

MERCHANT CHECKOUT STRATEGY GUIDE

6 Key Components Of A Better Checkout Experience



Merchant Checkout Strategy Guide

E-Commerce growth is brisk: The U.S. e-Commerce market grew 16% in just the past year, according to [Forrester](#). But retailers are not sharing equally in that growth. Consumers are abandoning their shopping carts at an [average rate of 70%](#), due to a litany of problems they experience in the checkout process.

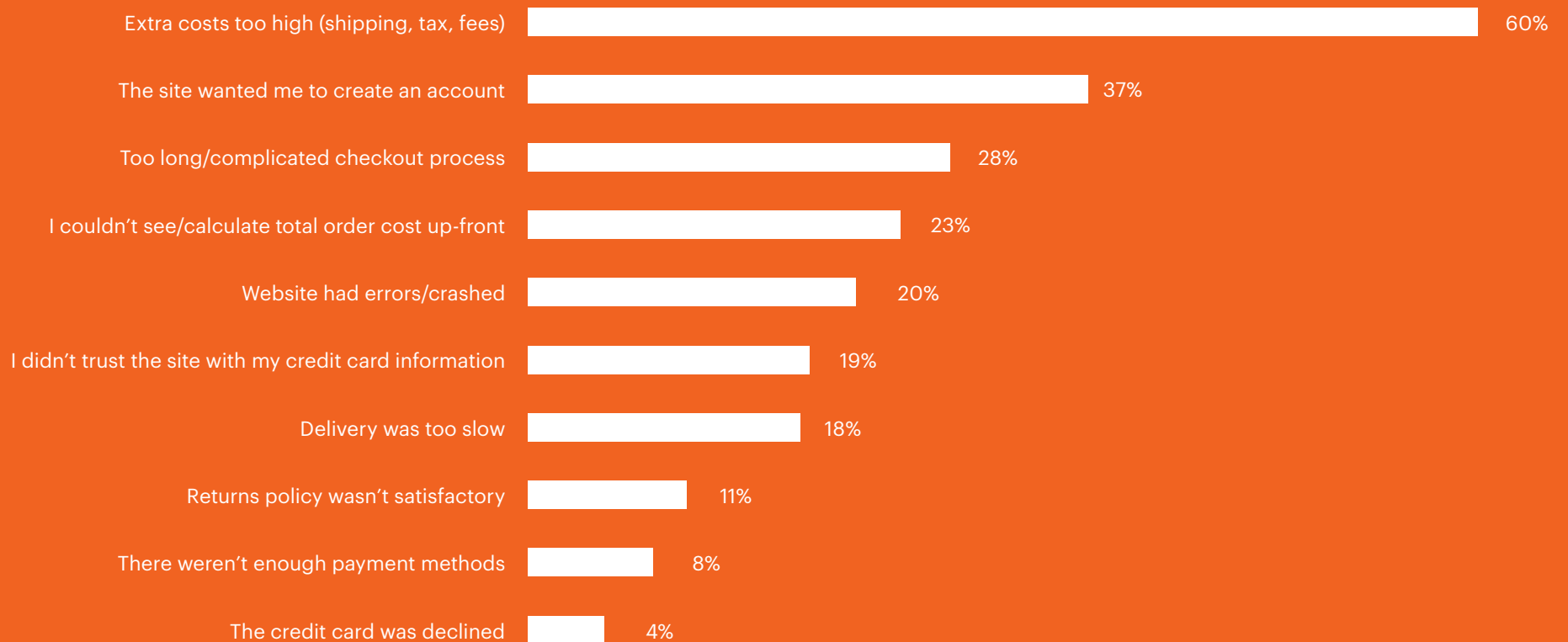
Clunky, time-consuming steps to checkout drive shoppers to abandon carts and seek a better experience with competitors.

[Almost one third \(27%\) of shoppers](#) say the online checkout process is simply too long, according to the Baymard Institute. As mobile accounts for a greater percentage of that revenue — and along with it, impulse buys — retailers need to deliver an easy, streamlined checkout process.

To reduce shopping cart abandonment and capture that lost revenue, retailers need to reduce stress and reward shoppers when they arrive at checkout. Thoughtful redesign of the checkout experience can increase conversion rates by as much as one third, as well as drive larger average order values and improved security. It can also result in happier consumers who will return to buy more and share their experiences with friends, family and colleagues.

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Reasons for checkout abandonment



Source: Baymard Institute, 2016

How To Streamline Checkout

To deliver the fast, convenient purchase experience that transforms shoppers into buyers, retailers need to revisit their current commerce process to experience it as a consumer would, keeping consumers' top complaints in mind. Here are six steps for continuing to optimize your online site experience:



Create A
Seamless Payment
Experience



Offer More Flexible
Payment Terms,
Such As Invoicing
And Instant
Financing



Uncover A Faster,
Easier Way To
Capture And Verify
Addresses



Improve Customer
Experience
While Protecting
Merchants From
Chargebacks
And Fraud



Create More
Efficient Internal
Processes By
Ensuring Tax
Compliance And
Assuring Accurate
Pricing



Embrace A Cloud-
Based E-Commerce
Platform For
Quick Access To
Innovation And
Scalability



Create A Seamless Payment Experience

Here are three tips for improving the online site experience by making checkout and payment seamless:

STEP 1: MINIMIZE ACCOUNT CREATION

Shoppers don't want to create another account; 35% of users cite account creation as a key reason they'll leave the checkout experience. With Amazon Pay, businesses can streamline the commerce experience for millions of customers by letting them check in and check out using the shipping and payment information already stored in their Amazon account.

STEP 2: RECOGNIZE CUSTOMERS SOONER

The sooner retailers can recognize their customers, the more likely they are to close the sale. Whether the goal is to deliver a more relevant shopping experience or drive ongoing engagement, it's important for shoppers to sign in. By offering a familiar login like Amazon Pay earlier in the shopping experience, retailers can provide customers with a more personalized experience and understand customers' preferences.

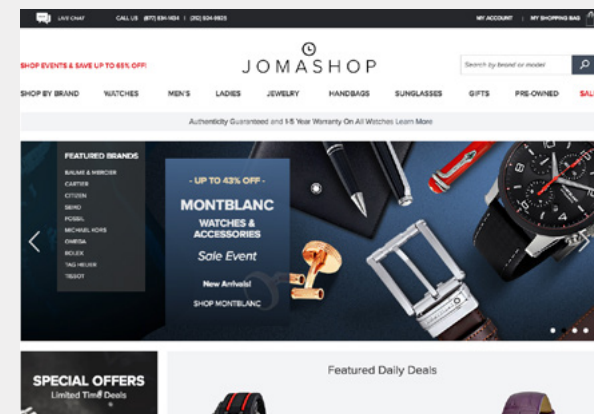
STEP 3: OPTIMIZE THE EXPERIENCE ACROSS DEVICES

According to the 2017 *State of the Connected Customer* report by Salesforce, 75% of consumers expect consistent experiences across channels and devices. As many as 73% of consumers expressed that they are likely to switch brands if the experience doesn't meet expectations. With Amazon Pay, retailers can meet their customers wherever they are — integrating the payment method into your site, store or device to offer shoppers a truly connected experience. What's more, merchants late to the mobile revolution can jump ahead of the competition by allowing customers to pay for their products using voice commands through Alexa Skills with Amazon Pay.

"We added Amazon Pay to give millions of Amazon customers an experience they know, trust and even prefer," says Lar Quigley, Director of Corporate Development at Cymax. "Plus, we love that our customers never have to leave our site."

Case in Point

Using Amazon Pay, [Jomashop](#), a luxury goods retailer and wholesaler, builds customer loyalty by offering shoppers a brand they already know and trust. Amazon Pay consistently attracts a clickshare that is 10% to 15% higher than the company's other payment options. Jomashop saw average order values increase by 20% when customers used Amazon Pay instead of other leading payment solutions.





Offer More Flexible Payment Terms, Such As Invoicing And Instant Financing

Speedy customer payment is important for fast, frictionless checkout. But speed is not the only way to reduce payment-related cart abandonment. Baymard's data found 19% of shoppers abandon carts because they don't trust the site, 8% say there were not enough payment methods, and 4% had their credit cards declined.

That means there is considerable room for improvement in the array of payment choices retailers offer their customers. Some important approaches to consider include:

INSTILLING CONFIDENCE. Offering well-regarded payment brands is one way to build trust. Another is to enable customers to delay payment until after they have received the goods. Adding the option to pay later by invoice, such as through Klarna, enables consumers to try before they buy, taking the fear out of making a purchase.

OFFERING INSTANT FINANCING. While there are more payment options than ever, most of them require immediate payment. This can drive away consumers whose preferences or

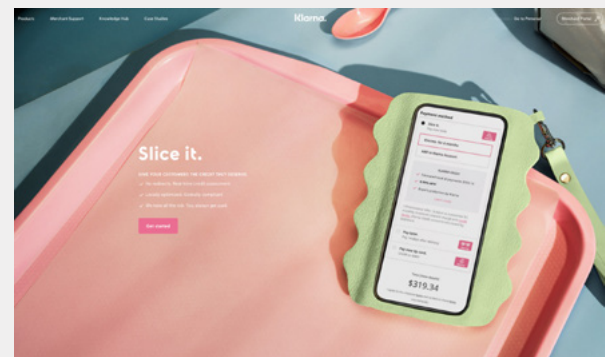
financial situations require that they pay over time — particularly for orders of \$150 or more. By offering instant financing with simple, instant credit approval, retailers can convert buyers who would otherwise walk away due to the size of the purchase.

BROADENING OPTIONS: Offering options such as pay by invoice or instant financing also enables retailers to broaden their customer base beyond those who are comfortable with immediate payment. Partnering with a pay-by-invoice or instant-financing partner removes the financial risk of these vehicles from the merchant.

"We conducted a survey in 2017 that showed customers want the freedom to pay for purchases over time," said Malin Eriksson, North America CEO, Klarna. "We found 47% of those surveyed would like to be presented with financing options online, and 75% would be likely to make a purchase at a merchant that offered financing over one that didn't."

Case in Point

After a watch retailer added instant financing from Klarna on its consumer site, the average order value for financed purchases is now 45% higher than all other purchasing methods it offers, combined. The financing option requires just three steps via a mobile-friendly interface, and approvals are issued in less than 30 seconds, start to finish. Another retailer created an innovative subscription program based on Klarna's Slice It financing product, and saw a 30% increase in conversions and average order value 60% higher than non-financed orders.





Uncover A Faster, Easier Way To Capture And Verify Addresses

Address issues cost retailers in time, revenue and reputation. During checkout, customers get irritated by the keystrokes required to enter their address, especially on mobile. Then, the errors they frequently make — typos, incorrect formats, lack of Zip+4, and so on — cause delivery failures that then cost more in carrier chargebacks, shipment delays and redelivery costs. To add to the troubles, customers tend to blame the retailer for the missed shipment over the carrier. The **average additional cost of a failed delivery in U.S. is \$16.58 per order**, according to research conducted for location intelligence specialist **Loqate** by Loudhouse, an independent research consultancy.

Some retailers attempt to avoid mis-shipments by manually checking address data following receipt of an order. Another approach is post-entry verification, where an address is checked immediately after the form is submitted and then kicked back to the customer to correct errors. However, this irritates shoppers, contributes to cart abandonment and can still produce errors.

The solution is an address verification service, otherwise known as AVS. By auto-detecting address attributes as a user types, AVS can instantly produce accurate address suggestions based on a shopper's keystrokes, Zip code, URL location and other identifying data. With a single click on the correct address from the drop-down, a user can complete a checkout form in an instant. Baymard research found **auto-detection reduces typing by 40%** for a common shipping address. It also eliminates typos, translates abbreviations and corrects transpositions saving users time, effort and the need to navigate long state/region dropdowns. It also enhances the usability for international buyers by providing the flexibility to adapt to their local address formats — more than 130 globally.

"Our address verification uses an algorithm to correlate entries with a database of global address data in real time to identify the correct address," said Tyler Brock, VP of Sales at Loqate, a GBG solution. "This decreases failed deliveries, increases revenue per visitor, increases repeat purchases and reduces cart abandonment."

Case in Point

NESCAFÉ® Dolce Gusto® single-serve coffee machines are a global brand in the Nestle family. Since using **Loqate's** address verification tool, the company has seen a notable reduction in the level of failed postal deliveries brought about by the improved accuracy of address data. The procurement team went through a rigorous tender process and Loqate came out on top because the service was so compatible with the Magento platform and additionally the technology has international postal code validation capabilities. With an already established customer base in America, Europe, Australia and Asia it made sense to have a solution that was effective over a range of overseas territories. According to Laura Muirhead the Brand Manager at NESCAFÉ® Dolce Gusto, "We know that address verification from

Loqate has helped to improve the customer journey and data quality which has had a positive impact on conversion and delivery rates."



Improve Customer Experience While Protecting Merchants From Chargebacks And Fraud

No retailer wants to alienate a customer by rejecting his or her order because of fraud suspicions. But the retailer doesn't want to be hit with chargebacks and fees either. According to an [analysis by Business Insider](#), retailers have over-corrected on fraud prevention: The publication estimated that U.S. e-Commerce merchants would lose \$8.6 billion in falsely declined transactions in 2016, for example — \$2.1 billion more than the \$6.5 billion in fraud they would prevent.

"The challenge of false declines is a real one," said Signifyd Senior Product Manager Gayathri Somanath. "There really is no worse customer experience than essentially telling a legitimate customer that their order isn't coming."

Authenticating customer identity is one effective strategy to help reduce the risk of both fraud and false positives. Another is turning to big data and machine learning to produce **faster, more accurate decisions** on whether orders are fraudulent or should be shipped. That greatly reduces the need for manual order reviews and ensures that orders pass quickly through fraud checks and on to fulfillment.



Case in Point

[ReserveBar](#) is an official e-Commerce partner for the world's best known spirits brands. Because the site offers premium products, it was hit with fraud as soon as it launched. After monitoring its losses and declining orders that seemed suspicious, ReserveBar implemented [Signifyd](#) to protect its premium customer experience and secure every possible sale. With advanced real-time machine learning and unlimited data from a global network of e-Commerce merchants, Signifyd instantly validates every order on ReserveBar's site, allowing for maximum sales with minimal cart abandonment.

"We chose Signifyd because they guarantee protection against fraud," said Lindsay Held, ReserveBar's President and Co-Founder. "If Signifyd is wrong about an order, they're the ones paying the fraud loss, including shipping, fees, taxes, everything. A company that takes responsibility for its decisions is a company that I can believe in."

With complete financial protection, Signifyd analyzes fraud faster and more accurately, allowing retailers to remove the friction that comes when orders are delayed or mistakenly denied.



Create More Efficient Internal Processes By Ensuring Tax Compliance And Accurate Pricing

The inability to calculate total cost up front is the fourth most-cited reason for cart abandonment, according to Baymard. The reason for an unclear total price is typically due to difficulty in calculating the correct tax rate.

That's understandable, because addresses on the same street and even in the same Zip+4 can have a different tax rate. The U.S. alone includes more than 11,000 tax jurisdictions, from states, cities and districts to economic development zones and transit, library or police jurisdictions. Each has its own, frequently changing rates and requirements.

It can take a retailer as much as 40 hours per month to keep tax tables up to date, and it can still make mistakes. To avoid having tax calculation slow the checkout process, many retailers estimate the tax at a flat rate. If they over-estimate, they can simply charge the customer less than the total price provided. But if they under-estimate, card processing rules state they cannot increase the charge — unless they described the price to the consumer as an estimate. And that is just the sort of uncertainty that triggers cart abandonment. Instead, the additional tax comes out of the retailer's margin.

Those aren't the only challenges:

- Errors in tax calculation also make accurate tax reporting a challenge, and subject retailers to damages in the event of an audit.
- The process of verifying a tax exemption certificate slows checkout. But accepting certificates at face value can cost retailers if there is an error.
- Nexus rules create confusion on when and how much tax must be charged, especially as states begin to act on the recent [South Dakota v. Wayfair](#) Supreme Court decision on online sales tax collection.

"There are industry standards for delivery point validation," said Mark Sieczkowski, Senior Product Manager for Vertex. "The benefit to the consumer of validating their address for sales tax calculation is that we can ensure we are applying the sales tax down to the local jurisdiction," to ensure accuracy and no surprises.

Case in Point

To move shoppers quickly through checkout, it's imperative that retailers use a well-maintained, actively managed cloud solution to automatically calculate accurate sales and use taxes on shopping cart items. When many successful retail brands began using [Vertex](#), they automated their entire sales tax process, freeing internal resources, reducing risk and ensuring an accurate tax calculation every time, according to Tammie Stringer, Director, Sales and Use Tax. Vertex also devotes considerable resources to staying on top of every tax change, such as post-[South Dakota v. Wayfair](#) state law changes.





Embrace A Cloud-Based E-Commerce Platform For Quick Access To Innovation And Scalability

Every one second of delay in load time of online content costs 7% in conversions, as reported by [Akamai](#). Those delays come in part from inadequate horsepower and the resulting inability to support fast load times and all the concurrent sessions needed to meet demand at a given moment.

That's why a growing number of retailers are outsourcing to a cloud-based e-Commerce platform, so they can rely on cloud experts to deliver that speed and horsepower instead of diverting precious and substantial internal IT resources to this task. According to [Forrester](#), more than one-fifth of retailers have now moved core business applications to the cloud — a significant jump over the past three years.

Outsourcing to the cloud also enables retailers to:

- **Automatically scale up** to maintain a fast checkout experience even during flash sales or other high-volume events, then step back when the traffic normalizes, paying only for actual usage;
- **Quickly access cutting-edge innovation** introduced by the cloud provider;

- **Easily access and integrate new services** from the cloud provider's partner network, such as content delivery networks or image optimizations, thus optimizing how thumbnail product images displayed in the cart can shave precious seconds off load time; and
- **Devote internal IT resources to innovating on the customer experience** like removing checkout friction through voice-enabled shopping, rather than maintaining infrastructure.

Not all cloud offerings are the same, of course. Infrastructure-as-a-service simply provides an external environment to host a retailer's e-Commerce site. Platform-as-a-service providers layer on services such as threat detection.

But to attain the type of services described here that truly support goals such as a faster checkout experience, retailers should look for platform-as-a-service providers that are purpose-built for e-Commerce, such as Magento Commerce. A fully realized, hosted, cloud-based e-Commerce provider offers services specific to retailers' digital needs, removing the burden of building and maintaining e-Commerce applications. Magento

also regularly invests in R&D; for example, with the most recent release retailers are seeing double-digit improvement in response times for cart and checkout pages. The company's developers are currently working on tools to make it easy for relatively inexperienced retail e-Commerce developers to build and deploy Progressive Web Applications, delivering a mobile app-like, engaged shopping experience to all customers.

"Magento Commerce on top of pre-integrated cloud services provides unrivaled innovation in e-Commerce built into the platform," said Chris Hedge, Senior Director of Product Management at Magento Commerce, an Adobe company. "Retailers don't have to build their own infrastructure; instead they can build the best customer experience on top of a best-of-breed platform."

By offloading platform support to a trusted cloud provider, retailers are free to focus on innovating on critical aspects of the customer experience such as a fast, friction-free checkout, which is proving to be a key differentiator in the highly competitive e-Commerce marketplace.



Conclusion:

Streamlined Checkout = Higher Conversions

A customer who has selected merchandise and started the checkout process has already established the intent to buy. Now it's up to the retailer to usher that shopper quickly and easily to a finalized transaction. By removing time, keystrokes, errors and other impediments and adding in options such as streamlined payment options, flexible payment terms, address auto-detection, secure transactions and compliance efficiency, all by using a dedicated e-Commerce cloud platform, retailers can cut down high cart abandonment rates, increase conversions and keep satisfied customers coming back.

Learn More



Vertex Inc., has been a leading provider of tax technology and services, enabling companies of all sizes to realize the full strategic potential of the tax function by automating and integrating tax processes, while leveraging advanced and predictive analytics of tax data. Vertex provides cloud-based, on-premise, and hosted solutions that can be tailored to specific industries for every major line of tax, including income, sales and consumer use, value added and payroll. Headquartered in Pennsylvania, Vertex is a privately held company that employs over 900 professionals and serves companies across the globe.



Magento, an Adobe company, is a leading provider of cloud commerce innovation to merchants and brands across B2C and B2B industries and was recently named a leader in the 2018 Gartner Magic Quadrant for Digital Commerce. In addition to its flagship digital commerce platform, Magento boasts a strong portfolio of cloud-based omnichannel solutions that empower merchants to successfully integrate digital and physical shopping experiences. Magento is the #1 provider to the Internet Retailer Top 1000, the B2B 300 and the Top 500 Guides for Europe and Latin America. Magento is supported by a vast global network of solution and technology partners, a highly active global developer community and the largest eCommerce marketplace for extensions available for download on the Magento Marketplace. More information can be found at [Magento.com](https://magento.com).



Amazon is guided by four principles: customer obsession rather than competitor focus, passion for invention, commitment to operational excellence, and long-term thinking. Amazon Pay, Selling on Amazon, Fulfillment by Amazon, Multi-Channel Fulfillment, AWS and Alexa are some of the products and services pioneered by Amazon. Amazon Pay makes it simple for hundreds of millions of customers around the globe to check-in and checkout using information already stored their Amazon account. The customer experience is trusted and familiar. In just a few taps they can complete a transaction without leaving your site. You maintain branding and the ongoing customer relationship. Integrate the payment solution that is built on years of Amazon e-commerce innovation and trusted by merchants and buyers alike.

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Klarna is a payments solution centered around making it smoother for consumers to shop. That means allowing your customers to pay now, pay later, sliced up over time, and many other ways to make shopping online smooth. Klarna works together with 90,000 merchants to serve more than 60 million users in North America and Europe. Klarna solutions are available through platform partners including Magento, where it is part of the latest core bundled extension starting with the 2.2.4 release.

Learn More



Loqate is the world's most trusted data specialist in location intelligence offering a faster, easier way to verify address data for customers across 240 countries and territories. By combining leading location technology with the richest worldwide data available, we give companies of all sizes the precision and reliability to deliver better customer experiences. Using real-time search capabilities our solutions capture accurate customer data, on any device, immediately at the point of entry. Our global API integrates seamlessly into any system, and from one, simple-to-use source, our customers can access our global data and knowledge repository for hyper-local insights that help generate more business and retain more customers. Trusted by 13,000 customers worldwide. We help every business in the world reach every customer in the world.



Signifyd, the world's largest provider of guaranteed fraud protection, is enabling retailers to provide friction-free buying experiences for their customers. Signifyd leverages big data, machine-learning and expert manual reviews to provide a 100 percent financial guarantee against fraud on approved orders that later turn out to be fraudulent. This effectively shifts the liability for fraud away from ecommerce merchants, allowing them to increase sales and open new markets while reducing risk. Signifyd is used by multiple companies on the Fortune 1000 and Internet Retailer Top 500 lists. Signifyd is headquartered in San Jose, CA.



Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. The *Retail TouchPoints* network is comprised of three weekly e-newsletters, special reports, web seminars, exclusive benchmark research, an insightful editorial blog, and a content-rich web site featuring daily news updates and multi-media interviews at www.retailtouchpoints.com. The *Retail TouchPoints* team also interacts with social media communities via Facebook, Twitter and LinkedIn.