

THE 2022 GLOBAL STATE OF CROSS-BORDER COMMERCE

Leverage the five elements essential to cross-border success in the US and EMEA.

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BACKGROUND & OVERVIEW

Cross-border commerce globally is a multi-trillion dollar opportunity and it is ripe for disruption in both SMBs and Enterprise businesses alike. Cross-border payment flows are expected to reach a US \$156T in 2022¹ and are growing at five percent CAGR.

Cross-border commerce can be divided into four categories: ¹

1. **B2B Transactions, which make up the largest share (\$150T)**
2. **C2B Transactions: cross-border ecommerce transactions for physical and digital goods (\$2.8T)**
3. **B2C Transactions: Include wages, salaries and contractor disbursements (\$1.6T)**
4. **C2C Transactions: includes remittances (\$.8T)**

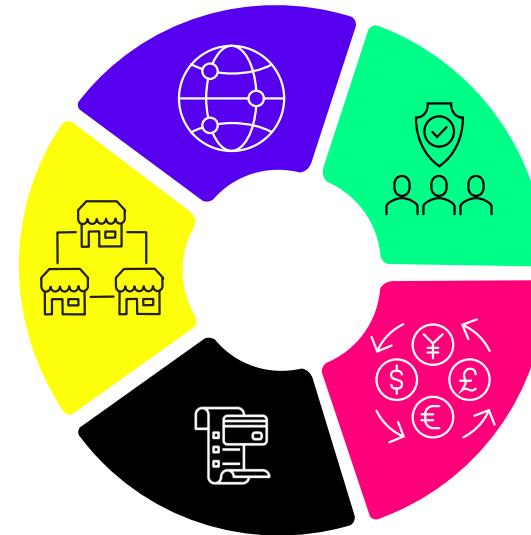
Rapyd researched five key areas that are essential to success for any business that wants to explore the cross-border commerce opportunities including: Localization, Risk Management, Payments and Finance, Operations and Organizational readiness.

Within each of these five areas, we further explored elements any business must focus on to be successful in cross-border commerce (see next page).

CROSS-BORDER COMMERCE THEMES

Localization

Digital presence
Regulations
Markets and customers



Risk management

Foreign exchange and currency
Local compliance and regulatory
Security
Fraud
Manage anti-money laundering risks

Organizational readiness

Organizational structure
Talent and technology

Operations

Customer support
Vendors/partners
Cross-border shipping & logistics

Payments & finance

Local payment methods
Financial operations

BACKGROUND & OVERVIEW

Rapyd commissioned the Global State of Cross-Border Commerce (CBC) Readiness to understand and measure the readiness of organizations and businesses with cross-border commerce. The main goal of the study is to better understand how businesses (B2B and C2B) view cross-border commerce in their organizations' overall priorities.

An online quantitative study was conducted surveying cross-border commerce decision makers among small and medium businesses (employees between 11-499) and large businesses/enterprises (employees over 500) and across a broad set of industries and verticals. The total sample size is 918 with the US (406), UK (101), Germany (105), Italy (103), Spain (100), and France (103).

We surveyed cross-border decision makers from a variety of industries such as Technology, Financial services, Retail, Health & Food, Professional services and many more.

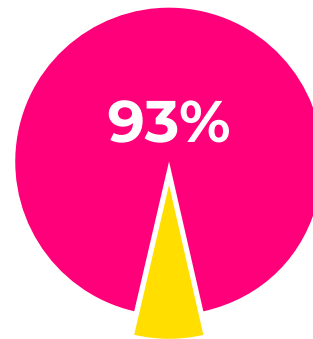
ABOUT THE STUDY

MORE BUSINESSES ARE SEIZING THE CROSS-BORDER COMMERCE OPPORTUNITY THAN EVER BEFORE, BUT ARE STALLED BY CUSTOMER ACQUISITION, RISK CONCERNS AND LOCAL PAYMENT OFFERINGS.

Global cross-border commerce (B2B and C2B) is growing at 5 percent CAGR and is expected to be near \$153 Trillion globally in 2022. Our data shows that nearly 93 percent of respondents cited cross-border commerce as a high priority for 2022 and 96 percent are seeing year-over-year cross-border gains.

Businesses big and small consider customer acquisition (36 percent) and managing risks (35 percent) their top operational challenges when it comes to cross-border commerce. This includes all types of risks including fraud, compliance, currency/FX and data security risks.

Organizations that want to gain access to billions of new customers must weigh the opportunities, look for ways to manage risk, reduce costs and implement technology to provide connectivity, reduce operational complexity, and optimize the customer experience.



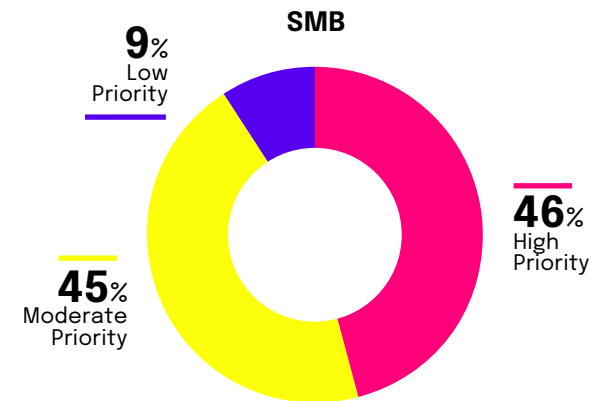
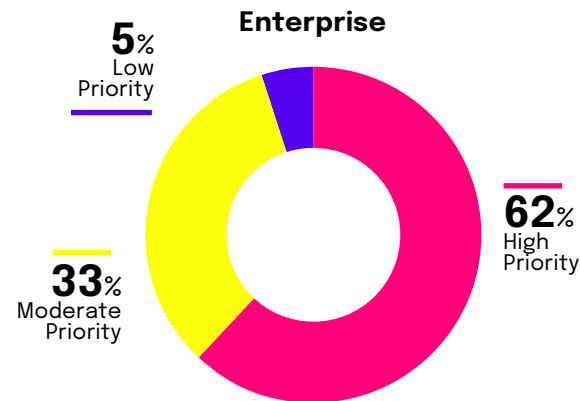
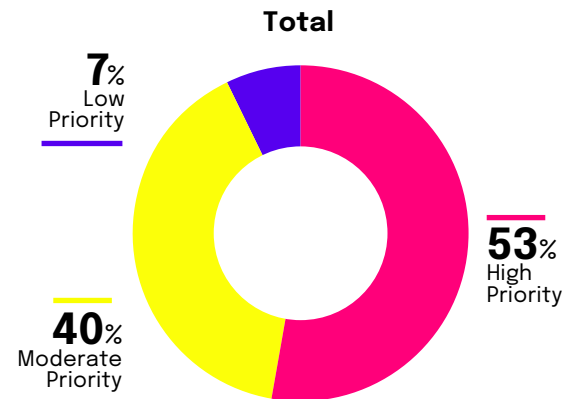
Our data shows that **93%** of respondents cited cross-border commerce as a high priority for 2022

IMPORTANCE OF CROSS-BORDER COMMERCE

1. Ninety-three percent of respondents in six markets that were surveyed state cross-border commerce as a key priority for the next year.

2. Cross-border commerce is a high priority especially within the **enterprise segment**.

Six in ten organizations stated that cross-border commerce is a top priority. In the case of **small and medium businesses**, while CBC is still important, nearly half (45 percent) consider it a moderate priority.

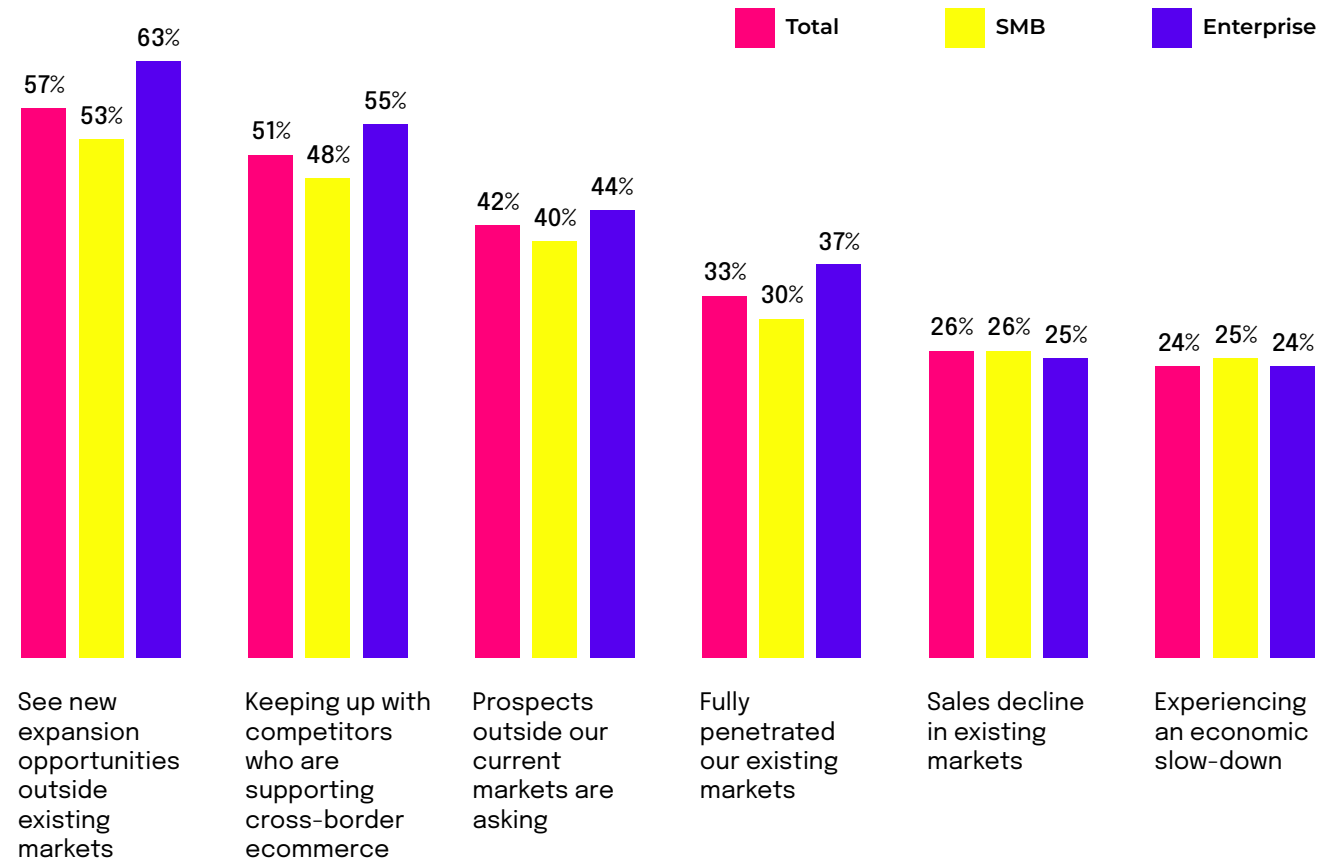


IMPORTANCE OF CROSS-BORDER COMMERCE

3. Over half the businesses (57 percent) we interviewed are seeing more expansion opportunities outside their existing markets.

- Further, organizations feel the need to keep up with competitors (51 percent) by offering their products and services in newer markets to support expansion.
- Demand from prospective customers is another reason why CBC is important for these organizations, with four in ten organizations stating this reason.

Larger businesses are especially focused on tapping into newer markets for expansion, with over six in ten stating that as their top most reason for making cross-border commerce a priority.



IMPORTANCE OF CROSS-BORDER COMMERCE

4. Merchants of all sizes are making “selling” a key focus for the next year.

Of the top five priorities mentioned, three are related to selling:

- Increasing marketplace presence
- Expanding cross-border selling initiatives
- Offering customers more ways to pay, thereby helping with more sales

The second key area of focus is improving digital customer experiences among both big and small merchants.

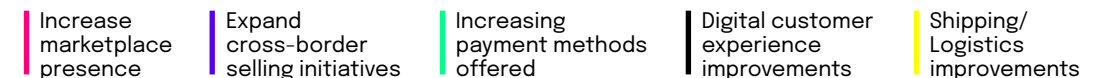
Total



SMB



Enterprise



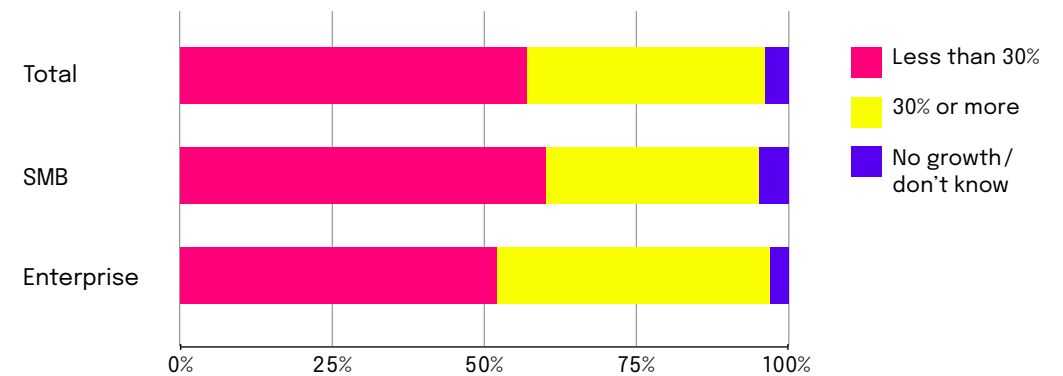
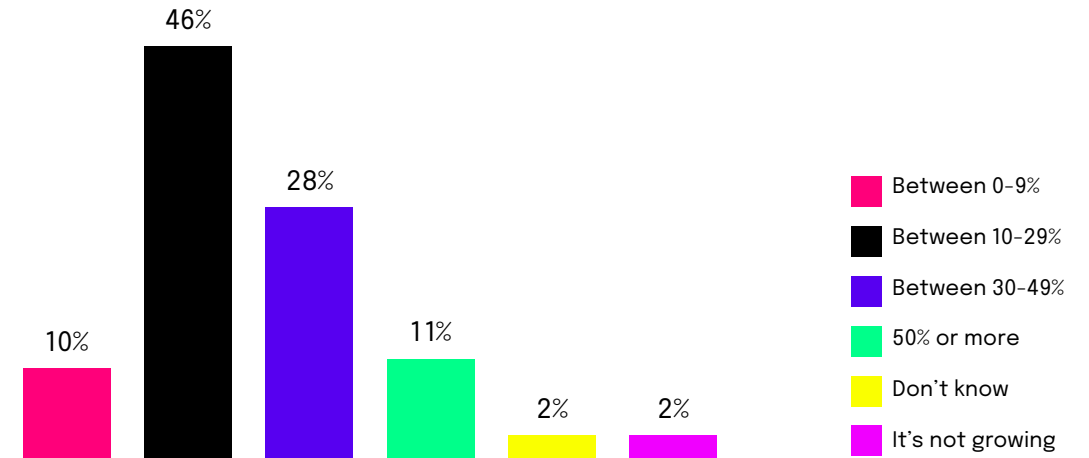
CROSS-BORDER COMMERCE YEAR-OVER-YEAR GROWTH

1. Nearly all merchants (96 percent) report some year-over-year CBC growth.

Nearly half (46 percent) of them report between 10 - 30 percent YoY increase in CBC.

The Enterprise segment experienced higher cross-border commerce growth; nearly half (45 percent) said they saw growth rates of over 30 percent compared to only 35 percent in the case of SMBs.

Year-over-year CBC growth



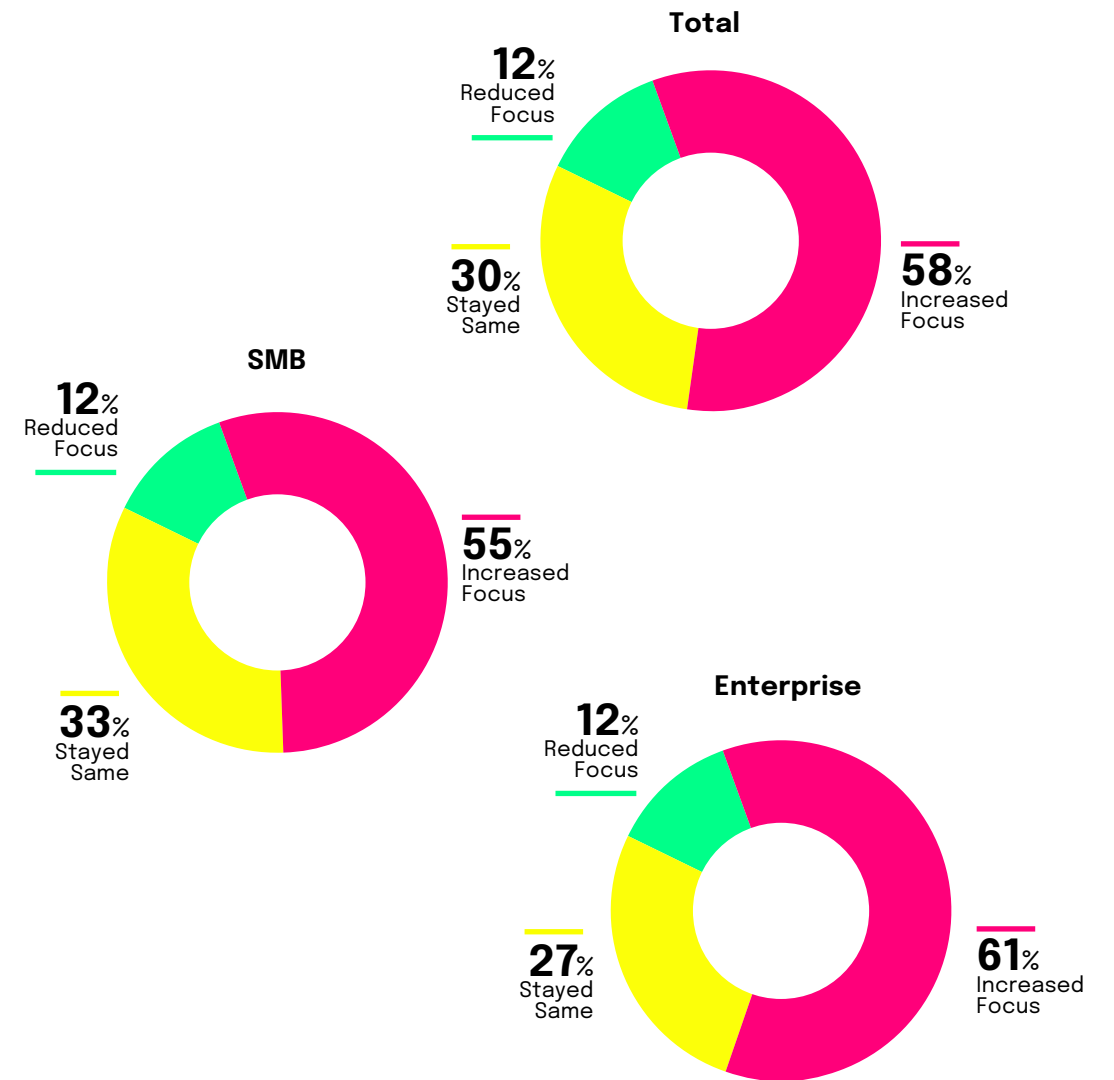
CROSS-BORDER COMMERCE YEAR-OVER-YEAR GROWTH

2. The pandemic had a significant impact on the priority organizations placed on cross-border commerce.

COVID-19 accelerated the pace of digitization across ecommerce. Businesses are capitalizing on this trend to expand internationally and to tap into the global marketplace. By some estimates, cross-border commerce is expected to grow 2.5x by 2025*.

*<https://www.businesswire.com/news/home/20201130005095/en/Cross-border-B2C-eCommerce-Spend-to-Break-the-1-Trillion-Barrier-in-2022-Catalysed-by-Alibaba-Other-Marketplaces-Kaleido-Intelligence>

Impact of Covid on CBC focus



CROSS-BORDER COMMERCE YEAR-OVER-YEAR GROWTH

3. Sellers are very optimistic about cross-border revenue growth next year.

Not only do they expect a substantial proportion of their cross-border revenue to stay steady, they expect significant growth as well.

Businesses in both the US and Europe expect significant cross-border commerce revenue growth from within their own regions as well as from other regions.

In the case of the US, over half of the merchants (51 percent) expect their revenue growth to be from within North America. They also expect cross-border revenue growth from other regions including EMEA and LATAM (each at 47 percent) and APAC (41 percent).

US Revenue Expectations	North America	EMEA	LATAM	APAC
Decrease	8%	8%	8%	10%
Stay steady	40%	32%	33%	33%
Increase	51%	47%	47%	41%
No plans to sell there	1%	13%	12%	15%

For Europe, nearly half (46 percent) of their CBC revenue growth is expected to come from EMEA, followed by APAC (40 percent), North America (39 percent) and LATAM (35 percent).

European Revenue Expectations	North America	EMEA	LATAM	APAC
Decrease	9%	8%	11%	6%
Stay steady	44%	38%	39%	38%
Increase	39%	46%	34%	40%
No plans to sell there	8%	7%	15%	16%

BIGGEST OPERATIONAL CHALLENGES

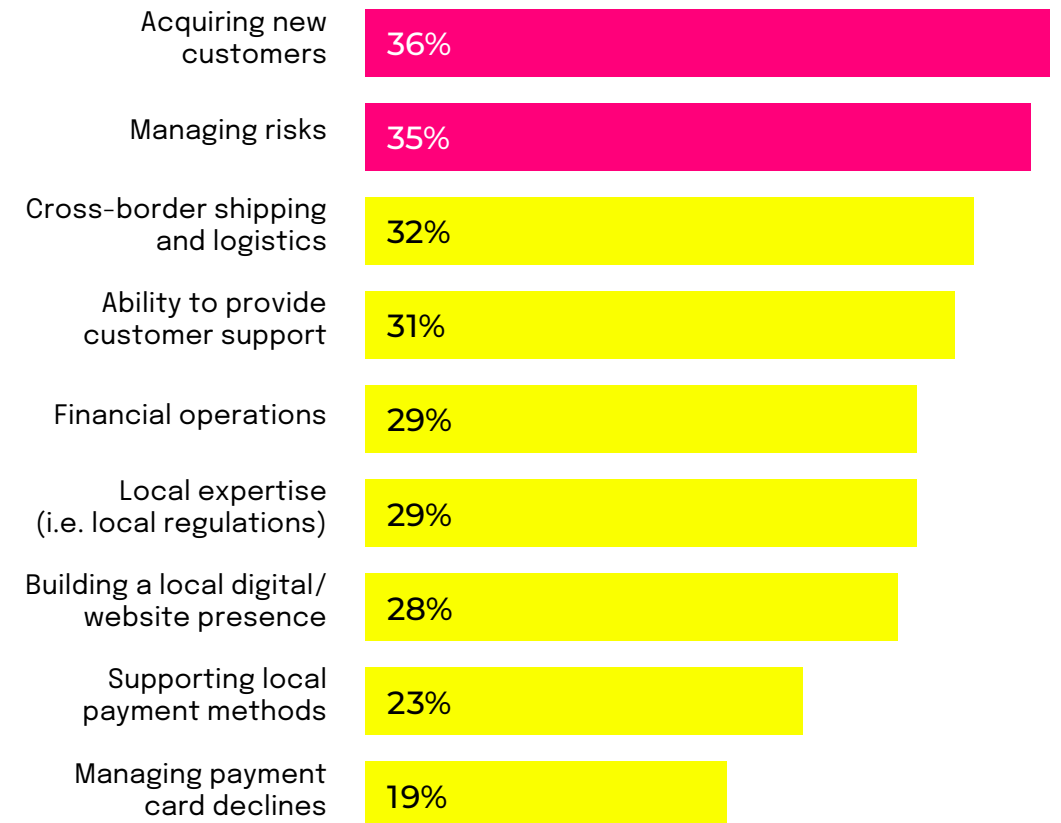
Acquiring New Customers and Managing Risk Are the Largest Operational Challenges for Businesses

Businesses big and small consider acquiring new customers (36 percent) and managing risks (35 percent) their top operational challenge when it comes to cross-border commerce.

With the ever changing face of the customer and types of risks, it is not surprising that businesses list these two as their topmost operational challenges. This is even more important in an international setting where expertise with customers' needs and managing risks specific to the region or market may be limited.

With the rapidly evolving social, political, and technological changes, organizations have to be prepared for challenges and threats to their businesses. If it's the pandemic in 2020, it was the dot com crash in the '90s. In the future businesses must continue to seek ways to remain dynamic and resilient.

Biggest operational challenges



BIGGEST OPERATIONAL CHALLENGES

Not all risks are equal

The ones that businesses consider most important are Data Security (32 percent) followed by Fraud (31 percent) related risks. Both of these have huge implications for the business as well its customers. If not managed well, they can lead to tremendous losses for the business and its customers.

Biggest risks with CBC



What's important to grow CBC?



Nearly half of the respondents also believe that the ability to accept local payments (49 percent) is important to growing cross-border sales. Allowing their customers to pay the way they want to pay is most crucial in conversion.

WHAT IS MOST IMPORTANT FOR CROSS-BORDER COMMERCE GROWTH

Managing Risks and Enabling Local Payments Is Most Important to Growing Cross-Border Commerce

Over half of cross-border commerce decision makers consider managing data security risk (52 percent) most important in growing cross-border. Businesses acknowledge that managing risk is a top operational challenge and consider it the most important to growing cross-border commerce. In fact, of the top three things listed, two are related to risk management.

Nearly half of the respondents also believe that the ability to accept local payments (49 percent) is important to growing cross-border sales. Allowing their customers to pay the way they want to pay is most crucial in conversion.

WHAT PROGRESS HAS BEEN MADE – AND IN WHICH AREAS?

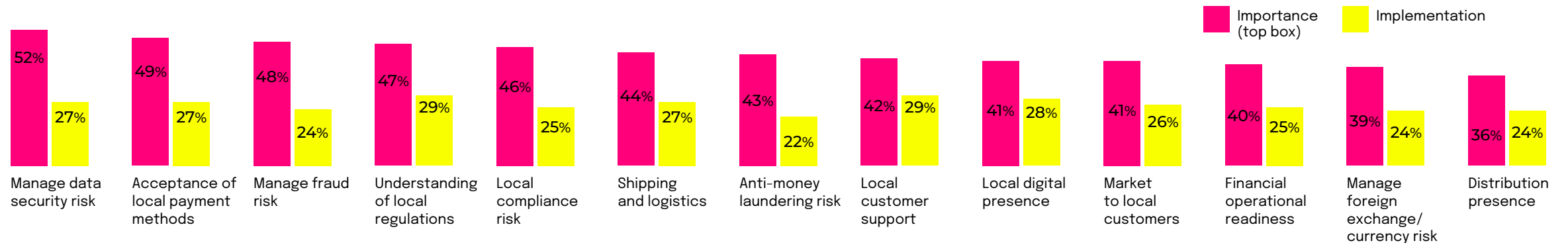
Progress Is Lacking in Key Areas for Cross-Border Commerce Growth

Organizations have made some progress in implementing initiatives necessary for cross-border success. However, full implementation of cross-border initiatives is limited. In the case of the top three important initiatives mentioned earlier, only about half have made full progress in that area.

Especially in the case of **managing data security risk** where 52 percent identified it as most important, only 27 percent have fully implemented a solution. Similarly, for the **ability to accept local payment methods**, while 49 percent state it as important to cross-border commerce progress, only 27 percent have fully implemented a solution.

Managing data security risk **where 52% identified it as most important, only 27% have fully implemented a solution**. Similarly, for the ability to accept local payment methods.

CBC Progress



ORGANIZATIONAL READINESS

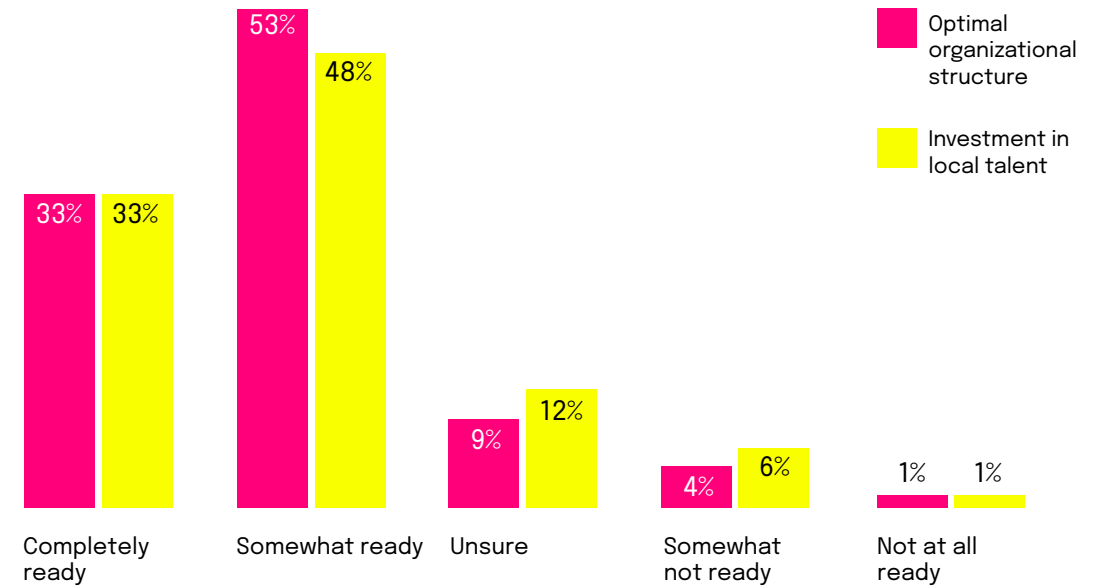
Organizational Readiness Is Key to Cross-Border Growth

It is important that organizations are structured in a manner that most supports cross-border growth. This may mean ensuring you have a local presence, that teams are aligned in their vision and mission or that the right team and talent is in place. Another important element is the ability and willingness to tap into local talent that can provide a wealth of local expertise.

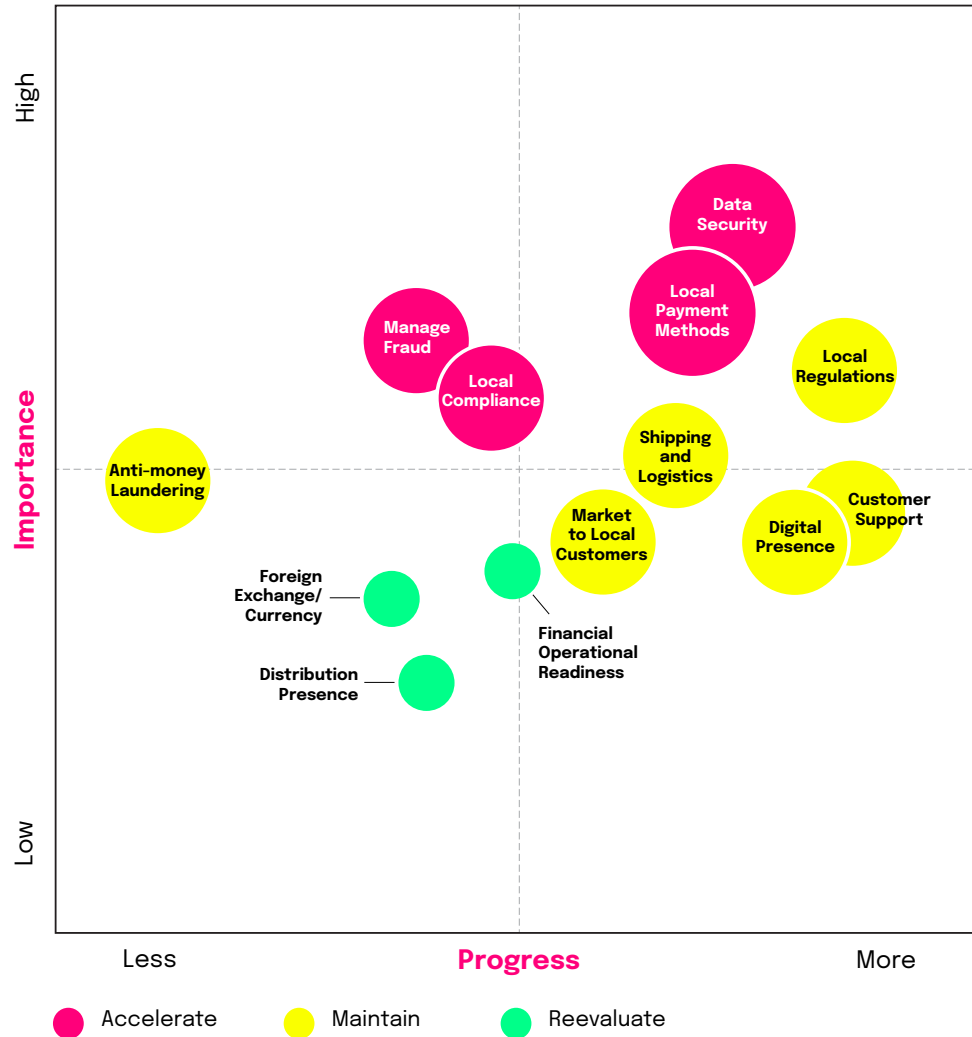
Only a third of the businesses are completely ready (33 percent) with optimizing their organizational structure - over half (53 percent) have only made some progress in this area.

About a third (33 percent) have invested in local talent while nearly half (48 percent) state that they are somewhat ready.

Organizational readiness still has room to grow



Companies CBC Priorities by Importance and Progress



WHAT'S NEXT?

Organizations Must Plan and Prioritize the Initiatives Needed to Grow Cross-Border

With the many initiatives needed to start and grow cross-border sales, businesses must plan and prioritize how they implement them. These initiatives fall in one of three categories - accelerate, maintain and reevaluate.

Organizations need to **accelerate** the initiatives that are important but progress has been slow. These initiatives need complete focus from the management in terms of priority and resource allocation.

Initiatives that are in the **maintain** bucket are those that are moderately important and where good progress has been made. Organizations must continue making progress with these initiatives.

Lastly, organizations must **reevaluate** initiatives that are not deemed to be important but where more progress has been made. Instead, consider reallocating resources to initiatives that need acceleration.

DECIDE NOW:

Should Managing Cross-Border Complexity and Risk Be a Core Competency of Your Business?

Cross-border commerce leaders responsible for delivering growth targets across the globe face a predicament: either in-source the technology and operational capabilities required to manage a successful cross-border operation, or outsource to vendors and partners.

Those that take the challenge on in-house, must be absolute in their understanding of the opportunities and the risks they are undertaking. This means ensuring they have the budget, resources, and technology know-how to make the management of cross-border and its associated risks an internal core competency.

By all accounts, our research shows that whichever path companies choose they are struggling to create local digital experiences that motivate local buyers in a compliant and low risk way.

TO MOVE THE NEEDLE ON CROSS-BORDER SALES BUSINESSES SHOULD FOCUS ON THE FOLLOWING STRATEGIES IN 2022

Focus Efforts On Improving The Local Digital Experiences That Are Most Critical To Conversion

Quick wins include **accepting local payment methods such as local debit schemes, local ewallets and even cash-on-delivery.**

Additionally, localizing site content for users with language translation, currency presentation and customer support teams, will help build local credibility and trust required with shoppers to convert.

Integrate Cross-Border Initiatives Into Other Priorities

Your cross-border road-map should not stand alone. When planning and implementing other prioritized initiatives such as mobile, personalization and re-platform **consider the cross-border impacts in detail and how each implementation can help extend your reach** into new markets and locales.

Shift Some Of The Cross-Border Risks Outside Your Organization

One of the top reasons organizations decide not to expand cross-border is due to the numerous risks involved. Staying in compliance with local regulations, managing KYC and ID verification, and insulating yourself from security and fraud risks can seem daunting.

Work with vendors and partners that can help shift some of these risks off the organization and take responsibility for these issues in their environments on your behalf.

Rapyd is the fastest way to power local payments anywhere in the world, enabling companies across the globe to access markets quicker than ever before. By utilizing Rapyd's unparalleled payments network and fintech as a service platform, businesses and consumers can engage in local and cross-border transactions in any market.

The Rapyd platform is unifying fragmented payment systems worldwide by allowing merchants to accept payment methods, including cards, bank transfers, ewallets and cash in over 100 countries through a single integration.

Learn more at rapyd.net

ABOUT RAPYD FINTECH AS A SERVICE



Rapyd.net

