New Business Models In
A New Global Landscape:

Challenge Or Opportunity?

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As we see more retail companies change the way they do business, new business models are emerging globally — and at an astounding speed. These changes have direct and indirect impacts on upstream and downstream processes, and on the customer experience. But many legacy systems and technology tools aren't designed to support the scalability and agility necessary to successfully implement the changes that come with global initiatives and operating across a global landscape.

Competing in the evolving retail landscape isn't just about getting products to the right regions. It's about managing all of the back-end, operational and compliance requirements in a way that delivers an exceptional customer experience, while balancing cost-efficient processes and compliance with local regulatory mandates.

> Average number of countries where companies have retail operations: 10
>
> *Source: Deloitte Touche Tohmatsu Limited (DTTL), [Global Powers of Retailing 2019](#)*

If a retailer expects to expand its global footprint without adjusting its processes and infrastructure to keep pace, the end result could be devastating. Back-end systems — no matter how sophisticated — can't grasp need-to-know items like local customer expectations and buying behavior. And though technology is a prerequisite to help mitigate and remove some of the barriers, risk and friction associated with globalization, technology by itself is not enough. Success while operating across a global landscape requires insight and deep subject expertise.

Business leaders today understand there are several implications and considerations in going global. But what's often missing is good visibility and foresight into the true scale of the challenges. Too often, organizations learn after the fact that they're ill-equipped from a technology standpoint to overcome the challenges in front of them. As an example, a big misconception centers on the assumption that, because the existing technology can support multiple languages and currencies, then it is global-ready. True globalization spans much more than just language, currency and other obvious global differences. It's an intimate understanding of regional nuances and requirement differences across multiple domain areas, and having technology that can go the distance.

In this eBook, we will identify the primary challenges and potential opportunities this new landscape is uncovering, and learn how the global retail transformation is impacting technology, buying behavior and more.

Platforms

High-growth retailers that decide to grow beyond their country of origin may discover late in the game that, without the right technology platforms, expansion can become a high-friction and costly affair. Globalization and localization aren't capabilities that can be bolted on after the fact, and today's retail marketplace is far too competitive to allow for delays once an expansion is underway. Instead, these platforms should be designed and built with globalization in mind from the beginning. This is especially true when it comes to ERP, e-Commerce and POS systems, as they form the backbone that will support additional integrations.

There are several dimensions to consider as part of the platform discussion:

- Languages
- Currencies
- Payment providers and mobile pay options
- Indirect tax calculations (transaction-based sales taxes or value-added taxes) and remittance
- Delivery methods and other fulfillment issues
- Compliance and regulatory requirements (data privacy, fiscal reporting, etc.)
- Local nuances (personalization, product restrictions, etc.)

To avoid the risk of an ineffective expansion and the potential loss of market share and client base, growing organizations should think about their long-term international expansion plans. With those global aspirations in mind, it's imperative that retailers choose the right platforms that can support the goals of both today and tomorrow.

> **" If an organization looking to expand into Europe doesn't have the right technology and tools to enable selling on WeChat, it might not be a big deal. However, it's a non-starter for retailers seeking a foothold in China."**
>
> – Riad Hijal, GVP Commerce Strategy and Solution Management, SAP Customer Experience

Rapid, flexible and streamlined expansion capabilities come from having a solid, forward-looking plan in place. That plan should answer questions such as: *Can our existing systems support new payment types? Are the tax calculation mechanisms in place robust enough to accommodate global transaction tax complexity?* International success doesn't necessarily require the deployment of a full-scale solution with the first new country, but the blueprint should be fully developed, and a robust foundation should be set in place. Without capable systems that can be cleanly integrated, subsequent stages of business expansion could be extremely disruptive. Scalability may be lost, and forklift upgrades midstream are often time-intensive and cost-prohibitive.

Selling Models

While the world seems smaller with globalization, customer behaviors and expectations still tend to vary greatly by region or country. And while retailers need to identify the relevant preferences and trends as they expand into different markets, they should also understand that traditional selling models are subject to cultural influences and other differences from one area to the next. For example, some markets are mobile heavy, while others are more dependent on in-store sales. Social media plays a larger role in some regions that it does in others.

No matter which areas a retailer occupies, customers want a seamless and predictable experience across every selling model and omnichannel touch point. That means pricing, return policies, availability of support, flexibility of shipping options and retailer communication should be consistent, whether a consumer makes a purchase online or in a brick-and-mortar store, in their home country or on a different continent. But preserving this desired experience and maintaining continuity may be a challenge for retailers with multiple unintegrated platforms and systems that support each channel separately. Many brands have grown their infrastructure in chunks over the years, leaving them with a patchwork of platforms geared only toward specific use cases.

What's needed as globalization increases is a framework that connects together and provides a more holistic backbone. The effectiveness of this infrastructure depends heavily on centralized and fully integrated upstream and downstream systems. Consistency in the customer experience is a recurring theme when selling in multiple channels, but it isn't just the customers who need to perceive the entire network as unified regardless of where and how they interact with the retailer. The processes behind the scenes must also be able to share data seamlessly.

For example, in order to keep inventory costs low, retailers need to know where products are located at any given time, which provides them with additional options when fulfilling orders in multiple geographies and through multiple touch points. Similarly, centralized order management and a single location for customer information gives retailers a more holistic, transparent view of these mission-critical functionalities. Selecting technology with a proven track record in supporting customer behaviors and multiple selling models in non-local markets may be beneficial when it comes to global expansion.

Legislative Influences

The expansion into new markets introduces additional issues that retailers must address. Numerous countries have approved legislation that creates impacts throughout the regulatory spectrum. Consumer privacy is a top-level concern for many regions. The EU, for example, has implemented the General Data Protection Regulation (GDPR) to protect consumers' data. It establishes rigorous restrictions on how and when businesses can collect shoppers' personal information; outlines comprehensive measures that must be followed if a data breach occurs; and imposes fines and other penalties if a business fails to properly manage consumer data or doesn't respond to a suspected breach appropriately. Similar rules exist in other regions, including Canada and many U.S. states.

Other legislative actions that influence organizations' activities within various regions range from real-time tax reporting requirements to the use of electronic invoicing. The Supreme Court's decision in the U.S. case *South Dakota v. Wayfair*, opened the door for states to require that remote sellers collect and remit
sales tax from in-state buyers, even if the organization doesn't maintain a physical presence within that state's borders. Though most retailers already had mechanisms in place to charge sales tax on a limited basis, the ruling has created significant new burdens, requiring licensing and the management of tax databases that are vastly more complex than those used when only one state's taxes must be processed.
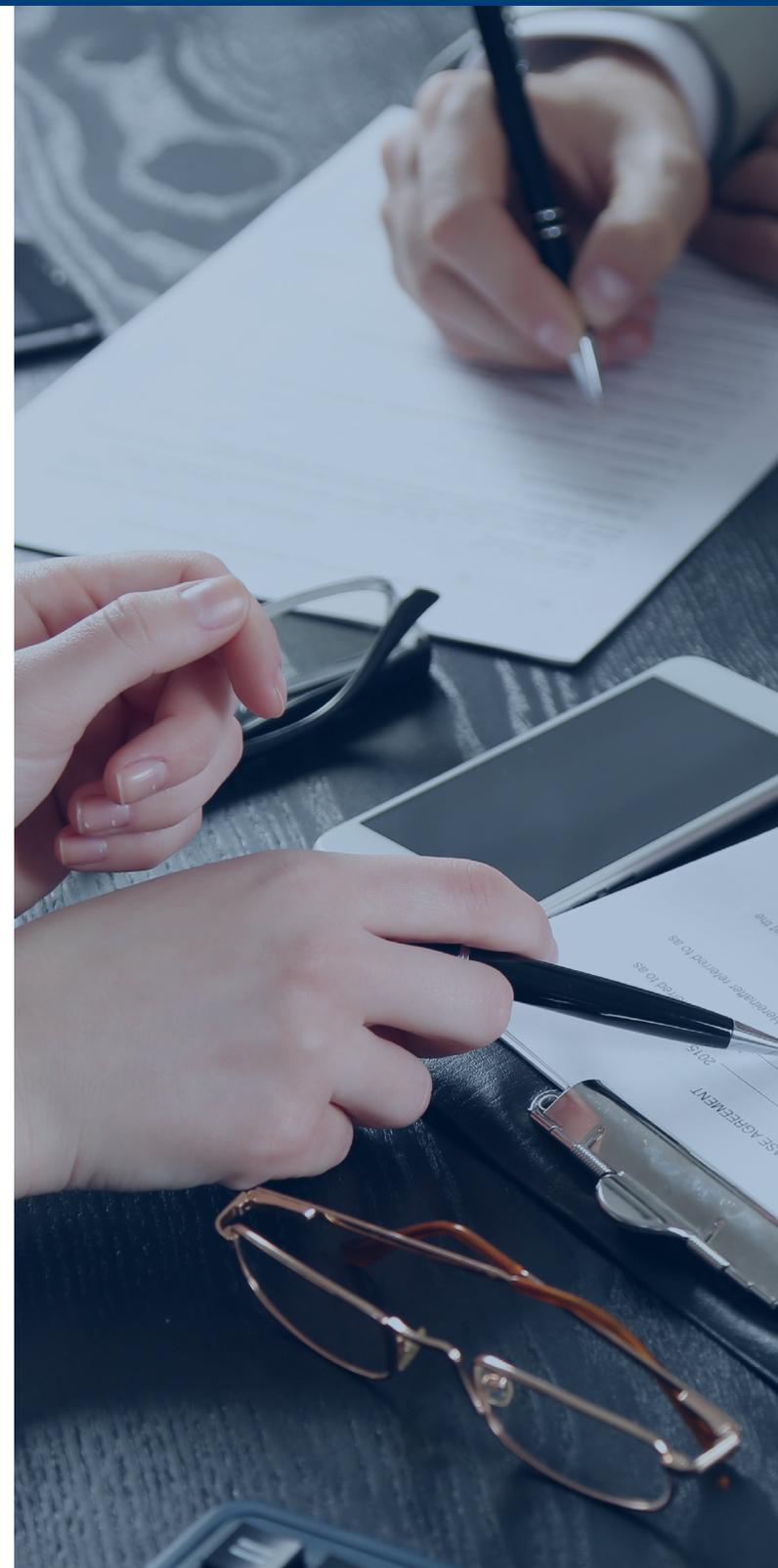
In addition, fiscal compliance mandates are now in place in a number of regions, ranging from Italy to Brazil. Many are built on the need to more effectively address problems such as sales tax evasion and money laundering. Reporting requirements are often stringent, putting the onus on retailers to manage tax data in real time and provide data to the appropriate authority on a rigid schedule.

> **Even if you understand invoicing requirements in one country, those may not necessarily extend to all countries, especially with the trend moving toward electronic invoicing and real-time government reporting.”**
>
> – Brandon Wells, Senior Manager, Deloitte Tax LLP

Following compliance, fiscal and other regulatory requirements becomes a greater challenge as an organization grows its footprint both online and across the physical store portfolio. It's important for retailers to have partners on the technology side that have experience in dealing with all of these complexities in a global fashion.
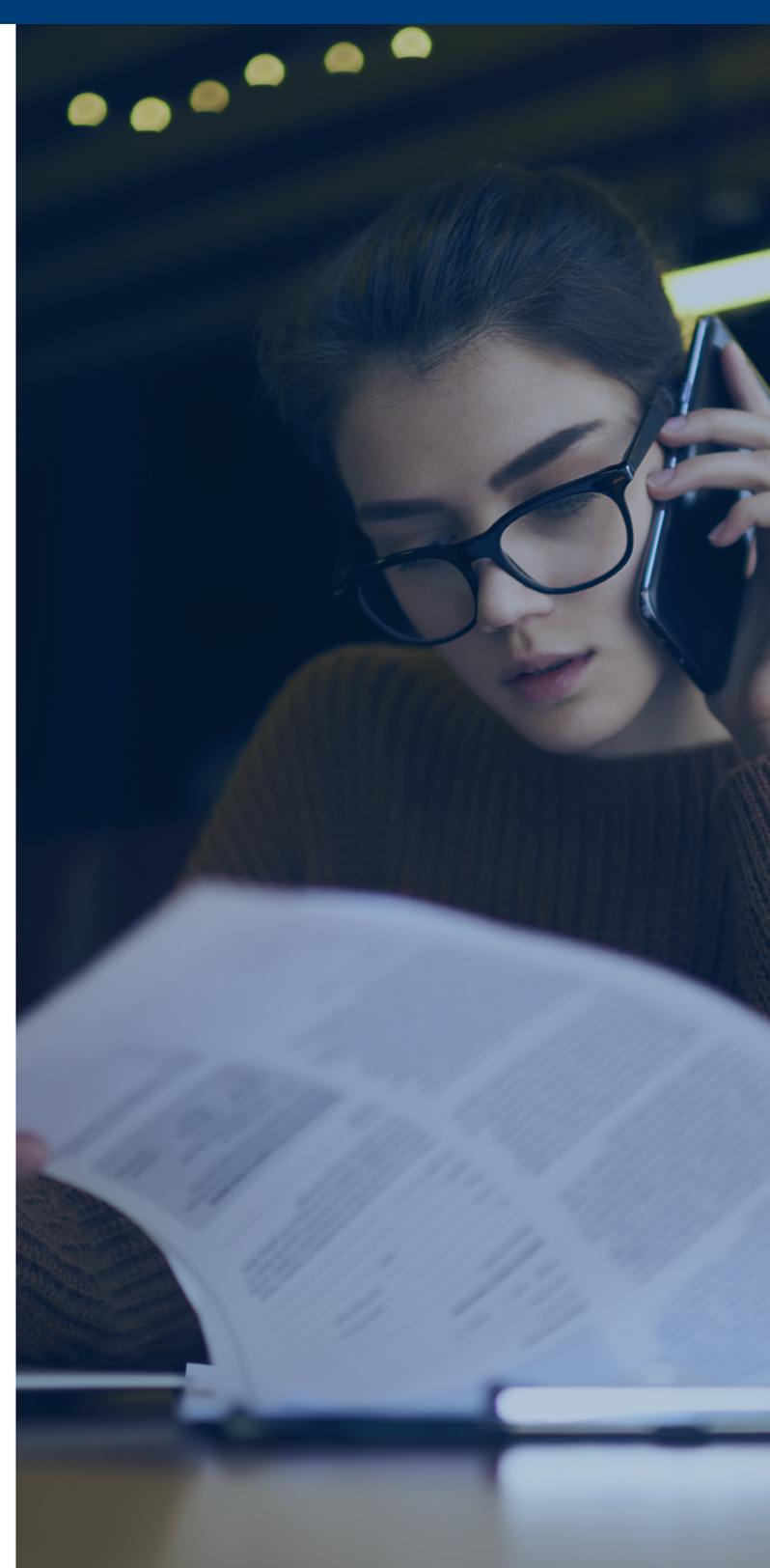
Tax Implications

Right now there are numerous indirect tax trends and developments happening both domestically and globally. Retailers must be mindful of these changes, because even indirect tax systems designed and deployed just a short time ago are challenged with adapting to the evolving compliance environment.

Among the primary challenges facing retailers is ensuring that any assumptions made in regard to these requirements will hold up in the long run. It's critical that today's decisions not be shortsighted, otherwise the business could find itself far behind the curve before long. Furthermore, with the emergence of new retail business models, indirect tax requirements now extend well beyond the traditional requirements of the past. In this new landscape, tax can't be a standalone function, and most requirements need to be overlaid across, and evaluated closely with, the requirements native to other business functions.
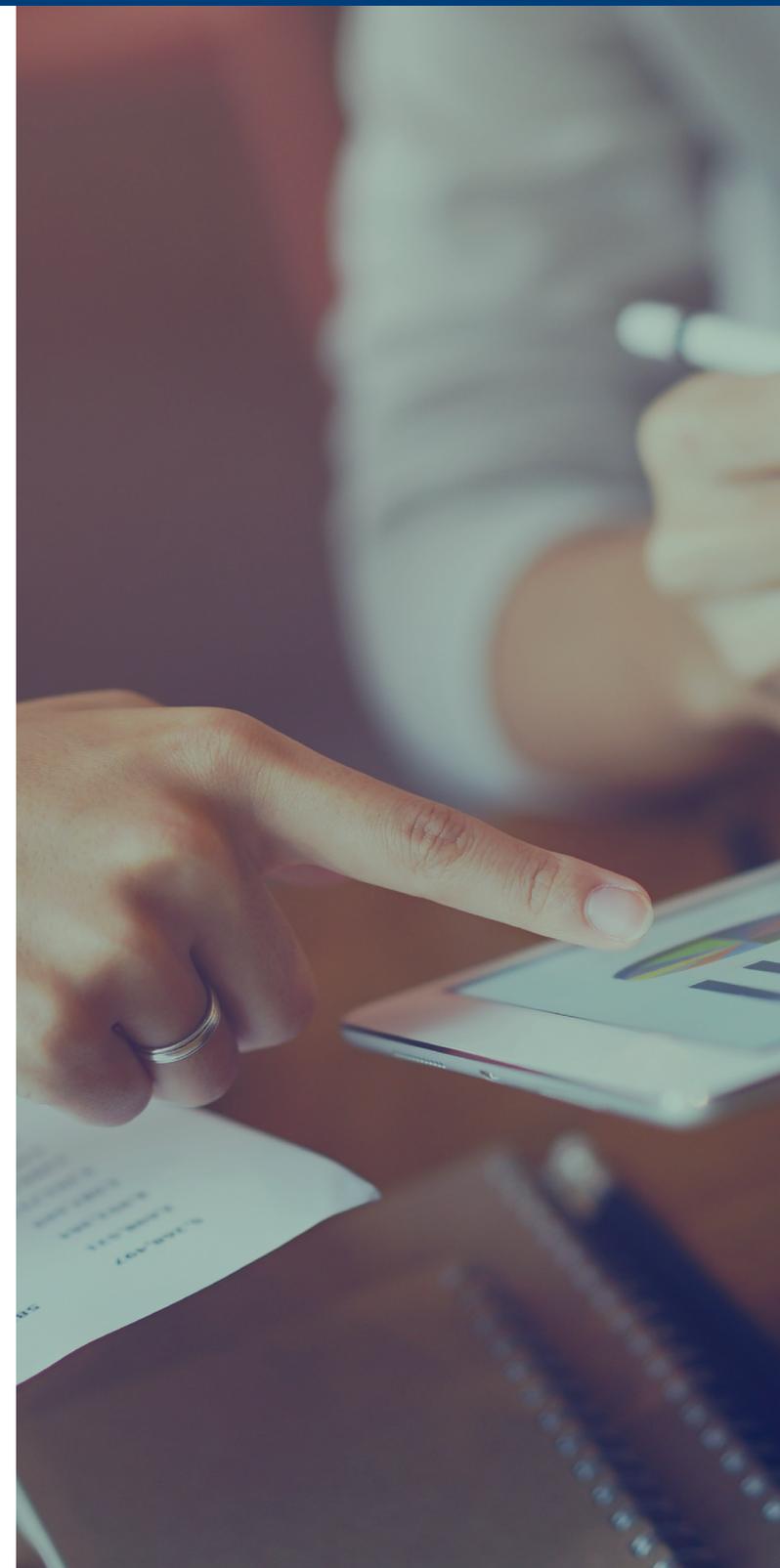
> **"The ERP and e-Commerce solutions must be able to interface with a tax calculation engine to calculate tax in regions with different rate and rule structures, such as multiple levels of taxing jurisdictions, product-specific taxes, environmental fees and tax-on-tax scenarios. Plus, of course, cross-border orders if the retailer supports them."**
>
> – Pete Olanday, Retail Practice Leader, Vertex Consulting

Developing partnerships with technology and service providers that are continuously innovating may be beneficial. Leading-edge vendors are actively incorporating new tax requirements into their technology, and delivering solutions with a prioritized spotlight that aligns with retailers' primary focus: the customer.

Unfortunately, sellers in the marketplace are under the misconception that the logic used to calculate tax where they currently operate is the same everywhere. Non-U.S. retailers, for instance, may be overwhelmed when they start to do business in the U.S. and they encounter the various levels of taxing jurisdictions and unique laws. It may be a very different environment from the country-level-only structures they're accustomed to in their home region. The same may be true for U.S.-based retailers, where difficulties arise as they attempt to extend their processes and modify their systems to support the more complex reporting requirements that must now be met.

Supply chain challenges are also hindering the ability of retailers to fully leverage emerging selling models in an increasingly global marketplace. To more effectively manage inventory, fulfillment costs and delivery time, sellers now fulfill online orders not just from centralized distribution centers but also from a global network of fulfillment centers that may include individual stores. These new fulfilment models add complexity when determining the tax applicable to an order. For example, a tax calculation may require retailers to consider both the customer's ship-to address and the ship-from location when determining where to source the transaction for tax purposes. The calculated tax can vary across each fulfilment scenario, and it becomes even more complex with cross-border transactions. However, technology facilitates these complex tax determination processes, making it seamless to the customer and transparent for the retailer as all necessary data points are evaluated and all tax determination logic is automated.

Technology enables a retailer to scale across multiple channels and multiple regions by automating the tax determination and calculation logic and providing global, comprehensive tax rate and rule content. Single-market retailers or retailers selling within a limited geographic region may be able to implement a somewhat manual processes, including the extensive research frequently required for keeping up with changing tax legislation. When that retailer expands, however, those manual processes rarely scale at a level adequate to accommodate the new expanded scope of global tax compliance requirements. The number of statutory tax requirements and rate of changes to those requirements across regions may be overwhelming. An automated solution should be deployed to ensure the expansion isn't hindered by improper or incomplete tax compliance.
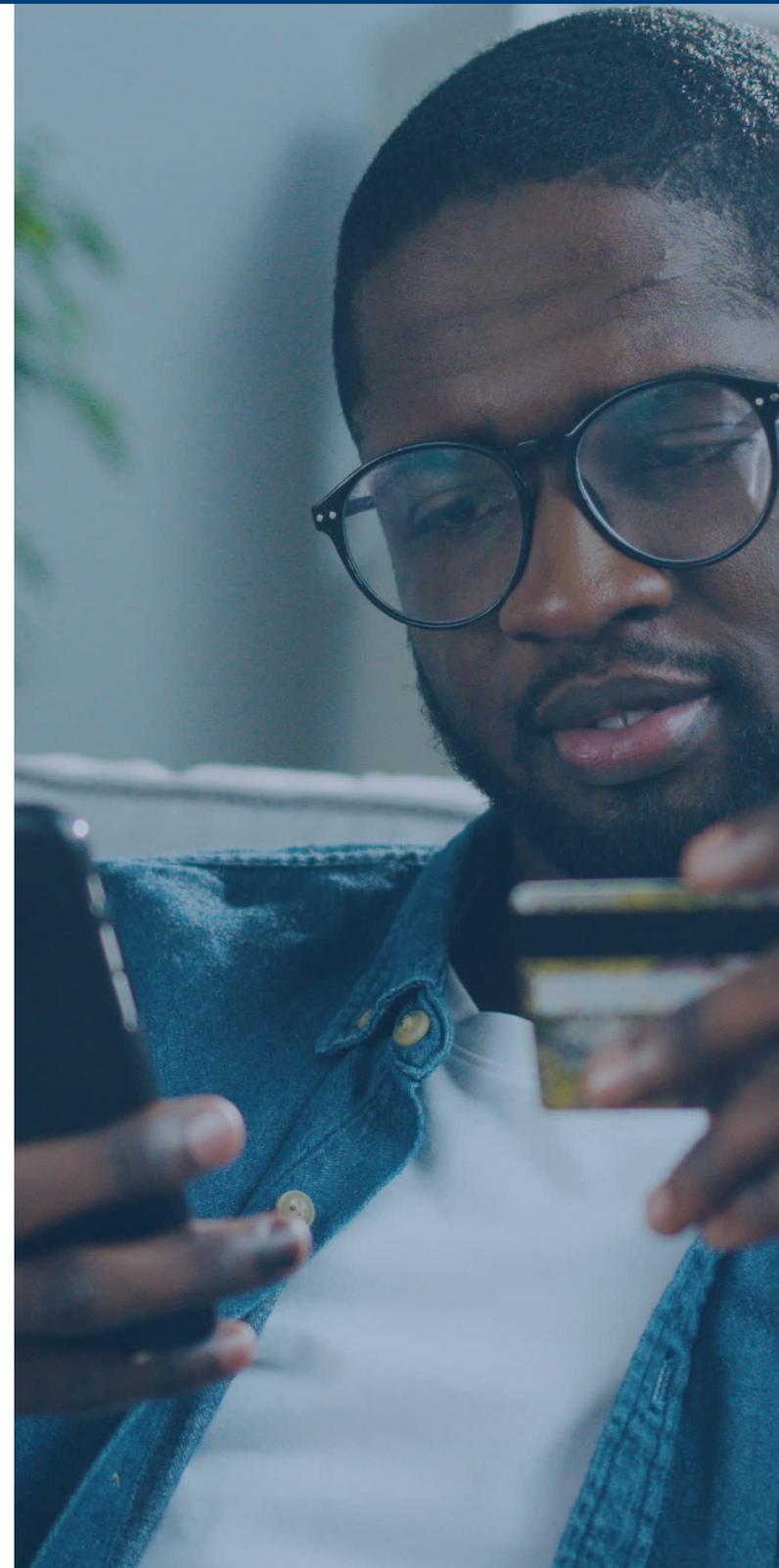
Customer Experience

While global organizations have historically done a good job with brand and messaging consistency across the various regions, not as many of them have the tools and processes in place today to operationally support the mobile and global shopper of the 21st century. Consumers are well connected and well informed. They're able to look up product details and compare pricing and availability on the fly. From accessing manufacturers' specs on the web to reading reviews from friends and influencers on social media, shoppers today are extremely knowledgeable about the products that interest them.

In this era of information, consumers' expectations are higher than ever. They want to know that their buying experience will be top notch no matter where they shop. Store associates need to be empowered to support holistic buying encounters at every touch point. Having a technology landscape that provides a global view of the customer while being able to act locally is a key success factor for organizations that want to deliver a great customer experience across boundaries in the global marketplace.

Providing that kind of consistency from one store to the next or one country to the next is an opportunity for global players, but it's also a challenge. It means breaking down internal silos to make sure that when it comes to customer experience, a single view of the organization is provided regardless of touch point, interaction or country.

Localization takes many forms, and retailers should consider all of them, including: Which buying channels are most used in each region? How are language options handled in areas where multiple tongues are common? Will currency exchange rate calculations be a standard feature on web sites and mobile applications, or should they be offered based on each customer's profile? Sellers should evaluate the local customs and preferences and ensure their systems are ready to satisfy shoppers and create a frictionless buying experience.

Managing compliance issues such as tax determination, invoicing and reporting correctly, though it may seem like an exclusively back-end process, is also vitally important in delivering good customer service. Whether it's a purchase made in a brick-and-mortar store, on one of the retailer's web sites, on a third-party marketplace or through a mobile application, customers want to see consistency in pricing across channels. With tax being a component of pricing in the case of both tax-exclusive and tax-inclusive pricing, the customer expects accuracy in calculated tax no matter their shopping venue. The same holds true when they buy online and return in-store, or when they make their purchase in-store and then ship the item back, for example. In every scenario, the tax must be calculated — and charged or refunded as appropriate — accurately. It all has to be seamless, because customers don't see a retailer's presence as being detached from any of its many channels. To them, it's all a single entity, and they expect their experience to be consistent regardless of the channel.
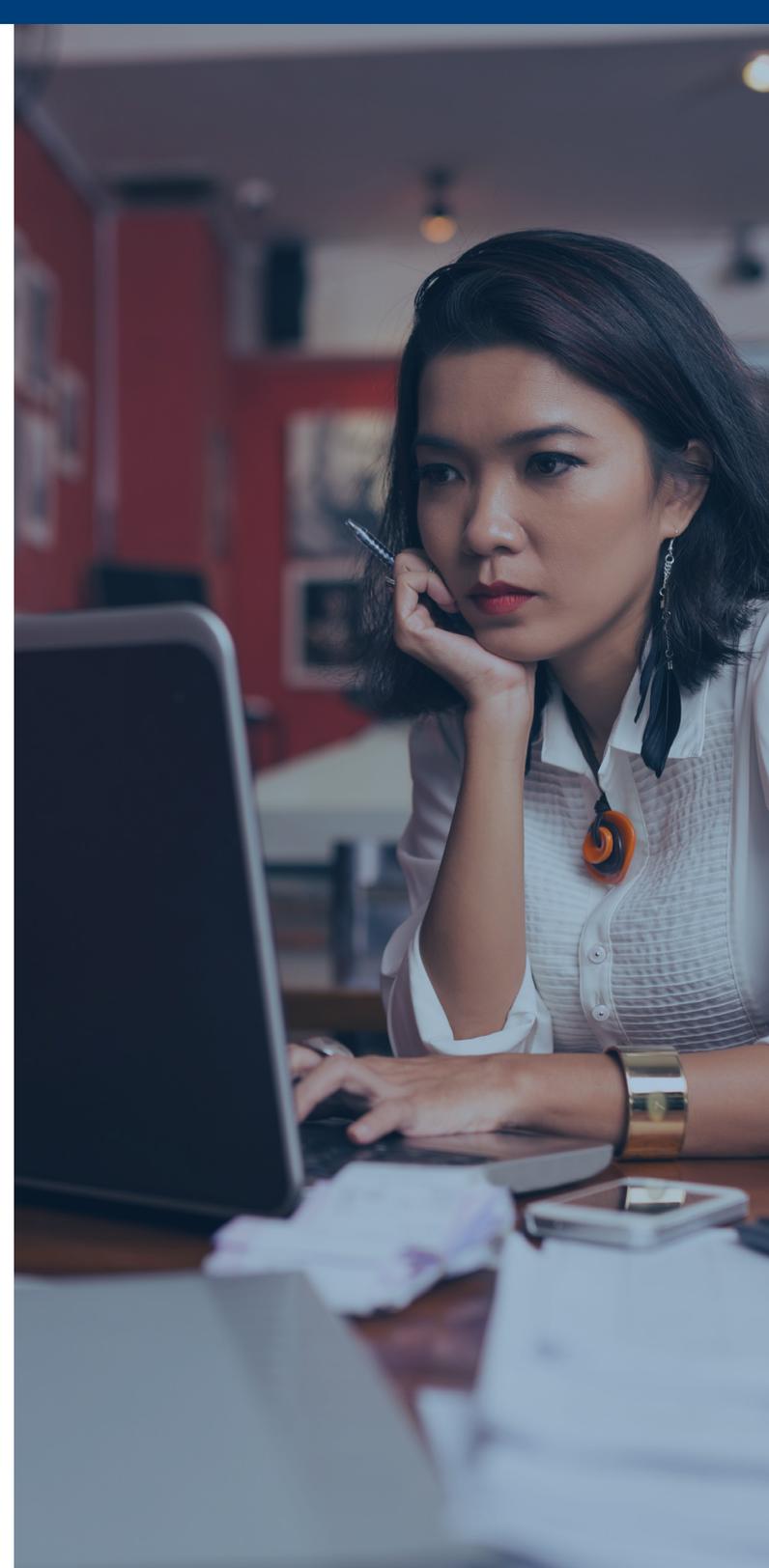
Conclusion

Global expansion offers important opportunities for retailers, but those that grow successfully share some key traits.

- The right platforms with end-to-end and flexible integrations
- Knowledge of the implications and considerations across various selling models
- Compliance with legislative and regulatory requirements
- Mastery of accurate, real-time tax calculations and reporting
- A customer experience that's consistent and compelling

Technology is the thread that binds these assets together, and experienced providers deliver the know-how to deploy systems effectively and efficiently.

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