

# INTERNATIONAL & CROSS-BORDER



January 2012

an internet retailing special report

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# Editors' comment

Welcome to the latest in our series of *Internet Retailing* supplements. In this issue, we're looking in depth at international markets. Though the pages of this issue we'll be considering how internet retailers, both pureplay and cross-channel, can best approach taking the crucial first step into new markets and how they can organise their resources accordingly.

UK retailers are already leading the ecommerce charge within our borders, offering shoppers evermore sophisticated levels of service. Overseas markets spell a still greater opportunity for our traders to be in the vanguard of international and cross-border retail. Through the pages of this supplement we outline key issues to consider to make sure that traders can move successfully into new markets, giving online and multichannel shoppers across the world the goods – and the service – that they want.

Whether you're looking at selling overseas for the first time or expanding into new markets, planning to sell across borders within the European Union or looking further afield to new and emerging markets, this supplement aims to answer your big questions.

From the outset, it's worth remembering that selling overseas doesn't have to be difficult. In fact, ecommerce arguably makes the transition into new markets easier than it has ever been. At its most fundamental, modern international trade can be as simple a matter as allowing overseas delivery from a UK website. As recently as a year ago, when we last looked at this area, that's just what some of the biggest UK retailers, from House of Fraser to Marks & Spencer, were doing. Some of the more advanced were offering the ability to pay in currencies other than sterling.

Just one year on and retailers of all sizes are now developing their international businesses. Whether that's through translating their websites, setting up overseas offices or launching joint ventures, we'll be considering how these approaches could work for others.

Over the course of this supplement we'll be asking key questions about the vision for – and about the practicalities of – international expansion. And we'll be doing it through the prism of six features that address the key areas of ecommerce and cross-channel trading: web

interface, merchandising, cross-channel experience, strategy, logistics and customer engagement.

In our web interface section (page 10), we look at the factors companies need to consider when designing for new markets – just how local should sites be and what are the cost implications here?

Our merchandising feature (page 14) focuses on the factors to think about when companies promote their wares in unfamiliar territories. Do merchandising techniques that work in one part of the world necessarily work in another?

Elsewhere, in the cross-channel experience section (page 18), we explore why companies need to study the existing retail culture of a country when they move into a new market. We consider how diversified retailers have used mobile and other commerce tools to make waves in foreign markets.

When it comes to logistics (page 22), there are many potential pitfalls. From customs to long-distance freight, companies will need to make sure they are on top of the challenges. Our feature aims to help those responsible for developing logistics plans consider some of the key questions.

Our strategy section (page 26) discusses how retailers can best develop the international strategy that works for their business. Just as overseas markets are incredibly diverse, so there's no single trading solution that fits all retailers. We take a look at the key considerations business leaders are mulling over, from market research, to decisions about exactly what form investment in their different markets might take, through to allocation of resources and that all-important payment aspect.

Finally, developing relationships with customers in new markets can be a daunting task – yet it's clearly a fundamental one for international success. Our customer engagement (page 32) section looks at how retailers can get to know consumers in their new markets, whether they're near neighbours or further afield.

We hope you find this supplement useful. If you have comments, questions or suggestions for future supplements, do contact us. We can be reached at [chloe@internetretailing.net](mailto:chloe@internetretailing.net) or [jonathan@internetretailing.net](mailto:jonathan@internetretailing.net).

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Internet Retailing  
St John Patrick Publishers Ltd,  
6 Laurence Pountney Hill, London EC4R 0BL  
Printed in Great Britain.  
ISSN 1759-0582  
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# CROSS-BORDER, INTERNATIONAL OR BOTH? WHAT ARE THE PRIME CONSIDERATIONS FOR RETAILERS IN THE INCREASINGLY COMPLEX ARENA OF GLOBAL TRADE?



**W**

ith the exception of companies such as tour operators and those selling 'virtual' goods, genuinely international e-retailers are still rare. Aside from Amazon, an exception for historical reasons, the most important ecommerce players are national.

However, the situation is gradually changing.

Today, national e-merchants leaders are seeking to internationalise. Pixmania, for example, is now present in 26 countries. As this process goes on, we're seeing the growth of worldwide conglomerates, such as Rakuten, Naspers, Amazon Group and eBay. These companies are investing all around the world, especially in fast growing economies such as Brazil, Asia or Eastern Europe. Meanwhile, traditional retailers are acquiring e-merchants, both to accelerate learning and to strengthen their positions in connected commerce – such as Casino with CDiscount and its participation in Nova Pontocom in Brazil).

In Europe, Brussels wants to legislate to promote cross-border ecommerce and develop healthy competition. We can therefore prepare for the arrival of European players in each country.

As explained by Thomas Friedman in his book *The World is Flat*, the future offers huge opportunities for growth but also huge competition. Europe is now the world's largest market for ecommerce, but emerging markets are catching up. The Chinese ecommerce leader Taobao has a larger turnover than Amazon; the

first site for private sales in Russia has raised \$59 million, an amount rarely achieved for an e-retail start-up; and Brazil has more than 70 million Internet users in an ecommerce market worth more than 17 billion Euros, and which is growing at 40 per cent per year.

Ecommerce is a complicated enough business in a home territory. To expand to other countries, even close neighbours, means mastering many languages, understanding local markets and regulatory issues, and managing logistical constraints – the complexity of which grows exponentially with the number of countries where you trade. In addition, managing the complexity of multiple data sources and a multitude of touchpoints on an international scale can only be achieved by a unified platform such as Compario. It allows productivity gains and overall coherence. Compario customers are therefore able to focus on offering a consistent, personalised and dynamic shopping experience, which is increasingly becoming both the new competitive threat and advantage for retailers at home and internationally.

*Pascal Podvin is President of the E-Commerce Café and CEO of Compario, a leading vendor of connected commerce solutions focused on improving the customer shopping experience through enhanced catalogue management, dynamic e-merchandising and personalised search and navigation.*

[www.compario.com](http://www.compario.com)

# heiler

## Turning Data into Business

**E**very retailer is faced with the challenge of turning visitors who are browsing their ecommerce site into customers. The Google age has led to an immense fall in loyalty, so that customer retention is often not high. Because of this, today's retailers need to improve their offering.

With a long-tail strategy, retailers can become the one trusted supplier for customers. According to the international survey at [www.pim-roi.com](http://www.pim-roi.com), retailers increase their margins by selling niche products.

Within this context, ecommerce retailers need to present perfect product information. In addition, time to market is everything. If your company appears at the top of search engine results, you make the sale. To bring this about, retailers need all

important processes to be available as easy-to-use services, for example, in the area of supplier integration.

We are convinced that only accurate and up-to-date product information helps companies to sell products in a multichannel commerce strategy. Multichannel means offering the right product, at the right time, in the right channel. Only accurate and rich product data enables a true multichannel experience, which in turn increases customer loyalty.

Taking your product information to the next level means you have to integrate suppliers, employees, agencies and clients. This will improve both your knowledge of your customers and the quality of the product information you show them.

[www.heiler.com/international](http://www.heiler.com/international)



**O**ne of the most obvious ways to grow your retail business is to expand your market. Today's globalisation possibilities coupled with the increasing penetration of the internet and ecommerce makes expanding your e-retail business abroad an attainable proposition.

However, international expansion can include challenges such as legal, currency, payments, language, fraud, tax, customs and more. But, for those who can surmount the obstacles, it's a fast time to market with huge revenue and growth opportunities.

Taking the example of international payments and not looking further afield than western Europe you have some quite big challenges for such a small geographical mass. In the UK, most online consumers pay with either credit cards or debit cards, but take a quick trip to the continent and you are faced with a plethora of other local payment methods for each country such as iDeal and Machtigingen in the Netherlands, Bancontact/Mister Cash in Belgium, ELV and giropay in Germany, Carte Bleue in France, etc.

Ogone, specialists in online payment services, currently helps more than 30,000 customers operate internationally in 45 countries through its connection to the banks by certified interfaces, which allow international payments such as Visa,

MasterCard, American Express, etc, as well as the local payment methods mentioned above.

Through Ogone Collect's partnership with Tunz.com, an e-money issuer, Ogone's one-stop-solution for collecting and processing non-credit card payments in multiple currencies simplifies the required payment processes for businesses that want to expand overseas. Payments taken through Ogone Collect on behalf of merchants are passed onto Tunz.com rather than a bank or acquirer. This enables merchants to accept local payments without having to set up a bank account in each country they want to sell in. The solution currently processes giropay and sofortüberweisung.de in Germany, iDEAL in the Netherlands and Bancontact/Mister Cash in Belgium with more payment methods in Austria and Switzerland to be added in the coming months. The service also means that merchants can charge for purchases in foreign currencies but receive the payment from Tunz.com in their own currency.

Allowing payments in local currencies and with local payment methods significantly raises checkout conversion when expanding abroad and, from a payments perspective, is one of the key functions of your payment processing provider.

*Julian Wallis, OGONE Payment Services, Country Manager*  
[www.ogone.com](http://www.ogone.com)



post

a PostNL company

**O**ne of the toughest periods for European consumers. But even in the midst of weaker economic conditions, it's also clear that online sales continue to grow. International online trade is booming business and currently more than half of Europe's Top 300 web merchants already sell internationally. To develop successful online strategies in Europe, online retailers need a deep understanding of the shopping attitudes that differentiate European retail markets. A retailer must evaluate the potential barriers and the likelihood of overcoming those when it decides whether entering a new market is likely to be worthwhile.

Most online retailers initially expand to a country that is most similar to its domestic market. However, creating significant cross-border sales growth will only be a success when the internationalisation is an integral part of the company's strategy.

There are several important aspects to consider once you have decided to 'go international' and are looking for the right partners to support this strategy. To take some practical considerations first. Think global, act local is a well-known expression. This is so true for online trade. Your online store needs to be as local as local can be. As such, involving native speakers is key. In too many instances cross-border expansion fails when the cultural nuances that are reflected by language and tone of voice are overlooked. Your online

store will need to be optimised for local search engine optimisation and social media. Please don't forget to adapt your customer service model to your international ambitions. Once you start sending out international orders, you will be surprised with the variety of address formats that exist around the world. Finally, make sure there is an integrated international returns solution in place for your products so you comply with EU directives on consumer rights!

If you do not have an international ecommerce strategy, you're probably very successful domestically and may not have considered the international opportunity yet. It's massive, but you need to do it right! If you're looking to expand, analyse your target market and segment your potential customers abroad. Any company that does not create an international marketplace in the coming years is certainly missing out on some great potential which is up and coming.

*TNT Post Parcels operates an integrated pan European distribution network geared at the demands of internationally expanding ecommerce companies. The company currently handles over 100 million parcels for customers worldwide. TNT Post Parcels can help you with all aspects of international ecommerce.*  
[www.tntpost.com](http://www.tntpost.com)



**T**he internet has changed the face of retail, of that there can be no doubt, but how far it has impacted cross-border and global trade is not so clear.

Making the most of new markets and international sales might seem a 'no-brainer' for many online retailers given the current economic climate, but well-publicised concerns over the cost of delivery, returns and compliance, both legal and fiscal, have limited such expansion.

A major issue for any retailer considering taking the plunge is ensuring they understand the different payment behaviours of consumers in different regions.

The rapidly evolving global marketplace means greater complexity for the retail world. The sheer diversity of markets means a 'one size fits all' approach with traditional payment methods is not viable. For example, the UK has a very high credit card penetration (recent estimates suggest that more than two-thirds of the adult population regularly pay for items with credit cards) whereas in Germany it is relatively low, with people tending to pay directly from their bank accounts or using prepaid solutions.

In some countries, cash can often be the main way to transact or the only payment option and can be an effective means of attracting cross-border trade. Retailers should respond to how consumers wish to pay, as well as what they want to purchase. But how to do this safely and securely whilst minimising chargeback risk, is often

the challenge. That's where products such as Ukash come in. Ukash is an ecommerce cash payment method, which has enabled consumers to use their cash online since 2005 and now has an established global footprint in more than 50 countries and 20 currencies. Ukash is seeing more demand for their cash-to-voucher payment method as more customers want to buy goods and services online.

Ukash is just like cash; coins and banknotes can be exchanged for a 19-digit Ukash voucher code at more than 420,000 points of sale around the world, including shops, kiosks, petrol stations and also online. The voucher code can then be used to pay directly for goods and services on websites that accept Ukash or be loaded on to prepaid cards and e-wallets.

Ukash is popular for a variety of reasons. It empowers people to use cash online; it's convenient and easy to get; it's safe and secure as there's no need to share financial details online; and it's a means to manage spending as each voucher is for a fixed, prepaid amount.

For retailers, accepting Ukash means you can take your products and services into new markets. Choosing to accept a cash alternative payment such as Ukash can be a sound entry strategy for retailers in new markets and Ukash is easy to integrate with your existing payment options. Ukash enables cross-border ecommerce with one simple integration and no chargeback risk.

[www.ukash.com](http://www.ukash.com)

# MAKE IT EASY FOR MILLIONS OF AMAZON CUSTOMERS TO BUY ON YOUR SITE

**C**heckout by Amazon, a service provided by Amazon Payments, is a complete checkout service for ecommerce sellers. Offer Checkout by Amazon to enable millions of Amazon customers to shop securely on your website without reentering their delivery and payment information. Offering a familiar checkout experience backed by the trusted Amazon brand is good for your customers and for your business.

marketing at Thomann, one of Europe's largest online stores for musical equipment, says, "Our customers can enjoy the trusted and convenient Amazon payment solution right on our site. Customers can simply choose the delivery addresses and bank information from their Amazon account and Thomann will handle the rest. It is actually as easy as it sounds. Plus, Checkout by Amazon is flexible and easy to integrate into our existing payment infrastructure."

also able to acquire new customers. Advantages we have noticed compared to some other solutions include better control, fewer customers giving up during the payment process and easy integration," says Ralf Schwalbe, managing director at [www.hardwareversand.de](http://www.hardwareversand.de), an electronics and hardware retailer. "Checkout by Amazon allows us to achieve increased customer satisfaction levels as a result of the speed and security offered. In addition we can offer our customers a larger choice of payment solutions," says Tim Leichter,



## Grow Your Business with Checkout by Amazon

Enable millions of Amazon customers to checkout without leaving your site.

### MORE SALES, LOWER COSTS

Recent interviews of US Sellers found that up to 90 per cent of customers using Checkout by Amazon are new-to-file and that average order size for orders placed through Checkout by Amazon is 10 to 17 per cent higher than other payment methods.\* In addition to helping you attract and convert valuable Amazon shoppers, Checkout by Amazon can help you reduce bad debt with Amazon's proven fraud detection capabilities, chargeback controls, and risk management processes.

### EASY AND CONVENIENT

Checkout by Amazon makes it easy for Amazon customers to shop on your site using the delivery and payment information stored in their Amazon account. Sven Schoderböck, head of

### TRUSTED AND SECURE

Customers can transact directly on your website without sharing their payment information. In addition, customers will feel more confident making purchases knowing that they have the same protection under the Amazon A-to-Z Guarantee as they have when they shop on Amazon.

"We have offered Checkout by Amazon since June 2011. This option is an attractive alternative for buyers, and one in which they place a great deal of trust. Thanks to the large number of customers who have registered with Amazon, we are

director of business development at posterXXL.

Providing a convenient and familiar checkout experience backed by Amazon's proprietary fraud detection technology can help you increase revenue and lower costs.

In addition to being available in the UK, Checkout by Amazon is also available in Germany and Luxembourg, so if you are selling internationally or plan to do so in the near future, you can use Checkout by Amazon to help your sales in all three marketplaces. Learn more about Checkout by Amazon at [payments.amazon.co.uk](http://payments.amazon.co.uk).

**amazon payments™**

\* US Seller interviews conducted by Amazon Payments. Individual results may vary.

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# Internet Retailing

Selling in the digital age

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- Weekly jobs newsletter to our 16,000 subscribers
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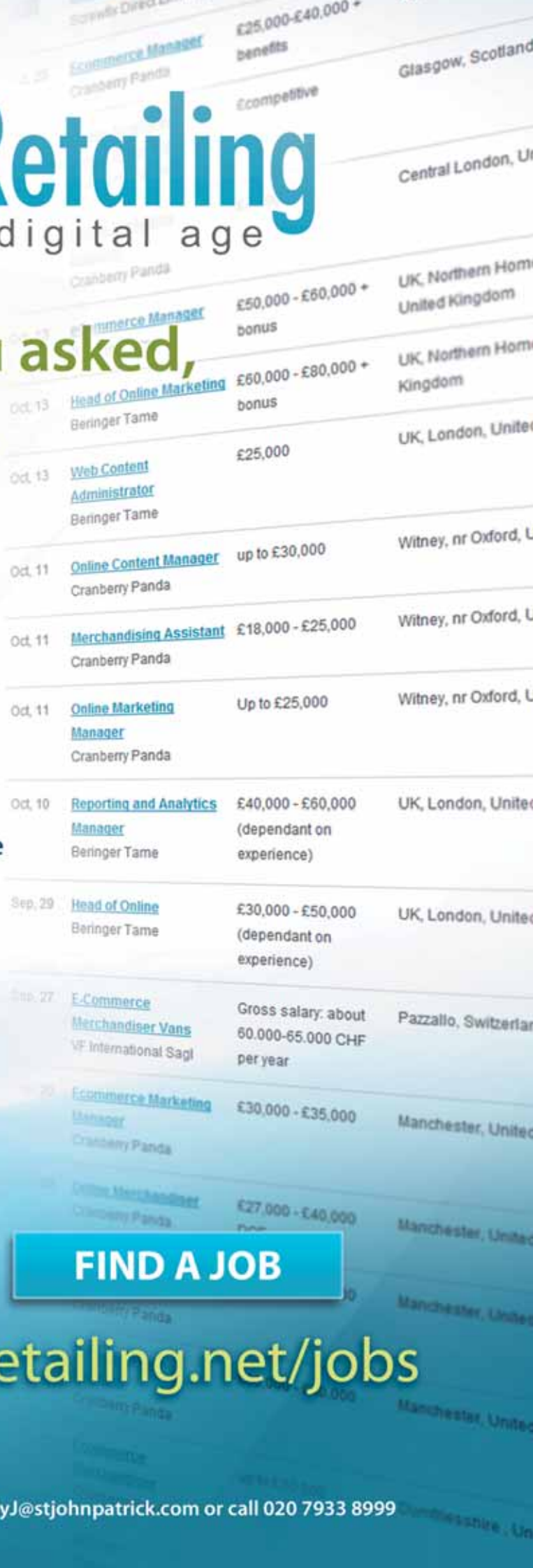
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Oct 25	Ecommerce Manager Cranberry Panda	£25,000-£40,000 + benefits	Glasgow, Scotland
Oct 13	Head of Online Marketing Beringer Tame	£50,000 - £60,000 + bonus	UK, Northern Home United Kingdom
Oct 13	Web Content Administrator Beringer Tame	£60,000 - £80,000 + bonus	UK, Northern Home Kingdom
Oct 11	Online Content Manager Cranberry Panda	£25,000	UK, London, United
Oct 11	Merchandising Assistant Cranberry Panda	up to £30,000	Witney, nr Oxford, U
Oct 11	Online Marketing Manager Cranberry Panda	£18,000 - £25,000	Witney, nr Oxford, U
Oct 11	Online Marketing Manager Cranberry Panda	Up to £25,000	Witney, nr Oxford, U
Oct 10	Reporting and Analytics Manager Beringer Tame	£40,000 - £60,000 (dependant on experience)	Witney, nr Oxford, U
Sep 29	Head of Online Beringer Tame	£30,000 - £50,000 (dependant on experience)	UK, London, United
Sep 27	E-Commerce Merchandiser Vans VF International Sagl	Gross salary: about 60.000-65.000 CHF per year	Pazzallo, Switzerland
Sep 20	Ecommerce Marketing Manager Cranberry Panda	£30,000 - £35,000	Manchester, United
Sep 18	Online Merchandiser Cranberry Panda	£27,000 - £40,000	Manchester, United



# ARE YOU READY TO SELL INTERNATIONALLY?

WITH AMAZON YOU CAN – EASILY, COST EFFECTIVELY AND WITH MINIMAL RISK AND OUTLAY

**A**mazon is constantly looking for new ways to help its merchants sell more. With the recent introduction of the Amazon Europe Marketplaces Account and Fulfilment by Amazon's European Fulfilment Network, Amazon can help you expand your market reach and business to tens of millions of potential new customers throughout the European Union.

Team up with one of the world's leading internet retailers and join over two million active sellers generating billions in sales on Amazon every year.

Now from one single home marketplace account and for a monthly subscription fee of only £25 with no subsequent listing fees, you can list your offers in over 20 different product categories on multiple Amazon Europe marketplaces in the UK, Germany, France, Italy and Spain.

With Fulfilment by Amazon and Amazon's European Fulfilment Network (EFN) sellers can then ship their products to an Amazon fulfilment centre in their home marketplace where they are subsequently made available from a local inventory pool and delivered directly by Amazon to your customers purchasing on Amazon.co.uk, Amazon.de, Amazon.fr and Amazon.it. Amazon even takes care of customer service and returns handling. Gain reach and flexibility, save time and money. From one order report in your seller account, you have easy access to a complete overview of your Amazon European online business. Offer your customers an unparalleled customer experience, with fast and reliable delivery, regardless of where the item is ordered from.

Should you initially prefer to sell only on Amazon.co.uk, with Fulfilment by Amazon's Export to EU option, Amazon will take care of shipping to customers purchasing your products throughout the EU. With our multichannel fulfilment option, we will even take care of delivering orders from the same inventory pool to your UK customers which originate from your own, other third-party sites and even in-store sales.



## SELLERS ARE LETTING AMAZON SERVICES HELP THEM GROW AND EXPAND INTERNATIONALLY FASTER THAN THEY COULD POSSIBLY DO THEMSELVES

As Julius Oliveti, director of UK electronics and PC accessory firm Gizmo-Deals, says: "Fulfilment by Amazon is the only way I know of allowing a one man company to sell in multiple countries and turnover in excess of £1 million a year. If I was to take this idea to *Dragons' Den* they would bite my hand off to invest." Sylvain Desprez, founder of French merchant Moeroshop, admits that his business is years ahead of where it would otherwise be thanks to Amazon. He is now selling successfully across Europe too. "Sales are up and we have access to an excellent customer base on Amazon in the UK and Germany," he says.

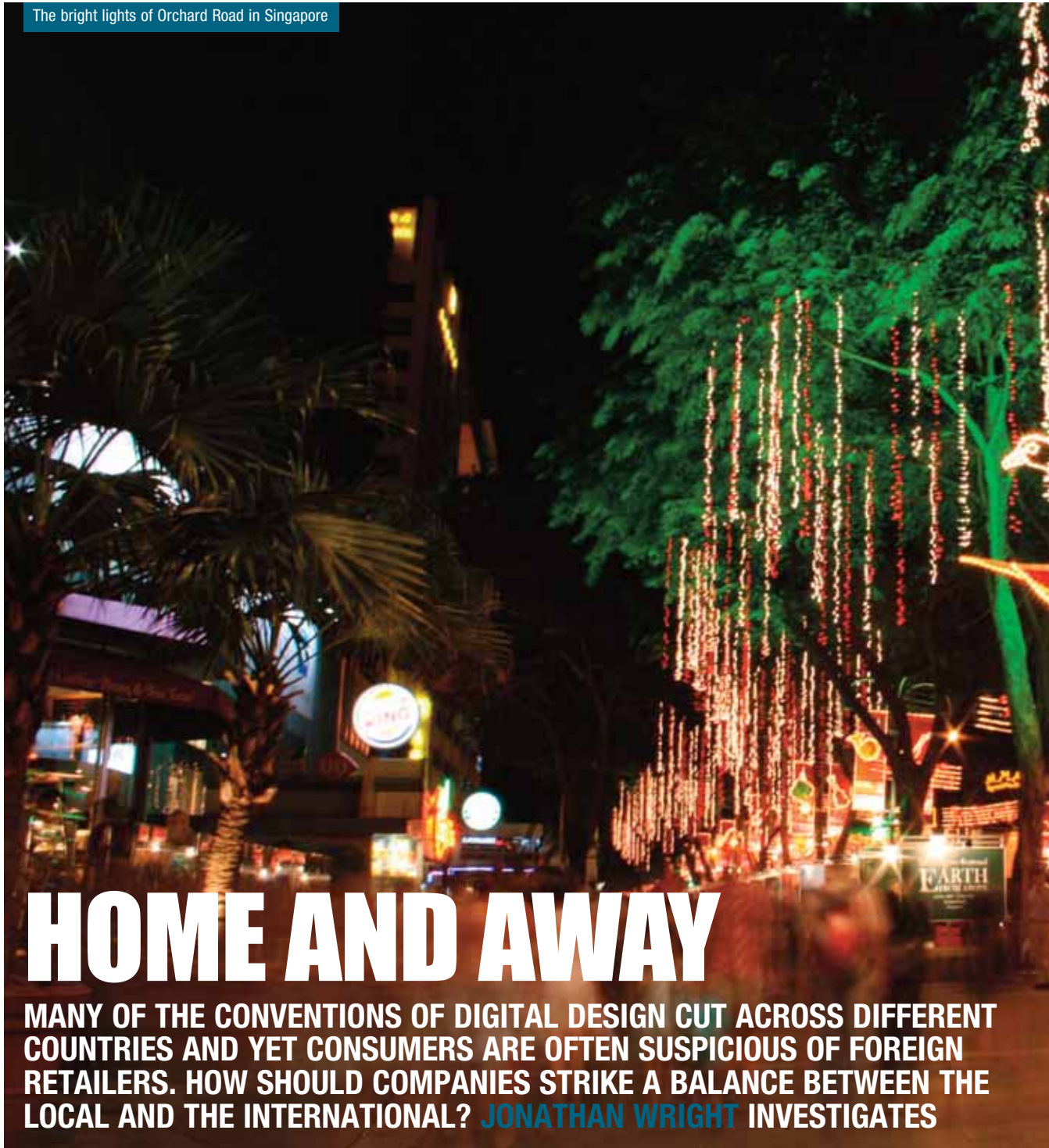
Ravi Karia from Universal Textiles based in Leicester took the family business online. "Amazon has enabled us

to easily expand our business into new countries and grow our UK business through the economic crisis," he says. "They offer an excellent low-cost and low-risk model allowing small businesses like ourselves to reach new customers all around the world. Within 18 months from launching our products on Amazon's international websites, 30 per cent of our annual turnover is now from non-UK sales. Signing up as a seller has been one of the best decisions we have made as a company." An increasing number of sellers are also teaming up with Amazon to expand outside of Europe, leveraging the Amazon network and Fulfilment by Amazon to sell their products in the USA. Get off to a really strong start in 2012 and become an Amazon seller. Select the programme options best suited to meet your future business needs. Sign up today and let Amazon help you grow your business.

[Learn more or contact us at www.amazon.co.uk/sellonamazon](http://www.amazon.co.uk/sellonamazon)

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Europe

The bright lights of Orchard Road in Singapore



# HOME AND AWAY

**MANY OF THE CONVENTIONS OF DIGITAL DESIGN CUT ACROSS DIFFERENT COUNTRIES AND YET CONSUMERS ARE OFTEN SUSPICIOUS OF FOREIGN RETAILERS. HOW SHOULD COMPANIES STRIKE A BALANCE BETWEEN THE LOCAL AND THE INTERNATIONAL? JONATHAN WRIGHT INVESTIGATES**

**S**hould you want proof that even in our globalised societies, different countries still provide different shopping experiences, a walk down Orchard Road in Singapore may prove instructive. At first glance, it's like a turbocharged version of the kind of big city retail areas you'll find around the world, all big brands and bright signage.

But walk into one of the shopping centres that line the street and you can suddenly find yourself somewhere about as far removed from Oxford Street as it's

possible to get. Eschew the more obviously upmarket malls and you will often be confronted with a plethora of small retail units. Go to buy a camera and the sales assistant will haggle until a deal is done and, when your guard is down after the exhausting process of agreeing a price, close in to ensure you don't leave without also buying accessories such as a case or an extra lens.

The key point here isn't that Singapore has a radically different retail culture from our own, although of course it does, it's that Singapore's vibrant local retail culture, rooted in street-trading and markets, co-exists with what we might call an emerging

and evolving international retail culture. This isn't just a feature of the analogue world, it's also true in digital domains. On the one hand, the Amazon model is recognised around the world, in great part a product of the web's Anglo-Saxon heritage. On the other hand, consumers are far more likely to trust websites that display local understanding.

As companies increasingly look to foreign markets to provide growth, this dichotomy continues to be a live issue for those designing digital interfaces. That's especially true at the moment for those retailers starting to look further afield, into markets such as Asia. This can throw up design issues at the most basic level for



## SPEAKING FROM EXPERIENCE

### VIVE LA DIFFÉRENCE

“All designed objects of any shape, whether they’re in a digital space or physical, they have a lineage, they have a process that they go through. One of the characteristics of a designed object and its use is that people have learnt its function through its evolution, so in that sense physical retail spaces all have their own specific histories and cultures in all the different geographical places they are. Shops will feel different in different countries and there’s a lineage that explains why they feel different.”

Mo Syed, head of user experience, 10CMS



### ASPIRATIONAL CONSUMERS

“[In China and Hong Kong] there’s a consumer that very much looks up to the western market, loves luxury brands and looks at some of these UK stalwarts to identify themselves with a newfound wealth.”

Kees de Vos, vice president, business consulting, Hybris

### LEVELING OUT

“Most ecommerce shops tend to follow design standards driven by the largest online businesses. Through frequent use of such shops, online customers are trained to expect certain information and functions to be located in specific areas of the page. Usability tests show that when such functions or information are organised in an unusual manner, customers often spend more time having to search for them which can lead to frustration and in the worst case to abandoned transactions and lost sales. As a result, many online shop designs are driven over time back towards established standards.”

Brendan Scruggs, senior vice president, client services, Netrada

### THE COSTS OF LOCALISM

No, not everyone is anywhere near attempting to enter the Chinese market and yet even for companies still trying to work out how to expand into Europe, de Vos’s comments highlight a key consideration: as far as possible, retailers need to design interfaces that have a ‘local’ look and feel if they’re to be trusted. To take something as simple as the use of language (dealt with in more detail in our customer engagement feature, page 30), poorly translated copy jars with consumers, makes them far less likely to buy.

However, if the process of localisation starts to cost too much, it’s simply not worth doing. To push this point to absurdity: it would presumably be possible to design a retail site that corresponded to North Korean cultural norms, but it’s difficult to imagine who might use such a site beyond an improbably narrow coterie of generals and high-ranking party officials.

Clearly then, companies need constantly to be aware of balancing costs and income opportunities when they decide where and when to expand

abroad. Happily for harried retailers in the midst of tough times, there does appear to be an emerging consensus among experts over certain issues. With payment options in Europe, for example, a basic rule of thumb is that if you want to target a specific territory, you have to accept that consumers will want to pay in certain ways. Don’t allow credit card-shy Germans to pay by bank transfer, for example, and there’s a good chance they’ll go elsewhere.

In addition, technology companies appear finally to be aware of the need to make it easier for retailers to expand

“ It would presumably be possible to design a retail site that corresponded to North Korean cultural norms, but it’s difficult to imagine who might use such a site ”

trailblazing companies more used to operating in Europe.

“Bandwidth is not that good in China, which impacts the user interface,” says Kees de Vos, vice president, business consulting, with technology company Hybris. “It can’t be as heavy as we’re used to. We’re all on broadband, so we design for broadband.” In less developed Asian territories, he adds, it can be like going back a decade for designers: Flash and busy interfaces are the order of the day. As for hosting, this has to be done in China because the country’s Great Firewall, an entity that takes on mythological proportions in many newspaper articles, is actually an all-too-real problem.



# KERCHING!

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abroad. The IT consultancy ThoughtWorks, for instance, emphasises what it calls “continuous design”, an idea that has parallels with the constant tweaks and refinements that Google and Flickr introduce on their sites.

“A real principle of how we operate is we don’t want to spend three months and £250,000 building a new site for a new territory that we’ve had little opportunity to test,” says Mark Collin, ThoughtWorks’ client principal for Europe. “We want to roll out quickly and keep testing “That’s particularly important in new markets, to have a robust platform, but have the ability to evolve the interfaces.” The days of ‘Big Bang’ implementations in new territories, he adds, are over.

It’s a point that can be linked to the idea of a kind of international design standard, where consumers in different countries at least share a core understanding of how websites work. As Mo Syed, head of user experience at ecommerce technology company 10CMS, points out, “There has been a kind of English-speaking-world-centricity to the web, so a lot of the design conventions have come out of that.”

Because these conventions are broadly speaking understood around the world, it follows that companies don’t have completely to overhaul existing websites to launch into new territories.

According to Brendan Scruggs, senior vice president, client services, with technology company Netrada, for his clients: “The fundamental design of each country shop does not vary much from a universal standard which is designed to represent the core brand image. Differences instead are driven in product assortment, product sort orders within category navigation, promotion/marketing messaging within the sites, and country-specific handling of payment methods and carriers.”

### MONOCULTURE BECKONING?

So we’re all heading towards a unified world where differences are gradually ironed out, where Orchard Road is more like Oxford Street? That’s certainly one reading of what’s happening, but even if you accept this is true it’s an idea underpinned by a key assumption that may start to look increasingly dubious in the years ahead: the notion that the world will continue to follow the UK and USA into a brave world of smart phone-enabled, cross-channel commerce.

“ One by-product of new technologies may not be convergence in international terms, but more of an emphasis on localism ”

A note of caution here might be to remember that back in the 1990s and early noughties there was much talk of developing countries doing the boring bits of manufacturing while the west did the clever, interesting stuff around design and marketing. Passing over for now the whiff of racism about this, it’s not the way culture and industry work, as the pace of development in countries such as China and India proves.

To return to Kees de Vos, he’s lately spent much time in Hong Kong and he buzzes with talk of retailers achieving three-digit growth in China (itself a powerful incentive to do things the Chinese way). In China, he says, social media is far more important in determining people’s buying decisions. “The use of social networks is completely different to here,” says de Vos. “And the social networks they use are different. The last time I looked at stats, Facebook was number 16 or 17 in terms of the most popular social networks in China, and people do completely different things on their social network compared to Europe and that’s woven into that interface.”

For one thing, people ask their friends for opinions. At a time when many western companies are still trying to figure out how to use social media effectively, should they be looking east for lessons? For another example, what about South Korea, already rolling out 4G services to a market where connectivity speeds are already the envy of UK consumers – how will lessons learned here affect other markets?

Again, the deeper point is that we shouldn’t blithely assume we’re somehow inevitably headed towards a western-infused form of cross-channel retail, just because that’s how things have developed in the past. It may well be that our global digital culture will fuse elements of retail design from different territories, producing unexpected feedback loops along the way. Think of the how-did-that-happen? growth in the popularity of Scandinavian crime fiction for a parallel.

Or, for an example drawn directly from ecommerce, look at the way Tesco is targeting South Korean consumers with its virtual subway stores, displays of goods on walls where customers use smartphones and QV codes to do their grocery shopping. At the very least, this is a step on from click-and-collect services, a glimpse of a future we may all share.

### NEW DIGITAL CITIZENS

Despite this, it’s worth remembering that local knowledge is still essential to make such initiatives work. Offer the wrong goods and who’s going to buy? Indeed, it’s conceivable that one by-product of such technologies may not be convergence in international terms, but more of an emphasis on localism. Imagine a similar technology introduced by a supermarket in London: the goods that consumers select in Notting Hill aren’t going to be the same as those purchased a few stops east along the Central Line in Bethnal Green.

It’s a point picked up by Mo Syed, when he considers the fast-moving world of fashion. “Fashion trends, specifically in fast-moving high street fashion, vary quite drastically even across different parts of the UK,” he says. Understanding these regional differences, he adds, can be far more difficult than, say, getting the payment options right for different territories – something that can only be compounded by a lack of local knowledge when retailers move into new territories.

To look at that another way, even at a time when many companies have only just expanded into Europe and when they’ve maybe only just begun working on how to reach the burgeoning middle class in the BRICs, there are already new issues around interface design on the horizon.

Perhaps that’s not so surprising. It’s the level of detail here that’s new rather than the principal: the key to going international is understanding local markets and digital design always needs to reflect this. ■



**I**t gets cold in Sweden. That may appear to be a trite observation, but for an outdoors clothing specialist selling primarily to hiking and skiing enthusiasts, this is crucial information to keep in mind. It's

not just that customers will want a warm jacket to cope with the cold and snow at an earlier point in the year compared to customers further south, it's that they'll wear the jacket at different times.

"The Swedes, they go to work with that kind of jacket because it's warm and they try to cover up," says Markus Schilling, merchandising services director with ecommerce specialists Avail. "It's a different mindset to the French, who would like to be very fashionable."

Clearly, any retailer selling fleeces and other winter clothes has to be aware of such regional variations, but just how important are they to the art of merchandising? To put that another way: if you're a fireworks company operating in the UK, it's probably a canny idea to circle Bonfire Night and Eid on the calendar, you might also want to ponder the growth in fireworks displays as part of wedding celebrations, but do you really need to do anything more? Might it be that retailers sometimes overestimate the difficulties here?

It's a theme considered by Schilling when he discusses the different dates on which nations celebrate Christmas. "If we talk about Holland, they celebrate Christmas on the sixth of December,

# HIDDEN COMPLEXITIES

EFFECTIVE MERCHANDISING IS ALL ABOUT GETTING THE RIGHT GOODS IN FRONT OF PEOPLE AT THE RIGHT TIME. IT'S A SIMPLE IDEA, BUT HOW DO YOU GO ABOUT DOING THIS IN A MARKET THAT'S NEW OR UNFAMILIAR?

**JONATHAN WRIGHT** OUTLINES SOME OF THE FACTORS TO CONSIDER

whereas Germans celebrate on the 24th,” he says. “There are different kinds of cycles happening in the selling approach, but that doesn’t matter so much in terms of what people buy.”

The idea of buying toys for children, perfume for mum and socks for dad, it would seem, is universal as the shortest days approaches, it’s just the dates when these items are purchased and given that varies. So, problem solved then, especially when you consider the leveling effect of digital culture, which means consumers in different territories understand how websites work.

### HIDDEN COMPLEXITY

If only things were that simple, but as Schilling also says, the idea of pushing specific goods at a specific time because of predictable peaks in demand is only the start of what retailers need to do. If you’re in the UK, for example, with its strong tradition of Boxing Day sales, it’s clear you’ll need to be prepared to offer discounts on the day after Christmas (if not a month before, given the current state of the economy...).

That’s fine as far as it goes, but what happens when a company is also planning to run a TV campaign on Boxing Day? In this scenario, companies need to think more closely about the items that will be pushed – and not just those items, but items that a retailer might cross-sell on the website. Or out in the bricks-and-mortar store, how best to present goods? “Shelf-space optimisation: that’s now getting more and more a topic in the market,” says Schilling. “The retailers I work with, they’re now starting to dedicate people to that kind of business, which is really, really great.”

The wider point here is that what seems like a simple proposition, a retailer actively merchandising items on a date the company knows there will be shoppers hunting for bargains, is actually far more complex when you begin to look more closely at what’s happening. Now factor in attempting to do this in a new territory where a retailer may not be familiar with local nuances and it should be clear this is an area fraught with potential difficulties.

Even the oft-noticed leveling effect of the web will only help you so much in ecommerce. Just because the layout of web pages is often similar across different territories, for example, that doesn’t mean that even the same

### COMMUNICATION VARIATION

“We work across a few regions and I don’t think there is a huge difference in the way products are presented, but there are differences in the way people like to interact.”

Daren Ward, director of retail and consumer, Glue Reply



## SPEAKING FROM EXPERIENCE



### BRAND VALUES

“[Brands] should be taking great care in separating [themselves] from the competition. There’s one crystal-clear example of this: the merchandising guidelines that Apple has for the iPhone. They go into the most obscene detail about how the iPhone should be presented on retailers’ websites when it’s sold. The iPhone can’t appear as just another smartphone, it has to appear as the iPhone.”

Mo Syed, head of user experience, 10CMS

### US MOVES TO EUROPE

“Some merchandising techniques, such as having a corporate plan for merchandisers where buyers choose the assortment for Europe that they think will bring greatest revenue and margin for the investment, that works when companies move from the USA to more developed areas, UK, Germany, France. But when you start moving to next level you see there’s a large disparity in terms of what segments of the population expect. In Italy, the northern Italian population goes for a set of products that’s hugely different from southern Italy.”

Sathiyarayanan Vijayaraghavan, head of global retail practice, ThoughtWorks



### DUE SOUTH

“The question [Nordic] companies [expanding elsewhere in Europe] now have is: is the merchandising that different to my own country? Are people buying different things in Germany to Sweden? Are they buying at different price levels? Do they buy at different times? That’s quite interesting to see. I’d say no-one has really mastered it. There are a lot of hypotheses around and every company tries to figure out what fits to themselves best.”

Markus Schilling, merchandising services director, Avail

photography works in different countries.

“When you go on holiday you see a lot of lifestyle images and they look very different, points out Mo Syed, head of user experience at 10CMS. “Let’s say you go to the States and you’re driving past billboards: the images will look and feel very different. But we’re talking about the

art direction of the media, we’re not talking about the interaction, the website or the checkout process.”

### THINKING LOCALLY

So how should retailers go about coping with these kinds of issues? All of those interviewed agree that local knowledge is key. Yet, a recurring theme in this supplement, for companies selling abroad it’s often not practical simply to buy in the expertise needed. As ever, the potential return needs to be balanced against investment. It’s no coincidence that Nordic countries tend to target customers in Scandinavian neighbours.

“A lot of international retailers struggle because they have failed to take on the local flavour,” says Sathiyarayanan Vijayaraghavan, head of global retail practice at

“ The idea of pushing specific goods at a specific time because of predictable peaks in demand is only the start of what retailers need to do ”



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## MERCHANDISING ON MARKETPLACES

It may seem that marketplaces are prescriptive places where active merchandising is impossible. However, Chris Poad, Amazon.co.uk's director, enterprise and merchant services, says there are ways for companies to differentiate themselves.

"We do give sellers a promotional tool kit to be able to apply promotions to their own products, for example, promotional shipping

rates for more than one purchase from the same seller, discount promotional mechanics," he says

Engaging with what's happening in a marketplace is also important. "Every marketplace is a continually changing animal, what worked yesterday is not necessarily the most successful thing today," he says. "The most successful

sellers are those that are continually innovating and looking for new selections to bring to the platform – if you're the only person selling a particular product and it's something customers want then you're going to take all the sales and do relatively well out of it. Sellers that are always finding new selections and bringing them to the platform will stay ahead of the growth curve."

ThoughtWorks. "There's a fine line – there are big advantages that can be leveraged though standardisation, bringing in business-class processes from more developed countries, but retailers also need to be cognisant of those areas where operations truly get impacted due to local conditions and the local operating model. Few retailers are coping."

There's another factor that plays in here too, the legacy situation of different companies. "In Germany, there is a big background in catalogue retailing in the main online players in the market," says Kees de Vos, vice-president, business consulting with technology company Hybris. "These guys typically have customer data on previous orders and are CRM-savvy, and will aim to use that information online to personalise their behaviour better."

In other words, even as retailers move out into new territories, it's likely that company culture, which inevitably reflects the wider retail culture in the company's home territory, will affect how the company operates. This needn't necessarily be a problem: CRM skills are clearly applicable to cross-channel retailing.

Nevertheless, it's worth emphasising that retailers will most likely still need to try new merchandising approaches. It's bigger companies, says Markus Schilling, that tend to be more innovative here, if only because they have more resources so they can afford to try different approaches (although it may also be that specialist companies can rely more on customers finding them).

As to why companies need to be innovative, take something as simple as competing on price. Many UK retailers pride themselves on reacting fast to promotions by competitors, but the web can magnify price competition, especially in international territories where there are a lot of small companies competing for business. According to Daren Ward, director of retail and consumer at Glue Reply, "[In some international

territories, competitors'] speed of reaction to price changes seems to be incredibly fast, so when some of our big organisations go overseas they find it quite a shock. They adjust the price and within hours everybody around them is beating their price."

Ward also highlights a potential downside of what we might call legacy culture. In big UK retailers, the instinct is almost always towards automation and using technology where possible. That's not necessarily applicable when retailers move into international markets outside the developed world where labour is cheaper.

"[Companies] must consider that state of the art in the UK could become the slowest cog in the wheel in a market where everyone else is using lots of people and doing it quickly," says Ward. It's presumably therefore conceivable that it may actually be more cost-effective to spend money on a merchandising team rather than increased automation that might at first glance appear to deliver efficiencies.

Nonetheless, automation has a role to play here, both in terms of companies being able to analyse what's working and what's not on their sites, and in terms of searchandising recommendations. However, retailers need to treat the data they generate carefully. Markus Schilling points up potential limitations with utilising so-called 'universal' algorithms based on data gathered from keywords.

"When we use that kind of data to come up with personalised product recommendations for that keyword, then you see there are differences in different countries," he says. "But the need is that you get different shop data in place: you

have to collect differently for the UK than you do for Germany. That's key, then it works."

### TRULY LOCAL INITIATIVES

It may be too that, in the near future, truly local merchandising will become more and more important. In the web interface feature, we looked at how retailers need to understand regional differences in buying patterns, at analysing what's happening in different parts of territories, rather than assuming that, say, France is France.

It's a theme taken up by Daren Ward. We've just been through an era when the idea of local products changed seemed to disappear from the British retail landscape. That's changing, he argues, and it's worth noting that even supermarkets now promote regional products in specific stores. Going forward, Ward argues, we're likely to see more of this kind of retailing thanks to a combination of the green agenda and consumers' perception that local is better, fresher, less ubiquitous. Companies with overly centralised supply chains may struggle here, Ward says.

"It's something that if somebody is going overseas and looking to spread risk globally they really need to understand these issues," he adds, putting a cross-border spin on this notion. "If you go in with a piece of British beef and are trying to sell it in different regions, several countries relatively close to us, they can get quite upset."

To return to where we began, if you're actively trying to persuade customers to buy products, understanding them is much better than upsetting them. ■

“ The web can magnify price competition, especially in international territories where there are a lot of small companies competing for business ”



# LOCAL KNOWLEDGE

FOR RETAILERS EXPANDING INTO NEW MARKETS, IT PAYS TO STUDY THE EXISTING RETAIL CULTURE IN THESE TERRITORIES. THAT WAY, CROSS-CHANNEL EXPERIENCES CAN BETTER BE TAILORED TO MEET LOCAL NEEDS, ARGUES ALISON CLEMENTS

**S**imply transplanting your multichannel offer onto foreign soil won't guarantee sales success internationally. Clever retailers are tapping more directly into local needs and tastes, and that means understanding which merchandising and marketing formats appeal to the French, Russian, Korean, Brazilian shoppers who might be on your target list. What can you learn from the shopping experiences people expect around the world, in order to guarantee your own multichannel offer will flourish?

Localisation is everything. For instance, Tesco's fledgling Homeplus 'virtual shopping wall' service is being developed

with tech-loving south-east Asian shoppers in mind. The technology was first showcased in South Korea last year, where busy subway commuters looked comfortable ordering goods through their smartphones. Jeans giant Levi's launched a whole new brand, and network of stores, for China, called Denizen, so that it could sell low-cost jeans to Chinese and other Asian shoppers in surroundings that would reflect the western look these consumers love, but with price points and product specifications to suit the local audience. In the UK, eBay evidently thought we were ready for one of its first pop-up shops, which attracted much attention in Soho in the run-up to Christmas 2011, allowing

customers to order goods by zapping QR codes with their phones.

"Although the physical process of shopping online is fairly uniform across the globe, there are many nuances about local countries that need to be understood and catered for to avoid alienating groups of customers you're starting to target, whether on or off-line," says Fran Riseley, deputy managing director at retail specialists Martec International. "For instance, in Germany very few people own credit cards, debit cards are much more widely used, so it's worth having the payment systems in place that are right for that locality. You want to be able to offer the right types of customer service to suit each market, and



adopt multichannel shopping practices.”

Bolton says certain countries are at a “tipping point” where online shopping is becoming mainstream – specifically China, Malaysia, Thailand and Russia.

He points out that multichannel must be aligned to localised factors. For instance, in eastern European countries, printed catalogues and ‘deals of the week’ sheets are very popular, with department stores and supermarkets distributing them at store entrances to communicate offers. “It’s part of the shopping culture, and brands and suppliers compete to be featured in this printed material,” says Bolton. “They can see up to 300 per cent uplift in sales from this marketing channel, so incoming retailers would do well to work with this seemingly successful format.”

Retailers gaining a foothold in Japan, Thailand and Indonesia will find that the department store model dominates, alongside the need for high degrees of consumer trust around brand identity. “These factors mean that for many brands it makes sense to start out with a wholesale or concession operation, to build a presence over time, and then perhaps move onto the standalone stores model, backed up with a web offer,” says Bolton. “Consumers in these south-east Asian countries also like human contact – great

retailers here are providing customer services that go beyond in-house schemes.

There are also countless climate, culture, taste and style issues: Europeans will buy bright colours to wear, while in the UK neutrals traditionally do better; short skirts won’t sell in the Middle East; summer comes earlier in Spain than in Sweden. Customers will have different needs and different expectations of price in these new locations, and software solutions are helping retailers optimise range assortment and product allocation, in line with particular channels and markets.

Solutions supplier Maple Lake has helped Ted Baker and Donna Karan in this way. CEO Mark Stone says it’s vital for retailers reaching into new territories to tackle the ‘right merchandise for right location’ issues. “Because of internationalisation we are continually enhancing our tools for the planning function,” he says. “For instance we are applying lots of different metrics for different country and channel needs – be it climate differences, cultural and economic differences and so on.”

#### WHERE NEXT?

Currently, many retailers are busy researching new markets and deciding which formats will work. Marks & Spencer

appreciate where new channels, for instance, mobile commerce, are of interest already, and where customers do and don’t like to give their details for loyalty and other CRM schemes.” She says that the UK’s multichannel format is already well regarded in Europe, with French, German, Dutch and Danish companies, for example, looking at how to replicate our ‘click and collect’ services, and coming to the UK for the technological know-how.

#### COMPETITIVE ADVANTAGE

Paul Bolton, director of product and corporate strategy at IVIS Group agrees that the UK retail sector is in this enviable position. “In countries where many of our clients are looking to expand, particularly in south-east Asia, South America, and eastern Europe, there is less experience of multichannel and online shopping, but great potential for progress in that direction, so British retailers have a real opportunity to be catalysts for the multichannel model,” says Bolton. “The winners will be those that can spot the locations where the infrastructure is there for the model, build trust around their brand and encourage local shoppers to

“ India’s retail potential is huge, but the fast-growing country poses problems for incoming retailers because of the limitations of the physical infrastructure ”

service in stores, and the expectation of a number to call and good call centre service when shopping online.”

#### REWARDING LOYALTY

Loyalty schemes are key in most parts of Asia too. Ted Baker has opened stores in Hong Kong and is advancing into China, and is adapting its in-store and web experience to meet expectations. “You do need to be aware of the very different requirements of your new customers,” says Dunstan Steer, IT director. “For instance CRM is very big in the Far East and so we are in the process of setting up a loyalty scheme.” In some countries – such as Brazil and Mexico – there are government-run loyalty schemes and incentives to help citizens manage proof of purchases for personal tax records, which means that

has opted for a ‘bricks and clicks’ model for its return to France, while Arcadia Group is extending its web offer with dedicated websites for France, Germany and the USA, and opening flagship stores to back-up online sales with a physical presence. Sir Philip Green recently predicted that Arcadia Group could build a “£500 million to £700 million business in three to five years” in China, following in the footsteps of Zara and H&M. He’s opening the first flagship Topshop in China this year (2012) and he’s bullish about what could be “a particularly huge physical and online opportunity”.

Martec’s figures show that retail sales growth of 19 per cent was achieved in China between 2009 and 2010, ahead of 12 per cent in India, and dwarfing the low growth rates now achievable in our domestic market. Web sales were up 57 per cent in

# Multichannel needs perfect product data.



China in the year to 2010, and 43 per cent in India. China's retail sales are set to increase by 73 per cent by the end of 2015, so it's little wonder UK retailers are working hard to reach the growing middle classes of this and other Asian countries.

Online shopping growth in Asia will help UK retailers gain a foothold in this market without having to risk large capital sums. According to a recent report from Boston Consulting Group, 30 million Chinese shoppers will start buying online every year between now and 2015, increasing the number of web shoppers from 10 per cent of the urban population in 2005 to 44 per cent in 2015.

Hubert Hsu, senior partner at BCG in Hong Kong and co-author of the report, says: "Given the strong emotional ties consumers in China have with shopping, it will be critical to engage them with value propositions beyond mere price savings, for example, by creating a fun shopping experience or by appealing to trend-conscious consumers' sense of discovery, by making them feel they are learning something new in the shopping process."

“**Jeans giant Levi's launched a whole new brand, and network of stores, for China**”

### LOCATION, LOCATION, LOCATION

India's retail potential is huge, but the fast-growing country poses problems for incoming retailers because of the limitations of the physical infrastructure, in terms of telecoms, retail property, and even roads for delivering parcels – and so there may be a need for new retail formats to reach consumers. Emmanuel Costa, product localisation director at retail systems supplier Cegid, says one option is to set up kiosks or pop up stores where people work. "In India you don't see typical high streets or malls to support western-style shopping," says Costa. "Going into the big office developments where giant IT companies are employing thousands of people would be a smart way of reaching potential customers, and giving them an easy way to select and order goods."

In the Middle East, Western retailers typically team with local partners to set up franchised stores in the many glitzy malls of the region. But ecommerce could be

### STATES OF PLAY

"Some countries are reaching a tipping point where there is confidence in online shopping. For instance, in the urban centres of China and Russia we're seeing waves of euphoria where people are going online and embracing the experience, but it's not happening everywhere yet." Paul Bolton, director of product and corporate strategy, IVIS Group



## SPEAKING FROM EXPERIENCE



### CUSTOMER EXPECTATIONS

"There's a greater sense of customer service in most parts of Asia, so it's worth going in equipped with good loyalty schemes. In Japan particularly, stores and customers tend to be more high-tech. So it would be beneficial to arm staff with valuable information at their fingertips, for instance with iPads, or tablets, so that they can sell complimentary products, talk about offers, and check on size and colour availability." Emmanuel Costa, product localisation director, Cegid

### PLANNING ISSUES

"Retailers used to be happy to put a range of garments together and set their colour schemes for in-store merchandising for the coming season, based on previous sales history. Now with internationalisation, multichannel planning is required – across different countries and for online, franchise, retail and wholesale models alongside regular stores. The right technology is required to navigate those 'tear your hair out' moments of the stock planning process. Each channel will be different and each market will have different characteristics and that means reinventing ranges many times – hopefully in the most cost-effective way." Mark Stone, CEO, Maple Lake



### PLANNING AHEAD

"Closely monitoring where online sales are coming from can really help multichannel retailers plan their international strategy. Increasingly we are seeing UK retailers launch dedicated country websites as a low cost means of building a customer base, where online shopping is popular. Then they might look at opening concessions, to test the water on the ground, before making the commitment of franchised or company-owned stores. It took Carrefour 10 years to break even in China, but generally retailers should be looking at five years upwards to make stores work in Asia. It's a long-term commitment so you need to get it right." Fran Riseley, deputy MD, Martec International

where most growth will come from in the next few years. Online shopping in the Gulf is predicted to grow to \$15 billion (£9.6 billion) by 2015, from \$3.3 billion (£2.1 billion) in 2010, according to a recent report from the IMRG and Visa. Stephen Leeds, ecommerce business leader for Visa Middle East, says: "Online shopping is still in its infancy in the region but all the signs are there that it will continue to grow – there's government commitment, retailer investment and, most importantly, a young population open to trying new technologies and innovations."

Shopping is being enhanced by consumer take-up of the latest mobile phone and tablet technology, and retailers need to ensure that they can offer services

that are expected in countries new to them. "South Korea is a good example of a country where payment through mobile phones is widely adopted and people expect to be able to," says Costa. "In Nordic countries – in certain types of retail – customers would expect to be able to 'Click and Collect' or order goods through in-store kiosks."

Costa believes emerging countries will not go through the same stages of development to become cutting edge that traditional European retailers have been through. "They are simply leapfrogging and embracing the most advanced technologies," he says, "and this will greatly affect how multichannel formats develop around the world." ■



# BEYOND BORDERS

WHILE SIGNIFICANT GROWTH CAN COME FROM DEVELOPING OVERSEAS MARKETS, SO TOO COME SIGNIFICANT LOGISTICAL HEADACHES WITH THE COMPLEXITIES OF CUSTOMS, LONG-DISTANCE FREIGHT AND INTERNATIONAL RETURNS TO CONTEND WITH. HOW CAN ONLINE RETAILERS AVOID THE PITFALLS? **PENELOPE ODY** REPORTS

**T**aking a slow, steady and well-focused approach to international expansion, rather than rushing to fulfil every global order from day one, is how most retailers surmount the steep learning curve involved in grappling with the complexities of overseas deliveries.

For retailers testing the waters of international trade, the usual tactic is to start by shipping to EU countries, where the single market eliminates any potential customs issues, and to stay with a basic UK website rather than go multilingual. A single website does at least alert shoppers to the fact that the goods will be crossing borders whereas with localised multilingual sites there is a tendency for customers to believe the retailer is a national operator and expect shorter delivery times or a full product range.

“Shipping to western Europe is straightforward,” says Patrick Wall, CEO and co-founder of MetaPack, “except of

course for Norway and Switzerland, while several major global markets, such as the USA, have reasonably high duty thresholds of around \$200 with good processes, so the duty issue can be handled electronically. It becomes more difficult once you start selling to places like China, Russia or South America.”

## RETURN TO VENDOR

The greater problem for cross-border European operations is returns, which in sectors such as apparel can commonly reach 40 per cent of sales. “You have to have a local returns address,” says Philip Rooke, CEO of Spreadshirt, “otherwise customers will not buy from you.”

Spreadshirt offers bespoke printing on t-shirts, so much is produced to order and its returns rate is extremely low at 1.5 per cent. “Even so, one-and-a-half per cent of the 2.5 million t-shirts we sell each year is still a lot of product,” adds Rooke.

The company signs up local partners in each country where it operates to handle

returns. These may be individuals, logistics providers or other trading partners, who check and collate returned goods, and either batch standard lines for return to Spreadshirt’s factories, or dispose of them via charity shops and similar outlets. “If the items are bespoke then they can’t be sold so why incur more cost in shipping them back?” says Philip Rooke.

Roger Burns, development director at DHL Supply Chain, also puts returns at the top of his list of international issues: “Some online retailers enclose a pre-paid label for returns and that needs to be for a local address as you don’t want to get involved with international shipping charges. Goods also need to be checked to ensure that the customer really is returning the genuine item, even if the plan is to dispose of them locally rather than bringing them back to the UK.”

Snow Valley has worked closely with Asos, where overseas orders now account for 56 per cent of sales. “For retailers such as Asos, establishing a local returns

## SPREADING THE WORD

Spreadshirt, founded in Germany in 2002, now ships to 45 countries with websites in nine languages and an established presence in 17 geographies. The company prints t-shirts, most to bespoke designs although there are some stock lines, using three factories at Leipzig, in southern Poland, and near Pittsburg in the USA.

The locations are partly due to serendipity: the company's founder was based in Leipzig while his father, who now runs the Polish factory, lived in that area and Pittsburg was the home town of the US manager. Two thirds of European deliveries are processed in Poland and while low costs help, that is not

the key reason: "The factory is 75 minutes drive from a DHL distribution hub," says CEO Philip Rooke, "which means the van can leave at 3pm and orders are in the postal system by 5pm."

Although there are 13 processes involved in creating a bespoke t-shirt, orders are generally delivered within four to five days with the nearness of the distribution hub a vital component in ensuring this efficiency. Most European orders are delivered within two days of leaving the factory, although UK orders tend to be slower as second-class post is used as standard.

In the USA, east coast orders can similarly

be met quickly, but the company's next growth plan focuses on the west coast. "One in six of our US orders is from California," says Rooke, "so we are currently looking to develop a facility on the west coast as it takes two days for goods to reach there from Pittsburg." Also on the agenda will be a factory in the AsiaPac region to cut lead times in this geography.

Growth has been steady and strategically planned: the US operation started five years ago and took four years to reach critical mass. The Pittsburg factory is now operating 24 hours a day and in the run up to Christmas reached full capacity – another reason for starting a second operation in the west.

hub is a priority," says Sarah Clelland, Snow Valley's marketing manager. "Overseas customers will not pay high international postal charges to return goods – in Germany, for example, postal costs are high and Asos finds that customers prefer to take products to a local tailor to have alterations made rather than return them."

Snow Valley produces regular reports on international delivery issues for a number of clients and has an established panel of shoppers in 14 countries, who carry out trial purchases and returns. In one recent test 10 customers in China ordered a tiny purse from Asos and then had to return it. Return postage was £25 and all said that if the trial had been a genuine purchase they would never have paid that amount. "Many online retailers don't refund the cost of return postage," says Clelland, "so international returns will be a major deterrent for many shoppers."

International delivery also takes time so the sort of 24-hour service that many online shoppers expect cannot be provided for overseas customers. House of Fraser, for example, quotes up to eight days for goods sent to most western European countries, while Marks & Spencer offers six to nine days for France, Germany or Spain and seven to 10 days for other EU countries.

### CUSTOMS ISSUES

While Asos is unusual in offering free standard International delivery, others charge a flat fee – £7.50 for Western Europe at M&S and John Lewis, for example, with higher charges for further afield. Most sites also restrict the range of items that can be shipped overseas while many also try to avoid the customs issues. John Lewis neatly washes its

hands of the problem as it says on its site: "The recipient of the products is responsible for all customs formalities... we have no control over these charges and cannot predict what they may be, so we're unable to offer any assistance on these processes."

Historically, any duty payable on individual imports was paid by the carrier and then collected from the customer when the goods are delivered. However, this is proving less popular with mass-market online shoppers and unless the likely duty bill is made clear to the customer when the order is placed, there is a good chance that a carrier asking for additional cash will simply be told to take the goods back where they came from.

"Some retailers try to overcome the problem by charging customers VAT on goods intended for overseas and then using this money to pay the duty, so that the amount paid covers the landed cost price and the order can be delivered to the customer duty paid," says Patrick Wall. Boden, for example, explains on its US website how its "systems are designed to settle this duty on your behalf wherever it applies". It adds that if the systems fail, it will reimburse any duty paid.

Things are not quite so easy in developing markets. Brazil, for example, has a notoriously low duty threshold of little more than \$1, so virtually every imported item will carry some sort of

additional tariff. In other countries customs officials are not always as honest as one would wish and rather more goods go into the customs shed than eventually emerge. Good 'local contacts' can be the only way to ensure the eventual arrival of an order.

International shipments to many non-EU countries also require a significant amount of paperwork – details of country of origin, item descriptions, harmonisation system codes and so on. All this information needs to be pulled out of merchandise files and made available to despatch departments.

### HYBRID SOLUTIONS

A significant recent trend has been the growth of hybrid delivery solutions using a mixture of carriers and postal services. Freight forwarders consolidate parcels from a number of retailers, ship them in one consignment to the relevant country, where they are customs cleared, and then put them into the post or transferred to local carriers whichever is best. By effectively 'unbundling' the sort of fully integrated shipping services provided by the likes of FedEx, UPS or DHL and working with an array of cost-efficient players at each stage, providers argue that costs can be significantly reduced and more tailored services – such as express or overnight – can be introduced.

MetaPack, for example, works with World Net Shipping to provide this sort of

“ A problem for cross-border European operations is returns, which in sectors such as apparel can commonly reach 40 per cent of sales ”

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service. The system allows retailers to print out the relevant local delivery label, using post or individual carrier, at the packing stage and then the parcels are simply collected by World Net, sent to the relevant country, sorted and delivered with no need for any further intervention. Asos is using this system and its cost effectiveness has helped enable free international delivery.

As international sales grow, the next logical step is to identify key potential markets and develop a local half-way house: a small facility where orders can be bulk delivered and customs cleared before despatch to individual shoppers. For Asos, target markets are the fashion conscious in Spain, Italy, France, Germany and China, while cycle specialist Wiggle, another Snow Valley customer, which translates its site into nine languages, has found good business in Russia.

Good relations with a carrier that understands the market is also important. Russia is generally regarded as being extremely difficult and one that many websites avoid handling. "Our test shoppers in Russia often find that although sites say they will deliver to the country, they can't actually place an order," says Clelland.

## FORM FACTORS

While part of the problem may be down to payment and card issues, addresses are a stumbling block. Non-English address formats can be rejected by sites or that vital last line, which in some countries includes the street or house name, is omitted in formatting. Some overseas shoppers also have to invent additional lines in their addresses to complete forms successfully – such as adding "la maison à côté le pont" in French villages without street names or house numbers.

China can be a problem too, as it seems some regional customs offices refuse to process parcels addressed in 'ping ying' (phonetic Chinese text) and the recipient must provide a copy of the address in Mandarin pictograms before the package will be released.

Once international trade is established, it may be time to consider local warehousing and stockholding – of best-selling lines only – in key countries. "You want to keep the fastest selling lines locally so that you can offer 24-hour delivery," says Roger Burns. "Once you get to that stage returns become much easier to handle as the product can be

## DIRECT APPROACH

"As volumes increase retailers will have to face up to the strategic issue of whether all fulfilment should come via the UK or whether goods should be shipped direct from manufacturing source. Retailers may want to keep everything under direct control but with high volumes UK logistics capability could be compromised."

Judy Blackburn, senior manager, supply chain, Kurt Salmon



## SPEAKING FROM EXPERIENCE



## INFRASTRUCTURE AND COSTS

"By far the most effective solutions as far as customer service is concerned is to have a complete infrastructure in every country that you trade – but that is very expensive and can only be a very long-term solution."

Roger Burns, development director, DHL Supply Chain

## REAL-TIME PRICES

"If you are going to charge the customer the correct landed cost price then you have to calculate that in real time and keep all duty information fully up to date – and that is a challenge for individual retailers."

Patrick Wall, CEO and co-founder, MetaPack



## FOCUS ON KEY MARKETS

"You have to have a strategic focus on particular countries and understand what the expectations for online shopping are in your target market: how do people expect to pay, what is the accepted delivery lead time or delivery options, and so on."

Sarah Clelland, marketing manager, Snow Valley

stored locally and not shipped back to the UK and you also avoid some of the customs issues."

A drawback, of course, is further dilution of the stock pool. "A single stock pool helps working capital and inventory visibility," says Judy Blackburn, senior manager, supply chain at Kurt Salmon, "but you may also need to tailor the stock options for local markets. Either way, spreading the stock-holding increases complexity." As Blackburn also points out, localised stock holdings may be expensive to maintain but they do mean you can offer lower delivery charges, which in turn makes your site more attractive to overseas customers.

"Fast, low-cost delivery is used by many online retailers as a significant marketing tool," she says, "but you cannot make those offers internationally if you are dependent on fulfilment from the UK. Perhaps in future we'll see online retailers trying to create 'click and collect' style offers by working with overseas

retailers, such as some of the French grocery chains."

Strategic choice of location can also enable operations in a number of countries: in mainland Europe, with its single market, a couple of well-sited warehouses in, say, the Netherlands and Romania, could enable 48-hour delivery to much of the continent. For the US, some argue the case for having both east and west-coast facilities as it generally takes at least two days for parcels to cross the continent. Spreadshirt has reached this stage, while Boden has a warehouse in the US supplying popular lines.

With a local warehouse and growing inventory embedded in a new country, the expanding international retailer is then like any others in that geography and can offer similar rapid delivery options. However, arriving at this point does not happen overnight: it's more likely to be the result of a strategic development programme taking five or even 10 years. ■



# PLAYING FOR KEEPS

IT'S EASY ENOUGH TO TALK ABOUT LOOKING TO FOREIGN MARKETS FOR GROWTH, BUT HOW SHOULD RETAILERS PLAN TO GO ABOUT WINNING NEW CUSTOMERS ABROAD AND THEN RETAINING THEM? **CHLOE RIGBY** SKETCHES A MAP TO INTERNATIONAL SUCCESS

**S**elling overseas has never looked so attractive to UK traders. The pound is still relatively weak against the euro and the dollar, while the maturity of our market means that British retailers are experienced in offering a level of service many overseas customers are not yet getting in their own countries. Thus many of those UK sites that have developed an overseas business are prospering, making this country a net ecommerce exporter. According to the Google *Connected Kingdom* study produced by the Boston Consulting

Group in 2010, this country exports £2.80 for every £1 imported via ecommerce. Offline, exports total 90p for every £1 spent on imports.

Small wonder then that retailers of all sizes are working out how they too can keep their international customers satisfied. From M&S, launching a clicks-and-bricks French operation to Argos's recently announced multichannel joint venture in China, UK retailers are moving fast into new markets.

What all share is a search for new sources of growth. They're inspired by visions of companies such as Asos, an

early pioneer in international markets and which in November 2011 reported that 58 per cent of its fast-growing sales were now made abroad. Asos said that its UK sales were growing at what most would consider a healthy eight per cent, reaching £88.69 million in the first half of its financial year. But that progress was far outstripped by the 150 per cent growth it reported in international sales, which rose to £122.17 million in the six months to the end of September.

Asos said it was planning for sales as high as £1 billion by 2015, and went on to say: "We remain very excited about the

continued prospects for Asos on the global stage and will continue to resource and invest in the business to exploit this unique opportunity. Despite the UK being more challenging, our profitable international expansion is more than compensating and we remain confident of achieving another year of significant progress and full year results in line with market expectations.”

Until recently Europe was the main place UK exporters looked for that kind of growth. But why stop there? Just as Argos is looking to China, so others are finding that countries from Brazil to Russia are home to receptive audiences. Indeed, the recent Boston Consulting Group report into Chinese ecommerce, *The World's Next E-Commerce Superpower: Navigating China's Unique Online-Shopping Ecosystem*, found that online is often the only place many consumers from a geographically huge country can find products that are not sold locally. And just as online commerce is opening up a world of products to overseas shoppers, so it can open up a world of customers for the UK's online traders.

The opportunities, therefore, are vast. But how exactly can UK retailers best plan to head into these vast and sometimes daunting new markets? Here, we take a look at some different strategic approaches.

## RESEARCH THE MARKET

As ever, market research is key – but online, much of that research can be automated. Those with an existing UK website, whether it's an ecommerce or an informational website, can use analytics tools to find out where overseas visitors are coming from, and use data from completed sales to see where spending originates.

Online sports equipment retailer LeSports saw traffic to its UK eBay shop building from the United States and from Australia. From enquiring about opening a dedicated US eBay shop to making it happen took just a month, says director James McIlvenny. “Sales came in straight away,” he says, and today, three years on, just under 50 per cent of LeSports £1 million annual sales are international.

McIlvenny adds: “Marketplaces such as eBay and Amazon are a very quick and easy way to test the marketplace. You can at least try a few bestselling products on Germany and see if you hit problems, and what sales are like. I'd recommend

## GOING LOCAL

“Within those countries we are essentially a local company. Our marketing, our promotions, the site and the payment methods and delivery methods are all localised.”

Richard Moore, head of international, Mobile Fun



## SPEAKING FROM EXPERIENCE



## UNIVERSAL VALUES

“Our core principles are about low prices, expanding selection, maintaining availability and providing good customer service: I think those are universal principles that apply everywhere in the world.”

Chris Poad, director, enterprise and merchant services, Amazon.co.uk

## RISKY BUSINESS

“As soon as you get into using different types of payment you need to think about the impact on your business – not only do the people who are working on my online store understand the different dynamics of payment types, but does my risk department understand them?”

Gabriel Hopkins, head of ecommerce products, WorldPay



anyone just to test foreign markets in a marketplace if possible.”

LeSports used ChannelAdvisor to manage their inventory across UK and foreign sites. Channel Advisor's head of key accounts, Julia Priddle, agrees that marketplaces offer a lower risk barrier to entry. “Some enterprise retailers might use paid search as another way to market into additional countries, but that usually requires them to have websites that are already translated into local languages, and local currency. We focus on marketplaces because it is an easier way to start.”

Amazon.co.uk's director, enterprise and merchant services, Chris Poad, says selling in European countries can offer opportunities not only in terms of demand but also on price. “If you're a seller with a respectable amount of selection on a UK site, don't underestimate the potential you might have in Germany, France, Italy and Spain – it can be really substantial. Often for UK sellers the fact is that in many categories prices are lower in the UK than overseas.”

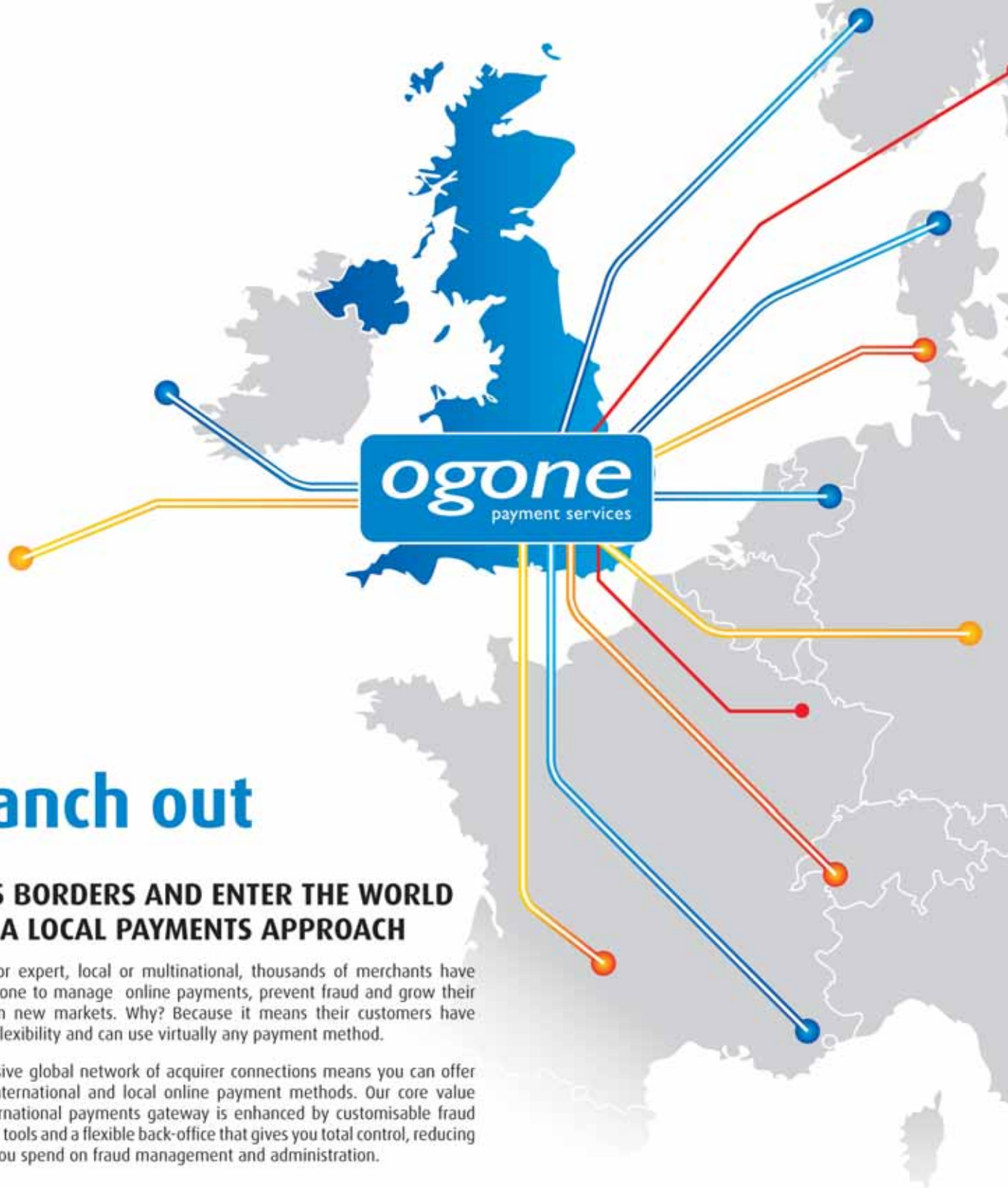
When Birmingham-based website Mobile Fun analysed customer feedback and visitor data it identified Germany as a major potential market for its range of mobile phone accessories. It has since gone on to open dedicated websites in France, the Netherlands and Spain. Its

head of international, Richard Moore says a number of other factors also inform its decision to go into a market. They include demand from the market, the size both of the market and of the country's population, and what proportion of residents have access to broadband. “It's a logical approach,” says Moore.

## FIRST STEPS

Simply allowing overseas deliveries from a UK website has proved a useful first step for many household names. Within weeks of simply adding overseas delivery options to its UK website in 2010, department store House of Fraser saw its international sales grow to two per cent of its total ecommerce sales. Likewise M&S, a well-known brand overseas, initially offered overseas shipping and later added the ability to pay in euros. But this autumn it launched a dedicated website, marksandspencer.fr, alongside a

“ Until recently Europe was the main place UK exporters looked for growth. But why stop there? ”



# Branch out

## CROSS BORDERS AND ENTER THE WORLD WITH A LOCAL PAYMENTS APPROACH

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new Champs-Élysées flagship store as it made a full return to the French market for the first time in more than a decade.

But today retailers do not even need their own website to sell abroad, thanks to the international sales options now offered by marketplaces. Chris Poad at Amazon.co.uk, says his company is working to remove those difficult parts of the export process that can deter traders from targeting new overseas countries. Thus its sellers can now sell into the different European territories where it trades, including Germany, France and Italy, from one account rather than maintaining several different country-specific ones. It also offers services such as Fulfilled by Amazon, which handles the logistics of delivering overseas, as well as the mechanics of organising delivery. All of these cost money but, says Poad: “If the scale of the opportunity is uncertain there’s a big point of friction to actually invest time and research in doing it yourself – and many merchants simply don’t.

“Our objective has been to try and identify all the things we can do to identify points of friction and get our sellers a substantially larger universe of customers and therefore hopefully higher growth rates for them.” Sellers can already use Amazon to sell into the USA, while over the next year it will be looking to make it easier to sell into – and buy from – China and Japan.

### TAKING IT FURTHER

But such an approach will not suit all retailers. Some might choose to emulate cycle and tri-sport retailer Wiggle, which has expanded into new markets by launching a series of fully translated

“ Cycle and tri-sport retailer Wiggle has expanded into new markets by launching a series of fully translated websites, taking local currencies ”

websites, taking local currencies. The company, which was bought for £180 million in December by the Bridgepoint private equity house, now sells to 88 countries through nine different language websites and in 15 different currencies. For more on translation see our customer engagement feature (see page 30).

Others might follow the example of mobile phone accessories retailer Mobile Fun, which launched into Germany and France by immediately opening offices to give local telephone support and to manage its local-language websites and related social media on the spot. But when it came to launching in the smaller markets of the Netherlands and Spain, it chose to have local managers working from its UK base. Its head of international, Richard Moore, says the company has tested out different ways of launching into a market, and that both have been successful, although each has pros and cons.

“It’s a case of us having a different approach to expansion but also minimising some of the risks and set-up costs. I think the pros of that are that you’ve got direct access into the experience that’s held in the office here as well,” he said.

Localisation, however, has been key to both. “From a customer point of view it’s important to feel they are in that country and ordering from a German,

French, or another of our sites,” says Moore. “We feel it’s not a translation exercise, it’s really getting set up in that country – it’s so important to have local managers in place to provide that local knowledge as well as combining the knowledge and experience of the UK team as well.”

### ALLOCATING RESOURCES

Clearly even those retailers who launch dedicated foreign language or country-specific are still serving other markets by offering only to deliver the goods or by using marketplaces. Rather than choosing between the two strategies, however, most retailers will develop their own approach that could use elements of both. Deciding where to allocate resources will be informed by that initial research, with the result that traders don’t invest too much in markets that may not pay off.

GSI Commerce’s Enda Breslin, vice president of strategy and client services, says that adapting an existing web store to meet the demands of a new market can give valuable insights into what is required to make a success of that territory. But, he warns: “Simply rolling out your existing web store (one language, one currency) is really only a viable solution to serve a high number of low-value markets, which do not warrant the localisation investment.” ■

## MAKING IT PAY

Offering alternative currencies for those paying by credit or debit card will come as standard for most payment processors, but, says Gabriel Hopkins, of WorldPay, it’s equally important to consider how else shoppers might want to buy. The credit card, for example, has famously low levels of use in Germany. In these territories, traders should instead be ready to take payment using the ELV direct debit system. And in the Netherlands, says Hopkins, the iDeal system is used for 60 per cent of online transactions. But, says Hopkins: “There’s no point taking alternative payments unless you’re going to get additional transactions you wouldn’t see otherwise.”

Looking beyond Europe, Nick Walker, regional director for Latin America at payment processor and fraud specialist Retail Decisions (ReD) points to the use of invoice payment in Brazil – where 60 per cent of Latin American ecommerce transactions take place – through a system known as the ‘boleto bancário’. Meanwhile, merchants aiming to work in China, he says, should accept domestic Chinese cards and also consider Alipay, the equivalent of PayPal.

Walker advises that merchants “need to look at keeping a common solution across all payment types and geographies to maximise the efficiencies they can get from

mitigating risk”. Other issues to consider are recent changes around the repatriation of funds from Argentina and Brazil, with a local registered subsidiary now required.

That, says Manish Patel, Regional Director Europe for ReD, is also an issue for those trading in some European countries – and research is required to establish which those are. “Some merchants won’t offer certain payment types on their website in some countries,” he says, “because they would need a local registered entity and they don’t have it. They potentially miss out on that part of the market where people only have that payment method in their wallet – it’s a trade-off really.”

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# GET TO KNOW THE NEIGHBOURS



RETAILERS HOPING TO SUCCEED ABROAD CLEARLY NEED TO UNDERSTAND THE CONSUMERS IN THE MARKETS THEY'RE TARGETING. SO JUST HOW DO YOU GO ABOUT BEGINNING A CONVERSATION WITH CUSTOMERS WHO MAY HAVE VERY DIFFERENT VALUES AND ATTITUDES TO YOUR OWN? **CHLOE RIGBY** INVESTIGATES

**I**nspiring trust is an important part of persuading any new customers to buy – online or offline, at home or abroad. Overseas customers will buy when they trust that UK traders will deliver on their promises. That means developing a strong reputation in new markets, while giving new visitors to a site good reasons to believe they're visiting a reputable destination.

But just how do retailers develop that relationship in unfamiliar territories? Even for those UK brands that already enjoy an international reputation, whether among expatriates or local consumers,

there is work to be done in getting to know new and potential customers.

## SPEAKING THE LANGUAGE

The task starts with being able to communicate with potential customers in their own language. For while many visitors from non-English speaking markets will be prepared to buy from an English-language site, many more will welcome the kind of localisation that tells them who this trader is and why they should buy from them – in their own tongue.

“We believe that customers want to shop on a website that looks and feels

local,” says Maddy Riordan, international marketing manager at biking and triathlon retailer Wiggle, a company where the website is translated into nine different languages to help it serve customers in 88 countries. “Language is the starting point for localisation, as customers will not shop on a website they can't understand.” As well as inspiring customers, translation also has the effect of pushing a retailer's website higher up natural search rankings, she says, since consumers tend to search for items in their own language.

Not that traders need to jump straight in. Those testing a new market may prefer





to launch into it with a lower level of commitment than that suggested by a fully translated website or product catalogue.

Daniel Rajkumar, managing director of specialists Web Translations, says an effective start can be made by translating just a few pages and launching into new markets with a microsite. That microsite could introduce the brand, showcase some bestselling products and provide prewritten answers to common questions, along with delivery and returns information. "The conversion rate won't be as high as if you had the full website translated," says Rajkumar,

### MANNERS MATTERS

"Care, not selling, will make locals feel like you are a welcome addition to their communities and not an unwelcomed spammer."

Justin Kistner, director of social products, Webtrends



### THE LONG VIEW

"Try to take a long-term approach to foreign markets. Have a strategy for advertising and promoting site as much as translating and preparing it – a lot of new or small retailers will inadequately budget for having their brand known."

Daniel Rajkumar, managing director, Web Translations

### LISTEN UP

"Understand, engage, and listen to the individual requirements of the market you're trying to enter. Entering new markets is a learning exercise: if you don't listen, then you can't expect to understand."

Enda Breslin, vice president of strategy and client services, GSI Commerce



"but it's a neat first step." Using analytics, retailers can see which pages brought in which customers, and evolve their presence accordingly.

But ultimately, he says, localisation is "where you want to get to". That means the user must feel they are the retailer's target audience, and that they are speaking to them directly.

Getting the quality of translation right is also key. PIXmania's general manager Ulric Jerome, speaking at the *Internet Retailing 2011* conference, told how the French electronics retailer launched in Germany with what it thought was a good translation company, only to meet with a barrage of complaints from visitors to the site. It decided to take the service in-house

**“ An effective start can be made in new markets by translating just a few web pages and launching a microsite ”**

– and still has its own dedicated internal translation team today.

On the other hand, Web Translations' Rajkumar argues that it can be difficult for a company to manage the performance of their in-house translator. "As the company needs more languages, has fluctuations and peaks in demand when products such as clothing need to be translated, that's

when you need a lot of people available to work in a very short timeframe," he said.

### CUSTOMER SERVICE

Most retailers will only consider it worth their while to become 'local' in their key overseas markets. But it seems they overlook local customer service in those markets at their peril. Speaking at *Internet Retailing 2011*, Jerome explained how PIXmania initially assumed that "everyone in Sweden speaks English" – and opted to serve the country with an English-language customer care service. This proved to be a mistake. "When they were saying, 'Hello, welcome to PIXmania,' our Swedish customers were hanging up the phone. Why? Because they thought we were not local. Even though they speak English, you need to address them locally."

Mobile Fun's head of international Richard Moore concurs that language is "vitaly important". He adds: "I'd hate to order something from France and end up speaking to someone in the UK. It's important for the customers in those countries that you're ordering from a Dutch or a Spanish site. From the customer point of view, if I found myself in that country, what would I expect? I'd expect the language to be localised, delivery and payment methods as well." That means dedicated phone lines at its French and German offices, while calls from its Spanish and Dutch sites come through to native language speakers in its UK offices.

Enda Breslin, vice president of strategy and client services with GSI Commerce,

says the failure to offer localised customer service is common – but a mistake nonetheless. Too often, he says, retailers only provide their international customers with an overseas phone number to call for service, at their own expense, and assume that the customer will pay to return unwanted items across borders. “Retailers don’t treat their own country customers this way because they realise the value of customer service, word of mouth, and repeat customers,” he says. “Why do they forget these rules when moving into new markets?”

### CULTURAL DIFFERENCES

Recognising cultural differences can also be key to engaging customers in different markets. This recognition ranges from how a retailer uses slang in different countries, to use of tone that is more relevant to local audiences. Rajkumar says that particularly in Asian countries such as Japan, China and Korea, there’s a more collective approach that contrasts with the western emphasis on individualism. The way a company presents itself will differ, with Asian sites more likely to feature a company statement on its history, vision and background. By contrast, says Rajkumar, western website users might be more interested in how a website is relevant specifically to them. “The thought process that different cultures go through does vary,” he points out.

The use of colour also needs to be considered: some colours have significances in other cultures that they don’t in the UK. White, for example, is a colour of mourning in China, Japan and associated with death in India. Meanwhile, in fashion and cosmetics, pictures should feature local models.

“A key thing to remember,” says Breslin, “is that any key learnings you may acquire in one market may not be transferable to another, and this is also true of your marketing efforts. Cultural, catalogue, and online histories have developed customer bases receptive to very different channels and messages. Even the dominance of the likes of Google or Facebook don’t hold true the world over, and neither will your ‘one size fits all’ efforts.” That means research to understand what makes each local market different is of the essence.

In addition, as considered in our strategy feature (see page 26), the use of payment types that are familiar to foreign audiences is also important – as are local currencies. Wiggle’s Riordan says that while many of its customers are happy to

shop in international currencies, it noticed a large rise in conversions after introducing its first local currency. “Seeing prices in the currency you understand helps customers to compare prices without thinking about exchange rates,” she says, “and also adds reassurance that Wiggle is a website they can trust.”

Riordan adds: “Not having the right payment method for customers is a little bit like not having someone behind the till in a shop and websites will see customers dropping out at the checkout stage of the online journey in territories where they haven’t got the right payment methods.” Thus Wiggle offers bank transfer in Spain, iDeal in Holland and the JCB card in Japan, and has plans to launch more payment options in 2012.

### FROM SEARCH...

Making it easy for your products to be found when overseas consumers are looking for similar items starts with a good search strategy. Online marketing tools such as pay-per-click and search engine optimisation help to drive traffic to the website, and can be supported in key markets by online ads and email campaigns.

Mobile accessories retailer Mobile Fun, for example, says its focus when building brand awareness in new markets is on link building and PPC campaigns, as well as SEO. According to Pixmania’s Ulric Jerome, the electronics retailer has more than 50,000 affiliate websites, of which two-thirds are outside France. It works with more than 120 price comparison websites in every country that it operates in and has more than 4.5 million keywords listed on Google, managed through automated tools that calculate the ROI of each keyword.

### ...TO SOCIAL MEDIA

Wiggle’s Riordan says local online marketing helps build credibility, which is also boosted through the word-of-mouth brand-building that takes place over social media, from reviews on the website to recommendations on forums or affiliate websites. “Offering great customer service, reliable and efficient delivery and having a great range of

products is critical in generating a base of customer who not only want to shop again but also want to recommend us to their friends,” she says.

Mobile Fun says its locally based managers use methods such as Google Plus and Facebook ‘likes’, as well as tweeting to Twitter followers. Decisions on what social media to use are based on feedback from its country managers as well as market research.

In markets where turnover justifies high levels of interaction using social media, it may be worth employing a community manager who speaks the local language, working either from UK offices or in the country itself. The latter option, says Justin Kistner, director of social products at Webtrends, would ensure they were very aware of local events and trends. For those retailers just getting started, he recommends focuses on no more than two social channels in each country. Those, he says, should be Facebook alongside any local popular social network. In Brazil, for example, that might be Orkut. When deciding what content to use on social networks, he suggests focusing on posts that inspire discussion – since the posts with the most likes and comments come higher in Facebook feeds.

But, he cautions, building a strong positive reputation online takes time – and “small actions”. “Simple steps such as creating a localised presence in social for each of your target countries will go a long way,” he says. “Maintaining a consistent publishing cadence and responding quickly to comments will earn a business a quality reputation.” In the most lucrative markets he suggests that paid media options, from sponsored stories to promoted tweets, can help grow a fan or follower base faster.

But social interaction should always be two-way: retailers can learn much of their new customers through the way they like to interact. Beyond simply observing this, Kistner also suggests testing different types of content, such as status updates, photos, and videos and also analysing social interactions to find patterns of the type of posts that inspire positive sentiment. ■

“ When deciding what content to use on social networks, focus on posts that inspire discussion ”

In early 2010, said Markus Schilling when we spoke to him for this supplement, most companies were only just taking their first steps in cross-border retailing. The difficulties in the nuts and bolts of ecommerce, such as different payment methods, language and fulfillment issues, looked daunting. Fast forward 24 months and things look very different. As Schilling, merchandising services director with Avail, says, it's increasingly common for companies to have begun to implement true cross-border commerce.

So it is that Nordic companies, having rolled out services to near neighbours, have also moved into Germany, the market that has most in common with their own. UK companies have adopted a variety of strategies for moving into Europe, from targeting expats to the recent M&S decision to again launch into the French market. What was talked about has become real. There are plenty of other examples here too.

That doesn't mean companies have stopped talking about moving into new foreign markets, but now the conversations increasingly centre on

what we might call true international commerce, whether that be looking to Asia, Russia, North and South America or Africa.

The difficulties here shouldn't be underestimated. If cross-border ecommerce is the equivalent of a first degree at university, international often requires PhD-level application. To take just one example, the potential for growth in China, with its increasingly affluent middle class coupled with high economic growth rates, is obvious. But just how do you go about targeting these consumers?

At a basic level, there's the Great Firewall of China to cope with. China may be plugged into international trade, but it's not a democracy. The authorities are suspicious of the spread of foreign influence via the internet and other digital technologies.

Even if you do launch a local website, you then come up against the Taobao factor. If everyone is comparing what you have to offer with competitors through this marketplace, which in China they probably are, how do you differentiate what you have to offer in a way that's relevant to this specific group of consumers? Remember too that these

customers use social media in different ways to European consumers (and so far as even European consumers can be said to use social media in specific ways...).

Nevertheless, we suspect that were we to return to the subject of cross-border and international trade in two years time, we would find that forward-looking companies have made big inroads in China (as indeed retailers such as Tesco and B&Q already have.)

The lessons learnt from these forays won't just affect the way these companies tackle business in Asia – they will loop back and affect the way they do business in markets closer to home. We really are just at the beginning of rolling out true international ecommerce, and it will be fascinating to see how this area develops.

We hope you've found this supplement useful and informative. Each of *Internet Retailing's* series of supplements explores key questions facing retailers today. We welcome your ideas and suggestions for future themes at [editor@internetretailing.net](mailto:editor@internetretailing.net).

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