

Forrester Opportunity Snapshot: A Custom Study Commissioned By Wirecard | November 2018

# The Cross-Border eCommerce Opportunity

Harnessing The Complexities Of Technology, Compliance, And Security To Reach Global Markets

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# The Cross-Border eCommerce Opportunity

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### Overview

In July 2018, Wirecard commissioned Forrester Consulting to conduct a custom survey of 200 payment acceptance decision makers at midsize US organizations to explore their approach to cross-border eCommerce and what they can do to maximize opportunities abroad.

We found that organizations are placing a high priority on establishing a global eCommerce footprint. We also found that several hurdles in doing so — such as protecting sensitive data, adhering to market-specific regulations, and managing multiple payment vendors — have proven too high to clear with organizations' current capabilities. Access to partners and solutions that can fill in payment capability gaps, advance end customer goals, and reduce operational complexity can help companies execute on their cross-border visions with greater ease and agility.

*To participate in the study, respondents had to have responsibility or influence over payment acceptance decisions at their organizations and come from companies that accept eCommerce payments from global customers.*



#### Country

- › 100% - United States



#### Number of employees

- › 42% - 500 to 999
- › 31% - 1,000 to 1,499
- › 27% - 1,500 to 2,500



#### Seniority

- › 53% - C-level or VP
- › 47% - Director

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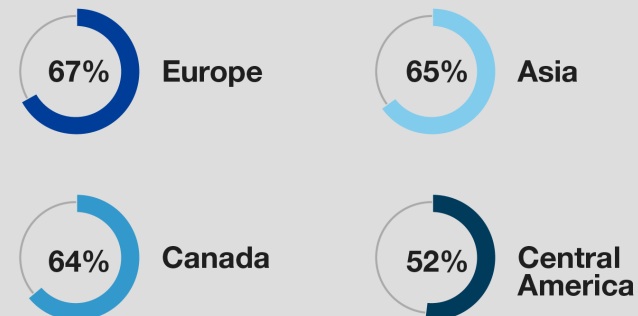
## Global Expansion Is A Top Priority

An increase in broadband and mobile penetration around the globe has generated new waves of online shoppers.<sup>1</sup> These consumers are increasingly sophisticated and actively looking beyond their countries' borders for products that are unavailable at home, more affordable, of higher quality, or from brands they trust.<sup>2</sup> These buyers have garnered the attention of companies of all sizes and from a variety of industries that are looking to expand their businesses with low upfront investment.

In fact, 87% of survey respondents describe cross-border eCommerce growth as a "critical" or "high" priority for their companies over the next two years. While many have an existing presence in markets worldwide, more than half intend to increase their current selling levels to four key markets: Europe, Asia, Canada, and Central America. Further, about a quarter plan to "significantly increase" their selling to Asia (26%), Europe (24%), and Canada (24%). As just one example, online retail sales in China will reach \$1.1 trillion in 2018. Of that, 76% will occur via mobile devices. Despite China's status as an eCommerce business leader, currently only 38% of Chinese consumers shop online, presenting a wide gap for foreign merchants to fill.<sup>3</sup>

"How do you expect your cross-border eCommerce selling to the following markets to change over the next two years?"

(Showing "Increase our current selling level" among the top four markets)



Base: 200 professionals involved in payment acceptance decisions at US companies  
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## Internal And External Factors Influence Cross-Border eCommerce Success

While cross-border eCommerce demands less investment than erecting a physical presence in a new market, it is nevertheless a highly complex proposition. Businesses must consider a host of internal and external factors.<sup>4</sup>

Decision makers are indeed considering several factors when deciding whether to sell cross-border — many of which, they say, are challenging to execute. Topping their list is their ability to protect sensitive data from fraud and abuse — an effort that requires rigorous data intelligence and monitoring capabilities that retailers often lack in-house — and adhering to market-specific regulations.<sup>5</sup> Considering the uncertain global regulatory landscape, many are challenged by complex tax and customer privacy guidelines that differ greatly between markets. The General Data Protection Regulation (GDPR) in Europe is a prime example: If a company or any one of its third parties breaches the data of a European citizen, the company will face a fine of 4% of annual global revenue or €20 million, whichever is greater. At the same time, companies must juggle other difficult endeavors, such as managing multiple payment providers, global customer service, logistics and fulfillment, system integrations, and competitive differentiation.

### Top Cross-Border Selling Considerations By Execution Difficulty

(Showing "Very" or "Extremely" challenging)



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## Risk-Savvy Firms Have An Advantage

Companies eager to expand their cross-border eCommerce may have fast time-to-market ambitions. However, their tolerance for and ability to manage the inherent risks may keep some from progressing at their desired speed. Firms equipped with the strategy, tools, and partners to mitigate risk have an opportunity to outpace less prepared competitors. The rest remain vulnerable to delays associated with concerns over the following risks:

- **Security:** Protecting sensitive information from falling into the wrong hands (e.g., account takeovers, fraud).
- **Financial:** Minimizing financial losses related to currency, fraud, chargebacks, or settlements.
- **Legal:** Adhering to local laws and regulations including GDPR, taxes, and specific customer or product restrictions.
- **Informational:** Ensuring business processes can continue to rely on accurate and timely information.
- **Operational:** Contingencies for disruptions including political turmoil, weather, and broadband connectivity.
- **Brand and reputational:** Maintaining the brand's quality, consistency, or integrity across markets.

"To what extent have concerns over each of the following hindered or slowed your organization's cross-border eCommerce plans?"



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## Payment Methods Play A Crucial Role In Cross-Border eCommerce

To attract and retain global customers, companies selling cross-border need to offer not only a great product at good value but also a superior user experience. Payments are an opportunity to enhance that experience. By making the payment process seamless, offering local preferred payment methods, and tailoring the checkout experience to local preferences and customs, companies can win the trust of global customers and increase cart conversions. Harnessed effectively, payment transaction data also provides a rich source of insight that companies can use to improve and expand offerings (e.g., discount, loyalty, or prepaid gift programs) that can boost repeat business and average order size.

*Payment acceptance is an opportunity to engage with customers through high-quality and differentiated experiences.*

### Respondents Associate Payment Acceptance Capabilities With Cross-Border eCommerce Success



**92%** say their payment acceptance capabilities are “very” or “extremely” important to optimizing their cross-border eCommerce.

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## Companies' Current Payment Technologies Leave More To Be Desired

The ease with which companies can expand globally depends largely on the technology and tools available to them. They need a payment technology stack that is flexible enough to tailor to local tastes, secure enough to manage evolving threats, and agile enough to allow the company to move quickly into new markets.

While nearly everyone in our survey describes their company's payment acceptance capabilities as critical to their cross-border eCommerce success, fewer than half say that their current payment technology stack completely meets their needs. They also estimate that their payment technology gaps will widen soon: Just a third expect their current payment technology to fully meet their needs two years from now.

Percentage Who Say Their Current Payment Technology Stack Completely Meets Their Cross-Border eCommerce Needs Today



45% Today

Base: 200 professionals involved in payment acceptance decisions at US companies  
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Percentage Who Expect Their Current Payment Technology Stack To Completely Meet Their Cross-Border eCommerce Needs In Two Years



33% Two years from today

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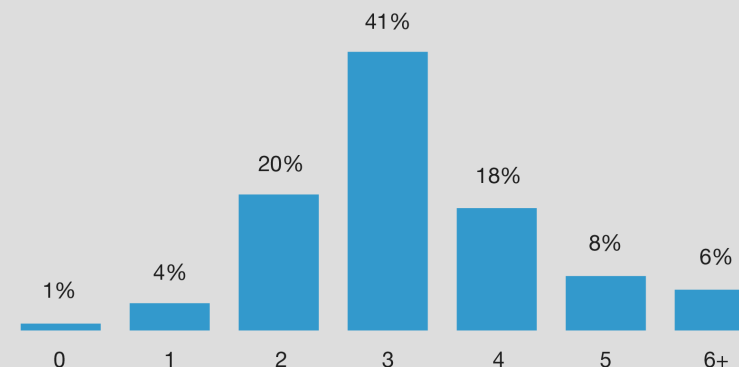
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## Managing Multiple Payment Providers Is A Common Struggle

Credit and debit cards dominate domestically, but other payment types are popular in other regions: Local eWallets rule in China while national credit cards and alternative payment methods like cash-equivalent vouchers are popular in Latin America.<sup>6</sup> Given the complexity, firms are prudent to partner with providers that specialize in cross-border selling. Global payment providers may provide technology to access the payment network and process payments; others offer related services such as acquiring, processing, gateway, or security and fraud solutions.<sup>7</sup> As firms broaden their operational scope, they often find themselves absorbing many such partners: 73% of those in our research use three or more. Integrating all these partners' systems is a complex undertaking that increases operational complexity and can add friction to the customer experience.

*Fifty-four percent say managing multiple payment providers across the globe is “very” or “extremely” challenging.*

“How many payment providers do you work with today to achieve your cross-border eCommerce sales objectives?”



Base: 200 professionals involved in payment acceptance decisions at US companies

Note: Percentages do not total 100 because of rounding.

Source: A commissioned study conducted by Forrester Consulting on behalf of Wirecard, September 2018



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## The Ideal Number Of Payment Providers Is One

Working with multiple payment providers is common among the midsize (500- to 2,500-employee) firms in our research. Ninety-five percent use at least two. However, a large majority of these decision makers agree: Reducing the number of partners they work with — ideally to one that can meet their needs across all the markets they serve — can help them optimize cross-border eCommerce. Indeed, of the nine people in our research who work with one payment partner today, six of them credit their use of a single partner for improving their ability to optimize cross-border eCommerce at least moderately. Companies that consolidate the number of partners they work with are better positioned to offer frictionless customer experiences; they can also redirect resources from complex system integrations to more strategic aims such as product or service innovation.

*Companies that aren't burdened with the complexity of managing multiple payment partners can focus their efforts on optimizing cross-border operations.*

**“What impact would using a single payment vendor for all your cross-border payment needs have on your ability to optimize cross-border eCommerce?”**

*(Showing “Significant” or “Moderate” improvement in our ability)*



**86%** of those that work with multiple payment vendors say that using a single vendor would improve their ability to optimize cross-border eCommerce.

Base: 191 professionals involved in payment acceptance decisions at US companies that work with more than one payment vendor

Source: A commissioned study conducted by Forrester Consulting on behalf of Wirecard, September 2018

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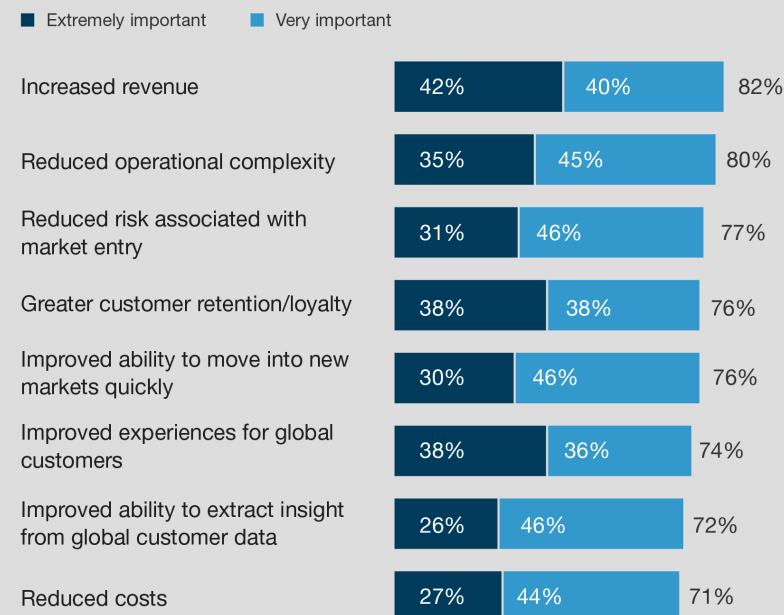
## The Right Payment Provider Is A Strategic Partner

Companies that use cost reduction as their primary decision criterion when considering global payment providers are missing the mark. While reducing costs is an important objective for respondents, they are more likely to prioritize payment providers that help them meet strategic objectives, including:

- **Streamlining operations and enhancing security:** Partners that simplify operations, drive efficiencies, and mitigate risk exposure.
- **Increasing agility:** Partners that have the technology and expertise to help companies set up a localized digital presence in new markets quickly and easily.
- **Improving the customer experience:** Partners that can support companies' customer experience goals through loyalty programs and insight from global customer transaction data.

*Companies want payment vendors not only to drive revenue and reduce costs but also to support their operational agility and customer experience goals.*

“When considering global payment providers to support your cross-border eCommerce plans, how important is it that they help you drive the following outcomes?”



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## Companies Desire Payment Solutions With Value-Added Capabilities

To optimize their cross-border eCommerce opportunities, respondents look for payment solutions that offer local payment types and currencies — but they also expect many other value-added capabilities. They desire solutions that help them maintain security and compliance, centralize global payment data for real-time reporting and reconciliation, and provide a high standard of customer support for customers in all corners of the world. They also favor omnichannel solutions that can integrate with loyalty and data analytics capabilities.

*Risk management, centralized real-time reporting, and customer support are highly sought-after solution capabilities for optimizing cross-border eCommerce.*

“When considering how to optimize your cross-border eCommerce, how important is access to the following solution capabilities a payment provider might provide?”

(Showing “Extremely” or “Very” important)



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A global eCommerce footprint is the end goal for most midsize US-based companies. No two businesses will tackle cross-border selling in the same way, but all need a strategic plan that takes myriad internal and external factors into account.

While cross-border eCommerce is a low-investment route to tap into opportunities abroad, it is no small feat. At minimum, companies must adopt modern security capabilities and local payment methods and adhere to local laws and regulations. Success depends on access to strategic partners that can connect them to global customers, support local payments with value-added capabilities, and help them reduce operational complexity and risk.

## METHODOLOGY

This Opportunity Snapshot was commissioned by Wirecard. To create this Snapshot, Forrester conducted a custom survey of 200 professionals with responsibility or influence over payment acceptance decisions at their organizations. To qualify for the study, respondents had to come from US-based companies with 500 to 2,500 employees that accept eCommerce payments from global customers.

### ABOUT FORRESTER CONSULTING

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## Endnotes

<sup>1</sup> Source: "Ten Unique Solutions To Five Retail Payment Acceptance Challenges," Forrester Research, Inc., March 6, 2018.

<sup>2</sup> Source: "Cross-Border Services Will Help Cross-Border eCommerce Reach \$627 Billion By 2022," Forrester Research, Inc., June 23, 2017.

<sup>3</sup> Source: "eCommerce In China: Trends And Outlook For The Largest eCommerce Market In The World," Forrester Research, Inc., August 10, 2018.

<sup>4</sup> Source: "Making The Case To Go Global," Forrester Research, Inc., February 23, 2017.

<sup>5</sup> Source: "Ten Unique Solutions To Five Retail Payment Acceptance Challenges," Forrester Research, Inc., March 6, 2018.

<sup>6</sup> Source: "Identify And Evaluate Technology Partners To Streamline Global Expansion," Forrester Research, Inc., December 9, 2016.

<sup>7</sup> Source: "Capture The Global eCommerce Opportunity," Forrester Research, Inc., August 12, 2016.

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