

Beyond borders:

MASTERING GLOBAL TRADE WITH INTEGRATED TECHNOLOGY

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EY REPORT

Beyond borders:

MASTERING GLOBAL TRADE WITH INTEGRATED TECHNOLOGY



SEPTEMBER 2024



“

Shopify has probably been [the] number-one best business decision we have ever made. It is the reason we are successful.

JEANNE FOLEY
CO-FOUNDER, SUITSHOP

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EXECUTIVE SUMMARY

DUBAI, UAE
25°14'51"N 55°16'23"E

1.0



1.1 Focus of the report

At EY, we considered a broad range of aspects and criteria to understand how organizations approach cross-border selling, and to determine which factors drive differentiated success. This report brings together the culmination of these findings.

Regardless of size, all organizations have a growth objective. In a connected economy, cross-border sales is one of the biggest levers for businesses to achieve these goals. Scaling smartly while maintaining outstanding buyer experiences around the world can be challenging for large, established organizations and newly launched ventures alike. However, with the right choices, operating environment and technologies, those challenges can be alleviated – making it easier to achieve growth and customer experience goals.

This report aims to demystify the complexity of selling cross-border, outlines which factors to consider and shines a spotlight on the ways technology can help drive success. We explore the concept of cross-border sales growth, with a particular focus on how Shopify's Managed Markets allows organizations to extend their services and products globally in seamless, high-value ways.

Through EY's assessment, we explored which technologies provide the greatest value for the investment. We focused on Managed Markets as an example because it was one of the few that has a natively integrated solution, giving it a unique and leading position in the market.



About EY

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets. Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate. Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today. For more information, visit [EY Canada | Building a better working world.](#)

About Shopify

Shopify is the leading global commerce company that provides essential internet infrastructure for commerce, offering trusted tools to start, scale, market, and run a retail business of any size. Shopify makes commerce better for everyone with a platform and services that are engineered for speed, customization, reliability, and security, while delivering a better shopping experience for consumers online, in store and everywhere in between. Shopify powers millions of businesses in more than 175 countries and is trusted by brands such as Mattel, Gymshark, Heinz, FTD, Netflix, Kylie Cosmetics, SKIMS, Supreme and many more. For more information, visit www.shopify.com.



SYDNEY, AUSTRALIA
33°50'56"S 151°12'41"E

1.2 Key concepts

1.2.1 What is Shopify's Managed Markets?

Shopify's Managed Markets, formerly known as *Shopify's Markets Pro*, offers a suite of features tailored to simplify and optimize international trade.

It is a natively integrated solution that uses a merchant of record model. Organizations can employ this solution with Shopify's greater suite of international tools to manage complexities such as currency conversion, local payment methods, compliance with international tax and duty regulations, and streamlined cross-border logistics.

“
Managed Markets will enable brands to reach buyers everywhere in the world by simplifying all the challenges of international selling — from duties, customs restrictions, international shipping, payments and more. When our merchants advertise on social channels, their ads can be seen everywhere. But most merchants can only sell effectively to domestic buyers. We are fixing this with Managed Markets. The internet doesn't have any borders, and neither should commerce.

ROHIT MISHRA
DIRECTOR OF PRODUCT, SHOPIFY

1.2.2 What is a merchant of record (MoR)?

An MoR is a legal entity that is officially recognized as the seller of goods or services to the end customer.

The MoR assumes the financial and legal responsibilities associated with a consumer transaction, including the handling of payments, billing and the management of taxes, refunds and chargebacks. It is often integrated with shipping solutions to provide an end-to-end cross-border experience. To simplify sales abroad, companies can employ an MoR, such as Shopify's Managed Markets, to handle these responsibilities. This, in turn, allows the business to focus on other priorities.

A native MoR solution helps organizations master the basics and subsequently focus on optimizing growth without needing to spend unnecessary cycles looking for a solution to support the next stage of internationalization.

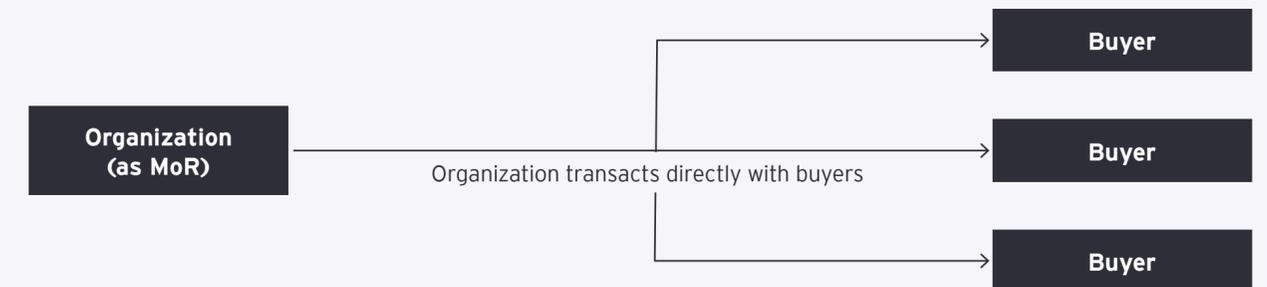
The key to making the most of a native MoR solution lies in your ability to overcome initial challenges before optimization and localization to specific markets can take place. That means addressing:

- ▶ **Taxes and duties:** Lack of transparency and post-purchase duty payments drive negative experience, brand erosion and refused packages.
- ▶ **Logistics and fulfillment:** Cost of shipping for both sellers and buyers is a significant barrier to cross-border growth and requires the ability to scale purchasing to meet return on investment (ROI) objectives.

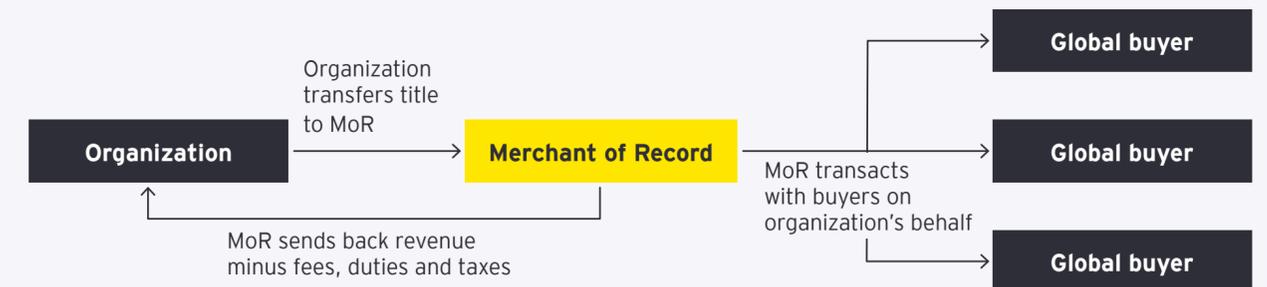
Once these primary challenges have been addressed, organizations can focus on global growth by:

- ▶ **Localizing customer experience:** Develop market-specific UI/UX tailored to local norms and expectations.
- ▶ **Customizing products:** Focus specific products to market needs, trends and seasonality.
- ▶ **Marketing and branding:** Create dedicated marketing campaigns for local markets, engaged influencers and local champions or retailers.

ORGANIZATION ACTING AS THEIR OWN MERCHANT OF RECORD



ORGANIZATION USING A MERCHANT OF RECORD PROVIDER



“

Most organizations, whether they know it or not, act as their own merchant of record. When expanding to new regions, shifting those responsibilities can be an unlock. MoR providers have a global payments infrastructure, so businesses don't need to build or manage their own. Instead, they can focus on growing their core business.

REBECCA ENGELBERG

MANAGED MARKETS PRODUCT MARKETING LEAD, SHOPIFY

1.2.3 What is a natively integrated solution?

A natively integrated solution for international sales is a system that incorporates essential features such as automatic calculation of duties and taxes, duty pre-paid international shipping options, localized prices with currency conversion and country-specific duty and tax.

This enables a localized shopping experience for the customer, no matter where they are in the world. Additionally, the solution integrates logistics for efficient order fulfillment and surfaces payouts similar to domestic transactions to streamline the entire sales process across different jurisdictions. This approach reduces the complexities of cross-border transactions for both the seller and the buyer.

In addition, the solution is further integrated with an organization's core commerce platform. An integrated solution enables organizations to have one central location that can manage their entire business and provide a consistent experience to buyers, regardless of whether they're domestic or international.

A native solution streamlines business operations by dovetailing with existing ecosystems, reducing the need for costly integration and significantly reducing reliance on external IT teams. It offloads development risks, accelerates time to market and provides a unified system for analytics, all of which contribute to a more predictable cost structure and simplified vendor management.

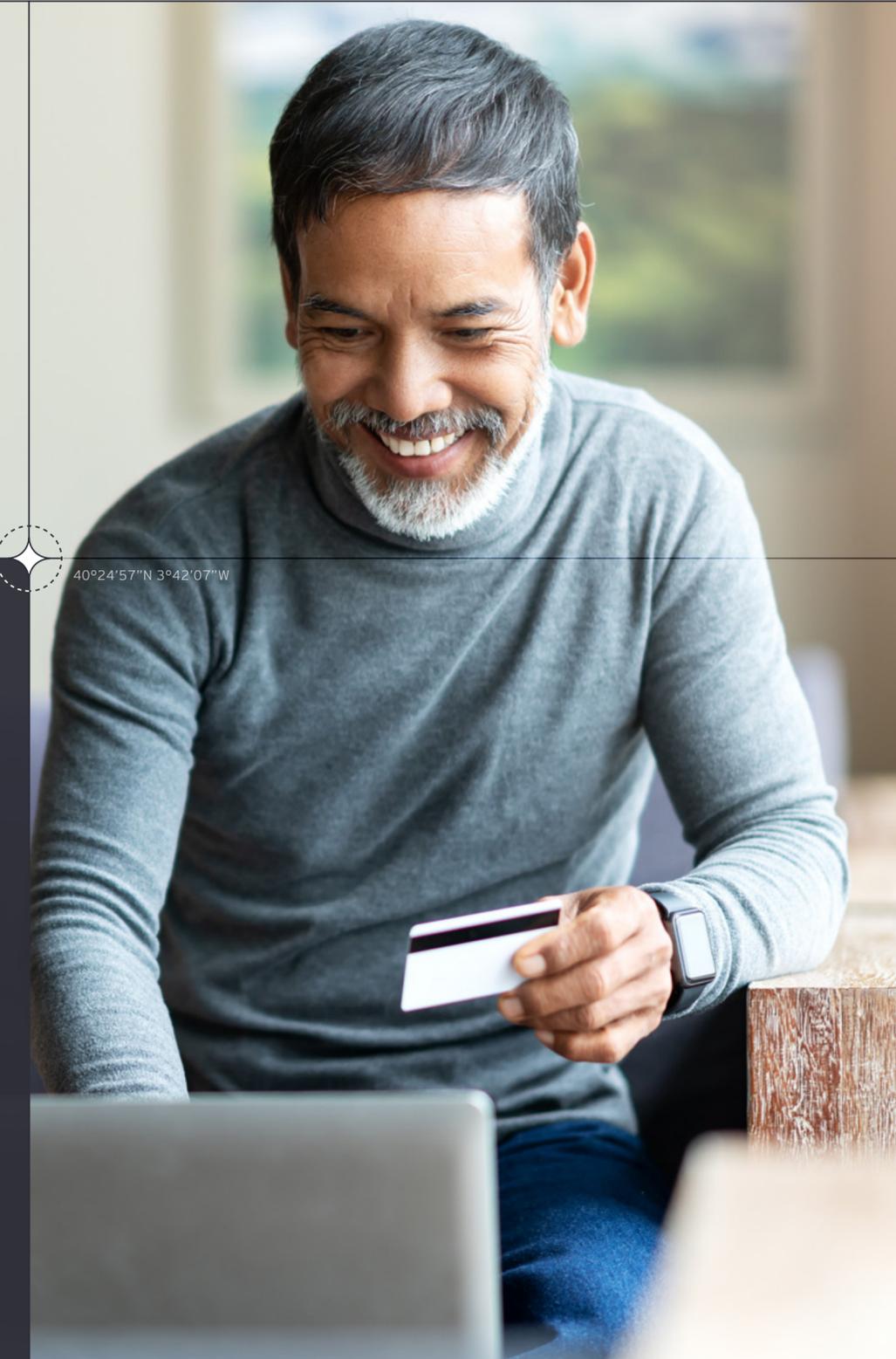
MADRID, SPAIN

40°24'57"N 3°42'07"W

“

More and more, we are seeing organizations win in the market when they take a unified approach to their channels. Customers expect a deep, personal experience no matter where or when they start or end their purchasing journey. Only a natively integrated solution can deliver this.

WARREN TOMLIN
EY-SHOPIFY GLOBAL ALLIANCE LEADER,
EY CANADA



1.3 Highlights and insights

83%

of merchants saw an increase in the number of countries sold to post Managed Markets adoption*

More than

80%

of merchants saw an increase in some level of international sales growth for the 12-month period post Managed Markets adoption*

SELLING GLOBALLY CREATES EVEN MORE OPPORTUNITY

While global expansion comes with risks, EY research has shown it also provides the opportunity to supercharge your business and open the door to enormous opportunity. What's more, international expansion isn't limited to large firms with the resources necessary to successfully navigate cross-border processes. Small and mid-market companies also have the potential to thrive beyond borders. In fact, doing so enables businesses to unlock new revenue streams and achieve economies of scale so they can tap into varying demographics, mitigate risk and stabilize cash flow.

Put simply, global sales empower both large and small organizations with resources and capabilities to, in turn, expand even further. Establishing a global presence not only enhances brand trust and prestige, it also opens the door to innovation, since exposure to diverse markets inspires new business models.

EVEN SO, GLOBAL SALES BRING NEW COMPLEXITIES AND CHALLENGES

Managed upfront, transparency of duties and taxes can be a key driver of international success. But complying with tax regulations and navigating related tax implications can be real pain points when serving new markets.

Using technology that provides an MoR model makes duty and tax payments easier. That means tech-smart and structured organizations may find a competitive edge, especially in the face of regulations and policies that are in constant flux.

* Disclaimer messaging

Source: Shopify provided transaction data for US based merchants as of April 2024.

Sample size: 567 organizations.

Approximately 60% of companies have data only for 6 months post adoption.

Comparing data from 12 months pre-Managed Markets to 12 months post adoption.

Based on minimum of 1 order per month from country to be counted in monthly total count.

TECHNOLOGY INTERVENTION ENABLES ORGANIZATIONS TO CAPITALIZE ON OPPORTUNITIES WHILE OFFSETTING CHALLENGE

Underpinning global expansion with the right technology offers a material positive impact for organizations. Organic growth is possible, but deploying intentional strategies and employing technology are crucial for reaching full potential in global markets.

The benefits of simplifying and unifying processes are universal, aiding organizations of all sizes and scale in international sales. In EY research, organizations that use a natively integrated solution that includes an MoR model like Shopify's Managed Markets were more successful.

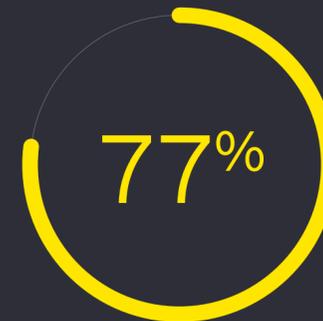
Why? A native solution is an all-in solution where components are inherently integrated. It reduces the need to pay for additional third-party services, integration costs or prolonged setup, and additional maintenance fees. It can also be fully integrated and extensible to an organization's broader ecosystem. In essence, a native solution not only streamlines operations but also enhances adaptability, allowing businesses to focus on growth and innovation with ease. Technology streamlines operations, addresses and automates regulatory requirements, reducing the need for additional headcount, and enables adaptation to local market preferences and currencies.

“

Being able to serve your customers on a global scale is imperative for any organization to survive and thrive in today's complex economy. To do this, you must have the right tools and technologies.

SYLVAIN GOLSSE
GLOBAL TRADE LEADER, EY CANADA

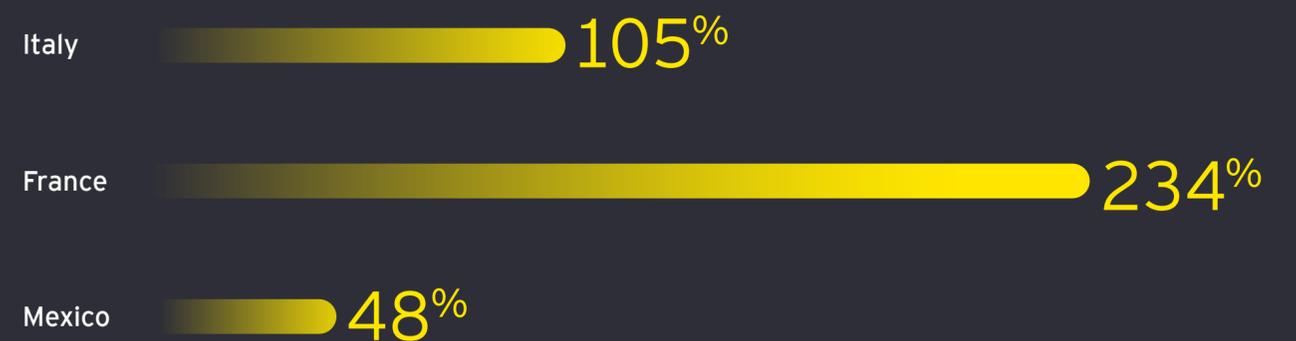
IMPACT DOG CRATES



global conversion increase from 2023-24 (October-April)

PAPERSHOOT

Greatest global conversions from 2023-24 (December-April):



APPROACH AND METHODOLOGY

LONDON, UK
51°30'28"N 0°07'40"W

2.0



2.1 What we considered when creating this report

ORGANIZATIONAL MATURITY FOR CROSS-BORDER OPERATIONS

TECHNOLOGY APPROACHES TO SUPPORT CROSS-BORDER OPERATIONS

OPERATIONAL PROCESS FRAMEWORK FOR CROSS-BORDER SALES

LEADER'S TESTIMONIALS OF ENTERING CROSS-BORDER THROUGH DIFFERING APPROACHES

DATA ANALYSIS TO IDENTIFY IMPACT OF TECHNOLOGY ON CROSS-BORDER SALES

2.2 How we structured EY research

EY research encompassed several aspects to assess the impact of technology on an organization's ability to grow cross-border sales.

In addition to assessing organizational maturity and technical approaches to cross-border sales, we:

- ▶ Interviewed senior leaders across organizations to understand their approach and experiences in moving from a domestic to a global sales focus.
- ▶ Engaged with EY senior advisors who support organizations' global operations for tax and technology.
- ▶ Analyzed transactional data from more than 500 organizations to quantify the impact different technology approaches have on cross-border sales, specifically the before-and-after effect of a complete and integrated cross-border solution.
- ▶ Surveyed more than 100 organizations to quantify sentiment and cost differentials associated with different technologies.

STOCKHOLM, SWEDEN

59°19'46"N 18°04'08"E

OPPORTUNITIES AND CHALLENGES IN SELLING CROSS-BORDER

DUBLIN, IRELAND
53°20'59"N 6°15'34"W

3.0



3.1 What does opportunity look like today?

To make a meaningful impact and accelerate growth in this increasingly interconnected world, companies cannot simply operate; they must operate globally.

Expanding business operations beyond national borders is a strategic and operational shift. Done right, it can open up a world of opportunity. What might that include?

“ We launched in April 2023 on Managed Markets. We’ve seen a 500% lift [of international sales] year over year since we went live.

KRISTIN SWARE
COO, CADEN LANE

REVENUE BOOSTS

Global expansion opens new avenues for revenue generation, contributing to the organization’s overall financial growth.

ECONOMIES OF SCALE

Operating in multiple markets can lead to greater economies of scale by reducing costs per unit through increased production, thereby improving profit margins.

MARKET DIVERSIFICATION

Tapping into diverse demographics and markets beyond local boundaries reduces your dependence on any single market, better distributing risk.

FIRST-MOVER ADVANTAGE

Being a first mover in an untapped foreign market could allow a company to establish strong brand loyalty before competitors arrive. First movers have the opportunity to set standards and customer expectations that later entrants must follow.

BRAND IMAGE

The tag of being a global brand implies a certain level of trust, prestige and superior quality in the customer’s mind. This can make your organization more recognizable. International success can also positively impact a company’s domestic market position, reinforcing trust and credibility.

INNOVATION

Exposure to new markets, cultures and practices can foster innovation and inspire new ideas or approaches. Case in point: *the founder of Glasvin was inspired to start his hand-blown glassware business by discovering a European glassware brand’s business model and recognizing a gap in the United States market.*

IMPROVED CUSTOMER CONVENIENCE

Being available globally allows consumers who come across your brand to easily access your product. This creates an integrated experience that meets consumers’ expectations in our increasingly connected world. Case in point: *SuitShop customers have peace of mind that their entire wedding party can be served – no matter where friends and family live.*

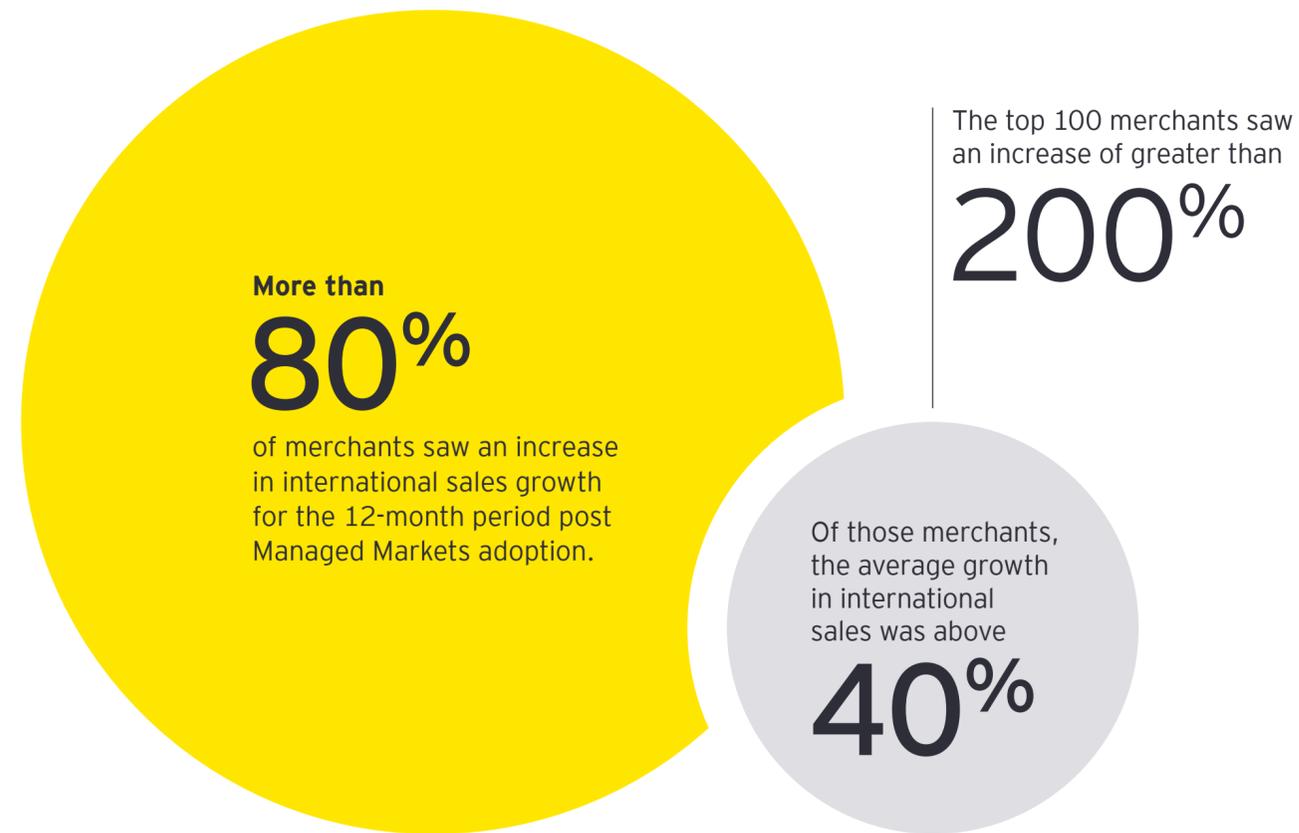
HEDGE AGAINST SEASONALITY

By operating in multiple markets, companies can absorb fluctuations in one region through their performance in another. This supports greater business sustainability and helps keep your cash flow stable all year long, as opposed to skewing year-end or seasonal results by focusing on domestic sales only. In our research: *Naked Cashmere offset sales seasonality of cashmere products by expanding availability to customers in the southern hemisphere.*

INTERNATIONAL PARTNERSHIPS

Going global can create opportunities for strategic partnerships, collaborations or joint ventures with foreign companies. Partnerships can also accelerate business growth by enabling quicker market entry and scaling of operations.

By the numbers, our research showed*:



* Source: Shopify provided transaction data for US based merchants as of April 2024.
Sample size: 567 organizations.
Approximately 60% of companies only have data for six months post adoption.
Comparing data from 12 months pre-Managed Markets up to 12 months post adoption.



The global business-to-consumer, cross-border ecommerce market is expected to reach a value of

US\$7.9 trillion

by 2030.

Citation: Global cross-border ecommerce market value 2030 | Statista



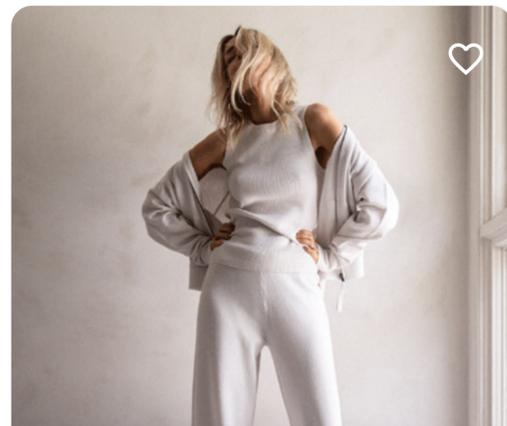
CELIA MULDERRIG
VP ECOMMERCE AT
NAKED CASHMERE

NAKED

CASHMERE

Naked Cashmere dials down business risk by spreading seasonal demand with Shopify's Managed Markets Solution.

Founded in 2016, Naked Cashmere is a direct-to-consumer luxury and sustainable cashmere brand designed and crafted in Santa Monica, selling the highest quality hand-finished products at accessible prices and bypassing traditional retail markups. Still, the business wasn't able to fully capitalize on interest from international markets due to fragmented internal systems that created often complex checkout processes, high shipping rates and bumpy purchase experiences for global customers. Onboarding MMS, the business was impressed by the smooth transition and seamless support. Since making the move, Naked Cashmere has reduced shipping rates, tapped greater flexibility in marketing and set their sights on significant international growth in the next few years.

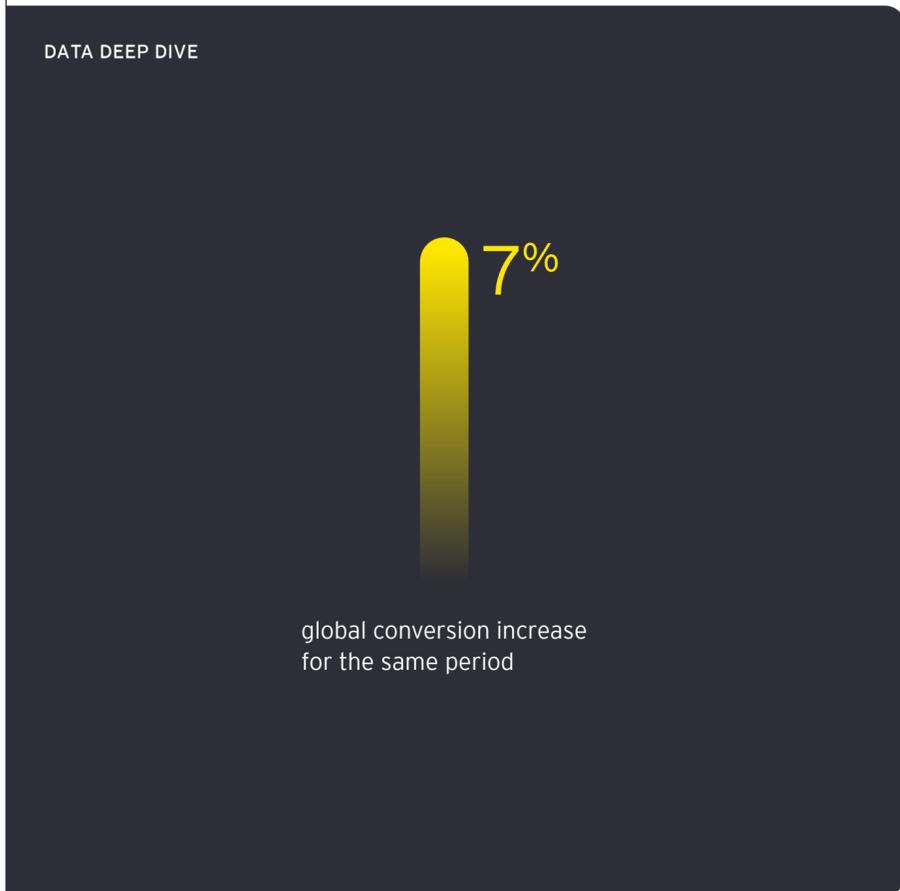


★★★★★ [BUY NOW](#)



★★★★★ [BUY NOW](#)

“It is an unlock for scaling international acquisition because without improving the conversion rate, we couldn't capitalize on the traffic we were getting, and spending on marketing was wasted money. MMS unlocked international opportunity.”





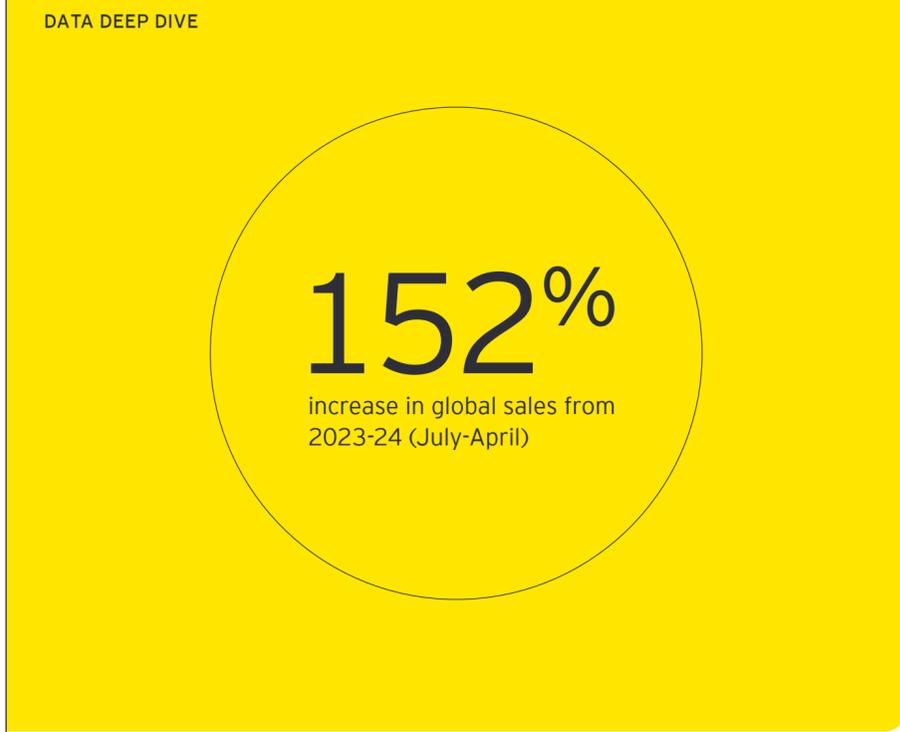
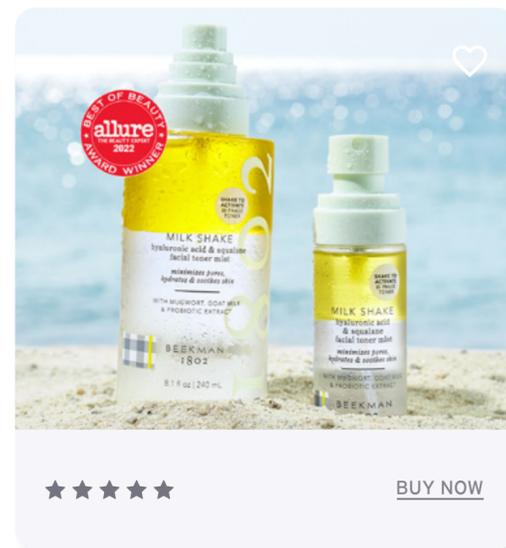
DAVID BAKER
CHIEF DIGITAL OFFICER AT
BEEKMAN 1802

“
We’re able to get orders out the door much faster and get products in the hands of customers seamlessly because of the Managed Markets solution.”



Beekman 1802 outpaces domestic growth by unleashing the power of Shopify’s Managed Markets Solution.

Beekman 1802 was born in 2009 and specializes in goat-milk-based beauty, skin care and home products. With a niche focus on quality, the team achieved omnichannel success using a Shopify-powered, direct-to-consumer website. As their customer base grew outside the US into Canada and beyond, Beekman faced international shipping challenges. Adopting Shopify’s Managed Markets solution enabled Beekman with a platform to serve its growing international customer base while enhancing product accessibility, ease of integration, operational efficiencies, reliability, reach and a reduction in operating costs.



3.2 Capitalizing on cross-border sales is complex

There's a lot to think about when expanding into international markets.

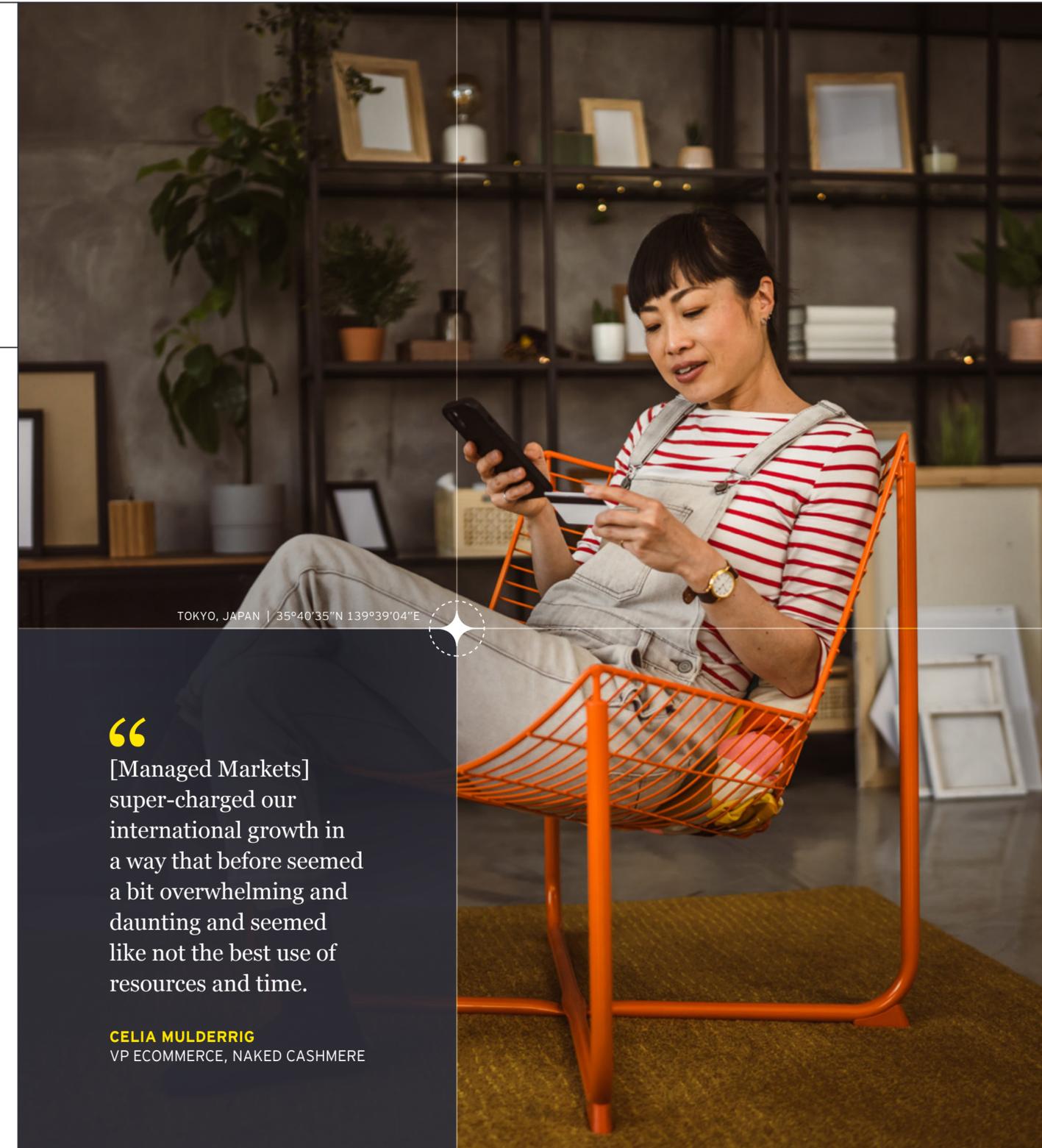
Businesses of every shape and size want the ability to pursue limitless growth. Buyers want a great customer experience that feels easy and seamless no matter which brand they choose.

WHAT DOES THIS MEAN?

Organizations must be capable of operating and selling in ways that feel borderless to the consumer. Whether you're a large, established organization or just starting out: you must meet customers on their terms, where and when they want to buy. Experiences must feel personal and relevant to be compelling.

Delivering against these expectations can be challenging and expensive. That said, the choices you make, the operating environment you establish and the technologies you employ can enable you to streamline your international sales approach.

Organic growth can certainly play a part in successfully tapping cross-border consumers. But truly seizing the benefits of international sales requires a deliberate, intentional and actionable strategy.

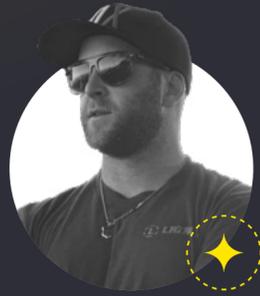


TOKYO, JAPAN | 35°40'35"N 139°39'04"E

“

[Managed Markets] super-charged our international growth in a way that before seemed a bit overwhelming and daunting and seemed like not the best use of resources and time.

CELIA MULDERIG
VP ECOMMERCE, NAKED CASHMERE



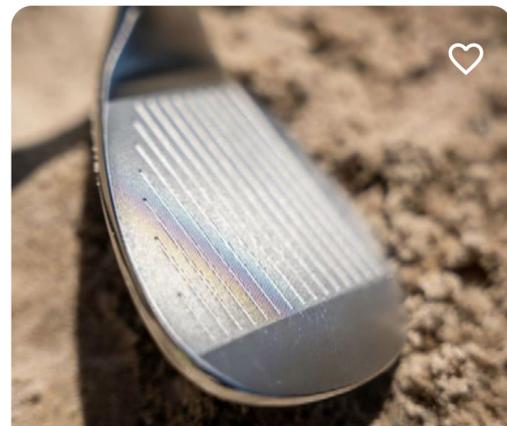
COLTON DRAPER
FOUNDER OF LAZRUS GOLF



LAZRUS Golf plans to sell to every country on the planet through Shopify's Managed Markets Solution.

LAZRUS Golf rose from modest beginnings in 2017 to a direct-to-consumer (D2C) enterprise specializing in affordable, quality golf clubs. Looking to expand globally, LAZRUS faced challenges in maintaining profit margins and ensuring transparent international customer transactions.

Shopify's Managed Markets solution has allowed LAZRUS to venture into regions of the world previously seen as too expensive to reach. Securing lower shipping rates through Managed Markets led to nearly 40% savings and faster, more reliable service.



★★★★★

[BUY NOW](#)



★★★★★

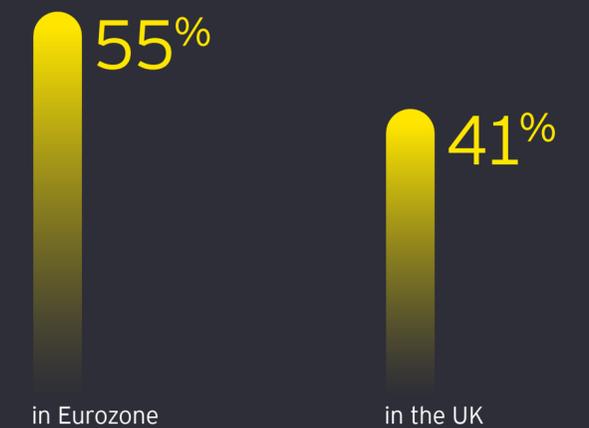
[BUY NOW](#)

DATA DEEP DIVE



DATA DEEP DIVE

Highest conversion grew by 55% in Eurozone and 41% in the UK for the same period



“ We’ve reached 50 countries. Before Managed Markets, we sold in around 20 to 25 countries. The ultimate bucket list for me is to sell in every country in the world.

Integrated platforms like Shopify's Managed Markets bridge these factors to increase sales

83% of merchants saw an increase in the number of countries sold to post Managed Markets adoption

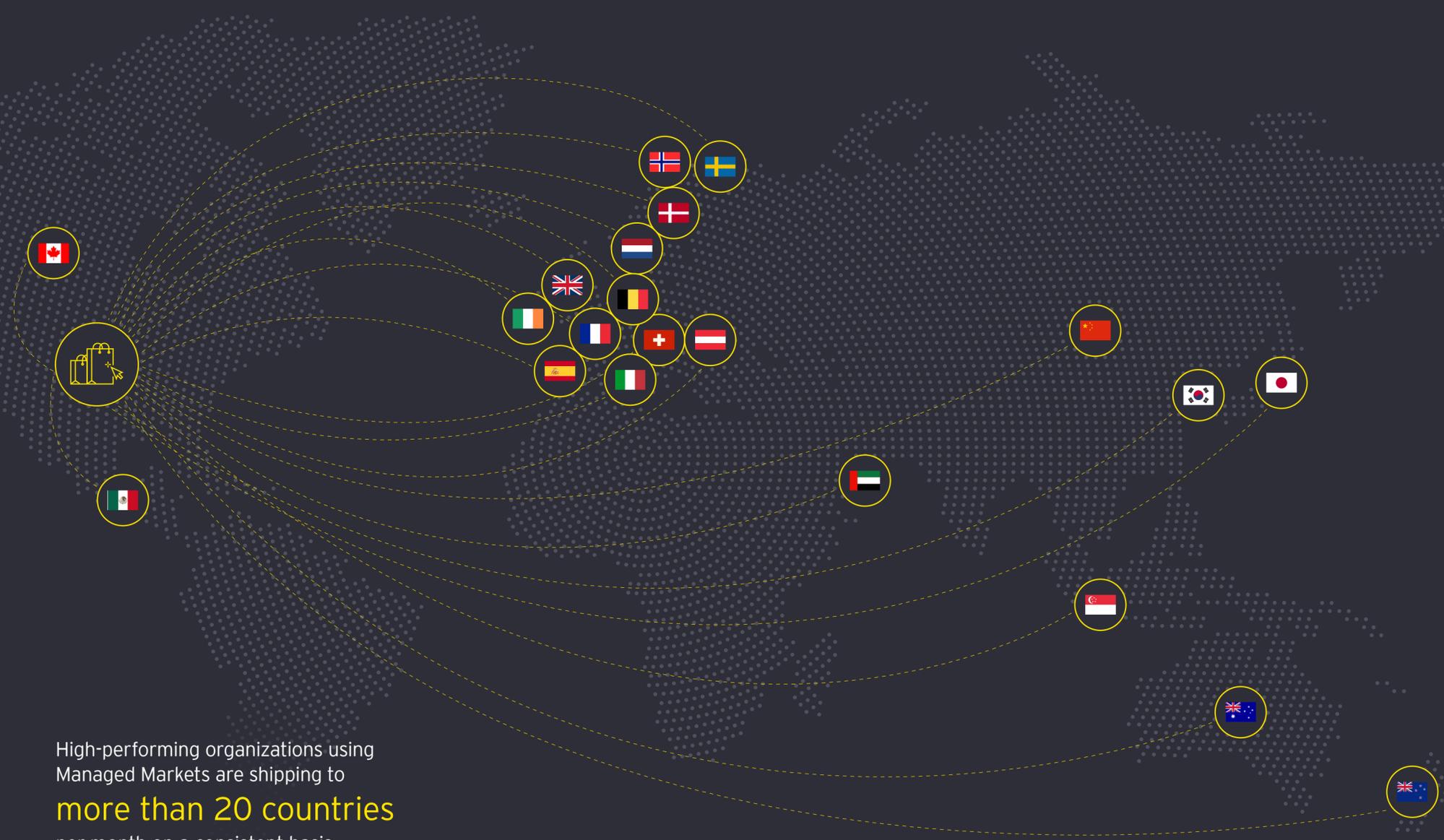
“
Managed Markets simplifies global commerce, enabling brands to engage customers like a local without getting bogged down in cross-border complexity.

KAZ NEJATIAN
VP PRODUCT & CHIEF OPERATING OFFICER, SHOPIFY

* Disclaimer messaging
Source: Shopify provided transaction data for US based merchants as of April 2024.
Sample size: 567 organizations.
Approximately 60% of companies have data only for six months post adoption.
Comparing data from 12 months pre-Managed Markets to 12 months post adoption.
Based on minimum of one order per month from country to be counted in monthly total count.

Given these are US-centric merchants, the countries with the **highest order volumes** were the following given their affinity to the US:

○ Countries with largest volumes of orders/month



High-performing organizations using Managed Markets are shipping to **more than 20 countries** per month on a consistent basis.

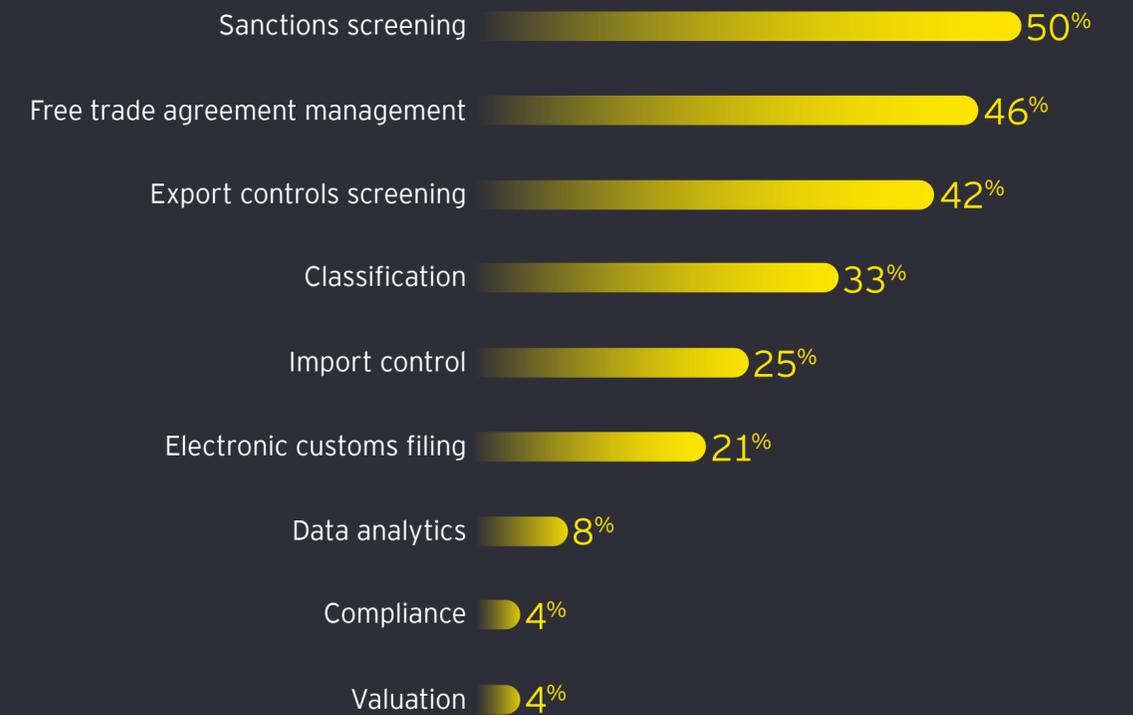
3.3 Where do challenges arise from?

Keeping an eye on the big picture and staying prepared is key to capitalizing on the potential of global expansion. Supply chain disruptions, fluctuating duties and taxes, inflationary measures, currency valuations impacted by conflicts and energy costs, increasing raw material costs and changing regulatory demands can all chip away at your plans.

This list may seem daunting. But EY research showed proactively managing real and perceived complications can help organizations overcome these potential barriers. For example, getting the right support systems in place internally – think compliance functions, technologies that are compliant by default and an always-on, data-backed process for evaluating and adjusting strategies and operations – or obtaining specialized support for areas like tax and legal advice can help.

There are so many regulations that continuously change across more than 100 countries around the world. Knowing and tracking them all is a herculean task. That’s why so many companies are discouraged from selling internationally. Who has time for that? It creates the perception that international sales are double the cost, double the time and double the risk. However, through the use of technology, companies are able to address the changing regulatory environment.

HOW ORGANIZATIONS LEVERAGE TECHNOLOGY TO SUPPORT CROSS-BORDER SALES OPERATIONS



Citation for table above: file:///C:/Users/QH147CU/Downloads/ey-refocusing-on-the-global-trade-functional-organization-a-global-trade-perspective%20(4).pdf

PRACTICAL AND REGULATORY CHALLENGES

Click on the yellow circle below to explore each topic in depth



“

Businesses expanding globally require a nuanced understanding of indirect taxes, as each country has its own set of rules and regulations. However, there’s some level of harmonization in certain regions, such as Europe. But different rules apply per country, making compliance complex. It’s key that companies understand all the determination rules applicable per country and monitor and implement the potential changes to these rules. Automating this function is key, as it is the selection and utilization of proper technology for this purpose.

TIM CARPENTER
TAX TECHNOLOGY AND TRANSFORMATION LEADER, EY US

“

To Canada alone we have been able to double sales in terms of volume and order, and our return rate has decreased by half. A big chunk of that is being able to set expectations with the consumer, shipping times are much faster, less stuck at the border and returned to us.

DAVID BAKER
CHIEF DIGITAL OFFICER, BEEKMAN 1802



MICHAEL HENDERSON
FOUNDER OF WOLFPAK

“ I love that I can sleep at night being compliant in these regions. It is turnkey. You would literally need a team in house if you didn't have Managed Markets. It has lifted that stress away from me. So a merchant like myself can focus on the business and focus on the growth and put my attention where it is best fitted.



For **WOLFpak**, compliance becomes a stress-free endeavour with Shopify's Managed Markets Solution.

Michael Henderson founded WOLFpak, a functional fitness backpack company that has grown in interest among bodybuilders and fitness enthusiasts, and has since grown it to a globally recognized brand. From its inception in 2020, WOLFpak has been relentlessly focused on international growth. Managed Markets has allowed WOLFpak to achieve its goals of being a global player to respond to the demands of the market. It has given them the confidence that customer's expectations will be met regarding the speed and ease of ecommerce, as well as operationally saved WOLFpak costs and streamlined processes to ensure compliance.



★★★★★ [BUY NOW](#)



★★★★★ [BUY NOW](#)

DATA DEEP DIVE

In the 18 months since launch, WOLFpak experienced



DATA DEEP DIVE



increase in global sales from 2023-24 (May-April)



global conversion increase for the same period

THE RIGHT TECHNOLOGY STREAMLINES GLOBAL TRADE

TORONTO, CANADA
43°39'12"N 79°23'03"W

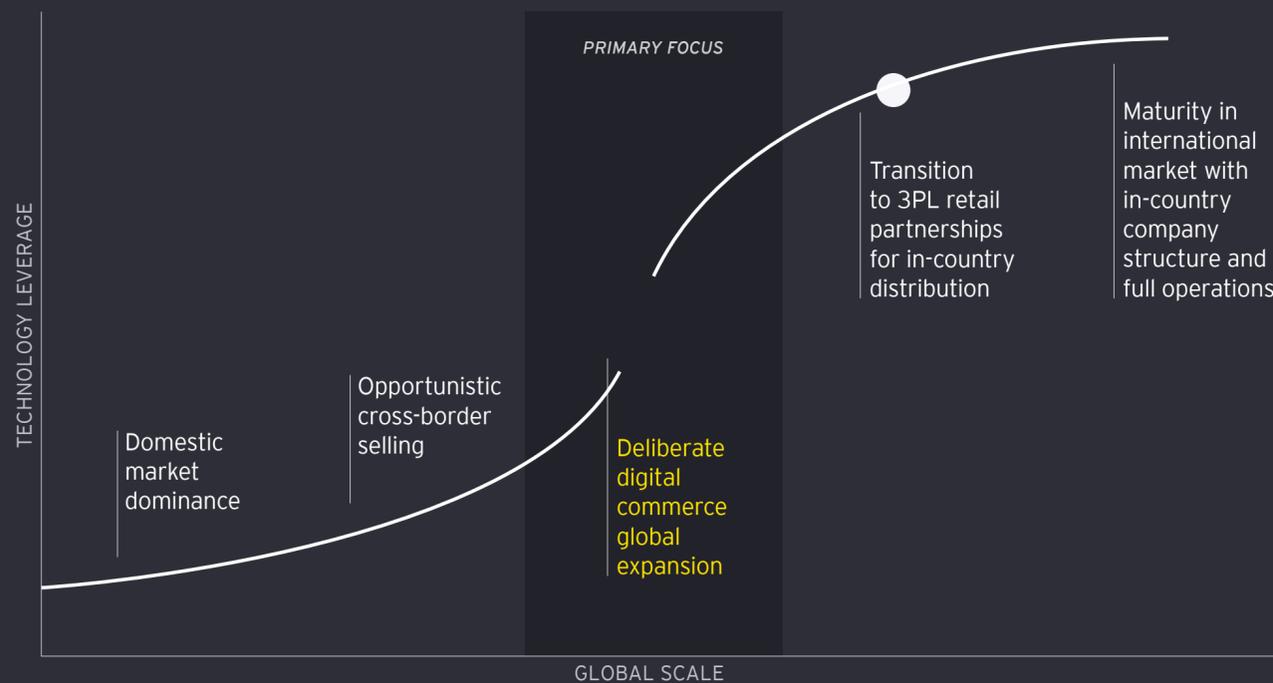
4.0



4.1 A deliberate approach to technology is critical as part of cross-border expansion

Successfully globalizing sales operations takes thoughtful and timely use of technology — regardless of your organization’s domestic scale.

ORGANIZATIONAL MATURITY FOR CROSS-BORDER OPERATIONS



* Source: Shopify provided transaction data for US based merchants as of April 2024. Sample size: 567 organizations. Approximately 60% of companies have data only for six months post adoption. Comparing data from 12 months pre-Managed Markets up to 12 months post adoption.

 Click on the yellow icon to explore each topic in depth

On average, merchants saw a **17%** increase in total international order volume for the 12-month period post-Managed Markets adoption.

“ Just by implementing Managed Markets, you are going to see such a massive lift in conversion rate on an international level, and that barrier alone pays for itself.

JAMES KARIS
CO-FOUNDER, FREEDOM MEDIA

There is a natural pivot point in the journey to cross-border sales operations. This occurs when an organization moves from *opportunistic* cross-border selling to having a deliberate global commerce strategy supported by fit-for-purpose technology.

At the pivot point of becoming more deliberate, organizations can pursue a number of different technology approaches:

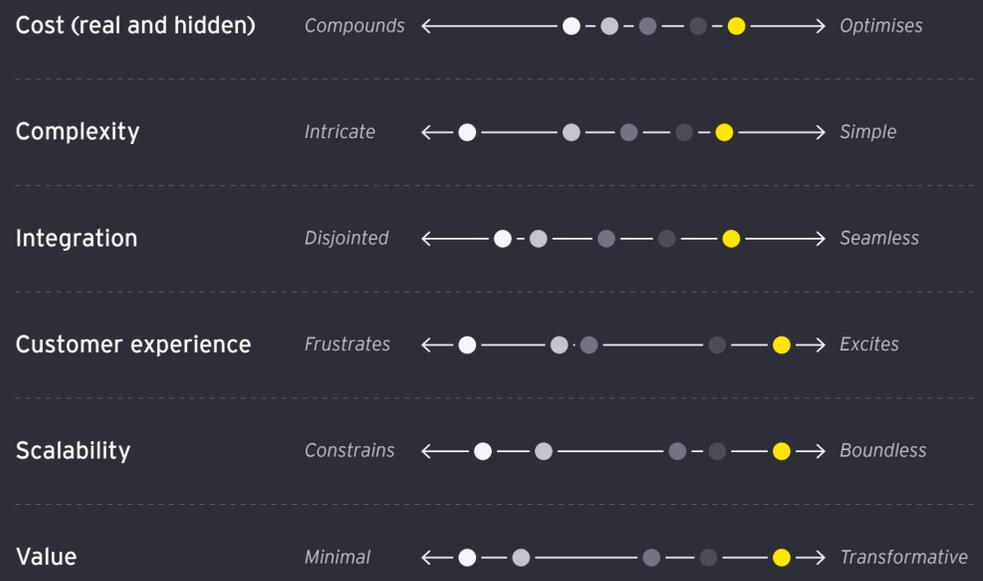
- ▶ **Manual ad-hoc approach:** Informal, individualized sales processes without automation.
- ▶ **In-house development:** Custom software creation for specific business needs.
- ▶ **Multisystem integration:** Linking separate systems for a complete sales solution.
- ▶ **SaaS and/or ecommerce platforms:** Outsourced, subscription-based online sales services.
- ▶ **Natively integrated solution:** Pre-built, cohesive sales system with broad functionality.

Each brings its own range of trade-offs. By the numbers:

In EY’s research, we found that, on average, organizations that take the time to fully assess strategic needs and ambitions against technology options find a native MoR solution positions them for global growth compared to other options.

TECHNOLOGY APPROACHES TO SUPPORT CROSS-BORDER OPERATIONS

Indicative and illustrative only



LEGEND

- Manual ad-hoc approach
- In-house development
- Multi-system integration
- SaaS and/or ecommerce platforms
- Unified commerce platform with integrated merchant of record (e.g. Shopify Managed Markets)

“
One of the easiest, quickest integrations I have had...
[it] does not derail us from other projects.”

JEANNE FOLEY
CO-FOUNDER, SUITSHOP

4.2 A natively integrated solution supports an organization's positioning for global growth

At the pivot point of moving from opportunistic to deliberate cross-border selling, organizations can take five potential approaches to capitalize on technology. When you look at cost, complexity, integration, experience, scalability and value, a natively integrated solution comes out firmly on top against any of your other four technology approaches.

Most organizations find changing technology challenging as they grow, often falling back on less-than-optimal solutions. Lacking a thoughtful and deliberate assessment approach for technology – or simply not wanting to take on another change project – they tend to default to existing solutions, including a manual approach or in-house development. That's understandable. But companies that have embraced this change have demonstrated material growth in their cross-border sales.

Typical change challenges:

- ▶ Cost of migration
- ▶ Disruption to daily operations
- ▶ Lack of expertise
- ▶ Competing priorities
- ▶ Unclear case for change

While the pivot may require a significant upfront lift, shifting to a native solution can create exponential, long-term value for organizations looking to deliberately expand across borders.



KRISTIN SWAREK
COO OF CADEN LANE

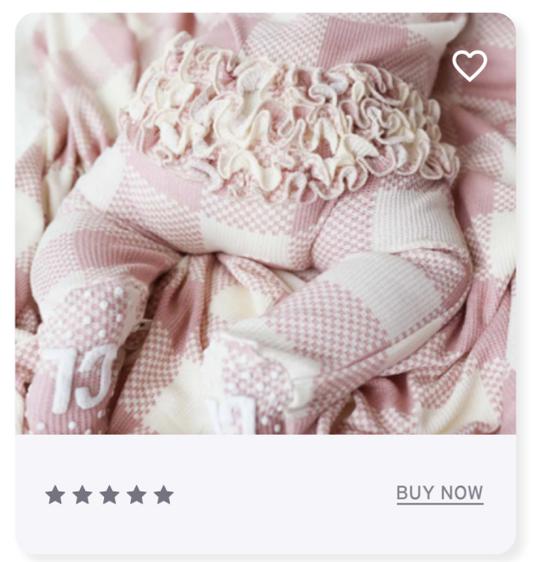
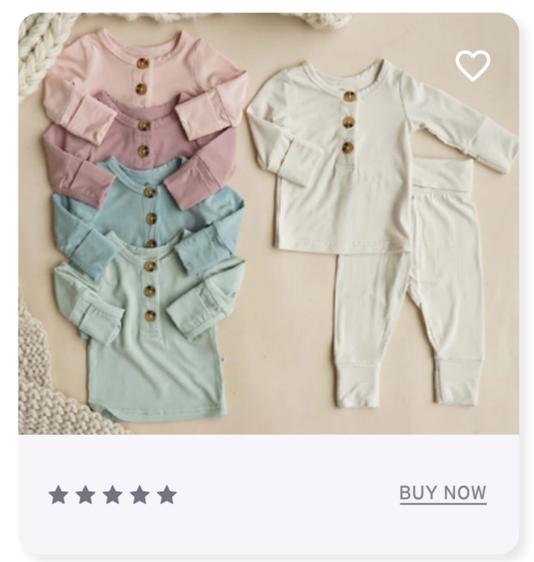
“
It was a no brainer.
It’s easy for the everyday
merchant to turn on.”



Caden Lane transforms rigorous analysis into Managed Markets Solution success.

Caden Lane is a prominent designer and producer of premium baby and toddler pajamas and accessories, founded out of a desire to innovate beyond traditional baby styles. Before Managed Markets, Caden Lane’s international sales were incidental, with no significant financial backing. Through qualitative analysis, it became clear that the Managed Markets would save the team effort and resources, making it an easy choice.

Now armed with a solution that works, Caden Lane is aiming to improve conversions in international markets by spotting and targeting areas where potential customers may drop out of the site. They’re successfully experimenting with marketing, using social platforms to boost organic reach and diversifying risks for consistent sales and growth.



DATA DEEP DIVE



DATA DEEP DIVE

Their number of countries sold to pre and post Managed Markets adoption **more than doubled** for the same period



increase in international affiliate revenue, along with **225%** increase in click volume and **218%** increase in orders for the same period

4.3 Ensuring process alignment to new technologies is part of achieving long-term value

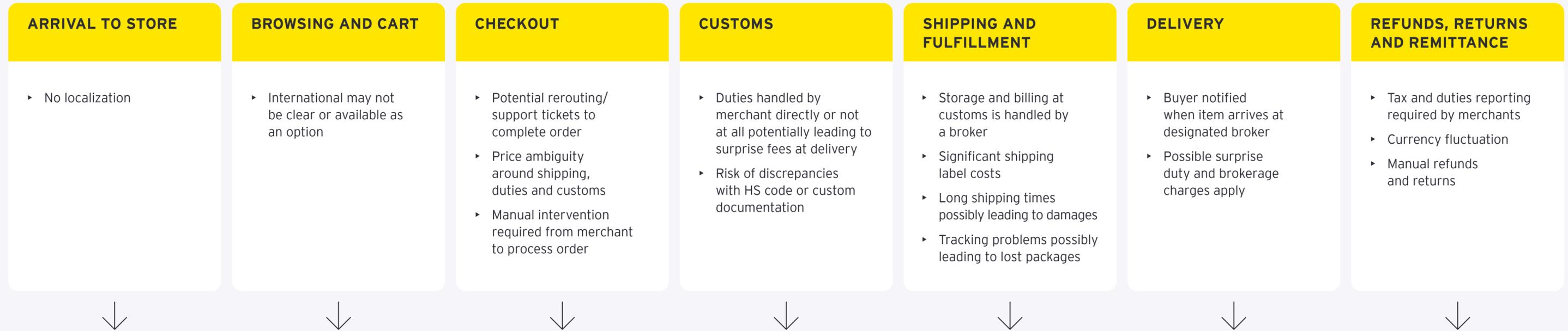
Any organization can accept international orders. But without a tailored process to accommodate cross-border sales, customer experience can be negatively impacted. This hinders growth. Based on merchant interviews, once organizations employ some sort of ecommerce solution, lots of challenges are alleviated.

Shopify's Managed Markets can take organizations from a domestic-centric process with sub-optimal international customer experience and outcomes to a tailored process along the same value chain. With Managed Markets being a native solution with an integrated MoR allows organizations to more easily deliver cross-border sales.

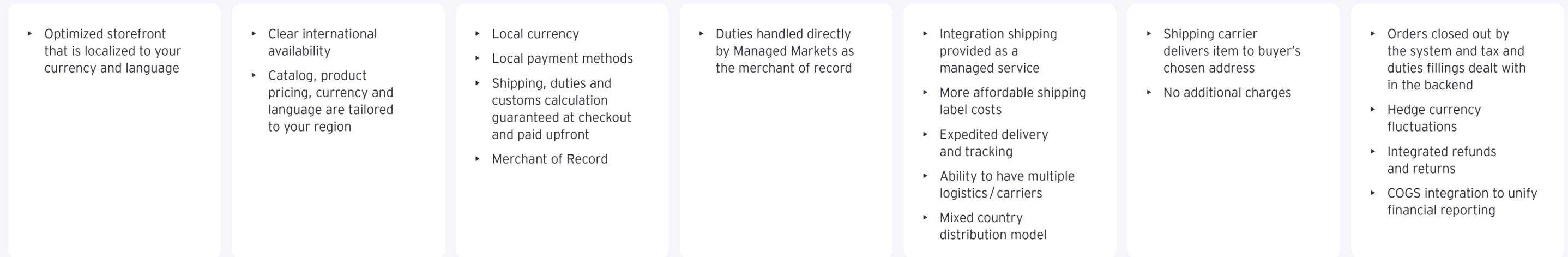
While alternative technology solutions such as in-house development or third-party integrations are also possible paths, they will not deliver the same ease in realizing benefits across the value chain. Taking the burden of transactional tasks off your plate allows a stronger focus of strategic cross-border efforts.



Using existing or domestic-centric processes and technology along the *Inspire > Sell > Fulfill* value chain generates frustration and suboptimal customer experience and outcomes.



If you were to use a technology enabled system with an integrated MoR, along that same value chain, you would see a tailored process with the following benefits.



*The following process outlines indicative and illustrative steps that tend to be common across small-mid market and large established multinational companies when embarking on international sales-purchase, however, exceptions apply.



IRINA OVTRUTSKY
FOUNDER OF
LOLA + THE BOYS

“
I think Shopify’s Managed Markets solution is the easiest tool to use to have your product or service available to anyone in the world.

JAMES KARIS
CO-FOUNDER OF FREEDOM MEDIA

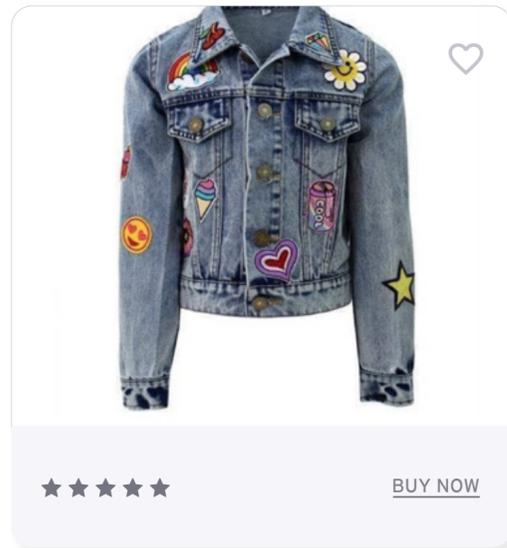


Lola + The Boys significantly improves conversion with the Managed Markets Solution.

Lola + The Boys offers a diverse product line, including clothes, shoes, jewelry and accessories for children and pets.

International customer inquiries highlighted global expansion opportunities, but the brand struggled with high barriers to entry, a subpar user experience that was hitting conversions hard, and complexity around taxes and duties.

By introducing Shopify’s Managed Markets solution, Lola + The Boys used campaigns to test the international waters. The platform has become instrumental to international conversions, creating an effectively integrated experience for international customers – all while improving operations and reporting transparency.



DATA DEEP DIVE



DATA DEEP DIVE



global conversion increase for the same period



DAVID KONG
FOUNDER OF GLASVIN

“
The main benefit is a better experience for the customer, [with] the main [benefit] being able to ship delivery duties paid which is a way better customer experience.

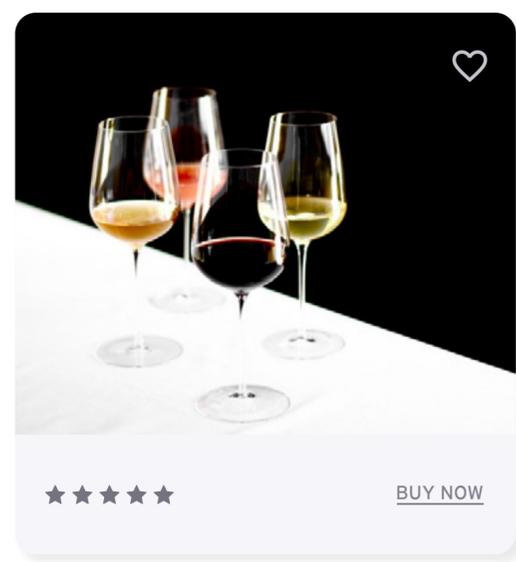
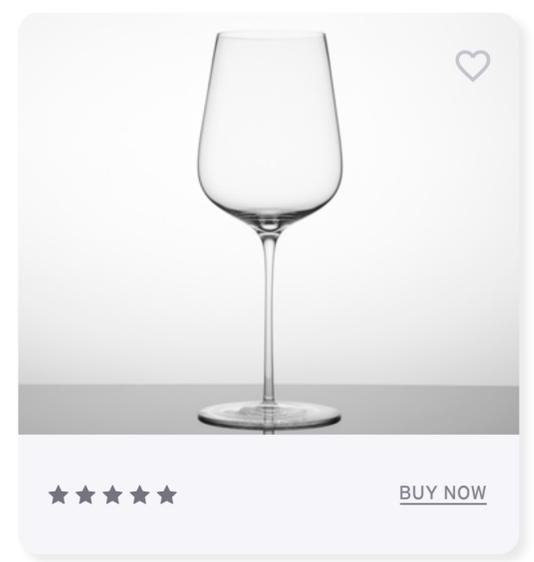
GLASVIN

Glasvin moves to Managed Markets Solution and tangibly improves customer experience.

Glasvin is unique as a purveyor of superior-quality, hand-blown glassware. The company operates on a D2C model, eliminating intermediaries and allowing for lower markups through an efficient supply chain.

That said, global shipping wasn't easy for Glasvin. Customers were hit with additional duty costs, a responsibility that led to emails, complaints, refunds and, in some instances, rejected packages. The company ended up losing money on international sales. For Glasvin, the greater loss was in the compromised customer experience.

Introducing Shopify's Managed Markets solution marked a real turning point. The platform allowed Glasvin to enhance the customer experience at every stage. Now Glasvin is using the tool to gauge international market demand without layering on additional costs.



DATA DEEP DIVE



DATA DEEP DIVE

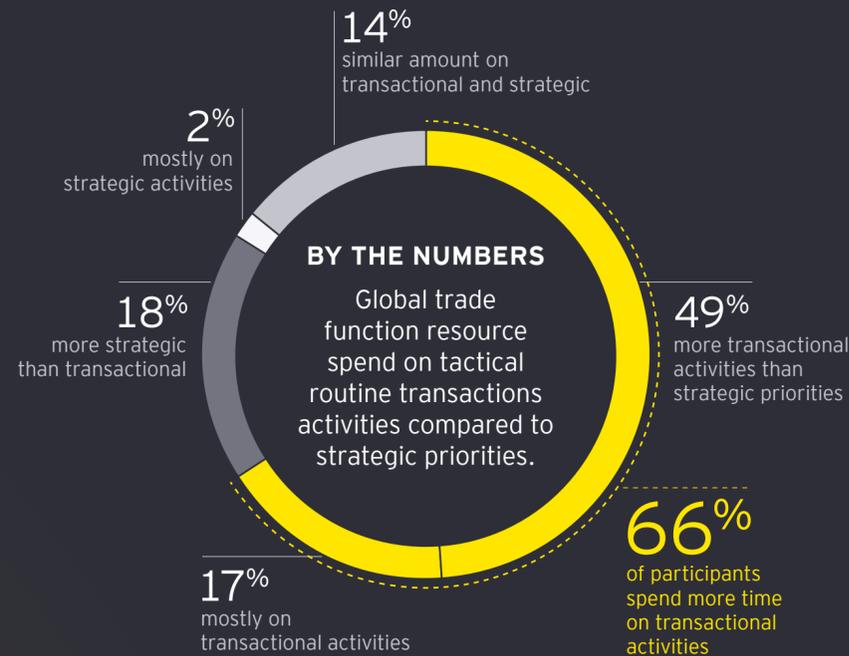


4.4 Technology is a catalyst to release operational capacity and deliver strategic growth

Technology plays a crucial role in overcoming cumulative challenges to international expansion.

Individual challenges companies face may seem feasible to overcome. Combined and over time, they require a significant lift. This burden can deter leaders from pursuing international expansion. But it shouldn't.

EY's research showed that enabling technology can streamline transactional tasks required to get an effective cross-border sales model up and running. Embracing technology in this way alleviates the strain and effort otherwise required of leadership, all the while eliminating the need to hire additional accounts. Transactional tasks and strategic efforts look different depending on your role.



Citation for graphic above: file:///C:/Users/QH147CU/Downloads/ey-refocusing-on-the-global-trade-functional-organization-a-global-trade-perspective%20(4).pdf

“

International was always on our corporate strategy roadmap, but Managed Markets certainly accelerated the realization of that goal. To truly facilitate international expansion without Managed Markets, we probably would have needed to bring on another person full time to address all of the shipping and customs considerations.

JAKE PEREIRA
COO, IMPACT DOG CRATES

“

Everything trickles down. It's fewer people who are aggravated, therefore fewer people reaching out to you, leading to less email, all culminating in less time on one task that someone can refocus on another. It's all about the little wins.

COLTON DRAPER
FOUNDER, LAZRUS GOLF

“

I could have had a full-time employee working on international order issues, it was awful. It has been such a relief not to need to spend time or continuously call customers to convince that they will get their order.

JEANNE FOLEY
CO-FOUNDER, SUITSHOP

“

When it comes to duty tax, it has basically been lifted off my plate.

MICHAEL HENDERSON
FOUNDER, WOLFPACK

Leaders' perspectives on technology as a driver for global growth

All executives, regardless of their title, are considering technology to help grow their business. While some are concerned about brand dilution, and others are wondering how to capitalize on seasonality, they all know that some level of technology will be the solution to their challenges.

“

We're more confident to invest money in content creation and paid ads, knowing there won't be surprise fees. There is so much more we can do with Managed Markets.

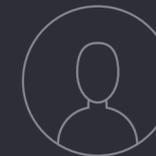
GILLIAN GALLANT
OWNER AND CEO, PAPER SHOOT CAMERA

 Click on the plus icon to learn more about each role



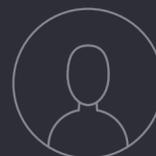
FOUNDER/CHIEF EXECUTIVE OFFICER

Strategic thinker and visionary leader



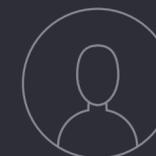
CHIEF TECHNOLOGY OFFICER

Building an ecosystem driven by the best systems, innovation and technology



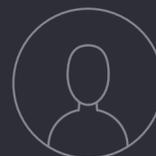
CHIEF FINANCIAL OFFICER

Focuses on financial stability, wellbeing, and growth



CHIEF DIGITAL OFFICER

Understanding digital channels and innovation landscape



CHIEF OPERATING OFFICER

Driving efficiencies in execution and logistics



JAKE PEREIRA
COO OF IMPACT DOG CRATES

“
Having the Managed Markets solution has removed the operational barriers to selling internationally at scale.



Impact Dog Crates achieves real headcount savings with Shopify's Managed Markets Solution.

Focused on crafting safe and secure pet crates with the highest quality materials, the business was initially a wholesaler before moving into direct-to-consumer sales in 2015 via an online Shopify store.

Before adopting the Managed Markets solution, Impact Dog Crates wrestled with the complexities of international sales, such as manually managing duties and taxes, customs and shipping. The manual process required customers to call in, then sales representatives would create commercial invoices. Challenges like delivery errors and customs issues led to customer dissatisfaction and exposed operational weaknesses. This effort required significant headcount, including a full-time internal sales representative, operations invoice creation, shipping support, as well as duty and tax paperwork.

Integrating the Managed Markets solution quickly accelerated international business, contributing up to 5% of total business, while creating operational efficiencies.



★★★★★ [BUY NOW](#)



★★★★★ [BUY NOW](#)



DATA DEEP DIVE



DATA DEEP DIVE

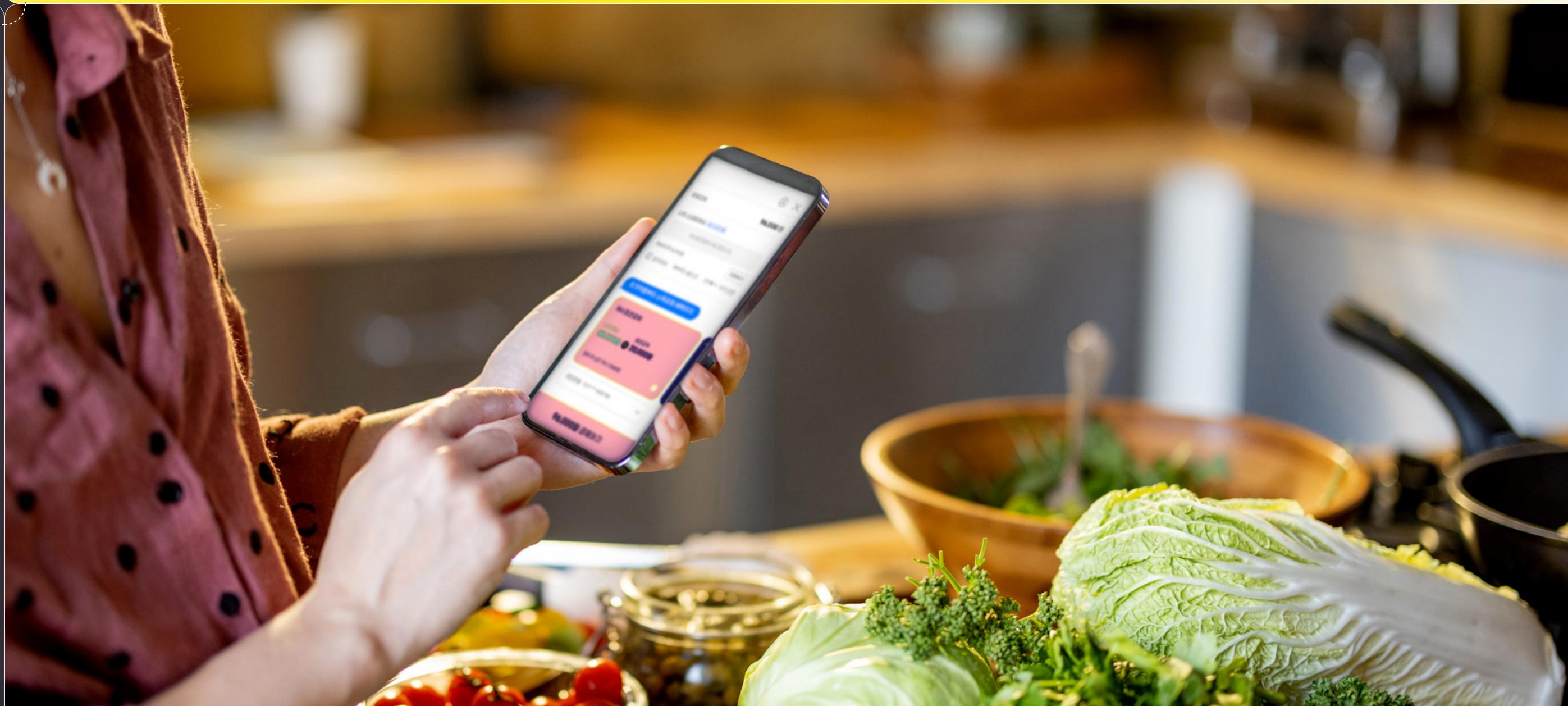


global conversion increase for the same period

EXAMPLE TECHNOLOGY SOLUTION

SEOUL, SOUTH KOREA
37°33'03"N 126°59'53"E

5.0



5.1 Shopify's Managed Markets at a glance

Many organizations have realized material growth in cross-border selling through the use of Shopify's Managed Markets.

“

There was such a downside to not using Managed Markets, to me it's a no-brainer. I don't see how we'll deviate from Managed Markets. We can't reach someone across the world for cheaper and faster than we do for Managed Markets.

COLTON DRAPER
FOUNDER, LAZRUS GOLF

Managed Markets offers a range of services over and above the unified commerce features that are part of Shopify's core platform. In fact, it's fully integrated into the core platform.

What are its key capabilities?

The solution:

- ▶ Centralizes cross-border sales operation
- ▶ Uses an MoR model
- ▶ Provides currency hedging and fraud protection
- ▶ Offers charge-back guarantees
- ▶ Calculates duties, taxes and shipping at checkout for customers
- ▶ Automatically manages duty and tax payments
- ▶ Supports billing disputes, claims and customs issue management
- ▶ Pre-integrates shipping and logistics
- ▶ Aggregates label purchasing across all organizations on the platform to reduce label costs
- ▶ Includes customs documentation and clearance automation
- ▶ Localizes payment and currency support, as well as storefronts, products
- ▶ Supports local address formats
- ▶ Covers more than 150 markets
- ▶ Provides import restrictions management and classification

This allows organizations to have a single view of their entire business, regardless of where they operate.

Insights from Merchant Survey

In April 2024, The EY organization conducted a survey of 132 organizations using Shopify's Managed Markets to evaluate the effectiveness and impact of the platform. The findings revealed widespread satisfaction with Managed Markets, praising its ability to:

- ▶ Enhance global customer acquisition efficiency
- ▶ Streamline and automate international customs, duties and taxes
- ▶ Elevate the customer purchase experience and brand engagement
- ▶ Offer competitive international shipping rates and improved delivery times

At the time of the survey, respondents expressed a desire for some enhancements to Managed Markets, such as:

- ▶ A broader range of shipping alternatives
- ▶ An expanded list of allowable product types and categories
- ▶ Improved product code identification and mapping capabilities

Some of these desired enhancements were already underway prior to the survey's insights, including expanded shipping alternatives. Shopify is committed to continuous innovation of its products, including Managed Markets, regularly introducing new features that refine and enrich the user experience, ensuring capabilities evolve in tandem with users' businesses as they navigate the complexities of international commerce.

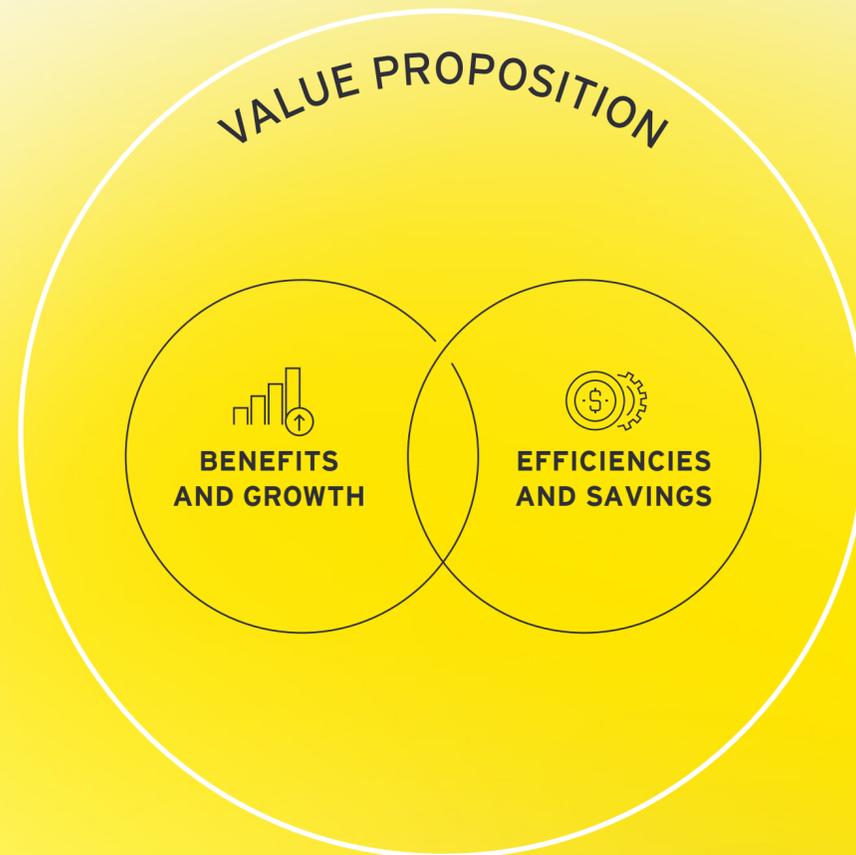
5.2 How Managed Markets supports value realization overall

Using the right technology, such as Managed Markets, creates value from the operational and financial points of view. Through EY assessment, Managed Markets leads to this spectrum of value realization for organizations in the following ways.

“

We could always sell internationally but did not invest in the expansion because we wanted to ensure customer conversion before getting people to land on our website.

GILLIAN GALLANT
OWNER AND CEO, PAPER SHOOT CAMERA



Benefits and growth

Managed Markets provides back-end operational tools to streamline operations, duties, taxes and logistics. Based on assessments and testimonials, organizations can be extremely successful internationally, but those who are the ones who have creative and deliberate international in-country strategies for conversion.

The platform allows organizations to reach a wider audience, expanding the customer base and globally increasing the potential for more sales and revenues. However, it is up to the brand to drive awareness and traffic to their store.

Depending on an organization's current setup, they may not see an automatic boost in conversion. Businesses must be proactive in using the tools and features provided and make an effort to market and sell their products effectively.

The most successful cross-border selling merchants also:

- ▶ **Invest in targeted marketing campaigns:** Implement region-specific marketing and advertising strategies.
- ▶ **Tailor product selection:** Customize to local market wants and needs.
- ▶ **Design custom, country-specific content:** Create tailored content to resonate with customers in each country.
- ▶ **Adopt localized language for storefront:** Increase user-friendliness by translating your storefront to reflect buyers' local language.
- ▶ **Apply market-specific pricing:** Optimize profitability and competitiveness through region-specific pricing.
- ▶ **Refine shipping rate strategy:** Regularly review and optimize shipping costs to incentivize higher average order values.
- ▶ **Boost organic search traffic:** Improve SEO in target countries by incorporating localized extensions to your site's URL.



Efficiencies and savings

Based on EY assessment and testimonials provided, most organizations realized broad efficiencies.

This is possible because Shopify's Managed Markets deals with various expenses that may arise specifically in relation to cross-border sales and shipping operations. These include direct costs such as shipping, taxes and import fees, as well as indirect and often hidden costs like time and resources spent on understanding and complying with international laws and regulations, or addressing customer service concerns. These costs, while not substantial individually, can add up significantly over the course of a year.

With Managed Markets being a native solution, there are no integration or implementation costs between Shopify's MoR service and the Shopify ecommerce platform. This is different from most third-party solutions, which typically have an upfront integration/onboarding cost and can take anywhere from 6 to 12 months to implement.

Managed Markets is integrated with the rest of Shopify, allowing organizations to realize value from day one. It's important to note that businesses dealing with external shipping and fulfillment partners that aren't pre-integrated with Managed Markets will require an integration.

This integration work will need to be conducted by the business and/or their fulfillment partner. Managed Markets is already integrated with the top third-party shipping and logistics services and continues to add more.



JURONG EAST, SINGAPORE
1°20'09"N 103°44'39"E

“
Managed Markets
removes borders,
allowing brands to
grow exponentially
without having to
grow their headcount.

CARL RIVERA
VP PRODUCT, SHOPIFY

On average, mid-sized, digital-first clothing and apparel companies can lose from US\$50,000 to US\$250,000* per year through hidden costs due to a lack of technology and operational optimization.

Lack of optimization and a deliberate focus on cross-border sales can have serious implications, leading to both real and hidden costs that organizations will need to bear. Even if international is only a small percentage of the company's overall revenue, supporting cross-border operations can take up a disproportionate percentage of their time and effort.

“
Customer service ticket volume for international order issues has decreased 99%, saving us an estimated 30 hours per week in customer service time managing complaints, shipping issues and time spent with follow-up contacting the shippers to resolve in-transit or delivery-related issues.

JEANNE FOLEY
CO-FOUNDER OF SUITSHOP

Added to direct costs – such as shipping, duties and returns associated with cross-border sales – these hidden costs can otherwise represent a significant impact to an organization's financial health.

*This is effectively an indicator of effort based on average salaries across manual intervention, non-value-driving tasks related to cross border in instances where technology was not used. It is based on organizational testimonials of hours per day and days per month across all staff and executives.

These hidden costs come in many forms, such as:

- ▶ Leaders and founders finding their focus diverted from growth strategies.
- ▶ Cross-border sales support teams feeling distracted and fatigued instead of focusing on high-value activities.
- ▶ Customer service employees managing customer frustrations and tracking down packages in transit.
- ▶ Digital channel leaders grappling with maintaining a consistent customer experience.
- ▶ Companies absorbing costs for shipping, duties and returns to support global growth or alleviate complaints.
- ▶ Erosion of intangible assets like brand equity, customer loyalty and overall customer experience over time.

A well-developed trade strategy can uncover hidden costs and drive significant value, including:

- ▶ Improved compliance
- ▶ 10% to 20% decrease in duties and cross-border fees
- ▶ 20% to 30% reduction in costs

MEXICO CITY, MEXICO
19°26'06"N 99°07'48"W

“

It reduced the cost drastically for myself and the brand. We were covering a lot of the shipping cost to build out awareness in these regions, not wanting shipping to be a detractor to checkout conversions. Instead, we would absorb the \$60, \$70 or \$80 shipping label. With [their shipping provider] we can get the labels for a fraction of the cost. With the cost savings, speed of delivery and accuracy of deliveries, it has been a blessing on many outcomes.

MICHAEL HENDERSON
FOUNDER, WOLFPACK

“

Although not always clearly visible in the day-to-day hustle of a business, fragmented, misaligned tasks performed by resources without the right expertise, compounded by systems that lack integration, have a real impact on your bottom line.

ANNIE MURPHY
PARTNER, BUSINESS TRANSFORMATION, EY CANADA



GILLIAN GALLANT
OWNER AND CEO OF
PAPER SHOOT CAMERA

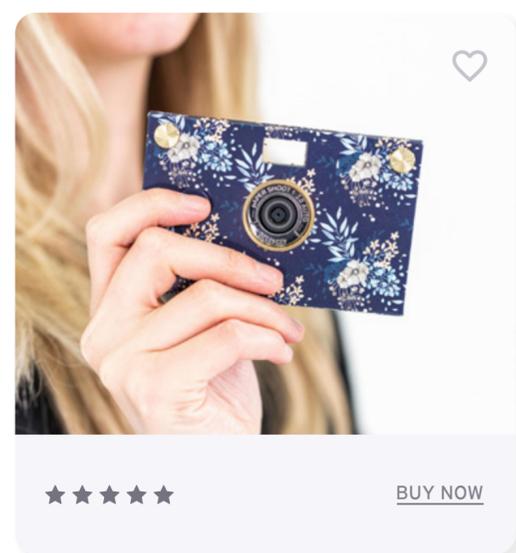
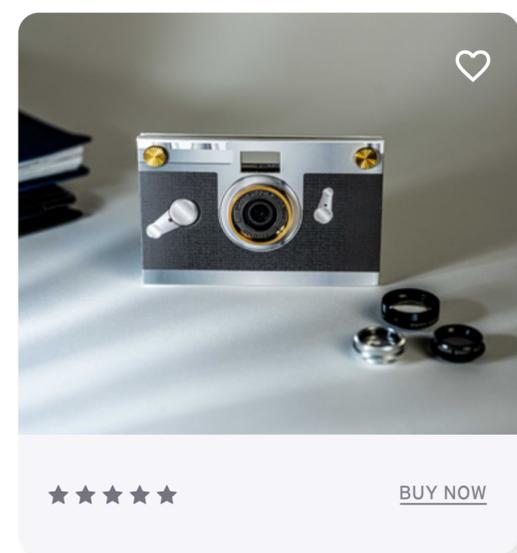
“
There is a lot of expansion I would like to do. The affordability of it at this time is my favourite part so I can grow the territories with marketing.

Paper Shoot

Paper Shoot Camera boosts marketing spend with Shopify’s Managed Markets Solution.

In a true blend of technology, innovation and sustainability, Paper Shoot Camera offers lightweight, eco-friendly and customizable digital cameras. The business initially worked with a third-party logistics service to manage soaring demand. But international shipping costs remained high, hitting customers with extra fees and duties. Although the company ultimately abandoned that model for direct shipping control, international complexities moved the business to look for additional strategies.

Before adopting Shopify’s Managed Markets solution, Paper Shoot Camera hesitated to invest in international expansion, seeking higher conversion rates. Since introducing the platform, the business has empowered itself to focus on marketing and advertising, elevating the camera’s reach and scalability.

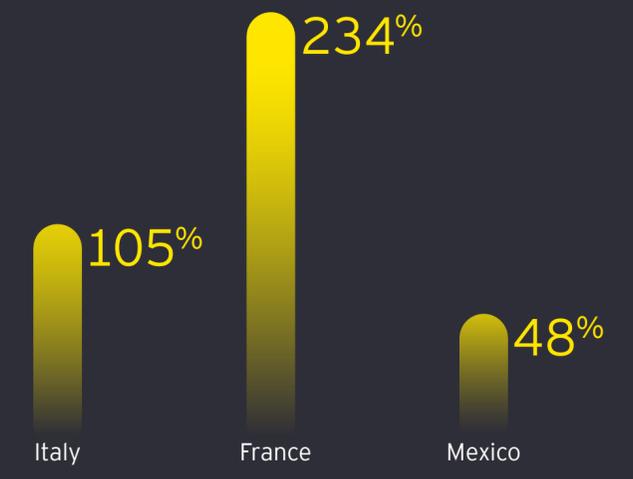


DATA DEEP DIVE



DATA DEEP DIVE

Greatest global conversions in the following countries for the same period:





JEANNE FOLEY
CO-FOUNDER OF SUITSHOP

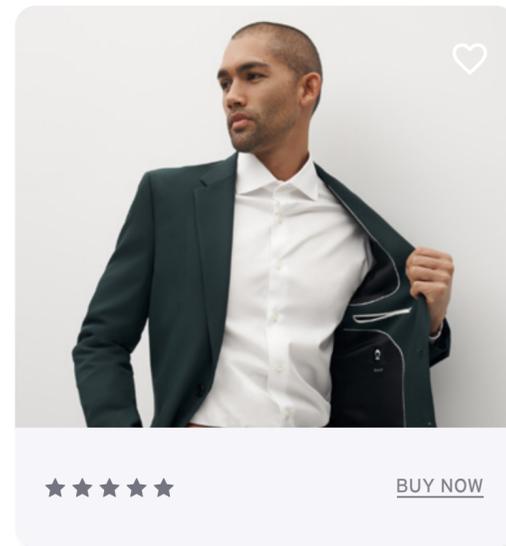
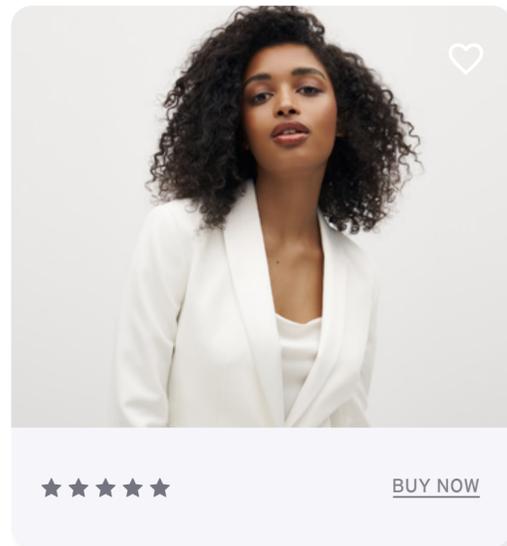
“
Zero problems [with international sales] since starting with Managed Markets.

SUITSHOP

SuitShop achieves material cost efficiencies and increases customer satisfaction using Shopify's Managed Markets Solution.

SuitShop, a pioneer in redefining the suiting experience, is a direct-to-consumer platform that offers affordable, size- and gender-inclusive, ready-to-own suits. Soon after launching, the business saw a clear demand for international shipping, particularly from Canadian customers. But initial attempts relied heavily on manual processes and soon became inefficient.

Since transitioning to Managed Markets, SuitShop plans to fully capitalize on the advanced features of the the solution, including localized currency options, which have already seen success in Canada.



CONCLUDING THOUGHTS

MILAN, ITALY
45°28'10"N 9°11'03"E

6.0



EY assessment highlights the intricate balance between the substantial benefits and inherent complexities of international expansion. While the global business landscape presents challenges, EY research reveals that a deliberate technology approach is key to enhancing cross-border commerce.

More specifically, of the various technology solutions available, native solutions like Shopify's Managed Markets can help organizations navigate these complexities more effectively and tap into new markets with confidence.

So what does it all mean? Organizations that have focused on employing a native solution like Managed Markets, which incorporates an MoR model, have experienced a marked increase in sales and profitability. This approach has also led to a reduction in direct, indirect and hidden costs when compared to businesses that opted for a more fragmented or do-it-yourself strategy. This positions Shopify's customers to concentrate on customizing marketing efforts and product offerings to meet local market needs, thereby further boosting sales.

Shopify's Managed Markets solutions exemplifies the strategic advantage of adopting a native solution with an MoR model. It not only simplifies the operational aspects of cross-border selling, but also equips businesses with the tools to effectively localize their cross-border approach. This tailored strategy resonates with international customers and translates into tangible growth, as well as a stronger competitive position in the global marketplace.



ADDITIONAL INFORMATION

AUCKLAND, NEW ZEALAND
36°51'04"S 174°45'58"E

7.0



7.1 EY-Shopify Alliance

EY teams and Shopify aim to help enterprises activate and scale ecommerce businesses to increase the potential of online commerce and support the sale of regulated products. This unique alliance bridges EY system integration services and regulated product offering for compliance and fraud analytics with Shopify's leading-edge platform to help deliver results.

For more information, visit [EY-Shopify Alliance | EY - Global](#)



Here are some links to learn more

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