



Ready to Deliver More Authentic Cross-Border Shopping Experiences? Start with Smarter International Shipping!

Preface

As digital commerce goes global, a connected, borderless retail world is emerging before our eyes. Around the globe, today's increasingly digital-savvy shopper values broader selections of authentic products and a fair deal. They seek out trusted brands, enjoy discovering cool new sellers and embrace novel retail concepts.

Leading online retailers and branded manufacturers selling direct-to-consumer (D2C) know that connecting with the rising global middle class is the next huge opportunity.

For many of these brands, the promise of international eCommerce sales mitigates significant concerns — slowing domestic growth, jaded shoppers at home and intense competition for market share. This competition comes both from digital eCommerce titans like Amazon, Rakuten and Alibaba as well as fast-growing "high velocity" eCommerce entrepreneurs. The global titans leverage experience, scale and deep pockets while the flywheels of the high velocity models are propelled by speed to market, data analytics and an obsession about improving the customer experience.

Few eCommerce leaders, large or small, question that improving the online shopping experience increases conversion, drives sales

growth and decreases customer service costs.

This is true whether the shopper is a domestic customer or an international visitor. After all, cross-border shoppers aren't all that much different than domestic online shoppers. They simply want to get what they want no matter where they are with no risks and no hassles. Their expectation really is that simple.

Yet the online experience for many cross-border shoppers remains a work-in-progress at best, and all too often, a disappointment. We find it ironic that after more than a decade of focus on improving the online shopping experience, the cross-border experience has consistently been an afterthought.

Fortunately, this oversight is being addressed. Leaders understand the importance of "laying out the welcome mat" for cross-border shoppers who visit their domestic eCommerce sites. They know that the equation for eCommerce success is universal; stock the right inventory mix, price it right, reduce shipping costs, provide order transparency 24x7 and deliver the product in a reasonable amount time and with no surprises at the doorstep.

Focus your planning here, execute efficiently and you'll do well.

Executive Summary

This study continues a *Global E-Commerce Leaders Forum (GELF)* research series exploring the current state and future direction of cross-border and global eCommerce.

Interviews with well-known global brands and some relatively unknown online upstarts are helping us chart the direction of change within the retail world. As we explore how the disruptive pressures of cross-border innovation are transforming international retail, our objective is to provide primary research findings, executive insights, data and benchmarks upon which our audience can build a business case for investing in global eCommerce growth.

In this paper, we draw from our research findings to assert that many global eCommerce leaders are using a proven formula to improve the cross-border shipping experience — reduce international shipping costs, make sure the price quoted at checkout is the final price shoppers pay for their goods and decrease delivery times. We suggest that cross-border fulfillment innovations are the “new black”; increasingly the fastest, smartest way to earn the trust and future loyalty of international shoppers.

We also find that leading retail brands as well as new retail upstarts can fuel their international growth initiatives by embracing distributed commerce models supported by customer-centric international fulfillment practices. The proliferation of digital touchpoints around the world is generating a growing number of cross-

border orders. In response, more and more eCommerce leaders are relying on direct-to-consumer dropshipping to reduce inventory risk and lower inventory holding costs. Increasingly we see dropshipping originate from a warehouse or other fulfillment center located in a country closer in proximity to the manufacturer. Often the seller is located in yet another country and increasingly relies on third party shipping solutions to remain in the order data flow.

Although we end this paper by confirming that international shipping remains the predominant cross-border fulfillment model, we also highlight how international marketplaces offer strategic growth options to merchants and brands selling D2C.

We update our GELF strategic framework to highlight two distinct phases within our International Growth Stage – Early and Maturing Growth. In doing so, we illustrate the key role(s) that international dropshipping strategies are playing as lean and zero inventory cross-border models gain traction globally with retail brands selling D2C and with marketplace sellers.

Executing on the Cross-Border E-Commerce Opportunity

By and large the global eCommerce opportunity is now understood by global retail community. However, executing on this opportunity remains a challenge for many.

Because of real and perceived complexities, many retailers and brands remain on the fence when facing decisions about investing in global eCommerce expansion. They cite friction from archaic regulations, artificial barriers, complex trade agreements and protectionism coupled with physical distances and IT infrastructure issues as reasons to wait and watch as others pursue international eCommerce sales growth. They allow these constraints to delay the promise of tomorrow from being realized today.

But although the path of change may not always be known, change itself is inevitable. In order to execute on the global eCommerce opportunity, online retailers need to

1. *Understand the size of the prize,*
2. *Prioritize the key challenges their firm must overcome, and*
3. *Map out a plan to capture the cross-border prize.*

The Size of the Prize Grows

Although estimates vary as to the size of the cross-border eCommerce opportunity, most agree that the opportunity is large and cannot be

¹ www.emarketer.com/Article/Worldwide-Retail-ECommerce-Sales-Will-Reach-1915-trillion-This-Year/1014369

FORRESTER REPORTS THAT 82% OF GLOBAL SURVEY RESPONDENTS MADE A CROSS-BORDER ONLINE PURCHASE IN 2014; SPENDING ON AVERAGE \$300 A YEAR.

HOW SMALL AND MEDIUM-SIZE ONLINE BUSINESSES CAN GO GLOBAL DECEMBER 2014

ignored. Global online retail sales are on track to jump 23.7% to \$1.9 trillion this year and will grow to about \$4.1 trillion by 2020. eMarketer also projects that the digital share of global retail sales will grow to 14.6% by 2020¹.

The growth story is also compelling. UPS reports that the forecast growth rate for online cross-border commerce will be 25%, which is 10.5X the US GDP growth (from '13 to '20).

By 2020, cross-border eCommerce sales (\$330B) will represent 11% of global B2C online sales. UPS also finds that global shoppers make 24% of all online purchases from eCommerce sites outside their own country, with Brazilians and Mexicans now making a third of online purchases cross-border.²

Online sales at international marketplaces are also growing significantly. Amazon's Q2 '16 results reported that the company's international sales increased 28% with general merchandise and electronics categories growing at 36%. This continued growth, which is twice the rate of domestic US eCommerce growth, is quite

² UPS Analysis, eMarketer, OC&C, PayPal/Nielsen Study, BCG

impressive considering Amazon's massive scale and recent strong year-to-year growth.³

International eCommerce as a percent of all eCommerce revenues is also growing. GELF's interviews this year with a wide range of US eCommerce executives finds that on average, international eCommerce revenue account for about 10% of all eCommerce revenues.

Among large online retail brands, cross-border eCommerce revenues are often just shy of 10% of all eCommerce. High velocity online retailers can see international and cross-border revenues range from 20% to 40% of eCommerce revenues.

Overall, we find that international growth rates hover in the low-to-mid twenty percent range.

As Macro-Level Economic Growth Slows, Market Share Battles Intensify

For online retail brands exploring the cross-border opportunity, the *Why?* is often as important as the *How Much?* — especially for brands competing in maturing markets like the UK, Japan, France and Germany.

In mature markets, Internet user growth and domestic eCommerce sales are slowing as is the overall population growth. Aging populations

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<http://www.channeladvisor.com/blog/?pn=scot/amazon-q2-2016-results-for-sellers-amazon-accelerates-again>

GIVEN AMAZON'S FOCUS ON LOW SHIPPING COSTS, FAST DELIVERY, ORDER TRANSPARENCY AND CUSTOMER LOYALTY, IS THERE ANY QUESTION WHY CUSTOMER-OBSSESSED AMAZON CONTINUES TO GAIN SHARE GLOBALLY - OR WHY IT CAPTURED 60% OF ALL ONLINE SALES GROWTH IN THE US LAST YEAR?

in maturing markets aren't buying as many products as are younger populations with growing families in faster-growing countries. In the US, even sought-after millennial shoppers are now shifting a share of their purchases away from products shipped in boxes towards experiences and digital goods⁴.

A PWC study reports that 52% of consumers 18 to 34 are spending on experience-related purchases such as travel and entertainment, versus 39% among older shoppers. Harris found 72% of millennials plan to increase their spending on purchases that provide them and their friends with a lasting impression and an opportunity to connect⁵. Overall demand for products in mature markets is still strong of course, but growth is slowing.

Mobile growth is beginning to slow in these markets as well. KPCB reports that global smartphone user growth is slowing, up 21% in 2015 vs. +31% in 2014. After five years of high growth, global smartphone unit shipments are

⁴ <http://www.business.com/business-opportunities/experience-over-goods-the-millennial-shift-in-spending/>

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<http://www.marketingmag.ca/consumer/millennials-want-experiences-not-stuff-column-164421>

slowing even more dramatically, up only 10% vs up 28% year/year⁶.

Cross-border eCommerce is a priority for retailers based in mature markets because they need to reach younger consumers in emerged and emerging markets, many of whom are mobile first shoppers. Today, a majority of millennial shoppers live in markets such as China, India and Indonesia. So these countries are the where the future lies for many brands.

Consider for instance that Internet user growth in India is still accelerating and the number of users (277M) has now surpassed the USA; making India the #2 global market behind China.

Our 2016 research tells us that global eCommerce leaders are pursuing these shoppers by not only targeting China and India but also other gateway and emerging markets in SE Asia and the Middle East. Here the rising middle classes are coming online to shop for

apparel, electronics, health/beauty and general merchandise. Shipping product to brand-savvy, borderless online shoppers is the opportunity; not just for the future but here and now.

Yet even with the promise of fast-growing markets offsetting slowing growth in more mature markets, it is important to stress that epic global growth drivers of the past two decades are, to quote KPCB's Mary Meeker, "losing their mojo." This macro-level economic perspective

means that stealing share is increasingly the game as global growth drivers all slow and as the *Era of Disruptive Efficiency* dawns.

Despite the macro-economic headwinds, digital commerce remains the tip of the spear as the transformation of retail goes global.

The winners in the years ahead must have a global vision driven by an obsession with delivering an engaging digital experience across all channels; one that is relentlessly supported by customer-centric service and fulfillment practices.

As Amazon so aptly symbolizes, gaining market share also requires investing directly in the operational processes necessary to support customer-centric fulfillment. The resulting efficiencies lower operational costs and these savings can be passed along to consumers as lower prices while also exceeding expectations. The reward for retailers is above average global growth and increased market share.

Executive Takeaways: How E-Commerce Leaders Tackle the Challenges of International Shipping and Fulfillment

Referencing their need to survive the battle for global market share in part by increasing the efficiency of operations, we asked leading retailers, large and small, *Where do you start?*

⁶ 2016 Internet Trends Report, Mary Meeker, Kleiner Perkins Caufield Byers, June 1, 2016

When discussing their top international growth priorities, most executives pointed to overcoming a range of cross-border challenges they face — international regulations, localizing the on-site experience and global logistics. When pressed for Job #1, they essentially told us, *It's the shipping, stupid!*

For many, their prime objective is earning the loyalty of international customers by 1) lowering the costs of international shipping and by 2) speeding up delivery. This feedback reflects a range of recent studies that collectively assert that the top three consumer-facing barriers to shopping online across borders are high shipping costs, additional cross-border fees due upon delivery and slow delivery times.⁷

The following four key findings from our GELF research studies provide retail executives committed to improving the shipping experience with key executive insights, perspectives and takeaways.

Key Finding #1: Improve the Customer Experience by Prioritizing Lower Cost Shipping

Few question that expensive international shipping is one of the top reasons for international shopping cart abandonment. As one executive explained, “Most people get that they need to pay taxes and duties, but they want a break on shipping.”

⁷ 2015 Pitney Bowes Global Online Shopping Study by ORC International (n=12,000 adults across 12 countries).

A SERVICE COMPARISON VERSUS COMPARABLE SOLUTIONS REVEALED THAT MERCHANTS USING THE YAKIT SOFTWARE PLATFORM FIND THEIR COSTS ARE REDUCED BY 20-50% OVER TRADITIONAL CARRIERS, DUE TO MORE EFFICIENT ROUTING AND BUNDLING, AS WELL AS MORE ACCURATE LANDED COST CALCULATIONS.

Others questioned why international shipping costs remain so high in this age of efficient disruption. Part of the answer lies in an old adage among venture capitalists, “There are two ways to make money – by bundling and unbundling.”

For decades, large domestic carriers have acquired shipping and delivery companies of all shapes and sizes. As carriers bundle up once-independent shippers, higher international shipping prices generally result both from less competition and decreased efficiencies.

Scaling operations has generated some internal process efficiencies while also increasing the profitability of the large carrier operations. But most savings have not readily been passed along to retail partners - or the end consumer. And as the large carriers' hub-and-spoke operations have grown globally, the time it takes for an order to be delivered has often increased.

Another dynamic has also contributed to high international shipping costs. In the US, a

[“Cross-Border Ecommerce 2016: A Country-by-Country Look at Consumer Behavior and Trends”](#) eMarketer. Barriers to Clicking Cross-border, ANEC, Dec 2 2015.

significant number of eCommerce companies have been slow to invest in growing their international sales. When asked why, many cite capturing a share of the massive domestic eCommerce opportunity as their top priority.

Given that cross-border volume has been low - at least relative to domestic demand - this strategy has been understandable. So it makes sense that many online retailers have not prioritized a pursuit of lower international shipping costs. Many have simply tossed international orders "over the wall" to their domestic shippers, many of whom haven't yet built strong international parcel networks. Instead these carriers' international business has primarily been focused on moving letters and paper at relatively pricey express rates.

International shoppers have also contributed to high shipping costs. For decades, they have little choice but to pay high prices for desired goods from a limited selection of domestic retailers. In recent years, they have been so relieved to find lower-priced online alternatives abroad that they have been willing to simply grin and bear the high international shipping costs. The status quo has been to pay more.

Times are changing. Global shipping innovators like Yakit are now disrupting the status quo via software that reduces the cross-border friction and lowers the costs of international shipping.⁸

Today, the opportunity is increasingly about unbundling the global carrier logistics networks in a renewed search for new efficiencies. Expectations among international consumers for more choice is also a key driver of change.

As the rising global middle class shops more online and/or via mobile devices, more are seeking, if not yet demanding, cheaper international shipping. The middle class shopper is a more practical shopper than the first wave of cross-border shoppers, who were typically wealthy (and often expats) willing to pay for express shipping. Today's more cost-conscious cross-border shopper tends to be willing to wait longer to save money on shipping (although this decision can depend on product category).

This willingness to delay gratification is, in turn, driving demand for more deferred service options. These more practical cross-border online shoppers also lean towards using consolidated shipping services to save on international shipping costs. Cross-border consolidation options typically include national postal services, although reliability and service levels can vary markedly, especially in emerging markets.

To solve this problem, international shipping software innovators are building new interfaces and proprietary algorithms that connect online retailers to regional shippers and single lane shipping specialists. In many cases, these

⁸ Innovators include international software providers like Yakit, MetaPack/ABOL, Temando, PB/Enroute and others

connections are reducing the costs of international shipping significantly.

Key Finding #2: Manage Expectations Through Accurate Landed Costs and DDP @Checkout

Our research has also found that cross-border shoppers don't like surprises, especially when the final mile delivery agent requests additional duties and taxes upon delivery. Nor do they appreciate their parcels being held hostage until a cross-border "ransom" is paid.

Some stressed that given the amount of natural resources required to produce and distribute parcels globally, is it unacceptable in this day and age for parcels to be simply destroyed due to misunderstandings and/or disagreements about duties. Regardless of how "green" one's ideology may be, more business transparency and respect for the consumption of natural resources is now a consumer expectation.

So it's no surprise that these same shoppers would also expect more cost transparency throughout the online checkout experience. They want to be able to track their orders 24/7. They need to know exactly where their orders are situated throughout the delivery process. A growing number of online retailers are responding by working with cross-border solution providers like Yakit and other shipping software innovators. Their priority is to ensure that the price a shopper pays upon checkout is the final landed cost, all-inclusive of tariffs, taxes and any other cross-border fees.

QUOTING ACCURATE LANDED COSTS AT CHECKOUT IS AN ACCEPTED BEST PRACTICE IN CROSS-BORDER ECOMMERCE.

A commitment to shipping DDP (duties delivered paid) is another emerging foundation for building an improved cross-border shopping experience. Many of the high velocity eCommerce brands that we referenced in the Preface now have a mandate from their investors and boards to prioritize a "no surprises" cross-border customer experience by only shipping DDP.

As one eCommerce executive (and client of Yakit) stated, "Everything we are doing is DDP and all costs are estimated up front during checkout. This process is the keystone of Yakit's value add. Setting shopper expectations is key – if they know at checkout that there will be no surprises and hidden costs, it's a win-win."

When a cross-border online shopper unknowingly checks out paying DDU (duties delivered unpaid), the unexpected bill for additional charges at their doorstep often leads to higher returns, irate customer service calls — and potentially an unhappy customer for life; one who is increasingly comfortable venting their frustration to their social network and/or via social media outlets.

The win for retail brands prioritizing the DDP shipping is lower returns, reduced service costs, and happy customers.

Yet tabulating the accurate landed cost of products can be more complicated than it may



“I THINK [DDU VS DDP] GOES BACK TO THE RETURNS ISSUE ... WE GET A LOT OF UNCLAIMED BOXES BACK AND THAT REALLY WORRIES US.”

ONE EXECUTIVE DISCUSSING HIS FAST-GROWING FIRM'S STRUGGLE WITH HIGH INTERNATIONAL

appear. The underlying algorithm must take into account multiple dynamics including harmonized codes, country restrictions and host of other regulations that can change overnight and without warning to cross-border merchants.

This complexity coupled with the need to constantly screen for and monitor regulatory changes often means online retailers will simply guess at the landed cost — and take a hit to the bottom line when the DDP parcel ends up costing more to get across the border than the merchant charged the customer.

Ecommerce executive Anthony Khedaywi, CEO of Indestructible Dog, explained on a panel at GELF LA '16 how his firm is now tabulating accurate landed costs in real-time. “We were just guessing by looking at their location or their postal code. Now the biggest thing [with our new system] – and you don't see this a lot – is as shoppers add to their cart, Yakit is providing a real-time cost estimate for delivery to their door (see above for example). It is such a better customer experience.”

These landed costing algorithms are also empowering online retailers to test and learn how to improve international conversion rates.

Some innovators are exploring offering flat fee — or even free — international shipping by baking shipping costs into the price of their online merchandise. However, in order for cross-border pricing optimization to increase sales and profits, up-front knowledge of accurate duties and taxes is required.

Although DDP unquestionably improves the cross-border experience and enhances the bottom line, our research continues to find a place for DDU.

Executive opinions regarding DDP vs. DDU options vary based on product category, country destination, average order value (AOV) and other brand and customer experience dynamics. In some countries, China for instance, shoppers don't want to pay their duties upfront. Many prefer DDU because they feel that they can get their imports past customs.

De minimis (duty free) levels can also influence the decision to offer DDU vs DDP. For instance, in Australia where imports under \$1000 aren't subject to tariffs, DDU is the obvious choice for purchases under that threshold.

Yet we see the embrace of DDP growing across the board. We expect this trend to accelerate as more eCommerce leaders steeped in the philosophies of customer-centricity take on greater ownership over the operational aspects of cross-border eCommerce. This is especially true in the fashion apparel and luxury categories.

AN EXAMPLE OF CALCULATING AND PRESENTING TOTAL LANDED COSTS @ CHECKOUT

Yakit Team Store

[Cart](#) > [Customer information](#) > [Shipping method](#) > [Payment method](#)

Shipping address

Johnny Jones
3700 Stokes Place
Campbell River BC V9H 1L5
Canada

[Edit shipping address](#)

Shipping method

<input checked="" type="radio"/>	Yakit Standard (6-12 days): Shipping=0.00; Duties=9.01	\$ 9.01
<input type="radio"/>	Yakit Express (2-5 days): Shipping=30.11; Duties=9.01	\$ 39.12

[Return to customer information](#)

[Continue to payment method](#)

Landed cost in shopping cart OR Free shipping



Pullover Hoodie

\$ 59.99

Subtotal \$ 59.99

Shipping \$ 9.01

Total USD \$ 69.00

Key Finding #3: Cut Service Costs via More Transparent Order Tracking

Post checkout transparency is another tactic global eCommerce leaders are implementing to improve the cross-border customer experience.

One executive asserted that 24x7 order visibility remains a big problem not just for his firm but for many online sellers, “One of our biggest challenges is the tracking systems and the delays [from] communication breakdowns as orders are handed off.”

It’s no secret than many large carriers’ international parcel networks depend heavily on a far-flung web of smaller carriers, shippers, brokers as well as regional and local delivery agents to get packages delivered around the world. Many within the network have limited technology and communication capabilities and

struggle with different messaging protocols and practices. This means that once a package crosses a border, visibility is limited and often non-existent.

Order tracking also reduces customer service costs as it improves the customer experience. One participant in the study explained how his improved order tracking system lets his team focus on other customer service priorities. “Order tracking provides a lot of confidence so our customers don’t hit us up every day about order status.”

Khedaywi of Indestructible Dog touched on how order tracking can reduce customer service costs while also easing consumer concerns about the time it takes for an order to arrive overseas. “It takes time trying to explain how the border crossing works [and] most people don’t care or want to know. So as long as the

customer can confidently track where the package is, it takes the anxiety out of it.”

Key Finding #4: Prioritize Dropshipping Strategies to Cut Cross-border Deliver Times

Khedaywi’s firm is one of the high velocity eCommerce firms working with Yakit to significantly reduce international delivery times. “Six to twelve business days [is the norm] although sometimes we luck out and it takes five days.” He said the consumer “breaking point” for international deliveries is about 21 days.

Long international shipping times are often a legacy of the ‘hub and spoke’ global logistics grid that has emerged as large carriers have rolled up decades of acquisitions. Products often don’t follow the most direct path from seller to buyer; instead they follow a meandering path driven more by acquisitions and consolidation than logistical logic.

Innovators in the international shipping arena are unbundling the inefficiencies within legacy logistics networks by cutting out the middleman. They are empowering sellers’ suppliers to dropship directly to the end consumer, no matter how remote. Simply put, dropshipping offers more efficient order routing. By reducing the distance that a parcel must travel, international logistics software innovations can significantly lower shipping costs.

Dropshipping isn’t new to the eCommerce community, but its leading role in distributed

DISTRIBUTED COMMERCE IS AN EVOLUTION OF MULTICHANNEL ECOMMERCE CONCEPTS, ONE WHERE RETAILERS AND BRANDS CAN EXTEND THEIR CONTENT AND COMMERCE CAPABILITIES TO NEW DIGITAL TOUCHPOINTS. THESE EMERGING DIGITAL POINTS OF SALES MAY OR MAY NOT BE ABLE TO HOLD INVENTORY.

commerce fulfillment strategies should not be understated.

Cross-border distributed commerce (CBDC) is an extension of distributed commerce concepts. CBDC includes both D2C eCommerce sites and both traditional international marketplaces and emerging marketplace concepts, which can include curated product collections, messaging platforms, influencer and reviews sites as well as other niche or specialty digital touchpoints or networks build to aggregate demand.

As we elaborate on below, CBDC concepts that are supported by dropshipping and related distributed commerce fulfillment practices hold the promise to blend the proven benefits of traditional international marketplace selling (e.g., expanded global sales reach, cost-effective customer acquisition, turn-key operational and transactional support) with the benefits of direct-to-consumer eCommerce — namely the opportunity to “own” the customer data while enhancing the customer experience and protecting the brand.

As online retail brands balance emerging digital commerce touchpoints with marketplace and direct-to-consumer sales channel opportunities, dropshipping is creating new cross-border efficiencies and improving the customer

experience. Adoption of dropshipping and the emergence of CBDC is contributing to the rise of two distinct phases within our International Growth phase – Early and Maturing Growth.

The International Growth Stage:

Improving the Cross-border Experience

Drives Multichannel Sales Growth

At February's GELF NYC '16, we updated the GELF strategic framework to illustrate two distinct phases within our International Growth Stage – Early and Maturing Growth (Figure 1).

In contrast to the Cross-Border Passive Selling Stage, where online retailers place a low priority on fulfilling international demand and the subsequent cross-border experience is substandard, the International Growth phase is focused on 1) growing D2C international sales by improving the shopping experience, and on 2) reaching new customers via a blend of traditional international marketplaces and emerging distributed commerce touchpoints.

As referenced below, our research has found that Early Growth companies enhance the D2C cross-border experience by first focusing on improving the international shipping experience.

They prominently and clearly communicate international shipping policies. Early International Growth retailers deliver cross-border online shoppers with specific and locally-relevant policies, often via links in localized

landing pages. They detect a site visitor's country of origin by using geolocation sensors.

Leaders within the Early Growth phase policies also tend to highlight DDU vs. DDP options and can often tell the end-consumer the name of the local delivery agent handling the final delivery. Both practices increase conversion. We find that more and more retail brands in this phase are trying to expand the number of countries they serve by working with companies like Yakit.

Online retailers and brands in the Maturing Growth phase deliver all of the Early Growth capabilities. In addition, these sellers increasingly offer DDU service as a recommended delivery option. They also offer a choice of deferred delivery service options at various price points. Although some Early Growth firms will also provide landed cost estimates, most Maturing Growth companies not only provide accurate landed costs, they also guarantee that there will be no cross-border surprises.

Leaders within the Maturing Growth phase are also using data from the underlying landed costing engines to test fixed rate international shipping, and in some cases, order-threshold driven free shipping. But, as one executive pointed out, most aren't offering free international shipping, "Oh yes, the shoppers want free shipping. But we're not yet ready to do free shipping by pushing a dollar or two into the product." Not surprisingly, we also find that these leaders tend to offer more comprehensive order tracking services

Figure 1: The GELF Strategic Framework for Global ECommerce Sales Growth



As more Maturing Growth retailers double down on investments in the cross-border customer experience, they are enjoying positive impacts on their global brand equity, growing international sales and reducing returns and customer service costs. They are also embracing in-country marketplaces and dropshipping.

International Marketplaces + Dropshipping = Profitable International Customer Acquisition

Over the past five years, we have seen online retailers that successfully invest in international shipping solutions earn a nice bump in cross-border sales growth. Their investments have boosted conversion rates and earned the loyalty

of return customers. Some, however, find that this growth begins to plateau as they move deeper into the Maturing Growth phase. What these companies learn is that they can no longer depend on organic traffic to sustain the growth of their international eCommerce sales.

For a growing number of these online retailers and brands, selling through international marketplaces offers a very cost-effective way to acquire new international customers.

A key characteristic of the International Growth Stage is that companies move into this stage by broadening their sales channel strategy to include marketplaces.

Marketplaces are attractive because they offer sellers another channel opportunity where they can leverage existing eCommerce operations to fulfill international demand.

Turn-key international marketplace infrastructures typically allow retailers and brands to rapidly capture orders from a large pool of new prospective customers. Although they share a percent of the resulting sales with the marketplace operator, the revenue share is typically equal to or less than the marketing costs they would incur to reach a similar pool of prospective customers. From this perspective, international customer acquisition via in-country marketplaces can be a quick win for shoppers, sellers and the marketplace operator.

Another benefit of international marketplaces is that they provide a real-time testing environment where retailers and brands can capture a vast array of global demand signals. They can then use these insights to learn more about customer preferences and shopping behaviors.

Our research shows that leaders are using these demand signals and related consumer insights to hone the selection of products they offer in the marketplace environment. They can then use this knowledge to help further localize and optimize the customer experience, especially as they build country-specific brand sites and localized D2C eCommerce sites. This evolution is a characteristic of the Regional Build Stage, the final stage of GELF Strategic Framework.

However, in order for this international marketplace formula to work, a cross-border online retail brand needs fast, cost-effective international shipping. Often times, many of the competitors selling within the marketplace have traditionally been in-country sellers with local inventory staged relatively close to the in-country buyer.

Sellers based outside the country that want to cost-effectively fulfill this new channel of international demand require efficient and timely dropshipping directly from the seller's suppliers. This need for speed is one reason the global eCommerce community is seeing more and more merchants dropshipping from remote warehouses (within and outside the country).⁹

As online merchants and brands try to get closer to their cross-border shopper, we once again revisit a key theme of this study, but this time with a different spin - *it's the inventory, stupid!*

More specifically, it's about reducing the risks and costs of the inventory needed to fulfill international demand, regardless of whether that demand originates from D2C channels or marketplaces.

As one interviewee stated, "We had talked about setting up in-country warehouses before talking to Yakit. We had done a lot on a [Canadian marketplace], but I had to have inventory sitting in those countries and that creates higher costs.

⁹ India's largest marketplace, Flipkart, is partnering with Yakit to solve the unique challenges of opening a marketplace to cross-border traffic.

So that is the real problem – [the cost of] warehouses. Cross border success is all about managing the inventory costs, it's not about the operational costs.”

In essence, this premise underscores the strategic importance of embracing distributed commerce models supported by customer-centric international fulfillment practices.

We see a growing number of global eCommerce leaders — both well-known global retail brands and new high velocity entrants — improving the international shopping experience by onboarding warehouses anywhere in the world and delivering authentic, highly-sought after goods in a time and cost-effective manner.

All the while, their cross-border technology partners are keeping the merchant and/or marketplace in the data loop, providing crucial information about the customer gleaned in part from owning the final mile. Most importantly, by delivering a more satisfactory cross-border experience, they are earning the international consumer's trust and future business.

Conclusions

Does the cross-border shopping experience truly matter? Isn't international eCommerce really all about easier access to growing selections of popular branded consumer goods and much lower prices than retailers charge at home?

Yes and yes. There is a good reason the eCommerce headlines — whether domestic or international — continue to obsess about

GARTNER SAYS THAT BY THE END OF 2016, 89% OF COMPANIES BELIEVE THAT CUSTOMER EXPERIENCE WILL BE THEIR PRIMARY BASIS FOR COMPETITION. IN 2017, 50% OF CONSUMER PRODUCT INVESTMENTS WILL BE REDIRECTED TO CUSTOMER EXPERIENCE INNOVATIONS.

THAT'S A BIG DEAL.

improving the customer experience. It's the final front of competitive differentiation.

We find it refreshing that solution providers like Yakit and their clients are investing time and energy to improve the cross-border shopping experience. This focus is way overdue and way under-hyped.

We aren't talking about making eCommerce sites graphically pleasing and using video to engage and delight users. That topic will have its time and place within the global eCommerce leaders' community.

Today when we talk about improving the cross-border shopping experience, it is more about delivering sought after products anywhere in the world at a reasonable price.

One executive hit the nail on the head when he explained his company's recipe for international success, “Hit a niche. Focus on quality and style. And find someone that can deliver overseas at a fair price.”

Moving product around the world can be an expensive proposition. This is especially true with fashion and apparel, where inventory costs can be enormous and the risks are often high. But few question whether international

eCommerce is a worthwhile endeavor. It's becoming table stakes. The trick is executing efficiently on the opportunity. Leveraging just-in-time manufacturing and dropshipping to keep inventory and fulfillment costs low is the key to profitability — and the wave of the future.

We'd like to thank the Yakit team for sponsoring the opportunity for us to spend time interviewing

global eCommerce leaders and to share their insights and perspectives with a global commerce audience.

We encourage you to spend some time learning more about how Yakit's flat world shipping solutions are helping high velocity eCommerce companies take international eCommerce to the next level.



About Our GELF Research Sponsor, Yakit:

With offices in California, Zurich, and Bangalore, Yakit is a software company that enables cross-border shipping through one unified interface.

Data-driven to the core, Yakit was built based on quantitative insights about the emerging problem of shipping, and is passionate about furthering research and knowledge-sharing in the cross-border eCommerce space.

The banner features a background image of the New York City skyline with the Manhattan Bridge in the foreground. Text elements include: 'Global E-Commerce Leaders Forum' with a globe icon in the top left; 'Join us Feb 9th at GELF NYC '17 in our NEW Venue @Convene 117 W 46st!' in the top right; 'NEW YORK CITY / THURSDAY FEBRUARY 9TH' in a dark grey bar; 'Share Insights. Get Hands On Advice Grow Your Global E-Commerce Sales' in large white text; and 'Sign Up Now' in a red button at the bottom.