



The eTail International Delivery Report 2014

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Executive Summary



Retailers are exploring the golden opportunity of internationalisation no matter where in the world they are based. Some businesses have reached maturity domestically, while others are struggling within a difficult and competitive local market. Other smaller, more niche businesses may have a limited consumer base domestically but a more substantial target market across the globe. Hence, retailers are looking overseas and across the borders to grow their revenue.

However, the logistics of getting products to customers without sacrificing profit is a major obstacle. In response, eTail, in partnership with international logistics business wnDirect, has published this report looking at where the sector is in terms of global eCommerce and how businesses can drive sales and offer added value for overseas customers.

In April 2014 we canvassed the industry and spoke to a range of eCommerce experts made up primarily of heads and directors of eCommerce, as well as CEOs, marketing directors and other senior level retail professionals. The following report is a combination of this research and in-depth interviews.

Headline Findings

Overwhelmingly pure plays and multichannel retailers are expecting cross-border eCommerce sales to continue to grow in the next year [85%].

This is consistent with the prevailing industry sentiment that overseas eCommerce continues to be the biggest growth opportunity for retailers – along with omnichannel. No matter the size of the business or the stage at which it is with its global online operation, our survey indicates that the belief is that sales will increase as retailers exploit new markets while increasing the volume of orders to countries to which they already deliver.



Western Europe [49%], especially Germany, and the US [21%] were earmarked as the two places where retailers expect to see that growth in the coming year.

The results prove that despite the hype surrounding the growth potential of China, Russia and Brazil, for respondents at varying stages of their global eCommerce journey the ease of access and wealth of Europe and the US makes those markets extremely attractive to European companies.



As such, it should come as no surprise that the majority of retailers already deliver to Europe and North America [both 62%].

This may be due to both continents being advanced and relatively similar online markets to the domestic markets many of the European bigger and smaller pure plays originate from. However, businesses are making strides into South America and Russia, with 39% and 37% of respondents respectively exploring these markets, as eetailers that already have advanced digital operations look to expand into new territories.



Customs and duties was highlighted the most as main challenge for retailers [71%], affecting most types of eCommerce businesses.

This result partly explains why most retailers are not already delivering to countries such as Brazil and China. Also, nearly as many respondents cited pricing delivery as a challenge [63%]. Questions clearly remain on the best ways to incorporate custom and duty levies as well as delivery charges into a price that it is competitive with domestic players, or to partially cover the expense without sacrificing profit margins too greatly.



Despite customs and duties being the biggest challenge, the main priority for online retailers' delivery is reliability [65%].

For many online businesses, delivering product on time and fulfilling their fulfilment pledge to customers is vital as they look to preserve and forge their brand reputation through offering a quality customer service experience. Lowering cost was also on the agenda for 59% of businesses, as respondents looked to improve on the margins of their global eCommerce operations.



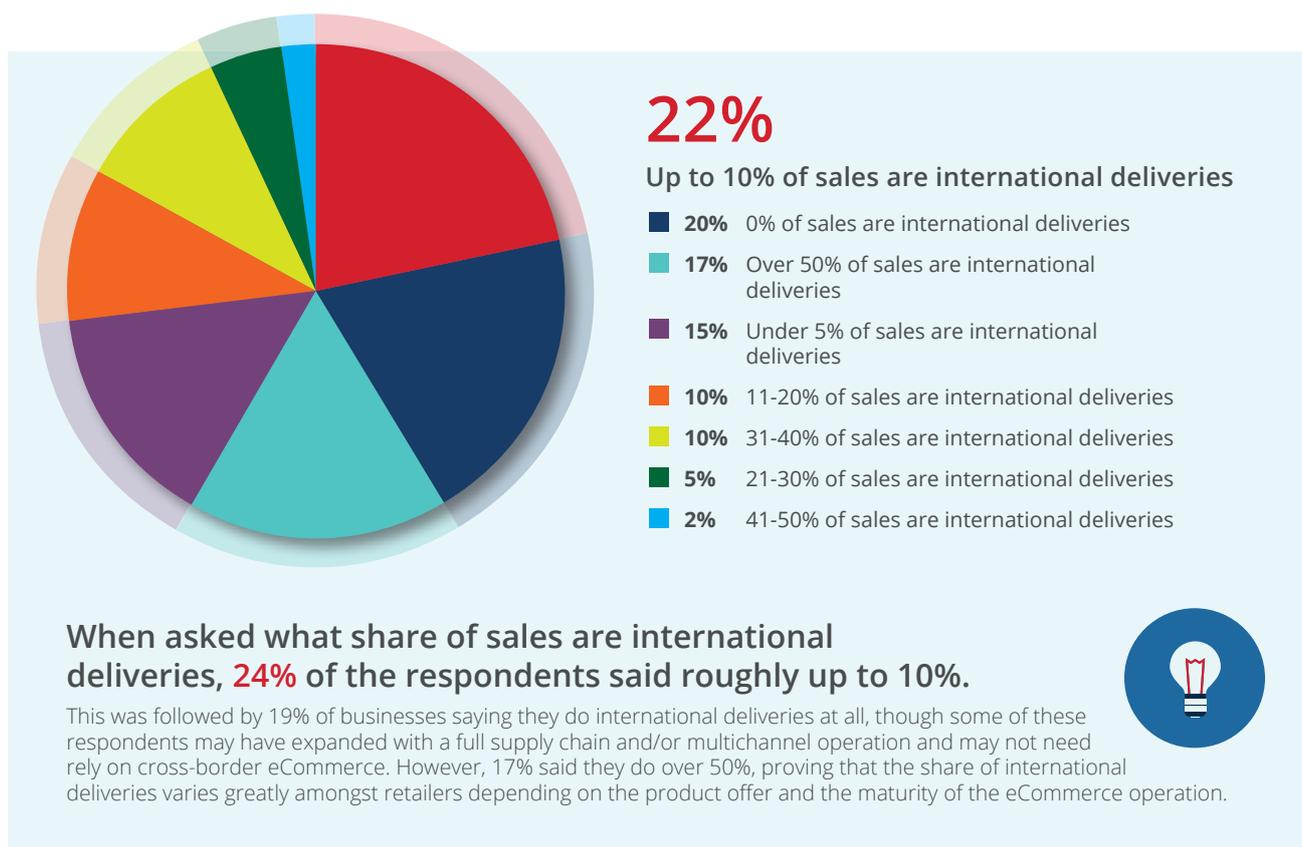
In line with this, 29% of retailers will be investing in cutting cost of international delivery, while the same share is looking to increase supply chain efficiencies.

Introducing delivery into new markets is key for 22% of respondents, proving that where retailers will be investing in fulfilment varies as much as where businesses are in terms of their own international retail journey.





Roughly what share of your eCommerce sales are international deliveries?



Analysis

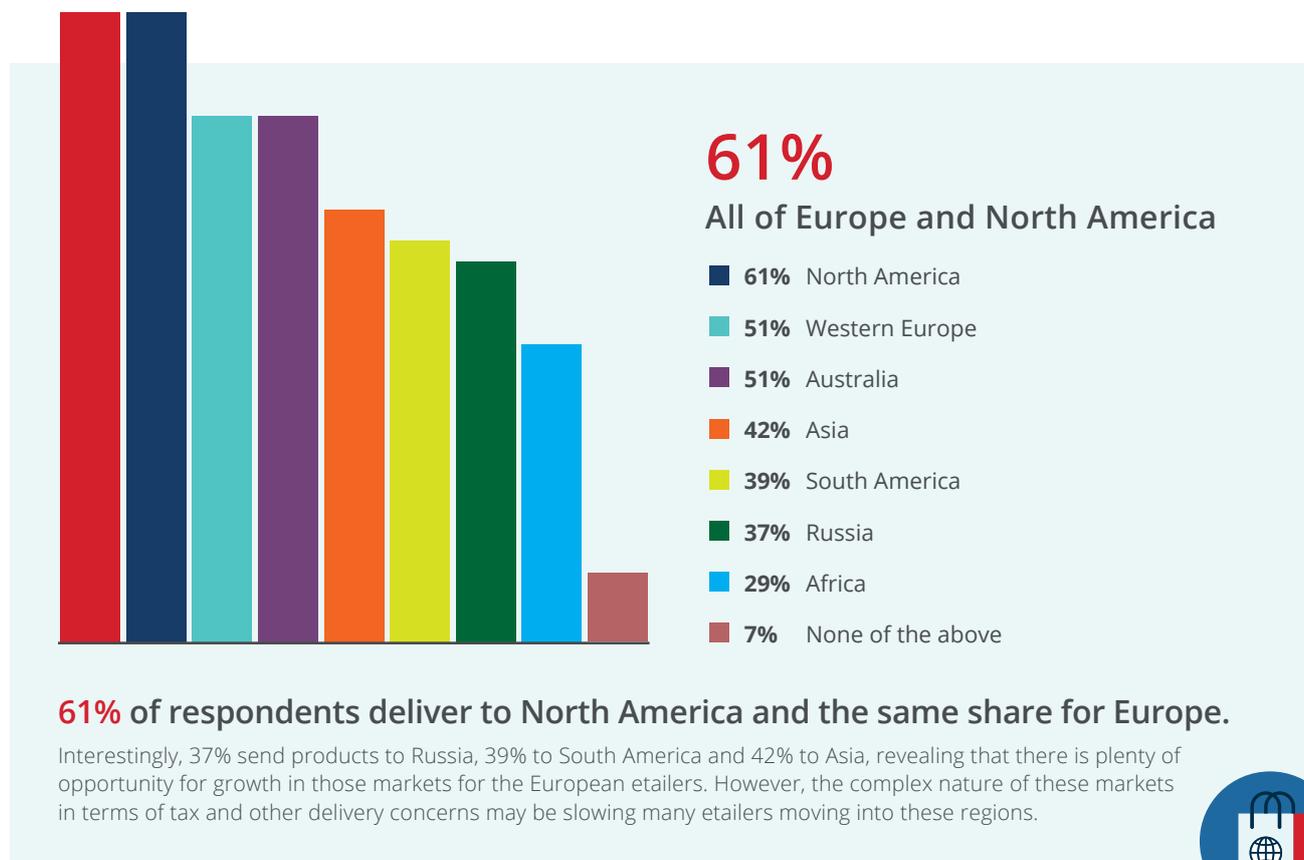
Global eCommerce drives the brand as well as sales

"Globally, major markets we have a reasonable presence, but we can make that better. In terms of international eCommerce, what is important to us is supporting and growing the brand. eCommerce does two jobs for us: it does the sales job but also online is where people go to experience the brand and find out more about us. Both those sales and brand are tied together as being important for us." -- **Dave Elston, Head of eCommerce Europe, C&J Clark International Ltd [Clarks]**

Retailers at differing stages in their international eCommerce evolution

"The people we deal with are at very different stages of their international evolution. Some are just embarking on the start of their eCommerce journey whereas others are working with us to enhance already comprehensive offerings. I think the common factor is, regardless of where they are in terms of eCommerce, there is more they could be doing to exploit the opportunities that exist. Some of the bigger companies, in particular, have taken a while to get their systems ready and websites in position. However, there has definitely been a sea change in the last 18 months of people understanding the opportunity and embracing it." -- **Stuart Hill, Managing Director & Co-Founder of wnDirect**

Where do you deliver to?



Analysis

Local presence helps with fulfilment challenges

"The reality is that it is more difficult to deliver to some regions than others. There are a few regions like Russia and South America that are particularly difficult to get into and that is down to different laws and criteria you have to meet [there]. These also vary by product range, so there are a lots of different tax implications depending on the retail value of the product being shipped.

Some regions you also have to be wary of malpractice and packages going missing. It is very expensive to ensure products are shipped correctly. It is very difficult to get in [to regions like South America and Russia] and is much easier if you are a bricks-and-mortar retailer with a presence on the ground. The best way to fulfil for Brazil, for example, is if you have a franchise partner, or a physical operation wholly owned in the territory because once you've grounded your goods in the region, you can more easily move them around. Getting them landed in the first place is the challenge."

-- **Nadine Sharara, Head of eCommerce, Thomas Pink**

North America and Australia are prime markets to enter now

"I would have expected North America to be slightly higher. It's a very ripe market and it is easy from a payments and language perspective because it is close to Europe. We find Australia also features very highly. Australia is also close to the European Union market in terms of language, and because of the high duty threshold it is actually very easy to send products there.

Russia has proved to be more complex in terms of payment methods and translation. Plus, as the rules and regulations can be quite grey in the market, it can put the bigger retailers off because they have a brand to protect and they need to safeguard future growth. Yet, even a year ago that number [37%] would be less than 10%, so it is definitely growing, but it is taking people a bit longer to understand the market and get into the country." -- **Stuart Hill, Managing Director & Co-Founder of wnDirect**

In the next year how much do you expect to grow ?



Analysis

International delivery no guarantee of growth

"I don't think that just because you can deliver cross border your numbers will automatically increase. ECommerce is valuable for businesses where they cannot [physically] penetrate the market as they can offer cross border [delivery]. There is a sweet spot in the marketing and the market penetration where it is possible business could reach that growth of 11-20%." -- Mercedes Vidal Lobato, Global Web and Digital Manager, Ikea

Driving volumes and delivering to new markets

"At Clarks it will be more than 11-20%. I am not quite forecasting 50% growth, but roughly 30-40%. It will be from delivering to more markets and getting more orders from the markets where we are already delivering product." -- Dave Elston, Head of eCommerce, Europe C&J Clark International Ltd

Retailers underestimating global growth

"People are at different stages of their journey and product definitely plays a part for growth prospects. In retail, the forecasting is impossible to do, so often many retailers under forecast. Having been on the retailer side, I know they generally play down their financial numbers both internally and externally. Our business is seeing growth at the upper end of those ranges, so I expect some pleasant surprises." -- Stuart Hill, Managing Director & Co-Founder of wnDirect

What country do you see the most growth coming from and why?

The mature and relatively affluent markets of Germany and the US emerged as the two countries that retailers see the most growth. The UK and Western Europe in general were also highlighted as opportunities for growth.

Here is a selection of the anonymous responses:

On Germany

"Germany is our biggest international market already, despite being relatively new for us" – **An Online Trading Manager from a UK-based multichannel retailer**

"I see the most growth coming from Germany because of the competition changes" – **The Head of Mobile and International Customer Experience from a French retailer**

"We deliver all over the world, but our marketing efforts are mostly directed to Western Europe. I see growth coming mostly from Germany" – **An Ecommerce Manager from fashion retailer**

"In our case, still Germany. It is the market with the highest growth potential" – **A director at a European etailer**

On Asia

"Singapore for us has high penetration, high income and high repeat purchase, while eCommerce adoption is high in general. Also, Indochina too as it has some of the fastest growing internet and smart phone penetration" – **The Digital Commerce leader for telecoms retailer**

"For us China, due to the consumer appetite for luxury fashion" – **The Head of Online for a digital fashion portal**

On USA

"I see the most growth coming for us in the US, where we are taking a multichannel approach" – **The Marketing Director of a European clothing retailer**

"We are building a B2B business in the US which is attracting the B2C business" – **A Director from a UK-based specialist retailer**

"The US as it has the largest target customer group compared to our current penetration" – **The Commercial Planning Manager from a UK based clothing retailer**

Elsewhere

"Russia for us because it is an emerging e-commerce power with a relevant proximate geographical location" – **The VP of business development for a specialist pure play**

"Scandinavia will be the growth region for us because internet

penetration is high and there is no clear market leader in our segment" – **The CEO for an online retailer**

"Brazil, because eCommerce is growing very quickly there" – **A Digital Manager from an etailer**

"France for us because of increased brand acceptance and improved product awareness through our use of Amazon and third-party retailers" – **The Head of eCommerce Europe for an accessories etailer**

"Australia, as our price points are competitive in the market" – **The Digital Trading Manager for a multichannel fashion retailer**

Analysis

Australia and BRIC economies coming on strong

"In terms of size, the US and Germany are the two big ones and the results suggest that retailers are launching their brands in those markets and that's where their growth is coming from. It is interesting not to see Australia in there. The market is in the top three of countries that we deal with; it generates the second biggest parcel volume for us. However, it can be impacted by the strength of the pound. If the pound strengthens against the dollar it can make things more expensive for Australian consumers.

We also see opportunities in more stable markets like Russia and the other BRIC economies [Brazil, Russia, India and China]. But, China is very similar to Russia as it poses challenges to go live [online] and get parcels into the country."

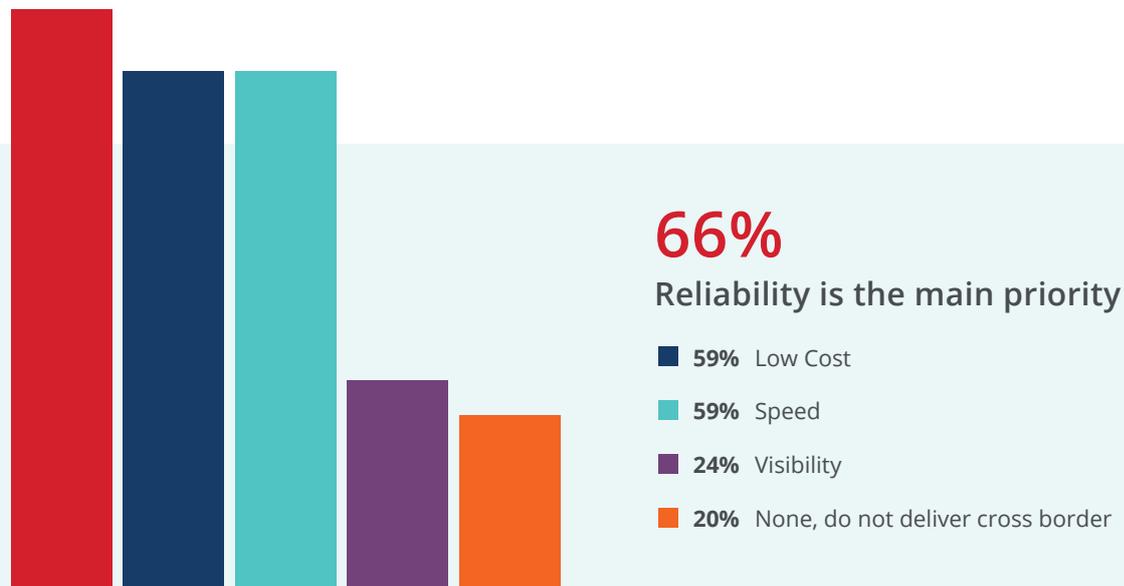
-- **Stuart Hill, Managing Director & Co-Founder of wnDirect**

Russia and Brazil will be key

"When it comes to eCommerce, I think in Europe I am not expecting to see big growth for us. Growth is more likely to come from Russia. For us UK and Germany are already at the top of the line [in terms of maturity]. What I do see is Asia and particularly South America coming on very strong. Especially Brazil, everybody is going there."

-- **Mercedes Vidal Lobato, Global web and digital manager, Ikea**

What are your main priorities around international delivery?



The main priority for online retailers' delivery is reliability [65%] as businesses look to deliver product on time. Lowering cost was also on the agenda for 59% of companies looking to improve the margins of their global eCommerce operations.

The same share highlighted speed as a priority, as businesses look to make their overall service offer more competitive with the domestic players from the international regions they are delivering into.



Analysis

Making the brand experience the same across the globe

"Cost efficiency in the supply chain is extremely important. In relation to the shipping cost to the consumer, delivering to other countries can be very expensive, and retailers often have to take a substantial hit in order to make eCommerce viable in the region.

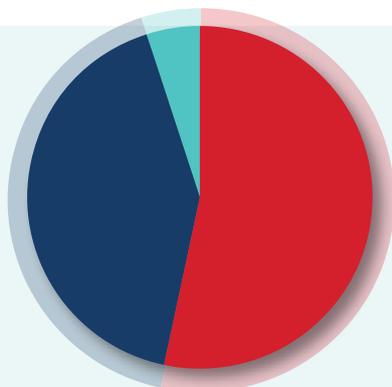
However, reliability is everything. It builds reputation, which is vital for the brand. The brand experience should be the same irrespective of the country the consumer is in and the channel they are buying from. The expectation of service needs to be there and it is no good if your courier doesn't deliver on time – that will just tarnish your reputation. It is no different from how we optimise [fulfilment] in the UK, but we have to repeat that [level of experience] in other regions."

-- Nadine Sharara, Head of eCommerce, Thomas Pink

Delivering on the fulfilment pledge is key

"It is down to doing what you said you would do. We find that if you offer a service and deliver that service, then consumers are happy. There are more failure points among the journey [for overseas delivery] but basic customer service rules still apply and if you can proactively manage a failure then consumers generally understand. It is when the consumer becomes impacted because they have had to chase the retailer as they are waiting longer than they should have been, or because there is a gap in the tracking data, when the problems start." -- Stuart Hill, Managing Director & Co-Founder of wnDirect

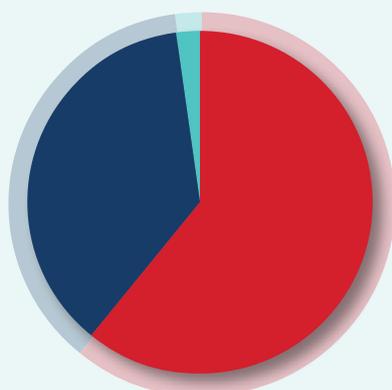
Do you believe international customers lower their expectations when ordering through an overseas etailer? How important is customer service for international delivery?



54%

No, international customers do not lower their expectations when ordering through an overseas etailer

- 42% Partially
- 5% Yes



61%

Very important, it's an added value and point of differentiation

- 37% Important, it's an added value
- 2% A nice to have
- 0% Not important

The majority of retailers [55%] believe that international consumers do not lower their expectations when ordering from an overseas retailer, while 40% said customers partially lower them.

The results show that European etailers believe that providing quality customer experience is high on the agenda for international deliveries.

In line with this, overwhelmingly, customer service was highlighted as very important or important, by 62% and 36% respectively. Only 2% called it a nice to have feature, proving that etailers believe providing a good service experience is vital no matter where in the world the order comes from.



Analysis

Quality delivery experience can foster customer loyalty

"This result doesn't surprise me. We tend to find that consumers don't lower their expectations, but they almost have a higher belief that there will be a problem. But if you can get that delivery and ordering experience right first time then you boost the chances of repeat orders and customer retention." -- **Stuart Hill, Managing Director & Co-Founder of wnDirect**

Competing with the domestic multichannel players

"People's expectations are the same. The consumer is thinking, "Well, if this business is delivering into my country, then it's going to be the same service as everybody else." We are competing with retailers [from that region] that most likely have a better end experience for consumers. If they are only able to experience us online, then that is not as good as being able to go in store to do it." -- **Dave Elston, Head of eCommerce Europe, C&J Clark International Ltd**

What time scales do you offer for international delivery?



Analysis

Delivering on time more important than speed

"Our promise is around seven days because we can't guarantee it any quicker. In reality, it will probably ship faster, so the customer should have a pleasant experience because it will arrive sooner than they expected. We lose out by not being able to make the promise [of a quicker delivery] in the first place, but hopefully we gain through customer satisfaction. Overall, the aim is to reduce that promise and guarantee the service, but there will be customer service issues if we say it will be delivered in three days and it is not." -- **Nadine Sharara, Head of eCommerce, Thomas Pink**

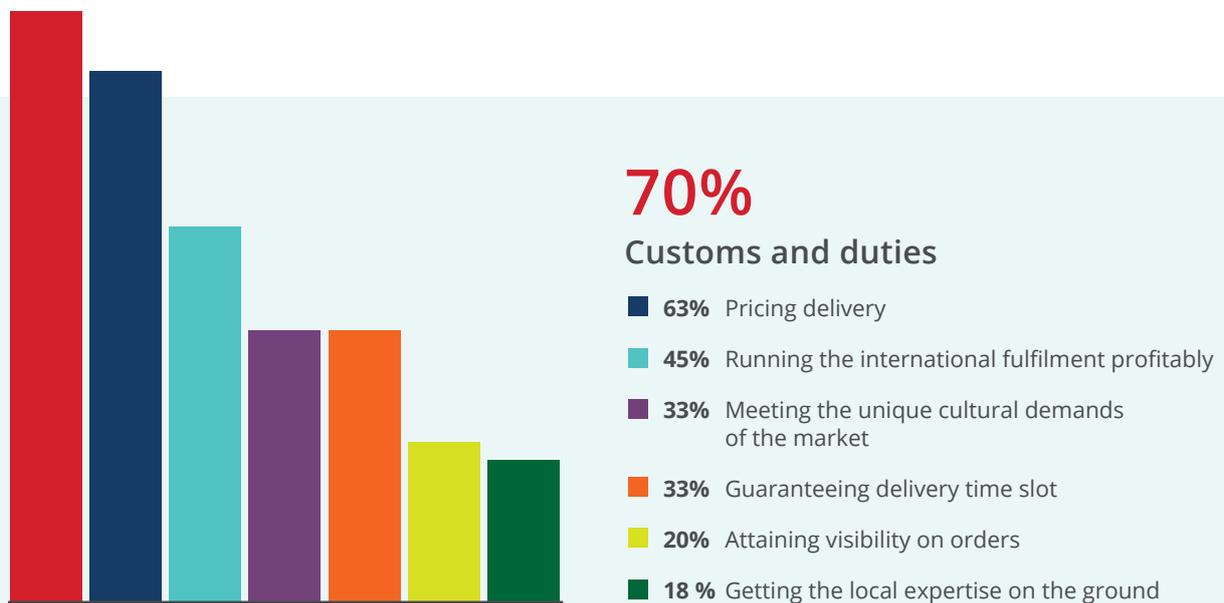
The right delivery solution cuts cost and drive loyalty

"The 3-7 days window to me is an optimum standard delivery. The 9- 15 days suggests to me that many retailers would consider standard delivery to be a mail solution [such as Royal Mail]. However, using that standard mail solution brings with it a lot more problems than just the lead time.

Retailers often look at the delivery cost but do not consider that using standard mail means the chances are your lost-in-transits will be higher as there is no tracking. There are also hidden costs for that type of delivery service, such as more calls going into the call centres. By picking the right delivery solution at the start, you can ensure those hidden costs are as low as possible.

Plus, if you can get the customer experience right, then you increase repeat orders and customer retention. Things then organically become cheaper because your orders are growing and they're growing because people are satisfied with the experience." -- **Stuart Hill, Managing Director & Co-Founder of wnDirect**

What are the three main challenges for retailers fulfilling international orders?



There were three clear challenges that respondents emphasized as the most substantial obstacles for fulfilling orders. Most retailers [70%] highlighted customs and duties as a main challenge, highlighting that this is an obstacle for most eCommerce businesses. Nearly as many cited pricing delivery as a challenge [63%], while running the international fulfilment profitably is also a concern for 45% of respondents.



Analysis

Returns and pricing make running fulfilment profitably difficult

"Running international fulfilment profitably is the biggest challenge because it is more expensive to do fulfilment [globally]. Plus, certain countries such as Germany send a lot of stuff back. We've got a really high returns rate, so it is a much bigger cost all round. Plus, the domestic competition in that country makes pricing delivery a challenge because you need to sell as close to the price people expect as possible." -- **Dave Elston, Head of eCommerce Europe, C&J Clark International Limited**

Data key for addressing customs and duty charges

"Customs and duty brings added complexity to the delivery process. When businesses start selling to new markets we find one of the biggest hurdles in terms of getting them live is within the quality of data that their systems can produce. We do a lot of work up front with retailers to try and get that data correct. For example, we more often than not present a data file to customs in the US to pre-empt and pre warn and work with customs on any issues. Some businesses just put products in the post [via standard mail] and hope it gets there, but they risk getting their fingers burned as it can be very hit or miss whether or not duties are paid by the consumer." -- **Stuart Hill, Managing Director & Co-Founder of wnDirect**

What customer pricing models for overseas delivery do you offer?



Analysis

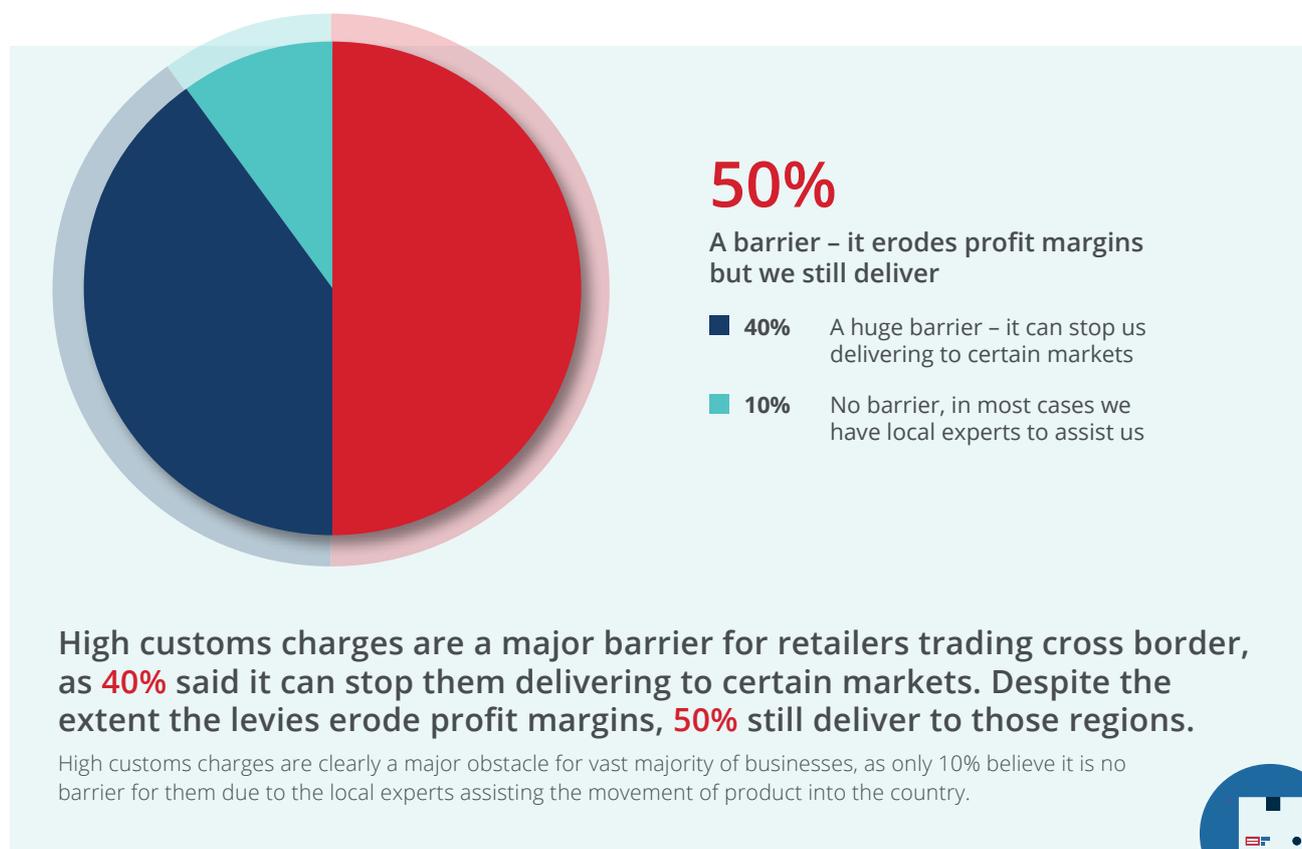
Subsidising delivery key for price consistency

"We subsidise [delivery costs] because in some regions it more expensive than others and we want to make the process customer friendly. Otherwise, issues can arise around international pricing and the parity of pricing across countries. That is a whole world of pain because as a brand, possibly with a franchise partners, you might have different price rates in different countries. So we subsidise delivery to make it a simple experience for the customer." -- **Nadine Sharara, Head of eCommerce, Thomas Pink**

Narrow margins mean couriers must help

"Businesses should price delivery through a mixture of both [adding it on at later stage and hiding it in the price]. The retailer has traditionally been faced with a very slow inexpensive mail product and then a very expensive express product. Even in the standard range, products over two kilograms would mean an upgrade to the express service. Carriers need to understand it is actually quite difficult to make money in eCommerce at the moment. Gone are the days of the 40-50% margins that businesses would be used to in the B2B world." -- **Stuart Hill, Managing Director & Co-Founder of wnDirect**

How much of a barrier are high custom charges on cross border eCommerce?



Analysis

Customs challenge extends beyond charges

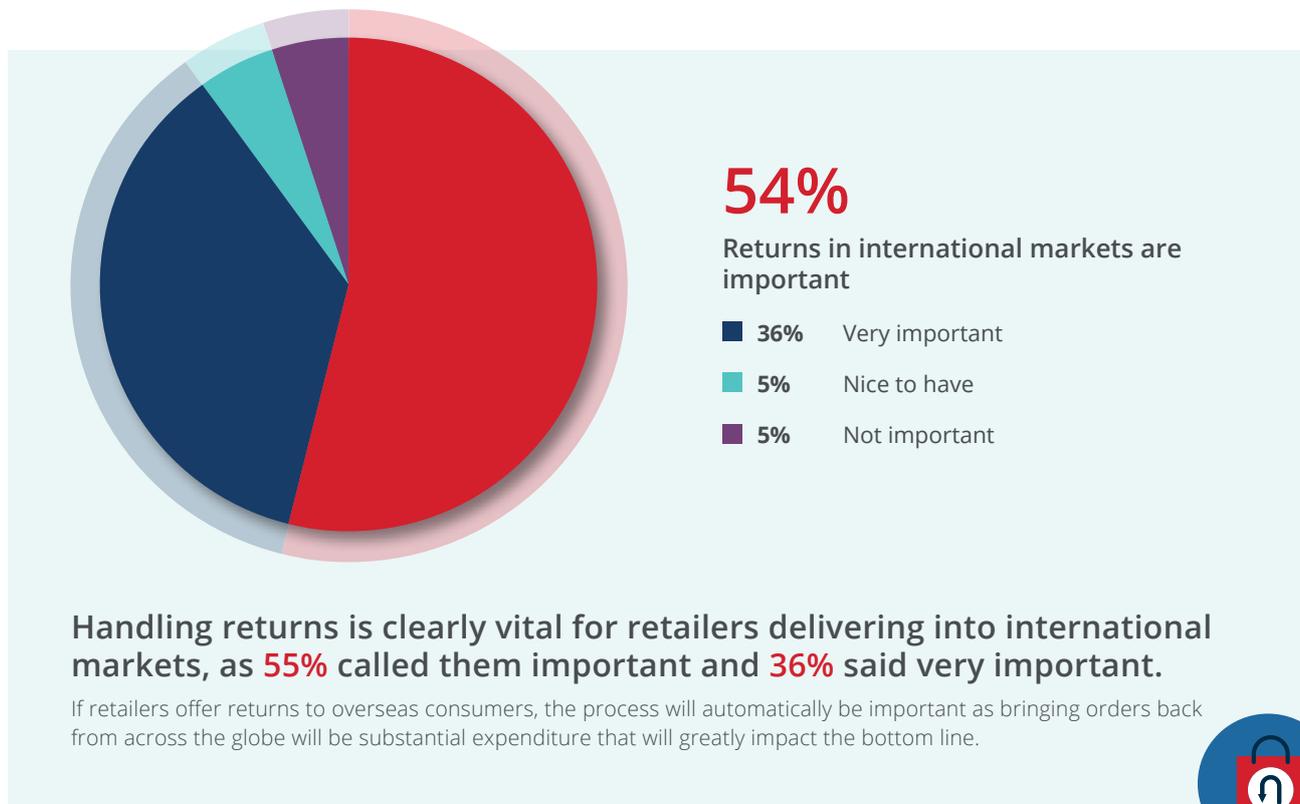
"Custom charges are a huge barrier. We take the hit because you have to invest in order to succeed in the region. However, the other thing is that if things get caught in the customs process we lose control over the [delivery time] completely. We might not even know it is there until the customer rings us to say, 'where's my order?'. Those things you can't really prevent against." -- **Nadine Sharara, Head of eCommerce, Thomas Pink**

Solution providers to further address customs and duties

"One of the issues with customs and duties is cost. How much the cost is depends on whether or not the retailer decides to cover duties within the sale price or if they try to recoup duty from the end consumer. At the moment there are very few duty solutions that enable the retailer to handle duty efficiently and without exposure. Over the next few years there will be big developments in solutions that guarantee duty at check out so that there is no exposure for the retailer."

-- **Stuart Hill, Managing Director & Co-Founder of wnDirect**

How important are returns in international markets?



Analysis

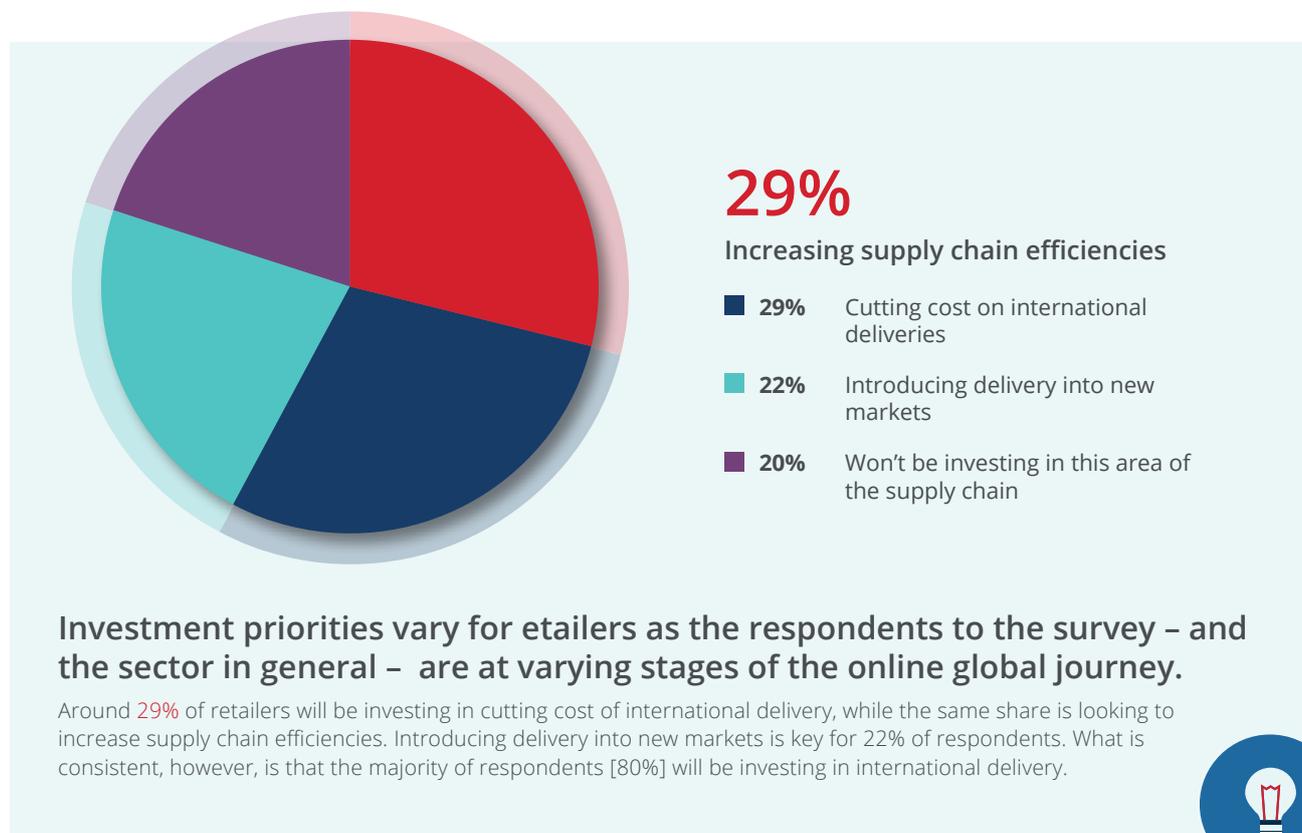
Balancing convenience and cost key for returns

"Returns can have a huge impact on costs. It means there is no profit because the order is coming back and you need to refund it. With returns there is an absolute balance between convenience and cost. Consumers are often put off by the international element of the return; walking into the post office and filling in customs forms is an absolute deterrent.

Consumers don't necessarily expect a free returns offer globally. So offering a localised returns solution where they can post back the item to a local address often at their own cost proves from our experience very good. The retailer then foots the bill for the international leg of the journey. Consumers are familiar with domestic mailing process and the barrier is removed.

Also, speed of credit is key. There is often a mismatch between what the retailer thinks is happening in terms of speed and what the consumer is seeing. That is often linked to it being a cross-border transaction on a credit card. The credit may take place on day one of the item arriving back to the retailer, but the refund must not take days to hit the credit card. You have to make sure that all of your finance and payment systems are in place to ensure the consumer gets their refund back on their credit card as quickly as possible." -- **Stuart Hill, Managing Director & Co-Founder of wnDirect**

Where will you be investing in terms of international delivery?



Analysis

Simultaneous investment in supply chain and customer experience

"We are investing in both supply chain and fulfilment at the same as looking at the [customer] experience. We are in process of replatforming [the website] so that will be concurrent with the improvements in fulfilment. It is early days for us in terms of exactly where we will invest, but certainly local delivery options in order to be competitive in the regions is the place to start." -- **Nadine Sharara, Head of eCommerce, Thomas Pink**

Leveraging a single stock source the start of building global eCommerce operation

"There is great advantage in the early days of international expansion in leveraging a single stock source very hard. For pure plays and retailers that are still growing, ensuring you've got stock in a central source enables retailers to open up the doors faster to international customers and also leverage that stock very hard to maximise margins within the business.

Then there is an organic natural growth because as internationalisation builds there are cost saving opportunities, such as fulfilment from returns [to the same market]. However, in that respect there is a balance of how long you should hold stock in a country for an opportunity, but as you start to grow that stock base then you can start to look at adding best sellers.

Then, if you can provide the same delivery solution globally, it means the customer sitting in Australia gets the same experience, same tracking and delivery lead times whether that stock is coming from the UK or the US. Then that's where the efficiencies come from, because you are leveraging the stock harder and margins therefore can increase and you can also cut cost. In essence, this means the end goal of stock being held in other countries through opportunities rather than design." -- **Stuart Hill, Managing Director & Co-Founder of wnDirect**



About wnDirect

wnDirect has gained a significant foothold in the market and has created a number of ripples, some might say a paradigm shift, with its innovative solutions and approach to eCommerce logistics. wnDirect boasts a catalogue of eCommerce brands and has earned its stripes delivering over 8 million packages across the world. Recently launching delivery solutions to Russia, China, Brazil and a number of Middle East lanes, wnDirect also has significant global coverage operating in all the key regions and is fast gaining a reputation for being the provider to turn to for the more difficult regions. International parcel business Geopost recently took an increased stake in wnDirect which has enabled it to expedite its expansion plans.

Specifically wnDirect is planning on opening a series of processing centres across the world that will bring the wnDirect expertise to an increased number of retailers. wnDirect also has a number of innovative solutions in its pipeline and this investment will enable wnDirect to innovate even faster. Quite a statement for a business which is a mere toddler in age terms but has already gained a significant foothold in the UK and US outbound markets.



About eTail

eTail is the place where retail decision makers want to go. We foster quality relationships between attendees, present content that solves your pain points, provide loads of networking opportunities, and keep a focus on delivering great customer service. Quality is first and foremost in our book.



WORLDWIDE BUSINESS RESEARCH

About WBR

We study, research and painstakingly try to understand the movements, relationships, challenges and motivations behind the people, businesses and industries we serve.

Events are all we do. We don't have any other vested interests like an association or a magazine. That allows us to dedicate approximately three months into the research and development of each conference, more than 3 times that of any other event company.

Our conferences are living, breathing global communities – annual, bi-annual, east coast, west coast, international, regional, onsite, online.

We are dedicated to raising standards of professional advancement for companies that refuse to stand still in their ever evolving industries, companies that are committed to a high standard of business practice and learning.

That's our key objective: to establish a foothold in the market, so that we can identify the key issues across the entire industry, so that every year we deliver fresh content that addresses the "pain points" of top executives in the most influential companies.

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