CROSS-BORDER MAGAZINE

All about international e-commerce, edition 1, June 2016

SUCCESS STORIES PAULA'S CHOICE, RETROMARINE // **RESEARCH** IPSOS, INTERSHOP
TIPS & INSIGHTS INSTAGRAM MARKETING, LOGISTICS, INDIA, USA, ECOMMERCE EUROPE

FOREWORD

Dear readers,

In your hands you are holding the first edition of the Cross-Border Magazine. Deciding to sell internationally online is exciting and is often the first step in substantially growing a business. However, retailers, brands and professionals are often faced with many open-ended questions about challenges such as regulations and taxation in their target country. Through insights and interviews, this magazine will provide you with the tips and tools that Europe's most successful entrepreneurs have used to tackle cross-border obstacles when expanding their business across borders.

Digitalisation changes the way consumers shop and the way they wish to pay and receive their purchases. Today, nearly all growth in European retail comes from e-commerce. Although the sector has experienced double-digit growth for the past decade, the European e-commerce sector has yet to reach its full potential. Today, 43% of European internet users shop online, but only 16% of SMEs sell online - and less than half of these sell online across borders. If Europe is to build a strong, sustainable and future-proof economy, it is vital to acknowledge the importance and facilitate the growth of pan-European cross-border e-commerce.

Today, European online merchants continue to face considerable barriers when selling goods and/or services across borders. The Ecommerce Europe's 2016 cross-border e-commerce survey 'Barriers to Growth' found that the top three barriers faced by online merchants while trading across borders are: legal fragmentation, taxation and logistics/distribution.

As the European association representing 25,000+ companies selling goods and/or services online to consumers in Europe, Ecommerce Europe is the voice of online merchants against EU legislators. Ecommerce Europe believes in the merchant's fundamental right to contractual freedom and increasing consumers' trust in cross-border purchases and, thus, is at the forefront of representing online businesses' interests on six key issues: data protection & privacy, consumer rights, e-payments, taxation, e-logistics and competition issues.

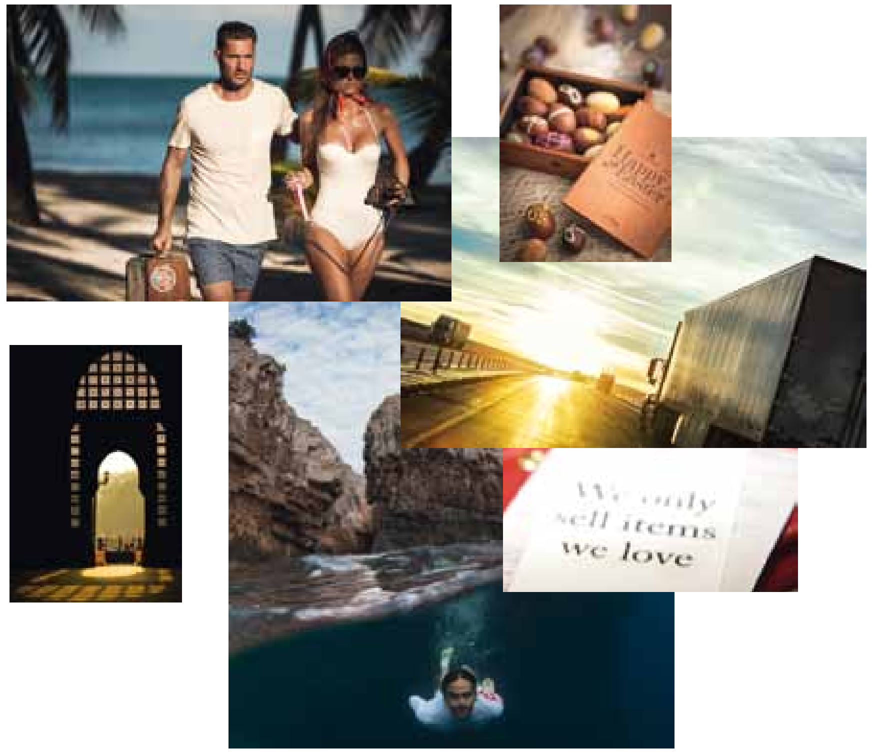
With the European Commission's stated strategic goal of creating a Digital Single Market, these are exciting times for entrepreneurs trading cross-border online. In a time where rapid developments in the digital landscape enables consumer choice and trust in cross-border e-commerce while facilitating the development of innovative business models, overly restrictive legislation may only add barriers to the e-commerce sector, rather than breaking them down.

Entrepreneurs are the backbone of Europe's e-commerce sector. As the owners of small and medium online businesses, more often than not they stand at the crossroads between adhering to outdated and/or overly restrictive legislation and adopting digital innovations to enhance their business and customers' experience. Ecommerce Europe is looking forward to the European Commission's upcoming legislative proposals on e-commerce and hopes it will support online merchants by reducing the barriers they continue to face when selling goods and/or services cross-border.

Selling cross-border online is exciting and a functioning Digital Single Market will make it easier for retailers, brands and entrepreneurs to grow their business internationally. I hope that this first edition of the Cross-Border Magazine will give you the tips and tools to tackle the obstacles you face when deciding to sell online across borders. ••

Marlene ten Ham, Secretary General of Ecommerce Europe, an association representing 25,000+ companies selling goods and/or services online to consumers in Europe. Founded by leading national e-commerce associations, Ecommerce Europe is the voice of the e-commerce sector in Europe

INDEX



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COLUMN

Photo: Jesaja Hizikia

The best ideas always come to me when I am completely relaxed. For me, that usually means at the weekend. Specifically, Sunday afternoons, which is when I allow myself to fully enjoy life by spending time at the beach, or sat on the terrace, or just walking around the beautiful city of Barcelona.

It was one relaxed Sunday afternoon when I started thinking about launching this magazine. A specialist magazine about a very important e-commerce topic: selling cross-border. As one of the founders of Salesupply, I help e-retailers sell internationally on a daily basis, and I love doing that. Helping another company to be successful in different markets has become my passion and it's highly rewarding.

I decided that I wanted to share this passion and the cross-border knowledge I've gained over the last 10 years with you, because I strongly believe that the only way to survive as an e-retailer is to broaden your market. Electing to sell only in your domestic market will be a death sentence in the long run, because new companies from home and from abroad will be entering the market on a daily basis. While you may be well-positioned today in your home market, it could be a completely different story tomorrow. I have seen a lot of examples of this over the last couple of years, so focusing on new markets abroad is crucial to stay alive.

But how can you become a successful cross-border company? There are a lot of questions that need to be answered before you start selling in other markets. Questions like: Which market is good for my type of products? Am I only going to sell through my own web-shop or are there other potential channels abroad? Who are my competitors? Who is going to pick up the phone in another language? What about payments, my stock and returns?

In this magazine we hear from entrepreneurs who had those same initial questions and managed to find their way in foreign countries. They have kindly offered to share their stories, so you can avoid making the same mistakes they made. Learning from each other and sharing knowledge are key factors for a successful international business.

So I really hope you enjoy reading this magazine as much as I enjoyed producing it for you. Let's keep in touch and let me know what you think of the first issue.

Your sincerely,
Jeroen Leenders
Founder Cross Border Magazine.
info@cross-border-magazine.com

COLOFON

FOUNDER & PUBLISHER **JEROEN LEENDERS**

EDITOR-IN-CHIEF **JANINE NÖTHLICHS**

EDITOR **HANNAH CLARK**

GRAPHICS DESIGN & LAYOUT **FEMKE HOOGLAND**

LEAD PHOTOGRAPHER **LÉON VAN BON**

WEBSITE: WWW.CROSS-BORDER-MAGAZINE.COM

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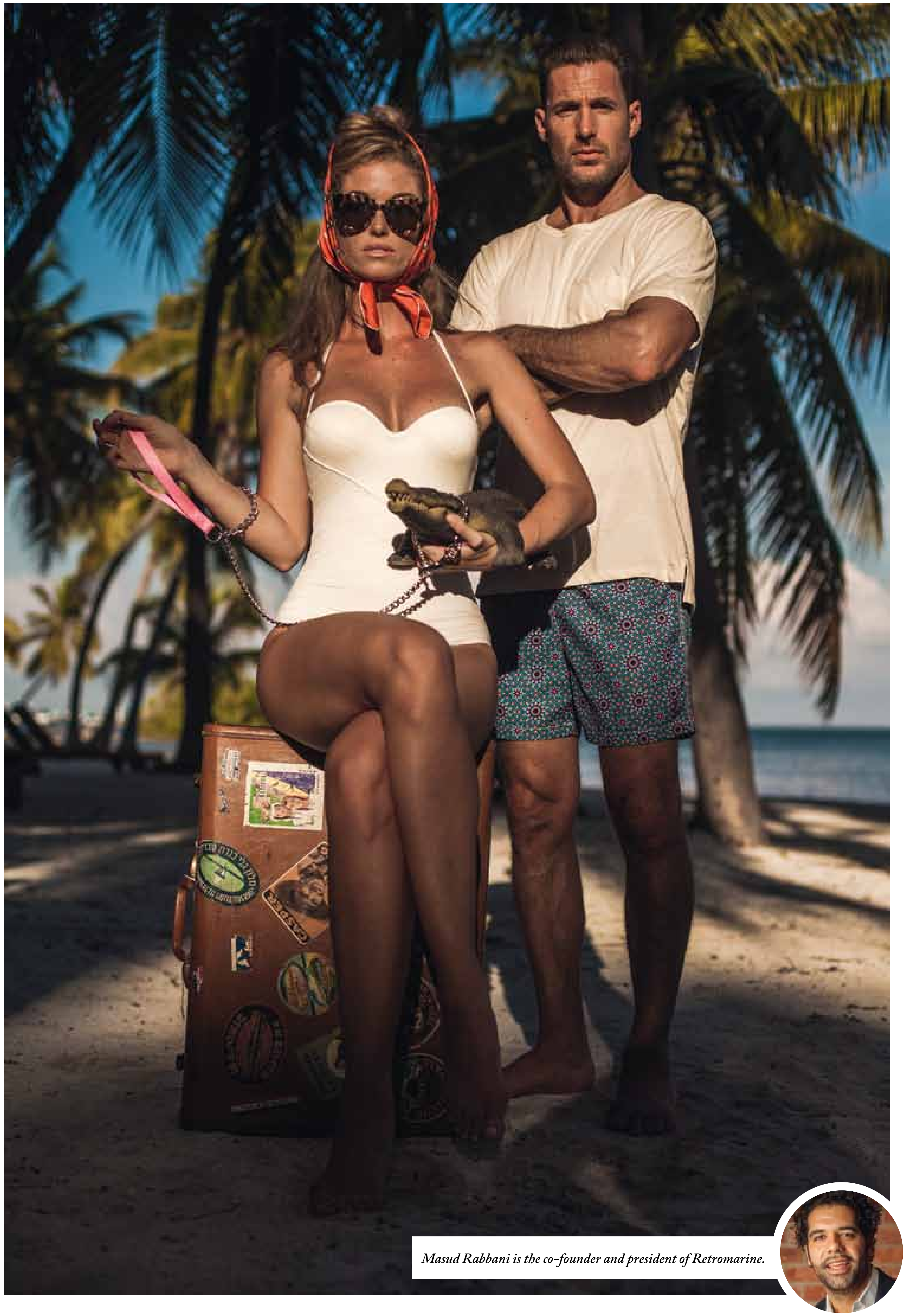


Masud Rabbani is the co-founder and president of Retromarine.

EUROPE, MEET RETRO-MARINE

Text: Janine Nöthlichs // Photos: Juan Carlos Ariano, Léon van Bon

The international team, learning and having fun are the personal drivers of entrepreneur Masud Rabbani, a man with German, Persian, Austrian and Spanish origins running a young luxury swimwear company in New York. 'Gentleman by nature, rebellious by choice' is the slogan for Retromarine, selling high-end swim trunks to the fashion-savvy man who doesn't like obvious labels. Rebirthed only a year ago, the brand has leaped in sales and is on the brink of expanding into five European countries, as well as Mexico and the United Arab Emirates. A story of rebirthing, growing, strategising and outsourcing parts of the value chain.

The story so far

Five years ago, Juan Pablo Jaramillo, Masud's business partner and founder of Retromarine, was working as a chef in Miami and spent all his money on cool swim trunks because he lived at the beach. There was not much on offer in terms of specialised swimwear for men. One day, he thought he might be able to do it better than the existing brands.

Masud came across the link to Juan's web-shop on a mutual friend's Facebook page and ordered a pair of shorts. After six weeks, instead of getting his order, he received an email saying his size was out of stock. One month later, he got another email with a discount code saying the swim shorts were now back in stock. He showed the site to a couple of friends and they ordered six more pairs, but the same thing happened again. "I emailed the guy and said: 'Hey man, maybe it's time for you to stop selling stuff you don't have," laughs Masud. He received a free pair of shorts and the two men ended up emailing back and forth. Masud, who was working at Google at the time, was looking for a career change and just needed a push in the right direction. He thought that Juan was on to something good.

"We are now over the hump"

After half a life in technology, Masud decided to join Juan's venture in luxury fashion and embark on a journey of completely rebranding Retromarine: Sales were shut down, the infrastructure was reinforced, and they made sure the channel strategy and supply chain were ready to be fully functional. "That was the ground work of re-setting up the company. We are now over the hump. We are in a position now to talk to everyone. When we started, we couldn't even deliver 10 complete orders on time. Now we can fulfil multiple orders to department stores without problems, including Neiman Marcus," the proud entrepreneur tells us. "There was a lot of behind-the-scenes work in the past year. Now we have a foundation where we can be confident about being able to do business, and only now we can start really building a brand."

In order to realise their ambitious goals, Juan and Masud successfully financed their company twice: "Launching a business in luxury fashion is a very expensive thing to do. We are well-funded now and we are growing fast in the US both online and offline, which is why we took the decision to launch in Europe with Salesupply. Alongside that, we will launch in Mexico and the UAE."

Instagram and department stores

Retromarine builds on a sound strategy of online and offline sales and brand building. According to Masud, it is the right strategy in the brick-and-mortar world that will enhance brand performance in a market: "Say no to big orders until you know you can fulfil them and work really hard on the small orders. There are a couple of nice stores that will never make you big money but they attract the right people, including buyers and PR people from big department stores, editors, and bloggers. Such shops include 'Shop Basico' in Miami or 'Harrison' in Alabama. Proper gentlemen who dress nicely go shopping there. Making an impact with the right smaller accounts can make sure that the right people become aware of your brand."

Online, the entrepreneur believes in the power of social media platforms such as Instagram. "In the fashion industry, Instagram is a great tool to show what your brand is all about. It could be a product or a lifestyle. Many buyers use it as a discovery tool to find brands and see if they match with their flow. From the very start, we made a meaningful effort to do it right on Instagram. Not going after great followership, but really carrying out what we want the brand to be," Masud says.

'We are international'

For Retromarine, the right time to venture across borders online is now, believes Masud Rabbani. "Offline, international selling is not even a conscious decision. We visit tradeshows and meet people from everywhere," says Masud. Retromarine is represented in 14 countries via offline sales. The company is international from the inside out. "Every one of our board meetings is like a United Nations summit. None of us are actually American. We speak 14 languages; I myself am Persian but I feel a quarter Austrian, a quarter German and a quarter Spanish. Juan is Colombian. We operate in a very International environment. All of us have lived in at least five different cities and we have a huge international network for whatever you may need. It's fairly easy for us to think international because we are international. It is an organic, natural kind of thing for us rather than something we need to consciously decide to do."

Never online-only

Going to Europe, however, was a very conscious decision, especially because a new country for Retromarine goes well beyond just launching a webshop in another language. For each new market, Masud strives to identify whether there is sufficient offline demand and if he can find the right salesforce to represent the brand locally. According to the entrepreneur, the decision of which countries to focus on first is based on the one hand on the e-commerce market size, and on the other, the ability to get a good quality online sales force. The UK was an obvious choice, combined with Germany, France and Spain. "In London and Ibiza, we launched a couple of stores offline to test if there is a market for a product of our price range." The online infrastructure and the offline activities are two inseparable parts of the sales strategy. "If people see our garments anywhere, they need to have the option to buy them online," explains Masud.

Network of freelancers

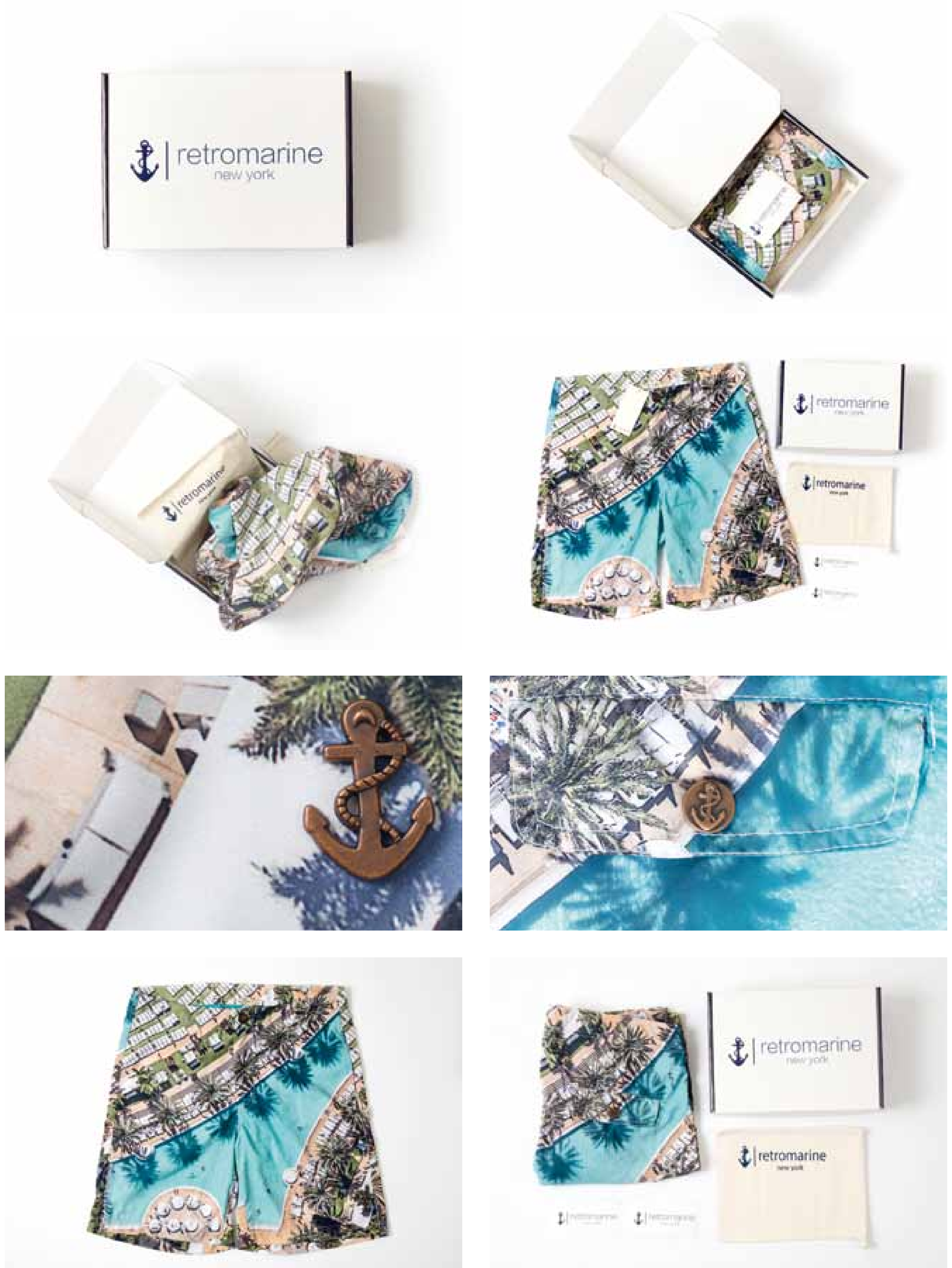
With only two fulltime employees, Retromarine is now going from one country to eight. How do they manage this growth? "We are hitting our limits. Still, we are always very careful with decisions we make and critical with ourselves. We want to be careful with our investors' money." In order to keep things moving smoothly, there are 20 freelance collaborators working on PR, online marketing, social marketing production and sales. Once the initial sales goals are achieved, Masud and Juan want to hire more staff in-house: "At the end of the day, it's best to have the knowledge and people in-house sweating and bleeding next to you."

For Europe, Retromarine plans on replicating the small accounts strategy in order to build up their brand image and gain momentum before negotiating with the 'big guys'. "Department stores are really hard to work with; the rules they have, the margins they take, so it is good to be strong when you go into these negotiations. You'd rather them come to you than the other way round," believes Masud Rabbani.

Shopify, Amazon, Dropshipping

Most of Retromarine's e-commerce activity runs on Shopify, a platform Masud is extremely fond of: "Shopify is a great platform which allows you to do everything easily and quickly, with plugins and support. It also offers the possibility of dropshipping, which is very important to us." Third-party selling activities on Amazon are controlled in-house. Recently, Retromarine has also coded and integrated an Amazon login, allowing Amazon Prime customers to benefit from free two-day shipping on their brand website, which would otherwise cost 15 dollars.

Alongside these two channels, Retromarine works with Bluefly via a dropshipping process and is open to setting up more drop



Retromarine swimshort unboxing

ship channels: "Dropshipping is a good way for us to open up doors without the retailer taking a big risk."

E-commerce: The first impression matters

For the European expansion, Retromarine has contracted warehouse space in Germany through Salesupply. The clothes are produced in Colombia, which has a free trade agreement with both the US and most EU countries. By shipping directly to the German warehouse, VAT and custom expenses and operational difficulties can be avoided. But that is not the core reason why Masud Rabbani wants stock in Europe: "Money aside, the main reason is that to me, the final customer is the most important person. That is the person who is willing to spend 155 dollars with my company right now. Not having products in Europe would mean, in the best case scenario, a delivery time of five business days, which is unacceptable." Retromarine strives for a 24- to 36-hour delivery service. In addition to shortening the delivery time, working with Salesupply means there will be native Germans taking care of the customer service. "Right brand representation and excellent customer service are key factors, because the first impression matters."

'Your highs are high and your lows are low'

Being part of a fast growing start-up in a very dynamic retail environment, Masud realised that ups and downs can sometimes be very close together. He recalls: "We once had a huge shipment of 1200 units and no money. So we rented a huge van to go pick up the containers at the cargo terminal of JFK Airport. It took us two hours to find the right cargo terminal and five tries to get the car up the ramp. That same afternoon, I had to change out of my gym gear and fly to Dallas to sit in a suit and tie and speak to the president of the Neiman Marcus group. One day I'm driving my van to the cargo terminal in jogging pants, and the next day I'm negotiating with the manager of a five-billion-dollar retail giant. That is what a start-up is like; your highs are high and your lows are low, and you have to do pretty well everything yourself. There is not a single thing in this company that Juan and I haven't done ourselves yet."

Letting go is not easy

Even today, Masud and Juan are still personally involved in most parts of the value chain. "I still reply to a lot of emails because in that way, I learn a lot about our customers." Due to the expansion, the company is in the process of outsourcing the entire customer service for Europe and the US. The new customer service representatives are equipped with training material and are sent examples of the tone of voice in order to understand the brand and the way it is supposed to be represented. "Not everything will always go right, and then you have to stand up for your mistakes and people will forgive you. I would go as far as saying that if you screw up, and then make it right, that customer will be more loyal than if everything works perfect. It's a funny cycle," believes Masud. "Customer service is really important to me and I have been very hesitant to give it away. It is such a key component to building your brand and your reputation. But we are outgrowing the stage where we can handle it ourselves." ••

KEEP CALM AND DELIVER CROSS-BORDER!

6 HACKS TO TACKLE DELIVERY AND RETURNS INTERNATIONALLY

Same-day delivery, free returns, click & collect, drones - not a season goes by without a new delivery trend popping up, often fuelled by the impressive marketing budget of retail giants such as Amazon and Zalando. The customer demands transparency, convenience, and speed. There is a visible power-shift towards the buyer when it comes to delivery and returns. Being upfront and offering choice are key for retailers seeking to convert users during checkout. Matching customer expectations with the sellers' needs is a major challenge- especially when it comes to cross border selling. Even if technology, infrastructure and new trade laws have made the world virtually smaller, the physical distance between the merchant and the buyer stays the same. Mark Eldridge, Chief Customer Officer of Spring Global Delivery Services, sheds some light on how to tackle the challenges of cross border logistics.

Mark Eldridge is the Chief Customer Officer of Spring Global Delivery Services. He has an international background in the mail, parcels and e-commerce logistics business and broad expertise in cross-border logistics.

For retailers selling internationally, the challenge of optimising international delivery and returns is twofold: On the one hand, the seller wants to live up to the customer's expectations, with the ultimate goal of increasing conversion. On the other hand, the costs for delivery and returns must remain under control and not nibble into the margins too much. And all this while competing with local companies with local fulfilment. Perceived as an enormous challenge by many retailers, according to Mark Eldridge, this conundrum can best be solved by understanding the local market and managing expectations: "Understanding local consumer habits takes away the fear," believes the expert. "Break down barriers by taking the consumers' concerns away. It seems harder than it really is."

1 MANAGE CONSUMER EXPECTATIONS

In order to get a realistic idea of consumer expectations, let's have a look at what makes them actually buy across borders. Top three drivers for purchases from abroad are better prices, availability and choice. If you have attracted buyers because of one of these factors, they are probably more likely to accept the fact that your delivery might take longer than that of a domestic seller. The key here is being upfront with the customer from the beginning. "As long as the receiver understands that it is going to take a certain amount of days, and he can track and trace his delivery, and you actually deliver within the timeframe you said, it is fine," says Eldridge. Customer expectations also vary depending on product types. A unique quality product justifies a longer wait. "China is a good example for this: They are increasingly buying quality products and real branded products from Europe. As long as these products can be certified as authentic, consumers are prepared to wait and even pay a little more."

2 REPLICATE WHATEVER HAPPENS LOCALLY

'Think global - act local'. Since the early days of cross border e-commerce, this sentence seems to be repeated as the mantra of success. However, Eldridge is convinced that it is more than ever a core element of a successful logistics strategy. "Consumers always want the local experience. If they are in the Netherlands, they expect the Dutch experience, if they are in the UK, they expect the British experience. This means that if you are in the Netherlands, your parcel is delivered by PostNL and if you are not at home, it will be given to a neighbour. If you don't provide the local delivery experience, consumers might be put off."
The key is to fully understand the delivery habits of your destinations. Whatever happens locally should be replicated as much as possible, and where it makes sense. "You really need local expertise for delivery and returns. Some customers want a label in the box, others want to print it out, others expect free returns. You have to understand the way the market operates and match these expectations," stresses the expert.

3 CONSIDER DELIVERY AS A MARKETING TOOL

Eldridge is convinced that for the very big retailers, fashion houses and brands there are no real barriers anymore. Those large sellers have the financial back up to tackle international growth, including growth pains. For the smaller companies, it is all about choosing the right niche and catering to your niche market as best as possible. "Make it as comfortable as possible for the consumer to buy from your site and don't forget delivery in this. It is a crucial part of your marketing mix", says Eldridge. Delivery has become a marketing tool, vital for conversion at the check out and for consumer retention: "If you can make the delivery and return process a good one, customers will come back and buy more products from you."

4 OFFER CHOICE

Free delivery? Same day delivery? The future of e-commerce logistics is all about offering choice. Which choices to offer depend on who your customers are and which niche or mass market you are targeting. There is no one-size-fits-all solution. "What Zalando has done very well is tapping into the feeling of the consumer that he wants free delivery and free returns, and they built that into their business model. For a retailer selling very expensive products like luxury apparel or big brands, it far better to reassure the consumer that the product is delivered in the best possible network, securely and on time, with no repercussions. Consumers are in this case prepared to pay for that." The 24/7 consumer that is constantly connected on tablets and phones expects his delivery to be same day, next day, time certain, in the evening, in the morning - the consumer wants to control the delivery process. Logistics companies have to offer choices to their retail clients, enabling them to offer choices to the buyers. "The power in all of this this is going very much towards the consumer. The recipient is pulling the demand rather than retailers pushing the demand. That is a huge power shift," says Eldridge.

5 SUBCONTRACT PARTS OF THE VALUE CHAIN

Many sellers are reluctant to let go of the control of the 'last mile'. The quality control of the delivery process is very important. However, a large number of online sellers subcontract parts of their value chain, for example payments to PayPal. They trust these parties because they know exactly what is going on in the local markets. Increasingly, companies start outsourcing their international delivery processes to expert partners as well. "Subcontracting parts of the value chain, such as call centre management, payment or logistics, is the future of online retail because it lets the retailer focus on their core activity. This is a business model that goes back many years but in the online environment it still has application," Eldridge says.

6 USE DATA FOR SMARTER LOGISTICS

Logistics companies capture a lot of consumer data. This data can be used to predict consumer preferences when it comes to delivery times and methods across Europe. "There is a lot of restrictions due to consumer protection laws. But imagine the situation where we could provide this kind of insight to retailers and match the consumer demand and the retailer's needs, we could be much smarter about how we organise logistics." Smarter use of data could, for example, go as far as informing the seller right away that a certain item has not been returned correctly, allowing them to prevent in advance the incorrect reimbursement of the purchase price. ••

SUCCESSFUL INSTAGRAM MARKETING

Text: Björn Tantau, Head of Market Insights Facelift brand building technologies GmbH

TRIANGL:
"THE HEIDI BIKINI MULTI COLOR NEON BINDING + NEOPRENE"
@HAILEYBALDWIN WEARS 'HEARTBREAKER'

Photo: TRIANGL

PREREQUISITES FOR SUCCESSFUL INSTAGRAM MARKETING

1 Aesthetic and visual presentation
Instagram is almost exclusively based on images. If your products or services cannot be displayed in a visually appealing manner, it will be difficult to wow Instagram users. The only remaining alternative is to employ an emotional strategy. Red Bull, for example, was able to add an emotional charge to its brand by using extreme sports stories, without its products ever being displayed. Luckily, in e-commerce, products can be easily shown in an appealing way. Therefore, only a certain amount of creativity is needed to produce great images.

2 Focus on young target audiences
On Instagram, you will mainly be able to reach a young target audience that uses Instagram for private reasons. Because of this, it is challenging for B2B providers to efficiently reach their goals. Companies that appeal to a target group that is older than 40 might not be able to use Instagram effectively, as their target group is not yet adequately represented.

RED BULL:
"THE WORLD IS AT YOUR FINGERTIPS."
@GELMANOVRUSTAM @DENISKLERO
#CLIMBING #BOULDERING #ROCKCLIMBING

Photo: Denis Klero / Red Bull Content Pool

INSTAGRAM MARKETING GOALS

In principle, the following objectives can always be pursued on Instagram, which can be met in regards to two different consumer groups:

1 Developing, sharpening or breaking down brand perception
Due to the pronounced focus on images on Instagram, users can perceive the identity of a brand, a person or a company within a very short amount of time. The users process both the individual posts and the overall impression, which is the result of looking at the feed as a whole. As a brand, you can thus not only use Instagram to sharpen the existing brand identity, but to also revamp an outdated brand image by using modern and creative images.

2 Emotionally charging your brand
Emotions are what make brands desirable in the first place. Classic product image, texts, information, etc. can assist in making a purchase decision, but don't do much to influence a customer's subconscious assessment of the brand. Instagram is the perfect tool for appealing to your customers' emotions, and the visual nature of posts means they can work universally, independent of language. Once again, you must consider both the individual posts as well as the overall impression of all the images as part of the entire feed.

CONTENT

The biggest and most fundamental challenge is creating engaging content. When it comes to capturing users' attention, each Instagram publisher is in competition with every other publisher.

Many companies choose to engage stars, celebrities or other people with a relevant reach in order to promote their products on Instagram. This approach is called 'Influencer Marketing'.

Influencer marketing has proved to be an extremely effective marketing tool for brands on Instagram. Influencers are usually popular, social media-savvy people with a large following, who can effortlessly create engaging content. Companies who try to compete with influencers with half-hearted efforts to produce content are fighting a losing battle. In order to survive among the competition or even become a leader, you need one of the following three solutions:

1 Become a content machine. Nike, Red Bull and Victoria's Secret have led the way. Great content, published on a regular basis, can turn you into an internationally successful brand, among other things.brand, you can thus not only use Instagram to sharpen the existing brand identity, but to also revamp an outdated brand image by using modern and creative images.

2 Alternatively, you can try to find appropriate, reproducible, low-budget content that is easily scalable or that your agency can produce at a reasonable cost while ensuring sufficient quality.

3 This is where the users come into play again. Users post all kinds of content about countless successful brands. And if they are not doing that for your brand yet, you can get them to publish great photos with the help of influencer marketing.
This is then an easy and usually problem-free way to share great images of your brand. If in doubt, contact the author in order to get his or her consent. As long as you publish the picture while providing a link back to the original creator, legal problems are very unlikely.

When compiling and publishing content on your channel, you must ensure that each individual image corresponds with the best possible visual language, is conducive to the perception of your brand and generates a clearly evident added value for the user. Moreover, the individual posts must yield a coherent overall picture. It is therefore essential to team up with creative experts in order to create and to illustrate an image concept that clearly pays tribute to the identity of the brand and supports this brand.

RED BULL:
"I GOT 99 PROBLEMS BUT SNOW AIN'T ONE."
@FABIAN_LENTSCH @RUEEEDI
#SKIING #SKI #IRAN

Photo: Ruedi Flück / Red Bull Content Pool

REACH

RED BULL:
"DIVE INTO A NEW WORLD."
@ORLANDODUQUE @MARJAN041
#CLIFFDIVING #UNDERWATER #DIVING

Photo: Marjan Radovic / Red Bull Content Pool

In order to exploit the potential of your great content, the necessary second step is to generate greater reach for your channel. You can extend your reach in different ways:

- **Brand and owned media awareness (Success is dependent on external factors)**
- **Instagram ads, hashtags, Instagram recommendations based on the interests of users (Success is dependent on content quality)**
- **Viral campaigns (sweepstakes, contests, hashtag campaigns)**
- **Influencer marketing**

Both in terms of content and reach, influencer marketing is thus a very elegant solution to the usual problems and therefore should play a central role in a successful Instagram marketing strategy. Some well-known companies, such as Nike, have successfully adopted Instagram as a marketing channel, using their brand image and a dedicated strategy to make the tool their own. However, the story is different for some young companies such as Triangl and Kapten & Son. These companies owe their success to great Instagram marketing, as they have intensively and extensively worked with the right influencers from day one.

Photo: Victoria Secret Press Room

TAYLOR HILL FOR VICTORIA'S SECRET:
"PRETTY IN PLUNGE." #ALLME

INFLUENCER MARKETING

In addition to creating excellent and ideally also recyclable content to draw attention to your channel, influencer marketing offers another key advantage: a credible and wide-reaching recommendation by an influential star within the social network. This factor alone is often a profitable investment when paired with a clever approach as well as the relevant products.

Currently, the market opportunities are still huge because many companies shy away from the effort that is required and service providers and agencies often prove to be inefficient. Many influencers have not yet realised their value, and the true potential of their enormous reach. ••

Fanny Moizant, co-founder and Vice President EMEA.
Franck Boniface, Executive Vice President Finance, People, Business Intelligence, Payment, Legal.

VESTIAIRE COLLECTIVE: RE-FASHION THE WORLD

Text: Janine Nöthlichs // Photos: Léon van Bon

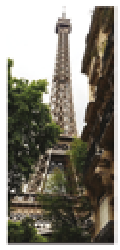
It is a remarkable business model: Vestiaire Collective, founded in Paris in 2009, is a platform for reselling luxury fashion items. The company itself acts as an intermediary, connecting sellers to buyers, ensuring quality and smooth operations, and, above all, creating a worldwide community, embracing social and print media, bloggers and the local fashion scenes in over 40 countries.

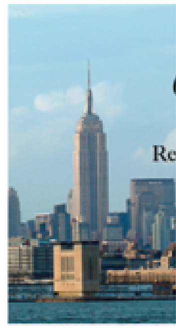
How does it work?
Sellers initially propose their high-end luxury fashion items via a dedicated form on the site, which receives around 4,000 submissions per day. Around 25 percent are rejected. Approved products are placed on the platform. The sellers' pictures are edited by an in-house team and, once a buyer is found, the product is sent to Paris to be checked by the company's quality control team, making sure it is in the expected state and not a counterfeit item. During this stage, less than 5 percent are rejected. As a result of this process, 20,000 new items are added to the site every week.

FACTSHEET
- 5 MILLION MEMBERS IN 40 COUNTRIES
- 200 EMPLOYEES
- 78MN EURO TURNOVER IN 2015
- 75% YEAR ON YEAR GROWTH
- AVERAGE BASKET VALUE 325 EURO
- 100.00 NEW MEMBERS EACH MONTH
- 680 000 FACEBOOK FANS

Franck Boniface, who joined Vestiaire Collective in 2012 in order to help push the international growth, tells us he was 'the first

THE VESTIAIRE COLLECTIVE
TIMELINE






October 2009 - Vestiaire Collective LAUNCHES IN PARIS
June 2010 - Receives first round of INVESTMENT
August 2011 - Receives second round of INVESTMENT
February 2012 - Signs Charter against FAKES
June 2012 - Reaches 1 MILLION members!
September 2012 - Opens office in London
September 2013 - Receives 3rd round of INVESTMENT
January 2014 - Launch of the GERMAN site
March 2014 - Opens office in NEW YORK
June 2014 - Launch of the ITALIAN site

external piece' added to the family of founders. "I saw back then it was a diamond, it just needed some refining," he recalls. After a career in finance and media, Franck easily made the switch into the fashion world as a result of his curiosity. We spoke to him about the challenges, passion, and learnings of internationalisation.

How would you describe Vestiaire Collective as an e-commerce company?
"What makes us special is that we bridge three different worlds. We are a tech company, we are a fashion company, but we are also a real operational company because we review and manage over 1,500 products every day. That makes recruiting new talent interesting too. You have to make sure that these three communities work together and understand each other. I am not a fashion guy; I am a finance guy. But I love getting new insights about fashion. Being passionate and curious is very important."

When did you realise that it was time to go international?
Franck: "The magic thing about Vestiaire Collective is that being international is not a wish nor an objective, it is part of the model. In the first place, the products we are selling go all over the planet and the brands are international themselves. Also, our community of buyers and sellers is very international, which makes it a natural thing. Some of the products are very rare. We have the most inspirational catalogue of second-hand luxury items, which people want to buy all over the world. From the first year on, it already had international traction."

What challenges did internationalisation yield?
Franck: "There is a huge gap between having international traction and really being international. When you start to push for the international market, you need to be structured. It is definitely challenging in any market. Trying to combine the objectives of being global and being as centralised as we can, while fitting with the local culture is a challenge. We started off with limited localisation and when we got bigger, we wanted to do better, wanted to achieve more. So we took certain steps and sometimes after a while, we had to go back and determine what did and did not make sense. It is a dynamic process and the conditions are constantly changing. The most important thing is being agile."

What is a concrete example of initial steps that were later adapted?
Franck: "A good example is the localisation of payment methods. The first thing we did was build channels to get the right payment methods in every country. In terms of localisation, this is a crucial step, but we created a monster. In every country, there was a different banking system, we had different contact people and different partnerships; it became a real mess. Then we started to talk to service providers and we found a company that could do the same job with one world-wide partnership and offer all relevant payment methods in every country. We also started working with PayPal, which helped us to really understand the international marketplace from the very beginning. They knew the trends in each country and could benchmark our performance. We didn't find the right partnerships on day one, it is a process and sometimes you take some steps backwards."

Vestiaire Collective has offices in Paris, New York, Berlin, London and Milan. How do you decide where a new office will be opened?
Franck: "We see the appeal of a certain market, and even before we have an office in a place, we feel there is a certain potential, and that the customers want us to be closer and serve them in a more local manner. This, for instance, happened in London. The UK was the first country where we hired people locally. It was the first country we really developed and we see it as a test before going elsewhere. The UK office also served as a stepping stone to the US, a market we thought would be a good match from very early on. We had clients from the US from the beginning. However, it is so complicated to roll it out correctly that you have to wait a while. If we could succeed in the UK, we thought we could also tackle the US."

Are there any mistakes you made along the way?
Franck: "I truly believe that you learn most from mistakes. The trick is not making the same mistakes twice. As a start-up, you have to be very agile. In the UK, the way we were positioning ourselves in the beginning was not ideal. We have a strong French DNA, which is also a valuable brand asset. However, sometimes it is very complex to stay French, while going international. Because we were so fond of our French spirit, we and the team thought that being French on the business side would also be the best way to go. Then, we realised we had to be much more open, to adapt more. Fanny, one of the co-founders, finally decided to move to the UK and establish a good synergy between our French DNA and our quest to become more 'local'."

How does Vestiaire Collective work operationally and what are your first steps when launching in a new country?
Franck: "The operational side of our business is located in Paris. Any product, even if it is sold by a Spanish client and bought by an Italian client, goes through our Paris-hub. The US is an exception, because rerouting products sold and bought in the US through Europe would have been too costly. Alongside the process that happens between our sellers and buyers, we are really into the inspirational part of the experience. People are coming to us not only to buy but also to be inspired. There is a strong editorial side to our business. Our website is thus much more than just an e-commerce platform. Because of that, we needed to adapt our international expansion to what we really are. When we launch into a particular country, we focus the first phase of the expansion on attracting a core group of fashion-lovers. This group includes bloggers, editors and local influencers. Our local offices focus specifically on PR and this type of community marketing."

You recently hired new country managers. Where are they located?
Franck: "Usually, our country managers are based locally, to be

as close as possible to where things happen. The Italian country manager is based in Milan. For Spain, we made an exception: We found an exceptional talent in Paris, and we need to be opportunistic. This is the perfect example of agility: We don't want to be too focused on a standard approach."

How is customer service managed at Vestiaire Collective?

Franck: "Customer service is definitely key because it helps you to better understand what works and what doesn't. In a country like the US, the service experience is completely different. Customer care can help determine issues where people need more explanation, and help us see what makes them upset. Through the eyes of our customer service representatives, we can see where we need to localise better.

We did this in many different ways. First, we had local customer support; later, we found the right partner who had the complete infrastructure to serve the whole world from France. We have two levels of customer support: Level one includes simple questions about how to place an order or how to sell a product. More complex issues related to concrete problems fall into level two. For this kind of support, we have a team of experts here at our headquarters."

Do you have a dedicated team per country to take care of resonance on social media, including negative reviews?

Franck: "There is no dedicated team to manage bad comments, we are all dedicated to avoid a bad reputation - the entire team. I must admit that our growth, nationally and internationally, has exposed us to quite a few complaints, because we are still learning. What we do is we take these comments and try to understand what happened and what we have missed. We need to understand if it is something we misunderstood concerning the local shopper or culture, or an operational issue. Then, we have to correct our mistakes."

Last year, you raised a substantial amount of capital to fuel international expansion. Can you comment on that?

Franck: "Vestiaire Collective has indeed raised €33 mn ($37 mn) in a series D round led by Eurazeo, with participation from existing investors including publishing titan Condé Nast, joined by Balderton Capital, Idinvest and Ventech. For us, investment makes a lot of sense at this point, because we are growing. Expanding into additional countries is a huge investment, which is why the last funding round was dedicated to international expansion. Being funded is a great exercise because as a company, you enter a phase when the 'internal thinking process' gets stimulated. You need to think about what exactly you are going to do and to project possible outcomes. From a strategic point of view, this is very important, because it helps you to reset your strategy. Of course, you also need the right investor. Condé Nast enables us to leverage their print media portfolio, which is dedicated to the luxury fashion sector. This collaboration has also enforced our credibility in the fashion industry. Our new investor, Eurazeo, is well known for later-stage funding. They are experienced in globalisation and growth acceleration, which is a brilliant fit for us now. Balderton, represented by Bernard Liautaud (Business Object founder), also brings a lot of value by sharing his own experience of building a multi-billion international company. Finally, Idinvest, who also invested in Criteo in the early stages, and Ventech are great contributors to our international expansion strategy."

The investment is also supposed to strengthen the activities in the US.

Franck: "Exactly. In the US, we have a different approach. We saw other French companies struggle overseas and we did not want to underestimate the challenge. We knew that it was complex. We have kicked off a 2-phase approach. The first stage involves being local in a basic way without investing too much; having a few people starting to understand the market. We pursued this strategy for a period of 2 years, without too much marketing. Then we found our country manager and we started a real push. We moved towards being active instead of being a market observer. Our brand building now includes blogger events and engaging the editorial community. We strive to build awareness amongst relevant, influential people. You need to get to a core group of people in order to build on a strong base."

> "YOU NEED TO GET TO A CORE GROUP OF PEOPLE IN ORDER TO BUILD ON A STRONG BASE"

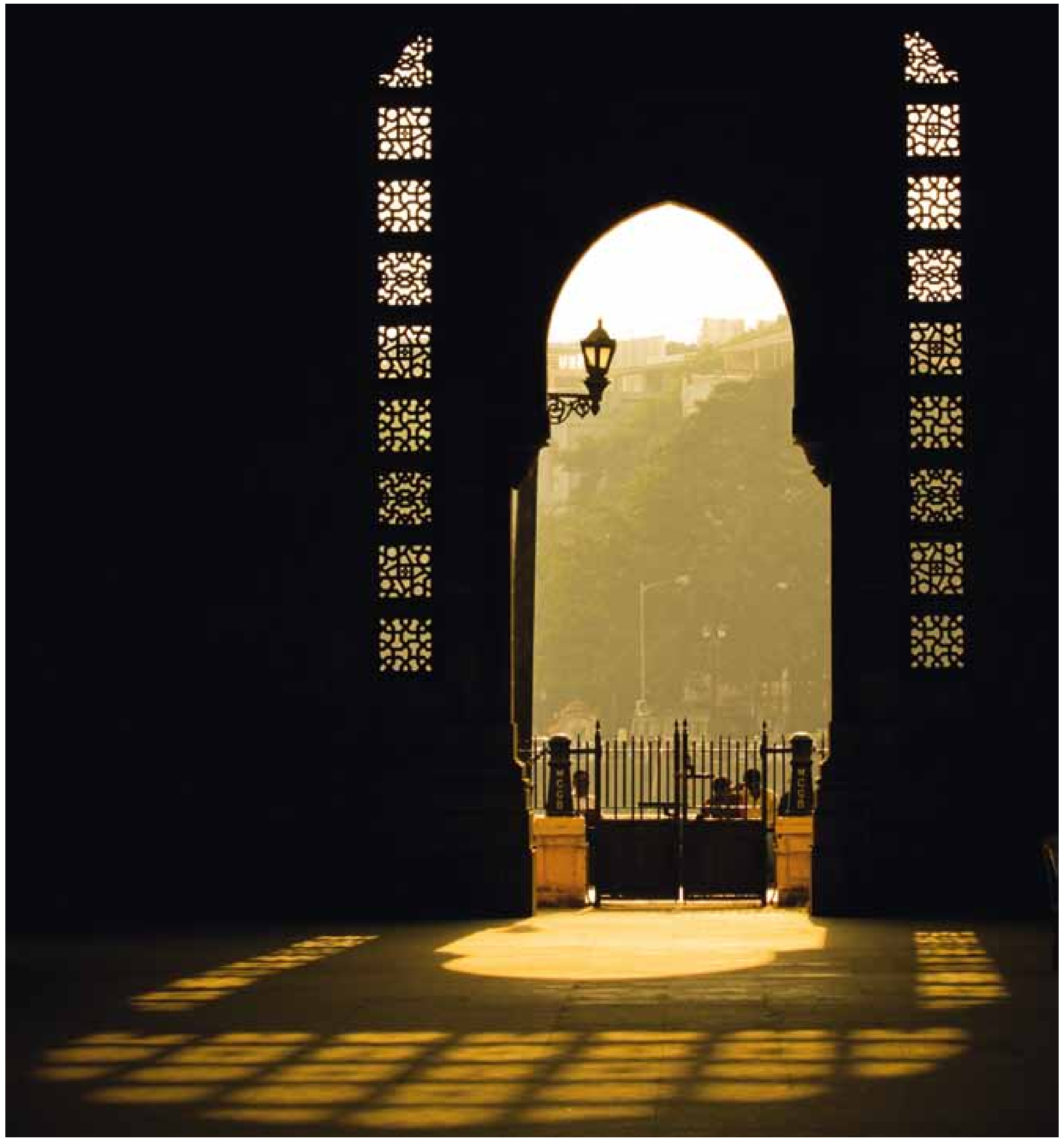
Asia is known for its hunger for trends and luxury fashion of western making. Any aspirations?

Franck: "We are thinking about it. Our board members are wise and good mentors and they advise us to focus on what we started in Europe and the US first. In the long run, Asia is going to come. The timing just has to be right."

Is there a special moment that you remember from this international journey that you can share with us?

Franck: "We recently had a global event with all of our 200 employees. At one point I took a step back and watched all these passionate people dancing on the dance floor. Young talent from Berlin, New York, Paris. I was proud of the team that we built and proud to be surrounded by so much international energy. That made me very happy." ••

E-COMMERCE IN INDIA NOW OPEN FOR FDI



E-commerce is growing at an enormous rate in India. Until recently, foreign investors could not fully benefit from this growth as they were not allowed to own webshops and comparison sites on the subcontinent. However, the law changed on April 1st 2016, says Bart Hergaarden, partner of IndiaConnected. "Now is the time for European e-commerce platforms to head for India."

Why should European e-commerce players set their sights on India?
Hergaarden says, "E-commerce in India is growing faster than anywhere in the world. Last year, combined revenues were still relatively modest at 16 billion dollars, but by 2020 Morgan Stanley expects the market to be seven times as large. In only five years' time! India is following China's example, The Economist wrote recently. That's why Amazon and Alibaba are pouring billions of dollars into India."

What is driving this rapid e-commerce growth in India?
"India is the fastest growing large economy in the world; 70% of the population is under 35 years of age, and every second sees three Indian people going online for the first time. Currently, over 300 million Indians have access to the web, mostly through their mobile phones, and by 2018 this will grow to approximately 500 million. Alongside these overwhelming statistics, the vast size of India can also explain why e-commerce is growing so rapidly. Millions of people simply live too far away from the shop that stocks the product they want, making online shopping the only viable solution. Market leaders Flipkart and Snapdeal deliver almost half of their goods to people living outside the big Indian cities. Dutch lingerie maker Hunkemöller, who opened their first stores in India this year, recently said that they simply cannot reach all their potential clients with physical stores alone."

What makes 2016 the right time to explore India?
"The Indian e-commerce laws have recently undergone some fundamental changes. As of April this year, foreign investors can now fully own and invest in affiliate marketing platforms, known in India as 'the marketplace model'. This was not allowed previously. In addition, the investment in and ownership of online sales platforms by consumers, in India known as 'the inventory led model', is also expected to open up to foreign investors in the near future. These legal changes characterise the economic policy of Indian prime minister Modi who came to power last year: Modi's government is committed to making it much easier to do business in India."

Which European platforms do you specifically see opportunities for in India?
"At the moment, affiliate marketing businesses such as comparison websites, online auction houses, marketplaces and commercial lifestyle blogs, should really start looking at India. However, they must closely monitor developments in India and start building a strategic network to prepare their market entry. That's why IndiaConnected are organising an e-commerce focused business trip to India for entrepreneurs who do not want to miss out on a market with such enormous growth." ••

E-COMMERCE TRADE MISSION TO INDIA

The time is ripe to explore opportunities in India and to establish a local network of contacts.

JOIN INDIACONNECTED IN MUMBAI AND BANGALORE
These two megacities are bursting with entrepreneurial activity, energy and innovation. The core of the program will revolve around individual matchmaking, which will be carried out for every participant. In addition, we will introduce you to successful e-commerce companies, promising start-ups and will engage with VC's, angel investors, IT service providers and leading fulfilment players during the various company visits. We will also organise two networking events. We will begin each day with an inspiring guest speaker during the breakfast sessions. It will be a jam-packed program of events, which will give everyone that takes part all the required information and contacts for their next steps in India or to help with any further decision making.

DATES
5-10 February 2017 (to be confirmed)

FEE
- Euro 4.950/- per participant *(incl international flight and five star hotel)*
- Euro 4.250/- per participant *(excl international flight)*

IMPORTANT INFORMATION
- Accommodation: 5-star hotels, individual rooms
- Inclusive of all meals and networking receptions
- Inclusive of all local transportation (airport transfers, domestic flights, luxury coaches and individual taxis.
- Inclusive of individual matchmaking (6 matches per participating company)
- Exclusive of hotel room charges for individual services (laundry, room service, etc)
- Exclusive of alcoholic beverages

INDIACONNECTED

IF YOU ARE INTERESTED AND WOULD LIKE TO RECEIVE MORE DETAILS, PLEASE SEND YOUR DETAILS TO INDIACONNECTED, BART@INDIACONNECTED.NL

UNDER ARMOUR

"Transform Yourself" Superman & Batman Compression Shirt.

Under Armour, founded in 1996 by former University of Maryland football player Kevin Plank, is the pioneer of performance apparel - gear engineered to keep athletes cool, dry and light throughout the course of a game, practice or workout. Under Armour's online footprint is expanding globally with over 20 sites across the world. In Europe, UA is present in 13 markets with a localized experience. The online expansion is key in growing their international presence and increasing brand-awareness.

"THESE SHIRTS ARE IN THE TOP THREE BESTSELLING PRODUCTS IN ALL 13 COUNTRIES WE ARE ACTIVE IN."

- Dimitri Arts, E-commerce Manager EMEA at Under Armour -

CHOCOLISSIMO

"Easter Premiere" and "Elegance Easter" Chocolate Easter Eggs.

Chocolissimo, part of the MM Brown Group, is a Polish company operating localized websites in Germany, Poland, the Czech Republic, Slovakia, Lithuania and Romania. Other EU countries are served through the chocolissimo.com website. The brand, founded in 2014, sells chocolate produced by leading confectionery manufacturers from France, Belgium, Germany, the Netherlands, Switzerland, and even Madagascar and Australia, to corporate and private customers.

"THE EASTER PREMIERE AND ELEGANCE EASTER CHOCOLATE EGGS ARE THE FAVOURITE PRODUCT FOR OUR INTERNATIONAL CUSTOMERS. PARTICULARLY IN NEW MARKETS, EGG PRALINES IN THESE LUXURY BOXES MEET A BIG DEMAND."

- Adam Jankowiak, E-commerce Manager at Chocolissimo -

INSIGHTS TO BUILDING YOUR INTERNATIONAL STRATEGY

Text: Oleksandra Oberemok, Astrid Huijssoon // Images: IPSOS, PayPal, Cross-Border Magazine

The opportunities and challenges of international commerce

Most online businesses know that exporting goods is a smart way to reach new customers and increase market share. But recognizing the opportunity, and successfully building and executing a globalization strategy are two very different things. If your company wants to bridge this gap, you need insights to help uncover new opportunities and best practices to expand your cross-border sales and discover new revenue streams abroad.

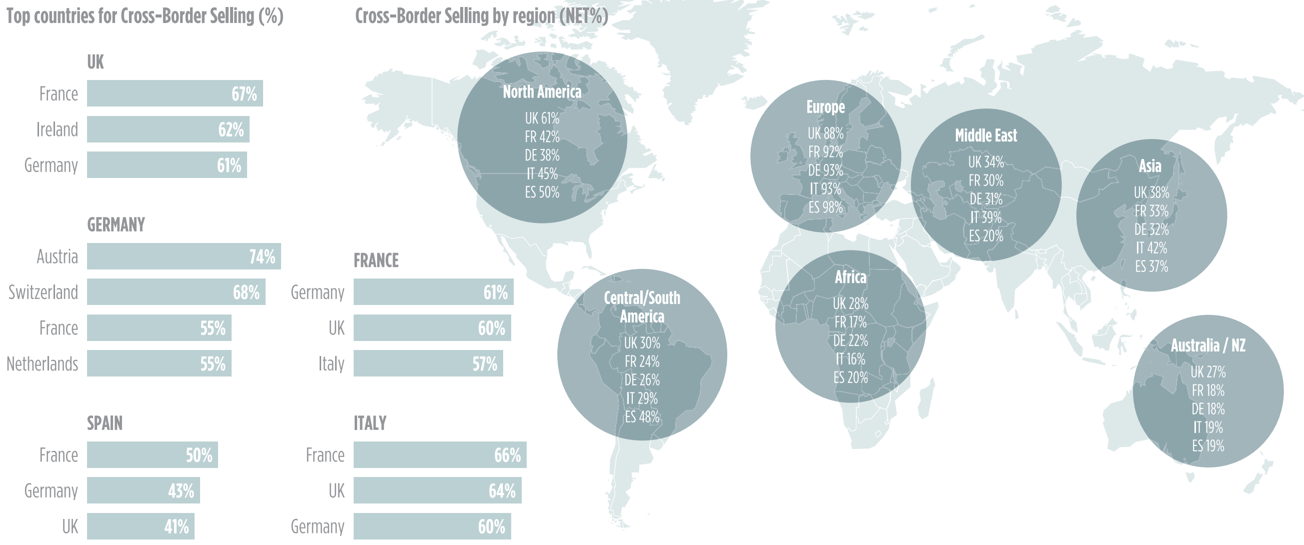
Recently, PayPal released its second-annual global cross-border commerce report to help merchants around the world better understand consumer cross-border behaviour in key export markets. The research, conducted in partnership with Ipsos[1], investigated the online and cross-border shopping habits of more than 23,200 consumers in 29 countries and uncovered valuable insights about how online commerce – and specifically cross-border commerce – is evolving.

To understand if online businesses are on the right track, PayPal also commissioned Ipsos to research where Western European merchants see growth in the next 12 months, and to understand how their challenges and plans fit with the consumer behaviour, needs and demand.

[1] *On Behalf of PayPal, Ipsos interviewed a representative quota sample of c.800 (23,354 in total) adults (aged 18 or over) who own and/or use an internet enabled device* in each of 29 countries (UK, Ireland, France, Germany, Austria, Switzerland, Italy, Spain, Netherlands, Sweden, Poland, Turkey, Russia, Israel, UAE, USA, Canada, Brazil, Mexico, Argentina, India, China, Japan, South Korea, Singapore, Australia, South Africa, Nigeria, Egypt). Interviews were conducted online between 17th September and 28th October 2015.*

CROSS-BORDER CORRIDORS OFFERED

In both Italy & Spain the top 3 CBT corridors are France, UK & Germany - and at least one of these markets forms part of the top 3-4 corridors across all the surveyed countries. Germany has a slightly different profile - selling most commonly to countries with a Germanic language.



Q2. Which of the following country or geographies' does your business currently accept online purchase from? Base: Cross-Border sellers (UK: n = 114 / FR: n = 131 / DE: n = 121 / IT: n = 110 / ES: n = 122). *Note, the home country for each merchant market has been excluded e.g. UK does not include UK merchants selling there.

Western European businesses focus mostly on the European Union - but is that enough?

In current cross-border corridors of European Union (EU) merchants, there is a dominance of the European Digital Single market. When asked about their expansion plans for 2016, the top growth markets for EU merchants are also within the EU (see graphic below). However, are Western European Businesses missing opportunities by not looking outside of the EU?

For example, UK online businesses identified Asia as the third largest regional sales market for their expansion, however results from the consumer survey show that among 29 countries surveyed, demand for British goods is highest among Chinese customers. An estimated 21.9 million online shoppers in China bought from UK retailers in 2015. Yet despite this boom, only 15% of the UK's online businesses surveyed currently sell to Chinese shoppers, and among those who do sell internationally, just 5% list Yuan as a currency option for payment. There is clearly a disconnect between the consumer demand and merchant plans.

For EU merchants willing to make the leap and sell outside of the EU, luckily the checklist to win over consumers remains the same globally:

1. Free shipping, free return shipping & guaranteed total landed price
2. Website security, trustworthiness & a variety of payment options
3. Addressing local languages & currency

Where and why do consumers shop internationally?

Nearly three quarters (73 percent) of all cross-border shoppers surveyed cite better prices as the reason to make purchases cross-border rather than domestically, followed by notions of access to items not available in their own country (selected by 67 percent of cross-border shoppers) and discovering new and interesting products (58 percent).

For Western European consumers, the UK and Germany are key online shopping destinations. However for the fast growing Eastern Europe and the Middle East e-commerce regions, consumers shop more from U.S. and China than from Western European merchants. Western Europe, apart from the UK, does not feature among top three shopping destinations for consumers in these emerging markets.

Since these consumers are looking for selection and price – there appears to be a missed opportunity for Western European merchants that offer an excellent range of product categories with valuable price/quality ratio that the consumers are looking for.

TIP FOR MERCHANTS:
THINK ABOUT THE EMERGING MARKETS WHERE COSTS OF ACQUISITION ARE LOWER

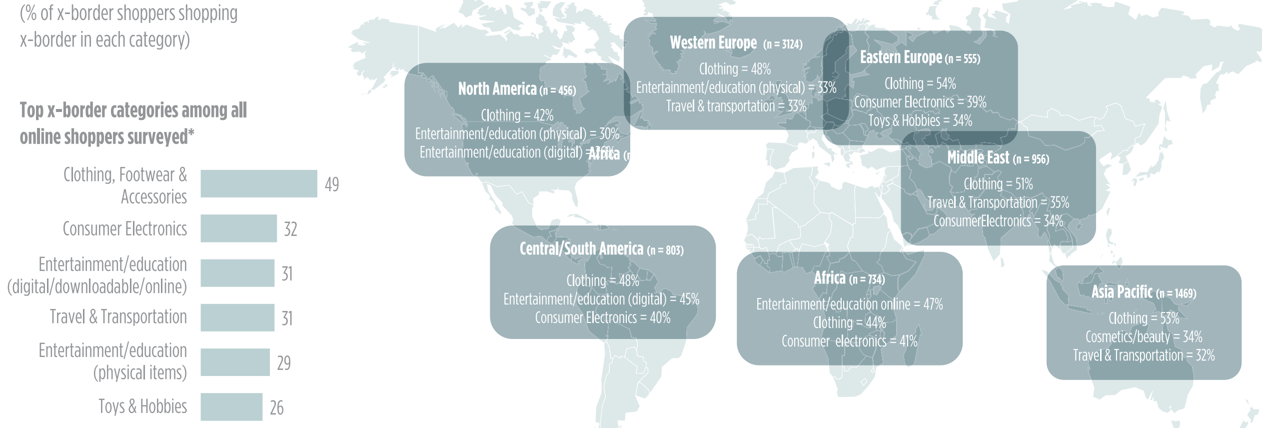
Global

The survey also looked at the top drivers for cross-border shopping. Merchants looking to improve their conversion rates should ensure they can:

1. Offer different shipping options in terms of costs and time (free shipping is costly to merchants but is the biggest conversion driver for international consumers)
2. Clearly communicate duty and taxes information on your site

IN MOST REGIONS, CLOTHING AND APPAREL IS THE MOST POPULAR CATEGORY FOR CROSS - BORDER PURCHASES

Top x-border categories for respondents living in each region*
(% of x-border shoppers shopping x-border in each category)



*Results are among all consumers surveyed, not weighted for population size

Region definition (countries surveyed): **Western Europe:** UK, IRE, DE, FR, IT, ES, NL, SE, AT, CH, **Central and Eastern Europe:** PL, RU; **North America:** USA, CA; **Latin America:** MX, BR, AR; **Middle East:** TR, IL, UAE; **Asia Pacific:** IN, CN, AU, JP, SK, SG **Africa:** NG, SA, EG

Q28. In the past 12 months what kinds of products have you purchased from websites in other countries? Base: Cross-Border shoppers n = 8097

3. Display the local currency (payment in foreign currency is one of least important barriers for Western European consumers (only 24%) while for consumers in Central and Eastern Europe it's a top 10 barrier - 35% of consumers surveyed said this prevents them from buying more on international websites).
4. Offer PayPal to reassure consumers with a secure way to pay and buyer protection in case an issue comes up or if they would like to return something. (Concern around receiving item is consistent top barrier for consumers from all regions).

What payment method do consumers prefer for international payments?
Safety, convenience and ease of payment are key determinates of a preferred cross-border payment method. When asking consumers what payment method they have used in 2015 for an international online payment, PayPal is ahead of main competitors in most countries. PayPal usage for cross-border transactions in 2015 Among cross-border shoppers is ahead of main competition in all European markets and at 71% for western European consumers.

TIP FOR MERCHANTS:
REASSURE CONSUMERS WITH CLEAR INDICATION OF OFFERED PAYMENT METHODS

Global mobile numbers: a future trend or a current reality?
You can't speak about ecommerce today without touching on mobile shopping. While for Western European consumers it's clearly a trend with nearly 20% of Western European cross-border transactions done on mobile/tablet, this is no longer a trend but a reality for the Middle East and Africa, where respectively 28% and 41% of transactions are happening on a tablet or smartphone.

Shipping, return shipping and freight forwarding
32% of consumers in Western Europe have used freight forwarding services or friends and family abroad to purchase something from another country. This insight reveals opportunities for merchants to provide more compelling direct shipping options. The European Commission recently identified a discrepancy between domestic and international shipping and noted that it is five times as expensive to ship parcels internationally even within the European Union than to ship domestically.

The rate of international returns varies by market: 15% of western Europeans surveyed have sent back an international purchase, but 38% of consumers say free return shipping is a key purchasing driver. Offering free returns is a key conversion driver internationally.

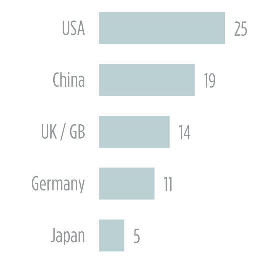
Discovery: how are consumers finding merchant websites?
Search is an important function for cross-border shoppers, and the survey results show that merchants need to to diversify their marketing strategy and invest in several channels, not only in SEO/SEM, which is expensive. Word of mouth and comparison sites are also worth considering. How do international consumers find your website? ••

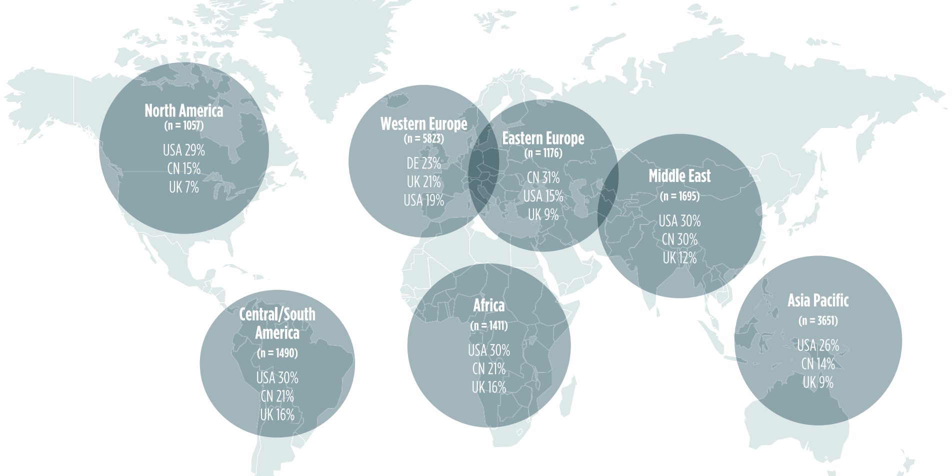
CHINA AND THE US ARE THE MOST POPULAR CROSS-BORDER DESTINATIONS

FOR WESTERN EUROPEAN SHOPPERS HOWEVER, SHOPPING WITHIN EUROPE IS STILL MORE POPULAR

Top online shopping destinations for consumers within each region*
(% of online shoppers living in each region shopping cross-border from the country mentioned)

Top online destinations among all online shoppers surveyed*





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Q27. Thinking about shopping online, from which of the following country or geographies' websites have you purchased in the past 12 months? Please include your home country if applicable. Base: Total online shoppers n = 16,302

SHIPPING COSTS, AND REASSURANCE ABOUT SAFETY OF PURCHASING ARE KEY DRIVERS TO CROSS-BORDER SHOPPING

Top 10 potential drivers for x-border shopping among all online shoppers surveyed*

Top 10 barriers for x-border shopping among all online shoppers surveyed*

*Results are among all consumers surveyed, not weighted for population size

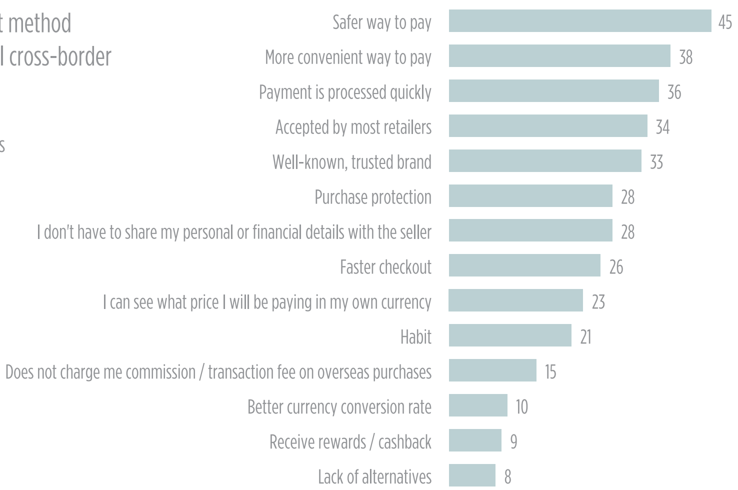
Q39. Which, if any, of the following would make you more likely to buy from a website from another country? Base: Online shoppers n = 16,302
Q36. Which, if any, of the following reasons prevent you purchasing from websites in another country (more often)? Base: Online shoppers = 16,302

SEARCH IS AN IMPORTANT FUNCTION FOR CROSS-BORDER SHOPPERS

SAFETY AND CONVENIENCE ARE KEY DETERMINATES OF CROSS-BORDER PAYMENT METHOD PREFERENCE

Reasons for payment method preference among all cross-border shoppers surveyed

(% of all x-border shoppers who gave a preference*)



*Results are among all consumers surveyed, not weighted for population size

Q44c. For what reasons is this your preferred payment method for online transactions/purchases from websites from another country?)
Base: Cross Border Shoppers who give preference (n = 7839)

A GOOD MATCH WITH A LOCAL MARKET IS IMPORTANT

When former lawyer Janine Tillema finally found an effective treatment for her skin problems in Paula's Choice products, she was so impressed by the brand and its unique story that she decided to bring it to Europe. Today, the 'accidental entrepreneur' heads an online business that has grown from a single website and 3 employees in 2005 to a company boasting a workforce of 35, running 9 international sites in 10 languages with 7 currencies and 10 VAT numbers.

How it all began
Paula Begoun, an American journalist, suffered from acne and eczema since her childhood. She made a career writing investigative books on ingredients of popular skincare products, which earned her the reputation of 'cosmetics cop' in the US. Dutch lawyer Janine Tillema, also plagued by a serious skin condition, came across the book in Amsterdam and ordered Paula Begoun's skincare products from the US. The result was stunning: The skin problems disappeared. Neighbours and family asked her to place bulk orders, which led Janine to investigate if there was an opportunity to bring Paula's Choice to Europe. "I only found a distributor in Singapore and Australia, so I researched the legal conditions for selling these products in Europe. I realised there were little obstacles, so I wrote Paula a letter and attached my research. Of course, at first I heard nothing and people started to make fun of me," laughs the sympathetic business woman when we meet at the European headquarters in Amersfoort.

However, a few weeks later Paula Begoun called her back. The two met in Amsterdam and a first business plan was drafted.

"Because the cosmetics legislation in the EU was mostly harmonised, we decided to ship to all EU countries from the beginning. It was clear right away that this was going to be a business with a major online focus," says Tillema. After the startup phase, she quit her job. "I am an 'accidental entrepreneur'. It happened to cross my path, but it is amazing: To see where we came from and where we are now, receiving so much positive feedback and seeing that you have launched a product that really can make people happier, that is very special to me."

Good fit with the German market

Having rolled out one English-language website for the entire European market at first, Paula's Choice decided to localise dedicated online-shops for Germany, the Netherlands and the UK, following the size and accessibility of these markets. Tillema: "Germany was high on our wish list because there was a great fit between the market and our brand."

In other countries, Paula's Choice works with sub-distributors and either single- or multi-brand resellers. "Most of our sub-distributors came to Paula's Choice in exact the same way that I did," Janine Tillema explains. "If you look at that strictly from a business perspective, you might first do market research and an opportunity analysis. But these entrepreneurs were enthusiastic, they knew the market and our brand. We trusted them and it turned out fantastic. Business-wise, this might have been a risk. But if someone approached me tomorrow with the same passion, I think I would do it all over again."

Paula's Choice Europe avoids involving too many intermediaries, as this would drive up costs: "A good price-to-quality ratio is one of our strongest USPs, so focusing on the online channel is a logical choice." Omni-channel is no priority for the company. However, there are some beauty salons and a few resellers with brick-and-mortar sales points.

All products are manufactured in the US and shipped to a central Dutch warehouse. Resellers and sub-distributors determine their stock and assortment themselves and are supplied from the warehouse. The Dutch warehouse also directly fulfils customer orders from all European countries without a local representation.

"Which celebrities use your product?"

Germany, the UK and the Netherlands are the top-three performing countries. However, to Janine Tillema, being successful in a market such as Romania is also very special: "I think the resonance there is good because people want objective information and our no-nonsense philosophy appeals to people in this region". The same goes for Germany, where customers investigate thoroughly before pledging their loyalty to a cosmetics brand. However, once they are convinced, they order again and again. "Our customer retention is really high for a cosmetics brands," explains Tillema. "It is a tough market, but our performance shows the power of our products."

The UK, according to the entrepreneur, is more sensitive to hypes and has a dominant celebrity culture. Bloggers are also highly influential: "The question we hear often in the UK is 'Which celebrities use your products?'. But we are not really into that kind of marketing." Still, the marketing mix needs to be adapted to this and other local trends. Sometimes, the success of the brand manifests itself in the most unexpected ways: "Once, before there was even a reseller active there, we were sent an award for best skincare product from Sweden. Apparently, a local beauty journalist had put us forward in the competition, which was a pretty big surprise at that time."

Brand building in a tough market environment
When Paula's Choice first came to Europe, brand building was a challenge: Whereas in the US, founder Paula Begoun was a celebrity before she launched her product line, in Europe, both had to be introduced from scratch. The cosmetics industry makes use of strong emotional marketing, beautiful packaging and promising claims, which makes the market very competitive. For consumers, understanding ingredient lists is complex, but the general trend is that consumers are becoming more conscious and more inquisitive about the products they consume or use on their skin. "Paula has understood this trend at an early stage, and this is what makes us successful in Europe as well," Tillema believes.

Cross-Border means local focus
When starting off the business in the EU, Tillema quickly realised that selling cross-border in Europe means tackling a number of administrative challenges, such as correctly managing VAT payments in all the markets. In the cosmetics sector, labelling and local wording requirements pose additional challenges. Next to that, managing local customer expectations, creating relevant marketing campaigns and customer care are crucial elements that need to be taken care of for each local market.
There are, for instance, 12 different dates for Mother's Day throughout Europe. "You can't sell into a market like Spain without working with local partners," Tillema is convinced. In Spain, Paula's Choice works with a sub-distributor who manages the Spanish webshop and coordinates a PR agency. They work with Bryte and Salesupply for online campaigning and website support.
The Amersfoort headoffice is also involved: "In this way, we can coordinate our marketing effort with our central vision without losing focus on details in the local Spanish market."

"YOU CAN'T SELL INTO A MARKET LIKE SPAIN WITHOUT WORKING WITH LOCAL PARTNERS"

In the UK, brand marketing in the beauty sector has become tougher: "Being a brand ambassador has become a well-paid business," laughs Tillema. "In the UK, bloggers were paid even before it became the norm in other countries. That blurs the boundaries between content and editorial". However, as social media increasingly empowers customers to exchange honest advice and 'real' opinions, this tendency might move towards a less commercial approach shortly.

Different mind-sets
Local know-how is also crucial in order to understand the way that customers think. The mind-set towards online shopping can differ dramatically. In Romania, it is common that the delivery man waits until the client has opened the package and checked the contents. "In the Netherlands, you would never expect consumers to behave like this. This is why we need local expertise more than anything!" Janine Tillema insists.

No level playing field in the EU
Within the framework of the Digital Single market, the European Union is actively stimulating cross-border online trade. However, according to the successful online business woman, the question is if the European Commission is fully aware of all the challenges merchants really face in cross-border online retail. It is not without reason that only a small percentage of SME's engage in cross-border e-commerce. "They talk about a level playing field in the EU, but as long as the purchasing power and operational costs differ so immensely, that is not given at all. The Single Market and equal opportunities are not yet reality, even if EU officials seem to believe they are. Offline, we understand and accept there is a price difference between Poland and Germany, for example, but online there is a lot of fuss about price differentiation all of a sudden."
Also, ideas like an obligation for online retailers to deliver in all EU countries are, according to Tillema, a sign that the obstacles entrepreneurs face are not yet fully understood. "There are certain aspects of cross-border e-commerce that the European Commission simplifies, but it is very positive that the topic is at least on the agenda".

The future
Paula's Choice is determined to further build its success as a Pan-European brand. Before 2018, they are eyeing a localised launch in France and Italy; countries that already provide a steady stream of orders without any marketing efforts. "We will research these countries carefully," says Tillema, adding: "I am curious if our brand is as good of a match for these markets as we believe!" ••

BREAKING INTO THE US WITHOUT BREAKING THE BANK

Text: Janine Nöthlichs, Richard Asquith, Paul Guyer

THE TRIALS AND TRIBULATIONS OF SELLING IN THE UNITED STATES

The US e-commerce market offers many opportunities: Over 67% of the population shop online, which equals 173.6 million buyers. They generated a turnover of $ 595 bn in 2015, forecasted to grow at a 9% growth rate in 2016[1]. Businesses are fighting for a share of this lucrative global market and looking at cross-border expansion.

In the rush to expand, however, merchants can overlook areas of international business that are unfamiliar. Ensuring you support international payments and have a logistics network capable of fulfilling orders is important, but with new opportunities come new complexities, particularly when meeting the challenge of sales tax compliance in the United States.

"Businesses in Europe are used to dealing with transactional taxes in the form of VAT, but US sales tax is a different prospect entirely. With over 12,000 taxing jurisdictions throughout the US, each empowered to alter rates and rules, leading to 100,000+ rules and boundary changes annually," explains Richard Asquith, VP of Global Tax at Avalara, a company specialised in compliance solutions related to sales tax and other transaction taxes.

[1] See infographic by Ecommerce Foundation on page 41. Download full reports at www.ecommercewiki.org

On which items do you charge sales tax? What rate of sales tax do you need to charge for different addresses on the same street? What is the difference between state, county, city and special taxes? Where do you need to file and remit sales tax? What records need to be kept in case of audit? How often do you file taxes and to which authority? And what on earth is nexus?

What is Sales Tax?
As revenue from property taxes collapsed during the Great Depression in the 1930s, US states implemented transactional taxes on commodities. As an indirect tax (a tax levied on goods and services), sales tax requires the seller to collect funds from the consumer at the point of purchase.
Today, there are over 12,000 state , county and city jurisdictions in the US charging a sales tax.
Forty-five states and the District of Columbia now impose a sales tax on retail sales and some services. The bulk of their revenue is now generated from sales taxes, not income taxes. As an indication of the importance of sales tax to a state, in Texas, sales tax accounted for 54.3 percent of all its revenue in 2013.
The five states that do not have a state-wide general sales tax are Alaska, Delaware, Montana, New Hampshire and Oregon, although Alaska and Montana do allow localities to charge local sales taxes.

How does Sales Tax differ from Value Added Tax (VAT)?
Many businesses are familiar with VAT and may assume that they can apply current processes to US sales tax. However, VAT is applied every time value is added at each stage during the supply chain, whereas sales tax is collected only at the time of the final sale. If a seller has nexus in a state, more on that to follow, they must collect sales tax on all taxable sales regardless of the channel.

In an effort to safeguard sales revenue, each state conducts audits of businesses, which may result in penalties and interest. Businesses must keep records of sales in each US city, county and state in which they sell. As more businesses sell in the US, auditors are also turning to international sellers to ensure they do not have a competitive advantage over domestic retailers.

Nexus: Do I have to collect US Sales Tax?
International businesses selling in the US are not required to collect sales tax in a state unless they have 'nexus.' Nexus is defined as a connection or business presence in a state or jurisdiction. If you have nexus in a state, you need to collect and remit sales tax according to their regulations. Activities leading to having nexus vary per state and can include activities such as opening offices, stores or franchises, storing items in warehouses or even attending meetings or tradeshows.

What constitutes a 'significant physical presence'?
Nexus rules are established by individual states and every state defines them uniquely. Determining exactly how a rule applies to a business is critical. "Recently, in an effort to avoid losing taxes to companies that locate themselves in areas with low or no tax rates, many states have enacted so-called 'Amazon laws' to require more national and international online retailers to collect sales tax for the first time," explains Richard Asquith. These laws expanded definitions of nexus to include online-specific relationships such as affiliate and web advertising.

We have compiled a list of top 8 areas to consider in your business plan for selling in the US:

1. **Keep up to date with each state's tax requirements**
   Businesses need to keep up to speed on all the changes made by states and municipalities each year. These changes include rate increases/decreases as well as new sales taxes added to jurisdictions and boundary changes.

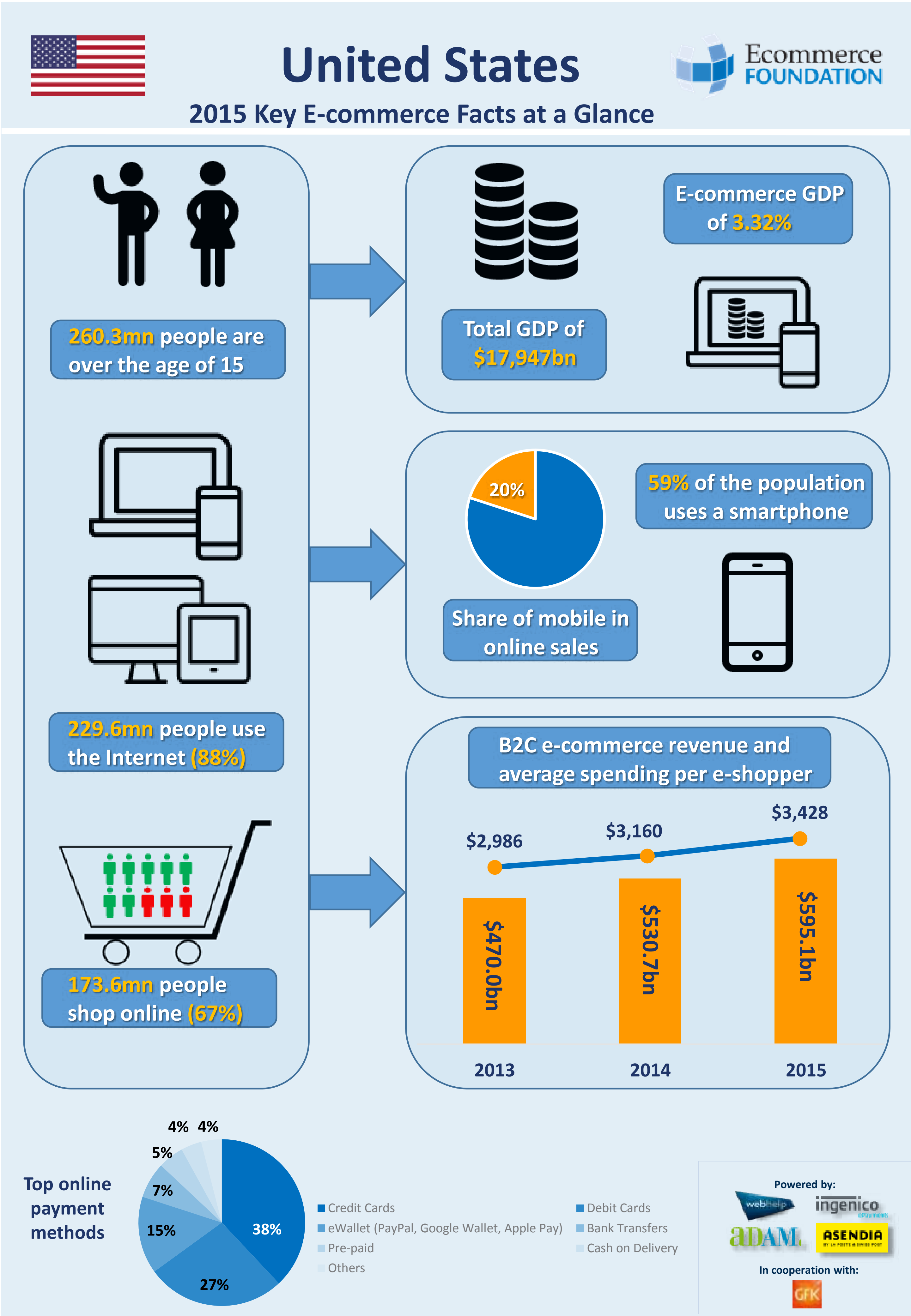
2. **Establish processes for water tight record keeping**
   The best way to stay compliant is to keep up to date on filing sales tax returns and payments (quarterly or monthly, depending on the state's requirements) and keep accurate and detailed sales records.

   What records do businesses need to keep?
   - Sales invoices
   - Paid bills
   - Contracts
   - Purchase orders
   - Register tapes
   - Bank statements
   - Cancelled cheques and similar original documents
   - Depreciation schedules and other fixed asset records
   - Documents supporting tax-exempt sales, such as resale and other exemption certificates
   - Freight bills indicating shipments to addresses across states

3. **Understand your Nexus requirements**
   Every state has the right to define who has to collect sales tax, what those taxes are and any allowable exemptions. However, there are limits to how states can define nexus. Merchants must have a connection to a state in which a customer resides for the merchant to be liable for sales tax. However, states define nexus in different ways, which can make the process confusing.

   The way you deliver goods sold in transactions can also have a huge impact on your tax obligation. Paul Guyer, Sales Director EMEA at Avalara, stresses the importance of correctly understanding Nexus for European sellers: "Many European businesses selling in the US use drop-shippers to deliver goods, creating complicated tax obligations. Using any third party, whether it is a drop shipper, supply chain, or online affiliate, can trigger nexus for your business."

   Nexus-triggering events can include:
   - Travelling salespeople



- Agents or distributors
- Employees on payroll
- Training
- Trade show attendance
- Inventory / warehousing (owned or 3rd party)
- Servicing tangible personal property
- Affiliates (e.g. marketing agencies, web hosting, advertising agencies, etc.)

4. **Plan to use Geolocation over Zip Codes**
While the US Postal Service has established ZIP Codes for mail delivery, tax jurisdictions do not generally follow ZIP Codes.
Going down to street level is essential to get it right. Businesses relying solely on zip code often find big discrepancies during audits. In order to help businesses cope with these differences, providers of automated solutions continually research the physical boundaries of taxing jurisdictions nationwide. Without the use of geospatial technology, there is limited chance to accurately determine which jurisdiction applies to a transaction.

5. **Set out your Returns Filing and Remittance Schedule**
Each US state has its own set of rules and regulations for filing and remitting tax, which may differ from other states. In addition to state rules, cities and counties may impose and manage sales tax returns on their own.
Responsibility lies with businesses to not only determine if they have to file with specific cities and counties, but also to register of their own accord.
Moreover, filing frequencies vary by jurisdiction so not all returns are due on the same day of the month. When dealing with multiple states and local jurisdictions, the number of due dates and filing schedules that must be managed can be daunting.

Methods can vary just as much, even within the same state or municipality. Some states now require sales tax returns to be filed electronically; others still require hard-copy submission, while a few states offer online filing along with an electronic data interchange (EDI) option.
These tasks are necessary, but can be time consuming and prevent employees from engaging in more value-added efforts to build the business.

6. **Collect and store all exemption certificates**
Not everyone is required to pay sales tax. Depending on the rules in the taxing jurisdiction, certain businesses and individuals may be exempt from sales tax. The vendor must collect and keep on file a valid exemption certificate for each business, organisation or individual with an exemption.
It is also up to vendors to ensure that exemption certificates are valid for each sales transaction. This requires businesses to keep a copy of each exemption certificate and ensure that they are renewed when they expire.

7. **Identify if the 'Streamlined Sales & Use Tax Agreement' is right for you**
Around half of the states have worked together on an agreement called the Streamlined Sales and Use Tax Agreement, designed to "simplify and modernise sales and use tax administration in order to substantially reduce the burden of tax compliance." Signing up to SST requires only one form to register across all SST states, Once registered, businesses then have to file returns every month in all SST states.
For companies selling, or looking to sell in the US, or affiliate relationships in a number of states, registering as an SST volunteer can save you a lot of time, effort and money. There is no cost for registration and if you qualify, filing is a free service across the SST states. SST volunteers have limited audit exposure (no negative audits possible). As of early 2015, SST Member States include:

Arkansas	Nebraska
Georgia	Nevada
Indiana	New Jersey
Iowa	North Carolina
Kansas	North Dakota
Kentucky	Oklahoma
Michigan	Ohio
Minnesota	Rhode Island
Washington	South Dakota
West Virginia	Utah
Wisconsin	Vermont
Wyoming	

8. **Plan for Sales Tax holidays**
Further complicating the matter, dozens of states also declare sales tax holidays. Some states offer tax reprieves for products like school supplies for kids, while others give consumers a tax break on hurricane preparedness items, like plywood and nails. In states where hunting is a big business, tax holidays might be in place for firearms, ammunition and hunting supplies. ••

FASHION FULFILMENT: GLOBAL SUCCESS THROUGH HYPER-LOCALISATION

When ordering a product online, a customer in Norway has a completely different set of expectations to a customer in Greece. And an online customer from downtown London is used to a completely different service-level experience to someone from the Yorkshire countryside. Delivery preferences can vary so much even within a country that the only way to successfully serve international customers is a hyper-local approach, believes Steve Wiersma, International Development Director at Bleckmann, an International fashion and lifestyle logistics provider. Bleckmann has developed a customisable delivery solution that focuses specifically on the consumer, in collaboration with a network of hyper-localised partners called 'local heroes'.

Throughout the past decade, e-commerce has become an increasingly more important part of retailing. In the fashion world, selling through online channels quickly became standard. Alongside this, an increasing variety of delivery preferences emerged, depending on the type of product ordered and its respective value. In order to offer both the seller and customer the right amount of choice, Bleckmann works with several partners per country: big carriers, as well as smaller, specialised providers. The company strives to offer hyper-local, tailored delivery solutions across territories in addition to providing a single customer interface for Europe.

Most of the companies making use of the Bleckmann services, specifically fashion retailers and wholesalers, generate around 20 percent of their sales via e-commerce. E-commerce as well as retail and wholesale orders are picked and packed by Bleckmann at the customer's European warehouse and are processed through the company's line-haul to the country of destination. The shipments are then "injected" locally into each European country where local partners take care of the last mile of delivering the e-commerce orders.

Partners for the final mile

Steve Wiersma explains that the crucial first steps include recruiting the right partners, "One of the most important steps in this process is finding the right partners to take care of the last mile deliveries, as well as partners for label management and warehouse management systems to create a seamless end-to-end carrier label-printing and track & trace solution". Right now, Bleckmann is rolling out the

new program for all their customers in collaboration with strategic partners. Perfecting the operational performance and gaining cost-efficiency are priorities to make the service scalable and available for other channels and on a global scale to a large group of brands and retailers. "A system like this must be cost efficient and feasible for all kinds of retailers, whether they have five e-commerce orders per day or 50,000 orders per day."

Product types and customer wishes

The costs and requirements for delivery vary per product type and value; very expensive high-end fashion requires much more customer orientation, including delivery after 9pm or the delivery driver waiting for the client to try on the garment. Bleckmann has recognised that a mainstream delivery service provider will not do that. Per market, region or city, Bleckmann work with several local partners to cater to the individual requirements of a brand or product group. High-end and luxury fashion also require special attention at the beginning of the fulfilment chain: Customised packaging, personalisation and even spraying the order with the brand's fragrance are services Bleckmann carries out for luxury brands when picking and packing their orders.

Local delivery preferences

A good example to illustrate varying customer preferences within one country is the UK, maybe Europe's most mature e-commerce market. In general, UK consumers are used to next day or even same day delivery, and foreign brands strive to accomplish this when selling into the UK. However, within the UK, there are major differences between London and other areas. Steve Wiersma: "In London, consumers are ready to pay a premium for delivery of a more valuable product. They want an option for specific delivery at home, in their gym or at work or through a click & collect system. During the day, these demanding consumers want full flexibility to be able to change their delivery preferences and receive regular updates via WhatsApp or SMS. These consumers also want an easy returns process: they want to be able to return their product from anywhere without having to print extra labels. And they expect a refund within 4-7 days for the returned products. This is a specific pattern for a London resident." In other areas of the UK, consumers might be less demanding, however, due to its maturity, the UK market is very consumer-centric and demands that sellers provide a comparatively high service level.

In a country like Sweden, the expectation is completely different. "There are areas where nothing is produced or distributed from and the transit time is usually much longer. Delivery can take three to five days, and the consumer does not consider that to be a problem. This consumer has no desire to have his order delivered anywhere other than to his home and has no problem going through some effort to return his unwanted product". Despite the extreme differences in expectations, most retailers and brands wish to offer delivery to most European countries. It is hard to find one international carrier that can leverage all this efficiently, from London to the Swedish countryside. Bleckmann now offer this solution per country and per region; they have seen that you have to work with a local partner in order to offer all these services depending on the product, expectations and requirements.

The challenge of returns

An easy returns procedure has a positive effect on consumer experience and retention. When it comes to returns, customer expectations are highly individual and depend on the personal shopping patterns: "People who buy on their smartphone want to return with their smartphone, preferably without printing a label as they are likely to not own a printer. Retailers must find an easy solution, such as including a returns label," says Wiersma. He does, however, acknowledge that returns are generally a costly challenge for online fashion retailers. Some orders have such a low value that a return would make little sense from the seller's perspective, so the customer gets to keep the product. But what if people make fraudulent use of this? "Many carriers and service providers have an integrated fraud detection programme. Suspicious buyers get flagged. There are ways to detect repeat offenders and prevent them from ordering again." Nevertheless, many fashion labels for instance have documented peaks in sales of party dresses on Fridays that are returned the following Monday. Being relatively accommodating of patterns like this is a conscious choice retailers make: "The seller hopes this customer will come back because the experience was nice and easy. If they order two or three more times, the damage is covered."

Free returns should not be standard

Bleckmann does warn their customers that once they switch to a business model including free returns, there is no way back. It will vary per customer, service level requirement and product type whether it makes sense to have their consumers pay for delivery and returns. In this situation, you can occasionally switch to a marketing-related promotion involving free delivery and returns during a certain time period. Free returns and delivery do not have to be standard, those e-tailers who initially introduced it have almost made it compulsory to be successful in the market and some labels think they have to do it, but they mustn't forget that in the end, they have to add these costs to the total cost of the product.

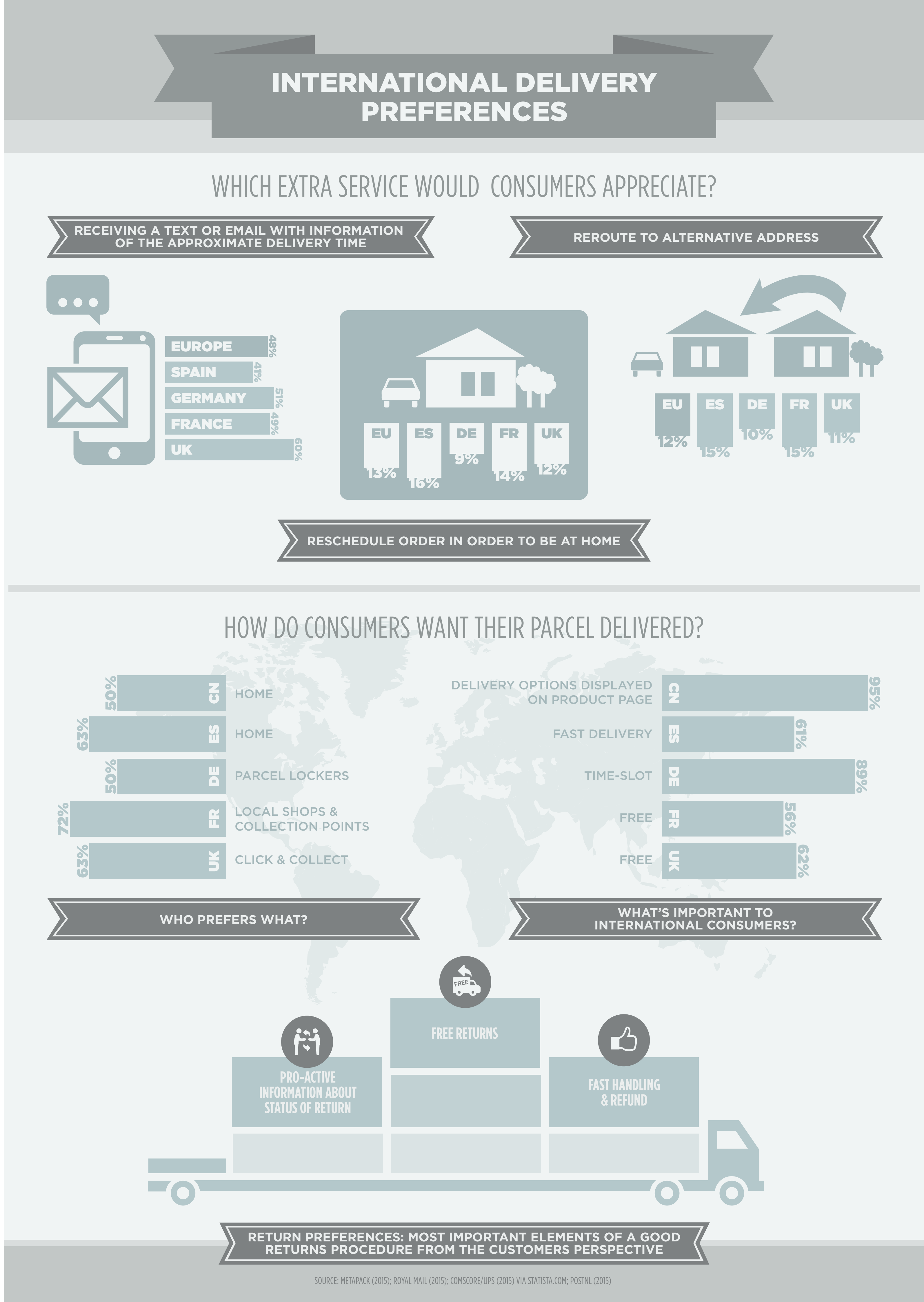
Most brands will need localisation in the long run

There are some brands that rely on a certain hype they create, for example by using influencers and celebrities to build their brand image internationally. Those brands pay little or no attention to localisation, knowing that young people are so eager to get the products they most likely will not care. Steve Wiersma does not believe that this can last in the long-term: "Once the hype is over, even these brands need to serve the customer and localise. Brand hype is often not sustainable."

Conclusion

If E-commerce is going to continue to be an ever-increasing part of the revenue for fashion and lifestyle companies in the future, they need to listen to their customers and cater to the demands of the current generation of online shoppers.

"Feedback from our customers shows that the service covered by local partners- our 'local heroes'- helps solve many problems they have been facing in terms of last mile delivery. At Bleckmann, we realise that you have to keep innovating in order to keep up with the dynamic retail landscape our fashion and lifestyle customers operate in." ••

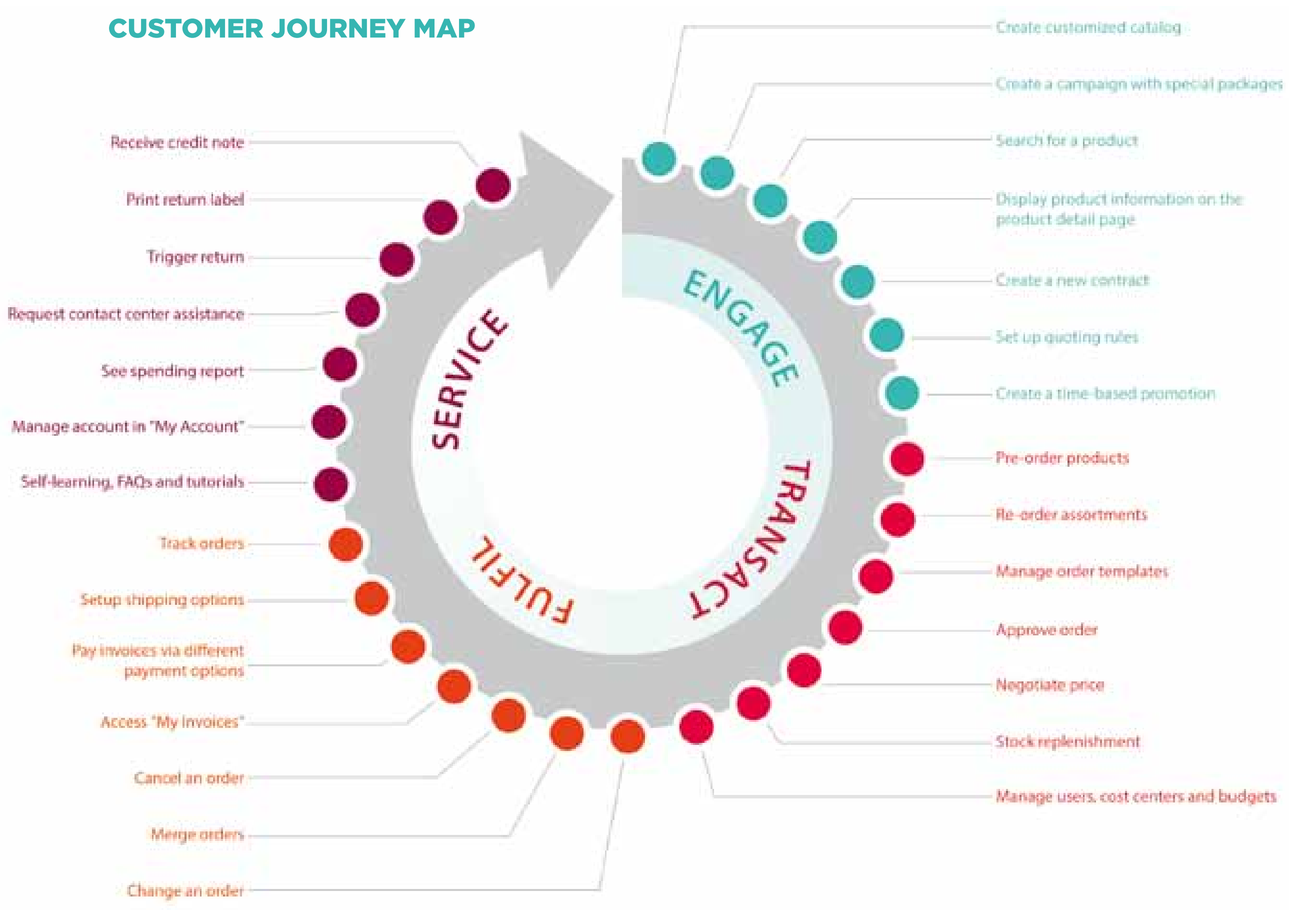


HOW TO SURVIVE THE SHIFT TO DIGITAL COMMERCE IN GLOBAL B2B

Text: Janine Nöthlichs // Images: Intershop, Getty Images

More and more B2B companies are taking advantage of the latest digital possibilities to meet changing customer demands, protect their customer base and acquire new customers. As a result, the global B2B e-commerce market is growing rapidly. Digitalisation has become a necessity: B2B buyers are more enabled than ever, and customer behavior resembles that of the B2C sector. Surviving and growing in the dynamic, global marketplace of B2B selling demands a substantial share of strategic thinking, buyer profiling and improving service levels.

When talking about online selling, people tend to forget that there is more out there than B2C commerce. The B2B (business-to-business) e-commerce market is huge; from a global perspective, the B2B market is more than twice the size of the B2C market. Frost & Sullivan[1] predict the global B2B online market to reach $6.7 trillion by 2020. Moreover, within the next five years, 27 percent of all B2B transactions are predicted to include at least one digital component. These predictions are underlined by results of a recent survey carried out by Intershop, who surveyed professionals in the UK, the US, Germany, the Nordics and Benelux. So how does this affect the B2B industry you are in? Will the needs of your B2B-buyers change? How does this affect your business and organisation? And what challenges can you expect?



[1] *Frost & Sullivan, Future of B2B Online Retailing, 2014.*

Valuable steps to survive and grow in B2B

B2B e-commerce is a challenge. Customer needs change rapidly but also vary significantly across industries, positions and type or purpose of product or service being bought. In the end, every B2B customer is also a B2C customer in their free time, and is used to the customer experience offered to them in the B2C e-commerce environment. Ordering supplies and goods in a B2B context is not a voluntary thing employees do, it is part of their job and often paired with pressure and lack of time. Nevertheless, one thing is the same for companies competing internationally for online customers: Both in B2C and B2B e-commerce, good content, transparent communications, excellent service and (of course) price are key success factors. The E-Book 'Reinvented and Digitised B2B Selling' (Intershop) suggests some valuable steps to improve customer experience, and thus increase sales nationally and across borders.

The customer journey

Employees are increasingly empowered beyond their purchasing departments to make purchases, and are well-informed and able to compare products, prices and service levels online. They do not want to waste time on B2B purchases, because in many cases this is not even their core task. A good way to attract B2B buyers is therefore to make their purchase journey as easy as possible, offering them the tools and information they need to get exactly what they want. The following visualisation shows a customer's journey within the B2B market structured into four stages, illustrating some of the common business scenarios targeting multiple customer and employee personas.

Who is your buyer?

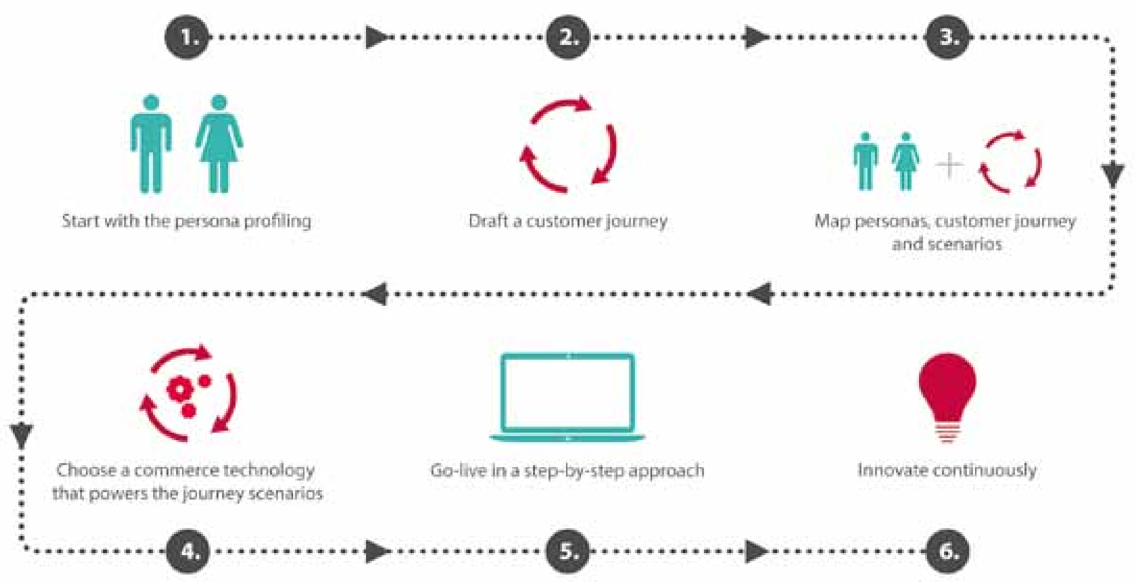
In order to offer a B2B buyer a good experience, it is important to know who your typical buyer is.
What information does the business buyer need? What products do they search for? The answers to these questions all depend on the role of the individual involved. "In developing customer journeys that include multiple user scenarios and tools, B2B companies must first have clarity on the typical user. Businesses have adopted the term 'persona' to refer to the typical profiles of their customers. Implementing the right digital tools that create value quickly is all about understanding these key personas and guiding them through their purchase journey," explains Gerrit Enthoven, Sales Director Western Europe at Intershop. The roadmap below offers a step-by-step guideline to building a sustainable model for B2B selling.

Localisation

As expanding internationally becomes increasingly interesting also for B2B suppliers, the idea of localising content, marketing and services is valid for B2B online trade in the very same way as it is in the B2C sector. In order to leverage the above mentioned customer journey, many aspects of being 'local' play an important role. In the process of purchasing for the company, the buyer carries a great deal of responsibility. Not only is the trustworthiness of a website of importance here, but above all, content often

ROADMAP: STEP-BY-STEP TRANSFORMATION APPROACH

Building a digitized b2b selling model requires a step-by-step transformation approach. The following recommendations may help organizations to focus on essentials first:



plays a crucial role; product specifications, descriptions and other information must be available for the buyer in order to justify their purchase. An effectively localised site will help create trust and credibility in same way as in B2C trade, but also makes sure the buyer is able to find and understand the facts they need about the products. Additionally, as most product searches are done online, an effective ranking in search engines is also of great value for B2B sellers. Last but not least, a local presence might be beneficial because most B2B businesses would prefer a contract with a local partner in a local jurisdiction.

Most B2B companies go digital
Respondents of the Intershop report revealed that in terms of IT system integration, their organisations are most likely to have integrated product information (54%), web content (43%) and digital asset (42%) management systems in order to digitise their businesses to further meet customer needs. Only 2% have not yet integrated any existing IT systems into their digital B2B commerce landscape. The vast majority of respondents (94%) also confirmed that their organisation needs to integrate at least one – or more – IT system into their B2B e-commerce landscape within the next three years. However impressive these numbers, there is still a lot of room for improvement by digitalising the buying and supply chains within B2B trade and taking away barriers to buy or sell online.

Why is cross-border relevant to B2B wholesalers and manufacturers?
The e-commerce trends we know - including globalisation and thus cross-border trade - are equally valid for B2B e-commerce. One of the game changers in both sectors are marketplaces, providing an operational infrastructure and effective traffic generation, and thereby enabling even smaller sellers to reach global audiences. In the B2B environment, marketplace platforms such as Amazon Business, Alibaba, Tradescraper and Kinnek are helping wholesalers, distributors and manufacturers to explore new market opportunities around the globe. But even niche-oriented marketplaces, like for example a specialised market place for perishables and fresh goods, are being developed. This development leads to a denser competitive environment; the market is shifting from a 'one-to-many' to a 'many-to-many' business model.[2]

Paired with this development comes the fact that employees are increasingly enabled to purchase goods for their company. The traditional purchase process is shifting towards a shorter trajectory, where the purchase department is no longer always involved and the buyer is fuelled by knowledge and insights gathered from the internet or social media.

In short, B2B sellers are offered more opportunities, but also need to compete against a greater variety of players, operating in a very transparent and insight-driven environment where service, price, and a consumer-centric strategy become ever more important.

Digital facilitates global
Nearly all the respondents in Intershop's survey confirmed that they reap the benefits of making their sales process more digital.

Gerrit Enthoven says, "In terms of prioritising the benefits of digitalisation our customers experienced, most cited the ability to sell to new customers, generating more sales and sales-per-rep, and providing customers with quick access to relevant information." However, online selling also opens the doors to selling internationally. When it comes to cross-border selling, 40% of respondents believed that moving towards digital enables their company to expand globally at a lower risk, while 27% expects to see this development in the near future. "So digitalisation of the supply and buying chains will now move on quickly. As a result, businesses should be very demanding when it comes to functionality, internationalisation capabilities, performance and reliability when selecting an omni-channel commerce-platform, offering a true omni-channel customer experience which enables companies to survive and grow. I would advise companies to look for a partner that can enable B2B-organisations to rapidly benefit from their e-commerce investment and to continue further improvement for many years to come." ••

REACHED MILESTONES AND ATTRACTIVE OUTLOOK: DIGITALIZATION PAYS OFF

Analysis of the benefits that have been seen and are expected to be seen as a result of implementing a digital B2B channel, asked to all respondents (400 respondents)

[2] *Frost & Sullivan*

~ Carl Miller ~

COLUMN

The Leaders vs. the Laggards in Global E-commerce

What is the difference between success and failure on the global stage? It's surprisingly simple.

Here at the Global Retail Insights Network (GRIN), we have spent the last four years working with brands and retailers from around the world. We have studied them, interviewed them, surveyed them, and found from our membership of over 1,000 retail professionals that there are two elements that make up a successful global retailer and there is one fatal mistake made by those that are falling short.

Let's start with the first fatal mistake – making a business plan for your global business. That's right. If you are spending your time and effort building out a traditional business plan, you will fail faster than you can say 'global'. Whether you are a three-year-old retail pure-play, or a 150-year-old company, your global business needs to be treated like a startup. And what do startups do to survive in fast-changing markets? They develop an iterative business model that allows them to learn and pivot as their business grows and changes – and we promise you that your business will change in each and every market you expand to. We can keep this simple. Use tools that create a shared language and methodology of change. We prefer the Business Model Canvas that is used by Hermes, 3M, NASA, Adobe and hundreds of other companies in the know.

Sounds pretty straightforward, right? We wish. The problem many face is that it's not easy to change the standard operating procedure of a corporation. To do so, you will most likely be working against the grain of executives that need to shape an ROI based on a static plan with immobile resources. So, watch out for the fatal mistake, because the majority of the companies we know are trapped by it.

This brings us to the first essential element of leading retailers – they have a culture of open innovation and collaboration, and this starts at the top. At the GRIN, our experience is that if you don't already have a progressive culture and leadership, it is almost impossible to change, no matter how enlightened you or your teams are.

Will you get the support you need to succeed? Here's a few clues to whether you have a winning open culture:

- Your company has a different procurement or RFP process when choosing vendors for your global business. You evaluate vendors based on their local knowledge and vision.
- Teams are encouraged to share information with other retailers to learn and collaborate around what is working in your target markets.
- The organisation is set up to share information about lessons learned so that the organisation continues to grow. This is in stark contrast to individuals storing information in their heads in siloed departments. Simple programs like Slack have gone a long way to help develop a company sharing culture.

The second element of successful global brands and retailers is their ability to develop a clear process around localisation. There are three general organisational models that companies can use to stay close to the local consumer journey.

Model one – Get better advice. Create a local advisory committee in every major country you are doing business in, and make sure that this group consists of local retailers, expert vendors, and local consumers. Have specific check-in points and deliverables that utilise their local intelligence to help you uncover all of your potential blind spots.

Model two – Hire natives that work in your headquarters. One of the most effective localisation models we have seen. Motion Global is the company that is the most progressive in running what we call the "flag model". They have flags setup around the office for every major country they are in, and teams seated around those flags. This is possible in cities with a diverse population like Shanghai, New York and Los Angeles. If you can't hire natives, the next best option is to hire teams focused on specific countries.

Model three – Hire in-country. This is the most expensive option, but it makes a difference for companies that can afford it. It is well worth the investment to hire a business executive who has over five years' experience and has had previous success with other, similar businesses in that country. Otherwise, the learning curve for effectively localising is extremely steep, and you'll not only be paying for the mistakes you'll inevitably make– you'll also be paying to get a newbie up and running.

Overall, going global is hard. We are all fighting for the same quality person to help mature our team, or the insight about the correct vendor to choose for a critical part of our business. The GRIN's mission as a not-for-profit membership organisation is to help solve these problems by knowledge sharing and collaboration. ••

Carl Miller is the Founder and Managing Director of the Global Retail Insights Network (GRIN), the principal not-for-profit global community for e-commerce professionals. Carl founded the GRIN to help cross border retailers lead and innovate through knowledge and collaboration. He previously led the retail practice at GlobalCollect (an Ingenico company), where he worked with top retailers, helping them develop global e-commerce strategies.

PANEL

Within the next five years, brands and marketplaces will take over the international e-commerce market. Traditional (online) retailers will have a hard time to compete with brands and marketplaces selling online directly to the customer.

Lily Varon, Analyst serving e-business & Channel Strategy Professionals at Forrester
With a few exceptions, brands and marketplaces will dominate the e-commerce landscape in the next five years. In most markets across the globe, online marketplaces have sizeable audiences and cater their e-commerce features to local consumer preferences. As such, they're attractive avenues for brands to launch and operate in global e-commerce markets. While traditional retailers have the opportunity to leverage their offline footprints to deliver online-offline synergy and in-person customer service, most will continue to struggle with the channel conflict issues and technology silos that plague them today.

Gary Murray, International E-commerce Consultant at brands such as ASICS, adidas, Tommy Hilfiger and Nike
Large brands are definitely going more vertical and looking for opportunities to connect directly with their consumers. Whilst at the same time, the marketplaces are their fastest growing accounts. This means that there is definitely a challenge to the traditional wholesale/retail model and the existing retailer relationships. However, the online business for the brands I worked with is still less than 10% of their business so they are extremely keen to protect these offline relationships. Overall, this means that there is unlikely to be a complete swing in business channels to online within the next 5 years.

Sjoukje Goldman, Cross-Border Researcher and lecturer Digital Marketing at the Amsterdam University of Applied Sciences
Despite strong players in the (cross-border) e-commerce market, like Zalando (pure-player, selling solely online) and Hennes & Mauritz (multi-channel retailer, with subsidiaries all over the world), I believe a data-driven approach is essential for success. The future in e-commerce lies in understanding, and then acting, on data that is collected. Google, Facebook, and Amazon for example, are able to collect all necessary data about customers' shopping behaviour, whether in electronic commerce, social commerce, or mobile commerce. Thus, these strong intermediaries own thus more relevant customer data, which, in my opinion, will undermine the position of traditional retailers in the globalisation of e-commerce.

Sophie Ancely, Director of Cross-Border Trade EMEA Paypal
With e-commerce becoming more global, consumers look for the best total price or a unique product: any merchant in the world is now a potential online shopping destination for them. Depending on what they search for, the biggest online retailers might not always be the consumers' best option. Marketplaces, brands or retailers will win if they keep up with consumers' ever-increasing expectations while making sure that they lift the consumers' barriers to online shopping. With the huge importance of word-of-mouth among the younger generation of shoppers, smaller businesses have the opportunity to build global niche brands that will appeal to those younger international online shoppers who may be more likely to shop online across borders than the general population. Marketplaces will remain an important channel in online sales for the SMBs to reach a larger audience, especially at the beginning of their market expansion.

Spotlight on ...

THE EUROPEAN COMMISSION'S PROPOSAL ON CONTRACT RULES FOR THE PURCHASE OF DIGITAL CONTENT

Text: Dr. Léon Mölenberg, Senior Policy Advisor Ecommerce Europe and Thuiswinkel.org

In the scope of the Digital Single Market Strategy the Commission has recently launched two directive proposals: one on contract rules for the purchase of digital content[1]; and another for the online and other distance sales of tangible goods[2].

The objective is to create a single set of rules and to establish a genuine Digital Single Market, ensuring the same high level of consumer protection across the European Union, and allowing traders to sell tangible goods and digital content to consumers in all Member States based on the same contractual terms and legal conditions. The proposals would significantly reduce traders' compliance costs while granting consumers a high level of protection, thus stimulating cross-border ecommerce and economic growth.

The European Parliament recently started a discussion on the proposal for digital content and at the same time postponed the discussion on the proposal on tangible goods until the results of the REFIT evaluation of the momentary consumer acquis are known. Here we have outlined the main features of the proposal for the purchase of digital content.

[1] Proposal for a Directive of the European Parliament and of the Council on certain aspects concerning contracts for the supply of digital content, 9.12.2015, COM(2015), 634 final.

[2] Proposal for a Directive of the European Parliament and of the Council on certain aspects concerning contracts for the online and other distance sales of goods, 9.12.2015, COM(2015) 635 final.

SCOPE

The proposal on the sale of digital content covers all B2C sales of digital content services not provided for free, regardless of whether they are offered to the public online, by other distance means or by stationary sales, and regardless of whether they are domestic or cross-border (Art. 3). "Not provided for free" means that the digital content is exchanged for a price in money or, and this is a new regulation, for an active counter performance in the form of personal or other data. It covers also the durable medium which is solely used for transport of the digital content. A CD, floppy disk or USB stick containing digital content, and as such a tangible good, will be considered as digital content. The directive does not apply to privacy and copyright and other intellectual property-related aspects of the supply of digital content and is also not applicable to electronic communication services, health care, financial services and gambling.

DIGITAL CONTENT

With the aim of being future-proof, avoiding distortions of competition and creating a level playing field, the definition of digital content is deliberately broad and encompasses all types of digital content, regardless of whether they are delivered via a durable medium or not.
Digital content means (Art. 2):

(a) data which is produced and supplied in digital form, for example video, audio, applications, digital games and any other software;
(b) a service allowing the creation, processing or storage of data in digital form, where such data is provided by the consumer, and
(c) a service allowing sharing of and any other interaction with data in digital form provided by other users of the service.

The Directive does not cover services performed with a significant element of human intervention.

CONFORMITY

For digital content, conformity in this proposal builds on a system of subjective and objective components, directed on and extended with typical issues for digital content (Art. 6).
It generally means that digital content shall be of the quantity, quality, duration, version and updated as stipulated in the contract. It shall possess functionality, interoperability and other performance features such as accessibility, continuity and security, instructions and customer assistance as stipulated by the contract or in any pre-contractual information.
To the extent that the contract does not stipulate, the digital content shall be fit for the purposes for which digital content of the same description would normally be used including its functionality, interoperability and other performance features such as accessibility and continuity and security.
When assessing conformity, the existing international technical standards and applicable industry codes should be taken into account as well as whether the digital content is supplied in exchange for money or for data.
Incorrect integration of the digital content in the consumers' digital environment by the trader or due to a shortcoming in integration instructions is also seen as a lack of conformity.
Digital content shall be free of third party rights that hinder their proper functioning and use (Art. 8).

DELIVERY AND TIME

The supplier shall supply the digital content to the consumer or a third party chosen by the consumer which operates a physical or virtual facility making the digital content available to the consumer or allowing the consumer to access it (Art. 5). Unless otherwise agreed, digital content not on a durable medium must be supplied immediately after the conclusion of the contract and digital content on a durable medium solely used for the transport of the digital content, must be delivered without undue delay but not later than 30 days from the conclusion of the contract.
Where the supplier fails to supply the digital content the consumer shall be entitled to terminate the contract immediately.

REVERSAL OF BURDEN OF PROOF OF NON-CONFORMITY AND PASSING OF RISK

The (non-)conformity of digital content has to be assessed for the moment of delivery. At that moment the risk for the digital content will pass from the trader to the consumer. The consumer has to prove the non-conformity. The proof that the non-conformity of the good was not existent at the moment of delivery or is not caused by the supplier or is caused by the consumer or by circumstances which are on the consumers' risk, shall always and unlimited in time be on the supplier (Art. 9), unless the trader shows that that the digital environment of the consumer is not compatible with interoperability and other technical requirements of the digital content and where the supplier informed the consumer of such requirements before conclusion of the contract.

NOTIFICATION PERIOD, PRESCRIPTION PERIOD, LEGAL GUARANTEE AND TRADERS' GUARANTEE

There is no obligation in the proposal for the consumer to notify a lack of conformity within a certain period after the detection or assessment of the non-conformity.
Any prescription period - the period in which the consumer has to bring the case before court - will be governed by the applicable national legal system. Which basically means no full harmonisation on prescription periods.
The legal guarantee period for digital content – the period in which the seller or supplier will be held liable for non-conformity and in which they must provide a solution - is unlimited, meaning that suppliers of digital content basically have an endless obligation to repair non-conformity and that this obligation will only be limited by applicable national provisions on the prescription period. The same accounts for the durable medium (which is as such a tangible good subject to wear and tear) that is solely used as a means of transport for digital content, as it is seen as digital content.
The proposal allows the commercial guarantor to offer a commercial guarantee under conditions they determine.

REMEDIES AND FREE CHOICE FOR TRADER

In case of non-conformity, the consumer shall be entitled to have the digital content brought into conformity with the contract free of charge, unless this is impossible, disproportionate or unlawful (Art. 12). The supplier shall repair non-conformity within a reasonable time from the time the consumer has notified the supplier the lack of conformity and without any significant inconvenience to the consumer, taking account of the nature of the digital content and the purpose for which the consumer required this digital content.
The choice on how to repair the non-conformity falls to the trader. The consumer has a right to either a proportionate price reduction or to terminate the contract where this is seen the nature of the non-conformity, where the remedy for the non-conformity is not in time, impossible, disproportionate, unlawful or would cause significant inconvenience to the consumer.

LIABILITY AND RIGHT TO DAMAGE COMPENSATION

The supplier will be liable to the consumer for any failure to supply the digital content or any lack of conformity which exists at the time the digital content is supplied (Art. 10). The supplier must compensate the consumer for any economic damage to the digital environment of the consumer caused by the non-conformity or a failure to supply. The compensation has to put the consumer as nearly as possible into the position in which he would have been if the digital content had been duly supplied and been in conformity with the contract.
How to calculate and exercise the right to compensation of damages is up to the Member States and national law and is not harmonised in this proposal.

RIGHT OF REDRESS IN THE CHAIN OF TRANSACTIONS

New is the provision that whenever the supplier is liable to the consumer because of any failure to supply the digital content or a lack of conformity with the contract resulting from an act or omission by a person in earlier links of the chain of transactions (e.g. whole-sale, importer or producer), the supplier shall be entitled to pursue remedies (such as damage compensation) against this person or persons liable in the chain of transactions (Art. 17). The person against whom the supplier may pursue remedies and the relevant actions and conditions of exercise, shall be determined by national law. The proposal provides no full harmonisation in this area.

TERMINATION OF THE CONTRACT, DATA AND USER GENERATED CONTENT

When the consumer has a right to terminate the contract they can exercise it by notice to the supplier given by any means (Art.13). Where the consumer terminates the contract, the supplier shall reimburse the price paid without undue delay and in any event not later than 14 days from receipt of the notice.
If the counter-performance was not in money, the supplier shall take all measures which could be expected in order to refrain from the use of data which the consumer has provided in exchange for the digital content and any other data collected by the supplier in relation to the supply of the digital content.
The supplier shall provide the consumer with technical means to retrieve all content provided by the consumer and any other data produced or generated through the consumer's use of the digital content to the extent that data has been retained by the supplier.
The consumer shall be entitled to retrieve the content free of charge, without significant inconvenience, in reasonable time and in a commonly used data format.

RIGHT OF TERMINATION OF LONG TERM CONTRACTS AFTER 12 MONTHS

Where the contract provides for the supply of digital content for an indeterminate period or where the initial contract duration or any combination of renewal periods exceed 12 months, the consumer will have the right to terminate the contract any time after the expiration of the first 12 months period (Art. 16). The consumer exercises the right to terminate by notice to the supplier given by any means. Termination becomes effective 14 days after the receipt of the notice.

MODIFICATION OF THE DIGITAL CONTENT SERVICE

Where the digital content will be provided for over a longer period of time, the supplier has a clear right to alter functionality, interoperability and other main performance features of the digital content such as its accessibility, continuity and security, to the extent those alternations adversely affect access to or use of the digital content by the consumer (Art. 15). The supplier has this right, however, only if:

(a) the contract so stipulates;
(b) the consumer is explicitly notified on a durable medium reasonably in advance of the modification;
(c) the consumer is allowed to terminate the contract free of any charges within no less than 30 days from receipt of the notice; and
(d) upon termination of the contract, the consumer is provided with technical means to retrieve all the user generated content.

UPDATES AND LATEST VERSION

Digital content shall be updated as stipulated by the contract (Art. 6). Unless otherwise agreed, digital content must be supplied in conformity with the most recent version of the digital content which was available at the time of the conclusion of the contract. ••

ECOMMERCE EUROPE MEMBERSHIP PACKAGES 2016

ECOMMERCE EUROPE

COMPANY MEMBERS OF ECOMMERCE EUROPE

Ecommerce Europe Company Members are B2C companies selling products and/or services online to consumers in Europe. Members have the exclusive right to display a specially designed Ecommerce Europe logo on their website. Company Members need to be associated with a national e-commerce association which is a member of Ecommerce Europe, with an exemption in case there is no national association in the country of origin.

Ecommerce Europe Company Members PLUS can network with peers from all over Europe and help shape European policy fit for the e-commerce sector through participation in the Ecommerce Europe Working Committees which cover several themes: Internet Security & Privacy / Consumer Rights / e-Payments / Taxation / Competition and e-Logistics.

Company Members benefits

- Free Yearly European B2C Ecommerce Report (value: € 1,950)
- Free full Conference Package for 1 person, including the Global E-commerce Summit (value: € 1,495) and the Ecommerce Europe Annual Conference (value € 295)
- Free entrance for 1 person to the dinner on Sunday evening prior to the Ecommerce Europe Annual Conference
- Receive weekly and monthly monitoring on policy and lobbying and advocacy efforts of the Association
- Free Ecommerce Europe Member logo for your website
- 50% discount on Yearly Global B2C Ecommerce Report (value: € 2,450)
- 50% discount on the premium Ecommerce Benchmark (value: € 499)

Fee Company Membership

€ 950 excluding VAT; € 250 excluding VAT per additional label.

Company Members PLUS benefits

- Free Yearly European B2C Ecommerce Report (value: € 1,950)
- Free full Conference Package for 2 persons, including the Global E-commerce Summit (value: € 2,990) and the Ecommerce Europe Annual Conference (value € 590)
- Free entrance for 2 persons to the dinner on Sunday evening prior to the Ecommerce Europe Annual Conference
- Open to attend the Annual General Meeting (AGM)
- Networking and participation in Ecommerce Europe Working Committees: e-Payments, e-Logistics, e-Regulations
- Pro-active involvement with advocacy and lobbying team in Brussels – through thematic sessions of interest (e-Payments – e-Logistics – e-Regulations: Privacy, Consumer Rights, Competition) during the Ecommerce Europe Annual Conference
- Receive weekly and monthly monitoring on policy and lobbying and advocacy efforts of the Association
- Free Ecommerce Europe Member logo for your website
- One article in the newsletter of Ecommerce Europe about your organization
- 50% discount on Yearly Global B2C Ecommerce Report (value: € 2,450)
- 50% discount on the premium Ecommerce Benchmark (value: € 499)

PLUS benefits

Fee Company Membership PLUS

Small companies € 1,950 / Large companies € 2,950 excluding VAT – (for companies with main activities in Europe, min. of 50% of annual turnover in European Union, based upon decision of the Board of Directors).