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Retail

Retail Doesn't Cross Borders, Or Does It?

4 Essential Steps
to Make It Anywhere
in the World

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The U.S. retail market is over-saturated: The U.S. now has six times the retail space per capita of either Europe or Japan, according to [The Guardian](#)¹. That means retailers' greatest opportunity to access the emerging \$7 billion market fueled by the rising middle class and create additional sustainable income opportunities may involve entering or expanding internationally.

Many U.S. retail brands are embracing that strategy, with Hong Kong, Dubai, Taipei and London leading the list of global retail expansion destinations, according to [CBRE](#)². At Sephora, for example, its international business has tripled since 2010³.

But international expansion overall isn't increasing as quickly as it once was — CBRE measured global expansion activity at 0.4% year-over-year in its 2018 report. That's because the challenges are multiplying. According to [AT Kearney's 2017 Global Retail Development Index](#)⁴, rising nationalist sentiment, increasingly sophisticated local and regional competitors, and the growth of e-Commerce add new factors to the already difficult undertaking of fully vetting and entering a new market. Global expansion challenges have short-circuited some retailers' efforts, such as Target's failed foray into Canada or Best Buy pulling out of the UK after just two years.

Setting up the technical underpinnings that will support retail operations in a new market can add global expansion complexity — but it doesn't have to. By choosing a POS partner with country-specific requirements baked into its solution, as well as a global footprint rich with local expertise, retailers can leverage technology as an enabler of global expansion, rather than one more problem to solve. In addition to acting like a GPS in an unfamiliar market, a proven worldwide partner can also be critical in shortening what is often a year-long or more POS implementation into just months, enabling retailers to break into new markets faster to begin capturing new revenue.

1 The Guardian, 'People Aren't Spending': Stores Close Doors in 'Oversaturated' US Retail Market, March 26, 2017, <http://www.theguardian.com/us-news/2017/mar/26/us-retail-stores-market-macys-sears>

2 CBRE, How Global Is the Business of Retail? May 2018, <https://www.cbre.com/research-and-reports/how-global-is-the-business-of-retail>

3 WWD, Sephora's Consumer-Centric Approach, May 29, 2018, <https://wwd.com/beauty-industry-news/beauty-features/sephora-beauty-ceo-summit-christopher-de-lapiente-calvin-mcdonald-1202682357/>

4 AT Kearney, 2017 Global Retail Development Index, <https://www.atkearney.com/global-retail-development-index>

RETAIL SPOTLIGHT

L'Occitane's Worldwide Deployment at a Break-Neck Speed

"We had to automate the processes to keep to L'Occitane's tight deployment schedule," recalled Sylvain Jauze, Director of Worldwide Sales and International Operations at Cegid. Beginning in Australia, Cegid equipped 35 stores over three months. Then, the Retail and POS solution was deployed in 350 Asian stores (Hong Kong, China, Singapore, Thailand, etc.). In Japan alone, Cegid equipped more than 100 stores with a localized version of the solution. In the next step, the solution was deployed in more than 250 stores in North America. "We finished with 350 stores in Europe, including 220 stores in eight countries in just one night!" explained Etienne de Verdelhan, VP Process Optimization & Chief Information Officer at L'Occitane Group.⁵



⁵ Cegid, Customer Success, <https://www.cegid.com/en/customer-success/loccitane/>



Four Global Expansion Best Practices

Retailers can successfully unlock new revenue streams and win more sales through international expansion, as long as they take a careful approach that includes paying close attention to enabling technology.

Following are four key best practices for ensuring a solid software underpinning for international expansion.



Investigate:

1

Consider New Markets From Every Angle

Due diligence requires considering a market from every angle: competitive, economic, political, linguistic, cultural, regulatory, demographic, labor and infrastructure. Retailers must also determine how best to enter it: stores, e-Commerce, marketplaces, joint ventures or non-traditional formats. With markets evolving faster than ever, it's important to balance thoroughness with expediency.

Failure to be thorough has undermined some retailers' expansion efforts. Target's \$2 billion Canada failure, for example, has been attributed to factors including distribution and replenishment challenges, poor locations, disappointing assortments and higher prices, according to [Harvard Business Review](https://hbr.org/2015/01/why-targets-canadian-expansion-failed)⁶. Lack of understanding of market nuances can quickly result in significant costs and divert resources from other strategic initiatives. (Note that people in the U.S. and Canada speak the same language — aside from a few unusual spellings — use the same media and have similar shopping habits. Yet it didn't prevent the Target brand from exiting the country.)

J. Crew, on the other hand, faced similar initial response but pivoted quickly to accommodate customer concerns and enjoyed healthy growth. "Successful global expansion requires deft adaptation to the local markets — the customers, competition, culture and customs, local laws, and so on," HBR stated.

It's also key to assess what's going on at home. International expansion won't compensate for problems in current markets. Challenges in meeting the demands of omnichannel or the need for real-time inventory, for example, won't go away by opening physical stores in another location. Those challenges are just as critical to overcome in new markets: AT Kearney reports that in 2016 mobile shopping grew 121% in India and 151% in Vietnam, for example.

6 Harvard Business Review, Why Target's Canadian Expansion Failed, January 2015 <https://hbr.org/2015/01/why-targets-canadian-expansion-failed>



Localize:

2

Don't Look at Everything Through American Lenses

Brands are global, but retail is local. There's a reason Coca-Cola offers more than 100 different flavors across the globe, and McDonald's sells Stroopwafel McFlurries in the Netherlands and taro pie in China. Consumers want familiar brands, tailored to local preferences.

"Consumers are not cookie cutter," Spencer Levy, head of research at CBRE's Americas division, told [CNBC](#)⁷. "One's success or failure has to do with understanding the dynamics of the local consumer.... Consumer preferences need to be taken into consideration when going across borders"

The need to localize also extends to the shopping experience. Common business practices vary by market, such as payment preferences, currency, language, tax structure and regulations. In the U.S., for example, tax tends to be added to the purchase total at checkout, while in Europe it's often built into the marked price.

These changes must be accommodated in POS software and updated as conditions shift. The most efficient way to localize the experience without giving up consistency and visibility is to choose a POS provider with local expertise but a global footprint. POS software should include country-specific packages localized to that country's practices, and actively updated.

"Global and cross-industry collaborations and partnerships are going to be crucial" to successful international expansion, said [KPMG's Stay Within the Guardrails: Top Retail Risks 2018](#)⁸.

⁷ CNBC, Retailers' Global Expansion Cools As Businesses Get Smart About Opening New Stores. May 16, 2018 <https://www.cnbc.com/2018/05/16/retailers-global-expansion-cools-cbre-study-finds.html>

RETAIL SPOTLIGHT

Ted Baker Takes Localization Global

As it expanded into Asia, localization was high in the priority list for apparel brand [Ted Baker](#), including better alignment of the business with country-specific needs including Customer Relationship Management (CRM) and VIP tools. "Cegid is present in all the local markets we operate in and the software is highly flexible, giving local support in the relevant languages and lots of specific tools already configured for each region," said Dustan Steer, Ted Baker's IT director. "Following local regulations is one of the greatest challenges in Asia, so Cegid proved to be a 'one-stop shop' for our overseas activity."⁹



8 KPMG, Stay Within the Guardrails: Top Retail Risks 2018, <https://home.kpmg.com/us/en/home/insights/2018/05/stay-within-the-guardrails.html>

9 Cegid, Customer Success, <https://www.cegid.com/en/customer-success/ted-baker/>



Centralize:

3

Avoid Creating a Patchwork of Disparate POS Systems

Some retailers have chosen to localize by working with a local POS provider in each country they enter. But this quickly leads to higher costs, increased complexity, and limited visibility and reporting.

When a retailer chooses a local provider, it ends up with a patchwork of solutions with different currencies, functionality, reporting capabilities, maintenance requirements, costs, and on and on. Each package requires a custom integration with central systems, which must be revisited every time either side updates. These customizations will never be as tight as a single platform, and that will drive additional costs and delays in the movement of data. These challenges come at a time when the need for enterprise-wide access to real-time data — customer, inventory, transactions and so on — is becoming essential in every facet of retail operations.

What retailers need instead is a platform that enables them to quickly begin doing business today, while offering the flexibility to adapt as needs inevitably change. KPMG's report warns companies against "maintaining a technology plan that is connected with your current state rather than your desired future state."

When a retailer chooses a provider with a global presence as well as local, feet-on-the-ground coverage in the regions where they are entering or expanding, they gain the best of both worlds: centralized control for easy visibility and reporting, tailored to local requirements and a consistent, familiar system across their entire store base. Global consistency plus local nuance sets the stage for success in new regions, now and into the future.

RETAIL SPOTLIGHT

A Unified Customer View Cements Orlebar Brown's Global Success

As swimwear brand [Orlebar Brown](#) expanded across the globe, it sought consistent functionality across its stores to deliver a unified view of the customer, a single view of inventory and complete visibility across the business. "Our customers are truly global travelers, so we want to make sure we make the shopping journey as seamless as possible, delivering consistent customer experience," said Nick Owen, Head of IT at Orlebar Brown. "Cegid's proven international track-record as a SaaS provider made it an easy choice as we look to centralize our systems and provide consistency across our global markets."¹⁰





Comply:

4

Don't Let Country-Specific Regulations Catch You by Surprise

Each country and even jurisdictions within those countries come with their own laws and requirements around tax, payments and privacy. Ensuring compliance is an essential step in succeeding in the market and decreasing risk. Solutions that fail to protect personally identifiable data according to the EU's GDPR rules, for example, risk non-compliance fines of up to \$23M, or up to 4% of total global revenue for the preceding year, whichever is higher, according to [Boston Retail Partners](#)¹¹.

The same goes for China's Cyber Security Law or its equivalent in Saudi Arabia. In Latin America, most countries have imposed the use of electronic invoicing as a fiscal control system. Since January 2018, retailers conducting business in France must use certified software systems to combat value-added tax (VAT) fraud. Similar laws have been passed in Spain, Italy, Norway, Austria and the Czech Republic.

An international POS system can free a retailer from the burden of sweating the details of all of these by having localized needs built into and actively maintained in the solution.

But software alone is not enough. Ensuring full and faithful compliance with local laws requires taking extreme care in choosing, implementing, leveraging and executing the solution, including creating the right culture to support it. The retailer and its POS partner must be closely aligned in the common mission to ensure the software itself, as well as the way it is implemented and maintained and the processes that surround its use, all support compliance. Responsibility and escalation paths must be clearly delineated.

When retailers choose separate POS partners by country, they increase the risk of not achieving this. Every partnership requires costly due diligence to ensure not just a good working relationship, but protection from added liability. “Knowing who you are doing business with and ensuring you do not inadvertently violate local regulations, the Foreign Corrupt Practices Act or U.S. regulations, is essential,” noted the KPMG report. “Governance and oversight, both internally and at the government level, around privacy and general data protection, data sovereignty and intellectual property protection must be a daily focus.”

RETAIL SPOTLIGHT

Compliance Seals The Global Deal For Leica Camera

Built-in compliance was one of the key benefits [Leica Camera](#) AG sought as it moved to cloud-based, globally accessible store systems. “The solution from Cegid will allow us to unify our store systems on one platform,” said Helmut Heier, Head of Retail at Leica. “This will not only provide consistency in terms of a single view of stock and customer data, but because of Cegid’s global experience, it will also allow us to centrally deploy the system while guaranteeing compliance in each market.”¹²



11 BRP, GDPR Risk Assessment: Understanding General Data Protection Regulation (GDPR) <https://brpconsulting.com/expertise/retailconsulting/gdpr/>

12 Cegid, Customer Success, <https://www.cegid.com/en/customer-success/leica/>

Conclusion

A Trusted Software Partner — Don't Leave Your Home Market Without It

Retailers rightly eye international expansion as a potentially lucrative avenue for growth in the face of a highly saturated U.S. marketplace. But it's also one with considerable risk, particularly without a robust, globally enabled POS platform.

Best practices to tip the odds in a retailer's favor include investigating potential markets from every angle; localizing by tailoring the brand experience to local tastes and practices; centralizing systems to ensure a consistent customer experience and global visibility for the business; and compliance to adhere to tax, payments and privacy.

At every step, partnership with a solution partner that deftly enables both globalization and localization is essential to swiftly and effectively capitalize on internationalization.

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