

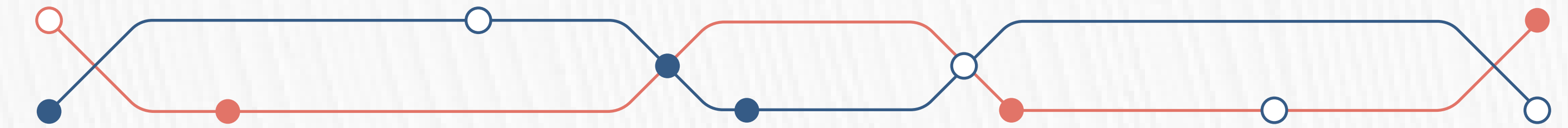
THE POTENTIAL FOR CONNECTED PAYMENTS IN THE RETAIL INDUSTRY

**How to seize the opportunities
available in the market today**



CONTENTS

Learn how to overcome the challenges and seize the opportunities in connected retail payments – and why forward-thinking retailers are choosing to own the end-to-end customer journey.



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INTRODUCTION

Embracing a new era of retail change

Almost overnight, the COVID-19 pandemic transformed how many consumers engaged with their favorite brands and retailers.

With brick-and-mortar stores temporarily shuttered and digital platforms the only safe way to stay connected, retailers faced an ultimatum – fast-track digital transformation or risk permanent closure.

This meant delivering the same fast, connected, and personalized experiences consumers had come to expect from major digital platforms for years, and scaling them across the entire customer journey. Even with brick-and-mortar stores reopening, it's clear that recent events have set a new benchmark in customer expectations.



And now, there's no turning back. The future of retail is built on seamless, flexible, and personalized cross-channel experiences that bridge the gap between physical and digital. It's more globalized than ever before, too, as consumers expect to be able to use the same payment methods both at home and away.

Retailers must deliver a payment process that matches this newly connected digital model. One that lets consumers pay how they want, where they want, and – given they meet your predetermined lending criteria – when they want with zero friction. This includes offering flexible payment experiences such as buy online, pick up in-store (BOPIS), scan and go, and checkout-free solutions that let the shopper just walk out. Equally, staff want to have the tools at hand that allow them to accommodate new ways to pay and serve.

And as consumers embrace connected technologies and generate huge amounts of actionable data, retailers have an opportunity to create connected ecosystems. This means connecting the entire value chain and using contextual data to execute real-time supply and demand and deliver tailored, end-to-end retail experiences.

But meeting these expectations can be challenging, especially for long-established retailers with years of gateway partnerships and legacy systems embedded into their daily operations.

With that said, by choosing not to act, you risk:

- **Missing out on growth opportunities**
- **Losing customer loyalty and engagement**
- **Getting locked into rigid payment provider relationships**
- **Falling behind more agile, digital-savvy competitors**
- **Adding more payment friction as legacy systems age**

Retailers have a substantial opportunity to rethink their business models to respond more dynamically to market changes. From buy now, pay later (BNPL) to subscription boxes and sustainable payment methods – we are already seeing innovative new customer experiences enter the mainstream at speed.

That's why it's time to examine why major retail organizations like yours are embracing payment modernization and the opportunities it presents the current market.

Let's take a look.



PAYMENT TRANSFORMATION - THE DRIVERS AND OPPORTUNITIES

Today, many retailers rely on a payment gateway to manage their back-end payment processes, while the retailer handles the front end themselves. It's a trusted model, but as retailers increasingly look to take ownership of the end-to-end customer journey, they must also take ownership of the payments experience.

This means tackling the complexity of orchestrating payments by managing multiple local and global payment service providers (PSP) in a single, connected environment.

It's a major challenge. But those brave enough to take it on are well positioned to expand internationally and dive deeper into the retail value chain. Furthermore, they can offer credit at the checkout, more flexible payment choices, and decreasing payment processing costs – all while owning the data involved in the customer payment journey.

This includes seizing new mobile payment opportunities, too. Examples of that include expanding your retail presence outside of brick-and-mortar stores with mobile POS systems and using digital receipts to improve sustainability.

But before you can get started, you'll need to look at what's driving the need for these new payment models and what's changed customers' expectations. That way, you can truly understand what your payment experiences need to look like.

Customers want ease and flexibility

Customers now expect greater control over how and when they buy and receive their goods. And they don't want to wait in for deliveries, leave the house to check if an item is in stock at their local store, or, more frustrating yet, travel out of town to a neighboring store to get what they want.

In response, retailers must enable customers to explore stock, purchase, and pick it up online or in-store – whenever they want, using any digital platform they want without encountering friction. And if the desired item is out of stock, customers should receive a contextual notification when it becomes available again.

Leading fast-food chains like McDonald's have successfully introduced convenient services like these.

The chain's mobile payments app includes geo-location technologies, personalized push notifications, and flexible payment options to make ordering and pick-up as seamless and efficient as possible.

Retailers must also offer omnichannel experiences underpinned by flexible payment models to meet rising expectations for connected interactions and control – otherwise, they might see their customers switching to other brands.

For example, think about simplified return policies. In Shippo's 2022 Returns Survey, 84% of respondents said they review a company's return policy before making a purchase. Furthermore, the same study revealed that 44% of people will take their business elsewhere if the policy isn't up to snuff.


Shoppers put a premium on convenience. Making it a priority at every customer touchpoint creates a memorable and shareable shopping experience.

Customers want to use new payment methods

With the rise in digital retail engagement also comes a greater expectation for flexible, mostly cardless payment options.

While contactless card payments were largely normalized before the pandemic, more innovative alternatives such as digital wallets, QR codes, and pay-by-link have since started gaining traction – and they're all underpinned by digital invoicing. And in 2022, 53% of merchants are expected to accept more digital payment options over the year.

Customers also want to control when they pay, such as by using BNPL services. In 2021, 55.8% of consumers used BNPL services with 75% being Gen Z and Millennials suggesting a more permanent future shift in use. In response, 65% of merchants plan to add BNPL as a payment method in 2022.



**CUSTOMERS WANT TO BE
ABLE TO PRE-PURCHASE GOODS WITH A
PRE-APPROVED PAYBACK AGREEMENT AND
THEN CHECKOUT WHEREVER THEY WANT**

Plus, customers want to be able to pre-purchase goods with a pre-approved payback agreement and then checkout wherever they want. Some retailers may even issue BNPL schemes post-purchase to accommodate this.

The popularity of subscription services in the entertainment space is also giving retailers the confidence to offer flexible consumption and payment options. And after gaining momentum before the pandemic, that upward trajectory is expected to continue, especially in the U.S.

And while payments may not be the first use case to spring to mind when you think of retail opportunities to improve sustainability, the demand is there. For example, 87% of global consumers expect their bank to offer cards made out of eco-friendly material, which is something to be mindful of when offering loyalty and credit cards within your payment ecosystem.

The subscription economy was on the rise before the pandemic, but its wider and deeper reach in nearly every industry is expected to last, even after the pandemic subsides in the United States. The UBS financial services firm predicts that this “subscription economy” will grow to \$1.5 trillion by 2025, more than double the \$650 billion it’s estimated to be worth now.

Now that we’ve established the social and market trends driving retailers to rethink their payments strategy, it’s important to note that there are more benefits to payments modernization than just being able to keep pace with the competition.

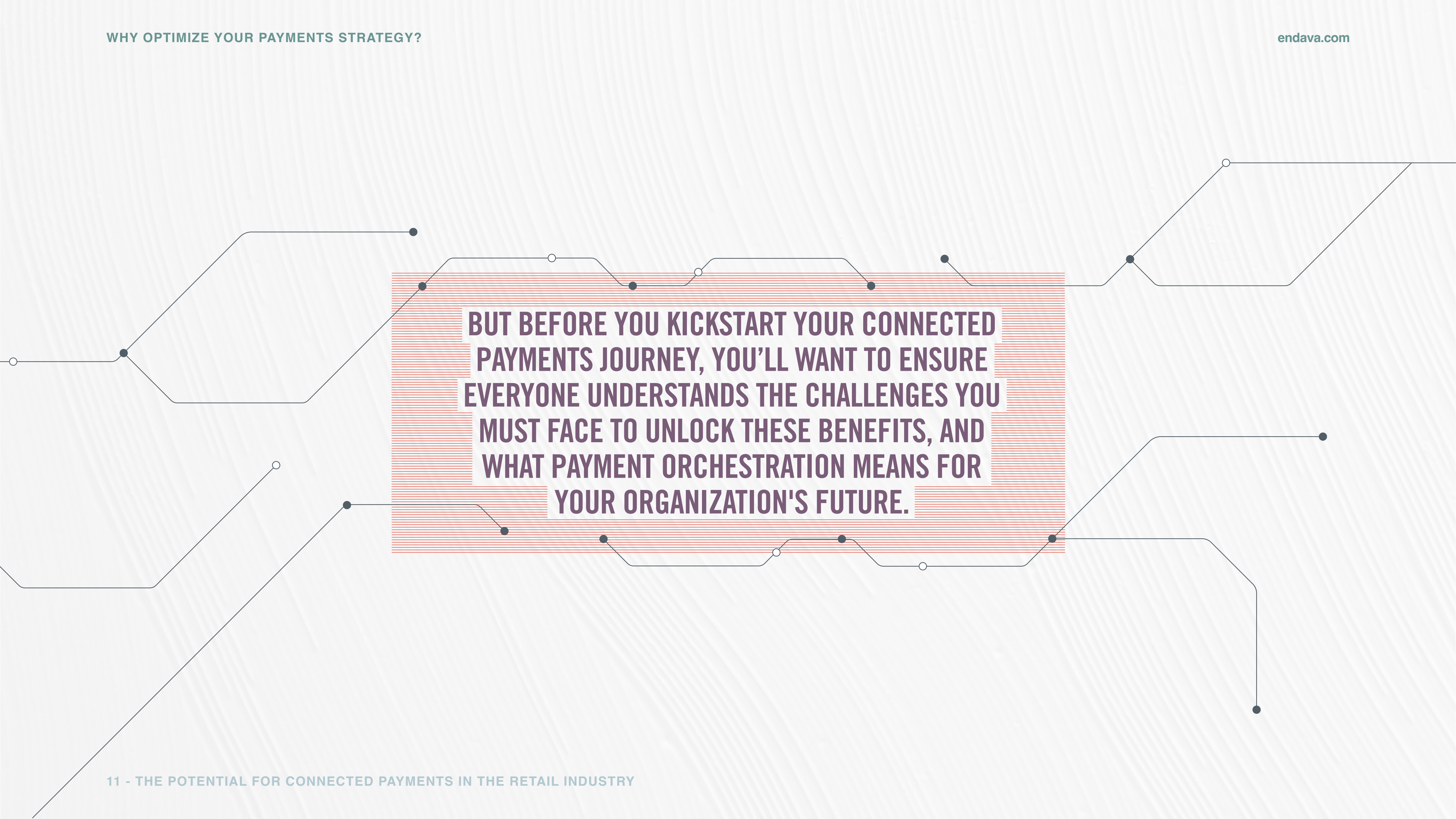




**WHY OPTIMIZE
YOUR PAYMENTS STRATEGY?**

When retailers take ownership of the end-to-end customer journey, it enables you to adopt a global, flexible, and connected payments approach — especially when you're working with a dedicated tech partner.

- **Improve the customer experience by optimizing omnichannel interactions and removing payment friction through back-office automation, data-driven AI-assisted decision-making, and more accurate reporting and reconciliation.**
- **Respond proactively to changing payment trends, becoming a more agile and scalable organization built on hybrid-cloud flexibility and growth.**
- **Enhance the value chain by partnering with third parties to sell their financial products in-store and online, such as credit, loyalty benefits, and other financial services.**
- **Maximize payments acceptance and transaction success by ensuring you can always accept the latest payment methods in the right place, at the right time — driving growth and customer stickiness.**
- **Increase average basket value, increase checkout conversion, and foster consistent engagement with personalized loyalty schemes — all while minimizing per transaction costs and mitigating financial losses.**
- **Build stronger vendor and partner relationships based on shared visibility and insights, collaborating around the customer to drive strategic growth.**
- **Simplify operations by reducing the number of payment integrations, driving down the cost of maintenance and the need to invest in on-premises hardware.**



**BUT BEFORE YOU KICKSTART YOUR CONNECTED
PAYMENTS JOURNEY, YOU'LL WANT TO ENSURE
EVERYONE UNDERSTANDS THE CHALLENGES YOU
MUST FACE TO UNLOCK THESE BENEFITS, AND
WHAT PAYMENT ORCHESTRATION MEANS FOR
YOUR ORGANIZATION'S FUTURE.**



UNDERSTANDING YOUR CONNECTED PAYMENTS CHALLENGES

To seize the connected payments opportunity, you need to integrate and manage the entire payment process from end-to-end.

This includes authorization, transaction routing, settlements, and in select cases, taking on all regulatory responsibilities – or alternatively, working with a trusted partner to do so on your behalf. You'll also need to automate and optimize every part of your payment value chain, both in the front- and back-end, while managing payments in a single connected platform.

But for larger retailers with years of established payments integrations, gateway partnerships, on-premises payment systems – and a lack of in-house IT skills and resources to build in-house solutions – this is easier said than done.

Here are five key challenges that everyone involved in your modernization strategy must be able to recognize on your journey to connected payments orchestration:

1.

Effective payments orchestration requires all your payment gateways to speak to each other regardless of location – all in a single connected system. Remember, you no longer just own the front-end of the payment experience but the back-end processes and technologies too.

2.

You need to consider your organization's ability – both from a technology and skills perspective – to manage and process huge amounts of secure payment data. And ensure all data collected, processed, and stored is PCI compliant – whether managed in-house or through a carefully chosen partner – and readily available to only the right people at the right time.

3.

Keep in mind that payments processed by a third-party gateway only consist of a few lines of information, but managing this directly can include more than 100 lines of transaction data. That's a lot of data to manage and secure.

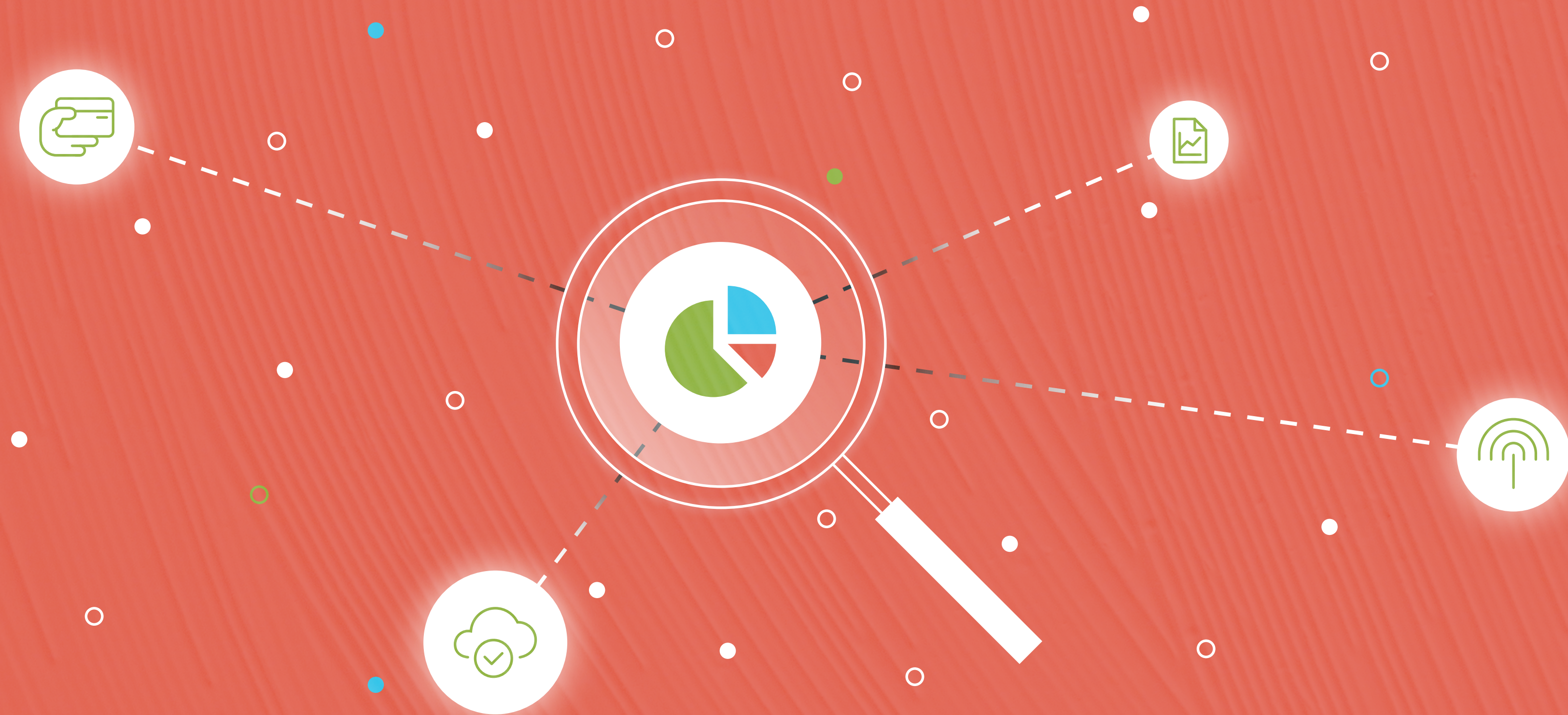
4.

By introducing value-added products such as consumer finance, you'll need to establish internal teams and workflows to protect users from fraud and mitigate money laundering. You'll also have to manage the lending processes – including consumer loyalty points and reward schemes, and all the data that entails.

5.

You'll need to ensure your payments system automatically installs rolling updates to cards issued by the card issuer without disrupting the customer and employee experience.

It may seem like a lot to manage, but there is a way to simplify modernization and reap the benefits of a single, integrated payment platform without disrupting critical day-to-day operations. And it begins with a thorough assessment of your infrastructure.



ASSESSING YOUR PAYMENT ENVIRONMENT

For your connected payments strategy to succeed, you need to prepare to pick under the surface of your payment landscape, and be prepared to uncover years of complex systems, processes, and integrations.

From a technology standpoint, it's easy to think that a full cloud migration will act as an easy solution, but this isn't always the case. For example, you may have mission-critical on-premises systems that can't be easily lifted and shifted into the cloud, such as your in-store POS systems which can span multiple vendors.

You may also have hardware closely tied to a specific payment service provider with years left on your contract and unplugging this could trigger a multi-billion-dollar project

And even if you just unplug and replace some of it with a cloud alternative, you may introduce more problems than you solve.

It's important to remember that moving too fast and introducing value-added services such as credit card services or loyalty programs before you've mapped out your payment landscape can also add further complexity to your infrastructure.

That's why we recommend working with technology and financial services specialists to help you map out your payment landscape, identify any risks and opportunities, and understand how to manage them.

Rethink your payment models today

Digital transformation looks different for every retailer.

At Endava, we can work closely with your team to assess your organization's challenges and create a roadmap to successful change that aligns with your core business goals.

We don't see payments as a vertical capability, but as a horizontal foundation that enables your consumers to pay however, whenever, and wherever they want, across any channel.

The right payment support and technology are critical to reimagining the buying process and, in time, building the modern infrastructure you need to free your organization from legacy dependencies.

As cloud-native start-ups disrupt the market and traditional retailers shift towards holistic cloud-based payment management, we can support your transformation from idea to production and help you become more engaging, responsive, and efficient. Plus, our solution-agnostic approach means we can offer an unbiased view and help you find the solutions that truly fit your needs.



Which type of payments support am I likely to need?

Depending on the current maturity of your business, or your ambition to grow, Endava can help you find the right payments solutions to meet your needs.



START-UP

- Single Brand & Territory
- Single Payment
- Sold Direct
- Limited Payment Options
- National Coverage
- Mobile & Desktop Sites
- Single, Niche, Basic Policy
- Basic Analytics



SCALING

- Single Brand & Territory
- Single Payment
- National Delivery
- Mobile & Desktop Sites
- Basic Product Catalogue Personalization & Recommendations
- Basic Analytics
- Basic Marketing



ESTABLISHED RETAILER

- Single Brand & Territory
- Multiple Payment Methods
- National Delivery & Collection Points
- Mobile & Desktop Sites
- Product Catalogue, Search & Filtering
- Personalization & Recommendation
- Ratings & Reviews
- Basic Editorial Content
- Enhanced Analytics
- Basic Marketing



STAR RETAILER

- Single Brand & Territory, Multi Language & Currency
- Multiple Payment Methods
- National Delivery & Collection Points
- Mobile & Desktop Sites
- Detailed Product Data and Enhanced Search
- Personalization & Recommendation
- Ratings & Reviews
- Searchable Content Linked to Product
- Analytics with Automated Alerting
- Basic Marketing and Digital Campaigns



PUREPLAY MULTINATIONAL

- Multiple Brand, Territory, Language & Currency
- Multiple Payment Methods
- International Delivery & International Collection Points
- Mobile, Desktop & Native Sites
- Detailed Product Data and Enhanced Search with Filtering
- Personalization & Recommendation
- Ratings & Reviews
- Searchable Content Linked to Product
- Analytics with Automated Alerting and Decision Making
- Targeted Marketing with Subscription Preference and Complex Digital Campaigns



MULTICHANNEL MULTINATIONAL

- Multiple Brand, Territory, Language & Currency
- Global Multi Currency, Sales Tax
- Multiple Payment Methods by Territory
- International Delivery & International Collection Points
- Distributed Fulfillment
- Mobile, Desktop & Native Sites
- Detailed Product Data and Enhanced Search with Filtering
- Advanced Personalization & Recommendation
- Ratings & Reviews
- Searchable Content Linked to Product
- Analytics with Automated Alerting and AI Driven Decision Making & Next Best Actions
- Targeted Marketing with Subscription Preference and Complex Digital Campaigns

OFF THE SHELF SOLUTIONS WITH ENDAVA AS INTEGRATOR

Are you ready to orchestrate your payments and unlock a new era of connected, data-driven value and customer loyalty?

TALK TO ONE OF OUR CONSULTANTS TODAY

Contactus@endava.com

