

**“Online merchants critical about their payment service provider”**

By Jesse Weltevreden & Jorij Abraham, eCommerce Foundation



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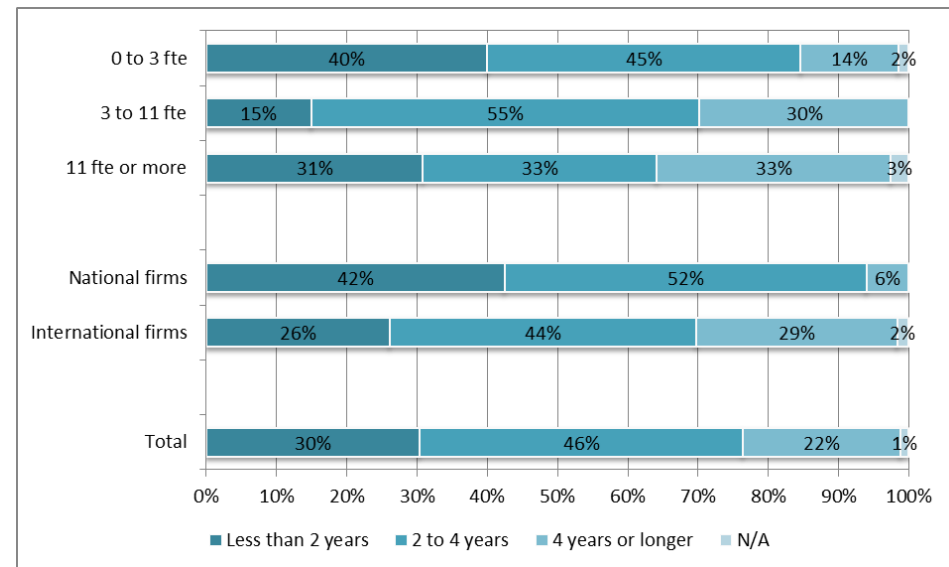
*The eCommerce Foundation is a non-profit organization whose goal is to help companies from various industries to improve their e-commerce activities by conducting research, facilitating knowledge sharing and supporting benchmarking efforts. The professorship E-business of the Amsterdam University of Applied Sciences is the Foundation’s research partner.*

*The Payment Service Provider Review is the third report within in the Online Service Provider Review Series of the eCommerce Foundation. The two earlier reviews evaluated Payment Service Providers and Affiliate Networks.*

Many online merchants are critical about the services of their payment service provider (PSP) and plan to reevaluate their current provider within the near future. This applies especially to larger online merchants. These are the main conclusions of an online survey carried out on 165 Dutch online merchants by the eCommerce Foundation and the Amsterdam University of Applied Sciences.

Without a sufficient payment process it is virtually impossible for companies to do business online. As such, PSPs play a vital role in the e-commerce process of companies. In order to assist online merchants in choosing the right PSP for their business, the eCommerce Foundation and the Amsterdam University of Applied Sciences annually scrutinize how satisfied and loyal online merchants are with their PSP. Results of the 2012 study have indicated that many web merchants have not yet established a long term relationship with their PSP (figure 1). Almost one in three online merchants used the same PSP for less than two years. In particular small (less than 3 fte) and national companies have not been using the same PSP for a very long period of time.

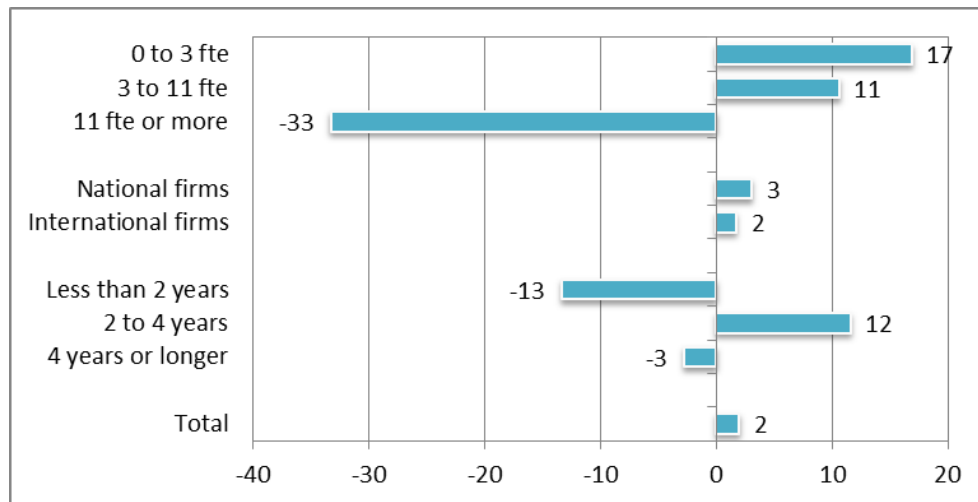
**Figure 1. The number of years that online merchants are customer at a PSP, according to company size (in fte) and type, in %, 2012**



Online merchants are most satisfied with the technical quality/availability and payment methods of their PSP. However, the differences among the evaluation criteria are small (ranging from a 6.0 to a 7.2 on a 10-points scale). Online merchants are least satisfied with the additional features, payment analytics, and reconciliation & reporting services that PSP’s offer to their customers. The larger online merchants (11 fte or more) are

most critical about these features. None of the criteria on which the PSPs were evaluated really stood out in terms of receiving a high grade from their customers. Moreover, other providers such as logistics service providers are much higher valued by online merchants than PSPs.

**Figure 2. The Net Promotor Score of PSP's, according to the size, type and PSP experience of online merchants, 2012**



Results have further revealed that online merchants are not very loyal to their PSPs. Although PSPs received a positive score of +2 on the Net Promoter Scale (NPS) from their customers, it is below average. For instance, according to the eCommerce Foundation's 2012 Logistics Service Provider review, the NPS for logistics service providers is much higher: +25,6. This means that the number of loyal online merchants (promoters) almost equals the number of companies that are disloyal (detractors) to their PSP. The largest online merchants in the study were least loyal to their PSP (figure 2). As such, it is not surprising that they were also most likely (62 percent have plans) to re-evaluate their PSP within the next twelve months.

About 51 percent of the online merchants stated that they plan to re-evaluate their PSP choice within the next 24 months, while 42 percent will do this in the coming year.

To summarize, PSPs score relatively low on the evaluation criteria and customer loyalty. Larger online merchants are most critical about their PSP. In addition, many online merchants have not yet established a long-term relationship with their PSPs and intend to re-evaluate their PSP in the near future. As such, PSPs should focus more on enhancing the relationship with their customers and offering innovative and high quality services that differentiate them from their competitors.

### Expert Opinions

A complete service is key to keeping customer satisfaction levels at their highest

By Paul Sherlock, CreditCall



*Paul Sherlock is Business Development Manager at payment gateway provider, CreditCall. He has over 14 years' experience in the UK card payments industry in both a technical and sales background.*

*His specialities within the payments sector include: EMV, Online Payments (PSP), Mobile, Transaction Processing, Payment Consultancy and Payment Security.*

*CreditCall provides specialised payment gateway services for the unattended market such as parking, ticketing and vending, in the UK, US, Canada and Europe. It also develops and certifies EMV Kernel software for Chip & PIN and Chip & Signature terminals that is deployed worldwide.*

E-commerce and mobile payments are continually growing in popularity across the globe, however, it's not all plain sailing – especially for merchants. Technology changes constantly and the e-commerce environment is ripe with security, reliability and application complications - merchants, therefore, need to make sure that they choose the right service provider. The key in keeping customer satisfaction levels at their highest is down to offering a complete service: a reliable and highly secure payment gateway,

technical expertise, personal service and also innovation. More efficient communication and instruction will help merchants to better understand the e-commerce environment so that they can use it as efficiently as possible and subsequently please their own customers.

With the maturity and popularity of e-commerce these days you would naturally assume that reliability and security are a given and wouldn't be a worry to merchants, but security breaches and outages still appear regularly in the news. Payment services providers can satisfy their customers by concentrating on providing a robust payment gateway and minimising transaction issues.



## Merchants seek a PSP to help them fulfil their revenue-generating potential

By Phil McGriskin, WorldPay



*Phillip has more than 13 years experience in the online payments sector.*

*Previously, he was a Director of Sales at Neteller and Commercial Director of Earthport. Most recently Phillip founded Envoy Services, which was acquired by Worldpay in 2011.*

*Following the acquisition, Phillip McGriskin took up the position of Chief Product Officer on the eCommerce board of Worldpay.*

*WorldPay is a financial technology company, specialising in payment processing. With offices in the UK, Europe, US and Asia, WorldPay supports 120 currencies. WorldPay works with a number of merchants that place great value on using a PSP that can provide a bespoke, one-stop-shop, end-to-end solution that meets their payment processing needs across multiple verticals.*

Merchants seek a payment service provider (PSP) that can help them fulfil their revenue-generating potential. In WorldPay's experience, to achieve this, a PSP should work collaboratively to maximise a merchant's global reach, increase transaction acceptance, optimise risk value, provide a flawless end-to-end experience and act as a strategic partner and advisor to their business. Merchants expect an experience which is seamless and adds value and a PSP should deliver this.

Merchants are regularly looking for new opportunities to increase transaction volumes, whether on a local or global scale. A PSP can support merchants to achieve this by providing payment processing, alternative payment, risk services and expertise. To support global merchants, a PSP should be able to draw on local knowledge – providing the best intelligence into the payment landscape across multiple verticals – and offering the widest range of payment options that appeal to the preferences of our merchant's customers.

A PSP should be able to increase merchant's transaction volumes by providing services and expertise that increase the proportion of legitimate transactions they receive and minimise fraudulent ones. Another issue that merchants look to address through their PSP is optimising the business cost and risk that receiving transactions brings to their business. A PSP should be able to reduce the cost and complexity of integrating and running these services, reducing back office costs and administrative and legal costs.

Merchants need a reliable service – one that enhances their ability to grow commercially. Payment services must be convenient and dependable, ensuring maximum uptime for merchants. By providing payment processing, acquirer provision, access to alternative payment methods, fraud and risk management and foreign exchange under one umbrella, a good PSP can remove the need for additional resources to manage each of these components.

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