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ONLINE PAYMENTS: SUPPORTING OMNI-CHANNEL EXPERIENCES

With consumers no longer fearful of purchasing online, organizations need to consider alternative payment types.

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2.0 Introduction

In the digital environment of today, streamline buying journeys and one-click payments are a day to day occurrence with eCommerce and online subscriptions growing year on year. This growth is leading to consumers having certain expectations from online services.
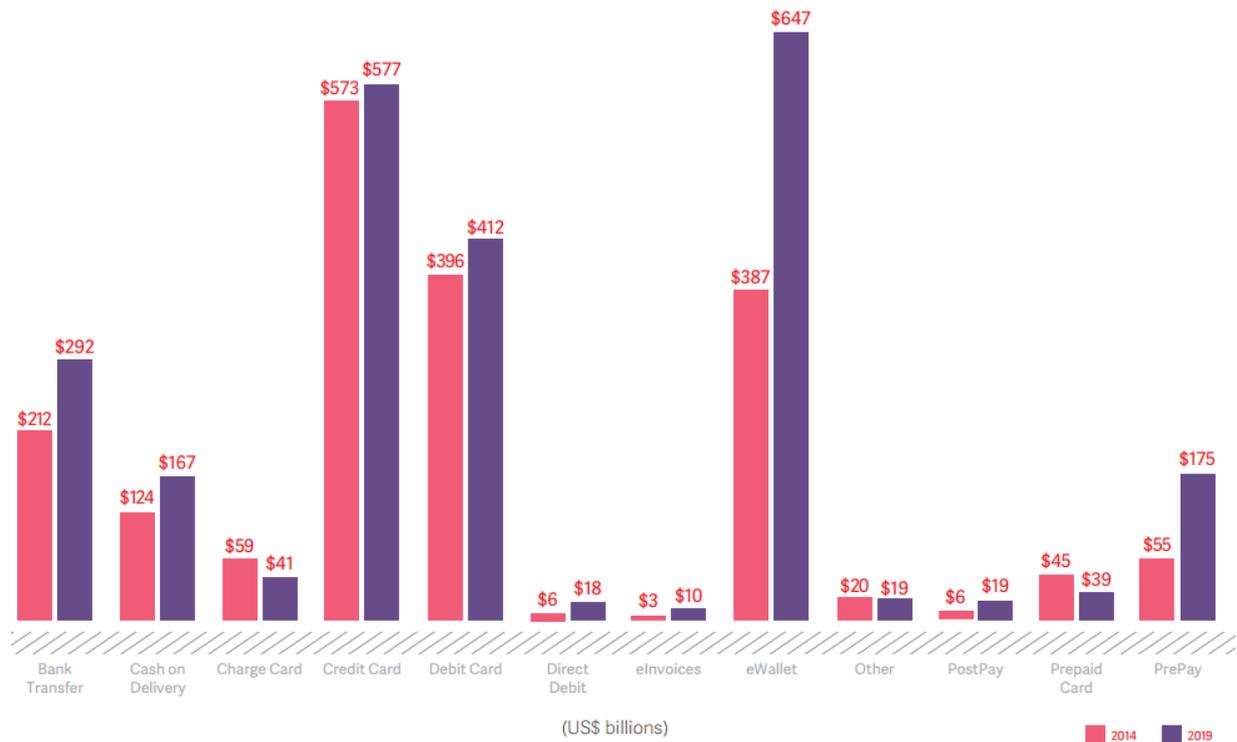
Some of the fears around purchasing online are not what they were ten years ago. Consumers are happy to enter their payment information to purchase something they want, whether this is a physical product or digital service. What has become apparent is that consumers have their preferred payment methods and this can be prevalent and quite different across countries and channels.

With over 300 alternative payment schemes in operation around the world, organizations need to understand what payment types to offer and support, which depends heavily on where their customers are and the type of service on offer.

In order to ensure customers are getting the most seamless of payment journeys, organizations across the industry need to have a secure and integrated platform from which to manage this.

3.0 Multiple & Alternative Payment Methods

The payments sector has evolved over recent years, moving beyond simply credit and debit cards with which to pay online. While supporting this payment type is still important for all online services, we have seen new and alternative payment methods emerge, which are expected to amount for 55% of all transactions by 2019.[1]

	Bank Transfer	Cash on Delivery	Charge Card	Credit Card	Debit Card	Direct Debit	eInvoices	eWallet	Other	PostPay	Prepaid Card	PrePay
2014	$212	$124	$59	$573	$396	$6	$3	$387	$20	$6	$45	$55
2019	$292	$167	$41	$577	$412	$18	$10	$647	$19	$19	$39	$175

(US$ billions)

(Source: WorldPay)

3.1   Bank Transfers

Particularly popular in Germany and France, online bank transfers enable companies to receive immediate online authorization via a customer's bank, typically followed by next-day settlement.

Offline bank transfers are also processed via the customer's online bank account. However, instead of being redirected during the transactional process, the customer is presented with a reference number, which they must then quote when they log into their online bank account to make payment.

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[1] Global payments report preview, World Pay, November 2015
http://offers.worldpayglobal.com/rs/850-JOA-856/images/GlobalPaymentsReportNov2015.pdf

3.2   Wallets

Wallets have been a part of the payment industry for some time, acting as a way to manage purchases online without having to add your card details for each purchase, and have become the fastest growing payment type around the world. Due to how easy wallets are to use, they have become increasingly popular for purchasing digital goods and video games, with the development largely driven by the younger audiences comfortable shopping online.

The growth in wallets is not slowing down, with statistics suggesting they will hold 26.7% of the market in 2019 overtaking credit cards, so it is important for businesses to understand the different types of wallets in the market.[2]

3.2.1   Traditional Wallets

There are a number of online sites which enable you to set up a wallet, which is ideal for consumers who will be returning to the service time and time again. This is common for media sites, such as publishers and the likes of iTunes, whose consumers often make multiple purchases within one session.

While this type of wallet has been effective for certain sites, it would be best to incorporate this if an organization has a large customer or subscription base which are certain to return and keep continuously using the service.

3.2.2   PayPal

PayPal is the dominant wallet globally, with over 184 million registered accounts as of 2016.[3]

With PayPal, consumers can add money to store in the wallet ensuring that when it comes time to purchase they have enough funds. Consumers can also remove funds, such as once they have received a refund following a particular purchase. Even if there are funds on the account, PayPal backs this up using an assigned card, which means if within the wallet there is not enough funds for a specific purchase, consumers can still buy items or services, as long as there is enough available on the assigned card.

From a consumer perspective, PayPal is easy to use and since its founding in 1998, has built up a lot of trust. It has been noted that when there are several payment methods on offer, PayPal received 30% of the uptake over card or bank transfer.

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[2] Global payments report preview, World Pay, November 2015
http://offers.worldpayglobal.com/rs/850-JOA-856/images/GlobalPaymentsReportNov2015.pdf
[3] PayPal: active register user accounts 2010-2016, Statista
http://www.statista.com/statistics/218493/paypals-total-active-registered-accounts-from-2010/

3.2.3 Emerging Wallets

During 2016, we can expect to see the launch of at least 3 new wallets – each of which will be interesting to see whether they will gain traction in the market place based on consumer adoption and competing with PayPal.

- Visa's V.me
- Mastercard's MasterPass
- Vocalink's Zapp

One consideration as to whether these new wallets will be a success or not comes down to the ecosystem: Merchant – Acquiring Bank – Payment Processor – Consumer, all of these need to participate and work together in order for the service to work.

One of the main challenges will be competing with PayPal because it is so trusted, dominant and preferred by consumers. It can be difficult without financial sponsorship which means technology vendors and merchants might be incentivized to support their product. Currently, the approach or method these services will be taking has not emerged to the market, so time will tell as to whether they gain traction and be sustainable for a long period.

3.3 SEPA

Unfortunately for these emerging wallets, SEPA as a directive is fully live with the legislation featuring the SEPA standard being required for anyone issuing or processing bank transfers in the European market by October 2016.

This legislation means that much of the investment organizations make involving payments, particular across Europe, will feature supporting SEPA as opposed to alternative wallet types.

With SEPA gaining more traction and consumer understanding of what it is growing, this could demise the regional European schemes, such as iDEAL which is thriving in the Netherlands, and Giropay and ELV, which are popular in Germany. There is also the possibility SEPA will open up a more holistic bank transfer method in Europe that can compete with PayPal and card payments as it not restricted to specific countries across Europe. Consumers know what it stands for, what it does, and that it is secure. This means consumers are more likely to trust SEPA as a payment type, which leads to less of a need to use cards for online payments.

SEPA offers organizations a host of benefits:

- Consumers will be able to reach all accounts SEPA-wide from one home country account.

- SMEs will benefit from faster settlement and simplified processing will improve cash flow, reduce costs and enables companies to receive or make euro-payments anywhere using SEPA.

- Merchants will be able to accept payment cards from all SEPA countries, as well as back-office processes being simplified.

- SEPA enables merchants and corporations to use one platform for payments, as opposed to multiple ones to support several payment methods. This can result in major savings for the company.

- Banks have the opportunity to develop innovative products, enter new markets and win new customers, while increasing the efficiency of back-office processes.

- Suppliers in the payment sector have an opportunity to develop low cost new technology products and services which will serve the single euro market.[4]

At the moment, there is still a gap in the market of those offering SEPA services across Europe, because companies want to watch what happens, monitor the results and effectiveness, and whether or not it does become dominant as a payment method for consumers. However, with the legislation needing to be adhered to by October 2016, it is increasingly essential for organizations to support SEPA as a payment method.

3.4   Mobile Payments

With new smartphones and tablets evolving and usage growing year on year, we are seeing plenty of advancements in technology. This has led to new forms of paying with mobiles, with global penetration increasing 39% since 2009.[5] Mobile payments generally refer to payment services operated under financial regulation and performed from or via a mobile device. These are also referred to as mobile money, mobile money transfer and mobile wallet.

Outside of web payments made via mobile devices, there are typically two categories for mobile payments, direct carrier billing and mobile wallets.

With the rise of smartphones and app stores, direct carrier billing has become an important payment mechanism, which is popular in African and Asian markets and is ideal for the purchase of digital goods and in-app payments, while being quick and easy to process. There are more mobile wallet solutions in the market, with a wide range of differing solutions becoming available including PayPal, Amazon Payments and Google Wallet mobile options.

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[4] Who will benefit, and how?, European Commission, February 11th, 2016.
http://ec.europa.eu/finance/payments/sepa/benefits/index_en.htm
[5] Global payments report preview, World Pay, November 2015
http://offers.worldpayglobal.com/rs/850-JOA-856/images/GlobalPaymentsReportNov2015.pdf

4.0 Considerations for Online Payments

In order to leverage the online customer effectively, organizations need to have the technology in place which can support the market.

There are several considerations companies need to be aware of when looking to improve their payments services across omni-channel.

4.1   Who are you Targeting and What is your Coverage?

With countries preferring different payment methods, one of the main considerations is that you are able to support the majority of the market.

While PayPal is the dominant payment wallet, some countries such as Germany and France still use bank transfer in the traditional sense, which could fall into SEPA by the end of 2016. Although emerging payment methods are coming onto the market, there still needs to be acceptable coverage as some generations might prefer a different type to another, as well as the time for new ones to grow in traction.

With that in mind, to succeed with reaching audiences and support online payments, organizations should look to how they can effectively cover 80% of the market while providing some form of choice to consumers.

(Source: MPP Global)

What is worth bearing in mind is what markets or regions you are intending to operate online payments in and ensure your service will meet their demands and preferred payment types.

For eCommerce payments in 2019 we expect to see different trends across regions. For the United States, 59% will be with credit/debit cards, 21% using wallets, and 8% via bank transfer, while Latin America is predicted to have 62% of online payments made through credit/debit cards, 10% via bank transfer and only 4% using wallets. For the EMEA region, 38% of eCommerce will be done using credit/debit cards, 21% via wallets and 18% through bank transfer, in the Asia Pacific, 33% will be through credit/debit cards, with wallets matching it and bank transfer behind at 11%.[6]

These figures illustrate the differentiation around the world, while although the leading payment method might still be card in these four regions, with wallets on the rise, there are still a select number of other methods being used. Therefore, this emphasises that consumers around the world are not all the same which can play a significant role in how you support their online purchases.

4.2   Acceptance Rules and Fraud Engines

The payments world is full of security issues, with all methods of payments attracting individuals or organizations looking to defraud and exploit any perceived weaknesses in security, leading to an increased necessity to offer a secure payments service.

Although there are capped and defined interchange rates for card payments, which should make the cost of processing a card payment the same in Spain as it is in France, for example, this does not mean you get the same standard acceptance across these countries. A French organization (the merchant) should not be in a negative position in terms of cost for processing a transaction from Spain because the interchange has been flattened and is consistent. While this might be the case, you still have to cater for the fraud engines of the card issuers and the card issuers have not been mandated to accept a transaction from a different country, even though it might exist in Europe with the same rule-set of a domestic transaction. This means a card issuer may still determine that a non-domestic transaction is riskier than a transaction acquired in their country and might apply a different rule-set in terms of acceptance.

Therefore, although the costs might be the same, the acceptance rates could be lower. This means merchants might still need to make a decision as to whether they need a domestic acquiring bank in each of the countries it operates, or wants to operate in, or are willing to sacrifice a potentially lower acceptance rate by going for a single entity.

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[6] Global payments report preview, World Pay, November 2015
http://offers.worldpayglobal.com/rs/850-JOA-856/images/GlobalPaymentsReportNov2015.pdf

For companies with large volumes and where revenue is important, the likelihood will be to use regional acquiring banks and have regional relationships in order to maximize where possible their acceptance rates.

5.0 The Right Payments Platform

With the ability to route transactions based on rules, or offer a tailored option of payment methods by country or region becoming a must have in today's online world, it is essential to have a platform in place which can accommodate not only the services you offer but a range of payment methods. MPP Global delivers eSuite, the only fully integrated cloud platform to identify, engage and monetize digital audiences and comprises of all the tools organizations need to support online payments,

5.1 PCI Compliance

While gathering customer and payment information, it is essential to offer a high level of security to protect this sensitive information. This is where PCI-DSS Compliance comes in, which features regulations that govern all organizations involved in the processing of card payments.

MPP Global adopts the best practice ISO standards and are certified to Level 1 PCI-DSS, the highest and strongest set of regulations. With the process of gaining and managing PCI-DSS compliance being very time consuming and often expensive, with the potential cost reaching nearly $1.5 million per annum, PCI-DSS obligations are drastically reduced by working with MPP Global, without losing that high level of security.

5.2 Tokenization

When it comes to taking card payments it is essential to offer exceptional security which organizations can have with tokenization, available within eSuite. This additional level of security takes all the sensitive data, such as PAN details, which once tokenized are stored in a high security environment and results in the eSuite platform only having access to the tokenized version of these details. This means that the company is using a platform which stores and processes card details, while enabling enhanced encryption across its service and card portfolio to ensure all payment data is secure.

5.3 Complete Customer View

In order to support consumer demands and adapt the business accurately over the course of its service, it is essential that companies across any industry can view all customers and understand their habits. Platforms such as eSuite which offer a complete view of the customer lifecycle have become a valuable asset for companies.

5.3.1   Customer and Payment Identity

When a customer signs up to your service or purchases a product, it is ideal to get them to create an account or profile. This sets up an identity of that customer and the product or service they have purchased. For any other purchases they make in the future, by having an account set up they can return to the service again and if a chosen payment type is logged on their account, they can buy without having to re-enter the details.

The payment identity means that the business can accurately identify the customer's purchases and chosen services, which means they can look into and understand the purchasing habits, gathering all the audience insight and analytics to drive business decisions.

5.3.2   Retention and Churn Management

To support customers making recurring payments, retention and recovery functionality can minimize involuntary churn and recover recurring payment transactions which have initially been declined.
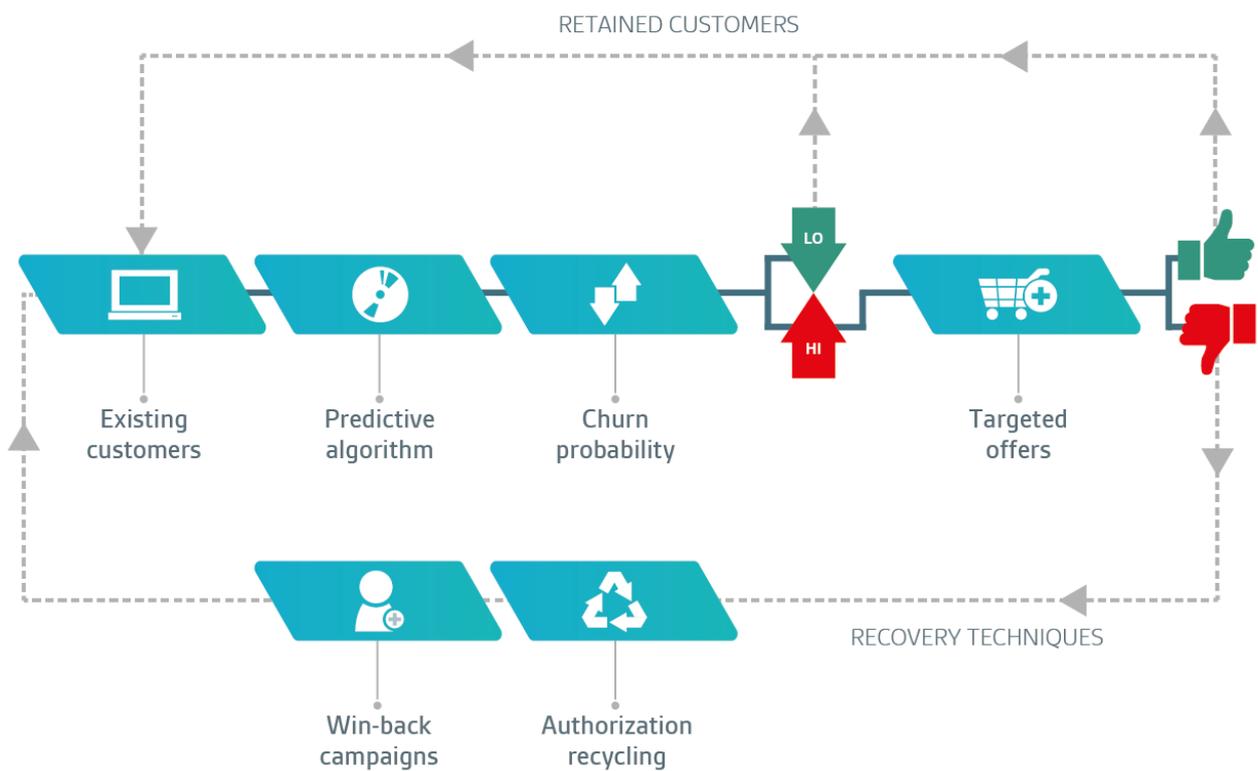
(Source: MPP Global)

The retention functionality features a range of advanced technology to minimize churn, by updating amended credit card details in advance of the subscription renewal and providing the

information for win-back campaigns for customers who have cancelled their subscriptions, either voluntarily or due to a failed payment.

While the recovery solution enables data scientists to set-up accurate suppression windows, and a retry sequence most likely to yield approval, enabling companies to set the time of processing subscription renewals in order to maximize successful first-time payments. Studies have shown that eSuite has successfully reduced involuntary churn by over 85%.

5.3.3 Analytics and Reporting

In order to understand your audiences better and adapt your services to meet their needs, you want to be able to collate all customer data, to predict business outcomes, spot trends as they emerge and improve the customer experience.

Using analytics and reporting tools you can eliminate time spent on spreadsheets by extracting pertinent analytics such as account details, lists of orders, subscriptions and products. With eSuite you can efficiently build custom views tailored to the needs of the relevant individual or stakeholders for at-a-glance or more in-depth analysis which help guide business decisions.

5.3.4 Promotions and Voucher Codes

Dependent on the type of service your business offers, a proven way of enticing customers to use your service is to offer promotions.

From trial periods and product discounting and bundling to voucher codes and loyalty reward programs, organizations can set up a range of incentives to attract consumers and encourage them to buy products or subscriptions, which is a great way to both drive traffic and boost sales conversions. Leveraging the flexible API and easy to use integrations, organizations have the ability to issue voucher codes that can be published and sent out to consumers, which individuals can then redeem in order to access the service.

6.0 In Summary

Creating engaging services and offerings is just one step in supporting your target audience, another is ensuring that they can actively use it. By offering a range of traditional and alternative payment methods, organizations have a greater coverage and opportunity to reach a larger audience.

Alongside supporting these payment methods and offering a seamless payment journey, it is essential to have a secure and fully integrated platform to manage payments, customer profiles and collate customer data.

As the only fully integrated cloud platform to identify, engage and monetize digital audiences, eSuite is used by some of the leading companies in media and retail, providing the functionality to manage the entire customer lifecycle. The platform has been designed to drive digital revenues and gather audience insight for organizations, while providing a seamless user experience across services.

6.1 Contact Us Today to Learn More

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