

# INTERNATIONAL & CROSS-BORDER



January 2013

an internet retailing special report

sponsored by:



# Editors' comment

Welcome to the latest in our series of *Internet Retailing* supplements, where the focus is on international and cross-border sales. And it's a timely theme for the New Year issue with its resonance of new starts and new horizons. When some retailers are finding extraordinary levels of growth in new markets that far outpace the UK's steady expansion, it's not surprising that more traders are making international trade a New Year's resolution.

Andrew McClelland, managing director of retail trade association IMRG, who talked to us in the course of our research, had this to say: "We're predicting 14 per cent growth in 2012 – that's good by anyone's measure, particularly in the current economic climate.

"But I think if you are a UK-based retailer it's worth starting to look at where that exponential growth that we've seen in the past is going to come from. You can still find that in other territories around the world and if you're looking to sustain that level of growth you need to be looking outside the UK and arguably outside the EU 27 as well."

His comments come at a time when once-emerging markets are now flourishing. Chinese marketplace owner Alibaba.com recently claimed the number one spot in world ecommerce when sales on its two shopping websites, Taobao and Tmall, passed the RMB1 trillion (\$157 billion) mark, a milestone that it says will this year put it beyond its nearest rival, eBay. Closer to home, growth in less-developed European countries is forecast to be well ahead of the 14 per cent predicted in the UK. Eurostat figures, which we cite in our cross-channel section (page 18), suggest the French ecommerce market will grow by 22 per cent in 2013, while other markets are also expected to enjoy impressive rates of ecommerce growth.

Unsurprising then that another interviewee, Paul Bolton, director of product and corporate strategy at the Ivis Group, told us: "Really there are only two ways that retailers are seeing growth at the moment. One is to move more multichannel by opening more channels. The other is internationally. If you can combine the two together there are huge benefits available. There is an element of stagnation in the domestic market and it's those overseas markets that are going to help to see us through this stage in the UK market."

If these seem good reasons to invest in overseas markets, following in the footsteps of retailers from Marks & Spencer

to Aurora Fashions, owner of Coast, Warehouse and Oasis, then the next question is how. And that's where we focus in this supplement, asking practical questions about how retailers can make international trade, 21st-century style, work for them.

In our interface and design section (page 10) we consider how retailers are experimenting with rolling out in new territories quickly, and how new kinds of retail-service hybrid brands may affect the wider ecommerce landscape in the future.

Then, in our merchandising feature (page 14) we ask how retailers can best display goods so that they sell in other countries. Here we go beyond questions about photography and imagery to consider issues such as weather, seasonality, managing time zone changes, ordering site search results and how far tasks in this area can be delegated to in-country teams.

In the cross-channel feature, M-Retailing editor Paul Skeldon considers the challenges involved in taking a cross-channel retailer into foreign markets. Taking account of different mores in different cultures, he argues, is a prime consideration for companies as they move overseas.

Getting logistics – and returns – right is crucial for traders who want to make their overseas adventure a profitable one. That's an issue that retail technology writer and expert Penelope Ody considers in our logistics section (page 22).

In our strategy section (page 26) we analyse some of the questions that retailers planning to sell overseas must consider, from whether to have a dedicated website or set up a marketplace webshop, and whether to localise – or not.

And in our customer engagement feature (page 30) we consider how retailers can build a reputation and benefit from word of mouth in new markets where they may be relatively unknown. Social media, search strategies and the benefits of a mobile marketing strategy are all covered in this piece.

*We hope that between them the features in this supplement will help to give you useful and practical insights into expanding into new markets profitably. We'd be interested to hear your thoughts – do get in touch.*

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Internet Retailing  
SJP Business Media Ltd,  
6 Laurence Pountney Hill, London EC4R 0BL  
Printed in Great Britain.  
ISSN 1759-0582

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# WHAT ARE THE PRIORITIES FOR RETAILERS WHEN MOVING INTO NEW INTERNATIONAL MARKETS?



W

hile the UK ecommerce market continues to offer huge opportunities for retailers, especially with the rise of cross-channel retail, it's mature by international standards. Small wonder then that many retailers are now looking for new ways to grow revenue base and expand brand reach.

Looking overseas is an obvious way forward, especially when you consider the sustained high rate of growth in international ecommerce, which according to consultants AT Kerney has been running at 13 per cent CAGR (compound annual growth rate) over the past five years. Looking ahead, industry association IMRG's *B2C Global e-Commerce Overview 2012* predicts that France, Italy, Spain, Russia, Turkey and Poland will be the fastest-growing markets in Europe.

This tallies with what we're seeing at Barclaycard. Whether or not it is an explicit strategy to sell abroad, almost all of Barclaycard's ecommerce merchants are already taking payments from customers outside of the UK. Moreover, our customers are most regularly engaging in cross-border trade with consumers and businesses in China, the USA, Australia, Ireland, France, Germany and Canada.

This experience tells us the top priority for retailers moving into new international markets should be to ensure a solid understanding of the local market dynamics and consumer preferences. This will in turn enable retailers successfully to localise the following four key elements of the business for each market:

- **Marketing techniques:** successful techniques for driving traffic to retailer websites will vary from country to country. It is important for retailers to seek advice from local marketing agencies on how

best to reach customers. For example, the direct translation of keywords for pay-per-click campaigns can result in missed opportunities because the terms consumers search for can differ in each market. Additionally, different advertising and social media strategies will need to be adopted for each market.

- **Web presence:** in new markets where a retailer's brand is not well recognised, it is important to present the website in a way that makes customers confident the retailer is legitimate. This can encompass the way in which the shop is presented, the use of language, trust marks and local support numbers. These are all key factors that make consumers feel comfortable enough to complete purchases. This can be something of a balancing act: the key to successful expansion is to understand the market you are entering and to tailor your website to the market, but at the same time to retain the authenticity of your brand.

- **Product lines:** many retailers will not offer their product range in all markets. A solid understanding of the market plus consumer behaviour and preferences will enable retailers to tailor the offering in the correct manner to attract customers. Choose the product lines that present the best opportunities, find a niche in the market, and then build the brand and product offering from there.

- **Checkout experience:** this is critical. If a retailer has successfully attracted a shopper to the point of selecting a product to purchase, having them then abandon the sale because of a bad checkout experience is both frustrating and



**I**nternational markets offer retailers the chance to significantly extend their revenue streams. This can often be done with few or no changes to the products on offer, which makes the proposition even more enticing. However, the process for getting products into the hands of the customer is highly complex, if retailers want to do it at a profit.

There are three main areas of priority:

- Preparing for online
- Managing the whole supply chain
- Optimising the warehouse

### MOVING TOWARDS ONLINE

As retailers increase the volumes of international orders, it's inevitable that the balance of online/retail orders shifts as well.

The challenge is that most organisations were set up to prioritise offline orders and their online processes can be inefficient as a result. As online orders increase in line with international expansion, companies need to make sure that their warehouses and whole supply chain are set up to handle the new profile of their customer orders.

### INTERNATIONAL SUPPLY CHAIN MANAGEMENT

Most retailers will import finished goods into the UK for sale in their stores. This process can be highly cost effective where the right calculations of production, shipping and handling costs are done.

The challenge of moving to an international customer network is that shipping into the UK and then out to the customer may not be the most profitable route for a product. For example, if a customer is in Spain and the goods are manufactured in Morocco, shipping to the UK first would be inefficient. Alternatively, mailing the goods to the customer directly from the factory saves time and cost.

### OPTIMISE THE WAREHOUSE

The expansion into new geographically markets puts extra pressure on the supply chain to maintain profitable fulfillment, especially when extending into international ecommerce. As an example, many retailers launch into an international market with a retail fulfillment capability that is not configured for the different challenges of picking ecommerce orders.

International warehouses do not often have the flexibility to perform a standard case pick for a retail environment, as well as the piece pick of multiple orders that is required to maintain an efficient and profitable operation.

### MAKE THE WORLD YOUR STAGE...

International retailing provides great opportunities for increased sales. It is a daunting proposition, but global growth may be more attainable than you think. The key is to keep focused on fulfilling orders and satisfying your customer while simultaneously reducing costs with a truly efficient supply chain.

[www.manh.co.uk](http://www.manh.co.uk)

often preventable. The checkout experience is the most important point at which the trust of the consumer should not be placed in doubt. To win this all-important trust during the checkout process, retailers must at the very least offer the shopper the following: (a) displaying the price of the goods in the local currency. Not pricing in the local currency will make the shopper immediately doubt the sophistication of the merchant and their ability to deliver; (b) offering local payment methods because, although credit and debit cards are used internationally in many markets, they are very low down on shoppers' preference list in some countries. Offering the right payment methods for the market will give the shopper the choice and convenience they already receive from local competitors. Lastly, the checkout pages should look and feel like an extension of the merchant's web shop, a dramatic switch in look and feel during the checkout experience creates mistrust with the shopper. Retailers should choose payment providers that have the ability to offer all of the above services.

One of Europe's largest and most experienced payment acceptance providers, Barclaycard has the expertise and experience to offer practical help to retailers that are targeting new markets and increased international sales.

*Ed Black, Head of ecommerce,  
Barclaycard Global Payment Acceptance*

[www.barclaycard.co.uk/business/accepting-payments/e-commerce/](http://www.barclaycard.co.uk/business/accepting-payments/e-commerce/)



# WHAT ARE THE PRIORITIES FOR RETAILERS WHEN MOVING INTO NEW INTERNATIONAL MARKETS?



**T**he UK ecommerce market is one of the largest in the world, but is also maturing, making it difficult for new and existing businesses to stand out from the crowd. The good news is that online sales are set to continue to grow in western continental Europe, making cross-

border ecommerce the best strategy for success for UK businesses in 2013. But if you want to build a successful business model overseas, it's absolutely imperative to understand the consumer habits and payment methods in each country and adapt to them.

In the UK debit and credit cards are popular, and 90 per cent of all purchases made online are carried out via bank cards. When reaching out to UK customers that's fine, but if you're applying the same rationale when moving your online business into Europe, you'll be missing out on a large number of potential consumers. If you're thinking about shipping your goods and services into the Netherlands, for instance, it's absolutely critical to consider iDEAL, an online bank transfer solution that represents more than 70 per cent of all transactions. In Germany, the use of debit and credit cards is similarly low and there's even a wider range of payment methods, such as bank transfer, Paypal and online banking.

"A good payment solution provider will provide a consultative approach and has the specialist knowledge on the markets you want to target," says Julian Wallis, Head of Sales at Ogone, UK and Ireland. "It will explain to you what the different forms of payments are in each of these markets. You can set up a collecting contract with a PSP that can actually group together some of those key payment methods. With that single contract you're opening up your business to a much wider audience and you're able to accept many more payment methods in one hit. Applying the right payment methods can typically increase a merchant's conversion rates and subsequent turnover by around 25 per cent, so it's an important choice to make."

Ultimately, it's about accelerating the growth of your business by penetrating more markets, reaching more consumers and reducing the risk of people leaving the shopping cart once they get to the checkout page.

[www.ogone.co.uk](http://www.ogone.co.uk)



**O**nline retail is dependent on consumer trust. Every time a customer makes a purchase he is trusting that the goods will be delivered on time, in good condition and if there are issues they will be resolved.

It's clear these assumptions dictate consumer behaviour and the impact of this is often more significant when we consider international trade. Consumers can find it difficult to judge how trustworthy an unfamiliar international shop is.

With these factors in mind, here are three points a retailer should prioritise when looking to expand into new international markets:

- Ensure the website's look and feel encourages trust: from recent Infas research we know that two thirds of online shoppers say a trustmark such as Trusted Shops is important or very important for them if they are considering a purchase from a company that is based abroad. It's important the website reflects a company's knowledge, expertise and reliability
- Know the relevant legal obligations: all countries, even within the EU, have slightly variations on rules governing online retail. For instance, the minimum return window is seven working days in the UK but in Germany it is 14 days. As a retailer it's vital to become familiar with these differences if they hope to sell in new regions
- Security and data protection: concerns about personal data are at an all-time high and people are particularly weary of how websites outside of their own country will operate. Because of this a retailer's website should have a robust secure data practice that is communicated to the customer

When consumers look for a good deal, being able to consider products from other countries can bring huge savings, but the research shows shoppers often worry about what will happen if something goes wrong.

Trustmarks that support all parties in an online transaction, be that legal or monetary concerns, are one of the key initiatives that can support international retail. No matter where the consumer comes from, if he trusts, he will buy.

*Jean-Marc Noel, co-founder and managing director*

[www.trustedshops.co.uk](http://www.trustedshops.co.uk)

**D**espite the significant opportunities that exist for UK retailers, the UK still represents only three per cent of the global ecommerce market.

Much has been reported about how many retailers are missing significant opportunities by relying on local economies alone and how international expansion represents not only the future, but a *must* for retailers wishing to continue to expand in the global economic climate. However, international expansion isn't always easy.

Why? The reality is that global success requires far more than a desire to sell. Whilst there are many consumers out there wanting to purchase goods from 'faraway places' they also wish to be treated in a way which is familiar to them. Localised service is vital.

The key to successful global expansion is knowledge. Knowledge is king. It is vital for retailers to be able to enter a market with a clear understanding. A clear understanding of the market, in-country communications, the process and the culture. This is all vital in achieving a successful delivery experience.

Customs clearance can cause delivery delay with the progress being made often an unknown factor. A comprehensive understanding of, or choosing a partner who appreciates the complexities of EU vs non-EU and duty vs intrastat is paramount. This knowledge and understanding can also help avoid unexpected shipping or duty costs, which can degrade the post-purchase experience.

To ensure you can offer a seamless customer experience, consideration should also be given to how you integrate your chosen duty solution into your online shopping experience. Full tracking and visibility throughout the entire delivery lifecycle could reduce the volume of inbound consumer queries or provide real-time information, offering you the control to, within reason, enquire about change requests at any point during the delivery journey.

The wnDirect delivery solution has been built in direct response to this environment and not as a work-around as with many other solutions.

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

# THE NEW RULES OF INTERNATIONAL RETAIL

EXPANSION INTO NEW INTERNATIONAL MARKETS OFFERS HUGE OPPORTUNITIES FOR RETAILERS, BUT COMPANIES NEED TO BE AWARE BOTH OF UNIQUE LOCAL FACTORS AND WIDER DEVELOPMENTS IN CROSS-CHANNEL RETAIL TO MAKE THIS WORK



**T**o understand clearly why retailers need to take international sales seriously, look at Italy. Even as the Eurozone crisis dragged on and on in the midst of a global economic downturn, marketer figures suggested B2C ecommerce sales grew by 32.1 per cent in 2011, with a 25.5 per cent increase

predicted for 2012. Quite simply, there are huge opportunities for retailers in less mature ecommerce markets.

Once, this would have seemed like an opportunity quickly to set up a website and try to grab some business. Which isn't in itself such a bad idea of course, but it's an approach that risks overlooking Italians' deeper cultural relationship with

digital technology. In Italy, 98 per cent of the population aged 15 and over owns at least one mobile, and style-minded consumers are keen on upgrading to new smartphones. If a retailer is really to take Italy seriously rather than pick up a few sales from the curious, it's clear the company needs think strategically about its mobile offering as well its website.



For Francesco Tirelli, head of international and ecommerce account development at Barclaycard, such examples illustrate a wider trend. "When I speak to my clients I say to them the [international] market is democratised," he says. "Customers decide how they want to pay and which currencies they want to use. And even in which moment of the day they want to pay. When a client is moving into another market in the past they used to have the approach, 'I am the big brand in this sector, I decide how my clients operate, on their mobile or on my website.' Now I think the opposite is happening: it is the cardholder who has the power."

Make no mistake, customers are beginning to use this power. BT futurologist Dr Nicola Millard uses the phrase 'monster customers' to describe the kind of smartphone-wielding consumer who will stand in a bricks-and-mortar store and demand a price they've just found online be matched. This is, of course, an extreme example and yet one way to approach expanding into new markets is to realise that there's increasingly something of the monster in all customers, wherever they live. They – we – all expect localised digital offerings and they – we – are increasingly likely to shop elsewhere if these aren't forthcoming.

Tale something as 'simple' as the checkout page. This actually isn't simple at all. While the British are happy to use credit cards, for example, Germans prefer to pay by bank transfer. Any site that doesn't reflect these local preferences will jar with the customer, make them less likely to complete a purchase. "One thing I always stress when I'm in a client meeting is pay more attention to your payments page," says Francesco Tirelli.

Dealing with such issues, it's important to realise, is about more than coping with the challenges in an individual territory and then moving on to the next territory, it's also about building up expertise and learning for the next time around. Looking beyond 2013, this is only going to become more important as retailers look to territories that offer growth potential but, from a European perspective, aren't so reassuringly close to home.

Within this context, fraud prevention will inevitably be a concern, making an expert partner such as Barclaycard essential as companies encounter fraudsters who use unfamiliar methods. "We can share our experience with our clients and highlight areas of potential

### UNEXPECTED SALES

"The beauty of the internet is that anyone globally can access your site. Although you may actually be specifically targeting, for argument's sake, Spain, there are plenty of countries around the world where Spanish is the main language, so you could quite easily get Argentinean or any other South American card holder approaching your site because they recognise the language, the brand and you can also offer the relevant country's currency."

Steve Clay, head of international sales, Barclaycard Global Payments



## SPEAKING FROM EXPERIENCE



### CURRENCY CONVERSION

"Offering the customer the chance to pay in their local currency is a massive opportunity that many retailers don't take advantage of."

Francesco Tirelli, head of international and ecommerce account development, Barclaycard

### BE DISTINCT

"You can't just place yourself into a new market and think people will buy from you. You have to know how to do things to suit that new market and look more like a domestic player. But the thing is to do that in such a way that you don't lose your brand."

Lefras Coetzee, product manager, international ecommerce, Barclaycard



“ Across the world, customers expect localised digital offerings ”

weaknesses within fraud screening and work with them to ensure that losses from that site are kept to a minimum," says Steve Clay, head of international sales at Barclaycard Global Payments.

But any concerns over fraud don't seem to be putting off retailers. "People are now looking at more difficult expansion projects," says Lefras Coetzee, product manager, international ecommerce at Barclaycard. "Even having a small or relatively modest success in the USA could make a difference to a merchant because

it's such a big market. China is booming tremendously at the moment. The BRICS countries are starting to do well."

As we've already noted, such projects won't be a case of simply moving into new territories and showing locals how it's done. Rather, this will be cross-border expansion that takes account of local factors, all happening at the same time as mobile and cross-channel retail really begin to take off. Intriguingly, this may in turn produce new ways of doing things that go far beyond click-and-collect and spread internationally. Who knows, for example, what African countries where the majority of the population accesses the internet via their phones may have to teach Europe about mobile commerce?

Companies will need to be nimble to adapt to this changing world, but those that do will reap the benefits. ■



barclaycard



# WHEN SPEED IS OF THE ESSENCE

**INTERNATIONAL DESIGN PROJECTS NEEDN'T BE LONG AND COMPLEX. THERE'S A LOT TO BE SAID FOR COMPANIES ROLLING OUT PROJECTS QUICKLY AND LEARNING AS THEY GO. BUT ONLY IF THEY ALSO LOOK AT WIDER ISSUES AROUND HOW THE COMPANY HANDLES DATA, DISCOVERS** JONATHAN WRIGHT

**T**o play devil's advocate for a moment, retailers babble on incessantly about the difficulties of moving into new territories. Really, you would sometimes think that opening a new Italian branch of a virtual shop is the equivalent of Napoleon marching his army into Russia's heartland.

Okay, so that's something of an exaggeration, but it does highlight how big, top-down-driven, cross-border projects can sometimes start to loom so large that a sense of proportion gets lost. That's particularly relevant at the

moment because these are strange times for retailers. On the one hand, the wider economic outlook continues to look uncertain, an argument for caution. Against this, there are huge opportunities, for example, for grabbing market share in territories where ecommerce is as yet underdeveloped, an argument for investment and expansion. Stick or twist, which is it to be?

One answer is to choose both, which isn't necessarily as contradictory as it first appears. Without wishing in any way to underplay the difficulties around cultural factors, logistics and wider strategy

outlined in the features that follow in this supplement, it's worth remembering that one reason that new virtual shop in Italy looks such an attractive proposition is often because Italian customers have already found and started using another version of the website.

Instead of an expensive, bells-and-whistles launch that anticipates every single design problem a retailer might encounter in Italy, why not build on what the retailer has already learnt? "What we see [in the market] is it's not the one-platform-fits-all approach anymore," says Stefan Schmidt, vice-president of product

## SPEAKING FROM EXPERIENCE

### THE MOBILE FACTOR

"Regardless of what market you go into, mobile has become a major factor and smartphones have certainly helped. But even if you go into markets you might think of as undeveloped, the fact is actually mobile is often a much bigger force there than the landline. The infrastructure is what enables mobile there."

Stefan Schmidt, vice-president of product strategy, Hybris



### NOISY NEIGHBOURS

"One of the key differences with Japanese and particularly Korean markets is the amount of noise they have, that there's a constant battle for attention and a mass of items. Levels of expectation in terms of the amount of noise and information provision and the kind of available distraction is much higher in Korea than in the UK. Most people in the UK would just be off the site immediately, but maybe

we're going to see more Korean-influenced design on the basis people are more interested in it now."

Richard Sedley, design director, Seren



### KEEP IT SIMPLE

"There's a lot of complexity around the way that people produce content for one region and it's not complexity that should be there, but because of bad design. It's generally quite hard for certain people just to change the content of their UK site. I think we'll see that getting a lot better and that will make it easier to do cross-border."

Mo Syed, head of user experience, Ampliance



technologies (an ethos that sometimes gets pulverised by the day-to-day reality of life in big organisations); and an approach to design that sees it far more in terms of an ongoing process rather than a series of grand, project-driven exercises that have specific and fixed goals in sight.

This may initially appear to be a rather flaky approach, but a paradox of looking at design projects in this way is it requires real discipline. If something doesn't work, this needs to be recognised and fixed. Where something does work, it needs to be reinforced and built upon. Feedback loops matter.

As, it has to be emphasised before moving on, does the underlying

foundation from which retailers operate. A recurring theme in these supplements in recent months has been an increasing recognition that the way companies handle (big) data is in part a design issue. One reason that companies such as B&Q have invested so heavily in product information management (PIM) systems is to ensure data is from the same source wherever it's used. Such systems can be used to 'feed' international websites so that information is consistent across the company.

"From the vendor side, I think the central challenge for cross-border is how do you make a workflow where you efficiently produce regional content and organise and manage it," says Mo Syed, head of user experience at ecommerce specialists Ampliance. "That's a difficult thing to do, you've not just got different languages but potentially different assets as well." These assets, he adds, may ideally even need to be presented in different ways within different regions of a territory.

Telling a similar story from another part of the industry, David Brint, sales director of image specialists SpinMe, says companies are also starting to look anew at how they organise photography.

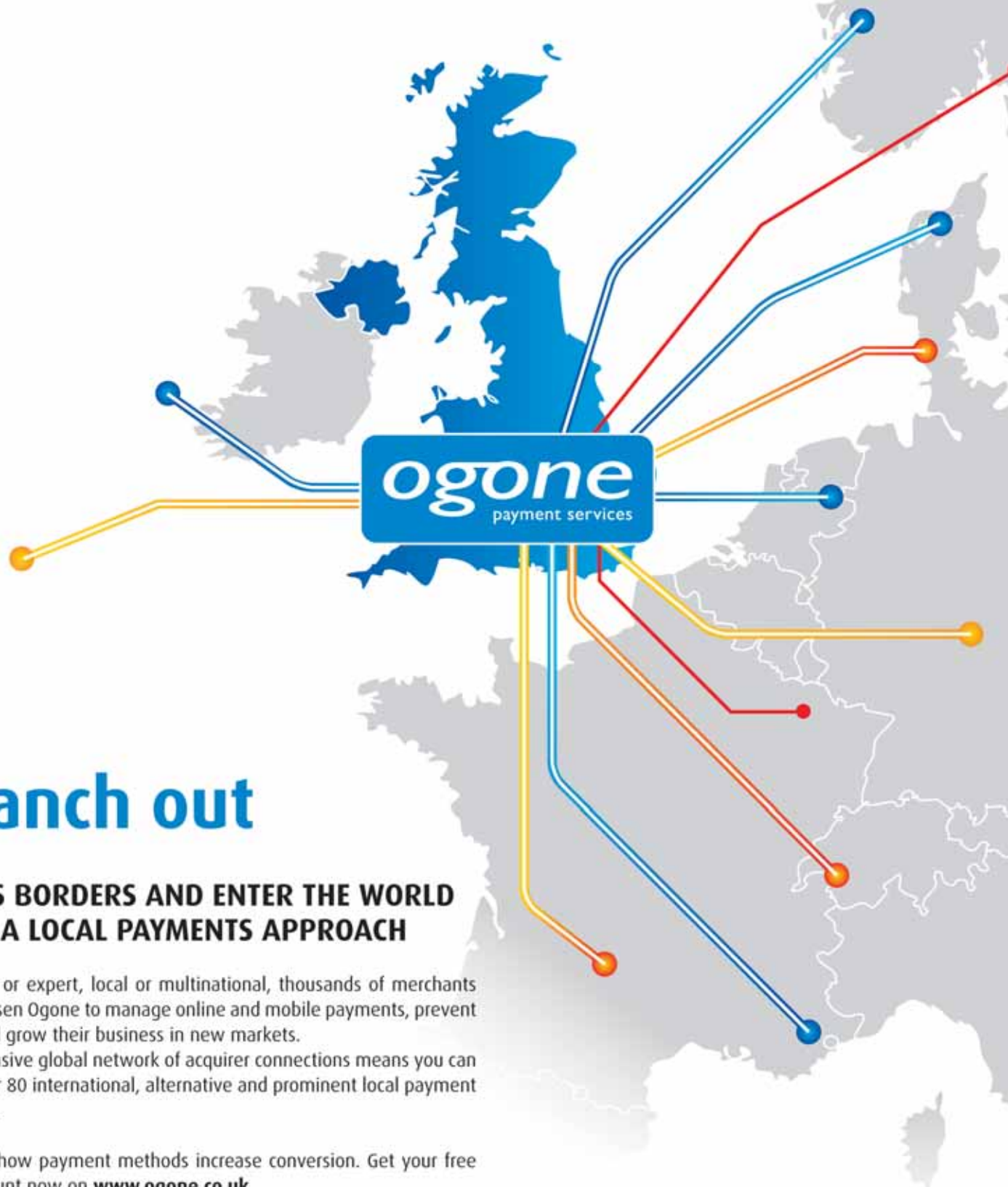
strategy at ecommerce technology company Hybris. "People are basically looking at how can we design the international operation according to the market, and how can we enable the new outlet, the new market very quickly, and then let that grow to its own rhythm? And then, when it actually grows, do we want to bring it back into the enterprise, the organisation, or do we let it keep going?"

### MAKING THINGS FLEXIBLE

It's both an approach that's in keeping with the quick-and-nimble ethos associated with working with digital

**" The fact is actually mobile is often a much bigger force there than the landline. The infrastructure is what enables mobile there "**





# Branch out

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

Beginner or expert, local or multinational, thousands of merchants have chosen Ogone to manage online and mobile payments, prevent fraud and grow their business in new markets.

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Did you know you can already group most local payment methods in one single contract?



A WORLD OF LOCAL PAYMENTS – JUST ONE CLICK AWAY

“Retailers have been looking at how to ship goods internationally, more effectively and quicker,” Brint says. “Now they’re looking at making sure their website enhances the products and works internationally.” This has meant companies looking, for example, to set up studios in China so that goods can be photographed in different ways ready for use on websites before they’re shipped overseas. (See the merchandising feature on page 14 for more on imagery.)

A quick-and-nimble approach, then, doesn’t somehow preclude grappling with big questions. Just the opposite, it throws the spotlight on the place of design in business processes because it’s a lot easier to move into new territories if the overall way a retailer handles information has already been thought through. For similar reasons, responsive design, which allows companies to distribute information dynamically across different kinds of interfaces, is also becoming more and more commonplace.

## CULTURAL COLLISIONS

But whether companies prefer to jump into new territories or take a more traditional approach that emphasises market research and stronger controls from the centre (and it’s worth noting we’re in no way arguing against this *per se*, but exploring other approaches), business processes, workflow and dynamic design will only help so far when it comes to tackling cultural issues. To take an extreme example from a European perspective, consider a country such as South Korea. Compared to his home country’s websites, Psy’s kinetic ‘Gangnam Style’ video, in which the K-pop star barely stops moving except when he’s rapping while sitting on the toilet, is positively understated. Or less noisily, consider the ubiquity of online marketplace Taobao in China when compared, say, to the place eBay occupies on the retail landscape in the west.

Yet the undeniable fact that we’re all horse-dancers now, at least until the next cross-border meme comes around, and that Taobao in 2012 moved towards accepting international credit cards, emphasises that we shouldn’t see these cultural differences as somehow fixed. As consumers, we all hanker after novelty, which in turn produces new mutations and hybrids.

“[Even if you had a user interface] that was incredibly fussy, that was drawing for

its inspiration from Korea, by the time it’s come over here, it’s done as irony not as culture, that’s the classic dialectic,” says Richard Sedley, design director at customer experience and design specialists Seren. “It might even look the same, but actually the context in which it’s in gives it a different meaning.”

Another way to look at that is to say the context changes the story. Looking ahead, as a few forward-looking brands are already beginning to do, this is something that companies may need to think about far more. One of the problems with moving into a new territory is there will likely always be an existing and established competitor that

“As consumers, we all hanker after novelty, which in turn produces new mutations and hybrids”

understands the market. How can a company differentiate itself?

One way is to look at customer service. Richard Sedley is interested in new kinds of companies that combine retail with services. He cites the Dollar Shave Club, where customers have razors delivered each month. While he concedes that “providing services across borders is sometimes not as easy as simply shipping a product”, the other side to this is that effectively designing a new approach, telling a new story, can be a great way to make a company stand out. However, this story still needs to be tempered for local markets.

“You do have localised preferences,” says Sedley. “Germans are much less likely to share, because they’ve got a much greater sense of privacy than in the UK. It’s partly generational. I know it’s a caricature, but people don’t tend to care about what they’re sharing in the UK, especially the younger you are. So probably if you were going to create something that’s a bit more focused in terms of story for the German market, you’d emphasise the privacy aspect probably more than the ease of sharing.”

Some ideas and stories, though, do travel well. To return to the idea of consumers wanting novelty, product

customisation is an idea that crosses borders because who wants to turn up at a party wearing *exactly* the same clothes and shoes as everyone else?

“You’re starting to see a lot of the product customisation stuff coming over here, whether it be Converse or Nike ID,” says Sedley. “There are lots of small companies coming out of San Francisco that are starting to use design in interesting ways, producing very bespoke products. From a design/UI perspective, they tend to be very heavily image-led and that stuff’s beginning to come over here. I’m not sure that’s really been picked up by the large retailers yet, but smaller companies are being more design led on that front.”

It’s important to realise these kinds of companies won’t replace volume retailers, it’s more a case that the approach of these companies, in a sense the way they design their businesses, will likely influence the rest of the market – internationally.

Besides, even the approaches of volume retailers may collide with new markets in surprising ways. Recently, warehouse retailer Costco has gone online in the UK, having previously established a bricks-and-mortar presence. It’s easy to think of such a retailer as being cheap and cheerful, low end, yet a huge bottle of a premium product such as maple syrup at a price vastly cheaper than offered by the established supermarkets may yet prove a powerful incentive to even well-to-do customers in these straitened times. Meantime, the attraction of the company for those on tighter budgets has long been obvious.

Innovation and change sometimes come from surprising quarters. ■

## RECENT DEVELOPMENTS

A nervousness about getting it ‘wrong’ when designing for different cultures is gradually replaced by an enthusiasm to explore new markets. This is partly driven by an economic imperative, yet there’s also a sense that as cross-channel retail becomes the norm, larger companies are sorting out back-end and business process design so that targeting new markets is less problematical. For smaller retailers, ecommerce technology specialists are increasingly offering help with, for example, localising payment options, again freeing up resources to launch overseas.



# KEEPING UP APPEARANCES



WHEREVER PRODUCTS ARE ON DISPLAY, MERCHANDISING IS KEY TO SELLING PRODUCTS. BUT NEW MARKETS BRING NEW CHALLENGES, SAYS **CHLOE RIGBY**

**H**ow do you display goods so that they will sell in different countries? It's a deceptively simple question that goes far beyond what photographs to use on a website. For displaying goods online is not only about what they look like. It's about how they're showcased on the home page and the order in which they appear in search results.

What matters when customers are making a buying decision is not only how a product appears, but that its appearance is relevant to their search. Show the wrong goods and the customer will leave. But get it right and they'll return again and again.

Indeed, according to Jean-Charles Mairesse, France sales director for merchandising software specialist Fredhopper, getting merchandising right can give UK retailers a real advantage. In France, for example, he says technology adoption is generally around 18 months to two years behind the UK. He cites the currently accepted practice in that market that goods on 90 per cent of websites appear in search results in order of price, either ascending or descending. "That's fine, but it's not the most efficient way to generate revenue and to encourage the visitor to buy," he says. "You can go further and instead of ranking by price, rank by behaviour and customer

recommendation. You can take into account Facebook 'likes' and so on to create a new way of ranking information – that's increasingly a significant key to the market and revenue on the website."

So just because something is 'the way it's done' in a certain market, doesn't mean UK retailers should slavishly follow local customs. New technologies that are standard best practice for ecommerce retailers at home can confer a real advantage in developing international markets.

## WORTH A THOUSAND WORDS

Showing off the goods starts with images. Clear photographs that help consumers



to understand what it is they'll be getting if they buy this product are key in any market. "The old mantra that a picture tells a thousands words is important vmore than ever in ecommerce and online sales," says David Brint of imaging specialists SpinMe. "If you've got a very, very clear image that portrays all the facets of the products, the terminology and the wording become less important, because the consumer, whether they are Spanish, French or German, can make a decision because they can see all aspects of the product."

Using 360-degree or 3D imagery, for example, allows the customer to examine an item in detail. In the case of a laptop, for example, the customer can spin it round, open it up and zoom in. Video can show the item in action. All this "means the customer needs to ask less questions about the products because they can see

the answers," says Brint. "You can see how many ports there and the configuration of the keys."

### STYLING IT

While 'neutral' items such as a laptop or a men's bag or even shoes are straightforward simply to show off well on an international website, different factors come in to play with images of other kinds of goods. In the UK, for example, fashion clothing is generally shown on a model. What those models looks like may vary from country to country, but cultural variations can go far beyond that, says Mo Syed, head of user experience at Amplience. "Those kinds of products have an element of art direction within the way those assets are produced," he says. "There are a lot of style cues, lifestyle cues, brand cues that are wrapped up in the assets around them. You're not just representing the product but everything around those products, the lifestyle that goes with them."

"With a premium brand you're selling that just as much as you're selling the product itself. The function of the asset is not just to represent a product as to represent all the stuff around the product, the brand as a whole."

Thus, international brands may use images to show exactly what they represent in each market. "The classic," says Syed, "is a brand that is premium in one region and mid-range in another. The kind of art direction in those two places might be very different or there might be regional conventions on how you shoot those products."

### SEASONAL VARIATIONS ACROSS REGIONS

As well as regional conventions, there are also more everyday realities to reflect in the site. In the customer engagement (page 30) and strategy (page 26) features we look at the importance of language. There are other constants to bear in mind when merchandising a site. When wintry cold weather keeps people in Northern Europe and the UK indoors, those viewing a New Zealand or Australian site might be

baking in high temperatures. The products on sale, and the way they're promoted, will be very different for any retailers who experience seasonal variation, from fashion to travel companies.

"We work with Asos who merchandised their winter collection very differently in Australia from the content they'd have in the UK at the same time of year," says Allyson Tremblay, UK country manager for Fredhopper.

Meanwhile, in different countries in the world different seasons may bring different special days and festivities. For example, in southern European countries such as Spain and Italy, the Epiphany on 6 January is associated with present giving to children, while Scandinavian countries have their main Christmas celebration on the evening of 24 December.

These local trends also go beyond religious festivals to legal issues. In France, for example, points out Fredhopper's Jean-Charles Mairesse, sales can only be held on certain days, by law. In 2013, according to Paris.com, the winter sales run from 9 January to 12 February, and in the summer they start on 29 June and run through to 30 July.

Similarly, in Singapore, the Great Singapore Sale runs for nine weeks each summer though the date for 2013 was yet to be confirmed at the time of writing.

### MANAGING MERCHANDISING

Most retailers then, will need to adapt their site for different markets, merchandising products according to different factors, time zones and beyond. That brings questions about who takes responsibility for the work of merchandising the site.

Some retailers may have a centralised merchandising team while others will have country teams who work on the area from the market in which they are based.

Each set up brings its own challenges. Centralised merchandising teams must keep track of the different time zones, special days and climate of their various markets, for instance. "It is possible to have this managed from a central team, and not

“ If you've got a very, very clear image that portrays all the facets of the products, the terminology and the wording becomes less important ”



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all retailers have the resources to be able to staff a site that's trading across these regions," says Fredhopper's Tremblay.

"Many are centralising this but treating these local markets as campaigns. But it's important to be conscious of time zones and what things get triggered at different times when they're updating their sites."

Meanwhile, companies that delegate to in-country teams must make sure that the site still maintains the integrity of the central brand.

Tremblay says merchandising technologies can allow retailers to set central rules while giving local teams flexibility. "There should be some very standard merchandising rules depending on the site and region, so you have consistency on how the brand is presenting itself and communicating," she says. "Maybe you have a rule on the number of product shown on a product detail page, so at least those kinds of things can be consistent so at least that's not compromised when you're trading internationally. Then you have the flexibility to be able to offer the local merchandisers control over what products get recommended. If their finger's on the pulse of trends that may be different from one country to another, that can be reflected in helping to merchandise the site."

## MANAGING SEARCH

Rules can be also set so that merchandising software learns from behaviour on the site. Data feeds might include social media 'likes', most popular items on the site, reviews and ratings, what other, similar people bought, as well as the customer's own behaviour as they navigate around the site. Each different market site can be informed by the way people use it, with the result that people using the same retailer's site in different markets will see different results. "The most popular items in France are going to be different from the ones in the UK, no matter what," says Tremblay. "It's almost impossible to get complete consistency. You open it up to being able to use the feedback from those local markets while still able to apply your search and merchandising rules."

That also means that customers visiting a site from another region can have a different experience. Thus a UK resident searching a Canadian site to send a gift to a relative may see different products, displayed in a different order.

Such use of the site can inform upselling and cross-selling opportunities,

## NEW ORDER

"There could be a hundred results that are returned, so how do you know which to put at the top of page one? If your local analytic data says these ones are the highest converting, they can be presented in a completely different order from in the UK."

Allyson Tremblay, UK sales director, Fredhopper



## SPEAKING FROM EXPERIENCE



## PERSONAL SERVICE

"More and more we'll see personalisation for local markets becoming important, whether you have a separate country site or it's integrated as one and you deliver different experiences for different countries."

Paul Bolton, director of product and corporate strategy, Ivis Group

## ALIGN WITH INTENT

"The more the brand aligns itself with what that customer wants, provides the best products for that intent, and the best experience that is best aligned with that intent, the more likely the brand is to make a sale,"

Mo Syed, director of usability, Ampliance



## DIFFERENT STROKES

"The way you're going to show your products and manage your merchandising on the website is strongly linked with your cultural usage of websites. The way French, Spanish and Italian people buy things is different from the way that English or Swedish people do."

Jean-Charles Mairesse, France sales director, Fredhopper


so that visitors see the items that other people who have a similar profile bought, or what other people who chose the items they are buying also bought. And because all this activity takes place within their home market, argues Ampliance's Syed, the effect is to make the site feel more local to them. "If you think of personalisation in terms of alignment with customer intent and expectation, you realise there's an opportunity there to best align yourself with what that customer's looking for," he says. "Regionalisation is a great way of doing that because for a lot of customers it will feel more natural. The customer won't feel like they've been shoehorned into a big machine. It'll feel like a more personal experience, a little less jarring and there's not just an opportunity to make it better that way but an opportunity to differentiate yourself."

Paul Bolton, director of product and corporate strategy at multichannel advisers the Ivis Group, says

personalisation will become only more important in international markets, just as it is at home. This means that overseas sites will not only reflect what other people in the same market like, but indeed, what the individual themselves likes and finds relevant. "As the internet population grows in those local markets and consumers become more internet-savvy, they will expect those experiences to become more aligned to the way they shop," he says. And that's something that good merchandising goes a long way towards achieving. ■

## RECENT DEVELOPMENTS

Since we last covered this area, personalisation has become a more pressing issue as the technology has evolved. Online shoppers in less-developed markets are now starting to expect websites to reflect their own experience, and those retailers that use technology to give it to them, will be at an advantage.



# CROSSING CHANNELS, CROSSING BORDERS, CROSSING CULTURES

THE NUANCES OF TRYING TO TAKE A CROSS-CHANNEL RETAILER OVERSEAS ARE CONSIDERABLE. **PAUL SKELDON** ARGUES THAT RETAILERS HAVE SQUARELY TO FACE CHALLENGES CENTRED ON THE DIFFERENT MORES IN DIFFERENT CULTURES

**A**ccording to Mahatma Gandhi “A nation’s culture resides in the hearts and in the soul of its people”. Not wishing to put words into the late, great man’s mouth, but he could probably also, here in the 21st Century, have added the addendum “...and in its shops and online retail sites”. And while Mahatma meant it in a positive way, when it comes to trying to expand a cross-channel business across borders, this is increasingly something of a hindrance.

But expanding overseas, despite cultural mores, is something that retailers have to consider. The UK retail market is facing saturation and, with the current economic climate showing no signs of thawing any

time soon, there are two ways in which retailers can grow their businesses: hang on to their existing customers and squeeze more money out of them, or look to expand overseas to other markets where their goods are in demand.

While there is a whole other supplement on customer retention to be written, the second idea of expanding retail operations overseas does seem to many retailers, especially those already doing online retail, a natural extension of existing business.

“The very idea of ecommerce lends itself to cross-channel and cross-border model because of the ability to be a global company using the internet,” says Kyle Lacy, senior manager, content marketing

and research, at ExactTarget. “Players of all sizes will be forced out of the market if they fail to innovate with consumer technology and demand.”

## HUGE OPPORTUNITY

The rewards can be huge if you can grab a slice of the overseas market. Citing work by the Centre for Retail Research, which suggests more than €200 billion was spent by Europe’s estimated 240 million online consumers and that ecommerce sales will grow by 16 per cent in 2012, Shane Fitzpatrick, managing director at Chase Paymentech, says, “No surprise that retailers such as Marks & Spencer have recently announced that they will be trading online in 10 countries by the end of the year.”



Fitzpatrick says that online sales in the UK are expected to have grown by 14 per cent during 2012, but merchants have even greater international ecommerce opportunities in other high-growth areas. For example, research by Eurostat earlier this year suggests that growth in Poland is predicted to be 24 per cent followed by France (22 per cent), Sweden (18 per cent), Italy (18 per cent) and Norway (17 per cent).

"These trends present great new international expansion opportunities for CNP (customer-not-present) ecommerce merchants," he stresses. "In addition, one could argue that the Queen's Jubilee and the 2012 Olympics also played an important role in fuelling international ecommerce appetite for British products – so timing has never been better."

And on paper it makes a lot of sense, but actually to pull this off, especially for a cross-channel business, is much harder than you'd think, with companies hindered mainly by the cultural issues lauded by the Mahatma. But, while it's a challenge, it is not insurmountable.

## THE CHALLENGES

So first of all, what are the challenges? Typically, they are all pretty much cultural: around language, taxes, payments and tastes. There is also the less cultural and more physical problem of distribution of goods – but that is covered in the logistics feature on page 22. Then there's the issue of whether consumers are comfortable shopping with a retailer not based in their home region or steeped in their culture.

Perhaps the most obvious challenge to any retailer looking to extend cross-channel services – especially the digital ones – into another country is the issue of language. Language differences are possibly the clearest demonstration of the culture gap between countries, but can be overcome, in part through the application of technology.

"You simply need a platform that can populate different sites with the right language based on where the customer comes from," says Eric Abensur, CEO of Venda. However, this can be more complex than people think. It is one thing to get the words right, the context and meaning – especially when dealing with colloquialisms – is something else.

"The other way around the language issue is to look, at least to start with, at markets that are expanding where they

## SIMPLE STEPS TOWARDS CROSS-BORDER CROSS-CHANNEL RETAIL

### (1) Add international delivery

The easiest place to start exploring international sales is to add international delivery – with charges, naturally – to an existing site and see how international sales are impacted. It also helps give a presence in more countries without investing in rethinking how the website works while assessing demand.

### (2) Add currencies

Once international delivery has started to attract a small but growing number of overseas customers, start to add the relevant currencies to the site to make it easier for those customers to transact. This will help make the site more sticky for existing overseas customers while making it more appealing and trustworthy for new customers in those regions. The relevant payment tools – such as cards and PayPal – may have to suffice at this stage.

### (3) Add languages

By now there should be a reasonably good number of consumers coming to the site from the regions being serviced and they are happily paying in Euros or whatever. This, along with the international distribution data, will give a very good idea of where consumers are coming from – so start to look at adding versions of the site in those languages. This can be done through the back end of your platform where the language versions can be set up

to be displayed based on where a user's IP address is located.

### (4) Open physical stores

In theory at least, once a company has developed a huge online commerce business across several regions and countries, with many customers coming into services via mobile and tablets, it is time to take the final plunge and open physical stores off the back of this in those countries, and world domination beckons. However, be warned: get this wrong and reputational damage won't be confined to the new territory, but back home too. Remember M&S's first attempts to open stores overseas? That impacted not only its international markets, but its domestic market too. Thankfully, that is all in the past and it continues to expand overseas now on the back of its online presence. Also companies need to consider whether to go it alone, open franchises or use third parties such as department stores or airports to extend the physical footprint.

### (5) Don't forget domestic customers

While it is great to build a thriving overseas business, don't forget the need to continue to deliver the same great service to domestic customers as the company always has. It is very easy not to keep the same number of people working to service domestic customers while expanding international business, but both are critical to success and both cost money. Factor this in.

**“ The very idea of ecommerce lends itself to cross-channel and cross-border model because of the ability to be a global company using the internet ”**

speak your language," suggests Absenur. He cites the example of how more and more UK companies are expanding their online activities into South Africa, Canada, the USA and Australia since these are – with the possible exception of the USA – markets that have been little affected by the downturn and that speak English.

"Attitudes towards cross-border ecommerce can vary widely across Europe and consumers can be cautious about shopping from ecommerce stores in other

countries," says Chase Paymentech's Fitzpatrick. "But that just means that merchants need to adapt to the local shopping habits in each market and build consumer trust by translating websites into local languages or offering additional payment methods. Taking this into consideration is an important step in embracing international ecommerce."

But language is only the most obvious difference. Cultural areas that have even more impact on expanding a cross-channel retail business overseas are the more prosaic areas of payments and taxation.

"Payments can be very difficult indeed," says Venda's Absenur. "In the UK, people happily and typically use credit and debit cards. In France it is only debit cards. In Germany it is more of a direct debit like culture, while in China they tend to do cash on delivery – and usually not until they have unpacked the goods and tried them out. You have to make sure you understand this and have all the right payment tools in place when you open up your services overseas."

Tax is another big issue with expanding overseas. "Most countries have very



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different sales tax regimes, often with very complex local, regional and national elements and you have to totally understand this to get the pricing right and know what to collect and who to pass it on to," says Abensur.

There are also differences in technology and techno-savviness to contend with, which are also cultural. Internet penetration differs widely across regions, as does internet bandwidth. Mobile penetration is high in most countries, but its usage in, say, the UK, where the consumer base is highly advanced in terms of mobile web and apps use, is starkly different from the South Africa, where, despite high mobile penetration, users are largely making calls and sending SMS (and doing a lot of mobile banking, but that's another story).

"Technographics differ across territories and are influenced by many factors: the nature of the telecoms market, the maturity of the broadband

**“ Internet penetration differs widely across regions, as does internet bandwidth ”**

infrastructure, the impact of historic, legacy technology and so on," explains Tunde Cockshott, creative consultant at Amaze. "When devising a retail strategy, one has to study the data on demographics, use of social media platforms, adoption and time and place of use of technology, etc. All these will influence and define your best approach."

### COST FACTORS

While these cultural issues abound, the other cost-related issues also come into play. The biggest and most obvious one is fulfilment "which can be a nightmare," says Tony Bryant, head of business development at K3 Retail. But more than that, he believes, the costs come in trying to tie it all together. "The key thing is that you need to have one single database of your customers wherever they are and this may require some re-engineering of what you have already," he says.

This costs money. "It's potentially a large investment," warns Bryant, "but a

### GET TO KNOW THE LOCALS

**"When selling in the international market, the need for deep knowledge of the local market is key. If you do not know or understand the working of the local consumer then you are in danger of at worst failing and at best making mistakes."**

Tunde Cockshott, creative consultant, Amaze



### THE PROFIT FACTOR

**"The rewards of going cross-border can be great, but the overheads can be huge to do it right. Driving sales is easy, making it profitable is extremely hard."**

Tony Bryant, head of business development, K3 Retail

### SENSIBLE EXPENDITURE

**"Retailers shouldn't be spending millions of pounds on getting this right, they should be outsourcing the technology, the translation, the payments and anything else non-core so that they can grow internationally but keep their domestic businesses thriving"**

Eric Abensur, CEO, Venda



worthwhile one if you get it right. But it's a 12-18 month ROI at least, and it only works if you look at how to get the best route to market and use the technology available cleverly to achieve what you want. Which is hard in a landscape that is ever evolving."

Keeping consumers is also a sticky issue. The biggest problem facing any retailer that invests in a cross-border operation is that the number of users may well dwindle. "It is easy to think that once a cross-border subscriber provides you with their email address, they're yours for life, but in reality they could un-engage and start ignoring your communications at any moment," warns ExactTarget's Lacy.

"Subscribers stop engaging for a number of reasons – message volume, frequency, irrelevancy, wrong technology, etc. But many retailers are sitting back and watching this happen, without adjusting their programmes to reengage these subscribers. Re-engagement is hard *without* cross-border intricacies thrown into the mix. Adding culture and different types of products produces an entirely new dimension."

In fact, many marketers continue sending the same messages at the same frequency to lists where more than 50 per cent of the subscribers haven't opened or clicked on an email in more than six months.

So while the cultural differences of language, payments and tax are issues, the real problems that face cross borders are the same old problems that you face at home: logistics and keeping customers loyal – all on a budget. Perhaps to paraphrase Ghandi one last time, culture lives in the receptiveness to marketing of the people? ■

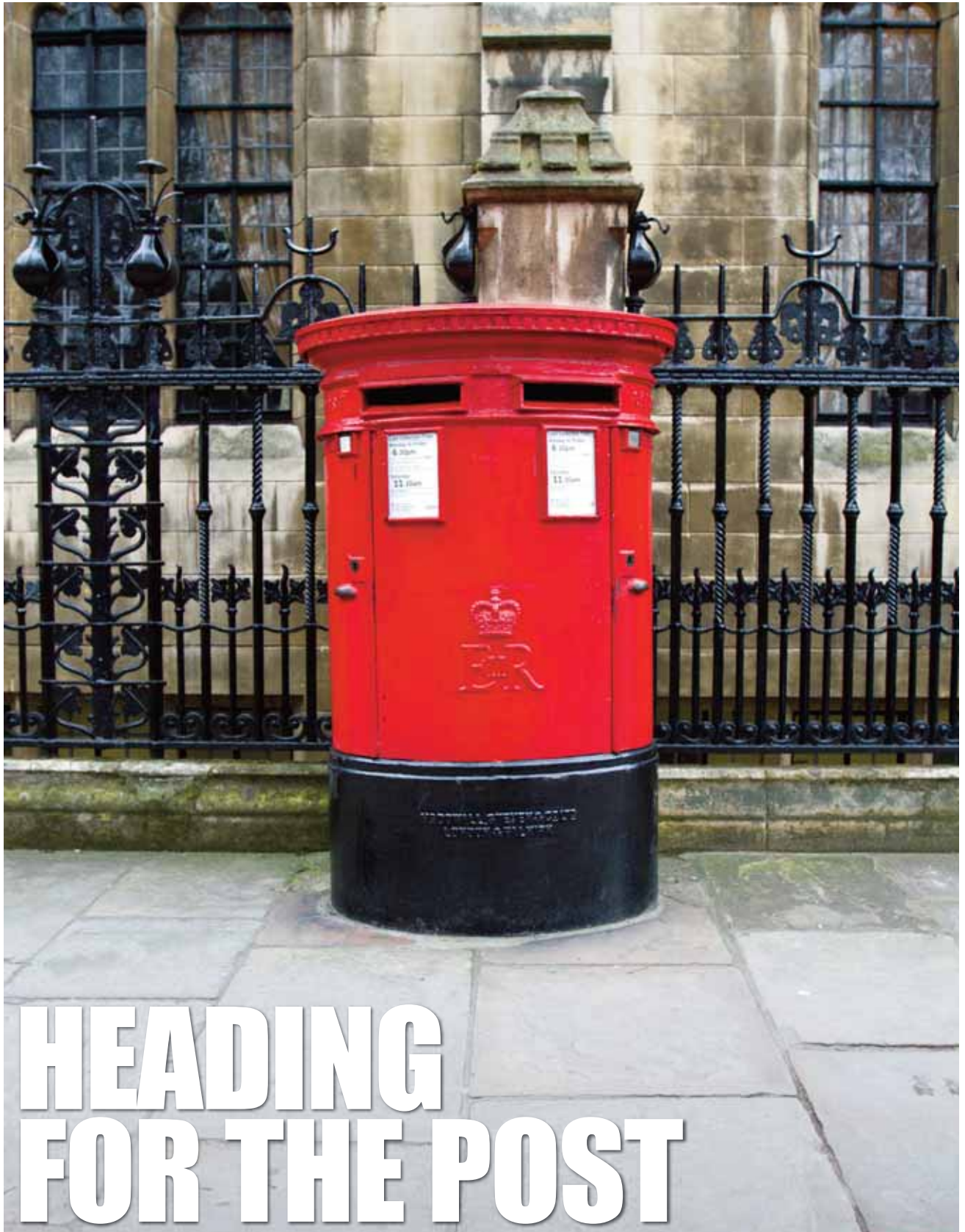
### RECENT DEVELOPMENTS

**Closer to home:** while much of the attention was focused on Asia in 2012, it now looks that markets closer to home such as Poland, Russia and even just "Europe" are all looking enticing to retailers looking to expand overseas.

**Outsourcing:** last year we looked at how to merchandise in other geographies, but the emphasis this time round – and for 2013 – is going to be on how to actually make your online services work smoothly in other regions – and this means looking seriously at outsourcing 'cultural' issues such as translation, payments and site design locally.

**Mobile payments:** payments are one of the hardest things to make work cross-border, not least because of currency and culture. But increasing integration of payment services on mobile will start to see mobile become an interesting cross-channel *and* cross-border payment tool.





# HEADING FOR THE POST

THANKS TO INTERNATIONAL CARRIERS, INTERNET-SAVVY POSTAL PROVIDERS AND CLEVER SOFTWARE, HANDLING CROSS-BORDER SALES IS INCREASINGLY STRAIGHTFORWARD. HOWEVER, THERE CAN STILL BE UNEXPECTED PROBLEMS. **PENELOPE ODY** REPORTS

## SPEAKING FROM EXPERIENCE

### GETTING THE GOODS THERE

**"It is easy to open a webshop for a country and fairly easy to do the language. The barrier is sending the parcels to the customers."**  
Stuart Hill, managing director and co-founder, Worldnet



It often happens by accident and it's not always quite what was wanted or intended. Whether an e-tailer plans international growth or not, sooner or later overseas customers will land on the company's site and, in these straitened times, it is difficult to refuse the business when it does arrive.

"It is especially true for smaller players who may be less proactive in focusing on overseas markets," says Andrew Starkey, head of e-logistics at IMRG. "People will find you in web searches and, as merchants have said to us, 'You can't stop the Australians ordering.'"

Australia currently heads the IMRG/MetaPack Delivery Index of outbound e-parcel destinations, accounting for more than 14 per cent of UK e-tail dispatches, marginally ahead of the USA and followed by France, Germany and Ireland.

Shipping to Australia and the USA may seem straightforward: both are English speaking, so no need for multilingual customer-service departments and both have high duty thresholds, so few consignments will attract additional charges. However, both countries are a long way off. "It can take up to 14 days for the standard post to reach Australia," says Starkey, "and the longer orders are in the delivery pipeline, the more chance there will be that things can go wrong."

Shipping long distances can also be expensive – especially for retailers making their first tentative steps into cross-border when sales volumes are low. Providing a cost-effective solution is the aim of Worldnet, a start-up co-founded in January 2012 by Stuart Hill, formerly head of international operations for ASOS. "It is too expensive to put stock in every country," says Hill, "so internet retailers have the choice of using the mail – with no tracking and lengthy lead times – or they can opt for express carriers, which is expensive."

### LOCAL NAMES

Hill argues that international shoppers like to see a familiar brand delivering their goods so Worldnet is partnering with a range of in-country carriers with parcels from a number of e-tailers consolidated by country in the UK, then bulk shipped to the relevant country and handed over to the local distributor for in-country delivery. Worldnet is gradually expanding the countries it services with an initial list of 25 headed by the USA, Australia, New Zealand, Germany, France Italy, Spain,



### HAPPY ACCIDENTS

**"Those 'accidental' international orders can at least give e-tailers a good idea of potential markets and the gaps in product assortment – what may not be readily available locally. If the local market has a lot of good retailers, products and cheap prices why would shoppers buy cross-border?"**  
Andrew Starkey, head of e-logistics, IMRG

### THE STATE OF THE MARKET

**"It's really only in the last two for three years that e-tailers have been targeting cross-border. Most are still testing the market to assess the level of demand and identify which parts of their range will take off. Very few are at the point where they would consider local warehousing or shipping direct from suppliers into new markets."**  
Aleks Adamski, associate partner, Kurt Salmon



Ireland, Benelux, Portugal, Denmark, Sweden and Finland. Retailers using the system include ASOS, eBay, River Island and Aurora, while the company's first year turnover will exceed £20million.

"The ecommerce market wants a low-cost option with tracking and three-to-five-day delivery," he says, "so we have created an independent offer to provide that. Using an in-country carrier increases customer confidence and satisfaction. We try to go for the best in-country provider so postal services are often our first choice."

The growing importance of online delivery is something that many national postal businesses are already taking to heart: in the UK, for example, Royal Mail has announced a £75 million investment over four years to expand its Parcelforce business to cope with the rising tide of online retail sales.

In Belgium bpost has gone rather further, developing a consolidation service which allows shoppers to order from a number of local and national e-tailers and have the goods delivered in one pre-scheduled consignment by the postman. As well as delivering the shopping the postman will also collect parcels to be posted and collect and deliver laundry, dry cleaning and shoe repairs. "One day, people themselves will no longer travel to pick up or drop off goods," says Peter Somers, CEO, bpost parcels and international. The Shop & Deliver scheme is currently on trial in three areas and Somers is confident of national roll-out in 2014. Delivering cross-border orders in the same pre-booked two-hour window as well would clearly be a possibility for e-tailers shipping via bpost.

### THE CHALLENGE OF RETURNS

As well as efficient deliveries international shoppers often need reassurance about the ease of returns or after-sales services. Most sites spell this out clearly – although sometimes finding precisely where takes perseverance. "A poor returns offer will stop people buying," says Andrew Starkey, "and many shoppers will look for the delivery offer even before they start to browse a site, especially for cross-border purchases."

**“International shoppers like to see a familiar brand delivering their goods”**



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Until the advent of Worldnet, the obvious choice for would-be cross-border retailers was to work with an international logistics company that could provide a local returns address and the ability to process and bulk return goods “Others are finding it useful to partner with a local bricks and mortar retailer in the region,” says Dean Wyatt, vice-president business development, retail UK, at DHL. “Such collaboration can allow them to tap into the distribution network of the partner as well as allowing UK retailers to offer click-and-collect and returns services, without the risk of a large capital investment.”

At the top end, where the retailer already has a physical presence in the market, the challenges can be rather different. “At the luxury end shoppers can be very demanding,” says Alek Adamski, associate partner at Kurt Salmon. “If someone is spending £1,000 on a handbag then the arrival of a man-in-a-van can be a disappointment.”

As Adamski points out, while many top-end fashion retailers already have international franchisees or physical stores overseas – thus making local outlets an obvious channel for returns or click and collect – the complications of ensuring consistent international stock options can be challenging. “Franchisees may selectively buy stock so could have a variable offer from the corporate website and systems are generally not smart enough to link international stock records so they act as a disabler.”

If fulfilment from a local stockist is difficult, handling top-end returns is not: “Luxury firms are currently riding the wave,” he says, “so liquidating stock locally is straightforward and it is not worth shipping it back to the UK. For middle-market fashion players it is more challenging: is the product value sufficient to return the item and cover the cost of refurbishment?”

Returns for online fashion can be as high as 40 per cent for women’s wear and the problem is compounded with international orders as cross-border sizing can be so variable. Equally with all retailers cutting inventory levels to reduce costs and minimise markdowns having so many lines in-transit can be a major problem – especially in the fast fashion sector. The time between despatch and return is also set to grow: the EU’s Consumer Rights Directive is currently completing its consultation stage and will mean that EU consumers will have 14 days rather than seven, from receipt of goods, to return them

and be entitled to a full refund including the cost of delivery. Allowing for initial despatch, 14 days delay and then return post, it could mean that up to 40 per cent of a fashion e-tailer’s stock could be unavailable for weeks at a time.

An EU green paper has also recently been issued on cross-border delivery charges which might bring further standardisation. While online delivery charges vary enormously, companies such as ASOS put great emphasis on free delivery for international orders while others do not always bother to collect duty from customers preferring to absorb whatever customs charge themselves. This is not always as generous as it seems since many online retailers do not deduct VAT from overseas orders. For non-EU business – all those consignments to Australia and US where most orders are below the duty threshold – the 20 per cent thus saved on export sales easily covers the postage costs.

### WORKING OUT DUTY

Where duty does need to be charged then companies such as MetaPack now offer duty calculators that can be integrated within the checkout process so that the customer pays up front when placing an online order. “Companies do need to make sure that all the relevant documents are available and will be sent back with any returns by customers,” adds Patrick Wall, CEO of MetaPack, “so that they are not charged duty on the goods when they re-enter the UK.”

While many suggest that cross-border sales to EU countries are far simpler with no need to worry about customs and duty in the single market, managing the VAT issues can be a nightmare. There is no problem when sales are low but as soon as the business with any one EU country reaches the national VAT threshold – generally around €35,000 although for some countries, including Germany and the Netherlands it is €100,000 – then rather than charging consumers UK VAT at 20 per cent e-tailers must register for VAT in the countries involved, charge their nationals VAT on orders at the relevant rate and make VAT returns to the relevant authorities. In some countries this can involve establishing a legal entity within the country concerned. In addition once sales to the EU reach £250,000 a year there are monthly Intrastat reports to complete. “Retailers think that duty is a huge barrier to cross-border sales,” says Stuart Hill, “but Intrastat is even more complex as is

**“ Entering emerging markets, such as the BRICS countries and the Middle East, can be challenging because distribution infrastructure may be poorly developed ”**

managing VAT returns and payment in numerous countries.”

Not surprisingly, he adds, most e-tailers end up outsourcing the entire money management business to specialist accountancy firms capable of coping with the complexity.

While selling to the developed world has its problems, entering emerging markets – such as the BRICS countries and the Middle East – can be even more challenging. Distribution infrastructure may be poorly developed so while the major logistics players, such as DHL, may have a presence in the region choice of carriers may be limited and lead time lengthy. Goods can be held up at customs, while in some countries desirable items may never actually emerge from the customs shed; elsewhere certain types of goods may be effectively barred by complex regulations. “China can be very difficult,” says Patrick Wall. “There used to be a grey area enabling unauthorised goods through but China Post has been tightening up these channels. Russian customs can also be a problem. Both these markets have huge potential for e-tailers as they lack production of high-quality branded consumer goods.”

For most would-be cross-border e-tailers managing those “accidental” sales to the EU, Australia and the USA is only the start of what can be a very steep learning curve. ■

### RECENT DEVELOPMENTS

New software and services offerings are appearing to help streamline duty collection and reduce shipping charges through consolidation. There is also growing interest in collaborative initiatives – forming partnerships with overseas retailers for such things as click-and-collect. Delivery to developing countries remains difficult although many carriers are improving services here.



# HOW TO GET SERIOUS ABOUT INTERNATIONAL TRADE

MOVING INTO NEW MARKETS IS ABOUT MORE THAN LOOKING AT POTENTIALLY HIGH SALES, IT'S ABOUT SEEING IF THESE SALES WILL GENERATE SUSTAINABLE PROFITS. THIS ALL REQUIRES CAREFUL PLANNING AND MONITORING FROM THE BOARD, ADVISES **CHLOE RIGBY**

**I**nternational sales are now firmly on the agenda for retail boards. As the UK market matures and competition becomes more intense, British retailers are looking ever-more seriously at new markets, as they target sales growth beyond the 14 per cent expansion in UK online retailing that IMRG predicted for 2012. With the French market growing by 22 per cent, and those in Italy and Sweden by 18 per cent there is, says Shane Fitzpatrick, Chase Paymentech Europe's managing director, "a prize to be had, and an opportunity that merchants are looking to access".

For many, early steps into overseas expansion meant first adding new countries to the list of delivery destinations, and later new currencies. Today retailers are getting serious about

new markets, researching them carefully and investing for success.

Inspiration comes from the recognised success of operators such as fashion pureplay ASOS, which now turns over more from international sales than it does from the UK market, and cycling website Wiggle, which sells to more than 80 countries. But eCommera co-founder and director Michael Ross warns that retailers need to think through their own reasons for expansion before taking the plunge. "I think the starting point is to reach an international strategy within a coherent overarching strategy," he said. "What strategically is driving them to think of international?"

There can be a real temptation to plunge into less familiar markets in search of higher levels of growth. But, points out

Seamus Whittingham, managing director, EMEA, ChannelAdvisor, unforeseen issues such as complex logistics or high fraud rates can easily eat into profits. "Go where the numbers tell you it makes sense and where the latch is for your particular business as a brand or retailer," he says. "People sometimes have a bit of a quirky expansion plan that ignores geographies that are a short distance away, easily reachable and quantifiable, for a desire to go further afield to zap into China. But that's probably more appropriate to brands. [The Chinese market] is largely around two conurbations and beyond that disposable income is significantly lower and logistics significantly more complicated."

Niraj Shah, chief executive of US homewares website Wayfair puts it succinctly when he says: "I think you want

to be less surprised, and the more research you do, typically the less surprised you'll be."

## UNDERSTAND THE MARKET

Retailers who take international growth seriously, then, are doing their due diligence on potential new markets. That means asking specific questions about how their business is likely to fare in any given market, and what it will take to make trade profitable. For example, do consumers in the country in question want to buy these products and can they afford the products in sufficient numbers to make the investment worthwhile? Will the cost of getting goods to the buyers and potential returns, as well the costs of raising brand awareness through local search engines, outweigh any profit likely to be made?

Niraj Shah heads US homewares website Wayfair.com, founded in the USA in 2002. Since 2009 it has expanded overseas, selling today in four markets: Canada, the UK, Germany and Australia. Wayfair.co.uk launched in 2011 and recently announced gross sales of £20 million in its first year.

Shah says his priorities when deciding where to expand include an assessment not only of economic headline figures but also of the on-the-ground capability to deliver the wide selection, high quality and fast delivery that consumers demand. "We care about the market size and whether we think the economic opportunity is interesting enough," he said. "But there's a few other things we've found matter a lot, to do with what customers expect from delivery and logistics. Are the resources in the country there that we could build on? In most industrialised countries the answer is yes. But some of the emerging countries where there's really good economic growth you find sometimes that the logistics infrastructure is sometimes not great or the payments infrastructure is not great." Other considerations include whether there are suppliers in the market that can provide Wayfair with products to sell, since shipping from the US would be prohibitively costly and time-consuming.

Other issues to investigate in relation to each market are local taxes, customs duties and legal issues. For example, says Andrew McClelland, managing director of IMRG, it's important to remember that in Germany returns are free – and once a website or even a search strategy is pointed towards a territory, a company will be deemed to be trading there.

## SPEAKING FROM EXPERIENCE

### INVEST AHEAD

"Don't try and do it on the cheap – you need to invest properly if you're going to take that market seriously."  
Steve Graham, sales director, Party Delights



### PLAN AHEAD

"Whether you're looking to start a project on a direct website presence or via a marketplace, the absolute number one rule is do your homework to quantify the market opportunity within that individual geography."  
Seamus Whittingham, managing director, EMEA, ChannelAdvisor

### PUT IN THE SPADEWORK

"I'm not really sure that all retailers are doing their due diligence on the market. They may argue they don't need to but I think there's never a particularly good answer that's based around not doing due diligence."  
Tristan Rogers, chief executive, ConcretePlatform

**“ You want to be less surprised when you expand into overseas markets, and the more research you do, typically the less surprised you'll be ”**

## MOVING INTO THE MARKET

Once a trader has established a strong likely opportunity, they will then set about working out how best to go into the market. An early step might be a simple one: to open up delivery to that market from a UK website. Later a retailer might launch a dedicated country-specific website. But others may choose a step in between that, opting to trade across third-party marketplaces such as eBay or Amazon.

"Don't assume," says the IMRG's McClelland, "that the best way to go into a market is to have your own website – it might be better to trade through a number of different marketplaces in those territories because that's how consumers in those territories shop. A marketplace will have a lot of local connections and local partnerships that you can piggyback on the back of while you get used to and know who the main competition and main supplier partners are."

Some retail brands, says ChannelAdvisor's Whittingham, use

marketplaces as a way of testing their entry into new markets. "There are different reasons why a brand or retailer would use a marketplace in a separate geography," he says. "Some of it is around testing the water, but it's also testing their own capabilities to support that geography." But others still will see an eBay or Amazon store as their main route into that market.

"There is generally no one particular answer because actually it all depends on where your starting point is," says Whittingham. "It depends on who you are, where you're trading today, and whether you have physical assets in those individual geographies. All of that looks different for each individual retailer or brand."

## CROSS-CHANNEL OR ONLINE ONLY?

And just as there are decisions to be made about what online channel to use, there is also a question to be asked about whether shops are a potential international sales channel. Tristan Rogers, chief executive of international branding specialist ConcretePlatform says that while an online-only strategy may appear low cost, success in new markets will inevitably bring with it a need for local distribution centres and physical investment. Shops can work well to enable cross-channel services such as click and collect and returns, as well as to raise brand awareness amongst potential customers. "I don't think any bricks-based retailer who has moved into online should think about new markets just as online-only,"



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## CASE STUDY: PARTY DELIGHTS

UK online-only business Party Delights recently launched its first overseas website in Germany. The company, which expects to turn over £14.6 million in its current financial year, established through market research, including the use of free Google analysis tools, that there was demand for the fancy dress and party products it sells, that the German market is less developed than its UK equivalent, and that the items it sells are standard across northern Europe. "If you're buying a Disney princess plate in the UK, it's the same as in Germany," says Steve Graham, sales director. "If you buy a Happy Birthday banner it's the same too – it isn't translated for different countries. There's a lot of product synergy."

Delights.de is a fully translated site, supported by German-speaking customer service agents in the UK. "We did decide from day one to make sure the site for all intents and purposes looked like a German website

rather than just doing it in euros," says Graham. "For us it's quite a big investment because we probably had to get just over 500,000 words translated."

The logistics of supplying to Germany were also reasonably straightforward. Using the fact that the company was set to open a dedicated German website it negotiated with couriers to offer a standard €4.95 service, offered as a three-day service but actually shipped on a two-day service.

But there were wider gaps between the UK and German experience when it came to payment methods and clothes sizing – and payments has been the biggest challenge. When 50 per cent of German consumers pay through bank transfer it was important to offer that type of payment. "The biggest change for Germany was offering Sofort, bank transfer, and GiroPay," says Graham. At the time of speaking, Party Delights was still tweaking

presentation of the payments section "to make sure it is how Germans would like to see it". Graham adds: "The beauty of the web is that you can do multiple testing by showing different screens to visitors and seeing which is more successful."

Party Delights is launching in France in January 2013, followed by the Netherlands and then the Scandinavian countries.

"Online retail in our sector is continuing to hold up nicely," says Graham. "When you look at the success people like ASOS and Wiggle have had overseas, it seems the natural progression, with the world seemingly decreasing in size and being much easier to sell over there."

He advises others considering overseas expansion to "speak to the specialists in the market and don't try and second guess it. Don't try to skip using a good translation company – and don't use Google Translate."

he says. "They'll probably find that culturally their business is built around high street retailing and that's the expertise in the gene pool. There's a lot of logic in moving into the high street."

The risk can be shared, he suggests, through a franchise approach.

"If people did their homework more to see what level of sales they could generate I think they would be thinking about franchising as opposed to ecommerce and possibly in tandem, as long as they can work out their royalty rights – and whose sale it is if someone from the new market buys online after

it gives people the confidence to go and look at your website."

### TO LOCALISE – OR NOT?

Retailers need to consider just how local their online presence needs to be. ChannelAdvisor's Whittingham suggests that in some markets, such as Germany and France, a website has to appear as local as possible. "If there's a choice between choosing between a domestic provider and overseas, culturally the French will always prefer to purchase from the local provider," he says. But in areas such as Scandinavia, where consumers are more used to buying from foreign websites, localisation may be less necessary.

So what does that localisation entail? Translation of the site is key, and involves significant investment. As seen in our case study, website Party Delights had around 500,000 words of text translated for its move into Germany.

But it also means offering the local payment methods used in that market. In Germany, where fewer people have credit cards, a significant proportion of payments are made through bank transfer. In the Netherlands, more than half pay with the Ideal system, which transfers the customer to their bank for payment. "For consumers to gain the confidence to complete a cross-border international transaction it's very important that the merchant has a local method of payment," says Chase Paymentech's Fitzgerald.

Local customer service can also be key. A local address will reassure when customers

consider the possibility of returning items, something that's likely to be more expensive to an overseas address. Customers also value the ability to speak to customer service staff in their own language, though that could be supplied by UK-based staff working in a variety of languages.

### MEASURING SUCCESS

No retailer should trade overseas without continuing to ensure that the operation continues to make business sense. For Whittingham, measuring turnover is not enough. "The absolute measurement is profitability," he says. "In other words it's not just revenue but can I successfully transact in that region and support payment methods and get it there and back in the instance of returns?"

And, says Ross, it's important to measure success for each market separately. "You have to understand your delivery on promise, your customer repeat purchase rate, your basket abandonment rate. You have to be measuring this by market to tell you if performances are what you want it to be." ■

**“Retailers need to consider just how local their online presence needs to be”**

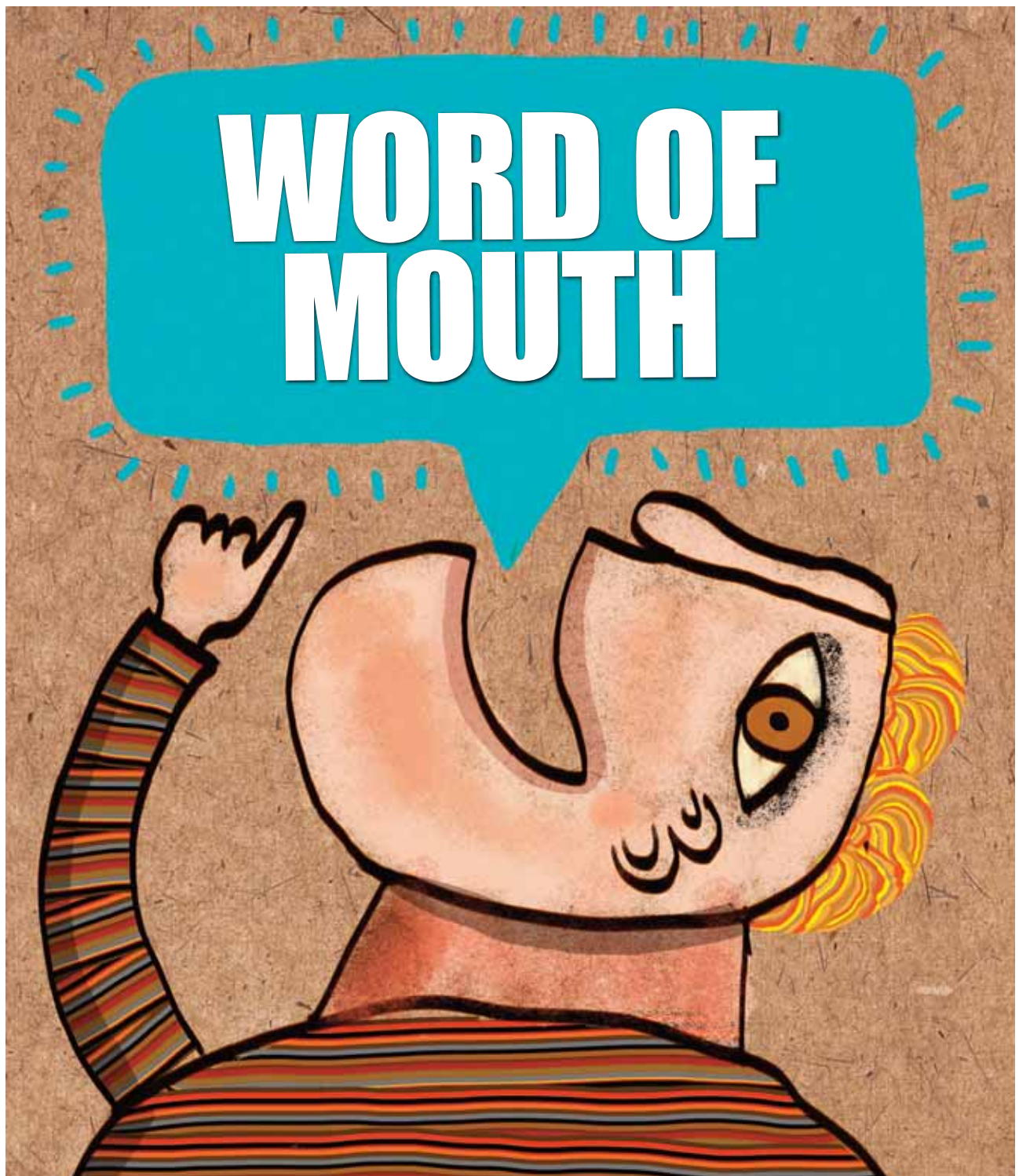
the franchisee has done marketing."

He adds: "People need to do their research and think five years ahead about how they'll make it work for them in that market."

The IMRG's McClelland also sees potential in store launches. "If you're a multichannel retailer you might test the water with a website but actually you also might find you get more brand impact by actually coinciding your website launch with a high street launch or an offline launch. If you launch a store in Berlin and generate press and publicity around that,

## RECENT DEVELOPMENTS

**In the last year more retailers have got serious about international expansion. While many still start out on their overseas adventure by simply offering delivery to new territories, fully translated and localised websites for major European markets are now routine, while those at the cutting edge are also looking to China and Asia.**



**TAKING TIME TO GET TO KNOW CUSTOMERS IN A NEW MARKET HELPS BUILD A NAME AND REPUTATION, WRITES **CHLOE RIGBY****

**I**t's one thing to find new customers on home turf. Here, a high street presence or an online reputation draw potential buyers to a website for the first time, while good customer service develops relationships for the future. At root, this is about giving good experiences that customers tell each other about. In short, it's word of mouth. But is generating that same word of

mouth so different overseas? Certainly the task is made more challenging by the cultural and language differences of new markets. But first-hand evidence that it is possible comes from the wide variety of international brands that have found success in the UK market, from Amazon to Vente Privée.

Among them is homewares brand Wayfair. The US company trades in five markets – its US home, Canada, Australia,

Germany and the UK. It consolidated a number of brands trading in the UK under the Wayfair.co.uk name in autumn 2011, and over the following 12 months it made gross sales of more than £20 million in the UK and welcomes more than 900,000 website visitors a month.

Co-founder and chief executive Niraj Shah says that for his company engaging customers in a new market starts with online advertising. That leads people to the website and to browse its products. “Just through providing a great selection and very good service we’ll aim to start building our customer base one customer at a time,” says Shah. “Rather than just doing broad-based advertising, you’re doing it with customers who are buying items so they can relate to their friends and colleagues how they found the experience – that’s a big piece of how we get started.”

From there, he says, Wayfair will typically start to focus on getting to know the local press and engaging in PR activity, before widening the scope into offline advertising and finally moving into brand advertising. “In the US we have got to the point where we are now doing television advertising,” he says. “In the UK as we continue to grow you’ll see us not only doing online advertising but TV too at some point.”

### BE WHERE CUSTOMERS ARE

That’s important for the odds are that it won’t be on a sleek and beautifully translated webshop that new overseas customers first discover a UK retailer. They’re more likely to do that when they type product details or categories into a search engine, triggering online advertisements, both PPC and banner ads, as well as bringing together mentions of the retailer on local media, whether that’s traditional newspapers and TV, social media or blogs.

Building that international presence on search engines, therefore, is key to being found in new markets. At heart, this is about building a reputation, and the mechanics of this may well be different from the UK. For example, Google is by far the biggest player in the US and UK search engine markets, with more than 90 per cent of the market. But that’s not true when it comes to other markets, where other search engines are more important. Research is vital. “Don’t assume,” says Andrew McClelland, managing director of retail trade association IMRG, “that just

because a search engine has a large market share in the UK that will be the case in all the markets.”

McClelland advises making sure that the search terms fit the new territory. Look at web analytics to see what search terms lead visitors to a website, he suggests. “Then you can start playing around with SEO (search engine optimisation) to take those into account, and get more efficient. You can also start looking at including local terms in your adword spend.”

But, he adds: “A note of caution: don’t automatically assume a straight translation of a product name from English to, say, French means the same. Even between the UK and the US there’s the difference between trousers and pants – and it’s understanding some of those cultural differences.” Here he advises either using a specialist marketing agency to translate, or a local language speaker who understands cultural nuances to develop search terms in the first place.

### TUNE IN TO DIFFERENT CULTURES

Just as search terms may vary from market to market, so a successful move into new markets will reflect the different ways in which local consumers want to shop and the different messages that will engage them. Paul Bolton of the Ivis Group says that while there might be interest in the Britishness of UK retailers’ range, this must be balanced with an understanding of local consumers’ tastes.

“I think if you don’t have that balance your growth is going to be fairly short lived,” says Ivis, “because a lot of consumers, particularly in south-east Asia, do like to have an element of things that are more relevant to them and personalised to their style of shopping.” That might mean adjusting the design of a website, the layout of a store or the product mix. “The more successful retailers mix more localised products with their standard offering so there is a blending of the best of both worlds.

Bolton points to adjustments that British DIY chain B&Q made when it moved into China. “Their brand was all about ‘do it yourself’ but no-one in China understood what that was. They had to change it to ‘we can help you to do it’. It wasn’t about leaving you on your own but giving advice, support and guidance on how to do these things. There was a slight shift in the message and the way they were selling the goods – people needed

consultation, guidance in terms of what they were buying. Your brand can still be strong but you do need to tailor it to fit the local market.”

“ Just through providing a great selection and very good service we’ll aim to start building our customer base one customer at a time ”

### KEEP IT SOCIAL

Cultural differences also matter when it comes to communicating with customers. Many aspects of that communication can be kept consistent from country to country. Steve Hurn, of Reevo, says ratings and reviews have universal appeal, while the insights they can generate into customers can prove useful to businesses moving into new markets. “We see no difference between folk in India, or in Japan or China or the US wanting to understand what they’re buying,” says Hurn, who is chief executive of the social commerce business. “They may well read literature from the company they’re buying from or advertising campaigns or gimmicks, but there is one commonality that everyone wants to read reviews from confirmed purchasers of those products and to ask questions about the products they’re thinking of buying.” It goes without saying, he adds, that those reviews must be in the local language.

However, other aspects of social commerce vary more profoundly from market to market. “Customers in Thailand and Malaysia are very sociable and their whole approach to shopping is about how social the experience is,” says the Ivis Group’s Bolton. “They like to be able to chat with friends on Facebook while they’re on your web page. They like to be able to see not just a rating or review on a product but also to see how many people have bought it or are buying it today. Everything becomes interactive, it’s social as an experience.”

But, he counsels, what is true for one market may be very different in another. “If you go to somewhere like China, people don’t like to see how many people have bought it. If too many people have bought it you won’t sell as many – but if you don’t tell them 1,000 other people have bought it they wouldn’t know.”



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As more people in emerging markets start to become familiar with online shopping, Bolton thinks they will start to favour experiences that reflect the way they like to shop. "When Amazon started people thought it wasn't so easy to use but they wanted to buy online so used what was there," he says. "That's a little bit where we are with some of the Asian markets. But very rapidly they're starting to place demands on some of the retailers to be more adaptive to those local ways of shopping."

### VARY THE MEDIUM (AS WELL AS THE MESSAGE)

As well as adapting to local shopping habits, traders also do well to consider that people in different countries use technology in different ways. UK consumers are heavy users of desktop and laptop computers. Recent Ofcom research found that 51 per cent of UK consumers use a laptop to access the internet most often, while 37 per cent use a desktop computer and six per cent a smartphone. But the proportions can be very different in other countries. In Italy, for example, smartphone usage is particularly high, while in Asia, Africa and South America consumers may well have access the internet through a smartphone rather than a PC connection. "A lot of consumers in those markets are starting on mobile, not having mobile as a secondary option," says Bolton. That means mobile strategies must often be more of a priority in international markets than they are at home.

**“ The more successful retailers mix more localised products with their standard offering so there is a blending of the best of both worlds ”**

Phil Gault, director of strategy at Sponge, agrees. He cites a Mobify study that suggests that where 31 per cent of UK and US retail website traffic comes from mobile, it's closer to half in Australia (47 per cent). And while only 11 per cent of German traffic is from mobile, in Brazil, where there's limited wired internet infrastructure, the figure is 40 per cent. That informs the way that retailers choose to communicate with their local

### GETTING TO KNOW NEW MARKETS

"I think retailers need to spend time really getting a feel for the market they want to enter. The more you understand up front what is involved and what the challenges might be, the better off you are. But the truth is that like anything else you don't know what the challenges will be."

Niraj Shah, chief executive and co-founder, Wayfair



## SPEAKING FROM EXPERIENCE



### LOCAL FACTORS

"Each market has nuances in the way people shop. What's important is to develop trust in your brand, and confidence in buying from you. Even if you keep your brand identity the same, some of the behaviours in your online experience definitely need to change."

Paul Bolton, director of product and corporate strategy, Ivis Group

### UNIVERSAL TEXT TRUTHS

"The general truth is that if your text message is offering something of genuine value or utility and is delivered in a contextually relevant way and is personalised as far as possible, you'll get a good response in all territories."

Phil Gault, director of strategy, Sponge



customers. Mobile users are more likely to value a relevant text message within the context of an ongoing relationship over an email, says Gault, while mobile-optimised sites are likely to do better than local incumbents because they are easier to use.

Sponge recently built an m-commerce site for Evans Cycles with a brief to enable international sales in markets where they don't have shops. "As you'd expect," says Gault, "the bulk of the traffic does come from the UK. But over the course of the last four to five months there have been something like 100,000 visits from the States, 30,000 from Japan and 28,000 from Australia."

"I think a lot of it – and a key advantage of making sure the site is properly optimised for mobile – is mobile search. There are increasing numbers of people searching for stuff via their mobile phone and if you've got a properly optimised site you'll be higher up the rankings. When people click on you they're going to get a more satisfactory experience and they're more likely to buy from you."

### AND FINALLY... EXPECT THE UNEXPECTED

Just because a retailer has a certain image in the UK doesn't mean that a new

group of customers will come to the same conclusions. Retailers must therefore stay open to adapting their messages to these new markets. IMRG's McClelland says one UK fashion retailer found that in different territories it became known for its footwear range rather than its clothing. "It's understanding that just because you're seen in a certain way in the UK doesn't mean you'll be seen in the same way in any one of a number of territories that you might decide to go into."

Just as flexibility is required in this case, so too it will also serve retailers in a host of ways when moving into new markets. When the reality varies from expectations, it's time to adjust the strategy. But in the final analysis, getting to know a new group of consumers and reflecting the reality they'd like to see, can be a highly profitable approach. ■

### RECENT DEVELOPMENTS

When we looked at this area a year ago, we put the emphasis on two factors: the importance of building reputations and localisation. Today these two areas remain central to the business of selling overseas, and as markets become more competitive that can only intensify.

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**A**s won't have escaped any reader's notice, these aren't easy economic times. Yet a ray of sunshine, at least from the perspective of ecommerce professionals, lies in consumers' enthusiasm for shopping online, whether that's in markets that are comparatively underdeveloped or countries where online retail is morphing into cross-channel retail.

Nevertheless, the wider economic context still needs to be acknowledged. The eurozone crisis rumbles on to the extent it's almost beginning to resemble the cold war, as an 'always-there' backdrop to day-to-day life. In the USA, as we write these words, the administration teeters on the edge of the fiscal cliff. Clearly, blithely assuming that ecommerce will continue to grow, be somehow recession-proof, is unrealistic.

It's therefore been reassuring to put together this supplement and see just how many suppliers and retailers are grappling with issues around international and cross-border retail. Moreover, we have come across many real success stories. This is the third time we've looked at this

subject and it's clear the industry's expertise has grown over recent years.

So where is the industry now? Firstly, it's now almost routine for Europeanetailers to sell to consumers in countries other than their own home territories. That's not to underestimate the difficulties around such issues as payments, but best-practice approaches to get around these kind of issues are clearly beginning to emerge. Moreover, logistics and delivery companies have already developed huge expertise in terms of solving the practical problems around how to get goods to consumers.

The European ecommerce market is thus becoming increasingly competitive, but there are still huge rewards for those who succeed, especially away from mature ecommerce markets such as the UK.

Looking further afield, there are more demanding challenges to face as companies look to move into markets where the retail culture is sometimes dramatically different to Europe. Other factors play in here too: how do companies become ecommerce players in countries that seem to be largely

jumping the fixed internet in favour of mobile? Will it ever be possible to breach the Great Fire Wall of China? Will British companies continue to be divided by a common language when they attempt to make gains in the USA?

The answers to these questions and many others besides are still unclear. But what is certain is thatetailers aren't shying away from these challenges. Instead, we're beginning to see imaginative and even bold responses as ecommerce becomes ever more ubiquitous around the world.

International and cross-border ecommerce is a subject we expect to return to next year. We also expect to be able to report on a year of dynamic change and further growth, even with the chill winds of recession still blowing.

We've found this to be an interesting subject to write about, and we hope you enjoy this supplement. We'd be interested to hear your thoughts – do get in touch.

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