



# TAKING FLIGHT WITH CROSS-BORDER RETAIL



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The biggest opportunities for most retailers lie outside their immediate borders. The global cross-border ecommerce market is expected to grow by 25% every year, bringing it to a value of US\$900 billion by 2020<sup>1</sup>. More than half of that value – US\$476 billion – will come from Asia<sup>2</sup> alone, driven predominantly by demand for better prices and more reliable product quality in China and South-East Asia<sup>3,4</sup>. In this increasingly borderless consumer environment, retailers can no longer survive by catering to local consumers alone. They must look to transact, deliver, and build consumer loyalty internationally – treating regional and global markets as the “new local.”

Doing so requires retailers to pick up new “tools of the trade.” Traditional approaches to payments, fulfilment and customer service

may suffice for local consumers in bricks-and-mortar stores, but they often prove ill-suited to meet the needs of rapid international expansion. Retailers of every size and sector will need technologies and processes that can quickly launch new consumer-facing channels anywhere in the world, while maintaining the responsiveness and intimacy of customer service more commonly associated with the “store next door.”

Retailers will find their new tools fall into three main areas. The increasingly complex logistics of managing inventory and fulfilment demands agile, real-time systems. With orders going to numerous different countries, currency and tax management processes will dramatically change to keep transactions moving fast and comply with local regulations. And perhaps most of all, the retailer’s approach to customer

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<sup>1</sup>[http://www.dhl.com/content/dam/Campaigns/Express\\_Campaigns/Local\\_Campaigns/apem/express\\_campaign\\_spice\\_trade\\_apem\\_en.pdf](http://www.dhl.com/content/dam/Campaigns/Express_Campaigns/Local_Campaigns/apem/express_campaign_spice_trade_apem_en.pdf)

<sup>2</sup><https://medium.com/fast-forward-advisors-blog/cross-border-b2c-e-commerce-in-southeast-asia-key-trends-and-solutions-bcf34cd939>

<sup>3</sup><https://www.techinasia.com/cross-border-ecommerce>

<sup>4</sup>[http://www.dhl.com/content/dam/Campaigns/Express\\_Campaigns/Local\\_Campaigns/apem/express\\_campaign\\_spice\\_trade\\_apem\\_en.pdf](http://www.dhl.com/content/dam/Campaigns/Express_Campaigns/Local_Campaigns/apem/express_campaign_spice_trade_apem_en.pdf)

service will rely more heavily on data to foster relationships with buyers who may be anywhere from thousands of miles to a few blocks away.

To cope with the sheer complexity and demand that cross-border markets pose, retailers will need tools that can automate current processes, scale to fit emerging opportunities, and deliver not only real-time visibility but also insight into where these opportunities truly lie. This whitepaper will examine some of their tools, their effectiveness – and how some of Asia’s leading retailers have already begun to apply them in the field.

### **Don't leave Cross-Border Customers Unfulfilled**

Cross-border growth, whether through ecommerce or more traditional means, inevitably translates into more complex logistics. To support each new market that they sell to, ecommerce merchants can either establish more warehouses, bolster their last-mile capabilities, or a combination of both – no mean feat for businesses of any size. And for those with a more omnichannel approach to cross-border selling, new retail outlets and other points-of-sale, like ecommerce sites or online marketplace listings, pose additional challenges to managing both inventory and delivery.

Retailers must not only expand their logistics footprint to sustain cross-border sales –

they must ensure it lives up to consumers’ increasingly intense standards. Nearly one in three European consumers expect their orders to arrive from Asian merchants within a week; nearly one in four Australian and New Zealand customers expect orders to arrive from another country within three days<sup>5</sup>. Deliveries must not only be fast, but also offer the same quality and post-sales services – like returns and repairs – that come standard with more traditional in-store experiences.

At the same time, most retailers cannot afford to ditch cross-border retail outlets – and the logistics challenges it brings – altogether. By 2020, 65% of retail transactions in Asia are expected to start online, but be completed in offline environments like retail stores<sup>6</sup>. And many markets, like the Philippines, still struggle with substandard transport infrastructure that can add further complications to delivering orders<sup>7</sup>.

What tools can retailers use in the hope to alleviate this logistics complexity? Moving their inventory management to the cloud will help. Cloud-based inventory and order management processes make expansion into new markets far simpler – taking hours or even minutes instead of days to integrate new sales channels or distribution centres into the retailer’s existing portfolio. Doing so gives retailers a “single source of truth” into inventory levels and delivery performance across every warehouse

<sup>5</sup><https://www.ipc.be/~media/documents/public/markets/2016/ipc-cross-border-e-commerce-shopper-survey2017.pdf>

<sup>6</sup>[https://www.accenture.com/t20160729T064247\\_w\\_us-en/\\_acnmedia/PDF-8/Accenture-ECommerce-PoV-v6-FINAL.pdf](https://www.accenture.com/t20160729T064247_w_us-en/_acnmedia/PDF-8/Accenture-ECommerce-PoV-v6-FINAL.pdf)

<sup>7</sup><http://www.southeast-asia.atkearney.com/consumer-products-retail/ideas-insights/lifting-the-barriers-to-e-commerce-in-asean>



and fulfilment provider, in every country they operate, allowing them to identify bottlenecks or opportunities well before their operations begin to suffer. However, not all cloud platforms are created equal. Any ERP or inventory management platform **must be** tested for both how quickly and accurately it can track new resources, and how comprehensively it integrates with other service providers, such as track-and-trace and warehouse management across a range of countries.

Equally, if not more important, is the role of automation. While real-time visibility into inventory levels and delivery performance will prove invaluable, retailers will still find themselves overwhelmed unless they can automate at least the basics of the order-to-fulfilment process. Automatic updates of inventory levels, based on tracking of orders from all sales channels, should be considered an essential in the cross-border retailer's toolkit. So should automated fulfilment based on each consumer's choice of delivery speeds and dates, something that only becomes possible when ERP platforms integrate with those of freight forwarders and last-mile couriers.

The benefits – lower freight costs, less customer complaints and a faster roll-up time into new markets – will put retailers in good stead to meet demand wherever they choose to trade. Consumers in Asia, and beyond, have higher expectations of cross-border ecommerce than ever before, along with a

revived desire for bricks-and-mortar stores to complement their online experience. Meeting those expectations requires a strong logistics backbone, supported by cloud-based ERP software that can bear the brunt of even the most punishing delivery speeds and volumes.

### **CASE STUDY: STM Goods**

Having established nine global warehouses to keep up with rapid global growth, STM Goods had begun to run up against significant logistics complexity – and inefficiencies that were putting its fulfilment standards at risk. The Sydney-based designer of bags, packs and other consumer electronics accessories decided to apply OneWorld, NetSuite's cloud-based ERP for global inventory management, to its logistics and back-office processes, giving it real-time visibility and automation across every country of operation. That enhanced visibility helped STM Goods cut its freight costs by 25 percent, even as it tripled its fleet of global retailers and increased its range of SKUs. More importantly, OneWorld's streamlined inventory management saw STM Goods triple its sales and production within just two years, putting it in good stead to continue capitalising on cross-border opportunities both online and offline.

### **Keep Currencies And Channels In Check**

The more countries a retailer sells in, the more currencies it must deal with. And although credit cards may still underpin most cross-border ecommerce transactions

<sup>9</sup><https://www.payvision.com/cross-border-ecommerce-singapore-malaysia>

– up to 80% in Asia<sup>8</sup> – retailers must also embrace new payment modes to keep their customers happy. Digital platforms like Alipay and WeChat Pay, along with more established channels like PayPal and emerging peer-to-peer systems like Singapore's PayNow, serve to only complicate matters further. For any retailer to succeed in its cross-border ambitions, it will need payment gateways that can grow to support any number of currencies and payment methods – even those that may not exist just yet.

Retailers cannot afford to simply accept multiple currencies, either. For each market it may operate in, the retailer must also ensure its transactions remain compliant to a variety of taxation regimes. Not only do these vary significantly between countries, particularly those in the Asia Pacific region, but many also bring with them specific implications for cross-border ecommerce, such as minor duties that often apply to even low-value orders. Retailers must navigate these complexities quickly, efficiently, and comprehensively to successfully grow – a task that typically involves significant amounts of time and manual computation.

Centralising finance management on a single platform can simplify retailers' currency and compliance woes. Points-of-sale may vary significantly between markets – from cash-on-delivery in rupees to PayMaya mobile transactions in the Philippines<sup>9</sup>, where 6 in 10 adults over the age of 25 still have no bank accounts.<sup>10</sup> Retailers should consolidate them

all on a single accounting platform, ideally one placed on the cloud. Such platforms must be able to support a range of currencies, reconcile them automatically to the retailer's ledger, and deliver automated reports to meet compliance needs in every jurisdiction.

Doing so proves far more efficient – and far less prone to errors – than maintaining accountants and taxation experts in every country of operation. It also improves cash flow to the business, ensuring transactions are processed as quickly as possible regardless of the currency or medium through which they arrive; and helping the retailer identify failed or even fraudulent payments as quickly as possible.

The transparency of such financial tools should be paramount in any retailer's mind, and not just from a regulatory point of view. Being able to see exactly where revenues are generated in real time, and which payment methods or currencies are used, will allow the retailer to tweak its channels to better support consumer needs. That, in turn, allows retailers to go from a reactive stance on cross-border sales to a proactive one: treating multi-currency, multi-subsidiary, multi-modal payments not as a complex challenge, but a source of insight for far greater customer service.

### **CASE STUDIES: LFPlaza, Invisalign**

Multi-currency support proves essential for all fast-expanding retailers, no matter their business model. LFPlaza, a Hong Kong

<sup>9</sup><https://www.gsma.com/mobilefordevelopment/programme/mobile-money/mobile-money-philippines-market-conditions-drive-innovation-smart-money-gcash-philippines-becoming-mobile-money-innovation-hub>

<sup>10</sup><https://medium.com/startupph-chronicles/unfinished-business-why-e-commerce-in-the-philippines-is-falling-behind-bc6087796bc3>

distributor of luxury and fashion brands including Versace and MGSM, turned to NetSuite OneWorld to support its five most prevalent currencies (HKD, EUR, USD, JPY, and CNY) as it continues to expand throughout Asia and the world. OneWorld also gives LFPlaza, now a HKD\$300m business, the option to accept payments via Alipay and WeChat Pay – both increasingly popular amongst B2B customers in China<sup>11</sup>.

While not as expansive as LFPlaza, Australian dental-tech company Invisalign's approach to multi-currency management has proven equally, if not more impactful to its bottom line. After adopting OneWorld as part of its global growth strategy, Invisalign reduced the time taken to consolidate its multi-currency transactions from 5 hours to 4 seconds. After also cutting weekly invoicing time by 22 hours, Invisalign's use of the cloud for worldwide transaction management has helped it save \$250,000 per year – a key factor in its annual growth of 30% since the switch to OneWorld.

### Turn Transactions Into Market-Beating Insights

Most successful retailers have, to some extent, an understanding of what motivates their local customers – but what about those in markets they may have never seen? Perhaps the greatest challenge to cross-border expansion comes from the “known unknowns” of overseas customers' buying preferences. Even within Asia, retailers generalise these to their peril. Singaporean consumers who buy online from overseas, for example, are much less worried about buying conditions like bargains

or payment terms than their counterparts elsewhere; those in Australia care particularly about the availability of products, rarely seeking to get a higher quality of product than they can find locally<sup>12</sup>. And when retailers start to consider their target markets in terms of sector, age, and income as well as just country, the sheer scale of what they do not know can often prove overwhelming.

Understanding, and having the means to respond to, these inscrutable customer preferences will determine the sustainability of any retailer's overseas expansion. That insight can only come from data. When retailers combine inventory, fulfilment, and financial management under the one ERP platform, they can begin to see just how customers react to their various offerings in each market. And with the help of automation and integrated CRM functions, they can adjust their sales and marketing strategies to more accurately address those reactions.

What will differentiate retailers most as they expand overseas? Their level of responsiveness, for one. ERP and CRM data must arrive in real-time, ideally accompanied with clear visualisations or other insights that retailers can quickly make sense of. But responsiveness cannot simply come from technology. Retailers must adopt clear processes, and invest in the right human resources, to turn data into more personal and engaging customer communications at every touchpoint. That means availability of data, to everyone from executive decision-makers to social media managers and

<sup>11</sup>[http://www.chinasearchint.com/wp-content/uploads/2015/08/Online\\_payment.pdf](http://www.chinasearchint.com/wp-content/uploads/2015/08/Online_payment.pdf)

<sup>12</sup>[http://www.dhl.com/content/dam/Campaigns/Express\\_Campaigns/Local\\_Campaigns/apem/express\\_campaign\\_spice\\_trade\\_apem\\_en.pdf](http://www.dhl.com/content/dam/Campaigns/Express_Campaigns/Local_Campaigns/apem/express_campaign_spice_trade_apem_en.pdf)

shopfront staff, plays an equally important role in how quickly retailers can grow and sustain their overseas brands.

Once retailers have stabilised their overseas operations, they can focus on using their savings and efficiencies to target customers more effectively. Cloud-based ERP platforms, integrated with other systems like CRM and marketing automation, can help retailers quickly understand any market they enter. However, retailers must also familiarise themselves with using such tools to supplement – and, where necessary, replace – their more traditional ways of observing customer behaviour in stores and at sales. Inventory and order data cannot capture a customer's true nature like face-to-face interactions can – but it can act, at scale, as an effective substitute.

### **CASE STUDY: PropertyGuru**

When it comes to high-value retail transactions, customer insights are pivotal to conversion – and few purchases come with higher value than buying a home. Singapore's PropertyGuru, an online marketplace for real estate sales and leases, operates in four major Asia Pacific markets, each with their own unique and fast-evolving set of property market dynamics. After adopting NetSuite OneWorld to manage its multimarket finances, however, PropertyGuru discovered a wealth of insights into its advertising and customer engagement. That visibility, combined with sizable reductions in its financial reporting times, helped PropertyGuru triple its revenue and headcount within two years of adopting OneWorld, establishing it as a powerful contender for consumers' loyalty and trust well beyond its home market.

### **Conclusion: Toolbox or Swiss Army Knife**

In discussing the tools that retailers will need to achieve cross-border success, this whitepaper has looked especially at cloud-based ERP platforms, which combine the best of logistics, financial, and customer relationship management into a single region-wide control system. This "Swiss-Army Knife" approach – where one platform serves multiple functions, each embedded with the other – can bring significant benefits to retailers in terms of cost, speed, and scale of expansionary deployment. Platforms like NetSuite's OneWorld, which have been specifically designed to support the diverse range of payment and fulfilment methods for Asian customers, can form the linchpin of many retailers' expansionary strategies, whether through ecommerce alone or a more omnichannel model.

However, a Swiss-Army approach can only do so much. Retailers should still embrace a broader "toolbox" of systems including CRM, marketing automation, and data analytics to ensure the best chances of cross-border victory. The more seamlessly those tools can integrate with a retailer's ERP platforms, the more likely they are to know what customers really want – and meet those expectations with due speed and accuracy. Above all, retailers must adopt an open, agile mindset about their overseas opportunities. Assumptions about customers, unless backed up by sales and inventory data, will prove costly or even fatal. The less preconceptions retailers bring to overseas markets, the more agile they will be at meeting customers' rising expectations at home and abroad – no matter how rapidly they evolve in the future.