

## Leading Retailer Expands E-Commerce Business Globally Growth Strategy Leads to Faster Rollout Plans and Executive Support

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E-commerce has been the growth engine for retailers in mature markets such as the United States for the last 10 to 15 years. As growth in these geographies slows and newer e-commerce markets take off, retailers from around the world are crossing continents with new websites and global shipping, website translation, and currency conversion capabilities.

A leading U.S. retailer, with a number of stores abroad, currently operates e-commerce websites only in the United States and Canada. Like other U.S. retailers, the company wanted to take advantage of high online and mobile commerce growth rates in foreign markets and meet customers' burgeoning multichannel demands. The idea, however, of expanding e-commerce globally raised many investment and management issues among the company's senior leadership and e-commerce division.

The retailer asked the Cisco® Internet Business Solutions Group (IBSG) to develop a global e-commerce strategy that included 1) sizing and prioritizing its potential e-commerce business in all store markets, 2) recommending which retail functions to centralize versus localize, 3) sharing best practices in running a global e-commerce business, and 4) detailing key market success factors based on competitive activity and customer shopping expectations.

### Challenges

The retailer's international store business is very successful and still in high-growth mode. Although local country managers recognized the importance of adding online channels, U.S. senior leadership was not convinced that the size of the international e-commerce opportunity was large enough to justify a significant investment, which might come at the expense of store expansion with its predictable returns. The retailer's stores have always been the lifeblood of its business, and senior leadership is from a pre-online generation. Because of this, there was no sense of urgency to expand the online business globally; senior leadership's general goal was to expand internationally over the next 10 years.

Furthermore, the head of international stores had concerns about focus and expenses. He was worried that adding an online operation in each country would either distract local managers from growing their store businesses or add significant headcount and training expenses. He wanted U.S. headquarters' e-commerce group to manage most of the new business.



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The idea of rolling out e-commerce to foreign countries also raised many operational unknowns among the U.S. e-commerce division: What kind of online presence should the retailer have globally? What were customers' online shopping expectations in each country? Where should the websites' management be located? How should operational issues be handled, such as number of sites, product assortment, marketing, payments, fulfillment and delivery, cross-border trade, and technology platforms?

Uncertainty about the size of the opportunity, investment needs, and operational requirements was keeping the retailer from making expansion decisions.

## Solution

Following an exchange between Cisco IBSG and the retailer's e-commerce division on best practices and trends, the retailer asked Cisco IBSG to help it develop a global e-commerce plan.

**First, IBSG and the retailer worked on sizing the e-commerce opportunity for each country in which it had stores.** The business model took into account size and growth of existing store business, current and forecasted levels of e-commerce penetration in each market, relative online spending levels, and expected increase in store revenue from new multichannel access.

The business model demonstrated that the size of the global e-commerce opportunity was big enough to justify corporate investment, and that rollout should be prioritized based on existing store revenue in more-developed e-commerce markets.

**Second, to help the retailer operationalize the expansion, IBSG made recommendations regarding the location of e-commerce headcount and provided key success factors by retail function to successfully run and scale a global e-commerce business.** Recommendations were based on interviews with global e-commerce experts from six top-50 retailers and five major e-commerce consulting firms and suppliers. The retailer wanted to understand what early pioneers have learned regarding the management of global e-commerce.

Cisco IBSG suggested that the retailer use resources from its U.S. headquarters to centrally manage aspects of the business that take advantage of scale or require standardization. These included overall e-commerce strategy and plans, core technology platforms, website branding, basic navigation and features, global partnerships such as master carrier agreements, and global buying of some pooled items.

IBSG recommended, however, that the retailer be prepared to use country headcount in areas that require local expertise to ensure customer relevance. These included purchasing, online merchandising, marketing, bank/payment agreements, and local drop-ship and carrier negotiations. IBSG found that the retailer could continue to use regional Asian call centers, but that U.S. operations could handle all English-speaking countries, 24 hours a day, seven days a week.

For each retail function, IBSG identified universal principles of success. For example, e-commerce buyers must be local to ensure the right product assortment, pricing, and promotions, but also integrated with store buyers to maximize local scale with vendors. Major marketing platforms such as customer relationship management can be developed at headquarters, but specific programs should be developed by local marketers who can maximize search engine optimization and create tie-ins to local holidays and themes. In the area

of payment options, IBSG recommended that regardless of limited U.S. payment practices, the retailer should provide a wider variety of local payment norms to increase country revenue.

**Third, IBSG took a deeper look at consumers and competitors in the retailer's top four markets to determine must-have capabilities.** In certain markets, these recommendations included fresh grocery; one- to two-hour delivery timeframes, including evenings and alternative pickup points; third-party fulfillment depots with linked systems; visibility into store inventory; inbound and outbound international shipping; robust mobile commerce capabilities; new online marketing talent; marketing personalization; and payment options expanded to PayPal, debit, cash on delivery, and online bank transfers.

## Projected Business Results and Next Steps

Cisco IBSG's conservative revenue model suggested that after five years in each of the new e-commerce countries, the retailer would add US\$1 billion in online sales, or an estimated 60 percent to its current e-commerce business. This number excludes incremental store revenue from purchases consumers made after they researched the products online. The retailer estimated that this revenue increase would lead to 40 percent market share growth.

Based on this work and additional education from management on the growth of big online competitors such as Amazon, the retailer's senior leadership moved from a slower, 10-year global online plan to asking e-commerce management to expand into all of their store markets as quickly as possible. The retailer is now planning on expanding e-commerce to four countries over the next two to three years. The market rollout is expected to closely mirror Cisco IBSG's roadmap recommendation.

In addition, based on our work together, senior leadership has gained a greater appreciation of the changing worldwide nature of e-commerce and multichannel retailing. The retailer has started to shift the way it thinks about previously taboo subjects, such as carrying store inventory online, allowing greater online marketing and personalization, and enabling cross-border trade.

The retailer is actively planning its first market rollouts, including detailed costs, headcount projections, and timing. Once senior leadership and the board approve the final budget, the retailer expects to be up and running in its first geography in 10 to 12 months, with additional markets added every six to 12 months.

The company also expects to use its international markets to test capabilities that could then be transferred back to U.S. operations. The necessity of rolling out a new global technology platform, combined with smaller and less-risky international markets, creates a perfect opportunity for the retailer to test new website features, delivery options, and marketing programs.

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### More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

For further information about IBSG, visit <http://www.cisco.com/go/ibsg>.

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