

wirecard

RETAIL PAYMENTS 2019

USING CONSUMER
INSIGHTS TO BUILD
SYSTEMS FOR DEEP
INTEGRATION AND
GLOBAL IMPACT





INTRODUCTION

Consumers today have many, many options. What do you want to buy? The choices are limitless. Where do you want to buy? Go directly to a brick-and-mortar shop, visit a single vendor's website, visit a big-box e-tailer; use your phone, talk directly to a voice-assisted device. How do you want to pay? Cash; debit, credit, online electronic payment; funds stored on a mobile wallet; P2P. We enjoy same-day delivery, two-day shipping, free returns; we take to social media for product and customer service reviews. **We can have anything from anywhere in the world, 24/7.**

Does this mean we've created a consumerist omniverse of ease and convenience, where all there is for retailers to do is keep up with the pace of demand?

It means so much more than that.

The changing retail landscape has also created greater opportunity for both individuals and businesses to experience and facilitate greater financial responsibility, inclusion, and connectedness. It's true, we now have tech that enables anyone to tell Alexa to order more coffee. That same tech also enables someone in a developing economy – where banking is complicated and where cash still reigns – to buy and sell locally or anywhere in the world.

Payment technology connects individuals and businesses that would never have known each other before. It offers greater transparency across the

supply chain and gives smaller vendors and suppliers access to more opportunities. And it links the virtual and the real, enhancing communication and connection that consumers (especially millennials and Gen Z) still crave.

Our continually evolving payment technologies can give consumers better tools for managing their money, and give businesses better data to improve their customer service. And far from isolating us, technology allows consumers to connect directly and seamlessly.

As we move into 2019, retailers need a grasp of consumer preferences around omnichannel shopping and payments. The ability to build global systems that optimize current technologies and adapt to new development will be the key to planning for success in 2020 and beyond.

OVERVIEW

Throughout 2018 Wirecard North America surveyed consumers about their online shopping habits and payment preferences. We were particularly interested in three general areas:

SHOPPING MEDIUM, LOCATION AND PAYMENT TYPE

Do consumers pay with cash, credit, debit, or other means? Do they prefer to shop in physical stores or online? Do preferences change with type of purchase, demographic, or other factors?

MOBILE DEVICES FOR SHOPPING ONLINE AND IN STORE

We wanted to know if consumers felt resistance to shopping in store versus online, the ways in which they use mobile devices to create their own hybrid in-store/online shopping experiences, and how technology influences their preferences around how they communicate with retailers.

INTERNATIONAL ECOMMERCE EXPERIENCE

With the rise of global eCommerce and the rapid influx of retail sites all over the world, we were eager to learn how American consumers perceive and utilize these new options.



We came away with several surprising key insights. Among them:

What motivates consumers to adopt new payment technologies

Consumer preferences for brick-and-mortar shopping experiences

How mobile devices affect consumers' relationship with brands

What drives consumer confidence in international eCommerce sites – and what it may mean to American retailers

In the sections that follow we present key points from each survey, the opportunities they imply, and strategies that retailers can begin to employ to take advantage of these insights.

CONSUMER SURVEY #1

HOW WE PAY -- AND WHY

Consumer behavior naturally shifts with technological change. Today, as AI-driven devices become more commonplace, consumers are warming up to the technology, often for household goods or recurring purchases. At the same time, retailers are investing in virtual reality technology designed to draw customers into stores or enhance their mobile app user experience (UX).



58%

consider in-store
as a primary
shopping channel

INTEGRATION AND COMPLEMENTARITY OF IN-STORE AND VIRTUAL RETAIL

Of all the respondents in our first survey, 58 percent still consider in-store to be their primary shopping channel – and 73 percent of 18- to 24-year-olds are satisfied with that experience. And the technologies that consumers are most excited about are those that visibly improve their level of convenience.



88%

still pay mainly
with a physical card

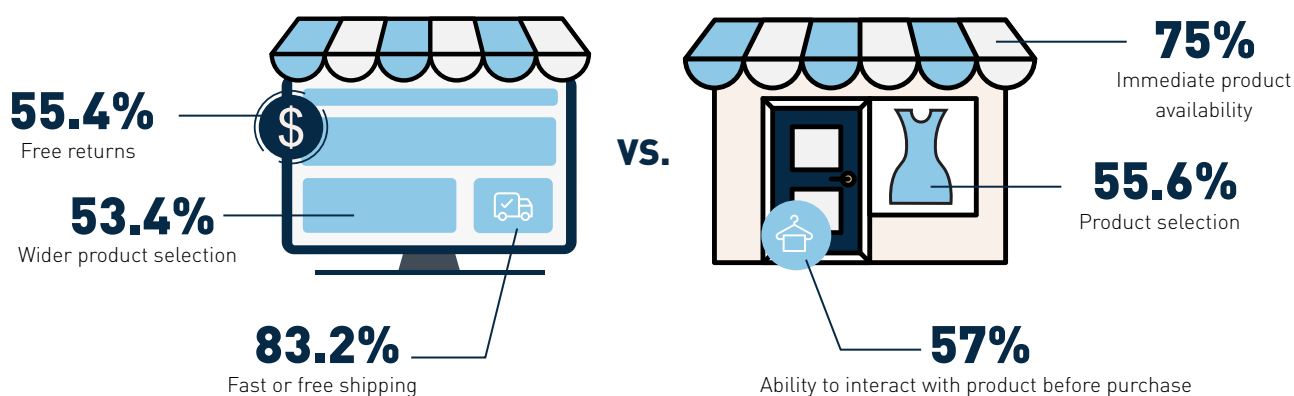
CONSUMERS SEEK FLEXIBLE PAYMENT METHODS

The desire for more convenience also seems to inform consumers' payment preferences. A huge majority of respondents – 88 percent – still pay mainly with a physical card. However, they reported using digital, mobile, and speech-recognition devices to order items they use every day.

CONSUMER SURVEY #2

“IN-STORE VS. ONLINE” - BUSTING MYTHS

The 500 respondents in our second survey gave us insights into just how much convenience influences their payment decisions, and how they create their own mobile-physical integrations in stores.

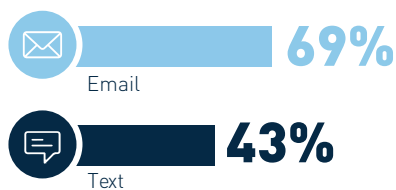


INTELLIGENT INTEGRATIONS IN SHOPPING

About half of consumers regularly enhance their brick-and-mortar experience with their own mobile devices. Typically, they look for better prices, download coupons, and read product reviews on social media.

MINDFUL MOBILE COMMUNICATIONS

Respondents indicated they prefer retailers to keep their notifications and alerts mainly to information about discounts, coupons, special offers, and personal account information. Further, they prefer to receive messages by email or text. This suggests to us that consumers are comfortable with retailers' keeping track of their buying habits but dislike communications that can be perceived as too aggressive.



THE IMPORTANCE OF CONVENIENT, CASHLESS PAYMENTS

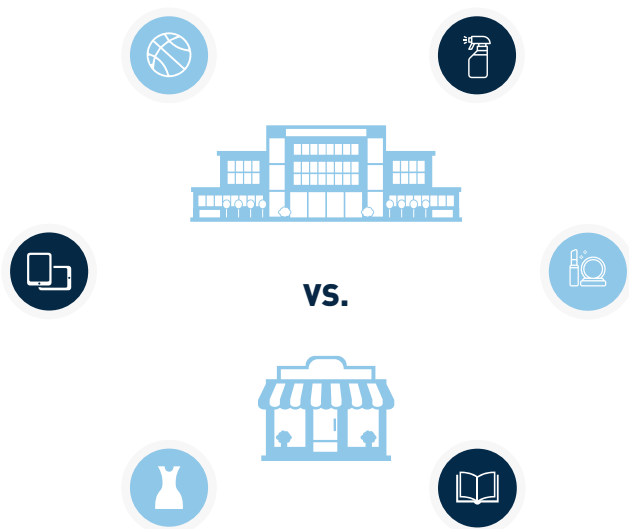
In store, consumers still use cash and plastic equally, but turn to different payment methods online. For retailers, then, the door is wide open to realize the future of cashless payments and to add value through one-step, secure payment ecosystems. These methods are cost efficient, fast, and highly secure – a win-win for retailers and consumers alike.

CONSUMER SURVEY #3

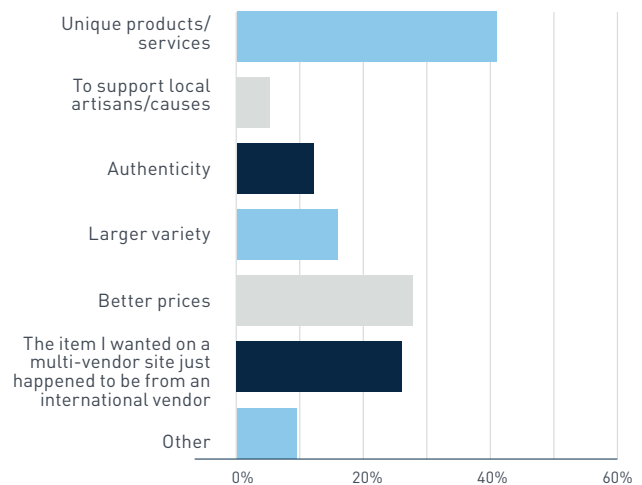
OBLITERATING BORDERS

According to the nearly 1,000 respondents in our final survey of 2018, the world is an open market, with 40 percent saying that they've bought something from a cross-border eCommerce site in the previous 60 days.

Consumers shop with large international eCommerce platforms, but surprisingly, a **full 40 percent of them also connect with smaller individual cross-border merchants** for books, fine art and crafts, specialized sporting goods, artisanal products, and jewelry. They turn to international sellers because they want uniqueness, authenticity, and lower prices.



We found that by far, **prices exert the greatest influence on the decision to purchase from an international seller** (71%), followed by customer reviews and the ability to track shipments. In other words, retailers benefit from strategies that provide consumers high-quality products at competitive prices with a user interface (UI) that delivers a transparent, secure experience.



NEW EXPECTATIONS FOR PAYMENTS IN THE GLOBAL PLAYING FIELD

Of course, consumers still use payment cards and online accounts for cross-border purchases, but expectations around those purchases diverge considerably from those for domestic purchases. Consumers will forgo speedy shipping, pay extra fees, and tolerate other inconveniences in exchange for high quality, uniqueness, price, or other desirable factors.

Consumers also want to keep foreign exchange (FX) fees to a minimum - **38 percent of our respondents expect to pay about 1.5 percent for these, though in fact, credit card FX fees average about 3 percent**. Also worth noting: 80 percent of consumers say acceptance of their preferred payment method significantly or somewhat influences their decision to buy.

TAKEAWAYS AND STRATEGIES

SEAMLESS PAYMENTS FOR ONE GLOBAL MARKET

Consumers are fluid when it comes to payment forms and shopping habits. They shop in-store when it's convenient, online when it's convenient; load up an eCommerce shopping cart on the website via their laptop and later pick up where they left off on their phone. They pay with cash, gift cards, secure online services, debit and credit cards. Some even use mobile wallets. Newer options like in-app payments with prepaid accounts or voice payment devices are still in their infancy.

Consumers shop in-store for fit and function, then buy online - so they can get a better deal, so they don't have to carry items from store to home, or both. This could be why the in-store vs. online retail formula is such a moving target - because there is no formula, and in-store vs. online is a false dichotomy.

CROSS-BORDER PAYMENTS: ECOMMERCE'S NEW HORIZON

International payments stand out, not only as an area of enormous opportunity but also as an important source of insights, so the subject warrants a mention here.

In a separate survey of US eCommerce retailers, we found that American businesses of all sizes are rising to meet the quickly increasing numbers of global consumers actively looking for products beyond their countries' borders. In fact, **87% of decision makers we contacted described cross-border eCommerce growth as a "critical" or "high" priority for their companies over the next two years.**

One obvious advantage of cross-border eCommerce is the cost savings compared with setting up a physical shop. That's true anywhere in the world, for any type or size of business, but a cross-border strategy may be especially attractive to smaller merchants with niche products. The potential return on reaching a worldwide market far outweighs the investment and complexity of



the initial set-up, and partnering with an expert who can handle data, compliance, currency exchange, and bank networks can both save costs and reduce complexity.

AN INTEGRATIVE STRATEGY

Bottom line: American consumers have high expectations for convenience, and even higher expectations around getting what they want at the right price from retailers they like and trust. Things like fast shipping, free returns, and short or no lines in stores are essential, but they don't stand alone; retail strategies for 2019 must take into consideration shopping and payment preferences for both digital and tactile experiences and among both domestic and global markets.

RETAIL STRATEGIES SUGGESTED BY OUR CONSUMER INSIGHTS



CONCLUSION

The desires and expectations of American consumers are straightforward. They want convenience and fair prices for products they value. They expect a high level of customer service from retailers they can trust to provide courtesy and privacy when it comes to how their payment and personal information is used. And they want shopping to be simple – but that doesn't always mean using the latest technology, receiving immediate delivery, or even getting the lowest price.

Rather, it means that the shopping experience should just work. To meet this elusive goal, retailers are rightly prioritizing the payment process, ensuring the transaction rails are smooth and seamless. When payments are optimized – across platforms and global regions – the entire retail operation becomes more efficient for both businesses and consumers.