

THRIVE DIGITAL

Is Export Led E-Commerce Growth Right for **My Business?**

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The first step is to establish whether it is possible to benefit from engaging with new markets online. Even with a successful UK e-commerce business or a thriving export business, don't automatically assume that it is possible to transfer competitive advantage to your exporting business online. If, at the beginning, you can ascertain whether your company could benefit from internationalising e-commerce it could save considerable cost further down the line.

The aim of this document is to provide tools and ideas that will help when deciding whether or not an international e-commerce approach warrants further investigation.



PORTER'S GENERIC STRATEGIES

Porter suggests ways in which it is possible to derive a competitive advantage – here we will look at whether you are cheap or you are different. No matter the criticisms of Porter's model, it has some valuable applications for e-commerce. I would suggest that if a company is heavily focused on COST, then the likelihood of succeeding with that strategy online is slim. This is because there are fewer barriers to online trade, hence the likelihood of another company being able to provide the same product or service as you are high. For example, if a UK company are producing a cheap product to export, it is likely that both local low cost products, as well as those from production based economies (such as China), will be able to undercut the price. Obviously, a cost centric UK company could always make sales based on differentiation in other markets.

To successfully benefit from online export led growth, differentiation is key. Let's take the example of Amazon. They are well priced, certainly cheaper than a lot of the high street stores, but they are not the cheapest. With minimum research it is possible to find pretty much all of the products on Amazon cheaper elsewhere. Amazon's selling point is their phenomenal logistics and range of product offered. Differentiation does not have to come from the product offering, it can come from the experience of delivery and choice. Owning the market for a particular product/service is a key factor for differentiation.

		COST	DIFFERENTIATION
SCOPE	BROAD	COST LEADER	DIFFERENTIATION
	NARROW	COST FOCUS	DIFFERENTIATION FOCUS

ANSOFF'S MATRIX

Ansoff's matrix suggests there is a set way in which growth is achieved. It starts with Market Penetration, (i.e. maximising opportunities in an existing market) and then moves onto developing new products and selling them in the existing market. This is followed by the possibility of exporting the existing products and, finally, to the need to develop products for the international market. This is a very linear and simplistic approach, but it does suggest two different strategies in new markets. Either Market Development or Diversification.

Continuing Amazon as an example, their product is broadly similar in the UK to that in the US, and in France, and Italy, and Australia etc. Amazon have gone with a strategy of Market Development. Pushing an existing product in new markets.

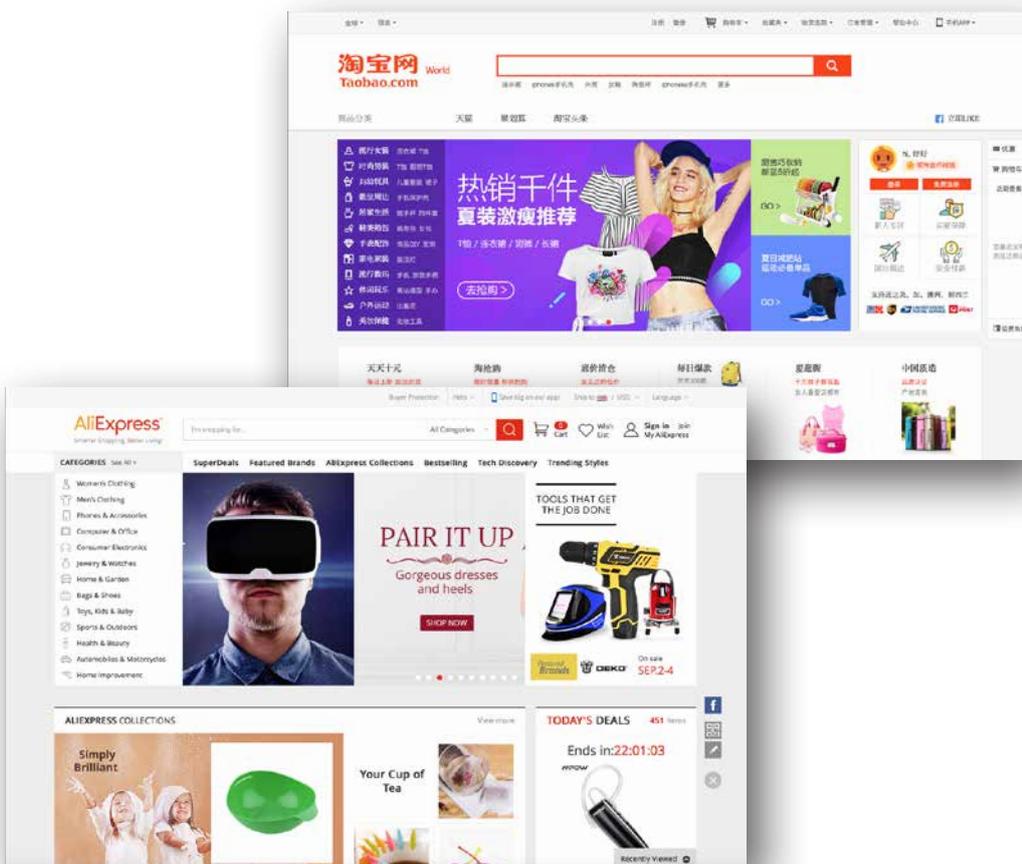
		PRODUCT	
		EXISTING	NEW
MARKET	EXISTING	MARKET PENETRATION	PRODUCT DEVELOPMENT
	NEW	MARKET DEVELOPMENT	DIVERSIFICATION

STRATEGIES FOR GROWTH

TAOBAO VS ALIEXPRESS

Looking at Taobao vs AliExpress however, we see a very different strategy. Most people in the UK would be unlikely to buy from Taobao, yet they might consider purchasing something from AliExpress. Despite both Taobao and AliExpress being owned by the world's largest online retailer, Alibaba, both sites have been developed with very different target audiences in mind.

It is beneficial to analyse why purchasing decisions would be different, and why some people might claim that Taobao "looks dodgy". They may be right, but what makes websites like Taobao acceptable to 1.6bn people and not to us?



THE MIX

In my experience there are 3 key areas to consider when considering expansion for international e-commerce sites. My experience was developed while working on the international e-commerce site for a global toy brand, namely (www.rubiks.com). (I can confirm that last Easter, Rubik Cubes were the best-selling toy in Walmart and it is the best selling toy of all time.) I will use Rubik's website to expand the theory of this paper and analyse the way it operates. I will also try to relate it to other websites that will be familiar to the majority of readers. The 3 key areas are:

- Market – What is the market like? And what are their attitudes to online buying?
- Brand – Is your brand going to work in your planned country?
- Website – Is the website set up in the right way?



1. LOGISTICS

Can you ensure delivery? If you are shipping internationally, and people in that country expect low cost delivery within a few days, are you able to achieve this? If you are not meeting the market standards, success will be difficult.

When I joined Rubiks.com, all European orders were shipped from Canada. This led to very long lead times and very expensive shipping. Our decision was to open a fulfilment centre in Europe which drastically cut costs and shipping time. Naturally the sales skyrocketed.

Is the delivery trustworthy? In some countries the problems of ensuring that items reach their intended recipients are great. Although there is very little that can be done about this, there are two examples that will give you an idea of how trust in delivery can effect both the consumer and the seller:

Hungary is the birthplace of the Rubik's Cube. Hence the per capita sales of Rubik's Cubes in shops in Hungary are some of the highest in the world. It does however have some of the poorest e-commerce sales. This is because in Hungary there is no trust in online purchasing. In fact, a common practice was to reserve an item online before paying for it and collecting it in a local shop. Online in Hungary did not represent a large enough opportunity to invest in setting up this type of arrangement nationwide.

The second example is Mexico. The Mexican post office is unfortunately quite corrupt, so very few of the items ever sent reached their destinations. This meant that the cost of refunds was high and Rubiks.com was losing far more than it was making. Consequently, we ceased shipping the product to Mexico.

2. OPENNESS TO ONLINE

Paypal vs payment gateway? When the new improved Rubiks.com website was launched, the only payment gateway was Paypal. This allowed for payments either through Paypal or with a card through Paypal's portal. We believed this provided security and peace of mind for the consumer until we received an email from an American woman. We imagined she was illogically angry because we only took payment through Paypal. We did not understand why she wanted to provide her sensitive payment info to Rubiks.com directly. She refused to purchase anything on the website if the transaction was through Paypal. Then we learned that Paypal is a Marmite product - people either love it or hate it - so our e-commerce site needed more than one payment option. As the US was the largest market, we implemented a USD payment gateway (Stripe is perfectly adequate and simple to set up). Astonishingly, sales increased by 30% in the US overnight, and 80% of transactions came through Stripe.

Do people have bank accounts and credit/debit cards (and are they willing to use them online)? India is a very strong emerging market and, unlike China, its wealthier consumers do not buy imitation products. Rubik's Cube have experienced a real boom in India in recent years, and hence I thought it would be a great place to expand the e-commerce offering too. However, the most common form of payment is COD (cash on delivery). This is where couriers collect payment in cash (or by card) when the item is handed over at the door. The added cost of employing a company to handle the COD (of which there are many) and the reduced selling price of the Cube compared to the US or Europe meant that expansion was not feasible.

3. MARKET SIZE

If there isn't a market for the product, then it will not be possible to sell it. Before expanding into a new market, make sure that the market exists. There are some ideas on how you might do this below in the MVP section.

4. ARE YOU KNOWN?

Seeding a product from scratch is much harder than selling a product that already has a market presence. There are many countries, for example, where the Rubik's Cube does not have the same legacy and cult status it enjoys in Europe and the US. Much of Africa and Asia (with the exception of South Africa and India) did not grow up with the Rubik's Cube. For this reason, selling it online in those areas, was not an effective use of resources.



Once market viability has been established, we can consider branding and bring Ansoff's Matrix back into the discussion. There are at least four key areas to be considered:

1. BRANDING / DESIGN

Think back to the Taobao vs AliExpress example given earlier. Make sure your branding fits to your market and stay true to the core brand. At Rubiks.com, we kept a consistent look and brand across all the sites, making only small adjustments to content to suit local conditions. In my view, a different site is only necessary when operating in very different markets, such as Asia or Africa.

2. PRODUCT OFFERING

Product offering is important for different geographical markets and it also helps to vary the product mix. This will of course depend on whether you are using online or offline sales.

Rubik's Cube is the highest selling Rubik's product by a significant amount. In fact, most people are unaware of other products that are produced by Rubik's. However, the highest selling product on Rubiks.com is not the Rubik's Cube. It is, what would appear to be, a very niche product: The Speed Cube. This Rubik's Cube has been specifically designed to turn much faster than the original, allowing the resolution to be reached more quickly. It might seem surprising that a product that has no physical retail presence is the number one selling toy and it sells on the site that is famous for trading the best-selling toy of all time. Looking at the strategy and target audience of Rubiks.com, it becomes less surprising. Rubik's Cubes are a mass market item. They can be purchased everywhere: eBay, Amazon, Walmart, Toys 'r Us, Target etc. So consumers can easily purchase a Cube from other locations at more convenience and at less cost. Rubiks.com would never compete with eBay on price, or Amazon on delivery. That wasn't the goal. Don't compete on price, be different.

When I was put in charge of Rubiks.com's e-commerce, the marginally best-selling product was the Rubik's Cube. However, people who were actively engaging online with the Rubik's brand were not the general public, but Speed Cubers. This small, but significant, group were not purchasing Rubik's Cubes. They were buying fake Cubes that turned faster. They would not buy just one knock-off, they would buy dozens to enable them to "modify" them. This was a market that we were missing out on.

The Speed Cube was launched when I was working at Rubik's.com. It was designed to be a very different product aimed at a specific audience. Through a clever marketing strategy, we sold in 3 days a stock that was projected to last 12 months. To this day Speed Cubes outsell Rubik's Cubes 2 to 1 on Rubiks.com. This is added revenue, earned at a higher margin and an important example of how successful trading can be when you create a product offer that is right for the market.

3. MESSAGE

Once you have the product right, get the message right! Different markets appreciate different things. When we were looking at selling Rubik's Cubes in China we discovered that parents are exceptionally keen to purchase toys that have an educational benefit for their children. This eagerness is probably the reason why Mattel failed so spectacularly when trying to sell Barbie in China. Even the biggest companies can sometimes get it wrong. They couldn't imagine a world where fun and excitement didn't appeal to parents as they do in the US and Europe. Matching the message to the market is crucial.

4. ADVERTISING

Find an evangelist!

When discussing advertising, many digital marketing companies are quick to point to Google Adwords, Facebook advertising, email campaigns, SEO and continuous activity on Facebook, Twitter, Instagram and Pinterest etc. So this is what everyone is doing, but the point is, we need to be different if we are to be successful and stand out.

If you tell your target market that you are great, chances are, they won't listen. If a vocal and well trusted member of your market's community tells that market that you are great, it is likely that the market will sit up and pay attention.

At Rubiks.com we had many 3rd party bloggers and spokes-people, but by far the most valuable was Kenneth Brannon. Kenneth (who goes by the username RedKB) reviews twisty puzzles (the collective name for puzzles like the Rubik's Cube) on his YouTube channel. Kenneth has a surprising number of subscribers, all of whom are active and vocal. While it is difficult to know for sure, I am sure that Kenneth's review of the Speed Cube was the most important impetus for the initial sell out of the Speed Cube. While it would have gained traction eventually, Kenneth's review fired the new product directly at the target audience.

While this may not be possible for all products, endorsements of this kind are likely to be the most cost effective and reliable way of launching a new product and/or market.

Now you know who your target audience are, what you are going to sell them and how you will do this, it is time to look at some important mechanisms.

1. CURRENCY

Being able to pay in a local currency is incredibly important. Consumers trust what they know, and forcing them to pay in a currency that is not their own raises questions about the logistical capability as well as trust.

Offering payment in Euros to European countries was another highly significant factor in the success of the European e-commerce strategy for Rubiks.com. Offering local currency, as well as faster and cheaper delivery, were two important reasons why sales to Europe sky-rocketed.

2. LANGUAGE

Language is also important in establishing credibility. Not working in a local language will raise questions about logistics and trust from the customer. Undoubtedly, many consumers speak English, and are familiar with English on websites, but this is an issue about enabling customers to feel at home. Google Chrome (as well as other browsers) has the ability to translate entire websites on the click of a button, but you cannot better the use of familiar language and indigenous terminology.

The one area that translation programs often fall down is on the terminology. While they are able to translate like for like words, the differences in terminology is often lost on them. For example, in Germany the Rubik's Cube is known as Zauberwürfel. Literally translated this is Magic Cube, hence if you talked about the Rubik's Cube on the German site, the customers would not know what you are talking about. This of course has important implications for SEO too, as customers will search for Zauberwürfel rather than Rubik's Cube.

It is important to use the terminology your customer expects. Many marketing companies use colloquial terminology in an attempt to build a rapport with their customers. The success of this strategy is going to depend on your product and market. B2C products may have some success with this strategy, but for B2B it is most often not appropriate.

3. CUSTOMER SUPPORT

Ensuring that really good customer support is in place is not only important for retaining customers, but it is instrumental in gaining new ones.

Consumers who receive poor quality products (possibly through a faulty batch for instance), but receive excellent customer support, leave good reviews. People who receive excellent products, but poor support, leave bad reviews. These bad reviews discourage new customers, and lead to poor sales. It is imperative that you run a successful customer support program.



CONCLUSION

No one thing will ensure that your company is successful at international e-commerce. Success online is about analysis and small incremental changes; continuous review and improvement. It is crucial to spend time looking at trends and establishing their relevance. I have outlined here some of the areas you might focus on, but your industry will have very specific qualities that come with their own challenges. Hopefully the tools here will help in establishing what those challenges to e-commerce might be. There are two points that I would like to end with as they are very important when engaging in any kind of e-commerce.

MERGE ON AND OFFLINE

Don't consider your website as separate to the other areas you are working on. While your offline to online markets may be different from each other, encouraging customers to move easily between offline to online (and vice versa) is really important.

Take, for example, a sales promotion. In days of old, FMCG promotions would feature something like "collect coupons and send them to us to win." These days, promotions tend to be more along the lines of "type this unique code online for an instant win." So why is this? In short, consumers are more likely to purchase the product using the latter. Product sales are higher using an online mechanism than a physical one. There are also many other benefits and these include data capture, consumer engagement, social media interaction, ability to control the consumer experience and an opportunity to educate customers.

This type of mechanism does not work with every company, but in order to be successful online, it is important that companies take advantage of being able to link the two areas.

CONCLUSION

MVP (MINIMUM VIABLE PRODUCT)

Don't use The field of dreams method. The notion of "build it and they will come," is simply not true. So many companies build websites and wonder why they have no sales. You don't get "walk ins" from websites and SEO is not a substitute. Don't invest a fortune in a website without testing the product and the market.

When developing a new product, for example, don't spend thousands of pounds on R&D before trying to sell it. Design the strategy. Write a good description, visualise pictures of the product, do a promo video and invest some money in how you direct people to the site. Don't build the product. You can even have a "buy now" on the product which immediately claims that it is out of stock when people click on it. This way you can establish exactly how many people want to purchase it. You will spend a fraction of your marketing budget doing this, and if there is not a market it will save you a fortune.



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