

# 2015 The Global E-Commerce Payments Guide

The global e-commerce market is projected to grow to \$1.7 trillion in 2015, and reach over \$2 trillion by 2017. Over this period, cross-border e-commerce (where shoppers buy from businesses in other countries) is expected to grow at 21%, compared to 9% for domestic e-commerce.

## Hundreds of millions of your potential customers don't use international credit cards

The growth in cross-border e-commerce is a huge opportunity for many businesses to expand internationally, but certain friction points remain, and one of those friction points could be online payments.

While it is often assumed that most of the world's shoppers use international credit cards to make online purchases, this is not the case in many of the world's biggest markets.

Consider these three key global markets:

- In China, only 1% of shoppers pay with international credit cards.
- In Brazil, only 30% of credit cards can make international payments.
- And in Germany, three quarters of shoppers prefer not to use credit cards when making an online purchase.

Instead, shoppers in these key global markets use an array of local payment methods, **Alipay**, **Tenpay**, and **UnionPay** in China, **Boletos** and **domestic credit cards** in Brazil, and **SEPA direct debit**, **SOFORT**, and **Giropay** in Germany.

China, Brazil and Germany are only three examples of markets

in which credit cards are not the primary methods of making payments online, but there are many more.

*Connecting to these customers isn't that hard*

Alipay, Boletos, SOFORT. The names may sound unfamiliar, but with the right partner, **setting up many of these payment methods is actually not that complicated.**

To help growing businesses expand globally by offering the right mix of targeted payment methods, Adyen, a global payments technology leader, has created this new report, *The Global E-Commerce Payments Guide*. In it, we outline:

- The breakdown of key payment methods in 29 markets around the world.
- Inside tips on payments best practices for market entry.
- Information on how Adyen can help businesses leverage payments to go global with a single partner.

Making the online payments process as smooth and seamless as possible for customers is crucial to commercial success – and our aim is for this guide to act as a useful reference on your journey to global payments success. Enjoy!

# Contents

<b>The Global E-Commerce Payments Guide</b>	1		
<b>Asia Pacific</b>	3		
Australia	3		
China: Don't be Bamboo-zled	4		
Hong Kong	4		
India	5		
Indonesia: A Mobile Marvel	5		
Japan	6		
Malaysia	6		
The Philippines	6		
South Korea	7		
Taiwan	7		
Thailand	7		
<b>Europe &amp; Middle East</b>	8		
France	8		
Germany: Engineering Local Payments Success	9		
Ireland	9		
Israel	10		
Italy	10		
The Netherlands	10		
		Poland	11
		Russia: Where E-Wallets Rule	11
		Spain	12
		Sweden	12
		Turkey	12
		The UK	13
		<b>Latin America</b>	14
		Argentina	14
		Brazil: Cracking the Coconut	15
		Chile	16
		Mexico: The Rise of the Sombrero	16
		<b>North America</b>	17
		Canada	17
		United States	17
		<b>About Adyen</b>	18





## Asia Pacific

Home to over 4 billion people (60% of the world's population) and some of the most exciting growth economies in the world, Asia Pacific is the most diverse region globally in terms of payments.

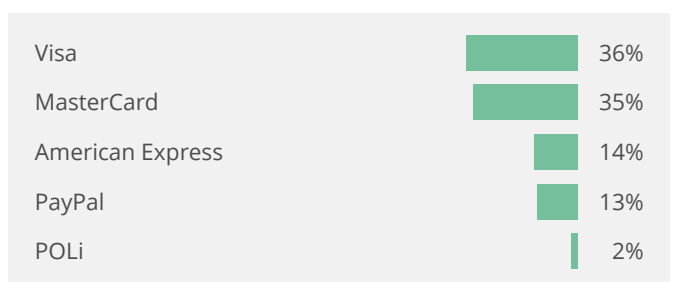
Yet despite its outward complexity, the region offers a number of opportunities for businesses that want to tap its enormous market potential with relatively high speed and little investment. For example, markets such as Australia, China, Indonesia, and the Philippines do not require businesses to set up a local entity to start connecting with local shoppers. From a payments perspective, this means that with the right payments solution, connecting with shoppers in these markets is a straightforward affair.

### Australia

In Australia, digital buyer penetration is among the highest in Asia Pacific, and cross-border e-commerce already accounts a significant chunk (36%) of online retail purchases made by Australian consumers.

#### Inside tips

*With no requirements to set up a local entity, a card-dominated payment culture, and a population already used to buying from international businesses, Australia represents a relatively easy market to enter for global businesses.*





## China

### Don't be Bamboo-zled

China is the biggest retail e-commerce market in the world, and Chinese online shoppers are overwhelmingly young and located in major cities, (although faster growth is now occurring in smaller cities). A majority (70%) of shoppers in the market have completed a purchase using their smartphone.

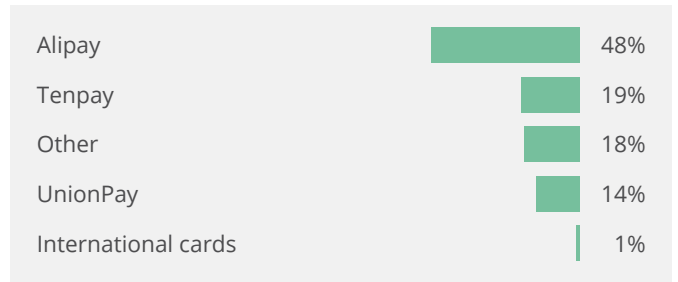
The three major payment methods are China UnionPay, Alipay, and Tenpay.

- Alipay is the largest single payment platform in the market, with around 48% share and a bigger slice of the fast growing mobile pie. Its dominance is due to its web properties (Taobao in particular, which is the Chinese equivalent of eBay).
- UnionPay is the only interbank network in the market, and is the largest card scheme in the world by number of cards issued. Due to this, UnionPay is a vital part of the payments mix, and particularly important to reach shoppers who do not have an Alipay or Tenpay account. It's also worth noting that no Visa or MasterCard cards can be issued unless co-branded with UnionPay.

- Tenpay is integrated with QQ, a mobile social platform that includes shopping, gaming and microblogging. Although Tenpay has 20% of the market, many Tenpay users are already Alipay users, and as with Alipay, the 20% figure may be somewhat questionable, as most transactions originate from their own webstores.

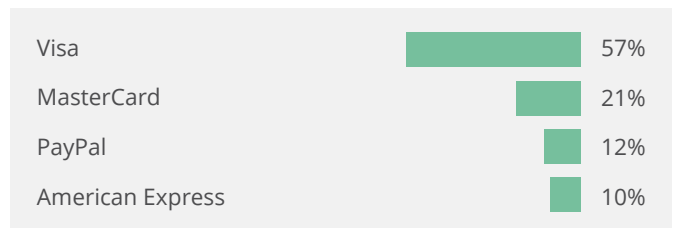
#### Inside tips

*It is not a requirement to set up a local entity in China to sell to shoppers in the market. This means that with a solution (such as Adyen) that supports the key local payment methods mentioned above, China is a relatively straightforward market to enter in terms of payments.*



## Hong Kong

Credit cards are expected to remain as the most popular payment method, with alternative payment methods being far less popular than many other Asian markets. No local entity is required for cross-border transactions, and it is easy to accept payments in the domestic currency and settle in the same currency with no impact of currency conversion.

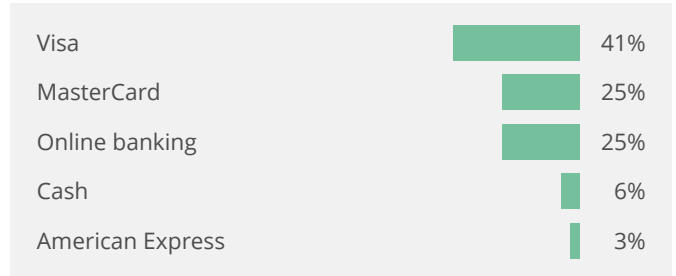


## India

Traditionally a cash-based society with low credit card payment market share, non-cash transactions are rapidly growing in popularity in India. Online banking, debit cards, and prepaid cards enjoy a large amount of popularity as payment method options.

### Inside tips

*India is one of the few markets in which introducing 3D Secure (an extra security layer to stop fraudulent transactions) at the checkout stage actually has a positive impact on authorization rates. (On a side note, 3D Secure is mandatory on all domestic transactions). Therefore, Adyen recommends applying 3D Secure to cross-border transactions for the Indian market.*



## Indonesia

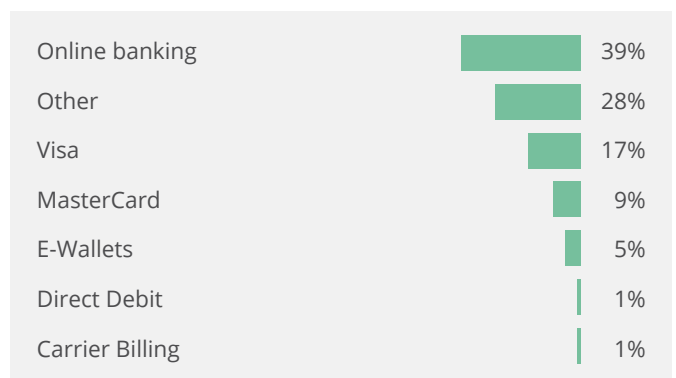
### A Mobile Marvel

Indonesia is the giant of Southeast Asia and currently undergoing an e-commerce revolution, posting more than 70% year-on-year growth in B2C e-commerce in 2014. With 60% of the online population accessing the Internet through smartphones, it is no wonder that significant growth can be seen in mobile payments and e-wallets.

### Inside tips

*In Indonesia a local entity is not required to offer local payment methods. However, for Visa and MasterCard acceptance, it is required. Since the majority of transactions are made with local payment methods, with smartphones the preferred way to go online, businesses are advised to consider implementing a*

*payments strategy with these two factors in mind. Adyen supports key local payment methods in the market.*

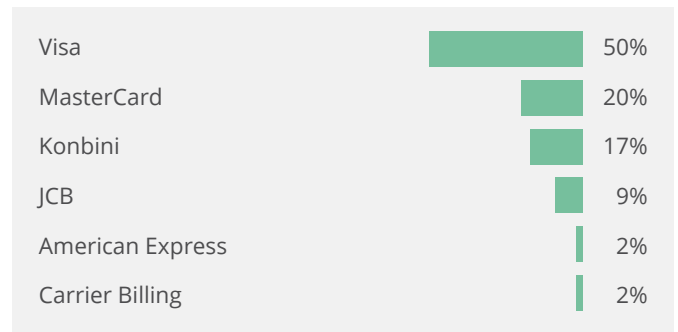


## • Japan

Japan is the world's fourth-biggest e-commerce market, and although dominated by cards, a popular way to pay there is via Konbini, which allows for online payments to be completed offline in 24/7 convenience stores.

### Inside tips

*Japan is one of the few markets worldwide where cross-border acquiring on a like-for-like basis is actually more cost effective than the domestic acquiring rate, meaning a cross-border approach is advised for international credit cards. However, it should be noted that a local entity is required for Konbini.*

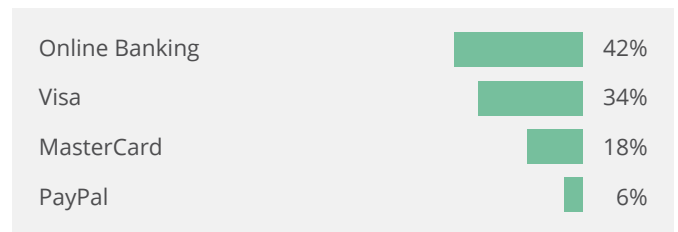


## 🇲🇾 Malaysia

With cross-border purchases accounting for 40% of all e-commerce, Malaysian shoppers are very open to making purchases from international websites. Because online banking is so popular in Malaysia, shoppers are used to being redirected to their online banking environment when making a purchase, which has implications for recurring and one click payments.

### Inside tips

*While a domestic entity is not required for international credit cards, it is important to note that it is required in order to access domestic payment methods, which account for a significant percentage of online transactions.*

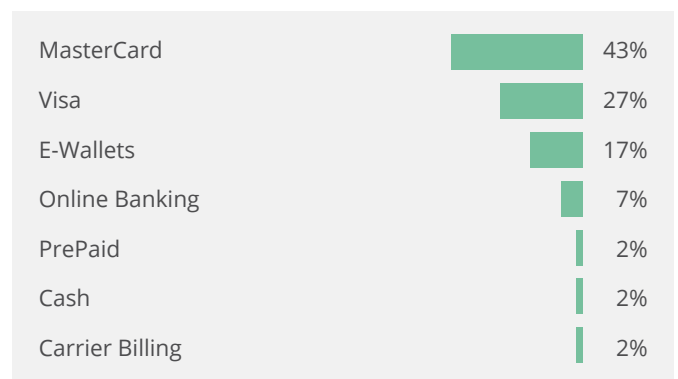


## 🇵🇭 The Philippines

Mobile payments are growing quickly in the Philippines, with methods such as SMART Money and Globe GCash among the leaders.

### Inside tips

*A local entity is not required for the Philippines, and as with other emerging economies, a mobile-first strategy will help in connecting with the critical mass of Filipino shoppers. Adyen supports key local payment methods in the market.*

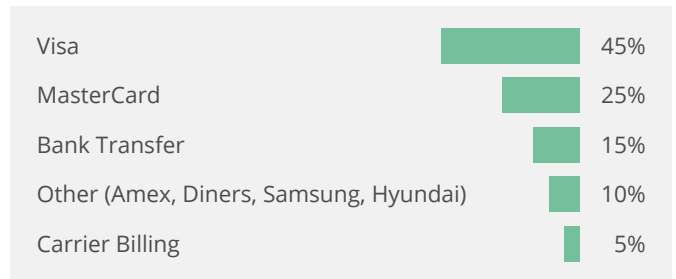


## 🇰🇷 South Korea

South Korea is the third-largest retail e-commerce market in Asia Pacific (after China and Japan). The average South Korean shopper holds an average of four credit cards, and around 80% of online transactions are card-based.

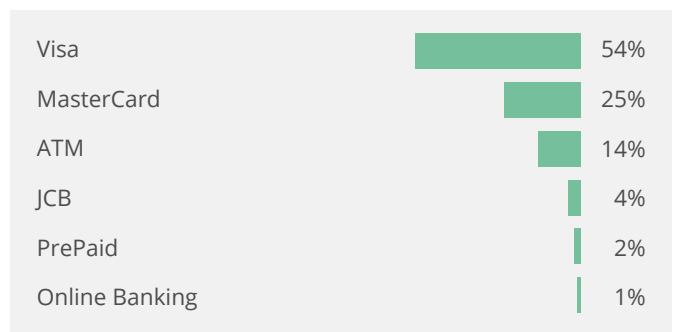
### Inside tips

*Most local cards are co-branded with Visa and MasterCard, and require a market-specific authentication process – which only works in Internet Explorer – in order to be approved. While this authentication process will likely no longer be mandatory in the near future, it will still be widely used for some time, and merchants entering the market should therefore keep it in mind when formulating a payments strategy.*



## 🇹🇼 Taiwan

Credit cards are a popular choice in Taiwan for online payments, with nearly 80% of all transactions made via credit and debit cards.

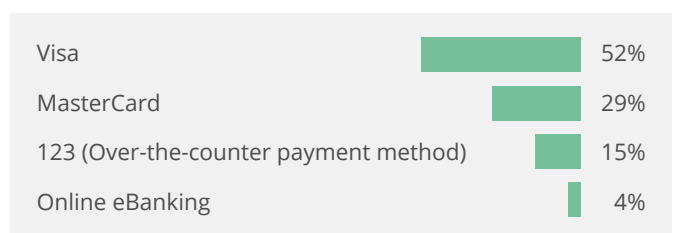


## 🇹🇭 Thailand

With Internet penetration at under 50%, Thailand is one of the big growth markets for e-commerce in the years to come. Credit cards are a popular online payment method in Thailand, with shoppers in urban centers possessing multiple cards. Various prepaid cards are also in the market as well co-branded credit cards, but local payment methods remain popular.

### Inside tips

*Among local payment methods, in-store payments, where the shopper receives a barcode via email and pays in a physical location, remain a popular choice. Adyen supports 123, a key over-the-counter payment method in the market.*





## Europe & Middle East

Even as Europe pursues the goal of a single digital market, a great deal of diversity remains in the payment methods European shoppers prefer when making online purchases.

For example, according to Adyen data, Swiss, Belgian, Irish, Dutch, and German shoppers are relatively open to making cross-border purchases for retail goods (at 25%+ of transactions occurring outside their own country), with Danish, Swedish, and Italian consumers moderately open (10%-25%), and French, Portuguese, and Spanish shoppers least open (under 10%).

Yet despite the openness of shoppers in countries such as Germany and the Netherlands to shop from international websites, local payment methods are crucial in each market. For example, in the Netherlands, a local payment method called iDEAL accounts for around 60% of all online transactions.

It should further be noted that while markets in Southern Europe appear to be less open to making purchases on international websites, their e-commerce growth rates are projected to be faster than Northern Europe over the next few years, so with the right approach to localization and payments, they could present significant opportunities for growing businesses. Businesses expanding into Europe should be aware that for all EU markets, an EU entity is not required for local payment methods, but an entity in one of the EU countries is required for accepting cards across all markets.

### France

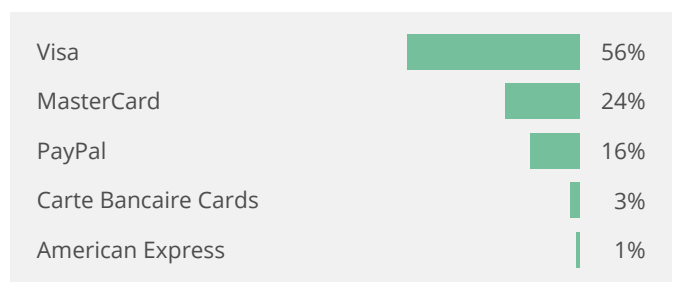
In France, Carte Bancaire (an interbank scheme that requires a connection to a local acquirer) cards dominate the payments landscape and are usually co-branded with Visa or MasterCard.

#### Inside tips

*No local entity is required in France, although (as is the case with most Eurozone countries), an EU entity is mandatory. For Visa and MasterCard, a connection to a local acquirer is also recommended as usually this results in higher authorization rates.*

*Adyen recommends France as having a large market opportunity AND a high ease of doing business. Because Adyen is a member of*

*the Carte Bancaire interbank scheme, it offers a direct connection to the CB network, which results in a higher authorization rate for merchants.*







## Germany

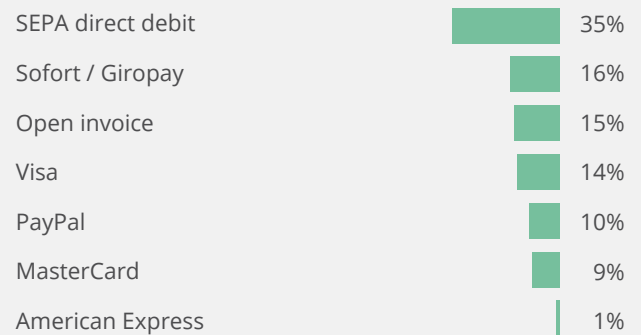
### Engineering Local Payments Success

Germans are some of the most open shoppers in the world when it comes to cross-border e-commerce, with over 50% of online retail purchases taking place on an international website. Yet despite this willingness, non-credit card payment methods such as SEPA direct debit (a Europe-wide Direct Debit system), SOFORT, and Giropay account for the majority of online transactions.

In addition to these methods, another popular payment method in Germany is open invoice, where a third party pays the merchant for products and services purchased by shoppers, and then collects payment from shoppers after delivery.

#### Inside tips

*All else being equal, Adyen recommends that merchants entering Europe should consider Germany as one of the first markets to enter, due to its openness to cross-border payments and size. Adyen supports all local payment methods in the market.*



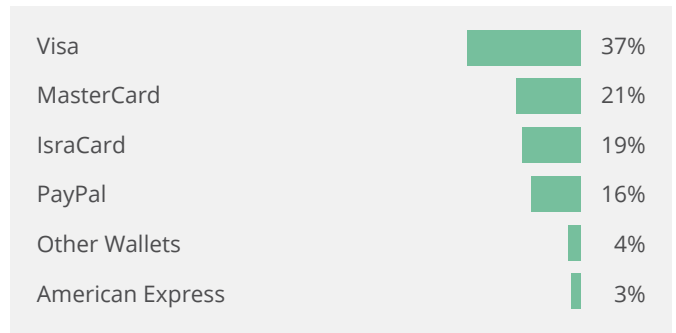
## Ireland

Credit and debit cards are very popular in Ireland, with Visa leading the way. Debit cards are more popular than credit cards and are expected to further increase in popularity as a payment method.



## Israel

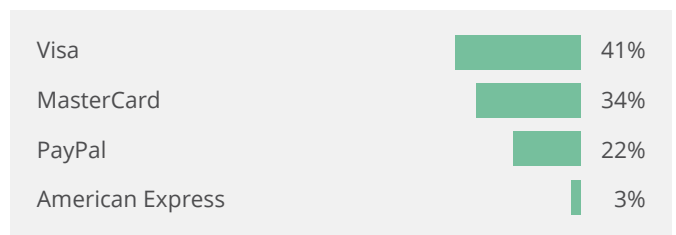
Card use in Israel is high, with debit card usage expected to increase. A popular local card brand is Isracard, which is often co-branded. A connection to a local acquirer is necessary to process domestic payments in Israel.



## Italy

Despite having a primarily cash-based economy, Italy is the fifth biggest e-commerce market in Europe, and e-commerce growth is expected to surpass most major European markets over the next few years.

Pre-paid cards are the most popular card type, due in part to (perceived) better security and decreased costs. The most popular credit card is CartaSi (which are co-branded with MasterCard and/or Visa) whilst the most popular prepaid debit card is Postepay (co-branded with Visa).



## The Netherlands

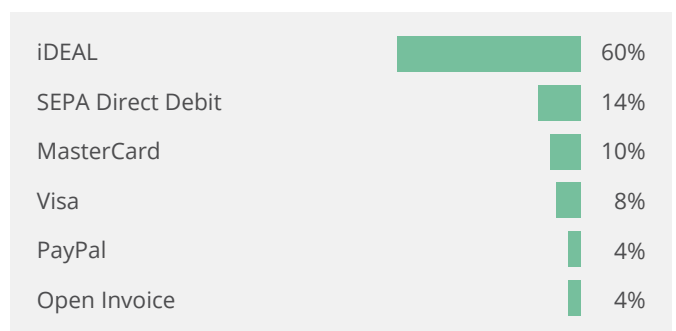
While purchasing from international websites is relatively common in the Netherlands, the most popular payment method – iDEAL – is local to the Dutch market. iDEAL is an inter-bank system covered by all major Dutch consumer banks, allowing shoppers to use their bank account for online purchases. Direct debits and open invoice payments are also fairly popular.

### Inside tips

*Adyen has two pieces of advice for entering the Netherlands.*

- 1. Offering iDEAL as a payment method is crucial due to its massive share of online payment transaction volume.*
- 2. Due to its openness, merchants should consider the Netherlands as one of the first European markets to enter.*

*Adyen offers full support for iDEAL.*

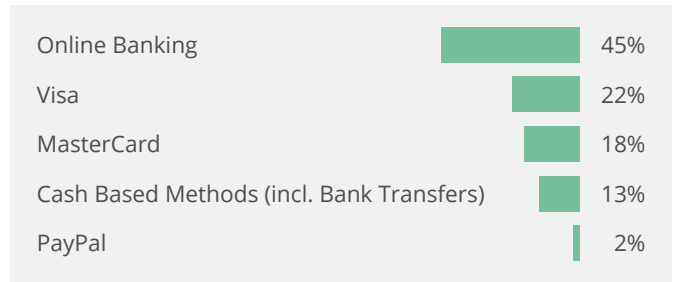


## Poland

Online banking is by far the most preferred payment method in Poland, with online credit card use relatively modest in comparison.

### Inside tips

*The Polish market is easy to enter, with no local entity required and like-for-like settlement supported. However, Polish issuers require cardholders to register their card the first time they make an online purchase – if they do not, the card is systematically declined for any online purchases.*



### Recurring Payments

Not all alternative payment methods support recurring payments. Although most credit cards do, many alternative payment methods are one-off.

Adyen has implemented a unique approach to recurring payments for several methods such as iDEAL and GiroPay, where secure online ebanking is combined with direct debits for future payments.

## Russia

### Where E-Wallets Rule

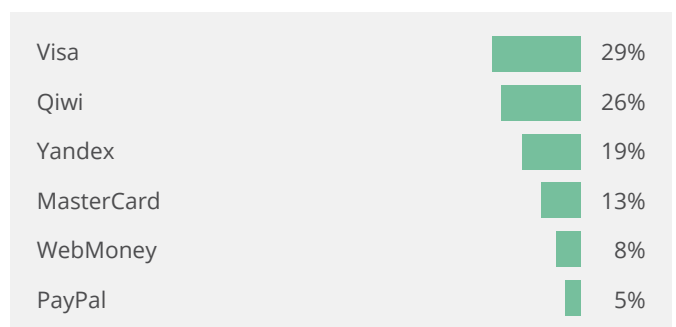
Another example of a major market in which credit cards are not dominant, in Russia cards represent less than half of online transactions. Instead, the most popular local payment methods are e-wallets, including:

- Qiwi, an e-wallet that claims 70 million unique users a month. Qiwi wallets can be topped up at one of 150,000 plus payment terminals, as well as with credit/debit cards, on their phone, or with a WebMoney account.
- WebMoney, a PayPal clone that allows customers to load the account using other available local payment methods.
- Yandex.Money, an e-wallet with top-up options including prepaid scratch cards, plastic cards, online banking, and cash.

In Russia, payments through ATMs have been very popular for a long while, and the increasing sophistication of the terminals has resulted in a more seamless payments environment that now includes automatic top-ups and recurring payments.

### Inside tips

*No domestic entity is required and it is easy to access the vast majority of payment options (wallets and cards) in Russia. Adyen supports Qiwi (including one-click and recurring payments), and other key domestic payment methods.*

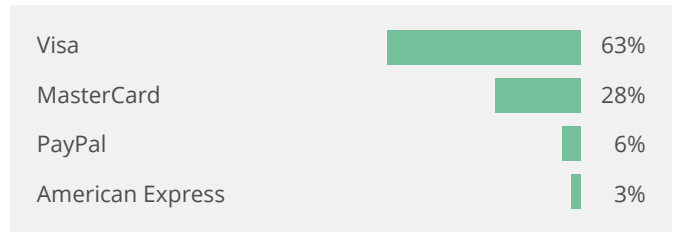


## Spain

Card use is very popular in Spain, with over 85% of the population in possession of at least one debit or credit card. Using prepaid virtual cards for online purchases is increasingly popular.

### Inside tips

*For optimal authorization rates, having access to a local acquirer is recommended (Adyen can provide local domestic acquiring in the market).*

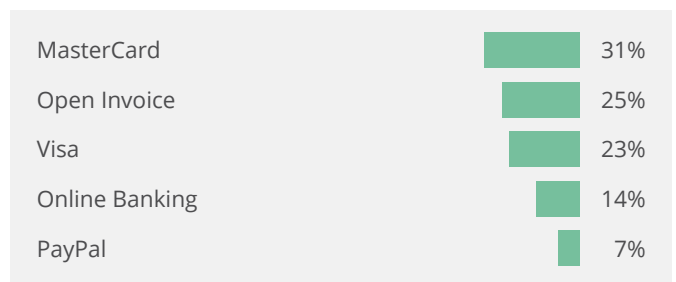


## Sweden

While credit cards remain the most popular way to pay online, Sweden is at the forefront of open invoice payments, a payment method that is expanding internationally and is now the second most popular payment method in the market after cards. Online banking through major banks such as Handelsbanken, SEB, and Nordea, is the third most popular payment method.

### Inside tips

*Adyen offers full support for open invoice payment methods. Open invoice applies particularly to retail, rather than digital goods.*



## Turkey

With a young, mobile-savvy population, Turkey is one of the fastest growing e-commerce markets in the world, with around a quarter of online shoppers using mobile to make purchases. While credit cards are highly popular in Turkey, prepaid cards are enjoying the highest growth in usage.

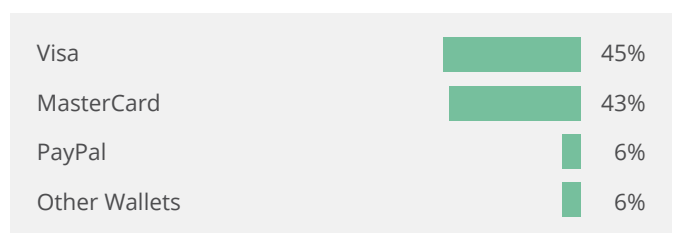
### Inside tips

*There are some regulatory requirements within the Turkish market that may present challenges to some merchants. These include:*

- 1. Installments on credit card payments are popular, but can only be offered by connecting to individual banks.*
- 2. Cross-border acquiring can lead to shopper surcharges and installments are only possible if connected to a domestic*

*acquirer. (Note: Adyen is connected to most banks and can therefore offer installments for most Turkish customers.)*

- 3. 3D Secure is mandatory on debit cards and recurring payments are not supported for debit cards*

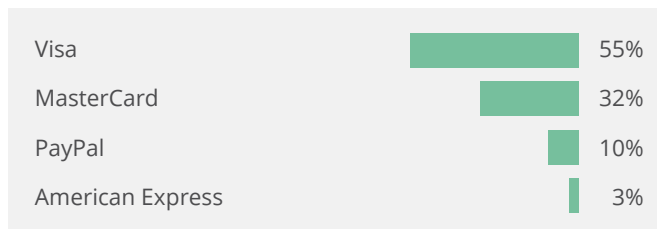


## The UK

UK shoppers are world leaders in terms of mobile shopping and e-tail adoption (as a percentage of overall retail sales). Credit and debit cards are very popular, with the average shopper holding between 2-3 cards. Cards account for approximately 90% of all online payments, with online banking being virtually non-existent.

### Inside tips

- 1. Currently the UK is the only European country with where AVS (Address Verification Service) is supported.*
- 2. There is strong issuer support for 3D Secure (an extra security step in the payment process designed to stop fraudulent transactions), with the UK being one of the few countries where enabling 3D Secure actually improves overall conversion.*



### Credit card for business? Not always....

Many local businesses do not have a business credit card but use their bank account for transactions. Especially in Europe, bank transfers and direct debits are the preferred SME payment methods for online use, even if the proprietor might have a personal credit card. Therefore it is important to accept iDEAL in The Netherlands, SEPA Direct Debits in Eurozone countries (particularly Germany and the Netherlands) and online banking in the Scandinavian and Eastern European regions.



# Latin America

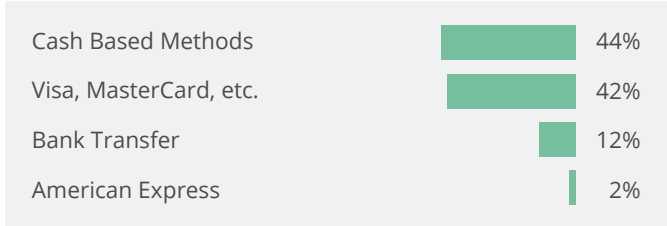
Latin America is arguably the region with the most potential for e-commerce growth in the coming decade. This is due to a number of factors, including the relatively slow rise of mobile up to this point in key markets such as Brazil. While LATAM is economically dominated by Brazil, significant opportunities, and in some cases, faster growth, are occurring in other markets.

## Argentina

The card versus cash-based payment share in Argentina is spread quite evenly. Around 44% of online payments are made with debit and credit cards, which is balanced out with a similar percentage of cash based methods such as PagoFácil and RapiPago.

### Inside tips

*A local entity is required to accept payments in Argentina, and there are legal and fiscal limitations regarding the repatriation of funds.*





## Brazil

### Cracking the Coconut

The giant of LATAM e-commerce, in 2013 Brazil represented over 60% of the region's e-commerce market, and the sector experienced 28% growth.

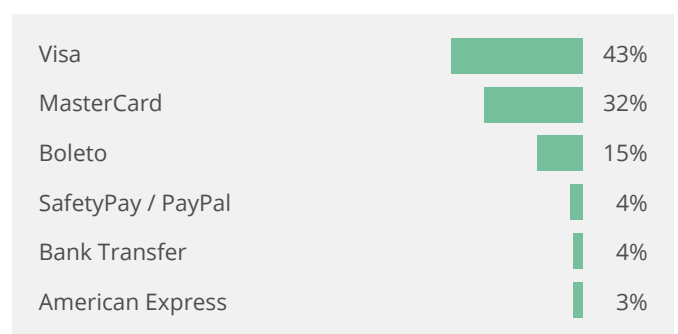
Brazilian shoppers are avid credit card users, with the overwhelming majority preferring credit cards for their online purchases. It is important to note that many of these cards are not enabled for cross-border payments.

Another important payment method is Boleto Bancário, a cash-based payment method initiated by the consumer, resembling the process of a bank transfer. Customers who do not have a bank account or credit card typically use this method.

Finally, another key fact of the Brazilian payment landscape is that up to 80% of all e-commerce payments are made in installments, where partial payments over a period of time are made to finance purchases.

### Inside tips

*To offer payments in installments, merchants must be connected to local Brazilian acquirers. Many Brazilian cards are also limited to domestic transactions only, which also require a connection to a local acquirer. Adyen offers direct connections to local acquirers and has full coverage of domestic and international credit cards in Brazil. For cross-border merchants, recent regulation changes mean that all products must be priced in USD, rather than BRL.*

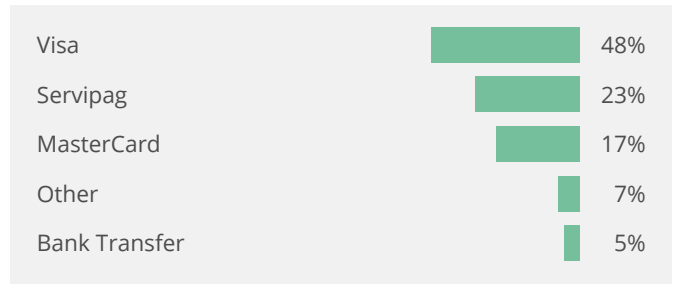


## Chile

Online payments in Chile are dominated by credit cards. However, all credit and debit card brands need to be processed via an affiliate held jointly by local banks. The resulting monopoly and lack of a diverse payment environment may be holding back stronger e-commerce growth in Chile. Local payment methods include Servipag.

### Inside tips

*Recent tax changes increase difficulty around the repatriation of funds for international merchants operating on a cross-border setup.*



## Mexico

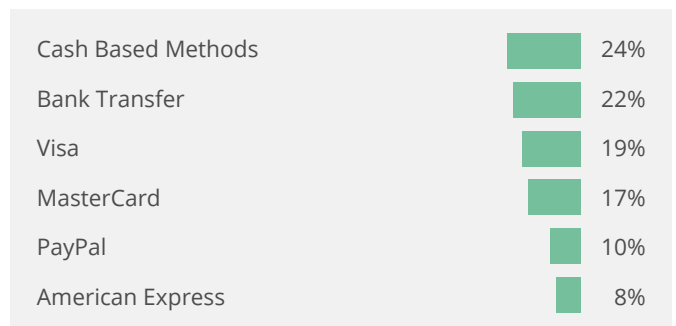
### The Rise of the Sombrero

Mexico is the second-biggest retail e-commerce market in Latin America, and compared to Brazil, a much more mobile market when it comes to online purchases. Besides cards, cash-based methods and bank transfers are also popular in Mexico, with a smaller percentage of payments occurring via PayPal.

Installments (for cards) are also popular, and a domestic entity is required to support this type of payment.

### Inside tips

*In Mexico, many domestic cards are not enabled for cross-border purchases and use of a local acquirer is therefore recommended to increase authorization rates. Adyen supports all key local payment methods.*







# North America

## Canada

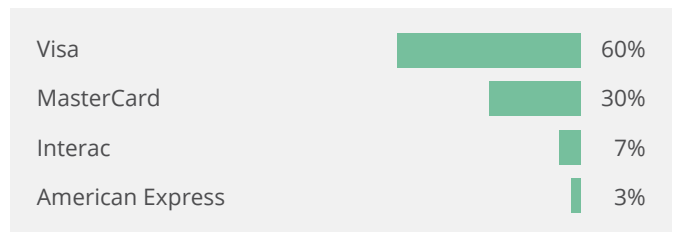
Canada is the global leader in cross-border e-commerce for retail, with 75% of purchases made by Canadian shoppers being cross-border. Not surprisingly, most of these purchases are made from businesses located in the US.

Credit cards still remain the preferred payment method, followed by Interac and PayPal. Whilst Interac is a local direct debit scheme, it also provides online banking, which can be used for online purchases.

### Inside tips

*Not only are Canadian shoppers exceptionally open to cross-border e-commerce, particularly with US businesses, no local*

*entity is required, even when using Interac, which makes it an exceptionally easy market to enter. Adyen covers all payment methods and has a direct connection to a local acquirer.*



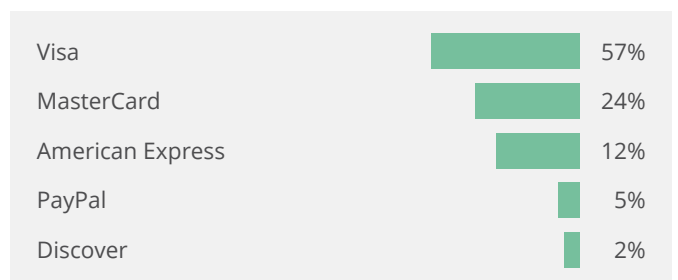
## United States

The world's second biggest retail e-commerce market (after China), the US is dominated by cards, with PayPal the only alternative with an impact on the market. Around 95% of the US population are Visa/MasterCard holders, with Visa the leader when measuring combined debit and credit card purchase transactions.

### Inside tips

*Apple Pay, Apple's recent foray into the payments space, has been generating an enormous amount of excitement, particularly*

*around mobile payments in store at the point-of-sale. Adyen offers a full-service Apple Pay solution, including reconciliation, reporting, and settlement services.*



# About Adyen

Adyen is a leading payments technology company that provides businesses a single global platform to accept payments anywhere in the world. Driven by a vision to improve customer experience, streamline processes and ultimately increase revenue, Adyen enables businesses to process payments across online, mobile and Point-of-Sale (POS) with over 250 payment methods and 187 transaction currencies.

Headquartered in Amsterdam and San Francisco, with offices across North America, South America, Europe and Asia, Adyen serves more than 3,500 businesses and four of the five largest U.S. Internet companies, including well-known brands such as Facebook, Airbnb, Spotify, Netflix, Groupon, Evernote, Booking.com, Yelp, Vodafone, Mango, Netflix, O'Neill, SoundCloud, KLM and JustFab.

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## Disclaimer

The information in this document has been compiled by Adyen based on actual transaction data, market knowledge and customer payment preferences. The numbers as presented per country will give you an indication of the payment method mix you can expect when selling online in that country. The actual mix will depend on other factors such as type of business of services sold, average ticket price, your customers' demographic profile, and others.

