

retail TouchPoints®

SPECIAL REPORT

*CROSSING BORDERS AND BREAKING DOWN RETAIL BARRIERS:*

# 4 STEPS TO SUCCESSFUL ECOMMERCE EXPANSION

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# INTRODUCTION

With just a simple click of a mouse or tap of a finger, consumers now have access to an abundance of brand and product options, and research shows consumers are eagerly embracing cross-border shopping behaviors. Between 2022 and 2023, there were an estimated **2.3 million** new cross-border online shoppers, for a **3.4%** growth rate, according to **CapitalOne**. This year, **71.8 million** U.S. consumers 14 years and older will become cross-border shoppers.

"We live in a society where uncovering and discovering brands is second nature; you're scrolling through your favorite social media app and brands have the innate ability to reach a multitude of customers," said Jennifer Biester, Principal Solutions Consultant at Adobe in an interview with *Retail TouchPoints*. "This eagerness to discover global brands is inherent across a multitude of geographical regions. It's about going through and seizing that opportunity."

Across categories, brands of all sizes are harnessing this power by developing cross-border strategies that help them reach shoppers in new markets. While U.S.-based brands are expanding into new states and even new countries overseas, international brands are focused on making inroads in the U.S.

When brands develop cross-border ecommerce strategies, they can unlock significant long-term value. Research from **eMarketer** found that global cross-border ecommerce reached **$2.8 trillion** in 2023 and is expected to reach a valuation of **$16.5 trillion** by 2032 — a compound annual growth rate of **21.6%**.

"Expanding into global markets is something that is on almost everybody's mind because of the immense opportunity that it poses from a revenue standpoint," Biester said. "Brands can double or triple their market size and sell to key audiences in completely different demographics that they never thought they could before."

In this special report, we'll outline the keys to successful cross-border expansion, revealed by leading ecommerce and digital experience experts.

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STEP 1

# *DEVELOP YOUR VISION*

Before putting a plan in place, brands need to develop their vision and foundational strategy. In some cases this strategy is set at the C-level, but other companies may develop their core goals and objectives within the ecommerce team.

Biester noted that brands should take a “data-driven approach” to validate their goals and decisions by combing through various feedback channels, such as social media, form fills, service inquiries and more. Brands can then integrate this data with their purchase and browsing data to understand where their customers *really* are.

Industry benchmark data can also inform expansion plans. For example, CapitalOne found that there are **280 million** cross-border ecommerce buyers in China, the most of any country. Within North America, Canada has the highest cross-border purchase rate, with **55.5%** of online shoppers purchasing from a foreign online retailer in the past year. However, for U.S. brands looking for a relatively easy path abroad, Europe represents low-hanging fruit.

In addition to being in the **third-largest global market**, European shoppers are relatively aligned to U.S. ones, especially as it relates to their online shopping behaviors and preferences. “When you're talking about the relationship between the average North American shopper and the average European shopper, there is a lot of crossover in terms of their opinions and needs,” said Niall Kiernan, Senior Director of Product – eCommerce at Vertex. “That’s why, for companies in the B2C realm especially, there’s a big push to advance globally through this market.”

STEP 2

# UNDERSTAND YOUR OBLIGATIONS

After determining where they want to expand across borders, brands need to develop a plan for adapting to the different legal and regulatory requirements of those markets. Biester and Kiernan outlined some key questions to ask in this stage:

### *ARE YOU ALLOWED TO SELL YOUR ENTIRE PRODUCT SET IN THE GEOGRAPHY YOU PLAN TO EXPAND TO?*

In certain markets, there are unique laws and regulations that may prevent you from selling your entire merchandise assortment. For example, there are nuances for brands selling cosmetics or beverages across borders. Products also may have different tax rates by district, state or country. With all these nuances, you may want to refine and tailor your assortment for specific markets.

### *DO YOU HAVE THE SHIPPING INFRASTRUCTURE TO KEEP UP WITH CROSS-BORDER DEMAND?*

Consumers in different markets have distinct expectations around shipping times and fulfillment experiences. Are you equipped to offer speedy delivery when it's needed? Do you have a footprint of warehouses and distribution centers to keep pace with demand? If you do, you also must determine if you have the systems to address the many legal and financial intricacies, such as different shipping rates, customs laws and logistical compliance requirements.

### *WHAT DISTINCT LAWS AND REGULATIONS DO YOU NEED TO COMPLY WITH?*

Tax rules vary by district, state and country. In the U.S., local government agencies can set transaction taxes and fees in addition to the tax rules of each state. European taxes also are extremely nuanced because each country sets its own Value Added Tax (VAT) rates, remittance rules and deadlines for filing VAT returns. They also set criteria for VAT registration. Additionally, **27** European countries are members of the EU, which has its own set of tax requirements.

Tax regimes are constantly evolving regulations and legislation to capitalize on new commerce trends and opportunities, Kiernan noted. For example, "legislators have realized that there is a lot of cross-border selling going on, and there is a lot of discussion around the 'tax gap,' in which some foreign sellers are selling into a country but don't pay tax," he explained. "Legislators are focused on shutting that down as much as possible, so tax is now based on place of consumption rather than place of sale. If I'm selling from the U.S. into Europe, I have to pay the European tax, which creates nuances and challenges."

When expanding across borders, brands typically struggle to accurately calculate tax in every relevant country, region and jurisdiction. They also lack the staff and expertise to manage global compliance requirements as they expand across channels and touch points. Technology such as tax automation solutions can help streamline this process, mitigating financial and legal risk for brands.

**STEP 3**

# *ADAPT TO CULTURAL PREFERENCES*

Once merchants understand the legal and regulatory compliance requirements of specific markets, they need to understand the nuances of consumers within these markets, and how they will need to adapt their ecommerce experiences.

Deep customer understanding entails knowing consumers' device usage and their front-end expectations, such as the level of personalization they expect on the ecommerce site, how they want to search for products and the depth of content they expect on product display pages. However, consumer preferences also encompass the more logistical aspects of retailing, such as their payment preferences and how many different shipping and delivery options they require.

"In my opinion, personalization is an 'onion term' because there are so many different layers to it," Biester said. "Some people think of personalization as simply changing the banner image on the homepage. That's one version of personalization, but it could also be speaking to [customers] in their natural language. Being able to speak to people in a personalized, contextualized manner is the bare minimum, and then understanding the shopping and/or procurement preferences of people within those countries is a major aspect of expanding globally."

About **half** of digital consumers want one-of-a-kind offerings, while **one-fifth** of consumers desire more personalized shopping experiences.

-Euromonitor's ***Top Global Consumer Trends 2024 report***

Brands need to ensure this level of understanding and personalization throughout the entire customer journey and ensure they have the operational back-end support to fulfill these expectations.

For example, European shoppers are more flexible with delivery timelines because they are trying to make more environmentally friendly decisions, according to Kiernan. Merchants not only need to fulfill these expectations on the front end; they also need to ensure they're tackling tax and customs requirements, especially if they are delivering into and out of the EU.

"If you're shipping something from the UK to Ireland, you don't want to have a package arrive on a customer's door and they end up having to pay a customs fee or tax fee. That is a terrible experience," noted Kiernan.

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STEP 4

# MAINTAIN REGULATORY COMPLIANCE

Tracking and adapting to new regulations and requirements is key to maintaining compliance. However, the further a business expands internationally, and the more channels and touch points it uses to acquire and retain customers, the more complex this process becomes — especially if teams rely on manual tools and workflows.

"Whenever businesses see an opportunity to change their business models to benefit the customer or optimize the business, tax authorities have to evolve and respond," Kiernan explained. "And then businesses must stay up to date with all these compliance changes. When you are broadening out into multiple countries, that becomes a challenge. How do you maintain this? How do you keep it centralized? Who is managing what?"

Primary points of complexity include:

### *ENSURING TAX CONSISTENCIES ACROSS SYSTEMS AND SELLING CHANNELS:*

Tax rates, calculations and reporting standards should be uniform across channels and touch points. This consistency streamlines compliance efforts and helps prevent discrepancies that could open up the business to legal risk and fines. By implementing accurate tax calculations in the sales process and including any tax exemptions, merchants can prevent under- or overcharging taxes.

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### *MEETING INVOICING COMPLIANCE REQUIREMENTS:*

Different markets have different regulatory requirements for invoices, including their formatting, language and content elements. Some districts require a digital signature for authenticity. In some cases, a digital PDF invoice is enough as long as it has the required format mandated by the customer's district. For other jurisdictions, eInvoicing is required, which mandates that merchants deliver electronic invoices through structured, machine-readable transactions. These invoices are transmitted in near-real time through Electronic Data Interchange (EDI) systems, to track and validate global VAT liability and registration IDs. In Europe, invoicing helps ensure VAT compliance by ensuring VAT calculations, exchange rates, language and formatting within each invoice are accurate. Incorrect calculations, or failing to report accurate data in real time, can make merchants noncompliant with a country's VAT regulations.

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### *MAINTAIN DETAILED AND SECURE RECORDS:*

Organizations should keep comprehensive and well-organized records of all transactions, taxes and compliance-related documentation. This helps in reducing the risk of audits but also helps to ensure that organizations meet strict compliance guidelines by providing transparency to local and national tax authorities. Additionally, merchants need to comply with data protection and privacy laws in different regions, such as the GDPR in the EU.


# DEVELOPING A SCALABLE STRATEGY FOR SUCCESS

The ecommerce landscape will continue to evolve, with new brands entering the marketplace and consumer behaviors disrupting status-quo experiences. To keep pace, brands and retailers need to develop a culture of data-driven innovation, bringing people, process and technology together to ensure they are expanding and evolving intentionally.

## PEOPLE

Assign different teams and team members to focus on keeping pace with new trends and issues that may drive future decision-making. This includes keeping tabs on new competitors, consumer behaviors, international regulations and tax laws.

## PROCESS

Develop a repeatable process for tracking ecommerce performance. Use browsing and buying data to spot trends and determine what may need to be tailored or refined for different audiences and markets. By embedding data, testing and learning into everyday processes, you can ensure your brand is constantly evolving and improving the digital experience.

## TECHNOLOGY

Invest in technology partnerships that can help you automate and optimize your back-end processes and front-end experiences. Vendors and solution providers should be equipped with the industry knowledge, firsthand experiences and best-in-class technology capabilities needed to drive conversions, boost customer loyalty and maintain compliance.

"There is an old saying: 'if you fail to prepare, then you prepare to fail,'" Biester said. "The preparation that goes into understanding the regulations and the requirements allows you to really jump into cross-border expansion with both feet — with the customer at the forefront of your mind — because you have thought about all the administrative things that need to happen before that expansion."

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Vertex Inc., is a leading global provider of indirect (sales, use & value-added) tax software and solutions. Our tax technology helps retailers worldwide transact, comply and grow with confidence. Whether your business is clicks, bricks, or a mix, we can help to accelerate commerce growth by improving tax accuracy and consistency across channels.

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## ABOUT THE AUTHOR

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Alicia is an editor-turned-content marketer, with a passion for all things focused on digital-powered experiential retail.