CROSS-BORDER MAGAZINE

All about international e-commerce, edition 2, 2016/2017

WESTWING
THE ZERO-INVENTORY, 14-COUNTRY CHALLENGE

SUCCESS STORIES WESTWING, BUFF, CANYON // **B2B CASE** MS SCHIPPERS
POLITICS GEOBLOCKING & CROSS-BORDER DELIVERY // **TREND INTERVIEW** 7 VENTURES
TIPS & INSIGHTS AMAZON USA, GLOBAL GROWTH MARKETS, INSTANT FINANCING, SILICON VALLEY IDEAS, FORRESTER

FOREWORD

When I look through the stories we tell in this second edition of the Cross-Border Magazine, I realise each time that cross-border e-commerce is a topic with so many different sides to it. There is most often a beautiful, inspirational story behind each company, and the story shapes the way the businesses are dealing with digitalisation. Joan Rojas, who invented a fabulous tubular scarf, travelled to many famous skiing resorts to sell it, making Buff an international brand from the very start. Martien Schippers, who sold cigars and chatted with farmers about the challenges they were facing on the farm, built an international business based on this inspiration. Roman Arnold, who began by travelling to Italy with a car trailer to import popular Italian bike parts to Germany, later built his own, revolutionary, direct-to-consumer bike brand called Canyon. And Westwing, once a small online-only start-up, realised after the first Christmas season with all employees packing up everything into a garage, that scaling up was the only way to go and now sells in 14 countries.
In some cases, it was not the webshop that existed first and then the idea of internationalisation came later: for Buff, the international demand created the need to be more accessible online. Schippers already had flourishing sales offices in many parts of the world, and so decided to go digital.
It is intriguing to see how these companies still value the close contact to their communities, and how they want their venture into international e-commerce to reinforce this bond. The international websites are backed with inspirational tools such as magazines, personalised accounts and sponsored events.

One thing that all companies we have met when creating this edition, be it B2C or B2B, have in common, is the challenge to substitute the face-to-face interaction between a brand expert and the customer. Who will measure you and give you advice when buying a bike online? Who will give you styling tips for your living room or tailored advice on which products you need to add to your shopping list for your livestock farming company? For these companies, selling online means to be as personal, inspiring and helpful as possible from a distance. The possibilities offered by digital tools and communication channels help them to assist the clients, offering them information, guidance and support. Cross-border e-commerce means being able to do this in various countries, communicating with clients who have different backgrounds, preferences and concerns.

While some challenges are the same, each company is different, and each success story came along by a different path. That is exactly why we think that every story can inspire you and help you build your own strategy for cross-border success, offering bits and pieces of advice and tools you can cherry pick as you please. Now lean back, grab a warm cup of tea or coffee and start reading, I can't wait to hear what you think of it!

Speak soon, Janine Nöthlichs, Editor-in-Chief

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COLUMN

CROSS-DEVICE, CROSS-CHANNEL, CROSS-BORDER!

A big advantage of working in e-commerce is that there is never a dull moment. Technologies following up quickly, new business models pop up every day and there is no thing as “lets’s take it easy” because there is a risk that suddenly somebody comes up with something better, bigger, cheaper and faster. You have to keep moving and push yourself every day to succeed in the constant fight for (online) customers. For me, there is no doubt that you can only survive if you commit to these very important basic elements, which are: Cross-device, Cross-channel and Cross-border.

To start with the first one, cross device, if your online shop is not prepared for mobile then you will be out of business in no time. I still wonder how many e-merchants don’t have this covered yet, knowing that an average of 60% of the people in the EU search on mobile devices and 20% of them are bying through a mobile device and this number is still growing strong (source: Ecommerce Europe 2016).

Cross channel is also a must, especially for the traditional brick an mortar companies. The consumers buy when and where they want, collect when and where they want and also return the same way. Also multi channel needs big attention, selling through your website is perfect and will bring you most of the time the best margins, but the power of market places and social posibilities to shop are enormous and bring you fast to new international targets groups. Denying these channels is asking for problems in the long term.

Last but not least is Cross-Border. Only focussing on the home market will also lead to an ending business model. All new modern (startup) companies focus directly on international target groups and go for international grow. Missing the cross-border boat will allow other companies to dive into your home market and will take over the business.

That’s why the goal of this magazine is to inform you and to share knowledge about Cross-Border so that you are better prepared and can optimize your changes for success. A nice initiative from the magazine is the Cross-Border Bootcamp where cross-border experts give “hands-on” help in cross-border challenges. Please enjoy reading this second copy of Cross-Border Magazine and learn from your colleagues how they are dealing with the cross “words”. Check also our website for daily news about Cross-border: www.cross-border-magazine.com

Enjoy reading!
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COLOFON

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"WE STICK TO A 'SLOW-BUILD' STRATEGY"

Text: Janine Nöthlichs // Photos: Léon van Bon

"In the beginning, a lot of people told us at Canyon that selling bikes online was impossible. We have proven everybody wrong." Frank Aldorf, Chief Brand Officer at Canyon Bicycles, met with us at the headquarters in Koblenz, Germany, to tell us more about the company. Canyon, founded in 1996, has been distance-selling bikes directly to consumers from its very first day. Today, Canyon sponsors two pro-cycling teams and has grown to sell online in 104 countries, boasting a staff of 850 worldwide and has a turnover of close to €159,000,000 each year.

A true first-mover

Canyon evolved from a bike store founded in 1985 by Roman Arnold, who just like his father imported bike parts from Italy to resell them in Germany. After making the decision to create a new bike brand named Canyon, the company developed from a mail-order business into an online pure-player. Shortly after, in the late nineties, e-commerce made its entry into European households, which gave Canyon a true first-mover advantage.

FACTSHEET

- CANYON.COM & SERVICE AVAILABLE IN 16 LANGUAGES
- 850 EMPLOYEES WORLDWIDE
- Đ159,000,000 TURNOVER IN 2015
- 104 COUNTRIES DELIVERED TO (STATUS 2015)
- SERVICE CENTRES IN 17 COUNTRIES ACROSS EUROPE, ASIA, AUS/NZ

Close to the community

Arnold, eager to provide the best bike possible has since focussed on the maintaining close connections with the rider and the cycling community.

Arnold's focus has since been on a close connection to the rider and the cycling community, which made him eager to provide the best bike possible. It was only after he proved successful in doing this that the decision was made to sell abroad. "People started requesting our bikes in other countries," explains Frank Aldorf, "we started off in France and Italy, and today we sell in 104 countries. The desire to create the best bikes possible fuelled Canyon's success to become a European business and finally a global brand."

Canyon operates 19 local offices with customer support and technical services to support its busiest markets on the ground. The decision to open local service centres was based on the market's strength. Customers in all other countries must connect with the headquarters in Koblenz when they have a problem, and also ship their returns to Germany. Germany, France and the UK- which has been seeing a huge rise in cycling through the successes of the famous Sky Team- are the largest sales markets for the cycling brand, followed by Italy and Spain.

Competitive advantage

The first-mover mentality and online DNA clearly provide a competitive advantage in a sector where more and more brands are now starting to adopt multichannel marketing and direct-to-consumer strategies in addition to traditional sales channels. "People were telling Canyon it's impossible to sell bikes online. We have proven everyone wrong. The business model has worked for us for a long time now, and we have gradually built up an expertise in running an online business. For others to add an online channel is not that easy, everyone must find their own way," says Aldorf. "Canyon has a unique business model, which has given us a great advantage, but others are catching up fast. In the beginning, people thought we were destroying local bike shops by cutting out the middlemen. But that's no longer the case, we weren't trying to destroy anything – we were just the first to do this."

> "WE ARE TRYING TO STAY ON TOP OF THE GAME ON THREE FIELDS"

Bike shops shift the way they think

One wide-spread argument against direct-to-consumer online sales in the bike industry is that it cannibalises local bike stores. In some cases, brick and mortar shops even refuse to service bikes that were bought online. However, according to Aldorf, the industry is naturally shifting towards new business models and it is time for physical stores to adapt: "Our approach never had anything to do with 'cutting off' local bike shops. Slowly, shops are now learning that they also have to build their brand to create a solid base of returning customers. They need to focus on the best service for their community. We are now at a point where bike shops are finally shifting the way they think; their perception of core-business is shifting towards a more service-oriented approach and we are very happy about this progress. We always suggest to our customers to make use of their local bike shops. The way we see it, we never alienated them," assures the brand officer.

Replacing the human

Traditionally, just like running shoes or cars, sports bikes have been sold by experts able to offer advice about size, fitting and positioning of the rider. In an online model, this service must be replaced by software and information, navigating the buyer though his decision-making process. Canyon has developed the PPS (Perfect Position System) tool to help people find the correct size for them, and additionally has a 30-day return policy with no questions asked. Canyon presents itself regularly at fairs and events to provide its customers with physical touchpoints. They strive to hire native speaking, technologically savvy customer service representatives who are able to solve most questions about the bikes, which is not always an easy job. "It can be challenging to find people with the right language skills and knowledge of bikes, but if they are willing, we can always train them to become an expert," affirms Aldorf.

At the crossroads

This shows the challenge which Canyon must face being a bike brand, a bike retailer and an online company at the same time. "What people experience in online retail- for example when they buy on Amazon, is the same as what they expect from us, in this sector the standards are very high. As a bike brand, we must fulfil our customers' expectations of having the best quality possible. We have to combine being a great online seller, a great online bicycle retailer and a perfect bike brand, which is a big challenge. While other companies are playing on just one field, we are trying to stay on top of the game on all three", Frank Aldorf explains. Feedback and comments via social media and other platforms are always welcome, as Canyon believes in learning from the criticism they receive.

Global branding

Canyon is known for being the sponsor of two pro-cycling teams, Katusha and Movistar. Of course, for the public to see Nairo Quintana win the Vuelta d'Espana on a Canyon bike, for example, it does a great deal for creating international demand. However, from a marketing and branding perspective, Canyon does much more than sponsorship. There is a small marketing budget for each of the 19 countries who have teams on the ground. If there are matters that need to be spread globally, these teams can activate them on a local level. Sponsoring is just one ingredient of Canyon's marketing tactics. Aldorf claims that "Our focus is on the sport. We sponsor various teams in mountain biking and triathlon and invest in that sport. We love that our bikes compete on the highest level, however, we also put in a lot of efforts into local, community-centred levels that are not based around the pros. We go to events, organize test rides and bike festivals. Here we expand our community and create a fan-base. Trade shows such as Eurobike (largest cycling trade-show in Europe, red.) are shifting their purpose for us: these are no longer simple industry events, they serve as a platform where thousands of people can get up-close with and try out our bikes."

Centralized but local

It sounds like a contradiction: Being close to riders and community, and at the same time running a centralized company from a single German head office. But according to Frank Aldorf, it is a

benefit rather than a challenge. Canyon's strategy is an interesting combination of a very centralized global approach when it comes to the general brand message, and a local representation taking care of customer care, technical support and translating the overall brand messages into what resonates best with the local audience. “Our local offices are much better at understanding the specific needs of their markets than we could ever imagine here in Koblenz. Being local is much more than just offering a new language. It is about customer expectations, the way they wish to pay and the way they interact. Being close to the rider is where you need the local teams who understand all the nuances and differences.”

Frank Aldorf is convinced: “Our story is created here and then exported across the world. It's easier this way and prevents our brand identity from becoming fragmented.”

“AS A BRAND YOU NEED TO MAKE THE BEST POSSIBLE START”

Curious (little) adaptations

When shipping to various international destinations, the assembly team at the Koblenz-based factory has to take into account local requirements when building the bikes, some examples may be:

- Bikes going to UK or Japan need to have the brakes changed to the opposite side.
- In France the law requires a bell to be included in the package.
- Boxes for shipments to Australia need to be suitable for indicating all contents on the outside.
- In Switzerland, Canyon is called ‘Pure Cycling’ – usually the payoff of the brand name- because the name ‘Canyon’ was already taken by a local mountain bike brand.

‘Slow-build’ strategy

Ever since pursuing international expansion, Canyon has relied on a slow-build strategy when entering new markets. This requires that quality is safeguarded when entering a market with a smaller product range, slowly building up a market share and then investing more along the way as the market grows. Frank Aldorf explains: “This plan has served us very well. It is a rather conservative approach but it has ensured we are able to serve our existing markets well and at the same time open a new market. People should not have to wait longer for their bikes just because we are expanding elsewhere. However, we also still have room to ramp up our facilities here, and space to grow.”

Off to overseas

In May 2016, Canyon announced a major step in its global expansion: A move to the US market. An investment and partnership with the US-based TSG Consumer Partners, LLC, enables Canyon to finally open up the market, following an extensive period of preparation. “This is such a large market, at times it's almost daunting,” admits Aldorf, adding: “We're getting to know the terrain, for an understanding of all the possibilities. Still, as a brand you need to make the best possible start. We have to stick to our successful pattern of ‘slow-build’, even though this market is so big and therefore the opportunity is so big, there is so much demand. However, we are still a small company and we have to be careful not to bite off more than we can chew.”

Managing expectations

The main challenges of the US market include legal requirements, tax issues and differences in consumer expectations. “This will be the most demanding consumer base we have ever served. The US customers expect good service as the quality of service there is very high. We might feel we are doing a great job here in Europe, but that probably won't be enough for our US consumers. Still, we must strive to reach these standards.” Another important factor is expectation management. The idea of not entering the market with the full range is a safe bet, but must be communicated carefully to avoid disappointment. Canyon has assembled a new team to work on liability issues, quality management, safety documents and all other prerequisites to sell into the USA.

Small but powerful

In the cycling market, Canyon is a relatively small manufacturer. Aldorf says “People compare us to much larger brands, as we deliver the same level of quality or even better. However, the size of our company is much smaller, we have less manpower and revenue. Yet still, we want to compete at the top.” For the past 6 years, Canyon has boasted a 30% y-o-y growth, crowned with a historical peak in monthly sales in April 2016. A large expansion and modernization of the facilities in Koblenz have been realized to fuel future growth. Next to entering the US market, Canyon attempts to become a ‘one-stop-shop’ for cyclists, cross-selling accessories and third-party products via their site. “We are up for the challenge. We want to be a global brand,” concludes Frank Aldorf. ••

KEY TAKE-AWAYS:

- CENTRAL BRAND IDENTITY AND LEADERSHIP TEAM, LOCAL SUPPORT CENTRES BASED ON MARKET SIZE
- SLOW-BUILD STRATEGY IN ORDER TO SAFEGUARD QUALITY AND CONSUMER EXPERIENCE
- FACING THE CHALLENGE OF BEING AT THE CROSSROADS OF BEING A BRAND, A BIKE RETAILER AND AN ONLINE SHOP AT ONCE

Text: Richard van Welie

E-COMMERCE ALL AROUND THE WORLD

Global B2C e-commerce grew significantly in 2015. Compared to the preceding year, global Internet sales increased by 19.9%, resulting in an online turnover of $2.3 trillion. This positive trend is expected to continue: for the year 2016 a growth rate of 17.5% is forecast, which would result in a global B2C e-commerce turnover of around $2.7 trillion. "To put these huge figures into the right perspective, they are roughly the same as the Gross Domestic Product of a country like France or the United Kingdom", says Jorij Abraham, CEO of the Ecommerce Foundation.

The infographic shows that the key global e-commerce markets include the usual suspects; China and the United States are still clearly leading the way regarding B2C e-commerce turnover. However, there are other interesting e-commerce markets that might be interesting for companies that want to expand their business to other countries.

Fastest-growing e-commerce market in the world

India is one of the fastest-growing e-commerce markets in Asia-Pacific, with its online sales rising to $25.5bn in 2015, a spectacular 129% increase. Even though this turnover remains considerably lower than the e-commerce revenue of the top players mentioned above, it did earn India a spot in the global top 10.

There is still a lot of room for improvement of e-commerce in India. For example, at 27%, its Internet penetration rate is far below the world's average of 45%. Also, with only 82.3 million (8.7%) of the 942.6 million Indian consumers of 15 years and older shopping online, there is a lot to gain here.

The share of e-commerce in India's Gross Domestic Product (eGDP), which is a good indication of the popularity of e-commerce in a country, amounted to 1.2% in 2015. This may not be a high percentage, as the global average was 3.1% that year, but it does represent a growth of 500% compared to 2012. "E-commerce is becoming increasingly popular in India", confirms Abraham. This is also reflected in the online sales, which are expected to grow by 75.8%. As a result, India will maintain its position of the fastest-growing e-commerce market in the world."

Europe's youngest population

Turkey is one of the emerging e-commerce countries in Southern Europe and is making great strides in developing and improving its online market. It is among the top European countries with regard to the B2C e-commerce growth rate. The Turkish B2C e-commerce turnover grew by 34.9% in 2015, making it the second-fastest growing online sales market in Europe, only just behind Ukraine (+35.0%).

The main reason for this rise in popularity of B2C e-commerce is Turkey's tech-savvy population. Almost 85% of the Turkish population is below the age of 55, meaning that Turkey has Europe's youngest population. In general, younger people are more abreast of technological and digital innovation, making them more interested in shopping online, for example.

Still, Turkey has the lowest Internet penetration rate in Europe. With 54% of the Turkish consumers of 15 years and older being connected, this rate is well below the European average of 75%. This percentage has grown rapidly over the last few years and will most likely keep on doing so. All in all, the Turkish B2C e-commerce turnover is also expected to continue its strong growth in 2016, as a rise of 37.3% is forecast.

Cross-border e-commerce is king in Israel

Israel might not seem like a very impressive e-commerce market, but appearances can be deceptive. An online turnover growing by 8.9% to $4.9bn in 2015 is not hugely spectacular, but Israel is one of the most technically advanced societies in the world. It has a thriving technology sector and a special focus on financial technology (fintech).

Israeli consumers are very keen on shopping online, and cross-border online shopping in particular. Around 95% of the Israeli online population (through computers, laptops or smart devices, at home or at work) made at least one online purchase in 2015. Many of these purchases took place on foreign online shops; with the US, China and the UK being the most popular destinations. Abraham says "The main reasons for this are that only one quarter of domestic companies have an online shop and that their prices are significantly higher than in other countries, due to higher VAT rates and current monopolies." ••

Would you like to learn more about global e-commerce? Or are you interested in the state of e-commerce in the twelve key e-commerce markets in the world? Please go to www.ecommercewiki.org and learn more from our B2C E-commerce Reports.

Ecommerce FOUNDATION

Global

2015 Key E-commerce Facts at a Glance

5.6bn people are over the age of 15

E-commerce GDP of 3.11%

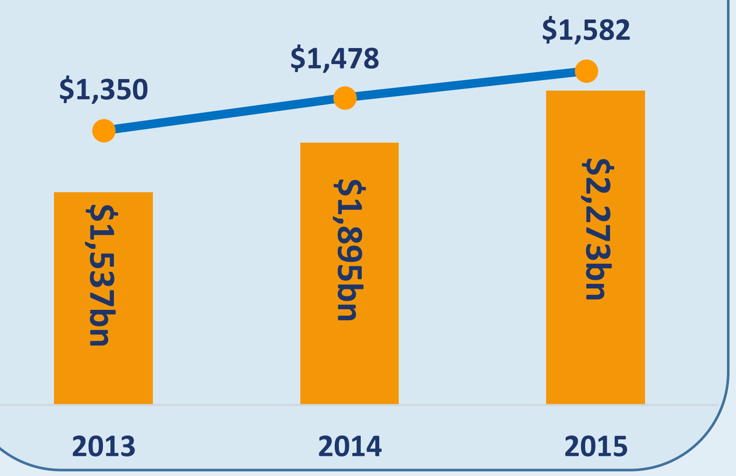
Total GDP of $73,106bn

Regions	Internet access	Online Population
Global	*45%*	*2,520.4mn*
North America	78%	297.9mn
Europa	75%	515.8mn
Latin America	56%	220.8mn
Asia-Pacific	39%	1,223.2mn
MENA	38%	147.9mn
Others	21%	114.8mn

2.5bn people use the Internet (45%)

1.4bn people shop online (26%)

B2C e-commerce revenue and average spending per e-shopper



Top countries	2012	2013	2014	2015	2016 (f)
China	$250.4bn	$397.5bn	$575.0bn	**$766.5bn**	$975.0bn
USA	$400.0bn	$470.0bn	$530.7bn	**$595.1bn**	$648.6bn
UK	$107.7bn	$139.4bn	$156.9bn	**$174.2bn**	$192.5bn
Japan	$78.8bn	$92.8bn	$106.1bn	**$114.4bn**	$124.4bn
France	$49.9bn	$56.6bn	$63.0bn	**$71.9bn**	$79.1bn
Germany	$41.0bn	$52.0bn	$58.4bn	**$66.2bn**	$74.1bn

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~ *Jorij Abraham* ~

COLUMN

SILICON VALLEY FROM TECH TO BUSINESS DISRUPTOR

Every year the Ecommerce Foundation, a research institute initiated by Ecommerce Europe, organises a study trip for European retailers to learn from experience abroad. After Seattle (Amazon, Starbucks) and China (Alibaba, JD.com) it's time to visit Silicon Valley this September.

When ideas have sex

The first thing we learned about Silicon Valley is that there is little room left for new ideas. It's not about new ideas but rather about innovation: bringing ideas to the next level by sharing and enriching them. A similar way of working is used in the brainstorm method, where participants try to build on ideas of others in the room. This principle of open innovation is what brings Silicon Valley its current success, in combination with the average age of its employees. Did you know that people like Einstein, Pascal and Braille had their main groundbreaking inventions before their thirties? Other characteristics of the companies we have visited are openness and that a relatively large amount of the workforce consists of weirdos (so they said themselves). Thinking outside the box also plays a major role: Google wants to extend people's lives, which is a much broader perspective than just developing new drugs. Disruption is the key buzzword: who thought that the world's biggest taxi company of today would not own a single taxi? Software is eating assets for lunch!

Hands off my body

Also interesting are the effects of technology on the human body and health, some even say that our mobiles are our 79th organ. We also saw examples of nutrition – based on consumer profiles and big data – completely modified to meet the individual's needs. Additionally, IBM Watson offers a 'sentiment analysis' to adapt products offered in a web shop to your current mood. 23andMe offers the possibility to have a DNA-analysis performed by sending in a sample of saliva, from which you learn about your ethnic origin and ancestry, matching you with other profiles of possible relatives. 23andMe participants are then asked to make their profile available –accompanied with a medical questionnaire – to help research diseases like Parkinson's. The idea is to become able to predict the chance of getting a certain disease (based on your DNA profile compared to 'big data') and as such start a preventive cure much earlier. As you may understand, it is hard to align regulation around privacy and health insurance with these kinds of rapid developments.

Social innovation

The Singularity University presented an interesting view on the speed of technological development. For decades, technology has been in continuous development, but people kept desiring more. In other words: people could keep up with the speed of technological developments. We have now passed the point at which technology advances faster than people and even companies can cope with. For some, these rapid developments still offer opportunities, but for others causes "disruptive stress", or chaos. As soon as robotising warehouses persists and AI with voice surpasses the quality of human call center agents, this will result in vast unemployment in these work fields. But at the same time, the need for humans in IT and data analysts will further grow. In the end, maybe there won't be a huge decrease in available jobs, but rather an increased mismatch between supply and demand on the job market, resulting in a bigger gap between the rich and the poor. This gap was made visible in a striking way by one of the participants of our study tour, by showing both a picture of the line in front of the food bank and a picture of the line in front of the San Francisco Apple store, where people were waiting for the new iPhone 7. The daily news bulletins opened with the latter.

Jorij Abraham (1972) has been part of the international e-commerce community since 1997. He was an E-commerce Manager at Bijenkorf, TUI and Sanoma Media and Director of Consulting at Unic. Since 2013 he has been Director of Research & Advice at Ecommerce Europe. He is also director of the Ecommerce Foundation, a research institute offering practical e-commerce research and benchmark services.

WESTWING

THE ZERO-INVENTORY, 14-COUNTRY CHALLENGE

INTERVIEWING STEPHAN SPIJKERS

Text: Janine Nöthlichs // Photos: Westwing, Femke Hoogland

Who? He has worked for Westwing for 4 ½ years, practically from the beginning of the company in the Netherlands. He is responsible for the entire supply chain process, from ordering from the supplier to delivering to the client and everything in between, including transport, warehouses and last mile carriers. He also manages certain IT developments such as new features on the website, the app and the mobile site.

Furniture and home decoration is one of the fastest growing categories in e-commerce, with around 30% of total sales in Europe, and one quarter of sales in the United States already happening online. Selling furniture online is a logistical challenge on its own, but combining it with a flash sales concept for sure ranks among the more complicated business models when it comes to operations.
Nevertheless, furniture and lifestyle pure-player Westwing is pulling it off, having grown from a start-up in a German garage in 2011 to an international player active in 14 countries with over 26 million members. We met with Stephan Spijkers, the operations director for Westwing in the Netherlands, in Amsterdam, to discuss the operational challenges of the fast-growing, international home and living retailer.

A complex business model
The business model of Westwing is complex, describing itself as a 'shoppable magazine'. Westwing runs 1000 new products per day in a flash sale method with 30-70% reductions and without having any inventory. The continuity and amount of new daily products are a clear advantage of this idea. The 'shoppable magazine' is a hybrid of an inspiration source and a daily deal site, active in Europe and with a smaller focus on Russia and Brazil. The trade-off of the business model are the long delivery times and the dependence on the supplying manufacturers to keep their promises.
Just as many similarly operating websites, Westwing places an order with a contracted supplier once the flash sale is over. "One of our main challenges is how to get products to the client faster.

As our business model has zero inventory, 24-hour delivery will not work for us, but if you look at where we have come from, we have already achieved a lot. One year ago, we communicated a 3-5 week delivery period and now 30% of our products can be delivered within 1-2 weeks. Improving delivery times without breaking any promises you make to the customer, is one of our major challenges," explains Stephan Spijkers.

Start in-house, scale up with partners, refine in-house
Westwing started small, from a little office in Munich where all employees helped packing deliveries. When growth accelerated, a partner was docked with experience in the ecommerce sector. Through the facilities and services of the outsourcing partner, Westwing quickly scaled and ventured into many markets. "After a while, we refined our services by managing the processes with the suppliers ourselves, including purchase orders, invoicing, and communication. In Berlin, we have now gone back to doing a lot of things ourselves, such as the inbound operations, which form an important part of the business."

Sourcing and selling
The local offices work on two fronts: they source products from local brands, and they serve the local customer buying from the website. At the moment, Westwing is most active in the countries where there is also an office, but they sell to most neighbouring countries as well. The local presence is important, because the differences in customer preference in this sector are very outspoken, even between culturally similar countries such as Germany and the Netherlands. However, some countries share offices and warehouses: the Benelux is managed from Amsterdam, and the Berlin warehouse not only serves these countries, but also the entire DACH region. "In each country that Westwing is active in, there is a staff of 110-120 people sourcing and buying products, presenting them on the website, telling stories, taking photographs and holding interviews for the magazine. There are also extra styling tips along with most sales". The products sourced in one country can be offered on all 14 Westwing websites, depending on how many countries are interested. Spijkers: "Sharing these campaigns means that a very small manufacturer from the Netherlands gets the chance to launch his creations in France and Italy."

Cross-border platform
Brands can thus use Westwing to sell into new markets and to test demand in these markets, which makes it, alongside Amazon and other market-places, an interesting cross-border platform. The operations director explains: "Westwing understands online marketing. This is particularly interesting for manufacturers from the home and living sector that have little online experience. We offer a marketing platform, millions of relevant newsletters and a good logistics system, while creating an individual, beautiful brand representation on our site. Even if that means we must change product descriptions or send our photographer there to shoot the right images. Our suppliers don't have to do too much; we can facilitate everything from presentation to logistics." Selling furniture online is often perceived as a challenge to traditional players, Westwing did it from scratch: "The most special thing about our work is that we ship large furniture all across Europe on a daily basis, without the customers even noticing. When they order something, they often don't even know that these products come from all over Europe. Maybe we should communicate that more. For us, these are normal daily operations," says Spijkers.

The delivery must match the brand experience
One of the goals is to find ways to make the delivery experience match the overall inspirational tone of voice the company which is presented on its site and throughout the shopping journey. All parcels are therefore re-packaged in branded, turquoise Westwing boxes with a special filling. Products are divided into two categories, packages and '2-man handling' goods, which includes furniture like sofas or beds. Both categories are handled by separate, specialised last mile carriers. The quality of the delivery is an essential part of the branding and customer retention process: "You don't want your €1500 sofa to be delivered by a shady operator in an old minivan," illustrates Stephan Spijkers. Returns are free at Westwing, even if it's a box-spring bed or a couch. Items are stored at the warehouse. "Either we run a new campaign with this same brand, or we sell it off to third parties."

Logistic challenges
"Making delivery faster" maybe sounds like an easy job to accomplish, but if you look at the way a parcel has travelled before arriving to the customer, the scope of the challenge becomes evident. Spijkers: "Suppliers from the Netherlands deliver products to the Berlin warehouse and from there they either go to Dutch or German customers or to other warehouses in Europe. On a micro level, it seems more logical to send one pallet directly from the supplier to an Italian warehouse and another one to France. On a macro level, it works best for us to gather everything in Berlin, where we can make bulk deliveries, sending a full truck to the Italian warehouse."

However, Dutch and Belgian clients ordering from Dutch brands also receive their parcels from Berlin. In order to improve the turnover time, Westwing has now outsourced part of its fulfilment of smaller packages. "We want to serve our Dutch clients quicker and also improve the export options for our Dutch suppliers, which is why we selected a local partner," says Spijkers, adding: "It was vital for us to improve delivery times, especially for smaller products, because that's what the clients desire. Working with a local partner is faster for Dutch clients, but also useful for foreign deliveries."

Drop-shipping- a holy grail of the future?
Drop-shipping seems like a quick-win solution when it comes to improving delivery times, but it makes it complicated to safeguard quality. Westwing has started pilots with certain suppliers, helping them with the packaging, IT solutions and offering them the same contracts with the parcel carrier that Westwing has negotiated. A complete transition seems far away, though Spijkers acknowledges the rise of this trend: "if you look at the US furniture industry, they are already ahead of us. There, 70-

80% of furniture and home décor is drop-shipped directly to the consumer. We lower the barrier by offering suppliers a drop-ship starter pack, providing the boxes and we help with an IT integration. But there are limits to where this approach takes us. In the US, you see that drop-shipping starts as soon as the products are sourced from the factory. They come in dropshipment-ready packaging, directly from China or Indonesia. That is the future, but it still seems far ahead."

No special offers for Christmas

Although home and living items seem like perfect gifts, Westwing does not massively scale up its offerings for the festive season. "We believe in presenting our selection beautifully, not by filling up the website. Why add more just because we can?" says Spijkers. Logistically, however, there is a lot of coordination required during the holiday season: clients order more and a whole group of new clients come in. This peak must be anticipated and communicated not only with the brands supplying the products, but also with the logistics partners. "We have to coordinate how much extra capacity we expect for this season, and how we can improve delivery times further for the Christmas time."

The future

In Germany, Westwing is experimenting with pop-up stores and has launched an "on stock" online shop called 'Westwing Now'. "Faster delivery is going to be an important component of such a shop's success. However, Westwing has proven that brand experience and the product itself can be more important than the delivery time. Otherwise, we wouldn't have become this successful." ••

IT IS IMPORTANT FOR ANY E-COMMERCE COMPANY NOWADAYS TO BE ON TOP OF THE LATEST DEVELOPMENTS IN THE SUPPLY CHAIN INDUSTRY. THIS IS ONE OF THE REASONS WHY MANY FASHION AND LIFESTYLE COMPANIES CHOOSE TO WORK WITH BLECKMANN. THEIR WORLDWIDE EXPERTISE IN E-FULFILLMENT FROM US TO EUROPE AND ASIA IS HUGELY BENEFICIAL FOR COMPANIES LIKE WESTWING TO TAP INTO A RICH EXPERTISE.

A CUP OF COFFEE WITH...

the Cross-Border European Commissioner Harrie Temmink

We like to have inspiring discussions about cross-border e-commerce over a nice cup of coffee. This time, we met with European Commissioner Harrie Temmink to talk about the obstacles facing cross-border selling and buying in the EU, delivery and policy initiatives.

Photo: Femke Hoogland

Who?
Harrie Temmink is currently the Acting Head of the Public Interest Services unit, DG Internal Market, Industry, Entrepreneurship and SMEs and the European Commission. The unit is responsible for postal and parcel affairs, gambling services; and other services of general economic interest such as energy, water, health and education. Harrie has a Dutch Law degree as well as a Spanish Language and Literature degree from the University of Utrecht (the Netherlands).

What about coffee?
Like many of his fellow Dutchmen, Harrie is an enthusiastic coffee drinker. Before lunchtime he has usually already had a cup, if not more! At work, he prefers Nespresso Lungos. At the weekends, he tries to limit himself to one cup a day (but not a Nespresso!), at breakfast. When he goes out for lunch or dinner, he likes to have an espresso after his meal.

Why is delivery such a crucial element of successful cross-border e-commerce and therefore also of the digital single market?
Delivery is a key factor in the overall development of e-commerce, in particular of its cross-border development. There are many challenges for postal operators and e-retailers which can have major effects on the customers. Studies show that delivery-related problems heavily influence whether e-shoppers finalise their purchases. Consumers too often don't know what delivery options may be available to them, when their order will arrive, and how they can return it if they so wish.

Many retailers, SMEs and larger ones, still seem to struggle with cross-border logistics. What do you think the reasons are?
The delivery market is a diverse and complex one, with different operators offering many different services and prices depending on many features such as weight, size and format, as well as destination and number of items. This makes it difficult for e-retailers and e-shoppers to access comparable information about delivery, resulting in sub-optimal choices. In addition, one in five e-retailers say they are only aware of one delivery operator, but the average number of alternatives is, in fact, three to four operators.
The European parcel market can generally be characterised as a tight oligopoly – although more competition can be identified in specific markets. One of the consequences of this is that the list prices for cross-border delivery from the traditional postal operators are on average three to five times higher for parcels than their domestic equivalents. These differences cannot be explained by labour costs or other costs in the destination country. This is particularly an issue for low volume senders of cross-border parcels such as SMEs and individuals who have less bargaining power to negotiate tariffs directly with the parcel delivery operators.
There also regulatory and administrative requirements such as customs regulation and complicated VAT procedures. The lack of inter-operability between delivery companies in two different countries is another major factor that complicates cross-border logistics.

Wouldn't you say the forces of a growing market will regulate these problems over time, wouldn't that be better than policy makers interfering?
In principle, I agree. In 2012 the European Commission organised a broad consultation of e-retailers, postal operators, users, national authorities etc. Indeed, the responses showed us that the interested parties expressed, in essence, a preference for industry-driven measures. Therefore, the European Commission's roadmap for completing the Single Market for Parcel Delivery of December 2013 largely contained actions of a self-regulatory nature. We stimulated the creation of pan-European trustmarks for the e-commerce sector, which were later established by companies such as EMOTA and ECommerce Europe, containing criteria for the quality of parcel delivery services.
However, there is an additional role for policy makers when market forces alone cannot repair the imperfections in the market. This is why we have come forward with a proposal for a regulation on cross-border parcel delivery services to improve price transparency for cross-border EU deliveries and to enhance competition. In a broader context, legislation may be necessary in order to guarantee decent employment conditions and basic consumer rights.

How will the new platform "Deliver in Europe" help to solve their problems?
The objective of the "Deliver in Europe" platform is to improve the transparency of information on existing parcel delivery solutions, particularly for cross-border delivery. The platform is set up as a "one-stop" information point for e-retailers on existing eLogistics solutions, presenting and comparing all the different solutions available. The information platform should give SMEs effective tools to improve their bargaining power. The EU is co-funding this (private) project which will hopefully become operational by the end of 2016.

Do you think there is enough interaction between EU policy makers and the industry and consumers? What actions are taken to improve the information flow and interaction between these three?
The door is always open at the European Commission! We try to reach out as much as possible to e-retailers, parcel operators, consumer representatives… During the last few years, for instance, we hosted several major workshops to bring interested parties together. The Postal User Forum was intended to sound out the customers of the parcel delivery services. We are also active in the European Social Dialogue Committee and we have frequent meetings with the national regulators, in particular in the context of the European Regulators Group for Postal Services (ERGP). Finally, no new initiatives are considered without a proper public consultation which feeds the so-called "impact assessments". ••

SCALING CROSS-BORDER BUSINESSES THROUGH 'MEDIA FOR EQUITY'

Text: Janine Nöthlichs // Photos: SevenVentures

There are many smart thinkers out there that come up with great business models. However, they often lack the financial power to backup and scale their idea fast enough to be the one who scores the big business internationally. Often, 'copy-cats' with a financial backbone take over the idea and conquer new markets. SevenVentures, the investment arm of the German Media & Entertainment Powerhouse ProSiebenSat.1, targets exactly these businesses. When they see potential, they offer a smart investment package, mostly driven by a media for equity or media for revenue business model, combined with advertisement space, risk sharing and various means of support to help the newcomer companies quickly scale in Germany and abroad. We spoke to CEO Sascha van Holt at the eTail Nordics Conference in Copenhagen.

How did you come up with this business model and why does it make sense?
"The idea originated back in 2009. We talked to a lot of young growth companies which reached the limits of their growth with performance marketing. Search volume was capped, and so was the revenue of the online retailer. Companies sought ways to acquire new customers. Performance marketing is a nice instrument but at some stage you need to reach out further to get new customers. We thought 'How can we help these companies grow, and supply opportunities to new companies entering that vertical?'. We concluded that we could offer TV-advertisement and help them to become real 'household brands'. We did just that with Zalando, by holding a massive campaign. When you look back in Google trends to the point where we started TV advertising, the organic search volume for 'buy shoes online' and 'Zalando' explode. This shows that Zalando became very efficient as a brand, they received more branded traffic and marketing got cheaper. People were looking for 'Zalando', which is much cheaper than 'buy shoes online'. Also, the generic search terms gained more volumes, so new players could enter this vertical. We did not just create household brands, we created a whole new market. Then we replicated this model for other vertical markets, and we are still doing this now."

Why can't European companies accomplish this on their own?
"A good example is Starbucks. Coffee was always common in Europe, but even so, Starbucks arrived and became very popular. They had the capital and thus they pulled it off, whereas coffee is something drink everywhere. In Germany, it seems SME's don't want to invest in big marketing and branding efforts, or they don't have the money to stand up against equivalents from abroad. Europeans have to realise that this is important. You must be quick and take your market, otherwise somebody else

will come and take it away. Don't wait until market entry barriers become too high. There is always a momentum to build new markets and we have a the-winner-takes-it-all approach where we help companies scale quickly and take market share."

Do you also support international expansion outside Germany?
"Right now, the focus is still on companies from abroad scaling up in Germany, but we are increasingly looking to stimulate activities in other countries. We are investing in operating companies as well, such as Parship and Amorelie, where we have majority stake. As these companies expand internationally, we help them and gather expertise. The next phase could be to expand German start-ups to other countries, where we could use our European Media Alliance partnerships with big broadcasting stations, to compile a similar offer in other countries."

Where does SevenVentures stand today?
"We are currently working with about 60 companies, some with media for equity, some with media for revenue, others with a mix of both. Our advantage is that we fully understand how marketing works. We don't only give them cash, we also offer advertisement time, help to develop campaigns, use influencer marketing and support them on the ground with operations and expertise. "

Isn't TV becoming a fading channel?
"Absolutely not, it is still very powerful! People still love to watch TV, so marketing there is very important. It still has a substantial reach, even though the average age is changing. However, we have to be dynamic and also look at other media outlets, such as YouTube, social media or influencer marketing, as these channels are gaining traction. Our Studio 71 manages YouTube stars and we provide influencers to companies such as L'Oréal. But if you listen to big brands, they like this as an additional channel, and stress how they still need classic advertising. With the influencers, you don't have control how they represent the brand."

How are the companies scouted?
"In Europe and beyond, we see a lot of companies that have an interesting business model. We scout companies, and then help them to adapt their business models to the German market. We have offices in various countries including Sweden, Poland and Germany, to be as close to potential leads a possible."

What is the secret to success when scouting a company?
"We invest in anything that is consumer-centric, as long as it hits the mass market and is scalable. The companies we support must have the potential to become number one brands in a short period of time. You have to get in touch with the companies in the phase where they are thinking about internationalisation. In addition, our people on the ground have a highly operational background: our Swedish colleague Robin Reznik, for instance, was the CEO of Uber. People like Reznik know how to scale a business. Rather than just offering capital, the operational support is a good service to manage networks. We call this our consulting approach. We can offer a package to generate quick market entry, based on know-how. "

Can you name some interesting success stories?
"The most interesting cases are always the market-making cases, just like Zalando. Another one is the sportswear brand Just Fab and Fabletics from the US. German consumers are very wary of subscription models, so we have to educate consumers through our TV ads. This way, we opened up the market there for Just Fab, and also paved the way for subscription-based businesses. Another great story is the one of Shopkick, also from the US. It is a retail shopping app that allows you to gather rewards using your smartphone in store. Entering the German market meant stimulating shoppers to download the app, but also opening the doors to big retail chains such as Obi, Media Saturn and much more. Above this, we set up a German entity for them and we provided an interim German CEO. They took all of the market share in their vertical market and none of the clones could get a foothold. Because of our good network with retailers, we have a good track record supporting companies with the market entry. "For example, this year we helped Silicon-Valley based WonderWorkshop to get listings at crucial retailers. Now you can buy their smart toy robots across off- and online channels in Germany."

How do you make sure the companies you help scale have the backbone to support the growth?
We had some very bad experiences with that in the past, such as server crashes or not enough stock. We are now intensely scanning whether or not the company has the capacity to scale. Growth capacity can be many things, beginning with the ability to source new products or scale up operations.

How do you determine who is the "copycat" and who is not?
We like to work with original companies and businesses with interesting concepts that are eager to make a move in new markets. However, you have to be careful with the term 'copycat'. Oliver Samwer, with whom I worked a lot, always said, 'Just because you build a car, does not mean you are a copycat of Mercedes Benz.' So we prefer to call these businesses 'first movers'.

How can companies approach you to collaborate?
"The easiest way to get in touch with us is to drop an e-mail and by sending us their pitch decks. If the business case is interesting to us, we will definitely pick up the phone. Another possibility is to apply to our start-up contest. Once a year, we host the SevenVentures Pitch Day which focuses on a particular branch or topic. There is a whole show around it and companies can win an advertisement package comprising TV and digital channels, worth €3 million, including a TV spot creation we produce for them. According to Forbes magazine, this is one of biggest start-up prices in the world. This is very interesting for companies seeking to enter Germany. The next one will be in October 2017." ••

ITALIAN E-RETAILERS: VENTURE ABROAD!

Italian cities, landscapes, works of art, creations, Made in Italy products: they all revolve around beauty, which the whole world recognises as the country's hallmark. Fine food and beverage, furniture, apparel and home textiles, footwear, eyewear and jewellery are the most famous Italian product categories. These are all popular cross-border e-commerce categories, but this still seems like a greenfield for Italian brands.

Research by PostNord shows that 45% of Italian shoppers buy abroad, preferring goods from the UK, Germany, China, United States and France. As a preferred shopping destination, Italy ranks at the bottom amongst its European neighbours: in 2016, Italian companies' export via web will be around €3.5bn compared to the total Italian export of € 410bn, so there is a lot of room for growth, especially to emerging countries.

In fact, by 2020 there will be 224 million more new wealthy people all over the world, compared to in 2014. These are individuals with an income greater than 35,000 dollars (at 2010 Purchasing Power Parities). Half of them will live in the main cities of China, India and Indonesia. In these economies, Italian products represent status symbols for consumers, based on the strength of celebrated brands but also on the appeal of Italy in general and the Made in Italy 'brand' in particular.

In October, Consorzio Netcomm co-hosted the first Italian edition of the Cross-Border Bootcamp together with Salesupply, the Cross-Border Magazine and the Chamber of Commerce in Milan. This event offers e-commerce companies with a good business model the opportunity to pitch against each other and win tailored advice and coaching by a team of e-commerce experts. One of the organisers is **Giulio Finzi, Secretary General of Netcomm**. He explains why international e-commerce should be on the top of Italian e-tailers' minds.

Why is the Cross-Border Bootcamp an interesting initiative?
For Italian retailers, it is very interesting to expand internationally, so we need to take the barriers down. Knowledge is the best way to take away fear: the entrepreneurs need to learn which tools there are and how they can build a feasible, cross-border strategy, in order to make them seize the vast opportunities beyond the Italian border.

What are the key principles of a successful globalisation journey?
First, you need a sound strategy. Decide where to go: select the categories, brands and markets you want to compete in. Then, define how you're going to get there: how you want to engage with local market players (acquisition, JV, distribution agreement). Last, commit for the long term: it takes time to build the capability and talent.

Which operating model do you suggest?
Retailers must fully understand the market, including consumers and competition. They need to develop a sustainable business model, taking into account the profit pool, where profitability comes from and what you need to do to achieve it. In addition, companies have to allocate their resources. They need to clarify which capabilities they need locally and which you can leverage from a centralised, corporate HQ. Their needs to be a good balance between global and local: operating as a truly local company, while making sure you influence scale and expertise on a global level.

Do you advise to work with partners & suppliers?
'Make or buy' is an infamous question. If you choose to outsource certain parts of the value chain, search and select reliable partners and suppliers to manage your international operations and understand the critical activities, you should manage internally. To be safe, you can think of performance based contracts, where your partner's fee is results driven. Agree and share the KPIs and then analyse and optimise all digital activities.

Giulio Finzi - Secretary general - NETCOMM

Netcomm, the Italian eCommerce Association (http://www.consorzionetcomm.it), supports Italian companies in their digital transformation, with data, training, events and bespoke consulting, leveraging on the best of breed solution providers all over the world.

HOW TO CONQUER A NICHE INTERNA-TIONALLY

Text: Janine Nöthlichs // Photos: BUFF, Léon van Bon

A high-quality accessory with international brand recognition, facing challenges around increasing volumes and growing order values is a typical scenario for a niche product. Customers from all over the world want to order online, but how can you make this feasible? In Barcelona, we met David Girones, Head of E-Commerce at Original Buff, a company producing multifunctional headscarves for sports and leisure. Original Buff has identified and conquered the challenges of internationalising sales of a niche product online and share their solutions with us.

Original Buff S.A. is situated in Igualada, 60km inland from Barcelona in Spain, this is also where the company history started in the early nineties. Being already part of the family business, producing the necks and cuffs for t-shirts and sweatshirts, founder Joan Rojas invented a microfibre tubular wind protection for his hobby motorcycling. He soon noticed the business opportunity and started selling in ski resorts in the Pyrenees, and quickly expanded to all renowned international ski resorts thereafter. In 1992, the brand BUFF® became widely known. It began with a basic product than can be worn in 12 different ways, including as a scarf, bandana, helmet lining and a beanie. The collection has since expanded with various additional products and is now even moving towards a more lifestyle-oriented collection.

Being in a niche

We asked David Girones whether he thinks being a niche brand is an advantage or a disadvantage, and he was torn between both: "You are able to know your customers well and offer them exactly what they are looking for, which is a perfect situation. However, in terms of scalability and ability to grow, when volume is key for reducing costs, being a niche player becomes a problem. Therefore, partnering with a solid cross-border service provider, moving more products and being able to negotiate good conditions, can be a perfect solution."

Distributors and resellers

As a brand that was sold internationally from very early on, BUFF® is represented by a network of distributors and resellers. Operating only one single brand store at Barcelona airport, the e-commerce venture that started in 2012 was one of the first steps to sell directly to consumers. Today, BUFF® ships to 18 countries and operates websites in four languages; Spanish, English, French and German. In China, the local distributor is a top-seller on Alibaba and Ali-Express. As many of the distributors also sell online, there is sometimes confusion which site is the 'real' brand site. David Girones explains: "Now, we try to find a beneficial solution for everybody. We want to work on an organic traffic and SEO strategy to make this clear to the customer." On top of that, in order to keep relationships smooth, BUFF® sells online using the same pricelist as the distributors. "Our brand site is not the place to go price-fighting. We have to weigh many components, including brand image and distributor relations."

Demand all over Europe

Demand has always existed all over Europe: "The question our customer service has to answer the most is whether we can ship to a certain country. We have a network of distribution worldwide as well as a strong brand image worldwide. It is now our goal to make BUFF® available in more places online. We are currently opening up in Norway and Switzerland, where our brand is very popular. However, as they are not part of the EU, there are taxes

"It is sometimes a challenge to keep the brand story harmonised."

and other regulatory obstacles. We needed to handle this without increasing the costs, as our order value and volumes are not huge," explains Girones. Through technology solution provider eShopWorld, taxes and delivery costs to foreign countries are calculated upfront, so people are charged the complete price at the checkout, without any bad surprises at the time of delivery. This is important, stresses David Girones: "We sometimes hear that a customer has to pay more duties and taxes afterwards than the total worth of their order. These things are unacceptable."

Service quality and feasibility

At the moment, BUFF® has decided only to sell online in countries where they are able to provide a good experience. 90% of the production is located at the same facility as the headquarters in Igualada, and 10% is produced elsewhere because it consists of special materials. As everything is shipped from a centralised location, delivery is a key factor: "Our biggest challenge is the low order value. Delivery prices are important to make the business sustainable. We currently serve 15 countries and are now expanding to Poland, Norway and Switzerland. Basically, we operate in all countries except Spain and France through eShopWorld, where we can benefit from their negotiation power with other providers. In addition, the eShopWorld technology allows us to easily open and close countries and to figure out which approach fits our brand best", explains David. Also for customer services, BUFF® has decided to outsource bigger markets to an external partner: "We now do France and Germany with Salesupply. These are important markets and it is important to localise customer service in order to further improve and build a solid brand image."

Costs, speed and brand image: Outsourcing as a solution

Spain is a strong online market for BUFF®, generating 30% of the revenue, followed by France and Germany, together accounting for 45%, and all other countries generating 22%. "It makes sense to heavily invest in the countries that are doing well or show signs of strong growth. Right now we are working in four languages for all 18 countries served: Spanish, French, German and English. This year, we also translated the site into Italian. Other countries will follow in the long run," says David Girones. However, it is vital in all countries to offer the right payment methods and delivery options. That is where working with eShopWorld comes into play again: "A country like the Netherlands for instance, isn't an enormous size. If we had to integrate the local payment method, iDeal, into our systems ourselves, it would absorb too many resources. Working with eShopWorld, we can start offering iDeal immediately." But what about the investment in the partner, is that a sustainable solution in the long run? David Girones is convinced that the advantages of this choice go beyond conversion: "Yes, using an outsourcing solution costs money. From a brand perspective, we want to offer great quality. Our brand site should not focus on quick wins in terms of money, but on representing the brand in the best way possible. Offering the right payment options in the Netherlands and preferred delivery options in France, helps to create the image we want to convey to our customer." In the long run, affirms Girones, a good cross-border solution will increase conversion exponentially and ultimately deliver a good ROI.

Branding

Cutting costs and serving the international customer in an adequate manner are valuable ingredients for a successful niche strategy, but sector-related branding efforts are also very important. From its HQ, BUFF® manages several larger event-sponsorships, including the Ultra Trail du Mont Blanc. Together with the French distributor, this effort is backed up by a special landing page and a dedicated collection. Other, smaller event-partnerships are managed locally by the distributors. "It is sometimes a challenge to keep the brand story harmonised, but working with distributors is a big benefit because they know the market better and can determine what is relevant," says David Girones. In addition, BUFF® works with brand ambassadors- usually sports personalities- in various countries and is starting to focus on events related to 'softer' activities, such as hiking, to broaden its audience. Sometimes, branding is also influenced by local preferences. Whereas in Europe, BUFF® is totally established as a winter brand, in America it is preferred by a broad group who love fishing and need to cover their head and arms with breathing material against the sun. As a niche seller, it is important to be receptive to these dynamic forces of the markets and adapt to it.

> "FOCUS ON REPRESENTING THE BRAND IN THE BEST WAY POSSIBLE"

The future

The future still holds a whole world to conquer for BUFF®, the journey into international e-commerce has just begun. Being a niche accessory player, growth is important for BUFF®. Together with eShopWorld, the company will explore possibilities to enter the US market. Next to new markets and expanding the assortment to kid's products, hats and new materials. BUFF® is eying to penetrate the lifestyle and fashion sector and make the products popular also 'off-piste'. "The quality is so good, many people own one BUFF® for years, and then buy a new one once it is worn out. I would like to see people wear BUFF® while skiing and mountain biking, but also in the restaurant when they go for dinner after. That stimulates them to own more BUFF® wear. We don't strive to become a fashion-player, but we want to expand our audience and the scope of use for our products." ••

HOW TO SELL ON AMAZON U.S.

Text: Janine Nöthlichs, Timon van den Berg // Photos: Stock

Amazon U.S. is an e-commerce market with a $595.1bn (€561.6bn) annual turnover and 173.6 million online shoppers[1], and ranks among the top global markets. It is also home to a wide range of successful e-commerce companies, making it the world's favourite cross-border shopping destination. In addition, the U.S. is a hub of innovation, digital progress and retail technology.

Expanding a market to the United States means competing in a tough retail environment, with high consumer expectations and business standards. However, the potential is enormous: Individual e-commerce spending per person a year is an average of $3,428 (€3,235) over twice as high than the European average of €1,540.

A storefront on a leading marketplace such as the one operated by Amazon, is a good opportunity to test a market with relatively low business risk, for instance, before launching a dedicated webshop. A marketplace storefront can also be a strategic complement to an existing sales channel in order to increase brand awareness. We spoke to Timon van den Berg, CEO of Salesupply USA, about foreign brands selling on Amazon U.S..

Why is it interesting to sell on Amazon U.S.?

"Amazon is by far America's favourite marketplace. It has a giant footprint reaching over 80% of local internet users. Hitwise researched earlier this year that over one third of all visits to the larger U.S. online-shops were absorbed by Amazon. A brand audience is of course beneficial for European players, especially when they are still building their brand. They can assess the market potential and at the same time increase brand awareness via a powerful channel. On top of that, Amazon rolls out most of its innovations in the U.S. market first, such as Amazon Prime Now or Amazon Fresh. This means that not only the service level, but also the distribution and partner network in the U.S., is extraordinary. Foreign retailers selling via Amazon can benefit from this." Also, let's not forget that Amazon has an estimated 63 million Prime users, who are loyal Amazon buyers that benefit from Amazon Prime's membership. (source: http://fortune.com/2016/07/11/amazon-prime-customers/)

Which companies should think about taking this step?

A good indicator to start selling via Amazon U.S. is when your Google Analytics statistics show that you have visitors from the

1. B2C E-Commerce Report USA & Global, Ecommerce Foundation, 2016

U.S., but no U.S. conversion. Amazon allows you to service your target group relatively easily, depending on the category in which you are selling in. Furthermore, I consider innovative products in high demand an interesting choice to sell via Amazon (successful Kickstarter products for example). If you belong to that category you might also want to consider Amazon Vendor Express, although you need to apply for it and Amazon might take a bigger piece of the pie for the sales price. Service levels are streamlined between most of the sellers so you typically compete on prices, especially when you are a new seller in a category with a lot of competition. Something to take into account is that successfully selling on Amazon Europe doesn't necessarily mean that you will be successful in the U.S. as well. Keep a close eye on the effect of the transportation cost to bring your products into the U.S. market. These transportation costs might damage your competitiveness on Amazon.

What are the biggest challenges for foreign retailers?

Sometimes the biggest trouble for a retailer to successfully launch on Amazon, might actually be Amazon itself. You need to pay close attention to see whether there are any category specific requirements. Dealing with Amazon to sort out these requirements might consume a lot of time and typically means that you must be patient and/or flexible. When you start the process, you may notice that Amazon is very much consumer focussed, so retailers need to adjust their procedures to the pricing and rules set by Amazon. For example, on the return terms and conditions or the A to Z guarantee policy.

Other important aspects to keep in mind when you start selling are shipping, taxes, driving traffic and currency exchange rates. When you take all of these in, make sure to consider whether you will still be able to make money! In other words, does your margin actually allow it?

When it comes to shipping, you have a couple of common options, fulfilment from your local warehouse, fulfilment from an Amazon warehouse and fulfilment from a local U.S. 3PL. All of these options have their own pros and cons. It's almost impossible to give general advice on shipping, since the right strategy is typically product and retailer specific.

Listing your products on Amazon won't bring you any sales, you need to find a way to drive traffic. Either within the Amazon Marketplace or via channels outside the marketplace. Don't underestimate the investment related to driving traffic to generate some sales on Amazon, since, especially in the early stages, you might need to do a lot to win the buyer box in your category.

If you are a foreign seller with limited margins, then currency exchange rates is something you need to keep an eye on. There are solutions on the market that help you collect the money in USD. You can then transfer your money to your home bank account when the exchange rate is good.

Once the store is set up, what else do I need to know as a seller?

Amazon is constantly changing. Take into account new sellers, new rules, more promotion options and more. You should be spending a decent amount of time after you established your account making sure that you keep optimising so that you can win the buy box position.

Optimising your account is very important in order to generate reviews. We have seen that giveaways work well to generate more positive reviews. It's also recommended to give the moment that you ask for a review some thought. The ideal moment to ask for a review will depend on the product that you are selling.

Besides some of the typical Amazon aspects, I would advise to optimise some of the side aspects of the business and to see whether your financial streams are actually working for you. The question to ask yourself here is whether you are not losing too much money on conversion exchanges rates applied by Amazon on your pay-out.

Don't forget to stay on top of things like shipping and other service aspects and hopefully your sales volume will grow. If you are using a carrier it might be useful to spend a couple of hours talking to different suppliers to see whether your raised sales volume will give you the opportunity to apply for shipping discounts. You might also want to consider fast shipping solutions like two-day delivery or even express delivery, since some customers might appreciate this type of service.

Beware that Amazon changes its policies around the holidays. Fulfilment rates in the Amazon warehouses change and some product categories might require you to have a certain level of sales volume to be eligible to sell during the holidays. Also, this year Amazon did not take on-board any new sellers in their fulfilment centres just before the holidays. So, if you want to benefit from a prime seller position, make sure you are in the warehouse prior to that deadline if applicable.

Amazon has a major influence on the e-commerce market in the U.S., but don't underestimate the power of other sales channels and your own branded site.

How about returns and customer service?

Amazon has started to oblige retailers to offer a free return solution. In general, I think that clients who sell via Amazon deal with less returns and customer service inquiries than when they sell via their website. This doesn't mean that you need to accept returns and offer a domestic solution or pay for international shipping.

In comparison to some European countries, I've noticed that American consumers often expect a pre-paid return label. I would recommend that you have a solution for this to avoid a negative review.

Don't underestimate the 24 hours you have to reply to a customer inquiry. If you don't answer your customer questions within this time window, it will damage the status of your account. I therefore highly recommended you to make someone responsible to monitor your account, including during the weekends.

So should all retailers sign up for Amazon U.S.?

Not everyone should sign up! Many will fail in becoming a successful seller on Amazon and you will know quickly enough. Don't sign up without a long-term strategy or if you don't actually have the time to maintain and optimise it. As mentioned earlier, sign up if you have U.S. customers visiting your current sales channels and your product can compete against competitive prices and maintain a good service level in the United States. ••

GLOBAL CROSS-BORDER RETAIL WILL TRIPLE OVER THE NEXT SIX YEARS

Cross-border B2C sales will more than double in the next five years to reach $424 billion in 2021. Consumers find cross-border shopping easier and faster as more online buyers shop across borders through marketplaces. The growth in cross-border shopping is due to a number of factors:

- Cross-border shoppers in developing markets are increasing significantly. Forrester's survey data show an increase in online adults shopping online across borders in many European and Asia Pacific countries. Online cross-border buyer growth in Latin America, Asia Pacific, Africa, and the Middle East will see double-digit compound annual growth over the next five years - significantly more than the growth in Europe and North America.
- Marketplaces are increasing their share of cross-border sales. Cross-border shoppers prefer to use global marketplaces when they shop abroad. Alibaba, which holds half of the online B2C market in China, increased its share of online sales from outside China to 7% in 2015. In Japan, online marketplace Rakuten reported 41% growth in cross-border sales in 2015, more than twice the growth of the domestic eCommerce market. In Germany, France, and the UK, more than half of cross-border buyers buy from Amazon and eBay.
- Cross-border shopping is becoming easier and faster. Free-trade zones (FTZs) in China lower taxes on imported goods. Bonded warehouses within FTZs allow retailers to ship goods across borders in anticipation of a sale, reducing the time to deliver to the consumer to just two to three days. As cross-border shopping develops, cross-border buyers look to reduce shipping costs and delivery times by shopping closer to home. Forrester's survey data shows for example that 38% of online cross-border buyers in South Korea bought from other Asian countries in 2015 up from 35% in 2014.

PRICE, CHOICE, AND AUTHENTICITY DRIVE CROSS-BORDER SHOPPERS

Consumers shop across borders to find cheaper goods, goods that are not available in their domestic market, or to shop at international retailers they can trust. Although cross-border shopping often implies longer delivery times and higher delivery costs than for domestic purchases, the price (including shipping), choice, and authenticity of products drives consumers to shop across borders:

- Price. A country's cross-border shopping correlates with the country's average price of goods. The higher a country's price level index, the higher the opportunity for online shoppers to find retail items cheaper outside their domestic market. For example, domestic goods are expensive in the Nordic region and in Australia, which explains why more than 70% of Nordic shoppers and 80% of Australian online shoppers have purchased from abroad.
- Choice. Larger competitive domestic online markets, such as Germany, France, the UK, and the US, inhibit the need for shoppers to buy goods across borders. Online buyers in countries with small eCommerce markets, such as Russia, Mexico, and India, are more likely to shop across borders to find a better choice of goods. Canada is also a small online market; it's less than a 10th of the size of the US. Given the convenience of having a large online market on its doorstep, it is not surprising that one-third of Canadian online retail sales in come from across the US border.
- Authenticity. Product quality and authenticity are also important factors for cross-border shoppers, especially in India and China. Chinese shoppers favour foreign brands over domestic brands notably for luxury goods, baby food, and beauty products. Alibaba has recently undergone criticism for not managing counterfeit goods on its websites; this has hurt its reputation and further reinforced the need for online shoppers to buy across borders from recognized overseas websites to guarantee the authenticity of their purchases.

RETAILERS MUST EMBRACE THE OPPORTUNITIES OF CROSS-BORDER SHOPPING

Shopping across borders not only helps retailers understand new consumer needs, but it also helps logistics companies develop more efficient ways to deliver goods across the globe while improving the customer experience of the online cross-border buyer. Cross-border shopping helps retailers:

- Develop a more integrated cross-border delivery network. Shipping costs are the most common reason in Europe for not completing an online purchase. With half of all cross-border retail taking place between regions, online retailers are increasingly investing in global logistics solutions for efficient cross-border delivery. Both Alibaba and Amazon have made major investments in global supply chain infrastructure to facilitate cross-border retail. Amazon is expanding its logistics operations in China to reduce logistics costs and make it easier for Chinese merchants and manufacturers to transport their goods to major hubs around the world.
- Use online habits to drive cross-border habits. As in domestic online retail, apparel and accessories is the most popular cross-border category; one-fifth of the EU-5's online cross-border shoppers report that they've recently ordered clothes/accessories from a website outside their own country. In Australia, which is a mature online cross-border market, the growth in cross-border commerce mirrors eCommerce growth. Inhibitors to cross-border trade are similar to those associated with online shopping - whether that's web interfaces that don't adapt to the shopper's preferred device, the inability to deliver content in their preferred language with their preferred payment and delivery options, or the lack of credibility and authenticity of the goods bought.
- Identify gaps and opportunities within domestic online markets. Understanding the categories that cross-border shoppers buy helps identify gaps and opportunities within domestic markets. For example, it can highlight different prices for the same goods in different markets or how domestic markets don't meet online shopper needs. In 2015 only 17% of French online cosmetics buyers bought beauty products across borders, compared with 34% of their Italian peers. Given that France is a key provider of premium cosmetics products to Europe, it is not surprising that French online beauty buyers are less likely to shop across borders than the Italians.

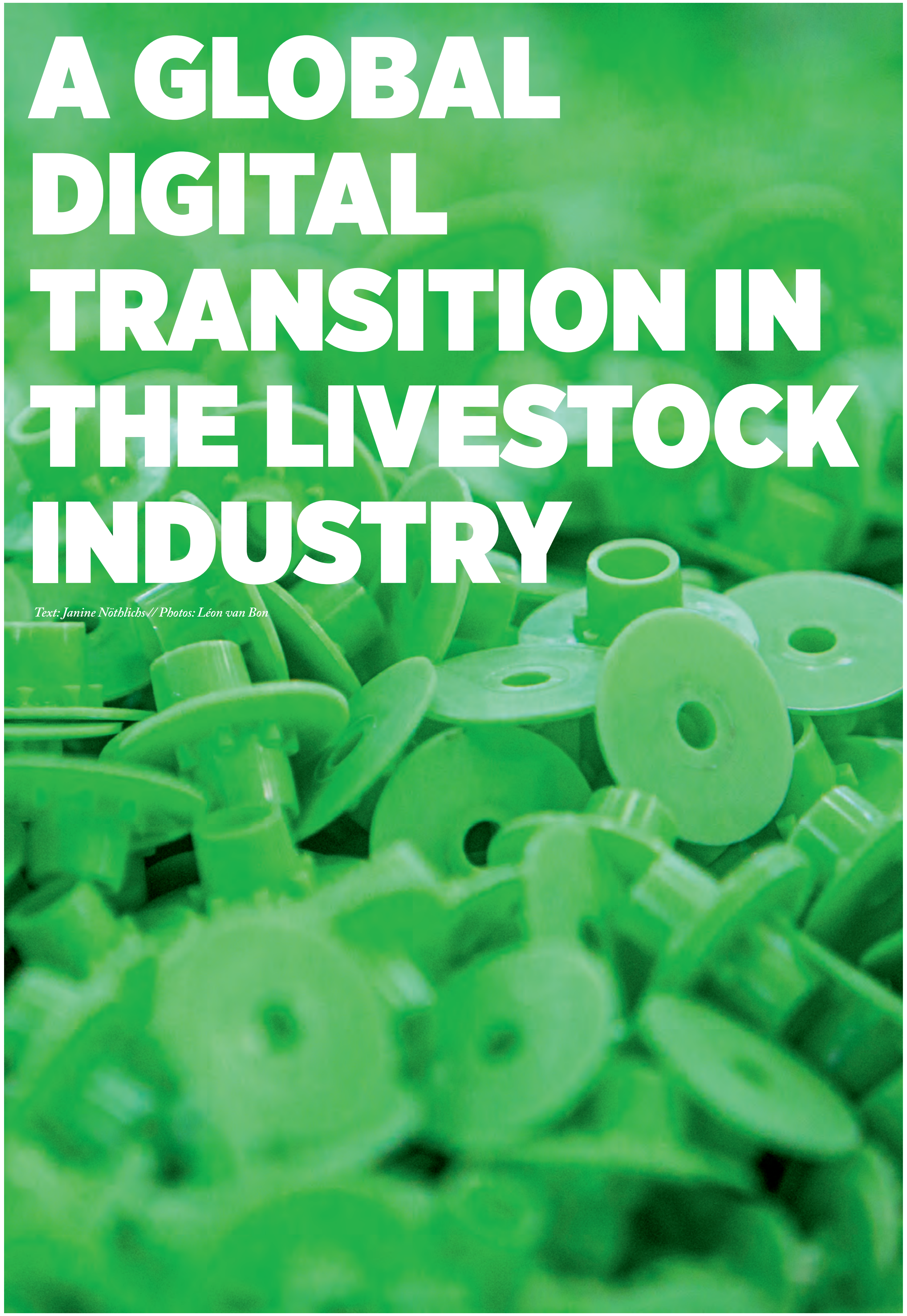
This report uses data from Forrester's Global Online Cross-Border Retail Forecast, 2016 To 2021 and from Forrester's Consumer Technographics® surveys to understand online cross-border shopper behaviour. Michael O'Grady is a Senior Forecast Analyst at Forrester based in London.

GLOBAL ONLINE CROSS-BORDER B2C SALES WILL TRIPLE IN THE NEXT 5 YEARS TO REACH $423 BILLION IN 2021

	2014	2015	2016 (F)	2017 (F)	2018 (F)	2019 (F)	2020 (F)	2021 (F)
Cross-border share of e-commerce *Cross-border share of B2C online retail sales (%)*	11,4%	11,7%	12,2%	12,8%	13,3%	13,9%	14,6%	15,2%
Online B2C Cross-border sales by region (%) *Cross-border retail sales ($Billions)*	120,65	147,95	185,52	227,44	273,33	319,94	368,80	423,53
Share of online shoppers that buy cross-border (%) *Share of online shoppers that buy cross-border (%)*	31,0%	**32,0%**	32,8%	**33,4%**	**33,9%**	**34,3%**	**34,8%**	**34,9%**

A GLOBAL DIGITAL TRANSITION IN THE LIVESTOCK INDUSTRY

Text: Janine Nöthlichs // Photos: Léon van Bon



INTERVIEW WITH JULES VAN DER WERF, MS SCHIPPERS

The only production facility still located at the company's headquarters in the Dutch village of Bladel, close to Eindhoven, is the one which produces ear tags- around 300 million per year. That is no coincidence: ear tags were the first of many successful business ideas of founder Martien Schippers, who started his entrepreneurial adventure selling cigars in a village shop. Many in the village were farmers who worked hard during the week and seldomly found their way to the shops. Martien used to get tired of waiting around behind the counter, so he frequently closed the shop and visited the farmers to sell his cigars and to have a chat. Out on the land, he witnessed the growth of the farming industry and the challenges that came along with it. One gentlemen had difficulties keeping track of his growing cattle stock, so Schippers came up with a solution to label the animals. This later evolved into the famous plastic ear tags used for animals all around the globe, and was the beginning of a flourishing family business that celebrated its 50th birthday in 2016. Jules van der Werf was hired to guide the company through its transition towards becoming a global e-commerce player. We spoke to him at the company's headquarters in Bladel.

How would you characterise Schippers as a company?
"It is not only the ear tags that have become a symbol of the company's legacy. Being close to the farmers and frequently visiting them on-site is still one of the main principles of the company with the slogan 'Passion for Farming'. Today, Schippers boasts 12 sales offices, 10 000 SKUs, is active in 40 countries and employs a staff of 350 worldwide. We continue to develop new procedures and products to enable the farmer to do his work the best he can. Today, Schippers strives to become a world leader in its sector of livestock farming."

Why is there such a strong focus on international sales within Schippers?
"When the business was passed on to the next generation, the company was internationalised. Martien Schippers' sons took over the lead in the mid '90s. The twins Harrie and Guus moved to Belgium and Germany respectively to build up Schippers' presence there, whereas their younger sibling Mark focused on the Netherlands. Retired Martien and his wife spent their time roaming international trade shows and used their growing network to build an international office structure. Today, Schippers runs sales offices in the Netherlands, Belgium, Germany, Spain, France, Italy, Russia, Great Britain, Canada, Brazil and Denmark. In most markets, Schippers work 'direct-to-farmer' and without middleman, which enables us to keep track of the individual challenges of our farmers. Only in countries with weaker potential are distributors in place."

Which sales channels does Schippers use?
"Schippers focuses on three sales channels: inbound sales, field sales and e-commerce. In 2003, the inbound sales channel came to life, and today counts 55 employees. As well as our website, we also have a print catalogue. In 2011, the first steps towards an e-commerce channel were made. In the past, our entire sales were principally based on outbound sales, but at present, the inbound service does a lot more work through phone calls. The inbound sales team, covering the Netherlands, Belgium, Spain, Italy, Denmark and the UK from Bladel, heavily rely on information from the e-commerce systems."

Which challenges presented themselves when you started your job?
"One of the challenges many traditional companies face is a lack of belief within the organisation when it comes to digital transformation. Of course, at certain times, a management decision is taken and an investment is made, but then the project is handed to an internal employee with not much digital experience. That is dangerous, because you risk lagging. When I was hired, we started convincing people within the company that digitalisation was the way to go. The outbound sales agents were especially afraid at first and had to get used to the fact that we were not taking away their jobs, it was just another sales channel."

What was the motivation to move towards a more digital business model?
"On the one hand, we wanted to sell online because the customers are increasingly getting used to doing everything online. In their private life, they are accustomed to services as offered by Amazon or Zalando, and therefore begin to wonder why in the B2B environment they should still do everything in an

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"I COULD IMAGINE OPENING UP FOR THIRD-PARTY SELLERS" old-fashioned way. In addition to that, we wanted to improve our service. We had a strategic analysis performed by a company called Fenego, who made an overview of how to better translate our goals into a digital strategy. We want to sell the farmers what they need, but also offer technological support to help them improve. One example is to help livestock farmers monitor the growth of their animals online. Technological applications like this not only serve the farmer, but also help us to offer the farmer new options to optimise his business, such as advanced nutrition fitting his situation. The classic cross-selling has got a new component: the salesman used to speak to the farmer out on his land to talk about his needs, but it is now also driven by data gathered online. Online data has given us an alternative, additional source of information."

So, the e-commerce system is also used within the organisation?

"The digitalisation of Schippers' processes supports both the continuous improvement of the system, and the optimisation of support the company can offer to its customers. Customers can see their invoice history independent of the sales channel of their previous orders. They can easily place repeat orders or make a list of favourite products. They can also start a return procedure wherever they are. Also, the inbound personnel of Schippers can always access this in real time.

The 10 localised websites not only serve the customers buying online, but also support the inbound sales agents when assisting buyers over the phone or to make orders. As the inbound agents make such heavy use of the e-commerce systems, their feedback is of great value when improving the processes."

Do you offer localised content?

"Yes, we have all our foreign websites in the appropriate languages, and I can tell you that translation is an undervalued challenge. We use translation agencies, and then have all content double checked by our local people. We are lucky to maintain good relationships with the team and clients in all countries, so we get enough feedback to find problems in the texts and to improve. Besides translations, the content is localised as well as the payment methods."

How did you manage the transition to a functional, international e-commerce system?

"We have a PIM system (Product Information Management), where we manage our collections, which we share with the webshops. In the Netherlands, Germany and Belgium we have the same collection, which can be compared with a category structure. Products may differ, but the structure remains the same. In Canada, for instance, we have a smaller assortment, so we had to adapt the category structure. Our PIM shares product data and collections with touchpoints through websites, apps and catalogues.

From the PIM, we have a special application to share information with the website and we also use it to make our catalogues."

Catalogues? Do they still exist?

"Sure! They are an important marketing and information feature because people can easily start exploring with catalogues. In addition, with a web shop, you can't make it clear that your company has a wide range of choices, whereas the thick catalogue always creates that idea. Another positive is that clients start looking online when they are already in an order process, whereas the catalogue is looked at during lunch or coffee, just to have a little browse. This has an inspirational value."

With which platform do you realise international online sales?

"We use Intershop. It is an internationally powerful B2B platform that makes it easy to manage different situations in different countries, e.g. when it comes to pricing, VAT or shipping costs. We thought the risk of taking an open source platform was too big for us. Intershop makes each international step faster and easier, and we can open in new countries without any problems. We integrate our catalogue, Syncforce and all client data and prices (SAP) with the Intershop platform."

How do you manage international differences?

"In each country, there is a marketing expert who also advises on the local assortment. The assortment differs per country, and the registration for products might also be different. On top of that, we see that the acceptance of internet as a B2B purchase channel varies from country to country. In Germany, internet usage is sometimes very low, so we suggest to our farmers to try ordering online, but we never push them to change their habits. For us, there is no difference in which channel they use."

In which way do you use online marketing as a tool?

"We carefully weigh with which kind of customer we are interacting with. Smaller clients are often sensitive to promotions, special offers, that we can put online. They constantly weigh us against the competition. Larger companies have a different relationship with us: we talk about solving problems and we build a different kind of trust and long-term collaboration. The website becomes an ordering tool. We know that the farmers need time for their work, so we don't want to steal it. We make appointments for real discussions about optimising operations, and shopping can easily be done via our online services, even after working hours if the client wishes. One of the most important questions was how can we better facilitate our customers by offering a 24/7 self-service portal. In order to accomplish the goal of showing the customer as much of the information possible relevant for the customer individually, we needed to make information from the SAP ERP system available in a 'My Account' section on the webshop. This was realised through a synaptic integration between Intershop and the SAP-system used by Schippers. We also make increasing use of social media; Facebook is regularly used by farmers and we have already accumulated 10 000 likes in about 10 months. We also get questions there from all over the world, which has already clearly increased."

Is it difficult to make customers trust online markets after years of ordering from a catalogue?

"The most important factor here is reassurance. If you send a good order confirmation, you already win a lot of trust."

How do you deal with marketplaces like Amazon or Alibaba, which may compete with you on certain levels?

"They are active in certain overlapping sectors, yes. We don't use marketplaces like Amazon and Alibaba for our sales. For the future, I could imagine it would be interesting to grant other, third-party suppliers access to our marketplace and client base. But we would then keep everything under our name and brand identity. However, we would not like to engage in drop-shipping models, because it distracts our clients from their work if they have to leave the stable for multiple deliveries. In our checkout process, you can always bundle your products to a single delivery. But if we can arrange it in a way that suits us, developing towards a marketplace model is surely an option."

And other continents, such as China for instance?

"There are cultures where our products simply meet a much lesser demand. In China, livestock farming is not at a level that structural hygiene and an anti-antibiotics policy as advocated by us, are something people are looking out for. But who knows what the future brings. Martien Schippers always said the Netherlands is- as far as the farming industry is concerned- a good indicator of what will happen elsewhere in the future." ••

UK VERSUS US

WHICH COUNTRY'S E-TAILERS ARE DOING BEST AT LOCALISING THEIR SERVICES?

Research shows that US and UK retailers have localised their foreign language sites more thoroughly than they have for those of other English-speaking countries.

Online retailers around the world are increasingly adopting a localised and customer-centric approach when selling in foreign markets. Pricing, navigation, social media and homepage content are just a few of the components that can significantly improve local customer experience. But what is the actual state of affairs? Practicology, eShopworld and TranslateMedia have analysed and benchmarked localisation efforts of 50 online retailers from two of the most developed global e-commerce markets, the UK and the US in their four most important target markets.

The research focuses on localised sites in Australia, France, Germany and the USA, all operated by UK retailers, and sites launched by US companies in Australia, Japan, Mexico and the UK. The experts looked at a number of areas including: use of language across the site, merchandising and offers, mobile optimisation, search engine optimisation, social media, customer services, delivery and returns, pricing and payment.

Metadata and other clear opportunities

Although the research makes it clear that many retailers are striving to offer an increasingly localised shopping experience in other markets, there are still many gaps to fill. One area mentioned by the experts is metadata, including a properly localised meta title and description for the homepage. "We have seen both UK and US retailers invest in localising their international websites in the last few years as a way of increasing the cross-border online sales growth. However, we feel that there are many opportunities to localise even further and provide a truly localised customer experience for their international customers in key markets," commented Practicology Head of Internationalisation, Nicola Huet.

Foreign language sites localised better than English counterparts

One of the striking findings of the research is that retailers from both the UK and the US seem to invest more time and effort in localising foreign language sites than the webshops aimed at English-speaking markets. More than half of US retailers do not fully localise content, such as the meta title and description, for their UK homepage. 56% of retailers do not localise their offers and promotions for their Australian homepage in spite of differing seasons. The standard of language localisation for the French and German websites of UK retailers were, in general, better than on their sites for Australian and American customers. Only 76% fully translated their US site's navigation to US English, and just 60% fully translated their Australian site to Australian English. On top of that, only 32% offered customer service to Australian online customers within Australian business hours.

Mobile optimisation is a priority

Overall, US retailers were better at providing customer service support in local business hours and localising pricing for different market conditions. UK retailers stood out for competitive delivery costs and timeframes and convenient returns options, as well as mobile optimisation- these are all factors that are extremely relevant in the UK home market. Both countries were strong in delivering mobile-optimised sites for their international customers and prioritised mobile sites over apps.

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Image 1: US retailers' localisation efforts in the UK

Image 2: UK retailers' localisation efforts in the US

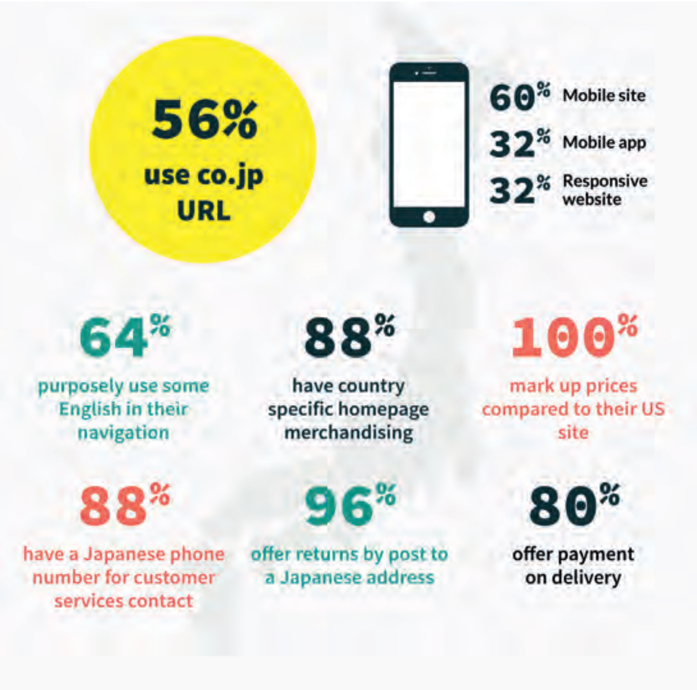


Image 3: US retailers' localisation efforts in Japan

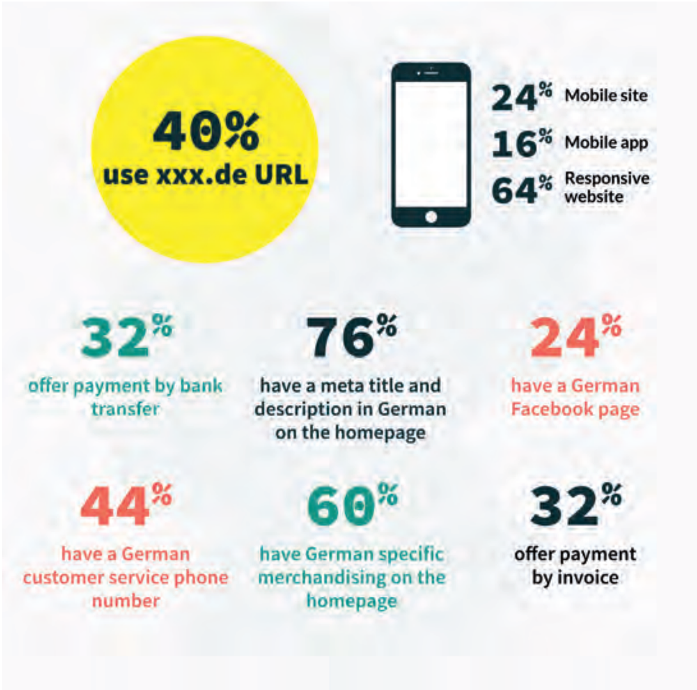


Image 4: UK retailers' localisation efforts in Germany

Japanese websites of US retailers are by far the most localised

US brands appeared to make considerable investments in their Japanese service proposition. 96% fully localised their product details, 80% have country-specific merchandising on the homepage, 64% have fully localised site navigation, 76% have country-specific offers and promotions, 88% have a Japanese customer service phone number and 96% offer postal returns to a Japanese address.

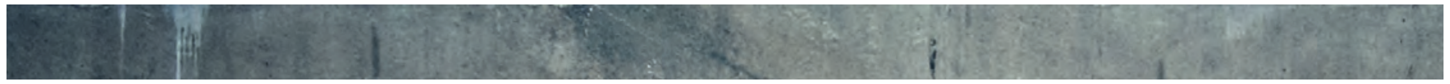
UK retailers offer sharp delivery costs in Germany and France

Average standard delivery costs and timeframes for UK retailers selling to France and Germany are highly competitive. The mean standard delivery cost is €4.45 for France and €3.98 for Germany. Meanwhile the mean standard delivery timeframe is 5.4 days for France and 4.6 days for Germany. Even though payment methods are very important in Germany and France, it does not seem to be a high priority for UK sellers: only 20% of French localised sites specified that they accepted Carte Bleue cards, while 32% of German localised sites accept payment by invoice. Also, a German phone number was only offered by 44%.

Conclusion

The research shows that localisation is certainly top-of-mind for the e-retailers investigated. UK retailers offer extra services such as competitive delivery times and fees, factors which are very important in their home-market. The state of play, however, also shows that many businesses are still in a phase of learning and mapping out their strategies as they grow, with lots of potential still untapped. "In the future, substantial opportunities will emerge for retailers who wish to create unique content for individual customers with different needs and desires" concludes Head of Retail & E-commerce at TranslateMedia, Maggie Little. The study also demonstrates that there are many aspects to think about when offering a fully localised proposition for an international market, even when the target language is very similar. ••

Would you like to read the full research? Please download the full report by following this link: www.practicology.com/localisation2016



PANEL

"In the long run, international retailers have to be able to deliver within at least 24 hours in order to be competitive in their target markets."

David Schröder, SVP Operations at Zalando
Logistics services are on the top of our customers' minds when choosing an e-commerce destination and fast delivery is among one of the most important features they will look into. One year ago we started testing SDD in selected cities to find out what customers really want and how the processes and services should be deployed in order to deliver an actual added value. Our finding is that fast delivery is a requirement, but even more is the opportunity of choosing preferred timeslots that would fit the customer's individual schedule. For this reason we believe it's essential to constantly improve the logistics processes, and to partner with the best local providers.

Joeri Groenewoud, VP Business Development - EMEA eShopWorld
Why do shoppers currently accept longer shipping times? Typically, they can't source the product locally, don't want to use a substitute, or they want to experience the brand directly. As long as shoppers attribute value to brands, they will be willing to compromise in order to have that relationship. This means that brand development and marketing is the key driver, in terms of creating and sustaining demand. Notwithstanding that, every effort must be made to increase delivery efficiency to create a better experience. Already we see some global brands developing regional or in-country infrastructure to improve the cross-border shopping journey.

James Boden, Director, Retail and Brand Solutions, Retailmenot Inc.
To spend securely, modern online shoppers demand great service, speedy delivery and easy returns. In the past couple of years, efforts have been made to optimise the delivery process and services such as Amazon Prime Now have played to the 'I want it now' culture and set the bar high for competitors in the space. E-commerce provides retailers with a relatively simple way to enter new markets without the heavy investments of opening physical stores. Fulfilment should be a key consideration for retailers wanting to operate in this space. UK shoppers seem less inclined to shop abroad than those in continental Europe. Last Christmas, UK shoppers made just 3% of purchases abroad, the lowest share in Europe. The popularity of voucher codes that offer free delivery tell us that speedy, low cost delivery is certainly a priority for our members and it's certainly feasible that a 24 hour turnaround will eventually become the expected norm. That said, many elements determine whether internationalisation will be a success. It's a value exchange; savvy shoppers will be happy to wait another day or two for unique offers or competitive pricing.

Steven Rymenans, Strategy Director & Owner of Bleckmann Group
International retailers are under pressure to increase their service and competitiveness in existing and new markets. They are looking for faster processing in the warehouse and faster delivery to the end consumer. Omnichannel companies also face the challenge that they have to deliver stock to their shops and resellers, as well as orders to their B2C online customers within competitive time-frames. Our warehousing processes are monitored closely, shortening cut off times and shipping out in higher frequency. Also in shipping, we have developed a local hero principle that gives our customers a one stop shop opportunity to reach a maximum of different carriers. In selecting the faster carriers, the total delivery time to market can be shortened, enabling the retailers to better cater to their customers' wishes.

~ Octavio Soler Bach ~

COLUMN

Payment trends: The new era of instant financing

Europe can boast of being the world's second largest market as far as B2C e-commerce is concerned, sitting behind Asia Pacific and ahead of North America. European B2C market recorded €456 billion sales in 2015, generating each e-shopper an average expenditure of €376 per year. UK, France and Germany are the main B2C markets in Europe, the three of them together representing more than 60% of the total European e-commerce. UK is in first place in terms of turnover, even though Germany counts the largest number of e-shoppers.

When payment trends and preferences are discussed, the focus is mostly on credit cards, e-wallets and new initiatives evolving around direct debit methods. But what if the consumer could finance his purchase immediately when buying online? Financing methods in e-commerce are underrepresented and undervalued. However, they have great potential and are already starting to become more and more popular.

Undoubtedly, the choice of appropriate payment methods is a challenge for e-commerce companies. According to a study called The Insider's Guide to eCommerce Payment, having different payment options leads to a significant increase in both sales and conversion.

When we think of higher value products, such as luxury labels, flat screen TVs, digital cameras, cars, furniture and much more, the ability to finance the purchase instantly is likely to have a positive impact on the conversion rates. Instant online finance is tailored to the needs of an e-commerce situation, with new services well adapted to the process of an online purchase. The key features are the immediacy and simplicity of the process, including confirmation and instant payment of the transaction to the merchant.

The revolution of instant online financing will help eliminate all conversion killers and bureaucratic barriers and obstacles. It will also stimulate the integration of advanced algorithms which simplify the process of granting loans and measures the buyer's investment risk, in order to provide the best solution for both buyers and e-commerce sellers, with a credit application process taking less than a minute.

Online instant financing is a service easily extrapolated to other environments such as the offline points of sale, e-wallets or virtual cards. No online seller should ignore that providing instant finance services omnichannel is a key factor if they want to offer the best solution adapted to any environment.

Allowing the buyer to have the option to finance their online purchase instantly reduces price sensitivity and increases the freedom to choose their preferred payment method. Consequently, e-commerce improves the customer's shopping experience, they are oblivious to budgetary constraints, and feel more attracted to buy more often. Meanwhile, the company benefits from an increase in the average order value of up to 35%.

This is a new era of innovation in financing, and for the first time, traditional finance know-how and new technological trends come together in a field where efficiency and speed are key. Instant financing will soon become a standard for the whole e-commerce market.

Traditional financing methods were not adapted to the e-commerce world because of the tedious application processes, including endless waiting for credit approval and complicated procurement systems, which sometimes even required sending paper documents by the buyer to the lender.

The Fintech companies have taken advantage of the deficiencies and limitations of the traditional finance institutions, offering innovative solutions such as instant online financing to the e-shoppers. They have gradually been capturing market share from the traditional financial industry. Examples of Fintech companies are: PayPal with the PayPal Credit service, and Affirm, which is exclusively for the US market. In Europe, we have Klarna, from Sweden, and InstantCredit, with its innovative multi-financial solution that, with a unique integration, offers multiple finance entities to the online seller; providing the highest rate of loan approval and sales.

The current trend in the sector indicates that in a short amount of time, instant financing will be a norm in e-commerce. This will especially be true in sectors selling high value products and services, such as the travel industry, electronics, IT and fashion. ••

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Spotlight on …

THE PROPOSAL FOR A REGULATION ON GEO-BLOCKING

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The proposal for a regulation on addressing geo-blocking and other forms of discrimination based on customers' nationality, place of residence or place of establishment within the internal market[1] was launched by the European Commission at the end of May 2016. The Geo-Blocking Regulation is currently a subject of discussion in the European Parliament. It's time to have a closer look.

The proposal is part of the so-called E-commerce Package, which also contains a proposal for a Regulation on Parcel Delivery, a revised guidance on the Unfair Commercial Practices Directive (UCPD) and a proposal to revise the regulation on Consumer Protection Cooperation (CPC). The package aims to stimulate cross-border access to online offers for customers of goods and services and thus enhance B2C cross-border trade in goods and services in the European Digital Single Market.

THE GEO-BLOCKING REGULATION

The general objective of the regulation is to give customers better access to goods and services in the Single Market by preventing direct and indirect discrimination by traders artificially segmenting the market based on customers' residence. It aims to ensure that consumers seeking to buy products and services in another EU country, be it online or in person, are not discriminated against in terms of access to prices, sales or payment conditions unless it is objectively justified for reasons such as VAT or certain public interest legal provisions. According to the European Commission, in the online world, all too often consumers purchasing online or travelling to

other member states are blocked from accessing offers on websites in other countries other than their domestic one or are re-routed to a country-specific website. They can also be asked to pay with a debit or credit card from the traders' country thus making the purchasers unable to pay with their equivalent card. Discrimination should not have a place in the Single Market and the regulation seeks to ban it. The proposal will allow foreign customers to shop like locals under certain conditions. Such cases will be treated as passive sales, which allows online merchants to apply their home country's rules and laws.

Although the principle of non-discrimination is already established under the Services Directive, and was recently applied to car rental companies and amusement parks, the regulation seeks to bring more legal certainty for consumers and traders about which practices and cross border online sale of goods and services are allowed and which are not. It also aims to improve enforceability.

To avoid disproportionate burdens on companies, the regulation does not impose on web-shop traders an obligation to deliver everywhere in the EU. It only imposes on them the obligation to offer the same sales conditions to consumers that reside in another Member State than the one the trader is directing his commercial activities at and who are willing to collect the good or service from the Member State at which the web-shop trader is directing his activities. It further exempts small businesses that fall under a national VAT threshold from certain provisions as f.i. article 4.

The proposal contains 11 articles. The main provisions in articles 1, 3, 4 and 5 will be dealt with in more detail hereafter. Article 2 contains the relevant definitions. Article 7 is concerned with enforcement by Member States' authorities. Article 8 requires Member States to designate one or more bodies providing practical assistance to consumers in relation to disputes resulting from this regulation. Article 9 is concerned with periodic reviews of the application of the Regulation by the Commission. Article 10 provides two amendments ensuring that the provisions of the Geo-Blocking Regulation can be enforced as provided for in the Consumer Protection Cooperation Regulation as well as the Injunctions Directive. Article 11 deals with entry into force and application.

ARTICLE 1: SUBJECT MATTER AND SCOPE

The regulation focuses on the following situations where the trader sells goods, provides services or seeks to do so:

a) in a Member State other than the one in which the customer resides or the place of establishment;
b) in the same Member State as the one in which the customer resides or the place of establishment, but the customer is a national of another Member State;
c) in a Member State in which the customer is temporarily located without residing in that member State or having the place of establishment in that Member State.

Note that the scope is directed at contracts with customers and not only at consumers. Customers also include undertakings in the Member States that intend to purchase a good or a service other than for resale. The material scope of the proposal is aligned with that of the Services Directive (2006/123/EC) to ensure consistency and maximum legal certainty for traders and customers. This means that non-economic services of general interest, such as transport services, audiovisual services, gambling activities, healthcare services and certain social services, are excluded from the scope of this regulation.

The territorial scope equally includes traders established in the EU and those established in third countries but selling or seeking to sell goods and services to customers in the Union. Article 1 also provides certainty to traders that complying with this regulation as such does not mean that the trader is directing his or her activities to a certain Member State as meant in Article 6(1)b of Regulation (EC) No 593/2008 (Rome I on applicable law) and Article 17(1)c of Regulation (EU) 1215/2012 (Brussels I on jurisdiction).This basically means that the trader that sells goods or services to a consumer living in a Member State other than the Member State the trader directs his activities to and where the trader delivers the good or service to the customer, can, in case of conflict, choose for jurisdiction his own domestic courts and apply his own country's law on the contractual relation with the customer without having to be compliant with mandatory contractual and consumer law of the country of residence of the consumer.

ARTICLE 3: ACCESS TO ONLINE INTERFACES – PROHIBITION TO BLOCK OR REDIRECT

Paragraph 1 prohibits traders from blocking or limiting customers' access to their online interface using technological measures or, for reasons only related to nationality, place of residence or place of establishment of the customer.
Paragraph 2 also prohibits traders, for reasons only related to nationality, place of residence or place of establishment of the customer, to redirect customers to a version of their online interface that is different from the one to which the customer originally sought access, unless the customer gives his or her explicit consent prior to such redirection. In the event of such redirection with the customer's explicit consent, the original version of the online interface must remain easily accessible for that customer. If consent has been obtained, it is not necessary to re-obtain it if the consumer visits the website again.

Blocking or redirecting without prior consent is, however, allowed where this is necessary, with respect to certain customers or to customers in certain territories, in order to ensure compliance with a legal requirement in Union law or in the laws of Member States in accordance with Union law.
When a trader blocks or limits access of customers to an online interface or redirects customers to a different version of the online interface in compliance with paragraph 3, the

trader shall provide a clear justification. That justification shall be given in the language of the online interface that the customer originally sought to access. This would mean a justification only in the case of redirecting and blocking to comply with mandatory law provisions.

ARTICLE 4: ACCESS TO GOODS AND SERVICES

Traders must apply the same general conditions of access to their goods or services, to domestic and foreign customers alike, in the following situations where the trader:

(a) sells goods and those goods are not delivered cross-border to the Member State of the customer by the trader or on his or her behalf;

(b) provides electronically supplied services, other than services where the main feature is the provision of access to and use of copyright protected works or other protected subject matter;

(c) provides services, other than those covered by point (b), and those services are supplied to the customer on the premises of the trader or at a physical location where the trader operates, in a Member State other than that of which the customer is a national or in which the customer has his residence or establishment.

This means that the trader has to serve the customer, from another nationality or having its residence or establishment in another Member State than the one the trader is targeting his commercial activities, on the same conditions as he is serving the customers in the Member State the website is directed at. It doesn't mean, however, that the trader has to deliver to a customer outside the geographical area he is commercially targeting. They are only obliged to serve the customer who is willing to collect the good or the service or have it collected on their behalf in the Member State at which the web-shop trader is targeting his activities. Delivery to such customers will not be regarded as targeting the Member State of residence or establishment of the customer as meant in article 6(1)b of the Rome I Regulation or article 17(1)c of the Brussels I Regulations. That means that merchants can attend their own courts in case of conflict and may apply their home country rules on product safety, labelling and consumer protection law, as long as they do not deliver cross-border.
In practice, traders can still have different websites with different prices and offers that target different Member States or consumers. However, customers must be free to browse and buy on the website of their choice and buy there under the same conditions as domestic customers

ARTICLE 5: NON-DISCRIMINATION FOR REASONS RELATED TO PAYMENT

Traders are not allowed, for reasons related to nationality, place of residence or establishment of the customer, the location of the payment account, the place of establishment of the payment service provider or the place of issue of the payment instrument within the Union, to apply different conditions of payment for any sales of goods or provision of services, where:
(a) those payments are made through electronic transactions by credit transfer, direct debit or a card-based payment instrument within the same payment brand;
(b) the payee requests strong customer authentication by the payer pursuant to the Directive (EU) 2015/2366; and
(c) the payments are in a currency that the payee accepts.

That basically means that the merchant will not be allowed to treat foreign and domestic consumers differently in terms of payment or payment method where payments are made via electronic transactions by credit transfer, direct debit or a card-based payment. The merchant can request strong authentication by the buyer and that the payments are in a currency that the trader accepts. In practice, traders would be free to offer payment methods of their choice.

ARTICLE 6: AGREEMENTS ON PASSIVE SALES

Agreements imposing obligations on traders in respect of passive sales, to act in violation of the provisions of the Regulation, will be automatically void. So, if a merchant is bound by distribution agreements with a supplier restricting sales to a certain territory, the merchant must nevertheless sell to consumers seeking to purchase from countries that the merchant is not targeting. Contractual limitations in this respect are void. ••

As discussion has started: To be continued!