

Latvijas pasta banka – LPB

E-commerce – an opportunity for new and experienced entrepreneurs



Edgars Lasmanis, vice-president of the Latvijas pasta banka

Publicity photo

During its seven years of operation, *Latvijas pasta banka* has become one of the most active banks in the sphere of e-commerce in the Baltic States. Currently, two-thirds of the bank's e-commerce clients are from other countries, while one-third are from Latvia.

LPB vice-president Edgars Lasmanis is an experienced e-commerce banker with 15 years of banking experience. He explains what e-commerce is, how it can be useful for both new and established companies, and how the bank and other parties play an important intermediary role in this process.

What is e-commerce?

E-commerce allows consumers to purchase products and services on the Internet. Every year, the scope of this activity is increasing. It opens new borders to e-merchants, who no longer have to be physically present in store buildings and who can sell their goods and services all over the world. Similarly, e-commerce allows shoppers to purchase products from practically any place on the globe.

E-commerce is useful for startup companies that may not have enough resources to invest into the opening of new stores, which involves expenses for rent, employee salaries, advertising and other needs. Experienced entrepreneurs, for their part, can use e-commerce to expand their sales markets.

Edgars Lasmanis mentions the example of a manufacturer and *LPB* client who had successfully sold

wholesale products to supermarkets for a long time. When the company's management decided to expand into the retail business, the costs and the work involved for opening new stores seemed to be very high. The manufacturer opened an Internet store instead and now, three years later, Internet sales are providing one-third of the company's earnings.

How can one start a business on the Internet?

It is easy to start an Internet business via *Latvijas pasta banka*. After signing a cooperation agreement, clients are granted access to the *LPB* platform, where they can monitor their transactions online and receive payments. The bank's platform also gives e-merchants the opportunity to study and analyse payments. For example, by establishing their shoppers' main geographical locations, companies can adjust their marketing and development strategies.

Clients of the *LPB* can precisely monitor payment card transactions, which speeds up business processes. For example, e-merchants are informed of payments made by their shoppers long before the payments actually arrive into their bank accounts. This means that an e-merchant can send out a product immediately after the payment has been made, with the knowledge that the required sum has been withdrawn from the buyer's account.

Special attention is also paid to the prevention of fraudulent transactions. Aside from the anti-fraud tools within the platform itself, an entire department of *LPB* bank specialists works vigilantly to ensure the protection of both shoppers and e-merchants.

The e-merchant's close link with the bank also adds an extra element of security for the shopper. When paying for a product by credit card, shoppers avoid the risk of losing their money due to the insolvency of the e-merchant, because in such cases the shopper can claim a chargeback. *Latvijas pasta banka* cooperates closely with two global credit card organisations, *MasterCard* and *VISA*, both of which guarantee the implementation of chargebacks in many situations.

Intermediary role

Up to five players may take part in e-commerce transaction: the shopper, the bank that has issued the shopper's payment card, the e-merchant, the bank acquirer that services the e-merchant and receives the payment, and in some cases the payment facilitator, which acts as an intermediary. Payment facilitators are involved in the servicing of transactions because

banks with large monolithic IT systems are slow to implement the latest changes in the e-commerce IT sector. This role is undertaken by payment facilitators, which are usually IT companies or authorised payment institutions that can also offer alternative forms of payment.

E-merchants who offer their customers a choice of several payment methods usually use the services of a payment facilitator. Conversely, e-merchants who wish to offer their shoppers the cheapest possible forms of payment will cooperate with an experienced bank acquirer, which also cooperates with the aforementioned payment facilitators. The bank acquirer has the advantage of offering its clients better financial conditions and lower transaction fees than the intermediary companies.

Successful cooperation – growing together with the client

Both large enterprises that are already engaged in trade and small startups can gain a great deal by cooperating with a bank that is experienced and that offers a variety of e-commerce services. *Latvijas pasta banka* has seen small enterprises grow and increase their turnover considerably within just a few years, which has been mutually beneficial for both the *LPB*'s clients and the bank itself.

With e-commerce being one of the *LPB*'s main business spheres, the bank offers valuable consulting services for new clients who wish to set up an Internet business, advising them about the forms of payments that they can take, e-commerce standards and regulations. The *LPB* also has an established network of professional cooperation partners and agents whose services its clients can use. For this reason, it is usually

most advantageous for a client to work directly with the bank, rather than to establish separate agreements with various intermediaries. Nevertheless, if it becomes evident during a consulting session that a client could gain more through a direct partnership with an intermediary, then the bank will not hesitate to offer such a cooperation model to its client.

Latvijas pasta banka has European *VISA* and *MasterCard* cross-border licences and is authorised to serve clients all across Europe. Although most of the bank's foreign clients are e-merchants from Western Europe, the bank also services a large number of clients from the CIS countries and its staff members speak three languages – English, Russian and Latvian. The *LPB* works as an intermediary for clients from Russia who wish to gain a foothold in Western markets and works in the opposite direction as well by offering Western clients the opportunity to expand their businesses in Russia.

In our current globalised and digitalised environment, companies no longer need to operate solely with banks in their home country. They seek high-quality service at a competitive rate. They also want to be able to open an account and start processing payments as quickly as possible.

Not all banks are capable of conducting precise transactions in foreign currencies, but in e-commerce, precise transfers of funding are of crucial importance. E-merchants want to feel assured that the precise amount will be withdrawn from the shopper's account. For example, they don't want the shopper's issuing bank to deduct 101.50 Russian rubles for an item that costs 100. At *Latvijas pasta banka* such errors will not occur, because bank operates in 32 different currencies. **BO**

SIX ESSENTIAL FACTORS FOR BEING A SUCCESSFUL E-MERCHANT:

- **IT** – Stable servers are crucial, as growing e-shops will use various computer programmes.
- **Payments** – The bank acquirer is your main partner, as it provides your e-shop with a stable cash flow.
- **Call centre** – Essential for receiving customers' calls, contacting shoppers and making direct sales.
- **Logistics** – Make sure that your product is delivered on time and by the date that you have promised.
- **Quality** – Your product or service must be of the highest quality, as well as the photos of the product that you place in your website.
- **Marketing and sales** – You know best why your product is so unique. Make the rest of the world know about it!

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