retail TouchPoints
SPECIAL REPORT

CROSS-BORDER COMMERCE: HOW RETAILERS CAN TAP FAST-GROWING MARKETS WITH THE RIGHT PARTNERSHIPS

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INTRODUCTION

Cross-border commerce is an opportunity retailers can't afford to pass up: global cross-border ecommerce sales reached nearly **$3.2 trillion** in 2021, according to data from **Euromonitor International**. However, selling in multiple countries is a complicated task that requires careful planning and execution to achieve its true potential.

"There are a lot of mistakes you can make if you try to take a concept of one market and pop it into another," said Greg Portell, Lead Partner in the Global Consumer Practice of Kearney in an interview with *Retail TouchPoints*. "**If you try to move from Los Angeles to New York, even that's fraught with problems. So if you start thinking about moving from New York to Mexico City, you need to find the right overlap.**"

While finding both the right market and the correct strategy to thrive in it is a daunting task, the potential payoff is well worth the effort. Some of the key considerations retailers should have in mind as they explore these possibilities include:

- **Keep an eye out for demand signals:** Because expanding into a new country isn't something that can be done on a whim, retailers need to look for ways to measure brand interest in foreign markets — including less obvious channels like resale — and figure out how they're going to stand out from the competition;
- **Find the right cross-border partners:** Even the most prepared retailer lacks the experience and expertise of a company that has been operating in a foreign country for years, so finding partners that are a good fit for your brand is vital to succeeding in a new market. Pro tip: marketplaces provide a good first step;
- **Understand challenges that can impact pricing:** Every nation has its own regulations and infrastructure, on top of the unique expectations of local shoppers, so retailers need to be prepared to offer a top-notch experience for customers while properly handling the added costs of international transactions; and
- **Look to China for cross-border lessons:** The Chinese cross-border market is very mature — 2020 ecommerce exports and imports topped **$266 billion**, according to Chinese customs data. This makes it both an attractive country for Western retailers looking to find a new audience and a well-supported proving ground, albeit with its own challenges, that can help retailers develop their overall strategies.

PINPOINT YOUR VALUE PROPOSITION BEFORE GOING CROSS-BORDER

Expanding into a new country can be both expensive and time-consuming, to say nothing of the risk of fizzling out, so retailers need to make sure the reward is going to be worth the effort. The goal is to get a foothold in a new market and grow over time into a beloved brand, but you are more likely to succeed if you focus on a country where your presence will be valuable.

The catch-22 of this is that it can be hard to gauge interest in your brand in a country where you don't yet have a real presence. That's why retailers, particularly those in the luxury space, should keep an eye on the secondhand market in countries where they're considering making an entrance.

"Ecommerce is a good indication for where there's latent demand for your brand already," said Hunter Williams, Partner in the Retail and Consumer Goods and Pricing, Sales and Marketing Practices at **Oliver Wyman** in an interview with *Retail TouchPoints*. "**If you look at the resale market and you see that your brand is already imported into China, it's an indication that there's a level of latent demand that you could take greater control over.** You can be more direct in servicing those consumers who are already interested in your brand, and you can provide them with a better experience than the four-times-removed one they're having today."

Additionally, retailers should keep an eye on what potential competitors in the market are doing. Because it's unlikely that any cross-border effort is going to provide shoppers with something entirely new and unique, retailers need to determine what will set them apart from established players, and focus on delivering on those aspects when they make their entrance.

"You want to make sure that you have a reason for the consumer to shop your store or your products," said Portell. "**If you can't create that compelling proposition, then it's not going to work.** It could come from **style**, it could come from **price point** or it could come from **assortment**."

![VERTEX]

THE TOP 7 WAYS TO TURN OFF AN INTERNATIONAL AUDIENCE — AND WHAT YOU CAN DO TO MAKE THEM LOVE YOU INSTEAD

by Pete Olanday, Director of Retail Consulting at Vertex

Expanding commerce globally is the long-term goal for many retail executives. Whether or not your organization makes the shift successfully will be heavily impacted by your ability to understand the unique needs of consumers across your target markets. Fast ways you can potentially turn off an international audience, and what you want to avoid, include:

1. **Not thinking about how they interpret information.** The date 5/6/2021 means May 6, 2021 in the U.S., but it means June 5, 2021 in the UK. When thinking globally words matter, so rather than only customizing language, incorporate a location's culture, visuals and trends into your messaging.

2. **Not understanding what they value.** U.S. shoppers love to look for deals like free shipping, while other countries may appreciate fast delivery and online reviews. When thinking about a promotional strategy, discover what each location values to build that connection with customers.

3. **Not offering the right shopping channels.** China will be the first country to transact over half its retail sales online, while Romania sees some of the fewest online transactions, at just 27% in 2021. When building your expansion plan, be where they are — not only geographically but on their preferred shopping channels.

4. **Not providing the right payment methods.** In India, UPI payments will account for 50% of digital purchases by March 2023. When implementing your checkout experience, consider each location's preferred payment method to drive smooth purchases.

5. **Not knowing how they want to be contacted.** Only 30% of Swedes use WhatsApp versus 60% of Latin America. When reaching out, use the right channels to foster a positive customer experience.

6. **Not considering how shipping and taxes affect their final cost.** The primary reason customers avoid purchasing cross-border products is shipping costs and taxes. When planning logistics, work with international shippers and tax experts to ensure accuracy and compliance.

7. **Not making your returns process clear.** In Japan, consumers can only return products if they are defective, whereas the EU has strict laws for both returns and refunds. Take the guesswork out for customers by drafting a policy that outlines returns, cancellations, exceptions, etc.

Once you've accounted for these seven preferences, customers will want to do business with your company. For additional help ensuring customers pay the right international tax, contact Vertex today.

MARKETPLACES MAKE GREAT CROSS-BORDER PARTNERS — JUST MAKE SURE YOU'RE COMPATIBLE

Even when a foreign market is primed for a retailer's arrival, there are still plenty of hurdles to overcome: last mile logistics, understanding the country's retail trends and building brand recognition to name just a few. Partnering with local companies is a great way to get a head start, and marketplaces in particular are well-suited for introducing new brands.

"**The digital transformation and ecommerce boom that helped to propel the marketplace model makes cross-border a lot easier and makes marketplaces a good route,**" said Michelle Evans, Global Lead of Retail and Digital Consumer insights at Euromonitor International in an interview with *Retail TouchPoints*. "I think it helps with building that brand recognition — there's an install base that they obviously attract. What would vary by marketplace is the degree to which you will have control over things."

Evans noted that there are still options for retailers who want to retain more control over branding despite selling through a marketplace. She cited **Tmall** as an example — retailers that sell through the platform can leverage its popularity in China to get a head start, but **they can design their own virtual storefront to retain greater control over the customer experience.**

Retailers also should ask any potential partner, "Will they caretake or build your brand?" A partnership where a retailer just wants to become a banner in a new market and collect the associated royalties calls for a very different philosophy than one where the retailer wants to build up its own brand to become a serious player in its own right.

Another important question to ask, whether looking into marketplaces or other partners, is whether the business is ethically consistent with yours. Portell noted that companies in different parts of the world can have vastly different ways of doing business, so retailers need to know that the way their partners work is compatible with their own. Additionally, cross-border retailers need to be comfortable with a partner's associations and affiliations with other entities.

BOTH UNDERSTANDING AND PRESENTATION ARE IMPORTANT WHEN IT COMES TO FEES

Selling cross-border means dealing with a potentially complicated web of taxes, regulations and other fees. Retailers need to fully understand the process before they start selling, both for their own benefit — underestimating costs can be a serious hit to the bottom line — and for the good of shoppers, since hitting a potential customer with an unexpected fee just before they hit the "checkout" button can stop a sale cold.

Finding the right digital solution for handling fees is beneficial for both the retailer and the customer. The correct tools will automatically handle adjustments for shipping and taxes, which helps retailers better understand their impact on the bottom line.

"That's where digital solutions help a lot," said Portell. "All of that is programmed into the algorithms that are doing the ordering or the cost calculations. The old days, where a static piece of paper said 'I can order this, but I have to call a call center to look it,' and up there were lots of human interactions, made [all of] that more confusing. **Now everything should be done by the system itself, which takes out a lot of that confusion.**"

Retailers also need to think about how they're going to display any added fees without hurting their price position in the eyes of the customer. In this case, transparency may be the best policy, even if it risks tacking on extra costs during the last steps of a customer's journey.

"The tough thing is if it's included in the price, it tends to artificially inflate that price," said Euromonitor's Evans. "**I think the greater transparency is probably having the fees added later on so you can explain what those fees are.** There are probably different ways that could be displayed visually [right] from the onset of someone looking at the product on the page. You could offer that subtotal and the full freight as well — that kind of approach."

BLING JEWELRY CASE STUDY: GLOBAL EXPANSION TO 44 MARKETPLACES

Elena Castaneda's entrepreneurial spirit is the driving force behind the **Bling Jewelry** brand, a top-selling online jewelry merchant. Since getting its start in a one-bedroom apartment in Manhattan **20** years ago, the multimillion-dollar accessories company is now a successful international seller, consistently winning the buy box on marketplaces like **Amazon** and **Walmart** with ChannelAdvisor's support.

The Situation

With rapid business growth comes growing pains. Growing from its origins in a double-sized closet to a **14,000-square-foot** office space in New Jersey, Bling Jewelry has expanded exponentially both offline and online. Today, the brand boasts **48** employees who manage **14,000** SKUs across multiple marketplaces. Keeping pace with consumer demand and the burgeoning volume of product listings proved to be an ongoing challenge. Moreover, navigating business rules across multiple channels became a complex, costly and time-consuming task.

The Solution

Bling Jewelry's growth demanded an ecommerce optimization solution. ChannelAdvisor's automation capabilities within its platform helped the online seller manage its massive inventory. Through ChannelAdvisor Marketplaces, Bling Jewelry can quickly adapt to product and pricing changes from a single, streamlined interface. ChannelAdvisor also enables Bling Jewelry to consistently manage and monitor its performance, optimize data feeds, reduce errors, drive sales — and maintain its competitive advantage.

"For example, the currency change," explained Elena Castaneda, CEO of Bling Jewelry. "We change the pricing in one place and it changes in every currency within a matter of minutes. It's almost magical!"

The Results

ChannelAdvisor's ease of use and its long-standing relationship with Bling Jewelry have helped the retailer expand its marketplace reach globally and accelerate revenue growth. Today, Bling Jewelry competes and wins in the ever-evolving world of ecommerce in **44** marketplaces worldwide.

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LEARN FROM CHINA'S MATURE BUT RAPIDLY CHANGING MARKET

China is one of the most popular cross-border markets for good reason: ecommerce imports and exports in the country reached **$266.7 billion** in 2020, according to Chinese customs data. Ecommerce was projected to **account for more than half** of all retail sales in the country in 2021, and the popularity of foreign brands makes China a great target for retailers seeking international growth. Additionally, the tools are in place to help even inexperienced retailers develop their initial cross-border strategies.

"**The cross-border ecosystem and support structure in place is more mature than it's ever been,**" said Oliver Wyman's Williams. "There are a lot of potential partners that can help brands get their first potential dip into China."

Another notable feature about China is that, despite the maturity of its cross-border opportunities, the market itself moves quickly. Thriving in a new market requires constant adjustments to keep up with customer trends and new regulations, and China is a place where retailers will be forced to think quickly, but also will have plenty of support from local partners and cross-border case studies to help them navigate these challenges.

"**We've seen some Western companies get into 'paralysis by analysis' and never actually take the leap, and I think that that can be a challenge given how quickly things move in China,**" said Williams. "Once you do enter you need that plan, but you can't hold too rigidly to it. China moves really fast, and you need to be able to adapt quickly as well. Cross-border is a great example of China moving quickly over a few years. The market has changed so much and the regulatory situation has evolved."

AFRICA: THE NEXT GREAT CROSS-BORDER OPPORTUNITY

While China is the current hot market, Africa is positioned to become the next big opportunity, according to Kearney's **Global Retail Development Index**. Many countries on the continent boast rapidly growing middle classes, with young consumers in possession of growing disposable income. Additionally, the relative immaturity of the market can give early entrants a chance to shape its future.

"Think about the evolution of retail in Western Europe, the U.S. and even China to a certain degree — it's [already] grown up," said Kearney's Portell. "In Africa you can basically create your own foundation. Things like cold supply chain don't exist the same way they do here. **You're not disrupting a machine, you're creating something.** It's a very startup mentality."

However, Portell cautioned that it would "be a fool's errand to think that you could walk in and effectively run an owned operation in those countries." Instead, retailers should make minority investments and form franchise agreements with existing players in the market, bringing in their own operations once the market matures.

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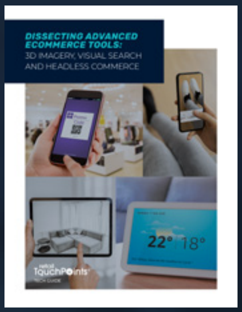

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