



This is the fifth of a 12-part WORLD TRADE series on international e-commerce, wherein we show you how to make more money internationally through e-commerce and how to avoid the added risk brought by crossing international boundaries virtually.

The Missing Link

Payments you can trust

By Russ Banham

Anonymity is a tough nut to crack in cyber commerce. While buyers and sellers in the physical business world typically transact business face-to-face or over the phone, the human element and the trust it inspires are missing in online business-to-business transactions. Nobody knows anybody, it seems.

To remove this uncertainty, a handful of new companies is hawking software and systems that verify the authenticity of transactions and guarantee payment.

Take the case of Radio Shack, the ubiquitous seller of consumer electronic gadgetry. The Fort Worth, Texas-based company has an in-house procurement subsidiary, A&A International, that sources components globally. Up until recently, A&A International offered ven-

dors two methods of payment, open account (cash) or letter of credit (LC). Now it offers a third option: TradeCard, Inc., a New York-based online trade-transaction-settlement company. "We wanted to give vendors a less costly alternative to letters of credit, given the fees they must pay their bank to draw against the LC," says Fred Rigdon, A&A controller.

Radio Shack has been offering TradeCard as a transaction option since

March. "TradeCard lets our trading partners use a Web browser to receive and accept purchase orders, inspection information, shipment data, and payment," says Mark Yamagata, A&A executive vice president. "Not only is it less expensive than an LC, it has the added benefits of less paperwork and equal security—and it's all online."

Using TradeCard, a buyer creates an electronic purchase order that is validated and encrypted for security. The seller then manufactures the ordered goods and prepares them for shipment. Logistics details are logged into the system, as are inspection data and a packing list. Finally, a commercial invoice is generated.

"Say a computer-hardware manufacturer wants to order 1,000 hard drives from a supplier in Taiwan, wants the order shipped Sept. 1 and wants to use Expeditors International as the logistics provider," explains Michael Klausner, TradeCard vice president of marketing. "These details are entered into the system along with the quantity of goods and logistic particulars. If the seller agrees, our system electronically approves the transaction. From there, the Taiwanese manufacturer packs up the goods, puts markings on them, and generates an electronic commercial invoice. Inspection certificates and proof-of-delivery documents are





authenticated, and the seller receives payment assurance through our agreement with Coface (a Paris-based export credit insurer). Once all documents are submitted, our compliance engine verifies that the terms of the transaction have been met.”

The final step is for another TradeCard partner Thomas Cook, a global bank known primarily for foreign-exchange-conversion services at airport kiosks, to electronically transfer funds from the buyer’s financial institution to the seller’s financial institution. The FX conversion is translated on the day the funds are debited. “If you think about international trade, the biggest dilemma for a buyer is ‘Will I get the goods?’ and for a seller it’s ‘Will I get paid?’” Klausner says. “We remove this distrust.”

Trusting in Trust

AlphaTrust.com has a similar value proposition, albeit through a different transaction/payment model. The Dallas-based electronic-transaction company enables e-mailed documents to have the same legal and security backing as ink-and-paper documents.

Here’s how: Company B signs and encrypts an electronic purchase order for Company A. Company A receives it, opens it, and decrypts the message. Since the message is from Company B (an AlphaTrust.com member company), Company A knows it’s an authorized, legal purchase order. A confirmation message is sent, the shipment is generated and an electronic invoice—again using AlphaTrust.com—is posted. A member bank using the system receives an electronic acknowledgement that the shipment has been received, and payment is released.

“Once a user digitally signs an e-mail, we lock the document so it can’t be changed, or if it is changed our software will detect it,” says Bill Brice, AlphaTrust.com CEO. “The end result is messages that are legally binding.”

Bex.com, a Singapore-based company that builds Internet-enabled procurement solutions for B2B exchanges and established manufacturing and distribution companies, uses Alpha-

Trust as its transaction verification engine. “Our users want a high degree of confidence that the party they’re dealing with is who they say they are, and the commitments they make are understood and binding,” says Roger Fraumann, Bex.com vice president of business development.

Bex.com offers a fully integrated transaction environment that includes complete end-to-end processing of business transactions, from requests for quotes to financial settlement. Client B2B exchanges include HighOffice.net, a vertical exchange for office equipment, and GetFoods.com, an exchange for food manufacturers and distribu-

ships with billing companies,” says Truett Tate, president and CEO of Seattle-based eCharge.

McAfee.com, the Sunnyvale, Calif.-based security applications service provider, has been using eCharge as a billing option since March. “We found that many consumers don’t want to use their charge cards to make online purchases,” says Patti Dock, McAfee.com vice president of marketing. “So we’re giving them several payment options, including check, credit card or eCharge. If they choose the latter, their phone bill reflects a 1-900 number listed as McAfee.com and the specific charge for the product purchased.”

“We found that many consumers don’t want to use their charge cards to make online purchases, so we’re giving them several payment options, including check, credit card, or eCharge.”

tors. “We realized these exchanges needed a certificate authority in place as the basis for security identification and contract non-repudiation,” Fraumann says. “AlphaTrust.com provides that critical function.”

Dialing for Dollars

Businesses selling online to consumers also need transaction/payment surety. While most B2C (business to consumer) sites require credit card payment, many consumers are leery about providing their credit card numbers over the open Internet. To solve the payment conundrum, eCharge Corp. has created a way for consumers and businesses to buy goods from online vendors using their telephone bills as the payment mechanism.

It’s a relatively simple construct: A consumer or business goes to a merchant’s Website and, if the merchant is using eCharge, simply clicks on an icon to have the charge reflected on a phone bill (or utility bill, wireless bill, etc.). “We take care of the rest via partner-

The unique bill payment option is free. McAfee.com pays eCharge a fee (similar to the typical fees paid credit card issuers), a percentage of which eCharge passes on to its billing company partners. “Actually if a consumer picks the eCharge option, it costs less than sending a check,” Dock notes. For that old system of payment, a relative dinosaur in this era of paperless transactions, McAfee.com charges an extra five bucks.

Arranging for online payment for e-commerce is truly the missing link. The systems described above are appropriate for a wide variety of industries, but also have nuances that make some preferable for certain industries over others. New systems are continually being developed, as well, so continue to review the choice(s) you offer. WT

Banham is a Pulitzer-nominated business journalist and author of several books, including Rocky Mountain Legend, a biography of the Coors brewing dynasty.