



Payments in a Time of Social Distancing



How COVID-19 has affected global e-commerce and local payments

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Introduction

COVID-19 has shaken the global economy as the largest pandemic since the Spanish flu in the early 20th century.

Global GDP is expected to decrease within a range of -1.5% to -4.0% in 2020, according to several expert analyses. [1]

Social distancing has drastically shifted consumer behaviour, introducing a new set of challenges to shops and shoppers alike. Market observations on transaction volumes in Europe confirm a shift from in-store to online: The total number of in-store debit card transactions were -26% from the same period in 2019. [1]

However, there is a lot of positive news for e-commerce businesses as global consumers are increasingly shopping online for what they need.

For merchants, going global helps them tap into new audiences and provides diversification. Yet, it also increases complexity that can be hard to navigate.

In this whitepaper, we will look at the monumental (and likely permanent) changes in consumer behaviour, reveal which industries are still enjoying growth, dig into the local payment methods that will play an increasingly important role in global e-commerce, and cover our top tips for merchants to emerge from this crisis even stronger than before.

The great digital shift

COVID-19 has been the catalyst for major changes in daily life; how we take classes, do our jobs, connect with friends, and definitely how we shop. Online shopping has already been the norm with Gen Z and Millennials, but COVID-19 has been an inflection point for older demographics and slow adopters.

Gen X and Baby Boomers are often reluctant to change their habits, [2] but this pandemic has disrupted the status quo in many respects.

Throughout the first half of 2020, discretionary spending has dropped due to a surge in unemployment rates. And PPRO's own data reflects a dip in January and February for many retail merchants, due to supply chain issues in Asia.

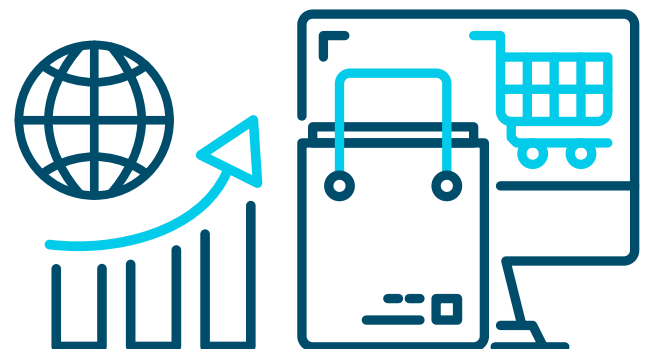
However, e-commerce is now enjoying growth, particularly for the essentials; PPRO's transaction data has shown over a 285% increase in online purchases of food and beverages from January to June 2020. That figure is in stark contrast to in-store transaction volumes in March and April 2020; down by up to -90% according to EY Parthenon. [1]

Globally, e-commerce is enjoying an all-time high

US e-commerce sales will climb 18% to reach \$709.78 billion in 2020 [3]

Across Europe's three largest markets (France, Germany, the UK), up to 80% of shoppers are now making at least half of their purchases online [4]

China entered COVID-19 with over 35% of its retail spend in e-commerce, but it's projected to be over 50% by 2021 [5]



The great digital shift

In-store volumes are expected to recover slowly over time, but many new online shoppers will remain online for its inherent convenience.

The reality is that, even as lockdown periods come to an end, consumers around the world will be social distancing for a long time to come.

New shopping habits are taking root. Research commissioned by Visa shows that 74% of UK consumers think they will continue to prefer online shopping even after the lockdown restrictions start to lift. [\[6\]](#)

And in a different survey conducted by FIS, 40% of US consumers say they will shop online more than in-store going forward. [\[7\]](#)

“ 74% of UK consumers think they will continue to prefer online shopping after lockdown. ”

E-commerce sectors enjoying growth

As consumers across the world faced business and school closures, working from home, and lockdowns to varying degrees, the internet became a great enabler.

From online shopping to video catch-ups and conferences to e-learning and gaming platforms, much of the world is spending more hours on-screen than ever before.

E-commerce has provided the safest (and sometimes the only) access to basic necessities, although a look at the data will show that it isn't just shops delivering essentials who are seeing an uplift in revenue.

Despite many consumers cutting back on non-essential spending, home décor has been at the top of many online shopping lists: DIY essentials, plants, furniture, home furnishings, and fitness equipment to make the lockdown period more comfortable.

39% of consumers have signed up to a new subscription in the last three months: TV, film and music streaming services were most popular, but many people are now subscribed to fresh produce boxes and meal delivery kits. [6]



Top items purchased online during lockdown period

Growth shown in PPRO's cross-border transaction engine January - June 2020

-  Women's clothing stores: **↑ 311%**
-  Food and beverage: **↑ 285%**
-  Healthcare and cosmetics: **↑ 160%**
-  Furniture and home furnishings: **↑ 143%**
-  Electronics: **↑ 123%**
-  Gaming: **↑ 105%**
-  Jewellery and accessories: **↑ 83%**
-  Forex: **↑ 47%**
-  Charitable and social service organisations: **↑ 44%**
-  Media, books, movies and music: **↑ 37%**

A sudden flood of competition

In the early weeks of the pandemic, COVID-19 revealed a structural problem in our reliance on big-box retailers. Consumers suffered shortages of goods and frustrating checkout experiences, but big businesses responded with unprecedented agility. Many smaller brick-and-mortar retailers are now online for the first time, enabled by various e-commerce plug-and-play platforms that allowed them to sell online in a matter of days.

This rapid increase in online shopping has created an interesting challenge for merchants. More consumers mean higher earning potential, but they also mean more competition in the marketplace. To stand out, merchants are streamlining customer and user experience – both in digital and physical spaces. E-commerce retailers have redesigned their sites. Brick-and-mortar stores have offered (or entirely become) click-and-collect points.

With all this increased quality and choice in the market, it won't be a surprise when consumers (who already insisted on intuitive user journeys pre-pandemic) show zero tolerance for sites that are not at least easy to use. And when it comes to that all-important payment experience, it's critical to have checkout flows that feel invisible for digital natives, yet inspire trust for those late-adopters.









“ The payment experience is the make-or-break moment of conversion. ”



Average cart abandonment rates are estimated between **60% - 80%** [8]

Why do online shoppers abandon their cart?

Consumers across the UK, France, Spain, Italy, Belgium, Switzerland, The Netherlands and Germany ^[8]

-  Shipping costs too high: **40%**
-  Price comparisons: **33%**
-  Preferred payment method not available: **20%**
-  Delivery time too long: **15%**
-  Website too slow: **12%**
-  Security concerns: **12%**
-  Lack of details on returns: **11%**
-  Preferred delivery option not available: **8%**

Local payment methods boost global conversion

COVID-19 has driven consumers to look outside their immediate geography for goods and services. Major drivers of this are a lower price point, a better quality of products, and lack of availability due to global supply chain challenges.

The opportunity for merchants to sell across their borders has never been greater; it can be a solution to bridge revenue gaps and increase reach to an entirely new, global audience.

However, collecting funds in other markets is also more challenging than ever because – like all aspects of culture – payment preferences vary significantly from country to country.

“ The term has shifted from **alternative** to **local** payment methods because these payment types are no longer alternative; they are the global norm. ”

Local payment methods boost global conversion

Local payment methods such as bank transfers, e-wallets, cash-based payments and other payment types are currently the vast majority of e-commerce transactions globally; they are projected to move from over 65% to over 72% by 2023. [9]

















Many Europeans prefer paying online with bank transfers like iDEAL, BLIK, or Trustly. And e-wallets like Alipay, WeChat Pay, Go-Pay, OVO and GrabPay completely dominate payments in Asia.

Offering local payment methods (LPMs) has always been a critical part of boosting conversion across borders. But now more than ever there is an increased demand on payment service providers and e-commerce shops for payment diversity.

During the pandemic and the looming global recessions, consumers will cling more tightly to their money.

Top cross-border markets & LPMs used during height of pandemic

Growth shown in PPRO's cross-border transaction engine January - June 2020

Merchants	Top Payment Methods	Customers
 Luxembourg	 	 Poland
 Cyprus		 Netherlands
 Germany		 Belgium
 Ireland		 Netherlands
 France		 Germany

Payment methods on the rise

As assumed pre-crisis, e-wallets and other digital payment methods will continue to gain market share as credit card transactions shrink. Accelerated by the pandemic, there has been a global shift away from traditional cash and card payments toward digital payment methods – in both digital and physical spaces – for quite some time.

Deemed as a possible way to spread the virus, cash transactions have decreased around the world – indeed they have dropped by over 50% in the UK. [\[1\]](#)

Out of social distancing necessity, the pandemic led to increased use of contactless, digital payment methods like mobile e-wallets, mobile wallets and bank transfers. Many retailers, particularly in the US, who have long resisted installing contactless technology due to processing fees have now been compelled to offer it. And they aren't the only ones; contactless payments in Brazil, for example, have grown 5X over one year. [\[1\]](#)

Before the pandemic, Buy Now, Pay Later and financing schemes – such as Klarna, which gives shoppers the option to pay for online purchases later, either in a single repayment or instalments – were primarily used by younger demographics to break up payments on big-ticket items, luxury goods, and travel. Now, however, many are predicting the increased usage of these schemes as workers remain on furlough or unemployed.

“ Around the world, there are hundreds of local, digital payment methods that – if offered in their respective markets – can be a lever for growth for online merchants. ”

E-wallets growing globally, fuelled by APAC



Alipay is China's top mobile payment method, with a share of more than 54% of the market. [10]

The Alipay e-wallet is a critical payment method for any business looking to reach a critical mass of Chinese shoppers. This third-party online and mobile payment platform belongs to the Alibaba group and is supported by mega-platforms Taobao, Amazon, JD.com, as well as 40 million independent online and offline stores. Chinese shoppers use Alipay at home and abroad for a variety of transactions including e-commerce, bill payments, peer-to-peer transfers, mobile top-ups and in-store purchases.



WeChat Pay is considered one of the two leading super apps in China (alongside Alipay).

WeChat Pay was released in 2011 by Tencent as part of their WeChat social messaging app, the preferred messaging platform in China and one of the world's most widely used apps. WeChat Pay enables 800 million monthly users to conveniently access taxi services, pay utility bills, donate to charity, and more. WeChat Pay supports e-commerce, P2P and online payments, as well as in-store transactions and cash withdrawals.



OVO is an e-wallet in Indonesia, where almost 20% of consumers use e-wallets to pay for goods and services.

OVO is hugely popular, present in 115 million devices, offering lucrative cashback rebates (as OVO points) to entice consumers to use OVO. According to data from Bank Indonesia, OVO was the country's top e-wallet service based on transaction values: it accounted for 37% of total digital payment transaction values in the first six months of 2019.

Bank transfer payments wildly popular in Europe



Created in 2017, BLIK is a mobile bank transfer service, a joint venture of the six largest banks in Poland.

A rapidly growing payment method, BLIK currently has over 8 million users, accounts for 35% of the e-commerce market in Poland, and is now supported by all major Polish banks via their mobile banking apps. By offering BLIK at checkout, merchants can increase reach to 90% of all Polish banking consumers.



MyBank is an online bank transfer payment method with more than 40 million users across Europe; it is particularly popular in Italy and Spain, two of the first few epicentres of the pandemic.

MyBank works in cooperation with 250+ banks to create a simple payment experience for consumers and a secure experience for PSPs and merchants; the immediate authorisation of payments reduces the risk of fraud and chargebacks.



Founded in Sweden in 2008, Trustly is an online bank transfer method, which operates across 29 countries.

Trustly supports more than 6,000 banks and access to over 600 million consumers in Europe and North America – including all major banks in Sweden, where it is wildly popular. It enables shoppers to pay instantly from their bank accounts, offering a smooth experience with instant confirmation, fast refunds, no entry or storage of sensitive data, and no daily limits.

How merchants can overcome the challenges ahead

Evidence from Wuhan, the capital of the Hubei province in China, suggests that even after a pandemic lockdown eases, customers may continue to be cautious about returning to brick-and-mortar shops. [11]

Online merchants can leverage this opportunity to offer seamless shopping experiences to a global customer base who is spending less time in shops and more time online.

Our top 5 tips for e-commerce shops

1.



Strengthen the user experience of your e-commerce shop

To maintain competitive advantages, many shops are applying new vigour to the digital experience.

Merchants must create user journey maps and conduct user research to find and eliminate friction or leaky points in the experience. A crucial area to scrutinise is checkout: Are you offering the customer's preferred payment methods? How do you follow up if they don't complete the payment process?

2.



Analyse cart abandonment rate

Globally, average cart abandonment rates are between 60% and 80%.

There are many reasons a customer could be leaving their purchase behind, but 1 in 5 abandoned carts are caused by the lack of preferred payment methods at checkout. Addressing this issue can be a quick fix for boosting conversion rates.

Our top 5 tips for e-commerce shops (cont.)

3.



Remove complexity at the point of checkout

Recent PPRO research found that over half of US and UK consumers report they would stop a purchase if the checkout process is too complicated. [2]

37% of UK consumers avoid shopping with sites that require repeat entry of payment credentials. Keep it simple at checkout, yet also remember to add tips or instructions in plain language for the late e-commerce adopters; reassure them by adding a visual progress indicator to the checkout process.

4.



Consider new markets

Eyeing cross-border sales opportunities? Now is the time.

More and more customers are online, looking for products or services that suit their very specific needs. Merchants could be reaching untapped markets by offering the right mix of goods, the user experience, local payment methods, and delivery options.

5.



Find out what local payment methods customers in each target market prefer

With over 450 significant local payment methods across the globe, each country will have different payment preferences.

Work with your payment service provider to activate as many payment methods as possible at your checkout. Prioritise those methods used and trusted by new and prospective audiences.

Conclusion

Before COVID-19 upturned life as we knew it, 2020 sounded so futuristic; there were endless thought pieces in January 2020 on how the internet and AI were taking over.

But, as it has turned out, technology has become one of humanity's greatest gifts, enabling us to connect, keep working, and get access to the goods and services we need.

In these turbulent times, e-commerce has been a powerful force for good, connecting people to products and services that improve their lives. Despite a world of uncertainty, we are confident that e-commerce will continue to grow. And consumers will still look outside their home markets for the products they want.

Offering a customer-centric payments experience is more crucial than ever. Yet, for global businesses, that's easier said than done.

That's why our global platform enables you to expand and accept local payments in more than 175 markets with – essentially – the push of a button.

A whole world of payments insights at your fingertips

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*Not all LPMs covered in the Almanac are available on PPRO's platform.
The index is an objective view of all the significant payment methods across the globe.

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PPRO is the world's leading local payments platform-as-a-service, removing the complexity of domestic and cross-border payments for top-tier financial institutions, payment service providers, and their merchants.

PPRO provides partners with the ability to accept locally preferred payment methods like e-wallets, bank transfers, cash, and local cards in more than 175 countries across the globe. Through one contract and one API.

PPRO's powerful platform does it all – processing, collecting, reconciling, reporting, settling funds, and more – and we've got market experts in every region so that partners can turbocharge their speed-to-market and increase conversion in every corner of the world.

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For more information, please visit
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