

KEY BUSINESS DRIVERS AND OPPORTUNITIES IN CROSS-BORDER ECOMMERCE

A data-driven landscape 2016

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REGIONS AND COUNTRIES

MIDDLE
EAST &
AFRICASOUTH AFRICA
UAE

ASIA-PACIFIC

CHINA
INDIA
INDONESIA
JAPAN
SINGAPORE
SOUTH KOREA
THAILANDLATIN
AMERICAARGENTINA
BRAZIL
CHILE
COLOMBIA
MEXICO

EUROPE

BELGIUM
DENMARK
FRANCE
GERMANY
GREECE
ITALY
NETHERLANDS
NORWAY
POLAND
RUSSIA
SPAIN
SWEDEN
TURKEY
UNITED KINGDOMNORTH
AMERICAUNITED STATES
CANADA

OCEANIA

AUSTRALIA
NEW ZEALAND

1. EXECUTIVE SUMMARY

THE GLOBAL REACH OF CROSS-BORDER ECOMMERCE HAS GROWN COMFORTABLY SINCE THE LAUNCH OF OUR ANNUAL WHITE PAPER IN 2013.

Originally, this growth was organic. Customers were willing to accept complicated and unreliable delivery options for the benefit of a good deal or a quality product. In the past few years, however, merchants have actively targeted and welcomed overseas consumers by developing clean, localized and intuitive cross-border experiences and reliable, affordable overseas delivery.

Two years ago, we noted a marginal shift from consumers to merchants driving cross-border trade. This trend evolved hand-in-hand with the increased penetration of high speed Internet into more remote locations, more mobile and social connectivity, and advanced technology improving user experience. Merchants felt better equipped to provide value to overseas customers, particularly in developed markets. The US began targeting customers in the UK, and vice versa.

Last year, not only were merchants even more engaged in cross-border ecommerce than the year before, they were exploring opportunities in booming markets such as China, the newly-crowned ecommerce king. Merchants could see the potential value of Eastern cross-border customers, and began targeting successful promotional holidays like Singles Day. What's more, through the Free Trade Zone, China orchestrated preferable trading conditions for overseas merchants, giving them better access to Chinese consumers and businesses to encourage more B2C and B2B cross-border sales.

Global cross-border ecommerce sales began to prosper as a result.

In 2016, however, we've observed that cross-border ecommerce growth has flattened, and Western merchants have a renewed reluctance towards emerging markets. This backwards step is most likely generated by economic uncertainty across the world: the unexpected economic slowdown in China and the Brexit vote, among others. Merchants have lost the growing confidence that was evident in last year's survey, and until the full effects of the global shakeup are established, the industry will be tentative.

Some specific trends, however, have continued stronger than ever in 2016. Mobile commerce, which respondents named "biggest game-changer" in cross-border ecommerce for the third consecutive year, is growing from strength to strength. In the age of the ever-connected mobile shopper, omnichannel retail is now considered a must-have for digital business growth. More merchants are giving it attention, and those who do not offer omnichannel experiences plan to do so in the near future.



For today's merchants, the key to doing this successfully lies in data. Harnessing valuable information and digital patterns allows businesses to provide context-rich user experiences for both domestic and cross-border customers. By keeping a step ahead of competition, retaining valuable custom and giving consumers control, online merchants can expect optimized conversion and maximized revenues.



2. ABOUT THIS WHITE PAPER

FOR THE FOURTH CONSECUTIVE YEAR, PAYVISION HAS TEAMED UP WITH CARDNOTPRESENT.COM TO PRODUCE THE KEY BUSINESS DRIVERS IN CROSS-BORDER ECOMMERCE ANNUAL REPORT.

This paper is the result of our global survey, completed by merchants, Merchant Service Providers (MSPs), acquirers, Payment Service Providers (PSPs) and consultants across the world. This annual cross-border ecommerce survey allows us to identify emerging trends and developments in overseas expansion. With year-on-year input from real industry experts, we are able to give merchants relevant advice on how to overcome barriers and identify the best opportunities.

In the last twelve months, cross-border purchasing has accelerated global ecommerce more than ever before. With consumers more plugged into mobile technology, they are price-savvier and more socially influenced. In less developed markets where the growth rates are highest, a large proportion of cross-border purchases are

made on a mobile device. Our paper gives a voice to the merchants and other ecommerce stakeholders who are witnessing the evolution first hand.

The aim of Key Business Drivers in Cross-Border Ecommerce is to educate the entire market from West to East and facilitate a more profitable, meaningful cross-border exchange for merchants, PSPs and consumers.

“Today's online merchants are far more aware of overseas consumers and their opportunities. With a steady rise in mobile shopping, customers are crossing invisible borders more frequently and easily. They are blending their offline and online worlds, looking for clean, multicurrency mobile payments. Merchants should aim to tailor their user experiences, by tracking data and behavior patterns, to the global omnichannel shopper.”

GIJS OP DE WEEGH, COO PAYVISION



3. ABOUT THE MARKET

ECOMMERCE IN 2015

Our annual Key Business Drivers in Cross-Border Ecommerce paper has recorded three years of solid growth and improved confidence in cross-border ecommerce.

However, the past twelve months have set the scene for a more unpredictable market. From a devaluation of the Chinese yuan in 2015 and the subsequent slowdown in economic growth, to the Brexit vote that shocked both the British nation and the rest of the world, the ripple effects will continue to affect global financial markets.

China continues to bolster its lead in ecommerce, with a market value of USD 672 billion in 2015—nearly double that of the US in second place. After nearly three decades of double-digit economic growth, however, India has now replaced China as the fastest growing major economy of the world.

China's economy, while still strong, grew only 6.7 percent in the first quarter of 2016: its slowest growth in seven years.

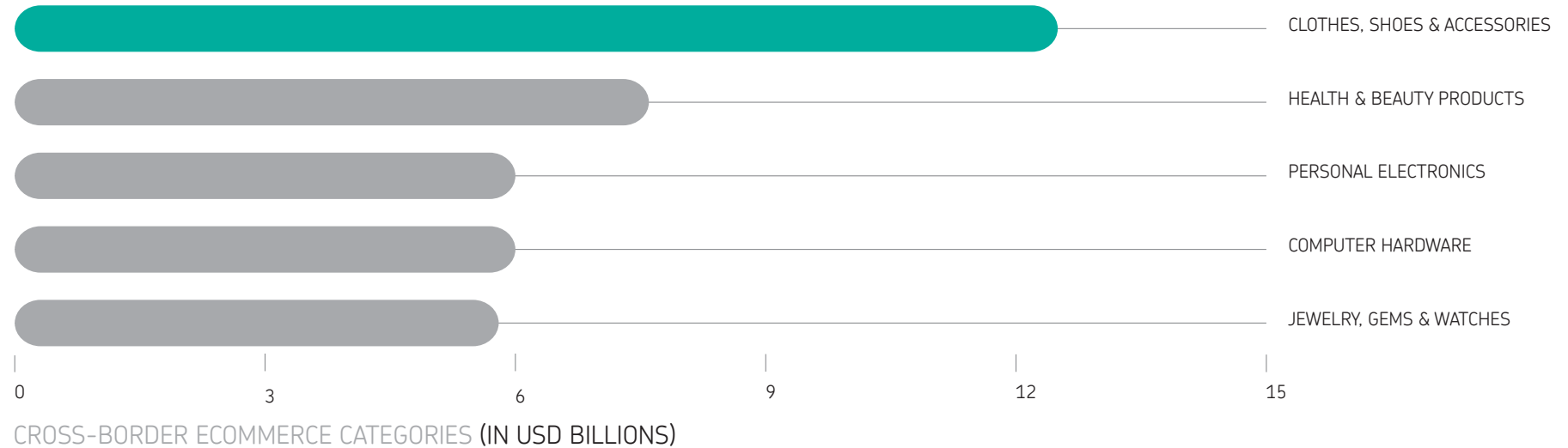
The UK, meanwhile, ranks third, behind only China and the US. Nearly 15 percent of the UK's retail market is online, and over a third of British online consumers purchase from other countries. Ecommerce is acutely ingrained into the British economy. Any impending change in trade agreements, regulation and rights will have an impact on how ecommerce functions domestically and across borders. While these changes are still to be ironed out, the anticipation is already causing uncertainty across Europe and the rest of the world.

ECOMMERCE AS AN INDUSTRY GREW STEADILY IN 2015. IT WAS VALUED AT USD 1.67 TRILLION GLOBALLY, A 25 PERCENT INCREASE ON 2014. MOREOVER, 51.5 PERCENT OF ALL INTERNET USERS WORLDWIDE—MORE THAN 24 PERCENT OF THE GLOBAL POPULATION—MADE AT LEAST ONE PURCHASE VIA A DIGITAL CHANNEL IN 2015. ¹

¹ EMARKETER – WORLDWIDE RETAIL ECOMMERCE SALES: EMARKETER'S UPDATED ESTIMATES AND FORECAST THROUGH 2019, 2016

IN 2015 7.4 %
OF THE TOTAL RETAIL MARKET
WORLDWIDE WAS ONLINE.





CROSS-BORDER
ECOMMERCE
MAKES UP FOR
21 % OF TOTAL
GLOBAL ONLINE
TRADE.



LANGUAGE
LOCALIZATION
IS KEY

TOP 10 LANGUAGES
USED ONLINE BY
NUMBER OF
SPEAKERS ARE:

ENGLISH
800.6
MILLION

CHINESE
649.4
MILLION

SPANISH
222.4
MILLION

ARABIC
135.6
MILLION

PORTUGUESE
121.8
MILLION

JAPANESE
109.6
MILLION

RUSSIAN
87.5
MILLION

GERMAN
81.1
MILLION

FRENCH
78.9
MILLION

MALAYSIAN
75.5
MILLION





KEY TRENDS IN 2016

THE MOBILE SHOPPER

Mobile shoppers appeared on retailers' radars well before 2015, but only now are merchants taking them seriously enough to roll out mobile-first strategies. This year marks a crossroads in the mobile era with more than half of consumers using mobile devices to make purchases or transactions, and revenue from mobile purchases now more than that of desktop.

- In China, 89 percent of Internet users accessed the web through mobile devices last

year ², and on Singles Day, 70 percent of sales were made via mobile. ³

- European retail merchants report that up to 70-80 percent of consumer browsing occurs through mobile devices, both smartphones and tablets. ⁴
- US mobile commerce sales totaled USD 104.05 billion, up from USD 75 billion in 2014. ⁵

As mobile shoppers receive more attention, so do their shopping habits and preferences. More and more retailers are implementing mobile-based customer care to assist consumers before a sale is completed. A significant jump in sales was recorded when staff could answer the type of questions

typically seen in-store, such as what clothes pair well and how items fit.

In 2016 and beyond, we're likely to see an increase in digital retail teams being staffed in the same manner as in-store, not only after-sale customer support.

CONSUMER-LED COMMUNICATION

A widely discussed trend in digital commerce this year is the increasing differentiation between visitors and visits. Brands are likely to switch to visitor-based metrics, where analyzing the consumer journey, the quality of user experience and ultimately how and why the visitor converted will be more significant than the numbers of visits, sessions or devices that consumer made.

² CHINA INTERNET NETWORK INFORMATION CENTER, 2015

³ ALIBABA, 2015

⁴ CENTRE OF RETAIL RESEARCH, 2015

⁵ ENTREPRENEUR, 2016



As more and more data is collected on consumer habits, preferences, and behavior, ecommerce merchants can no longer just present a product picture to close a sale. In an omnichannel environment in which the consumer has elevated expectations, it is necessary to provide detailed descriptions, contextual information and peer-based proof. Data is the key to standing apart in an increasingly crowded market.

It is not unheard of for merchants to switch their online presence to a social-only platform, where peer-generated content and interaction is key. One such example is Nescafe, which recently moved its sole website to its Tumblr platform.

NOT JUST PERSONALIZATION, CONTEXTUALIZATION

Building upon the aforementioned, another movement likely to gain momentum this year is contextualization.

Initially, there were largely separate offline and online channels, both disconnected. Then we witnessed an attempt to marry these channels, and allow for personalization

through logged-in accounts across multiple channels. This enabled saved preferences and payment details.

The next stage will be providing immediately contextually relevant information for the 2016 omnichannel consumer, without a need to sign in to an account or link access across devices. Brands should implement customer-centric technology to anticipate their needs and expectations.

DATA WILL BE THE KEY TO THE CONSUMER
FOCUSED, SEAMLESS SHOPPING
EXPERIENCES OF TOMORROW, AND WE
ALREADY HAVE THE INFORMATION TO
BEGIN IMPLEMENTING SUCH STRATEGIES
TODAY.

WHAT DOES BREXIT MEAN FOR ONLINE BUSINESS?

In June of this year, the UK voted to leave the European Union by a small majority of 52 to 48 percent. The decision came as a surprise to pollsters, the government, and many of the voters.

This unprecedented decision marks a subsequent stage of uncertainty, while the details of such a complicated separation are settled. Because the EU currently operates as a single market with full access to trade and movement, the impact on the global economy could be vast. As only three months have lapsed since the vote, it is still too early to understand the degree of impact, but speculation and lack of clarity alone are causing market volatility. To date, the article required to initiate negotiations has not been triggered.

Online shopping and cross-border ecommerce is ingrained into UK consumer behavior. With an annual revenue of more than USD 150 billion, the UK has been Europe's ecommerce leader for years. The UK is the third largest contributor to global ecommerce, after China and the US. Britain's share of global ecommerce sales is expected to rise from 14.5 percent in 2015 to 19.3 percent by 2019. ⁶

Germany and the UK currently have a prosperous trade relationship, and Britain is now Germany's third largest EU trading partner.

⁶ EMARKETER



Brexit, however, could decrease British exports and increase the price of imports into the UK, potentially decreasing British companies' market reach and revenue.

Cross-border merchants with British customers could be adversely affected. The barrier-free trade among EU member states may cease to include the UK, so online retailers outside of the UK may be subject to higher taxes and tariffs. Unfortunately, cost increases and regulatory complexity often affect SMEs more than larger ecommerce players.

According to our survey, merchants are unclear about the consequences of Brexit, but most revealed concern. Some hope British acquirers will still cater to EU merchants, and outline potential difficulties of boarding British merchants, while others expressed anxiety over extra expenses or regulatory complexity. Some respondents believe it will become more difficult for US merchants to establish an EU presence, as they believe the UK is the most cost effective EU country to expand into.

4. SURVEY HIGHLIGHTS 2015

CROSS-BORDER UPTAKE IS FLATTENING

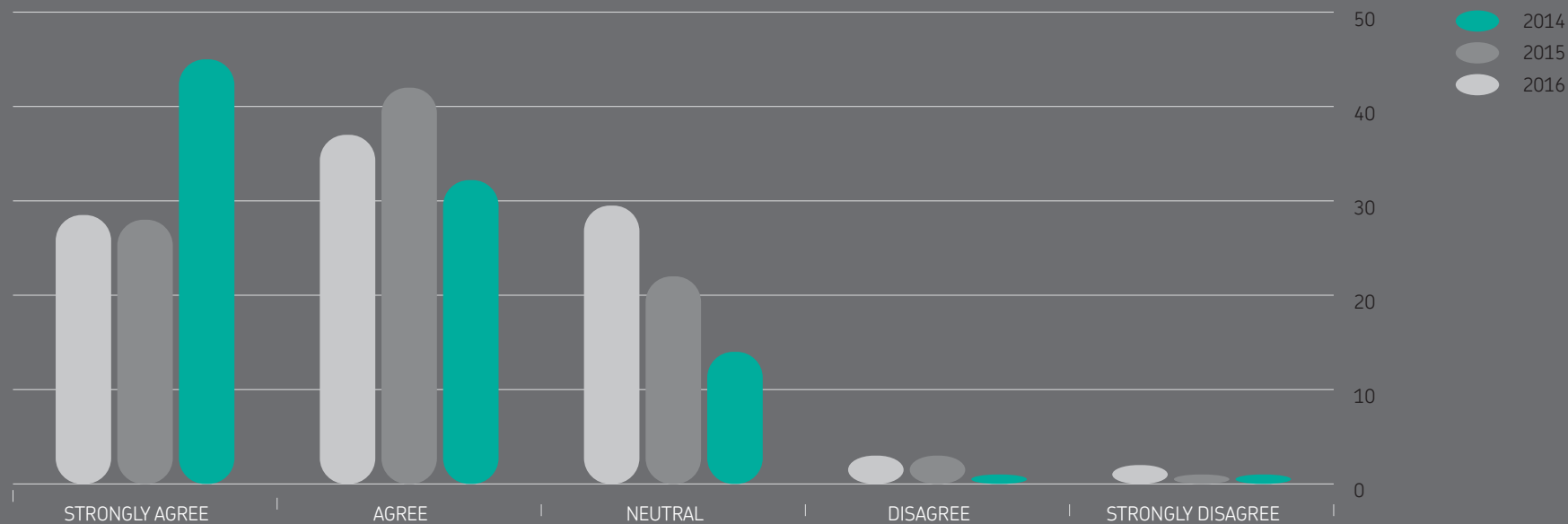
AS WE ANTICIPATED WHEN BEGINNING OUR RESEARCH ON CROSS-BORDER SHOPPING THIS YEAR, OUR 2016 SURVEY RESULTS REVEALED THAT THE GLOBAL FERVOR FOR CROSS-BORDER ECOMMERCE HAS WANED marginally OVER THE PAST TWELVE MONTHS.

This comes after an unexpected dive in China's economy and turbulent times in Europe. After tracking three years of solid growth, the penetration rate of cross-border ecommerce has levelled out from 2015 to 2016 with the same number of respondents agreeing strongly with the profitability of cross-border ecommerce, but 5 percent less agreeing.



PAYVISION | KEY BUSINESS DRIVERS 2016

SURVEY HIGHLIGHTS 2015



CROSS-BORDER ECOMMERCE HAS PROVEN TO BE PROFITABLE

EMERGING MARKETS STILL KEY, BUT MORE FOCUS ON SHARED LANGUAGE AND CULTURE.

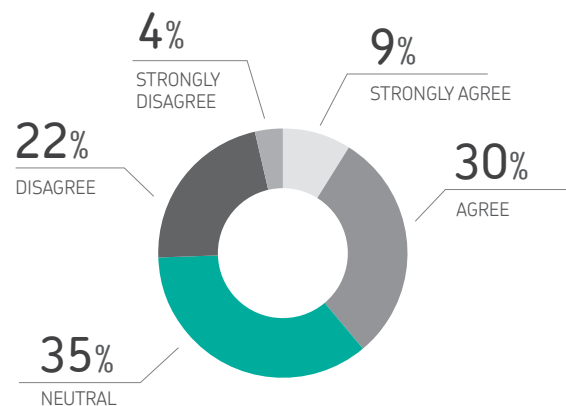
In times of relative economic uncertainty, the appetite for risk is often lower, which is reflected in this year's results. The markets report that they prefer the security of doing business with countries of shared language and culture. The focus on emerging markets is still prominent in 2016, but flat: only 1 percent more agreeing with the statement

than last year. This is, however, over 10 percent more than 2014. Five percent more of our respondents chose to expand their business in a gradual step-by-step manner, testing the water in neighboring countries before expanding worldwide.

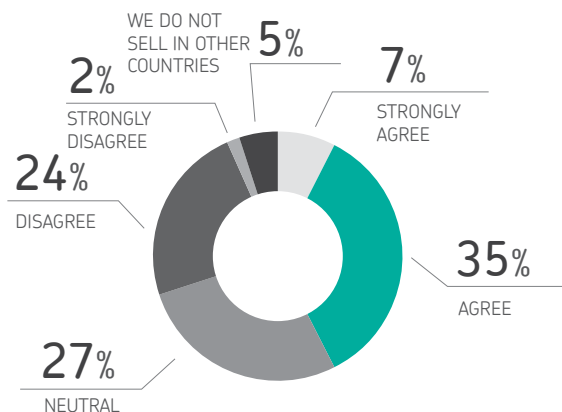


PAYVISION | KEY BUSINESS DRIVERS 2016

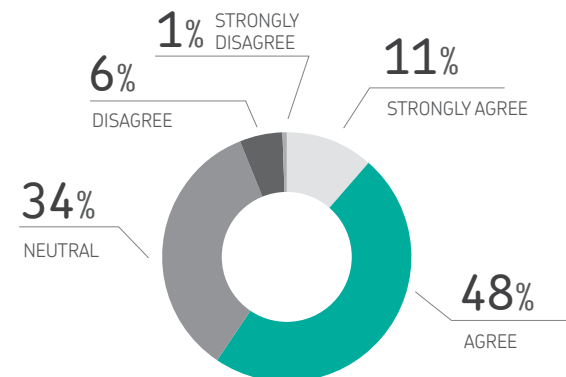
SURVEY HIGHLIGHTS 2015



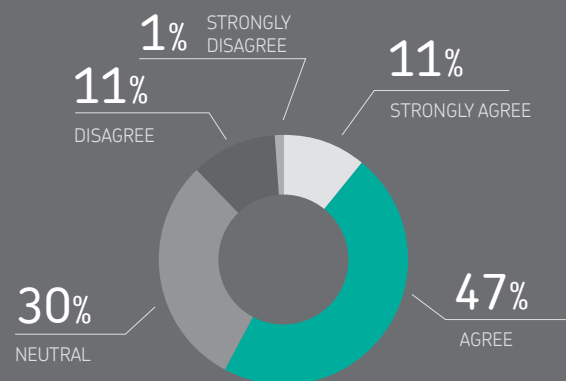
EMERGING MARKETS ARE OUR PRIMARY FOCUS WHEN CONSIDERING CROSS-BORDER ECOMMERCE



WE CHOSE A STEP-BY-STEP APPROACH TO EXPANSION, CHOOSING NEIGHBOURING COUNTRIES BEFORE EXPANDING FURTHER



WE EXPERIENCE THAT LANGUAGE IS MORE IMPORTANT THAN PROXIMITY AS A KEY DRIVER OF CROSS-BORDER ECOMMERCE



WE WOULD ADVISE COMPANIES TO FIRST FOCUS ON CONSUMERS IN COUNTRIES WHO SHARE THEIR LANGUAGE AND / OR CULTURE

LANGUAGE AND CULTURE IS INCREASINGLY KEY FOR MERCHANTS IN 2016, WITH SIX AND EIGHT PERCENT MORE AGREEING WITH THE ABOVE STATEMENT THAN IN 2015, RESPECTIVELY.



OMNICHANNEL FOR CONVERSION

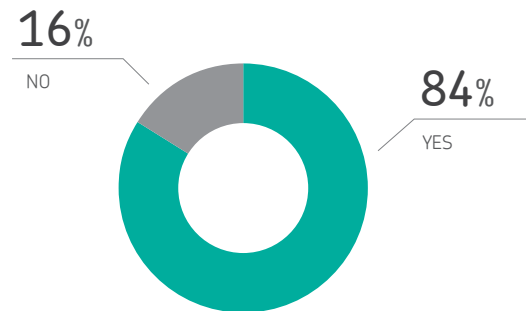
In this year's survey we sought more data on the topic of omnichannel retail, and discovered that more merchants see it as a must-have to convert their customers, not just another marketing buzzword.

OVER HALF (55 PERCENT) OF OUR RESPONDENTS OFFER OMNICHANNEL PURCHASING OPTIONS.

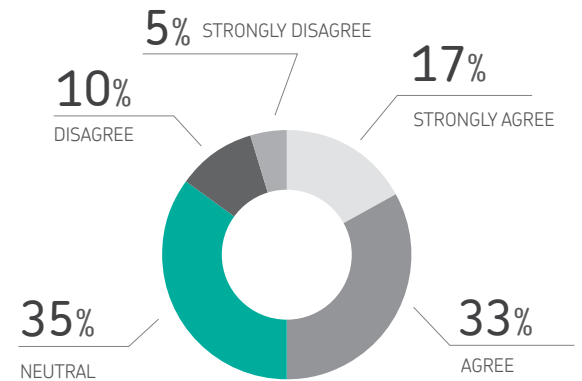
In addition, 5 percent more merchants are adapting their checkout for multiple devices than in the previous year, and 65 percent report that it led to a boost in sales. Over half of our respondents have both an online and in-store presence, and 10 percent more than last year offer a dedicated click and collect service.



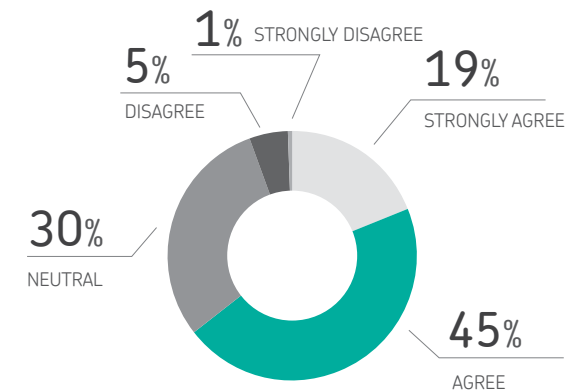
WE OFFER AN OMNICHANNEL RETAIL EXPERIENCE FOR OUR CUSTOMERS



WE OFFER OUR CUSTOMERS THE OPTION TO PAY ACROSS MULTIPLE DEVICES



WE HAVE SEEN EXPLOSIVE GROWTH IN OMNICHANNEL RETAIL



ADAPTING OUR WEBSITE AND CHECKOUT PROCESS TO MULTIPLE DEVICES HAS BOOSTED OUR ONLINE SALES

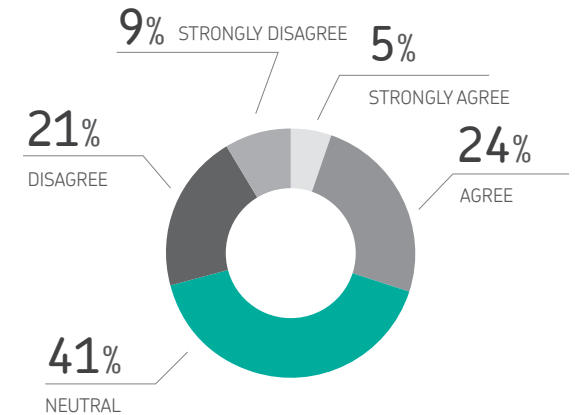




WE HAVE BOTH AN ONLINE AND IN-STORE PRESENCE



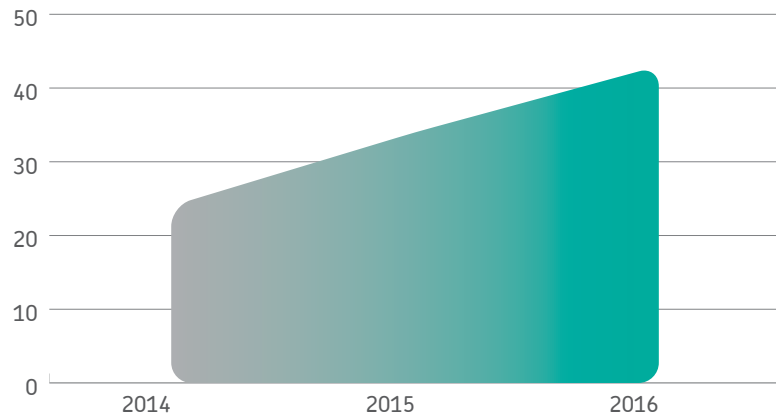
WE APPLY AN ONLINE PURCHASE AND AN OFFLINE COLLECTION POINT STRATEGY



WE DO NOT CURRENTLY BUT WE'D LIKE TO OFFER AN OMNICHANNEL SHOPPING EXPERIENCE IN THE FUTURE

OF THOSE POLLED THAT ARE NOT YET ENGAGED IN OMNICHANNEL, A THIRD WOULD LIKE TO OFFER OMNICHANNEL SHOPPING IN THE FUTURE.

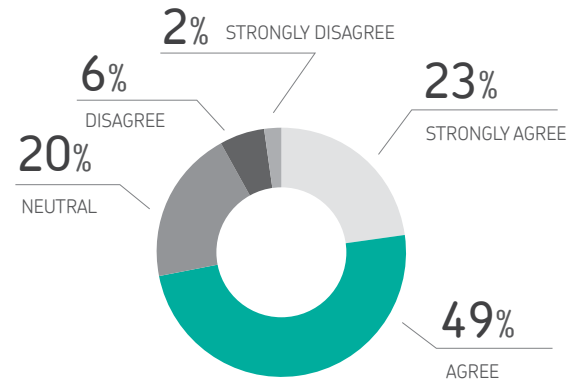




WE'VE SEEN EXPLOSIVE GROWTH IN M-COMMERCE 2014-2016

M-COMMERCE KEEPS GROWING

M-commerce has seen steady growth across all our annual surveys. Since 2014, the number of respondents that agree with this has risen from less than 25 percent to almost 45 percent.

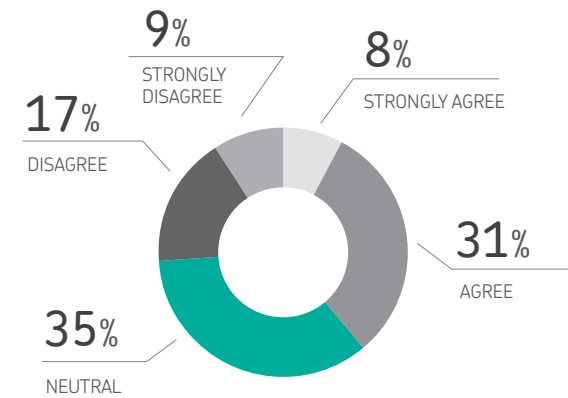


WE ARE CONCERNED WITH THE INCREASING LEVELS OF ONLINE FRAUD AND DATA BREACHES

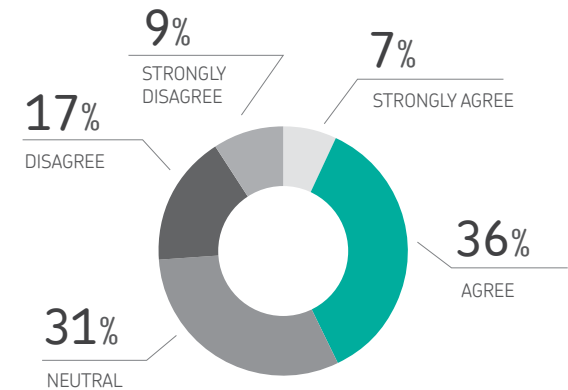
MORE CONCERN OVER FRAUD AND DATA BREACHES

In 2016, there is a marginal increase (6 percent) in concern over online fraud and data breaches, with more than 70 percent expressing some level of concern.

However, there is confidence that security measures are improving the bleak outlook, with 39 percent and 43 percent of respondents agreeing that fraud and data breaches are lower than one year ago, respectively.



THANKS TO MORE ROBUST SECURITY MEASURES THE RISK OF FRAUD IS LOWER THAN ONE YEAR AGO



THANKS TO MORE ROBUST SECURITY MEASURES THE RISK OF DATA BREACH IS LOWER THAN ONE YEAR AGO

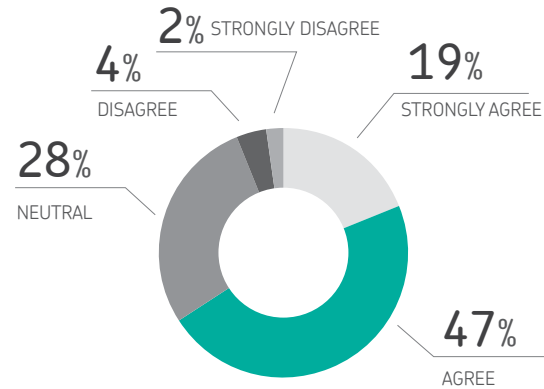


LOGISTICS INVESTMENT MEANS HAPPIER CUSTOMERS

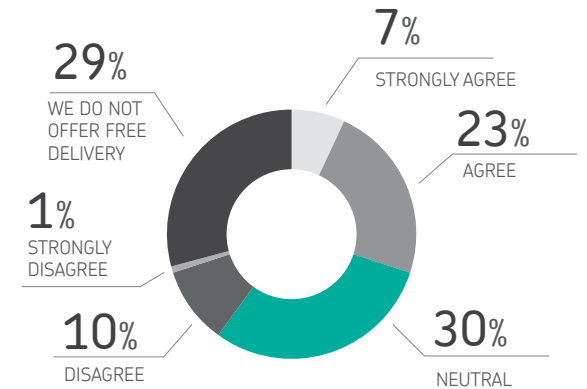
Two thirds of our survey respondents indicated some level of agreement that solid and reliable returns management is key to converting and retaining customers. Less than a third, however, credited lower cart abandonment to free delivery, so reverse logistics is the preferable choice of the two for conversion rates.

B2B ECOMMERCE IS GAINING MOMENTUM

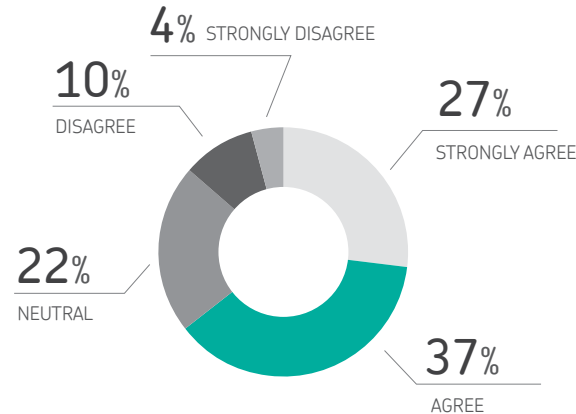
Sixty-four percent of our respondents engage in B2C ecommerce. However, 50 percent of our survey respondents are also involved in B2B ecommerce, indicating the growing importance of this market.



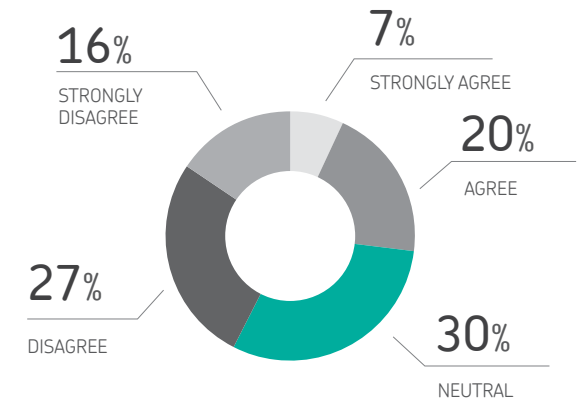
WE BELIEVE REVERSE LOGISTICS IS IMPORTANT FOR CUSTOMER TRUST AND HIGHER CONVERSION



WE EXPERIENCE LOWER ABANDONMENT RATE BECAUSE WE OFFER FREE DELIVERY

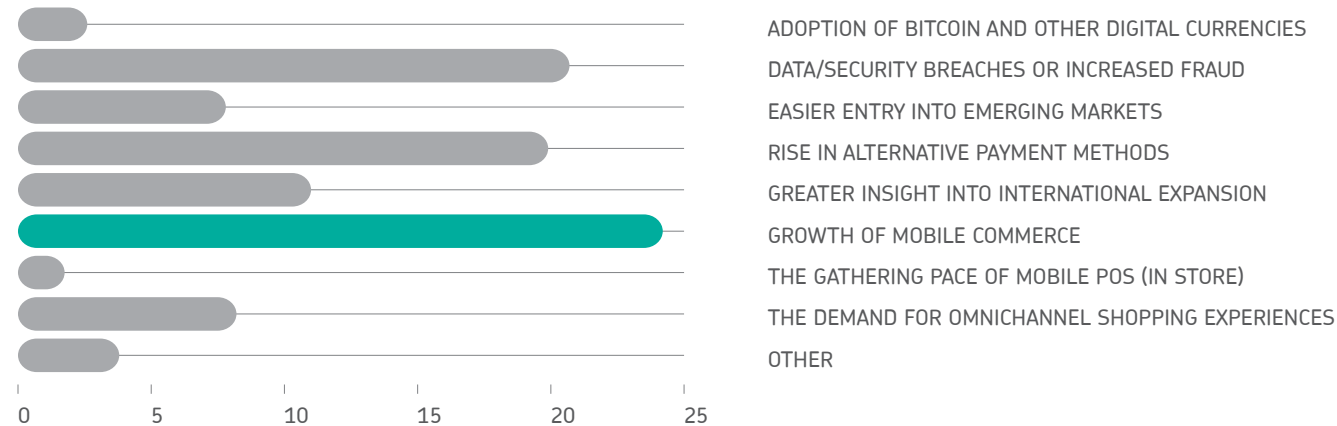


WE FOCUS ON MAINLY B2C SALES



WE FOCUS ON MAINLY B2B SALES





COMPARED TO LAST YEAR, THE BIGGEST GAME CHANGER FOR CROSS-BORDER ECOMMERCE THIS YEAR

THE BIGGEST PAIN POINTS AND GAME-CHANGERS

EACH YEAR, WE ASK OUR SURVEY RESPONDENTS WHAT THEY THINK IS THE BIGGEST GAME-CHANGER TO CROSS-BORDER ECOMMERCE.

For the past three years, the principal result has been the growth of m-commerce. Our respondents have also agreed that m-commerce has grown steadily in the past three years, supporting this claim.

In 2016, m-commerce is once again the most frequently chosen game-changer, but the percentage of survey respondents choosing it dropped compared to last year. Data and security breaches have increased five percent, indicating an increased level of concern on this topic. A new game-changer added to this year's survey is the rise of alternative payments—chosen by just under 20 percent of our respondents.

Evidently, catering to more alternative payment methods in multiple regions is of high concern to merchants, and it is having a direct impact on cross-border ecommerce.

The growing likelihood of merchants' concern over multiple alternative payments is also supported by the fact that over 50 percent of respondents agree that it is complex to provide a variety of online payment methods.

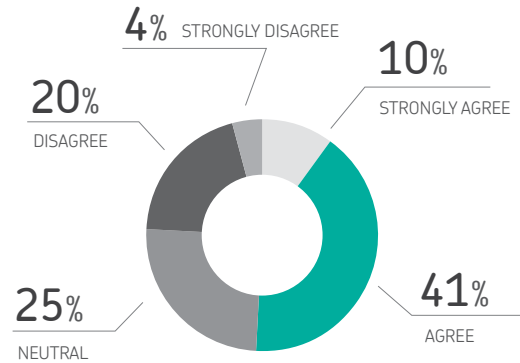
PARTNERING WITH A GLOBAL PSP SUCH AS ACAPTURE THAT PROVIDES MERCHANTS WITH ACCESS TO MULTIPLE ALTERNATIVE PAYMENT METHODS ACROSS THE WORLD IS A CLEAR SOLUTION TO THIS HURDLE, CONFIRMED BY 45 PERCENT.



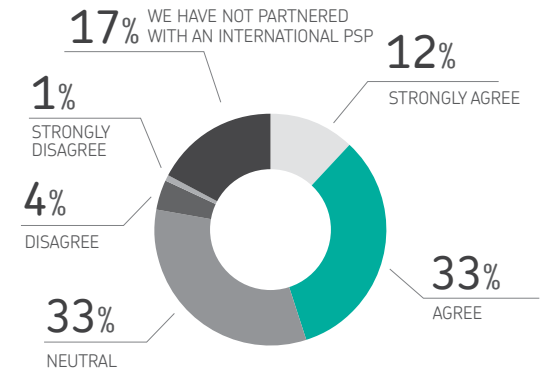
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SURVEY HIGHLIGHTS 2015

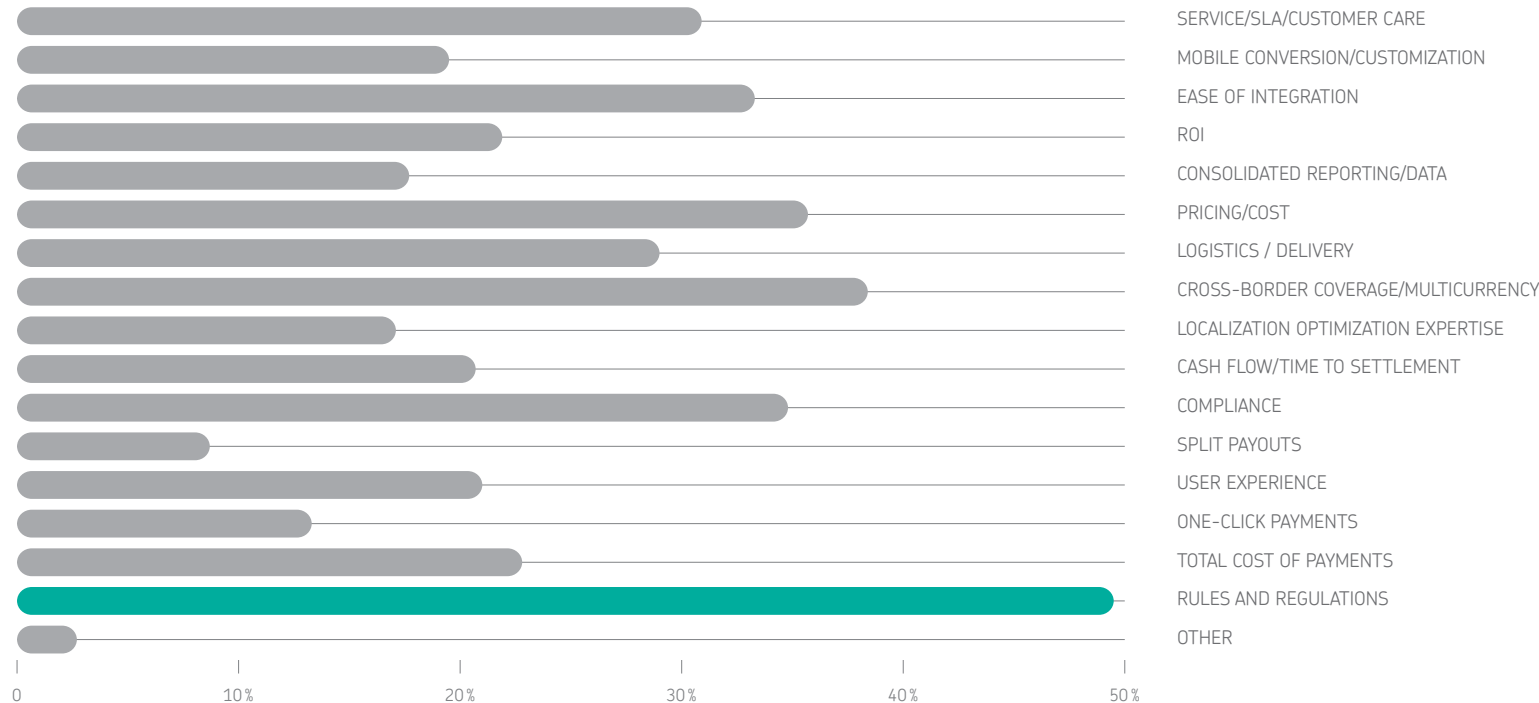
For the first time, we polled our respondents on the biggest barriers or pain points when it comes to cross-border expansion. Almost half indicated that complex rules and regulation in overseas markets was their biggest hurdle. It requires specialist, local knowledge to assist with local regulation in order to enter foreign markets successfully.



IT IS COMPLEX TO PROVIDE CONSUMERS WITH A VARIETY OF ONLINE PAYMENT METHODS

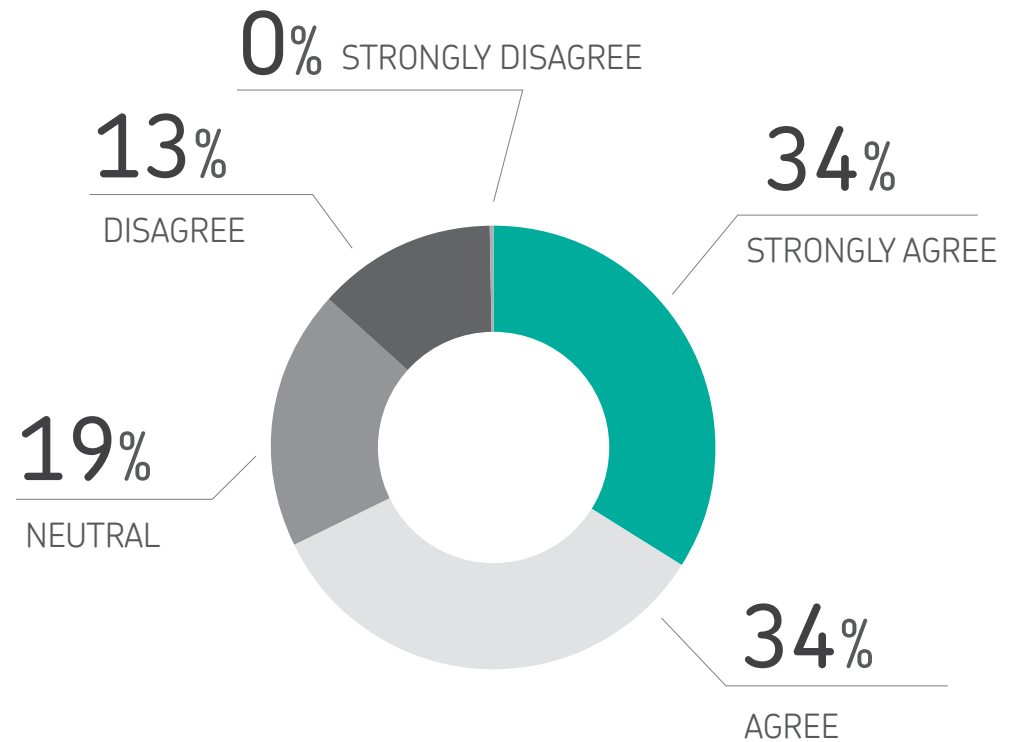


AS A MERCHANT WITH CROSS-BORDER ASPIRATIONS, PARTNERING WITH AN INTERNATIONAL PSP HAS LED TO CONSIDERABLE GROWTH



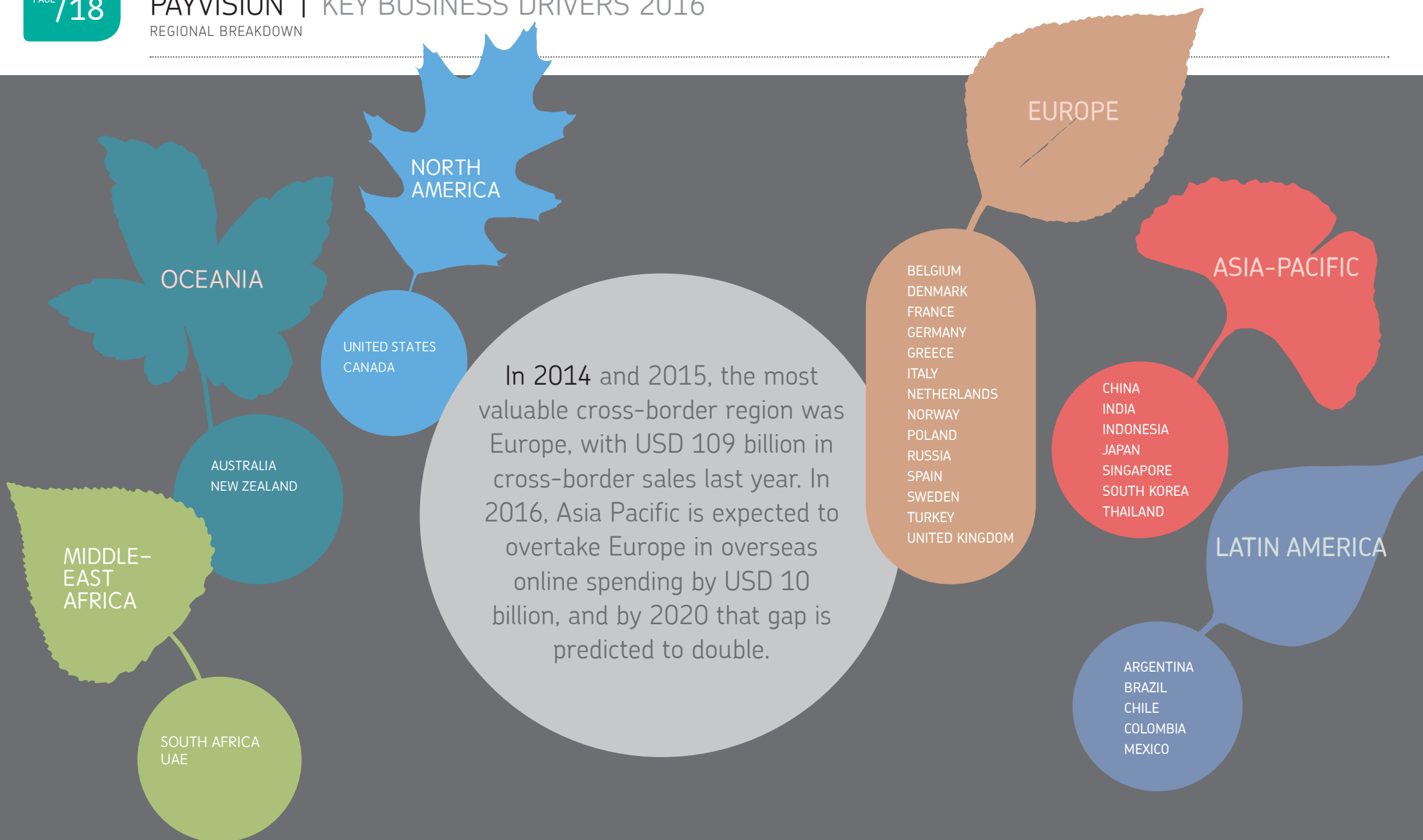
THE BIGGEST CROSS-BORDER ECOMMERCE PAIN POINTS

TWO THIRDS OF OUR RESPONDENTS AGREE THAT MERCHANTS WHO ASPIRE TO ENTER NEW OVERSEAS MARKETS SHOULD PARTNER WITH AN INTERNATIONAL PSP FOR CROSS-BORDER ECOMMERCE GROWTH.



MERCHANTS WITH CROSS-BORDER ASPIRATIONS SHOULD PARTNER WITH AN INTERNATIONAL PAYMENT SERVICE PROVIDER





REGIONAL BREAKDOWN



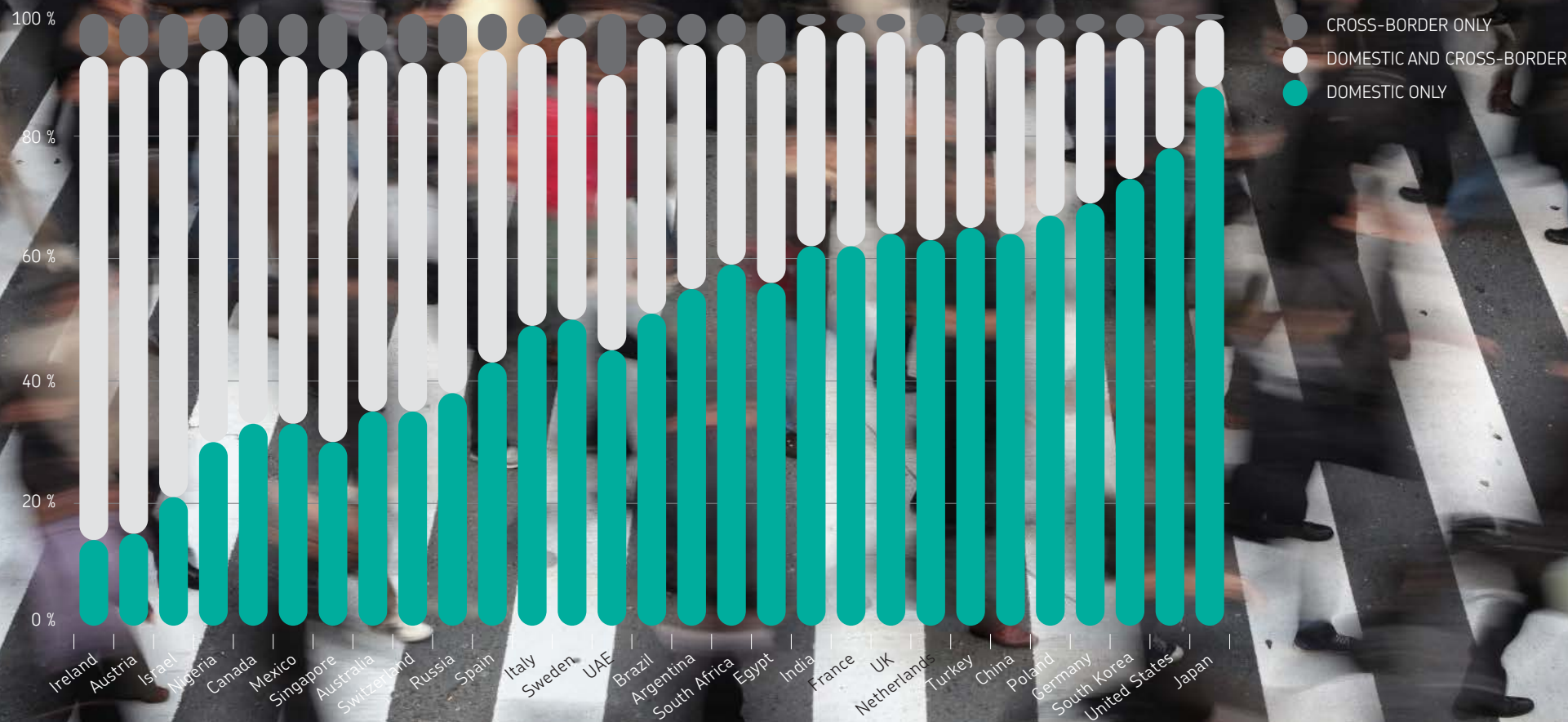
THERE HAVE BEEN SOME REGIONAL INITIATIVES TO BOOST CROSS-BORDER ECOMMERCE TRADE ACROSS THE WORLD.

EU
SEPA
designed to streamline regulation

Asia
China's Belt and Road designed to optimize logistics

While it is still early days for such cross-border ecommerce proposals, and their success remains to be seen, there is a lack of similar plans from the Americas or Middle East and Africa.





USAGE OF CROSS-BORDER ECOMMERCE IN SELECTED COUNTRIES AS OF OCTOBER 2015

The Japanese are least likely to engage in cross-border ecommerce, with 88 percent of consumers shopping only domestically. This is largely due to localization: very few consumers will shop from a website not

featuring the Japanese language, and very few websites outside of Japan are localized to Japanese.

UAE is a country with a notably high percentage of consumers shopping purely cross-border: 10 percent. This can be attributed to a high level of expats living there.



ASIA PACIFIC

71.1
MILLION
DIGITAL BUYERS

15.4%
DIGITAL BUYER GROWTH

48.6%
DIGITAL BUYER SHARE OF
WORLDWIDE

22.5%
DIGITAL BUYER PENETRATION
(% OF POPULATION)

\$877.6
BILLION
TOTAL ECOMMERCE SALES

10.2%
ECOMMERCE SALES AS A PERCENT
OF TOTAL RETAIL SALES

35.7%
ECOMMERCE SALES GROWTH

52.5%
CONTRIBUTION TO GLOBAL
ECOMMERCE

ASIA PACIFIC ACCOUNTED
FOR OVER HALF OF
GLOBAL ECOMMERCE
SALES IN 2015 AT USD
877.61 BILLION

With 711.1 million digital shoppers in the Asia Pacific region, almost half of the global total, the purchasing power of Asia Pacific is a force majeure. Europe, the second largest digital buyer population, has only 303 million by comparison.



THAILAND

Ecommerce value

\$3 BN

Cross-border ecommerce value
(approx)

\$0.9 BN

Top 3 preferred online
payment methodsVIA COUNTER
ATM
CASH

Top 3 import destinations

CHINA
JAPAN
USA

Top 3 export destinations

CHINA
USA
JAPANSOUTH
KOREA

Ecommerce value

\$38 BN

Cross-border ecommerce value
(approx)

\$5.9 BN

Top 3 preferred online
payment methodsVISA
BANK TRANSFER
MOBILE

Top 3 import destinations

USA
JAPAN
CHINA

Top 3 export destinations

CHINA
USA
JAPAN

SINGAPORE

Ecommerce value

\$3 BN

Cross-border ecommerce value
(approx)

\$1.2 BN

Top 3 preferred online
payment methodsVISA
DIRECT DEBIT
MASTERCARD

Top 3 import destinations

CHINA
MALAYSIA
USA

Top 3 export destinations

HONG KONG
CHINA
MALAYSIA

ASIA PACIFIC



INDIA

Ecommerce value

\$25 BN

Cross-border ecommerce value
(approx)

\$5 BN

Top 3 preferred online
payment methodsVISA
ONLINE BANK
TRANSFER
MASTERCARD

Top 3 import destinations

CHINA
UK
SAUDI ARABIA

Top 3 export destinations

USA
UAE
CHINA

INDONESIA

Ecommerce value

\$3.2 BN

Cross-border ecommerce value
(approx)

\$0.5 BN

Top 3 preferred online
payment methodsBANK TRANSFER
CASH
CLICKPAY

Top 3 import destinations

CHINA
SINGAPORE
JAPAN

Top 3 export destinations

JAPAN
CHINA
USA

CHINA

Ecommerce value

\$672 BN

Cross-border ecommerce value
(approx)

\$134.4 BN

Top 3 preferred online
payment methodsALIPAY
TENPAY
UNION PAY

Top 3 import destinations

USA
JAPAN
GERMANY

Top 3 export destinations

USA
HONG KONG
JAPAN

ASIA PACIFIC



AUSTRALIA

Ecommerce value

\$19 BN

Cross-border ecommerce value (approx)

\$6.75 BN

Top 3 preferred online payment methods

VISA
MASTERCARD
AMERICAN EXPRESS

Top 3 import destinations

USA
UK
CHINA

Top 3 export destinations

CHINA
JAPAN
SOUTH KOREA

JAPAN

Ecommerce value

\$89.5 BN

Cross-border ecommerce value (approx)

\$5.8 BN

Top 3 preferred online payment methods

VISA
MASTERCARD
KONBINI

Top 3 import destinations

CHINA
USA
AUSTRALIA

Top 3 export destinations

CHINA
USA
HONG KONG

NEW ZEALAND

Ecommerce value

\$4.8 BN

Cross-border ecommerce value (approx)

\$0.9 BN

Top 3 preferred online payment methods

MASTERCARD
VISA
DIRECT DEBIT

Top 3 import destinations

CHINA
AUSTRALIA
USA

Top 3 export destinations

CHINA
AUSTRALIA
USA

OCEANIA

CROSS-BORDER TRENDS

THE CYBER SILK ROAD

China is the ecommerce behemoth of the Asia Pacific region. While GDP growth is slowing in the country, ecommerce continues to boom thanks to a growing middle class and a thirst for exotic, foreign goods. As such, one of the primary drivers for ecommerce success is cross-border purchasing.

Chinese media outlet China Daily predicts that cross-border ecommerce alone in China will reach USD 972.6 billion by the end of 2016, including B2B sales. Internet Retailer estimates a USD 85.76 billion spend, taking B2C into account only. While these estimates may vary considerably, it does highlight the importance of cross-border trade in China, and the impact it could potentially have across the globe.

In response to this trend, the Belt and Road initiative underway in China intends to connect Asia to Europe and Africa through a trade and infrastructure network. The routes pass through at least 60 countries and

regions with a combined population of 4.4 billion.

In early 2016, the first train on this new route arrived, taking two weeks. The new Silk Road route has been officially reborn. Chinese President Xi Jinping promotes the initiative as an opportunity to improve cross-border ecommerce, and enhance global trade and investment.

In light of the new initiative, Europe's largest cross-border ecommerce park has been built in Warsaw to allow Eastern European consumers to access the Asian market and, as a result, the Asia Pacific ecommerce logistics market is predicted to see a CAGR of 22.4 percent between 2016 and 2024. ⁷

B2B PIONEERS

A driving force of Asian ecommerce is Business to Business (B2B) sales. China is expected to emerge as the largest online B2B market with an estimated potential of USD 2.1 trillion by 2020.

This is largely thanks to Alibaba, the Chinese ecommerce giant, making B2B a key focus of

its business strategy before the rest. B2B ecommerce by its nature is more complex than B2C, due to fluctuating pricing and a need for flexible logistics solutions. Low cost, unsophisticated platforms were often used as a result. Alibaba was ahead of the curve by recognizing that modern ecommerce technology can facilitate a departure from legacy, manual systems and improved automation for B2B ecommerce.

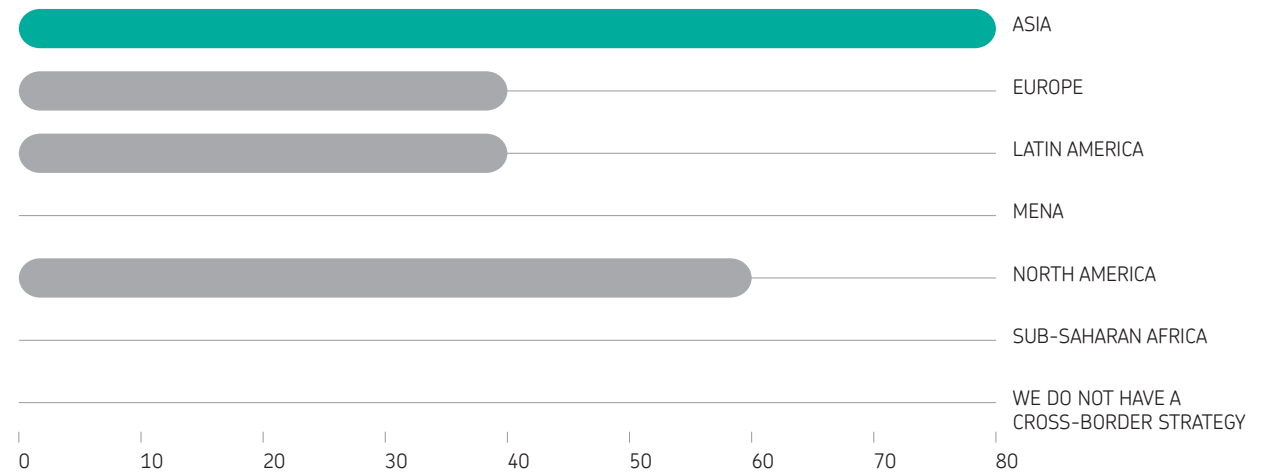
Alibaba now handles billions of dollars a year in transactions, increasingly acting as a bridge between mainland China, North America, Europe, and the rest of the world. Alibaba follows the supplier aggregator model (like many B2B marketplaces of the 90s) working to ease the pain of global sourcing. Now other platforms are becoming known for their B2B ecommerce strategies such as DHGate.com (China), GlobalSources.com (Hong Kong), IndiaMART (India) and EC21 (Korea).

7 MULTICHANNEL MERCHANT, 2016

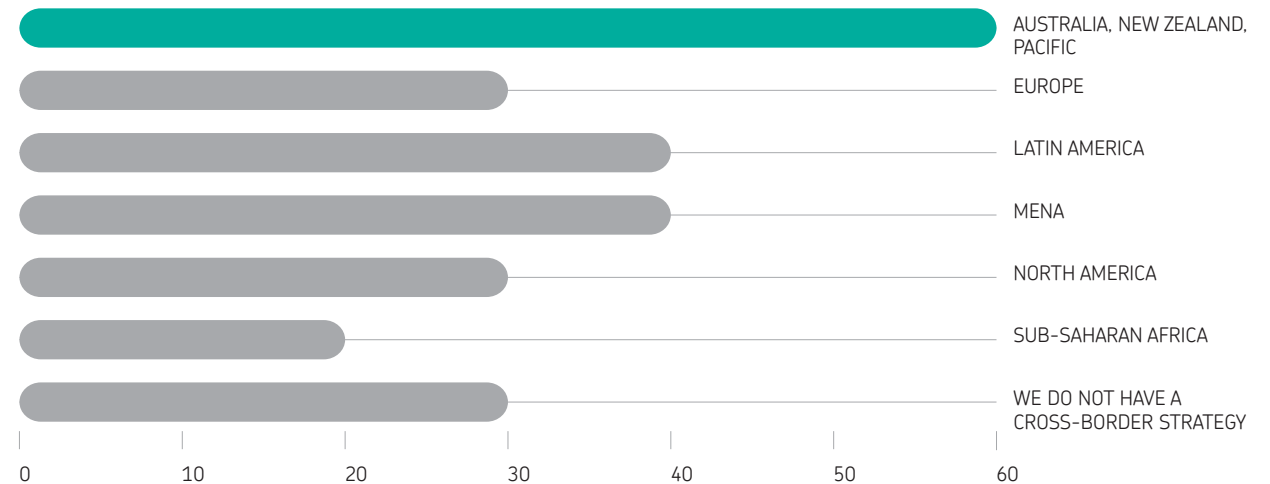


SURVEY RESULTS

Our respondents in the Pacific part of the APAC region mostly focus on the rest of Asia for their cross-border growth (80 percent), and vice versa (60 percent). This indicates that proximity is a key driver of cross-border ecommerce within the region.



ON WHICH REGION OUTSIDE OF AUSTRALIA, NEW ZEALAND AND THE PACIFIC DO YOU FOCUS YOUR CROSS-BORDER STRATEGY

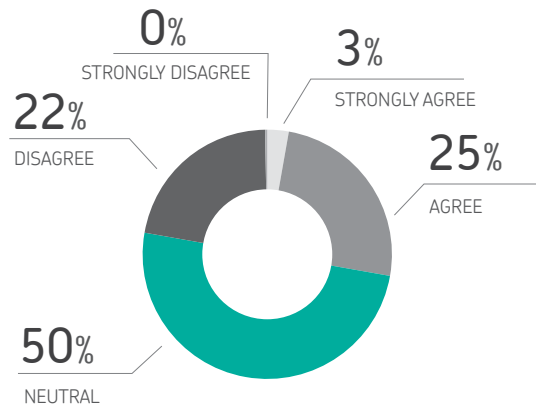


ON WHICH REGION OUTSIDE OF ASIA DO YOU FOCUS YOUR CROSS-BORDER STRATEGY

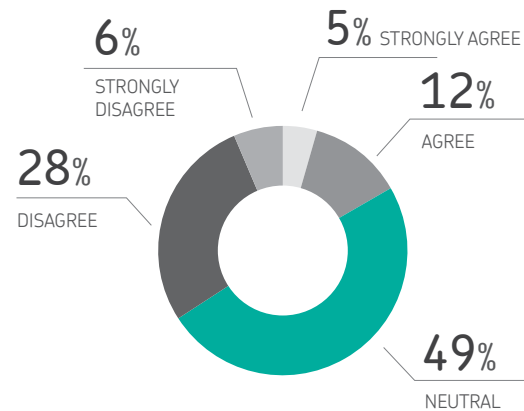


PAYVISION | KEY BUSINESS DRIVERS 2016

REGIONAL BREAKDOWN ASIA PACIFIC



AS A EUROPEAN BUSINESS CROSS-BORDER ECOMMERCE WITH CHINA IS MORE PROFITABLE THAN OTHER MARKETS



AS A NORTH AMERICAN BUSINESS CROSS-BORDER ECOMMERCE WITH CHINA IS MORE PROFITABLE THAN OTHER MARKETS

European businesses are marginally more aware of the opportunities in China than their American counterparts. Over a quarter of our European respondents agree that China is a more profitable market than other cross-border destinations, and half are neutral on the subject. More than a third of our North American respondents disagree with the statement.

EUROPE

303.1
MILLION

DIGITAL BUYERS

6%

DIGITAL BUYER GROWTH

20.7%

DIGITAL BUYER SHARE OF
WORLDWIDE

59%

DIGITAL BUYER PENETRATION
(% OF POPULATION)\$370.3
BILLION

TOTAL ECOMMERCE SALES

5.24%

ECOMMERCE SALES AS A
PERCENT OF TOTAL RETAIL
SALES

18.5%

ECOMMERCE SALES GROWTH

22.2%

CONTRIBUTION TO GLOBAL
ECOMMERCE

THE GROWTH OF ECOMMERCE SALES IN WESTERN EUROPE WILL LARGELY COME FROM EXISTING ONLINE CONSUMERS, WHO SPENT USD 317.89 BILLION IN 2015.

In the considerably less developed market of Central and Eastern Europe, there is still plenty of scope for growth.

EUROPE



BELGIUM

Ecommerce value

\$4.2 BN

Cross-border ecommerce value
(approx)

\$1.2 BN

Top 3 preferred online
payment methodsMASTERCARD
VISA
BANCONTACT

Top 3 import destinations

NETHERLANDS
GERMANY
UK

Top 3 export destinations

GERMANY
FRANCE
NETHERLANDS

DENMARK

Ecommerce value

\$4 BN

Cross-border ecommerce value
(approx)

\$1 BN

Top 3 preferred online
payment methodsVISA
MASTERCARD
ONLINE BANKING

Top 3 import destinations

GERMANY
SWEDEN
NETHERLANDS

Top 3 export destinations

GERMANY
SWEDEN
UKUNITED
KINGDOM

Ecommerce value

\$155 BN

Cross-border ecommerce value
(approx)

\$155 BN

Top 3 preferred online
payment methodsVISA
MASTERCARD
PAYPAL

Top 3 import destinations

USA
CHINA
GERMANY

Top 3 export destinations

USA
GERMANY
CHINA

FRANCE

Ecommerce value

\$71.8 BN

Cross-border ecommerce value
(approx)

\$14.7 BN

Top 3 preferred online
payment methodsCARTES BANCAIRES
(VISA, MASTERCARD)
PAYPAL
CARTE BANCAIRE
(DOMESTIC)

Top 3 import destinations

UK
GERMANY
USA

Top 3 export destinations

GERMANY
NETHERLANDS
UK

EUROPE



NETHERLANDS

Ecommerce value

\$11.5 BN

Cross-border ecommerce value
(approx)

\$2.4 BN

Top 3 preferred online
payment methodsIDEAL
DIRECT DEBIT
MASTERCARD

Top 3 import destinations

GERMANY
USA
UK

Top 3 export destinations

GERMANY
BELGIUM
UK

NORWAY

Ecommerce value

\$4.9 BN

Cross-border ecommerce value
(approx)

\$1.9 BN

Top 3 preferred online
payment methodsWALLETS
(EG PAYPAL)
ONLINE BANK
TRANSFER
VISA

Top 3 import destinations

SWEDEN
GERMANY
CHINA

Top 3 export destinations

UK
GERMANY
NETHERLANDS

SWEDEN

Ecommerce value

\$5.3 BN

Cross-border ecommerce value
(approx)

\$2.4 BN

Top 3 preferred online
payment methodsMASTERCARD
INVOICE
VISA

Top 3 import destinations

GERMANY
NETHERLANDS
NORWAY

Top 3 export destinations

GERMANY
UK
DENMARK

EUROPE



GERMANY

Ecommerce value

\$66.2 BN

Cross-border ecommerce value
(approx)

\$11.25 BN

Top 3 preferred online
payment methodsSOFORT
INVOICE
DIRECT DEBIT

Top 3 import destinations

UK
USA
CHINA

Top 3 export destinations

USA
FRANCE
UK

POLAND

Ecommerce value

\$9.3 BN

Cross-border ecommerce value
(approx)

\$1.7 BN

Top 3 preferred online
payment methodsONLINE BANKING
VISA
MASTERCARD

Top 3 import destinations

UK
GERMANY
USA

Top 3 export destinations

GERMANY
UK
CZECH REPUBLIC

RUSSIA

Ecommerce value

\$10 BN

Cross-border ecommerce value
(approx)

\$3.5 BN

Top 3 preferred online
payment methodsCASH
MASTERCARD
VISA

Top 3 import destinations

CHINA
GERMANY
USA

Top 3 export destinations

CHINA
NETHERLANDS
GERMANY

EUROPE



PAYVISION | KEY BUSINESS DRIVERS 2016

REGIONAL BREAKDOWN EUROPE

SPAIN

Ecommerce value

\$18.7 BN

Cross-border ecommerce value
(approx)

\$5.9 BN

Top 3 preferred online
payment methodsVISA
MASTERCARD
PAYPAL

Top 3 import destinations

CHINA
UK
USA

Top 3 export destinations

FRANCE
GERMANY
PORTUGAL

ITALY

Ecommerce value

\$19 BN

Cross-border ecommerce value
(approx)

\$5.3 BN

Top 3 preferred online
payment methodsVISA (CARTASI)
MASTERCARD
PAYPAL

Top 3 import destinations

UK
GERMANY
CHINA

Top 3 export destinations

GERMANY
FRANCE
USA

GREECE

Ecommerce value

\$5 BN

Cross-border ecommerce value
(approx)

\$0.5 BN

Top 3 preferred online
payment methodsVISA
MASTERCARD
BANK TRANSFER

Top 3 import destinations

GERMANY
RUSSIA
ITALY

Top 3 export destinations

TURKEY
ITALY
GERMANY

TURKEY

Ecommerce value

\$7 BN

Cross-border ecommerce value
(approx)

\$1.3 BN

Top 3 preferred online
payment methodsVISA
MASTERCARD
WALLETS
(EG PAYPAL)

Top 3 import destinations

USA
CHINA
HONG KONG

Top 3 export destinations

GERMANY
IRAQ
UK

EUROPE





CROSS-BORDER TRENDS

GEO-BLOCKING

Restrictions to access, purchasing and payment based on geography, nationality or place of residence is an existing issue within Europe, adversely effecting cross-border ecommerce. According to the European Commission, while three quarters of Europeans used the internet on a regular basis in 2014, only 15 percent shop online from another country. Moreover, only 7 percent of SMEs online sell cross-border.

In 2015, a European Commission survey found that only 37 percent of websites, including those in the US, actually allowed cross-border customers to reach the final step before completing the purchase by entering payment details. The problem is impacting both ends of the consumer chain as consumers are denied service and businesses lose crucial cross-border sales.

DIGITAL SINGLE MARKET

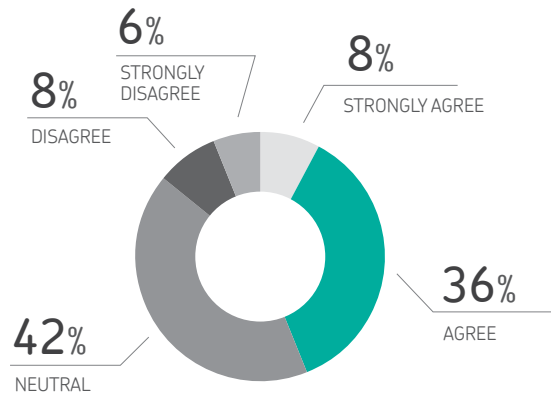
The priority to create a single digital market allowing free movement of services and capital indicates the huge potential of cross-border ecommerce in the region. The concept allows individuals and businesses to seamlessly access and exercise online

activities under conditions of fair competition, and a high level of consumer and personal data protection, irrespective of their nationality or place of residence. Ultimately, the goal is bringing the EU's single market into the digital age by removing location-based regulation and barriers.

One of the Digital Single Market strategy initiatives, adopted on 6 May 2015, aims to define an appropriate ecommerce framework and prevent unfair discrimination against consumers and businesses when accessing content or buying goods or services online within the EU.



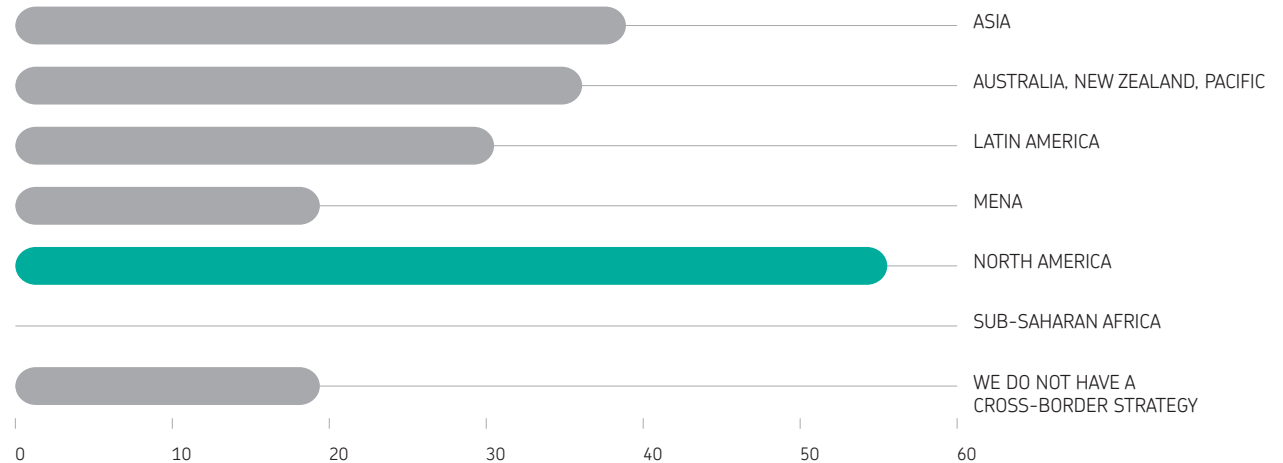
SURVEY RESULTS



SEPA AND OTHER EU INITIATIVES TO STIMULATE CROSS-BORDER ECOMMERCE HAVE BEEN EFFECTIVE AND LED TO BUSINESS GROWTH

Single Euro Payments Area (SEPA) is a project whose aim is to improve the efficiency of cross-border payments within the European Economic Area (EEA) and convert fragmented national markets into one domestic market.

Within Europe, agreement on the merits of a SEPA has improved since we began our annual survey. In 2014 only 10 percent of respondents felt SEPA stimulated cross-border ecommerce. This year, 44 percent agree.



ON WHICH REGION OUTSIDE OF EUROPE DO YOU FOCUS YOUR CROSS-BORDER STRATEGY

European survey respondents confirm they mostly focus on North America for cross-border ecommerce expansion, but nearly 40 percent focus on Asia as the second region of choice.



LATIN AMERICA

LATIN AMERICA

115.8
MILLION
DIGITAL BUYERS

11.4%
DIGITAL BUYER GROWTH

7.9%
DIGITAL BUYER SHARE OF
WORLDWIDE

24.8%
DIGITAL BUYER PENETRATION
(% OF POPULATION)

\$41 BN
TOTAL ECOMMERCE SALES

2.2%
ECOMMERCE SALES AS A
PERCENT OF TOTAL RETAIL
SALES

22.9%
ECOMMERCE SALES GROWTH

2.45%
CONTRIBUTION TO GLOBAL
ECOMMERCE

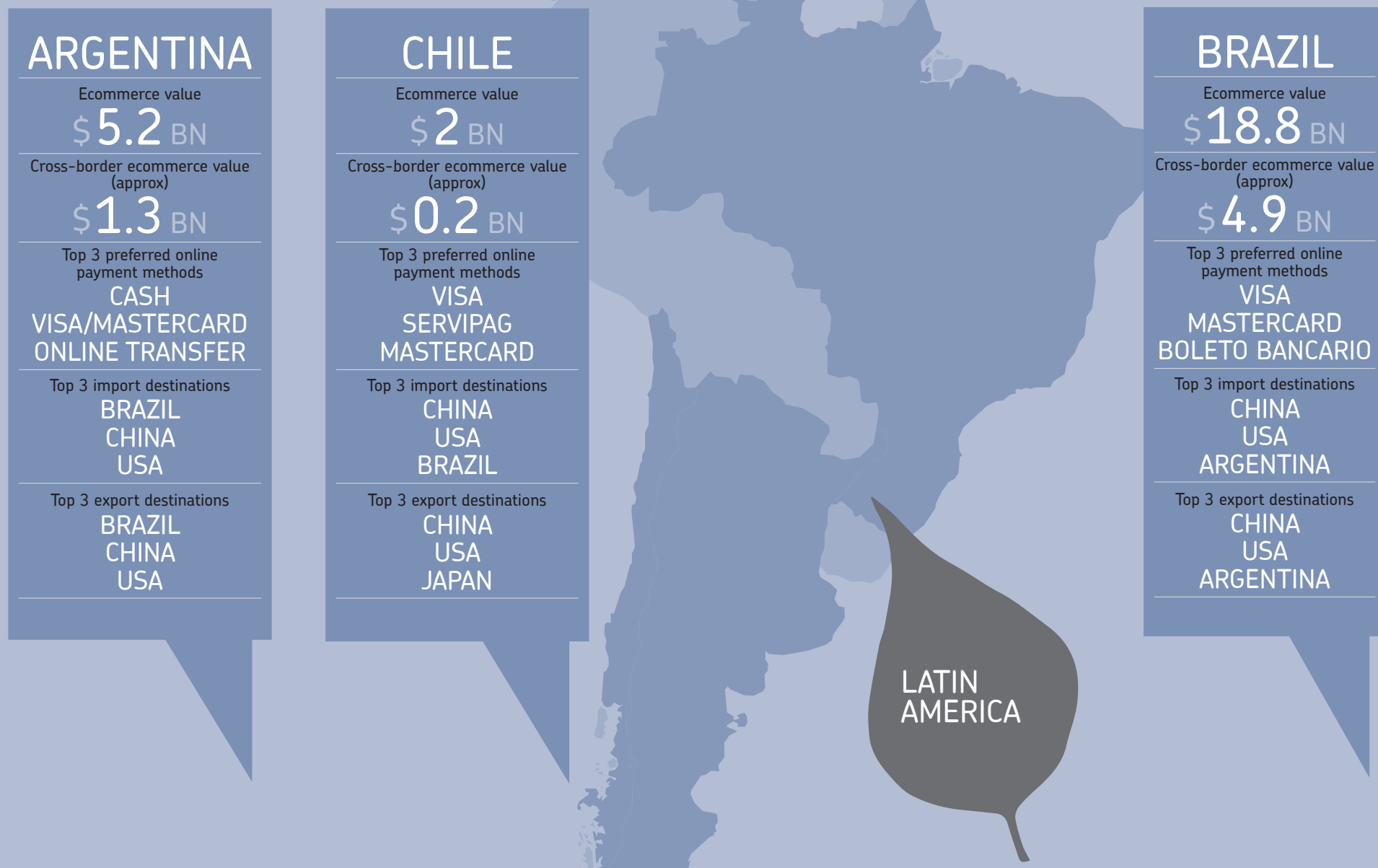
LATIN AMERICA IS A
TEMPERAMENTAL BUT
TEMPTING ECOMMERCE
MARKET, WITH PROS AND
CONS FOR OVERSEAS
ECOMMERCE EXPANSION.

It contains a rapidly growing
middle class, eager for a larger
selection of quality foreign goods,
but the region has unreliable
logistic solutions and limited
financial services and credit card
penetration.



PAYVISION | KEY BUSINESS DRIVERS 2016

REGIONAL BREAKDOWN LATIN AMERICA



PAYVISION | KEY BUSINESS DRIVERS 2016

REGIONAL BREAKDOWN LATIN AMERICA

MEXICO

Ecommerce value

\$16.5 BN

Cross-border ecommerce value
(approx)

\$6 BN

Top 3 preferred online
payment methodsCASH
ONLINE BANKING
VISA

Top 3 import destinations

USA
CHINA
HONG KONG

Top 3 export destinations

USA
CANADA
CHINA

COLOMBIA

Ecommerce value

\$3.5 BN

Cross-border ecommerce value
(approx)

\$0.9 BN

Top 3 preferred online
payment methodsVISA
MASTERCARD
CASH

Top 3 import destinations

USA
CHINA
MEXICO

Top 3 export destinations

USA
CHINA
PANAMALATIN
AMERICA

CROSS-BORDER TRENDS

MOBILE FIRST MARKET

Mexico, the second largest ecommerce market in the Latin American region, is second only to South Korea in the share of consumers using mobile devices to buy online, at 15 percent.

When considering business expansion into the Latin American market, it is important to take into consideration the prolific use of mobile devices to access data. Increasingly, more Latin Americans use a mobile device for all their Internet access, and consequentially may not own a desktop computer. According to eMarketer, The mobile industry accounts for between 4 percent and 5 percent of Latin America's economy, compared to 2 percent on average in more developed markets such as the US and major European countries. A robust mobile commerce strategy is key to success.

The relatively low penetration of fixed-line broadband in some areas goes some way to explaining the increasing popularity of mobile Internet services. In the last few years, there has been significant regional investment in 3G services. The total number of mobile phone users in Latin America passed 400 million this year—compared with 258 million in the US.

AGE AND SOCIOECONOMICS

In Latin America, a consumer's social class and financial circumstances shapes online shopping behavior to a stronger degree than in other regions. Studies into Latin American cross-border trends found that consumers aged 25-34, or under 25 are the most likely to buy overseas, at 45-48 percent.

Moreover, almost half were from socioeconomic class A and B, and held post-graduate degrees.

Latin American ecommerce is progressively international and as a result, the most common payment methods are international and local credit cards such as Visa and Mastercard. In Brazil, consumers often use Boleto Bancário – a bank scheme that allows users to transfer money using the ATM,

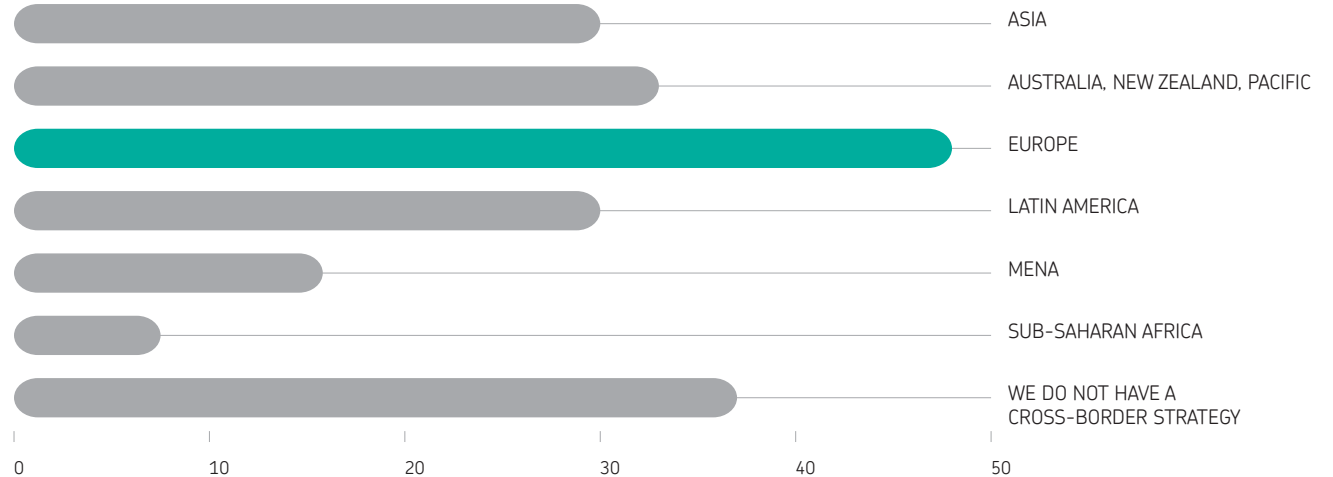
branch facility, or online presence of any bank. Nearly one-quarter of Brazilian online shoppers use Boleto Bancário.



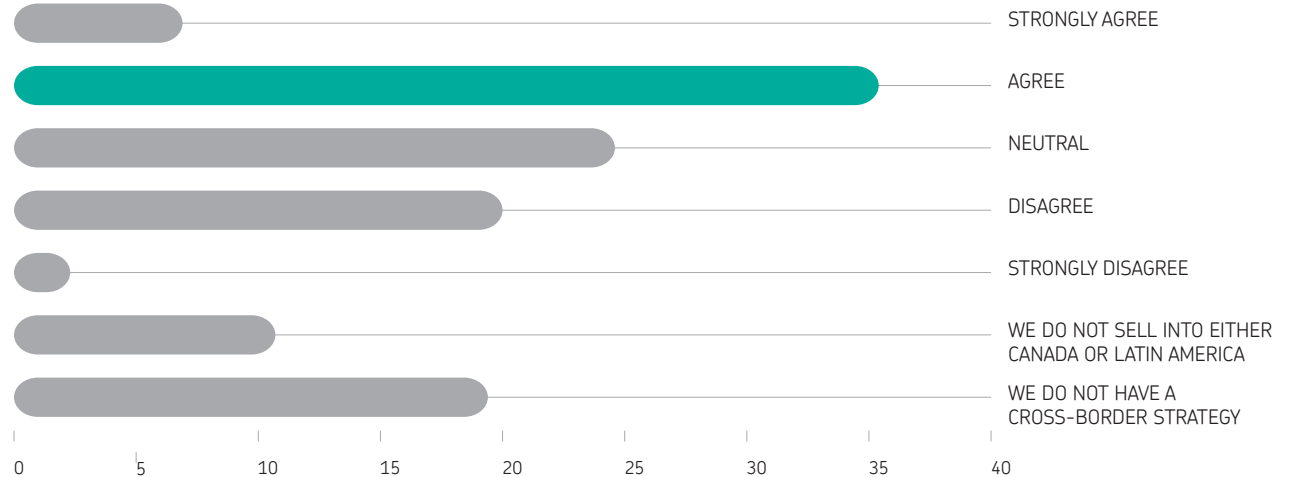
SURVEY RESULTS

Latin America, despite its proximity, receives a minimal level of focus from North America, according to our survey. North Americans are more likely to focus on Europe (48 percent) and the Pacific (33 percent) and are as likely to expand to Asia as LATAM (both 30 percent).

Moreover, North American businesses are more likely to keep their business within North America (42 percent) than expand south to the Latin American market.



ON WHICH REGION OUTSIDE OF NORTH AMERICA DO YOU FOCUS YOUR CROSS-BORDER STRATEGY



AS AN AMERICAN RETAILER OUR FOCUS FOR CROSS-BORDER ECOMMERCE IS THE CANADIAN MARKET RATHER THAN LATIN AMERICA

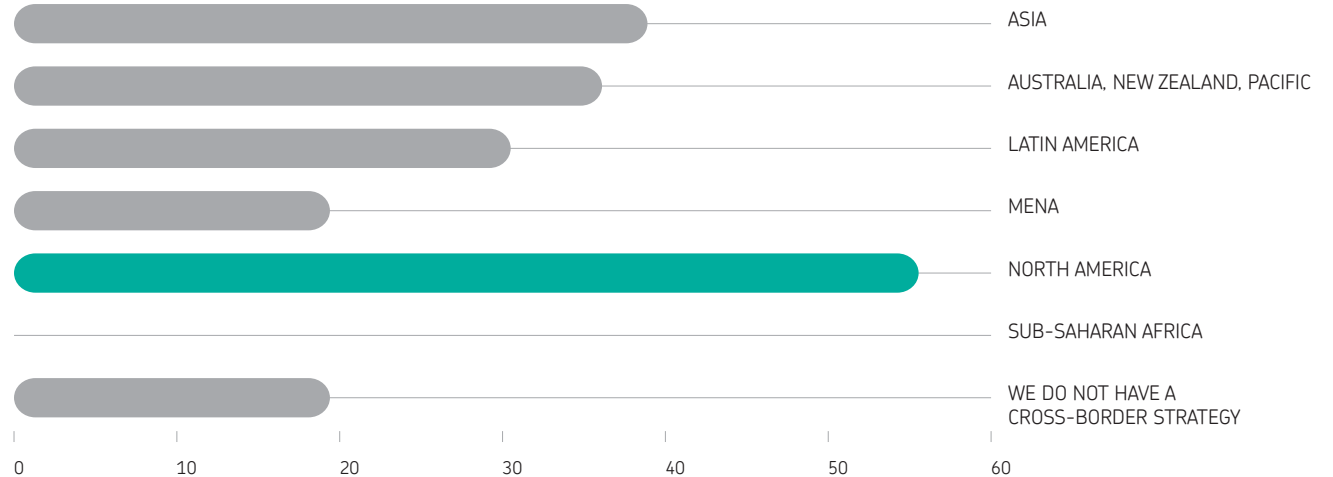


PAYVISION | KEY BUSINESS DRIVERS 2016

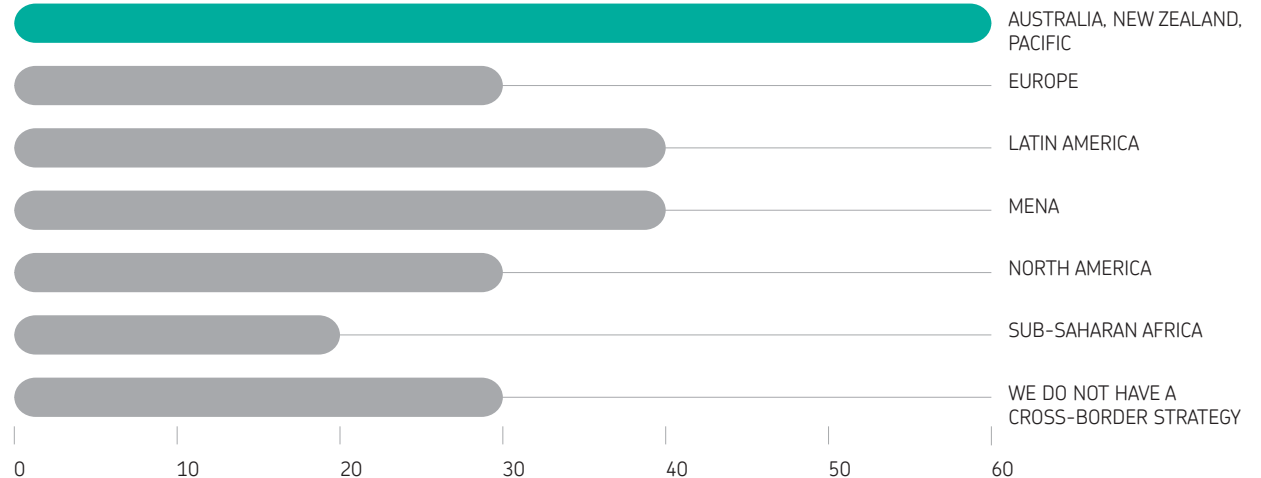
REGIONAL BREAKDOWN LATIN AMERICA

Europeans are even less likely to focus on the Latin American market, choosing it as a focus market over Sub-Saharan Africa and MENA only. This can be explained by the lack of reliable logistics solutions in the region, due to vast expanses of inhospitable and inaccessible land.

Asian businesses, by contrast, see more opportunities in LATAM. They are more likely to target the region than North Americans, perhaps due to lower prices.



ON WHICH REGION OUTSIDE OF EUROPE DO YOU FOCUS YOUR CROSS-BORDER STRATEGY



ON WHICH REGION OUTSIDE OF ASIA DO YOU FOCUS YOUR CROSS-BORDER STRATEGY



MIDDLE EAST AND AFRICA

142.6
MILLION
DIGITAL BUYERS

11.4%
DIGITAL BUYER GROWTH

9.8%
DIGITAL BUYER SHARE OF
WORLDWIDE

10.3%
DIGITAL BUYER PENETRATION
(% OF POPULATION)

MIDDLE-
EAST
AFRICA

\$14.7 BN
TOTAL ECOMMERCE SALES

1.7%
ECOMMERCE SALES AS A
PERCENT OF TOTAL RETAIL
SALES

28.5%
ECOMMERCE SALES GROWTH

0.9%
CONTRIBUTION TO GLOBAL
ECOMMERCE

CONTAINING THE MOST
MOBILE-PENETRATED
COUNTRIES, AS WELL
AS A LARGE NUMBER
OF AFFLUENT EXPATRI-
ATES, MENA SHOULD BE
AN ATTRACTIVE REGION
TO CROSS-BORDER
MERCHANTS.

Our survey results, however, reveal
less enthusiasm from Europeans
and North American participants.



SOUTH AFRICA

Ecommerce value

\$3.2 BN

Cross-border ecommerce value (approx)

\$0.75 BN

Top 3 preferred online payment methods

VISA
MASTERCARD
BANK TRANSFER

Top 3 import destinations

CHINA
GERMANY
SAUDI ARABIA

Top 3 export destinations

CHINA
USA
UK

UAE

Ecommerce value

\$2.5 BN

Cross-border ecommerce value (approx)

\$0.8 BN

Top 3 preferred online payment methods

VISA
CASH
MASTERCARD

Top 3 import destinations

CHINA
USA
GERMANY

Top 3 export destinations

JAPAN
INDIA
SOUTH KOREA

MIDDLE-
EAST
AFRICA



CROSS-BORDER TRENDS

EXPATS OUTNUMBER LOCALS

In the Gulf Cooperation Council (GCC) countries – Saudi Arabia, Kuwait, the United Arab Emirates (UAE), Qatar, Bahrain, and Oman – a large proportion of the population are from overseas. In UAE, almost 90 percent of the population are expatriates, claiming to have 65 percent more disposable income than if they were in their home country.

Moreover, there is a median age of 30 in UAE, resulting in a young, affluent society of non-locals who frequently purchase goods overseas.

The Middle East also has one of the highest mobile penetration rates in the world. Ecommerce is largely driven by mobile, as 40 to 50 percent of the sales on Souq.com, the most popular website in UAE, are made through mobile devices.

Ten percent of the UAE population only shop online cross-border, one of the highest globally.

LUXURY GOODS

Cross-border ecommerce is booming in the MEA region, with more than 70 percent growth year on year. This figure is largely driven by affluent expats who desire luxury goods but experience limited choice in the region.

Forty percent of purchases made by digital buyers in UAE, for example, are apparel, second only to travel and transportation. Luxury items such as jewelry and watches are also in high demand, with a third of shoppers purchasing these goods overseas.

MOBILE MONEY

In South Africa, 42 percent of online purchases involved products bought from overseas. In 2015, the estimated value of the online imports from China to South Africa was USD 50 million.

In less developed parts of the continent, cross-border ecommerce suffers financial, logistical and connectivity barriers. The Electronic Transaction Bill was an initiative by Kenya, Rwanda and Uganda, and joined by the United Republic of Tanzania, to encourage electronic-based transactions linking the private sector and governments in the region.

One successful alternative payment method is M-PESA, a mobile-based money transfer service that found great success with the country's unbanked population. Such a service could hold significant potential for a region-wide payment method, and open up the rest of Africa to more cross-border purchasing.

Challenges still exist, however, as a cross-border mobile money scheme would require cooperation between mobile network operators, financial institutions and governments. As of today, the barriers to innovative regional payment channels are not only technical but also regulatory.



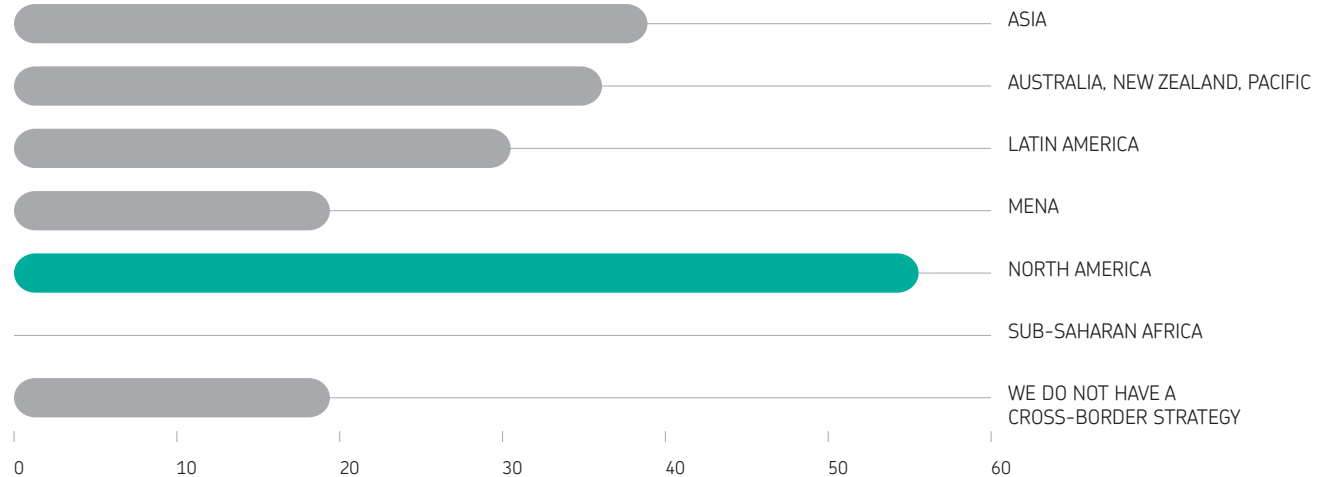
PAYVISION | KEY BUSINESS DRIVERS 2016

REGIONAL BREAKDOWN MIDDLE EAST AND AFRICA

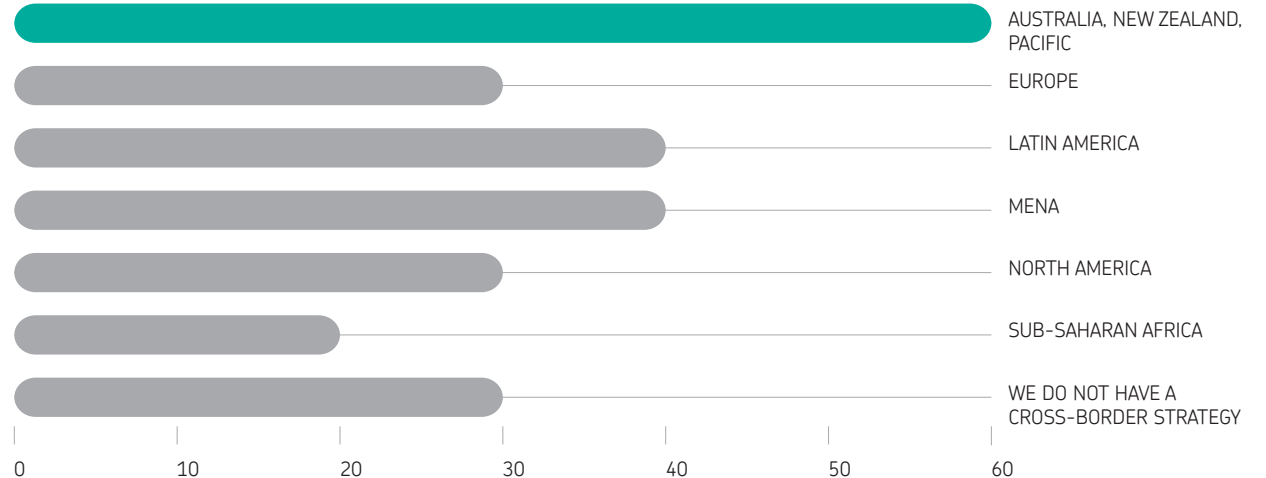
SURVEY RESULTS

The Middle East might contain one of the most advanced cross-border ecommerce countries in the world, UAE, but this is largely organic.

It is not, according to our survey, thanks to a specific strategy to target this area.



ON WHICH REGION OUTSIDE OF EUROPE DO YOU FOCUS YOUR CROSS-BORDER STRATEGY



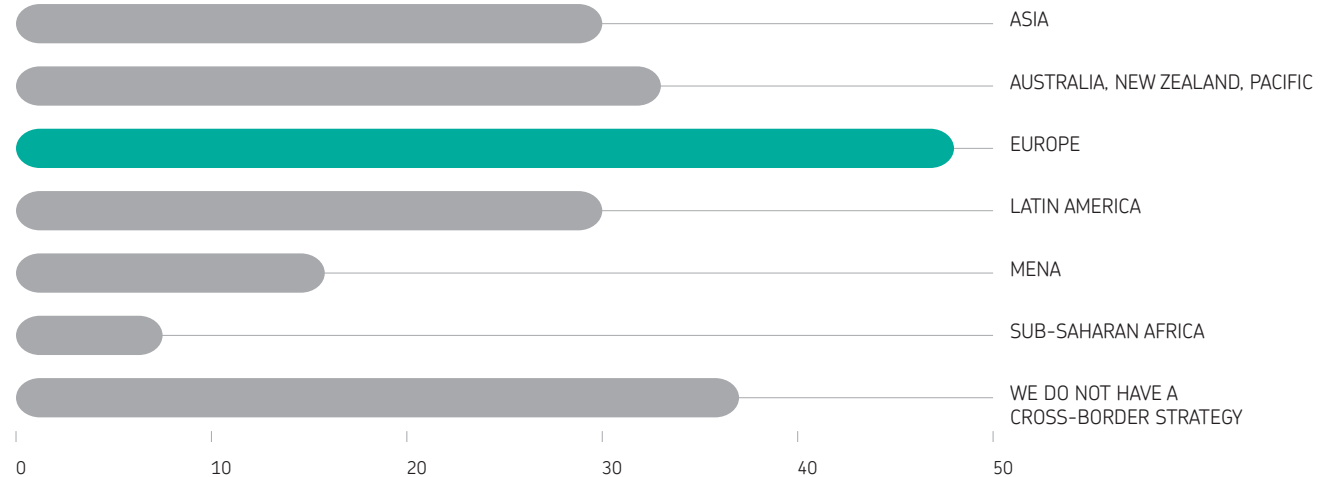
ON WHICH REGION OUTSIDE OF ASIA DO YOU FOCUS YOUR CROSS-BORDER STRATEGY



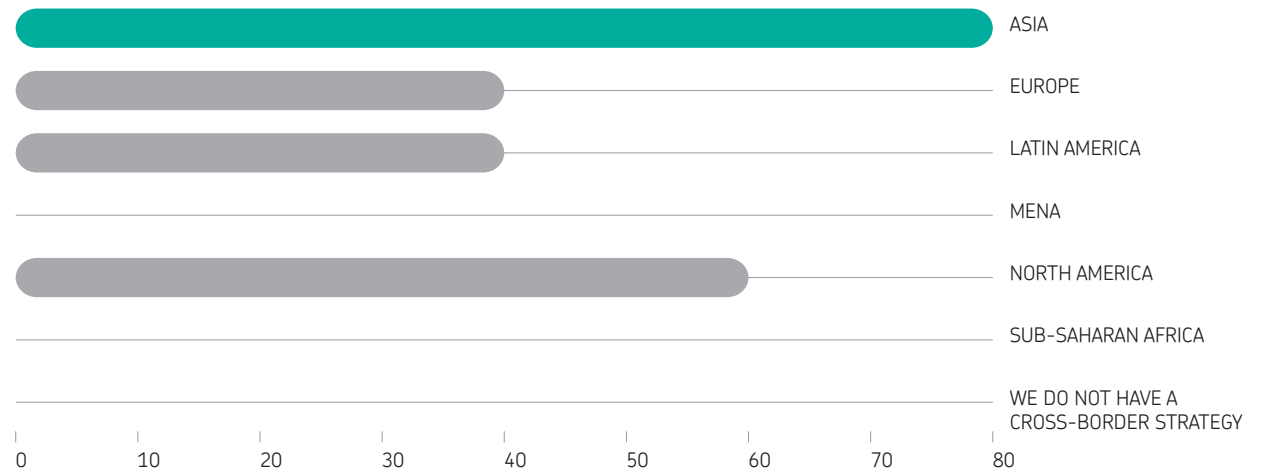
PAYVISION | KEY BUSINESS DRIVERS 2016

REGIONAL BREAKDOWN MIDDLE EAST AND AFRICA

The only region that is putting some focus on the MENA region is Asia, according to our survey respondents.



ON WHICH REGION OUTSIDE OF NORTH AMERICA DO YOU FOCUS YOUR CROSS-BORDER STRATEGY



ON WHICH REGION OUTSIDE OF AUSTRALIA, NEW ZEALAND AND THE PACIFIC DO YOU FOCUS YOUR CROSS-BORDER STRATEGY



NORTH AMERICA

189.9
MILLION
DIGITAL BUYERS

4.3%
DIGITAL BUYER GROWTH

13%
DIGITAL BUYER SHARE OF
WORLDWIDE

64.4%
DIGITAL BUYER PENETRATION
(% OF POPULATION)

\$367.44
BN
TOTAL ECOMMERCE SALES

7%
ECOMMERCE SALES AS A
PERCENT OF TOTAL RETAIL
SALES

14.4%
ECOMMERCE SALES GROWTH

22%
CONTRIBUTION TO GLOBAL
ECOMMERCE

IN THE US, DIGITAL BUYERS ARE LESS INCLINED TO SHOP CROSS-BORDER BUT MANY MERCHANTS EXPORT OVERSEAS.

Approximately a quarter of digital buyers in the US made a cross-border purchase in the past 12 months. By contrast, the same study revealed 67 percent of digital buyers in Canada made a cross-border digital purchase in the past 12 months. ⁸

8 EMARKETER / PAYPAL & IPSOS, 2016

NORTH
AMERICA



PAYVISION | KEY BUSINESS DRIVERS 2016

REGIONAL BREAKDOWN NORTH AMERICA

USA

Ecommerce value

\$340.6 BN

Cross-border ecommerce value
(approx)

\$40.8 BN

Top 3 preferred online
payment methodsVISA
MASTERCARD
AMERICAN EXPRESS

Top 3 import destinations

CHINA
UK
CANADA

Top 3 export destinations

UK
CANADA
MEXICO

CANADA

Ecommerce value

\$29.6 BN

Cross-border ecommerce value
(approx)

\$10.9 BN

Top 3 preferred online
payment methodsMASTERCARD
VISA
INTERAC

Top 3 import destinations

USA
CHINA
MEXICO

Top 3 export destinations

USA
CHINA
UKNORTH
AMERICA

CROSS-BORDER TRENDS

ALL-AMERICAN QUALITY

The US is the original and the most trusted cross-border market, considered around the world the best for quality products. The US is, therefore, the top choice for purchasing overseas goods for many countries. Digital shoppers worldwide make nearly a quarter of their purchases from websites outside of their home country, with approximately half of these purchases occurring on US websites.

According to a study by DHL into cross-border shopping, 75 percent of respondents who made a foreign purchase selected the US as their top destination for online shopping.

TOP TRADING PARTNERS

A large percentage of North American cross-border activity remains within the region. Canada is the United States' largest trading partner, with 2015 exports reaching nearly USD 281 billion and imports at USD 296

billion in goods. ⁹ The benefits are clear: common culture and language, close proximity (90 percent of the Canadian population live within 100 miles of the US border), good logistics connecting the two countries, and both have a high penetration of credit cards.

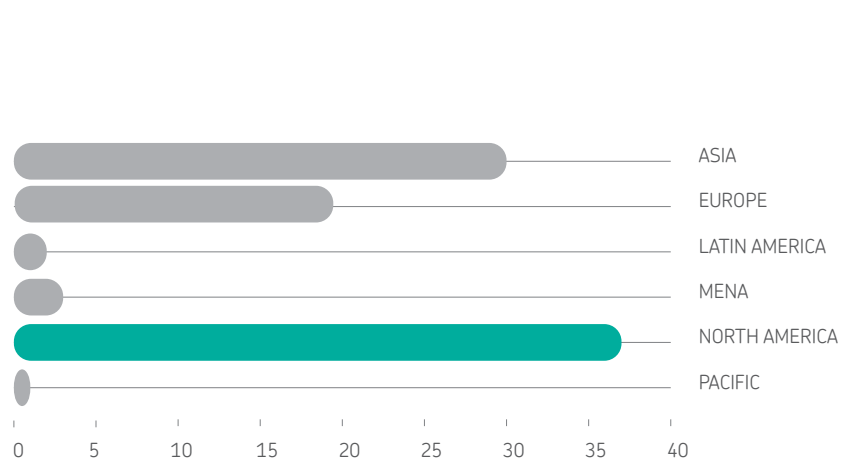
Canadians, however, purchase more frequently from the US than vice versa. Sixty percent of Canadians already make purchases from American web merchants and Canadians comprise 37 percent of global cross-border shoppers. This is not simply because Canadians prefer American goods, but primarily because Canada offers far less online choice for consumers than their neighbor. Remarkably in such a digital age, only 46 percent of Canadian businesses have a website, and only 20 percent of Canadian businesses engage in online selling. ¹⁰

9 US CENSUS BUREAU DATA
10 THE INTERNET ASSOCIATION



PAYVISION | KEY BUSINESS DRIVERS 2016

REGIONAL BREAKDOWN NORTH AMERICA

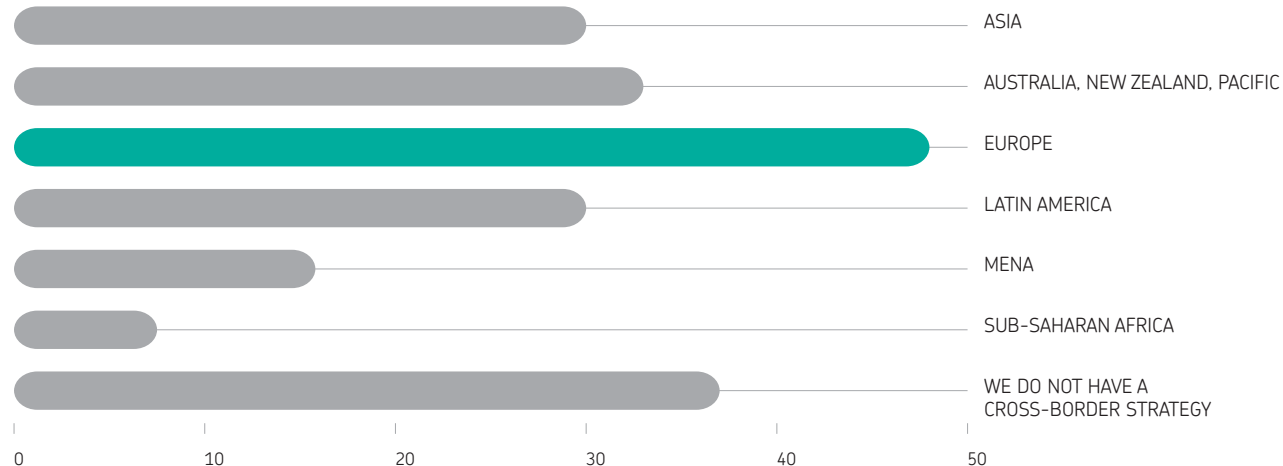


WE DO NOT HAVE A CROSS-BORDER STRATEGY

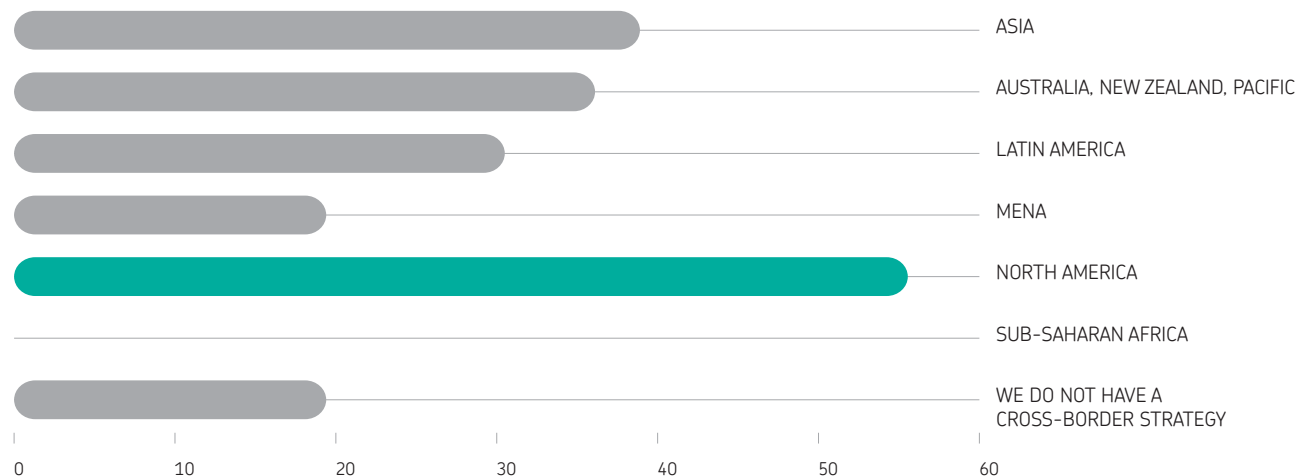
SURVEY RESULTS

As strong cross-border trade partners, North American businesses are more likely to focus on their European customers than any other region, and vice versa.

Over a third (38%) of our North American respondents, however, do not have a cross-border strategy, the highest regional result of our survey.



ON WHICH REGION OUTSIDE OF NORTH AMERICA DO YOU FOCUS YOUR CROSS-BORDER STRATEGY



ON WHICH REGION OUTSIDE OF EUROPE DO YOU FOCUS YOUR CROSS-BORDER STRATEGY





6. CONCLUSIONS

ECONOMIC UNCERTAINTY REDUCES BUSINESS CONFIDENCE

In times of economic turbulence or political instability, it is not uncommon for markets to become unreliable, and business confidence to dip. The past 12 months have produced unsettling times across the globe – an escalating migrant crisis in Europe, an unexpected slowdown of Chinese GDP, a number of countries on high security alert for terrorist activities and the impending withdrawal of the UK from the EU.

Cross-border ecommerce is already an industry with an element of risk: merchants must trust that their goods will be delivered reliably overseas, entering global markets means accounting for culture and language differences, and compliance with complex international regulation can be daunting. Our annual survey has confirmed that global merchants are feeling more reserved towards cross-border expansion than in the previous three years, largely due to:

- COMPLEXITY OF OFFERING ALTERNATIVE PAYMENT METHODS
- COMPLIANCE AND REGULATIONS
- DATA BREACHES

Last year we witnessed more merchants looking to the East for business expansion, prepared to take a risk on booming emerging markets to compensate for saturated markets in the West.

This year, with China's economy taking an unexpected dip, and Europe preparing to negotiate a complicated exit strategy with the UK, merchants from the strongest markets, particularly the US, have indicated a preference of doing business with other secure, established markets. The enthusiasm for Eastern expansion from the Americas has waned, according to the responses from our survey.



WHAT IS NEXT?

The business world might be holding back in 2016 when it comes to riskier overseas expansion, but latest ecommerce statistics show that customers are not. Ecommerce, especially of a cross-border nature, continues to grow and drive global retail. This presents a market contradiction: customers are still seeking overseas products and hoping for a smooth and seamless experience, even as merchants are less willing to provide them.

Merchants are, however, turning their attention to the more lucrative B2B sector for business growth. With B2B driving double the online value of B2C, it is a sizeable opportunity to embark upon.

Cross-border B2B ecommerce with emerging markets is largely untapped and could present an interesting opportunity for merchants who are willing to partner with a PSP that can assist with localization, alternative payment methods and localization. China is still a driving force of such opportunities with the Belt and Road initiative focusing on streamlining and optimizing delivery times and costs to and from Europe.



MOBILE COMMERCE SHOWS NO SIGN OF DECELERATING

We are firmly in the age of the mobile shopper. Growing in numbers and purchasing power over the last few years, we're now entering an era in which merchants must focus more on their mobile strategies than desktop ecommerce. While the value of ecommerce and m-commerce is now level, the growth rate of m-commerce is much higher. It is clear that tomorrow's ecommerce landscape will be predominantly mobile, including wearables and other devices.

Our survey has indicated that m-commerce continues to disrupt the market, forcing merchants to streamline their user experience, minimize content distractions and push customers through a clean purchasing funnel. Customers, in turn, are more engaged with social selling, and a number of social platforms such as Instagram and Facebook have now integrated buy buttons into their mobile applications.



WHAT IS NEXT?

M-commerce, as a single channel, is giving way to omnichannel retail, in which contextual information is readily available to customers without the need to sign in across multiple devices, accounts or platforms. Customer-centric strategies hold the key, allowing for interactive user experiences.

Merchants yet to do so have expressed a desire to invest in up-to-date, omnichannel technology in order to keep up with the expectations of the 2016 customer. It is important to build this complex but rewarding pillar into a future plan for business expansion. With this, comes an element of saturation. ¹¹

For merchants, it is key to note that the largest growth sector in digital engagement is mobile; adults spend nearly three hours per day on mobile devices. Ecommerce merchants face new pressures in 2016 for creating content that connects with consumers and cuts through the digital disorder.

DATA HOLD THE KEY TO UX

The primary goal for 2016's domestic and cross-border merchants is to engage and inspire their consumers on all legs of their buying journey. Merchants should aim to be more passive and hand consumers the controls on when to purchase. Displaying basic imagery and static content alongside aggressive sales techniques is no longer sufficient for the modern consumer. User experience is key to mapping the ecommerce path of the future.

While each customer might have unique preferences and quirks, it is true we all – as humans – follow patterns. Across society, when you look at specific groups such as Generation Z, or a particular region or country, trends emerge that allow merchants and businesses to target and adapt to their primary audience. Data optimization also gives the industry the instruments to tackle fraud and security.

This is made all the more possible today. Customers are social, they engage their peers, and they are constantly connected. Each consumer leaves behind a digital trail of clues, giving important insight into their behavior. From these footprints, information can be garnered and applied to a business strategy.

WHAT IS NEXT?

For merchants to advance from a one-size fits all approach, to personalization and ultimately contextualization for the ultimate user experience, the key is to harness and utilize data. This requires a holistic viewpoint to allow for human intuition and interpretation in parallel to hard facts. Not only understanding customer behavior, but recognizing the actions of the competition gives merchants an edge when it comes to offering the best value and experience. Merchants like Amazon have an all-inclusive overview of the market, enabling them to implement dynamic pricing, to stay one step ahead of their competition.

¹¹ KLEINER, PERKINS, CAUFIELD AND BYERS, AS REPORTED BY PRACTICAL ECOMMERCE.



Social platforms such as Pinterest give direct access to customer style trends, preferences and themes to target the latest market preferences. Moreover, by engaging customers with their own content, it is possible to give the customer control and mold experiences for them. Merchants should invest in expanding their digital analytics, UX and content teams, as well as focusing in video marketing, and hiring category specialists.

Read more about the importance of data science in the payments industry [here](#), with an interview from Nathan Trousdell, Director of Strategy & Corporate Development at Payvision.

7. ABOUT THE PUBLISHERS AND EDITORS

ABOUT PAYVISION

Awarded Best Acquirer at MPE Berlin 2016 and Best Merchant Acquirer/Processor at the 2015 Payments Awards, [Payvision](#) is one of the fastest-growing global acquiring networks in the world. With over a decade's presence in the global payments market, Payvision has accrued vast knowledge of global acquiring and payments processing for the ecommerce market. Payvision simplifies the complexity of cross-border ecommerce through a highly effective and secure transaction processing platform. By offering banks, PSPs, ISOs and merchants one global acquiring platform, 24/7 support, 150+ transaction currencies, a high-end reporting interface and a solid risk management solution, Payvision strives to support its customers in expanding their geographical footprints and growing their business.

Together with its subsidiary company, [Acapture](#) – a new, scalable, streamlined alternative payment platform, Payvision combines the experience of an industry leader and the flexibility and speed of a start-up, supplying everything a merchant needs to support their growth ambitions. Next to that, by leveraging innovative POS/ mPOS technology, Payvision's clients now have access to a full suite of omnichannel tools behind one central interface, with unified reporting.





ABOUT CARDNOTPRESENT

CardNotPresent.com is an independent voice generating original news, information, education and inspiration for and about the companies and people operating in the card not present space—one of the only sources of content focused solely on this growing segment of the payments industry. Our only product is information. Our only goal is to provide it in an unbiased manner to our subscribers. The company's media platforms include the CardNotPresent.com portal, the hub for news, information and analysis about the payments issues that most affect merchants operating in the space; the CNP Report, an e-newsletter delivering that focused information directly to your email inbox twice a week with no extraneous clutter; the CNP Expo, an annual gathering of the leading companies in the space from the smallest ecommerce Websites and technology providers to global retailers and payment processors; and the CNP Awards, an annual event honoring the products and solutions CNP merchants rely on most to increase sales. CardNotPresent.com & The CNP Expo are owned by Reed Exhibition Companies, a member of the [RELX Group](http://RELX.com).

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Keira McDermott is a B2B Content Writer for Payvision. Prior to becoming a part of the Payvision marketing department in 2014, she worked for Belkin as an Online Marketing Specialist.

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Rolf Visser is the Vice President of Global Marketing at Payvision, an independent global card processor for the ecommerce industry. In an expanding cross-border ecommerce market, Payvision is one of the fastest-growing global acquiring networks, connecting Acquiring Banks, PSPs, ISOs and their merchants to ONE Global Acquiring Platform, based on a non-competitive partnership model.

Rolf is also the Chairman of the CBEC (Cross-Border Ecommerce Community), a strategic global cross-border knowledge hub for the ecommerce industry. The CBEC focuses on sharing research and knowledge, thus educating the ecommerce market in a variety of disciplines and industries.

Rolf is a graduate in Digital Internet Marketing with Highest Honors from Beeckestijn Business School at VU University of Amsterdam, with 12 years' experience in the retail POS industry prior to 12 further years' experience in international marketing.

The last six years of his work have been in the payment industry.

Rolf has a forward thinking marketing vision, introducing multichannel, inbound marketing techniques and an award-winning business model, helping transform and elevate businesses through brand equity.

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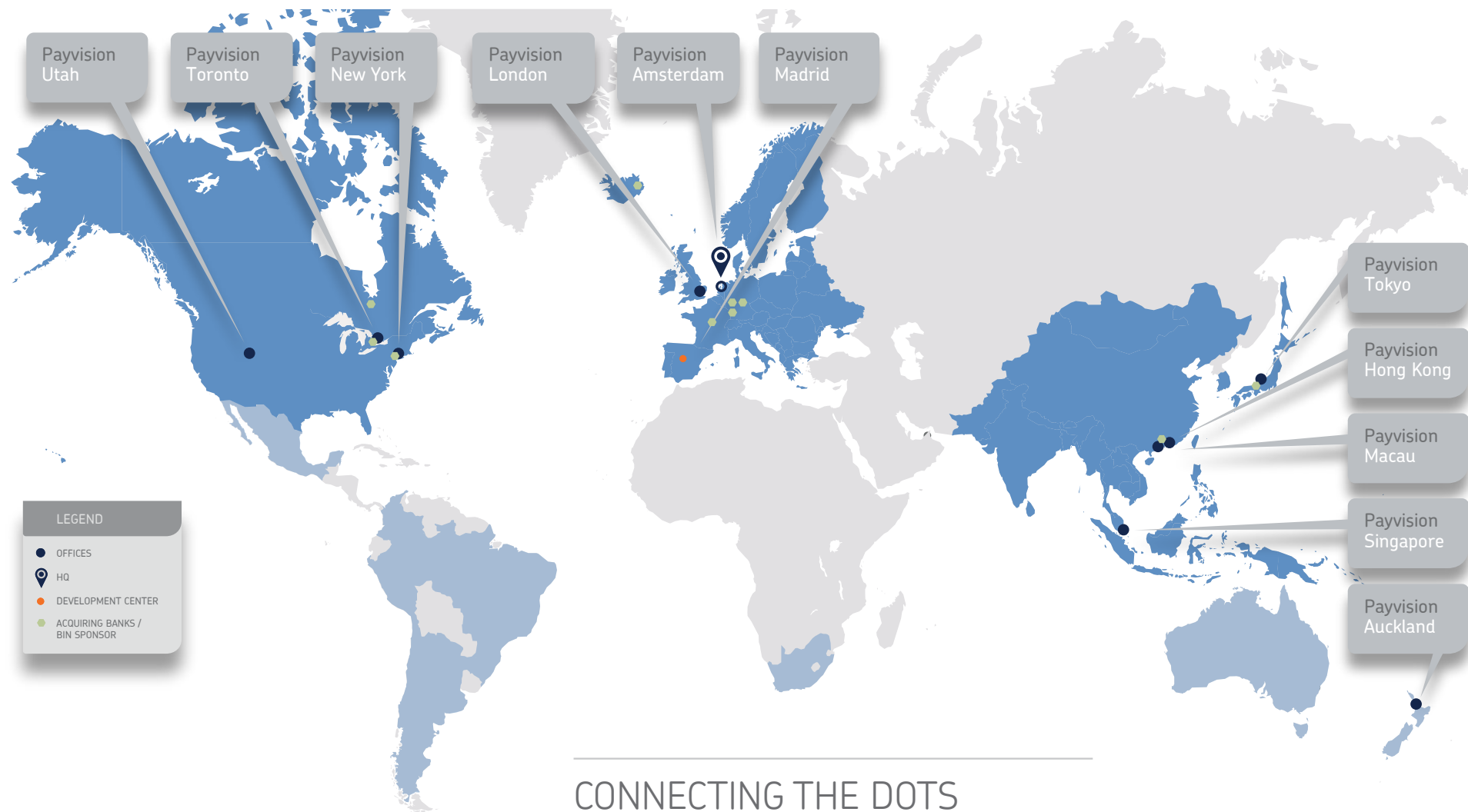
STEVEN CASCO

Steven Casco is the founder of CardNotPresent.com, a leading news source for merchants that accept card-not-present payments and vendors that support them. He also created the CNP Expo, the premier educational and networking destination for the entire card-not-present ecosystem. Casco has spent the past decade creating, building and guiding media properties focused on the payments industry. Prior to CardNotPresent.com, Casco was a co-founder of Paybefore.com and the Prepaid Expo. He is a published author in the field of Internet and software security and has served as a university lecturer at MIT and Northeastern University.

D.J. MURPHY

As editor-in-chief of CardNotPresent.com, D.J. Murphy has day-to-day control of the editorial content on the Website and leads the publication's reporting and writing staff. He brings more than 15 years of media and editorial experience to the company, having served as an editor and producer at ESPN.com, ABC and Paybefore.com. Murphy has served in a variety of roles in both new and traditional media including as an internal publications writer/editor and corporate communications manager for a U.S. financial institution and as a freelance writer and columnist.





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WITH THE SAME QUALITY IN EACH REGION.



Global Domestic Acquiring

Card payments from a proven innovator



Global card processing

Transaction processing value approx. \$4 billion and growing rapidly



Innovative payments

26% of total human resources consist of european research & development staff



Payment expertise

Growing fast, servicing 300+ ISOs and 10,000+ merchants worldwide



Risk & fraud management

1 in 1,000,000 of annual online transactions end up in a financial loss





Global card
acquiring



Online, mobile
and POS payments



160+ currencies



80+ alternative
payment methods



Integrates in hours
with one RESTful API



A 360 degree
omnichannel approach



