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FUTURE OF RETAIL

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THE RETAIL BULLETIN

GUEST EDITOR'S LETTER

Welcome to The Retail Bulletin's Payments Innovation digital supplement, part of our regular series on the Future of Retail.

It is my pleasure to introduce you to this exciting guide to what is happening in the field of payments innovation. Never before have we seen so much change and opportunities in the world of retail payments. Payments innovation is happening everywhere you look and already delivering significant results for retailers.

Payment strategies are playing a key role in the transition to customer focused, omnichannel, mobile enabled retailing. They are driving up revenues, delivering customer service excellence, reducing basket abandonment rates, achieving cost savings and remain the critical last customer touch point.

In this publication we include original articles sourced from industry leaders representing the entire payments eco-system. We hear from international payments networks, payment services providers, industry associations, consultancies as well as the key solution providers. You will learn about the latest card and payment initiatives, the key players and technologies, innovative solutions and of course mobile payments.

There is something for all retailers in this publication. Enjoy the read and identify how your business can start benefiting.

Happy reading!

Mark McMurtrie

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FUTURE OF RETAIL

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FUTURE OF RETAIL - The digital features supplement covering new developments and innovation in the retail sector. Produced four times a year for subscribers to Retail Bulletin's free daily news site. Areas covered include store design, shopping centres, mobile retailing, payment technology, marketing, social media, customer loyalty, customer service, big data, HR, visual merchandising and display, packaging and more.

The future of omnichannel payments

In this article Sage Pay, a provider of innovative payment solutions, highlights the importance of having an effective omnichannel payments strategy in order to deliver a consistent brand experience and meet consumer demands.

By
Seamus Smith
chief executive of Sage Pay

An omnichannel strategy for businesses has never been more vital when it comes to meeting customer expectations. Last year 43% of businesses said their online and offline channels were integrated, according to the Sage Pay Payments Landscape report. Meanwhile, a fifth of those who had not integrated their offline and online channels said they were planning to do so in the next six months.

A CONSISTENT BRAND EXPERIENCE

Mobile shopping is growing at nearly four times the rate of overall online spending in the UK, according to research by Ipsos, driving the need for businesses to adopt a mobile-first mindset.

Some 76% of UK adults now own a smartphone according to Deloitte's Mobile Consumer report and the proliferation of WiFi and 4G networks has increased the speed at which they can utilise the bandwidth available to them.

The latest mobile purchasing trends reflect a new breed of channel-agnostic consumer that's set to grow and grow. Delivering a consistent brand experience has now become essential; where businesses might see multiple channels and purchasing streams, your customers see just one.

This means they will no longer tolerate slow response times to web pages when shopping online - even a half a second delay on an e-commerce transaction can affect positive conversion rates for shopping cart checkouts. What's more, Google now favours mobile optimised websites, which means these pages appear higher in the SERPs (search engine results page).

Smart businesses are investing in building websites to deliver mobile-optimised user journeys with responsive payment pages that support a smooth checkout process and can boost revenue. As competition increases, being able to respond to consumers' 'I want it now' mentality is crucial to sales.

Responsive web design provides an optimal viewing and interaction experience. Products like Sage Pay enable businesses to offer this with no extra setup required. It works with all major operating systems and you retain all features and payments functionality.

While omnichannel, mobile-friendly responsive applications have previously been the preserve of large or mid-market businesses, we are now offering these services to smaller businesses like growing retail chain Office Shoes, through Sage Pay Cloud Connect solutions.

Sales staff are armed with mobile devices, supported with Sage Pay payment applications that enable them to browse goods, make personalised recommendations and take payment wherever they are in-store. Consequently, staff can catch shoppers as they're ready to buy, via whichever channel they choose.

THE RISE OF THE APP

Apps now account for a significant amount of consumer time spent on mobile devices, and while people might not be shopping all the time, social sharing and engagement has afforded the buying public increased familiarity with applications.

When it comes to shopping, apps are no longer restricted to m-commerce and e-commerce. Physical handsets are becoming part of the face-to-face payments world too and the benefits of this for merchants are plenty. Contactless payments via bank card are ideal for businesses that deal with frequent, low-value transactions. Queue times are reduced and no additional setup is required.

Keen to capitalise on the adoption of contactless, non-payment focused brands like Apple, Android and Samsung have released their own contactless technology, reflecting the huge opportunities apparent in this growing trend.

Consumers value the speed and efficiency with which these transactions take place, and the more transaction-capture opportunities there are, the more consumers will use them. I'm convinced they will play a significant part in the payments landscape going forward.

The consumer is in the cockpit now and the power lies with them. They have access to the technology and businesses need to make sure they can respond to that.

MAKE THE DATA WORK FOR YOU

Merging the online experience into the in-store environment is evolving the customer experience and breathing life back into the high street. Consumers want a consistent and unified shopping experience that meets their needs and enables them to buy in a way that suits them.

More choice in how to buy, delivery options and a fast, secure payment service are now customer must-haves. Providing them is relatively easy; companies sell through several sales channels – a physical shop, an online store, a catalogue or app. However, this presents a new challenge for businesses. Multichannel can be counterintuitive, as each channel is independent of the others, opening up some big data disconnects.

With a number of channels compiling different sets of data, many businesses are struggling to keep up or get any real value from it. Key data on transactions and purchasing behaviours is being lost and is having no real benefit to the business it's supposed to serve.

Omnichannel is the logical evolution. This is where businesses have a variety of payment channels, integrated together, allowing customers to be channel agnostic whilst retaining the benefits of having all their customer data kept in one back-end system. What's more, linking payments through a Point of Sale (PoS) interface into inventory management, which Sage offers, can provide even greater efficiencies.

It is our firm belief that businesses shouldn't be focusing on compliance - card scheme rules and regulation - but instead doing what they do best. The removal of that burden is possible, as long as they take the right payment partner.

Being aware of, understanding, and taking action on this will ensure that businesses can deal effectively with this ever-present threat, while maximising the benefits of omnichannel selling.

CYBERSECURITY

There's no question that the rise in omnichannel payments is good news for consumers and businesses that respond and use new technologies that are available to them. However, the more we digitise and use these technologies, the more it exposes businesses to cyber and information security issues.

If businesses are trading internationally with customers or suppliers, or you have a high degree of multi-currency transactions, they need to be especially careful. There are products out there that can be accessed - probably more cheaply than people think – to help businesses meet this challenge head on.

Retailers must take cybersecurity seriously; 55% of consumers said that security is their highest priority when it comes to payments, according to our Payments Landscape report. Being aware of, understanding, and taking action on this will ensure that businesses can deal effectively with this ever-present threat, while maximising the benefits of omnichannel selling. **F**

Omnipresent retailing

and the importance of agility

Payments should sit at the heart of a retailer's omnipresent strategy according to Edgar Dunn & Company who stress the importance of store staff and systems mobility in order to meet consumer demands.

By
Mark Beresford
director of retail payments practice at Edgar, Dunn & Company

One of the biggest buzzwords in commerce today is omnichannel.   I would like to propose that omnichannel is a buzzword in retailing that has a life expectancy of five years or maybe ten at most. Omnichannel means that no matter which channel is the customer's touch point – whether a payment device or a self-service kiosk in-store, on the web, or a retailer's app on a smartphone – their experience should be seamless, streamlined, secure and optimized for the needs of each channel. Any

payment acceptance strategy and an omnichannel strategy must be cohesive and established concurrently.

Omnipresent retailing is universal, borderless, frictionless, and pervasive. Retailers want to achieve a unified customer experience. In the future the sales channel will be irrelevant and shoppers will not care about the channel or even realise the difference because there will be no difference. Omnipresent retailing is the future. Shoppers will shop where they want to shop and they will not be obligated to spend within the four walls of a store or only via a website. It will happen where they are at any point in time and it will be simple and secure. Shopping will be omnipresent and retailers must be agile in order to respond to the evolving customer behaviours. Making a purchase could take place on the way to work, in your car, on your smartphone, in the store or at home with a voice-enabled command via Amazon Echo. Omnipresent retailing means providing a consistent brand experience across all points of interaction with the customer, with the goal of delighting today's demanding, tech-savvy shoppers.

IN STORE STAFF WILL BE MOBILE POINTS OF SALE

A very important piece of any omnipresent retailing strategy is a mobile point of sale (mPOS) solution. More and more general retailers, including the food and beverage segment, are deploying mPOS or IOS/Android tablets that are payment-enabled inside and outside stores. Retailers want to be able to engage with their customers in a conversation about the product or service for sale. There is a goal to move staff from being stuck behind a traditional cash register or point of sale desk. By removing this barrier and advocating greater mobility of staff it will enable them to interact and engage with customers anywhere within the store. This is an important step towards providing an omnipresent customer experience.

In general retail and particularly in the fashion sector, mobile point of sale devices

must be integrated to the store's real-time inventory systems to enable staff to assist the consumer to find the right garment size or an alternative colour or style. Staff must be able to deal with customer exceptions, such as returns or refunds. During these face to face conversations staff are able to contribute to retailers' CRM (Customer Relationship Management) strategy, by making sure the customer's email address is captured or up to date. This is seen in the luxury retailers who have significantly increased their CRM to deepen customer relationships by enabling staff to use mobile device applications in-store. Retail brands that implement a mobile strategy for their staff have the ability to cater directly to each customer's needs, increase customer retention and encourage the acceptance of future communications. Mobile is the best way for luxury brands to deliver superior customer experiences, especially because affluent consumers usually have higher expectations. Brands such as Burberry, Nordstrom, Clusier Habilleur (the Canadian up-market men's fashion store) offer shoppers tablet based application solutions. Luxury hotels, such as Mandarin Oriental and St. Regis (part of Starwood Hotels & Resorts) are offering their guests a virtual concierge, effectively an "e-butler" that uses a tablet.

Designing an omnipresent retailing experience must integrate the various channels and incorporate the needs and desires of the customer. From browsing through to checkout and aftersales service – agility will differentiate the customer experience. This is a unified customer experience that gives customers the ability to act and transact how they prefer, where they prefer and when they prefer. A customer tries on a pair of shoes in the store, for example, then purchases them on a mobile device. They will receive a request from the merchant asking for feedback on the purchase and that feedback is then used to create a more seamless experience moving forward. Merchants will use customer data (browsing data, transactional data and social
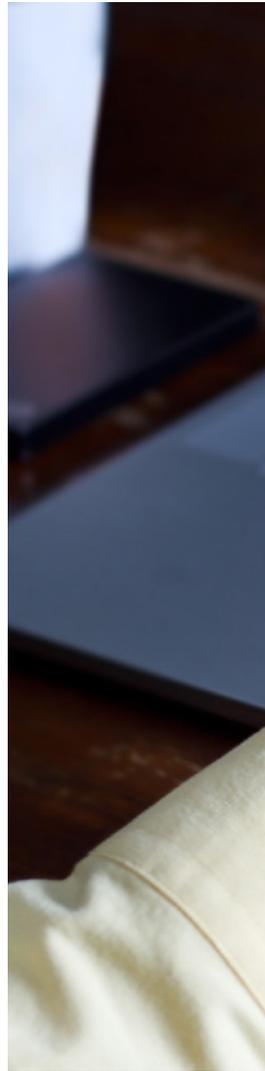
Omnichannel is a buzzword in retailing that has a life expectancy of five years or may be ten at most. Omnipresent retailing however is universal, borderless, frictionless, and pervasive.

media data) to detect patterns among those customers to determine where any sales drop-off occurs and improve the customer experience. This is the classic virtuous cycle of growth as deployed at Amazon.

IN HOSPITALITY THE POS IS RAPIDLY EVOLVING

There are a number of POS solutions that operate on IOS and Android systems which are competing with the larger more expensive POS terminals offered by the likes of the traditional manufacturers and the acquirers. In the food & beverage segment, for example, Toast is an all-in-one, cloud based, POS and restaurant management system. Upserve is another example used in the restaurant segment.

Merchants will use customer data to detect patterns among those customers to determine where any sales drop-off occurs and improve the customer experience.

It is a restaurant management system that offers payments amongst a number of other restaurant specific features such as sales analytics, loyalty, server performance, menu intelligence and shift preparation. Upserve purchased Groupon's Breadcrumb restaurant POS management platform in 2016. Digital Dining offers restaurants a handheld POS on an iPad and was acquired by Heartland Payments systems in 2015. Also, in the food and beverage segment, Orderbird formed a strategic payment partner with ConCardis in Germany which integrates Apple Pay, Loop Pay and Google Wallet NFC tech into a single product. Orderbird is a Chip-and-Pin card reader, designed to talk with iPads, allows for secure traditional card payments and NFC contactless payments via cards or smartphones. Concardis is now the largest individual shareholder of Orderbird following its Series C funding at the start of 2016.

These are examples how the food and beverage segment is changing its view of the traditional fixed POS solution and how disruptive technologies are providing a richer omnichannel solution. This not just about payment acceptance but these new solutions provide restaurants with the holistic solution which integrates the front office to the back office and all the food & beverage specific operations, such as staff and supplier management.

PAYMENT REMAINS AT THE HEART OF A RETAILER'S OMNIPRESENT STRATEGY

LightSpeed and Vend are two example vendors that have comprehensive value added services that can be integrated into the core tablet based POS solution. Vend offers an omnichannel solution which is able to be integrated into a growing ecosystem of apps that support social media and marketplaces, such as Etsy, eBay, and Amazon. Integration with Shopify, loyalty solutions, inventory systems, gifting, accounting, real-time reporting and reconciliation enriches the payment solution which is secondary to supporting the retailer's business. As in the food and beverage segment this is another example where new technologies are disrupting the traditional fixed POS solutions that are used by general retailers. These new omnichannel solutions are helping staff to be more mobile and connected via a tablet solution, and enabling them to better serve a customer with greater agility.

Implementing an omnipresent strategy can be challenging, but this can be resolved with the help of an outside consultancy that understands payment from acceptance through to the settlement of the funds. With the rising popularity of omnichannel retailing, the customers' expectations are equally rising. To deploy mobile technologies and accept a growing list of payment methods will only become increasingly more complex and dynamic in the future. Now is the time to make your omnichannel approach future proof in order to best serve the customer and provide them with the types of experiences they expect. Ⓕ

TRB
CONFERENCES

SAVE YOUR
DATES

2016 // 5 OCT Retail HR Summit **/ 24 NOV** Payment Roundtable **/ 24 NOV** Mobile Retailing Masterclass **/ 7 DEC** HR Mock Employment Tribunal **2017 // 8 FEB** Omichannel Summit **/ 29 MAR** International Expansion Conference **/ 7 JUN** Customer Engagement Conference

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The Retail Bulletin (TRB) Conferences have built a strong reputation for providing programmes led by top level retail executives who bring their experience and vision to offer insight and advice.

Each event provides stimulating and lively discussion across a whole spectrum of retail issues and offers retailers information on the most innovative solutions and strategies to stay ahead of the competition.

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Retailers collaborate to launch their own PayTech community

70+ UK retailers are collaborating on a new retailer-only PayTech community, promoting education, knowledge-share and growth through collaboration.

By
Ben Fricke
a veteran of the UK's quick service restaurant industry

Earlier this year, I chaired a series of private round table dinners hosted by the Emerging Payments Association (EPA), a leading community for the world's most progressive payments companies, supported by SVS (storedvalue.com) and Savvee (savvee.com).

Retailers from a range of sectors, including Sainsbury's, McDonald's, Ocado and The Post Office, were invited to share and discuss the challenges they faced when assessing and adopting PayTech innovations. In openly sharing and discussing the individual challenges we faced, we found a lot of common ground.

We retailers are typically working in our own silos to address a range of payments-related challenges. A cross-industry knowledge-sharing forum would be a far more effective way to engineer solutions for some of the challenges we face.

STRENGTH IN COMMUNITY

The conversation at dinners proved something I had long suspected: we retailers are working in silos to address a range of payments-related challenges when, in truth, we all believe that cross-industry knowledge-sharing and collaboration would be a far more effective way to engineer solutions for some of the challenges we face.

This was the watershed moment and discussions shifted toward the EPA bringing together a PayTech-focused retailer community to learn, share and collaborate.

Juan Andrade, payments manager at Secret Escapes, attended one of the dinners. He told me: *"Retailers have a clear requirement for a platform that brings together payments expertise from across the retail industry – a demand that is not currently being met.*

"As part of our recent global expansion, we've faced challenges that could've been avoided and ultimately slowed us down. These are not problems of our own making, they are fundamental challenges faced by retailers of all shapes and sizes, across sectors.

"For example, with our continual focus on conversion and recent expansion in Asia, we've noticed a surprising amount of ambiguity around issuer processes that has had a direct impact on our profit potential. A clearer communication channel between banks and retailers is all that's needed to drive much-needed change on both fronts. The retailer-issuer dynamic leaves a lot to be desired."

LISTEN TO REQUIREMENTS, THE RESULTS WILL FOLLOW

The EPA and I are now collaborating with retailers to develop the Retail PayTech Forum,

supported by Compass Plus, which will meet the requirement to bring together a PayTech-focused retailer community. Retailers told us that the Forum should deliver:

- **Education** on relevant topics; e.g. new technologies, new regulations, new products
- **Knowledge** sharing on current and anticipated issues
- **Retailer-led collaborative opportunities**; e.g. establishing a standard for PayTech companies to conform to when developing APIs or SDKs

As the Forum's Retailer Ambassador, it's my job to ensure it remains a retailer-focused initiative and continues to be relevant, build credibility and gain traction. I've seen a number of initiatives fail because they are developed and launched without gathering any insight from the intended audience. You've then got a tough job convincing anyone to attend and no-one sees any real value.

The only way the Forum will work is through collaborating with retailers on content and structure. So in July this year, we questioned retailers about the topics and challenges they expect the Forum to address. Our analysis revealed a set of key responses, common across most retailers, plus a long tail of individual responses, which supports the insight gleaned at our round table dinners.

In addition, we asked retailers who they want to see speaking at Forum events. Originally we thought Forum content would be delivered exclusively by retailers. However, retailers are keen to hear from PayTech companies, provided there is specific relevance to a topic or challenge voiced by retailers. This positions

the Forum as a curator of speakers and content on behalf of retailers.

Having direction from retailers enabled us to hone in on and, I'm really pleased to say, secure Nathalie Oestmann; Director, Head of Samsung Pay Europe as our Keynote speaker for the 29 September event.

GET INVOLVED

Over 70 UK retailers have engaged with the Forum, including Wyevale Garden Centres. Wyevale's Head of Commercial Development, Martin Alden, told me; *"Retailers need to get to a point of common understanding as to the challenges in front of them. We don't have a crystal ball, so access to a platform for discovery, knowledge sharing and discussion, ultimately linked to a principle of best practice and, critically, retailer-led is an important first step in the right direction.*

"There is so much in the way of technological innovation that, as a business, it's a challenge to keep pace and cut through the hype to those that solve real problems. For us, that means starting with the customer, then working backwards. For example, one-touch purchasing sounds interesting and it does solve a problem, but is it relevant to our specific customer audience?

"Then there are longer-term strategic challenges, such as the desire for a platform-agnostic future. Will that become a reality, or is it just a pipe dream? No-one has the answer to that right now, including the Forum, but by coming together to share and collaborate, retailers can establish a collective set of requirements that should see robust, un-fragmented solutions being developed."

Attending the Forum is a no-brainer for retail colleagues involved in PayTech projects. And, because no-one typically "owns" payments, we've been meeting a real mix of talent, including product owners, customer experience specialists and those leading the fight against fraud. This unique mix of cross-industry, cross-functional expertise means our collaborative potential is huge.

The Forum launches on Thursday 29 September 2016 at the Andaz London Liverpool Street. Retailers can register for the afternoon session (3-6pm) followed by dinner and drinks, for free, here. To learn more about the Forum, discuss the challenges you are facing and the value you expect to get from the community, email info@emergingpayments.org. Ⓕ
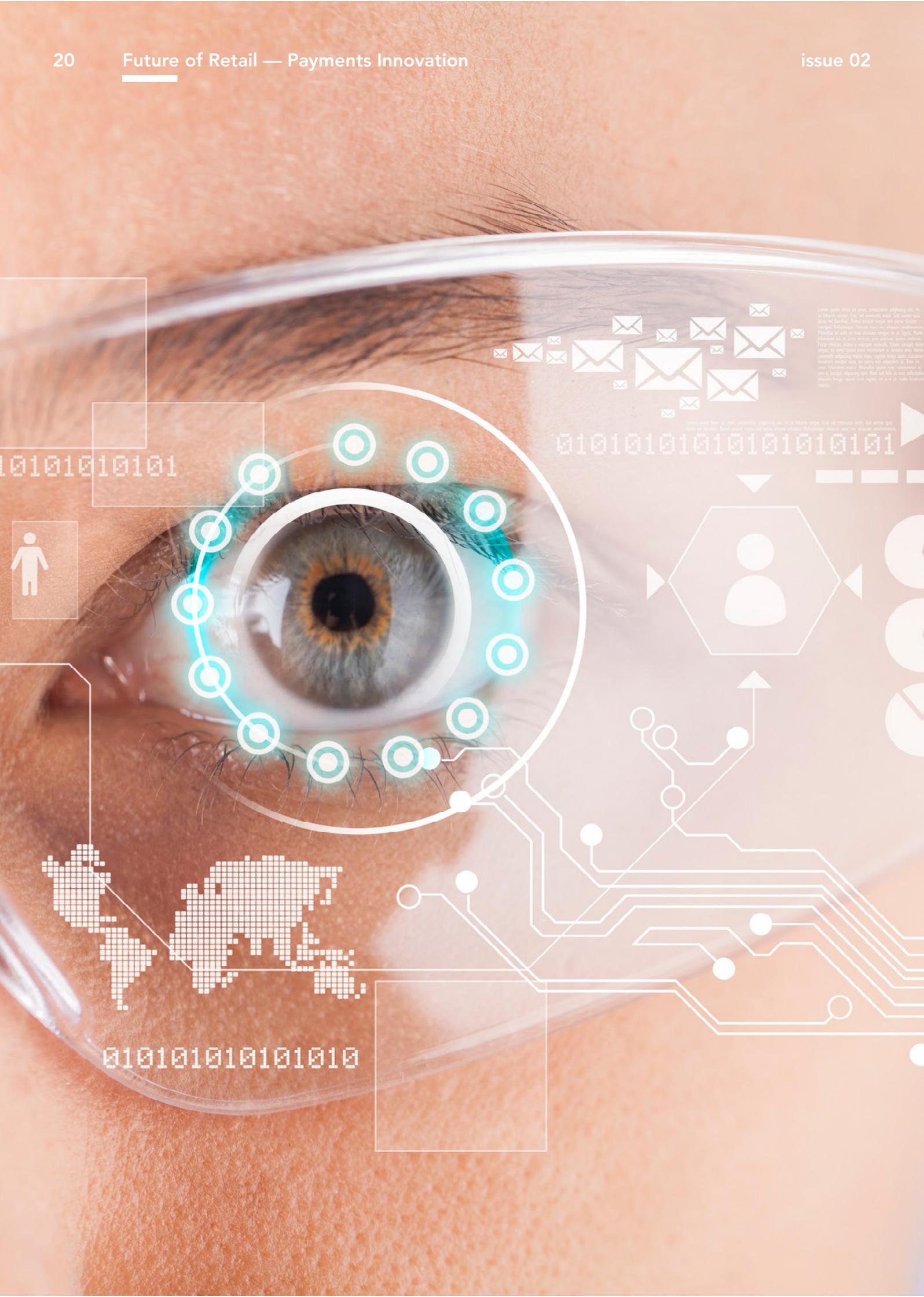
Retailers must embrace technology to
stay ahead of the game

This article highlights how investment in new technology can deliver better customer service, enable realtime offers and improve efficiency in-store.

By
Rob Clark
managing director of Epson UK and Ireland

I t's official – the figures show that European consumers are expecting more from their shopping experience. More than four out of 10 (42%) European consumers would like mobile payment options in-store, while 45% of consumers claim a well-integrated multichannel experience has a major impact on brand perception. In addition, 91% of European shoppers cite knowledgeable staff as the factor most likely to influence brand loyalty. It's crucial that retailers respond by creating a retail ecosystem based on new technologies, embracing solutions that empower staff to be more mobile and knowledgeable.

How exactly can such a shopping experience be achieved? As an industry leader in POS printers and Augmented Reality, Epson is well placed to support the technological transformation in retail.

EMBRACE MOBILE POS FOR BETTER CUSTOMER SERVICE

Mobile POS systems can improve customer experience by reducing queue times and speeding up payments. In addition, they reduce the amount of hardware needed, they can cut associated servicing and maintenance costs, and free up much-needed counter space. The mobility offered by these devices also allows the sales force to move away from their counters and desks, enabling greater customer interaction across stores and facilitating cross-selling opportunities. Mobile POS systems also create more knowledgeable staff, who are able to engage with customers while having information at their fingertips. There also positive implications for store management, since the large volume of data the devices can support enables real-time stock control, pricing and promotion management.

PROVEN TRACK RECORD

Mobile POS systems have been deployed with great success in Italy and the Netherlands. Bisbigli, an Italian clothing brand, uses Epson's TM-I technology to tackle operating problems, such as direct sales payment systems or monitoring the sales of affiliated stores and to free up space. Thanks to Epson's technology, Bisbigli was able to simplify its processes and the daily management of its retail outlets. In the Netherlands, BAS Group, the country's largest e-tailer, deployed mobile POS solutions to eliminate the barriers between online and offline. Counters and tills have disappeared; customers can pay the staff directly. Employees no longer need to worry about hardware that doesn't work properly and can instead focus on providing the best customer service.

EASY POS DEPLOYMENT

One barrier preventing retailers from embracing mobile POS is the perception that it requires a complete POS overhaul, but that is not always the case. Devices like Epson's TM-Intelligent receipt printers are able to work alongside legacy infrastructures and technologies. Better still, they can be easily upgraded to become intelligent, connected hubs. Retailers shouldn't be concerned about implementing these solutions, as portable receipt printers are equipped with facilities to ensure easy integration, serving as a connectivity hub for mobile and cloud/browser based POS and peripherals without PCs, drivers or printer servers.

ENTER AUGMENTED REALITY

The retail revolution doesn't stop with mobile POS. In today's digital age, consumers want to shop on the High Street, but they also want to see retailers deploy high-tech solutions to improve the shopping experience. This is where Augmented Reality (AR) comes in. Portable smart glasses with AR capabilities are set to revolutionise the retail landscape by improving customer experience and the efficiency of retail operations. But how exactly can AR improve the in-store shopping experience?

42% of European consumers would like mobile payment options in-store while 45% of consumers claim a well-integrated multichannel experience has a major impact on brand perception.

BRINGING THE STORE TO ONLINE SHOPPERS

AR can improve the customer's online shopping experience by facilitating 'live chats' between online visitors and staff on the shop floor. This provides customers with an immersive visualisation tool for viewing products and improving the efficiency of stock clerks by visualising whether the placement of merchandise conforms to the guidelines.

Imagine an online shopper is interested in seeing what the fabric of a particular shirt looks like in the flesh. Unfortunately, they're unable to make it down to the store, and can't get a good enough close-up from the website. A solution could be to request a member of staff in the store to show them the shirt via smart glasses, such as the Epson Moverio BT-200. That way, the online shopper would still be able to inspect the shirt, without leaving the comfort of their home. Here lies a key strength of AR in retail; it's capable of empowering your employees to reach out to customers beyond the physical store.

REAL-TIME OFFERS AND DEALS

AR enables organisations to make use of their big data and combine it with information commonly available from third-parties (such as weather, TV programming and so on) to design customisable shopping paths for each consumer with real-time offers and deals along the way. Interactive screens can be used to assist customers on their journey around the store, whilst 'virtual mannequins' can be used to deliver branding messages, customised advertising and provide customer service updates in real time. Once again, the physical store should not be seen as distinct from the retailer's online services; rather, the two should work together seamlessly.

IMPROVING EFFICIENCY OF STOCK CLERKS

Equipping your stock clerks with AR devices could enable them to follow merchandising placement guidelines around the physical store, potentially limiting errors. Stock placement is everything in retail and is typically managed via planograms, which have clear limitations as 2D images. The 3D capabilities afforded by AR would make this a much simpler and more accurate process, allowing stock clerks to focus on value-adding activities.

AR ISN'T A THREAT

AR should not be perceived as a threat to the in-store experience. The future looks bright for physical stores – in fact, recent research shows that millennials are more keen on in-store purchasing than previous generations. However, what's also clear from the survey is that millennials want high-quality retail experiences – and that's where AR has a role to play. Clearly, the technology is capable of enhancing retail brands' relationships with their customers, whilst empowering employees to achieve more with their time. As the pace of digital innovation steps up a gear, retailers must stay ahead of the game and embrace AR; otherwise, customers could look elsewhere.

To conclude, it's clear that the retail sector is on the brink of a technological solution. Retailers which fail to embrace innovations like mobile POS systems and AR could fall behind as customers demand their stores properly reflect the digital age. Ⓕ

How to grow
domestically and internationally with the right payments services provider

Successful international expansion in a digital age according to Ingenico relies on local knowledge, using data, supporting the local payment options and assembling the right team.

By
Julian Wallis
country manager at Ingenico ePayments UK & Ireland

E-commerce is growing and Europe continues to be at the forefront of an ongoing revolution in how customers pay for products and services. Of the 685 million people in Europe aged 16 and over, 296 million, or 43%, are e-shoppers. What's more, we are not only shopping in our own countries: cross-border e-commerce is expected to grow 27% each year up until 2020, when it will be worth more than €1 trillion.

In Europe, e-commerce revenues rose from €402 billion to €455.3 billion in 2015. By the end of 2016 it is expected to exceed €509 billion. With more of us shopping online, payment trends are shifting constantly, and customers who are used to constant innovations such as contactless payments, Apple Pay, and digital wallets, place more demands on merchants. This means relying on a payments provider to help with strategies that meet these expectations. If customers do not have an optimised experience that offers them the payment methods, language, currency and other options they have grown accustomed to, then the merchant risks losing business.

LOCAL EXPANSION IN THE DIGITAL AGE
Let's look at expansion on a local level first: not all merchants have specific ambitions to sell their products and services across the world. The UK market, for example, is Europe's largest e-commerce market, worth more than €157.1 billion in 2015, and merchants can deal in their own currency and with familiar regulations.

Meanwhile, the methods that customers can use to pay are constantly expanding. This presents strong opportunities to grow your business locally, by offering

"Of the 685mn people in Europe aged 16 and over, 43%, are e-shoppers. Cross-border e-commerce is expected to grow 27% each year up until 2020, when it will be worth more than €1 trillion."

European B2C E-commerce Report 2016

in-app payments, digital wallets, tokenisation and mobile-optimised payments pages, not just credit and debit cards. If you can't offer the customer the payment method they want to use, you risk losing their business. Merchants must provide seamless mobile payments online, NFC for low-value purchases in store, and a more well-rounded omnichannel experience. Building this holistic approach to payments brings new challenges and PSPs must ensure they can offer this experience to merchants and their customers.

EXERCISING LOCAL KNOWLEDGE IN INTERNATIONAL EXPANSION

Expanding internationally brings its own set of challenges, including local consumer behaviours, banking protocols, shipping preferences, regulations and currency management. In 2015, 16% of all individuals in the EU purchased goods and/or services through the internet from sellers outside their country of residence but within the EU – an increase of 33% compared to 2013.

Customers will go wherever they need for more competitive pricing and a wider range of goods and services. Multinational merchants that can navigate these cultural, regulative and economic nuances will be much better poised to benefit from the $900 billion said to be up for grabs in global e-commerce over the next decade.

Asia, for example, will command 39.7% of e-commerce sales by 2019, despite being home to approximately 900 million people outside the banking system. 34% of global e-commerce sales are made on mobile devices, particularly in Asia, where most people use tablets and phones as their main way of transferring money and buying products.

Companies wanting to expand into this territory need to understand these cultural differences, such as the importance of accepting Alipay, the most popular e-wallet service in China, boasting over 800 million users

and more than 8.5 million transactions per day, as well as Union Pay, used by all of China's major banks on the country's only interbank network. Add to this different government-led financial inclusion programs and new local and global FinTech players, and there's a web of complexity to overcome in order to succeed.

USING DATA TO BENCHMARK PERFORMANCE

Navigating the payments landscape is a crucial factor in international expansion, and merchants should look to their PSPs to help them grow. It is no longer enough for PSPs to merely facilitate payments: the standard has evolved to incorporate a new value added service. Payment service providers including Ingenico ePayments have evolved to enable businesses to grow in all directions, offering expert advice that allows you to manoeuvre through regional payments trends. This new standard of PSP has opened up new markets to businesses of all levels, not just enterprise level retailers.

From a merchant's point of view, delivery of this new service is essential. Business insights on the customer journey can reveal how customers are engaging with you and buying from you. Demand for a multichannel experience is evolving into a more omnichannel experience where customers browse in-store but want to order online for convenience, or they may choose to click-and-collect if they're not available to receive deliveries.

Huge amounts of raw data are of little use without knowledgeable analysis that focuses on the real business questions. You need to know; how am I performing in a certain country; what is my authorisation rate, and what is my current fraud level? Ingenico ePayments has this knowledge, data and experience in providing actionable insights using its data analytics tool Elevate, helping enable a successful omnichannel offering.

Benchmarking this data is critical. Analytical answers to the above questions become truly powerful when

they are compared to competitors. Payment providers should not assume that you know, for instance, what authorisation targets you should be hitting. 85% may be excellent in one country and poor in another; it is important to understand the local market and know how the competition is performing. This is when data really comes to life and provides valuable information for expansion.

ASSEMBLING A TEAM OF VENDORS WHO CAN SHARE YOUR BUSINESS VISION

PSPs have built payments pathways across all corners of the globe. Merchants must now ensure that they are accepting payments in the right ways, in the right markets. Consumers cite convenience, speed and ease of use as factors that will attract them towards e-commerce purchases, but their particular preferences vary hugely across the globe.

We want merchants to be able to focus on their core offering. The key to unlocking your expansion potential is to partner with expert payment professionals and consultants who can guide you through the process, on both a local and global level. Payments will always be an essential component of this growth enablement team. The selected provider should have the innovation of the cutting edge PSP player, the heritage as long standing industry leader and the experience of a global and local executive team. ⓕ

Will cards be needed in the future
to make a payment?

Here we hear about the long-term future for cards from a start-up wearables payments company.

By
Phil Campbell
founder of Kerv

When I was asked to write a short piece about how in the future consumers will not be requiring a card to make payments, I thought it would be straightforward. As the founder of a wearable payment technology company Kerv, I was more than convinced of the statement and have seen numerous demos of card alternatives in retail.

It's 50 years since Barclaycard launched the UK's first credit card, and there's been little change in the basic payment card premise since then. And they still work incredibly well for the consumer, who can use credit

and debit payment cards almost anywhere, they're secure, small to carry around and reasonably robust. So if it's not broke, then why try to fix it?

The answer is friction. Marketers and strategists will talk about creating a friction-less experience for the consumer – making it easy for the end user, which invariably means quicker. Over the last generation we have not seen the type of new inventions that occurred in previous generations, but instead we've seen an evolution with speed and convenience at its core – driven by an increasingly consumer focused society that demands immediacy – be that more powerful smartphones, faster internet speeds, or the ability to send money instantly around the world.

So while the consumer has seen their online retailing experience streamlined, such as one-click checkout, the bricks and mortar payment experience has changed little.

While us Brits are supposed to be a nation of queue lovers, I suspect our patience only extends to queuing as a pastime – not when it's something important like trying to grab a bite during an increasingly short lunch break. I know in my quest for a morning coffee in London, I have certainly been prepared to move on to a different outlet if the queue is too long.

It may seem that reducing payment time seems pretty trivial, but the numbers do stack up – for the benefit of both customer and retailer. In a high footfall environment with an average serving time of 4min, then an overall reduction of 15-20 secs equates to an increase of around 7% in revenue. That's not accounting for improved customer satisfaction.

The question is how can that be achieved?

Uber is hailed as having revolutionised the taxi industry, and in particular its frictionless payment experience as the user can simply get out the car, with the payment (and tip) being made automatically. A zero touch payments experience.

Many have attempted to implement alternatives to card payments, positioning them as lower cost, greater benefit to the user, or quicker. With the growth of smartphones, it was no surprise that paying via mobile has been at the top of the list - we saw PayPal introduce an app in 2012 to allow users to pay in store, and numerous other smaller developers.

We've also seen some more elaborate options, ranging from biometrics, to facial recognition and geo-fencing: essentially recognising you as you walk in the door of a store, and allowing the assistant to take a payment from you while you're in the store, without the need to reach for your phone, wallet or coins.

But the single biggest barrier to adoption of any of these has been integration with the legacy retail IT network – as a consumer, I'm highly unlikely to use an alternative payment method that only works in a specific store.

Similarly, retailers don't want to integrate with new technology unless it brings with it the promise of increased consumer spending.

Apple had the brand clout to influence such a change, but while the consumer may not present a physical card, Apple Pay very much relies on the card rails. Without it, even Apple would have struggled to win consumer, retail and bank adoption.

There are other selected instances that show promise and the potential to breakthrough, such as MasterCard's Qkr! – a digital app that allows users to pay at the table for their drinks or meal. But as only implemented in a handful of stores, it still represents little more than a pilot.

In my opinion, the most successful recent innovation within payments is that of NFC technology, or contactless payments. Although available in 2007, it's only taken off with concerted promotion by Barclaycard, and Visa, active growth in the payment acquiring side by Visa and MasterCard, adoption by the high street banks and high profile uses such as the supermarkets, fast food restaurants, Apple Pay and Transport for London.

Representing 18% of all card transactions,

"The single biggest barrier to adoption of any of these has been integration with the legacy retail IT network."

and growing at 21% CAGR (compared to 5.4% for other cards) then contactless represents the evolution of payments and facilitates non-card products as NFC payment chips are integrated into a range of devices – be it mobile phones, to wearable devices such as wristband, watches and rings.

My own personal view (and the reason I started Kerv who are launching the first NFC payments ring) is that consumers want a fast, convenient payment method that is always on hand, robust enough to survive our busy lifestyles and with no battery to inconveniently run out when we are wanting to make an in-store payment. But we still recognise the part the card rails play in our own (and other such) products.

So reflecting on the original question then I need to caveat my answer by saying that yes, I do believe consumers won't be paying with cards, but we'll still be heavily reliant on the card infrastructure for many more years to come. Furthermore, I don't yet see how there will be a viable payment alternative that isn't underpinned by them. Ⓕ

Never before
has so much payments innovation been seen

Independent retail payments expert Mark McMurtrie guides us through the arrival of in-store mobile, mPOS, new payment form factors, digital wallets and alternative payment methods.

By
Mark McMurtrie
director of Payments Consultancy Ltd

For many years there was little innovation seen from the payments sector. Retailers just wanted to ensure a customer never abandoned a sale through lack of supported payment acceptance method. The key requirements were for transactions to be completed quickly, safely and at low cost. Terminals may have become smaller, added minor new features, reduced transaction times and offered support for new card types and technologies, however nothing that radical has emerged. Then came the regulatory requirements to achieve first Chip & Pin and then PCI Data Security Standard compliance.

Payment strategies were largely dictated by the international card schemes with little influence from the merchant community. The large acquirers enforced these regulations and did little to compete on the provision of merchant acquiring services. Retailers became completely fed up with being told what they must do and having deadlines set for compliance. Attention was also largely focused on domestic markets and for Visa/MasterCard credit and debit card acceptance.

IN-STORE MOBILE ARRIVES

In 2015 we appeared to move into a new chapter. 'Boring' old card payments started being treated as 'sexy' new payment methods. Firstly 'Tap and Go' contactless transactions finally came of age, thanks largely to the adoption by Transport For London and the Grocery sector, after a long gestation period. Simultaneously mobile payment solutions emerged in the UK market. Retailers started equipping store colleagues with mobile transactional devices for in-store usage. These could be used not only to investigate stock availability but also to provide assisted selling and for queue busting purposes. These tablet and smartphone based systems are full transaction devices with integrated payments capability.

Following various merchant pilots it became clear that introducing mobile is not straightforward. It is far more than ringing up a sale and hitting the pay button. From a payments perspective chip and mag stripe cards need to be read, PINs have to be captured securely, contactless cards accepted and receipts issued to those customers who want one. Bagging, wrapping and un-tagging of goods also needs to be considered in order to provide a complete customer service. Mobile payment systems have to cope with a tough operating environment and consider issues like battery life, recharging and the securing of assets.

AND mPOS TOO

For the smaller merchant or outdoor traders new mPOS solutions arrived from a multitude of suppliers including both established payment brands as well as new market entrants. This form of payments innovation has expanded the places where electronic payments can be accepted thereby increasing the market size by tens of thousands of merchants.

Initially, merchant take-up is widely viewed to have been disappointing however now, with innovative service features such as pre-integration with POS applications and tiered volume based transaction pricing, sign up rates and usage have increased. Perhaps too unrealistic forecasts on speed of adoption for mPOS were articulated. Let's take another look in three years time to judge success or failure.

NEW FORM FACTORS APPEARING

Sales assistants are very familiar with the traditional plastic card shape, design and branding as they have been using these for the last 30 years, but now payments can be initiated from a wide variety of alternative form factors that look nothing like a card.
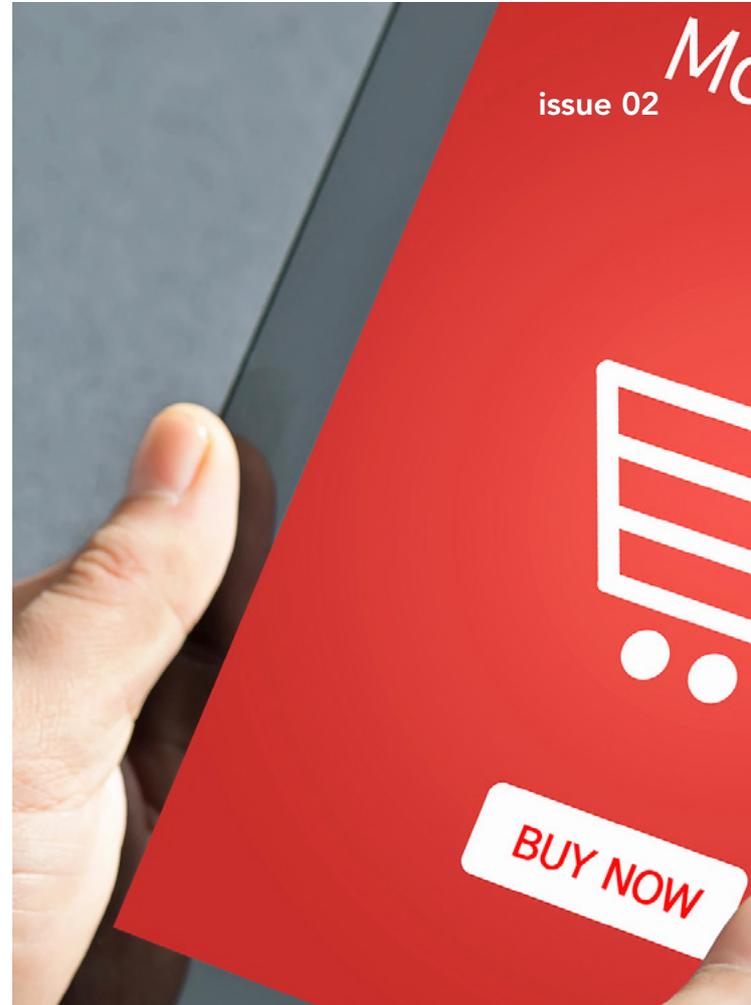
The smartphone will likely become the 'new normal' form factor in ten years time, but for now they are still considered new and viewed curiously when used to make a payment.

Smart bands worn around the wrist, like bPay from Barclaycard, can be embedded with a contactless credit/debit card and communicate to the reader via NFC communications. These are particularly popular in closed environments like festivals, campuses, holiday camps and cruise ships. We are expecting to soon see a wide range of new NFC enabled form factors such as smart rings from the UK's Kerv, and clothing with payment details embedded within the garments.

DIGITAL WALLETS FROM abcPAY

The arrival of ApplePay is considered by some to be the most significant payments innovation of the last decade. However those with a deeper payments understanding realise that what Apple has actually done is a great job of packaging a multitude of components together and then creating a very high profile and successful market launch. Apple does not have the NFC mobile payments market to itself, with AndroidPay and Android Contactless Mobile from Barclaycard now live in the UK and SamsungPay expected to launch here soon. All of these new mobile payment options include the use of tokens as a replacement for the 16-digit card number which has become so attractive to criminals.

As a result of this unparalleled amount of payments innovation many retailers are confused about which new payment options to support, when is the right time for adoption and who to be working with.

OMNICHANNEL PAYMENTS

UK consumers have changed their buying habits and now use a variety of sales channels to look for goods and services and to make purchases. Omnichannel programmes have high profile at large and mid tier merchants. Often though, payments has been omitted from the scope omnichannel initiatives. This has created poor customer experiences if an online purchase could not be refunded in-store due to incompatible payment options across channels. As merchants look to introduce payment systems that can work seamlessly across all channels we can expect to see further changes, which may wellinclude new customer authentication methods like biometrics.

PAYMENT IS NO LONGER ENOUGH

Progressive retailers are realizing that their customers are not just looking for a new way to pay. They instead want payment to be combined with loyalty and reward programmes that can form part of a digital customer engagement strategy. These combinations provide 'added-value' and boost customer retention, engagement rates and sales volume. Also, digital receipts are increasingly being offered and these are not only 'greener' options but also more helpful for many groups of consumers so we can expect to see these being more widely adopted.

ALTERNATIVE PAYMENTS

Today, merchants are not restricted to just Visa/MasterCard credit and debit cards, they can pick from a growing list of alternative payment methods. These are headed by support for PayPal and UnionPay, prepayment options as well as direct bank account schemes like Zapp and Klarna, all adding further choice and confusion for retailers.

HELP. WHAT SHOULD I DO?

As a result of all this unparalleled amount of payments innovation many retailers are confused about what should be done. Which new payment options to support? When is the right time for adoption? Who to be working with? These are the commonly asked questions. To help answer these questions Payments Consultancy Ltd offers a range of high level advisory services that include market assessments, payment strategy development and supplier selection. Ⓕ

Payment innovation for today's retailers
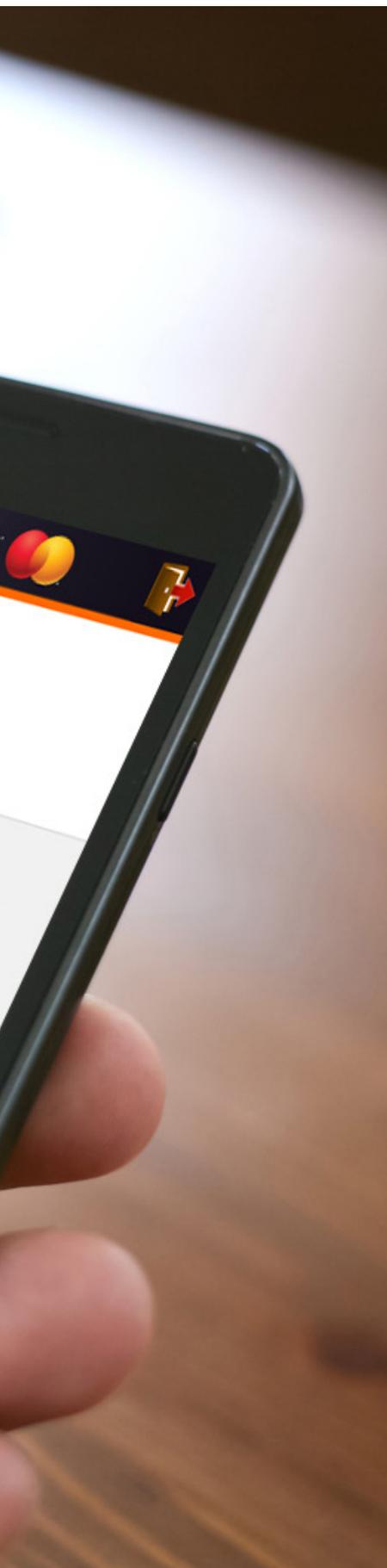
International payments brand Mastercard talks us through key payment implications of the global transformation to a constantly connected world.

By
Scott Abrahams
head of acceptance and digital payments at
MasterCard UK and Ireland

As the ground shifts in retailing and shoppers increasingly divide their purchases between the most convenient channel, be it in store, online or in App, payments need to stay aligned. We know the future landscape for retailing will continue to evolve. To stay one step ahead requires investment in the latest technology so that we are ready with simpler, smarter, faster and more secure solutions for retailers and customers alike.

British consumers and retailers have already come to embrace the benefits of cashless commerce – above all convenience and safety, making the UK one of the countries with the highest penetration of electronic payments in the world. In fact, every day, over a million British retailers – many of them high street shops – get paid electronically – meaning fewer visits to the bank, less security worries and more sales to visitors from abroad.

However, for the past few years, retailers selling through their bricks-and-mortar estate haven't really had a level playing field to compete with the personalisation, convenience and, in many cases, lower prices provided by online challengers. By taking advantage of rich customer data and often a

In 2015 growth in online sales hit 11%, with e-retailing for the first time generating over £110 billion of expenditure.

significantly lower cost base, retailing online has had the upper hand.

Retailers know that reacting with speed to their customers' demands and changes to shopping habits or choices is what will ultimately determine their success or failure. What is increasingly clear is that consumer behaviour is changing faster than ever. In 2015 growth in online sales hit 11%, with e-retailing for the first time generating over £110 billion of expenditure. We're in the midst of a global transformation as more and more people are moving from the offline and disconnected world to being constantly connected. Consumers all around the world are adopting smart devices at an astounding pace, for retailers this opens up more and more opportunities to engage shoppers in new ways – changing the way we interact, browse and shop. This pace of change is expected to continue with 50 billion connected phones, tablets and other devices projected by 2020, many times more than the world's population.

This evolution of shoppers' behaviour means retailers need to offer a payment solution that best meets their customers' needs in any channel they choose to transact in, or they run the risk of losing that sale.

MasterCard has developed MasterPass with this modern retailing puzzle in mind. MasterPass stores customers' card details – of all payment networks - and delivery addresses within a secure wallet. The advantage of this means when paying online, you simply need to choose the MasterPass button at the end of the checkout process and sign in. No more typing in card details, expiry dates or address information.

Digital wallets offer a practical and convenient solution to the issue of higher 'basket abandonment', which is becoming ever more prevalent as consumers turn to 'm-commerce ' and smaller screen devices. Equally this shift to smartphone commerce means digital wallets provide the best combination of payment security, ease and convenience in an App environment or physically in store using contactless technology. Biometric authentication of contactless smartphone payments, such as Apple Pay or Android Pay or banks' own solutions, already means the £30 contactless cap is no longer required.

IN STORE INNOVATION

High street and store based sales still account for the overwhelming majority of retailer sales and as such the focus on innovation at the physical point of sale has continued at pace. However, the dependency on sales made around peak discounting periods, such as the pre-Christmas Black Friday weekend, is becoming an increasing issue for high street retailers. One piece of innovation coming to the UK and Europe this year, which offers retailers a solution to converting more sales throughout the normal shopping year, is MasterCard Instalments.

This new payment option will enable UK credit cardholders to split transactions across equal monthly instalments using their existing credit line from their card issuer. This differs from standard credit card purchases, as the in-store point of sale terminal will ask the customer whether they want to pay in full or split the payment cost over say 3, 6 or 9 months. Thus giving shoppers who wish to spread the cost, the control of knowing exactly how many months it will take to pay and exactly what the monthly payments will be. Expectations are that there will be an Instalment card issuer and several retailer partners taking part in a UK pilot later this year.

QKR! THAN EVER

A great example of where digital payment innovation meets the physical world is the Pay at Table App – Qkr! MasterPass. Already available at all UK Wagamama, ASK Italian and Zizzi's restaurants, it's coming to all Carluccio's and several Young's Pubs before the end of the year. The App brings customers a more convenient and fuss-free way to pay for their meals when they are ready, and split bills with friends or colleagues if they wish. All from their
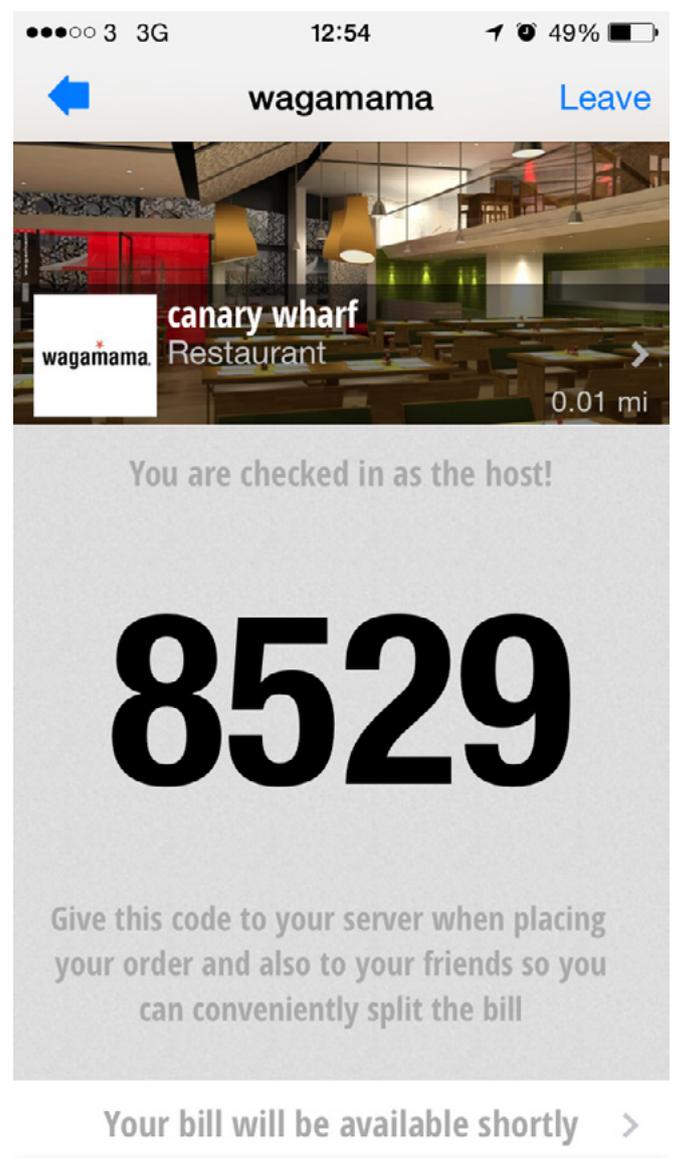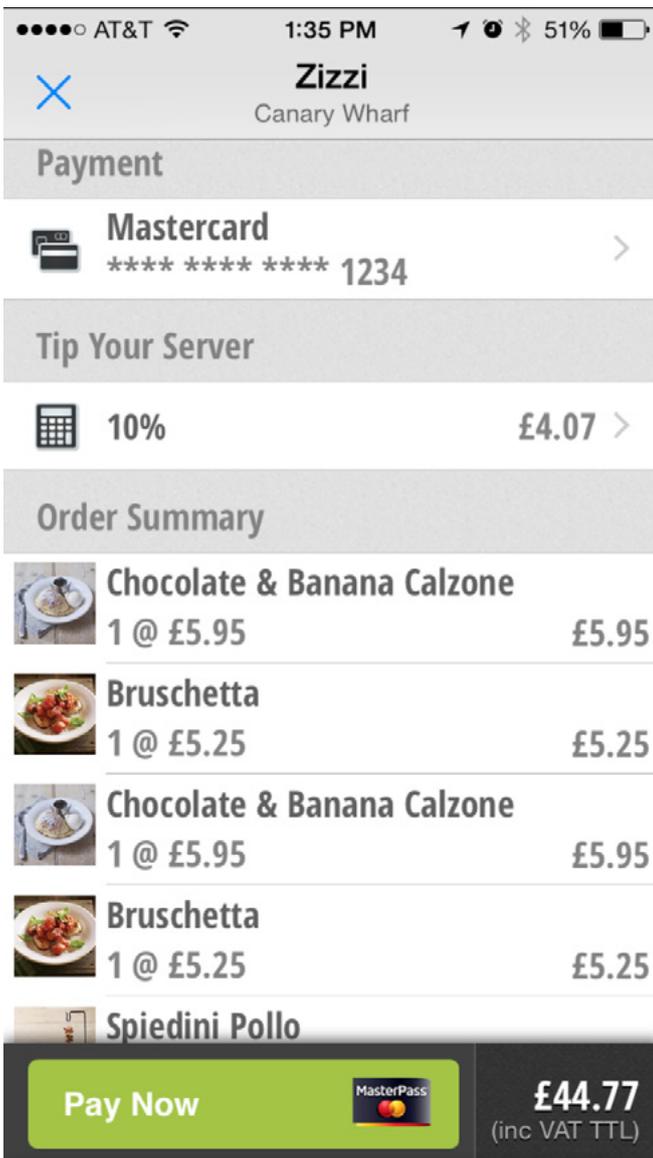
smartphone. At Wagamama the functionality goes one step further and gives customers the option to order more food and drink from the App and have it delivered to their table. Customers have their card details stored in the App and confirming the payment is as simple as the press of a thumbprint or the typing in of a password.

We know that the pace of change is only likely to accelerate for retailers, so we remain focused on continually improving secure shopping experiences for consumers, no matter how or where they choose to make their purchase. ⓕ
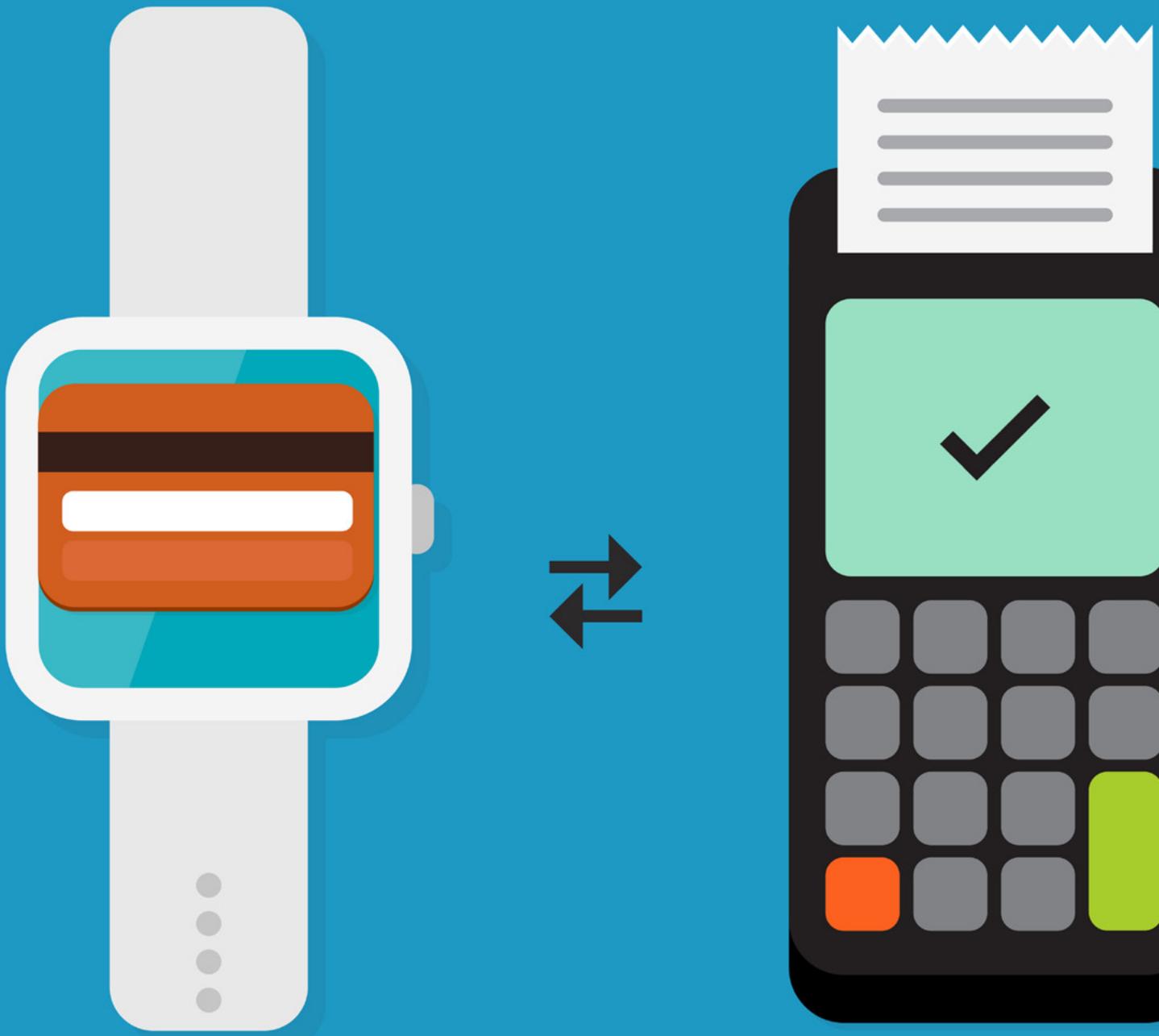
Retail mobilisation:
a win-win for retailers and shoppers

Research commissioned by Miura Systems captures the opinions of store staff, shoppers and retail executives, highlighting the need to mobilise employees and equip them with appropriate technology.

By
Simon Stokes
chief commercial officer at Miura Systems

Even discounting the dramatic political events of the past few weeks, UK retailers have found themselves in increasingly challenging times. On the one hand there's the ever-present need to keep costs under control. But businesses across the country are struggling to balance this with a desire to invest in omnichannel strategies to make them fit for purpose on the 21st century high street. So what is the best way to improve the shopping experience and retain customers while driving profits and keeping staff happy? With the stakes so high, it's far from obvious what to do next.

That's why Miura Systems recently commissioned research which draws from the opinions of store staff, shoppers and senior retail executives. It's no silver bullet, but the findings point to retail mobilisation as offering many of the improvements sought by retailers in the UK today. As we brace for another period of economic and political uncertainty, it's never been a better time to consider what mPOS could do for your business.

VIEW FROM THE FRONT LINE
One of the first things we can say about running a high street business in 2016 is that shoppers are more demanding than they've ever been. They have little time for queues, want as much choice as possible to pay by their preferred method, and increasingly demand a more interactive experience with staff.

The front line is often at the till. In fact, 80% of store staff say shoppers put pressure on them to hurry when there is a queue, while in London, over a third say their customers think they work too slowly. Technology in this context provides both problems and solutions for the under-fire retail owners and their staff. Smartphone-carrying shoppers who increasingly research purchases online, are becoming more demanding of staff – 70% of whom say consumers often ask them questions even when they're serving another customer. Investing in mPOS capabilities would help cut queues at the till and provide an opportunity to create that emotional bond between assistant and customer which is so vital in customer engagement and transforming the shopping experience. More on this later.

Whatever happens, shoppers want change. And over a decade after Chip and PIN first hit the high street, it's clear that machines are in need of a reboot. Some 41% of shoppers say that Chip and PIN machines are often worn and dirty and 70% of staff claim that if they were CEO, they'd introduce new technologies to stores more quickly.

Technologies like contactless, Apple Pay and Android Pay have the potential to transform the purchasing journey into a faster, more secure and user-friendly experience. Contactless in

particular is fast becoming the norm for card payments on the high street. As of April, there were reportedly 88 million such cards in issue in the UK, with nearly £1.6 billion spent on them in that month alone – an increase of over 240% from a year previous. We expect mobile payment systems from Apple, Android, and in time, Samsung, to follow the same path. In an increasingly fragmented payment landscape it should be a no-brainer for retail owners to offer as much freedom as possible to customers who are taking more time deciding exactly how they'd like pay.

THE BOTTOM LINE
The bottom line is that retailers who fail to respond to these multiple challenges will begin to see lost business and revenue declines. According to the staff we spoke to, UK retailers could each be losing on average over £110,000 in each store per year through lost sales. This is either due to the customer walking out because they couldn't find an item; they couldn't find a store assistant; or because pricing wasn't clear. Fortunately, there is an answer to this challenge, and it comes in the form of the Apple Store.

Apple offers us a whole new way of doing things. Staff are empowered to roam the store with mobile devices, from which they can help customers with their queries, take payment via a wirelessly connected machine, and even order items that aren't in stock. It not only mitigates all the issues that usually cause a customer to leave a store without buying, but creates the kind of interactive shopping experience which increasingly tech-savvy UK consumers are craving. The result? Happier shoppers and bigger profits.

For those still not convinced, it would be foolish to underestimate the impact the American tech giant's retail model has had on the British consumer. We calculated that around 14% of the public bought something from an Apple Store in the past two years – that's nearly seven million people. The vast majority we spoke to thought the whole payment process was extremely easy (96%); they liked the fact that staff could take payment
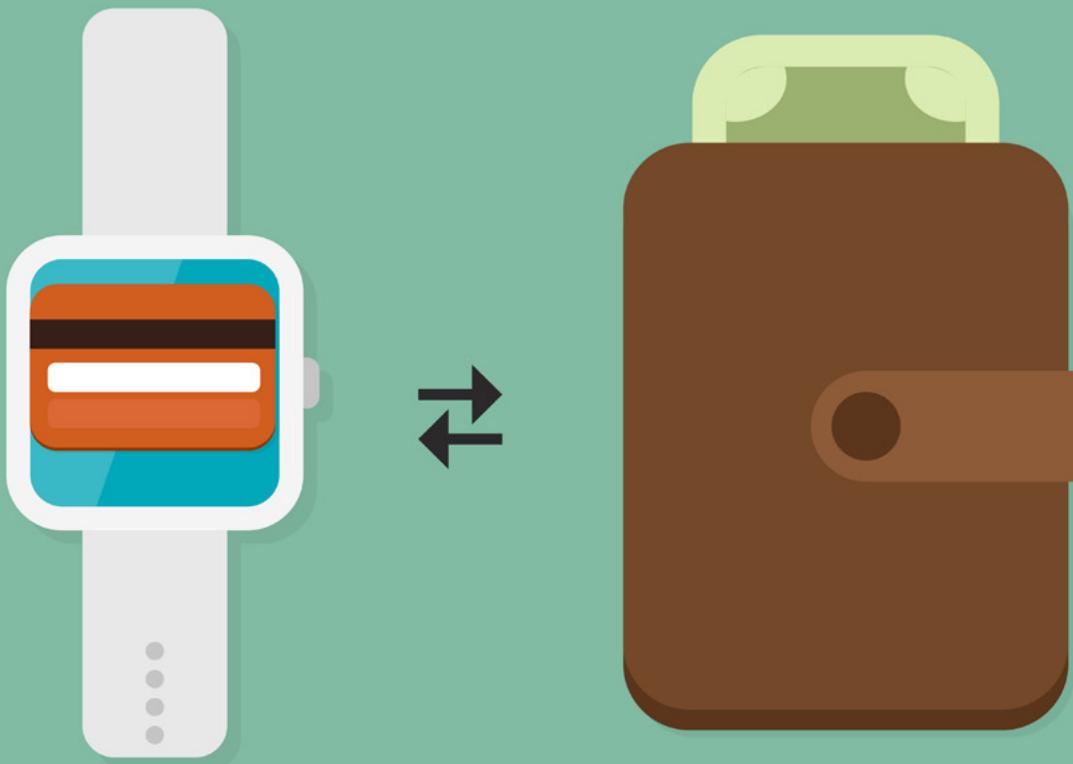
As of April 2016 there were reportedly 88mn contactless payment cards in issue in the UK, with nearly £1.6bn spent on them in that month alone – an increase of over 240% from a year previous.

wherever they were (92%); and said other retailers should follow the same model (80%).

Retail mobilisation is all about getting your most valuable asset, your staff, out from behind the counter and interacting with shoppers. Eliminating the hand-off between store assistant and payment staff will also improve the whole experience as well as cutting queues at the till. And it's happening today, all over the country, supported by next generation payment technology from Miura and others which combines contactless, Apple Pay and Android Pay capabilities with fast, secure and highly usable devices.

Retail mobilisation might not be for every business. In fact, some of the executives we spoke to expressed concerns about bagging, security and high costs. But the alternative is sticking with the status quo. And when only one in five shoppers reckon current processes are always fast and efficient, that should be ringing alarm bells.

If you're still sceptical, why not ask your staff about their experiences in-store? After all, they're best placed to see what's really going on at the front line. With the right focus and the right technology, retail mobilisation could finally drag the industry into the 21st century and achieve that holy grail: a win-win for shoppers and retailers. Ⓕ

The future of payments in the digital age

Here Ingenico, a global leader in seamless payment, takes us through the mass move to mobile, the global shift in payment preferences and the need for enhanced security.

By
David Jimenez
chief revenue officer at
Ingenico ePayments

Payment methods have evolved drastically over the last fifty years – arguably more so than in the previous two thousand years! Long before the 'sharing economy', there was the 'gift economy' where people relied on trust and long term relationships within stable communities to trade goods and services.

Over time, currencies developed into what eventually became the fiat currencies that provide the basis of our credit and debit transactions today. Over the last few years alone, mobile wallets, contactless payments and smart wearables, online payments, and bitcoin continue to transform the way we pay.

For any transaction, merchants need to know that they will receive payment, while consumers must feel comfortable that they will receive the goods or the services they paid for - or that they will be reimbursed if they don't.

Technology has led consumers to expect fast and easy transactions, across channels and geographies. As we move forwards, the future of payments will be based more than ever on a seamless, secure experience. Fail to deliver on security combined with simplicity and merchants risk losing their customers' trust and consequently their continued business.

THE MASS MOVE TO MOBILE

UK consumers will spend more than £53bn a year through their smartphones and tablets by 2024, according to Barclay's - more than five times the current level of payments made via mobile devices. m-commerce will be one the strongest drivers of future payments growth. It is already having a dramatic impact on the way merchants and providers think about payment and could account for nearly half of B2C e-commerce spending by

Gartner foresees that "half of all consumers will use wearable technology or smartphones for mobile payments by the end of 2018."

2019 . The share of merchants earning at least 30% of their revenue in the mobile channel will triple from 9% to 29%, according to TeleResearch Labs.

Consumers want mobile payments to be as frictionless as any other interaction, making one-click payments appealing to merchants. This has tremendous implications on the way payment solutions are designed: everything should start from consumer expectations and their desired journey.

Ovum predicts that the installed base for wearable devices will reach 650 million worldwide by 2020, while Gartner foresees that half of all consumers will use wearable technology or smartphones for mobile payments by the end of 2018.

Five years ago, Ingenico helped to realise Steve Jobs' vision to integrate a point of sale (POS) terminal into a smartphone for easy checkout in Apple stores. We were among the first to push EMV mPOS solutions on the market and have heavily invested in mobile payment pages to make mobile commerce simple and secure. We are already exploring ways to integrate payments in the 'next to come' channels, such as connected cars, so that payments become embedded into our daily lives and merchants can capture conversion wherever the customer shops.

A GLOBAL SHIFT IN PAYMENT PREFERENCES

Although commerce is global, payments remain local so that consumers can pay using familiar methods. Meanwhile, banks aren't keen to send customers' money to foreign acquiring banks. There is complexity in currencies, reconciliation, reporting, security and fraud prevention. But without overcoming these complexities, merchants will struggle to maintain their customers' trust.

The British Retail Consortium's most recent annual Payments Survey found that new payment approaches from contactless to alternative, non-card payments are increasing their market share. Currently, we believe alternative payment methods are complementary to

cards, as they do not share the agnostic and universal characteristics cards have, but over time this will change.

Cards enjoy globally unrivalled issuance and acceptance networks, making them the only universal payment method that merchants and customers trust, especially in terms of security, certainty of funds and reputation. Technology is enabling cards to evolve and become as virtual, seamless and frictionless as wallets. Advancements such as tokenization, secure elements, NFC and scheme rules that easily adapt to consumer behaviours and the shift to mobile create exciting possibilities for the future.

One third of the conversations tracked in MasterCard's 2016 Mobile Payments Study referred to biometrics and 55% of these conversations were driven by facial recognition or so-called 'selfie pay', with consumers also interested in fingerprint identification. MasterCard is already providing such capabilities, while voice verification is being used by Santander and will eventually offer the ability to make payments.

SECURITY IN THE FUTURE OF PAYMENTS

Security and risk management will be of utmost importance as we move forwards. According to a 2015 Javelin whitepaper, 15% of all legitimate cardholders experienced at least one decline because of suspected fraud in the previous 12 months, resulting in a total of $118bn in potential sales declined. If a customer visits a site where their card information is compromised or incorrectly declined, they will become frustrated. 26% of declined genuine shoppers reduced their patronage of a merchant and 32% stopped shopping with the merchant altogether. This shows the critical importance of marrying consumer experience with intelligent fraud management, especially for a successful future.

Merchants and payment providers must constantly be ahead of the game by choosing the right technologies, implementing strict data protection methods and

adhering to PCI requirements, in order to stay secure and maintain consumer trust.

The Second EU Payments Directive (PSD2) requires that all payment service providers in the EU adopt 'strong customer authentication'. Although the UK could potentially be out of the EU when PSD2 is due to be implemented in 2018, the directive requires authentication based on the use of two or more elements categorised as knowledge (something only the user knows), possession (something only the user possesses) and inherence (something the user is). These must be independent so that the breach of one does not compromise the reliability of the others, and designed in such a way as to protect the confidentiality of the authentication data.

It all comes back to trust. Customers need to trust their merchants and merchants need to trust their payment providers to help them with conversion. They need someone to make things simple for them. Optimising conversion depends on configurations that are adjusted according to verticals and geographies and for this, expertise, data and footprint are key.

The selection of a suitable payment solution provider, with the following future-proofed traits, has never been more essential and requires an approach that is based on the following qualities:

• Ubiquitous & universal
• Expertise & global footprint
• Technology & trust
• Security & intelligence

Payments organisations with these qualities will help to improve lives by driving the future of payments, the future of retail and the future of our global economies. ⓕ

Looking to the future of payments

This independent payments consultant takes us through some of the new payment technologies we can expect to see in a few years time.

By
Mark McMurtrie
director of Payments Consultancy Ltd

Retailers have become used to consumers purchasing goods and services with their credit and debit plastic bankcards. The convenience of this payment method has meant that is has become their preferred choice and the norm for paying.

As part of this move to plastic cards, transactions have shifted from paper to electronic format and retail payment systems have become geared around processing 16 digit Visa and MasterCard card numbers. Criminals though recognised the value obtainable from stealing card numbers and thus the many high profile data breaches we have seen.

TOKENS TO REPLACE CARD NUMBERS

So in the future we can expect to see transactions being initiated by token identifiers rather than the actual 16 digit card numbers. This removes the value and hence the reason to steal them.

Tokens are starting to be used and form the basis for many mobile payment solutions such as Apple Pay and Android Pay. This transition to tokens will take many years to complete. Indeed we have multiple types of organisations offering to provide and manage the tokens, including: technology companies, payment service providers, and more recently the international payment card brands. Retailers should be formulating their plans to use tokens and decide who to work with.

NEW FORM FACTORS

We will no longer be tied to the traditional rectangular card shape. A whole range of acceptable form factors will appear. Smart wristbands, watches and rings have already started appearing and offer benefits for specialised environments like festivals, fitness activities and closed user environments. The smartphone is though expected to become the most widely used form factor for payments by the end of the decade.

The contactless payments chip can be built into a wide variety of devices with experiments taking place within items of clothing and accessories. One form factor that has been successfully demonstrated I remain skeptical about, this concerns how many people will start using false fingernails that include their payment credentials. However, we implant microchips into dogs today for verification purposes and so it is not impossible that the day will come for this to happen with humans, so far this remains a use case to feature only in sci-fi films.

ALTERNATIVE TO VISA AND MASTERCARD

The vast majority of bankcard transactions seen by UK retailers are badged either Visa or MasterCard. This means that they will be processed using the Visa/ MasterCard networks, according to their rules and subject to their commercial rates. No practical alternatives existed until now which is why they have had so much power. However as a result of the investment made by the banking sector in building a real-time processing network, which is called Faster Payments, things are changing. These high-speed real-time transaction rails, although initially targeted at carrying payment transfers for consumers and businesses, will shortly be available to merchants with the launch of Zapp the Pay by Bank App.

Near instantaneous payment transfers from one bank account directly into another bank account offers many advantages and a great consumer experience. This will bring retailers greater choice and may help rebalance the negotiating position between retailers and banks.

OMNICHANNEL THE NORM

With customers increasingly mixing and matching their shopping activity across a variety of sales channels we can expect over the next 10 years that retailers will remove the sales channel silos that currently exist. Having a single customer proposition and sales platform, which works across all channels, will also have significant impact on payments acceptance and transaction processing.

We can expect to see a shift between payment methods to those that offer improved user experience, heightened security and lower cost. Payment suppliers who fail to recognise this shift and readjust their proposition accordingly will be the losers.

CARDLESS TRANSACTIONS

Current payment systems have relied on consumers inserting their card into the reader at the payment point or entering their card details when they checkout online. Processes and technologies have all been about trying to protect these credentials and transactions. In the future we can expect to see the consumers payment details stored securely for them, this may be within a digital wallet, within the consumers account file or in an App. 'Card on file' or 'InApp' enables a faster and improved transaction experience.

Cash withdrawals at ATMs can take place today without a card ever being used so why not also within

Payments are increasing complex and the subject of growing regulatory demands, so any new payments strategy needs to be carefully thought through.

when making a purchase. I maintain that they are simply no longer fit for purpose. Although PINs remain secure today, with the ever-increasing computing power and ingenuity of fraudsters, we should be planning for a replacement so that we are ready ahead of time. This is likely to see the increased adoption of biometric methods of verifying consumers.

There is a wide choice of biometric options now available including fingerprint, finger-vein, voice patterns and iris recognition to name but a few. These technologies are rapidly maturing; error rates are coming into acceptable ranges and the costs of adoption reducing. My personal prediction is that we will see a combination of verification methods used simultaneously and that biometrics will have much greater usage.

GLOBAL MARKETS GROW IN IMPORTANCE
Retailing is increasingly becoming a global business thanks not least to the ability to serve consumers wherever they live from e-commerce websites. This growth in international sales will continue to be a priority for many merchants.

The opening up of the Asian markets and the increased wealth redistribution globally mean that retailers must offer new payment acceptance methods that are acceptable to these consumer groups. As an example UnionPay has far higher usage in South East Asia than Visa or MasterCard.

Today only a small percentage of UK retailers can accept alternative payment methods like UnionPay and this needs to change if they are not to miss out on large sales opportunities. Retailers have to ensure that they can support the payment methods preferred by their enlarged consumer prospects.

PREDICTING THE FUTURE
It is not easy for any retailer to accurately predict the future, but what all can do is recognise that today's payment options, systems and suppliers will need to change. Payments are increasing complex and the subject of growing regulatory demands, so any new payments strategy needs to be carefully thought through. It is critical to plan for increased flexibility and choice. A review of suppliers is a helpful starting point to ascertain whom you feel will be best placed to guide you through these changing times and offer what is going to be needed. Ⓕ

a store? One click checkouts as offered by large corporations such as Amazon will be replicated by smaller sized merchants. InApp purchases will also become a standard way to make a purchase. Uber, who have been creating a revolution in the taxi industry, have taken this one step further, with the consumer paying for a ride without ever showing a card or making a single click. Payment simply happens automatically when the journey concludes. This is the 'zero click' payment transaction.

BIOMETRICS TO THE RESCUE
Passwords have seen their day. They are no longer a secure and practical way to verify a genuine user

To win tomorrow, retailers must act today

Here PayPal discusses the shifting retail landscape, which presents both a great challenge and great opportunity.

By
Rob Harper
director of mobile commerce at PayPal UK

With the pace of change rapid and the rise of mobile commerce re-shaping the industry, many retailers are understandably finding it hard to keep up – let alone stay ahead of the game.

As technologies advance and markets continue to globalise, it's never been a more exciting time to be a consumer. Armed with a computer, tablet or smartphone, virtually anyone can shop in an almost limitless international marketplace. The rise of connected devices and the ease of digital payments is transforming the way money flows around UK retail and global financial systems. This is creating huge disruption in retail and payments.

But while shoppers revel in a new era of borderless buying, for retailers, this shifting landscape presents both a great challenge and great opportunity. Why? Because nowadays, success depends on multiple and complex factors beyond the traditional store environment, to whether or not a business can tap into the lucrative potential of global online customers. Here, we identify three key trends for every retailer to watch out for – and act upon today to win tomorrow.

SALES WITHOUT BORDERS
When it comes to online shopping, there are no borders and no opening hours. Instead, consumers can shop freely, moving between online stores to find what they want regardless of when or where they are looking.

In the last 12 months alone, more than 86 million shoppers from 28 countries bought goods online from British businesses. While traditional powerhouses like the USA, France and Germany continue to lead the way when it comes to buying British, emerging markets such as Nigeria (5.8 million shoppers who bought online from the UK last year) and India (4.8 million) are becoming increasingly prominent.

To attract and retain a new international audience, retailers must talk their language – literally. That means allowing shoppers to browse in their own native language and purchase in their local currency or payment scheme. Fortunately, technology is now making it easier than ever for businesses to set up their online store to work in multiple language formats and process foreign currency transactions quickly and securely.

Another barrier many retailers cite when it comes to expanding internationally is the need to navigate the complexities of new markets. That might involve complying with local taxation and duty requirements or getting to grips with cultural nuances, including major seasonal sales spikes or shopping trends. Yet here too, help is at hand. PayPal PassPort is a guide designed to help businesses expand internationally and provides a

number of useful tools for selling successfully overseas. Free advice and resources for international trade can also be found at GOV.UK.

GOING MOBILE

Most retailers are well aware of mobile shopping's growing popularity – both here in the UK and abroad. According to mobile industry body the GSMA, an additional 1.6 billion people will become mobile internet users over the next six years, bringing the total number to 3.8 billion by 2020. That's 3.8 billion people with access to the global marketplace. And 3.8 billion potential customers for the world's retailers. Consequently, many business are already tapping into this opportunity by optimising their websites for mobile and launching dedicated mobile apps.

To attract and retain a new international audience, retailers must talk their language – literally. That means browsing in their own native language and purchasing in their local currency or payment scheme.

The meteoric rise of mobile is having a significant impact on consumers' traditional shopping habits too. Customers of all ages now use their mobile phone as part of their shopping journey, whether that be to locate their nearest store, research goods and find the best deals, and shun window-shopping in favour of tracking down local offers via apps.

Retailers have to respond to these changing expectations and deliver the mobile shopping experience customers want. One that makes it as quick and easy as possible to buy goods on a phone – and converts positive intent into real sales. That means doing away with long-winded online registration forms and keeping taps, swipes and typing to an absolute minimum. One of our solutions, PayPal One Touch, lets shoppers skip the log-in process and get straight on with making their purchase in a couple of clicks. Likewise, retailers should consider offering customers as many ways to pay as possible – from secure credit/debit card payments to Apple Pay, Android Pay and PayPal. The best practice here is to enable these through a single integration that future proofs that investment and can adapt to new and emerging payment trends.

CONTEXTUAL COMMERCE

Retail is quickly evolving beyond its traditional home in stores or websites and is showing up in other channels, like social media sites, blogs, emails and messaging apps. Termed 'contextual commerce', this trend is still in its early stages but we're beginning to see it make waves for businesses by allowing customers to buy whenever and wherever the inspiration grabs them. It means they don't have to stop what they are doing online while they get redirected to a separate commerce site or mobile app to buy something.

Take the US for example. There, consumers spend around 20% of their total time online on social platforms. Connecting with consumers directly within these sites therefore offers retailers a lucrative opportunity. Indeed, at PayPal, we've already seen the power of contextual commerce in action as Braintree, a PayPal company, is providing the payment platform for the new Uber feature in Facebook Messenger. This feature lets users order cars directly via the social media app while chatting to friends.

Put another way, contextual commerce can offer shoppers a truly 'frictionless' experience, enabling products to be sold where they're first seen and the shopper to stay in the moment and transact. That kind of convenience is likely to secure their loyalty.

START TODAY, WIN TOMORROW

As the retail landscape evolves, the choice of whether not to embrace the change is becoming, well, not a choice at all. To succeed retailers of all sizes and sectors must act now to find ways to meet the needs of a modern generation of consumers who expect to shop how, when and where they want.

For those businesses that are prepared to evolve today, opportunity knocks for the future. Ⓕ
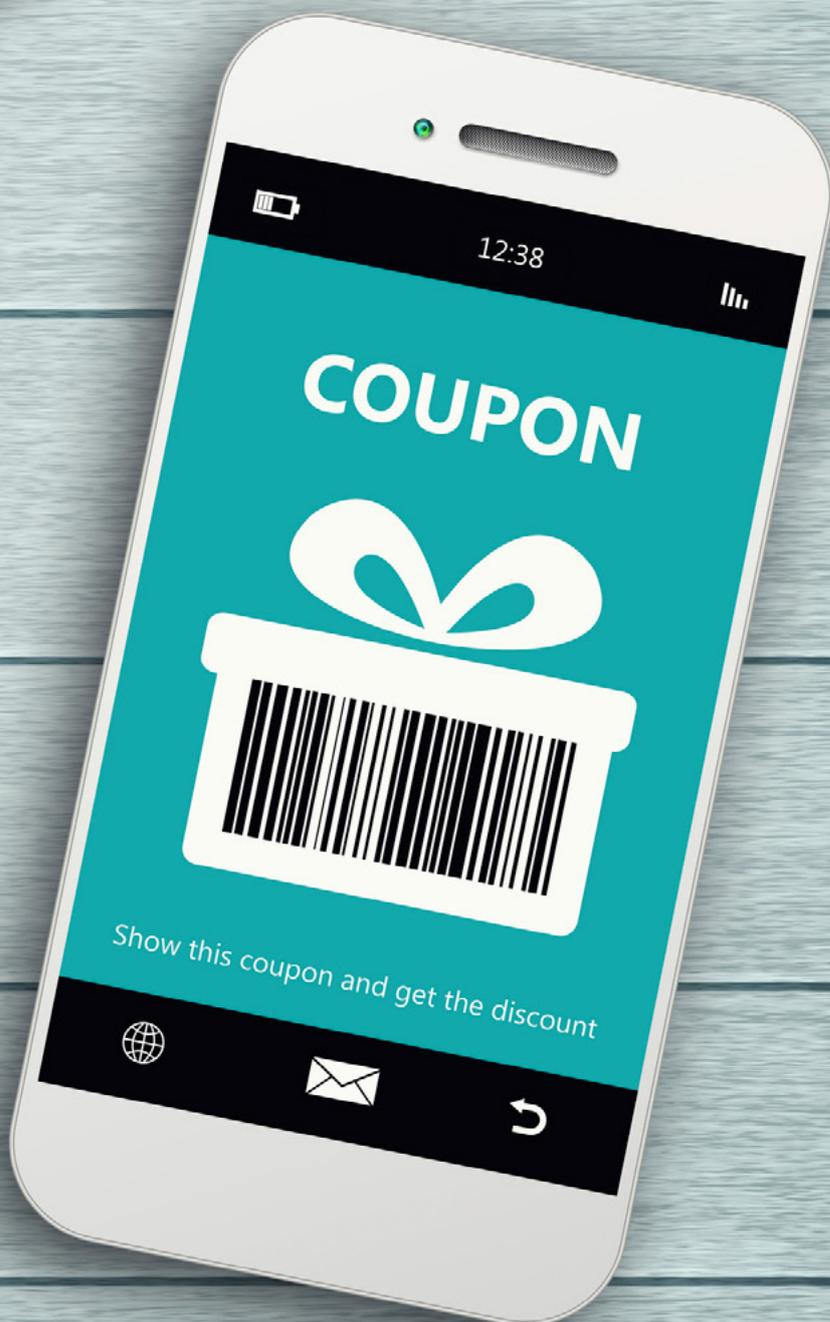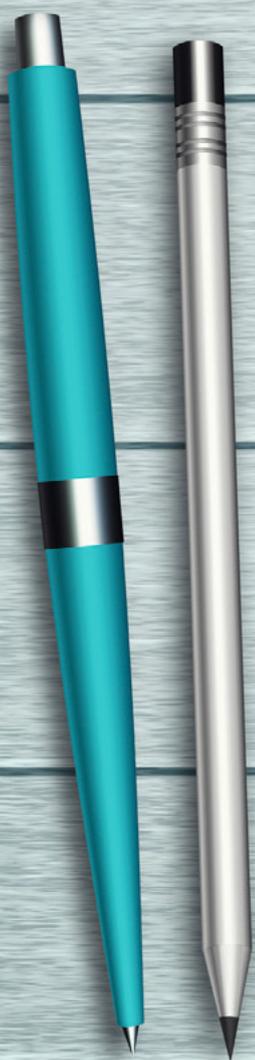
Technologies and innovations

driving a frictionless payments journey

Read how front-end simplification and back-end magic from Secure Trading can deliver a frictionless payments experience for consumers.

By
Jens Bader
chief commercial officer at Secure Trading

Arthur C Clarke, the world renowned futurist and writer, is famously quoted as saying that "any sufficiently advanced technology is indistinguishable from magic". Indeed, if someone had showed Clarke – at the time of writing 2001: A Space Odyssey – how millions of people pay for their groceries and travel in 2016, with an effortless wave of their phone or wallet, he would be hard pressed to distinguish one from the other. This to me, is the real future of payments innovation – magical simplicity and a frictionless customer journey powered by technology.

There are countless technologies and services which can help create a frictionless customer journey, all the

way from purchase to delivery and returns. Amazon's plans for delivery drones certainly catches the eye, but the innovation taking place at the level of payments should also be cause for great excitement.

For many e-commerce providers, which already have highly mature payment processes, it is simply a case of tweaking and improving the all-important final five percent, using technology to do so. These technology innovations can invariably be broken down by two distinct categories 1. Front end, the technologies and services that customers see, use and feel. 2. Back end, the behind the scenes tech which makes everything actually work.

FRONT END SIMPLICITY

It's no good setting up a payments service and standing still. Technology moves fast and all e-commerce providers need to move with it – keeping pace with consumer behaviour and demands. We're seeing new IT devices such as laptops with in-built NFC card readers, which promise to bring the same effortless payment experience from in-store to home. Online stores can't afford to ignore these users.

A payment option which is a 'nice to have' now, may one day be a necessity as users become accustomed to the technology. Better to cater to demand now than have users demand changes in future – or go elsewhere of course, if others provide the experience they want. The same principle applies to the introduction of all new devices and services.

Likewise, consumers no longer want to be bound to the confines of their home. Whether it is browser or app-based mobile payments, dedicated services like Apple Pay and Android Pay, or customers finding online deals via QR codes, consumers are using their mobile devices more and more for e-commerce. As such, stores need to make sure they offer a seamless mobile payments journey as a top priority.

Cart abandonment rates for smartphone and tablets are incredibly high and keep increasing. This is not entirely the fault of retailers, since only 39% of web/mobile visitors intend to buy. However, stores still need to provide a positive

experience if they want visitors to come back. A similar percentage of users (38.5%) plan on spending money but leave, with poor usability often the culprit. For many retailers, the path to changing this lies in providing a more responsive design, and ensuring the checkout is as simple and painless as possible.

BACK END MAGIC

Unbeknown to users when they enter their card details, click 'buy' on their mobile or touch their iPhone fingerprint sensor, there are countless back end systems in place that are responsible for creating a truly frictionless experience. This is where the magic really happens.

Given the costs involved in finding new customers, improving conversion rates is on the wish list of every e-commerce provider – from giants like Amazon to fledgling online stores. For e-commerce providers looking to squeeze every last inch out of their already highly mature payment operations, adding tokenisation can have a small but powerful impact on conversion rates. Tokenisation is the process in which sensitive information is replaced with a randomly generated unique token or symbol.

By replacing sensitive data, specifically customers' card details, with a token (or reference number) it can then be securely stored and transmitted to a payment service provider. This increases the security of credit card and e-commerce payments, and crucially reduces the amount of data a business needs to retain.

The ability to store card details ensures that customers do not have to enter their information every time they wish to make a payment. With tokenisation the retailer retains the token, not the card data, allowing returning customers to make further purchases without having to enter the card details again.

Providing a "single-click payment" option improves customers' experience and increases conversion rates. As repeat customers can checkout quickly and easily, it's perfect for the omnichannel as users swap between locations and devices. Tokenisation even improves efficiency when managing refunds, an oft-
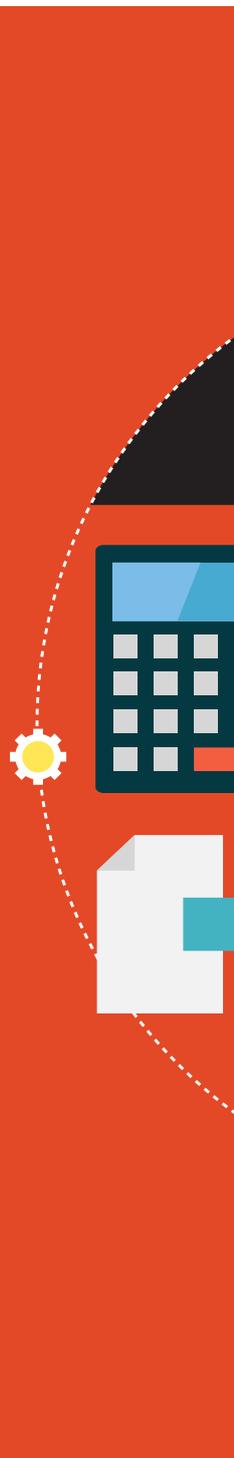
It's not magic at all, but put these technologies together and you will see a transformation in user experience and an uplift in conversation.

forgotten but vital part of the e-commerce process – in which a negative experience can live long in a customer's memory.

There are also back-end technologies to help streamline user experience for the e-commerce business models of the future. Digital services like Netflix and Spotify have seen tremendous success following a subscription model and many e-commerce providers selling physical goods have followed suit, including Amazon Prime, Cornerstone and Graze to name just a few. Having an 'automated business' where users enter their details only once to pay for months (or even years) of a service may sound like a dream, but changes to users' card account numbers can put a spanner in the works very quickly.

When a customer's card account number changes – due to loss, expiration or fraud – subscriptions are usually cancelled along with it. Not only does this result in a loss of income for the period in question, which can be several months depending on how often the service is used, the event can also prompt users to unsubscribe. Since many of these services are sold on convenience and quality rather than price, with discount offers to lure new customers, this kind of event can spell disaster. 'Card updater' services which, as the name suggests, automatically update card details when they change, are therefore essential for any business looking at a subscription model. Not only do they lower the likelihood of lost business for the merchant, customers will likely think better of the only e-commerce provider that doesn't ask them for their new payment details next time they log in.

It's not magic at all, but put these technologies together and you will see a transformation in user experience and an uplift in conversation. As we edge towards a truly frictionless payments journey, all the way from payment to delivery, maybe there will be a day where the idea of contactless will seem as archaic as paying by cheque. Ⓕ
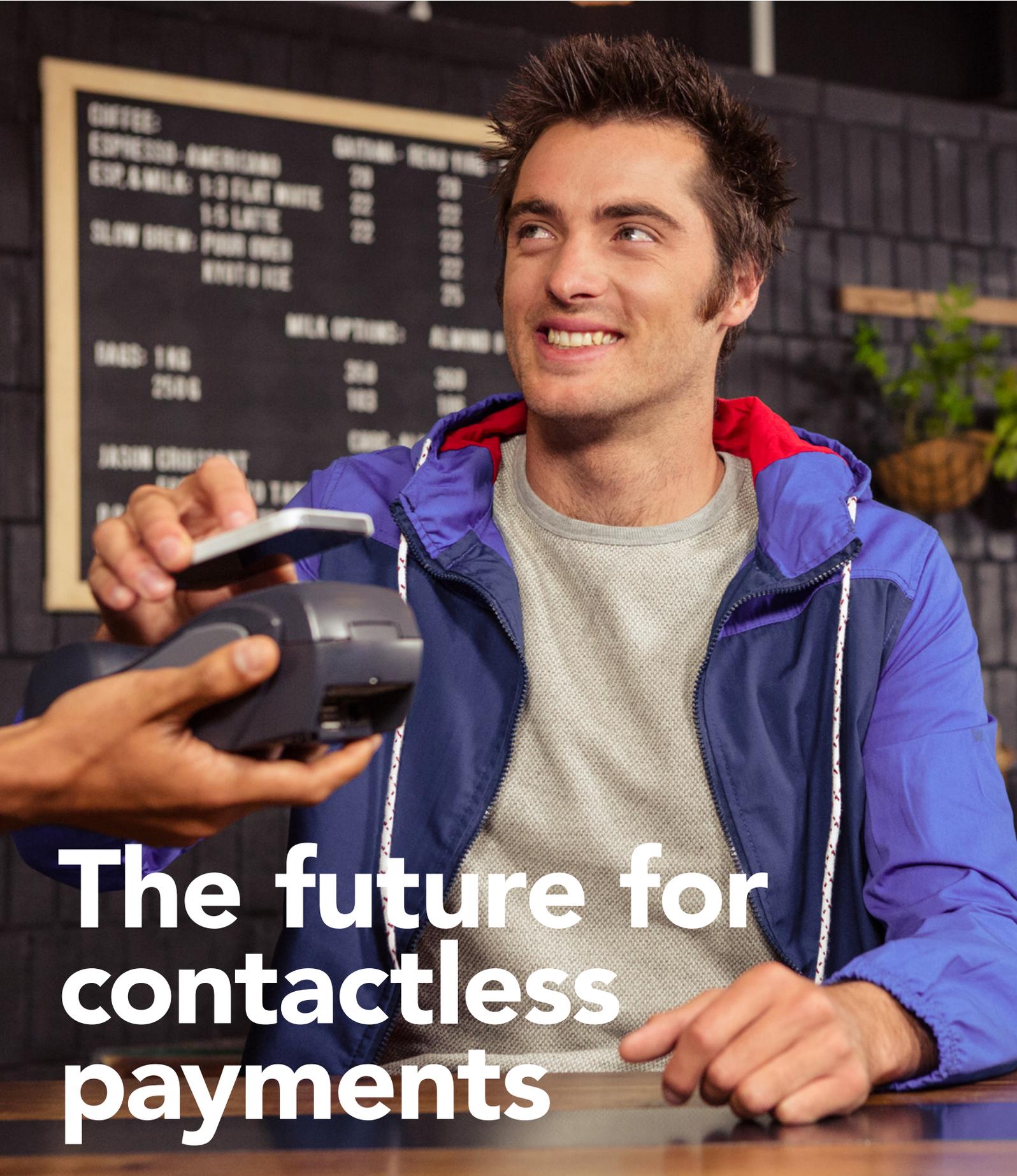
The future for contactless payments

Reflecting on the success of contactless payments, the UK Cards Association takes a look to the future, one that is expected to be heavily influenced by mobile. In this article it identifies some obstacles that need to be avoided.

By
David Baker
head of card payment innovations unit at
The UK Cards Association

With consumers now routinely using contactless cards to transact it seems that 'touch and pay' technology is now firmly embedded into everyday life. In 2015 the amount spent using contactless cards rose to £7.75 billion (more than double the amount spent in 2014) with significant growth following the limit increase to £30 and the full rollout of bank card payments throughout the London transport network.

At the same time we saw the launch of Apple Pay in the UK, heralding a real move towards the use of smartphones for payment. With the roll out of acceptance devices gathering pace and the technology gaining support across the entire retail community we can safely say contactless and NFC technology is here to stay.

The question has moved from, 'will the technology take off?' to' where will it be available next?' There are major industry projects ongoing to take the learnings from the work done with Transport for London into

It may be too early yet to see the full potential of mobile payment solutions but it would be foolish to suggest that they will not prevail in the longer term.

the wider public transport community and in time we should see contactless bank cards accepted widely for travel. We are also looking at how contactless can help the charity sector to reverse the reduction in low value cash donations by supporting the piloting of portable fundraising devices and new fixed indoor and outdoor donation points.

With the acceptance platform available and an increasing awareness amongst consumers of the utility and value of contactless technology, we can anticipate further innovation. It seems likely that this will be based around the delivery of new services through mobile devices. Why mobiles? With Millennials now outnumbering the Baby Boomers we have a generation of consumers who are wedded to their smartphones and expect all their services to be delivered through this channel. That is not to say that we will see the back of the traditional bank card, just like the cheque they will have a part to play long into the future.

Following Apple's lead we have seen Android Pay launched in the UK this year, and we can anticipate that Samsung Pay will follow in the near future. Individual banks have also launched their own wallet solutions as they too seek to provide for the mobile generation. It may be too early yet to see the full potential of mobile solutions but it would be foolish to suggest that they will not prevail in the longer term.

Contactless technology is also entering our lives through the things that we wear, with all manner of new form factors appearing, ranging from wrist bands and rings to items of clothing.

So the future looks bright for contactless cards and for the new mobile solutions that are arriving in our market. They certainly provide the most convenient method of transacting quickly and securely that consumers have ever had. What could possibly stand in its way?

The answer it seems lies in the more obscure elements of recent Interchange Fee Regulation. Articles 8 and 10 of the EU legislation, on the face of it designed to

foster competition and choice, may in fact undermine the slick processing procedures that make contactless transactions so easy to complete.

Article 8 deals with co-badging of cards and the choice of payment brand or application. In a recent press release the European Commission confirmed that, to address a perceived problem of a cardholder having multiple cards from a single issuer, from now on consumers will be able to require that their bank co-badge a single card (or mobile phone) with all the card products they issue to the customer.

Naturally, to support such cards, point of sale devices would need to be adapted to list the applications on the card so that the customer can select the one they want to use. This choice of application is further complicated by another ruling that allows the retailer the option to promote the most 'cost-efficient' brand to minimise their costs.

The regulation is equally applicable to contactless cards and mobiles and its natural consequence for contactless transactions will be the introduction of a two tap process. The first tap to offer up the supported applications for selection and a second to execute the transaction. Such an approach seems to undermine the convenience offered by contactless cards and we wonder if this would turn people away from using contactless. Surely it would be more convenient to simply dip your card?

For the UK market it is unclear whether there is any real consumer demand for co-badged cards. What proof do we have that their availability will provide greater choice or control over the way they pay? For many it seems that the opposite will be true, there will likely be more difficult and complex processes at the point of sale, which will benefit neither the customer nor the retailer. It may turn issuers away from offering cards from multiple brands.

Article 10 concerns the honour all cards rule and again it is the unintended consequences of the strict application of the regulation into the pre-existing

acceptance environment that causes us a concern. Retailers will be able to decide which card products they accept from a given payment scheme, for example they may choose not to accept a premium card product. Retailers must inform consumers of their choices, displaying information of the cards they do and do not take 'prominently at the entrance of the shop and at the till'.

Sounds simple, but in order to support this, cards or card applications must be electronically identifiable, point of sale devices have to know what to present to the customer and the customer has to know what is expected of them in terms of selecting or confirming the choice.

It seems the simple and convenient process that

works for both the consumer and the retailer is at risk; we will have to wait and see how this plays out. Will there be a real consumer demand for co-badged cards and will retailers deploy terminals that offer the selection process?

Unless we are able to maintain the levels of interoperability and convenience that exists for card products, and in particular the contactless versions so popular with consumers today, we may see a decline in their use. Consumers want clarity and a clear choice and the strict application of these regulations appears to be offering the opposite. I don't imagine this was the intention of the regulator but as with everything the devil is in the detail. **F**

Mobile wallets:
where do I keep my receipts? The eternal question needed in the future to make a payment?

Star Micronics, a worldwide leader in POS printing, discuss why mobile wallets haven't taken off and propose digital receipts as a catalyst for wallet adoption.

By
Annette Tarlton
marketing director at Star Micronics EMEA

Since Google released its first mobile wallet five years ago, a plethora of companies have released their own mobile wallet products.
Among them are Apple and Samsung, retailers like Walmart and Kohl's, and even banking institutions including Chase and Capital One. However, even though new mobile wallets continue to come to the market with a frequent cadence, they have yet to be widely adopted by customers. And, as the market continues getting more saturated, it begs the question, will they really ever get enough traction to take off?

Even though companies continue to heavily invest in the development of mobile wallets by increasing their compatibility with various point-of-

sale systems and including more of what customers want, none of the current options on the market have taken into account a fundamental part of the shopping experience: receipts.

This lack of forethought begs the question, if customers are expected to carry out entire transactions using only their mobile device – because it's more convenient – why should they still be expected to keep track of paper receipts? Mobile wallets need to prioritise digital receipts and include them as a basic utility in their solution. Doing so will play a key role in increasing customer adoption.

AllReceipts™ from Star Micronics provides a digital receipting service that fits the bill. With zero development required the service is enabled within the Star printer driver, works independently of your POS software and is totally managed by the retailer. Triggered by a traditional printed receipt, a digital copy of the receipt is sent to the AllReceipts App on the customer's mobile with no email address or mobile number required. Receipts can only be claimed once and are then deleted, while saved receipts can be viewed by date or by retailer with personal or business tags on the customer's device.

Digital receipting eliminates the issues typically associated with email receipting including the time taken to record email addresses and the potential problem that these could be taken down incorrectly. The immediate advantage perceived by the customer is the choice to remain anonymous and yet still receive a digital image of the receipt and coupon when offered.

WHY MOBILE WALLETS HAVEN'T TAKEN OFF

Although mobile wallets are intended to make customers' lives easier by providing a single place to digitally store all of their payment options, they still have considerable drawbacks. For instance, not all retailers accept digital wallets, or they only accept certain ones. Instead of facilitating customers' lives, this prohibits customer adoption, as they are unlikely to want to download multiple solutions to "solve" a single problem. Until there is a guarantee that all retailers will accept mobile payments, customers are obligated to continue carrying physical wallets.

In addition to a lack of universal acceptance from retailers, mobile wallets also lack critical utility functions, further dissuading customers from using

them. Among these are not having the option to store photo identification, such as a driver's license, the inability to link with banks and reward programmes (thus losing valuable reward points), and the inability to store all cards, from various institutions, in a single place.

Most importantly, mobile wallets do not have digital receipt solutions built into them. As it stands now, when using a mobile wallet, customers are provided only with a transactional verification, rather than an itemised receipt. If a shopper needs to return or exchange an item they have purchased, they are unable to do so with the digital payment verification provided during the transaction – which only outlines the vendor and total amount spent. This ultimately creates a problematic situation for both the retailer and customer.

DIGITAL RECEIPTS AS A CATALYST FOR MOBILE WALLET ADOPTION

For mobile wallets to become widely accepted – and even the norm rather than the exception – they need to enhance the overall shopping experience for both customers and retailers. Incorporating digital receipts into their interface is a critical way to make this happen.

Digital receipts provide an unmatched value to both customers and retailers. For customers, having access to an itemised replica of a paper receipt in their mobile wallet means they will be able to easily make returns or exchanges, review policies, and have access to any promotional value that would normally be printed on the back of a paper receipt.

For retailers, digital receipts present the opportunity to easily communicate pertinent information to customers and solicit real-time feedback from them. This includes promotions, coupons, and terms and conditions. By communicating this information digitally, retailers can be assured that the needs of all departments for which a receipt is useful – financial, loss prevention and marketing – will be met and enhanced.

The latest features added to the AllReceipts service provide enhanced communication with the customer. Engage NOW allows the retailer to provide links to promotions, discounts, coupons, etc on the Engage NOW landing page. Customers using the AllReceipts App can simply tap on the retailer's logo from the list of receipts on their smartphone and be directed to a

Digital receipting eliminates the issues typically associated with email receipting including the time taken to record email addresses accurately.

URL that the retailer specifies. Engage NOW is secure and easily customizable, providing a highly personal customer connection. This feature also allows the customer to be notified on their smartphone when a new promotion is available. An icon will automatically appear next to the retailer's logo on the customer's device, alerting them to check for updates. The beauty of this feature is that only one receipt needs to be scanned in order for the retailer to benefit from ongoing direct communication with the customer.

Receipt Flip provides the first two-sided colour digital receipt option. This feature allows the retailer to take advantage of the reverse side of digital receipts, as on printed receipts, to display terms and conditions, store policies, promotions, marketing material, etc.

By incorporating digital receipts into their solutions, mobile wallet companies can truly enhance the shopping experience. Customers will no longer need to sift through the unsolicited marketing material in their email to find a receipt. They won't be forced to download yet another app to take a picture of their receipts – frankly an outdated method already. Digital receipts will help bring mobile wallet companies one step closer to providing customers with a comprehensive solution, therefore better positioning themselves for increased customer adoption. **G**

The future of payments:
what are the opportunities for retailers?

Here we learn from Visa about improving the customer experience, gaining deeper insight into shopping behaviour and how to give shoppers greater confidence.

By
Kevin Jenkins
managing director, Visa UK & Ireland

Today a vast array of revolutionary payment technologies are being introduced to the retail industry. Although much has been made of the enabling technologies behind the future of payments, more can be done to highlight the real world benefits for those that adopt them. Tokenisation, NFC and open APIs are vital in creating the systems underpinning mobile and wearable payments, but the main thing a retailer must consider is how future payments systems will drive their businesses, which is dictated by consumer behaviour. In evaluating how the payments industry will evolve, and what the future holds, we must consider how these technologies will enable retailers to improve the shopping experience of their customers across all retail channels.

Shoppers have taken enthusiastically to new payment methods, whether in the form of contactless, mobile wallets or wearable devices. For retailers, these new ways

to pay have three distinct advantages over more traditional payment methods like cash. First, they help retailers improve the customer experience by eliminating some of the friction points associated with making a purchase. Secondly, they can capture a much greater level of insight of their customers, which they can then use to deliver instant gratification and location-based services. Third, businesses can give shoppers the reassurances that they're in control of how their money is spent.

IMPROVING THE CUSTOMER EXPERIENCE
A quicker, more seamless payment experience means shoppers spend less time waiting in queues, and more time shopping. Following the success of contactless, mobile payments have started to achieve considerable traction, thanks to its convenience and ease of use. Payment capabilities are being embedded into wearables too, letting users make a purchase with just a quick tap of the wrist or the lift of a finger.

Looking ahead, with beacons, app users will be able to pay 'hands-free' by selecting items they want from a shop ahead of time, with the retailer taking payment when the customer walks through the doors to collect their items. As the payment is activated by a phone simply contacting a beacon when walking into the store, no queues are required and products can be collected quickly.

Further down the line, with the rise of the Internet of Things, payments will be a feature of an increasing number of devices. For example, there will be smart fridges that can order groceries when they detect that the user is running low, making purchases even easier for shoppers.

GAINING DEEPER INSIGHT INTO CUSTOMERS' SHOPPING BEHAVIOUR
With these new ways to pay, retailers can capture a much greater level of insight of their customers, which they can then use to deliver instant gratification and location-based services. Mobile digital wallets for example allow retailers to offer deals and offers tailored to individual customers. The

Retailers who use data to efficiently target consumers can allow them to secure a payment before a shopper has even entered their store.

loyalty functions embedded into retailers' own payment apps allow customers to access instant rewards, offers and order products on the way to the store.

Over the coming years, the number of connected devices able to take payments through the internet of things is set to grow, ranging from wearable technology to cars, fridges and thermostats. These will result in a proliferation in data sources offering insight into consumer purchases. This means that the retailers who use data to efficiently target consumers can allow them to secure a payment before a shopper has even entered their store, and even use beacon technology to alert consumers to targeted special offers and promotions once they are browsing the aisles.

GIVING SHOPPERS THE CONFIDENCE TO COMPLETE TRANSACTIONS

Although consumers enjoy the convenience offered by contactless and digital wallets, they also want control over their payment data and how they transact. Fingerprint scanners on the newest smartphones remove the need to remember PINs and passwords, but still give consumers reassurance that they're in control of their purchases. Other biometric technology such as iris scanners, voice recognition software, or even heart rate monitors embedded in smartwatches, could prove increasingly effective in the future. The heart rate monitor on a fitness tracker, for example, could eventually be used to authenticate transactions.

As we look to the future, it is clear that the retail industry is investigating ways to integrate innovative payment solutions. The creation of new ways to pay is no longer a 'means to an end'. It is becoming a genuine medium to drive purchases by improving the shopping experience for a consumer, and offering genuine insight to retailers looking to track spending habits. The rate of change has been rapid, and with so many solutions offered it will be interesting to see what will catch on and become the next "contactless moment" for the sector. Ⓕ
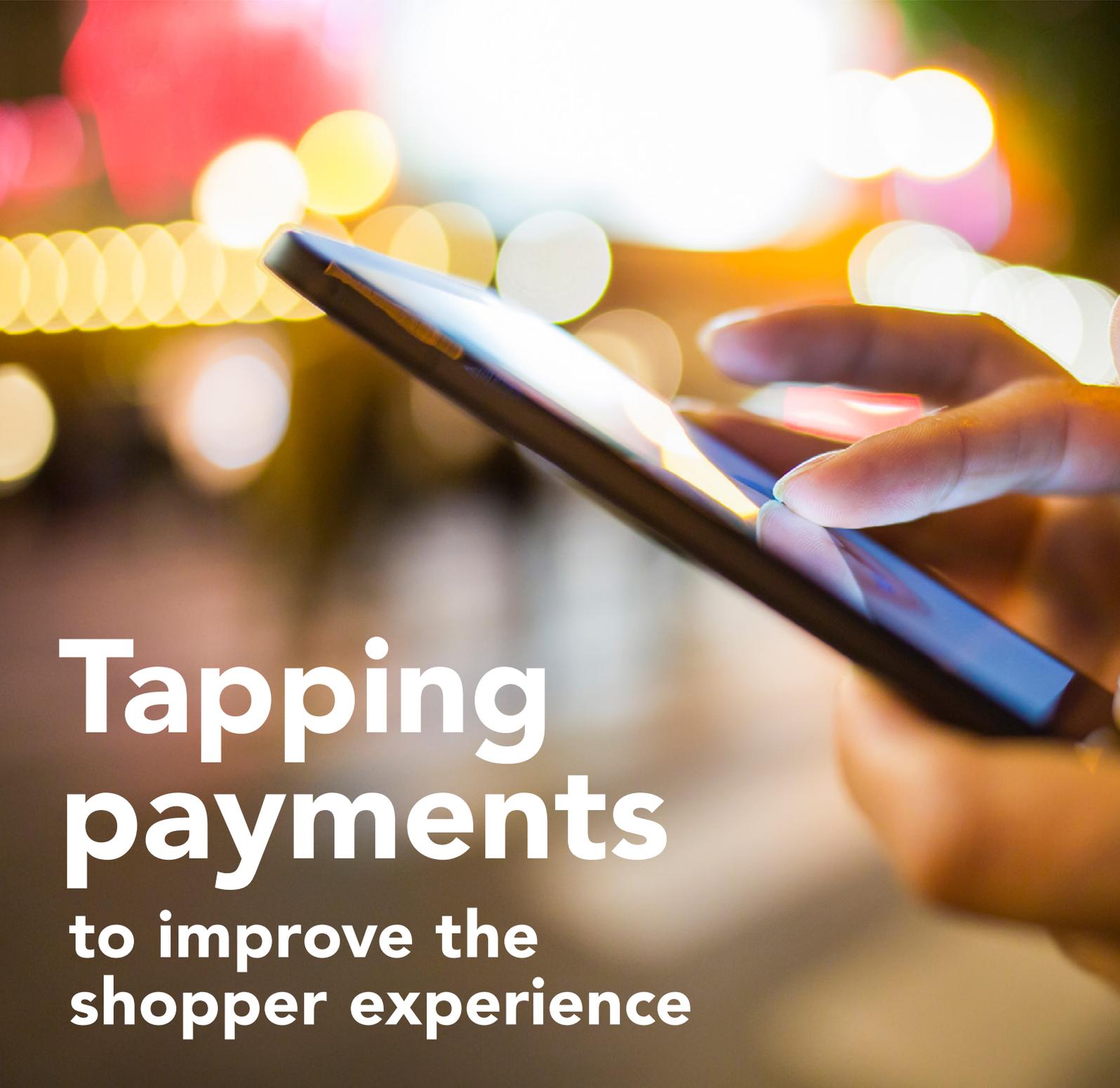
Tapping payments
to improve the shopper experience

By
Myles Dawson
UK country manager at Adyen

Here Adyen discusses how a better customer experience can be delivered through payments
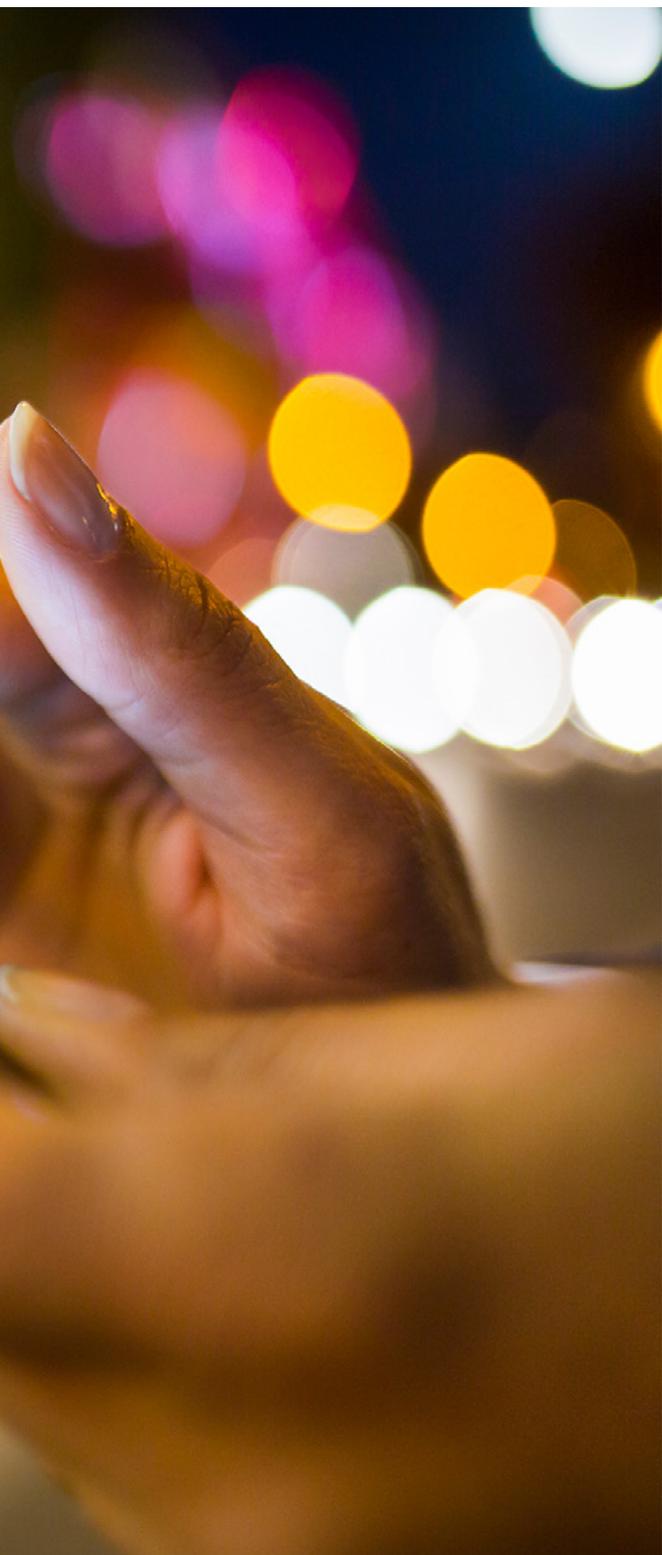
The UK retail industry is among the most innovative in the world, turning UK consumers into some of the most prolific online shoppers – spending in excess of £6,000 per person in 2015.

On the one hand, this online acceleration is being driven by digital-first businesses, particularly on-demand and subscription-based startups, which are making the buying process as fun and frictionless as possible.

Grabble, for example, has taken a "Tinder for fashion" approach, asking shoppers to swipe right on items they like before paying with a click, as well as building community engagement with targeted content on fashion trends and collections. Lyst lets you browse for items from across thousands of brands in one place and follow your favourites to create a personalised shopping feed. And NotontheHighStreet.com enables shoppers to find items from small suppliers that aren't available in major chain stores.

But on the other hand, increasing online spend is also driven by traditional retailers. An awareness that cross-channel shoppers are on average more valuable and more engaged with the brand than either e-commerce-only or in store-only customers is leading retailers to innovate around cross-channel shopper journeys, offering a seamless brand experience for all customers regardless of channel.

Whether for online-only retailers, or traditional retailers with an omnichannel offering, payments sits at the very core of this digital transformation. That's because making the purchase is the moment of truth for shopper and retailer alike, and can have a significant impact on the strength of the relationship between shopper and brand overall.

With that in mind, here is some expert advice tried and tested by some of the world's leading online and omnichannel merchants on how to tap payments to give a better shopper experience, optimize conversion, and grow revenue.

ENSURE A FRICTIONLESS EXPERIENCE IN STORE

As online shopping becomes ever more intuitive and simple, omnichannel retailers are investing in making the in store experience just as frictionless.

Some ways that this can be achieved is through the adoption of innovative in-store technologies. For example you can eliminate checkout queues with mobile point of sale (mPOS) terminals, which enable staff to process payments anywhere on the shop floor. Or bring your online inventory in-store via kiosks that give shoppers access to the online store – meaning they can find and purchase additional sizes or colours even if they are not in stock.

Another fast-growing way of giving a better shopper experience is through blurring the lines between sales channels, so customers can shop at their convenience. This means supporting 'click and collect', where customers buy online and then pick up in-store, and accepting the return of online purchases in-store.

OFFER THE ENTIRE INVENTORY IN-STORE

A key retail trend is the expectation of shoppers to have a seamless experience however they choose to shop. In-store, one of the main areas to provide this experience is to ensure that the shopper can buy any item they want. However, in practical terms, this can provide some challenges as limited space in-store may make stocking all sizes and colours of every product untenable. With in-store tablets, you can give your shoppers access to your entire inventory by enabling them to browse additional sizes and colours, pay in-store and have the items delivered to their home – minimizing the risk of a lost sale.

You can eliminate checkout queues with mobile point of sale (mPOS) terminals, which enable staff to process payments anywhere on the shop floor.

TAKE A SMART APPROACH TO ONLINE FRAUD MANAGEMENT

Traditionally, fraud management has been focused on blocking fraudulent shoppers, but the problem with this approach is that inevitably, merchants also block genuine transactions that look fraudulent.

However, instead of just stopping fraud as the aim of the game, smart businesses are aiming for revenue growth through smart fraud management. Businesses with this approach connect multiple data points, such as card numbers, machine fingerprinting, email and IP addresses, and even basket value and time of day, to assign risk scores to transactions. Fine tune the balance between stopping fraud and approving genuine transactions, based on their specific merchant situation, thus minimising false positives. In fact, one company using this approach with Adyen – Delivery Hero – saw its false positives drop by 50%, as well as chargebacks reduce by 78%.

INCREMENTALLY INCREASE ONLINE AUTHORISATION RATES

Whilst two thirds of declined transactions are due to legitimate reasons such as invalid cards or insufficient funds, a third of these failures (or 2-3% of all transactions) are rejected due to legacy systems or bank miscalculations.

Depending on where a business is operating and whether it is a global or domestic merchant, routing international transactions via a local network will likely deliver marginal gains in terms of higher authorisation rates. Another way to incrementally improve authorisation

results includes changing the format of authorisation requests to the preference of each issuing bank, with a view to increasing the chances for the transaction to be processed correctly and without failure. With incremental improvements such as these, Forrester Consulting found that large merchants working with Adyen saw revenue increases of 1.43% - translating into millions in unexpected revenue.

THINK OF PAYMENTS AS A STRATEGIC ADVANTAGE

Even today, many retailers think of payments as something that should work, but without considering its potential strategic advantages. But in fact, the payment process is deeply embedded in the customer experience. In-store, it touches everything from store layout (think self-service kiosks or staff enabled with mobile point of sale terminals) to stock availability (the endless aisle), to the chance to upsell or cross sell extra items with targeted customer service. Online, retailers can improve shopper satisfaction and grow revenue across a number of areas, including frictionless payment flows, smart fraud management and using data to incrementally increase authorisation rates.

By adopting the approaches outlined above, innovative retailers – whether digital-first or omnichannel – have the opportunity to win market share and grow revenue, even in the UK's competitive retail market. ⓕ

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