

Going Global

Part I - What You Need To Know, Now



Introduction

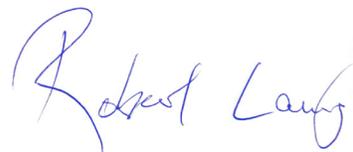
As we recover from the 2007 recession, firms are making more of an effort to “go global” than ever before. U.S. companies are awakening to the reality that they can no longer rely solely on domestic markets. Still, many companies operating globally are doing so within geographic silos—only doing business within the U.S. and Europe. Other companies who offer primarily online services—including e-commerce, intranet and content management system providers—have platforms available virtually everywhere, but have yet to invest in cross-border communications. Therefore, this report is aimed not only at companies thinking about going global for the first time, but also at those with limited overseas operations and with their eyes on becoming completely global.

In this first section of our Going Global Report, we’ll look at the trends shaping global business expansion today:

- The movement of global wealth to new economic powerhouses within Asia and Latin America.
- The changing face of the Internet, where the focus has shifted away from English as the main language.
- The growing opportunity in cross-border e-commerce
Let’s get going.

Every so often, we need a wake-up call to show us how major trends are developing outside of our own ‘bubble’. It’s time for us to wake up to globalization. The US market is big. But the size and pace of growth of markets outside the US is so dramatic that all businesses, from startups to public companies, need to take notice. Going global and accessing these new markets is not trivial. But by using the latest technology and streamlining your approach, it’s easier than ever before.

Onward!



Robert Laing, CEO Gengo

Rest (not the West) getting richer

China, India, Brazil, and other rapidly developing countries are now home to the world's top consumers. Beginning in 2007, emerging economies overtook U.S. consumption for the first time, equaling 32% of total world consumption compared to 28% in the U.S.

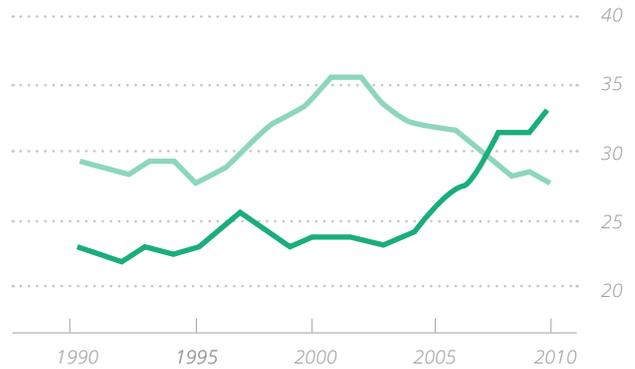
China now has over 950,000 millionaires, with an average age of just 39.

The exponential growth in personal income within these countries has driven this shift in global purchasing power. Merrill Lynch reported that in 2010, the number of wealthy people in the Asia-Pacific region exceeded that of Europe for the first time, with much of this growth being driven by China and India. China's millionaires now total 960,000 and have an average age of 39, 15 years younger than their Western counterparts. With a 20% increase in awareness of luxury brands in 2011, they are also getting a taste for the finer things in life. China's wealthy are creating a sales boom in business jets, accounting for 25% of Airbus' total sales for 2010.

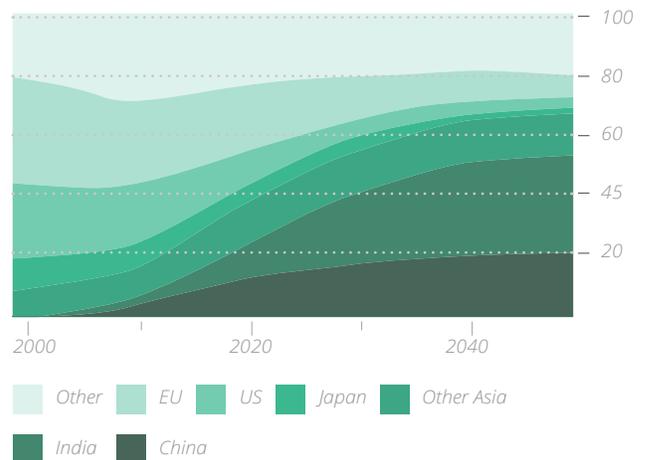
The size of the global middle class is growing at an even greater rate. It's expected to more than double to 3.8 billion by 2020 and to reach 4.9 billion by 2030. The vast majority of this growth—85% —is expected to come from Asia.

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Consumers spending, % of world total



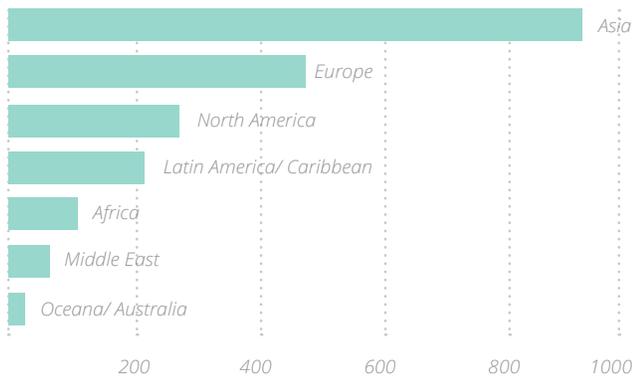
Shares of Global Middle Class Consumption, 2000 - 2050



The Internet Won't Stop Going Global

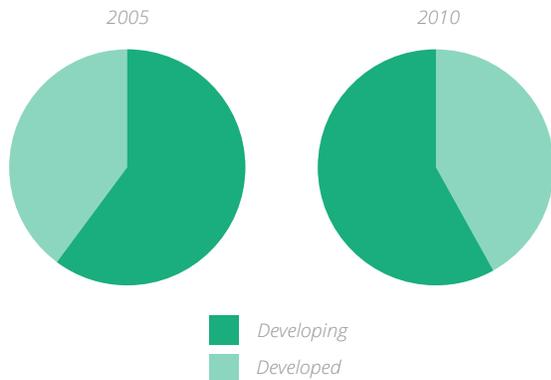
As people in developing countries gain access to greater disposable income, more are going online to read, connect and shop. Asia now has nearly a billion Internet users—almost half of the world's total, and more users than Europe and North America combined. China, emblematic of this trend, is first in Internet users by country, with 485 million users. That's more than the combined populations of the U.S. and Japan, who happen to be second and fourth on the list.

Internet Penetration Rates by Geographic Regions - 2011



China's internet users now outnumber the populations of Japan and the US combined.

World Internet Penetration Rates by Geographic Regions - 2011

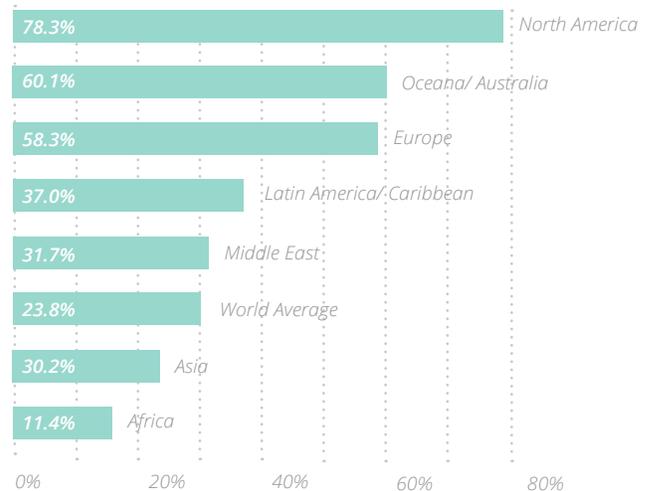


Only 36% of Chinese are online, and only 8% of Indians. That's 1.8 billion potential users waiting to get online.

Connectivity is the tip of the iceberg

While more than 75% of Americans and Japanese are already connected to the Internet, only 36% of Chinese are online. That's over 800 million Chinese still waiting to get connected. One notch up on the shock-meter is India, which has the third most Internet users in the world even though 92% of its population is still not connected— that's a billion potential users. Given that India's GDP is expected to double in the next ten years and China's is expected to increase by 400%, these potential users are bound to become the world's active users — and fast.

World Internet Penetration Rates by Geographic Regions - 2011



Source: Internet World Stats - internetworldstats.com/stats.htm Penetration Rates are based on a world population of 6,930,055,154 and 2,095,006,005 estimated internet users on March 31, 2011.

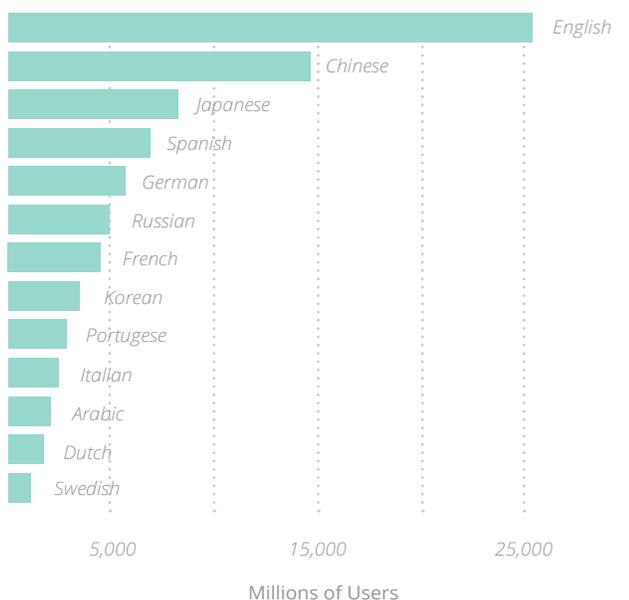
Newsflash: English won't dominate forever

The English language is destined to lose its strangle hold on web copy. Over the past ten years, growth of non-English speakers on the Internet has lapped that of English speakers. The number of Arabic speakers using the Internet has increased 2500% in the last decade. The number of Chinese speakers connecting to the Internet has increased over 1200% and makes up nearly a third of people online. The number of Spanish speakers online has increased 700%.

Despite this explosion in non-English speaking Internet users, English-language content still makes up the majority of content online. As more and more non-English speakers get connected, demand for content in the native language of these new users will inevitably increase. This has already been apparent on social networks. Use of Twitter in Latin America, for instance, increased fourfold in 2010, with Portuguese and Spanish making up a combined 15% of all tweets.

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Internet content counted in pages by language



Insight: Curating Content

The sooner companies going global can take advantage of the disparity between foreign language content and foreign language users, the greater the benefits they can reap. Yahoo has already responded to the jump in Arabic-speaking users by acquiring the Arabic-language content company Maktoob.com and making plans to invest more in video on demand to provide content from popular Arabic-language television series, films and music videos.

For smaller companies operating online, there is a major opportunity to cheaply establish a higher page rank and reach a wider audience, as competition for key search terms in non-English languages is lower. When optimizing your foreign language site, ensure your keywords sound natural to native speakers. Work with translators and localization experts that have this goal in mind. As page rank is increasingly influenced by social media, running local Twitter and Facebook pages for each of your local markets can be extremely beneficial.

One rough way of estimating the total number of websites in each language is to Google search for "http" and filter by language. This method shows that English-language websites still make up the majority of all websites.

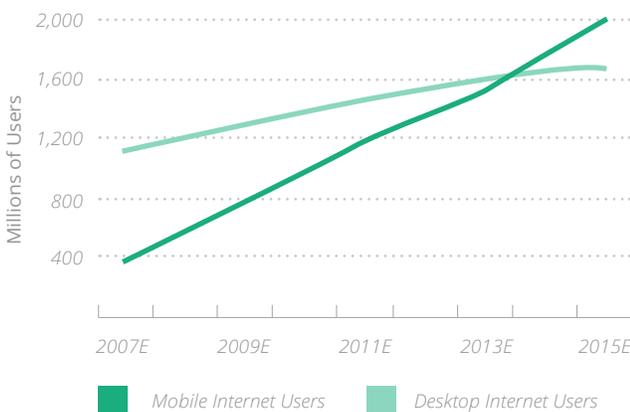
Mobile a driving force

Increased access via mobile devices is helping more and more people get connected. In 2010, there were over 800 million mobile Internet users, and by 2013, mobile access is expected to overtake desktop access. Growth of mobile Internet use is expected to be especially strong in Asia. The number of users in the region connecting to the Internet via their mobile devices is expected to reach over 1.4 billion by 2015.

In addition, while iPhone App downloads over the first half of 2011 have decreased in Western countries such as France and Germany, they have surged in Asia with China now becoming the second largest market in terms of total downloads. As the majority of downloads in Asia are for apps specifically aimed at regional markets, it is important for app developers to localize content to gain success in the region.

By 2013, mobile users are expected to overtake desktop users worldwide.

Mobile Users vs. Desktop Internet Users Within 5 Years



Insight: Curating Content

With Asia's vast population, and with mobile quickly becoming the new primary access point for its Internet users, many see the region as the frontier for mobile marketing. The head of Procter & Gamble's mobile marketing strategy in Asia claims we are obliged to "take mobile marketing to a more strategic level in Asia and just as consumers leapfrog the PC Internet by going directly to the mobile Internet, so marketers go from no direct marketing to advanced mobile marketing techniques."

Korea's Homeplus has certainly taken a unique approach by bringing a digital supermarket to the subway. Posters displaying life-size pictures of meats, dairies, and other basic groceries allow subway shoppers to capture QR codes for desired items and pay via their smartphones. The groceries are then delivered to their front door. Since adopting this innovative marketing strategy, Homeplus' online membership has increased 76% and its online sales have increased 130%.

More cross-border online sales

More Internet users and a bigger global middle class means that more Internet users are keen to buy things online, and this trend is expected to continue in a big way. Goldman Sachs predicts that worldwide e-commerce sales will reach \$963 billion by 2013. Growth rates in Asia are expected to be twice that of both Europe and the U.S.

In the first six months of 2010, Internet sales in China increased 60% compared to the same period the previous year, with total web sales equaling \$331 billion. Roughly one third (140 million) of the country's Internet population is now shopping online.

FedEx and UPS predict cross-border sales online will count for more than half of worldwide sales within two years.

Less than half of US online merchants currently sell goods internationally.

The future of cross-border e-commerce is also looking bright. Shipping companies FedEx and UPS predict that cross-border sales online will account for more than half of the worldwide online retail sector within just two years. At the same time, however, less than half of U.S. merchants currently sell goods internationally over the Internet.

In Asia, inter-regional deals between major e-commerce sites are helping to reduce transaction costs for merchants hoping to conduct cross-border e-commerce. Yahoo Japan and Chinese e-commerce giant Taobao, for instance, have set up shops that allow Japanese merchants to access Chinese markets and vice versa.



Insight: Asian Online Mega-Malls

U.S. vendors typically run stand-alone websites to sell their products, but most online shoppers in Asia are buying through giant mall-like sites—sales via Taobao accounted for 85.4% of 2010 C2C sales in China and 66% of Japan's 90 million Internet users use Rakuten. Successful marketers are adapting to these regional differences. Adidas, for instance, entered China's online marketplace by setting up a retail site using Taobao (adidas.taobao.com). Christophe Bezu, head of e-commerce for Adidas in Asia, explains that the company must actually adapt its strategy for each separate country it operates in within Asia:

First, e-retail: in Korea, online stock is available in shops and consumers make purchases online and then pick up goods from a shop. Japan has m-commerce (mobile commerce or the ability to shop using a mobile device), which is a different platform. In China, for example, what we have with Taobao is a marketplace. The website is independent and we manage our sales through an outsourced online retailer."

Conclusion

While the numbers make a strong case for expanding your focus to include customers beyond your backyard, there are still a number of obstacles related to establishing an authentic global Internet presence and selling goods abroad. Shipping logistics, international payment and fraud protection are problems way down the operations chain. In addition to these long-term challenges, there is also the nearer-term obstacle of adapting your copy. Translating your marketing copy, product descriptions, apps and more isn't an overnight job. Nevertheless, more companies (including your competitors) are investing in these localization efforts earlier than ever before.

Section 2 of this Going Global Report will take a look at the different techniques used by companies large and small to meet these challenges and reach foreign consumers. In Section 3, we'll present excerpts and findings from interviews with dozens of companies currently at various stages of Going Global.

We would like to thank all the individuals who contributed to this report for their time and effort. Opinions expressed are that of the individual and do not reflect the opinions of the company mentioned.

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