2023

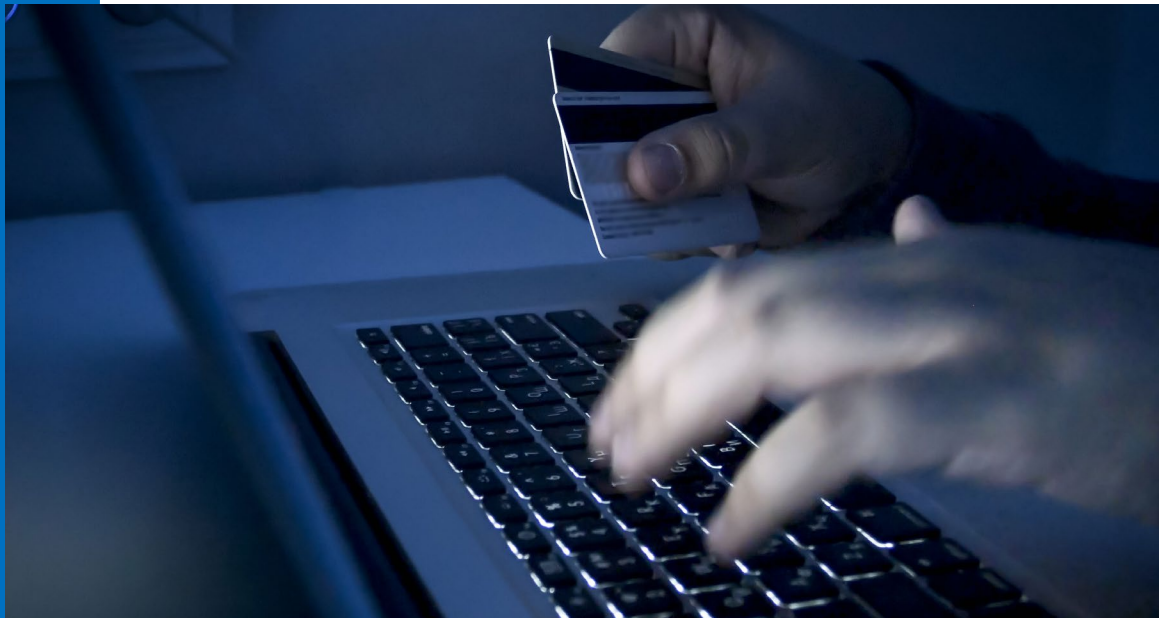# PAYMENTS & FRAUD

How Consumer Sentiment on Payments, Fraud, & Security Impact Customer Experience Preferences

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Intro

Consumer experience with retail payment solutions and fraud prevention highly impact their customer experience and loyalty. What are they experiencing in 2023? And what can eCommerce retailers learn from it?

Radial conducted a consumer survey to explore shoppers' experiences, preferences, and concerns regarding payments and fraud prevention within online shopping. The goal was to understand how these factors influence consumer behavior, brand trust, and their overall online shopping experiences.

In this report, explore our findings and how eCommerce retailers can optimize their payments and fraud solutions to improve customer experience.

Executive Summary

Matt Barr
VP of Marketing & Product

In a consumer survey, Radial inquired about how payment solutions, security, fraud, and privacy impact the customer experience. Our key findings include:

- 58% prefer brands with multiple payment options, with 60% using PayPal

- 48% are concerned over website security, while 45% are concerned with how a brand uses their personally identifiable information (PII)

- 48% have abandoned a cart because the website did not seem secure, while 45% left because they were worried how the brand would use their PII

- 50% believe strong passwords are most important to online shopping security, followed by 2-factor authentication

- 1 in 3 consumers has been a victim of fraud in the last six months

- 40% have been tricked by fake websites

- 24% will stop shopping with a retailer if their order is canceled due to suspected fraud

These stats paint a story of how fraud experiences are influencing security concerns among consumers, and reveal that brands must address these particular security concerns if they are going to build trust and loyalty, and improve conversion rates.

We invite you to read the study findings in depth to learn how brands can optimize customer experience in each area of consumer concern.

1 in 3

consumers has been a victim of fraud in the last six months

Payments

Our research into payment solutions unveiled that payment and security go hand-in-hand for consumers, and that while they prefer multiple payment options, they also need to be assured that their payments are secure in an overall secure online shopping experience. Options and security impact everything from customer loyalty to cart abandonment — and consumers have perceptions about what makes online shopping safe and secure.

Omnipayment is Part of Omnichannel

Payment solutions have become a new competitive field for many online retailers as they strive to drive conversions by offering a wide variety of payment options. Omnichannel shopping includes omnichannel payment options that cater to customer preferences. Buy now pay later solutions are mainstream in the eCommerce industry, as are payment wallets, like PayPal, Venmo, and Google Pay.

In fact, the majority of consumers consider the availability of multiple payment methods an essential factor when choosing an eCommerce brand.

58%
Prefer retailers/brands that offer multiple payment methods

42%
Say the number of payment methods doesn't influence them

Most Used Payment Wallet Solutions

- **60%** PayPal
- **42%** CashApp
- **36%** ApplePay
- **33%** Venmo
- **28%** Google Pay
- **21%** Amazon Pay
- **13%** Samsung Pay

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Consumers have their favorite, trusted wallets that offer them convenience, speed, and simplicity during checkout. They also want standard credit/debit cards, as well as buy now pay later opportunities.
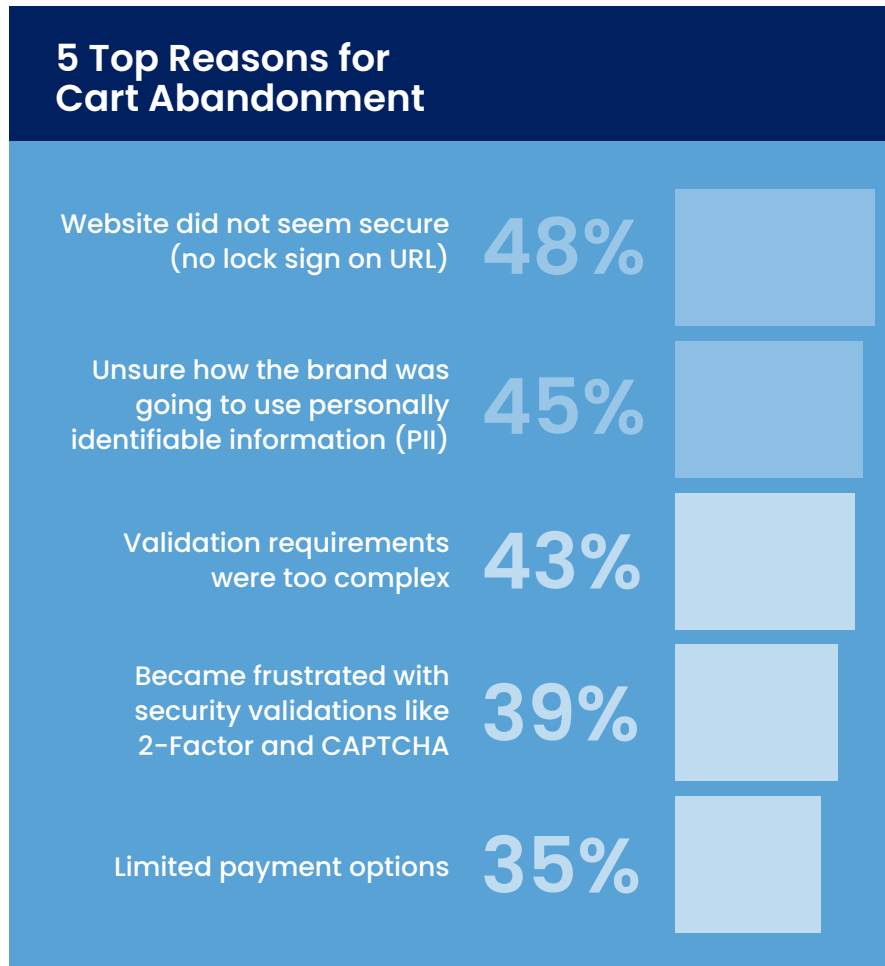
eCommerce retailers need to rethink their payment solutions strategy and tailor options according to data that supports a majority usage. Omnipayment does not require offering every available payment option; in fact, this costs retailers significantly. By optimizing payment solutions according to what a brand's customers most use, retailers will cater to the majority and contain payment solution costs.

Security Concerns Drive Cart Abandonment Rates

With multiple payment options comes increased security concerns over fraud and personally identifiable information (PII). In fact, security concerns have a significant influence on cart abandonment rates. And, consumers are looking for specific security measures to judge whether or not shopping with an online brand is safe.

When asked if they had abandoned a cart for one of the following reasons, here's why consumers did so:

5 Top Reasons for Cart Abandonment

Website did not seem secure (no lock sign on URL) **48%**

Unsure how the brand was going to use personally identifiable information (PII) **45%**

Validation requirements were too complex **43%**

Became frustrated with security validations like 2-Factor and CAPTCHA **39%**

Limited payment options **35%**

This data shows that retailers need to pay attention to the security experience and need to clearly communicate how they use PII.

If cart abandonment rates are ticking up, evaluating the two top reasons and improving that experience may help improve conversions.

So, what do consumers believe makes their online shopping experience more secure?

When ranked in order of importance from 1 to 5, with 1 being most important, consumers ranked them as:

1. Strong passwords

2. Two-factor authentication

3. Verified by Visa/Mastercard SecureCode

4. Bank transaction monitoring and alerts

5. Biometrics

Retailers need to pay closer attention to assuring consumers that their websites and apps are secure, and need to disclose how PII is used. But they can also improve the security experience by offering on-screen prompts to strengthen password protection and implementing easy two-factor authentication. Reducing friction by making authentication checks easy and remembering users on trusted devices will help improve the experience.

In Summary

Consumers value and select brands based on a secure online shopping experience and multiple payment options that make transactions easy and convenient. Retailers and brands can improve the customer experience by prioritizing robust security measures, streamlining the checkout process, offering key payment options, and ensuring a smooth payment experience that meets customer expectations and enhances their online shopping experience.

Fraud

Today's consumers face a multitude of fraud schemes while shopping online, which fuels their concerns over security. In our survey, we found that one in three consumers had fallen victim to fraudulent activity in the last six months, wherein their credit card or financial information was obtained and misused without their consent or they were fooled by a fake website.

1 Out of 3 Victim of Fraud

33%

have been a victim of fraud where someone outside of their family or household obtained and misused credit card or financial information without consent

Consumers are wary and yet, the rate of fraud attacks continues to grow. To get an idea of how consumers are being impacted by fraud, we asked about their experiences over the last six months.

What kind of fraud have they experienced? Top Fraud Experiences

41%	unauthorized credit card charges	19%	identity theft
40%	phishing scams	18%	account takeover by criminals gaining unauthorized access to online accounts
40%	fake online retailers or websites		

Clearly, consumers are having to navigate the fraud landscape as they shop online. The percentage of those tricked by fake websites, phishing scams, and unauthorized use of their PII correlates to their top security concerns.

Retailers need to understand how consumer fraud experiences drive their security concerns, and work to beef up security and address those particular areas. Consumers need verification that websites are authentic and need to know how a retailer will and will not use their PII. Consumer trust is built on having reliable, consistent, secure experiences across every channel of a brand.

Automated Fraud Prevention Can Backfire

While consumers want to be assured of security measures, brands that do not balance automated fraud prevention with manual fraud reviews run the risk of turning away legitimate customers.

In our survey **23% reported that a retailer had canceled their online order due to suspected fraud.** When asked if this would make them stop shopping from that retailer in the future, 24% said yes and 43% said it would depend on how the retailer handled and communicated the situation with them.

24%

will stop shopping with a retailer if their order is canceled due to suspected fraud

43%

say it depends on how the retailer handles it
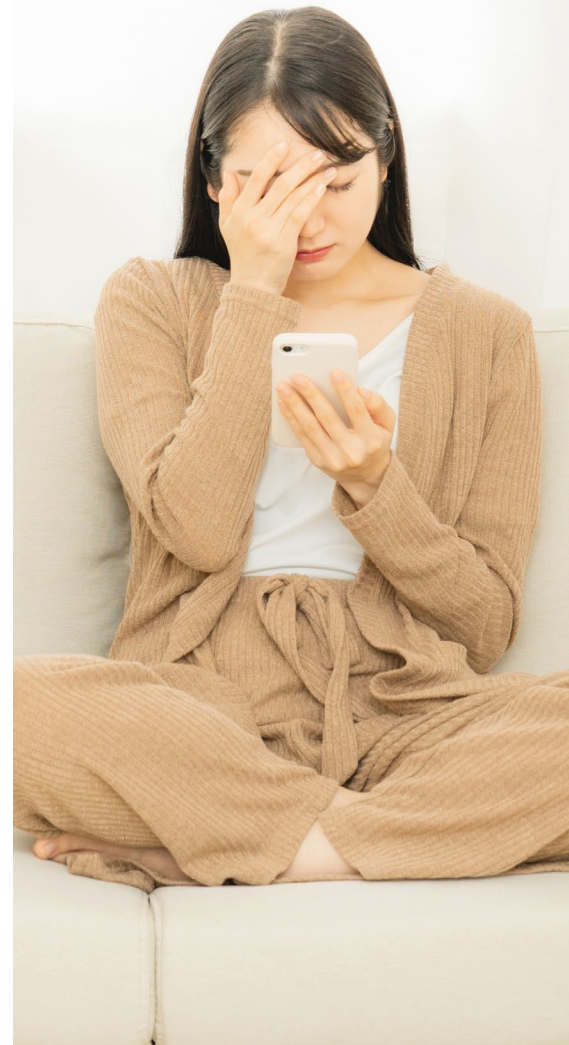
False declines happen when fraud prevention is not configured properly or when humans are not doing manual reviews to discern unique circumstances and avoid declining legitimate customers.

Having a robust fraud detection solution in place that combines the power of AI, ML and human inference, such as Radial Payment Solutions, is key to discerning genuine fraud incidents from legitimate customer orders, safeguarding the bottom line and the overall customer experience. Building trust and ensuring a secure online shopping environment is paramount in pursuing eCommerce success.

In Summary

Fraud is impacting consumers at high rates and driving their security concerns. Brands need to improve security and communicate those measures to consumers. Educate customers on how to identify fake websites or retailers, and on the security measures you are implementing.

Radial Payment Solutions provides advice and end-to-end fraud prevention.

Customer Experience

Payments and fraud highly influence the customer experience. How well eCommerce retailers streamline their payments, security, and fraud prevention can have significant impacts on customer loyalty. As brands improve their omnichannel experience, they need to be mindful of privacy and security concerns consumers have over personalization.

What Matters to Customer Experience

We asked our survey respondents to rank the factors that were most important to their online shopping experience, with 1 being most important and 4 being least. Secure payment transactions were weighted the most important, followed by a convenient and quick checkout process. Smooth and seamless payment processing ranked third, followed by multiple payment options.

What's Most Important to Your Online Shopping Experience?

1	**2**	**3**	**4**
Secure payment transactions	Convenient and quick checkout process	Smooth and seamless payment processing	Multiple payment options

All four are important, and retailers need to optimize each one for a positive customer experience. Doing so can be challenging when dealing with different vendors for each aspect. Radial Payment Solutions offers a full range of retail payment and fraud detection solutions for online retailers.

Omnichannel Personalization Needs to Respect Privacy

Most retailers are focusing on how to improve personalization through their reward memberships and apps, creating an omnichannel awareness of each customer's engagement history

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12

We asked survey respondents their opinions on in-store brand recognition based on their online purchase history. Here's what they said:

24%

Yes, I would like the brand to recognize me based on my online purchases. It would enhance my personalized shopping experience and enable tailored recommendations.

37%

No, I prefer to remain anonymous in physical stores. I value my privacy and don't want my online activities linked to my in-store experience.

23%

I'm undecided/I have mixed feelings. While personalized recognition can be convenient, I'm concerned about potential privacy implications.

17%

I'm not sure/I don't have a preference.

with the brand. However, while many customers welcome omnichannel recognition, many consumers are wary of it.

At this point in time, the majority of consumers are hesitant about brands recognizing them based on their online shopping purchases. Whether this reflects their true desire to remain anonymous or masks a deeper concern for privacy and security, remains to be discovered.

Brands need to tread carefully when it comes to their assumptions about omnichannel recognition. Addressing privacy and security concerns may go a long way to gaining buy in and adoption of omnichannel apps and technology within stores. Giving customers clear opt-in and opt-out choices is also a wise strategy.

In Summary

Customer experience is influenced by security and privacy concerns. eCommerce retailers need to understand how these concerns impact consumer sentiment and proactively address them. Having robust security measures, privacy policies, and clearly communicating those with consumers will improve their peace of mind, trust, and confidence in your brand. Customer experience needs to incorporate payment solutions, fraud, security, and privacy if it is going to gain and retain customer loyalty.

Conclusion

Our study reveals that the customer experience consists not just of the mobile, app, website, or physical store experience, but is underpinned by foundations of payment experience, security, fraud prevention, and privacy issues. Retailers need to lead with secure and trusted payment methods or risk taking a hit to their bottom line in both lost capital and brand loyalty. Brands should communicate updates to services and payments, educate consumers on security measures and be transparent about their use of data. Improving the payments, fraud, and security experience will go a long way to building trust and improving the lifetime value of customers.

To learn more about Radial Payment Solutions and how to turn payments into a strategic advantage while safeguarding against fraud, please visit Radial Payment Solutions.

Methodology
Radial conducted the survey with Dynata in June 2023, targeting 1,000 general U.S.-based consumers over 18 years of age.

About Radial

Radial is the pre-eminent B2C eCommerce fulfillment solution provider powering some of the world's best customer experiences. Global brands have trusted us for 30+ years to help them deliver a distinctive consumer experience through tailored, personalized, and scalable solutions. We partner with clients across Europe and North America with technologies such as advanced order management and omnichannel, payment and fraud management, and customer care services. Learn about our solutions at radial.com

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