Global Perspective

Reaching consumers worldwide with effective cross-border strategies
Little did the Sherman Brothers know their now classic Disney song from 1962, “It’s a Small World (After All),” would allow us to peer into the future. Today, eCommerce creates new opportunities, and new pathways to reach consumers worldwide with just a few clicks. We see businesses around the globe making the transformation from “brick and mortar” to “brick and click,” but while commerce has become more seamless, there are also new obstacles for merchants to consider. These range from pricing in multiple currencies to additional transaction costs – in the form of cross-border related fees – causing merchants to seek out new ways to solve these challenges.

While it’s pretty easy for people to travel across borders, accepting payments across virtual borders can be complicated. Merchants are finding it difficult to develop an approach that resolves their deepest concerns without breaking the bank, in both card present and card-not-present environments.

Merchants often ask, “Where should I begin?” Depending upon your business strategy, there are various ways to answer that question which can help your business save money and grow revenue.
Location, location, location

For 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 would have a physical presence, sales force, and 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 save you some serious money. But keep in mind, having your transactions acquired in a country where you do not have domicile is considered cross-border acquiring, and with it comes 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.

Se habla peso? Parles vous euro?

If you cannot set up your merchant account in another country, you do have other options. To appeal to the global consumer, you should provide an “in country” online shopping experience with a multi-currency pricing solution. For most merchants, establishing pricing in various currencies can be risky and expensive. Often this requires a team of experts who continuously monitor the global currency market and can safely price your goods and services in a manner that will not erode your profit margins. There are also additional costs and increased cross-border related fees as you’re conducting transactions in a currency other than your base currency. Multi-currency pricing will likely help offset those costs by converting browsers into buyers and reducing the “bailout” rate on your website. According to PayMotion, 13% of online shoppers will abandon the cart if the pricing is in a currency they are not familiar with.¹

Using a currency phrasebook

Merchants that want to provide online customers an “in country” purchase experience without the currency and profit margin risk can use a solution known as multi-currency conversion. The solution enables merchants to provide pricing in various currencies. But, instead of having to set prices in specific currencies, their base currency is dynamically converted – or translated – into other currencies. And just as with multi-currency pricing, this solution is typically only used for card-not-present transactions.

When paired with a trusted treasury service, who guarantees funding in the original currency, merchants can offer prices in many different currencies while being protected from the associated risks. Because multi-currency conversion offers similar customer experiences as multi-currency pricing, it can also help increase sales – in many cases, also providing an additional revenue stream.
The simplest and most flexible solution for eCommerce merchants is also the only solution available for card present merchants. The industry calls it Dynamic Currency Conversion (DCC).

DCC allows merchants to offer international customers the choice to pay in the merchant’s base currency (price) or in their currency. DCC is highly regulated by Visa® and Mastercard® to ensure consumers are receiving the best foreign exchange rates at the time of purchase. This transparency allows customers to make educated purchasing decisions and usually leads to "stickier" customers. As transactions are converted at the point of sale, instead of on the cardholder’s statement, the price on a customer’s receipt will match their statement.

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

“There has been some negative press surrounding DCC, but don’t believe everything you read, especially online,” says Brian Frey, First Data’s VP of Global Currency Solutions. “DCC provides the customer with choice, transparency, and full protection from currency risk in a way others, who enjoy revenue from converting non-DCC transactions, simply cannot. Be sure to speak with a payments professional who truly understands the foreign exchange market and the various solutions available before making any decisions.”

Actually, I’m bilingual

25% of the global population shops online, and it’s growing all the time.³
Case study

A female, who lives in South Korea, has decided to take a trip to Bali, Indonesia. She goes to her favorite booking site which uses GEO-IP detection (a service that determines the country based on the computer’s IP address) and detects she is in South Korea. In seeking out her destination in Bali, she is provided indicative pricing in Korean Won (KRW). Overlooking the small disclosure that states pricing is for estimation purposes only and that she would be charged in Indonesian Rupiah (IDR), she books the trip. 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. Essentially, her transaction went through a double conversion adding an additional cost!

Simply put, she had a bad experience. In the example above, if she was offered DCC, multi-currency conversion, or multi-currency pricing, she would have had a positive shopping experience, and would have avoided additional cost for the double conversion likely becoming a repeat customer. According to UPS Pulse of the Online Shopper, 55% of online shoppers tell friends and family when dissatisfied.²
Is that your final offer?

While there are many excellent solutions you should consider, there is one solution that you should never consider - indicative pricing. Indicative pricing is a solution where the rate is not actually used to convert the transaction and it is not guaranteed by a treasury service. It is merely a “suggestive price.”

With indicative pricing, merchants are providing a price in a currency selected by the consumer for illustration purposes only. This practice can be deceptive and confusing to the cardholder who might believe that they are purchasing something in the currency and price displayed. Instead, the customer will be charged in the merchant’s local currency, which in many cases can increase the cost of the transaction.
The world is your oyster

Selecting a strategy that meets your needs require the help of an expert. You should seek out the advice of a payment professional with tremendous experience in pricing strategies and foreign exchange. Ensure that whomever you work with fully understands the world markets and has experience in establishing which currencies to support and a strategy to navigate the global landscape with confidence.

If you are currently using a currency solution for your card present business, you really must consider deploying a currency solution for your eCommerce site. Be consistent! Not only will you lose business without a proper currency solution, you will not be able to offset the cross-border fees and your international customers will have a disjointed experience.

“Merchants also tell me they use multiple websites, providing access specific to each country, or they don’t ship internationally,” Frey says. “News flash! You still have international business coming into each of your sites.” Your acquirer should be able to provide you with statistics based on your actual data that demonstrates 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 their way into their site.”
When in Rome

Merchants should also consider the use of Local Payment Methods. Accepting local payments can help reduce friction and reduce your total cost of acceptance as you avoid steep interchange fees. There are also various local payment methods (e.g. Alipay, WeChat, SoFort®, etc.) which are available to provide additional payment choice to your international customers who have expressed a desire to pay in these other methods. There are literally hundreds of local payment methods available across the globe and you should discuss options with a trusted payment advisor to determine which payment options are right for your business. Keep in mind that by adding additional local payments, your IT staff will need to make some changes to accommodate the necessary integrations unless your acquirer can offer a single integration to multiple local payment types. Understanding which local payments are most important to your business strategy, without going overboard, can save you time and money.

To effectively reach all your global customers and compete, take the time to evaluate your strategy and the various options available. Pretty soon, you’ll be singing “zip-a-dee-doo-dah” as you remind yourself ... It’s a small world after all!