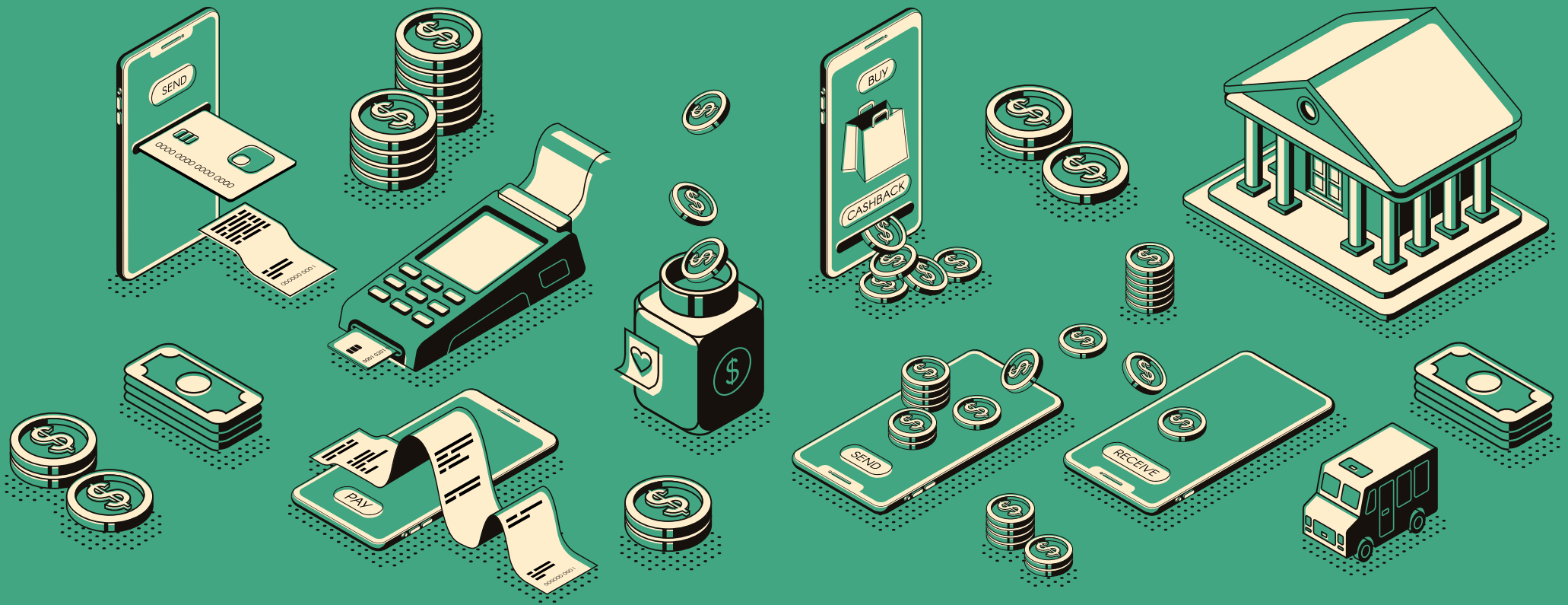


The future of payments

Current and future trends from mobile payments to e-money



Payments and PSPs:

Why retailers need choice

When it comes to payments, retailers need flexibility. In the past, their technology platforms limited them to what payment services they could integrate with. They were usually locked into one **payment services provider (PSP)**, and that was that. All their electronic payments transactions were handled by a local PSP that could integrate with their complex back-end IT systems – and the PSP was usually chosen for its integration capabilities, rather than its innovation capabilities.

But today, the situation is changing. As retailers innovate to keep up with consumers’ changing expectations, the ability to offer the latest payment options becomes more and more important. Retailers need modern payments systems that extend their reach, rather than setting limits, and allow them to partner with innovative PSPs that will help them drive the business forward.

Payment services providers are essential links in the global financial chain. Working behind the scenes, PSPs connect their merchant clients to card networks and financial institutions, enabling them to accept payments from customers. They handle all aspects of an electronic payment transaction to ensure merchants get paid. And while some offer a basic service, others are far more progressive, developing exciting new payment solutions packaged up with comprehensive consultation and support services.

It’s why, then, that retailers need the opportunity to shop around for a PSP that suits them best and offers the most competitive rates.

Whether you’re looking to change your payments platform, swap PSP, expand your business, optimize your payments infrastructure, or gain a better understanding of today’s payments landscape, this report will shed light on the key trends in the industry and equip you with the information you need to make an informed decision for your retail business.

“When choosing a payment service provider, consider the whole package beyond pricing and fees: exceptional customer service, security offerings that help protect your business from fraud and data breaches, flexibility to accommodate future growth, and the tools to help your business grow and keep more of what it earns.”

Worldpay

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The continuing rise of e-commerce

The e-commerce market is expected to surpass US\$4.6 trillion globally by 2022, said Worldpay's *Global Payment Trends* report. Buying, selling, sending and receiving payments online has never been easier or more popular.

A report from the Census Bureau of the US Department of Commerce indicated that in the first quarter of 2018 alone, retail e-commerce sales reached US\$123.7 billion. And the appetite for online payment methods appears to be keeping up with that same growth trajectory. Data from Statista showed that **three-quarters of US consumers use online payment methods when making an e-commerce purchase.**

As more consumers, then, choose to shop and pay for goods online, how can retailers keep up with their expectations?

"An effective e-commerce strategy might include offering **alternative payment options**, or **flexible financing services** that allow consumers to receive their goods as quickly as they wish, or a no-quibbles returns policy that offers all the same immediacy and instant resolution," the Worldpay report suggested.

Retailers should also look to **PSPs to bring additional value** and innovations that help stay relevant. Capgemini highlighted some PSPs that are boosting their e-commerce offering through collaborations with payment methods such as Alipay and WeChat Pay.



In its report "Five payment trends that decide the future of payments report," it added that retailers and PSPs should also look to **make global transactions more straightforward.** "In 2017, 40% of Dutch online shoppers purchased at least once abroad," Capgemini's report said. "Nowadays, this has become even easier thanks to the new EU regulation that came into force in December 2018 to remove geo-blocking in online payments. Geo-blocking is a discriminatory practice that prevents online customers from accessing and purchasing products or services from a website based in another country."

A mobile future?

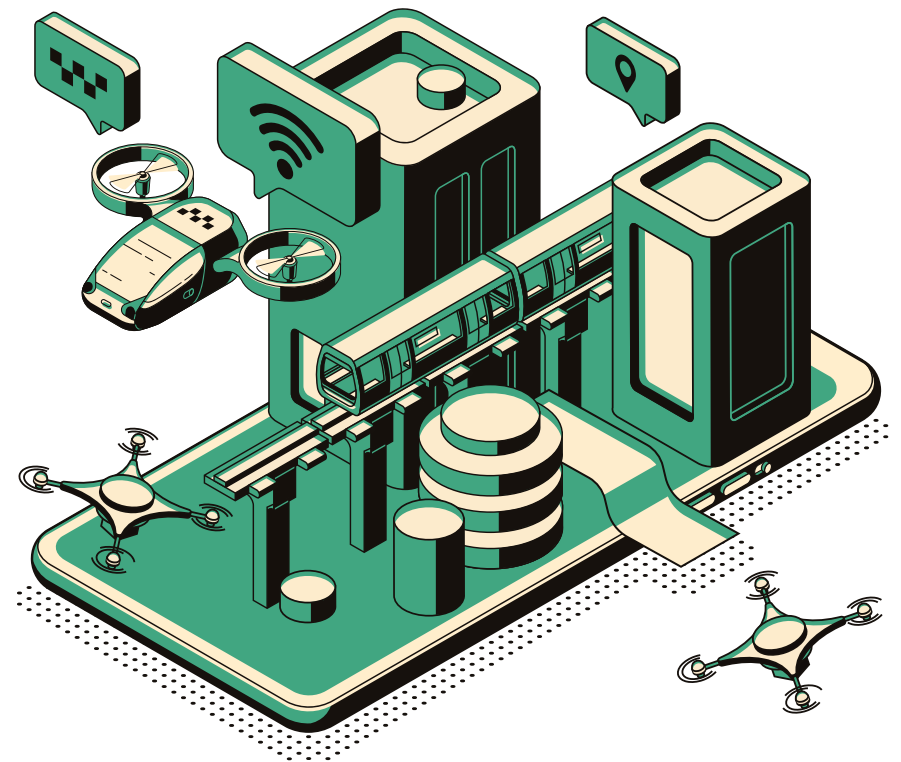
Mobile continues to reshape our society, remaining the key disruptive figure in many industries.

In retail, **digital growth is dominated by mobile**, in terms of both raw growth in traffic (+24%) and orders (+37%), a report by The Paypers found.

"In 2018, 17% of merchants saw half of their sales coming from the mobile channel," The Paypers' Payment Methods Report said, adding that these figures are growing, fast. "An overwhelming 92% of merchants are currently or are planning to support the mobile channel in the near future – demonstrating the commitment to mobile payments."

This is a trend that shows no signs of abating. According to a study conducted by EMarketer, by the year 2021, mobile commerce will make up 72.9% of the e-commerce market.

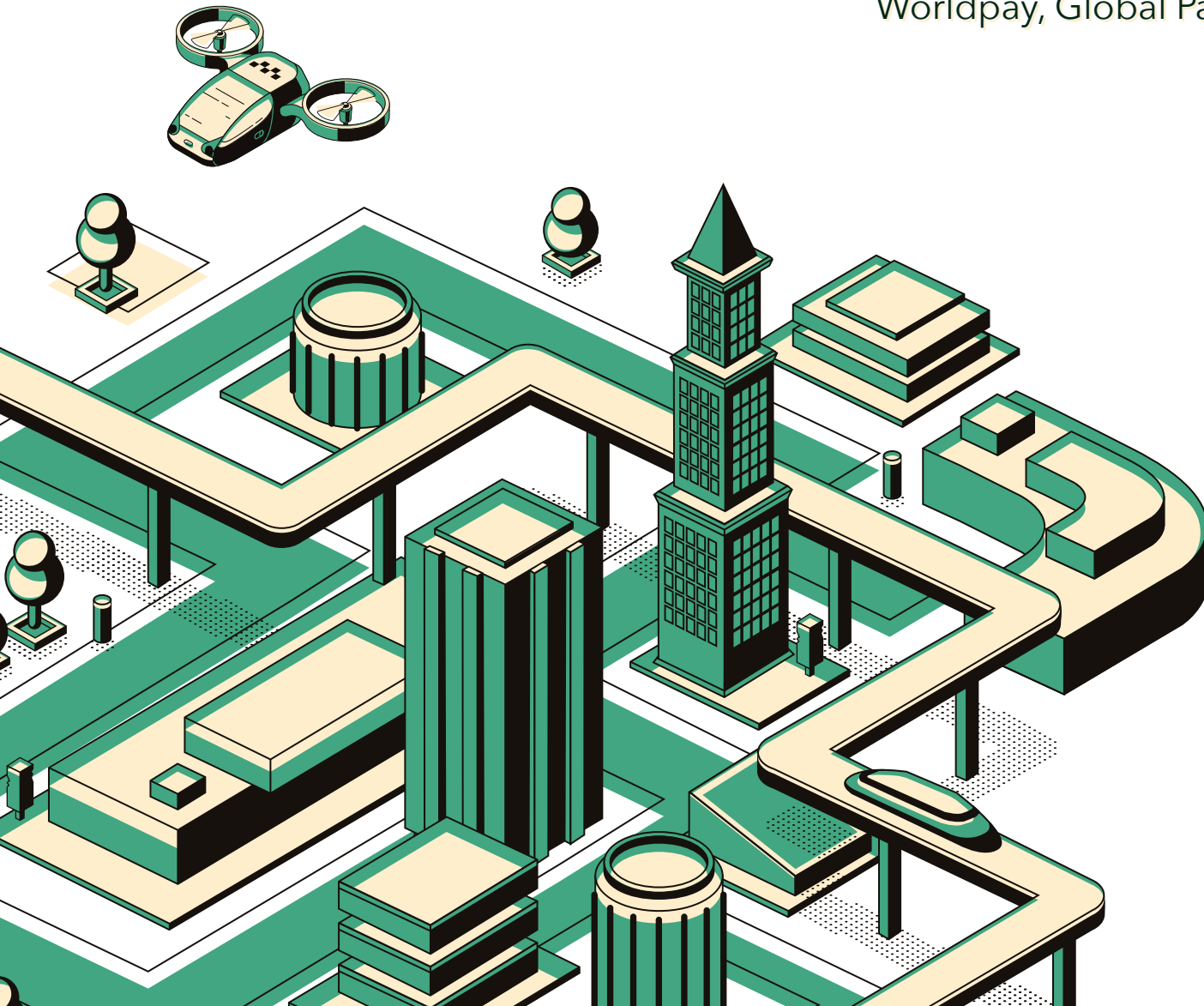
At the front of the mobile payments revolution are digital wallets, also known as **e-wallets**, which allow consumers to store their payment details on their mobile device and make payments with it, offering seamless convenience.



China leads the way with e-wallet adoption – Alipay and WeChat Pay have a significant footprint in the region – but a surge of growth in North America means **that e-wallets are expected to be the leading e-commerce payment method globally** over the next five years. It's an ecosystem that is constantly expanding, and as new players enter, others like Apple Pay, Google Pay and Samsung Pay just continue to grow in popularity.

"Mobile applications integrate the act of payment into daily lifestyles and routines, while preloaded credentials speeds online check-out. E-wallets do all of this safely with encryption, tokenization, and device authentication providing extra layers of security."

Worldpay, Global Payment Trends



Future of
payments

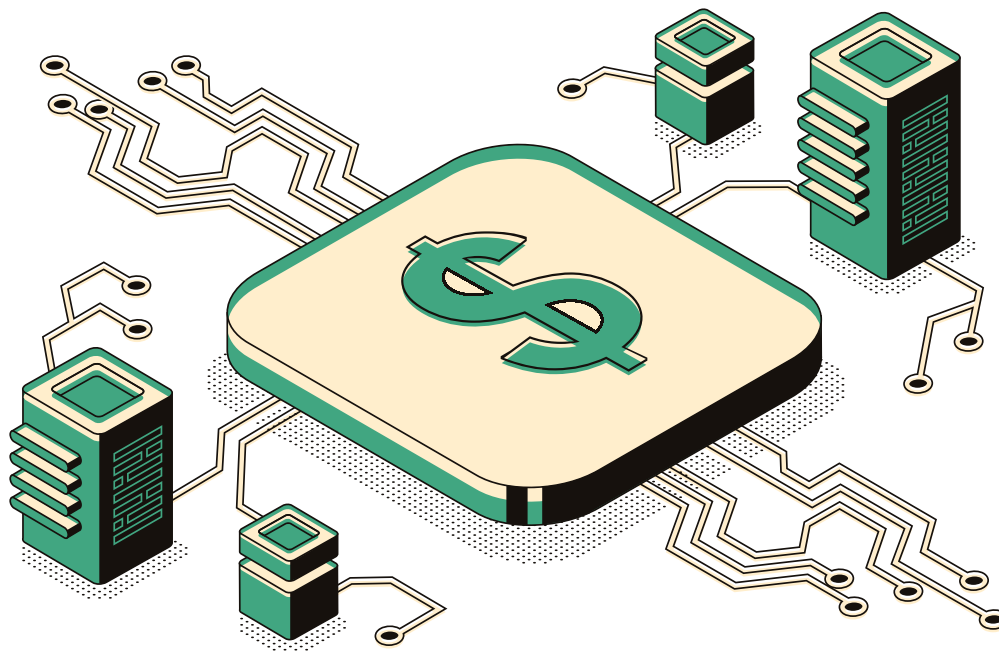
E-money

takes over cash


The way we make transactions is changing. IMRG's report, *How Online Shoppers Pay in European Markets*, found that card payments in general are falling in value terms and consumers are turning to other payment methods to conduct online transactions. In the Netherlands, bank transfers account for 62% of e-commerce transactions, while in Germany, e-wallets and open invoices, where the customer pays after reception of the goods, are one of the most widely used payment methods.

E-money is experiencing tremendous growth, to the point that it's expected to take over from cash and bank deposits in the coming years, led by e-money providers like Alipay and Facebook Libra.

A report by the International Monetary Fund (IMF) exploring how traditional money is being challenged by new digital forms cautions that issues still need to be overcome. "Cash and bank deposits will battle with e-money, electronically stored monetary value denominated in, and pegged to, a common unit of account such as the euro, dollar, or renminbi, or a basket thereof," IMF's "The Rise of Digital Money" report says. "E-money may be more convenient as a means of payment, but questions arise on the stability of its value. It is, after all, economically similar to a private investment fund guaranteeing redemptions at face value. If 10 euros go in, 10 euros must come out."



E-money

#emoney 

An electronic store of monetary value on a technical device that may be widely used for making payments to entities other than the e-money issuer. The device acts as a prepaid bearer instrument which does not necessarily involve bank accounts in transactions.

European Central Bank



The report goes on to highlight six reasons why it **expects e-money adoption to take off**:



Convenience: e-money is better integrated into our digital lives.



Ubiquity: Cross-border transfers of e-money would be faster and cheaper than of cash and bank deposits.



Complementarity: If assets like stocks and bonds were moved to blockchains, blockchain-based forms of e-money would allow seamless payment of automated transactions, leading to efficiency gains by avoiding manual back-office tasks.



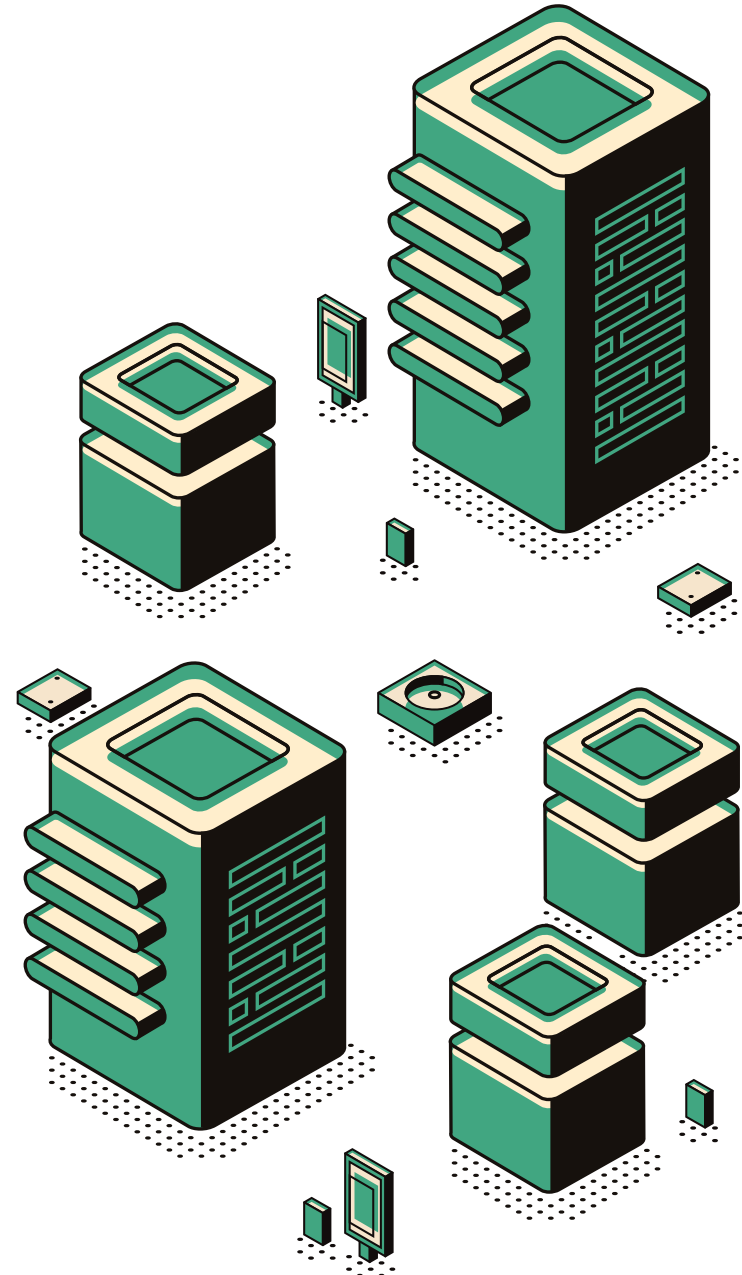
Transaction costs: Transfers in e-money are nearly costless and immediate, and are therefore often more attractive than card payments or bank-to-bank transfers, especially across borders.



Trust: In some countries where e-money is taking off, users trust telecommunications and social media companies more than banks.



Network effects: If merchants and peers also use e-money, its value to prospective users is all the greater. And as new users join, the value to all participants – existing and prospective – grows.



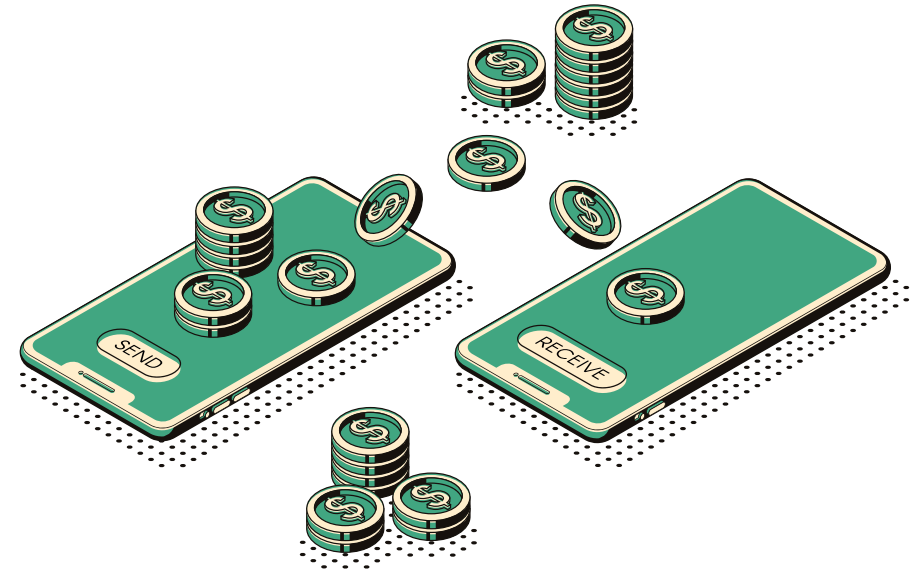
Invisible transactions

From Amazon Go and Alibaba Freshippo to Albert Heijn's Tap to Go, a new generation of supermarkets are offering consumers ultimate convenience and completely **automated payment options**. In the Amazon Go stores, shoppers simply pick up the products they want and leave without having to check out. And in Albert Heijn in the Netherlands, customers scan electronic shelf tags with their mobile phone as they pick up products, and simply walk out when they have everything they need. The purchase price is automatically withdrawn from the customer's bank account after 10 minutes of inactivity.

Today, **the friction of payments is fading, and fast**. "That's the essence of **invisible payments**: convenience so seamless that the very act of payment is effortless," Worldpay's Global Payment Trends report said. "Connected cars, automatic replenishment via internet of things devices, and increasingly friction-free checkout experiences at the physical point of sale are just a few of the practical applications of invisible payments. Imagine needing nothing more than your car and your consent to seamlessly pay for parking, gas, tolls, or purchases at drive-through restaurants. Those realities are well within sight, with a flurry of exciting developments in connected cars and payment integrations on the horizon."

Capgemini said this revolution is being driven by a shift from payment solutions being purely transactional to now having a more **customer-oriented focus**.

"A virtual cloud-based wallet makes the check-out procedure completely invisible," Capgemini said in its payment trends report. "Companies such as Uber, Amazon and Barclays are using "just-walk-out technologies" to smoothen the payment process. So, how exactly does this work? This rule-based technology uses **beacons and computer vision** to detect when items are removed from shelves.



It then automatically processes the payment without the need for users to swipe, authenticate, or remember a password."

Despite this, experts say that payments will continue to require an element of friction to ensure proper authentication and security. A comScore survey found that concerns over **data security** are a key reason against the widespread adoption of purchases using smart speakers, for example. But if businesses can win consumer trust, the possibilities are endless.

"Considering its immense potential and evolving technological solutions, invisible payments are set to find increased application across many industries," Capgemini said.



Greater options for consumers

Today, consumers want to be able to shop and pay however they like, and the more retailers can make the experiences they offer exciting, personalized and convenient, the more likely they are to win consumer loyalty.

An article by Raconteur highlighted the rise of the “**now economy**” – a term used to describe consumers’ need for instant gratification – and explained that as retailers move to satisfy their customers’ needs faster and more efficiently, they must reduce friction at the checkout process and add new payments options when they become available. In a study of UK retailers by Klarna and Ovum, four in ten said the reason consumers **abandon their online cart** is because certain payment methods are missing.

“**‘Buy now, pay later’** services such as Affirm, AfterPay, and Klarna are gaining widespread popularity for removing common barriers at the critical moment of purchase decision,” Worldpay said. “Retailers seek to reduce shopping cart abandonment rates by eliminating friction. Friction at checkout arises from many factors including security concerns, unexpected shipping charges, and cost. ‘Buy now, pay later’ options help **reduce price friction and increase conversion rates.**”

Other ways in which retailers are trying to win over customers is by making a smoother transition from global to local payments, and vice versa.

“If we look at recent events, we see that companies are increasingly open to collaborating in order to expand their footholds and gear their services towards the consumers’ needs,” The Paypers report said. “The partnership between Alipay, Adyen and Klarna is an example of the

industry’s ambition to expand into new markets. The collaboration enables shoppers from Germany, the Netherlands, Austria, and Finland to use Klarna’s ‘Pay Later’ solution at AliExpress, the global retail online marketplace under Alibaba Group. Furthermore, with regard to expansions, the ‘Pays’, such as Google Pay, Apple Pay, Samsung Pay, or Wechat Pay, have extended their services in multiple countries, thus bringing diversity in payment options.”



Recommendations for retailers

As the payment landscape continues to evolve and more innovations come to market, retailers need to position themselves to adapt. A headline by PaymentsSource read: “Retailers shouldn’t fear payments innovation, but they can’t ignore it,” explaining that while the ongoing shift from cash to cards to mobile payments will impact the industry, it is also a **source of opportunity**. But retailers must move quickly, and give consumers what they want.

“With consumers trending toward mobile pay, retailers who take proper measures to ensure things like a secure mobile payment experience will enjoy a competitive advantage—and likely greater revenue,” the article said. “Mobile payment users typically spend twice as much as those who use traditional payment options and are 89% more likely to recommend a brand after a positive mobile experience. If you’re a retailer interested in taking advantage of this trend, **time is of the essence**.”

As you prepare your business for the future, here are some key areas to focus on:



Deliver seamless shopping and
payment experiences

[Discover how a unified commerce platform can
make you more competitive in a modern retail world](#)



1. Embrace unified commerce

The worlds of offline and online shopping continue to converge and it’s up to retailers to deliver a completely unified shopping experience to their customers, including holistic payment options, regardless of whether they’re buying in store or via a mobile app.

Consumer want to be able to save card details across every channel, for example, and have the option to use a one-click (or even no click) checkout. They also want to be treated personally, and expect a brand to present their preferred payment methods early in the checkout flow. This requires a **360-degree view of the customer** and their purchases across all touchpoints of the brand.

#unified commerce

#360-degree view

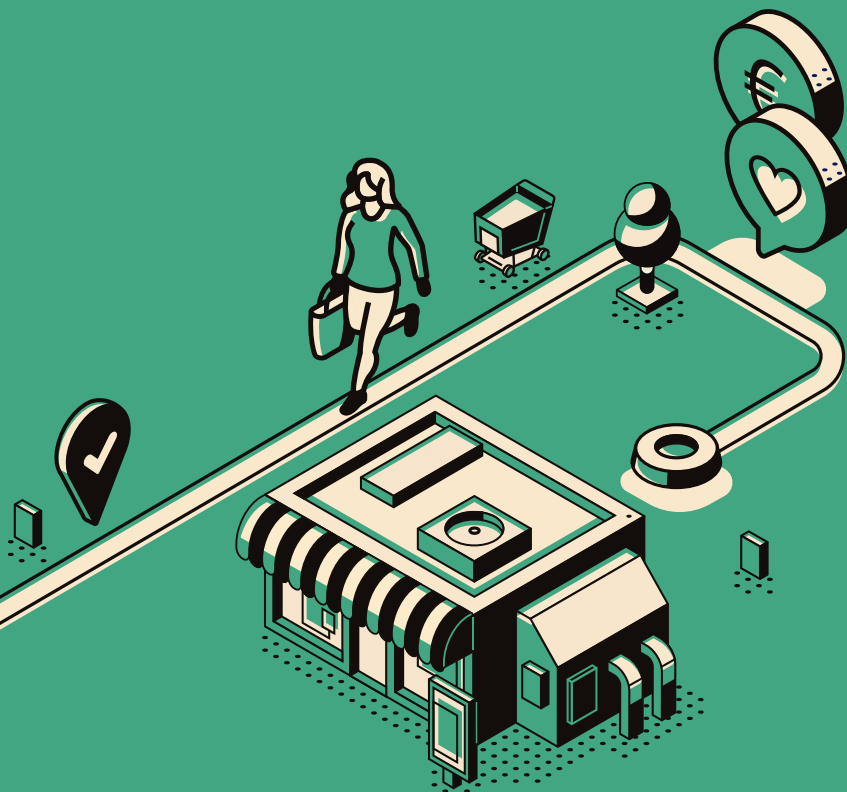


2. Explore new services

Ensure you choose a payments system that allows you work with **the payment services provider you want**, giving you the flexibility to add fresh, new services when they come to market and extend your offering. Services like Alipay, Adyen and Klarna are gaining in popularity and are a great example of alternative payment options that customers want to use. Payment options are expected to become ever more diverse, and retailers need to be able to offer their customers exciting new features as and when they become available.

#payment service provider

#flexibility



3. Invest in the customer experience

Customer experience is now the **prime competitive differentiator**. A report by Decibel, The Ultimate Guide to Customer Experience Management, urged retailers to invest in their customer experience. "With the likes of Uber and Amazon raising the bar for expectations around digital interactions, and with so much choice online, **all it takes is one bad experience** for a customer to abandon a website or app – and never come back," the report said, adding that **89% of customers** stop doing business with a brand after a bad experience.

It's up to retailers, then, to make their digital experiences as smooth and seamless as possible, all the way to the final transaction.

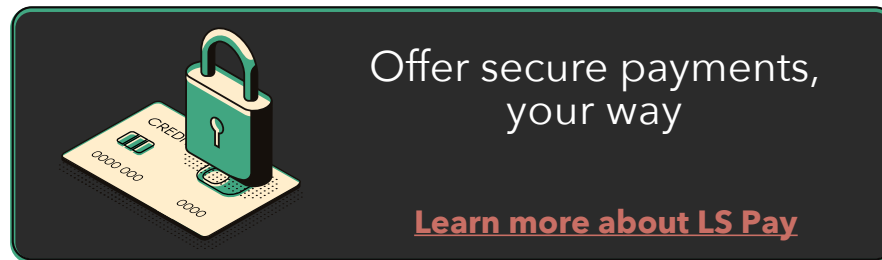
#customer experience

#investment



A progressive payments partner

At LS Retail, we understand the challenges that retailers face as they navigate their way in an increasingly digital world. It's why we have been teaming up with the leading payment service providers around the world to ensure that our payments platform, LS Pay, integrates seamlessly with their offerings.



Retailers that use our payments platform know that they are in the best possible position to adapt to the changes ahead. They can trust their technology to support their unified commerce strategy, ensure they are compliant with the latest payment regulations, and introduce exciting new payments features to their customers through seamless integration with leading PSPs.

Rapid technology developments and ever-demanding consumer expectations now means that the onus is on retailers to keep pace with the payments landscape and deliver seamless shopping experiences that address the multitude of payment types people now wish to use. Whichever way the industry continues to evolve, it pays to have a modern payments solution behind you to help you adapt and support you every step of the way.



Don't get lost in the payment jungle

The payment environment is moving rapidly. As a retailer, you face new demands all the time, from regulators as well as customers. And in all of this, you are left alone to understand how to deliver innovative payment options, while maintaining the highest security standards.

You are not alone. We can help you find the best options for your business.

[Talk to our experts](#)





LS Retail is a world-leading provider of business management software solutions for retail, hospitality and forecourt businesses of all sizes.

Our all-in-one management systems power tens of thousands of stores and restaurants worldwide, within such diverse industries as fashion, electronics, furniture, duty free, restaurants, coffee shops, forecourt, c-stores and more.

LS Retail products and solutions are sold through a global network of partners.

For further information on the company and the products, visit www.LSRetail.com