



# Clearing the Path to Purchase

Removing barriers to cross-border commerce

by LAURI GIESEN

If you ask online retailers what methods of payment they accept, most would say credit cards.

But a study of global e-commerce payments found that in many parts of the world, credit cards account for a very small portion of payments made online. The conclusion of the study is that retailers need to significantly expand the number of payment options they accept if they want to compete successfully in the global market.

"The Global E-Commerce Payments Guide," released by payments company Adyen in May, found that cross-border e-commerce is growing at a rate that is more than double that of domestic e-commerce; the global market is expected to reach more than \$2 trillion by 2017.

However, credit cards won't be used to pay for many of those online purchases. The study found that in China,

about 1 percent of online shoppers pay with international credit card brands; in Germany, only 25 percent of shoppers use credit cards when making an online purchase.

"The main payment method differs significantly around the world, and in order for a retailer to be able to support a global customer base, it has to be able to accept a wide range of payment options," says Adyen Chief Commercial Officer Roelant Prins.

It is not always easy for retailers to accept a wide range of payment options: Each form comes with its own technical and security concerns.

"You have to make multiple people inside your organization — from technology support to customer support to marketing — aware of the differences in payment options and how they work," Prins says.

"There is a huge mindset that people pay by credit card. But if you want

to expand internationally, you will find that is not always the case. You have to be prepared for alternative systems."

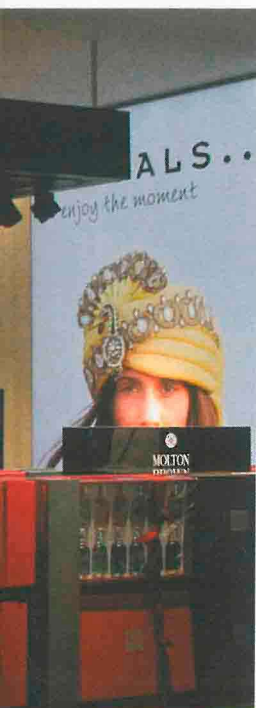
In Europe, for example, consumers are often directed to a separate site to make payments rather than pay directly to the retailer, Prins says. Settlement can also be different in terms of the speed at which retailers receive the money and the costs they pay to settle a transaction.

Fraud is also a concern, as online sales from certain parts of the world represent a much greater payment fraud threat than transactions from other areas. Retailers need help in assessing and mitigating fraud risk from various foreign transactions.

## 'READY TO GO'

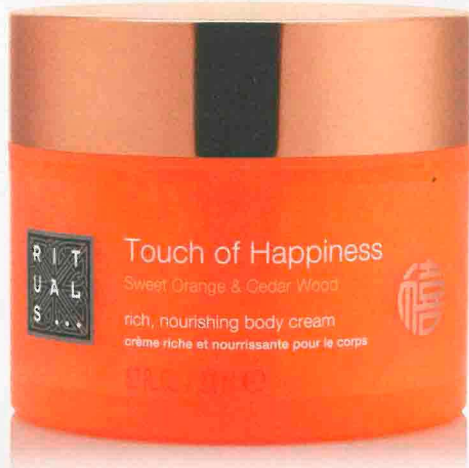
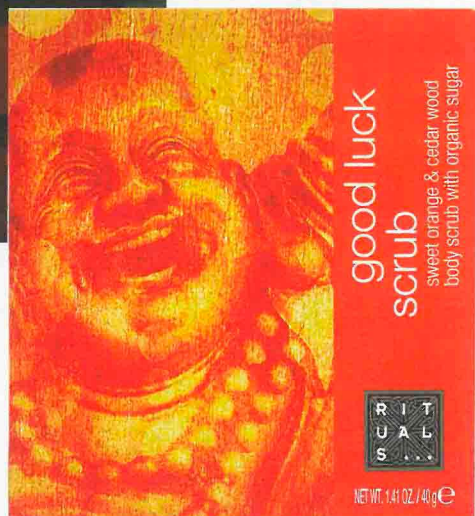
Rituals, a cosmetics and fragrance company based in the Netherlands, has nearly 400 stores in 21 countries





The global e-commerce market is expected to reach more than \$2 trillion by 2017.

— "The Global E-Commerce Payments Guide," Adyen



and recently opened a location in New York; the company plans to open 80 new stores worldwide this year and uses Adyen for both online and in-store payments.

The systems have made entering new countries and accepting new forms of payment easy, Rituals says. The company currently accepts about 20 different international payments including major international credit cards, country-specific payment alternatives and bank transfers.

Adyen's systems take care of back-office issues and put all of the information into one interface. Reconciliation statements are consolidated into one document each week, meaning Rituals doesn't need to receive multiple sheets to handle payments separately.

When Rituals opened a new Scandinavian store recently, it told Adyen what payments it wanted to accept for that market and the issue was taken care of. Upon opening the New York store, its first in North America, the infrastructure was already in place.

Adyen has also helped Rituals with fraud prevention. Fraud is inevitable — and always changing — but it has not been a problem, the retailer says: Adyen's systems help keep fraud down.

Rituals has also been able to integrate payment information with other customer data for its loyalty programs, and is looking to add mobile payments.

Having payment issues resolved lets retailers focus on other challenges associated with global markets. "We can show them reports that will help them access global sales and where they want to sell," Prins says. "We can help them with questions like how likely people are to buy their prod-

ucts, ... the size of the market [and] logical issues associated with each market."

## VARYING PROCESSES

Understanding each market's payment-related issues can be valuable. "In the United Kingdom, there is a higher refusal rate by banks than in other countries. We can work with retailers to lower their abandonment issues," Prins says.

In Brazil, credit card payments are often conducted in installments, with a credit card charged every month until the purchase is paid off. Customers receive their goods immediately but there is added risk to the card issuer. "That is more complicated than in the United States," Prins notes, "where there is one charge made immediately upon purchase."

In addition to credit cards, many online consumers in Brazil use a cash-based payment method that resembles a bank transfer.

In Canada and the United States, Visa, MasterCard and American Express account for about 93 percent of all online payments. But in Mexico, the three credit card companies account for only 44 percent of online payments; cash-based methods account for 24 percent and bank transfers account for 22 percent.

The study notes that many Mexican credit cards are not enabled for cross-border purchases and therefore retailers need to use a local bank acquirer if they do not have a payments processor with the necessary connections.

In Germany, credit cards account for a relatively small market share: Visa, MasterCard and American Express account for only about one-quarter of online purchases; 35 percent come from a Europe-wide direct debit system. Other popular methods include local payment companies Sofort and Giropay (16 percent combined) and U.S.-based PayPal (10 percent). Open invoices account for another 15 percent of payments.

## GROWING MOBILE INTEREST

Even more interesting is China, the largest retail e-commerce market in the world. With just 1 percent of online purchases made via international credit cards, Asian payment company Alipay has about a 48 percent market share; interbank network UnionPay accounts for about 14 percent. Tenpay, a mobile payment program, accounts for 19 percent of the market.

Chinese consumers are also more engaged with mobile shopping — 70 percent of shoppers in the market have completed a purchase using their smartphone, according to the study.

China isn't the only market with a growing interest in mobile shopping. The rate of online payments using mobile devices is continuing to rise

Rituals has integrated payment information with other customer data to support loyalty programs.

around the world, according to Adyen's Mobile Payments Index — now accounting for more than 25 percent of all online payments made during the first quarter of this year.

Europe leads the world in adopting mobile payments: 29 percent of online purchases are made via a mobile device. The United States showed considerable growth as well, increasing nearly five percentage points to 27 percent over the last six months.

During this year's first quarter, Asian markets saw more than 20 percent of online transactions conducted on mobile for the first time.

To deal with this complexity, Prins

recommends that retailers hire a payments company with global expertise. Even retailers that do not want to leave their current payments processors can often use their existing processors for domestic payments and use a global specialist for foreign sales.

Adyen currently works with 4,000 global companies and enables payment to more than 250 payment systems involving 187 currencies. About half of the payments Adyen handles are for companies based in the United States; half of those retailers use Adyen for all their payments, while the remainder use Adyen for global payments and local payment processors for domestic transactions.

## STORES

Lauri Giesen is a Libertyville, Ill.-based business writer with extensive experience in covering payment and finance issues.