



# E-commerce and Exporting to the United Kingdom

A guide for NSW business

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July 2022



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# Contents

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	<b>Executive Summary</b>	<b>5</b>
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<b>1</b>	<b>Introduction</b>	<b>10</b>
	1.1 Market Overview – The United Kingdom	11
	1.2 UK e-commerce market	13
	1.3 Drivers of growth	15
	1.4 E-commerce differences between Australia and the UK	19

---

<b>2</b>	<b>Understanding the UK online shopper</b>	<b>20</b>
	2.1 Who is buying online and why?	21
	2.2 What products are they looking for?	26
	2.3 Knowing the competition and landscape	30

---

<b>3</b>	<b>Selling Online</b>	<b>40</b>
	3.1 Exploring your options	41
	3.2 Payment gateways	57
	3.3 Selling your products	61
	3.4 Customer feedback	73

---

<b>4</b>	<b>Australia and the United Kingdom</b>	<b>76</b>
	4.1 Trade Agreements and nuances of exporting to the UK	77
	4.2 Setting up to sell in the UK	80
	4.3 Third-party service providers	81
	4.4 Available support	83

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	<b>Final Checklist</b>	<b>87</b>
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# Executive Summary

## Market Size

With a population of almost 67 million and GDP of over US\$2.8 trillion, the UK is a populous and affluent market condensed into a relatively small landmass.

The main areas of wealth distribution are throughout the Southeast of England, although there are pockets of strong economic activity within each of the four constituent nations (England, Scotland, Wales and Northern Ireland).

Shopping online has become a 'daily norm' for much of the UK's population, with more than 25% of all retail sales in 2020 coming from online sources. This is expected to grow further in the near future, reaching almost one-third in 2024.

Fashion items are the largest segment here, accounting for 34% of all UK e-commerce revenue in 2020. Other important product categories include Toys, Hobbies & DIY (18%) and Electronics & Media (17%).

## General Online Shopping Behaviour

According to Mintel data, the typical online shopper in the UK is female, aged between 25-34 and with a household income of £25-50k per annum. However, the UK's online consumer market is large and diverse, comprising individual shoppers from across a broad spectrum of wealth, interests, ages, locations and beliefs. It is therefore important to understand your product and identified customer type; tailoring your business activities, marketing and sales approach accordingly.

Reasons for shopping online cited by UK consumers include:

- **Convenience:** A wide range of delivery options, speed of delivery and hassle-free returns policies are offered by most UK retailers.
- **Accessibility:** Goods can be researched and bought online from anywhere, any device and at any time.
- **Lower prices:** UK consumers believe that products can be found for cheaper online. Events such as Black Friday and Amazon Prime Day are further driving this belief.
- **Flexible payment:** Consumers like multiple payment options and the ability to 'buy now, pay later'.

- **Confidence:** Next-day delivery, hassle-free returns policies and payment security offer UK consumers peace of mind when buying goods online.
- **Range of products:** Online marketplaces such as Amazon and eBay provide shoppers with an unmatched range of products across all product categories.

UK customers' shopping activities are increasingly influenced by their personal beliefs and morals, with sustainability, environmental impacts and 'buying local' being three key motives to have emerged in recent years.

### Knowing the Competition

An awareness and understanding of existing competition is critical if you are to successfully enter and grow within the various segments of the UK's e-commerce industry. An annual ranking of the UK's 'TOP500' online sellers shows an approximate 50:50 split between brands (which primarily sell their own products) and retailers (which sell products from multiple brands) – a smaller number of large marketplaces (which sell products from multiple brands and retailers) are also included.

Case studies of some leading sellers are detailed within the main document. From these, it can be seen that success has been achieved through a mixture of adaptability, technological innovation/adoption, understanding the consumer and their demands, and differentiating from the crowded competition through effective marketing or strong company policies (e.g. Green agenda).

When entering a new market, correctly pricing your products is vital if you are to be competitive and gain initial traction by tempting customers away from companies and brands that they may have purchased from successfully in the past.

When researching local UK prices, it can be useful to use comparison shopping engines (CSEs) – channels for collecting product information, including

pricing, from participating retailers and then displaying that collective information on a single results page. One of the most commonly used CSEs in the UK is Google Shopping. While CSEs can be used as a useful benchmarking tool, there are many factors to consider when pricing your product, including identifying the target consumer, additional costs to bare as an exporter (e.g. tariffs, shipping, fulfillment services) strategic pricing in line with competition, and recognising your product's relationship between quality and price.

### The Various Options Available for Online Retailers

As the industry continues to grow and evolve, a number of distinct methods and channels have become available and sellers must be aware of these and their particular strengths and weaknesses.

Customer numbers and retail volumes are increasing across all methods of e-commerce including marketplaces, mobile apps, own store websites and social media channels. Australian businesses can choose to approach the UK market in different ways depending on the target audience and capabilities of the business. This can include listing products on the business' own website, on single niche marketplaces or even multichannel listings. In order to remain competitive and to maximise the opportunity that the UK market presents, it is likely that

retailers will need to expand into additional channels based on their specific business and long-term strategy.

A number of sales channels exist to provide access to the UK consumer. These include general marketplaces (e.g. Amazon, OnBuy), auction marketplaces (e.g. eBay, Bonanza), Social Media platforms (e.g. Facebook, Instagram), handmade & crafts marketplaces (e.g. Etsy, Folksy) or development of your own site.

A selection of means by which you ensure your customers receive their products are also well developed in the UK, with several methods available for consideration.

- **Wholesaling and warehousing**

This is the most ‘traditional’ method and involves buying or making products and storing, packaging, and shipping these yourself. Wholesaling and warehousing offers the retailer the most control over their products, customer engagement/satisfaction, and comes with larger profit margins but entails more work and risk.

- **Drop shipping**

A more ‘process light’ version of online retailing and one that has become increasingly popular in the last few years. You set up a website, and a method of taking payments through that website.

What makes this model straightforward is that you won’t have to store, handle, or pack any of the stock you’re selling. Orders made through your site go to your supplier, who then ships the product straight off to your customer.

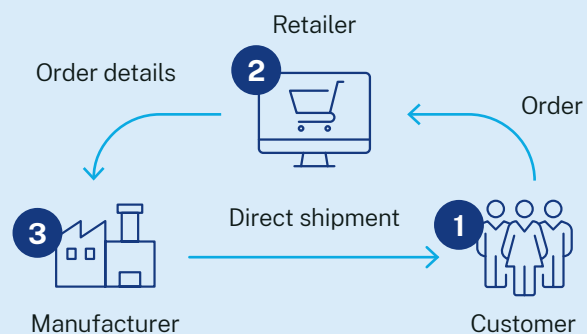
- **Private labelling**

A private label solution can be established to operate in the middle ground between wholesaling & warehousing and drop shipping. It involves engaging a manufacturer to create a unique product for your business to sell exclusively. You send your raw materials, prototypes or product specifications over, and the product gets made. It is then up to you to complete the fulfillment to the customer (either directly by yourself or through a third party supplier).

### Wholesaling and warehousing



### Drop shipping



### Private labelling



### General Marketing Approach and Services Available

Digital marketing encompasses a range of activities that help companies to win and retain online customers. Sellers that are new to e-commerce, and businesses aiming to focus more time on other activities (e.g. manufacturing, commercial relationships), are advised to consider using a digital marketing specialist. The UK is one of the leading centres for digital marketing in the world, with highly creative independent firms competing alongside the digital divisions of global players in marketing and advertising. Digital brand marketing firms can assist with services including website design, pay per click (PPC) advertising, search engine optimisation (SEO), online reputation management, email marketing and analytics.

### Shipping, Taxes and Regulations

The UK's tax authority, Her Majesty's Revenue and Customs (HMRC), changed the value added tax (VAT) on imported e-commerce items at the beginning of 2021. Sellers have to pay VAT in the UK for purchases UK customers make and marketplaces collect tax on behalf of sellers for sales not exceeding £135. As opposed to past practice where items costing less than £15 were exempted from VAT, now VAT applies to all B2C goods sold into the UK. However, consignments that do not exceed £135 in value are subject to sales VAT instead of import VAT. The sales VAT should be charged to the UK consumer by the sellers upon checkout. The seller is to then report the tax on a UK VAT return, along with a simplified customs declaration.

Products that cost more than £135, or consignments of multiple products with a combined intrinsic value above £135, must pay the import VAT and any applicable customs duties, and reclaim if they have a UK VAT number.

Sellers that do not sell via a marketplace must be UK VAT registered, and charge UK VAT to businesses or consumers. Marketplaces meanwhile collect VAT on behalf of the sellers.

Businesses selling into the UK also need to declare goods at customs and pay customs duty. The UK has a helpful site on applicable duties (and tariff rate quotas that might apply to some products) at [www.gov.uk/guidance/tariffs-on-goods-imported-into-the-uk](http://www.gov.uk/guidance/tariffs-on-goods-imported-into-the-uk)

Products sold in the UK must also meet a range of rules and standards, e.g. specific rules for cosmetics or food products. Every item sold in the UK also needs to be labelled with information about the origin, weight and dimension, chemical composition and appropriate hazard warnings.



### Consumer protection

Consumer protection is clearly defined in UK law and offers a great deal of security and certainty to UK consumers. The two major pieces of legislation covering consumers when buying online are:

- **Consumer Contracts Regulations** – Since 2014, the Consumer Contracts Regulations have provided enhanced legal protection for anyone buying goods and services from a distance – i.e. buying them online or over the phone. These mainly govern how goods and services should be marketed and delivered, along with what information customers must receive when they shop at a distance from the seller.
- **The Consumer Rights Act (CRA)** – Implemented on 1 October 2015, replacing three older pieces of legislation: the Sale of Goods Act 1979, the Supply of Goods and Services Act 1982, and the Unfair Terms in Consumer Contracts Regulations. The CRA applies equally to online purchases, as long as the customers are buying from retailers or professional traders.

Under the CRA, goods need to meet three key measures. They should be: Satisfactory, As described and Fit for purpose.

### Nuances of Trading into the UK

On 15 June 2021, the Prime Minister's of both countries announced the signing of a Free Trade Agreement. Upon taking effect, the Australia-UK Free Trade Agreement will provide significant growth opportunities for Australian businesses by improving their access to the large e-commerce market in the UK. The UK and Australia both envisage a high degree of trade liberalisation that will see tariffs removed between the UK and Australia and collaboration in the areas of digital trade and e-commerce and consider it an important strategic priority.

The UK voted to leave the EU in 2016 and officially left the trading bloc – its nearest and biggest trading partner – on 31 January 2020. A transition period between the UK and EU was agreed to keep many things the same until 31 December 2020, to allow enough time to agree to the terms of a new trade deal that then took effect from 1 January 2021. However, Northern Ireland will continue to follow many of the EU's rules under the Protocol on Ireland/Northern Ireland in order to avoid a hardening of its border with the Republic of Ireland. This has seen the introduction of new checks at air and sea ports on goods entering Northern Ireland from the rest of the UK.

You will need to make declarations and pay any tariffs due when bringing goods into Northern Ireland from Great Britain or from countries outside of the EU and the UK.

There are a number of options available to make sure the right tariff outcome is applied on the goods you bring into Northern Ireland. Before moving your goods, you should consider which of these options is most suitable for your business.

Under the Northern Ireland Protocol, EU VAT rules will continue to apply in Northern Ireland in respect of goods.

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# 1 Introduction



# 1.1 Market Overview

## UK Key Facts

<b>Population (2020)<sup>1</sup></b>	66,796,800
<b>Land Area</b>	94,058 sq mi (243,610 sq km)
<b>Capital</b>	London is the capital city of the UK and England. Constituent capital cities are: Edinburgh (Scotland), Cardiff (Wales) and Belfast (Northern Ireland)
<b>Ethic breakdown<sup>2</sup></b>	White 87.2%, Black/African/Caribbean/Black British 3%, Asian/Asian British/Indian 2.3%, Asian/Asian British/Pakistani 1.9%, mixed 2%, other 3.7%
<b>Language (2019)</b>	English: regional languages – Scots (about 30% of the population of Scotland), Scottish Gaelic (about 60,000 speakers in Scotland), Welsh (about 20% of the population of Wales), Irish (about 10% of the population of Northern Ireland), Cornish (some 2,000 to 3,000 people in Cornwall)
<b>Currency</b>	GBP (£)
<b>Average exchange rate (2020)<sup>3</sup></b>	AUD \$1.827 = GBP £1.00
<b>GDP (2019)<sup>4</sup></b>	GBP £2.829 Trillion

1. UK Office for National Statistics (ONS): [UK Population 2020](#)

2. UK census 2011

3. Xe.com

4. The World Bank: [GDP United Kingdom](#)



## 1.1 Market Overview – The United Kingdom

The United Kingdom (UK) is an historically affluent and powerful island nation located in Western Europe. It is a leading trading power and financial centre and is the third largest economy in Europe after Germany and France. Agriculture is intensive, highly mechanised, and efficient by European standards, producing about 60% of food needs with less than 2% of the labour force. Services, particularly banking, insurance, and business services, are key drivers of British GDP growth. Manufacturing, meanwhile, has declined in importance but still accounts for about 10% of economic output.

The UK economy has begun to slow since the referendum vote to leave the EU in June 2016. A sustained depreciation of the British pound has increased consumer and producer prices, weighing on consumer spending without spurring a meaningful increase in exports. The UK had an extensive trade relationship with other EU members through its single market membership, and economic observers have warned the exit will jeopardise its position as the central location for European financial services.

Relevant affluence is centred in the South East of England with London having an average disposable income that is 36% higher than the UK national average.<sup>5</sup> The ‘Northern

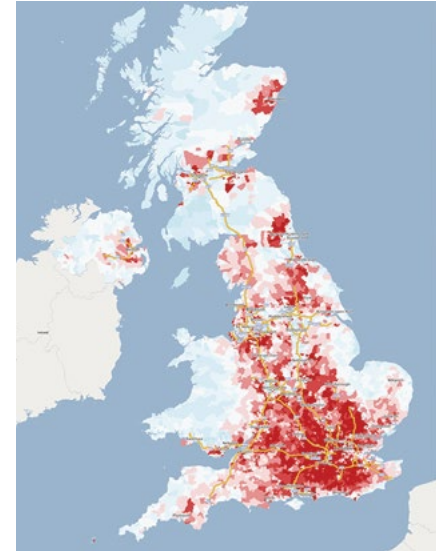
Powerhouse’ region in the North of England; comprised of cities including Manchester, Liverpool, Leeds and Newcastle; is another large but dispersed area of population and wealth.

That being said, the UK average salary is lower than you may expect – only £38,600 in 2020 according to the UK Office for National Statistics. This also leads to a generally lower level of disposable income compared to peers in Australia.

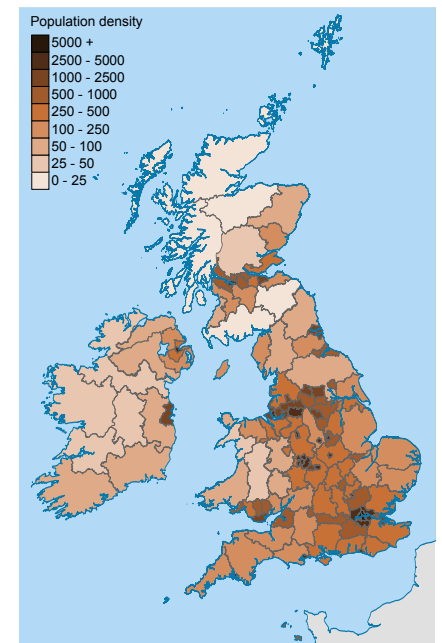
Although it is relatively small in area, compared to Australia, it has a highly diverse population and is comprised of constituent countries (England, Scotland, Wales and Northern Ireland).

The core of the population lies in and around London, with significant clusters found in central Britain around Manchester and Liverpool, in the Scottish lowlands between Edinburgh and Glasgow, southern Wales in and around Cardiff, and far eastern Northern Ireland centred on Belfast.

### Distribution of wealth throughout UK



### Population density



5. UK Office for National Statistics

# 1.2 UK e-commerce market

Online shopping has become the daily norm for millions of consumers living in the UK. E-commerce now accounts for more than one quarter of all retail sales in the UK and is expected to steadily increase in the years ahead, reaching nearly one-third of all retail sales by 2024.

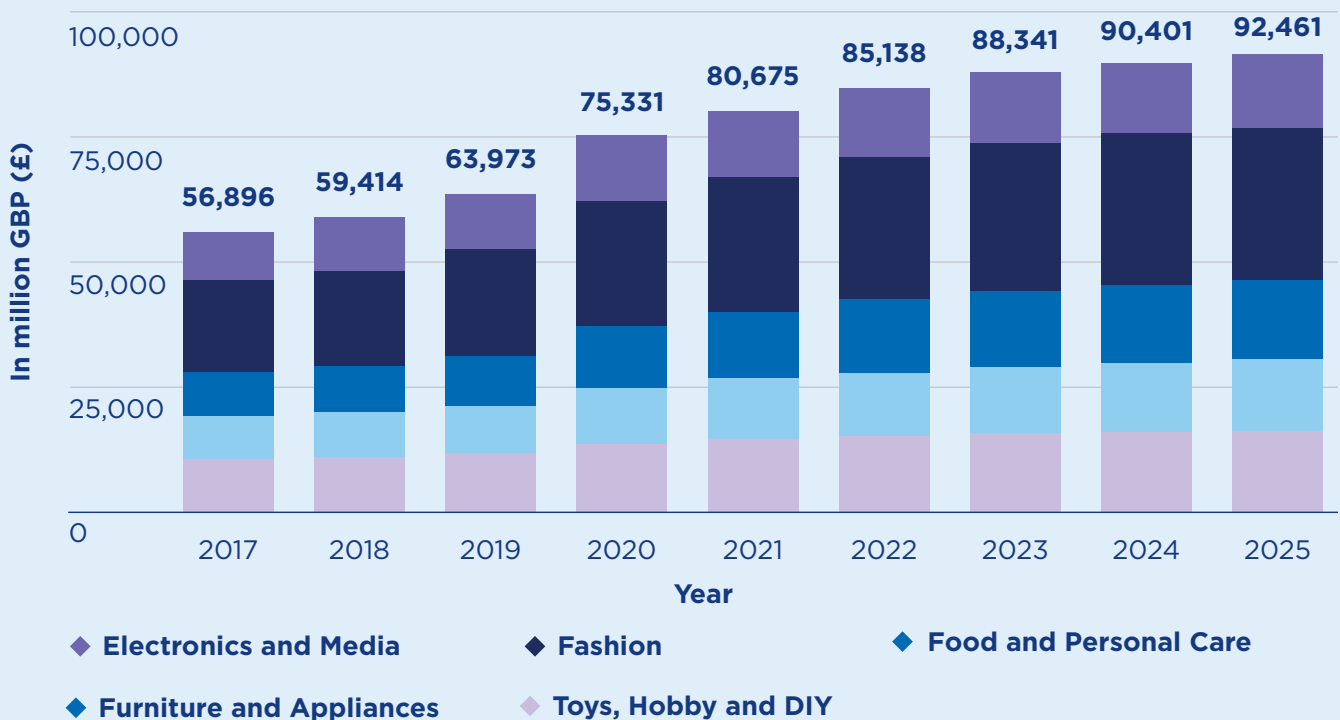
Revenue from e-commerce is expected to surpass £80.67 billion in 2021 and grow by 3.5% compound annual growth rate (CAGR 2021–2025) to reach £92.46 billion.<sup>6</sup>

Fashion remains the UK’s most popular segment for e-commerce retail, with a projected market value of £27.06 billion in 2021.

As the figure by Statista shows, fashion is the largest segment in the UK and accounts for 34% of the e-commerce revenue in the UK. This is followed by Toys, Hobby & DIY with 18%, Electronics & Media with 17%, Food & Personal Care with 16% and Furniture & Appliances with the remaining 15%.

The majority of purchases (73%) are made within the UK, with 16% of coming from European Union (EU) markets and 11% from outside the EU. The biggest single export market is the US, with sales totalling USD \$58.4 billion, followed closely by Germany, with sales totalling USD \$46.6 billion.<sup>7</sup> In the UK, PayPal was the most used online payment method in 2019. According to the 2019 survey by Attest, 49% of shoppers were using their PayPal accounts to make payments, while 37% used a credit or debit card.<sup>8</sup>

E-commerce – Revenue by Segment



6. Statista, [E-commerce Report](#)

7. Ecommerce News, [The biggest foreign ecommerce markets for UK shoppers](#)

8. Statista, [Online Payments in UK](#)

## 1.2 UK e-commerce Market

A key aspect contributing to the success of the UK's e-commerce market is a high user adoption level. 86.2% of the UK's internet users will make online purchases in 2021 and this is expected to hit 89.6% by 2025, while the average revenue per user (ARPU) is expected to reach £1,372.82. The UK also has a high average conversion rate of 1.88%, overtaking most European markets.<sup>9</sup> The UK also offers a very large and high functioning supply chain and logistics system to handle all the shipment movement.

The intermodal aspect of the UK Logistics market is being driven by demand for eco-friendly, cost-effective and flexible freight transport. There has been a trend towards managing the distribution system on behalf of other companies and outsourcing supply chain management to efficiently meet customer demands, as the first and last miles of the supply chain become increasingly important. 55% of UK freight is contracted out to specialist road hauliers and third-party logistics (3PL).

### UK e-commerce in Numbers 2020

**Population**  
66.8 million

**Active Internet Users**  
65.32 million

**Active Mobile Internet Users**  
58.33 million

**Active Social Media Users**  
53 million

**Internet Penetration**  
96%

**Retail e-commerce Sales**  
GBP £80.7 billion

### UK logistics market



9. Growcode, [12 Ecommerce Conversion Rate Statistics](#)



# 1.3 Drivers of growth

## 1.3.1 General consumer behaviour

### Online Shopping Motivation

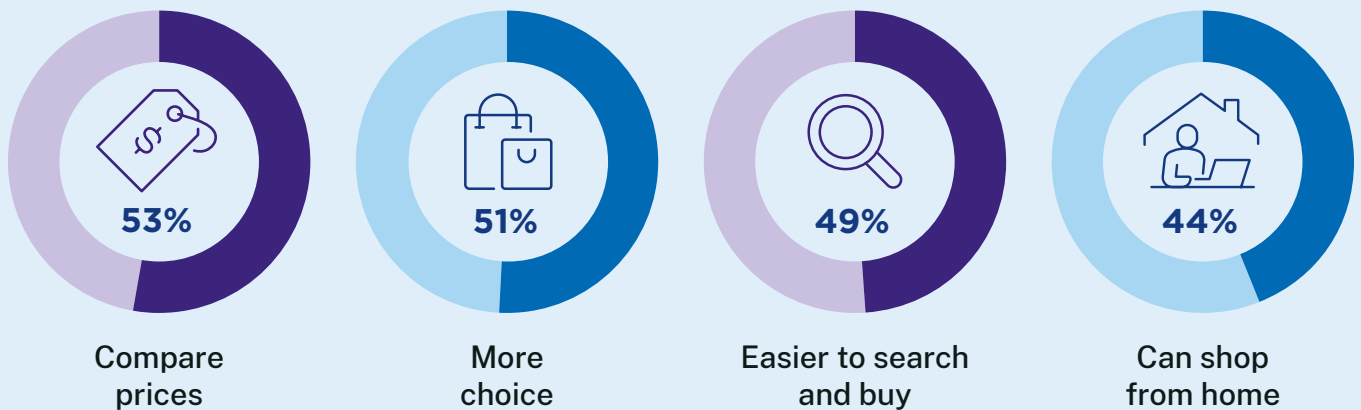
According to the Royal Mail 'Delivery Matters' UK Report 2020,<sup>10</sup> the primary consumer motivation for online shopping in the UK was for price comparison, with 53% of consumers surveyed citing this as their principal reason. However, a broad range of other consumer motivations exist and include; more choice (51%),

easier to search and buy (49%), preferring to shop from the comfort of home (44%).

Another study, the Smart Shopper study,<sup>11</sup> conducted by Google and KANTAR in May 2020, cited convenience as the significant driver for both online and offline purchases – 86% of consumers considered this their number one factor for online purchasing in 2020.

A number of factors also increase the likelihood that a consumer in the UK would press 'buy'. According to the Royal Mail report, younger shoppers want a range of delivery options and environmentally friendly delivery, whereas older shoppers tend to prefer free delivery and returns, low prices and tracking services.

### Key reasons for shopping online



10. Royal Mail, [Delivery Matters UK 2020](#)

11. Google & KANTAR, [Smart Shopper](#)

### 1.3 Drivers of growth

#### Average consumer spend and demographics

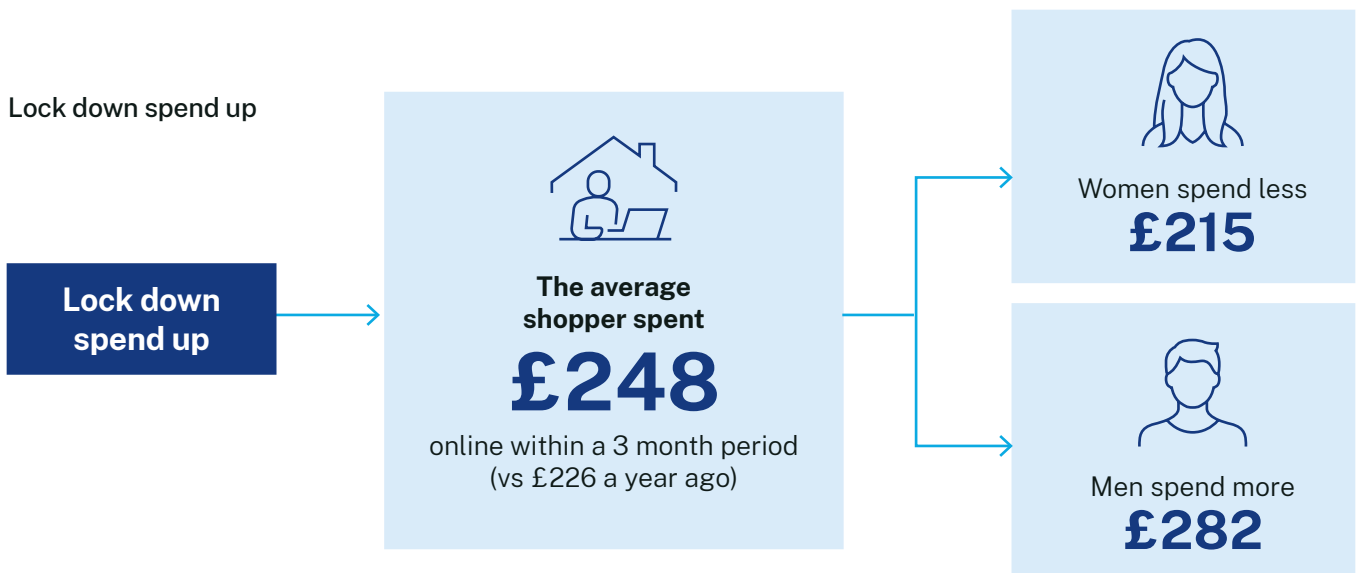
Between January and April 2020, the average UK shopper spent £248 on 7.2 separate purchases, compared to £226 on 6.2 purchases for the same period in 2019.

Comparing genders, men spent more on online purchases, averaging £282 compared to £215 from women in 2020.

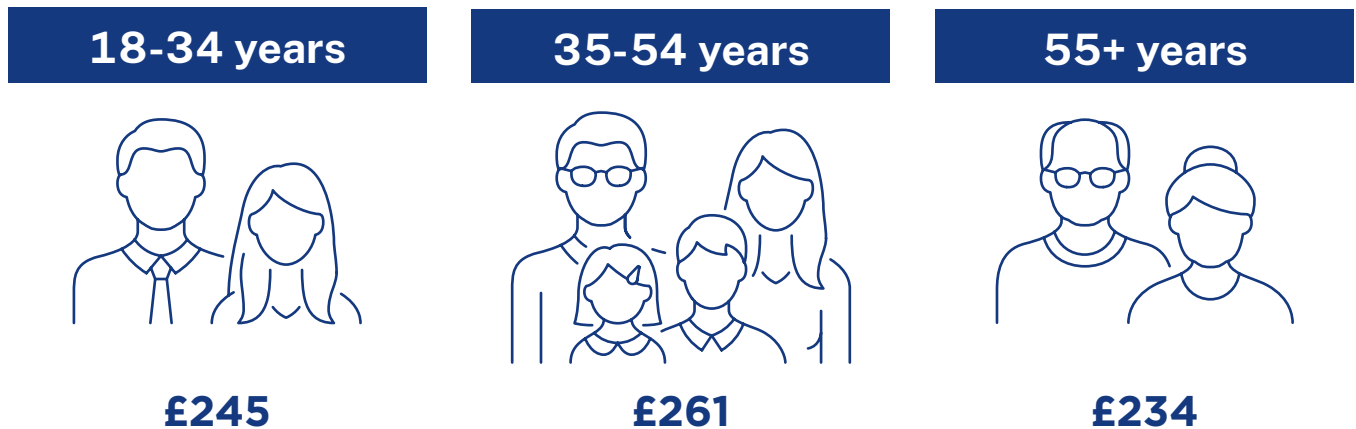
In terms of age groups, middle-aged shoppers (35-54 years) were the highest spending group, averaging £261 of online spending (between Jan-April 2020). Young people (18-34 years) followed with around £245 in purchases and £234 for those over 55.

More time was spent browsing for purchases online too – in 2020, online product research increased, with 84% of shoppers

using online methods to support their purchasing, compared to 76% in 2019. This was mainly driven by consumers over 45 and 55 years old, with 80% and 81% respectively now performing online research, compared to 68% and 62% in 2019.



#### Average consumer spend and demographics



## 1.3 Drivers of growth

### Social media

Influence from social media on e-commerce continues to increase, with 34% of those surveyed in the Royal Mail report stating that social media was the beginning of their online purchasing journey, compared to 30% in 2019.

25% of people in 2020 purchased items online after seeing posts of comments by others, with younger shoppers (47%) and women (30%) the largest contributors to this statistic.

Facebook remains the leading platform when it comes to online shopping – 70% of online shoppers have Facebook accounts and 19% of consumers shop directly on Facebook, significantly higher than other platforms such as Instagram (8%) and YouTube (5%).

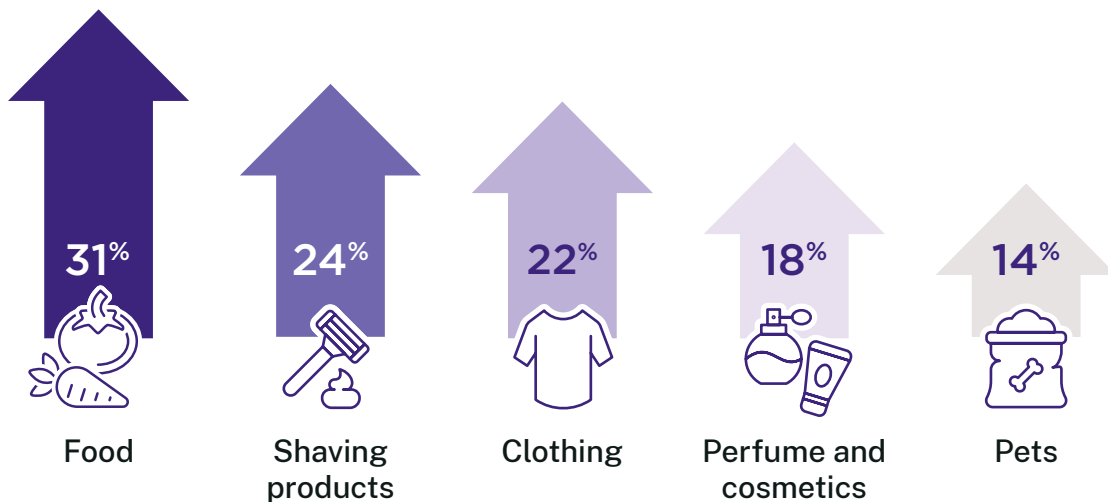
### Subscription services

Subscription services continue to be a popular method of repeat purchasing online for many UK customers, with 44% of online shoppers subscribing to some kind of delivery service in 2020

(an increase from 34% in 2019). Achieving regular and repeat business is a great means for successful e-commerce. So maybe you should start thinking about setting up a goods subscription service. It's all about finding a product niche and delivering what people want/need on a regular basis.

Food & drinks are the most prominent product for subscription services in the UK, with 31% of shoppers having a household subscription.

### UK subscription services increase





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## 1.3 Drivers of growth

### 1.3.2. COVID-19

As a result of the restrictions imposed by the coronavirus pandemic, e-commerce experienced a number of significant shifts in online purchasing habits. Fashion, home and consumer electronics saw the biggest shifts, with 86% of fashion purchases taking place online compared to 41% in 2019, home purchases growing from 48% to

67% and consumer electronics from 55% in 2019 to 73% in 2020.

Some of the consequences of the pandemic have increased pain points for the average consumer when shopping in-store. Issues such as long queues, access restrictions and longer delivery periods are among the primary difficulties faced, with 48%

of consumers facing an issue, compared to 42% in 2019. On the contrary, online shopping issues (e.g. need to register or login, slow customer service response times), have decreased, with 33% of those surveyed in the Smart Shopper study facing online shopping issues, compared with 41% in 2019.

### 1.3.3. Technology adoption

According to a 2020 Statista survey,<sup>12</sup> 63% of UK consumers had used smartphones for online shopping in the last 12 months, ahead of laptops and tablets with only 49% respectively. Mobile applications were the big winners in 2020, with 37% of consumers making a purchase via an app, compared to 24% in 2019.

According to a survey conducted by global payments provider Elavon,<sup>13</sup> the coronavirus pandemic has signalled an increase in e-commerce and cashless adoption in Europe, with 52% of adults in the UK increasing their online spending since COVID-19.

Furthermore, Elavon found that 47% of 55-75 year olds spent more online than before the start of the 'lockdown' period in the UK.

12. Statista, [Online purchases by device](#)

13. Elavon, [Covid-19 report](#)



# 1.4 E-commerce differences between Australia and the UK

The Australian retail industry shares some similarities with the UK, including, but not limited to high shopper penetration, large domestic companies competing alongside international retailers and Amazon's dominance online. There are however some key differences when it comes to consumers and online spending habits.

Despite the lockdown restrictions implemented by the Australian government throughout 2020 to tackle the spread of COVID-19 and the already well-established e-commerce channel in the country, online sales accounted for only 10% of total retail spending by Australian consumers during the year (2020).<sup>14</sup> This is compared to 27% in the UK during 2020 according to the Office for National Statistics.<sup>15</sup> Australian companies targeting the UK

market should expect potential high-volume sales and ensure sufficient stock/inventory to meet increased demand from UK consumers.

Another significant difference Australian companies can expect when entering the UK market is that of consumer expectations. JP Morgan's 2020 E-commerce Payments Trends Report: Australia, highlights that Australian shoppers have had lower expectations of the online shopping experience compared with other major e-commerce markets such as the UK, where consumers expect faster delivery times, better returns policies, safer data protection and more from loyalty schemes operated by retailers (SOTI, 2021<sup>16</sup>). Fast delivery times and efficient returns may be particularly challenging for Australian retailers given the

geographical distances between the two countries but there are a number of methods and services available that can assist with this (detailed at length in Section 3). Australian retailers will need to adopt strategies that enable them to overcome these key issues and meet the expectations of consumers in the key and valuable UK market.

14. JP Morgan, [2020 E-commerce Payments Trends Report: Australia](#)

15. [Office for National Statistics](#)

16. SOTI, [From Bricks to Clicks: State of Mobility in Retail 2021](#)

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# 2 Understanding the UK online shopper





# 2.1 Who is buying online and why?

According to Mintel, the typical online shopper in the UK is female, aged 25-34 and with a household income of £25,000-50,000 per year. Reasons for shopping online cited by UK consumers include:

**Convenience:** this is the top reason why UK consumers shop online. The wide range of delivery options, speed of delivery and hassle-free returns policies are offered by most UK retailers.

**Accessibility:** goods can be bought online from anywhere, any device and at any time.

**Lower prices:** more UK consumers agreed that it is cheaper to shop online (21%) in 2020 compared to offline (13%) according to research by Google,<sup>17</sup> with events such as Black Friday offering consumers significant savings across most product categories.

**Flexible payment:** consumers have the option to 'buy now, pay later' or spread payment for goods they buy online over a number of months through apps such as Klarna.

**Confidence:** Next-day delivery, hassle-free returns policies and payment security offer UK consumers peace of mind when buying goods online.

**Range of products:** Online marketplaces such as Amazon and eBay provide shoppers with an unmatched range of products across all product categories.

Lockdown restrictions introduced in the UK through 2020 to curb the spread of COVID-19 saw a significant increase in UK consumers buying goods online.

Online sales in the UK increased by 36% between 2019 and 2020, the largest year-on-year increase since 2007 according to the IMRG Capgemini Online Retail Index<sup>18</sup> (January 2021). This trend will continue post-pandemic as UK consumers continue to benefit from the convenience and speed of delivery, making this a key route to market for Australian goods.

17. Think With Google: [8 ways consumers in the U.K. adapted their shopping behaviour this year](#)

18. IMRG Capgemini [Online Retail Index](#)

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## 2.1 Who is buying online and why?

### Shopper profiles

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#### Grace

Grace is a 19-year-old management studies student in her first year of university. Like many students, she spends several evenings each week socialising with friends. She has also joined the university gym and attends circuits classes at least 2-3 times each week. She has found herself increasingly using her new laptop to buy clothes and gym gear to keep pace with this increased activity. Grace is conscious of her diet and tries to eat healthy as much as possible. She has only limited experience with cooking her own meals but finds it increasingly enjoyable and regularly adds to her growing

collection of ingredients and utensils whenever she sees something interesting for sale online.

*“A combination of leaving home and having to fend for myself, whilst starting various new hobbies and activities, have led me to buy clothes and other products online much more than I used to. Managing a student loan means that I pay particular attention to cost but also do not want to miss out of quality or latest trends. I therefore spend quite a long time browsing a number of sites to find sales and good deals. I am also instantly drawn to student discounts!”*



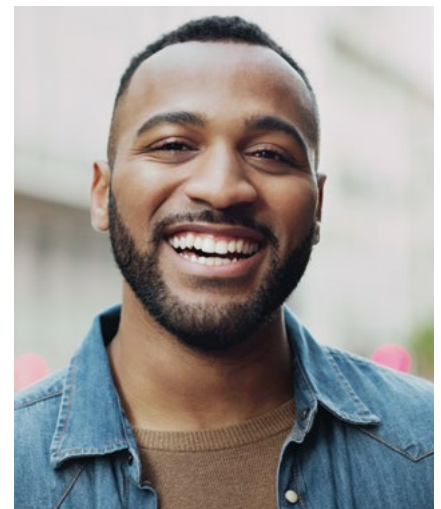
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#### David

David is a 25-year-old graduate who has recently entered the workforce full-time. He is single, lives alone in his apartment in Manchester and shops online multiple times a week for clothes, food and drink and books, movies and music. David values the convenience offered by online shopping and favours pureplay's such as Amazon and eBay when buying online and is influenced by advertising seen on social media platforms such as YouTube.

David has a global perspective and a strong interest in travelling. Despite looking to support local businesses post-pandemic, David has bought products from international retailers in the last 12 months.

*“I like the convenience of being able to buy anything I want from anywhere from my mobile phone and often use retailers outside of the UK to find unique things that my friends don't have. It creates talking points with them and helps to build my identity.”*



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## 2.1 Who is buying online and why?

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### Susan

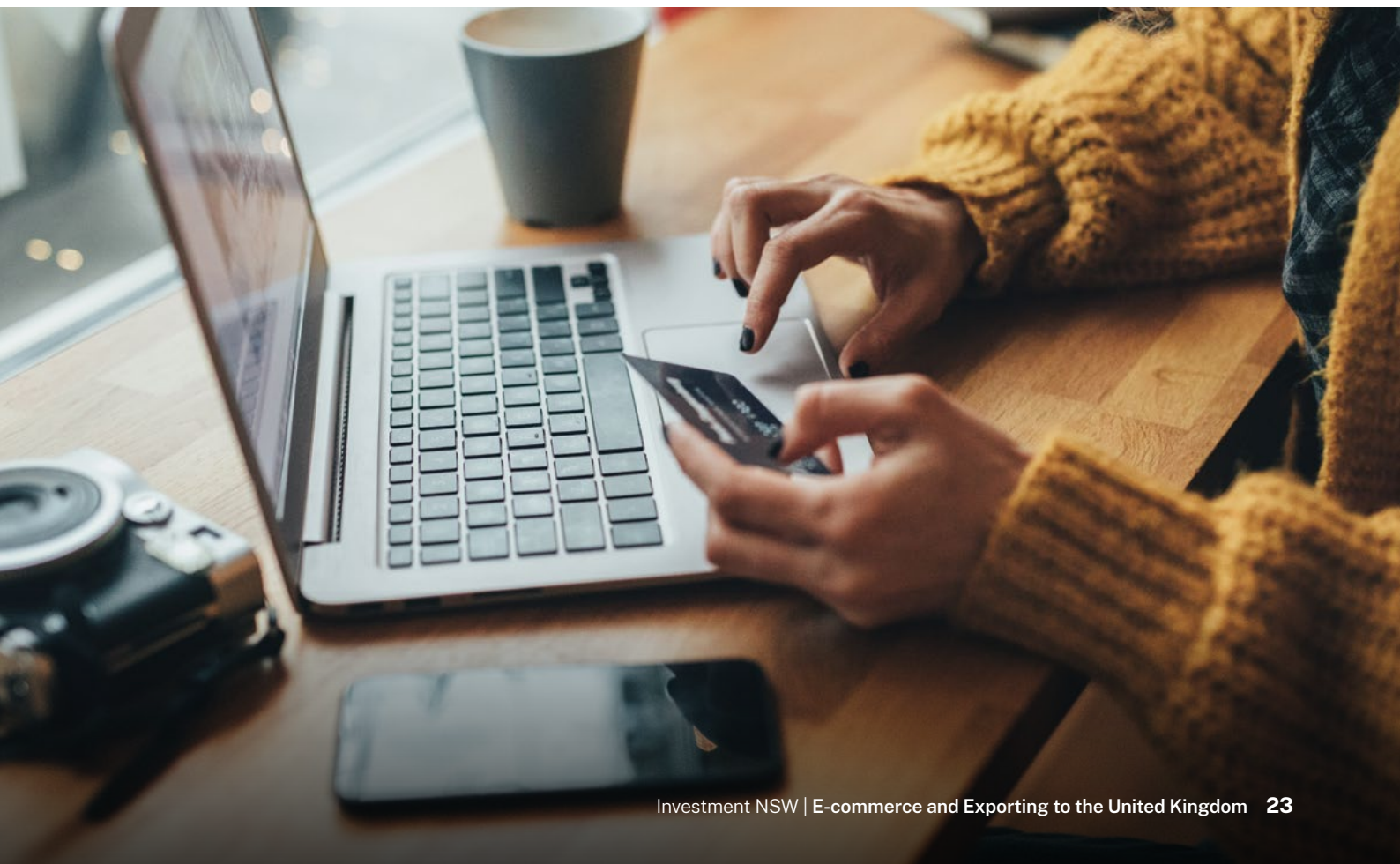
Susan is a 52-year-old 'empty-nester'. She shops online at least 2-3 times per month for new clothing and fragrances. Susan likes to shop around when buying online and will visit multiple retailers websites. She is influenced by reviews that other people leave online about when buying from a new retailer. Despite her interest in fashion, Susan is worried about the impact that this, and shopping online in general, is having on the environment.

She is looking more into company's environmental policies and practices to find more retailers that align with her values on sustainability and eco-friendliness.

*"I'm reading and hearing more about how emissions and packaging waste are damaging the environment and causing the world to heat up on the news. I would like to shop from more sustainable retailers to play my part in making the environment better".*



Source: Consumer profiles designed by OCO Global based on Mintel data



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## 2.1 Who is buying online and why?

The UK online consumer market is large and diverse, comprising individual shoppers from across a broad spectrum of wealth, interests, ages, locations and beliefs. Undertaking detailed analysis of these various consumer segments and developing bespoke marketing and promotional activities is an increasingly common activity for retail companies (both physical and online). Some of the largest issues influencing UK consumer behaviour include the following.

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### Environment

Now that the big public commitments on climate have been made and with COP26 taking place in Glasgow in November 2021, it is the time for retailers to act. In the coming year retailers need to consider how they can begin to transition to Net Zero Retail and accelerate their efforts to decarbonise operations, products and their supply chain.

#### **Action for Australian retailers:**

Using lower carbon shipping options such as lower emission aircraft and local distributors with fully electric fleets will help Australian retailers that have to send products from one side of the world to the other to reduce their carbon footprint and demonstrate their green credentials to increasingly eco-conscious UK consumers.

**37%**

of UK shoppers now say that they are more conscious of the environmental impact their online shopping habits have (PFS and LiveArea, 2020).

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### Local

The UK's withdrawal from the European Union (Brexit) has led to an increased sense of nationalism among the population and a desire to support local businesses where possible. Provenance will continue to play well post-Brexit and post-pandemic as UK consumers increasingly favour products sourced locally. Consumers in the UK are far more likely to show a preference for local businesses and 'buy local' than shoppers in other European countries.

#### **Action for Australian retailers:**

Following the example of German discounters Aldi and Lidl and supporting local initiatives and using local distributors, demonstrate how you are contributing to the local economy to win favour among UK consumers.

**56%**

of UK consumers prefer to buy products that can be delivered from within their own country (PFS and LiveArea, 2020) vs 45% that say they have ordered a product internationally over the past 12 months.



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## 2.1 Who is buying online and why?

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### Sustainability

Sustainability and ethical production are increasingly important factors in the decision-making process, with the majority (77%) of UK consumers agreeing that it is a significant issue when shopping online (Retail Week,<sup>19</sup> April 2021). The packaging used by online retailers to deliver products is a particular issue. Research by the Chartered Institute of Marketing<sup>20</sup> (CIM, 2019) found that 88% of consumers in the UK think companies use too much packaging. The same study found that one in three UK consumers say that they have been 'put off' ordering from the same company again due to the amount of paper or cardboard which came with it.

#### Action for Australian retailers:

Reducing your ecological footprint can be as simple as reducing the packaging materials you use. This means using smaller boxes, bags, and containers for your products. Not only does this help you be more sustainable, it can also lower your shipping costs. It is also important to consider the measures taken by any shipping companies or fulfillment services that you are in partnership with as these may also influence the consumers perception of your own performance.

## 1 in 4

UK consumers would be willing to spend an average of 20% more on a product if they knew the boxes, paper and envelopes used were sustainable (CIM, 2019).

19. Retail Week: [What's most important for sustainable ecommerce in 2021?](#)

20. Chartered Institute of Marketing (2019): [www.cim.co.uk/newsroom/release-consumers-demand-sustainable-packaging/](http://www.cim.co.uk/newsroom/release-consumers-demand-sustainable-packaging/)

## 2.2 What products are they looking for?

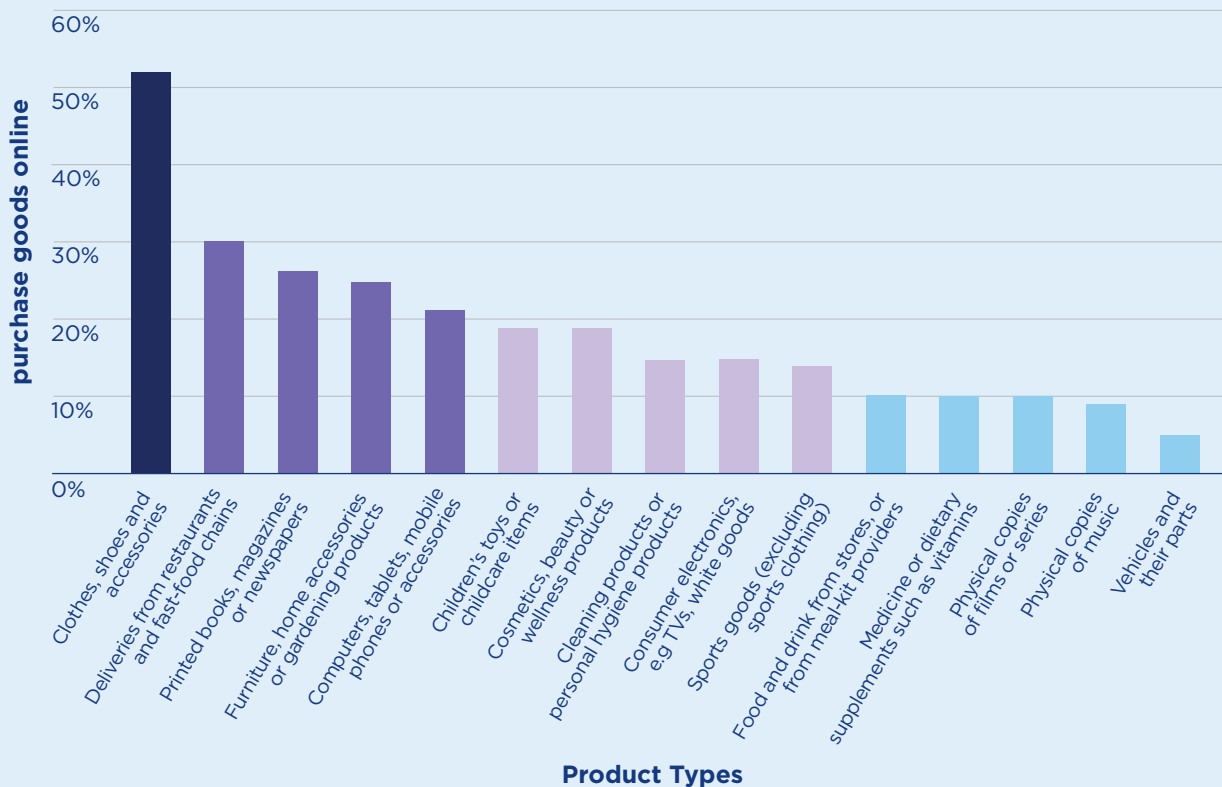
# 2.2 What products are they looking for?

Research by the UN Conference on Trade and Development<sup>21</sup> (UNCTAD) estimated that UK shoppers spent £93 billion online in 2020, up 45% compared to 2019 when online sales in the region reached £64 billion. This represents a 5-fold increase in the growth rate of online sales when compared to 2018-19 period and indicated the size of the potential opportunity for Australian companies.

Austrade cites clothing & fashion, cosmetics & toiletries, and jewellery as some of Australia's most exciting and dynamic consumer goods for export. These products align well with UK consumer demand and online shopping habits, indicating that the UK is a promising new market for many Australian online retailers if they are able to correctly price their products and establish recognition and trust.

Fashion items, such as clothing and footwear dominate online shopping in the UK, with 55% of consumers in the region having purchased at least one fashion item (including sportswear) during 2019-2020 (Statista, August 2020).

### Items bought online during 2019-2020, UK, August 2020



Source: UK Office for National Statistics (ONS)

21. UNCTAD: [Estimates of Global E-Commerce 2019 And Preliminary Assessment Of Covid-19 Impact On Online Retail 2020](#)

## 2.2 What products are they looking for?

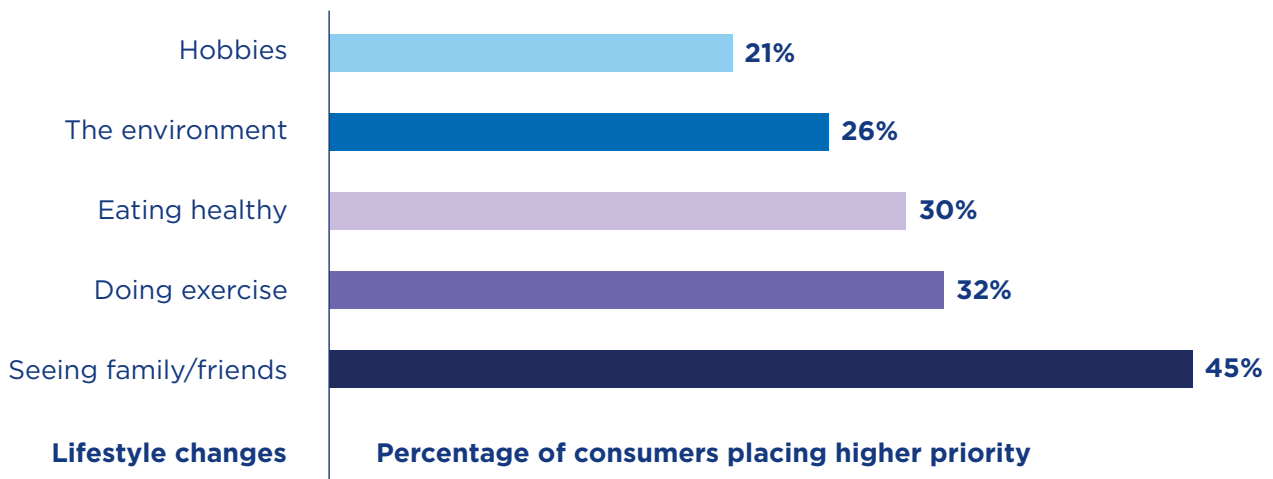
The sportswear market in the UK will be of particular interest to Australian apparel manufacturers as consumers in the region are placing a higher priority on making lifestyle changes post-COVID-19 such as doing more physical fitness and exercise.

Australian brands such as Quiksilver, Billabong and Rip Curl are famous in the UK having operated in the market for decades. They have expanded beyond the beach in recent years and now produce apparel for other sports such as skateboarding and golf.

Australia is also strong in the agri-food (e.g. beef, lamb) and alcoholic beverages (e.g. wine) sectors – Australian wine is among the top products exported from Australia to the UK. However, from an online shopping perspective these categories are, and will likely remain, niche as agri-food products and alcoholic beverages are imported to the region and sold via more traditional routes to market.

Potential for products such as Australia wine, spirits and craft beer to be sold online is limited to niche players and craft producers that either sell their products online direct to consumers, via a subscription model or listing on local online platforms such as the Wine Society, Yapp Brothers, Laithwaites and Tanners Wines.

Top 5 lifestyle changes consumers have placed a greater priority on since the start of the COVID-19 pandemic, UK, October 2020



## 2.2 What products are they looking for?

### The UK opportunity

The UK is an attractive market for Australian exporters. The country uses English as its first language, is culturally very similar in nature, has some of the most well-developed e-commerce infrastructure and is among the largest e-commerce markets globally.

Despite Brexit and the pandemic induced economic downturn reinforcing the importance of 'buying local', the research shows that fashion is the main category online for Australian merchants to attract UK consumers. With Australian fashion having a reputation for being progressive and ahead of its time (Austrade), Australian clothing retailers will find a strong market in the UK that is being driven by younger consumers looking for the next big trend. Australian brands such as Billabong have already found success in the UK. Print media (books), consumer electronics, products for children, beauty and personal care items are also key categories for Australian retailers to target.

Additionally, the UK continues to be a popular destination for Australian expats, with an estimated 130,000 living here in 2017.<sup>22</sup> There are a number of UK-based online platforms specializing in Australian produce aimed largely at this expat population. Examples include [www.sanza.co.uk](http://www.sanza.co.uk) and [www.southernfoods.co.uk](http://www.southernfoods.co.uk).

The UK organic market has been experiencing steady growth over the past years. According to the Soil Association, organic sales reached £2.5 billion in 2020.

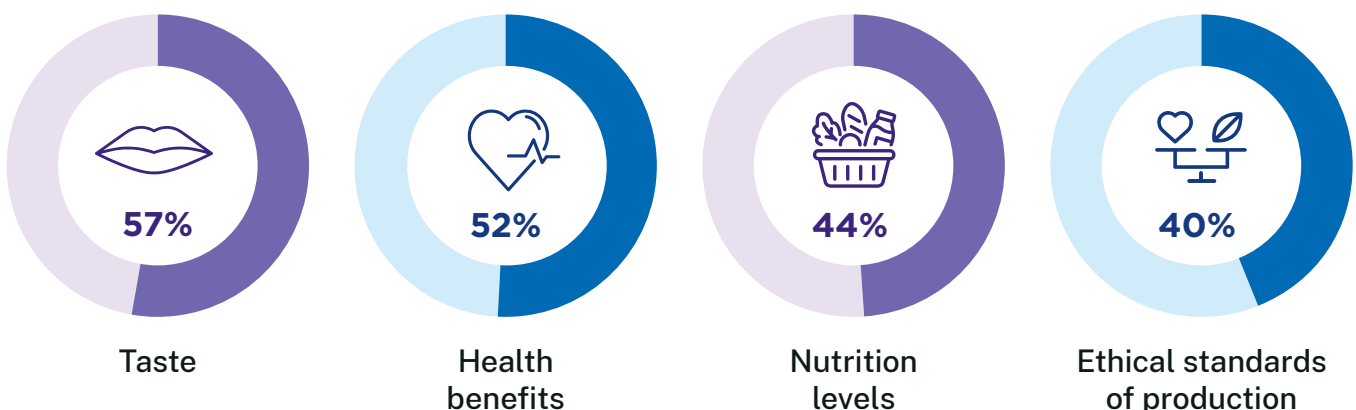
#### The three main distribution channels are:

- Supermarkets, accounting for 65.8% of organic sales. Supermarket sales of organic products increased by 3.3% compared to the prior year.

- Independent retailers, which captured 16% of the market with sales increasing by 6.2%. New independent retailers and wider ranges have improved the choice of organic products in these stores.
- Home delivery, which represents 14% of all sales. It is the fastest growing channel, at 14.2%. By 2023, home delivery should make up a quarter of all sales of organic products in the UK.

Organic beers, wines and spirits and chilled foods are the main categories driving growth. Organic fresh produce and canned and packaged grocery are also growing significantly.

According to research from Kantar Worldpanel, the top reasons UK consumers believe organic products are better than non-organic products are:



22. UK Office for National Statistics







## 2.3 Knowing the competition and landscape

Every year, Internet Retailing publishes the UK Top500, which features the best-performing online shops in the UK. The list focuses on both retail brands and consumer brands selling directly to the public. Rankings are based on a number of metrics including, revenues, annual growth, store networks, web traffic, merchandising, brand engagement, innovation and more.

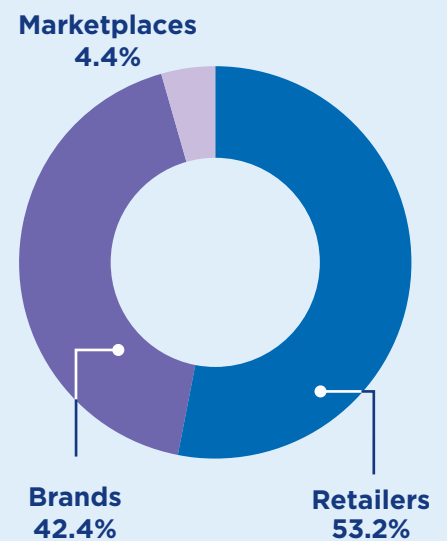
The diagram opposite shows the distribution of brands (which primarily sell their own products), retailers (which sell products from multiple brands) and marketplaces (which sell products from multiple brands and retailers).

Fashion products dominate the Top500 sellers (see graph on next page). Around 50% of them sell fashion accessories, 45.6% sell clothing fashion and 41% sell footwear fashion.

Salesforce Commerce Cloud and Magento Enterprise are the most popular ecommerce software used by the top 500.

They are used by respectively 16% and 14.6% of the leading online retailers in the UK. Other popular software includes Ampliance (9.4%), Hybris (9.4%), IBM Websphere Commerce (9.2%), Oracle Commerce (6.2%) and Magento (6%).<sup>23</sup>

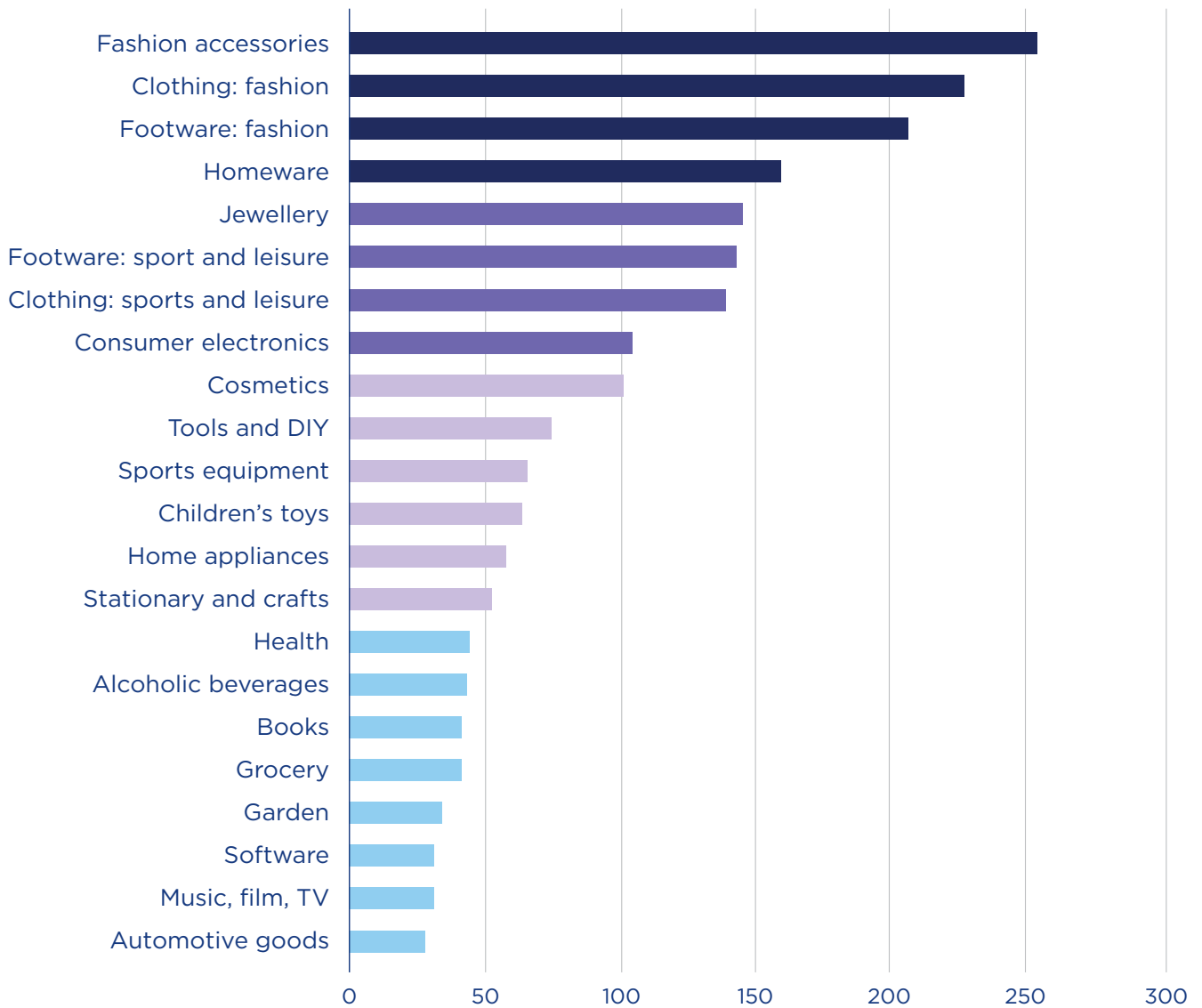
Top500 UK sellers



23. [UK Top500](#)

## 2.3 Knowing the competition landscape

Top500 UK sellers by product type sold\*



\*The total number exceeds 500 as a result of many companies selling in multiple categories

## 2.3 Knowing the competition landscape

### 2.3.1 Key Players and why

An awareness and understanding of existing competition is critical if you are to successfully enter and grow within the various segments of the UK's e-commerce industry. Although still considered a relatively nascent activity by some, e-commerce has been growing and evolving for over twenty years and there are now a wide range of examples of best practice and successful adaptation by companies that have identified specific niche product lines and marketing themselves in a unique way to gain significant market share. A selection of examples are detailed below.

# ASOS

Company	ASOS
Category	fashion
Year Founded	2000
Est. Revenue	£3,263.5 Million
Website	www.asos.com
Key to Success	Adaptability



ASOS is an e-commerce retailer famous worldwide for its latest fashion and trends in menswear and womenswear. Today, ASOS sells 850+ brands alongside its own line of clothing and accessories and ships to 196 countries, making this UK e-commerce brand a global e-commerce success story.

ASOS pricing strategy is part of the company's success. It all started with the aim of selling items seen on TV at a cheaper price point.

Thus, the original company name: 'AsSeenonScreen'. Since this was difficult to fit on a clothing label, 'ASOS' was later adapted but the company initially did not start as a fashion-specific retailer. In fact, the first product was a pestle and mortar. Later followed a shipment of dresses that were a hit and catapulted ASOS into the e-commerce fashion industry.

ASOS brands itself as a "global fashion destination for 20-somethings that exists to give you the confidence to be whoever you want to be".

Top selling products categories range from the latest women's clothing trends to men's face and grooming products.

Nick Beighton became ASOS CEO in 2015. He worked at ASOS since 2009 as CFO. He and his team made a crucial observation and advancement for ASOS in 2010 — customers were looking to purchase via mobile. As a result, ASOS developed a hassle-free, easy to shop mobile experience.



## 2.3 Knowing the competition landscape

### Stress-free shopping

Stress-free shopping wins loyalty. ASOS offers its customers free worldwide shipping and free returns. Along with spectacular shipping and return options, the company focuses on distribution efficiencies, e-commerce localisation, and a strategic international online sales plan to help scale globally.

ASOS represents a success for online brands. Take their mobile shopping platform for example. From April 2015 to April 2016, over 20% of the UK population placed an order with an ASOS website.

### Customer Focus

The focus on customer translates into product usability. This means offering customers easy navigation across its site with options to purchase, ship, and track orders. ASOS constantly surveys its customers on what they are looking for to improve their shopping experience and uses the feedback as part of the UI enhancements. This approach extends into multi-channel shopping. As mentioned previously, ASOS introduced a great mobile app once they identified that customers would be interested in purchasing via mobile.

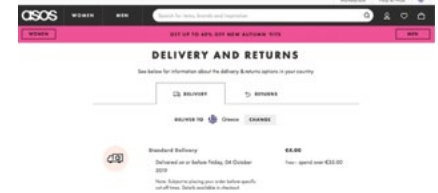
ASOS responded by taking a step further and creating a seamless mobile shopping journey for its users. Now ASOS customers can effortlessly browse the entire ASOS site on their phones and filter by brand, size, colour, and price.

Furthermore, ASOS has implemented notifications to let shoppers know when items of interest go on sale, as well as easy payment methods by adding credit card data with your smartphone camera.

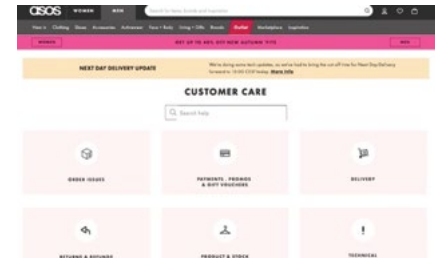
### Key Learning for Australian

**sellers:** Use your marketing channels to engage with customers on a more personal level. Run surveys, giveaways, and social engagement to get customers to interact with your brand's products and services. Be sure to collect data along the way, and use an automated marketing platform to re-engage customers via data gathered.

### ASOS Delivery and returns



### ASOS Customer care



## 2.3 Knowing the competition landscape

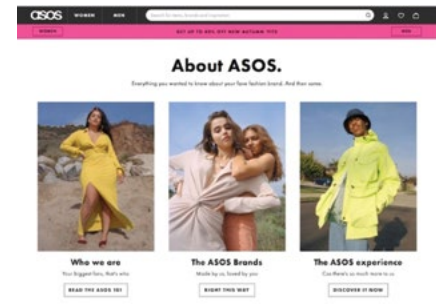
### Inclusivity

By listening to the trends of a free-thinking and non-conforming Generation Z, ASOS has broken new barriers in the e-commerce fashion industry by introducing what is termed as an 'all-inclusive approach'. This means genderless fashion. The company is exchanging words such as 'beauty' for 'face+body' and removing gender-specific sections for clothing and accessories.

Also, ASOS is now featuring only 'real' people as models on their site. No more pretentious, air-brushed, photoshopped and unrealistic models.

**Key Learning for Australian sellers:** Be bold and face the latest trends that your target audience is currently embracing. If your consumers are young and hip, make sure to market your products in a way that communicates value and relevance. Keep it real and include, don't exclude shoppers.

### ASOS About us



What is the ASOS recipe for phenomenal online success? ASOS has built a reputation for quality and value by offering its customers fun and authentic products, directly from the brands they offer. With easy and affordable shipping options to almost anywhere in the world, ASOS managed to grow its international appeal.

**ASOS has found huge success and has set its brand apart from the competition due to three key factors:**

#### **Success factor #1: A (truly) customer-centric culture**

ASOS has built a culture revolving around customer experience. It can be gleaned

from its free shipping and return policy, a dream for international customers. Another example is the responsiveness of ASOS customer support, which guarantees customers the fastest possible message response time on their Facebook page (a personalised response in minutes).

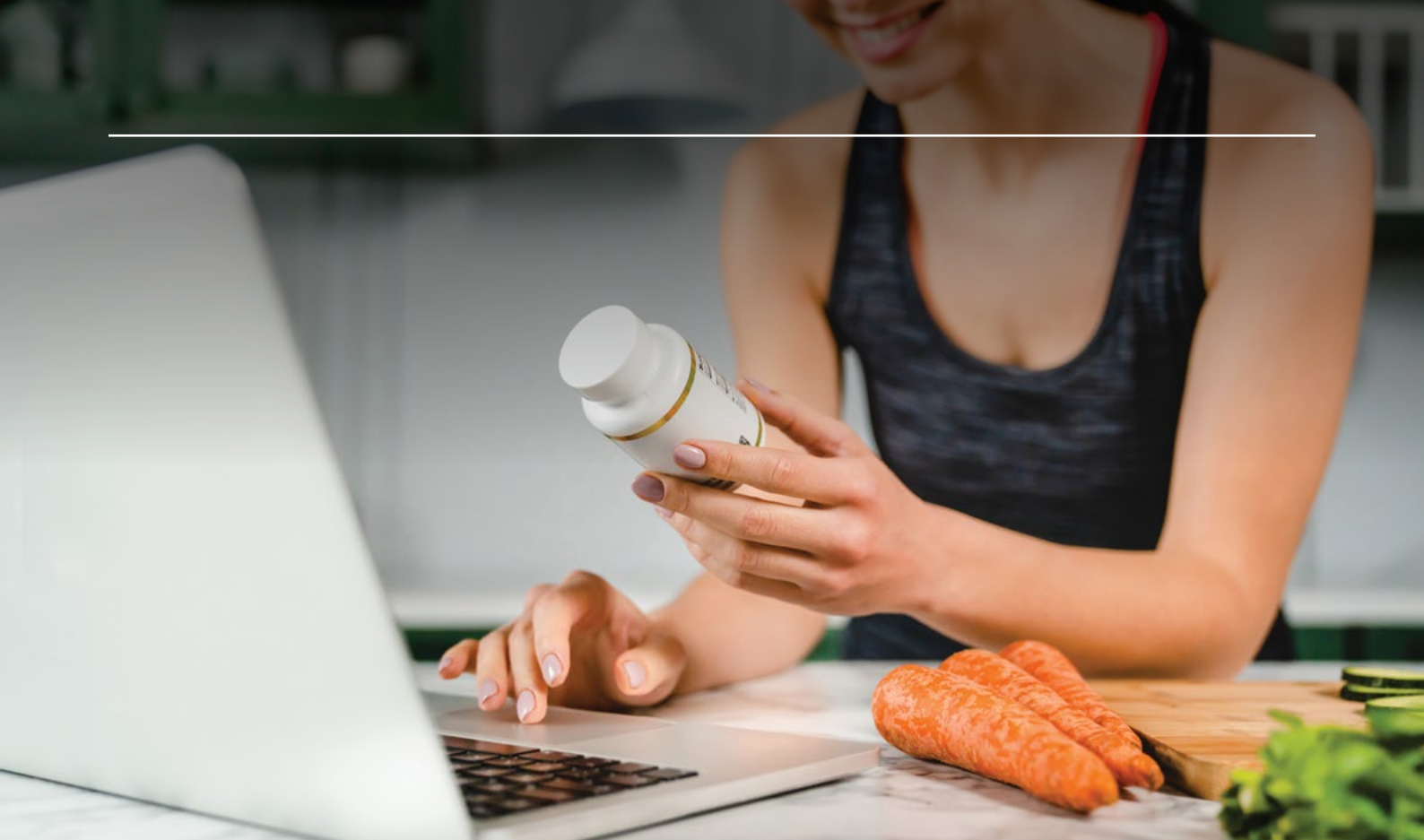
#### **Success factor #2: Masters at leveraging social media presence**

ASOS gets its customers involved via social media outlets in a unique way. The brand gives shoppers the chance to have their 15 minutes in the limelight by being featured on the ASOS website wearing their favourite buys. Not to mention, customers can live the life of an Influencer on ASOS Instagram

feed by posting photos with the hashtag #AsSeenOnMe.

#### **Success factor #3: Tailored content (and products)**

Furthermore, for ASOS, there is no such thing as general content. The brand tailors everything to market each specific demographic – e.g. petite, tall, plus size and maternity lines. This means, no one is left out or overlooked.



# Holland & Barrett

Company	Holland & Barrett
Category	Health foods & supplements
Year Founded	1870
Est. Revenue	£700+ Million
Website	<a href="http://www.hollandandbarrett.com">www.hollandandbarrett.com</a>
Key to Success	Timing, marketing, technology

Holland & Barrett has been a UK high street stalwart for over 150 years and has grown to become Europe's largest health and wellness retailer, with over 1,600 stores in 18 countries across the world including owned and franchise stores. However, it is the company's ability to identify and adapt to ever changing consumer trends, as well as their successful adoption of technology and online sales channels, that has placed them above their competitors.



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## 2.3 Knowing the competition landscape

### Positioning the brand

The company had enjoyed a steady and stable growth trajectory to 2008 but they had gained somewhat of an old-fashioned reputation as a chain that sold little more than cod liver oil tablets and bulk bags of nuts. However, that year they appointed Peter Aldis as CEO – 18 years after

taking a pay cut to join as an area manager – and he vowed to drive Holland & Barrett into the future, telling the Daily Telegraph two months after his appointment that his mission was to shed the chain's 'beans and sandals' image.

They sought to achieve this whilst still developing a very Green and ethical brand.

Their website now states that 'Holland & Barrett constantly strives to create new products and services that are better for our customers and the environment. We are very proud of our achievements, and to have claimed many UK firsts in our bid to look after our customers and the future of our planet.'

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## Holland & Barrett Positioning the brand

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<b>2007</b>	<b>Plan-It-Green:</b> We launched our innovative programme Plan-It Green, which saw us lead the way as an environmentally responsible retailer – a path we still follow today.
<b>2009</b>	<b>SLS and paraben ban:</b> We banned sodium lauryl sulphate and parabens from our beauty products to give our consumers a choice in what they buy.
<b>2010</b>	<b>Plastic bag ban:</b> We banned plastic bags in our stores a whole five years before the UK government introduced the 5p charge.
<b>2012</b>	<b>Microplastics ban:</b> In a bid to reduce the amount of plastics reaching our rivers and oceans, we banned microplastics across our beauty range, six years before the UK-wide ban.
<b>2015</b>	<b>Local sourcing commitment:</b> This year saw 95% of our products sourced from UK and Irish suppliers, as part of our commitment to reduce the need for sea and air freight.
<b>2016</b>	<b>Free-From range:</b> In response to consumer demand, we launched the UK's largest Free-From range to accommodate broadening lifestyle choices and dietary requirements.
<b>2017</b>	<b>Plastics ban:</b> We removed all plastic from our online orders, apart from bottle jackets for which we continue to search for an alternative.
<b>2018</b>	<b>Manuka honey pledge:</b> We exposed fake 'Manuka' honey, putting steps in place to ensure that only real Manuka honey is on sale in our stores.
<b>2019</b>	<b>Wet wipes ban:</b> Concerned about the number of wet wipes reaching our rivers, oceans, and beaches, we stopped selling them online and in all our stores, replacing them with environmentally-friendly versions.

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## 2.3 Knowing the competition landscape

### Timing

In the years following 2008, Aldis and the company managed to identify and ride consecutive waves of consumer demand for products including protein shakes and gym supplements, 'Free From' foods and natural skin care. Today the range is more diverse and more interesting: everything from pick n mix protein powders to snail gel anti-wrinkle treatments. They have also been joined by an extensive range of health-related grocery items, from specialty low-carb pasta and rice to gluten free vegetable gravy. "We work with some very passionate small companies," said then CEO Peter Aldis said in a 2015 article.

### Adoption of technology

The company invested a significant amount in an omni-channel business model to create a leading cross-platform customer experience, through stores, click & collect, online and mobile ecommerce.

*"Sometimes we even invest in them. We are now a platform for people to launch brands."*<sup>24</sup>

Each new consumer trend and product range has brought the company additional followers and customers but existing customers and products have always remained, as has its famous 'one penny' sale events. The complete product range has subsequently been split into manageable categories including vitamins & supplements, food & drink, sports nutrition, natural beauty, Free From and vegan.

This has given its customers the widest choice in products and to make it as easy as possible to discover and purchase them, something that became essential during recent UK-wide lockdowns as part of Covid-19 restrictions.

*"Well, we haven't finished by any stretch. Historically we were a bit fuddy-duddy, a bit staid, a bit out of touch. The old regime was very old school, very focused on linear footage and sales per sq ft, always asking is a SKU or category worth the space? Now we have modernised. And we have become a trusted brand, because we take product quality and sourcing extremely seriously. We deserve our reputation now. Before, I don't think we were loved."*

**Peter Aldis, CEO 2008-19**

The company is now seeing large growth in its online sales revenue, having climbed 103% to £125m in the year ending 30 September 2020, according to newly filed accounts at Companies House.

24. The Grocer, [Peter Aldis interview](#)

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## 2.3 Knowing the competition landscape

### 2.3.2. Local pricing and differences

When entering a new market, correctly pricing your products is vital if you are to be competitive among an established crowd and gain initial traction by tempting customers away from companies and brands that they may have purchased from successfully in the past.

#### Average Product Costs

The table below is a comparison of the top categories sold on eBay in 2021 and their average prices.<sup>25</sup>

When researching local UK prices, it can be useful to use comparison shopping engines (CSEs). CSEs are “channels for collecting product information, including pricing, from participating retailers and then displaying that collective information on a single results page in response to a shopper’s search query.”<sup>26</sup> One of the most common CSEs is Google Shopping. As an international brand, you can leverage CSEs to research prices for local UK products.

While CSEs can be used as a useful benchmarking tool, there are many factors to consider when pricing your product, including identifying the target consumer, additional costs to bare as an exporter (e.g. tariffs, shipping, fulfillment services), strategic pricing in line with competition, and recognising your product’s relationship between quality and price.

#### UK Average product prices <sup>27</sup>

Item	Avg Price
Levi’s 501	£55-65
Mulberry women’s millie tote	£995
Nike Air Max trainers	£60-70
Summer dress from chain store	£35-40
Local whisky 700ml (Glenfiddich 12y.o.)	£35
Mac Retro matte lipstick	£14
DJI MINI 2 drone	£419
BULK whey protein powder (500g)	£12.99
Canterbury rugby ball (size 5)	£12-15
Halfords Essentials 60 Piece Home and Garage Tool Kit	£35
Avengers Thor action figure (12inch)	£9.99
OzPig Series 2 portable wood fired BBQ heater and stove	£295

25. WebRetailer: [The Best Selling Items on eBay 2021](#)

26. Shopify: [30 Best Price Comparison Engines to Increase Ecommerce Sales](#)

27. Google Shopping UK

## 2.3 Knowing the competition landscape

### Shipping Costs

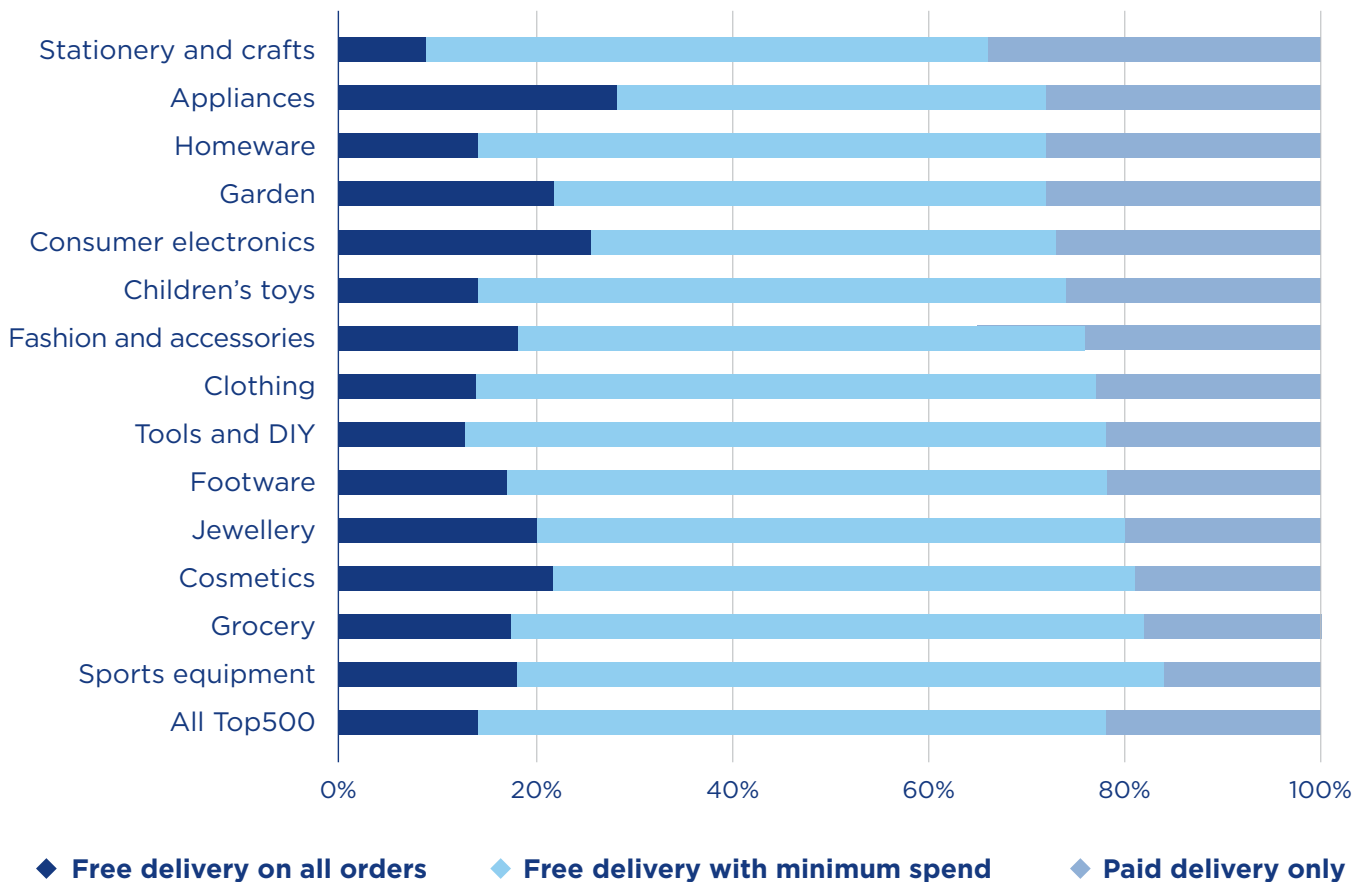
Activities and performance of the UK's leading online sellers are recorded and ranked in the annual RXUK Top500 report.<sup>28</sup> UK Top500 retailers are shown to offer an average of three delivery options to customers. Standard delivery cost £3.88 and took five days on average. More than half (58%) of retailers offer next-day delivery but this is down by 5% from 63% last year.

Next-day delivery within the UK is common across most sectors but notable exceptions were found in the tools, garden and books categories. By contrast, fashion and clothing retailers were more likely to do so, especially those selling sports clothing (67% of these retailers offered next-day delivery) or footwear (65%). The proportion of retailers offering same-day delivery stayed in line with last year, at 5%, while 16% offered nominated-day delivery and 7% nominated-time

delivery. Grocers were especially prominent in this area. Some 13% of Top500 retailers offered Sunday delivery.

Saturday delivery was steady, with 31% offering the service – the same as last year. The median delivery cost stayed close to last year's £3.90, as did the threshold for free delivery (£40).

#### Delivery Cost Strategies of UK Top500 online sellers



28. [UK Top500](#)

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# 3 Selling online





# 3.1 Exploring your options

## 3.1.1 Different approaches

E-commerce has shown significant growth over the last few years and is now readily accepted as a way of life by a large proportion of the UK population. As the industry continues to grow and evolve, a number of distinct methods and channels have become available and sellers must be aware of these and their particular strengths and weaknesses.

Customer numbers are increasing in all methods of purchasing including marketplaces, mobile apps, own store websites and social media channels. Businesses can choose to approach the market in different ways depending on the target audience and capabilities of the business. This can include listing products on the business' own website, on single niche marketplaces or even multichannel listings.

Multichannel selling allows businesses to reach customers on multiple platforms to be wherever their customers are and keep up with the evolving e-commerce landscape. To remain competitive

and increase sales, e-commerce retailers need to expand into additional channels based on their specific business and long-term strategy.

### Advantages of Multichannel Selling

In addition to staying competitive in today's e-commerce market, retailers find that implementing a multichannel selling strategy allows for the following additional benefits:

#### 1. New Customers

The more places your products are listed, the more chances new customers have to find them. Some online shoppers prefer to buy from a specific marketplace and make purchasing decisions based on availability on that marketplace. Expanding your business into multiple types of sales channels increases your opportunity to gain new business and gain more exposure.

#### 2. New Options for Current Customers

Giving options to your customers is always beneficial to make the purchase journey and user experience much more efficient. Customers like to have choices and flexibility in purchasing options and multichannel listing allows you to provide that to them

#### 3. New Revenue Streams

With better visibility across different channels, you have more potential for revenue growth. Multichannel selling allows you to implement a custom marketing strategy to an individual channel, where consumer preferences may be different.

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## 3.1 Exploring your options

### Top Types of e-commerce Sales Channels

There are many sales channels to consider. Before the guide expands on some select marketplaces, below are five of the most popular sales channels available to sellers in the UK:

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#### 1. General Marketplaces

A general marketplace is a good place to sell items with mass appeal. They offer a wide-range of products, and appeal to many different types of customers. There are many benefits to selling on a general marketplace, with the top two benefits being marketplace credibility and large audiences. If you sell unique or niche products, a general marketplace may not be a good fit. The UK's most popular general marketplaces include:



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#### 2. Auction Marketplaces

The UK's most popular auction marketplace is eBay. Auctions are perfect for collectibles, rare items, or when selling products in single quantities. Most auction marketplaces do not charge listing fees and seller cost is in the form of a commission or a percentage of the sale price.



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#### 3. Social Media

There are a number of different ways to sell products on social media. If you have a lot of social media followers, this type of sales channel can be a great choice to generate fast revenue. Establishing and maintaining an attractive and current online presence is much simpler through social media platforms than your own website or through listing on other marketplaces. Images of new stock can quickly be taken and uploaded, directly notifying your followers. Examples of social media selling sites:



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### 3.1 Exploring your options

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#### 4. Handmade and Crafts Marketplace

If you sell handmade items, a marketplace such as Etsy is a great option. Etsy is the UK's best-known crafts and handmade marketplace, and it has earned a favourable reputation amongst their customers. Leading craft marketplaces include:



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#### 5. Own Shopping Site

If you are ready to build your brand, it may be time to invest in your own webstore. Having your own shopping site means you don't have to deal with marketplace restrictions, fees and regulations. Of course, building and maintaining your own site is more complicated and can be very time-consuming. Dealing with the design, functionality, and security is often a full-time job. While you don't have to deal with fees, attracting the right traffic to a new site can be more costly than leveraging existing traffic to a marketplace. While investing in your own online store may require increased resources, the long-term benefits are far greater than relying on a marketplace. Shopping cart platforms include:



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## 3.1 Exploring your options

### 3.1.2 Sales Models



#### **B2B (Business-to-business)**

Businesses selling services or goods online, directly to other businesses. While many e-commerce businesses in this niche are service providers, you'll find software companies, office furniture and supply companies, document hosting companies, and numerous other e-commerce business models under this category.



#### **B2C (Business-to-consumer)**

The most common form of e-commerce, this involves online sales from businesses to individuals. ASOS, HelloFresh, and Tenzing are all examples of successful B2C brands in the UK.



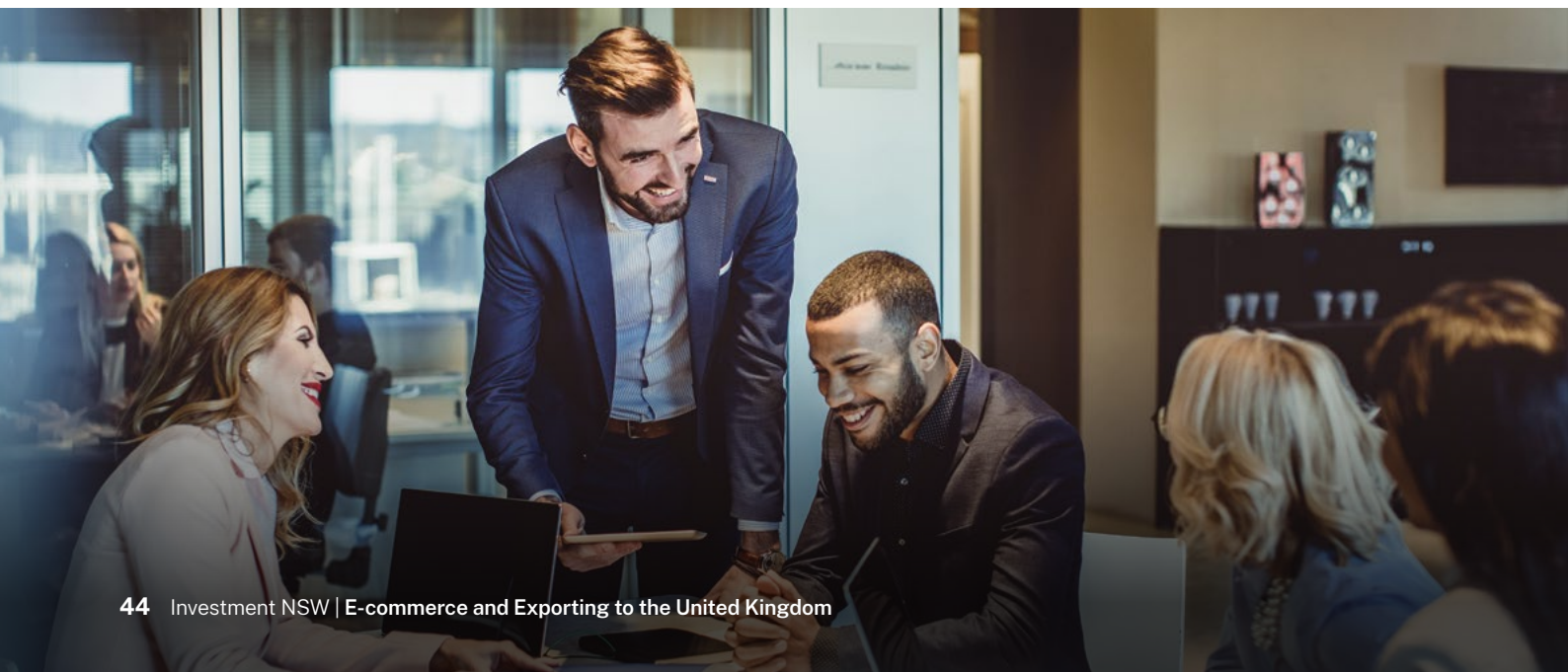
#### **C2C (Consumer-to-consumer)**

This form of e-commerce involves online transactions between consumers. It's usually facilitated by an intermediary platform, such as Etsy, PayPal, or eBay. These allow their users to trade, buy, sell, and rent products and services. In all transactions, the platform receives a small commission. This type of business model is complex and requires careful planning to operate.



#### **C2B (Consumer-to-business)**

Popularised by freelancer hiring platform UpWork, this e-commerce model refers to consumers that provide services to businesses. This type of online e-commerce business is when the consumer sells goods or services to businesses, and is roughly equivalent to a sole proprietorship serving a larger business.





## 3.1 Exploring your options

### 3.1.3 Product Delivery Method

Product delivery refers to how you will connect your customers with the products you are selling. It's an important part of supply chain logistics; the process by which you source, store, manage, sell, brand, package, and deliver

your products, all the way from the supplier to your customer. Essentially, it's how you will deliver the value you promise when the customer first hits that 'Buy Now' button.

**The top value delivery options are:**

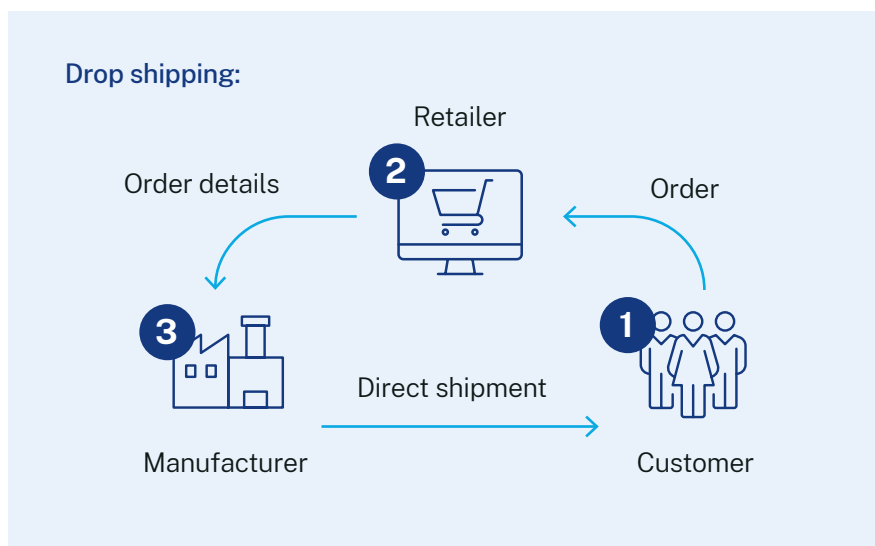
- Drop shipping
- Wholesaling and warehousing
- Private labelling

#### Drop Shipping

You set up a website, and a method for taking payments through that website. What makes this model straightforward is that you won't have to store, handle, or pack any of the stock you are selling. Orders made through your site go to your supplier, who then ships the product straight to your customer.

Because you won't handle any stock yourself, drop shipping is a handy way to sidestep the logistical side of things. However, it comes with risks. If your supplier damages goods, ships to the wrong address, or loses an order, it's your reviews and brand reputation at risk.

Plus, when all your business' packaging duties are handled by someone else, you lose control over your product's branding, and are unable to implement your own quality control standards.

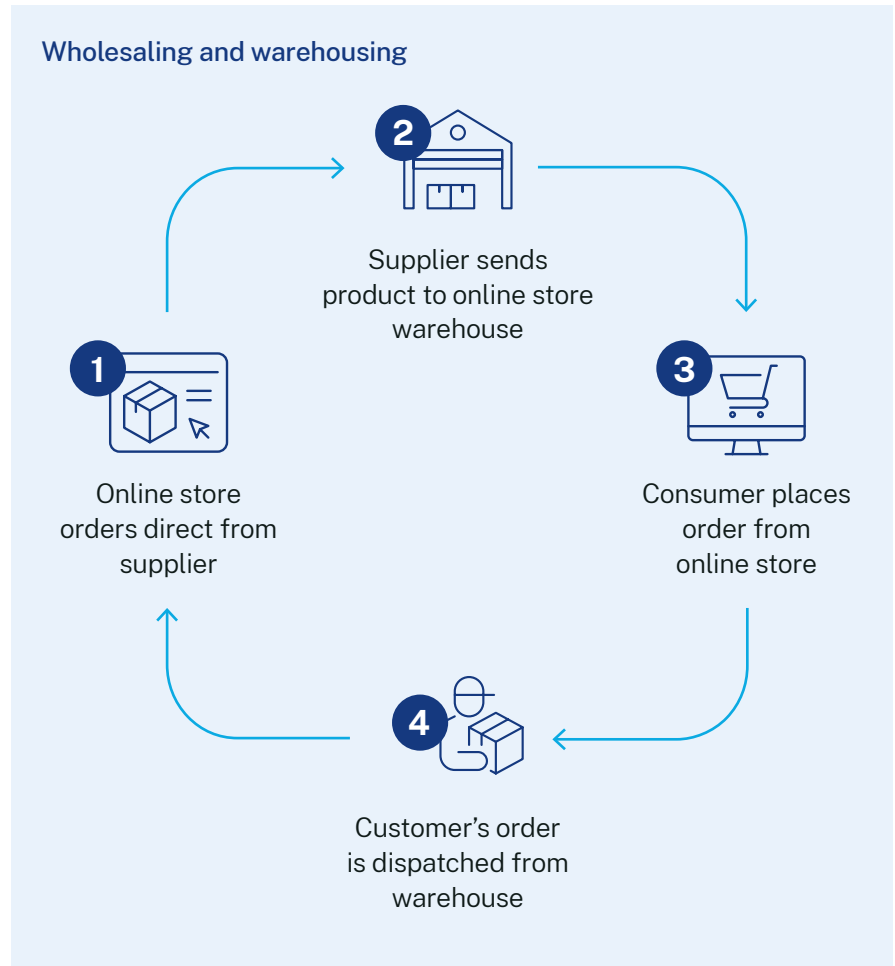


### 3.1 Exploring your options

#### Wholesaling and warehousing

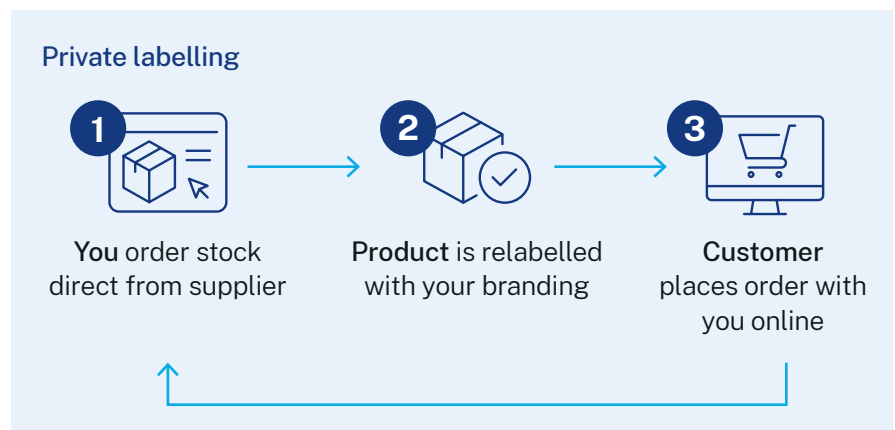
This approach involves having products shipped to your own warehouse, which you'll use to store, package, and ship your products from. Wholesaling and warehousing offers a more flexible, dynamic alternative to drop shipping, and comes with superior profit margins to boot.

You'll need your own warehouse space—and as your business grows, a team of staff to run it too. Plus, you'll have to pay for all your inventory outright as well as the costs of getting it shipped from the wholesaler to your warehouse. That's probably why many growing e-commerce businesses choose to outsource this particular step in the supply chain, known as 'order fulfillment', to a **third-party logistics (3PL) provider**.



#### Private labelling and manufacturing

A private label solution involves engaging a manufacturer to create a unique product for your business to sell exclusively. You send your prototypes and product specifications over, the product gets made, and you decide to have it sent either straight to the customer, or back to you for distribution. Private labelling is best-suited to companies that have an idea for an innovative new product, but lack the equipment, space, or funds (or even the motivation) to make it themselves. On-demand manufacturing allows



you to quickly change suppliers if you face any problems with product quality. The startup costs are minimal, and if you're interested in opening your own

production facility later, this is a good way to test a new product or concept.

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## 3.1 Exploring your options

### 3.1.4 Marketplaces



#### Amazon

Amazon is the world's largest e-commerce operation and was the second company, after Apple, to attain a USD\$1 trillion valuation. Amazon invests heavily in customer experience and was ranked number 1 in the UK Customer Satisfaction Index in 2018. The UK was one of the first markets for Amazon outside the US, with operations starting in October 1998. Amazon's total share of UK Internet retailing exceeded 30.1% in 2019 according to the latest report from global e-commerce insights firm Edge by Ascential, with over two thirds of this accounted for by third-party sellers. Hitting annual sales of nearly £17.5 billion in the UK, Amazon is a great place to start for exposure. Amazon is the first place 23% of shoppers begin their online search in the UK. It also boasts itself to an incredibly successful fulfillment service – Fulfillment by Amazon (FBA). Amazon FBA allows merchants to reach the marketplace's most loyal customer base – Amazon Prime users.

The first thing you must do to sell on Amazon is create a seller account. Once you're registered as a business, you can sell across European marketplaces where Amazon has coverage.

#### Opportunity

Australian companies aiming to sell through Amazon Marketplace have the option of personally managing the delivery of items or making use of the company's Fulfillment by Amazon (FBA) program. Each year, FBA ships billions of items around the world on behalf of Marketplace sellers. In the UK, the company has a highly developed delivery system that has been strengthened through stakes in UK parcel companies – notably in Yodel (2014) – and relationships with third-party logistics firms.

FBA benefits sellers by enabling them to focus on increasing overall volumes and by providing them with a range of customer delivery options. A Prime badge lets companies target Amazon's premium layer of most committed customers, including during special promotional periods such as Prime Day (a day in mid-July when Amazon offers special promotions to its Prime subscribers). Additional services provided through FBA include storing goods and taking care of returns. Companies targeting additional EU markets can choose between 2 options: European Fulfillment Network (EFN) and Pan-European FBA.

- The European Fulfillment Network (EFN) allows sellers with an Amazon Europe Marketplaces account who are also registered for Fulfillment by Amazon to store their inventory in their local fulfillment centre, and fulfil orders coming from other European marketplaces from the same local inventory pool, maximising the control and flexibility that sellers have over their inventory.

According to Amazon, when selling through EFN, sellers must localise their existing marketplace offers to other Amazon European marketplaces to allow local customers to purchase them. For example, a Germany-based customer can purchase an Italian seller's offer listed on Amazon.de once the seller has registered its FBA Italian-based products on the German marketplace.

## 3.1 Exploring your options

- When selling with FBA Export, sellers make their Amazon marketplace offers available to EU and worldwide customers who can purchase them on the marketplace where the seller has listed their offers. For example, a Netherlands-based customer can purchase a German seller's offer on Amazon.de provided that the seller has activated FBA Export on the German marketplace. Thus, if sellers sign up for FBA Export, their FBA products won't automatically be listed for sale on other Amazon marketplaces.

### Listing an item

Australian businesses and individuals have 2 ways to approach selling on Amazon. Partners that register as vendors sell through Amazon in the same way as they would through other large retailers. The second option is to set up as a merchant on Amazon Marketplace. The Amazon Marketplace platform is aimed at helping companies sell their products to customers based both in domestic and international markets.

Amazon offers 2 plans to third parties aiming to sell on its Marketplaces. For sellers expecting to ship fewer than 35 items per month, the Individual plan aims to minimize commitments by charging fees on an a per item basis (set at £0.75 in the UK Marketplace).

The Professional selling plan costs £25 per month, excluding VAT, with no per item fee, and offers a partially supported option for selling in larger volumes.

Sellers on the Professional plan have additional options, including the ability to offer gift-wrapping to customers. Both plans cover access to Marketplaces and exclude the cost of fulfillment of orders by Amazon. As a result, companies need to think separately about the best approach to delivery and logistics.

In addition to the subscription and per item fees, companies should factor in referral and variable closing fees. Referral fees are a charge levied by marketplace owners to their third-party merchants. In Amazon's case, these fees are calculated as a percentage of the total sales price and are dependent on the category of product — ranging from 25% for jewellery to 7% for computers and electronics. Companies focusing on media products such as books, music and games are liable to pay a closing fee of £0.50 per item.

A High-Volume Listing Fee applies to partners that sell in excess of 2 million non-media SKUs per month. This latter charge is priced at £0.0003 per non-media SKU for the UK; in the other EU Marketplaces, the 2 million limit is based on sales per Marketplace and is set at €0.0004 per non-media SKU.

Two other considerations for sellers are whether to take advantage of Amazon's options on setting up and payment. The Solution Provider Network provides sellers with third-party partners based in the UK and other EU countries that can assist with a range of challenges — from VAT registration to shipping and local compliance regulations. Amazon Pay is a separate solution that provides sellers who sign up with the benefits of offering this option to registered customers and gaining additional security around receiving payments. Companies should weigh these benefits against Amazon Pay charges, which include processing fees, cross-border fees and currency conversion fees.

### Most popular categories listed on Amazon (including percentage of sellers who have products listed in them)

- Home & Kitchen (40%)
- Sports & Outdoors (21%)
- Toys & Games (19%)
- Beauty & Personal Care (19%)
- Health, Household & Baby Care (18%)
- Kitchen & Dining (16%)
- Office Products (15%)
- Garden & Outdoor (14%)
- Tools & Home Improvement (14%)
- Pet Supplies (13%)



## 3.1 Exploring your options



### eBay

When it comes to deciding whether to list on eBay or Amazon, it is worth considering two things; Amazon is a competitive market for individual sellers, leaning towards newer items. Despite being another crowded marketplace, eBay does provide a niche for used items and collectibles.

Secondly, Amazon's product categories are both competitive and to some, restrictive. The decision regarding where products appear is made by Amazon's team, whilst eBay allows you to sit outside the lines of categories under "does not apply".

### Opportunities

Australian companies have the choice of either selling through eBay.au and selecting international visibility or registering as a seller on the UK site. If a seller chooses to sell through eBay.au then it should ensure that the products are in an eligible category – for example, most media products, and items like hunting knives are ineligible product categories for sale into the UK. In addition, companies should confirm the requirements for shipping between Australia and the UK, research local pricing levels, and take note that UK customers have the option of filtering out international items.

An eBay Store subscription plan provides an option for sellers that are especially focused on providing a branded experience and selling in quantity. Subscriptions are available at Basic, Premium and Anchor levels and are appropriate for sellers averaging a minimum of 250 items per month. Once signed up, eBay Store subscribers get a customized URL and home page to reinforce brand associations. An increased free insertion limit – with an unlimited option for selected categories ending in a sale – and competitive final values fees are main financial differences. As of May 2018, eBay relaunched its eBay Store platform with the aim of improving SEO and optimizing the experience for mobile users.

### Listing an item

Prospective sellers on eBay can register for an individual or a business account. Business accounts are suitable for selling in bulk, reselling and offering products the seller has produced. The advantages of a business account are enabling the use of a company name on the platform, potential discounts in eBay fees and tax breaks. Ahead of deciding, companies are advised to seek clarification on legal obligations and make detailed assessment of the benefits as there is no option to switch a business account to an individual one. Sellers setting up an account will find that eBay checkout is set as the default option.

Fees on eBay take the form of insertion (or listing) fees and final value fees. Sellers are entitled to a variable quantity of free listings depending on the account and subscription selected. Final value fees are determined by the starting price of the item and differ depending on whether selling through the Australian or UK site.

Two options that impact on this fee structure are the decision to start an eBay Store subscription and taking advantage of eBay's reintroduced auction selling option. Auction selling helped to establish eBay in the early days of e-commerce and is associated with rare items. In most instances, you will only pay when you sell – fees are then 10% of the final selling price.

### Bestselling products

- Smartphone Accessories
- Health and Beauty Products
- Smart Watches
- Smartphones
- Sporting Equipment
- Sewing
- Drones
- Furniture
- Books
- Guitars

## 3.1 Exploring your options



### Etsy

A reputation for hand-made and bespoke items makes Etsy a popular marketplace for 'crafty' SMEs. Once registered, your business is provided with an Etsy shop, giving immediate credibility to your brand. Sellers have a selection of tools to choose from when it comes to growth on the platform. For example, you can notify customers when you have a product back in stock. In 2018, the UK remained Etsy's second largest market after the US. The company accounted for 1% of total Internet retailing in the UK in 2018. Although clothing and accessories remains the most important category by revenues, home and living is also an important part of the business. Their price model allows easy tracking of overheads, another reason as to why Etsy was recently voted one of the easiest online marketplaces to use.

### Etsy Standard

Etsy Standard includes all basic tools that were available to sellers prior to the introduction of Etsy Plus. The availability and pricing of certain paid services, such as Etsy Ads, Pattern, and Etsy Postage Labels, remain unchanged. Sellers can continue to pay for these tools as they use them without being required to sign up for a monthly subscription.

### Etsy Plus

Etsy Plus provides you with tools to jump-start growth for those who want to take their shop to the next level. These features and perks come bundled together for subscribers of Etsy Plus:

- A monthly budget of credits for listings and Etsy Ads
- Access to a discount on a custom web address for your Etsy shop
- Restock requests for shoppers interested in your items that have sold out
- Advanced shop customisation options
- Access to discounts on custom packaging and promotional material like boxes, business cards, and signage.

### Listing an item

Sellers can select between 2 options when setting up on Etsy. A standard package focuses on simplicity and transparency with a listing fee of USD\$0.20 (converted into local currency) and transaction fees of 5%. In 2018, the Etsy Plus subscription package launched, offering a URL for the seller shop, an allocation of credits, and options to customize the shop and buyer experience for USD\$10 per month. Etsy Payments and PayPal are the main ways of paying, but the platform allows buyers and sellers to make their own arrangements if preferred.

charged processing fees that vary between 3 to 4% plus a flat fee per order. An account can receive customer payments made through several options, including debit/credit cards and PayPal. Payments are transferred on scheduled dates to the seller's bank account in local currencies that include Australian dollars and UK sterling.

Etsy makes it easy for sellers to offer custom and made-to-order items, with a custom order option that is added to listings by clicking a checkbox. On selecting this option, the buyer is presented with a window where detailed requirements are entered. After the order has been agreed, the platform generates a private listing that does not appear on the public store. The buyer receives an email to complete the purchase and the seller has a period agreed by the 2 parties to process the order. Processing times are limited to a maximum of 9 weeks.

### Top selling items by category on Etsy

- Craft & Supplies
- Handmade Items
- Jewellery
- Wedding Items
- Accessories
- Paper & Party supplies
- Clothing
- Vintage Items
- Home & Living
- Art & Collectibles



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## 3.1 Exploring your options



### OnBuy

According to OnBuy themselves, they are the UK's number one alternative to Amazon.

The marketplace offers some worthwhile benefits for sellers, including immediate payments, and risk-free selling under their strategic partnership with PayPal. The company has opted to compete directly with global leaders in this space by featuring products across a broad range of categories. Since launch, OnBuy has amassed 8m customers and more than 25m products. In October 2018, an integration with PayPal was announced, with all payment processing undertaken by its new partner.

### Listing an item

OnBuy is of notable interest for Australian retailers as the platform is not particularly focused on products or companies from a certain country. One of the ways OnBuy differentiates itself from other online marketplaces is that it removes any potential conflicts of interest by refraining from offering its own product ranges. Australian companies require a PayPal account and a UK address for returns in order to start selling on OnBuy.

Sellers select from 2 monthly subscription packages when registering with the platform. A standard package is priced at £19 and offers a sales guarantee that waives the subscription fee for the following month if sales are under £500.

The second tier is a Partner Seller Package priced at £39 that provides the primary benefits of improved placement in search results and access to a Priority Support Team.

OnBuy's proposition to sellers is focused on offering low selling fees that are set to 5% on computing, electronics and large appliances and 9% on all other categories. Following the integration with PayPal, payment processing fees are determined by the terms that PayPal offers directly to other sellers. OnBuy notes that PayPal's Seller Protection scheme applies to eligible transactions.



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## 3.1 Exploring your options

### Other Marketplaces:

#### Wayfair

One of the world's largest online sellers of home goods and furniture, and the fourth largest marketplace in the UK, attracting just over 16 million monthly visitors. Wayfair's UK traffic (13% of global visits) is second behind only the US (69%). If you sell home decor, furniture, mattresses or any other household item, Wayfair can be a great place to sell your products.

#### Wish

A global marketplace best known for "fast fashion" and other low-cost impulse purchases, mainly shipped directly from China. Wish has a wide geographical spread of buyers, with 5% of its traffic coming from the UK. The US is the largest market for Wish, but still only accounts for 22% of its global traffic.

#### AbeBooks

Owned by Amazon, gets 12% of its traffic from the UK. It is a global marketplace with a single seller account system. Sellers are required to ship internationally but can set their own shipping rates. AbeBooks sells new books, rare books, textbooks, art, photographs, maps, comics and other paper collectibles.

#### Houzz

An international marketplace selling furniture, home goods, and professional services in 15 countries. Only 3% of Houzz's traffic is from the UK, with the US, Russia and Canada all bringing in more visitors.

#### Fruugo

A global marketplace with local websites in 46 countries. It focuses on cross-border trade and is the most globally diversified website on the list, with 17 countries accounting for 80% of its overall traffic. Fruugo makes it very easy to sell internationally, taking care of translation, customer service and currency exchange. Fruugo is a generalist online seller covering everything from apparel to consumer electronics, cosmetics, kitchenware, and gardening tools.

#### GAME

GAME has hundreds of third-party sellers on its marketplace for video games, consumer electronics, PCs, phones, and accessories. International sellers are allowed, subject to additional security checks. 85% of GAME's traffic comes from the UK.

With over 250 sellers and 12,000 orders processed per month, GAME goes far beyond the used electronics and video game marketplace. In addition to computer components, customised console extras, and other gaming accessories, GAME is an ideal place for specialised apparel.

These items are aimed at what was once thought of as the niche 'nerd' sector of the market but is now more mainstream than ever. GAME boasts 4 million active users and sees sales commissions ranging from 6%-15% depending on a range of circumstances.

#### Trouva

Sells homewares, clothing and gifts from hundreds of independent brick-and-mortar boutiques. To sell on Trouva, you must have a physical shop based in the UK or Europe, and fixed opening hours. 56% of Trouva's traffic, a little over one million visitors, is from the UK.

## 3.1 Exploring your options

### 3.1.5 Tools that can be used

#### Shipstation

Shipstation is the top inventory management tool that lets you keep track of all your orders from all the channels that you are selling on. It integrates with all of the top marketplaces and easily lets you monitor inventory

levels, change SKUs, and create automation rules that let you ship items with just one click. Shipping and order web app connected to 150+ carriers, marketplaces/ shopping carts and more.



Shipstation has 2 use cases where the tool is particularly helpful:

#### Use case #1

##### International shipping

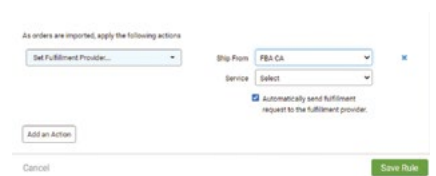
If the business is an e-commerce store selling in the US, Canada, and the UK and wants to use Amazon's fulfillment services (FBA) to ship products to all these regions on other channels – Wayfair, Target, and eBay, they can use Shipstation to set up all the stores, set up all the different FBA locations, and create automation rules that will automatically ship everything for their business.

#### Use case #2

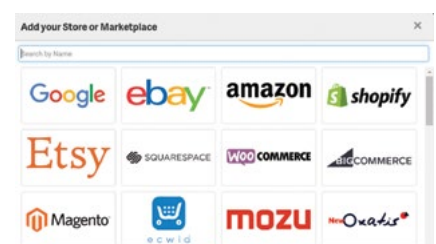
##### Multiple marketplaces & channels

Shipstation is perfect for sellers that have multiple marketplaces and "stores". It's easy to plug in all the stores and channels to their ShipStation and have them all integrate and work together.

#### International shipping



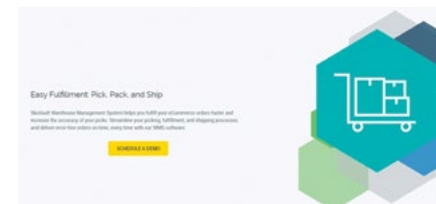
#### Multiple marketplaces & channels



#### Skuvault

Skuvault is a cloud-based warehouse management system that integrates with Shipstation, ChannelAdvisor, and Shopify, and is complete with barcoding and jam-packed with other features to help e-commerce retailers prevent out of stocks, improve warehouse efficiency, and reduce human error.

It also does everything from multi-channel synchronisation, organizing purchase orders, performing quality control, and monitoring inventory levels for each item. It's a great system to use to make sure that everything is organised.



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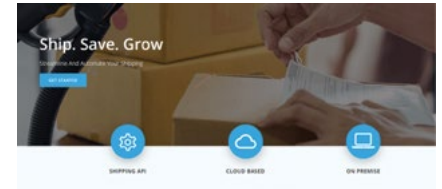
## 3.1 Exploring your options

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### DesktopShipper

This is a great tool to find the best shipping cost for your items. If you are not using third-party fulfillment like FBA then you want to make sure that you are getting the best price. Use Desktop Shipper to find the best shipping option for you. It is a cloud-based and on-premise shipping solution designed to help small to large online retailers and e-commerce businesses collect, synchronize and process orders across multiple marketplaces. Features include real-time data,

price comparisons, address validation, status tracking and reporting. It also offers integration with third-party applications such as Etail Solutions, Neatoscan, SellerActive, Camelot 3PL Software, ChannelAdvisor, VeraCore, NetSuite, SkuVault and more. It is available on monthly subscriptions and support is provided via email, phone and documentation.



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### SellerActive

SellerActive is a multi-channel repricing tool that lets you monitor and change prices on products by channel. The software streamlines processes like smarter automated repricing and synchronized product listings across multiple marketplaces such as Amazon, Walmart, Jet

and eBay, including new listing creation.

Sellers are able to gain real-time visibility into their multichannel product listings and the ability to grow without fear of overselling or out-of-stocks.



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### Sniffle

Sniffie is a pricing automation tool that helps you stay competitive on every channel and marketplace. Sniffie pulls data from your e-commerce platform and makes automatic repricing easy. It tracks all of your pricing for you and adjusts it to keep you cheaper than your competitors

and still above your minimum threshold.

You set up your threshold to whatever level you're comfortable with and then let the program run. Currently, they offer integrations with the most common e-commerce platforms.



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## 3.1 Exploring your options

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### Channel Advisor

Channel Advisor is a very comprehensive platform that offers not only fulfillment and inventory services but negotiates on your behalf and helps you launch on new marketplaces.

They integrate seamlessly with all of the major e-commerce platforms (BigCommerce, Shopify,

Magento) and have a long list of 100+ online marketplaces that they work with. Their Digital Marketing solution blends e-commerce expertise and advanced technology to drive more qualified buyers to your products through machine learning, targeted placements and data quality improvements.



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### Committed Agency

Committed Agency is another great provider of online marketplace services. Their team is actually composed of a few ex-eBay and ex-Amazon

employees and managers, so if you need anything optimised on those channels, they are the ones to ask.

They help e-commerce brands grow on marketplaces with marketing strategies as well as operations and returns management.

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### Acenda

Acenda focuses on some of the largest marketplaces like Amazon, eBay and Overstock as well as some more exclusive ones like Barnes & Noble and Bed Bath & Beyond. It enables manufacturers, distributors, and

vertical retailers to build a web store (both B2C and B2B), connect products to marketplaces, control and sync inventory, manage and fulfill orders, access detailed reporting, run experimentation. It has a lot of integrations with some

of the best marketing and content tools out there. It also offers inventory and order management for both your store and any online marketplaces that you would want to expand to.

### Research Tools

- [JungleScout](#) identifies top products specifically for your industry and tracks their performance on Amazon so you can decide the best items to add to your store.
- [SEMRush](#) tracks page performance, top keywords in your target, and competitor information – PLUS, it offers you the option to audit your site and get reports on strengths and weaknesses to improve SEO and ad campaign performance.
- [Ahrefs](#) is a tool that analyses competitors' marketing strategies by looking at their backlinks.



# 3.2 Payment gateways

## 3.2.1 Options available and popularity

An e-commerce payment gateway channels payments from the buyer to your online store. Payment gateways secure your customers' credit card data and transmit payments from their financial institution to your bank. In selling to the UK, it is important to offer UK shoppers payment gateways they recognise and trust:

- **PayPal** is one of the largest and most recognised payment gateways among UK online shoppers. Over 15 billion PayPal transactions were completed globally in 2020, accounting for AUD\$1.25 trillion in transaction volume.<sup>29</sup>
- **Stripe** is a well-known US based global payment gateway that supports all major credit cards. It is known for fast checkout and excellence in fraud prevention, and integration with both Shopify and WooCommerce, a popular WordPress e-commerce plugin.
- **Amazon Pay** enables Amazon customers to use their Amazon Pay account to pay for the products they buy from merchants outside the Amazon marketplace. Amazon Pay is simple and easy – a user may be on your site and upon paying, be diverted to Amazon Pay where they can pay with one or two clicks, without re-entering any data. This is an incredibly important and positive function as a number of surveys suggest almost 30% of shoppers will abandon carts that require them to create a new account.<sup>30</sup> Surveys also suggest that Amazon Pay increases conversion, order values, and checkout speed.<sup>31</sup> Worldpay, that has presence in Australia, has partnered with Amazon to allow Amazon Pay to enable local integrations.
- **Klarna** has seen rapid growth throughout Europe in recent years, primarily because it offers buy now, pay later options.
- **2Checkout**, which was recently acquired by VeriFone, combines a payment gateway and merchant account, enabling sellers to accept international and PayPal payments and set up recurring payments. It is one of PayPal alternatives internationally.
- **Authorize.net** is another recognised payment gateway in the UK and a Visa subsidiary. It has a feature for automated recurring billing.

29. Business of apps, [PayPal statistics](#)

30. [www.barilliance.com/10-reasons-shopping-cart-abandonment/](http://www.barilliance.com/10-reasons-shopping-cart-abandonment/)

31. [getshogun.com/learn/alternative-payment-methods](http://getshogun.com/learn/alternative-payment-methods)

## 3.2 Payment Gateways

It can be a good idea to offer several gateways for your UK customers to choose their preferred option. The table below lists major payment gateways by their cost, security and user base.

Table 1. Major payment gateways by cost, security and user base

	International fees	Currency conversion	Security features	No. of merchants globally
PayPal	3.60% + A\$0.30	Additional 4.00% above the base exchange rate (to form the transaction exchange rate)	Seller Protection can help sellers get the full amount of an eligible payment, subject of a claim, chargeback, or reversal and waive the chargeback fee.	28 million; 300 million customers
Stripe	2.9% + A\$0.30	4.9% + A\$0.30	3D Secure is an authentication method used to verify a customer's identity before an online card purchase.	2 million
Amazon Pay	2.9% + USD\$0.30	3.9% + USD\$0.30	A-to-z guarantee on qualified purchases at no additional cost. Fraud detection & prevention: Amazon Pay's fraud detection technology is available for your business. Customer verification: Validate and verify customers with a familiar and trusted login.	112 million customers
2Checkout	3.5% + US\$0.35	No additional currency conversion fee	3D Secure, dispute handling, refund and chargeback management, fraud management.	20,000
WorldPay	Pay as you go (2.75% + A\$0.37 for both credit and debit cards) Pay monthly (A\$37.35 + 2.75% for credit cards and 0.75% for debit cards)	No additional currency conversion fee	Worldpay's OmniShield Assure suite of services helps secure accounts through EMV assurance, point-to-point encryption, PCI compliance services, and data breach insurance.	1 million

### 3.2 Payment Gateways

	International fees	Currency conversion	Security features	No. of merchants globally
<b>Authorize.net</b>	US\$25 monthly gateway fee 2.9% + US\$0.30 per transaction	4.4% + US\$0.30	The Advanced Fraud Detection Suite (AFDS) helps identify, manage, and prevent suspicious and potentially fraudulent transactions.	430,000
<b>Braintree</b>	3.9% + A\$0.30	No additional currency conversion fee	Basic and advanced fraud tools, with the option to purchase more security features.	TBD
<b>GoCardless</b>	2% + US\$0.40	No additional currency conversion fee	Enterprise grade security and GDPR compliance. GoCardless is ISO27001 certified for information security management.	50,000

Major payment gateways by their domestic and cross-border cost and user base







# 3.3 Selling your products

## 3.3.1 Business planning and marketplace selection

After understanding the different sales channels, product delivery methods and gaining insights into the different popular marketplaces, you are able to create the business strategy to approach the UK market using the previous research tools. Answering the below questions should help you in defining your operations and approaching the local market.

### Your Business Model

- Do you dropship?
- Do you manufacture your own products?
- Do you wholesale or sell strictly direct-to-consumer?

### Your Brand

- Is your brand categorised as upscale or luxury?
- Does your brand compete on price?
- Are your products considered a commodity?
- Is customer experience a key differentiator?

### Your Payment Gateways

- Which payment types are you able to accept?
- How will these payment options work with different sales channels?
- What are your cashflow requirements?
- Does your profit margin allow for the additional fees or commissions required by the sales channel?

### Your Business Goals

- How do you plan to scale your business?
- What are your long-term business plans?

### Your Products

- Do your products appeal to a large market or a niche?
- Do your products require special handling or restrictions?
- Do you sell personalized or handmade products?

### Other Factors to Pay Attention To

- **Commission:** Sales platforms see themselves as intermediaries between customers and providers. Understandably, they also want to be paid for this. This is usually done through commissions. Depending on the revenue that you earn from a successful sale, the marketplaces charge a fee. When selecting a platform, pay attention to whether or not these costs are reasonable for you.
- **Range:** Different online marketplaces reach different numbers of people. But that doesn't necessarily mean that the highest range is best for your business. A platform with a focused range of offers, for example, could help you avoid scattering losses.

- **Sales model:** Not all e-commerce platforms function according to the principle of fixed prices. Auctions, like on eBay, pit buyers against one another: The highest offer wins the bid. In a reverse auction – also known as a Dutch auction – the bid price decreases continuously during the bidding period. If bidders wait too long, the offer could go to another interested party.
- **Focus:** Some marketplaces have a very particular target group, or only offer a particular product range.
- **Usability:** For companies, how easy the e-commerce platform is to operate is also a decisive factor. The adjustment of products as well as the purchase transaction should be as simple and easy to handle as possible. The freedom of design on the article pages is also important when making a decision.

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### 3.3 Selling your products

- **Competition:** How is the competition positioned on the marketplace in question? Maybe it makes more sense for you to select another platform where you won't get lost in the competition for customers.
- **Interface:** Especially when you run your own online shop, it's helpful if the marketplace offers corresponding interfaces. Compatibility with existing enterprise resource planning (ERP) systems can also significantly simplify your workload. This means that you won't have to manually add stock.

Sellers can do more work on specific marketplaces to study competitors' ad campaigns, prices, social media, and sales, and to identify profitable products and emerging niche categories.

Some good tools for doing this at scale on Amazon include **Junglescout's** Amazon Sales Estimator and **Sellics** Seller Edition software. eBay sellers have various further tools to dig much deeper to identify demand patterns in very specific categories and gain a nuanced sense of product-price-marketplace fit:

One tool valued by eBay sellers is **Terapeak**, which enables merchants on these platforms to track the performance of their own eBay stores and their competitors' products and pricing strategies, and the popularity of specific product categories. According to Terapeak, it provides inventory and sales data for over a billion listings in tens of thousands categories. It also leverages marketplace data to offer keyword and listing optimisation recommendations, monitoring and tracking the performance of your listings over time.

**zik Analytics** helps sellers find profitable categories on eBay and other marketplaces. Zik also uses massive data to identify fast-moving products, interesting niches and emerging categories. There is a free training academy and a 7-day free trial.

Junglescout



Terapeak



zik Analytics



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## 3.3 Selling your products

### 3.3.2 Marketing and driving customers to your listing or website

#### 3.3.2.1 General marketing approach

Digital marketing encompasses a range of activities that help companies to win and retain online customers. Sellers that are new to e-commerce, and businesses aiming to focus more time on other activities (e.g. manufacturing, commercial relationships), are advised to consider using a digital marketing specialist. The UK is one of the leading centres for digital marketing in the world, with highly creative independent firms competing alongside the digital divisions of global players in marketing and advertising. Integrated cloud marketing platforms such as Adobe Marketing Cloud and Salesforce.com serve many of the world's top companies and brands.

At present, these platforms are investing heavily in enhancing existing services with AI and offering new solutions built on machine learning.

Services that digital brand marketing services provide include:

- **Website design:** A company's website is one of the first touchpoints that customers and partners interact with. Over half of Internet retailing in the UK is conducted on mobile devices and websites must be fully responsive. Pages should load quickly and be highly visual. The best websites are the result of a continuous process of optimisation that uses techniques such as A/B/n and multivariate testing (MVT) to ensure that the best and most appealing version of a website is selected. A website with e-commerce capabilities will represent a core channel and should feature intuitive categorisation of products on the front end and integration with back-end systems. Companies aiming to develop a sales portal are advised to work with agencies that have specific experience in e-commerce projects.
- **Pay-per-click (PPC) advertising:** Pay-per-click advertising is one of the most popular methods for driving new users to a website. A PPC campaign places ads on search engines and other websites that include a link back to the seller's website. The basic model is straightforward and involves creating a campaign with a set budget and period. During the campaign, bids are placed for featuring a link next to specific keywords or ads are displayed on other sites selected by a planner. PPC quickly becomes more complex and an agency can help to select the most effective platforms, generate copy, advise on appropriate ad formats and consult on advanced techniques such as bidding strategies, location targeting, conversion tracking and ad extensions.

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### 3.3 Selling your products

- **Search engine optimization (SEO):** Search engines are an important channel for driving traffic to a company's website. A search engine takes account of the quality of content featured, navigational strengths and traffic flows for websites when ranking results. Agencies can help to optimise the content and format of a client's website, with the goal of improving its position in search engine results. Advice on coordinating SEO with other digital marketing initiatives will also ensure a more effective approach. Sellers using channels such as Amazon and eBay should find out if they can obtain specific guidance on how to improve their search results (i.e. how they are ranked on a search results page) on the relevant online marketplace.
- **Online reputation management:** Online reputation management is a process of monitoring and responding to opinions held by audiences and customers on a company's brand and offerings. An agency will provide easy tools and metrics for assessing reputation and provide an optimal strategy to improve scores. A coordinated approach should account for all principal channels used by online audiences, including social media, websites and – where used – online marketplaces. An agency can help on the specific questions of how to respond to negative reviews and how to manage PR for new product/service launches.
- **Email marketing:** One of the longest-standing forms of digital marketing, email is still an effective means of recruiting new customers, increasing brand awareness and gauging customer behaviour. An agency will advise on tailoring campaigns to the client's brand, making best use of software for automating campaigns and meeting the requirements stipulated by GDPR and other relevant legislation.
- **Analytics:** The process of measuring the performance of and deriving insights from the above tools is a critical stage in the digital marketing cycle. A plethora of tools appropriate to specific channels can quickly lead to fragmentation in measurement and hamper a company's ability to gain a unified view of its customers and performance.



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## 3.3 Selling your products

### Marketing tools



#### Klaviyo

Klaviyo is an excellent choice for newcomers to the e-commerce world who don't have the budget for full-time digital marketing. It's a multiservice tool that handles everything from A/B testing to email autoresponders. It can be integrated with virtually any app or they offer a number of their own integrations. Plus, it's free for up to 250 contacts.



#### ActiveCampaign

ActiveCampaign gives you the email marketing, marketing automation and CRM tools you need to create incredible customer experiences. It is known for analytics and has a reputation for rapidly updating and changing based on user comments.



#### Buffer

Buffer is a social media tool used for tracking your audience's interest in topics and boost engagement. It provides the means for you to schedule posts to Twitter, Facebook, Instagram, Instagram Stories, Pinterest, and LinkedIn, as well as analyse their results and engage with their community



#### Antavo

Antavo is an enterprise-grade SaaS loyalty technology provider that builds engaging loyalty programs to foster brand love and change customer behaviour and encourages referrals. It delivers a pure-play loyalty program technology for omnichannel and e-commerce, combined with next-gen in-store functionalities.



#### Exit Bee

Exit Bee is a tool that uses behavioural psychology with well-timed popups to increase lead conversion and email subscription rates, decrease cart abandonment and provide targeted messaging to your customers.

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## 3.3 Selling your products

### 3.3.2.2 Marketplace Examples



#### Amazon Marketing Strategy

- **Invest in SEO and optimize all of your listings.** This is really crucial for an established marketplace like Amazon. Spend the time researching the best keywords, optimise your descriptions, work on formatting your product names to include the right keywords for the best click-through rate.
- **Amazon ads** are a big source of revenue for retailers. Make sure that you have someone on the team that specializes in running ads on Amazon or pick an agency.
- **Excellent customer service is key on Amazon.** Maintain a 24-hour response rate to every question or complaint. Make sure that you answer everything on time. You can load up some templates that will be automatically sent for you when the order moves across the various stages. Also, make sure to respond to every negative review which showcases customer importance.



#### eBay Marketing Strategy

- **Promotions** – promotions are key on eBay. You do need to get on the store plan with them (which is a monthly payment) but it's well worth it. eBay tends to prioritise promotions that are about to be over so a great way to optimise promotions is to make them run for 2 days, so 15 promotions per month.
- **Ads** – another great way to double your impressions is to advertise every listing you have. When you do this, eBay creates duplicates your listing when it displays the advertised one on specific search results. The amount you advertise it for doesn't really matter in the beginning and can be tested/optimised later on.



#### Etsy Marketing Strategy

- **Use product tags** – Product tags are probably one of the most powerful features of your listing and you should use the maximum 13 tags on every product. Free tools like eRank can be installed on your store and will show you which products aren't fully optimised, so you don't have to go digging through your entire inventory.
- **Optimise your listings** – Listing details like the holiday or occasion, colour, dimensions of the product, materials used, personalisation, are all features that might land you a top spot on a user's search. Don't skip these, go through them and test them out.
- **Post videos** – videos are a great way to differentiate yourself. You can post tutorials and guides on how to install/use your product, you can post promotional videos, and more. Etsy will start displaying more and more videos as they develop this feature so it's a great time to jump in before everyone is using it.
- **Branding** – branding is very important. Branding is a way to differentiate your images from your competitor's images.

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## 3.3 Selling your products

### 3.3.3 Pricing your product for the market

The most basic way to set a price is to consider variable costs such as shipping and taxes, fixed costs, and margin you want to make. Granted, sellers will also want to know what similar categories are sold for on average. Most UK product searches start on Amazon or Google, and these are good platforms to use to get a feel for prices in real time. 85% of consumers use Google for product ideas and information before buying; over 60% rely on Amazon for such categories as electronics games, and books.<sup>32</sup> Google Shopping, an extensive price comparison engine that automatically appears on Google search results, trawls across retailers' websites for prices on a given product.

CamelCamelCamel is a widely used price comparison platform for Amazon, and highlights the percentage saving the shopper gets when buying the product on Amazon.

For a more scientific price setting, sellers use dynamic and real-time market pricing strategies to track fluctuations in prices on marketplaces, monitor competitors' prices, and automatically or semi-automatically change their own.

This strategy can be operationalised with software such as RepricerExpress, an eBay and Amazon repricing tool.

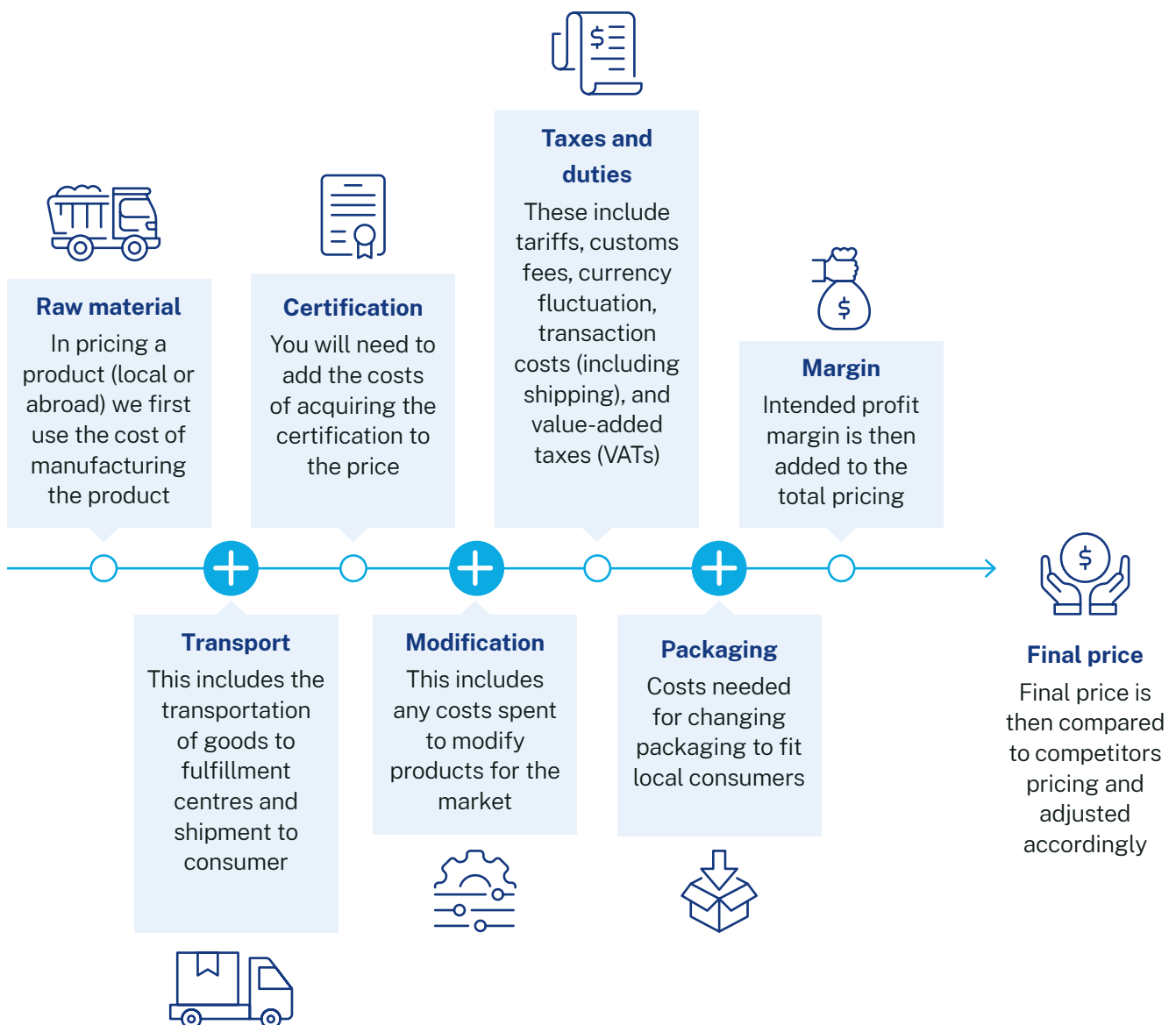
There are many other pricing tools such as Prisync, PriceEdge, Comptera, Terapeak, Intelligence Node, and Price2Spy; many of these also offer sellers information about elasticity (how sensitive demand is to price changes) as well as options to set customer-specific pricing and offer discounts and rebates. Darwin Pricing helps sellers see what retailers charge in any one city.

32. [https://skai.io/wp-content/uploads/2017/09/Kenshoo-DIGI\\_WPaper-1-2.pdf](https://skai.io/wp-content/uploads/2017/09/Kenshoo-DIGI_WPaper-1-2.pdf)

### 3.3 Selling your products

The diagram below describes the pricing journey a seller would have to consider when exporting out of their home market. There are other factors to be included like marketplace memberships (if any), marketing costs and risk of refunds.

Pricing journey a seller would have to consider when exporting out of their home market





### 3.3 Selling your products

#### Example: Pricing of handmade jewellery in Australia



#### Assumed adjusted pricing for UK market



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## 3.3 Selling your products

### 3.3.4. Shipment

The UK's tax authority, Her Majesty's Revenue and Customs (HMRC), changed the value added tax (VAT) on imported e-commerce items at the beginning of 2021. Sellers have to pay VAT in the UK for purchases UK customers make, and marketplaces collect tax on behalf of sellers for sales not exceeding £135. As opposed to past practice where items costing less than £15 were exempted from VAT, now VAT applies to all B2C goods sold into the UK. However, consignments that do not exceed £135 in value are subject to sales VAT instead of import VAT. The sales VAT should be charged to the UK consumer by the sellers upon checkout. The seller is to then report the tax on a UK VAT return, along with a simplified customs declaration.

The £135 threshold is merely the intrinsic value of the goods shipped, and does not include the cost of transportation, insurance or other import taxes.<sup>33</sup>

Products that cost more than £135, or consignments of multiple products with a combined intrinsic value above £135, need to pay the import VAT and any applicable customs duties, and reclaim if they have a UK VAT number. Sellers that do not sell via a marketplace must be UK VAT registered, and charge UK VAT to businesses or consumers. Marketplaces meanwhile collect VAT on behalf of the sellers.

Sellers selling into the UK also need to declare goods at customs and pay customs duty. The UK has a helpful site on applicable duties (and tariff rate quotas that might apply to some products) at [www.gov.uk/guidance/tariffs-on-goods-imported-into-the-uk](http://www.gov.uk/guidance/tariffs-on-goods-imported-into-the-uk)

Products sold in the UK must also meet a range of rules and standards, for example specific rules of cosmetics or food products. Every item sold in the UK also needs to be labelled with information about the origin, weight and dimension, chemical composition and appropriate hazard warnings.

#### Shipment process and cost

One of the biggest challenges for sellers in crossborder e-commerce is balancing delivery price and efficiency. There are fortunately many options and an entire industry to think about the right shipping methods—such as fulfillment by the seller, fulfillment by a third party or marketplaces, and dropshipping.

#### Fulfillment by Seller

For sellers that take it onto themselves to fulfill a purchase, much of the shipment's cost depends on the size, weight, product, and speed. There are some ready online tools to calculate shipping costs and total landed cost from Australia to the UK, such as by post (slow and cheap), express shippers (fast and costlier). To estimate delivery costs, sellers can access shipping cost calculators such as:



Easyship that connects marketplaces and sellers to couriers: [www.easyship.com/en-au/shipping-rate-calculator/australia-to-unitedkingdom](http://www.easyship.com/en-au/shipping-rate-calculator/australia-to-unitedkingdom)



Shippo too has a delivery cost calculator: [goshippo.com/products/post-purchase-tracking/](http://goshippo.com/products/post-purchase-tracking/). It integrates with shipping giants DHL, UPS, FedEx, CouriersPlease, and Australia Post.

33. [www.avalara.com/vatlive/en/vat-news/uk-post-brexit-vat-on-e-commerce-b2c-imports.html](http://www.avalara.com/vatlive/en/vat-news/uk-post-brexit-vat-on-e-commerce-b2c-imports.html)

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### 3.3 Selling your products



**DHL's Duty and Tax Calculator** API calculates the duties, taxes and governmental fees for any cross-border shipment, taking into consideration country de minimis values and preferential tariff rates that may apply. A “landed cost estimate” is a calculation of the total amount you can expect to pay for transit costs and insurance charges, as well as applied duties, taxes and fees for the commodities being shipped. DHL also offers data on product compliance needs, enables you to print trade documents and helps identify the right Commodity Code Classification.



**Sendle**, the Australian door-to-door package delivery company designed for small businesses that is also present in the United States, can be an emerging option to ship to the UK as a “100% carbon neutral shipping” provider, which can be a major selling point with increasingly environmentally conscious shoppers. It integrates with eBay, Etsy, Shopify, and WooCommerce, among others.



**Fulfillment by Amazon (FBA)**. Instead of “fulfillment by seller” and shipping products yourself, you can do Fulfillment by Amazon and have Amazon ship your inventory to an Amazon FBA warehouse in the UK, and handle storage, fulfillment, shipping, customer service and returns process. Seller pays for the inventory storage space, orders fulfillment and returns. Though fulfillment costs can be high and space tight around holidays, this option simplifies selling to the Amazon US – where your products will as a result become eligible for Amazon Prime’s free shipping or free two-day shipping among UK’s Amazon Prime members.



**Shopify Fulfillment Network**. Much like FBA, Shopify sellers can send products for warehousing and fulfillment. This option also helps you coordinate your inventory from one place. There is also a range of pricing plans.<sup>34</sup>

**Dropshipping.** When you are dropshipping, you do not own any merchandise but act as a wholesaler between manufacturers and customers. You simply source products from dropshipping suppliers and list them for sale. You don’t purchase inventory until you make a sale. Since you pay a higher wholesale price for each product, so your share of the profits will be smaller. BigCommerce, Shopify’s Oberlo, and Volusion offer dropshipping apps. Dropshipping is a neat option to those who do not want to buy inventory in bulk or handle shipping themselves, to simply retail goods online and focus on online marketing and sales.

34. [www.shopify.com/fulfillment/features#pricing](http://www.shopify.com/fulfillment/features#pricing)







# 3.4 Customer feedback

## 3.4.1 Customer protection

Two major pieces of legislation cover consumers when buying online:

- Consumer Contracts Regulations
- Consumer Rights Act.

### Consumer Contracts Regulations

Since 2014, the Consumer Contracts Regulations have provided enhanced legal protection for anyone buying goods and services from a distance – i.e. buying them online or over the phone. These mainly govern how goods and services should be marketed and delivered, along with what information customers must receive when they shop at a distance from the seller.

Here's a run-down of some of the main points that the legislation covers:

- Retailers must provide a full description of the product or service they are selling, as well as the price of the goods and how to pay for them (including delivery charges), and when the items will be delivered.
- Retailers must also provide information on how to cancel an order and offer a cancellation form.
- All of the information provided by retailers should be given in writing to the consumer once they make a purchase.
- Consumers have a right to a refund when an item fails to match the information given prior to purchase and, often more helpfully, for any reason within a minimum 14-day cooling off period.
- The cancellation period starts the day after a consumer enters into a contract for a service or receives their goods.

In summary, the retailer has a responsibility to clearly tell buyers, in writing, how to return goods and within what time frame, and whether they must pay for any returns – although this cost can (and usually should) be refunded. Any failure to meet regulations also means that buyers have the right to a refund if their items aren't delivered by an agreed date. When no date was agreed, they should get a refund if the items haven't arrived more than 30 days after placing the order.

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## 3.4 Customer feedback

### The Consumer Rights Act (CRA)

The Consumer Rights Act (CRA) was implemented on 1 October 2015, replacing three older pieces of legislation: the Sale of Goods Act 1979, the Supply of Goods and Services Act 1982 and the Unfair Terms in Consumer Contracts Regulations.

The CRA applies equally to online purchases, as long as the customer are buying from retailers or professional traders.

**Under the CRA, goods need to meet three key measures. They should be:**

- **Satisfactory:** That is, of a quality that could reasonably be expected from the information available at the time of purchase and the product price.
  - **As described:** The product must meet the description provided at the time of purchase and it should meet our expectations.
  - **Fit for purpose:** The product must meet the purpose that it is meant to perform.
- With the CRA, consumers have clear timeframes to work with if something goes wrong or they're unhappy with the goods received:**
- Within 30 days of purchase, customers can request full refunds for physical goods if they are not up to the expected standards – or they can request partial refunds, replacements or repairs.
  - Within 30 days of purchase, they can ask the retailer of a digital product to fix a problem before they are entitled to ask for a refund.
  - Within six months of purchase, they can ask for a faulty product to be replaced/ repaired then, if that does not fix the issue, they can request a refund.
  - Within six years of purchase, they can claim a refund/repair/ replacement if they can prove a fault was there at the point of purchase.

Both laws in place have exceptions and so the guide recommends that the vendors spend time going over them.

35. [www.internetretailing.net/customer/five-ways-that-customer-expectations-are-changing-what-the-research-says-22738/](http://www.internetretailing.net/customer/five-ways-that-customer-expectations-are-changing-what-the-research-says-22738/)

36. [www.tradecommissioner.gc.ca/guides/uk\\_e-commerce-commerce\\_electronique\\_ru.aspx?lang=eng#6](http://www.tradecommissioner.gc.ca/guides/uk_e-commerce-commerce_electronique_ru.aspx?lang=eng#6)

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## 3.4 Customer feedback

### 3.4.2 Customer satisfaction and expectations

- **Faster delivery times** – The time it takes for an item to be delivered is the most frustrating part of ordering online, according to 39% of UK respondents to a survey carried out by Arlington Research for mobile and IoT solutions provider SOTI. It questioned 6,000 respondents in eight markets including the UK for the From Bricks to Clicks: State of Mobility in Retail 2021 report. Almost a third (30%) of UK respondents said they buy from the brands that deliver to them the fastest, and 37% (38% globally) say they will look elsewhere if delivery is going to take longer than two days. Almost half (45% UK, 47% globally) say they would like to collect any item they buy online from a shop the same day.
  - **Better returns** – Almost two-thirds (64% UK, 63% globally) of those responding to the SOTI study say they would like automated returns processes in order to speed up the shopping experience, while 58% of UK respondents (59% globally) say they would buy more from a store if the returns experience was easy.
  - **Safer data** – 50% of UK shoppers told the SOTI study that they had abandoned a purchase online because they did not trust the site with their payment details. The figure falls to 48% globally.
- Shoppers are more likely to trust large retailers (63% in the UK, 57% globally) to keep their personal and payment data secure while almost half (45% UK, 47% globally) say they are nervous about whether smaller retailers can keep their data secure.
- **Demand shifts to local high streets** – Shoppers bought from local high streets in 2020 in 2021 when they couldn't get an online grocery delivery slot, according to a study from NearSt. It identifies four periods last year and early this when delivery slots ran short – and estimates that 6.3m people looked to their local high streets to buy instead, checking online for local product availability. Those delivery slot shortages came ahead of and during the first lockdown, between March 13 and 31, when local shops saw the number of people checking online product availability rise by 180% – with beer, wine, gin, flour and baking soda leading searches. Further delivery slot shortages came in June, when a problem in Tesco's online delivery system was reported and local product searches rose by 34% between June 20 and 22. These were following during the second and third lockdowns in November 2021 and January 2021, when local product searches rose by 20% between November 3 and 10, and by 20% between January 4 and 7.<sup>35</sup>
- **Customer Service** – Consumers in the UK are accustomed to high levels of customer service, and long-term investments by e-commerce global leaders in the market have extended these expectations to online activity. Indeed, a Microsoft report found that 62% of consumers surveyed for the report had stopped using a brand due to a poor experience – an indication of the importance of a positive experience on building loyalty. On top of this, the bar is rising, with nearly two thirds of respondents noting that they expected more from customer service compared to the previous year.
- Companies polled for this report highlighted the ease with which UK consumers switch vendors if expectations are let down in any way. Companies need to get interactions right every time in order to retain UK customers. Call centres remain an effective method of interacting with customers, but there has been rapid growth in the use of other channels due to the proliferation of connected devices. A higher proportion of UK users prefer using email and live chat relative to other parts of the world. UK companies have also invested in social media as a means of reducing the pressure on other channels and providing quick resolution to customer problems.<sup>36</sup>



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# 4 Australia and the United Kingdom





# 4.1 Trade Agreements and nuances of exporting to the UK

## 4.1.1 The latest on the Australia-UK free trade negotiations

UK Prime Minister Boris Johnson and Australian Prime Minister Scott Morrison announced the agreement of a free trade deal between the UK and Australia on 15 June 2021 during the Australian Prime Minister's visit to the UK.

Upon taking effect, the Australia-UK Free Trade Agreement will provide significant growth opportunities for Australian businesses by improving their access to the large e-commerce market in the UK. The UK and Australia both envisage a high degree of trade liberalisation that will see tariffs removed between the UK and Australia and collaboration in the areas of digital trade and e-commerce and consider it an important strategic priority.

Although the UK Government has publicised the signing of numerous agreements with countries since leaving the EU, the majority of these are merely 'rollover' agreements that duplicate the previously agreed EU terms. The signing of the Australia-UK Free Trade Agreement would represent only the second such deal that the UK has negotiated 'from scratch' since leaving the European Union.

Australian companies will therefore be uniquely placed to leverage and benefit from increased and early access to one of the largest e-commerce markets in the world.

### Australia-UK FTA – agreed commitments

#### Trade in goods

Australia and the UK have committed to the liberalisation of tariffs on each other's goods as well as to addressing non-tariff barriers to trade between the two countries. Under the free trade deal, Australia and the UK have committed to:

- eliminating customs duties on originating goods of the other country in accordance with the tariff elimination schedules
- implementing technical consultations on non-tariff measures at the request of either the UK or Australia
- establishing a Committee on Trade in Goods and share tariff preference utilisation data.

#### Goods market access

Under the free trade deal, Australia and the UK commit to the liberalisation of tariffs on trade in goods, while taking into account product sensitivities. Agreed commitments include:

- full liberalisation of UK originating goods entering Australia and of Australian originating goods entering UK. This includes but is not limited to:
  - increasing Tariff-rate quota (TRQ) volumes on beef over 10 years, with access to a duty-free transitional quota of 35,000 tonnes on EIF, rising in equal instalments to 110,000 tonnes in year 10
  - increasing TRQ volumes on sheep meat over 10 years, with a duty-free transitional quota of 25,000 tonnes on EIF rising in equal instalments to 75,000 tonnes in year 10
  - tariffs on sugar will be eliminated in equal instalments over 8 years with a duty-free quota of 80,000 tonnes on EIF rising in equal instalments to 220,000 at year 8
  - tariffs on dairy will be eliminated in equal instalments over 5 years.
- neither side will seek additional access or faster tariff reduction through the UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

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## 4.1 Trade Agreements and nuances of exporting to the UK

### Services

Australia and the UK commit to liberalising services to strengthen existing bilateral trade, deepen market access and make it easier for services companies to trade and for professionals to operate in each other's economies. The UK and Australia have agreed to a high standard rules for all services sectors, including cross border trade in services, professional services, financial services, maritime and delivery services, and telecommunications.

Commitments agreed to in the free trade deal include:

- highly liberal approach to trade in services, including full market access for service suppliers from the other country at central and regional level, except where specific reservations [once regional consultations are complete] are noted in a schedule (i.e. using the "negative listing" approach)
- services market access liberalisation going beyond the UK and Australia's respective best precedent to be finalised through a request and revised offer process
- professional services provisions that will deliver long term benefits for UK and Australian professionals who want to work in each other's territory and have their qualifications recognised without facing unnecessary cost and bureaucracy, primarily through collaboration between UK and Australian accreditation and regulatory

bodies aimed at facilitating qualification recognition

- "Most Favoured Nation" (MFN) provisions which ensure that if UK/Australia provide more generous access to their services markets for other countries, this will be extended to Australia/UK too
- non-discrimination provisions, ensuring that UK/Australia cannot discriminate in favour of its own service suppliers
- coverage of the services disciplines where services are supplied by the presence of a national of UK/Australia in the other country.

### Digital trade

Australia and the UK are committed to increasing opportunities for digital trade across all sectors of their respective economies under the free trade agreement. Commitments made by Australia and the UK on digital trade include:

- cross-border data flows and avoid unjustified data localisation commitments, whilst ensuring high standards of data protection
- open digital markets by establishing effective principles that allow businesses to operate fairly and competitively. Recognition that consumers benefit from equal treatment by internet service providers and commitment not to impose customs duties on electronic transactions

- reducing barriers to digital trade by addressing restrictive practices such as requirements for paper-based trade administration documents and a commitment to accept electronic contracts
- a safe trading environment for both consumers and businesses, through new and innovative ways to establish protections online, including improved enforcement and compliance provisions that support online consumer protection, personal information protection, and discourage unsolicited commercial electronic messages (spam).

### Small and medium enterprises (SMEs)

Australia and the UK are committed to affirming the critical role of SMEs in the economies of each country. The commitments agreed include:

- establishing and maintaining a website of information for SMEs interested in trading, investing, or doing business with the other country
- facilitating cooperation between the UK and Australia, such as through the exchange of information on programs to assist SMEs participation in global markets.

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## 4.1 Trade Agreements and nuances of exporting to the UK

### 4.1.2 Details around the UK leaving EU

The UK voted to leave the EU in 2016 and officially left the trading bloc – it's nearest and biggest trading partner – on 31 January 2020. A transition period between the UK and EU was agreed to keep many things the same until 31 December 2020, to allow enough time to agree to the terms of a new trade deal that then took effect from 1 January 2021.

Under the terms of the deal agreed between the UK and EU, UK companies can still buy and sell goods across EU borders without paying taxes and there are no limits on the number of things which could be traded between the UK and the 27 remaining EU member states.

Northern Ireland will continue to follow many of the EU's rules under the Protocol on Ireland/Northern Ireland in order to avoid a hardening of its border with the Republic of Ireland. This has seen the introduction of new checks at air and sea ports on goods entering Northern Ireland from the rest of the UK.

### 4.1.3 Specific issues including different processes to ship to Northern Ireland

The Protocol on Ireland/Northern Ireland, commonly abbreviated to the Northern Ireland Protocol, is a protocol to the Brexit Withdrawal Agreement that covers the special situation in Northern Ireland. As part of the Withdrawal Agreement, the Revised Protocol on Ireland and Northern Ireland entered into effect from 1 January 2021.

The UK-Australia trade agreement will likely see zero tariffs introduced on goods traded between the two nations. However, the Northern Ireland Protocol may mean that Australian products may not have zero tariff access to Northern Ireland due to the protocol's rules on tariffs.

Imports into Northern Ireland can only make use of the UK's trade deals if the difference between the applied UK tariff and the applied EU tariff is less than 3% of the value of the good. Because the EU tariff for imports of many such food products is so high, the difference between the EU tariff and the UK's trade deal tariff with Australia is likely to be over 3%.

This means Australian exports to Northern Ireland are unlikely to be able to make use of the UK-Australia trade deal. The UK can still choose to refund or waive the EU tariff for Northern Ireland importers, but this ability is constrained by state aid rules.

#### **Bringing goods into Northern Ireland from Great Britain and from countries outside of both the EU and the UK**

You will need to make declarations and pay any tariffs due when bringing goods into Northern Ireland from Great Britain or from countries outside of the EU and the UK.

There are a number of options available to make sure the right tariff outcome is applied on the goods you bring into Northern Ireland. Before moving your goods, you should consider which of these options is most suitable for your business.

Under the Northern Ireland Protocol, EU VAT rules will continue to apply in Northern Ireland in respect of goods.

## 4.2 Setting up to sell in the UK

### Important steps for online sellers to take now

It's important that all online sellers doing business internationally be proactive in understanding any new liabilities so they are complying with the new rules.

Here are some simple steps you can take:

- 1. Register for a UK VAT number:**  
If you are selling goods with a value of £135 or less directly to UK based consumers (private individuals and non-VAT registered businesses), sign up for a UK VAT number at [Register for VAT](#).
- 2. Apply for an EORI:**  
You need an [Economic Operator Registration and Identification](#) (EORI) number to move goods between the UK and non-EU countries. To apply, visit [Get an EORI number](#).
- 3. Know your Commodity Codes:**  
In order to charge the correct VAT rate, make sure your product descriptions are detailed and relate to a recognised Commodity Code. The correct VAT charge will have to be indicated on your invoice at the time of sale. Lookup Commodity Codes, duty and VAT rates at [Gov.uk's Trade Tariff](#) page.
- 4. Practice good record keeping:**  
Keep a record of the goods you sell and ensure you have the correct information to apply the correct VAT treatment. You can refer to [UK VAT Record Keeping](#) for details on how to stay up to date.
- 5. Selling to a UK VAT registered business:**  
If you're selling goods valued at £135 or less directly to UK VAT registered businesses, you need to obtain their VAT registration number and account for the VAT by means of a reverse charge.
- 6. Selling through a marketplace:**  
For businesses selling goods through an online marketplace like eBay or Etsy, the online marketplace is required to register for UK VAT and to account for the VAT due on their VAT return.
- 7. Know the rules & talk with your accountant:**  
Be sure to familiarise yourself with the [official advice from the UK Government](#), and always consult a tax professional for issues related to taxes, duties, customs and other regulations.



# 4.3 Third-party service providers

At the time of writing this guide, these companies were considered as relevant examples of available service providers. As the need for professional services varies depending on individual

circumstances, you should use your own commercial discretion to assess the suitability of these providers to meet your specific business needs. Investment NSW does not accept liability

for any loss associated with the use of this information or the advice received from these organisations, which are taken entirely at the user's discretion.



Kemp House, 152-160 City Rd, London EC1V 2NX, UK

[www.pearllemon.com](http://www.pearllemon.com)

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### Pearl Lemon

Pearl Lemon is a London based digital strategy agency that was founded in 2016. Their team of 13 employees specialises in SEO, email marketing, and social media marketing.



Battersea Studios, 80 Silverthorne Rd, Nine Elms, London SW8 3HE, UK  
[www.milkandhoneypr.com](http://www.milkandhoneypr.com)

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### Milk & Honey PR

Milk & Honey PR is a boutique PR agency, founded in 2017. They have 17 employees in their offices in London and Sydney, where they provide innovative PR, marketing and branding strategies for small and midmarket companies in a range of industries. Services include corporate messaging, crisis management, employee engagement, digital design, and video production.



## 4.4 Available support

### Support from Investment NSW

#### NSW export advisers

Investment NSW's team of export advisers are ready to assist your business on your e-commerce journey. We support NSW businesses to build their export capability by providing access to:

- **Market Intelligence and Advice:** Through our market research, we can provide valuable insights and data to help you make informed decisions on business models, logistics, website development, pricing and more.
- **Capability Development:** Our team of trade professionals provide training and coaching to improve your understanding of the export process.

We can help you identify market opportunities, prepare an export plan and implement market entry strategies. And with programs such as the Going Global Export Program, participants gain practical knowledge to launch their business onto the global stage.

- **In-market Support and Networks:** Our overseas office networks can provide a range of support services such as partner searches and business matchings. We can also help facilitate targeted introductions with industry associations, chambers of commerce and other professional groups.

- **TradeStart partnership:** Our team of export advisers located across NSW deliver the TradeStart network – a formal partnership with Austrade promoting and supporting export, international business and the government's trade agenda. We give NSW businesses a single access point for both state and federal government export support.

**Contact a NSW Export Adviser:**  
<https://www.investment.nsw.gov.au/contact-us/>

## 4.4 Available support

### Investment NSW staff based in international markets

NSW Government has 'Trade & International' staff, such as Trade Commissioners, based in 10 countries in July 2021 with plans to grow Destination NSW.

**Contact NSW Government staff in-market:** lodge a contact form at:

[www.investment.nsw.gov.au/contact-us/](http://www.investment.nsw.gov.au/contact-us/)

### NSW T&I and DNSW current footprint



### NSW T&I and DNSW current footprint

- NSW T&I: 10 countries & 10 cities
- DNSW: 9 countries & 13 cities
- T&I and DNSW: 6 countries & 7 cities
- T&I embedded in Austrade

## Support from Austrade

The Australian Trade and Investment Commission – Austrade – is Australia's leading trade and investment agency.

Austrade offers a range of easily accessible information about exporting in general and online including:

- Our digital services provide exporting advice including regulatory information (currently focused on food and agri products) at [export.business.gov.au](http://export.business.gov.au)
- An e-commerce focused web page gives some first steps to consider in exporting online including e-commerce country guides for a range of key

overseas markets found at the bottom of the page

- Export Market Development Grant (EMDG) provides financial support for export marketing expenses. Find out more at [austrade.gov.au/grants](http://austrade.gov.au/grants)

For Austrade general information: [www.austrade.gov.au](http://www.austrade.gov.au)



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## 4.4 Available support

### Third-Party Service Providers

- **Export Finance Australia** is a specialist financier that delivers solutions for Australian companies to enable them to win business, grow internationally and achieve export success. As Australia's export credit agency, Export Finance Australia operates on a commercial basis and partners with banks to provide financial support to:
  - SMEs and large domestic exporters
  - Australian companies in an export-related global supply chain
  - Australian companies investing in emerging and frontier markets
  - buyers of Australian goods and services in emerging markets.
- Through its loans, guarantees, bonds and insurance products, Export Finance Australia has helped many Australian exporters and subcontractors take advantage of new opportunities that may otherwise have been out of reach. **Contact** Export Finance Australia at 1800 093 724 or [www.exportfinance.gov.au](http://www.exportfinance.gov.au)
- **The Export Council of Australia (ECA)** is the peak industry body for the Australian export community and works with export industry organisations and governments to further the interests of Australian exporters. A not-for-profit organisation with more than 50 years of experience in supporting Australian exporters, ECA is owned by its members and directed by a council of industry specialists. The Council offers a wide range of export training programs including courses on getting started, export procedures and documentation, international trade law, intellectual property law to help business people learn about new markets, and to get started in exports. **Contact** ECA at [www.export.org.au](http://www.export.org.au)
- **Business Australia** (formerly the NSW Business Chamber) provides international trade services, processing of international trade compliance documents and international trade consulting. The Chamber produces a range of publications. **Contact** Business Australia at [www.businessaustralia.com](http://www.businessaustralia.com)
- **The Department of Foreign Affairs and Trade (DFAT)** provides information for Australian exporters including: Trade Statistics on import and export values by country and region; Information on Australia's Free Trade Agreements; Information on Australian exporters' obligations in relation to sanctions, bribery and corruption; The opportunity to register with the Australian government when travelling to potentially risky destinations.
- For exporters or plant and animal products, the Australian government's Department of Agriculture Water and the Environment website provides online resources at [www.agriculture.gov.au/export](http://www.agriculture.gov.au/export)



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# Final checklist

## Deciding to enter the market

- ✓ Identify your target audience and understand its demographics.
- ✓ Research whether your specific industry is growing via online channels.
- ✓ Make sure that the value proposition of your product or brand will be competitive in the UK e-commerce market.
- ✓ Choose which online sales platform(s) or channel(s) you will use.
- ✓ Consider any tax implications if you have or plan on having a physical link in the UK.

## Positioning for sales

- ✓ Decide which e-commerce pathway you want to pursue:
  - 1) own website;
  - 2) retailer website;
  - 3) online marketplace.
- ✓ Pick a payment processor and set up a UK bank account if necessary.
- ✓ Organise your inventory and create a plan for picking, packing and shipping products.
- ✓ Consider contracting with a third-party logistics partner if your sales volume is high enough.
- ✓ Decide whether to warehouse in Australia or the UK, or partner with a marketplace to leverage its warehousing capabilities.
- ✓ Develop processes for handling customer returns from the UK.
- ✓ File trademarks with the UK IPO.
- ✓ Create customer service systems, including at minimum email, phone and self-help sections on your brand's website.
- ✓ Develop a marketing strategy, including social media and email, and consider using an omni-channel strategy.

## Selling your product

- ✓ Make sure your product is easy to find on the multiple device types and online platforms that UK consumers use.
- ✓ Evaluate your product pricing to ensure it is competitive.
- ✓ Ensure that the product discovery, research and purchase experience are convenient for consumers.
- ✓ Identify relevant online communities and work to build relationships with key influencers in those communities.
- ✓ Consider pay-per-click and other forms of suggested advertising to get consumers to your website.
- ✓ Optimise your online content for search engine parameters.
- ✓ Monitor your online reputation constantly, both good and bad.
- ✓ Manage your social media and email outreach.
- ✓ Leverage data and analytics where possible to target consumers.

