Carat

Global Perspective

Reach consumers worldwide with effective cross-border strategies for global commerce

Currency is the language of commerce

Accepting payments across virtual borders can be complicated. Merchants may find it challenging to develop an approach that resolves their concerns without breaking the bank.

As a merchant, you might ask, "Where should I begin?" Depending on your business strategy, there are various ways to address this question which can help your business save money, grow revenue and enhance the customer experience.

Now more than ever, eCommerce is creating new opportunities and pathways to reach consumers worldwide with just a few clicks. Around the globe, businesses are making the transformation from "brick and mortar" to "brick and click."

While eCommerce has become more seamless, there are also new obstacles. From pricing in multiple currencies to additional transaction costs in the form of cross-border related fees, it's imperative that merchants seek out new ways to solve these challenges in order to continually move their business forward and thrive in today's climate.

Location, location, location

When it comes to eCommerce, you can set up your merchant account in a different country with lower interchange costs, but only in a country where you meet the rules of domicile. This generally means you have a physical presence and sales force, plus pay taxes in that country. Depending on your business, the country where you have a physical presence can make a difference.

For many merchants, Europe has attractive rates that can help you save money, but having transactions acquired in a country where you do not have domicile is considered cross-border acquiring and comes with stiff fines from the card brands.

The only place where you can do cross-border acquiring is in Europe. Europe is unique in this regard, but in order to benefit, you must be domiciled in Europe.

6 Trillion

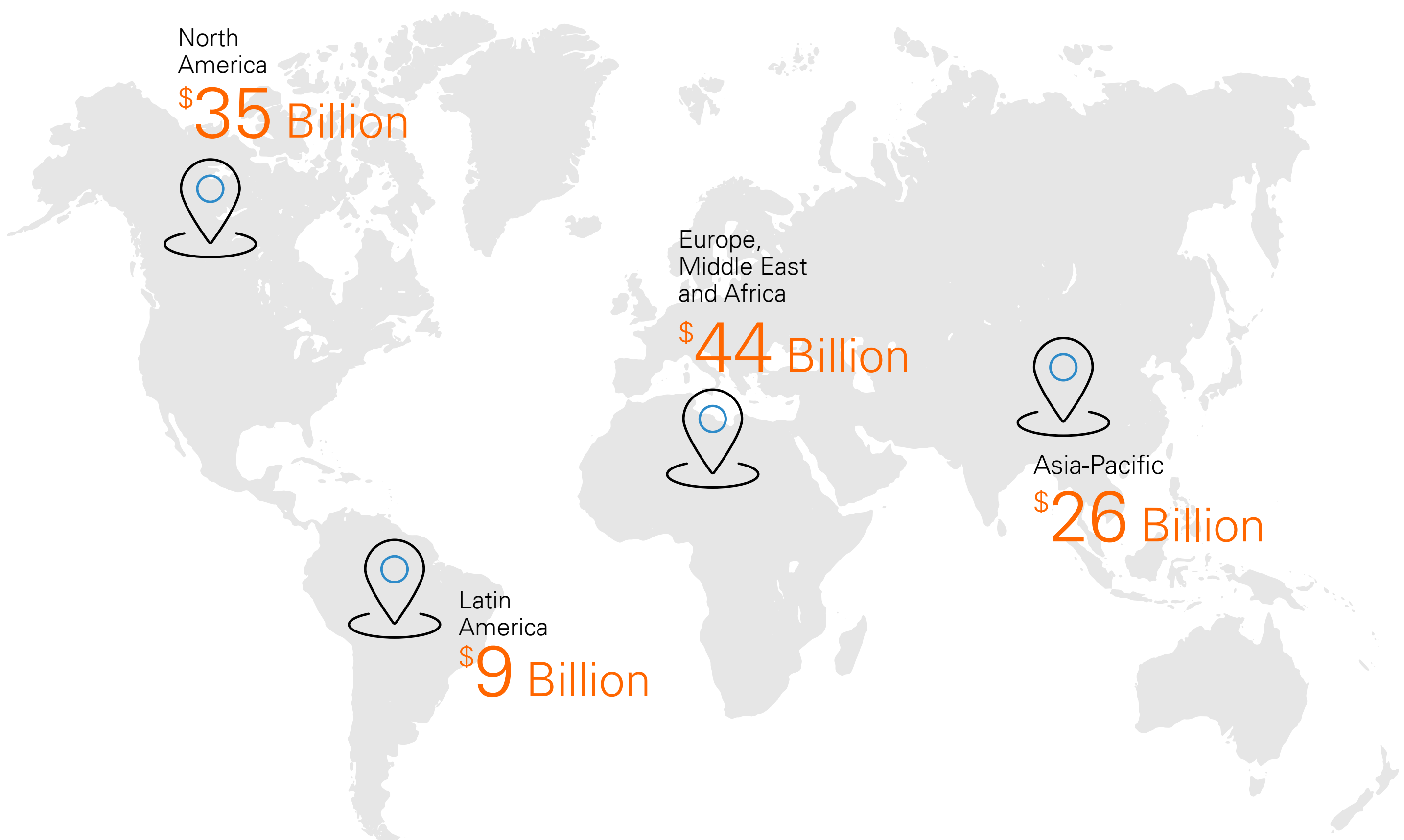
cross-border transactions expected by 2022[1]

If you cannot set up your merchant account in another country, there are other options. To appeal to global consumers, consider providing online customers an "in-country" shopping experience utilizing a multi-currency pricing (MCP) solution.

For most merchants, establishing pricing in various currencies can be risky and expensive. It often requires a team of experts who must continuously monitor the global currency market and price goods and services in a manner that will not erode profit margins.

There are also additional costs and increased cross-border related fees since transactions are conducted in a currency other than the merchant's base currency. MCP can help offset these costs by converting browsers into buyers and reducing the "bailout" rate on websites. According to a report by Shopify, thirty-three percent of customers will abandon their cart if pricing is not in a familiar currency.[2]

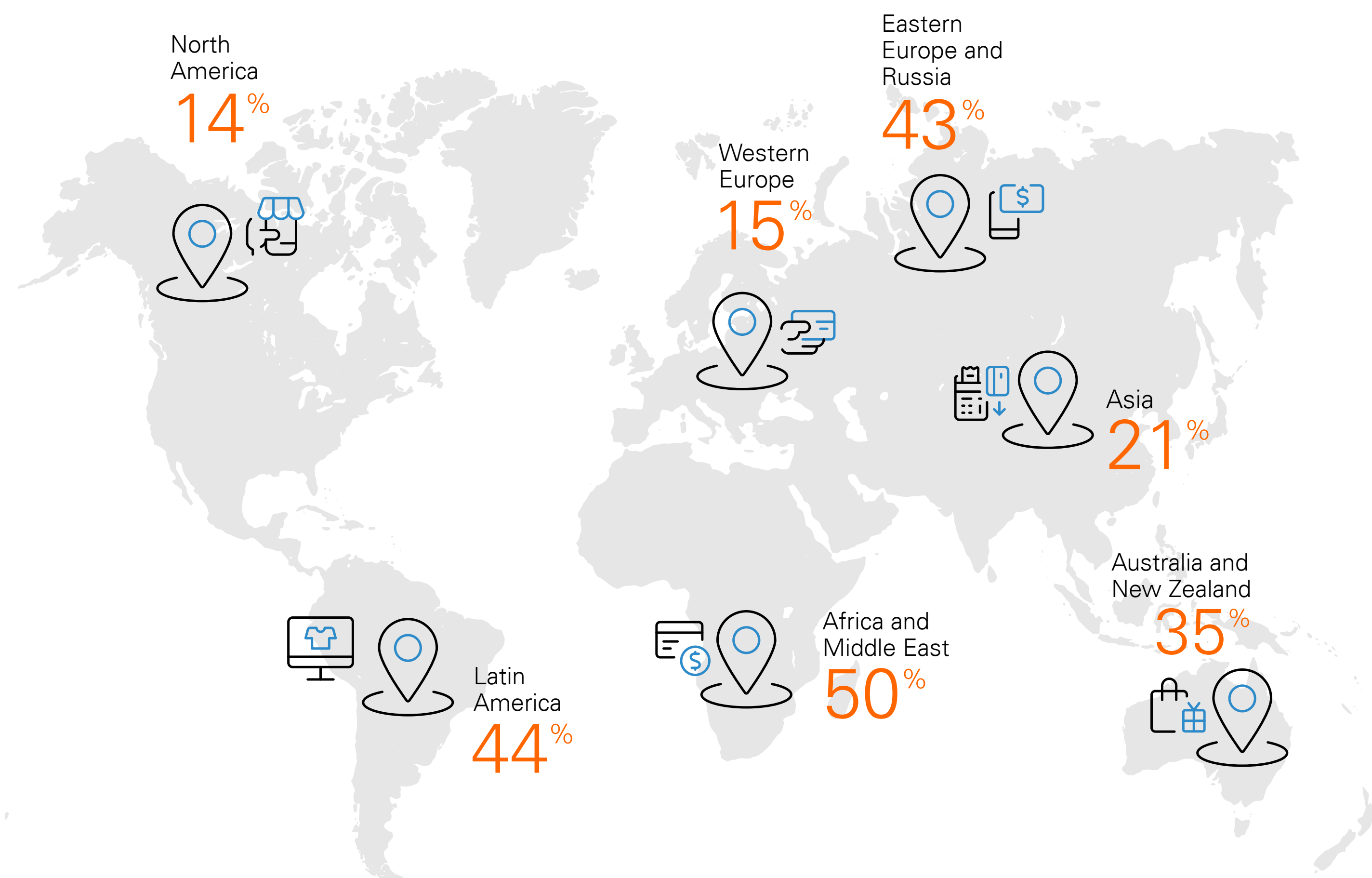
Cross-border payments revenue in billion U.S. dollars[3]



23% CAGR
C2B eCommerce revenue growth
(2013 to 2018)[4]

9% CAGR
C2B eCommerce volume growth[4]

Percentage of online purchases imported from other regions[5]



Using a currency phrasebook

Carat Fact

There has been negative press about DCC, but don't believe everything you read," says Brian Frey, Carat VP of Global Currency Solutions. "DCC provides the customer with choice, transparency, and full protection from currency risk in a way others, who generate revenue from converting non-DCC transactions, cannot. Be sure to speak with a payments professional who truly understands the foreign exchange market and can demystify the various solutions available before making any decisions."

Merchants who want to offer their online customers an "in-country" shopping experience without currency and profit margin risk can use a solution known as multi-currency conversion (MCC). This solution enables merchants to provide pricing in various currencies. Instead of having to set prices in specific currencies, the merchant's base currency is dynamically converted, or translated, into other currencies. Similar to MCP, multi-currency conversion is typically used for card-not-present (CNP) transactions.

When paired with a trusted treasury service that guarantees funding in the original currency, merchants are able to offer pricing in many different currencies while being protected from risk. While MCC provides a similar customer experience as MCP, it can help increase sales – in many cases, providing an additional revenue stream.

Actually, I'm bilingual

One simple and flexible solution for eCommerce merchants that is also available for card-present (CP) merchants is dynamic currency conversion (DCC), the term it's called in the industry.

DCC allows merchants to offer international customers the choice to pay in the merchant's base currency (price) or in their own currency. DCC is highly regulated by Visa and Mastercard to help ensure consumers are receiving the best foreign exchange rates at the time of purchase.

This transparency allows them to make educated purchasing decisions and often leads to "stickier" relationships. As a transaction is converted at the time of sale, the price on the customer's receipt will be in the same amount and currency that appears on their cardholder statement.

DCC can be used across virtually all verticals and global markets. It provides a new revenue stream for merchants and a better overall customer shopping experience.

Case Study: Multi-Currency Conversion[6]

A better shopping experience

An online marketplace needed to appeal to global consumers while keeping cross-border expenses low. Multi-currency conversion enabled the merchant to offer international customers the ability to shop and pay in their own currency, leading to lower shopping cart abandonment and higher sales conversions.

75K+
number of transactions merchant saved on cross-border costs

70+
different currency options

$156K
additional annual revenue earned

Case Study: Multi-currency pricing[7]

Se habla peso? Parles vous euro?

To support global expansion, the merchant needed the ability to offer shoppers pricing in a currency familiar to them.

Utilizing multi-currency pricing, the merchant was able to set international pricing that remained static until they made changes, at their discretion, to enhance the customer experience In addition, they were funded in the same time frame as domestic transactions.

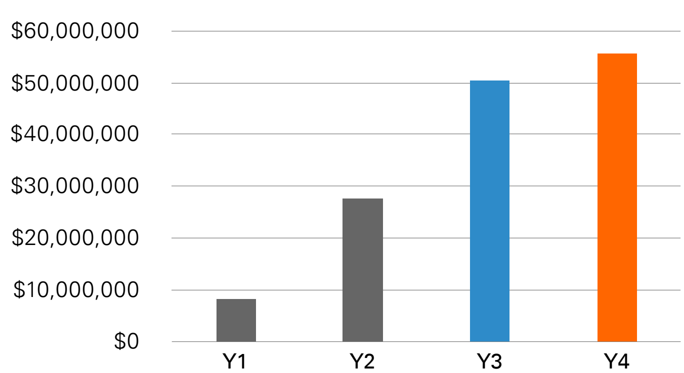
Client Benefits

62%
cross-border sales volume increase

3
number of major international market expansions

$55 Million
annual top-line revenue growth

International Sales Volume



International Sales Volume

Is that your final offer?

While there are many excellent solutions to consider, there is one solution that merchants should think twice about before using - indicative pricing. With indicative pricing, the rate is not actually used to convert a transaction, and it is not guaranteed by a treasury service; instead, it is merely a "suggestive price."

By using indicative pricing, merchants are providing pricing in a currency selected by the consumer for illustrative purposes only. This practice can be deceptive and confusing to the customer who might believe that they are making a purchase in the currency and price displayed. Rather, the customer will be charged in the merchant's local currency, which in many cases can increase the cost of the transaction.

For example, a South Korean woman decides to purchase nutritional supplements from an eCommerce merchant in Indonesia. She goes to their website which uses GEO-IP detection (a service that determines the country based on the computer's IP address). The site detects that she is in South Korea and provides her indicative pricing in Korean Won (KRW). Overlooking the disclosure that states pricing is for estimation purposes only and that she would be charged in Indonesian Rupiah (IDR), she makes the purchase. Her transaction is processed in IDR. Since her card issuer is located in South Korea, the transaction is first converted from IDR to a world reserve currency, U.S. Dollars (USD) and then from USD to KRW. Her transaction went through a double conversion adding additional cost.

In this example, if the customer was offered DCC, MCC or MCP, she would have had a better shopping experience and avoided additional costs, likely becoming a repeat customer.

92% of customers prefer to make purchases in their own currency[8]

$850 Billion

estimate of all cross-border eCommerce volume in 2020[3]

Carat Fact

"Merchants tell me they use multiple websites, providing access specific to each country, or they don't ship internationally," Frey says. "You still have international business coming into your sites. Your acquirer should provide you with statistics based on actual data that shows exactly how much. While this range varies for each merchant, I have never come across a single merchant that did not have foreign cardholders finding a way to their site."

The world is your oyster

Implementing a successful cross-border strategy that meets your needs requires the help of an expert. You should seek the advice of a payment professional with experience in pricing strategies and foreign exchange. Make sure that the partner you work with fully understands world markets, has extensive knowledge of currencies, and a business model that navigates the global landscape.

Be consistent. If you are currently using a currency solution for your card-present business, you should consider deploying a currency solution for your website, especially in this time of accelerated change.

A well-thought-out currency solution that is executed across the appropriate channels can help you grow your business, offset cross-border fees and offer your international customers a cohesive, positive shopping experience.

When in Rome

Merchants should consider implementing local payment methods, which are in-market alternatives to credit and debit cards for eCommerce transactions. Local payments can help minimize friction and reduce the total cost of acceptance since steep interchange fees are avoided. In order to enable local payments, staff will need to make IT changes to accommodate the various integrations that are required, unless the acquirer can offer a single integration to multiple local payment types.

There is a broad range of local payment methods (For example, Alipay®, WeChat® and SoFort®) available across the globe that provide additional payment choices for international customers who desire to pay in the method they prefer.

You should discuss options with a trusted payment advisor to determine which payment methods are right for your business. In addition, understanding which local payments are most relevant to your strategy, without going overboard, can help you increase revenue while saving time and money.

To effectively reach global customers and compete in the marketplace, take the time to evaluate your strategy and the payment options available.

About Carat

Carat is the connected omnichannel ecosystem that enables secure commerce across any channel, with the most popular payment methods, at global scale. We enable the world's largest brands to imagine and realize new customer experiences that drives more commerce.

Currency conversion

Offer customers the choice to pay in their own currency at checkout.

Global ePricing

Select your currencies, set pricing and manage the customer experience.

Dynamic pricing

Dynamically converts pricing into multiple currencies without risk.

For more information, contact your account representative or visit merchants.fiserv.com/carat.

Sources:
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[2] "Global eCommerce Playbook", Shopify
[3] The 2019 McKinsey Global Payments Map Report, McKinsey & Company
[4] The 2019 McKinsey Global Payments Map Report, McKinsey & Company
[5] "The Truth About Online Consumers," KPMG
[6] Fiserv data based on merchant case study. Individual results may vary.
[7] Fiserv data based on merchant case study. Individual results may vary.
[8] "Global eCommerce Playbook", Shopify
[9] "Global payments 2018: A dynamic industry continues to break new ground," McKinsey & Company