



B R E A K I N G B O R D E R S

RetailWeek
CONNECT
REPORTS

In association with  **channeladvisor**[®]

INTRODUCTION

INTERNATIONAL OPPORTUNITIES

The UK has a long-standing reputation for international retail success. As the world's most advanced ecommerce market and with brands that are globally among the most recognisable, UK retailers are increasingly leveraging their online capabilities into international markets.

Heritage brands such as Burberry and Clarks have long flown the flag for UK retail, but they have now been joined by pureplay success stories such as Asos, Boohoo and Farfetch. There is also an abundance of retailers with unique propositions that have resonated particularly well with overseas customers such as Mothercare, The Body Shop and Lush.

In this report, produced in association with ChannelAdvisor and drawing on data from retailers headquartered in the UK, Retail Week has ranked the top 30 UK retailers according to international sales. Together these trailblazers generated international turnover of more than £37bn last year, while eight retailers achieved sales in excess of £1bn – including this year's top-ranked business, Tesco.

With the economic climate ever more challenging in the aftermath of the EU referendum,

particularly as high inflation hits consumers' disposable income, it is imperative for retailers to look abroad for growth opportunities. The weaker pound is currently also providing a welcome boost to revenues generated overseas.

However, there is no single recipe for success and there has been some international retrenchment among even the more experienced retailers over the years.

Retailers need to do their homework and decide how best to realise their global ambitions. Do they go for a multichannel approach, or follow a lower-risk online-only model? If physical expansion is on the cards, do they opt for franchise stores with a local partner or go it alone?

This report presents our top 30 ranking and draws on lessons that can be learnt from those retailers that have managed to succeed. In particular, it will look at the cross-border power of retail – both for pureplay and multichannel retailers.

Stores also form an important part of the equation as retailers look to enhance their brand profile and offer multichannel convenience to their customers. The report concludes by taking a detailed look at the international strategies of those retailers that have been most successful.

IN SUMMARY



BRITISH HERITAGE BRANDS AND FASHION DO WELL IN OVERSEAS MARKETS



INTERNATIONAL SALES BOOSTED BY WEAKER POUND



PHYSICAL EXPANSION PURSUED THROUGH MIX OF COMPANY-OWNED AND FRANCHISE STORES



ECOMMERCE STRATEGIES INCREASINGLY FOCUSING ON LOCALISED SITES AND USE OF MARKETPLACES



Marks & Spencer adding to its presence in Hamburg, Germany



CHANNELADVISOR FOREWORD



Jon Maury, managing director EMEA, ChannelAdvisor

Whether you're selling alarm clocks or Zumba DVDs, retailing internationally is easier now than it has ever been. And, for those willing to open their doors to international selling, the potential rewards are tantalising.

It's likely you already know that. What you might be less clear on is knowing where to begin your journey to international selling.

That reticence you might feel has hindered many companies from realising their potential in the past. However, luckily for you, through improvements in logistics and technology among other things, many of these barriers to entry are now crumbling, leaving the opportunity ripe for those willing to grab it.

As we at ChannelAdvisor work alongside thousands of brands and branded manufacturers that have successfully broken into new geographies, we thought we would offer our three top tips for successful international selling.

DO CUSTOMER AND MARKET RESEARCH

Research your chosen market and customer thoroughly before launching your product(s).

This one sounds like a no-brainer, but we've seen stellar products and brands launched on the strength of their domestic market position or brand dominance and fail.

Why? Because they didn't ask the right questions before entry. The answers may not lead to guaranteed success, but they certainly would have helped.

Questions such as: is there a desire for your product? How do these potential customers like to shop? Who else is operating in the space? Are your competitors the same as in your domestic market? If not, who are they – and how do they differ? Do they have a USP you can compete with?

To succeed, you'll need the answers to all of these questions and more.

PLAN AND EXECUTE YOUR MARKET ENTRY

Once you are happy that the market you are launching into is the right one for you, create a detailed entry plan and stick with it.

Whether you want to create a big splash with your product or you are looking for a more tentative approach to gaining a foothold in your chosen new market, a detailed plan to execute will make success much more likely.

Break down the tasks you need to complete into milestones and tick them off as you go. Everything should be focused on this plan, from translations to legislation. Be sure to leave room to pivot, though – you never know what could be around the corner.

PUT YOUR CUSTOMER FIRST

Wherever in the world you might be looking to sell more, one thing that should always steer you in the right direction is your customers.

Understand what they want, but, just as importantly, how they want it – and do your best to cater to that need.

One area in which we've seen this continually arise is payment methods. Your domestic market doesn't necessarily share the same payment needs as your new target customer. While those closer to home might be au fait with PayPal, those in your new market might not be and asking them to transact through the system could be a barrier to them buying with you – and ultimately lead to you losing the sale.

Jon Maury, managing director EMEA, ChannelAdvisor
channeladvisor.co.uk

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RETAIL WEEK CONNECT: BREAKING BORDERS

Acting Head of Commercial Content Operations

James Knowles 020 7715 6167 james.knowles@retail-week.com

Content Lead Tim Gardner

020 7715 6020 tim.gardner@retail-week.com

Commercial Production Editor Abigail O'Sullivan

020 3033 2940 abigail.osullivan@retail-week.com

Contributors Ryan Doherty, Nicholas Found, Dan Harder,

Emily Kearns, Rebecca Marks, Philip Wiggenraad

Production Manager Paul Moran

020 3953 2676 paul.moran@emap.com

Senior Account Manager Dan Capel

020 3033 2914

dan.capel@retail-week.com



TOP UK RETAILERS BY INTERNATIONAL SALES

Rank	Retailer	2016/17 sales (£m)	% change with previous financial year
1	Tesco	11,381	10
2	Kingfisher	6,247	12
3	Primark	3,900*	20
4	Dixons Carphone	3,817*	22
5	Burberry	1,835*	13
6	Marks & Spencer	1,180	9
7	Asos	1,178	47
8	Clarks	1,022	16
9	Mothercare	763**	11
10	JD Sports	723	75
11	Sports Direct	666	7
12	The Body Shop	599*	9
13	Debenhams	442	10
14	The Hut Group	317	89
15	Ted Baker	305*	32
16	Next	298	10
17	Arcadia	292†	41
18	Game Digital	278	20
19	Farfetch	272††	70
20	New Look	271	10
21	Lush	225†	15
22	Superdry	222	53
23	Boden	185*	14
24	B&M	178	34
25	River Island	149	17
26	WiggleCRC	148	92
27	Matchesfashion.com	148	81
28	Boohoo	113	73
29	All Saints	108	32
30	WHSmith	108	37

33%
average growth
achieved by the
top 30

+92%
WiggleCRC

Methodology

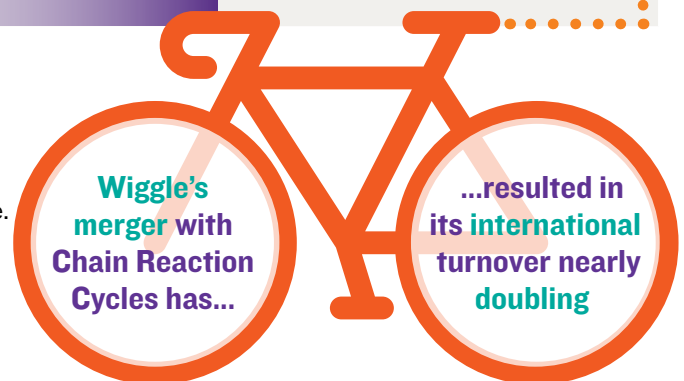
This ranking covers UK retailers whose head office – or that of its holding company – is based in the UK. Retailers are ranked by international retail sales generated during the 2016/17 financial year and the list excludes wholesale where possible.

* Prospect estimate

** Reported retail value of international sales

† 2015/16 figures

†† 2015/16 figures; gross transaction value of sales through Farfetch website



CHAPTER ONE

UK BRANDS PUSHING OVERSEAS EXPANSION

- UK retailers' international sales boosted by weakening of the pound
- UK fashion brands travel particularly well
- The highest growth has been achieved by pureplays

Retail is a crucial sector in the UK, contributing more than 5% of GDP each year and employing 3 million people. It has also become a major growth engine for exports – a vital role given the UK's perennial trade deficit and calls for a rebalancing of the economy away from domestic consumption.

It is easy to see the attraction of overseas expansion for retailers as it opens up new growth opportunities and helps to offset any weakness in the domestic market. The latter is particularly relevant as the uncertainty of an impending Brexit has caused UK consumers to become more cautious in their spending.

Highlighting the international success of the retail sector, Retail Week Prospect – Retail Week's in-house intelligence service – has produced a top 30 ranking of UK retailers with the highest level of international sales.

“Even retailers in the lower echelons of this list needed to generate sales of more than £100m in order to crack the top 30”

Tesco leads comfortably in first place, but Kingfisher, Primark and Dixons Carphone all generate significant international turnover in excess of £3bn. Even retailers in the lower echelons of this list needed to generate sales of more than £100m in order to crack the top 30, which is no mean feat.

Fashion leads the way

International success is not restricted to one sector and the list contains retailers operating across grocery, DIY, fashion, electricals, entertainment,

Tesco had the highest international sales last year





Cath Kidston has gained a loyal following in Asia

Who could make the list next year?

There are a number of retailers that narrowly missed out on cracking the top 30, but could be in with a good shot over the coming years if they manage to maintain momentum.

AO.com

The electricals retailer launched in Germany in 2014 and made a move into the Netherlands in 2016. Having made significant investment in a distribution centre in Cologne as well as regional outbases, the business is in a good position to expand into neighbouring markets.

Majestic Wine

International expansion has risen up the agenda for Majestic after the acquisition of online specialist Naked Wines in 2015. Thanks to this business, Majestic now generates close to 20% of its overall sales abroad,

with the US and Australia a current focus.

Charles Tyrwhitt

Shirts specialist Charles Tyrwhitt is well placed to take advantage of the current popularity of British heritage brands and is focusing on further international ecommerce development to drive growth, particularly by using localised sites for key markets such as Germany, the US and Australia.

Cath Kidston

Quintessentially English brand Cath Kidston has gained a loyal following abroad, particularly in Asia. Overseas sales are currently benefiting from the recent move to buy out its franchise partner in the key Japanese market, with management predicting that this market could become as big as the domestic operation.

and health and beauty. However, the heaviest representation was achieved by fashion retailers.

Fashion has always been one of the UK's most successful exports. London is one of the major fashion capitals of the world, and British brands tend to travel well. Retailers including Burberry, Clarks and Ted Baker have a heritage that resonates particularly well with consumers in markets such as Asia and the Middle East.

However, it is not only heritage brands that are proving successful. Retailers such as Primark and River Island show the UK is also a force to be reckoned with when it comes to fast fashion. Primark's international prowess is particularly impressive, having tripled its overseas turnover in the past five years as it continues to enter into new markets, most recently the US.

Growth boosted by weaker pound

What is striking is that all retailers in the top 30 managed to increase their international sales over the past year. On average, the top 30 achieved growth of 33% – which is exceptionally strong.

Retailers such as JD Sports, Superdry and WHSmith have benefited from physical expansion and strategic acquisitions, while pureplay retailers including Asos, The Hut Group and Boohoo prove that the shift towards online is happening on a global scale.

Perhaps the most significant factor that has impacted this growth is the weakening of the pound in the aftermath of the EU referendum. This has offered a boost to any retailer that sells abroad, as sales converted into sterling are now worth considerably more.

Tesco, for instance, saw its international sales soar by 10% during the period under review – despite having sold its operations in Turkey – while DIY giant Kingfisher achieved growth of 12% even though it only added a net nine new stores to its overseas network.

It remains to be seen, though, whether UK retailers will continue to be able to grow at such an accelerated pace once the devaluation of sterling works its way out of the equation.

Pureplays achieve strong growth

The UK has the world's most developed ecommerce market and it is therefore unsurprising to see a sizeable contingent of pureplays leveraging their capabilities in international markets.

In our ranking, the highest growth was achieved by cycle retailer Wiggle (92%) – which merged with Chain Reaction Cycles in 2016, leading its international turnover to nearly double – followed by The Hut Group (89%) and luxury fashion retailer Matchesfashion.com (81%), which only trades online in its overseas markets.

There are now a number of online retailers that generate higher revenues abroad than they do in the UK. These include Asos, Farfetch, The Hut Group, Boden and WiggleCRC.

Retrenchment

It has not been plain sailing for all UK retailers that have ventured abroad – even for those listed in this ranking – which shows that inter-



It remains to be seen whether UK retailers will continue to grow at an accelerated pace once the devaluation of sterling works its way out of the equation





B&Q pulled out of China in 2014 due to the lack of interest in the DIY market

national development should not be embarked upon lightly.

Tesco, for instance, sold a number of its overseas operations to shore up its balance sheet in the wake of the accounting scandal in 2014. This included Homeplus in South Korea in 2015 – its largest international business at the time – and Turkish supermarket chain Kipa last year. However, the grocer has now indicated that it has completed its international review, having retained a foothold in Europe and Asia.

Asos' retreat from China in 2016 also shows that it has not been all systems go for pure-plays either. It had set up a local operation to serve Chinese customers, but then faced a

complex regulatory environment as well as competition from formidable local players such as Alibaba and JD.com. While Asos has continued to serve Chinese customers through its main site – with shipping from the UK – it proved to be too expensive to maintain a presence on the ground.

China in particular has been a difficult market to crack for UK retailers, with B&Q (Kingfisher), Marks & Spencer, Argos and Sports Direct having exited in recent years. Apart from a high level of red tape that makes operating there particularly challenging, there is a sense that these retailers failed to understand the Chinese consumer and adapt their format to local tastes.

CHANNELADVISOR'S EXPERT TIP



UK brands, specifically those with heritage, tend to travel well. For those looking to sell more in other geographies, think about your brand and its legacy, and – if possible – utilise it for your marketing materials. Look to tea and coffee retailer Whittard of Chelsea as a great example of a UK heritage brand that is doing this exceptionally well.

★ ★ ★ ★ KEY INTERNATIONAL STATS ★ ★ ★ ★

8 retailers out of the top 30 had international sales in excess of **£1bn** combined international turnover of top 30 retailers in ranking **£37.4bn**

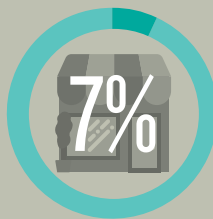
OVERSEAS TURNOVER HIGHEST RANKED **TESCO** **£11.4bn**

+33%
 SALES GROWTH
 average achieved by top 30 over the past year

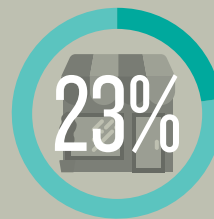
+92%
 was the HIGHEST GROWTH, achieved by



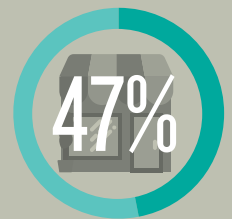
Of the top 30 retailers...



operate **FRANCHISED** stores



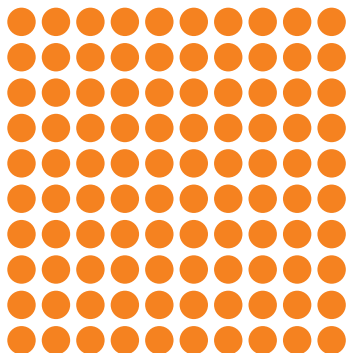
operate **COMPANY-OWNED** stores



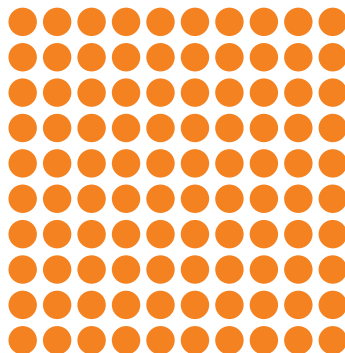
operate **A MIX** of stores



53% of the top 30 have **EXPANDED INTO SPAIN** Making it the **MOST POPULAR** destination



Ted Baker, Farfetch, New Look and Asos
EACH OPERATES NEARLY 200 LOCALISED SITES



OVER A THIRD of the top 30 operate more than **40 localised sites** each

CHAPTER TWO

TAILORING ONLINE TO AN INTERNATIONAL AUDIENCE

- UK retailers are leveraging their ecommerce capabilities into overseas markets
- Retailers are increasingly focusing on the launch of localised sites
- Online growth is being driven through third-party partnerships and marketplaces

UK retailers have had great success establishing an overseas following by leveraging their ecommerce capabilities on a global basis. Our top 30 ranking of the largest UK retailers by international sales includes six pureplays – Asos, The Hut Group, Farfetch, Boden, WiggleCRC and Boohoo – as well as multichannel retailers such as Next, Dixons and Matchesfashion.com that generate a significant proportion of overseas sales through the online channel.

Having traditionally sold to overseas customers from UK sites, more and more retailers have now invested in localised sites. The use of third-party partnerships and online marketplaces has been another step forward for UK retailers bolstering their overseas reach through ecommerce.

Demand for convenience and accessibility,

along with intensifying global competition and cost pressures, have necessitated this evolution.

Localised sites

Retailers can no longer rely on a UK-focused site to serve international customers and instead need to understand the importance of adapting to local cultures for overseas ecommerce growth.

Investing in a scalable platform to launch multilingual and multi-currency sites has proven well worth it for the likes of Ted Baker, Asos, Farfetch and New Look. Each operates nearly 200 localised transactional sites. While none of the other retailers in the top 30 match that scale, seven additional retailers operate more than 40 localised sites each – still a sizeable number.

Multichannel retailers need to be cautious about targeting overseas customers, though.



Topshop has a presence in 39 countries outside the UK

Marks & Spencer operates in 48 countries overseas



BRICKS-AND-MORTAR RETAILERS: COUNTRIES AND FORMATS

Retailer	Number of overseas countries present in	Number of formats
Burberry	68	1
Mothercare	54	2
Clarks	53	1
Marks & Spencer	48	1
Superdry	48	1
Topshop	39	1
Next	34	1
Ted Baker	33	1
WHSmith	26	1
Sports Direct	22	4
Debenhams	22	1
All Saints	22	1
New Look	19	1
The Body Shop	17	1
JD Sports	11	8
Kingfisher	9	4
Primark	9	2
Tesco	7	2
Dixons Carphone	6	8
Game Digital	1	1
Lush	1	1
B&M	1	1

Data not available for River Island

For instance, most UK retailers with stores in Asia and the Middle East choose to work with franchise partners. Therein lies a conflict as most franchisees would prefer not to compete with a brand owner's online channel, and there may be stipulations in contracts that prevent this from happening.

However, with many British retailers keen to replicate their multichannel strategies on a global scale, there has been a rethink on this issue. Retailers such as Boux Avenue, for example, have started working with their franchise partners to develop a business model whereby franchisees are rewarded for offering services such as click-and-collect on online orders served from the UK. More of these initiatives can be expected going forward.

Marketplaces and partnerships

Most UK retailers were initially satisfied with developing an international ecommerce presence through their own website. However, due to competition and regulatory challenges, they have become much more open to international expansion through third-party partnerships and online marketplaces.

Use of these platforms gives retailers access to a wealth of data and analytics – often much more than they are able to obtain through their own sites. This lets retailers react much more quickly

to consumer trends and buying behaviour, which is particularly useful in regions where they have no prior experience.

Competition has eroded web traffic at a number of retailers, with many product searches now taking place through the likes of Amazon rather than search engines. Marketplaces can counter this by putting retailers' goods back in view of a wide customer base, and often at more competitive prices, offering greater scope for expansion and less risk than operating their own platforms.

For example, fashion retailer Boden has experienced robust growth in the past five years by selling through Zalando, Next and Label in Europe, Nordstrom in the US and Tmall in China. Its international sales now account for 60% of total sales with the retailer targeting 80% by 2018.

Established bricks-and-mortar retailers have also increasingly eyed growth through third-party platforms. For example, Debenhams and New Look sell through Amazon, Asos and Zalando, while Burberry sells on China's Tmall. Underlining the success of this approach, New Look now generates around 20% of its overall ecommerce sales through these platforms.

Regulatory hurdles

Marketplaces and partnerships have helped UK retailers settle into challenging regulatory climates across the globe. These sites often offer to personalise a retailer's storefront for a commission fee on transactions.

Having this ability to retain brand identity, while adapting to different regulatory and cultural environments, is key to being competitive on an international scale. For instance, fines, penalties and brand reputation are a risk when retailers try to penetrate markets with complex regulations on their own.

Furthermore, the costs associated with this strategy, or with a self-operated ecommerce platform, are significantly smaller than establishing a bricks-and-mortar presence. The online channel is often seen as a low-risk method of testing demand in a particular market ahead of a full multichannel launch.

Fulfilment

Selling online to shoppers in China, Japan and Australia presents its own challenges when it comes to fulfilment. While it is relatively easy to fulfil European orders from a UK distribution centre, at some point it does make sense for retailers to establish overseas distribution centres to cater for customers that



Boden has prioritised growth in the US and has put Asia on the back-burner due to a small middle class and a lack of credit cards among Asian consumers



are further afield. Two-thirds of our top 30 have done exactly that. Not only are retailers able to offer a wider range of delivery options to satisfy time-poor consumers and their demand for convenience, but overseas hubs also help to limit shipping costs and can facilitate the processing of returns, which in turn can help to boost customer satisfaction and brand loyalty.

Establishing a varied fulfilment offer that caters to consumer needs in different regions has been a central component to the global competitiveness of UK retailers. Investment in this area is still ongoing. For instance, Topshop is currently overhauling its supply chain and warehouse management system to allow for country-specific decision-making.

Strategic considerations

Retailers take many things into consideration when deciding where to launch new sites, but being careful not to overextend their reach has become particularly important in the current economic climate. For instance, Boden has prioritised growth in the US and has put Asia on the back-burner due to factors such as a small middle class and a lack of credit cards among Asian consumers.

The key for retailers is to retain their brand identity, but take a local approach where possible to reflect different retail environments and cultures.

While there is no universal blueprint that guarantees overseas growth, a well-rounded ecommerce model has distinct regulatory, operational and cost advantages that have proven essential to UK retailers' ongoing international success.

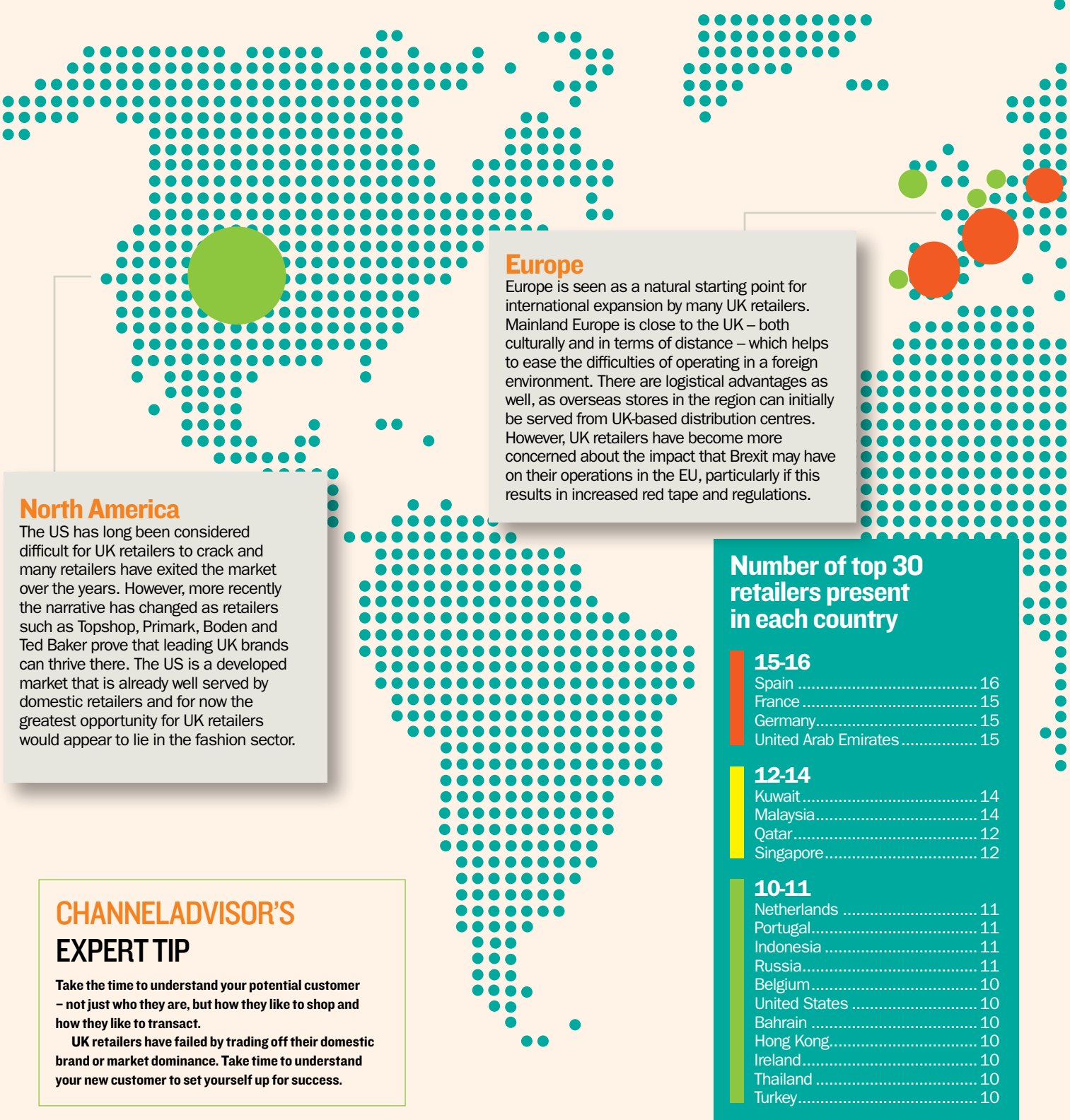
CHANNELADVISOR'S EXPERT TIP



When it comes to being as visible as possible in new markets, think about SEO. A brand-new site with state-of-the-art functionality may look good – but a new site starts with zero SEO value. Think about utilising your current site for your new market, and setting up translations and dedicated site areas to your new market. This should give you a head start in search-engine rankings.

CHAPTER THREE

MAPPING OUT STORES



North America

The US has long been considered difficult for UK retailers to crack and many retailers have exited the market over the years. However, more recently the narrative has changed as retailers such as Topshop, Primark, Boden and Ted Baker prove that leading UK brands can thrive there. The US is a developed market that is already well served by domestic retailers and for now the greatest opportunity for UK retailers would appear to lie in the fashion sector.

Europe

Europe is seen as a natural starting point for international expansion by many UK retailers. Mainland Europe is close to the UK – both culturally and in terms of distance – which helps to ease the difficulties of operating in a foreign environment. There are logistical advantages as well, as overseas stores in the region can initially be served from UK-based distribution centres. However, UK retailers have become more concerned about the impact that Brexit may have on their operations in the EU, particularly if this results in increased red tape and regulations.

Number of top 30 retailers present in each country

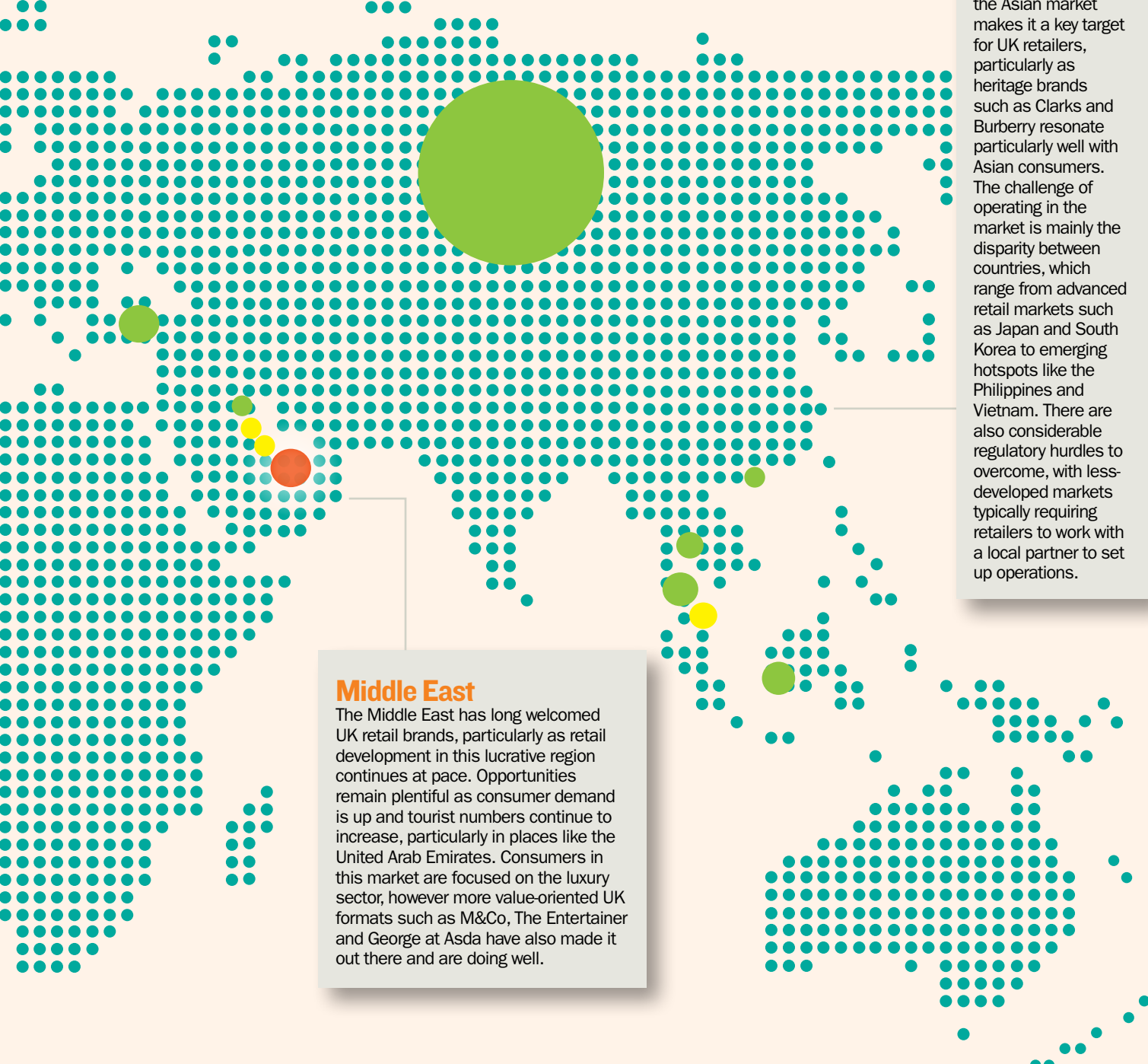
15-16	Spain	16
	France	15
	Germany.....	15
	United Arab Emirates	15
12-14	Kuwait	14
	Malaysia.....	14
	Qatar.....	12
	Singapore.....	12
10-11	Netherlands	11
	Portugal.....	11
	Indonesia	11
	Russia.....	11
	Belgium.....	10
	United States	10
	Bahrain	10
	Hong Kong.....	10
	Ireland.....	10
	Thailand	10
	Turkey.....	10

CHANNELADVISOR'S EXPERT TIP

Take the time to understand your potential customer – not just who they are, but how they like to shop and how they like to transact.

UK retailers have failed by trading off their domestic brand or market dominance. Take time to understand your new customer to set yourself up for success.

- **Boundaries between digital and physical retail continue to be blurred**
- **Stores enhance the overall experience and help raise international brand profile**
- **UK retailers are leveraging the local expertise of franchise partners**



Asia
 The rapid development of the Asian market makes it a key target for UK retailers, particularly as heritage brands such as Clarks and Burberry resonate particularly well with Asian consumers. The challenge of operating in the market is mainly the disparity between countries, which range from advanced retail markets such as Japan and South Korea to emerging hotspots like the Philippines and Vietnam. There are also considerable regulatory hurdles to overcome, with less-developed markets typically requiring retailers to work with a local partner to set up operations.

Middle East
 The Middle East has long welcomed UK retail brands, particularly as retail development in this lucrative region continues at pace. Opportunities remain plentiful as consumer demand is up and tourist numbers continue to increase, particularly in places like the United Arab Emirates. Consumers in this market are focused on the luxury sector, however more value-oriented UK formats such as M&Co, The Entertainer and George at Asda have also made it out there and are doing well.

UK retailers opening stores overseas has been commonplace for decades. However, the role of international stores is under the spotlight as digital becomes more prevalent in retail. The relative ease of setting up localised websites offers a much lower cost method of international development and at a substantially lower risk than bricks and mortar.

But there's clear hunger for UK retailers to set up shop abroad – particularly in Europe and Asia, which often have established retail infrastructure that retailers can easily leverage. France, Germany and Spain are the most common destinations, where half of the top 30 retailers operate stores.

Asia, however, has also been a hotspot for UK retailers seeking growth abroad in recent years as there continues to be strong demand for Western brands. The United Arab Emirates, where 15 retailers from the list operate stores, has a particular appetite for luxury retail. Meanwhile, 14 retailers have also opened stores in Kuwait and Malaysia.

Adding to the experience

Heritage brands and retailers that emphasise British identity have adapted well to physical expansion, with the likes of Burberry and Clarks present in 56 and 53 counties outside of the UK respectively, and operating more stores abroad than in the UK. Indeed, UK fashion and footwear in particular travels well, and stores are appropriate in a category where touch and feel can help to enhance the overall experience.

However, how stores are viewed differs by market. Convenience is king in Hong Kong, for example, where a third of the top 30 have established a physical presence. Its densely populated centre means consumers often live in high-rises above shopping malls and stores are viewed as a more convenient option than online. In the US, on the other hand, competition from pureplays means retailers are opting for fewer, but more impactful, stores with a heavy focus on customer experience.

Adapting to local tastes

It is unsurprising that retailers selling a high proportion of own-label products try to maintain the same consistent identity when trading abroad.

For instance, Ted Baker has the same distinct image in the UK as it does overseas and its fascia is understood across borders despite using a host of different franchise partners. However, Ted Baker is very careful in the selection of its franchisees and considers them to be “trustees” of the brand.

In other sectors, such as grocery and DIY, it is much more difficult to maintain a cookie-cutter approach to international expansion. For instance, Kingfisher exited China after finding operating challenging as the DIY trend has not taken off in a nation where labour is cheap. It eventually admitted defeat and pulled back from the market in 2014.

While there is no one-size-fits-all approach to overseas expansion, there are three main options for retailers looking to open stores abroad – being company-owned, franchise or joint venture. Or, of course, a combination of all three.

“There are three main options for retailers – being company-owned, franchise or joint venture”

The appeal of franchising

Broadly speaking, franchise arrangements are chosen in territories where local knowledge is key and often a regulatory requirement. UK retailers appear to be more comfortable operating company-owned stores in markets such as Europe, where they have more instinctive market knowledge, cultural similarities and ease of logistics.

The low-risk nature of franchising is a major attraction. For instance, Mothercare has confirmed that its franchise model is the way forward, “being both low-risk, capital-light and scalable”. Meanwhile, franchising allowed New Look to easily exit from challenging markets – such as Russia and Ukraine – with minimal disruption.

The potential complication of the franchise model lies in data collection. Customer data and analytics are vital to multichannel strategies. How data is shared between franchise operations and retailers needs to be made explicit from the outset.

Acquisitions accelerate growth

Acquisitions have also been a typical route to expand into key markets, saving retailers the time and effort of setting up operations from scratch.

Over the years, JD Sports has used this approach, having bought local players in markets as diverse as France, Spain, Portugal and Australia. Interestingly, the retailer then uses this presence as a springboard to launch its own JD Sports fascia in these countries.

Acquisitions can also be used to eliminate local competition. Game acquired 44 GameStop stores in Spain in 2014 and these have since been rebranded to its own fascia.

Looking ahead

More widely, it is expected that delivering a strong customer experience in store will matter far more than the number of stores. BRC chief executive Helen Dickinson points out that UK retailers are leading the way in customer experience in store and this trend is spreading around the globe.

Due to the importance of online retailing in the UK, shoppers need reasons to visit stores beyond transaction. This trend is likely to spread internationally and retailers with a physical presence overseas must continue to adapt stores.

Retailers need to be clear about what ‘success’ means for international stores. Are stores a marketing exercise to build global awareness, a showroom to drive sales online, or more traditional in the transactional sense?

An additional challenge will come as Brexit unfolds. Retailers are keenly monitoring negotiations for any signs of increased red tape that could potentially put a dent in their international ambitions. Beyond the EU, favourable trade negotiations with Asia are also a priority.

CHAPTER FOUR

TOP 10 RETAILERS AND THEIR STRATEGIES

- International expansion of top 10 has mainly focused on Europe and Asia
- No single recipe for success – a mix of company-owned and franchise stores
- UK retailers are not afraid to take decisive action and exit challenging markets

1. TESCO

INTERNATIONAL SALES
£11.4bn

INTERNATIONAL STORE PRESENCE
7 countries

INTERNATIONAL STORES
3,218

KEY TO SUCCESS

- » Tesco's international business came under review following the accounting scandal in 2014, and the focus is now on markets in which the grocer has a strong competitive position.
- » Its largest international operation, the Homeplus chain in South Korea, was sold off in 2015 as a way to shore up the group's balance sheet. This was followed by its exit from Turkey, where it had only traded as a small regional player in a highly competitive market.
- » However, Tesco confirmed last year that it will not exit any other markets, with its overseas business now focused on Central Europe and South East Asia.
- » In mainland Europe, Tesco has consolidated its country teams into a single regional team. This has led to "substantial" buying and operational synergies. In Asia, Tesco continues to focus on lowering prices and improving its fresh-food proposition.
- » Tesco has always been keen to use local management teams. The only instance when it did not do this – when it launched the Fresh & Easy chain in the US – led to an embarrassing retreat in 2013.

ECOMMERCE

- » Having initially only focused on ecommerce in its domestic market, Tesco now offers online groceries in all of its international markets, with the exception of Hungary.

2. KINGFISHER

INTERNATIONAL SALES
£6.2bn

INTERNATIONAL STORE PRESENCE
9 countries

INTERNATIONAL STORES
382

KEY TO SUCCESS

- » Kingfisher is the largest home-improvement retailer in Europe and the third largest in the world. The retailer states that it has just 5% of the fragmented £235bn European market and so believes there to be a big opportunity for growth.
- » The group had not fully leveraged its scale in the past, but this is being rectified under the 'One Kingfisher' strategy, through which it is creating a unified and unique offer across the whole business, driving digital capability and optimising operational efficiency.
- » Alongside the UK and Ireland, France is a core market. It trades as Castorama and Brico Dépôt in France, and was on the verge of buying rival Mr Bricolage before talks fell apart in 2015.
- » These two fascias are also used for its operations in Poland, Russia, Romania, Spain and Portugal. Its joint venture in Turkey trades as Koçtaş.
- » Screwfix has long been held to have the greatest international potential, and in 2014 Kingfisher opened four trial shops in the Rhine-Main area of Germany. It has since expanded to 10 stores, but is now focusing on increasing digital participation in the market.

ECOMMERCE

- » In recent years, Kingfisher has looked to leverage the digital capabilities of Screwfix into its other operations.
- » It is also working on the development of a company-wide mobile platform.

3. PRIMARK

INTERNATIONAL SALES

£3.9bn
 (Prospect estimate)

INTERNATIONAL STORE PRESENCE

9 countries

INTERNATIONAL STORES

163

KEY TO SUCCESS

- » Primark wants to grow the business in a sensible way and not enter too many new markets. The value fashion retailer only opened its first stores outside Europe in 2015, in the US.
- » Expansion is supported by investment in international distribution capabilities, which is helping to keep its operating costs low. This is crucial for a value-oriented retailer.
- » Primark has opened distribution facilities in the Czech Republic, the US and the Netherlands in the last three years.
- » The Primark format could easily be exported into other markets outside Europe, particularly the Middle East and Asia. However, these emerging markets would likely require a franchising model. Primark has currently ruled this out as it prefers to maintain control.

ECOMMERCE

- » Much has been made of Primark's lack of online presence, both in the UK and abroad. However, the company's bosses have made it clear that ecommerce is not for them.
- » Low costs and high-volume sales are the secret to Primark's success, and online simply has too many costs for it to be viable.

2015
 is the year Primark
 opened its first stores
 outside of Europe

4. DIXONS CARPHONE

INTERNATIONAL SALES

£3.8bn
 (Prospect estimate)

INTERNATIONAL STORE PRESENCE

6 countries

INTERNATIONAL STORES

1,097

KEY TO SUCCESS

- » Dixons Carphone's international business is focused on markets in which it holds a leading position, and in recent years it has taken decisive action to exit countries where this has not been the case.
- » The newly merged business exited the Czech Republic and Slovakia in 2014, followed by Germany and the Netherlands in 2015 and Spain last year.
- » This has left its overseas operations focused on the Nordic countries and Greece. Despite the severe economic downturn in the latter market, Dixons Carphone has done surprisingly well there, as consumers have opted to put their money into big-ticket items, rather than leave it in the banks.
- » Internationally, the group is active through company-owned and franchise stores, with the latter mainly used by the Carphone Warehouse side of the business.
- » The group is now mainly turning to its Connected World Services division to drive international growth. This division leverages its retail expertise and technical systems to third-party businesses, suppliers and other retailers.

ECOMMERCE

- » Online sales for the electricals business accounted for 25% of its UK sales, while this was around 20% for the phones business.
- » These contributions are likely to be lower in its international markets, where the online channel is not as developed as it is in the UK.

36%

of Dixons Carphone's
 overall revenues are
 attributed to
 international
 sales

5. BURBERRY

INTERNATIONAL SALES

£1.8bn
(Prospect estimate)

INTERNATIONAL STORE PRESENCE

56 countries

INTERNATIONAL STORES

442

KEY TO SUCCESS

- » Burberry's international operations have benefited greatly from its distinctive British heritage.
- » The luxury retailer's success over the last decade has also been driven by a move away from its wholesale roots to become a more retail-led operation with a strong digital focus.
- » A number of major regions – including China, Japan, South Korea and Thailand – had been largely developed by local interests under licence. These businesses have all been reacquired in the past few years and are being reshaped according to modern Burberry ideals.
- » Asia-Pacific remains the group's largest market. However, the high-margin Hong Kong and Macau markets have been hit by more constrained spending from mainland China tourists, and Burberry has been busy reducing its footprint in Hong Kong over the past 18 months or so.
- » Japan – the second-largest luxury market in the world – has since become much more of a priority.

ECOMMERCE

- » The global launch of the revamped burberry.com in 2016/17 delivered a full refresh of the brand aesthetic and is boosting online engagement and revenue across all regions.
- » The brand also launched a localised site for China over this period.
- » Burberry is also continuing to increase the number of agreements it has with third-party digital retailers, such as Net-a-Porter. Ensuring that customers visiting its third-party sites get as authentic a Burberry experience as possible is currently a major priority for the brand.

6. M&S

INTERNATIONAL SALES

£1.2bn

INTERNATIONAL STORE PRESENCE

48 countries

INTERNATIONAL STORES

454

KEY TO SUCCESS

- » International expansion had been at the heart of Marks & Spencer's growth strategy, but it has suffered setbacks in some regions as a result of political uncertainty and currency movement.
- » Under new chief executive Steve Rowe, the retailer has taken a comprehensive review of its international operations, resulting in the exit from 10 loss-making markets, most significantly in China.
- » Its company-owned operations are now restricted to the Republic of Ireland and the Czech Republic, following the sale of its Hong Kong and Macau business to franchise group Al-Futtaim in early 2018.
- » This strategic shift means that the group is now looking to drive international growth through strong franchise partners, where the business can leverage their scale, infrastructure and local expertise at less financial risk.

ECOMMERCE

- » Marks & Spencer trades online in 21 markets through fully localised and owned websites, as well as via established marketplaces and franchise partners.
- » It launched ecommerce sites for Australia and New Zealand in early 2016, its first dedicated sites outside Europe.
- » M&S currently has several country-specific websites across Europe, including in Germany, Spain, the Netherlands and Luxembourg.

39%

is the proportion of turnover that Burberry generates in Asia-Pacific

21

The number of markets in which Marks & Spencer trades online

7. ASOS

INTERNATIONAL SALES

£1.2bn

SHIPS TO

200 countries

DEDICATED INTERNATIONAL WEBSITES

7

KEY TO SUCCESS

- » Chief executive Nick Beighton aims to grow Asos' global sales to £4bn in the coming years and has not held back on investment.
- » Asos adapts to local markets and soon recognises when things are not working.
- » The launch of zonal pricing across key markets in 2014 – including Australia, the US, France, Germany, Italy and Spain – allows Asos to change its prices that become uncompetitive due to currency fluctuations.
- » It discontinued its dedicated website and warehouse in China in 2016, due to the complexities of operating in this market, and is instead ramping up investment in other territories, with the US now a key focus.
- » It is developing a new distribution centre in Atlanta at a cost of £31m to support its accelerated growth plans in the US, providing more cost-effective, faster and flexible delivery options. Operations are planned to start in autumn.
- » Within six months of opening its £60m Eurohub in Germany in early 2017, some 95% of eurozone orders were being despatched from the new facility, reducing delivery lead times and costs, as well as further extending delivery cut-off times.

ECOMMERCE

- » Asos is pushing the development of its international websites, with plans to run 13 dedicated sites with independent URLs by the end of the 2017/18 financial year. This is up from the current seven.

8. CLARKS

INTERNATIONAL SALES

£1bn

INTERNATIONAL STORE PRESENCE

53 countries

INTERNATIONAL STORES

1,037

KEY TO SUCCESS

- » Clarks' ultimate aim is to become the leading everyday global footwear brand – it is currently the fourth-largest footwear retailer on the planet.
- » It trades through a combination of company-owned and franchised stores in its overseas markets, which are managed by local partners.
- » In recent years, Clarks set a goal of doubling its international sales by opening 100 franchised stores a year in markets such as India and China.
- » Asia-Pacific in particular has been identified as a key growth market, and a recent focus has been the establishment of some factory outlets, which is helping to maximise its margins.
- » To bolster its international business, Clarks made two key appointments in July 2017 to spearhead growth opportunities in its European and Asia-Pacific operations. Ben Fletcher, former Boots Opticians' managing director, has taken on the role of managing director of Clarks' European region, while Jack Quinlan, Fossil's former senior vice-president, was appointed as Clarks' regional president for Asia-Pacific.

4th
 Clarks is currently the
 fourth-largest footwear
 retailer in the world

£4bn
 Chief executive Nick
 Beighton's goal for Asos'
 global sales



9. MOTHERCARE

INTERNATIONAL SALES

£763m

(Reported retail value)

INTERNATIONAL STORE PRESENCE

54 countries

INTERNATIONAL STORES

1,150

KEY TO SUCCESS

- » Although the UK is Mothercare's core market, international operations account for more than 60% of its gross sales. Further international expansion is one of Mothercare's six strategic pillars for growth as it strives to become "the leading global retailer for parents and young children".
- » Mothercare is continuing with its franchise model for overseas growth – focusing on its largest territories and consolidating some of its smaller territories. The retailer exited franchise agreements in Poland and Morocco.
- » It focuses on larger stores in locations that attract higher footfall and therefore have better sales densities.
- » Mothercare is also investing in additional management in order to increase the level of control and collaboration overseas.

ECOMMERCE

- » The international business is mainly operated through franchises, but transactional websites are increasing in importance, while wholesale accounts for a small proportion of the business.
- » Mothercare now trades online in 23 countries across 30 websites and marketplaces. It operates an online platform that is capable of being rolled out internationally across multiple languages and currencies.

10. JD SPORTS

INTERNATIONAL SALES

£723m

INTERNATIONAL STORE PRESENCE

11 countries

INTERNATIONAL STORES

550

KEY TO SUCCESS

- » JD Sports operates internationally through company-owned stores and websites, with the business aiming to have a store in every major city in Europe.
- » International expansion accounted for more than 50% of its capital spend in 2016/17.
- » The retailer has pursued international expansion through strategic acquisitions, such as Irish business Champion, and strategic investments, such as its stake in Portuguese group SportIberica, as well as by launching its UK fascias in overseas markets.
- » It has announced plans to combine its businesses in Spain and Portugal with Sports Zone – one of the largest sportswear retailers in the region. The formation of the businesses has created the Iberian Sports Retail Group.
- » The group has started to expand beyond Europe. In early 2016, JD Sports opened a JD Sports-branded franchise store in Malaysia – its first outside Europe – and has since developed a presence in Australia.

ECOMMERCE

- » JD Sports' international expansion plans are focused heavily on store-based growth, rather than ecommerce.
- » However, it has rolled out local-language multichannel offers in most of the markets it trades in, covering website, mobile site, apps, in-store devices and delivery to home and store.

£35.7m
is the capital expenditure
for JD Sports' international
expansion in 2016/17

60%

of Mothercare's gross sales
come from international
operations

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