# Trading without compromise

## How to win the eCommerce battle

barclaycard

# A gateway to the future

Conversations I've had with Heads of Payments, eCommerce Directors, Procurement Directors and others have made it very clear that Covid-19 has sped up the digitisation agenda. The lockdown experience has seen ever more consumers and business customers switch decisively to online channels as their default, including widespread use of mobile apps and services.[1]

As a result, eCommerce solutions have become even more critical for businesses than before. The ability to offer seamless, smooth and secure digital interactions and payment services is paramount.

In this short paper, we review some of the key emerging trends in eCommerce and what they mean for the future. These are relevant to businesses of all sizes, though we particularly focus on mid-sized corporates as, for many, developing their eCommerce proposition is a key step in their growth journey.

Three sectors to which eCommerce services are becoming increasingly important are: Retail, Hospitality and Essential Services (a range of businesses providing key services, such as utilities and financial services). We include a focus on each of these, drawing out lessons that will be relevant to businesses in other industries too.

In today's market, payment services are critically important. We introduce a new payment gateway from Barclaycard, Smartpay Fuse, that can seamlessly integrate with a company's merchant website and help enhance their eCommerce offering – providing a better customer experience along with robust security and rich management information.

> " The digital future is accelerating. At Barclaycard, we are committed to providing our customers with a gateway that takes them there and helps enable their business to flourish and grow. "

Jackie Allen,
Director, Barclaycard

[1] www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi

# Resilience in eCommerce

Businesses large and small have had and are continuing to cope with extreme disruption to normal ways of working. For many, physical premises shut completely during lockdown. For some, the recovery is underway, but 'normality' is still disrupted. The business landscape feels very different to anything that came before.

All of this only serves to emphasise the fundamental importance of eCommerce solutions to businesses today. During the pandemic, online channels became many companies' only route to carry on trading. And this was something that consumers embraced. Volumes of internet-based purchasing were already on a clear upward trend.[2] Covid-19 took that to the next level – and it's with us to stay. £5.3bn is expected to be added to UK eCommerce in 2020.[3]

Companies have already proven resilient by finding ways to continue trading and engaging with customers; developing new products and services to meet changing needs.

Now, as they look forward to the future, that resilience will continue to be tested. There are tentative signs of improvement in the outlook – but nothing can be taken for granted.

Barclaycard Business's quarterly SME Barometer[4] found that small and medium-sized businesses exceeded their revenue expectations through the lockdown period and are cautiously hopeful of a revenue rebound. Optimism increased on the previous quarter, with an overall prediction that revenue would grow by 14% over the coming 12 months. It is the larger businesses that are most confident: the index score measuring overall positivity across a range of factors, including the sales pipeline, planned investment, finance raising, and business prospects, is higher among mid-sized corporates (£10m–£25m turnover) than with small or micro businesses.

A similar picture emerged in a Coronavirus Pulse survey[5] published by the Financial Times, which found that optimism for the future was highest among mid-sized corporates. Over half (57%) felt confident about their organisation's performance over the coming 12–18 months.

Mid-sized businesses help power the UK economy. Many of them are highly successful and profitable enterprises. Getting the customer experience right across channels is critically important if they are to keep competing with large and multi-national brands, who often have more extensive marketing budgets and resources.

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[2]www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi
[3]Ascential, June 2020. [4]Data published September 2020. [5]FT Coronavirus Pulse survey, May 2020.

# Putting customer needs first



The rationale behind strengthening eCommerce capabilities can be summed up in two simple words: **the customer**.

Customers of all age groups are increasingly turning to digital options to transact with brands across business types.[6] Covid-19 has supercharged this, as house-bound customers reached for their phones, tablets and laptops to buy essential goods (and maybe a few morale-boosting treats as well)

during lockdown. In fact, Barclaycard Business research found that UK consumers spent £40.6bn[7] on dispensable items during lockdown to lift their spirits, with demand for in-home experiences (or 'insperiences') and subscription services rocketing.

Research from ChannelAdvisor[8] finds that 42% of consumers expect to shop more online in the future than they used to before the pandemic. It also reveals that during the pandemic, 30% of people bought items online that they had never purchased digitally before. Meanwhile, the British Retail Consortium (BRC)/KPMG Retail Sales Monitor[9] found that over 40% of retail purchases were made online during the month of July – compared to around 30% a year earlier.

Clearly, success in today's complex market is not as simple as having a 'buy here' button on a website. Customer expectations of ease, accessibility, personalisation and relevance have risen. For any mid-sized corporate, a proper eCommerce strategy is essential. This means thinking about the entire customer experience through their end-to-end journey in doing business with you. Can you recognise a customer so that they don't have to

enter their details every time they buy from you? Are you alerting them with relevant and tailored offers? Can you create a view of the customer's preferences and habits from the transaction history you hold?

Competition for the customer is rising as consumers are more and more able to easily shop around, compare offerings and move to the most attractive deal. Research[10] shows that 44% of UK consumers will abandon a purchase if their preferred payment methods are not available, and 58% state they would stop a purchase altogether if the checkout process is complicated.

As consumers potentially become more careful with their money in the uncertain times ahead, these factors will move from important to critical. Market research[11] shows that consumer confidence has steadied over the summer following its drop-off during the start of lockdown. This offers some encouragement for the future – although the second wave that has begun may dampen confidence again.

[6]https://www.statista.com/statistics/275972/online-purchasing-penetration-in-great-britain-by-age

[7]Barclaycard Payments, July 2020. [8]ChannelAdvisor, June 2020. [9]BRC/KPMG Retail Sales Monitor, August 2020.

[10]PRPRO, April 2020. [11]Growth from Knowledge (GfK) Consumer Confidence Index, August 2020.

# A tale of three sectors

Some areas of business have been significantly impacted by Covid-19 and face a fight to survive in their present form; other areas are booming. Most sectors are somewhere in between.[12]

Three key areas of UK industry that have been impacted to varying degrees – and to whom eCommerce capabilities are becoming significantly more important – are Retail, Hospitality and Essential Services.

| Retail > | Hospitality > | Essential Services > |
|----------|---------------|----------------------|

Barclaycard Business's SME Barometer shows that sectors such as Hospitality & Leisure and Retail, which rely on consumer card payments, were hit particularly hard during the lockdown period (Q2 2020). Fortunately, initial data shows that these sectors are recovering well – Barclaycard SME transaction data for the first half of Q3 showed consistent week-on-week growth, with the average daily transaction value rising by 60%, compared to the daily average for Q2. However, card transactions for the first half of Q3 remain 13% behind the same point last year, indicating that card-taking SMEs have a way to go to match pre-pandemic performance.

**A day in the eCommerce life of a mid-sized corporate  >**

# Retail

The old bricks and mortar model is significantly shifting for many retailers. While there will always be a place for a High Street presence – and indeed, localism has been boosted during the pandemic – the proportion of purchases made online is steadily climbing. According to ONS,[13] as a proportion of all retailing, online sales reached a record high of 22.3% in 2020. This means that retailers need to invest ever more in their digital offerings. The ideal scenario for many will be to enable in-store purchases from point-of-sale (or through a mobile app while in-store), online orders, or mobile app transactions including through e-wallets and services such as Apple Pay.

While the pandemic undoubtedly depressed retail sales overall, some sectors such as Food & Drink experienced continuing high demand. With customers spending more time at home, areas such as furniture, homewares and home improvements also held up strongly. There are signs of recovery overall, with official ONS figures[14] showing that retail volumes in July 2020 were 3% above their pre-pandemic levels in February 2020.

Case Study:
## eCommerce solution increases revenue and maintains store jobs

**Challenge:** A 'big box' retailer had to close its stores and furlough staff – at a time when demand in some categories, such as at home gym equipment, was spiking

**Solution:** eCommerce payments solutions enabled the business to offer a contact free kerbside pick up experience at its stores for online and mobile orders

**Benefits:** Stores could be kept open in a limited capacity, saving jobs; consumers got their products faster with decreased shipping costs; increased order screening did not lead to any delays

[13] UK retail sales, March 2020. [14] ONS, Retail Sales UK, July 2020.

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# Hospitality

Hospitality was one sector brought almost to a standstill by the pandemic. Lockdown meant that many leisure experiences simply weren't possible. But with businesses opening up again, hope for the future has returned. The government's Eat Out To Help Out campaign was highly successful, bringing new life to venues as customers were tempted out: the scheme was used 64 million times[15] in the first three weeks. This may have been only a temporary measure, but it built confidence among many consumers about the concept of enjoying hospitality experiences again.

Already, there are growing signs of change here too. Some restaurants, for example, have moved to making their menus available through an app, which customers must order from and pay through. What would normally be a 'card present' purchase becomes a 'card not present' transaction. This shift to digital also introduces greater possibilities for businesses to gather and leverage customer data, generating targeted loyalty and promotional offers. Even if hospitality remains an essentially 'physical' business, the eCommerce aspects are set to become steadily more significant.

[15]BBC News, August 2020.

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[12]https://www.mckinsey.com/featured-insights/coronavirus-leading-through-the-crisis/charting-the-path-to-the-next-normal/covid-19-recovery-in-hardest-hit-sectors-could-take-more-than-5-years

# Essential Services

Essential Services such as utilities, financial services, telecommunications and other key services have been less impacted than some other sectors by the pandemic as the customer need for their services has remained unchanged. Some, however, have had to adapt their ways of working where a service revolves around physical work. Other Essential Services businesses provide more 'virtual' products (such as financial services) and are already well-developed in their eCommerce offerings. However, Covid-19 had some effect here too – with increasing levels of online activity as branches and physical outlets closed or scaled back their services. The priority for these businesses is to capitalise on the efficiencies that greater online interaction makes possible and keep the momentum going. It is also essential to optimise the customer experience – for example, through 'card on file' features that prevent a customer (once securely identified) from having to re-enter details, and through the ongoing development of mobile app capabilities in tune with changing customer habits.

Case Study:
## In-car payments keep automotive service chain in the driving seat

**Challenge:** An automotive service chain remained open during the pandemic as an essential service, but needed to adapt to create a safe environment for customers and staff, including around payments, with the normal checkout process involving customer to employee contact

**Solution:** A secure acceptance hosted checkout solution was created so that customers could book services at a retail location and pay via a link sent to the customer's phone within their vehicles

**Benefits:** Business operations were undisrupted and customer satisfaction maintained; a safe environment was created for customers and employees; a fully enabled checkout experience was built within a week

# A day in the eCommerce life of a mid-sized corporate

While expanding digital channels and eCommerce capabilities is a clear priority for many mid-sized businesses, some may face challenges which can hold them back.

Do any of these scenarios sound familiar?

- Without a dedicated eCommerce and payments team, you lack the resources and manpower to develop your services in-house

- Your business is relatively new to taking online payments and you haven't developed the capabilities to recognise, accumulate and analyse customer trends and buying patterns

- Fraud protection and security standards are a top priority – but keeping pace with changing regulations and certifications, such as forthcoming new rules around Strong Customer Authentication, is a challenge. Tokenisation and point-to-point encryption remain aspirations rather than reality

- New functionality added incrementally does not necessarily link up to main systems effectively and gives a disjointed customer experience

- Spikes in sales volumes are welcome – but your systems struggle to cope. Queues can form online between your shopping cart and payments page, meaning lost sales as some customers lose patience

- You are unable to accept many of the growing alternative payment methods such as mobile payments, instalments on finance through providers such as Klarna, or international alternatives outside the traditional Visa/Mastercard payment rails

Finding solutions to these issues is becoming increasingly important. Significant growth in eCommerce volumes could be there for the taking, but systems could be preventing the business from capitalising on the opportunities.

# Tailoring technology to mid-sized corporate needs

## Introducing Barclaycard Smartpay Fuse

At Barclaycard, we are committed to supporting our customers with secure and sophisticated payment systems that make eCommerce work.

Our new Smartpay Fuse platform is a payment gateway that connects your website to our payment services. It securely captures and encrypts transactions, and passes the necessary information between the customer, the merchant and the acquiring bank, whether it's an online, mobile app, telephone or mail order payment.

By offering a seamless customer experience, **Smartpay Fuse** can help drive more sales in a highly secure environment. Through the service, you can:

- **Accept more transactions** – enhanced functionality means you can accept mobile payments (Apple Pay, Samsung Pay), and alternative payment methods, including Klarna and international services such as Sofort

- **Streamline the checkout experience** – an efficient and simple checkout process stores card details securely for frictionless future payments and accepts payments from mobile devices

- **Provide powerful anti-fraud and protection measures** – in-built fraud tools give fast decisions on transactions, helping to reduce chargebacks and false positives.[16] Tokenisation replaces the customer's card information with a token while the payment is processed, simplifying PCI DSS compliance. The gateway is compliant with the latest regulations, including PSD2 SCA and 3D Secure (and its latest updated iteration, 3D2)

- **Access data reports** – you can gain enhanced flexibility in reporting and reconciliation through data reports and management information.

The system supports a wide range of plug-ins to connect merchant websites to the Smartpay gateway, and the service can be hosted in your own systems or use our APIs to enable connection to multiple service vendors.

Solutions consultants are available to run a discovery workshop with you, if required, to explore your needs and understand how our solutions can help. A team from Barclaycard Business will lead the integration of the product into your systems if needed, or can provide backup assistance to your own in-house technical team. Thereafter, a dedicated account manager will offer you regular support and advice about the service and how it might meet the needs of your business.

At Barclaycard, we understand payments across each channel and what the customer needs and expects. Our approach is multi-channel and end-to-end, balancing security with convenience. We stay ahead of trends and regulatory requirements, constantly looking to the future so that we provide your customers with experiences that have the potential to increase loyalty and repeat business.

Like you, we have ambitious plans – and this is an ongoing journey. We will continue to enhance the functionality and capabilities of the service in order to provide a payments solution that meets the needs of businesses, today and tomorrow.

[16]Barclaycard Transact is available as an additional service and additional costs apply.

# See how our payment experts can help your business:

Visit **barclaycard.co.uk/smartpayfuse**

Call us on **0800 096 8237**

Monday–Friday, 9am–5pm

Powering change through payments

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