

Retail Systems

in conjunction with:



Roundtable Special

Owning your payments:

Future proofing e-commerce payments with Open Banking

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Brasserie of Light
Selfridges, London





At a roundtable hosted by Retail Systems and TrueLayer, senior leaders from across the retail sector gathered to discuss e-commerce payments challenges and explore how the Open Banking revolution is presenting opportunities to transform payment processes and enhance operational resilience.

This special report evaluates the key talking points discussed at the event, looking at everything from customer checkout challenges and how to build resilient and future-proof payment strategies to the importance of the omnichannel experience and the potential costs savings Open Banking can offer.

Introduction

With over ten million users in the UK, leveraging Open Banking is no longer just an option – it's a necessity for driving growth, slashing costs, delivering superior customer experiences, and fortifying against potential disruptions. Retailers are striving to make payment systems more robust, efficient and cost saving, while providing frictionless customer experiences – from browsing to checkout. Embracing this change is key to gaining

a competitive advantage, ensuring business continuity, and driving sustainable growth in an increasingly digital and unpredictable marketplace.

The roundtable brought together senior industry peers to discuss the immediate impact of Open Banking on e-commerce, providing crucial insights into how this technology is revolutionising checkout processes, operational efficiency, costs, and customer experiences and the impact of Open Banking in the retail sector.

Topics explored included how retailers have tried to improve checkout and overall customer experience, the difference in customer needs between the in-store to the digital shopping experience, and how retailers can implement Open Banking to ensure a better shopping experience in the future.

Current hurdles

The conversation began with a focus on customer checkout challenges, looking at some of the reasons consumers are abandoning their carts.

One senior leader working for a product manufacturer kicked off the discussion by talking about the barriers to implementing Open Banking within its current payment system.

According to the expert, getting customers used to the new technology is the main hurdle, as the retailer's platform already offers a range of payment solutions at the checkout, including Klarna and Apple.

"Most of our customers are on mobile and most of them are currently using App Store for their purchases and have a range of payment systems at their disposal such as the Klarna app and Apple, which are both quite

easy to use," they explained.

Speaking about the hurdles currently facing customers during their checkout experience, one industry peer focusing on digital development at another product manufacturer identified technological problems associated with some

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payment options as an issue.

The expert added these tech problems have resulted in customers interrupting a purchase when returning from using external payment options such as Klarna or PayPal during checkout.

“We sometimes find that customers go off to Klarna and Paypal, and when they come back, something might not work correctly,” they highlighted.

The digital expert noted that the introduction of more affordable payment options would provide a smoother and more efficient customer experience, especially for firms whose products are positioned in a more expensive category.

They emphasised how their company’s customer relationships are ‘long-term’ and built over time. The senior leader went on to say that given this, tech glitches that might disrupt the purchase at its final stage cause them “personal pain”.

For customers whose purchases are not considered impulse buys, technical hurdles at checkout and the absence of suitable payment options can hinder the purchase experience. Customers could abandon their cart after having spent a long time researching the item before finally deciding to purchase it.

“We currently have expensive products on our product list, so I’m not sure the payment methods currently available on our website reflect the customer choice, which is moving towards payment instalments and similar options,” they added.



Understanding local markets

The industry peer went on to highlight the important role of having a variegated suite of payment methods customers actually prefer to use according to their shopping preferences. This can have a significant impact on sales and conversions, they explained.

Echoing this sentiment, one digital development expert working for an international retailer added that understanding local market preferences with the offer of a more localised payment option can be crucial in customer relationships, even if it means moving away from traditional payment methods.

As an example, he highlighted how the firm previously integrated a new set of payment solutions for its Australian and New Zealand websites after noticing their previous payment options might have been more expensive for its overseas customer base.

“When we added the new payment method on our website for our Australian customers, the number of orders went through the roof,” he highlighted.

A change in priorities

One innovation lead at large UK department store emphasised how ease and accessibility in the payment process represent the main priorities for the retailer, especially when customers are interested in high value products.

“For us, it’s all about the ease and how it makes the payment experience more affordable,” they explained.

The specialist noted a rise in customer interest towards payment plans such as Buy Now, Pay Later (BNPL) plans from FinTechs such as Klarna,





"[BNPL] makes high-end products easier for customers to purchase"



which can offer advantages to both retailers and customers.

"When a payment becomes as easy as buying an iPhone for £30 per month, it makes high-end products more accessible and easier for customers to purchase," they explained.

They went on to say that customer needs have been changing and shifting over time – and today, millennials and gen z are more focused on having quicker access to high-end products, so find themselves moving towards more affordable payment options.

This differs to the past, when the retailer's client based was predominantly "cash-rich".

"Acknowledging these shifts in customer behaviour and implementing new payments preferences would enhance customer experience and drive sales," they said.



The 'halo' retailer

When questioned if there was a 'halo retailer' currently inspiring other retailers to innovate their payment offer and customer experience, attendees admitted there are two retailers that currently deserve attention: Apple and M&S.

Industry peers agreed Apple represents an example in payment innovation, as retailers' customers are able to utilise Apple's own payment options directly from their own Apple devices.

The director at a large British retailer talked about how Apple managed to connect employees with partners.

"Every employee in an Apple store also owns and uses an Apple phone to work and for leisure," he said.

M&S, on the other hand, has been able to integrate physical and online experiences seamlessly without limiting the range of purchase options available for customers. Its self-service payment service has also been implemented successfully, they explained.

Integrating digital and in-store experiences and connecting employees and customers could however represent an intricate and sophisticated process, which could be hard for certain types of retailers, continued the senior leader.

One of the attendees, a director working for a large retail chain, emphasised the challenges retailers with a large footprint might face. Their extended perimeter can make it harder and more complex to connect technology, employees and customers, they explained.



As a result, they could struggle to implement the same level of integration and customer experience that more digitally native organisations such as Apple have found easier to implement, they continued.

Balancing customer demographics

The same struggle could be shared by more traditional or historic stores, with customers looking for a more seamless process, whether in-store or online, rather than having to go through multiple steps or interact with traditional cash registers which are still present at many chains.

When talking about the challenges retailers are facing in their physical stores, the lack of visibility and accessibility of payment options also emerged as a current struggle, particularly for larger retailers.

One retail innovation manager emphasised that the firm is currently seeking ways to reduce the friction customers face at the checkout because of the massive space they occupy in-store and the current lack of exhaustive checkout solutions.

“If you are at the seventh floor of our stores, a customer can’t normally find where to pay,” they added.

While Apple Pay and other digital wallets like Google Pay currently dominate the majority of payments made at the retailer, both in-store and online, the senior leader said that their company has tried to innovate by introducing its own BNPL payment option.

When they first introduced the BNPL option, they were surprised to see a high uptake, as there was significant demand from customers for this type of payment method.

“I guess there is a demand to match these two different types of payments up”, they added, explaining that the move helps to meet diverse payment preferences and bridge the gap for their customer base.

In the midst of the problem, the issue of understanding and balancing customer demographics is crucial for understanding client needs, they continued.

“I think our customers need different things from different departments, in which some prefer physical interaction while others want a more digital experience,” an innovation manager at a large store retailer revealed.

They went on to say that complications can occur when rolling out technology for the wrong client demographic. Last year, for example, the company developed a whole payment project which involved installing a number of in-store self-checkouts, only to discover a few months later that the customer actually preferred to speak to a shop worker.

“It is crucial to understand demographics, how do we bring the new in but not alienate the old?” she asked.

The omnichannel experience

Speakers highlighted it is key for retailers to implement and improve the omnichannel experience, understanding the differences between online and in-store expectations and experiences across different customer types.

Merchants have traditionally viewed customers as either online customers or in-store customers, but the truth is that customers want to interact with the merchant both online and in-stores in a more holistic way, one senior leader said.

“You want to understand the holistic view of the customer, understand their behaviour. You want to understand how they shop in store, how they shop online, to be able to serve them effectively,” Michael



Brown, Head of E-commerce at TrueLayer explained.

Gains and losses

Talking about payment options currently available on the market, attendees agreed the while some have succeeded, others can prove a headache for retailers.

Some experts said that while Klarna and Apple Pay have brought the omnichannel journey together for customers, other firms have failed to do so.

Attendees agreed that Open Banking could help to support the omnichannel journey through bank account integrations and facilitating payments via QR codes.

But when it comes to implementing new payment methods, retailers are currently facing a number of challenges, not least because often existing payment infrastructure and systems are not very agile.

One of the experts said they found it hard to experiment with new payment system options that could potentially benefit their customers.

“Whenever a new payment method comes up, there is a lot of work required on the backend, and I always have to take care of the back-end fulfilment process, where the settlement and reconciliation

happens, for the front end to function properly,” a senior leader at a major British retailer added.

Being able to quickly trial a new payment method to see if it works could be helpful to retailers, one senior leader said, but the current set up makes it difficult to achieve this. On top of this, some payment gateways are made up of legacy payments which are deeply embedded into business processes, further complicating new payment integrations.

The expert said that one challenge linked to building resilience finds its roots in how quickly retailers can react to changing market demands and payment trends.

“For example, the costs and effort of integrating

PayPal are a considerable,” he explained.

“There is also a buffer for PayPal,” one retail innovation specialist at a large British retailer added. “If I shop at our partners shops and I use PayPal, I can’t access my discounts, so I end up not using PayPal, but if I try to use something else that isn’t my debit or credit card I still won’t access the discount options, so it’s a barrier to adopting these payment options.”

Another way that could contribute to building

a resilient and future-proofed payment strategy is represented by options such as vouchers, discounts and price reductions, which could help make the payment experience more resilient in the future, attendees agreed.

Attendees agreed that the in-store and digital experience and the way it’s interlinked is crucial. Allowing customers to easily return items in-store and quickly receive their refunds back to their wallet or payment method can help ‘recycle’ that customer spend, an industry peer working for a large retailer

“The cost and effort of integrating PayPal is considerable”





added, explaining that this means customers are engaged to spend even if they are returning an item.

“It’s a whole customer journey process,” said one senior leader. “Even if I walk through the shop after having returned the item, and I see a great dress, I will have to queue up and that detracts me from buying in store and pushes me online – but when I go online I might simply get another suggestion from another shop and purchase a similar dress somewhere else, and that is the journey that we struggle with probably the most.”

They added that having payment scans that would facilitate the purchase in-store without having to queue a second time after returning an item would be an optimal solution.

Improving margins

The conversation ended on looking at how retailers are considering different solutions to lower fees.

“We are directly considering the effort and cost required to create a new integration with an external payment provider, versus enabling that new payment method within their existing payment gateway,” explained an attendee working for a product manufacturer.

They continued: “The development effort and ramp up time might be slightly less if they integrate a new payment method through their existing gateway, rather than building a completely new integration. However, fees and charges that a new payment gateway may impose for enabling

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the new payment method also has to be considered. Overall managing costs for integrating these payment methods have been reasonably static.

The conversation concluded with exploring how Open Banking could enable a more frictionless authentication and data

capture process than current systems, where often retailers lose loyalty data or insight into customer behaviour both online and in physical stores depending on the different type of customer interaction across different platforms.

“Open Banking can make a difference to that through a number of different methods that you can use to access information contained within the customer’s bank account which can be made available to the merchant with the right data permission,” David Cooper, Sales Director – E-commerce at TrueLayer explained.

“That way, with the right permission, merchants can look into customer’s data to understand when the customer gets paid, how much they get paid, where they spend their money, or where they shop.”

Built on the back of Open Banking, TrueLayer’s payment network connects banks, people and brands that think big across the UK and Europe. Learn more about Open Banking and TrueLayer here: <https://truelayer.com/>