E-commerce survey provides roadmap to help U.S. retailers reach consumers around the globe

Uncovers nuances in how international consumers approach online shopping

WHITE PAPER

Overview

Often times, in order to grow you need to move beyond your comfort zone. For U.S. retailers looking to boost revenue, that can mean expanding into global e-commerce.

While going global can seem overwhelming, the upside potential is enormous for those who are positioned to meet market demands. For example, consider the following. Online retail sales in the e-commerce markets that Forrester Research forecasts—namely, the markets of Western Europe, as well as key markets in Asia Pacific and Latin America— will expand by 67 percent by 2015, while the U.S. is expected to grow by 42 percent.[1]

Consumer preferences and shopping behaviors differ considerably by country while other traits and characteristics of online shoppers transcend national boundaries. The challenge comes in learning to balance these similarities and differences. For U.S. retailers just starting to expand beyond the comforts of their home market, focus must be the first priority. How big is the opportunity? Which countries should I target? What obstacles will I face? Can I use my current e-commerce site? What products should I feature? Most importantly, how can I create a successful shopping experience for international visitors?

Focusing on the customer—what they want and how they like to shop—will provide the best roadmap for success in global retailing.

To help U.S. retailers better understand the online consumer, Pitney Bowes commissioned a survey with the polling firm ORC International that explored global consumer purchasing behavior and attitudes. The survey polled approximately 10,000 respondents from 10 countries representing a wide variety of markets, from developed economies in the Eurozone to emerging markets within Asia and South America.

The resulting insights into what international consumers are looking for in their online retail experience can be used to help retail and consumer brands design, launch and grow a profitable global business.

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1 Forrester Research, Inc.: "Using International Shipping To Reach Online Shoppers Around the Globe," August 31, 2011

Growing opportunities

E-commerce offers international consumers 24/7 access to U.S. brands, the popularity of which continues to spread globally. In fact, today seven of the top brands worldwide are based in the U.S.[2]

The potential for new revenue is clear. As the online population surges around the world, the awareness of and demand for U.S. brands offers new opportunities to generate international sales. According to the in-depth Pitney Bowes study, **93 percent of international consumers surveyed have shopped online. They are also shopping frequently—nearly half of those who shop online had done so in the past 30 days.**

Consumers surveyed in Germany, South Korea, and the U.K. ranked highest for making online product purchases (98 percent), with Japan a close second at 96 percent. While in Canada, where online shopping was the least prevalent, more than four out of five (82 percent) reported having bought goods online. In terms of frequency, two-thirds of shoppers in Germany, Japan and the U.K. had made online purchases within the past 30 days.

Online purchases by country

	Ever made online purchase	Purchased products online in last 30 days
Australia	92%	52%
Brazil	91%	45%
Canada	82%	31%
China	94%	38%
France	91%	42%
Germany	98%	66%
Japan	96%	65%
South Korea	98%	35%
U.K.	98%	65%
U.S.	91%	55%

Many are shopping online—but is it a good experience?
Several consumer behaviors transcend cultural and local barriers

International shoppers want four basic things when purchasing online: competitive prices; a broad selection of products; easy, intuitive checkout; and low costs for shipping, duties and taxes.

Consumers across all 10 countries in the survey shared a focus on price sensitivity.

What is the most important factor in purchasing products online?
Based on Pitney Bowes survey of 10,000 global consumers.

- Price of products – 71%
- Selection of products – 42%
- Ease/speed of online checkout intuitive checkout – 35%
- Shipping cost/duties/taxes – 35%
- Ability to track your order – 21%
- A clear and easy-to-understand return policy – 20%
- Accurate estimates on delivery date – 16%

The survey also indicated that international buyers do not like surprises. Preventing these surprises requires calculating and providing information on the "fully landed" cost of goods, which includes all applicable cross-border duties, taxes and shipping costs, up-front during the online purchasing process so international consumers know this is all they will pay. Since every market has unique restrictions on goods that can be shipped into their particular country, U.S. retailers must also carefully manage the expectations of online shoppers early in the shopping experience. In the world of online retailing, one negative "surprise" in the overall shopping experience can result in the customer not returning.

Beyond cost and product selection, the concerns of international shoppers revolve around the overall customer experience, from ease of checkout to ability to track an order to easy returns. For U.S. retailers considering global e-tailing, it is critically important to create an infrastructure that will be flexible and adaptable to all these factors.

2 Business Week. Top 100 Global Brands Scoreboard

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Different consumer preferences require different online shopping experiences

The survey uncovered interesting nuances among consumers within the 10 countries. Retailers should consider these insights to make sure international visitors from each country encounter an online experience that is crafted for the shopping preferences they share with others in their home market.

- Ease and speed of the online checkout process was more important to consumers in Germany and South Korea (both 59 percent), but much less important in Japan (11 percent).

- French consumers were seven times more interested in the ability to track an order than Japanese consumers (37 percent versus five percent).

- Accurate delivery date estimates were important to consumers in China and South Korea (both 20 percent) but less important in Canada (10 percent).

- A clear and easy-to-understand return policy was almost three times more important to consumers in China (36 percent) than to consumers in Brazil and the U.S. (both 13 percent).

Once a consumer has come to your site, there are many factors that could lead them to abandon their shopping cart once they are ready to check out. The illustration to the right highlights issues that are most likely to discourage shoppers from completing a transaction.

Success requires the flexibility to respond to cultural norms, local market conditions and evolving consumer preferences. For example, shipping costs and additional fees at time of delivery, such as duties and taxes, can vary significantly based on where a consumer lives as well as where merchandise originates. It also requires flexible options that can help retailers select the best distribution method, tracking capabilities and return management process for their duty and duty-free products.

Finding a solution provider with the resources and expertise to provide these services must become an integral part of the expansion plan.

Obstacles to completing a purchase		
Cause for checkout abandonment	**Consumers discouraged to complete purchase**	**Markets most sensitive to this problem**
High shipping costs	67%	U.S. – 83% U.K. – 79% Japan – 78% Australia – 76% Canada – 75%
Additional fees at time of delivery (duties & taxes)	47%	U.K. – 65% Canada – 62% Australia – 55% France – 52% China – 50%
Lengthy delivery time	39%	China – 54% South Korea – 46% Brazil – 45% U.K. – 45%
Product descriptions in foreign language	30%	U.K. – 46% Australia – 40% U.S. – 34% Japan – 34%
Online return policies	29%	China – 36% Canada – 34% U.S. – 33% U.K.– 32% France – 32% Australia – 32%
Merchant doesn't accept my credit card	28%	U.K. – 41% Australia – 35% U.S. – 34% Japan – 32%
Pricing not in my currency	27%	U.K. – 44% U.S. – 37% Japan – 36% Australia – 34% Canada – 33%

Key factors for building successful international online shopping experience include:

✓ **Make sure that international shoppers see pricing in their preferred currency:** Shoppers will want to see pricing in their own currency on product pages. Don't make them go into their shopping cart to see how much a product really costs.

✓ **Provide fully landed cost information at checkout:** Consumers are more likely to be satisfied if applicable duties, taxes and shipping costs are calculated and provided up-front during the buying process.

✓ **Give consumers the option to select their own delivery method:** Empower consumers to control their costs through choice of standard delivery (at lower cost) or expedited delivery (at higher cost). Spell out the time frame for each.

✓ **Offer several payment options:** Debit and credit card usage vary by country and custom so, whenever possible, offer both. Make it easy for consumers who wish to pay by electronic payment systems with PayPal or Moneybookers.

The survey also probed the motivations of the international online buyer to understand their most important considerations when purchasing products from an online retailer. Again, these factors vary by market.

Most important purchase consideration by country (beyond price)		
	Top Concern	**Second**
Australia	Shipping costs/duties/taxes (44%)	Selection of products (41%)
Brazil	Ease/speed of online checkout (56%)	Ability to track order (25%)
Canada	Shipping costs/duties/taxes (48%)	Selection of products (32%)
China	Selection of products (51%)	Ease/speed of online checkout (47%)
France	Ability to track order (37%)	Selection of products (31%)
Germany	Ease/speed of online checkout (59%)	Selection of products (47%)
Japan	Shipping costs/duties/taxes (64%)	Selection of products (48%)
South Korea	Ease/speed of online checkout (59%)	Selection of products (50%)
U.K.	Selection of products (48%)	Shipping costs/duties/taxes (35%)
U.S.	Shipping costs/duties/taxes (46%)	Selection of products (43%)

U.S. retailers do not have to jump into every international market in order to succeed. A close examination of the retailer's strength vis-à-vis the market's priorities will help define which markets may be more attractive to a particular retailer.

Canada is a natural consideration to explore for global expansion since the language, culture, and geographic proximity to the U.S. indicate a lower entry barrier. The U.K. and Australia should also be considered due to commonalities in language and culture. In addition, Australia is especially attractive for U.S.-based retailers since there is no duty on exports up to $1,000.

International consumers exhibit different product preferences when shopping online

The study also found that international shoppers in emerging markets tend to follow online shopping patterns that are prevalent in more mature e-commerce markets. Low-consideration entertainment products such as books, videos and music are often the easiest entrance to the online market for wary consumers. As consumers gain confidence they venture into other online purchase categories, including consumer electronics, apparel and footwear.

Consumer purchase preferences, by country											
	TOTAL 10 Countries	Australia	Brazil	Canada	China	France	Germany	Japan	South Korea	U.K.	U.S.
Books, videos, music	58%	65%	63%	56%	63%	63%	65%	29%	40%	77%	63%
Computer hardware & software	41%	44%	59%	35%	39%	42%	44%	37%	22%	48%	41%
Consumer electronics	38%	34%	66%	26%	56%	31%	37%	32%	16%	43%	38%
Household goods	33%	32%	35%	17%	57%	35%	25%	36%	34%	38%	25%
Apparel	29%	24%	11%	17%	58%	40%	26%	29%	40%	21%	26%
Footwear/athletic shoes	20%	14%	20%	9%	53%	23%	8%	12%	17%	18%	20%
Jewelry	13%	17%	15%	12%	16%	17%	12%	11%	5%	16%	14%

Clearly, retailers can choose to target markets based on their core product line. In the majority of countries surveyed, for example, consumers prefer to purchase apparel, footwear and jewelry in a physical store. However, Chinese consumers are more likely to purchase apparel (58 percent) and footwear (53 percent) online. As a matter of fact, for almost every category included in the survey, respondents in China are more likely to purchase products online with the exception of computer hardware and software (39 percent), and jewelry/watches and accessories (16 percent).

Most likely purchases by category, top three countries	
Books, Videos and Music	U.K. - 77%, Australia - 65%, Germany - 65%
Computers (etc.)	Brazil - 59%, U.K. - 48%, Germany - 44%, Australia - 44%
Consumer Electronics	Brazil - 66%, China - 56%, U.K. - 43%
Household Goods	China - 57%, U.K. - 38%, Japan - 36%
Apparel	China - 58%, South Korea - 40%, France - 40%
Footwear (etc.)	China - 53%, France - 23%, Brazil - 20%, U.S. - 20%
Jewelry	Australia - 17%, France - 17%, U.K. - 16%, China - 16%

As the survey demonstrates, U.S. retailers can gain an advantage by selecting a market that best suits their product mix, price and their online infrastructure. Retailers can play to their strengths, and if there are weaknesses, seek out technology and logistics service providers who can provide strength and structure when and where needed.

Reaching international consumers through multiple outlets

The survey also asked consumers "how do you prefer to receive communications," which is an important consideration factor for retailers in this world of multi-channel communications. Fifty-nine percent of international consumers prefer to receive information and promotions from retailers via e-mail. Twenty-five percent of respondents—representing millions of shoppers worldwide—prefer to receive information in catalogs and direct mail. This indicates that mail is another strong channel for online retailers. Asian consumers are much more open to receiving promotional offers via text message and even via social media.

U.S. retailers need to create multi-channel communications strategies to keep pace with the international consumer and make sure they understand communications preferences in each market.

Finding that custom-fit solution for global e-commerce

The survey demonstrates that the global marketplace is truly not "one-size-fits-all." What people are buying online differs by country. There are subtle differences in the obstacles to purchase according to market. To succeed, U.S. retailers need to find a balance between the right product mix, competitive pricing, and convenience. For instance, ease of checkout must be balanced with a site's ability to accurately calculate and provide "fully landed" costs up-front during the buying process. Striking the right balance to deliver an engaging online shopping experience in different markets across the globe is no easy task. As a result, U.S. retailers are seeking help from providers of international shopping technologies.

Ongoing research[3] indicates that leaders prefer comprehensive, cross-border e-commerce solutions that require minimal set-up and integration. Preferred solutions improve the online shopping experience for retailers and their international customers by:

- Minimizing any significant up-front investment for the retailer while delivering the necessary technology and services on a revenue-share basis.

- Offering a single cross-border platform that allows retailers to guarantee their international shoppers accurate landed costs (i.e., the total cost of getting a package from a retailer's shipping dock to a customer's doorstep including shipping, duties and all other taxes and fees).

- Providing fraud protection, "plug and play compatibility" that offers built-in translation capabilities and currency conversion and most importantly, reasonably priced shipping options.

- Excelling in international nuances, such as an ability to capture and verify international addresses.

Affordable and flexible shipping options are a major current area of focus among leading U.S. retailers who have committed to improving the international online experience. By integrating third-party shopping carts and international shipping solutions, retailers are fulfilling international orders much more cost-effectively by shipping goods to centralized facilities in the United States. Doing so eliminates the need for cross-border infrastructure and/or up-front capital investments—increasing efficiency and capabilities without risk or expense.

As international order volumes grow it will become increasingly important to collaborate with international e-commerce solutions providers whose platforms are scalable and flexible enough to offer end-to-end support. These solutions will increase speed-to-market, lower costs and create online shopping experiences that will encourage international shoppers to shop time and time again.

Look for a solutions provider that offers comprehensive features and services that are essential for international e-commerce— no matter which markets you choose.	
Up-front rating and pricing?	Flexible shipping solutions?
Buyer understands costs in advance?	Address validation and correction?
Knowledge of restricted products?	Customs forms filed automatically?
Label generation and printing?	Commercial customs clearance?
Manages import/export compliance?	Merchant ships to domestic address?
Generate proper HS number?	Competitive shipping costs?
Multi-carrier networks?	Proof of delivery?
Service to over 200 countries?	Insurance services?
Returns processing?	Duty and tax reclamation?
Full track-and-trace capabilities?	

Given the expected growth in cross-border e-commerce, retailers that take the lead today can expect substantial rewards tomorrow. To learn more about Pitney Bowes and our line of e-commerce and international shipping solutions, visit **www.pb.com**.

3 "Time to Get Serious about Cross-Border E-commerce," Pitney Bowes/J.C. Williams Group, 2010

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