U.S. E-COMMERCE MARKET ENTRY RETAIL PLAYBOOK

A step-by-step guide to entering the U.S. and growing your e-commerce business.
FOREWORD

2020 has in many ways been one of the most challenging years in recent history, however, it has also accelerated the transition to e-commerce in a way that didn’t seem possible just over a year ago.

While a large portion of the shift has been led by essentials such as grocery shopping, there has been strength in discretionary categories like consumer electronics, home furnishings, and even surprising strength in clothing that all have benefited from pandemic-driven lifestyle needs.

All in all, U.S. e-commerce is projected to grow by 40% year over year in 2020. Disregarding gasoline and cars - which respectively are impractical, and for regulatory reasons difficult, to buy online - over 20% of all retail sales in the U.S. are expected to be generated through e-commerce during 2020.

While one can hope that 2021 will be a year where society normalizes as a result of several vaccines being distributed, there will be lasting impacts from the pandemic that will have fundamentally changed how people shop. The opportunity is immense, and the time is now.

However, while ecommerce overall is expanding faster than ever before, so too are the shares of the largest ecommerce players. The top 10 players will further widen their gap and account for 63% of all online sales in 2020 in the U.S. - up from 58% in 2019 – a significant leap forward.

In other words, any Nordic company entering the U.S. needs to have a clearly developed view on how to handle operating in this very different commercial landscape. This e-commerce playbook provides a preliminary understanding for some of the things needed to succeed in the market, should you need further assistance we are here to help.
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U.S. E-COMMERCE MARKET DEVELOPMENT AND TRENDS

E-commerce growth has been rapid, with a growing online population of consumers. The COVID-19 pandemic has accelerated these trends, forcing more companies to adopt online strategies, and traditional retailers to adapt or die. Furthermore, technology has enabled more efficient shipping, deeper consumer insights, and increased the dominance of large players like Amazon, shifting consumer expectations. Companies are now beginning to adapt to the emergence of such large players and trying their best to compete.

The United States is the world's second largest e-commerce market after China, and the e-commerce market is expected to continue growing. About 80% of the adult American population has shopped online to date, and the figure is expected to rise above 90% in the next few years. In the past year, roughly 93% of all internet users made at least one online purchase. Sales for U.S. e-commerce reached 602 BILLION USD in 2019, an increase of 14.9% from the previous year; by comparison, retail sales only grew about 3.4% over the same period. In addition, American culture, the legal system and business practices can differ a lot from what many Nordic e-retailers are used to.

U.S. consumers mainly buy travel, consumer electronics and clothing online, but digital content such as music, TV streaming and e-books are segments that are increasing in importance. The fastest growing product segment online in terms of sales is electronics and media, followed by fashion. These two segments have increased by around 20% per year.

Another segment that is increasing in the U.S. is e-commerce for food. In 2019, 37% of Americans are estimated to have shopped for food online, unlike the previous year when the figure was 23%. If you zoom in on the urban parts of the country, the proportion is significantly higher; 60% of the population in the big cities bought food online in 2019. Players such as Amazon Go and Instacart have grown significantly in recent years, and just as for other e-commerce segments, the goods are delivered directly to your door.

Online food ordering has gotten a particularly large boost due to the COVID-19 pandemic keeping consumers from going to grocery stores and restaurants. Of more than 300 U.S. consumers polled in a recent survey, 78.7% reported shopping online for groceries after the COVID-19 outbreak, up 39% from before the pandemic, said Winston-Salem, N.C.-based Inmar, which provides data analytics and technology solutions for retailers and manufacturers. What’s more, 56.7% of respondents said they shop for groceries online more often now than before the pandemic. From

NEW RULES FOR SALES TAX

In 2018, the Supreme Court of the United States decided on new rules for sales tax, which means that the states have the right to collect sales tax even from e-commerce companies without a physical presence in the state. Read more under the section "Customs and Tax Rules" or contact the Business Sweden Chicago office for more information.
a food service perspective, restaurants have had to adapt quickly to the changing consumer landscape. According to finance services company Rewards Network, around 42% of restaurants added delivery after the initial COVID-19 lockdowns. As the virus continues to be present across the United States, and questions about new waves arise before any vaccine is widely available, consumers are likely to stick to purchasing their meals and groceries online.

The shift toward e-commerce was happening before COVID-19, but according to new data from IBM, the pandemic has accelerated consumers’ shift toward e-commerce by five years. E-commerce was projected to grow by nearly 20% YoY in 2020, revised up to nearly 40% later in the year. This growth was even more pronounced at the beginning of the pandemic, with U.S. retail e-commerce up 44.5% YoY in Q2. Also, in Q2, Walmart’s e-commerce sales were up 97% YoY and Target grew its same-day fulfillment services by 273%. There is likely to be some eventual reversion to the mean as the economy becomes more open again, but e-commerce will likely continue to grow quickly from this point onwards.

**NEW E-COMMERCE CHANNELS HAVE SHAKEN UP THE RETAIL INDUSTRY, FORCING BRICK & MORTAR COMPANIES TO ADAPT OR DIE**

The boom of e-commerce has shaken up the retail industry over the past few years, part of what led to around 12,000 retail locations closing in 2019. Retail is adapting to this new landscape, offline, online, and everywhere in between. Despite the lines between physical and digital commerce being increasingly blurred, the difference in growth rates and size is still rather distinct. Overall, the global retail market was expected to top $25 trillion USD in 2019 pre-COVID. However, growth has slowed considerably versus the prior five years and is not expected to pick up through 2023. On the other hand, worldwide e-commerce sales topped 3.5 TrUSD in 2019, an increase of approximately 18% from the year before. E-commerce was expected to nearly double
by 2023 to more than 6.5 BUSD. Some perspective is in order though. While e-commerce is growing much faster than retail, it's still a relatively small piece of the pie. In 2019, e-commerce share of total global retail sales was 14.1% and analysts expected it to increase 2% a year through 2023. To adapt, second and third tier shopping malls are being reborn as experiential destinations with theme parks, ski hills, and water slides. In addition, legacy manufacturers and CPG companies are reinventing themselves by selling direct-to-consumer (DTC).

A macro-trend that has developed in the US in recent years is the development of and investment in omnichannel operations. Omnichannel is about different platforms which the customer can easily switch between, for example on the web, in a physical store, on a mobile phone, and other services. In other words, customers can order a product online and pick it up in a store or start a purchase on the computer and finish it on their phone. About 85% of all e-commerce customers in the US used omnichannel when shopping in 2018.

Mobile e-commerce is growing steadily and has doubled between 2015 and 2019 in the United States. In 2019, mobile e-commerce accounted for sales of 128 BUSD, which corresponds to just over one-fifth of total e-commerce. Pre-COVID surveys estimated that mobile e-commerce would account for 44% of total e-commerce by 2024, corresponding to sales of approximately 420 BUSD. However, it is mostly the major players such as Amazon, eBay and some other online players who are leading within mobile e-commerce. Despite rapid growth, the sum of an average purchase from a mobile is still lower than from a computer. In 2019, the average for mobile e-commerce was approx. 95 USD per transaction while the equivalent from a computer was 135 USD. A 2019 study compared the time American Internet users spend on companies’ mobile apps compared to their website. The result says that as much as 85% of the time is spent on Amazon and eBay applications, while only 15% is spent on the web pages. For companies originating in physical retail, such as Target and Macy's, the study instead shows that users spend more time on companies' websites (approx. 60%) than on their mobile applications (approx. 40%).

### The e-commerce market entry landscape

![Diagram of the e-commerce market entry landscape](image)
EXPERIENTIAL COMMERCE

REKORDERLIG CIDER

In Summer 2019, Rekorderlig made use of mixed-reality technology to stand out from the crowd at the annual Underbelly Festival in London. The idea continued Rekorderlig’s TV campaign by Havas London from the year before, "Rekorder-land", which used CGI films to show the drinks in visual form.

Visitors put on their mixed reality headsets and could touch, smell and interact with the fruits and flavors of Rekorderlig. The interactive nature was designed to give each visitor a unique encounter depending on where they looked and what they touched and was powered by Magic Leap - a pioneering interactive technology that projects holographic imagery and light waves together in the wearers’ vision. The Magic Leap tech worked alongside other effects, and the scents of Rekorderlig flavors helped to blur the line between the real and virtual worlds to celebrate the beautiful collaboration of ideas and flavors.

Visitors were given the opportunity to sample the new Rekorderlig Botanicals flavor BlackberryViolet-Juniper, exclusive Rekorderlig cocktails and the core Rekorderlig cider range. Rekorderlig was the first brand to ever offer this mixed reality experience to the public which provided real salience for Rekorderlig against its competitors, with some positive results.

- 91% of people said they would very likely recommend Rekorderlig to friends/family in the future
- 92% of people said they would definitely purchase Rekorderlig in the future after having attended this event
- 57% of people said the experience had changed their opinion of Rekorderlig in a positive way
- 74% of people said they would recommend this experience to their friends and family

IKEA Tiny Home Project

Earlier in 2020, Ikea partnered with tiny home maker Escape Homes to create a tiny home on wheels. This project was then posted on Curbed, a real estate and urban design website, and was inspired by sustainability, inclusivity, and innovation.

This fits into the sustainable trend of tiny home living and was created to inspire Ikea’s customers to think about bringing more sustainability into their own lives. While visiting the post on Curbed, customers could tour the tiny home and inspect the Ikea products that were...
throughout the room. Combining design tips with sustainability was an excellent example of consumer engagement, building loyalty and educating their customers on sustainable initiatives.

**Nudie Jeans**

To expand their reach to customers otherwise not able to visit their stores due to COVID, Nudie Jeans has been increasing their presence on social media. Using channels like Instagram, Nudie Jeans has been running sessions called “What the FAQ’s”, to educate customers on the fits of their different products, teach them about proper product care, and show them what their product will look like in reality. Making the best of connecting to customers while dealing with strenuous situations is a great example of marketing in these times.

**THE EMERGENCE OF DIGITALLY NATIVE VERTICAL BRANDS (DNVB)**

While the term DNVB may be new for some readers, the leading companies in this category are much more easily recognizable. Companies like Casper, Hims, Glossier, and Away are everywhere these days, and new companies are emerging in this space constantly. DNVBs are making an impression on consumers and rapidly earning market share, capturing nearly two percent of the total $453 billion U.S. e-commerce market as of 2019. Although that current market share might seem small, it’s important to note DNVBs are growing nearly three times as fast as the average e-commerce retailer. As the name suggests, DNVBs are born on the internet and vertically integrated, emerging into the market with no past baggage and posing a threat to the very core of the traditional fashion and retail model. And, unlike their predecessors, digitally native brands have the unique opportunity to design and create products with the consumer in mind, rather than trying to make products fit the consumer. This direct access to the consumer affords companies access to all of the data they need to better understand every part of their customer. DNVBs are incredibly focused on digital advertising and the customer experience, using data to connect with consumers in a more authentic way.

This unique way of connecting with customers allows companies to compete with much larger players like Amazon, as Amazon’s main advantage is within products that are more price competitive and less emotionally tied. The traditional views on DNVBs are that it has been tough for DNVBs to gain or maintain profitability, as the ‘better quality, lower cost’ model and high customer acquisition/retention costs may not be sustainable in the long-term. However, like many industries, DNVB’s have been positively impacted by the COVID-19 pandemic. In fact, after reporting losses for several of the last few quarters, the online furniture retailers Wayfair

> Unlike their predecessors, digitally native brands have the unique opportunity to design and create products with the consumer in mind, rather than trying to make products fit the consumer.

-RetailNext
finally reported a profit, with a net income of $273.9 million in Q2 2020 compared with a loss of $181.9 million in Q2 2019.

These days, many DNVBs have begun to open physical stores to differentiate themselves further from major e-commerce retailers like Amazon. Everlane founder Michael Preysman, who once proclaimed he would rather shut down his clothing brand than sign a lease, operated two stores in 2019 and was considering more. Casper, which popularized the "bed-in-a-box," had about 20 stores pre-COVID, and plans to open 10 times as many in the next three years. Warby Parker, an affordable eyewear company, expected to have 100 stores by the end of 2020 — giving the optical chain the biggest store fleet among these upstarts.

However, these DNVB companies still have fewer physical locations than many of their larger competitors, which places some of them at an advantage coming out of the pandemic. Despite this, many companies are looking to cut costs wherever they can. Everlane, which has also closed its stores indefinitely, has laid off 290 employees — 14% of which were part of the company's customer experience team — and offered two weeks of severance to those affected. An Everlane spokesperson confirmed to Retail Dive that the layoffs were, in part, a result of the company missing its revenue target by 25%.

In addition, many brands have shifted their branding around COVID-19. A Gartner survey in the early spring found that, already, 34% of marketers were altering their ad creatives as a result of the coronavirus, and 19% of them were starting to promote e-commerce offerings. An example is Nike, who made its NTC Premium service free to drive sales and engagement in its e-commerce apps. This was pioneered in its China operations, where Nike saw 30% growth in digital business in the region.

Competitors play catch up while Amazon makes up nearly 40% of total retail e-commerce

Much of e-commerce in the US is characterized by the large American companies Amazon and eBay, but also by many start-up companies, such as the shopping clubs Haute Look, Groupon, and Gilt, as well as marketplaces where companies and individuals can buy and sell products, for example: Fab and Etsy. In addition, most US retail chains offer a roughly similar, if not larger, range of products online as in their physical stores. The USA has a widespread system of deliveries directly to the consumer's door, with services like Amazon Prime having skewed expectations towards one- or two-day delivery times. A new trend in the development phase is driverless deliveries, where, among other things, the company Nuro has been

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<thead>
<tr>
<th>Top 10 retail companies in the U.S. in 2020</th>
<th>Share of total e-commerce sales</th>
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<tbody>
<tr>
<td>Amazon</td>
<td>38%</td>
</tr>
<tr>
<td>Walmart</td>
<td>6%</td>
</tr>
<tr>
<td>eBay</td>
<td>5%</td>
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<tr>
<td>Apple</td>
<td>4%</td>
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<tr>
<td>The Home Depot</td>
<td>2%</td>
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<td>Best Buy</td>
<td>2%</td>
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<td>Target</td>
<td>2%</td>
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<tr>
<td>Costco Wholesale</td>
<td>1%</td>
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<tr>
<td>Wayfair</td>
<td>1%</td>
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<tr>
<td>Macy's</td>
<td>1%</td>
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allowed to test its driverless goods transports in certain states. Amazon is also investing in driverless deliveries in its Prime Air system, where the plan is to soon start delivering certain products with the help of drones.

Another business e-commerce model growing in popularity recently is the subscription model. This business model plays on what Amazon often has difficulties enabling - strong customer relationships. Amazon operates with a subscription model as well, mostly for essentials replenishment of food and household goods, while many of the other subscription models on the market focus on curation and access. Subscriptions turn customers, who already see the value of their favorite companies, into reliable sources of recurring revenue. Subscriptions meet the growing customer habits of hassle-free shopping experiences, free delivery, and instant gratification, and is a low-effort way to grow revenue. Outside of lower churn rates and more predictable revenue, this business model allows for companies to be even more data-driven, providing cross-selling and marketing opportunities that aren’t possible for typical retailers. Across several industries, this has become a trend, but it seems to be particularly well suited for DTC retail and grocery products. By 2023, 75% of businesses that sell DTC are expected to offer some sort subscription service.

The shift to online grocery has been particularly beneficial to Walmart, which typically cites online grocery as a contributing factor to its overall e-commerce sales growth. Walmart has recently surpassed eBay as the No. 2 e-commerce retailer in the U.S., behind Amazon, and is expected to see its e-commerce sales jump by more than 35% in 2020, growing to claim a 5.8% share of the U.S. e-commerce market. Target, Best Buy, The Home Depot and Costco are expected to grow significantly as well.

We didn’t start with a subscription model but according to our calculations we realized that it would bring us the most value in the long run. As a part of the subscription process, we decided to provide one pint for free when placing a subscription order – something of little value to us, but of big value for the client. We consider it a huge challenge to keep the subscribers for as long as possible.

— Pierre Magnusson, Head of E-Commerce, NICK’S

COVID-19 HAS SHARPLY ACCELERATED E-COMMERCE GROWTH AND CREATED A STRUCTURAL SHIFT THAT WILL LAST

American men spend more money online than women, but the proportion who shop online is about the same between the sexes. Based on a consumer study from 2019, people in the age range 24-35 years constitute the age group with the highest proportion of active online retailers, followed by 35-44-year olds. A target group for many e-commerce players is consumers aged 18-34, as they spend more online than almost any other age group; about 2000 USD annually, even though they generally have a lower income than older target groups. The group that spends the most online per buyer, however, is consumers aged 45-54.

In general, U.S. e-commerce consumers feel it is safer and more secure to shop online from companies registered domestically, even though there are no legal requirements for foreign e-commerce companies to be registered in the U.S. About 70% of e-commerce consumers in the United States stated in a recent study that the lowest price is most important when choosing an e-commerce player, followed by low shipping cost and large supply. In addition, 82% of Americans
have made larger purchases than they had originally planned to get over a free shipping limit. The average amount of e-commerce purchases per consumer in the United States is the highest in the world while Sweden is in third place. An increasingly important factor that may increase the propensity of American consumers to shop online is fast delivery times, especially for food. As many as 70% of U.S. e-commerce consumers state that they prioritize shopping from companies with more delivery options, while the corresponding global figure is 58%.

COVID-19

U.S. e-commerce sales are expected to jump 40% in 2020 due to the impact of the coronavirus pandemic that forced more shoppers online, according to a recent forecast by Digital Commerce 360, accounting for 21% of total retail sales. In fact, the expected e-commerce sales total of 839 BUSD is a level that otherwise would not have been reached until 2022. However, the surge in new online orders won’t make up for the overall hit that the U.S. retail sector will take this year. Analysts estimate that total U.S. retail sales, which also includes auto and fuel, will drop by 10.5% in 2020 to 4.89 TrUSD — a level last seen in 2016, a steeper decline than the 8.2% drop observed in 2009 as a result of the financial crisis.

With sales hitting their lowest point of the year in Q2, it may take years before consumer activity returns to normal levels. Forecasts estimate total retail sales won’t rebound to pre-pandemic levels until 2022.

Many consumers continue to avoid brick-and-mortar retail entirely and instead order their essentials online. Plus, with many consumers now working from home, apparel and accessories sales have taken a heavy hit. The apparel and accessories category, typically the second largest in e-commerce, is only expected to grow 8.6% as consumers shifted spending away from discretionary, non-essential purchases. Meanwhile, other e-commerce categories including food and beverage and health/beauty/personal care are up by much more — the former by 58.5% and the latter by 32.4%.

While some believe that these shifts are only temporary, consumer polling indicates that this shift to e-commerce is here to stay. An in-depth customer survey by media company PYMNTS in the middle of 2020 reveals, "More than half of the consumers (52%) who shifted to digital grocery shopping say they won’t go back to their old ways of shopping, as online delivery and curbside pickup are gaining ground. And 60% of the consumers who shifted to digital to shop for things other than grocery items say the same."

U.S. e-commerce sales will jump 40% this year due to the impact of the coronavirus pandemic that forced more shoppers online, according to a recent forecast by Digital Commerce 360, accounting for 21% of total retail sales.
While the reasons why someone prefers digital shopping may vary from person to person, the end result is the same. Retailers that do not have an e-commerce system in place could lose significant revenue in the years to come as buyer habits become increasingly digitally oriented.

THE FUTURE OF E-COMMERCE
An interview with Vanessa Mason, Research Director at Institute for the Future

What trends do you see over the next 5-15 years within e-commerce for retail companies?
There are many trends that will be developing further over the coming years, much of it being driven by digital advances and changing preferences for Gen z and millennial consumers. Today, more and more consumers are living on social media, which will create many new economies, including those for digital goods and the creator economy. This points to a boom in trends like live-streaming e-commerce, something that is already quite popular in Asia.

In addition, the digital economy will help DTC companies to thrive even more! Brands will be pulled away from big-box retailers and use more options for digital try-ons. For example, Shopify AR, Etsy AR, Snapchat digital try-ons, and Facebook Oculus Quest 2 are set to grow even further. The ubiquity of digital marketing events will therefore make local events even more important for consumers, creating immersive experiences to build loyalty.

What impact has COVID-19 had on current and future trends?
One of the largest changes has been in how consumers engage with e-commerce. More consumers have been forced to engage digitally for safety purposes, something that is likely to have somewhat of a long-term hold. Also, parents working from home have started letting their kids purchase more things online, such as games. This could bring up ethical issues in advertising, which can cause increased regulation in the industry, something that has already begun with antitrust lawsuits brought against Big Tech. Lastly, retail companies are being forced to think digital first due to the negative impact on physical retail.

What are some innovative examples you’ve seen within e-commerce?
GoPuff, a food and other product delivery app has been incredibly innovative, bringing high-speed delivery to the next level. Another innovation I see growing is on site manufacturing/repurposing/recycling. Two companies doing this are H&M, which does on-site recycling, and Adidas, which does on-site repurposing of goods.

What are your main recommendations for a Nordic company to stay on top of the above trends when launching their online sales in the U.S.?
From a brand and value perspective, I think that there is an appetite for Scandinavian goods, both for aesthetic and sustainability purposes. Otherwise, I would recommend Nordic companies to be forward with social values, like inequality, sustainability, and racism, not just in how the company donates, but the operational decisions that the company decides to make. Price and value are very important as well, but from a marketing perspective it will be important to break free of the noise in the U.S. market.
DIFFERENCES BETWEEN U.S. AND NORDIC E-COMMERCE

There are many adaptations that Nordic e-commerce companies need to make when coming into the U.S. market, the most important probably being to adapt to consumer preferences. Understanding one’s customer is an important step in being able to succeed in the U.S. market. In terms of e-commerce and internet penetration rates, the Nordics all rank just above the United States, with the U.S. at 85% in the combined metric, and Sweden, Finland, Norway, and Denmark at 89%, 91%, 94%, and 94% respectively.

As these markets are rather similar in e-commerce and internet penetration rates, a deep dive will be needed, primarily to understand the differences between the regions, specifically: what the top product categories are, what the top device is for online shopping, what the preferred delivery method is, and what the preferred payment method is for consumers.

Looking at the top e-commerce products in each region, we see clothing ranked as the number one category. In the U.S., 78% of consumers surveyed say that clothing is their top category. The next popular categories in the U.S are much closer, with 76% of consumers seeing food & drink as their top category, and 75% of consumers seeing shoes as their top category. By contrast, the top categories in the Nordics are clothing, beauty & health, and home electronics.

When researching a purchase, it will be very important to keep consumers informed, especially as compared to the Nordics. While roughly 48% of Nordic consumers are “webroomers”, who research a product online before making a purchase, 69% of U.S. consumers do so.

Within payment methods, both the Nordics and the U.S. have credit/debit cards as their main payment methods, though payment wallets such as PayPal are growing in popularity.

Nordic consumers are generally more used to using their laptops when making online purchases, with 44% preferring that method, whereas 68% of U.S. consumers prefer to use their smartphone. This trend is of course strong in the Nordics as well but is much more pronounced in the U.S. and an adaptation Nordic companies will have to understand when entering the market, from a web design and consumer experience perspective, mobile-first is always the way to go.

Another point of adaptation that Nordic consumers will have to prepare for is logistics. Services like Amazon Prime have skewed U.S. consumer expectations towards faster and faster delivery times, directly to consumers’ doors, with Amazon offering same day delivery in some cities. As such, 67% of U.S. consumers see home delivery as an important part of their purchase decision. By contrast, the main delivery method in the Nordics is to a delivery center, where customers can pick up their packages. Understanding the challenges of last mile delivery in the U.S. will be of great importance to Nordic companies.

<table>
<thead>
<tr>
<th>Top-3 E-commerce categories</th>
<th>#1 Device for online shopping</th>
<th>Delivery preferences</th>
<th>Preferred payment method</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S.</strong></td>
<td>Clothing, Food &amp; Drinks, Shoes</td>
<td>Smartphone</td>
<td>Direct delivery to home</td>
</tr>
<tr>
<td><strong>Nordics</strong></td>
<td>Clothing, Beauty &amp; Health, Home Electronics</td>
<td>Laptop</td>
<td>Delivery to distribution point</td>
</tr>
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</table>
PREREQUISITES TO ENTERING THE MARKET

There are several steps a company must take to ensure regulatory compliance while minimizing liability risks before selling products to U.S. consumers. These steps include ensuring labeling regulations are met, sales tax requirements are followed, and nexus regulations are taken into account. In addition to these prerequisites, companies should also consider aspects such as whether to set up a U.S. entity, required partners, estimated budgets, and the overall customer experience well ahead of their U.S. launch.

DUE DILLIGENCE

Before any sales in the U.S. you need to do your due diligence to ensure that you meet all U.S. regulations and labeling requirements. Failure to do so can result in products being stopped at the border and penalties. Review the section on regulations for more information.

U.S. SUBSIDIARY

The most efficient way to reduce liability exposure of your Nordic company in the U.S. is to set up a U.S. subsidiary. This creates a protective barrier between your Nordic mother company and the U.S. operations if done correctly. The most common company form is a C-Corporation incorporated in Delaware with additional state registrations wherever you have a physical presence (called nexus). Always consult with a U.S. attorney to ensure that the subsidiary is set up correctly. Business Sweden and Business Finland work closely with local attorneys and can support you in this process.

Moreover, having a U.S. entity will in turn allow you to sign up for a U.S. insurance policy, see section “insurance” below for more info, as well as a U.S. bank account.

The pros and cons of setting up a U.S. entity

**Pros**

- The Nordic parent company has increased legal protection from lawsuits and taxes
- A local subsidiary makes it easier to enter into contracts, apply for financing, open a bank account and make basic transactions with buyers

**Cons**

- Upfront cost is high
- Process of entering market is delayed by 4-6 weeks while Inc. is set up
- Bookkeeping and local taxes can be difficult to navigate administratively

DISCLAIMER

The information provided in this report, and especially in this section, does not, and is not intended to, constitute legal advice; instead, all information, content, and materials available are for general informational purposes only.
• A U.S. entity is required for hiring U.S. employees
• Most U.S. insurance companies will only cover U.S.-registered entities
• Incorporating in the U.S. signals that a Nordic business is serious about working with American partners and has the resources to support clients
• Having a U.S. entity makes sales tax registrations significantly easier to manage
• The cost to dissolve a company is around 2,000 USD if the U.S. Inc. is unsuccessful

INSURANCE

As an international business grows in the U.S. market, so too will the number of insurance policies that should be considered. At a minimum, companies should have product liability and general liability insurance. If a U.S. entity is set up, it is also recommended to get Directors and Officers Liability insurance, commonly known as DI&O insurance in order to protect the management and board of the U.S. entity.

<table>
<thead>
<tr>
<th>Policy Description</th>
<th>Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARGO INSURANCE</td>
<td>Protects goods from loss, damage, or theft while in transit with different policies available for land versus marine/air transportation</td>
</tr>
<tr>
<td>PRODUCT LIABILITY</td>
<td>Covers manufacturer’s liability for bodily injury or property damage sustained by a third party due to a defect or malfunction of the product</td>
</tr>
<tr>
<td>GENERAL LIABILITY</td>
<td>Includes a variety of non-employee claims such as bodily injury, property damage, and personal injury caused by negligence on your property or customer’s property</td>
</tr>
<tr>
<td>PROFESSIONAL INSURANCE</td>
<td>Covers an error or omission by the company that causes financial loss to a third party out of the services the company provide</td>
</tr>
<tr>
<td>PROPERTY INSURANCE</td>
<td>Provides reimbursement to the owner or renter of a structure and its contents in the event of damage or theft</td>
</tr>
<tr>
<td>WORKERS’ COMPENSATION INSURANCE</td>
<td>Protects against risks if an employee is injured in the course of employment and covers medical expenses and a portion of lost wages</td>
</tr>
</tbody>
</table>

Many “global insurances” offered by Nordic insurance firms will often exclude the U.S. and Canada, and if they were to cover these two markets, the coverage is seldom sufficient to minimize risk and financial damages in the case of a lawsuit. Always make sure to review your existing insurance policy with a U.S. attorney to ensure that it provides sufficient coverage. In most cases, you will need to sign up for a U.S. liability insurance through a U.S. entity, as U.S. insurance firms are reluctant to sign insurance with companies based abroad. This is a strong reason many Nordic companies decide to set up a U.S. subsidiary for their U.S. operations, as it ensures maximum
insurance protection, while the cost tends to be lower compared to if you sign a U.S. insurance via a Nordic insurance company.

“As most insurance policies issued in the Nordics exclude the U.S. and Canada, purchasing a U.S. insurance policy is often required to receive coverage. Given the litigious environment in the U.S., this is highly desired as it will further distant the mother company from the U.S. operations.”

- Sal Provenzano - Business Development, Rand Insurance

CONTRACTS

The U.S. legal system, consisting of 50 different legal codes plus the federal overlay, is set up differently compared to the Nordics. The different states in the U.S. operate under a common law system, whereas the Nordics operates under the civil law system. It makes for significant differences in terms of how contracts are formed, the ability to negotiate risk between two business parties, ability to limit liability under a contract, and the courts’ role in construing contracts which generally is more limited in the U.S. Some provisions, like non-competes or non-solicits, are allowed and legal in some states, while disfavored and illegal in other states. For these reasons, and to avoid unwanted legal liability (or inadvertently entering into an illegal contract), it can be important to engage a U.S. based and trained attorney early in the process. It’s always recommended to sign all U.S. contracts through your U.S. subsidiary (if you have one) as opposed from your Nordic mother company. This way, the parent shield itself from business liability arising out of U.S. activities, which liability is assumed by the U.S. entity as long as corporate formalities are complied with and the two entities are considered separate and sufficiently independent. In terms of the corporate formalities, there are a few things to keep in mind in order for the courts to view the U.S. subsidiary as a separate and independent entity such as capitalization of the U.S. entity (initially ensuring that it has sufficient funds to cover 6-9 months of operational expenses), separate bank accounts, separate books, and preferably not complete overlap in management between the two entities.

“In the U.S., courts are generally limited to the four corners of the contract, meaning they are not allowed to construe contracts the way a Nordic court might give meaning to the words in a contract such as “reasonable penalties.” Therefore, U.S. contracts require more detail and specificity to ensure contract certainty and enforceability of the terms bargained for, and also to minimize contract liability.”

– Lars Johansson, Attorney and Founding Partner, Burks Johansson LLP
TRADEMARK

Another aspect is to consider registering your trademark in the U.S. You should consult a local attorney to evaluate your potential need for trademark as well as to draft and review contracts and agreements with partners, customers, suppliers etc.

<table>
<thead>
<tr>
<th>Description</th>
<th>Indicative timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRADemark DATA SCRAPING AND ANALYSIS</td>
<td>&lt;1 month</td>
</tr>
<tr>
<td>• Recommended to identify similar marks a firm should be aware of in order to determine whether to proceed with trademark filing or to trademark an alternate word mark or logo</td>
<td></td>
</tr>
<tr>
<td>• If this step is not performed, and it is later identified that a similar trademark exists, the firm may be subject to three times the damages and the legal fees for the entity owning the similar trademark</td>
<td></td>
</tr>
<tr>
<td>TRADemark FILING</td>
<td>9 - 12 months</td>
</tr>
<tr>
<td>• It is recommended to register the trademark under the Nordic mother company, as this is deemed a safer option by IP lawyers</td>
<td></td>
</tr>
<tr>
<td>• To facilitate the trademark filing process, it is recommended for foreign entities to use the intended trademark during a sale of a product to a third-party to prove “statement of use” of the trademark in the U.S.</td>
<td></td>
</tr>
<tr>
<td>• TM (Trademark) can be used in the upper right corner while the process is ongoing and once completed the ® symbol can be used</td>
<td></td>
</tr>
<tr>
<td>• The registration date of the trademark, once approved, is back dated to when the trademark application was filed</td>
<td></td>
</tr>
<tr>
<td>TRADemark MAINTENANCE</td>
<td>1 month</td>
</tr>
<tr>
<td>• A statement of continued use of the trademark must be filed between the 5th and 6th year anniversary of the trademark being issued</td>
<td></td>
</tr>
<tr>
<td>• An additional statement of continued use must be filed between the 10th and 11th year anniversary of the trademark being filed</td>
<td></td>
</tr>
</tbody>
</table>

LOCAL BANKING REQUIREMENTS

In order to open up a U.S. bank account you need to establish a U.S. company as a bank account requires a U.S. Tax ID called Employer Identification Number (EIN). This is the equivalent of the Nordic ‘organization number’ and is applied for after the company has been incorporated. Once you have your EIN, opening a bank account will require paperwork from the company officers (typically articles of incorporation, two forms of identification, your business address, etc.), an initial deposit and often an in-person meeting at the branch in the U.S. Besides requiring an in-person visit, opening the account is a relatively quick process.

The “Know Your Customer (KYC)” rule typically require non-resident aliens (i.e. Nordic citizens) to visit a bank in person in order to open up a U.S. bank account. Thereafter most or all of the banking could be performed abroad using various online banking and cash management tools. There are Docusign or other remote capabilities available for most banks to open up accounts virtually, but typically only if the signer is a U.S. person with a social security number (SSN) and permanent U.S. address. As a result, a Nordic company often need to plan a trip to the U.S. when setting up their bank account.

There are some differences concerning cash management and transfers between banks in the Nordics and the U.S. In the US, your domestic payments are done through the ACH (Automatic Clearing House) system which is similar to an electronic check. Very few companies send wire transfers as a mean of transfer/payments, unless for international purposes. Wire transfers typically incurs both an outgoing and incoming wire fee, whereas ACH is a cheaper system.
Another difference is the way credit is handled. With most banks, the capability of receiving credit card payments is in itself considered a credit product, meaning that a newly founded company might have difficulties acquiring this product and might have to go with other vendors such as Paypal/Stripe (typically higher fees). Also keep in mind that some companies might want to pay/get paid with a physical check.

- Adrian Millén, Regional VP International Residents Desk at Bank of the West USA

LEGAL REQUIREMENTS ON COMPANIES DEPENDING ON E-COMMERCE CATEGORY

Companies should always conduct due diligence to map out which U.S. regulations are applicable to their products, as the certification, labeling and regulatory requirements differ by product category and industry. All companies exporting to the U.S. must adhere to customs and tariff regulations set out by the U.S. Customs and Border Protection (CBP).

Clothing and textile companies must adhere to safety and labeling regulations set out by the Consumer Product and Safety Commission (CPSC) and the Federal Trade Commission (FTC). Food companies on the other hand need to comply with the U.S. Food and Drug Administration's (FDA) regulations. Business Sweden has developed a separate report focusing exclusively on food and beverage regulations in the U.S., found here.

CONSUMER PRODUCT SAFETY COMMISSION (CPSC)
The CPSC is an independent agency focused on protecting the public from unreasonable risk of injury or death associated with the use of thousands of types of consumer products

FEDERAL TRADE COMMISSION (FTC)
The FTC is an independent agency that seeks to protect consumers and competition by preventing anticompetitive, deceptive, and unfair business practices.

CUSTOMS AND BORDER PROTECTION (CBP)
The CBP is the federal law enforcement agency of the U.S. Department of Homeland Security tasked with regulating and facilitating international trade, collecting import duties, and enforcing U.S. regulations such as trade, customs and immigration

For clothing companies, the below requirements set out by the CPSC, FTC and CBP must be met. All labels must be in English, legible, and have consistent font and size. More information about labeling requirements for clothing and textiles can be found here.
**FLAMMABILITY**
Clothing must be compliant with the Standard for the Flammability of Clothing Textiles under 16 CFR §1610.1(d) and specify the portion of the exemption in the General Certificate of Conformity. More information can be found [here](#).

**FIBER CONTENT**
The generic fiber names and percentages by weight of each constituent fiber must be listed in descending order of predominance.

**IDENTIFICATION**
Clothing labels must identify the manufacturer either by name or by the Registered Identification Number (RN), issued exclusively to companies operating within the U.S.

**CARE INSTRUCTIONS**
Labels must contain care instructions regarding: (1) Washing by hand or machine (2) Bleaching (3) Drying (4) Ironing (5) Warnings

**COUNTRY OF ORIGIN**
Imported products must clearly identify the country where they were processed or manufactured, not by the nationality or location of the company selling the product.

**CUSTOMS PROCEDURES**
Products must be identified with the appropriate HTS code and associated tariff rate, found [here](#). Further custom procedure support can be provided by Business Sweden Trade Facilitation.

**SALES TAX AND FEDERAL REPORTING REQUIREMENTS**
A U.S. subsidiary will need to comply with both federal and state regulations; however, the majority of business requirements are overseen on a state level. Below is an overview of the various taxes and requirements you need to comply with if you have a U.S. subsidiary.

---

*If a Nordic company is not labelling their products appropriately products can get stopped at customs, penalties may apply, which can be costly to companies. Once an import is flagged, Customs and Boarder Protection (CBP) and Consumer Product Safety Commission (CPSC) increase the scrutiny to ensure the products do comply with U.S. laws and regulations.*

~ Representative at the U.S. Customs and Boarder Protection
ANNUAL REPORTS
Annual reports must be filed in all states where the Inc. is incorporated and qualified to do business.

C-CORPORATION REQUIREMENTS
Corporations are required to hold initial and annual director and shareholder meetings, record meeting minutes, adopt and maintain bylaws, issue stock to shareholders, and record all stock transfers.

CORPORATE INCOME TAX
A U.S. corporation is required to pay federal and state tax on U.S. income annually to the IRS and state governments.

SALES TAX
Sales tax must be collected and remitted to the state when selling to the end user, regardless of selling from the Nordic mother company or U.S. subsidiary. Sales tax vary by state and range from 0% to 13.5%.

FOREIGN QUALIFICATION
A corporation will need to register in additional states as the company grows. Qualifying is most commonly required when the U.S. entity does business or hires an employee in an additional state.

REGISTERED AGENT
The Inc. must designate a registered agent in each state of incorporation and qualification in order to receive governmental correspondence and notifications.

FEDERAL AND STATE TAX
The U.S. has a multi-tiered income tax system under which taxes are imposed by federal, state, and sometimes local governments. Federal and state income tax are similar in that they apply a tax rate to taxable incomes, but the tax rates can vary considerably from state to state.

By having a U.S. subsidiary, you will need to begin reporting to the relevant tax authorities: U.S. federal government (IRS), State, and potentially local municipalities. Even if activities are limited, filings are still required to avoid the risk of severe penalties or fines.
FEDERAL TAXES

Required tax filings depend on your industry, annual revenue, number of employees and fiscal year. Most companies submit estimated tax payments quarterly and must file an income tax return annually. Exact filing date depends on type of corporation. For example, the deadline for C-corporations that operate on a calendar year is mid-April while the deadline for C-corporations that operate on another fiscal year is the 15th day of the fourth month following the end of the corporation’s fiscal year.

Employer taxes (payroll withholdings and unemployment tax payments) are usually submitted semiweekly or monthly depending on your filing status. You must document deposits and distribute year-end tax documents to your employees.

Some companies, including manufacturers, retailers and communication companies, are subject to excise tax. Depending on industry-specific requirements, excise tax is paid monthly, quarterly or annually.

STATE TAXES

Most states collect corporate income tax as well as sales tax. Most companies with activities in these states submit estimated tax payments quarterly and must file an income tax return annually.

Most states require companies, including remote ones, to collect sales tax from the customers within their states. The sales tax rates differ between states and often also between jurisdictions within the states. Some states require sales tax remittance by county, for example Arizona, while other states, such as Illinois, require just one state-filing covering all jurisdictions.

The frequency of payment depends on the volume of your sales. In most states, you must pay monthly if you have a high volume of sales, but at least quarterly in almost every state.

What are other common taxes for U.S. companies?

If you have employees in the U.S., you have employer taxes as well. Employers who pay wages are subject to income tax-withholding, social security and Medicare taxes.

SALES TAX

A company with nexus in a state will be subject to sales tax regulations. You need to collect sales tax from a customer if you are selling directly to the end-user while having economic/physical nexus in the state. Note that sales tax is a consumer tax, so you only need to collect sales tax if you are selling to the end-consumer. If you are selling your product to a distributor, the responsibility to collect sales tax will fall on them when they make the final sale to the consumer. That said, it is important that you request a “Reseller Certificate” from the distributor to support why your company is not collecting sales tax from the distributor.
The responsibility of collecting sales tax falls on the seller if it has nexus in the jurisdiction. In other words, if you do not have nexus in a state, you do not need to collect sales taxes. Previously, it was primarily physical nexus that determined when a company had to start collecting and remitting sales tax. A company is considered to have a physical nexus if they have an office, store, or employer in a state, but it can also involve more non-obvious scenarios such as employing remote employees, storing property in a fulfillment center or location owned by someone else, or setting up a bank account. However, what constitutes nexus differ state by state.

Lately, most states have implemented new nexus rules to account for the growing landscape of e-commerce. Physical nexus is still applicable but there are two other types of nexus to be aware of when selling online in the U.S.: economic nexus and marketplace nexus.
ECONOMIC NEXUS
Economic nexus does not consider physical presence but rather a seller’s economic activity in terms of sales in that state. Many states use a standard numeric threshold to determine economic nexus, such as that sellers only need to collect sales tax if they have at least 100,000 USD or more in sales and/or at least 200 transactions. If you exceed this threshold, you will need to collect sales tax in states with this requirement for each additional transaction after reaching the economic nexus threshold.

MARKETPLACE NEXUS
Marketplace nexus requires marketplaces (e.g. Amazon, Walmart, Ebay) to collect and remit sales tax on behalf of the seller in certain states. This is beneficial for the state who can collect their sales tax from one large marketplace rather than multiple smaller vendors, and it is beneficial for the vendor who is removed from the obligation to collect and remit sales tax in certain states. A company will have marketplace nexus in all states that a marketplace sells their products to, but they may or may not also have economic nexus in these states. The marketplace for example, is only tracking sales via their platform, and you may in fact have reached economic nexus by exceeding 200 transactions in a state, or selling for over $100,000 if you combine your Amazon sales with other platforms, or your own website. This will trigger a requirement for your company to collect sales tax on sales in all other channels. This blogpost explains marketplace nexus in greater detail.

NEXUS LAWS, RATES AND REMITTANCE OF SALES TAX VARIES BY STATES
The sales tax rates differ between states and often also between jurisdictions within the states. There are roughly 10,000 sales tax jurisdictions in the U.S., with widely varying rates. Some states require sales tax remittance by county, for example Arizona, while other states, such as Illinois, require just one state-filing covering all jurisdictions.

SOME PRODUCTS ARE EXEMPT FROM SALES TAX
Most products that can be considered “Tangible Personal Property (TPP)”, meaning they are visible and touchable, should be sold with sales tax in most states. That said, there are some exemptions for sales tax in certain states, such as grocery items, medical drugs, and services.

Service and custom software including SaaS are mostly tax exempt as it is treated as an intangible product, but some states still treat it as a taxable product. More info can be found here. A guide for sales of services can be found here. More info about grocery items can be found here. Information on how to deal with shipping and handling fees can be found here.

SALES TAX REGISTRATIONS ARE REQUIRED PRIOR TO COLLECTING SALES TAX
The first step is to register for the sales tax permit once you have determined that you will be obligated to collect sales tax due to reaching economic/physical nexus. Registration can be done directly through each states’ website or working with a company like MyCorporation which could assist in filing services. Each state will determine the company’s filing frequency (either monthly, quarterly, or annually), which is usually based on the companies’ sales. Never collect sales tax without this registration! It is recommended that you continuously monitor your sales in the U.S. to ensure you are aware of which states you likely will reach nexus in.
Many states will relieve penalties associated with retroactive collection responsibilities if companies voluntarily register for sales tax in the state. Thus, be proactive and ensure you understand the taxability of your goods/services in a state. After you have completed a sales tax registration in a state, you will need to file sales tax even if the amount is zero if you have nexus in the state and sell taxable items.

It is recommended that you continuously monitor your sales in the U.S. to ensure you are aware of which states you likely will reach nexus in. TaxJar and Avalara are two digital resources to help companies automatically track sales tax status in each state. Business Sweden also has a team of in-house accountants who offers services to monitor sales to determine when nexus has been reached, assist with sales tax registration for each state, as well as file sales taxes on behalf of the company and analyzing company revenues to ensure it is done correctly. Feel free to reach out to Business Sweden or Business Finland directly for more information.

**HAVING A U.S. ENTITY MAKES SALES TAX MANAGEMENT EASIER**

Companies need to submit their Tax Identification Number (TIN), also known as Employer Identification Number (EIN) as well as the officer’s Social Security Number (SSN) when registering for sales tax. If you do not have a U.S. entity or U.S. officers, you will not have a TIN/EIN and likely not an SSN, which makes the process slightly more complicated. Cases like these should be discussed with a tax specialist.

**GO-TO MARKET CONSIDERATIONS AND GROWTH AVENUES**

Entering the U.S. can seem a daunting task for any company regardless of its size. The U.S. is about 22x larger than Sweden in size and a country like Spain is considerably smaller than Texas. The U.S. is one country but many states which in themselves are often larger than many countries. For the vast majority of companies going after one region of the United States is advisable. Trying to address the entire U.S. market in one go is often difficult unless your company has vast financial resources and in-house execution power. However, selecting a corner of the United States and building from there can often be a smart move especially if you have already started to get orders from the United States before officially entering the country.

Depending on product certifications needed, relabeling etc. cost of setting up may vary greatly from company to company. But at the very least you should expect 50k USD in your first 12 months to get up and running with a local incorporation, handle accounting and sales tax, setting up with a local third-party logistics partner, potentially adjusting your website, getting marketplaces such as Amazon ready and potentially processing visas for staff. In addition, running costs for increased marketing and increased capital allocated to inventory is almost unavoidable.

“Companies can manage sales tax by themselves, but this is very time consuming and complicated if you are unfamiliar with the U.S. sales tax regulations. As most companies get bigger, having a dedicated individual whose sole responsibility is sales tax is certainly beneficial.”

— Jonabel Russette, CPA, Finance & Accounting Manager at Business Sweden USA
There are of course ways to cut back on some of these costs or taking lower risk, lower reward paths such as increasingly working through distributors.

**WORKING WITH U.S. PARTNERS**

**KNOW WHAT YOU WANT FROM YOUR PARTNER**

When first launching in the U.S. market, it will be easy to want to latch to the first companies that you come across for the sake of convenience. However, it is of great importance to carefully vet each partner you come across for the terms of the agreement. If a company hires a distributor, what ownership will the distributor have over the contacts that they make, what ownership do they have over the products they are helping to distribute? What happens if a company wants to exit any of the agreements that are in place with a potential partner? These are all important decisions that must be made, both internally and together with the support of legal experts.

Regardless of what type of set up a company will have for agreements, there is one important element; it is well known that most U.S. companies prefer to set up agreements and do business with U.S. companies.

<table>
<thead>
<tr>
<th>Description</th>
<th>Importation</th>
<th>Warehousing</th>
<th>Distribution</th>
<th>Sales</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>3PL</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Online retailer</td>
<td>x</td>
<td>✓</td>
<td>✓</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Sales rep</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Physical retailer</td>
<td>x</td>
<td>✓</td>
<td>✓</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Distributor</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>x</td>
</tr>
</tbody>
</table>

Typical service offered | ✓ Service sometimes offered | ✗ Service not offered

"When entering the U.S. market, it is important to be brave but not foolish. In addition, make sure to be careful when choosing and analysing potential partners.

– Marko Manninen, Vice President at Acon"

**E-COMMERCE: A RACE TO THE BOTTOM IN MARGINS**

As compared to most physical retailers, online retailers have a slightly higher profit margin, but this is something that has been shrinking more and more with the growth of e-commerce. As consumers have more resources to compare prices and are continually looking for the best deal they can possibly get, the race to the bottom has been accelerated.

As a general rule of thumb, a 10% net profit margin is deemed average, while a 20% margin is deemed high and 5% low. However, it is best to judge internally what project margins are acceptable depending on the industry, type of product, logistics, and other considerations.
MANAGING THE CUSTOMER EXPERIENCE

As more consumers have turned to e-commerce, they have put more and more emphasis on the customer experience while shopping online. The service received, shipping policies, speed of shipping, and deliveries/returns are all crucial in retaining customers after they have made that initial purchase.

DELIVERIES

Online stores in the United States generally offer several different shipping options, and American consumers are generally accustomed to fast deliveries. An example is Instacart, which offers delivery of groceries to the consumer’s door within two hours. Some E-commerce sites provide a standard option that is free, while there is usually a faster option that comes with a certain fee. Amazon offers, for example, Standard Shipping (3-5 working days) and two-day and same-day delivery at different prices.

In cases where the advertisement does not state the number of shipping days, there must be a reasonable reason not to send a shipment within 30 days.

If the seller cannot send the item within the promised time (or within 30 days in cases where the seller has not specified what is a reasonable time), the seller must notify the buyer of the delay and enter a new estimated delivery date and also offer the customer a full refund. In the event of delivery delays of up to 30 days, the seller may interpret the customer's possible failure to respond as a sign that the buyer accepts the delay. In the event of a delay of more than 30 days, however, the buyer must give written or oral approval. In cases where the customer does not agree to this, a full refund must be made immediately.

RETURNS

Returns are a big challenge for many companies, and return rates are much higher for e-commerce in particular as compared to physical retail. While return rates are roughly 8% in physical stores, this jumps to nearly 25% with online retailers. Many of the most purchased products via e-commerce are also some of the most returned products. Roughly 56% of e-commerce clothing purchases, and 22% of health & beauty purchases are returned.

Due to the hassle that returns cause for many retailers, it may make sense as a retailer to make returns more difficult for consumers.
However, negative return experiences are likely to keep customers from coming back to retailers again after the initial purchase. In fact, roughly 60% of 18-25-year-olds have said that a negative returns experience would result in them not shopping with a retailer again. In fact, many customers will review a retailer’s returns policy before buying. There should be no hidden fees associated with returns, and if customers will be responsible for return shipping costs, which can help reduce shipping costs, make sure that information is presented clearly. It is even recommended to give customers tracking information for their return shipment and/or automatic text alerts once their return has been received and refunded.

Retailers can take a few clear steps to reduce return rates proactively, including providing clear product descriptions, increasing the return time window by 30 days or more, conducting regular quality testing, and identifying trends in commonly returned items. Just as a company may have a logistics provider for shipments, it is common to enlist the services of a 3PL or other party to support with returns.

**PAYMENT PROVIDERS**

There are several payment providers commonly utilized in the e-commerce space. See some of the main providers below:

<table>
<thead>
<tr>
<th>Restrictions</th>
<th>Capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>EIN and U.S. bank account number is required in order to use Klarna in the U.S.</td>
<td>Klarna sends funds via ACH direct deposit. Exchange between several currencies including SEK/EUR and USD are allowed</td>
</tr>
<tr>
<td>Requires a merchant account and a social security number</td>
<td>Allows companies to either use Square to build their online site or integrate payment solutions with their existing site. Also offers physical card readers</td>
</tr>
<tr>
<td>A merchant account is not required, but a U.S. EIN number and a U.S. SSN is. A U.S. bank account is required. Additional 1% fees for different currencies occur</td>
<td>A Stripe account takes the place of a merchant account, gateway and processors</td>
</tr>
<tr>
<td>If the company is based in Sweden a 4.4% transaction fee will be charged for every U.S. purchase and higher exchange rates</td>
<td>Funds can be transferred into a bank account and exchange between USD and SEK/EUR</td>
</tr>
<tr>
<td>A U.S. bank account and a social security number is required to validate the SumUp account in the U.S.</td>
<td>Offers physical card readers for shops and online payment services. Accepts credit and debit cards</td>
</tr>
</tbody>
</table>
The Various E-Commerce Platforms

There are two ways to get your products selling on Amazon: as a seller (also known as third-party or 3P) or as a vendor (first-party or 1P). There are different product categories that are better for the different selling areas on Amazon, but overall, the most popular categories in Amazon are: electronics, clothing shoes & jewelry, home & kitchen, beauty & personal care, and books.

The end result looks the same either way – your products will be available to buy on Amazon. But that’s where the similarities end. Amazon Vendor Central is a completely different concept to Seller Central, and it’s crucial to understand the fundamental differences and not just compare each feature separately.

Vendor Central

Vendor Central is an invite-only platform for businesses that want to sell their products to Amazon itself. Companies will receive an invite when they receive strong demand from shoppers, sell well within their own products, and companies that have attractive products, and are generally larger companies. When you sell to Amazon in this capacity, you are their supplier. The core process is very simple:

1. Amazon sends you a purchase order listing what they want to buy
2. You send Amazon the inventory they have ordered
3. Amazon pays you

It’s then down to Amazon to sell your products to their customers. Vendor Central can be an attractive option. It gives businesses a way to get their products on Amazon, with none of the hassle of selling direct to consumers. It’s much simpler than Seller Central, but it does still have challenges. Common downsides include harsh contract terms, low prices and unexpected additional costs.

Seller Central

By contrast, Seller Central is a self-service program open to practically everyone, anything from an individual account to a professional seller account. As a third-party Amazon seller there are two options for fulfilling orders that are received through the Amazon marketplace. Sellers can handle all the tasks of shipping, customer service, and returns for the orders yourself or through a third-party logistics provider (3PL) you choose, which is known as Fulfilled by Merchant (FBM). Or companies can choose to allow Amazon to handle this process by enrolling in the Fulfilled by Amazon (FBA) program. With FBA, the company name can be added to the order page; customers

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In the beginning, all new companies will be launching on seller central. From there, the logistics decision you make will be incredibly important. I highly recommend FBA where at all possible, as companies using FBM have a 60% lower conversion rate than their counterparts using FBA only.

– Lynn Graham, Founder at Beekeeper Marketing
will see “sold by BRAND X and Fulfilled by Amazon” when they buy products. The number of successful FBA sellers continues to grow and there is a growing demand to buy FBA businesses.

FBA

- Prime eligibility: prime members spend more money and shop more frequently than non-members, and prime eligible goods are more likely to appear at the top of search rankings
- Amazon takes control of processes, customer support, and inventory, limiting the control you have over your customer relationship

FBM

- FBM sellers generally have slightly more sales and a higher profit margin than FBA sellers, this may be due to the type of product, but also due to having a closer customer relationship
- 51% of FBM sellers took less than 6 weeks to get started on Amazon vs. 34% of FBA sellers
- FBM sellers are more receptive to receiving negative seller feedback, and more focus on the quality and speed of product delivery
- Merchants can still be prime eligible with Seller Fulfilled Prime, though the process to sign up for this is rather extensive

Logistics

- Immediately gives companies a reliable logistics provider to help manage the American market
- FBA supports a multi-channel approach with its shipping infrastructure, allowing companies to have their products on other webshops and marketplaces while still acting as a 3PL
- Amazon charges fees for FBA, both for shipping and for storage, and therefore it is best suited for small, lightweight products that have a quick turnover time

Costs

- With FBA, companies have limited control of where product is warehoused, causing physical pains, which could lead to unanticipated sales tax costs
- FBA is most suitable for smaller, lightweight products that can turnover quickly, due to warehouse and fulfillment fees

Ebay

Ebay is a platform much better suited for small companies, allowing sellers to set their own shipping policies, return policies, and shipping charges. Other features such as immediate access to revenue via Paypal, auction format listings, and a more unique product selection are what make Ebay such a great marketplace for smaller companies. Top product categories on Ebay include: Mobile Phone & Accessories, Video Games, Health & Beauty, Home & Garden, and Computers & Tablets, among others.

Etsy

Another platform well suited for small companies that sell specific types of goods is Etsy. Etsy has much more specific rules for what vendors can and cannot sell than others. The only products that can be sold on Etsy are handmade items, vintage items, and craft supplies, therefore making it best for much smaller, independent companies. From there, vendors can sell their handmade goods, vintage items, and craft supplies directly to buyers around the world.
Many of the benefits of selling on Walmart are similar to that of Amazon, though it is much more limited than its competitor from Seattle. However, compared to Amazon, Walmart marketplace’s differentiating factor is their huge brick and mortar footprint with thousands of stores globally. Walmart does limit the product categories third party sellers can go into, which is only 35 product categories at this time compared to the hundreds on Amazon. The number of sellers on Walmart is considerably less than Amazon, which allows for more control over who’s selling their products. Some of the top categories include fashion, electronics & media, toys hobby & DIY, furniture & appliances, food & personal care.

As opposed to Amazon and Walmart, Target invites retailers to sell on its online marketplace, limiting the number of retailers to avoid the PR blunders that Amazon and Marketplace have therefore faced. As of December 2019, Target Plus had signed up nearly 100 sellers, selling more than 250,000 products on Target.com. With Target Plus, the retailer has picked product categories that complement its own million-plus assortment online and that customers have been searching for on Target.com. Sporting goods, musical instruments, and toys also happen to be categories where national retailers of those products have been floundering or gone out of business, including Sports Authority and Toys ‘R’ Us, leaving a void in the market. This means that Target Plus will of course only be best for the largest companies, that already have an established relationship with Target.

SUPPLIER REQUIREMENTS

Supplier requirements have shifted quite a bit at some of the marketplaces in the U.S., especially as they implement more protections against counterfeit goods, something that has been prioritized under the Trump administration. Future federal regulation as it relates to e-commerce, foreign companies, and so forth is expected to shift under the incoming Biden administration, but it is far too early to tell what this legislation will look like.

AMAZON REQUIREMENTS

Amazon, as a global behemoth, can generally be rather accommodating for Nordic companies looking to sell into the U.S. For payments from Amazon, companies can establish a U.S. bank account, however in some cases Amazon can even support with its currency converter, foregoing the need for a U.S bank account. From there, companies would be able to provide some additional information, including tax information, a phone number, a Government issued national ID, and a chargeable credit card for any Amazon expenses. The charges from Amazon will vary depending
on which type of account companies have. In addition, after selling more than 10 KUSD per month, professional Amazon sellers are required to have general liability insurance. Regardless, it is recommended that retail companies obtain product liability insurance when entering the market.

Other expectations in terms of FBM, FBA, and Amazon vendor central will vary based upon which group that companies are in. Regardless of what group a company is in, it will be very important to ensure products are listed properly. The products will likely need to have sort of identification: a Global Trade Item Number (GTIN), such as a UPC, ISBN, or an EAN. This allows Amazon to identify the exact item being sold, but there is much more that companies will need to include in order for companies to be recognized by customers. This includes basic elements such as: SKU, product title, product description and bullet points, product images, and search terms and relevant keywords. Having high quality and proper information available will also add the proper trust for customers to purchase products.

Many of our interviewees have pointed to their own difficulties with Amazon, either in getting registered, or with getting temporarily banned from putting up their products. This could be due to the new restrictions that Amazon has put on counterfeit goods, which can sometimes impact good, honest companies.

OTHER PLATFORM REQUIREMENTS
Many of the larger additional platforms have similar requirements to Amazon for vendors. Walmart has a compliance guidance tool to support new and existing vendors to ensure their compliance. From an insurance perspective, Walmart requires companies to have a much broader amount of insurance, including: general liability, product liability, employer's liability, automobile liability, and any umbrella liability.

As the process of becoming a Target Plus vendor is invitation only, the requirements are much more uncertain. However, it does require that vendors have an EDI system in order to communicate with the Target system. In addition, it does appear that a U.S bank account would be needed for payments from Target.

Smaller, more individually based selling platforms such as Etsy and eBay do support platforms like PayPal to make global payments simpler, though vendors would have to adhere to the requirements stated above in the ‘Payment Methods’ section, for more information.

PROS AND CONS OF E-COMMERCE PLATFORMS
More generally, e-commerce is a great way for brands to make a wide array of products available, expand reach from brands’ home markets, and be more cost effective than traditional stores. In addition, should success be achieved in this space, it is much easier for e-commerce business to scale up, as there are less restrictions in physical infrastructure. Especially in an age like today, where more and more customers are going online, either by choice, or by necessity due to the ongoing global pandemic. Nordic companies, coming from more digitally native countries, are particularly well positioned to enter this market, and the nature of e-commerce allows many Nordic businesses to grow from a distance before entering the market fully
However, e-commerce is not all positives. Much of this can be tied to lack of a direct connection to the consumer, which is why many e-commerce companies focus heavily on trying to connect to the customer. Though preferences are shifting, many consumers still prefer to hold and try on certain products before they decide to make a purchase. As such, it is of utmost importance to build the customer connection with marketing and advertising spend and collect necessary data to better understand the customer’s needs.

Other difficult points within e-commerce would include sales tax. As mentioned, the 2018 ruling has made entering the U.S. market much more difficult, and tracking where nexus may arise has become a challenge for many companies. However, there is software available, as well as consulting firms that can support with tax questions.

**AMAZON MARKETPLACE**

For smaller and mid-sized businesses, selling through Amazon Marketplace can be a gamble. The marketplace is great for companies with a unique product and adequate profit margins, as these types of products can stand from the many products they compete with. On the bright side, Amazon makes it easy to reach a large consumer base at scale and gives you the tools and infrastructure needed to do so. In fact, for many companies, Amazon sales alone can be imperative to the success of a small business, allowing for a wide, even international reach, which can ease the customer acquisition process.

While Amazon does come with many salient benefits, it can be complex to master. While a benefit lies in the wide range of products, this can make it very difficult for companies to stand out. In fact, for certain product categories, many companies try to game the Amazon system with low prices and marketing expenditures. Also, depending on which selling method a company is using, working within Amazon’s model can be expensive, due to high commissions and demands for free delivery cutting into profit margins. Another negative for companies is that while they cannot control much of the customer experience when selling or shipping with Amazon, they still face the consequences of the customer experience, and cannot build up as much customer loyalty.

**MANAGING AMAZON**

When a company does get its product approved on Amazon, there are different paths for selling, either an Amazon Seller account or an Amazon Vendor account. However, becoming an Amazon Vendor is by invite only, so all companies must begin with a Seller account.

**LEGACY BRANDS COMPETING WITH DTC**

The pressure of increased entry of legacy brands taking up a direct to consumer model is eating away at the advantage of smaller DTC brands. To understand this threat better, look no further than Costco.

The Kirkland Signature brand generated nearly $40 billion in sales in 2018, more than CPG heavyweights Campbell Soup, Kellogg, and Hershey combined. Kirkland brands are often 20% cheaper than national brands, forcing CPG companies to cede market share or lower prices to compete.
Being approved on Amazon is only the first step in the journey. From there, there are 4 main pillars to focus on for success in the marketplace: a retail foundation, content and SEO practices, supply chain, and marketing and promotions. This can often be a strong learning experience, as Amazon is a system of its own, completely unique from the other e-commerce channels on the market.

A common mistake that many companies will make when working on Amazon can be treating as just another storefront, almost the same as if they were selling wholesale to a brick and mortar company. According to Beekeeper Marketing, “when selling via e-commerce, you have to adapt your product to that reality. Amazon is an optimization game, and in order to succeed, you need to be able to pull the right levers at the right time.” This is just a part of the retail foundation.

From there, as touched upon previously, companies need to be able to have the correct content and work their SEO practices properly. This can be a complicated process, but like Amazon on the whole, it can be learned through testing over time.

After this, it is important to understand how the customer will receive the products that are being sold on Amazon. Today on Amazon, there are more than 100M people that have Amazon Prime memberships in the U.S. alone. Being able to access the 1-2 day shipping that Amazon Prime offers is of great importance to the consumers. One way to receive this distinction from the beginning is to handle logistics through Fulfillment by Amazon (FBA). In fact, not selling with FBA can bring a company’s conversion rate down by at least 60%.

Lastly, it is important to be visible on Amazon, and in a marketplace where there is so much competition, companies have to pay their way to standing out. As Beekeeper marketing mentions, “Amazon really is a game where you need to pay to play, at least to build up momentum in the beginning.” This of course has to be done through proper management of marketing, or ‘search promotions’, to be pushed higher in search listings, and knowing the right time to bring in promotions on products.

Companies like Beekeeper Marketing operate in a space called Amazon Managers. These companies can come in and support the entire Amazon process for companies, leaving the larger brand decision to the companies themselves.
A Finnish trampoline company that sold for 2MUSD via Amazon in 2019.

What role does e-commerce play in your overall strategy?

Everything is built around the customer, but the scalability and agility of e-commerce makes it possible for a company like Acon to come into the U.S. market. E-commerce has allowed us to do a lot of testing and learning quickly. In addition, the data that e-commerce delivered was a huge part of being able to learn about the customer quickly, while the lower investment needed from focusing on e-commerce has allowed us to stay more cash flow positive.

Besides your own web shop, do you use any other e-commerce channels in the U.S.?

We use Amazon outside of our web shop for sales, as well as a few other channels. For Acon, the most important to think of is the logic in the opening of a new channel; there must be an added value on top of the main e-commerce channels.

What were the main drivers for opening your own web shop and selling DTC?

A DTC channel was key for Acon to be able to best understand the customers’ needs and expectations, and well as to manage brand messaging. While other channels like Amazon are great for getting exposure, it does not allow for the same access to information, and companies cannot build the same type of relationship with the customer.

Which e-commerce channels have been most effective for ACON and why?

The DTC channel has been the most effective for Acon, due to the availability of data, as mentioned previously. We found it important to test many different sales channels and learn from those experiences. However, companies should not assume that spreading across as many channels as possible would be of value, as it is easy to get caught in a web of contracts.

What have the biggest hurdles been within each respective channel?

With e-commerce, the toughest thing is just to constantly understand what the company’s position is in relation to competitors, and how companies can do better for customers. Otherwise, one of the biggest hurdles for Acon was learning the local laws, regulations, and standards, and we can meet them. A great example is Sales Tax vs. VAT, and understanding how companies can manage those differences.

What are the biggest differences selling online in the U.S. vs. the Nordics?

In the U.S., the market is much more mature than the Nordics. For examples, the baseline for customer expectations is at a different level, so companies need to be sure to meet those expectations from the start. Amazon has heavily skewed customer expectations for shipping times, and customers expect easier and easier purchases.

Do you have any recommendations for Nordic retail companies looking to enter the U.S. e-commerce industry?

The biggest pieces of advice would be to understand what companies do and do not know, the ‘known unknowns’. Make a strategy that can last the test of time and be agile and scalable in entering the market. Lastly, be careful in choosing your partners!
What role does e-commerce play in your overall strategy?

E-commerce is a very important part of Vagabond’s overall U.S. strategy, and is actually the fastest growing segment for us, both looking at the DTC channel and through retailers like Nordstrom. When entering a new market, it is important to have a web shop to provide information about the brand and showcase products in a way that retail partners cannot.

Besides your own web shop, do you use any other e-commerce channels in the U.S.?

We use a few other channels for the shoes being sold, mostly Nordstrom and Zappos, though some of the retailers that Vagabond works with do sell through Amazon as well. For us, it was much more important to build an online store and set up distribution.

What were the main drivers for opening your own web shop and selling direct to consumer?

Vagabond understands that the most important way customers make a purchasing decision is via their web shop, having the opportunity to explore the brand and learn about it. In addition, the direct relationship with the customer that DTC allows us to develop more loyalty was a main driver.

Which e-commerce channels have been most effective for vagabond and why?

There is not one channel in particular that has been most effective for us, but rather, the combination of the different channels has been very successful!

What have the biggest hurdles been within each respective channel?

The biggest challenges for Vagabond were in getting set up and understanding the relevant regulations and logistics for the company. The customs de minimus made it easier to ship to the U.S. to begin with. However, from there, we had to spend time organizing logistics, and linking it to the overall business set-up. Elements like returns are something that most retail companies will have to get a good understanding of.

Outside of logistics, there have been some difficult legal aspects, as well as regulatory barriers like sales tax. Despite this, the most important thing is to learn from the challenges faced.

What are the biggest differences selling online in the U.S. vs. the Nordics?

Marketing and standing out in the U.S. is much more difficult than in the Nordics, as it is much more difficult to stand out to the consumer. In addition, handling customer service is a different process in the U.S. as compared to the Nordics, both in terms of the logistics of shipping and returns.

Do you have any recommendations for Nordic retail companies looking to enter the U.S. e-commerce industry?

Understand the logistics and the legal side of things and understand the pricing when entering the market. Otherwise, make sure that companies have the right partners to succeed.
What role does e-commerce play in your overall strategy?

We, as many other companies, were pushed to step into e-commerce in the US much earlier than planned this year due to COVID-19. It’s been important to be able to be where our consumers are and build a relationship together with them and our brand. Another aspect is to be available to new consumers all over the US and keep in touch with existing ones.

Besides your own web shop, do you use any other e-commerce channels in the US?

As of now we have been utilizing our own web shop in the US, but as we have a long and successful relationship with Amazon in Europe. We are also looking into using their marketplace and Amazon Fresh in our marketing mix and sales channels in a near future. Amazon Fresh is a very exciting opportunity for tap into and a great way to reach and convert new consumers both in US and in the EU.

What were the main drivers for opening your own web shop and selling DTC?

We have been very eager to sell ice cream DTC online for a long time, it’s been a dream and a very exciting challenge, especially as COVID-19 slowed our scale up in grocery stores. We also wanted to meet the consumers’ demand by offering them the possibility to purchase our products no matter where they live, as we cover 92+% of the US with our frozen deliveries.

Which e-commerce channels have been most effective for N!CK’S and why?

Each channel has its own objective and part in our strategy. With Amazon Marketplace, we are able to scale and fast reach out to new consumers with a good conversation, while on our own homepage nicks.com we own the connection and relationship with our consumers.

What have the biggest hurdles been within each respective channel?

Acquisition cost for our own web shop, and some bureaucratic issues with Amazon. But all-in-all we learn new things every day from the data we get, which enables us to improve and grow.

What are the biggest differences selling online in the U.S. vs the Nordics?

We do see a different consumer behavior; in that we can utilize the data available in a much easier way in the US. These insights are very valuable and support our data-driven decisions.

Do you have any recommendations for Nordic retail companies looking to enter the U.S. e-commerce industry?

I believe that every company needs to make decisions and act out of their own possibilities and situation. As mentioned earlier, it is today extremely important to build up your brand also online where many of the consumers spend most of their time (especially when they are not in the supermarket that much anymore). Be nitty gritty about your online strategy since that’s where you can find your consumers. It’s very important to understand the power of social media and other online marketing tools. Use the data that is there!
VARUSTELEKA

A Finnish military surplus retailer, which also has their own apparel.

What role does e-commerce play in your overall strategy?

We only sell through our own web shop into the U.S. today. Varusteleka has one brick and mortar store in Helsinki, and to reach the rest of the world, we use e-commerce. Today, e-commerce makes up roughly 70% of the overall turnover. For Varusteleka, the biggest influencers we work with are in the U.S., so having e-commerce is crucial to be able to reach them. E-commerce has been a huge part in allowing the company to maintain a growth rate of around 90% over the past few years.

Besides your own web shop, do you use any other e-commerce channels in the U.S.?

At the moment, we use our global web shop to sell to the U.S. When getting started, we invested everything in in-house operations, doing content and marketing for the web shop ourselves. As Varusteleka began as more of a marketplace, we did not feel it was necessary to launch on Amazon. However, as we have been developing our own brand of apparel in recent years, we have started the process of launching with Amazon, and hope to have it set up soon.

What were the main drivers for opening your own web shop and selling direct to consumer?

Having a destination for customers that allows them to learn the brand story and develop a close relationship with the customers. Our webpage is a combination of a media site and a web shop, so this makes it much more of an experience for customers.

Which e-commerce channels have been most effective for Varusteleka and why?

We are not selling outside of our main web shop at the moment.

What have the biggest hurdles been within each respective channel?

Logistics was a big challenge, both in delivery and returns. Today, we offer 100-day free returns, which makes us more money in loyalty than it costs us in returns. Since our initial challenges with logistics, we have brought in partners that support our logistics, as well as other partners to support with problems like sales tax. Lastly, we did have some difficulty with setting up a U.S. bank account in the beginning.

What are the biggest differences selling online in the U.S. vs the Nordics?

From a customer service perspective, U.S. consumers are much more talkative and responsive, so it makes a lot more work for our team!

Do you have any recommendations for Nordic retail companies looking to enter the U.S. e-commerce industry?

Varusteleka has had a lot of success with influencer marketing. These connections came to be through members of the team attending the main trade shows for several years, which allowed us to build strong relationships and reputation in the industry. Another important aspect to think of is customer service. Handing customer service well will help us to grow more, as word of mouth spreads even better in the U.S. than in the Nordics.
NUDIE JEANS

A Swedish denim company with an environmental focus.

What role does e-commerce play in your overall strategy?

E-commerce plays a huge role in building our brand and creating interest and demand and has gotten more and more important every year. The primary goal is to showcase our brand with full control. The secondary goal is to sell and provide the best service and customer experience. Currently we have a net promoter score of 81.4 which is considered world class. Together with external ecommerce, online sales make up about 40% of our total turnover.

Besides your own web shop, do you use any other e-commerce channels in the U.S.?

Nudie Jeans utilizes a few different e-commerce channels in the U.S. outside of our own web shop, both with higher-end online retailers like Mr. Porter and more traditional retailers like Saks Fifth Avenue. We find that our retail partners do a great job of helping us with marketing, allowing us to expand into new states, and suggesting pieces that our clothing would look good with.

What were the main drivers for opening your own web shop and selling direct to consumer?

As a fast-growing company coming from a wholesale perspective and a strong focus on brand building, we found that this could be a very good way to give the customers and fans the best experience of Nudie Jeans without entering a physical store. It also gives us direct feedback and an opportunity to get closer to our customers, which is fun for us and our customers.

Which e-commerce channels have been most effective for Nudie Jeans and why?

Depends on what you measure but looking at basically all aspects: brand building, service, demand, and sales, our own channel is the most effective. However, as mentioned already, channels outside of our own are helpful from a marketing perspective.

What have the biggest hurdles been within each respective channel?

Marketplaces can be a challenge as you have limited control of your brand such as imagery or brand presentation and pricing, with many hidden costs and logistical challenges. Our own e-commerce channel's biggest hurdles are combining the different needs of our business areas, brick & mortar, e-commerce and wholesale on top of showcasing our brand. As a global player, handling and complying to local laws and regulations has been a challenge as well.

What are the biggest differences selling online in the U.S. vs. the Nordics?

The U.S., with its local tax laws, different regulations in different states, and customs issues makes it one of the most difficult markets to administer from overseas.

Do you have any recommendations for Nordic retail companies looking to enter the U.S. E-commerce industry?

Make sure you have good in-house experience and knowledge working with supply chain and customs regulations. Make sure you have your IT-systems prepared and ready to handle international trade.
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