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Going Global with E-Commerce

INTRODUCTION

E-commerce systems are a fundamental building block for modern businesses: simply put, they enable organizations to sell products and services globally. This capability can translate to nonlinear improvement in company growth, market share, and enterprise value. The path to successful global e-commerce implementation, however, is not as straightforward. It is fraught with complexities ranging from currency and language issues to compliance with diverse tax regulations. This research note outlines the major complexities associated with global and cross-border e-commerce and explores strategic e-commerce options that can help solve them. This note answers questions like:

- What are the opportunities and risks in taking e-commerce global?

- What are the strategic and technological approaches to taking e-commerce global?

- Can the major e-commerce platforms (Amazon, Shopify, et al) take your business global?

- What is the most effective way to globalize a sophisticated, multi-channel sales model (e.g., direct, online, and resellers)?

- What are the financial, business, and brand opportunities and challenges of using a Merchant of Record (MoR) solution?
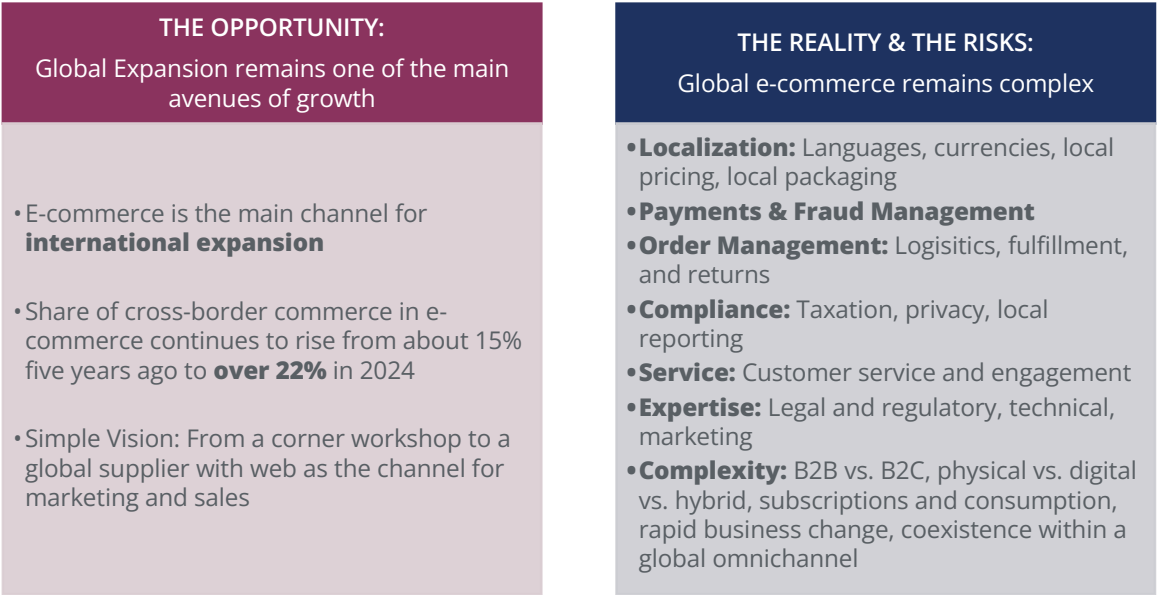
THE OPPORTUNITY:
Global Expansion remains one of the main avenues of growth

- E-commerce is the main channel for **international expansion**

- Share of cross-border commerce in e-commerce continues to rise from about 15% five years ago to **over 22%** in 2024

- Simple Vision: From a corner workshop to a global supplier with web as the channel for marketing and sales

THE REALITY & THE RISKS:
Global e-commerce remains complex

- **Localization:** Languages, currencies, local pricing, local packaging
- **Payments & Fraud Management**
- **Order Management:** Logisitics, fulfillment, and returns
- **Compliance:** Taxation, privacy, local reporting
- **Service:** Customer service and engagement
- **Expertise:** Legal and regulatory, technical, marketing
- **Complexity:** B2B vs. B2C, physical vs. digital vs. hybrid, subscriptions and consumption, rapid business change, coexistence within a global omnichannel

Fig 1. Opportunities vs. risks of global expansion

THE LANDSCAPE OF E-COMMERCE

The fairytale dream of e-commerce sounds something like this: an entrepreneur opens a small online store, it grows over time, and eventually, as more and more customers find them through search, the business grows all over the globe, making its owners happy and wealthy.

Getting to this idealized outcome has not been straightforward. Businesses that are aiming for international expansion of their e-commerce capability are well served to gain an understanding of a broad spectrum of challenges associated with global e-commerce. Even relatively simple businesses using established e-commerce platforms like Amazon and Shopify, are often quickly overwhelmed by the associated layers of complexity with rising product, pricing and channel complexity (see Fig. 1 above).

Building a robust global e-commerce capability requires that organizations address **Six Local Challenges of Global e-Commerce**:

One product, one price, one country/ currency

One product, one price, multiple countries/currencies

One product, multiple prices, multiple countries/ currencies

Multiple products, multiple prices, multiple countries/ currencies

Add payment methods, local packaging, multiple currencies, taxes, multi-modal sales motion and channel partners, etc.

Fig 2. Typical e-commerce maturation process

1. Local Content: The only practical way to really engage international audiences is to provide them with content that is locally relevant. That implies not just language translation, but content and products that are relevant in the local context. This means that the same product that may have been a run-away sales success in say North America, may have to be re-branded and re-packaged for markets in Asia or elsewhere and made available with pricing adjusted for the specific geographic context.

2. Local Currency: To reach diverse international markets, organizations need at the very least be able to handle local currencies in their billing, e-commerce and payment processing systems.

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3. Local Payment Methods: Payment processing is the last mile of any e-commerce transaction and getting this aspect right or wrong can mean the difference between success or failure in any given market. When online consumers do not see payment options that are locally familiar with, they typically abandon the transaction. Global E-commerce systems must be able to support local payment methods while ensuring secure transactions that comply with local regulatory frameworks.

4. Local Tax Management and Compliance: Companies selling globally need to comply with diverse tax rules, regulatory standards, and reporting requirements, which can vary significantly from country to country. In this context, it may be helpful to partner with tax management software suppliers who tend to keep on top of local regulatory mandates.

5. Local Fulfillment and Logistics: Logistics solutions can help organizations efficiently manage orders, shipping, and returns across the globe. Depending on the type of product (physical or digital or hybrid), handling products internationally may require anything from minimal or no effort to a complex set of arrangements with local freight forwarders, logistics providers, warehouse vendors, importers and companies that handle unpacking, storing, re-packaging of goods for local distribution. All these steps translate into extra costs, time and risk.

6. Local Engagement: A frequently overlooked element of building a global e-commerce capability is the ability to tailor customer service and communication to meet local language preferences and cultural expectations. Marketing collateral, customer communications, training materials, PR campaigns – all these elements need to be addressed in a local content.

To address the Six Local Challenges of Global E-Commerce, a business must be able to build a strategy for global e-commerce while balancing three key variables:

1. **Time-to-market**: How wide is the window of opportunity to enter the target market with a given product and achieve critical mass in revenues and market share?
2. **Customer Experience:** Is it imperative and possible to maintain a direct-to-consumer experience?
3. **Brand Control**: Is it imperative and possible to maintain control over the brand experience locally, or is it acceptable to rely on a broad range of online distribution options and allow third parties to own the relationship with the local consumer?
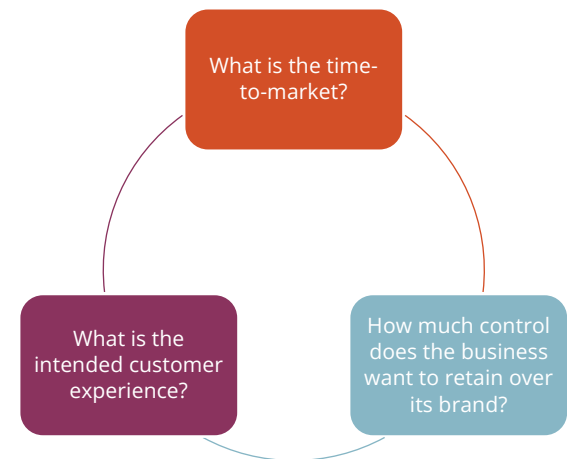
What is the time-to-market?

What is the intended customer experience?

How much control does the business want to retain over its brand?

Fig 3. Three key variables to balance when going global

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STRATEGIES FOR GLOBAL E-COMMERCE

In crafting a global e-commerce strategy, businesses have a number of options, including:

- **Marketplaces** (e.g., Amazon, eBay)
- **Marketplace Platforms** (e.g., Mirakl, SAP Hybris)
- **Building a Custom Site** or sites aimed at each global market
- **Hosted Store Infrastructure** (e.g., Shopify, WooCommerce)
- Partnering with a "**Merchant of Record**" or "MoR" – an organization that virtualizes some of the local complexities of payment, tax and compliance and in some cases, also fulfillment and local support.

Marketplaces

A marketplace like Amazon effectively shields most sellers from the challenges of going global, but it prevents merchants from controlling interaction with clients and providing a brand-specific experience. However, this could be a way to enable a rapid entry into a local market while containing the initial capital investment.

Marketplace Platforms

Marketplace platforms like Miraki or SAP Hybris typically enable businesses to build highly brand specific e-commerce experiences and also create their own marketplace ecosystems, leveraging partnerships and resellers. This is a strong option for larger, more complex organizations aiming at several global markets, but it does require more planning and capital.

Custom Site

Building a custom e-commerce site with headless options like Magento and Spryker provides the ultimate control over the customer experience and relationship, but requires deep expertise and higher cost. In this context, many organizations deploy a hybrid strategy that combines their own e-commerce engine and customer-facing portals with the use of a Merchant of Record capability to extend the global reach.

Hosted Store Infrastructure

A hosted store infrastructure like Shopify gives merchants more control over their branding and customer experience, but can be somewhat limited in terms of the trickier aspects of going global: regulatory compliance, currency conversion, language barriers, et al. They may have the basic technology, but not always the local know-how and on-the-ground presence. This option will appeal to organizations that have outgrown a basic Amazon store and are looking for more control over their brand experience.

Merchant of Record

Outsourcing global distribution to a Merchant of Record (MoR) enables a merchant to retain full control over the customer relationship and experience while also delegating a lot of the local risk and compliance to the MoR provider. One way to think of MoR is that it is a virtualization mechanism for global commerce, where the local complexities are well-hidden from the main e-commerce engine.

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MOR 1.0 VS. MOR 2.0

The concept and use case for MoR is frequently misunderstood. Historically, MoR ("MoR 1.0") was served up as a monolithic, one-size-fits-all model. It was essentially a closed box that sat outside the client's main e-commerce infrastructure. It was coarsely granular, had limited visibility, and was complex to integrate.

Modern MoR systems ("MoR 2.0") are evolving from one-size-fits-all to an à la carte approach. This allows MoR to evolve into a modular, microservices-based Monetization-as-a-Service offering, addressing key elements of the modern quote-to-cash cycle and integrating into the overall Agile Monetization Platform (AMP).

For example, a company considering a global expansion may choose to utilize MoR components for order management, billing, global payment, and compliance management, and integrate into the overall corporate monetization platform for other functions to attain more flexibility in pricing options.

An elastic global commerce solution built around a modern MoR enables features like payment method flexibility and local taxation compliance. Many modern MoR suppliers also take care of local representation issues by leveraging local entities as a de facto local merchant. The ability to select preferred payment methods (based on size and geographic location) and flexible credit terms and limits puts power back into the hands of the customer.

Conversely, an inadequate MoR partner can inhibit a company's ability to offer integrated order management. Global visibility over a single account is nearly impossible, as international orders must go through the MoR while domestic orders flow through the company's e-commerce engine. Companies can combine a more modern, modular MoR approach with a headless e-commerce platform to create a unified transaction and order management engine, build local versions of the front end using a range of modern UI tools, and utilize MoR components to virtualize the global compliance and payment processing complexities.

An inadequate MoR partner can also limit the control a company has over its brand. Companies for whom branding is a value statement must be careful to select a flexible MoR partner. Some organizations get around this issue by coupling an MoR for international sales with a more standard e-commerce platform for domestic sales.

For traditional MoR 1.0 models, the financial breakpoint was historically around $100 million in sales volume. Some companies with higher sales volumes found value in the model due to its rapid entry into global markets and alignment with their interests. In contrast, MoR 2.0 models, with their modular and integrated approach, can accommodate larger sales volumes and offer greater flexibility.

KEY TAKEAWAYS

Global e-commerce remains a significant opportunity for growth acceleration. However, geographic e-commerce expansion requires careful strategic planning – dealing with local currencies, languages, payment options, tax and regulatory rules, and logistics is exponentially more complex than selling in a single country. For most businesses, an ideal e-commerce solution would offer the flexibility to control domestic commerce engines, coupled with the ability to lean on an international commerce partner to meet global sales, currency, tax, and compliance standards with underlying infrastructure that increases options rather than limiting them.

Companies who outsource global distribution should reduce dependence on legacy, on-prem solutions ("MoR 1.0") and look to the cloud for modern, modular options that support the needs of omnichannel commerce ("MoR 2.0"). Companies should think beyond technical considerations when implementing an e-commerce site. Look for a solution that can simplify legal entity strategies, compliance management, taxation, fulfillment, payments, fraud management, and localization. Finally, companies must be forward-thinking when selecting a global e-commerce strategy. The landscape of tools and strategy options in global e-commerce is evolving rapidly, so companies need to pick approaches that yield maximum agility and flexibility over the next 3-5 years.

For a "best of both worlds," ideal-fit solution, companies who want to grow their e-commerce engines should consider partnering with multiple solutions – one to handle domestic sales without compromising brand integrity, and an international MoR for global commerce to provide breadth, flexibility, and the option to outsource foreign compliance challenges. This flexible, micro-services-based global commerce architecture positions businesses for their next stage of international growth.

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