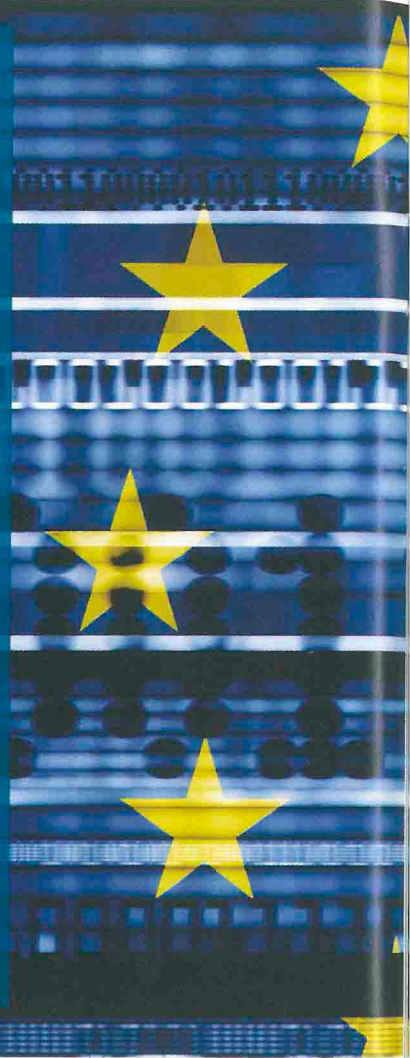


## MULTICHANNEL

The European Commission has taken its first steps towards creating a digital single market. **Caroline Baldwin** investigates what affect it will have on international trade

# Will the EU's digital single market make a difference for retailers?



**T**he EU prides itself on allowing people to move freely across Europe. A person can cross the French-Spanish border without even showing a passport. However, should that person wish to buy an item in France from a Spanish retailer, it is likely they will have to pay a premium. And if that person wants to stream TV content from a neighbouring country, it is possible they will be blocked from the service.

The benefits of movement within the EU have not trickled down to the digital world. But all that could be about to change because the European Commission has made its first steps towards creating a 'digital single market' across the EU. It is designed to remove many of the regulatory barriers facing retailers wanting

to trade across the 28 member states and to encourage consumers to make purchases across the continent.

According to the EC, only 15% of European consumers shop online from another EU country, but it hopes that proportion will increase in a digital single market. The EC estimates it would contribute €415bn (£298bn) a year to the European economy in extra sales, as well as creating hundreds of thousands of jobs.

Last week the commission detailed its strategy, outlining 16 steps it hopes to deliver by the end of 2016. Proposals include rules to reduce admin related to VAT, improving delivery rates, reforming copyright rules and implementing uniform telecoms.

Commission president Jean-Claude Juncker said: "I want to see pan-continental telecoms

networks, digital services that cross borders and a wave of innovative European start-ups. I want to see every consumer getting the best deals and every business accessing the widest market – wherever they are in Europe."

## Borders as barriers

But do the proposals have enough bite to make a difference to retailers selling across the continent?

Nick Beighton, chief operating officer of Asos, which generates 25% of its sales from Continental Europe, says there is only so much a retailer can do before it is blocked by a web of country-specific regulations. He says the biggest challenge for Asos is the particular fiscal regimes of different countries.

Asos's key customers are mostly young people who do not have a huge amount of disposable income, says Beighton. But when European customers buy from Asos and have to return an item, it can take up to 28 days for a refund to be wired through to their accounts.

"It's the psychology – you order a dress for the first time on Asos and if it's not quite right, you should feel entitled to send it back, but 28 days for a refund is too much hassle and you might not shop with us again. It's not about the

**"I want to see pan-continental telecoms networks, digital services that cross borders and innovative European start-ups"**

**Jean-Claude Juncker, European Commission**

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## “Tax returns have different requirements in a different language – it’s quite daunting”

**Nick Beighton, Asos**



transaction, but the stream of future sales you might be losing,” he tells *Retail Week*.

On top of that, Beighton says card processing costs are high and also have a tendency not to work as efficiently as they do in the UK, which hampers the customer experience. For example, 14% of Asos’s orders from France are declined due to fraud checking, which he says generally has not kept up to date with the digital world.

“Improving the decline and refund rates, that’s really important for 20-something guys and girls,” he says.

Ray Symons, head of EU policy at the British Retail Consortium, says: “Policy-making in Europe has not kept pace with the development of the single digital market and rules are still made with physical trading in mind, leading to problems for retailers online.”

### Daunting VAT rules

Beighton says the other big hurdle is overcoming country-specific VAT regulations. “We’re responsible for a whole series of VAT and tax returns for each country,” he says. “And with 27-odd countries and their monthly VAT return admin, that’s quite a lot of burden and the dialogue is really tough as all those tax returns have slightly different requirements in a different language with different rules – it’s quite daunting for a smaller business.

“At Asos we’ve got it wrong several times and corrected it – sometimes it’s tricky to find out where to send the cheque to.”

Thankfully for Beighton, and no doubt scores of other retailers, VAT is one of the issues the commission aims to address. It said it wants to “reduce the administrative burden

businesses face from different VAT regimes”. It is looking to introduce a single electronic registration and payment and a common VAT threshold to help smaller start-ups sell online.

But Steve Wilson, vice-president and practice lead of operational excellence at Caggemini Consulting, questions how this will be implemented. “Reducing the admin burden surrounding VAT – that is one of the areas that is complex when exporting,” he says.

“It’s reasonably complicated and having that simplified would be a good thing, the question I have is how are they going to implement it? VAT remains within the hands of the national governments and is not set out by EU.”

### Improving cross-border delivery services

Another challenge the EC wants to solve is the high cost of parcel delivery. Its research states that 62% of companies trying to sell online face barriers due to these costs.

Beighton says Asos overcomes this by having a network of international carriers, but is still stung by higher costs in certain countries. For instance, in Germany there is an expectation to offer free delivery and returns – which Asos already does – but for other retailers this could be a barrier to entry.

Meanwhile, Niklas Hedin, boss of logistics firm Centiro, says: “It’s crucial for retailers to create an agile carrier network if they are to take advantage of the proposed digital single market for Europe.” He says the opportunity for easier cross-border ecommerce will be “squandered” if retailers fail to provide wide-ranging delivery options for customers across the continent.

Hedin says retailers cannot rely on one single delivery firm and should instead have a more agile carrier network implemented across Europe before the digital single market comes to fruition.

“In future [shoppers] could be ordering a product online in one country, changing delivery options on the move and requesting an item be delivered in another country on the other side of Europe: the days of retailers having a fairly static number of delivery destinations could soon be gone,” he says.

“To succeed in 2015, retailers must be confident with shipping a wide variety of goods all around the world with higher precision, but this is putting greater pressure on order processing systems and delivery networks than ever before.”

While retailers will be pleased that the EC is taking action on improving ecommerce across Europe, there is a lot of detail to be hammered out and individual governments to get on side before chiefs begin popping the Champagne just yet, or the cava or prosecco for that matter.