

Crossing the line: are you ready to take on cross-border retail?

by **Christophe Pecoraro**, Managing Director at PFS Europe



The rapid shift to e-commerce has presented an exciting opportunity for brands to access new customer bases and geographies across the globe. Today, 2.1 billion consumers around the world are turning to e-commerce to access the latest brands, and this is only expected to rise as we adjust to a new digital retail era. Despite growing “buy local” trends, consumers driven by price, value and experience, are prepared to look further afield to find the right brand and product. In fact, recent PFS research suggests that whilst carbon footprint reduction is seen as a strong fulfilment parameter by consumers, 57 per cent still purchase products based on cost as the primary differentiator.

Rising customer expectations demand frictionless, fast delivery experiences, no matter where the package is coming from. For brands wanting to leverage the lucrative markets on offer, getting a product to a customer with a single distribution can be a challenge. That’s not to mention the added complexities brought on by Brexit and new EU VAT rules that came into force on the 1st of July 2021, which it’s estimated will cost SMEs in the UK £180M a year in red tape.

Faced with so much uncertainty, how can retailers choose a path and take advantage of the cross-border opportunities on offer?

The time to strike

With 26 per cent of European e-commerce sales in 2020 being cross-border, up from 24 per cent in 2019 and 7 in 10 European online shoppers having made a purchase abroad, this is a strong opportunity for brands to capitalise on. Those confining themselves to their own country’s borders will miss out on a huge potential market.

Despite its size, the UK is the third-largest market in terms of e-commerce sales behind the US and China. Neighbours Germany and France are fifth and sixth respectively. These countries offer a great launchpad for UK-based brands and retailers to expand into, to gain the experience they need to expand even wider. As cross-border spend increases and shoppers become more comfortable, now is the time to strike or risk playing catch-up in the future.

Breaking down barriers

The barriers, which have become harder since Brexit, must be overcome to enable successful cross-border sales and satisfy customer demand for fast, frictionless service.

Before July, EU VAT applicable on the sales of goods online was dependent on the location of the goods at the time of purchase. Each country set its own VAT sales threshold – only charged once that sales threshold had been crossed. Now, all goods that move across EU borders will be subject to a new set of rules known as the “one-stop shop” (OSS) registration; aimed at simplifying sellers’ VAT responsibilities.

All EU-based businesses will see a threshold of €10,000 applied. As soon as this limit is crossed in a year, VAT will be charged at the destination country within the EU where your customers are located, rather than the location of the goods at the point of purchase.

If the company is based outside of the EU, or for those shipping from several member states, no threshold will be

set. As a seller, it’s crucial to determine where your customers are based from the point of sale and what VAT rate will be applicable if turnover exceeds the €10,000 limit.

The VAT obligation will be with the seller, not the marketplace – and the new OSS registration for all EU-based businesses will need to be organised by you, for your marketplace. For non-EU sellers keeping items and stock in an EU country, the OSS registration will be needed in one of the member states where stock is contained.

Building an omni-channel arsenal

To lay the foundations for effective cross-border commerce, the first step is cascading omni-channel throughout your operations. By looking to a multi-node fulfilment model, dispersing inventory across the UK and mainland Europe through multiple distribution points, which will speed up deliveries, build capacity and spread risk.

An advanced Distributed Order Management (DOM) system will ensure your order management system (OMS) can divert orders to the appropriate inventory pool, depending on several factors; from delivery address to product type.

During peak volume periods, additional fulfilment and distribution points with an effective DOM system can help alleviate pressure and spread resources. What, and where inventory is placed will have a significant impact on your ability to keep orders moving and meet demand. After all, the key is business continuity, during and beyond the pandemic.

Utilising existing spaces

As an alternative, brands could also opt to utilise pop-up distribution centres (pop-up DCs) or micro-fulfilment centres. These can be established in new locations, or inside existing high street stores to extract even more from each square foot of space.

Pop-up DCs can also be utilised to test new markets. These temporary operations are often cheaper to set up and operate, while providing relief to your primary distribution centre. An effective DOM system ensures orders are directed to the appropriate fulfilment point. One major alcohol brand’s UK pop-up DC meant that it was able to become fully operational in just two weeks, right in time for Black Friday and the Christmas peak.

Considering local preferences

Whilst fulfilment and the successful delivery of goods should be a priority, brands mustn’t overlook local and regional preferences when shopping online. This is where local knowledge and understanding the market will set brands apart. Considerations must be made around translatable websites, local payment offerings and ensuring customer service teams can support local languages. A seamless experience beyond delivery is essential for maintaining loyalty – engaging with a flexible partner with first-hand local knowledge can be the most effective way of achieving this.

The opportunity for brands online and cross-border has never been greater, and retailers must act now to ensure they remain ahead of the game. The pace of change for retail has surged over recent years and those who can keep up and lead the way by expanding their customer base, will be the most profitable now, and in the future.