

Global Ecommerce

BUILDING THE RIGHT ROADMAP FOR YOUR CROSS-BORDER BUSINESS

by **Tim Parry**, Multichannel Merchant

Even if you are not trying to sell your inventory internationally, chance are, more than 10% of your ecommerce site traffic is coming from outside the United States.

And you're probably converting a lot of those sales. According to the results of MCM Outlook 2015, which was fielded between Feb. 17 and March 10 with 175 qualified respondents, an average of more than 7% of respondents' orders are shipped to customers outside the U.S.

Imagine how much higher those numbers would be if you put a cross-border ecommerce strategy in place?

While presenting a number of risks and some significant barriers to entry, global ecommerce represents a massive opportunity and more retailers are jumping aboard as solutions for addressing cross-border business become more readily available. According to eMarketer, worldwide B2C ecommerce sales in 2015 are expected to rise 15.6% to \$1.7 trillion.

In 2011, fashion and luxury flash sales site Gilt realized just how much of its business was coming from outside the U.S.

"We checked our IP traffic and we discovered that we already had a sizable international business," said Oksana Voronenko, Director of International Strategy and Operations at Gilt, at Multichannel Merchant's Growing Global conference. "It was a fraction of our overall sales, but it was more than a million dollars."

And while cross-border sales topped the million-dollar



mark, Voronenko said Gilt didn't make it easy for customers from outside the U.S. to buy from them.

"We already had customers all around the globe ordering from us and using freight-forwarding services, and frankly, we couldn't have made it harder for the customer," Voronenko said.

Now, with a fine-tuned global sales strategy, Gilt's international revenues have grown to be more than 20% of its revenues.

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Localization is a key component for building your cross-border ecommerce strategy. Localization also goes beyond making sure your ecommerce site is translated properly for consumers in another country. It includes a digital marketing plan that resonates with your target audience, knowing what merchandise will

sell, and knowing if customers in your target country prefer buying online via a desktop site, or if they are a mobile buyer. That can also determine how your target customers prefer to pay for goods – and in some countries, consumers prefer to make offline payments for online merchandise.

Testing and learning is essential. Once you do that, then you can begin to put a strategy together for localization, said Alex Golshan, BCBGMaxAzria's Vice President of Omnichannel and International Ecommerce.

"It's not something you can Google to start implementing right away. You really need to learn the behav-

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5 Tips for Growing Global Ecommerce

As merchants look to global demand to grow their businesses, cross-border transactions represent a significant market opportunity. But delivering on the promise of a satisfying customer experience can be daunting.

Cross-border ecommerce was a hot topic last month at the ChannelAdvisor Catalyst conference. Here are five tips from the Catalyst conference that can help you build your cross-border business.

Hit the Marketplaces

During his opening keynote, ChannelAdvisor founder and CEO Scot Wingo noted how aggressive the marketplaces are with cross-border trade. For example, eBay has its global shipping program, and 26% of eBay listings are available to ship worldwide. Wingo said Amazon sells about 2 billion items worldwide on its marketplace. And while sellers may see Alibaba as the marketplace for selling merchandise to the Chinese consumer, its Aliexpress marketplace is top ecommerce shopping site in both Russia and Brazil.

To go global, you have to go local

Wendy Jones, Vice President, Geographic Expansion and Cross Border Trade, eBay

To be successful in cross-border, retailers and merchants must also be relevant in their target countries. Jones said global ecommerce is not a one-size-fits-all game. Consumers want to shop in their own language, pay in ways that are familiar to them, count on a reliable and trackable shipping solution, and know that they will get exactly what they ordered.

No two countries are alike

When selling to customers in multiple countries, you must remember that consumers in no two countries are alike. Nir Hollander, president of jewelry seller Gem Stone King, said that in France, customers are fond of white gold. And in China, customers prefer the quality of the diamond over the overall size. So they tailor their product demand on a country-by-country basis.

Be quick with customer service

When a customer is buying from a retailer in a foreign country, trust is going to be an issue. If you wait two days to return a customer's email or phone call, the customer is going to wonder if you are a legitimate merchant, and your lack of credibility is going to escalate, said Dave Madoch, toy seller Toynk.com's director of ecommerce said. Cross-border customers prefer live chat, which is great for the merchant, too, because the merchant can run it through translation software.

Embrace Singles Day

Alibaba created Singles Day (November 11) as a selling holiday in China. Sherri Wu, Head of International Business Development Americas, said Singles Day 2014 sales topped \$9.3 billion, a 60% jump over the prior year thanks to Alibaba's efforts to globalize Singles Day. That's more in sales in one calendar day than sales in the U.S. for the entire Cyber Weekend 2014. Costco, which began selling on Alibab's Tmall in November, did \$3.5 million in sales on Singles Day.

— Tim Parry

ior of your global customers," Golshan said. "We're really learning what our customers like, what kind of merchandise they like, what are their preferences, what moves them in term of free shipping, markdowns, pricing, language preferences, and communication style.

Tina Naetscher, Nasty Gal's Director of International

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Most Merchants Say Their Sites are Set Up for Cross-Border Consumers

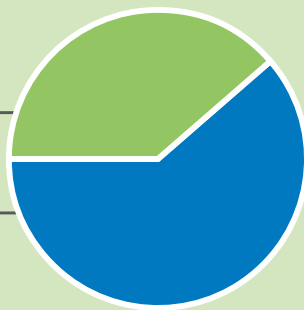
Three out of five retailers say their ecommerce sites are ready to serve the needs of cross-border consumers. And three-quarters of those retailers indicate they are global-ready because they offer international payment offerings on their ecommerce sites, according to Multichannel Merchant's MCM Outlook 2015.

Multichannel Merchant's MCM Outlook 2015 survey was fielded between Feb. 17 to March 10, 2015 with 175 qualified respondents.

Do you use an outside service for fulfillment?

38.7% No

61.3% Yes



Do you use an outside service for fulfillment?

Localized websites 25%

Translation services 10%

Currency calculator 25%

International payment offerings 75%

Brazil: a Lucrative but Complex Market



AliExpress is exploding in Brazil because it's cheaper for consumers to buy there than from a domestic seller who pays the high cost of importing goods, an expert panel told attendees at Multichannel Merchant's Growing Global conference.

"Brazilians like (AliExpress) even if it takes time for their order to arrive," said Alphonse Voigt, CEO of EBANX, a company offering ecommerce payment solutions to companies selling into Brazil. "They've been educated to wait for products from China for 30-60 days or more. The products are cheap, and it's become a fever in Brazil."

But Brazilians are used to waiting a long time for ecommerce orders, and the products from AliExpress are cheaper than from domestic merchants who import goods, even with duties and taxes added. Generally speaking, shipping goods cross-border into Brazil can cause a doubling of the final cost when all the taxes and duties are added in.

Out of 60 million Brazilians, 17 million made cross-border purchases in 2014. Fashion is the top category, especially goods from China, followed by electronics.

When asked if it made more sense to set up shop in Brazil to avoid the high costs of importation and the long transit times, Voigt said most companies throw up their hands at the complexity and use an in-country partner.

"When they understand the full cost of setting up in Brazil, they simply decide to ship from abroad and use a local partner," he said. "Localizing in Brazil means lots of planning, calculation and understanding the whole environment before you come in. We call it playing the Brazil game."

In terms of payment preferences, Brazilians eschew PayPal and credit cards in favor of Boleto, a government-issued card used for online and ATM payments. Voigt said installment payments are a very popular way to shop in Brazil, as well as in Mexico.

"When Brazilians see an iPhone, they don't see it as \$400 but instead think in terms of 10 monthly installments," he said. "We're in the middle of education process for international merchants selling high-value items into Brazil. Of course there's an expensive interest rate for consumers, about 1.5% per month, but for things like digital goods it works very well."

*For more on doing business in Brazil,
go to bit.ly/GG2015-Brazil*

— Mike O'Brien

Business, said her company looks at factors like demographics, internet penetration, economic growth rates and price sensitivity when considering which market to enter. The country's sense of style and fashion are also important, she said, because its apparel may not be cul-

Chinese Consumers Want Fast Delivery

The ability to get orders into the hands of consumers rapidly and to directly connect with them, while providing price transparency, are among the keys to success in cross-border e-commerce into China, an Alibaba executive told the audience at Multichannel Merchant's Growing Global conference.

"Definitely never send anything that takes five to seven days," said Jimmy Tobyne, who oversees strategic partnerships and business development at Alibaba Group. "Even if there are higher costs, you need to meet their expectations. Once they put a negative review on your store (on Alibaba sites Tmall and Taobao), it's hard to get it taken down, because reviewers have to do it themselves."

To facilitate rapid delivery, and to avoid China's 17% value-added tax on imports, Tobyne said merchants should consider parking inventory in one of a handful of Chinese free trade zones and using a local fulfillment partner. To do business on Tmall or Taobao, for instance, Alibaba requires merchants to have an in-country partner to handle returns. Meeting the two-day delivery window that Tobyne said is critical to winning the Chinese consumer would require some type of local fulfillment operation.

When asked about the ability to do business profitably in China given all the challenges and costs, Tobyne said it can be done but it takes a major commitment.

"When you do a market entry, you can't take shortcuts," he said. "When going into China you need to choose it, but it may not always choose you back. If you make a commitment to be there, you'll get all that you need and more. With luck, skill and strategy it will choose you."

Also, make sure you're very upfront about any costs related to your product – whether it has to do with shipping, taxes or tariffs. Tobyne said that if there is anything that causes additional costs, customers get very frustrated and will turn on you quickly, even if they were previously loyal.

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go to bit.ly/GG2015-China*

— Mike O'Brien



turally acceptable in some locations.

Cross-border means an additional cost for the customer, so Naetscher said Nasty Gal calculates projected volume against price sensitivity.

For example, one country might be a bigger market but be price sensitive, so the scale makes sense. Or it could be a smaller one like Hong Kong, where customers are willing to pay more for American goods.

"So tailor your website to a certain country, and optimize your logistics where there's high demand," Naetscher said. "These are calculations each company needs to do for themselves."

Localization goes way beyond a direct translation of web and email content into the native language. Idioms and colloquialisms need to be considered as well – people in Brussels or Hong Kong aren't going to understand the term "drinking the Kool Aid," Naetscher said.

Ecommerce startup Tech Armor was faced with the "what should you consider when you want to sell cross-border" question almost immediately after it was founded in 2012.

And Tech Armor, which sells its own brand of mobile screen protectors, cases, and accessories, figured cross-border ecommerce out right away. Though Tech Armor was attracting customers from all around the globe, the company knew if it didn't work on marketing to customers in specific countries and regions, it could lose that international customer base.

"There's a lot of different steps, and we've learned the hard way as well," said Eric Tong, Co-founder and General Manager Tech Armor, during this video interview with Multichannel Merchant at IRCE 2015. "But we've kind of got off to a good start. We're doing pretty well in Canada and in the U.K., and some of the other European markets as well."

There are a lot of things to do before you get into a new market, including things like setting up a value-added tax (which is most-often needed in the European Union), getting registered in-country so you can import, and translations.

And by translations, Tong means making sure Tech Armor doesn't simply translate from English to a foreign language, but really understanding the nuances of a particular international country and culture.

Another thing Tech Armor is doing to attract cross-border customers is selling in ecommerce marketplaces. Tech Armor sells via such ecommerce marketplaces partners as Amazon, Rakuten, eBay, and Newegg.