

7 Global E-Commerce Growth Challenges

How International Address Validation
Can Solve Them



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B2C e-commerce continues to grow year after year with no slowing down in sight. In 2019, US e-commerce reached \$365.2 billion in sales¹ and global e-commerce accounted for 14.1% of the entire retail industry². It is projected that global e-commerce revenues will reach \$6.54 trillion by 2023³ and that US e-commerce alone should reach \$600 billion by 2024⁴.

Although these figures may seem promising to some as they reflect exponential growth opportunities, these figures also highlight that e-commerce remains a highly competitive landscape and sales are often closely tied to the customer experience. Currently, 1.3 billion people, or a quarter of the world's population, are now online shoppers⁵ yet only 2.72% of e-commerce website visits convert into an actual purchase⁶. The great identifier of a competitive business is their customer experience. Customers have grown to have high expectations for online transactions so orders must be processed as smoothly as possible.

Many challenges that e-retailers face can be boiled down to bad address data. Whether it is the delivery of goods, direct mail marketing or even fraud prevention, wrong addresses are a high-cost, no-reward expense for companies. They cause delays in deliveries, returned mail and lost customers, to name only a few. This not only costs companies time, materials and postage, but it affects customer satisfaction, their customer journey and their relationship with the company. Companies that avoid bad addresses and stay attune to future expectations must not overlook the importance of validating the addresses of their customers.

This white paper outlines how valid customer addresses are the foundation for a functioning supply chain, cost minimization, and fraud prevention in a global landscape and it also outlines the solutions that correct and prevent bad address information from impacting business expansion. E-commerce businesses must therefore place high priority on getting address data right to remain competitive in a booming (and growing) industry.



¹ <https://www.statista.com/statistics/272391/us-retail-e-commerce-sales-forecast/>

² <https://sleeknote.com/blog/e-commerce-statistics>

³ <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/>

⁴ <https://www.statista.com/statistics/272391/us-retail-e-commerce-sales-forecast/>

⁵ <https://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=505>

⁶ <https://sleeknote.com/blog/e-commerce-statistics>

To remain competitive in a global e-commerce landscape, businesses must recognize the importance of international address management. There are more than 100 different address formats worldwide that differ drastically from one another. Some address elements are required for certain countries while other address elements must be omitted from others – not to mention differing placement of address elements. To effectively process orders across borders, it is of utmost importance to ensure the in-country formatting rules and norms are followed for each destination country, otherwise parcels may be returned or even lost.

Maintaining properly standardized and formatted global address data has numerous advantages for providers, including:

- Establishing the basis for downstream processes like change-of-address checking (NCOA), credit and identity checks, duplicate management, and the enrichment of socio-demographic characteristics.
- Potential postage-optimized shipments.
- Route coding capabilities become possible.
- Establishing a basis for (professional) master data management.
- Direct marketing campaigns return higher response rates if they reach the intended customer.

TECH-FORWARD SOLUTIONS ELIMINATE WORKING HOURS

In order to remain competitive, online retailers must be able to manage their customer data by using modern technologies. This is especially true with international addresses where formatting properly can be a tedious and time-consuming task for e-retailers who must correct addresses by conventional means.

As a result, it is advisable for retailers to check and correct possible errors immediately upon entering data into a system and use a rigorous validation process to ensure addresses are up-to-date and deliverable. This means that only valid addresses will reach the shop or CRM system and simultaneously identify and suppress duplicate entries.

The preparation, analysis and interpretation of valid customer information in real time are essential. Being able to immediately gain the insights that a 360-degree view of correct data allows, empowers companies to make better business decisions to operate more economically and efficiently. The insights provided by correct data allows businesses to make well-founded predictions and analyses in order to implement effective measures. In short, global address validation is an extremely lucrative investment for e-commerce providers who hope to expand their business.



Address autocomplete speeds customer checkout and provides businesses with only clean, deliverable address data. With predictive, type-ahead features, businesses can ensure only correctly formatted, deliverable and accurate addresses are entered into their systems directly at point-of-entry. This decreases the entry of inaccurate, incomplete or unstandardized addresses while increasing successful orders. It also eliminates employees' working hours who would otherwise have to research or contact the customer to correct each incorrect address.

Customers not only expect error-free delivery, they have also come to expect incredibly fast and seamless checkouts. With address autocomplete, customers' experience is improved and their time is saved which leads to higher conversion rates. Customers only have to enter the first few letters of a postal or email address and the software will use predictive search functionality to present a suggested, deliverable address. The number of keystrokes and the data entry time are both reduced by half to improve the customer experience and increase the chance that the customer will complete their purchase.

SEAMLESS CHECKOUT REDUCES CART-ABANDONMENT

Checkout and onboarding are heavy influencers on the customer experience and the customer journey. 23% of shoppers abandon a shopping cart during checkout because the process is too long and too complicated⁷. A speedy checkout improves the customer experience and moves them along in the buying process, increasing the likelihood that the customer will complete their purchase, return to your business and refer other potential customers. It has been found that with improving checkout usability, an average large-sized e-commerce website can convert 35.26% more with just a better checkout system alone⁸. With just a few keystrokes, the address fields can automatically be filled with valid information, address acquisition is accelerated and entry errors are mitigated all at the same time.



⁷. <https://baymard.com/lists/cart-abandonment-rate>

⁸. <https://baymard.com/lists/cart-abandonment-rate>

MINIMIZE RETURNS TO MINIMIZE WASTE

Investing in address quality is not only imperative for the customer experience, it also has a very real and significant effect on the bottom line. Undeliverable or late parcels are more often than not caused by bad address data. It could be as small as a missing suite number or as big as a customer's previous residence. No matter the mistake, bad addresses have a deep impact on a company's bottom line. In 2014, the USPS® processed more than 6.6 million undeliverable-as-addressed (UAA) mail-pieces⁹. These UAA mail-pieces costs mailers approximately \$20 billion annually, of which, 35% is attributed to businesses who use inefficient addressing processes¹⁰.

Consider the 1-10-100 rule which states:

- It costs an average of \$1 per record to verify at the point-of-entry with professional address verification software.
- It costs about \$10 per record if addresses are cleansed intermittently to correct, update and deduplicate records in batch.
- That cost jumps to \$100 per record if nothing is done to fix bad address data – reflecting the cost of wasted materials, poor reputation, lost customers and more.

The cost of bad address data is not only present in wasted materials, postage and printing, but also in the additional working hours that bad addresses cause. This can include anything from checking returned goods, repackaging and even having to employ extensive time into manually searching and correcting the customer's address, if it is even possible at this point. Only when the address has been corrected can the order once again be created and the package once again be shipped. In other words, consignments that end up undeliverable due to an incorrect address will entail a slew of additional expenses and hours worked.

BAD ADDRESSES HINDER ROI ON DIRECT MAIL CAMPAIGNS

Wasted working hours is especially true for direct mail marketing campaigns. Consider a piece of collateral that was been developed and executed by a marketing team. Even though it may, in some cases, still reach a doorstep with a bad address, consider how that recipient could have significantly less interest in your company than if it had reached the intended customer. Not only do you miss the opportunity to engage your intended customer, but you have wasted the working hours of the marketing team, the postage, materials and printing costs and you jeopardized the brand's image by sending to an incorrect address.

Consider how an address verification process can:

- Reduce costs associated with lost or returned shipments.
- Reduce working hours involving postprocessing returns (address research, multiple orders, etc.).
- Enhance direct marketing efforts and empower opportunities for personalization to allow cross- or up-selling, increase sales opportunities and build better customer experiences post-purchase.



⁹. <https://www.uspsoidg.gov/sites/default/files/document-library-files/2015/ms-ma-15-006.pdf>

¹⁰. <https://www.uspsoidg.gov/sites/default/files/document-library-files/2015/ms-ma-15-006.pdf>

SAVINGS MEANS BETTER DATA (CONT)

	Without Address Verification	With Address Verification
Original Mailing List	50,000 Recipients	50,000 Recipients
"Bad Addresses" Removed		6,500 Addresses
New, Clean Mailing List		43,500 Recipients
Postage Cost Per Piece	\$1.55	\$1.55
Postage Cost for Mailing List	\$77,500.00	\$67,425.00
Savings		+ \$10,075.00
Print & Material Cost Per Piece	\$2.00	\$2.00
Print & Material Cost for Mailing List	\$100,000.00	\$87,000.00
Total Cost (Postage, Print & Material)	\$177,500.00	\$154,425.00
Savings		+ \$23,075.00
Merchandise Value of Mailing Campaign	\$599.00	\$599.00
Average Response Rate	3% (1,500)	4.5% (1,958)
Potential Sales	\$898,500.00	\$1,172,542.50
Sales Difference		+ \$274,042.50
Potential Yield/Earnings	\$721,000.000	\$1,018,117.50
Earnings Difference		+ \$297,117.50

Direct mail campaign returns higher ROI and lower cost and waste when implementing address verification.

It's easy to see in this example how address verification can significantly save on mailing costs. With a mailing list of 50,000 recipients, as much as 6,500 can be undeliverable. With address verification, these undeliverable addresses are removed from the mailing list. By removing bad addresses, this sender saved around \$23,000 on postage and material costs,

plus, because this marketer reached the intended audience, their potential sales and earnings has a higher return of about \$274,000. With address verification, the marketer not only saved by mailing directly to the correct addresses, but he increased his response rates and earned nearly \$300,000 more just by using an address validation process.

White collar crime has increased in recent years, especially as online e-commerce grows globally. One reason for this is that fraudsters are cleverly using advanced digitization to deceive companies. Many governmental directives and watchlists have worked to mitigate money laundering, fraud and terrorist financing that all require due diligence. Merchants must therefore implement fraud prevention measures to not only meet their legal compliance obligations, but also minimize their own business risks. In 2015, however, the US lost a total of \$8.45 billion dollars to fraud and that number is projected to grow to \$12 billion in 2020¹¹.

Credit cards are by far America's preferred online payment method, accounting for 47% of all e-commerce transactions, or \$348.74 billion annually¹². The challenge that many businesses face is the chargeback problem that 30% of chargebacks are caused by a purchase made with a stolen credit card and merchants find that they pay \$2.40 for every dollar of fraud taken by a fraudster¹³.

Chargebacks occur when something is ordered and the payment is made. The order is shipped and the payment is processed, but the credit card holder contests the purchase with their bank and the bank processes a chargeback to the merchant who must pay back the cost yet will likely not get their goods returned. The fraudster who utilized the card-not-present technique then gets the goods delivered to their address because the merchant did not verify that the name matched the address. You can counteract this with plausibility checks of the contact information or digital identity checks.

COMPLIANCE ISN'T THAT COMPLICATED... IT STARTS WITH THE ADDRESS

Know Your Customer (KYC) initiatives prevent attempts at fraud by helping companies verify the identities of domestic and foreign customers. With an address validation solution, fake addresses, for example, are reliably identified and filtered out in advance. "Customers" who provide an unreliable address, can then be limited to certain payment options. It is possible that they are even completely blocked from making a purchase.

With the introduction of KYC, retailers can minimize many risks in addition to complying with regulatory obligations.

- Protect yourself against money laundering and malware infection.
- Customers that disrupt operations are eliminated from the beginning.
- Dealers with reliable service as part of digital customer onboarding create a simple and quick way of registering and thus creates a better customer experience.

Address validation provides cost-effective support for fraud prevention in the initial steps of onboarding by defining incorrect and implausible address information. Retailers thus save expensive costs of chargebacks, lost goods and lost customers. The address check is therefore the very first basic step of effective protection against online fraud.



¹¹. <https://www.forbes.com/sites/rogeraitken/2016/10/26/us-card-fraud-losses-could-exceed-12bn-by-2020/#2c9bf365d243>

¹². <https://www.jpmorgan.com/merchant-services/insights/reports/united-states>

¹³. <https://chargebacks911.com/chargeback-stats/>

ADDRESSING RELIABLE DELIVERY

Next to ease-of-use, the timely delivery of goods is at the top of a customer's list of expectations when ordering goods online. Late or missing shipments are enough to make a customer hesitant or unwilling to shop at a business again. Retailers must recognize and cater to customers' needs by improving their service. Studies show that it costs around five times as much to convert a new customer than it is to keep a current one¹⁴.

Software that verifies addresses for correctness and deliverability immediately upon entry establishes the basis for timely delivery and increased customer satisfaction. Correct address information is reflected in the reliability, speed, accessibility and service that customers will experience. Good, valid data enables personalized customer communications as well as higher response and conversion rates.

	Without Address Verification	With Address Verification
Parcels Sent per Day	278	278
Parcels Sent per Month	8,340	8,340
Parcels Sent per Year	101,470	101,470
Undeliverable Parcels	9%	3%
Cost of Undeliverable Shipment per Piece	\$6.50	\$6.50
Total Cost of Undeliverable Shipments per Year	\$59,359.95	\$19,786.65
Savings		+ \$39,573.30
Average Purchase Amount	\$95.00	\$95.00
Loss of Potential Sales Due to Undeliverable Shipment	\$867,568.50	\$289,189.50
Lost Sales Difference		- \$578,379.00

Online fashion shop reduces undeliverable parcels from 9% to 3% annually to see a growth in sales and lower costs after implementing address validation.

Based on the example in the graphic, it is easy to see how much can be saved with the use of an address validation software and how sales will increase exponentially with just the implementation of address verification. In our fictional example, we assume the online shop sends about 278 packages per day, which amounts to approximately 100,000 parcels per year. Studies show that at least 9% of undeliverable parcels per year is an average amount for online

retailers. While, undeliverable packages cannot be completely eliminated, they can be reduced by at least 2/3 when using address verification. As a result, only 3% of packages would be undeliverable per year which reduces the cost of return shipments by \$40,000 per year. Overall, the online shop would save over \$570,000 per year if addresses were validated.

¹⁴. <https://www.invespcro.com/blog/customer-acquisition-retention/>

GLOBAL EXPANSION & NEW MARKETS

More and more companies are trying to acquire new markets across their own borders. 57% of global online shoppers already make purchases outside of their home country¹⁵ yet US e-commerce is largely dominating within their borders. Cross-border sales represent around only 12% of the total US e-commerce market, with US online shoppers focused on a rich, but domestic, marketplace¹⁶. This is a unique opportunity for US e-commerce to continue to establish domestic dominance and also grow beyond their borders.

Utilizing intelligent, global software for address, email, phone and name verification expedites the ability to market and sell to a global audience. Modern solutions are made available as a web service or can be integrated directly into the web shop to run

automatically in the background. With the help of such solutions, e-retailers can check, correct, transliterate, standardize and format global address data for hundreds of countries and territories worldwide.

Retailers are therefore able to open up new global markets and have the ability to cater to international target groups. If components like postal codes, post office boxes or regions are missing from information, global solutions will add these elements so only complete and trusted addresses are used.



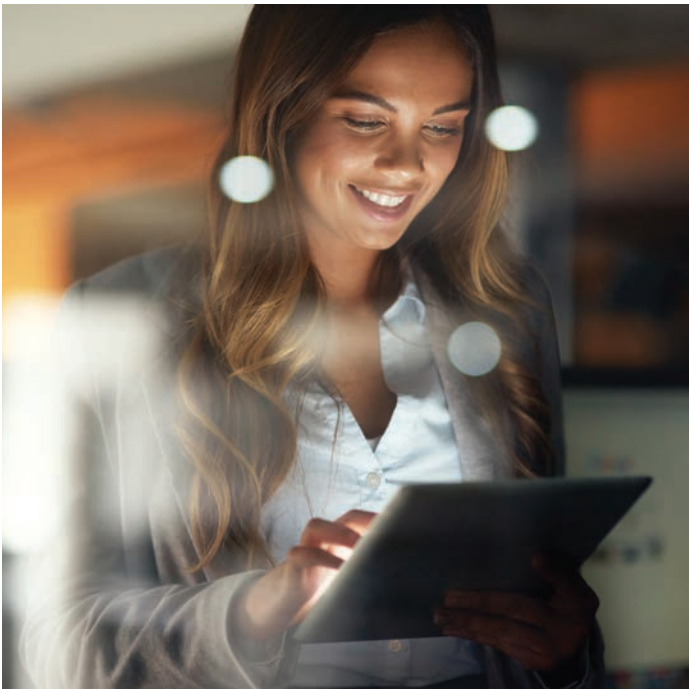
¹⁵. <https://www.shopify.com/enterprise/global-e-commerce-statistics>

¹⁶. <https://www.jpmorgan.com/merchant-services/insights/reports/united-states>

SMOOTH PROCESSES BECOME POSSIBLE WITH VALID DATA

E-commerce thrives when multi-channel strategies are utilized to their fullest potential. A widespread cross-media approach has influenced companies to reach the right recipient at the right time with the right message and now, on the right channel. Accordingly, marketing measures are sensibly coordinated and linked to provide a better, more enhanced customer experience. With a cross-media approach, customers are given a wide array of options in which to engage with companies and many find that mobile e-commerce is a big player.

Mobile e-commerce is a growing segment for e-retailers, making up 38% of the overall e-commerce market in the US¹⁷. E-commerce growth potential is increasing as customers continue to digitize their lifestyles as smartphones are enjoying a 93% penetration rate among the 18-24-year old age group¹⁸.



DIGITIZE CUSTOMER ONBOARDING

To be efficient in customer onboarding, companies must digitize related business processes. Digital customer onboarding optimizes processes and has the goal of successfully completing the customer journey from registration to checkout. This is made possible by the use and interaction of different systems, such as Online Shop, CRM, ERP and supply chain management. In e-commerce, this applies to all applications in the value chain from payment, warehouse management, inventory management, addressing, shipping, logistics, route planning, and accounting to collection, if necessary.

But these applications can only work as well as the data that they work with. Therefore, the validation of electronic customer information such as contact details and postal addresses from the very beginning forms the basis for profitable business development.

The fact is that valid address data is an essential prerequisite for online trading so that digital business processes can interact seamlessly. This includes the faster processing of orders and the associated timely delivery which both contribute significantly to customer satisfaction and increase the likelihood that customers will remain loyal or increase the sales of the shop by referring others to your website. In addition, accurate customer data stored in a CRM system can also be of central importance in other areas such as customer support, marketing or accounting which will all help to grow an e-commerce business beyond its borders.

¹⁷. <https://www.jpmorgan.com/merchant-services/insights/reports/united-states>

¹⁸. <https://www.jpmorgan.com/merchant-services/insights/reports/united-states>

WHAT TO CONSIDER WHEN CHOOSING ADDRESS VALIDATION SOFTWARE

- ☐ Easy integration
- ☐ Availability as a locally installable on-premise API solution or as a web service (cloud) interface
- ☐ Optional real-time and batch processing
- ☐ Detailed and meaningful result codes on which subsequent business logic can be built
- ☐ Real-time address validation is done quickly (within milliseconds)
- ☐ Automatic and regular updating of the reference data
- ☐ High international country coverage
- ☐ Free customer support in local time and language
- ☐ Personal contact person and service-oriented customer care
- ☐ Compatible with many applications (e.g. plugin for Magento)
- ☐ Enrichment of geodata
- ☐ Formatted address output for label printing when shipping
- ☐ Transliteration of foreign fonts
- ☐ Option of address autocompletion solution – one that will check if an address is correct or complete and will automatically propose a valid address
- ☐ Company name, size and age, number of employees and financial situation, place of jurisdiction
- ☐ Company's reference customers, partners and case studies
- ☐ Non-binding and free tests for independent evaluation on test environment
- ☐ Free proof-of-concept (PoC)
- ☐ Secure and encrypted as a cloud service (https)
- ☐ Compliance with the GDPR and other data protection guidelines including security certifications
- ☐ Professional and, if necessary, external data protection officer
- ☐ Good value in relation to price for faster ROI



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About Melissa

Since 1985, Melissa has specialized in global intelligence solutions to help organizations unlock accurate data for a more compelling customer view. Our breadth of data and flexible API technology integrates with numerous third-party platforms, so it works for you and makes sense for your business. More than 10,000 clients worldwide in key industries like insurance, finance, healthcare, retail, education, and government, rely on Melissa for full spectrum data quality and identity verification software, including data profiling, cleansing, matching, and enhancement services, to gain critical insight and drive meaningful customer relationships.

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