

EXECUTIVE SUMMARY: GLOBAL COMMERCE

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Global Expansion is a Must for Merchants

BY DANIELA FORTE

Thinking of taking the step toward expanding your business globally? You are not alone. Merchants big and small are looking for the best strategy to implement when it comes to expanding into the global watering hole.

Where to Expand Globally

While eMarketer predicted that the United States was the ecommerce king in 2013, followed by China, the United Kingdom, Japan and Germany, it is expected that Asia-Pacific will surpass the United States by 2016.¹

In fact, many merchants have expressed interest in China. The apparel market in China has seen rapid growth since 2008 and is expected to see four times the growth by 2016. China represents 30% of the global fashion market growth. In addition, China has the world's largest online population with 130 million accounts with ecommerce producing more than \$190 million in 2012 sales.²

Another contender for global expansion that merchants may want to consider is Latin America, which promises an emerging middle class and shopping centers galore. But why should merchants consider Latin America?

Franco Calderon, the president of Latin America Retail Connection, said during a session at NRF 2014 that Latin America has 600 million possible consumers and \$3.24 trillion in potential consumer spending, among its many attributes.

The economic growth in Latin America is a result of women entering the workforce and delaying marriage and having children to focus on their careers. What this means is that the middle class in Latin America has more disposable income, is



attracted to lifestyle brands and gaining access to bank and credit cards.

Several merchants are expanding into countries like Chile, Argentina, Peru, Colombia and Mexico. AU: an example?³

Borderfree reported that on Black Friday 2013, the countries that saw the greatest sales increases over the prior year were Russia, South Korea, China, Germany and Sweden. Borderfree's clients also saw same-store sales to international consumers rise 50% on Black Friday compared to 2012.⁴

In the Marketplace Globally

In June 2013, Amazon announced its expansion into India, making it the tenth marketplace for the global ecommerce company.⁵

Amazon isn't alone in the global endeavor. Other marketplaces are expanding into countries like Russia and Brazil, said Bernard Luthi, COO and CMO of Rakuten, during an interview at IRCE 2013. There is a significant broadband penetration in these countries; consumers are re-searching, they are utilizing the Internet to



search, and there is a desire for authentic product.⁶

Ebay has plans to go global and local in hopes to double its number of marketplace users to 200 million by 2015. In an interview at the 2013 ChannelAdvisor Catalyst Conference, Devin Wenig, president of eBay Marketplaces, said eBay wants to open international commerce up to its marketplace sellers and make the merchant experience as seamless for them to participate internationally as it is to sell to customers domestically.

Wenig explained that eBay didn't build a separate site for its customers in Russia, the site was instead "skinned" for use in that country. Since the launch, sales in Russia have grown 200% and eBay is that country's largest ecommerce merchant.

China, Brazil and India are also emerging ecommerce markets, according to Wenig. China has been a big export country for eBay and the merchant is still looking to develop a domestic presence in Brazil.⁷

In an effort to assist both the U.S.-based retailer and the global customer, eBay launched its Global Shipping Program, making it easier for U.S.-based retailers to

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ship to overseas buyers and deal with customs charges. The program automatically includes all shipping and customs charges in the purchase.

The program currently supports third-party sellers in U.S., Canada, the U.K., France, Germany, Italy, Spain, China and Japan. It protects sellers from any shipping-related issues such as lost or damaged goods during international transport. The program allows retailers a chance to expand their audience to 18 international countries and possibly more in the future.

The merchant predicts that 40% of its projected 200-million eBay marketplace users will be international customers. The retailer does have international sites, but they had only been open to sales within each sites' respective borders. Sellers however, using eBay's U.S. marketplace, have been able to sell to international customers.

Amazon has marketplaces throughout the U.K. and Europe; for example, U.S. retailers can sell on Amazon.co.uk; Amazon.de, Amazon.fr and Amazon.it. Retailers are also using a program called Amazon FBA Export, which assists U.S. sellers with order fulfillment. If a retailer enrolls in the program, all of its qualifying product listings are eligible for international orders on Amazon.com at no extra charge.⁸

Amazon recently announced Sunday delivery in the United Kingdom and Amazon Prime members will receive Sunday delivery at no additional charge.⁹

How to Expand Globally

So how will you expand globally? Begin with a well laid-out plan that addresses language, customs, tax compliances and other online selling requirements. Also, consider the size of the market you plan on entering, duty barriers and shipping costs, among others things.

Does the global market you are entering fit your product or service? Is the demand there? Does your product translate well into other cultures other than the United States? Ask yourself these questions and make sure the answers are yes.

Once this is set, think about how you will execute your ecommerce operations globally.

You will want to begin by what many are calling thinking "Glocally" (global + local). In order to dip into the global market, you will need to adapt your global marketing strategy into each global market you plan to enter. Also, take note that not every marketing strategy will work for every market, so you will want to adapt your approach to accommodate the expectations regionally.

The regional plan needs to be rolled out. Develop and test a comprehensive

The National Football League sells official apparel, equipment and accessories branded with the NFL logo and its 32 teams over an ecommerce platform on China's Tmall.com.





plan that can be used to create a local sales presence that is broad enough to work in each region you want to expand in.

What is a good business if your consumers can't understand you? Ensure that your site accommodates local languages and customs. Get expert help and build a team that is capable of translating your message across to the masses.

Next, develop a pricing and tax compliance strategy. It is important that you have an accounting infrastructure in place to reduce any liability exposure in the event of an audit.

Complying with the pricing of the market in which you are expanding is important as well. Display the costs of your products in the currency of the market you are selling in and make sure they are competitive with other prices in the market.

Once you have set up an accounting infrastructure and your price points for the market are in place, design an ecommerce infrastructure.

Find a cloud-based infrastructure and secure off-site technology resources that are designed to make scaling up quick and easy. It should offer features like flexible automation to allow you to expand into new markets quickly.



As you begin to prepare your ecommerce site and e-marketing in global locations, remember to establish a network to handle logistics on the local level. Have a detailed supply chain and transportation plan based on information from local teams that can help you from order receipt to delivery.¹⁰

Do you know your audience? Learn their shopping habits and preferences with a clear understanding that not everyone has the same ones. People in different countries have different shopping, payment and shipping preferences.

A survey by Rakuten showed that international shoppers relied on price (61%), while 49% of international shoppers considered, "reliability of the retailer to be paramount."

Trust was very important for respondents in Thailand and Indonesia. Of the respondents, 29% also felt that shipping options were a major factor in their buying behavior, according to Rakuten. Europe had a smaller percentage with 26% and the United States came in at 33%.

Who Is Expanding Globally

Several merchants are expanding globally or in the midst of planning an ecommerce launch overseas. For example, Neiman Marcus began using an international technology and services platform that allows customers in other countries to shop online without the hassle of payment methods, currency conversions or export shipping logistics.

To make this possible, the retailer partnered with FiftyOne Global Ecommerce, which is overseeing all aspects of the merchant's international orders, including multicurrency pricing and payment processing, landed cost calculations, customs clearance and brokerage, international fraud management, international logistics and customer-experience parity.¹¹

Headphone and earphone seller Skull Candy has built a .co and .UK sites, but found it garnered better traction on the eBay marketplace.¹²

In Latin America, merchants like Wal-

Mart, H&M, Forever 21, The Gap, Zara, Carrefour, Casino, Decathlon, Falabella, Sodimac, Office Depot and Benetton, among others, all have gotten their feet wet in the international pool.¹³

The most recent expansion internationally went to the National Football League, which recently utilized an ecommerce strategy to open its first online store in China—www.nflchinashop.com. The NFL worked with Export Now to establish operations, with the store initiating sale in October. The online shop offers official apparel, equipment and accessories branded with the NFL and its 32 teams over an ecommerce platform on China's Tmall.com business-to-consumer platform.¹⁴

In addition, Flip Flops Shops recently entered into an international development agreement with Middle Eastern retailer Al Mana Fashion Group.¹⁵

Challenges of Going Global

While many merchants understand that going global may not be the easiest of tasks to undertake, they will want to be aware of some of the unforeseen challenges that could lie ahead before deciding whether they in fact want to expand globally.

In China, marketplaces are price competitive and there is limited opportunity for international retail brands. This poses a challenge for both U.S. and European merchants.

Some of the challenges surrounding distribution into China include Hong Kong distributors only reaching Tier I and Tier II cities where the cost of building brands is high. There is no long-term guarantee and many Chinese companies want long-term agreements. While the market in China is an excellent opportunity for merchants, it poses a challenge for both U.S. and European merchants. To alleviate the challenges, you will want to identify, attract and partner with the best Chinese firms.¹⁶

And while South America has an emerging market for online shopping, the challenge there is that consumers are not readily forthcoming with handing over



their credit card information and prefer to complete a purchase on a mobile device using a payment plan called M-Pesa.¹⁷

Shipping Globally

Thinking of expanding globally, but don't have a global shipping strategy in place? There are a few things to think about here.

Address the varied costs internationally. Shipping in the United States is eight times more expensive than shipping in other countries. Provide accurate quotes on fees to alleviate any hassles for your consumers.

Apparel retailer Lands' End has worked to make buying online seamless for its international customers. Landsend.com automatically defaults to the country where the user is located with the help of good targeting based on the user's IP address. Users also have the opportunity to manually choose the currency they would like the site to calculate. Prior to this, landsend.com prices were only in U.S. dollars and international customers manually configured the cost of their purchases based on their local currency. Additionally duty was not included in the checkout price and customers received a bill for those costs at a later time.



Lands' End currently does business in seven countries and ships to over 170 countries around the world.¹⁸

As for parcel carriers, according to the MCM Outlook 2013 Survey, 25.4% of respondents said UPS was their primary international parcel carrier, while the U.S. Postal Service and FedEx came in second and third at 23.9%.

Merchants can choose to build in-house capabilities with staff learning to import and export regulations to deal with the complexities, and logistics can be outsourced when it comes to global shipping. Outsourcing allows merchants to go after the large scale and not just a few countries.¹⁹ ■

The following Multichannel Merchant articles by staff and industry experts were sourced for this executive research summary. Please click on the article titles to learn more:

1. *Executive Summary: How to Reach Customers Across the Globe*
2. *Thinking About Expanding Into China? What You Need to Know*
3. *Should Merchants Consider Expanding to Latin America?*
4. *U.S. Retailers See Global Ecommerce Grow on Black Friday*
5. *Amazon Launches Marketplace in India*
6. *What to Consider When Selling Globally*
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