International Developments In E-Commerce

An IMRG report

This IMRG report, in association with ChannelAdvisor, looks at the development of e-commerce around the world, focusing on some of the challenges and opportunities of expanding cross-border and identifying evolving global trends.
Introduction

The UK has one of the largest and most advanced e-commerce markets in the world. As online retail continues to grow in popularity and becomes a fundamental part of the online shopping journey, many retailers have been able to reap the benefits of growth in recent years. Due to the sophistication, choice and quality of experience available in the UK market, the volumes of orders coming from overseas consumers has put cross-border expansion high on the agenda for online retailers. This section looks at the position of the UK market and identifies interesting regions around the world.

The UK market

The IMRG Capgemini e-Retail Sales Index has been tracking online sales since April 2000. During this period the UK’s e-commerce market has grown from £0.8bn to £78bn in 2012 (£62.4bn excluding travel), with the rate of growth expected to remain double-digit until around 2017. The table below shows the performance of the market over the lifetime of the Index.

![Market Growth (£bn)](image)

There is a long history of distance-selling in the UK, initially through catalogues and then online, and this is likely to be fuelling the growth of e-commerce. The UK’s infrastructure and supply chain has allowed a large number of trusted brands to embrace e-commerce and the quick roll-out of broadband across the country has helped grow this trend, as evidenced in the above chart by the leap in 2006.

Online is fundamentally changing the way that consumers interact with retailers. In the October 2012 eCSI, we asked what percentage of Christmas shopping the respondents planned to do online. While the percentage doing more than 75% had shot up from 3% to 15% over the course of a year, less than 4% intended to do all of it online. The result is that retailers must maintain multiple touch-points with customers, from in-store to online and mobile to desktop. It is the retailers who effectively engage with customers across these channels who will convert and retain customers.
Mobile has a huge role to play in enabling retailers to engage with their customers and understand the journeys they make across the multichannel model. This is covered in more detail in later sections.

Interesting International Trends & Developments

The global e-commerce market was worth around €825bn in 2012, growing at a rate of 20% per annum. Regions such as Asia and South America are growing at a faster rate than others, driven by major developing economies like China and Brazil. More than a third of the annual global cross-border trade takes place in Europe, where these sales currently represent around 9% of total sales, and are estimated to be worth €32bn in 2013. However, IMRG expects that by 2020 cross-border sales will soar to represent a third of all online trade worldwide. So how is e-commerce developing around the world? That is a very complex question, so in this section we provide a brief snapshot for just three key regions: Europe, North America and South America.

Europe

Despite its overall economic state, the online market in Europe continues to grow strongly. Although its economy has been badly affected during the financial crisis, online sales in Spain are expected to increase at a rate of around 18% annually until 2017 (source: Forrester). Over the same period the Italian online market, also a country that has been impacted by the global downturn, is expected to grow by around 16%.

There is a fairly common pattern among economies that are struggling economically; online sales growth. During 2010 and 2011, the Greek online market has been continually growing by 40-50%; starting from a low base perhaps, but online retail has been developing for many geographies despite tough economic conditions.

The Dutch online market has also been on the increase. Toys and music downloads were the fastest growing sectors in 2012 with both increasing 28% year-on-year. If the global financial crisis had not occurred in 2008, and key European countries had continued to experience economic growth, it is open to speculation as to whether these growth rates would have accelerated or decelerated. With more capital available to invest in infrastructure and increased consumer spending, e-commerce could possibly have experienced even greater growth over the past few years. On the other hand, less pressure on consumer wallets may have reduced the increased desire to head online to find maximum value.

Poland is one of the largest and most interesting markets in Eastern Europe, with 73% of Polish citizens having online access and 60% of those aged 16 years and above regularly using a computer. It is Russia that is the real one to watch in the east; although it is a notoriously difficult market to crack without highly trusted local partners and fraud is widespread.
North America

In terms of pure numbers, the US has the largest e-commerce market in the world. Forrester reported that in 2012 the US market was worth $231bn. While the US has the greatest market share overall, in terms of its percentage of the retail market as a whole it is behind some other nations. In 2012, US online retail as a percentage of total retail sales stood at 8%. By comparison, the UK is somewhere in the region of 15-20%.

Forrester also forecasts that online sales in America will rise to account for 10% of total retail by 2017, driven by higher spending by existing online shoppers. Nevertheless, there are expected to be an additional 4 million US consumers shopping online for the first time in 2013. Previous patterns suggest that these new shoppers will be likely to begin by purchasing inexpensive digital items as their confidence in the channel grows.

Being the largest market, the US is a leader in many areas of online. Social networks have, for example, a penetration of 50% of the North American population according to We Are Social. As much of this social engagement happens through mobile devices, geo-location marketing and vouchers may be particularly interesting to retailers in the region.

According to eMarketer, the top three main online retail sectors in 2012 were computer & consumer electronics (21.7% e-commerce sales share), apparel & accessories (18.3%) and books / music / video (9.1%). In its forecast to 2016, these market shares were set to shift up slightly but retain their overall rankings.

Europe and North America clearly have well established e-commerce markets. An e-commerce market with high potential for the future is South America. South America has been growing rapidly in recent years. Economia Intelligence and Visa report that e-commerce in the region was worth $22bn in 2009 and increased to $43bn in 2011. Brazil is the largest e-commerce market in the region, accounting for 59% of the market. Brazil has 78 million internet users. 58% of these are e-consumers, a figure that is supported by the fact that there are already 100,000 companies with an online retail presence in Brazil.

E-commerce in Brazil is likely to grow with huge investment projected. Brazil’s leading online fashion retailer, Dafiti, recently announced a $65m investment in its operations. Additionally in 2012, Intel Capital invested heavily in three Brazilian online retailers. With investment taking place and an already strong e-commerce market, Brazilian and South American e-commerce is likely to sustain its strong growth in the near-term.

In terms of products sold online, appliances and health & beauty items are among the most popular sectors in Brazil with a 13% share of the online retail market. Books, magazines and newspapers
represent 10% of e-commerce sales in Brazil. Brazilians are clearly becoming comfortable with shopping online as the average order value in 2012 was $170. Thus, security and payments appear not to be a major issue as Brazil is noted as having good online security, further boosting confidence. There are also a variety of alternative payment methods available in Brazil, one of which is called boletos bancarios. These are vouchers that can be printed from an e-commerce site by a consumer, which are taken to the bank in order to pay for their products. The consumer then goes back online to complete the process. This provides security-conscious consumers an additional payment method through a secure source.

The global e-commerce industry is still young, so we can expect strong growth to continue for a reasonable period yet. Each country has a different infrastructure and different consumer trends and preferences, which sometimes vary widely. The most important factor for a retailer when looking at an external market is research; the attractiveness of a market’s size, growth levels or affluence of its consumers are not the top things to consider, but its appropriateness for a retailer’s identity and offering.

Mobile Developments

Mobile is a core part of many global developments. Over the last decade, advancements in mobile technology have made mobile shopping a viable consumer channel. In the UK alone, 2012 saw mobile sales grow by around 300%. Mobile is a particularly interesting channel as engagement can occur across a range of contexts. All over the globe certain infrastructural developments have been taking place that may result in m-commerce becoming an even more significant channel in the near future. In this section we look at some of these.

Widespread Wi-Fi

One of the most pervasive developments driving mobile engagement in many countries is the availability of Wi-Fi. The absence of fast, reliable access in certain regions is a barrier to mobile usage which, increasingly, represents a barrier to consumers generally who want to be able to access content through their phones at any time.

One location where the mobile internet has until recently been inaccessible has been at underground stations. These have traditionally been big advertising spaces however, and several countries have already started to introduce Wi-Fi into underground stations. This is an interesting development as commuter travel periods offer a valuable opportunity for consumers to browse retail stores within their otherwise busy daily schedules. Over time this could lead to new peaks in traffic levels to retail sites, which have already been shifted and extended by the rise in mobile access.

The Seoul Metropolitan Subway is probably the current leader in underground Wi-Fi. The South Korean capital’s subway is known around the world for its ease of use and general efficiency. The network’s Wi-Fi is accessible in all of its stations and many Koreans have
noted that the connection is good enough to watch high definition YouTube videos without any disruptive buffering.

The New York subway has recently joined the Seoul Metropolitan Line in providing Wi-Fi. Internet provider Boingo Wireless has joined forces with Google in providing some stations with free access. Boingo has plans to make Wi-Fi available in 270 stations by 2017. The French Metro also began providing their customers with Wi-Fi in 2012.

Already used by brands as key advertising spaces, the introduction of Wi-Fi could revolutionise the ways in which consumers engage through adverts. Although retailers can implement techniques such as offering discount codes on advertising as a means for tracking a campaign’s success, there has always been an element of uncertainty about how effective a communication tool it actually was. As technology evolves, mobile seems set to become a fundamental mechanism for extending brand interaction through adverts. The result is a likely rise in the perceived success of a campaign, as there is no time delay on a consumer following up on something they have seen that caught their attention; instead the engagement on their part can be fairly instantaneous.

For retailers, this extension of mobile connectivity to previously off-limit contexts means that consumer expectation of high-speed mobile internet access wherever they may be will increase, including in a store location, which would appear to be a growing requirement.

**In-store apps**

Smartphone technology has fragmented opportunities for retailers to keep the consumer engaged, but has also enabled the consumer to reach a brand’s competitors even within its own stores, applying pressure by enabling them to compare prices and product information against that of a competitor. This is a fact of contemporary retailing and one that needs to be met head-on by retailers. It is a serious challenge, but it has to be viewed as an opportunity as well; mobile access offers a retailer the chance to engage with a customer digitally, and the provision of a high-quality, highly-relevant experience would help to develop relationships with that customer.

One retailer already tackling this issue is Wal-Mart. The American supermarket’s approach to dealing with this challenge was to develop an in-store app. The app, which was launched in late 2012, is tailored to each individual store. Once a customer enters the store all kinds of information becomes available to them at their fingertips. Information from store layout to offers on products specific to that store is available. One of the more impressive features is the ability to create a shopping list that also displays the location of products in the store, providing a virtual shop assistant to guide the customer around.

Another key function of the app is the process it follows when a product is out of stock. The consumer has the ability to order it online or see if it is available in a nearby store. Features such as this may prove crucial in keeping the customer engaged with the brand and preventing them from trying a competitor instead. It also goes some way toward making the experience relevant to the digital age by unifying both the online and offline channels into a single seamless channel.

The early results are encouraging; according to Wal-Mart, 60% of shoppers used the app in-store and 12% of sales came from the app while people were in a Wal-Mart store.
Use of tablets in the air

Smartphones and tablets tend to be grouped together in a single mobile category. Though they are both similar devices, consumers behave differently with each device. Phones are used ‘on the go’ but tablets are essentially more used as alternatives to desktops, being more appropriate for a comfortable setting such as in front of the TV. Recently however, the distance between the two devices has become blurred as developers have introduced ‘phablet’ devices that are somewhere between phone and tablet.

One space where tablets may become a lot more functional is on airplanes. Due to fears of potential signal issues, the use of data through a mobile device has up to now been prohibited for passengers. That said, devices can currently be used on airplanes; the Federation Aviation Administration (FAA) actually approved the use of iPads for pilots to use in cockpits in December 2011. The lingering question is over what the effect of multiple passengers using devices may be on the plane’s operation.

The FAA, which is the body that governs airplane policy, is currently considering relaxing certain regulations around the use of tablets on planes which it hopes to achieve through testing.

If the restrictions are relaxed in the near future, this could lead to the introduction of a high-potential online retail space similar to that of Wi-Fi enabled underground train stations as mentioned above, as suddenly large numbers of travellers with time on their hands would be able to turn to retail as an activity. The potential of this space is particularly strong due to the fact that airplanes have traditionally been overt retail locations - on flights of almost any length trolleys pass through selling duty-free wares.

Some retailers have already trialled shopping walls in transport locations, the idea being that someone returning home from a period away can order necessities for delivery upon their arrival home, putting convenience at the forefront of their journey. The downside of this development is that technically it adds a step to the journey once the actual travel has concluded. If it can be incorporated into the flight travel time, the likelihood of retail visits would greatly increase, as would the potential for retail advertising space on airplanes to become far more appealing.

Gaming and Social Engagement

Gamification is being touted as a high potential method for increasing brand exposure and customer engagement. It has already been used by many companies as a means for getting in front of the customer in more covert retail contexts, providing a fun mode of communication and delivering added value to the relationship in the process.

Gamification can also introduce social elements to the engagement, enabling the customer to link through social networks to compete with friends and peers, further extending the reach of the brand.
In 2011, Nike launched an online game where players take on the role of an athlete keeping warm in the cold. The incentive to play was the opportunity to actually meet one of the athletes ahead of the Olympic Games. In addition to the clear PR positives for the brand through offering this access to the athletes, the website also allowed gamers to purchase the clothing worn by the athletes as part of the game, which served to raise awareness of a new Nike product range.

An alternative gamification strategy was used by UK retailer Step2 through focusing on loyalty. The childrens’ e-commerce site used a social loyalty scheme, which saw a huge increase in traffic to its website. It achieved this through its ‘Buzz Board’ feature. This was a standard leader board but offered more points for social networking recommendations. By recommending the company through Facebook the user could accumulate up to 15 points. By comparison, other methods of sharing would receive a much lower points reward. The retailer reaped the benefits of this campaign when referral traffic from Facebook increased by 135%.

Mobile Variations

Mobile is very much a key part of the retail mix now, with the *IMRG Capgemini m-Retail Sales Index* reporting that mobile devices (including tablets) represented 12% of total online sales in the UK in 2012. Mobile is also experiencing an increase in significance as a purchasing channel in many other places around the world, although there are variations as to the extent to which local consumers are adopting this channel.

**UK and US**

The US is a very interesting region for mobile. According to comScore, e-commerce sales through mobile devices stood at 11% in Q4 of 2012. IMRG reports that, in the UK, mobile sales represented around 15.4% of e-commerce sales over the same period. Although the US is by far the larger market, as with e-commerce sales the penetration of mobile is larger in the UK. Nevertheless the growth of sales through the channel has been very rapid; in Q2 of 2010 mobile only accounted for only 2% of total online sales in the US.

Smartphone internet access is very popular in the US, but it tends to be used primarily as a research tool for other channels. Forrester is predicting that there will continue to be low conversion rates for the forseeable future.

Having said that, there are many consumer trends that are worth observing. According to comScore, 125 million Americans own a smartphone and 50 million own a tablet. This huge number of smartphones is also proportionally strong, as the US average of mobile device ownership is higher than the international average.

**Mothers and mobile shopping**

In terms of demographics, eMarketer claims that American mothers are the leading users of smartphones, with 70% actively using them. This has many implications for retailers in this space,
as mothers tend to be very busy people balancing family life with work and leisure. This indicates that convenience must be a key factor when shopping online for this demographic, even more so than normal. The actual time available for shopping is likely to be short, so usability and the provision of a guiding, personalised experience through the mobile site is particularly important.

Europe has tended to lag behind the US in terms of QR code usage, with US consumers showing themselves to be keen users of QR codes. With mothers being the highest users of mobile, using QR codes in magazines and advertising spaces at bus or train stations may prove a beneficial strategy when targeting this demographic.

**Africa**

Mobile is a prominent channel in Africa, with 695 million mobile phone subscriptions across the continent (source: Nigerian Communications Commission). Nigeria is a major African country, economically speaking, that has experienced strong growth in mobile over the last decade, with a huge increase in phone lines. 10 years ago Nigeria had 100,000 phone lines, predominantly landlines; today it has around 100 million, which makes Nigeria Africa’s largest telecoms market. Nigeria’s largest online retailer, Jumia, is a multichannel pure-play retailer offering a wide variety of products at low cost. In 2012 Jumia launched its first mobile site. The company reported decent growth figures and is looking to invest further in 2013.

Online retail in Nigeria is not as advanced as in other countries, although it is regarded as one to watch over the next couple of years. Up to this point, the majority of mobile users use their device to check personal finances and pay utility bills rather than shop. One prohibiting factor is rampant fraud and general security concerns. Jumia offers a ‘pay at your doorstep’ service to its customers to get around this.

**Asia – China and India**

China’s uptake of mobile is quite substantial following exponential growth in recent years. According to Internet Retailer’s Asia 500, Alibaba Group, China’s leading e-commerce company, witnessed m-commerce growth of 600% between 2011 and 2012. This is significant as Alibaba hold an 80% market share of the Chinese online retail market.

By comparison, India’s mobile uptake has been slow. This is due to a number of factors including poor mobile broadband coverage and payment issues.

Interestingly, according to Infonetics the least popular shopping activity on mobile devices for Indian consumers is purchasing, with mobile largely used as a research tool. This is probably influenced by the fact that phone signals are unreliable so trust in the channel is not currently high.
E-Commerce Policy (Europe)

There are some major changes coming from a policy perspective over the coming 12 months that will impact e-commerce and distance selling generally. This section provides a very brief snapshot of these changes.

Over the past few years, the European Commission (EC) has been reviewing existing legislation in light of the digital revolution and looking to adapt existing rules to plug gaps, focus minds on digital growth and get the single digital market to a point where it is more aligned with the digital age.

Without going into too much detail on these changes, below is a snapshot of what to look out for:

- The Consumer Rights Directive comes into force in 2014; this harmonises key aspects of consumer legislation across the EU 27, including cooling-off periods, refunds and rights.

- Online Dispute Resolution (ODR) as a regulation comes into force in 2015. This is a pan-European platform, which will be run by the EC, through which consumers can post any complaints about cross-border transactions. The complaints are then forwarded to the national Alternative Dispute Resolution Service (ADR), where one exists. The aim is to promote cross-border trade within the EU 27. In addition there is a Directive around ADRs that each country has to implement, ensuring levels of independence, provision of an alternative to using the courts for the settlement of disputes, while at the same time not removing a consumer’s right to recourse through the courts. It may be obligatory for businesses who trade with consumers to be a member of an ADR or fund complaints coming through the ADR. The full details of this are yet to be decided, but it is expected to come into force shortly after the ODR Regulation.

- By far the biggest area of potential impact for all businesses is the current review of the Data Protection Regulations. Currently back with the EC after a consultation process which resulted in over 5,000 suggested amendments, this piece of work contains some key changes - for example: the right of a data subject to be forgotten, data portability, new rules around reporting of data breaches and new financial penalties.

To discuss what these changes may mean for your business, contact IMRG – policy@imrg.org.
The way that consumers communicate and find content varies around the world, and this extends to search engines. Google has a monopoly on the search engine market in the UK. Its closest competitor Bing has a market share of 4%, which is a similar story for Google’s dominance in many regions. According to StatCounter, Google’s international market share stands at around 91%. However the consumers that do not use Google are still 9% of 7 billion, and these tend to be focused in specific regions.

In China, Google sits in second place in search engine usage with a market share of 36%. The Chinese market leader, Baidu, has 56%. It is largely taken for granted that SEO work means investing in Google word rankings, but this would actually not be the most effective way to communicate with Chinese consumers. Just as Google is far more than just a search engine, Baidu offers more than just website searches, offering a particular focus on connecting the user to music and video files to download. The company also reports impressive mobile figures and is a big driver of mobile traffic in China. The Next Web reports how Baidu’s mobile traffic has increased 1,000% since 2010. This has been due to huge investment in optimising their mobile operations.

Google has an even smaller market share in Russia, at only 27%. The market leader in Russia is the search engine Yandex, which has a 61% share. The Russian e-commerce market is up-and-coming, with more than 53 million online users in Russia and a presence in Ukraine, Kazakhstan, Belarus and Turkey. Yandex’s mission statement is to answer any question that an internet user may have, which is a slightly different approach to that taken by Google. This subtle difference actually leads to a big change in how searchers use keywords, and therefore how marketers should approach reaching them; consider the difference for example between typing ‘red trainers’ and ‘where can I buy red trainers’ in terms of SEO.

In South Korea, Google lies third in terms of market share with just 10% of the market (source: Internet World Stats). The South Korean search engine Naver resides in first place with 73%. Once again the South Korean culture differs from the West. The CEO of Naver stated that “Naver’s forte is in aggregating useful information for popular topics, often created by the users themselves (logs and Q&A searches), and presenting such information in a very human-friendly way”. Naver note...
the importance of community, with the engine providing searches for information created by the users themselves. This finds traction in South Korea due to its generally collective culture.

Social networks

Social media has grown extensively to become one of the lead forms of communication in the 21st century. On an international level, Facebook is the social leader with others such as Twitter and Google+ very familiar to UK consumers. However, just as with search engines, there are many social networks that have a huge presence in other countries but that are non-existent in the UK.

According to Business Insider, in 2012 Facebook had 955 million users and 552 million daily users. The American social networking site has prospered in many countries that are very different culturally, being the leader in Japan, India and Europe. Facebook has faced stiff competition in some strong regions. According to comScore, the Brazilian’s social network population is the fifth-largest globally. Pre-2011, social network site Orkut was the leader in Brazil. In late 2011 they were overtaken by Facebook. This resulted in rapidly increasing Facebook’s global market share due to Brazil’s social networking significance.

Facebook also dominates many Asian countries with 278 millions users, making it Facebook’s largest continent. Europe is second with 251 million users. This illustrates Facebook’s extraordinary capacity for breaking into cultures much different from its country of origin. One country where Facebook does not lead is China. Facebook does not have a presence at all in China due to the site being blocked by government restrictions.

China’s social networking market is highly competitive and there is no clear single market leader. There are three key players in China: QZone, RenRen, and Sina Weibo. Each claim to be the market leader holding a lead in a category of users. For example, QZone is the largest in terms of activity and RenRen has the most active users. Weibo is also very competitive with 368 million users in 2012.

QZone’s main source of traffic comes from their QQ Messenger. Qzone’s users include teenagers, rural residents and casual users. This makes sense when you consider that QZone leads in the number of users but not active users. The platform has around 50 applications, most of which are games. There seems to be more emphasis on games rather than connecting with other people on these networks. Thus QZone would be an effective avenue for a retailer targeting Chinese teenagers. Also, gamification techniques incorporating this site could be an effective way to engage the audience.
By comparison, RenRen’s business model is very similar to that of Facebook’s. It has a student user base and its emphasis is heavily on connecting with friends online. The user interface is very similar to Facebook with a few additional features. For example RenRen has a feature that allows users to track the last viewer of their page. RenRen is another adopter of the gamification technique, enabling users to reach higher levels by interacting with the site. Hence why RenRen has the most active user base.

Sina Weibo is almost a combination of Twitter and Facebook. Established in 2009, Weibo, like Twitter, has a verification feature for organisations and celebrities. The way users interact with the site mimics Twitter with a short character limit, the use of hashtags and tagging people in messages. It is popular with business marketers, with 5,000 Chinese companies using the site. Weibo therefore appears to represent an effective model for getting a message across.

Another nation that Facebook does not dominate is Russia. The two main players are V Kontakte and Odnoklassniki. VK is the market leader with 190 million registered users and 100 million active users. VK, similar to Facebook, allows sharing of videos, photos and messages with friends. VK services also include community pages where users can interact with brands and celebrities. Odnoklassniki is more oriented around old friends and classmates; more of a Friends Reunited model.

A key factor to note is the cultural differences in the use of social media. In the UK, users of Facebook use it to create an online identity and share all kinds of information regarding their interests, opinions and activities. However in China and Russia, community and being part of a group is more socially desirable. Thus, social networks are about being a member of a community rather than identity. Retailers engaging with social media in collectivist cultures need to look to stimulating group interaction to involve their brand.
Opportunities & Challenges of Cross-Border Trade

Upon initial consideration, expanding to international markets either seems very appealing as a means for targeting a high number of potential customers or distinctly unappealing due to the perceived complexity of fulfilment and understanding the nuances of other consumer cultures. To conclude this report, below outlines some of the opportunities and challenges of going cross-border.

Opportunities

• **Sheer numbers**: Entering a new market opens up a retail brand to a potentially vast number of consumers, albeit with varying levels of spending power. Particularly in a more mature market such as the UK where the competition is strong and new customers hard to retain, internationalisation offers a potential solution for growth.

• **Securing market share**: Where a retailer enters an immature market from a comparatively advanced one, it may have considerable advantages over local competition in terms of site sophistication, user experience and customer service, that can help to secure a really strong foothold for the brand to build from.

• **Extend product lifecycles**: For sectors selling seasonal stock, moving into markets in a different hemisphere can be an excellent solution for shifting leftover stock once the domestic season ends. This can free up storage space quicker and improve margins by removing the need to sell that stock at heavily reduced prices.

• **Chance of a strong customer base**: Just as fashions come and go and the seasons change, some retailers may find a more interested and engaged customer base for their specific products than in the domestic market. This can be particularly the case for retailers selling product ranges that have not traditionally been available outside the domestic market.

• **Some markets are easier to crack than others**: While consumer behaviour can vary widely between cultures, there are some cross-border markets that are more appropriate for ease of access than others. UK retailers, for example, can find Australia a good fit due to the shared language, but also Spain due to the large number of British ex-pats there.
Challenges

- **Understanding the local culture**: Consumers in other markets behave differently and respond to things in different ways. In order to successfully break into a cross-border market a lot of research is required to ensure the retail proposition is appropriately adapted. This includes looking at site design, language, payment choices, taxation requirements, delivery and returns processes, labelling and customer service.

- **Reappraising what the brand means somewhere else**: What a retail brand is known for in the domestic market may not prove to be the case in another market. The main product type offered by that retailer may not be as popular with local consumers, but the brand may find additional product categories it offers are very popular. This may require a full reappraisal of what the brand means and how it is communicated.

- **Tax declarations**: When trading into another territory, there are different thresholds that trigger the need to declare tax there, which vary by country. VAT levels themselves also vary; Denmark for example has a VAT rate of 25%, 5% greater than in the UK.

- **Identifying trusted partners**: Moving into a new market means making use of the existing infrastructure and finding the right partners to help with that expansion. This may include local fulfilment companies, return services, quality control and storage. This entails trusting the integrity of the brand in other companies’ hands, so trust is absolutely fundamental to success.

- **Holidays and customs**: The calendar of celebration days can vary across the world, so Mother’s Day and Valentine’s Day are on different days in different countries, with Taiwan actually celebrating Valentine’s Day twice annually. In Japan there is a hike in spending over the summer as it is the ‘bonus season’, and during Chinese New Year, which falls between late January and mid-February depending on the phases of the moon, many selling and shipping services shut down completely.

Conclusion

It is clear that more and more online retailers are looking to new regions in order to promote growth and attract new customers. The potential for expanding globally is vast; don’t allow lack of research or knowledge to hinder your success. Understand the implications of internationalisation, seek advice if you are unsure and proceed with the confidence that you are on the track to international success. For more information on cross-border trade you can contact IMRG or ChannelAdvisor:
About IMRG

IMRG (Interactive Media in Retail Group) is the UK’s industry association for e-retail. Formed in 1990, IMRG is setting and maintaining pragmatic and robust e-retail standards to enable fast-track industry growth, and facilitates its community of members with practical help, information, tools, guidance and networking. The strength of IMRG is the collective and cooperative power of its members. For more information please visit http://www.imrg.org/ or email membership@imrg.org.

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- All data in this report reflects findings from IMRG research and other third-parties as cited.