



The Future of Enterprise Payments Is Focused on Enabling Seamless Customer Experiences

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In This White Paper

Consumer adoption of ecommerce and digital payments skyrocketed in 2020, accelerating the need for ecommerce-enabled enterprises to modernize their payment technology so that they can accept the payment methods their customers prefer.

IDC partnered with PayPal Inc. to study how enterprises with >\$50 million annual revenue in the United States (>\$10 million elsewhere) and 100+ employees are adapting to this new digital economy and which business-level objectives are driving their technology investments. The results show that most ecommerce-enabled companies consider digital payments a top priority for business growth; however, many do not have the organizational readiness or IT capabilities needed to meet anticipated consumer demand. These gaps represent significant opportunities for organizations that can continue to invest in digital payment capabilities, focus on enabling new customer experiences with the vendors that enable digital agility, and partner with an integrated payments solution provider to support efficient scaling and global expansion.

Introduction and Situation Overview

Digital transformation of digital engagement and payments has long been a strategic imperative for ecommerce-enabled enterprises; however, recent changes in consumer behavior and expectations have significantly accelerated the need for these organizations to modernize their payment architectures so that they can accept the digital payment methods their buyers prefer and provide a seamless customer experience. In IDC's September 2020 Consumer Experiences Survey, we reported that nearly three-quarters of retail spending during the pandemic occurred online, with more than 20% of U.S. consumers using touchless payments, video, kiosks, and mobile ordering for the first time. As a result, major global retailers reported online sales growth at or above 100% on a year-over-year basis, which, in some cases, accounted for 50–60% of their overall annual sales growth. In addition, nearly one-quarter of the customers (23%) we polled said they now pay for goods via mobile payment or alternative payments, such as peer-to-peer money transfer, digital wallets, or prepaid cards, and more than one-third (38%) reported feeling safer when touchless processes are in place.

These fundamental changes in consumer behavior happened rapidly and tested the digital commerce and payments infrastructure of every ecommerce-enabled enterprise. Many merchants were able to rise to the occasion, but others are still struggling to acclimate. Either way, every enterprise must now build the business case for investment in digital payments. Moreover, they must understand which digital payment strategies and tactics to execute next while considering what the future may hold with regard to technological advancements and evolving consumer trends.

For insights about these concerns, IDC partnered with PayPal to study how ecommerce-enabled enterprises are adapting to today's digital economy and which business-level objectives are driving technology investments. The study asked director, vice president (VP), and CXO-level leaders around the world about their business-level needs, their operational pain points, and their perspective on where the digital payments industry is headed. The businesses surveyed were either Business-to-consumer (B2C) (48%) or both B2C and Business-to-Business (B2B) (52%) and are headquartered in the United States, the United Kingdom, Australia, and Canada. All respondents accepted online payments and most derived more than half of their revenue via online channels, signifying a baseline level of digital maturity.

Research Results

Enterprises View Digital Payments as Top Priority for Business Growth

When we asked survey respondents which technologies and innovations they think will help their businesses grow over the next five years, the top result was digital payments (52%), followed by cloud-based SaaS platforms in distant second place (32%) (see **Figure 1**, next page). This finding reflects widespread recognition that consumers now expect a seamless ecommerce experience — and that customers will be more likely to buy from businesses that cater to their payment preferences. Implementation of digital payments provides an opportunity to fuel growth, but it is also worth noting that, with the right partner, digital payments are a relatively easy area for merchants to make improvements, requiring less resources and faster, less complex integration projects compared with some of the other transformative objectives and technologies listed in this question.

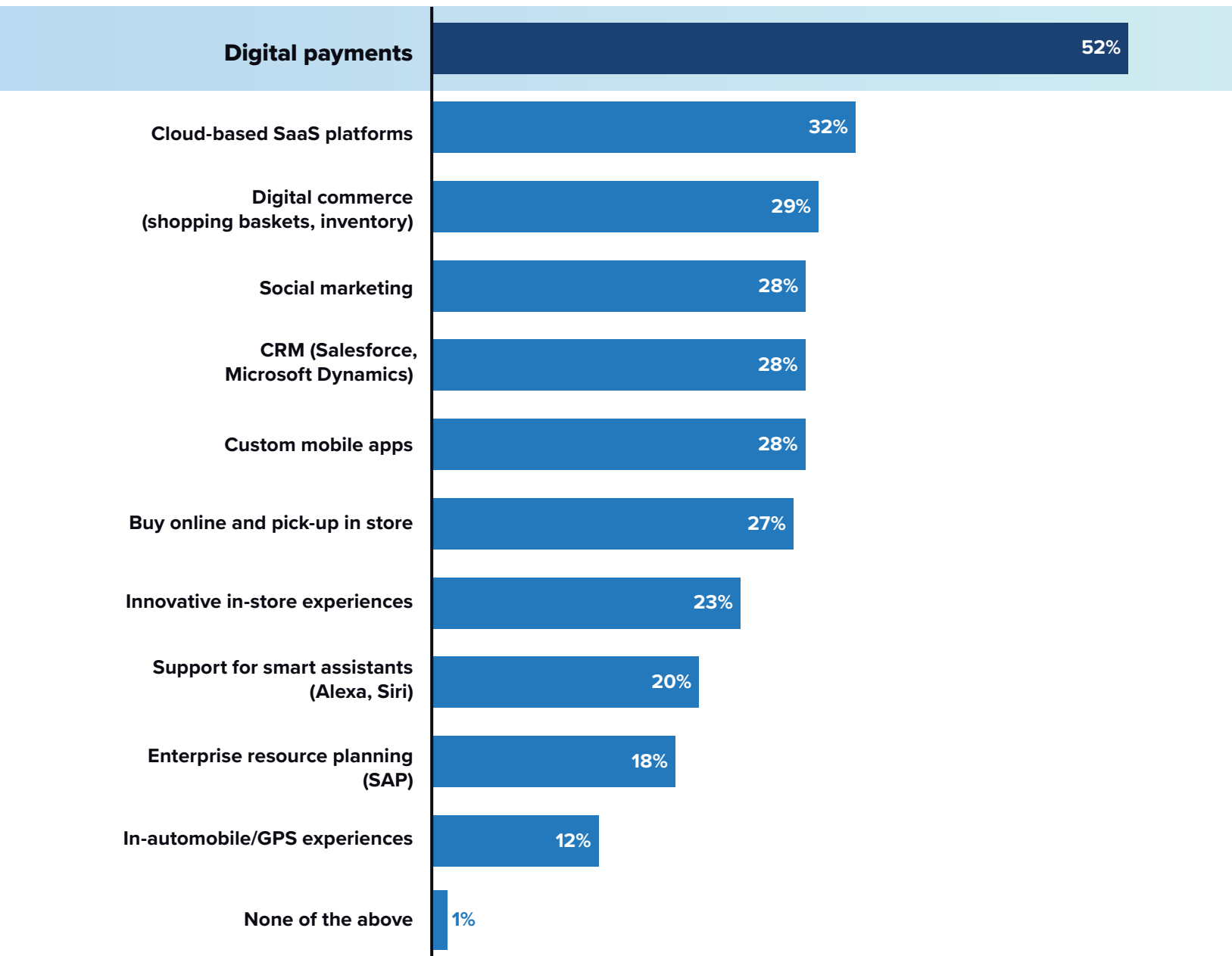
These findings are consistent with *IDC FutureScape: Worldwide Payment Strategies 2021 Predictions* (IDC #US46502320, October 2020), which describes how leading companies realize that digital payment capabilities are key to corporatwide digital transformation initiatives. In that document, IDC predicts that digital payments will expand to support contactless payments, integrated risk and compliance, local payments, and B2B payments.

FIGURE 1

Technologies and Innovations Respondents Think Will Help Their Businesses Grow Over the Next Five Years

(% of respondents)

Q. Overall, which of the following technologies and innovations do you think will help your business grow over the next five years?



n = 653 | Base = all respondents

Notes: The survey is managed by IDC's Quantitative Research Group. Data is not weighted. Multiple responses were allowed. Use caution when interpreting small sample sizes.

Source: IDC's PayPal Enterprise Payments Survey, October 2020

Enterprises Expect Digital Wallets to Improve Digital Payment Experience

Digital payments are increasingly considered a key component of the overall customer experience. Accordingly, enterprises must direct their efforts to accommodating consumer preferences for online payment methods. In another recent PayPal-sponsored IDC survey detailed in *Consumer Bill Payment Behaviors and Preferences Trending Toward Digital Wallets* (IDC white paper #US47590321, April 2021), we found that digital wallets are growing in popularity because consumers find them easy to use, convenient, and secure. In fact, among the 1,000 consumers surveyed for that study, the vast majority (87%) said that they are familiar with digital wallets and almost as many (72%) currently have a digital wallet account. In addition, the data indicates that use of digital wallets is on the rise. Nearly 6 out of 10 of the consumers polled (59%) said they use their digital wallets at least a few times per week and (53%) said that their usage has increased over the past year.

Enterprises appear to be aware of these shifts. When asked which future trends in digital commerce and payments they expect to have the biggest impact on how their organization engages with customers and processes online payments, respondents' top answer was digital wallets (31%), followed by speed of transaction (which happens to be a key attribute of digital wallets) at 24% (see **Figure 2**, next page).

This is consistent with the forecast in *IDC FutureScape: Worldwide Digital Transformation 2021 Predictions* (IDC #US46880818, October 2020) that, by 2025, driven by volatile global conditions, 75% of business leaders will leverage digital platforms and ecosystem capabilities to adapt their value chains to new markets, industries, and ecosystems.

“I think the biggest trend we’re seeing right now is the mobile aspect of payment, where more and more customers want to use their mobile phones, so we’re talking B2C where they want to use some sort of app on their phone to make these payments as opposed to doing a wire transfer or go on the website to set up a connection between their bank and some sort of online portal. They just want to be able to go on their app and just add it to their card and say process this, and it automatically links to their Venmo or PayPal or whatever the latest and greatest mobile platform is. To us, that is a future trend that’s just going to get bigger and bigger. You look at that at a global level, you see the challenge and see how big this is.”

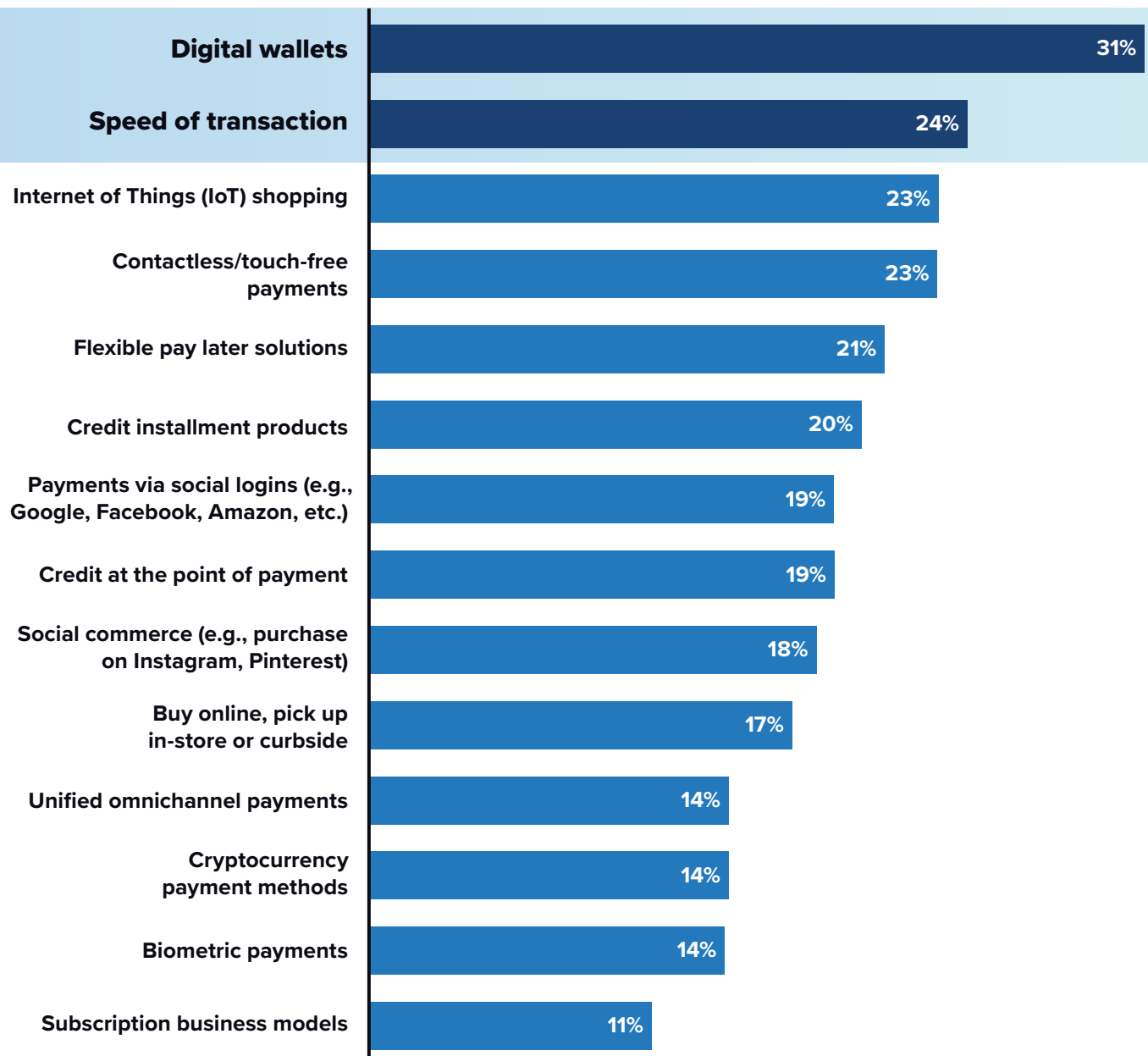
— Senior director, Information Technology, global manufacturing company

FIGURE 2

Future Payment Trends Expected to Have Biggest Impact on How Businesses Engage with Customers and Process Online Payments

(% of respondents)

Q. What future trends in commerce and payments do you expect to have the biggest impact on how your organization engages with customers and processes online payments?



n = 653 | Base = all respondents

Notes: The survey is managed by IDC's Quantitative Research Group. Data is not weighted. Multiple responses were allowed. Use caution when interpreting small sample sizes.
Source: IDC's PayPal Enterprise Payments Survey, October 2020

Enterprises Increasingly Rely on Advanced Analytics to Increase Conversions

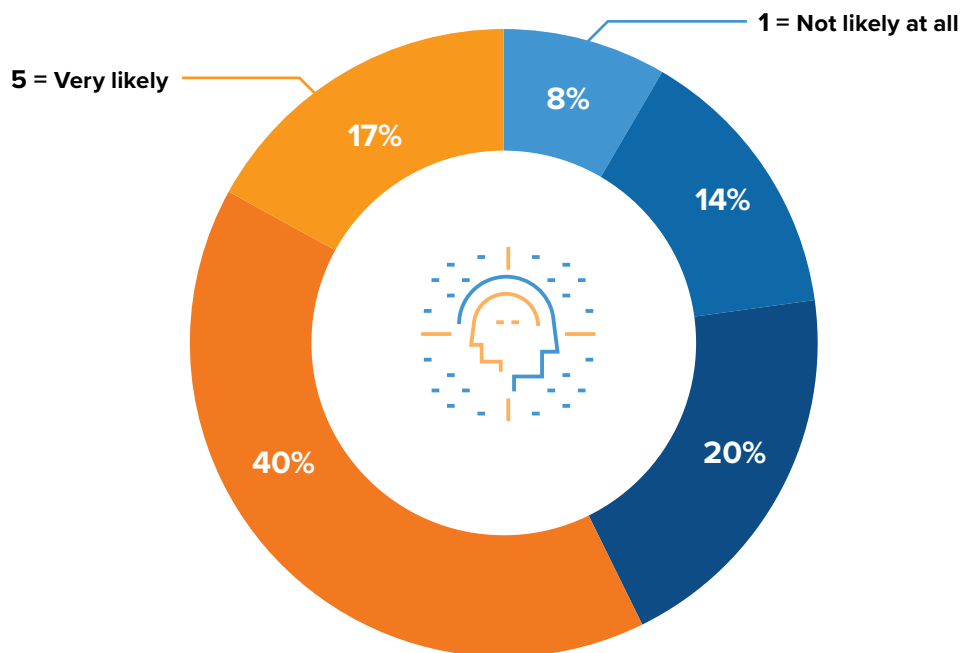
More than half of all survey respondents (57%) said they are likely to invest in advanced analytics to better understand their customers and increase conversion (see **Figure 3**). The tools they anticipate using include predictive analytics, machine learning (ML), and artificial intelligence (AI). U.S. enterprises were the most likely to say that they plan to invest in advanced analytics (63%), followed by companies in Australia (59%), the United Kingdom (55%), and Canada (47%).

FIGURE 3

Enterprise Willingness to Invest in Advanced Analytics to Increase Conversions

Q. How likely is your organization to invest in advanced analytic tools like predictive analytics, machine learning, and artificial intelligence to better understand your customers and increase conversions in the next 24 months?

1 = Not likely at all 4 3 2 5 = Very likely



n = 653 | Base = all respondents

Notes: The survey is managed by IDC's Quantitative Research Group. Data is not weighted. Use caution when interpreting small sample sizes. Scores are based on a scale of 1–5, where 1 = not likely at all and 5 = very likely.

Source: IDC's *PayPal Enterprise Payments Survey*, October 2020

Enterprises must recognize that AI/ML requires large sets of data to create accurate predictive models and that payments data can be leveraged as part of an overall buyer behavior analysis to guide the customer journey and increase conversion. Payments data is also critical to building fraud prevention models and processes powered by AI/ML.

In *IDC FutureScape: Worldwide Digital Transformation 2021 Predictions* (IDC #US46880818, October 2020), we forecast that, by 2022, 70% of all organizations will have accelerated use of digital technologies, transforming existing business processes to drive customer engagement, employee productivity, and business resiliency.

“We are looking at augmented reality as something we might be doing in the future; 3D imagery rendering online; I mentioned personalization, and personalization is a big part of what we are doing these days, and that’s behavioral based so we’re using a lot of artificial intelligence and machine learning to understand what our customers are looking for and serving them up the best possible options.”

— **Artie Sharpe, senior director, Innovation & Experience Design at Hearts on Fire-CTFNA (Chow Tai Fook North America)**

“We’ve started that road already with predictive analytics, machine learning, and AI in specific segments of our company right now where we want to take advantage of it now and not wait 12 or 24 months. This is only going to grow—this is something that’s going to spread across all the different types of companies we have as a way to better understand the data and learn what the customers are buying, how do we anticipate things that they want from us. We will have to invest in AI and machine learning to continue to grow.”

— **Senior director, Information Technology, global manufacturing company**

Challenges and Opportunities

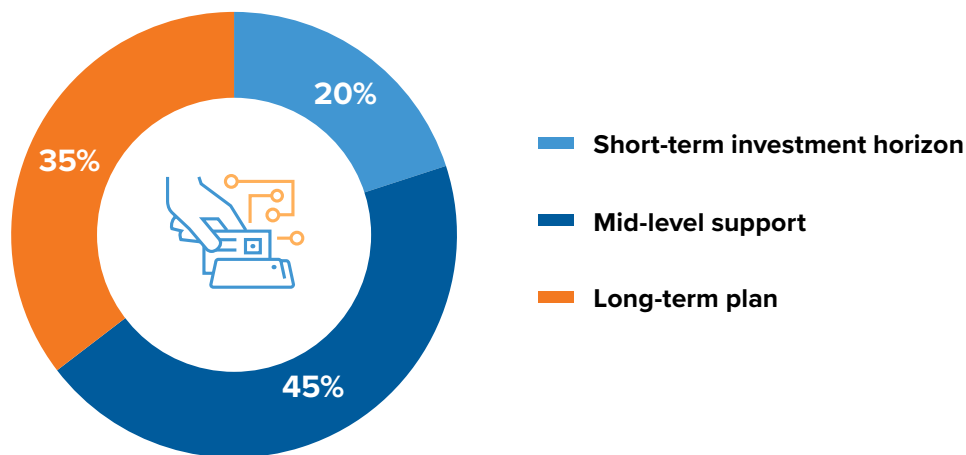
Filling the Gap Between Consumer Demands and Organizational Readiness

Among the respondents indicating that their organizations are undertaking at least one digital commerce and/or payments initiative during the COVID-19 crisis, only 35% said that this initiative is supported with a long-term plan (see **Figure 4**).

FIGURE 4

Executive Support for Digital Commerce and/or Payment Initiatives During the Pandemic

Q. You indicated your organization is undertaking at least one digital commerce and/or payments initiative to succeed during the COVID-19 crisis. How much support does this new initiative have within your organization?



n = 565

Notes: The survey is managed by IDC's Quantitative Research Group. Data is not weighted. Use caution when interpreting small sample sizes.

Source: IDC's *PayPal Enterprise Payments Survey*, October 2020

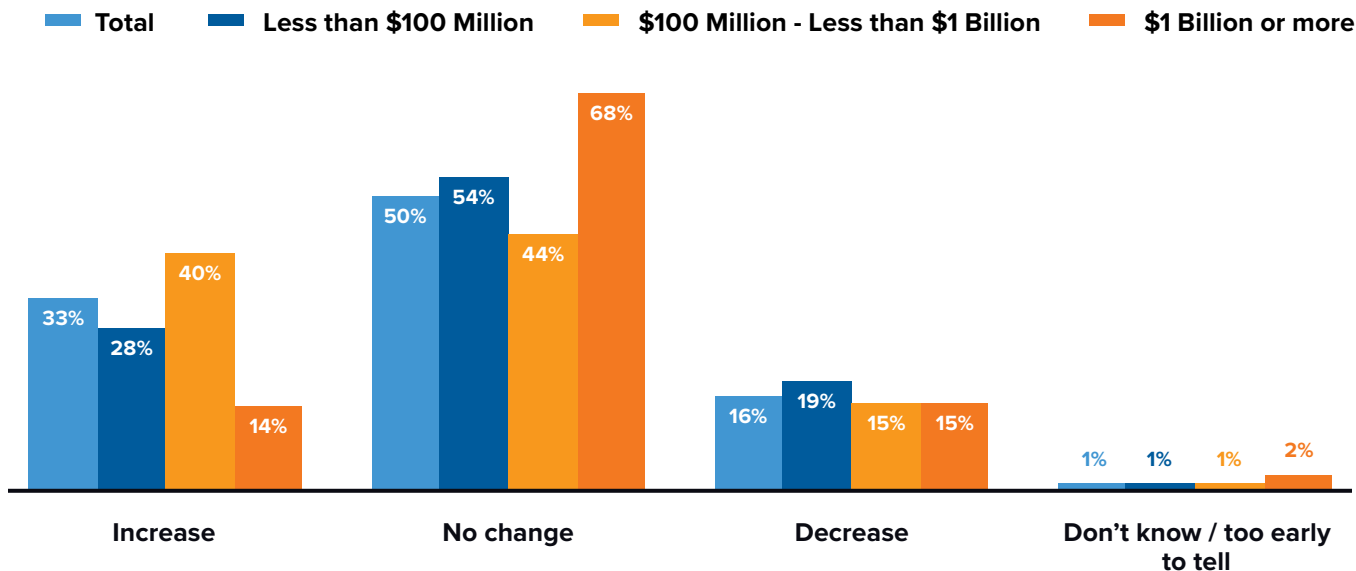
Likewise, only one-third of respondents (33%) said their organization has increased head count for payments because of COVID-19 (see Figure 5).

FIGURE 5

Enterprises That Have Increased Head Count for Payments as a Result of COVID-19

(% of respondents)

Q. Do you expect the number of employees working on online payments to increase or decrease as a result of COVID-19?



n = 653 | Base = all respondents
 Notes: The survey is managed by IDC's Quantitative Research Group. Data is not weighted. Use caution when interpreting small sample sizes.
 Source: IDC's *PayPal Enterprise Payments Survey*, October 2020

These two findings expose a significant gap between organizational readiness and not only consumer expectations but also what enterprises think will help them achieve business success. Those with long-term digital payment initiatives and the right payment partners that can reconcile the desire for robust payments with a lack of head count investment will have a competitive advantage.

Thinking Strategically

It is standard practice for businesses to periodically review their strategic priorities. This process is even more essential following a period of disruption. The enterprises we surveyed reported broad adoption of a variety of payment methods, particularly local methods, PayPal, and echeck. Interestingly, more than one-third of respondents (34%) plan to support cryptocurrencies within 24 months (see Figure 6, next page).

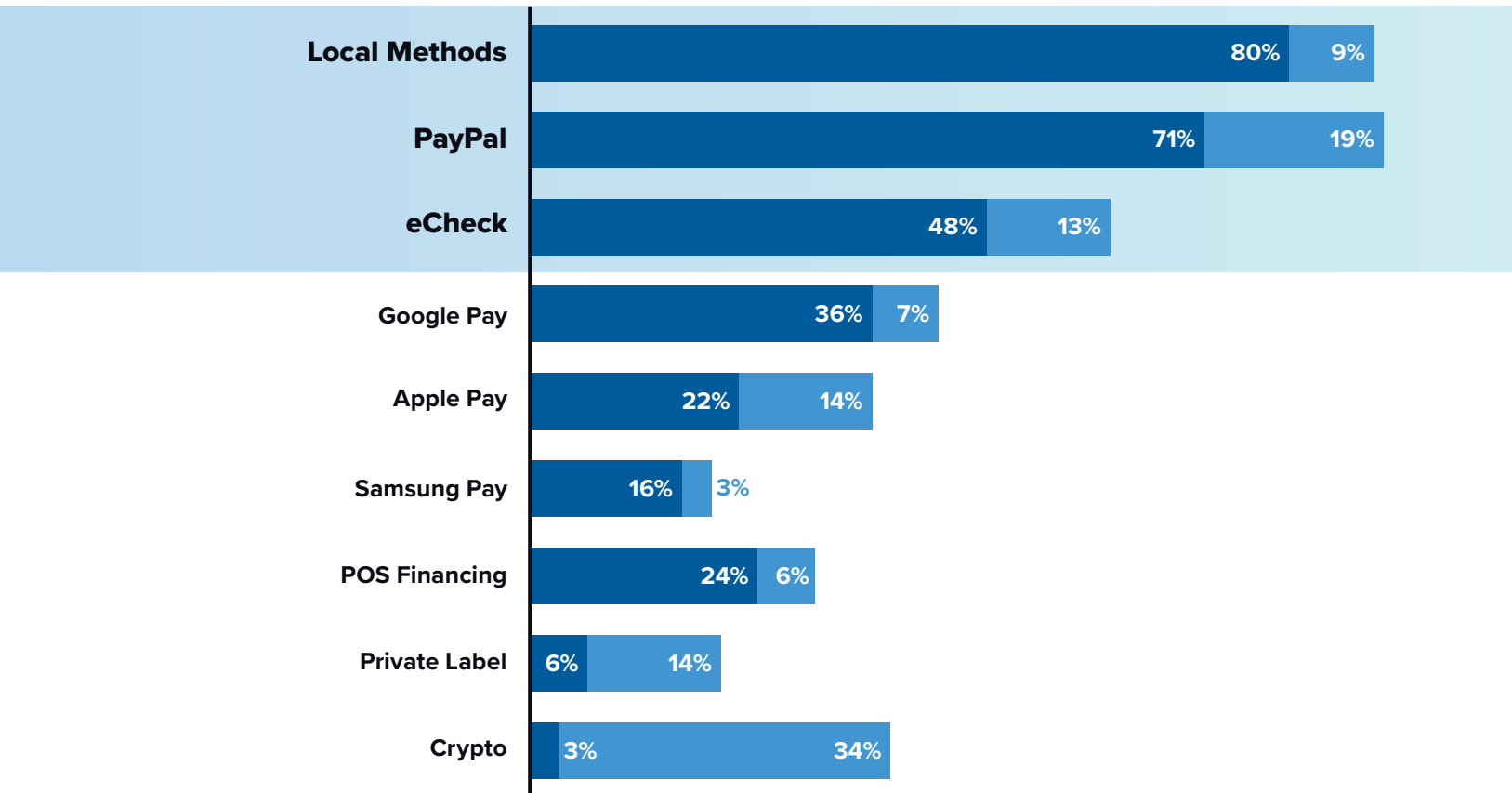
FIGURE 6

The Payment Methods Enterprises Support or Plan to Support

(% of respondents)

Q. What methods of payment does your organization accept today or plan to support within 24 months for online purchases?

■ **Accept Today** ■ **Plan to support within 24 months**



Source: IDC's *PayPal Enterprise Payments Survey*, October 2020

While offering a diverse set of payment options can be beneficial, enterprises must be strategic in their approaches. As a first step, it is critical to understand the capabilities of payments partners and the opportunities they may enable. For example, a payments provider may be able to facilitate expansion into markets where in-app payments using local payment types are common.

Similarly, some companies may be looking to create new opportunities by emulating early adopters that are seen as leaders in the cryptocurrency movement. While that may not have a direct financial impact in terms of incremental sales, adding cryptocurrencies as a method of payment could support their brand as an innovator.

Even so, this finding conflicts with the results shown previously in **Figure 2** that indicate that only 14% of respondents think cryptocurrency is a trend that will have a big impact on how their organization engages with customers and processes online payments. In addition, **Figure 2** also shows that only 21% of survey respondents are interested in flexible pay later solutions and that 23% do not yet accept digital wallets and so are missing out on customers and sales.

“At this point there are still some payment systems within certain areas of the business which are still managed via internal systems, so there are compliance requirements in terms of data, where it is held, and whatnot. But the focus is on research and development in terms of expanding the business, being innovative, and enhancing the end-user customer experience.”

— Vice president, EMEA-based leading retail company

“With us, the challenge is how do we make sure that all these investments we are making right across the world (a) are appropriate, (b) are sufficient, (c) are pulled back before they become waste void, but (d) they start benefiting and cross-pollinating each other. Those are the biggest challenges, like how do you invest correctly, how do you track the investment, and how do you know when to invest more versus pull back.”

— Senior director and digital product architect, leading consumer transportation provider

Switching Payment Providers Poses Multiple Challenges

When we asked respondents about their biggest challenges when deciding whether to select a new online payments service provider, we uncovered a sobering reality: There are several competing issues. The top challenge was legacy systems constraints (26%), but numerous others were close behind, including switching costs (25%), operational complexity (24%), and internal resistance to change (23%). Many companies lack the IT capabilities to overhaul payment systems and associated back-office processes (see **Figure 7**).

“. . . one of the most important things you need to have on the website is a seamless way of placing the order, paying for the order, and receiving the order. A seamless website experience. When you develop a website and you bring on a new payment method, it's really important that you have seamless integration. It's all around ensuring that the code integrates. That the gateways that we have in place integrate and we have a real true end-to-end experience that doesn't change the performance or use of our website using a different containment method.”

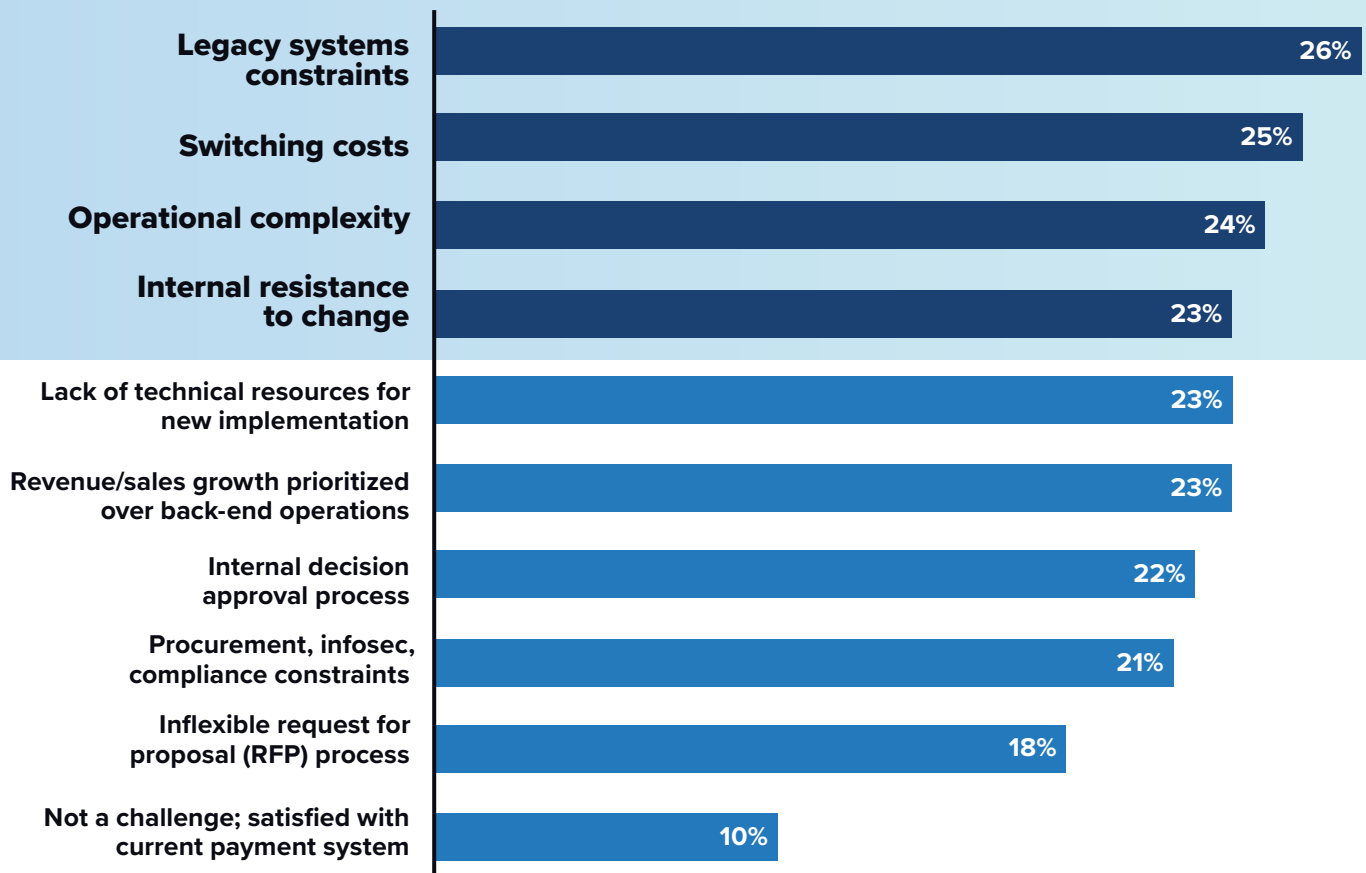
— IT director, major consumer retailer

FIGURE 7

Biggest Challenges When Deciding Whether or Not to Select a New Online Payments Service Provider

(% of respondents)

Q. What are the biggest challenges your organization faces when deciding whether or not to select a new online payments service provider?



n = 653 | Base = all respondents

Notes: The survey is managed by IDC's Quantitative Research Group. Data is not weighted. Multiple responses were allowed. Use caution when interpreting small sample sizes.

Source: IDC's *PayPal Enterprise Payments Survey*, October 2020

PayPal for Enterprise

The PayPal network extends to more than 360 million consumers, and according to the survey results, 81% of growth companies accept PayPal for online purchases today. Beyond offering one of the world's most popular digital wallets, PayPal for Enterprise provides enterprises a single payments platform enabling global scale, customer insights, and end-customer flexible payment options.

With PayPal, enterprises can build end-to-end commerce experiences across multiple channels and payment methods. PayPal also enables enterprises to streamline operations by supporting global payments options, optimizing card processing, and managing risk. PayPal offers the customer acquisition and retention technologies to help merchants deliver better customer experiences.

PayPal enables businesses to deliver on end-customer experiences featuring:

- ▶ Choice to pay with consumers' preferred payment methods: PayPal, Venmo, PayPal Credit, debit cards, digital wallets, and local payment methods. (PayPal Credit is not available in all regions. In the United States, PayPal Credit is subject to consumer credit approval).
- ▶ Integrated pay over time options including PayPal Credit and Pay in 4. (Loans to California residents are made or arranged pursuant to a California Finance Lenders Law License. PayPal Inc. is a Georgia Installment Lender Licensee [NMLS #910457]).
- ▶ Seamless, omni-channel checkout experiences—on the web, on mobile, in person, and through new contextual commerce channels around the world

PayPal enables your business to:

- ▶ Easily integrate into existing systems, via PayPal's cloud-based (SaaS) payments platform and advanced network tokenization capabilities
- ▶ Achieve industry-leading authorization rates leveraging insights from PayPal's unique data intelligence from its worldwide network of merchant and consumer transactions
- ▶ Target high-intent customers with relevant promotions and marketing messages
- ▶ Offer subscription-based and on-demand payment options
- ▶ Make mass payments to customers, vendors, and suppliers with Advanced Payouts
- ▶ Reduce administrative costs and complexity with operational management tools and reporting
- ▶ Integrate with leading vendors of commerce platforms, CRMs, and ERPs
- ▶ Manage risk with advanced machine learning–based fraud detection as well as with seller and buyer protection for your PayPal transactions

“I think it’s going to be more important for digital commerce in the next five years simply because when it comes to PayPal, there’s a significant energy and it’s very easy to use, it’s very easy to access, and it’s a very global provider. PayPal works the same way here as it does elsewhere. I think it’s going to grow particularly as our own online commerce increases, so there’s PayPal being an easy-to-use offering, and then there’s PayPal as being this global offering that everybody can use.”

— Senior director/digital product architect, leading consumer transportation provider

Conclusion

2020 served as a litmus test for ecommerce-enabled enterprises around the world, raising the level of urgency to modernize their payment architectures in response to changing customer behaviors and expectations. Now, these organizations must build the business case for investment in digital payments. In addition, merchants must understand which digital payment strategies and tactics to execute now and how to maintain the agility required to respond to future technological advancements and evolving consumer trends.

Our study provided insights that inform a way forward. To thrive, enterprises must think strategically about digital payments and fill the gaps between customer demands and organizational readiness.

More specifically, they need to:

- ▶ **Steadily invest in digital transformation.** Enterprises that have modernized their payments architecture are able to adapt to change rapidly and gain a competitive advantage. Revenue increases when businesses remove payment friction.
- ▶ **Focus on customer experience and digital agility.** Forward-looking enterprises view digital payments as an essential technology that will help their businesses grow. Digital wallets, in particular, provide a seamless customer experience and are growing in popularity because consumers find them easy to use, convenient, and secure.
- ▶ **Seek an integrated payments solution partner.** It is critical for an enterprise to partner with a payments solution provider that understands its unique environment, requirements, and customers. The provider must have the technology to not only meet those needs but also keep up with changes in the market.

Following these three best practices will align the necessary elements of people, process, and technology so enterprises can create a holistic digital payments strategy that delivers a seamless customer experience, as well as sustained digital payment capabilities and competencies over time.

Appendix

Survey Parameters and Methodology

The *PayPal Enterprise Payments Survey*, conducted by IDC research in October 2020 and sponsored by PayPal, targeted high-level decision makers in larger enterprise-level companies with an existing online business operating in more than one country.

The demographics of the respondents were as follows:

- ▶ 653 leaders in the United States, the United Kingdom, Australia, and Canada
- ▶ Companies with an annual revenue of more than \$100 million (70%) and a representation of companies with over \$1 billion (14%) in annual revenue
- ▶ Companies with over 1,000 employees (55%) and many over 10,000 employees (16%)
- ▶ Companies operating in 23 different industries including retail trade (10%), manufacturing (10%), healthcare (10%), and information technology (10%)
- ▶ Companies that presently accept payments online, with over 50% of revenue derived from online revenue (60% of companies surveyed reported more than 50% in online revenue.)
- ▶ Companies that are B2C only (48%) or both B2C and B2B (52%)
- ▶ Companies that operate in more than one country (56%), with many that operate in more than 16 countries (16%)
- ▶ Decision makers at the director level (70%) and above, including vice president (18%) and C-level (12%) (the employees worked primarily in finance [38%], operations [19%], technology [15%], strategy/sales or marketing [12%], or ecommerce/digital management [11%]).
- ▶ Primary decision makers (21%) or contributors who are part of the decision-making process (41%)

Referenced IDC Research

- ▶ *IDC FutureScape: Worldwide Payment Strategies 2021 Predictions* (IDC #US46502320, October 2020)
- ▶ *IDC FutureScape: Worldwide Digital Transformation 2021 Predictions* (IDC #US46880818, October 2020)

About the Analysts



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Jordan Jewell is a Research Manager for IDC's Enterprise Applications and Digital Commerce team and leads IDC's Digital Commerce research practice. In this role, he leads research initiatives addressing both B2B and B2C digital commerce platforms, digital marketplaces, and adjacent technologies that facilitate online commerce. Jordan conducts quantitative and qualitative research in these areas and acts as a thought leader on the future of commerce.

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Aaron Press is Research Director for IDC Insights responsible for the Worldwide Payments practice. Mr. Press' core research coverage includes bank, corporate, and merchant challenges around the evolution of payment networks, systems, and technology, fraud and security risks, and legal and regulatory issues.

[More about Aaron Press](#)

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