

# PAYMENT & FRAUD



May 2012

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# Editors' comment

Welcome to the latest in our series of *Internet Retailing* supplements, where this issue we're looking at payment and fraud.

Get the payments right and conversions increase. So far, no surprises. But exactly how we get that right has changed radically in recent years. Partly that's because customers have become familiar with the world of ecommerce. No longer do many current UK online shoppers need to be persuaded that it's safe to buy. They're sufficiently reassured by bank guarantees. Instead the emphasis is on offering consumers choice in the way they pay – and easier methods of payment – while maintaining the retailer's security. After all, the buck often stops with the chargeback to the retailer.

But even as established online shoppers become more relaxed about buying online, there is still a substantial proportion of people who have yet to buy online. How retailers convince them to buy is still a question for consideration. Meanwhile, fresh approaches may be needed for those moving into new markets, where attitudes to payment are often very different.

Even those consumers who are happy to trust their credit card details to a computer may be less willing to buy through different devices. Here again, security is less the issue than ease of use. Inputting long numbers into small screen devices is a hoop that many simply don't want to jump through. Thus it's the retailers that have found new ways to take consumers' payment data that are finding the largest uptake of mobile purchasing.

Getting all of this right requires a careful balancing act, something we've borne in mind when putting this supplement together. Over the coming pages we look at the key issues that internet traders need to consider when they consider this most vital part of their online commerce business. We do that through the prism of our usual features: web interface, merchandising, cross-channel experience, logistics, strategy and customer engagement.

In our web interface section (page 10), we're look at how retailers can design for increasingly complex customer journeys. In a world where customers no longer head down an easy-to-predict sales funnel, designers need to take account, for instance, of the move towards paying on a range of mobile devices.

How payments can best be designed so they encourage

customers to move from the point where they are considering a purchase through to the moment when they part with their cash is the subject for our merchandising feature (page 14). It also looks to the future to consider how payments will evolve – and how retailers can best prepare for that evolution.

Today the experts are concluding that commerce works best when it's designed to allow customers to buy wherever and whenever is easiest and most convenient for them. It follows, then, that payments should be approached in the same way. In our cross-channel experience (page 18) feature we look at ways of making it easier for shoppers to pay, whether they are doing it in a shop, on a mobile device – or prefer to use alternative methods of payment altogether.

How can online merchants tell the difference between international fraudsters and celebrity clients? The profiles of the two are close together, but clearly it's important that retailers' fraud prevention can tell the difference. In our logistics feature (page 22) we consider how best that can be done.

In our strategy feature (page 26) we weigh the board's need for security with their ambitions to reap the potential growth that new ways of buying – and paying – now offer. We hear from Consult Hyperion's Dave Birch, who says it's "all about mobile". Putting this device central to strategic planning will pay off, he argues. But the board must also consider wallets, alternative payments – and the safety of these methods.

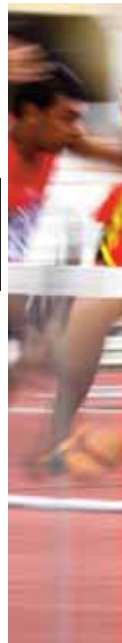
How do you inspire customers to want to buy as well as browse your goods? When it comes to payment, trust is key, writer Penelope Ody argues in our customer engagement feature (page 30). To some extent that's trust that the transaction will be secure, but just as importantly it's also trust that the experience will be as the customer expects. If not, the sale may well fail. Thus it's important to make sure checkouts meet customer expectations – and that means a friendly, customer-facing attitude, reassurance and, as we've seen in previous features, ease.

We hope you find this supplement useful. If you have comments, questions or suggestions for future supplements, do contact us. We can be reached at [chloe@internetretailing.net](mailto:chloe@internetretailing.net) or [jonathan@internetretailing.net](mailto:jonathan@internetretailing.net)

## INTRODUCING OUR SUPPLEMENT EDITORS

Chloe Rigby has been writing about business issues for the last nine years. A former business editor of the *Bristol Evening Post*, she has written for a wide variety of online and offline publications. [chloe@internetretailing.net](mailto:chloe@internetretailing.net)

Jonathan Wright earned his e-stripes on the UK launch of *Business 2.0*, which rode the crest of the dot.com wave back at the turn of the millennium. Since then he's been writing about subjects from entertainment to alternative investment for a variety of print and online audiences. [jonathan@internetretailing.net](mailto:jonathan@internetretailing.net)





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**Editor:** Emma Herrod  
Tel: 07801 282729  
Email: [press@internetretailing.net](mailto:press@internetretailing.net)  
**Editor-in-chief:** Ian Jindal  
**Design:** Alex Goldwater  
**Web Editor:** Chloe Rigby  
Email: [chloe@internetretailing.net](mailto:chloe@internetretailing.net)  
**Publishing Director:** Chris Cooke  
**Account Director:** Rob Prevett  
Tel: 020 7933 8999  
Fax: 020 7933 8998  
Email: [robp@stjohnpatrick.com](mailto:robp@stjohnpatrick.com)

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WITHOUT COMPROMISING  
CUSTOMER EXPERIENCE?**

# amazon payments™

**T**he majority of retailers are worried about fraud and nearly half have been a victim of fraud in the past year, according to the *Annual Fraud Indicator* report released in March 2012 by the National Fraud Authority. With annual ecommerce growth estimated at 24 per cent (2012 UK Online Fraud Report,

CyberSource), retailers need to act quickly to protect themselves from increasingly sophisticated fraud threats. At the same time, as consumers become accustomed to shopping in store, online and on mobile devices, they demand a convenient experience wherever they choose to buy. The most successful retailers are those who can find a way to walk the thin line between increasing security and providing an excellent customer experience. Making good customers face increased inconvenience due to the threat of fraudsters could cause long-term damage to a retailer's reputation in the eyes of consumers.

Fortunately, there are ways to protect yourself from fraud and give your customers an experience that will keep them coming back.

## THE SCOPE OF THE PROBLEM

In 2011, retailers in the UK lost an estimated £16 billion due to fraud (National Fraud Authority, *Annual Fraud Indicator*, March 2012). Of increasing concern, fraud increased significantly during 2011 with 78 per cent of retailers reporting a rise, according to the British Retail Consortium's *2011 Retail Crime Survey*. In this report, many retailers identified "fraud arising from their growing online and multichannel operations as the most significant emerging issue they faced".

Both the risk and cost of fraud are high. Retailers spend a medium of £700,000 to prevent fraud (2011 Retail Crime Survey, British Retail Consortium). But even with preventative measures, retailers estimate that they lost 1.8 per cent of revenues to fraud in 2011, a percentage that has remained consistent over several years even with improvements in fraud detection technology (2012 UK Online Fraud Report, CyberSource).

## REDUCING YOUR RISK

The internet presents a new challenge for retailers. Many of the fraud detection strategies that work well in stores are insufficient in the ecommerce space, which helps explain why the online channel contributes the majority of fraud-related

costs. According to CyberSource's *2012 UK Online Fraud Report*, fraudulent orders represent one per cent of online orders. However, retailers reject 4.3 per cent of orders on the basis of fraud. The delta between these two percentages represents significant losses in revenue. Furthermore, fraud-related chargebacks are yet another hit to the bottom line.

To try to reduce the risk, more than 20 per cent of orders are held for manual review, which requires a significant resource investment (2012 UK Online Fraud Report, CyberSource). Holding back legitimate orders and calling to review purchases is a frustrating experience for good customers.

You can help protect your business with advanced fraud prevention technology by implementing Amazon Payments' solution, Checkout by Amazon. For no additional cost, all orders placed through Checkout by Amazon are screened by sophisticated fraud detection technology, helping to reduce your risk of fraud. Orders are passed through without delay, allowing you to realise more revenues and reduce customer friction. Checkout by Amazon can also help reduce bad debt by providing full protection from fraud-related chargebacks for transactions that satisfy our payment protection policy.

## CONVENIENCE AND TRUST: THE HALLMARKS OF GOOD CUSTOMER EXPERIENCE

With 17 years of experience in ecommerce, Amazon has learned that providing an excellent customer experience requires two essentials: convenience and trust.

Fraud checks can cause friction in the checkout process, which potentially increases shopping basket abandonment as customers get frustrated with entering large amounts of information.

Consumers often have their own worries about security. Fear of sharing payment information over the internet has long been a deterrent to online shopping. Building a reputation of trust is essential to be successful across channels. You can leverage the trust associated with the Amazon brand with Checkout by Amazon, which enables consumers to buy on your site with the secure payment and delivery information in their Amazon accounts. With Checkout by Amazon, you can offer your customers the convenience of Amazon's checkout experience and the confidence of knowing their payment information is protected.

Learn more about Amazon Payments' solution at [payments.amazon.co.uk](http://payments.amazon.co.uk)

# WITH THE ERA OF SEAMLESS CROSS-CHANNEL RETAIL ON THE HORIZON, HOW CAN RETAILERS ENSURE APPROPRIATE SECURITY AGAINST FRAUD WITHOUT COMPROMISING CUSTOMER EXPERIENCE?



**T**he number of customer touchpoints is ever increasing, with the emergence of mobile, apps, games, social media and interactive TV to name a few. As each of these new channels gains popularity, retailers come under pressure to service them, bolting on additional solutions to meet customers' expectations.

If 'Customer 1.0' demanded the greatest in-store experience, and 'Customer 2.0' the greatest online experience, then 'Customer 3.0' demands the seamless omni-experience. Customers are looking for the same choice of products and services in whichever channel suits them at the time, be that online, mobile, or in-store kiosks. Customer 3.0 expects the same levels of convenience and security across each channel, and a consistent experience during every visit.

This presents potentially serious challenges for retailers: how can companies balance this demand for choice and convenience with the management of payment, security and fraud?

Retailers are constantly looking for ways to streamline the checkout process, and may store the customer's personal and payment information for use across multiple channels. However, this can add to the merchant's PCI compliance burden. By outsourcing the storage of this sensitive data to a third party, the retailer can offer increased security and promote peace of mind

both for the retailer and the customer. Once this data is stored and tokenised, it can be accessed at any time.

From a fraud management perspective, it is vital to automate as much of the screening process as possible, identifying good customers upfront and speeding them through the checkout process. In doing so the risk of customer insult is minimised, and repeat business encouraged.

Retailers should look to ensure that business rules implemented as part of the screening process are optimised for each sales channel. The differing dynamics, such as purchase patterns and fraudster tactics, make this all the more important. Blanket rules simply won't – and don't – work. If the rules are over-zealous there is a good chance they could reduce fraud at the expense of the overall customer experience.

And finally, retailers should think about ways to track fraud discretely according to each channel. If they do not have access to consolidated reports that allow them to track fraud back to its channel source it can be very hard to pinpoint key risk indicators and optimise screening tools accordingly. Only by monitoring and tweaking the screening tools for each channel can retailers be certain of optimising profit.

[www.cybersource.com/en-EMEA/](http://www.cybersource.com/en-EMEA/)





With the proliferation of retail channels comes the need for more sophisticated fraud solutions. A one-size-fits-all approach doesn't protect you against professional fraudsters – and it can be highly detrimental to the customer experience.

Ultimately, a negative customer experience equals a lost revenue opportunity. But how can retailers ensure they continue to provide a seamless, unified customer experience, whilst still protecting against fraud?

**Utilise shopper history:** this is one of the most vital pieces of data a retailer has. By understanding your customer's history, you can create tailored rule strategies to ensure your customer is not unnecessarily declined when they engage with you via a new channel. A 22 per cent reduction in false positives can be achieved by adding shopper history 'time on file' to your fraud arsenal.

**Segment your channels:** not only do retailers need to align their fraud strategy by product and by geography but also by channel. The rule set which works for your online sales or in your call centre might not be applicable to mobile. Retailers need to assess each channel individually and create a rule set accordingly. This segmented approach needs to be adopted whilst retaining a single view of your customer.

**Adopt a multilayered approach:** different fraud prevention tools have distinct and complementary strengths so a multilayered approach is best. For example, 3-D Secure can help retailers in the battle against fraud but, used in isolation, can result in the loss of good customers. In a recent research project, ReD found that only 27 per cent of 3-D Secure fails were actually fraud. Two thirds of lost revenue could be maintained by combining 3-D Secure with a more sophisticated fraud solution whilst giving the retailer greater control of the customer experience.

**Work with an expert:** despite the need to tailor fraud strategies by channel, geography and product, a holistic viewpoint, analysed by experts, is still essential. Fraud is constantly evolving and will naturally migrate to the weakest point. Alignment with experts ensures your processes, rules and technology provide the best defence possible in the daily battle.

*For further information on effective cross-channel retail fraud prevention, call +44 (0) 1483 728700, [info@redworldwide.com](mailto:info@redworldwide.com) or visit [www.redworldwide.com](http://www.redworldwide.com)*



In recent years, the internet has changed the way consumers shop online and is pushing us closer to a time of seamless cross-channel retail.

Consumers are increasingly accepting the notion of 'anytime, anywhere' retailing. With more consumers having access to multiple technologies, even simple transactions with a retail brand may involve many channels. For example, consumers may first see a product in store, research it further online, purchase and alter orders with a mobile device, and so on.

Whilst some brands aim to be multichannel to provide greater flexibility for their customers, the challenge is to manage consumer concerns about safety while guaranteeing appropriate security and a positive customer experience.

A solution could be alternative payment methods which remove the risk of fraud by protecting the privacy of customers' financial information in the first place – leaving retailers free to focus on maintaining high customer experience standards.

There are significant numbers of consumers who are nervous about revealing financial information to make online transactions or simply don't have a bank account, which retailers are missing out on.

Ukash is a payment method which enables consumers to use their cash online without revealing personal financial details – its ease and convenience provides a positive customer experience. Customer experience is at the heart of the company; a recent survey revealed 89 per cent of Ukash customers would recommend Ukash; 76 per cent already have.

As well as minimising fraud, choosing to accept a cash alternative payment such as Ukash can be a sound entry strategy for retailers in new markets. (Ukash is easy to integrate with your existing payment options, enables cross-border ecommerce with one simple integration and no chargeback risk.)

With Ukash, coins and banknotes can be exchanged for a unique, 19-digit Ukash code at more than 420,000 points of sale around the world including shops, kiosks, petrol stations and online. The code can then be used to pay directly for goods and services on websites that accept Ukash or be loaded on to prepaid cards and e-wallets. Established in 2005, Ukash now has a global footprint, available in 57 countries and 20 currencies.

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

# Grow Your Business with Checkout by Amazon

Checkout by Amazon, a checkout and payment service provided by Amazon Payments for e-commerce retailers, makes it easy for millions of valuable Amazon customers to buy on your website. Customers purchase using the secure delivery and payment information in their Amazon accounts, eliminating the friction of reentering credit card numbers and addresses.

Giving customers a trusted and convenient way to pay on your website can help you grow your business. You can lower the total cost of accepting payments by protecting your business with Amazon's fraud detection technology and taking advantage of competitive transaction-based pricing.

## Trust & Convenience for Customers

Retailers have found that offering Checkout by Amazon makes it easy for customers to make purchases on their websites. With an already large customer base comfortable with Amazon's checkout experience, Checkout by Amazon is a natural add-on to existing payment methods and extends a familiar option to millions of online shoppers.

The Jewel Hut, a division of leading independent jeweller T.H. Baker, added Checkout by Amazon to their website in 2011. "Adding Checkout by Amazon has definitely been a great advantage for our business because it is so easy for customers to use and they find it so easy to purchase items as they have everything set up in their Amazon accounts, which makes the process clean and simple," says Richard Finch of The Jewel Hut. "We also found that customers are comfortable using Checkout by Amazon, as they trust the Amazon brand."

Thomann, one of Europe's largest online stores for musical equipment, added Checkout by Amazon to their website to provide their customers with a convenient payment option. "Our customers can enjoy the trusted and convenient Amazon Payments solution right on our site. Customers can simply choose the delivery

addresses and bank information from their Amazon account, and Thomann will handle the rest. It is as easy as it sounds," says Sven Schoderböck, head of marketing at Thomann. "Plus, Checkout by Amazon is flexible and easy to integrate into our existing payment infrastructure."

posterXXL, a German-based provider of custom photo processing and printing with a strong emphasis on customer experience, decided to implement Checkout by Amazon to give customers more payment options. "Checkout by Amazon allows us to achieve increased customer satisfaction levels as a result of the speed and security offered. In addition we can offer our customers a larger choice of payment solutions" says Tim Leichter, Director of Business Development at posterXXL.

## Business Growth

Amazon.co.uk customers spend 134% more online than the average internet user, according to an independent third party study.\* Providing these valuable shoppers with a convenient payment option can help increase sales by improving conversion rates and lowering shopping basket abandonment.

Peter Tyson, a leading retailer of high-end hi-fi and DJ equipment, decided to add Checkout by Amazon to their website to capitalise on the potential growth of enabling millions of Amazon customers to pay easily.

In describing the decision to implement Checkout by Amazon, David Wynne, Sales Manager at Peter Tyson, says, "We were aware of the Amazon culture since we were already selling some of our items via Amazon's Marketplace, as well as the volume of buyers with Amazon accounts and the feeling of security Checkout by Amazon provides. This made the decision a relatively easy one."

\* comScore Media Metrix Core Report, December 2011

Learn more at [payments.amazon.co.uk](http://payments.amazon.co.uk)

**amazon**payments



The decision has paid off for Peter Tyson. "We are convinced that having Checkout by Amazon on our site influences people to buy from us. We have seen a mixture of existing and new customers using Checkout by Amazon. It is increasing conversion, which means more sales," says Wynne.

Established online in 2005, The Watch Hut has become one of the UK's premier online watch stores, building a reputation for offering a wide selection at attractive prices. The Watch Hut saw Checkout by Amazon as a way to add upon its commitment to offer its customers a convenient and secure shopping experience.

"After being contacted by Amazon Payments we decided to add Checkout by Amazon to our site because we saw it as an attractive alternative for customers on top of the payment methods we currently offered. Of course Amazon is a name people trust and moreover, with 22 million Amazon accounts in the UK, this gave us access to a huge potential customer base," says Marc Woodall, General Manager at The Watch Hut.

Customers who choose Checkout by Amazon are less likely to abandon their shopping baskets before completing their purchase, which has helped The Watch Hut to improve conversion rates. Says Woodall, "Since integrating Checkout by Amazon, we have seen a significantly lower drop out during the payment process than from other solutions. About twenty per cent of our customers are using Checkout by Amazon and the vast majority already has an existing Amazon account. They are able to check out quickly and easily, and the resulting conversion is very good."

The Jewel Hut has seen similar results in lowering abandonment rates. Nearly one quarter of all purchases are made with Checkout by Amazon. According to Richard Finch, "The drop out rate is really low at only 2.95%, which is impressive when compared to other payment solutions available."

Checkout by Amazon has helped Hardwareversand.de, a German-based electronics and hardware retailer, to acquire new customers and reduce their abandonment rate. Plus, adding Checkout by Amazon to Hardwareversand.de was easy.

"We have offered Checkout by Amazon since June 2011. This option is an attractive alternative for buyers, and one in which they place a great deal of trust. Thanks to the large number of customers who have registered with Amazon, we are also able to acquire new customers," says Ralf Schwalbe, Managing Director at Hardwareversand.de. "Advantages we have noticed compared to some other solutions include better control, fewer customers giving up during the payment process and easy integration."

## Fraud Protection & Lower Cost of Payments

Checkout by Amazon can help your business lower the total cost of accepting payments with sophisticated fraud detection technology and competitive transaction-based pricing.

In the Annual Fraud Indicator published in March 2012, the National Fraud Authority estimated that retailers in the UK lost £16 billion due to fraud. Checkout by Amazon can help protect online retailers by screening orders with the same fraud prevention systems. In addition, Checkout by Amazon can help reduce bad debt by providing full protection from fraud-related chargebacks for transactions that satisfy Amazon Payments protection policy.

Peter Tyson has found that Checkout by Amazon not only provides fraud protection but reduces the internal resource investment required to conduct manual screenings. "With Checkout by Amazon we have not had one single reported case of fraud although people do try regularly. As a result we have a much lower fraud burden, in fact none at all, which leaves us more time to concentrate on other important things," says David Wynne.

With Checkout by Amazon's transaction-based pricing, retailers only pay when a customer buys, and there are no start-up costs, hidden fees, or monthly charges.

If you'd like to learn more about adding Checkout by Amazon to your website, visit [payments.amazon.co.uk](https://payments.amazon.co.uk).

Learn more at [payments.amazon.co.uk](https://payments.amazon.co.uk)

**amazon**payments

# NEW AND NOVEL JOURNEYS

THE IDEA OF DESIGNING A SMOOTH AND SIMPLE-TO-USE CHECKOUT PROCESS HASN'T GONE AWAY. HOWEVER, THE RISE AND RISE OF SMARTPHONE-WIELDING, CROSS-CHANNEL SHOPPERS INTRODUCES NEW COMPLEXITIES INTO THE REALM OF PAYMENTS, REPORTS JONATHAN WRIGHT







ports of the death of the desktop PC may as yet be premature, but we're entering an era when we can no longer assume the home or office computer is the primary way

for users to access the digital realm. "In the next year to 18 months we're going to see a whole group of people who won't exist on a desktop experience," says Mo Syed, head of customer experience at software company Amplience. "They'll have iPads, a phone and won't own a personal computer."

For retailers trying to persuade customers to part with hard cash, this is a profound shift in the market. Where once companies could focus on designing websites that ultimately pushed consumers towards a carefully optimised sales funnel, a kind of glorified catalogue model, the situation today is far more fluid. As we've so often observed in these supplements, customers now take wiggly and hard-to-track cross-channel journeys towards a purchase, journeys that might involve research on a laptop, purchase on a mobile device, and a trip to the store to pick up the pre-ordered item.

So how do companies go about designing for these kinds of scenarios? If what's been dubbed the Amazon model of ecommerce is giving way to other kinds of experiences, how should retailers go about creating interfaces that will help secure sales? What replaces today's checkout processes?

These are challenging questions, but it's worth noting that many design basics remain the same. One of the recurring problems with checkout processes down the years has been that all too often they've seemed clunky when compared with the merchandising pizzazz that's gone before. This has often led to consumers being jarred out of completing purchases, something that still occurs today. In a converged, cross-channel world, this isn't a problem that's going to go away. Just the opposite. "Any illusion can be broken with the slightest incongruence in that experience and the more sophisticated the illusion, the more important it is you don't jar people," says Mo Syed.

## NEW CHALLENGES

If one of the main challenges here, creating smooth checkout processes that chime with the way consumers want to shop, is relatively easy to identify, coming up with solutions may be trickier. Nevertheless, before moving on it's worth

noting that some recurring design issues really should be sorted by now. Problems around inconsistent information or inconsistent tone of voice, for example, often don't need hugely expensive fixes but can be sorted out with good housekeeping and upkeep.

All that said, retailers shouldn't underestimate the degree of technological and cultural change here. Mo Syed describes the traditional website checkout as "a kind of clean room, like a production line experience". Now throw touchscreen technology at this. "If we bring that back to a transaction flow, we're looking at a slightly different sensibility for design, not this clinical optimisation, we're looking at creating more engaging design," he says. This kind of experience, Syed adds, "doesn't improve usability necessarily" but this may not matter because "it increases your engagement and how much you want that object".

In this reading, checkout design becomes in part an exercise in balancing two variables. "One is about reducing friction so you can buy the thing as quickly as possible, the other is about increasing your motivation, making [an object] more desirable, increasing its perceived value," says Syed. To look at that another way, it's about a trade-off between ease of use and glitz.

There's an added layer of complexity here: if design for tablet devices or games consoles is all about working out how best to communicate with consumers who want a rich experience, technology isn't just pushing in one direction. While the increasing ubiquity of smartphones suggests that we're all drawn to the idea of carrying around a miniature computer, the limitations of the screen will likely always preclude the kind of immersive experiences offered by tablets or games consoles.

But if smartphones aren't particularly ideal as entertainment devices (although this doesn't mean that somebody on a train near you isn't watching a widescreen movie on their phone), it's nevertheless clear they're becoming the devices that glue together cross-channel retail. There's ample evidence, for instance, that people are becoming more and more comfortable about paying for big-ticket items via their mobiles, something few predicted even 18 months or two years ago.

## IT'S ALL ABOUT THE JOURNEY

So is the answer to design one kind of checkout process for 'rich' devices and

another for 'simpler' devices? In a narrow technical sense, that may be true, but it avoids the big design issue.

Increasingly, digital interface design isn't about creating different processes for multiple yet separate channels, it's about thinking through how people range across these channels.

In this context, Leigh Whitney, managing director of agency Design UK, points out that while as consumers we all want a simple and easy-to-use checkout process, there's also increasing pressure on retailers to offer different delivery options and different payment options. This sounds straightforward, yet offering these kinds of options within a cross-channel operation can be incredibly complex just from a design point of view, let alone from a logistical perspective.

Whitney sums up the challenge here as follows: "How is it that we engineer it so that we present information in an easy to use and understandable way that gives maximum flexibility to the consumer and convenience, but is still fast and speedy through the checkout process?" For Whitney, developing these kinds of checkout journeys is not something that can be tackled on a project basis, but is "a more long-term R&D project in its own right".

A good part of that R&D money needs to be spent in the mobile sphere. Related to the idea of the smartphone as the device that binds together cross-channel retail, it follows that it's going to become an increasingly important device in terms of payments.

**“ Problems around inconsistent information or inconsistent tone of voice often don't need hugely expensive fixes ”**

Here's how this might work. Jonathan Heap, CTO at mobile commerce solutions company NN4M, foresees two major developments on the near horizon in terms of how people pay in bricks-and-mortar stores. Self-service checkouts via phones, where people scan a barcode and pay in-store prior to a shop assistant bagging and tagging an item, will become increasingly commonplace.



## Fraud Prevention That Powers Growth

Work smarter, not harder to fight online fraud

For advice on how merchants can find new ways to improve their ability to identify and block fraud, download Chase Paymentech's complimentary white paper:

Fraud prevention that powers growth

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Then there's a queue-busting option where customers build a basket of items on their smartphones prior to walking up to the cash desk and scanning a QR code. "This is closer to deployment than complete self-service, but there are challenges mostly with hardware in the large retailers," he says. "Barcode/QR code scanning requires a camera (instead of laser) based scanner and replacing the scanning technology in a large retailer."

### CUSTOMERS GETTING AHEAD

Constantly in this fast-developing sphere as you look at different scenarios, you come across the kind of technological problems that Heap identifies. Yet that doesn't mean retailers can ignore developments or postpone thinking about the issues here. That's particularly true because it's so often consumers that are driving these changes.

"With mobile wallet and mobile payment solutions becoming more mainstream and adoption growing so rapidly, mobile integration into the physical shopping experience is more and more in demand by customers," says Heap, who adds that retailers "have a great opportunity to leapfrog their competitors" by being early adopters here. (Security, it's worth noting in passing, appears to be less of a concern for consumers with mobile devices than many commentators expected.)

In part, the above scenarios are based on the increasing adoption of 'tokenisation' to pre-store payment details ahead of going shopping, but this doesn't mean that smartphones will be just glorified credit cards. Rather, these kinds of developments need to be seen in conjunction with other new kinds of technology. Smartphones may not lend themselves to especially rich interactions,

**“ With mobile wallet and mobile payment solutions becoming more mainstream, mobile integration into the physical shopping experience is more and more in demand by customers ”**

but they are inherently personal devices in a way that PCs never will be.

In this context, consider an idea such as Von Bismark's Wardrobe platform, which has already been put through trials at a

### FUTURE RETAIL

"I actually don't see a checkout in the store in about three years time, maybe five. I don't see any space for one. I see sales clerks helping customers, using virtual wardrobes like Von Bismark's. I see security guards to make sure nothing's brought outside, hundreds of consumers walking around with completely integrated smart device, looking at virtual wardrobe, at accessories on the shelf. For everything they want to buy, they just put it into their shopping basket, into a bag that they get at the door and tap their phone on a little chip that will be integrated."

Eoghan O'Sullivan, founder, Von Bismark



## SPEAKING FROM EXPERIENCE



### PRE-STORED INFORMATION

"Conversion rates on mobile where you have shared accounts between the website and mobile site, such that mobile sites have defaults, delivery addresses, credit card details and so forth, are much higher those that don't. No-one likes typing their credit card details into a mobile."

Leigh Whitney, managing director, Design UK

### OF FINANCE AND PHONES

"[The phone] will be a financial object in the same way as your wallet is now. Eventually credit cards and debit cards will disappear. The idea of plastic with a magnetic strip is so antiquated it seems as if steam should be coming out of your wallet."

Mo Syed, head of customer experience, Amplience



### CUSTOMERS FIRST

"I really believe that customers are leading the way [in the mobile payments sphere] in their demands. There are some companies that are way ahead of the competition but it is so early in the cycle for these solutions that they are mostly still in test and early stage trials."

Jonathan Heap, CTO, NN4M

Hugo Boss in Dublin. Here, the idea is that customers can 'try on' clothes with a virtual mirror. Customers will be offered the opportunity to sign up for a 'passport' that has their measurements. For retailers, this is an opportunity to tie

"You know if you order something, a nice dress, if you see it on a Von Bismark retailer you'll be able to use your phone to check what size you are at that retailer and that you're 100 per cent sure of the fit," says the company's founder, Eoghan O'Sullivan.

To pull back from the nuts and bolts of virtual wardrobes, the underlying point here is again that we're looking at a very different kind of consumer journey from the old web 1.0 checkout model. It might be, for example, that in the very near future a consumer will first 'try on' clothes via a tablet PC, then head into town to a bricks-and-mortar store to pick up the clothes and pay via mobile phone.

Experts are clear that customers are keen to shop in this way. It's no wonder then that leading retailers are already looking beyond simple cart abandonment and planning for this behavioural future. ■

together customer information from different channels. For customers, a major pay-off for providing such personal information is knowing that clothes won't be too big or too small.



# THE FINAL HURDLE

**CREDIT CARD PAYMENTS MAY HAVE BEEN THE NORM IN THE EARLY DAYS OF ECOMMERCE BUT THE OPTIONS ARE PROLIFERATING. CAN USING DIFFERENT PAYMENT METHODS HELP PERSUADE CUSTOMERS TO PART WITH CASH? **PENELOPE ODY** REPORTS**

**W**

hen it comes to online shopping, payment is the last obstacle: it's the final barrier to overcome to prevent the entire basket being abandoned, the sale lost, and a disgruntled shopper clicking away to the nearest competitor.

While shipping costs or simply a desire to check out alternative prices are common causes for abandoning the checkout process, one of the key issues for many shoppers is payment with the need for additional passwords or time-consuming, number-crunching security systems. Some

list 3-D Secure – Verified by Visa and MasterCard SecureCode – among the culprits. “Shoppers often can’t remember their passwords,” says David Fletcher, business development manager at Callcredit Information Group, “or the system is so slow they give up. We’ve found a number of major retailers, including John Lewis, have stopped using these 3-D systems and have opted for alternative security tools because they were losing too many sales.”

Fletcher suggests that there is a demographic aspect to use of 3-D Secure: younger digital generation shoppers don’t

have a problem, but retailers with a wider customer demographic, such as John Lewis or Marks & Spencer, are more likely to find baskets abandoned when the 3-D pop-up appears.

Sven Krause, key account director at usability specialists Foviance, tends to agree: “3-D Secure adds steps to the process,” he says, “and many shoppers regard it as a nuisance, although for some it is evidence of good security. If you forget the password you have to go through the pain of resetting it and if it is a low-value purchase there is a tendency not to bother – simply to go and shop elsewhere.



Amazon. “One-click and auto-top-up are becoming more popular,” he says, “but they involve trust and if a retailer loses that trust it is very difficult to regain.

“A number of major retailers have stopped using 3-D systems and have opted for alternative security tools because they were losing too many sales”

#### EASE OF USE

The increased popularity of such systems is certainly due to the fact that they are quick and easy for shoppers – hence the current focus on applications that can deliver a single, simple, multichannel payment option.

The Mobile Money Network (MMN) launched its ‘Simple Tap’ system last year. “We are trying to deliver the simplest way of buying when and wherever you see something – whether that is in print media, mobile or online,” says Nick White, marketing director at MMN. “It takes away the hassle and inconvenience of buying products and gives consumers a single experience.”

All a shopper needs is to register their preferred payment method and home delivery address via the Simply Tap app, then upload a recognisable product ID, such as a QR or EAN code – or even a photograph from a newspaper advertisement of the item they want – to the Network and tap the ‘buy’ button on their phone. The information is relayed to the relevant retailer, the goods despatched and the merchant paid directly by MMN. There is no need for customers to key in card details on a merchant’s website. Currently the company has six active merchants – including Carphone Warehouse (which has a 40 per cent equity stake in the operation) and fashion retailer Pretty Green – but with Visa recently taking a 15 per cent share in MMN, rapid growth of the operation is expected for later this year.

While Simply Tap enables multichannel from a mobile, Nick White sees it as complementing rather than competing with NFC [near field communication] phones. “NFC is currently mostly for in-

store, low value payments,” he suggests, “although in future we could work with an NFC wallet system.”

NFC has certainly been hitting the headlines lately with the launch of Visa’s PayTag, in the UK. A similar stick-on tag system from MasterCard and Citigroup has been available in the US for several years; both Visa and MasterCard are both promoting contactless card payments in their Paywave and Paypass scheme.

#### MULTICHANNEL PAYMENTS

While e-wallets – such as Paypal – have long been available for online purchases, more flexible versions for multichannel or person-to-person use are also appearing. In the US Square’s ‘Pay with Square’ app has allowed shoppers to simply give their name at participating checkouts for their cards to be debited while Paypal is also moving into this space.

In the UK, Yespay launched its Pouch wallet system last year. This allows shoppers to download the app to their mobiles and, after secure ID checks, to register a payment card, then simply pay for purchases online using the wallet with no need to key in card details on a merchant’s site. Card data is held on Yespay’s secure PCI-DSS [Payment Card Industry – Data Security Standard] compliant server so even if the phone is lost or stolen the card data is not compromised.

“It can also be used for e-receipts and e-gift cards with voucher value transferred to the wallet,” says Rohit Patni, evp sales and marketing at Yespay, “and you can make person-to-person transfers so the system can be used for gift cards for under-18s so that they can shop using their mobiles.”

#### CLICKING ON AN EGG

Chocolate retailer, Thorntons, opted for Mobile Money Network for a one-penny Easter egg promotion in March. Shoppers simply took a photograph of the egg or associated QR code displayed on posters across London, and then used the Simply Tap app to register and buy the egg.

According to Matt King, head of Thorntons Direct, the company used the promotion to “tap into the excitement and impulse of buying chocolate”.

The promotion, which also significantly boosted Simply Tap use, went viral on social media: “People referred to it on Twitter and take up was very significant,” says Nick White, MMN’s marketing director, “it well demonstrated that making impulse buys easy can boost sales.”

“Another problem is that such systems are not usually embedded in the website, so some people may worry that they are being sent to another potentially fraudulent site where they have to key in security information and that can also be a deterrent to completing the transaction. These systems really need to be integrated more fully with the merchant’s website with better design and a more seamless process.”

As Krause also stresses, payment is about trust – especially if customers are going to allow sites to store their card details to enable one-click purchases as at





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Although originally launched for use on the current generation of smartphones, Yespay has already developed an NFC version which could be used in-store so extending the wallet to high street checkouts. "We're all waiting to see if Apple will add NFC functionality to the iPhone 5, says Patni, "if it does that would be the catalyst for rapid growth of NFC in retailing and will change the way we pay in stores."

As with Simply Tap, wallets such as Pouch obviate the need for keying in credit card details online since, once registered and securely held, shoppers simply have to use an email address or password to make a credit or debit card payment. Although NFC is largely seen as a payment technology for real-world stores if paying by phone becomes a preferred option for many shoppers, then some sort of linked application to enable the same method to be used for paying online could well be demanded by shoppers preferring to use one touch rather than key in credit card numbers. Wallets, like Pouch, could clearly have a significant role here – as well as giving a greater sense of security to those worried about online card payments.

### CONSUMER CONCERNS

A survey in April for Entersekt, a mobile security company, carried out by OnePoll, found that 41 per cent of those questioned expected their cards to be hacked at some point when shopping online, while almost three-quarters of women questioned claimed to check the security of a retailer's transaction process when they shopped online with half of them admitting that it caused them to "worry".

**“ A quarter of the world's 230 alternative payment schemes account for more than 80 per cent of all AP transactions ”**

Although secure pages often carry some suitable symbology – typically the closed padlock – surveys suggest that some customers would prefer more overt messaging about security, as well as payment functions embedded in the merchant's website rather than being transferred to another site.

Those payment options are also proliferating. For most online retailers the

### WHO BENEFITS?

**"3-D Secure systems might protect Visa and MasterCard but they don't help the consumer: they can reduce fraud but disengage the shopper. They also offload the security function to the consumer who may not be prepared to go through the necessary iterations."**

Sven Krause, key account director, Foviance



## SPEAKING FROM EXPERIENCE



### ALTERNATIVE PAYMENTS

**"We encourage sites to make it quite clear just how many payment options they accept right from the start to reassure shoppers: some put all the relevant on their home page. Others like Skype use our white label version and direct visitors where to buy them, which shows that they understand the need to point visitors to alternative payments as early as possible."**

David Hunter, CEO, Ukash

### NEW APPROACHES

**"Our vision is to enable retailers to sell anywhere. Many online shoppers drop out at the checkout, [with our technology] it is much easier for them to buy and, as use grows, we believe that we will be able to demonstrate that the system can improve conversion rate."**

Nick White, marketing director, Mobile Money Network



obvious payment mechanism is credit or debit card with more adding Paypal, but look on any gaming site, for example, and instead of three or four payment options there could be a dozen. "Retailers like to focus on all the good things about their websites and they forget about payments," says David Hunter, CEO of Ukash. "It is easy but lazy just to take card payments – adding alternatives really can make a difference to sales conversion."

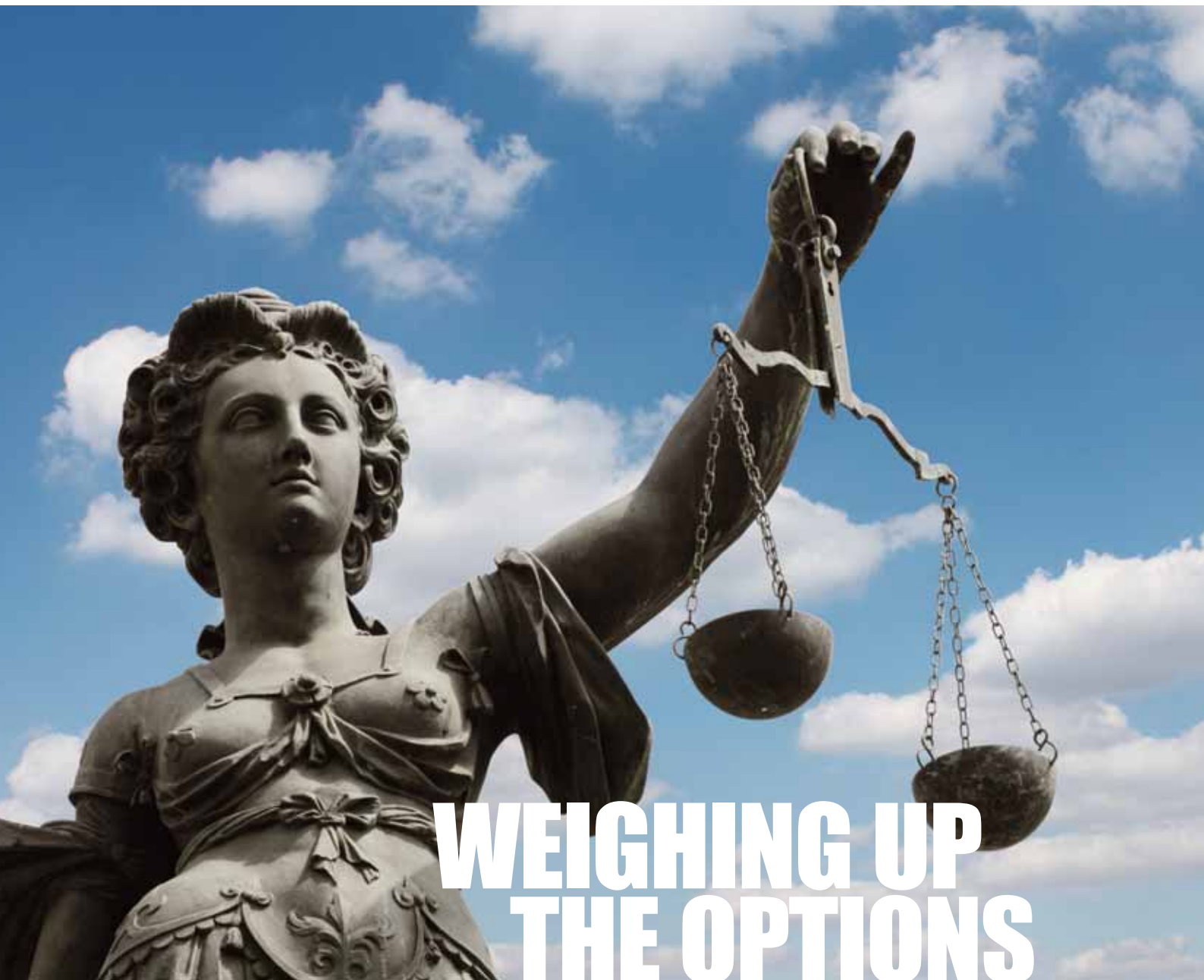
This has possibly become even more significant since the 2008 credit crunch with many people trying to pay off credit

a website offers four or more payment options then they can increase sales conversion by 30 per cent."

Alternative payment (AP) schemes are also important for any retailer planning overseas expansion, especially to those geographies where credit cards are rarely used. According to John Eggleton, head of ecommerce risk management services at WorldPay, there are now at least 230 AP schemes globally – however, just a quarter of these account for more than 80 per cent of all AP transactions. "For most merchants, two or three APs will give full coverage in any geography," he says. "More than that and it's the law of diminishing returns. Opt for the ones with a future: if in doubt take a scheme on a short pilot and see if it increases sales."

Alternative payment models will certainly appeal to some of the people some of the time – and may well depend on what they are buying. "Payment options really should be matched to shopping baskets dynamically," says Sven Krause, "as you can have different options and risk strategies depending on whether you are selling a pair of socks or a suite of furniture. Those options must be introduced carefully as shoppers will be confused and mistrustful if the checkout seems to keep on changing but such flexibility can be a facilitator to encourage purchase." ■

card debt and opting for cash alternatives. Ukash allows shoppers pay in cash at terminals like Paypoint, and receive a voucher with a nine-digit code that can then be used to pay online. "The system is socially inclusive," says Hunter, "you don't have to have a credit or debit card, or a bank account, so it is available to everyone – including the under-18s. Research by Globalcollect suggests that if



# WEIGHING UP THE OPTIONS

GETTING CROSS-CHANNEL TRANSACTIONS RIGHT IS ABOUT MAKING IT CONVENIENT AND EASY FOR THE CUSTOMER TO PAY, WHEREVER AND WHENEVER THEY WANT TO SHOP, REPORTS **CHLOE RIGBY**

**S**uccessful cross-channel shopping happens when customers can research, choose and buy from any touchpoint, tapping into retail systems that allow them to move seamlessly from store to PC and to mobile device. In a word, it's about convenience.

When it comes to payment, it's logical that retailers look to achieve that same convenience. The easier it is to pay, the greater the chance that payment will

happen – and the sale will be completed. Achieving this, however, could well mean reassessing conventional ideas of how we pay. Must we always pay by card online? Is cash only for stores? And, when we talk about convenience, should we consider not only the payment device but also the type of payment?

The answers to those questions will always depend on the individual business, and how its customers prefer to shop. But over the course of this feature

we take a look at just some of the ways retailers can make it easier, and safer, for customers to pay.

## EASY PAYMENT IN STORES

Flexibility, ease and convenience are the watchwords for UK retailers looking to boost sales in bricks-and-mortar stores. While payment is probably at its most flexible here, where cash, credit and debit cards and vouchers are all acceptable tender, long queues of

shoppers waiting to pay for relatively low-value goods can put off other potential buyers who will go elsewhere.

Providers of contactless methods of payment aim to consign this scenario to the past. Holders of contactless credit or debit cards are now able to pay in stores for transactions of up to £15. To do that, customers can use either contactless credit cards or mobile phones equipped with technologies such as the built-in Quick Tap or the fixed-on PayTag technology. MasterCard's PayPass solutions go further, extending contactless shopping to wristbands and watches as well as the range of payment cards, tags and mobile phones. Shoppers using MasterCard can also pay for higher-value transactions by inputting their PIN number.

At the moment this is mostly a convenient way to pay for low-value items, suited to retailers that often process low-value transactions, such as bars, convenience shops, fast-food chains and transport fares. But that may change. Maria José Gonçalves, director for the retail market at WeDo Technologies, predicts that customers will soon be able to pay for items costing up to £30 using contactless technology.

Meanwhile, near-field communications (NFC) technology is already in place in a small number of UK shops, where shoppers can pay simply by waving an NFC-enabled phone at an NFC terminal, adding the charge to their debit or credit card.

Other innovative payment methods are seen in Apple stores in the USA, where shoppers with an iTunes account can buy simply by taking a photograph of a low-value item with their iPhone and confirming their wish to buy. Internal networks recognise the phone, and identify the iTunes account, charging it automatically.

Underpinning all of this is the need for in-store, high-speed networks that allow retailers to deal with data securely. Mike Bielinski, co-founder of unified comms company Vodati International, says such networks allow fast and secure instore payments – and returns. “From the customer's point of view, the biggest advantage is that they can make a payment on or offline and it's treated in the same way,” he says. “They can go into the store and get an instant refund, just refund it there and then.”

He adds: “The architecture allows us to take payments from a mobile phone, from a contactless card or any other device that people might not want to use in the future.”

## NEW OPTIONS

“Different people like to spend money in many different ways for a whole variety of reasons. The trick the big businesses, the Visas and MasterCard, are facing now is how to enable that and not have existing market share cannibalised by payment methods that might be more suitable for certain types of expenditure.”

Phil McGriskin, chief product officer, WorldPay



## SPEAKING FROM EXPERIENCE



## KEEP IT CONSISTENT

“Payment types should be very similar in all channels otherwise it will not be a compelling client experience. Consumers are looking for reliability, and for everything to be integrated and quick. They may have some reservations about security – but as long as it works they won't consider that until later.”

Maria José Gonçalves, director for the retail market, WeDo Technologies

## VOUCHER VIRTUE

“The beauty of a voucher is effectively one-to-one pricing. You can decide how much you're prepared to sell to that particular person without discounting to everybody that goes into the shop.”

David Tym, chief executive, i-movo



However, as yet, he's not convinced that contactless technology will ever be widely used beyond low-value transactions. Rather, he believes, consumers will look to be more flexible in their use of devices in order to pay – and the retailer will follow.

## FLEXIBLE PAYMENT ON THE MOVE

PayPal head of sales Mark Brant says that, while it's not yet in wide use, technology already exists to allow shoppers to buy on the high street without needing to take their wallets, shopping instead from a mobile phone. Speaking at Internet Retailing Expo 2012, Brant said that while he had not yet got to the point where he felt confident to leave his wallet at home, “There will be a time soon when you will pull into a drive through and won't need to get out of your car and get your wallet out but you will be able to buy using a connected device.”

Tapping into card details held in the cloud would allow that transaction to take place through any connected device, whether a mobile phone, a PC or even a sat nav. Loyalty card details could also be stored in the cloud. “If I was paying with my mobile then a digital wallet transaction could be linked directly to a loyalty card,” said Brant. “It enables me as a consumer to have a much more seamless experience and you as a retailer to know more about me and about my shopping behaviour. It gives you the ability to follow up with a


“Technology already exists to allow shoppers to buy on the high street without needing to take their wallets”

geo-targeted offer based on the season or the store I like to go into.”

Online, it's likely that credit and debit cards will continue to be the most widely used payment method, thanks to strong security and guarantees of refunds that protect the customer. But it's often inconvenient to type in a 16-digit credit or debit card number, security number and expiry date – something that's particularly true with small smartphone screens. Retailers that can offer easy-to-use alternatives on their payment pages and mobile apps will benefit at a time when mobile payments are expected to continue to rise fast.

UK consumers currently spend a great deal of time researching goods and services using their smartphones, says WorldPay's chief product officer Phil McGriskin, but don't then go on to buy. As people become more comfortable with spending via their mobile phones, he predicts, “That's where the next big developments will be.”





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MAKING PAYMENTS SIMPLE AND SECURE.



McGriskin cites recent WorldPay research into alternative payment that showed 83 per cent wanted a range of ways to pay. "Another 42 per cent said a bigger selection would help them to spend more online," he says.

Such alternatives include PayPal, which pioneered the use of accounts that store credit card information centrally, and can also be funded direct from the bank account. Accounts can be accessed online simply by authenticating the payment with an email address and password. Payment can be made from a smartphone by bumping phones with someone whose own phone is enabled to take that payment, or they can pay using a PayPal app, which allows payments to be authenticated through an easier-to-type in PIN number.

Tokenisation, which substitutes the credit card number for a 'token' number on retailers' servers, means that customers can store their credit card details securely with a retailer for future use on a second occasion. Shoppers need only input their email address and password to buy again using previously saved card information – making payment easier from a mobile device – and indeed from a PC or other computer.

Tim Allitt, head of sales and marketing at online payment processor Secure Trading, says tokenisation is a useful way around the risk of hacking of a mobile device. "When you are on the move if you're using an unfamiliar device there's a potential that the device itself is open, and there are no restrictions on the consumer to protect his or her data," he says. "The security aspect of mobile devices is one thing. When you're using cards remotely, people might also see what you're doing. We tend to talk to our merchants about a wallet or tokenisation service. We store them [credit card details] on our server, and they can be used each time a consumer pulls out card in restaurant."

Amazon was among the first retailers to offer one-click purchasing, which allows a customer who has already authenticated themselves by logging into an Amazon account using email address and password to buy and have an order sent to a 'regular' delivery address instantly – making it easier to buy from a mobile. Other retailers can also use this solution by offering Amazon Payments on their own websites.

Adding to the payment options on offer, credit card companies Visa and MasterCard and mobile operator O2 have each released digital wallets. Each of the wallets – Visa's V.me, MasterCard's PayPass wallet and the

O2 Wallet – is open and allows a range of credit card types to be stored within them. The O2 Wallet also allows customers to load cash into the wallet. The API is also available to developers to integrate the digital wallets in retailers' payment pages and apps. Shoppers can then use the most appropriate card or cash option to pay when they want to do so online, authenticating their payment through email address and password.

Whichever payment option retailers opt for, points out WeDo Technologies' Maria José Goncalves, it's important these should be consistent across different channels. The priority, she says, are "quick and fast payment types integrated with the retailer's

"If a supermarket shopper was housebound and couldn't shop at the out-of-town supermarket any more, then wouldn't it be nice if they, as a cash consumer, got a voucher from the supermarket and next time they shop at the supermarket it's via their website and the product is delivered?" says Hunter. Such vouchers, he argues, are also a useful way for austerity-hit consumers to manage their money and limit spending effectively. Ukash also has a mobile app where shoppers can store cash value for spending through their mobile phones.

Another form of convenient payment likely to see strong growth in the coming year is the ability to pay straight from the

**“ Adding to the payment options on offer, credit card companies Visa and MasterCard and mobile operator O2 have each released digital wallets ”**

sales channels, whether that's the store, the kiosk or the web. That's because now almost everyone has a smartphone or some kind of mobile device. It's so easy to use that they also expect the same kind of experience to be built into the overall transaction. They want not only to see the products but also to transact – and they want something very easy to use."

### **TAKING CASH CROSS-CHANNEL**

These solutions are largely about making it easier to pay with a credit or debit card. But paying by card is often not convenient to all. Many do not have credit cards – under-18s, for a start – and many more may not trust their credit card information to the internet.

For shoppers like this, an alternative may be to take cash multichannel. With Ukash shoppers use local shops to exchange cash for a voucher with a number that can then be used online to buy goods. As yet the main uptake of the service has been in gaming, while Ukash can also be used to buy Facebook credits and Skype calls. Ukash chief executive David Hunter says the company is soon likely to announce a game-changing deal with a supermarket chain that could see stores both issue vouchers and accept them on their ecommerce websites, earning a commission at the sale of the voucher that offsets the merchant fee when they accept the vouchers online.

bank account. Such payment schemes are already strong in markets such as Holland, where the Ideal payment system accounts for more than half of all ecommerce payments. A similar scheme, Payo, is expected to launch in the UK later this year.

### **MAKING PAYMENT EARLIER**

Rethinking the conventional wisdom of payments has led some to predict that payment no longer needs to be at the end of the process. In fact, it could be more convenient for consumer and retailer alike to make the sale upfront, over a computer or mobile device, for later collection. Daily deals websites have offered new inspiration to some thinking through the conventional wisdom of payments. Given that consumers are willing to pay upfront for an experience they collect later, in return for a good price, could the approach work with ecommerce product sales?

David Tymms, chief executive of mobile vouchers specialist i-movo, believes so. "I think the key is flexibility," he says. "Certainly from the point of view of a bricks and mortar retailers that has inventory in certain stores, what this gives the opportunity to do is not rely on somebody going into the store and seeing the distressed inventory, but promoting it online, selling the number of vouchers that you have stock available at whatever the discount needs to be in order to shift it – you price it according to what the market will bear." ■

# HOW TO BEAT THE FRAUDSTERS

FINDING THE RIGHT BALANCE BETWEEN DETECTING FRAUDULENT TRANSACTIONS AND NOT REFUSING GENUINE ONES CAN BE A MAJOR CHALLENGE FOR ONLINE RETAILERS – FORTUNATELY TECHNOLOGY CAN HELP, DISCOVERS **PENELOPE ODY**



**I**magine the scenario. The first-time customer has gone straight to one of the most expensive items on your website. He wants to pay in US dollars, with a credit card issued by a Caribbean bank, the IP address suggests the shopper is in London, and the goods are to be delivered to an address in Moscow. All the hallmarks of an international fraudster? Or is it really a Russian oligarch with the potential to become one of your top-spending customers?

As Rishi Chauhan, senior fraud and risk product manager with DataCash, points out: “Celebrities and fraudsters behave in very similar ways.” Identifying which is which can be the difference between significant profits and major loss, and requires rather more than just an address verification (AVS) check or a manual review by an in-house analyst.

According to the latest *UK Online Fraud Report* from CyberSource, around 76 per cent of merchants surveyed checked card verification numbers; around two-thirds used 3-D Secure; and

just over half used AVS. Other security checks were far less popular with fewer than one in five looking at multi-merchant negative hot-lists, checking IP geolocation, or examining customer website behaviour and similar analytics.

## COUNTING THE LOSSES

Calculating total online fraud losses that such piecemeal approaches cause is not easy: chargebacks on refused card transactions can be around 0.5-6 per cent of transactions – although levels hitting 30 per cent are not entirely unknown. Last year’s *Retail Fraud Survey* from Martec found that “home shopping” companies put “shrinkage” – an umbrella term covering everything from damaged goods to shoplifting – at 0.7 per cent of sales while the average for all retailers this year is one per cent of sales.

The government’s latest *Annual Fraud Indicator* gives cardholder-not-present fraud as £220.9million. However, a report from LexisNexis in the US last year calculated that for every \$100 retailers lost in chargebacks, the “true cost” was \$233,

when the expense of replacing merchandise, bank interest, and distribution costs are taken into account. This study also suggests that the value of online card fraud losses now roughly equals losses from lost and stolen merchandise. Insurance cover against fraudulent loss will generally only pay the cost price of the goods involved so retailers lose both margin and shipping expenses.

To these numbers can be added the losses from denied genuine sales due to security systems refusing transactions because of technicalities over card data or supposed suspect behaviour – such as by our hypothetical Russian oligarch.

The most widely used security systems also have their limitations: 3-D Secure can deter genuine shoppers who regularly forget their passwords and cannot face the hassle of resetting the system, while AVS only checks numerical data and fraudsters have become adept at creating fictitious addresses with the same house number and postcode numerals which will pass this test. More thorough are address and ID checks from companies such as

192.com, which looks at customer ID and associated address, pulling in data from telephone directories, electoral registers and various other sources. "It is easy to use with online log-in so you can obtain a wide range of ID information quickly," says Adam Guest, the company's senior business development manager. 192.com was acquired by Experian earlier this year largely to improve its address and ID verification offer.

Failure to pass these basic tests, however, and most merchants are faced with either denying the transaction or using manual checks, which can involve telephoning the shopper to try and confirm identity or waiting for payment to clear before the goods are despatched. Both approaches no doubt deter fraudsters but they can also easily alienate genuine shoppers who may well tweet their disapproval. Employing large numbers of fraud analysts to process high levels of manual referrals 24/7 is also very expensive.

### AUTOMATED CHECKS

Rather more sophisticated are risk-based authentication systems (RBA), which are rules-based and allow transactions to be scored against pre-set parameters. WorldPay's RiskGuardian, for example, automatically checks such factors as cardholder ID, IP address, geolocation, multichannel transaction history, delivery address validation, cardholder address, card verification and much more. Typically between 80 and 100 automated checks can be made within less than 0.5 seconds drawing not just on the individual merchant's database but the shopper's entire interaction record across all WorldPay's payment and fraud management services.

"From that you end up with a risk score of between one and 100, and it is up to the retailer to decide what level of risk is acceptable for the business," says Gabriel Hopkins, head of ecommerce products at WorldPay. "At the moment all retailers want to maximise sales and the best risk management is totally unobtrusive: you want to wipe out fraud – not wipe out potential customers."

David Fletcher, business development manager with Callcredit agrees: "The system has to be quick and seamless," he says, "especially with some online retailers promising 90-minute delivery these days: you can't spend hours on manual checks if you are going to fulfil that sort of promise – equally you can't have an in-house team of fraud checkers available 24 hours a day."

### COMBINATION APPROACH

**"Specific channels have their own security needs and so you need a combination of strategies – such as rules-based analytics and online behavioural analysis and you also need to share security data across all channels."**

Rishi Chauhan, senior fraud and risk product manager, DataCash



## SPEAKING FROM EXPERIENCE



### TOKENISATION'S KEY ADVANTAGE

**"Use of tokenisation is growing as it takes card data out of the retail database: if we store the information then all the retailer has is the last four card digits and the expiry date and no need to worry about PCI compliance."**

Gabriel Hopkins, head of ecommerce products, WorldPay

### PREPARING FOR NFC

**"NFC is here and we're expecting major growth in mobile payment options and wallets both on and offline. Wallets don't store any card details so meet PCI security rules and they allow shoppers to use the same payment system in any channel."**

Chandra Patni, CEO and CTO, Yespay



Callcredit started life as a credit referencing agency so can run ID checks on the cardholder – ensuring that the number, name, address and date of birth all match. "Fraudsters bulk buy card details," says Fletcher, "but they don't possess all the right information to fool all of the systems." Callcredit also checks delivery addresses against known fraud "hot spots" and assesses risks by product sector, value and time of order – all in around 0.9 seconds – to give the final risk score in accepting any transaction.

**“Celebrities and fraudsters behave in very similar ways”**

DataCash, a division of MasterCard takes the analytics one stage further with what Rishi Chauhan, calls the 'Confidence Index' (CI). This draws on the many millions of card and cardholder records held by MasterCard and these card transactions in thousands of merchants, to give a profile of the cardholder, their address, email, ID, and purchasing history. "From this information the system comes up with a confidence score about whether the transaction is genuine," says Chauhan. "It also looks at shopper

behaviour and compares activity with that seen in both good and bad transactions to give another indication of whether or not it might be fraudulent."

In a normal online transaction a shopper will search, browse and finally select and checkout. A fraudster is more likely to go straight to an expensive item and may try several cards before one is accepted.

As an example of how the Confidence Index can work, Chauhan cites a low-cost airline that in December processed 1.3 million transactions. Of these, 670,000 were flagged as potentially fraudulent based on standard automated risk-based checks. These were then subjected to the CI tests checking on known behaviour and transactions for each cardholder: all passed, so were accepted – with no subsequent chargebacks. CI checks take less than two seconds to complete. "The more automated a system becomes the greater the risk that common sense goes out of the window," adds Chauhan. "People do behave in strange ways at times – but that doesn't always mean they are fraudsters."

Systems like this can also draw on multichannel information looking at how a shopper behaves and buys both on and offline. Currently, security departments in many retailers are responsible purely for store activity with online fraud left to the ecommerce managers.

"The retail loss prevention world seems to be lagging behind the rest of the





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industry,” says Fran Riseley, director, Martec International. “Buying, logistics, merchandising and marketing are generally organised across all retail channels, rather than being channel specific. Whereas fraud prevention is invariably run as two separate operations – for store and online, with no-one in overall control and with strategies varying by channel. This needs to change before shrinkage will reduce.”

### BANK TRANSFERS

Assessing fraud risks is, of course, just part of the problem of taking online payment. Alternative payment (AP) options – such as wallets and direct bank transfers are proliferating and several offer very low fraud risk. Among the safest are real-time bank transfers, like Ideal, popular in the Netherlands, while offline credit transfers, like Boletto Bancaire, widely used in South America, also have a good fraud record. “In general APs are less risky than some card products,” says John Eggleton, head of ecommerce risk management services at WorldPay.

Rather more complex are the raft of rules surrounding card data with which online merchants need to comply. Use of PCI-DSS [Payment Card Industry-Data Security Standard] goes back to late 2004 when the main global card issues agreed to align standards and protocols. Rules now cover where and how card data can be stored with fines for security breaches and

“ Security departments in many retailers are responsible purely for store activity with online fraud left to the ecommerce managers ”

any lack of compliance. Critics suggest that the rules are more to protect card issuers than offer improved security but the upshot is that few retailers want to be involved with holding card data. “Most retailers don’t want to store credit card details because of PCI,” says Gabriel Hopkins, “so they want to move the checkout process off-site to a payment processor, such as WorldPay.”

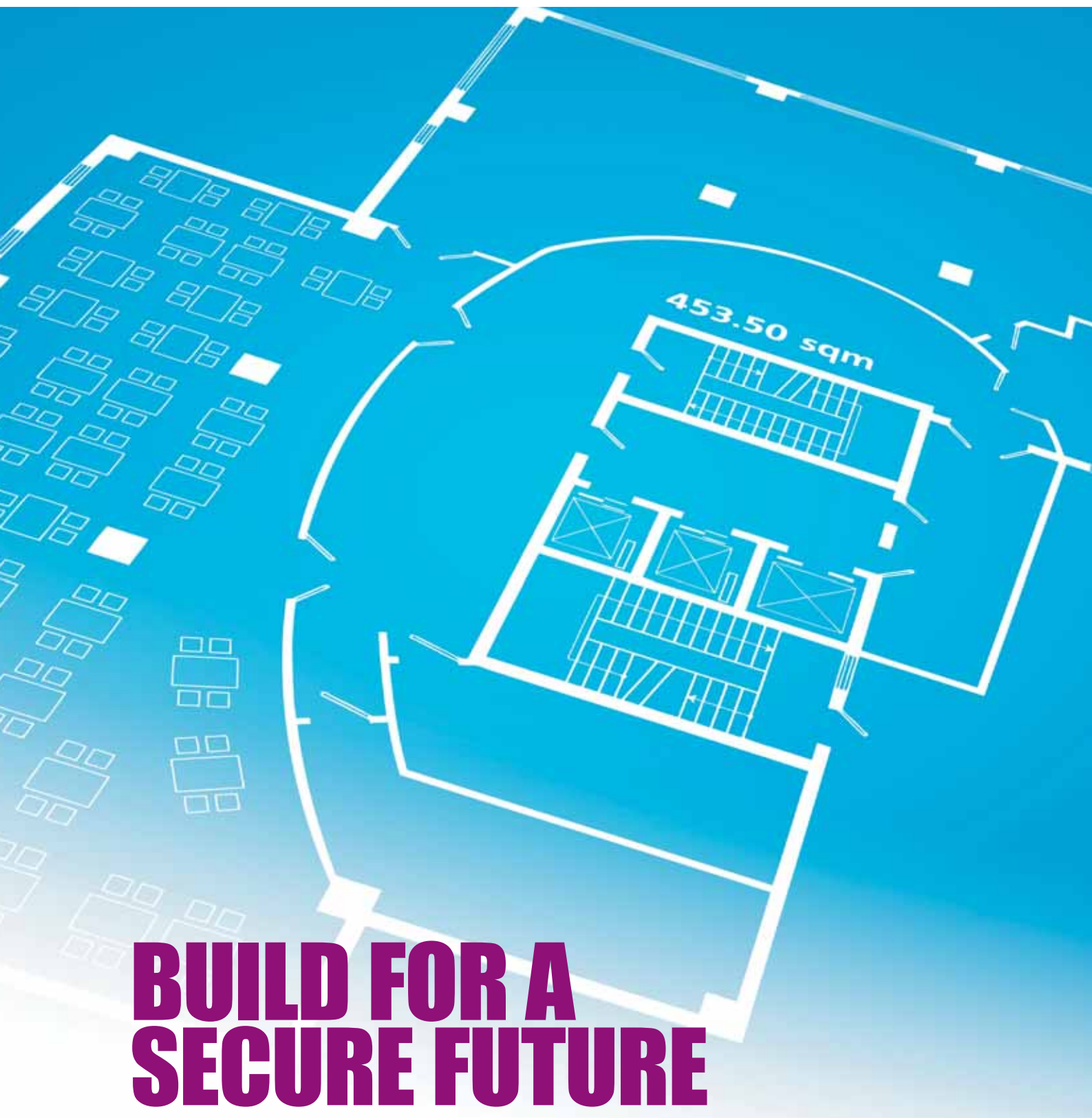
PCI-DSS rules change regularly and keeping track of each update can be a problem for individual retailers: in a multichannel environment it means that store, kiosk, mobile, internet and wireless links all need to be compliant. For many tokenisation is the answer: replacing the card data with seemingly random numbers or a password – as happens with e-wallet systems; it allows the merchant to re-use credit card data without actually holding it on the system. Another of the latest developments is for point-to-point encryption. This involves encrypting cardholder data at the time it enters a payment system and transporting it

securely to payment processors, where it is decrypted within milliseconds. The PCI council is currently pushing the payment industry to adopt point-to-point encryption (PTPE) as a requirement for larger retailers to achieve maximum security.

“Point-to-Point encryption saves retailers from frauds and keeps cardholder’s data safe while also relieving them of the hassle of keeping their systems updated with the PCI council PCI-DSS requirements”, says Chandra Patni, CEO and CTO at Yespay. “Our system is based on open standards and works across the multi-channel environment with unattended kiosks – used for such things as photo printing – one of our fastest growing areas.”

To the need for faster, more complex fraud detection systems and ever-more stringent PCI rules, add the future demands of NFC [near field communications], increasing use of contactless and phone-based systems, and the demands of global retailing and it is hardly surprising that some retailers are opting to outsource payments processing entirely. ■





# BUILD FOR A SECURE FUTURE

FROM MANAGING MULTIPLE PAYMENT TYPES IN ASSORTED GEOGRAPHIES TO PREPARING FOR MULTICHANNEL USE OF MOBILE WALLETS OR ANTICIPATING THE NEXT TARGET FOR THE FRAUDSTERS: THERE IS A GREAT DEAL FOR RETAIL BOARDS TO PUT ON THE AGENDA, REPORTS **PENELOPE ODY**



P

ayment choices used to be simple – cash, cheque or card depending on channel. Today, as many analysts suggest, we are at the cusp of a major shift in technology: mobile is set to transform not just the way retailers do business, but the way customers pay for their purchases.

Add QR codes, near field communications (NFC) or e-wallets and multichannel retailers face not just an expensive list of necessary IT upgrades but a new list of fraud challenges as well. For those looking for overseas expansion there are also geography-specific payment options to consider.

On the payments front, the emerging mobile wallets and contactless options have to be a priority. Can store checkouts accept payments from a mobile phone? Will contactless for low value purchases mean an extensive EPOs upgrade? And, even more significant, can you accept any wallet payments other than Paypal at the website?

"It's all about mobile," says Dave Birch, director of Consult Hyperion – an independent IT consultancy that specialises in secure electronic transactions, "it has to be part of any retail strategy and it's going to become the central channel. We're seeing major interest from our clients in developing mobile wallets and we certainly expect customers in future to want to pay by mobile not just in-store or on the move but for all types of online shopping as well."

Rather than key card details into a PC, Birch expects tomorrow's shoppers to prefer the retailer to text their phones to request payment from the e-wallet. Those e-wallets would also be used to receive e-coupons or loyalty points. "I used to think that it would be confusing to have several wallets on the phone but currently I have a Barclays' wallet, Pingit, an O2 wallet and a Starbucks wallet and it's no big deal to manage all of them," says Birch. "Each wallet can have my credit and debit card details to make payments and duplication isn't an issue. In future phones will be smart enough to know which wallet to use in which location – enter a Starbucks and your Starbucks wallet opens on the phone complete with special offers or coupons."

### RETAILERS IN THE LEAD

Rather than depend on banks and payment processors to drive e-wallet adoption, Dave Birch believes that retailers could take a lead here.

### NFC RISING

"Consumers like tapping their phones on things to pay, they're very positive about NFC but retailers haven't really thought it through yet. I can pay like this in the car park and even at my dry cleaners – but not at the express checkout in the supermarket where I buy a lunchtime sandwich. That will change over the next three to five years and NFC could be used for much more than just payment."

Dave Birch, director, Consult Hyperion



## SPEAKING FROM EXPERIENCE



### THE PERILS OF NEW PAYMENT METHODS

"You need to be able to measure the performance of each payment type and that can be difficult with multiple vendors and multiple reports: adding a fourth payment option might not bring extra business, it could just cannibalise one of the other choices and you need to be able to assess that."

Akif Khan, director, products and services, CyberSource

### SECURITY CONSIDERATIONS

"There is a big push for wi-fi in stores for mobile applications, but blocking devices are available which can shut down the network and upset payment options so that less secure fall-back systems, must be used and that can enable security breaches."

Simon Collins, VP consulting at WeDo Technologies



According to the *Wall Street Journal*, in the USA, Wal-Mart, Target and a couple of dozen other retailers are already working together on developing a wallet system for use in all their stores. In future shopping centres could also produce branded wallets – such as a Westfield or Bluewater wallet that would open automatically when shoppers entered the centre.

Wallets are already proliferating: Google launched its Google Wallet with Sprint in the US last September with a European launch likely later this year. Also in Europe Vodafone, O2 and others telcos are already working on a joint venture to create a new mobile phone wallet. Known as 'Project Oscar' the scheme involves a payment chip in the phone's SIM, and is currently being investigated by Europe's competition watchdog as it's been suggested the system could potentially stunt innovation and restrict new entrants. Visa, too, is entering the European market with its V.me wallet scheduled to launch in the UK, Spain and France in the autumn.

Such growing interest certainly means that wallets need to be on the board agenda – whether that is branding your own or simply allowing the website to accept payments from third-party wallets other than Paypal.

“ In the USA, Wal-Mart, Target and a couple of dozen other retailers are already working together on developing a wallet system for use in all their stores ”

Also hitting the headlines recently has been NFC with enabled contactless cards, mobile phone, and stick-on tags (such as Visa's PayTag and the Tap and Go Citi Tag PayPass system, launched in the US almost five years ago) now available. Equally notable have been reports that some of these contactless options can be easily read using wireless readers in mobile phones or skimming devices bought on eBay. Thieves can glean card names, numbers and expiry dates and use the data in online transactions. Such data should be encrypted, but a Channel 4 exposé in March found that Barclays' contactless cards were not protected in this way. Media advice to wrap such cards in tin-foil or keep in foil-lined wallets hardly encourages consumer confidence.



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“Sticky labels on phones are only going to be as secure as the glue that holds them on,” says Simon Collins, VP consulting at WeDo Technologies, “and skimming devices are readily available.”

Skimming is likely to be more of a problem in-store than online as it could be comparatively easy for dishonest staff to introduce an illicit device for customers to tap to transfer payment rather than use the shop’s own unit.

Enabling mobile wallets in-store also raises a raft of security issues. “The point-of-sale system has to be updated,” says Maria Jose Goncalves, director for retail market at WeDo, “and that is expensive and can easily take a year or more to complete across the entire retail estate. With all retailers currently looking very closely at every IT investment that could well delay adoption.”

### CROSS-CHANNEL THREAT

While each generation of mobile technology becomes more secure with new chipsets on the horizon to make devices thoroughly tamper-proof, Simon Collins is currently concerned both about ageing technology and cross-channel attacks where smartphones can be simultaneously accessed via the telephone and wi-fi. “Retailers have tended to opt for the lowest common denominator so many mobile payment options still use GSM and 2G or 2.5G with old security algorithms. It means that transmissions can be intercepted and security compromised. It is also possible to intercept systems so that a message sent via wi-fi could appear to come from a mobile device but without the device owner being aware that the systems has been compromised. There have already been cases of this happening with VoIP.”

QR codes, he says are equally tamper prone. Simply by sticking another code over the one displayed on a billboard, he explains, fraudsters can cause mobile phones to connect not to the intended website but to make a premium rate call to a Russian porn site while simultaneously displaying a fake site on the smartphone that looks like the one the consumer expected to appear. “The user only discovers the theft when they receive an enormous phone bill at the end of the month,” says Collins. “It’s a scam that is well known to telecoms providers but isn’t yet fully appreciated by retailers.”

Such scams may cost brand owners little in terms of lost potential revenue

“Some retailers want to avoid payment options perceived as downmarket, appealing to the unbanked, which could damage the brand”

but are far more damaging to brand image and could easily spark a rash of highly negative tweets.

### THE INTERNATIONAL DIMENSION

For any retailer set on international growth there are also a raft of both payment options and fraud issues to consider. Alternative payments (AP) include real-time bank transfer, direct debits, and offline credit transfers as well as e-wallets, cash on delivery and payments via the phone bill. “There are also issues around operational efficiency,” says Akif Khan, director, products and services at CyberSource. “A merchant offering multiple payment types for different geographies may need to use multiple vendors or acquirers and that can mean multiple reports arriving at different times, in different formats, and requiring different systems. It can become very difficult to get a single view of payments – even calculating how much you’ve taken in a day can be a problem.”

He advises retailers to think not just about payment implementation but also about the reporting issues – for internal monitoring as well as audit and regulatory compliance – when they set up multiple payment choices.

The risks associated with alternative payments can also vary. “Fraud is almost non-existent for some of these schemes,” says John Eggleton, head of ecommerce risk management services at WorldPay, “especially real-time bank transfers and offline credit transfers as the money is moved before goods are shipped. Real-time bank transfers are often preferred as many charge a standard fee not a percentage of the transaction value so they are low-cost to use.”

A downside to AP options is that unlike card payments there is no overall regulation and no security standards. “Fraud is lower but you still need security checks, also with direct debit schemes it can take up to five days to receive payment so there can be a risk,” he adds.

Khan agrees: “Direct debits have a low fraud risk but a high credit risk. So you really need to match payment method and fulfilment together. An airline would

be quite safe selling a ticket for travel in two weeks time on a direct debit payment as the funds will clear in that time, but the credit risk would be very high for a flight the following morning.”

Direct debit schemes, such as ELV in Germany, can lead to chargebacks as the payment may appear to go through but the funds are not ring-fenced, so if the customer makes a number of purchases and runs out of money before the payments are all cleared then chargebacks occur. Payment choices at the checkout therefore need to reflect the delivery selection, adds Dr Khan. Opt for next-day delivery and the site should offer card payments or real-time bank transfer; be prepared to wait for five days or more for the goods and direct debit becomes an option.

“Authorised card payments have a low credit risk but there is always the fraud risk,” says Dr Khan, “whereas direct debit has a low fraud risk but a high credit risk if the shopper doesn’t have sufficient funds in his account to make the payment.”

While offering multiple payment options is essential for international growth, Khan is less convinced about home sales: “We work with enterprise merchants,” he says, “and they tend to be very conservative and don’t want to implement payment options that could reflect badly on the brand. Some also want to avoid payment options perceived as downmarket, appealing to the unbanked, which could also damage the brand. Paypal may have become mainstream but for many people it is still something associated with cut-price auctions on eBay.”

Choosing your payment options, it seems, has just as much to do with fraud and credit risk as brand image and customer perceptions: become associated with a dodgy card scheme, a QR scam, or a payment system your upmarket shoppers associate with downmarket gaming and consumers can lose trust. Equally, at a time when the digital generation is embracing mobile payments in all their forms, some retailers might just have to become a little more broad-minded if they want to stay ‘cool’. ■



# INSPIRING CONFIDENCE

WITH MANY SHOPPERS WORRIED ABOUT INTERNET SECURITY AND LOATH TO TRUST THEIR CREDIT CARDS NUMBERS TO CYBERSPACE, HOW CAN RETAILERS BUILD TRUST AND MAKE ONLINE SHOPPING A LESS NERVE-RACKING EXPERIENCE? **PENELOPE ODY** REPORTS



## SPEAKING FROM EXPERIENCE

### FALLING AT THE LAST

"Many online retailers fall down at the final hurdle because their payment gateway appears to take customers away from the brand's site which can both alarm and detract from the brand's ethos.

This is why so much effort is being put into online payments to replicate the brand feel and messaging across all touchpoints, to offer a seamless customer experience."

Tim Allitt, sales and marketing director, SecureTrading



### SOCIAL PRESENCE

"The importance of trust explains more than any other the reason why there is a concentration of business in ecommerce. A major social media presence upfront can help to reassure customers."

Philippe Nobile, senior manager, Kurt Salmon

### CLEAR INFORMATION

"You can increase customer confidence by making it clear that payment is being taken and processed by a trusted source, as well as not asking too much personal information that can link a card to a specific individual."

Paul Leybourne, head of sales, Vodat International



### COIN OF THE REALM

"Consumers expect cash to be key part of their payment methods for years to come, with more than 64 per cent of people stating that they hope and believe that cash will continue to be a recognised and fully supported payment medium. The challenge is to ensure that technology, instead of trying to replace cash with a more fashionable alternative, delivers continual improvements in speed and accuracy of the payment process."

Steve Fitton, sales director, Scan Coin

Companies need to reassure shoppers that payment is secure. They can do this by building awareness of the website and giving reassurance with clear references to institutional banks and a clear website payment page."

While in the real world in-store, staff can maintain customer engagement as need be, that constant friendly contact is also important online. "Customer interaction is key," Tim Allitt, sales and marketing director at SecureTrading. "Retailers should make sure that they reply promptly to queries by the customer, and ensure quick turnarounds on refunds or returned goods.

Merchants also need to reassure their customers that their details are safe by including such things as privacy statements on their websites as well as details of the security levels of the payment pages, links to pages on the payment gateway sites and certificate information."

Paul Leybourne, head of sales at Vodat International agrees: "Online retailers need to reassure shoppers whilst online that the information they provide is safe," he says. "They should try and keep the information they ask for to a minimum so the shopper is not sharing too much personal information."

Confidence, suggests Steve Krause, also

**T**o those of us who barely think once, let alone twice, before happily keying our credit card details into an online shopping site it always comes as a surprise that so many consumers claim to be worried about the security risks of shopping online.

A YouGov study for eWise last year suggested that a fifth of UK shoppers had been the victim of online fraud, while more than two-thirds agreed with the statement that, "I am concerned about security when paying for goods/services online," and 54 per cent said they had abandoned an online purchase because of worries over security. Similarly a study for Paypoint last September suggested that one in three consumers admit they are less likely to buy online because of concerns about fraud risks. Studies from the USA suggest similar concerns, with a survey last autumn by ThreatMetrix and the Ponemon Institute finding that 45 per cent of consumers had been the victims of online fraud, up from 42 per cent recorded in a similar study earlier in the year.

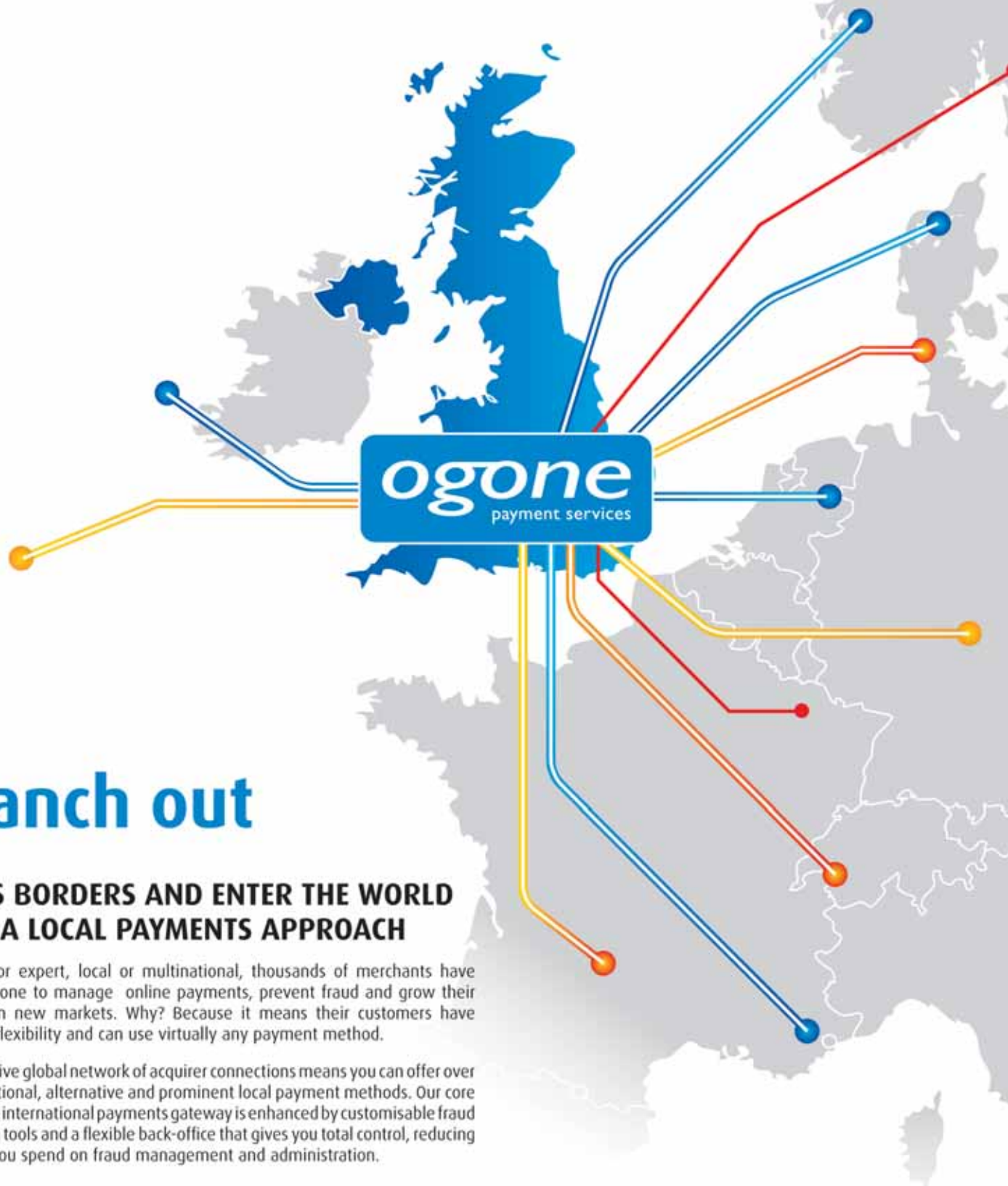
Certainly several of the widely quoted surveys, which demonstrate this lack of consumer confidence, have been sponsored by companies with an interest in alternative payments and, as always, how a question is phrased can make significant difference to the survey results. Even so, there are clearly significant numbers of would-be online shoppers who are worried about fraud risks and engaging with these has to be on the retail agenda if online shopping growth is to be sustained.

### A LOSS OF TRUST

"Consumers tend to build up mental models of what sort of checkout and security they expect to find on a website," says Sven Krause, key account director at Foviance. "If it seems too complex they can become confused and worry about the process, and that loses trust – especially if high value purchases are involved." Confidence in that mental model is helped if the shopper knows something about the retailer involved and has trust in the brand, but it can be reinforced by increasing interaction with the shopper.

Philippe Nobile, senior manager, Kurt Salmon, agrees: "Trust is the number one criteria for ecommerce, especially for brands and retailers that are not well known," he says. "A lack of reassurance when it comes to payment is one of the commonest reasons why internet shoppers stop their transactions at the checkout stage.

**“ A lack of reassurance when it comes to payment is one of the commonest reasons why internet shoppers stop their transactions at the checkout stage ”**



# Branch out

## CROSS BORDERS AND ENTER THE WORLD WITH A LOCAL PAYMENTS APPROACH

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A WORLD OF LOCAL PAYMENTS - JUST ONE CLICK AWAY

has much to do with the shopper's personality: for some, additional items to improve security are regarded as a nuisance and they are likely to abandon the basket. Others feel reassured by systems that direct them to alternative secure sites and will come back to buy again. Identifying these different types of shoppers by their online behaviour is far from easy. "It's all about finding the sweet spot," says Krause, "identifying the right level of security that will protect the brand but is convenient enough not to deter either group of shoppers."

### THE INTERNATIONAL DIMENSION

Finding that 'sweet spot' is even more important when planning international growth as River Island did last September, when it expanded operations worldwide. "We didn't want to strangle the business at the early stage by taking too stringent an approach to fraud," says Stephen Frame, head of loss prevention.

By applying the same security systems used for UK shoppers as well as investing in manual checks by a team of skilled fraud investigators, River Island has accepted 90 per cent of transactions challenged by automated systems – including many from 'high risk' countries – with a chargeback rate of less than 0.5 per cent. To encourage customers the company offers free international delivery on orders over £100, as well as giving refunds for return postage from overseas destinations. Such tactics may seem extravagant but are helping to build trust and confidence in the brand as the retailer enters new markets.

While some studies suggest that shopping cart abandonment can be linked to concerns over payment security, other common reasons include hidden charges – such as VAT and postage – which are not always apparent until the checkout, as well as a simple change of mind before pressing the pay button. Slow checkout processes are also unpopular. Analysis by Bronto Software found that there were an average of 5.6 pages from cart to order confirmation, while one site forced the shopper through nine pages before the purchase was complete – it is hardly surprising that customers become extremely disengaged by such lengthy processes.

In addition, some shoppers dislike the idea of 'registration' as a prerequisite to buying. As Gabriel Hopkins, head of ecommerce products at WorldPay points out, alternative terminology can help: "If you look at sites like ASOS you see that new customers are no longer asked to register,

the word 'continue' is used instead of 'register' as many shoppers don't like the idea of registering on a site." Press 'continue' on the ASOS site and you are still asked to provide the usual personal details and set a password, but by avoiding the dreaded 'R' word, Hopkins argues, retailers can help to make customers feel they are in control of the relationship. "Allowing customers to see their basket and contents all the way through the shopping process are also important," he adds.

### GIVING CUSTOMERS CONTROL

Other sites, including Ocado, also provide a running total of the bill, which adds to this feeling of being in control of the transaction,

believe that both payment options and payment security really are major deterrents to buying.

Making it easy to continue shopping can also be important: suggested additional purchases, clear indications that items in the cart can be removed or updated or reassuring messages about ease of returns can all help. To mollify those concerned about payment security it is also important to make it quite clear from the start of the shopping experience which payment methods are acceptable. "Alternative payment options need to be introduced as early as possible in the buying process," says David Hunter, CEO of Ukash. "If you look at some of the gaming sites, such as

“ One site forced the shopper through nine pages before the purchase was complete – it is hardly surprising that customers become extremely disengaged by such lengthy processes ”

helps engagement, and can ameliorate any unexpected shocks at the checkout that might contribute to cart abandonment. According to a report from Bronto Software: "Many shoppers will intentionally cart more items than they plan to purchase with the intention of making modifications when they are finished shopping and view their cart. Seeing all of the products, costs, and shipping fees could overwhelm someone who may have over-shopped." However, Bronto's study revealed that 21 per cent of the sites analysed did not allow product quantities to be changed once they were in the cart.

A study from SeeWhy in the US suggested that cart abandonment rose from an average of 72 per cent in 2011 to 85 per cent at peak times in the run-up to Christmas while a study from Forrester Research suggested that 89 per cent of customers have abandoned carts. SeeWhy attributes this, in part, to the growing savviness of online shoppers with many looking for discounts, special promotions or unconditional free shipping before they press the buy button. Faced with rising abandonment rates, SeeWhy suggests that online marketers have responded with such things as simplified checkout processes, additional security seals, more payment methods, and a "host of other conversion rate optimisation tweaks." This would imply that many online merchants

Ladbrokes, you will see a list of a dozen or more payment logos on the home page which immediately lets shoppers know just what the payment choices are."

Each logo is supported with a pop-up explaining how the particular payment system works and giving details about its security, which can help to reassure nervous customers as well as introducing them to alternatives to card payments if that is their particular concern. For these customers, e-wallets and similar 'tokenisation' schemes can also give reassurance. "With tokenisation the merchant doesn't see the card number nor do they store it," says Tim Allitt, "instead they leave it to a payment processing company. It also eliminates the need for customers to repeatedly enter credit and debit card details and speeds up the entire payment process for returning customers."

As with Amazon's one-click, it can make shopping easy and – as long as the brand retains trust – can also help build customer loyalty as it is much easier for customers to simply return to a familiar site knowing they just have to key in a password rather than having to find a physical wallet or handbag and enter card numbers and security codes. "Keep it simple, stupid!" (KISS) has long been a key marketing precept: keeping the online payment process simple looks like being an equally important aspect of customer engagement. ■



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	Cranberry Panda		UK, Northern Hemisphere, United Kingdom
Oct, 13	Head of Online Marketing	£60,000 - £80,000 + bonus	UK, London, United Kingdom
Oct, 13	Web Content Administrator	£25,000	Witney, nr Oxford, UK
Oct, 13	Cranberry Panda		Witney, nr Oxford, UK
Oct, 11	Online Content Manager	up to £30,000	Witney, nr Oxford, UK
Oct, 11	Merchandising Assistant	£18,000 - £25,000	Witney, nr Oxford, UK
Oct, 11	Cranberry Panda		Witney, nr Oxford, UK
Oct, 11	Online Marketing Manager	Up to £25,000	UK, London, United Kingdom
Oct, 10	Cranberry Panda		UK, London, United Kingdom
Oct, 10	Reporting and Analytics Manager	£40,000 - £60,000 (dependant on experience)	UK, London, United Kingdom
Sep, 29	Head of Online	£30,000 - £50,000 (dependant on experience)	Pazzallo, Switzerland
Sep, 29	Cranberry Panda		Manchester, United Kingdom
Sep, 27	E-Commerce Merchandiser Vans	Gross salary: about 60.000-65.000 CHF per year	Manchester, United Kingdom
Sep, 27	VF International Sagl		Manchester, United Kingdom
Sep, 27	Ecommerce Marketing Manager	£30,000 - £35,000	Manchester, United Kingdom
Sep, 27	Cranberry Panda		Manchester, United Kingdom
Sep, 27	Online Merchandiser	£27,000 - £40,000	Manchester, United Kingdom
Sep, 27	Cranberry Panda		Manchester, United Kingdom

Once upon a time, digital payments were a comparatively simple matter. Retailers could look at what Amazon was doing and, depending on the budget available for the project, aim to be as much like the books and music behemoth as possible. The optimised sales funnel was king.

Then came the mobile internet. Not to worry, consumers wouldn't want to use their phones to make purchases, would they? As for social media, what kind of fool would share personal information online or buy an item via a Facebook link? As for tomorrow, that internet telly stuff will never take off...

You get the point. As digital technologies have developed and proliferated since the turn of the millennium, consumers have time and time again confounded expectations by adopting these new technologies both enthusiastically and in unexpected ways. Recent Google research, for example, revealed that people are now making big-ticket purchases via smartphones, perhaps as a way to use 'dead' time on a commute.

Against that, a digital commerce community immersed in the latest developments needs to remember that not everyone is confident with new technologies. There are variations across

different countries, for example, so that companies expanding abroad can't glibly assume that security messages now unnecessary in sophisticated markets such as the UK and USA, are similarly not needed elsewhere.

Perhaps it was ever thus. If there's an underlying theme in this supplement, it's that the whole area of payment and fraud is still centred on inspiring trust without taking such draconian security measures that selling anything at all becomes difficult, even impossible. No matter how quickly the technology changes and evolves, this seems to be a constant.

In other ways though, this is an area where things move fast. The collision between tokenisation and mobile technology, for example, is an example of a comparatively new yet key development because it opens up the idea of a smartphone as a secure payment device. Indeed, it no longer seems such a far-future idea to imagine that we'll all dump our credit cards in favour of just carrying a phone.

Tokenisation is intriguing in other ways too, in that by making it easier to take payments without the danger of chargebacks, it offers a straightforward way to counter the huge and never-ending problem of fraud. Happily, it appears that even as cross-channel shopping becomes a far more complex business, some fixes

for long-standing issues needn't be overly complicated.

If only this were always true because another key theme that reoccurs in this supplement is the idea that cross-channel retail is the future, but that it throws up huge problems around payment and fraud. In truth, we're still negotiating the issues here, although forward-looking retailers are making great strides in understanding fast-changing patterns of consumer behaviour.

Besides, payment and fraud will always be key issues for retailers. How can they not be? There may be a technological sheen to the latest developments in this area, but the dance between making it easy for customers to pay but difficult for fraudsters to steal goes on, making it certain that we'll return to the subjects in the comparatively near future.

This supplement is the latest in *Internet Retailing's* ongoing series. Each explores questions facing e-retailers today through six key aspects: web interface, merchandising, cross-channel experience, logistics, strategy and customer engagement. We welcome your input and suggestions for future themes at [editor@internetretailing.net](mailto:editor@internetretailing.net).

*Chloe Rigby and Jonathan Wright*  
[chloe@internetretailing.net](mailto:chloe@internetretailing.net)  
[jonathan@internetretailing.net](mailto:jonathan@internetretailing.net)





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