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Spice of life

Variety, they say, is the spice of life. Yet if recent research into consumer buying habits is to be believed, this is not the case when it comes to purchasing goods over the internet. Below, **ClickandBuy's Nick Drew** explores the unexpectedly thorny issue of online payments.

Ask any psychologist and they will tell you that humans are creatures of habit. From the mug we like to have our coffee in, to the dish we always order when the takeaway menu comes out, most of us like to do things the way we've always done them. And while on the surface this might not seem to have a great deal to do with online retailers, in fact this very issue could be responsible for earning or losing UK businesses millions of pounds.



When **ClickandBuy** asked YouGov to poll 2,000 consumers about their internet shopping habits in April 2009, a staggering 50% said that if their preferred method of payment was not available when they were making an online purchase, they would simply walk away.

They wouldn't, as you might expect, simply opt for a different way to pay. They would just go elsewhere. No ifs, no buts, they would just move on, leaving your site with a ditched shopping trolley. And this would happen for one out of every two people who are unable to use the payment type they prefer.

There is of course an obvious initial response to this argument. Most retailers offer credit and debit card payments, and most customers prefer to pay this way. Yet the 14,000 retailers that use **ClickandBuy's system**, and whose customers spend a combined total of a billion Euros a year, are increasingly starting to tell a different story. Their experiences at the coal face are suggesting that a quiet revolution is under way in the way people like to buy things.

To begin with there is the direct debit juggernaut. A growing percentage of online spend is in repeat purchases, such as magazine subscriptions. Then there are the swelling ranks of those credit-wary shoppers who prefer to buy things through pre-pay accounts, not to mention the entire younger generation who have gone through their teens using pre-pay mobiles. This 'top-up' way of paying is second nature to them.

There are also those, for example, who don't have a bank account, who like to use 'eMoney'. These people can visit a machine in their local corner shop which, in exchange for cash, gives them a voucher redeemable on sites such as our own. This voucher system will only grow in

prominence as retailers tap into fast-growing markets around the world. In Brazil for example, 40% of the population prefer cash-based payment systems.

Invoicing, seen by some as a fairly outdated way of doing things in the consumer world, is alive and well. So well that last October PayPal paid \$850 million to get its hands on US-based Bill Me Later.

There is, then, a wealth of evidence supporting the idea that the days of being able to rely on credit and debit card payments is coming to an end. Or put another way, there's a wealth of evidence that suggests that offering a broad range of payments could significantly boost your revenues.

This is as true now as it was before the term 'subprime mortgage' entered our collective consciousness. In fact in some senses the opportunity is even greater. Because though shoppers are less gung-ho in their spending, so too are they shifting away from the high street, in favour of searching out bargains in cyberspace. ClickandBuy's YouGov research told us that 36% predict they will shop more online than on the high street in 2009 than in 2008, while 45% will spend more time shopping online for cheaper versions of things they used to buy on the high street.

So your payment systems are more acutely important at the moment than they have ever been. It's a message that the giant in this market is all too aware of. At its recent analyst day in California, eBay was at pains to point out that its ambitions for growth over the coming years were increasingly being focused not on eBay but on PayPal. Meanwhile, in March, just as gloom in the private equity market was plumbing new depths, the owners of payments business MoneyBookers had the confidence to put it up for sale. While almost every other tech sector was on the slide, here was a clear sign that the payments industry still saw clear signs that it had the ability to attract some serious cash.

Then there is the ongoing issue of security. Some commentators see this as a perception issue – customers sense danger, when in reality there isn't much out there. Yet a perception of danger is as bad as danger itself. The effect is exactly the same – people steer clear of inputting card details online, and online retailers miss out on business. In ClickandBuy's research 83% of those questioned told us that they think the number of people trying to commit fraud on the internet is increasing as more people around the world use the web. And just 42% said they were totally confident that their credit card details were secure when entered online.

Of course, fraud is unfortunately not just a perception thing. In February EU figures for 2008 were released that revealed online banking fraud had jumped by an astonishing 132%. The National Fraud Strategy now estimates that card fraud in all its guises costs every person in the country £10 per year.

The good news however is that reassurance is close at hand. For the hundreds of thousands of small and medium sized online retailers out there the solution can be as simple as turning to a payments provider to manage your payments. As well as the variety of payment methods available to you, there should also be the toughest possible security measures in place to offer added protection and reduce risk.

Humans may be creatures of habit, but for online retailers there is an opportunity to turn this from a challenge into a virtue. And as the recession plays out it might just be that those who can seize this opportunity will boost their revenues just at the time when others are struggling just to stay afloat.