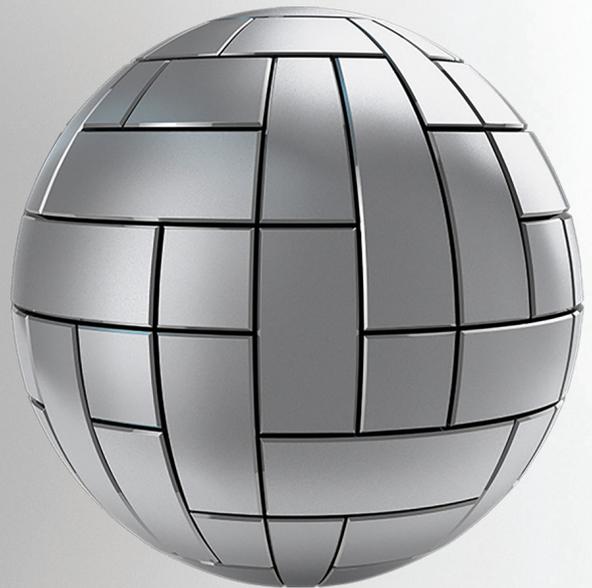


# Omni-Channel Payments for Merchants: Myth or Reality?



# FROM HODGEPODGE TO HARMONY.



**BOOST CUSTOMER SATISFACTION WITH  
A CONSISTENT PAYMENTS EXPERIENCE —  
ANYTIME, ANYWHERE.**

SEE HOW WITH



[omni.aciworldwide.com](http://omni.aciworldwide.com)

# Omni-Channel Payments for Merchants: **Myth or Reality?**

IN ASSOCIATION WITH



## Contents

Executive Overview	4
Introduction	5
Methodology	5
Retail merchant marketplace	6
Survey findings	7
Omni-Channel payments status and challenges	7
Omni-Channel solutions & commonly supported capabilities	10
Security in the Retail Environment	11
Omni-Channel management responsibility & procurement models	13
Conclusions	14
About the contributors	15



### Americas

+1-402-390-7600

### Asia Pacific

+65-6334-4843

### Europe, Middle East & Africa

+44-1923-816393

### Sales enquiries

[UniversalPayments@aciworldwide.com](mailto:UniversalPayments@aciworldwide.com)

[www.aciworldwide.com](http://www.aciworldwide.com)



### PaymentsCM LLP

The Stable Yard, Kelling Estate  
Kelling, Norfolk, NR25 7EW  
Tel: + 44 (0) 1263 711937

### Enquiries

[alex@paymentscm.com](mailto:alex@paymentscm.com)

[www.paymentscardsandmobile.com](http://www.paymentscardsandmobile.com)

# Omni-Channel Payments for Merchants: Myth or Reality?

IN ASSOCIATION WITH

**ACI** UNIVERSAL  
PAYMENTS.

## 1. Executive Overview

*The disruptive nature of emerging commerce models offers tremendous upside for merchants. Consumer demands for anytime, anywhere shopping and on-demand services provide merchants with significant opportunities for developing closer customer relationships, better insight on behaviors, higher ticket sales and completely new business models, leading to stronger growth and higher revenues.*

However, the same disruptive forces create challenges, as merchants must navigate these new business models and continue to address ongoing payments security, consolidate siloed payments infrastructures and achieve a single view of the customer from various data sources. The path to growth will mean different things to different merchants, depending on where they are in their journey – and how and where they want to do business.

Many merchants are taking advantage of the need to address payments security and PCI compliance – a primary driver of change – as a reason to evaluate their overall payments infrastructures. By taking a holistic approach, they not only can upgrade to reinforce current security requirements but also invest in and “leap frog” to the next generation of payments capabilities, future-proofing their business initiatives and securing competitive differentiation.

An Omni-Channel payments strategy – supporting the availability of all payment options in any channel – is increasingly recognised as a requirement by merchants, enabling significant cost savings through supplier and system consolidation while, at the same time, improving

customer service. Such a strategy needs to incorporate effective fraud management and prevention capabilities, in addition to payment options. Having a holistic view of all customer activity allows improved decision-making, reducing the number of legitimate purchases being declined. Secure payment acceptance for in-store, online, mobile and emerging channels may well differ significantly, and delivering a seamless Omni-Channel payments experience for consumers requires both channel-specific insight and technical expertise and experience.

Add cross-border to cross-channel and regional/local cultural differences need to be well understood to enable growth. The payment needs and preferences of the UK consumer are quite different from those in the US, continental Europe, South Africa or China. However, with the right approach, rolling out new solutions across multiple countries rather than doing so on a country-by-country basis has strong advantages in terms of ROI, as well as providing customers with a consistent user experience.

At the end of the day, the goal remains the same for most merchants: offer the broadest set of goods and services, when and where consumers desire to purchase, through the easiest (and safest) purchase experience, while supporting a broad range of payment options. Remaining flexible and open to the next set of new opportunities will better position the merchant in a fast changing retail environment.

The quest to deliver frictionless commerce in this environment means that merchants need to re-think their relationships with suppliers, and contemplate who is best equipped to meet their Omni-Channel payment needs, today and tomorrow. Understanding payments partners’ strengths and long-term strategies is critical to recognizing how they will help you take advantage of the market disruption and secure your next phase of growth.

*Andrew Quartermaine, Vice President, Merchant Payments, ACI Worldwide*

## 2. Introduction

*The word omni comes from the Latin word omnis, which can mean all or universal. Used in the world of payments and commerce this can have various interpretations along with other categories like “multichannel” and “cross channel”.*

Omni-Channel reflects the way modern consumers take their own path to purchase through any of the various retail channels offered. These may include traditional brick-and-mortar stores, but also any of

the ever-increasing number of virtual channels, such as online, mobile and social networks. Transforming to an Omni-Channel business model, in which all the channels are seamlessly integrated and function harmoniously, is no small feat for the merchant community.

With this in mind, Payments Cards and Mobile collaborated with sponsor ACI Worldwide to survey the retail industry and garner some insight into the level with which Omni-Channel payments are pervasive among merchants. The survey also sought to understand what retailers want to see in terms of functionality from vendors, plus perspectives on security, fraud, payment ecosystem responsibilities, service delivery models and funding.



### 2.1 Methodology

**The survey was conducted from December 2015 through February 2016 and contained 23 questions.**

Of those surveyed, the majority was from Europe but there is a reasonable spread from the rest of the world. UK retailers were the largest single group of respondents followed by respondents in North America. The survey approached over 500 large and medium sized merchants from various segments and around 100 responses were obtained. A number of leading industry analysts and consultants then provided commentary on the responses.

*Survey results were first revealed at the Retail Business Technology Expo at London's Olympia in March 2016.*

### 3. Retail merchant marketplace

*The retail merchant marketplace is experiencing change faster than it ever has before. Consumers now have more physical and digital options for shopping and commerce and a wave of new market entrants have increased the consumers' appetite and willingness to try new and emerging payment types.*

The lines of the consumer shopper experience have blurred. What once was expressed as "I need to create time to drive to the store twenty miles away to see if they have the right size shoes for my child" has given way to "I could shop on my phone or tablet to do some shoe shopping, today or tomorrow". Or, more directly "I want to buy what I want, when I want and how I want." This attitude has spurred growth in the sector with a wider variety of frictionless commerce and payments options as seen through the emergence of things like:

- Buy online/pick-up in store or "click and collect"
- In-store self-service kiosks
- Mobile point-of-sale (mPOS) and tablets
- QR codes scanning options to make an "on the spot" purchase regardless of time or location
- Mobile wallets in smartphones, watches and other wearable technology

Prime examples of merchants taking advantage of the disruption in the marketplace include Amazon's buy button, Domino's pizza emoji and text ordering, and un-manned self-service kiosks lining well-travelled consumer venues like metro train stations and airports. All these emerging payment options are a testament to the creative spirit in the payments and merchant industries, with the aim of increasing sales and giving the customer an improved purchase experience through convenience.

In addition, consumers are no longer limited by physical or geographic boundaries when it comes to purchasing goods and services. Global eCommerce is seeing exponential growth and merchants are eager to take advantage of cross-border initiatives as a way to increase revenue growth along with providing more options for their customer base.

Retailers continue to add new payment options to those that they already support, in order to increase the choice offered to consumers and reduce the risk of losing a sale.

As new payment options grow and merchant systems become more interconnected, fraud prevention and security remain at the top of the list for ensuring customer trust, continued loyalty and protecting the merchant brand in any Omni-Channel payments strategy. Constant vigilance is a critical component for both proactive and ongoing measuring and monitoring of mission critical customer strategies.

With all the emerging commerce opportunities in the retailer marketplace, merchants are still grasping for what they should do to attain the holy grail of any Omni-Channel payments strategy – a single view of their customer regardless of the channel through which they decide to shop. Today most payment (and fulfillment) systems are siloed by channel and, as a result, merchants are missing the benefits associated with knowing the complete shopping and buying patterns of their consumers.

A single view of the consumer, with all relevant data, gives merchants the business intelligence required to create new, individual offers that promote customer loyalty and stickiness. In addition, analyzing clusters of data across consumers sharing similar interests allows the merchant to create new product or service offerings.

**"Omni-channel is morphing into  
"the integration of everything", a  
fully integrated retail environment  
completely focused on the  
customer experience."**

*Thad Peterson Senior Analyst, Aite Group*

## 4. Survey findings

With the proliferation of technology and channels, and convergence in some areas, we are seeing retailers and other merchants forced into making investment choices, to capitalize on new ways to better align physical and online channels and so drive efficiency and value.

### 4.1 Omni-Channel payments status and challenges

The first objective of the survey was to find out how retailers are selling today, and match this to their ability or interest in moving to Omni-Channel retailing. A vast majority of major retailers with physical stores now also sell online. Indeed, those who have failed to make this transition have reported poorer sales when compared to their peer group. It is also interesting to note that a few pure-play eCommerce merchants like Amazon are now experimenting by opening physical stores - in Amazon's case these being bookstores.

As seen in the graph on this page, the majority of respondents are using POS and eCommerce as the primary channels through which they sell today. Mobile, whether Online, POS or In-App, is definitely popular and growing.

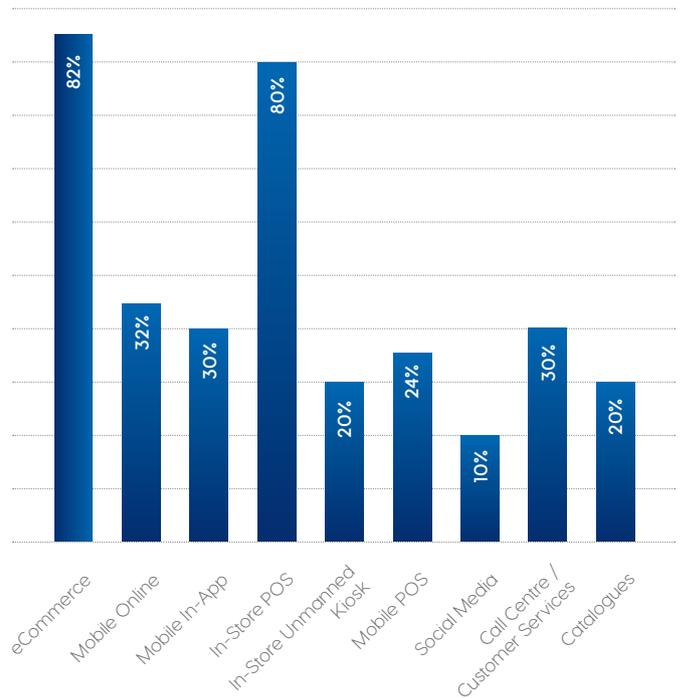
One of the key challenges in implementing a strong Omni-Channel offering lies in the idea that consumers should be offered the same choices of payment method, irrespective of their chosen purchasing channel. Without consistency and an Omni-Channel platform, consumers may purchase online with one method, like PayPal, only to find when they return the item in-store that PayPal is not supported and so the refund cannot easily be processed.

**“Retailers need to invest in systems and integration that enables a single view of payments, as well as inventory levels and consumer activity. This should be an omni-channel prerequisite.”**

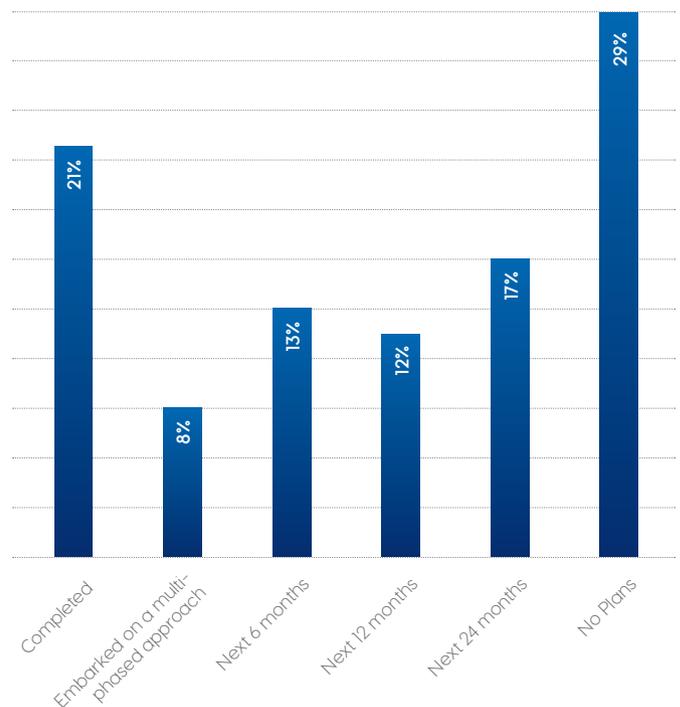
Miya Knights

Planet Retail Technology Research Director

Through which channels do you sell today?



Omni-channel payments progress?

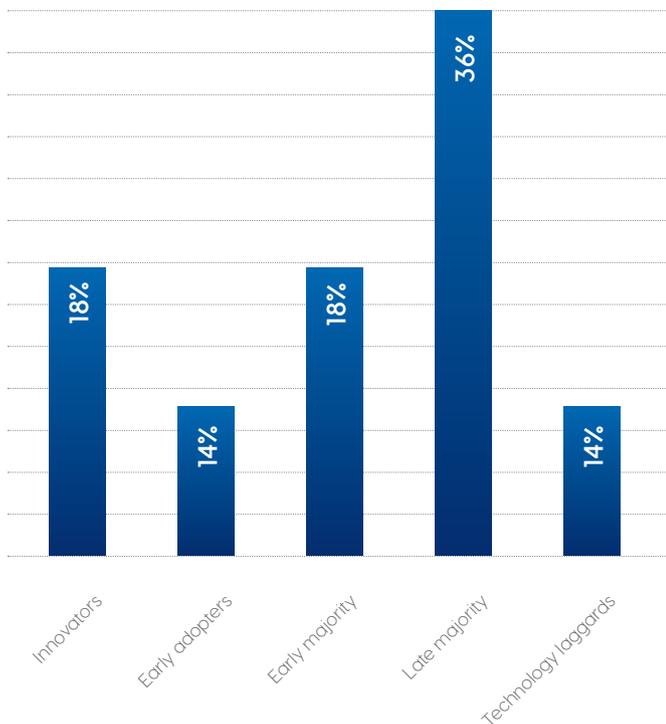


It should of course be no surprise that mobile is becoming an increasingly important channel through which to sell goods and services, as retailers try to capitalize on high consumer mobile phone adoption.

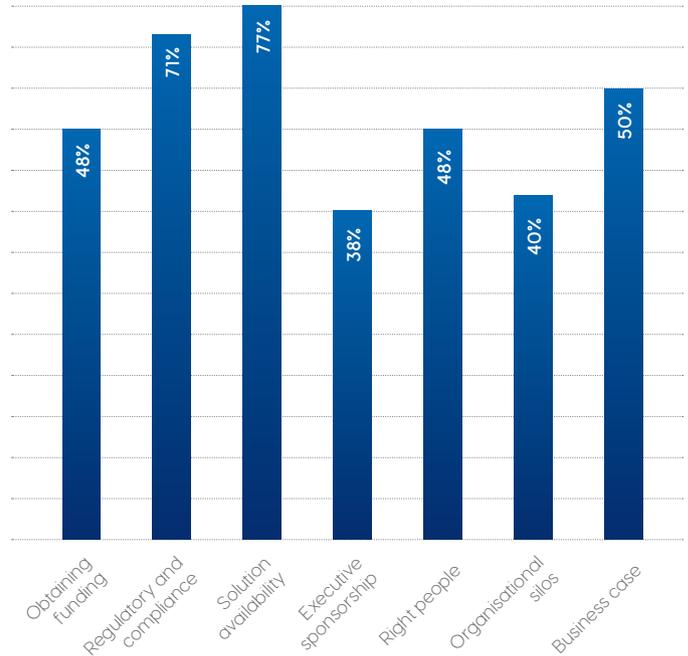
In light of the retail industry’s ambitions to move to an Omni-Channel strategy, it is good to see that a fifth of survey respondents have already completed their Omni-Channel payments program. This includes the large grocery and department store operators and is a higher figure than anticipated. Also notable (and concerning) is that 46% have no plans for Omni-Channel within the next 12 months. It should also be noted that progress overall may be exaggerated as respondents to the survey are likely to have a specific interest in the subject or be actively involved in a programme rollout.

When asked directly about the organization’s ability to innovate, 50% respond that they are in the “Early” or “Innovators” categories. This is encouraging and, once again, higher than anticipated although, with 50% categorizing themselves as “followers”, we should not have too high expectations. Discussions with retailers show that investment in new payment systems are increasingly aligned with other IT programmes.

**Organizational ability to innovate in payments?**



**Top challenges faced in Omni-channel payments programmes**



The fact that the two largest challenges named in our survey are Regulatory/Compliance and Solution Availability should be of general concern to the payments industry.

Regulation is a thorny issue for the industry – for some, a necessary intervention while, for others, often outdated, hard to implement in a timely manner and causing unnecessary friction in the payments value chain. A good example of this is the long-awaited implementation of EMV in the US.

Many merchants also report high levels of frustration with continual demands for further investment in payment security improvements, EMV Chip & PIN, 3D Secure, PCI DSS being three examples. This is further exacerbated by regular requests to comply with later versions of standards not long after achieving compliance to the initial version. Many retailers still believe that (data security) compliance is a one-off IT project rather than an ongoing organisational journey.

Two reasons are prevalent when retailers are asked why they are not moving faster into an Omni-Channel retailing environment - finding the business case and business sponsorship for the necessary funding to implement. Retailers tend to be cautious about large scale technology

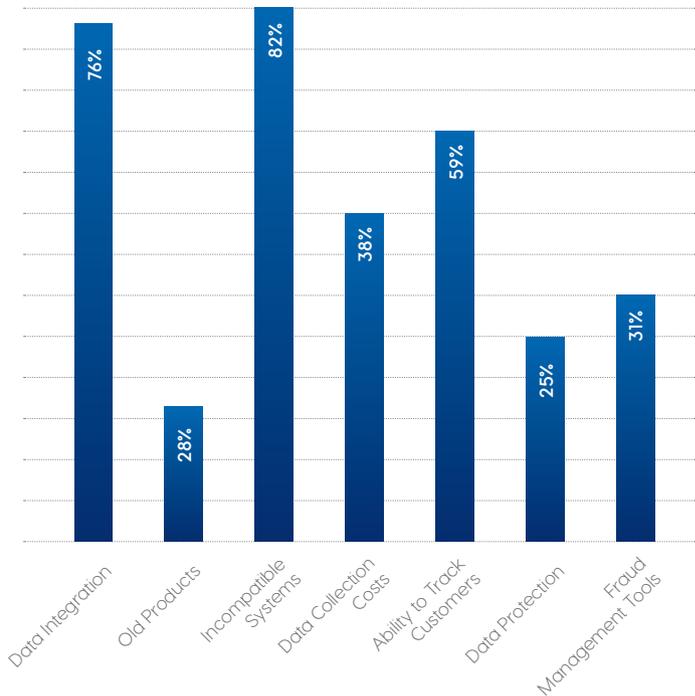
changes or enhancements, especially where investment may not directly lead to sales growth. A better case needs to be made to show that investment in payment and fraud systems can lead to higher sales through lower basket abandonment rates and lower declines of good orders, as well as through higher customer satisfaction levels, resulting in customer retention.

There is clearly work to be done by the providers of Omni-Channel solutions, if the retailer community is listing Solution Availability as a key challenge for moving to an Omni-Channel platform. Many retailers appear to believe that their current platforms are incompatible with Omni-Channel, and very few Omni-Channel payment solution providers were named by survey respondents.

It is possible, too, that the diversity of the retail sector creates solution availability problems. A solution designed for a very large merchant may not fit the needs of a mid-sized retailer, and different market segments may well have very different needs. There can also be a significant data integration challenge between existing and new systems, impacting the ability to track customers.

Finally, the majority of retailers are currently using two different commerce platforms: one for physical stores, incorporating EPOS applications, and another for sales generated from digital sales channels. Payment applications integrate with these two sales trading platforms. Also worth noting is that the choice of payment application is often influenced by the provider of the sales application. If retailers were to decide on a single sales application for all their channels, then this would have the greatest impact on Omni-Channel payments completion.

**Top technology challenges faced in Omni-Channel retailer programmes**



**“Having a reliable payments solution that allows a retailer’s customers to shop ‘anywhere and anytime’ will bring in more revenues and easily make the business case for more funding.”**  
 Michael Moeser  
 Director of Payments, Javelin Strategy & Research



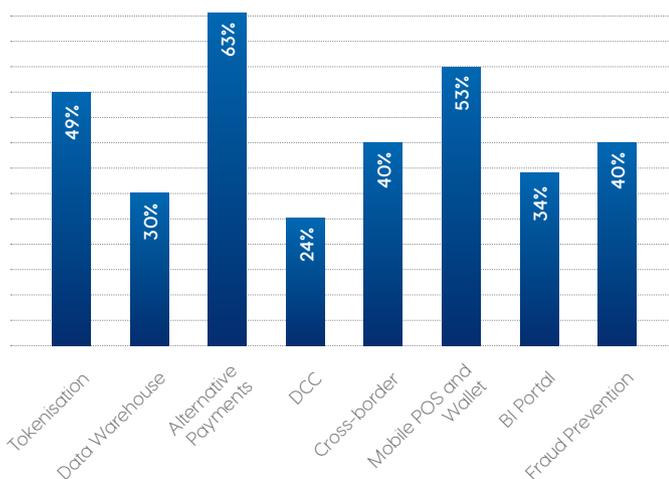
## 4.2 Omni-Channel solutions & commonly supported capabilities

It is good to see that the retailing community is keen to address consumer needs and their increasing appetite for alternative and mobile payments. When surveyed about different types of “new” payments technology, almost two thirds of retailers were interested in Alternative Payments, closely followed by Mobile POS and Wallet.

Alternative Payments incorporate alternatives to traditional, card-based Visa and MasterCard transactions. New payment schemes such as Ideal, Sofort, Klarna and Zapp, which use Internet banking apps and rails as an alternative to Visa and MasterCard, are increasingly being adopted by merchants, particularly for eCommerce sales. Alternative payments also include payments captured or integrated by a range of new technologies including QR codes, NFC, wearables and biometrics. Digital wallets including ApplePay, SamsungPay and AndroidPay have high awareness levels, but retailers are now starting to question the volume of consumer usage that can be expected through these payment options.

Fraud prevention remains on the ever vigilant retailers’ watch list and tied to that is an increased interest in what Tokenisation can do to help keep fraud levels down. Tokenisation is seeing high adoption rates by retailers due to the risk reduction that it brings as they are no longer storing card details. Forward thinking retailers are increasingly altering their approach to fraud prevention, paying greater attention to tools that enable good transactions where once they were imposing blanket declines on potentially bad transactions.

### Retailer interest in payment options and tools

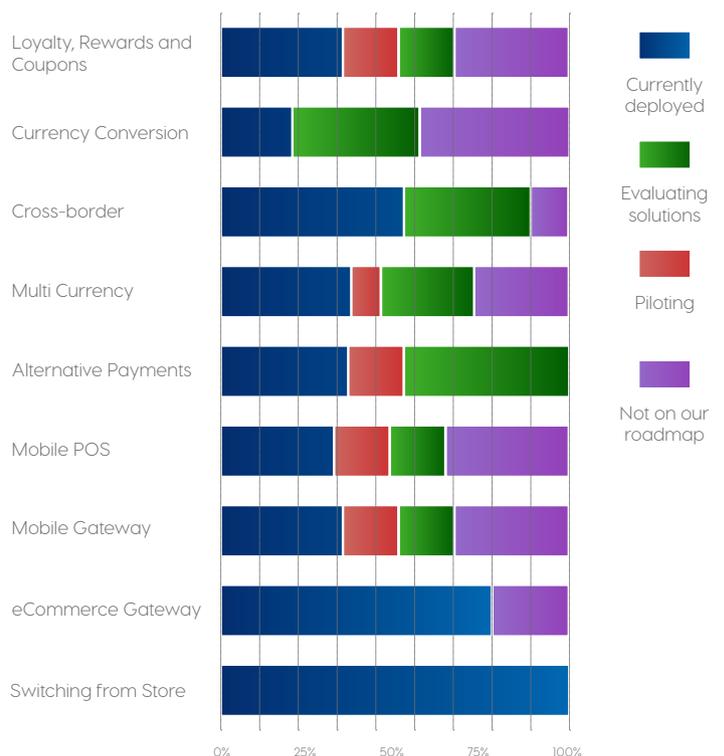


With regard to Omni-Channel payment capabilities in use today or being evaluated, there were very few surprises from the survey. All respondents have deployed Switching from Store, with a large majority also implementing technology like eCommerce gateways, cross-border payments and multi-currency payments options.

The high level of interest in loyalty, rewards and coupons is likely due to the positive impact this can have on sales volumes while also strengthening customer retention rates. We are seeing an increasing number of technology solutions being launched that combine payments and customer engagement capabilities.

Multi-currency interest reflects the growing internationalisation of business and consumer lifestyles. Of particular note is the growing acceptance infrastructure for UnionPay cards, to support the rising number of Chinese travelers. Dynamic Currency Conversion continues to attract interest from retailers with a higher than average proportion of international shoppers. Interest in Mobile POS is increasingly focused on how it can enable assisted selling in-store or as a queue busting service. The survey also revealed an interesting trend showing that those who had not already implemented Mobile Gateway, Mobile POS, Alternative Payments and Loyalty offerings were either piloting or evaluating solutions to do so. This represents a real opportunity to the payments industry.

### Omni-channel payment capabilities?



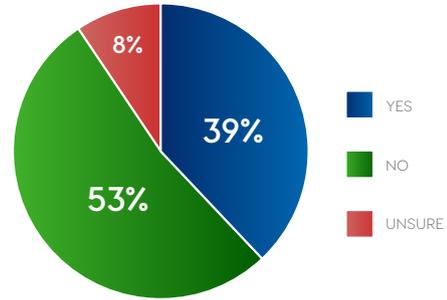
### 4.3 Security in the Retail Environments

*Payment security for the retail industry remains paramount.*

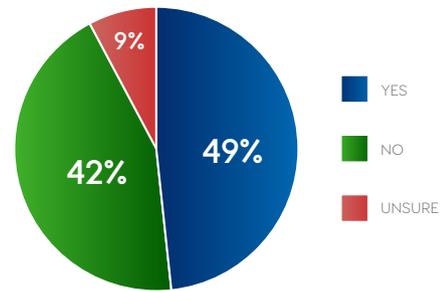
It also remains an ever-present challenge, as 2015 revealed a large number of high profile card breaches across various segments of the industry. The payments industry is deeply concerned about the security of cardholders and the networks that payments run on. In partnership with the ever-growing number of retailers accepting card and alternative payments methods, it is essential for the industry to continue working for the safety and security of all the parties involved in a transaction.

Currently payment security largely follows a sales channel focus. It is clear from the survey that, while a large number of respondents do have common sets of security and fraud prevention measures, much more needs to be done across industry segments to improve the security situation.

**Do you have a common set of fraud prevention capabilities across all channels today?**



**Do you have a common set of payment security capabilities across all channels today?**

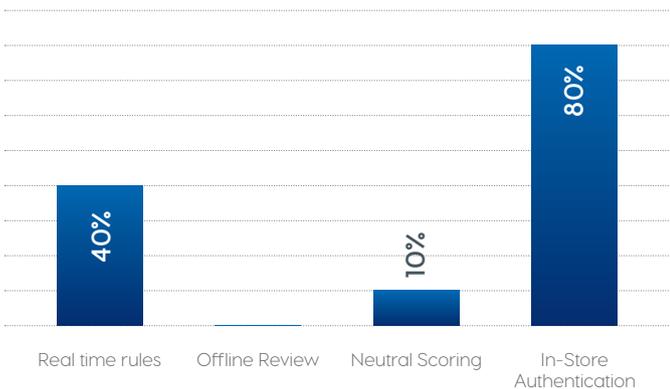


**“Protocols like tokenization and transaction monitoring are critical components to a merchant’s security and fraud prevention strategy. It’s about making your customers feel safe while shopping and have trust and confidence in your brand.”**  
*Lynn Holland - Vice President Product Line Manager, Merchant Solutions, ACI Worldwide*

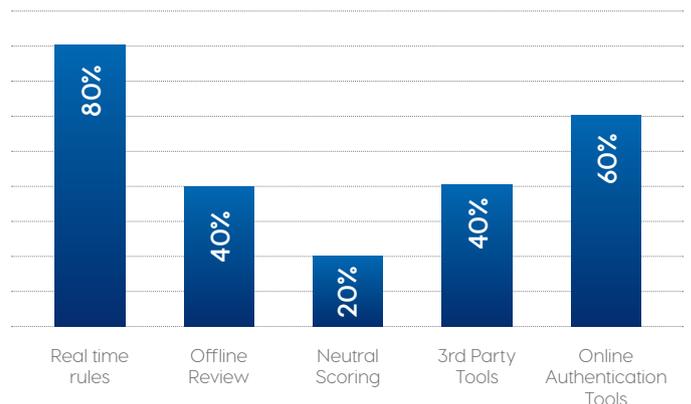
In the survey, we asked respondents what types of security measures they have in place for Card Not Present (CNP) and Card Present (CP) transaction channels. The findings are positive, with in-store authentication methods including Chip & PIN seen as the primary choice

for CP, and real-time rules and online authentication tools dominating for CNP. It is worth noting the recent deployment of Chip cards in the U.S. are not using PIN but, rather, signature and the jury is still out as to the effectiveness of this EMV approach.

#### CP Transactions



#### CNP Transactions



Questions about the types of security expected across an Omni-Channel payments environment generated some interesting findings. Currently, the three most frequently deployed capabilities are EMV, Network Segmentation and Terminal Management. The top three payment security options being evaluated by retailers are Point-to-Point Encryption (P2PE), Tokenisation and Key Management.

Consumers are becoming increasingly familiar with fingerprint biometrics thanks to their usage of the latest generation of smartphones and within mobile wallets like ApplePay. PaybySelfie and PaybyVoice are further biometric options that are currently being trialed by banks and merchants.

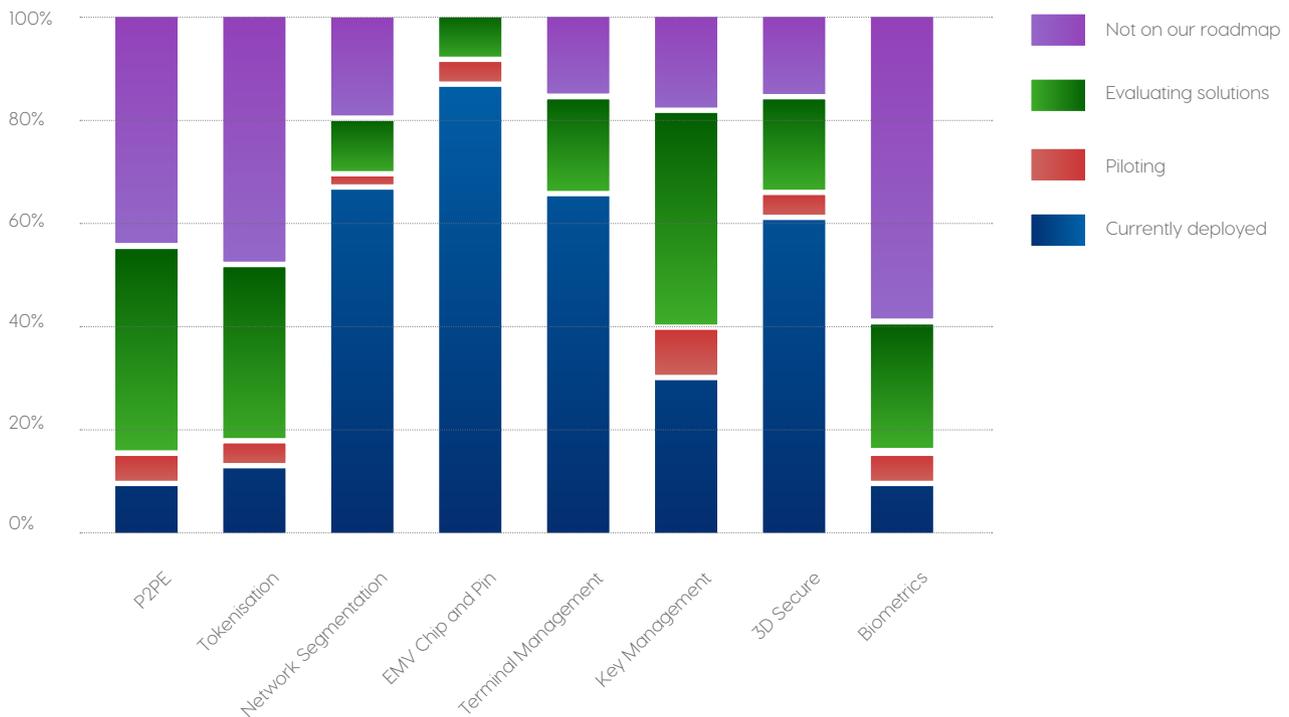
Interestingly, biometric authentication ranked very low on the road map for retailers. This may well be due to the nascent nature of the biometrics industry and represents a gap between the technology providers and the ability of retailers to keep up with and integrate biometric capabilities.

The increased availability of PCI Council approved P2PE solutions is leading more retailers to evaluate their options. P2PE allows retailers with physical stores to reduce their PCI compliance scope by using one of these solutions, with the advantages of:

- a) Strengthening data security protection costs
- b) Lowering costs
- c) Simplifying the ongoing task of maintaining PCI DSS compliance.

The number of retailers considering Tokenisation is directly related to the number of Payment Service Providers, acquirers and card schemes now offering this service. Analysts are predicting that tokens will ultimately replace card numbers for the majority of CP and CNP transactions.

**Omni-channel payment security capabilities?**



## 4.4 Omni-Channel management responsibility & procurement models

*In the final section of the survey, we aimed to gain insight into the way in which retailers would like to procure Omni-Channel payment platforms and who is, or who should be, driving change within the organization.*

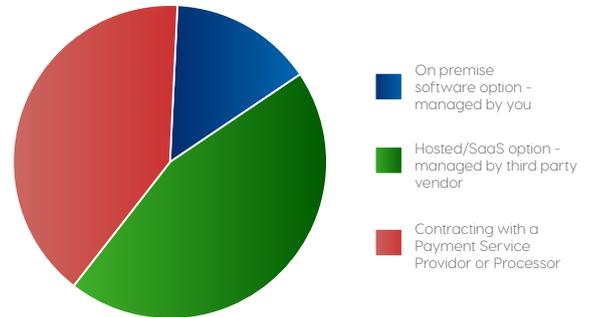
By definition, merchants are not payments experts but, rather, experts in selling goods and services. The preferred implementation strategy has, somewhat unsurprisingly, moved away from the in-house model (thanks largely to increased payments complexity and PCI compliance) with 9% voting for this type of delivery. Most attractive was the hosted SaaS model. It is also noteworthy that the retail community believes that PSPs have the capabilities to deliver what they are looking for in an Omni-Channel payment platform, with 37% wishing to procure through that channel.

The complexity of new channels, coupled with emerging and alternative payment types and regulatory requirements, makes outsourcing and hosting services more attractive. We can expect that soon only the very largest merchants will opt to run payment systems in-house. With an outsourced delivery model, merchants can focus on selling, while leaving the intricacies of payments to the experts. The shift to outsourcing is also due to the cost, effort and time required for PCI DSS compliance.

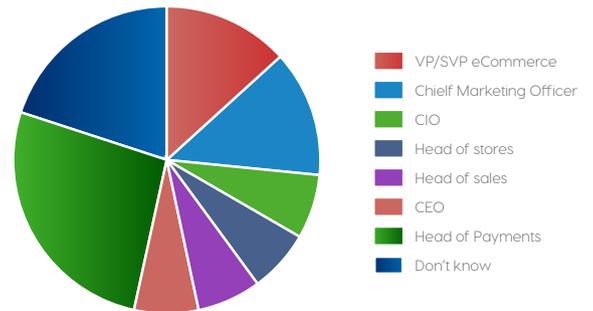
Survey respondents were divided on who holds responsibility for Omni-Channel payments today. Head of Payments was identified by more respondents than any other title, but it appears that this job function does not exist in the majority of retailers. When asked who should have responsibility for Omni-Channel payments, the position becomes clearer with a Head of Payments, VP/SVP eCommerce or the Chief Marketing Officer being cited.

One point to note is that, across both current and future responsibilities, one fifth of respondents do not know on whose desk the responsibility for Omni-Channel payments lies. This may be due to the relatively new nature of integrated Omni-Channel platforms, or may be a widespread indication of retailers' indifference to the Omni-Channel payments play.

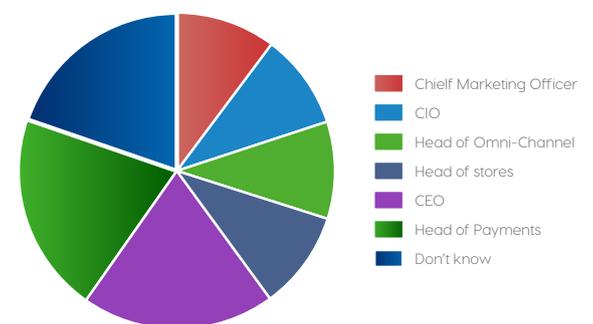
**What is your preferred method for procuring Omni-Channel solutions?**



**Who in your organisation is responsible for the Omni-Channel strategy?**



**In no-one today, who do you think should be responsible?**



**“Retailers are reluctant to invest in new payments technology until there is widespread consumer adoption or it generates more business for them.”**  
*Michael Moeser, Director of Payments  
 Javelin Strategy & Research*

## 5. Conclusions

*Our survey reveals a considerable divergence in retailers' views on the need for, and readiness of, Omni-Channel payment platforms. 42% have either implemented Omni-Channel or are planning to do so in the next six months - probably because they have recognised that their customers are now shopping across multiple channels and looking for a consistent user experience. A further 29% are looking to implement in the next 24 months, while the remaining 29% have no plans. Will this group change their collective minds? This remains to be seen.*

What is clear is that partnerships between merchants and payment technology providers are critical in the journey towards Omni-Channel. Retailers should take advantage of regulatory or market events and use them as an opportunity to re-evaluate their technology adoption and roadmaps. They need to understand their payments technology partners' roadmaps and align this with their selling (EPOS) applications roadmap to ensure future sales growth (locally, regionally and globally).

The disruptive nature of the industry now provides real opportunities for retailers willing to be leaders and innovators - while those who sit on the sidelines run the risk of being disintermediated or lost altogether. Consumers have made their choices clear and it is up to the retailer to match their selling capabilities to consumer buying habits. A single view of the customer and a seamless customer experience should be primary drivers for Omni-Channel - not only for payments, but as an overall approach to the sales strategy, as this will both drive up sales and improve the customer experience.

## 6. About the contributors



ACI Worldwide is the leading provider of secure, omni-channel payment systems to retailers globally. Our Universal Payment (UP) Retailer Payments solution support a variety of in-store, eCommerce and digital channels providing the framework for retailers to create and manage a customer-centric experience that spans from earning new sales through dynamic rewards programmes to ensuring optimum customer service with refunds management. ACI's advanced fraud prevention and payment data security tools reduce risk while protecting the bottom line. ACI powers electronic payments for more than 5,000 organizations around the world. More than 1,000 of the largest financial institutions and intermediaries as well as thousands of global merchants rely on ACI to execute \$14 trillion each day in payments.

[www.aciworldwide.com](http://www.aciworldwide.com)  
Twitter @ACI\_Worldwide.



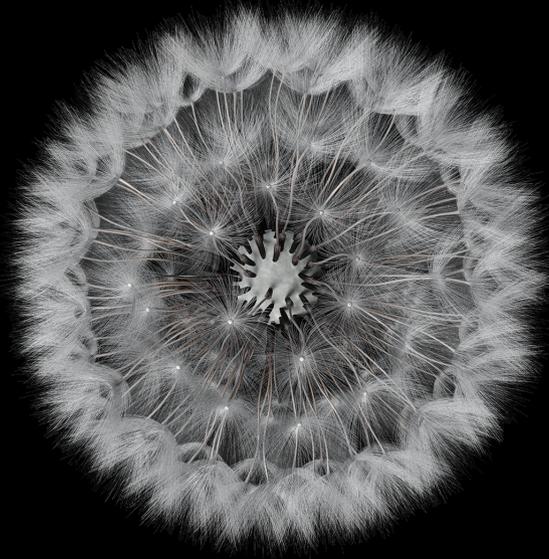
In business since 1994, Payments Cards & Mobile is an established and award-winning hub for global payments news, research and consulting. We work with recognised industry experts to provide impartial, up-to-date and relevant information and analysis on every area of payments.

Personal relationships have been the hallmark of our business. We remain committed to working closely with our many long-standing customers and welcome new customers in producing quality business intelligence and providing a variety of ways in which you can consume this information. Our aim is to provide you with the highest quality data so you can position your business and key personalities in this increasingly competitive industry.

[www.paymentscardsandmobile.com](http://www.paymentscardsandmobile.com)  
Twitter @PaymentsCardsM



Mark McMurtrie is an Independent Consultant who focuses on Consumer Payments, FinTech and Retail Technologies. He advises retailers, financial services companies, payment providers, technology companies and investors. During his 25-year career he has travelled to 60+ countries, promoting the latest payment technologies. He has worked with many of the world's leading companies including the largest retailers, eCommerce merchants, retail banks, merchant acquirers, card issuers, payment brands and payment service providers. His advisory services concentrate on strategy development, market assessments, commercial due diligence, technology reviews, and supplier selection. His experience is broad and covers mobile, face-to face and eCommerce payments. Mark is a regular industry commentator and chairs the RBTE payments conference; additionally he acts as a judge for several industry award programmes.



## TURN SUSCEPTIBLE INTO SECURE.

Real-time merchant payments fraud detection and prevention from ACI

ACI Worldwide, the Universal Payments company, powers electronic payments and banking for more than 5,000 financial institutions, retailers, billers and processors around the world. ACI software processes \$14 trillion each day in payments and securities transactions for more than 300 of the leading global retailers, and 18 of the world's 20 largest banks. Through our comprehensive suite of software products and hosted services, we deliver a broad range of solutions for payments processing; card and merchant management; online banking; mobile, branch and voice banking; fraud detection; trade finance; and electronic bill presentment and payment. To learn more about ACI, please visit [www.aciworldwide.com](http://www.aciworldwide.com). You can also find us on Twitter@ACI\_Worldwide.

