

COVID-19 Cross-border Ecommerce Trading Implications

Insights so far and future outlook



July 2020

Executive Summary

Our research analysing cross-border ecommerce trading, based on the data of over 300 retailers and brands selling into over 185 markets, has found:

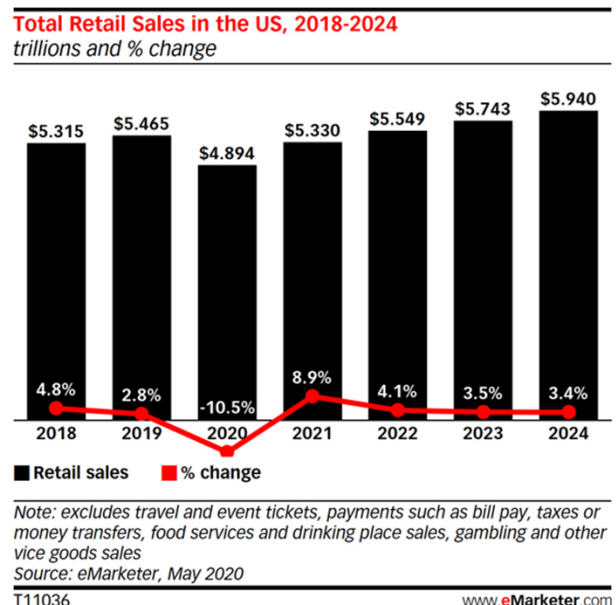
- Cross-border online purchases have increased by 21% overall compared to the same period a year ago (like for like, YoY YTD-mid June)
- Considerable growth in discretionary cross-border ecommerce trading since April, with Q2 sales alone soaring by over 53% YoY
- While stores reopened in many markets worldwide, cross-border online sales continued to increase during May and into June. May sales alone rose by 42% YoY (like for like), with June showing the same positive growth trend
- Shoppers shift their spending towards discretionary goods – but continue to buy online
- Increase in luxury cross-border ecommerce sales

The State of Retail

Six months since the first cases of COVID-19 were discovered in Europe and the full scale of the pandemic's impact on the world cannot yet be fully realised. Countries worldwide are gaining control over the pandemic and seeing their paths to recovery, taking measures to reduce the risk of a second wave of infections. Each country's response to the virus has varied along with their rates of infections, therefore recovery times also vary. Since the end of April, during May and into June, lockdowns in different areas of the world have begun to ease following decreases in the number of new cases¹, with gradual reopening of non-essential shops and other amenities.

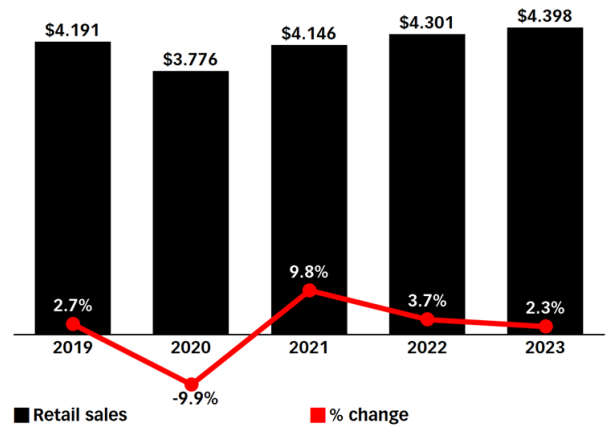
The global retail market has been highly affected by lockdowns and the closure of physical stores. Forrester predicts that due to the coronavirus, global retail sales in 2020 will decline by an average of 9.6% globally, a loss of \$2.1 trillion. Forrester also predicts that it will take four years for retail to exceed pre-pandemic levels².

In the USA widespread business closures drove retail sales to their lowest level since 2013, with April retail purchases down by 22% YoY³. The U.S. Census Bureau reports that the biggest factor in the downturn of retail was the 79% decrease in clothing and accessory sales from March to April 2020⁴. Retail sales rebounded in May by 17.7% compared to the month before, but were still down 8% from February, highlighting that retail is still not back to the pre-pandemic figures⁵. According to the latest estimations, 2020 total retail sales will drop 10.5% to \$4.894 trillion, a level not seen since 2016. According to these estimations, brick-and-mortar retail sales will fall by 14% in 2020. It is estimated to take up to five years for offline sales to return to pre-pandemic levels⁶.



Similar figures were reported in the euro area, where the calendar adjusted retail sales index decreased by 20% in April 2020 compared with April 2019⁷. Before the virus outbreak, eMarketer had forecast a 1.4% increase in total retail sales for Western Europe in 2020. Their latest base-case estimates, published in June 2020, show that sales will decline by 9.9% this year, to \$3.776 trillion (€3.372 trillion). Though they expect a significant rebound of 9.8% in 2021 as consumer confidence and spending power recover, according to their analysis total retail sales in the region will not surpass 2019 values until 2022⁸.

Total Retail Sales in Western Europe, 2019-2023
trillions and % change



Note: excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice goods sales
Source: eMarketer, May 2020

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www.eMarketer.com

In the UK, the Office for National Statistics recorded an 18% decrease in the volume of physical retail sales in April and a record 12.8% decrease in the volume of retail sales from March through to May 2020, with declines across all stores except food and non-store retailing⁹. The UK's clothing sales volume in April 2020 plummeted by 50% from March, which had already fallen by 35% since February¹⁰. Retail sales volumes started to rebound in May 2020, before the re-opening of non-essential stores, with an increase of 12% when compared with the record falls experienced in the previous month, but sales were still down by 13.1% in February before the impact of the coronavirus pandemic¹¹.

The Continued Acceleration of Ecommerce

Though retail sales in general were hit hard by the pandemic, the share of online sales has grown significantly across markets worldwide, emphasising the accelerated shift towards ecommerce. It is predicted that there will be 145.7 million more online shoppers in 2020 than the previous year, totaling an estimated 2.26 billion digital buyers this year, an increase of 6.9% compared to 2019¹². A survey by Global Web Index conducted in May across 20 countries worldwide*, found that 46% of shoppers globally plan to shop online more frequently after the outbreak. This figure has increased since April when 43% claimed that they plan to shop more online following the pandemic¹³.

Since the outbreak, ecommerce has been trading strongly, accelerated in response to the pandemic, lockdowns and new working routines. According to eMarketer's latest report, the global ecommerce retail market is expected to grow by 16.5% in 2020¹⁴.

* The survey was fielded between May 19 - 26, in the following countries: Australia, Belgium, Brazil, Canada, China, France, Germany, India, Ireland, Italy, Japan, New Zealand, the Philippines, Poland, Romania, South Africa, Singapore, Spain, the UK and the U.S

As infection rates have fallen and consumer confidence has begun to recover, we are seeing a shift in spending towards discretionary ecommerce while consumers continue to avoid physical stores and divert budgets from leisure activities and travel. Even with the reopening of stores in many markets, Global-e's data shows that ecommerce retail sales continued to grow, increasing **101% YoY YTD-mid June**. May alone increased **133%**, in part due to additional brands joining the D2C ecommerce trend.

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The continual increase that we see in ecommerce despite stores reopening emphasises the importance of ecommerce channels to balance the retreat in brick and mortar retail that may never return to pre-pandemic volumes.

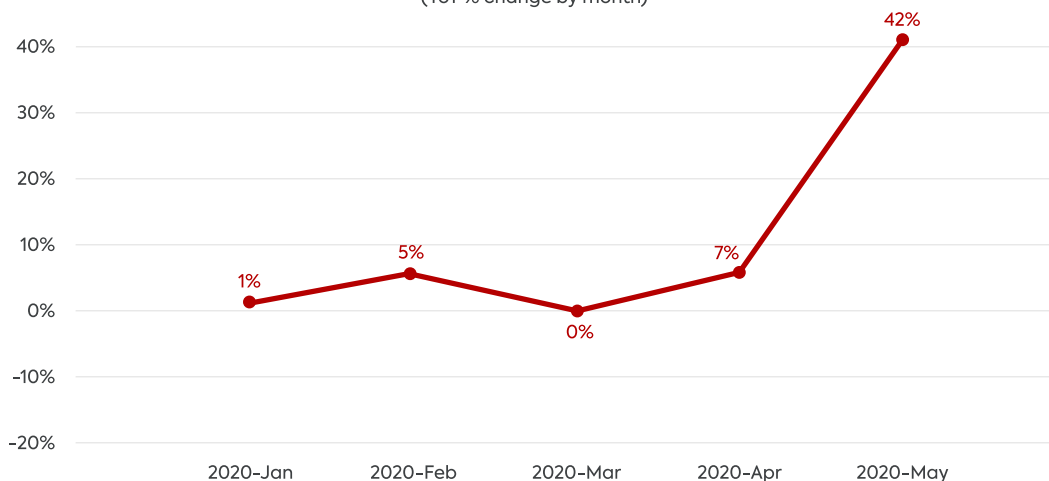
Cross-Border Ecommerce Across Global Markets

The USA

Across the USA the volume of ecommerce purchases has remained stable overall when we compare YoY sales from the start of January to the end of May 2020, to the same period in 2019. A 42% increase in YoY sales in May, following the decrease in new COVID-19 cases that signalled recovery from the pandemic as of mid-May, brings the market's ecommerce growth to **10.2% YoY YTD-June 14th 2020**.

USA: Cross-border ecommerce YoY growth

(YoY % change by month)



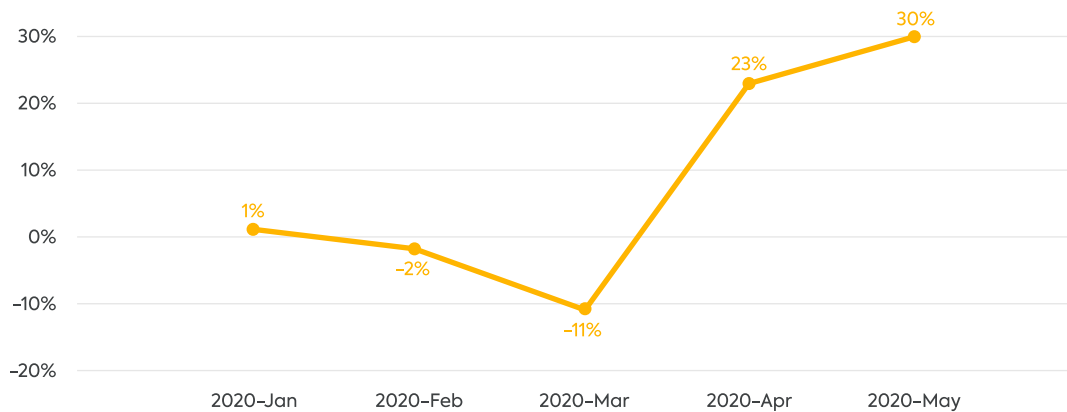
Source: Global-e

Western Europe

After seeing a slight YoY downturn in ecommerce across Western Europe in February and March in correlation with the peak of the pandemic, sales made a massive rebound in April, exceeding 2019 figures, as daily infection rates began to decline and physical shops remained closed. Sales continued to rise in May, with the easing of lockdown restrictions and a gradual return to a “new normal”, where despite the reopening of stores across many countries, shoppers continue to buy discretionary goods online. The increase in ecommerce sales volume in April and May brings the region to an overall **9.5% YoY YTD-June 14th 2020** increase, compared to the same period in 2019.

Western Europe: Cross-border ecommerce YoY growth

(YoY % change by month)



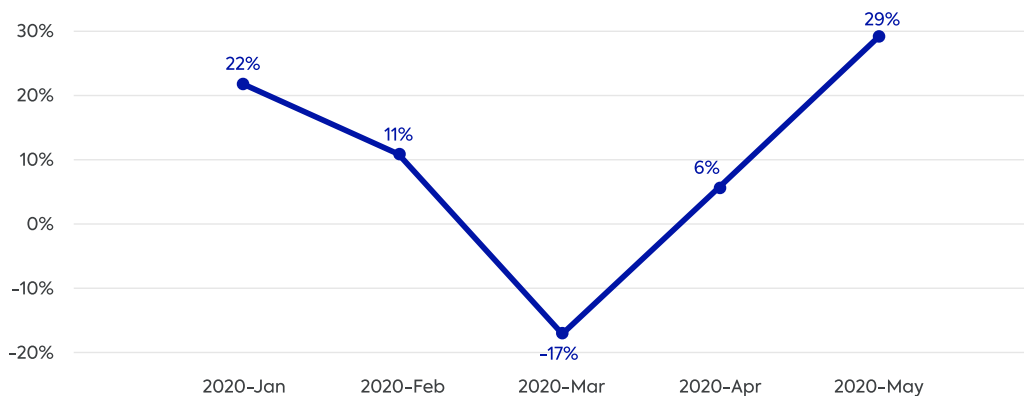
Source: Global-e

Australasia

Lockdowns across Australia and New Zealand that started in late March, triggered a brief downturn in discretionary ecommerce sales in response to a major lack of consumer confidence. However, April and May saw a sharp rise in ecommerce, with May trading 29% ahead of the previous year. Overall the region's ecommerce trading was ahead by **10% YoY YTD-June 14th 2020**.

Australasia: Cross-border ecommerce YoY growth

(YoY % change by month)



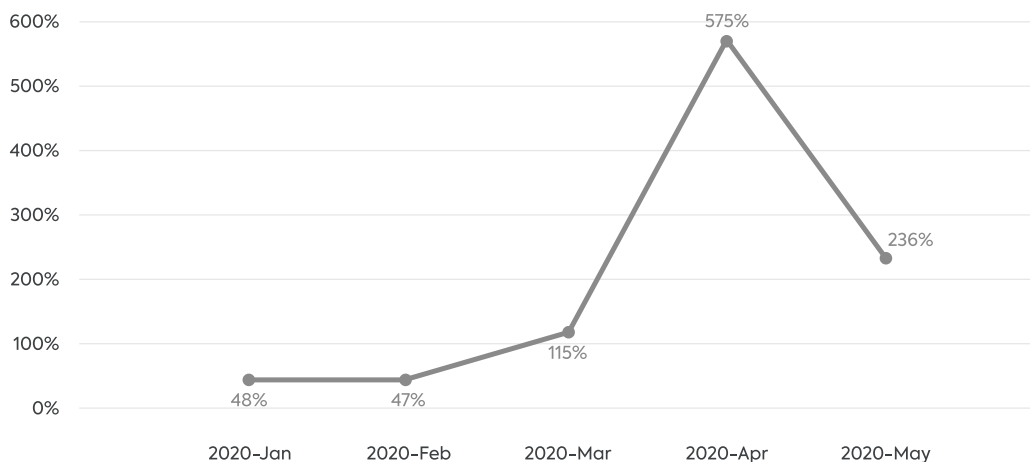
Source: Global-e

Gulf Markets

The trend of cross-border online shopping is strong in the Gulf markets, and Global-e data shows that the pandemic has not slowed down demand in this region at all. The associated peak in sales in the lead up to Ramadan came in April this year, earlier than last year, with cross-border sales trading 575% ahead YoY. In Qatar and Kuwait for example, we saw four figure increases in April trading YoY. Trading continued to boom into May across the region, with sales figures 236% ahead of May 2019, which was the peak of the holiday season that year. Cross-border ecommerce across the Gulf markets continues to show consistent growth, with an impressive increase of **214% YoY YTD-June 14th 2020**.

Gulf Markets: Cross-border ecommerce YoY growth

(YoY % change by month)



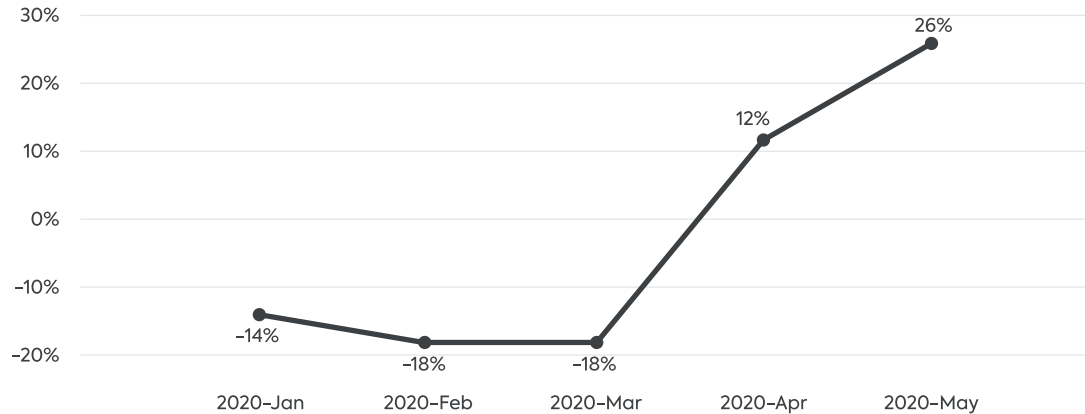
Source: Global-e

Far East Markets

Across the Far Eastern markets we saw a mixed trend from January to March, when the pandemic was at its peak in the region. We saw a decrease in sales in some of the markets, while in other markets such as Taiwan and Singapore where there was efficient and effective control of the virus, trading was particularly strong. On the whole, Far Eastern markets started to bounce back in mid-March and by April sales volumes had overtaken those of the previous year. Overall, YoY YTD-mid June 2020 trading is stable across the region, with a 4% decrease in trading YoY and positive growth YoY expected as sales continue to increase into June.

Far East Markets: Cross-border ecommerce YoY growth

(YoY % change by month)



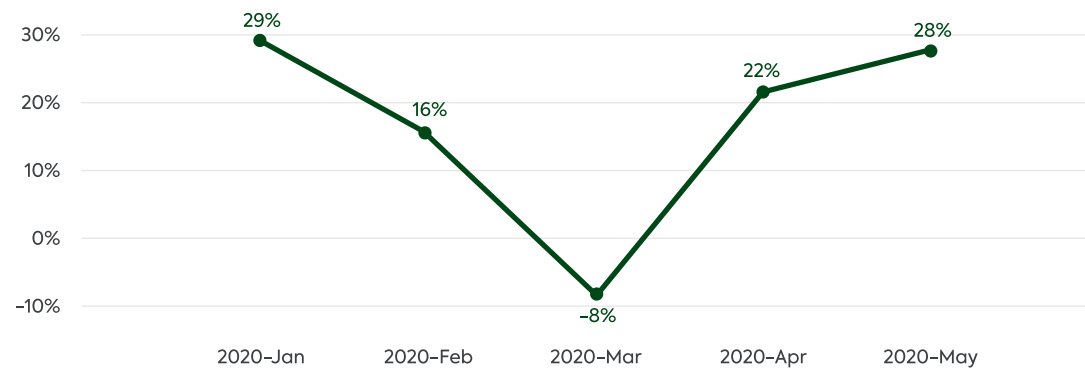
Source: Global-e

ROW Markets

The same pattern of recovery in April and May was seen across many markets worldwide, outside of Europe, North America, the Gulf region and the Far East, with discretionary cross-border ecommerce sales across ROW markets growing by 22% YoY in April and 28% YoY in May. This continued the positive growth trend that we saw at the beginning of the year before the pandemic's outbreak across the world. Overall **18.4% YoY YTD-June 14th 2020** growth emphasises the accumulated effect of long-tail markets and their potential to help merchants push their bottom line.

RoW Markets: Cross-border ecommerce YoY growth

(YoY % change by month)



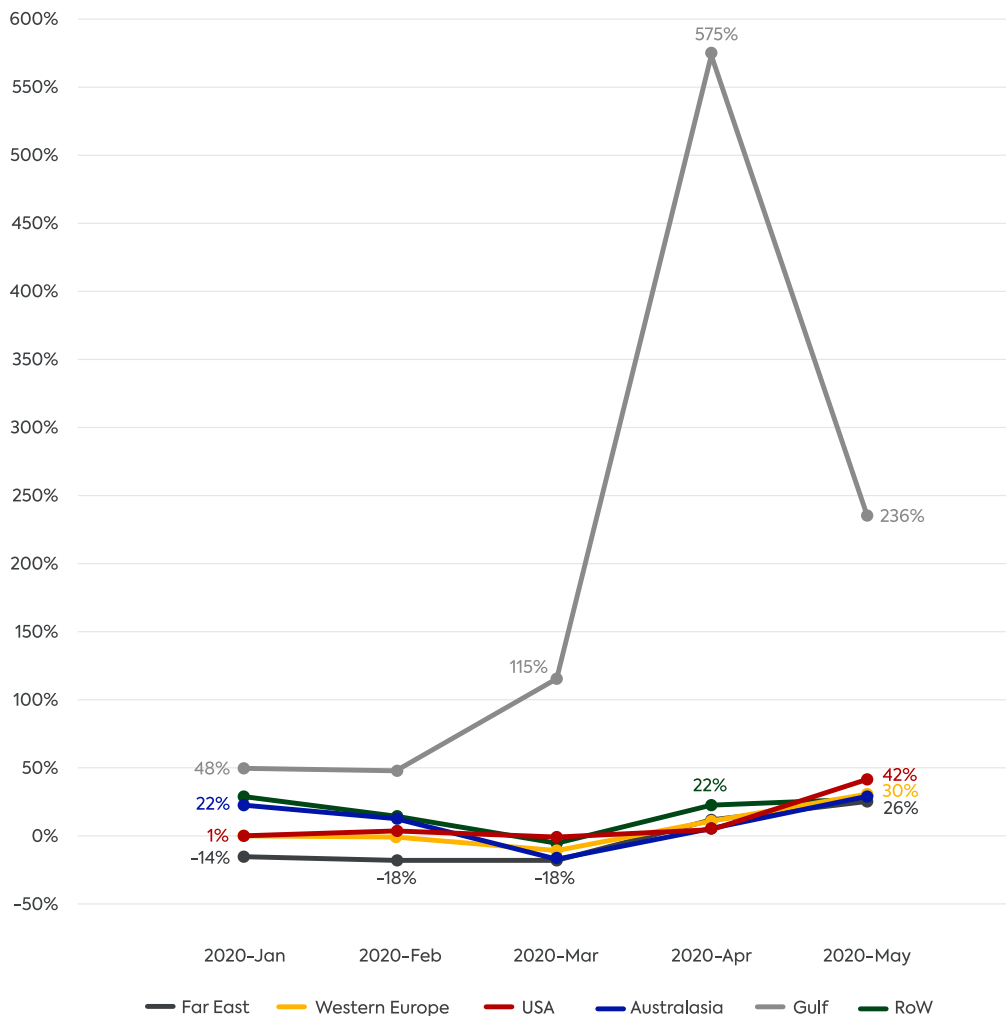
Source: Global-e

A View Across All Markets

On a global level, we saw similar trends across all markets, with sales rebounding and even exceeding pre-pandemic figures within six to eight weeks from initial lockdowns. After a slight YoY downturn in discretionary ecommerce in response to the outbreak of the pandemic, lockdown measures and the associated uncertainty, markets have rebounded with YoY increases in sales across all regions in the second half of April and into May and June. Within the Western European markets, Spain was the last country to see a rebound in sales, but YoY increases in May indicate a promising recovery of the Spanish ecommerce market. In the Far East we see YoY decreases in some markets in April and May amongst fears of a second wave of the COVID-19 pandemic, however this is balanced by the strong performance of other Far Eastern markets which bring the region to an overall increase in sales YoY for April and May. Overall, we've seen in May a positive growth in discretionary cross-border ecommerce across all markets, with sales increasing by 25%-45% YoY. The Gulf region has shown a noticeable increase with three figure percentage increases YoY (like for like). This positive trend has continued into June, with markets keeping the same YoY growth rates, emphasising the rebound of discretionary ecommerce as physical retail continues to struggle.

Cross-border ecommerce YoY growth

(YoY % change by month)



Source: Global-e

The impact of COVID-19 on the global luxury goods market

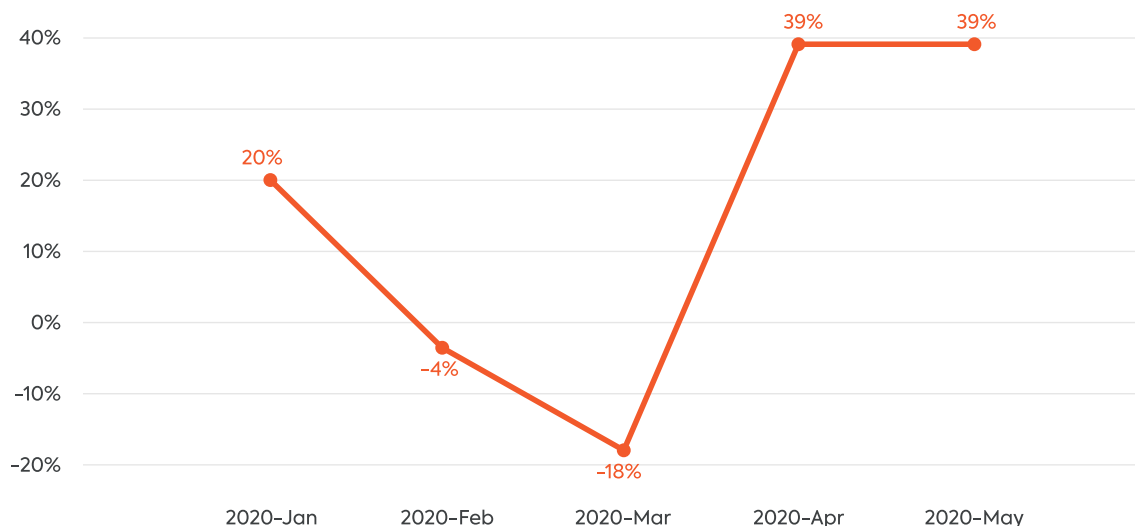
The luxury goods market has been significantly impacted by the pandemic. According to McKinsey¹⁵, 20%-30% of physical luxury sales are generated by shoppers outside of their home country. The halt in tourism from the Far East and the closing of stores has had disastrous effects on the sales of European and American luxury brands. Accordingly, the Euromonitor International forecasts that the global luxury goods market will decrease by 18% in 2020¹⁶. With major travel restrictions and the slowdown in international travel expected to continue for some time, we've seen the acceleration in the shift towards online shopping also in the luxury goods market, with the share of ecommerce increasing considerably due to the pandemic. According to Bain & Co's latest forecasts, online sales which accounted for 12% of luxury sales in 2019, will reach 28-30% of the market by 2025¹⁷.

Global-e saw a temporary decrease in luxury ecommerce retail from the second half of February and into March, in response to the pandemic. However, once consumers began to regain confidence sales picked up again, reaching 39% YoY increases in sales in April and May with the trend continuing into June. Growth was driven by the high demand for luxury apparel and accessories across all regions. Especially noticeable is the Gulf region, with luxury cross-border online sales to this region booming since April. Overall, YoY YTD-Mid June luxury ecommerce trading rose by **17.5%** across all markets.

In order for luxury brands to maintain this level of growth in ecommerce trading, it is crucial that luxury brands strengthen their D2C ecommerce strategy. By offering customers across the globe a localised shopping experience that is tailored to their market and providing them with the authentic branded experience they are looking for, luxury brands can capitalise on the increasing global online luxury market and balance the decrease in physical footfall.

Luxury: Cross-Border ecommerce YoY growth

(YoY % change by month)



Source: Global-e

A Future Outlook

COVID-19 has had a profound impact on the world and its effects on retail and consumer shopping behaviour are drastic and far-reaching. The rate of growth that ecommerce is continuing to experience even after lockdowns are lifted and shops reopen, strongly indicates that the online shopping trend that has been accelerated by the pandemic, will continue to grow.

While discretionary retail in general has seen decrease in sales in H1, highly affected by lockdowns and the closure of physical stores, discretionary ecommerce rebounded quickly and showed impressive growth worldwide. Cross-border online purchases have increased by **21%** overall compared to the same period a year ago (like for like, YoYYTD-mid June). Despite slowdowns across some of the markets when the pandemic reached its peak, sales have quickly bounced back across most of the markets worldwide with Q2 sales alone soaring by over **53%** YoY. May sales rose by **42%** YoY (like for like), with June showing the same positive growth trend.

As COVID-19 cases decrease in some markets, while other are facing a second wave with numbers of new cases beginning to spike, the world is adjusting to a "new normal" and it is very clear that increased levels of online shopping and decreased levels of shopping in physical stores is part of this new reality. The potential of cross-border ecommerce for retailers and brands is huge, and with a very uncertain outlook of the future of physical retail, it is now crucial for merchants to have a robust online strategy which covers both domestic and international commerce.

Cross-border ecommerce sales across markets worldwide are increasing, with Q2 sales alone soaring by over 53% YoY

The Importance of Advanced Localisation

The varying patterns of ecommerce performance across markets, highlights the importance of diversification for online merchants. Online retailers and brands that sell across the globe increase their profit potential and reduce their risks. In order to capitalise on the growing international demand, merchants need to make sure they are able to compete with other ecommerce players, both domestic and global, and offer customers worldwide a seamless and optimised experience, removing obstacles that prevent international shoppers from placing an order.

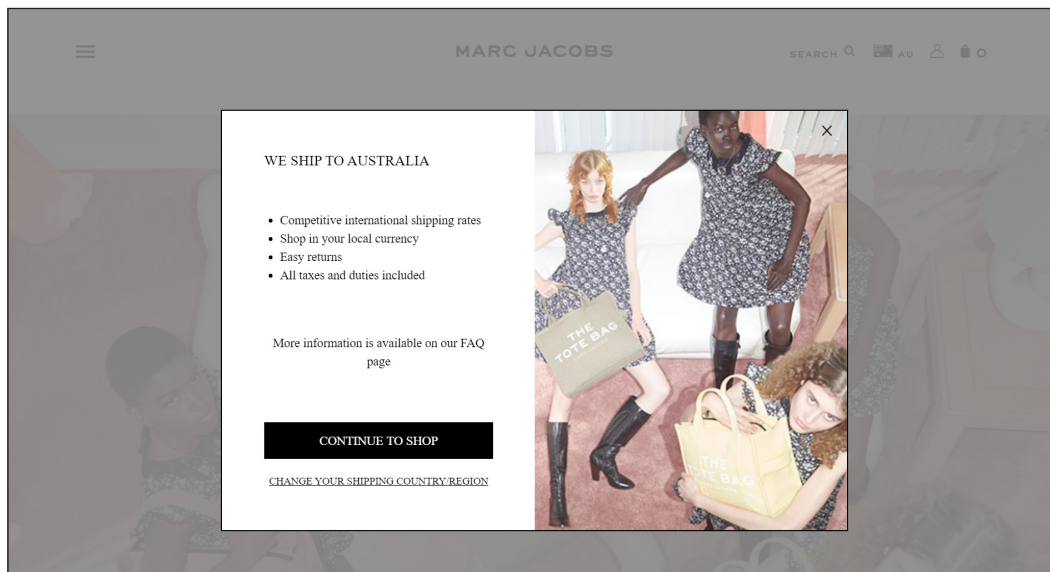
An optimised shopping experience is achieved by localising the shopping experience for each market, tailoring the offering to unique market characteristics and shopper preferences. This includes:

- Allowing shoppers to browse and make payments in their local currency, with their preferred local payment methods.
- Providing shoppers with a fully landed cost at checkout by either displaying calculations of taxes and duties and allowing shoppers to prepay them at checkout or including these additional fees in the product price, depending on the markets' local tax and duty thresholds and local shopper preferences.
- Providing a variety of competitively priced shipping and return options.

By setting their offering and adjusting it to the market, merchants significantly increase their international conversion rates and customer satisfaction, expand their global customer base and improve their ROI.

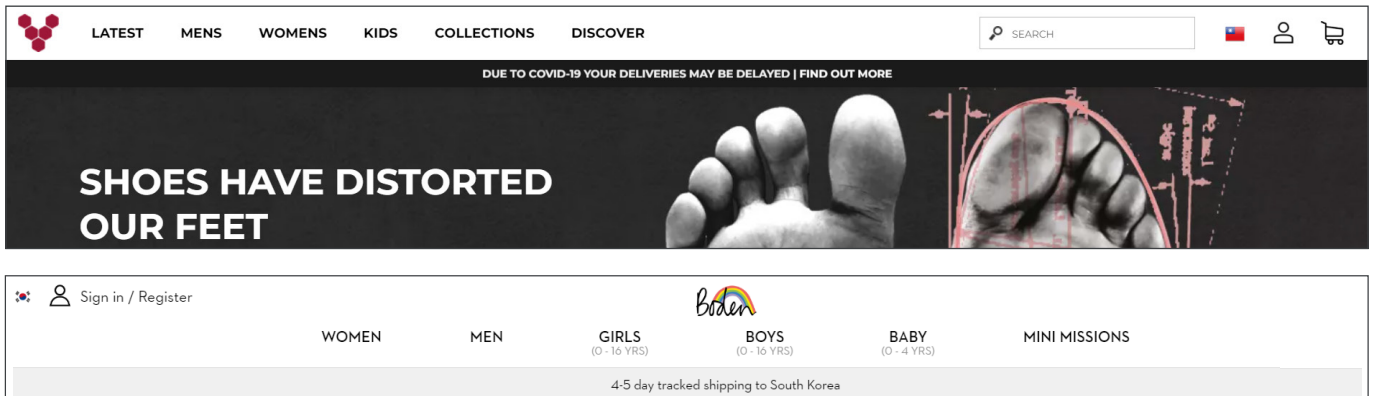
Keeping Your International Customers Informed

Clearly informing clients that you're selling to their country and presenting tailored messages to each market on your homepage and throughout the browsing journey, is a proven tool to increase conversion rates.



During the peak of the pandemic, it became very clear how important it is to be able to keep customers informed. Communicating to international shoppers that you are open for business in their location (or clearly stating that you are not) and informing them about potential delays in delivery times, has proven crucial in increasing customer confidence and reducing customer dissatisfaction.





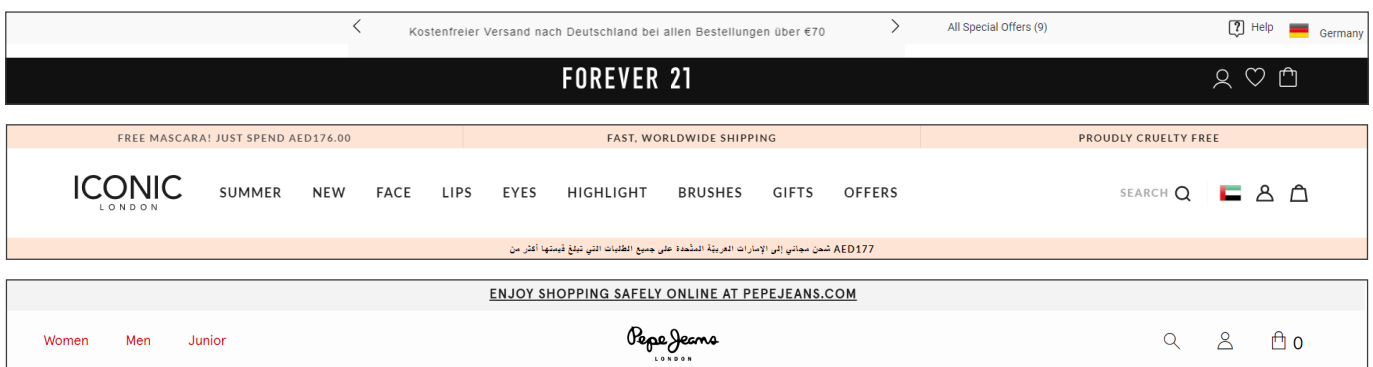
Deploy a Multi-Carrier Approach to International Logistics

During the peak of the pandemic, border closures and lockdowns in many countries resulted in a drastic reduction in international travel and caused a huge drop in the availability of international flights for cargo which created delivery delays to some markets. Though lockdowns have been eased worldwide, international flights are still not as frequent as they were pre-pandemic, which continues to affect international logistics. With the concern of a second wave, merchants are advised to make sure that their operations are in place in order to be equipped in the event of further disruption.

A multiple carrier approach which includes many shipping carriers that operate their own fleet such as DHL, means that merchants can minimise delays and reduce the impact of disruption on their cross-border ecommerce logistics as well as improving the service for customers.

Offering Special Promotions and Discounts Tailored to Local Demand

Offering special promotions and discounts is always an efficient way for merchants to convert traffic into sales and improve conversion rates. The last few months have been no exception. The differences in markets' responses and performance, highlights the advantage of running promotions that are tailored per region according to local demand and shopper preferences. Discounts are always a good tool to drive sales, but other incentives such as free international shipping can drive conversions as well. The ability to adjust the shipping proposition per market or to run market specific discounts and promotions in specific regions can help merchants increase conversions while maintaining a high ROI.



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About Global-e

Global-e (Nasdaq: GLBE) is the world's leading platform to enable and accelerate global, direct-to-consumer cross-border ecommerce growth. The chosen partner of hundreds of retailers and brands across the United States, Europe and Asia, Global-e makes selling internationally as simple as selling domestically. Our end-to-end ecommerce solutions combine best-in-class localisation capabilities, big-data best-practice business intelligence models, streamlined international logistics and vast cross-border experience, enabling online retailers to offer customers in over 200 destinations worldwide a seamless localised shopping experience. This includes local messaging per market, local pricing supported in 100+ currencies, 150+ local and alternative payment method, local tax and duty calculation with prepayment options for a guaranteed landed cost, multiple shipping options at attractive rates and easy returns. For more information, please visit our website: www.global-e.com