



The ideal payment strategy

to gain and retain customers



Why you should optimise your payment strategy

Paying with your mobile phone, the *subscription economy*, using data to get paid faster: the payments market is topsy-turvy. Do you want to stay competitive? Then reassess your payment strategy today.

Consumers want comfort. And since there are increasingly more options, they will opt for the business with the fastest, most personal and easiest approach. The same obviously applies to their payment options. Digitalisation has brought us many new payment methods, with even more to follow. Still not sure whether your business will benefit from embracing new methods? Then please consider the following advantages:

#1 More cashflow

Nowadays, consumers switch from webstore to webstore within seconds, while searching for the best price-quality ratio. The next hurdle in the ordering process is checkout. If customers aren't happy with the payment process, they'll leave for your competitor. It's a quick win to let your payment strategy meet the wishes of your target group. This results in more cash, and consequently more cashflow.

#2 More loyal customers

A good payment strategy not only convinces new customers, but also increases conversion. When paying is easy, the customer will obviously make a purchase much quicker. A streamlined payment strategy not only lowers the purchase

'A good payment strategy will increase conversion'

threshold but also leads to repeat purchases. A positive payment experience is one of the key elements.

Welcome back repeat customers: offer them extra comfort. For example by giving them a voucher for their next purchase or by offering regular customers a discount.

#3 More insight

The trend to analyse data leads to another advantage. You could greatly benefit from gaining more insight into the payment flows. You'll know exactly which payment methods are popular and profitable, and will get a better grip on overdue payments. You could even use the customer and payment data analyses for a customer-friendly follow-up.

'Are your customers not happy with the payment process? Then they'll leave for your competitor.'

Get busy

A good payment strategy can be very profitable. Yet many businesses still regard the payment process as a side issue. This is a missed opportunity, because you've got to pay attention to your payment strategy right now if you want to stay ahead of the competition. This whitepaper will show you that using a customer-friendly payment strategy to your advantage doesn't have to be complicated at all.

Payment trends

Before we present a step-by-step plan, let's focus on the popular and upcoming payment developments. So you're up to date with the latest payment trends.

iDEAL

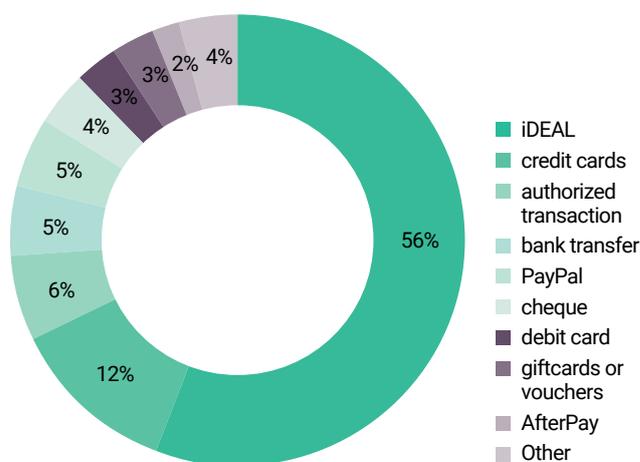
iDEAL remains the most popular payment method in the Netherlands. In 2016, 56 percent of the online payments were paid with iDEAL. And iDEAL keeps evolving, even outside of ecommerce: iDEAL links are often embedded in digital bills and consumers can pay with their mobile phone via QR iDEAL.

Postpay is becoming more popular

Postpay is gaining in popularity. Consumers are getting more familiar and pampered with this payment method. In 2016, 3 percent of the online purchases were paid with Afterpay. This seems like a small number, until you realize that the total number of online purchases in 2016 'only' increased by 21% while the number of online purchases with Afterpay increased by 60%. Do you have any foreign customers who'd like to postpay? Then the internationally oriented Klarna offers a payment solution. You can also offer your own way of postpay, for example via a whitelabel solution.

Direct debit

Consumers prefer to make a quick and easy purchase at any time and place. Businesses are increasingly responding to this preference by remembering their customers' payment preferences. The consumer submits his data just once and only has to authorise new payments. Due to the growing importance of the subscription economy, this trend will continue to rise. With subscriptions, there are often recurring payments that have to be processed on a structural basis. The easiest solution is to obtain an authorisation from your customer.



Source: eCommerce Payment Monitor, 2016

The mobile wallet

This prediction isn't entirely new. The Global Payment Report already predicted that the mobile wallet would be common practice on a worldwide level in 2016. Although this prediction wasn't entirely accurate, the use of e-wallets is definitely on the rise. Currently often in the form of (whitelabel) payment from a credit. But new developments in this area could speed up the adoption of the mobile wallet. Consider for example:

- The rise in omnichannel thinking: The digital wallet works online as well as on location, providing the same payment convenience everywhere
- Telephones are increasingly equipped with NFC, allowing you to make touch-free payments with your phone
- Mobile wallets are completed with additional services, such as savings programmes and integrated personal offers.

Create a smart payment strategy

The payment strategy is increasingly being used as a marketing tool. A means to make more sales and increase customer loyalty. In order to make this work, you need to have a smart payment strategy. How do you create such a strategy?

The ideal payment strategy doesn't mean you have to look for a way to offer all payment methods. Your goal shouldn't be to be as complete as possible, but to create the ideal payment strategy for your specific target group. So that your customers can see right away whether you're offering their favourite payment method and decide to make a payment on the spot. And preferably return to your website the very next week because the process was so smooth. How do you make this happen?

01 Consider your payment strategy as part of the 'order and cash' process

A payment can be regarded as an element in a chain of events that starts with the first initial customer contact and (temporarily) ends when the money has been transferred to your bank account. The next elements in that chain are essential for a good payment strategy and therefore deserve some attention. Ask yourself these questions:

Authentication: who is the customer?

If you're not wondering who your customers are, you won't recognize them during a repeat visit. This often leads to a bad customer experience and an idignant "But I'm one of your regulars". No one wants to submit their customer data time and again.

'How much effort is a customer prepared to make for the payment?'

'Are you keeping track of overdue payments, churn and notorious defaulters?'

Billing: what's your billing process like?

Do you send digital bills or bills by post? Do you differentiate between a one-off purchase and a subscription? Do you bill automatically or manually? Although there are a lot of different billing systems, an organized follow-up is always essential.

Transaction: what is the best payment method?

Transaction can be made via idEAL, credit card, postpay or an e-wallet. A wider range of payment methods increases the possibility that customers will make an actual purchase from your store. Think carefully about which methods you want to offer. Also see the 'Select the best payment methods' section.

Follow-up: how does the financial processing work?

Are you absolutely sure that the correct payment reference is always on the right bill? And do you know why some bills haven't been paid? For example because of a failed direct debit attempt, reversal of payment or because your customer simply forgot to pay. Think of an appropriate follow-up that suits your company. Send a reminder by email, text message or post. A customer-friendly approach in your debtor management is key to your customer relationship.

'The consumer only has to authorise new payments'



‘Is the customer experience the same in every channel?’

02 Select the best payment methods

Ideally, you offer a diverse yet selective range of payment methods. How do you decide which payment options to offer? You have to establish priorities. The guidelines below will help you decide which payment methods suit your business best:

Your revenue model

How do you earn your money? This greatly influences which payment methods to select. Many business focus on direct selling and one-off payments. Although more and more businesses are also offering subscription types in addition to or instead of the one-off sales. Customers thus get access to your product or service by means of a periodic payment. If you're about to choose this sales model (in the near future), you will need different payment methods than the ones you're using for one-off sales transactions.

Your target group

Each target group has its own preferred payment method. Find out which payment methods are your target group's favourites. Does your online channel mainly focus on men? Then you should consider PayPal and credit card as payment options. Because 64% of the PayPal payments are made by men. For the credit card, this percentage is 63%. Does your target group mainly consist of women? Then it is more interesting to offer postpay, since 61% of post payments are made by women. Bank transfers (58%) and authorisations (57%) are also popular amongst women.

Geographical origin is also a determining factor. Is your target group Dutch? Then you should at least offer iDEAL. Belgians on the other hand prefer Bancontact. And the rest

of the world prefers to buy online with their credit card. By tailoring your payment methods to your target group, you reduce the risk of shopping cart abandonment.

Sales channel type

Do you sell online, offline or via an app? Each sales channel comes with their own preferred payment method. In a brick and mortar shop, you immediately think of paying by pin and paying cash, although payments via an app or e-wallet are increasingly accepted. Online however, iDEAL is by far the preferred payment method amongst Dutch customers.

Product type and price

How much effort is the customer prepared to make to pay? An easy payment method is advisable for impulse purchases, fresh food needs to be paid immediately and postpay is more suitable for fashion because customers prefer to try on clothing and possibly return it before making an actual payment.

Calculated risk

How do you ensure that the customer is going to pay (on time)? And that there's no churn? No one's gonna perform a credit rating, that's a serious conversion killer. But you do not want to rely blindly on bills being paid automatically ☒ specifically when it comes to larger sums. Therefore there are parties that carry out an automatic credibility check and cover the risk of overdue payments and defaulters. Such as AfterPay, Klarna and Billink.

‘Find out which payment method your target group prefers’

Do you work mostly with direct debits and subscriptions? Then work with an e-mandate, an electronic authorisation. At least this will give you a legally binding payment agreement. Direct payment, for example with iDEAL, is the most carefree payment method. But in the light of customer-friendliness, it is not smart to just offer this payment method. Moreover, you are obliged to add at least one option for (partial) postpay to your online payment methods.

Fees and service

Each payment method applies different fees. There's usually a flat fee per transaction. Sometimes a percentage of the transaction sum is added. If you want to avoid having to negotiate with each specific payment method, you can use a Payment Service Provider (PSP), which serves as an internet checkout and offers various payment methods. In addition to transaction processing, a PSP can offer extra services, such as the implementation of subscription models and the follow-up of unpaid bills.

03 (Re)design the checkout process

Have you decided what your payment strategy is gonna be and which payment methods you want to offer? Then you're only halfway there. In order to fully benefit from the advantages mentioned earlier, you have to set up the payment process accordingly. Think about how to tackle the following aspects:

'In the ideal situation you are selective with range of payment methods'

'More and more businesses are switching to a new sales model'

Purchasing and implementation of the payment methods

Not all payment methods are directly facilitated by banks. So if you want to purchase various payment methods, you'll have to do business with several companies. In other words: for every single payment method, you'll have to negotiate about the price, are submitted to a reliability and security check, and will have to prepare your business for the technical integration.

You can make it easier for yourself by combining certain procedures. For example by implementing the technical integration of your (new) payment methods all at once. If you want to avoid all the hassle, then a Payment Service Provider (PSP) might be the right solution for you. A PSP facilitates various payment solutions in one single digital system. It's up to you to decide which one you would like to purchase; the PSP will take care of the rest.

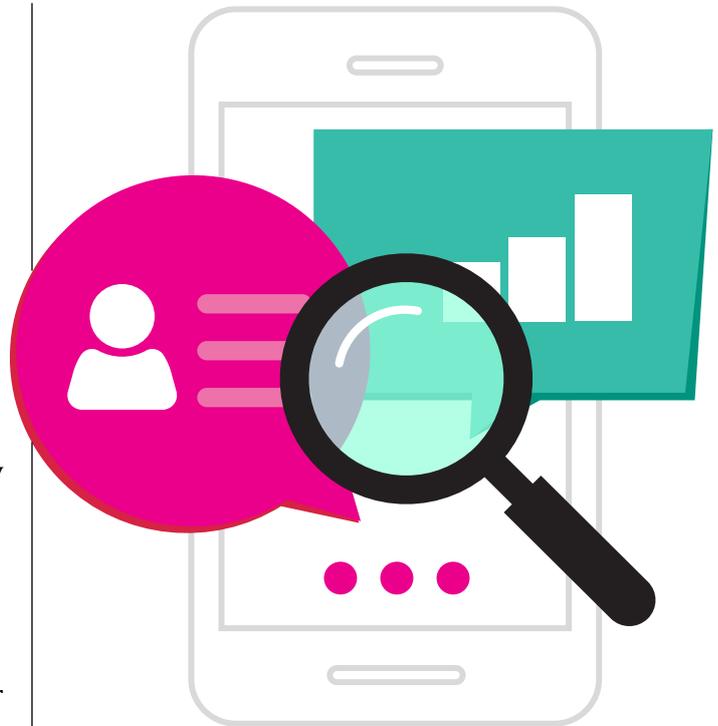
Well-organized accounting system

The data of each payment have to be received and stored in a specific place. With a well-organized accounting system or PSP, you can receive a notification when payment is made, so the transaction can be handled properly. The more payment methods you offer, the more different procedures you'll have to deal with. And because you probably have several bank accounts, chances are you'll lose track real quick.

Do all procedures run smoothly? Are you keeping track of overdue payments, reversal of payment and notorious defaulters so that you can act quickly? Do you have any idea which payment methods are used often and which ones are barely used? And last but not least, what's your daily turnover? Before implementing (new) payment methods, it is important to think about how you're going to automate everything as well as possible while keeping the overview.

Overview of various sales channels

Ask yourself this: do the payment data have to be available in every sales channel? They do not necessarily have to be if the channels are strictly separated, but this is increasingly not the case. And even though you yourself are convinced your webstore and brick and mortar store are a completely different thing, the customer regards them as one single business and wants to experience the same level of convenience at all time. Customers for example expect to be able to return online purchases to your brick and mortar store. This is however only possible if the staff in your brick and mortar store has access to the online transactions. The same goes for your customer service and back office.



Improve the customer experience

Once the new payment methods have been implemented, it's key to monitor them. You should find out which methods are popular and which aren't, but also whether it makes a difference which options you offer prominently. Which option drives customers to abandon the checkout process? And which method increases conversion?

Now that you've obtained overview and insight, you can also use your payment strategy as a marketing tool. It all starts with the customer experience. Find out whether the customer thinks that all different payments options (online, instore, by phone, et cetera) are equally smooth. In other words: is the customer experience the same everywhere? Or is there still room for improvement?

By recognizing and retaining the customer, and constantly monitoring and analyzing the payment strategy, you welcome both new customers and repeat customers.

'Respond to
varying consumer
preferences
and demands'

Gaining and retaining customers thanks to your payment strategy

Inventing a good payment strategy can be of great benefit. It doesn't have to be very complicated, but you have to take your time to figure it out.

Customers that are less likely to abandon the payment process and are more loyal to your company, more insight into and overview of your revenue and the ability to use this information for marketing activities, thus increasing your sales. Analyzing your payment strategy can bring you a lot of benefits. Figuring out which payment methods suit your company and target group best doesn't have to be a lengthy process.

It is key to stay up to date with new developments, respond to the customers' changing payment demands and analyse your payment strategy constantly. Only then, this strategy will contribute to a sound and prudent management.

COLOPHON

This is a publication of MT MediaGroep BV commissioned by Buckaroo.

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October 2019