UNLOCKING GLOBAL COMMERCE GROWTH THROUGH LOCAL PAYMENTS

How Local Payment Methods are Transforming Global Online Commerce

firstdata.com/localpayments
The Global Digital Landscape

In today’s digital world, global connectivity is reshaping consumer behavior. Thanks to the widespread availability of mobile devices and instant access to data, information and knowledge, this era could rightly be characterized by consumer power: From anywhere in the world, the consumer has more power than ever to intervene, influence and impact transactions and events in real time. These shifts continue to drive major impacts on the future of global commerce.

In the 25 years since Tim Berners-Lee made the World Wide Web available to the public, the internet has become an integral part of everyday life for most of the world’s population. Fast forward to today, and there are more mobile connections (8.2 billion) than people (7.5 billion) on our planet.¹

Amid this accelerating connectivity, digital giants like Apple, Alphabet, Amazon and Facebook rank among the world’s most valuable companies, with a combined market value of over $2 trillion.² Their global dominance—combined with the network effect—enables these companies to drive commerce innovation, escalating the penetration and adoption of digital products and services worldwide. In this landscape, it’s no surprise that eCommerce continues to grow at an incredible rate. By 2020, retail eCommerce sales are estimated to increase to $4 trillion—double what they are today—accounting for nearly $1 of every $7 in retail spending worldwide.³

Looking beyond the current horizon, social media will likely play a big role in the future of eCommerce as leading social platforms continue to experiment with different ways to convert their vast audiences into prolific shoppers. Billions of consumers around the world already use social media to stay in touch and to learn about new products and services. These platforms hold a wealth of information for merchants regarding consumer purchases, interests, browsing history, preferences and connections. A next logical step would be to monetize this data network further and shorten the journey for consumers from discovery to transaction or purchase. Indeed, Facebook is expanding its focus on payments with trials in Southeast Asia, allowing users to pay for products listed on Facebook Pages with just a few clicks.

¹http://www.worldometers.info/world-population/
²https://www.gsmaintelligence.com/
³Statista: 100 largest companies in the world by market value in 2017
⁴Worldwide Retail eCommerce Sales: The eMarketer Forecast for 2016
⁵https://www.emarketer.com/Article/Worldwide-Retail-eCommerce-Sales-Will-Reach-1915-Trillion-This-Year/1014369
Digital Transformation is Driving Payment Innovation

Recognizing the vast opportunity, innovators have stepped in to develop highly tailored local payment methods, often referred to as “alternative payments” (indicating an alternative to card processing), to meet the unique needs of specific populations. Many of these payment methods extend access to new and underserved populations; others make eCommerce even more convenient for those in digitally advanced areas. Still others cater to the cultural preferences of sub-populations—such as using prepaid cards to avoid taking on debt. Even within markets, highly segmented populations each come with their own set of needs and wants. For example, India’s nearly 500 million internet users are split across multiple languages and face different digital infrastructure challenges, depending on the sub-region. Conversely, Europe, though highly advanced, remains highly fragmented—no single language, currency or digital platform is universally dominant.

While connectivity is expanding to the furthest reaches of the globe, almost half the world’s population still lacks internet access. Disparate levels of online access are deeply intertwined with disparate levels of economic development—which, along with the political and regulatory climate of a region, contribute to highly specific and unique consumer needs, preferences and challenges.

Local Payment Options Overtake Card Payments in Global Markets

With eCommerce growing rapidly in emerging markets and payment preferences shifting in advanced markets, by 2015 local payment methods already collectively accounted for a higher share of eCommerce sales than traditional credit card payments. Through 2020, the share of these local payment methods is projected to increase further still, while credit and debit cards are projected to lose several percentage points in their share.

Digital wallets have emerged as the top online payment method among the alternatives to bank cards, utilized for close to one-third of worldwide eCommerce sales—the second most-used payment method in cross-border online shopping. Providers such as PayPal® and Alipay® are preferred by a high double-digit share of online shoppers in countries such as China, Italy and Mexico. Other prominent local payment methods include bank transfer, direct debit, prepaid schemes and vouchers, payment on account and electronic cash payments.

“Today, consumers shop across international borders, and research shows that many will end a sale if their payment choice is not offered. Global businesses want to accept payments in the methods their customers prefer, all through a single-source provider, no matter where they are located.”

Shane Fitzpatrick
Global Head of eCommerce
First Data Corporation

THE EVOLVING LOCAL PAYMENTS LANDSCAPE

- Local alternative payment methods (e.g., Boleto, Yandex Money, Alipay, etc.) will continue to gain share within domestic eCommerce markets (71%)
- Mobile wallets will evolve to become the primary payment instruments for consumers (60%)
- Consumers will allow third parties to push payments on their behalf (58%)
- Millennials are going away from using payment (credit/debit) cards (45%)

Edgar, Dunn & Company - Advanced Payments Report 2017

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3.ibid.
Several markets are dominated by specific local payment methods. In the Netherlands, most eCommerce payments are made with iDEAL, which allows customers to buy on the internet using direct online transfers from their bank account. Boleto Bancario is a widely popular cash payment method in Brazil. When a consumer selects Boleto (Portuguese for “ticket”) on a merchant’s payment platform, the merchant site generates the billing details as a print-optimized document. The customer can then use that printed Boleto invoice to make the payment at a variety of locations, including ATMs, lottery agents, post offices, bank branches and some supermarkets. Adopting local payment methods like these is essential if merchants intend to be successful in a particular market.

The European region provides insight into the demand for these hyper-localized payment methods. As an open market with a high concentration of affluent shoppers, the region presents significant opportunities for global retailers. When evaluating any market within the region, merchants must consider that local payment methods can vary as much as the local language. With the right approach to localization, businesses can reach shoppers across Europe with relative ease. Connecting to these new consumers means adopting the payment options most familiar to them.

With populations in many countries clamoring for goods from outside their borders, businesses engaged in global eCommerce need a strategy to ensure they have the right payment mix. 

**Offering Local Payments Will Reduce Shopping Cart Abandonment**

Today’s consumers expect anytime-anywhere, highly personalized, intuitive and convenient shopping experiences, and eCommerce businesses go to great lengths to deliver this across their entire platform—ensuring easy access to the digital storefront, enabling intuitive shopping and personalized service. Perhaps no single stage of the digital shopping process is as critical to merchants as the checkout—where the potential for lost revenue is significant. Some of this revenue loss can be attributed to shopping cart abandonment—when shoppers select and add items to their carts but do not complete the purchase.

In 2016, the global average rate for shopping card abandonment was 77 percent, according to Barilliance, increasing from 71 percent the previous year. Taking this a step further, Business Insider’s analyst firm, BI Intelligence, studied the issue to figure out where and why customers typically abandon, finding that 46 percent of all cart abandonments occur at the payment stage. In fact, much of the problem stems from shoppers’ strong preferences for local methods of payment. In Germany, for example, as many as 52 percent of shoppers have abandoned their cart because their preferred local payment method was not available.

As consumer expectations continue to rise and the number of local payment methods increases, the shopping cart abandonment challenge will only grow. By focusing on expanding the number of accepted payment options, global retailers can deliver the full seamless experience that consumers demand. Providing these options at checkout can help merchants drive conversions, reduce cart abandonment, increase revenue and gain local market share.

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10 [YStats Global Alternative Online Payment Methods: Second Half 2016](https://www.ystats.com/market-reports/global-alternative-online-payment-methods-second-half-2016-2/)
Factors Driving Adoption of Emerging Payment Methods

Multiple factors are driving both consumer adoption of emerging payment methods and merchant response. Advances in technology, new regulatory pressures, the imperative for businesses to respond to the needs of their customers and the consequent emergence of new business models are all fueling this dynamic. Growing internet penetration and the unique concerns of younger populations further accelerate this trend.

According to a recent report from WeAreSocial and Hootsuite, there are now over 4.9 billion unique global mobile users and more than half of the world’s web traffic now comes from mobile phones. When smartphones usage is broken down by age group, the long-term influence of mobile adoption becomes even more apparent. In the U.S., for example, penetration is highest among Millennials aged 18-24, 98 percent of whom own smartphones. Millennials aged 25-34 are right on their heels, with a 97-percent ownership rate, followed by Gen Xers aged 35-44 at 96 percent. In other words, smartphones are now nearly ubiquitous among all younger Americans.

This accelerating mobile adoption directly relates to the tremendous growth and popularity of mobile-friendly payment methods from mobile wallets options used worldwide like Apple Pay® and PayPal®, to regional online banking schemes like iDEAL, which holds well over 50-percent market share in the Netherlands. In short, as more consumers spend more time on their smartphones—conducting a wider range of daily transactions and activities—there is tremendous potential for continued growth and expansion of mobile-based local payment options.

Consumer awareness of security incidents is at an all-time high. Hackers target credit and debit cards because of their prevalence, which has led many consumers to view these cards as the least secure option for digital transactions. This has prompted consumers to be more open to payment methods designed specifically to consider the potential security threats of the eCommerce environment. Payment security concerns are significantly higher among younger generations, as recent research from TransUnion shows that 68 percent of Millennials tend to halt online transactions when they have doubts about payment security—compared to only 28 percent of Baby Boomers.

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**MOBILE ADOPTION**

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**TRUST**

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**GLOBAL DIGITAL SNAPSHOT - JANUARY 2017**

Key Statistical Indications for the World’s Internet, Mobile, and Social Media Users

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Population</th>
<th>Internet Users</th>
<th>Active Social Media Users</th>
<th>Unique Mobile Users</th>
<th>Active Mobile Social Users</th>
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<td><strong>7.476</strong></td>
<td><strong>3.773</strong></td>
<td><strong>2.789</strong></td>
<td><strong>4.917</strong></td>
<td><strong>2.549</strong></td>
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<tr>
<td><strong>URBANIZATION</strong></td>
<td><strong>54%</strong></td>
<td><strong>50%</strong></td>
<td><strong>37%</strong></td>
<td><strong>66%</strong></td>
<td><strong>34%</strong></td>
</tr>
</tbody>
</table>

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Factors Driving Adoption of Emerging Payment Methods

REduced RISK AND COST OF CHARGEBACKS

Many local payment methods operate on a ‘push’ model instead of the traditional ‘pull’ model. In this model, customers directly send (push) money to the merchant, instead of the merchant pulling money from the customers’ accounts. Not only does this give the consumer a greater sense of control, it can hold a significant benefit for merchants. Because the consumer initiates the transaction, the push model can dramatically reduce the risk and related costs of chargebacks. In fact, most local payment methods do not even allow chargebacks and are payment-guaranteed, significantly reducing the risk of the transaction to the merchant.

INTENSE COMPETITION—NO SINGULAR DIGITAL PAYMENTS PLATFORM

In markets around the world, consumers conduct digital transactions across a wide range of digital platforms. The breadth of these platforms has created diverse and intense competition, with pure payment companies competing with the companies that build the digital platforms, as well as upstart tech companies building their entire business around a highly specific local payment method.

UNdERSERVED OR “UNBANKED” MARKETS

In many emerging markets, access to traditional banking services remains a barrier to global commerce. Consumers have smartphones, laptops and tablets but can’t obtain credit or debit cards for online purchasing. Local payment methods can help solve this challenge by lessening the many requirements (income, credit history, etc.) that most card issuers require. Know-your-customer (KYC) requirements still present challenges for these markets, but local payment options remove a significant barrier, providing large populations of underserved consumers with quick and easy access to the global eCommerce marketplace.

With consumer knowledge of and confidence in local payments at an all-time high, online businesses must act quickly to ensure that they are working with right payment service provider for their business: one that provides specialized knowledge of the global payments landscape, understands their local markets and will keep their business secure and their customers satisfied—all at a reasonable cost.

A NEW GENERATION OF DEBT-WARY CONSUMERS

Today, younger consumers—debt-wary and concerned about overextending themselves financially—seek greater control of their finances. In the U.S., data from the Federal Reserve indicates that the percentage of Americans under 35 who hold credit card debt has fallen to its lowest level since 1989, when the Fed began collecting data in a standardized way. To many, credit cards represent the ‘old way’ of handling personal finances, whereas payment methods like prepaid cards and eInvoicing are seen as more fiscally responsible—no debt, no interest and a more real-time view of transactions and assets.
The Right Local Payment Mix Provides Competitive Advantage

Businesses engaged in online global commerce need to have a strategy to ensure they have the right payment mix to maximize sales conversion based on the rise of local payment methods. It’s clear that online merchants concur with this reasoning with three in four businesses accepting at least three different online payment options, according to a 2016 yStats.com survey. The global consumer expects convenient and frictionless payment experiences, and is more likely than ever to migrate from business to business in search of the best user experience and the most convenient payment options, making loyalty much more difficult to achieve and retain. Merchants need to re-calibrate how they respond to consumers’ local payments preference to retain a competitive edge.

But providing more choice for the consumer can immediately create more complexity for the merchant, who must ensure clarity, consistency and quality across all interaction points.

Resolving Local Payments Complexity

While the diversification of the payments landscape can connect new consumer populations and drive growth, it can also present barriers to merchants seeking to capture the burgeoning global commerce opportunity. Many merchants recognize the need to accept a wider range of local payment methods, but with the landscape growing more complex daily, they face an overwhelming range of technological, regulatory and risk management requirements that threaten to pull attention and resources away from their core business.

In response, forward-thinking businesses are increasingly leveraging strategic partnerships with global commerce enablers like First Data to manage these complexities.

“Businesses engaged in global commerce need a strategy to ensure they have the right payment mix to maximize online sales conversion.”

Peter O’Halloran
Vice President, eCommerce, International
First Data Corporation

https://www.ystats.com/market-reports/global-alternative-online-payment-methods-second-half-2016-2/
Driven by consumer demand and preference for payment choice, First Data offers merchants the right mix of consumer-driven payment choices, providing over 195 local payment options when implemented. But it doesn’t end there: Our expanding portfolio includes the addition of innovative new payment methods with meaningful market share in their respective countries.

As consumers engage across multiple channels, on multiple devices, with an increasingly complex range of payment methods, retailers can be faced with increased fraud management complexity. Our comprehensive fraud-prevention solutions provide real-time fraud scoring and machine learning capabilities designed to reduce a merchant’s overall exposure and the swelling cost of fraud. First Data also offers the highest available level of platform security through our PCI Level 1-certified Gateway.

Moving into new global markets can entail taking on new kinds of risk. Our deep payments expertise underpins our robust risk management services. This includes our treasury management service, which lets merchants convert payments into their preferred settlement currency—available in 15 currencies depending on payment scheme—without being exposed to the vagaries and risk of exchange rate fluctuations.

First Data provides a robust technological infrastructure that can support local payment methods all over the world, enabling merchants to offer their global consumers a simple, intuitive and seamless payment experience. This single-partner, single-platform solution covers the entire payment acceptance process from funding through technical integration, including:

- Legal: Single contract for local and card payment methods
- Money flow: Single source of reconciliation, reporting and funding
- Commercial: Single source of commercial terms for local payment methods
- Technical: Single access point for local payment methods
- Client Support: Single point of contact for local payment processing
Harness the Power of a Single Payments Partner to Drive Innovation and Build Revenue

Know-your-customer (KYC) requirements still present challenges for these markets, but local payment options remove a significant barrier, providing large populations of underserved consumers with quick and easy access to the global eCommerce marketplace.

These combined trends present an incredible opportunity for online merchants. As consumer-driven local payment methods gain wider adoption and increasingly replace traditional methods, acceptance of emerging payment methods will become an essential component of any successful merchant growth strategy.

As the leading global commerce provider, First Data is uniquely positioned to equip online merchants to respond to ever-shifting consumer payment preferences. With our global coverage, single contracting and integration relationship, and a broad and expanding portfolio of local payment methods, we are the right partner for businesses seeking to optimize revenues, minimize costs, mitigate risk and connect with new markets and customers across the globe. First Data’s Local Payments solution provides merchants with the wide-ranging benefits of a single point of integration for all payment methods—both traditional and local. Merchants can achieve the agility required to evolve their payments operations quickly in line with consumer demands, enabling them to deliver outstanding customer experiences, reduce cart abandonment, encourage customer loyalty and drive global growth.

### Local Payments Across the Globe

#### GLOBAL

| 40 Countries, Including Australia, Austria, Belgium, Canada, Cyprus, Finland, France, Germany, Gibraltar, Greece, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Malta, The Netherlands, Norway, Peru, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States, Uruguay | paysafecard |

#### LATIN AMERICA

| Argentina | Pago Fácil, Provincia NET, Rapipago, Santander Rio |
| Argentina, Bolivia, Brazil, Chile, Colombia, Mexico, Peru, Uruguay, Venezuela | AstroPay Card |
| Argentina, Brazil, Chile, China, Colombia, Mexico, Uruguay | dLocal (formerly AstroPay Direct) |
| Brazil | Banco do Brasil, Boleto Bancário, Bradesco Itau, Santander |
| Chili | Banco de Chile, Servipag, WebPay |
| Colombia | Baloto, Banco de Occidente, Carulla, Davivienda, Efecty, PSE, SurtiMax |
| Mexico | Banamex, BBVA Bancomer, OXXO, Santander Mexico |
| Uruguay | Redpagos |

#### ASIA PACIFIC

| Australia, New Zealand | POLi |
| China | Alipay |
| Singapore | eNETS, SingPost SAM |

#### EMEA

| All SEPA countries (EUR) | SEPA, SEPA Payout |
| Austria | EPS |
| Austria, Belgium, Germany, The Netherlands, Spain, Italy, France | SOFORT Banking/SOFORT Überweisung |
| Austria, Brazil, Colombia, Costa Rica, Germany, Spain, Mexico, Nicaragua, The Netherlands, Panama, Peru | SafetyPay |
| Belgium, France, Italy, Luxembourg | MyBank |
| Czech Republic, Estonia, Hungary, Lithuania, Latvia, Slovenia, Slovakia | TrustPay |
| Germany | giropay, Instant Transfer |
| Spain | Teleingreso |
| Finland | Verkkopankki |
| Finland, Sweden | Zimpler |
| Kazakhstan, Russia | QIWI Wallet, QIWI Payout |
| The Netherlands | IDEAL |
| Poland | Przelewy24 |
| Portugal | Multibanco |
| Sweden, Finland, Germany, Austria | Entercash |
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