



International

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Editor's comment

Do you remember the days when doing business abroad sounded like just a pipe dream to the smaller retailers amongst you? Although it was something the big boys pushed aggressively for smaller retailers the complexities of international expansion meant it was a somewhat daunting prospect. Yet that has changed significantly and today it's easier than ever to expand abroad and to realise the opportunities and benefits it offers.

International was therefore an obvious choice for the next in the series of research reports from Internet Retailing. As usual our research began with a survey of retailer opinions – with more than 150 top name retailers giving us their views on how and why they were expanding, or looking to expand, abroad. This was supplemented with in-depth interviews with industry experts and additional retailers.

As ever our report sponsors introduce the report showcasing the expertise that has made them a vital component in many a retailer's expansion strategy (expert opinion, pages 4 –7).

To first expand abroad however you need to understand the opportunities open to you – what are the benefits for growth that it offers? (Opportunities for expansion, pages 8 – 11). Our research here showed that most retailers had aggressive expansion plans for abroad – whether their focus was immediate or slightly longer term.

But expansion abroad isn't without its challenges so we

chose next to look at the barriers to entry that retailers face (Challenges, pages 12- 15) and how they may look to overcome them.

The use of third parties can help immensely for retailers with international plans – since they have the local market expertise that retailers may be lacking so our next question looked at the routes that retailers were choosing for expansion and whether they were embracing outside help or trying to do everything themselves (The right route, pages 16-19).

To realise the true potential of a market however means localising as much to that market as possible – whether through language localisation or a full customer service offer local to that market. Customers appreciate it and it can prove a massive boost to sales if retailers make the extra effort. We therefore asked retailers how they were looking to improve the international experience they were offering (Room for improvement, page 21).

To be successful an international strategy has to be considered and planned. It's no use just throwing pins into a map and hoping for the best. Retailers have to assess the market potential and decide which countries to hit first. Mostly this follows a set pattern of EU followed by USA but it can obviously differ according to the retailer concerned (Location, location pages 22-23).

And, as we mentioned earlier, international opportunities are open to all. The retailer case studies that conclude the report show that even little fish can swim in this very big pool of opportunity (pages 24-26).

INTRODUCING OUR SUPPLEMENT EDITOR

Liz Morrell is an experienced retail and business news and features journalist who has more than 15 years' experience of writing about the retail sector. She is a former features editor of Retail Week where she spent more than 9 years as a full-timer. She loves all things retail but just wishes her "research" (insert shopaholic tendencies here) didn't cost her quite so much.



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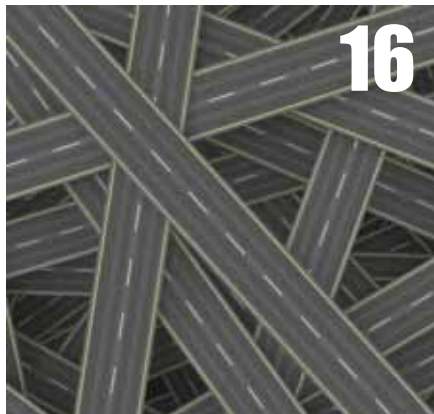
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How do retailers best decide which fulfilment route to take internationally?

International expansion is no easy task. From differences of language and culture to wide ranging legal and financial implications for different markets, retailers have to work hard if they are to be successful. For thousands of successful online retailers, the journey to selling internationally starts by selling on Amazon.co.uk, a proven sales platform visited by customers from all around the world. In the next stage the Amazon seller launches with Fulfilment by Amazon.

With Fulfilment by Amazon (FBA) the seller can send his products to Amazon's fulfilment centres, and we directly pick, pack and deliver them as well as provide customer service once an order arrives. FBA also gives the seller access to FBA Export, a seamlessly integrated programme in which Amazon takes care of the fulfilment, customs brokerage and international shipping for purchases made by international customers on Amazon.co.uk.

With FBA Export, the seller can export to either 9 or 26 EU countries and even export media items worldwide. The seller doesn't have to worry about the international selling process; from the seller's perspective the international sale is no different from a domestic transaction and through this

programme sellers can also see where their international demand is coming from. With Amazon providing a sales platform in nine countries throughout Europe, North America and Asia, an Amazon FBA seller can sell directly to international customers in some of the world's fastest growing ecommerce marketplaces.

Amazon also makes it easy for sellers to expand within the EU. With marketplaces in Germany, France, Italy and Spain, sellers can create offers in any or all of these marketplaces to access new customers. With FBA, sellers can use the European Fulfilment Network (EFN) which allows them to fulfill orders from any of Amazon's EU marketplaces from a single inventory pool making it easy and cost effective to grow their EU business.

Amazon is also a great platform for sellers interested in expanding beyond the EU. With marketplaces in nine countries, sellers can also expand into both North America and Asia via this route. Amazon.com, the US site, is by far the biggest marketplace worldwide and a great venue for sellers ready to take their business to the next level.

When selling internationally, sellers must also consider their international fulfilment methods. One option is to ship products directly from the UK to

customers in international marketplaces. While this may be a fast way to get started, the limitations of this process are not only the costs associated with shipping individual packages internationally, but also the long lead times. Together these can combine to make your offers less competitive.

Another option is to fulfill locally. Sellers can take advantage of FBA in the destination country to benefit from domestic fulfilment rates, speed of delivery and be able to offer additional local accelerated delivery options, also available to customers purchasing directly from Amazon. Amazon offers the same best-in-class fulfilment experience and customer service. Additionally with FBA, sellers don't have to worry about providing customer support in local language (a requirement when selling in Amazon's international marketplaces) because Amazon will take care of this on behalf of the seller. ■

Andrew Parada-Carbonell, senior marketing manager, Amazon Global Selling -

<http://services.amazon.co.uk/services/amazon-global/overview.html>

amazon global selling

What is the advantage of managing multiple marketplaces from one point and how does this help retailers with their international expansion?

Many retailers find that expanding internationally can be a low, calculable risk that offers a consistent and high return on investment. By selling across multiple regions, retailers unlock access to new sources of demand, increase brand visibility and overcome the seasonality of products. The flip side of this trend is that without proper management international expansion can become overwhelming, and can lead to eroded brand image. Each additional region or marketplace adds another layer of complexity and the room for error increases. By managing online retail operations from one point, retailers gain the agility and flexibility to seamlessly scale their business whilst growing a positive and profitable international brand.

Multichannel technology can be a bridge between online retail and international expansion, bringing all resources together in a one-point solution. This helps retailers sell across online channels while adding value, as it enables convenience, speed, scalability, accuracy and accountability to a retailer's online presence.

Convenience: From one login to an e-commerce platform, retailers can manage their data feeds, pay-per-click (PPC) campaigns, multiple marketplaces and posting accounts, as well as access

actionable reporting. Retailers no longer have to jump between tabs and dashboards from multiple point solutions in an attempt to cross-reference and determine the channels that are performing best.

Speed: Technology enables retailers to revise and make changes to inventory feeds just once, and have it automatically updated across each channel and region. This enables retailers to adapt to any changes quickly and efficiently maintain accurate stock levels across geographies and channels.

Scalability: Using multichannel e-commerce technology enables retailers to scale their business to new heights. Whether a retailer wants to expand to new channels, grow their offering on current channels or expand internationally, technology makes scaling a seamless task.

Accuracy: Retailers can reduce the risk of errors by working from one platform. By working from a single inventory feed across multiple channels and countries, retailers can ensure inventory levels are consistent and prevent issues such as overselling -- which leads to a poor customer experience and damage to a retailer's credibility and reputation.

Accountability: As e-commerce is a fast-paced and dynamic industry, it is important for retailers to view progress and analyse performance. Technology can help retailers view relevant reports

such as product-level performance, daily performance and revenue by region reports. Through targeted reporting retailers can base their decisions on performance rather than relying on gut instinct or cross-referenced reports from an array of different sources.

The multichannel e-commerce platform makes for a cohesive and robust tool for expansion. The simplicity of adding new international channels means that expansion is a smooth and straightforward process. Each marketplace has nuances that vary by country, but by working from one platform a retailer's inventory data will be fully optimised to the requirements of each international site. This allows a retailer to focus on other important aspects of expansion such as customer service, fulfilment, tax and research what territory to approach next. One takeaway is for certain -- the opportunities are vast and the options endless. ■

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How do you localise international expansion?

Effective cross-border online sales involves more than translating “shopping basket” to “warenkorb” or “panier.”

Success in global online commerce requires extensive localisation of e-stores and associated support services to establish a credible and compliant presence in each country.

From our experience working with thousands of companies globally, failing to localise store designs, languages, currencies and customer service can be substantial impediments to attracting and retaining customers through the online shopping and checkout processes. Be aware of the complexities that can waste money, cause delays and sometimes stop global initiatives in their tracks.

The key to success is to operate as a local company wherever you are. The following checklist will help businesses prepare a localised online commerce strategy:

Language: Are all online commerce sites translated and localised in the languages spoken by the buyers in the supported regions? Language localisation is a basic point of entry that companies must implement straight away.

Pricing: Are product prices displayed in local currencies? It is crucial that prices are presented in the currency that is preferred by regional consumers and that they take into account country-specific exchange rates.

Tax and export controls: Does the online store comply with tax and export regulations worldwide? Local sites need to be able to calculate and apply the appropriate taxes for each individual market.

Operational compliance: Are back-end business operations compliant with local government and consumer laws, including those outside the company’s native market? Failure to collect and remit recycling and regulatory fees in applicable locales as well as report proper sales figures to local authorities can result in steep monetary penalties and sanctions.

Preferred payment methods: Can customers choose from localised and preferred payment methods, such as iDeal in the Netherlands or ELV in Germany? Companies can realise sales increases of up to 30 per cent in some countries by offering regionally-preferred payment methods.

Logistics and fulfillment: Are fulfillment processes optimised? Products shipped from local warehouses, or downloaded from regional servers can deliver savings and convenience for customers and increase efficiencies for companies.

E-marketing: Do marketing strategies comply with local email and privacy regulations? Banner ads and search engine campaigns that are fully localised and optimised to drive ROI can attract more customers and drive more sales.

Customer support: Are online

commerce sites backed up with 24x7 customer support? Customer service personnel who speak the language of local customers and handle email communications, returns and other functions in a way that caters to local customers will be well received on a regional basis.

Sales channel: Has the optimal revenue/expense ratio been reached for the online commerce sales channel? Devise and execute a reseller and affiliate management strategy to ensure a balanced multi-channel approach.

Reporting: Is the company continuously evaluating and optimising the online commerce sales channel for global markets? Draw statistics from reporting tools rather than relying on intuition to make more informed decisions.

As more companies expand globally through online commerce initiatives, the necessity to function as a local company is increasingly important. With a proper localisation strategy, the internet can prove to be a truly valuable passport to doing business anywhere in the world. ■

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How should retailers manage their VAT obligations when expanding internationally and why is it so often overlooked?

In the 20 plus years that Meridian has been working with international companies the one consistent thing we have found is that VAT is rarely top of anyone's agenda except the VAT manager in that company (if one exists).

The reason for this is not that there is a conspiracy against the VAT manager or any wilful avoidance of tax, but more to do with the over-riding priorities in most companies in making sales and finding ways to increase those sales. So a huge amount of innovation and creativity goes into identifying new markets and routes to those markets. The first VAT challenge usually comes when the company tries to raise an invoice for those sales.

If anyone does think to ask the question "what VAT should be charged on that invoice?" then at least the issue is being looked at. What happens in a lot of organisations is that they are too busy to think of the question, never mind answer it and they just charge their local VAT.

Due to constant innovation in e-commerce and logistics routes from the seller to the consumer becoming more and more complex the simple question above has started to become a bit more elaborate

and has become for example: "What VAT should we charge on the invoice for the product being sold to the customer in another country but is being delivered from our third party fulfilment provider whose warehouse is in the customer's country?"

If you delve into VAT in detail, and especially cross border, you soon discover it is a nightmare of complexity. For most e-commerce retailers there is no need to become international VAT specialists, instead all they need to do is focus on the key indicators that would suggest they have a VAT obligation in another country. These are to firstly track and know what the value of sales you are making into other countries and compare against distance selling thresholds. Secondly know what countries your product is being delivered from and to and finally know if and when your product has been moved from one country to another before it is sold (i.e. what fulfilment centre is your product in?)

The one thing you cannot avoid is that if you have a VAT obligation in another country it is an obligation not a choice. If you do not comply with your VAT obligations then you expose your business to risk.

The first thing to do is verify if you have a VAT obligation or not. If you do then you can choose how you comply in one of four ways. Firstly you could manage in-house; use a third party specialist in each country, or use a single third party for all countries. The final option is to use a combination of all previous three choices.

Of course you could take your chances, ignore your VAT obligation and wait to see if you are caught. However with an increasing focus by VAT authorities around the world on tracking e-commerce retailers; greater use of technology to track down these retailers and frequent sharing of information between authorities you are most likely just putting off the inevitable. It's really not worth the risk. ■

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Examining the opportunity For international expansion

THE OPPORTUNITIES FOR INTERNATIONAL EXPANSION ARE PROVING HARD TO RESIST FOR RETAILERS LOOKING FOR GROWTH AND NEW CUSTOMER BASES BUT HOW AND WHY ARE RETAILERS EXPANDING?

International expansion is on everyone's agendas at the moment. "The global e-commerce opportunity is mind blowing," says Julia Priddle, head of account management at ChannelAdvisor. It's no surprise, with eBay predicting that cross-border trade will account for 20 per cent of e-commerce by 2017 retailers are finding that expanding internationally can be a low risk that can offer a consistent and high return on investment if they go about it correctly.

Alasdair Gerrie is multichannel consultant at WeArePentagon.com and works with leading brands such as Dabs, Sony Music, BMW, Nissan, O2, Maplin and B&Q. He says in today's world it is vital to have an international strategy for any retailer whatever their size. "As an

online business develops, international is the obvious thing to do and will be bigger than the UK over the coming years. It's a combination of driving growth and realising opportunity. Once a retailer has a UK strategy in place then they naturally start to look towards the US, Australia, Europe and further afield," he says.

From large to small, retailers are realising the opportunity to expand. Internet Retailing's international research report therefore began by asking retailers just how widescale international expansion actually is, in a survey of more than 150 retailers. Almost all realised the opportunity for growth that internationalisation delivers.

In fact our survey showed that the vast majority of retailers had already expanded internationally with two thirds (67 per cent) having already realised

opportunities abroad. This is an encouraging figure. Retailers are seeing the opportunities that a wider market base brings them and grasping the chance with both hands.

However of those that said they had already expanded abroad less than one in ten (8 per cent) of respondents said they were happy with their expansion to date, suggesting that retailers realise there is still huge international potential and scale available to them.

Instead most of the respondents said they still saw plenty of growth in the international market. 28 per cent of those who took part in the survey said they were actively pushing for further expansion this year, suggesting retailers are keen to catch up on their bigger rivals and get footholds into as many international markets as they can, as soon as they can.

Other retailers are taking a longer term approach to expansion but still have it high on their agenda. A further 31 per cent of those who responded to the survey said they had already expanded abroad and planned further growth in the next five years.

Only a third of those retailers who responded to the survey hadn't yet expanded abroad. Of those however half (16 per cent) said they were planning to expand internationally this year. The remaining half said they weren't planning on international expansion.

For the latter such caution may simply be to do with domestic expansion being a priority first. Peter Callaway, a former ecommerce director of House of Fraser who has worked for branded retailers worldwide, says this isn't necessarily a bad tactic. "Personally I think people need to know their own market first before they venture internationally. It is an opportunity for everyone but how strong an opportunity depends on what you are selling and the international appeal of what you are selling, as well as how well your brand is known in other markets," he says.

The reasons why retailers expand internationally vary. The survey showed that three quarters of respondents had seen the potential for growth. Of these more than a third (38 per cent) said that

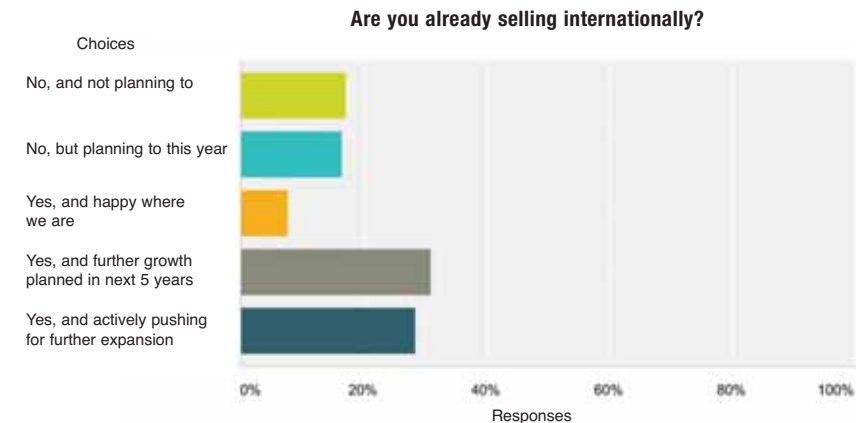
“Two thirds of retailers have already expanded abroad”

they had expanded after identifying big opportunities for their business abroad.

John Strosahl, executive vice president and general manager at Digital River, says this is a common theme. "Retailers and manufacturers are expanding their commerce internationally because it's an opportunity to expose more people to their brand and products, and a chance to drive additional revenue and grow more quickly," he says.

ASOS, for example, now delivers to more than 200 territories from its UK distribution hub with local country sites for a number of international markets.

At fashion retailer Toast meanwhile, chief operating officer Ryan Wolfe says the relative inexperience of expanding



internationally via ecommerce makes it hard to ignore its potential. "The capital investment for me to bring Toast into some of these international markets is much more capital efficient than going the bricks and mortar route – especially for instance into the USA where you are relevant for a local geography but not relevant for a greater geography," he says.

Callaway says retailers are realising the opportunities open to them: "UK retailers are selling internationally because the UK ecommerce market is increasingly mature and retailers are looking for all opportunities to increase their sales and their profits," he says. "Because other markets are less mature it's a good opportunity for British retailers to use their expertise."

The ecommerce director of a niche fashion retailer agrees: "The UK is the world's most advanced ecommerce market. We've got this talent and intellectual property to export around the world and should just get on and do it," he says.

Whether retailers have actively identified such a market themselves, or have simply seen an international market develop, varies. Again more than a third (38 per cent) of retailers said they were expanding internationally because they had seen customer demand outside of the UK for their products.

Amazon's director of seller services Chris Poad, says this is often the case with smaller retailers and is an easy way for them to expand internationally because for retailers or sellers selling via Amazon's Marketplace all the seller needs to do is enable exports on their Amazon seller accounts and then wait for customers to come to them.

"You can list on the UK site and hope for example German customers will come. The next stage is putting it on the German

website – you just need to create a price and quantity. It's very easy for sellers selling products that already exist to sell on foreign Amazon websites without having to do anything such as translation," he says.

But it's not just small sellers that use the Amazon platform. Although he can't name them Poad cites the example of a large retailer who has chosen to list on Amazon rather than setting up their own German website. "As a first toe in the water there are many retailers using the Amazon platform as a way of testing the market," he says.

For other retailers the reason for expansion lies more in the fact that international expansion provides a new route to growth where a traditional or domestic market is experiencing limited or stagnated growth. With many retailers consolidating their property portfolios in the UK this is increasingly the case and 17 per cent of respondents cited this as the reason behind their international expansion. "Some retailers have found that their growth has become stagnant in one region and do not see the potential for further local growth," says Priddle. "This can be down to aspects such as market saturation. However, rather than accepting this as the status quo, savvy retailers are looking to markets where there is a demand for their products and potential to drive growth," she says.

Only last year shoe retailer Kurt Geiger's chief executive Neil Clifford said he planned to focus on international expansion as an alternative to growth in the UK because high business rates and rents were prohibiting its growth here.

Similarly the ecommerce director of a niche fashion retailer in the UK says that for his company international expansion was an obvious way to expand for a business whose profitability was limited

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by the size of the market for the brand in the UK. “We had always been UK based but it became clear that the best way to grow was to sell more products to more people by selling internationally,” he says.

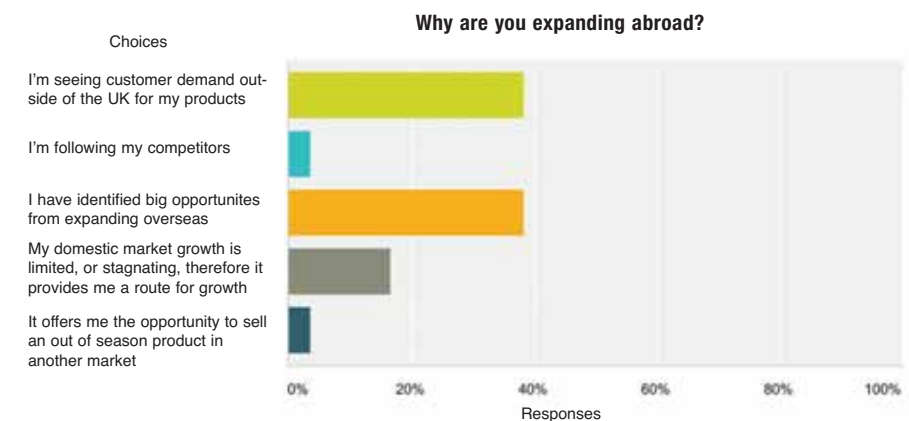
As a result the retailer, which had already been shipping internationally, launched a true international push in 2008 with a website localised to the US market and the purchase of a competitor a year later which gave it a store presence in the US and Canada.

In 2011 it did the same in Germany and the following year localised for the Australian market too. The ecommerce director says that for his brand international expansion was both a natural route to broaden the customer base and a massive opportunity because the retailer doesn’t necessarily have to compete along the same levels internationally as many of its broader targeted rivals. “Our customer isn’t that well served so we sold to 120 countries last year but are only localised in six (USA, Canada, UK, Germany, Australia, Eurozone and rest of world). People find us because we provide a solution to a problem,” he says.

All good retailers and sellers keep an eye on what their competition are doing but successful retailers keep ahead of the market rather than simply follow. Me too strategies don’t really work with a strategy as important as internationalisation. It was therefore somewhat of a relief to see only a negligible proportion – 3 per cent - of respondents saying that their prime reason for expanding abroad was because their competitors were.

Instead the best strategy, suggests Strosahl, involves using expansion to steal a march on peers. “Retailers need to stay ahead of their competitors, seize an opportunity to properly enter a certain market and claim a leadership spot in that specific geography. Without international expansion, manufacturers and retailers run the risk of oversaturating their current markets and stagnating sales,” he says.

For many retailers, particularly within fashion, an added advantage of internationalisation is that it allows retailers to sell out of season product in a different market, thereby maximising margins. However only 3 per cent of respondents said that the opportunity to sell out of season product in an international market was their primary reason for expansion, suggesting that it is more of an additional benefit than a primary driver.



Successful international expansion depends on its importance within the business. To be successful it really does need to be an integrated, thought through part of a business’s strategy which means that retailers must have it high on their agendas if it is to succeed.

ChannelAdvisor’s Priddle says that the third-party services available to retailers,

“ 93 per cent of retailers said international expansion was either important or a vital, strategic priority ”

coupled with healthy global e-commerce adoption rates, are slowly lowering barriers to entry for retailers looking to sell across borders. “However, retailers must first develop the infrastructure to support an agile international growth plan by fully understanding the opportunities and challenges, developing a framework to begin and executing strategically, with best practices in mind,” she says.

When asked why they were expanding abroad 93 per cent of retailers said international expansion was either important or a vital, strategic priority. These responses split equally half and half between the two options.

However Toast’s Wolfe says retailers must ensure international expansion suits their business. “At the forefront of our thinking is an appreciation for internet engagement, ecommerce engagement, size of market and potential growth. That underpins our starting point which is where are the existing markets showing the most prominence for Toast and do they believably have headroom?” he says.

Although opening up selling internationally is relatively easy Wolfe says retailers must ensure there is a demand for their product before investing too heavily in a market. “Depending on who you are and what you do you have to take a view on whether your brand and product proposition is relevant or not. If it is you start to take it to that country and localise it,” he says.

Rather worryingly 7 per cent of respondents in the survey cited an indifference to the importance of international expansion even though they have it on their agendas as a business objective for the short term future. Given the complexities the strategy can deliver, and the distance from market, retailers really do need to be committed if they want to sell internationally.

However expanding abroad diversifies the risks for retailers on relying on simply one region and can also be easy to do, according to Priddle. “Marketplaces like eBay and Amazon and platforms like ChannelAdvisor are focusing on internationalisation, and this has simplified the process of selling your products in multiple regions,” she says. “We offer pooled inventory via ChannelAdvisor’s inventory juggler tool, which allows you to list the same inventory on multiple marketplaces at once, without any overselling scenarios,” she says. “Meanwhile Amazon has simplified international selling by introducing Amazon EU, a single posting feed, and unifying the procedures for entering and selling items. In addition, Fulfilment by Amazon (FBA) can expedite shipping and protect your all-important Seller Ratings,” says Priddle.

With international expansion a possibility for all sellers ambitious retailers really can’t afford to ignore the potential such a strategy can offer them. ■

Overcoming the barriers

INTERNATIONAL EXPANSION IS NO EASY TASK. FROM DIFFERENCES OF LANGUAGE AND CULTURE TO WIDE RANGING LEGAL AND FINANCIAL IMPLICATIONS FOR DIFFERENT MARKETS, RETAILERS HAVE TO WORK HARD IF THEY ARE TO BE SUCCESSFUL.

For all the attractions of international expansion the reality is that it can prove exceedingly tough to do in practise, with a number of challenges for retailers to overcome. Retailers in the Internet Retailing survey were asked to rate by order of difficulty ten common barriers to entry according to how much of a challenge they saw them. The answers made interesting reading because what was a big challenge for one retailer came further down the difficulty list for

another with no one particular challenge leading the pack by any great margin once replies were averaged out.

“Fulfilment, VAT, language – they are all barriers, it’s horrendous,” says the niche fashion retailer ecommerce director. “What we know now that we didn’t know then [when we started expanding internationally] is that every country doubles the complexity of the business,” he says.

The reality is there are a number of challenges retailers face when expanding abroad and how they overcome them, and

whether they do so via their own expertise or with third party assistance is key.

Language and culture is often one of the biggest barriers retailers face. Although they can sell internationally without paying too much attention to either of these factors if they are truly to maximise the opportunity for expansion they must look at better understanding and meeting the language and cultural needs of their customer base. This will usually mean local language websites for the countries concerned.

Peter Lilley, director and co-owner of B2C

business Trueshopping says he goes a step further than just having local language websites to having local staff on his team, rather than just staff who can speak the local language, to ensure that they understand the particular nuances of different locations. “We do try to employ nationals of the country we are selling into because apart from language they understand the culture better,” he says.

At lingerie retailer Mio Destino.com founder Colleen Murphy says she does the same – albeit flexibly to ensure the retailer has the capability but without overstretching the resources of a small business. “Keeping a complement of international staff on hand can be a challenge and a large expense. Often there might not be enough full time translation and customer service work so we need to be smart about hiring people part time or they need to fulfil other responsibilities also,” she says.

Retailers have to appreciate the requirement for local language, according to experienced ecommerce director Peter Callaway. “If you want to trade France and Germany you really do need to have a site that uses those languages. There’s nothing like marketing in a local language and you won’t maximise the market until you do it properly,” he says.

ChannelAdvisor’s head of account management Julia Priddle agrees it’s the only way to truly boost sales: “Don’t assume everyone speaks English. Although most online buyers speak sufficient English to understand English ads most buyers would prefer items in their native tongue. This desire increases with more expensive or more technical items,” she says.

Indeed she believes it can be damaging to customer relationships to not properly invest in localisation. “Selling items successfully abroad is similar to selling them domestically; it’s all about building trust. Machine translations (or even human translations that aren’t e-commerce specific) erode that trust, as do ads that have not been localised for the country you’re selling into,” she says.

As with Trueshopping the niche fashion retailer says he uses a local language speaker to check the work of a third party translator to ensure local market peculiarities are covered and warns smaller retailers to factor in the extra layer of cost from translation. “Language is a real challenge and to do Holland [one of the company’s next targets for expansion] will cost us c \$20,000. It’s a cost you can’t avoid,” he says.

However he points out there are ways to limit spend with tactics that even retail giants like Next use. “What we will translate for France and Holland will just be the navigation and checkout and help pages because products are already described by their pictures,” he says. “That gets you the maximum sales increase for the minimum spend,” he says.

One of the most frustrating things about moving into international markets can be the distance that you as a retailer are from that market. Just when you think you have the issue of language covered comes a market peculiarity you hadn’t even considered – whether that’s local customer preferences or culture or the individual peculiarities of laws, taxes and markets in your new region. All make having local expertise crucial in expanding internationally.

“The biggest challenge most retailers face is a lack of local knowledge,” says multichannel consultant Alasdair Gerrie. “Retailers don’t tend to have a good understanding of markets. They haven’t got the local language speakers and don’t have the experience of the culture. UK companies don’t necessarily understand the best payment mechanism in other countries - credit card payment doesn’t always work everywhere for example - so it’s about finding knowledgeable staff or working with partners that understand the local market so that they can benefit from experience,” he says.

John Strosahl, executive vice president and general manager at Digital River, agrees: “Preferences among international consumers vary widely,” he says. “In Japan, convenience stores (konbini) are your one-stop shop for withdrawing cash, copying and faxing, reserving event and travel tickets, printing digital photos, paying monthly bills and picking up and delivering packages. Online payments are often paid at these convenience stores and a code is used to fulfil the order online,” he says.

In Brazil, instalment credits are available on just about everything, even something as small as a t-shirt. Over 50 per cent of all online card transactions in Brazil utilise them. This is true across industries, regardless of the price or type of goods.

Russians prefer to pay with E-money. Yandex.Money, the most well-known provider, found that 27 per cent of 18 to 45 years olds in Russian metropolitan areas use E-money for at least one payment per year. Roughly a third of these users fall in the professional consumer group – a segment that is sought after for its buying power.

“And those are just the differences in payment preferences,” says Strosahl. Once you start looking at language, product preferences, and overall online buying behaviour, you’ll notice even more differences among cultures,” he says.

It’s for this very reason that the niche fashion retailer we spoke to earlier warns retailers not to be complacent. “Local market expertise is an on-going challenge - for example the nuance of the sale cycle. In the UK sending out a bank holiday promotion is quite normal. In Germany people don’t shop on a bank holiday so to send out a promotion would be offensive. Equally in the US people get paid every two weeks so a payday email just isn’t relevant. It’s a challenge and you can never be expert enough but you just have to learn as much as you can,” he says.

One thing retailers often don’t want to learn – or can be caught out by – is the customs and tax regulations of the different, new markets they enter. There are many financial implications for retailers when trading abroad but inevitably the one that causes the retailers the most sleepless nights are the issues around custom and taxation. In a market that varies so widely internationally getting a handle on the correct amounts to pay as well as the different methods of record and book keeping that are required in different markets – before you even come to the issue of language – is hard going.

Unsurprisingly then this was also an issue for a number of retailers. Inevitably as part of this the question of VAT plays a large part in the confusion because retailers either overlook it – because they aren’t aware of the varying obligations of the different markets in which they trade or they haven’t considered it – or don’t understand it.

Rather worryingly this was the case for just over one in ten retailers (12 per cent) who replied that they were not aware, and therefore not managing, their VAT compliance.

Derek O’Brien, group marketing manager at VAT specialists Meridian Global Services, which has been managing cross border VAT and sales tax issues for retailers for more than 20 years, says retailers can’t afford to overlook the challenges of VAT. He says retailers and sellers need a checklist of what they should do if considering international expansion, understanding and verifying the local requirements of each market they are targeting. “You need to know exactly what your obligations are and what documents would you have to submit and how often

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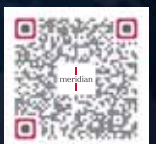
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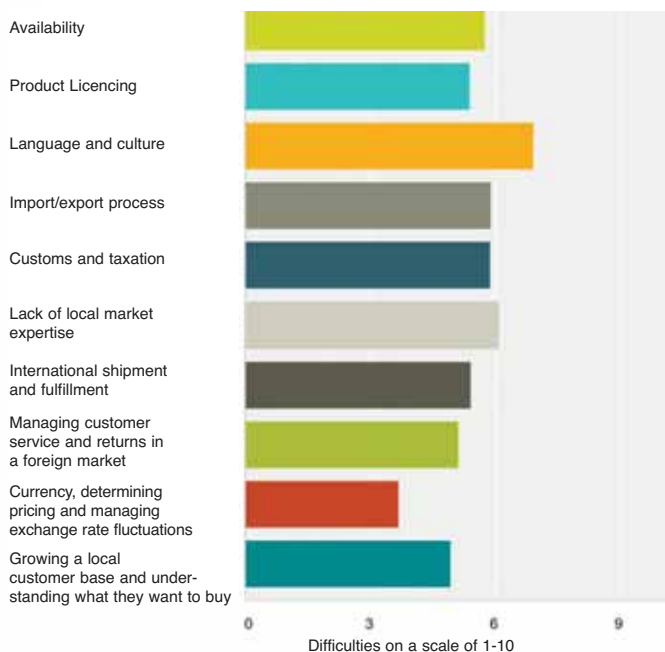
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What challenges do retailers face when expanding abroad?



would you submit them,” says O’Brien.

He says retailers are also often confused or – more often than not – ignorant about how their VAT obligations will change depending on where they are stocking product. For example if they do fulfil from the country they are targeting they are deemed to be making domestic supplies and have to comply with VAT regulations earlier. “They have to understand that the obligations will change depending on what they do,” says O’Brien.

He believes retailers often overlook their obligations simply because they haven’t the manpower or skills to pay it the dedicated attention it deserves. “They are so busy with everything else they don’t even have a chance to look at this as an issue – it’s a fulltime job,” he says. “We come across lots of cases where companies – and it doesn’t matter about the size of the company – have got themselves into a situation where they should have been tax compliant in a country but they aren’t. It’s not necessarily that they aren’t aware but because logic and practicality of logistic flows kick in before they realise what the tax obligations are,” he says.

At other times retailers have overlooked it simply because business has come to them rather than them actively seeking international expansion. “In the rush to fulfil international orders, often it is the case that VAT is an after-thought. The message here to retailers is to stop and get advice as to whether this surge in sales triggers a VAT liability in another country,” he says.

O’Brien says sellers should always confirm their obligations. If you are doing something new - verify it – don’t forget about your tax obligation check out the implications and see if it still makes sense,” he says.

In order to clarify just how big an issue this was for retailers the Internet Retailing survey asked, in more detail, what retailers were doing in order to fulfil their VAT obligations and how big a challenge they saw it.

Just over half of respondents are in the phase whereby they are investigating options surrounding their VAT compliance despite the fact that the majority of retailers that replied to the survey are already selling in another country right now. “This spells out the fact that a significant amount of UK retailers are already in the situation whereby they might have a VAT liability in another country and although they are researching their VAT options, they are still exposed to a VAT liability,” says O’Brien.

One in four retailers (25 per cent) are considering managing it internally and 15 per cent are looking at managing it externally via a tax consultancy.

Just over a quarter (27 per cent) of retailers were already actively managing their VAT compliance internally but only 7 per cent of respondents said they were using external partners to manage VAT compliance. This is a worrying trend, according to O’Brien. “This signals that a percentage of retailers are ambivalent to potential VAT exposures in other countries,” he says.

The survey showed that 14 per cent of respondents said that despite a high level of awareness VAT compliance is still a challenge. O’Brien says this is not surprising given the constant change in this market. “Keeping on top of changing European VAT rates, tax legislation and policies is most definitely challenging for companies that are not specialists in this area,” he says.

Retailers and sellers also can’t afford the risk of ignoring VAT according to O’Brien, especially since it is getting increased attention from authorities who are starting to realise just how big the slice of the tax pie they may be losing out on is. “The individual jurisdictions are giving cross border ecommerce a lot of attention because they believe they are missing out on huge amounts of tax. That’s really starting to come through. When they start paying attention you know it’s critical,” he says.

Peter Lilley, director and co-founder of Trueshopping, agrees: “We now complete in excess of 80 VAT returns per year. Many

retailers ignore this and end up regretting it,” he says.

Of course another headache for retailers is often that of international shipment. For those that only have a basic international offer – ie one that is simply international shipping to foreign markets – the shipping costs can be prohibitive. Fashion retailer Toast’s chief operating officer Ryan Wolfe says this is one of the first barriers the retailer is looking overcome as it works towards improving its international experience for customers. “For the countries we are considering expansion into we will look at what do customers think is a relevant shipping cost? That is a tactical thing we will be doing shortly and we will then communicate with customers individually and make sure our shipping costs are acceptable to them, not to us,” he says.

Coupled with this he says the retailer will also begin to take care of the customs and duty payments and paperwork to further improve the experience for customers and ensure it is as seamless as possible.

“Fulfilment is a challenge,” agrees Gerrie. “There are countries that are still notoriously difficult to deliver to, like Russia for example. Focus on getting products into these countries quickly and safely – it can cost you dearly if you get it wrong with the customer – it’s damaging to your feedback / brand to be delivering in 3-4 weeks to countries,” he says.

And managing the brand, and customer service, aboard, is after all vital to success abroad. ■

Finding the **best way**

EXPANDING ABROAD IS ONE THING BUT HOW DO YOU DECIDE WHETHER TO DO STORES OR SIMPLY A COUNTRY WEBSITE AND HOW DO YOU MANAGE EXPANSION AFTER THAT FIRST MARKET ENTRY?

How retailers are actually selling abroad varies widely between retailers and their stage of expansion, as well as their scale and experience back home. Although there are various options available to retailers Peter Callaway, an ecommerce consultant who has worked for various branded retailers worldwide and a former ecommerce director of House of Fraser, suggests that in the first instance retailers test the market potential by opening up their business to international – whether from their own site or via marketplaces. “Initially you just explore the easiest and simplest way of doing it,” he says. “That could just be selling from a sterling website into foreign markets. There are challenges because you have got to sort out postage

costs and returns but with international credit cards accepting international payments in sterling and retailers dispatching around the world international is not a big challenge and that route does at least give you a start,” he says.

In our survey we asked how retailers were selling abroad. The results showed that half of retailers only sell through a country website, with this route proving the most popular way for retailers to sell. Retailers that localise websites to specific country markets can see huge dividends in sales, up by nearly a third in some cases according to experts.

The set-up for the next biggest proportion of retailers selling or planning to sell abroad saw them having fully integrated in-country international operations. The survey showed that just

over a quarter (26 per cent) of retailers had chosen this route for expansion to ensure they can maximise the success of their new international territories.

Of course the true measure of a retailer’s international expansion is often seen to be when their expansion equates to both an international ecommerce presence and a physical store presence too. Of those surveyed that were selling internationally or planning to sell internationally 17 per cent were either already or planning to sell through owned fascias, stores and a country website. Licencing is another choice for retailers expanding internationally but the survey showed that only 7 per cent of retailers had chosen this route.

How retailers choose to manage their expansion and fulfilment abroad also varies between retailers. Of those

surveyed half of retailers were operating a model of UK based but delivering abroad. This is often a popular first route for expansion and is a strategy still operated by many retail giants including fashion retailers Superdry and ASOS who despite extensive international markets still fulfil from UK distribution centres.

Others choose to fulfil their international orders from distribution centres abroad. Just over 1 in 10 (11 per cent) of retailers had warehousing abroad – 7 per cent of which was managed by a third party in the international market concerned.

Amazon's FBA service (Fulfilment by Amazon), is a popular route for this given if the retailer or seller chooses to fulfil from one of Amazon's international fulfilment centres in the market concerned then the international customer can receive that product much quicker and more cheaply than if they were shipping from their domestic market.

Amazon has local fulfilment centres and localised websites in the UK, Germany, France, Italy and Spain. Sellers can also opt to send stock to a US fulfilment centre run by Amazon.

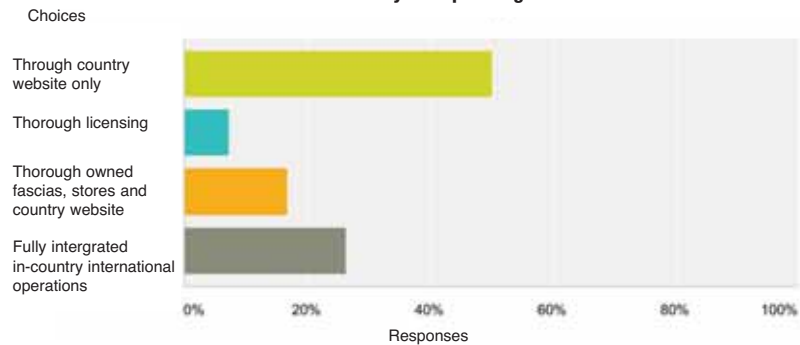
Amazon's director of seller services Chris Poad, says that the trust that shoppers have in the Amazon name can mean a 30 per cent uplift in sales when sellers use Amazon's FBA service. "It's a very specific promise we are making. That specific promise really leads to an upturn in conversion. When Amazon does fulfilment you return product to Amazon and not the seller and that makes customers feel a bit more comfortable," he says.

Poad points out it also frees up retailers to focus on what they are good at. "Sellers want to focus on sourcing new products and great customer service – they would rather not invest in warehousing and fulfilment -- those are hygiene factors," he says.

Other retailers are adopting a multichannel, multi-territory based approach that allows them the greatest flexibility and range of options to be able to cope with international demand. More than two thirds (38 per cent) of retailers are fulfilling their international orders in this way.

Retailers who expand abroad soon realise the opportunities that are open to them on an international basis but

How are you expanding abroad?



deciding whether to do it themselves or engage the help of a third party is a decision retailers have to decide on.

Most tend to engage a third party to give them the expertise they lack. More than half (52 per cent) of respondents said this was the method they had chosen for expanding.

The remainder (48 per cent) said that when expanding to new markets they planned to do everything themselves.

The ecommerce director of the niche fashion retailer said that although the retailer has looked briefly at third party assistance for its international expansion it has chosen instead to manage the process itself to ensure its service offer. "We've never seriously considered a third party. Our customer relationships are very important to us and we would be very reticent about handing over that to anyone else where we wouldn't control the level of service," says the retailer.

However John Strosahl, executive vice president and general manager at Digital River, says using a third party to manage the process can take the pain out of international expansion, especially for less experienced sellers. "Digital River provides e-commerce solutions and global expertise to thousands of companies, including many of the world's most recognisable brands. In fact, nearly half of our own revenue comes from our international operations," he says. "We offer our customers a way to enter international markets quicker, with less risk, for less cost than doing it on their own. We establish local relationships, negotiate contracts, figure out appropriate payments methods and sort out the complexities of doing business in each country. Digital River handles everything from store design, payments, subscriptions, fulfilment, fraud screening, logistics, and customer service to country-specific regulations like taxes,

privacy issues, export laws, regulatory compliance, currency exchanges, and more. Our customers don't have to worry about fines and audits, as well as costly, on-going investments in security technology. By doing all of that we simplify and speed up the global expansion process for our customers," he says.

Strosahl says that working with a third party enables merchants to focus on their overall international strategy and leave some of the logistical complexity to a third party that has spent their time and resources to simplify that process for them.

Smaller retailers often also choose the marketplace route for expansion especially since it offers an easier route in for them, says Alasdair Gerrie, multichannel consultant at WeArePentagon.com. "If you haven't got the in-house skill and expertise don't be afraid to outsource to a partner that already has experience of trading in this space and can help you. It is usually far quicker and cheaper and will save costly mistakes too. Selling on marketplaces is not the same as selling via your own website, but still has good margins and revenue. Don't miss the opportunity just because you can't manage it with your existing headcount," he says.

"A few years ago these channels were considered as a distraction or even being damaging to the brand. Now they are regarded as a serious route to market. eBay has picked up some fabulous brand names and continues to grow in perception. Arrogance is disappearing and revenues are now considerable. A few million pounds in extra revenue is usually enough to change a retailer's perception!" he says.

And he points out that retailer are better to embrace marketplaces than try to ignore them. "Some brands still have a problem selling on Amazon because it is

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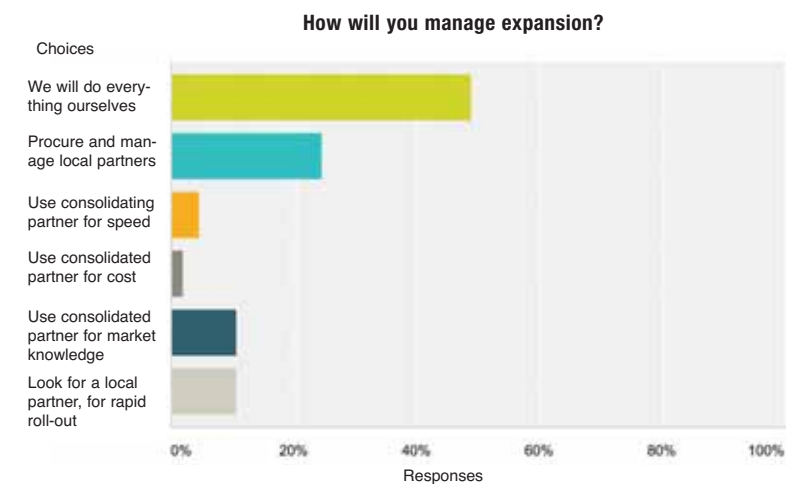
both retailer and competitor, but Amazon will still be your competitor whether you sell on there or not. So how long can you afford to be missing that revenue? Unless your name is Google these marketplaces probably have more traffic than you," he says. "It is naïve to assume the customer will always come direct to you and won't simply buy elsewhere. There are certain product groups - perishable goods or very high end luxury brands – that don't suit being on a marketplace – but this is changing too. Marketplaces are evolving just as fast as retailers have had to," he says.

Colleen Murphy – owner of lingerie retailer Miodestino.com – says she enters new markets via an Amazon marketplace. "Once we achieve success in the new market we then endeavour to grow with other local marketplaces and eventually we develop our own localised country website," she says.

Gerrie says this is a sensible approach. "Marketplaces can be a more cost effective way to test the waters rather than going direct because there's less risk and greater existing penetration. Consider utilising channels such as eBay and Amazon as your way in to these markets," he says.

It also offers advantages in countries where marketplaces are the norm and direct selling not so popular. "Marketplaces have huge penetration in some territories," says Gerrie. "Ninety per cent of Chinese ecommerce is made up of marketplaces and TMall is 54 per cent of that figure alone. Why try to break into a notoriously difficult market by going direct, when there is an established marketplace the Chinese already trust and resonate with, with its own payment gateway too? Find out whether there is demand for your product via marketplaces and use that as your guide to decide which markets to then go into with a direct approach," says Gerrie, who says that adding new marketplaces can increase your online revenue by more than 50 per cent.

Amazon's Poad agrees: "It's easy to create an offer on the websites (Germany etc). Within a few minutes you can have a product for sale in Germany and that will start to give you some data as to how that does. Start with the top 10 products and see what happens. In most cases sellers are very surprised by the opportunity and once they start to see the data it's about what can we do to



accelerate the expansion," he says.

Indeed that can be easier than retailers think according to ChannelAdvisor head of account management Julia Priddle. "Through the ChannelAdvisor platform retailers can sell through eBay in 12 countries from Canada to Singapore; through Amazon in 7 countries; and through more than a dozen additional marketplaces around the world," she says. "Retailers can also access more than 100 comparison shopping engines worldwide that are supported by the ChannelAdvisor platform, and take advantage of pay per click advertising globally," she says.

"Rather than thinking about specific regions, since they would differ vastly depending upon what a retailer is selling, we would recommend that retailers dip their toes in international waters through marketplaces such as eBay and Amazon," says Priddle. "These options already have an established audience of millions, as well as a recognised process and low barriers to entry. Trialling your products on these sites will be a good indicator of how your product will perform in that marketplace, all while establishing a customer base internationally. That information can then be used to determine if it makes sense to invest more heavily in specific global regions," she says.

More than half of all retailers adopt the partnering approach – be that a third party such as eBay or Amazon or sourcing local expertise in the market they are entering. Of those who responded to the survey nearly 1 in 4 (24 per cent) said that they would procure and manage local partners as part of their expansion strategy overseas.

Those that choose the local route do so

for a number of different reasons. Some say it's for speed – to ensure they can manage a rapid rollout for example – and others for the market knowledge that it brings. Ten per cent of respondents to the survey said they would use a consolidated partner for market knowledge and 4 per cent for speed.

For fashion retailer Supergroup, which trades as Superdry, internationalisation is a major part of both its business (accounting for more than a quarter of its online sales) and its expansion plans and partnering with local partners is a major part of that. The retailer sells in more than 50 countries via a franchised and licensed network and in more than 100 countries via its websites.

In July it announced it had signed a 10 year deal with retail distributor and operator FJ Benjamin to expand its presence in Asia into Malaysia and Singapore. The retailer is also working on a number of new local language sites for the group including its first in China, adding to local language sites in the likes of France, Belgium, Germany, Spain, Italy and Switzerland.

"We have a clear strategy to partner, outside Europe, with leading distributors in territories around the world to further internationalise and globalise the Superdry brand," SuperGroup chief executive Julian Dunkerton has been reported as saying. The retailer has also recently announced partnerships with Demsa in Turkey and Reliance Brands in India to manage its expansion.

The retailer really is proof that even the best retailers don't believe they know it all when expanding abroad and that picking the best route to sell abroad is key. ■

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AS WITH ANY PART OF THEIR BUSINESS RETAILERS CAN'T AFFORD TO STAND STILL AND BE COMPLACENT ABOUT INTERNATIONAL OR THE MARKET LEAD THEY HAVE STRIVED FOR WILL BE LOST.

Retailers are always fighting to keep ahead of their competition – whether it is entering new markets or improving the offer they already have. Internationalisation requires a dedicated focus if it is to thrive.

Retailers in the Internet Retailing survey were therefore asked what improvements they were planning to make to their international operations to improve efficiencies and effectiveness.

Unsurprisingly the highest proportion of retailers (more than 40 per cent) said that one of their main focuses was a plan to improve the online customer experience through, for example, local payment options, more targeted local sites and search optimisation.

At fashion retailer Toast, chief operating officer Ryan Wolfe says that for his business internationalisation is a priority. It already accounts for 6 per cent of his business despite international customers only having the UK site to buy from. "International is certainly on our radar and we are about to start to rollout targeted experiences to a number of countries in the next six months," says Wolfe.

He says that the retailer will begin by removing barriers such as excessive shipping charges before introducing an

initial localisation approach – whether that is local market SEO or digital advertising. He says he will then look at localising sites and matching customer service teams and times with local markets.

The localisation of sites is the most important thing a retailer can do to improve the customer experience online since it is this that is likely to result in the biggest improvements in sales – up to a third according to some experts.

"You need to tailor to the local market. Research those markets where you want to go into and think about how you market yourself in those countries with local adverts or local landing pages," says ecommerce consultant Peter Callaway.

"The advantage of local websites is that you can tailor those sites to suit those localisations of customer behaviour and understand how those behaviours behave on metrics – eg because of payment methods of open invoice in Germany returns are much higher," says Callaway.

Debenhams is one large retailer focusing on site localisation. It already ships to 66 countries via its UK www.debenhams.com site and is developing a suite of international ecommerce sites which are likely to launch next year following the launch of its German site in July last year.

Similarly Office Shoes, which already

ships around the world from its own site, is to launch local language sites for France and Germany later this year. "Our products and brands have universal appeal, and we have been shipping internationally from our co.uk site for a number of years," says Robin Worthington, ecommerce director for Office. "We have seen strong rates of growth from certain countries as their ecommerce sales mature so the logical next step is to offer customers in the best performing countries the opportunity to shop, and buy in their own language and currency. In Germany we have also recently opened a number of stores and a local web presence is essential to support our multichannel growth strategy," he says.

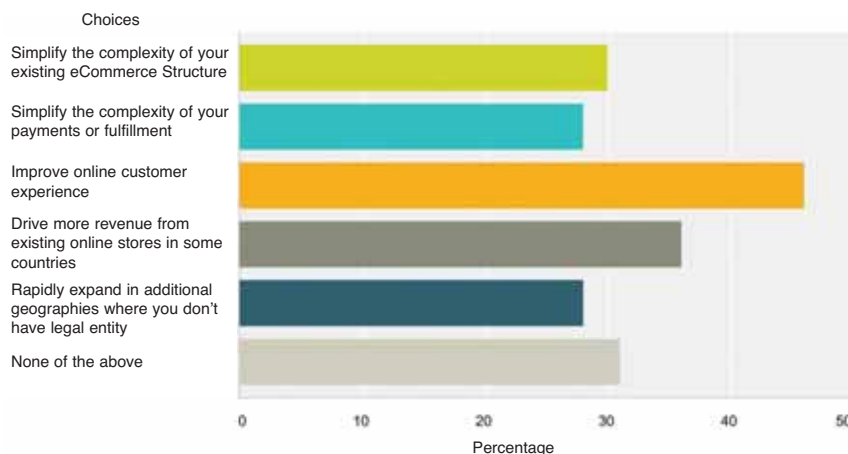
Such a strategy is also behind the second most popular focus of improvement for retailers – to drive more revenue from existing stores. A third of retailers said this was one of their ambitions – but it can only be realised by a closer tailoring to that territory.

As we have already heard payment and fulfilment are also both challenges for retailers. Amazon's director of seller services Chris Poad says that once sellers have identified what works in which markets the next stage of growth depends on – adding facilities such as next day and free delivery which can only be done with local fulfilment. "Many companies who are already selling internationally are all doing their fulfilment from the UK but that means high shipping costs. The next step of evolution for many sellers is use data to determine which products are working and then put your products closer to customers. That's when you see the biggest leap," he says.

Retailers who took part in the survey agreed – with more than one in four saying they were looking to simplify the complexity of their payment or fulfilment options.

And retailers know they can't stand still either. A quarter of retailers said they planned to rapidly expand into additional geographies. ■

If you already have an international presence are you looking to do any of the following?





Identifying markets for exploitation

WHEN EXPANDING ABROAD HITTING THE RIGHT MARKETS IS KEY BUT HOW DO YOU DECIDE WHICH TERRITORIES ARE BEST TO EXPLOIT AND WHERE DO THE OPPORTUNITIES LIE?

International expansion can be a daunting prospect for any retailer – large or small. When you are standing in front of a world map deciding where your proposition will work there are many factors to take into account – from language and culture to peculiarities of selling in that market that means international expansion is not as simple as just replicating what you have done in the UK.

Nevertheless retailers are expanding aggressively and internationalisation is an opportunity retailers can't afford to miss. "Ecommerce around the world is growing at a double-digit pace," says Julia Priddle, head of account management at ChannelAdvisor.

For most retailers the first stop after the UK is the EU. Chris Poad, director of seller services at Amazon, says that for Amazon Europe is a particularly strong market. "It's been an obvious place to invest in the technology required," says Poad. He says it's also a natural next step market for UK retailers. "It's an obvious way to expand the business dramatically and for a British seller the European market is an easy one," he says.

In the Internet Retailing survey the EU topped the list as a priority for international expansion. 93 per cent had the EU in their top three priority regions for international expansion whilst just over two thirds (70 per cent) of retailers cited it as top of their agenda.

This of course is of little surprise. Its proximity and ease of a common currency between countries makes it an easy next choice for retailers even though other factors – such as tax obligations – can vary widely between countries. Meanwhile Northern Europe in particular has always had a close affinity to British retailing.

The opportunities throughout the EU are huge. Amazon's Poad, whose FBA by Amazon service allows sellers to sell into the EU27, believes the economic downturn in continental Europe means that Europeans are looking for bargains and lower prices and so has opened up opportunities for UK sellers. "In our experience it is often UK sellers that can offer those low prices," he says.

Specifically Germany is a particularly strong European market for many -- no surprise given that the country has the second largest ecommerce market in

Europe after the UK.

As such it's a country many retailers are increasingly targeting. Department store group Debenhams, which is to launch further international sites next year, launched its first foreign language website – www.debenhams.de - in Germany last year. The retailer became the first UK department store to launch a dedicated German site with Simon Forster, online director at Debenhams at the time saying that Germany's attraction was obvious given its scale. "Germany has consistently been one of our top performing countries online and now German shoppers will benefit from their own bespoke website," he said at the time.

For many France is the next most popular market and the next step after Germany. The niche fashion retailer mentioned earlier in the report says he will localise his site for France next year, with Holland following close behind since he has identified a big market for his brand there. "We review the market in detail, see who's in the market, how well they are being served and try and assess the size of the market," he says.

Toast chief operating officer Ryan Wolfe says that for him France and Germany are

also his initial targets in his international expansion plans. “The backdrop is that France and Germany opens us up to some degree of further European business because it’s operating in Euros and so is more friendly than the UK site. For other European countries it also makes it easier for people to access and for us to be able to offer friendlier shipping options,” he says.

Although not quite so advanced, markets such as Spain and Italy are catching up fast whilst emerging countries in Europe also provide opportunities for expanding web retailers.

“Eastern Europe has not reached full penetration yet even in terms of having broadband,” says Alasdair Gerrie, multichannel consultant at Wearepentagon.com. “For example Allegro – the biggest marketplace in Poland – says that even by 2015 only 75 per cent of Polish consumers will be online. That statistic means a quarter of their population hasn’t even come online yet so there is very big natural growth opportunity there,” he says. “British retailers are naturally trading in France and Germany but often tend to ignore the rest of Europe. Some of these countries you can afford to come back to and focus on later, but trading now means less competition, so do some research to understand the potential that is there. Look further afield, but keep one eye on the emerging countries within Europe too,” he says.

Next on the hit list for retailers in the survey, and retailers generally, came the USA which was a top three choice for 83 per cent of retailers and a top priority for 43 per cent. USA and Canada both prove popular

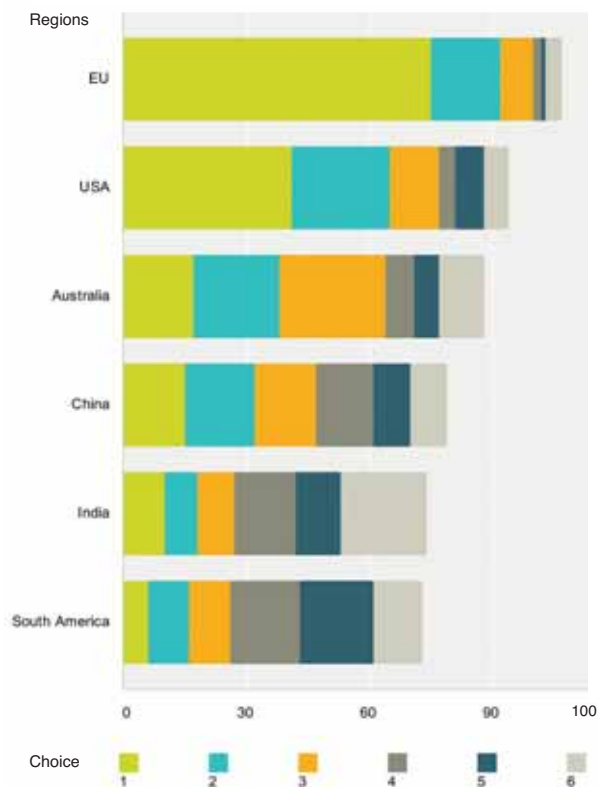
“ 93 per cent had the EU in their top three priority regions for international expansion ”

thanks to both their scale and the less advanced nature of their markets.

Despite its distance Australia is also high on retailers’ hitlists. Although less retailers had it as a number one priority compared to the EU and USA overall, 73 per cent of respondents who cited the country as a priority had it within their top three target locations.

Ecommerce director Peter Callaway, whose career with well-known branded

What are your priority markets for expansion?



retailers worldwide has included stints in Germany and Australia, says retailers are realising in particular the opportunities open to them in Australia. He says that although the distances may be further the region does at least bear a common language with the UK that makes expansion there an attractive option for some, whilst the opportunity for fashion retailers in particular to sell through out of season stock because of the reverse season pattern to the UK is another attractive factor. “Australia does jump right up there because there is the opportunity to extend the selling season,” he says.

He also points out that internal factors such as high internal shipping costs, local taxes and a greater propensity of Australian shoppers that shop online compared to the average, also helps to drive the opportunity within the market.

“Generally for UK retailers, the UK, France and Germany tend to be good large markets; second-tier expansions are then Australia, USA, Italy and Spain,” says Priddle. “If you’re based in the US, then Australia and Canada tend to be good starting markets. Selling directly into Europe opens up whole new large-scale opportunities, but it’s often recommendable to use fulfilment when doing so to avoid shipping and tax issues,” she says.

Of course much fuss is also made about

the emerging BRIC markets of Brazil, Russia, China and India. Brazil and India in particular are also starting to gain a larger foothold in the e-commerce space, while Asia-Pacific enjoys impressive 20 per cent growth, according to Forrester Research. “All of these areas hold opportunity for savvy retailers that conduct their research and develop a comprehensive international plan,” says Priddle.

John Strosahl, executive vice president and general manager, at Digital River agrees: “We’ve recently opened an office in Russia and have focused our efforts around the BRIC countries,” he says. However he admits though exciting new markets they can be tough. “They each have unique selling and legal requirements that are often difficult, fairly time-consuming and resource-intensive to navigate,” he says.

Derek O’Brien, group marketing manager at Meridian Global Services, agrees they are tough markets to break: “From a tax perspective they are probably four of the hardest countries to deal with. If you are going to enter those markets you need to know what you are doing and go in with your eyes wide open,” he says.

Despite this it doesn’t seem to have put off respondents to Internet Retailing’s survey, with China, India and South America all still on the hitlist for many retailers. ■

Size really doesn't matter

WITH THE RIGHT PARTNERS SELLERS OF ANY SCALE – FROM THE SMALLEST BEDROOM BUSINESSES TO CORPORATE GIANTS – CAN REALISE GLOBAL AMBITIONS AS OUR SERIES OF RETAILER CASE STUDIES SHOW

More often than not we hear the success stories of large, corporate retailers expanding abroad. The retail press is littered with the expansion plans of UK retailers eager to exploit the international opportunities available to them.

But the beauty of ecommerce has long been the ability for small retailers to more effectively compete with bigger rivals in the UK, as well as in markets way outside of their home territories.

Toast chief operating officer Ryan Wolfe says smaller retailers have an advantage when expanding internationally since they can react faster. "A small niche business like Toast is light on its feet and can be more nimble. We can do this in a very agile way," he says.

We spoke to a number of smaller retailers to see how, despite their limited size, international expansion was still an important part of their strategy.

WWW.LOVARZI.CO.UK

Scarf, shawls and gloves online retailer Lovarzi hopes to double its sales this year with international expansion key to that growth according to Maninder Sahota, founder of the business he established in 2007. He has been selling on Amazon Marketplace since December 2008 and moved to Amazon's FBA service in 2009 to help aid the retailer's expansion into Europe.

Like many retailers the company has expanded internationally via Amazon in Germany and France, seeing particularly strong growth in Germany where Sahota says the company is performing well. "We initially started as a seller on Amazon, and it was easy for us to expand into Germany through Amazon marketplace," he says. Sahota plans to expand into the US this year and says international expansion was an obvious

choice to grow the business.

Currently the retailer uses Amazon's FBA service in Germany, allowing it to provide customers with local support and quick shipping times, given stock is held in the Germany fulfilment centre for Amazon.

However he admits that the distance involved in internationalisation can prove hard work in terms of both managing returns and customer care. In addition finding products relevant to a particular international market can also be a challenge, he says.

He says that internationalisation can be intimidating. "If you talk about Europe, it's not difficult at all with services like FBA. But definitely if you are trying to sell your products in US, then it's very different. Product choice needs to be considered carefully along with logistics since the shipping costs involved for US shipping is very high," he says. However he advises other retailers to follow his route. "I think as a small retailer you will have to use services such as local fulfilment centres instead of having your own operation in every country," he says.

WWW.THEBLINGKING.CO.UK

The Bling King sells a range of hard to find fashion men's jewellery and watches inspired by the rapper and hip-hop scene and originally launched in 2004, selling via both retail and wholesale sites.

Daniel Leff, director of The Bling King, says he has seen huge benefits from his company's expansion into Europe (particularly Germany and France) and the US -- the large proportion of its international business coming via its listings on eBay and Amazon's international sites.

However despite the international success he has already enjoyed Leff says he is keen to build scale in the markets he is already trading in. "Due to their economies Germany, France and the US are the strongest focus points for now

because that's where the money is," he says. He points out that chasing other markets would simply prove a distraction.

Leff says that systems and outsourcing have been key to the retailer's expansion. He works with ChannelAdvisor, using the company's multichannel software to list his products on different sites. "It's a very powerful system which can enable us to manage our products on a number of different channels and which takes away all the pain [of international expansion]," he says. For a business with only five full time staff but a product catalogue of more than 1,300 active products Leff says the system makes management of the company's international business effortless. "It means you can do powerful things," he says.

Having the correct systems and processes also makes international expansion easier to manage. "It's a bit daunting to start with but once you get rolling it's a piece of cake," he says. However Leff notes one point of warning for retailers expanding abroad to reduce returns and problems with customers. "Ensure your quality control is the best it can be," he says.

WWW.MIODESTINO.COM

Lingerie, swimwear, sleepwear and shapewear pure play retailer Mio Destino launched in 2006, selling designer brands that are hard to find on the high street as well as designing and selling its own range of private label products. It ships from the UK as well as using local fulfilment services and Amazon's FBA service.

Founder Colleen Murphy says that her international expansion has been a big benefit to the retailer, enabling it to continue its growth. "Initially our business was 80 per cent domestic/20 per cent export, now it is almost completely opposite," she says. "Due to our strength in foreign markets, we were not overly affected by the UK

recession. This year our business is averaging 115 per cent growth over last year and internationalisation has been a major factor in helping us attain and sustain this high growth level,” she says.

Since its launch Mio Destino has expanded to the US, Germany, France, Japan and China using a combination of online marketing, marketplaces and paid ads to grow the markets. She is targeting further opportunities in Europe and North America as well as new, emerging markets.

However for her size conversion has proved one of the biggest challenges of international growth. “Trying to adapt brands from all over the world and offer appropriate sizes to a local country is a big challenge. If we get it wrong, we soon find out with spiking return levels,” she says.

Murphy says she has learnt to do due diligence prior to entering a market and plan in advance so that her company is well prepared. “We strategically decide which markets to enter and schedule new launches accordingly,” she says.

Murphy says Mio Destino has also invested heavily in technology and sophisticated reporting tools. “Good technology is the backbone to being able to handle the mass and aggregation of data. We have built good partnerships with Channel Advisor, Amazon, eBay and others which have been critical in our success,” she says.

Murphy says retailers shouldn't be put off testing international expansion. “It is a large decision requiring a strategic plan with the commitment of physical, human and financial resources. It can be risky, there is a chance of getting it wrong and profitability can take considerable time, but the rewards make it worthwhile,” she says.

ZETO

In January 2012 Mark Jones set up a home-based business selling electronic equipment and accessories items via Amazon's marketplace. Six months later he added the FBA service and is now considering expanding abroad. “International expansion lends itself to a wider target audience and as an online seller it would be remiss of me not to

entertain such a tangible revenue stream,” he says.

He plans to expand into Western Europe via his Amazon account first with the potential to launch his own websites later on, depending on business performance. “The Amazon UK platform on which we currently trade also allows us to cross-sell into all of the other countries in which Amazon operates. This is an extremely good way of testing the European markets as it allows us to upload our existing product file and offer our goods and services without the

therefore equally large revenue channel. We must therefore assess the situation and get the right balance between selling in the UK and selling overseas,” he says.

WWW.TRUESHOPPING.COM

True Shopping is a pure play B2C Digital Retailer based in the North West of England which currently operates 20 websites across 10 different brands, into 10 different countries and in six different languages selling everything from bathrooms to renewable energy, DIY and tools.

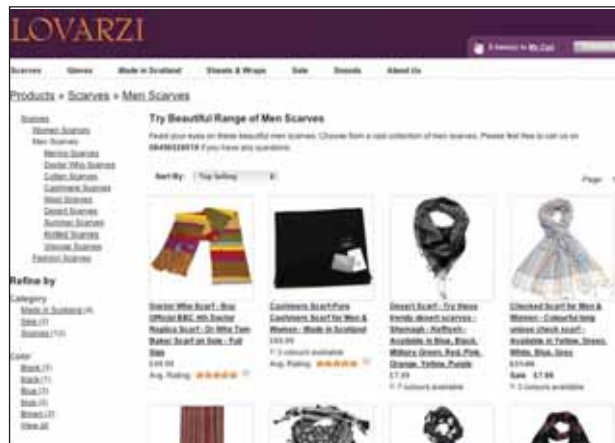
Director and co-owner Peter Lilley says that cross border trade is central to his company's strategy. “The challenge is choosing the right markets to enter into,” he says.

The company has launched in-language websites into Germany, France, Holland, Spain, Italy, Austria, Belgium, Canada and the USA. “The process for launching into each new territory is quite complicated but something we are now fairly experienced in. Our main considerations are around product selection, marketing, customer service, logistics and of course language/culture,” says Lilley.

He says the company looks at general ecommerce data then filters this by sector to decide on whether to enter a market. “From there we will look at our proposition versus the competition and then gauge barriers to entry (eg currency). If we have a degree of confidence we then will run trials into that territory before committing to a fully blown website proposition,” he says.

He says that the internet can allow retailers of all size to compete. “It's a cliché but the Internet does make the world a smaller place. Customers are more savvy with ecommerce than ever before and are comfortable ordering from overseas retailers. Our job is to make their experience as good as it can be,” he says.

He also believes internationalisation is getting easier. “Companies such as eBay and especially Amazon are laying the cross border path – retailers just need to follow it. Other service based companies such as carriers are also catching up and innovating to make things easier for retailers,” he says.



need for premises, additional staff etc. Naturally should we find the European trade to be lucrative then we would look to move into other areas, possibly Australasia and Latin America as these are two very large emerging markets,” says Jones.

However he says he is aware of the risks of expansion for a small business. “Potentially international expansion could be very important for our business but at the same time it could take some focus from what we are doing domestically. Obviously trading abroad is uncharted territory for us but there is clearly a huge client base and

WWW.MEDIADDEVIL.COM

Mobile accessory brand MediaDevil initially launched in September 2009 and now has a headquarters in London, a regional office in Milan and will open a North American regional headquarters later this year. It is also planning to trial its first store, in London, next year.

Founder Callum Bush says his business is grown mainly through word of mouth – which means good customer service is essential in its international growth plans. “We use online marketplaces (such as Amazon and eBay) as a cost-effective way to expand into international markets, where we do not have an established brand reputation,” says Bush. “With their huge traffic, they help us achieve sales much more easily in the early days, and then it’s up to us to build on that by ensuring organic growth through word of mouth referrals,” he says.

He says following the company’s initial expansion into the US he plans to expand to Australia, Brazil, Canada, France, Germany, Holland and Spain by the end of next year. “As the UK is the world’s most developed internet economy, we have found that it is easier for sellers who succeed in the UK to expand internationally, as the competition abroad tends to be less advanced and numerous. The principles we have for our products and service have no borders, they work everywhere. Everyone wants to buy decent products from a company that cares about their experience,” he says.

But he says expansion in the US in particular has meant challenges for the retailer. “We’ve had a lot of issues in the US with very notable sellers on Amazon’s US Marketplace writing fake negative reviews on our products and, in extreme cases, even editing our product pages,” he says. “In that regard, we got too popular there too quickly. It’s very rare that sellers in the UK/Europe resort to such tactics,” he says.

However he says such experiences haven’t put him off and small retailers shouldn’t be afraid of competing against bigger rivals. “If your products are suitable for the medium through which you wish to sell it’s really not very daunting as long as you have the funds

achieve that overseas we had to be prepared to invest in competent foreign-language staff,” he says.

WWW.BETTYS.CO.UK

For Bettys & Taylors Group its essentially

English appeal gives it an international resonance. The retailer is a unique Yorkshire family business that bakes handmade bread and cakes and blends teas and coffees. As well as its six Bettys Café Tea Rooms, a craft bakery and cookery school, the Taylors of Harrogate brand of the business is responsible for a range of market leading roast and ground coffees and a range of speciality teas that includes Yorkshire Tea – the third bestselling tea in the UK.

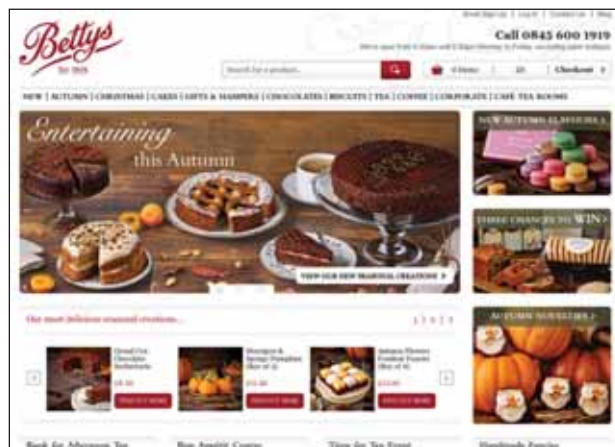
Joel Rendle, head of multichannel retail at the company, says that his international customer base includes a large ex-pat market. “The US and Japan are key international markets for Bettys, largely driven by ex-pats living abroad or tourists who first encounter Bettys as a café experience,” he says.

The retailer currently only serves such customers in English Sterling but is planning to open up broader support and access to customers on the Continent next year. “We have a business ambition to bring a taste of Yorkshire to the world, and so for us international expansion does just that,” says Rendle.

“Expanding abroad allows us access to a greater number of customers and allows us to share with them the exciting and delicious handcrafted treats that we make every single day,” he says.

However like many retailers he admits that delivering the same service a retailer can do at home, as well as ensuring reliable and cost effective delivery in a remote market, can prove tough. “Our two

biggest challenges are offering international customers the same high standard of service that UK customers receive across different time zones and languages; and keeping our global delivery costs as low as possible,” he says. ■



to commit to making it work (based on your business case requirements) and enough resources to commit to it without affecting your performance in other markets. We achieve a lot of UK sales referrals as a result of our interaction with customers, and to

Conclusion...



Internationalisation is a key strategy of retailers today as they seek to take advantage of the UK's strength in the international ecommerce arena to gain footholds in countries around the globe – whether such footholds are supported by international stores or not.

No-one says it's not without its headaches – as our survey showed the challenges are plentiful. But the point is that they are surmountable and for most businesses, whatever their size, an internationalisation strategy offers further opportunities for growth and a chance to enter into some exciting new markets that can take a business to the next level. Retailers large and small admit that it can be daunting but say that with the right approach and the right expertise it is worth it. “Don't be afraid, start simple, set low expectations but do it anyway,” says the niche fashion retail ecommerce director. “Be bold and confident and give it a go because you can't lose that much – it's pretty low risk,” he says.

Amazon's director of seller services Chris Poad says sellers often underestimate the opportunity: “They think their products won't be applicable but that isn't the case. Generally people are more common than they are different,” he says.

A complacent approach however is not advised and the retailer who thinks that internationalisation won't cost them time and money is a retailer who will fail, says the niche fashion retailer: “If you take your eye off the UK business that's the true cost so make sure you resource up for it – ring-fence it as a project because the potential cost is not in the new market going wrong but the old market (your domestic market) going wrong,” he says.

Toast's chief operating officer Ryan Wolfe agrees: “From an infrastructure point of view your business does start to become more complex. You need to make sure what you are trying to deliver to the customers stands up as a great experience and a relevant experience and you have the resources to do that – if those get out of sync you are going to hit trouble,” he says.

ChannelAdvisor's head of account management Julia Priddle says customer service is key and it's this question that should be positively answered first. “Be prepared to offer outstanding delivery, returns policies and customer support for the region you're selling into. If you're unable to offer exemplary services, you're not ready to support this new region,” she says.

Multichannel consultant Alasdair Gerrie agrees: “As for priorities – work out what has the biggest commercial potential and go for that first, but be willing to adapt if your development plans have to change. If you can't do it well or quickly, outsource it.” Wise words indeed.

Liz Morrell, Research editor
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* Each of Internet Retailing's series of supplements aims to explore the key questions and topics that retailers face today, with retailer research coupled with expert comment and analysis. We welcome your suggestions for future themes so if you have any burning issues you would like answers on please email editor@internetretailing.net

