

EXECUTIVE SUMMARY: GLOBAL PAYMENTS

Relevant Payment Methods Improve Customer Experience

BY BRIAN KELLY

Global ecommerce is forecast to continue its extraordinary growth rates, rocketing 21.0% to \$1.592 trillion US in 2015, and continuing double-digit growth in 2016 and increasing 18.6% year over year to \$1.888 trillion, according to eMarketer. That's good news for everyone, but not really actionable information for merchants. What omnichannel retailers need to know is where this worldwide opportunity is greatest, and best practices to implement when facilitating cross-border online payments..

Adyen, in partnership with Edgar, Dunn & Company (EDC), a global strategy consulting firm specializing in payments, identified best practices based on in-depth interviews with leading online merchants and transaction data. In a recent report, Adyen research identified 94 million cross-border shoppers in six key markets, spending a total of \$105 billion in 2013 and a forecast of up to \$307 billion in 2018.

The six key markets? They were identified as the US, UK, Germany, Brazil, China, and Australia. Russia and Europe (as a whole) were also singled out as marketplaces that had the greatest potential for growth; even though sales are robust, industry analysts see the vast potential there as relatively untapped.

A new report from the United Nations Conference on Trade and Development provides a look at shopping trends by regions, and forecasts its outlook for how those trends should develop, based on recent innovations and how the shopping habits of consumers are likely to influence the global economy. The report details 130 countries, most of which are not really candidates for expansion by omnichannel



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merchants just yet.

Still, the growth rate in the number of online shoppers is expected to grow by more than 50% from 2013's 1 billion online consumers to 1.62 billion by 2018, according to the Information Economy Report 2015. The report also states that the bulk

of today's 1.1 billion shoppers live in developing countries. The 135-page Information Economy Report 2015 details Internet usage, prominence of secure servers, credit card penetration and postal delivery networks—and it uses those factors to create a metric that judges each region's readi-



ness for B2C ecommerce. While it doesn't outline any immediate opportunities it does underscore the fact that omnichannel merchants need to be thinking about global payments options for future growth.

Markets in Which Online Shoppers Are Open to International Retailers

EDC analyzed 7.5 million transactions processed by Adyen over a 6-month period among multiple online retailers. For this analysis, transactions on localized websites were considered to be local and they looked at online retail purchases that consumers made from websites located in other countries. They came up with three

levels of opportunity:

- Consumers that are the most “open” to buying from non-domestic websites were from countries such as Germany, Switzerland, Belgium, Ireland, and the Netherlands. One reason for this openness is the relatively small size of their domestic ecommerce market.
- Moderately open consumers were from the Nordics (Denmark, Sweden), Italy, and the UK.
- The least open consumers were located in France, Poland and Spain. This might be driven by language or cultural preferences among these consumers, or by the presence of

Moss Bros Expands Internationally and Accepts Global Omnichannel Payments

Moss Bros is a leading UK formal menswear brand, established in 1851. In early 2013, the business sought to expand its digital footprint and revenue both domestically in the UK, and internationally, across multiple channels including desktop, mobile and mobile point-of-sale.

Moss Bros' existing payment service provider could not deliver the global reach and functionality to match its ambitions, so the business began searching for a new payments technology solution to accompany its website relaunch. Ultimately, the key reason Moss Bros chose to partner with Adyen was that the payment platform provided integrations with all potentially interesting local payment methods in international markets.

Moss Bros initially adopted the payment platform as a payment gateway in the UK to coincide with the launch of its new ecommerce site. This rollout had an immediate impact on revenue, tripling the conversion rate and driving a 209% growth in total online revenue in the UK in the first year.

Following the successful UK launch, the business embarked on an international online expansion with sites in Ireland, the Netherlands, Sweden and Denmark, followed by an Australian site in early 2014. To ensure maxi-

mum convenience for its customers, the business offered targeted payment methods in relevant markets. For example, the company used iDEAL in the Netherlands, where approximately two-thirds of Moss Bros' current sales are now made through iDEAL.

Moss Bros also disabled 3D Secure for locally issued cards in markets in which 3D Secure leads to increased abandonment at the checkout stage. This has resulted in increased conversion of up to 20% in some markets.

Mcommerce Rollout and Results

Moss Bros also launched a mobile-optimized site in May 2013, supported by the implementation of one-click payments, a functionality that makes repeat purchases as fast and frictionless as possible for shoppers. In just over one year, the site has quickly grown to the point that 10% of the company's online sales are now on mobile devices.

Mobile Point-of-Sale (mPOS) Rollout and Results

A particularly interesting aspect of Moss Bros' omnichannel strategy is an initiative to roll out tablet-assisted POS payments in its



retail stores. If a customer sees a product that isn't available in their size or is not stocked in that store, there previously would be a manual process where the item would be ordered from stock and delivered to the relevant store for the customer to pick up.

Since rolling out the new solution, if an item is not in stock, customers can use a custom-made app on an in-store tablet equipped with the Adyen point-of-sale terminal (a chip and PIN payment device) to pay for the product immediately and have it delivered.

Following successful multimarket and multichannel rollouts, Moss Bros is now planning further international ecommerce expansion with the payment platform to France, Germany, and the US. — Brian Kelly

strong local merchants. For instance, 11 of the top 15 most visited websites in France are French merchants such as CDiscount, Fnac, voyagesnfc, Carrefour, La Redoute, vente-privee, Leroy Merlin, Leclerc, Darty, etc.

Once a merchant has decided which country to enter, it needs to make another structural decision: whether to set up a local legal entity. Having a local entity can help achieve higher credit card authorization approval rates in some countries and therefore higher conversion rates, but it can also create additional internal complexity and related costs (depending on the set-up).

A clear best practice is to take a gradual approach and to implement local ap-

proaches one country at a time in line with overall corporate objectives.

Some of the factors impacting the international expansion decision:

- Customs, i.e., impact on customers due to import taxes, applicable VAT or delays due to customs procedures.
- Logistics, which includes both the delivery timeline and the delivery cost. This is becoming an important criterion as consumers increasingly expect faster delivery.
- Physical infrastructure (e.g., presence of local stores, or dense networks of delivery points).
- Assessment of the local market payment method demands and expectations.



Rhapsody Enables Seamless Billing Solution



Rhapsody's streaming music service gives members ad-free access to more than 32 million songs. When it comes to music streaming services, consumers have many choices. They scrutinize factors such as selection, stations, device support, and cost before deciding which one deserves their hard-earned cash. To succeed in this highly competitive market, Rhapsody must operate on thin margins and work hard to retain subscribers. The company differentiates itself by offering exceptional content, value, and customer convenience. Providing a frictionless, easy billing experience is a core part of the customer experience that can make the difference between success and failure.

"We live and die by margins, and by keeping customers on board," says Scott Engel, director of e-commerce, payments and risk for Rhapsody. "Billing problems cause a big chunk of our churn, so we have to avoid them at all costs."

Rhapsody offers its service in over 30 countries, and must therefore accept multiple different types of payments internationally. Billing and payment options in Brazil, for instance, differ widely from those in Europe and the United States.

To streamline payments for customers, Rhapsody began an exhaustive search for a new global services provider. Requirements included global support, exceptional pricing and value, strong service level agreements, flexibility in contract structure, and deep payments expertise. High on Rhapsody's list was finding a payment processing partner that would support its business needs, streamline reporting, and was highly responsive.

The Solution

After lengthy evaluation, Rhapsody chose Adyen, a global payments company that supports more than 250 payment methods and 187 transaction currencies. Rhapsody now had the ability to process payments globally using one payment service provider—a huge advantage. The company started with Adyen to process payments in Brazil, but plans to expand to Europe, the United States and parts of Asia. A "walk before you run" approach is usually a smart one when it comes to global ecommerce and the diversity of the many countries' needs. — Brian Kelly

Cross-border payment is a fast-moving field driven by technology developments and new consumer requirements.

- Discussions with payment partners such as Adyen to understand what is possible locally. For instance, Russian consumers expect the option of “cash on delivery” (COD), and it is important to understand in which parts of Russia this COD option is available and with which local partner(s).

How Do Worldwide Consumers Prefer to Pay for Ecommerce?

Mobile payment is the worldwide growth leader, outpacing online, with further growth expected on the heels of varying mobile payment solutions launches, including Apple Pay, according to Hamburg, Germany-based research firm ystats.com.

That company also said that in the second half of 2014, fast and one-touch checkout is a trend on the global online and mobile payment market, with one-touch solutions released by Amazon, PayPal and Apple Pay.

In China, online and mobile payments are dominated by local third-party payment providers. In Japan, online shoppers use credit card and convenience store payments. Down under in Australia, online shopping remains the leading purpose for using credit cards. Credit cards were used most in online purchases in Brazil, followed by the Brazil-specific payment method Boleto Bancario. Both cash and credit cards were used by online shoppers in Mexico.

Credit card remains the leading payment method in the US, preferred by 48% of online shoppers in 2014. According to ystats, “The growth of proximity mobile payment transactions in the USA is forecasted to accelerate in the next couple of years and then slow down. Security remains a major concern in both online and mobile payments in the USA. In Canada

also over 50% of consumers were worried about personal information disclosure in mobile payments.”

Europe uses many payment methods in online shopping. While non-cash payment methods, especially credit cards, dominate in Western Europe, cash on delivery is most used in Eastern European countries. The UK paid mostly by credit and debit cards in 2014. Conversely, in Germany, invoice remained the leading payment method in B2C ecommerce sales.

In Russia and other Eastern European markets, cash on delivery is still ahead of credit card usage in online shopping. In the Middle East, COD dominates all other payment methods.

In Africa, the opportunity created by low credit card and banking penetration has been acted on by the spread of mobile payment solutions and alternative methods. Mobile payments are also sharply up-ticking in countries like Kenya and Morocco, while in the more developed region of South Africa, credit card is the main payment method, with transfer and COD not so far behind.

Implement Relevant Payment Methods and Improve Customer Experience

In some markets, offering local payment methods is the only way to reach a critical mass of customers. For example, in China the payments landscape is dominated by three local payment methods—Alipay, UnionPay and Tenpay. Finding the relevant methods is becoming increasingly complex, as large payment companies have begun to separate from their ecommerce parent companies. eBay announced plans to spin off PayPal, while Alibaba revealed that it will let Alipay go public after Alibaba’s own IPO. Twitter, Facebook and Snapchat are all launching peer-to-peer

payments, while Facebook recently announced a large push to encourage mobile payments through its Messenger feature.

Maximize Approval Rates

In order to increase worldwide authorization rates, merchants need access to the reasons why transactions are declined by the card issuers, and the tools to make data-driven changes to their payment settings. Some new generation payment solutions include all relevant functions of the payment processing value chain in a single platform. In fact, some systems connect directly into MasterCard, American Express, Diners, Discover, JCB, and Union-Pay schemes.

Optimize Fraud Management and Streamline Back-Office Management

International omnichannel merchants need risk management solutions built to achieve two key outcomes; minimize chargebacks, and minimize ‘false positives’, or genuine transactions that are falsely identified as fraud attempts. For example, the Adyen payment platform’s algorithms can automatically connect a wide range of transaction information, including IP and email addresses, card number, device, time of day, location and numerous other data points. Based on this data, transactions are assigned an overall risk score in real time to determine if it is accepted, declined or routed through manual review.

Export Complexity to Your Payment Partner

Cross-border payment is a fast-moving field driven by technology developments and new consumer requirements. Most merchants look for technology providers that they can rely on to outsource the complexity of this key component of their sales strategy. These providers should have a proven software update release cycle (to manage complexity and fast changing landscape) and a global presence. ■