

J.C. WILLIAMS GROUP

# International E-commerce Expansion Benchmark Study

J.C. Williams Group

SEPTEMBER 2009

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Detailed findings from the International E-commerce Expansion Benchmark Study can be found on J.C. William Group’s website: [www.jcwg.com](http://www.jcwg.com) or click [here](#).

For additional research and publications by the J.C. Williams Group, please click [here](#).

Are we, the E-commerce industry, ready to face the exciting but daunting challenge of international E-commerce? Companies of all sizes, channels and categories are asking themselves this question. Driven by domestic slowdowns, enticing growth rates in less mature markets, and glimmers of demand from customers we often disrespect, we appear to be poised for a wave of growth. Only time will tell how big this wave will be, but the broader trend of retail globalization foreshadows intensifying competition in pursuit of this growth.

A debate among colleagues and industry peers is “who has the edge?” We are too early to answer this without hesitation, but we observe that pure play retailers and community-based retailers’ nimbleness gives them an edge to leverage their brands’ equity overseas (e.g., Overstock.com, Threadless.com or Zazzle.com). If this sounds familiar, it should. We draw many comparisons to the early days of E-commerce, including “skunkworks” projects. Continuing the analogy, we also know many global manufacturers and multinational, multi-channel retailers are organizing their formidable resources to develop new growth businesses, resulting in a rapidly changing international landscape.

As we have delved into the issues and drawn upon our own experiences, we have come to appreciate the many options available, each with different risk/reward profiles. This has brought new insights in terms of solutions to the international puzzle. This creates an expanded range of strategic options that provide greater flexibility, which is critical in a challenging retail environment. In the end, we encourage anyone interested in the international opportunity to know their options and issues. The litany of issues and challenges can be daunting and have hindered decision making. Yet, the combination of market forces and solutions are providing the catalyst to venture into new markets, even if all of the issues have not been “solved”.

We set out to develop this benchmarking research study to provide a means for companies to compare themselves to others in the industry: it provides decision frameworks and checklists of issues and solutions to consider for your company’s unique circumstance. With input from many E-commerce veterans in the industry, including those with experience in the international trenches, we highlight the issues deemed most important in the development of your international E-commerce strategy.

We want to thank all of those who have shared both their experiences and insights in the development of this research, from all of the E-commerce executives and solution providers who we interviewed, to our sponsors. A special thanks to Dia-Mart, Gruppe Nymphenburg, and Retail Institute Scandinavia—members of the Ebelftoft Group, as well as CyberSource, iPerceptions, Forrester Research, Kent Allen, Spaide, Kuipers & Co, and Sally McKenzie for sharing their data, insights and being part of our working team. And finally, we thank our long-time friends at Shop.org for their input and generosity.

*Jim Okamura*  
Senior Partner, J.C. Williams Group

*Maris Daugherty*  
Senior Consultant, J.C. Williams Group

**Forewords**



Having delivered over four million international orders for a growing community of E-commerce brands and direct marketers, the team at Access Technology Solutions and our global partner network have witnessed first-hand the many opportunities and the diverse challenges facing retail and consumer brands expanding globally.

As this timely study validates, barriers to international expansion do exist, but they are far from insurmountable. Our vision is a world where E-commerce knows no boundaries. It's where international consumers see prices in their native currency and speak to merchants in their own preferred language; where they select from attractively-priced shipping options and receive their orders in a convenient, timely fashion—all with no cross-border surprises.

We're excited to be part of an industry committed to improving the international online shopping experience. We're proud we've had the opportunity to sponsor this research so that visionary online merchants who see the opportunity ahead can jumpstart their journey to new international markets and new growth opportunities.

It is with genuine optimism that we encourage the online community to go global and to take the next essential step in the evolution of their digital commerce strategy.

*Chris Boyle*

*CEO, Access Technology Solutions*

## Forewords



With an International reach of almost 50 million customers and 15 affiliated banks in Latin America and Europe, SafetyPay is proud to bring a global e-payment solution to U.S. merchants in support of international expansion and expertise. Through global banks, merchants and logistics partnerships, SafetyPay breaks the barriers of cross border selling.

This study provides the guidance and needs demanded in the E-commerce industry. It allows us to demonstrate our position in the development of international E-commerce. Our product offers a globally safe and secure e-payment solution with local currency payments,

We are proud to be thought leaders in this global trend. Therefore, we are honored to sponsor this internationally focused study that will endorse and enable retailers to offer a global alternative payment allowing customers to shop from merchants worldwide and pay directly through their online banking account and in their local currency.

SafetyPay provides retailers with the confidence they need to take the next step in global E-commerce.

*Manuel Montero*  
*CEO, Safety Pay Inc.*



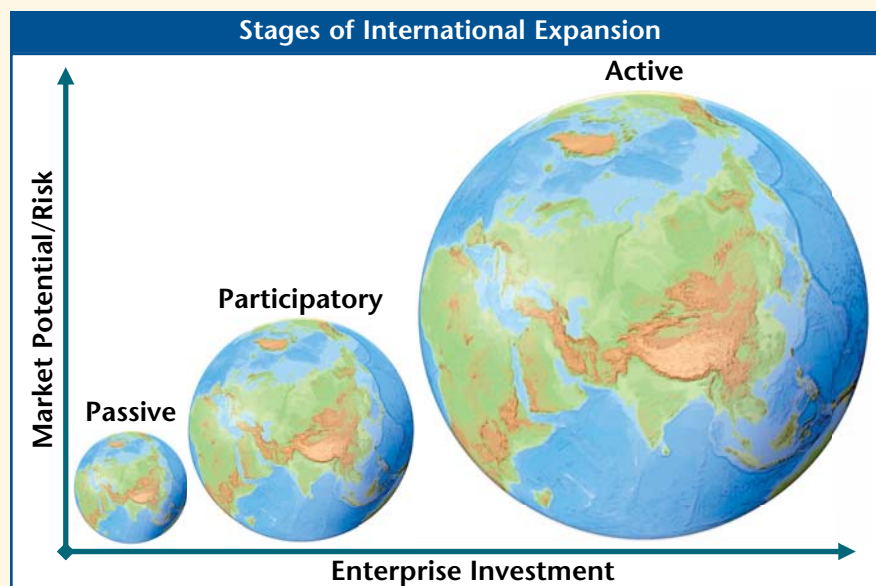
## Executive Summary

The high-risk perception of international E-commerce is changing. The draw of growth is tempting for many. And new solutions are lowering risk, enabling much needed sources of new revenue.

Strategic options have expanded from an “all or nothing” mentality to a staged approach that allows time to show proof of demand, by extending your brand online into new geographies. The stages of international E-commerce expansion characterized in this research will undoubtedly evolve as we gain insights on realizing demand with cultural nuances, and consistently delivering a sound experience. For some, the “all or nothing” approach remains the correct option. For many more, exploration of new alternatives should be explored to capitalize on today’s broader market. We expect many new entrants to change the international E-commerce community, but for now we profile each stage as:

- **Passive Stage:** the poor customer experience and low revenue opportunity do not justify the risk to your brand.
- **Participatory Stage:** lowers risk and improves on the customer experience. We expect to see many new entrants to this stage; however, few will have a clear view of the road that follows.
- **Active Stage:** requires enterprise alignment and regional operating capabilities in order to capture true financial potential. The strategic importance of digital channels for global brands is a catalyst for complex web strategy discussions within global brands.

The stages are not necessarily sequential or linear and for many the Active stage will be unrealistic, suggesting they aspire to the Participatory stage. Regardless of the stage, most retailers still lack a clear understanding of their market potential and a depth of customer insights to drive growth. We have only begun to understand potential solutions, but are encouraged by recent advancements.





## Introduction

The international stage awaits for E-commerce. In the coming years, we expect to experience high growth in developed and emerging markets as global consumer demand causes intensified competition.

Leading E-commerce companies are already showing their ability to cross national boundaries. Amazon, eBay and Dell are obvious leaders, however a wave of pure play, multi-channel and global manufacturers are readying plans to drive renewed growth, extend their reach to foreign customers and possibly test new strategies to bring back to the core domestic business (e.g., mobile or social media).

As of spring 2009, 53% of the largest E-commerce companies in the U.S. (\$100MM+ in revenues) are accepting international orders. Many of these same companies would likely admit that their results match their effort and that overseas customers often suffer through a subpar shopping experience.

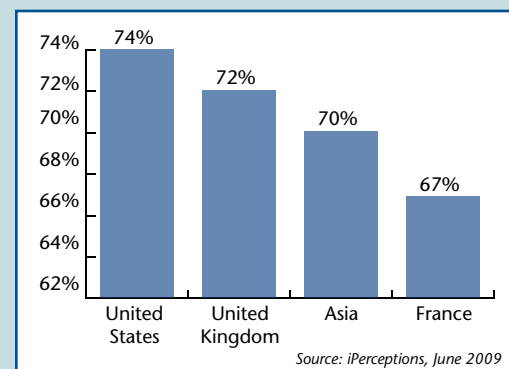
There are many parallels to the early years of E-commerce. International E-commerce is often viewed as “incremental” revenue, and not given priority and resources in line with the financial opportunity. The opportunity is superficially understood: most agree that a big upside exists yet few have the results to validate their case. The initiative frequently lacks a senior executive champion.

What has changed to tip the scales? Slowing E-commerce growth in mature markets (U.S. and U.K.), a globalization trend in the broader retail sector over the past decade, and digitally savvy global consumers shifting their shopping behavior, to name a few.

Equally important has been the expansion of partner solutions to reduce risk for retailers. A “middle” stage of international E-commerce expansion is emerging (Participatory stage) in the way of a cross-border model that leverages the domestic infrastructure and improves the customer experience. The Active stage is complex and costly, involving in-country or regional teams and operations, yet the payoff has significant potential. Regardless of the stage of international E-commerce you aspire to, you are poised for an interesting voyage.

### Overall Online Satisfaction

Mature markets, with their concentration of online retailers and the current slowdown in growth, place a greater emphasis on optimizing retail websites in order to enhance the consumer experience and maintain sales. U.S. and U.K. retail websites scored 74% and 72% overall satisfaction rates in June 2009. Retailers in markets undergoing rapid E-commerce progress should not undervalue the importance of tracking consumer satisfaction and task completion success rates, in order to refine the customer experience. Remaining competitive as the international landscape garners further attention and adds new players will become crucial. Currently Asia and France have room for improvement with scores of 70% and 67% respectively.

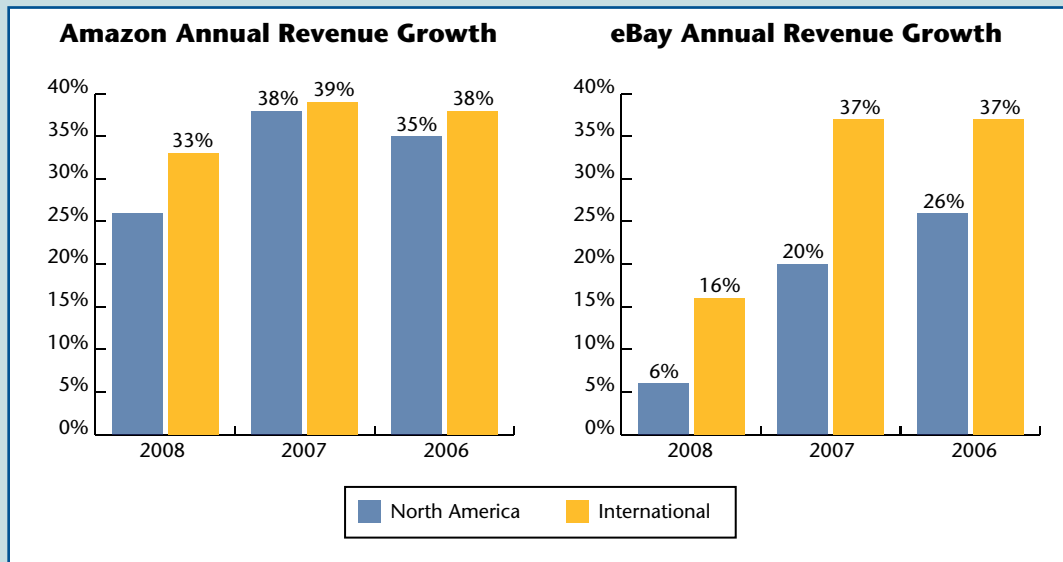


### How Big Can the International Market Become?

Walmart’s international sales, accounting for nearly a quarter of its revenue, have undergone double-digit growth (24%) in comparison to its U.S. divisions (6%). As the third largest corporation in the world, this heavyweight can thank its international divisions for close to \$100 billion in sales from 15 different markets.

Proctor and Gamble, a household brand behemoth, with many of its products accessible in over 180 countries, credits 56% of its sales to non-North American regions. A whopping one-third comes from developing regions such as China, Latin America, and India.

In terms of online retailers, eBay with over 54% of revenue stemming from international sales, is facing significant growth potential through it’s double digit (16%) increase in sales last year. Amazon’s international sales, at 47% of total sales, are also experiencing solid growth (33%). This illustrates a trend towards international growth.





## ***Objectives and Methodology***

### **Objectives**

The objectives of this research study are to provide:

- Baseline benchmarks in a current “snapshot” of strategic investment options for international E-commerce expansion.
- Checklist of challenges, solutions and benefits associated with each option.

As no two companies will be exactly alike in terms of their strategic options, the study aims to provide retailers with the means to plan according to their international mandate.

E-commerce is often part of a broader global initiative. Given the nascent stage of international development, issues and challenges are plentiful, whereas solutions and benefits are less proven. The study intends to encourage open dialogue among retailers and consumer brands who are trying to solve many of the issues.

### **Methodology**

Senior E-commerce executives from 30 major retailers in the U.S. and Europe were interviewed via telephone between April–July 2009.

The criteria used to select retailers to interview were as follows

- They are currently conducting E-commerce outside of their domestic market; or
- They are currently assessing the viability of conducting E-commerce outside of their domestic market.



## Research Findings

### Four Primary Challenges

Retail executives were asked to identify challenges they are experiencing or have encountered during their efforts to expand E-commerce internationally. Functional areas under their control (e.g. strategy and operations) were discussed in further detail. While an extensive list of hurdles was discussed, four fundamental and prevailing barriers were conspicuous throughout the research. These barriers are:

DEFINITIONS			
Internal Factors	Market Assessment	Localization	Resources
The fabric of the business—its culture, people, processes, and organizational structure.	The gathering of necessary inputs in order to gauge the viability of international, E-commerce expansion. Inputs may include consumer practices, cultural nuances, etc.	The calibration of products or services in order to meet market specific customer needs. Localization can be as apparent as lingual diversity or as subtle as consumer habits and preferences.	The assets of a business such as staffing, funds, and the related cost-benefit. Resources can include translation staff to a dedicated project budget.

Each of the four types of challenges affects one or more areas of a retailer's operations. We have analyzed six functional areas to understand the impact these issues have to successfully expand internationally. These six areas are: strategy, marketing, merchandising, operations and fulfillment, technology and finance/legal.

Barriers encountered as a result of **internal factors** and **resources** significantly affect five of the six areas: strategy, marketing, merchandising, operations and fulfillment and technology. **Market assessment** greatly affects only two: strategy and the finance/legal operations. **Localization**, a noticeably visible barrier to many retailers, affects all areas of a retail business.

BARRIERS	AREAS OF RETAIL BUSINESS MOST IMPACTED					
	Strategy	Marketing	Merchandising	Operations & Fulfillment	Technology	Finance & Legal
Internal Factors	■	■	■	■	■	
Market Assessment	■					■
Localization	■	■	■	■	■	■
Resources	■	■	■	■	■	

The chart above depicts this common trend across the thirty retailers interviewed in this study. While examples varied depending on the retailer's attributes, e.g. retail category, channel of operations etc., the most common and valuable examples have been provided in detail on our website:

[www.jcwg.com](http://www.jcwg.com), to illustrate each of the four barriers.



## Analysis

- *Passive*
- *Participatory*
- *Active*

Until recently, many retailers viewed international expansion as an all or nothing proposition. Either the few international orders were viewed as “incremental” revenue, or the mere mention of E-commerce in new markets caused an enterprise-wide ripple with far reaching implications.

This all-or-nothing view has changed due to advances in technology and operational solutions, such as:

- The development of international shopping carts and E-commerce-capable local market payment options;
- Translation capabilities; and,
- Advancements related to third party specialists in operations and fulfillment.

All provide solutions that reduce the risks associated with expanding abroad.

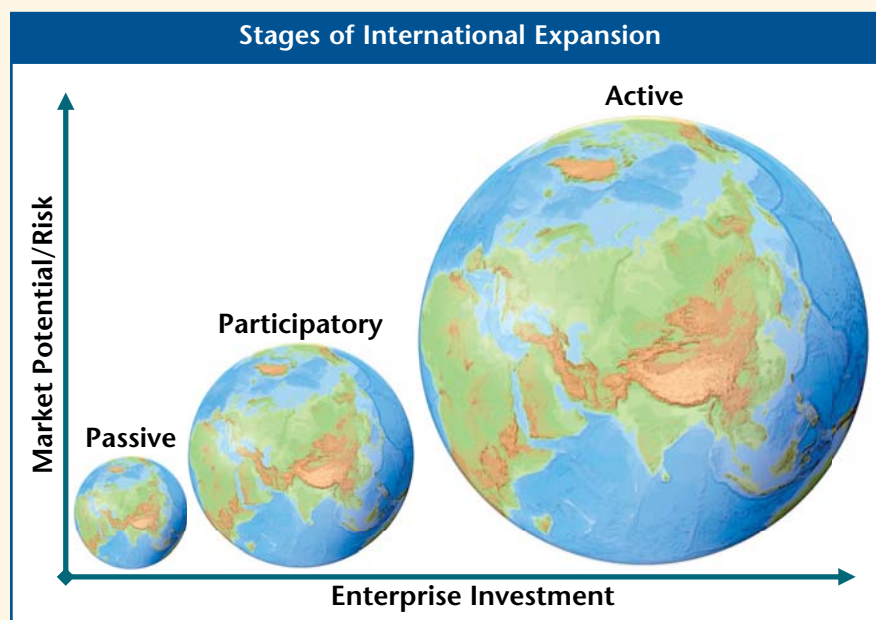
The result is depicted in a three-staged expansion model below.

The vertical axis represents the market or financial potential of the geography under consideration (e.g., country or region). The horizontal axis represents the range of enterprise investment; both strategic and resource intensity

In the Passive phase, the retailer’s expectations are minimal as is the investment of enterprise effort.

The Participatory stage has received a great deal of attention recently. It represents an opportunity to realize international demand with less risk and financial commitment, largely through leveraging the investments of key business partners.

In the Active phase, the retailer makes an in-country or in-region infrastructure investment. Investment is applied to marketing, merchandising and operations. The expectations for a corresponding return on the investment are high.



It is important to note that these stages are not necessarily linear or sequential. Retailers may determine that they should move from Passive directly to an Active stage, or that the Participatory stage is as far as they want to expand. A portfolio of country-specific or region-specific investments should align with enterprise strategy (e.g., global brands may be Active in countries where they have landed businesses and Participatory in other markets).

Some global brands have “scaled back” from Active to Passive as they evaluate an integrated international expansion including their offline footprint. In some cases this has meant buying their licensing rights back from international partners with the intent to develop a coordinated cross-channel approach. This is also consistent with a trend among global brands to have stronger centralized control over all retail channels; in most cases resulting in a weakening of the regional or country office flexibility. Within each stage, we find similarities in our four

barrier groups: internal barriers, market assessment, localization, and resources. However, the priorities and solutions vary by functional area (strategy, marketing, merchandising, operations and fulfillment, IT and legal, and finance) within each phase.

The following section provides a detailed view of each stage. In each stage, we have profiled:

- Characteristics of the stage including the view from the retailer perspective;
- Key challenges and barriers associated with the stage; and
- Strategic considerations from a customer, competitive, financial, and risk perspective.

## Passive Stage

### Characteristics

Most retailers “selling internationally” are in this stage of international E-commerce. Their characteristics are summarized below:

Passive Stage – At A Glance	
Criteria	Passive Stage Characteristics
Investment	Little or no investment.
Geography	No specific geographic focus.
Internal Prioritization	Mid-manager driven.
Marketing	Organic traffic only
Merchandising	<ul style="list-style-type: none"> <li>• Subset of domestic assortments.</li> <li>• Pricing in domestic currency.</li> </ul>
Operations and Fulfillment	Retailers ship cross border but do not provide customs/duties or returns support.
Technology	Same as domestic.
Legal and Finance	<ul style="list-style-type: none"> <li>• Accepts foreign drawn credit cards.</li> <li>• Duties, taxes, and customs are customer’s responsibility to manage.</li> </ul>

These characteristics result in different experiences for both the retailer and the consumer. From the retailer’s view:

- The international customer can buy from the retailer using a foreign-issued credit card; however, there are no capabilities to use non-credit card payment choices.
- Some retailers are not providing transactional E-commerce but instead are forcing the customer to place an international order via phone.

- There is little geographic distinction where the order can be shipped. The order is typically shipped using existing carriers.
- No assistance is provided by the retailer to advise the customer of the final delivered (landed) costs.
- No customer assistance is provided in the case of returns.
- Typically the customer is offered delivery options that can range from expedited (2–4 days) to more standard options, which can be considerably longer. Either option can be prohibitively expensive, comprising a large percentage of the total order cost.
- There is limited visibility to shipment tracking once the order has crossed the border into the destination region.

Needless to say, the customers’ experience is poor-to mediocre including:

- No acknowledgement of their needs on the site. International customers must search to determine if they can buy from the site.
- The customer is solely responsible for border clearance, duties, taxes, and fees. In many cases, they are unaware of total costs and experience an unpleasant surprise once all expenses are considered.
- Shipments can be held at the local depot or post office with a balance due, further inconveniencing the customer.
- Delivery times vary considerably and quality is questionable with boxes opened and items missing.
- Typically, these customers do not return goods. The process is onerous and costly for the customer bearing the brunt of reverse logistics.

### Challenges and Barriers

Primarily retailers in the Passive stage are focused on untapped domestic growth opportunities. When considering international expansion, they are likely to cite the poor customer experience and almost negligible sales volume. As a result an international risk-ROI profile has little chance of receiving greater investment.

This group commonly cited a litany of localization issues that they thought needed to be solved to enable international expansion. However, the localization issues are moot until internal factors are addressed, and a considered decision is reached to sell internationally.

Ultimately, the Passive stage is a stepping stone and not an end destination. The benefits are few and the risks too great for most companies. For those currently at this stage, we expect to see changes in the near future.

### Strategic Considerations

The considerations below are intended to be filters to help determine your current position and whether the Passive stage fits your business objectives for international expansion.

**Customer:** Capturing the pent-up demand may come at a steep price. The early customer of your international operations may be one of your strongest brand advocates, and the poor experience may diminish the opportunity for viral growth.


**Competitive advantage and point of differentiation:** This stage represents a competitive disadvantage (i.e., a weakness to be exploited by a direct competitor).

**Financial Impact:** This varies greatly depending on the size of the retailer. Portions of revenue are not measurable as international consumers turn to freight forwarders and subscription mail boxes.


- 2–3 percent of total E-commerce sales in companies with online revenue exceeding \$100MM
- Smaller E-commerce companies may have a higher range, from 8%–50%

**Associated Risk:** Financial risk encountered by retailers at this stage is minimal, although brand risk can be high.


Expansion Decision Factors						
	AREAS OF RETAIL BUSINESS MOST IMPACTED					
BARRIERS	Strategy	Marketing	Merchandising	Operations & Fulfillment	Technology	Finance & Legal
Internal Factors	●					
Market Assessment						
Localization						
Resources						

 **Aware**

Retailers are aware that these are barriers to their expansion, but there is no urgency to act to resolve them in light of other priorities.

 **Considered**

Retailers are keenly aware of the barriers, and know they have to incorporate them into their decision making process as it pertains to expanding.

 **Prioritized**

Retailers are acutely aware of the barriers, and know they have to resolve them prior to moving forward.

## Participatory Stage

### Retailer Characteristics

The predominantly stated goal by retailers in this stage was to deliver “final landed costs in the customers’ local currency, provide package visibility through the final mile, and customer-friendly returns handling and customer service”.

Few retailers interviewed are actively engaged in the Participatory stage. However, many are in the process of reviewing third party international shopping carts (a.k.a. ship and sell solutions) and shipping solutions or developing their own international shipping capability. We expect this stage to be populated with many companies in the near future.

Typically, most retailers and third party providers use leading global carriers (e.g., UPS, FedEx, or DHL) for cross-border logistics. Exceptions to this are select international ship and sell solution providers that have expertise in select international markets.

Participatory Stage – At A Glance	
Criteria	Passive Stage Characteristics
Investment	\$–\$\$ modest financial, time, and staffing investments required.
Geography	Selective regions identified for growth.
Internal Prioritization	Low-to-moderate priority to develop proof of concept.
Marketing	Pay for performance based.
Merchandising	<ul style="list-style-type: none"> <li>Seasonality and calendaring considered.</li> <li>Customs harmonization provided for consumers.</li> </ul>
Operations and Fulfillment	<ul style="list-style-type: none"> <li>Landed costs in local currency.</li> <li>Limited translation: primarily landing pages and customer service pages.</li> <li>Goals to lower customer shipping charges.</li> <li>Limited in-country customer service and returns handling available.</li> </ul>
Technology	<ul style="list-style-type: none"> <li>Detect the shopper’s country automatically using IP geo-location.</li> <li>Automated translation software.</li> </ul>
Legal and Finance	<ul style="list-style-type: none"> <li>Consideration of alternative non-credit card payment types.</li> <li>Chargeback protection and fraud.</li> <li>Foreign exchange and remuneration in U.S. funds.</li> </ul>

The introduction of third party international shopping cart and shipping solutions allow customer orders to be fulfilled from the domestic region. Therefore, there is little need for in-country infrastructure and as a result capital investment is minimized. Costs are primarily marketing related and variable ongoing operating costs.

Surprisingly, marketing or the need for traffic demand generation tactics rarely was brought up as a concern during the interviews. We attribute this to retailers' viewing this stage as "capitalizing on low hanging fruit", and not necessarily building a new business.

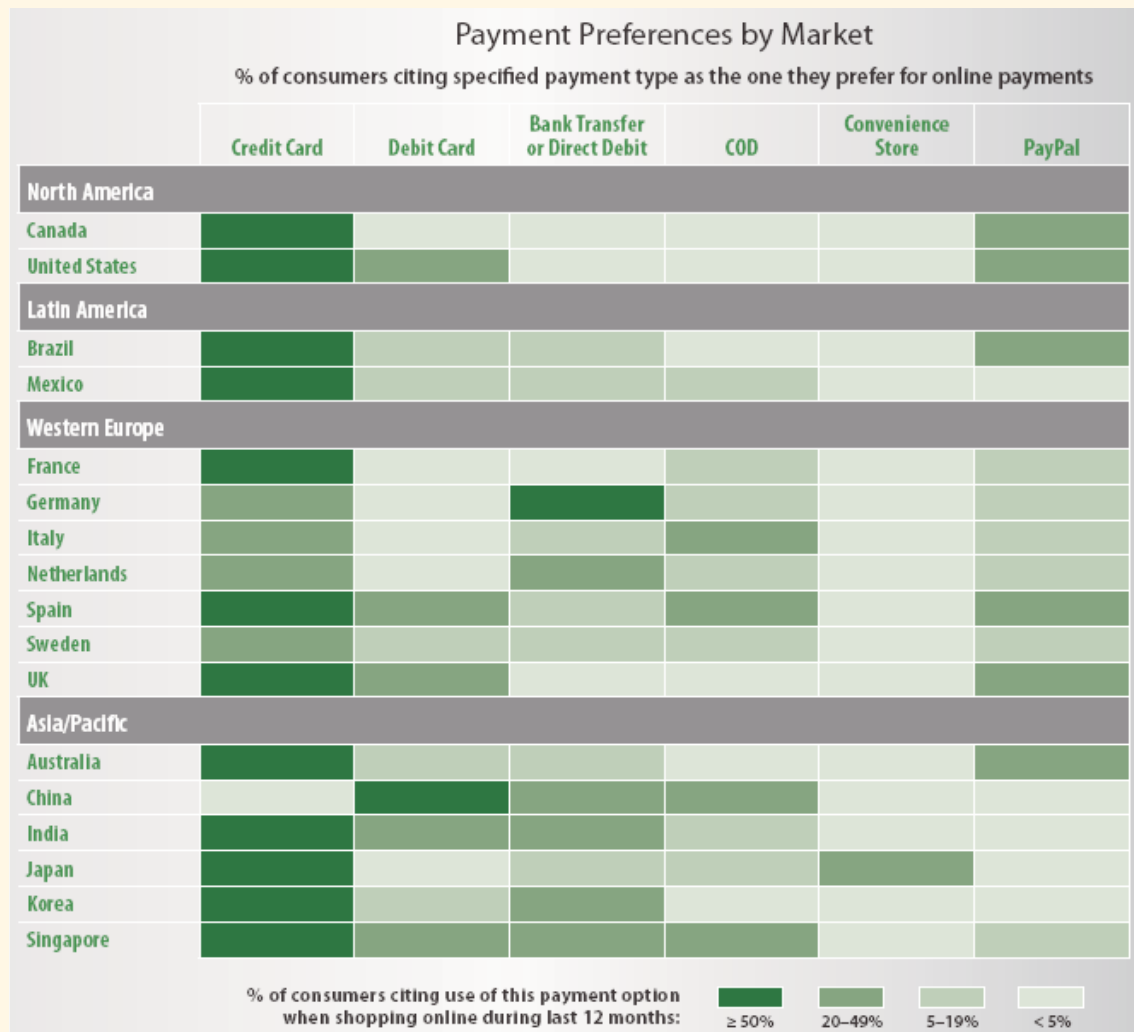
In cases where retailers were trying to drive international demand they:

- Favored "pay for performance" methods (e.g., search and affiliate);

- Allocated a limited budget and called out the customer acquisition difficulties they were experiencing;
- Noted a greater and more costly reliance on non-brand keywords; and
- Are using domestic affiliate companies to reach the international consumer.

Merchandising tactics may include:

- Seasonality and calendaring to merchandise according to the needs of local consumers, and in some cases different cadence and sequencing if the platform allows;
- Select translation of landing and customer service pages to facilitate the shopping experience; and
- Filtering the product catalog to comply with customs restrictions.



Source: "Insider's Guide to ePayment Management: 30 Tactics Leading Merchants Use to Capture Hidden Profits" CyberSource Corporation

Fraud management and regulatory compliance with customs and duty were discussed but were not viewed as decision factors that limited expansion.

In this stage international expansion is recognized as ancillary to the domestic experience. Broad geographic lines may be drawn but little is done to specialize within specific markets (e.g., inclusion of local market payment preferences that may represent as much as 50% of the market’s preferred payment type).

### Challenges and Barriers

Our research findings point to a lack of Senior level support. The international effort is being pushed from the manager or director level upwards. Budgets are difficult to allocate as the effort is labeled as a “test”. Consequently there is a poorly defined strategy which lacks concerted effort to develop the business case and determine the best geographic opportunities to devote limited resources. As a result, at this stage the retailer is focused on the tactical barriers which are more perceived than actual given recent advances in technology and services.

### Strategic Considerations

The considerations below are intended to be filters to help determine your current position and if the Participatory stage fits your business objectives for international expansion.

**Customer:** Is able to order more easily and confidently, thus increasing conversion, frequency and long term value. The experience still pales in comparison to the domestic customer.

**Competitive:** Relies on strong brand equity and local market immaturity to capture market share. Sustainable advantage will prove challenging however, as more companies enter this stage.

**Financial Impact:** Forecast to realize 8–12% of total E-commerce sales.

**Risk:** The Participatory stage requires greater investment (both monetary and resources) than the Passive stage. However, the level of financial risk is still low, and may be offset by improvement to brand risk as the overall shopping experience improves.

Expansion Decision Factors						
BARRIERS	AREAS OF RETAIL BUSINESS MOST IMPACTED					
	Strategy	Marketing	Merchandising	Operations & Fulfillment	Technology	Finance & Legal
Internal Factors						
Market Assessment						
Localization						
Resources						

**Aware**

Retailers are aware that these are barriers to their expansion, but there is no urgency to act to resolve them in light of other priorities.

**Considered**

Retailers are keenly aware of the barriers, and know they have to incorporate them into their decision making process as it pertains to expanding.

**Prioritized**

Retailers are acutely aware of the barriers, and know they have to resolve them prior to moving forward.

## Active Stage

### Retailer Characteristics

This effort is typically backed by the CEO, with a Senior Executive accountable and a dedicated team, including centralized and localized personnel. This initiative is part of a broader global retail strategy or customer initiative (e.g. CRM). The primary objective is to compete with local market leaders in a targeted geography. Global brands and multi-national, multi-channel retailers and largescale pure play E-commerce retailers are leaders in this stage.

A trend among global brands is the development of integrated, international multi-channel retail strategies. The role of E-commerce ranges from a supporting role to company stores and wholesale, to the primary driver of growth in a country or region. Definition of these roles, by region or country, will determine the international “portfolio” of Active, Participatory or Passive stage markets. These market entry decisions are based on a complex mix of business decisions (e.g. existing partnerships, channel conflict, and physical footprint).

This stage may also include companies who are outsourcing fulfillment and customer care with dedicated resources devoted to a particular geography. In this manner, they are attempting to replicate an “in-country” experience at every level. In rare cases this may include cross-border fulfillment from the domestic inventory.

Active Stage – At A Glance	
Criteria	Passive Stage Characteristics
Investment	\$\$\$\$ - high monetary, time and staffing investments necessary.
Geography	Targeted regions to be developed under a strategic plan.
Internal Prioritization	Specialized with a defined strategy. Dedicated team driven by Senior Management objectives.
Marketing	<ul style="list-style-type: none"> <li>• Independent budget with focus on acquisition.</li> <li>• Leverage local media opportunities and brick and mortar cross-channel promotion where possible.</li> </ul>
Merchandising	<ul style="list-style-type: none"> <li>• Localized for market preferences through translation, assortment, content and promotion.</li> <li>• Product pricing in local currency.</li> </ul>
Operations and Fulfillment	<ul style="list-style-type: none"> <li>• Operations and fulfillment based in local market or region.</li> <li>• May utilize third party partners.</li> </ul>
Technology	Localized experience with dedicated country website.
Legal and Finance	Full compliance; complicated by in country operations.

An enterprise-wide effort has been put into the assessment of needs within each functional area prior to launching this initiative. Every company will differ in terms of their issues and approach to planning. The characteristics of Active stage retailers are described below.

These retailers tend to be highly brand conscious and cognizant of the marketing challenges inherent in a new business (e.g., high acquisition costs, need for dedicated budget to meet the revenue plan, and development of local partnerships, affiliates and media).

- Many have used multi-country brand equity research to determine the brand's penetration and perception differences.
- Expectations of lower search term costs and ability to generate local market PR were too high, and met with disappointment.
- Recognition of the nascent digital media infrastructure in some markets (e.g. local market expertise and skill sets) was important to their ongoing execution and plans.
- Cross-channel capabilities were deemed as a "later stage" consideration but utilized where possible in customer acquisition methods and contact strategy.

Merchandising issues were a primary focus of this group of Active-stage retailers. Dedicated, culturally knowledgeable local teams, often combined with dedicated head office product specialists, are focused on getting the product, pricing and promotion "right". In some instances these skills were a high enough priority to consider mergers and acquisitions (see *Coming Soon: Consolidation Through M&A* on page 15). Market knowledge and local positioning are deemed crucial to success and are largely the responsibility of the local team.

Technology considerations are complex and dependent upon existing platforms, applications and strategy decisions. Typically, the focus starts with leveraging existing partnerships and in-house technology.

- The key decision to have a "strong or weak" web center is crucial to the investment threshold and timeline. A strong web center highly leverages the domestic core, while a weak web center provides support with overall direction and best practices, but decisions are largely made at a region or country level.
- Local market skill sets, back office system integration needs, and ongoing maintenance force these retailers to consider new processes to support the market yet be fiscally responsible.
- In most cases a single E-commerce platform was preferred, but was not always used for various reasons (e.g., local market needs, existing platform capabilities, and lack of in-country support.)

In-country operations and fulfillment are managed in a number of ways. The primary factor that determines the retailer's in-country operating approach is its ability to leverage in-country (or regional) assets, be it internal or third party. The greater the assets, the lower the cost and risk associated with the launch. The relevant in-country assets to be considered are:

- A brick and mortar retail presence;
- Local distributors;
- Third party support providers; and
- Existing web platforms, order management applications, processes, inventory, operational facilities and organization.

As with any operating environment, a critical decision is where it should be located in terms of how best to achieve effective country and regional coverage. Future expansion plans or multiple country entries with regional cross-border complications need to be considered in up front planning. Local language customer care, content management and translation are all of prime importance.

Understanding and responding to cultural nuances such as preference for mobile customer care or higher reliance on phone versus Email is a common challenge for operational benchmarks and planning.

Common local market payment types and brands are critically important to achieve revenue goals. For example, the popularity of bank drafts in China suggests the necessity to offer this payment option.

Finally, the importance of local legal and financial counsel was often cited as “worth every penny” to ensure compliance and movement of cash flows.

### Coming Soon: Consolidation Through M&A

Retailers in the Active stage generally look to organic growth as part of their international expansion plans. However, we anticipate a trend towards merger and acquisition activity as we emerge from the current economic downturn and pursue international ambitions. Often the means to fuel growth, acquisitions may also prove to be an accelerated path to local market knowledge required in the Active stage. Mergers and acquisitions will have their own complications, such as corporate culture differences, yet the opportunity to quickly acquire assets and knowledge may prove too tempting for some companies to resist.

## Barriers and Challenges

The Active stage should be treated as if a new business was being started. A seasoned international retailers said “It will take longer and cost twice as much as planned”. Expectations to achieve break even within two years were dismissed, emphasizing the importance of a defensible plan.

Accurate market or financial potential is a difficult calculation based on questionable data sources in most markets. Market potential takes on even greater importance as it sets the course for developing operating environment options for the fledgling business and ultimately the ROI of the planned entry.

Perhaps even more challenging are customer insights specific to online behavior as many executives pointed out this critical gap. While some insights may be transferrable from the domestic business, a new set of assumptions must be stated, tested and refined over time.

The other major concern is internal issues such as organization design, processes and coordination between the domestic team (web center) and the local market team. This local team is typically charged with integrating E-commerce into the enterprise’s country. Brand control and consistency, internally and externally, are considered at every decision and customer touch point. And the integration of E-commerce can range from modest to a highly integrated cross-channel strategy that requires alignment in many departments.

While operational and localization concerns were acknowledged, Active stage executives generally recognize the solutions that exist, and are less focused on these issues. Their priority is to achieve balance between localization versus centralization and how these decisions will affect teams, infrastructure and partnership decisions.

Knowing that this initiative’s revenue will be small initially, many draw on lessons learned by building domestic brand extensions to ensure the project is not “out of sight, out of mind”.

Different types of retailers clearly have different issues to consider:

- Manufacturers and global brands have to consider existing distribution channels, licensing agreements and their own retail.
- Multi-national, multi-channel retailers with international stores are highly aware of the consumers’ cross-channel expectations and the effort required to seamlessly coordinate channels. However, an immature international operation may prove better to advance cross-channel capabilities before separate paths are entrenched.
- Pure play online retailers have an added challenge in marketing leverage and brand recognition.

Market entry considerations include new channels (e.g., mobile and social media), creating a need for different skill sets and capabilities. And joint ventures or acquisitions, traditionally a common practice in offline international expansions, also have the potential to rapidly improve both local assets and expertise.

Expansion Decision Factors						
BARRIERS	AREAS OF RETAIL BUSINESS MOST IMPACTED					
	Strategy	Marketing	Merchandising	Operations & Fulfillment	Technology	Finance & Legal
Internal Factors	●	◐	◐	●	●	
Market Assessment	●					◐
Localization	◐	◐	●	●	●	●
Resources	●	◐	◐	●	◐	

**Aware**

Retailers are aware that these are barriers to their expansion, but there is no urgency to act to resolve them in light of other priorities.

**Considered**

Retailers are keenly aware of the barriers, and know they have to incorporate them into their decision making process as it pertains to expanding.

**Prioritized**

Retailers are acutely aware of the barriers, and know they have to resolve them prior to moving forward.

### Strategic Considerations

The considerations below are intended to be filters to help determine your current position and if the Active stage fits your business objectives for international expansion.

**Customer:** The widest universe of local customers, especially if combined in a cross-channel strategy, means that gaining critical customer behavior insights are a priority. Establishing best customer segments and iterative “learning loops” will require appropriate skills and resources to drive new customer acquisition efforts.

**Competitive:** Positioning for long-term market share penetration and growth. Strategic plans need to have well defined positioning and sustainable points of differentiation. Competitive intelligence programs will need local expertise to understand subtle nuances.

**Financial impact:** forecasted to realize 10–25% E-commerce sales, impacted by decisions such as:

- Country of entry variables
- Market entry strategy
- Local country brand equity
- Investment horizon expectations

**Risk:** The Active stage entails the greatest risk given the investment required. High fixed costs, a substantial marketing budget to “build to potential” and complex internal barriers all combine to raise the stakes.

### The Social Phenomenon

Two areas of interest that were consistently brought up during our expansion conversations were social networking and mobile capabilities. Are they necessary? We can safely say that for some areas, such as Asia Pacific, these two communication channels are tied to E-commerce. In Japan, greater than 85% of adults are mobile subscribers and almost 80% have 3G capabilities: handhelds surpassed the popularity of PC's in Japan in 2007. Accordingly, social networking is woven into the fabric of their lives with constant connectivity, where mobile phones have become ubiquitous (SMS, group interactions, and entertainment in the form of blogs and microblogs, mSNS, gaming, and virtual worlds). Examples of how Japan has evolved include:

- Short installment cell phone novels called keitai shousetsu are developed by mobile phone users, typically young girls. A best seller can be downloaded as many as 400,000 times before it is ultimately turned into a hard copy book. Many of the top selling works of fiction in Japan originated as keitai shousetsu.
- Blogging is part of the SNS experience, not a stand alone activity.
- The use of rich media mobile Email is prevalent.
- Product placement in games and virtual worlds.

Within this region at least, and arguably many other markets in the future, the digitally savvy consumer will be part of your market entry strategy. The bigger opportunity may be in testing a mobile or social networking capability that has the potential to be brought back to your domestic business.

Summary: Benefits by Stage

Passive Stage	Participatory Stage	Active Stage
<ul style="list-style-type: none"> <li>• Safe strategy, but high brand risk</li> </ul>	<ul style="list-style-type: none"> <li>• Minimal risk and investment; flexible and scalable to add new geographies</li> </ul>	<ul style="list-style-type: none"> <li>• Higher risk for higher rewards.</li> <li>• Enterprise-wide initiative</li> </ul>
		
<p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>• Low risk, conservative approach to partially realize pent-up international demand.</li> </ul>	<p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>• Fast to market with broad, scalable options.</li> <li>• Improved customer experience.</li> </ul>	<p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>• Best customer experience.</li> <li>• Sustainable competitive advantage in new markets.</li> </ul>



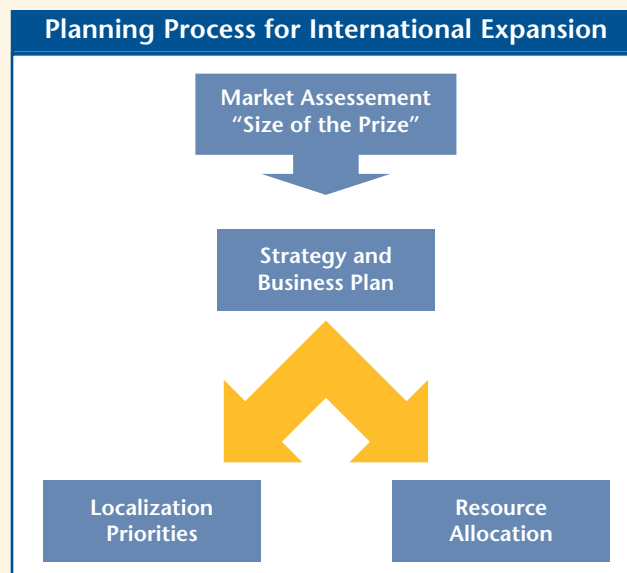
## Enablers for International E-commerce

Until recently, retailers have looked at international E-commerce expansion as an all or nothing proposition. As E-commerce reaches critical mass in many markets and changes in technology and services simplifies the decision to expand internationally, the planning and implementation challenge remains daunting.

The planning process below addresses the barriers and challenges identified in this research. The sequence allows ample opportunity to build consensus internally and thoroughly analyze the market to make calculated decisions. The market assessment, or “size of the prize” determines goals, from which strategy and positioning can be created. Not until strategy has cross-functional alignment should tactics and the appropriate level of resources be determined. Progress measurements and flexibility should also be built-in to account for change as dictated by market conditions.

Bear in mind that the stages to international expansion are not linear. The best path will be an iterative one, accumulating consumer insights and operational efficiency over several seasons. Embrace a process of discovery, planning, analysis, refinement and optimization — on a market-by-market basis. Most importantly, learn from others, especially those with local market knowledge.

The following section offers insights and lessons learned from international trailblazers, specific to the Participatory and Active stages. By no means are the solutions comprehensive to develop your international plan: each company’s unique circumstances, goals and risk tolerance will require a dedicated team to tailor the plan.



Below is a short list of universal truths for any stage of international expansion:

- Secure a senior-executive champion early in the planning process. Energy and resources will be wasted if senior level support and resources are not secured.
- In the case of marketing you are in an aggressive acquisition mode, yet lack the resources to spend heavily:
  - Don't assume what works at home will work abroad. Develop and adhere to a testing cycle to rapidly refine and respond to new information.
  - When possible, integrate cultural references (e.g. in your messaging, imagery, translation).
  - Be present where your customers are. In many countries that means mobile marketing and social networking.
- The importance of local market payment type preferences (e.g. debit cards, bank transfers, etc.) must not be underestimated.

### The Participatory Stage: Enabling Low Cost Expansion and Enhancing the International Customer Experience

#### Define Your Geographic Scope

This study does not provide guidance on prioritized geographies, yet this is the first question that requires definition. Leverage as much available strategic data and insights as possible to help define the geographic scope of your launch.

- Initially test your international expansion capabilities on markets that use English as a primary language. But be careful to not oversimplify cultural differences just because English is the dominant language.
- Leverage data mining and site analytics to pinpoint organic demand by market. Use site analytics to gather and analyze data on traffic origin.

- Look to domestic service providers for international market data.
- As E-commerce service providers grow their international capabilities, they may have leveraged subject matter experts in local markets or conducted their own market due diligence.
- Use social media to gauge brand equity abroad. As you learn about international markets, make sure you explore how well they know you. Given the nascent state of digital marketing in many global markets, social media offers a cost-effective way to qualify your international brand equity. This includes global social media (e.g. Facebook, Bebo, My Space), but also should include regional or local favorites (e.g. Friendster, Cyworld in China, and Mixi in Asia Pacific, Skyrock.com in France, and Orkut in Latin America).
- Eliminate countries due to propensity for fraud. Work with fraud management and payment solution specialists (e.g., Cybersource, Cardinal Commerce) on a wide variety of local market payment brands to glean where fraud risks are highest. Consider payment solution-types with global reach, such as SafetyPay, that offer fraud and chargeback protection, as well as critical marketing reach to access local customers.
- Local Market Banks may be able to increase your net sales by market. Local market banks are often inexperienced with cross-border E-commerce fraud management, and may be overly aggressive in declining legitimate transactions. Work with your credit card companies to understand whether your cross-border decline rates can be improved.

### Acquisition in a Foreign Land

Don't be satisfied with "low hanging fruit". Many markets are very reminiscent of the early days of the internet. Don't hesitate to negotiate Cost Per Acquisition (CPA) deals that can apply to both interactive properties or offline partners with large customer databases. Keep in mind that your average order size will likely be higher for a cross-border customer. Therefore, you can afford to spend more per customer. Push performance-based marketing to the next level by localizing your efforts.

- Measure each country as a separate segment to ensure appropriate investment.
- Use local market third-party specialists for business development leads paid on a negotiated rate.
- Use in-country specialists to support localized SEM in partnership with your in house team.
- Translate your data feeds for comparison sites and directories to local language and local market pricing.
- Email targeting "first steps": strip out domestic promotions for international Email addresses when full targeting is not possible. Building your own international Email list offers a safer path than renting or co-marketing with international customer lists. Be resourceful by taking advantage of all opportunities to collect opt-in Email addresses (e.g., when international consumers shop domestically in stores, or online). Then create offers designed to fuel local viral marketing.
- With evidence that your brand has demand in foreign markets, develop local market customer insights. This will enable greater accuracy with market potential analysis and subsequent strategic, business and resource planning to reduce risk and accelerate growth.

### Finding the Right Enabling Solutions

The diversity of international E-commerce solutions exists for good reason: no two online retailers or international markets are alike. Your choices should be tailored to your short and long-term expansion objectives as well as to your brand guidelines.

#### **Product pricing in local market currency:**

Ensure that all product pricing and the final, total landed (delivered) cost to the customer's door is provided in the local market currency at check-out.

- Ensure that there is an easy audit trail to any service provider. This will help account for cases where split or partial shipments or differences in actual weight or box size affect your actual cost versus what was quoted and charged to the customer.
- Charges for transportation and fees should be separated from the charges for duties/taxes and customs.

#### **Local market payment preferences:**

- Each market has its own payment preferences and non-credit card payment brands (see CyberSource chart on page 11). This is crucial to conversion rates but is rarely deployed.
- Consider the use of a payment gateway (e.g., Cardinal Technologies, CyberSource) to coordinate your alternative payment vendors. This allows multiple payment brands to support local market preferences in a fast-to-market manner.
- Individual payment integration into your shopping cart is possible. This approach may be more cost effective, but it may also be difficult to integrate into financial reporting.
- Be aware that not all third-party alternative payment providers assume chargeback liability. Read the fine print.
- Ensure that financial reporting is coordinated with domestic reporting for easy reconciliation.

**Content localization:** The process of translating primary site content (text, images, etc.) into local language and taxonomies.

- Since concerns exist with automated translation services as it relates to cultural nuances, retailers suggest the use of a translation service. (e.g., [translatenow.ca](http://translatenow.ca), Motion Point, etc.). Then add local nuance by using in-country resources for final copy-editing.
- A good place to begin is customer service and FAQ pages. The investment in translation can potentially be offset by reduced customer care costs.

**International logistics and customs clearance:** Volume based shipping discounts from common carriers, in conjunction with in-country logistics partnerships (for high volume markets) can significantly reduce shipping costs to your customer's door.

- Use logistics partners with local market expertise and developed trade lanes that will offer lower costs with faster delivery.
- Identify the popular local market logistics provider and ensure that your choice in logistics providers uses them for the "last mile".
- Look for continuity in customs clearance relationships from your logistics partner. Established, consistent relationships will facilitate crossing the border.
- Make sure that you have visibility from all carriers, from your dock to the final mile delivery. This information should be integrated into your customer care systems.

**Product catalog harmonization:** Harmonization is a process whereby product SKUs are categorized into specific codes (as outlined in the internationally standardized Harmonized Commodity Description and Coding System), and filtered for restricted products on a country-by-country basis.

- Automated solutions that require minimal manual intervention as your product catalog changes provide a significant benefit to site accuracy and customer deliverability.

### **International Sell and Ship Solutions:**

In the last few years a third-party sell and ship solutions marketplace has emerged that addresses many of the major operating hurdles to international expansion. By offering a broad range of services, including translation, international shopping cart technology, product harmonization, currency management, international shipping, customer service, and returns processing, these solutions provide the retailer the opportunity for lower risk expansion while enhancing the customer experience and lowering delivery costs.

Leading sell and ship solution providers include Access Technology Solutions, Bongo International, Canada Post/Borderfree, comGateway, [e4x/fiftyone.com](http://e4x/fiftyone.com), International Checkout, iShop U.S.A, TradeGlobal, and Vine Global. The range and depth of the solutions vary, offering different features, functionality, and geographic expertise.

- Typically, these providers require a relatively minimal set-up fee. Instead, retailers share a percentage of the international sales or pay a flat fee based on order volume.
- It should be noted that several of these firms do not offer direct shipping to the destination country. Rather, they employ a two-step shipping process. First, the international customer order is shipped from the retailer's distribution center to the service provider's U.S. consolidation center. At the consolidation center the international shipping paper work is produced and attached to the package. The contents of the package are then checked, and the package shipped to the destination country.

- When evaluating third-party solutions, the retailer should focus both on the accuracy of the total landed cost calculation and the transportation charges. Lower costs to international consumers will increase both the demand and frequency of transactions.
- The regional expertise offered by the sell and ship solution providers varies widely, resulting in a key point of differentiation to consider.
- Providing a seamless international customer experience will represent a challenge for some retailers due to the need to integrate the international cart application with the retailer's legacy E-commerce platforms, business intelligence/analytics software, and warehouse and inventory management systems.
- Concerns over brand consistency can arise if there is a hand off of E-commerce site operations to a third-party. The hand off can prove cumbersome for the customer and may result in lower conversion. On the other hand, if the retailer's existing E-commerce platform or order management solution is limited in its ability to capture international addresses, this hand off can facilitate time-to-market. It can also engender more in-country knowledge prior to making large investments in systems enhancements.
- Other go-to-market concerns may include a potential loss of control over customer data if handled by the third-party solution provider.

The good news is that these challenges are far from insurmountable. Web services are proving to ease integration challenges related to connecting multiple, disparate enterprise systems that support the E-commerce order lifecycle. These solutions should gain more flexibility over time and allow greater control over the customer experience and scale as your geography expands and your strategy matures

Finally, you can easily test a specific market using international marketplaces and online shopping malls (e.g., Goopping.jp and iShopsUSA.com). These digital "testing grounds" are set up and designed to operate similar to affiliate programs providing a limited selection of products through a data feed.

### The Active Stage: No Simple Step

Over time, as market strategies mature, we expect global brands to have a portfolio of Active, Participatory, possibly Passive models to the match the ROI or other enterprise strategies. Whereas the Participatory stage is a lower risk, performance-based E-commerce expansion model, the Active stage treats international E-commerce expansion as a new business launch, increasingly integrated with other channels of distribution rather than a stand-alone E-commerce business.

Contrasting the enablers or solutions, the Participatory stage prioritizes tactical decisions while Active stage priorities are more closely tied to enterprise wide strategic planning and in-country or regional expansion considerations. Active stage planning touches all functional areas of the E-commerce organization, and the implications will likely ripple throughout the enterprise. Are you prepared to set off this ripple, or is the enterprise pulling E-commerce into international waters?

### Strategy Planning: How big is the opportunity and what will it take to achieve it?

Duplicating the domestic experience requires significant investment, and a highly targeted geographic scope of operations. The following list of enablers draws on the recommendations of the executives interviewed and our experience in helping global brands expand their reach.

### Consider Joint Ventures or Licensing

In-country builds are not the only options available to organizations moving into the Active stage, although it is the strategy that gives the greatest control over the regional operation. Alternative market entries could include joint ventures, licensing or franchising the brand, or acquiring an existing E-commerce business.

Joint ventures or licensing a brand is a common practice offline that is becoming more prevalent online. In-country entrepreneurs that develop a local team of E-commerce experts are actively courting licensing arrangements with western brands. Typically, they assume all in-country operations, with varying degrees of support and brand compliance from the brand owners.

### **Validate the True Market Potential**

Market or financial potential in overseas markets can be an imprecise calculation, usually combining market data sources, existing offline operations' financial performance, primary consumer research, brand equity, and many assumptions around forecast growth rates. Market potential should precede other strategic analyses, as it sets the bar for investment options.

When validating a chosen market's potential, place high value on local customer insights that quantifies the impact of cultural differences on your product portfolio and the existing equity of your brand. Also challenge the assumptions in underlying market data sources, as the availability and quality of syndicated studies may not have the stringent standards that "back up" your financial plan.

### **Build Internal Consensus on Strategic Priorities**

Gaining consensus on international expansion objectives requires a thorough review of enterprise strategic priorities, ranging from brand positioning, product development or sourcing, or customer experience, to financial objectives and risk propensity. Regardless of the decision to pursue either an independent E-commerce or integrated cross-channel strategy, the resulting implementation and on-going operations will benefit greatly from internal buy-in across functions and business units.

Among those interviewed, the prevailing consensus-building approach includes the formation of a cross-functional, multi-national team to develop

the strategy and business plan, and to work through launch issues and beyond. Include the expertise of native in-country talent to be sensitive to cultural nuances. The value of ex-pats from corporate was recommended, especially for planning and launch periods, with a transition to in-country managers operating the business over time. Ex-pats should be considered for both the general manager position and for operations manager positions. This will instill the brand's essence to key areas such as customer service.

### **Be Clear and Concise with Internal Communications**

Our study participants stressed the importance of a well-communicated plan and launch. It is crucial to draw clear lines of accountability, responsibility, and oversight across functional areas and across borders during launch. Document, plan, and communicate these lines broadly and often. In matrix organizations, commonly found where a cross-channel imperative exists, the need for internal communication processes is greater.

Equally important is the need to develop clear brand guidelines that can be shared with internal teams and external partners, especially as it relates to the web channel (commerce enabled or not) and to cross-channel capabilities.

### **Develop an Appropriate Web Team Organization Design**

Two models are predominant:

- A centralized web team responsible for global strategy with a smaller supportive local market team (a "strong" web center); and
- A web center service agency where strategy is driven by the local market or regional business ("weak" web center).

Decisions on strong or weak web centers will also depend on the extent of integrated cross-channel capabilities.

Web teams should develop centralized metrics to measure and manage the fledgling business in partnership with country managers. The iterative, optimization process, as well as the customer experience should benefit from a common scorecard.

And best practice suggests that global sharing of successes and failures of tests will encourage independent regional businesses to ask for strategic and tactical assistance.

### Marketing

The key marketing take-away for this stage is to maintain cost control, and leverage existing domestic marketing resources. Then turn to local, in-country marketing expertise in support of cultural nuances.

#### Strategize Globally, Market Locally

Understanding and managing the local media landscape will be different than your domestic programs (e.g., local search engines and social networks, offline partnerships) along with the business development team may require localized resources. An often-cited example is translation and direct marketing expertise.

The responsibility of developing local market partnerships tends to fall to the domestic team. Spend the time necessary to ensure that the partnership is brand appropriate, and make brand guidelines clear and accessible to both internal and to external partners.

Local marketing partners should not only have the appropriate customer contact data, but also the necessary data management and policies. Reach out to local marketing associations to find information or white papers on privacy and best practices for digital marketing. Leverage government websites for data privacy, security, and consumer protection guidelines. Customer rights may differ dramatically from your domestic policy. For example, Germany provides a 2 week limit for product returns if you have a digital

signature from the customer. Without the digital signature, the return policy is extended by 6 months.

Multi-channel retailers should leverage stores as a primary method to build customer databases and promote the local E-commerce business.

### Merchandising

This is the one area that the retailers stressed cannot be outsourced. Yet the learning curve will be steep, even for the most skilled merchants, to apply their craft to a customer that reacts to different cues. Invest in customer and competitive insights that continually improve on the subtle nuance that provides an edge.

#### Stick to the Knitting

At least initially. Be true to the merchandising practices proven successful domestically as early foundational elements, but be ready to adapt, test, and change quickly as you gain market insights.

#### Provide Pricing Transparency

A recurring theme in the study is the issue of pricing across borders. The consensus among retailers selling within Europe is that pricing should be market-specific (i.e., based on customer demand and the local competitive set). However, merchants should provide price transparency across geographies. A key part of providing transparency is a clearly stated pricing policy, to mitigate frustration for the customer.

### Operations and Fulfillment

Companies moving from the Participatory stage to the Active stage, especially those working with a sell-and-ship solution, will benefit greatly from the information and best practices derived from their partner's operational and fulfillment expertise.

Those moving straight to the Active stage from the inactive or the Passive stage will also benefit from developing relationships with international E-commerce solution providers and/or global logistics firms.

### Go the Final Mile

No matter which logistics solution you choose, make sure you evaluate the local market shipping providers servicing the “final mile” delivery. In some markets, the level of service far exceeds what U.S. consumers have grown accustomed to. Value-add services such as white glove delivery and definable windows for delivery time can fuel word-of-mouth and deliver higher conversion rates. Understand what the expectations for deliverability are in market. For example, some areas of Europe expect free next day delivery.

### Technology

(Note: our interviews were focused on the E-commerce executive and not the senior IT executive. They therefore speak to broader suggestions for taking E-commerce global.)

### Push for a Single Platform

Most executives were in agreement on one front, namely, the desire to maintain a single platform for international expansion. Maintaining one platform provides for less duplication (e.g., site servicing/updates) and a better customer experience. However, in a few cases, organization design, speed to market, and the needs of the local market may require the use of multiple platforms.

It is also important to develop a strong understanding of the market knowledge of your E-commerce platform partner and juxtapose that with platform companies that have deep expertise in that market

The importance of local payment types as discussed in the Participatory stage cannot be underplayed in this stage as well. Additional complications may arise where buying online with return in-store capabilities are featured. Ensure that you have clear policies to support any differences in channel payment acceptance.

### Finance and Legal

Finally, most executives underscored the importance of understanding the intricacies of international and local finance, regulatory, and legal issues. Expert counsel will provide local market expertise to develop financial and legal guidelines.

Market entry with a joint venture partner or licensee may be advisable to expedite banking relationships in certain geographies.

### In Summary

There is no one right answer for any company at this early stage of international E-commerce. We encourage open dialogue among the internationally interested E-commerce community. This has served us well in the past. We will continue to preach patience, flexibility, the importance of a sound plan, and the benefits of testing as we gain more insights on what is successful. As we weigh the pros and cons of many of these challenges, we look forward to collectively building on the body of knowledge on this subject in the years to come.

## Appendix

Detailed findings from the International E-commerce Expansion Benchmark Study can be found on J.C. William Group’s website: [www.jcwg.com](http://www.jcwg.com) or click [here](#).

For additional research and publications by the J.C. Williams Group, please click [here](#).

INTERNATIONAL E-COMMERCE EXPANSION BARRIERS BY RETAIL FUNCTIONAL AREA					
Strategy	Marketing	Merchandising	Operations & Fulfillment	Technology	Finance & Legal
Company culture and organization design - ownership, accountability, responsibility and processes	Difficult to control the brand experience	Vendor/distributor contracts and regional licensing rights and channel conflict	Customer service and return process; costs and complexity	Support cost and resources (e.g., limited existing resources, costs to alter technology, competing priorities, etc.)	Regulations: <ul style="list-style-type: none"> <li>• Translation</li> <li>• Market entry (e.g., local ownership/banking laws)</li> <li>• Delivery commitment</li> <li>• Labeling and advertising</li> <li>• Return policies</li> <li>• Consumer privacy</li> <li>• Taxation</li> <li>• Environmental: anti-dumping</li> <li>• Country injection and customs harmonization</li> <li>• Privacy and customer data management</li> </ul>
Brand awareness and equity	Understanding and delivering against customer expectations	Demand planning	Inventory control and allocation decisions	Payment types	
Company risk tolerance and conservatism	Local preferences and performance in promotions	International sizes, tastes, and preferences	Delivery speed and cost	New channels to support (e.g., mobile, social networking, etc.)	
KPIs and P&L accountability	Seasonality and calendaring	Cross-border price discrepancies (regions and countries)	Customs harmonization codes and customs requirements	Existing E-commerce platform capabilities (e.g., character type sets, shopping cart, foreign exchange, etc.)	
Positioning or competitive differentiation in a foreign market	Lack of visibility of total costs to customer (e.g., last mile, VAT, customs/duties)	Ability of customer to see final landed cost in local market currency	Multiple currencies per region	Usability and site design optimized for local preferences	In-country experience
Degree of cross-channel integration of with other channels	Localization to connect with the consumer and enhance the experience: (e.g., content management, customer service, transaction in local currency, and social practices)	Consumer product preferences: local market assortment and selection differences	Payment type preferences		Fraud management (e.g., shipping/non-receipt of products)
Local market operational assets to leverage; or lack of store support	Creative treatment needs	Appropriate staffing and defining roles - e.g., for content management and generation	Language translation		

**INTERNATIONAL ECOMMERCE EXPANSION - BARRIERS BY RETAIL FUNCTIONAL AREA**

Strategy	Marketing	Merchandising	Operations & Fulfillment	Technology	Finance & Legal
Distance/time zone differences create an "out of sight, out of mind" mentality	Lack of established interactive infrastructure (e.g., affiliates networks and search specialists)	Legal product regulations (e.g., import/export)	Key metrics differ by region		
Localized knowledge by functional area (e.g., currency, taxes, culture, and language)	Local promotion regulations		Consumer delivery preferences and expectations		
Market maturity, or lack of, creates greater uncertainty	Budget/costs		Call center language and staffing requirements; localized or centralized		
Reliable market assessment data	Acquisition challenges (e.g., lack of existing customer databases and lack of efficient scalability)				
Local market online benchmark information and consumer behavior insights					
Budget/cost/ROI					
Resource priorities					
Human capital needs: multi-lingual, specialized skill sets					
Determining the best partner options (existing and new)					
Organization design with head office - balance of centralized and localized					

## About J.C. Williams Group

### J.C. WILLIAMS GROUP

J.C. Williams Group ([www.jcwg.com](http://www.jcwg.com)) is a boutique retail-consulting firm with recognition in the fields of strategic planning, retail branding, research, technology, and multi-channel retailing. With offices in Chicago, Toronto, and Montreal, J.C. Williams Group provides practical, creative, and in-depth knowledge of retailing. Internationally, the firm is a member of Ebeltoft, an international consortium of retail consulting firms.

## About Ebeltoft



Ebeltoft ([www.ebeltoftgroup.com](http://www.ebeltoftgroup.com)) is an international network of experts and consultants focusing on retail and services.

Ebeltoft members provide a wide range of consulting services to help retailers and manufacturers achieve customer preference, sales growth, and profit goals.

The network gathers 20 members around the world including the United States, Canada, Brasil, Mexico, France, Spain, Germany, United Kingdom, Italy, Portugal, Switzerland, Norway, Sweden, Denmark, India, Singapore, China, Australia, Turkey, and Romania.

## About the Sponsors



- Access Technology Solutions' sell-and-ship solution provides online merchants a web services-based international shopping cart and a sophisticated global logistics network. Goopping™ is Access' online shopping mall and e-marketplace platform.
- Access' flexible solution set allows brands and retailers of all sizes to sell and ship products into international markets with express service at significantly lower costs.
- Access enhances the international online experience by guaranteeing the lowest possible duties and tariffs and by reducing international shipping costs by over 50%. Global shoppers see all pricing and checkout costs in their local country currency, can select alternative payments, track orders 24/7 and receive white glove delivery to their door.
- We service over 160 international markets, assume all transaction risk and guarantee consumers they will receive the lowest landed cost and no cross-border surprises.

Learn more about our Global Assurance. On Time. On Cost. Beyond Expectations.

Contact us in Provo, UT at 801-420-9225 and visit [www.accesssts.com](http://www.accesssts.com)



- SafetyPay is a secure, patent-pending payment process that operates as a clearing house benefiting online shoppers, online merchants, and banks. The innovative e-payment system provides significant revenue opportunities for banks and merchants by offering a payment solution through a global market, while eliminating fraud and chargebacks.
- SafetyPay allows online banking customers to make internet purchases from merchants worldwide and pay directly through their local bank account in local currency. Customers are never required to disclose any of their financial information to the merchants or to SafetyPay.
- Currently, SafetyPay has over 15 banks in Latin America and Europe with an international reach of 47 million customers, bringing local market expertise and a global solution.

SafetyPay is based in Miami Beach, FL. For more information, please visit [www.safetypay.com](http://www.safetypay.com) or call 786-294-6411