Dipping a Toe into Global E-commerce Waters

***By Dan Conners** (Project Manager)*

Recently I ordered a gift for a friend from a retailer in Germany, right on my smartphone. The transaction was as simple as if I had purchased the item in the United States; the only difference is that it shipped from Frankfurt to my house. The number of these types of cross-border consumer transactions is soaring as companies find ways to capitalize on the global nature of our economy.

U.S. e-commerce is valued at $200 billion plus. In the next four years, it's expected to grow to more than $300 billion, and a large portion of that growth will be fueled by consumers outside the U.S.

When you think about how easy it is to shop online, what's to stop any company from selling globally? In fact, advances in technology and logistics are affording ways to meet consumer demand for easy processing of payments and shipping anywhere in the world. If a company isn't selling globally, there's a good chance the competition is.

Is your company ready to take on global e-commerce customers?

Preparing to Go Global

Consider the size of the global market. The U.S. has more than 245 million Internet users. Asia has more than one billion, and global Internet usage tops more than 2.2 billion.

With those kinds of numbers, how do you start? Not only do you need to find your ideal customer in a sea of billions of people, you need to be able to communicate with them and handle the logistics of inventory management, processing payments, shipping and returns.

Before jumping into the worldwide market, decision makers need to examine the feasibility from multiple angles. Does attaining customers from abroad align with your growth strategy? Is there a market for your product or service in other countries? To examine the market, you'll need to know:

1. **Consumer demand in specific countries.** Whether you're testing the waters in neighboring countries or anxious to tap into the enormous potential in Asia, you'll need to find out whether there's an interest or a need for your product elsewhere. An easy way to start is to examine the analytics data from your company's website. Where are your visitors coming from? Who's staying on your site? Who is browsing? Who is buying? What shipping addresses are they using?

2. **Size of market.** Even if there's interest, will the size of the market in another country be worth the effort of marketing and setting up systems or infrastructure to handle transactions? Talking to potential customers to understand needs and wants is a natural step to defining the opportunity.

3. **Competition.** Who is it? How does your value proposition hold up in that market space? Is your product a substitute or an innovation?

4. **Price.** How much are consumers willing to pay for your product or service given the cross-border complexities of local currency and exchange rate fluctuations, import duties, taxes, and regulations, total costs of shipping and the implications of potential returns?

Small Steps or Giant Leap?

After learning more about the size and potential of overseas markets, a sound strategy for international expansion is to act in stages, tackling new challenges and building a new customer base in each stage.

1. **Start close to home.** While it's not always the case, many companies choose to expand close to home as a natural first step in selling internationally. Shipping can be managed easily between countries that border each other. For example, many Canadians are now buying goods from the U.S. Although the total market in Canada is a small proportion of the global market, U.S.-based companies have the advantages of common language and close proximity for shipping and returns.

2. **Expand to same-language countries.** Although the logistics are more complex, it makes sense to investigate your opportunity in other same-language countries. For the U.S., that means beyond Canada to the U.K., Australia, even India. At this point, you'll also need to consider whether your primary marketing tool – your website – should be localized to account for cultural nuances *(for example, a ".uk" website)*. You'll also need to think about your product assortment, and whether it makes sense to ship from the U.S.

3. **Consider non-English speaking countries.** Depending on your offerings and your company's strategy, non-English speaking markets might be a rewarding venture. If your company has the operational resources to manage expanding into these parts of the world, you'll have to plan for translating your website into other languages, potentially conducting more complex tax, payment and shipping transactions, and consideration of on-the-ground warehousing for distribution of your products.

Irrespective of origin, a small or large company can gain the benefits of global e-commerce. Barriers to global business transactions are dissolving as technology and logistics suppliers evolve their services to meet global e-commerce needs. Researching the market opportunity is the first step in developing a global e-commerce strategy that successfully introduces your company to a new, and significant, worldwide audience.

Is your company considering expanding into global e-commerce?

Contact KS&R to find out more.

About the Author

Dan Conners is a Project Manager at KS&R, focused primarily on the transportation industry. He has extensive experience in the e-commerce space, both domestically and internationally, having managed dozens of qualitative and quantitative engagements with international e-commerce decision makers.

Return To *Thought Leadership >*