



INTERNATIONAL

RESEARCH REPORT AUGUST 2014

PARTNERS:



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Editor's comment

In the summer of 2013 Internet Retailing ran its first research report looking at international retailing and how retailers were trading overseas, or planning to do so, and the challenges and opportunities they faced in their quest for alternative routes for growth. Summer 2014 has seen us look again at the international market to see what has changed and how retailers are faring a year on.

We were grateful to have the support of a number of great sponsors for this year's report- including Neteven, WNDirect, Redbox Digital and Peer 1. Between the four of them they cover many of the areas of expertise needed for a successful international strategy including marketplace management, fulfilment, ecommerce solutions and website hosting.

As with last year our survey kicked off by looking at the state of the market (pages 8-10) and comparing some of the results to the findings we discovered last year. We asked why, how, when and where retailers were expanding overseas

and the challenges that they faced in doing so, incorporating both the findings of our survey as well as additional input from retailers who were interviewed in more depth as part of the report.

Of course there is nothing more helpful when trying something new than learning from those who have already faced the same challenges and questions and done what you are trying to do already. Therefore our case studies section (pages 12-15) provides valuable insight and advice from a number of retailers who have launched overseas trading strategies.

Inevitably localisation remains a huge challenge for retailers but a very necessary one to tackle if they wish to make the most of internationalisation. We looked therefore at the importance and reality of localising and heard what retailers were doing with regards to customer service in international markets too (pages 16-17).

Our next section of the report looks at the retailers our survey respondents said they admired for their internationalisation strategy, finding out

why they admired them and looking at the strategies they have implemented so far, providing a guide for replication (pages 19-22).

From this we also asked the lessons our retailers had learnt – both from their own experience and that of learning from others too. Five top tips were revealed (pages 24-25) which are sure to help any retailer looking to expand internationally.

And finally we pointed out the importance of not forgetting the local market too – looking at retailers that were coming to the UK and what retailers thought of such competition (page 26). Too often focus can switch entirely to international growth to the detriment of the domestic market. Retailers have to remember that the UK is also one of the most attractive markets for international retailers expanding abroad themselves.

This year's look at international shows it's a business strategy that is just as high on the agenda as ever. Read on to find out why and to learn how you can make your internationalisation strategy the very best. ●

INTRODUCING THE EDITOR

Liz Morrell is an experienced retail and business news and features journalist who has more than 15 years' experience of writing about the retail sector. She is a former features editor of Retail Week where she spent more than 9 years as a full-timer. She loves all things retail but just wishes her "research" (insert shopaholic tendencies here) didn't cost her quite so much.



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www.internetretailing.net

What should retailers consider when launching an international presence online and how do they stay ahead of the game?

ECommerce opens up the world to every enterprising, imaginative retailer with a proposition that ‘travels’.

In some instances, an Internet presence is the end in itself – the business is exclusively an online one. In others, it allows the entrepreneur to establish a beach-head in a new marketplace, a chance to test the water without a heavy on-the-ground investment in premises, personnel and distribution networks.

But international eCommerce is certainly no guarantee of world domination. As with every other route to market, it has its fair share of pitfalls.

Peer 1 Hosting has been intimately involved in many exercises in international expansion, and hopefully can help to steer you safely through the reefs and shoals of these tricky waters.

The fundamental key to success is research. Very few propositions will slot neatly into the cultures of countries as diverse as, say, China and Norway. Most will require a degree of customisation if they are to appeal to populations with radically different social, linguistic, religious and historical backgrounds.

So the first rule is: jump on a plane and experience at first hand what you’re up against. When you arrive in your prospective market, don’t just sit in an air-conditioned hotel – get out on the street and absorb the way your customers live their daily lives: what they do, what

they buy, their values and aspirations.

When you get home, you can hone your research by observing their web behaviour. How they tend to use the internet will provide a helpful indication of how you should present yourself in that medium.

The idiosyncrasies of different cultures are often evident at the very basic level of site design. In Western Europe and America, we tend towards the clean, concise and uncomplicated. In the Far East, however, the vogue is for dense text and busy page layouts.

And what are the platforms of choice? Are you looking at fixed home computers, or is the market moving rapidly towards domination by mobile devices? This will profoundly affect the design and structure of your site and your content management system (CMS).

In international commerce, language is a big issue. English is increasingly the lingua franca of the web, but depending on your product or service, you might need to consider a local language version of your site. And this will have implications for ROI.

As for the vital issue of customer service in your new territory, take a close look at what the competition is up to, both local and international. What degree of local support do they offer? How does their pricing compare with your existing structures?

And talking of pricing, how do you expect your customers to pay you?

A facility for local currency payment is essential – but what are the norms and conventions of your new market? Many countries prefer credit cards, but more traditional ones still prefer cash on delivery.

By necessity, this has been a very rapid skim across the issues of challenges associated with building an international eCommerce business.

Of course, the success of your response to all of the above issues will ultimately depend on the quality of your technology.

Maintaining 100% availability and those all-important page speeds across geographically-remote locations are our special areas of expertise. To learn more do get in touch. ●

Dan Hobson
Head of ecommerce
www.peer1hosting.co.uk

peer1
hosting

What are the biggest hurdles retailers face to giving their customers a great experience online internationally and how do they overcome these?

With increasing penetration of internet in all homes across the globe, the volume of online shoppers is steadily increasing. However despite constant development in eCommerce technologies, as far as online shoppers are concerned, it can still be difficult to anticipate or predict the buyer habits, expectations and trends.

This difficulty is only exaggerated when trying to expand a business into a new market. Defining a consistent proposition that successfully crosses both geographical and cultural barriers can be a convoluted and problematic process.

The main challenge retailers come up against is changing their strategy from an over-arching global one to a localised one; maintaining global consistency whilst creating a locally sensitive site can be a fine line to tread. There is also a common misconception that deep internet and smart phone penetration exists globally, this is simply not the case and will quickly unravel retailers with “blanket” strategies. The UK sits within the top 5 countries positioned for eCommerce, according to Trade Compliance, amongst Australia, US, South Korea and Japan but many large European countries don’t even appear in the top 20.

A localised approach is needed for every territory entered online, and there

are a few key aspects that will always need to be considered. These include five key areas: local products, local language and content, payments and pricing, shipping and site speed and performance.

The key to success in a local market is to ensure you are catering for the local customer and their customs.

Local products: Ensuring the products are localised to the market as applicable, be it the local regulatory requirements, product types or images is an essential starting point to building trust and a sense of local focus for the consumer.

Language and content: Simply putting a UK site into a new market isn’t good enough; you need to allow for local content ideally in a local language. Google will prioritise local content to your advantage and customers will trust a localised site more - especially when it comes to customer service phone numbers, contact hours etc not to mention local laws and trading regulations.

Payments and pricing: The ability to price in a local currency is preferable; more importantly though providing local payment methods is critical - not everywhere relies on credit cards - the Middle East for example sees over 70% of online orders paid with Cash on Delivery.

Shipping: Customer service and convenience is key for most consumers

- regardless of location. It’s important to consider regionalised options for shipping to ensure the customer experience is not compromised. Not only do you need to consider the “last mile” delivery options customers expect in each market but also the ability to circumvent any import duty and tax issues for the customer.

Site Speed: Site speed is shown to be a critical success factor in increasing overall site performance and conversion. There is a wealth of technology available to assist in optimising speed for international markets; additionally the cost of infrastructure has lowered significantly in recent years and means provisioning localised infrastructure is a more realistic option for new markets.

The bottom line is international expansion needs careful consideration to be successful and to ensure a positive ROI. There is significant opportunity for retailers with an ever growing global marketplace but it’s vital that it is approached in the correct way. ●

Georgia Jones
Marketing manager
www.redboxdigital.com

REDBOX DIGITAL

Logistics used to be one of the major barriers to international expansion but how has it evolved and what effect is this having?

Retail has undergone a dramatic change over recent years. The economic situation, the dramatic rise of pure play retailers and the fact that consumers across the world are not only using the internet for shopping at an increasing rate but are also seeing the internet as a way of seeking out international brands has meant many retailers have had to rethink their strategies. They have had to become more web savvy and respond to these changing dynamics and, for many, see the world as their marketplace. Unfortunately the logistics industry was slow to respond to these changing needs and, as a result, represented a significant hurdle in terms of international logistics. In fact, that was the very reason wnDirect was born. An innovative and forward thinking retailer was keen to grab the opportunity it was being presented with...unfortunately the logistics services which were available to it fell a long way short of what was required. This is where wnDirect is different. Rather than having to adjust the new landscape, it represents it.

The logistics market has had to become more creative and fast paced and work more in partnership with retailers than ever before. As eCommerce continues to grow and the emerging markets increase their online activity retailers recognise that they need a reliable logistics partner

to be able to realise those opportunities. The high street is no longer king. Customers can now seek out the brands they want and the delivery options available to them play a key role in their decision whether to buy or not. Online shoppers are incredibly savvy. They know to check the delivery costs, delivery speed and the returns options and can be easily switched off if these don't suit them.

It is not just the physical delivery element, retailers are also looking to their logistics partner for experience and knowledge of what is required to 'go global'. Everyone is aware that customs can be a challenge but how many retailers have, or want to spend the time and investment getting the detailed knowledge of customs and duty, to be able to deliver internationally?

Since launch wnDirect has seen the consultancy element of its business increase significantly, spending the time and the investment understanding a region and essentially 'switch on' that region for a retailer. This is far removed from just 'buying' delivery services and another example of the evolution the logistics industry has undergone.

One of the challenges retailers were facing, and something that was actively preventing global expansion, was the 'ping pong' game they were having to play with their stock. Previously retailers may have had to consider how to get a

returned item from one end of the country to the other. Now the challenge is how to get parcels back from different continents. A common scenario may be that a UK retailer has to get goods manufactured in China shipped to their UK DC, shipped back to Asia to fulfil an order and then all the way back to the UK if it's returned – both timely and costly. In recognition of this wnDirect has developed, in partnership with Virtualstock, a solution called wnOptimise-a groundbreaking software platform that provides total control and complete visibility of a company's supply chain and ensures goods held anywhere in the supply chain are shipped via a more efficient, cost-effective and logical route.

So in summary, how has international logistics changed?
The answer...radically! ●

Stu Hill
CEO and co-founder
www.wndirect.com



How important are marketplaces to retailers considering international expansion and are they just a stepping stone?

For every online retail business, selling internationally is a vital component of a multi-channel strategy and a key driver of incremental revenue. However, implementing a new localised website is often time consuming and involves significant capital expenditure. Retailers also need to invest heavily in advertising to build awareness and many established retailers have expended substantial marketing budgets before properly understanding the market to the detriment of margins.

This is why online marketplaces, such as ebay, Amazon, Cdiscount, La Redoute, Zalando and so on are the most logical first step for retailers looking to launch internationally. Each marketplace has been optimised for its local market and offers the easiest way for consumers to purchase items from multiple retailers via pc, tablet or mobile in a single transaction. Marketplace platforms are readily available for retailers to start trading as soon as an account is opened and the buyers are already there, meaning speed to market and ROI are exponentially quicker than launching a .com.

Retailers benefit from the substantial marketing spend of each marketplace as they invest in growing traffic to their site and building their customer base.

The audience reach of a marketplace is 10,000's of times greater than that of single retailer's and marketplaces typically dominate the search engine results page (organic and paid), making it expensive to compete for clicks.

By launching marketplaces as first point of entry to a new country, retailers build up a great understanding of the market and the sales data gives buying teams the insight they need to make more informed purchasing decisions when launching their own ecommerce site. Fees are paid as a % of sales generated (varying by product category) with little fixed or upfront costs on standard business seller accounts, significantly reducing cost of entry and associated financial risks.

Once marketplaces have been established they often account for a significant proportion of a retailers' online revenue and should be considered as an essential long term trading channel.

To enable the most visible presence on a marketplace as with all things in ecommerce, data is king. The challenge for retailers is often that product information is spread across multiple systems and the content is not sufficient to launch on one marketplace let alone several.

Retailers need to provide all of the relevant product information (either by

EAN/catalogue matching or by supplying a full data feed) otherwise their products may not be found when a buyer searches by a specific attribute (size, colour, material etc). Some marketplaces also allow keywords or phrases to be used in titles and/or descriptions which helps buyers to find items more easily, these should be fully leveraged to increase visibility.

In addition, there are a variety of promotional opportunities on each marketplace to help increase visibility of products and sellers. For example ebay UK runs daily and weekly deals on their homepage which are also emailed to more than five million subscribers every week.

Neteven allows retailers to sell on over 20 of the leading marketplaces through a single integration. Built with market leading technology, Neteven consolidates and enhances data from multiple points to automate the publication of products on each marketplace in line with best practice. ●

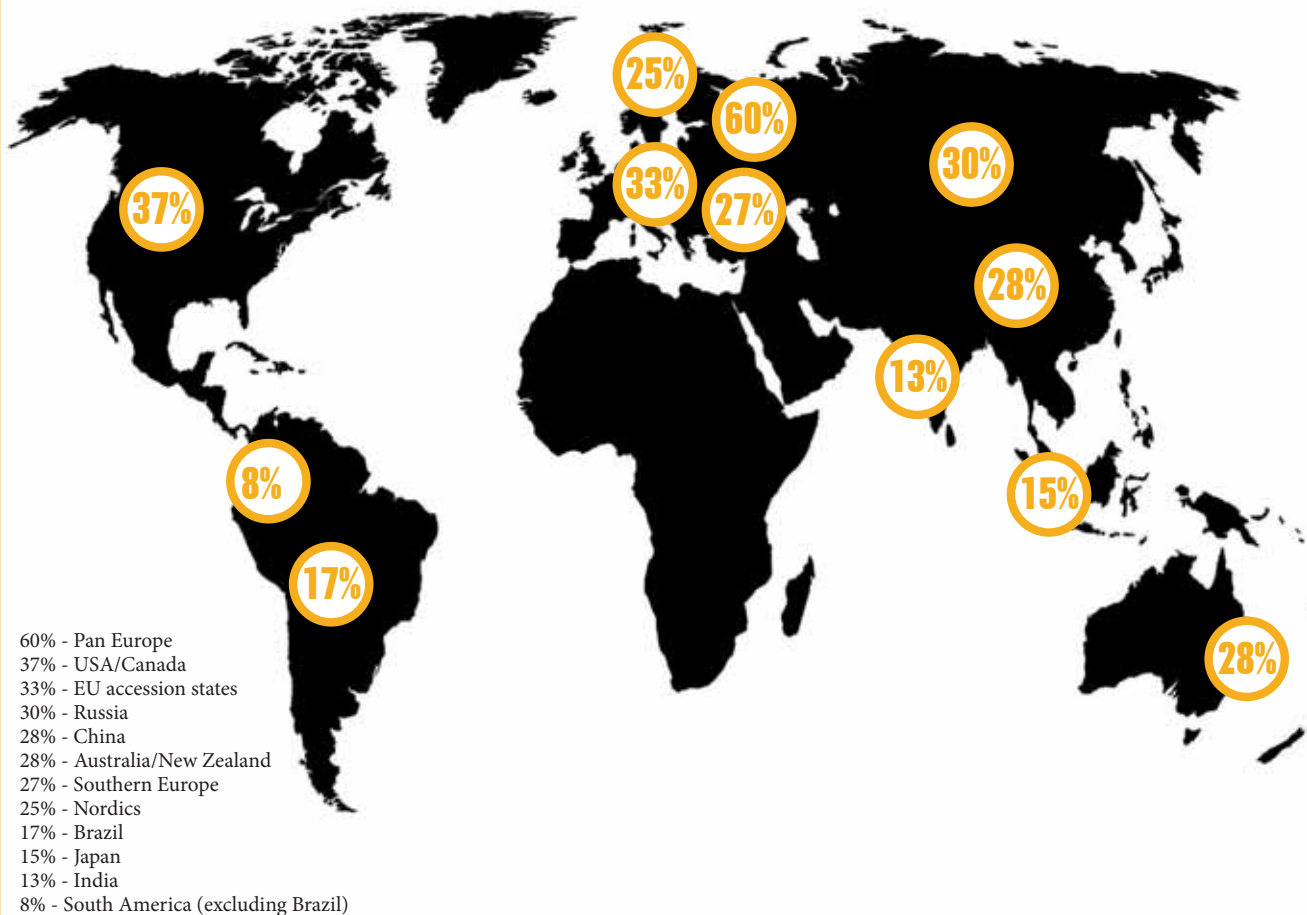
Ashley Maroney
UK country manager
www.neteven.co.uk



State of the market in 2014

RETAILERS REALISE THE INTERNATIONAL OPPORTUNITY BUT HOW, WHY AND WHERE ARE THEY INTERNATIONALISING IN 2014? OUR SURVEY RESULTS REVEAL ALL

2015 EXPANSION TARGETS



Our survey showed that the majority of those surveyed have already grasped the opportunities that international expansion offers them with 59% of retailers already trading

internationally for some time. This is down a little on last year though when 67% of respondents had already realised opportunities for international expansion.

For some the move overseas is recent

with 11% of respondents saying that they have launched internationally only in the last twelve months. Others are planning a move abroad imminently, with 15% of respondents looking to launch overseas within the next six to twelve months.

As in 2013 our survey also showed that despite the opportunities it offers some retailers don't have international expansion on the radar at all with 15% of our 2014 respondents saying that they weren't planning on expanding abroad. The figure was almost identical to 2013 (16%).

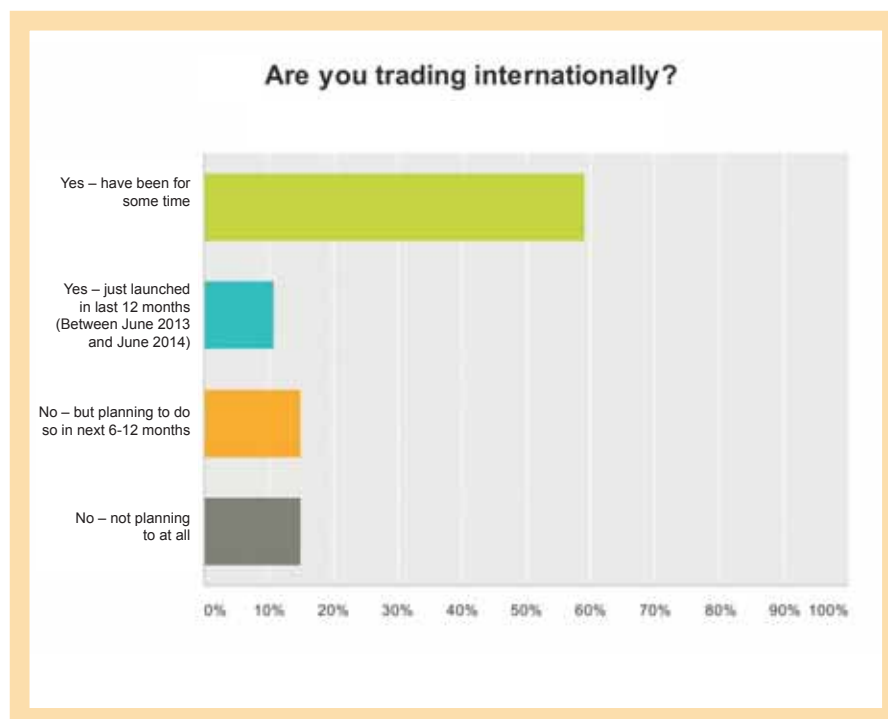
Gerald Dawson, director of ecommerce, buying, operations and finance for Weird Fish Clothing, says retailers shouldn't feel pressured to expand abroad if it doesn't fit their model or if the growth opportunities it offers are not required, since it can be a distracting task: "I don't think you have to expand abroad and I admire the people who say they don't do international because the UK is a massive market," he says.

However we wanted to understand why retailers who hadn't yet expanded abroad had failed to act. The reasons given were generally the same challenges identified by retailers later in the survey with barriers such as market knowledge, the challenge and cost of shipping goods internationally and the organisational and cultural restructuring that trading internationally requires, were given as the main reasons.

And for some the idea of expanding internationally just comes too early in the company's life cycle with human resource and budget limitations preventing companies from looking further afield for growth.

For those who had expanded we wanted to understand motivations for doing so. The survey showed that for the majority it was because their research had shown that international expansion would be a profitable route of growth for them either due to customer demand or analysis of the market fit. More than half of respondents (57%) had expanded abroad because they were aware of customer demand outside of the UK for their products or brand whilst nearly a third (29%) had identified the return on investment that international expansion offered.

For some it's a necessary move. 9% of respondents said that they were looking at international growth because growth in their domestic market was either limited or stagnant whilst 5% of respondents said



that their move abroad was motivated by following competitors.

We asked retailers to tell us what factors they considered when looking at international expansion giving them twelve different options and asking them to rank their top five influences. Although market scale was important for many the survey showed that retailers don't necessarily follow a cookie cutter pattern with everything from level of insight into the market to payment preference playing the most important factor in expansion decisions.

Having asked what factors retailers considered when expanding we also looked at the effectiveness of routes for expansion. The survey showed that in the vast majority of cases retailers felt that a physical presence in a country was the least effective route of all. Over three quarters of respondents (76%) said stores were the least effective route and over two thirds (67%) said that store concessions were. Instead our respondents preferred less risk averse channels with 50% saying that direct sales through wholesale was an effective route, 84% citing marketplaces and a massive 93% citing local websites.

"Marketplaces offer retailers access to a far greater number of consumers than their own ecommerce sites can

reach with very little upfront cost or risk," says Ashley Maroney, UK country manager at Neteven. "By integrating marketplaces into their strategy, retailers can drive incremental revenue, reach new customers and build their brand in new countries," he says. Indeed according to Maroney adding marketplaces as an additional trading channel can account for 20% or more of a retailer's total online sales.

And it can give great insight in to a market too. "It's really important to understand the consumers and their behaviour in each new market that a retailer expands into. This is very challenging with no prior experience of selling in that country before and often results in a substantial marketing spend with little or no ROI. Launching with marketplaces first in a new country minimises up-front costs and associated risks whilst enabling the retailer to build a customer base, acquire valuable market data and make money," says Maroney.

Once the decision has been made how to internationalise comes the question of where. For most the decision was an informed one after a nearly three quarters of retailers (73%) said that they chose their expansion targets based on where their brand will perform best or will best fit. Nearly a quarter of

respondents (23%) admitted that they chose the easy targets rather than the markets where there are more challenges to overcome.

Others combine the two. “Ours is a combination of “where the brand will perform best and easy targets,” said one respondent to the survey. “Even though Germany is less of an easy target we know there is demand so are happy to overcome hurdles,” said another.

With this in mind we next looked at where retailers were prioritising expansion overseas next year. Unsurprisingly perhaps Europe remained top of the list for retailers looking to expand in 2015 with 60% of retailers looking to the EU member states for expansion. This was followed by USA and Canada where more than two thirds (37%) of respondents said the region was a target for next year. More than a quarter (28%) also chose Australia or New Zealand.

The results also showed the popularity of the BRIC region too with Brazil, Russia, India and China a priority for many. 17% are targeting Brazil, 30% Russia, 13% India and 28% China despite the greater complications of such markets.

Expansion into any market provides its challenges but we wanted to understand the country specific challenges our retailers were facing. Unsurprisingly perhaps Germany came high on the list as a challenging market. With a totally different payment and delivery landscape to the UK despite its place in Europe it's little surprise.

Russia is also a market retailers are looking to find out more about – particularly around fulfilment and logistics. “We need to understand more about consumer behaviour, level of internet penetration, security of logistics partners, customer payment preferences, Government and consumer legislation and the ability to repatriate funds cost effectively,” said one respondent to the survey. “Logistics problems concern us, particularly with the last mile postal service and parcels not arriving,” said another.

China is also tough since retailers struggle to comprehend the spending and population characteristics of the

market. “Doing business in China seems to be particularly challenging for us. Chinese partners seem to be required and the general consumer sentiment towards the grey market also seems to be challenging,” said one respondent.

Having understood the markets that challenged them we looked again at the individual challenges or the ones that retailers felt least prepared to deal with within those markets. The complexity of language, culture and local market and customer knowledge was rated the toughest challenge by retailers with 28% citing it as their toughest challenge and a further 50% rating it within their top four.

It was a similar story for brand recognition and developing a local customer base with 27% saying it was the toughest challenge they faced and a further 40% rating it in their top four.

And fulfilment also remains a challenge for retailers in 2014 with delivery and returns the toughest challenge for 24% and the second toughest challenge for the same number again. Retailers have to consider carefully the level of costs they are willing to absorb.

For more remote locations this can be particularly tough according to Mike Warwick, head of online at Joseph Joseph. “Getting packages from the UK to Australia, in a time acceptable for a consumer at a cost acceptable to the business, is near impossible,” he says. And this can be particularly frustrating

for an SME he says. “There is an issue for smaller ecommerce retailers who do not have significant volume to negotiate good discounts with fulfillment partners. It's almost a chicken and egg situation. You need good terms in order to grow your international business,” he says.

At Irish car parts retailer Mick's Garage the retailer linked up with a local university to track delivery expectations looking at around 40 different websites – including competitors as well as bike brands such as Wiggle and Chain Reaction to understand what other retailers did and therefore what its customers might expect. The research was a vital but inexpensive way of understanding customer expectations, says channel manager Vinny O'Brien. “We learnt things like the German consumer will pay three or four more Euros for a tracked service but they expect it there when you tell them it will be there. We also looked at things like delivery timeframes, terms and conditions and whether parcels were tracked or insured as well as looking at things like the levels of imagery,” he says.

Customs, taxation and payment implications also proved problematic. 17% cited it as their biggest challenge, more than a quarter (27%) as their second biggest challenge and a further 22% as their third biggest challenge.

Our survey showed that international is definitely still on the agenda but without the right approach can be as tricky as ever. ●

WHAT RETAILERS SAID ABOUT EXPANSION CHALLENGES

“The challenge is making it profitable because increasingly more and more people are selling online.” - Tayyab Akhlaq, managing director of website businesses MyFirstWish, Unique Home Living and Genie and the Geek.

“For us it's the cost of translation. A lot of our stuff isn't repeatable because it's end of line or bankrupt stock.” – Leon Jacob, director of www.dmssportsworld.com.

“It's getting the product to the consumer in a way that is appropriate to them and within their expectations limits.” - Vinny O'Brien – channel manager at www.micksgarage.com

“F~~W~~ERGET IT”

65% of online baskets are abandoned every day. Zapp can supercharge your business' bottom line, cutting checkout steps to make it quicker and easier to pay.

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Terms apply – visit zapp.co.uk for more information. 65% figure based on average UK basket abandonment rate, Baymard Institute, 2014.

Learning from the experts

THERE'S NO SUBSTITUTE FOR MARKET EXPERIENCE AS OUR RETAILER CASE STUDIES PROVE.

Retailers are always looking to their peers for learnings and whilst there can be valuable lessons from larger retailers as our features later in the report prove equally valuable are the learnings retailers can get from other companies that have ventured overseas for growth.

Case study: Bluebella



Bluebella launched in 2005 selling luxury lingerie initially through a home/social selling business and then wholesale in 2012. With Lovehoney as its single biggest investor the company has continued to grow – buoyed by the success of 50 Shades of Grey which Bluebella has the lingerie and hosiery licence rights for.

In 2012 it tested international expansion through Lovehoney distributors in Europe and Australia and in November 2013 recruited Richard Newton as head of commerce to set up an ecommerce site.

Primarily its early international expansion has been through marketplaces where it began working with Neteven in 2010, initially in France on LaRedoute and Amazon through a local partner in the country and Neteven. Since then it has expanded into additional marketplaces in France, Italy, Spain, Germany and the US.

The retailer is targeting greater expansion in the US for its wholesale business next. "We would like to have a presence for 12 months or so to understand what the demand is and the market. You get better intelligence than trying to do it yourself," says Newton.

Once Bluebella has experience of marketplaces in a region it looks to translate its website into local markets – with France and Germany currently targeted. Sites are translated through a translation tool and sanity checked by a local speaker. Future expansion will also see growth of its US and Australian business.

Newton admits that for Bluebella local websites are a few years off yet – however he also suggests perhaps it's not a strategy retailers need to follow anymore. "It takes so much longer and money and takes you four to five years to get Google value. For us it will be more the ability to localise content relative to that market – eg show them German wording – that's more realistic in the next 5-10 years than the concept of .de. .au," he says.

www.bluebella.com

Case study: Activinstinct



ActivInstinct is an online retailer of performance sports equipment, clothing and footwear for customers serious about sport and since the end of 2013 has been part of the JD Sports group. Although the company started its life in the UK ActivInstinct now has sites in five countries. "We launched our first international site in France in 2010 and Germany shortly after," says CEO Michael Thornhill. "We targeted these based on their good sport participation levels and also their developing e-commerce markets. We have since launched in Italy and Spain and are currently looking at other potential markets," he says.

For Thornhill offering the right currencies is crucial to success. "Even before we launched our first international site we offered prices in Euros and USD on our UK site for instance, as we could tell from dispatch and traffic profiles that customers were ordering from outside the UK and naturally wanted to make it as easy as possible for them to transact with confidence," he says.

Thornhill says understanding markets is key – citing the free returns strategy and alternative payment methods of Germany alongside other less known peculiarities. "There are the small details such as having to have a specific word (Kaufen which means buy) on your checkout button and needing to present certain business information in a very specific way," he says.

He says the company tries to be as local as possible. "Whilst we dispatch all orders from our UK warehouse, we ensure that the site is completely localised and employ native speakers in customer services to ensure that any pre and post sales communication is up to scratch. We also offer returns to an address in the country so that there are no onerous charges for customers who need to send something back. All of these things help to build trust, which is key in keeping customers coming back," he says.

www.activinstinct.com

Case study: Studio Moderna



Studio Moderna is a multi-channel direct marketing company in Central and Eastern Europe focusing on consumer goods. The company has seven in-house retail brands for which it operates five of the brands' R&D internally.

"We are currently present in 21 countries as a retail platform and eyes are on new potential ones all the time," says Tytti Laakso, head of internet operations. These include Russia, Ukraine, Bulgaria, Romania, Moldova, Poland, Hungary, Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Slovenia, Croatia, Bosnia & Herzegovina, Serbia, Kosovo, Albania, Macedonia, Montenegro and Turkey – each of which has their own local team.

The company began working with Redbox Digital when it realised its in-house build ecommerce platform had become limiting and was not scalable enough for business needs so went on the hunt for a new partner. "Redbox is doing new platform set up, needed base development and deployment for ten markets for us," says Laakso.

She localisation is a must-do. "The challenge of centralised vs matrix model is always there – how much of processes and business rules to centralise and how much to keep locally. I feel that if we would have taken the road of a centralised approach, process as such would have been easier but we would lose one key ingredient of our business; "local thinking". We also have never wanted to compromise on customer experience, it still is unique and customised per local market," she says.

www.studio-moderna.com

Case study: Digimedia Solutions



Leon Jacobs is director of Digimedia Solutions which trades as Sportsworld. The business launched around 10 years ago selling through its own site as well as online marketplaces such as eBay and Amazon in US, Canada, France and Germany to name a few.

Jacobs says the company started selling internationally properly about five years ago although it had also been selling internationally from eBay UK since launch. It launched Amazon Germany initially then France and the US, and in Canada, Spain and Italy earlier this year. It now has a 65% bias toward international sales. "Big markets are the US and Germany and France for us but we send all round the world," he says.

The company works with wnDirect to ship its goods – bulk sending to countries such as Germany, France and Australia and using the company for the majority of its international business. "The old way of doing things was using Royal Mail – but we could do only national post or international signed for. Our lost items were growing and we weren't getting proper trackability. wnDirect's service was a middle ground – a combination of local service with some sort of trackability," he says. And given the company's presence on marketplaces and the importance of feedback delivery issues had to be addressed, says Jacobs.

Further expansion will follow. "We are looking at where the opportunities are and jumping on them," says Jacobs. He says the retailer is looking at China too with TMall a target, although he admits it's a harder nut to crack. "You have got to use a Chinese partner. The costs are different so we just need to do some cost benefit analysis to see if it will work for us."

www.dmssportsworld.com

Case study: Tayyab Akhlaq



Tayyab Akhlaq is managing director of a number of different businesses that include women's fashion and footwear brand My First Wish; kitchen, home décor and

households goods website Unique Home Living and online marketing business Genie and the Geek.

Myfirstwish initially launched on eBay and Amazon and moved to a standalone site around 18 months ago. Unique Home Living followed the same process – setting up on eBay and Amazon and with full marketing about to start for the standalone site. The third service, Genie and the Geek, launched around two years ago.

Selling internationally was a natural choice, according to Akhlaq. "We have sold internationally since day one when we first went on eBay. There was never a reason not to," he says.

The company uses wnDirect for delivery. "They have been a key partner for Western Europe," he says. But he says the brand has learned from them too, using their expertise to understand where to go next. "They have experience of where they see traffic and where they see businesses going."

Thanks to its initial strength on eBay and Amazon the company is now planning to launch on other European marketplaces in France and Germany. "In the next three to six months we will be live in five or six new marketplaces," he says. Akhlaq says the company analyses marketplaces to see the potential for expansion – a route he feels is fairly risk-free. "If we see our product or customer base there that gives us the business case to explore it and do a trial," he says.

www.my1stwish.co.uk, www.uniquehomeliving.co.uk, www.genieandthegeek.co.uk

Case study: Mick's Garage



Irish ecommerce retailer Mick's Garage sells replacement parts for cars and is a business that has grown rapidly since being founded in 2004. It launched into the UK in 2008 when it began exporting, added marketplaces in 2010 and now sells via a number of marketplace channels including in Australia. "In the last 18 months we have added 11 different marketplace channels which should at least double our revenue volumes by the end of this year compared to last year," says Vinny O'Brien, channel manager at the company.

He says marketplaces provide a vital role. "Without marketplaces we wouldn't have been able to properly test what we would do and where we would go. It's been invaluable in terms of the learnings," says O'Brien.

Mick's Garages works with Neteven to manage its three French marketplaces. "They gave us a strategic position within each of them," he says. The pair work well together, he says. "They trust us as a partner and give really good honest feedback and are a benchmark for us for success in how we list in France."

However he says expanding abroad has brought up a number of challenges including whether to translate via man or machine. Initially working on a pay per word translation model O'Brien says the company missed out on the contextual language of a native speaker so has since bought in German and French speakers – hiring them two months ahead of launch to prepare the non-core contextual translations. Following on from the success of its marketplace sites Mick's Garage will have launched a German country site by the time you read this and a French site due in October followed by a further eight or so country sites in the longer term.

www.micksgarage.com

Case study: Green People



Green People, a medium sized manufacturer and retailer of premium quality natural and organic skin care products that sells direct through its website and via the phone as well as supplying to trade and wholesalers, is currently planning international expansion.

To date the company works with a number of international distributors in various countries some of whom it works very closely with and some for which it just provides products.

In preparation for its next stage of growth it wants to be able to sell direct to the countries where it doesn't have an

exclusive distributor relationship. "Germany for instance could be a market for us where there's lots of potential. We don't have a distributor there currently and so what we'd like to do is set up a German language website and either ship products directly from the UK or find a more cost effective shipping option that works from within Germany," says James Self, ecommerce manager for Green People.

Such expansion allows growth outside of the UK where it would otherwise need to invest in marketing to compete more effectively with its peers. "By expanding internationally, we can relatively cost effectively create new markets for our products and establish a wider customer-base than we could otherwise if we just focused on the UK market," he says.

Like all good retailers it exploits first the markets it knows well and where it has local expertise and market research. "Green People has very strong links to Scandinavia which is why we have established markets in most of those countries. In general our international expansion to date has come from a lot of research by our in-house team. We work with distributors who have an established client base and who we feel will convey our brand well overseas," he says.

www.greenpeople.co.uk

Case study: Achica



Joris Peucheret, head of international marketing at Achica, has been responsible for developing the brand initially in four European markets including France, Spain, Germany, Poland, phasing in each market separately with France and Spain first followed by Germany and Poland. He says the company has mapped a number of different factors from market size, convenience to logistics and ecommerce integration to decide where to open.

"There are more targets on the list," he says. "We are developing the website to make it more scalable to more countries." Further European markets as well as the likes of Australia and possibly the US may also follow. However he admits the company can face problems with fulfilment given the varying size of its goods, many of which are large furniture items. "In the range of products we are offering there are small items and also big items which are more costly," he says. He also points out that the expectations of the customer are different in different countries such as the demand for click and collect.

www.achica.com

Case study: Joseph Joseph

Primarily a wholesale business Joseph Joseph's key growth area has always been international. Within 18 months of launch its founders were selling to department stores in France,



Germany, Japan and South America and the company now sells to more than 70 different countries internationally. It has established subsidiaries in France and the US to wholesale its products and by 2013 had established overseas sales of £25.8 million.

For Joseph Joseph international expansion allows it a route to growth since in its UK home market it already has a very good distribution of its products in all of the largest retailers from Amazon (who buy and stock its products rather than sell through market place), John Lewis, House of Fraser, Debenhams, as well as 100s of independent kitchenware stores.

It expands where it sees demand thanks to the strength of its wholesale heritage and distribution network, says Mike Warwick, head of online. "Using our wholesale sales data, we can see where our brand is in a strong position and target these countries accordingly," he says.

Currently the company ships internationally rather than having local websites. "As a first step into a market, enabling shipping to that country and adding a message to the user that shipping is available is a quick test to gauge demand. The downside of this is that the cost and speed of shipping can initially be high," he says.

The company plans to move to the next level to launch a minimum of three localised local language sites in 2015 as it targets a number of new locations.

www.josephjoseph.com

Case study: Weird Fish

Gerald Dawson, director of ecommerce, buying, operations and finance for Weird Fish Clothing, joined the lifestyle clothing brand in February but was previously at Long Tall Sally. He says that online currently accounts for around 15% of sales but is the fastest growing part of the business. The company is international actively in Germany, Holland, France and Denmark and ships to around 80 countries in total. It tests new markets with physical representation through wholesale stockists before launching localised websites. "We are a brand you have to touch and feel so we need to be multichannel," says Dawson. "We can follow it up with localised websites that we don't have to spend so much on marketing because we will already have a footprint into those markets," he says.

The only exception to that will be the US where the company will only launch via an ecommerce site. "That's a harder market to manage because it's such a long way away but it's such a big market that you can dip your toe in and still cover your costs," he says.



The Weird Fish website is replatforming currently, which should be complete end of September. The company will then properly launch internationally. "Level one is shipping internationally, level two is going multicurrency. We will go to six currencies and that will increase conversion automatically. Then stage three is localised sites with English speaking localised first as that's easy, then localised foreign language sites where we think the gain is worth the cost and the sales are high enough for it to make sense to do," says Dawson.

www.weirdfish.co.uk

Going local

ENSURING A SUCCESSFUL INTERNATIONALISATION RELIES ON THE EFFORT PUT INTO LOCALISATION AND CUSTOMER SERVICE BUT HOW LOCAL SHOULD YOU GO?

When we asked retailers the biggest challenge they faced when expanding internationally only 4% of retailers said the localisation of their websites or products ranges was their biggest challenge. This is because generally localisation is a must do – and therefore retailers understand and have the facilities available to them to localise the experience whether that requires simply translation of text or a full localisation of product to suit country specific customers. However deciding on the level of localisation is key to success.

Our survey therefore followed up by asking retailers how important localisation was to them and whether they tailored their service or product range to the local audience.

81% of respondents said that localisation was important. 39% said it was vital and they localised to each market whilst a further 42% said it was important but they faced challenges in doing so.

“Localising is really key. You have to get into the mind-set of a buyer in that locality. If you don’t invest time in that upfront you will end up doing a lot of rework down the line,” says Vinny O’Brien, channel manager at Mick’s



Garage. Indeed he admits his company delayed the imminent launch of its German country site because it realised what it had built wasn’t quite right for the market. “We paused the project went back and re-engineered it,” says O’Brien.

Deciding on the level of localisation required is vital since over localising may not be necessary whilst under localising can lose sales. Gerald Dawson, director of ecommerce, buying, operations and finance for Weird Fish Clothing, says retailers must keep in mind the cost versus returns decision when localising. “There are degrees of localisation – I could do English language with local currency for the Dutch market and would get around 50 per cent of the market,” he says.

Retailers also need to understand the need for localisation too because what might look like a really strong customer base in one country could simply be an ex-pats market. “We have 12 % overseas traffic at the moment and 5% overseas transactions but we see who they are and if they are English or not which is a great clue because if you are only selling to expats there is no point in translating,” says Dawson.

He points out that localisation isn’t just about translating the language but understanding its relevance in situ too.

“For example in the UK you would have an empire line dress but in Germany it will have its own market name so you need someone who not only speaks German as their native tongue but also knows fashion and what a German would search for if looking for an empire dress,” he says.

Most retailers agree that having local people on the ground is vital. “You have got to have local people – it’s the only way because you will just do really poor localisation if you don’t have that local knowledge. You have to have local people advising you and assume they know better because they do,” says Dawson.

Indeed he says it’s naive to underestimate the importance of localisation. “I don’t think anyone is arrogant about expansion but there is a naivety- you don’t know what you don’t know until you try it and then you know nothing,” says Dawson.

In most cases a successful internationalisation necessitates at least some level of localisation but this seems not to be the case with all. 18% said their brand was exportable anywhere and that localisation was not required.

Of course localisation isn’t just about how you serve customers online but how you deal with them from a customer service point of view -- determining the

customer experience and therefore the likelihood of repeat custom and word of mouth recommendations.

James Self, ecommerce manager for organic skincare specialists Green People, says it is so important that it can make or break an international entry at a time when you are trying to establish trust with new customers. He says it's one of the biggest challenges his company faces in its quest for internationalisation and means the company has a number of questions to ask. "We pride ourselves on our level of customer service for the UK and would want to maintain and enhance that in any country that we expand into. Do we recruit a native speaker in that country and train them up on our products in order for them to be our point person over there? Again, they would be working remotely and monitoring of their work would be very difficult so we would need to be able to implicitly trust that person to provide the level of customer service that we expect. If not recruiting someone in the country that we're entering do we recruit a native speaker over here who sits in our offices? We would have more control over their actions and support style but we're a small business and whilst finding a desk for one person can be done, if we wanted to enter four, five, six or more countries, that's quite a lot of people and quite a lot of desks. We would definitely have to scale up," he says.

Even outsourcing is a tough option, he says. "That could make sense, but again you would have to train their staff up on your products and wouldn't have the control over them that perhaps you might need."

Our survey asked retailers how they were dealing with customer service in their international markets. Nearly three quarters (72%) were handling it from the UK and more than 4 in 10 (42%) from the UK with a UK team. This is the first step for many since it's the cheapest but it is a balancing act. Many rely on Google Translate, others on machine translation.

"We translate all our listings for Germany, France and the US. With regards to customer service customers email us in their language and we have template responses done (such as how



to return an item). Then we use Google Translate and reply in dual languages. That gives them both the option without the expense of employing someone language specific in customer service etc," says Leon Jacobs, director of sports retailer DMS Sportworld.

Tayyab Akhlaq, managing director of websites MyFirstWish, Unique Home Living and Genie and the Geek, has a similar strategy but supplements this with in-house speakers. "Most customer service queries come through email so we can use Google translate which is quick and cheap but we also now have a team of translators in-house so we can message the correct translation and get

a true localised high quality response to the customer," he says.

Having customer service handled by native speakers was the second most popular option for retailers in our survey with nearly one third (30%) handling customer service from the UK but using native speakers.

Those that will be most successful however are those that deal with customer service with the local expertise that is required. The survey showed that 5% of retailers use a bilingual customer service agency but almost three quarters (23%) have local people in their local markets dealing with customer service for their international markets. ●

WHAT RETAILERS SAY ABOUT LOCALISATION

"The only way retailers can get 'local' is to fuel their customer service and product loading teams with the right resources to do the basics well." - Michael Thornhill, CEO of www.activinstinct.com

"The level of localisation depends on the market. Some markets are fine with English language. Some are fine with English language but need specific payment options." - Survey respondent

"For growth localisation is imperative." – Mike Warwick, head of online at Joseph Joseph.

"You should always try and have someone in that market. That local knowledge is far more relevant than all the internet research in the world," – Richard Newton, ecommerce director for www.bluebella.com

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OUR SURVEY RESPONDENTS NAMED A NUMBER OF RETAILERS THEY ADMIRER FOR THEIR INTERNATIONAL EXPANSION BUT WHO IMPRESSED MOST AND WHY?



The UK leads the world in terms of internationalisation of retail and it's of little surprise given the success of many of our retailers in expanding abroad. In our survey we asked our respondents to name the retailers who most inspired them in terms of how they had handled their international expansion and growth. Unsurprisingly top of the list was ASOS but many other names were

highlighted too. Here we find out a little more about what our respondents admired about such retailers and find out what it is they do so well.



Respondents said that ASOS' understanding of the market and their

product offering was key and that their rate of growth was impressive. And who wouldn't want to be ASOS. The company has the bold ambition: "to become the world's number one online fashion destination for 20 somethings." Its expansion so far shows the seriousness of its aim and as of last August 2013 nearly two thirds (63%) of its sales came from overseas. In April it announced that for the six months to 28 February

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2013 international sales had risen by 35%. In June the company announced a slowdown in its international sales growth to 17% thanks to the effect of fluctuating exchange rates. However its international scale remains impressive. The company delivers for free to nearly 250 countries worldwide from its warehouses in the UK, the US and China and operates a returns centre in Australia. The company is also establishing a new European warehouse in a Eurohub in Berlin that will provide a six million unit storage capacity and allow faster refund processing and improved delivery lead times for its customers in Germany and other parts of Europe.

In 2014 it will expand its facility in Ohio in the US from which more than 1 in 5 (20%) of US orders are currently dispatched and open a new warehouse in Shanghai.

ASOS currently has eight international local language sites in addition to the UK – including the US, France, Germany, Italy, Spain, Australia, Russia and China. Tailored country-specific sites launched in China last year, in Russia in 2012, in Australia, Italy and Spain in 2011 and in France, Germany and USA in 2010. Of its 8.2 million active customer base (ie those have shopped in the last 12 months) as of the end of February 2014 5.0 million were located internationally – up 1.5 million on the year before.

ASOS' expansion into Russia in 2012 in particular has impressed since the company's success in the notoriously complex Russian market shows it can be done. The retailer has been applauded for its local approach in a very difficult market with a strategy that will open up other opportunities for the retailer to use Russia as a springboard into neighbouring territories.

In Russia the brand worked hard to understand the local consumer behaviour and preferences ensuring the website translation included the correct tone, cultural nuances and local relevance as well as employing a Russian-speaking customer service team, and offering free standard delivery in Russia. Since launch the company has continued to improve its Russian offering with additional payment methods and speeding up its delivery service. As a result ASOS expects

Russia to grow more significantly than many of its other strategic markets this year.

Since 2012 the company has also launched international sales offices in USA, France, Germany, China and Australia as it seeks to keep on top of its exploding international business and to enable it to buy local fashion from across the world to ensure that its internationally customers find fashion that matches the season and what's going on where they live.

Its concentration on the local market was also one of the reasonings for the launch of a number of own and third party specialist size ranges – including petite and tall sizes for both men and women and which ASOS claims have been particularly well received by its international customer base – especially in the US, Germany and the Far East.

The retailer has also begun introduction of local pricing functionality which it has cited as a key development in its journey to becoming a truly global retailer since it allows it to offer locally competitive pricing and perform locally relevant promotional activity in its strategic markets as well as sell certain brands that are otherwise restricted in a number of territories.

"We always look at ASOS," says Leon Jacobs, director of www.dmssportsworld.com. "They have grown so quickly and marketed really well but still have their own independence.

"It's the way they have done things and established the brand. They've got different approaches for different countries and come across really well," says Tayyab Akhlaq, managing director of website businesses MyFirstWish, Unique Home Living and Genie and the Geek.

"ASOS have localised, have a wide range and are fast," said one respondent in our survey. "ASOS have a mix of self-sufficiency operation – with some departments centralised and some decentralised to ensure best customer experience and trans-creation when it comes to marketing, editorial and merchandising" said another.

Another respondent said the planning that ASOS had put into its expansion was impressive. "ASOS gave a lot of thought about how to launch and which backend systems would give great

flexibility should they need to adjust their expansion plans up or down," said another respondent.

And their rate of growth works and impresses "They have had a rapid but controlled expansion across multiple territories at once," said one respondent.

"They have a very deliberate step by step process for deepening their level of localisation," said another retailer in the survey.

Gerald Dawson, director of ecommerce, buying, operations and finance for Weird Fish Clothing agrees: "They have this ladder process where they have different levels of localisation. It starts off with ship there, sell in their currency then they introduce SEO and pay per click with local language, then local PR. There are all these incremental steps that are really logical in terms of what would be the next step," he says.

Another said they respected the retailer for its management of growth. "ASOS are growing everywhere but with the correct balance of a globalisation and localisation for a pure player," said the respondent.



Inevitably the next popular choice amongst respondents was Amazon thanks to founder and CEO Jeff Bezos' work in expanding the brand and marketplace internationally.

Its most recent results showed that sales grew 16% internationally and the company is expected to become the second largest global retailer behind Walmart by 2017. "It's got to be Amazon," said one survey respondent who was impressed that the company had succeeded in maintaining the essence of a small company despite its status. "Their focus on customer service is exemplary for a huge, platform business. Most other companies lose that when they achieve a size much less than Amazon," said the retailer.

"It's Amazon for their presence and logistics," said another respondent. Certainly logistics is an area the company has focussed heavily. This year it has enhanced its European cross border

delivery network to launch European cross border two day delivery for its Prime customers as well as introducing Sunday delivery coverage to a quarter of the US population.

Expansion wise it's a year since Amazon launched its India marketplace website Amazon.in and since then the company has rapidly expanded its selection for Indian customers averaging a launch of one new category each 13 days and meaning that customers in the country can now shop from the larger store in India – choosing from more than 17 million products.



Next impressed one respondent simply for managing the scale of its business internationally. "It's the sheer volume of localised sites they have," said one retailer. Certainly its scale is impressive with a staggering 72 localised sites and trading physically with nearly 200 stores in more than 40 countries overseas, mostly with franchise partners. It has only a handful of company owned stores overseas and no plans to increase them.

The company still sees big opportunities however. In January it reported international sales growth of 86% with international online sales contributing 3.9% to Directory growth. However turnover is just over £100 million so the company plans further growth. Currently all its oversea sales are serviced from UK warehouses via third party distribution networks.

It says that further growth has been driven by site translations, the acceptance of new domestic currencies and the development of new territories. By January this year the company had lowered prices in 28 territories, introduced traditional Chinese script and converted five countries to domestic currencies as well as accepting Qiwi (the Russian e-wallet). By January 2015 its international growth drivers are more aggressive, with plans to lower prices in five additional countries, introduce French, Spanish, Polish, Arabic, simplified Chinese script and Hebrew. In addition the company will convert a further eleven countries to domestic

currencies and launch in new territories including China, Egypt, Brazil, Oman, Saudi Arabia, Belarus, Libya, Malta, Cyprus, Lebanon and Azerbaijan and introduce PayPal and Klarna (Germany) as new payment types.

Next is expecting its international sales to grow by 50% to £150 million by January 2015, up from £101 million this year and £54 million in January 2013.

John Lewis

John Lewis has also impressed many. The company now delivers in 33 countries since launching European delivery in 12 countries and in the US, Australia and New Zealand in 2011. A year later it tested its first physical branded presence overseas with shop in shops in two branches of South Korean department store Shinsegae. This has since expanded to five stores with plans to roll out to more.

In July John Lewis opened its first airport store. The site at Heathrow's Terminal 2 was a strategic move to build brand awareness amongst terminal two's 20 million international shoppers and was touted by the retailer as a significant step forward in developing its international strategy.

Their quiet but solid expansion is typical of the retailer. "The soft launch approach has allowed them the time to test the water with international markets and ensure that by the time they have fully launched this service the logistics are in place to handle the service and ensure efficient delivery and customer

services," said one respondent in the survey.



Cycle retailer Wiggle also impressed many with rapid growth leading to the launch of 11 new international websites in 2012 including Russia and China. 2012 also saw the company convert translated sites to separate dedicated local language sites in order to improve their appeal to the local market. The changes followed investment by venture capital firm Bridgepoint the year before.

The company now ships to more than 90 countries, offering local delivery and payment options in a number of them. Unusually the retailer supplements its core business with a marketing strategy that includes support for a network of events worldwide – 96 of which were held last year and which reinforces the credibility of the brand and its visibility amongst potential customers. The company has won a number of awards including industry body IRG's ecommerce international e-tailer of the year award in 2012.

"They have a well localised site and a global brand," said one respondent to our survey. Another said it was the company's attention to detail that was impressive. "The worst localised experience is to offer an English site with one of 15 currencies," said the survey respondent. ●

OTHER RETAILERS WHOSE INTERNATIONAL EXPANSION IMPRESSED

Zara – "They are very clear about what they do and how they do it. Carving out that niche has been very successful for them and they have the same concept in every market." – Richard Newton, ecommerce director of www.bluebella.com.

Mango – "Because they have managed to run centrally and act locally on ecommerce." – Survey respondent

Zolara – "For localisation and scale" – Survey respondent

Apple – "They have created retail from nothing. They do it their way with no compromise." – Survey respondent

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5 top tips for expanding internationally

LEARNING THE LESSONS OF YOUR PEERS IS CRUCIAL TO SUCCESSFUL INTERNATIONAL EXPANSION AS WE FIND OUT THE ADVICE OUR SURVEY RESPONDENTS WOULD GIVE OTHERS.

With the best preparation in the world international expansion remains a tough nut to crack. Preparation is key alongside a willingness to learn from those that have already done it. As part of our survey we asked retailers for their advice following their experience of expanding internationally and what the most important lessons that they had learnt were.

Lesson 1 – Understand the local market and localise where possible

As our survey found earlier on our retailers believe that localisation is vital to the success of international expansion both in terms of understanding the local peculiarities of the market and tailoring to it. “Retail is local even if you are an international brand,” said one retailer. “You have to know the market and respect local habits and brands,” said another. “Ensure brand, culture and products fit with the target market,” advised a third.

Local knowledge is key. “You need to get local market intelligence and understanding before expanding. Don’t just assume customers will act in the same way as your home country,” said one retailer. This applies even for retailers that have global models.

“It’s about having that local skill,” says Richard Newton, ecommerce director for



www.bluebella.com. “You can do all the forecasting and numbers in the world but then if the price points are wrong or the consumer is different then your numbers will be way out,” he says. Indeed his business always tries to work with local agents who can show their face on behalf of the brand. “We use the buying experience and local knowledge to steer our decision making,” says Newton.

Joris Peucheret, head of marketing international at Achica says it’s easy to overlook simple things that you may not have thought of. “For instance English

is the shortest language in Europe – so if you look at a big phrase in English you have to multiply the size of that so have to make sure your templates and CMS are optimised for that,” he says.

Lesson 2 – Only go where there is demand

It may sound a rather basic assumption but as our earlier research shows some retailers will go to markets simply because they think they should, rather than because their research for their brand and offer tells them to. “Look at

the data,” says one respondent. “Simply looking at internal purchases or which countries visitors come from gives you a clear view on the international rollout plan you should be implementing,” said the retailer.

Gerald Dawson, director of ecommerce, buying, operations and finance for Weird Fish Clothing, says retailers shouldn’t just follow the crowd. “We look at population, language and lifestyle,” he says. And as such that can mean expansion priorities are very different from other fashion retailers. “We are a lifestyle outdoors brand so Denmark – even though it’s a small country – is one of our target markets and is spot on,” he says.

Spain is not on the company’s radar at all and Asia is not being considered in the short term because retailing of product would be required. “It doesn’t matter how many people live in a country -- it’s irrelevant if they don’t want the product,” says Dawson.

Retailers suggest testing locally but one retailer warned that retailers should be ramp up expansion plans too if such tests prove successful. “Test initially but be ready to upscale and seize opportunities quickly as things may far outperform expectations,” said one respondent.

Lesson 3 – Emulate success stories

We have already heard of the retailers our respondents to the survey admired and it’s little surprise that for some retailers the best lesson they can pass on is to emulate those that have already managed international expansion exceptionally “Copy Amazon!” said one of our survey respondents. “1) Create a compelling offer in some way, 2) focus on customer service, 3) Pick out the best and most transferable things that Amazon do and apply them to your own operation, 4) Work hard on ensuring price is competitive but don’t work for nothing and 5) Be consistent so that customers know what you stand for and what to expect,” said the retailer.

Both our case studies earlier on and our feature on admired retailers will give you more great tips to follow.

Lesson 4 – Get in there quick but don’t rush it

Internationalisation can be daunting

and with so many factors to consider it can become an over complicated project that no-one wants to tackle. But failing to do so can mean missing golden opportunities according to our respondents. “Don’t wait!” said one retailer. Another agreed “Don’t sit by and watch others do it first,” they said. Another respondent suggested retailers get out and meet partners to begin internationalisation as soon as possible so that a company is prepared once it decides to make the move.

However the process can’t be rushed, according to Tayyab Akhlaq, managing director of website businesses MyFirstWish, Unique Home Living and Genie and the Geek. “Definitely take it step by step,” he says. “Don’t say I’m going to be international and translate to 10 languages. Go one country at a time and get used to it. Take it gradually.”

Vinny O’Brien, channel manager for Irish motor parts etailer Mick’s Garage, agrees: “Everyone wants to internationalise quickly but more time has to be invested in understanding the market if you are a small company. It’s better to invest in that time upfront rather than pulling your tail in a year later,” he says. He also points out that retailers shouldn’t be complacent about the strength of their brand. “Brand isn’t everything – don’t be precious about your brand –and don’t be obsessed with growing the brand. You want to establish yourself as a trusted seller first – you need to give someone something to believe in,” says O’Brien.

“We have learnt that it takes a lot of time to set up and it’s a ‘slow burn,’” says James Self, ecommerce manager for organic skincare website Green People. “It takes a lot of time to monitor activity in a different country and we tend to only find out if something isn’t working when someone complains to head office. We struggle with international partners using the wrong tone of voice, incorrect images, suspect emails and designs etc. It’s a challenge to put your brand in someone else’s hands,” he says.

Lesson 5 - Don’t assume instant success

Although the response of one retailer in our survey – “make sure you have an exit plan” – is perhaps a little defeatist the

sentiment is another important lesson our retailers stressed. “Do not assume it is a quick route to increased sales and profit. With extra administration costs to manage multi-lingual sites, marketing campaigns and lengthy systems integrations there are lots of extra costs to take into account,” said one retailer in our survey.

To this end another retailer advised to be careful on the costs of internationalisation. “Don’t spend a fortune. Be led by customer demand which you can create inexpensively,” said the retailer.

Another advised ensuring everyone was behind internationalisation. “Get everyone on-board as early as possible across departments and deal with internationalisation as a priority simultaneously to your core market.”

Joris Peucheret, head of marketing international at Achica agrees: “Make sure internationalisation is communicated and escalated down to all levels of the company through each department so people think as a business rather than a country,” said the retailer.

Dawson says for Weird Fish international expansion is building for the future rather than looking for growth today since it has plenty of growth left in the UK market still. Because of this he says the energy put into international is relatively small. “We could ignore international but we are planting seeds that can grow something into meaningful in three or four years,” he says. However for those that do go international he stresses they must do it well. “You have to make sure you are doing a very good job in the UK before you go chasing money overseas,” he says.

Raquel Ribeiro Pereira, digital business manager at www.salsstores.com warns retailers to ensure they have their own strategy ultimately. “When we look at the international fashion retailers that have succeeded on different markets, we can clearly see that there isn’t “one best way” to expand. Each one has a different strategy that we analyse and learn from but at the end we need to have our own model, which enhances both the market opportunities and our own strengths,” she says. ●

Understanding the challenge to UK growth

WHILST IT'S EASY TO FOCUS ON THE INTERNATIONAL OPPORTUNITIES INTERNATIONAL RETAILERS ARE INCREASINGLY TARGETING THE UK TOO.

The quest for internationalisation runs the risk of retailers taking their eye off the ball at home but it's a mistake retailers can't afford to make. Increasingly international retailers are looking to the UK too – attracted by the high penetration of ecommerce shoppers and the market demand.

We asked retailers how they felt about international retailers targeting the UK. Mostly retailers accepted such competition. 44% of retailers said all competition is good competition. Meanwhile 46% said they felt there was plenty of scope in the market for both domestic and international players.

In the survey 10% of retailers said they felt there was insufficient market opportunity for new players into the UK and as such they were threatening their

businesses or the new ventures were likely to fail.

But great retail has always been about competition since it breeds innovation. "In order to succeed in international markets you have to present an innovative offer," says Raquel Ribeiro Pereira, digital business manager at Portuguese retailer Salsa Jeans www.salsastore.com which sells, manufactures and retails clothes and accessories for men and women selling through department stores, specialty retailers, company owned stores, online store and marketplaces. "International expansion gave us the opportunity not only to grow sales internationally, but also to keep our focus on innovation. Each year Salsa invests 2% of our turnover in creating innovative products," she says.

The company works with Neteven

to accelerate the internationalisation of the brand though marketplaces that include Amazon, Otto, and La Redoute. "The presence on the main European marketplaces, mainly enabled by Neteven, allowed us to grow not only in sales but also in terms of market brand awareness," says Ribeiro Pereira.

These are in addition to both website and stores. The company launched its internationalisation in Spain in 2002, picked because of its close proximity to its Portugal homeland, before it expanded into more than 35 countries with a special emphasis on France, Germany, United Kingdom, Ireland, Angola, Middle East and most recently South Africa. Its first store in the Middle East opened with its partner Azadea and the company now has 20 stores in the market.

In 2010 it launched its online store, initially only available for the EU but more recently also launching into some non-European markets like the US and Switzerland. "Salsa reinforces its strategy by increasing the brand's presence with monobrand store, department stores, online catalogue and carefully selected multibrand stores. Today, more than 60% of the company's turnover comes from international markets," says Ribeiro Pereira.

And for Salsa international was a must do. "For us it is the only option to grow since our internal market (Portugal) is small and saturated. We are already market leaders in Portugal so we need to look into new markets to continue our development," says Ribeiro Pereira. ●

The story of a retailer launching in the UK

James Storie-Pugh is head of ecommerce at LamaLoli, Europe's number one licensed apparel wholesaler, which is just launching in the UK as we speak having already conquered France and Germany. The potential of the market was a huge one according to Storie-Pugh. Importantly however he says the country provides a great stepping stone to a longer term strategy of LamaLoli – that of expanding to the US. "The goal is to lead with Europe but longer term the US license market is huge and lessons that can be

learnt in the UK will be very valuable in the next two years," he says.

He admits the company attempted to launch here previously but in trying to do it from its German heartland failed. This time round the company is localising its UK launch and putting staff on the ground here too.

He says retailers coming here have to get it right. "The level of competition is more aggressive than on the continent and the consumer is much more savvy. They know what they want and don't have a lot of patience," he says.



Conclusion...

Our second research report on internationalisation has once again provided invaluable insight into the opportunities and challenges of trading abroad for retailers looking for growth.

The majority of retailers have already made the move and are selling internationally but likewise there remains a proportion that don't yet trade abroad but who plan to soon or who have only have only just launched so are still learning from their expansion. Interestingly we are still seeing some retailers resisting the urge to sell overseas – preferring instead to focus their efforts at home although with the increased influx of international retailers heading to the UK too is perhaps not a bad thing.

The UK is the perfect location to launch international strategies – since it provides natural springboards to both the US and European markets. But the risk is that it holds the same appeal for US retailers looking to go to Europe too as well as

wanting to exploit the higher value UK market.

There are always challenges in any growth strategy and of course international growth is riddled with them and our survey once again identified the impacts of those. They can't be dismissed and are generally universal but equally they are not insurmountable ones and with the right partners and the right strategies they can be overcome. The motivation for doing so is certainly there since the ROI that such strategies can drive is huge.

The beauty of going international today is that it can be tested and enabled relatively easily with simple sites or marketplaces. Numerous retailers have tried and failed by going international with stores first and being forced to limp out of the market sometime later. Newer options make an international presence possible for retailers large and small as was evident from many of the retailers we interviewed for this report. With this in mind it seems foolish for retailers not to at least consider

the potential of internationalisation.

Retailers have to be willing to listen and learn though – understanding local markets and nuances however tiny, can be hugely impactful in how a brand will translate from the UK to a foreign destination. Localisation is once again key. Knowing you should expand and having the confidence to do so can be two different things – especially for small scale retailers. To this end the advice and best practise shared by our retailers in the case studies section and in their lessons learnt, as well as our focus on both the retailers and their strategies that respondents in our survey most admired, means that this year's International Research Report should provide you with a valuable toolkit that will inspire you to be brave enough to at least consider internationalisation. Who knows perhaps you were one of the 15% of retailers who said they weren't expanding internationally in the survey for this report and having read this report you are starting to change your mind?.... ●

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