WHITE PAPER

C-Level KPIs for Payment

Payment: a strategic topic to be monitored by C-Levels

In partnership with FEVAD & Mercatel

Edgar, Dunn & Company
Strategic Payments Consulting

CyberSource®
A Visa Solution

Introduction

The topic of 'payment' (including fraud prevention) has historically been treated as a finance or back-office subject by many merchants. However, this perception is evolving fast.

Indeed, more and more merchants are now not only considering payment as a cost to decrease, but also as a strategic element that impacts on the customer experience and revenue, therefore requiring attention from top management.

In this context, CyberSource, FEVAD, and Mercatel asked Edgar, Dunn & Company (EDC) to conduct a study on the strategic aspects of fraud prevention and payment, and identify Key Performance Indicators (KPIs) that are relevant for C-Level executives.

EDC conducted a series of 17 interviews with top merchants, and aggregated data provided by CyberSource between December 2019 and January 2020. This white paper would not have been possible without valuable input from merchants including: **Accor, Air France, Back Market, Decathlon, Groupe ADP, Lagardère Travel Retail Duty Free, Mister Auto, Monoprix online, OUI.sncf, Sephora, SNCF and Veepee.**

« While it might seem like a matter of commodity, the topic of payments is making a noticeable comeback due to retailers' concerns. Firstly, the development of digital payments is causing net costs to increase. Secondly, the multiplication of consumer pathways, which is largely driven by e-commerce innovations, plays a major role in the purchase experience. Consequently, good performance indicators as well as committed resources are required to effectively manage this topic. » - **Jean-Michel Chanavas, Mercatel**

« If PSD2 was designed to protect the growing segment of the economy that uses digital channels, it was also intended to encourage innovation, competition and the development of new customer pathways. There is no doubting that the implementation of PSD2 has created a phase of uncertainty regarding its effects on the performance of e-merchants. But in the long term, those who will be able to manage and finely optimize key payment indicators will gain certain competitive advantages, such as optimizing conversion rates through frictionless payment routes, improved acceptance rates and of course less fraud. That's the whole point of this whitepaper …» **Bertrand Pineau, Fevad**

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Executive Summary

Increasing digitalization of the buying process along with demanding customer expectations for fast and easy purchase experiences, mean that merchants are striving to create seamless customer experiences to differentiate the user experience and increase revenue.

'Payment' is the last mile of the customer experience, and therefore a key element of finalizing purchases. Offering payment methods that are both relevant and reliable not only impacts customer satisfaction but also revenue growth, cost structure, and international expansion. These impacts have raised awareness of the strategic importance of payment at C-Level of merchant organizations. It is now critical for merchants to have better oversight of and control over payment.

To achieve this, merchant need :

- an internal payment team that enables a proactive focus on payment
- specific KPIs to monitor the impact of payment on their activity.

Three main categories of payment-related KPIs emerged from our research:

- **Must-Have** KPIs are key to monitor payment (e.g. rate of successful card authorizations, fraud, chargebacks, total cost per transaction, and so on). These are often part of the summary KPIs presented to C-Level executives.

- **Advanced** KPIs have been set up by merchants to optimize their payments and provide a more detailed vision of their activity (such as internal cost, capture rate, 3DS follow-up) for advanced fine tuning.

- **Emergent** KPIs have developed due to current regulatory changes (e.g. PSD2 and related SCA requirements) and digitalization, (e.g. monitoring of acquirer exemptions, monitoring of token by channel).

Merchants have been monitoring these KPIs and enforcing corrective actions via a number of best practices. For instance, they have been able to show direct positive effect on the revenue through a "use case" approach or via "A/B testing". It's also essential to choose the right payment partner to support the merchant in implementing these corrective actions.

In summary, it is important to have a holistic view of end-to-end payment activities and ensure that all stakeholders (internal teams and external providers) are on board. A set of relevant and solid KPIs should be the basis for a successful payment strategy that will optimize costs but also help protect and generate revenue, and that can be communicated with C-Level executives.

1. Why is payment so important?

1.1. Multiple impacts of payment for merchants

Payment impacts revenue growth

Beyond cost reduction, payment has become a lever to protect and generate incremental revenue. One way to boost revenues is by optimizing the success rate for card transactions as explained by David Neau from **Air France.** The merchant works with several PSPs across its international markets and decided to monitor card approval rates more closely. The merchant identified a difference in card approval rate of up to 10 percent from one PSP to another, for a given payment method in one country. Based on this monitoring, the airline was able to challenge this PSP performing less efficiently to optimize its rules and ensure higher success rates.

Payment impacts international expansion

In the context of international market expansion and/or attracting foreign customers, having a relevant payment acceptance policy at a local level is necessary in order to target all the customer segments.

Gaël Provost from **Sephora** indicated that choosing to implement Klarna in Sweden, instead of only accepting cards, helped sales increase by 50 percent and that "implementing the right local payment method is a real lever for conversion".

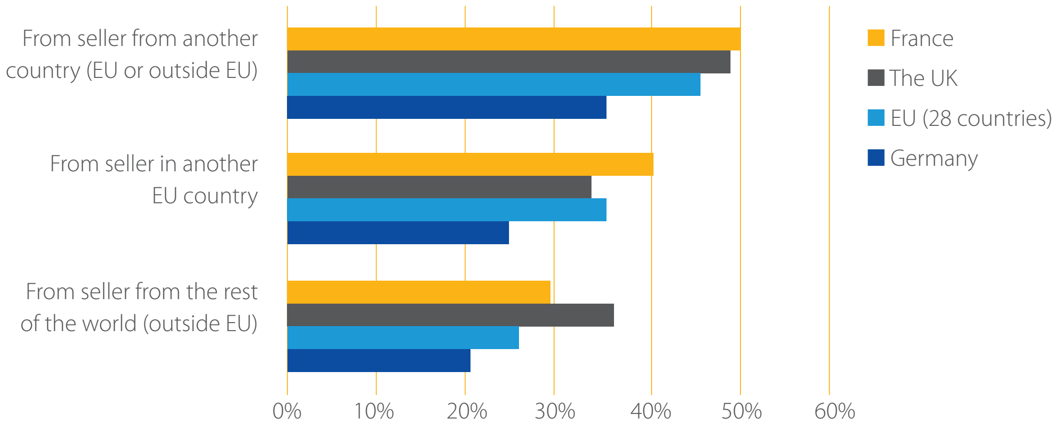
Pritshel Patel Sr Director, Global Services at CyberSource confirmed that "setting up the right local payment method is a key strategic move for our clients when they are entering a new foreign market".

Case study

Payment has an impact on international development -
More and more Europeans, especially the French, are buying internationally (from within Europe and outside Europe), hence the need for an appropriate acceptance policy to meet the needs of these customers.

International purchase

Percentage of e-buyers purchasing in another country



Source : FEVAD, Eurostat 2018

Payment impacts customer experience and satisfaction

Payment is the last step of the purchasing journey, and a seamless payment experience can boost the chances of the purchase being completed. One large eCommerce merchant refers to the 'insult' rate when monitoring cases of genuine customers who experienced a negative card purchase experience, due to fraud scoring tool giving a false positive.

66%

of French websites have international coverage
[FEVAD Barometer – February 2019]

57%

VSE / SME e-merchants sell internationally
[FEVAD Barometer – February 2019]

Payment impacts the cost structure

The total cost of acceptance can be particularly important for merchants in sectors with low net margins. For instance, the total cost of acceptance for airline industry was over $8 billion(1) in 2018 while the net profit margin of the aviation sector was estimated by IATA to $30 billion(2) in 2018. For these sectors with low net margin, the control of payments is a real leverage to optimize the cost structure and generate margin.

A merchant in the luxury sector indicated that "missing a sale because the payment did not go through impacts very negatively on the brand image and the customer perception."

1) https://www.iata.org/en/pressroom/pr/2019-01-08-01/
(2) https://www.iata.org/en/pressroom/pr/2019-06-02-01/

1.2. Increased awareness of the strategic importance of payment on merchant revenues

As payment has become a lever to generate revenue, enter new international markets and enable new use cases (e.g. seamless Uber experience), it has also become a topic of importance amongst C-Levels at merchant organizations. Indeed, payment has become a key function that is considered when making decisions around market entry, product development, sustainable differentiation, and much more.

For Emmanuel Jouve **(SNCF)**, payment is seen as a differentiator in their strategy to become a distributor. Its "relevance in this new distribution role will come through its ability to have a complete/detailed view and control of the payment activities".

Bilal El Kouche **(Veepee)** indicated that its KPIs are monitored by the executive committee every quarter and at the end of the year, as payment has such an important impact on conversion rates.

Many of the merchants interviewed indicated that fraud was the first reason they become aware of the impact of payment on revenues. This raises the question about the level of risk that merchants are willing to take to generate revenues. This becomes even more of an issue in the context of PSD2 regulations and Strong Customer Authentication (SCA).
Merchants have to identify the level of risk that they are willing to take and find the right balance to limit fraud and accept maximize acceptance of genuine transactions.

In this context, how can merchants have a better understanding and command of payment? And what are the tools to help them achieve this?

"Merchants cannot only monitor the fraud they are subjected to but also need to identify how to make payment frictionless".
Emmanuelle Denni, Mister Auto

Section summary

Why is payment so important? Edgar, Dunn & Company's perspectives

As payment impacts not only costs, but also revenue growth (e.g. as one of the enablers of international expansion), C-Level executives at tier 1 merchants should put 'payment' on their radar. What does this involve? Here's the check-list:

- Has your company recently undertaken a payment diagnostic to identify and prioritize key payment opportunities in order to reduce costs and increase revenues?
- Based on this diagnostic, does your company have a clear future state for payment and a payment roadmap for the next 1-2 years?
- Do you have an internal payment team with the right expertise and experience to proactively manage payment?
- Have you set relevant objectives and KPIs to measure your payment performance?

2. How to take better control of payment

2.1. Mistakes to avoid

Difficulties encountered and errors mentioned by the merchants interviewed mainly concern the management of payment as a support or part-time function (e.g. part of the role of the current Corporate Treasurer). This leads to fragmentation of payment activities across business functions within merchants, developing multiple points of contact across departments (traditionally IT, treasury, finance and at times marketing, commercial, and so on) and heterogenous payment related knowledge/competencies. Such fragmentation has often led to complex relationships with internal stakeholders and external providers, impacting on their ability to have a consolidated view of payment (as well as other operational drawbacks such as reconciliation issues).

Not investing in payment-related reporting or data is another common issue shared by interviewed merchants. Access to relevant payment data in order to monitor performance is a challenge, especially when payment is not managed centrally.

In order to address the above issues, a number of large merchants developed a dedicated internal payment team.

One merchant discussed difficulties they experienced within a fragmented organization, which did not allow them to have consolidated fraud KPIs at market level, making it difficult to implement specific initiatives focused on chargebacks.

2.2. An internal payment team

The internal organizational structure related to payment within large merchants can vary based on different factors, such as the merchant's industry and level of maturity. EDC has identified three main models used by merchants in the French market:

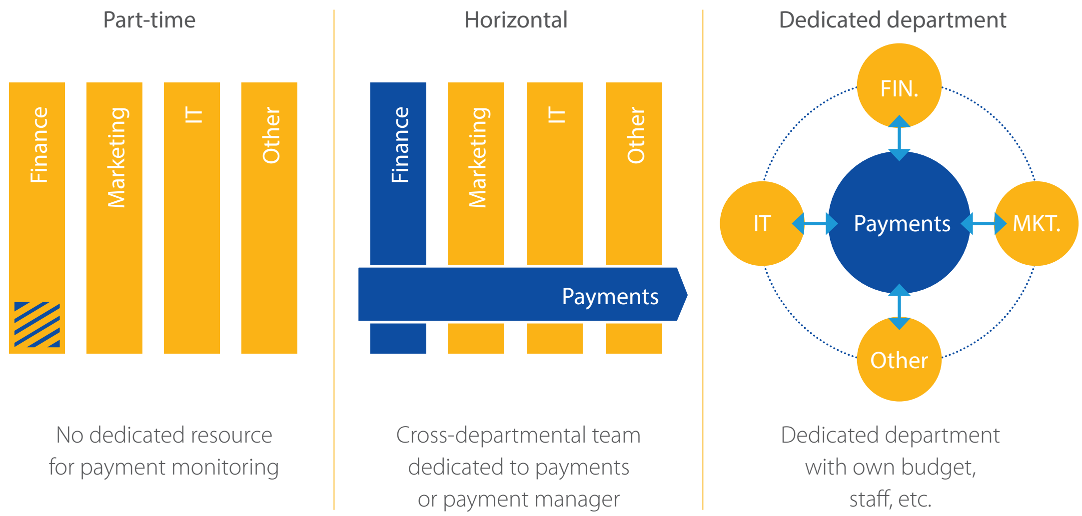
- **Part-time payment teams** typically have no dedicated full-time resources. The payment function is often a part-time task carried-out by Treasury or the IT department, spread across one or several resources in addition to their daily responsibilities. This approach means that part-time payment teams act as a support function to other departments. Thus, the lack of focus on payment disrupts pro-active management, especially in terms of consolidated reporting and leveraging payment for growth.

- **Horizontal payment teams** can have different structures. These teams can have a payment team attached to a specific department (e.g. Finance), or a team dedicated to payment that is spread across multiple departments.
This is the case of a leading merchant in the hospitality industry **ACCOR,** which has set up a payment unit of approximately 20 individuals split into 3 teams (business owners, product owners, delivery team). Each team is attached to a different department, working in a Lean/Agile mode with stand-up meetings every week in order to gather different departments and ensure that payment projects progress with collective input.

- Dedicated payment departments have been set up by some merchants, such as online pure player retailer **Veepee,** which has a payment department with its own budget, ROI objectives and internal organization that integrates key functions (IT, finance, or product). This type of organization is typical of merchants who want to take a holistic view of payment and implement a pro-active approach.

For Emmanuel Jouve (SNCF) "the travel industry indicates that this type of organization shows payment is now not only handled from a technical/back-office point of view, payment is now a core expertise to support business growth".

Payments organization



There is no right or wrong way to build an optimal payment team structure, as it depends on the merchant size, verticals, internal culture, and many other factors.

For many merchants, scale is an issue and implementing a specific team focused on payment with dedicated resources can be challenging and at times, not possible. However, it is still important to monitor payment.

An alternative is to set up a payment committee that includes different departments across an organization. This committee can meet monthly to discuss a limited set of KPIs and make payment-related decisions transversally, with key internal stakeholders present (e.g. Finance, Marketing, IT).

For merchants with a relatively payment focused structure, different types of governance structures exist. For example, a pure online retailer stated that they run monthly business reviews with their payment manager and all C-Level executives to discuss a limited number (approximately 10) payment KPIs. Another merchant stated that they have a monthly coordination committee to review status on payment across markets with the CFO, IT, and Retail departments. In addition to monthly reviews, some merchants also present payment KPIs to their shareholders / executive committee on a quarterly or yearly basis.

Key stakeholders involved are the Chief Financial Officer, Head of Treasury and Chief Information Officer.

As payment is becoming a C-Level topic, what are the most critical KPIs to monitor how payment and fraud are impacting the business?

Lisa Hammitt (Global VP, Data & Artificial Intelligence at Visa Inc), says that Chief Data Officers are increasingly taking part in these discussions: "ROI provided by payment has been seen on the finance side of organizations, but now I am being directly approached by Chief Data Officers as they are asking how to extract more revenue from the payment data".

Section summary

How to take better control of payment — Edgar, Dunn & Company's perspectives

Tier-1 merchants ought to set up an internal payment team. However, there is no 'one size fits all' approach: tier-1 merchants have allocated from 1 to over 30 FTEs to payment; some teams are under Finance, others under Marketing or across departments, etc. But there are a few basic guiding principles when setting up an internal payment team:

- Customer-centric focus
- Need for a mix of business skills and technical resources (or at least access to a pool of technical resources)
- Ability to coordinate multiple departments internally and work in partnership with external payment partners
- Clear mandate and quantitative objectives/KPIs

3. Monitoring via payment KPIs

All interviewed merchants agree that monitoring the right KPIs is critical in order to provide meaningful reports to C-Level executives and adequately support their business.

So which KPIs should merchants monitor?

3.1. Which payment KPIs do merchants monitor?

Defining relevant KPIs and measurement frequency, is a learning process for many merchants. Laurène Lecomte from Back Market confirmed this saying, "At first, we started with very few KPIs —approximatively five 'major ones'—then we created a lot of new KPIs to gain better granularity (more than 50). Today, we have finally found the right balance with 10 KPIs that we present to our top management, and we keep the rest to monitor specific actions (a tech release for instance)."

Based on interviews with 17 large merchants in France and their knowledge of the payment market, EDC has identified three key categories of payment KPIs for merchants:

- **Must-Have** KPIs are the most commonly monitored and provide critical insights for senior-level managers

- **Advanced** KPIs are used by certain merchants in order to optimize payment and receive detailed reporting

- **Emergent** KPIs have appeared recently due to current regulatory changes (PSD2, SCA regulation) and shifts in technology

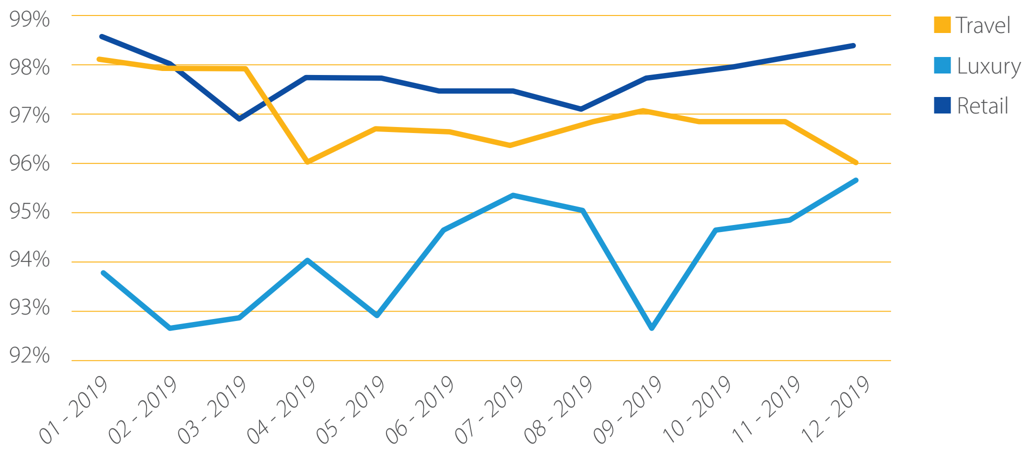
The list below is non exhaustive and can of course vary depending on the merchant's industry, international coverage, internal resources, primary channels, and so on.

3.1.1. Must-Have KPIs

Must-Have KPIs include:

- Authorization rate: allows merchants to see the performance of card payments (that require a real-time approval from the card issuer) and whether payments are proceeding successfully. Authorization rates vary greatly from one industry to another and over time (see below, CyberSource data for Europe).

Autorization rates 2019 in Europe for three business sectors



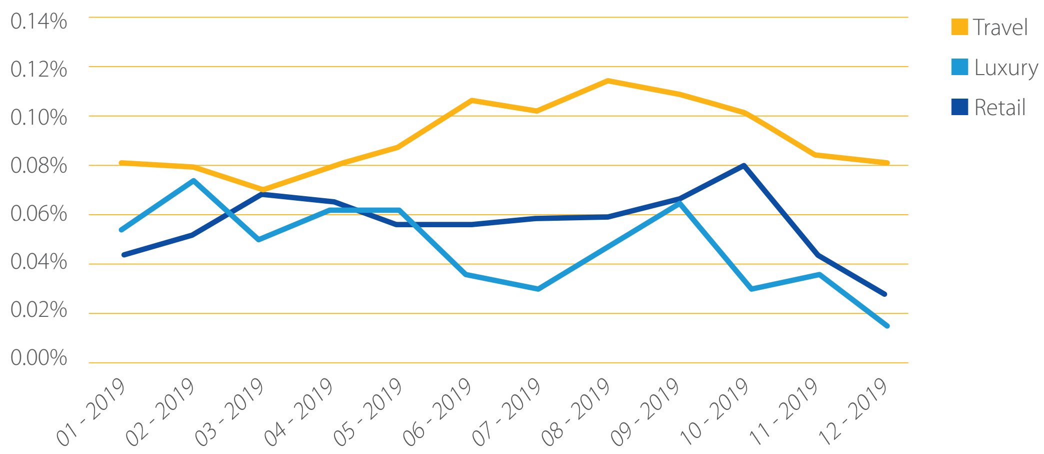
Source : CyberSource

- Conversion rate: this definition can vary between merchants, but most agree that it is the percentage of unique visitors that are able to pay and complete their purchase. Similar to the authorization rate, this measure helps to assess whether the payment and customer experience are frictionless, and especially whether the payment step is set up in an optimal manner.

- Fraud rate: monitors fraudulent transactions. It is usually the first indicator that merchants will monitor.

Emmanuelle Denni (Mister Auto) stated, "We first started looking at payment mostly because we had issues with high fraud rates. When we got that under control, we realized that there was more to optimize around payment."

Fraud rates 2019 in Europe for three business sectors



Source : CyberSource

- Chargeback rate: chargebacks happen for multiple reasons (including fraud) when a customer contacts their card issuer to request a refund. This requires merchants to verify chargebacks and challenge those that may not be warranted. The chargeback rate (number and volume) is one of the KPIs used by merchants to monitor fraud. Most merchants monitor the overall number and value of chargebacks, for example one merchant indicated that this KPI is presented to their payment committee. However, many merchants are working with their providers to have a more detailed understanding of their chargebacks , so they can take action where necessary.

- Total cost per transaction: many merchants find they need to assess the cost of accepting payment. Most merchants are monitoring the overall cost of payment or cost per payment method, and compare it with their turnover in order to assess impact on profitability.

3.1.2. Advanced KPIs

Some merchants want to have a granular view of their payments and have therefore implemented more advanced KPIs:

Advanced authorization rates: especially in the context of SCA requirements, many merchants monitor authorization rate more closely and with different measurement elements:

- Authorization rate by country (location of buyer and/or of merchant)
- Authorization rate per PSP
- Authorization rate per issuer and/or acquirer
- Authorization rate across other dimensions such as the device used by the consumer, whether there has been a retry via another acquirer, whether another form of payment is used after an initial decline, etc.
- Authorization rate per authentication method (3D Secure version 1, 3D Secure version 2, non-authenticated transaction, by-pass authentication, eligible to exemptions)
- Abandonment rate / drop-off rate with 3D Secure

Decline rate per issuer and by reason code: many merchants want to understand why a transaction is declined and whether there is an alternative solution available. For example, a **merchant** analyzed decline rates with its provider and found that many transactions were declined daily because customer cards had expired, and that they could save up to an estimated $67.5 million annually by implementing an account updater solution.

Capture rate: (percentage of authorized transactions that are captured) enables merchants to identify if all authorized transactions are eventually sent for settlement. An authorization can be captured or cancelled for several reasons, such as fraud or product shortage. This KPI can help identify internal issues. For example, a **merchant** identified that it had 3 million euros worth of orders that had not been captured because the internal batch file had not been transmitted when changing the platform linking the Order Management System to the Front tool.

False positive rate: an important KPI that tracks genuine transactions made by a real client, but which is declined due to suspicion of fraud. It is often difficult to monitor this KPI. Nicolas Bosmans from **OUI.sncf** stated they do monthly controls of their manual reviews to ensure no real client is impacted based on this principle.

"If there is a doubt, we let it pass; and we actually receive a maximum of 10 complaints per year from clients about this false positive issue." *Nicolas Bosmans from OUI.sncf*

3.1.3. Emerging KPIs

Incremental sales via A/B testing: the ability of payment to generate incremental sales is typically hard to measure. Some merchants are trying to estimate this impact using A/B testing: Bilal El Kouche explained how **Veepee** launched an instalment option for transactions over 1,000 euros. Before launching this option, card decline rates were at 70 percent for these large amounts. Following the launch of this option, decline rates reduced to 20 percent, and the merchant estimated that 1/3 of this reduction corresponds to incremental sales.

Business Intelligence tools to create ad-hoc reports: many merchants face difficulties consolidating data and identifying KPIs when working with multiple payment providers. In this context, some (larger) merchants have decided to create their own data lake and BI tool, whereby they pool data from all their payment providers across markets into one place. For example, Coline Robert explains that **Lagardère Travel Retail Duty Free** would like to create an automated report of their decline rate per payment method.

As explained by a merchant, this is especially relevant for payment methods like Alipay or WeChat Pay, with decline rates that can be as high as 20–25 percent.

Payment providers, such as CyberSource, also provide BI solutions to help merchants.
One merchant we interviewed stated their fraud rates were 2–3x higher than industry peers and historically represented nearly all (99%) of their fraudulent chargebacks. Using **CyberSource** solution and service, the merchant took concrete steps to improve authentication practices. Over six months, the merchant improved its approval rate by 10 percentage points, decreased fraud to fall in line with peers and decreased retry rates to be consistent with peers.

Token management: more and more merchants are enabling omnichannel use cases, and leverage the tokenization of customer's payment data. It enables merchants to follow spending per sales channel and set up strategies to drive a customer from one channel to another. A merchant with a high level of loyalty (specifically 80% of clients engaged in a card loyalty program) was able to lever this information to improve customer experience and push personalized marketing offers.

Increasingly, merchants will monitor KPIs related to response time and speed in the context of the SCA migration. Some merchants, like **VeePee,** are concerned about the potential increase in response time with the substantial migration towards 3D Secure (V1 or V2) during 2020. In some initial tests, response times to challenge a 3DS transaction exceeded 10 seconds. This is too long and risks losing a client to abandonment of payment, hence merchants will increasingly focus on relevant KPIs to monitor response times.

Interview feedback illustrates that merchants have a different level of maturity regarding KPIs, depending on how their organization 'invested in payment.' However, even organizations with the minimal KPIs have acknowledged the need for a more structured and frequent approach to monitoring payment performance.

3.2. How to use KPIs to optimize payment?

When discussing with merchants, it has emerged that only selective payment KPIs were presented to the C-Level executives. They generally include the following:
- authorization rate
- fraud rate
- cost of payment acceptance

While those KPIs are key to monitoring activity, merchants have also been able to use KPIs to implement strategies and actions that have direct impacts on the revenue:
- Improvement of authorization rates through BIN analysis can be a very useful tool. It allows merchants to identify with which issuer they encounter difficulties and directly engage with them (or via their PSP / acquirer) to discuss areas of improvement. Some merchants monitor authorization rates in real time and set up alerts in case actual performance falls outside a typical range.

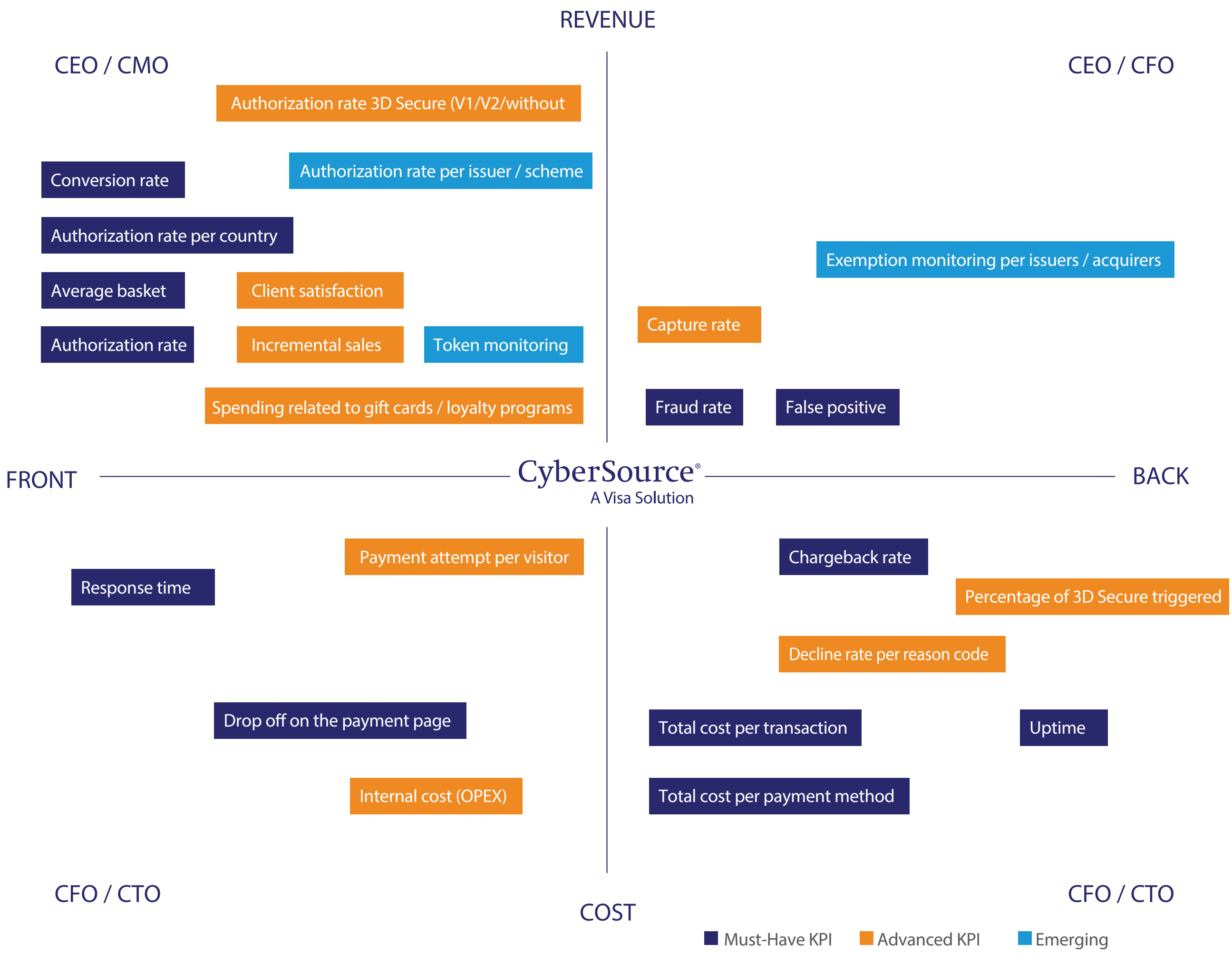
- A low fraud rate is typically a good thing but can also point to fraud rules that are too strict and actually reject genuine transactions. This requires reconsideration and optimization of current fraud rules.

Thus, Emmanuelle Denni explains that **Mister Auto** has done important work to reduce fraud on its website. In order to maintain this low fraud rate, some analyses are being carried out regularly, in particular through post-mortem studies on chargebacks or on 3D Secure rules reviews. By taking a closer look at its KPIs and adjusting constantly its fraud prevention rules, Mister Auto was able to lower its 3DS transactions demand from 5 points while maintaining a low chargeback rate, which has had a positive impact on its authorization rate and conversion rate

- Merchants having a comprehensive view of their costs of accepting payment (by payment methods and per transactions) can better control their costs and implement market-specific strategies: for instance, some merchants implemented a surcharging policy (in countries where it is allowed) or 'promoted' alternative payment methods in specific countries.

KPI

KPIs are present across the entire value chain (front to back)
and directly impact revenue loss or gain — hence payment requires the attention of C-Levels

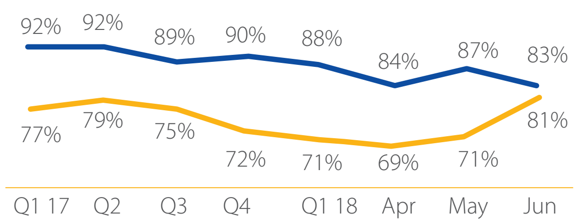


NB The list is non exhaustive and illustrative of main KPIs discussed during interviews with merchants. Please note that a given KPI can be seen from a cost or revenue perspective, depending on the merchant.

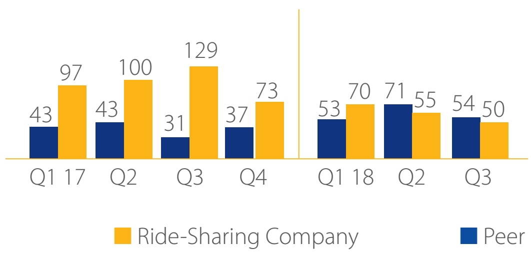
3.3. KPIs and benchmarking

Merchants often have difficulties when benchmarking their performance, however this practice is important as it helps merchants to identify where to invest and how to remain competitive. Payment providers such as CyberSource can provide relevant benchmarks to merchants across many of the above KPIs.

Approval Rate



Fraud Rate



Within the context of SCA migration in Europe, many merchants indicated that benchmarking will be increasingly important to make sure a given merchant does not 'fall behind' due to business or technical issues. However, benchmarking will only be relevant if it is based on a large representative sample of transactions in a given merchant industry, and in a given country. For instance, CyberSource provides relevant authorization rate data based on over 100 million transactions in the hotel sector.

Authorization rate in the hotel sector in 2018 in 3 European countries

90.1%
Cards issued in France

91.7%
Cards issued in Germany

93.1%
Cards issued in the UK

Source : CyberSource Merchant Risk Intelligence

Section summary

Monitoring via payment KPIs — Edgar, Dunn & Company's perspectives

Just like any other major business functions, merchants need relevant payment KPIs to manage payment on a day-to-day basis and to communicate key results with C-Level executives:

- Must-Have KPIs include card authorization rate, fraud rate, and total payment costs
- Advanced KPIs include more detailed metrics (e.g. card authorization rates by country, by device, by authentication method, etc.) and tend to be merchant- or industry-specific
- Emerging KPIs respond to regulatory changes (e.g. migration to Strong Customer Authentication in Europe) or to digital innovation

In today's fast-changing payment environment, it becomes increasingly important to monitor and benchmark these KPIs in order to identify high-impact improvement initiatives.

4. KPIs for C-Level executives: what constitutes best practice?

When payment teams/resources do not have the opportunity to communicate with C-Level executives, it is often difficult to discuss strategic implications of payment, secure budgets, and source additional resources. So where should merchants start and how can they show payment is a key business lever for their organization?

4.1. Use cases

Some merchants find the best way to showcase the importance of payment is to develop use cases showing how payment can positively generate revenue. This is the approach taken by one merchant, which regularly presents payment-related results to its C-Level executives. This merchant chose not to simply present KPIs during the business review, but rather focus on illustrating specific initiatives, whereby revenue has been generated or protected by monitoring payment (for example, an increase in annual revenue of €5 million among US cardholders thanks to internal changes and a detailed BIN analysis).

Emmanuel Jouve (SNCF) indicated that "this has been the best way for them to valorize the payment expertise."

The need for a dedicated internal unit focused on payment.

The need for specific resources that master the technical aspects of payment, understand its business dimension and are able to interact with banks and payment providers.

4.2. A/B Testing

A/B testing is a method that can be used to illustrate how payment can lead to incremental sales. A/B testing on the payment page can be complex and sensitive, but is used by many merchants.

Veepee stopped using an alternative payment method in 2014 and then relaunched it in 2017. To understand the impact of this payment method, the merchant studied specific KPIs (percentage of first-time buyers, impact on repeat business), and identified a level of incremental sales of 5 percent, specifically related to repeat business.

Providers can assist merchants with A/B testing. CyberSource allows merchants to test and replay a number of different scenarios in a specific environment in order to see the impact on the chargeback rate and review rate. These tests are completed in 10–15-minute windows. Depending on the scenarios, the review rate is modified and direct impact on chargeback rates can be assessed.

4.3. Choosing the right payment partner

Having a detailed, fact-based understanding of payment activity will help merchants in their decision-making process, especially when it comes to choosing their payment partners. It is important for merchants to find a relevant partner that will support their payment strategy and provide them with the right tools (e.g. fraud tool, smart routing) and KPIs for optimization.
Moreover, in the post-SCA world, merchants will be expecting more from their PSP.

***"Help from the provider is key to identify the right KPIs"* Laurène Lecomte from Back Market.**

***"Support from payment partners is essential and we are as merchants expecting high-quality insights"* Julien Lepeut from Monoprix online.**

***"There is real opportunity for the PSP to optimize merchants' performance, especially the approval rate, thanks to qualified data."* Bilal El Kouche from VeePee.**

4.4. Holistic approach to payment

A common view among the majority of merchants interviewed was that beyond KPIs, it is essential to contextualize payment as part of the entire merchant value chain. Payment should be integrated with all activities in an organization (front office to back office) in order to help optimize and improve the overall customer experience. Each aspect of payment (choice of payment partners, choice of payment methods) should be decided by taking into consideration the entire value chain:

***"Payment can't be either seen from a marketing-only point of view neither from only a financial/ cost point of view ."* One merchant**

This is especially true as we see that payment impact the entire value chain and should be monitored all along.

Monitoring of payment across the value chain

Key steps of the purchasing and payment funnel		KPI
Potential prospects browsing online/offline	Website/Shop	
Attempt to purchase	Check-out (payment page / POS in store)	Response time • Uptime Payment attempt per visitor
Approved buyers	Authorization Capture	Decline rate per reason • Fraud rate Authorization rate* • Capture rate Drop-off rate on the payment page • False positives
Dispute	Potential dispute (return, chargeback)	Chargebacks
Undisputed buyers / Dispute won by merchants	Good funds	Internal cost • Spending related to gift cards / loyalty programs Total cost of payment per transaction / payment method
	Actual revenue	Average basket • Incremental sales Client satisfaction

NB: The list is non exhaustive and lists examples of KPIs that could be monitored.
* Authorization rate can be monitored at different levels: per authentification method, per issuer, per acquirer.

***Xavier Fouré from Decathlon** indicates that his company always takes a holistic approach to payment in the sense that "implementing a new payment method should not diminish the performance internally nor the process along the entire value chain". This is part of Decathlon's strategic payment principles, they should be "simple, fast and complementary"*

Section summary

KPIs for C-Level executives: what constitutes best practice? Edgar, Dunn & Company's perspectives

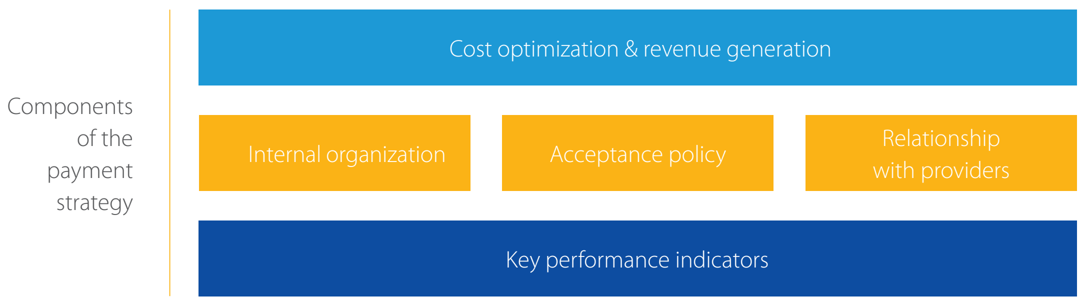
In addition to sharing a set of summary KPIs with its C-Level Executives, the internal payment team could also pursue other avenues to demonstrate that payment is a key business-level function for their organization:

- Showcasing specific case studies that quantify the impact of payment/fraud projects
- Sharing the outcome of payment-related A/B testing
- Leveraging the merchant's payment partner (e.g. access to benchmarking reports)
- Explaining how payment fits within the overall value chain of the merchant's business

Conclusion

Payment has become a strategic topic for merchants as it impacts multiple levels of their activities: customer satisfaction, revenue growth, cost structure, and international expansion. Choosing the right KPIs is an important foundation of a payment strategy, as they support the internal organization, help define the payment-acceptance policy and structure relationships with providers.
A payment strategy, supported by the right KPIs, will help optimize costs and protect/generate revenue—which is a key goal for C-Level executives.

KPIs are the foundation of the payment strategy



Comprehensive and pertinent KPIs showcase the importance of payment across the entire value chain, front to back, as it directly or indirectly impacts the turnover and therefore requires the attention of C-Level executives.

Merchants are aware of it and acknowledge its importance. For Laurène Lecomte (Back Market), "It requires rigor to monitor your KPI." And for Xavier Fouré (Decathlon) "You have to take the time to go through the KPIs" as they are indicators of performance.

About

Visa's CyberSource platform encompasses a complete portfolio of online and in-person services that simplify and automate payment operations. Customers use CyberSource to process payment, streamline fraud management, and increase payment security. **https://www.cybersource.com/en-gb.html**

Edgar, Dunn & Company is an independent and global strategy consulting firm specializing in payment and digital financial services. The firm was founded on two fundamental principles of client service: provide deep expertise that enhances clients' perspectives and deliver actionable advice that enables clients to create measurable, sustainable change in their organizations. **https://edgardunn.com/**

The «Fédération du e-commerce et de la vente à distance» (FEVAD – French eCommerce Federation) is a non-profit organization which supports the development of eCommerce in France. **www.fevad.com/**

Created in 1986 by trade and distribution companies, Mercatel is a think tank with an operational vocation, and an open structure bringing together all forms of trade and its ecosystem of associated merchants, banks and financial institutions, industrialists and service providers, IT service companies, consulting companies, and professional organizations, all focusing on the technological challenges of the retail front office, particularly around payments. **www.mercatel.info**

Special thanks to

- **Nicolas Bosmans** – Fraud & payment manager – OUI.sncf
- **Emmanuelle Denni** – Head of payment – Mister Auto
- **Xavier Fouré** – eCommerce treasury manager – Decathlon
- **Emmanuel Jouve** – Payments and anti-fraud project manager – SNCF
- **Laurène Lecomte** - Head of risk, payments, and fraud – Back Market
- **Julien Lepeut** – Security, fraud and payments manager – Monoprix online (Monoprix.fr & Sarenza)
- **David Neau** – Credit cards and payments manager – Air France
- **Laurent Palayret** – Mobility and connections director – Groupe ADP
- **Gaël Provost** – Fraud and eCommerce payments expert – Sephora
- **Coline Robert** - RSI Inflight & electronic payment manager – Lagardère Travel Retail Duty Free
- **Stéphane Rousseaux** – Business owner, payment & fraud – Accor

And to the other merchants who participated in the study who could not be named in this document