



Navigating **the** Complexities of International Markets

*How Canadian Retailers are Growing their
eCommerce Footprints*

eTail

 Radial

WBR  INSIGHTS

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Executive Summary

Canadian retailers are preparing for tremendous international growth into North American, South American, European, and Asian markets—engaging new competitive marketplaces filled with unfamiliar customers. Creating successful user experiences abroad requires analyzing challenges to international expansion, building multi-location fulfillment strategies, and understanding cultural differences that will affect brand performance. Are Canada's most ambitious retailers up to the challenge?

In order to answer this question, WBR Insights and eTail Canada reached out to 100 digital retail executives. Their responses to an incisive survey are the basis of this report. Read on to discover how your performance stacks up to your peers, what markets they are planning to move into, and what challenges they are the most concerned with overcoming, as well as the strategies they are using to do so.

Key Findings

Canadian retailers are taking advantage of the global economy. While the vast majority already do business in the United States, over half have entered the Eurozone and nearly half are now in the APAC region.

Enterprising retailers are awake to the benefits of expansions into new markets. Trade with the United States is strong, however the potential present in European markets, along with growth opportunities in Asia and Central and South America are strong draws. After carefully planning and evaluating against geopolitical uncertainty, companies with the right partners have the ability to drastically grow their businesses.

Expansions are set to occur in the next 12 months that will see many retailers come to grips with the challenges of international commerce. Among these, localization, loyalty, and fulfillment loom large.

Language and cultural barriers are some of the most ubiquitous challenges cited by retailers contemplating expansion. Cultural differences present a set of challenges that can be very difficult to fully anticipate without doing a full assessment of a target market. Along with variance in cultural and commercial norms, the core of a good experience that can build loyalty is strong fulfillment and returns, something that many retailers cited as an area of concern.

Omnichannel customer engagement is increasingly standard, and 73% of retailers are planning to investigate the means to build personalization strategies that can cover their international markets to increase their sales.

Once the initial challenge of entering a new market has been overcome, retailers begin to focus on creating stronger personal experiences. That stated, 88% of respondents lack a fully developed localization strategy that covers all of their international markets. In order to compete effectively, they must extend the experiences they would offer to Canadian consumers to those in international markets.



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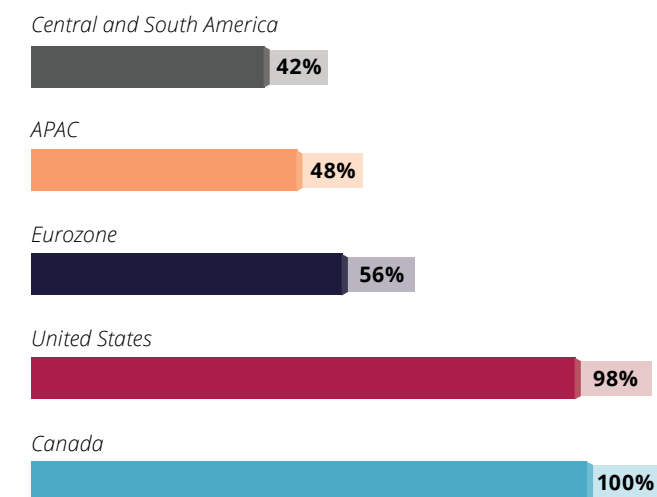
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Interestingly, well over a third of retailers have begun to expand their business into the APAC region as well as Central and South America.

Research Analysis

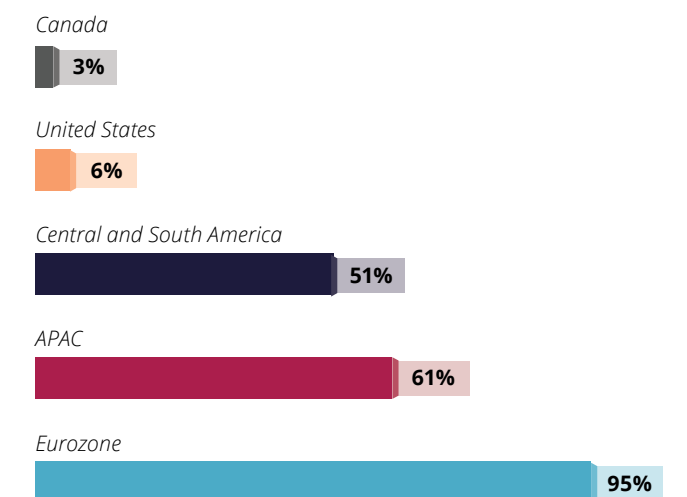
Growing retail success in a shrinking world

Which of the following markets are covered by your ecommerce operations?



Today's commercial world is linked by the proliferation of the internet. For digital retailers, this means that developing a national customer base is just the beginning of possible expansion. Today, business with the United States is virtually ubiquitous, while more than half of retailers are doing business within the Eurozone as well. Interestingly, well over a third of retailers have begun to expand their business into the APAC region as well as Central and South America.

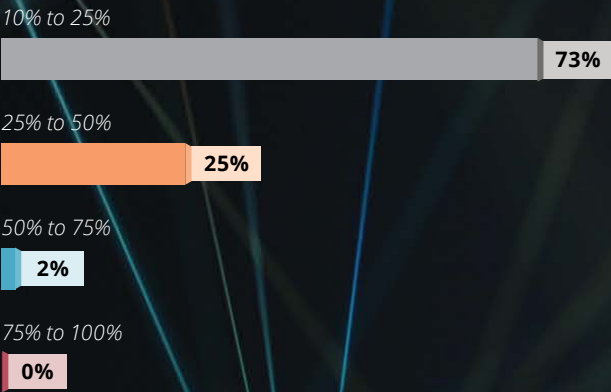
Which of the following markets will be covered by your ecommerce operations in the next 12 months?



Where Canada-based retailers see their operations expanding in the next 12 months heavily favors the Eurozone, drawn by the established buying power of consumers in the region. APAC boasts 61% of respondents seeking entry into their markets, fueled by the robustness of economies including Japan, South Korea, and China, as well as India and Australia. Central and South America are also areas where more than half of respondents are planning to pursue growth opportunities.

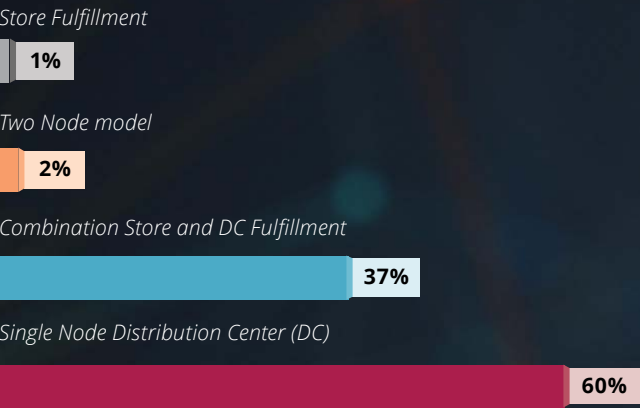
Growing retail success in a shrinking world continued

What percentage of your ecommerce orders are shipped internationally?



Despite the wide footprints that Canadian retailers are developing, the bulk of their sales remain in Canada. That said, 25% of respondents have reached the point that international orders account for between 25 and 50% of their annual digital sales.

What is your current fulfillment model?

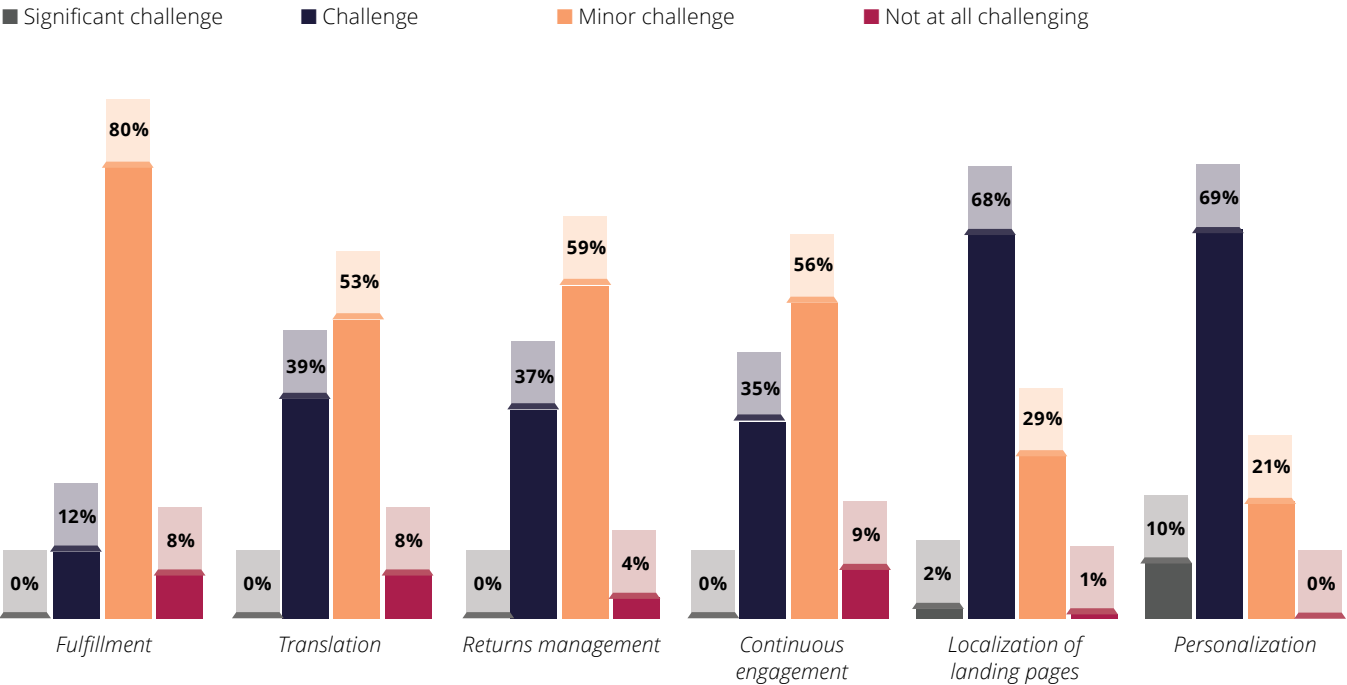


A Single Node Distribution Center (DC) is the most common setup for respondents, followed by a combination of physical store-based options and DC fulfillment.

Research Analysis

Delivering uniform retail experiences across markets

Please rate the challenges you face when working to develop better customer experience for your international customers?



The challenges that bar Canadian retailers from improving their international operations are highly varied. These challenges reflect all of the difficult aspects of managing an omnichannel retail operation on a national level, in addition to specific challenges related to international markets.

Personalization stands out as a challenge for 100% of respondents. The difficulties that come with enabling a true one-to-one level of personalization

are common across nearly every consumer industry, stemming from the need for ever-more minute levels of segmentation, as well as the development of data management infrastructure and content that fits the needs of an individual. Personalization challenges such as displaying products that are most likely to appeal to a customer are compounded by the need for accurate exchange rates for pricing, as well as coordination with back-end processes for logistics and inventory management.

How retailers perceive their challenges with international expansion

We asked our respondents to define their greatest challenges. Here are a few that stood out as the most commonly echoed themes:

“Capturing and understanding consumer preferences in international markets. Setting prices according to consumer expectations is another great challenge.”

These challenges stem from the differences in how customer data must be managed per different markets. Attempting to build the personalization that modern consumers desire without a clear understanding of what information is able to be collected and how it must be handled puts retailers at a serious disadvantage. Delivering the right product at the right price isn't easy at home, and more so abroad.

“Partnering with a provider who has global expertise is critical to reducing operational costs and acquiring customers.”

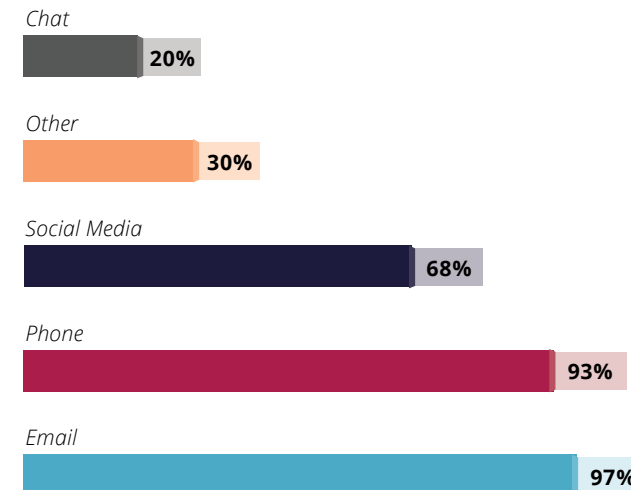
The right logistics framework is key for any business, and this becomes even more prevalent in international expansion. Cost concerns stemming from fraud, lost inventory, and delivery must be well-handled to ensure a profitable expansion. In addition, managing a seamless delivery and return experience is key in order to compete with local and regional businesses.

“Understanding economic, political, and legal aspects of international markets are the biggest challenges.”

Lastly, some of the most obvious competitive challenges are linked to the nuances of macro-trends in international relations. In 2018, the global trade climate is arguably more volatile than it has been in recent memory, with political fallout threatening to affect NAFTA, the presence of various economic sanctions on international bad actors, and outsized effects of major growth economies such as India and China adding uncertainty to the equation with the flexing of their growing power.

Delivering uniform retail experiences across markets *continued*

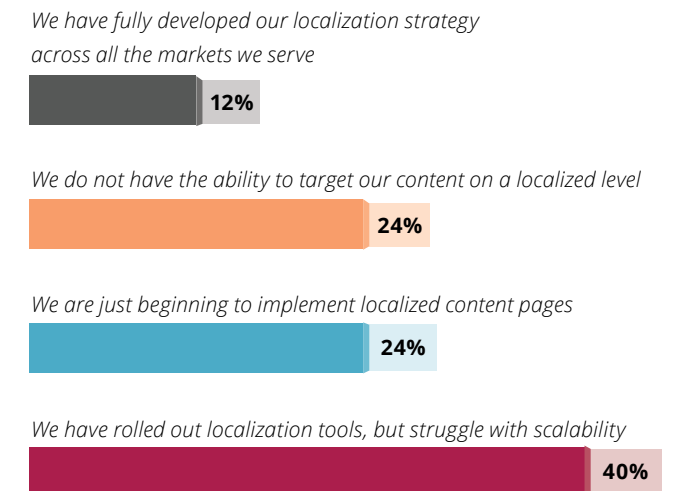
Through which of the following channels do you provide customer care?



Fulfillment on an international scale is a difficult strategic challenge. It's essential to lay the groundwork for fulfillment before retailers can begin to pursue greater marketing and engagement-related initiatives. The management of a fulfillment strategy is also an ongoing process that requires specific attention. The right order management systems, transportation networks, and inventory optimization tools go a very long way towards making this easier.

As if the challenges of fulfillment were not enough, things become even more difficult to manage when it comes to reverse logistics. In order to meet the goal of frictionless returns, retailers must lean once more on a foundation of solid inventory management while taking into account the need to provide a positive customer experience. When serving markets in the APAC region or Eurozone, the ability to manage fulfillment and reverse logistics effectively can be a crucial factor for customer experience. The distance involved and the possible presence of local alternatives means that Canadian retailers must pay attention to developing a purchase experience that mirrors the convenience of an option more close to home while dealing with a much higher degree of difficulty.

What is the current ability of your company to provide localized content on your ecommerce sites?



These difficulties include developing order and inventory management systems that are coordinated with the full breadth of solutions in use. Siloed activities represent significant risks for international retailers, as so much data needs to be kept track of due to the heightened complexity of doing business abroad.

Continuous engagement is an area of difficulty that is also based on understanding individual markets and setting up the solutions that can support the strategy. With the advent of Canada's Anti-Spam Law (CASL), it's not surprising to see that many retailers are working to improve their ability to continuously engage while remaining compliant. The only way to manage this is through the provision of high-quality and relevant content.

This becomes even more difficult when other markets and cultures are part of the equation.

Key Recommendations

Here's what we've learned are the most valuable strategies and areas for Canadian retailers to prioritize:

"Forecasting the changes and volatility of the international market and building a strategy around the main questions: why, where, how, when, and what. These questions can be used to create sustainable strategies."

In other words, look before you leap. It's recommended to take normal steps such as a SWOT analysis, but in the case of international expansion and depending on the market, it pays to go deeper. Retailers should be confident that they understand the markets that they are looking to enter on a holistic level before they commit to entering a new and unfamiliar territory.

"Consider entering markets with comparatively lower rate of currencies and lower costs of living which can help to reduce overhead costs and price products more competitively and with greater profit margins."

Cost-control is one of the key elements of success for international expansion, and when starting out, it's beneficial to create a base in an area where costs are relatively lower. Some respondents suggested that this is a good first step for entering adjacent markets as well, because it can allow for bases of production to be established with favorable costs, increasing profit margins even further when pricing elsewhere.

"Have a centralized distribution system to reduce capital expenditure and gain better control over supply chain."

Developing a consolidated approach to your distribution is another strategy that can help control margins, allowing more breathing room in an international environment. The right partners and strategies are keys to delighting your newly growing customer base. It's essential to maintain a high standard in your fulfilment operation—the visibility that comes from consolidation is something that 60% of respondents are already taking advantage of, and working to scale.

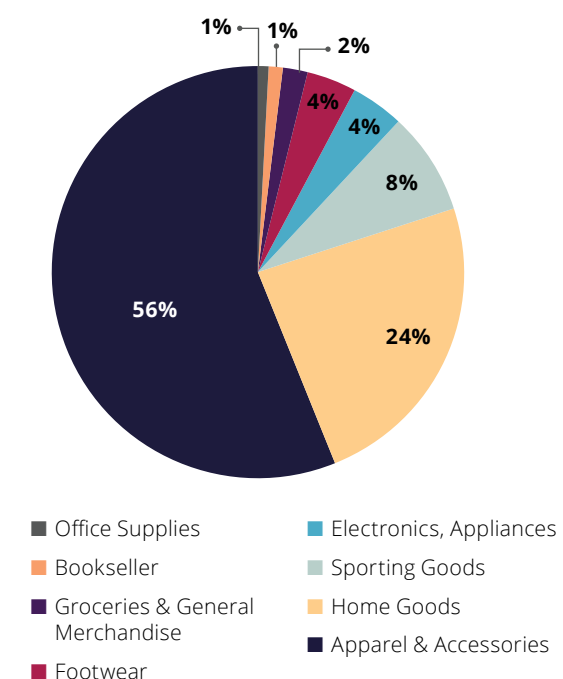
Appendices

Appendix A: Methodology

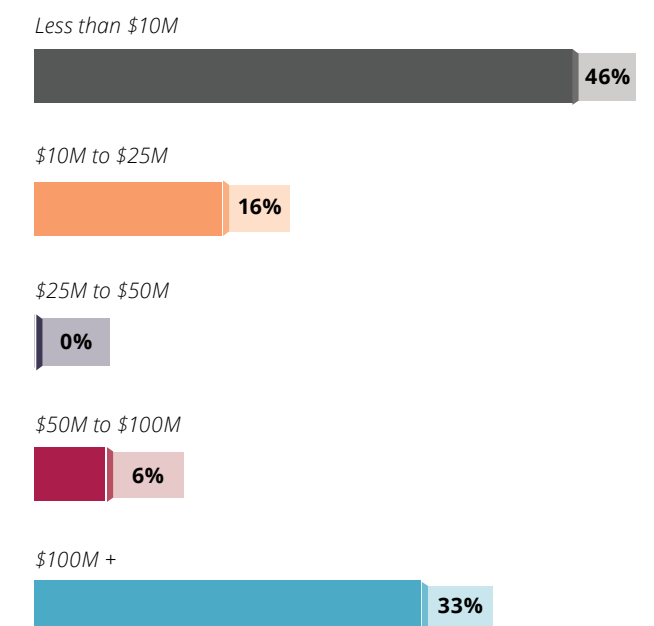
The results analyzed in this report were gathered from responses to a digital benchmarking survey delivered to members of the eTail Canada database. 100 executives responded to the survey.

Appendix B: Demographic information

Which of the following markets are covered by your ecommerce operations?



What is your annual ecommerce revenue?



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