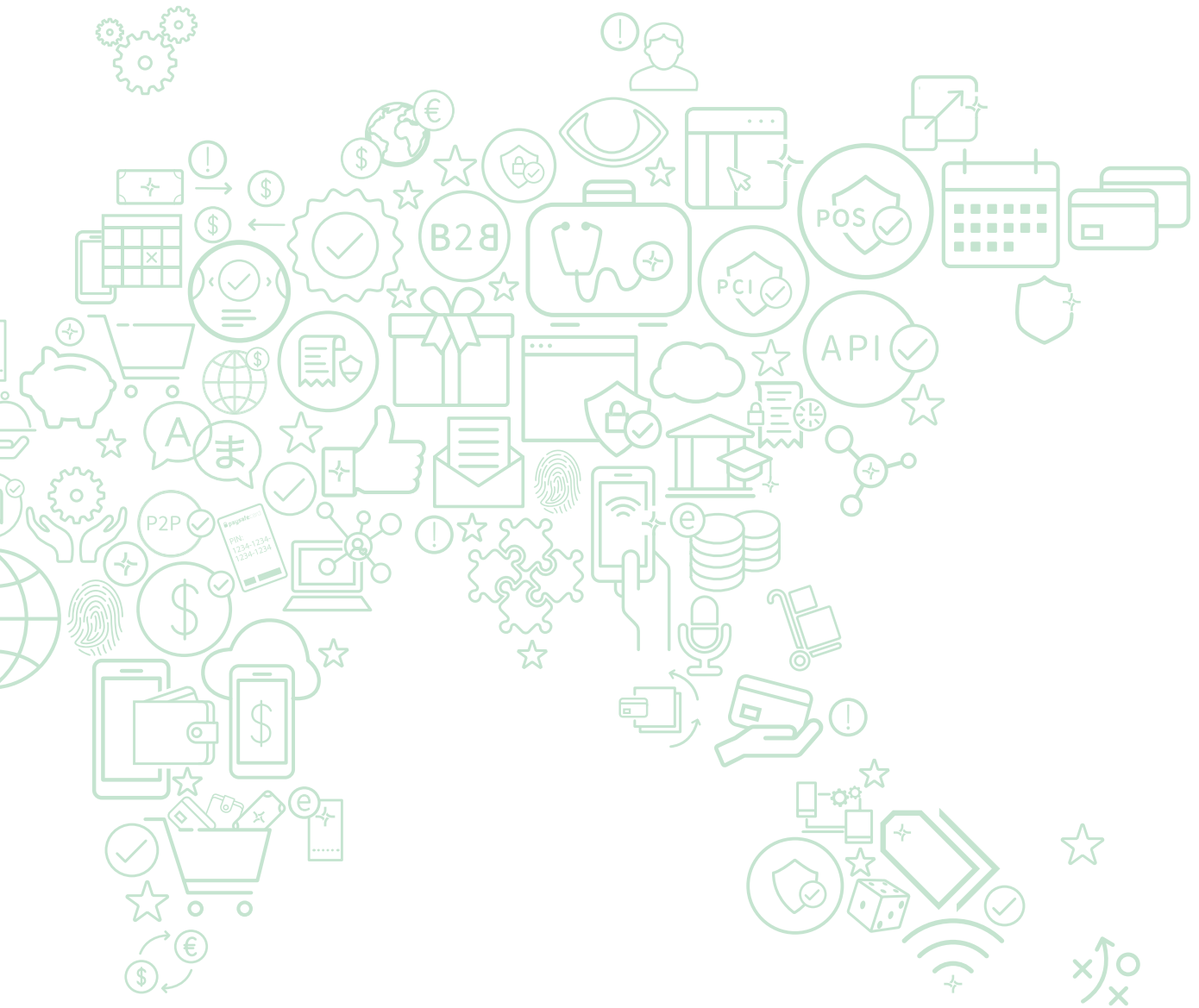




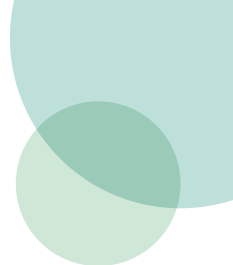
Beyond Payments

Five proven strategies to achieve
cross-border e-commerce growth

Paysafe 



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Executive summary

For many of today's European e-commerce businesses, payments are perceived as a commodity. Forward thinking businesses are switching on to the potential of cross-border payments to drive competitive advantage, looking beyond transaction processing at how they can differentiate, add value and enhance their service proposition.

Cross-border payments are therefore changing the role of the Payment Service Provider (PSP). Today's international merchants use PSPs as partners, leveraging their capabilities and experience to shape new pan-European B2C and B2B commerce services.

In this paper, we reveal how new payment technology and evolving PSP relationships can be used to deliver five powerful payment strategies that will ensure cross-border success for business growth.

We will reveal how merchants can extend the payment value chain with a new generation of full-service international payment solutions and services capable of driving critical market expansion, and show how redefining cross-border service models and strategy can help futureproof business in line with evolving consumer expectations and habits.

Cross-border payments are, therefore, increasingly important for businesses to remain attractive and relevant for growth. Originally established as a B2B solution for low volume high value transactions, cross-border payments have, up until recently, been mainly used to transfer money from one country to another using bank-based platforms. These can prove difficult, costly and complex for merchants and their online payments.

However, this is rapidly changing due to:



Regulation

EU regulation such as SEPA for Payments and Payment Service Directive II (PSD2) are focused on opening up financial service markets to more agile competition, freeing merchants from disparate interchange fees while enabling instant account-based payments and secure, seamless international trade.



Technology

Recent advances in gateway technology and instant payments, mean that merchants can look beyond banks to payment service providers that can plug them into a new generation of multi-currency, multi-lingual and multi-channel payment gateways. These simplify cross-border payments and make them faster and easier than ever before. Importantly, they also open the door to new applications for high-volume, low-value cross-border payments such as retail and e-commerce payments.

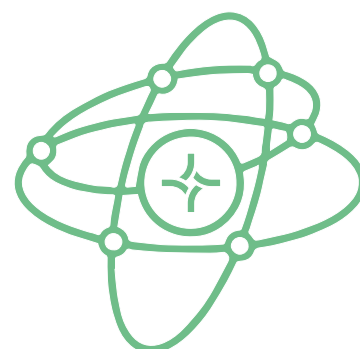



Security & Compliance

New anti-fraud, encryption and authentication technologies combined with neural models and rules engines as well as PCI and PSD2 are tightening up security around cross-border payments. The right international payment provider can help merchants navigate domestic and international security requirements and ensure local and international compliance to prevent chargebacks and fines and build trust while operating in overseas markets outside their comfort zone.

There is no doubt that consumers want the freedom to purchase abroad and that merchants want to be able to reach lucrative new business in overseas markets. In addition, the technology and legislative framework is now in place to support the escalation of international e-commerce, particularly in Europe. But, to successfully realise their international ambitions, businesses must have access to scalable, reliable and fast cross-border payments.

Cross-border online B2C sales will more than double in the next five years.





Leveraging a global payments partner to support cross-border strategy

Businesses don't have to go it alone when it comes to planning and deploying a cross-border strategy. The right PSP with international experience and global acquiring expertise can help businesses save on cost and simplify deployment via a single source, full-service, multi-territory payment processing solution.

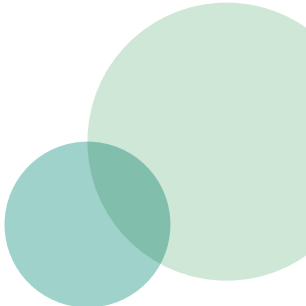
This means choosing a PSP partner that can also:

- Select the right cross border approach and payment methods to support long term growth
- Demonstrate agility and flexibility to adapt to the ever-growing number of payment methods and consumer technology trends
- Steer through the regulatory environment, so they can help merchants prepare for change

- Customise their offerings for local markets and their preferred payment methods.

A global PSP can help provide a foundation for new international service models that break down transactional barriers between countries, creating economies of scale and allowing infrastructure to be consolidated. It can reduce effort involved in collection and reconciliation processes, provide interchange flexibility and improve cash flow management. Supporting gateways with innovative pre-configured software solutions, they can also enhance the merchant's proposition with integrated services to stimulate new international revenue streams.

Developing proven strategies for expansion



As e-commerce competition intensifies, cross-border payments have become a proven way for retailers to differentiate, add value and attain a significant competitive advantage.

To help businesses maximise their investment and exploit cross-border payments across their operations, Paysafe suggests five key areas

where they can be used strategically, to enhance commercial success and transform current customer-facing services.

Global reach and local relevance – explore alternative payments

Businesses need to recognise the role of variety, choice and relevance of local payment methods when developing a cross-border strategy.

Traditional credit cards aren't always the preferred payment method internationally.

Payment methods matter, particularly when launching a business internationally. Local consumers are more likely to abandon their basket if they can't find their preferred method of payment at the checkout^v, and this is particularly relevant in Europe where local solutions such as direct debit, debit cards and bank transfers are sometimes more popular than global credit cards^v.

Businesses should rely on the support and knowledge of their PSP to secure the relevant offering according to their targeted markets. Local alternative payments are often operated by local banks, use local currencies and are designed for their market's unique applications, settlement processes and country regulations. In addition, they also carry significant brand equity and trust. Merchants looking to open up their business across Europe need to consider including payment methods such as SEPA Direct Debit, GiroPay and Sofort in Germany and BACS in the UK.

Other newer forms of alternative payments include mobile payments and wallets such as Android Pay and Apple Pay. These can help elevate a merchant's brand relevance amongst millennials and tech-savvy consumers. E-wallets such as NETELLER and Skrill can also be considered as part of a merchant's alternative payments portfolio.

These quick and efficient payment methods are already used by millions of consumers in more than 200 countries and provide additional options to add, withdraw and transfer funds which can be positioned as a value-add for merchants offering this type of payment method.

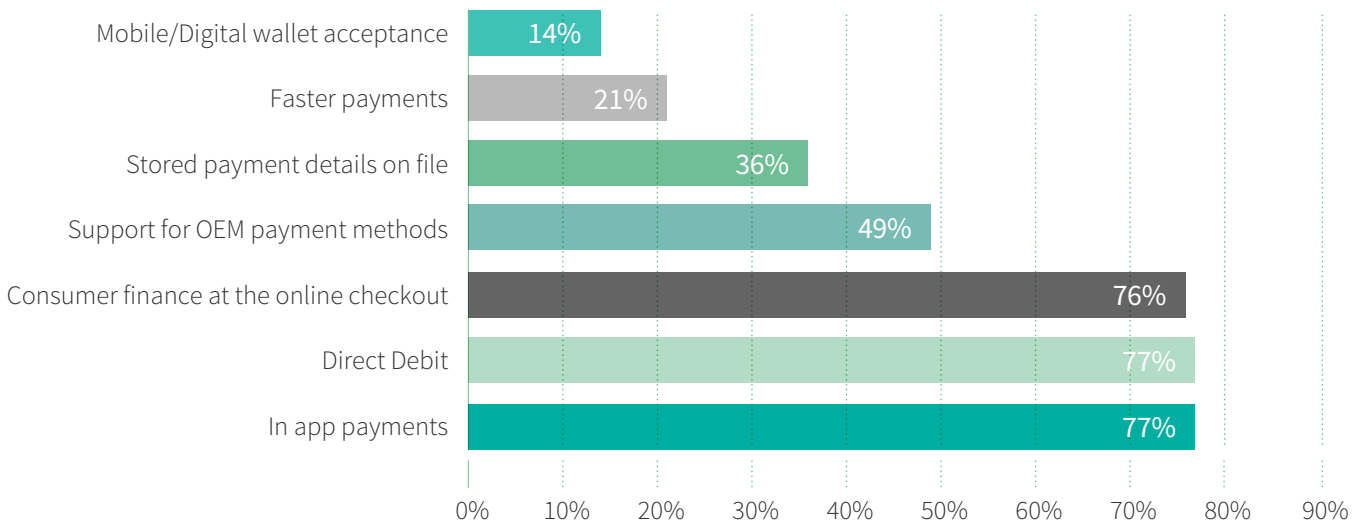
Some alternative payment methods can provide value-added features such as flexibility to a merchant's payment portfolio.

Credit programmes have long boosted sales and loyalty, increased cart size, and reduced a merchant's own payment interchange fees. While traditional credit processes were cumbersome and complex in the past, a new category of flexible financing that delivers instant credit at the checkout is rewriting the rules.

Using smart technology and algorithms to authorise credit in near real-time, these greatly simplify credit processes and minimise risk for the merchant, enabling them to offer new types of instant financing at the checkout including 'pay later'.

Now merchants can use online finance to broaden sales appeal to specific demographics such as millennials – over 65% of whom don't have a credit card – families, students and silver surfers who may be worried about cash flow, traditional credit card charges or internet security.

Would you in future like to offer the following payment methods?



Source: Ovum/Informa

In Northern Europe, this type of service is already common place and is starting to grow in popularity in countries where e-commerce demand is driving greater checkout choice. In the UK, merchants are also starting to switch on to new forms of financing. When asked about future checkout strategy, 76% of UK retailers expressed a desire to offer consumer finance at the online checkout^{vii}.

Adding 'pay later' services and apps to cross-border payment platforms allows merchants to extend credit services to international customers. This helps remove some of the 'fear' consumers have around buying online. 'Pay later' allows them to 'check out' goods before they purchase, a real competitive advantage that helps retailers to stand out in the crowded online commerce space.

There is a wide variety of alternative payment methods available for merchants to integrate and accept today. Combined with the increasing number of devices which consumers use to pay, it can be a challenge for merchants to identify the relevant portfolio of payment methods to accept when growing their business abroad.

The right payment provider will offer the appropriate advice to merchants when selecting a payment method and help navigate the international regulatory environment. They should also offer advanced functionality to enable merchants to further compete in the market – including frictionless recurring payments, VIP and loyalty programmes, linked virtual and plastic payment cards and mobile-optimised solutions, all while accepting multiple currencies.



65% of millennials don't have a credit card^{vi}.

Put security and compliance at the heart of your international growth strategy

Implementing strong security measures for merchants and their customers will protect business for long-term cross border growth.

Ensuring customer and payment security is a prerequisite for anyone doing business online. When trying to establish business overseas, securing customer trust and brand reputation is vital.

Fraud in international channels is 2.5 times higher than in domestic channels^{viii}, so the risk is much higher. It's important that merchants have the right fraud checks in place before they start trading internationally or they risk costing themselves lost revenue and chargebacks cutting into profits.

Of course, they need to be PCI compliant, not just at home but also abroad, and will want to minimise scope as much as possible with security features such as point-to-point encryption and tokenisation, which also prevent loss of valuable payment data.

While the new PSD2 regulation, which comes into force in January 2018, calls for more robust two factor authentication, there is growing pressure for online merchants to be allowed to choose their preferred electronic payments authentication technique if it provides an equally high level of payment fraud protection.



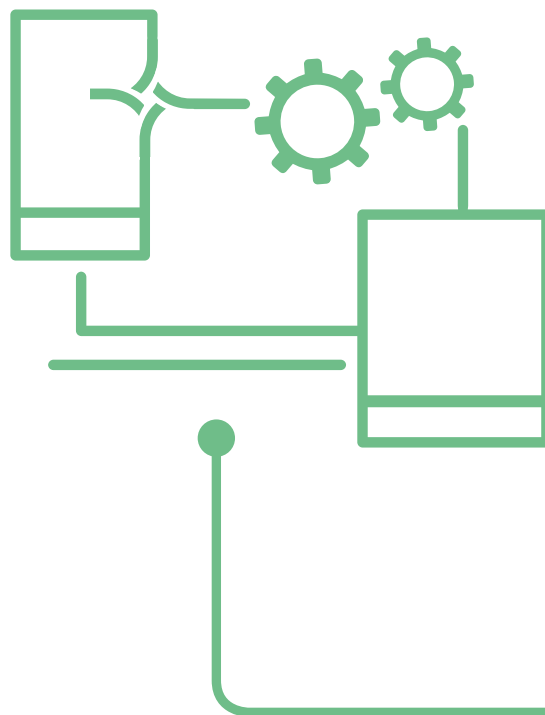
Companies clearly need support to ensure that fraud management is an integral part of their cross-border e-commerce plan. They need an agile PSP that can adapt their technology to protect customers and aid compliance for cross-border payments.

A single technical integration to a global payment network is just one of the ways that payment providers can offer better value and security. Some, including Paysafe, can also provide international anti-fraud services and software, with rules engines designed to identify and minimise fraud in real-time cross-border sales environments.

Too much complexity at the checkout, however, can act as a barrier to sales. While merchants must prioritise security, they must also make sure 'lock-down' doesn't happen at the expense of user experience. Specialist insight and expert risk analysis is required to ensure that relevant fraud prevention tools are configured for each local market, with fraud settings customised to maximise sales conversions.

If security is too lax fraud can easily occur, if too stringent, it introduces friction. For example, customers shopping from a different device, location or time of day may be rejected by overly sensitive fraud rules, and may not return. Again, a good cross-border payment partner will help merchants strike the right balance.

A single technical integration to a global payment network is just one of the ways that payment providers can offer better value and security.



3

Build a seamless customer experience throughout the international e-commerce journey

Cross-border payments can help drive connected experiences at home and abroad. If delivered seamlessly, they also boost loyalty and build trust with customers in key growth segments.

Providing a seamless experience between online, mobile, in-app and in-store payments allows for better consumer stickiness and opportunities for growth. Over 37% of merchants say that omni-channel is a strategic priority for their business in the next three years^{ix}.

This also speaks true for international businesses. Merchants must extend a ‘seamless experience’ philosophy across countries if they want to resonate with today’s consumer who expects a simple and safe transaction experience regardless of where they are located, what time it is and whether the product is available in store – we call this the “infinite aisle”.

The concept of the infinite aisle is now turning to omni-channel, enabling payments on any platform and allowing merchants to enable payments anywhere in the world. To deliver this, merchants must use data to drive their strategy. It’s critical that they have the tools to understand how many merchants they have, their lifetime value and opportunities for growth.

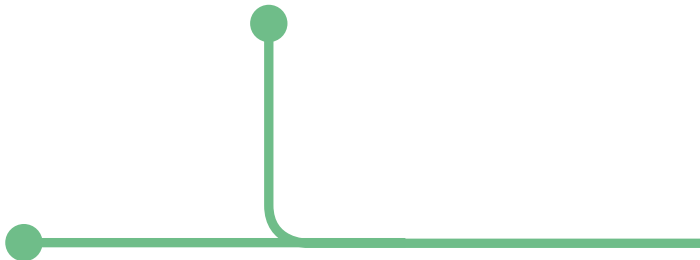
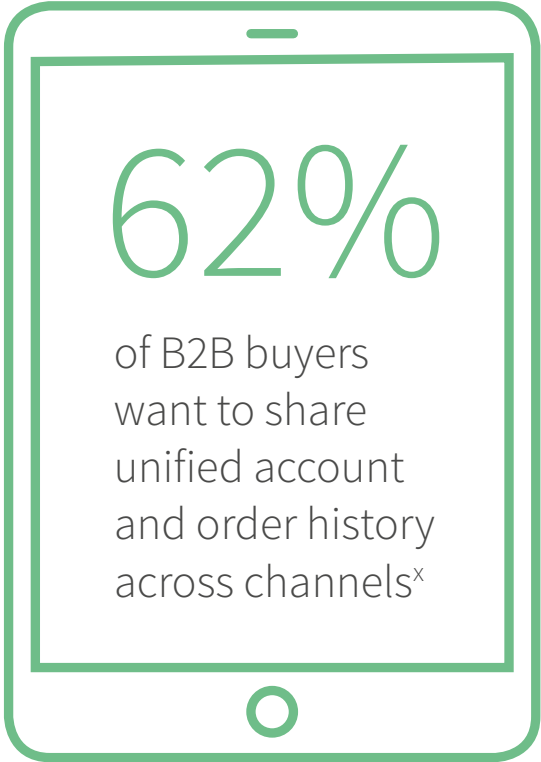
Successful omni-channel strategies not only focus on a seamless customer experience, but also tap into unified data. There is high demand for this operationally. 68% of B2B buyers want to view their activities across all channels, while 62% want to share unified account and order history across channels^x.

Over 37% of merchants say that omni-channel is a strategic priority for their business in the next three years^{ix}.



Building cross-border omni-channel strategies to satisfy customers' demands isn't simple, and can't be done in a day.

Building a cross-border omni-channel strategy requires an integrated approach across all touchpoints in the buyer journey, as well as the right platform to unify the processes involved. Choosing a payment partner that can aggregate and provide data to merchants, as well as offer the payment methods required for omni-channel, will provide value for businesses competing in today's e-commerce landscape.



4

Offer added-value payment solutions for a competitive edge

Offering innovative and engaging payment solutions can help differentiate businesses looking to compete in international markets.

Competition is fierce across all sectors of e-commerce. Merchants are vying for attention and, when competing in international markets, they require innovation and alternative payment acceptance solutions that will make them stand out from the crowd.

Prepaid is a great example of a card-based service ripe for exploitation in Europe.

Merchants can use prepaid, to facilitate internal processes such as cross-border employee payroll cards or customer prepaid services like consumer currency cards, gift cards and loyalty cards. They can also offer e-commerce cards that allow security conscious or under-served consumers to make online purchases, without a credit or debit card.

By 2022, the global prepaid card market will have a CAGR of 22.7% and be worth \$3,653 bn. Europe dominates the global market in terms of revenue and demand, accounting for more than 49% of this figure^{xi}.

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However, the prepaid sector is also a competitive and challenging one, with many programmes failing to gain the traction required to provide value. Merchants who want to consider enhancing their European expansion plans by implementing a prepaid programme require the right expertise from a knowledgeable payment provider that can guide them with the right strategy.

There are several different types of prepaid solutions available, including:



Stored Value Cards

- **Closed-Loop** or single-purpose cards are limited to use with the merchant that issued the card e.g. store-branded gift cards and prepaid phone cards.
- **Open-Loop** or multipurpose cards are accepted at more than one merchant e.g. health savings and dependent care accounts, payroll cards, Electronic Benefits Transfer (EBT).



PIN-based prepaid cards/ vouchers

- These allow consumers to convert cash into digital currency to pay for goods and services, online and in-store, using a PIN number supplied with the card/voucher. They can also be used to top up digital wallets on mobile phones. Purchase and redemption is via affiliated merchants, distributors and points of sale.
- paysafecard is one of the most popular international PIN-based prepaid solutions. With this, purchased PINs can be added to and organised online in special user accounts. Once registered, the user doesn't have to remember and input their 16-digit PIN every time they want to draw down value. Funds from multiple PINs can be combined and users also benefit from a loyalty scheme.

PIN-based prepaid cards/ vouchers allow consumers to convert cash into digital currency to pay for goods and services, online and in-store.



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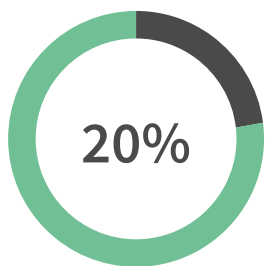
Don't exclude the underserved who use new digitised cash solutions

Cross-border payments that allow entry into the digital world for the underserved, and those who are still cash-orientated, can take commerce into untapped and lucrative new markets and develop more inclusive economies

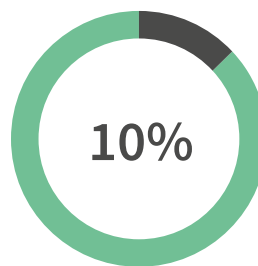
Those who are reliant on – or prefer to use – cash, can find themselves locked out of today's increasingly digitised retail and financial service

economies. Financially underserved populations are not just an issue for emerging economies.

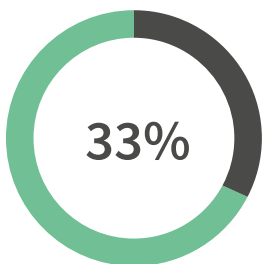
In Europe, more than 138 million people do not have bank accounts and are, in essence, financially cut off from society^{xii}.



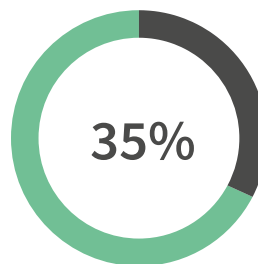
don't want a bank account^{xiii}



imply they don't trust banks with their money^{xiii}



of the unbanked are in full time employment yet don't have access to credit, savings, or any form of banking payment technology^{xiv}



are aged 18-34^{xiv}

There are also many who may have bank accounts but don't, or can't use them. In countries like Greece, for example, where the economy is under severe financial stress, the issue is not necessarily about financial exclusion but about not being able to access cash, debit and credit services due to nationwide banking restrictions and withdrawal limits.

Preventing cash users from accessing digital commerce can stifle economic growth and retail markets. That's why many countries are switching on to digital cash alternative payments.

For example, paysafecard is an international scheme that enables consumers to convert cash into digital currency to pay for goods and services online, without having to provide any bank or credit card details.

paysafecard is available in 44 countries at over 500,000 leading stores and can be used with thousands of e-commerce stores online.

In the same way, consumers can also buy top-up credit for digital wallets and then use these to shop via their mobile phones.

By driving new cross-border services, that allow consumers to transfer their cash into digital value, merchants, their partners and financial service providers can champion financial access to the millions of consumers who prefer alternative payment methods to credit cards.



Championing the cash consumer with Paysafecash

Paysafe's desire to champion the cash consumer, and the success that paysafecard has had in bringing an alternative cash-based solution to online payments, has uniquely enabled us to develop an additional alternative payment method, Paysafecash. Paysafecash allows consumers who do not have access to credit cards or do not wish to use them for online payments, to order items online and pay for them offline at a participating retailer, then

have their goods delivered to them immediately after payment.

The solution, which will be launched later this year, will provide participating merchants with a relevant proposition for underserved cash-users or for users who are sensitive to their data protection online, with a payment solution that is secure, fast and convenient.

Conclusion: Cross-border and e-commerce beyond traditional payments

- Savvy shoppers increasingly look overseas for more competitive pricing and a broader range of goods and services. In addition, merchants want to expand beyond their saturated domestic markets.
- The resulting boom in international e-commerce, is driving demand for better, faster and more flexible cross-border payments.
- New regulatory and technical infrastructure is helping to shape a new generation of cross-border payments suitable for B2C, and B2B and B2B2B payments and services.
- Forward-thinking merchants are seeking to maximise their investment by adopting innovative strategies that go 'beyond payments' to deliver broader, richer, more seamless and inclusive cross-border services for their customers
- Well thoughtout and delivered, these can drive competitive advantage, help to engage new audiences and stimulate growth.
- Central to success is selecting the right cross-border payment partner with the capability and vision to bring new services to life while navigating complexity, simplifying processes and reducing risk.

The payments landscape is undoubtedly changing. The growth in e-commerce is fuelling a shift to digital alternative payment methods and mobile-initiated transactions, propelled by growing consumer demands for security, convenience and control over their spending.

The most successful European merchants will be those who have the foresight to harness these new services to drive innovation, transformation, efficiency and seamless delivery across borders.



Success for these merchants will also lie in the use of payment tools such as prepaid solutions, mobile wallets, financing, and alternative payment methods to expand into new international markets, tap into new revenue streams and engage new audiences.

To help them do this, they will need to select cross-border payment partners with the expertise and solutions, not just to make their transition smooth but also to take them beyond payments – to boost return on investment, drive competitive edge, and accelerate market expansion and growth.



Choosing a cross-border payment partner? Make sure they can:

- ✓ offer a broad mix of services that add value beyond payments
- ✓ provide a wide choice of payment acceptance including mobile wallets and alternative payments
- ✓ comply with local regulatory requirements in all the countries they do business
- ✓ simplify delivery with white label and customisable solutions tailored for multiple business models and markets
- ✓ support your vision with experience and international reach
- ✓ have the scale, resiliency and resource to deliver consistent and seamless services 24/7
- ✓ deliver solid international merchant and customer support
- ✓ supply comprehensive fraud and risk management services and market and audience analytics



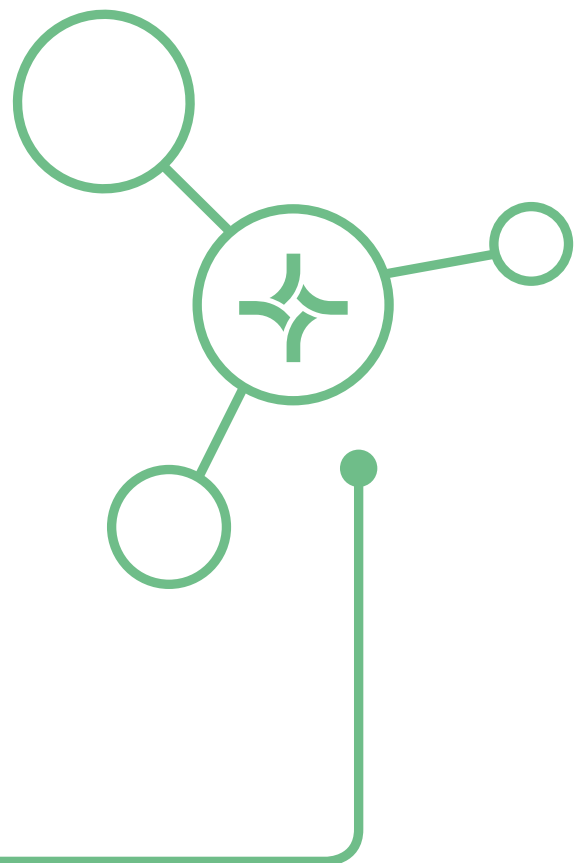
How Paysafe can help

One of the earliest digital payment champions, Paysafe has been at the centre of innovation in global payments since 1996. We understand how to stay ahead of the curve by anticipating new customer needs, how to react to changes in regulation and how to leverage new technologies for commercial success.

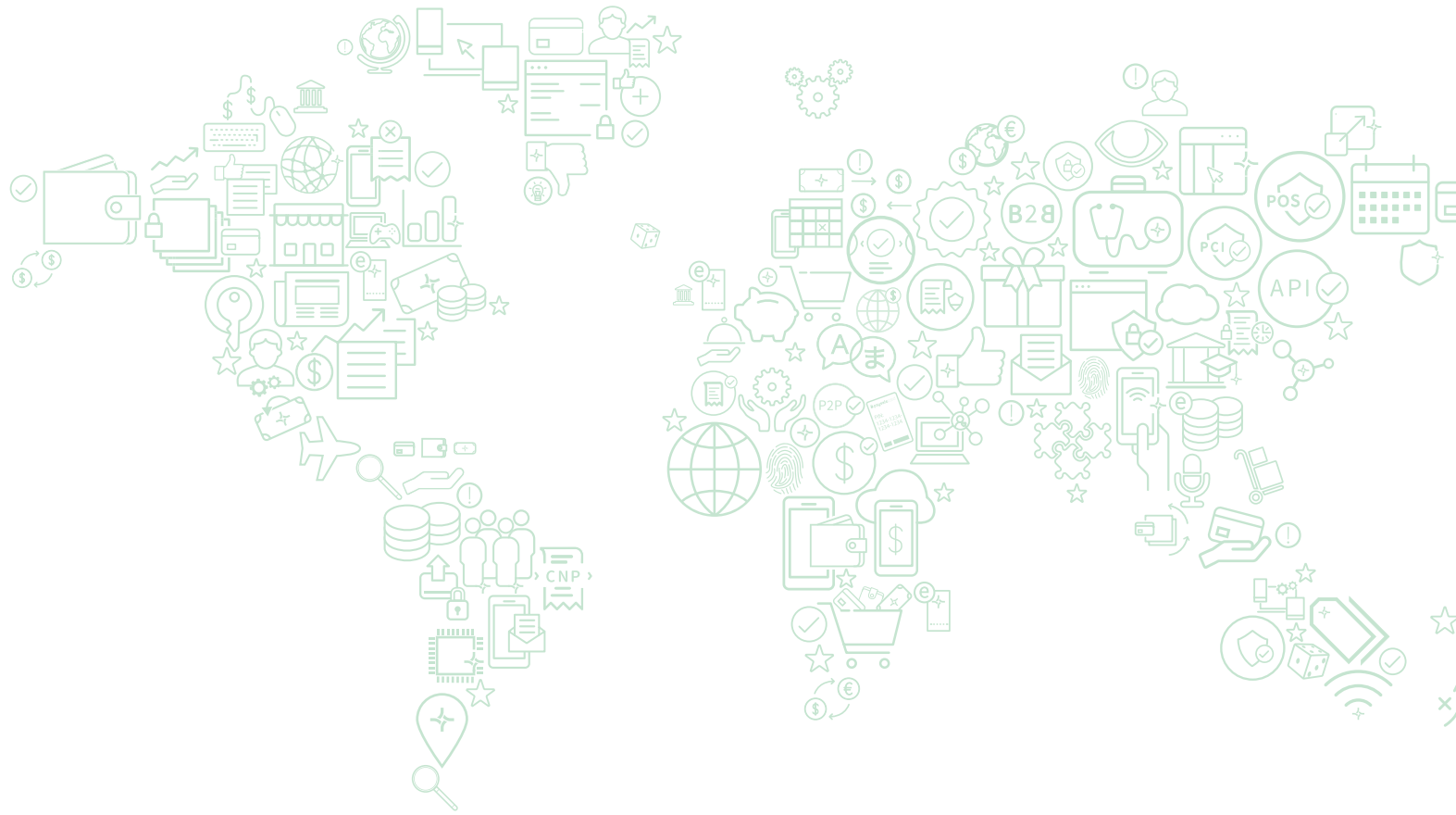
Cross-border payments is part of Paysafe's ongoing strategy to provide holistic and relevant payment solutions to businesses and consumers worldwide.

From cash to digital currency; one stop processing to multi-currency consumer wallets and remittances; from order-ahead mobile apps to pay-later credit solutions – the diversity of Paysafe's portfolio reflects our mission to meet the evolving needs of businesses and consumers in the ever-changing payments landscape.

This pioneering approach has shaped our unique offering for Merchants, Partners, Developers and Consumers to explore e-commerce solutions beyond traditional payments.



Beyond Payments – Paysafe’s Cross-Border Expertise





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