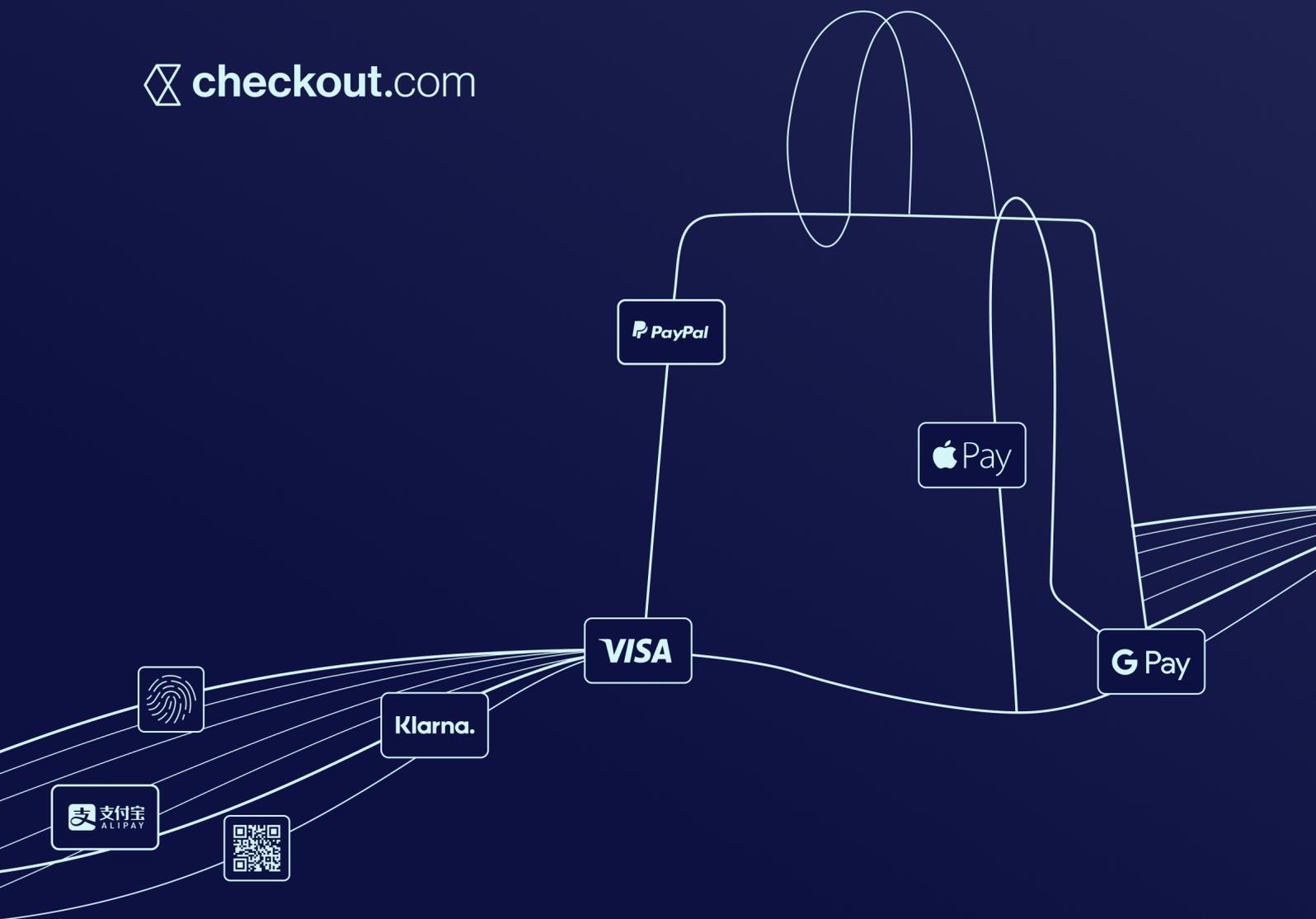# The new state of retail

How digital payments will cut costs, unlock revenue and deliver new customer experiences

checkout.com

Expand effortlessly with the leading cloud-based payments platform built for global business

Checkout.com is a global payment solutions provider that helps leading brands drive more value from their digital payments. Purpose-built with performance, scalability and speed in mind, our modular payments platform is ideal for retail merchants looking to seamlessly integrate better payment solutions.

We help retailers drive more revenue and cut costs with optimized payments acceptance, actionable data and a customizable platform. Plus, we provide world-class personalized support and deep local expertise. It's why retailers like Farfetch, Mango, Swarovski, Chrono24 and Adidas trust Checkout.com.

Checkout.com is the dominant choice for retailers looking to take advantage of retail's exciting ecommerce growth in Europe.

Launched in 2012, Checkout.com now has a team of over 1000 people across 18 offices worldwide, offering local expertise where it's needed.

Their on-the-ground presence and deep knowledge of the regional payment ecosystem, makes Checkout.com the ideal partner for optimizing your digital payments globally.

Find out more at Checkout.com

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Julie Scrase, Editorial Director of Insights and Research
Nic Milliner, Brand Designer

The report was written by Julie Scrase, Editorial Director of Insights and Research for Checkout.com.

Leading retail brands thrive with Checkout.com

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DIOR

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FARFETCH

Foot Locker

Freddie's Flowers

Glovo

gousto

H&M

Huel

THEHUTGROUP

Mindful Chef

NESPRESSO

Reebok

SAMSUNG

SHEIN

SHOPBACK
The Smarter Way

SHOPLINE

SWAROVSKI

VICTORIA'S SECRET

Contents

Executive Summary

Key takeaways:

More than 40% of retailers said they weren't prepared for 2020s surge in cross-border payments across Europe, resulting in lost revenue. Payments has become a driver of revenue. **Businesses must improve their localized payments offerings to thrive.**

The ecommerce boom in Europe has triggered a surge in cross-border shopping, which is here to stay, and represents an opportunity for foreign merchants to enter the market. **Winners in retail will be defined by their ability to capture Europe's key growth markets.**

80% of consumers expect to pay using new payment methods such as buy now, pay later, crypto, and digital wallets. **Businesses must keep up with the latest payment methods to match demand and differentiate smartly.**

97% of CEOs say business model innovation will be crucial to stay relevant and competitive. **Payment innovation, which flexes to the merchants model and needs, are central to ecommerce retail success.**

Payments performance metrics and access to data are still poor for the sector. 60% of ecommerce merchants feel they don't have the payment insights and support needed to innovate their business models. **Investment in new payments requires the right partner to fully optimize performance.**

Hybrid experiences, social shopping, and subscription models will boom. **Businesses need tailored and optimized payments built to match their evolving models and growth strategies.**

European ecommerce had a buoyant year in 2020. Not only did digital retailers see exceptional revenue growth, but they gained exposure to whole new markets and consumers.

It was not all smooth sailing though. Forty-three percent of merchants said they weren't prepared when new markets within Europe wanted to buy their goods, but they didn't have the necessary payment methods in place to capture that demand and revenue. This means 50% of merchants spent last year expanding their localized payment offerings and many plan to continue doing so. It has put the pivotal power of payments directly into the spotlight.

But cross-border sales data also indicates that a surge in online shopping has introduced millions of European consumers to products, not available on their local shopping districts, yet easily accessible to them nonetheless. As stores reopen consumers will find themselves tethered to the world of choice that exists in cross-border ecommerce retail. And this revenue potential is set to grow for retailers who keep up.

"Cross-border sales data for 2020 indicates that a surge in online shopping has introduced millions of European consumers to foreign products and brands."

Ninety-seven percent of ecommerce CEOs say that to stay relevant, resilient and profitable, they will need to innovate their business models within 18 months. The majority of executives agree that digital payments will be the number one thing necessary to innovate. It's not hard to see why. The data shows a huge appetite among European consumers to significantly increase their use of a wide range of new digital payments including Digital Wallets, Crypto currency, BNPL, and QR codes. Merchants understand that they need to be able to offer better, more modern checkout experiences for their customers.

The data forecasts a significant uptick in various subscription models (based on high demand from consumers) as well as in social shopping which is matched by merchants' intention to ramp up their payment link offerings.

And as traditional loyalty schemes become less important, retail merchants are setting their sights on the $2.9 trillion ecommerce opportunity that is personalization. They want data and they want to tailor every aspect of the product and purchase experience.

Despite this opportunity to power their bottom lines, retailers remain impaired by missed revenue and unnecessary costs. Fifteen percent of ecommerce retail merchants are losing more than 21% of their annual revenue in total payment costs. And the rest don't do much better. Yet, the vast majority receive no granular breakdown of their costs. This means that along with a huge new market opportunity, there is lots of back-end opportunity to cut costs and power revenue which remains untapped. This report covers the simple steps retailers can take to unlock every opportunity for growth and success.

Methodology

This research report is based on data from Checkout.com's May 2021 survey of 10,000 European consumers and 550 senior executives at Europe's top ecommerce retail organizations. The consumer survey spans ages 18 to 75+ years across the UK, Republic of Ireland, France, Belgium, the Netherlands, Germany, Austria, Switzerland, Portugal, Italy, Spain, Greece, Poland, Denmark, Sweden, and Norway. Other data sources include quantitative research conducted by Checkout.com with Oxford Economics in May 2020, quantitative research conducted by Checkout.com with the Financial Times Longitude in April 2021, as well as 3rd-party sources including Statista, eMarketer, Capital Economics, McKinsey Deloitte, Gartner, Accenture, and Forrester, combined with academic research. Qualitative research and data sense-checking were conducted both on and off the record with market analysts, ecommerce executives, and representatives of industry bodies.

SECTION 1

Seize the cross-border opportunity

The European ecommerce revolution

What you need to know

Despite already being a mature ecommerce retail market, Europe saw some of the world's largest ecommerce growth during 2020. Countries such as Greece, Portugal, Ireland, and Poland saw a boom in consumer adoption and usage of ecommerce, paving the way for powerful new ecommerce markets within Europe.

European ecommerce merchants consider themselves to be in good economic health. New markets in the region have been ignited. The pandemic has turbocharged progress in ecommerce payments and operations, tee-ing many businesses up for further innovation and growth.

Increased demand for retail ecommerce put pressure on merchants who, even with an established online presence, were still forced to ramp up their payments, supply chain, shipping operations and offerings to keep up with demand.

Competition is fierce and the cost of acquisition is rising. Savvy ecommerce businesses are already planning their next business model adaptation to keep ahead of the game.

Ecommerce merchants turbocharge growth, investment and innovation

More of the same but bigger, better and cross-border

The ecommerce sector is economically healthy and increasingly fit for the future. While consumers turned their spending power to digital in droves, ecommerce retailers were spurred to act.

Successful ecommerce merchants have invested in building out their payment offerings, rethinking their supply chains and bolstering their shipping services, all of which set the sector up for a strong year.

↗ **50%**

of ecommerce merchants responded to **increased cross-border demand by expanding the range of alternative and local payment methods** they offer since the start of the pandemic.

↗ **25%**

of ecommerce merchants say that they are creating **new local fulfillment centers to meet demand.**

↗ **43%**

of ecommerce merchants saw **sudden demand from new markets** in which they were not initially equipped to offer the correct payment methods. Money was left on the table.

↗ **95%**

of senior ecommerce executives say that they need to **innovate their business models** now, to maintain the advantage gained during the pandemic.
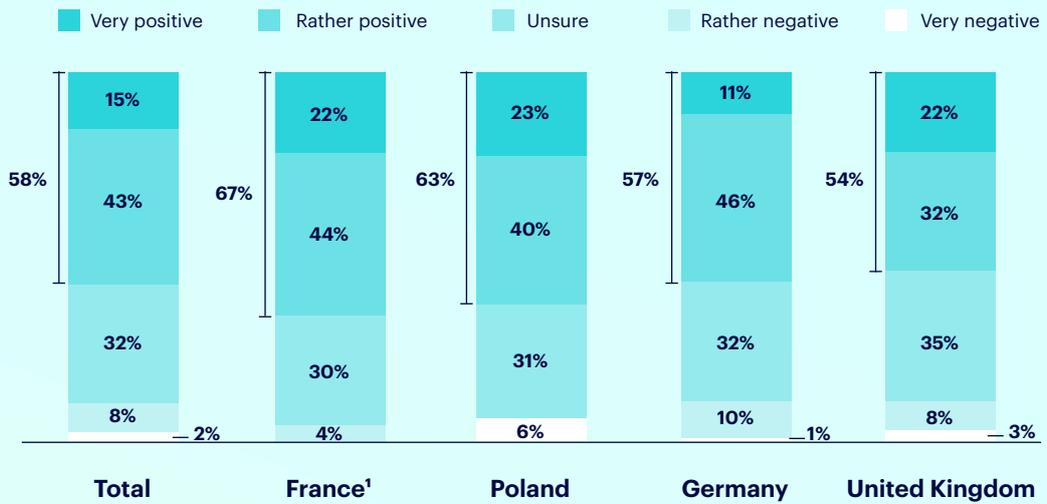
↗ **50%**

of ecommerce merchants say the pandemic put serious pressure on their delivery and shipping services, forcing them to **improve operations at pace.**

↗ **42%**

of ecommerce merchants say the pandemic put pressure on their supply chains and forced them to **rethink their sourcing and supply chains.**

European ecommerce in strong economic health*

■ Very positive ■ Rather positive ■ Unsure ■ Rather negative □ Very negative

	Total	France[1]	Poland	Germany	United Kingdom
Very positive	15%	22%	23%	11%	22%
Rather positive	43%	44%	40%	46%	32%
Unsure	32%	30%	31%	32%	35%
Rather negative	8%	4%	6%	10%	8%
Very negative	2%			1%	3%

Total 58% · France 67% · Poland 63% · Germany 57% · United Kingdom 54%

Poland Very negative: 6%

1: base smaller than n=30. *Source: Statista 2021

Europe: retail ecommerce revenue forecast from 2017 to 2025 (in billion U.S. dollars)

2017	2018	2019	2020	2021	2022	2023	2024	2025
295.9	320.6	354.1	425.2	465.4	500.8	529.2	550.8	569.2

*Source: Statista 2021

22%
Central and Eastern Europe

17%
Western Europe
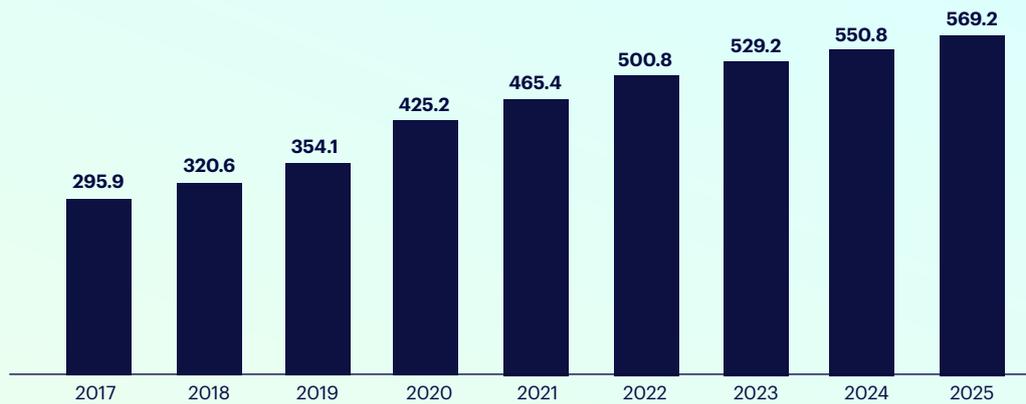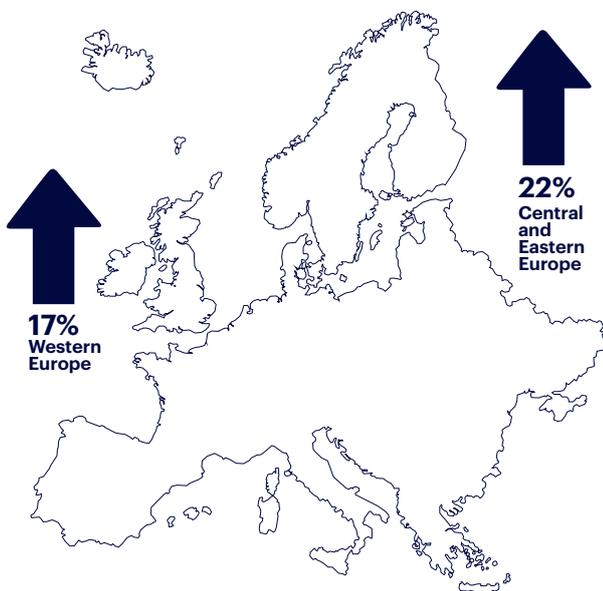
In 2020, Western Europe saw **17% growth in ecommerce** and Central and Eastern Europe saw **22% growth,** making it the highest growth region in the world for ecommerce*.

*Source: eMarketer

European ecommerce boom is set to stick… and grow

Ecommerce now ubiquitous across European households

As economies rebound faster than expected, and positive digital shopping experiences drive consumers, there is more consumer money to be spent in the coming year.

Cross-border sales data indicates that a surge in online shopping encouraged consumers to shop with foreign brands. This gateway into products, not available on the local main street, is a powerful indicator that consumers will find themselves desiring the world of choice that exists in ecommerce retail. But ecommerce businesses are aware of the fierce competition that exists between them, so those who have adapted their offering to reach a wider European market across multiple markets will be on the front foot for the year ahead.

↗ **96%**

of consumers in the UK and Europe **shopped online during the pandemic** lock-downs of 2020. That's up from 60% in 2019*

*Source: Statista 2020

↗ **74%**

of consumers have **no intention to significantly reduce** their online shopping now that they can access the main street shops again

↗ **12%**

of consumers used a new digital payment method **for the first time**

↗ **30%**

of consumers now actively want to **try new payment methods** based on their digital payment experiences in 2020

↗ **15%**

of consumers say 2020 was the year they learned that **online shopping was easy and convenient**, challenging their negative preconceptions

↗ **37%**

of consumers say that increased online shopping has made their lives **easier and more secure**

↗ **18%**

of consumers say that increased online shopping **gave them more time** to do other things

↗ **47%**

of consumers plan to spend **more money on retail** in the next 12 months than they did in the past 12 months

↗ **8%**

of consumers plan **never to return** to any brick-and-mortar shopping if possible

## Digital citizens: Markets least likely to return to bricks and mortar

"I will never return to bricks and mortar shopping if I can avoid it"

Poland	Denmark	Sweden	Switzerland
12% agree	**10%** agree	**10%** agree	**10%** agree

Total UK and Europe average: **8% agree**

New converts

"2020 was the year I became an ecommerce convert"*

Greece	**20%**
Ireland	**19%**
Poland	**20%**
Portugal	**18%**
Total UK and Europe average	**15%**
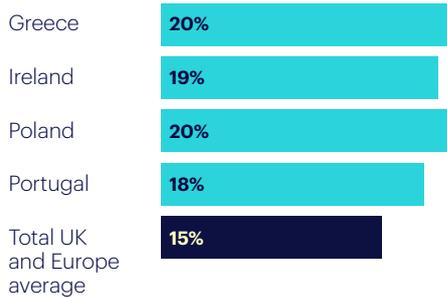
*We explored with consumers how many felt that in the past 12 months their negative preconceptions about online shopping were challenged and we asked how many consumers felt that 2020 was the year they learned that ecommerce was safe, easy, and convenient.

Hey big spender

"I will spend more money on retail in the next 12 months than I did last year"

Germany	**57%**
Ireland	**56%**
Spain	**54%**
Switzerland	**54%**
Total UK and Europe average	**47%**
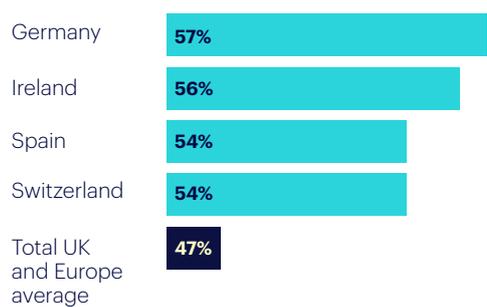
Rapid growth

UK and European consumers who shopped online

2019*	**60%**
2020**	**96%**

Global consumers who shopped online

2020	**84%**

*Statista 2020
**Checkout.com survey of 10,000 consumers,
5% shopped online with the help of friends and family.

New online markets flourish in Europe

According to McKinsey's 2020 Global Payments report, Europe may be poised for a swifter rebound following the pandemic. The report cites "volume growth in payments and ecommerce fueled by the acceleration of digital migration in Southern and Eastern Europe" as a key driver of this quicker rebound.

Checkout.com research also shows that the 'digital migration' in Southern and Eastern Europe translated into conversion to ecommerce and digital payments. It also showed an increase in consumer appetite for more new and exciting digital shopping models and payment methods.

The consumer mindset shift has been a powerful one. Countries most likely to say a cashless society would be a good thing include Italy, Portugal, Spain, Greece, and Poland. The same countries that saw the biggest positive mindset shift about the benefits of online shopping in 2020. The key will be to tap into this positive sentiment around digital versus cash to prove to these consumers that the alternative is indeed safer, easier and more inclusive.

The stakes are rising for ecommerce retail*

Going up:

Ecommerce sales increased by an average of **33.84%** in April 2021 compared to April 2020

Average order values in ecommerce increased by **19.96%** in April 2021 compared to April 2020

Average sale price of item sales in all segments of all ecommerce markets increased by an average of **20.85%** in April 2021 compared to April 2020

Site visitors for ecommerce increased by an average of **19.82%** in April 2021 compared to April 2020

The average cost per acquisition for ecommerce increased by **18.75%** in April 2021 compared to April 2020

Going down

The **average conversion rate (clicks to carts)** in all segments of all ecommerce markets decreased by **8.17%** in April 2021 compared to April 2020

*Source: IRPIntelligent Commerce 2021

The big opportunity: laser-localized payments for optimized revenue

While all this growth is excellent news for the ecommerce retail sector, many are still underprepared to actually reap the financial benefits. Without the right support, opportunity can turn to cost, resulting from poor localization and lack of local acquiring or increased interchange fees and FX volatility.

Localization performance pain points*:

⚠ **74%**

of ecommerce merchants **do not offer all payment pages in the local language**

⚠ **68%**

of ecommerce merchants **do not offer local payment methods** in every country they serve

⚠ **40%**

of ecommerce merchants say they have been significantly hurt by an **increase in interchange fees** in the past 12 months

⚠ **83%**

of ecommerce merchants are without direct access to a local acquirer in every key market that they operate within, which can **negatively impact approval rates**

⚠ **52%**

of ecommerce merchants say they have been adversely affected by **FX volatility** in the last 12 months

⚠ **74%**

of ecommerce merchants do not consistently receive their **preferred frequency of settlement**

⚠ **77%**

of ecommerce merchants say they currently receive **no real-time visibility on FX rates**

⚠ **75%**

of ecommerce merchants do not consistently receive their preferred settlement currency all leading to **higher FX costs**

A localized checkout is the gateway to growth

Localizing payments is key to business success when entering new markets. Many European ecommerce merchants missed out on initial gains because they were not prepared at checkout. Beyond payment methods, merchants need to ensure the correct currencies are offered, and that all payment experiences are in the local language. Yet the vast majority of retail merchants cannot offer that.

As one online athleisure retailer told Checkout.com: "When we expanded we learned the hard way, but now it seems so obvious: You are crazy if you don't ensure your checkout is in the local language. It's not uncommon to see websites that are localized but then they just don't put in the extra effort to localize the checkout, they assume English is fine. More often than not English is not fine. And all that money spent on acquisition is lost."

" It's like saying: 'I want to invest in 95% of the customer journey, but I don't care about the last 5%!'

Win more customers in Europe with Local Payment Methods

Local Payment Methods	Target Customer Country	Type	checkout.com
Paypal	Global	Digital Wallet	✓
Apple Pay	Global	Digital Wallet	✓
Google Pay	Global	Digital Wallet	✓
Giro Pay	Germany	Bank Transfer	✓
EPS	Austria	Bank Transfer	✓
iDEAL	Netherlands	Bank Transfer	✓
Przelewy24	Poland	Bank Transfer	✓
Multibanco	Portugal	Cash/Voucher	✓
Sofort	Germany, Austria, Netherlands, Spain Italy	Bank Transfer	✓
Klarna	Denmark, Sweden, Norway, Finland, Germany, Austria, Netherlands	Invoice/BNPL	✓
SEPA	Europe	Direct Debit	✓
Mastercard	Global	Card Scheme	✓
Visa	Global	Card Scheme	✓
American Express	Global	Card Scheme	✓

Defending against the costs of interchange

With cross-border sales comes an array of costs. Where card payment is involved, a key cost is interchange fees. But many merchants don't have a clear view of what it is or how much it costs them, making it harder for them to manage the costs effectively, which in turn hurts their profit margins.

For those that are aware of the costs, many report being hit hard in the last 12 months. Most of these merchants were located in, or selling to, the UK. They've been hard hit because while the EU has capped the fee, many retailers fell out of the cap when Brexit happened.

Switching to a provider that offers Interchange++ pricing can help merchants by giving them more transparency into the fees they pay.

The enhanced transparency and insights from interchange++ are also an opportunity to make wider and smarter data-driven decisions.

Localized acquiring cuts costs and drives revenues...but most merchants still don't leverage it

Of equal importance to front-end localization is routing payments locally on the back end. Local card acquiring — where merchants process their payments with acquiring banks in the same market as the cardholder — can provide merchants with a competitive advantage in their key global markets. Local acquiring can boost payment acceptance rates — and therefore revenue. It can also help combat the cost of interchange fees.

According to Moshe Winegarten, Senior Vice President at Checkout.com:

"I could cite many merchants whose acceptance rates have jumped by double-digits by leveraging our local acquiring footprint, unlocking a significant amount of additional revenue for their business."

That's because, by instantly lifting approval rates, it also instantly lifts revenue and limits cart abandonment.

Additionally, in key European markets, and especially in France, issuers are hyper-vigilant to the risk of cross-border payment fraud. They will automatically decline card authorizations from countries they consider high-risk, potentially leaving a merchant unable to service customers in that country.

How ecommerce merchants benefit from local acquiring

Avoid cross-border charges
Interchange, scheme, and processing fees are often all higher when a card transaction is cross-border. These fees can often see merchants charged 1% — and sometimes more — for a cross-border payment, compared to one processed domestically.

Reduce foreign exchange costs
It's important to allow customers to pay in their local currencies when selling overseas. But when the transaction is cross-border, there are foreign exchange fees that merchants must either pay or pass on to customers. Settlement will also happen in local currency. That provides merchants with much greater control over how they manage FX, allowing them to deploy strategies that are cost-effective and to minimize risk.

Take control of cash flow
Due to the complexity of cross-border payments, settlement often takes up to five working days. Whereas with domestic payments, settlement can happen on the same day. This gives ecommerce merchants predictability and control of their cash flow and can be of great benefit when cash flow is tight, as it may remove the need to turn to expensive short-term funding solutions to plug any gaps.

Improve the customer experience
Some issuers charge their customers whenever they use their card abroad or have their payments routed through acquirers based overseas. This is known as a foreign transaction fee (FTF), and it usually costs consumers between 1% to 3% of the transaction value. For unsavvy shoppers, this charge can come as a surprise, possibly leading them to initiate a chargeback or perhaps avoid using your online store in the future. But merchants can remove that risk by using local acquiring and ensuring they pay and experience the same as they would shopping with a domestic merchant.

Despite these benefits, and the surge in European cross-border shopping, most merchants still aren't leveraging local acquiring as part of their global payment strategy. Checkout.com research shows that only 20% of online businesses have local acquiring for all the markets they serve, but retail ecommerce falls below the total average with only 17% of merchants leveraging this benefit. This is serious because, while businesses are now investing in front-end localization, the ROI will not manifest if the back end is still a blocker.

For ecommerce merchants to ensure they are working with a local acquiring bank in every country they sell to, is easier said than done. The biggest obstacle is the need to set up a legal entity in each country to access its banking services.

This leads to the challenge of replication and scale across each country. The key is to get a global payment partner with local acquiring licenses — or the capability to get them — in all the markets you sell into and want to expand into.

This combines the upside of local acquiring wherever the business grows (which means improved authorization rates, lower transaction costs and faster settlement) with the simplicity of working with one partner. Merchants can then also gather insights in one place, allowing them to easily compare all payment KPIs, spot risks and opportunities, and take immediate actions.

The bottom line:

Cut costs

- Avoid cross-border charges and interchange fees with interchange++ pricing and local acquiring.

- Reduce FX costs and hedge against volatility.

- Use data to better understand your target market and drive down the cost of acquisition.

Power revenue

- Capture revenue in all Europe's growth markets with the right payment methods and localized checkouts.

- Drive-up authorization rates and boost profit with local acquiring.

- Use data to tailor payments at a granular level to consumers who want to spend.

What you need

- To maximize the growth potential in Europe today you should seek a PSP who can deliver a dedicated team of experts, including direct point of contact in each region with deep knowledge of the local payment ecosystem.

- Ensure your PSP has all the necessary local acquiring licenses needed in order for you to process your payments locally thereby boosting acceptance and lowering cost of payments.

- A PSP who offers smart FX will allow you to manage pricing risk across borders.

- Optimize and localize your checkout with a single unified API allowing for easy integration to an all-in-one platform which allows you to offer your customer local currencies and local APMs without fuss or friction.

SECTION 2

Transactional transformation:

How consumers and merchants are embracing new payment methods, fast

Klarna.

支付宝 ALIPAY

 Pay

P PayPal

G Pay
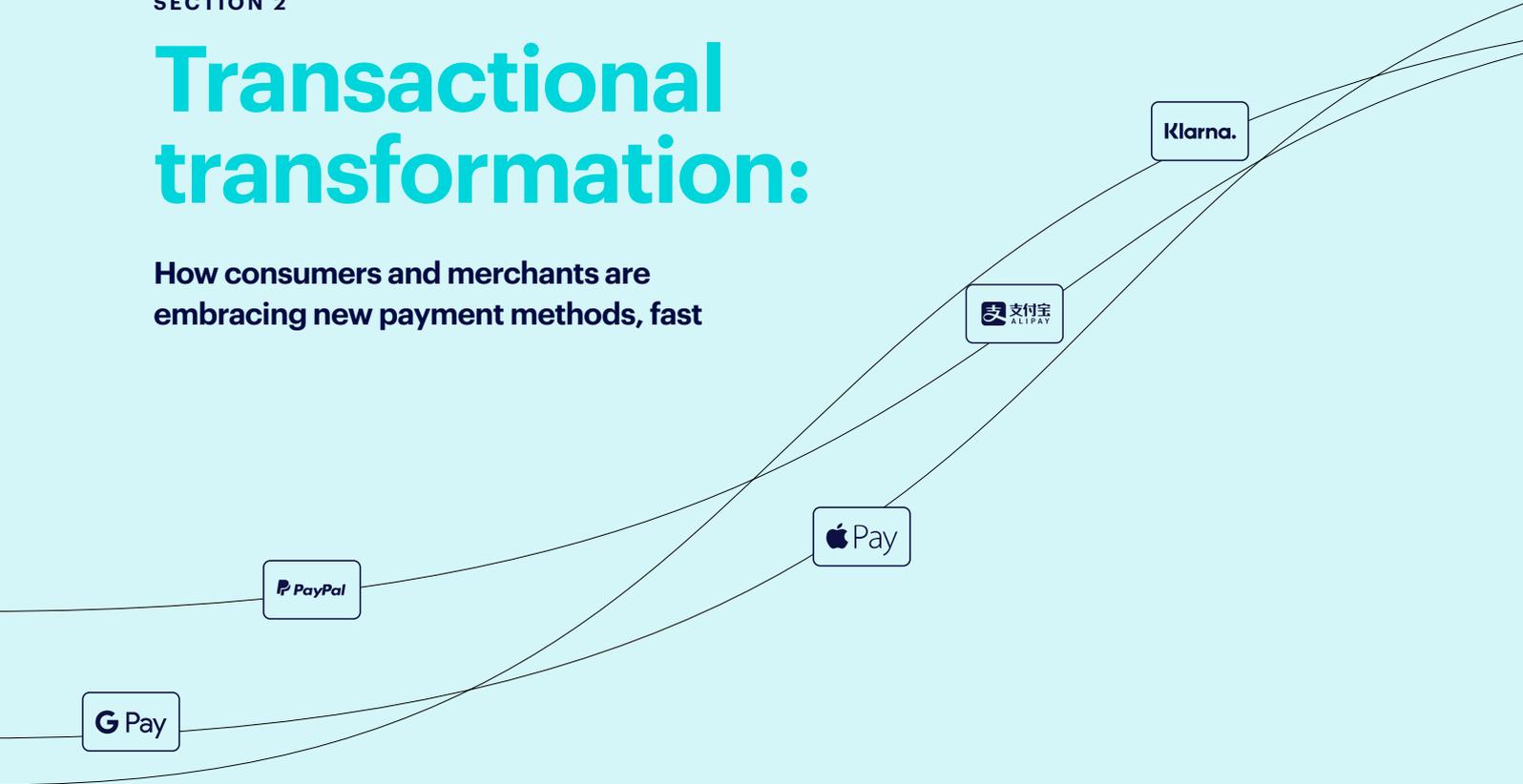
What you need to know

Consumers have tasted new and varied digital payment methods in the past year and have an appetite for more, turning good payment experiences into a competitive advantage like never before.

Loyal customers are harder to find, and rarely offer growth, so merchant success is being won at the margin. Personalization is what consumers demand and it's the hook retailers need in a competitive field. Yet, data suggests European retailers may be on the back foot with this trend.

Ecommerce merchants are planning to expand their offerings to meet the rising demand for options such as buy now, pay later, biometric payments and cryptocurrencies. Merchants view payments as having significance as a differentiator for creating a trendy and exciting brand, a way to capture and expand their desired demographic.

Digital payments surge across Europe

2020: A digital payments revolution was triggered in retail ecommerce

↗**50%**

of consumers **used a digital wallet** such as Apple Pay, Google Pay or PayPal at least once in 2020

↗**11%**

of consumers **used biometrics** to make a payment at least once

↗**5%**

of consumers used a **form of cryptocurrency** to pay for retail products at least once

↗**13%**

of consumers **paid with QR codes** at least once

↗**23%**

of consumers used a **buy now, pay later (BNPL) option** at least once

Merchants expanding their payments to match demand

▪ **Currently offer**

▪ **Don't currently offer** but plan to within 18 months

Apple Pay	73% / 20%
Google Pay	78% / 20%
PayPal	82% / 10%
Credit card	85% / 12%
Cryptocurrencies	25% / 49%
Bank transfer	56% / 25%
Debit card	79% / 14%
Buy now, pay later	31% / 38%
QR code	41% / 37%
Biometric recognition code	20% / 40%
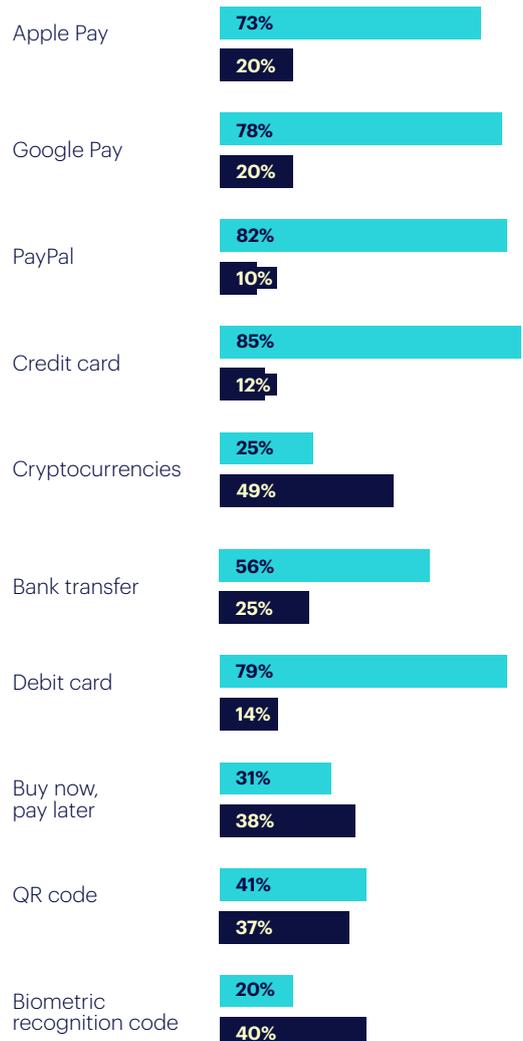
A bigger appetite for digital payments*

When consumers were asked specifically how they intend to pay for their ecommerce retail goods, survey results showed progress in how much consumers think about payments as an experience, how much they want to choose and expand their options and how retailers should invest in ensuring they are meeting consumer demands.

*Consumers were asked specifically how they intend to pay for their ecommerce retail goods

↗ **60%**

of ecommerce consumers will **abandon their cart** if they cannot pay with their preferred payment method

↗ **91%**

of consumers **intend to use debit or credit cards**, and 68% plan to do so regularly

↗ **80%**

of consumers **intend to use a digital wallet** such as Apple Pay, Google Pay or PayPal in the next 12 months and 40% plan to do so regularly

↗ **73%**

of consumers **intend to pay using bank transfer** and 23% plan to do so regularly

↗ **53%**

of consumers **intend to use BNPL** in the next 12 months and 20% plan to do so regularly

↗ **30%**

of consumers **plan to use biometric payments** and 9% plan to do so regularly

↗ **43%**

of consumers **plan to pay using QR codes** and 11% plan to do so regularly

↗ **29%**

of consumers **plan to pay using cryptocurrencies** and 9% plan to do so regularly

How buy now, pay later will draw new consumers and boost basket sizes

The buy now, pay later phenomenon has received plenty of global attention in the past 12 months. Providers, and their merchants, have seen rapid growth as a consequence of the popularity of the offering. While the economic pressures of the past 12 months were an obvious catalyst for consumers to try this kind of payment approach, the data suggests that the popularity is only set to stick and grow, across all of Europe.

While some have questioned the safety of these forms of credit, many consumers are drawn to the offering as a better alternative to traditional credit. This is particularly the case for younger consumers who are typically credit averse but who are the biggest users of BNPL. A recent report published by Capital Economics highlights the significant cost-savings potential for consumers. They calculate that in the UK alone "consumers saved £76 million in interest or fees in 2020 by using BNPL instead of the equivalent spend on credit cards".

European buy now, pay later giant, Klarna, has reported a 30% increase in checkout conversion rates for its merchants. Australian BNPL provider, Afterpay, reports an 8 to 18% decrease in product returns and refunds . But buy now, pay later is not only converting the shopping cart, it's also driving up basket size. Afterpay found that retailers using the service had a 50 to 200% increase in units per transaction. Klarna reports a 58% increase in average order, while US-based provider Affirm reports an 87% increase. Afterpay also reported a 30% increase in average basket size, and the products that drove this growth are everyday purchases including thermal knits, socks and pajamas.

Countries with the highest current penetration of buy now, pay later (BNPL) usage.

Percentage of population who used a BNPL option in the past 12 months

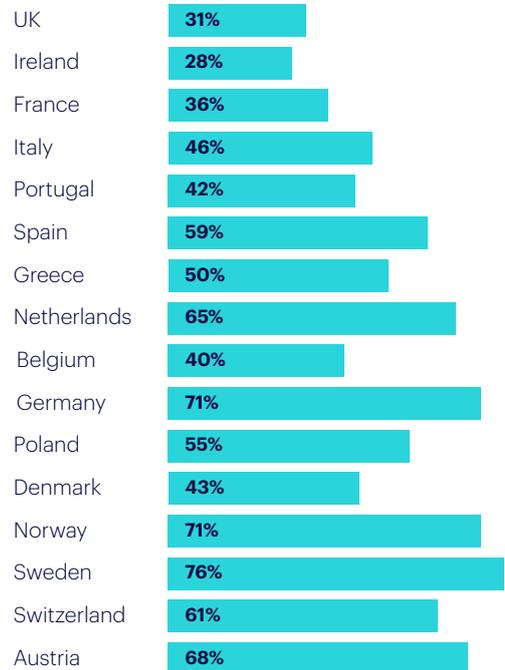|	
Germany	**40%**
Sweden	**38%**
Austria	**34%**
Norway	**33%**
Total average	**23%**

Percentage of each age group who plan to use a BNPL option in the next 12 months

18-24	**59%**
25-34	**57%**
35-44	**52%**
45-54	**48%**
65-74	**23%**
75+	**21%**
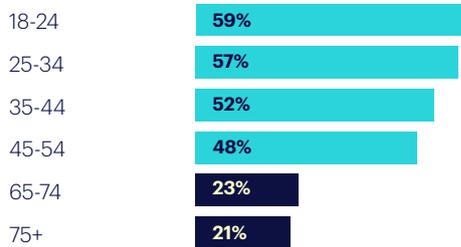
Percentage of population intending to use a BNPL option in the next 12 months, by country

UK	**31%**
Ireland	**28%**
France	**36%**
Italy	**46%**
Portugal	**42%**
Spain	**59%**
Greece	**50%**
Netherlands	**65%**
Belgium	**40%**
Germany	**71%**
Poland	**55%**
Denmark	**43%**
Norway	**71%**
Sweden	**76%**
Switzerland	**61%**
Austria	**68%**

Crypto...as currency?

Cryptocurrencies have been hot in the headlines in 2021, but are often still referred to as a store of value, not a means of value exchange - as currency. Although the value stored is largely based upon its potential to become currency. In a recent discussion on the topic, hosted by Checkout.com and featuring CZ (Changpeng Zhao), CEO of Binance, alongside Sam Bankman-Fried of FTX, Bankman-Fried suggested that both merchants and consumers need to be clear and confident in each other's appetite and intention to use crypto as a means of payment.

"In order for crypto-based payments to work, it takes both sides.

**Sam Bankman-Fried, CEO, FTX**

Checkout.com data suggests that there is indeed a growing intention on both sides. Nearly a quarter of top ecommerce platforms do accept payment by crypto and, while only 5% of the population in Europe paid in digital currency in the past 12 months, 29% intend to do so in the next 12 months. When broken down by gender, that statistic rises to nearly 40% of all men surveyed.

Crypto trends by gender and age

■ **Have paid for items with crypto** in the past 12 months

■ **Plan to pay for items with crypto** in the next 12 months

Men	7% / 39%
Women	2% / 20%
18-24 year olds	6% / 23%
25-34 year olds	7% / 33%
35-44 year olds	6% / 30%
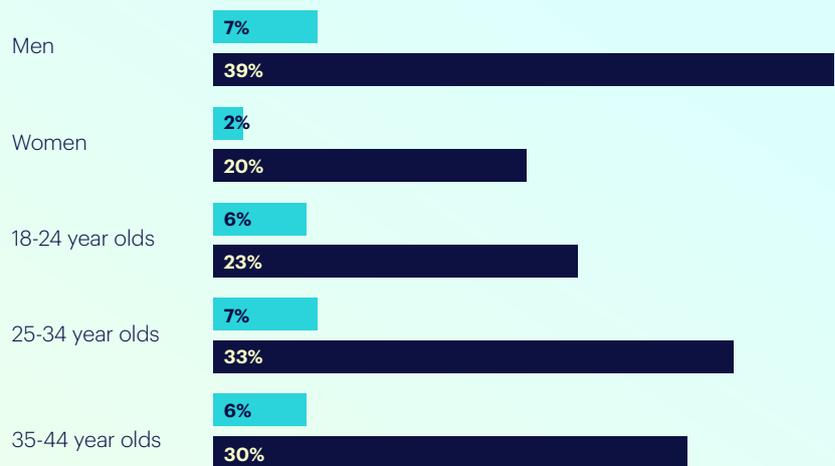
How ecommerce executives view crypto

46%

say "Accepting payment in cryptocurrencies is going to be an important marketing tool which will make us **more relevant, exciting and competitive ecommerce players"**

26%

say "Cryptocurrencies pose a **systemic threat to the global economy, if not regulated"**

36%

say "Cryptocurrencies will soon be regulated, at which point they **will become mainstream"**

42%

say "Cryptocurrencies are a smart way to **improve the speed and security of payments"**

26%

say "Offering cryptocurrencies would pose a **reputational risk to our business"**

19%

say "Cryptocurrencies will **democratize finance and access to commerce"**

36%

say "Consumers increasingly **want the option to pay** using cryptocurrencies"

24%

say "Cryptocurrencies are **little more than a passing fad"**

24%

say "**Digital currency is the future** of our global monetary system"

Winning the margin: target new customers with personalized payments

As competition in ecommerce continues to heat up, merchants know their success depends on 'the margin' – not just the loyal base. Loyal customers are key, but they are increasingly hard to come by, especially online - and they rarely offer growth. Businesses are therefore critically aware that their success hinges on capturing the 'floating shopper'. This is the true battlefield for economic victory in ecommerce.

Research by Accenture estimates that digital personalization in ecommerce could unlock $2.9 trillion for retailers within 10 years. In the last 12 months ecommerce merchants have replaced a focus on loyalty schemes with an even bigger focus on personalization and data analytics. There is a clear logic

here. Seizing the margin today demands personalization. A personalized end-to-end experience is table stakes for customers. And personalization simply cannot be achieved without the necessary data.

Many merchants also believe that in the long run, personalization may do more to cultivate loyalty than traditional loyalty schemes. So there is a virtuous cycle here for consumers and merchants alike. According to analysts, there are indications that US merchants are doing more to action this priority, putting personalization and analytics at the top of their investment plans, while Checkout.com data shows only 22% of European merchants are doing so.

Human connection is more relevant than ever in the purchase process

% of global internet users who would be more likely to advocate for their favourite brands for the following reasons

High quality products: 48% (2015), 49% (2016), 49% (2017), 49% (2018), 49% (2019), 48% (2020)

Rewards (e.g. discounts, free gifts): 42% (2015), 44% (2016), 44% (2017), 43% (2018), 41% (2019), 40% (2020)

When I've received great customer service: 30% (2015), 33% (2016), 33% (2017), 33% (2018), 34% (2019), 34% (2020)

The feeling of taking part or being involved: 17% (2015), 20% (2016), 21% (2017), 21% (2018), 23% (2019), 23% (2020)

When I have a personal or one-on-one relationship with a brand: 16% (2015), 16% (2016), 17% (2017), 18% (2018), 21% (2019), 21% (2020)

*Source: Global Web Index

McKinsey's Global Payments Report 2020, asserts that the pandemic smoothed out traditional demographic differences in consumer behavior. They argue that geographical, as well as generational, divides have been somewhat homogenized by the shift to digital. This means merchants may have an easier time when they need to appeal to, capture and retain even bigger consumer bases.

But merchants really can't afford to ignore the nuances of personal preferences. As the consumer becomes more and more digitally savvy, this will need to translate into a more discerning and personalized approach to online shopping. Based on Checkout.com's research in APAC, digital-first communities become highly heterogeneous and merchants in the region rely heavily upon granular data to help ensure that all aspects of the online shopping and paying experience are tightly tailored to the target market.

How payment data drives personalization

"To succeed, you have to tailor your payment offering to your market. To do that you have to know your market and to do that, ultimately you need great data. You've got to go granular because shopping and buying behavior varies depending on the age of your demographic, but can also depend on the product or services you're offering them. This means: get your data in order, and then do a really deep dive into customer segments!

Fiona Lau, COO, Shopline

It's time for ecommerce to get personal

74%
of consumers hope to receive **more personalized and customized content,** suggestions and support when shopping online or in-app

71%
of consumers hope to have access to more **customized and personalized products** which they can help to design themselves

5%
of consumers shopped online **with the help of friends or family** during 2020

18%
of ecommerce merchants will provide **personalized digital payment assistance** to elderly customers or those new to online shopping in the next 12 months

22%
of ecommerce merchants plan to invest in **personalized shopping experiences** in the next 12 months

Find the spenders, give them what they want

The survey data shows that the digitally native demographic – aged between 18 and 24 years – are the age group with the highest intention to spend more. 55% of this population plans to spend more on retail this year and therefore ecommerce has a captive, digital-first audience amongst the largest spenders.

In search of the demographic with the most disposable income, however, merchants ought also to consider the over-65 population. The over-65 population are savvy and unusually brand-loyal digital consumers. A recent study by renowned economists David Nguyen and Professor Diane Coyle explores how the way people value online goods and services has changed during the pandemic.

55% of 18 - 24 year olds plan to spend more on retail in the next 12 months

The over-65s value online food shopping **137%** more than pre-pandemic

They found that over-65s now value online services 35% higher than before — online grocery shopping shot up by a massive 137%. This isn't a fleeting surge in activity borne out of necessity. It's a long-term change in how a whole demographic behaves that unlocks tremendous new opportunities for merchants. Yet this demographic still tends to be all but ignored by ecommerce brands. That is a remarkable oversight, especially in this era of hyper-personalization, where so much potential exists to capture the hearts, minds, and massive spending power of the over-65s.

The bottom line:

Power revenue

- As consumer tastes and norms change fast make sure you differentiate and convert carts with preferred payment methods.

- Employ payment methods such as BNPL which will increase conversion and acceptance rates while boosting cart size and value.

- Boost your revenues, in an unloyal markert, by reaching brand agnostic shoppers through data insights and personalized shopping and paying experiences.

What you need

- To keep on top of digital payments trends, you will need a PSP who empowers you to give your consumer exactly what they want – whether that is digital wallets, BNPL options or even cryptocurrency payment options. You need a provider who can flex to the consumer just as fast as you and who can help you tailor the offering over time.

- You will need a PSP who can streamline the checkout, whatever the payment method, to drive up conversion, reduce payment failures and secure higher customer retention.

- You'll need a PSP who's delivering you powerful data and actionable insights so that you can reap the full benefits of each transaction and build a personalized approach. Data that is disconnected from your internal platforms is little help to you, so you will also need to ensure your PSP offers a platform which integrates seamlessly with yours.

SECTION 3

Unlock end-to-end financial performance:

How transparent data and modern technology will take ecommerce profits to the next level

What you need to know

Despite the sector having a progressive and agile approach to digital payments, retailers still lack the payment performance, the data and the support to truly optimize their revenues.

Payouts can help drive loyalty and revenue because consumers spend more when a fast refund is guaranteed. Moreover, improved payouts will help businesses to manage cash flow and FX vulnerabilities while driving down costs.

Security in ecommerce payments is critical. Merchants can now ensure they turn security into their financial advantage as they employ the right tools to minimize false declines, while also protecting against fraud, fines and chargebacks.

60% of ecommerce merchants are losing upwards of 11% of their annual revenues to the cost of payments in and out of their business. Most lack the granular cost transparency to do anything about this. This means there are billions in lost revenue to be regained if they can get the visibility and control they need.

Retail ecommerce remains poorly equipped to optimize

⚠ **70%**

of ecommerce merchants do not receive **raw response codes** on failed payments

⚠ **62%**

of ecommerce merchants are losing upwards of 11% of their annual revenue in the **cost of payments** in and out of the business

⚠ **59%**

of ecommerce merchants do not receive a **transparent breakdown** of the costs of payments

⚠ **71%**

of ecommerce merchants do not receive **consultative, advisory and strategic support** from their payment partners

⚠ **60%**

of ecommerce merchants do not feel they receive enough **payment insight** to allow them to innovate their models

⚠ **67%**

of ecommerce merchants do not receive **fraud or chargeback analysis**

⚠ **25%**

of ecommerce merchants say they have experienced a **significant spike in chargebacks** during the pandemic

Conversion is nothing without acceptance

Getting to the core of performance

As the cost per acquisition for ecommerce ticks upward, and conversion takes a dive, no business can afford the sloppiness that leads to cart abandonment at checkout. Acceptance rates are critical because retries are scarce. Checkout.com research with Oxford Economics shows that the majority of European consumers take their money to a competitor's website immediately following a declined payment. In the UK, France and Germany alone c.$4billion of hard-earned revenue are handed over to competitors when payments fail.

When it comes to authorization rates, percentage points can equate to millions in revenue for an enterprise level retail business.

Yet retailers are ill-equipped with the insights they need to unlock all the value in their payments, or to understand the causes of failed payments. Add to this the fact that 67% of retailers do not receive chargeback analysis - a particularly painful problem at the moment when a quarter of businesses are seeing a significant rise in fraud and chargebacks.

Average ecommerce acceptance rate*

31%

of ecommerce retail merchants have an **acceptance rate of 90%+**

56%

of ecommerce retail merchants have an **acceptance rate of 80%-89%**

12%

of ecommerce retail merchants have an **acceptance rate of 70%-79%**

Data from research conducted by Checkout.com and Oxford Economics in 2020

Cost per acquisition is rising

Site visitors for ecommerce increased by an average of **19.82%** in April 2021 compared to April 2020.

The average cost per acquisition for ecommerce increased by **18.75%** in April 2021 compared to April 2020

"Cheerz sees its authorization rates increase by 6% since moving its payment volume to Checkout.com from its legacy payment service providers, resulting in hundreds of thousands in additional revenue every month.

Aurélien de Meaux, CEO and Co-founder, Cheerz

Risk is a science, not an art

Every ecommerce business is different and the amount of risk they carry and are willing to take will vary. A 'good' authorization rate for one business or sub-sector of retail may be poor for another. Nevertheless, in most cases there are steps any ecommerce merchant can take to ensure their authorization rates are absolutely optimal thereby instantly powering up the bottom line.

Merchants want to be confident that any upside to the authorization rates does not come back to bite them in the form of costly fraud or chargebacks. Meticulous failed payments and chargeback data is needed to allow a business to take control of their risk tolerance.

"Our chargebacks have gone down substantially since switching to checkout.com. And the time spent dealing with these disputes is down by 50%. This gives me more time to focus on other revenue generating activities.

David McMillan, Owner, Select Specs

How ecommerce retail merchants say they have been impacted by SCA

41%
think SCA will have a positive impact on chargebacks and consumer trust

42%
say it is too soon to tell how SCA will impact the acceptance rate

12%
say their acceptance rates have been negatively impacted by SCA

3DS2 unlocks acceptance rates

Strong Customer Authentication (SCA) rules have been a central concern for UK and European Economic Area (EEA) merchants. Some reports suggested that SCA measures could block one-third of European transactions, with the cost to merchants in excess of $122 Billion.

"The rules, which change how customers confirm their identity when making purchases online, are designed to reduce fraud and enhance the integrity of the overall payments ecosystem," say's Milena Shishkova, Senior Product Lead and SCA expert at Checkout.com. "But for merchants — and the industry as a whole — there was a degree of trepidation about the impact SCA enforcement would have on their payment performance."

But, with the right 3-D secure technology, merchants can maintain and improve higher approvals and improved conversion.

Where SCA risks hurting acceptance rates with false fraud flags, some merchants may see an uptick in 'unverified customer' as a decline reason. Without enough data, false declines will increase, but this can be prevented with the use of 3D Secure 2.0.

3DS2 brings automation and accuracy to the authentication process. It allows for the exchange of over 100 data points between the merchant and the payer's card issuer to assess the probability that the payer is genuine.

One-time passwords (OTP), biometric authentication such as fingerprints or facial recognition, and QR codes for mobile applications bring a further level of relatively frictionless authentication.

Payouts: the new frontier in driving retention and revenue

Merchants are challenged with payouts optimization, resulting in sunk cost and lost revenue

86%
of ecommerce retailers believe **faster refund payouts** are a matter of significant competitive advantage

67%
of ecommerce retailers do not believe that **real-time refund payouts** are yet pervasive in the sector

76%
of ecommerce retailers say they currently receive **no data or insights** from their payouts

77%
of ecommerce retailers plan to **increase the number of currencies** in which they payout refunds in the next 18 months

Competitive returns

Today, consumers expect the return process to be easy and hassle-free, but they remain a source of expensive operational costs. It's often an area where the main street wins, but there are steps merchants can take to significantly offset the costs of returns and the secret resides in how they manage their payouts.
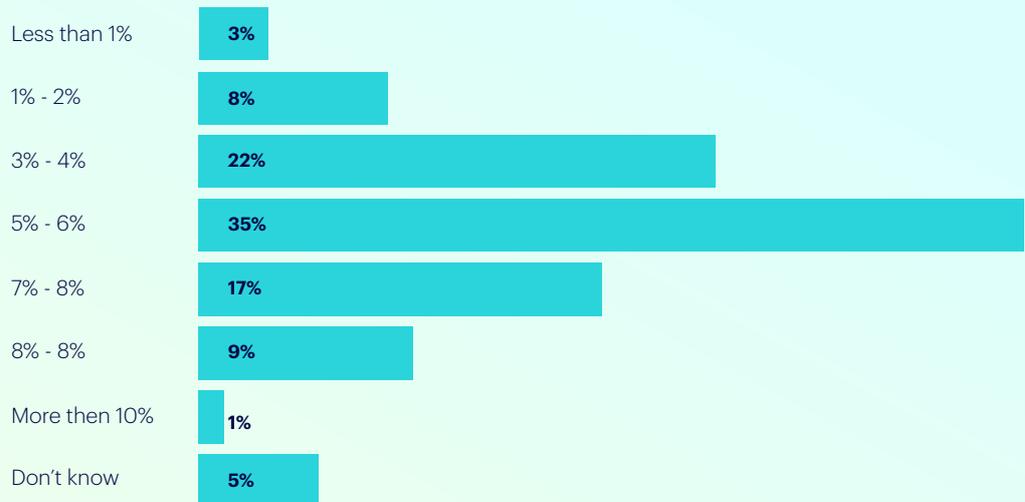
In the recent Raconteur "Future of ecommerce" report they found that 58% of UK consumers would spend more with an ecommerce merchant if they knew that they would receive refunds into their account quickly, and would spend 22% more if they knew a fast refund was available. This means that seamless payouts can be a driver of revenue. Checkout.com data shows that 86% of ecommerce retailers see fast or real-time payouts to consumers as a strong competitive advantage. However, 67% say that real-time payouts are not currently pervasive in the sector. And currently a payout to another country can cost up to 10% of the transfer value, with some banks charging fees over £30, about $36.50, per payment processed.

Consumers say that slow repayment or receiving less money than expected can negatively impact their willingness to shop with a merchant. Yet, without the right payout provider, things like bank charges, local taxes and currency conversion fees can result in precisely that.

Negative customer experiences can also result when merchants lack the appropriate local disbursement currency. A customer in Denmark doesn't want Euros, nor does she want Swedish Krona; you need to pay her back in Danish Krone. While merchants have worked hard to expand the currencies in which they can accept payments, there is a lag in the number of currencies offered for refund payouts. Now, 77% of ecommerce retailers intend to increase the number of payout currencies they offer in the next 18 months.

Merchants can provide better return experiences by clearly showing customers all costs, communicating real-time payout status updates, and ensuring the appropriate repayment currency.

Payout exception rates in ecommerce retail businesses*

Category	Value
Less than 1%	3%
1% - 2%	8%
3% - 4%	22%
5% - 6%	35%
7% - 8%	17%
8% - 8%	9%
More then 10%	1%
Don't know	5%

*Data from research conducted by Checkout.com and FT Longitude in April 2021

Payout metrics are critical to cost-cutting

Cross-border payouts can add complexity and introduce additional failure points. Banking systems and regulatory jurisdictions are fragmented and discordant, creating multiple hurdles for money on the move. Challenges like regional inconsistencies in data formatting and fraud prevention can slow or even halt a payment from merchant to customer or supplier.

Just as acceptance rates matter critically when money is paid into the business, exception rates are also a crucial performance metric for money paid out. Poor exception rates can cause customer satisfaction and customer service costs, but there are also tangible costs for the business everytime a payout fails.

Businesses need to investigate the cause of failed payouts and take remedial action to correct and reprocess the payout. In many organizations, these investigations and corrections are expensive as they are done by staff performing manual tasks.

A lack of data and insight into failure reasons slows the correction of failed payouts, further increasing the cost of operations.. Then there's also the cost of connecting and maintaining connections to the disparate systems required to make payouts at scale. It's not uncommon for businesses sending payments globally to have five or more direct integrations to domestic payment networks. Inefficient payouts are a hidden cost. Solving this inefficiency can go a long way towards reducing costs, maximizing profits, and, most of all, increasing customer satisfaction.

A bigger use case: consider the cash flow

The ecommerce use case for fast payouts is wide when considering that the same systems will be used to pay vendors and suppliers. Using faster payment rails, such as SEPA Instant, rather than cumbersome legacy systems, allows ecommerce merchants to maintain tight control over their cash flow and liquidity without impacting their vendors and suppliers. That's because they can hold on to their cash until the last minute and initiate the payment on the day the invoice is due.

A disconnect between money moving in and money moving out of the business hampers cash flow and FX management, and thus financial performance. As businesses expand their cross-border offerings, in a sector where margins are often tight, improvement in performance will prove critical.

75%
of ecommerce merchants say their **payments in and payments out** of the business are **disconnected**

52%
of ecommerce merchants were **financially hurt by FX volatility** in the past 12 months

69%
of ecommerce merchants say that they need to **streamline their 3rd-party providers** to better manage the flow of money through their business
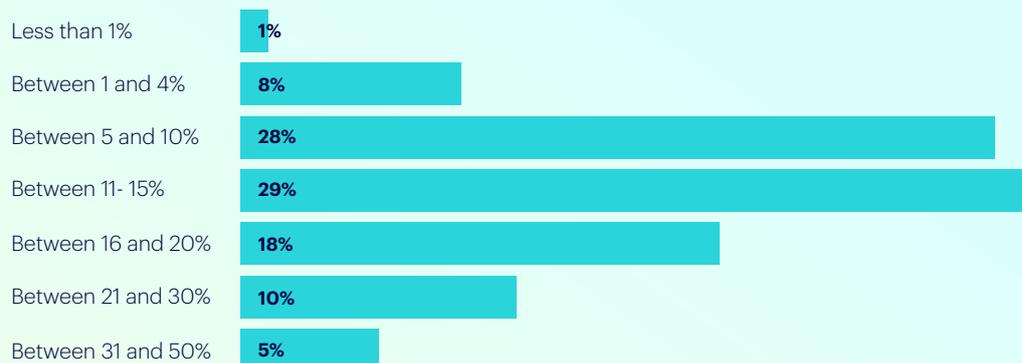
48%
of ecommerce merchants say that **lack of cash flow control** means that negative interest rates in the past 12 months have cost them significantly

31%
of ecommerce merchants say that **low end-to-end visibility of cash flow** is generally harming the financial health of their business

The combined annual cost of payments in and payments out for ecommerce merchants

As % of total revenue*:

Less than 1%	**1%**
Between 1 and 4%	**8%**
Between 5 and 10%	**28%**
Between 11- 15%	**29%**
Between 16 and 20%	**18%**
Between 21 and 30%	**10%**
Between 31 and 50%	**5%**

*Data from research conducted by Checkout.com and FT Longitude in April 2021

How data and tech let retailers do what they do best

By **Maxime Colas,** European Retail Business Development Manager, Checkout.com

According to research conducted by Checkout.com in partnership with the Financial Times' Longitude, only 30% of ecommerce retail merchants consider payment optimization to be a strategic priority for the business. Arguably, that's 70% of senior ecommerce executives who are still overlooking a major source of revenue. Payments matter to the consumer and offering the right payments is key, but that is really just the start. Performance metrics at the back end are vitally important to financial health.

We know that cost reduction is a core concern for ecommerce retail businesses, but our experience talking to ecommerce leaders, as well as our quantitative research, shows clearly that ecommerce executives are simply not receiving the data, nor the strategic support required to equip them to really cut costs and optimize their payments..

Ecommerce leaders want to focus on the core of their business which is retail. Payments may be crucial to unlocking monetary success but merchants deserve to have the support required to capture this value.

This is why every aspect of the payment technology Checkout.com builds is created to deliver retailers ease, simplicity and actionable insights into their payments and payouts. It's also why we believe so firmly in bringing white-glove consultative expertise to retailers. Plug and play - yes - but with nuanced, honest and expert advice which allows merchants to take the tech and the data and tailor it to their strategic objectives.

We work closely with retailers to unpack the cause of their payment pain points. One thing is always consistent: data is the key to progress.

First, data tells merchants how many payments are ending in failure. It allows them to segment this picture by geography, sales channel, product line and other filters, so they can pinpoint their efforts. It also tells the merchants the reason for a payment failure, and the appropriate remedy.

Moreover, we have great respect for the wish retailers have not to make their tech infrastructure any more layered or complex than it already is. This is why a single, straightforward integration to a Unified Payments API is so important. It unlocks faster, more reliable processing and is built for scale.

This combination of radical data transparency, easy-to-integrate technology and our consultative service is what can help retailers achieve optimal payment success, resulting in lower costs and more revenue. From integration through to scale, Checkout.com is always on standby to support and advise on every step of their journey.

"There is a tremendous amount of data that is captured when just one person makes a payment! We used to gloss over it but now we bring a lot of scrutiny to our checkout data. Checkout.com have helped us every step of the way to turn this data into actionable insights which have revolutionized how we do things. That means they integrated the tech which delivers the data, but they also taught us what to look for and helped us to iterate our approach based on the insights we were getting.

Director of international athleisure retailer

The bottom line

Lower costs

- Protect against the cost of negative interest rates and FX fees by gaining greater visibility and control of your cash flow, FX rates and settlement currencies and frequency.

- Costly chargebacks can be mitigated with clear analytics and by employing 3DS2 for SCA.

- 60% of retailers are losing more than 11% of their revenues to payment costs. This can be addressed by streamlining 3rd parties, ensuring PSPs give granular breakdowns of costs and by better integrating payments in and out of the business and driving down exception rates when paying customers or suppliers.

Power revenue

- Utilize decline data with your PSP to tailor an optimum acceptance rate for your business, leading to large additional gains.

- Optimize security and SCA to win and convert more customers while driving up your acceptance rate.

- Don't waste your expensive resources and brain power trying to fix complex payment problems. While your PSP takes care of that you can focus on growth, scale and innovation.
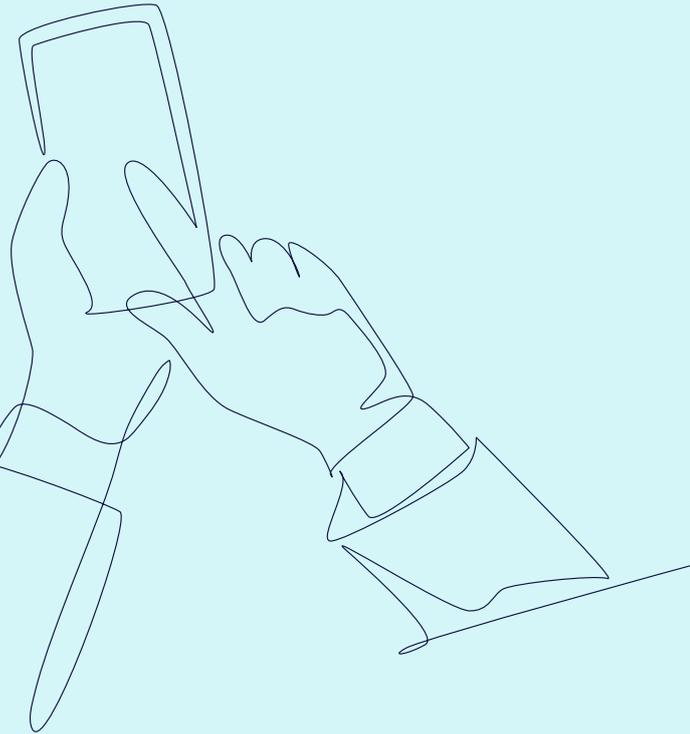
What you need

- You need experts to whom you can speak when you need it, and whose knowledge you can trust.

- A PSP with a robust 3DS2 solution. Your PSP should also have a dedicated fraud team.

- To manage payouts optimally, you will need a payment platform that can dynamically route your payouts at speed, using automated local channels, global compliance screening and data-enabled enhancements like real-time account validation for every payout.

- You should look for the option to reduce costs and drive up end-to-end payments and cash flow performance with a provider who can manage your payments in and out of the business while giving you data transparency and control throughout.

SECTION 4

The future of ecommerce:

How payments are driving business model innovation

What you need to know

Digital payments will underpin the shifts in ecommerce business models needed for the future.

European ecommerce will benefit from subscription models. To drive all of the upsides, while avoiding the pitfalls, there are easy steps retailers can take.

The massive revenue benefits of "Social" shopping – and paying – have been proved by Chinese models such as WeChat and US platforms likeVenmo. European consumers are ready to embrace their own form of social shopping and are hungry for merchants to offer more by way of clickable content, consumer communities and personalized payment support online.

Some ecommerce merchants are planning to go hybrid. This hybrid approach will be agile and digitally driven.

Merchants see payment at the heart of the ecommerce model

To serve customers wherever they are, merchants are looking to build out their apps and improve the UX in-app. Seamless, embedded payments are essential to the experience that consumers have come to expect. If the line between ecommerce and fintech is blurring for the consumer, then the pressure will be on for retailers to deliver slicker, smarter options at checkout.

↗ **97%**

of ecommerce CEOs are planning to **innovate their business models** in the next 18 months with the specific purpose of **remaining relevant and competitive** in the post-lockdown market

↗ **25%**

of ecommerce merchants will be adding an **embedded payment** within their app in the next 12 months

↗ **51%**

of ecommerce merchants believe **digital payments will be the number one enabler** of their business model innovation

↗ **32%**

of ecommerce merchants believe the **line between ecommerce and fintech is blurring**

↗ **43%**

of ecommerce merchants believe **digital payments and automation** will give them agile and **valuable access to physical channels**

Subscriptions set to soar

Are subscriptions Europe's next top model?

63%

of consumers plan to increase their use of **lucky dip style subscription services** for ecommerce retail products such as clothes, beauty, books and accessories

21%

of ecommerce retail merchants **currently offer monthly or weekly subscription** options

16%

of ecommerce retail merchants **currently offer product rental subscription options**

55%

of consumers plan to increase their use of **rental style subscription services** for ecommerce retail products such as clothes, hardware and furniture

41%

of ecommerce retail merchants **do not currently offer monthly or weekly subscription** options but plan to do so within the next 18 months
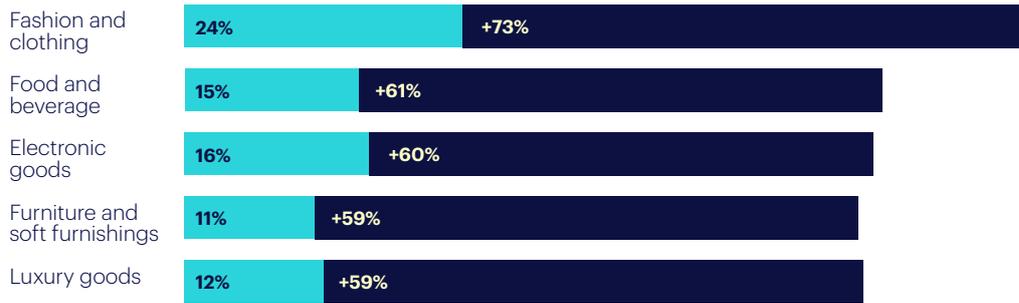
39%

of ecommerce retail merchants **do not currently offer product rental subscription options** but plan to do so within the next 18 months

"If your product is a repeat-purchase kind of product, you should definitely look at recurring payment models. Once this ease is locked into the consumer's life, you don't have to worry so much about potentially losing out, not only to other ecommerce competitors but also to main street retailers who might grab your wallet share now and then, as the mainstreet opens up.

Marek Skomorowski, Head of Growth, Allegro C2C segment

The appetite for subscription models is a good thing for merchants who can take advantage of the demand. It allows more retailers to lock in the monthly revenue from sticky subscription customers and gives more control over stock, supply, delivery and cash flow. But with the 'one and done' nature of setting up a recurring payment comes a number of risks to the acceptance rate for the business. Churn is a risk for subscription businesses. Merchants need to be well prepared in advance so as to capture all the benefits of this model by minimizing passive churn.

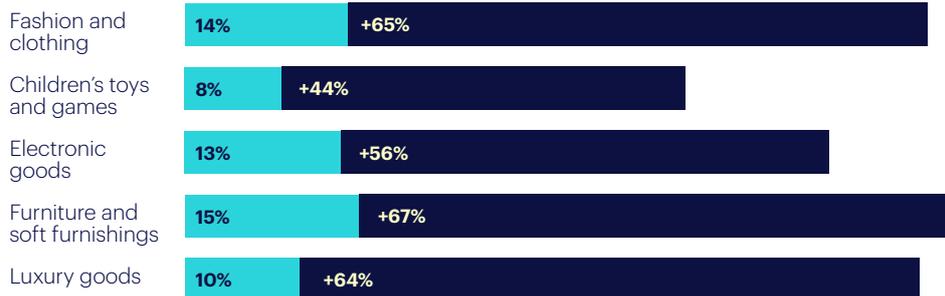## High growth sectors for weekly or monthly subscriptions

Sector	Currently offer	Plan to offer
Fashion and clothing	24%	+73%
Food and beverage	15%	+61%
Electronic goods	16%	+60%
Furniture and soft furnishings	11%	+59%
Luxury goods	12%	+59%

Currently offer

Plan to offer
within 18 months

High growth sectors for rental subscriptions

Sector	Currently offer	Plan to offer
Fashion and clothing	14%	+65%
Children's toys and games	8%	+44%
Electronic goods	13%	+56%
Furniture and soft furnishings	15%	+67%
Luxury goods	10%	+64%

Recurring payments: the two most common pitfalls and how to avoid them

Problem: Canceled or expired card
The problem of payments being declined because of 'old' cards is a particular issue for businesses with a recurring revenue model. Success relies on the customer's given card being in use; or the customer remembering to update their payment details with the merchant.

Problem: Lack of funds
If the customer doesn't have enough funds in their bank account, or has reached their credit limit, then there's no money available to transfer. Merchants can't be responsible for their customers' spending habits, but there are some solutions they can explore.

Solution: Tokenization
Not so long ago, prompting customers that their card was soon to expire, or had expired, was the only way for merchants to tackle the challenge of old cards. The arrival of 'tokenization' has changed that. In tokenization, the customer's card is replaced with a series of randomly-generated numbers — the "token" — supplied by the card issuer. Unlike cards, tokens have no expiration date, and therefore eradicate the risk of involuntary churn. The higher security level with tokens also serves to combat fraud and improves payment success rates.

Solution: Use data, hone dates
Triggering a message to your customer in real-time while they're still in purchasing mode makes them more likely to retry the transaction. But this is no help when a recurring payment has failed. More often than not the customer is not aware — though they have given permission — that a payment is even being attempted. The answer here is to use data to 'learn' the optimum time to schedule the payment for success. Patterns in income and spending can reveal this — for example, it may be wise to avoid the day before a salary lands or after a mortgage payment.

Billion-dollar opportunity: Europeans crave social shopping
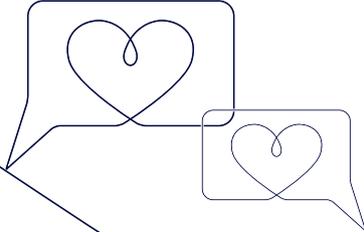
41%
of ecommerce merchants saw increased **use of social channels for shopping** by their customers during the pandemic

What consumers are hoping for:

63%
of consumers hope to shop more frequently directly within social media shopping to **enhance the feeling of choosing products within a community**

67%
hope to use more **live-streamed content which is informative and entertaining** and helps them to choose the product they want

What merchants are planning to deliver:

26%
of ecommerce merchants will **increase their use of social channels** for promoting and selling goods

21%
of ecommerce merchants are seeking to build more of an **online community** for their customers

20%
of ecommerce merchants will **increase their use of clickable advertisements** or content from which consumers can click directly from content to purchase

12%
of ecommerce merchants will use **live streaming** to sell products

Social Shopping is a phenomenon that has become massive in China. In 2020, WeChat alone drove $250 billion in ecommerce, so it is easy to see why the social-driven ecommerce model looks incredibly appealing. The question for many has been, culturally can this model catch on with consumers in Europe? While it cannot be lifted wholesale, a form of social shopping in Europe does look set to grow in popularity.

The benefits of social media commerce is that product discovery, product education and product purchase can all take place within one seamless channel, which is algorithmically designed to hold the consumer's attention.

"It's estimated that nearly four billion people use social media worldwide. That's roughly 58% of people on the planet. And since their conception, B2C brands have used social media to market their products with great success. For example, today, over 600 million people now seek out new products on Instagram alone," says Moshe Winegarten, Senior Vice President, Checkout.com.

"But as social networks evolve, more and more brands are starting to use them not just to advertise their products, but to sell their products directly to consumers. This is known as social commerce: a subset of ecommerce where the end-to-end consumer journey happens within a social networking platform. And it's a market set to be worth $604.5 billion by 2027 according to a recent Research and Markets Report."

In short, social commerce is an exciting way for merchants to tap into new pools and potential customers, and to increase revenues. But it's not without its challenges. And one big challenge is accepting payment when somebody isn't on your site.

That's where a solution like Payment Links (or Pay by Link) comes into play. It allows merchants to bring checkout experiences to customers wherever they are in the digital world. So when they're ready to make a purchase, they can, without ever leaving their social app, creating a completely frictionless end-to-end experience and avoiding lost revenue.

Payment Links set to unleash social shopping

Payment Links via **clickable advertisements or content**

20%
of retail merchants **currently offer**

42%
of retail merchants **plan to offer** within 18 months

Payment Links for use in **social, chat and messaging channels**

17%
of retail merchants **currently offer**

43%
of retail merchants **plan to offer** within 18 months

The power of communities and communication in ecommerce

37%
of merchants believe the ecommerce industry will be **significantly improving its sustainability and carbon neutrality credentials** in the next 5 years

54%
of consumers say that they will only buy from retail brands that can show that they are **working to achieve sustainable practices and carbon neutrality**

32%

of ecommerce merchants **offered payment holidays or special discounts to loyal customers** who had lost work or were on furlough during the pandemic.

16%

of ecommerce merchants plan to deploy **exclusive discounts to specific groups** such as key workers, the elderly, or isolated individuals in the next 12 months

10%

of consumers say that online shopping in 2020 became a **natural extension of their wider online community activities** such as gaming communities, social media networks, message boards, product-review communities, hobby and common interest communities - this number was 20% in Poland.

21%

of ecommerce retail merchants currently **offer monthly or weekly subscription** options

The social conscience in social shopping

"Social" may not necessarily, or singularly, mean "Facebook". The deeper point is that retail shopping has always taken place within a social context and consumers want it to continue to do so.

When it comes to 'non-essential' items, so much of what consumers buy is directly related to how they wish to appear socially. The popularity of Venmo (where emojis and payments are shared in a social feed with friends and family) in the US can be seen as a testament to the huge social appeal of visibility around shopping and, specifically, paying online.

Data shows that people are increasingly viewing online shopping as a natural extension of their digital communities, be that on social media, in gaming communities, or other special interest groups which moved online and grew across borders during the pandemic.

Moreover, access to online reviews is a top reason why consumers like to shop online. But data shows that what European shoppers missed most about main street shopping during the lockdown was the sense of social contact and community. This was significantly more important to them than the ability to touch and look at real items before purchase. Ecommerce

merchants need to do more to cultivate and nurture a sense of community, of 'human touch', of personalization and of social conscience in the experiences they offer to consumers.

From more personalized experiences and products to more human interaction and support, the number of merchants looking to cater to demand is relatively low in comparison to the extent of the demand.

Over half of the population say they will only spend their money with retail brands that can prove their positive social and environmental impact. Consumers under the age of 55 are particularly likely to demand a demonstrable social conscience and environmental credentials from retail brands.

Recent research also shows that Millenials, in particular, are willing to pay extra when brands are "doing the right thing". Deloitte research suggests this sentiment is driven through social media and the influence of peers, as well as 'professional' influencers. Analysts argue that as brand differentiation blurs online, partly as a consequence of marketplace culture, where people shop by product rather than by brand, building a powerful ethical reputation will be a stand-out differentiator. With 64% of senior ecommerce executives unconvinced that the sector is moving in that direction, there is ground to make up here for progressive players.

How to hack 'Hybrid': disrupt the market, not your operations

68%

of consumers hope to increase their visits to exciting experiential showrooms to meet brand representatives and trial products before buying online

73%

of consumers hope to see how goods will look, using Artificial Intelligence before purchasing

45%

of merchants say that main street shopping as we have known it will not die, but will be revolutionized by digital payments and in-store automation

39%

of consumers say that ecommerce needs to operate hybrid models offering physical experiences to help foster trust in the product and brand

26%

of merchants say that main street shopping as we have known it cannot survive the next 5 years

36%

say they will be offering curbside pick-up to their consumers

As main streets reopen , it is inevitable that some shoppers will want to get back to brick and mortar. While all the data points to the European ecommerce boom being sticky, some net losses will be felt by certain ecommerce merchants this year.

For some e commerce leaders, this means tapping into hybrid models in order to continue to win the margin.

The data also suggests that ecommerce merchants looking to have some form of physical presence will lean into digital payments to ensure 'hybridity' creates seamless, simple and agile solutions for these digital-first businesses.

According to McKinsey's 2020 Global Payments report, "Investments in instant payments have begun to reap greater benefits, both in physical and online retail usage of instant solutions. The trend comes in response to customer expectations for speed, price differences, and greater adoption of customer-facing applications, such as specialist wallets like Apple Pay or very local solutions like MobilePay in Denmark. In the United Kingdom, as payment speed becomes more important, consumers and businesses have increasingly opted to settle bills online; for example, the average daily value of transactions processed by the Faster Payments service rose by more than 10 percent from the fourth quarter of 2019 to the end of March 2020."

In a 2019 paper in Management Science, Serguei Netessine, Professor of Entrepreneurship and Innovation at the Wharton School of Business, and Tom Fangyun Tan of Southern Methodist University's Cox School of Business showed that when restaurants provided customers with digital ordering technology (iPads on the tables), customers spent more and vacated tables sooner. Overall, sales productivity increased by about 11%.

Professor Netessine suggests that companies could experiment with this approach with little cost or risk: a retail business could test this approach in a few locations without investing in any new payment infrastructure or traditional POS. "At a time when we are trying to make things as touch-free as possible, some restaurants have adopted QR code ordering. A restaurant displays the code and customers use their phones to scan it, browse the menu, order and pay," notes Netessine.

The proof of concept is being established and retail merchants looking to offer pop-up experiences or curbside pickups can follow suit. According to Netessine, this seamless and agile use of digital payments means that business model innovation doesn't need to be about reinventing the wheel. Rather, it's taking what you've got and the flexibility it affords you and being creative with that. And whether it's the use of iPads, mobiles, or texted Payment Links, a host of options and approaches are available to merchants and customers opting for this approach.

The bottom line

Power revenue

- Tap into the rising trend for subscriptions and lock out the competition. Drive up revenue by avoiding passive churn on payments.

- China's social commerce boom has made billions for retailers. Use Payment Links to tap the opportunity as it surges in Europe.

- Hybrid is key to holding onto the margin. Use digital payments to enable low cost, low risk, high excitement and high reward pop-up tactics while cultivating brand trust and consumer loyalty.

What you need

- As you prioritize embedding your payments, let your PSP do the heavy lifting. Choose a partner who can embed your checkout and who can deliver mobile SDKs for in-app journeys.

- For businesses looking to launch or scale a subscription model, make sure your PSP understands recurring payments deeply and can offer smart and efficient retry strategies to ensure revenue is kept high.

- To make the most out of the burgeoning social commerce opportunity you need a PSP who can let you receive in-channel payments frictionlessly by enabling you to offer payment links wherever you choose.

- Extend your consumer's seamless experience and extend your online and offline reach with an arsenal of digital payment options which can be deployed with agility in a wide range of physical and digital settings. QR codes, biometrics, Digital Wallet and Payment Links will all help you to seize commercial opportunities wherever they arise and to keep exploring new channels at low cost.

- In order to deliver an optimum experience and drive optimum performance, not just today but for years to come, look for a PSP who's just as hungry to innovate as you, and doesn't lock you into anything. Look for modular solutions that flex to your model and that will keep you agile.

checkout.com

Unlock more revenue with the only payments platform built for global retail business

Contact us