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Pay to play

eStar account manager **Sharron Martin** discusses how to choose the right extended payment method system for your digital store.



THE CONCEPT OF 'buy now and pay later' – the ability for customers to purchase products and pay for their goods over a pre-defined period of time – is far from a new concept in retail. Having the option to pay later is popular with many consumers and is becoming increasingly so for customers making purchases online. The benefits are obvious for the customer but what about the retailer?

Increase online Average Order Value

The major benefit of extended payment methods for retailers is that they have been shown to increase sales. Research suggests that they not only help attract new customers to a website but also encourage them to spend more while they are there. According to a March 2018 survey conducted by European payments provider Klarna, extended payment methods have seen increases in both average order value (AOV) and new customer acquisition. Some retailers have reported increases of between 30-40% in AOV.

Considerations for Retailers

As these payment options have become increasingly popular there has been a significant increase in the range of options available, and these can vary considerably in both cost and functionality.

The challenge for retailers is to select the right payment partner and one that can integrate with your eCommerce

platform. A poor customer journey, or an increase in page load times may provide a negative experience to customers and could impact sales. Leading eCommerce platforms have extensive partner networks with multiple payment providers, ensuring the implementation of a new payment system will provide a seamless customer journey.

Where are your customers?

If the target demographic extends across more than one country, then you need to make sure the payment method allows for this. Some products are specific to one country, either New Zealand or Australia, and some will cover transactions from multiple countries.

Does the payment method handle returns and split orders?

Some products handle these transactions elegantly within the product and some require these to be handled manually. This can cause considerable manual effort and definitely be a trap for the unwary.

What are the payment options for the customer?

Different products allow the payments to be split over a variety of time periods. If the majority of your customers are placed in a socioeconomic group likely to be paid weekly, then a product with a four-week option would allow the payment to be split over four pay periods, making it an attractive option for them.

How does the payment option impact the customer journey?

Verifying credit ratings can take different forms and sometimes the customer can be redirected to another site to complete an application, the speed at which this happens and the length of the process can be different depending on the payment type. This process needs to be well designed and occur fast to minimise interruption to the user journey. Before committing to a payment option you should speak with your eCommerce provider. An eCommerce provider with a strong payment solutions partner network will be able to provide a solution designed to minimise impact to the customer journey.

What are the costs?

The costs involved vary quite considerably so it is important to carefully research the options available. Some of the payment options have transaction fees only, while some have both ongoing monthly and transaction fees. Some payment methods can be set up by your eCommerce provider at no cost to the retailer while others charge for this service.

Choose wisely

Extended payment methods are becoming increasingly standard on eCommerce websites and consumers are starting to expect to see them. Retailers are coming under increasing pressure to provide these options but need ensure they choose the right one for their digital store to maximise sales. ■