

Mastering Your Global Payments Strategy

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With advanced technologies at the forefront of the global payments landscape, it's getting easier for retailers to make the cross-border ecommerce leap and expand to new markets and millions more shoppers.

Globally, consumers are bucking traditional payment methods and going the smartphone route like never before. This is why retailers need to make the experience as mobile friendly and secure as possible for shoppers in other countries.

Fifty-five percent of respondents to the 2019 MCM Outlook survey said their website is not set up for global ecommerce, while 57% don't have a cross-border strategy and 60% said 4% or less of sales come from overseas, surprising given the size of the opportunity. Global ecommerce sales are expected to hit \$3.5 trillion in 2019, up 25% from \$2.8 trillion in 2018, according to eMarketer.

Only one-third of respondents to the MCM Outlook survey said their website was set up for international payments, while just 19% were capable of handling translation services.

Countries with Advanced Payment Technologies

Olann Kerrison, vice president, FX and global payment products at payments provider Worldpay, said China is one of the most advanced countries in terms of ecommerce payment methods. Consumers there have a plethora of payment options including Alipay, WeChat Pay and Union Pay, representing 90% of ecommerce volume.

India is also making big strides in terms of payments and consumer behavior, Kerrison said, driven by efforts from the Indian government to execute Paytm, an ecommerce payment system developed by a private



Indian company. Many more Indian merchants are selling to overseas customers.

Walmart CEO Doug McMillon said during the company's 2018 fourth quarter earnings call that he remains optimistic about the Indian ecommerce opportunity given the size of the market.

"It's the low penetration of ecommerce and the retail channel and the pace at which it's growing," said McMillon. "In the future, we hope to work with the government for pro-growth policies that can allow this nascent industry and the domestic manufacturers, farmers and suppliers to benefit from it develop and prosper."

Brazil has the biggest ecommerce market in Latin America, which grew significantly in the last few years to reach \$27.6 billion in 2018, according to Worldpay's Global Payments Report 2018.

Increasing improvements in technology and rising online and mobile penetration have resulted in enhanced consumer confidence in online transactions, according to Worldpay.

Mobile commerce in Brazil accounts for almost a third of all ecommerce transactions, growing at a 54% CAGR between 2014 and 2018 and projected to hit \$18 billion by 2022.

“Legislative initiatives and the advent of digital-only banks are fueling the shift toward electronic payments,” Kerrison said.

In an effort to increase financial inclusion in the country, the Brazilian government passed Resolution 4,480 in April 2016, which requires banks to let consumers open accounts using electronic channels.

“In Brazil, credit and debit card use accounts for 62% of total ecommerce transactions and 44% of POS transactions,” he said. “The widespread use of installment payments is helping to keep credit cards at the top of the list of preferred payment types in online shopping.”

Boleto Bancário helps serve Brazil’s unbanked population. This segment however, is shrinking, according to World Bank statistics.

“Brazil has made progress in terms of financial inclusion, with the percentage of the Brazilian population age 15 or above with a bank account increasing from 68.1% in 2014 to 70.4% in 2018,” said Kerrison.

Canada and the UK were the most popular countries to sell into for cross-border merchants, according to the 2019 MCM Outlook survey, cited by 50% of respondents, followed by Mexico, Australia, Italy, France, Germany and Sweden, each with 25%.

Challenges with Global Payments

Kerrison said differentiation in payment methods across various markets is a key challenge. For example, consumers in Western countries prefer credit cards like Visa and Mastercard, which are less popular in Latin America.

For this reason, merchants can’t assume that one form of payment will work the same in all markets. Retailers need to consider the checkout experience and accept the local currency.

Neeraj Gupta, product leader of U.S. ecommerce for Worldpay, said optimizing the online checkout experience both before and after the click can ease payment challenges. For example, retailers need to offer the right payment methods in local pricing, make the options as clear as possible and clearly spell out shipping and re-



turn policies.

Gupta said retailers are focusing on reducing payment declines and capturing great leads in the process.

Kerrison said it’s important to pay attention to local payment customs and approaches. Merchants also need tools that can help them adapt to foreign exchange shifts and pricing in local currencies.

Colombian on-demand delivery service startup Rappi selected Worldpay as its primary payment provider, helping it to expand. The company is seeing growth of 30% per month and plans to become an “everything store” in the region, delivering food, apparel and electronics across seven Latin American countries.

Rappi has increased payment approval rates by 10% and reduced payment processing costs by as much as half since signing on with Worldpay in 2018. Streamlining operations under a single provider has helped Rappi simplify processing across markets and thus expand faster.

Worldpay’s insights into customer data and local spending habits is helping to inform Rappi’s growth strategy, so it can tailor its services to shopper preferences in each country. It has already enabled Rappi to expand into Brazil, Chile and Mexico in addition to enhancing payment capabilities in its native Colombia.

“The app market is extremely competitive,” said Juan Pablo Ortega, co-founder of Rappi. “If you turn a customer away over a poor experience, including a declined payment, it’s unlikely they will shop with you again.”

Using Worldpay has enabled Rappi to give its customers a complete view of payment data and lets them act quickly on the information, while positioning Rappi for growth.



Changing Payment Trends

Kerrison said the checkout experience is getting easier with new technologies such as Apple Pay and Amazon Pay as shoppers get more comfortable with mobile commerce.

“The ability for you to transact with biometric authentication is an epic game changer,” he said. “This is very different from a risk point of view than someone signing their name and using a PIN.”

How customers are transacting in global ecommerce is changing. Alternatives to credit and debit cards now account for more than half of ecommerce transaction volume, according to Worldpay’s report. The survey of 36 countries found that at least 140 online payment methods are used today.

E-wallets are front and center of payments for global customers, offering both convenience and security.

Mobile apps integrate the act of payment into daily lifestyles and routines, and preloading credentials speeds the checkout process. E-wallets do everything safely with encryption, tokenization and device authentication, providing extra layers of security. China is seeing continued growth with this method of payment and North America is expected to see growing adoption over the next five years.

The Worldpay report found that bank transfers are also growing in popularity as an online payment method. Benefits include convenience for consumers, lower costs of acceptance, fewer chargebacks for merchants and a rise of banked populations in emerging markets.

In the Asia Pacific region, consumers demand a seamless experience and security in their digital lives, ac-

ording to the Worldpay report. Payment methods vary within countries and between urban and rural areas.

Ecommerce in Asia continues to be defined by extraordinary rates of growth. Worldpay estimates the five-year CAGR for ecommerce sales at 21.3% in Malaysia, 20.2% in Vietnam and 18.6% in the Philippines and Indonesia.

In China, digital wallets are seeing broad adoption, led by Alipay and WeChat Pay apps via mobile devices. Consumers are choosing a seamless integration and trusted environment offered by all-inclusive apps.

In China, e-wallets account for two-thirds of ecommerce transactions, according to Worldpay. In India, ecommerce is expected to grow at a 21% CAGR over the next five years. Still, it is far from the saturation point in terms of online access or mobile phone penetration.

In North America, affluent and savvy U.S. and Canadian consumers demand the latest in secure, convenient payment methods. However, e-wallets are challenged by mature technology infrastructures, habits and preferences established over generations.

Credit cards remain the primary consumer payment method in North America, both online and in store. Also, consumers here are heavily banked: The Federal Reserve estimates the share of unbanked Americans fell to 5% in 2017. Debit cards remain a strong preference, representing 34% of spend at point of sale and 19% of ecommerce sales. Together, card-based payments represent almost three-fourths of POS and over half of ecommerce volume.

The North American ecommerce market is projected to grow at a five-year CAGR between 9% and 10%, according to Worldpay. However, concerns about fraud and convenience still remain, leading some consumers to avoid online shopping.

Over the next five years, use of cash is expected to drop by about 5% at POS, and a majority of spending will go towards e-wallets, according to Worldpay. On the ecommerce side, it found that e-wallet adoption will surge in North America.

In Latin America, overall retail sales and ecommerce growth are expected to exceed the overall 2% growth estimates for the region’s economy as a whole. Worldpay projects over \$61 billion in ecommerce transaction value in 2018 in Latin America, increasing to more than \$94 billion by 2022.

Credit cards account for 45% of ecommerce spending in the region, and even higher rates in other verti-

cal. Online spend is fragmented among debit cards, credit cards, e-wallets and bank transfers.

Worldpay projects that credit cards will continue to be strong in Latin America, but will lose share to debit cards, e-wallets and bank transfers.

McMillon said Walmart is giving customers in Mexico new experiences such as a second digital payment option on their smartphones.

"If you're selling to millennials they expect an optimized mobile channel," said Kerrison. "That was not the case five years ago. You can really tell that retailers have invested in that payment journey. You're paying to get that person in the door, so why would you make it a hard experience?"

Worldpay's research found that 28% of millennials globally have used a mobile wallet at the POS vs. 20% of all respondents.



Payment Trends in Asia Pacific

The survey found 74% of Chinese millennials and 75% of Indian millennials have used a mobile wallet at store checkout, more than double that of their peers in the U.S. and the UK.

Millennials' comfort with technology, relative digital freedom and burgeoning consumerism fuels both purchase and payment behaviors as suggested by the large differences between Chinese and Indian millennials and the rest of the world.

Mobile transactions, particularly with smartphones, continue to grow globally through the use of mobile apps, according to a study by Criteo.

Criteo found omnichannel customers have the highest lifetime value and on average represent 27% of all sales, despite only making up 7% of all customers.

"Given that the share of mobile transactions continues to grow in most countries, and that the share of in-app transactions continues to grow in all countries, retailers are well positioned to drive awareness, consideration and conversion through digital experiences," said Jaysen Gillespie, vice president and head of analytics and data science for Criteo. "But this doesn't mean brick-and-mortar is dead."

Criteo found mobile transactions account for 40% of all retail sales in North America, and 52% in Asia Pacific. In the U.S., the share of sales via smartphone increased 14% in the third quarter of 2018. Brazil saw a 41% increase year-over-year in mobile shopping in the third quarter of 2018, according to Criteo.

Brazil had the largest increase in smartphone shopping among the countries surveyed by Criteo, increasing in the quarter.

Northern European countries have emerged as leaders in mobile commerce, according to Criteo. Globally, retailers who actively promote their shopping apps see an average of 63% of transactions conducted on mobile devices, the company found.

The Asia Pacific region has the highest share of app transactions among retailers that promote their shopping apps at 46%, followed by Europe (28%) and the Americas (25%). Overall, in-app share of transactions is increasing.

Retailers that have or are considering a shopping app have good reason to invest in promotion. In North America, the conversion rate on shopping apps is more than three times higher than on the mobile web and nearly twice as high as on desktop.

Among ecommerce pure plays that promote their mobile app, 31% of transactions come from in-app purchases, according to Criteo, compared to 21% for brick-and-mortar retailers.

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