

TREASURY INDUSTRY INSIGHTS SERIES:

Payment maturity in e-commerce: The next step in seamless customer experience

As online sales competition reaches historic highs, customer experience is the field on which e-commerce is won or lost. The COVID-19 pandemic has caused a rapid acceleration in online sales, with consumers forced to adapt to new behaviors. E-commerce platforms already well positioned, with a relentless focus on customer experience, have boomed. Other retailers have rapidly developed e-commerce and omnichannel capabilities to compete, and there is new competition in the form of manufacturers testing direct to consumer channels.

The upshot of these society defining trends is an increasingly crowded and competitive online marketplace. A higher cost of acquisition is driving a relentless pursuit of customer satisfaction and emotional connection across all touchpoints in the customer journey. Companies that provide an emotional connection with customers outperform the sales growth of their competitors by 85%¹, according to [Forbes](#), *“Customer experience is the field on which e-commerce is won or lost”*, says Brian Bonds.

The rapid growth of the gig economy, a form of e-commerce based on short term, task-based work, is a prime example of meeting evolving customer needs. The reason for such rapid growth, from the likes of transportation and home-sharing apps, is the ability of gig e-commerce platforms to address the needs of both consumers and workers, in effect treating both as clients and optimizing their digital experience.

“Customer experience is the field on which e-commerce is won or lost”

“As a measure of normalization takes place over the next year, the ability to adapt to evolving client needs with a simple online commercial experience that wins customer loyalty and advocacy will be the most important strategic differentiator for our industry”, says Brian Bonds. In this context, the advancing digitization of payments is a critical element of the customer journey for seamless checkout and presents opportunities to improve customer experience in the following areas.

Curated cardless payments with seamless credit

A shift from credit cards to the use of digital wallets is driving the dematerialization of physical cards in consumer transactions. Digital wallets now account for nearly 45% of e-commerce transactions globally, up 6.5% since 2019. In comparison credit cards account for 23% of e-commerce transactions and this is expected to decline further over the coming years². While improved customer experience is arguably a driver, ultimately credit or debit cards are still involved and both cards and digital wallets come at a higher cost. These costs - which include percentage-based interchange fees, scheme fees, merchant services, terminal hire, chargeback and wallet provider fees - quickly add up and make a material dent in gross margins. While this has recently led some e-commerce giants to reassess card payment options, we have also seen real-time payments rocket globally by 41% in 2020³. The use of this lower-cost technology for immediate payments directly from bank accounts is expected to nearly double as a percentage of all electronic payments in the next four years, as it provides not only a cost advantage, but also faster settlement for online retailers to improve cashflow.

Seamless injection of credit options in the checkout or in-app experience is another area where consumers are driving rapid checkout process changes. Many have turned to partnerships and customized or white-labeled credit cards, but this too is dematerializing in favor of buy now pay later (BNPL) options. A recent report by the Bain & Company consulting group showed that more than 90% of consumers preferred BNPL to standard credit card or overdraft options.⁴ While it looks like BNPL is here to stay, this rapid growth is attracting attention from regulators and the UK Financial Conduct Authority is now proposing controls which will require adapting from e-commerce platforms.

The key point is that payment technology and customer needs are evolving rapidly. One of the next frontiers in e-commerce competition is personalization and curation. This means that improving the customer journey requires access to the right payment technology with speed, interconnectivity and flexibility to curate the checkout experience.



To meet this need, Bank of America has developed the Commerce Payment Portal (CPP), a highly configurable and scalable payment collection infrastructure based on open banking and application program interface (API) architecture. This gives e-commerce providers the flexibility to accept both card and direct-from-bank payments from a range of digital channels including websites and web-applications, interactive voice response systems, instant messaging apps and Short Message Services (SMS). While providing automated reconciliation and real time data, this forward-looking infrastructure has the potential to reduce costs, improve security and, through more flexible, interoperable technology, facilitate direct credit solutions like BNPL.

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Immediate payment for the gig worker

On the other side of the ecosystem is a rapidly growing number of gig workers. This short-term, single project or task-based work means that gig workers often use multiple providers to build out the right amount of work or provide alternatives, and therefore competition to attract and retain gig workers is also increasing. A rideshare driver needs to pay for car maintenance and fuel, while a home-sharing accommodation owner needs to pay for cleaners and a mortgage. In this environment “customer” or worker experience matters, and cashflow is a critical element, where delays in payment risk driving workers to alternative platforms.

For this evolving economy weekly payment runs, let alone monthly payroll processes, are not enough. Real-time payments are needed and in developed markets such as the US and EU this increasingly means faster payments are being integrated into apps, online systems and procurement or enterprise resource planning systems, while in developing markets digital wallets and virtual cards remain popular. Once again, the trend is for payment systems to be flexible and integrated with a range of formats to accommodate different market segments, without additional charges to the receiver.

Flexible, scalable, future-focused payments

A final point is the ability to scale internationally without breaking the bank. As e-commerce platforms grow, they need to be able to operate in new countries quickly with standard payment journeys for both customers and workers. Historically, however, this process of setting up payments to and from a new country has been complex and costly, with high transaction and foreign exchange fees and the risk of volatile currency movements.

Financial digitization is however driving innovation in cross-border payments to extend real-time direct to bank payments and collections across borders and a range of currencies, with transparent, low and consistent fees. Bank of America’s solution is a guaranteed rate program for foreign exchange which gives certainty of cost effective cross-border transactions to a centralized account, limiting the cost and complexity of multiple bank accounts.

This certainty of cost is integrated with Bank of America’s innovative Recipient Select and Global Digital Disbursement capabilities to address the current challenge and future needs of gig economy payments. Bank of America’s digital infrastructure allows payees to select their means of payment with the ability to make payments using email or phone numbers, through PayPal or Zelle®, cross-border card payments or payments to cards, and direct-from-bank-account payments. With flexibility and optionality, e-commerce providers will be able to both boost worker satisfaction and seamlessly manage customer rebates at scale.

As digitization of payments continues, this technology is fundamental to client journeys and curated, streamlined checkout experiences that satisfy e-commerce and gig economy customers. With more consolidation of fintech capabilities, industry standardization and increasing importance of connectivity, having a payment provider who is future focused, with the right global footprint and relentless investment in digital capabilities will help drive the next stage of e-commerce.

Speak to your Bank of America relationship manager now to understand how our integrated future-focused payment platforms can support you to meet customer needs with flexibility, scale and the right economics.

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2. https://offers.worldpayglobal.com/rs/850-JOA-856/images/1149143_GPR_DIGITAL_ALL_PAGES_SINGLES_RGB_FNL8B.pdf?mkt_tok=ODUwLUUpQSO4NTYAAAF7dBt8aCWlJSdupj5JiqwBi0LqoV7CKincHYtys2oqvJMMKE0DkZ6w5Ltqgy8hiPIMe8BOBe2rqkWPiRpgTZJ_jyjdjclD0JNuQ9zDAI2FADhyYJI
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