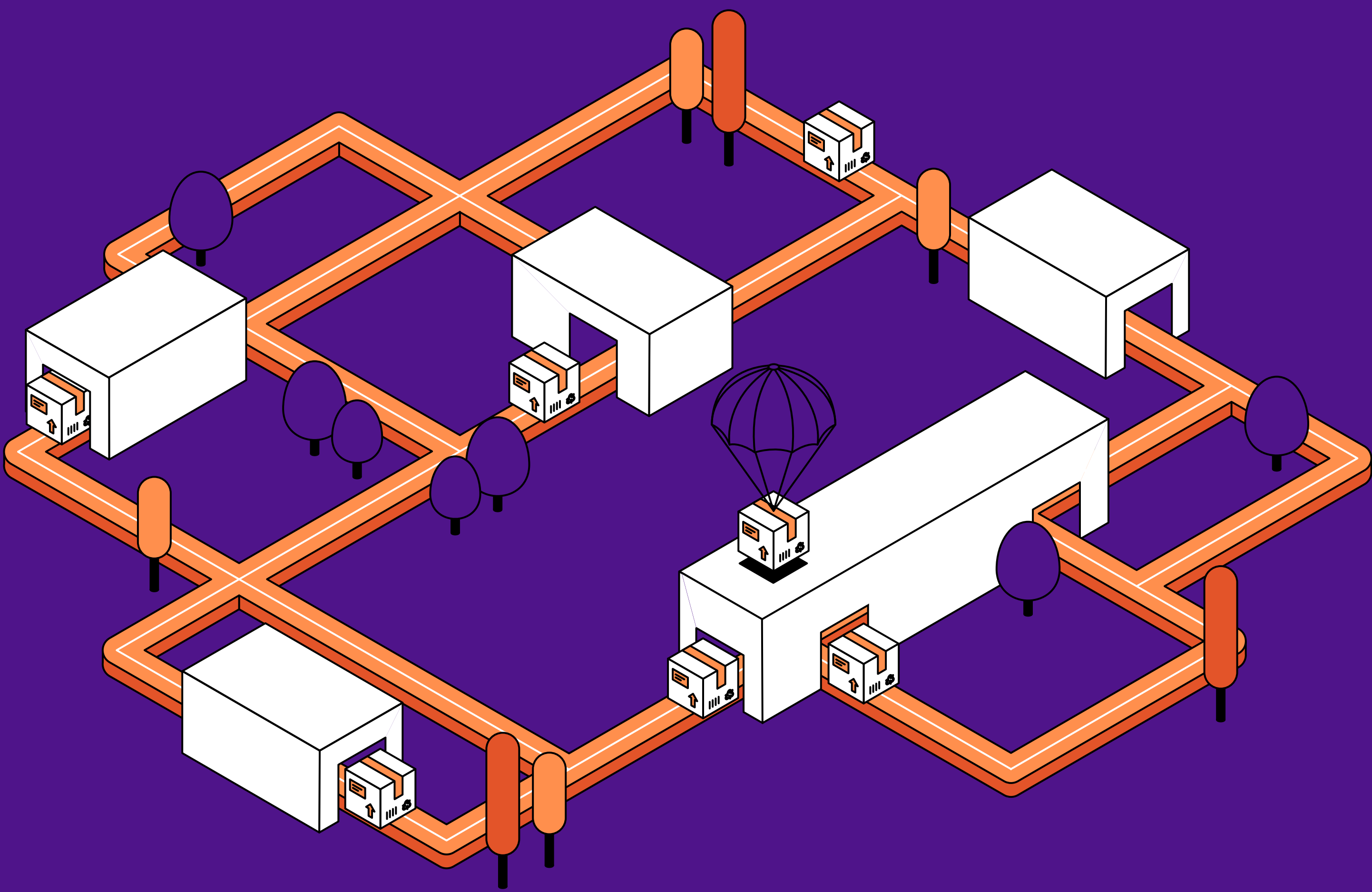
Raconteur

Growing ecommerce successfully across borders



FedEx

Contents

What challenges do SMEs face entering the cross-border ecommerce space?

Huge income-generating opportunities exist for an etailer that's bold enough to expand into new markets abroad, yet significant entry barriers are deterring many small players from attempting this

Daniel Thomas

With their pandemic-induced spike in sales behind them, ecommerce firms are seeking new growth opportunities. One option that often comes up for discussion is the possibility of expanding into international markets.

The reasons are clear: thanks to the rise of convenient digital payment methods, consumers are becoming ever more comfortable buying goods online anywhere and at any time. And they like the fact that foreign retailers offer them access to a wider range of products.

Etailers can access a much larger potential customer base by tapping into this demand at a time when growth in their domestic markets may well have plateaued.

There appears to be plenty of earnings potential. Cross-border ecommerce sales are forecast to grow twice as fast as global ecommerce sales over the next few years.

Despite this, regulatory complexity is deterring many etailers from seizing such opportunities. In the EU, this means that well-resourced giants are free to dominate the cross-border space while smaller players hover on the sidelines.

To change this situation, they need to be "proactive and adaptable" in tackling the challenges.

That's the view of Kunle Campbell, co-founder and partner at ecommerce investment company Octillion Capital Partners.

For UK-based firms, that means dealing with the administrative burdens of Brexit, which have become the biggest barrier in recent years. Etailers selling into the bloc must prove that they meet its standards for goods and services when that was previously accepted without question. EU import VAT is payable in the member state of arrival, driving up costs.

Companies engaging in cross-border trade must deal with customs declarations, rules-of-origin requirements regarding tariffs "and other trade-related paperwork, which can lead to delays and increased costs", notes Campbell, who is himself an etailer who sells to the EU.

Many firms have also had to adjust their pricing strategies to remain competitive, he adds.

To make their lives easier, they would be well advised to work closely with customs brokers or freight forwarders with expertise in handling customs procedures. Firms should invest in supply chain optimisation and visibility tools to track shipments and anticipate potential delays, Campbell recommends.

But it's not only trade rules that create problems. Compliance with environmental regulations has become a headache, with retailers having to follow costly new green packaging rules that apply throughout the EU.

Firms selling goods abroad must also cater to different local payment preferences, which means investing in the appropriate tech. When buying from foreign websites, shoppers need to be able to: view prices in their local currency; make payments using their preferred method; see up front what tax and duties they would have to pay; and access a range of reasonably priced shipping and return options.

> People don't have to be restricted to shopping in their own country if the payment process is easy

"People don't have to be restricted to shopping in their own country if the payment process is easy," says Chris Kronenthal, president and CTO of FreedomPay. a provider of payment processing tech. "Brands that prioritise simplifying this process and ensuring that payments are instant, secure and transparent, will excel with their global commerce growth."

Firms must ensure that their marketing communications are specific to each country of operation. They may need to hire multilingual teams to handle queries from customers around the world.

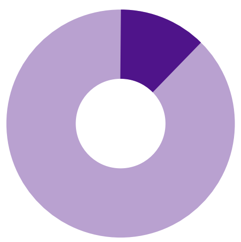
BigCommerce, which helps merchants in 150 countries to build online stores, understands how important it is to adapt their communications, products and payment options to meet the needs of each market.

"This will lead to increased familiarity for shoppers in each region, offering them a better user experience," says the firm's senior vice-president and general manager in EMEA, Mark Adams. "The most successful international sites are region-specific for that reason. Rather than using home-country ideas that often fall flat abroad, they update product imagery and write marketing copy that engages regional audiences."

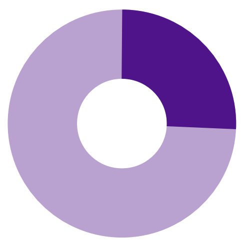
Firms should remember that they don't have to tackle such challenges alone. BigCommerce, for instance, enables its clients to tailor several shopfronts to different markets. Perhaps more crucially, numerous third-party logistics providers have the ability to help firms get their shipping and fulfilment processes in order.

Adams says: "As any company that's dealt with shipping and fulfilment knows, this can quickly become a complex and challenging process – particularly true for companies that attempt to do it all in house."

The challenges of cross-border ecommerce are many and varied, but the potential benefits are huge for those that can rise to them.



13%
Global ecommerce sales are forecast to grow 13% by 2030



26%
Global cross-border ecommerce sales are forecast to grow 26% by 2030

Grandview 2022, Ameco 2022

The top priorities for more eco-friendly international distribution

How can cross-border ecommerce firms balance customer demand for affordability and convenience with the need to minimise the carbon footprint of the fulfilment process?

David Stirling

While locked down in Norway during the depths of the Covid crisis, Ruth Sparkes started Nordhuset (The North House), an online business selling poster art. The British national soon found strong demand for her designs from around the world, particularly in Australia.

Making the fulfilment process as sustainable as possible was important to her, as she explains: "I could have rolled up my posters and sent them by air, but that wouldn't have been environmentally sound. My solution was to find a print-on-demand firm in Oslo called Gelato, which uses ethically sourced paper and sustainable ink. It can organise printing and delivery with its partners in other countries. So a customer from Melbourne buying from me here in Oslo will pay in krone but have their work printed and shipped locally."

Nordhuset is one of a growing number of online businesses with similar environmental concerns, notes Sebastian Gatzer, partner at McKinsey and a member of its retail and consumer goods practices.

"Sustainability has never been more on the radar for ecommerce companies," he says. "The motivation is coming from consumers, investors, employees and green regulations."

Gatzer reports that the number of shoppers who are concerned about matters such as an etailer's carbon footprint is increasing apace, although he adds that most still rank matters of price, quality and convenience above sustainability.

"Yet sustainability is important even to these shoppers," Gatzer says. "As such, ecommerce players are trying to make sustainable choices affordable, convenient and attractive."

It's a tricky balance for an etailer to strike, admits Sam Morgan, director of ecommerce at Paria, a specialist supplier of apparel for cyclists.

"At our stage of growth, being eco-friendly is a consideration for us, but not top of the pile. The key is to make a more sustainable choice where we can, without sacrificing service to the customer and cash to the business," he explains.

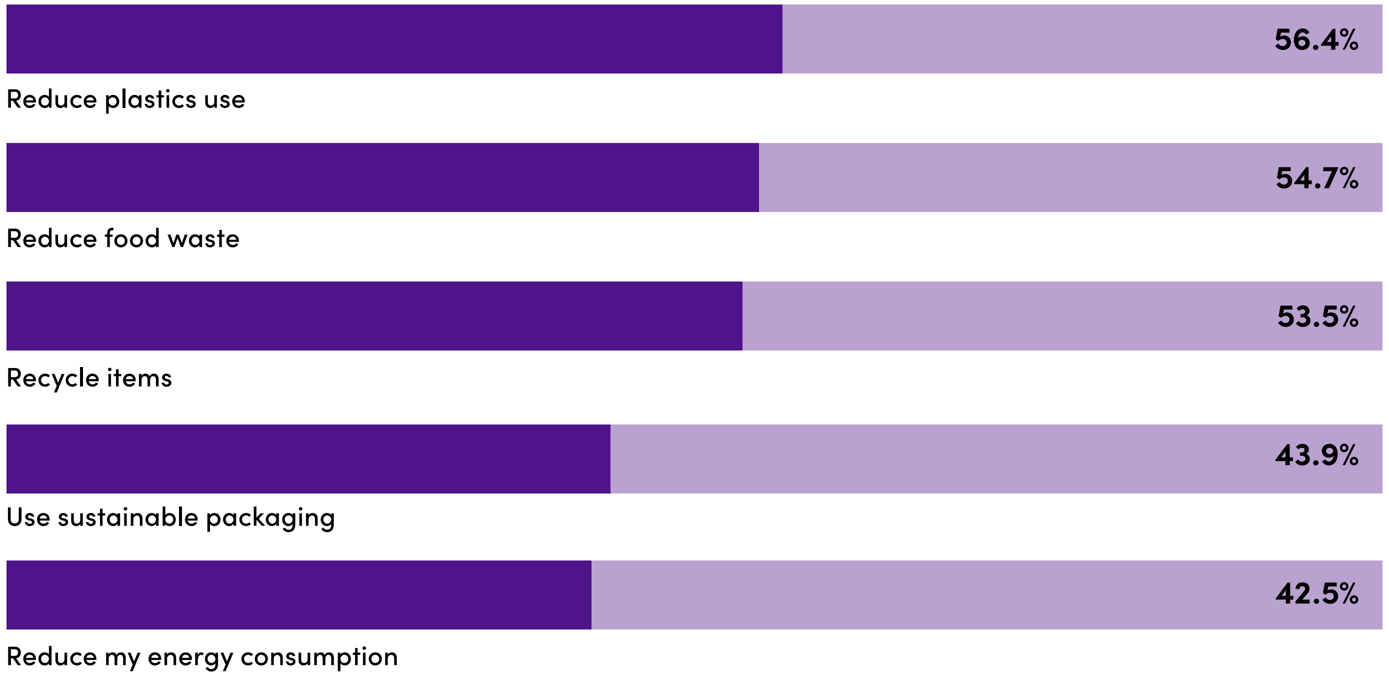
Shipping is a good place to start. For example, increasing usage of electric vehicles and last-mile delivery options such as e-bikes can help reduce greenhouse gas emissions. The use of parcel lockers can also help to make deliveries more sustainable and convenient if a customer is coming back from work or out shopping. These can cut the number of journeys needed for redelivery attempts if people are not at home and can enable couriers to deliver several packages in one trip. For smaller businesses and eBay merchants selling to continental Europe, say, using a nearby locker can also be more convenient than queueing at a lesser-spotted post office or making a lengthy round trip to an out-of-town depot.

Etailers should build locker deliveries into their European fulfilment strategy, according to Parcel Pending by Quadient, which has a continent-wide network of lockers. They could do this by partnering with retailers that have in-store lockers or with carriers that have access to a broad network of lockers. Carriers and etailers can also invest in their own lockers at locations such as railway stations, pharmacies or dedicated parcel centres.

Effective communication with customers regarding their delivery needs is also key in minimising wasted journeys. This can mean

> The key is to make a more sustainable choice where we can, without sacrificing service to the customer and cash to the business

TOP FIVE GREEN ACTIVITIES THAT CONSUMERS UNDERTAKE TO LEAD A MORE ENVIRONMENTALLY FRIENDLY LIFE



Euromonitor International, 2022

rearranging dates and offering different delivery locations even at short notice. The better use of data can also provide deeper insights into customers' behaviour to help predict optimal delivery times, for instance.

"In addition, I know of one ecommerce company that charges higher prices for customers who are serial parcel returners, according to its data," Gatzer says. "That can improve sustainability if it results in fewer journeys."

A quick win – and one that will be highly visible to customers – is the introduction of sustainable packaging. Sparkes uses a cardboard tube and paper for her posters. No plastic is involved.

Morgan says that Paria is moving all its delivery packaging to recycled/ recyclable paper from plastic envelopes. "Product packaging will also transition to compostable packaging later this summer as we phase our current plastic offering out," he explains.

Custom Neon, an Australian-based supplier of bespoke LED neon signs, prioritises the use of recyclable and biodegradable materials in its packaging. The firm does this without compromising the integrity of its delicate cargo in transit, according to its co-founder and CEO, Jake Munday.

"We continue to research LED neon signage materials," he adds. "While these aren't fully recyclable as yet, we have supplied customers with upcycled signs made from LED neon offcuts."

Samuel Smith is the director of SmithPackaging, a supplier that offers a completely recyclable range of packaging to eco-conscious etailers. He contends that sustainability doesn't have to come at the expense of customer experience.

"Ecommerce firms can achieve this balance by offering sustainable packaging options that meet customers' needs while still reducing their environmental impact," Smith argues. "It can be hard to find supplies of packaging that are genuinely eco-friendly, but we wanted to ensure that we used as little plastic as possible. In cases such as our cardboard boxes, we use 100% recycled paper, meaning that they are 100% recyclable after use."

Sparkes says that her insistence on sustainable printing and packaging may mean extra costs for customers, but she believes that her service ticks both the convenience and quality boxes.

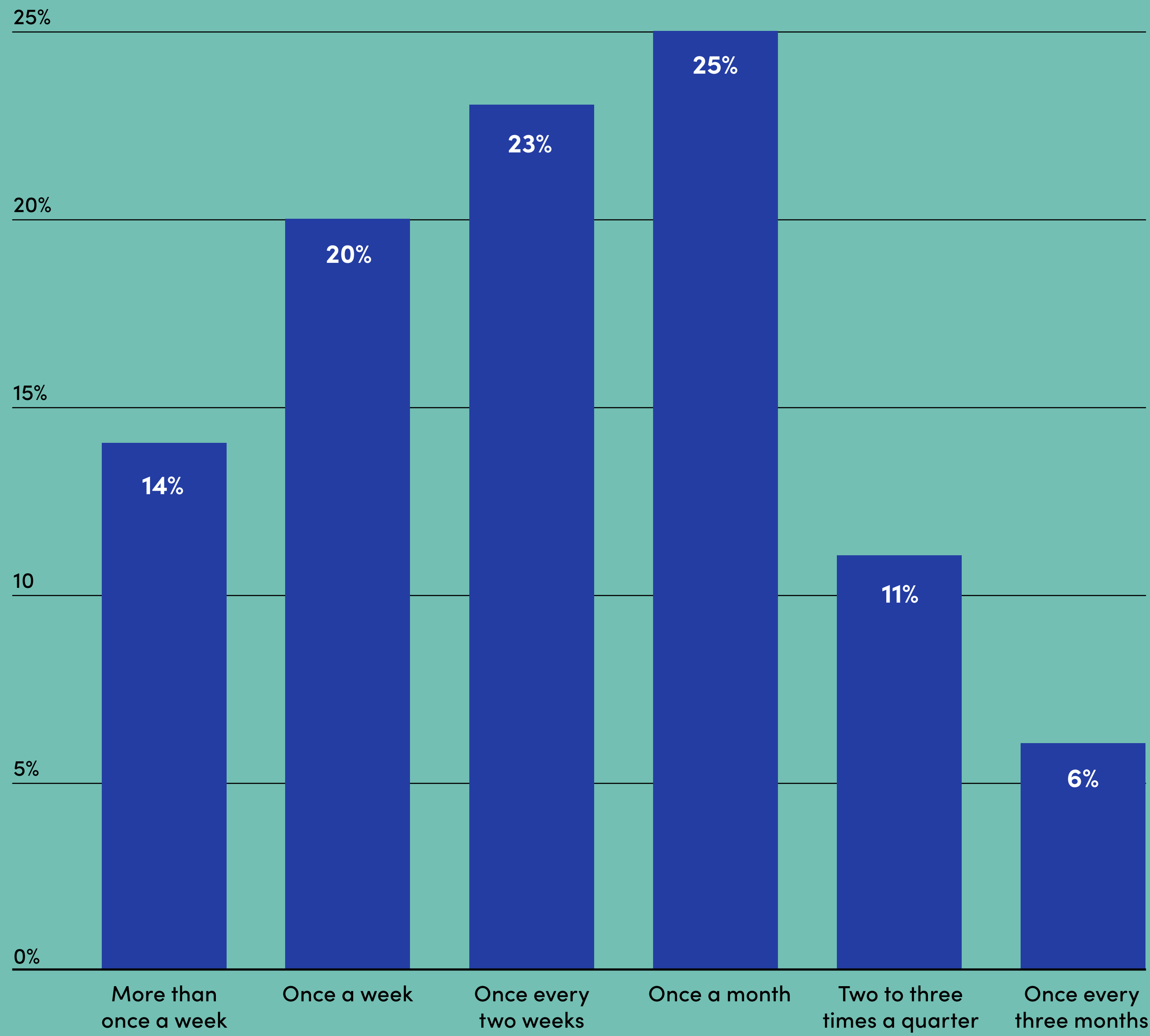
"Gelato can do a shipment in just two days," she says. "It's a balance, but we can really help the customer and the environment at the same time."

Shifting factors and trends in purchasing decisions

What are the latest trends in how and why customers make purchasing decisions? What are their priorities? What channels do they prefer?

CROSS-BORDER ECOMMERCE IS BIG BUSINESS, WITH 83% OF CROSS-BORDER ONLINE SHOPPERS BUYING ONLINE AT LEAST ONCE A MONTH

How often consumers shop online (respondents all shop online at least once every three months)



IPC, 2022

HOWEVER, CONSUMERS ARE CONCERNED ABOUT THE ECONOMY AND THIS IS AFFECTING THEIR PURCHASING BEHAVIOUR

Proportion of respondents concerned about the following over the next year

Metapack, Autane and Retail Economics, 2023

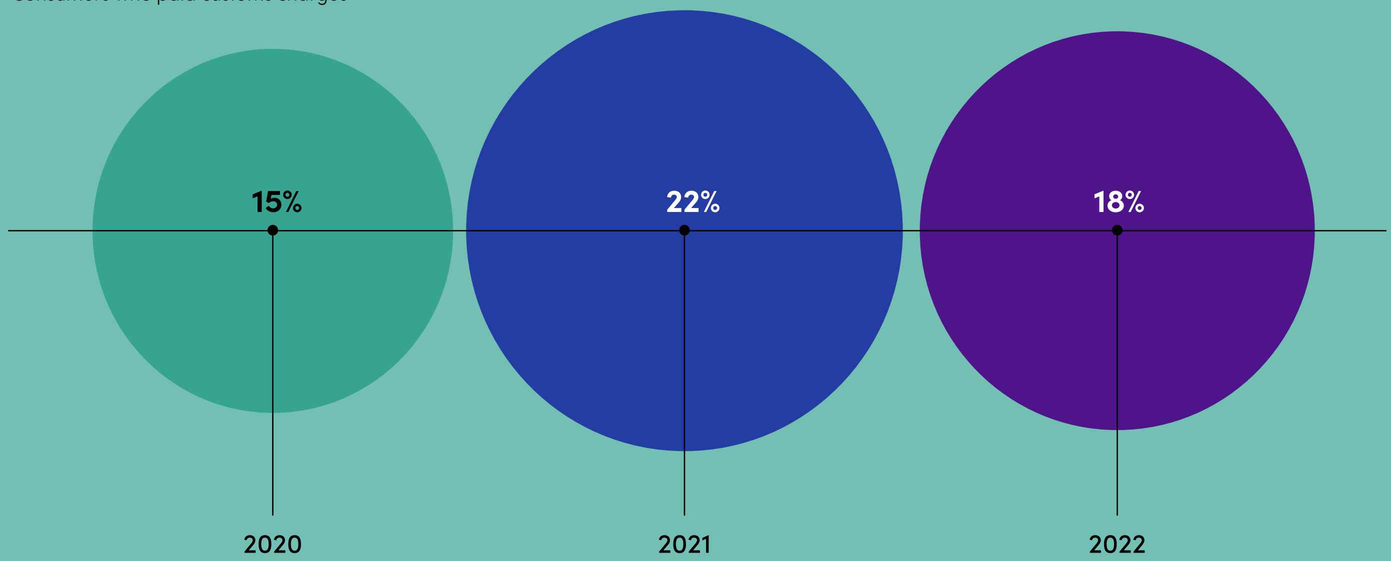
of consumers say they will change their shopping habits in 2023

of consumers value delivery cost over speed and convenience

Metapack, Autane and Retail Economics, 2023

CROSS-BORDER CONSUMERS WERE ALSO LESS WILLING TO PAY CUSTOMS CHARGES IN 2022

Consumers who paid customs charges

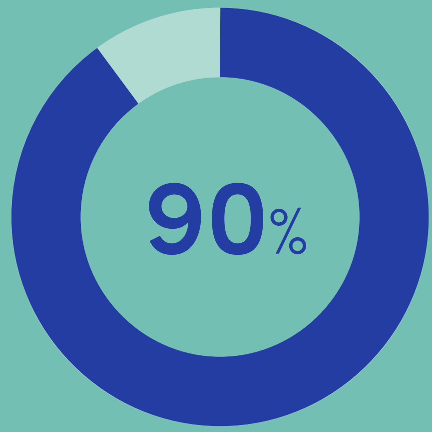


IPC, 2023

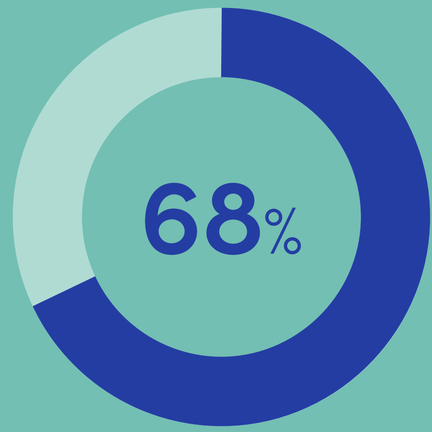
WHEN IT COMES TO WHERE CUSTOMERS SHOP, MARKETPLACES AND WEBSITES ARE SIGNIFICANTLY MORE POPULAR THAN SOCIAL MEDIA, LIKELY OWING TO SOCIAL SELLING BEING A RELATIVELY NEW CHANNEL

Europeans' preferred online shopping channels

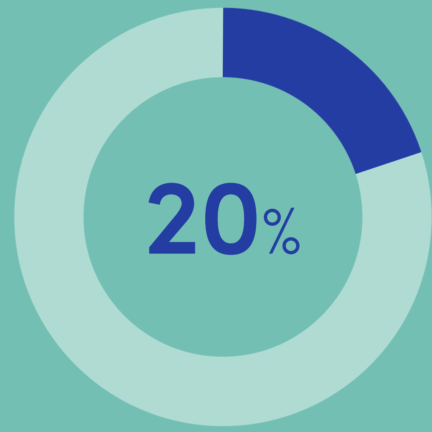
Sendcloud, 2022



of European consumers buy from marketplaces

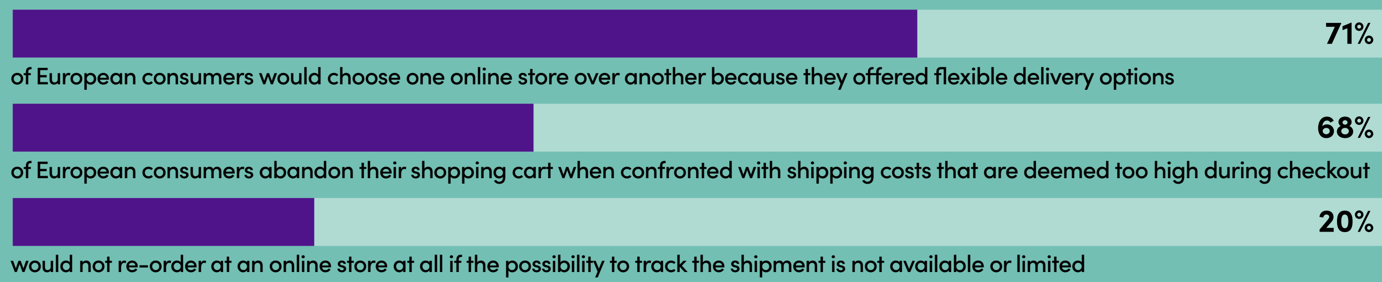


of European consumers buy from online retail websites



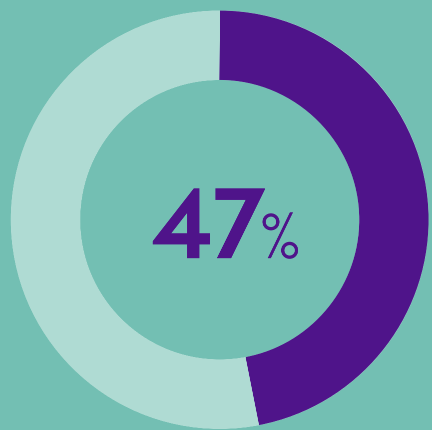
of European consumers buy products from social media

HAVING THE RIGHT DELIVERY OPTIONS IS A BIG REASON WHY A CONSUMER MIGHT PICK ONE RETAILER OVER ANOTHER

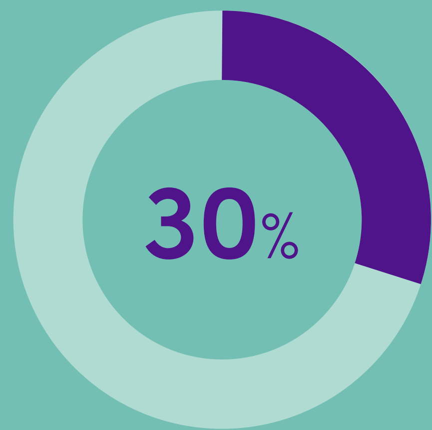


Sendcloud, 2022

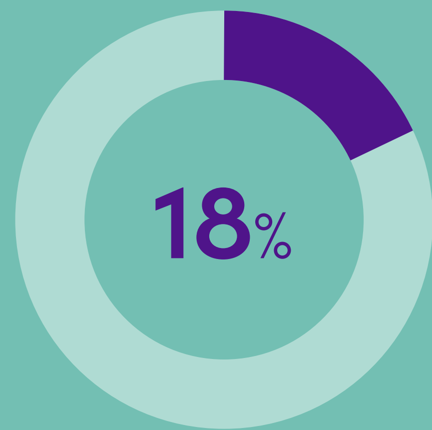
WHEN IT COMES TO SUSTAINABILITY, PACKAGING IS OF PARTICULAR CONCERN TO CONSUMERS. RETAILERS CAN GAIN AN EDGE BY EXPLORING SUSTAINABLE OPTIONS



of consumers would like packaging to be recyclable



of consumers are willing to receive package a few days later to reduce its environmental impact



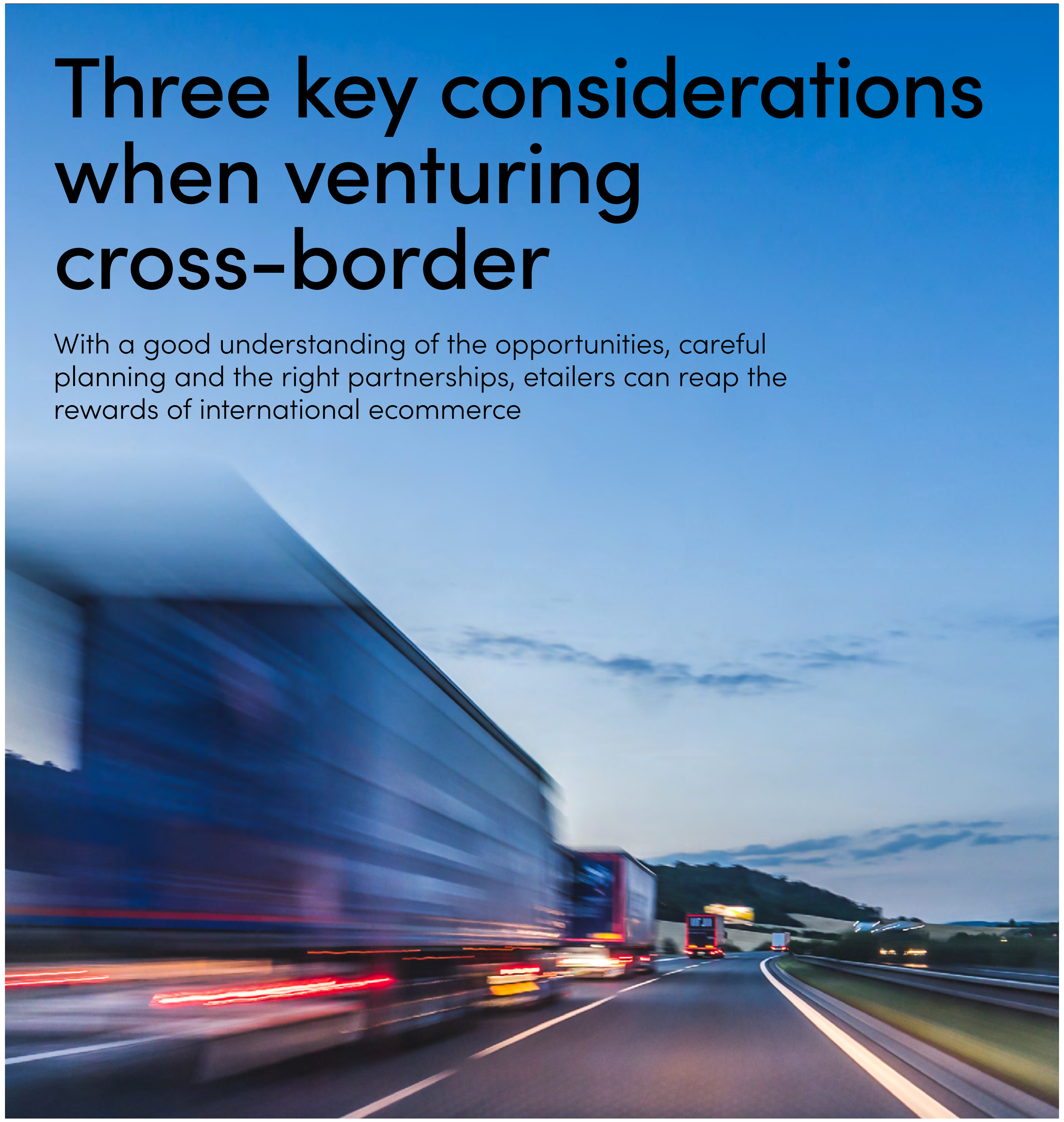
of consumers are concerned about the impact of same day delivery

IPC, 2023

COMMERCIAL FEATURE

Three key considerations when venturing cross-border

With a good understanding of the opportunities, careful planning and the right partnerships, etailers can reap the rewards of international ecommerce



Daniel Thomas

In early 2023 Eurostat reported that almost half of shoppers in the European Union buy goods online from other countries, both within the bloc and outside it. Doing so gives consumers more choice on products and prices, while the rise of mobile shopping and advanced payments technologies has made it easier and safer to buy goods from abroad.

Stijn Meeus, managing director of ecommerce marketing at global logistics leader FedEx, says that most domestic ecommerce markets are considered "very mature and highly competitive" at the moment but global expansion offers new opportunities. "Cross-border sales remain a relatively untapped part of the market, particularly for SMEs, but that is set to change. Firms bold enough to navigate the challenges stand to reap huge gains in the years to come."

So, how can online retailers make the most of this golden opportunity?

1 Select and approach new markets carefully

Meeus observes that successful companies tend to start small, looking to neighbouring markets first and then expanding from there. They should also focus on brand building using mobile and social commerce and provide a "competitively convenient" online shopper experience.

In addition, Meeus says firms should think carefully about which sales channel, or channels, are right for their business in their chosen market, and then promote in the most effective way for that channel.

They should also consider how to localise their offer, going beyond just translation. The closer firms get to "local market norms and expectations, the better their chance of success".

It is also vital to understand the trade-related and regulatory paperwork required to enter a new market and consider what changes the business will need to make. Meeus says that there is plenty of often free data out there to help retailers find new market opportunities, and that it's important to segment and differentiate their offerings.

With 2023 likely to be a tough year for online retailers, exploring opportunities in faster-growing international markets has never been more important. According to research from eMarketer, Western Europe is expected to be the slowest-growing ecommerce market this year, but emerging markets such as Brazil, India and Turkey will perform much better.

2 Get shipping right

Shipping is, of course, a vital piece of the cross-border puzzle. No matter where consumers are based, they expect seamless, transparent and timely deliveries (and a similarly slick service if they choose to return an item). The cost of delivery, sustainable packaging, flexible delivery options, clear returns policies and transparency on customs charges are all priorities for today's shoppers.

While consumers may have slightly lower expectations around the timeliness of international deliveries and may anticipate slightly higher costs when buying from an overseas seller rather than a local one, the gap is constantly narrowing between what is achievable for local deliveries and those crossing borders. If online retailers can work to reduce costs and delivery times, they can give themselves a strong competitive advantage.

Consumers now also expect control and visibility over their orders. This is perhaps even more crucial for international deliveries where they know there are multiple stages to their package's journey. While delays are never ideal, firms will be offering customers a smoother experience if they can inform them that their package is held up in customs rather than leaving customers frustrated and chasing up the status of their delivery.

No matter where in the world a package has come from, the last mile is the step of the shipping process that can make or break the customer experience. Companies can ensure they leave a good impression by offering flexibility over delivery times and locations, prioritising speed (and giving customers different pricing options for slower or faster deliveries) and offering accurate tracking details.

3 Work with trusted partners

With firms having to navigate multiple challenges when expanding overseas, including tax and regulatory divergence, the need to localise their products, differing regional payment preferences and logistics and fulfilment requirements, getting started can seem daunting. However, companies do not have to handle these issues alone, Meeus says. Firms should collaborate with partners who can help them in their journey, so they draw upon the best possible expertise.

"FedEx works as a trusted partner to businesses looking to grow their reach around the world," says Meeus. FedEx, which delivers to over 220 countries and territories, has the local presence and shipping expertise to help companies meet the expectations of cross-border customers.

FedEx also has its own network of partners to help organisations across the entire value chain. By working with complementary partners who can support organisations at different stages of the cross-border ecommerce journey, FedEx can help firms enable the cash-to-cash cycle in overseas markets, drive activation, conversion and loyalty and find new customers. The network can support organisations navigating the challenges of clearance, duties and taxes, landed cost and price transparency – whether items are being delivered or returned.

"From customs to checkout and payment there are fantastic options in the market to make things easier on you and your customers," says Meeus. "For example, at FedEx, we have teamed up with big names such as BigCommerce, eBay, ZONOS, eShopWorld and ZigZag who support us in the entire journey. These collaborations are considered the new norm to diversify service offerings, reach customers more effectively and grow and activate revenue faster.

"We know there are challenges to entering new markets but believe that, with the right support, online retailers have a golden opportunity ahead of them."

How to improve the returns process

Etailers that neglect this key aspect of their business are doing themselves – and their customers – no favours. How can international operators ensure that it's working as cost-efficiently as it can?

David Stirling

It's something that most seasoned online shoppers have experienced after excitedly ripping open the parcel: the sad realisation that the shirt you ordered is so small that it could have a double life as a handkerchief.

Such sizing errors by the customer, along with the receipt of unwanted gifts and the deliberate ordering of several similar items to try out, are among the commonest reasons behind ecommerce product returns.

The average returns rate is approximately 25%, according to research by Richpanel. That's about three times higher than the equivalent rate for bricks-and-mortar stores. Clothes and electronic goods are the most common purchases to be rewrapped and sent back.

Figures from return specialist ReBound, which works with firms such as Asos, suggest that as many as 90% of online shoppers will check a merchant's return policy before buying from it. It clearly matters to consumers.

A high returns rate will seriously erode any trader's profits. Research by SML Group suggests that 12% of rejected purchases are never sold again on average, while 42% have to be resold at a discount.

Dean Frew is SML Group's chief technology officer and senior vice-president of radio-frequency identification (RFID) solutions. He believes that companies have tended to overlook the returns process in their eagerness to boost sales.

"Some retailers even have a 'let them keep it' strategy, which is sad," he says. "When products do come back, they're usually manually handled in a cumbersome way. Fashion items need to be graded – determining whether they need repairing, for instance – before you can repackage and resell them. That can take weeks or even months."

One way forward for merchants selling direct from their own websites or an online marketplace is to develop local returns hubs with their logistics and warehousing partners. Such partnerships can help them to access better pricing deals with returns shipped to their main fulfilment centres in bulk.

This can reduce lengthy logistics movements and costs while also cutting carbon emissions. Customers also tend to feel more comfortable if there's a local address to send returns.

A shipping carrier offers convenient options for customers too. These include pick-ups from home or drop-offs at a shipper's collection point, lockers or a retail store. Pre-printed return labels are another huge help to shoppers.

> Items being sent back need to be processed close to where the customer is based

Ben Balfour is the COO of the Advanced Supply Chain Group, which handles returns for UK-based cross-border etailers. He believes that the best way to handle international returns is to "decentralise the whole process. Items being sent back need to be processed close to where the customer is based. Their condition can be determined quickly, enabling speedy decisions to be made about what to do with them. For example, depending on quality, an item can be returned to the original point of sale or diverted to an alternative locally available channel, such as a discount outlet. This enhances stock availability and selling opportunities."

Jelle Schoenmaker, managing director of ReBound, which joined forces with Dutch-based returns specialist Cycleon last year, says there are many factors shooting returns up the agenda of ecommerce firms.

"Companies are increasingly being driven by legislation, such as Right to Repair in the EU, as well as the consumer, to think more about returns," he says. "There are many things to consider when developing a returns policy. For example, if you are a French retailer selling into the UK or Germany then it needs to be in the local language with a local return address. You have to adapt to local habits and standards in Europe and elsewhere."

He adds: "If I am a consumer living in Paris and I buy a product on Amazon or another online marketplace, I may not know that the retailer is from another European country and that they need to ship from there to France. But if that customer hates the product, then that European retailer needs a proper local logistics solution in France to improve efficiencies. If the retailer is from the UK, then it can be a costly exercise post-Brexit to get the return shipped back."

Danish group Flying Tiger's ecommerce arm covers over 20 countries, including major European nations, with a Poland direct-to-consumer warehouse set up to handle deliveries and very occasional returns. It also takes a consumer-first approach to returned goods. "Unlike a fashion firm, return rates are not a pain point for us," says Andre Filomeno, senior vice president of customer and digital. "Our returns policy is focussed around improving customer satisfaction and the type of problem encountered. If your item is broken, then there is no need to return it. We just refund you and send another product. We always put the customer first which may mean opening more local-based warehouses in the future to cut down lead times. We are seeing high demand."

42%

of returned items are sold at a discounted price

12%

of consumers say they will change their shopping habits in 2023

SML RFID, 2023

Schoenmaker says that returns management has become more of a data-driven operation based on the quality, price, status and even seasonality of the item. "It's no longer a one-size-fits-all approach. If a customer is returning flip-flops to the UK in November, then take the slow boat. If the item is still on sale or promotion, get a speedier, more expensive logistics service to convert that return into an extra sale," he says.

Technology can also play a key role in the efficient handling of returned goods. Frew points out that item-level RFID tagging can help to accelerate manual processes.

"We have brought 11 touches of a returned product down to six in one example, saving labour costs," he says. "One of our customers manages more than 900,000 returns every year, so this can add up to a large saving."

A dedicated returns channel feeding live data into a central control hub can also help merchants to quickly detect problems such as goods generating an unusually large number of returns.

"If you know that there's a specific item of clothing or audience where the return rates are extremely high, then inform them better about product sizing to ensure that the order is correct," Schoenmaker advises. "Maybe state on your site that the dress is a size 12 but fits like a 10. Provide that additional help."

Hi-tech firm Reactive Reality has created a digital fitting room in which online fashion shoppers can create avatars of themselves to 'try on' clothes virtually before ordering. Its technology is being used by global brands such as Hugo Boss and Shopify to boost sales and reduce return rates.

Its co-founder and CEO, Stefan Hausweiner, explains: "When you get websites with flat, static photos of models who don't look like regular people, then the gap between product expectation and reality is clear."

An ecommerce firm's returns policy, in the local language, should also be reviewed regularly to ensure that it gives customers the clearest possible explanation of the terms under which items can be returned and how to start that process.

There should be an opportunity here for merchants to offer greener logistics options for customers looking to return goods, Schoenmaker notes.

"Give them choices about walking to a drop-off point or using a green carrier, for instance," he suggests. "Organise fuller truckloads and less excess packaging. Returns can help you to meet your sustainable goals."

> Companies are increasingly being driven by legislation, such as Right to Repair in the EU, as well as the consumer, to think more about returns

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Contributors:
Daniel Thomas: Writer and editor, he has contributed to The Telegraph, Newsweek, Fund Strategy and EducationInvestor, among other publications.
David Stirling: A freelance business journalist writing news and features for national publications.

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