

# The Global Commerce Framework: How Retailers Grow Faster Internationally

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# This paper provides reasons for global expansion, key geographies to target and a best-practice global commerce framework to ensure faster and more efficient growth.

## INTRODUCTION

Globalization has radically transformed the retail world. Consumer online global spend has fueled much of this change with 2013 sales expected to reach \$1.3 trillion, a growth rate of 18.3% over 2012<sup>1</sup>. While global expansion presents great opportunities for most brick-and-mortar and pure-play retailers, it is an unknown territory for many. This paper provides reasons for global expansion, key geographies to target and a best-practice global commerce framework to ensure faster and more efficient growth.

### Reasons for global commerce expansion

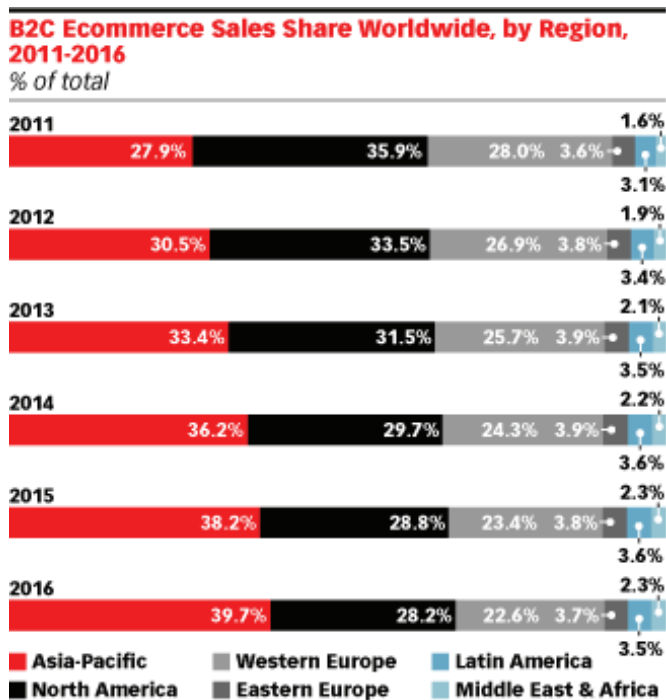
Retailers are engaging in global commerce expansion, particularly online, for several reasons:

- **Global markets fuel new revenue and growth.** Online retail growth rates are growing at a double-digit revenue increase pace worldwide<sup>2</sup>, particularly in emerging markets, such as China<sup>3</sup>, Turkey and Russia<sup>4</sup>, all of which expect to grow at 30% or more in 2012 and beyond. Consequently, retailers use expansion abroad as a key lever for growth. Success is predicated on the ability to rapidly launch and scale new sites for new brands in target countries by leveraging existing investments in technology, partnerships and integrations.
- **Online expansion provides a cost-effective approach to test and expand.** Online entry offers some retailers the ability to complement existing physical locations, while for others it's a way to test brand strength in a new market before investing in brick-and-mortar stores. The fixed cost to establish a virtual presence is small compared to a physical presence. The retailer can sell its products, market its brand, build customer relationships and interact with consumers without significant risk and capital outlay.

- **Global expansion is easier than ever before.** In *The World is Flat*, Thomas Friedman described how the world has become a level playing field in terms of commerce, where all competitors have an equal opportunity. Historical barriers that once hindered global expansion—such as technical limitations, regulatory hurdles and fulfillment processes—are now falling. Leading retailers have taken advantage of this easier path to gain a competitive foothold in global markets.

### Key geographies and trends

Historically, many retailers have taken a North America or Europe-centric approach to global expansion—and for good reason. Of the \$1.3 trillion in online spending worldwide expected in 2013, about 61% is expected to come from North America and Europe (See Figure 1)<sup>5</sup>. Yet other regions of the world, particularly Asia-Pacific (APAC), are growing at a faster rate than North America or Europe. The trend is shifting expansion towards the emerging regions.



Note: includes travel, digital downloads and event tickets purchased via any digital channel (including online, mobile and tablet); excludes gambling; numbers may not add up to 100% due to rounding  
 Source: eMarketer, Jan 2013

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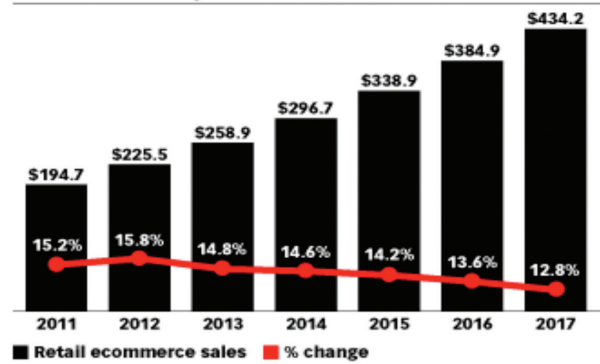
www.eMarketer.com

Figure 1

Retailers should consider each region, but more specifically look at individual countries, in terms of both online growth and online maturity level since each country will differ. Many retailers today think of global expansion as follows:

- North America and Europe continue to present prime opportunities for expansion.** Ecommerce continues to grow at a strong pace in North America and Europe, including an expected average annual growth rate of 14% from 2011 to 2017 in the US (See Figure 2) and 10.5% from 2010 to 2015 in Western Europe (See Figure 3)<sup>7</sup>. The UK, Germany, France, Spain and Italy are experiencing the highest growth rate among Western European countries<sup>8</sup>. Growth opportunities also exist in Eastern Europe. Russia leads the way touting a market size of \$10.3 billion in 2012—the largest in Eastern Europe and the fifth-largest market in all of Europe<sup>9</sup>.
- Asia-Pacific has quickly become the new engine for worldwide growth.** With an expected 33% annual average growth rate expected between 2010-15, APAC is the fastest growing ecommerce market in the world and a must place for many retailers (See Figure 4)<sup>10</sup>. In the past, Japan fueled the majority of that growth. While Japan remains important, China, with its expected 94% annual average growth rate from 2010 to 2015, is now top of mind for many retailers<sup>11</sup>. Other countries, such as South Korea and Australia are also attractive APAC markets.
- Latin America is growing in importance.** Latin America, with its expected annual average growth rate of 24% between 2010-15, increasingly is on the radar for expansion for many retailers. Brazil may be the first country targeted due to its \$21.7 billion ecommerce market size forecast for 2013 (See Figure 5).<sup>12</sup> Mexico and Argentina are other regional powerhouses that often make it to the top of the list for anticipated expansion<sup>13</sup>.
- The Middle East and Africa are potential areas of opportunity.** Not to be forgotten, the Middle East and Africa present potential areas of opportunity for global expansion, particularly countries such as the United Arab Emirates, Qatar, Israel and South Africa. Certain verticals, such as luxury and apparel companies, thrive in these markets. However, many retailers have opted not to enter the region largely due to small market sizes, complications in site navigation due to right-to-left languages (such as Arabic), as well as infrastructure challenges. Over time, as the market matures, more brands will target expansion in the region.

**US Retail Ecommerce Sales, 2011-2017**  
billions and % change



Note: eMarketer benchmarks its retail ecommerce sales figures against US Department of Commerce data, for which the last full year measured was 2012; includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets  
Source: eMarketer, April 2013  
154297 [www.eMarketer.com](http://www.eMarketer.com)

Figure 2

**B2C Ecommerce Sales in Western Europe, by Country, 2010-2015**  
billions

	2010	2011	2012	2013	2014	2015	CAGR
UK	\$91.5	\$102.0	\$113.0	\$123.4	\$134.1	\$143.6	9.4%
Germany	\$33.7	\$37.7	\$42.0	\$46.3	\$49.9	\$53.5	9.7%
France	\$25.4	\$28.5	\$32.0	\$35.5	\$38.7	\$41.8	10.5%
Spain	\$12.3	\$15.0	\$17.8	\$20.7	\$23.6	\$26.4	16.5%
Italy	\$9.4	\$12.4	\$15.5	\$19.0	\$22.9	\$26.7	23.3%
Other	\$36.6	\$39.7	\$44.1	\$46.7	\$49.0	\$51.6	7.1%
<b>Western Europe</b>	<b>\$208.8</b>	<b>\$235.2</b>	<b>\$264.4</b>	<b>\$291.6</b>	<b>\$318.1</b>	<b>\$343.5</b>	<b>10.5%</b>

Note: includes travel, digital downloads and event tickets; excludes online gaming; numbers may not add up to total due to rounding  
Source: eMarketer, July 2011  
129967 [www.eMarketer.com](http://www.eMarketer.com)

Figure 3

**B2C Ecommerce Sales in Asia-Pacific, by Country, 2010-2015**  
billions

	2010	2011	2012	2013	2014	2015	CAGR
Japan	\$88.8	\$102.5	\$116.2	\$127.5	\$136.7	\$145.8	10.4%
China*	\$11.4	\$30.7	\$73.5	\$134.7	\$234.2	\$315.4	94.2%
South Korea	\$13.5	\$17.0	\$20.0	\$23.1	\$25.9	\$28.5	16.1%
Australia	\$9.1	\$10.5	\$13.3	\$16.1	\$17.9	\$19.7	16.8%
India**	\$6.9	\$10.2	\$14.2	\$19.1	\$24.3	\$30.0	34.2%
Other	\$5.5	\$7.3	\$10.1	\$13.9	\$18.4	\$22.5	32.5%
<b>Asia-Pacific</b>	<b>\$135.3</b>	<b>\$178.2</b>	<b>\$247.3</b>	<b>\$334.4</b>	<b>\$457.3</b>	<b>\$562.0</b>	<b>33.0%</b>

Note: includes travel, digital downloads and event tickets; excludes online gaming; numbers may not add up to total due to rounding; \*includes sales from businesses that occur over C2C platforms; excludes Hong Kong; \*\*online travel sales represent roughly 80% of B2C ecommerce sales  
Source: eMarketer, Oct 2011  
132815 [www.eMarketer.com](http://www.eMarketer.com)

Figure 4

## The global commerce framework

Retailers are faced with a number of critical decisions to ensure effective online global expansion. This is true for retailers going global the first time, extending into additional countries, or optimizing existing global commerce operations. The remainder of this paper provides a framework that addresses requirements and considerations for successfully expanding global commerce operations. Specifically, the framework covers three main action areas: define a strategy, establish operations and create a technology footprint (See Figure 6).

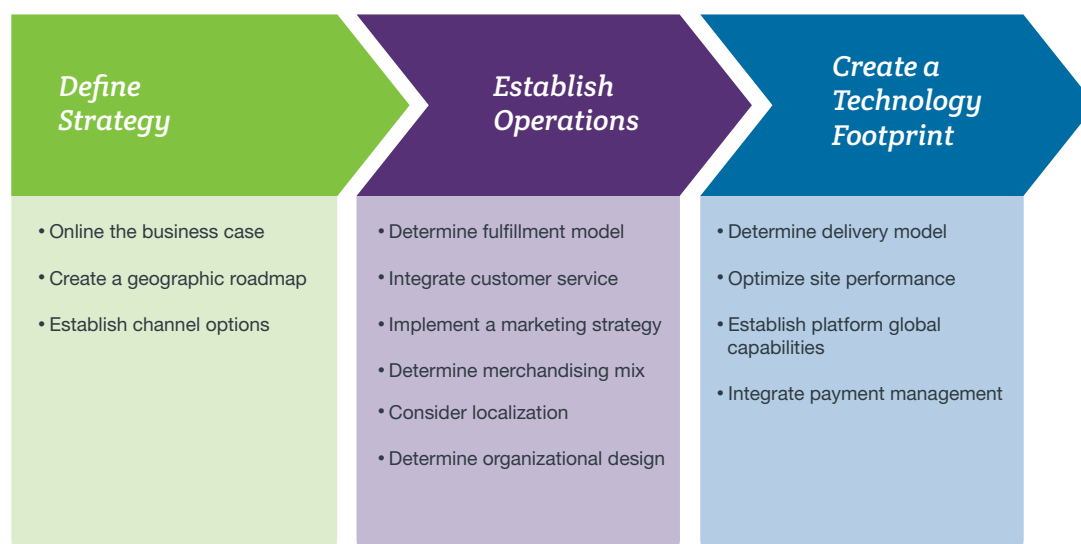


Figure 6

## DEFINE A STRATEGY

Retailers should begin with a clearly defined global strategy that includes a business case, geographic roadmap and online business model. This will articulate goals and focus the organization to help ensure speed and success.

### Outline the business case

A viable business case will act as the Rosetta Stone for short and long-term decisions. It should address the following key decisions and commitments:

- Financial projections (both profit and loss) for each country
- People, process and technology initiatives required to achieve the strategic vision
- Sequence of which brands should enter which markets and when
- Key partners to support both technology and process requirements
- Integrated market strategy used to attract new customers
- Impact and change management analysis regarding domestic operations— including finance, human resources, logistics and operations, as well as domestic brand strategy

### Create a geographic roadmap

When determining which countries to enter, retailers should take into consideration challenges other than online market growth. Factors such as legal and regulatory

environment and cultural compatibility can often play critical roles in determining whether an organization can successfully enter a specific country or region.

### Political and social landscape

The global political landscape plays an increasingly important role in the pace of global commerce growth. Social and political stances in one country can have a far-reaching impact on the actions of other countries. Examples of this include government stimulus packages that create an influx of cash into the economy and the removal or erection of trade barriers such as tariffs. Retailers should determine whether their target countries support policies favorable to commerce, including policies towards online strategies, as a key consideration.

The political stability of a country, including the potential for social unrest, should also be considered. A country with a history of political stability is considered more attractive and more likely to support foreign direct investment and establishment of commerce operations.

### Legal system and regulatory environment

Legal systems vary around the world—from common law and civil law to religious law—and each can affect aspects of a business differently. Protection of intellectual property or data, employment laws and how litigation or arbitration is handled can all vary according to local laws. It is the responsibility of all retailers to understand the legal systems of each country and how those laws are framed to protect consumers and business owners.

Each country also has a unique regulatory environment and therefore has varying degrees of local laws and regulations that require compliance. For instance, China has a highly complex regulatory environment, whereby Internet Content Providers (ICPs) operating within China are subject to numerous national and provincial laws, regulations and licensing requirements. ICPs face potential business interruptions for failure to comply with applicable rules. It is necessary to fully understand these rules and adhere to requirements before conducting an online business in China. Retailers should seek the advice of local counsel before entering new markets.

### Cultural considerations

Retailers must understand cultural customs for each country they enter as they may influence and impact business practices. Local customs can play a critical role in the success of in-country meetings and operations and also for online operations. Each country is likely to have its distinct online behavior such as browsing preferences, user interface, visual design and purchase journeys. Thorough research on consumer online preferences and usability studies are recommended to accelerate the understanding of unique cultural nuances by country.

### B2C Ecommerce Sales in Latin America, by Country, 2010-2015

billions

	2010	2011	2012	2013	2014	2015	CAGR
Brazil	\$11.6	\$15.3	\$18.7	\$21.7	\$24.4	\$26.9	18.3%
Mexico	\$3.0	\$3.9	\$4.9	\$5.8	\$6.7	\$7.6	20.7%
Argentina	\$1.8	\$2.5	\$3.2	\$4.1	\$5.0	\$5.8	25.8%
Other	\$2.5	\$4.4	\$7.1	\$10.3	\$13.5	\$15.1	43.2%
<b>Latin America</b>	<b>\$18.9</b>	<b>\$26.1</b>	<b>\$33.9</b>	<b>\$41.9</b>	<b>\$49.5</b>	<b>\$55.3</b>	<b>24.0%</b>

Note: includes travel, digital downloads and event tickets; excludes online gaming; numbers may not add up to total due to rounding

Source: eMarketer, Oct 2011

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www.eMarketer.com

Figure 5

### Local infrastructure

The local infrastructure—particularly a country’s transportation infrastructure that connects major commercial hubs and shipping areas as well as package delivery networks—is critical to move product to market. Perhaps even more important is the digital infrastructure. The capacity and reliability of telecommunications, data and mobile networks and maturity of online payment systems, as well as broadband availability and penetration among consumers, will indicate greater likelihood of the success of online growth.

Retailers should apply current domestic ecommerce infrastructure strategies to the infrastructures of countries considered for investment.

### Local labor market

A focus on human resources is critical to recruit the right people to represent the brand and help drive success. Workforce demographics, such as anticipated growth rate of the available hiring pool, will determine the long-term viability of local talent as operations grow. Ecommerce experience and skills are often in short supply. Education level, experience and required skills play an important role in determining training requirements and sourcing of additional skilled labor. Also consider the local labor environment, which may include laws governing working hours, benefits and compensation, and unions and works councils.

### Establish channel options

In conjunction with determining which countries to enter, retailers must also decide which online channels to pursue. Options include online marketplaces, a direct-to-consumer ecommerce website, or a combination of both.

### Online marketplaces

Typically owned and operated by a third-party, online marketplaces are consumer-to-consumer (C2C) or business-to-consumer (B2C) sites where retailer products are sold. eBay is an example of a C2C online marketplace and Amazon is an example of a B2C online marketplace. Marketplaces are leveraged as a market-entry strategy, or as a supplement to a traditional direct-to-consumer ecommerce website.

Online marketplace success in any given country is largely determined by the percentage of online consumer transactions in that marketplace. For instance, an

online marketplace strategy is very common in China. B2C marketplaces drive about 90% of overall B2C online transactions in China. Tmall dominates this market with about 51% market share among B2C online marketplaces. Online marketplaces are less common in other markets, but are growing fast in some countries. Retailers must consider prioritizing marketplace options based on region (see Figure 7).<sup>14</sup>

Region	Importance of marketplace strategy today	Examples of existing and emerging marketplace options for brands
Asia Pacific	High	Tmall.com and Amazon in China; Rakuten in Japan; Westfield in Australia
North America	Medium	Amazon, eBay, Rakuten
Europe	Medium	Amazon, eBay, Rakuten
Latin America	Low	MercadoShops
Middle East	Low	Souq.com

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Source: Forrester Research, Inc.

Figure 7



### Direct-to-consumer ecommerce website

A direct-to-consumer ecommerce website allows retailers to retain critical control over proprietary business information, including all core data related to the brand—such as product, pricing, inventory and customer data—as well as how it is used for marketing the brand and selling product. It may also convey a high level of reliability resulting in increased consumer trust, especially in countries where fraudulent products and transactions are commonplace.

A direct-to-consumer website makes sense for many brands as they expand into other countries. Timing is generally determined by retailer maturity in the market and acceptance of direct-to-consumer websites by consumers. For example, if consumers in a market typically purchase through other channels, such as online marketplaces, and the retailer has never before operated in that country, then selling in online marketplaces may make the most sense initially. As consumers become more accustomed to purchasing directly from retailers and the retailer becomes familiar with how to operate in that country, then a direct-to-consumer website may make sense. Conversely, if consumers in a given market typically purchase through direct-to-consumer websites, and there is strong brand recognition and familiarity by the retailer with how to operate in the country, the establishment of a direct-to-consumer website may make most sense.

The direct-to-consumer website approach contains two basic models: cross-border trading (CBT) or direct entry.

#### Cross-border trading

Cross-border trading (CBT) is a great option for retailers that have strong brand recognition, but choose not to establish on-the-ground operations in the country. This makes it an ideal option to test a market with relatively low investment. In this model, retailers use their domestic direct-to-consumer website to accept foreign orders and ship the products internationally leverage a third-party service for international shipping. CBT may require less initial investment since it does not require ground operations or localized content, currency, pricing, payments, branding, or other components of the domestic website (although such investments can help drive conversion).

In the past, CBT was challenging due to the complexities of running global shipping services and the high risk of fraud. However, third-party providers, such as Borderfree, TradeGlobal and Bongo International offer services that provide localized checkout (such as calculating landing costs and converting currency), international shipping and fraud prevention.

#### Direct entry

Direct entry is established with a fully localized website (localized content, currency, pricing, payments, branding, checkout, etc.) and on-the-ground operations within



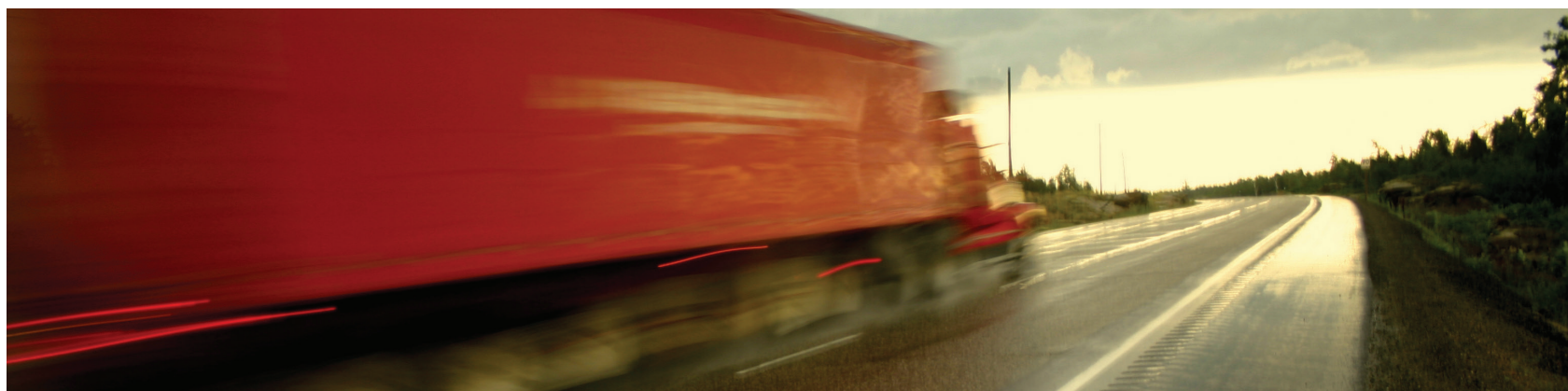
**A direct-to-consumer website makes sense for many brands as they expand into other countries.**

the country. Direct entry may be the most effective way to support and grow local operations long term.

For this option, brick-and-mortar retailers often leverage the established infrastructure—including physical stores—to support their online business. Retailers without established stores frequently outsource to service providers—including Accenture, PFSWeb or eCommera to provide end-to-end services for core business functions such as website development, order fulfillment, warehousing and customer service.

## ESTABLISH OPERATIONS

Once the retailer has defined a direct entry model, it will be necessary to establish operations within that country or region. This includes on-the-ground operations for fulfillment (shipping and warehousing), customer service, marketing, merchandising, localization and the best approach to organizational design.



### Determine fulfillment model

Retailers will elect in-country or regional fulfillment models based on the following factors:

- Maturity and capabilities of in-country logistics networks
- Ability to partner with local businesses with established distribution networks
- Consumer expectations around:
  - > Delivery service levels (i.e. same day, next day, etc.)
  - > Shipping options (i.e. free shipping, home delivery, in-store pick-up, etc.)
  - > Returns and exchanges (i.e. to a store, paid return shipping, pick-up at home, etc.)

In emerging markets—such as Brazil, Russia and China—there is a high likelihood that a combination of regional and local partners will be necessary to balance cost and service.

## Shipping

To select a shipping or delivery carrier, retailers should consider volume, coverage area and available service options. While one global carrier is ideal to match local requirements and contain costs, most carriers do not serve all markets. In such cases, or in cases of low volumes, a country manager or partner may identify local options and negotiate favorable rates.

Another important consideration when selecting a carrier is how it handles returns and exchanges, particularly in countries such as China, Japan and Russia, which use cash on delivery (COD). For instance, in China, COD is a common payment method and cash collection on delivery is normally handled by the shipping service. The shipping staff member delivers the product and waits while the consumer makes sure the product meets his or her needs and then pays for the product. The shipping service must be prepared to process payment upon acceptance of the product or be prepared to accept it as a return.



## Warehousing

The traditional distribution center decision was whether to establish local or regional facilities and operations. Now leading retail have expanded supply networks by supplementing regional or local distribution centers with drop-ship and store fulfillment options. This has lowered inventory carrying costs, increased fulfillment rates and expedited delivery times. Increasingly complex workflow requires tighter supply chain visibility and documentation of processes across partners in the network. For example, processes for receiving and storing, picking and packing, gift wrapping and post-purchase configuration must be defined, managed and monitored across the myriad of partners in the region.

## Integrate customer service

Customer service plays an important role in how a brand is perceived. Various communication options exist—including phone, live chat, email, social media, community forums—and preferences differ by country. For instance, Chinese consumers prefer phone and live chat communications. Given the prevalence of fake brands in the China market, they prefer to interact in a live manner to verify authenticity of the brand.

Regardless of which communication channels are supported, retailers should fully integrate them with the online experience to ensure local call center numbers, email addresses, or live chat options are easy to access. Customer service agents should also speak the local language(s) as consumers are generally more receptive to native speakers than to non-native speakers. Another factor is customer service

time windows. In more mature markets, 24 x 7 support is expected, whereas in less mature markets, a more limited window (i.e. 9am to 5pm) could be acceptable.

Retailers also must decide if customer service should be conducted centrally or locally. The preferred operational model is typically based on skill availability and how well resources serve the local market. To augment or replace this function, retailers should consider using end-to-end or third party logistics providers (3PL) partners that often provide customer service as part of their offering.

### **Implement a marketing strategy**

Marketing content and campaign timing must resonate with, and be relevant to, the target audience. Retailers must consider local holidays when timing store hours and promotions. They must also consider how local audiences may perceive special store promotions or sales. For instance, “percent off” sales may work well to draw in US consumers, but in other countries this type of sale may have negative connotations that imply the retailer is trying to unload distressed goods.<sup>15</sup>

Consumer preferences, product offerings and company resources influence a retailer’s marketing mix in any given country. In most cases, retailers will find a combination of direct marketing, online marketing and, increasingly, mobile and cross-channel marketing initiatives deliver the best results.

### **Online marketing**

Online marketing covers a broad spectrum of activities, including “on-site” and “off-site” initiatives:

- On-site marketing initiatives are used on retailer websites and include ratings and reviews, recommendations, search tools and personalization.
- Off-site initiatives are conducted through other channels such as email, social, search engine optimization (SEO), search engine marketing (SEM), online advertising and affiliate marketing.

Online marketing tactics vary by country. For instance, Chinese consumers tend to be highly social when shopping. They value ratings and reviews as well as recommendations on retailer sites. They also rely on local social networks such as RenRen and Weibo to get information about a brand. Chinese shoppers also heavily use local marketplaces, such as Taobao, and local search engines, such as Baidu, when conducting a product search. It is key for retailers to optimize for these sites and leverage SEM for customer acquisition.

### **Mobile marketing**

Mobile marketing is essential for reaching consumers in many markets, particularly in emerging markets where mobile devices have surpassed PCs as the main way to access the Internet and shop online. Local market websites should at a minimum be optimized for smartphone and tablet devices. Some retailers consider mobile native applications if the vertical and market are receptive. Retailers should also consider other mobile marketing techniques, such as SMS and mobile alerts, which can play an important role in engaging consumers.

Mobile increasingly plays an important role in many countries where shoppers utilize mobile devices to compare prices, make mobile payments, or bridge the online and offline experience. Retailers may also provide in-store mobile capabilities, such as endless aisle or mobile point-of-sale.

### Traditional marketing

Despite the rise of digital retail marketing, traditional marketing continues to play an important role in reaching consumers. Traditional marketing includes paper-based mailers, billboards, print, television advertising and telemarketing. Retailers should continue to leverage traditional marketing initiatives in countries where the digital infrastructure is still evolving, or where certain traditional channels reach a targeted audience (i.e. print fashion magazines).



### Determine merchandising mix

Retailers should establish merchandising guiding principles and policies to balance specific assortments that meet local needs with the complexity and cost of managing assortments on a global scale. Merchandising policies guide decisions on product assortments, allocation and replenishment, price and promotional strategies and product information to strike a delicate balance and suit local demand.

To appeal to customer preferences, manage costs and respond to competitive pricing, retailers should leverage local buyers to help select product, edit assortments and price and promote items. Buyers at headquarters purchase common products while local buyers purchase products in their categories for their country or region. For instance, Gap centralizes its global creative center in the US to develop a global product line reflective of global trends, but local merchandisers who are experts in the local trends in the country or region, buy what they perceive as most relevant to local consumers.

Merchandising and marketing best practices call for incorporating local preferences—such as online user features and navigation, page layout and product information—into the online experience. In some countries, online shoppers prefer to view many products per page with dense product information. In other countries, shoppers prefer a simpler, more stylized online shopping experience.

### Define a translation process<sup>18</sup>

Localization refers to the process of adapting a website to meet audience expectations in a targeted country. This usually includes language translation as well as modification of content and design to make the overall messaging more culturally appropriate. Language translation may be managed in-house, outsourced, or a combination based on market requirements. Retailers often start with in-house translation to manage lower volumes, and then migrate to outsourced as

global operations expand and become more complex and volumes grow. In-house translation requires professional, native speakers to manage translation accuracy, consistency and clarity of message. (See Table 1)

Model	Defined as...	Best for retailers that...
<b>Proxy</b>	A solution that translates existing website content into languages appropriate for local targeted audiences without requiring any direct integration with backend systems (i.e. eCommerce, content management system (CMS), or product information management (PIM)).	<ul style="list-style-type: none"> <li>• Desire minimal IT involvement</li> <li>• Lack internal IT resources to support solution</li> <li>• Desire rapid deployment</li> <li>• Intend to have source and target language sites be similar in terms of design, taxonomy and/or product mix</li> </ul>
<b>Integrated</b>	An integrated approach that manages, in an automated manner, the translation of content from a retailer's ecommerce system or any other systems.	<ul style="list-style-type: none"> <li>• Currently manage a complex translation process and wish to simplify</li> <li>• Need to manage differentiated online experiences across multiple geographies</li> <li>• Want to manage both source and target content in a single repository</li> </ul>

Table 1 <sup>19</sup>

If translation is outsourced, retailers should work with a vendor that provides the appropriate translation process. Two primary approaches exist—a proxy model or an integrated model.

Many retailers that outsource translation to a third-party adopt the integrated model, as it simplifies the process and provides optimal flexibility to localize content. While some retailers initially use the proxy approach, organizations tend to migrate to a more integrated approach once they have demonstrated a return on investment and can allocate existing or additional resources to manage the process internally. Either approach is viable and both provide benefits from reduced internal effort, project management and IT dependencies. Business requirements, timelines and budgets often dictate which approach is preferred.

Other translation recommendations include:

- Provide standard brand guidelines that can be leveraged across locales to help drive consistency in messaging. This includes fonts, color palettes, logos and guidelines for copy tone and content.
- Keep multimedia content, such as audio and video recordings, to a minimum or build in extra time for translation as this type of content often requires localized subtitles or voice-overs.
- Images used to promote products and promotions on a website, or in other offline marketing activities, can also impact a retailer's translations and localization strategy. All efforts should be taken to ensure that imagery not include embedded text. Text should be separated into layers to simplify and minimize the cost of translation.

- Keep website terminology simple and concise. Cultural-specific terms should be noted in a glossary and provided to the translation vendor. Simple terminology also enhances search engine optimization and allows translations to easily be reused.
- Factor in local laws or regulations that may restrict the use of certain terms or content. Some countries, for instance, do not allow negative advertising on websites.

### Determine organizational design

Organizational design—a combination of roles and structure—is critical to success. There are many nuances to organizational design, but balance is typically achieved by staffing with the right mix and number of people as well as structuring teams using an appropriate organizational model.

### Roles and Staffing

Specific roles required to support each country will vary by company. In general, however, the functional areas where the roles will work are IT Management, Marketing and Merchandising (Buying, Planning and Operations) (See Table 2). To acquire and retain talent in each of these functions is a challenge, particularly in countries with an under-availability of ecommerce talent. Retailers should take this into consideration and develop a staffing plan well in advance of entering a target country.

Function	Responsibilities	Skills needed	Number of staff	Options for staffing
IT Management	<p>Develop and deploy website. Manage design, workflows and features on the site.</p> <p>Maintain and update integrations.</p> <p>Manage software release cycles.</p>	<p>Web development.</p> <p>Business analysis and project management.</p> <p>Operational acumen.</p>	<p>A typical cloud-based ecommerce business may have 1-3 people in this area for up to \$25m online, 3-5 people for up to \$100m, and larger teams \$100m+.</p>	<p>In-house hires or use third-party resources</p>
Marketing	<p>Create demand.</p> <p>Drive customer loyalty.</p> <p>Engage socially with customers.</p> <p>Optimize conversion rate and overall shopping experience.</p>	<p>Online marketing experience: pay-per-click advertising, SEO, email marketing, social media.</p>	<p>Determined by marketing strategy/budget and marketing mix by country. A typical cloud-based ecommerce business may have 1-3 people in this area for up to \$25m online, 3-5 people for up to \$100m, and 5-8 for \$100m+.</p>	<p>A mix of in-house and/or third-party resources, including agencies.</p>
Merchandising (Buying, Planning and Operations)	<p>Buy products and plan inventory. Prepare products on the site.</p> <p>Manage and optimize product information and photography.</p>	<p>Background in ecommerce with knowledge of web-based content management tools. Traditional merchandising, buying and planning skills.</p>	<p>Determined by number of categories, countries and styles/SKUs, as well as yearly rate of catalog turnover.</p> <p>A typical cloud-based ecommerce business has may have 1-3 people in this area for up to \$25m online, 3-5 people for up to \$100m, and 5-8 for \$100m.</p>	<p>Generally best to staff directly, although third-party options exist, especially if back-end operations are also outsourced</p>

Table 2

### Organizational structure

To build an organizational structure that supports global operations, retailers must balance central control and local autonomy in a way that is cost-effective, easy to manage and effective at executing local preferences. While no single organizational model works for all retailers, four key models exist:

**Centralized:** All functions including site management, merchandising and marketing are centralized at company headquarters. This typically fails to cater enough to the local preferences.

**Regionalized:** All functions including site management, merchandising and marketing are centralized with a regional team that manages multiple countries. This has proven to work well short term, but tends to become more challenging to manage as the number of individual countries grows.

**Localized:** All functions including site management, merchandising and marketing are executed locally in each market. This tends to be very challenging and expensive to manage as well as difficult to staff.

**Hybrid:** Site management and marketing are managed centrally, but local input and execution provided by local resources.

Retailers have experimented with each of the models over the years, and have increasingly adopted the hybrid model – especially as their business grows in the country -- as it takes advantage of central technology developments and reduces redundant functions and associated roles in each country or region.

Often, organizations achieve their greatest success by reducing the complexity of centrally managed operations and gathering valuable insights regarding local needs.

Function	Role of centralized team	Role of localized team
<b>IT Management</b>	Establish a site template with the ability to swap in design, features and workflows for specific markets and localized content. Execute multi-site changes.	Recommend features and content for local markets. Execute local site changes (design, features, workflow) and localization of content.
<b>Marketing</b>	Establish and maintain global brand identity. Outline and manage marketing budgets. Coordinate local campaigns across different countries. Measure effectiveness of marketing programs by country.	Execute on local marketing efforts, such as promotional campaigns, public relations, SEO/SEM and online marketing.
<b>Merchandising</b>	Provide product assortments for all local markets. Forecast inventory and replenishment on global basis. Determine pricing strategy. Manage and maintain product information and photography. Coordinate translation process globally. Optimize site navigation and on-site search.	Determine local product assortments displayed on-site (categorization, sorting, etc.), work with local buyers to procure assortment. Localize product information and updates. Manage local translation requirements.

Table 3<sup>20</sup>



## Create a Technology Footprint

A retailer's ability to execute as a local brand is often determined by how well it is able to create a global technology footprint. This footprint—with the ecommerce platform at its core—impacts everything from the level of service provided to local customers, to how much time and effort the retailer will spend in managing technology. Key considerations include delivery model, site optimization and payment options.

### Determine delivery model

Retailers have two basic delivery models from which to choose when expanding globally: the on-premise model or cloud model. As the table below depicts, cloud delivery is ideally suited to enable rapid growth and expansion across multiple countries and regions—removing the technical and commercial barriers of traditional on-premise options.

With this hybrid model, central and local teams typically divide responsibilities as follows:

	Cloud	On-Premise
<b>Scalability</b>	Plug in. It already runs. Create new sites and enter new markets with speed; no additional license fees	Build it. Manage it. Maintain it. Repeat for each region. Requires time to create new sites and enter new markets; additional license fees required
<b>Business Agility</b>	One single instance for marketing and merchandising personnel to synchronize product, pricing, order and customer information across all sites worldwide	Multiple instances for marketing and merchandising to manage disparate product, pricing, order and customer information across different sites worldwide
<b>Technical Agility</b>	Simple front-end customization and robust backend configuration enable flexibility in creating localized experiences	Custom code managed and supported by retailer is burdensome and hindering the creation of localized experiences
<b>Innovation</b>	Enhancements are seamless, continuous, quiet and worldwide	Upgrades are expensive, slow, disruptive and on a country-by-country basis
<b>Operational Efficiency</b>	Efficient utilization of computing resources; dynamic allocation of computing resources to handle demand in countries around the world as needed	Less efficient utilization of computing resources; each instance built with computing resources to handle peak demand, much of which remains idle most of the time

### Optimize site performance

Site performance can often be a challenge for global ecommerce deployments. Distance between points of data delivery and the end user's device, infrastructure challenges within country and design techniques used on the site often cause latency in page load times. Poor end user experiences result in consumer abandonment and lost sales. This is a particular challenge in emerging markets such as China, Brazil

and India, where shoppers expect the same site speed and performance provided to North American and Western European consumers, which is difficult for retailers to deliver. Nevertheless, there are back-end and the front-end strategies to optimize site performance.

### Back-end optimization

Back-end optimization (BEO) refers to changes to system infrastructure—including the network, systems and data centers—to improve site performance. For efficiency, servers that host the site should be located in or near the country being served. The less distance the data has to travel, the less likely latency will occur. For instance, a retailer serving markets in APAC—such as China—should host the site within the APAC region—such as in Hong Kong—rather than in North America or Europe.

Some countries have specific infrastructure challenges, so the retailer must first ensure that the ecommerce provider's integrated content delivery network (CDN) will optimize content delivery and site performance for all global sites, including those with country-specific challenges.

In addition, to achieve optimal performance on all sites, minimize integration points with back-end systems. Common payment gateways, enterprise resource planning (ERP) and inventory systems should be utilized across as many markets as possible to minimize integrations. The BEO strategy is a critical component of the design phase to ensure peak performance.

### Front-end optimization

Front-end optimization (FEO) techniques are used to optimize the performance and delivery of front-end code (HTML, JavaScript, CSS) to the end user's browser. Poorly written front-end code is a leading cause of slow site performance, particularly in emerging markets such as China, Mexico and India where broadband penetration is low.

Good coding practices and other FEO techniques—such as reducing unnecessary code, compressing pages before they are sent to the browser and minimizing server requests as pages load—increase site performance. There are also tools on the market that help streamline FEO techniques<sup>21</sup>.



Applications and images that require large amounts of bandwidth should also be scrutinized for FEO purposes. For example, Rich Internet Applications (RIA) such as Flash require large amounts of bandwidth and should not be used for web development unless necessary. HTML5 is considered to be more effective and requires less bandwidth, making it an ideal tool for developing global sites. Image sizes can also be reduced—either manually or through an automatic adaptive resolution process based on end user connection speed and screen resolution—to reduce bandwidth and improve site experience<sup>22</sup>.

Third-party integrations, such as ratings and reviews or local social sharing/networking sites, require JavaScript tags that can slow page load times. This is particularly problematic in countries such as China that monitor content or have infrastructure challenges. A tag management solution, offered by a provider such as Tealium, can help alleviate this problem.

Furthermore, site performance can also be improved by reducing the number of links per page. However, local preferences must first be taken into consideration. For example, because Chinese characters can be difficult to type, consumers in China prefer to click on links when navigating. Many sites, such as YouTube and Twitter, are prohibited in China and should be avoided.

### **Establish platform global capabilities**

To conduct global commerce effectively, a global ecommerce platform requires select core capabilities. Specifically, the following capabilities are critical components of a global ecommerce platform:

#### **Multisite architecture**

Multisite architecture that supports quick creation and rollout of multiple country sites—each differentiated to meet local market needs and easily managed from one environment—will reduce complexity and increase efficiency.

It also provides a common code base, functionality and third-party integration to share across sites while allowing independent site configurations to meet local market needs. This commonality accelerates the rollout of global sites since functionality and integrations do not need to be created, designed, deployed and tested for each site. And the shared code can be re-used and configured as needed for each site. For example, a retailer's main site in the UK might have a checkout process that requires the billing address to come before the shipping address, but a secondary US site that requires shipping details before the billing. Through simple configurations, the US site can leverage the core UK code and modify it without developer resources.

#### **Content and data management**

Efficient content and data management is important not only for reducing cost, but also for shaping the experience to local expectations. An ecommerce platform should allow ease of management, control and synchronization of content and data—across categories, catalogs and sites—with both speed and accuracy.

The best practice is to centrally store and manage content and data—including images of products, pricing, inventory and customer information—and enable local teams to utilize it for execution. Central management of content and data streamlines operations, allowing changes to be made once and distributed to all sites more effectively. For example, if a product change is made to a retailer's master catalog, that change automatically propagates to all site catalogs.

Central management also improves information accuracy for the consumer. For example, if a single inventory pool exists for all global sites, this centralized inventory

**To conduct global commerce effectively, a global commerce platform requires select core capabilities.**

record should synchronize with all sites to ensure the product availability displayed to the consumer accurately matches warehouse availability.

### **Multiple currencies and multiple languages**

It is important that a retailer's ecommerce platform support several different language and currency options. From product pages to checkouts and promotions, all sites should display local currencies in local languages—even when multiple currencies and languages are used in the same region. Language support should include both single byte and double byte languages.

Currencies and languages should be managed across sites from a single instance. For example, a site for Korea must display in Korean with pricing in Won and a site for Brazil display in Portuguese with pricing in Real, all while managed from the same, single instance. The ecommerce platform should also support multiple languages and multiple currencies on a single site. For instance, in Switzerland it is common to have a single site that transacts in the Swiss Franc, but also displays prices in Euro. Swiss sites also need the flexibility to display content in three languages—German, French and Italian. Finally, site functionality should also support the automated display of a user's preferred language, based on the user's browsing history while visiting the site.



### **Localized marketing and merchandising**

An ecommerce platform must support design, navigation, assortment and promotion preferences of local consumers. For example, as noted earlier, Chinese shoppers expect many products to be displayed on the home page—along with robust product information. This often creates long, scrolling home pages that create a different shopping experience than US or Western European consumers have come to expect.

Key marketing and merchandising capabilities that enable retailers to utilize a central platform to execute local digital strategies are:

- Relevant promotions: manually input and configure special promotions based on timely customer insight, while also providing dynamic tools and capabilities, that allow merchandisers to create automated campaigns based on segments and promotion rules.
- On-site search results: configure on-site search to display results tailored to the consumer's geography and preferences. Ensure double byte language search result render with the same level of accuracy as single byte languages.
- Localized assortments: Utilize a master catalog that manages products company-wide and allows the creation of site-specific catalogues for merchandisers to offer assortments for particular markets.
- Local search engine optimization: Define site URL syntax, metatags, taxonomy and content for the local market to make it easier for the business to be found through local search engines.
- Marketing execution: include native or third-party capabilities to market to local consumers through email, social tools and other online capabilities.

## Granular roles & permissions

Company headquarters should maintain control over global retail ecommerce operations to ensure consistent brand identity across all sites. At the same time, local teams should act autonomously, directed by the needs of local consumers and local team preferences. A global retail ecommerce platform that provides granular roles and permissions enable retailers to strike this important balance between central control and local autonomy.

Platform capabilities should also allow a retailer to assign permissions to designated employees – based on role, level and geography -- to grant them the necessary access and control to manage all sites worldwide. This group of users could, for instance, be located at company headquarters and be established the primary team responsible for managing site set up and worldwide product assortments.

The system should also allow the setting of roles and permissions to grant local teams the authority to manage one or more sites. Each local team should be granted permission to authorize assortments, promotions, or content they wish to display to reach local consumers.

## Integrated collaboration

Global ecommerce teams are dispersed around the world, making collaboration a major challenge. For instance, a UK-based team typically has little interaction with the Australian team, even though such collaboration could tremendously benefit the organization. The platform should empower globally dispersed teams by allowing them to collaborate and thus work more efficiently. When ecommerce tools are integrated into a centralized virtual workspace, marketers, merchandisers and developers alike can share documents, videos, blogs, developer code and content and also utilize social networking capabilities. This centralized workspace harnesses the collective intelligence and skills of the team for more efficient identification and utilization of expert knowledge within the organization. Integrated collaboration also speeds up the on-boarding of new employees, accelerates time to market of global websites, and improves the consumer experiences through shared ecommerce best practices.

## Integrate payment management<sup>23 24</sup>

Payment management is a key consideration. Dramatic online sales lift is possible when retailers accept regional or country-specific payment types, but this can also present unexpected and complex operational challenges if not approached properly. There are many facets to consider around payment management, but the most important to consider are payment methods, local presence, taxation, checkout process, risk management, settlement and reconciliation and security and privacy.

### Payment methods

Payment infrastructure and payment preferences differ significantly by country and, therefore, should be determined by market preferences. For instance, unlike the US where credit cards are the most common method for online payment, other countries favor bank transfers, direct debit, or even COD. Credit cards, for example,

are not widely used in China. While their popularity is rapidly growing, cash-on-delivery remains their preferred online payment method. Retailers run the risk of losing transactions, customer loyalty and sales if they do not offer payment methods preferred by the consumer.

The payment types that retailers offer will also affect decisions on how to conduct business in a country, from order acceptance to fulfillment and reconciliation. For instance, a retailer may need to establish a corporate presence and local banking relationship, all based on the payment method and payment service provider (PSP) used. Order fulfillment processes may also be impacted if payment confirmation does not occur in real time.

### **Local presence**

A physical presence helps to control costs because retailers often receive more favorable interchange rates, which enables merchants to lower fees. A local presence can also help a retailer build relationships with local banks since these relationships are often exclusive and require local introductions. Depending on the country, payment method and type of rates being sought, a local banking relationship will also be necessary to set up a merchant account for payment processing.

### **Taxation**

Tax laws vary by country, but in general, a physical presence often results in the obligation of retailers to pay country taxes and also collect sales taxes or value-added taxes (VAT). Proper planning is necessary as tax implications can influence everything from the checkout process to the decision to operate regionally or locally. To minimize the tax burden, it is recommended that an international tax advisor be consulted.

Standards for collecting online sales tax also vary by country, making the calculation, collection and remittance of sales taxes quite complex. Taxation automation software aids tax calculation in certain countries, such as France, but in other countries, such as India, taxes to multiple local jurisdictions must be remitted, making automation difficult.

### **Checkout process**

Retailers should adjust the checkout process to support additional payment options and comply with local regulations. For example, to accept bank transfers, a retailer must display its bank account number and SWIFT codes, and also provide a reference number for the customer. Other payment types, such as direct debits, require customer authorization which can delay the placement of orders and settlement of funds. In such cases, modifications to the fulfillment process may be required.

## Risk management

Online purchasing patterns differ by country and payment type, requiring retailers to determine their level of risk while balancing the need to prevent fraud with the need to maximize sales. Payment risk falls into three wide categories:

- **Fraud:** customer use of deceptive information and/or misrepresentation of identity
- **Credit:** insufficient funds to settle customer accounts
- **Repudiation:** customer refusal to honor payment obligations

Existing tools in the retailer's domestic country likely require modification based on country and payment type. For example, tools used for card authentication may not be available in certain countries, and address verification services (AVS) are limited outside of the US, Canada and select western European countries.

## Settlement and reconciliation

The need to connect to different payment processors and add additional banking relationships creates complexity in existing reconciliation and settlement processes. For instance, it will be necessary to reconcile gateway and deposit reports against order information.

## Security and privacy

Security and privacy rules differ by payment type and according to country laws and regulations. For example, the US and many European countries have very strict payment privacy laws and PCI compliance and security rules with which retailers must comply. Detailed operation planning will be required to ensure compliance with the storage, management and security of customer information.

## GETTING STARTED

The unprecedented opportunity to reach consumers beyond traditional geographies is real, and barriers to global growth are falling. But that does not mean it is easy. Retailers can remove the uncertainty from going global by leveraging the global commerce framework outlined in this paper to create a comprehensive roadmap for global commerce expansion.

Get started today by contacting Demandware. Demandware's cloud platform helps retailers maximize results from global operations on any scale. And, through in-depth strategic consultation and support, our experts can help you determine where, when and how to enter new markets, create a technology ecosystem and establish local operations.

## ABOUT DEMANDWARE, INC.

Demandware, a leader in digital commerce, enables the world's premier retailers to move faster and grow faster in the changing face of retail. Demandware's enterprise cloud platform minimizes the costs and complexities of running global, omni-channel commerce operations and empowers retailers to respond with speed and agility to new market opportunities and continually evolving consumer expectations.

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