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**Global Expansion Guide**  
**Five Pillars of Internationalisation**

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## Abstract

As local markets become crowded with both local and multinational competition, retailers are increasingly looking to international markets to achieve growth. In this paper, eStar, Australasia's largest specialist eCommerce solutions company, discusses the Five Pillars that will help retailers succeed in expanding to new international markets. This paper also discusses key business and technology requirements that will support global brand and international market growth strategies.

## Brand Imperative: Growth

Retailers look at two ways to grow: by providing an expanded selection to and increasing the loyalty of their existing customer base; and in expanding their reach and acquiring new customers within the same market they are already operating in or in a new international market.

As local markets are saturated with both local and multinational competition, and developing markets ripe for the picking for the enterprising, going out and entering new markets is becoming an increasingly attractive lure for growth. With global in-store and online retail sales, forecasted to be US\$23.775 trillion in 2016 and growing to US\$27.916 trillion in 2018 (with a CAGR of 5.5%)<sup>1</sup>, it is no wonder that staking a share in international markets is very attractive.

The potential of great reward can bring about risk. For every success, there are hundreds – even thousands, including powerhouse retailers – that fail in their international forays. A lot has been written about the how's and the why's of these successes and failures, but there is no one cheat sheet that will guarantee success. Every retailer has its own parameters for conducting business, and every potential market its own – and very quickly evolving, too.

Thus, the importance of a strategic approach to this international expansion. It is not to say that the failed decisions were not strategic, but that the strategic approach was incomplete and considered the wrong factors.

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<sup>1</sup> Worldwide Retail Ecommerce Sales: eMarketer's Updated Estimates and Forecast Through 2019, *December 2015*

## Five Pillars of Internationalisation

Successful internationalisation requires careful planning and execution. But all too often, it is done in haste or deviating from original plans as organisations face pressures and undergo internal transformations. This paper provides the five Pillars needed to support a retailer's strategy for internationalisation, with focus on going digital first to reduce risk, reduce capital expenditure often associated with establishing a physical store network, and more importantly, to understand the customer journeys in the new market.

### Pillar #1: Planning and Staging

Heading into new markets is all or nothing. To ensure that every chance and avenue for success is leveraged, full service and support within the organisation must be in place.

- **Use your BRAND as the starting point.** Success in the existing market is based on a number of factors that make the brand what it is: product design and quality, customer engagement and advocacy, customer service and operational efficiencies, etc. What are your key strengths, and can they be replicated in the new market?
- **Bring something NEW to the market.** In as much as the Brand has proven successful in the existing market, will the same Brand principles resonate in the new market? What do you have to offer the new market, in comparison to what the competition in the new market already offer, and what the target customers expect? If your foundations are just on-par with competition and customer expectations, what else can you leverage to provide your brand that extra boost in the new market?
- **Identify customer behaviours and expectations in the new market.** Every market has its own distinct characteristic and no one approach will work for any two markets. Identifying target customers is just the first step to knowing who they are. Understanding their purchase journeys and motivations would round out your strategies for customer acquisition and retention.
- **Timing is critical.** Hindsight is 20/20, and unfortunately, there is no predicting the future. Success in the new market is also dependent on its readiness for your Brand and your offerings – on top of good old conservative feasibility studies and business cases, and luck. How much market development investment are you willing to make, and how long are you willing to wait for returns in your investment, when the market is not ready? How long are you going to wait for market entry knowing that local competition is ramping up, and that other retailers are looking into expanding in the same market?
- **Conducting the research and studies** for the new market, and making decisions based on these studies may take a lot of time and resources. Retailers may leverage relationships with the home and new market Trade and Investment agencies to assess the ease or the complexity of entering the new market: get market information, build key contacts in the new market, and facilitate the general business set up process.
- **Don't forget your home market.** Too many times during international expansion, organisations divert their attention from the home base, and put all focus on the new markets, proving costly even to the most well-established organisations.
- A key consideration to the expansion is assessment of internal factors: do you have the internal resources and processes necessary to be on top of the game in the home market, and at the same time support the international expansion. The home market provides the foundation upon which original success has been built upon. Keeping the ball well in hand in the home territory improves the chances of ensuring that resources necessary to support overseas investments are sustained.

## Pillar #2: Physical Stores – Yes, No, Later?

Retailers have a number of options when establishing presence in a new market.

The traditional approach is expansion by setting up Brand physical stores in the new market – but this is an approach that entails a big commitment with high risks for the organisation, with store leases, fit-out costs, human resource cost, stockholding, distribution, and store promotion costs in the market that need to be factored in. The less risky approach to establishing a physical presence for the Brand is to work through wholesaler and/or concession networks in the new market.

But the world has changed and has gone digital. While online retail sales are only 7.6% of total retail sales<sup>2</sup>, 84% of customers conduct online research before or during their shopping trip<sup>3</sup>. For successful retail brands, the flagship store is no longer in Auckland or Sydney or London or New York. The digital store has become the flagship store, and has become the most important in influencing brand perceptions and overall sales.

Through the Digital Flagship store, the Brand is more accessible and more visible to its target international customers. A digital-first launch is a more cost-effective and lower-risk approach to expansion, enabling market testing and building up of the customer base before making the bigger commitment of establishing physical stores.

([How Successful Kiwi Brands Are Entering Foreign Markets Via the Internet](#), Andrew Buxton for NZ Retail, December 2015)

## Pillar #3: Glocalisation

Glocalisation is a word that has been around for a number of years, defined as the “practice of conducting business according to both local and global considerations”. The first Pillar talks about how while the Brand is the foundation and the starting point of strategy for internationalisation, retailers also have to consider what else they can offer the new market in light of entrenched local competition, customer behaviours and customer expectations. McDonald’s would be one of the best in providing “glocalised” offerings: it offers different variations of rice meals in different Asian countries while still offering, and teaching local customers of the value of, its core burger-and-fries meals.

In the same vein, retailers must account for local preferences when designing their physical and digital stores.

- **Understand the local culture.** Culture impacts customer behaviours, motivations, and considerations in their buying journey. By providing a Brand message that resonates with the local market, retailers can influence the buying journey, encourage customer engagement, and improve loyalty and advocacy.
- **Consider geographic locations.** A most basic consideration in retail would be seasonality of products and offerings. An apparel retailer will have a very different product set from October to December in the USA, where it is Winter, and in Australia, where it is Summer.
- **Speak the same language.** Communicating with target customers is crucial to success. There abounds a great number of examples when marketing campaigns failed to translate: there is Puff tissues marketed in Germany where “puff” is slang for brothel; there is Chevrolet’s Chevy Nova marketed in Latin America where “no va” means “it doesn’t go”.
- **By extension,** making sure that customer support teams speak the same language as the customers, and are available during local busy hours, will go a long way in meeting customer expectations for support.
- **Date and time formats,** a minor thing that can very easily be overlooked, is also something that can cause issues. The date “09/08/2016” means “August 09, 2016” in the Australia and the UK, and “September 08, 2016” in the US and the Philippines. If this were not made clear to the customer or tailored to their expectations, they may be receiving their order a month earlier or later than expected.

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<sup>2</sup> Worldwide Retail Ecommerce Sales: eMarketer’s Updated Estimates and Forecast Through 2019, [www.emarketer.com](http://www.emarketer.com), December 2015

<sup>3</sup> The New Digital Divide: Retailers, Shoppers, and the Digital Influence Factor, *Deloitte Digital*, April 2014

- **Cater to the local market’s shopping habits and device preferences.** Different countries, different cultures, different habits. Be it store location preferences (in a mall, on shopping strips), store business hours (open early, open ‘til late, open Saturdays and Sundays), device preferences (which would influence decisions on whether to have just a responsive website or a device-adaptive website), even social media preferences (China has a vastly different social media landscape than the USA, for example) – these have to be suited to what the target customers expect, and where they are found.

## Pillar #4: Strategic Execution

You cannot and need not do internationalisation alone, and there are number of options available to ease your way into a new market.

- **Local partnerships.** Outright ownership of the expansion to new markets is not the only option to gaining a foothold in a new market. In many countries, laws and regulations are in place that restrict foreign ownership of businesses. Franchising and Joint Venture partnerships are some of the ways to reduce expansion exposure, and at the same time gain local market understanding.
- **Marketing (Agency).** Local agencies can help with localising communications and advice on social conventions of the new market.
- **Customer Service Support.** A customer service support team that speaks the local customers’ language and is available during local business hours removes barriers to communications – especially when addressing issues.
- **Last Mile Fulfilment.** Get logistics right. Last mile delivery, the final leg of the supply chain when the customer actually receives their orders, is generally the most expensive, least efficient, and most problematic part of the overall delivery process. By partnering with local experts that already have the network in place – the local Postal system and local courier services – you mitigate your risks and ensure a more optimised delivery system.
- **Payment Solutions, Payment Options, and Currency.** While it is often assumed that most of the world’s shoppers use credit cards to make purchases both in-store and online, this is not the case in many of the world’s biggest markets. Instead, local shoppers use the most convenient local payment methods available. In China, Alipay, Tenpay, and Union Pay are the payment options of choice; in Brazil, Boletos; and SEPA direct debit, SOFORT, and GiroPay in Germany. In many Southeast Asian countries, e-Wallets or mobile wallets and prepaid debit cards, as well as cash-on-delivery and over-the-counter payment methods, are very popular payment options.

One of the most popular payment options in many markets is instalment payments over time, either through in-house, credit card, or third-party financing schemes. Making these options available removes some barriers in the customers’ path to purchase.

For your online store, what currency will be used in transactions? Are there specific laws or regulations in the market that require you to offer only specific currencies for online transactions? In Brazil, for example, recent regulations changes require cross-border eCommerce sites to price all products in USD rather than BRL.

## Pillar #5: Technology

Choosing the right platform and solutions that will support your international operations is not just a matter of ticking the right boxes in a feature-function list. Yes, the technologies and solutions in place must be able to handle multi-market requirements that will be discussed in the next section of this paper. However, these tools must be flexible enough to keep up with your organisation’s changing needs, and easy enough to use to enable key users to perform their functions.

As part of Strategic Execution, the technology provider that you ultimately choose will be your partner in growth and success. Your technology partner will work hand-in-hand with you to make sure that your digital strategy is in place and aligns with your overall business strategy.

## Your Global Digital Flagship Store

eCommerce has removed many a traditional barrier to new market entry. The key elements and configuration of the technology solution will really be driven by your overall internationalisation strategy, and international market growth objectives.

Some considerations that will assist retailers in moulding, defining, and qualifying their objectives are the following:

- What international market/s will be targeted?
- What is the international pricing and product range strategy? What products will be offered in which new markets and what is the pricing strategy for each new market?
- How will the global brand strategy be delivered, and how does this tie in with local and overall business brand strategies?
- What is the global distribution strategy, including reverse logistics? How will cross-border logistics be handled?
- What is the customer service strategy? Will phone support be offered in all target markets? How will different time zones be accommodated?
- What is the content and content localisation strategy? Will content be managed, and by whom? Have the right resources been identified and/or allocated to this?
- If selling in-house products, are the distribution agreements in place to allow reselling of the products internationally?

Website content localisation is but a first step to the Digital Flagship. The key factors that need to be considered by retailers when selling to international markets are:

- Currency and Exchange Rates
- Freight Charges and Customs
- Sales Taxes
- Fraud and Risk Management
- Logistics and Drop-Shipping
- Product and Pricing
- Site Delivery and Domain Configurations

### Currency and Exchange Rates, Payment Options

For global eCommerce delivery, it is crucial to consider how the transactional component of the delivery will operate. International customers may be targeted with 'estimated' currency presentation, or are given options to choose the currency with which the purchase transaction will be completed.

**True multi-currency** pricing and payments options allow customers to pay in their local currency, giving them confidence in how much they will be paying, eliminating currency fees, and lowering a barrier to sale. **Estimated currency** presents customers with the exchange rate-adjusted amount in their local currency, with settlement occurring in the chosen currency of the website.

### Freight Charges

A freight matrix should be available to support shipping to regions and countries, with both weight (or factor) and price-based dimensions, allowing for virtually any imaginable freight model to be created and reliably charged for. In addition, freight costs are separated from freight charges, allowing retailers/merchants to apply margins and/or discounts to freight.

Custom packing slips and customs documentation are also expected to be supported.

## Sales Tax

Different countries, different tax rates and requirements. The eCommerce platform should be able to support both tax-inclusive and tax-exclusive pricing, along with options for retaining, removing, or converting the charged sales tax according to the delivery country. This allows for correct and legal treatment of sales taxes for each international market.

## Fraud and Risk Management

Shipping outside local market borders increases risk of fraud. The eCommerce platform should allow each order to be assessed for fraud risk based on a number of factors – such as order origin, orders from the same user or credit card in the processing queue, order value, number of items in the order, etc. – giving merchants the knowledge and confidence in shipping to international customers.

## Logistics and Drop-Shipping

Integration with a vast array of third-party systems, and specific workflows that facilitate use of 3PL and drop-shipping providers, allows merchants to optimise logistics, deploy stock internationally at lower freight costs, and improve delivery times.

## Product and Pricing

The ability to execute product and pricing strategies for each international market is crucial to selling. Support for region - or country-specific product catalogues, pricing and availability, promotions and incentives, should be available online.

## Site Delivery and Domain Configurations

The site visitor's geographical proximity to the host webserver is one element that has an impact on site response times. Deploying content across multiple, geographically-dispersed servers through a content delivery network (CDN) will deliver content to users more efficiently, without the need to own the infrastructure and maintenance of hundreds or thousands of servers all over the world to do the same.

Domain configuration can be handled in a variety of ways, and again ultimately dependent on brand strategy and target market strategies for global commerce delivery. For example, all traffic could be redirected to a single global domain, [www.yourretailstore.com](http://www.yourretailstore.com), with each international target market assigned as its own specific design and content, product catalogue and pricing, availability, currency, and freight rules.



## Summary

Growth is a brand imperative. More and more, retailers are looking to international markets for the growth they want to achieve. But going international is not easy, and significant planning is required to assess risks versus potential rewards.

In this Digital Age, reaching customers in new international markets has a new and more cost effective approach: launch in each new international market with a strong digital flagship store, supported by great brand promotion, and potentially, over time, a small number of physical stores. With a digital flagship store, retailers take on lower risk in their international expansion, allowing them to test the market and build up a customer base before embarking on the bigger commitment to establish physical stores.

A digital strategy must support this international expansion, and this digital strategy must be aligned with the overall business strategy. In order to successfully execute this strategy, retailers must choose partners with the proven ability to deliver in their solution or servicespace. Evaluation criteria must go beyond a feature-function list and consider experience in Retail, eCommerce, and Digital Strategy, to ensure that your Digital Flagship store is the best in the network.

## About eStar

eStar have been providing eCommerce platform solutions to many of Australasia's most prominent brands and worldwide events for the past 15 years, with offices in Christchurch, New Zealand, and Melbourne, Australia.

eStar's extensive experience and core expertise is providing highly-secure, reliable, scalable transactional eCommerce platforms and service solutions that allow brands to maximise online sales opportunities and focus on optimising the customer experience for sitevisitors.

eStar currently facilitate transactions in excess of \$400 million per annum on behalf of our clients, which include the Country Road Group, the Briscoe Group, Taking Shape, BLK, Rodd & Gunn, Swannndri, and Smiths City.

## eStar Clients Selling in International Markets

- Country Road Group
- BLK
- Outside Sports
- Champions of the World
- Untouched World
- Sacha Drake
- Rugby World Cup 2015
- Swannndri
- Carla Zampatti / Bianca Spender
- Brolly Sheets