



# 2023 as the year of cross-border e-commerce

challenges and prospects of borderless  
trade



# Introduction

Cross-border e-commerce, or cross-border digital trade, is a growing phenomenon. This market is developing at a breakneck pace and already represents an essential aspect of international trade. In 2021, it had a global value of 719 billion USD. According to estimates, the market is expected to grow at an annual rate of 25.8% in the coming years<sup>1</sup>. Together with our partners, we are aware of this trend, which is why we decided to conduct the most comprehensive business survey of its kind in Poland.

This report explores in more detail the challenges, potential and role of payment systems in cross-border e-commerce. Analysing an extensive survey of e-commerce market participants and sharing our expertise in handling digital international trade, we present the current state of the market and forecast its development. We also look at key trends and solutions that may influence the future of cross-border e-commerce.

Our findings, among other things, gave us an insight into the challenges faced by the Polish entrepreneur. Cross-border e-commerce presents many difficulties, from language and cultural barriers to differences in regulations and payment systems. Nonetheless, we know that more than half of our partners have opened up to foreign markets and most of them forecast revenue growth in 2023.

This is our first report of its kind, based on the global range of business services we provide. We hope it will serve as a useful resource for entrepreneurs who want to develop their business in this area and for those interested in current trends in e-commerce. Ultimately, this is the role we play in the payments ecosystem to support the development of Polish entrepreneurs on international markets. We are honoured to contribute our expertise to this important goal for the Polish economy. We encourage you to familiarise yourself with the study prepared by Conotoxia, a global fintech company.



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<sup>1</sup> Cross-border B2C E-commerce Market Size Report, 2022-2030, Grand View Research

<sup>2</sup> 2023 as the year of cross-border e-commerce - challenges and prospects of borderless trade

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# Economic prospects of cross-border e-commerce



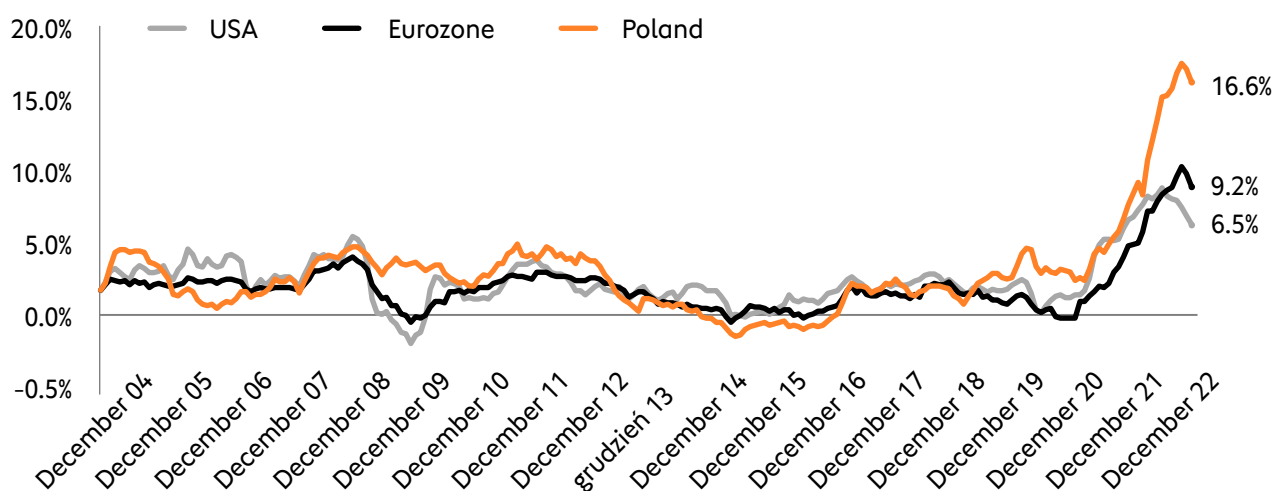


**Bartosz Sawicki**

Market Analyst at Conotoxia

Inflation is hitting record highs in the global economy. In the US, price growth in mid-2022 was the highest in four decades. In the European Union, it reached double digits for the first time in history. In Poland, CPI dynamics in October 2022 were the highest since 1996, approaching 18%. The peak of price pressure in the country is yet to come - it will fall in the first quarter of 2023. Wages are unable to keep up with consumer price inflation, and the central banks' response is an unprecedented tightening cycle and sharp interest rate hikes.

## Price increases hit consumers

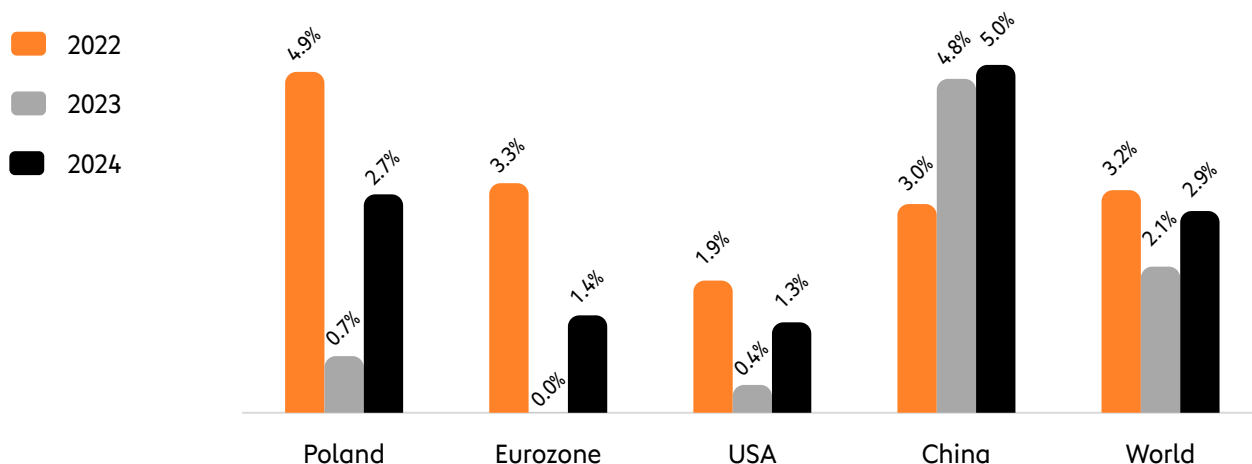


Consumer inflation dynamics (year-on-year) in selected economies; Source: Bloomberg

Such a combination implies negative real wage dynamics and a rapid deterioration in household purchasing power. Taken together, this must lead to a collapse in consumption, taking the major economies straight into recession. In 2022, the EU economy grew by around 3.5%, but GDP dynamics will hover around zero in the current year. At first glance, the juxtaposition of these two figures suggests deep trouble. As in the case of Poland, this basic and most popular index is unable to capture the full complexity of economic realities.

First, the downturn is already underway and has been for many months. The bottom may be relatively close. There is a growing belief that the recession in the eurozone or the US will be relatively shallow and short. By the end of this year, the global economy may already be in recovery. Disinflation, or the deceleration of price dynamics, is trying to dethrone inflation

## Economies set to return to growth quickly



Market forecasts for GDP growth by year; Source: Bloomberg

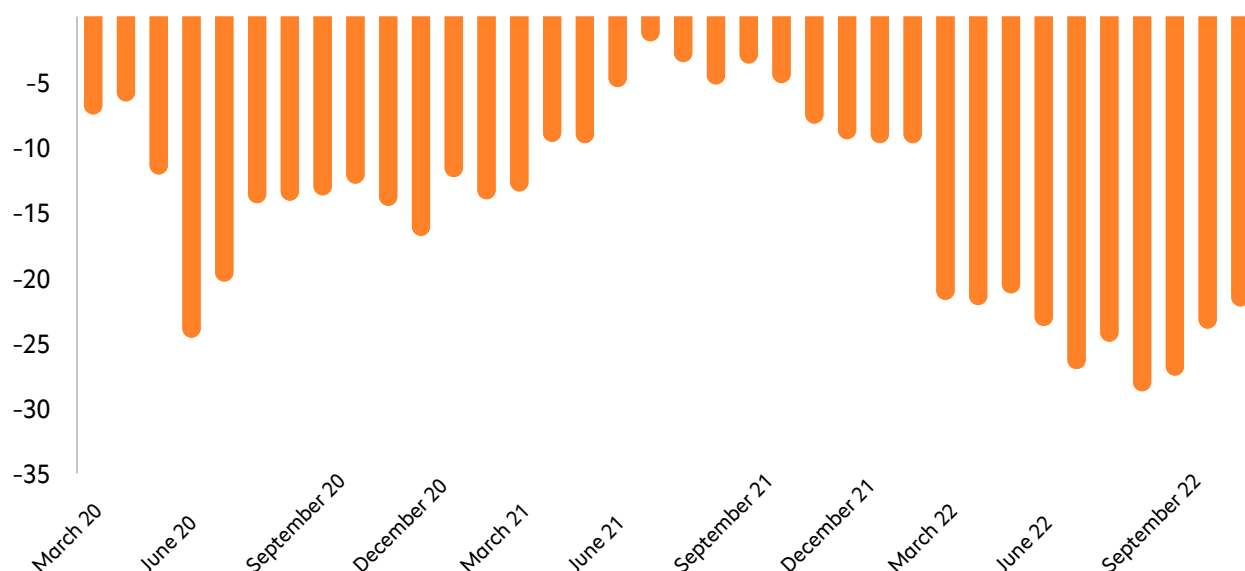
as the most popular economic term. From a global trade perspective, the easing of logistics network bottlenecks and the freight price collapse are also positive. After rising several times during the COVID-19 pandemic, they have returned to mid-2020 levels.

Although the coming months will be challenging for the Old Continent's economies, there is no escaping the fact that the direst scenarios that caused fear and panic in the financial markets in recent months have become much less likely. This is reflected in the sentiment indexes for industry and services or even in the consumer confidence index calculated by the European Commission. Market forecasts for the growth rate of the euro area economy have also stopped falling since the autumn.

The more positive view of the eurozone's prospects comes from two sources. Fortunately, the vision of a gas crisis has not materialised. Commodity prices for a monthly delivery contract have plunged from over 300 EUR/MWh in Q3 2022 to below 70 EUR/MWh. By mid-January 2023, they were at their lowest for more than a dozen months. This is thanks to the mobilisation of the authorities, which ensured that storage facilities were quickly filled before the heating season, but above all, to the mild weather, which led to low demand. A more optimistic outlook for the economic situation in Europe and the rest of the world is also provided by China's abandonment of its zero-tolerance policy for COVID-19, which last year severely limited demand through the lockdown of major commercial and economic centres, led by Shanghai, which accounts for around 7% of GDP. Moving away from a strategy of draconian tightening and continuing to stimulate the largest emerging economy could provide a salutary boost to the global economy.



## Consumer sentiment is improving



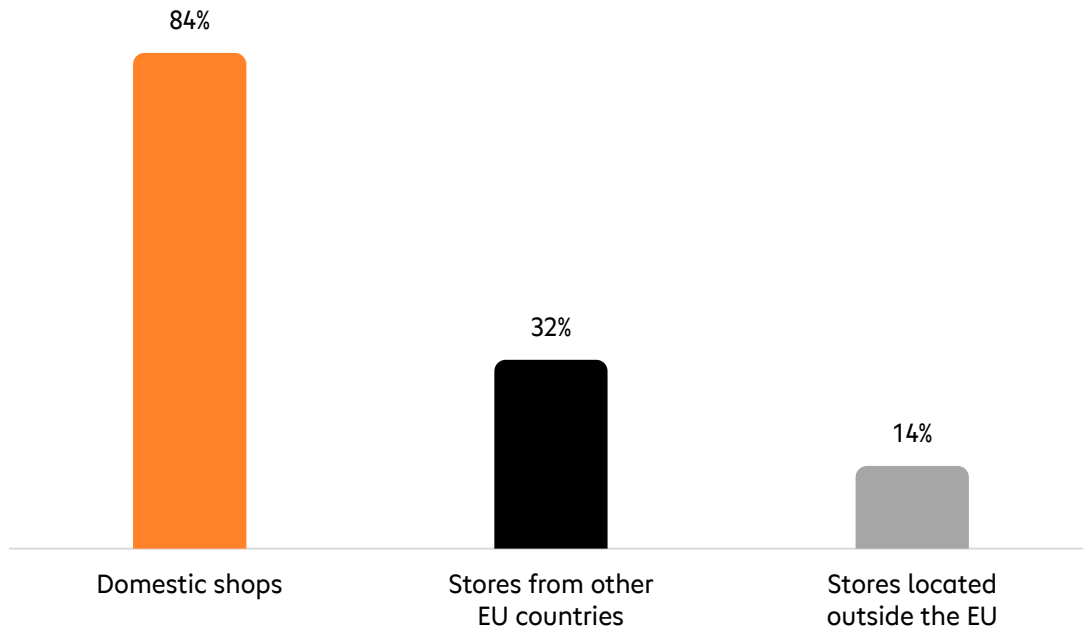
Eurozone Consumer Confidence Index (points), Source: European Commission

The recession we are on the brink of will be different from previous ones, particularly the Global Financial Crisis of 2008–2009. The reason is that it will not lead to a crisis in structurally strong labour markets. There will not be a marked increase in the unemployment rate. The US economy has a huge backlog of more than 10 million vacancies. In other economies, including Poland, there will be a kind of ‘hoarding’ of workers in many sectors during the downturn, as it has been extremely difficult to attract them in recent years. The labour shortage is still a fresh image in the minds of entrepreneurs. Companies are constantly forced to compete with each other for workers.

The macroeconomic environment in the coming quarters will undoubtedly be challenging. Consumption in many economies will shrink or, at best, stagnate. For the e-commerce industry, this means a more complex environment for growth but also opportunities. Purchases of many goods will be more cautious, with price playing a greater role, something that the online industry has always been driven by.

Since Poland joined the European Union, 80% of its exports have gone to Community markets. Germany remains the most important trading partner and the recipient of almost 30% of all goods. Therefore, it should not come as a surprise that EU countries are also the first destination for the expansion of Polish e-commerce companies. This market is at a higher stage of development in most EU economies. According to the latest statistics from Eurostat, already 93% of households in the EU have access to the Internet. As many as 68% of individuals have shopped online at least once in 2022. In Germany in 2021, more than 25% of retail sales were online. In Poland, the share is still at more than half that level.

## Europe ready for cross-border e-commerce



Percentage of online shoppers in 2021 by country; Source: Eurostat

Not only have Western consumers become accustomed to shopping online, but they are also three times more likely to take advantage of offers from shops in other EU countries. Ecommerce Europe estimates that the value of online sales across Europe is already approaching 800 billion EUR, and products can be offered to more than 590 million people. The timing to launch cross-border sales may seem risky at first glance. However, growth prospects, particularly in Western Europe, are proving to be much better than feared a few months ago, and the market size is hard to ignore.







# Cross-border e-commerce through numbers



Cross-border e-commerce is a relatively new field involving the online sale of products abroad. The phenomenon is evolving at a rapid pace. In 2016, cross-border sales accounted for 15% of all e-commerce trade. In 2022, cross-border shares in the e-commerce market were already 22%, showing that online sales are much more likely to break through borders.

In Poland, as early as 2016, when the Polish Central Statistical Office (GUS) started collecting data on the subject, foreign online sales exceeded 27.5 billion PLN and accounted for almost 16% of the value of the Polish e-commerce market. In 2021, the value of cross-border in Poland was already 61.47 billion PLN and accounted for more than 19% of the Polish e-commerce market<sup>2</sup>.

The data, therefore, show that more and more Polish online shops and sales platforms see the potential in selling abroad. Newly established shops are already opening up to foreign customers right at the beginning of their operations and want to offer product sales abroad.

65% of merchants using the Conotoxia Pay payment gateway already report active sales on international markets. A further 1% intend to launch such sales in the coming months.

## Cross-border online sale of products and services according to Conotoxia Pay gateway users



Source: Author's study based on surveys conducted among partners using the Conotoxia Pay gateway

<sup>2</sup> GUS data: Use of ICT in enterprises in 2017 and Use of ICT in enterprises in 2022.

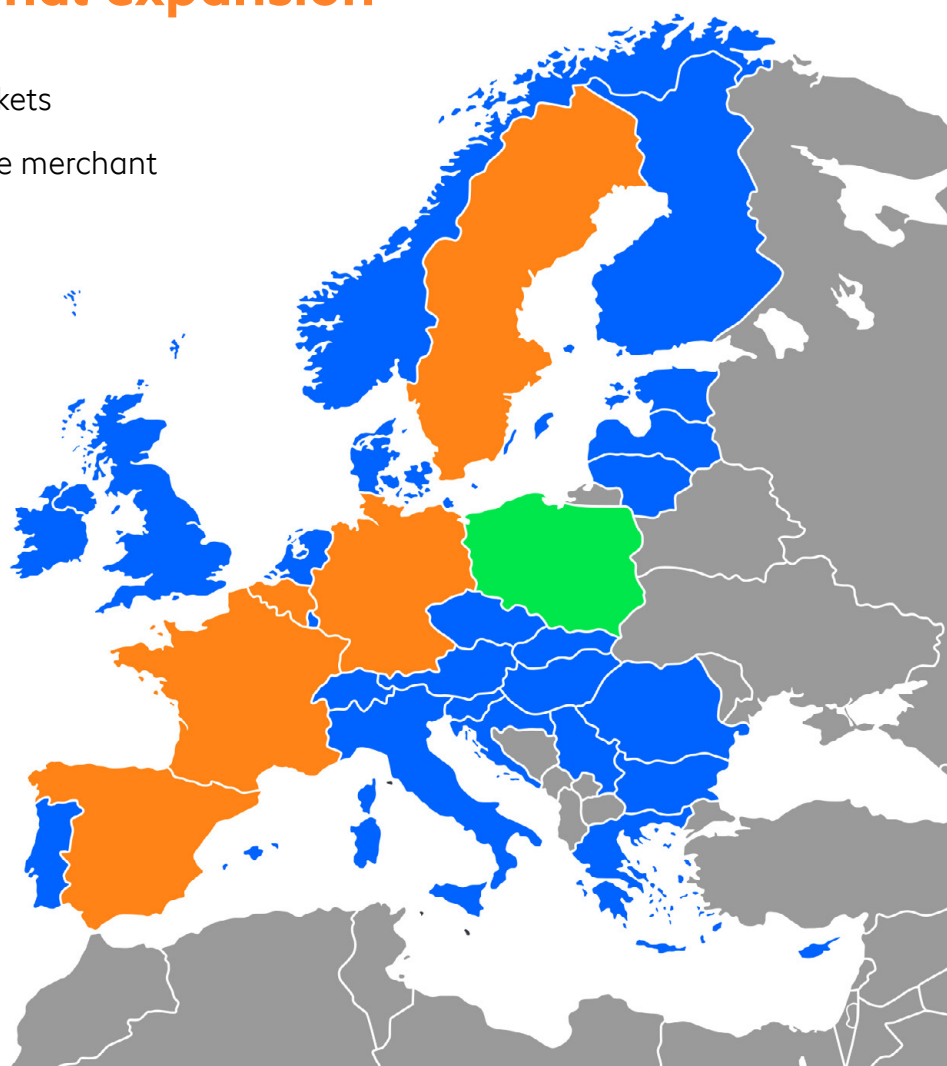


Respondents provide their services in countries worldwide. The European Union and non-EU European countries are the most popular among Polish sellers. 22.2% of respondents focus exclusively on the German market. In addition to Germany, France, Spain, Sweden or Belgium also appear among the most popular countries from Europe.

Outside the Old Continent, a large share of respondents focuses on countries from overseas. The United States and Canada mainly dominate these. Online sales in these markets are declared by 10% of the surveyed.

## The most popular destinations for international expansion

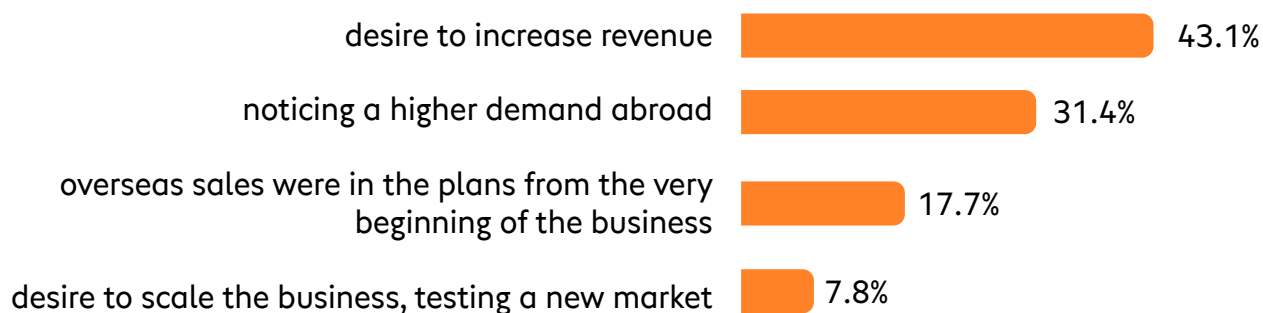
- Top 5 European markets
- Countries with active merchant sales



Source: Author's analysis based on surveys conducted among partners using the Conotoxia Pay gateway

The desire to increase income prevails among the reasons for expanding into international markets. 43.1% of respondents point to this as the main motivator. 31.4% of sellers are driven by increased demand. In contrast, 17.7% of respondents emphasised that they had planned to sell abroad from the beginning of their business. For 7.8% of Conotoxia Pay partners, on the other hand, it is a good way to scale their business and expand into new markets.

## Most common reasons given for developing online sales abroad



Source: Author's study based on surveys conducted among partners using the Conotoxia Pay gateway

The above data confirm that Polish entrepreneurs have spotted the cross-border e-commerce market and see great potential in it. Foreign markets, especially European ones, attract sellers with higher demand for goods and services, which also meets the need of Polish entrepreneurs to increase their income. The phenomenon of cross-border e-commerce is already so firmly anchored in the business consciousness that many entrepreneurs include foreign sales in their plans from the very beginning of their operations.







# Challenges of online cross-border sales





The globalisation of the e-commerce market brings many benefits but also challenges. Up to 44% of shopping basket abandonment<sup>3</sup> is due to high delivery costs. Other challenges in cross-border e-commerce include language barriers, cultural differences, varying regulations, the cost of customer complaints and payment issues. Identifying these issues early and developing ways to overcome them can help you expand your cross-border e-commerce business more effectively.

Can cross-border e-commerce take retailers by surprise? The vast majority (60.4%) say no, as adequate preparation for overseas expansion is enough. For the rest, the biggest challenge is offering country-specific payment methods. Each country has different characteristics. Foreign customers often use local payment methods, with PayPal being popular worldwide. The absence of these methods on the sales platform may even discourage them from buying and cause them to abandon their shopping basket.

The foreign expansion also involves learning the specifics of the market in question, meeting additional formalities and accepting the higher costs associated with long-term operations in a foreign market.

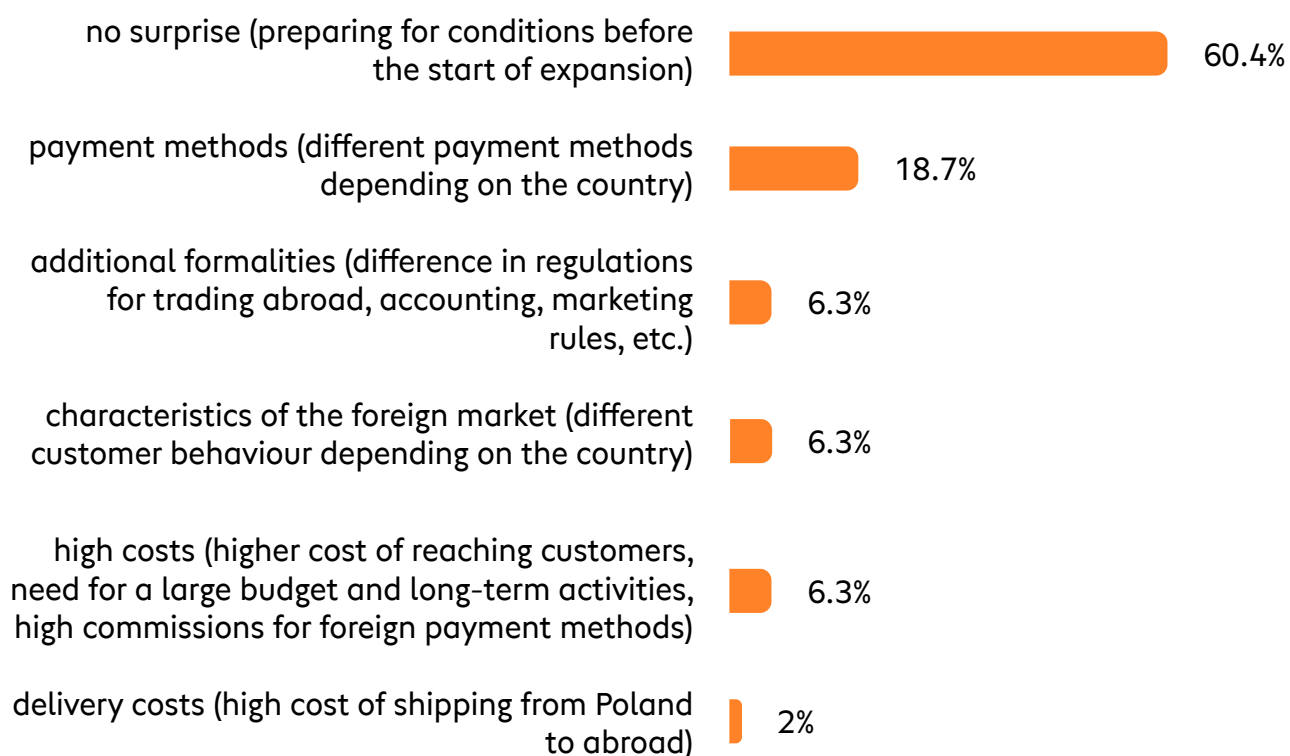


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<sup>3</sup> Consumer expectations and optimisation of logistics costs in the cross border model, Chamber of the Electronic Economy.



## The biggest surprise when starting to sell online abroad



Source: Author's study based on surveys conducted among partners using the Conotoxia Pay gateway







So what do you draw attention to when planning overseas online sales? 18.5% of those surveyed say that appropriate payment methods are the key. Attractive prices (16.7%) and marketing activities to develop effective channels to reach foreign customers (14.8%) may also be decisive for achieving success and acquiring new customers.

According to those surveyed, the shop's credibility (13%) and the intuitiveness of the sales platform offered (9%) are also important in cross-border e-commerce. Communication in the customer's language is also worth considering, as pointed out by 7.4% of respondents.

## What are the key factors in expanding abroad?

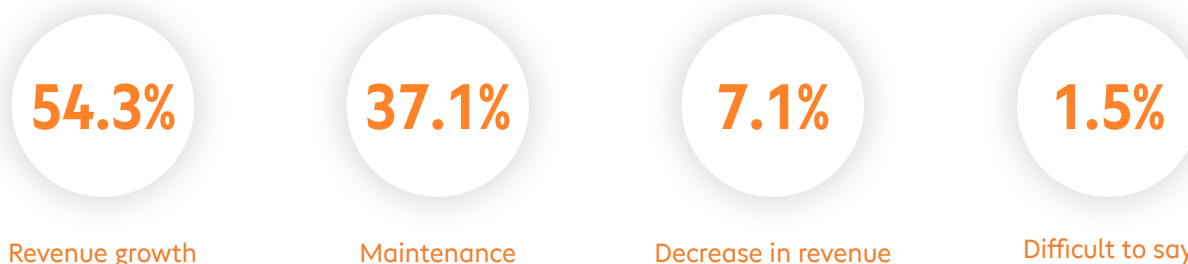


Source: Author's study based on surveys conducted among partners using the Conotoxia Pay gateway



Despite the many challenges and issues to be aware of, merchants view cross-border e-commerce positively. In fact, 54.3% of Conotoxia Pay partners expect their revenues to increase in 2023, while 37.1% expect them to remain at the same level as last year. Only 7.1% of respondents expect revenues to decrease.

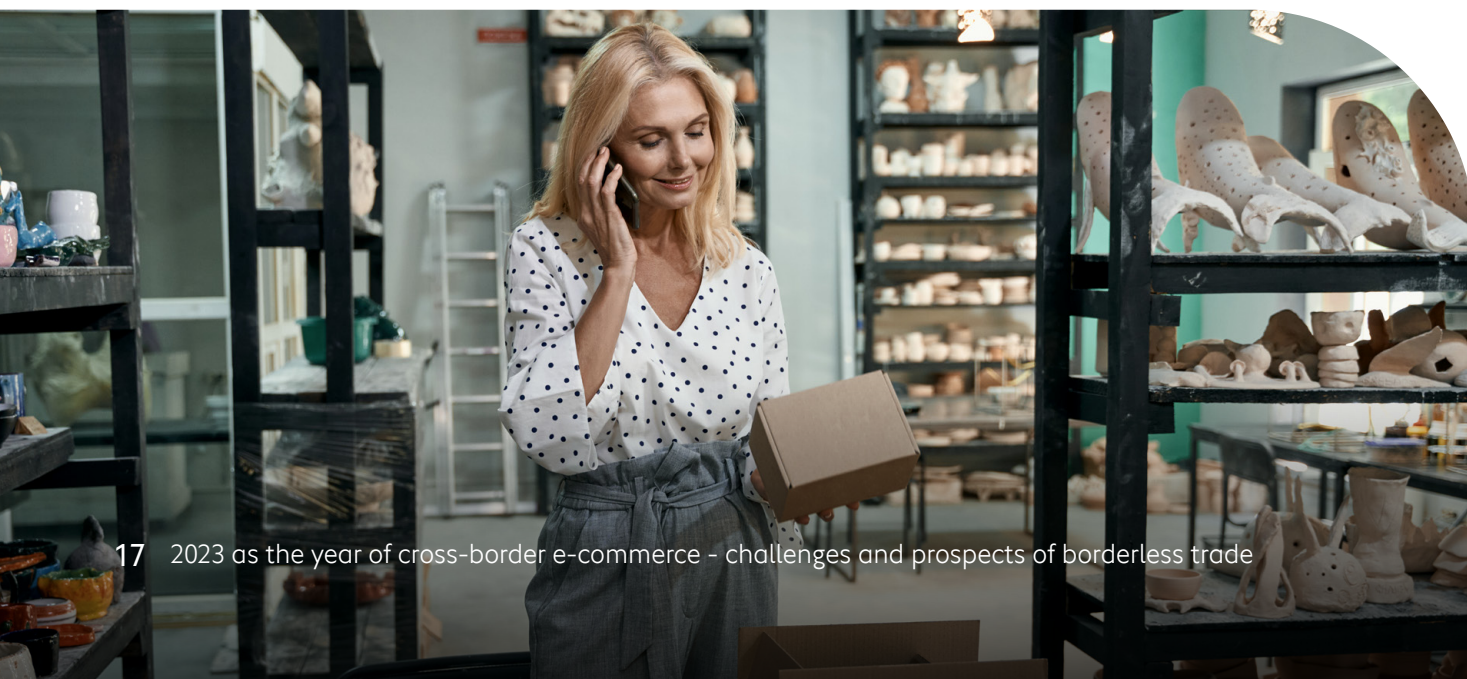
## Sales forecasts by online sales partners



Source: Author's study based on surveys conducted among partners using the Conotoxia Pay gateway

*“The optimism of the companies surveyed may come as a surprise. However, it is in line with the main economic indicators and the increasingly expressed hope that the black clouds over the European economy are lifting. We are probably on the threshold of a wave of upward revisions of GDP growth forecasts for Poland and our main trading partners. The resilience of growth to the slowdown so far, the strength of labour markets, and the cautious optimism of companies are a combination that makes positive surprises in the values of the main macroeconomic indicators seem more likely today.”*

Bartosz Sawicki, Market Analyst at Conotoxia







# The role of the payment system in cross-border e-commerce





Payments are a key part of any e-commerce transaction, and for international trade, there are many additional challenges related to forms of payment, currencies and regulations. More than a third of consumers report that the right payment system is essential to them when it comes to making purchasing decisions<sup>4</sup>. Therefore, merchants need to prepare for these issues and choose a payment gateway that facilitates overseas expansion. The choice of payment provider can be crucial not only in terms of reaching customers but also in optimising costs and daily operations.

In this respect, the varying specificities of foreign markets can be a dilemma. While BLIK reigns supreme among payment methods in Poland, in Norway, the most popular payment method is Vipps, which is exotic for the Polish retailer. Austrian customers will prefer to pay via EPS, while in the Netherlands, the most popular method is iDeal. Entrepreneurs wishing to sell their goods and services in many countries around the world should thus choose a payment gateway that includes the most popular payment methods.

*“Our partners are right to point out that providing the customer with the right payment method is essential. The retailer must also present prices in their local currency and then give them the option to pay in it. Today, a potential customer will not check the exchange rates themselves but will choose the offer of another shop. Our gateway allows payment in foreign currencies without currency conversion. It also allows the customer to change it by displaying the current exchange rate to them. Importantly, the customer’s payment instrument will be debited in the chosen currency. This has the effect of improving conversions among foreign customers.”*

Michal Zabek, Business Product Manager Conotopia Pay



<sup>4</sup> Cross-border e-commerce guide 2020, Chamber of the Electronic Economy.



For those selling online, the intuitive interface of the merchant panel to manage payments, process orders and withdraw funds also plays an important role in streamlining sales processes.

98.8% of partners using the Conotoxia Pay payment gateway rank the merchant panel as good or very good. Those surveyed emphasise that it is intuitive and user-friendly.

## How do users rate the panel dedicated to online shops using Conotoxia Pay, in terms of its intuitiveness, design and service level



very good - 80.5%



good - 18.3%

Source: Author's study based on surveys conducted among partners using the Conotoxia Pay gateway





Merchants are also very focused on the cost of doing business. They choose payment gateways that are not only intuitive and offer multiple payment methods but also have low commissions. In fact, 77.5% of respondents found Conotoxia Pay's commissions attractive, with 43% describing them as very attractive.

## Attractiveness of the fees offered by Conotoxia Pay according to the merchant's panel users



very attractive - 43%



attractive - 34.5%



good - 18%



below expectations - 4.5%

Source: Author's study based on surveys conducted among partners using the Conotoxia Pay gateway

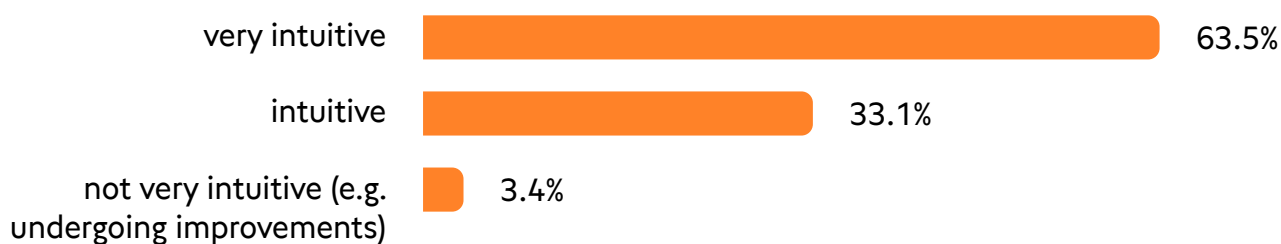






From the customer's perspective, an easy payment process is important when shopping online, as it reduces shopping cart abandonment. 96.6% of Conotoxia Pay partners find it intuitive to pay via this gateway.

## The ease of paying with the Conotoxia Pay gateway according to its users

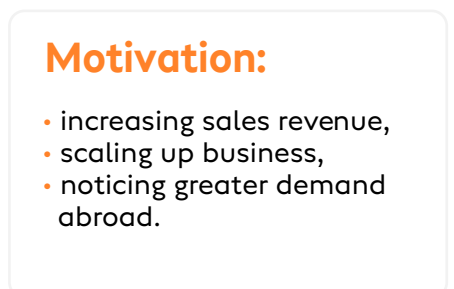
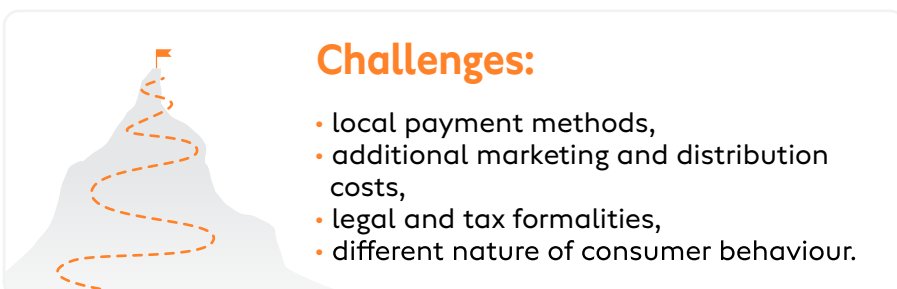
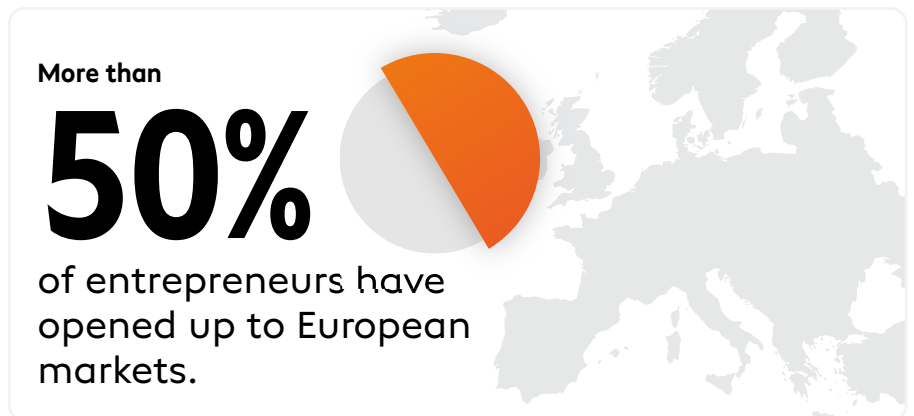
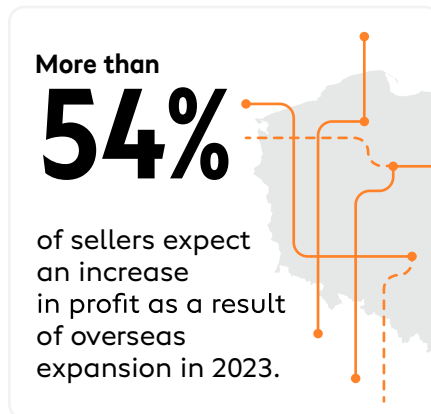
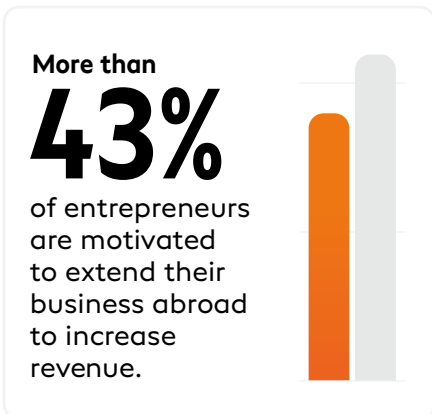
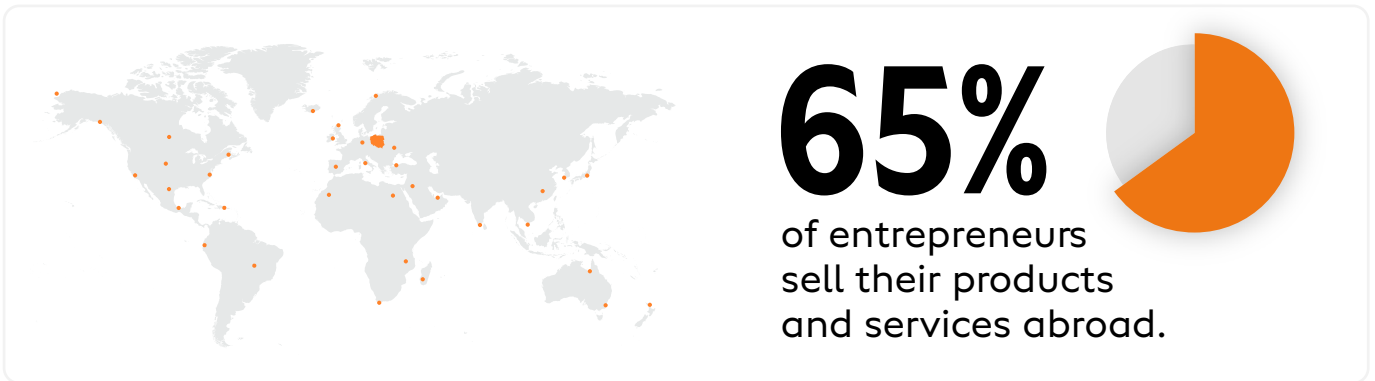


Source: Author's study based on surveys conducted among partners using the Conotoxia Pay gateway

**Payment links** are also popular. This solution is particularly useful for those providing services and products on commission, as it guarantees them flexibility in setting the price. Almost one in four Conotoxia Pay partners already uses this form of accepting payments from their contractors.



## Cross-border e-commerce in the eyes of Polish e-entrepreneurs





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## About the survey

The survey was conducted by Conotoxia using the CATI method in November and December 2022 among a sample of 372 entrepreneurs who run an e-commerce business/use the Conotoxia Pay payment gateway. The report was produced entirely by the fintech company Conotoxia.

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