

# How to plan your international strategy

The 10 Ps of international commerce



# International retail is not new.

However, both physical and online retailers have struggled with the challenge of how to transpose their businesses across countries. History is littered with huge, profit draining investments and failed international ventures:

- ▶ **In physical retailing:** Walmart's exit from Germany and South Korea; Marks and Spencer's failure in Europe and Canada; and Tesco's failed attempt to launch into the US market
- ▶ **In online retailing:** eBags' exit from the UK; Figleaves' exit from the US; and Zappos never even got round to launching

its international business despite a large investment in planning it

## How hard can it be online?

In theory, online international success should be relatively easy. Unlike physical retail, there is no catchment constraint. The Internet allows every site to be accessed from anywhere in the world (dictatorships excepted). The challenges and reasons for failure are complex:

- ▶ **Economics:** It is easy to get the economics wrong – to expect that a domestic model will easily map to a new market

- ▶ **Market:** Consumers have different expectations in each market
- ▶ **Execution:** The sheer operational complexity of international expansion can become a minefield of time and cost
- ▶ **Lawyers:** The bullet-proof approach is often eye-wateringly expensive

## The 10 Ps of international expansion

The 10 Ps is a checklist for building an eCommerce business. Here we have adapted it as a roadmap for any online retailer considering international expansion.

“  
**The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep.**  
”

JOHN MAYNARD KEYNES

1919

## INTERNATIONAL VISION

# 1: Proposition

### WHAT IS IT?

The consumer proposition is the mix of product, price, availability, content, service and customer experience. Successful online retailers can all point to one or more distinctive elements of their proposition. For example: Ocado's delivery proposition; Net-a-Porter's combination of product, editorial and service; and Zappos' range and service experience.

### INTERNATIONAL

Adapt your proposition to each new market, based on what matters to consumers there. Understand local competition and consumers' expectations around price, service and experience.

A proposition that makes sense in a domestic market may not travel well. Critical questions to ask when defining a proposition for a new market include:

- ▶ How well known is my brand?
- ▶ Do I want to appear to be a local or an international player?
- ▶ What is absolutely critical to the proposition and what can be flexible?

In some markets, delivery is critical: Net-a-Porter has same-day delivery in London and New York – a core part of its proposition. Other markets are driven purely by price: one electronics retailer had early success in France, which turned out to be purely exchange rate arbitrage – once the Euro moved, so did customers. Price, as a central proposition, can be difficult to execute and maintain on a global scale, especially when competing with the buying power of Amazon and Walmart.

## INTERNATIONAL VISION

# 2: Plan

### WHAT IS IT?

Plans must be based on understanding customer acquisition and retention – the fundamental drivers of growth. Retailers need to set realistic online goals to avoid over-investment by separately modelling customers, categories and channels. Too many retailers still plan based on simplistic outcomes such as average order value, traffic and conversion, which are easy to model but generally don't materialise.

### INTERNATIONAL

Plan growth and investment overseas by modelling relevant local market data, rather than assuming similarities to domestic data. Successful domestic multi-channel retailers are used to getting a base level of online sales 'for free', driven by channel shifting, incremental sales to loyal customers and sales to customers who are not near a store.

Often, these players enter international markets with little brand awareness and need to think more like a start-up. Figleaves' launch in the US was salutary. The market was more competitive, so there were lower conversion rates, higher customer acquisition costs and lower repeat purchase rates. The US represented a good business but required much more investment than expected.



## INTERNATIONAL ENABLERS

# 3: Place

### WHAT IS IT?

The 'place' – the online shop fit – is the customer-facing website. It is the combination of functionality (what it does) and usability (its ease of use).

### INTERNATIONAL

Websites should reflect subtle local differences. The challenge is to get the right balance of simplicity versus optimisation. A single global template is cheaper and ensures a consistent look and feel.

However, there are many local and cultural differences that need to be considered as trade-offs:

- ▶ Is personalisation expected or is a lack of privacy off-putting?
- ▶ Should promotional messages be subtle or aggressive?
- ▶ Should fashion models be local or international? (Picking up copies of Vogue from around the world provides insight into the accepted style norms)
- ▶ Is broadband ubiquitous?
- ▶ Will consumers browse on mobiles, tablets or PCs?



## INTERNATIONAL ENABLERS

# 4: Platform

### WHAT IS IT?

The platform is the ecosystem of technology found in all mature eCommerce sites. This technology includes the webstore, web analytics, order management, image management, fraud, payment and product data management.

### INTERNATIONAL

Decide on a platform strategy – worry about the detail.

‘Post traumatic platform selection stress’ is a common ailment for retailers who think they have bought a ‘fully international’ web platform, only to find that they haven’t. Unfortunately, the devil is in the detail of the detail. One retailer realised too late that its platform could be international only if it had the same products and promotions in all markets. Understanding what combinations of currency, language, content are manageable is hugely complex.

There is no right way to localise a website. For some retailers, internationalisation is often a catalyst to re-platform. Other retailers will create a second platform to handle international markets. Having decided your overall platform strategy, consider the detail of how each element of the technology stack gets internationalised. How will you handle aspects such as payment, fraud, analytics and translation?

It is easy to make incorrect assumptions about payment preferences in different countries, and critical to work out what is a barrier to purchase versus a simple preference. One retailer confounded common wisdom that ‘you can’t launch in Germany without ELV<sup>1</sup>’ by accepting only credit cards, and learnt that ELV was just a preference and not a barrier.

It is also important to ensure that the technology will support the organisational evolution from a centralised to localised operation.

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<sup>1</sup> Elektronisches Lastschriftverfahren (also known as Lastschrift, Bankeinzug or simply ELV) is a form of direct debit transaction that is popular in Germany

## INTERNATIONAL ENABLERS

# 5: People

### WHAT IS IT?

Getting the right people and organisational structure is more difficult than it sounds. There is a dearth of talent, and good people are expensive – particularly in immature eCommerce markets. Moreover, it is imperative to get the eCommerce organisation to scale as revenue grows – there is a delicate balance between the expense of building an organisation ahead of sales, versus growing incrementally and playing constant catch-up. Retailers also need to balance which functions are managed in-house, which to outsource, and how that will change over time.

### INTERNATIONAL

Carefully balance the need for local insight while avoiding unnecessary duplication of effort. The first people challenge lies in deciding what activities should be done ‘once’ globally, and what needs to be done locally ‘by market’. It is critical to avoid duplication that wastes time and money.

The second challenge is whether to physically locate people in each market, or manage everything from a central base. Local outposts are great for being close to a market. Their downside is they can be subscale and good local people often want to hire local teams to fully optimise the opportunity, rather than relying on a central resource. The right answer is that the organisation will need to evolve, and planning for flexibility is the key to success.



## INTERNATIONAL DELIVERY

## 6: Promotion

### WHAT IS IT?

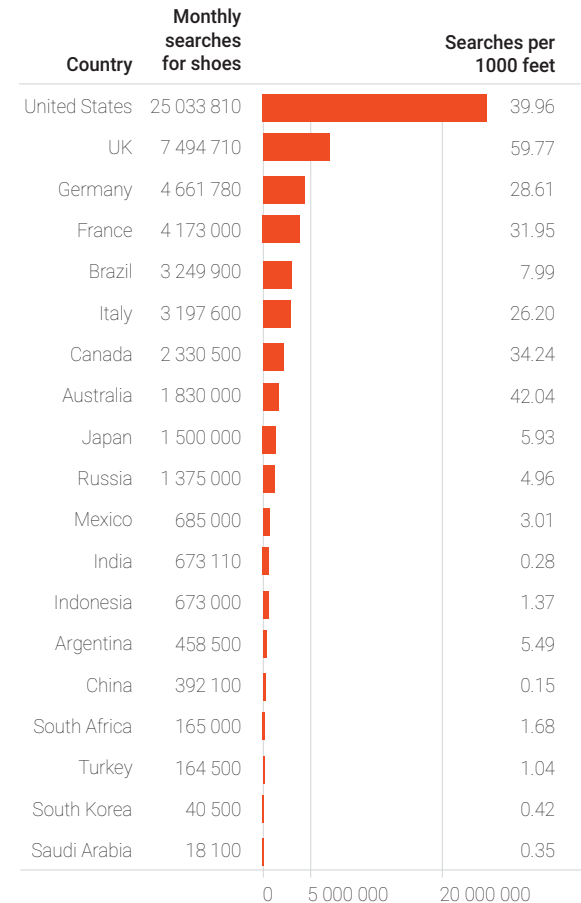
Promotion is how to acquire and retain customers. Customer acquisition is achieved by building brand awareness and capturing transactions through the wide range of online channels. These include paid search, affiliates, social media and re-targeting.

### INTERNATIONAL

Get local insight. Be creative about building brand awareness using local events and PR. Traditional domestic focus on 'closing' channels such as paid search, affiliates and shopping engines will not build sufficient brand awareness in a new country. Although capturing latent demand is important, and the joy of Google is that local insight is free (see graph opposite), the trick is to get the balance right. Keyword-driven marketing campaigns alone will not be sufficient.

ASOS, which has presided over a number of wildly successful international launches, launched in the US with a brand-building fashion show on Bleecker Street. Being aware of local events, culture and language is critical to maximising the opportunity. Missing the Queen's birthday in the Netherlands or promoting Christmas in the US will quickly identify you as a foreigner!

### Searches for 'shoes' per foot in the G20 countries



INTERNATIONAL DELIVERY

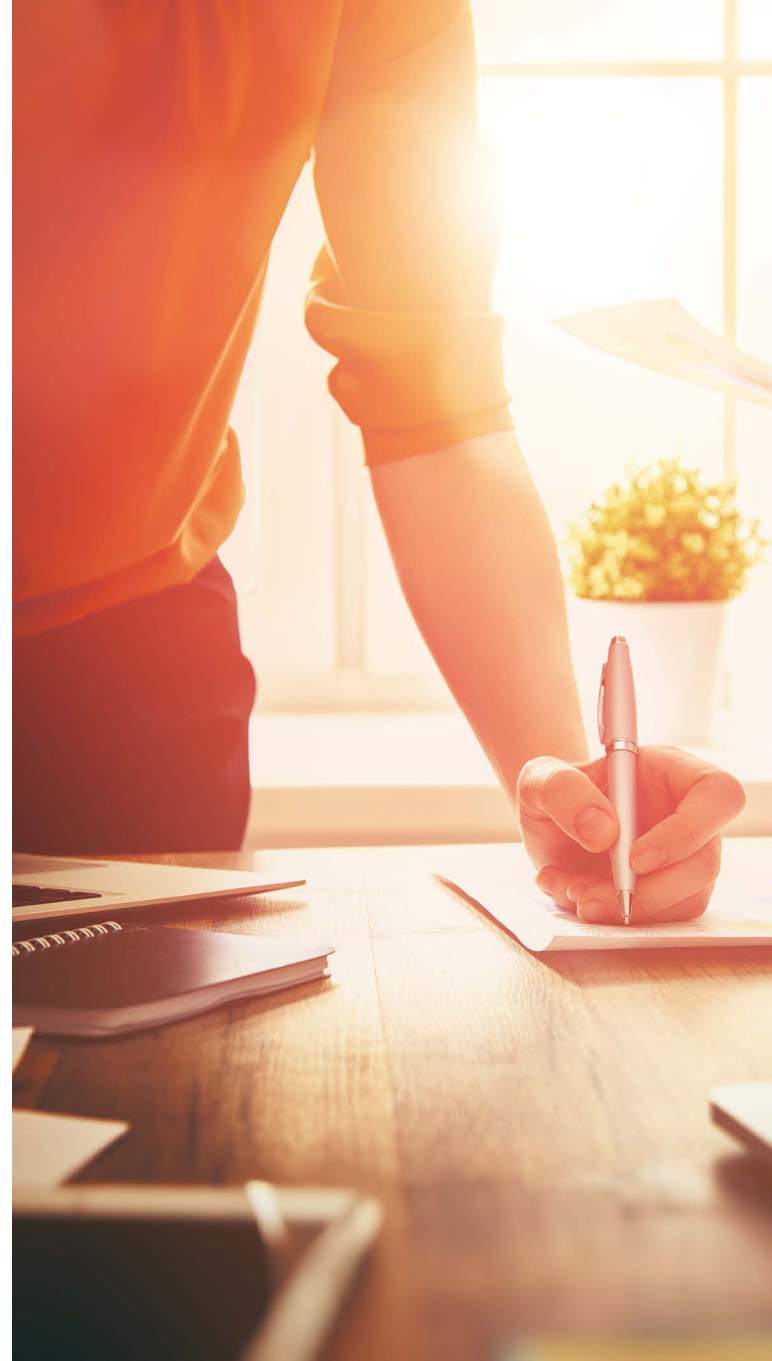
## 7: Planogram

WHAT IS IT?

The planogram is the discipline of managing site navigation to unite customers with SKU, through the site's taxonomy, facets, sort orders and product recommendations.

INTERNATIONAL

Develop a set of global rules, and then localise where necessary. The international challenge is again one of balancing global simplicity with local optimisation. The extent of global variations affecting customers – such as the seasons, the weather, and the optimal timing of sales – requires a localised planogram. One size will not fit all.



## INTERNATIONAL DELIVERY

# 8: Promise

### WHAT IS IT?

Taking an order online necessitates making a 'promise' to customers on when they should expect to receive their goods. Delivering on that promise requires managing fraud screening, payment, picking, packing, shipping and customer service.

### INTERNATIONAL

Fulfilling customer promises in different countries requires considered trade-offs. Delivering on promise internationally is even more difficult because the issues involved are magnified:

- ▶ **Managing fraud:** Many markets do not have online address files, so new approaches become critical. The extent of the issue is huge – one major UK retailer reported that approximately 50 per cent of transactions in Europe were attempted fraud. That said, and despite some of the horror stories reported by retailers entering into new markets, international fraud can be managed
- ▶ **Offering the optimal international delivery:** This is a delicate trade-off between fast, tracked and expensive versus slow, untracked and cheap. There are also critical decisions about when and where to site local warehouses (if at all), as well as considering whether to fulfil from pre-existing local market store stock. Local stock is typically a trade-off of delivery time and cost versus the simplicity and efficiency of having all stock in a single location. Deciding when and if to have a local returns address also needs to be considered
- ▶ **Picking the right customer service model:** There are a myriad choices from which languages to use, what time zones to cover and whether to offer a telephone service

INTERNATIONAL DELIVERY

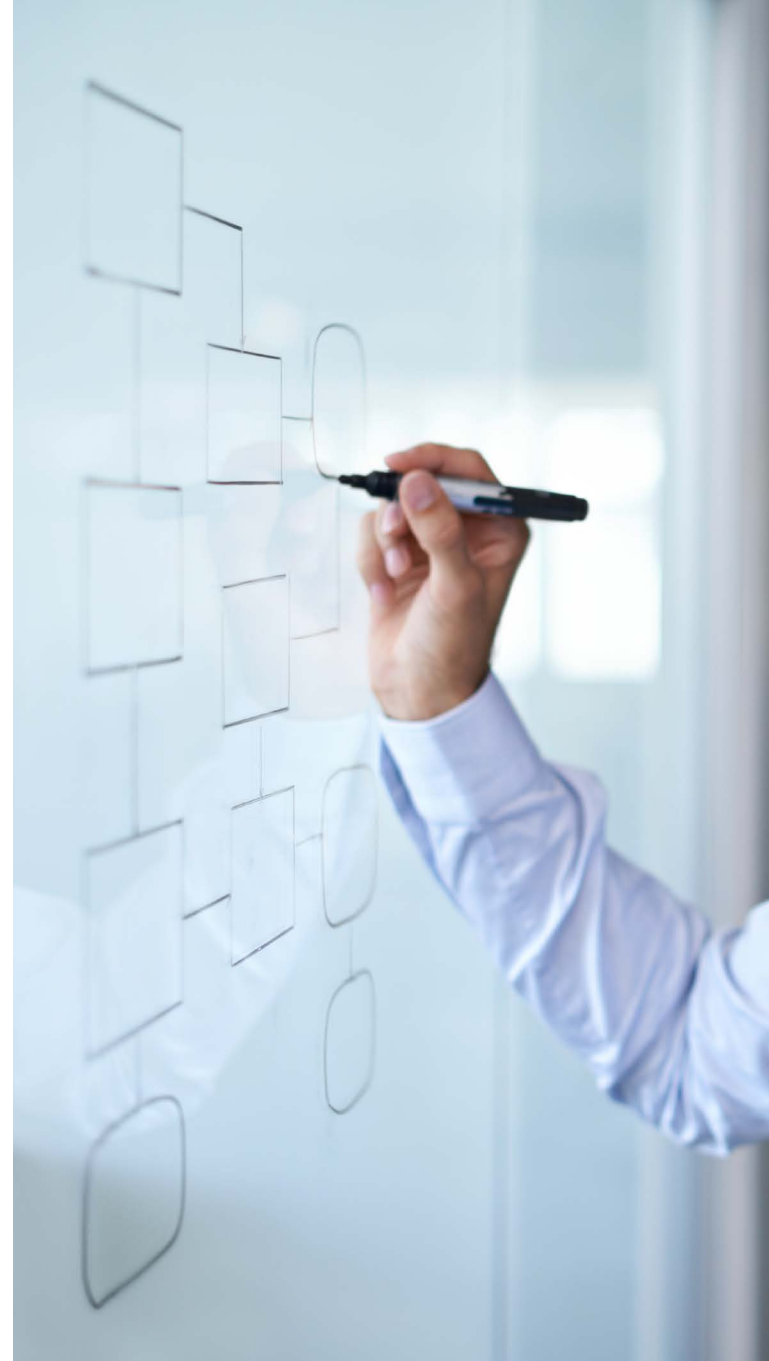
## 9: Processes

### WHAT IS IT?

There are over a hundred processes required to make online retailing work well. While the processes of retail are well recognised, the core processes of eCommerce are still being evolved and few online retailers have either codified or embedded them in their organisation.

### INTERNATIONAL

New processes are needed to make global eCommerce work. Going international necessitates an even higher degree of process rigour to make it successful. Online retailers will need to consider and implement new processes from translation to local fraud to make their global business work.



INTERNATIONAL PERFORMANCE

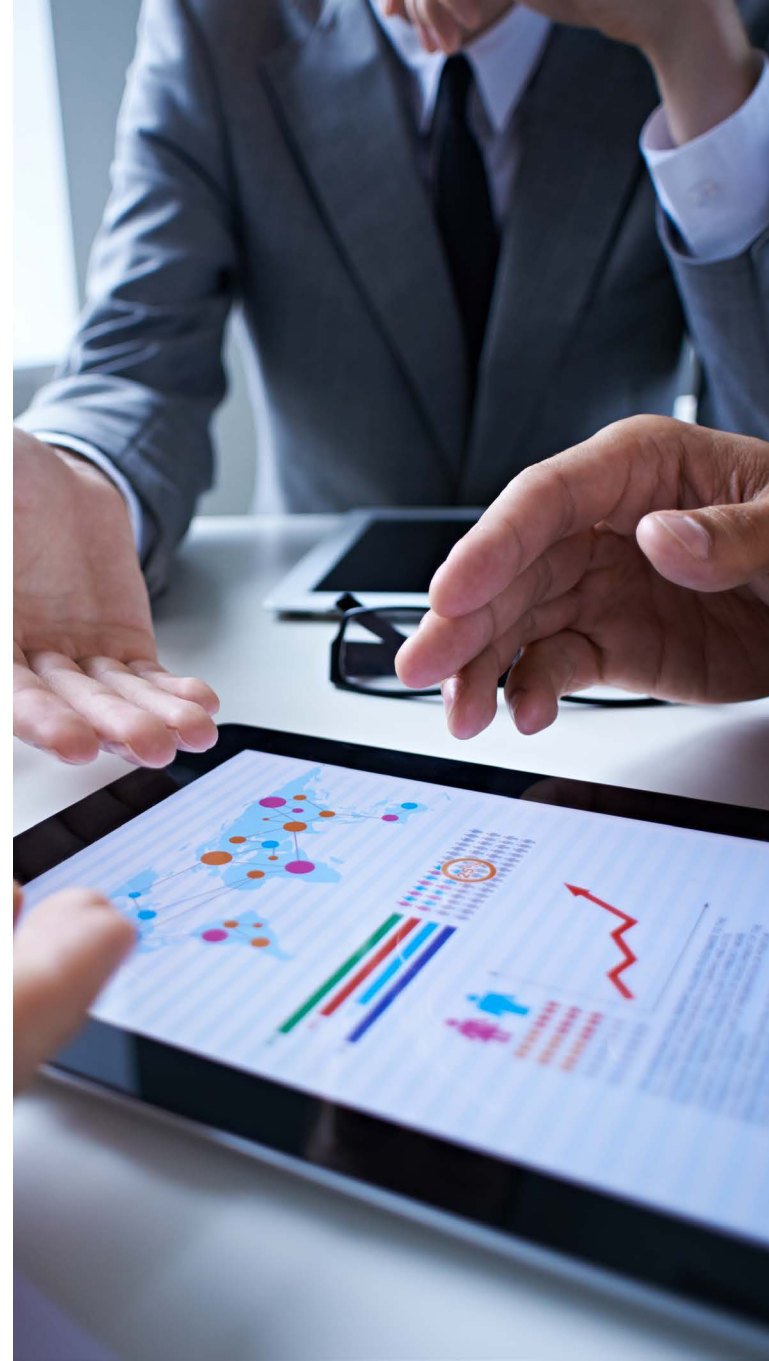
# 10: Performance

WHAT IS IT?

eCommerce is data-rich but often information-poor. It is paramount to track profit-centric outcomes, with a wide range of input measures that drive action.

INTERNATIONAL

The performance of each market should be assessed separately. The dynamics of international markets are so different that setting the right benchmarks and evaluating success is difficult. International averages are some of the most meaningless numbers you will find in an eCommerce business!





When it comes to international eCommerce, there are huge opportunities and challenges to overcome. There will be big winners, but also big losers - who either don't internationalise or do it poorly. Unfortunately, domestic success will be no guarantee of international triumph.

IsoBar Commerce can help brands and retailers design a robust international commerce strategy, incorporating each of the elements discussed here, to give your international expansion the best chance of success. Contact us to find out more.

## ABOUT ISOBAR COMMERCE

Lorem Ipsum is simply dummy text of the printing and typesetting industry. Lorem Ipsum has been the industry's standard dummy text ever since the 1500s, when an unknown printer took a galley of type and scrambled it to make a type specimen book. It has survived not only five centuries, but also the leap into electronic typesetting, remaining essentially unchanged, lorem sed Ipsum is simply dummy text of the printing and typesetting industry.

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