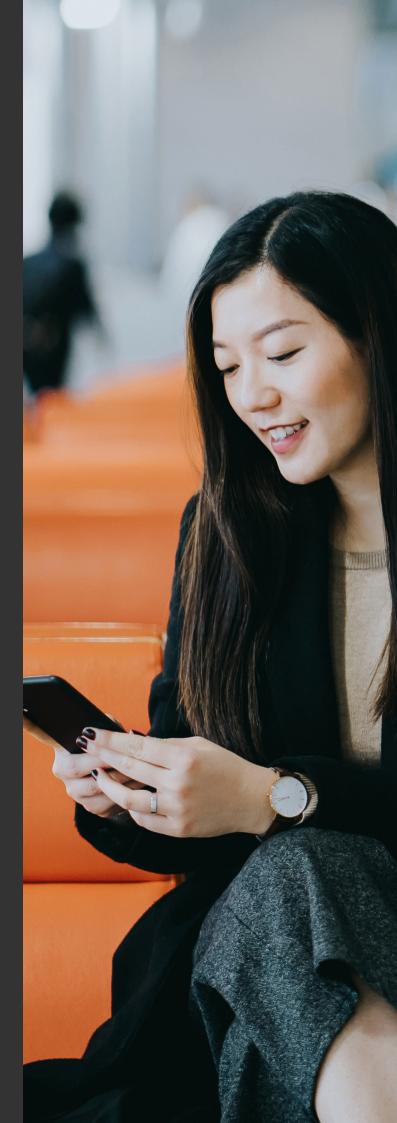# Carat

Building and Benefiting From Omnichannel

The concept of omnichannel has been around for a while and there is growing acknowledgement of its benefits for merchants and their customers alike. However, relatively few merchants can as yet really deliver a truly seamless shopping and payment experience across online, app and in-store. Kees Kwakernaak, General Manager of Fiserv Australia, examines the opportunities of omnichannel and how best to grasp them.

One of the many things that coronavirus has accelerated is an appreciation of what omnichannel can deliver and also how it has become increasingly critical to business success (and in some cases perhaps even business survival). This has gone hand in hand with an increasing awareness of the user experience and how that drives customer behaviour, loyalty and ultimately potential profitability.

A successful omnichannel strategy offers three primary opportunities:

→ Increasing ticket size and reducing friction through flexible financing

→ Improving conversion at checkout by offering the appropriate payment mix and optimal checkout experience for each channel

→ Knowing customers and serving them better with big data

Flexible Financing

By offering consumers a financial solution at the time of purchase, flexible financing assists them in completing the purchase of a product or service. Therefore, flexible financing needs to be part of the overall transaction flow across all channels and should be able to deliver instant approval and flexibility. Rapid growth in Buy Now Pay Later (BNPL) solutions underlines the demand for these capabilities, but their optimal implementation – so that they become an integral part of the shopping experience (rather than an afterthought) – is essential if their benefits are to be maximised.

On the one hand, the proliferation of BNPL solutions has probably made them easier to integrate at a technical level. On the other, this can result in merchants adopting too many flexible financing options, which potentially makes things confusing for themselves (think reconciliation) and their customers. This is starting to drive a trend among leading merchants toward more direct merchant control by white labelling a solution.

There are important, specific advantages to taking a truly omnichannel approach to flexible finance. By leveraging data already available from previous customer interactions across all channels, it becomes possible to refine a flexible financing proposal and target it more precisely. This not only improves the chances of the customer accepting the proposal and thus completing the sale, but also enhances the customer experience, thus building brand loyalty. A multichannel approach that has diverse channels, but keeps them in isolation from each other in terms of data sharing, cannot accomplish this.

Maximising Sales Conversion: Authorisation Optimisation and Payment Mix

Flexible financing ultimately needs to link into the adoption of authorisation best practice when authenticating credit/debit cards or digital wallets. This can significantly improve approval and conversion rates, with tokenisation also playing a key role. Apart from sparing merchants the risks and costs of storing and managing customer payment data, it streamlines the acceptance process by automatically handling matters such as card expiries, thereby minimising declines.

More sophisticated providers take advantage of machine learning and data mining to optimise approval rates by identifying trends and patterns in merchants' transaction data. Combining this with an understanding of issuer-specific rules also helps to deliver lower cost routing. Dual tokenisation is a further enhancement that can help maximise and streamline approval, by enabling merchants to manage lower cost routing options across credit and debit cards.

However, there is considerable potential for this to expand further in the context of an omnichannel strategy. While lower cost routing has been available for card present transactions for some time, in some cases (for instance, EFTPOS in Australia) schemes are starting to extend it to online transactions as well. In the longer term, this change may also apply to payment wallets that can currently only be loaded with credit cards.

Optimising the customer checkout experience can and should be extended to include situations where goods are out of stock, through better management of pre-authorisation, partial completions and even extending to refunds. Improving conversions also involves developing the most appropriate mix of payment methods and best possible checkout experience for each channel. For instance, in the context of online sales, minimising friction points such as unnecessary clicks and pre-filling fields with data already held can materially boost conversions. Again, this is an area where an omnichannel approach can add value by using data from other channels to provide a customer-specific choice of payment

methods, rather than a generic one. It makes no business sense to present (and quite possibly irritate) the customer with irrelevant payment methods and an omnichannel approach can help avoid this scenario.

The next logical step in this space involves making alternative payment methods part of the authorisation optimisation. So if a customer doesn't have the available resources through the initial payment method to complete the transaction, what else can be immediately and seamlessly offered as an alternative payment option that will preserve the sale? A simple example might be switching from a debit card to a credit card transaction (in some jurisdictions, the same card number can serve both). However, a more sophisticated option could be the auto-extension of a credit limit, subject to credit history and in the longer term perhaps also an automated linkage to a suitable BNPL scheme.

Data and Analytics

The intelligent use of customer data also ties into this process of maximising sales conversion, but can also deliver longer term relationship benefits as well. This applies not just to data regarding the way customers pay, but also how they shop, pick and collect – across all channels. This could be further extended by using other sources, such as geolocation data, to build a highly localised proposition. Ultimately, this data-centric approach is critical in developing a dynamic and innovative marketing and sales strategy that is tailored to the individual customer.

This could also lead to building on a seamless payment experience to make it an individually customised one. Intelligent analysis and use of individual and broader demographic data could be used to deliver the optimal selection of payment methods per customer, but also to streamline the selection process. So if one payment method was declined, another would automatically be offered (in time perhaps including BNPL).

Nevertheless, there is a potential downside. Unintelligent use of customer data can be actively deleterious to the customer experience, to the extent that the customer avoids the merchant thereafter. A simple but not uncommon example of this is gathering data on what a customer is viewing on the merchant's website but failing to link that with the customer actually making a subsequent purchase (perhaps in another channel).

This can result in the customer being bombarded with sales offers for an item they have already bought from the same retailer, much to the customer's irritation. This again underlines the importance of an omnichannel methodology that can connect all types of data points across all sales channels to ensure customers propositions are always relevant.

Cross-channel data analytics also provide valuable insights in other areas. For instance, being able to marry SKU data with cardholder tokenised data delivers practical business intelligence such as:

→ Which customers shop online and in-store with the business?

→ What common characteristics do the most loyal/regular customers have?

→ What cross store cannibalisation is likely to occur if a new store is opened within x kilometres of an existing store?

Other Omnichannel Experience Opportunities

An integrated omnichannel strategy can also offer multiple additional conveniences to customers that will build loyalty and sales. If channels are properly integrated, it becomes possible for customers to hop/switch channels to their convenience. Common examples of this are:

→ Shopping in-store but paying online, for example, by scanning the product on a mobile app that then automatically connects to online payment

→ Purchasing a product online, but being able to return it for credit offline (or vice versa)

→ Starting a purchase in-app but then checking out in person

Another omnichannel opportunity is the consolidating of inventory across channels (rather than it being channel-specific). This has the advantage of maximising product availability,

thereby minimising the risk of lost sales or brand switches by consumers when an item goes out of stock in a specific channel.

A robust, omnichannel strategy can be extended to include channels not necessarily under the direct control of the retailer in order to drive additional sales. Examples include customer purchases made through social media platforms such as Facebook or Instagram, as well as livestream e-commerce where influencers or celebrities livestream product/service presentations.

In addition to improving/extending the retail experience, omnichannel can also be used to minimise fraud. Customer intelligence across channels can be deployed to detect behavioural or logical that may be fraud flags[1]. Coupling this with technology, such as 3-D Secure 2.0 can eliminate fraud, while at the same time become increasingly frictionless from a customer perspective.

Conclusion

In order to be successful, an omnichannel strategy must deliver a seamless, convenient and continuous customer experience. This is much more than just adding an online channel, but requires fully integrated marketing, inventory management and fulfilment processes, with a streamlined customer payment experience layered across all three. This isn't easy to achieve, but in conjunction with the right payment partner, it is already realistically feasible. It is also an area where few merchants have already succeeded, so there is a significant competitive edge available for early movers who can accomplish it.

To learn how your business can increase local engagement through enhanced consumer experiences, contact us at sales.apac@fiserv.com

[1]For example, a customer making a purchase in-store in one location is highly unlikely to be making another purchase online within minutes from an IP address geolocated 200kms away.

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