How to effectively manage international growth in today's multichannel environment

By Columbus Consulting International
in collaboration with Island Pacific

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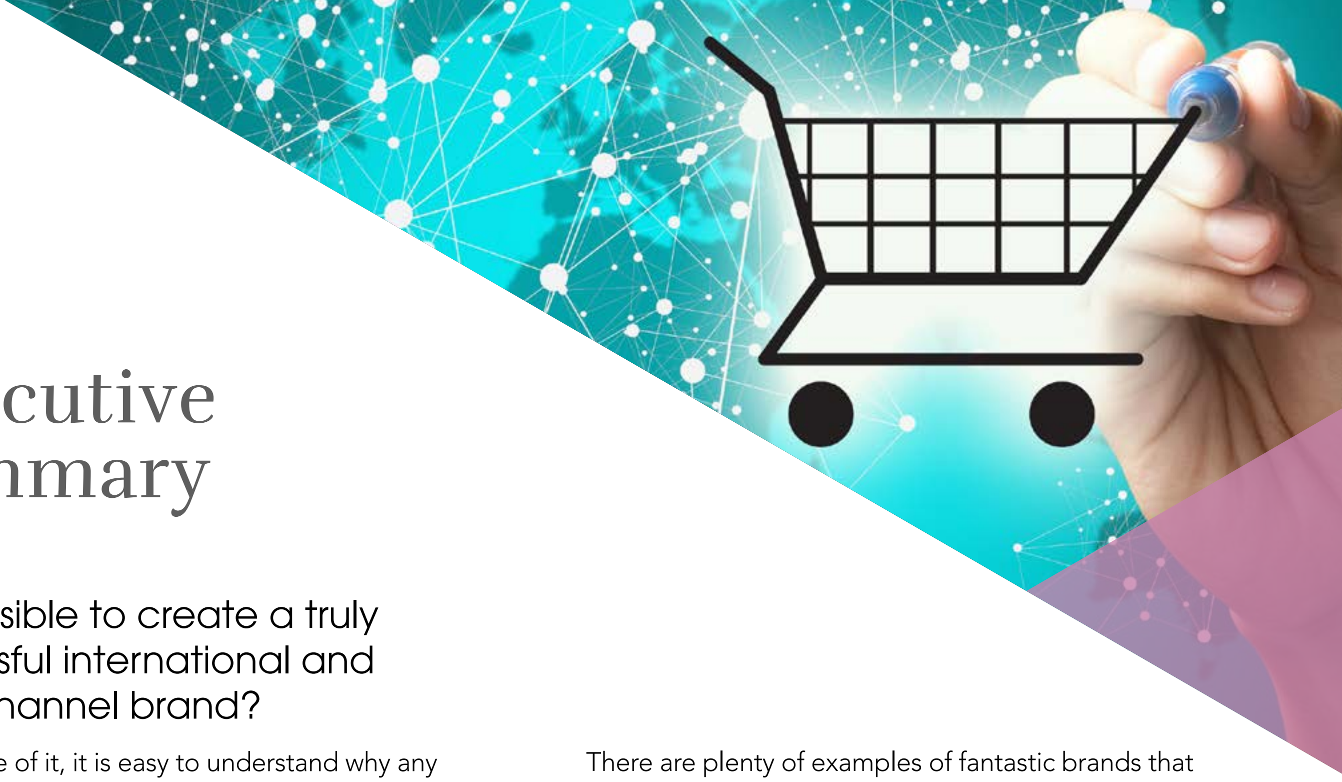


Executive summary

Is it possible to create a truly successful international and multi-channel brand?

On the face of it, it is easy to understand why any retailers might succumb to the lure of becoming a global brand. There have been plenty of examples of brands, from Victoria Secrets, Michael Kors, Zara, ASOS, Burberry, H&M to Ted Baker to Hermes, that have succeeded in going global. Naturally, the thinking goes that any successful retail name should easily be able to reap the rewards offered by international expansion.

Not so. **Globalisation** is no panacea. Success rates vary wildly.

How do you take into account operational differences and stock considerations?

Just a few of the high-level complexities are:

- Different seasons purchasing
- Changes in supply chain
- Shipping/Transfer costs verses unified commerce and central DCs
- Building up stock reservations in warehouses for cross country orders
- Lost demand for wrong stock in wrong place
- Wholesale and franchise purchase times
- Returns.

As anyone with even passing interest in this sector will know, transporting successful retail concepts from one country to another is anything but clear cut. Many retailers have discovered, no matter how successful a brand is on home turf, you can't simply transplant it into another country and begin to count the profits.

There are plenty of examples of fantastic brands that are runaway successes in their domestic market but that have failed spectacularly in some of their forays abroad e.g. M&S, Dixons and HMV were all forced back across the Atlantic. Big US brands like American Apparel, Banana Republic, J Crew, Bath & Body Works have struggled to bring their concepts into the UK.

The UK is mid Brexit and this has had an impact on many retailers rethinking their rate of expansion. There was a pattern of US retailers wanting to take on large floor plates as they do in in American but, as the UK has a high level of occupancy cost which is mainly due to high business rates, this is not advisable.

The biggest mistakes by far that retailers make are not paying enough attention to the **planning and research** if conducted among the retail potential core customers. Each country, whether America, Australia, Austria or Azerbaijan has its own sensitivities, cultural norms, preferences, even down to the way they pay for goods. **Buying habits differ** wherever you go. Understanding these differences is the key to success.

The secret to doing well on the international retail stage is no different from at home. No matter where in the world you are, it all comes down to one overarching number one priority: **the customer**. A brand wishing to sell goods across a number of different global markets needs to focus on the customer and the local team in each individual market; if it does this, it won't go far wrong.

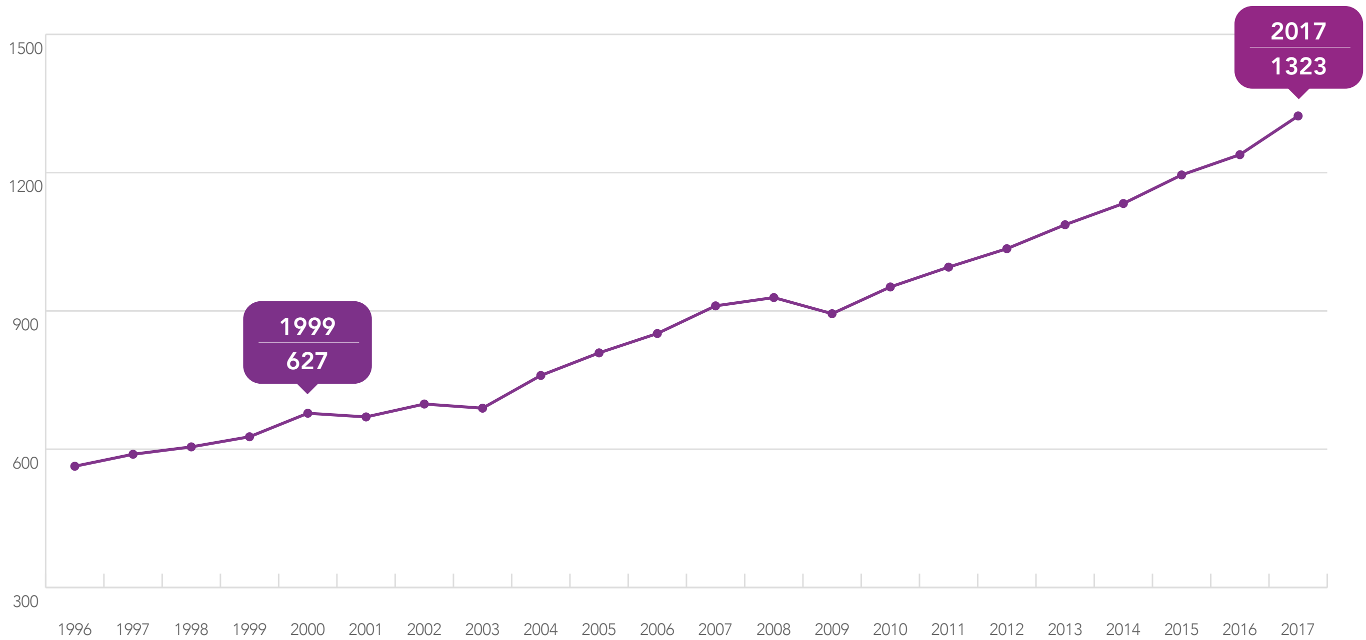
Key insights

1. Understand your customers and listen to them
2. Be prepared for the long haul
3. Get in a great team with local expertise
4. Ensure you are relevant and competitive
5. Get the planning right at the beginning but be agile during delivery
6. Which channels to peruse in this multi-channel world
7. Plan and execute assortment and stock strategies in line with your customer requirements

Understand your customers and listen to them

The international perspective has, like so many things in retail today, changed markedly in recent times. Once again, our super-savvy customers are surging ahead, leading the way. Just 20 years ago, if you were on holiday and went into stores you didn't know, it was not unusual to hear customers marvel at what they found there. Everything they saw was unfamiliar, from the brands to the way they were presented and sold to stores themselves. Bloomingdale's became the epicentre of retail theatre, even attracting a visit from the Queen of England.

Over the years, things have changed – slowly at first and then accelerating at a dizzying pace. Today many people don't think twice about hopping on a plane and going abroad. They regularly travel. This gives a whole new perspective on what they see when they tour their destinations. The world feels a smaller place and **customers can compare global brands in their home markets as well as abroad** at the click on a button on line. So being relevant, honest and price-sure in each territory is essential. Take a look at the statistics on the rapid increase in the number of international tourists worldwide which was **563 million in 1996 and reached 1.323 million in 2017**.



https://www.statista.com/statistics/209334/total-number-of-international-tourist-arrivals/

Online retail vs. bricks and mortar

It is important to know your customer, their preferences, and values in any market; but this task is even more complex in foreign markets. People in different countries place different values and priorities on different products. Some customers prefer to buy certain products online, while others choose the traditional marketplace. For example, a survey conducted by Pitney Bowes, a global technology company, found that while people in most foreign markets prefer to buy apparel and footwear in person, Chinese customers are more likely to buy these items online.

Understanding where customers are buying and how much they are willing to spend is critical. For instance, online retail sales are highest in the U.K, China, Finland, Norway, South Korea, and Denmark; and are estimated to lead sales into 2019. Expanding into these countries would likely be most profitable for businesses. Equally important, **businesses need to know how much customers are willing to pay for each product,** in order to stay competitive in local markets.

Payment option considerations

Customers in different countries also prefer different payment methods. In Japan, for example, over half prefer to make credit card payments when buying online, but in Germany approximately 70% prefer Direct Debit and Bank Wire Transfer.

Businesses should coordinate with service providers who can tackle these cultural challenges, assess the market strength of each country, and are able to point out what your customer wants to buy, how much they are willing to pay, where they want to buy, and how they prefer to pay.

The inability to communicate with customers is one of one of the biggest barriers to selling internationally. Translation, however, is not enough.

Communication preferences

Language differences are subtle and complex. Language preferences extend beyond words. Nuanced details, such as date and time display preferences matter. Guaranteeing shipping by 5/4/2015, for example, means May 4, 2015 in the U.S., but is April 5, 2015 in the U.K. Not catching this detail would upset customers in the U.K when their package arrives one month later than they had expected.

Communication preferences for receiving retail promotions in each country are important. According to the Pitney Bowes survey, over half of international customers prefer email, but 25 percent still prefer catalogue and direct mail. Interestingly, Asian customers prefer text messages and social media.

Businesses should provide information in local languages, and their websites should be tailored to each country's language(s). Apple's website is a great example. Users there can select their country or region, and the language(s) within each country.

Brand considerations

Another key element to communication is visual content. This is a key part of marketing and branding because it has an instant impact on customers and gives people something bold and distinctive to remember. Just like language, however, your images must be carefully chosen and presented to ensure they have the required impact but also feel relevant and appropriate.

Furthermore, it's important to be sure that the images you are using are considered appropriate and will not cause any offence in nations where many people have strong beliefs.

Getting the combination of your words and your images right is a fundamental step towards establishing brand relevance and building trusting relationships with your customers.

Be prepared for the long haul

Many successful retailers have found that initial caution, planning well and doing their homework are the best strategies. It is far better for a retailer to work on a country-by-country basis, focusing all of its effort in each territory in which it opens, ensuring it is successful before trying the next. Rushing quickly into a world-domination strategy never ends well.

This country-by-country strategy has paid dividends for a number of global names. Japanese brand Uniqlo has a well-defined international expansion strategy. Taking a country at a time, it opens a show-stopping flagship store bang in the middle of one of the most fashionable shopping districts in the capital city of the market. The new flagship is merchandised to the gunnels with the very best of Uniqlo in terms of product, visual merchandising and store management. Wow factor? 100%. It is only when Uniqlo is satisfied that is has created enough 'noise' around the brand in each territory and the flagship is operating smoothly that it goes into the roll out phase.

It is also important to accept that not every brand will be an overnight success. Some retailers take years to establish themselves in a new market. You may have to plan the seed, tend it carefully and watch it slowly bear fruit. To thrive in the global market, a retailer has to be the best of the best at home first.

Sometimes withdrawal is the best form of success. Internationalisation is an enticing prospect for ambitious retailers, but as ASOS has shown, it is not without challenges. As many brands have found, a strong performance within the core market does not guarantee success elsewhere. With the recent news that sales have increased by 30% since withdrawing from China, clearly this was the right decision for ASOS to make.

Get in a great team with local expertise

Any retailer tackling international strategy needs to think long and hard about their talent. Your staff can make or break a business, and this is never more so than in the global arena. **It is crucial to recruit staff that are local to the country.** A localised workforce will come into its own as a store develops its point of view in each particular market. The leadership of the organisation may have strong ideas about how a brand tells its story, but it just might be that this story is completely at odds with local sensibilities. People in different countries place different values and priorities on different sectors of products, and only real locals will know.

Set up a clear hub

A local hub provides a base from which companies can enlist employees with local knowledge and gain a better understanding of the local retail landscape and customers' nuances. Many brands look for countries similar to their home market first, as they provide an easier transition. Due to the common language and cultural similarities, ASOS established its first international offices in Sydney, Australia, in 2012, followed a year later by a US office in Rochester, New York.

With a burgeoning middle class of 340m customers that has had only limited access to many Western brands so far; the Chinese market is an extremely enticing opportunity for growth-driven companies. Therefore, ASOS's Chinese distribution centre and a Shanghai office followed in 2013. However, cracking the Chinese market is a more challenging proposition than expansion into a Western country, as the clothing retailer soon discovered.

Build local & regional partnerships

Local and regional partnerships bring valuable insight from existing businesses in foreign countries. It also allows for understanding of customer psychology and cultural nuances. Positive regional and/or local partnerships can help increase the success of internationalisation through aided education from companies who have already been working in the specific international market which you wish to enter. **A local alliance can also help in understanding international tariffs, exchange rates or external costs** (transport, fees, etc.), which can dampen company profits. For example, in the US there are tax variations between states which need to be taken into account along with the tax issues that surround cross-border sales. Instead of having to learn all of this, businesses can attain knowledge from local retailers who already have the correct permits and understanding of business within that particular region.

Ensure you are relevant and competitive

Being relevant in your home market is essential, being relevant in international markets is absolutely imperative. Retailers should make it a priority to ensure that they are bring something different to that market. Since they won't be starting from scratch at the exact time as other retail organisations, they are already at a disadvantage. Many high street rivals will have been around for years and will have established a reputation and rapport with their customer bases. Without something with a unique point of view, or differentiation, what is to encourage customers to leave the familiar embrace of these entrenched rivals? If you are simply offering more of the same, what is the point of going to all the expense and effort of crossing borders?

As well as giving close thought to how your business presents and promotes its customer offerings, **you will need to think about the relevance and appeal of the products themselves**.

One brand that has done this successfully is IKEA. The Swedish furniture retailer has earned global success by offering carefully curated, commercially viable product ranges in particular regions, while maintaining its core brand identity.

Similarly, Danish homewares brand Jysk has built up a network of more than 2,500 stores in approximately 50 countries. It recently entered the United Arab Emirates with a flagship store in Dubai, where it will need to shift its focus away from the heavy duvets and cosy blankets that helped it succeed in Scandinavia.

Getting your product offering right comes back to understanding your target markets and engaging with customers to develop a clear idea of what they want.

With these foundations in place and effective branding, communication and marketing methods to build on them, your business will be well set to make the most of opportunities on the international stage.

Get the planning right at the beginning but be agile during delivery

Planning is key to successful international expansion. Not only is it around having the right retail stores and talent within them, the merchandise and stock packages are crucial. Stores or websites need to have the correct stock levels as customer disappointment within the first few weeks is not advisable.

Initial stock package

Most successful international retailers would overstock those initial stores and channels to ensure that they can fulfil on their promise to these new and excited customers. **Customers are no longer loyal even to those well-established local brands let alone a new entrant.** If a retailer gets it wrong in those first few weeks, the customer is far more unforgiving than they have ever been before and especially to a new brand. In fact, research has found that 79% of customers would take their business to a competitor within a week of experiencing poor customer service and product availability (AccessDevelopement.com).A staggering 68% would never return.

Local laws, taxes and legislation

Perhaps one of the most daunting barriers for businesses selling internationally are shipping costs, duties, taxes, regulations, and export and import laws. When selling overseas, retailers need to consider the regulations and rules of each country

The returns process is also frustrating for businesses. In the same way that retailers must consider each country's laws when selling, they must also do the same during the returns process. Processing returns also involves the documentation and calculation of shipping costs, border duties and taxes paid to foreign governments of each market.

Businesses must also appease customers, in addition to figuring out the complex matrix to these different rules, it is not uncommon to find customers abandoning their carts after finding out how high cross-border duties, taxes, and international shipping costs can be.

The final price

Be clear about shipping costs, taxes, and border duties upfront to consumers. ASOS is a great example of this practice. They display their international shipping policy upfront, and customers can click "MORE INFO HERE" to learn more. Work with international shipping service providers who can take care of the complex process of shipping costs, duties, taxes, etc. Such providers can provide end-to-end support, and assist your business at every step of the process.

Test & be nimble

Growing a brand internationally is not always going to be simple. **Be prepared to test new approaches and adapt to what works in each particular market.** As many large global retailers have demonstrated, brands can be required to change focus or even step back from a market altogether – or risk financial damage.

Retailers today have the benefit of technological advances that make it easy to set up country-specific websites, as well as access to customer data that offers valuable insight – both of which make approaching internationalisation more straightforward. But whilst there can be huge rewards gained from expanding a brand globally, it is not something to be approached lightly.

Which channels to persue in this multi-channel world?

With so many different routes to market for retailers venturing into countries new, how do you know which one to choose? Start with pure play internet only? Large Flagships own owned stores? Franchise? Wholesale? The options are endless.

Crawl, walk, run

A gradual approach to expanding internationally is most often the best, especially if you need to build a business case for a broader strategy.

As a first step, you can make international shipments available from your home market. As ecommerce sales skyrocket across the developing world, building an online presence is a low-risk way to test new markets or complement existing store footprints. **Gaining maximum advantage from such strategies requires knowing a country's true e-commerce potential and its online market challenges.** A country's prospects for online retail success are closely related to how many people use the internet and how many are comfortable purchasing products online.

Outsourcing

However, at this early stage you will need to consider how you will ship your products, accept various payment methods, and comply with tax and other local laws. One option is to outsource all elements to suppliers such as Borderfree – from getting your site ready, to currency conversion to accepting payments, through to logistics and compliance with import and local tax laws.

Using this approach will enable you to identify the potential of various markets and key challenges (e.g. differing tastes and merchandising, organisational realignment, new ecommerce platforms to support scaling) and allow you to adjust the strategy accordingly.

Use existing data

Online traffic data offers valuable insight into where the customers shopping in your ecommerce store are based outside of your core market. Use this data to pinpoint where to go first. As they are already engaged with the brand, expansion into these countries should be more straightforward.

Additionally, ecommerce data will show previous purchase patterns and preferences, which must be used to create engaging offers for the local customer.

Hub considerations

Once the decision to go beyond direct-to-customer shipment (from the home market) has been made, the most common next step is to establish a central hub to provide stability and foundation for further growth.

For US-based companies trying to enter Europe, the most convenient hub is often the UK as most of the underlying factors that make the retailer successful in the US will be closely matched. It doesn't mean there aren't differences, but factors such as language, culture and even preferences will be similar. This gives geographical presence in Europe, which brands can use as a platform to extend to other countries.

Alternatively, some companies have opted to establish a presence on the continent as an early hub; most common is Benelux, due to accommodating tax laws, their proximity to other European countries for logistics, and the presence of a future workforce with experience of building international businesses.

Plan and execute assortment and stock strategies in line with your customer requirements

It is important to begin from the stance that entering a new market is not a challenge to be lightly undertaken. **Apart from anything else, when a retailer enters a new country, it squares up against all the established players who are already there.** As said earlier, differentiation is key.

When Hema opened in the UK, it entered one of the most competitive retailer environments on earth. British retailers have spent years honing their craft, understanding local preferences and responding to changes in customer needs. In many cases, the Hem Dutch range needed to be edited and aligned to British tastes. This was not to say that Brits would not take to 'unfamiliar' Dutch trends. The same when Tiger started its international expansion. Patience, trial and error and agility are the key strategies. The important point is to share with your new customers the features and benefits of any unfamiliar products.

Gap's Banana Republic, a very successful domestic retailer, struggled in the UK due to misalignment on pricing and promotion strategies. The brand failed to justify its premium price points, leaving customers with little encouragement to shift their spend from rivals. Much like its sister brand [and parent company], Gap, frequent promotions on selected ranges such as knitwear or blanket discounts across the full offer have eroded respect for the original ticket price, with customers holding off making a purchase until at least a 30% discount has been applied. This strategy does not work in the UK and is detrimental to margins if price cuts are reactionary and unplanned.

It's important to ensure that prices are aligned for the market rather than just changing dollar signs to pound signs and vice versa. A lot of retailers have been arrogant with their pricing but it does not work, customers can easily have visibility on websites of local currency price and shipping costs.

There are a lot of opportunities international retailers can take to help themselves too. Collateral material in-store, social media. Not everything will catch on, but it is possible to be very innovative so as to give each product the best possible chance of success with planning and agility.

Promotions & key event considerations

Take two key events during peak trade – Thanksgiving and Christmas.

Thanksgiving drove "Black Friday" which initially was just a North America promotion. Look how quickly it has translated across into Europe, but still it would not translate in the same way as we have very different shopping habits around promotions and discount, online verses bricks and mortar etc.

US shoppers love discounts / promotions all year round. Go into any US store and you will usually see an area that has offers, maybe at the back of the store. Yet in the UK there are many times when stores only have full price merchandise in them. So an event like Black Friday can have very different effects in different countries.

For many European countries the most important date is the 5th December. This is St Nicholas' Eve when many children across Europe get their presents. Again, in other countries it is Christmas Eve or Day. These are critical nuggets of information when it comes to international relevance. They can be so easily overlooked in the rush to conquer new territory, but they can make a big difference, especially when trying to secure early wins. **Retailers need to embrace this sort of local knowledge to plan their product assortments and promotional cycles.** Without it, it is very easy to appear irrelevant and out of touch.

Get to know your customer (use local knowledge), decide what is unique about your brand and find a way to deliver this uniqueness across the channels that you have decided to try.

Retail is fast and decisions on new markets and channels are often made quickly and often technology has to laterally support these decisions. The key aim is to focus on building up processes and systems to support those processes which allow new channels and routes to market to be added seamlessly and effectively.

Key Takeaways

- Understand your customers and listen to them
- Ensure you are relevant and competitive – driven out by planning and executing the right assortments. Then being agile "in-season" to change to customer needs
- Have a point of view in each country that your customers understand and can articulate. Explain your concept to your new customers
- Be prepared for the long haul
- Get in a great team with local expertise and be prepared that not everything will work first time. Be agile.
- Plan and research - forward thinking and identifying resilience and value to reap the rewards
- Create a channel strategy in each country – understand how customers in those countries shop today across channels

By **Charlotte Kula-Przezwanski**, Partner & Director of EMEA at Columbus Consulting International in collaboration with Island Pacific

Island Pacific SmartOrder

Overview

A key element of excellent retail service is ensuring that customer orders are completed in a timely and efficient manner. When you are dealing with customers in store, online, over the phone, or by mail – or dealing with B2B orders in a wholesale or franchise environment, it is crucial that your customer receives their goods on time and in the right location. Island Pacific SmartOrder is a software solution that streamlines order management by bringing all your sales channels together, in one integrated system.

Island Pacific SmartOrder is a highly configurable solution with an extendable and customizable architecture. This means it can be easily scaled up or down to meet with the changing demands within retail and manage orders across any number of sales channels.

Capture customer data for marketing purposes, automate communications and give customers full visibility of their order. By incorporating Island Pacific SmartStore and Island Pacific SmartOmni, allows users access to a fully integrated solution that not only gives visibility and control over order management, but all multi-channel activity in the business. For a demo, or to learn more, contact us today.

Island Pacific
SmartOrder

- Wholesale, Franchise & Concession
- B2B Order Management
- Web Orders
- Mail Orders
- B2C Order Management

Benefits

- **Scalable:** Island Pacific SmartOrder can be scaled up or down to meet the demands of your business
- **Streamline orders:** Improve product availability by managing and transferring stock seamlessly between channels
- **Fully integrated:** Integrate with other Island Pacific solutions or third party systems, so cross-channel operations can be managed from a single location
- **Guarantee stock availability:** Keep customers informed by immediately accessing stock metrics so they know if the item they want is available to purchase
- **Improved customer care:** Customer service representatives can access order history at the click of a button, managing queries and customer issues, before they escalate
- **Improve processes:** With a holistic view of orders across all channels, you can analyze performance and identify potential cost-saving improvements.

Features

- **Order management:** Manage orders across all sales channels; ecommerce, catalogue, call centre, wholesale, franchisees and more
- **Customer support:** Reserve stock, manage telephone orders, track customer history and even automate customer email notifications and issue management
- **Marketing management:** Enhance marketing operations, capturing customer data across all channels, e.g. purchase history and key demographics
- **Contact management:** Automate customer contact to ensure that the customer is kept fully informed of all activity.