Project Support for Going Global

Problems to Solve*:*

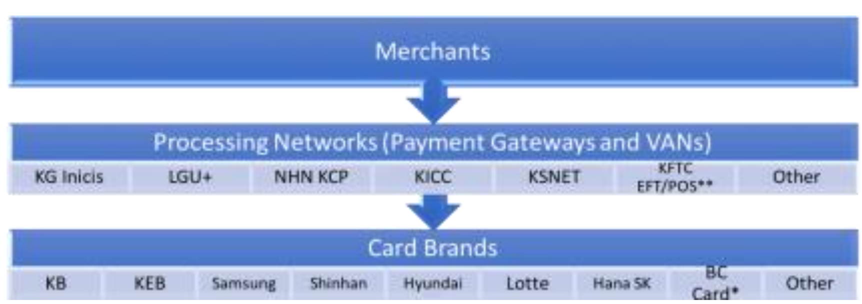
1. Drive cost savings and increased approvals by processing locally from a cross border processing environment
2. Enhance customer mobile shopping experience by providing solutions for Issuers to allow bypassed ActiveX requirements
3. Acquire local Payment Gateway license from Financial Supervisory Service (FSS); requires underwriting from local processor and a local entity
4. Agreements and integrations with

RPGC's Client wanted sales lift and lower processing costs by switching from a global processing agreement into Korea to a local processing environment. It was also integral for the Client to continue providing a seamless customer payment flow for its Korean customers.

Background

RPGC Group was called in to help provide support for Korean expansion by a global digital goods merchant ("Client"). Even though Korea has the highest e-commerce penetration in Asia Pacific Region (72%), it's known to be a difficult country for online shopping due to regulatory requirements. For non-Korean merchants, it's a market with high language, technical and cultural barriers and thus, difficult to penetrate effectively. In addition to expensive cross border fees, many new entrants struggle with local ActiveX requirements, suboptimal approval rates, and a much lower chargeback threshold than Americans are accustomed to.

Thus, it is ideal to process payments locally in Korea. But, execution to do so is time consuming, expensive, and requires buy in from many internal merchant organizations. The endeavor requires dedicated payments resources and strong local market knowledge.



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Solution

Breaking into Korea is not for the light of heart and obtaining a Payment Gateway (PG) license remains an arduous journey that demands both resources and requirements from several different company departments. Committing to an effective Korean market entry requires substantial investment.

In Korea, there are 9 card brands that offer cards WITHOUT Visa and MasterCard co-branding. Each brand is also an Issuer and requires individual agreements for domestic processing. Many merchants will recognize these brand agreements to be similar to AMEX; each Issuer is also its own acquirer. To maximize coverage and thus revenue, Korea requires 9 card integrations. These brands (Samsung, Shinhan, Hyundai, Lotte, Hana SK, Kookmin, Woori, NACCP, IBK) have no interest in engaging with non-licensed, non-Korean entities.

Integrating directly into each of the card brands requires a PG license granted by the Financial Supervisory Service (FSS). To acquire this license, the Client's processor must underwrite the Client, and the Client must be subject to an FSS audit of the Client data center and financial processes. Getting the PG license is a critical part of market entry, owned primarily by the Client's legal team. a true local presence and cultural understanding is so critical to market entry, even when the data center stays outside of the country.

RPGC Group was engaged to bridge the cultural and lingual hurdles between the Client, the FSS and each of the Issuing banks. By drafting the business product requirements for the Client from product engineering, legal, finance, and both the processor & issuer requirements, RPGC was able to:

- Assist Client's legal team in acquiring the PG license in a timely manner
- Define requirements for product & engineering teams
- Remove cultural and language barriers between Client and Processor
- Negotiate Client driven integration model between Client and Processor

Without the PG license, it made very little sense for the Client to develop technical specifications much less develop their in-country payment flows. Upon engagement, RPGC assisted coordination between Client's legal teams and the FSS. Once completed, RPGC managed the in-country vendor relationships on behalf of the Client, adding communication speed and removing overhead.

Because ActiveX is a conversion killer, the Client wanted a payment flow similar to their US model. To do this, they needed to convince Korean Issuers to allow them to own the risk and customer service elements of the transaction. Typically, Korean issuers consider this integration model too simple and insecure. RPGC facilitated onsite meetings between product, engineering and InfoSec members between both the Client and underwriting Processor to set expectations and clearly define each requirement allowing for effective negotiations on each outstanding item.

Conclusion

Currently the Client has integrations into all 9 card issuers, with a payment flow both parties are satisfied with. This has boosted approval rates, thus leading to increased revenue from Korea.