

GOING GLOBAL:
Rapyd's Guide
to the *Fastest*
Growing Local
Payment
Methods
for 2020



Going Global: Rapyd's Guide to the Fastest Growing Local Payment Options for 2020:

Executive Summary

Global Ecommerce Growth Continues Historic Trends

In 2018, consumers spent \$2.86 trillion online with the largest growth (18%) seen in non-North American markets¹. To take advantage of this expanding opportunity, forward-thinking leaders are investing in innovative payment methods, which take into consideration the unique cultural influences, technology adoption and financial vehicles in different parts of the world. As our global economy grows, so too must the ecommerce options companies provide their buyers.

Did you know that by the end of 2019, the Chinese ecommerce retail market will reach \$1.94 trillion in total sales?²

Although challenging, organizations investing in global strategies realize an impressive competitive advantage. Simply put, *“going global”* right can be a real catalyst for business growth.

This guide summarizes extensive research and market data to provide financial leaders actionable information and insights to better understand today's complex global market. Here we will detail each region, highlighting unique considerations, including compliance, tax laws, repatriation of funds, fraud and customer support.

Let's get started.

A black and white photograph of a young man with a short haircut, smiling broadly while talking on a mobile phone held to his ear. He is wearing a plaid button-down shirt. In the background, a chalkboard menu is visible with items like 'STRAWBERRY PEACH', 'MILKSHAKE', 'MILKSHAKE', 'MILKSHAKE', 'MILKSHAKE', 'MILKSHAKE', 'MILKSHAKE', 'MILKSHAKE', 'MILKSHAKE', 'MILKSHAKE'.

01 A World of Local Payment Methods

Geopolitical regions and culture have a considerable influence on local perceptions of online presence and shopping cart experiences.

In this guide we highlight some of the top payment methods, including cash, ewallets, alternative payment methods, credit cards and more. These insights provide a keen sense of ways in which funds are transferred.

Cash: What's Old is New Again

THE GLOBAL OUTLOOK

The old saying that “cash is king” still applies in large parts of the globe.

Cash on delivery (COD) is the primary payment method in Eastern Europe, India, Africa and large swathes of the Middle East.

That’s not to say that other methods aren’t used in these locations – they are. But they lag behind COD.

Why? The reasons are the same whether you’re a consumer or business in Macedonia, the Bihar state of India, Chad or Yemen. They include a historical distrust of authority and institutions, war, political instability, lack of economic security, inflation, etc.

In Vietnam, **more than 80% of ecommerce transactions are done based on cash on delivery.** Asian Fintech Industry Analysts cite a cultural distrust of digital payments as the central reason for this reliance on the cash economy.³

RISK ANALYSIS

The risks for North American online merchants to accept cash are considerable and not to be ignored. The opportunities for accepting cash as a payment method may be considerable (as with India), but the potential for fraud may outweigh the potential return-on-investment.

Do your due-diligence, understand local compliance ordinances and tax laws and make sure you know how to repatriate your money back safely and legally. It’s important to note that your payments service provider will impact your risk exposure to cash around the world. Rapyd’s solution, as an example, allows for client accounts to hold funds for over 65+ cash-based currencies world-wide.



ewallets: Digital Payment

THE GLOBAL OUTLOOK

Digital Wallets, or ewallets, have seen tremendous growth in Western Europe, Australia and Asia-Pacific. Of all these regions, Asia is the real driver of ewallet adoption. Consider that approximately 50% of all ecommerce transactions are conducted through ewallets across Asia, with China leading the way at 85% usage⁴.

The ewallet options themselves are endless. There are offerings from mobile device manufacturers like Apple, Google and Samsung (Apple Pay, Samsung Pay, and Google Pay), stand-alone providers like PayPal, merchant provided wallets like AmazonPay, AliPay, and Walmart Pay and “social” wallets like China’s WeChatPay. Country-specific ewallets are springing up all over the globe, but again, Asia is where one sees real market penetration. The Indian market has Paytm and PhonePe, Japanese buyers utilize Rakuten Pay and the aforementioned AliPay and WeChatPay are ubiquitous in China. When one looks at the global ewallet landscape from a competitive perspective, the large global brands like Alipay are increasing market share, but still fall behind local in-country incumbents. Take the Malaysian market as an example, 2019 data notes that Alipay has a 16% market share compared to leading local ewallet provider Boost (56%).⁵

RISK ANALYSIS

While ewallet market penetration is on the rise, there is still a perceived risk or distrust within some markets. One way ewallet brands are helping to mitigate the risk perception is by attaching themselves to larger well known brands and entities.

When determining which ewallets to add to your payment stack, we recommend exploring two areas first:

1. Review your top ten competitors. *What are they offering in each region?*
2. Research the most popular ewallets in your top-performing countries

We caution, however, not to over index on the number of methods you feature. Consider a stat from just two years ago: in April of 2017, there were 50 different ewallets serving the European market⁶.

Start with the ewallets you know consumers and/or businesses in your target countries predominately use today and add more as you expand.

Mobile Payments

THE GLOBAL OUTLOOK

A trend you'll see throughout this paper is how mobile opens up opportunities for innovation and growth of global payments, particularly in developing markets, like APAC consumer markets. North American online businesses wishing to do business in markets beyond Western Europe should have a solid grasp of mobile payment basics. Interestingly enough, according to a recent Nielsen report on the state of payments in APAC, "65% of Chinese tourists used mobile payment for local consumption."⁷

In addition to accessibility and convenience, mobile payments offer rapidly developing technological advancements like augmented reality and artificial intelligence (AI). These innovations offer online businesses opportunities to deliver an experience that almost rivals that of in-store buying. Mobile adoption means the delivery of those experience to consumers and businesses in opportunity-rich regions like the Middle East and Latin America. Some of the more commonly adopted mobile payment solutions include Apple Pay, PayPal One-Touch, Visa Checkout and Amazon Pay.

RISK ANALYSIS

One may hypothesis that fraud or data security risks present concerns with mobile payments, but that's not the case when you read the literature from leading fintech industry experts. The negative feedback from global consumers has to do with the abundance of mobile payments options. North American online businesses that provide *too many* mobile payment options at checkout have even seen decrease in sales⁷.

Determining the right mobile payment options is yet another reason why it's important to understand what consumers and businesses prefer in countries you're looking to expand your footprint in.

Alternative Payment Methods

THE GLOBAL OUTLOOK

For the purpose of this paper, we're defining "other" payment methods as those methods that are used in one or a handful of countries in a single region. Examples include iDEAL in the Netherlands, GiroPay in Germany, M-PESA in Kenya, WeChatPay in China and the coupon/invoice system in Latin America. It's not critical to understand all of these niches. Rather, North American online businesses should be prepared to accommodate those when they encounter them. Another way of saying it – businesses should have a payment service provider that has the ability to manage these country-specific solutions (like the Rapyd solution).

In the Netherlands, approximately 55% of all eCommerce transactions are done using the iDEAL payment method.⁸

This stands as an example of a single country that's adopted one particular payment method that happens to appeal to cultural norms and shopping habits.

RISK ANALYSIS

These payment methods don't present as many risks as other methods mentioned, particularly those in more developed economies like China and Germany.

The risk inherent in these methods has to do with the risk inherent in doing business in the countries where they are used. If, for instance, a particular country is experiencing high volatility in its currency due to political upheaval or internal/external conflict, perhaps it's best to place your resources in another locale for the time being. The decision, therefore, doesn't really have anything to do with the payment method itself.



Credit & Debit Cards

THE GLOBAL OUTLOOK

Credit and debit cards are still one of the top digital payment method used globally today. According to a Nielson survey of global shoppers, 53% of buyers used their credit card and 39% used debit at least once in online purchases made in the past 6 months⁹. Credit cards from Visa and Mastercard don't really need much of an introduction – *they're basic table stakes*. There are, however, some regional variations.

Some of the most popular regional variations are:

1. Australia's Maestro debit card (owned by Mastercard)
2. Asia's JCB cards (particularly popular in Japan)
3. European and LATAM markets still use Diner's Club cards (especially in travel and entertainment industries)

RISK ANALYSIS

Fraud is the largest risk with this payment method. When fraud occurs, the credit/debit card companies place all responsibility back on the merchant. In other words, you're on the hook. In other words, you're on the hook to cover the costs, all associated fees and any stolen inventory.

Do your homework when thinking about deploying solutions in specific countries. It's also important to remember that most cards outside of North America and Europe are local only, meaning they can only be processed by a local entity. This translates into a higher decline rate in countries where you don't have a local processor.

A black and white photograph of a woman with long dark hair, looking down at a laptop screen. The image is overlaid with a solid blue color that covers the bottom half. The woman's face is in profile, and she has a slight smile. Her hand is resting on her chin. The laptop is visible in the lower left corner.

02

Global Payment Preferences

Plotting Cross-Border Expansion: Understanding Global Payment Preferences

What influences a consumer or a business buyer to use a particular payment method when they arrive at checkout? What's in their wallet? The apps on their phone? Their age? Their gender? Those inputs matter, certainly. Preferences are also influenced by additional factors: family; local, regional and national culture, history and politics; and global Internet culture. Preferences are also influenced by the circumstances of one's life. How an individual buys online will be constrained by their access to the Internet or mobile technology, and the stability of the civil institutions in their country.

It's important for North American businesses to understand the holistic picture. To win buyer loyalty, you must create an experience sensitive to preferences and authentic to cultural influences.

Remember, it's all about glocal.

In Europe

CULTURAL INFLUENCES

First let's set a baseline on the size of the European marketplace.

According to ecommerce.eu, the European Union market is forecasted to hit 621 billion Euros by end of 2019. This projection shows a 13% growth in B2C ecommerce from the previous year, that growth is mainly from countries in Western Europe¹⁰.

And while the EU is a common market, the payment preferences used across the continent are not homogeneous as online shoppers. Western Europe, with its much larger economic base, has shown itself much more willing to utilize more commonly used payment methods like Visa, Mastercard and PayPal than their peers in the former Soviet bloc countries. Eastern European countries tend to rely more on cash on delivery, bank-issued cards and regional wallets including WebMoney and QIWI.

PAYMENT PREFERENCES

Let's take a look at some of the payment preferences used in some of the major markets in Western and Eastern Europe:

United Kingdom

Traditional cards reign supreme in the English market with 77% of shoppers preferring Visa and Mastercard over other payment methods. American Express adds to the dominance of cards with a 5% market share. Bank issued debit cards claim 8% of the market, followed by PayPal with a slowly growing 6% share of the market¹¹.

Germany

According to ecommercenews, "German consumers still like to pay for their online purchases only after they have received the goods¹²". This fact makes the method of payments in this market that much more important.

Specific to the German market is the direct debit service known as ELV (it's a German acronym – Elektronisches Lastschriftverfahren). Designed for consumers that don't like using credit cards, it tops the German preference list at 38%. Visa and Mastercard come in second at 25%, followed by PayPal at 16%. Sofort Bank and the German-specific Giropayoption finish the list with 15% and 6% respectively.

France

France is overwhelmingly dominated by bank issued credit cards, accounting for 53.9% of transactions¹³. France's Domestic Carte Bleu, which accounts for 22-25% of transactions today, works like a debit card but does not require bank approval before a purchase can be made¹³. After cards, ewallets are the second most popular payment option. PayPal transactions account for 20%¹³.

Italy

The Italians, much like the French, put their trust in local credit and debit cards. The percentages are almost exact: **83% prefer credit cards as their top payment method**, **PayPal comes next at 13%**, followed – perhaps surprisingly – by American Express at 4%.¹⁴

Netherlands

The Dutch are Europe's real outliers in online payment preferences. Established in 2005, iDEAL is a direct transfer payment option similar to Giropay in Germany. Direct transfer is used in different places around the world, but not to the degree it's used by the Dutch. Of all online purchases in 2018, 55% of them were made using the iDEAL payment option. Credit cards come in second with 23%, followed by debit cards (15%) and PayPal (7%).¹⁵

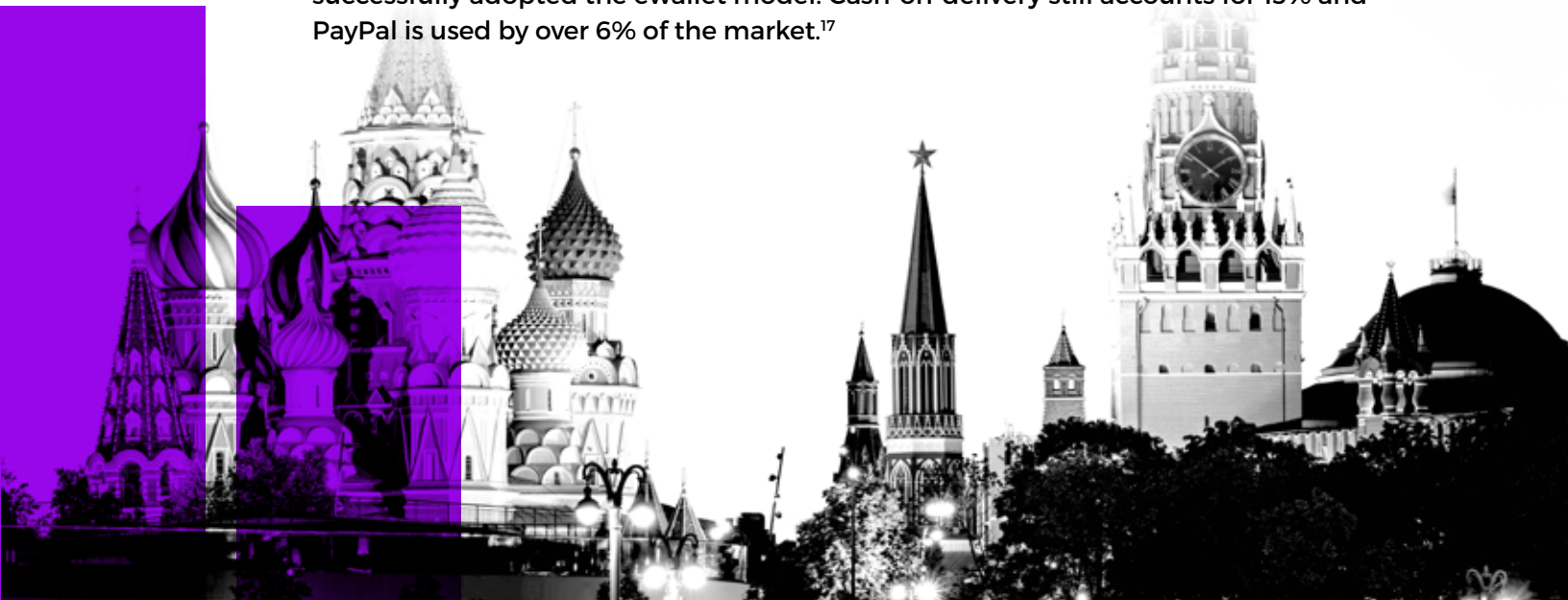
Poland

Poland is an interesting case. Their payment preferences reflect the westward tilt. Credit cards are number one at 45%, followed by bank transfers at 35%. Cash-based methods come next at 15%, followed by ewallets (specifically PayPal) at 5%.¹⁶

Russia

Russian payment preferences are certainly not those of the west. While credit & debit cards combined top the payment method charts at 46%, that's where the similarities end.

QIWI, WebMoney and YANDEX, unique ewallets to Russia, claim close to 30% of the ecommerce payment methods in the country. In their own way it appears Russia has successfully adopted the ewallet model. Cash-on-delivery still accounts for 13% and PayPal is used by over 6% of the market.¹⁷



In Asia-Pacific

CULTURAL INFLUENCES

As previously mentioned, in 2019, the Asian ecommerce market grew more than any other region. With 993 million people shopping online every day, the Asian market not only represents a massive population, but a highly complex and nuanced ecosystem as well.¹⁸ As its size suggests, the Asian market is also highly complex. **The market is dominated by China. Topping over \$1.9 trillion in annual ecommerce revenue, it's the single largest ecommerce market on the planet.**¹⁹ Recent trade disputes with the United States, however, may negatively impact American online businesses looking to do business in China in the short term.

Payment preferences range across Asia, making it difficult to claim there is a single method that's preferred continent-wide. **But one theme is clear:** *where there is institutional stability, digital payments methods have gained favor with both business and consumer buyers.*

PAYMENT PREFERENCES

China

Credit and debit cards issued from banks in different cities across China currently rank as the single most popular online payment option. But on a national basis, Alipay is by far and away the most preferred single payment method. Twenty-five percent of Chinese online shoppers prefer Alipay as their preferred payment method (and in a country of China's size, that's a massive number). China has strong adoption of local digital wallet options from government approved vendors like Tenpay, Unionpay and WeChat Pay. Tenpay and Unionpay account for 20% of preferred payment preferences between the two of them.²⁰ Cash/pre-paid, online banking and mobile banking round out the options with single digits preferences in Asia.

25% of Chinese online shoppers prefer Alipay as their preferred payment method (and in a country of China's size, that's a massive number).²¹

Japan

Japan is the second largest economy in Asia (and the 3rd largest in the world). Online consumers tend to favor credit and debit cards issued from local banks, with 70% of buyers citing it as their preferred online payment method. Cash comes next (11%), followed by online banking (10%), ewallets (5%), mobile payments (3%) and prepaid cards (1%). What makes the Japanese market unique is the concept of Konbini. Reflective of the Japanese love of the convenience store, Konbinis are essentially payment stops where online consumers can pay cash for the purchases they've made on the Internet that day.²²

As of January 2019, there are more than 50,000 convenience stores across mainland Japan.²³ These stores sell your everyday food and convenience and offer the ubiquitous Konbini for Japan's legions of online shoppers. Konbini, which means "convenience store" in Japanese, is a local cash-based payment method specific to the country

Singapore

While Singapore is one of the smallest countries in the APAC region, it also has one of the strongest fintech markets. A culture rich with an "always-on" mobile mindset, this market is booming with technology and innovation, yet hasn't fully embraced the ewallet or cash-based payment method options, and still tends to opt for card-based payment options. That being said, it's a matter of time before ewallet usage skyrockets. **More than 80% of consumers are actively on mobile devices**, making ewallets and mobile payments a logical evolution for their predominately millennial buyers.²⁴ Some of the top payment brands within Singapore are FAST, GrabPay, PayNow, OCBC, and Singtel Dash.

India

Growing less skeptical of online shopping, the Indian populace has begun to embrace ecommerce on a nationwide scale. Regardless of religion or location, payment preferences tend to be consistent around the country. "In 2015, cash on delivery accounted for 57 percent of all digital shopping transactions."²⁵ This number is expected to decrease to 45% in 2020. Some reports say as much as 40% of all Indian online consumers prefer bank-issued credit/debit cards, approximately 18% preferring online bank transfers, while 15% prefer cash prepayments. The remaining prefer 15% local ewallet options like PayTM, FreeTYM, PayUMoney, Mobikik and M-pesaand.

Indonesia

Indonesia has a growing population of about 200 million people. Although a highly regulated market (the Indonesian currency can't be repatriated as itself), several payments vendors offer solutions that allow for American dollars to be transferred into their currency. In terms of what customers and businesses prefer, it's a mixed bag. Traditional credit cards are trusted above other payment options at 75%, ewallets from Doku and t-cash are growing in popularity (15% of the population uses them as a first option), while prepaid cards, cash and mobile still have a hold on certain segments of the population.

South Korea

Cards (80%), ewallets (10%), and online bank transfers (3%) are preferred by South Korean consumers. In terms of credit cards, the locals rule. Visa and Mastercard have some market share, but local card brands like BC Card, Lotte Card, and T-Money dominate a market where there are typically four cards per household and total card volume reached \$600 billion in purchases last year.

Australia

Australia is one of the world's more mature ecommerce markets. For North American online businesses, it's one of the easier markets to enter (especially for digital goods - SaaS organizations). In Australia, there are challenges to physical fulfillment, but they can be overcome with the right distribution partners. In terms of payment preferences, Australians prefer to purchase with Visa and Mastercard (75%), followed by PayPal (15%), bank transfers (5%) and American Express (5%).



In LATAM

CULTURAL INFLUENCES

The Latin American ecommerce market (including Mexico) continues to see steady year-over-year growth rates. Latin American ecommerce analysts estimate that by 2021, the region will add 41 million new online shoppers, bringing the total to 161 million. Gross domestic products (GDP) per capita currently sits at \$8,300 and is also expected to see significant growth by 2021 (to over \$9,300). Brazil, the largest country in terms of both population and GDP, dominates Latin American ecommerce.²⁵ There are, however, other locales across the continent worthy of time and consideration. Mexico, Argentina, Chile, Peru and Columbia have young populations, strong mobile adoption and a common language.

Spanish-speaking doesn't necessarily mean a common payments preference, but it certainly means a reduction in site translation costs. There are differences country to country, but one payment preference unique to the culture stands out: the coupon/invoice system. Branded as Boleto in Brazil and Oxxo in Mexico, it's essentially a cash-based system that combines ecommerce-based shopping with retail-based payment. It's quite simple in concept: *an online shopper makes a "purchase" online, captures a coupon, then proceeds to a pre-determined local retail outlet where a cash payment is then made.*

65% of adults in this region do not use formal financial services, meaning they don't have credit cards, debit cards, and/or bank accounts.²⁶

It's important to note another cultural trend unique to Latin America: *installment payments*. Online businesses have adapted their payment options to accommodate this cultural reality. Outside of the coupon/invoice system, digital methods from vendors including RappiPay, Mach and Zoop have begun to pick up market share over the last two years.

PAYMENT PREFERENCES

Brazil

In the massive Brazilian market, traditional credit cards dominate. They are preferred 75% of the time and include Visa, Mastercard, Aura and Hipercard. Lesser known cards issued by smaller companies come in second at 7% of the market, followed by the federally subsidized Boleto Bancario system. American Express has some brand awareness in the Brazilian market; locals use AMEX about 3% of the time when making an online purchase.²⁷

Argentina

Argentina has a long history of massive economic disruptions – deep recessions, bailouts from the World Bank and IMF with harsh terms, hyper-inflation, etc. Those experiences can be seen in their payment preferences. Forty-four percent of Argentinians prefer local bank options such as Pago Facil, Rapipago and Corbo Express. Visa, Mastercard, along with cards from vendors like Tarjeta Naranja are also popular (43%), followed by bank transfer (12%) and American Express (2%).²⁸

Mexico

Mexico has a growing and thriving middle class. In terms of Latin America, Mexicans have been early adopters of ecommerce. Their payment preferences are generally reflective of a distrust in national institutions. As a single preferred method, local cards rank first with 35% of Mexicans choosing them over other options. The local form of boleto comes in second with 32%, followed by bank transfers (26%) and surprisingly PayPay (8%).²⁹



In Middle- East

CULTURAL INFLUENCES

The Middle East may not have the population of other global regions, but it does have per capita spending power. Research indicates that by 2020, the region should reach close in on \$70 billion in total ecommerce sales.³⁰ North America online merchants shouldn't sleep on the Middle East. But they're cautioned to be acutely aware of geopolitics and local customs, particularly if you're B2B and have to engage in high touch 1:1 selling.

PAYMENT PREFERENCES

Saudi Arabia

This is the second largest economy in the Arab-speaking Middle East. Ecommerce is largely driven by the travel industry (the number one ecommerce industry according to analysts). In terms of payment preferences, Saudis' still put their trust in cash – 48% of them prefer Cash on-delivery over other payment methods. Credit cards come in next at 34% followed by local issue debit cards (15%), gift cards (2%) and ewallets (1%). That being said, 60% of the country's consumers have used mobile banking in the past, showing promise for higher digital adoption.³¹

United Arab Emirates

Like Saudi Arabia, cash is the most trusted form of payment followed by credit cards. And when it comes to cards, residents of the United Arab Emirates prefer Visa (60%) to other card options. Beyond credit/debit cards, PayPay has about 1 million active users in the country and OneCard (a prepaid, rechargeable card developed in Saudi Arabia) is starting to gain a foothold.³²

Israel

Driven by a thriving tech and security sector, Israel is the definition of a modern economy. Its low population, however, should be taken into consideration by any business looking to enter its market.

In terms of payment preferences, cards top the list (more than 50% of online purchases are done using a card).

Mastercard has a 47% share of the Israeli card market. PayPal and a range of other local or regional ewallets come next with 14%.³³



In Africa

CULTURAL INFLUENCES

Sub-Saharan Africa is an untapped global market with tremendous upside. With a population topping a billion, it has a growing and ambitious middle class, developing infrastructure and strong cross-continent mobile adoption. Analysts at McKinsey predict that the African ecommerce market will reach \$75 billion by 2025.³⁴ [In Africa, mobile is king](#). According to analysts at Ecobank Research, 60% of all active mobile money accounts can be found in Sub-Saharan Africa.³⁵ North American online businesses looking to tap into the potential of 21st century Africa need to know mobile payments inside and out. Successful businesses also need to understand some of the country-specific mobile preferences that exist. Kenya stands out as an example.

In Kenya, online consumers far and away prefer M-PESA over other payment methods. In 2016, M-PESA processed over 6 billion transactions at the rate of 529 transactions per second.³⁶

PAYMENT PREFERENCES

South Africa

South African preferences skew towards mobile payment and cash. Some of the more popular include: Ukash (a voucher-based payment method), M-PESA (a mobile-based money transfer system), electronic funds transfer, and Visa. While mobile tends to be favored, Visa has gained traction in recent years and is the most popular credit card.

Rest of Africa

North American online businesses will find that preferences outside of South Africa are familiar. Cash through bank transfers, mobile payments and pre-paid cards tend to be the norm. Credit cards like Visa are increasing in popularity and appear to be more trusted than some of the more local varieties. Loyalty to different money transfer brands vary from country to country. It's incumbent on every online business to do the research before venturing into each new African locale.



Learn more about Rapyd's solutions

Rapyd helps businesses create **seamless local commerce** experiences anywhere. We empower Digital Commerce, 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.

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

