

DRIVING UP CONVERSION RATES IN eCOMMERCE

INSIGHT PAPER

PAYMENT TOOLS
FOR UNCOVERING
HIDDEN REVENUE

Reaching a 100% conversion rate is impossible—actual fraud should be blocked and some shoppers will always have second thoughts—but it is possible to create a seamless process that guides shoppers through the purchase, ensuring merchants attain a greater proportion of their hard-fought revenue.

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1

CHECKOUT CONVERSION RATE:

THE KEY INDICATOR FOR ONLINE PAYMENTS

The payment process represents only a sliver of an online merchant's total sales effort: the culmination of product development, marketing, and sales. Yet this final link in the chain should not be neglected because the checkout conversion rate—the proportion of shoppers with filled shopping carts that actually complete the purchase—has a significant impact upon revenue.



THE KEY INDICATOR FOR ONLINE PAYMENTS

The checkout conversion rate is an incredibly important statistic because every abandoned shopping cart represents lost revenue. And for large merchants dealing with thousands of shoppers every hour, even seemingly miniscule changes in a conversion rate can noticeably affect revenue, positively or negatively. Thus, every online merchant should work to raise conversion rates as high as possible.

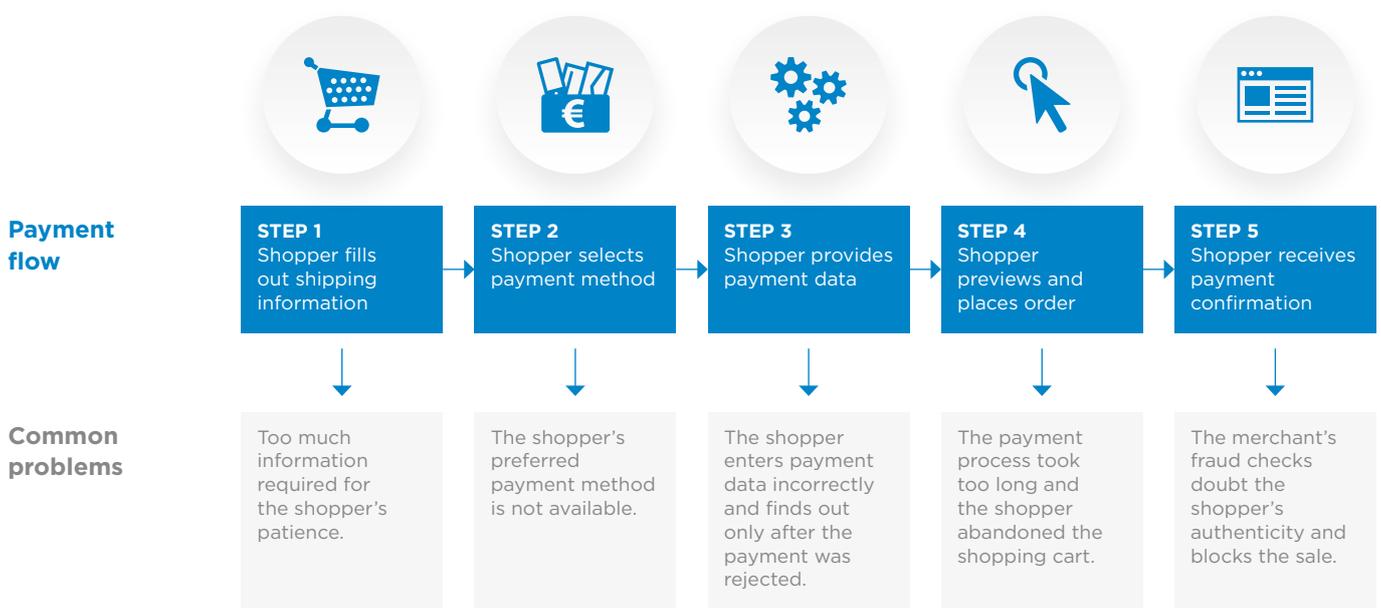
Achieving high conversion rates is done by optimizing the payment flow that begins once the shopper has placed items into their online shopping cart. This flow can be simplified into five steps (see Figure 1).

A shopping cart could be abandoned or payment terminated during any of these steps, sometimes because a shopper becomes frustrated or is unable to proceed, or sometimes because the merchant's system believes it has encountered fraud or is unable to verify payment details.

A great checkout process is one that is intuitive and makes it easy for shoppers to complete the process as painlessly as possible. Thus, the key to raising conversion rates is to create the simplest path through the five steps. Reaching a 100% conversion rate is impossible—actual fraud should be blocked and some shoppers will always have second thoughts—but it is possible to create a seamless process that guides shoppers through the purchase, ensuring merchants attain a greater proportion of their hard-fought revenue.

This paper, the first in a series on checkout conversion rates, is an overview of the challenges merchants face and the tools at their disposal. First, the paper details some of the specific challenges online merchants face in the payment process. The paper then goes on to describe many of the tools available to online merchants to improve their conversion rate. Finally, the paper discusses an example of how ACI helped a client significantly raise its overall conversion rate.

Figure 1
The typical payment flow—from a shopper's perspective—and common problems converting into a sale.



2

ENEMIES OF HIGH CONVERSION RATES: CHALLENGES MERCHANTS FACE IN THE PAYMENT PROCESS

What looks simple for a shopper—a straight-forward and intuitive checkout process—is anything but easy to set up behind the scenes. The payment process design must be strategic, take local characteristics into account, and avoid throwing obstacles in front of a shopper. Identifying the specific challenges a particular merchant faces is often the first step to improving conversion rates. Such challenges generally fall into one of three categories: distrust, inconvenience, or process problems.



DISTRUST



Many online shopping carts are abandoned because the shopper at some point begins to distrust the merchant. Fraud is a concern for any relatively informed shopper and most have no qualms about abandoning their shopping cart should they question the legitimacy of the site.

LACK OF TRUSTED LOGOS

Well-known logos convey legitimacy and trust. Checkout pages that feature the logos of the merchant, recognized payment methods such as PayPal or locally preferred alternatives, and global schemes such as Visa or MasterCard, engender greater trust with shoppers, raising conversion rates.

NO MENTION OF SECURITY STANDARDS OR FRAUD PREVENTION

Recognized logos, such as that for the Payment Card Industry Data Security Standards (PCI DSS) or fraud prevention providers, can give shoppers a sense of security and put them at ease. Sensitive shoppers are more likely to abandon their cart if they do not see something familiar.

REDIRECTS

Many online shops do not host their own payment page and instead outsource to third parties. Although more convenient for the merchant and secure for the shopper, a redirect to another website raises alarm bells for most shoppers. Such redirects are likely to dissuade certain shoppers from the purchase, harming conversion rates and sales.

POORLY DESIGNED OR EMBEDDED PAYMENT PAGES

Merchants that either host their own payment page or embed a third party-hosted payment form into their own online shop avoid the seemingly suspect redirect. However, if their payment page is not adapted to the look and feel of their online shop it can appear out of place and make shoppers uncomfortable. Merchants must ensure their online shops, payment pages, and payment forms match to avoid losing shoppers who are especially watchful against fraud.

INCONVENIENCE

Online shopping is inherently convenient but it is also very easy for shoppers to abandon their carts if there is any friction in the shopping experience. After all, other options are only a click away. Several specific inconveniences are sure to send shoppers searching for better alternatives.

LACK OF PAYMENT OPTIONS

Credit cards are only one of many possible payment options. Most shoppers have a preferred method, plus others they will use, while the rest are useless to them. It is important for merchants to know their target market and offer the payment options shoppers want.

A globally uniform strategy simply will not work because payment options vary widely by region, country, and even industry. For example, even within Europe different countries have distinct payment method preferences. Without payment options tailored to the needs of the market, conversion rates are doomed to be low.

ONEROUS CHECKOUT

The simpler and easier a checkout process, the higher the number of shoppers that complete that process. Multi-step and complicated checkouts result in more abandoned shopping carts, which harms conversion rates. Shoppers are looking for a seamless and frictionless shopping experience.

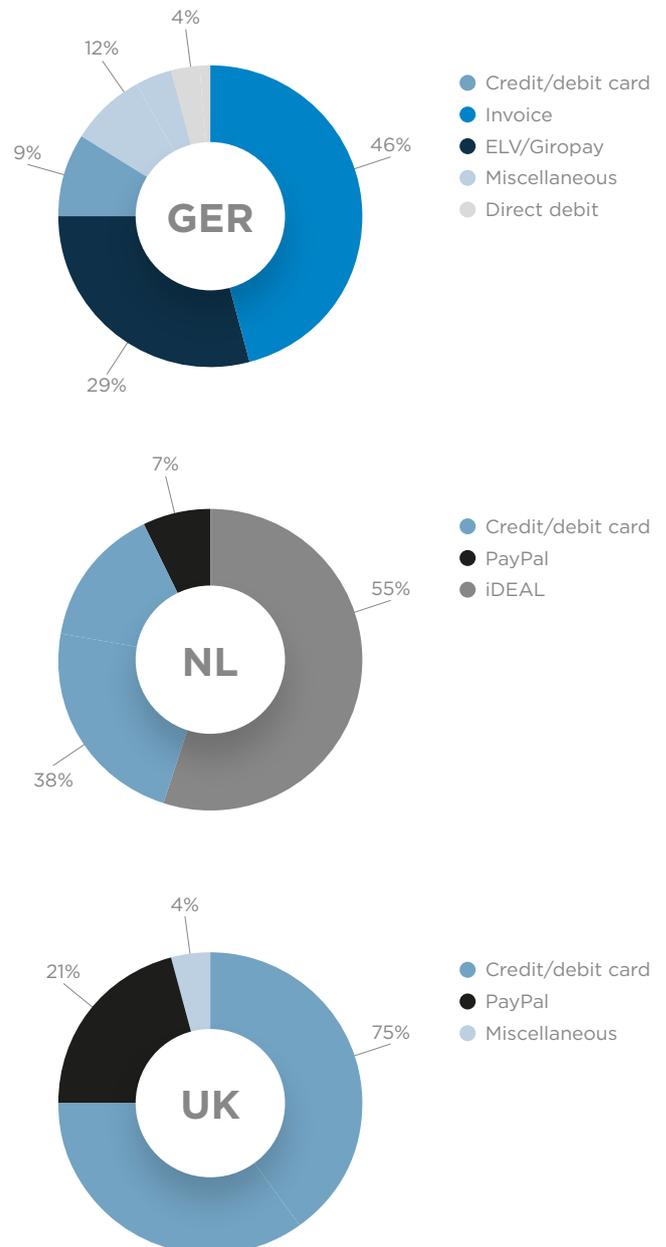
FORCED REGISTRATION

Merchants that register shoppers' payment details can later offer one-click checkout and other conveniences, upping conversion rates. But merchants that force guests to register before purchase may lose those shoppers looking for a quick, one-off purchase. A high conversion rate rule of thumb: the more options, the higher the conversion. Do not force shoppers to register, but do make it an option.

UNRESPONSIVE WEB DESIGN

Inconsistent experiences across digital channels can increase shopper dissatisfaction or cause frustration. Mobile online shops should offer the same responsive and interactive experience as for a tablet, desktop, or laptop.

Figure 2
Prevalent payment methods in Germany, the Netherlands, and the United Kingdom.¹



¹ CBEC, "Cross-border eCommerce Report: Germany," <http://www.thepaypers.com/ecommerce-facts-and-figures/germany/>
 Paymantix, "Online Payment Methods around the World," <http://paymantix.com/en/world-online-payment-methods-survey/>
 CBEC, "Cross-border eCommerce Report: United Kingdom," <http://www.thepaypers.com/ecommerce-facts-and-figures/uk/6>

PROCESS PROBLEMS

Process problems have some overlap with inconvenience because both often end in shopper frustration and shopping cart abandonment. The difference is that inconveniences typically arise because a payment setup is missing important aspects, whereas process problems stem from proper setups that do not operate efficiently.

INEFFICIENCIES

Shoppers are human, which means they have short attention spans. If payment pages take too long to load, the payment process needs to restart because of technical difficulties, or a transaction does not complete on the first try, merchants should not expect shoppers to continue trying. Many will simply give up. The payment process needs to be reliable and efficient.

OVERZEALOUS FRAUD PREVENTION

Fraud attempts are a scourge for online merchants that obviously need to be thwarted. So while blocked fraudulent transactions lower a merchant's conversion rate, the result is clearly a net positive. The problem that can arise, however, is when a merchant's anti-fraud setup is too stringent and blocks genuine shoppers, artificially lowering conversion rates. Fraud prevention strategies need to block fraud, but be sophisticated enough to allow genuine sales to flow through easily.

3

MERCHANTS' ARSENAL: THE WEAPONS TO INCREASE CONVERSION RATES

The long list of challenges that merchants face in achieving high conversion rates can seem daunting. If one single challenge is enough to drag down potential revenue, what is a merchant to do? Fortunately, there are more than enough tools at a merchant's disposal to overcome these challenges.



LANGUAGES AND CURRENCIES

Shoppers prefer to shop in their own language and currency because they have more confidence that they understand the product, pricing, and payment process. In such a scenario, the entire checkout process seems smoother and more reliable, even if all other variables remain the same. Merchants can use online shoppers' IP addresses to detect their locations and automatically switch to the correct language, for both the online shop itself and the critical checkout process. Making it simple to switch between languages, no matter the shopper's location, is also beneficial.

DEVICE INFORMATION

Computers, mobile phones, tablets, and other devices provide a bevy of information—such as device ID, location, device orientation, and device usage—that can be mined to improve the shopping experience. For example, a device can inform a merchant that the shopper prefers direct debit and cater the shopping experience accordingly, raising the conversion rate. In other cases it is possible to use device information to determine the level of fraud prevention software to use, ensuring known safe devices can breeze through the payment process.

DEVICE OPTIMIZATION

Gone are the days when desktop computers ruled eCommerce. Now mobile devices, tablets, and even more recently, cars, can be used to make purchases. Online shops that are not optimized for these additional channels are damaging their conversion rates. Online shops must work seamlessly on all devices.

EMBEDDABLE AND SECURE PAYMENT FORMS

The payment form is the heart of the checkout process; get it right and no one even notices it. Get it wrong and shoppers become uneasy and abandon their shopping carts. Good payment forms have two important aspects. First, they securely handle payment data, often through tokenization. Second, they embed into an online shop, avoiding offsite redirects and adhering to the shop's look and feel.

These two aspects are sometimes mutually exclusive; secure payment forms often require redirects and embedded payment forms are often either unsecure or look out of place. But embeddable and secure payment forms are available, and by being secure and practically invisible to shoppers, they play an important role in high conversion rates.

ALTERNATIVE PAYMENT METHODS

The U.S. and the U.K. are dominated by credit cards, but the global picture is more diverse. Alternative payment methods (APMs), any non-credit card payment method, are expected to comprise nearly 55% of global eCommerce payments by 2019². Alternative payment methods include bank transfers, digital wallets, cash on delivery, e-invoices, digital currencies, and a variety of locally-preferred payment options.

Every country and even different industries have unique payment method preferences, often featuring entrenched local providers. The most commonly cited example is iDEAL, a prevalent bank transfer method that is used for 55% of all online purchases in the Netherlands.

Getting the right payment mix is crucial because it has been shown that offering the top three payment methods in a country, rather than only the top one, improves conversion rates by 30%. This is because shoppers want to use what is familiar and what they trust, be it a credit card, a large APM that conveys a sense of legitimacy, or a local brand for shoppers that shun the recognized brands. Offering the right payment methods, rather than a random offering, engenders trust and convenience with shoppers and will achieve higher conversion rates.

ACTIVE PAYMENT METHOD SELECTION

This responsive tool uses a shopper's shipping address, device information, and other data to determine and offer the payment methods most appropriate for the shopper. The result is better security, because higher risk shoppers are only offered robust payment methods, and high conversion rates, because the appropriate payment methods are offered.

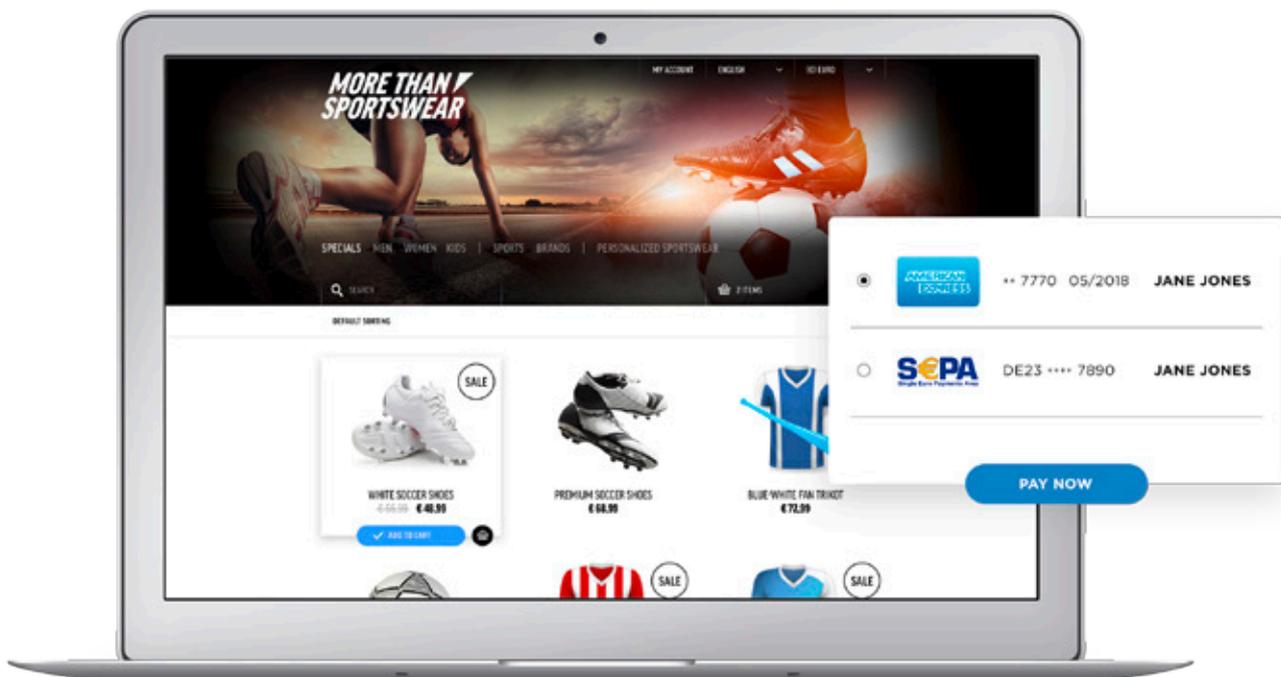
² Worldpay, "Global payments report: Your definitive guide to the world of online payments," November 2015, <http://www.worldpay.com/global/insight/articles/2015-12/global-payment-report>.

SEAMLESS AND FRICTIONLESS CHECKOUT

A simple but true fact: the fewer steps needed to complete a purchase, the higher the conversion rate. There are many actions merchants can take to remove checkout friction and raise conversion rates.

- **Avoid unexpected costs** – Shoppers hate to have last minute costs, such as shipping expenses or taxes, thrown into their totals. It is better to be up front about all costs. Covering some of their costs—“We pay your shipping!”—also helps boost conversion.
- **Speed and reliability** – Long waiting times are a shopping inconvenience. Accelerate slow pages and watch sales increase.
- **Lessen data entry** – Make things easy for shoppers by prepopulating the shipping address with the billing address and enabling other shortcuts.
- **Immediate validation** – Credit card data can be validated before a shopper clicks “Pay now.” If the card will not work or is entered incorrectly, inform the shopper immediately so they can reenter data or conveniently change to another payment method, avoiding payment rejection and the need to begin the entire payment process from scratch.
- **Enable one-click checkout** – Merchants with repeat registered customers can enable one-click checkout, making it possible for shoppers to pay without reentering payment or shipping details. One-click checkout can be enabled for nearly any payment method, including cards, direct debit, and others. The biggest challenge for one-click checkout is to balance security with convenience, but merchants that utilize tokenization and secure authorization can use one-click checkout to boost conversion while remaining fully secure.

Figure 3
An example of a one-click checkout payment page.



IN-APP PAYMENTS

In-app payments might be the easiest type of purchase for shoppers because preauthorization is completed when the shopper first downloads the app. In addition, in-app payments typically provide a better experience than online shops, with fewer lags and a more intuitive experience. In-app payments can also utilize stored credentials that rely on device-specific features such as biometrics for access. In short, in-app payments provide a welcome boost to conversion rates; merchants are wise to fully enable them.

ROBUST AND FLEXIBLE FRAUD PREVENTION

Fraud, and the chargebacks it frequently spawns, is the bane of many merchants. What seems like a profitable sale quickly morphs into an expensive chargeback that eats into profits. However, many merchants, in their quest to banish chargebacks, do not implement an anti-fraud strategy that balances conversion against potential chargebacks. Sophisticated fraud prevention tools ensure the fear of chargebacks does not unnecessarily damage conversion rates.

ANALYTICS

Even seemingly minor tweaks to a payment setup can result in incremental improvements to conversion rates, which, spread over time and hundreds of thousands of transactions, can result in a significant revenue increase. Analytics help merchants transform data into action. Conversion rates can vary by region, industry, or country, and trends can be found in payment volume, payment method, currency, and any number of other areas. First, merchants need access to quality payment data. Second, this data needs to be organized into digestible pieces, often managed by a personalized dashboard. Finally, experienced experts sift through the data, looking for trends and devising actions for improvement.

For example, a dashboard that tracks uptime data in real-time can quickly identify outages for faster responses and fewer lost sales. In another example, a dashboard that continuously searches for patterns in return codes can identify systemic issues, alerting merchants quickly that action is needed. Analytics can make a good conversion rate great, as long as a merchant has sophisticated business intelligence tools that can harness the power of the data.

PROPERLY WIELDING THE WEAPONS OF HIGH CONVERSION

The most powerful tools must be wielded properly to be effective. And so it is with the tools for high conversion. Misapply fraud prevention and conversion will suffer. Offer the wrong payment methods and more shopping carts will be abandoned. Collect copious data, but without proper analysis, it is an exercise in futility. By selecting the right arsenal and brandishing the weapons properly merchants will achieve high conversion rates and retain more of the revenue from every filled online shopping cart.



4

CASE STUDY: RAISING THE CONVERSION RATES FOR CROSS-BORDER MERCHANTS

The challenges that merchants face, and the tools to overcome them, are easy enough to describe. But implementing an action plan, especially for merchants without the proper in-house resources, is easier said than done. However, with support from an experienced payment provider such as ACI, significant improvements in the conversion rates are possible.



THE SETUP

RAISING THE CONVERSION RATES FOR CROSS-BORDER MERCHANTS

One of ACI's white label payment service provider (PSP) clients launched a new cross-border eCommerce solution for merchants looking to sell in Asia, Australia, Africa, Europe, North America, and South America. As an ACI client, the PSP's merchants had access to the full range of ACI's tools for increasing the conversion rate. However, not long after the solution's launch the conversion rates were stubbornly low, around 23% (a good conversion rate should be over 50%), despite guidance from the PSP.

The PSP then approached ACI for assistance improving its merchants' conversion rates. ACI payment experts coordinated closely with the PSP to first understand the causes behind the low conversion rates and then devise solutions to solve the problem.

The experts' investigations made it quickly clear that the problems arose from the PSP and merchants' unfamiliarity with the countries they had expanded into. The merchants were attempting to replicate what had worked in their home market, when conditions dictated unique strategies.

After assessing the situation, ACI's experts uncovered four major issues negatively affecting the conversion rate: an overly stringent 3-D Secure setup, merchants incorrectly using payment data fields for internal purchase reference information, failing to validate data before it was sent to the acquirer, and an inadequate CSC setup. By taking action to correct each of these issues, ACI's guidance helped the PSP's merchants vastly improve conversion rates.

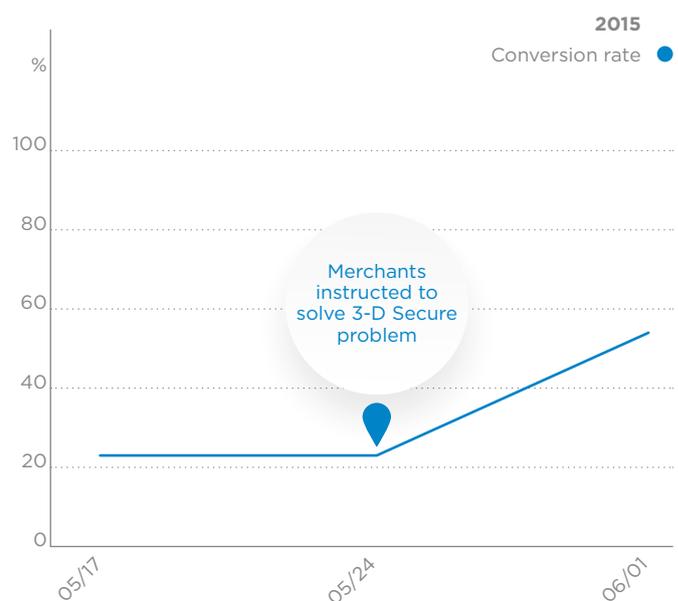
CHALLENGE 1

AN IMPROPER 3-D SECURE SETUP BLOCKS FRAUD AND GENUINE PURCHASES

3-D Secure is an effective tool to block fraud. The two-step verification process ensures only genuine cardholders can complete a credit card sale. The fact that most major card brands have their own version—Verified by Visa, MasterCard Secure Code, American Express SafeKey, Diners ProtectBuy, and JCB J/Secure—testifies to the tool's efficacy. Yet when implemented incorrectly it can cause problems, as was the case for many of the PSP's merchants selling cross-border into Brazil. The tool is virtually unknown to Brazilian shoppers and when they encountered the 3-D Secure page the majority abandoned their shopping carts.

To overcome this problem, the PSP instructed merchants to use shoppers' BIN numbers to automatically identify Brazilian cards and bypass 3-D Secure in those instances. The change, once implemented, immediately raised the PSP's overall conversion rate from 23% to 53%.

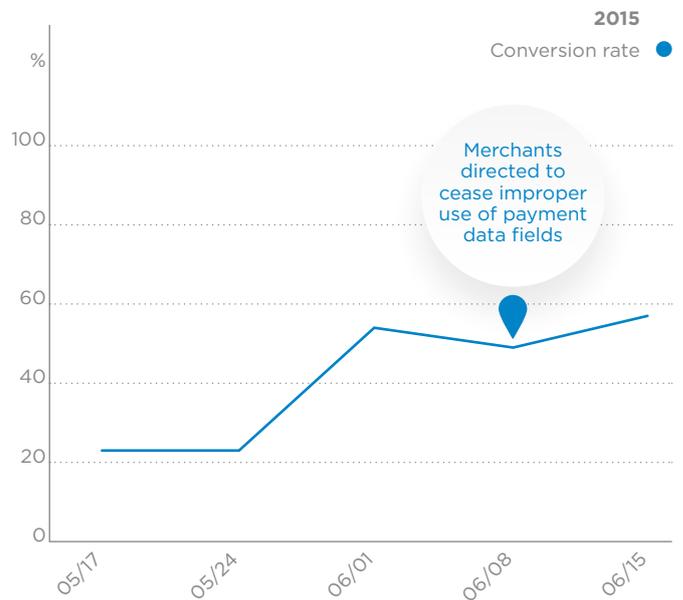
Figure 4
Solving the 3-D Secure challenge made a substantial impact on the conversion rate.



CHALLENGE 2 MERCHANTS TRIGGER FRAUD ALERTS BY MISUSING DATA FIELDS

The payment data shoppers enter is only part of what acquirers and fraud prevention providers use to determine a transaction's legitimacy. Merchants can also add data to a transaction. Investigations by ACI's payment experts uncovered a common issue among the PSP's clients: many were automating data fields, such as empty slots in the billing address, with internal reference tags. The unfortunate side effect of this practice was that it caused the merchants' acquirers and fraud prevention providers to frequently block transactions because of data discrepancies. By directing offending merchants to cease automating these type of data fields, the PSP's overall conversion rate increased from 53% to 56%.

Figure 5
Solving Challenge 2 provided an uptick in the conversion rate.

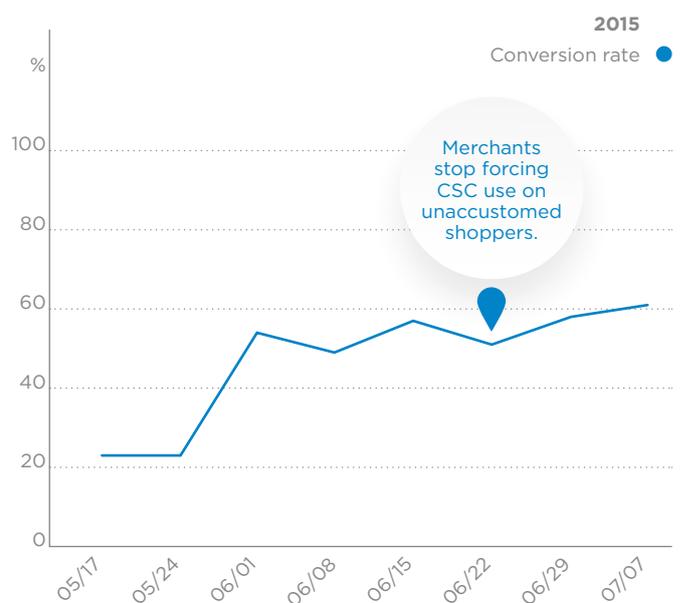


CHALLENGE 3 OVERRELIANCE ON CARD SECURITY CODES (CSCs) DISRUPTS AUTHENTIC SALES

Card security codes (CSCs, also known as card verification codes, or CVVs), are the three-digit codes on the back of credit cards. They are a security feature built especially for card not present transactions. Requiring shoppers to input a CSC almost always deters fraud without harming conversion rates.

However, many shoppers in South America were unaccustomed to entering CSC details. Thus, many shoppers either mis-entered CSC data and had their payment rejected or abandoned their shopping carts when prompted to enter a CSC. Therefore, the PSP advised its merchants to deactivate the use of CSCs in several South American countries. As a result of the new strategy, the PSP's overall conversion rate improved from 56% to 60%.

Figure 6
Fixing Challenge 3 resulted in a further rise in the conversion rate.

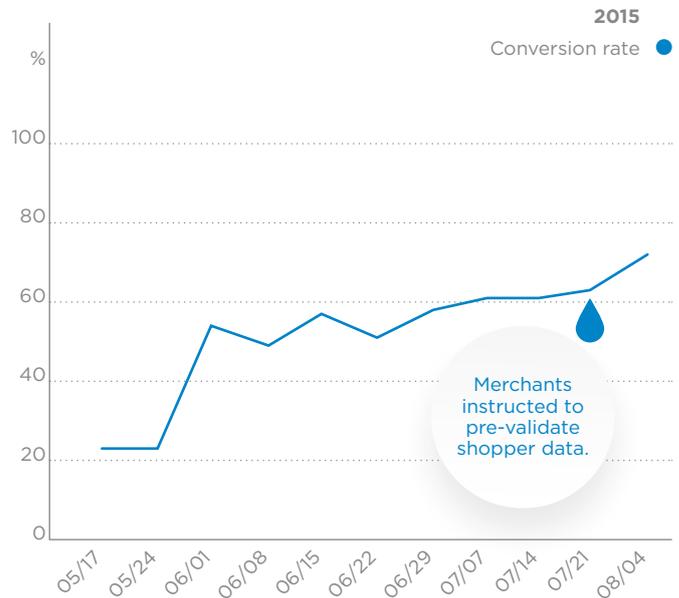


CHALLENGE 4 INVALID DATA CAUSES THE ACQUIRING BANK TO REJECT MANY TRANSACTIONS

It is common for shoppers to mis-enter payment data because card numbers are long. Unfortunately, even minor mistakes can result in a rejected payment. And once rejected, many shoppers are discouraged and do not try again, instead abandoning their shopping cart.

ACI discovered this was a common problem for the PSP's merchants: shoppers' incorrect data was submitted to acquirers and, predictably, rejected. The fix: the PSP encouraged merchants to utilize ACI's data validation tool that, before sending data to the acquirer, checked for errors. The system then alerted shoppers to errors, allowing them to make changes before ultimately submitting the payment. As a result, the PSP's overall exchange rate improved from 60% to 71%.

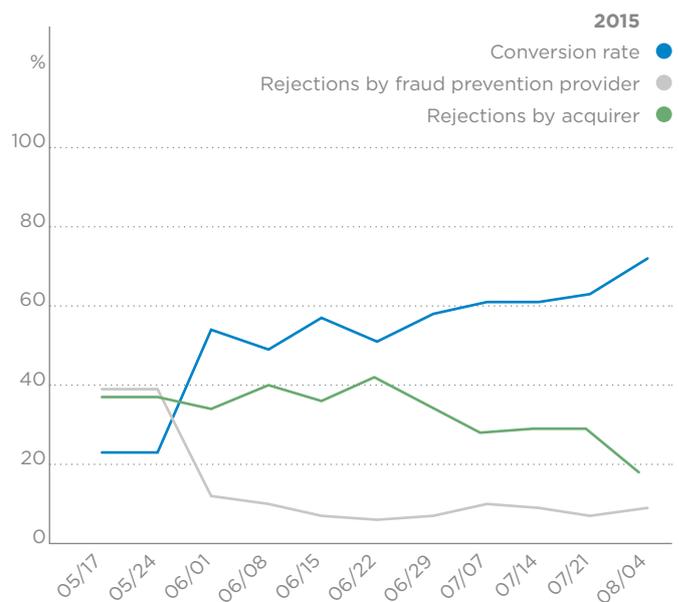
Figure 7
Immediate data validation brought conversion rates up further.



FINAL RESULT DEFTLY UTILIZE THE TOOLS FOR IMMEDIATE IMPROVEMENT

The problems the PSP and its merchants faced in their cross-border endeavors are common when expanding into relatively unfamiliar new markets. Every merchant had the tools needed to achieve a high conversion rate in every country, they only lacked a coherent and specific strategy to deal with the various situations. ACI's expert guidance helped the PSP identify the problems and direct the merchants to take precise action using ACI tools, ultimately raising the overall conversion rate from 23% to nearly 72%.

Figure 8
Conversion rates grew while rejections by acquirers and fraud management consistently dropped.



5

CONCLUSION:
ALWAYS STRIVE
FOR THE
ELUSIVE 100%
CONVERSION
RATE



ALWAYS STRIVE FOR THE ELUSIVE 100% CONVERSION RATE

As the culmination of a merchant's product development, marketing, and sales, the payment process has an outsized effect on revenue. Efficient processes, with their accompanying high conversion rates, sweep up most of the sales potential a merchant generates. Inefficient processes, on the other hand, fail to complete many of the potential sales within their grasp. Thus, merchants overlook their payment processes and conversion rates at their own peril.

Achieving a high conversion rate relies on three things: a strategy based upon local conditions and realities, the tools to effectively implement the strategy, and the ability to constantly monitor the conversion rate and make adjustments as needed. Developing a proper strategy typically requires input from experts versed in the countries or regions a merchant is entering; what worked in a merchant's current markets might not in others. The tools at a merchant's disposal are vast: hundreds of alternative payment methods, the ability to automatically adapt payment options and processes to cater to shoppers' locations, sophisticated fraud prevention tools, and many more. And with in-depth analytics, bolstered by payment experts' scrutiny, these tools can be tweaked to constantly improve conversion rates.

This endeavour to continually improve a conversion rate is the cornerstone of a proper strategy. The tools to improve conversion, while numerous, can be complicated to efficiently utilize, which is why it is so important to have the right guidance to configure the tools. The experience of ACI's dedicated eCommerce and fraud prevention experts, honed from time assisting PSPs and merchants in more than 160 countries, enables the company to devise concrete and effective strategies, no matter where a merchant wants to sell. ACI's tools, including the ReD Shield fraud prevention suite and the PAY.ON payment gateway and global payment network, contain the industry's most powerful weapons for achieving high conversion rates. And real-time analytics, driven by ACI ReDi, empowers merchants to adapt to any situation and continually improve conversion rates.

Achieving a 100% conversion rate is unrealistic because there will always be genuine fraud to block and shoppers who rethink their purchases at the last moment. Yet every move closer to 100%, even incrementally, represents additional revenue in a merchant's pocket. Thus, seeking to achieve the elusive 100% conversion rate is a worthwhile goal. With assistance from the right partners, merchants will maintain high conversion rates, benefiting their business by boosting their bottom line.



ACI Worldwide, the Universal Payments (UP) company, powers electronic payments for more than 5,100 organizations around the world. More than 1,000 of the largest financial institutions and intermediaries as well as thousands of global merchants rely on ACI to execute \$14 trillion each day in payments. In addition, myriad organizations utilize our electronic bill presentment and payment services. Through our comprehensive suite of software and SaaS-based solutions, we deliver real-time, any-to-any payments capabilities and enable the industry's most complete omni-channel payments experience.

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