



How to Scale Monetization Globally

Strategies for Global Business Growth · February, 2020

KEY ISSUES

What are the key monetization challenges for global business expansion?

What are the best practices for scaling monetization globally?

How can organizations manage and measure their global monetization operations?

Nearly every business publication or management consultancy tells their audience that global markets are the way to riches.

We agree – expanding a business into international markets is a solid strategy. In practice though, reaching into global markets exposes the limits of monetization capability for most companies. This applies to billing international clients, managing global revenue recognition, collecting taxes, administering local payment methods, providing support across time zones and language and cultural barriers and staying in compliance with local regulatory mandates. This research report examines the best practices that a company needs to adopt in order to successfully expand its digital monetization to global markets.

The Tail Winds of Global Commerce

Weighed down by challenging demographic trends, sizeable debt and social obligations, developed economies are growing much slower than those in emerging markets and thus naturally seek export markets with rising per capital GDP. On the other hand, developing economies, especially in smaller countries, seek access to larger global opportunities.

Over the last 20 year, Internet adoption and explosion in mobility have catalyzed global trade and accelerated its growth. The business case for global expansion is strong and the underlying growth drivers are durable. Yet, while trade information now flows freely, the global money flows remain not only complex and fragmented but are often

a serious gating factor to success in international expansion. Most companies simply lack the tools and the expertise in taking even basic digital subscriptions to global markets.

In theory nearly every CEO understands that there are international markets with interest in their offerings. This is especially true for organizations offerings digital goods and services. In practice, executing a global expansion strategy even for offerings that do not require physical inventory and shipping is quite challenging.

MGI Research estimates that amongst digitally-focused US-based businesses attempting a first-time global expansion, nearly 70% either fail or experience meaningful delays and cost overruns.

How can organizations prepare themselves effectively for a global push? We recommend that companies contemplating a global expansion should conduct a review of their international monetization capability. The assessment should focus on the following key questions:

MGI Research Global Monetization 17-Point Capability Assessment Framework (GM17)

Area	Challenges	Who Should be Involved
1. Organizational	<ol style="list-style-type: none"> 1. What are the entities that will be the sellers/merchants of record in each country/territory? 2. Are all the relevant Tax Identifications in place for international billing? 	<ul style="list-style-type: none"> ▪ Executive ▪ Legal/Compliance ▪ Finance ▪ Product Management
2. Internationalization (Multi-language, Multi-country)	<ol style="list-style-type: none"> 3. Can the billing systems support generation of invoices in local languages? 4. Can the billing, invoicing, payment processing and collections be supported in local languages? 5. Do the suppliers of billing, payments and other systems have local presence and local support? 6. Can the support organization handle questions across multiple time zones and in various languages?? 	<ul style="list-style-type: none"> ▪ Finance ▪ IT ▪ Customer Service ▪ Product Management
3. Tax	<ol style="list-style-type: none"> 7. Can your monetization platform support taxes for multiple countries and localities? 8. Are your systems equipped to support VAT collection and reporting? 	<ul style="list-style-type: none"> ▪ Tax ▪ Compliance ▪ IT

Area	Challenges	Who Should be Involved
	<p>9. Are there systems in place to validate tax identifications globally?</p> <p>10. Can your systems accurately determine which taxes apply for each line item on an invoice? e.g. location specific taxes?</p> <p>11. Are your finance systems equipped to handle inter-country tax calculations, e.g. special customs fees, transport fees, etc?</p> <p>12. Does your tax calculation engine support handling of exempt, double taxation, and other complex international tax rules?</p>	
<p>4. Payments</p>	<p>13. Can your monetization platform handle local payment methods in each target geography?</p> <p>14. Can your monetization platform support payment processing in all target countries?</p> <p>15. Can your systems handle both incoming and outgoing payments? (Pay-In and Pay-Out) in each geography?</p> <p>16. Is your payment infrastructure robust enough to handle multiple payment gateways?</p> <p>17. Does your payment infrastructure support backup payment gateways in each geography?</p> <p>18. Do you have provisions in place to handle payment processing risks?</p> <p>19. Do you have a process in place for handling payment fraud?</p>	<ul style="list-style-type: none"> ▪ Finance/Billing ▪ Collections ▪ Payments Processing ▪ IT ▪ Cyber security ▪ Risk Management
<p>5. Billing & E-Commerce</p>	<p>20. Can your Billing system support your organizational hierarchy? Can international subsidiaries generate local invoices? Can business, revenue and tax rules be defined and managed based on geography?</p> <p>21. Does your billing system allow for invoice customization to enable layouts that are acceptable in each target country?</p> <p>22. Can the billing system support invoices in local currency? In multiple currencies?</p> <p>23. Does the financial system have robust capabilities for multi-currency and multi-entity handling?</p> <p>24. Can the financial system support real-time and historical currency conversion?</p> <p>25. Do your e-Commerce and Merchant of Record (MoR) or Seller of Record (SoR) platforms support global expansion and at what cost?</p>	<ul style="list-style-type: none"> ▪ Finance/Billing ▪ Collections

Area	Challenges	Who Should be Involved
6. Master Data Management (MDM)	26. Can your financial and billing systems support multi-entity management (billing addresses, service addresses, organization addresses, divisional hierarchies)? 27. Can product and pricing catalogs be easily localized and if needed managed locally?	<ul style="list-style-type: none"> ▪ Product Management ▪ IT/Data Architecture ▪ Analytics ▪ Finance ▪ Cyber Security
7. Revenue Management	28. Is your Automated Revenue Management system equipped to handle international revenues? 29. Is revenue going to be recognized and reported locally, globally or both? 30. Do your billing and revenue recognition systems have the capabilities to handle historical currency conversion rates? 31. Have you stress-tested your ERP systems for international revenue handling and consolidation including order changes, cancellations, revenue delays, organizational changes? 32. Have your auditors been engaged in the global expansion review process?	<ul style="list-style-type: none"> ▪ Finance ▪ Compliance ▪ Audit ▪ External Audit Firm ▪ Legal
8. Customer Service	33. Does the customer service function have the right tools, process, and staff to deal with multiple time zones, multiple languages and cultures? 34. How will customer service be organized for dealing with questions on international billing, payments, refunds, taxes? 35. What training will be needed in order for customer service to deal with international expansion?	<ul style="list-style-type: none"> ▪ Sales/Channel + Partner Management ▪ Finance ▪ IT
9. Channel Management	36. Can your finance and billing ecosystem handle global monetization in a multi-tier channel context?	<ul style="list-style-type: none"> ▪ Sales/Channel + Partner Management ▪ Finance ▪ IT
10. Order Management	37. Are your order management systems and processes able to handle international deliveries, provisioning and fulfillment? 38. Are your customer service processes and internal support prepared to deal with international aspects of order management?	<ul style="list-style-type: none"> ▪ Operations ▪ Sales ▪ Finance ▪ IT
11. Compliance	39. Is there a complete list of regulatory mandates that would affect monetization in every target country? e.g. export controls, sanctions, boycotts, foreign asset controls, revenue disclosures? 40. What are the implications of international privacy, revenue reporting and tax compliance mandates?	<ul style="list-style-type: none"> ▪ Legal/Regulatory ▪ Risk Management ▪ Cyber Security & IT ▪ Executive ▪ Finance
12. Governance	41. How will decisions affecting each specific country be made?	<ul style="list-style-type: none"> ▪ Executive ▪ HR

Area	Challenges	Who Should be Involved
	42. Is there a defined governance mechanism that can be applied internationally?	<ul style="list-style-type: none"> ▪ Finance ▪ Legal ▪ Risk Management
13. Risk Management	43. What are the risks of monetization in each target country? – payment, fraud, regulatory, country, currency, economic, political, inflationary, legal, etc?	<ul style="list-style-type: none"> ▪ Risk Management ▪ Cyber Security ▪ HR ▪ Executive ▪ Finance
14. Supplier Management	44. Examine your finance software product and service provider portfolio – do your suppliers have the knowledge, the skillset and resources to support you in your global expansion? 45. Do your suppliers of monetization software tools and services have experience and presence in each target country?	<ul style="list-style-type: none"> ▪ IT ▪ Procurement ▪ Finance
15. Process Management	46. Will your existing core financial processes stand up in each new target country? 47. Do you have a process in place to share the best practices globally on a consistent basis?	<ul style="list-style-type: none"> ▪ Finance/Billing ▪ IT ▪ Risk Management ▪ Cyber Security ▪ Payments Management
16. Skill Sets	48. Do you have the right skill sets, local knowledge and access to best practices for global monetization? 49. Do you need to bring/hire global monetization expertise from outside or outsource some parts of it?	<ul style="list-style-type: none"> ▪ Finance ▪ IT ▪ HR ▪ Payment Management ▪ Cyber Security ▪ Risk Management ▪ Executive
17. Metrics	50. Do you have defined metrics to measure and benchmark your global monetization performance? 51. Do you have access to independent global monetization metrics and benchmarks?	<ul style="list-style-type: none"> ▪ Finance ▪ Executive ▪ IT

The above Global Monetization 17 Point Capability Assessment Framework (GM17) is largely designed to challenge conventional assumptions that what works in one large country can work equally well in all others. Without proper planning, the diversity of regulatory, payment and tax regimes across the world can be overwhelming. For example, there are laws in many individual countries that prohibit parent companies overseas from issuing

explicit edicts to local affiliates. Some geographies are now experimenting with essentially a real-time reporting of revenues and tax calculations (Spain, Brazil). And then there are the local payment methods and payment processing options. Simply assuming that everyone around the world can pay via a credit card and therefore it will all work – that can lead to severe disappointments. Processing entities handling payments from foreign addresses can be easily tripped up and result in exceptions and manual management. On the other hand, customers facing an unfamiliar payment method, foreign terminology or a portal that looks out of place, are likely to abandon a transaction. For example, processing a European credit card by a US payment gateway can bring up a variety of issues and delays.

The friction in payment management often leads companies into a well-hidden financial black hole – The Revenue Leakage. MGI defines revenue leakage as the gap between what a company is entitled to under the rules of a contract and what it actually is able to invoice for and collect.

MGI Research estimates that in North America, revenue leakage averages between 3% and 7% of annual revenues.

MGI Research estimates that for the planning period of 2020 to 2025 international revenue leakage will on average be at least 50% higher than domestic revenue leakage.

MGI Research expects that between 2020 and 2025, organizations that modernize their global monetization systems and adapt best practices will see a 30-40% reduction in revenue leakage domestically and 50-60% reduction in revenue leakage internationally.

Our recommendation is that before embarking on a fully fledged international expansion, organizations should be using a methodical approach to self-assessment of their global monetization capabilities. Today, piece parts of GM17 exists in most F1000 companies but smaller organizations tend to employ a more improvised approach. We are already seeing a number of leading organizations adopt a GM17-like approach to international launches, especially with digital services launching globally.

ACTION ITEMS: WHAT CAN COMPANIES DO NOW?

Global expansion of Monetization capability requires a realistic assessment of current strengths and weaknesses as well as careful planning. Areas that are on the critical path in getting global monetization off-the-ground include Billing, Payments, Tax, Compliance, Revenue Management and Customer Service. The GM17 assessment framework is a potential starting point for measuring current state and developing target state objectives and characteristics. Organizations need to think creatively as to how to rapidly gain competency in Global Monetization by sourcing experienced staff, contract resources and best practices. No business can wait for all of the monetization aspects described by GM17 to become mature before any money changes hands. Most companies get billing, payments and tax operational and then rely on stop-gap measures in other areas while working on improvements. Sourcing staff, temporary resources and best practices in this area can be a key success factor. The other is to ensure that all of the technology suppliers in the processing stack have experience with international billing, payments and tax processing and can provide credible references with comparable requirements.

BOTTOM LINE

Scaling Monetization for global business expansion can help organizations accelerate topline growth, improve profitability and boost customer satisfaction. Organizations should not assume that domestic monetization practices can be translated into international contexts with small incremental changes. Success in global Monetization requires local knowledge and global best practices, careful planning, agility and strong partnerships with key suppliers of technology tools and services. The Global Monetization 17 Point Capability Assessment Framework (GM17) can be a starting point for a realistic self-assessment and creation of an action plan.