Don't let banking hold you back: How ecommerce companies can scale with ease

The ecommerce landscape has been growing exponentially over the last few years, with global industry revenues rising to $2.7 trillion USD in 2021.[1] New entrants continue to disrupt existing business models as they find novel ways of reaching the customer. With growth only accelerating during the pandemic and projected to reach $3.5 trillion USD by 2025,[1] companies in this industry must be extremely nimble and ready to scale at a moment's notice. The problem: is their banking able to keep up?

Managing exponential collection growth

Ecommerce companies tend to handle ever larger volumes of incoming payments, sometimes up to thousands per month, which are often much more granular and data-rich than those from other industries. Especially for companies in the Business to Consumer (B2C) industry, collecting these payments at scale, which can occur at both regular and irregular intervals, is a key challenge that becomes even more difficult when trying to collect from international customers. They also need to do so safely, reliably, and efficiently in order to fulfill their orders. Some companies find that they need to dedicate precious time and resources to the process, which impacts their returns.

[1] Shopify, Statista Digital Market Outlook

Citi understands that this can be a source of pain for ecommerce companies, and so we have developed solutions that simplify the collections process. There are usually 3 common problems that we can help overcome:

- **The need to efficiently collect payments at scale:** Our proprietary platforms allow clients to simply turn on the functionality to collect hundreds, even thousands of payments without having to build their own infrastructure. These solutions integrate seamlessly with client browsers, settle incoming payments, and offer robust reporting and reconciliation features

- **The need to offer multiple currency options:** To remain competitive, ecommerce companies need to allow customers across the globe to pay in their local currencies. Our FX solutions generate guaranteed pricing so that currency conversions can be locked in instantly, mitigating the risk of large exchange rate fluctuations

- **The need to reconcile the large volume of incoming payments:** Finding a mechanism to collect payments at scale is one challenge, but then reconciling those thousands of incoming transactions to the buyers who initiated them is a separate one entirely. We've developed a solution that leverages Artificial Intelligence and Machine Learning to automate the reconciliation process, so that companies can free up resources for other functions

Managing exponential payment growth

Managing the incoming transactions is hard enough, but every ecommerce player will also have to account for the *outgoing* flows to the end merchants, which can occur in equally large volumes – again up to thousands per month. Many of these payments may need to go to cross-border suppliers in multiple currencies, and get sent through local payment rails, which could add significantly to the complexity of their operations. The number of intermediaries in the flow will also impact both the cost and settlement timeframe of the transactions. Given the aggregator/intermediary role played by most ecommerce platforms, high payment handling costs impact the profit margins of these entities. Similar to the incoming payments, ecommerce entities also need to be able to track the status of these outgoing payments in an easy-to-access way.

Citi has developed solutions to manage through the common challenges of outgoing payments:

- **The need to make payments in different currencies without increasing complexity:** Instead of creating accounts for each foreign currency payment, which often entails multiple banking partners, or working with costly FX providers, our non-account-based solution allows for companies to make 135+ currency payments from a single funding currency

- **The need to securely transact and avoid fraud:** Many ecommerce companies facilitate millions of transactions each year, and so maintaining security of those transactions and avoiding fraud is a very daunting task. We utilize detection and prevention technologies to keep our clients' money safe, and offer additional security features that can be configured to suit their business

- **The need to have payment format options:** Certain ecommerce companies, particularly Online Travel Aggregators (OTAs), need to collect a credit card payment and pass that format of payment on to the end merchants. It's not feasible to create and manage a traditional cards program for every merchant, on top of all the other wire transfers and other payment types that need to be made, so real-time virtual card issuance, managed through low-touch API connectivity, is a major benefit to these companies

The ecommerce landscape shows no sign of slowing down, and we expect to see new entrants popping up regularly for the foreseeable future. When these companies scale up, we'll be there to help them navigate their growth priorities. If your company is prepping for that exponential growth, and you want to move as fast as possible, talk to us today to learn more about how we can help.

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