esw.

GLOBAL VOICES

A BRAND GUIDE TO INTERNATIONAL EXPANSION

TABLE OF CONTENTS

4 CHANNEL OF CHOICE

+ Ecommerce Remains the Go-to
+ Understanding the Customer

10 AVOIDING GLOBAL ECOMMERCE EXPANSION PITFALLS

+ Localisation and Logistics
+ A Multi-Local Approach

15 KEY TAKEAWAYS FOR BRANDS

+ Localising and Personalising the Customer Experience

16 ESW ENABLES GLOBAL GROWTH

A YEAR FOR OPPORTUNTY

The only thing that's certain about commerce in 2023 is uncertainty. Pundits and commentators offer predictions ranging from apocalyptic implosion to blind optimism. The reality is, yes, uncertainty abounds and complicates plans – especially plans for international expansion.

But challenges are nothing new in commerce. Brexit, GDPR, regional and global conflicts, worker strikes, climate change, Covid and countless other natural, technical and economic disruptions are just our ways of life. And when the next challenge presents itself, we, in commerce, will rise and meet it. Through innovation, ingenuity and partnerships, we find ways to create opportunity.

As we look to the next 6 to 12 months, uncertainty is poised to be our biggest threat. But there are also opportunities. From emerging global markets to consumers who see the world as one unified storefront, brands and retailers can implement strategies that increase revenue and build brand loyalty.

To provide you with data-driven direction, ESW conducted a global survey of more than 16,000 consumers from 16 countries. We asked them about everything from what they buy and why they buy it to their anticipated spending behaviour.

International expansion requires knowledge and resources. My team and I have helped the world's best-loved brands grow their presence in more than 200 markets around the world and we can do the same for you.

We hope this report will serve as a valuable guide as you grow your brand.
Regards,

Ahmed Naiem
Chief Commercial Officer
ESW

CHANNEL OF CHOICE

ECOMMERCE REMAINS THE GO-TO FOR CUSTOMERS AROUND THE WORLD

To meet new and emerging consumer preferences, brands and retailers are adjusting their physical footprints and experimenting with different store formats. Even as they are engaged in these expensive undertakings, ecommerce channels remain not only a revenue-generator, but a viable and efficient path to growth.

What started for many brands as a Band-Aid to cover Covid lockdown wounds proved to not only keep business afloat, but attract new, loyal customers. And those customers plan to shop as much or more online compared to in-store. In fact, only 15% of shoppers said they would shop less online in the coming year.

HALF OF SHOPPERS PLAN TO INCREASE ONLINE SHOPPING

Will you change your online / in store shopping habits in the next 12 months?

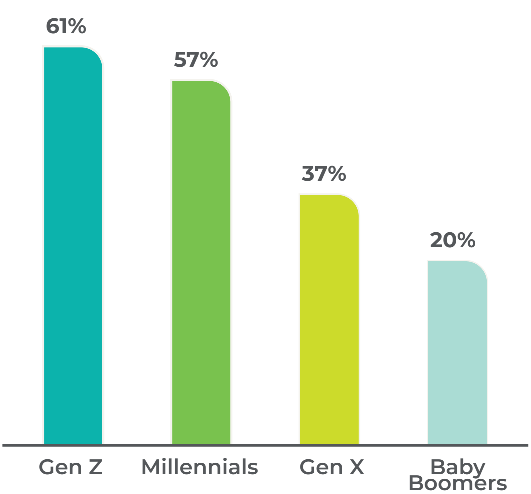
N=16,557
Source: Global Voices Survey conducted November 2022

THE FUTURE IS GLOBAL

SPEED-TO-REVENUE

YOUNGER SHOPPERS ARE MORE LIKELY TO BUY INTERNATIONALLY

% of Respondents who shopped Cross Border for ANY of the following Products in the last 12 months: Clothing, Footwear, Cosmetics, Luxury Items, or Electronics



Gen Z (N=2340), Millennials (N=6939), Gen X (N=4312), Baby Boomers (N=2966)
Source: Global Voices Survey conducted November 2022

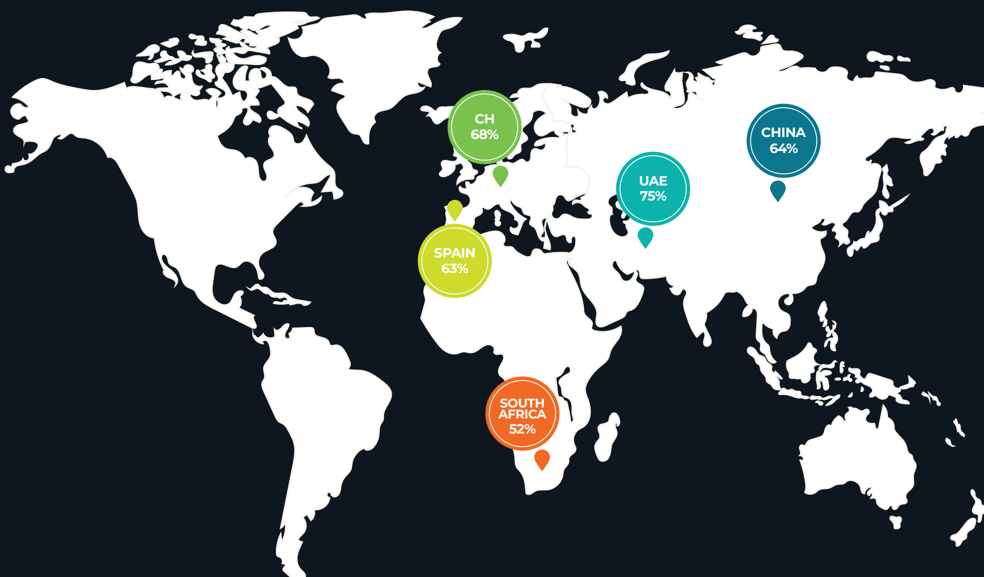
When expanding into new global markets, DTC ecommerce channels enable efficient market penetration and accelerate speed to revenue. Ecommerce reduces capital investments and lets brands operate with more agility. Enlisting a merchant of record (MOR) in a new market further increases efficiency – especially if the MOR is already established in that market.

Speed-to-market means speed-to-revenue as shoppers say they will seek and buy the products they want no matter where the brand is located. This is especially true of shoppers under the age of 40. And these shoppers are located across a diverse set of regions and purchase products from diverse retail categories including apparel, consumer electronics, cosmetics and luxury.

Brands that can enter these markets and build loyalty can grow alongside consumer spending power and see increased customer lifetime value.

OPPORTUNITIES FOR GLOBAL EXPANSION

Countries with the highest percentage of respondents reporting they shop internationally

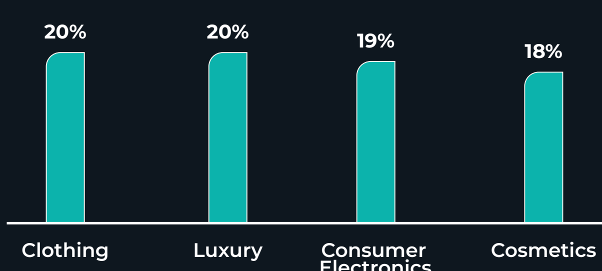


N=1,000-1,100 per country

Source: Global Voices Survey conducted November 2022

RETAIL CATEGORIES SHOPPERS SEEK

I bought this category outside my country.



N=16,557

Source: Global Voices Survey conducted November 2022

UNDERSTANDING THE CUSTOMER IS CRUCIAL

Brands that succeed in international ecommerce need to understand their consumer demographics, preferences, and behaviour as well as they understand those of their domestic shopper.

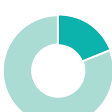
Location, age and income data paint an incomplete picture of the customer. Demographics only illuminate the customer's "what." Psychographics and intent data uncover the customer's "why." Brands that know their customers' why can more effectively communicate and market to them. Understanding what motivates a customer allows brands to target them with the right product assortment, messaging and promotions.

Brand Super Fans

Most brands have Super Fans. These customers regularly interact with brands on social media platforms and respond to marketing outreach. Super Fans are motivated by scarcity and exclusivity, not price. When brands identify their super fans, they can target them with full-price, limited-time or limited-quantity product offerings.

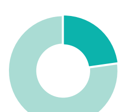
SUPER FANS RESPOND TO EVENTS THAT EMPHASISE SCARCITY AND EXCLUSIVITY

In general, which of the following factors would make you more willing to pay full price for an item you want?



19%

BEING ONE OF THE FIRST PEOPLE TO HAVE IT



23%

BEING ONE OF THE ONLY PEOPLE TO HAVE IT
(e.g. limited edition / small capsule collections with limited numbers of product available)

N=16,557
Source: Global Voices Survey conducted November 2022

Power Shoppers

Power Shoppers are ecommerce enthusiasts. They prefer online channels to make purchases from brands in their own countries as well as from brands based abroad. ESW defines these customers as those who spend more than $2,500 (adjusted for local currencies) per year on online purchases.

Power Shoppers are motivated by the convenience of online shopping and often go directly to a brand or retail site to buy. This direct interaction gives brands and retailers the opportunity to capture first-party data as well as sales, and utilise that data to create more personalised experiences that improve loyalty.

GLOBAL POWER SHOPPERS SHOP DIRECT

Consider when you have made online purchases from a website outside of your own country, what types of retailers have those been?

Clothing N=1,204; Footwear N=1,217; Cosmetics: N=1,352
Source: Global Voices Survey conducted November 2022

POWER SHOPPERS

While brands may be able to withhold discount promotions from some Power Shoppers, brands should segment their Power Shoppers based on price sensitivity. Customers may spend a relatively high dollar amount on a site, but if first-party data shows that those shoppers primarily purchase items on sale, their experience and the services a brand offers should be different than those offered to full price Power Shoppers.

Bargain Shoppers

No matter the economic conditions, there will always be a portion of the customer base that is price-sensitive. Bargain shoppers will forego owning a newly released item to wait for a discount later. However, brands needn't employ a slash-and-burn strategy to reach these customers and move merchandise. Today's ecommerce solutions give brands the flexibility to take a customised approach to different market segments.

AVOIDING GLOBAL ECOMMERCE EXPANSION PITFALLS

LOCALISATION AND LOGISTICS MUST BE TOP PRIORITIES

One sure way to fail dramatically and quickly is to copy/paste the ecommerce experience from global market to market. From curating payment methods to optimising product mix, prices and logistics, no two markets are alike. On top of navigating the maze of regulations and legal requirements, brands must also provide personalised experiences that build trust. Trying to expand internationally with anything less than proven experts only makes the revenue hill harder to climb.

Create Domestic-Equivalent Experiences

Even though shoppers are willing to browse global sites, their standards for completing a purchase are high. Today's global shoppers expect a multi-local or domestic-equivalent experience builds the trust required for customers to buy and become loyal customers.

Multi-local involves more than translating the language on a storefront. Proper localisation includes language, yes, but also cultural factors like image preferences, shopping seasons and sizing.

DOMESTIC-EQUIVALENT EXPERIENCE BUILDS THE TRUST REQUIRED FOR CUSTOMERS TO BUY AND BECOME LOYAL CUSTOMERS

These norms and preferences must inform every part of the customer experience from demand generation marketing to product assortment to payments and logistics to retention marketing and communications.

According to ESW's Global Voices Survey conducted in November, 2022, the countries with the greatest opportunity for expansion by population were China (64%), India (48%) and Mexico (47%). China, India and Mexico may share an affinity for global ecommerce, but those nations have vastly different cultures, government structures, laws and norms. To simply translate a storefront and convert prices into local currency would surely spell disaster.

What can brands do to create a multi-local experience that builds trust and generates sales in every new market?

Payment Methods

With new payment methods constantly entering the market, shoppers have more options than ever. Yet payment method preferences remain local. Much of the global market is comfortable with credit card transactions. However, shoppers in many markets are actually unbanked and pay in cash. In other markets, shoppers prefer buy-now-pay-later (BNPL).

Localising payment methods is more convenient for shoppers and builds trust – which is essential for successful market entry and longevity. Local payers also increase approval rates, contributing to higher conversions.

Merchants expanding globally should secure partners with local business entities, the resources and expertise to make transactions optimal for you and your customers.

LOCALISED PAYMENTS SMOOTH THE PATH TO PURCHASE

What would make you more likely to make this purchase from a website outside of your home country?

25%

RESPONDED IF I COULD USE A PAYMENTS PROVIDER I AM FAMILIAR WITH

N=16,557, Source: Global Voices Survey conducted November 2022

Localise Pricing and Promotions

When it comes to pricing and promotions, one size does not fit all. Consumer sentiment and expectations vary by country and by age. Brands and retailers need to be in-tune with and have robust first-party data on customer bases in each market so that pricing strategies align with consumer expectations.

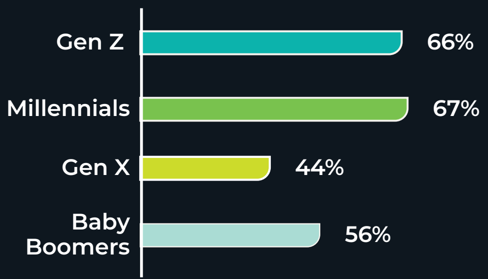
In general, younger shoppers are in the process of reaching their full income potential and have less discretionary income. As a result, 2/3 of Millennials and Gen Z say they are willing to wait for a price reduction on an item they want to buy – even if waiting means that item will be out of stock.

As shoppers age through their prime working years, they are more willing to buy an item at full price to ensure they get the item before it's gone. Baby Boomers - perhaps due to having less discretionary income in retirement - opt for wait for price reductions.

Price sensitivity also varies by geography. Globally, around 6 in 10 shoppers will wait for a discount and risk that the item they want will be out of stock. But a closer look at individual markets indicates that brands and retailers cannot apply the data across the map. Shoppers in East Asian countries are less inclined than the global average to wait for markdowns while 75% of shoppers in India prioritise discounts over buying an item they want.

YOUNGER SHOPPERS WILL WAIT FOR DISCOUNTS

I am willing to risk that an item I want will be out of stock if I wait to get a lower price (% agree)

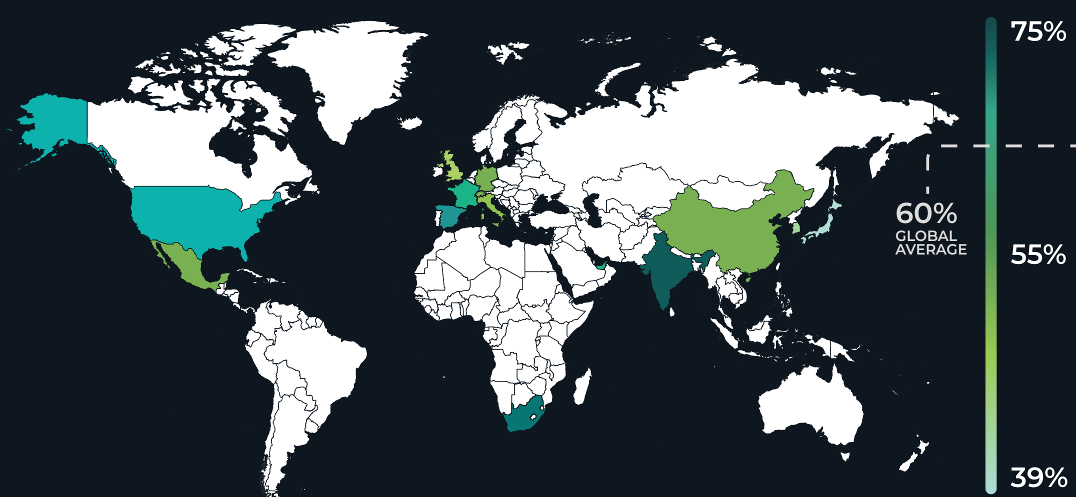


Gen Z (N=2340), Millennials (N=6939), Gen X (N=4312), Baby Boomers+(N=2966)
Source: Global Voices Survey conducted November 2022

DTC ALLOWS BRANDS TO CAPITALIZE ON FIRST PARTY DATA THAT HELPS ALIGN PRICING AND SERVICE WITH LOCAL CUSTOMER EXPECTATIONS.

DISCOUNT DEMAND VARIES WIDELY BY MARKET

I am willing to risk that an item I want will be out of stock if I wait to get a lower price (% agree)



For all countries, the sample size is between 1,000 and 1,100
Source: Global Voices Survey conducted November 2022

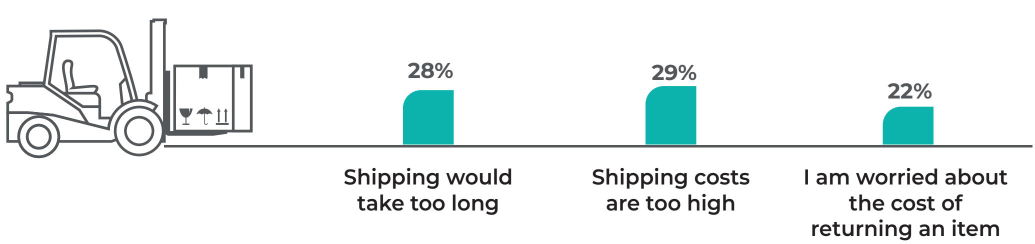
A MULTI-LOCAL APPROACH

Brands and retailers expanding DTC ecommerce channels cannot underestimate the importance of getting logistics right the first time. From warehouse location to last-mile delivery to efficient returns processing, failing to vet a third-party logistics provider leads to a poor customer experience which leads to loss of revenue and brand reputation.

Brands must find 3PLs that can handle both outgoing shipping as well as incoming returns. Shoppers – especially those shopping with a brand for the first time – must be assured that their purchases will arrive in a timely manner and at a fair price. In addition, new customers must have faith in a brand's return policy and in the brand's ability to abide by the policy.

In fact, nearly 1 in 3 shoppers who did not complete a cross-border purchase cite high shipping costs and long shipping times as reasons they abandoned their carts. And almost 1 in 4 shoppers say they did not complete a purchase due to concerns about the cost of returning an item.

SHOPPERS REQUIRE RELIABLE LOGISTICS



N=16,557
Source: Global Voices Survey conducted November 2022

KEY TAKEAWAYS FOR BRANDS

FOCUS ON LOCALISING AND PERSONALISING THE CUSTOMER EXPERIENCE

Global uncertainty does not need to deter brands from opening DTC ecommerce channels in new markets. In fact, this may be the perfect time to test markets and reach new customers.

ESW ENABLES GLOBAL GROWTH

ESW helps the world's best-loved brands accelerate DTC growth with a suite of solutions designed to deliver a localised end-to-end customer experience.

ESW FLUENCY *express*

Fluency Express is a lightweight integration that enables brands to go to market quickly.

- 4 WEEKS TO LAUNCH/ LIGHT INTEGRATION
- LOCALIZATION FROM PRICING TO CHECKOUT
- READY TO GO OPERATIONS & LOGISTICS

OR

ESW FLUENCY ENTERPRISE

Fluency Enterprise is a customized solution delivered by a dedicated team to help large brands to execute on their global strategy.

- DEDICATED GO TO MARKET TEAM
- LOCALIZATION FROM PRICING TO CHECKOUT
- CUSTOM OPERATIONS & LOGISTICS
- ENHANCED RETURNS/ EXCHANGES

OR

ESW SYMPHONY

Symphony is a complete enterprise DTC solution, from the design and build of your brand's online store, to dedicated teams for the day-to-day management of the trading environment.

- DESIGN/BUILD COUNTRY SPECIFIC SITES
- LOCALIZATION FROM PRICING TO CHECKOUT
- CUSTOM OPERATIONS & LOGISTICS
- ENHANCED RETURNS/ EXCHANGES
- RUN: ECOMMERCE SITE MANAGEMENT

+

ESW VELOCITY

Velocity propels your business forward with customer experience and performance marketing services to maximize your DTC opportunity.

- CUSTOMER ACQUISITION
- CUSTOMER RETENTION
- CUSTOMER EXPERIENCE

Contact us at **growmybrand@esw.com or visit esw.com**

Methodology: *ESW's latest Global Voices consumer survey was conducted in November 2022 in 16 countries (Canada, the United States, Mexico, the United Kingdom, Switzerland, Spain, France, Italy, Germany, South Africa, the United Arab Emirates, India, China, South Korea, Japan and Australia) with 16,557 people responding. In this report Gen Z is defined as those between 18 and 24; Millennials as those ages 25-40; Gen X as those ages 41-56; and Baby Boomers defined as those ages 57-75.*