How a Modern Payments Set Up Can Help You Unlock Revenue
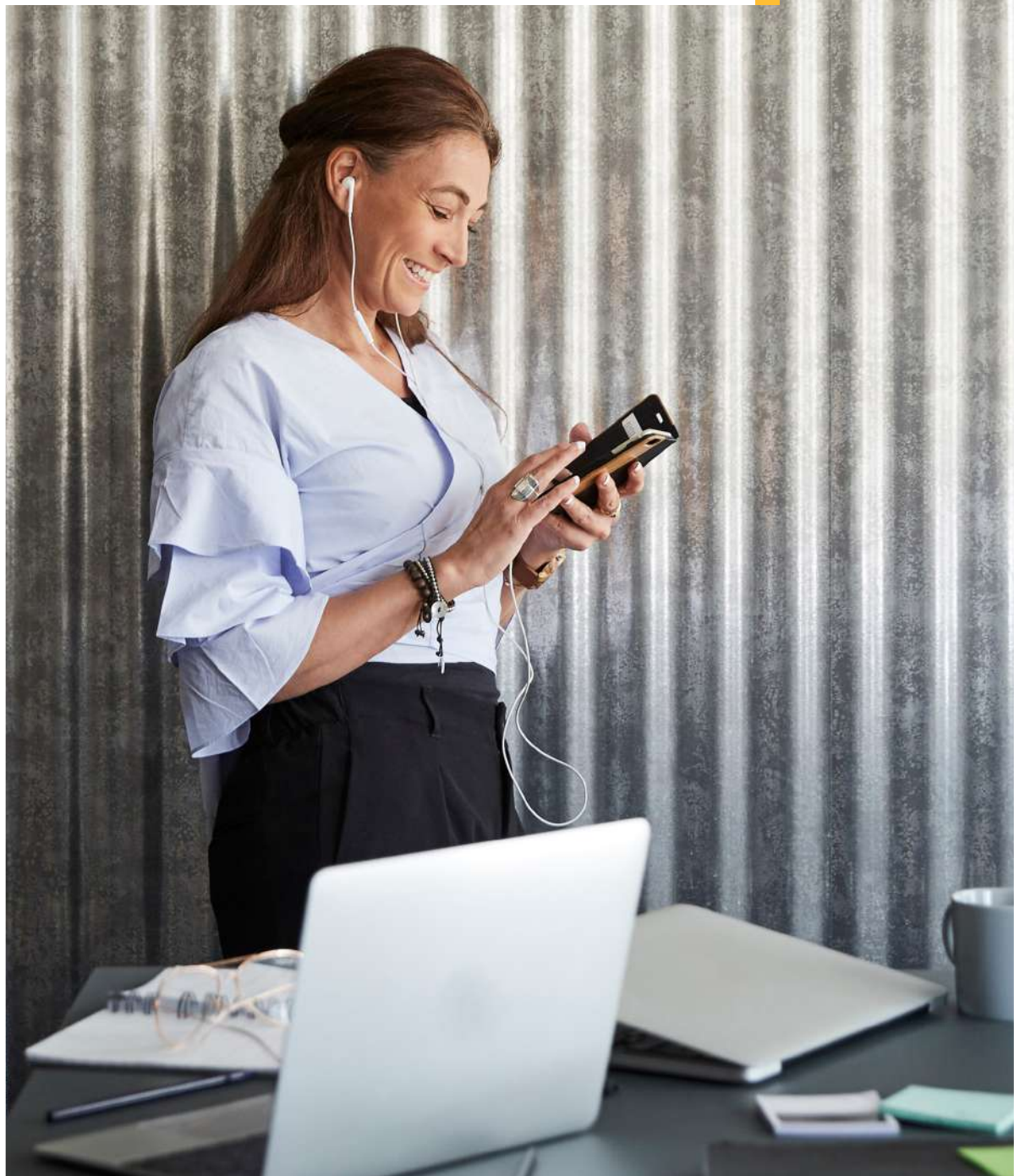
PayPal

Contents

Forward

Payments in 2022 are much different than they were just a few short years ago. From Boomers to Gen Z, consumers across all demographics are demanding secure, frictionless, mobile payment options. Enterprises that accept payments — including retailers, government agencies, financial institutions, universities, and healthcare organizations — are modernizing their payments platforms to offer shopping experiences that empower customers while keeping business agile. Cyberthreats, and the technology to defend against them, have evolved. CEOs and CFOs who once saw payments as "plumbing" are now using payments to help accelerate growth and drive revenue. It's a brave, new era of modern payments.

It's too early to say what life will look like when it returns to normal, but whatever happens, buying habits have forever changed. This ebook can help you understand modern payments, unlock their potential, and put you on the right track to drive growth.

The state of payments

Opportunity

Digital commerce continues to be an engine for growth, opening doors to new customers, new distribution channels, and new possibilities. In 2021, e-retail sales accounted for 19.5% of all retail sales worldwide,[1] and are expected to reach 21% by 2023.[2]

Challenge

Payments have always been an integral part of the overall ecommerce experience. But changing consumer preferences and needs may require taking a more proactive approach, instead of considering the way shoppers pay as an afterthought. To help win more digital dollars, merchants could optimize payments to lay the foundation for emerging commerce and payment types around the world. Offering QR codes that provide touchless in-person transactions and flexible options like buy now, pay later can give customers more buying power while driving revenue as well as helping improve loyalty and reducing payment friction.

$5.4T *projected global retail ecommerce sales by 2022[3]*

Help acquire, convert, retain at every stop in the customer journey

When it comes to payments, it may be no longer enough to keep pace with the changes. You have to stay ahead of the curve, which can be a challenge in a space that is unfamiliar and constantly in flux. But with the right partnerships and payments technology, you can use payments to help improve revenue growth, achieve scale, build loyalty, and make commerce a natural extension of how customers interact in the physical and digital world.

As you look to the next frontier of commerce, you'll need to navigate the challenges and the opportunities of payments. Here's a roadmap to help you get started.

3 out of 4 consumers intend to continue the digital shopping habits they adopted even after the pandemic subsides.[4]

78% of consumers rate security above convenience when shopping online.[5]

35% of consumers say that they abandoned a purchase because their preferred payment method was not available.[6]

82% of consumers believe payment information security is very important when considering how to pay for an online or mobile purchase.[7]

Why speed matters for a seamless customer experience

Time is money. Your money, specifically. When load times are slow and checkouts are cumbersome, consumers could be quick to take their business elsewhere.

The influence of load times

In the physical world, some consumers will blow off a shopping trip if the parking lot is too busy or the checkout lines are too long. It might be the same on your website, where their decision to complete a transaction and come back could often hinge on speed and convenience.

Speed matters

Load times – how long it takes a page to download – can make or break whether customers stay on a site and decide to come back. While any number of factors, from file sizes to plug-ins, can contribute to slow load times, the effects are well documented. Slower load times are often associated with:

Higher bounce rates: The longer it takes a page to load, the more likely a user could be frustrated and go elsewhere.

Shorter session times: A lag in load times can also mean shorter sessions for shoppers who do stick around. Less time spent on a site generally indicates lower customer engagement, which could mean fewer sales.

Lower conversion rates: Online ecommerce conversion rates are already only 2.17%.[8] In fact, more than two-fifths (42%) of consumers were not satisfied with their mobile checkout experiences in the past 12 months.[9]

The impact of UX on conversion

Messaging early and often

A customer may breeze through a site and fill their shopping cart with items, only to abandon the cart at checkout. There is a wide range of factors that could contribute to cart abandonment – after all, some people just like to change their minds. However, removing the points of friction in the customer experience is under your control. Messaging financing options early and often can be impactful. Buy now, pay later (BNPL) payment options grew rapidly during the pandemic as consumers avoided taking on new credit card debt.[10] Offering BNPL options can help attract new customers, increase cart sizes, and boost brand loyalty.

Letting customers know that there are BNPL options or that they can buy with their preferred payment method before they get to the check out page by placing CTA buttons front and center on the homepage and in advertising can also help drive AOV.

Take down barriers at checkout

You're only as strong as your finish. You've invested so much time, money, and effort to get your customers to the checkout page. Don't blow at the digital 'last mile' and risk losing a sale, or worse, a customer for life. Here's how you can help solve the four most common checkout barriers.

1

Too much information: In a recent survey of checkout usability, the Baymard Institute found that being asked to create an account was one of the top reasons customers abandoned their carts during checkout (24%).[11]

The solution: Working with a payment provider that allows customers to skip entering payment information helps make checkout quick and simple, removing friction that leads to cart abandonment.

2

Poor usability: Dozens of factors can impact the checkout experience, including the ease with which customers can update their carts, return to shopping, get help, or see their final price before checkout.

The solution: Implement the right user interface for an easy experience. Using back-end tools to integrate a seamless or customizable checkout can create the optimal flow that could be needed to drive conversion while increasing customer loyalty.

3

The wrong payment options: Increasingly, customers are making buying decisions based on their payment options. In fact, over a third of consumers have abandoned a mobile purchase recently due to a lack of payment options.[12]

The solution: Offer the right mix of payment methods so users can choose to pay with the method they prefer. That means not only accepting all the ways your customers already pay like credit cards, but also up-and-coming payment alternative payment methods like Venmo (US only) and local payment methods from around the world.

4

Security concerns: Some shoppers will abandon their carts at the first sign of security trouble. In a recent Ponemon Institute survey, 79% of respondents say they are significantly concerned about having an online fraud incident as a result of insecure digital transformation.[13]

The solution: In addition to keeping SSL certificates current and displaying industry-standard trust logos, merchants can help reassure customers by offering a payment experience that they trust and recognize.

Help turn mobile
browsers into buyers

While it feels like we're all spending every second on our phones, many merchants are still behind the curve when it comes to converting mobile browsers to paying customers.

New mobile habits are seemingly changing the payment landscape

It's safe to say mobile is no longer a trend – it's a fact of life. In fact, approx-imately 55% of consumers indicated they increased the use of mobile devices and tablets for 2020 holiday shopping.[14]

However, while customers may be happy to shop on their phones, that doesn't mean they're always in the mood to buy. Around half of a merchant's top challenge with mobile conversion on both mobile sites (51%) and apps (49%) is high abandonment rate at the checkout page.[15] Security concerns, slow load times, difficulty viewing and comparing items, limited payment options, and too many fields to complete a purchase are often common culprits. For many shoppers, mobile is a great place to browse while on the bus, watching a movie, or lying in bed, but the final purchase often takes place elsewhere.

But with so many people on their phones so much of the time, the mobile shopping experience isn't something you can disregard. One thing you can do is use your payments process to create a mobile-first checkout experience that is inviting and engaging to customers, helping them feel at ease. When considering how to pay for an online or mobile purchase, 68% of consumers rate being able to pay with a brand they trust as very important.[16]

Small improvements, big gains

Offering a seamless mobile checkout can help drive conversion rates and repeat customers. Here's how you can facilitate more mobile transactions:

Simplify interfaces: Smaller screens are one knock against mobile transactions, but with the right user interface (UI), merchants can tear down this barrier. Mobile checkouts, whether in an app or browser, should be easy to navigate and feel like a natural extension of the site. PayPal for Enterprise for example, provides a mobile-friendly drop-in UI that allows merchants to accept PayPal, credit cards, debit cards, Venmo (in the US), and a wide variety of alternative payment methods, all with a single integration.

Improve load times: Slow load times may easily drive customers to abandon their carts and shop elsewhere. A combination of factors can contribute to slow load times, such as advertisements, plug-ins, and graphics. Carefully weigh the pros and cons of each element you incorporate to find a balance between features and functionality.

Streamline checkouts: Tiny buttons and screens may make consumers more reluctant to fill out multiple fields to complete mobile transactions. The right tools can help you dynamically identify customers so they can check out without having to create an account, type in an address, or enter a 16-digit card number.

Alleviate security concerns: With online fraud constantly in the news, some users may be reluctant to take out their credit cards in public or enter information for fear that the network is vulnerable or someone will look over their shoulders. Here too, merchants can help quell consumer concerns by offering verification services and expedited checkout.

Cover the increasing risk of fraud from all angles

Fraud cuts both ways. While you're busy trying to protect your business from consumer fraud, your consumers may be wary of doing business with any website that has the slightest hint of being unreliable.

The high cost of fraud

The growth of digital commerce has brought an unintended consequence. Safeguarding against cybercrime and consumer fraud is increasingly a top priority, but one that requires constant vigilance.

Over 60% of respondents in a survey conducted by the Ponemon institute say that their organizations do not have the right technologies to mitigate online financial fraud.[17]

Then there's factoring in the intangible cost of fraud: consumer confidence. A lack of visible security can be a major barrier for a customer when it comes time to click the buy button. Security needs to be both visible and seamless so that it doesn't create barriers like requiring an account set-up, asking for too much information, or declining legitimate transactions, all of which can send customers elsewhere.

Data breaches: increasingly common and costly | In 2020, the global average cost of a data breach amounted to 3.86 million U.S. dollars.[18]

Maximum security, minimum friction

Consider these best practices to help create a more secure checkout experience for both you and your customers:

1   Avoid redirecting customers to a third-party site for checkout, make sure the UI conveys the level of security being used, and require an additional layer of cardholder verification such as 3D Secure. PayPal creates a secure on-site checkout experience that's eligible for SAQ-A PCI compliance validation, while our 3D Secure 2 solution helps you meet PSD2's Strong Customer Authentication (SCA) requirements.

2   Offer digital wallets and other alternative payment methods so consumers can choose the method they trust most.

3   Work with a payments expert that has the right insight and tools, including post-transaction fraud management tools that help recover revenue from chargebacks filed fraudulently or mistakenly.

4   Keep customers' payment data secure. PayPal uses multiple encryption keys with split knowledge and dual control. All API and Control Panel communication between merchants and PayPal is conducted using Transport Layer Security (TLS).

5   Use a rules-based approach to help guard against common types of fraud while reducing costly false positives.

6   Review and observe employee, customer, and vendor activity to guard against suspicious or unauthorized activities. Conduct automated vulnerability scans at least quarterly, and at least once a year schedule extended penetration testing conducted by outside sources.
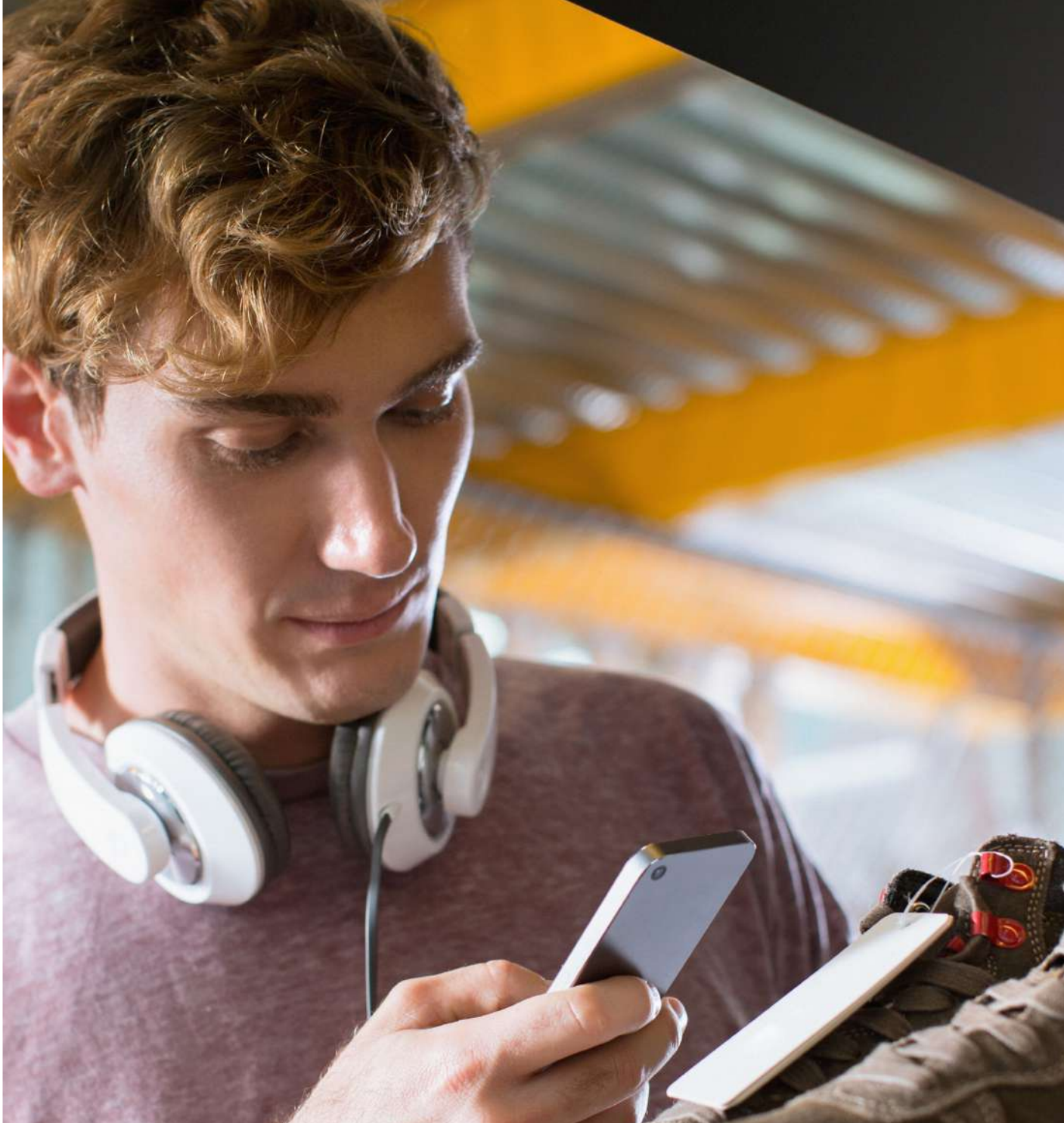
The future of payments

Cash is no longer king in many countries. Instead, consumers are seeking out a variety of preferred payment methods like buy now, pay later, and they're looking to retailers to meet those needs. Meanwhile, innovative business models mean you may need to think outside of payroll and invoices when paying others.

Digital wallet takeover

Global consumers are increasingly counting on digital wallets to complete both digital and in-person transactions, with many customers using these alternate payment methods as their preferred payment method of online transactions.

There are hundreds of different payment methods around the world, each with its own expansive user base. Some of these payment methods, like PayPal, are accepted around the globe, while others are niche payment methods that are widely used in their home country but unheard of outside of it.

With PayPal Enterprise Solutions, you can offer buyers some of the most popular payment methods in the world including PayPal products like Venmo (in the US) and PayPal Credit*. You can also accept a wide variety of credit cards, debit cards, and local alternative payment methods. Best of all, you can accept all these payment types using a single integration that works across your website, mobile app, retail locations and more.

*PayPal Credit is subject to consumer credit approval.

Using your payments to make payments

Thanks to crowdsourcing, platform and gig economy business models, you can no longer just think about how you're going to get paid. You have to figure out how to pay the vendors, contractors, sellers, artists, and others you rely on to make your business work.

When choosing a method to receive payments, look for ways to tie it into the way you make payments. PayPal Enterprise Solutions helps make it simple to pay your contractors and sellers by making deposits to their accounts with PayPal or Venmo (US only). Payments can be sent around the world in more than 30 currencies, allowing you to help scale your business across the global economy.

Iterate while you innovate

No one knows what's coming next. But with the right payments partner and infrastructure tools, you can help make it easy to expand your business across new channels and partners. PayPal Enterprise Solutions can help you:

▶ **Sell** in more places by reaching a network of 400+ million consumers on other platforms and mediums

▶ **Drive** user engagement by enabling loyalty and reward programs and other value-added services like subscriptions, booking and reservations

▶ **Manage** complex payments, such as routing to multiple international processors and enabling specialized fraud services

▶ **Unlock** contextual commerce sales channels enabled by payments

▶ **Use** built-in tools and partners or flexible tools of your choice to build a bespoke commerce network customized to your business and customers

See where payments can take you

The digital retail landscape is continuously evolving with every twist and turn, presenting its own challenges and opportunities. Your approach to payments could directly impact your ability to take full advantage of every opportunity that comes your way.

Isn't it time you made payments a priority?

Book a Free Assessment

Learn more about how PayPal can help unlock the full value of modern payments that can work for you.

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