

Export Express

Insights to Accelerate International Expansion



Our Mission: Help Manufacturers “Spend time *Selling* to Distributors versus *Searching* for Distributors”

Sell to 96 Countries

Looking for qualified international distributors? Export Solutions’ leading distributor database supplies information on more than 8,300 distributors in 96 countries. The database features filters that allow you to screen distributors by categories such as Confectionery, Natural Food, Beverage, or Made in the USA (or Italy, UK, or Germany). New! Export Solutions’ retailer database now tracks 2,250 retailers in 96 countries. Free samples at www.exportsolutions.com.

Amazon vs. Walmart Battle: Land, Air, and Overseas



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New Distributor Checklist**

The marriage of clicks with bricks defines the omni-channel battle for consumer spending. During a forty day period in 2018, Walmart telegraphed their multi-front game plan. Walmart announced the sale (merger) of its £23 billion pound ASDA UK unit to rival Sainsbury, followed quickly with a transaction to divest 80 percent of their Brazilian operation to Advent International. Sandwiched in between the deals, Walmart tendered a \$16 billion offer for 77 percent of Flipkart, India’s leading e-commerce player. Fast forward to 2019, where reports suggest that Amazon will open an entirely new supermarket chain to supplement their 500 store Whole Foods division. UK’s Ocado appears as an attractive mate, with relationships with Kroger in the USA and Marks & Spencer in the United Kingdom. AliBaba continues to define “New Retail,” with their app driven Freshippo stores.

2019 Government Intervention

Retail is a core industry and governments are scrambling to legislate the playing field before local retailers become casualties. The UK Competition and Markets Authority effectively squashed the ASDA-Sainsbury merger citing a “substantial lessening of competition at both a national and local level.” Walmart and Amazon face greater challenges in the robust Indian e-commerce market. Prime Minister Modi’s government announced dramatic changes in e-commerce regulations. Foreign players like Flipkart and Amazon are prohibited from having financial interest in their online vendors or cutting exclusive agreements with sellers. These moves are designed to protect India’s retail industry dominated by 12 million small shop

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“kirana” owners. This represents a speed bump for the global players. A Bain report suggested that India features the world's fastest growing online retail market, with a compound growth rate of 53 percent between 2013-2017. India's online market is expected to exceed sales of physical stores within the next three years.

Walmart – Bricks and Clicks

Walmart reported upbeat news, with turnover reaching \$515 billion (yes, billion) in their fiscal year ending January 31, 2019. Highlights included USA growth of 4.1 percent, partially fueled by e-commerce sales increases of 40%. 2019 outlook projects e-commerce to surge another 35 percent, impressive results for a retailer with \$15 billion in USA e-commerce sales in 2019. A competitive advantage for Walmart is their “click and collect” capabilities from 2,100 of their stores. This is supplemented by 700 in-store pick up stores. For fiscal 2020, Walmart is targeting about 3,100 curbside pickup and 1,600 delivery locations. This will reach over 300 USA metropolitan areas. Walmart's competitive advantage is 11,350 stores worldwide that could serve as click and collect sites or logistics hubs for local delivery.

Amazon – Head Start

Amazon now claims the title of the world's second largest retailer, with sales of \$207 billion (ex. web services) in 2018, +30 percent versus previous year. Amazon sources 31 percent of their business outside North America. This includes leadership positions in Germany, UK, and Japan. Amazon continues to invest aggressively in supply chain build out while recording operating income exceeding \$6 billion in USA. This offsets a \$2 billion loss overseas. Amazon owns Whole Foods with approximately 500 well placed locations, normally near higher income consumers. Reports project that Amazon will open an entirely new supermarket chain in the USA, unburdened by the contracts and DNA of Whole Foods. This reinforces the importance of the “click and collect” model. To date, grocery delivery is too costly in most of the USA. Significant financial challenges exist to recover the cost of operating a model capable of only 3-4 deliveries per hour in suburban neighborhoods.

Alibaba: Today China, Tomorrow Southeast Asia?

Alibaba revenues will exceed \$50 billion on gross merchandise sales of more than 1 trillion dollars in the year ending March 30, 2019. This reflects an increase of 38 percent in their core commerce division. Ali Baba reported 699 million mobile active users in the fiscal year ending December 31, 2018, a figure twice the size of the USA population. Their T Mall maintains over 57% market share according to MOFCOM, followed by JD.com with 25 percent. The four mostly frequently purchased categories are apparel, daily necessities, food and beverage, and home products. Alibaba has focused on O2O “online to offline” with the build out of more than 109 Freshippo stores. Alibaba invested \$4 billion for controlling interest in Lazada. Lazada is a Southeast Asian online shopping giant which operates in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

Ocado Magic

On February 27, Marks & Spencer announced that they will pay Ocado £750m for a 50% share of the new Ocado.com joint

Amazon Revenue*, by Country

Country	2018 Revenue* (\$billions)
United States	137
Germany	20
United Kingdom	15
Japan	14
Italy	4
Canada	4
France	2.5

*estimated, excludes web services

venture, which will begin trading in September 2020, when Ocado's deal to supply Waitrose products expires. Steve Rowe, Marks & Spencer's chief executive, said he had “always believed that M&S food could and should be online” and combining M&S's upmarket food range with Ocado's technology and delivery network was a “win-win” deal. Last year, Kroger announced an exclusive deal with Ocado for the USA and currently owns about 6 percent of Ocado stock. As with Amazon, a key to Ocado's success is its supply chain infrastructure focused on home delivery. Kroger annual sales total around \$121 billion, so an Ocado tie up is a validation of the Ocado platform.

Digital Ads – New Revenues

Both Walmart and Amazon view digital advertising on their platforms as an important new source of revenue. This is an opportunity to syphon consumer and trade marketing dollars into their digital universe. Amazon and Walmart offer the opportunity to target marketing based upon demographics and purchase history. This translates to a form of digital “point of purchase advertising.” Hard to think why this strategy wouldn't be a success.

Ex-Selling at E-Commerce

USA consumer goods manufacturers racked up impressive e-commerce sales increases in 2018, typically in the range of 40 percent. No one can accurately gauge how big e-commerce will become, but it is safe to say that it will be a lot bigger. My last *Export Express* issue featured an article titled *Ten Tips: Ex-Selling at E-Commerce*. The critical conclusion was that exporters need to incorporate e-commerce strategies in their distributor discussions and priorities. This includes a survey to calibrate e-commerce development by country and creation of a measurable plan. This will include e-commerce customer business plans and targeted digital marketing campaigns. Share best practices from your home office and strive to be at least a “fast follower” in e-commerce development overseas. Jeff Bezos says “it's always day one” at Amazon.