Discovering Your Global Commerce Opportunity

An Assessment Tool for Growth in International Markets
There have never been more people on this planet buying goods on digital channels.

Total worldwide digital commerce will hit $2.35 trillion in 2017, according to Statista.\(^1\) It’s no wonder, then, that retailers and brands are looking to global expansion as a key growth driver for their business.

At Salesforce Commerce Cloud, we help leading brands do just that. Our team of commerce experts has worked with dozens of retailers, steering them through all the phases of global expansion. This extensive experience has informed this report.

Technology has removed borders from modern ecommerce, as evidenced by the number of online shoppers buying goods from outside their home country. According to an October 2016 study of 13,000 shoppers in 13 countries by Pitney Bowes,\(^2\)

66% of shoppers who have ever made a domestic online purchase have also made an online purchase from another country.\(^3\)

In addition to strong, established economies in the United States and across much of Europe, ecommerce is rapidly emerging in Asia and Latin America. The ubiquity of fast internet connectivity and enhanced logistical operations on a global scale have made this possible.

\(^{1}\) Worldwide Global eCommerce Market, Statista
\(^{2}\) Majority of Global Consumers Shop Cross-Border, October 2016.
Global Ecommerce Business Opportunities

An examination of the distribution of business-to-consumer (B2C) digital order volume globally reveals many major business opportunities. Market volumes in the United States, Europe, and China were nearly the same size in 2016, but the highest growth rates for the next five years is predicted in the Far East.

A 2016 report by the Economist Intelligence Unit cited geographic expansion as a key driver for growth. Indeed, many of the high-performing retailers surveyed for the report are implementing growth strategies beyond the borders of their home markets.

After a retail brand determines that they need or want to expand their business globally, the next questions are where and how? There are myriad challenges and considerations, not the least of which is understanding what those challenges and considerations actually are. Which markets will give you the greatest opportunity for growth? What are the barriers to entry in those markets? Do you partner with local providers or put your own stakes in the ground? When does the investment and risk outweigh the potential reward?

This guide highlights the key considerations for global expansion of your ecommerce business, and provides an assessment tool that will help you determine which markets are worth the investment of your precious resources. While the country statistics are gleaned from third parties, the best practices are based on our extensive experience helping global brands grow by expanding their business beyond their home country.
How to Identify Your ROI Opportunities in Target Markets

We’ve prepared an assessment tool that you can use to estimate ROI for key markets around the world. This assessment tool picks up the major aspects covered in this guide:

1. **ASSESS YOUR BRAND AWARENESS (LOW/MEDIUM/HIGH) IN EACH TARGET MARKET**
   Check your analytics on how many visitors and conversions you already get from respective countries. Consult Google Trends to get insights into how frequent your brand name is searched around the globe.

2. **CONSIDER THE PHYSICAL FOOTPRINT THAT ALREADY EXISTS IN NEW COUNTRIES**
   Think of wholesalers that carry your product, distribution partners, marketplaces and, of course, your own store network.

3. **REVIEW YOUR PARTNER LANDSCAPE**
   Do you have key partners with strong expertise in a certain region? If so, mark those cells as high.

4. **THERE MIGHT BE MORE TO CONSIDER**
   Is your company planning a big market launch or is it involved in an acquisition? Are there strategic guidelines to execute? Add your thoughts in this last column and color-code the cells based on significance.

Use the information gathered after reading this guide to fill out the assessment tool and prioritize your market opportunities.
Identify Market Potential and Maturity

There is no shortage of information about the digital transaction volume (and ecommerce opportunity) for all countries. But those numbers only provide a basic starting point. Retail brands also need to consider other crucial factors: How many people live in a particular country? How wealthy, or not, are they? What are the demographics? How stable and deeply penetrated is the technology infrastructure? Are there geopolitical considerations? And much more. When discovering this information, keep in mind that countries differ dramatically along verticals and in their demand for foreign brands.

Taking a closer look at what the competition is doing in a certain country is always an effective way to learn about specific business opportunities and challenges. For example, are the biggest competitors local brands or established global players?

The CIA Factbook is a valuable source of information to compare countries at a very granular level. For example, if a brand’s business is selling baby apparel and gear, they’d need to know about a country’s female median age, birth rate, and fertility rate to get a more accurate estimate of the size of the potential market.

In short, brands need to understand the metrics that help them make sense of the demographic factors that are relevant to their business.

The Chinese ecommerce market is the largest in the world, but it’s difficult to estimate the addressable share for your particular industry among its people. For example, high-quality kids fashion and toys might match a sweet spot for your brand, while it may be much harder to compete in consumer electronics against local Chinese brands.

<table>
<thead>
<tr>
<th>Country</th>
<th>Mobile Share of Ecommerce 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>52%</td>
</tr>
<tr>
<td>Japan</td>
<td>51%</td>
</tr>
<tr>
<td>Australial</td>
<td>45%</td>
</tr>
<tr>
<td>South Korea</td>
<td>44%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>39%</td>
</tr>
<tr>
<td>Germany</td>
<td>38%</td>
</tr>
<tr>
<td>USA</td>
<td>36%</td>
</tr>
<tr>
<td>Spain</td>
<td>35%</td>
</tr>
<tr>
<td>Italy</td>
<td>30%</td>
</tr>
<tr>
<td>France</td>
<td>28%</td>
</tr>
<tr>
<td>Russia</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: Statista
Along with the market potential, retail brands should analyze the overall maturity of the market. Are consumers in a targeted country at the beginning of their digital journey? It could be a worthwhile strategic investment to be one of the first digital players before others claim the pole position. In reverse, mature markets in Europe might already be dominated by local competitors in your vertical. If growth rates are lower, brands need to build an action plan on how to not only land in a market but also how to take market share from local competitors.

Even with relatively low ecommerce penetration in some Southeast Asian countries like Thailand and the Philippines, the region gets a lot of attention. Forecasts call for a compound annual rate of growth of at least 20% until 2020, nearly three times the growth rate in the United States.

**KEY TAKEAWAYS**

- Do your homework. Each market (even in Europe) is very different and requires independent analysis.
- **CIA Factbook** and **Statista** are good sources of data.
- Consider the competition, metrics, and market maturity.

**WORLD’S MOST POWERFUL ECOMMERCE MARKETS IN 2017**

<table>
<thead>
<tr>
<th></th>
<th>EUROPE</th>
<th>U.S.</th>
<th>CHINA</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2C Ecommerce Volume 2017</td>
<td>$310.3B</td>
<td>$353.7B</td>
<td>$470.1B</td>
</tr>
<tr>
<td>Ecommerce Penetration Rate</td>
<td>58%</td>
<td>78%</td>
<td>52%</td>
</tr>
<tr>
<td>CAGR 2016-2021</td>
<td>8.8%</td>
<td>8.5%</td>
<td>17.4%</td>
</tr>
</tbody>
</table>

Source: Statista
Understand the Challenges

As soon as you decide there is a business opportunity in a certain country, you need to consider the challenges before you put feet on the ground. It is relatively easy for a European brand to sell to other EU-countries, given the union between them. But the same is not true on other continents. A U.S.-based retailer looking to Canada, for example, needs to start thinking about customs, duty, and taxes. Taxes can become very complex in Canada depending on the retailer’s legal status in certain provinces. It is absolutely crucial that you factor in this and the other considerations listed here when evaluating target markets.

Internet and Consumer Regulations
If a U.S. retailer wants to establish a digital business further abroad, e.g., in South Korea or Brazil, complexity increases even more. First, consult legal and finance departments to get an understanding of how legal requirements may impact you. For example: If you want to step into China’s ecommerce market, you need to consider how internet and consumer regulations can ensnare your operations. Depending on your operational model for this market, you may need local legal entities to represent your interests.

Currency
In other countries, like Russia, you may face a very volatile currency. If you are going to price in local currency but want to capitalize in your home market, you need to watch exchange rates carefully and may even consider evaluating risks and potential insurance options.
In addition, it can be helpful to follow ongoing developments in politics and society – and how those might impact your ecommerce activities.

**Infrastructure**

The complexity of a market is also determined by the level of local infrastructure. China is centrally-governed so it has a much better carrier infrastructure compared to India – which paradoxically was named by A.T. Kearney\(^3\) as the having the world’s most promising retail market opportunity – but is a country that has yet to develop a concept of unified street names and zip codes. Fraud, which is practically non-existent in South Korea, is a bigger issue if you ship to consumers in Mexico or Russia.

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**KEY TAKEAWAYS**

- Each market has its own unique challenges. Make sure you understand them.
- When evaluating target markets, be knowledgeable about regulatory and geopolitical issues that may impact your business.
- Complexity is determined partly by the level of sophistication of the local infrastructure.

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\(^3\) A.T. Kearney 2017 Global Retail Development Index.
Determine Payment Options

Payments are a critical part of your ecommerce site, and are made more complex by the diversity of payment types, preferences, and rules by country. For example, according to a 2016 Worldpay report, Chinese consumers value a convenient mobile payment experience above all else, while shoppers in the Netherlands prize consumer protections. For shoppers in the United States, Germany, and Japan, speed and convenience is key.

Many Latin American countries use a payment system called DineroMail, in which after making a purchase shoppers are directed to a DineroMail site to print a payment slip. They then take the slip to an Oxxo or 7Eleven convenience store to make a payment.

The point is that retailers must understand and offer the best payment mix for their target markets.

EMEA LANDSCAPE: DIVERSITY OF PAYMENT METHODS BY COUNTRY

Source: Data from selected Commerce Cloud sites
DETERMINE PAYMENT OPTIONS

There is a lot of information about local payment methods, and no shortage of payment service providers offering services. Having worked with dozens and dozens of retailers and brands to help them expand internationally, Salesforce knows two important things that are often overlooked:

- **CAPTURE AND SETTLE**
  When it comes to foreign payments it is important to think of capture and settle. It is relatively easy to capture Chinese RMB via Alipay, but much more complex to settle these funds domestically to your local entity. Especially during the investment phase, you can spend a lot of money on currency exchange fees if you pay local partners and employees in local currency but have digital revenue settled in your home country.

- **LOCAL BANKING**
  You may need a local bank account abroad, so be sure to complete the entire application process as soon as possible. Neglecting to do so could delay your website launch.

See the effort associated with offering **country-specific payment solutions** in the top markets.
Identify Localization Efforts

In addition to the potential entry barriers, there are more considerations when targeting consumers abroad and delivering a winning localized experience such as language nuances, address formats, and the ordering process. Keep in mind that trust is a critical factor in ecommerce, far more than retail in general. By hitting the “order now” button, consumers are entering a contractual relationship with a brand. Although a shopper abroad might be able to read and speak English, she might not feel comfortable accepting terms and conditions that are not in her native language. Foreign language is tough enough to master, and is made more challenging by bad translation quality. In fact, Salesforce has seen that poor translation is the number one hindrance to conversion on foreign websites.

Language Nuances

Even brands expanding into English-speaking countries need to be aware of the nuances between American and British English. It starts with small differences for your color/colour filter to different vocabulary, especially for fashion retailers. A “sweater” in the United States is a “jumper” in the United Kingdom, while men’s underwear are “briefs” in the United States and “Y-fronts” in the United Kingdom.

Address Formats

Although language is the most important factor for localization, there are additional considerations when building a truly localized shopping experience. When creating an assessment tool for launching in a certain market, keep the varying level of effort in mind. For example, be aware of different address formats, and reflect them during your checkout process.

The table here lists various Salesforce Commerce Cloud offices across Europe. You can see how patterns differ from country to country.

ADDRESS FORMAT EXAMPLES

<table>
<thead>
<tr>
<th>Kingsfordweg 151 1043 GR Amsterdam The Netherlands</th>
<th>Erika-Mann-Str. 57 80636 München Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>36, Avenue Hoche 75008 Paris France</td>
<td>240 Blackfriars Road London, SE1 8NW United Kingdom</td>
</tr>
</tbody>
</table>
Checkout Process

It is not just the format, but also the order of your checkout steps: Be aware that UK consumers expect to provide their shipping address first, followed by an alternative billing address. German consumers primarily want to enter their billing address first. While in China, consumers are not used to typing their addresses at all, as local best practice provides a province drop down followed by an auto-populated city drop down, and finally the selection of the street name.

Usability Best Practices

There are additional UX challenges when setting up shop outside a home country, like right-to-left reading direction in Arabic countries, or the expectation of much more detailed landing and product detail pages in East Asia.

Brands should investigate how far they want to go to support these country-specific UX best practices. Several brands even invest in altogether separate product photography, e.g., having products featured by Asian models in Asian countries or, specifically in China, providing close-up photography of stitches and labels to prove authenticity of products.

Compare the homepage of the country’s top search engine – Google U.S. and Naver Korea. The different cultural and design approaches are easily recognizable.
Campaign Approaches

Campaigns might need a local makeover, too. Some countries start end-of-season sales sooner or later than others. Climate conditions might trigger the need for warmer clothing in different months of the year or, if a brand is expanding to the southern hemisphere, turn whole seasons upside down.

While the Thanksgiving week around Black Friday is truly the shopping peak for the United States and parts of Europe, the same is not true in other parts of Europe or Asia where local events are much more important – and should be reflected in your local campaign calendar.

But there are limits, especially around the danger of over-localization. Hollister, for example, wants to express a Californian way of life. They stick with U.S. models in Asia and generally don’t adapt marketing to local patterns or preferences. An Asian-style website designed for the cultures expectations would turn the aspired brand image upside down.

**A rule of a thumb: Localize your services and the language portions that are key for checkout and conversion, but keep your brand experience close to your core brand values.**

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**KEY TAKEAWAYS**

- Language is only one component of localizing a site, but must be precise. Poor translation is the top hindrance to conversion.
- Be aware of different address formats, and right-to-left reading direction in some Arabic countries.
- Consider localized photography.
Determine Brand Awareness Effort

In 2012, Abercrombie & Fitch (A&F) opened their first store in Hong Kong. From day one, the crowd was queuing to get into the store and check out the merchandise. But not every brand is that widely known around the globe, and developing brand awareness in new markets will become one of the major tasks when going global.

Brand awareness should be factored into your market prioritization exercise as an important figure. For A&F, it was a safe bet entering the Hong Kong market: consumers there already knew the brand and were eager to shop with them.

Brands should consider the time, effort, and resources required to introduce themselves and establish a brand identity and customer base from scratch.

Analytics

Ecommerce is a global game, and you might already have a lot of international consumers shopping on your domestic site without specifically supporting them. Consumers, especially in Asia, are creative with cross-border shopping by using freight forwarders and payment concierge vendors. Services like www.shipito.com enable global consumers to get a personal U.S. address. Analyze your order data and scan for physical locations that are shared across dozens of different customers.

Many Commerce Cloud brands leverage partners like Borderfree/Pitney Bowes for cross-border fulfillment. Such a setup allows them to serve consumers all around the globe without investing in legal entities or figuring out international shipping, taxes, and duties. From an end-consumer perspective, there are a couple of downsides compared to country-specific ecommerce sites. But this approach allows brands to test the waters along multiple markets without facing complex investment cases.
DETTERMINE BRAND AWARENESS EFFORT

When prioritizing which markets to enter, search for consumers abroad that know your brand or engage with it already. Try to capture as many data points possible. Looking into your own web tracking data provides an overview from which countries people browse your site. But be aware, especially in Mainland China, that many people use a VPN connection when browsing foreign websites. These mask a user’s physical location for use in analytics reports.

If a brand has non-transactional sites in countries being considered for ecommerce, analyze web traffic volume and trends, but also referrers and social signals in these markets. If you offer marketing sites in multiple languages, make sure to track and analyze which language versions are viewed, so that a "need to translate" determination on the ecommerce site can be made.

In addition to analytics data, Google provides powerful insights. For example, a search for brand name or product names on Google Trends will uncover a map that breaks down regional interest. ThinkWithGoogle and other services might support you further. Be aware that Google will only provide insights for countries where consumers use its search engine and other services. Without significant market share in China or South Korea (both huge and fast-growing markets) Google’s data is not reliable.

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**KEY TAKEAWAYS**

- Determine level of brand awareness before setting up shop.
- Analyze your order data and scan for physical locations that are shared across dozens of customers.
- Examine your web tracking data to determine from which countries people browse your site.

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**Determine your brand awareness effort.**
Having a physical presence in a new market makes it easier for brands to enter those markets, so if a brand already has operations outside their home market, those countries should be the priority. Make sure to align ecommerce plans as closely as possible to the store network. It starts with taking simple steps like promoting the website to store shoppers by naming the website on branded bags, store receipts, and in the shopping window.

**Operations**

It is always important to distinguish if you are operating overseas stores or relying on a distributor. Although distributors can help accelerate global growth, retailers will experience limitations at a certain point. Namely with cross-channel unified commerce, which is only doable when a single organization manages the people, processes, and technology to deliver a 360-degree shopping experience.

If a brand already offers online to offline (O2O) services in your home market, (reserve online, deliver to store, or digital services in store) these services should also be offered in other countries.

Many countries outside the United States have wholeheartedly embraced O2O services over the last few years. In fact, consumers in the UK, continental Europe, China, and South Korea take concepts like “buy online, return in store” for granted. Particularly in shopping destinations popular with tourists – Hong Kong, Seoul, and Singapore – brands need to make sure that travelers can pre-order online and pick up in store, or get unavailable merchandise quickly delivered to their hotel room before they leave the city.
LEVERAGE THE STORE NETWORK

A store network can also accelerate service for online-only consumers. Most brands will start their European or Asian expansion with multiple distribution centers spread across the region. With that, shipping might be faster compared to deliveries from your headquarters, but will still require customs and air shipping. Some brands have taken the opportunity to transform their in-country flagship stores into mini distribution centers to ship from the store. This provides the ability to deliver ecommerce orders along all major locations within 1-2 days of shipping time sent domestically by a local carrier.

If a retailer runs their own oversea stores, they likely already have people with expertise in the market. Store and retail managers can provide valuable insights around cultural conundrums, the competition, and target audience(s). Local knowledge and the ability to negotiate potentially needed local contracts are a huge benefit.

KEY TAKEAWAYS

- Having a physical presence makes it easier to enter that market.
- If you’re already offering online to offline services (i.e., click and collect) in your home market, these services should be offered in other markets.
- A store network can accelerate service for online-only consumers.

Already have stores? See if you’ve increased your ROI opportunity score.
Tap into Partner Expertise

In addition to building your own physical footprint abroad, retailers should leverage existing vendors and their international expertise. Along all expansion projects with Commerce Cloud customers, the digital website is not the bottleneck. Why? It takes much more time to set up tailored operations and processes with a third-party logistics provider (3PL). Typically, issues arise in regard to housing inventory, integrating with local carriers and payments, and many of the other aspects covered in this guide.

Before contracting with new partners, retailers should check if their existing 3PL has a strong subsidiary in Europe, and if, for example, a current payment gateway also supports payments in Latin America. It is recommended to run a full assessment with all your existing vendors and interview them about their capabilities or partnerships outside your home market. Retail brands will learn a lot from this exercise and might be surprised what regions your partners span, or which contacts they can introduce you to.

System Integrators

System integrators (SI) also play an important role. Some SIs are very experienced in building ecommerce sites for emerging markets, while others are still building their international knowledge. Make sure that your partner brings the appropriate expertise or subcontractor experts in-region to deliver a project that meets your quality requirements.
Make sure that all third-party systems and services will meet local requirements, lest they be replaced with a local solution. Maybe your homegrown CMS struggles with European umlauts or is unable to consume Asian characters. Maybe you leverage Google services like Analytics that will most likely be blocked in China. Or you have Apple Pay integrated as a payment option for mobile, but this service isn’t yet available across all European countries.

**KEY TAKEAWAYS**

- Run a full assessment of your existing vendors, inquiring about capabilities and partnerships outside your home market.
- Make sure all third-party systems and services will meet local requirements.
- It takes much more time to set up tailored operations and processes with third-party logistics providers than it does with Commerce Cloud.

Determine the impact of a partner network on your expansion plans.
Most Important Learnings From the Last 18 Months

**IMPORTANT LEARNINGS**

1. Company culture is the most difficult thing to change – but one of the most important.

2. Things that normally take more time than expected:
   - Negotiating contracts
   - Setting up fulfillment processes
   - Payment integration

3. Fast decision processes are key to reach launch dates.

4. Focus early on topics you cannot control – opening a standard bank account could stop the project.

5. Gain and maintain the commitment and trust of management.

6. The team is key – celebrate your success!

**PITFALLS TO AVOID**

1. Thinking ‘locally’ instead of globally.

2. Undervaluing and underestimating the complexity of translations.

3. Europe is not one homogenous market – it’s eleven smaller markets forming one that is the size of United States – but each one needs attention.

4. Even with Salesforce Commerce Cloud there is no such thing as ‘just copying’ a site to launch.

5. Forgetting to take data privacy regulations into account.

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See how PUMA rapidly expands its online presence with record-breaking results.

Complete the assessment tool to identify your unique market opportunities.

GET STARTED