

# 7 Tips to Prepare for Global Expansion



- 1 Define your priorities and goals. Why are you expanding internationally?
- 2 Identify where you will go - which regions and markets present the best opportunity for your business?
- 3 Determine early on who from your organization will own the initiative and who will run it.
- 4 Evaluate how you will enter new markets and how you will satisfy customers.
- 5 Who will your customers be and how do they shop?
- 6 Build consensus around what you will offer to the customer to agree upon scope internally.
- 7 Craft a timeline for when and how quickly you will expand internationally.

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. And as worldwide online retail growth rates climb into the double-digits,<sup>1</sup> particularly in emerging markets like China,<sup>2</sup> Turkey and Russia,<sup>3</sup> it comes as no surprise that retailers are looking at global expansion as one of their top priorities for investment.

## 1 Define your priorities and goals. Why are you expanding internationally?

Retailers want to go global to capture new markets, fuel new revenue streams and customer bases. Ecommerce expansion goals vary by retailer, but some of the most common objectives include creating brand awareness and harnessing market insight, supporting existing brick and mortar presences, and driving brand consistency.

The first step in building a roadmap is to get clarity on the current state of business by researching and defining your regional brand awareness, business maturity and key metrics such as site traffic, conversion and sales by country.<sup>4</sup> A basic understanding of the local market is essential – this may come from an existing retail presence in-country, from selling product through an online marketplace or by testing the waters of selling overseas through cross-border shipping solutions. If your organization has not tested any of these options, this is a great way to determine local demand for your product.

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Retailers that have hit the ground running in new markets generally go through a careful planning process, identifying short, medium, and long-term priorities for expansion. Typically, the plans from year one to five evolve from heavily partner-supported operations to direct ownership, gradually introducing more in-house functions over time. If brand consistency is a key priority, a retailer may invest more time and effort in creating a fully localized and unique site experience per country. Whatever the current state is, shrewd organizations invest adequate time during the planning stage to set realistic and measurable goals.

## 2 Identify where you will go - which regions and markets present the best opportunity for your business?

A 2013 Global Retail Ecommerce Index scored China, Japan, the United States, the United Kingdom and South Korea as the top 5 candidates for global investment, based on a combination of factors, including online market size, consumer behavior, growth potential, and infrastructure.<sup>5</sup> However, considerations should go beyond growth forecasts and dive deeper into detail on how verticals perform online in other markets. A high-growth market could be a more appropriate target country for some retail categories than others. The same index shows that the opportunity for selling electronics is higher in China, where it constitutes 52% of online retail sales as compared with 13% in South Korea. In Western Europe, Germany saw 32% of total online sales for apparel, while France saw only 16%.<sup>6</sup> These category sales metrics reveal underlying differences in shopper behavior by country. In France, 50% of consumers research products offline before making a purchase.<sup>7</sup>

The target country's legal and regulatory rules must also be taken into account. A local business entity may need to be setup first in order to launch operations. In highly bureaucratic countries, this can require a long lead time.

## 3 Determine early on who from your organization will own the initiative and who will run it.

Who should own global planning and execution for the organization? Is it a single person or cross-functional committee? Some companies hire an internal consultant or project manager to guide the go-to-market process if multiple country rollouts are envisioned. Plans should account for workflow across sites, such as translated product data or promotional copy. As sales volume grows, additional head count with local expertise may be justified. And if multiple countries will be launched, advance planning for organizational design should be considered – will additional resources be added in the central office or will a new regional or local office need to be opened?

Executives at a recent global roundtable universally agreed that marketing and merchandising activities were the most essential functions to be managed within local markets, in order to tap into local sentiment and help the brand to take hold in a new market.<sup>8</sup>

#### 4 Evaluate how you will enter new markets and how you will satisfy customers.

The most important decisions here involve assessing the organization's current partner portfolio for global readiness. Which existing vendors can support global expansion and which are equipped for local support only? Does the company's current ecommerce platform support global delivery and hosting? What about localization? Can existing catalog and product content be easily translated on the site? How will the current platform handle multiple currencies and country-specific pricing? When making this assessment, keep in mind the full roadmap of regions in scope. A broader rollout can also be streamlined through a partner mix that can support worldwide ecommerce in areas with the most regional differentiation, such as payment management and taxation.

##### **Deckers Footwear is operating 15 websites across five brands in the US, Canada, Europe, Japan and China.**

*"Ecommerce is a very important part of our business and is fuelling global growth. It is also helping us adapt more quickly to changing demands and local needs. We can now easily deliver localized experiences."*

-David Williams, Director of Online EMEA, Deckers

Working with a partner who has conducted business in the country can speed up time-to-market significantly. One executive explained that by developing a close relationship with an implementation partner for projects in Russia — including spending a lot of time in-country with that partner — he was able to define the technology and his on-the-ground partners were able to help the company get to market in half the time.<sup>9</sup>

In addition to technology partners, new marketing vendors may be needed to provide regional expertise. Channels such as marketplaces, search engines and affiliates can vary widely by region and country, and if local resources are managing the new site, local marketing relationships may be preferable from a workflow, language and cost perspective.

To satisfy the expectations of local customers, organizations will also need to review their logistics and fulfillment operations. International shipping is now the most common way to begin with a global strategy. This is done either through existing mail carriers or using a solution such as Borderfree, Pitney Bowes or TradeGlobal, which can handle basic on-site localization, i.e. currency conversion, and logistics for customers.

In order to satisfy the expedited delivery timeframes customers have come to expect from shopping online, retailers may want to consider fulfillment through existing in-country retail stores or an end-to-end provider, as cross-border shipping can take weeks. This may prove more cost effective in the immediate term by eliminating the need for large capital projects like setting up warehousing facilities.

#### 5 Who will your customers be and how do they shop?

Understanding the demographic and cultural markers of your new customer base is an essential step in entering new markets. Many brands perform surveys to capture their own insights and use them to inform who their local competition is, where unique differentiators may reside, and how these translate into modified market positioning and strategy.

Nuances, large and small, can be key to local success. An example is payment methods. Outside of the U.S. and U.K., these are not dominated by credit cards. In China and Japan, popular online payment methods include a "Cash on Delivery" option. By not offering the options consumers wish to use for payment, retailers risk high abandonment rates. Common challenges include failing to localize address and name form fields. In Brazil, for example, tax ID numbers are a necessary part of addresses for customs clearance.<sup>10</sup>

Many industry resources have published country best practices, though learning the market firsthand through in-person visits may be the most effective way to assess needs. For example, an ecommerce leader from a luxury brand based in NYC took her entire management team to China for a two-week fact-finding mission to truly prepare her organization for expansion to a new market. The mission included meetings with partners, subject matter experts, and other organizations with existing operations in the region.<sup>11</sup>

## 6 Build consensus around what you will offer to the customer to agree upon scope internally.

Projects run off the rails as scope creeps in. Prevent this by defining core requirements across stakeholders from the start. Ask key questions of each function to estimate level of effort, including:

- **Merchandising:** Can existing product images and copy be used as is in the new country? If seasonality varies, such as in Australia, last summer's assets can be leveraged when their season hits. However, Australians do not like to read US English and therefore localized content may need to be developed. Similarly, if imagery is very Western focused, it may not perform as well in Eastern markets. A tall, blonde model may not resonate in the same way.
- **Site Development:** Will customers be offered a fully localized, dedicated country site or a single, multi-currency, multi-language site? The latter poses advantages for retailers considering entering more than one country by keeping site operations tasks to a minimum.
- **Marketing:** Will prices, promotions and merchandising stay consistent with the flagship site? Everything from the holiday calendar to sales tax and shipping costs to mobile usage can impact your marketing opportunities within a region. Even more important than the channel or the distribution method is the message itself: countries like Japan are not as promotionally oriented as the U.S., so most successful retailers refrain from pushing too many big promotions in a year. No two places are alike, so make sure your marketing mix is appropriate for and relevant to the local culture.<sup>12</sup>
- **Operations:** Will expedited shipping be offered and can the fulfillment partner deliver on it? Expedited shipping options may be more difficult to offer in emerging markets where perhaps infrastructure is not as established.

Quiksilver rolled out 37 ecommerce websites with mobile capabilities across 3 brands in 14 countries within seven months.

## 7 Craft a timeline for when and how quickly you will expand internationally.

The last piece, which is dependent upon an understanding of all the global expansion components outlined above, is to prioritize which countries will be launched and when. An appropriate launch timeline will take into consideration the complexity of the target market, country-specific planning and discovery, a site launch plan, an operations plan and any broader local marketing initiatives that will increase brand awareness and drive traffic to the new site.

### ABOUT DEMANDWARE

Demandware, the category defining leader of enterprise cloud commerce solutions, empowers the world's leading retailers to continuously innovate in our complex, consumer-driven world. Demandware's open cloud platform provides unique benefits including seamless innovation, the LINK ecosystem of integrated best-of-breed partners, and community insight to optimize customer experiences. These advantages enable Demandware customers to lead their markets and grow faster.

To learn more about how ecommerce peers have gone global, contact Demandware at [info@demandware.com](mailto:info@demandware.com).

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