

POST & PARCEL

NEWS, VIEWS & JOBS FOR THE GLOBAL MAIL & EXPRESS COMMUNITY

Features

Location, Location, Location!

Tuesday, September 14th, 2010

Chris Stevens, head of distance selling at Swiss Post International, writes exclusively for Post&Parcel.

Switzerland is a great place to be at the moment. Its federal laws prevented central and regional government from running up debts, so it has no huge public deficits to cope with; it hung onto the Swiss franc, so the currency has become a safe haven and import costs have fallen as the euro weakens; it has a standard VAT rate of just 7.6%, which compares favourably with a European Union (EU) minimum of 15%, a looming 20% rate in the UK, and a top rate of 25% in Denmark, Hungary and Sweden; all of which combines to make many Swiss very happy indeed. But they don't have to be alone in benefiting from the country's ideal location - at the heart of Europe, but outside the European Union - it can be very good news for the distance selling industry too.

Europe's distance selling industry is steadily growing: it has more than doubled in size since 2001, and by 2015 it is expected to triple to EUR 450m, according to the European E-commerce and Mail Order Trade Association (EMOTA). This trend parallels the increasing dominance of e-commerce, and looks likely to carry on doing so for the foreseeable future, as online retailers and other businesses expand their cross-border distance selling operations into Europe, from regions such as Asia Pacific and the United States. "Much of the overall retail sector's growth in the US and the EU over the next five years will come from the internet," predicts Forrester Research.

"The belt-tightening in late 2008 and 2009 did not halt international e-commerce expansion," reports Zia Daniell Widger, a Forrester analyst. "In some cases, the downturn propelled expansion, as international markets looked more attractive than domestic ones," she explains, and both the developed and undeveloped markets of Europe are increasingly popular targets. In 2009, 65% of EU households already had internet access, and the European Parliament recently approved '2015.eu', a strategy that calls for every EU household to have access to broadband internet at a 'competitive price' by 2013.



The appeal of Europe is also enhanced by Low Value Consignment Relief (LVCR) for those trading high-volume, low-value goods (such as contact lenses, computer accessories, DVDs, gadgets, printer cartridges, and so on). Because the European Union (EU) deems the cost of some tax collection too expensive, individual items, valued at less than 22 euros (or £18 in the UK), can be sold online into the VAT territory of the EU, while remaining exempt from its goods and services taxes, as long as they are also distributed from a location outside the EU - which is helping to encourage fulfilment companies to locate their operations in European but non-EU countries.

"Switzerland is the location of choice for our European hub," says Michael Boarer, chief operating officer, Professional Fulfilment Services (ProFS), who along with its fellow-Jersey company Basel Ebusiness Ltd, ProFS recently formed a strategic alliance with Swiss Post International.

But good reasons for small and medium businesses to 'go Swiss' when they want to enter or expand the cross-border trade of their distance selling and fulfilment operations go even further. Switzerland has favourable regulations for distance sellers from other countries, and as the global credit crunch has highlighted, it also has a long history of economic prosperity and stability, and very low taxes. Personal tax rates in the country can be 40% of those in the UK, for example, and as local regions (or cantons) can set their own corporate taxes, these can also be impressive: in the canton of Lucerne they are scheduled to be down at 10% by 2012, the lowest rate in Switzerland.

The workforce of the country also has a lot to recommend it. Switzerland has one of the highest annual working times among industrialised nations, where it is ranked second in terms of employee productivity, according to the IMD World Competitiveness Yearbook. Businesses are also enticed into the country by low set-up costs, and ease of operations, as there is a lot less 'red-tape' in Swiss business regulation than in the countries of the EU (and many other parts of the world). Switzerland and Swiss Post International are positioned to grow along with the expected increases in direct sales and e-commerce over the next few years. Swiss Post International has in fact responded early to this demand by having the necessary industry focus in place for some time, as well required products and solutions in full operation.

Switzerland has quite clearly become the place of choice for those establishing an offshore presence, or entering or expanding the cross-border trade of their distance selling operations. Distance sellers have recognised that there is a lot more to Switzerland than just high mountains and low taxes.

Source: Chris Stevens

