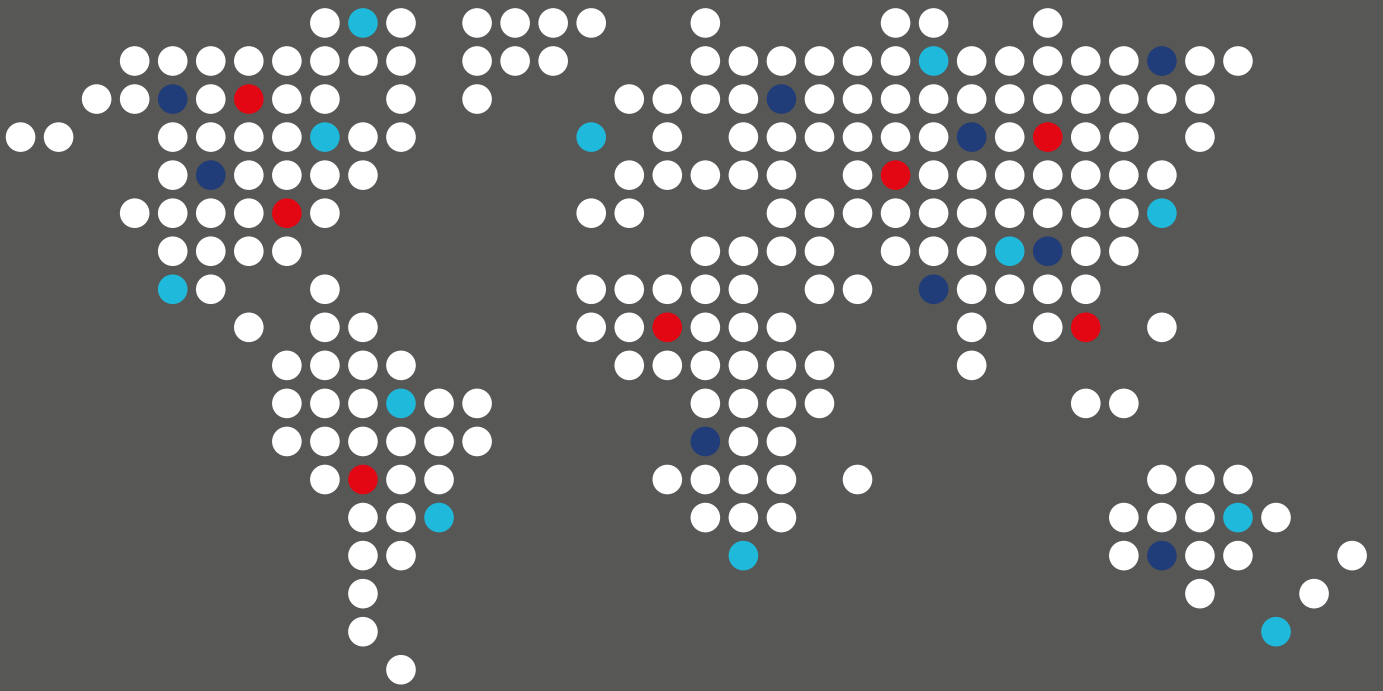




**WHITE PAPER**

**GLOBAL INSIGHT REPORT**

# Four Corners of Global Payments



# Executive / Summary

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- It is a time of increasing freedom and global accessibility, with consumer demand prompting technology innovation, resulting in rapid lifestyle changes around the world. Consumers are no longer limited by time or distance, and they are increasingly looking outside their borders to find the products and services they desire. This creates considerable opportunities for online merchants who are looking to grow and expand their business.
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Each region around the world differs greatly in terms of electronic payment volumes and methods. North America accounts for more non-cash payments than any other region at about one third of global volumes, while almost half of the world's internet users are in Asia, propelling eCommerce growth in China that is close to double that of North America. Emerging Asia represents one of the key growth areas for global volumes of non-cash payments, for example, India has already seen mobile wallet transactions overtake mobile banking transactions. Latin America accounts for 10% of global non-cash payment volumes and its banks are responding by promoting payment electrification through mobile wallets and ePayments with tax incentives.<sup>1</sup> Undoubtedly, Latin America is a mix of payment preferences and behaviors, with a heavy emphasis on local acquirers and local payment methods. Europe is a world leader in retail eCommerce sales, also driven by local payment methods. Moreover, European regulations are driving down card revenues and eCommerce activity is increasing, as cash gradually becomes eliminated from physical

points of sale. All four corners of the world represent exciting opportunities for merchants with cross-border strategies or ambitions. However, merchants must be equipped to harness the vast array of non-cash payments offered around the globe and ensure that they are targeting their consumers with the right payment options for desktop and mobile devices.

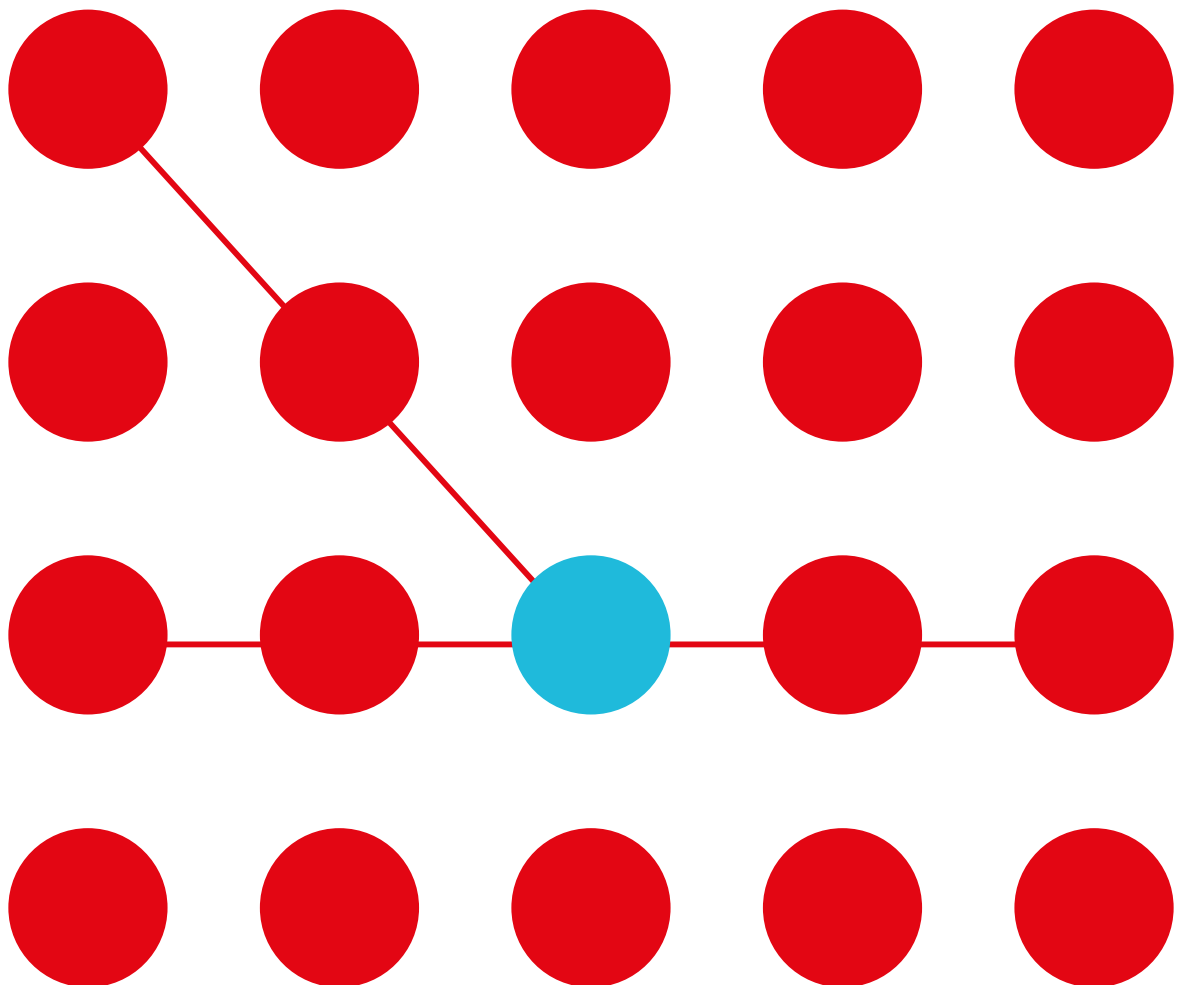
Payments from all corners of the globe are now possible and organizations need to ensure they offer the best customer experience in order to tap into the market's potential. Ingenico ePayments' global presence means it is uniquely positioned to help eCommerce merchants take advantage of these opportunities across all channels, while helping them navigate regional and local market nuances. This article intends to assist online merchants in developing appropriate payment strategies per region and examines payment trends in North America, Europe, Asia and Latin America, with exclusive market insights from our business leaders around the world.

# Four Corners / of Global Payments

It is a time of increasing freedom and global accessibility, with consumer demand prompting technology innovation, resulting in rapid lifestyle changes around the world. These demands have impacted the payments industry as well, as developments have created considerable opportunity.

This article intends to assist online merchants in developing appropriate payment strategies per region and examines payment trends in North America, Europe, Asia and Latin America, with exclusive market insights from our business leaders around the world.

Online merchants with cross-border strategies or ambitions must be equipped to harness the vast array of non-cash payments and look towards payment options for mobile devices as well. Ingenico's global presence means it is uniquely positioned to help eCommerce merchants take advantage of these opportunities across all channels, while helping them navigate regional and local market nuances.





## Global Insight / into eCommerce Trends

The report *Global Payments 2015: A Healthy Industry Confronts Disruption* described 2014 as an extraordinary year for the global payments industry, one that exceeded the most optimistic expectations. Revenues rose by 9% - twice the rate of 2013 - to \$1.7 trillion and global payments' share of total bank revenue went up from 38% to 40%<sup>2</sup>. We're expecting to see results from 2015 continuing the trend.

Non-cash payments rose all over the world, with Asia accounting for more than half of this increase. There was strong growth in Latin America with 22% in 2014, while North American revenues rose by 4% and Europe recorded a 2% increase as well.

While this rate of expansion cannot be sustained indefinitely, industry estimates suggest that rising growth rates of non-cash payments in developed markets will counterbalance less rapid growth in emerging economies. Furthermore, the value of non-cash payments worldwide will go up by an average of 6% a year, over the next four years.

So what does this mean for online merchants? Well, it has been estimated that as much as \$900 billion is up for grabs over the next decade. Businesses that can capture the migration from cash to electronic payments, deliver innovative value-adding services and effectively serve the unbanked and under-banked will reap the benefits of these opportunities.

## > North America

Joe Leija, General Manager North America, Ingenico ePayments expects to see an increase in the number of market participants and an uptick in merchant adoption of alternative payment methods and other cross-border functionalities in North America. **“Accepting global payments is no longer just for enterprise level retailers,” he says. “Businesses of all kinds can sell to and receive payments from customers, regardless of their location.”**

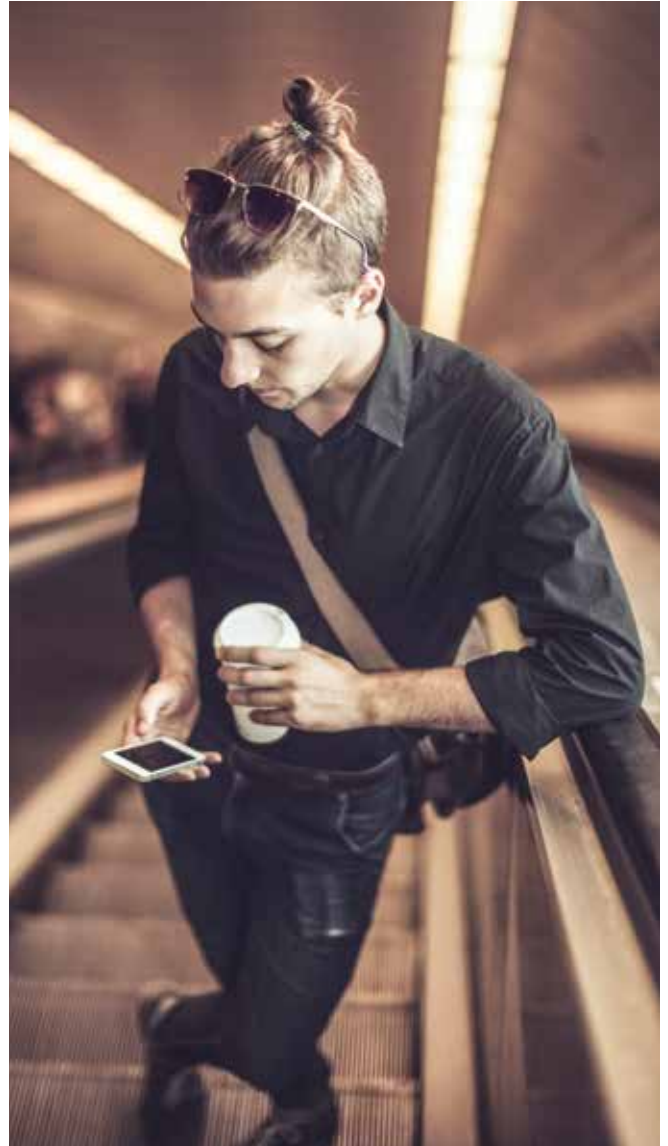
There are many factors driving growth in non-cash payments, including digital payment solutions that can be used across different points-of-sale (in-store, in-app and desktop and mobile browsers) and new payment rails that deliver instant, or real-time payments. These developments are likely to dramatically change how online retailers interact with consumers, how merchants select payment-related services, and how they engage with technology vendors.

“North America is the world's most mature payments market and fragmentation creates unique challenges in servicing customers who have enthusiastically embraced electronic payments”

Joe Leija, General Manager North America

North America accounts for more non-cash payments than any other region – about one third of global volumes according to the 2015 World Payments Report<sup>3</sup>. There is considerable evidence to suggest that electronic payments are a key driver of US economic growth. Data from eMarketer indicates that in the US, eCommerce retail sales will increase from \$349.43bn in 2016 to \$493.89bn in 2018. As a proportion of general retail sales, this represents a 1.2% rise from 7.7% to 8.9%<sup>4</sup>.

**“It is important for merchants to align with companies that fully understand online payments, and particularly mobile payments. Consumers cite convenience, speed and ease-of-use as factors accelerating eCommerce and mobile payments adoption.”**



According to a recent study by the Electronic Transaction Association, better data security was the number one priority for customers. **“Rewards and ‘daily deals’ seem to be less important than in the past. Consumers today want to shop internationally but pay in local currency,”** adds Leija. Indeed, consumers in the US are used to buying from online retailers outside the US, as long as they can pay using the US dollar. This is because there is a recognized credit or debit card, even though they may be using PayPal or Apple Pay as the payment method of choice.

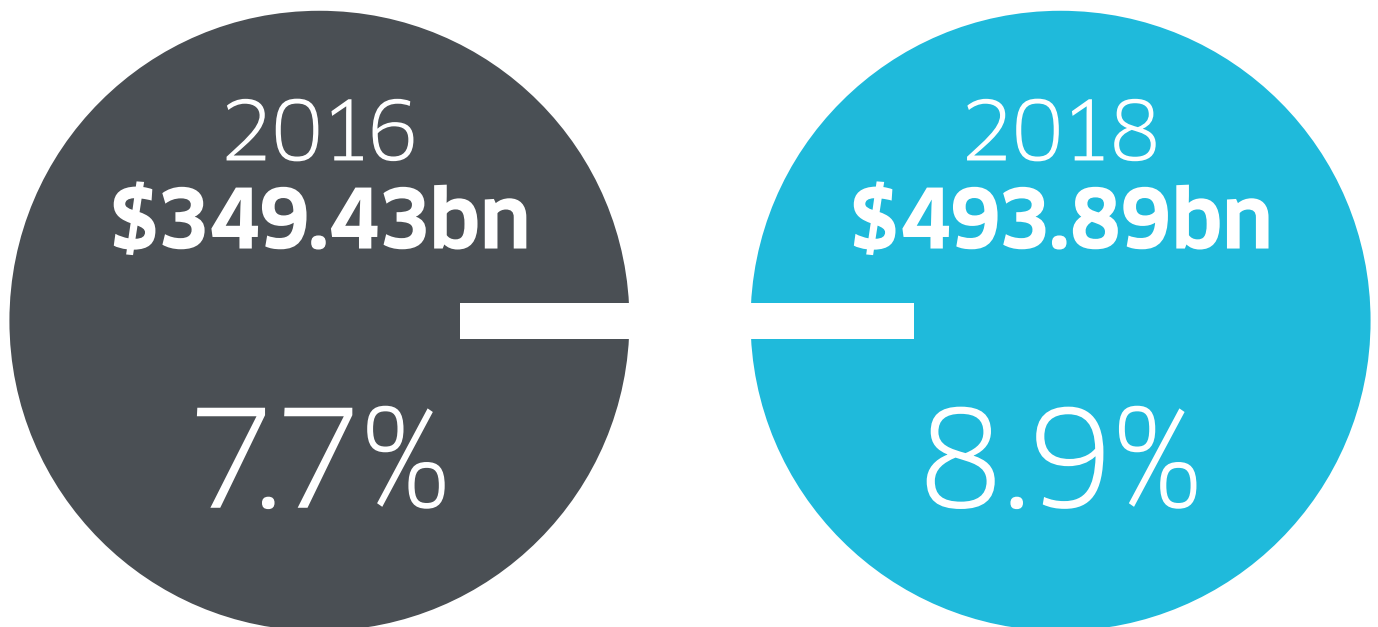
Most online merchants have failed to recognize this opportunity, however. According to a recent PayPal study, by 2018 there will be 130 million active cross-border shoppers in the US<sup>5</sup> spending more than \$300 billion, yet fewer than 25% of US merchants are set up with full cross-border acceptance capabilities.

**“Key challenges for this region include data security and EMV migration. More secure card-present transactions will inevitably mean that hackers will be forced further into the online space, which may cause an increase in eCommerce data breaches,”** says Leija.

Because of this, online merchants must remain vigilant and look towards fraud management tools either in-house or with an external partner.

The emergence of ‘developer friendly’ application program interfaces, or APIs, is a notable feature of the North American payments market. New software developer kits (SDKs) and APIs are being developed regularly in the region, to aid in the growth of online and mobile commerce.

To be sure, the customer journey is key for online merchants looking to trade in North America. Making payments simple and fast, using the eCommerce and mCommerce methods of choice is the best way to engage with consumers and increase conversion.



Expected increase in US eCommerce retail sales.

## > Latin America

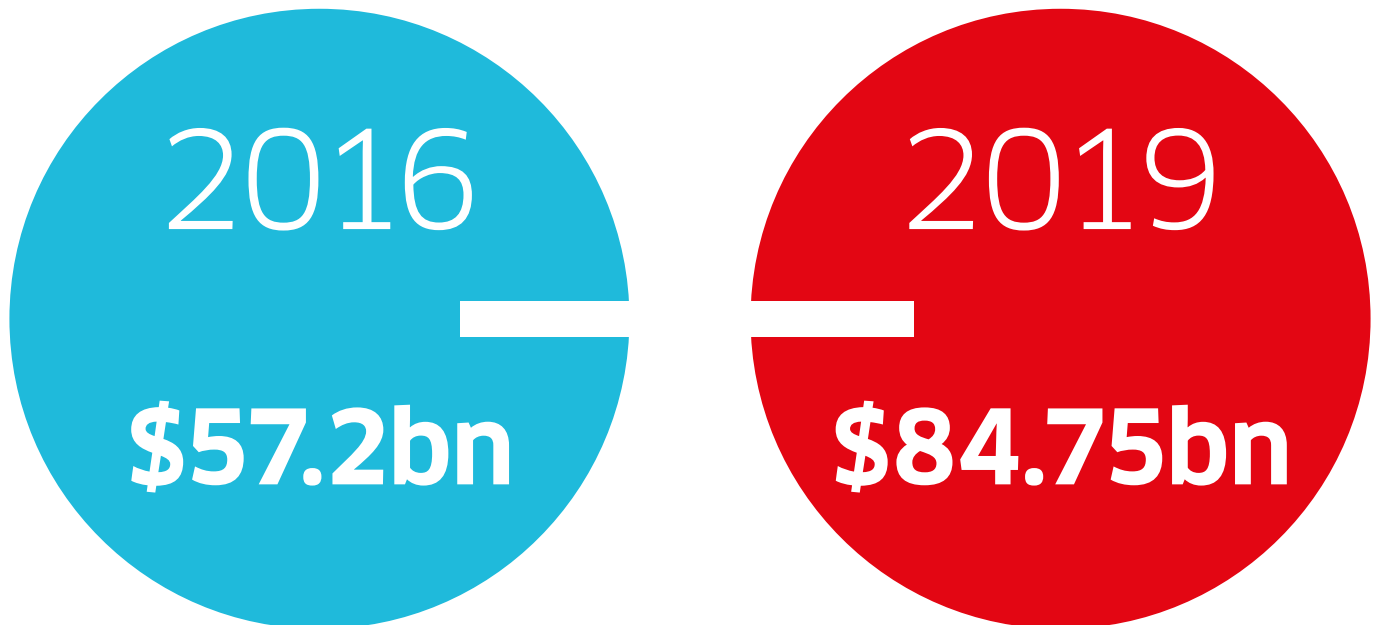
**“Rapid growth in electronic commerce has created the ideal circumstances for non-cash payments in Latin America,”** explains Matias Fainbrum, General Manager LATAM, Ingenico ePayments.

Again, according to a 2015 eMarketer report, eCommerce sales will rise in Latin America from \$57.2 billion in 2016 to 84.75 billion in 2019, a 42% increase. Mexico alone will see a 67% rise from \$7.42 billion to \$13.27 billion, although this figure is still expected to amount to less than half of Brazil’s total eCommerce sales, which is projected to reach \$30 billion by 2019<sup>6</sup>.

**“Today, online expenditure in Brazil is comparable to the sum of expenditure in the rest of Latin America. In 2015, Brazilian online retail generated revenue of nearly \$20 billion – twice that of Mexico and Argentina combined. With a growing population of 202 million, of which 62% are under the age of thirty, the opportunities within this market only seem to be growing.”**<sup>7</sup>

High mobile phone usage also creates mCommerce opportunities. **“Some acquirers still lag behind world class standards, although they are working with payment systems providers and merchants to develop the ecosystem and open new channels both on desktops and mobile devices.”**

Banks have taken the initiative in promoting payment electronification in Latin America through mobile platforms, local payments schemes and investments aimed at increasing point-of-sale penetration. Additionally, several regional governments actively promote ePayments by providing tax incentives and changing regulatory frameworks. These initiatives are important in a region where 250 million adults (almost two-thirds of the population) do not use formal financial services like a bank account.



Expected increase in Latin America’s eCommerce sales.



“ In addition to low usage of bank products, other challenges include disparity in merchant discount rates (which can go up to 5%), different interfaces and lack of standards in terms of reporting, reconciliation and remittance timeframes. Restrictions also include surcharges in some countries and a very low approval rate of cross-border transactions in Brazil ”

Matias Fainbrum, General Manager LATAM

The numbers alone do not tell the full story of Latin America's online commerce sector. The reality is that cash and credit cards are still highly used, despite the fact that two thirds of the region don't have a bank account, let alone use electronic payments. Brazil is the exception to the region's eCommerce adaptation and especially mCommerce. However, the economic downturn

across the region, including high inflation rates hitting countries such as Venezuela and Argentina hard, means the region has much to do before it can realize its full online potential.

The good news is that Latin American governments are investing in the development of non-cash technologies and are moving away from the costly infrastructure associated with the acquiring banks and legacy payment methods. For now, the Brazilian market is the most equipped for eCommerce.

Before going into Latin America, online businesses must assess costs and risks relating to different banking systems and payment methods for the region as a whole, as it remains a maze of technology and infrastructure requiring local insight and know how. But the opportunities are there for companies that decide to jump in.



## > Asia

It's a similar story in Asia, where rising eCommerce sales volumes and growing acceptance of mobile payments is fueling demand. Emerging Asia (which does not include the mature markets of Australia, Singapore, Japan and South Korea) is one of the key growth areas for non-cash payments – volumes were up by 27% in 2014 and the region now accounts for 8.1% of global volumes.<sup>8</sup>

Increasing internet and smartphone penetration and adoption of mobile payments in China and India are the two main growth drivers in the region.

***“Just over 48% of the world’s internet users are in Asia,”*** explains Nick Tubb, General Manager APAC<sup>9</sup> Ingenico ePayments. ***“And although Asia’s share of global eCommerce volumes is lower than its share of total internet users, its share of eCommerce sales is expected to rise from 36.5% in 2014 to 39.7% by 2019.”***<sup>10</sup>

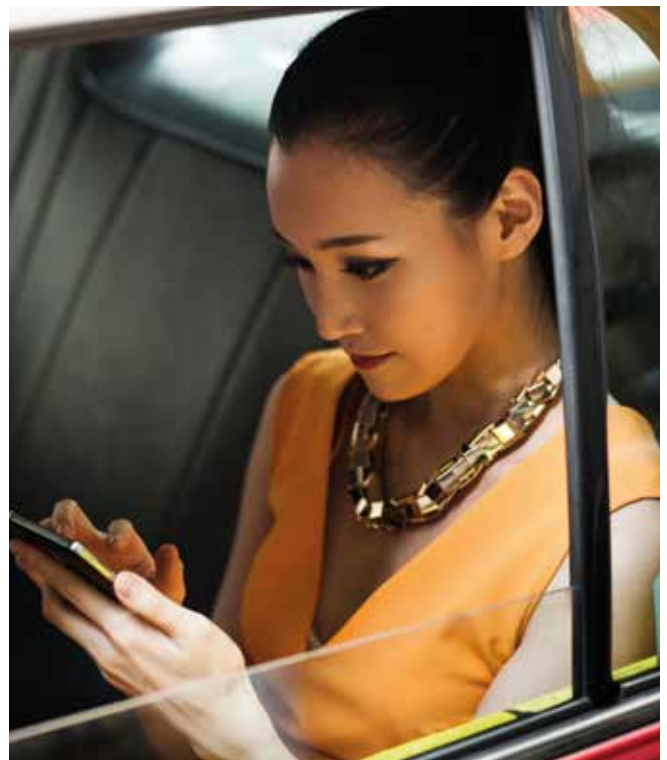
**“***This will be evident in eCommerce sales, which are expected to be worth \$1 trillion in China by 2019, compared to \$534 billion in the US,”* adds Tubb. *“To put this in perspective, eCommerce sales in the US were \$15 billion higher than China just three years ago”*<sup>11</sup> **”**

Nick Tubb, General Manager, APAC

Mobile payment transactions are expected to lead the eCommerce boom in China. According to a 2015 Forrester report, 25% of respondents to a survey reported that they shop via mobile phone at least weekly.

Payments-related businesses in rapidly developing Asian economies are also benefitting from positive economic trends. While many countries have experienced a slowdown in GDP growth, a steady rise in financial inclusion, coupled with the push for migration away from cash, will continue to generate above average growth in both payment values and payments revenues. To be sure, Asia as a whole has quickly adopted new online payments technology and processes.

China has recently dwarfed the US’s total online transaction value at roughly \$672.01 billion versus \$349.06 billion respectively, for 2015 as estimated by eMarketer.<sup>12</sup> Non-cash payments worldwide are receiving a further boost from increased competition in China’s markets, where since the middle of 2014, both domestic and foreign companies have been able to submit applications for a clearing services license and non-bank players have entered the scene. Smaller cities that are underserved by local banks are a prime target for non-bank players offering online payments, mobile payments, online ordering with offline service and payments and other products.

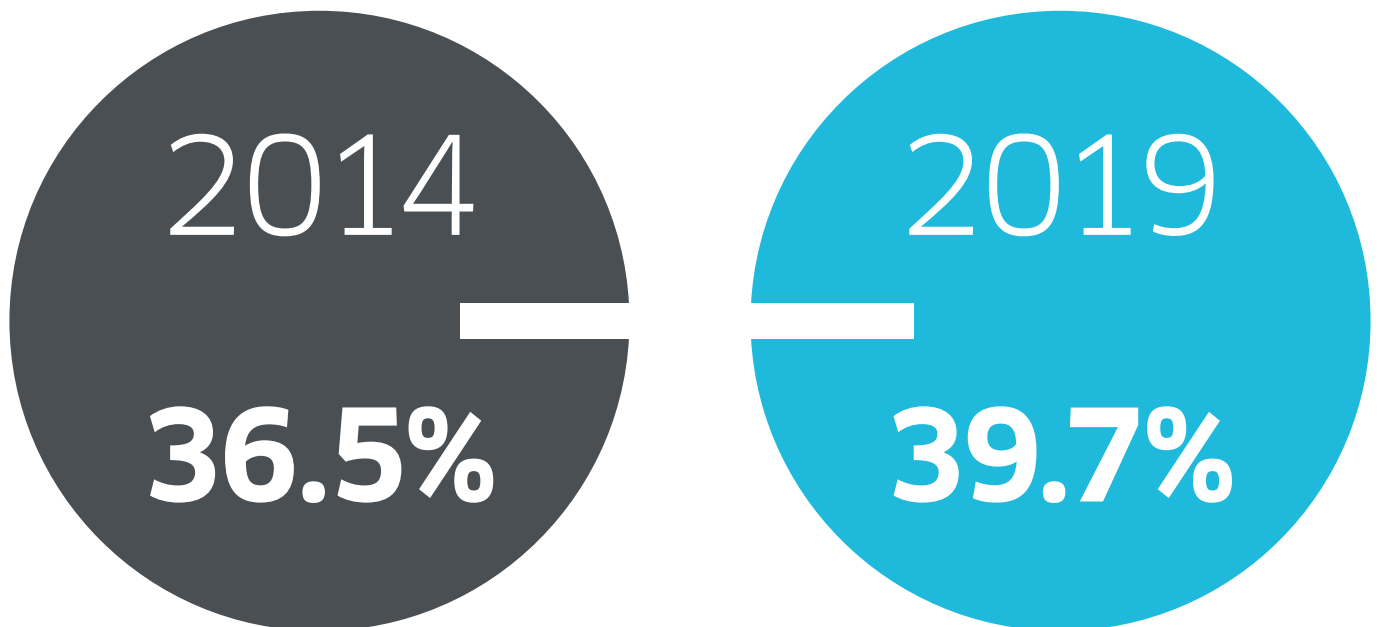


India in particular has initiated a number of government-led programs to promote financial inclusion and digital innovation, which is further driving growth in regional non-cash payments. Mobile wallet transactions have overtaken mobile banking transactions in the world's second-most populous country.

Non-cash payments also appeal to those who don't have a bank account. It is estimated that there are approximately 900 million people in Asia outside the banking system,<sup>13</sup> yet most of these people have a mobile phone that in many markets allows them to send and receive money and purchase products.

eCommerce merchants wanting to make the most of the region's opportunities might consider utilizing existing infrastructure such as Alipay as a great place to start. Furthermore, being able to accept Union Pay card payments will go a long way to tackling any potential abandonment rates for China, as well as Visa and MasterCard in the rest of the region.

It would be wise, however, to keep an eye on technology developments as emerging Asia doesn't have the restraints of its more developed counterparts such as Singapore and Japan and new technology from the likes of Silicon Valley may be adopted ahead of more 'traditional' methods. Having a payments partner that understands the requirements and restrictions of the country you are doing business in will mean the difference between success and failure.



Expected increase in Asia's eCommerce sales.

## > Europe

***“In Europe, the ongoing strength of electronic commerce and industry innovation will fuel further growth in electronic payment volumes,”***

says Simon-Pierre de la Seiglière, General Manager EMEA, Ingenico ePayments.

Data from the 2015 European B2C E-Commerce Report indicated that of the €424 billion European eCommerce sales, a total of 60% came from the UK (30%), Germany (16.8%) and France (13.4%). All three of these geographies, however, were well outside the top ten in terms of eCommerce growth. Russia shows the greatest promise with a 25.4% increase and is rapidly closing the gap on the ‘big three’ European eCommerce markets.<sup>14</sup>

Regulation is driving down card revenues, particularly in relation to interchange fees. Increasing eCommerce activity and the gradual elimination of cash from physical points-of-sale are also vital developments in the EMEA region.

***“Europe is a world leader in retail eCommerce sales”*** explains de la Seiglière. ***“We expect online merchants to intensify their efforts to analyze their customers’ behavior in the coming years, in order to understand their intentions and target them more efficiently. There will also be closer integration of physical and digital channels.”***

Across the region, governments are working to stimulate further adoption of non-cash payment instruments, remove barriers to competition for banks and non-bank players, and to enhance security requirements for both mobile and online payments. Much of this work focuses on the revised PSD2, which updates and complements the EU rules put in place by the Payment Services Directive. The purpose of these directives are to make cross-border payments as easy, efficient and secure as ‘national’ payments are within the EU, by creating a more integrated and efficient payments market and leveling the playing field for payment service providers. The regulation also aims to encourage lower prices for payments, make payments safer and more secure, and perhaps most importantly, protect consumers.



“ Digital payment solutions are becoming a key battleground in Europe. While credit cards are the preferred method across certain countries, other European consumers have different payment preferences and merchants need to think about abandoned shopping carts when a locally preferred payment method is not offered ”

Simon-Pierre de la Seiglière,  
General Manager EMEA

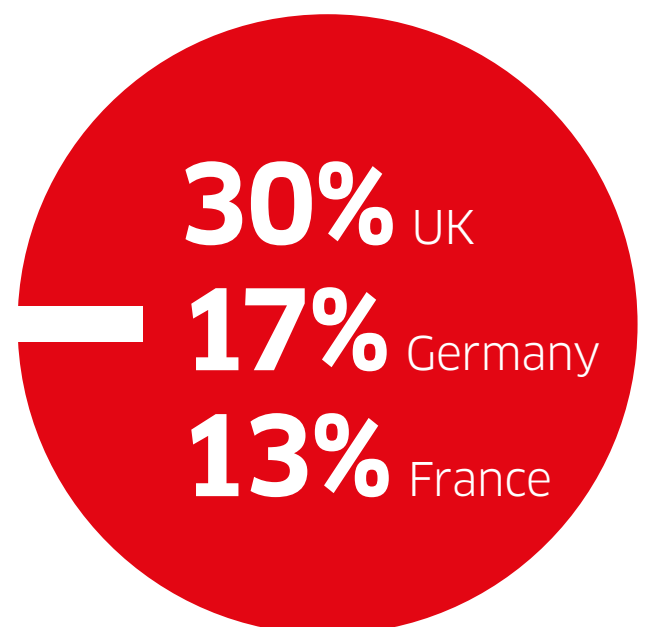
The implementation pace of real-time payments has also picked up, with the UK's Faster Payments system being the most notable development. Real-time payment systems are another potential catalyst for payment related innovation.

An important trend in payments is the growing role of alternative methods of payment, which are a key factor in online shopping in several markets. The Ingenico ePayments business model has been specifically designed to meet this demand by providing access to more than 150 different international and local payment methods.

Cross-border merchants in Europe face multiple languages, as well as tax, legal and customs regulations, which complicate eCommerce. Furthermore, protocols and regulations for online and card-not-present transactions are different to regulations for card-present transactions.

Europe is undoubtedly a global eCommerce front-runner but it is also heavily regulated with governments encouraging the development of non-cash payments. Security and cross-border capabilities are essential to doing business across the region, and in a market where technology differs from country to country, abandonment is a key problem to be addressed.

Being aware of everything from tax differences and payment security standards is vital. Understanding a target market's varying preferences for payment type is crucial when trading across the area, as it increases conversion, without having to offer all things to all people. Undoubtedly, the European eCommerce market is simply too much for an individual merchant to tackle without the proper knowledge and technology.



# Understanding / All Four Corners

Technology is 'shrinking' our world and facilitating global eCommerce in new and exciting ways. The opportunities for online and cross-border merchants over the next decade cannot be overstated. But the different four corners still operate in different ways and consumers in different regions have different preferences for their customer experience. Merchants that understand the cultural nuances in each region will be better positioned in their markets. Partnering with a payments provider that can help merchants navigate the regional payments trends and opportunities have the greatest chances for success.

## About / the Contributors

### **Joe Leija,**

General Manager North America,  
Ingenico ePayments

Joe Leija is the General Manager for Ingenico ePayments, North America. Prior to joining Ingenico ePayments, Leija worked with Sage Payment Services, Chase Paymentech, and First Data. Leija has over 18 years of experience in cross-border payments, and has worked with many of the top 100 global eCommerce merchants, enabling them to expand their businesses internationally. He has an MBA in Finance from Loyola University, Chicago and currently lives in San Francisco with his family.

### **Nick Tubb**

General Manager Asia Pacific, Ingenico ePayments

Nick Tubb is the General Manager for the Ingenico ePayments Asia Pacific region. Prior to becoming APAC GM, Nick worked in Ingenico ePayments Headquarters for over four years, with a strong focus on FX and Professional Services. Nick has over fifteen years of experience within the commercial FX industry leading business acquisition and growth teams in the UK, the US and Australia for companies such as AFEX, Reusch International and Travelex Global Business Payments. Nick currently lives in Singapore with his wife and three children.

### **Simon-Pierre de la Seiglière,**

General Manager EMEA, Ingenico ePayments

Simon-Pierre de la Seiglière has over 15 years of payment expertise, with strong experience in directly impacting the business, producing double-digit revenue growth, and building high performing teams in international and change management environments. He has a proven track record leading international teams in fast moving industries, such as Western Union/First Data, Ogone and Ingenico. For the past 20 years, he has lived and worked outside of France.

### **Matias Fainbrum,**

General Manager LATAM, Ingenico ePayments

Matias Fainbrum is the Managing Director for Ingenico ePayments Latin America and has been with the organization from the very beginning of the regional operations, in 2010. Prior to this, Matias was Managing Director for Business Minds Latin America, a management consulting firm specialized in change management and business transformation projects. He has also worked as a Senior Consultant for Endeavor Argentina, advising high potential entrepreneurs to grow their businesses exponentially and to raise funding from venture capital and private equity firms. In parallel, he served as Advisor to the Columbia Business School ECLA (Entrepreneurship and Competitiveness) Program in Latin America. Matias has extensive experience working in dynamic, ever-changing multicultural environments. He studied Business Administration and holds a MBA from Torcuato Di Tella University, Argentina.

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## About / Ingenico ePayments

Ingenico ePayments is the online and mobile commerce division of Ingenico Group. We connect merchants and consumers, enabling businesses everywhere to go further beyond today's boundaries, creating the future of global commerce. As industry leaders since 1994, our innovative spirit drives us forward across all channels. We are the trusted partner of over 65,000 small and large merchants who rely on us to make payments easy and secure for their customers. With advanced data analytics, fraud management solutions and cross-border commerce expertise, we help merchants optimize their business and grow into new markets around the world.

For more information, visit [www.ingenico.com/epayments](http://www.ingenico.com/epayments) or follow us on [Twitter](#) or [LinkedIn](#).





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