



The UK  
Ecommerce  
Association

# IMRG + Avalara

## Cross border commerce: insight into international 2022

Where are your competitors shipping to,  
and should you go cross-border?



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# Meet the Experts



*“IMRG is delighted to be working with our partner, Avalara, to bring together key insight surrounding cross-border commerce. As an increasingly important area, it’s vital that retailers understand the market; everything from where their competitors are shipping to, down to the cost to operate in other countries. We’ve worked to bring you crucial data from a large group of retailers to help make those key decisions when it comes to cross border commerce.”*

### About

We help our members understand and improve their online retail performance through a busy programme of performance benchmarking, data analysis, insight, best practice-sharing and events. We have been tracking online sales since 2000 – and now measure over 120 individual metrics in a series of indexes, providing in-depth intelligence on online and mobile sales, delivery trends, marketing ROI and channel performance.

### Editorial



Andy Mulcahy, Strategy and Insights Director at **IMRG**



Emily Black, Content Executive and Analyst at **IMRG**



*“Retailers are identifying new markets through cross-border ecommerce, and although this practice comes with its own set of challenges, it’s vital for business development. New regulations and consumer trends can increase the challenge, but you can continue to succeed and grow your market share with the correct use of available resources. This research will help businesses understand and adapt to the developments in the cross-border ecommerce market and continue to find success wherever they sell.”*

### About

Avalara helps businesses of all sizes get tax compliance right with cloud-based solutions for various transaction taxes, including sales and use, VAT, GST, excise, communications, lodging, and other indirect tax types. We help businesses break into new markets and achieve international growth.



Tom Jacobs, CRM & Operations Manager at **IMRG**



Sacha Wilson, Senior Director at **Avalara**

# Our data

**IMRG conducted a survey to establish what countries retailers were delivering to, whether they offered cross border commerce, and in which categories.**

**The survey was conducted in April 2022. Data was gathered from 300 UK retailers, to find out how they operate cross-border.**

The aim of this survey, conducted in collaboration with Avalara, is to provide retailers an accurate benchmarking tool to establish where they sit in the market. We aimed to understand where retailers were shipping to, and operating costs, so that we could get a better picture of the market, and what the current cross-border commerce scene looks like. Initially, we found out how many retailers are delivering abroad, and then went on to find out the strategies of those who were, such as their destinations, and how long this shipping might take, or cost.

### What's inside?

- How many retailers operate abroad?
- International delivery by category
- Delivery destinations
- The price and time involved in shipping

The goal is for retailers to be able to take away an accurate picture of the current cross border landscape, in order to better understand where they fit into it.



# The challenges and opportunities in cross-border commerce

### Expanding markets

Cross-border commerce provides the advantage of larger markets for expansion. Demand in these markets might vary however; for example a bestseller in one country might be less popular in another region, providing opportunities for expansion in sales for other lines. Testing and understanding demand is key for success.

### Less competition

Selling abroad means that a good product which sells well domestically might have a chance of taking a larger global market share, if the right channels and partnerships are utilised. But more niche products can do well too, as you may find they are filling a gap in another market, and taking a larger portion of these overseas sales.

### Customs and codes

Tax rules and regulations are a difficult reality, as retailers must navigate the requirements for their international shipments. With customs forms and incoterms, there's a lot for retailers to get their head around before diving in. Ensure your business is abiding with regulations so as not to get caught out.

### International returns and costs

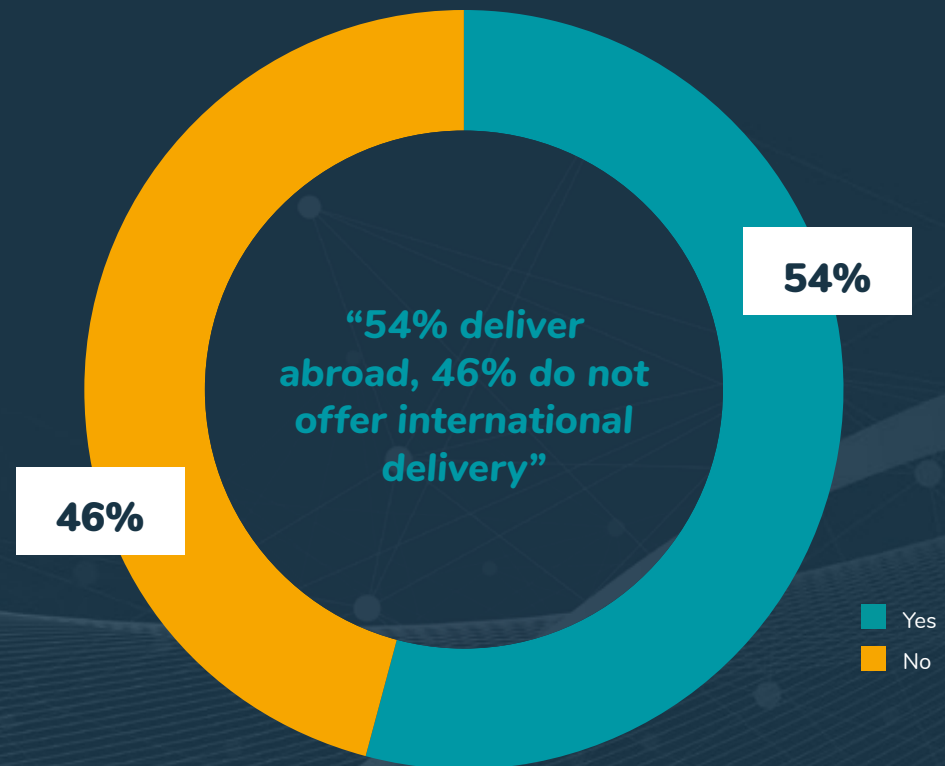
The costs associated with shipping cross-border, and also for any returns, is increasing. It's vital to understand where the best markets are to make cross-border financially viable, and select the regions your company will have the best chance of thriving.

#### A word from Avalara

Cross-border sales are a great way to increase your customer base, drive revenue, and position your brand for the future. But it's not without its complexity. There are myriad things to consider, from your existing ecommerce platform and the maturity of your organization to potential competition in-market, taxes, duties, shipping, and your supply chain. Selling cross-border is complex, but there are a ton of resources to help you, including software platforms that will streamline some of the thorniest considerations, as well as partners and consultants who can answer your questions and help you plan your go-to-market strategies.

## Delivering abroad

The first question we asked our group of retailers, when establishing what the current cross-border climate looks like, was whether they deliver abroad to begin with. There was a relatively even split, however 'yes' took the majority, at 54%. 138 out of 300 retailers do not offer international delivery, whilst 162 do offer delivery abroad.

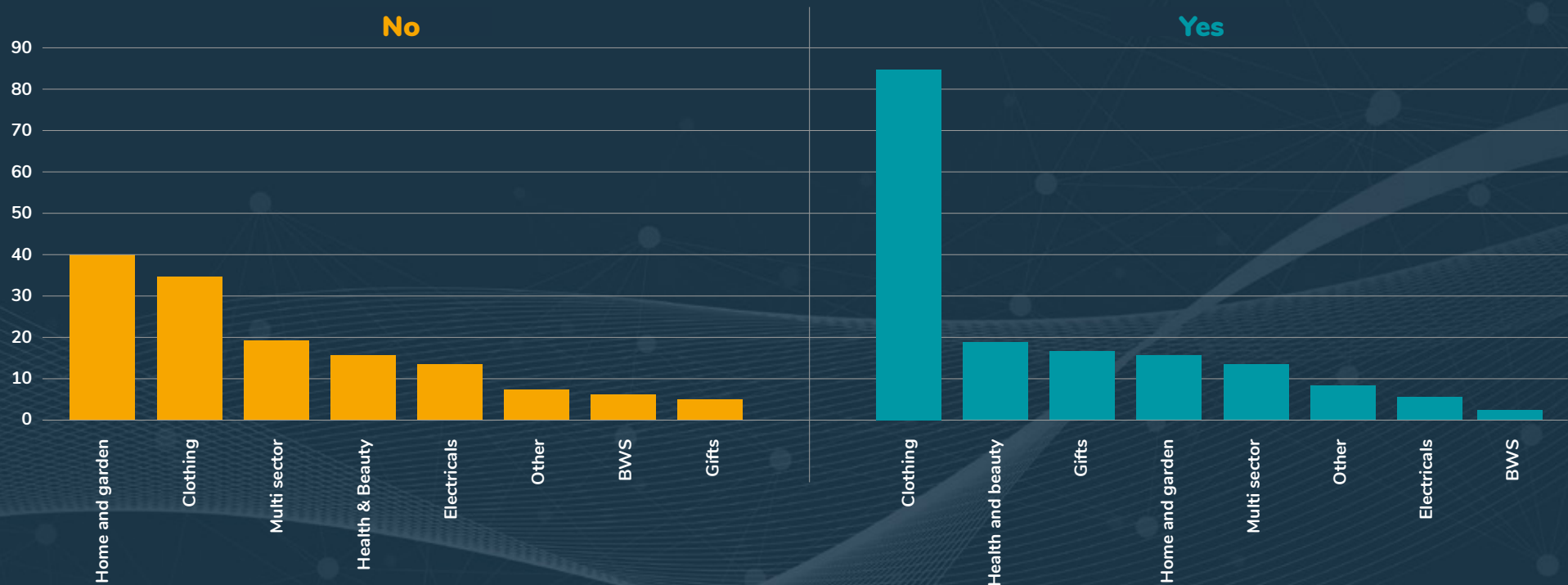


# Delivering abroad

When we break down the data to see the categories which were, or weren't, delivering abroad, this is where the split reveals a pattern. The category where retailers are least likely to ship abroad belong to home and garden (40 retailers), which will be for the obvious reason of difficulties with the shipping of larger items such as sofas and barbecues. By this logic, clothing retailers were most likely to offer shipping abroad (85 retailers) because clothes are softer, smaller, and easier to ship. Health and beauty saw a similar trend, as well as gifts.

"138 of 300 retailers do not offer international delivery, whilst 162 do offer free delivery."

Do you ship internationally? (Number of retailers)



# Categories and cross-border

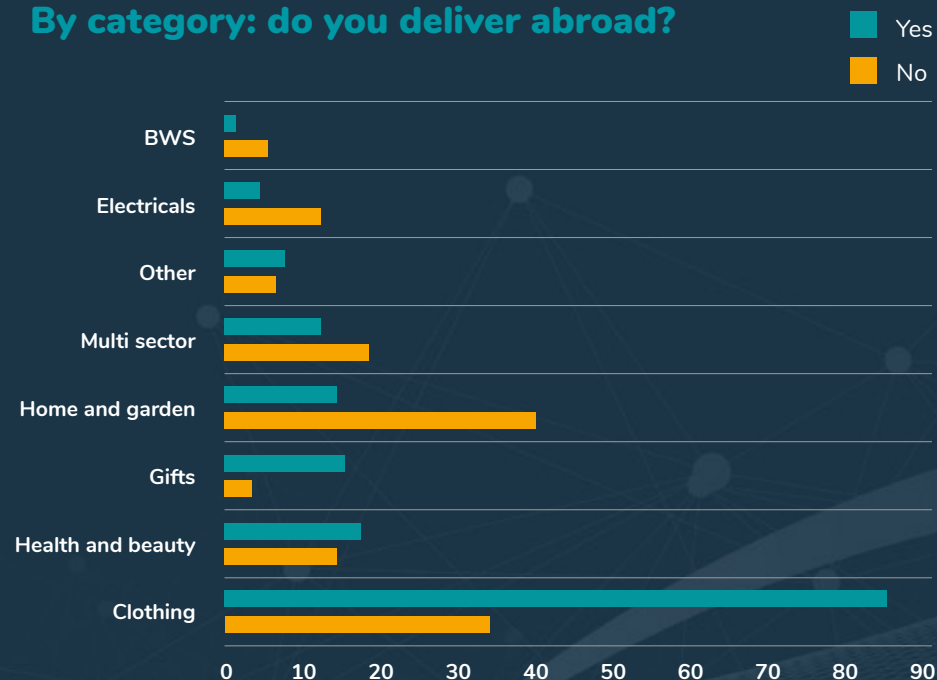
We broke up the data further to establish who is providing cross-border commerce, and which categories were most popular. Once again, we can see that home and garden retailers are less likely to deliver abroad, possibly because of shipping expenses and customs costs. Equally, beers wines and spirits are also less likely to ship abroad because of the risks involved in shipping liquids in fragile bottles, and regulations on liquids in the post. The majority of retailers who do ship abroad are in clothing, and health and beauty, because of easy transportation.

### A word from Avalara

International trade remains a complex environment to navigate. Each country has the power to level a maze of cross-border trade legislation that can affect plans to expand your global footprint. Particularly for beer, wine, and spirit retailers, for whom a lot has to happen between the time the product is bottled and the moment it reaches the hands of the customers.

Going cross-border means your business can handle every aspect of the transaction: payment in local currency, adhering to local standards for fraud prevention, as well as complying with in-country taxes, import duties, and local restrictions that may apply to the specific products you ship. And of course, it means getting the package to the end customer in a reasonable time frame. If UK retailers can get the right solutions and support in place, there is a real opportunity to empower British businesses to become major exporters.

By category: do you deliver abroad?



“Beers wines and spirits are also less likely to ship abroad because of the risks involved in shipping liquids in fragile bottles”



## How many destinations?

The next set of data was gathered from the 162 retailers who do ship internationally, so we could delve into more detail about the logistics and practicalities of shipping abroad. The graph shows the average number of destination countries, by retail category.

Fewer options are offered by home and garden retailers, as well as beers, wines and spirits. Most likely this will be linked to the previous data, as they can't ship large items, or liquids to many countries around the world. Electricals and multi-sector categories saw the most destinations, once again with health and beauty, and clothing.

### A word from Avalara

It is incredibly important to understand HS codes, and apply the right ones to all of your products in every destination that you sell to. These are the country-specific codes that identify the products being shipped. If a receiving country doesn't have the correct HS code, your package may get stuck in customs. Moreover, the duties you pay are driven by the HS codes, and you don't want to pay more than necessary. Certain products can be especially complex to import. For example, importing a luxury watch into certain countries may require separate HS codes for the watch itself, its strap, and its battery. Selling to more destinations requires paying closer attention to these item classification codes.

### Average Number of Destination Options by Category



# Where should you be shipping?

So, where exactly should you be shipping your goods? If the general market, and therefore your competitors, are anything to go by, there are a range of popular destinations. 145 of the 162 retailers who ship internationally ship to the EU, making it the most popular destination. 130 of them ship to the USA, and 120 to the 'rest of the world', including places not listed in our scope of four regions.

The EU may be the most popular destination, however, it's become more difficult for UK retailers to ship outside of the UK since Brexit, due to trade restrictions, and new customs rules, which means items can often get held up at borders, increasing the risk of an item arriving late. In 2021, there were extreme supply chain issues caused by Brexit (as well as stock-piling during the pandemic) which caused retail pandemonium. Whilst the implications of Brexit have somewhat settled down, the Russo-Ukraine crisis is now providing new supply chain issues. The war in Europe brings with it heavy pressure on supply and demand, as the cost of living crisis increases as a result.

## A word from Avalara

Brexit red tape has meant that cross-border commerce, which was previously just logistical and commercial considerations, is now a complex web of customs formalities and new obligations. Whilst the Import One Stop Shop (IOSS) VAT scheme solves some of the difficulties posed by EU-UK trade in a post-Brexit world, it doesn't solve all of them. Whether these problems will continue is a golden question for UK retailers at the moment, but it's a good policy to adapt where you can regardless of your predictions. Retailers should take the time to understand available solutions now, rather than risk losing out to competitors who are faster to overcome supply chain issues.

## Number of Retailers offering Delivery to Geographical Area



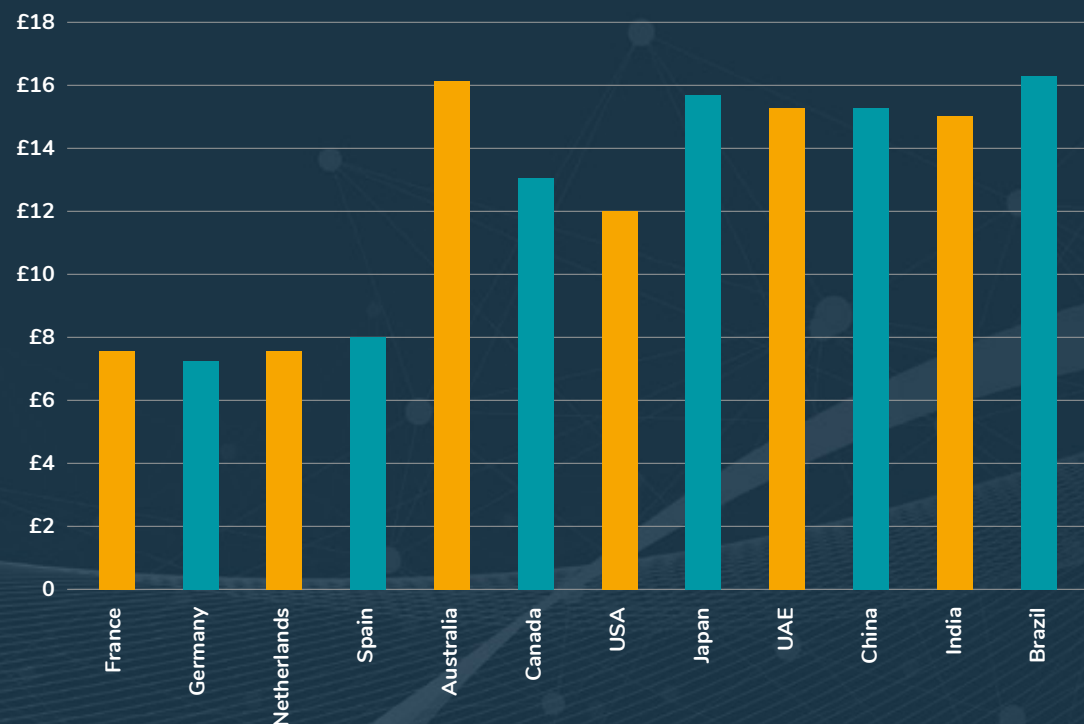
# The cost of shipping abroad

Now we know how many companies ship abroad, and where, it's important to understand what this means practically. This next question was asked to 123 retailers, all of which ship abroad and could provide the data needed for a sufficient answer. The cost to ship abroad is one which is often the deciding factor between whether to operate cross-border or not, in the UK. The cheapest countries to ship to were, unsurprisingly, the closest ones; predominantly European, such as Germany, France, the Netherlands, and Spain. Interestingly, these were followed by the USA and Canada, due the focus these routes have received given the shared language and size of the markets. The most expensive places to provide cross-border commerce were China, Japan, the UAE, and Brazil.

## A word from Avalara

The survey shows that Australia, China, Japan, the UAE, and Brazil are the most expensive places to ship to. However, this shouldn't deter you from selling into these markets. Over the next decades, the world's emerging markets will be important to every brand. If you wait ten years to get serious about those markets, it may be too late. Other countries, particularly China, will have an insurmountable lead and can shut you out of these markets. Cross-border selling is a diversification strategy, a way to ensure your brand is relevant to the consumer of the future. Tax calculators and shipping providers can help you determine your exact costs by product and by country to ensure success when selling into these markets.

Average shipping cost by country (GBP)



"The cheapest countries to ship to were, unsurprisingly, the closest ones..."

# How long should shipping take?

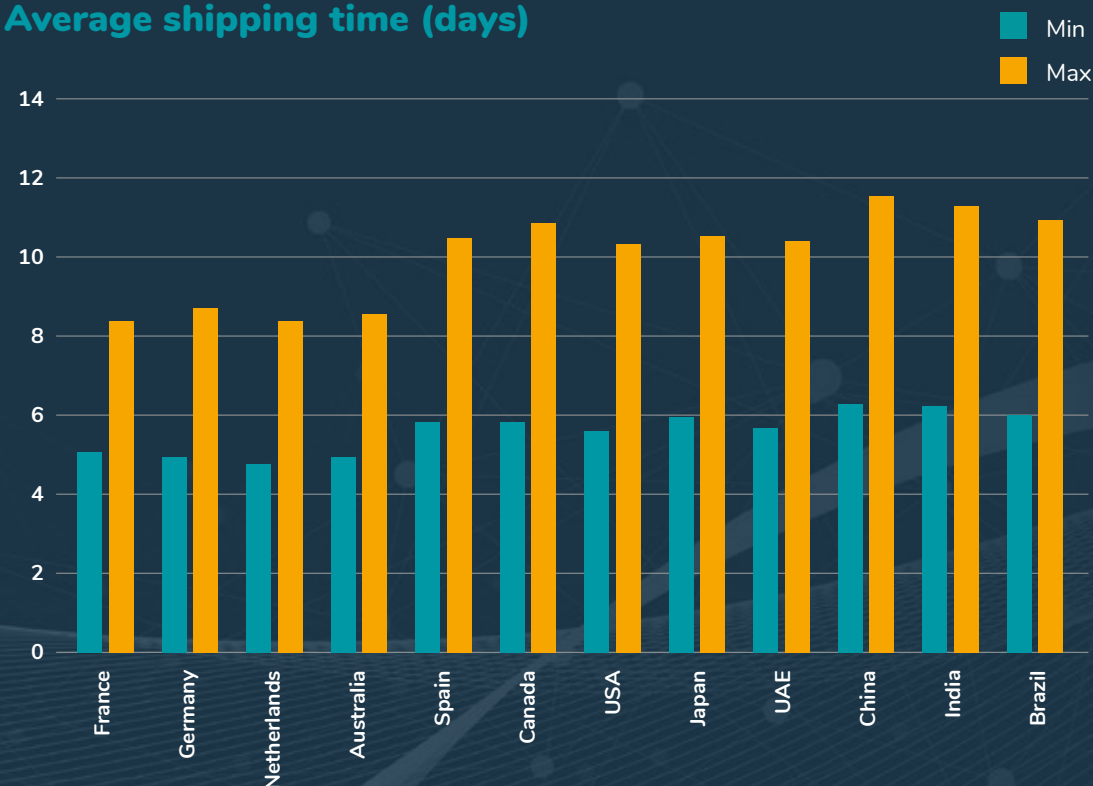
We went on to find out how long shipping takes across these cross-border destinations for 123 companies. The minimum amount of time for shipping seemed to usually be between 4-6 days, which is longer than that which the average UK customer can expect to wait. The maximum time was around 8 days for EU countries, and Australia, and 12 days for other areas.

Waiting up to two weeks for an item will impact the delivery experience for a customer, as it's not the rapid next-day delivery some may be used to within the UK, particularly if prices are higher, so it's important to get that high-quality experience all round to ensure customers are kept happy.

### A word from Avalara

Ecommerce shoppers are accustomed to fast and free shipping domestically and have high expectations for all online purchases. While consumers understand that items coming from overseas will take longer, the survey shows they're still rather impatient and want to receive their purchases within 4 to 6 days so it's important to avoid delays. If you're providing good information to your shipping carriers, you can deliver quickly and can provide a great customer experience even if it's going from the UK to Australia.

Average shipping time (days)



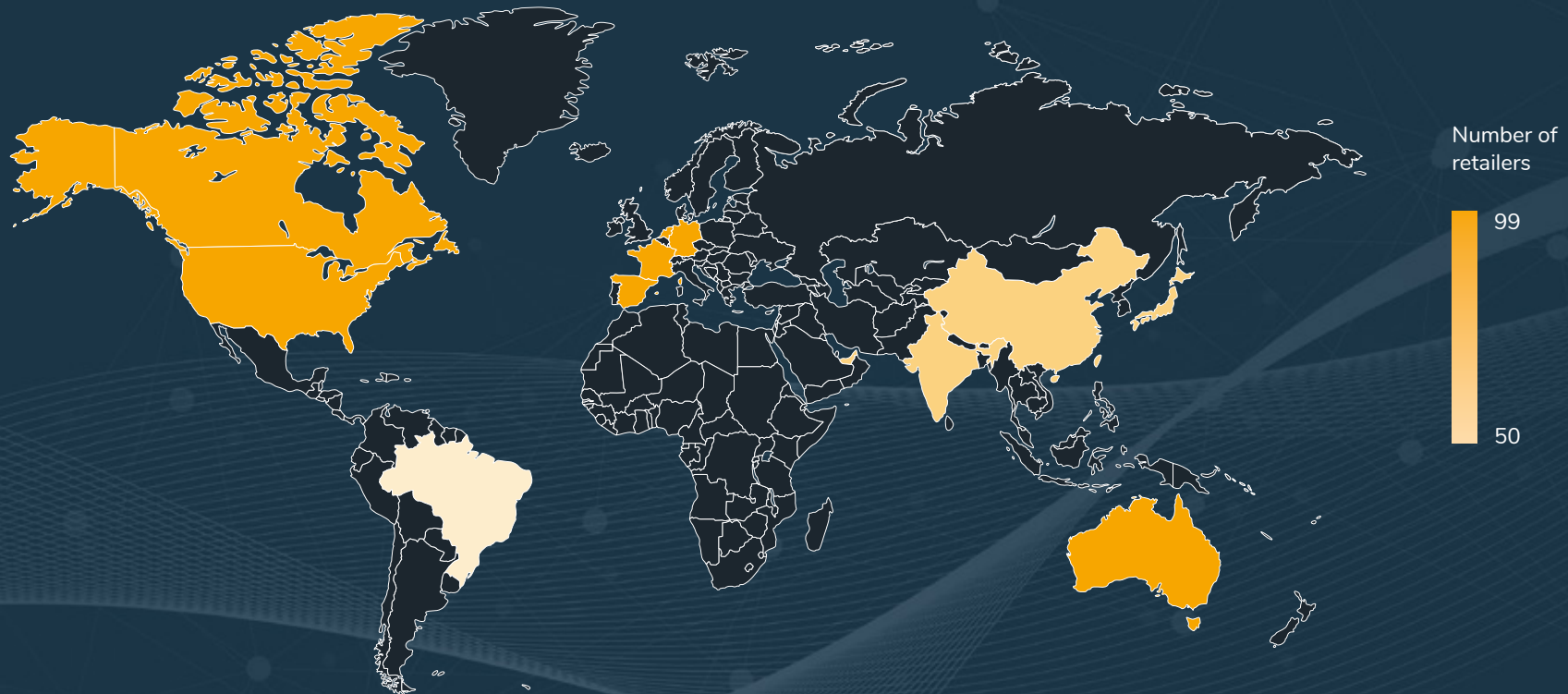


# Visualising the data

We compiled the data into some heat maps, so we could best understand how the price, and wait times, differ from country to country. Visualising the data means it's easier to see where there might be longer wait times, or more expensive shipping costs.

Initially, we can see that most retailers either ship to European countries, or the USA and Australia, and are less likely to do business elsewhere.

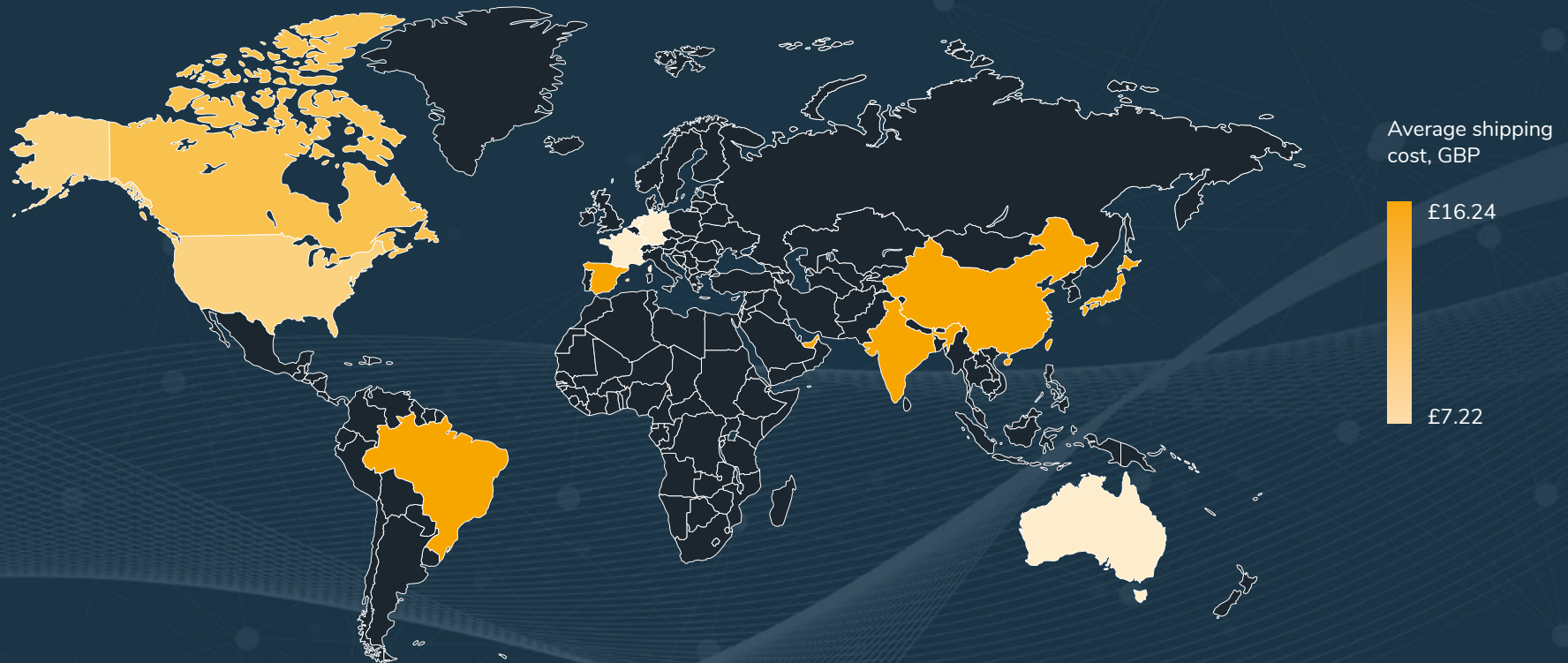
## Number of retailers



# Visualising the data

Similarly, the average shipping cost in each area shows the same pattern, but inverse. European countries and Australia tend to be less expensive to ship to, whilst India and the East depict higher rates.

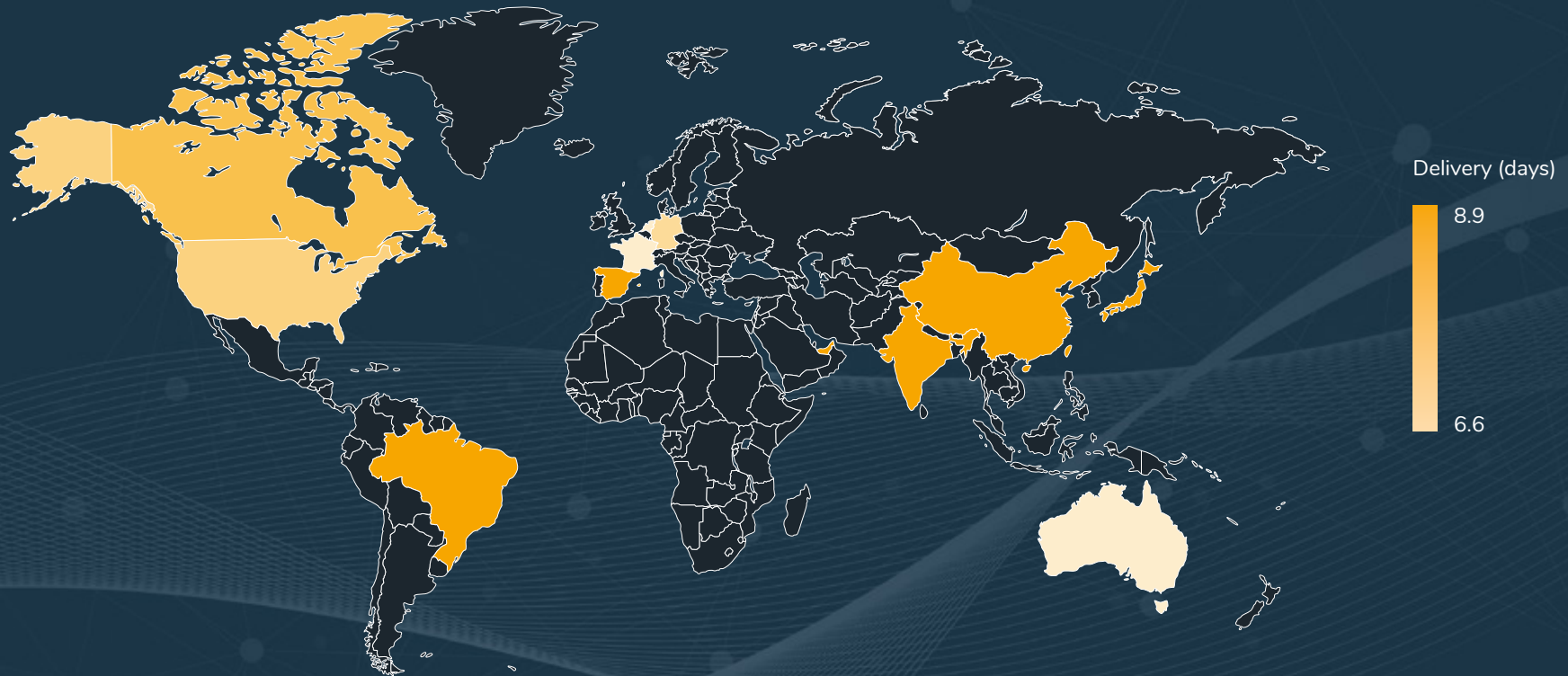
## Cost of shipping



# Visualising the data

Customers are most likely to expect to wait longest for their deliveries in the USA and South America, India, and Asia. Germany, The Netherlands, and Australia promise the shortest wait times for shoppers.

## Delivery times



# Visualising the data

We can conclude from these statistical heatmaps, that countries closer to the UK in Europe appear to prove less of a burden on cost and wait time for retailers, and customers alike - as a result of its proximity. The European countries are followed closely by Australia and the USA, with Asia, South America, and India showing the longest waits and most expensive shipping. This is likely related to why less retailers ship to these areas, as they're harder to reach.

### A word from Avalara

For UK-EU cross-border trade, the IOSS scheme has greatly simplified the shipping process for retailers and ensured goods continue to be delivered on time. Registered businesses can use the portals to sell throughout the EU without worrying about multiple VAT returns. Those that have taken the time to register and understand the system can benefit from accurate pricing at checkout and fast 'Green Clearance' through customs, meaning no nasty surprises and fewer shipping delays. Beyond the EU, similar schemes to IOSS exist and simplify shipping complexity to ensure goods are delivered on time wherever they are sold.



*“Europe appears to prove less of a burden on cost and wait time for retailers, and customers alike.”*



# What can we conclude from cross-border commerce?

## Key takeaways

- Over half of retailers in our sample ship to other regions (**54%**), with the most popular being **Europe** and the **USA**.
- The most popular items in cross-border commerce are those in **clothing**, and **health and beauty**.
- The cost of shipping abroad tends to be between **£7-16**, depending on the area.
- Wait times for cross-border commerce is usually **four days** in Europe, up to **two weeks** in the East.

## Avalara's key conclusions

- Of the retailers surveyed, 46% do not offer international delivery. While cross border trade can be complex, turning off cross border trade entirely is a huge barrier to growth and success
- A total of 145 of the 162 retailers who ship internationally ship to the EU. The recent EU VAT package introduced the IOSS scheme - a simplification for UK businesses selling into the EU making it easier to grow sales, stay compliant, and protect their bottom line
- The minimum amount of time for international shipping is between 4-6 days. While consumers understand that items coming from overseas will take longer, they're still impatient and want to receive their purchases. It's important to understand tax rules and regulations so products aren't delayed.



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