



Rapyd

The 2019 State of
Cross-Border eCommerce:
U.S. Merchant Outlook

U.S. STATE OF CROSS-BORDER ECOMMERCE

U.S. merchants recognize the cross-border opportunity, but are failing to deliver the last mile of the digital experience.

In our inaugural U.S. State of Cross-Border eCommerce study, we found that although most U.S. eCommerce business units say they are prioritizing cross-border sales, they struggle to execute on the opportunity.

Global cross-border eCommerce is estimated to reach **\$1 Trillion in 2020*** and our data shows that nearly **50% of U.S. companies have 80% or more of their eCommerce revenue** coming from the North American market, revealing that the cross-border opportunity is not being fully optimized.

U.S. merchants who want to gain access to billions of new customers must first weigh the opportunity costs and look for ways to manage risk, reduce costs and implement technology that can

provide connectivity, as well as reduce operational complexity, all while optimizing the customer experience.

ABOUT THE STUDY

In May 2019, Rapyd conducted a research study to understand the challenges and opportunities U.S. mid-size and enterprise merchants are facing when expanding their online businesses cross-border.

We surveyed 600 respondents consisting of senior-level decision-makers with eCommerce and payments responsibilities at companies with 500+ employees.

TOP INDUSTRIES SURVEYED

- Technology
- Financial Services or Insurance
- Education or Nonprofits
- Retail
- Business or Professional Services

RESPONDENT'S JOB ROLE'S

- IT:** 32%
- Operations:** 29%
- Finance/Accounting:** 20%
- eCommerce/Marketing:** 17%
- Procurement:** 2%

COMPANY SIZE SURVEYED

- 500-999 employees:** 25%
- 1000-4,999 employees:** 31%
- 5,000-19,999 employees:** 20%
- 20,000+ employees:** 25%

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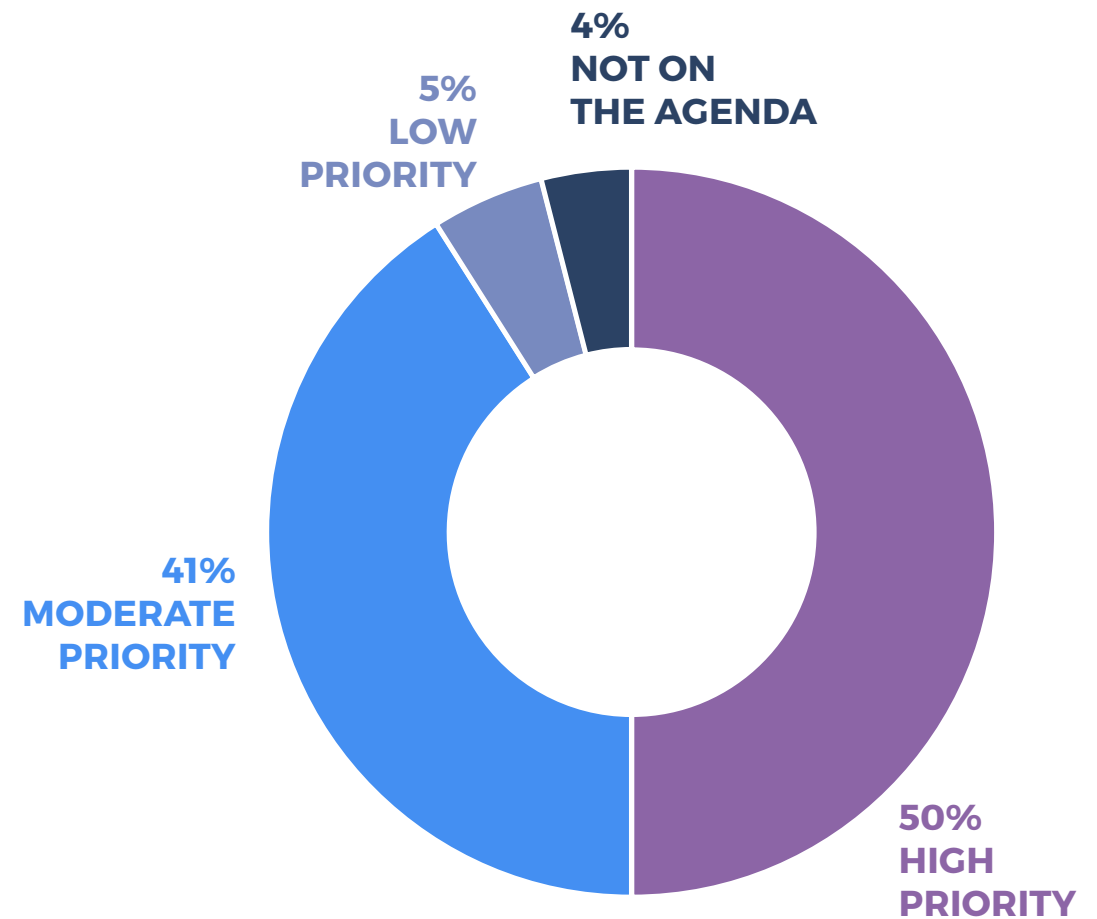
Cross-border sales are a priority

Merchants say they are prioritizing cross-border sales

91% of merchants say that cross-border sales are a moderate to high priority over the next year.

The top reasons merchants are looking to increase cross-border sales include:

- *'See new expansion opportunities outside existing markets'* (56%)
- *'Have fully penetrated existing markets'* (46%)
- *'Keeping up with competitors who support cross-border'* (44%)
- Only 5% of U.S. merchants listed cross-border sales as a *low priority*.



PRIORITY OF CROSS-BORDER SALES NEXT YEAR

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'Mobile' enhancements top merchants' long-list of priorities

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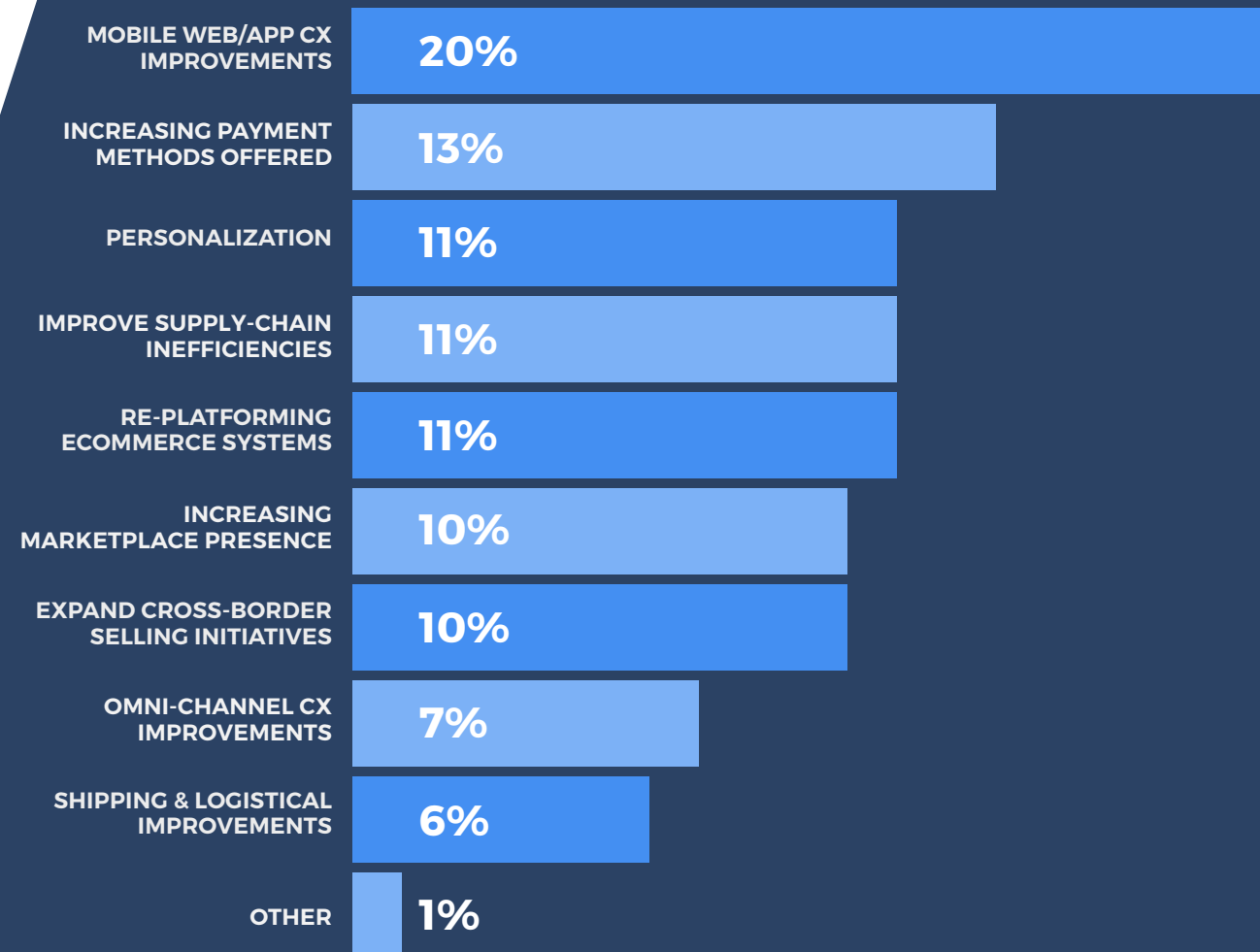
When asked what their overall "highest priority" was over the next year, 20% responded with improving their mobile customer experience.

Only 10% listed cross-border selling as their highest priority.

Improving mobile web experiences drives greater cross-border traffic.

Globally, more than 50% of web traffic is now mobile, driven by mobile device penetration adoption in emerging markets*.

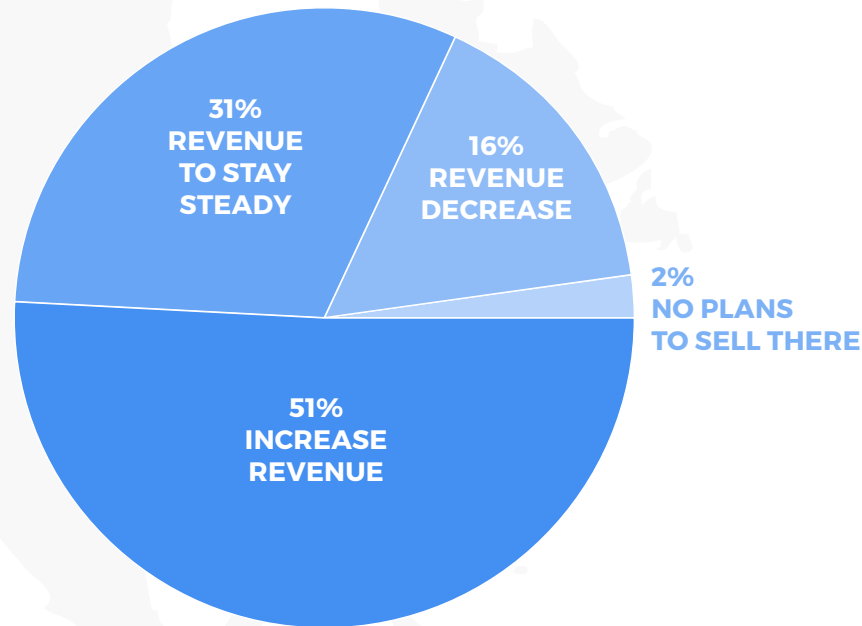
HIGHEST ECOMMERCE PRIORITY OVER THE NEXT YEAR



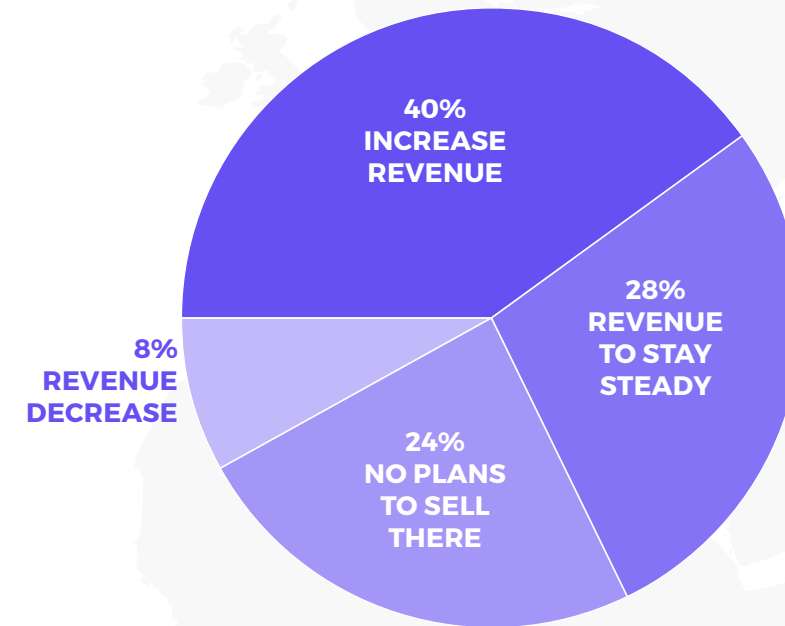
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Cross-border revenue growth expectations over next year (NA & EMEA)

NORTH AMERICA GROWTH EXPECTATIONS



EMEA GROWTH EXPECTATIONS



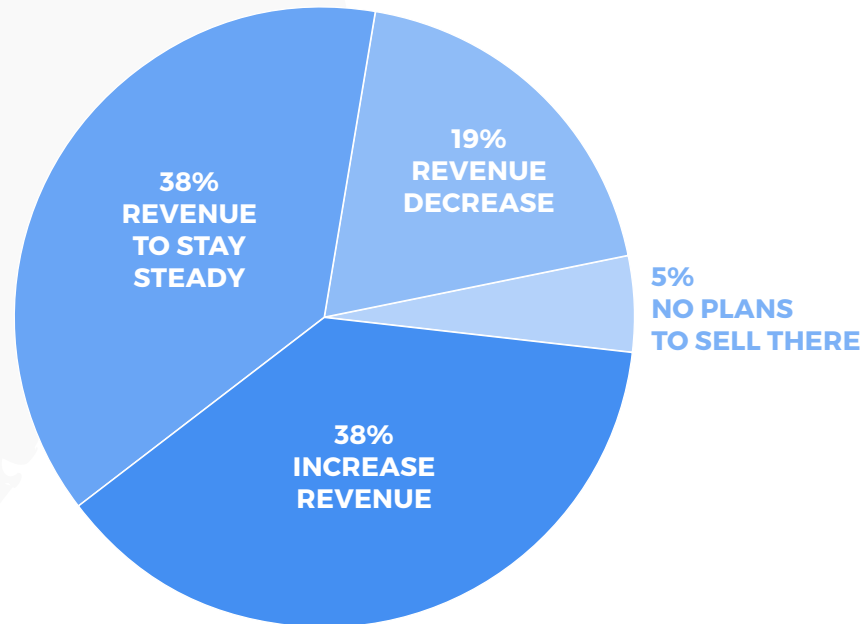
U.S. merchants are most bullish on North American sales over the next year

Most merchants (51%) expect their North American revenue to increase over the next year. Nearly a quarter of U.S. merchants (24%) are missing the EU cross-border opportunity. The EU and UK are often the next market U.S. merchants tackle due to its familiarity in language, ease of distribution, Internet penetration. European eCommerce is projected to grow 11.7% through 2023*.

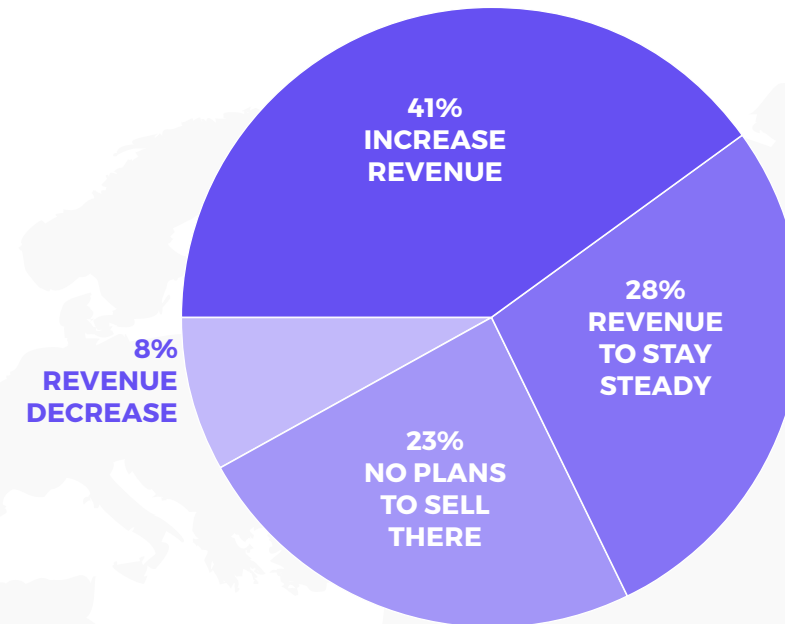
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Cross-border revenue growth expectations over next year (APAC, LATAM)

LATAM GROWTH EXPECTATIONS



APAC GROWTH EXPECTATIONS



U.S. Merchant outlook for APAC and LATAM growth is mild

Only 38% of merchants expect growth from LATAM over the next year and 41% are expecting growth in APAC. APAC eCommerce retail sales grew 30% in 2017*. Higher Internet and mobile usage has enabled consumers to purchase more frequently, while retailers have improved their shipping and delivery methods to extend their reach in the region. In Latin America, Brazil will remain the largest retail eCommerce market. Many consumers in the country are comfortable using credit cards and digital options for payments. Although, Brazil has made substantial progress in reducing traditional border trade barriers, rates in many areas remain high.

Source: <https://www.ipc.be/sector-data/e-commerce/articles/global-ecommerce-figures-2017>

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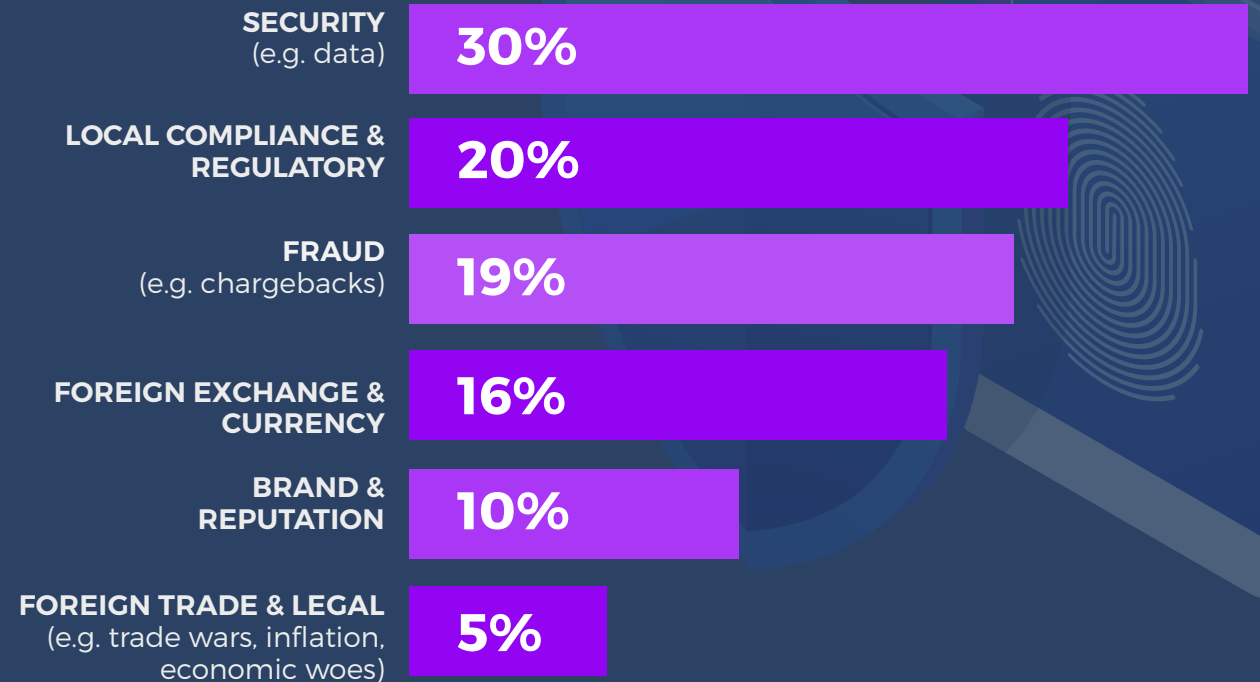
U.S. firms face a myriad of cross-border business risks

Cyber-security leads merchants' cross-border risk concerns

Global merchants face an increasingly complex array of threats that can drain millions of dollars from their profits if not managed effectively.

Security risks can include cyber-theft and commercial espionage. Once a breach or theft occurs, additional threats increase such as fraud, regulatory and brand/reputation risks.

TOP CROSS-BORDER RISKS



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Localization is the top operational challenge

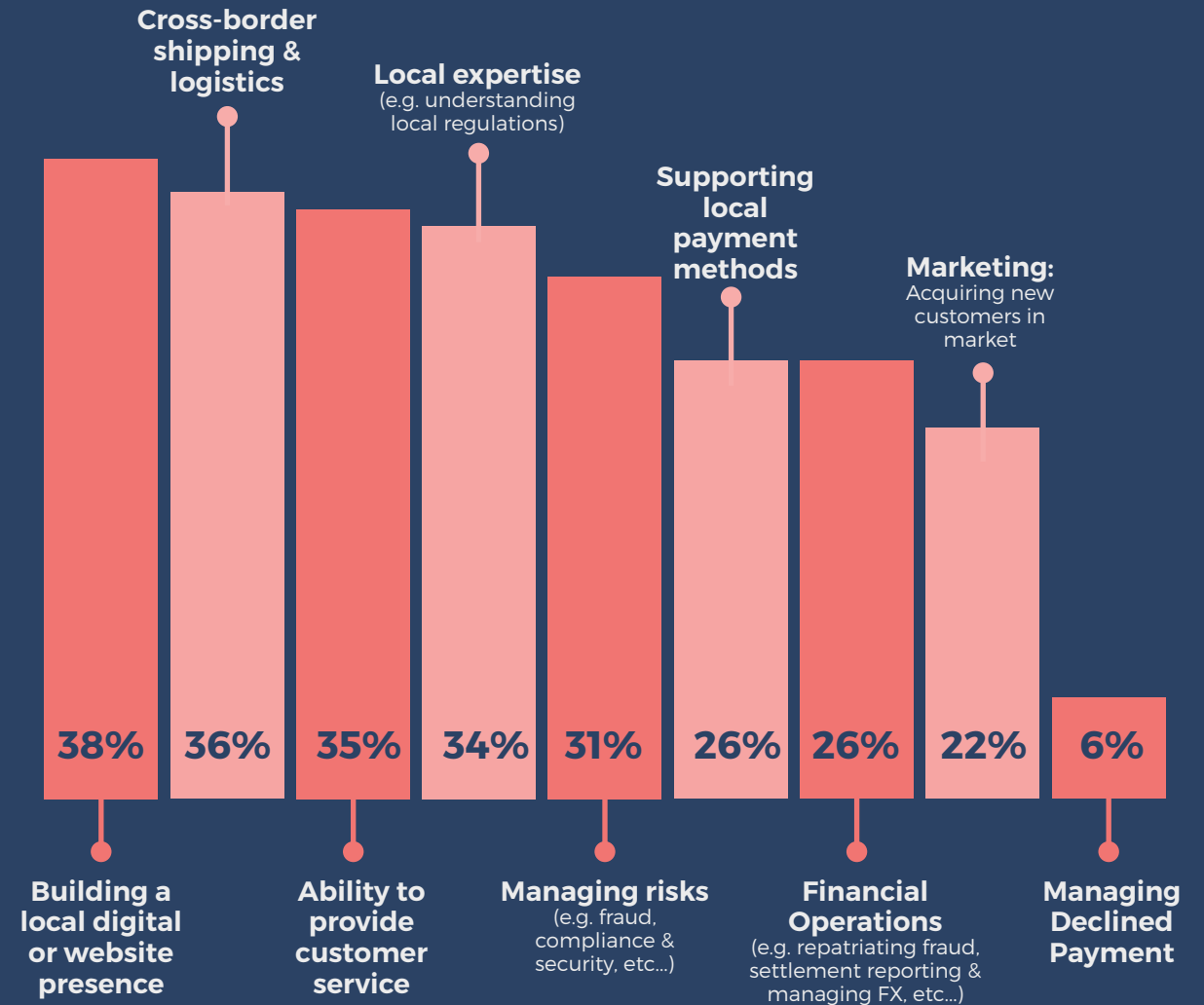
Creating great local customer experiences tops merchants' cross-border challenges

Localization is about building a local digital presence and includes developing a local website/URL, local language and currency presentation. Only 38% cited it as their top operational challenge.

Secondarily, localization also includes local shipping, local customer support and local expertise such as understanding local regulations.

Only 22% of respondents cited acquiring new U.S. customers in local geographies as their top operational challenge.

TOP CROSS-BORDER OPERATIONAL CHALLENGES



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Increasing cross-border conversions depends on localization

Local card scheme acceptance is critical to cross-border success

Overall; respondents listed many localization tactics as 'very important,' but local card and debit network acceptance was cited 'very important' most often at 64%.

Why?

According to World Bank, only **18.4%** of the world has a credit card and not all of them work for cross-border transactions.

Over 50% of the world population does have a local debit card that can be enabled for online purchases. Further, most local cards around the globe require that the merchant or the merchant's payment provider have a local entity to process the local cards.

WEBSITE / APP LOCALIZATION TACTICS: "VERY IMPORTANT"

64%

Local card or debit network acceptance

62%

Local customer support

61%

Local language translation of apps or sites

60%

Local e-wallet acceptance

56%

Local distribution presence for faster shipping & returns

49%

Local currency presentation

48%

Accepting cash for online transactions

45%

Offering alternative local delivery options

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U.S. merchants struggle with implementing localization tactics

Execution of localization tactics is easier “said” than “done”

Only 27% of merchants have fully implemented ‘local customer support’ and 25% have fully implemented ‘local card scheme acceptance’ across relevant geographies.

Even though these tactics were considered ‘very important’.

Only 18% have fully implemented local cash acceptance or COD for online transactions in relevant geographies.

WEBSITE / APP LOCALIZATION TACTICS: “COMPLETELY IMPLEMENTED”

27%

Local customer support

25%

Local card or debit network acceptance

22%

Local e-wallet acceptance

22%

Local distribution presence for faster shipping & returns

21%

Local language translation of apps or sites

21%

Local currency presentation

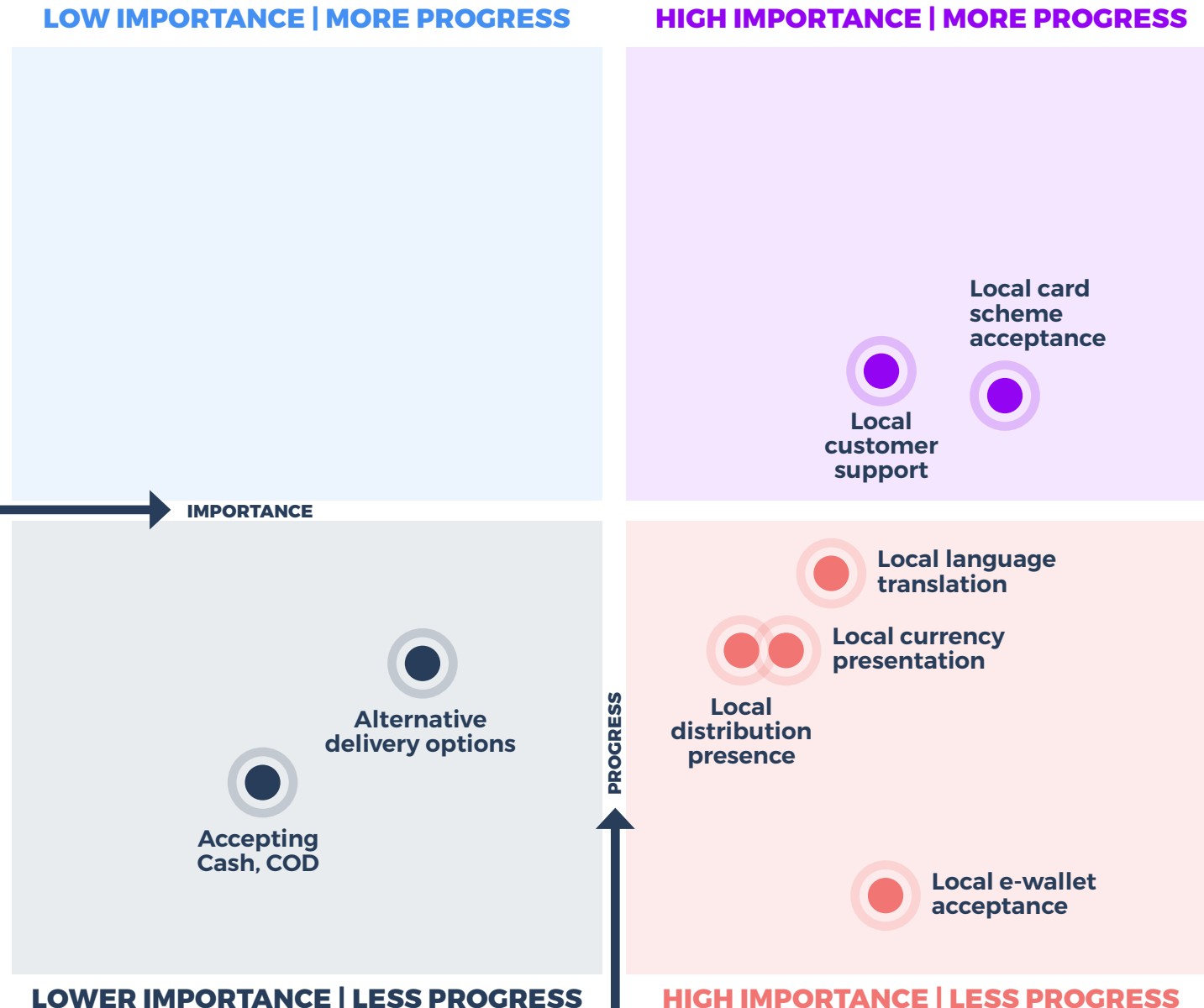
21%

Offering alternative local delivery options

18%

Accepting cash for online transactions

Cross-Border Localization Tactics: Importance vs. Progress



Are merchants prioritizing the right tactics?

eCommerce leaders are falling behind in getting tactics implemented they have listed as important.

Ideally merchants have made the most progress or completely implemented tactics in relevant geographies that they ranked as important.

Only two tactics fall into that category with low overall implementation: local customer support and local card scheme acceptance.

More progress overall is required to move items merchants considered important such as local e-wallet acceptance and currency presentation (*lower right quadrant*) into upper right quadrant.

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Decide Now - Is managing cross-border commerce complexity a core competency?

eCommerce leaders responsible for delivering hyper-local buyer experiences across the globe face a predicament: either in-source the technology and operational capabilities required to manage a successful cross-border eCommerce operation, or outsource to vendors and partners. Those that decide to in-source must be absolute in their understanding of the challenges and the risks they are undertaking, and ensure they have the budget, resources, and technology know-how to make the management of cross-border and its associated risks an internal core competency.

By all accounts, our research shows that whichever path U.S. merchants choose they are failing to create hyper-local digital experiences that motivate local buyers. Only 25% of merchants have fully implemented local card scheme acceptance - a bare necessity to be successful in most local geographies. Only 27% have fully implemented local customer support that drives critical buyer trust and assurance at the moment of truth. Additionally, merchants have ranked cash acceptance and local alternative delivery options (such as ship to locker) of low importance to converting buyers in local markets. Meanwhile, Amazon is pushing forward with local delivery by growing its delivery capabilities across LATAM with 1500+ Oxxo convenience store lockers in Mexico alone.

In India, without Cash-on-delivery, consumers won't convert. *According to Nielsen's Global Connected Consumer survey*, 83% of Indian consumers prefer using cash-on-delivery as a mode of payment for online purchases.

To move the needle on cross-border eCommerce sales U.S. merchants should focus on the following strategies in 2019 and 2020:

Focus efforts on improving the local digital experiences that are most critical to conversion.

Quick wins include accepting local payment methods such as local debit schemes, local e-wallets and even cash-on-delivery. Additionally, localizing site content for users with language translation, currency presentation and customer support teams, will help build local credibility and trust required with shoppers to convert on your site.

Shift some of the cross-border risks outside your organization.

One of the top reasons merchants decide not to expand cross-border is due to the numerous risks involved. Staying in compliance with local regulations, managing KYC and ID verification, and insulating yourself from security and fraud risks can seem daunting. Work with vendors and partners that can help shift some of these risks off the organization and take responsibility for these issues in their environments on your behalf.

Integrate cross-border initiatives into other priorities.

Your cross-border road-map should not stand alone. When planning and implementing other prioritized initiatives such as mobile, personalization and re-platform consider the cross-border impacts in detail and how each implementation can help extend your reach into new markets and locales.



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LEARN MORE ABOUT RAPYD'S SOLUTIONS

Rapyd helps businesses create seamless local commerce experiences anywhere. We empower eCommerce, technology firms and marketplaces to scale worldwide with our fintech-as-a service platforms: *Collect, Disburse, Wallet and Issuing*.

By accessing the Rapyd Global Payment Network, businesses can now focus on growing new markets rather than building infrastructure. Investors include General Catalyst, Stripe, Target Global and others.

For more information visit www.rapyd.net or email us at info@rapyd.net