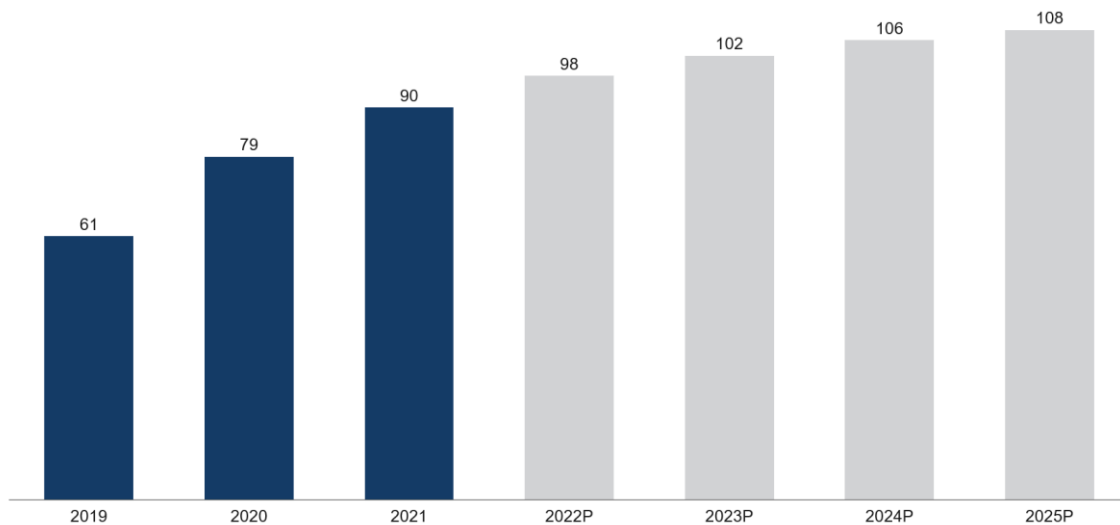
Marketing channels

Social Media

Social channels are aspiring to be new way of shopping online. In 2021, the US had more than 90 million social buyers. By 2025, this figure is forecast to grow to over 100 million. Social networks, known for producing a “feel-good hormone” to its users have a broad reach across the US and are redefining online shopping. As of early 2021, more than 22% of US online users who made purchases on a social media platform did so on Facebook, while nearly 13% used Instagram.

Number of social buyers in United States, 2019 - 2025

USD Millions











Selling through social channels today can be a big part of sales for many e-commerce companies. Many social media apps have different purposes and target groups. The behavior of its users can also shift depending on different countries and cultures. Some apps are inspirational and engaging hence more brand building and some are more used as pure sales channels.

Something to have in mind when approaching the US Market from the Nordics via social channels is to segment the offer to the customer. What works in for example Finland doesn't necessarily work in the US. Analyzing and truly understanding your data can be helpful to be relevant to the market you are approaching and lead to more successful customer acquisition.

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Even though TikTok is a Chinese company it has become a popular social media app in the US and is becoming an increasingly important marketing channel for e-commerce companies. The audience on TikTok is, on average, younger than on Facebook and a different tone of voice is usually used which speaks to a different customer base that used to be difficult to reach.

- Jacob Westerberg, Head of CPG at Business Sweden Americas

SOCIAL MEDIA CHANNELS			
	PURPOSE	WHAT YOU SEE	THE BOTTOM LINE
 Facebook	Connect	Emotion-driven (Fear, outrage, uplifting), private, like-minded views	Tell me how you feel about what you are doing
 Google	Learn	Facts, lists, utilities, instructions	Tell me how to do it
 Instagram	Observe	Lifestyle, trends, desirable	Show me what my friends want others to see they're doing
 Snapchat	1-to-1 Connect	Candid, intimacy, animation	Show me what my close friends are really doing
 TikTok	Engagement	Entertainment, trends, creativity	Show me what the world is hyped about
 Twitter	Monitor	Opinions, news, ideological warfare	Tell me what the world is doing
 Pinterest	Inspiration	Inspiration, trends, arrangements, designs, recipes	Show me what I can do
 Reddit	Crowdsource	News on specialized topics, niches, primary sources	Tell me what a certain community is doing

By utilizing the strength of the different social apps many online businesses find new ways to reach the right audience with a more relevant message and therefore creating stronger bonds to the customers. Companies want to be relevant in their approach towards the customer and therefore partnerships with influencers, brands or celebrities have become popular all over the world.

Influencer Marketing

Influencer marketing is when you have a cooperation with an influencer that will represent and promote your brand. This can be a huge opportunity but there are some things to consider. An US influencer can have a lot of followers in a geographical area or within a special category that can be attractive to your brand or product.

Mega-Influencers are the highest-ranking category of social media influencer. They all have over 1 million followers.

Many Nordics retailers experience that they get more value for money doing influencer marketing in the US than in their home markets.

A few things to consider as you work with micro influencers

- *Another person will be representing your brand – Are your values aligned?*
- *Is the influencer allowed to answer any customer inquiries about the products?*
- *Influencer sales can be hard to track. Linking the post with a specific campaign code can be useful to understand sales result.*
- *Make sure to use proper tagging for sponsored posts.*
- *Cooperation's with large influencer accounts can vary in cost so make sure to have a good contract.*
- *If the cooperation is built on designing a collection or a product, make sure that your design team is involved in the result. Ask yourself; is this something we, as a company can also stand behind and believe that we can sell?*
- *Write a contract on how long the cooperation is valid for or you can make a contract model based on how many clicks/shares/likes the cooperation should get before it ends. This is usually a good way of aligning on your expectations from both sides.*
- *If you make a contract based on kick back on sales to the influencer, what happens if the product goes on sale? Does the influencer get the same or a lower kick back if that's the case?*

Micro Influencers

Working with micro influencers is also a good way to reach your customers. Micro influencers are social media accounts with less followers/smaller accounts, often run by private individuals with a strong interest in a certain topic or products.

The micro influencers authenticity attracts engagement and awareness, and their number of followers means that they can build personal relationships with their audience.



A few things to consider as you work with micro influencers

- *Having cooperation with several smaller social media accounts, like micro influencers, can get the same reach as working with one larger account, and it will most likely be a cheaper investment for the company, though heavier admin wise.*
- *Common in the e-commerce business is to offer a gift card or a discount code or a sample of the product to the micro influencer for posting your brand/product.*
- *Micro influencer often has loyal followers and micro influencers may come across as more authentic when posting in cooperation with companies/brands.*
- *There are several options if you want to cooperate with a local business to handle your social media influencer efforts.*

Affiliate Marketing

Having an affiliate promote your brand or product can make you find new customers in different areas that you perhaps didn't consider in your home market. Affiliate marketing is a performance-based type of advertising which the purchaser pays only when there are measurable results – ideally transactions but sometimes also for example per click.

TRENDS & THE FUTURE OF E-COMMERCE

An interview with Nick Mendola, US-expat based in Sweden, CFO MEDS Apotek, Investor and Advisor in 10+ E-commerce and Tech companies

What trends do you see over the next 5-15 years within e-commerce?

The supply chain disruptions resulting from Covid shutdowns, and the invasion of Ukraine has required companies to revisit their supply chain strategy. I expect to see more companies moving production from Asia back to the US or at least to Mexico or Latin America to have more control over their supply chain and be less susceptible to disruptions.



Historically the US has often "lagged behind" the Nordics when it comes to environmental considerations. While sustainable production and distribution is getting more attention from customers, employees and shareholders in the US, progress on taking action is lagging relative to the Nordics. I expect in the coming 3-5 years, environmental impact of consumption will play a bigger role in US consumer behaviour.

What are some innovative examples you have seen within e-commerce?

Tesla implementing a D2C model for purchasing their cars has been a disruptor in the automotive industry. In many States, it is not even legal to buy a vehicle directly from a manufacturer, you have to buy

from a dealership. While its nowhere near the top of the list of Elon's innovations it was Tesla broke ground for others such as Volvo to make big bets on their D2C models.

There has been quite a bit of innovation in the payments space as well. From Amazon 1-click checkout to Apple Pay, to BNPL, innovations in the checkout have clearly been a focus for merchants so they can increase their conversion rates at checkout. Every day purchases using crypto currencies has yet to really take off but as block chain technology continues to evolve, I expect in the next five years that acceptance and utilization of crypto currencies for every day purchases will increase.

What are your main recommendations for a Nordic company to stay on top of the above trends when launching in the US?

Since Amazon is not as dominant player in the Nordics as they are in the States, it can be easy to forget the impact Amazon has on the retail and e-commerce market as a whole. Amazon is the 5th largest website in terms of traffic in the US and is the starting point for the majority of consumers when they start their buying journey. Even if you hate buying from Amazon for whatever reason, the breadth of assortment and depth of customer reviews help streamline your buying process. Amazon also has the highest share of search on Google in the US for apparel, beauty and healthcare products. Even if you do not intend to list your products on Amazon, Amazon is a valuable source of information. Leverage Amazon to gain insights into best sellers, customer feedback on competitor products and what Amazon is recommending buying together with a competitor's products.

E-COMMERCE PLATFORMS AND HOW TO WORK WITH THEM



There are two ways to get products listed on Amazon: as a seller (also known as third-party or 3P) or as a vendor (first-party or 1P). Regardless of the approach a seller may take the result looks the same – your products will be available to buy on Amazon. But that's where the similarities end. The Amazon Vendor Central is a completely different concept to the Seller Central, and it's crucial to understand the fundamental differences and not just compare each feature separately.

VENDOR CENTRAL

Vendor Central is an invite-only platform for businesses that want to sell their products to Amazon itself. Companies will receive an invite from Amazon when there is a strong interest shown in the products by shoppers, when the products sell well, and when companies have an attractive product offering. Therefore, it is generally the larger companies that receive invitations. As an Amazon Vendor a company becomes a supplier to Amazon. The core process is very simple:

- 1. Amazon sends you a purchase order listing what they want to buy*
- 2. You send Amazon the inventory they have ordered*

3. Amazon pays you

It's then down to Amazon to sell your products to its customers. Vendor Central can be an attractive option as it gives businesses a way to get their products on Amazon with none of the hassle of selling direct to consumers. It's much simpler than Seller Central, but it does still have challenges. Common downsides include harsh contract terms, low prices, and unexpected additional costs.

SELLER CENTRAL

By contrast, Seller Central is a self-service program open to practically anyone from an individual account to a professional seller account. As a third-party Amazon seller there are two options for fulfilling orders which are received through the Amazon marketplace. Sellers can handle all the tasks of shipping, customer service, and returns for the orders themselves or through a third-party logistics provider (3PL) of your choosing, which is known as Fulfilled by Merchant (FBM). Alternatively, companies can choose to allow Amazon to handle this process by enrolling in the Fulfilled by Amazon (FBA) program. With FBA, the company name can be added to the order page; customers will see "sold by BRAND X and Fulfilled by Amazon" when they buy products. The number of successful FBA sellers continues to grow and there is a growing demand to buy FBA businesses.

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In the beginning, all new companies will be launching on Seller Central. From there, the logistics decision you make will be incredibly important. I highly recommend FBA where at all possible, as companies using FBM have a 60% lower conversion rate than their counterparts using FBA only.

– Lynn Graham, Founder at
Beekeeper Marketing

	FBA	FBM
Brand exposure	<ul style="list-style-type: none">+ Prime eligibility; prime members spend more money and shop more frequently than non-members, and prime eligible goods are more likely to appear at the top of search rankings— Amazon takes control of processes, customer support, and inventory, limiting the control you have over your customer relationship	<ul style="list-style-type: none">+ FBM sellers generally have slightly more sales and a higher profit margin than FBA sellers, this may be due to the type of product, but also due to having a closer customer relationship+ 51% of FBM sellers took less than 6 weeks to get started on Amazon vs. 34% of FBA sellers— FBM sellers are more susceptible to receiving negative seller feedback, and must focus more on the quality and speed of product delivery— Merchants can still be prime eligible with Seller-Fulfilled Prime, though the process to sign up for this is rather extensive
Logistics	<ul style="list-style-type: none">+ Immediately gives companies a reliable logistics provider to help manage the American market+ FBA supports a multi-channel approach with its shipping infrastructure, allowing companies to have their products on other webshops and marketplaces while still acting as a 3PL+ Amazon charges fees for FBA, both for shipping and for storage, and therefore it is best suited for small, lightweight products that have a quick turnover time	<ul style="list-style-type: none">— Works best if you already have a logistics set-up in the U.S. and are looking to expand to Amazon as a new sales channel— More work to prepare labels for shipping, and packages may be rejected by Amazon
Costs	<ul style="list-style-type: none">— With FBA, companies have limited control of where product is warehoused, creating physical nexus, which could lead to unanticipated sales tax costs+ FBA is most suitable for smaller, lightweight products that can turnover quickly, due to warehouse and fulfillment fees	<ul style="list-style-type: none">— Shipping with FBM is more expensive than FBA, as merchants do not benefit from Amazon's shipping discounts+ FBM is more inexpensive than FBA if merchants are selling larger, heavyweight products with logistics already in place



Ebay is a platform much better suited for small companies, allowing sellers to set their own shipping policies, return policies, and shipping charges. Other features such as immediate access to revenue via Paypal, auction format listings, and a more unique product selection are what make eBay such a great marketplace for smaller companies. Top product categories on eBay include: Mobile Phone & Accessories, Video Games, Health & Beauty, Home & Garden, and Computers & Tablets, among others.



Another platform well suited for smaller companies is Etsy but it has some limitations when compared to other platforms. In particular, Etsy has specific rules for what vendors can sell, and limits vendors to selling handmade items, vintage items, and craft supplies. Therefore Etsy is best for much smaller, independent companies but still offers vendors the ability to sell to customers around the world.



Many of the benefits of selling on Walmart are similar to that of selling on Amazon, though its platform has more restrictions. Walmart limits the product categories third party sellers can go into, which is only 35 product categories at this time compared to the hundreds on Amazon. The number of sellers on Walmart is considerably less than Amazon, which allows Walmart more control over its vendors. Some of the top categories include fashion, electronics & media, toys hobby & DIY, furniture & appliances, food & personal care. However, compared to Amazon, Walmart marketplace's differentiating factor is their huge brick and mortar footprint with thousands of stores globally.

F A I R E

Faire is a B2B marketplace that connects local, independent retailers with brands and has the goal to help small businesses come together to compete with Walmart and Amazon. Faire is an online marketplace where retailers discover their next bestsellers from independent brands. There are 70 000 independent brands on the platform and 350 000 retailers in North America.

The platform charges a commission when it connects retailers with brands through the marketplace; 25% on opening orders and 15% on reorders. Faire is currently live in the US, Canada, U.K., France, Italy, Germany, Spain, and 10 other countries in Europe.



Compared to Amazon and Walmart, Target invites retailers to sell on its online marketplace, thus limiting the number of retailers and avoiding the PR blunders that Amazon and Marketplace have faced. As of December 2019, Target Plus had signed up nearly 100 sellers, selling more than 250,000 products on

Target.com. For its platform, Target has specifically picked product categories that complement its own million-plus assortment online to reflect what customers have been searching for on Target.com. Categories include sporting goods, musical instruments, and toys which covers a gap in the marketplace as other national retailers have gone out of business. Target Plus is better for larger companies and especially those that already have an established relationship with Target.

EXPERIENTIAL COMMERCE

Nomsglobal.com

In times when sustainability is top of mind for many customers and businesses, Noms has taken an innovative approach to retailing. Instead of having clothes in stock, they make them on demand.

Noms' digital platform is said to be built on an infrastructure that enables the decentralized mass production of customized and fair-trade, high-end products which are manufactured locally, on-demand and during the online purchase. The customer orders a non-existent garment through the platform and picks a producer. The fabrics are then cut, trims are prepared at the central pre-production unit, and finally the garment is assembled by the local micro factory. According to Noms, only 5 days should have passed from the time of order to delivery.

IKEA Tiny Home Project

IKEA is no stranger to clever design for small spaces but the furniture giant recently took on a tiny living challenge unlike any other it's faced with The IKEA Tiny Home Project, a design/build exercise that fits outsized style into a 187-square-foot, off-grid home on wheels.

Guided by the company's People & Planet Positive sustainability strategy, the Tiny Home Project prioritizes low-impact design. IKEA tapped Vox Creative for the partnership, who contracted RV and tiny home builder ESCAPE for a custom build of the company's Vista Boho XL model that's fitted out with solar panels, a composting toilet, and an on-demand RV water heater for off-grid capability.



Digitally Native Vertical Brands

Digitally Native Vertical Brands (DNVBs) sell their own products via their own websites. These retailers often have a price advantage over competitors, including the likes of Amazon, by cutting out the middleman and going directly to consumers. The term DNVB may be new for some readers though the leading companies in this category are much more easily recognizable. Companies like Casper, Hims, Glossier, and Away are everywhere these days, and new companies are constantly emerging in this space.



DNVBs are in control of the entire consumer experience with their brand, from start to finish. The brands make an early impression on consumers and DNVBs are rapidly earning market share, capturing nearly two percent of the \$453 billion US e-commerce market in 2019. Although DNVBs' current market share might seem small, it's important to note that they are growing nearly three times as fast as the average e-commerce retailer. Vertically integrated and born on the internet, DNVBs enter the market with no past baggage and pose a threat to the very core of the traditional fashion and retail model. The direct access to the consumer affords companies access to all of the data they need to better understand every part of their customer and provide the unique opportunity to design and create products with the consumer in mind.

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Unlike their predecessors, digitally native brands have the unique opportunity to design and create products with the consumer in mind, rather than trying to make products fit the consumer

-RetailNext

This unique way of connecting with customers allows companies to compete with much larger players like Amazon, as Amazon's main advantage is with products that are more price competitive and less emotionally tied.

A counter point to the strength of the DNVBs is that it has been tough for DNVBs to gain or maintain profitability, as the 'better quality, lower cost' model and high customer acquisition/retention costs may not be sustainable in the long-term.

Subscription Model

Another growing e-commerce business model is subscription. The subscription model leverages on what Amazon often has difficulties enabling - strong customer relationships. While Amazon also operates a subscription model, it is mostly focused on essentials such as the replenishment of food and household goods. Highly successful subscription companies focus on curation and access, and convert customers into reliable sources of recurring revenue. Subscriptions also meet the growing customer habits of hassle-free shopping experiences, free delivery, instant gratification, and tend to be a low-effort way to grow revenue. Outside of lower churn rates and more predictable revenue, this business model allows for companies to be even more data-driven, providing cross-selling and marketing opportunities that are not possible for typical retailers.

Across several industries the subscription model has become a trend, but it seems to be particularly well suited for DTC retail and grocery products. By 2023, 75% of businesses that sell DTC are expected to offer some sort of subscription service.

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We didn't start with a subscription model but according to our calculations we realized that it would bring us the most value in the long run. As a part of the subscription process, we decided to provide one pint for free when placing a subscription order – something of little value to us, but of big value for the client. We consider it a huge challenge to keep the subscribers for as long as possible.

— Pierre Magnusson, Head of E-Commerce, N!CK'S

HOW DO INVESTORS VALUE NORDIC E-COMMERCE IN THE US?

An interview with Hanna Eiderbrant, Principal, Verdane

Would you say it is valuable for a Nordic company to have sales in the US?

The US is often seen as a strategic market for future growth, and to be able to prove profitable growth in a market that is highly competitive is a sign of strength. This often means higher Customer Acquisition Costs (CAC)-levels but also higher Average Order Values (AOV).



Any e-commerce categories that you think are more interesting than others when it comes to having sales in the US?

Non-bulky items with high value (basically categories that are generally interesting for e-com). Categories driven by strong brands like fashion, sports equipment, skin care etc.

What turnover in the US is significant enough for you to consider it as "sales" for a Nordic e-commerce player?

This is dependent on the size of the company but +20 million USD or > 20% of sales. Growth rate is important, as is customer metrics like loyalty and AOV.

Does it matter if sales are via marketplace or own platform?

Sales through an own platform is more powerful as you retain the data. But profitability is very important and own platforms usually require higher CAC.

Is a local set-up (warehouse, staff etc.) in the US important for it to be interesting for an investor or can you be operating directly from the Nordics to the US?

The setup itself is not really important but you need to be able to deliver an excellent customer experience at a reasonable cost without too much CO2 emissions. Usually this requires local operations at some point.

Do you know if American VCs are particularly interested in Nordic e-commerce players?

We have seen some interest but not massive. Nordic SaaS is more popular in my view.

Differences between Nordic e-commerce and US e-commerce companies?

Amazon and Shopify!! Amazon has an incredible 50% share of the e-commerce market in the US while Shopify has 32% market share of e-commerce platforms in the US. These market share levels are astronomical relative to the highly fragmented merchant and platform markets in the Nordics.

In the Nordics a lot of time and investment is spent on building up a critical mass of traffic to individual e-comm sites and also in building customized e-comm platforms. This allows merchants to "own" everything and have more control over customer data and the customer experience, but it is time consuming and costly. On the other hand, in the US merchants are leveraging the existing infrastructures such as Amazon and Shopify while having to accept less ownership and control over the customer experience as well as the extra fees that are incurred along the way.

DIFFERENCES BETWEEN US AND NORDIC E-COMMERCE

Understanding one's customer is an important step in being able to succeed in any market but maybe even more in the US since the market is so large, both in population but also geographically and culturally. The differences of the states and the diversity of the US population also means various shopping behavior, something to be aware of entering the US.

In terms of e-commerce and digital buyers, the Nordics all rank above the US. Already in 2020, all Nordic countries ranked over 80%. Still, in 2022 the US is just about to reach 75%.

A clear similarity is that all Nordic countries and the US share the same category for top purchases online; clothes and shoes, however, Sweden just recently had pharmacy products be a new top category.

All Nordic countries together with the US prefer to have credit card as the preferred payment method, except for the Swedes that prefer invoice. The Nordic countries and the US except for Finland want to have their order delivered directly to their home. The Finnish customers prefer to collect their orders from a parcel machine. Another similarity is that when considering making purchases online, around 50% of both US and Nordic consumers say that they research the product before making the actual purchase.

As of 2019, shopping from your smartphone reached its highest numbers. In Norway, for example, 53% of consumers had made a purchase via their phone. In 2022, the most popular device used when shopping online in the US was the smartphone with 64%, followed by shopping from a laptop and thereafter a tablet. This trend is strong in the Nordics as well but not as developed as in the US which is something to keep in mind when entering the US as an e-comm company. The importance of carefully evaluating the web design and consumer experience from a mobile-first perspective will be vital. On the flip side, even if most online purchases come from smartphones in the US, the highest order value is from purchases made from desktop, which is similar in the Nordics.

NORDIC SUCCESS CASES

Djerf Avenue

An interview with Rasmus Johansson CEO & co-founder of Djerf Avenue

How is Djerf Avenue different from other retail brands?

The uniqueness of Djerf Avenue is all the small things combined. We produce ethically in Portugal, we always choose what we believe are sustainable fabrics, and this is where we weigh in many different aspects such as durability, longevity, climate impact etc. We use top quality fabrics and top-quality production. The craftsmanship in Portugal is hard to match. We present and market our clothes on different body types, both in sizing and ethnicity since it is important for us that the customers feel represented, seen and respected on the website and can relate with the model wearing the size you want to buy. We're strong on social media and the communication with our followers which has led to a big growing community.

Why is the US market appealing to you?

Since the US is our biggest market with over 30% it was very natural for us to establish ourselves here. It's obviously one of the biggest markets in the world so we're very humbled that we had the opportunity to



grow organically in the US. With addition of a local warehouse and operation colleagues, we're confident that we can grow even more in the US.

Tell us about your sustainability focus?

For us, it's important to say that we're not a sustainable brand. We believe that if you produce clothing, or to be frank, almost anything today you are affecting the climate.

Sustainability is a big subject and it's hard to put our sustainability focus into a paragraph. For us, it was an obvious choice to always have sustainability in mind, it's a must when producing in 2022. It's about choosing the right material, thinking about the durability of the material, can a customer wash it?

Can a customer wear it or is it too delicate to be worn? There are many aspects to consider when choosing the fabric for each item, it's not as easy as choosing a "sustainable" material on paper. We like to question everything, just because something has worked one way for centuries doesn't mean it is the most sustainable. For example, we had a period when we removed the hang tag completely as it wasn't needed before we had a warehouse. It's the first thing you remove when receiving an item and we always want to minimize waste. While it's nice to receive a thank you card when you open your package - it is also a huge waste as it will most likely end up in the trash.

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In my world you have to sell to the US, it's one of the biggest markets in the world and you never know if your organic content goes viral and hits the US

-Rasmus Johansson, CEO Djerf Avenue

How do you work with marketing for the US-market?

Our marketing in general is mostly organic on Instagram and TikTok. And our biggest following there is from the US. We kind of had a mouth-to-mouth effect on social media. We started dipping our toes in the paid marketing world, we spend very little but have campaigns in NY, Cali, Florida and Texas.

Do you have any tips to other e-commerce businesses that want to sell to the US?

In my world you have to sell to the US, it's one of the biggest markets in the world and you never know if your organic content goes viral and hits the US, if the potential customers from the US can't even order from you, that would have been bad. Take help from Business Sweden with what you need to have in place to be able to send to the US. With low revenue in the beginning, it's a very easy setup. To establish in the US is another thing, from my perspective you can start with reaching the US from the Nordics, both in marketing/communications and also shipping wise. We're a living example of it. When you get some traction over there, then I would look into establishing in the US.

Bemz

An interview with Anneli Kansbod CEO and Board Member of the Swedish Digital Trade

What role does e-commerce play in your overall strategy?

Bemz is a global e-commerce company, with a concept store in Stockholm, Sweden, which means that e-commerce is our strategy.

Why do you think you have been successful in the US?

We have an interesting brand and a great product that has a 'wow' factor. Our brand has a clear focus on sustainability and our business idea of prolonging the life of IKEA furniture instead of buying new furniture is very relevant for design enthusiasts. We also have a well-defined target audience and appreciated collaborations with Apartment Therapy and Maxwell Ryan, who is a recognized designer with an impressive reach in the US. Digital marketing channels are well developed and efficient in the US, enabling us to reach our customer without being physically present.



Besides your own web shop, do you use any other e-commerce channels in the US?

No, not currently. As Bemz products are made to order, the products are not suitable for online marketplaces where customers expect next day delivery.

What are the main drivers for opening your web shop to the US?

US has been a key market since the company started in 2005 as there is a relevant market for our product there. The US was not part of the original launch of the company but was added quite quickly as there was a big demand for the products from customers.

Which advertising channels have been most effective and why?

Digital advertising, especially Google shopping and paid social media have been very effective. Organic channels are also key for Bemz, as we have a niche product so we can organically reach customers searching for our product category with relevant content.

What have been the biggest hurdles between each channel?

Scaling efficiently. We have a niche product and need to also raise awareness of the category which is challenging to do in an efficient way from afar. It's also a challenge to get local knowledge of the US market without any presence in the country.

What are the biggest differences between selling to the US compared to the Nordics?

The scale and size of the market, which requires higher budgets to reach.

You also need local knowledge in everything from marketing to tax legislation that varies from state to state. Shipping costs from Europe are much higher than within Europe and the speed of postage services available for our fabric samples is a lot slower.

Do you have any tips for Nordic e-commerce players looking to enter the US?

Invest in market research to understand how your US customer differs and mirrors your Nordic customer, what their drivers and barriers to purchase are, and where they find inspiration.

If there isn't a huge marketing budget available; start with one or two geographic areas to create a proof of concept. Invest in digital advertising to gather learnings and scale when you know what's working.

Goodio

An interview with Titta Houni, National Sales Manager USA

What role does e-commerce play in your overall strategy?

Online sales are a very important part of our strategy. Before last year we used to ship our products from Finland, but since last year we have been operating from a local warehouse, which has grown our sales and made it much easier. The potential to grow is high and dependent on how much we can invest in marketing.

Why do you think you have been successful in the US?

Our brand and packaging are interesting and unique for the consumer and makes a great gift item. We have reached consumers directly by advertising on Facebook and Instagram.



Besides your own web shop, do you use any other e-commerce channels in the US?

We also sell through Amazon, B2B platform Faire, Thrive Market, Vita Cost, different gift box companies and even meal kits.

What are the main drivers for opening your web shop to the US?

Since the beginning our goal was to grow globally and there is only so much sales you can do in Finland. The US is one of the main markets where we wanted to grow as the opportunities are limitless over here. If one channel or buyer does not work out, there are several other options to pursue.

Which e-commerce channels has been most effective and why?

Faire has been a great experience. We have been using the platform for many years and it is definitely one of our main channels. It takes minimal effort to manage as the platform is integrated to our Shopify account, and it is easy to join their promotional campaigns. Through the platform we can reach a variety of customers, and for many resellers it is easier to use the platform than order separately from different brands, even if it would be cheaper for them. Faire also offers more time to pay for the buyer, so it does work well for both ends.

What have been the biggest hurdles between each channel?

The biggest hurdle has been with setting up the Amazon account, which was a long and tedious process. However, once you have the set up done, the platform works well. Next step would be to become an FBA (Fulfilled By Amazon) seller, but that requires that our sales need to grow to a certain level.

What are the biggest differences between selling to the US compared to the Nordics?

In the US you don't run out of options and the potential for growth is huge. We can see that even one-time purchases from our online store tend to be a lot bigger here than they are in Finland.

Do you have any tips for Nordic e-commerce players looking to enter the US?

Your packaging and visual look are very important to stand out from competition and to attract the consumer. Investment in marketing is crucial, and you need to be consistent with it.

You have to make sure that your online store or channels work smoothly, here it has to be super easy to buy. It makes selling a lot easier if you have a local warehouse, as the FDA and customs checks can be a pain. Of course, to start with, you need to have all your compliance issues in order.

N.C.P Concept

Interview with Anna Enström, Training & Sales Representative

SSENCE is a multi-brand retailer based in Canada specializing in the sale of designer fashion and high-end streetwear. The platform offers over 70,000 items from more than 700 brands. US Sales was approximately \$200m in 2021.



In April you started selling your products in North America through the marketplace SSENCE, how is that going?

We had a successful launch with SSENCE and we look forward to growing the business.

Does SSENCE keep your stock or do you have another solution?

All stock is held at the SSENCE warehouse.

What was the main drivers for selling to the US?

The customers have been increasingly coming from the USA so the next step was to launch with the right partner, which was SSENCE.

Pros and cons with selling through a marketplace?

Pros;

The US Market is full of new opportunities and it's an exciting time for a niche brand to reach a new market

Cons;

N.C.P prides itself on layering. The fragrances can be used on their own but we want more people to try layering with another NCP fragrance or with their favorite fragrance's they already own

You are selling from your own site in the Nordics – why have you chosen a different strategy for the US?

N.C.P has built a loyal customer base in Europe since conception, and we have achieved this using the brand's own website to interact with customers. Launching in the US market is important for any brand and N.C.P want to be an internationally recognized brand so the strategy is to grow in the right markets, to create awareness for the brand and to launch N.C.P skincare

Do you have any tips for Nordic e-commerce players looking to enter the US?

Have a plan, be brave and be aware, it will take a lot of time and a lot of paperwork but it's an exciting journey. Go for it!

VARUSTELEKA

Interview with Jari, Laine, CEO Varusteleka

What role does e-commerce play in your overall strategy?

Online sales is our main channel, around 75% of our sales come from that. It is easier to scale e-commerce globally, so it has been a key component from the start.

What are the main drivers for opening your web shop to US sales?

We made the strategic decision to put most of our focus on the US market 6-7 years ago due to market size and since US based influencers set the global trends in this area. Our customers are a niche group, majority of which reside in the US. Since there are favorable gun laws, shooting is a popular hobby, and many people have been in the service, the market for military and outdoor gear is huge. This customer base is traditionally also used to buying online.

Why do you think your e-commerce have been successful in the US?

Compared to the market size our portion is not big, but our sales last year reached 2,5 million in the US. There are only a few big brands in the market, otherwise it is quite fragmented. There are several reasons why we stand out in the competition. Our products are unique and high-quality Finnish design and European equipment is well valued in this market. We have succeeded in our marketing in that we have found a way to communicate to our specific audience with humor. We have also had some luck in that we managed to get a relevant YouTube -channel interested in us early on, which has brought us valuable visibility

Besides your own web shop, do you use any other e-commerce channels in the US?

Our own online store is the main channel, but we have started a project to set up an Amazon account. We got Business Finland support in doing a market study on the most relevant channels and getting help in the set up, but it has been quite a hassle to get the account running. We want to have the fulfillment by merchant but integrating our systems to Amazon's is complicated.

Which e-commerce channels has been most effective and why?

Our own online store is the most effective channel, since we want to build relationships with our customers and understand them. With Amazon we would not have the same visibility to the buyer, and that goes with re-sellers as well. By managing your customers your growth may be slower, but it is more profitable.

What have been the biggest hurdles between each channel?

Starting to sell to the US is quite straight forward in general, as there is no language barrier with English and marketing is easy with Google, Facebook etc. Once the sales volume grows however, you need to tackle challenges with logistics, returns and customer service. We have solved these issues by getting a partner who handle the returns locally and are considering getting a local warehouse once the sales reach a necessary level. It is possible to handle shipments from Finland, but it takes time and is expensive. We are of course aware of the sustainability challenges that come with long distance shipping as well.

What are the biggest differences selling to the Nordics and the US?

Our target audience is quite similar all over the world, so we have not made any specifications in our branding and communication for different markets. Of course we are aware of the local holidays and events, and utilize those in our marketing.

Bigger differences in the US customers are that they contact customer service more actively and return items more easily. The sizing is different in the US and Europe, which causes a lot of inquiries even though we have the measurements on the website. On the positive side, the US buyer also spends more per purchase.

Do you have any tips for Nordic e-commerce players wanting to enter the US?

You need to have a unique product and great branding to stand out. The potential in the market is big, but there is a lot of competition. We put a lot of effort in guaranteeing high quality product. If your brand speaks to a passionate target group, you need to be present in the market and at industry events to build relationships and get the right partners. Going to events and talking with people serves as market research and helps you understand the customer.

One thing to be aware of from the start is the US Sales tax system. It is quite a maze with different regulations in different states and between categories. This is not an issue in the beginning with lower sales levels, but understanding the requirements helps you in being compliant and avoiding unnecessary complications later. You will get sanctions and higher taxes from not being compliant, but we managed to sort everything out with our accounting partner. Another thing is understanding the customs regulations, those need to be in order for you to get your products in the country.

PREREQUISITES TO ENTERING THE MARKET

There are several steps a company must take to ensure regulatory compliance while minimizing liability risks before selling products to US consumers. These steps include ensuring labeling regulations are met, sales tax requirements are followed, and nexus regulations are taken into account. In addition to these prerequisites, companies should also consider aspects such as whether to set up a US entity, required partners, estimated budgets, and the overall customer experience well ahead of their US launch. With that said, no need to worry just be prepared and there are a lot of good support and help to be found to make your US growth journey smooth.

DUE DILLIGENCE

Before you have any sales in the US you need to do your due diligence to ensure that you meet all US regulations and labeling requirements.

US Subsidiary

The most efficient way to reduce liability exposure of your Nordic company in the US is to set up a US subsidiary. This creates a protective barrier between your Nordic mother company and the US operations if done correctly. The most common company form is a C-Corporation incorporated in Delaware with additional state registrations wherever you have a physical presence (called nexus).

DISCLAIMER

The information provided in this report, and especially in this section, does not, and is not intended to, constitute legal advice; instead, all information, content, and materials available are for general informational purposes only.

Consult with a US attorney to ensure that the subsidiary is set up correctly, Business Sweden and Business Finland work closely with local attorneys and can support you in this process.

Moreover, having a US entity will allow you to sign up for a US insurance policy, see section “insurance” below for more info, as well as a US bank account.

Why set up a US entity?

- The Nordic parent company has increased legal protection from lawsuits and taxes
- A local subsidiary makes it easier to enter into contracts, apply for financing, open a bank account and make basic transactions with buyers
- A US entity is required for hiring US employees
- Most US insurance companies will only cover US-registered entities
- Incorporating in the US signals that a Nordic business is serious about working with American partners and has the resources to support clients

INSURANCE

When you grow your international business in the US market, so will the number of insurance policies that should be considered. At a minimum, companies should have product liability and general liability insurance. If a US entity is set up, it is also recommended to get Directors and Officers Liability insurance, commonly known as DI&O insurance in order to protect the management and board of the US entity. Below you will find some of the common insurance policies that could be considered.

	Policy Description	Relevance
CARGO INSURANCE	Protects goods from loss, damage, or theft while in transit with different policies available for land versus marine/air transportation	Especially important when shipping valuable goods overseas
PRODUCT LIABILITY	Covers manufacturer’s liability for bodily injury or property damage sustained by a third party due to a defect or malfunction of the product	Highly recommended when selling to end users in the U.S.
GENERAL LIABILITY	Includes a variety of non-employee claims such as bodily injury, property damage, and personal injury caused by negligence on your property or customer’s property	Will cover some of the most common lawsuits that arise from everyday business activities
PROFESSIONAL INSURANCE	Covers an error or omission by the company that causes financial loss to a third party out of the services the company provide	Common for professional services such as medical or legal firms to protect against claims of negligence
PROPERTY INSURANCE	Provides reimbursement to the owner or renter of a structure and its contents in the event of damage or theft	Highly recommended if the company has a warehouse or office in the U.S.
WORKERS’ COMPENSATION INSURANCE	Protects against risks if an employee is injured in the course of employment and covers medical expenses and a portion of lost wages	Required by law in most states if a company has employees. Not required for independent contractors

Many “global insurances” offered by Nordic insurance firms will often exclude the US and Canada, and if they were to cover these two markets, the coverage is seldom sufficient to minimize risk and financial

damages in the case of a lawsuit. Always make sure to review your existing insurance policy with a US attorney to ensure that it provides sufficient coverage. In most cases, you will need to sign up for a US liability insurance through a US entity, as US insurance firms are reluctant to sign insurance with companies based abroad. This is a strong reason many Nordic companies decide to set up a US subsidiary for their US operations, as it ensures maximum insurance protection, while the cost tends to be lower compared to if you sign a US insurance via a Nordic insurance company.

As most insurance policies issued in the Nordics exclude the US and Canada, purchasing a US insurance policy is often required to receive coverage. Given the litigious environment in the US, this is highly desired as it will further distant the mother company from the U.S operations.

- Sal Provenzano - Business Development, Rand Insurance

CONTRACTS

The US legal system, consisting of 50 different legal codes plus the federal overlay, is set up differently compared to the Nordics. The different states in the US operate under a common law system, whereas the Nordics operates under the civil law system. It makes for significant differences in terms of how contracts are formed, the ability to negotiate risk between two business parties, ability to limit liability under a contract, and the courts' role in construing contracts which generally is more limited in the US. Some provisions, like non-competes or non-solicits, are allowed and legal in some states, while disfavored and illegal in other states. For these reasons, and to avoid unwanted legal liability (or inadvertently entering into an illegal contract), it can be valid to engage a US based and trained attorney early in the process. It's always recommended to sign all US contracts through your US subsidiary (if you have one) as opposed from your Nordic mother company. This way, the parent shield itself from business liability arising out of US activities, which liability is assumed by the US entity as long as corporate formalities are complied with the and the two entities are considered separate and sufficiently independent. In terms of the corporate formalities, there are a few things to keep in mind in order for the courts to view the US subsidiary as a separate and independent entity such as capitalization of the US entity (initially ensuring that it has sufficient funds to cover 6-9 months of operational expenses), separate bank accounts, separate books, and preferably not complete overlap in management between the two entities.

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In the US, courts are generally limited to the four corners of the contract, meaning they are not allowed to construe contracts the way a Nordic court might give meaning to the words in a contract such as “reasonable penalties.” Therefore, US contracts require more detail and specificity to ensure contract certainty and enforceability of the terms bargained for, and also to minimize contract liability.

– Lars Johansson, Attorney and Founding Partner, Burks Johansson LLP

TRADEMARK

Another aspect is to consider registering your trademark in the US. You should consult a local attorney to evaluate your potential need for trademark as well as to draft and review contracts and agreements with partners, customers, suppliers etc.

	Description	Indicative timeframe
TRADEMARK DATA SCRAPING AND ANALYSIS	<ul style="list-style-type: none"> Recommended to identify similar marks a firm should be aware of in order to determine whether to proceed with trademark filing or to trademark an alternate word mark or logo If this step is not performed, and it is later identified that a similar trademark exists, the firm may be subject to three times the damages and the legal fees for the entity owning the similar trademark 	<1 month
TRADEMARK FILING	<ul style="list-style-type: none"> It is recommended to register the trademark under the Nordic mother company, as this is deemed a safer option by IP lawyers To facilitate the trademark filing process, it is recommended for foreign entities to use the intended trademark during a sale of a product to a third-party to prove "statement of use" of the trademark in the U.S. TM (Trademark) can be used in the upper right corner while the process is ongoing and once completed the ® symbol can be used The registration date of the trademark, once approved, is back dated to when the trademark application was filed 	9 - 12 months
TRADEMARK MAINTENANCE	<ul style="list-style-type: none"> A statement of continued use of the trademark must be filed between the 5th and 6th year anniversary of the trademark being issued An additional statement of continued use must be filed between the 10th and 11th year anniversary of the trademark being filed 	1 month

LOCAL BANKING REQUIREMENTS

In order to open up a US bank account you need to establish a US company as a bank account requires a US Tax ID called Employer Identification Number (EIN). This is the equivalent of the Nordic 'organization number' and is applied for after the company has been incorporated. Once you have your EIN, opening a bank account will require paperwork from the company officers (typically articles of incorporation, two forms of identification, your business address, etc.), an initial deposit and often an in-person meeting at the branch in the US. Besides requiring an in-person visit, opening the account is a relatively quick process.

The "Know Your Customer (KYC)" rule typically require non-resident aliens (i.e. Nordic citizens) to visit a bank in person in order to open up a US bank account. Thereafter most or all of the banking could be performed abroad using various online banking and cash management tools. There are DocuSign or other remote capabilities available for most banks to open up accounts virtually, but typically only if the signer is a US person with a social security number (SSN) and

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There are some differences concerning cash management and transfers between banks in the Nordics and the US. In the US, your domestic payments are done through the ACH (Automatic Clearing House) system which is similar to an electronic check. Very few companies send wire transfers as a mean of transfer/payments, unless for international purposes. Wire transfers typically incurs both an outgoing and incoming wire fee, whereas ACH is a cheaper system.

permanent US address. As a result, a Nordic company often need to plan a trip to the US when setting up their bank account.

Another difference is the way credit is handled. With most banks, the capability of receiving credit card payments is in itself considered a credit product, meaning that a newly founded company might have difficulties acquiring this product and might have to go with other vendors such as Paypal/Stripe (typically higher fees). Also keep in mind that some companies might want to pay/get paid with a physical check.

- Adrian Millén, Regional VP International Residents Desk at Bank of the West USA

LEGAL REQUIREMENTS ON COMPANIES DEPENDING ON E-COMMERCE CATEGORY

Companies should always conduct due diligence to map out which US regulations are applicable to their products, as the certification, labeling and regulatory requirements differ by product category and industry. All companies exporting to the US must adhere to customs and tariff regulations set out by the US Customs and Border Protection (CBP).

Clothing and textile companies must adhere to safety and labeling regulations set out by the Consumer Product and Safety Commission (CPSC) and the Federal Trade Commission (FTC). Food companies on the other hand need to comply with the US Food and Drug Administration's (FDA) regulations. Business Sweden has developed a separate report focusing exclusively on food and beverage regulations in the US, found [here](#).



CONSUMER PRODUCT SAFETY COMMISSION (CPSC)

The CPSC is an independent agency focused on protecting the public from unreasonable risk of injury or death associated with the use of thousands of types of consumer products

FEDERAL TRADE COMMISSION (FTC)

The FTC is an independent agency that seeks to protect consumers and competition by preventing anticompetitive, deceptive, and unfair business practices.

CUSTOMS AND BORDER PROTECTION (CBP)

The CBP is the federal law enforcement agency of the US Department of Homeland Security tasked with regulating and facilitating international trade, collecting import duties, and enforcing US regulations such as trade, customs and immigration

For clothing companies, the below requirements set out by the CPSC, FTC and CBP must be met. All labels must be in English, legible, and have consistent font and size. More information about labeling requirements for clothing and textiles can be found [here](#).



FLAMMABILITY

Clothing must be compliant with the Standard for the Flammability of Clothing Textiles under 16 CFR §1610.1(d) and specify the portion of the exemption in the General Certificate of Conformity. More information can be found [here](#).

FIBER CONTENT

The generic fiber names and percentages by weight of each constituent fiber must be listed in descending order of predominance.

IDENTIFICATION

Clothing labels must identify the manufacturer either by name or by the Registered Identification Number (RN), issued exclusively to companies operating within the US

CARE INSTRUCTIONS

Labels must contain care instructions regarding: (1) Washing by hand or machine (2) Bleaching (3) Drying (4) Ironing (5) Warnings

COUNTRY OF ORIGIN

Imported products must clearly identify the country where they were processed or manufactured, not by the nationality or location of the company selling the product

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If a Nordic company is not labelling their products appropriately products can get stopped at customs, penalties may apply, which can be costly to companies. Once an import is flagged, Customs and Boarder Protection (CBP) and Consumer Product Safety Commission (CPSC) increase the scrutiny to ensure the products do comply with US laws and regulations.

— Representative at the US Customs and Border Protection

CUSTOMS PROCEDURES

Products must be identified with the appropriate HTS code and associated tariff rate, found [here](#). Further custom procedure support can be provided by Business Sweden Trade Facilitation

AVOIDING TARIFFS

You may avoid paying duties when shipping to the US if the value of your shipment does not exceed the De Minimis value. De Minimis Value as the threshold is known, varies from country to country. Items imported into the United States are subject to duty when the value is over USD 800.

SALES TAX AND FEDERAL REPORTING REQUIREMENTS

A US subsidiary will need to comply with both federal and state regulations; however, the majority of business requirements are overseen on a state level. Below is an overview of the various taxes and requirements you need to comply with if you have a US subsidiary.



ANNUAL REPORTS

Annual reports must be filed in all states where the Inc. is incorporated and qualified to do business

C-CORPORATION REQUIREMENTS

Corporations are required to hold initial and annual director and shareholder meetings, record meeting minutes, adopt and maintain bylaws, issue stock to shareholders, and record all stock transfers

CORPORATE INCOME TAX

A US corporation is required to pay federal and state tax on US income annually to the IRS and state governments.

SALES TAX

Sales tax must be collected and remitted to the state when selling to the end user, regardless of selling from the Nordic mother company or US subsidiary. Sales tax vary by state and range from 0% to 13,5%.

FOREIGN QUALIFICATION

A corporation will need to register in additional states as the company grows. Qualifying is most commonly required when the US entity does business or hires an employee in an additional state.

REGISTERED AGENT

The Inc. must designate a registered agent in each state of incorporation and qualification in order to receive governmental correspondence and notifications.

FEDERAL AND STATE TAX

The US has a multi-tiered income tax system under which taxes are imposed by federal, state, and sometimes local governments. Federal and state income tax are similar in that they apply a tax rate to taxable incomes, but the tax rates can vary considerably from state to state.

By having a US subsidiary, you will need to begin reporting to the relevant tax authorities: US federal government (IRS), State, and potentially local municipalities. Even if activities are limited, filings are still required to avoid the risk of severe penalties or fines

FEDERAL TAXES

Required tax filings depend on your industry, annual revenue, number of employees and fiscal year. Most companies submit estimated tax payments quarterly and must file an income tax return annually. Exact filing date depends on type of corporation. For example, the deadline for C-corporations that operate on a calendar year is mid-April while the deadline for C-corporations that operate on another fiscal year is the 15th day of the fourth month following the end of the corporation's fiscal year.

Employer taxes (payroll withholdings and unemployment tax payments) are usually submitted semiweekly or monthly depending on your filing status. You must document deposits and distribute year-end tax documents to your employees.

Some companies, including manufacturers, retailers and communication companies, are subject to excise tax. Depending on industry-specific requirements, excise tax is paid monthly, quarterly or annually.

STATE TAXES

Most states collect corporate income tax as well as sales tax. Most companies with activities in these states submit estimated tax payments quarterly and must file an income tax return annually.

Most states require companies, including remote ones, to collect sales tax from the customers within their states. The sales tax rates differ between states and often also between jurisdictions within the states. Some states require sales tax remittance by county, for example Arizona, while other states, such as Illinois, require just one state-filing covering all jurisdictions.

The frequency of payment depends on the volume of your sales. In most states, you must pay monthly if you have a high volume of sales, but at least quarterly in almost every state.

What are other common taxes for US companies?

If you have employees in the US, you have employer taxes as well. Employers who pay wages are subject to income tax-withholding, social security and Medicare taxes.

SALES TAX

A company with nexus in a state will be subject to sales tax regulations. You need to collect sales tax from a customer if you are selling directly to the end-user while having economic/physical nexus in the state. Note that sales tax is a consumer tax, so you only need to collect sales tax if you are selling to the end-consumer. If you are selling your product to a distributor, the responsibility to collect sales tax will fall on them when they make the final sale to the consumer. That said, it is important that you request a "Reseller Certificate" from the distributor to support why your company is not collecting sales tax from the distributor.



- Sales tax and Value Added Tax (VAT) are not the same thing
- Sales tax is assessed on the final purchase price of the product, it is paid for by the buyer at the time of purchase and is remitted to the government by the seller
- VAT is levied on the amount of value at each step of the production process and is paid directly to the government at each level by the manufacturer, retailer, and the consumer



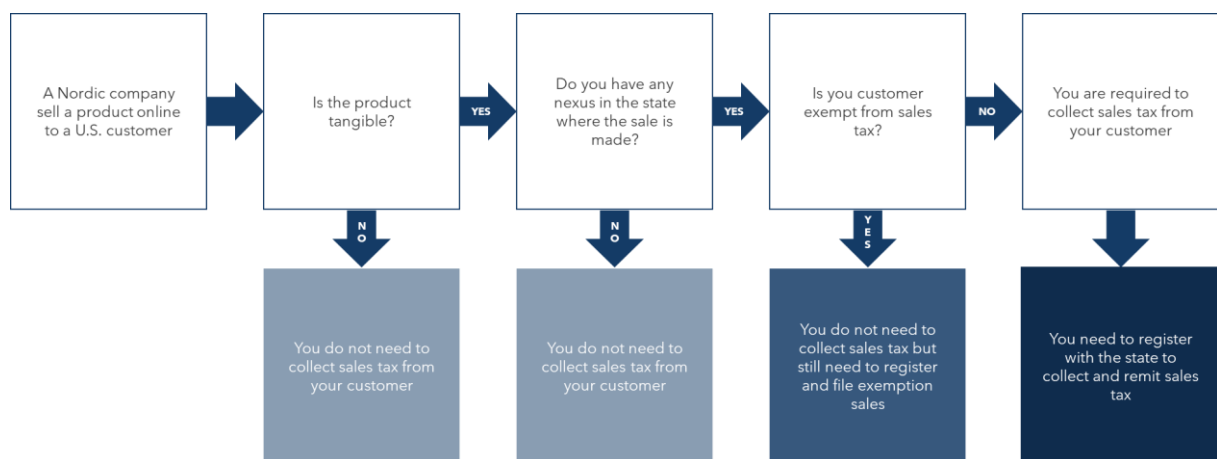
- Sales tax is a tax levied by state and local jurisdictions for the privilege of selling a tangible product or certain services in that jurisdiction
- The responsibility of collecting sales tax falls on the seller if it has nexus in the jurisdiction



- The most important issue to understand when considering sales tax is nexus (physical/economic)
- Nexus is the necessary connection that an entity must have in order for a state to impose a tax

DETERMINING SALES TAX RESPONSIBILITY

The responsibility of collecting sales tax falls on the seller if it has nexus in the jurisdiction. In other words, if you do not have nexus in a state, you do not need to collect sales taxes. Previously, it was primarily physical nexus that determined when a company had to start collecting and remitting sales tax. A company is considered to have a physical nexus if they have an office, store, or employer in a state, but it can also involve more non-obvious scenarios such as employing remote employees, storing property in a fulfillment center or location owned by someone else, or setting up a bank account. However, what constitutes nexus differ state by state.



Lately, most states have implemented new nexus rules to account for the growing landscape of e-commerce. Physical nexus is still applicable but there are two other types of nexus to be aware of when selling online in the US: economic nexus and marketplace nexus.

ECONOMIC NEXUS

Economic nexus does not consider physical presence but rather a seller's economic activity in terms of sales in that state. Many states use a standard numeric threshold to determine economic nexus, such as that sellers only need to collect sales tax if they have at least 100 000 USD or more in sales and/or at least 200 transactions. If you exceed this threshold, you will need to collect sales tax in states with this requirement for each additional transaction after reaching the economic nexus threshold.

MARKETPLACE NEXUS

Marketplace nexus requires marketplaces (e.g. Amazon, Walmart, Ebay) to collect and remit sales tax on behalf of the seller in certain states. This is beneficial for the state who can collect their sales tax from one large marketplace rather than multiple smaller vendors, and it is beneficial for the vendor who is removed from the obligation to collect and remit sales tax in certain states. A company will have marketplace nexus in all states that a marketplace sells their products to, but they may or may not also have economic nexus in these states. The marketplace for example, is only tracking sales via their platform, and you may in fact have reached economic nexus by exceeding 200 transactions in a state, or selling for over \$100,000 if you combine your Amazon sales with other platforms, or your own website. This will trigger a requirement for your company to collect sales tax on sales in all other channels. [This](#) blogpost explains marketplace nexus in greater detail.

NEXUS LAWS, RATES AND REMITTANCE OF SALES TAX VARIES BY STATES

The sales tax rates differ between states and often also between jurisdictions within the states. There are roughly 10 000 sales tax jurisdictions in the US, with widely varying rates. Some states require sales tax remittance by county, for example Arizona, while other states, such as Illinois, require just one state-filing covering all jurisdictions.

SOME PRODUCTS ARE EXEMPT FROM SALES TAX

Most products that can be considered "Tangible Personal Property (TPP)", meaning they are visible and touchable, should be sold with sales tax in most states. That said, there are some exemptions for sales tax in certain states, such as grocery items, medical drugs, and services.

Service and custom software including SaaS are mostly tax exempt as it is treated as an intangible product, but some states still treat it as a taxable product. More info can be found [here](#). A guide for sales of services can be found [here](#). More info about grocery items can be found [here](#). Information on how to deal with shipping and handling fees can be found [here](#).

SALES TAX REGISTRATIONS ARE REQUIRED PRIOR TO COLLECTING SALES TAX

The first step is to register for the sales tax permit once you have determined that you will be obligated to collect sales tax due to reaching economic/physical nexus. Registration can be done directly through each states' website or working with a company like MyCorporation which could assist in filing services. Each state will determine the company's filing frequency (either monthly, quarterly, or annually), which is usually based on the companies' sales. Never collect sales tax without this registration!

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It is recommended that you continuously monitor your sales in the US to ensure you are aware of which states you likely will reach nexus in

Many states will relieve penalties associated with retroactive collection responsibilities if companies voluntarily register for sales tax in the state. Thus, be proactive and ensure you understand the taxability of your goods/services in a state. After you have completed a sales tax registration in a state, you will need to file sales tax even if the amount is zero if you have nexus in the state and sell taxable items.

It is recommended that you continuously monitor your sales in the US to ensure you are aware of which states you likely will reach nexus in. TaxJar and Avalara are two digital resources to help companies automatically track sales tax status in each state. Business Sweden also has a team of in-house accountants who offers services to monitor sales to determine when nexus has been reached, assist with sales tax registration for each state, as well as file sales taxes on behalf of the company and analyzing company revenues to ensure it is done correctly. Feel free to reach out to Business Sweden or Business Finland directly for more information.

HAVING A US ENTITY MAKES SALES TAX MANAGEMENT EASIER

Companies need to submit their Tax Identification Number (TIN), also known as Employer Identification Number (EIN) as well as the officer's Social Security Number (SSN) when registering for sales tax. If you do not have a US entity or US officers, you will not have a TIN/EIN and likely not an SSN, which makes the process slightly more complicated. Cases like these should be discussed with a tax specialist.

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Companies can manage sales tax by themselves, but this is very time consuming and complicated if you are unfamiliar with the US sales tax regulations. As most companies get bigger, having a dedicated individual whose sole responsibility is sales tax is certainly beneficial

— Jonabel Russette, CPA, Finance & Accounting Manager at Business Sweden USA

GO-TO MARKET CONSIDERATIONS

Entering the US can seem a daunting task for any company regardless of its size. The US is about 22x larger than Sweden in size and a country like Spain is considerably smaller than Texas. The US is one country but many states which in themselves are often larger than many countries. For the vast majority of companies going after one region of the United States is advisable. Trying to address the entire US market in one go is often difficult unless your company has vast financial resources and in-house execution power. However, selecting a corner of the United States and building from there can often be a smart move especially if you have already started to get orders from the United States before officially entering the country.

Depending on product certifications needed, relabeling etc. cost of setting up may vary greatly from company to company. But at the very least you should expect 50k USD in your first 12 months to get up and running with a local incorporation, handle accounting and sales tax, setting up with a local third-party logistics partner, potentially adjusting your website, getting marketplaces such as Amazon ready and potentially processing visas for staff. In addition, running costs for increased marketing and increased capital allocated to inventory is almost unavoidable. There are of course ways to cut back on some of these costs or taking lower risk, lower reward paths such as working through distributors.

WORKING WITH US PARTNERS

KNOW WHAT YOU WANT FROM YOUR PARTNER

When first launching in the US market, it will be easy to want to latch to the first companies that you come across for the sake of convenience. However, it is of great importance to carefully vet each partner you come across for the terms of the agreement. If a company hires a distributor, what ownership will the distributor have over the contacts that they make, what ownership do they have over the products they are helping to distribute? What happens if a company wants to exit any of the agreements that are in place with a potential partner? These are all important decisions that must be made, both internally and together with the support of legal experts.

Regardless of what type of set up a company will have for agreements, there is one important element; it is well known that most US companies prefer to set up agreements and do business with US companies.

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When entering the US market, it is important to be brave but not foolish. In addition, make sure to be careful when choosing and analysing potential partners

— Marko Manninen, Vice President at Acon

	Description	Importation	Warehousing	Distribution	Sales	Marketing
3PL	Offers storage and distribution solutions. Some offer importing services. No sales or marketing	✓	✓	✓	✗	✗
ONLINE RETAILER	Online web shop that offers a variety of products and brands, which is usually sold to the end consumer. Online retailers charge additional fees for logistic services	✗	✓	✓	✗	✓
SALES REP	Conduct sales towards retailers in specific geographies for a commission. They often have strong retailer networks. Common for new brands. Does not import or distribute products	✗	✗	✗	✓	✓
PHYSICAL RETAILER	Physical store selling multiple brands and products to the end consumer. Store vary and may have their own warehouse and distribution and can provide some marketing to end consumers	✗	✓	✓	✗	✓
DISTRIBUTOR	Tend to sell generic, well-establish brands and products for a mark-up to retailers. Often carry a large catalogue with passive sales efforts	✓	✓	✓	✓	✗

✓ Typical service offered ✓ Service sometimes offered ✗ Service not offered

MANAGING THE CUSTOMER EXPERIENCE

As more consumers have turned to e-commerce, they have put more and more emphasis on the customer experience while shopping online. The service received, shipping policies, speed of shipping, and deliveries/returns are all crucial in retaining customers after they have made that initial purchase.

DELIVERIES

Online stores in the United States generally offer several different shipping options, and American consumers are generally accustomed to fast deliveries. An example is Instacart, which offers delivery of groceries to the consumer's door within two hours. Some E-commerce sites provide a standard option that is free, while there is usually a faster option that comes with a certain fee. Amazon offers, for example, many different shipping alternatives, all in between same day delivery to approximately 10 days delivery time, all options at different prices.

In cases where the advertisement does not state the number of shipping days, there must be a reasonable reason not to send a shipment within 30 days.

If the seller cannot send the item within the promised time (or within 30 days in cases where the seller has not specified what is a reasonable time), the seller must notify the buyer of the delay and enter a new estimated delivery date and also offer the customer a full refund. In the event of delivery delays of up to 30 days, the seller may interpret the customer's possible failure to respond as a sign that the buyer accepts the delay. In the event of a delay of more than 30 days, however, the buyer must give written or oral approval. In cases where the customer does not agree to this, a full refund must be made immediately.

RETURNS

Returns are a big challenge for many companies, and return rates are much higher for e-commerce in particular as compared to physical retail.

According to news channel CNBC, return rates in physical stores jumped up to 16,6% in 2021 compared to 10,6% just a year earlier. Online the return rate is estimated to be around 20% in the US for 2021. [E-commerce Product Return Rate – Statistics and Trends \(2022\) \(markinblog.com\)](#)

Though, this rate varies between the different categories where many of the most purchased products via e-commerce are also some of the most returned products. Roughly 56% of e-commerce clothing purchases, and 22% of health & beauty purchases are returned.

WHEN DOES THE SELLER NEED TO CANCEL AN ORDER?






BUYER	SELLER
 <p>Exercises the right to cancel before the item has been sent</p>	 <p>Has not delivered or communicated a delay in time</p>
 <p>Seller cannot deliver a delayed delivery on time or buyer agrees to 30+ day delivery date</p>	 <p>Not able to deliver purchased goods</p>
 <p>Doesn't answer notice of a new delivery date, and goods not delivered by seller</p>	 <p>Goods not delivered in 30 days, and buyer doesn't answer notice of new delivery date</p>

Due to the hassle that returns cause for many retailers, it may make sense as a retailer to make returns more difficult for consumers. However, negative return experiences are likely to keep customers from coming back to retailers again after the initial purchase. In fact, roughly 60% of 18-25-year olds have said that a negative returns experience would result in them not shopping with a retailer again. In fact, many customers will review a retailer's returns policy before buying. There should be no hidden fees associated with returns, and if customers will be responsible for return shipping costs, which can help reduce shipping costs, make sure that information is presented clearly. It is even recommended to give customers tracking information for their return shipment and/or automatic text alerts once their return has been received and refunded.

Retailers can take a few clear steps to reduce return rates proactively, including providing clear product descriptions, increasing the return time window by 30 days or more, conducting regular quality testing, and identifying trends in commonly returned items. Just as a company may have a logistics provider for shipments, it is common to enlist the services of a 3PL or other party to support with returns.

PAYMENT PROVIDERS

There are several payment providers commonly utilized in the e-commerce space. See some of the main providers below:

	Restrictions	Capabilities
	<ul style="list-style-type: none"> EIN and U.S. bank account number is required in order to use <u>Klarna</u> in the U.S. 	<ul style="list-style-type: none"> <u>Klarna</u> sends funds via ACH direct deposit. Exchange between several currencies including SEK/EUR and USD are allowed
	<ul style="list-style-type: none"> Requires a merchant account and a social security number 	<ul style="list-style-type: none"> Allows companies to either use Square to build their online site or integrate payment solutions with their existing site. Also offers physical card readers
	<ul style="list-style-type: none"> A merchant account is not required, but a U.S. EIN number and a U.S. SSN is. A U.S. bank account is required. Additional 1% fees for different currencies occur 	<ul style="list-style-type: none"> A Stripe account takes the place of a merchant account, gateway and processor
	<ul style="list-style-type: none"> If the company is based in Sweden a 4.4 % transaction fee will be charged for every U.S. purchase and higher exchange rates 	<ul style="list-style-type: none"> Funds can be transferred into a bank account and exchange between USD and SEK/EUR
	<ul style="list-style-type: none"> A U.S. bank account and a social security number is required to validate the <u>SumUp</u> account in the U.S. 	<ul style="list-style-type: none"> Offers physical card readers for shops and online payment services. Accepts credit and debit cards

SUPPLIER REQUIREMENTS

Supplier requirements have shifted at some of the marketplaces in the US as they implement more protections against counterfeit goods, something that was prioritized under the Trump administration. It remains to be seen if we will see further federal regulations as it relates to e-commerce and foreign companies.

AMAZON REQUIREMENTS

Amazon, as a global behemoth, can generally be rather accommodating for Nordic companies looking to sell into the US. For payments from Amazon, companies can establish a US bank account, however in some cases Amazon can even support with its currency converter, foregoing the need for a U.S bank account. From there, companies would be able to provide some additional information, including tax information, a phone number, a Government issued national ID, and a chargeable credit card for any Amazon expenses. The charges from Amazon will vary depending on which type of account companies have. In addition, after selling more than 10 KUSD per month, professional amazon sellers are required to have general liability insurance. Regardless, it is recommended that retail companies obtain product liability insurance when entering the market.

Other expectations in terms of FBM, FBA, and Amazon vendor central will vary based upon which group that companies are in. Regardless of what group a company is in, it will be very important to ensure products are listed properly. The products will likely need to have sort of identification: a Global Trade Item Number (GTIN), such as a UPC, ISBN, or an EAN. This allows Amazon to identify the exact item being sold, but there is much more that companies will need to include in order for companies to be recognized by customers. This includes basic elements such as: SKU, product title, product description and bullet points, product images, and search terms and relevant keywords. Having high quality and proper information available will also add trust for customers to purchase products.

Our experience is that many companies have difficulties with Amazon, either in getting registered, or with getting temporarily banned from putting up their products. This process is policed by AI rather than humans and it seems they impose tighter and tighter controls where they rather ban companies then let them come through if there are uncertainties.

OTHER PLATFORM REQUIREMENTS

Many of the larger additional platforms have similar requirements to Amazon for vendors. Walmart has a compliance guidance tool to support new and existing vendors to ensure their compliance. From an insurance perspective, Walmart requires companies to have a much broader amount of insurance, including: general liability, product liability, employer's liability, automobile liability, and any umbrella liability.

As the process of becoming a Target Plus vendor is invitation only, the requirements are much more uncertain. However, it does require that vendors have a EDI system in order to communicate with the Target system. In addition, it does appear that a U.S bank account would be needed for payments from Target.

Smaller, more individually based selling platforms such as Etsy and eBay do support platforms like PayPal to make global payments simpler, though vendors would have to adhere to the requirements stated above in the 'Payment Methods' section, for more information.

PROS AND CONS OF E-COMMERCE PLATFORMS

More generally, e-commerce is a great way for brands to make a wide array of products available, expand reach from brands' home markets, and be more cost effective than traditional stores. In addition, should success be achieved in this space, it is much easier for e-commerce business to scale up, as there are less restrictions in physical infrastructure. Especially in an age like today, where more and more customers are going online, either by choice, or by necessity due to the ongoing global pandemic. Nordic companies, coming from more digitally native countries, are particularly well positioned to enter this market, and the nature of e-commerce allows many Nordic businesses to grow from a distance before entering the market fully

However, e-commerce is not all positives. Much of this can be tied to lack of a direct connection to the consumer, which is why many e-commerce companies focus heavily on trying to connect to the customer. Though preferences are shifting, many consumers still prefer to hold and try on certain products before they decide to make a purchase. As such, it is of utmost importance to build the customer connection with marketing and advertising spend and collect necessary data to better understand the customer's needs.

Other difficult points within e-commerce would include sales tax. As mentioned, the 2018 ruling has made entering the US market much more difficult, and tracking where nexus may arise has become a challenge for many companies. However, there is software available, as well as consulting firms that can support with tax questions.

LEGACY BRANDS COMPETING WITH DTC

The pressure of increased entry of legacy brands taking up a direct to consumer model is eating away at the advantage of smaller DTC brands. To understand this threat better, look no further than Costco.

The Kirkland Signature brand generated nearly \$58 billion in sales in 2021, more than CPG heavyweights Campbell Soup, Kellogg, and Hershey combined. Kirkland brands are often 20% cheaper than national brands, forcing CPG companies to cede market share or lower prices to compete.

AMAZON MARKETPLACE

For smaller and mid-sized businesses, selling through Amazon Marketplace can be a gamble. The marketplace is great for companies with a unique product and adequate profit margins, as these types of products can stand from the many products they compete with. On the bright side, Amazon makes it easy to reach a large consumer base at scale and gives you the tools and infrastructure needed to do so. In fact, for many companies, Amazon sales alone can be imperative to the success of a small business, allowing for a wide, even international reach, which can ease the customer acquisition process.

While Amazon does come with many salient benefits, it can be complex to master. While a benefit lies in the wide range of products, this can make it very difficult for companies to stand out. In fact, for certain product categories, many companies try to game the Amazon system with low prices and marketing expenditures. Also, depending on which selling method a company is using, working within Amazon's model can be expensive, due to high commissions and demands for free delivery cutting into profit margins. Another negative for companies is that while they cannot control much of the customer experience when selling or shipping with Amazon, they still face the consequences of the customer experience, and cannot build up as much customer loyalty.

MANAGING AMAZON

When a company does get its product approved on Amazon, there are different paths for selling, either an Amazon Seller account or an Amazon Vendor account. However, becoming an Amazon Vendor is by invite only, so all companies must begin with a Seller account.

Being approved on Amazon is only the first step in the journey. From there, there are 4 main pillars to focus on for success in the marketplace: a retail foundation, content and SEO practices, supply chain, and marketing and promotions. This can often be a strong learning experience, as Amazon is a system of its own, completely unique from the other e-commerce channels on the market.

A common mistake that many companies will make when working on Amazon can be treating as just another storefront, almost the same as if they were selling wholesale to a brick and mortar company. According to Beekeeper Marketing, “when selling via e-commerce, you have to adapt your product to that reality. Amazon is an optimization game, and in order to succeed, you need to be able to pull the right levers at the right time.” This is just a part of the retail foundation.

From there, as touched upon previously, companies need to be able to have the correct content and work their SEO practices properly. This can be a complicated process, but like Amazon on the whole, it can be learned through testing over time.

After this, it is important to understand how the customer will receive the products that are being sold on Amazon. According to Business of Aps, Amazon Statistics from May 2022, today on Amazon, there are more than 200M people that have Amazon Prime memberships today whereof 147 million of them in the US alone! Being able to access the 1-2 day shipping that Amazon Prime offer is of great importance to the consumers. One way to receive this distinction from the beginning is to handle logistics through Fulfillment by Amazon (FBA). In fact, not selling with FBA can bring a company’s conversion rate down by at least 60%.

Lastly, it is important to be visible on Amazon, and in a marketplace where there is so much competition, companies have to pay their way to standing out. As Beekeeper marketing mentions, “Amazon really is a game where you need to pay to play, at least to build up momentum in the beginning.” This of course has to be done through proper management of marketing, or ‘search promotions’, to be pushed higher in search listings, and knowing the right time to bring in promotions on products.

Companies like Beekeeper Marketing operate in a space called Amazon Managers. These companies can come in and support the entire Amazon process for companies, leaving the larger brand decision to the companies themselves.

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Amazon is an optimization game, and in order to succeed, you need to be able to pull the right levers at the right time.

– Lynn Graham, Senior Director of Advertising Alliances at Beekeeper Marketing



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