

Web retailers are reaping overseas sales without actively pursuing them

BY BILL SIWICKI

Three-fourths of web retailers that responded to a recent *Internet Retailer* survey accept orders from outside the United States, and for some, international customers represent a significant part of their business. But relatively few offer features tailored to foreign consumers.

That may change in coming years, and lead to still-greater international sales for U.S. e-retailers, some experts say.

14.5% of the 75.2% of merchants selling internationally, which includes Canada, report that in 2009 more than 25% of their total web sales came from customers outside the United States, according to *Internet Retailer's* new international e-commerce survey of 247 web-only retailers, chain retailers, catalogers and consumer brand manufacturers. 4.8% report 21% to 25% of sales came from outside the borders of the country, 7.0% report 16% to 20%, and 5.9% report 11% to 15%, the survey finds.

9.1% say 8% to 10% of 2009 sales were derived from international shoppers, 12.4% report 5% to 7%, 18.3% say 2% to 4%, and 28.0% report less than 2%.

Of the 24.8% not selling internationally, 60.3% are assessing the viability of selling to consumers outside of the United States; and of

those merchants, 70.3% plan to start selling internationally within a year.

"There's currently great interest in the international space, in part because of the pressures of the U.S. economy and the lack of growth, and that it simply is a new day and

16.7% of merchants report more than 20% of their total web traffic stems from outside U.S. borders, the survey finds. 15.0% report 11% to 20%, 19.5% say 6% to 10%, 32.9% report 1% to 5%, and 15.9% say less than 1%.

Overseas visitors

In 2009, approximately what percent of your web traffic came from visitors outside of the United States?

	All	Chain	Catalog	Web	Manufacturer
Less than 1%	15.9%	21.2%	16.1%	15.5%	12.9%
1% to 5%	32.9%	39.4%	35.5%	31.8%	22.6%
6% to 10%	19.5%	15.2%	22.6%	18.9%	25.8%
11% to 20%	15.0%	15.2%	12.9%	15.5%	16.1%
More than 20%	16.7%	9.1%	12.9%	18.2%	22.6%

people are looking at things more globally," says Bobby Frank, CEO of BorderJump LLC, a provider of international e-commerce technology and services. "And the survey shows the types of merchants and the products they sell cross all lines, so the action and interest is pretty universal."

Visiting the U.S.

Whether they're selling internationally or not, U.S. retailers are being visited in significant numbers by shoppers from foreign lands, according to the *Internet Retailer* survey of IRNewsLink e-newsletter readers conducted last month with e-mail marketing and survey firm Vovici Corp.

Yet, relatively few of the merchants surveyed are catering to these shoppers on their U.S. sites by offering features and functions designed for international shoppers, or creating standalone e-commerce sites designed for individual countries. Nor are many of them working with vendors that specialize in globalizing e-commerce sites or that handle the logistics of delivering orders to consumers in other countries.

Only 17.9% of merchants selling internationally operate any e-commerce sites designed for other countries separate from the U.S. site. Of those merchants, 35.3% operate

with Resource Interactive, plans to offer up to six similar one-item sales throughout this year, he says.

Avon's Mark is also seeking to use Facebook-specific promotions to create buzz. For instance, it lets Facebook members create online wish lists to share with friends. It encourages its sales representatives to push Facebook-only offers by posting comments or status updates that then appear on their friends' news feeds.

Kevin Ranford, director of web marketing, 1-800-Flowers.com Inc.: 'The more ways we enable shoppers to shop, the better.'

Like 1-800-Flowers, Mark worked with Alvenda to enable customers to complete a transaction without leaving the news feed. When a customer mouses over the widget and clicks on it, it expands into a shopping space where shoppers can browse the retailer's inventory, as well as complete the purchase.

Mark's Frank declined to disclose sales, but she says that the company is happy with the early returns. But more than sales, the offering has piqued interest in the brand and boosted shoppers' brand awareness, she says.

Word of mouth

For a much smaller e-retailer, Equator Estate Coffee and Teas, Facebook offered a way to offer limited-batch coffees not available on its web site, which Equator Estate is in the midst of overhauling. The Facebook store officially launched in January after a two-month trial period.

The Equator Estate web site is too cumbersome to constantly update with high-end offerings available in limited quantities, says

Helen Russell, the company's CEO and co-founder. "Being a small company it would be too costly and time-consuming to regularly add and remove those coffees from our web site," she says. "With Facebook, those updates are instant."

Aiming to take advantage of the social dimension of Facebook, Equator Estate lets its customers share their purchases with their friends, and the retailer's fans, on



Facebook and other social networks such as Twitter.

That kind of sharing might make sense if the purchase is special enough to be worth sharing, says Forrester Research Inc. e-commerce analyst Sucharita Mulpuru. "I may not mind sharing that I bought a ticket to go to a concert this weekend," she says. "But most of my purchases I probably don't want to share and other people don't care about."

The ROI question

In its two-month test, Equator Estate only sold about 20 pounds of coffee on Facebook. But Russell wasn't overly concerned about the modest sales because the start-up costs were minuscule.

Working with e-commerce applications developer Milyoni Inc., the retailer spent less than \$1,000 to get the page up and running, and pays Milyoni a sales commission of less than 5%. In comparison, overhauling the retailer's web site cost more than \$35,000. "Facebook was such a minimum outlay that, in my mind, the ROI is already there," she says.

Milyoni competitor Alvenda is also trying to make its Facebook offer attractive to retailers. The company eliminated its upfront fees in November and now relies on sharing about 10% of revenue from Facebook sales, although the percentage varies depending on the specific retailer offering, the company says. There is a monthly minimum revenue-sharing amount, which can range from around \$5,000 to upwards of \$10,000 per month.

But not all upfront fees are minimal. For instance, Resource Interactive's software generally costs around \$30,000, although that includes the cost to integrate with a retailer's e-commerce platform. Beyond that, Resource Interactive says it charges around \$500 for each campaign and takes a share of revenue as a commission. It did not disclose the revenue share.

Whether that investment makes sense will depend on how much revenue a Facebook store can drive. 1-800-Flowers is betting it will be worthwhile to make it easy to shop on Facebook, just as it enables purchasing through mobile phones. "The more ways we enable shoppers to shop, the better," says Ranford.

Other retailers aren't so sure. But given how many consumers are regularly visiting Facebook these days, it's easy to imagine that more retailers will give social selling a try. ■

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International E-commerce

What is your primary business?

Chain retailer	13.9%
Catalog	12.7%
Web-only merchant	60.7%
Consumer brand manufacturer	12.7%

In 2009, approximately what percent of your web traffic came from visitors outside of the United States?

Less than 1%	15.9%
1% to 5%	32.9%
6% to 10%	19.5%
11% to 20%	15.0%
More than 20%	16.7%

Does your company currently sell online to consumers outside of the United States, whether on your U.S. e-commerce site or standalone foreign sites?

Yes	75.2%
No	24.8%

Approximately how long has your company been selling to consumers from outside of the United States?

Less than 1 year	9.7%
1 to 2 years	15.1%
3 to 4 years	22.2%
5 to 7 years	20.5%
8 or more years	32.4%

In 2009, what percent of your total web sales was generated from outside of the United States?

Less than 2%	28.0%
2% to 4%	18.3%
5% to 7%	12.4%
8% to 10%	9.1%
11% to 15%	5.9%
16% to 20%	7.0%
21% to 25%	4.8%
More than 25%	14.5%

By what percent do you anticipate your online sales from outside of the United States will grow in 2010?

1% to 5%	31.2%
5.1% to 10%	18.8%
10.1% to 15%	16.1%
15.1% to 25%	10.2%
More than 25%	8.1%
No change	12.4%
Likely to decrease	3.2%

What features and functions does your current e-commerce site offer shoppers from outside of the United States? (Check all that apply)

Currency converter	18.6%
Providing a fully landed cost in local currency through the last mile	15.4%
Customer service content in local language	15.0%
Product content in local language	15.4%
Customized assortment to local markets	10.5%
Telephone support in local language	14.2%
Other	14.2%

What is the chief way you market to overseas customers?

Geographically targeted online marketing (e.g., search, affiliate, display)	23.2%
Geographically segmented or personalized e-mail marketing and promotions	10.3%
Geographically segmented imaging or messaging content (e.g., lifestyle images)	1.1%
Local mobile marketing	1.1%
Social media unique to the local market	2.2%
None of the above	56.2%
Other	5.9%

What are the major challenges in selling online overseas? (Pick five)

Controlling the brand and customer experience	11.3%
Legal and regulatory concerns	31.6%
Scalable customer acquisition	9.3%
Vendor agreements and contract stipulations	10.9%
Ability of the customer to see final landed cost in local currency	30.4%
Determining local market assortment	12.1%
Customer service and returns	40.9%
Understanding and meeting local consumer preferences and expectations	15.8%
Payment type preferences	21.9%
Language translation	23.5%
Existing e-commerce platform does not support selling outside of the United States	8.1%
Fraud management	37.7%
Other	13.0%

How do you fulfill orders from customers who reside outside of the United States?

Shipped from U.S. warehouse	60.0%
Shipped from warehouse in local country	7.6%
Drop-ship from vendor	2.2%
Use freight-forwarding company	3.2%
Use global carriers	4.9%
Hybrid of above	15.1%
Other	7.0%

Please indicate the top three markets from which your company generates online sales from outside the United States. (Pick three)

Australia	36.8%
Canada	56.7%
China	4.5%
Central and South America	7.3%
Eastern Europe	5.7%
France	6.9%
Germany	10.1%
India	1.6%
Korea and Japan	6.9%
Mexico	5.7%
United Kingdom	47.4%
Western Europe (excluding U.K., France and Germany)	16.2%
Other	8.1%

Do you operate one or more e-commerce sites for a country or countries separate from the United States?

Yes	17.9%
No	82.1%

How many e-commerce sites do you operate separate from the U.S. site?

1	35.3%
2	20.6%
3	8.8%
4	5.9%
5 or more	29.4%

Do you have local employees managing your e-commerce site(s) for countries separate from the U.S.?

Yes	45.7%
No	54.3%

Do you use any outside third-party providers to sell and service consumers outside of the United States?

Yes	28.5%
No	71.5%

Are you currently evaluating the use of third-party providers to sell and service consumers outside of the United States?

Yes	14.4%
No	85.6%

Which functions and services are performed by a third-party service provider? (Check all that apply)

Web site design and hosting	4.0%
E-commerce systems	3.6%
Fulfillment>Returns	10.1%
Customer service	9.3%
Customs product code harmonization	6.1%
Marketing services	6.5%
Payment processing and fraud management	7.7%
Translation services	6.1%
Other	1.2%

What is the annual sales range of your online retail business?

Less than \$1 million	48.6%
\$1 million to \$5 million	19.6%
\$5.1 million to \$10 million	9.4%
\$10.1 million to \$25 million	9.0%
\$25.1 million to \$50 million	3.7%
More than \$50 million	9.8%

Which of the following statements best describes why your company currently does not sell to consumers outside the United States? (Choose all that apply)

Requires too much investment	2.0%
Return on investment is insufficient	2.8%
Regulatory complexity	9.7%
Customer experience concerns	3.6%
Inability to size demand	2.4%
Technological complexity	4.0%
Logistical complexity	10.1%
Not a strategic priority	4.5%
Other	8.9%

Are you currently assessing the viability of selling to consumers outside of the United States?

Yes	60.3%
No	39.7%

When does your company plan to start selling online to consumers outside of the United States?

Within a year	70.3%
1 to 2 years	21.6%
More than 2 years	2.7%
No plans at this time	5.4%

Which of the following sectors best describes your company's primary online business?

Appliances	0.0%
Automobiles & auto accessories	2.5%
Books/Magazines	2.9%
Clothing and accessories	18.9%
Computer hardware and software	3.3%
Consumer electronics	5.8%
Food/Groceries	4.1%
Furniture, home and garden	7.0%
Gift cards	0.0%
Gifts	6.6%
Health and beauty items	6.2%
Jewelry	3.7%
Music/DVDs	0.4%
Pet supplies	2.1%
Sporting goods	6.6%
Tickets	0.4%
Toys/Video games	4.5%
Travel	1.2%
Other	23.9%

one such site, 20.6% two, 8.8% three, 5.9% four, and 29.4% five or more.

Consumers from other countries don't always want to buy from sites tailored to their countries, says Frank of BorderJump.

BorderJump recently conducted a survey of 7,600 consumers in Latin America and the Caribbean. The majority of respondents said they prefer shopping U.S. e-commerce sites as opposed to sites specially crafted for their country.

"They want to get the same web shopping experience as in America; they just wish it was easier to pay for purchases," Frank says. "The local site doesn't have the same caché in certain markets that coming to the U.S. dot-com holds. There is not necessarily a right or wrong answer to this question, they are just different strategies."

Outside help

There is a growing number of companies that offer bundled services, from adding payments and shipping to the site and handling delivery, customs and taxes, to building native web sites. But the survey does not indicate a lot of interest in these companies.

28.5% of merchants selling internationally use a third-party provider to sell and service consumers outside of the United States. And of those that do not, only 14.4% are currently evaluating the use of a third-party provider.

That could change, some experts say, as more vendors, including larger ones, offer services aimed at servicing online shoppers from other countries.

"Behind the scenes is exciting because we have seen and talked to some pretty big companies that are willing to invest in this market to provide technology and services to retailers," says Jim Okamura, senior partner at global retail consulting firm J.C. Williams Group Ltd. "It

may not be a retailer's highest priority to devote their in-house resources, but these outside solutions give more choice and improve upon customer-facing experience issues as well as behind the scenes operational matters. We are bullish, and know there is a lot of thinking going on among retailers; combine that with the international e-commerce companies coming to market and that will create some interesting partnerships."

Key features and functions

Many retailers are indeed thinking international sales, but of those selling internationally, few have added to their U.S. e-commerce sites features and functions to aid foreign shoppers.

According to the *Internet Retailer* survey, 18.6% offer a currency converter, 15.4% show

the fully landed cost of delivering an item to the consumer's door in local currency, 15.4% offer product content in a local language, 15.0% feature customer service content in a local language, and 14.2% offer telephone support in a local language.

"The fact that fewer than 1 in 5 have a currency converter, yet that is one of the most important features to have, shows how much upside there will be. If 14.5% of retailers are doing in excess of 25% of their sales internationally and most have not done much to enhance the customer experience, the more they enhance the experience, like adding a currency converter, the greater the opportunity for more sales," Okamura says. "So whether it is currency conversion or fully landed cost, it's telling in terms of how early it is."

Retailers understand what they are offering to international shoppers is not up to par, Okamura says, adding that J.C. Williams Group expects adoption of key international shopping features and functions by U.S. retailers to rise rapidly during the next two years.

And as U.S. e-commerce sites do a better job of serving international shoppers, those shoppers will spend more at the U.S. sites, Okamura says.

"We are poised for an inflection point where we're going to take a big leap on the growth curve," Okamura predicts. "We will see a significant increase in international sales in the next two years, much of it tied to the effort retailers put into creating a good experience." ●

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