

Visa Global Merchant eCommerce Study



Executive Summary

Cross-border sales have opened the door to a world of opportunity and eCommerce companies are eager to storm through. The expansion of international sales is not only a key growth driver for online businesses, but more essential than ever to their bottom line. Right now, cross-border transactions are becoming increasingly prevalent.

In fact, 87% of merchants believe that expanding online sales into new markets is one of their company's biggest growth opportunities, according to new research in the **Visa Global Merchant eCommerce Study (Visa GME Study)**, which looked at responses from 1,000 C-level executives from 10 major global markets. As technology pushes the pace of innovation even faster, seemingly anyone in retail can seize the opportunity to become more relevant to potential buyers across the globe.

Yet while the explosive rise of cross-border digital commerce has opened the door to a wealth of new opportunities, many businesses are struggling with sales strategies, logistics and more. Small businesses in particular face significant difficulties when it comes to global eCommerce.

No two retailers, regions or consumers are the same, so it is critical that merchants understand the landscape. This research is designed to take a global pulse of businesses of all sizes. We looked at trends, insights and pain points around cross-border eCommerce in order to gain a more comprehensive understanding of why merchants see international sales as critical to long-term success, what customers want from online shopping experiences and the key barriers to expansion.

Helping merchants succeed means helping them connect the dots from where they are to where they want to be, and fine-tune their efforts to attract international customers. The Visa GME Study will help merchants of all sizes grow, drive customer engagement and increase loyalty through understanding how to best tap into the trends outlined within the research findings.



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Understanding the eCommerce Landscape

Global Growth

As technology continues to spur innovation in eCommerce, cross-border sales are reaping the benefits of a digital-first society. In fact, 87% of executives believe their biggest growth potential lies with international online sales expansion, according to the Visa GME Study.

Fertile Ground

Consumers increasingly are looking to shop across borders in search of better prices, better quality and goods that are not available in their market. That has led 2 in 3 (66%) eCommerce companies to sell products across borders. Those sales alone account for nearly a third (31%) of their revenue on average.



of eCommerce companies sell products across borders



of their revenue comes from cross-border sales on average



Trending Up

Opportunity is going to keep growing as more digital tools increase internet availability. An overwhelming majority (88%) of executives believe that having an international presence will be essential for their company's success in the next five years.

Buckle Up

The international expansion journey can be a daunting venture with a number of challenges to overcome and little likelihood of immediate success. A vast majority of those who haven't expanded internationally (87%) haven't yet made any attempts to do so.

Issues and Barriers to Cross-Border Growth

Ready or Not

Businesses must be prepared to overcome numerous process hurdles to enter international markets. When it comes to managing online transactions, executives are prepared for accounting for handling of taxes (52%), payment processing infrastructure (52%) and international shipping and handling (52%). But they are less prepared for international customer support (47%) and legal compliance (43%). In all cases, executives see room for improvement in these critical areas.

Uncertain Future

Even the businesses that are vested in expanding their stake in cross-border sales are not certain they have the formula for success. Half (51%) of those who already sell internationally do not feel completely confident that their company knows how to maximize their international online sales.

Differing Views on International Expansion

Women-led companies are making headway in cross-border expansion, too, but could make greater gains as female purchasing power is poised for continued growth internationally. At 39%, female executives trail their male peers (48%) in believing that international expansion could immediately increase their revenue.



of companies already selling internationally do not feel completely confident that they know how to maximize cross-border online sales.

Improving processes in these critical areas is key to international growth:

- taxes
- payments processing
- shipping and handling
- customer support
- legal compliance



Barriers to Entering International Markets

So what keeps companies from trying to break into these new markets? Key barriers to entry include shipping and logistics issues (42%) and difficulty accepting and processing foreign transactions (37%). Tied for the third spot are legal and trade issues (33%) and limited marketing resources (33%).

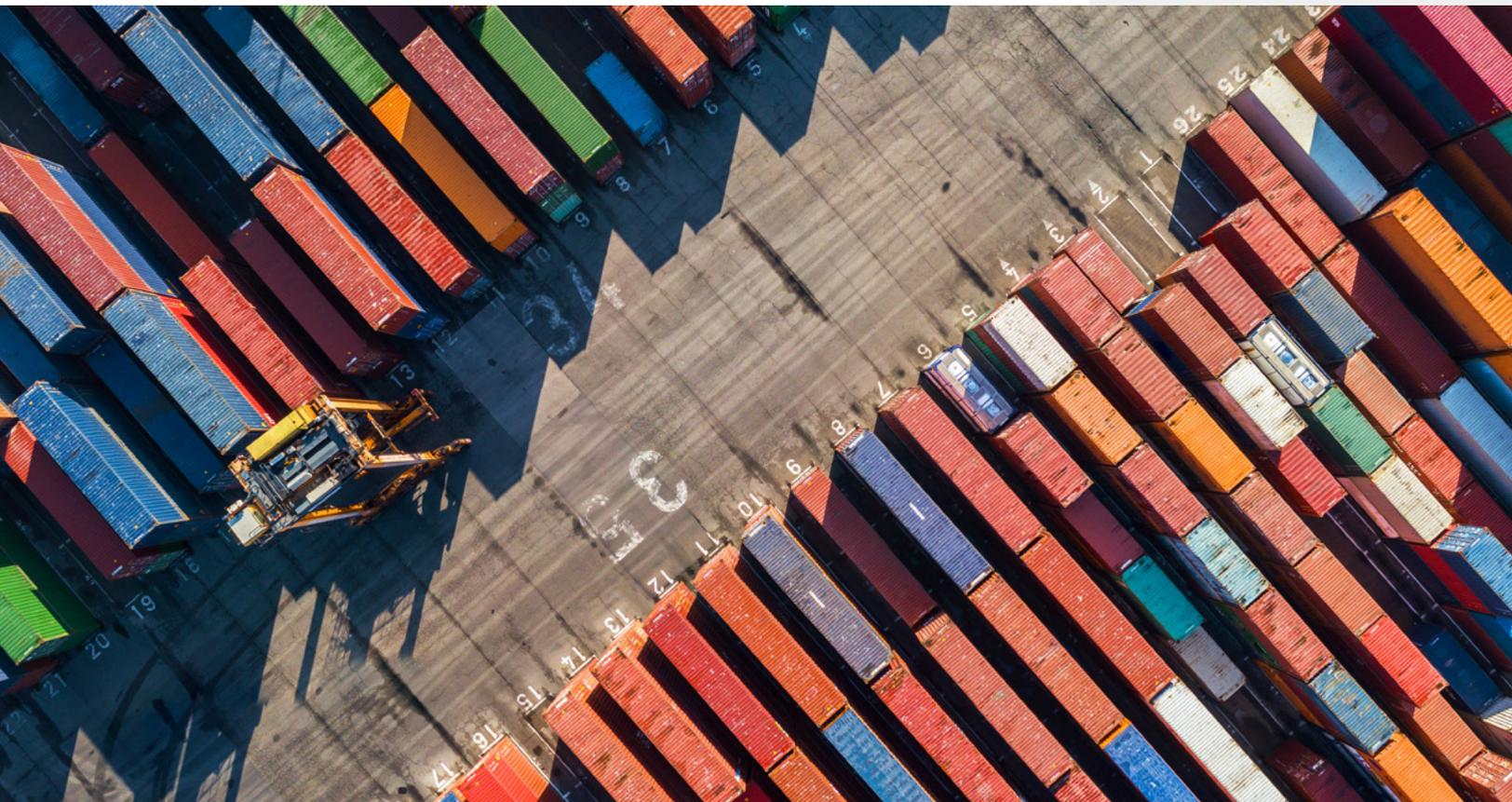
Difficulties of International Delivery

Actually getting products to consumers presents its own set of problems. The largest hurdle is still shipping and logistics (23%), followed by lack of data or analytics for international customers (13%) and cost of expansion (12%).

Data Needed

Nearly a third (30%) of companies that do not sell internationally point to a lack of data or analytics on international consumers as a barrier to their international expansion.

Top barriers to entry keeping businesses from expanding into foreign markets



Small Businesses Face Larger Hurdles

Holding Firm

Despite the rapid growth of cross-border commerce, many small businesses are still standing on the sidelines due to a larger gap in resources, experience and opportunity. Small businesses (71%) are less likely to have taken any action to expand into new markets, compared to medium (90%) and large (100%) businesses.

- **Small business** (<\$20M in sales revenue)
- **Medium business** (\$20 – \$35M in sales revenue)
- **Large business** (\$35M+ in sales revenue)

Businesses that have taken any action to begin expanding into new markets



small business



medium business



large business

Slow Roll

Executives at small businesses are not as eager to tie their growth strategy to international sales, perhaps because a misstep could have greater consequences. Small businesses (23%) are much more likely to disagree that having an international presence would be essential for their company's success in the next five years, compared to medium (8%) and large (5%) companies.

Businesses that disagree an international presence is essential for their success in the next five years



small business



medium business



large business

Off the Pace

Small businesses generally are lagging far behind in the race to share in the booming international sales. Two in five (40%) small businesses engage in cross-border trade, compared to medium (71%) and large (92%).

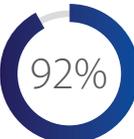
Businesses currently engaged in cross-border trade



small business



medium business



large business

It's Not Just Business

A product or service that is popular domestically may not have the same appeal internationally for any number of reasons, including cultural ones. Executives of small businesses (61%) are significantly more likely to not feel completely confident that their company knows how to maximize international online sales, compared to executives of medium (48%) and large (50%) businesses.

Businesses that do not feel completely confident they know how to maximize cross-border sales



small business



medium business



large business

Big Deals

Better resourced companies are more likely to have experience with international sales and are more comfortable in doing so. Small businesses (39%) are significantly more likely to say that their company is not prepared to handle international transactions, compared to medium (14%) and large (7%) businesses.

Businesses that say they are not prepared to handle cross-border transactions



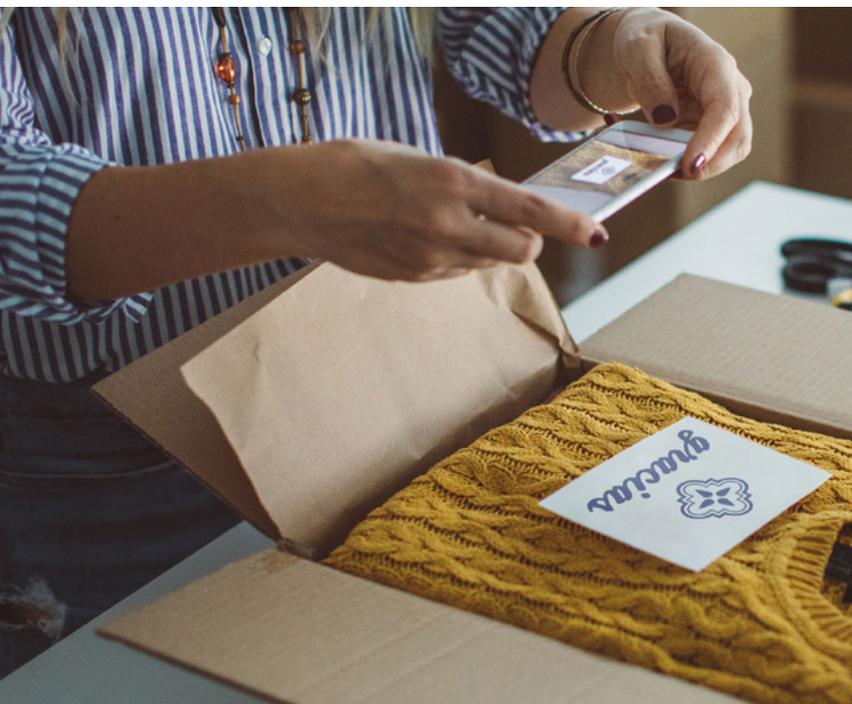
small business



medium business



large business



Solutions Bias

Small companies face an uphill struggle to compete, mainly because of knowledge and resource gaps. Almost all (92%) executives agree that business solutions favor larger businesses while ignoring smaller ones. Exploring further, those who plan to expand (98%) are far more likely to agree that business solutions favor larger businesses while ignoring smaller ones, compared to those who don't plan to expand (85%).

Looking Ahead

Planning Ahead

Many companies have determined that they have maximized sales domestically and need to extend their reach globally to remain competitive. Two in three (66%) of those businesses that do not sell across borders plan to do so in the very near future to broaden their potential for international expansion. A vast majority (90%) say that they plan to expand internationally within the next three years.

Gathering Intel

On the whole, executives are swinging into action to turn cross-border opportunity into reality as 87% have taken some steps to establish or expand their presence in new international markets. Many businesses have already assessed tax implications (39%), market opportunities (38%) and financial requirements (37%) and a similar number have developed market-entry strategies (37%).

New Challenges

The fundamentals of completing a sale — most often a simple task, domestically — can become complicated in an international transaction due to factors such as exchange rates and taxes. While almost four in five (79%) claim that their company is prepared to handle international transactions today, only 35% say that their company is adequately equipped to do so on a regular basis and with sustained success.

Rising Customer Expectations

The physical distances are greater, but businesses recognize that international customers want service that matches what their domestic customers receive. Quick delivery of product or service is believed to be the most important factor in successfully executing international sales (44%), followed by easy checkout (41%) and convenient payment methods (41%).

Making a Name

Selling internationally isn't just about the money. Executives cited increased brand awareness (46%) and expanded customer base (46%) at nearly the same rate as revenue (45%) as key benefits of expanding online sales internationally.

While almost 4 in 5 businesses (79%) claim their company is prepared to handle international transactions today...



...roughly only 1 in 3 (35%) say their company is adequately equipped to do so on a regular basis and with sustained success.

Down the Road

Expanding into international markets can undoubtedly improve long-term business opportunities. Other benefits of selling internationally include improved brand reputation (44%), expansion of product or service lines (43%), increased market share (42%) and increased competitive advantage (40%).

Key Period

For many businesses, the fourth quarter often determines whether or not the year has been a success. The vast majority (86%) of eCommerce companies who made sales in Q4 of 2018 made more than a quarter of their annual revenues during that period, demonstrating that holiday time is critical for eCommerce businesses.

Holiday Sales

Holidays are mostly an opportunity for domestic sales. A majority (70%) of executives report more of their holiday sales are domestic, especially in the countries where the holiday is observed such as the U.S. (71% domestic) and UK (74% domestic). But in the China/Hong Kong market it's the opposite, as 67% of companies there report more of their holiday sales are international.

Anxious Times

Increased competition from other retailers was by far considered to have the most negative impact on holiday 2019 sales by more than half (52%) of the executives. But other global events are also a factor: the U.S. / China trade war is cited most frequently by U.S. (34%) and Chinese (54%) executives. Similarly, a clear majority of UK executives (64%) feared Brexit would have a negative impact on holiday sales.



How Visa Can Help Merchants Expand Internationally

Visa understands the international consumer is a booming segment for businesses looking to expand and create new revenue streams. Based on this, Visa has a wealth of tools and services available to support merchants of all sizes as they navigate cross-border eCommerce.

This starts with the Global Merchant Sales and Solutions team, a group dedicated to serving the needs of our merchant and acquiring partners. The Global Merchant Sales and Solutions teams is focused on growing merchants' preference for Visa.

Through Visa's global acceptance footprint, we provide the same security and trust wherever we operate, while helping connect businesses to our 3.3 billion accountholders worldwide.

Visa processes transactions in 160 currencies, making it convenient for consumers and merchants to pay and be paid, no matter where the customer or business is located.

Study Methodology

The Visa Global Merchant eCommerce Study analyzed responses of 1,000 C-level executives or business owners who work at companies with eCommerce capabilities across 10 global markets: Australia, Canada, China/Hong Kong, France, Germany, Mexico, Singapore, Spain, United Kingdom and United States. The Visa GME Study is part of Visa's continued commitment to helping industry players in their pursuit of developing the cross-border eCommerce ecosystem. The Visa GME Study was conducted in conjunction with research and business intelligence firm Wakefield Research in July/August 2019.

The Visa logo is displayed in white, bold, uppercase letters against a dark blue background. The background of the entire lower half of the page features a stylized globe composed of a grid of small white dots, with several glowing white lines representing latitude and longitude.

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