

Cross-Border E-Commerce: A Maturity Roadmap and Partner Selection Guide

By: Jill Finger Gibson

Highlights

- 4 E-commerce and customer experience
- 6 Understanding cross-border e-commerce
- 8 The multiple paths to cross-border e-commerce maturity
- 11 The allies and partners of maturity
- 13 Conclusion




Executive Summary

Today's business environment is defined by empowered, always-addressable consumers and by an ever-accelerating pace of change. Organizations — large and small, B2B as well as B2C — no longer have the option of taking a wait-and-see attitude toward new devices, touch points, and buying behaviors. Business success is now a race to create, deliver, and nurture superior customer engagement.

A key part of that customer engagement is the purchasing process, be it physical (in stores) or digital via e-commerce. Business-to-consumer e-commerce is now a \$1.47 trillion business worldwide.¹ However, a majority of those sales take place within countries' domestic borders. Facing intense competition at home, retailers in the more mature e-commerce markets are now looking beyond their borders for new customers. As a result, e-commerce is expected to explode in the next few years. The six largest markets *alone* — the US, the UK, Germany, the Nordics, the Netherlands, and France — are expected to increase from \$25 billion in 2013 to \$130 billion by 2020.²

For retailers to reap the potential benefits of selling online to international customers, they will need to vastly improve the customer experience that is now common in this process. It is still a frustrating, unpredictable, and frequently expensive experience for customers who want to buy online from international retailers. More often than not, buyers must contend with a clunky web interface for access to the retailer's shopping cart, unexpected additional fees once they actually receive the goods due to taxes and customs duties they didn't know about at the time of purchase, a slow and expensive shipping process, and an unclear and complex returns process.

These complexities have caused many retailers to conclude that cross-border e-commerce is just too cumbersome and complicated to attempt. This is a mistake. An array of partners is emerging that offer a vast assortment of products and services to facilitate cross-border e-commerce, ranging from software to logistics. Retailers no longer have to overcome the obstacles to providing great customer experience for international purchases entirely on their own. And to *not* venture into cross-border e-commerce means that retailers are at risk of losing out twice: on potential growth opportunities abroad and on maintaining existing market share at home as new international players begin to enter their backyards.



To help retailers understand the opportunities and challenges in cross-border e-commerce and figure out how to play in the market, this paper does the following:

- Positions e-commerce in the context of customer experience
- Defines cross-border e-commerce and the traits that make it more complex than domestic e-commerce
- Provides a cross-border e-commerce maturity model so that retailers can identify where they are today and create a roadmap to where they want to be
- Identifies the partnership types that will help retailers in their maturity journey and provides guidance on how to identify the right partners for the right needs

E-commerce and customer experience

Today's consumers have more choices and are more demanding than ever before. Through a variety of devices they have at their disposal, they can access all types of content at a click, be it text, audio, video, or a combination of all three — all quickly delivered over a high-speed connection.

This has raised the bar for the online purchasing experience, since consumers now expect to be able to buy goods and services through any channel at any time. It also means that e-commerce needs to tie into social channels such as Facebook, Instagram, and Twitter, and content needs to be localized and personalized. Expectations for customer service quality have vastly increased, and customer service needs to be proactive and prompt, rather than just passively responding to complaints when they arise. A recent Comcast cable operator customer service call that a customer recorded, which went viral, is an example of what can happen when customer service falls short of the mark.³

The more forward-thinking retailers have invested in making the purchase experience richer and more tailored to individual buyer preferences. Buyers in countries with mature e-commerce markets are used to and have come to expect mobile-optimized sites, personalization, a broad choice in payment and delivery options, and a flexible returns policy. To meet these expectations, retailers have had to invest in the infrastructure and partnerships to provide the software and logistics solutions needed, from

e-commerce software vendors, payment providers, warehouses, and delivery companies.

Following the precedent set by e-commerce behemoths such as Amazon and Zappos, retailers now commonly make returns easy and cheap for customers, offering them for free and including pre-fixed returns labels and packaging. Some retailers are even making returns part of the product selection process: eyeglasses vendor Warby Parker, for example, sends buyers a selection of frames to choose from, and the buyer selects one pair and sends the rest back. This vendor has not only made a good returns experience a competitive differentiator, it has built it into every transaction. A good returns experience is now expected from any domestic e-commerce retailer.

Alternatively, retailers also have the option of selling online via marketplaces such as eBay and Amazon if they do not have the wherewithal or desire to build their online shop themselves. The downside to those marketplaces is that they give retailers little to no visibility into their customer data, but they are a good way to start selling without investing in infrastructure or needing to understand the nuts and bolts of e-commerce.

In mature markets, after more than a decade of experience and widespread broadband penetration, domestic e-commerce is therefore not all that complicated. The same cannot be said for cross-border e-commerce.

“ Consumers are empowered by information and shared opinions, and they are emboldened by choice. They have developed an appetite for rich and rewarding interactions, and they rarely hesitate to seek alternatives when disappointed. ”⁴

Figure 1.

Framework for domestic e-commerce



Understanding cross-border e-commerce

Cross-border e-commerce is the process in which a retailer based in one country sells its products and services online to customers in one or more other countries. This term is generally understood but not universally used. In the research for this paper, other terms that came up to describe the process in which retailers sell online to customers in other countries include *multiregional e-commerce* and *global/local e-commerce*.

Even retailers that have seen great success in their domestic e-commerce initiatives need to be prepared for the new array of challenges they will face when they expand internationally. Having a successful domestic e-commerce business is no guarantee for international success, due to the additional complexities that expanding internationally entails. These complexities include the following:

- **Multicurrency pricing and payments.** While some currencies are widely familiar outside their home countries, such as the US dollar and the Euro, customers still expect and are more comfortable with seeing the purchase price in their home currency.
- **Payment processing.** In some countries, credit cards are the norm for online purchases; in others, cash on delivery prevails. And along with payment processing comes a whole host of regulatory requirements and compliance issues that vary from country to country.
- **Fraud management.** Companies must make sure that payments are not made by unauthorized users of the payment method, such as a stolen credit card.
- **Customs duties and taxation.** Countries have their own taxation schemes and customs duties for online purchases of goods and

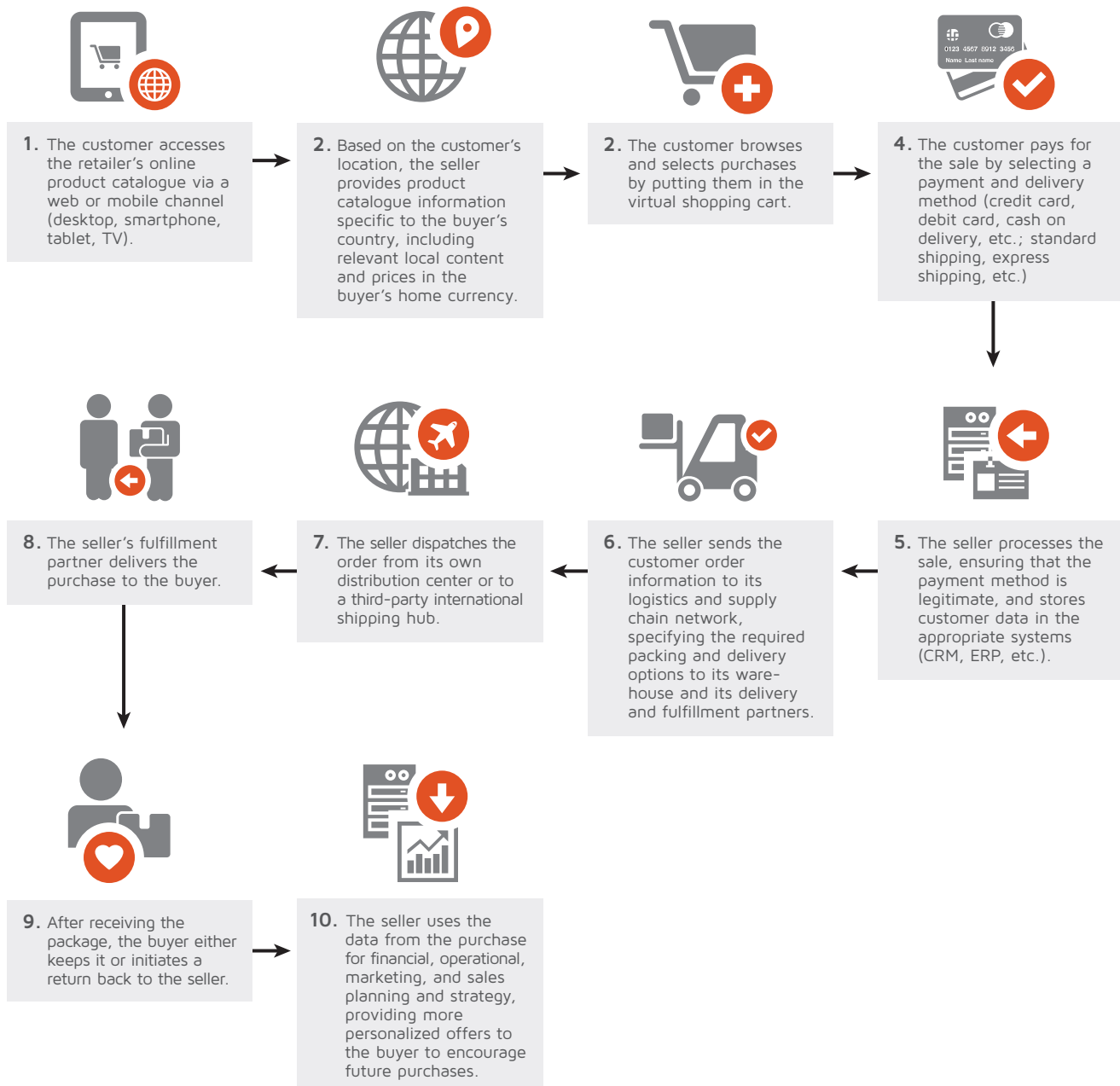
services. Many countries charge value-added tax, but the application of VAT varies depending on different categories of purchases, even across countries that share the same currency, such as the Eurozone. Calculating the correct tax and duty is vital to the customer's online experience so that they know all the elements of the final price once they agree to complete a purchase. After purchase completion, those duties and taxes have to be accounted for on the back end as well, to flow back to the appropriate tax collection and customs authorities in each country.

- **Customs clearance.** Before goods are shipped internationally, they need to be checked that they are indeed legally acceptable in the destination country and that all appropriate documentation requirements are met.
- **Landed cost calculation.** The “true” total amount a buyer will pay in addition to the product price. The landed cost calculation includes costs related to moving and handling freight, duties and taxes, brokerage fees, and some types of overhead.
- **Global logistics services.** Having the right partners on the ground in the countries where customers will be receiving deliveries — partners that can meet required delivery dates and manage returns, and that can provide consistent tracking numbers so that buyers have visibility into where their order is from purchase to delivery.

Because of these additional complexities, the framework for cross-border e-commerce contains more challenges for retailers than domestic e-commerce.

Figure 2.

Framework for cross-border e-commerce



The multiple paths to cross-border e-commerce maturity

There is no single starting point or one true path to cross-border e-commerce success. In fact, more traditional retailers who do not have an existing domestic e-commerce business should not fret that they are necessarily “behind” their online-savvy counterparts. They have alternative options at their disposal.


For one, if retailers have presence in international markets through physical stores and distributors, they already know more about local market conditions and customer preferences and expectations than online retailers coming in for the first time. In addition, physical stores can and are becoming part of e-commerce fulfillment, offering customers the option of picking up goods they order online at their local stores.

In comparison, a pure-play online retailer may have the e-commerce expertise, but lack knowledge of the new markets it wants to enter in addition to having to add on the capabilities to handle international orders as described in Figure 2 above. Depending on the country into which the retailer wishes to sell to online, the common step is launching its products via marketplace intermediaries, such as eBay or Amazon, Tmall in China, Rakuten in Japan, Ozon in Russia, and MercadoLibre in Latin America, rather than setting up a direct channel from Day 1. This allows the retailer to rely on the existing logistics network those marketplaces have, while learning about its new customer base’s preferences and tastes. This is also an option for physical retailers that lack their own online channel.

Regardless of their starting point, retailers can refer to Digital Clarity Group’s maturity model for cross-border e-commerce, which provides a roadmap to maturity from the perspective of the customer’s experience. The model consists of four pillars:

- **Content, product, and pricing.** The starting point for selling internationally online is to make sure the product catalogue is in the buyer’s native language. English may be commonly spoken and understood in many countries, but customers expect to be able to use their own language when engaging with retailers, even if they are completely fluent in the seller’s language. Language translation, however, is only the beginning of the localization process. Beyond language, visuals, tone, product sets, and pricing also need to be adjusted to meet local customer expectations and values.
- **Payments, taxes, and fees.** It is not uncommon for buyers to order a product online from another country, only to be told that they need to pay additional taxes and fees to their local delivery carrier before they can receive their purchase. These taxes and fees may in some cases even exceed the value of the purchase itself – which does not make for a happy customer. Instead, retailers need to consider solutions that factor in these additional costs at the time of purchase, when the buyer is viewing their online shopping cart and about to press “buy.”

“ Do not underestimate the importance of getting the right supply chain pieces in place. ”



In addition, payment options and preferences vary widely from country to country. While credit and debit cards are widely used in some countries, others may have their own local types of payment systems or prefer to pay cash on delivery. Retailers need to make sure their systems and delivery partners can support these preferences and protect their customers from fraud.

- **Supply chain.** The ease of selling through online marketplaces as a starting point for cross-border e-commerce means the seller can rely on the marketplace's supply chain network rather than have to deal with building its own. Once a seller decides to sell online directly to buyers, however, the complications of building and managing partners for warehousing, shipping, and delivery proliferate. Furthermore, customers expect that the channels through

which they buy are connected so that an order they place online can be picked up at the physical store. A mature retailer has this in place.

- **Customer support.** The online sale is only the transaction part of the customer experience. As they have with domestic sales, retailers need to be able to engage with customers both before and after the sale, answer buyers' questions, and resolve problems in buyers' native language and time zone via their preferred channel. Furthermore, if a buyer has initiated a sale via one channel, such as online, they may prefer to follow up with customer service via a second one, such as the phone or live via web chat. Mature cross-border e-commerce retailers need to be able to meet these expectations.

Figure 3 provides a visual representation of the various levels of cross-border e-commerce maturity.

Figure 3.

Cross Border E-Commerce Maturity Model

	Content, product and pricing	Payments, taxes and fees	Supply chain	Customer support
Level 5 Optimized global + local	Multilingual, localized content, including pricing and product catalog adapted to different countries/regions	Multicurrency with all-in price at check-out; Variety of dominant payment options with fraud management in buyer's home country; Choice of delivery options and simple returns	Global supply chain optimized to improve international returns: online to store, store to customer, and other channel variations	Multilingual customer support in buyer's local time zone via multiple non-integrated physical and digital channels
Level 4 Scaling to global	Multilingual content added for all countries; Little to no localization	Multicurrency with most local taxes and fees included at purchase; Limited payment and delivery options	International presence expands online and possibly physically in initial target countries	Multilingual customer support in buyer's local time zone, online or phone only
Level 3 Targeted expansion	Multilingual content for top one to three countries	Two to three currency purchases possible; Buyer pays local taxes and fees at delivery	International presence via third-party distributors and marketplaces	Bi- or multilingual customer support in seller's home country only
Level 2 Experimentation	Most content in home country language only; Some static content such as shopping cart translated into a few additional languages	Purchases from other countries in seller's currency, popular credit cards, and PayPal	Cross-border shipping solution offers guaranteed duty and taxes in checkout	Customer care in seller's home country and home language only
Level 1 Ad hoc	Content in home country language only	Pricing in seller's currency; Popular credit card payments available (VISA, MasterCard, American Express)	All purchases shipped from seller's home country; Buyers pay duty and taxes upon delivery	Customer care in seller's home country and home language only

The allies and partners of maturity

The multiple levels of the maturity model should not discourage retailers from diving into cross-border e-commerce. Depending on their goals and existing capabilities, there are a variety of partners to whom retailers can turn. These fall broadly into three categories:

- **E-commerce software, solutions, and platform providers**, from whom retailers can either purchase licenses or access to cloud-based solutions hosted by the providers themselves. This category also includes providers of other types of software and plug-ins such as payment solutions, duty and tax calculation software, and currency conversion.
- **Service providers**, such digital agencies, systems integrators, and e-commerce-focused consultancies, which help with everything from user research and strategy development to technology integration to post-implementation maintenance and managed services.
- **Supply chain partners**, who provide shipping, packaging, warehousing, and other logistical functions essential to getting goods to customers.

In recognition of the massive opportunity cross-border e-commerce represents, these partner categories are starting to bleed into each other. Digital agencies are setting up their own innovation labs in order to develop the features their customers are asking for but not seeing from the software companies. Shipping and other supply chain companies are building or acquiring e-commerce platform capabilities. This makes it all the more challenging for retailers searching for the right partners for their specific needs. Before they even begin to search for partners, retailers need to have a thorough understanding of


what their existing in-house capabilities are, what cross-border e-commerce goals they want to achieve and in what time frame, and what the right questions are for the different types of partners they need.

Identify internal needs

Cross-border e-commerce, like so many other facets of customer experience management, cannot be limited to one department or line of business. Success will require cooperation across organizational silos, particularly across marketing and IT if the retailer has separate teams in these areas, and starts with an audit of a retailer's existing capabilities. Identifying gaps in capabilities is the first step needed in selecting vendors and partners. Key questions of this audit include the following:

- What are our internal IT/development capabilities? Do we have existing back-end systems that will need to be integrated with this new solution, and do we have the IT skills necessary to carry out this integration?
- Do we have the ability to create high-quality content and a deep understanding of the markets in countries we are entering and how our brand travels? If so, have they done this type of work before, and can they deliver in the most efficient and timely manner possible?
- Do we have the internal resources, the right skills, and time to manage the solution ourselves once it is built?
- Do we have any supply chain and logistics expertise that we can leverage?

Depending on the answers to these questions, retailers will then have a better idea of what types of partners they will need to identify to implement cross-border



e-commerce. A retailer that already has an in-house team managing other enterprise systems, for example, will know how their systems are configured and can probably manage the integration or parts of the integration themselves rather than turning it over to a third party. A midsize company with a marketing team that consists of a few people, with none who speak the language of the new markets targeted for expansion or know how to conduct customer research on those markets, should probably look for partners that can help with localization and multilingual content, as well as supply chain and customer service, both for implementation and after.

Identify potential partners

It would be a mistake for retailers to simply look for best-of-breed partners, since every retailer is different and will have different requirements. A midsize company should not necessarily go for the enterprise e-commerce platform simply because it is the most well known, and an agency or supply chain partner with an impressive client list of well-known brands may not necessarily have the capabilities needed for a particular retailer's needs. Similarly, a multinational enterprise will need partners who can scale and integrate with existing infrastructure, providing a global solution with assets that can be reused and deployed on country-specific sites, but with the option to override at the country level.

In assessing potential partners, key questions retailers should ask include the following:

- Have you done a project like this before? (This question is particularly important for multicountry, multilingual projects requiring a high degree of localization.)
- Can your solution integrate with other vendors? If so, which ones?
- What are the potential problems we might have specific to the countries we want to enter in terms of regulation, duties and taxation, or payments?
- What kind of local presence do you have in the countries we want to enter?
- What type of ongoing support and maintenance can you offer after implementation?

In addition, regardless of the partner type, retailers should always ask for at least two or, preferably, three references from other similar clients. Though these references will of course have been vetted by the prospective partners in advance and will be mostly positive, it is still a good way of getting additional insight into the previous experience the partners have and how they are to work with.

“ Measure twice, cut once. Don't rush in. ”⁵



Conclusion

Getting the customer experience right for cross-border e-commerce is the next challenge for retailers. How the customers engage with the retailer — if they can do it via an elegant and user-friendly web interface, conduct transactions in their own language, pay the way they want to, and get the goods they want in compliance with local laws and in the time and delivery method they prefer — is going to be crucial to retailers' ability to meet this challenge.

Cross-border e-commerce is part of the larger next wave in customer experience management, lowering the barrier for consumers worldwide to purchase goods from countries across the globe as easily as

they can at home. Retailers can get up and running quickly by using online marketplaces, giving up visibility into their customers in return for access to an existing platform and supply chain, or building their own online presence. If they choose to go the latter route, the potential rewards are massive, though not without risk. Identifying where they are in cross-border e-commerce maturity will help retailers to assess how they need to get to where they want to go and what partners they will need to get there. The larger the goal, the more important it will be for retailers to identify the right partners to fill the gaps they have in their own capabilities and alert them to potential opportunities and pitfalls ahead.

Acknowledgements

As part of the research process for this paper, Digital Clarity Group conducted interviews with a number of service providers in the e-commerce space, whom it thanks for their time and insights:

Digital River

DigitasLBI

Gorilla Group

Pitney Bowes

Rosetta

SapientNitro

Valtech



Endnotes

1. eMarketer press release. “Worldwide Ecommerce Sales to Increase Nearly 20% in 2014.” Available at <http://www.emarketer.com/Article/Worldwide-Ecommerce-Sales-Increase-Nearly-20-2014/1011039>.
2. OC&C Strategy Consultants, in collaboration with Google, published a research paper estimating the value of online retail trade based on Google searches in six of the biggest e-commerce markets, making up half of global e-commerce volumes. The paper, “The Global Retail e-mpire,” can be downloaded here: <http://www.occstrategy.com/news-and-media/2014/01/global-retail-empire>.
3. The Guardian, “Comcast: The excruciating customer services call that went viral,” July 17, 2014. See <http://www.theguardian.com/technology/shortcuts/2014/jul/17/comcast-customer-services-call-ryan-block>.
4. Tim Walters, Ph.D, “The CEM Imperative: Customer Experience in the Age of the Empowered Consumer,” Digital Clarity Group Insight paper, February 2014. Available for download at www.digitalclaritygroup.com.
5. Andy Wagner, Managing Director of Scenic US, interviewed September 19, 2014.



About DCG

Digital Clarity Group

Digital Clarity Group is a research-based advisory firm focused on the content, technologies, and practices that drive world-class customer experience. Global organizations depend on our insight, reports, and consulting services to help them turn digital disruption into digital advantage. As analysts, we cover the customer experience management (CEM) footprint – those organizational capabilities and competencies that impact the experience delivered to customers and prospects. In our view, the CEM footprint overlays content management, marketing automation, e-commerce, social media management, collaboration, customer relationship management, localization, and search. As consultants, we believe that education and advice leading to successful CEM is only possible by actively engaging with all participants in the CEM solutions ecosystem. In keeping with this philosophy, we work with enterprise adopters of CEM solutions, technology vendors that develop and market CEM systems and tools, and service providers who implement solutions, including systems integrators and digital agencies. For more information about DCG, visit www.digitalclaritygroup.com or email info@digitalclaritygroup.com.

Contact Us

Email: info@digitalclaritygroup.com

Twitter: [@just_clarity](https://twitter.com/just_clarity)

www.digitalclaritygroup.com

© November 2104