

# KEY FINDINGS FROM THE 2018 E-RETAILER GLOBAL EXPANSION REPORT

How retailers and brands, large and small, are taking advantage of a growing array of channels to reach the world's online shoppers.



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# OVERVIEW

# THE INTERNATIONAL OPPORTUNITY

International e-commerce is already big, and many companies see it as an important source of growth

Many consumers around the world are shopping on retail websites outside their home countries, looking for goods they can't find at home, better prices or products they trust. Retailers and brands increasingly are seeking to serve these global shoppers, and the prospects for growing sales and profits from international e-commerce have never been greater.

Already, 72 of the Top 1000 retailers in North America by online sales operate websites outside of the United States and Canada, according to Internet Retailer research. And those sites account for more than 23% of their web sales.

That number, however, is skewed by leading e-retailer Amazon.com Inc., which operates 12 non-U.S. e-commerce sites outside of the U.S. and Canada, nine of them with online marketplaces where other merchants and brands can sell. Amazon generates nearly half of its retail-related revenue outside of North America and accounts for 70% of U.S. Top 1000 retailers' international sales. But, even without Amazon, other U.S. Top 1000 e-retailers generate

## GLOBAL IMPACT

Share of U.S. Top 1000 retailers' web sales outside of North America

Amazon	48.8%
Rest of Top 1000	8.8%

Source: Internet Retailer. Excludes sales in U.S. and Canada

## HOW COMPANIES VIEW INTERNATIONAL E-COMMERCE

Percentage of respondents who agree or strongly agree with each of the following statements: International e-commerce is...

A critical source of our e-commerce growth in the future	80.0%
Too complex and not worth the effort and resources	3.6%
Too risky due to fraud, counterfeit products, political risks and other aspects largely beyond our control	9.1%
Too long of a financial payback or path to profitability	12.7%
Suitable for us because we have many international customers and followers of our brand and products	78.2%

Source: Internet Retailer/Global E-Commerce Leaders Forum survey, April-June 2018

\$28.5 billion in annual web sales from outside of North America, nearly 9% of their web sales.

Top 1000 retailers also are increasingly reaching global shoppers via web marketplaces, not only those operated by Amazon and eBay Inc., but also such shopping sites as JD.com and Alibaba's Tmall in China, as well as Mercado Libre in Latin America.

And the most common way that North America's top online retailers serve global consumers is simply by taking their orders on the retailers' primary websites and shipping merchandise abroad. Nearly half of the Top 1000 fulfill orders to consumers in such major European markets as the United Kingdom and Germany, and more than a third to such countries as China, Russia and Mexico.

### ‘A critical source of growth’

That doesn’t mean international e-commerce is easy, as demonstrated by the results of a 2018 survey of 111 retailers and brands by e-commerce publication Internet Retailer and the Global E-Commerce Leaders Forum, an organization dedicated to helping retailers and brands sell internationally via e-commerce.

Survey respondents pointed to such hurdles as regulations that vary by country on product safety, marketing practices, customs and taxes. Language, customer service and fulfillment all present challenges, they say. And there is a relatively new factor: More governments are tightening customs regulations or introducing new fees as they see more parcels arriving for their citizens from international websites.

Despite these hurdles, among those engaged in international e-commerce nearly 48% reported 2017 growth in overseas web sales of at least 15%. And while 4% called e-commerce beyond their home countries not worth the effort and nearly 13% said the path to profitability appeared too long, 80% of respondents called international e-commerce “a critical source of our e-commerce growth in the future.”

Notably, in a separate question, 78% called international online sales “suitable for us because we have many international customers and followers of our brand and products.” That underscores that the retailers and brands likely to have the most success selling globally are

### BRAND RECOGNITION OFFERS AN EDGE

On a scale of 1 to 5 where 1 is “totally disagree” and 5 is “totally agree” respondents rated their opinion of the following statement: International e-commerce is suitable for us because we have many international customers and followers of our brand and products.

Totally disagree **3.6%**

Disagree **3.6%**

Neutral **14.6%**

Agree **41.8%**

Totally agree **36.7%**

Source: Internet Retailer/Global E-Commerce Leaders Forum survey, April-June 2018. Percentages exceed 100% because of rounding.

those many online shoppers already know or are finding through search engines or social media. Global e-commerce leaders tell GELF’s researchers that they are broadening their use of “discovery” tools like search and social to include messaging platforms like WeChat to connect with international consumers.

The survey sample was not scientific and likely skewed toward companies investing in international online sales, given that 80% of survey respondents say they sell online outside of their own market while only about half of Top 1000 retailers do so. Even with that tilt toward global, however, many report relatively modest overseas online sales: 53% of respondents say international revenue represents less than 10% of their total e-commerce sales.

That suggests many companies are still at an early stage in marketing to global online shoppers. In fact, 54% of survey respondents

have been engaged in international e-commerce for less than five years.

While it is still early days for international e-commerce, many North American retailers and brands report that selling globally via the internet is easier than ever. Among the factors

opening the door to international web sales are the growth of online marketplaces that provide an avenue to reach millions of shoppers, improved services from vendors for handling everything from customs clearance to fulfillment and the growing comfort among shoppers the world over in shopping online.

## Q&amp;A

An executive conversation with  
**Cynthia Hollen**,  
eShopWorld  
President, U.S.

**Why should a North American e-retailer reach out to global markets?**

There is huge demand for North American brands from shoppers around the world. Smart retailers are realizing that selling directly to hundreds of millions of new customers in other countries who already know and love their brands can be a powerful addition to their strategic growth plans. As pressure builds to grow domestic e-commerce sales by even 10%, many e-commerce merchants see more than 75% growth in global revenues in their first year, having optimized for global expansion. And it is an expansion that will only increase revenues each year.

**Which overseas e-commerce markets are most and least receptive to U.S. brands?**

That depends a lot on the on a brand's existing global presence and the kinds of products it sells. For instance, we find that the most-known U.S. brands in the fashion and apparel space get almost 95% of global revenue from the top 30 markets. Some brands get a much bigger impact from expansion in European markets, and some really benefit from filling a market void in Middle Eastern markets.

Canada is a great global expansion market for retailers seeking to get quick results. Market demand, logistics, language and proximity make Canada a place where American brands easily launch a fully integrated, seamless e-commerce experience, and then roll it out in additional countries, market by market. UK and Australia are large markets for US brands, with Germany, Japan, Korea and Russia close behind. US luxury products especially sell well in Asia and the Middle East.

The top 10 global markets span North America, Europe,

Asia and Australia and dominate the attention of most new expansions. But targeting all of the top 30 markets can capture 95% of a brand's global demand.

**What are some of the interesting quirks North American e-retailers might encounter in non-U.S. e-commerce markets?**

Asking someone for a ZIP code outside of the U.S. or asking them to pay with a US credit card will surely turn off customers. But there are less obvious things that retailers might not think of. In Russia, for example, the duty must be collected in person upon delivery, so collecting it at check-out would result in a double payment or the need to issue a refund. In Saudi Arabia, a cross-body bag in a camouflage print will be refused entry because camouflage products are forbidden, as are products with labels deemed to be too risqué. In India, offering a collect-on-delivery option incorrectly may have unexpected delivery refusals when customers try on the product before deciding to accept it.

**Are there certain product categories that work best for North American e-retailers that sell overseas? If so, what are they?**

North American apparel, footwear, accessories, and cosmetics are some of the hottest in global markets. Also, British shoppers buy over \$17 billion per year online in toys and hobby products and European Union shoppers overall buy electronics and digital content at almost the same pace as they do fashion. But there are niche markets that stand out. In markets where American cars are in demand, automotive parts and after-market accessories are sought after e-commerce imports.

# NEED MORE GLOBAL SHOPPERS?

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# INTERNATIONAL SALES

# INTERNATIONAL E-COMMERCE SALES BY THE NUMBERS

How much is international e-commerce growing? Which regions are retailers prioritizing?

North American e-commerce players are expanding their global sales. Examples include:

- Amazon launching a web store in Australia in December 2017, its 13th outside the U.S. Amazon.au is one of 10 Amazon non-U.S. sites that operate marketplaces where other retailers and brands can sell. In April 2018, the big e-retailer also updated its mobile app with an international mode that lets consumers shop in five languages and pay with 25 currencies.
- Wayfair Inc., the fast-growing home goods online retailer, has launched websites in recent years in Canada, the United Kingdom and Germany. Those sites generated \$203 million in sales in the first quarter of 2018, or 14.5% of the company's net revenue, up from 10.7% a year earlier.
- Benefit Cosmetics LLC, the San Francisco-based unit of French luxury conglomerate LVMH, has expanded to 42 global e-commerce sites that let consumers shop in their own languages and pay with local currencies. The cosmetics brand says it has nearly doubled the number of consumers it interacts with online in the last two years since expanding internationally.

- Walmart Inc. in May 2018 paid \$16 billion to acquire a 77% stake in Flipkart Group, operator of India's leading online retailer and marketplace. That puts Walmart into competition with Flipkart's biggest rival, Amazon, which has pledged to invest \$5 billion in India. While Amazon hasn't disclosed sales for its India site, Internet Retailer estimates consumers purchased \$10.3 billion worth of goods on Amazon.in in 2017.

These moves underscore the allure of international e-commerce, which already represents big business for Top 1000 retailers. 72 retailers in the Top 1000 operate a total of 295 country-specific e-commerce sites outside of the U.S. and Canada that together booked \$109.9 billion in sales in 2017.

Most of those sales took place on Amazon's international sites, which, counting Amazon's

## TOP 10 COUNTRIES FOR INTERNATIONAL ONLINE SALES

Countries ranked by U.S. Top 1000 retailers' revenue in each market, with number of URLs for each country

Country	No. of URLs
Japan	14
Germany	17
United Kingdom	32
China	7
India	1
Canada	33
France	12
Italy	8
Spain	8
Mexico	9

Source: Internet Retailer

Canada site, accounted for \$76.2 billion in revenue by Internet Retailer’s estimate. That’s just over half of Amazon’s retail-related 2017 revenue (sales of goods by Amazon itself plus commission from marketplace sellers). Not counting Canada, Amazon’s international sales totaled \$73.2 billion, by Internet Retailer’s estimates, or 48.8% of its retail-related revenue. (Amazon does not break out sales by country.)

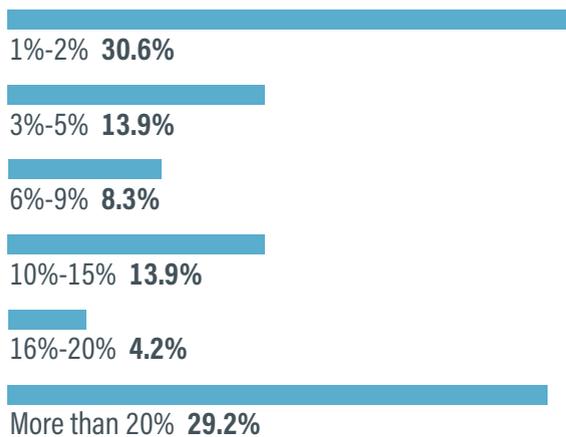
The international sites operated by U.S. Top 1000 retailers other than Amazon also generated significant sales: \$36.7 billion outside of the U.S. and Canada, by Internet Retailer’s estimates, or 10.2% of the 2017 online revenue of the 999 U.S.-based Top 1000 retailers other than Amazon.

For all U.S. Top 1000 e-retailers, including Amazon, Europe led the way with 118 country-specific sites that produced \$47.4 billion in revenue, followed by Asia-Pacific with 63 sites and \$49.9 billion in sales. Outside of the United States, U.S. Top 1000 retailers operated the largest number of sites in Canada (33), followed by the United Kingdom (32) and Germany (17). However, Japan led in 2017 sales, followed by Germany, the UK and China.

Some retailers and brands are far more reliant on international e-commerce sales than others, suggests the Internet Retailer/GELF survey results. When asked what percentage international represented of their online sales, the most common answer was “1-2%,” cited by 31% of respondents. But the next most common

### INTERNATIONAL SHARE OF E-COMMERCE SALES

Percentage of total online sales from international e-commerce



Source: Internet Retailer/Global E-Commerce Leaders Forum survey, April-June 2018

response was “more than 20%,” selected by 29%. That’s an indication that retailers putting significant resources into global e-commerce are reaping important returns and building a big lead over competitors slow to move into the international arena.

The survey confirmed that Canada, Western Europe and Asia-Pacific represent the key international priorities for retailers and brands. Within the Asia-Pacific region, Australia and New Zealand led in importance today, with 41.2% of respondents saying those countries represent at least 1% of their international e-commerce sales. Next were China at 36.5% and Japan at 28.4%. South Korea and Southeast Asia followed, both at 18.9%.

It’s worth noting that the Middle East, which accounts for a small portion of Top 1000 sales today, was cited by 18% of respondents as a top-

## TOP REGIONAL PRIORITIES FOR E-COMMERCE GROWTH

Region	A Top 3 Priority	The No. 1 Priority
Africa	4.1%	1.4%
Asia-Pacific	59.5%	29.7%
Australia	35.1%	4.1%
Canada	68.9%	43.2%
Europe	82.4%	16.2%
Latin America	32.4%	4.1%
Middle East	17.6%	1.4%

Source: Internet Retailer/Global E-Commerce Leaders Forum survey, April-June 2018

three target, suggesting that there may be more expansion ahead in that region. Amazon’s 2017 acquisition of Dubai-based online marketplace Souq.com for \$580 million may be contributing to growing seller interest in that part of the world.

Another sign of growing interest in the Middle East was the opening of a Dubai office in 2017

by international affiliate marketing network Admitad. The company cites survey data showing 60% of consumers in the United Arab Emirates and 50% in Saudi Arabia shop on online retail sites based in other countries. Lower price was the most common reason for shopping on foreign websites, cited by 76% of respondents, followed by seeking products not available in their own country at 65% and a wider selection of merchandise at 52%.

Collectively, Top 1000 retailers operate e-commerce sites in 48 countries, not counting the U.S. and Canada. The list includes such relatively small economies as Mongolia, Laos and Macao. Online shopping is indeed a global phenomenon, and increasingly retailers and brands are using the web to sell to consumers all over the world.

# GROWTH STRATEGIES

# SELLING CROSS-BORDER

**Retailer:**

Ties.com

**Product category:**

Apparel & accessories

Omar Sayyed, the co-founder and CEO of Ties.com struggled for years to fulfill orders outside the U.S. Delivery costs were high, tracking was difficult and he was unable to accurately calculate duties and taxes in advance, leaving customers often angered to find they had to pay additional charges on delivery.

That changed when Ties.com began working with Global Access, which consolidates orders from retailers for shipment abroad, calculates both shipping fees and any duties and taxes, and allows Ties.com to track orders all the way to the customer.



**Omar Sayyed,**  
co-founder and  
CEO, Ties.com

Since it began using the Global Access service, orders from outside the U.S. have increased to 15% of Ties.com's business from 2%, Sayyed says. The biggest reason is that shipping costs are now lower. Whereas before a Canadian customer might have been presented with an \$18 delivery fee—without duties and other fees—the typical shipping cost now to Canada is \$8-10, and to Europe \$10-15, including duties and taxes.

“The only difference is that we’ve diminished the barrier for someone to go through checkout because the shipping rates are less and the duties and taxes are paid upfront,” Sayyed says. “We knew because the traffic was there that if we could reduce the friction we could increase sales.” Ties.com, No. 867 in the Top 1000, gets nearly 39% of its website traffic from outside of the U.S. Leading countries sending traffic to the e-retailer are the United Kingdom, Canada and Australia.

**Words of wisdom:** *“If you’re thinking of getting into the international space, align yourself with someone who can do this, as opposed to building infrastructure.”*

# GLOBAL MARKETING

# BUILDING A MARKETING STRATEGY FOR GLOBAL E-COMMERCE

Effective online marketing requires careful attention to nuances of language and consumer expectations that vary widely from one market to the next.

Do online shoppers in other countries want your products? Which products? And consumers in which countries?

Questions like that are the starting point for any retailer or brand evaluating whether to embark on international e-commerce.

It's important to recognize significant differences in shopper behavior by country. For example, while 71% of European consumers say they have purchased from an online retail site in another country, that's true for only 55% in Asia and 47% in the U.S., according to the 2018 UPS Pulse of the Online Shopper Study.

In general, consumers in major economies who have the option of shopping from many online retailers in their own country are less likely to purchase from foreign websites than those with fewer domestic options. For example, 83% of consumers in Canada and 78% in Mexico have shopped online internationally, no doubt many at U.S. websites, according to the UPS report. But U.S. shoppers are less likely to feel the need to buy from foreign e-retailers, accounting for less than half of them buying from websites outside the U.S.

'If you're paying to acquire every customer, it won't work.'

There is also a tendency of online shoppers to gravitate to websites in nearby countries, either because the language or merchandise is familiar. A big part of "cross-border" shopping is really "near-border" e-commerce.

That shows up in a SimilarWeb analysis of traffic to Amazon's international websites. After Germany, the two countries that send the most traffic to Amazon.de are Austria and Switzerland, both countries where German is widely spoken. For Amazon's Japan site, three of the four leading sources of traffic other than Japan are neighboring nations—China, Taiwan and Hong Kong. (The United States is the fourth.)

There are also significant differences in why consumers buy from foreign websites. For example, while getting goods at lower prices is the main motivation for consumers in Brazil, a

# 'Consumers in major economies have many domestic options and are less likely to shop at foreign websites.'

country with high tariffs, Asian consumers mainly go to foreign websites to buy products they can't find at home, according to the UPS global consumer study.

Local developments can also cause spikes in consumer interest in foreign products, says Andreas Schulmeyer, the former international executive for Walmart and L Brands. In 2008, for example, a scandal involving tainted milk led to increased demand for foreign milk and milk powder in China. "Recently, there has been a wave around Korean cosmetics," Schulmeyer says. "People are interested in nonglobal brands that are specifically tied to the Asian consumer."

## How to gauge global demand

Retailers and brands evaluating whether there is international interest in their products can look at how much traffic to their primary website comes from abroad, and from which countries. They can also examine how engaged foreign consumers are with their content. For example, Lion Brand Yarn, which offers 7,500 free sewing patterns for download, analyzes how many of those downloads come from foreign consumers and from which countries.

Schulmeyer says online retailers can also track how much of their U.S. orders are going to sites that consolidate shipments for foreign consumers seeking American goods, such as MyUSAddress.ca for Canadian consumers. They can also examine the nationality of the credit cards consumers use to buy their goods, both online and in stores, if they operate bricks-and-mortar locations.

Studying Google search activity and social media posts by country can reveal how much interest there is in a company's brand or type of product, he adds. Schulmeyer also suggests examining the online "grey market" in a company's goods. Chinese entrepreneurs, for example, often buy goods abroad, then ship them back to China to sell on marketplaces like Taobao and Tmall, a sales channel known as "daigou." "That gives you an idea if there is an underlying, unmet demand," Schulmeyer says.

A retailer or brand can also grow its followers among international consumers by taking advantage of the surge in global tourism and shopping, says Jim Okamura of GELF. As one retailer told Okamura, "The best e-commerce marketing to Chinese consumers is opening a physical store in New York City." When the tourists

return home, they seek out U.S. brands via e-commerce, and some retailers are encouraging this “international showrooming” behavior to capture foreign transactions long after the consumers have gone home, Okamura adds.

Ascertaining whether consumers already know about and want your product is critical when deciding whether to embark on selling online in a given country, Schulmeyer says. When consumers already recognize a brand that can minimize marketing costs. “Customer acquisition is the most expensive part of the P&L,” he says. “If you’re paying to acquire every customer, it won’t work.”

### Primary marketing channels

While operational issues such as fulfillment and regulation were listed as the top challenges to international e-commerce in the Internet Retailer/GELF survey, attracting shoppers is also an important issue. 28.8% listed “marketing and generating demand” as a top-three obstacle to global online selling and 12.3% “merchandising for a local market.”

Many companies turn to local marketing agencies for help. 40% of survey respondents agreed or strongly agreed with the statement that they are “highly dependent on adding new, in-country marketing partners” to aid with customer acquisition.

For many U.S. retailers, finding the right local marketing partners is a high priority—yet navigating through an agency selection process

can be more daunting than finding domestic marketing partners. Thus, many U.S. retailers tend to follow their U.S. marketing services providers into global markets. That leaves opportunity on the table for bolder risk takers, says Kent Allen of GELF. “Leaders that go it alone and establish their own relationships with local agencies have the opportunity to gain an edge—if they execute,” he says.

The complexity of reaching consumers in many countries leads many retailers and brands to focus on the global platforms they know, such as Amazon, Google, Facebook and YouTube.

Amazon especially appears to be a central marketing focus, with sellers taking advantage of the growing number of services the big e-retailer offers across its marketplaces. When big smartphone brands like Apple and Samsung introduce new mobile phones, accessory retailer Tech Armor promotes them through ads on Amazon along with localized social media, says general manager Joseph Jaconi.

Lion Brand Yarn Company, which sells many of its product wholesale to Amazon, promotes that merchandise on Amazon sites through such promotional vehicles as “lightning deals” and “best deals.” “There’s a slew of marketing-related things on Amazon,” says chief sales officer Evan Blumenthal. He notes that it’s up to a supplier like Lion Brand Yarn to create and translate the content for those marketing offers, even though Amazon is the seller of record.

Amazon’s growth has created a cottage industry of companies that specialize in technology to maximize sales on Amazon marketplaces.

For example, U.S. e-retaileretailz has developed algorithms that spot unmet demand on Amazon by measuring the velocity of searches for various types of products, and whether search momentum is rising or falling, says CEO Josh Neblett. When retailz identifies an opportunity, it turns to a network of 2,500 manufacturers to provide a product that would satisfy Amazon shoppers looking for a particular product. Neblett says, for example, his technology was able to predict accurately that a plant fertilizer called TopBoxUs Health Mix would be a strong seller on Amazon’s UK site.

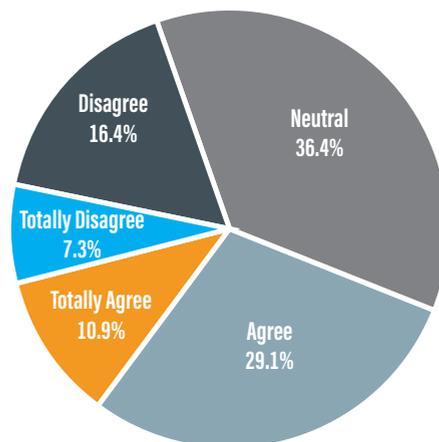
Retailz sells on Amazon’s marketplaces in Canada, the United Kingdom and Germany, with Amazon India in the works, Neblett says.

### Search and social media

Beyond marketplaces, companies expanding in e-commerce globally often turn to Google and major online social networks to drive sales. That’s not surprising, given that those platforms dominate online marketing. Display advertising—including video and social media—will account for 48.7% of the \$224.7 billion in worldwide online advertising this year, with search engine marketing representing 42.9%, or \$96.3 billion, and classified advertising the rest, according to Zenith, an international marketing agency that is part of Publicis Media.

### THE ROLE OF LOCAL PARTNERS

Do you agree or disagree with the following statement: In terms of customer acquisition, international e-commerce is highly dependent on adding in-country marketing partners.



Source: Internet Retailer/Global E-Commerce Leaders Forum survey, April-June 2018

Three platforms account for a big part of that spending because so many consumers use them: Google, which accounts for roughly 90% of searches worldwide; Facebook, with some 2.1 billion active users; and Google-owned video platform YouTube, with some 1.5 billion users.

Mouser Electronics, a U.S. distributor of electronics components primarily to businesses but also to hobbyists and do-it-yourselfers, relies primarily on search engine marketing to promote the 5 million SKUs it offers via 63 country-specific websites in 17 languages, says Hayne Shumate, senior vice president, internet business.

Shumate says the company markets through all the major search engines—including Google, Bing, Yahoo and Russia’s Yandex—but focuses on optimizing for Google. “Most of the search engines seem to follow Google’s lead,” he says. “If

you make Google happy, you make them happy, too.”

The reliance on search engines to find 63 separate websites requires a platform that is ultra-fast: Shumate says Mouser sometimes serves 600 pages per second to search engines alone. That unusual requirement is one reason the company relies on homegrown software, apart from using the Endeca site search software engine now owned by Oracle Corp.

Mouser also encountered the problem that, with 63 e-commerce sites, a search for a specific electronic component using its product code, which might be two dozen characters long, could produce a search results page pointing the searcher to a dozen or more Mouser sites, all of which offer that item. That confused customers, Shumate says.

To help the search engines provide better results, Mouser added 100 lines of text to the code of each site—visible to search engines but not to website visitors—explaining that this is, for example, a French product page for the country of France, and here is where to find the product page for Germany and the rest of the countries the distributor serves. That way, a French engineer searching for a component is more likely to see just the results from the French site and not from other Mouser sites. That’s a tip to keep in mind for other companies with multiple sites and specific long-tail keywords that customers use on search engines.

In China, however, where the government blocks Google, Mouser has modified its marketing strategy for the leading search engine, Baidu. The distributor for the past three years has invested in the Brand Zone option Baidu offers that allows a company to control the results for its own brand. Users searching for Mouser, for example, will see a page dedicated to the brand’s ads, including video and images, and not results from competitors.

Brand Zone is expensive, Shumate says, though he would not say how much Mouser is spending. But Azoya International co-founder Don Zhao says one of his retailer clients paid \$30,000 for a month of Brand Zone promotion. He says a retailer would need to generate annual online sales of at least \$10 million in China for Brand Zone to be cost-effective, although a consumer brand manufacturer with a large marketing budget might invest in the Baidu option to raise its profile in China.

For Mouser—which last year surpassed \$1 billion in sales and gets nearly a third of its business from Asia—Brand Zone has been worth it, and the distributor has used the service for the past three years, Shumate says.

### Influential brand advocates

Social media and video are the fastest-growing online marketing channels, each projected to increase by 17% a year between 2017 and 2020, according to Zenith. Encouraging positive buzz on social media can pay off big-time in international e-commerce, especially when the people doing

the buzzing have a big following.

That kind of “influencer marketing” is especially important in China, where some celebrities have massive social followings. The Chinese blog WatsonWeibo lists 10 celebrities with at least 66 million followers on Weibo, the Chinese social network similar to Twitter.

At the 2018 Cannes film festival, French cosmetics brand L’Oreal SA hired Chinese actress and singer Li Yichun to promote its products, taking videos that it posted to social sites from Instagram to Weibo. A live talk show the brand hosted on the beach at Cannes, featuring such international stars as Jane Fonda and Isabelle Adjani, also included segments produced in Mandarin and hosted by American-Chinese TV star Hung Huang. Those segments were posted to Tmall where L’Oreal sells its products.

Azoya International, which facilitates retailers’ entry into China e-commerce, has taken Chinese social media influences to the stores of its clients in Japan, the United Kingdom, Germany, Australia and New Zealand from which the social media stars post video accounts of their shopping sprees for their social media followers.

In early 2018, Azoya brought Candy Lian, a Chinese commentator on cosmetics with nearly 2 million followers on Weibo and WeChat, to the famous Matsuya Ginza department store in Tokyo from where she posted live videos of her visit on Weibo and took questions from followers. Those posts attracted 4 million viewers and the event

generated more than 20 times the usual number of sign-ups on Matsuya’s China e-commerce site compared to a normal weekend, Azoya says.

Nor are famous people the only ones whose social media posts can boost a brand. The Australian business unit of Canon, the Japanese manufacturer of cameras, printers and other equipment, regularly runs contests and features consumers’ photos on its social media posts. Canon Australia has over 300,000 followers on Instagram and its posts routinely receive thousands of comments and dozens of likes, says Tim Wilford, editorial and consumer engagement specialist at Canon Australia. He says consumers tag Canon in more than 1,000 photos they post each day to their social network accounts.

### The power of video

Online video is the other very fast-growing online advertising channel globally, according to Zenith, and one that T-shirt retailer Spreadshirt leverages. Spreadshirt, which operates e-commerce sites in 18 countries, relies primarily on advertising on Google and Facebook, and on videos posted by designers on YouTube, says CEO Phil Rooke. He says Spreadshirt allows designers to set up their own shops on Spreadshirt’s site, relying on the e-retailer to fulfill orders globally while the designers market their creations to their fans.

YouTube is also an important marketing channel for Wizard Industries, which uses videos to explain its highly specialized products, such as metal detectors that help woodworkers find screws or restaurants to spot misplaced forks and knives,

says owner Billy Carmen. The company's 900 videos on YouTube are a major source of sales, along with natural search results on Google—Carmen says he rarely pays to advertise because his unique products tend to show up highly in natural search results.

But, he says, 75% of his direct-to-consumer orders come from Amazon sites, demonstrating again the power of Amazon marketplaces.

### Getting the tone right

While platforms like Google and Facebook offer a global reach, that doesn't mean a company can simply translate its ad copy from one country to the language of the next one. Localization includes taking into account consumer expectations in each country, says Rooke of Spreadshirt.

In the United States, for example, T-shirt retailers routinely offer big discounts, setting list prices high and promoting 30%-50% off, Rooke says. But that approach would turn off many European shoppers.

U.S. attitudes and language are so different, Rooke says, that a few years back Spreadshirt moved its head U.S. copywriter from Boston to the e-retailer's headquarters in Leipzig to help the marketing team better understand how to market in the United States, the company's second-largest market.

Getting the nuances right is also important in email marketing, says Aaron Zagha, senior

## The Australian business unit of Canon runs contests and features consumers' photos on its social media posts.

director of e-commerce, international, for Teleflora, a company that funnels online orders to 7,000 florists in the United States and another 2,000 in the United Kingdom, Australia and New Zealand.

"At one point we were running email marketing for the UK from the U.S. and the tone was often completely wrong for the local market," Zagha says. Text and images that might strike consumers in one country as cute or funny may prompt very different reactions in another market, he says. "We're localizing anything that touches the consumer," he says. "You have to have local people or an agency to get that right."

Marketers must also be aware of national regulations that govern the messages they can send consumers and what they can do with personal data. Even before the May 2018 implementation in the European Union of the General Data Protection Regulation—which requires consumers to give consent to receive solicitations and limits what advertisers can

do with consumer data—Germany had strict personal privacy rules. Among other things, that makes it hard for marketers to use lists obtained from third parties because it's hard to prove consumers gave consent to those companies to receive marketing messages.

GDPR requires online retailers to inform visitors what they are signing up for and to make it easy for them to unsubscribe. That forced Mouser Electronics to make changes in how it signs people up for subscriptions, which it offers mainly to engineers interested in keeping up with the latest technology.

“We had to change the privacy policies on the website and allow people to be forgotten,” Shumate, the internet business executive, says. “We have to have people responsible for GDPR in our German office in Munich. We had to hire developers to make changes to our systems so that they were compliant with the law.”

South Korea and Japan also have stringent privacy laws, while China imposes fewer limitations for marketers.

### Mobile marketing

Adding to the complexity of accurately targeting marketing messages, consumers increasingly shop on their mobile phones as well as other devices, such as computers and tablets. The trend to mobile shopping varies significantly by region: 77% of Asian smartphone owners have purchased on their mobile phones, versus only 59% in Brazil and 57% in Mexico, according to the

2018 UPS Pulse of Online Shopper report. During its big annual Singles' Day sale in November 2017, Alibaba says mobile devices accounted for 90% of purchases on its big China marketplaces.

U.S. cosmetics brand Sephora encountered the challenge of identifying consumers across channels in Southeast Asia, according to an April 2018 Forrester Research report by analyst Xiaofeng Wang. “Sephora found that its customers search for beauty products on smartphones, watch product reviews or how-to videos on YouTube, and even go to a store to sample a product in person before making a purchase decision. This makes it difficult for Sephora to tell how much each of these touchpoints contributed to the decision,” the report says.

Sephora addressed that issue with a loyalty program that, by requiring the shopper to provide her member number, allows the brand to associate shopping behavior in-store and online. By making the program sufficiently appealing that it signed up 85-90% of its customers in the region, Sephora was able to better map its customers' path to purchase, Wang wrote in the report.

Retailers may invest more in loyalty programs as a hedge against regulations like the EU's GDPR, as they give consumers a reason to provide information to a retailer, as well as a reason to want the retailer to retain that data. After all, a consumer can only redeem rewards or loyalty points if the shopper allows the retailer to track her purchases.

CONCLUSION

# CONCLUSION

Many retailers are surmounting the challenges posed by international e-commerce, building a significant lead over laggards.

International e-commerce takes work, but it can yield significant revenue for brands and retailers that have the kind of products global shoppers want. And those that got into the game earliest appear to be gaining an edge that rivals may struggle to overcome.

One sign of the gains made by early entrants: Those that have been selling the longest are reporting the strongest online growth, 3.56 on a scale of 1-5 (with 5 being the highest growth and 1 the lowest.) That compares to 3.33 for those selling internationally less than a year and 3.25 for those with one to three years of experiencing in global e-commerce, according to the survey by Internet Retailer and the Global E-Commerce Leaders Forum.

Those that are selling online outside of their home country are gaining valuable information about how to overcome the obstacles to selling internationally. And they're gaining those insights as consumers, year by year, become more comfortable shopping online, including on websites outside their own countries.

"These iterations are hugely valuable for a data-driven retailer to get under their belt," says Okamura of GELF. "While we are still in the stage of 'all boats rising' in many growth international markets, this will evolve to much more of a market share battle, and so the more experience

a retailer has, the better they are positioned to capture greater share. At a minimum, if they learn from their mistakes, they'll deploy their resources more efficiently."

Allen from GELF adds, "Retailers that are still on the fence about investing in international e-commerce need to think long and hard about continuing to sit and wait. Before they know it, they will be watching their brand partners sell direct to consumer in fast-growing markets while a new generation of digital/global-first retail brands leaps ahead of them"

There are, of course, obstacles to global e-commerce. Our survey suggests that fulfillment is the No. 1 pain point followed closely by government regulations that vary from one country to the next.

## EXPERIENCE PAYS OFF

Growth index of retailers selling internationally by tenure



Source: Internet Retailer/Global E-Commerce Leaders Forum survey, April-June 2018

But the good news is the growth in online shopping across borders is leading both delivery services and other kinds of vendors to invest in improving their services. That is allowing even small companies, such as Butler Luxury and Ties.com, to generate significant growth from online sales from their own websites.

Meanwhile, the big online marketplaces that now account for more than half of global online purchases are rapidly making it easier for retailers and brands to sell to consumers in many countries. Their services increasingly include marketing, regulatory assistance and fulfillment.

Establishing e-commerce sites in other countries remains the most capital-intensive option. But it's not so expensive that it's only limited to the largest retailers and brands.

In fact, many companies are selling through all the three main channels of global e-commerce: taking orders for overseas delivery on their domestic websites, via online marketplaces and by establishing their own websites in other countries. Among them are midsized e-retailers Babyhaven.com and Spreadshirt, whose international initiatives are highlighted in this report.

Those companies, however, are in the vanguard of retailers and brands in terms of international e-commerce, and the Internet Retailer/GELF survey makes clear that many companies are well behind.



Percentage of survey respondents who agree that 'international e-commerce is one of our company's top initiatives.'

Among survey respondents, 24% said they were still in the early stages of studying international e-commerce and 21% are focusing on select markets. But 41% agreed that "international e-commerce is one of our company's top initiatives and we are devoting resources to have a superior customer experience in all of our key markets."

That's a significant segment of retailers investing in winning the loyalty of global online shoppers, and gaining an edge that laggards may struggle to overcome.

### Key takeaways

How should a retailer or brand evaluate its international e-commerce opportunities? Here are some key takeaways:

- Assess your brand equity and the demand for your products in global markets, and the competitive landscape in key countries to determine your international prospects and the markets to prioritize.
- Pay close attention to local regulations. That includes customs duties, taxes, customer data rules, and any limitations on selling or marketing your products.
- Investigate the growing array of technology

and service providers, including major delivery services, that can make it easier to sell to online shoppers overseas.

- Understand that localization means more than translation. Consumers in each country use specific terms, have their own expectations about customer service and promotions, and want to pay in familiar ways. Peak shopping holidays also vary from one country to another.
- Generating consumer demand varies significantly by country. Retailers expanding abroad likely will have to find partners with local marketing expertise or hire in-country personnel to handle search engine, social media and other forms of marketing in new markets.
- Online marketplaces can be relatively easy entry points to foreign markets. Many consumers shop there, and big marketplace operators offer an array of services. But keep in mind that marketplaces don't provide the data about customer behavior you get on your own website and may limit your ability to remarket to customers.

### THE LONG-TERM OUTLOOK

What is your company's strategic approach to international e-commerce for the next three to five years?

A top initiative drawing significant resources in all key markets **41.4%**

Early stages of defining the opportunity **24.1%**

Investing in e-commerce in select markets **20.7%**

Keeping our focus on domestic e-commerce **6.9%**

Studying impact of e-commerce on existing distribution **6.9%**

Source: Internet Retailer/Global E-Commerce Leaders Forum survey, April-June 2018

- Operating localized websites in foreign countries typically requires hiring in-country personnel and putting inventory into the region. Retailers that have unique or well-known products that shoppers want are generating significant sales from their global sites.
- The hurdles are high enough that many of your competitors are holding back, even as international e-commerce becomes easier to enter. Especially for companies with coveted brands or products not widely available, global e-commerce could provide a world of opportunity.

### ABOUT THE AUTHORS

**Don Davis**, editor at large at Internet Retailer, was until late 2017 editor in chief for the Internet Retailer family of e-commerce publications. He previously was group editor at SourceMedia’s Payments Group, and a reporter and editor for The Associated Press, Manufacturing Systems magazine and the Springfield (Mass.) Union daily newspaper. He can be reached at [don@verticalwebmedia.com](mailto:don@verticalwebmedia.com).



Don Davis  
Editor at Large,  
Internet Retailer  
[don@verticalwebmedia.com](mailto:don@verticalwebmedia.com)

**Jim Okamura** is a co-founder of the Global E-Commerce Leaders Forum, the leading U.S. community of international digital retail executives, and a partner at McMillan Doolittle, where he leads the digital transformation practice. He has worked with a wide range of clients on international e-commerce strategies and market insights for both U.S. and foreign brands. He has authored international digital retail studies including on global omnichannel benchmarks and organization design for digital transformation. He can be contacted at [jokamura@mdretail.com](mailto:jokamura@mdretail.com).



Jim Okamura  
Co-founder, Global E-Commerce  
Leaders Forum  
[jokamura@mdretail.com](mailto:jokamura@mdretail.com)

A digital commerce industry analyst for 20+ years and co-founder of the Global Ecommerce Leaders Forum (GELF), **Kent Allen’s** research and thought leadership has strongly influenced the development of the global/cross-border e-commerce sector. In addition to publishing a wide collection of research reports and thought leadership chronicling the rise of global e-commerce ecosystems, he also leads strategy, industry analysis, thought leadership and content marketing initiatives that focus on digital commerce and digital marketing innovations as principal of The Research Trust. Based in San Francisco, he can be reached at [kent@globalecommerce.co](mailto:kent@globalecommerce.co) or [kent.allen@researchtrust.com](mailto:kent.allen@researchtrust.com).



Kent Allen  
Co-founder, Global E-Commerce  
Leaders Forum  
[kent.allen@researchtrust.com](mailto:kent.allen@researchtrust.com)

## INTERNET RETAILER RESEARCH

### FAREEHA ALI

Director of Research Strategy  
fareeha@verticalwebmedia.com  
312-946-2048

### JESSICA YOUNG

Research Analyst  
jessica@verticalwebmedia.com  
312-362-0104

### LAURA BERRIGAN

Project Manager, Research  
laura@verticalwebmedia.com  
312-572-6261

### JONATHAN LOVE

Associate Data Analyst  
jon@verticalwebmedia.com  
312-262-0069

### JAMES RISLEY

Research Analyst  
jrisley@verticalwebmedia.com  
312-572-7005

### JOEL SMITH

Data Assistant  
joel@verticalwebmedia.com  
312-362-0273

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## ABOUT INTERNET RETAILER RESEARCH

At Internet Retailer Research our goal is to provide data and information about e-commerce that helps retail companies, investors and technology providers prosper.

The team tracks hundreds of metrics on roughly 6,000 online retail companies around the world, including such sought-after data points as web sales and traffic, conversion rates, average order value and key technology partners used to power their e-commerce businesses. We sell this data in its raw format in our multiple online databases, and we dig deeply into these numbers to help inform our 30+ exclusive analysis reports we publish each year on key e-commerce topics, including online marketplaces, cross-border e-commerce and omnichannel retailing. In-depth, data-focused reports are also available on key categories of online retail like apparel, housewares, food and luxury. We also have a robust custom research department, which provides tailored research products—in-depth reports, exclusive surveys, raw data pulls and other products—for top retail companies, consultants, financial analysts and technology companies.

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