

# Cross-Border Retail Payments Tracker®

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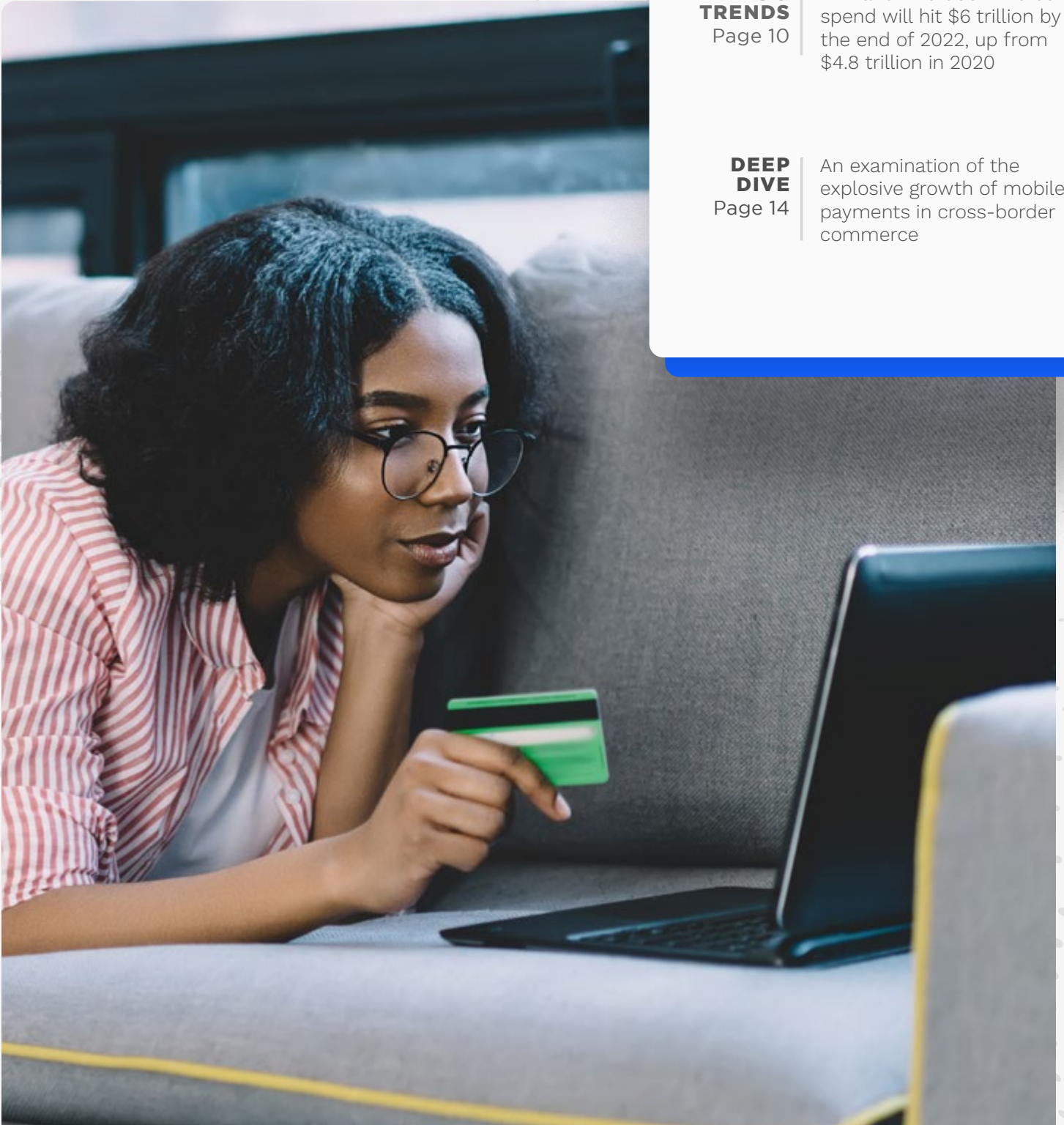
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### Acknowledgment

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# What's Inside

**Cross-border payments have long been commonplace for business-to-business (B2B) transactions, but they have been fraught with troubles, including high fees, long wait times and complicated regulations in sending and receiving countries. The average United States firm [waits](#) 33 days to receive international payments, for example, and pays \$50 to \$60 per transaction for the privilege.**

These transactions have expanded significantly into those made by individual consumers as well in the past few years, thanks to the surging trend of online shopping. Payment card giant Visa [reported](#) that cross-border payment volumes on its service grew by 38% in Q4 2021 alone, driven by consumers' shifting preferences for shopping online as brick-and-mortar sales stagnated due to social distancing recommendations.

Mobile commerce represents a more significant fraction of total consumer eCommerce in recent years due to the proliferation of smartphones. Transactions made via mobile

devices are expected to [grow](#) by 70% in the next five years, accounting for \$3.1 trillion in purchases. This increased demand is sure to spill into the cross-border payments space as well. Merchants are working overtime to meet consumers' demands for quick, convenient and secure cross-border payments experiences, such as offering free shipping or quality-of-life features including stored payment profiles or QR-enabled instant payments.

Consumer shopping is no longer limited to brick-and-mortar retail or even domestic eTailers. Merchants looking to maximize their profits need to cater to customers' demands for cross-border transactions or risk falling behind.

## **Cross-border retail payments developments around the world**

Cross-border commerce encompasses countless industries, but fashion takes the top spot. A recent [survey](#) found that 57% of online shoppers in Australia, Germany, the United Kingdom and the U.S. have made at least one such cross-border purchase. Leisure and beauty items took the



second and third-place slots, respectively, at 44% and 42%, but customers have their trepidations regarding these transactions. Two-thirds of respondents expect their goods to arrive late, 59% fear unexpected duties, taxes or fees and 73% anticipate harder product return and refund processes.



The pandemic has been a notable driver of the growing cross-border eCommerce trend. A recent [study](#) found that B2B and business-to-consumer (B2C) eCommerce spend will hit \$6 trillion by the end of 2022, up from \$4.8 trillion in 2020. Various alternative eCommerce spending methods are also rising, with buy now, pay later (BNPL) expected to hit \$135 billion next year and electronic point of sale (ePOS) credit and installment payments expected to reach \$500 billion.

eCommerce merchants are leaning into the trend of cross-border purchasing through new features intended to drive international traffic. A recent [study](#) of the top 50 eCommerce websites found that 46% of them now offer four or more languages, allowing a localized and native experience for customers in various countries and regions. Sixteen of these top 50 eCommerce sites attracted more than 20% of their total traffic, the study also found, with AliExpress, Steam, Booking.com, Samsung and Ikea comprising the top five eCommerce sites by international traffic.

For more on these stories and other cross-border retail payments developments, read the Tracker's News and Trends section (p. 10).

# Executive Insight

## How eBay navigates mobile cross-border commerce obstacles

Mobile eCommerce and cross-border transactions have both surged in popularity in recent years, but combining the two is easier said than done. Currency exchanges, the demand for transparency and a host of other issues can complicate these transactions, forcing eCommerce platforms to discover solutions. In this month's Feature Story (p. 7), PYMNTS spoke with Avritti Khandurie Mittal, vice president of products, payment and risk at [eBay](#), about how the eCommerce giant offers a single centralized payment platform to help its sellers and customers make seamless mobile cross-border transactions.

## Deep Dive: How mobile payments have affected cross-border transactions

Mobile payments have revolutionized eCommerce, with customers able to make purchases on the go rather than confined to their computer. This paradigm shift has also affected cross-border payments, with customers expecting the same convenient experiences they have with domestic transactions, but this is much easier said than done. In this month's Deep Dive (p. 14), PYMNTS examines the challenges eCommerce merchants face in implementing cross-border payments and how they are adapting their systems to the new normal.

## Why are some geographic locations quicker to adopt cross-border eCommerce services than others, and how might lawmakers or payment service providers help even the playing field for those slower to market?

"The global pandemic has accelerated the growth of cross-border eCommerce, creating more global opportunities than ever before. The pandemic pushed consumers to try new ways of shopping, rely on eCommerce to purchase items and so on. As a result, many consumers became more comfortable shopping online and outside their country. Other factors driving consumers to shop cross-border include access to better prices, specific cross-border brands or goods at a quality level not available in their country.

A large barrier for consumers to shop cross-border is the fear of fraud or lack of consumer protection. Lawmakers and payment service providers need to work together to make it as safe as possible for consumers to shop, in turn boosting their confidence in making cross-border purchases.

It is also important for merchants to work on making customers feel secure shopping with you, especially if they are a first-time purchaser. You can provide confidence to cross-border shoppers by providing them with local payment options at checkout. Offering a checkout experience your customers recognize and trust will, in turn, boost trust in your company. For example, a study of PayPal users found that 59% have abandoned a transaction because PayPal wasn't there.

When one of the largest hurdles for cross-border shoppers is trust and security, it is vital to make the checkout experience one they are familiar with and trust."

## How might merchants appeal to global customers who may hesitate to make cross-border purchases because of concerns regarding hidden fees, higher costs and insufficient transparency?

"If you want to attract and appeal to cross-border consumers, you need to focus on the customer experience for these shoppers. Can customers choose a language option on your site? Are you offering their preferred local payment method? Are you upfront about your available shipping options and costs?

The effort to make your customer experience easy and comfortable for your cross-border consumers will put your company in the perfect position to take advantage of current global opportunities. At the same time, you'll see improvement in other operational areas, such as better conversion rates, improved acceptance rates and so much more."

**Chuck Huang**  
Founder and CEO  
[Citcon](#)

# 5 Five Fast Facts

**6.8**

Average number of payment methods eCommerce merchants accept



**10.8**

Average number of currencies eTailers support



**28%**

Share of merchants that use IP recognition to personalize customer experiences



**87%**

Share of U.S. businesses that view improved cash management capabilities as one advantage of cross-border payments innovation



**59%**

Share of eCommerce merchants that offer free shipping





# Feature Story

## eBay On Mobile Cross-Border Transactions' Popularity And Complexity

**R**ising global internet usage and the continuing pandemic, which has forced many shoppers to make purchases online, have spurred eCommerce's unprecedented popularity in recent years. These trends have led shoppers to make purchases from farther afield than ever before, and some are conducting cross-border transactions regularly without a second thought.

Consumers' increased comfort with mobile shopping has also affected the rise in cross-border payments, as many have tools right at their fingertips that can empower them to make international purchases at any time with ease and convenience. Businesses that have even been around since the dawn

of eCommerce in the 90s have been feeling this sea change in consumer behaviors, including industry giant [eBay](#).

"With the rising popularity of eCommerce, 52% of eBay's revenue comes from international operations," said Avritti Khandurie Mittal, eBay's vice president of products, payment and risk. "Consumers looking for must-have items of the moment or favorite finds from decades ago are no longer limited by geographical boundaries."

Mittal recently spoke with PYMNTS about how mobile commerce has affected eBay's cross-border transactions and the complications that must be resolved to make mobile international shopping as seamless as domestic purchasing.

### **How mobile commerce has affected cross-border purchases**

Smartphone penetration worldwide has made mobile commerce more practical than ever, as modern devices can perform tasks traditionally available on a computer. In some cases, they do so even more simply, especially via eCommerce platforms that offer their own apps. eCommerce firms have seen these investments pay off as mobile commerce makes up an increasingly large fraction of customers' total purchases, including cross-border ones.



“We’re seeing more and more buyers use their mobile wallets to make cross-border purchases,” said Mittal. “In fact, \$12 billion of eBay’s Q3 2021 [gross merchandise value] came from transactions made on mobile devices.”

Another trend driving the increase in mobile cross-border traffic is the pandemic, which has led more users to online marketplaces. Increased familiarity with online services has made them more adept at shopping internationally as well, and eCommerce marketplaces are pulling out all the stops to make cross-border purchases almost indistinguishable from domestic ones and ensure that consumers find what they need.

“The volume of cross-border payments is expected to continue to grow rapidly as economies navigate the ongoing pandemic,” said Mittal. “[The] scarcity of products resulting from the pandemic has encouraged consumers to transact more internationally. eBay’s cross-border trade business allows for greater access to products customers demand.”

Providing such a seamless experience is not so simple, however. eTailers must deal with fees, wait times, regulations and a variety of other obstacles standing in the way.



### **Mobile cross-border commerce complications**

Customers demand that their cross-border transactions are kept transparent and easy to understand, according to Mittal, and that their currency of choice is supported. While this might seem straightforward, it is made significantly more difficult by the fact that cross-border transactions are rarely as simple as moving money from point A to point B.

“With respect to cross-border purchasing, consumers demand currency support and transparency when shopping,” Mittal said. “Unlike domestic payments, cross-border payments need to travel across multiple intermediaries and financial institutions to perform the currency conversion and settlement of funds. This complexity can have a significant impact on small to mid-sized businesses in particular.”

Large companies such as eBay have worked hard to reduce these complexities, however, and they have often seen these investments pay off. eBay leveraged

a centralized payments platform to handle its cross-border traffic, for example, moving the burden of payments authentication away from individual sellers.

“We make it easier because of our new managed payments platform in all markets, which offers buyers and sellers a centralized platform that processes payments,” Mittal said. “Over the years, we’ve heard from sellers about the positive impact that managed payments has had on their business. Buyers love the flexibility, choice and ease of use. We are seeing increased usage of mobile wallets like Apple Pay and Google Pay and buy now, pay later options like Afterpay in Australia, particularly among new and reactivated buyers.”

Small to mid-sized businesses will likely have a much more difficult time navigating these challenges, however. Partnerships with third-party providers might be the optimal solution for handling cross-border payments and offering shoppers the wide variety of overseas vendors they have come to expect.

# News & Trends

## Cross-border payment trends

### **Fashion takes top slot for cross-border eCommerce purchases, study finds**

Thanks to the rapid rise of eCommerce solutions that shoulder much of the regulatory burden, consumers are making more cross-border purchases than ever. Fifty-seven percent of online shoppers in Australia, Germany, the U.K. and the U.S. have completed at least one cross-border purchase within the last year, according to a recent [survey](#). The top product category consumers are purchasing across international lines is fashion, with leisure and beauty items taking the second and third place slots, respectively, at 44% and 42%.

Consumers have come to have lower expectations for cross-border purchases than domestic transactions, however. Two-thirds of respondents expect their goods to arrive

late, 59% fear unexpected duties, taxes or fees and 73% anticipate harder product return and refund processes.

### **Cross-border commerce in China increased by more than 46% in Q1 2021, report finds**

The Asia-Pacific region has been a [hotbed](#) for international commerce in recent years, with China leading the way. A recent report found that cross-border eCommerce in China grew by more than 46% in Q1 2021, hitting \$63.8 billion USD. The surge in online shopping is the main driver behind this cross-border trend, with the report projecting that, by the end of this year, 52% of Chinese retail sales will occur online, compared to just 29% in South Korea and 15% in the U.S. Another factor contributing to the growth of online activity is the pandemic, which has prompted more consumers to go online to shop. Seventy percent of China's population now has internet access,

primarily through mobile devices. This group represents a staggering 989 million people — nearly three times as many as the entire population of the U.S.

**eCommerce sales skyrocket during pandemic, with cross-border sales in Europe remaining steady**

The stay-at-home and social distancing orders enacted during the pandemic had a massive impact on global eCommerce due to slowed traffic at brick-and-mortar stores. A recent [study](#) found that B2B and B2C eCommerce spend will hit \$6 trillion by the

end of 2022, up from \$4.8 trillion in 2020. Various eCommerce spending methods are also rising, with BNPL payments hitting \$135 billion and ePOS credit and installment payments expected to reach \$500 billion next year.

Cross-border eCommerce is holding particularly steady in Europe. A study of consumers in Belgium, Germany and the Netherlands found that 30% of consumers shopped more often from foreign vendors during the pandemic, with 57% saying their cross-border spending habits had not substantially changed.







## Businesses adjust to increased international eCommerce

**Nearly half of the top 50 eCommerce websites now offer four or more languages**

eCommerce businesses recognize international commerce's potential and are quickly changing the way they do business to broaden their reach. A recent [study](#) of the top 50 eCommerce websites found that 46% of them offered four or more languages, allowing localized and native experiences for customers in various countries and regions. Sixteen of these top 50 eCommerce sites attracted more than 20% of their total traffic from across borders, with AliExpress, Steam, Booking.com, Samsung and Ikea comprising the top five eCommerce sites by international traffic.

Some of the industry's power players, including Apple, Samsung and Shein, drew more than half of their traffic from foreign countries. The study speculated that the pandemic was a key driver of multilingual expansion as online shoppers had more free time to explore international retailers, and retailers made efforts to accommodate this traffic.

### **Amazon renounces Visa payments due to excessive cross-border fees**

A perpetual headache from cross-border commerce is the sheer expense of processing international transactions. This frustration [drove](#) eCommerce giant Amazon to sever its partnership with Visa in the U.K., with a report citing that cross-border card payments cost U.K. retailers £100,000 (\$132,325 USD) every day. This cost is a massive short-term increase of 475%, the report said, with retailers typically shouldering the burden rather than payments providers or credit card companies.

One massive contributor to cross-border fee growth is Brexit, which classified British transactions to and from the rest of Europe as intra-regional rather than inter-regional payments. These new cross-border fees will stack on top of the £1.04 billion (\$1.37 billion USD) per year that British merchants already pay in credit card fees, making accepting payment cards for cross-border commerce a tough choice.



# Deep Dive

## The Explosive Growth Of Mobile Payments For Cross-Border Transactions

**T**he amount of money crisscrossing the globe each year is staggering, with \$156 trillion [expected](#) to cross international borders annually by 2022. These payments include everything from multibillion-dollar corporate acquisitions to small value remittances sent by migrant workers, but one of the most quickly growing market segments is individual consumer transactions for goods and services. More than 400 billion consumer transactions are [expected](#) to occur in Europe each year by 2025, for example, marking a compound annual growth rate (CAGR) of 13%. The Asia-Pacific region, traditionally considered a leader in digital payments, is expected to comprise half of the world's noncash transactions by 2025, rising at a CAGR of 28%.

One major contributor to this growth is the surging popularity of mobile commerce, with consumers using their smartphones to purchase items ranging from toilet paper to computers to automobiles. Mobile commerce is expected to [grow](#) by 70% in the next five years, accounting for \$3.1 trillion in purchases compared to the \$2.1 trillion in mobile commerce purchases last year. This rapidly changing eCommerce paradigm has forced merchants to quickly adapt to the new normal.

The following Deep Dive explores how mobile payments have affected cross-border commerce and how merchants are adopting new systems to meet consumers' growing preferences for mobile commerce.



### **Cross-border commerce gets mobile**

The surge in mobile cross-border commerce over the past several years can be attributed to several factors, but arguably the most important is the rapidly growing share of individuals with access to mobile devices. Smartphones have been near-ubiquitous in the industrial world for some time, and they are now gaining [traction](#) in emerging economies, where 83% of adults currently have access to one. This mobile device ownership growth has expanded to mobile payment methods such as digital wallets: 22% of purchases at the point of sale were made with wallets in 2019, with this volume expected to swell to 30% by 2023. eCommerce transactions are seeing even higher rates of mobile wallet use, with it rising from 42% in 2019 to 52% by 2023.

Banks and FinTechs with robust digital infrastructures have pounced on the mobile payments bandwagon, offering new services to meet customers' demand for mobile cross-border payments. These financial institutions prioritize customer convenience, as cross-border payments are traditionally fraught with complications such as compliance regulations, long processing times and excessive fees. To solve these issues, many are [leveraging](#) third-party application programming interface solutions, which can

provide instant access to critical regulatory information, access payment beneficiary information, validate beneficiary bank details and apply and adjust exchange rates.

Banks may be able to streamline cross-border payment integration due to their immense resources and financial know-how, but individual merchants may lack both of these factors and can find cross-border transactions frustrating and expensive. Neither of these problems are unsolvable, however.

### **Merchants adapt their payments systems for cross-border transactions**

The biggest challenge for merchants when accepting mobile cross-border transactions is accepting the variety of payment options that consumers crave. The average eCommerce merchant [offered](#) its customers 5.7 payment methods in 2016 and 6.2 payment methods in 2017, but just 6.8 in 2021. This falls behind the average number of currencies offered each year, at 6.1, 7.8 and 10.8, respectively, meaning that while there is undoubtedly customer appetite for commerce with different countries, there may not be a wide enough variety in payment methods to satisfy every customer.

Another feature merchants are adding to satisfy cross-border mobile consumers is

free shipping. This feature removes a significant financial strain from the buyer, as shipping items across international lines incurs the fee from the shipping company and any duties or tariffs leveled by the receiving country. Nearly 37% of merchants [offered](#) free shipping in 2016, but this number swelled to more than 59% in 2021. Further driving the need for free shipping was the competitive need against eCommerce giants like Amazon and its Amazon Prime service and the increased demand for eCommerce across the board due to the pandemic significantly curtailing brick-and-mortar retail.

Shopping convenience is also a key driver of mobile cross-border sales. Merchants are exploring and integrating many features

of their own, such as saved customer profiles and product recommendations, and financial oversight agencies have given them a helping hand in some cases. The central banks of Malaysia and Thailand recently launched a cross-border payment initiative that leverages QR codes, for example, allowing merchants and consumers in both countries to access instant cross-border payments through their mobile devices.

As more merchants enter the cross-border space, the need to offer fast, convenient and secure cross-border mobile payments will become vital to maintaining a competitive edge. Merchants will need to harness every tool available or risk being swept aside.



# About

## PYMNTS.com

[PYMNTS.com](https://pymnts.com) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way companies in payments share relevant information about the initiatives that make news and shape the future of this dynamic sector. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovations at the cutting edge of this new world.



Founded in 2015, [Citcon](https://citcon.com) enables billions of mobile wallet consumers to shop and pay anywhere, anytime, around the world with its industry-leading digital payment offering. In the last three years, Fortune 1000 businesses including L’Oréal, Hermès, Texas Instruments, Panda Express, Nordstrom, Caesars Entertainment, MGM Resorts, Revolve, Tumi, Samsonite, Blue Nile and many more have chosen Citcon’s mobile payment solutions to expand their payment and commerce infrastructures to support their next phases of business expansion. Citcon is headquartered in Silicon Valley and has five regional offices in the U.S., Canada, Europe and Asia.

We are interested in your feedback on this Tracker. If you have questions, comments or would like to subscribe to this report, please email us at [feedback@pymnts.com](mailto:feedback@pymnts.com).



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