



Integrating Digital Payments Platforms to Accelerate Sales and Improve the Customer Experience

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As they adjust their businesses to adapt to today’s new realities, leading retailers are implementing digital platforms to drive sales and create a seamless, omni-channel customer experience.

Key Takeaways

- ▶ 2020 was a pivotal year for digital commerce adoption with consumers shifting to omni-channel experiences, putting increased pressure on traditional retailers.
- ▶ Retailers delivering seamless online and in-store experiences benefit from increased customer satisfaction, customer loyalty, and growth.
- ▶ Retailers need to find a payments vendor that can not only address today’s requirements but also future proof their business and enable new omni-channel customer experiences.

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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.**

Introduction

2020 was a watershed year for retailers. Forced by the pandemic, consumers adopted digital, self-serve, and touchless shopping methods and technologies at unprecedented levels. 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. 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 sales growth year over year. IDC data indicates that omni-channel retailers classified as "essential" grew revenue by 15–40% even as they saw declines of 30–40% in foot traffic.

Even consumers who can be considered seasoned users of self-service technologies increased their adoption, with nearly 37% making greater use of mobile shopping apps and 28% placing more orders on mobile devices. In addition, 23% of consumers 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.

Put all of this together and it is no surprise that consumers give the highest satisfaction scores to merchants providing seamless omni-channel experiences. They now decide where to spend based on the availability of touchless shopping, product delivery, payment, and pickup (curbside and in-store).

Leading Retailers Investing in Technology to Close Gaps in Digital Transformation, Prioritizing Digital and Touchless Services

Best-in-class retailers are responding to this new reality by reworking their business models and prioritizing technology investments that allow them to better serve customers. Data from IDC's *COVID-19 Impact on IT Spending Survey*, conducted in September 2020, shows that 35% of retailers are investing in technology to close gaps in digital transformation, prioritizing digital and touchless services, customer experience–led commerce and payments, and seamless omni-channel shopping experiences affecting their digital and physical properties.

According to IDC's *Future of Enterprise Survey* study (September 2020), commissioned by PayPal, the three main trends that will impact growth over the next five years are digital payments, digital commerce (both online shopping and inventory management), and buy online, pick up in store (BOPIS). And IDC's *COVID-19 Impact on IT Spending Survey* showed that companies that were able to integrate digital payments platforms outperformed their less adept peers.

Leading retailers understand the need to maximize customer lifetime value and seek technologies to power loyalty programs that lead to higher customer satisfaction. Recent innovations include delivering offers based on a customer's location to draw new customers into the store as well as providing in-aisle and in-lane touchless experiences. Retailers reported that investments that improve consumer loyalty drive a 10% lift in traffic and conversions and a 5% lift in

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sales at a minimum, with some digital-first brands reporting business growth of as much as 10x. Digital payments are a key part of this mix, providing insights into the customer's journey and driving a better customer experience and improved loyalty.

Looking forward, IDC predicts that by 2023, 80% of retailers will offer contactless payments and app-based scan-and-pay systems in stores, which will increase conversion rates by 40% and customer retention rates by 30%.

Selecting the Right Digital Payments Platform Vendor

Providing a seamless online/offline shopping experience requires a trusted partner for digital payments. Retailers need a vendor with expertise, resources, and a proven track record in the payments market.

More specifically, retailers should look for a payments platform vendor that can:

- ▶ **Unify online and offline payment** into a seamless omni-channel experience
- ▶ **Uncover transaction insights** via customer analytics, insights, and performance dashboards that provide a 360-degree view of customer behavior
- ▶ **Increase customer satisfaction** with loyalty, reward, coupon, and recommendation capabilities
- ▶ **Enable in-store experiences** with geolocation- and product-specific offers
- ▶ **Reduce integration costs** by providing both payments and omni-channel experiences along with developer support, customer support, fraud management, and authentication rate optimization

- ▶ **Ensure predictable, robust, and cost-efficient payment transactions**

- ▶ **Provide services** such as integrated fraud and risk management and authentication rate optimization

Perhaps just as importantly, retailers need to ensure their vendor has the agility, scale, and mindset not only to address today's payment needs but also to provide innovative payment solutions into the future. With a trusted payments partner, retailers will have the capabilities to adapt as consumer behaviors evolve.

IDC's Digital Journey Map for Enterprise Retailers

- ▶ **Omni-channel commerce:**

At this phase, retailers work to provide experiential commerce, intelligent order fulfillment and returns, and augmented and virtual experiences.

- ▶ **Omni-experience customer management:**

At this phase, retailers are providing next-generation customer care, customer experience analytics, and contextualized experience.

- ▶ **Operational scale and agility:**

Finally, when they reach full potential, retailers are able to provide mobile enterprise, connected workforce, secure omni-channel operations, and profitability optimization capabilities.

Considering PayPal

For decades, PayPal has been at the forefront of digital payments, supporting merchants with a wide range of omni-channel capabilities. The company's globally recognized brands include PayPal, PayPal Credit, Venmo, and Honey,¹ and its two-sided network is designed to provide large retailers with access to PayPal, Venmo, and Honey consumers. PayPal's open platform allows retailers to integrate with their choice of card issuers, financial institutions, social platform operators, and other technology providers.

PayPal now delivers an expanded set of in-person retail technologies. In 2020, PayPal launched QR-based touch-free payments, enabling consumers to choose their preferred payment option at the point of sale. Payment options include PayPal, Venmo, credit cards, debit cards, PayPal Credit, and PayPal deferred payment options. The company offers retail merchants various capabilities for improving the customer experience, including omni-channel payments, customer analytics/insights, and marketing technologies such as coupons, rewards, loyalty programs, and geolocation-based offers, in addition to an array of co-marketing capabilities.

PayPal's touch-free model lets customers make payments at the point of purchase using debit cards, credit cards, Venmo balance, or Venmo Rewards. PayPal also provides co-marketing capabilities including coupon offers within the PayPal mobile application, enticing new customers to visit retailers' stores.

PayPal's offerings help retailers:

- ▶ **Increase visit frequency and shopper loyalty** by offering a loyalty program sign-up, integrating the retailer's loyalty card and program directly in the PayPal wallet, and enabling reward campaigns and offers
- ▶ **Attract and convert new and lapsed customers** through retargeting and in-app offers, co-marketing opportunities, and a Venmo social feed where customers share their purchases
- ▶ **Maximize basket size and average order value (AOV)** with seamless, flexible offerings that include pay later options provided to the consumer at

no extra cost to retailers, offers based on cart/order size, and targeted in-store offers

- ▶ **Provide meaningful omni-channel commerce experiences** including secure, fast online payments via PayPal and Venmo as well as contactless, in-store payments and cross-channel insights

PayPal processes payments for millions of merchants around the world, offering retail merchants the reach and insights to deliver engagement at scale. Just one example of PayPal's scale occurred in 2020 when a major U.S. retailer began using PayPal and Venmo QR codes for checkout in 8,000+ stores, allowing customers to pay securely and safely without touching a keypad or signing a receipt.

Challenges and Opportunities

The current retail environment demands rapid technological change, and retailers face a broad array of demands from both an IT perspective and a business process change perspective. Meeting these challenges can be quite daunting, and retailers may struggle to prioritize investments. Traditional retailers may be new to digital payments requirements, including security, fraud management, and compliance requirements, and these factors may influence their vendor selection. Additionally, as traditional retailers move to online channels, they need to ensure their selected vendor can expand globally and ensure a seamless customer experience.

PayPal already has good adoption levels at the point of sale in online and in-store retail. The company's existing capabilities and vision may position PayPal as a one-stop shop for payment execution, transaction processing, and customer engagement. PayPal's open platform can support existing loyalty/marketing platforms, offering mobile offers, push content, and incentives. Retail merchants may benefit from partnering with PayPal as an innovation partner, leveraging its payments expertise, omni-channel capabilities, and global reach.

¹ Venmo and PayPal Credit are available only in limited markets. Additionally, PayPal Credit is subject to credit approval.

Conclusion

In the face of dramatically shifting consumer behaviors and expectations, retailers need to ramp up investments to transform their businesses and provide improved customer experiences. A major focus should be providing seamless and adaptive commerce, touchless payments, and fulfillment.

PayPal's in-person payments solution is well positioned to help businesses quickly adapt to changing consumer behaviors while future proofing retailers' ability to deliver new omni-channel experiences in the future. IDC believes that to the extent that PayPal can address the challenges described in this paper, the company has a significant opportunity for success.

About the Analyst



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As Vice President for IDC Retail Insights, Leslie Hand is responsible for the research direction for IDC Retail Insights, and leads research related to the digital transformation of retail omni-channel operations. Leslie works with retailers and technology providers on developing best practices and strategies, aligned with where they are, and where they want to go, leveraging IDC quantitative and qualitative data sets. Leslie's specific research includes a particular emphasis on mobile, IoT, and augmented/virtual reality technologies and the threats and opportunities now facing the entire retail ecosystem from evolving consumer behaviors. Leslie likes to say that she will always be a retailer through and through, but in her current role she now has the opportunity to work for many top retailers and the technology providers that serve them.

[More about Leslie Hand](#)

Message from the Sponsor

About PayPal

Our mission at PayPal is to democratize financial services to ensure that everyone, regardless of background or economic standing, has access to affordable, convenient, and secure products and services to take control of their financial lives.

Fueled by a fundamental belief that access to financial services creates opportunity, we work across our brands to give people the financial tools they need to connect and transact in new and powerful ways—and ultimately, to join and thrive in the global economy.

For more information, please visit us at:

paypal.com/enterprise

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