

Go Global, Pay Local

AladSin
GO GLOBAL PAY LOCAL



ABSTRACT

Aladdin makes it **easy, cost efficient** and **risk-free** for eCommerce platforms to offer **home currency pricing** to their overseas customers. Aladdin's suite of FX pricing and risk management solution delivers additional levels of value and convenience when integrated with everyday online shopping; enhancing user experience and benefitting both customers and eCommerce platform retailers at the same time.

PROBLEM STATEMENT

When making online purchases of merchandise denominated in a foreign currency, the credit card holder is unable to determine the total price in his or her home currency at the time of purchase. Depending on the card issuer, the card holder may only find out the actual cost in home currency a month later. Due to such uncertainties, customers often prefer to either make purchases from local websites or websites that provide home currency pricing and sales opportunities lost when potential customers leave the eCommerce platform to check the prevailing exchange rate*.

* Penton Research: Local Currency Pricing for eCommerce - Increasing Online Sales by Implementing a Global Pricing Strategy, February 12, 2013.

CURRENT LIMITATIONS OF ONLINE SHOPPING

Currently, customers who purchase products on overseas eCommerce platforms are not aware of the total cost of the product in their home currency at the point of checkout. The reasons are twofold: most eCommerce platforms price their products in the currency where they are domiciled, and the FX rate and conversion charge that credit card companies charge for these purchases are not transparent to the customer at the time of purchase.

The credit card FX rates charged to customers are not only opaque, they are expensive as well, often ranging between 2%-4% of total transaction value. In addition, credit card companies also charge eCommerce platform retailers a 2% merchant fee for these services rendered.

Consequently, overseas customers are always paying more and local retailers are always receiving less, with all frictional costs going to the credit card companies.

Elimination of foreign exchange (FX) risk

Aladdin provides guaranteed FX rates with which eCommerce platforms can price their products in the home currencies of their overseas customers. At the same time, Aladdin also protects the merchants from adverse FX movements. This guaranteed FX rate feature of Aladdin is customizable by merchants, who can vary this guaranteed period from 15 minutes to 3 days, depending on their needs and preferences.

Aladdin goes one step further and enhances the entire eCommerce shopping experience further by guaranteeing the original exchange rate on refunded items for a pre-determined period. By assuming the FX risk on refunds, Aladdin provides eCommerce platforms with the assurance of a cost neutral and straight-forward refund process.

Achieving Competitive FX Pricing

Utilizing M-DAQ's unique FX aggregation capability provides you with access to quality pricing unparalleled across the industry. Our liquidity is drawn from the **Top 10 Global FX banks** which comprise **78% of the Global FX Liquidity**.

New revenue opportunity

Using the Aladdin guaranteed rate as a starting point, the Aladdin solution also allows eCommerce platforms to control the final FX rate that will be applied to customer purchases. This configuration process is highly flexible and merchants can create and edit margins based on customer and product type. Not only do customers accrue savings via a better FX rate, eCommerce platforms can even capture a new revenue stream that would otherwise be captured by other payment parties.

Seamless FX Execution

Aladdin simplifies your processing and reconciliation requirements with a seamless FX and electronic settlement process.

Plug Aladdin directly into your eCommerce platform and enable tight control of pricing and margin levels. In addition, all transactions regardless of size and FX type are confirmed electronically with seamless processing and reconciliation settlement.

Extended rate guarantee

M-DAQ can provide guaranteed FX prices from 15mins to 72 hours. This will give customers ample time to make their purchase decisions. **Any refund or chargeback up to 90 days** will be processed using the original transacted FX rate, simplifying reconciliation and providing certainty to both the customer and the eCommerce platform.

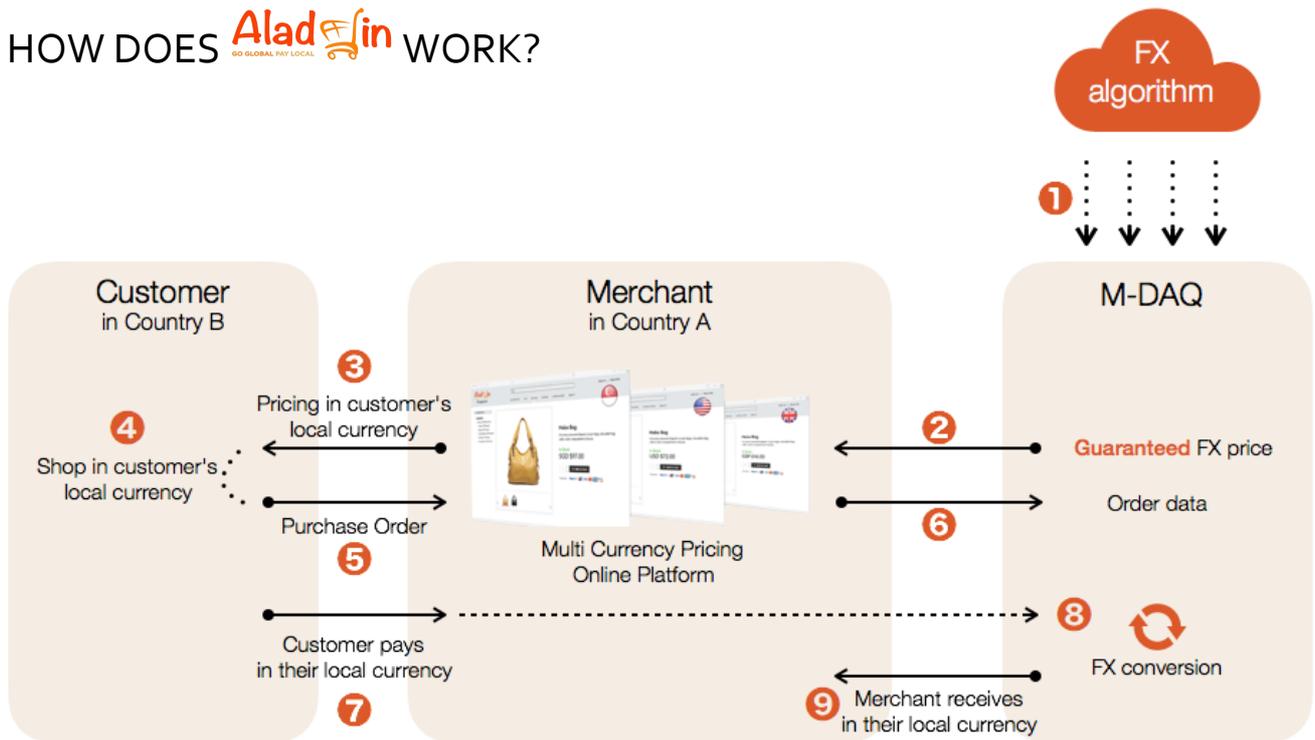
Scalability

Today, M-DAQ's award-winning multi-currency pricing solution, Aladdin, powers AliExpress's local currency pricing. AliExpress.com is Alibaba's cross-border eCommerce platform with users from over 220 countries, with 60 million active buyers during the past 12 months. Its daily visitors number over 20 million.

Custom Reporting

Whether you need reports that complement existing reconciliation and settlement processes, or design new data collation reports for analysis of purchasing pattern, our flexible approach ensures your business needs are catered for.

HOW DOES **Aladin** WORK?



1. M-DAQ's patented FX algorithm aggregates FX rates from Top 10 Global FX banks to provide quality pricing unparalleled across the industry.
2. At the agreed time, M-DAQ provides guaranteed FX rates that can be valid from 15 minutes to 3 days. Any refund or chargeback up to 90 days will be processed using the original transacted FX rate.
3. Merchant provides multicurrency pricing to online customers through their eCommerce platform.
4. The customers see the products with prices shown in their home currency and lock in the purchase cost in their home currency at the point of sale.
5. When the customers proceed to checkout, order information is sent to the eCommerce platform.
6. Merchant forwards the order information to M-DAQ.
7. Customers pay the pre-agreed amount in their home currency.

8. M-DAQ manages FX conversion based on the order information received from merchant.
9. Merchant receives the revenue in their preferred currency, including their additional revenue, without having to incur additional costs.

CASE STUDY - AliExpress

Background

AliExpress is an extension of the Alibaba ecosystem that targets international customers and is key in Alibaba's internationalization drive. AliExpress achieves this by helping the international customer navigate the process of buying direct from manufacturers in China by providing listings in local languages. A natural extension that would increase their appeal to the international customer would be the ability to price goods in the local currency of the international customer. For this, AliExpress turned to Aladdin.

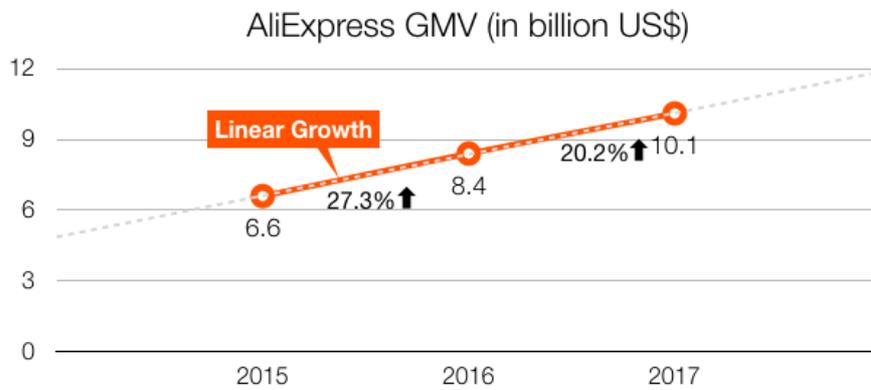
How Aladdin Transformed the AliExpress Customer Experience

Today, Aladdin powers AliExpress's local currency pricing. Its ability to guarantee FX rates for the platform and the customer maximises user experience, while minimising FX risk to the merchant not only at the point of purchase, but also from any eventual refunds and/or chargebacks. Aladdin also provides transparent prices with low costs and is easily traceable and auditable.

Increase in market share: With Aladdin's local currency pricing capability, the purchasing process on AliExpress is much more convenient and customer experience as a whole has been dramatically improved. Since the introduction of Aladdin, Aliexpress has recorded an increase in its market share and overall overseas transaction volume.

New revenue stream: Additionally, AliExpress is able to configure the margin applied to the final FX rate used to price products in local currency, creating a new revenue stream hitherto unavailable to them. The quality of Aladdin's pricing means that even with this additional margin accruing to AliExpress, AliExpress is still able to generate meaningful savings to the customer. The charts below illustrate the growth seen by AliExpress since adopting the Aladdin solution.

Using M-DAQ's Aladdin solution for multi-currency pricing and risk management is a clear win-win strategy for AliExpress.



Source of data: Alibaba Group Annual and Transaction Report (Form 20-F)

Additional Revenue for AliExpress from Aladdin (indexed from 2015)

