



International eCommerce with dealer-integration

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The
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Trade Association
of Greater Chicago

Agenda

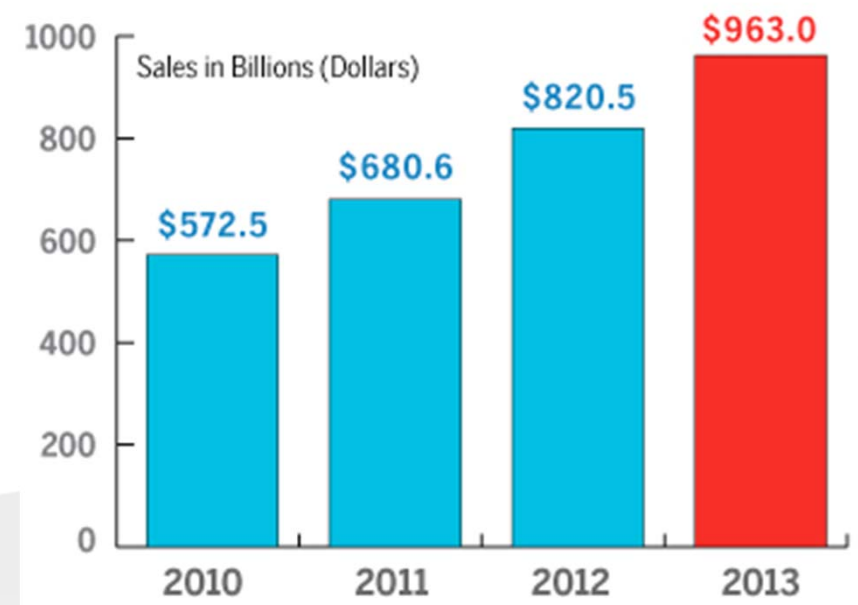
- ❑ The International Opportunity
- ❑ Why haven't many Brands readily embraced international online markets?
- ❑ Dealer-integrated eCommerce
- ❑ How to capitalise on the Opportunity
- ❑ Q & A



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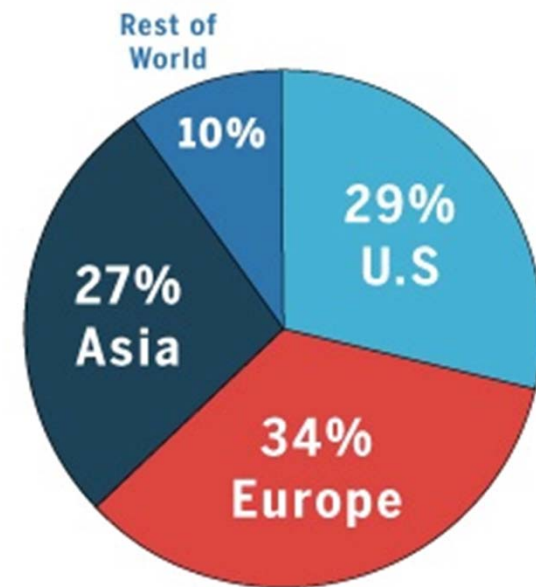
The Opportunity: Why look overseas?

- Global eCommerce is growing at an annual rate of 19.4% and, according to Goldman Sachs, is projected to reach nearly \$1 Trillion by 2013
- Many brands have already invested in an eCommerce and website infrastructure that can be extended
- A number of consumer markets, including Canada and much of Europe, have online buying patterns similar to those in the US



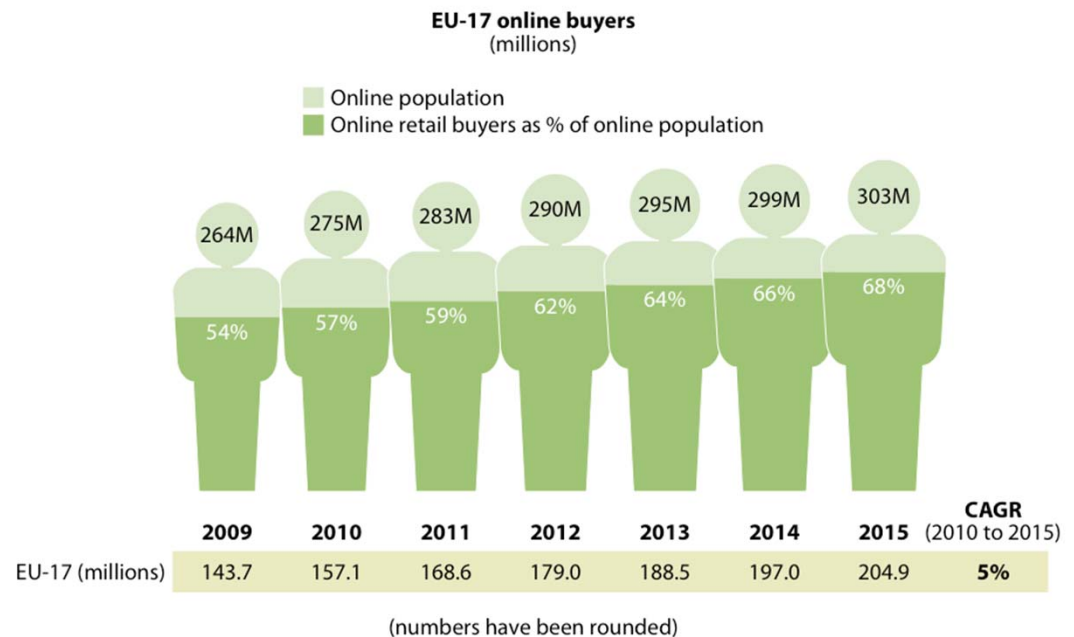
The Opportunity: The Global Landscape

- The US continues to be the largest single eCommerce market and represents 29% of global eCommerce sales
- Europe is a well-established market that has consistent growth and when totaled, combines to be the largest aggregated eCommerce market in the world
- Asia has a rapid growth rate (27% annually) and is catching up to the US and European markets
- Emerging markets are showing growth, but per-capita spending is still low



The Opportunity: Visitor Trends in Europe

- Between 2010 and 2015, the number of European internet users will grow by 10% from 275M to 303M
- During the same time period, the number of European online purchasers will grow by 30% from 157M to 205M

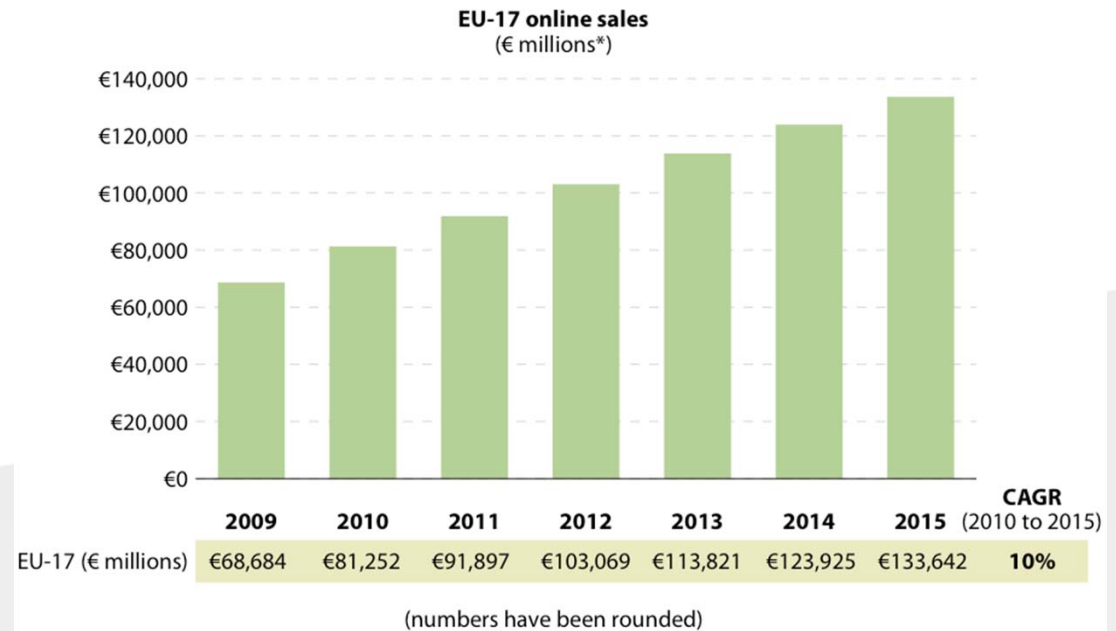


*Forrester Research, European Online Retail Forecast, 2010 to 2015 (Feb 2011)



Sales Trends in European eCommerce

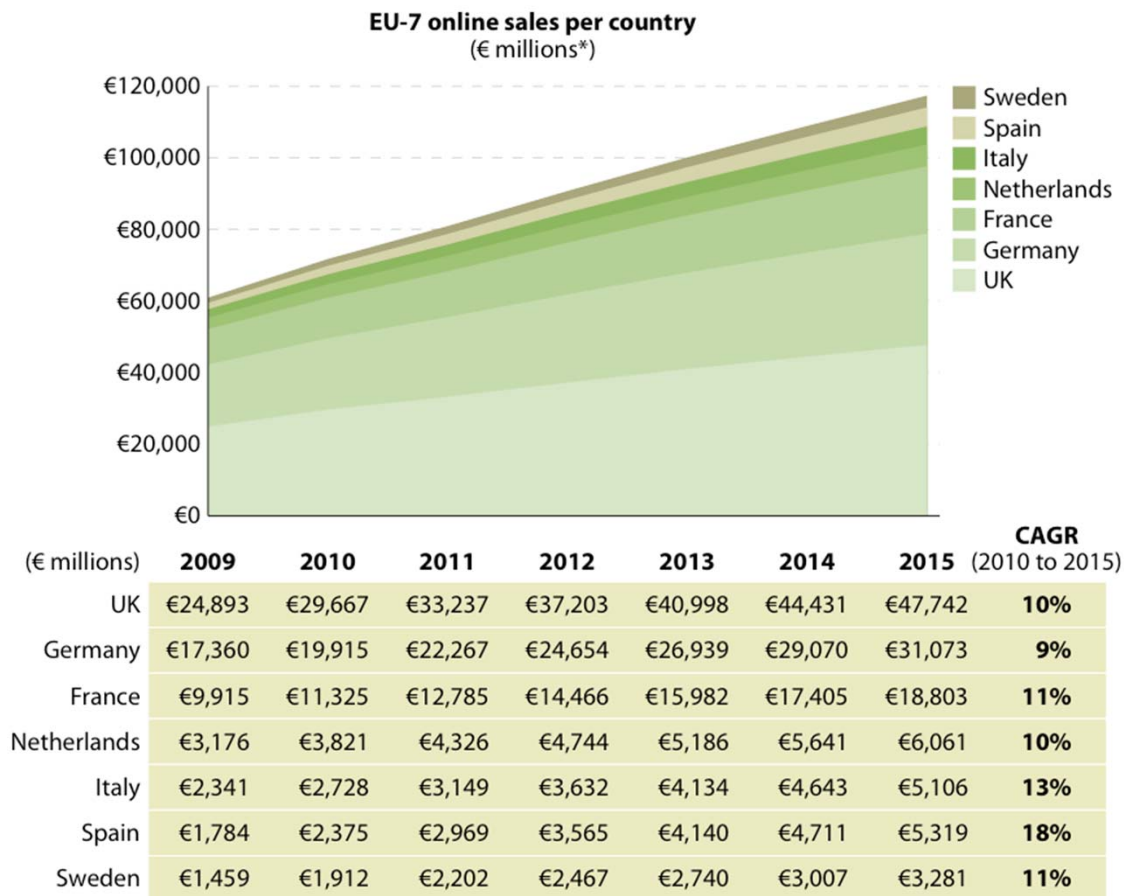
- European eCommerce is expanding
 - Online retail sales in Europe reached €81.2 billion in 2010 and are projected to grow to €133.6 billion by 2015 (Forrester)
- Online retail sales within 17 European countries including France, Germany, the U.K. and Switzerland will grow by a compound annual growth rate of 10% over the next five years.



*Forrester Research, European Online Retail Forecast, 2010 to 2015 (Feb 2011)



European eCommerce by Country



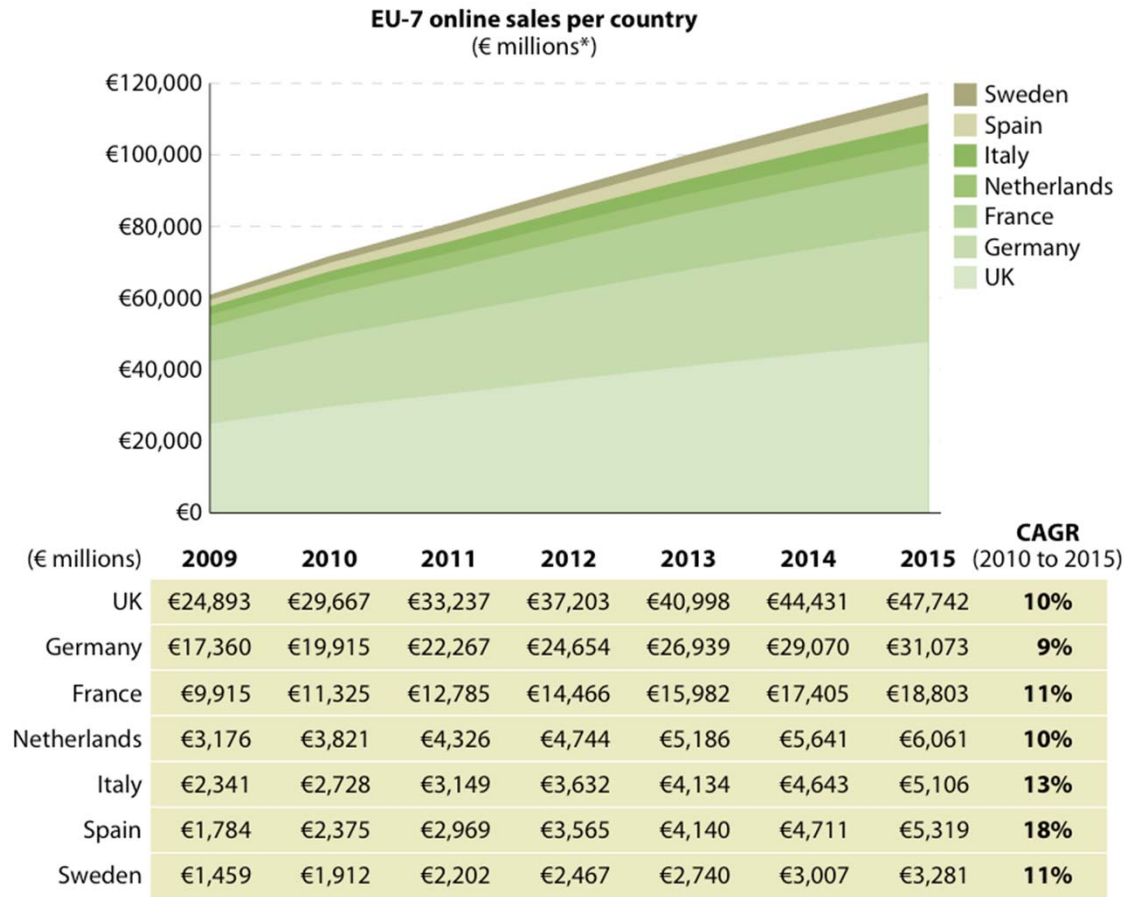
*Forrester Research, European Online Retail Forecast, 2010 to 2015 (Feb 2011)

■ Total eCommerce sales expected to grow by 65% between 2010 and 2015.

■ European eCommerce grew by 12% from '09 to '10, despite a slow economy.



European eCommerce by Country



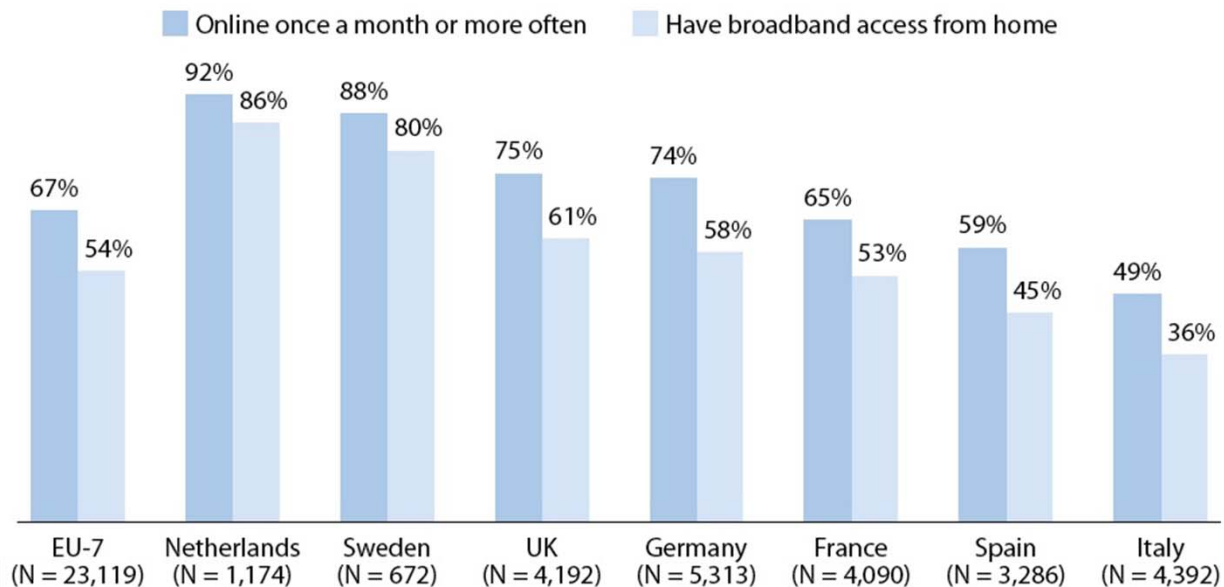
*Forrester Research, European Online Retail Forecast, 2010 to 2015 (Feb 2011)

■ UK accounts for 35% of European eCommerce volume. In 2011 10% of all retail sales were made on the internet

■ UK, Germany and France account for over 80% of European eCommerce volume.



European Internet Adoption by Country



■ Benelux and Nordic countries outpacing rest of EU in internet adoption.

■ Italy, Spain and Southern Europe lagging rest of Europe.

*Forrester Research, European Online Retail Forecast, 2010 to 2015 (Feb 2011)



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Why have Brands historically avoided selling online?

Brands find it difficult to deliver a cohesive internet strategy when presented with a complex supply chain model at home and internationally:

- ❑ Young Brands don't know how to build a distribution network overseas because of the complexities introduced of finding reliable partners, language barriers, cultural differences, currency, regulatory framework and local tax.
- ❑ Mature Brands frequently have an established Distributor network in place and need strategies that don't alienate an existing distribution network that is producing sales.

As a result many Brands have chosen to do nothing at the expense of their own consumers and a sizeable market opportunity.



Why have brands historically avoided selling online?

Brands have many obstacles to overcome before they can endorse the idea of selling online internationally:

- ❑ Making pricing visible in multiple countries can cause consumer confusion and frustration from the local distributor. The brand may not even set the pricing in a territory and relies on its distributor to set consumer prices.
- ❑ Fear that a direct sales online strategy will cause sales channel conflict as they compete directly with their own distributor and its retailers.
- ❑ Many regional distributors don't hold the manufacturer's entire product line so the brands entire assortment may not be visible in a given territory.
- ❑ It is difficult to build business solutions that involve local subsidiaries, distributors, wholesalers, national retail chains and independent retailers where all participants feel their interests are represented equally.
- ❑ The culture at many manufacturers has historically been channel-centric rather than consumer-centric.



Shopatron: The #1 eCommerce Solution for Manufacturers



Shopatron Offering

- eCommerce applications
- Web design and usability
- Multi-channel fulfillment
 - Ship direct
 - Ship from retailer
 - In-store pickup
- Payment processing
- Fraud management
- Customer order support
- Online marketing

Proven Capabilities

- 35 Industries
- 700+ Manufacturers
- 12,000+ Retailers
- Millions of Items Fulfilled

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Shopatron: How It Works



Consumer places an online order at a branded manufacturer's Web site.



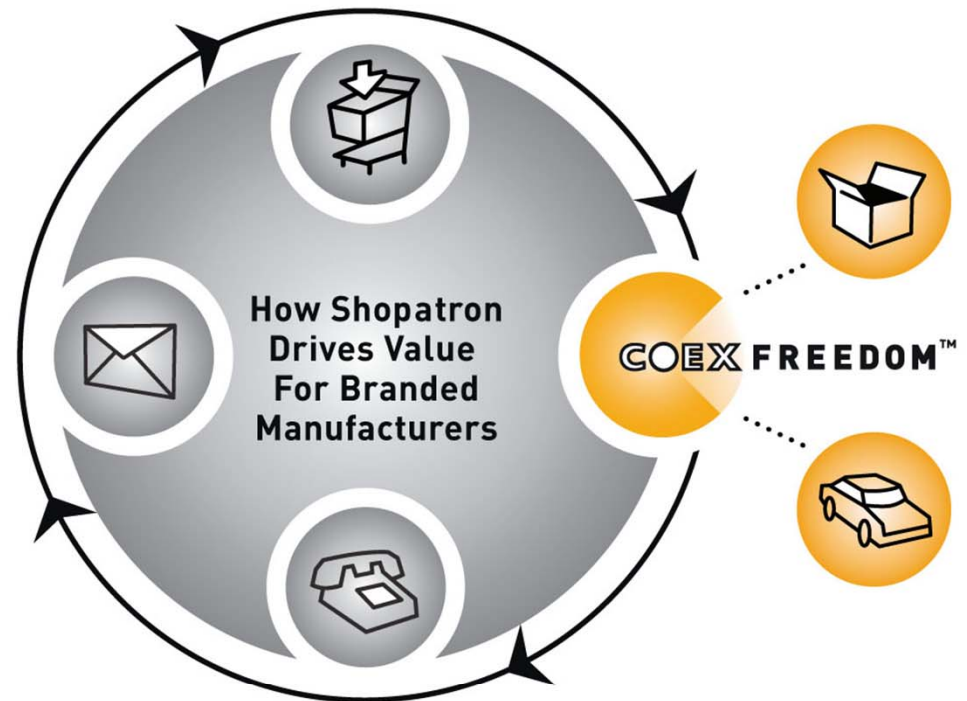
The order is assigned to the closest stocking retailer using Shopatron's Coex Freedom order exchange.



Shopatron Customer Service fields consumer and retailer inquiries.



Online marketing drives ongoing sales growth.



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In-Store Pickup: An eCommerce Paradigm Shift

Shopatron matches a consumer to the **closest retail location** where they can pick up their order.

In-store pickup and multi-channel trend

55% of consumers try the Shopatron in-store option

96% of Shopatron in-store consumers rate the experience as "Good" or "Excellent"

1 in 4 in-store pickups result in additional in-store sales

Industry Trends: In-store pickup is one of the largest drivers of online sales growth

- Consumer can get the goods faster
- Returns and exchanges are simplified
- Consumer may plan to purchase other products at that retailer
- Consumer wants to confirm the product is *actually* in stock before they visit
- Consumer may want to save the delivery charges
- Picking up when you are passing the retailer can be a green option
- There may be nobody home when the goods are delivered and courier must get a signature. Employers may not allow delivery to work.



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Why should a Brand be selling online?

The Internet isn't going away. Brands need to find new and innovative ways to use the Internet for the benefit of their trading partners. Brands that sell online using retailer-integrated eCommerce see a number of benefits:

- ❑ Their consumers expect to be able buy online!
- ❑ Empower online marketing: Market direct to consumers without fear of backlash
- ❑ Reduce switch selling by retailers for visitors that the Brand sends to them
- ❑ Encourage retailers to hold more stock to fill a bigger proportion of the Brands online orders. Recruit new retailers as a retailer-friendly brand
- ❑ Compete with online discounters to help protect Brand value in the marketplace
- ❑ Support specialist independent retailers by managing and controlling order assignment by geography
- ❑ Uncertain economic times mean there is risk to distribution network so the Brand needs to protect its channel to market.



Why will consumers buy direct from a Brand?

Reasons for purchasing over the Internet



	Very much	Some extent	Not at all
<i>Per cent</i>			
Convenience	79	18	3
Easy to use the website	61	32	7
Opportunity to buy products not available in my area	61	29	10
Lower prices	60	32	8
Wider choice of goods	52	38	10

Base: UK adults who had bought or ordered online in the last 12 months

As the Internet continues to grow in importance, Brands need to give consumers what they want:

- ❑ **Convenience** - consumers expect to be able purchase how and where they want. They don't understand that a Brand doesn't sell online to protect its retailers. It just looks like a poor Brand experience to them. Many consumers start their journey to purchase on the Brand web site. It is the authority on its own product.
- ❑ **Choice** – consumers want to buy a Brand's "long-tail" products
- ❑ **Community** - Brand need to market to its most loyal customers online using blogs, email campaigns, social networks and mobile media



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The Shopatron Model: Key Benefits

Fulfilling Orders: Benefits to Retailers

- Increased sales volume in a tough economy
- Can sell 24/7 with no investment in their own web site
- Access to data on consumer buying patterns
- Meet new customers through in-store pick up

Buying Online: Benefits to Consumer

- Service: Improved brand experience – consumers expect to be able to order from the Brand
- Convenience: Buy immediately they have made the decision that a Brand's product meets their needs
- Choice: Delivery or pick-up from local shop
- Full access to the Brands entire product line

Selling Online: Benefits to a Local Distributor

- Help them sell into retailers by demonstrating demand for the Brand's product which in turn encourages them to stock more
- Fulfil orders (at retail margin) that retailers don't want
- Work with the brand to promote the web site rather than build their own local version
- Programs like in-store pickup drives new footfall to retailers and differentiates the distributor from other suppliers the retailer may use





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International Approaches

1. Ignore international markets
2. Sell from the USA - deliver internationally. There are many freight-forwarders that provide a seamless service
3. Sell direct from within each local market maybe using a 3PL or local warehousing solution
4. Build an eCommerce strategy tailored for each region that builds on the success of the existing distribution channel



Considerations For Each Market

- Can I leverage my existing distribution and dealer network?
- What products will sell well? How should they be priced?
- Is my website infrastructure easily extendable to handle local currencies, taxes and shipment methods?
- How will I handle consumer marketing in multiple languages?

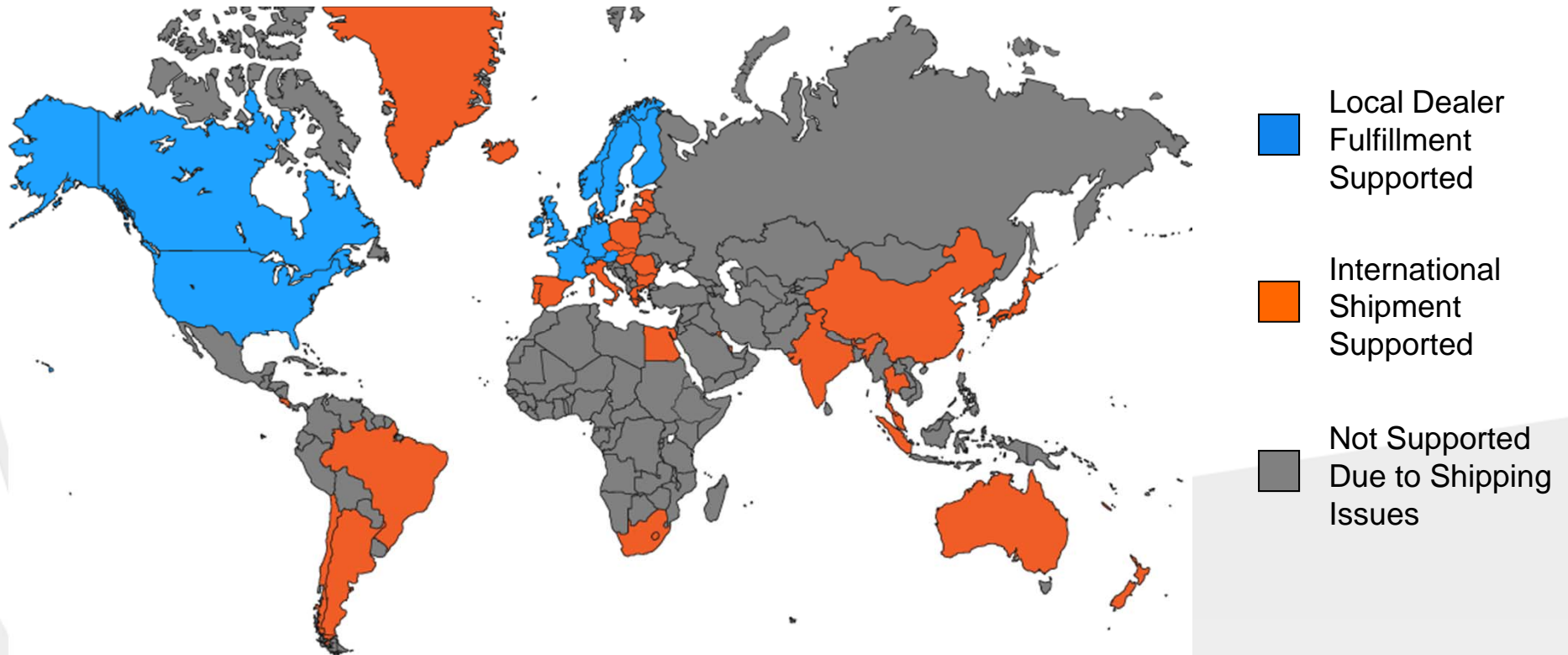


Shopatron: International Capabilities

- onBlocks website management platform lets you cost effectively build and manage a global portfolio of sites and stores.
- Professional and Enterprise Edition clients can deploy international catalogs for no incremental monthly cost.
- Shopatron handles taxes, payment processing, fulfillment rules, privacy and security compliance, and automated customer messaging in multiple languages
- Shopatron's multilingual team offers consumer, fulfillment partner, and merchant phone, email, and Web-based support



Shopatron's Global Platform



The Path Many US Brands Take

- Step 1: Canada
 - Leverage North American distribution network to access an additional consumer market.
- Step 2: Europe
 - Utilize European distributors or dealers to fulfill sales, meeting the needs of a rapidly growing online consumer base.
- Step 3: Rest of World
 - Asia and emerging markets offer an additional growing base of online consumers.
 - Distribution models vary enough that most US brands capture the Canadian and European opportunities before going beyond.



Canada

- Canada's eCommerce market is 1/9th the size of the US
- While Canada's market is notably smaller than the US's, it can offer you a double digit percentage increase in online sales
- Similarities to the US in Canada's distribution network and consumer buying habits make it a logical extension for US eCommerce programs.



Europe

- In 2011, Europe's eCommerce market will be larger than the US market
- Most US brands already have a significant amount of European website traffic
- The European eCommerce market, led by the UK, is on a growth path similar to the US

Real World Example:

- Map shows geo locations of internet visitors from a Shopatron site that DOES NOT sell in Europe.
- There is 1 European visitor for every 2 US visitors, without any concerted European marketing effort.

Internationally-Focused Site, US-Sales Only



Source: Shopatron: Urchin Geo Map Overlays. Store has monthly sales close to the median for all stores, but only allows shipping to the US. Site has international content, but only ships to US..

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Europe: Recommended Roadmap

Step 1 = The UK

Clearly the largest eCommerce market in Europe. It is an early adopter of new internet programs

Step 2 = Germany and France

UK, DE and FR account for 80% of EU eCommerce sales

Austria and Switzerland are also commonly implemented w/ Germany

Step 3 = Benelux and Nordic

Strong consumer adoption in these markets makes the investment worthwhile

Wait on Italy, Spain and Eastern Europe until you have mastered the more developed eCommerce markets



Executive Summary

Dealer-integrated eCommerce allows a flexible strategy to be developed for International eCommerce

Young Brands

Can sell in a territory directly and use their online sales to demonstrate consumer demand and offer to share that demand with local retailers/distributors that are recruited

Mature Brands

Can control their online destiny more closely by providing a richer experience for their consumers. Retailer-integration allows them to reward existing trading partners in a territory by involving them in the fulfillment





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- ❑ Thank you - **Any Questions?**



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