



MCM OUTLOOK

GLOBAL OPERATIONS

Getting On Board with Global Operations

BY TIM PARRY



The opportunity for U.S.-based merchants to sell globally is there, but many remain hesitant to jump into the global waters.

Only 27% of MCM Outlook 2014 respondents said their ecommerce sites are set up for global business, and 9% are using a third party to market globally.

“While interest in international ecommerce has enjoyed a nice groundswell, it’s still a niche topic that’s not high on the radar of most ecommerce retailers,” said Jim Okamura, managing partner for Okamura Consulting.

The MCM Outlook 2014 survey results show that just 8.75% of orders placed with U.S.-based merchants in 2013 came from outside the U.S. But that number continues to grow. According to eMarketer, glob-

al B2C ecommerce sales will rise 20.1% in 2014 to \$1.5 trillion. The growth rate is projected to slow somewhat in 2015, increasing 17.75% to \$1.77 trillion.

So what should U.S.-based merchants do to expand their global traffic? The solution is not the same from merchant to merchant, as each individual merchant needs to consider several factors.

It’s a Matter of Trust

While more global customers are buying from U.S.-based ecommerce sites than ever, the relationship between the U.S. and the world needs to be based, first and foremost, on trust. By that, it’s not just about the quality of goods being sold on the global market, but transparency by the seller to the buyer.

“If you go cross-border to France, it’s a great country to do business, but like in Germany, it’s 100% about trust,” said Henning Heesen, global sales director for ecommerce services firm Salesupply AG, at Multichannel Merchant’s Growing Global conference in July in Long Beach, CA. “If something isn’t right, if there’s no number for returns or customer service or no logo on your site, they’re not buying on your store.”

Package tracking services are considered either “essential” or “nice to have” by almost all consumers, said Tim Sailor, principal at Navigo Consulting Company, at Growing Global.

Communicating early regarding package delivery and executing on the promise of delivery once communicated leads



to advocacy for the retailer, Sailor said. When retailers communicate the expected delivery date of the order, customers are surprisingly patient and are willing to wait an average of a week for their orders.

Also, consumers do not want to find out at the time they receive your package that they owe money that was not agreed on at checkout.

“When you tell a buyer exactly how much they have to pay, it’s a much smoother process—and they don’t have to go to the local post office to get their item,” Helcio Nobre, founder and president of Dabee Technology Inc., said during a Growing Global session. “The user experience on delivery duty unpaid (DDU) is terrible. They get a letter telling them they have to go to the post office to pick up the parcel, and pay cash.”

Kent Allen, principal of The Research Trust, said best practice for shippers should be delivery duty paid (DDP), even if it means the shipper has to incur some cost.

“You don’t want to surprise the customer at the door,” Allen said. “The more friction you can eliminate from cross-border sales, the better.”

Nobre said it’s best to go with a third-party partner who can help merchants figure out duties and taxes, who knows how to get products through customs and can provide reliable delivery dates.

“A lot of companies have figured all that out,” he said.

Start with Marketplaces

Merchants who are looking to test the global waters can start by selling on ecommerce marketplaces. And that’s what 40.5% of MCM Outlook 2014 respondents said they are doing, whether it’s through Amazon, eBay, Rakuten, Alibaba’s Tmall and TaoBao, or others.

“Marketplaces make a lot of sense, especially for smaller brands that might not be as well-known or have stores or established retail channel partners in other parts of the world,” said Allen.

Another advantage of starting with the marketplaces: Merchants can test a product line, or even just one product, to see if there’s a chance of expanding their cross-border sales.

“There has to be a compelling reason to launch in a country that has lots of available resources,” said Bill Spaide, a partner at operations and fulfillment consultancy Spaide, Kuipers & Co.

Amazon does allow U.S. merchants to sell their goods globally. However, merchants who want to sell goods in other countries have to use the Fulfillment by Amazon service. FBA will help the merchant with the translation, tax and fulfillment of that product across borders. Also, if you have a growing number of orders from a particular region, FBA will move some of the inventory there to keep the product as close to the consumer as possible.

eBay’s Global Shipping Program

streamlines international selling by automatically including all shipping and customs charges in the buyer’s purchase price and reducing the retailer’s effort to a simple domestic U.S. shipment at no additional charge. GSP uses experienced international shipping operators to handle the international leg of the shipment. The retailer delivers the package to a domestic U.S. address where GSP takes over. Once the seller has shipped its package to the domestic address, everything else is fully automated.

But before you get started with the marketplaces, merchants must consider what type of products are doing well in specific countries, what consumers in those countries are looking for and what kind of content will help consumers in those countries make their purchase decisions.

Sebastian Gunningham, senior vice president of seller services at Amazon, says merchants need to walk before they run when expanding globally. “Make you sure you get your process streamlined and efficient before you move to the next region,” he says.

A Lesson in Shipping

Okamura said decisions around shipping and fulfillment should be based on a company’s underlying business model and strategy. This includes when to use major carriers vs. regional ones, or those with particular expertise in a country or region.

“They need to decide things like will inventory be based in an offshore region or country, in which case it becomes more of a local carrier decision,” Okamura said. “If it’s more of a cross-border model, they need to determine which are the best carriers based on orders that originate from a U.S.-based center.”

Allen said while the major carriers do a good job and reach into about 220 countries, merchants should explore their options in terms of regional shippers, consolidators and aggregators or single-trade-lane specialists with enough volume to be able to offer fast delivery at lower rates.

“If shipping on an item is \$10 less, you’ll see a significant uptick in conversion,” Al-

len said.

Regardless of where you ship to, cross-border commerce requires a long lead time for shipping, costs more due to shipping expenses and is more complicated when it comes to merchandise returns and credits for returned items, said Rob Martinez, DLP, president and CEO of Shipware.

The major global parcel carriers such as DHL, FedEx, United Parcel Service, TNT Express and others provide global delivery service, many delivery options, and value-added services including tools to manage documentation requirements and trade compliance, Martinez said. The merchant needs to determine which carrier offers technology that best fits its requirements. Items to consider include shipment processing, international forms and shipping resources, customs documentation compliance and government regulations, duties and taxes estimates, shipment tracking, currency conversion, and reporting.

Before stepping up to the negotiating

table, shippers need to collect and analyze shipment detail to better understand usage, costs, accessorial charges and other variables. Martinez said merchants need to develop reports to understand current service usage, transit requirements, package characteristics including box dimensions, weight ranges, zonal distribution, residential/commercial mix, and other package metrics. In addition, merchants need to understand how their packages are currently impacted by minimum and dimensional charges and accessorial costs. This detailed analysis gives shippers a priority list to focus on concessions that have the greatest cost-savings impact.

The last mile—or delivery to the package addressee's doorstep—is a major challenge for distance sellers relying on the big-name U.S. shipping providers or the local postal service. In fact, the last mile could be a deal breaker.

Customer convenience is the primary issue. During the day, few people are at home, complicating deliveries that require a signature or payment. One option is to

allow recipients to pick up deliveries at an alternative location.

To be successful in the B2C arena, U.S. merchants must offer scheduled delivery services, multiple delivery attempts and/or an extensive network of delivery locations. No U.S. carrier can offer all those services worldwide. As a result, many merchants will lose sales due to issues experienced in the last mile. Given the potential for e-commerce around the world, retailers without a localized delivery strategy will leave a lot of revenue on the table.

Third-Party Simplicity

For a retailer that's launching cross border into a new market today, Spaide said they typically should continue under that operating model for at least three or four years before they get to a scale that warrants the type of investment and risk of transition to something in country.

Spaide said retailers should look beyond the usual types of requirements and checklists when seeking out a global or local third-party logistics provider in a new market, to determine if they're the best fit for your customers' needs.

"When you're dealing with a 3PL, the fit is more than just the statement of work or the RFP, because you're building a three-to-five-year relationship in the region," Spaide said. "People might say fulfillment and customer care are tactical, but when you're in a region with a direct-to-consumer business, that partnership is strategic because they're delivering your customer experience. The fit has to be right for both the retailer and the end customer."

He said it's also important to make sure a 3PL has experience in a particular country or region, and not just a presence there.

"We worked with a large online retailer with partners all over the world, and they wanted to go into China, so thought it would be easy to leverage their partner in China," Spaide said. "But when we got there, we found out the partner was new to China and didn't really understand the market—they just had relationships with Alibaba and related delivery services."



So the lesson learned, Spaide said, is when you're leveraging a 3PL in one region, know what the next one is going to be and make sure they're established there as well.

Matt Rogers, head of delivery solutions at ASOS.com, said his company owes a great deal of its cross-border success to its partnership with third-party provider wnDirect. By working with local in-country carriers, Rogers said in a case study that wnDirect ensures its customers can track their parcels and receive delivery updates in their local language, while having the assurance of service from a known local carrier.

Rogers said using wnDirect as its third-party provider in Russia has helped ASOS.com build its brand there.

Combined with the challenges the extensive geography brings, the Russian postal service does not have a good reputation, according to the case study. Companies with experience working with the postal service often complain about excessive delivery times, lost or stolen parcels, and non-distributed parcel rates of up to 100% in certain areas.

wnDirect was able to work with its local carrier network in that region to ensure proper handling and delivery of ASOS.com's packages. Once an order has been made online, wnDirect calculates and applies any relevant local duty and taxes and confirms what other local requirements there are, such as a proof of ID check.

The customer then receives an automated email detailing the duty that needs to be made and provides a link to a secure site enabling them to make payment. It also enables the customer to upload their ID at this stage. All of these communications are sent in local language and currency and under the ASOS.com banner.

Customer Contact and Customer Care

Even if you are as transparent on your site as you can possibly be, global customers are still going to have questions. But, depending on which countries you ship

to, you should determine if there are additional contact center needs, or the need to outsource services.

Allen said that if you are shipping to countries in which the primary language is the same as a language used in your contact center, then there is probably no need to worry about additional customer service.

Michael Moseman, director of the customer contact center at Brooks Brothers, said his company currently supports its international customers through its primary contact center based in Connecticut.

"We do have a dedicated team within the contact center that focuses exclusively on these customers, their orders and any support services they may require," Moseman said.

"This model has been effective for Brooks Brothers up to this point, however, as our global presence, both through ecommerce and brick-and-mortar locations, continues to grow, we are exploring additional means of support for customers based outside of North America."

Taking in to account time zone differences, language requirements and localized expectations, Moseman said Brooks Brothers' thoughts right now would be to engage in a partnership with a provider that can help supplement our domestic operations.

Allen agrees with Moseman's statement.

"If you are selling in other parts of Europe, then you need to work with providers," he said. "If your sales plan is really focused on beyond English-language countries, then you need to find native-language speakers."

The problem though is that your contact center can't always work around the clock. With that in mind, online chat can scale a little better, and it's easier to outsource, Allen said.

Also, some of the third-party providers and marketplaces have some partnerships in the local markets. But you need to make certain your customer service policies are very easy to communicate.

"A lot is going to depend on your vol-

ume," Allen said. "But focus out of the gate on customer service. It may cost a little more, but you'll also learn more about your market."

(Many) Happy Returns

Returns can get costly for all the same reasons it's expensive to export items in the first place. To help reduce costs, you can work with a postal return service that could also be simpler because of streamlined paperwork.

For retailers in general, it's important to be up front and have an easy to understand process for returns.

But Alex Golshan, vice president of omnichannel and international ecommerce for fashion retailer BCBGMaxazria, said his company is seeing a 25% return rate in Germany and a 10% return rate in France.

So at Growing Global, Golshan advised "adding a little friction" to slow down the returns rate in France and Germany by using tactics like not including return labels with the original shipment, requiring consumers to at least make a phone call to request a return.

"In Germany we see higher units per order, so you have to do some next-level analysis to see if it's because they're ordering multiple colors and sizes," Golshan said. "This is especially true if they qualify for free shipping."

Allen added that it may not be worth the time and the money to send returns back to the U.S. You can look to a partner to establish liquidation centers to liquidate products that are either returned or unable to be delivered.

Allen even suggested merchants tell dissatisfied customers to give the unwanted product to a friend or a family member.

"Reverse logistics is the hard cost, but the harder cost is scaring away the first-time buyer," Allen said. "One bad initial experience, and they tell their friends, and that can hurt your cross-border efforts more." ■

Multichannel Merchant Senior Editor Mike O'Brien and Content Producer Daniela Forte contributed to this report.