

Factors to consider when creating a global payments strategy

As cross-border e-commerce grows in popularity, companies need a plan to serve an international customer base

The flourishing of an always-connected global economy in which consumers disregard national borders and shop for their favorite products and brands at their convenience — on the device of their choice — is bringing payment systems to the fore. According to a study 3 out of 4 online shoppers have shopped with retailers outside their country in the past year.¹ That now includes more than a third of purchases by U.S. shoppers.² One study showed the value of global cross-border retail payments is predicted to hit \$3.56 trillion by the end of 2022.¹

With consumer adoption expected to continue rising, merchants are presented with an enormous growth opportunity. “The most successful companies will be the ones that can meet the new global demand and serve an increasingly geographically diverse customer base,” says Paul Sandmann, head of international expansion strategy with Merchant Services at Bank of America. To do this, merchants will have to develop a global payments strategy that keeps costs low, minimizes fraud and creates a frictionless buying experience for customers, no matter their location around the world. Here are some suggestions.

Welcome multiple currencies and payment methods

A major challenge of selling to customers in different countries is meeting their varying payment expectations. Consumers want to make purchases with familiar payment methods, whether that means using their local currency or one of the growing number of alternative payment methods (APMs).

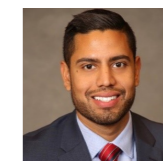
“We call them alternative payment methods, but they’re really the dominant payment tender used by consumers in certain global markets,” says Juan Garrido, head of merchant services product, Global Banking at Bank of America. There are expected to be more than 4.4 billion digital wallet users by 2025.¹ As of 2021, the average merchant allows international shoppers to pay using any of 6.8 payment methods.¹

With hundreds of APMs already available and many more emerging each year, merchants must focus on accepting those that are most prevalent in the markets they wish to target. For example, in Sweden, about 84% of consumers

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Key takeaways

- 3 out of 4 people around the world make purchases on non-domestic websites, including one third of US consumers¹
- To create a seamless purchase experience, businesses need an integrated payments infrastructure that considers local preferences and deals in multiple currencies
- A comprehensive global payment solution uses algorithms to track transactions, helping to minimize fraud and keep costs low

use Klarna.⁶ If a business wants to develop a consumer base in this region, accepting Klarna is crucial. Understanding consumer payment preferences enables businesses to offer the most relevant payment types by region, which in turn satisfies the customer.

APMs also help increase loyalty, Garrido says. “Consumers tend to have more allegiance to companies that accept the currencies and payment methods they’re used to,” he says.



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Reduce friction with an integrated approach

Developing an effective global payments strategy goes beyond accepting multiple currencies and payment methods. With multiple platforms comes more friction points as merchants face the prospect of building different processes around each APM, including integrating fraud mitigation add-ons specific to each region in which they do business.

Effective management of charge-backs, authorization rates, transaction routing and consumer authentication is another challenge for global businesses. On top of all this, the regulatory environment differs from country to country, and companies must be prepared for a variety of contract expectations and taxation laws. Integrated e-commerce solutions can help minimize the friction caused by multiple platforms, says Natalie Willems-Rosman, merchant specialist executive with Merchant Services at Bank of America. These solutions help companies build a payment infrastructure that accepts the currencies and APMs most relevant to their global goals. What’s more, they simplify processing by offering a single interface, one settlement contract and one financial statement.

“To unlock their growth potential, businesses must combine a global strategy with a local approach,” Willems-Rosman says. “An optimized payment solution should provide the necessary infrastructure for merchants to do business in the countries of their choosing, without the difficulty of dealing with multiple integration and connection points,” she says. Under this model, dynamic pricing allows consumers to pay in their preferred currency, giving them a familiar, reassuring shopping experience with no unnecessary friction. Merchants benefit from additional revenue streams and a more global market presence.

Consolidate reporting to help reduce costs and protect against fraud

As with any market, new global customer bases must be scrutinized to identify risks and areas of opportunity, according to Sandmann.

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In-depth, high-quality reporting can help companies analyze payment trends by location and payment type, as well as provide a complete view of the purchase process from gateway to settlement. It can also help keep tabs on interchange rate management, payment routing optimization, clearing speed and processing costs. Timely access to such data, including funding, disputes and fees, can further drive business decisions, Garrido notes. A fully integrated global e-commerce solution will use algorithms to learn about new global transactions, ultimately keeping authorization rates high and fraud rates low. “A fine-tuned solution reduces fraud without turning away valid sales,” Garrido says.

An upward trajectory for borderless e-commerce

Global e-commerce, already a potent force for businesses, will only grow more prevalent over the coming years, meaning APMs will continue to increase in popularity. And payments will become even more frictionless for consumers as transactions move toward invisibility and biometric authentication becomes better established. As e-commerce continues to break down borders between businesses and consumers, having a global payment strategy is a requirement for growth, Sandmann says. “The companies that get a foot in the door now are the ones that will benefit most down the road.”

If your business is interested in pursuing a cross-border e-commerce strategy, the first step is to talk to your payments provider. They’ll connect you to experts who can help develop a multicurrency payment strategy that’s right for your business plan. The total transaction value of eCommerce worldwide is expected to surpass \$7.2 trillion.⁵

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¹ Cross-border retail payments tracker, PYMNTS.com Jan 2022

² Statista.com, “Percentage of Domestic and Cross-Border Shopping Among Online Shoppers in the United States,” 2021.

³ Statista.com, “Digital Payments,” 2021.



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