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HOW TO DELIVER A SUCCESSFUL OMNI-CHANNEL JOURNEY



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INTRODUCTION

'Omni-channel' is the word on everyone's lips. But looking beyond the buzzword of the moment, how do acquirers actually enable the Martini proposition of retailing anytime, any place, anywhere?

We look behind the omni-channel hype to find out what merchants and end-customers want – what they really want – and how to deliver it.

As any good map-reader will tell you, knowing where you want to go is important. But knowing where you are starting from is essential to planning how you will get there. We describe our experience and credentials for supporting acquirers and their merchants to deliver a successful omni-channel journey.

DEFINING OMNI-CHANNEL

When people said they were going shopping, we used to know exactly what they meant. However nowadays merchants and customers interact through various channels. These include physical stores, e-commerce sites, telephone customer service centres, mail order catalogues and networked domestic appliances such as televisions, games consoles and refrigerators.

It is the ability to give customers a 'seamless' experience across channels that has become known as 'omni-channel' commerce. The term reflects the blurring between the offline and online worlds. Customers should not be able to see or feel the join as they buy online and collect in-store, or order in-store for delivery to their home or office. They should have a consistent brand experience irrespective of sales channel.

The blurring of previously separate channels is only set to continue. According to research firm Forrester, purchases that customers begin using a digital channel but do not complete online will reach €704 billion by 2020, up from €457 billion in 2015. Combined with online sales, these cross-channel sales are expected to reach €947 billion, or 53 percent of total European retail sales, by 2020.

"Omni-channel commerce is not just about the front-end out to the customer, but also about the back-end that supports this. This includes infrastructure around real-time inventory and stock management, supply chain, payment, and reporting and reconciliation," says Ulrike Schäffter, Director of Business Unit and Product Development, RS2.

"Herein lies the omni-channel paradox. Whilst merchants are striving to make shopping simpler and easier for customers on the front-end, on the back-end it is becoming more and more complex," adds Ms. Schäffter.

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EXTERNAL TRENDS

A number of external technology, business and social trends are driving omni-channel thinking. Naturally, these trends interlink and overlap, which creates powerful super-trends as well as various sub-trends.

“Monitoring external factors is important as they characterise the environment in which any business operates,” says Ms. Schäffter

“While external factors are more difficult to influence directly and control compared to independently determined internal factors, every business has to contend with them. Yet the impact of external factors and trends on each business varies, depending on how each anticipates, prepares and chooses its response.”

“How each business identifies its business opportunities and risks, and manages them, is also a way to obtain competitive differentiation and advantage,” concludes Ms. Schäffter.

TECHNOLOGY TRENDS

All hail the mighty mobile

The first and probably most obvious technology trend is the rise and rise of the mobile phone. There are now more mobile phones worldwide than there are people: 7.7 billion phones versus 7.3 billion people. People are using their smartphones for an average of five hours a day – about a third of the time they are awake – and check

them about 85 times a day, research from Nottingham Trent University suggests.

Merchants are realising that the mobile-toting customer is an increasingly informed and demanding customer. Customers can check prices and reviews online in real-time when in the merchant’s store, and buy goods immediately online if they find them cheaper elsewhere. Speaking at the Money 20/20 event in Copenhagen in 2016, Olaf Koch, chairman of the management board at METRO AG, referred to this power shift in favour of the consumer. Information is no longer held by the supplier of the goods, but by the customer. Within METRO AG the customer is known as the super-hero because s/he can know it all.

Interconnectivity

Interconnectivity between devices is yet another game-changer. In their top ten strategic technology trends for 2016, technology research and advisory company Gartner put the ‘device mesh’ in first place. This is described as *“an expanding set of endpoints people use to access applications and information or interact with people, social communities, governments and businesses.”* These endpoints range from mobile phones to wearables and other smart devices deployed in homes, businesses and industry.

Around 6.4 billion physical objects worldwide will interconnect via the Internet of Things (IoT) in 2016. And about 43 percent of large businesses will have implemented IoT in some way by 2016, according to Gartner. *“While*

devices are increasingly connected to back-end systems through various networks, they have often operated in isolation from one another. As the device mesh evolves, we expect connection models to expand and greater cooperative interaction between devices to emerge,” the firm says.

Big Data and the information of everything

Everything in the digital mesh produces, uses and transmits information. Around 2.5 quintillion bytes of data are created every day – so much so that 90 percent of the data in the world today has been created in the last two years, according to IBM.

Once within the realm of ‘Big Data’, data which is too large or complex to be processed using traditional database techniques, the challenge and opportunity for businesses is making sense of all their data. Businesses must cope with the sheer quantity of data available, and the associated storage, security and privacy considerations, and analyse it to generate useful insights. Businesses may need to ask themselves whether Big Data is always the answer, as sometimes small data can be just as insightful if used correctly.

The rise of the robots

The increasing use of robots and automation is being seen in every area of society from robo financial advisors to in-home care for the elderly. There is already a good level of automation in retail with self-service check-outs, kiosks for obtaining information or transacting, vending machines selling a variety of high- and low-value goods, and in-store beacons to identify returning customers via their mobile devices.

This trend towards the use of robots and greater automation is two-pronged. Firstly, using automation to standardise human

processes for greater efficiency. Secondly, humanising automated engagement for greater personalisation. Harnessed correctly, increased automation will help deliver more speed, convenience, value and choice for customers.

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– Ulrike Schäffter, Director of Business Unit and Product Development, RS2.

Technology trends commentary

“Technology is important – there’s no denying this. It has the ability to be transformative. But it’s best to ensure that the tech tail is not wagging the dog. Merchants and acquirers need to consider the benefits of the technology, not merely the functions,” says Ms. Schäffter.

“If you start with the customer need and work forward, you can more easily build the use case and business case. This is preferable than starting with technology and retro-fitting a customer need. Because there’s nothing worse than technology for technology’s sake. Or using technology to solve a non-existent problem.”

“As to what merchants really want from technology, I think they want to understand the implications of various technologies, how they overlap but most importantly how they can use them within their businesses,” says Ms. Schäffter.

“When it comes to delivering technology innovation or omni-channel through

technology, understanding the opportunity is only part of the issue. Merchants and their acquirers have to contend with an ageing technology stack whilst maintaining availability of critical systems and security, supporting merger and acquisition activity, regulatory change and cloud-based services. We understand this."

"As a technology partner with three decades of experience, understanding our customers' strategic objectives is paramount. Moreover we evaluate where they are starting from with their current technology platform to prescribe the best way forward. The omni-channel journey is a marathon, not a sprint," says Ms. Schäffter.

BUSINESS TRENDS

With a little help from my friends

The payments industry has a long history of partnership and collaboration. Consider the number and nature of organisations involved behind the scenes each time a customer makes a card payment, pays a bill or sends money overseas. The wider business world is waking up to the concept of the extended enterprise where a number of organisations work together to achieve something that none of them could have realised alone. Finding the right partners and developing complementary and mutually beneficial relationships has become critical.

However just as organisations can outsource to others, they can also act as outsourced service providers for others. This highlights the importance of cultivating and maintaining a good reputation. After all, reputation is what others think of a company, not what a company thinks of itself. Due to the increasingly fluid nature of modern-day outsourcing, a company's reputation stretches

beyond the one-to-one relationship with a partner for any given contract. Corporate reputation with all stakeholders – customers, suppliers, partners, competitors, regulators, the media – requires active management.

Building a world-class brand

Building a world-class brand in the modern era is increasingly about consistency – giving customers a consistent, integrated experience across all touchpoints. This is increasingly relevant in a global, omni-channel world, which is open for business now or business 24 hours a day to a worldwide customer base.

People measure the success of a brand by how much value it adds to their lives and how little it disrupts them. They want brands that are facilitators of ease and convenience. Any company could usefully learn from the leading consumer-facing technology brands in this regard. Google, Apple, Facebook and Amazon specialise in understanding consumers as well as technology. They are expert in understanding what their customers need and value and delivering it – and then finding new and better ways to deliver it.

Indeed it is a combination of their global reach, culture and integration into users' daily lives that has helped these technology brands increase their brand value and dominate lists of global brands. Apple's brand was worth \$170 billion in 2015, Google's \$120 billion and Microsoft's \$67 billion, according to Interbrand's Best Global Brands 2015 report.

Know your customer

Knowing your customer goes beyond the regulatory requirements related to anti-money laundering or the sale of age-restricted products. It is about knowing your customer better across all channels to offer a more

relevant, personalised service to drive more sales and customer loyalty. In this respect, brick-and-mortar merchants are playing catch-up to their e-commerce peers.

Online merchants hold a lot of information on their customers. They know their customer's name, address, e-mail address, purchase history, browsing habits, delivery preferences and much more. Brick-and-mortar merchants often do not know their customers until the moment of payment when it can be too late to cross-sell, up-sell or personalise the offer in any way. Store-based merchants are investigating various options to overcome this, including beacon technology to identify customers on entry via their mobile phones, as well as mobile-based apps which also bridge the online and offline experience.

Re-thinking internal silos

Omni-channel will have implications for how companies organise themselves. There are opportunities to break down internal organisational silos and unify technologies and job functions/titles across channels and companywide. If the ultimate aim of omni-channel is to serve customers seamlessly across channels on the front-end, it makes sense to reflect this organisationally on the back-end. Why not have a chief data officer or customer experience director with responsibilities across the entire organisation?

For some companies eliminating legacy silos, processes and systems may be easier said than done. This is particularly the case for fraud and risk management operations, which may have been developed around card-present and card-not-present channels, and/or around particular countries. It may take time, money and effort to consolidate systems for a single view of the customer.

Business trends commentary

"The business trends outlined above transcend omni-channel. And this is as it should be. Omni-channel is a mindset that is overlaid on business. Some organisations call it mobile-first or digital-first, but ultimately omni-channel is a means to an end. What is this end?"

"Or to put it another way, what do merchants really want? In my opinion, it's three-fold. They're in business to increase revenue, cut costs and improve their businesses," says Ms. Schäffter.

"If you can show a merchant how they can increase conversion, loyalty and footfall, how they can create new revenue channels, better targeted promotions or more space in-store, they're interested. With regard to cutting costs, if you can show how they can reduce fraud, chargebacks, acceptance, marketing or admin costs, again they're interested. And finally, they'll also be very interested in knowing how to improve the customer experience, data insights, product availability and innovation," concludes Ms. Schäffter.

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SOCIAL TRENDS

Customer centricity

Customers are as different as the businesses that serve them. Not every customer interacts with a merchant in the same or wants to. There are various parallels between merchants and incumbents in retail banking. Both merchants and banks have to serve a broad customer base across various ages, social demographics and geographies. Not all customers are willing or able to adopt digital shopping or banking. Not all customers want to pay with a card or a phone.

Nowadays one size does not fit all. Businesses are increasingly having to cater to a range of different customer needs, so much so multi-customer as well as multi-channel strategies are now a must. Irrespective of the growth of the Internet of Things and machine-to-machine technology and whether this puts the customer more or less in the driving seat, it would be a brave (or foolish) business to bet against the importance of taking a more customer-centric approach.

Are you being served?

Customers have more choice today. They expect more choice. They also have more information. Any business can deal with happy, satisfied customers. The real test comes in how a business deals with unhappy, dissatisfied customers. The stakes are high for businesses, particularly with the advent of social media which can magnify any customer complaint to a wider audience. However the rewards are as high if a business gets customer service right.

If a business can satisfy a dissatisfied customer, the chances are that the customer will be more loyal to a business and brand

than if they never experienced the problem. Consider also that it is several times more expensive – estimates range from five to seven times – to recruit a new customer than to retain an existing one. So, turning dissatisfied customers around can drive long-term profitability. Managed correctly within an organisation, customer complaints can also help a business improve their internal policies, procedures and staff training.

Changing ideas about shopping...and stores

Shopping remains a deeply human and social experience, between the customer and retail staff or friends whether in the physical or online world. The shopping experience must still be social as well as consistently good and relevant to the customer, irrespective of channel.

The paths to purchase are now more diverse, involving different combinations:

- Buy in-store, fulfil in-store
- Buy in-store, ship from that store or another store
- Buy in-store, ship from a fulfilment centre
- Buy online, ship from store
- Buy online, fulfil in-store (click and collect)
- Buy online, ship from a fulfilment centre

This is contributing to changing ideas about shopping and smart use of stores. Stores can be stockless showrooms, or act as fulfilment centres to customers and other stores. They can serve as locations for customers to collect or return goods, obtain product advice in-person, or order items not yet in stock or out of stock.

Global versus local

The internet brings the world to the user, and the user to the world. It makes

the global local and the local global, eliminating distance to conflate the two.

The move to digital can also facilitate more locally, making the local hyperlocal. The origins of the social networking site Facebook was that it connected people within their university campus, i.e. in their immediate geographic and social proximity. The same is true for Craigslist and Groupon, which link local buyers with sellers and also blurs the distinctions between online and offline.

The interplay between global and local will continue to be a disruptive idea for both human and commercial relationships – how we interact, react and transact across borders.

Social trends commentary

“As I review these social trends, what emerges for me is the importance of personalisation and people. Whether you’re selling B2B or B2C, what customers really want is something personalised for them. If you can see the personalisation, it almost isn’t personalised enough,” says Ms. Schäffter.

“Our field of payment processing and technology solutions has been quite verticalised, if not personalised, for years. Hospitality merchants are different from fuel merchants, who are different from general retailers and mass transit operators. Our services support everything from delayed and amended charges for the hospitality sector, to contactless card and mobile solutions for the transit sector and everything else in between.”

“We’re a technology company and while the rise of Big Data and increasing automation are key trends, when it comes to dealing with customers we’re quite old-fashioned. Our staff really spend time with customers in small groups and one-to-one

to understand their needs. Our services are based on a platform and are also available as managed services, yet there is still a strong element of personalisation or tailoring to individual customers. We work together with our customers in creating the right solutions for them.”

I think that when people think about omni-channel, they may consider the technology and back-office processes to make this happen. But there is a danger that they forget the human element. Really, it’s about striking the right balance between technology, processes and people.”

“I think that when people think about omni-channel, there is a danger that they forget the human element. Successful omni-channel is about striking the right balance between technology, processes and people.”

– Ulrike Schäffter, Director of Business Unit and Product Development, RS2.

HOW TO DELIVER A SUCCESSFUL OMNI-CHANNEL JOURNEY

End-consumers do not really think of themselves as omni-channel shoppers. Nor do they care to which sales channel the merchant books revenue. End-consumers want a convenient, frictionless experience however they choose to shop. As to payment, they just want this to happen right first time, every time.

Below are some ways in which RS2 helps you and your merchants deliver a successful omni-channel proposition, and makes payment happen.

Architecture

Built on state-of-the-art infrastructure, our architecture is flexible, service oriented (SOA) and modular by design. This gives customers faster speed-to-market, lower set-up costs and full tailorability irrespective of sales channel.

Agnostic

No matter what terminal hardware or applications merchants run, our systems are agnostic. They integrate with everything and everyone for maximum efficiency. This makes

it quicker, simpler and cheaper to roll out to new stores, new countries and new channels.

Alternative payment methods

Convert browsers into buyers whether they are shopping with your merchants in-store or online by accepting a wide range of payment methods. Our APIs make switching on new payment methods pain-free, either at launch or later in the project.

Consolidation

BankWORKS Reconciliation systems consolidate and reconcile the business across countries/regions and omni channel presenting your business on one statement originated from various sources such as Visa, Mastercard, Amex, CUP as well as alternative payment being SOFORT, citrus, Elo, iDEAL etc.

Multi-national

Omni-channel is almost multi-national by default. We offer acquiring services in 164 currencies and domestic and International clearing and settlement in 80 currencies to power business internationally. Our relationship with local acquirers in North America, APAC and EMEA enables you to take your business international.



Legal and regulatory

We take on the legal and regulatory burden on our core systems, so our customers don't have to. BankWORKS® is compliant with EMV standards, PCI DSS (version 3.1) and PA-DSS, the SEPA card framework (SCF) and EPC requirements around acquiring and clearing.

Modular

Our modular platform allows you to design the solution you need for your business. Our fully parametrised platform enables you to configure the product and services needed to empower your business.

Managed service

Outsourcing to a trusted partner via a managed service saves all around. It saves our customers having to make their own internal investment in capabilities. It saves having

to recruit, train and retain in-house experts. And it saves time in having to keep up-to-date with industry standards and changes.

Resilient

Whether your customers trade across one channel or many, if they are unable to accept payment at any time, that's bad for business. We process on behalf of some of the largest multi-national banks and retailers. Our systems have 100 percent availability processing in active-active mode and are able to cope with sales peaks and troughs, and have back-ups to every element for maximum resilience.



SUMMARY

Omni-channel is a mindset as much as it is a strategy. There is no doubt that the idea of giving customers a seamless, consistent experience of a brand, however they choose to engage, will dominate business thinking for some years to come.

Omni-channel thinking is being driven by various technology, business and social trends; it also reflects these trends. These include the move to mobile, use of Big Data, the importance of partnership and customer centricity, and changing ideas about the nature of shopping and stores.

Whilst technology is important, acquirers and merchants need to consider the benefits of technology, not merely its functions. They need to ensure that technology is part of the mix, along with processes and people, and that it actually solves a customer need.

Merchants are in business to increase revenue, cut costs and improve their businesses. Propositions articulated to them through one or more of these lenses stands a better chance of being successful than something articulated through technology or omni-channel buzzwords.

Combined with online sales, cross-channel sales are expected to reach €947 billion, or 53 percent of total European retail sales, by 2020. The omni-channel opportunity is huge. However, there are also significant barriers to realising omni-channel, including maintaining availability of critical systems and security with a legacy infrastructure, supporting merger and acquisition activity, regulatory change and developments around both cloud-based and open services.

The journey to successful omni-channel will be a marathon, not a sprint.



ABOUT RS2

RS2 Software p.l.c is a technology company specialised in Issuing, Acquiring, Clearing & Settlement processing of transactions generated through various channels such as E-Commerce, MOTO, M-Commerce, POS, ATM, NFC and E-Wallet.

Our Flagship product is traded under the name of Bankworks which includes various modules such as, Issuing, Acquiring, Clearing & Interchange, Billing & Settlement, Reconciliation, Fraud Management, Routing & Switching, Sub General Ledger & Accounting, Customer Web Portal and e-Wallet

Our customers are Banks, Financial Institutions, Payment Gateways, Payment Service Providers and Retailers.

The Company operates from its offices in Europe, Middles East, North America and Asia Pacific.

Our talented team provides a range of Services such as software

development, consultancy, integration and customization, certification and knowledge transfer and training.

Bankworks' powerful processing engine processes over 40 million transactions per hour in the back office and 5000 TPS.

The system is fully PA DSS 3.1 certified and provides transaction processing software as an end-to-end solution.

RS2 offers flexible licensing and deployment models enabling customers to run their businesses quickly, efficiently and cost effectively.

The customer can choose between two deployment models for the use of the system either as a license to be deployed in house at the customer's infrastructure or deployed as an outsourced service using our infrastructure hosted at IBM.

For more information visit www.rs2.com