2022 Redefining Retail Report

How payments are shaping
the future of commerce

cybersource

The Covid pandemic has been a catalyst for significant change in the way people shop and pay. Health and safety concerns, together with government "stay at home" mandates, have accelerated innovation and digital transformation.

The unprecedented disruption of the last couple of years, has paved the way for a truly global retail ecosystem, with all the challenges and opportunities this brings. The recent rush of innovations has taken various forms. eCommerce sites and apps have been more actively used. Contactless payment systems have been implemented at pace. Delivery and pickup options have been expanded. Self-service and self-checkout methods have been trialled and rolled out.

As our recent Global Digital Shopping Index with PYMNTS.com revealed, we have truly entered the age of the mobile shopper. Mobile devices are now at the heart of the way people all over the world browse, shop and pay.

In this report we'll reflect on these recent changes to the retail landscape, and explore the ways they can help you unlock value and improve the customer experience across your operation. Whether you're an eCommerce leader or a traditional bricks-and-mortar business we'll reveal how changes in payments can help your business thrive in this new, always-on environment.

The value of experience

In a world of big data, the old saying "retail is detail" has never been more relevant.

Personalisation based on customer data is a powerful tool for driving sales, especially in the digital world where it has the potential to unlock a boost in conversions.

Beyond increasing sales, the shift to personalisation is driven by a desire to tailor goods, services, and experiences to customer needs – this is particularly important given the end of third-party cookie support.

While the death of cookies is positive for the everyday consumer who wants their privacy protected, it presents challenges for retailers looking to fully understand their customers.

Whether it's through surveys, quizzes, or pop-ups on retailers' websites, it'll be interesting to see where greater levels of granular and location-specific data will be captured and used, to drive experiences and new campaigns across apps and in-store media.[1]

Personalisation will undoubtedly play a role in shaping physical stores, which are more likely to become experiential hubs instead of pure play distribution centres.[2]

(T) Gain a 360-degree view of your customers

Connecting customer data, payments and network tokens provides sellers with one, unified, proprietary network token. This gives a 360-degree view of your customers' buying behaviours across all channels and card types.

The improved insights from a proprietary token allow retailers to create enhanced experiences for customers, both online and in-store, via advertising, discount options, and payment options, encouraging loyalty and confidence in your brand.

Key benefits:

1. See your customers' buying behaviours across different channels and card types. These insights enable retailers to build long-term relationships with their customers beyond transactions, and provide more personalised offers, purchases, and payment options across all channels.

2. As well as connecting data supplied from all card types and issuers, it also includes alternative payments such as eCheck, ACH and other debit products.

3. Centralise and simplify management of all the separate tokens, making lifecycle management simple and easy for retailers by saving time and resources.

1 Source: Five 'Store of the Future' Trends for 2022; Edge by Ascential (December 2021)
2 Source: Commerce 2040: A Regional Exploration of the Future Retail Store; Passport by Euromonitor (October 2021)

Great retail experiences are about more than personalisation, of course. The customer journey only works if every touchpoint works, so retailers should increasingly look at end-to-end management – including checkout, delivery and aftersales – in order to protect their brand and maintain or grow market share. During the pandemic, various bricks-and-mortar retailers looked to replicate the success of direct-to-consumer players and improve their eCommerce offering.

In grocery and foodservice, for example, a local mindset is a now an essential part of an effective omnichannel strategy. The rapid delivery of goods has emerged as a key battleground, with many shoppers now expecting deliveries of certain items in as little as 30 minutes.[3]

"

The customer journey only works if every touchpoint works.

"

Let customers pay in the way they want

A great payment process, that is straightforward and convenient, can enhance the customer's experience.

A payment gateway that allows merchants to offer preferred local payment methods can be a differentiator.

Letting customers pay the way they want can give businesses an advantage over their competitors.

Key benefits:

1. Leverage a full stack of payment services via a single integration that can access additional payment features and solutions, with the flexibility to connect to your partners of choice, add or remove payment options or acquirers at any point.

2. Be enabled to expand your global footprint, while also increasing the success rate of authorisations by intelligently routing payments to the acquirer most likely to authorise the payment.

New channels, new opportunities

The impact of the digital world and the simplicity it brings to our day-to-day lives is often taken for granted. But its effect has been transformative.

Whilst digital shopping isn't a particularly new concept, many people during the pandemic have more actively ordered goods and services at the push of a button – some for the first time – while the rise of social media has fostered communities and enabled brands to scale-up at an unprecedented rate.

Retailers are now experimenting with live commerce in ever-more creative ways, driving excitement among shoppers and opening new purchasing occasions, as part of a wider omnichannel strategy.

Themed online events are expected to drive new revenue capture, while integrated livestream shopping campaigns have continued to spread around the globe. We've also seen a growing number of live events, in an effort to bring shoppers back in-store.[4] By 2023, recent research from IDC shows that 40% of retailers will have integrated livestreaming capabilities into their commerce platforms, increasing eCommerce conversion rates dramatically.

"

Consumers are more satisfied shopping with merchants that integrate mobile and digital features into the physical store experience.[5]

"

4 Source: IDC FutureScape: Worldwide Retail 2022 Predictions; IDC (October 2021)
5 Source: PYMNTS & Cybersource The 2022 Global Digital Shopping Index

Retailers are under pressure to accelerate their pace of innovation: Those who are late to reinvent or experiment with their digital channels to enable live commerce risk being left behind as consumer expectations shift.

Given the rise of shoppers with a mobile and digital-first mindset, it's not surprising that social media is increasingly being treated as a sales channel in its own right.

Instagram and Facebook have their own livestreaming features for visual commerce, and TikTok is expected to continue making its presence felt with even more powerful and insightful algorithms.[6]

A key takeaway to bear in mind for retailers here is that building a digital presence goes far beyond an eCommerce website. To succeed in an omnichannel world they also need to engage their audiences online and accept payments across a wider variety of channels.

Create the digital experiences customers want

With mobile shopping and social media gaining momentum, it has never been more important for retailers to equip themselves with the latest capabilities, impress customers across multiple technology platforms and expand their reach in the digital world. At the same time, retailers must balance this with the need to increase data security and reduce the PCI DSS compliance scope when accepting online payments across their digital operations.

As retailers look to the future, they are looking to unify and integrate their checkouts, with a hosted payment solution that enables them to more easily accept digital payment methods, such as Click to Pay, Google Pay & Apple Pay, through an embedded payments page.

Key benefits:

1. Accept and process digital payments with maximum security and the lowest PCI DSS compliance burden possible.

2. Quickly add digital payment methods onto websites and native apps, making it easier to accept payments for a faster go to market.

3. Simplify integration of secure and seamless payment experiences regardless of channel or device.

6 Source: Insider Intelligence's Retail Trends to Watch in 2022: Consumer Expectations Push Retailers to Accelerate Their Pace of Innovation; Insider Intelligence (December, 2021)

The ability for retailers to offer new shopping experiences within digital channels is underpinned by the evolution of payment methods. One payment model gaining momentum in the industry is BNPL (buy now, pay later), which is expected to account for over 24% of global eCommerce transactions for physical goods by value, by 2026.[7] It's clear that retailers need to select the right payment partner to keep pace with this growth in demand for flexible payments.

The growth of eCommerce and the shifts in working patterns during the pandemic have also led to a boom in subscription services. In some markets, subscription commerce has doubled in size between 2017 to 2020, with a marked rise in retailers that offer recipe boxes for food and drink.[8]

The nature of subscriptions enables retailers to foster greater loyalty among customers, who continue to pay a fixed price via recurring payments for an ongoing service with regular shipments.

Process subscriptions around the world

Retailers are looking to process recurring transactions from across the globe, including subscription and instalment payments.

Using a subscription ID that takes the place of sensitive card data, enables retailers to accept recurring payments via all major payment cards and regional cards in multiple currencies.

Key benefits:

1. Provides flexible, consistent, and predictable payment options.

2. Streamlines subscription management to drive growth, minimise churn and retain customers.

3. Makes it easier to establish predictable revenue.

7 Source: Ecommerce Payments: Emerging Opportunities, Vendor Strategies & Market Forecasts 2022–2026; Juniper Research (January 2022)
8 Source: UK Post-Pandemic Retail: 5 Disruptive Trends and What They Mean for Retailers; Insider Intelligence (November, 2021)

Online and in-store are merging.

Although many of these trends and technologies suggest a fragmentation of the retail ecosystem, there is a powerful counter trend: The growing importance of smartphones across the customer journey. This convergence is occurring both online and in-store to an extent that the distinction between digital and physical often no longer applies.

Our latest global research revealed that 34.3% of shoppers used smartphones to assist their in-store shopping experiences in 2022.[9] Today's mobile-savvy shoppers may no longer need to interact with in-store sales associates directly. They now have all the information they need at their fingertips – from pricing to inventory to discount coupons. And, of course, even payments are increasingly taking place using smartphones.

"

Today's mobile-savvy shoppers may no longer need to interact with in-store sales associates directly.

"

9 Source: PYMNTS & Cybersource The 2022 Global Digital Shopping Index
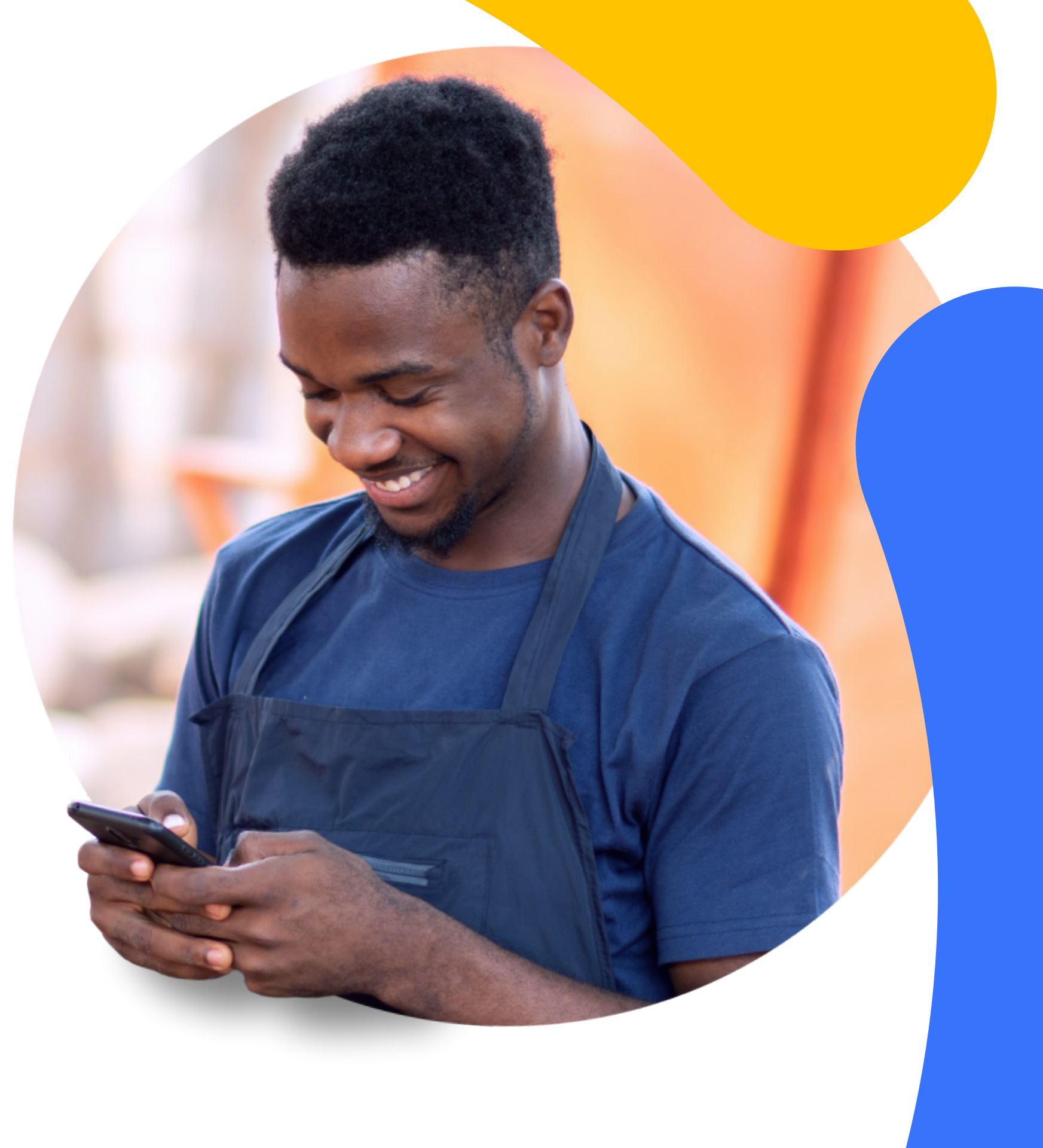
Given the centrality of smartphones to the modern shopping experience, it's unsurprising that 59% of merchants in our study now offer digital profiles. These gather and analyse any existing online information about an individual, and are accessible across channels and even in-store.[10]

Smartphones have become a powerful enabler of frictionless, omnichannel shopping, a fact that has not gone unnoticed by forward-thinking retailers.

In Europe, the enforcement of Strong Customer Authentication (SCA), offers an interesting opportunity to boost mobile adoption.

Make Strong Customer Authentication your advantage

Today, it's critical for merchants to support SCA in Europe, whilst keeping the risk of friction low. Although smartphones can help streamline the online authentication process, consumers could also benefit in-store.

Digital wallets already build in much of the authentication required for SCA, reducing the number of steps a consumer needs to take. This in turn may encourage smartphone adoption while shopping, and help counter friction.

Keep customer payment data up to date

Key benefits:

1. Keep customer payment information stored within digital profiles up to date to reduce payment failure and improve customer retention.

2. Automatically update participating Visa, Mastercard and American Express cards to keep revenues flowing by reducing friction during the payment and recurring billing process due to credit card authorisation declines.

"

59% of merchants in our study now offer digital profiles that are accessible across channels and even in-store.[10]

"

10 Source: PYMNTS & Cybersource The 2022 Global Digital Shopping Index

Fraud prevention from any angle

This exciting and fast-moving omnichannel world offers enormous opportunities for merchants. But it also presents risks. The speed of change means that many professionals involved in payments are struggling to keep up. In one survey 26% of respondents reported difficulties integrating with existing systems and 23% thought a lack of internal resources presented challenges for their omnichannel strategy.[11] Retailers will need to assess the risks associated with each new payment channel and create optimal new rule sets, particularly around security and validation.

11 Source: Voice of the Industry: Retailing; Passport by Euromonitor (December 2021)

Accept more good payments and capture more revenue

Fraud tools, deep data insights and advanced intelligence, can optimise retailers' fraud strategies, especially when expanding into new markets and across channels. With the ability to accept more genuine payments, brands can focus on improving the customer experience and capturing more revenue.

How can retailers optimise their fraud strategy?

1. **Data-rich machine learning:** Use advanced machine learning, insights from more than 141 billion[12] annual global transactions processed by Cybersource and Visa, in addition to validation tests to automatically assess the risk of every transaction and generate more accurate scores.

2. **Customised solutions:** Quickly create tailored business rules based on channel, country, or product line – and activate special risk rules for specific times and events like marketing promotions and peak seasons – without IT intervention.

3. **Test risk strategies:** Test and compare new fraud rules and strategies before they go. Find functionality that provides a fast, safe and accurate way to try out new strategies, so you can apply them to your production environment with confidence.

4. **Integrated dashboard:** Use the flexible case management system to help you review more cases, make faster and more accurate decisions, identify returning customers quickly, and turn individual cases into valuable collective knowledge.

Discover flexible service options to suit you

Combine the latest artificial intelligence technology with powerful human insights.

Monitor, analyse, and address the latest payment risks by leveraging advanced machine learning models and data intelligence from billions of global transactions.

Conclusion: Explore new opportunities for your business

Rapid and far-reaching developments in global payment processing services have enabled modern retailers to accept payments from anywhere in the world.

These innovations also connect retailers to the future: A seamless omnichannel world where on and offline distinctions and payment friction are distant memories.

An understanding of customers is essential to thrive in this new era. So is a thorough grasp of the latest shopping environments and most impactful digital payment methods, as they continue to evolve. No retailer should have to navigate this changing landscape alone.

Innovations in digital payments that enable customers to pay how they want will prove powerful for unlocking tomorrow's opportunities. But retailers should also not overlook the need for effective fraud strategies, underpinned by greater flexibility and insight.

Retailers are increasingly striving for greater simplicity and are excited about the possibilities of preparing for the future of digital payments through a single, fast, secure connection. To achieve this, it will take a full ecosystem made up of the right tools, developers, platforms, and solution integrators. Together with the flexibility to create tailored customer experiences – with payments at the heart of it all.

Are you ready for the future?

Why Cybersource?

At Cybersource, we believe that agility is the key to success in today's fast changing world. We help you create and evolve payment solutions your way, so you can stay ahead.

Join the thousands of businesses that already depend on Cybersource to keep payments simple and secure — so payment complexity never gets in the way of better experiences and more good business.

Visit Cybersource.com to learn more.

Payments your way

14 Source: https://www.cybersource.com/en-us/solutions/product-catalog/share/index.html (Dated 25 July 2022)
15 Source: Data is measured and validated based on Cybersource Sales & Marketing data of Cybersource and Authorize.net customers by master account name and status as live and billed in the 2020 calendar year. Active customers are counted by distinct count of account IDs active in the last month of the calendar year
16 Source: Cybersource enterprise platform uptime compiled from Oct 1, 2020 to Sep. 30, 2021. Note: Unless otherwise indicated, data is based on calendar 2020 statistics, measured and validated from internal instance of Tableau Server based on Cybersource Sales & Marketing data of Cybersource customers by master account name and status as live and billed in the calendar year
17 Source: Represents the value of transactions rejected as fraudulent using Decision Manager

One platform for all your payments

485 K+
Businesses we help to accept payments and stay protected from fraud.[14][15]

190+
Payment acceptance in over 190 countries and territories.[14]

141 B
We gather insight from 141 billion annual Visa and Cybersource transactions worldwide to help us combat fraud.[14]

99.9968%
uptime, for 5000+ global payments a second.[14][16]

$12.6 B
in prevented fraudulent transactions in 2020.[14][17]

5 B+
Cybersource tokens in use throughout the world securing sensitive payment data.[14]

cybersource