**PayPal**

# The ultimate guide to checkout optimisation

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# The ultimate guide to checkout optimisation.

Businesses are challenged to deliver fast, secure, and personalised experiences or potentially risk losing out to competitors. Catering to diverse customer preferences means managing complex back-end systems and possibly multiple payments service providers (PSPs).

To help drive profitability, businesses must:

- ✓ **Grow sales** by improving conversion rates and expanding into new markets
- ✓ **Optimise back-end systems** to drive authorisation rates and reduce costs
- ✓ **Minimise losses** by managing fraud and chargebacks

**73%**

**of customers surveyed said they expect better personalisation.**[1]

A PSP like PayPal can help organisations to optimise the entire customer journey — before, during, and after a transaction — while satisfying customers.

**This guide will explore the back-end tools that businesses need to help satisfy customer expectations.**

# Optimisation throughout the shopping journey.

An excellent payments experience isn't limited to checkout. PSPs with integrated suites of optimisation tools can help businesses to engage customers throughout the shopping journey.

## Pre-transaction

Prepare for an optimised experience even before shoppers arrive.

- Account updater
- Network tokenisation
- Orchestration/ smart routing
- Personalised offers

## During transaction

Help shoppers to check out quickly.

- Preferred payment methods
- Low-friction login/ authentication
- Advanced fraud filters
- Smart retries

## Post-transaction

Automate disputes, make payments quickly, and re-engage good customers.

- Chargeback protection
- Payouts
- Package tracking and offers

**PayPal Braintree can help large enterprises to increase card processing authorisation rates by up to five percentage points higher than the market average.[2]**

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[2] Comparative analysis showing average auth rates of major global payments network and PayPal internal data, from online transactions over a 12-month period betw. Oct 2022–Sep 2023. Does not include transactions from domestic schemes (e.g., Cartes Bancaires, EFTPOS). Among LEs. Excludes transactions from Amazon and Meta. Delta (arithmetic difference) between Braintree and market authorisation rates based on number of transactions. Composite results weighted across countries (United States, United Kingdom, Australia, Germany, France, Italy, Spain, Canada, Brazil) based on size of 2023 digital commerce markets, sourced from Euromonitor.

**Pre-transaction**

# Minimise declines from expired cards.

Keep customers' stored primary account numbers (PANs) automatically updated with account updater tools.

Automatically updating card credentials improves the customer experience, while potentially raising conversion rates and optimising authorisation rates by:

- ✓ Minimising declined transactions
- ✓ Successfully retrying declined transactions
- ✓ Reducing time at checkout

## 38%
of enterprises use account updaters to reduce failed transactions.[3]

[3] Merchant Risk Council (MRC), "2024 Global eCommerce Payments & Fraud Report." The survey sample included a diverse mix of SMBs, mid-market, and LE merchants across 37 countries. Research conducted from Oct–Dec 2023.

**Pre-transaction**

# Help to keep shoppers' data secure.

Network tokenisation helps to secure customer payment information by turning card numbers (PANs) into unique tokens that are stored in a business's vault.

When a customer first uses their card at a specific shop, the PSP asks the card network (e.g., Visa) to create a network token for that card and shop. When that card is used again at that shop, the PSP can reuse that same token and send a one-time-use cryptogram to the card issuer (e.g., a bank) for payment processing.

Because card networks issue network tokens, they may be more likely to approve transactions that use them. Tokens may also be more cost-effective, because they carry lower interchange rates in certain markets.

**47%** of businesses surveyed use network tokenisation to improve credit card authorisation rates.[4]

Network tokenisation can also:

- ✓ **Reduce declined transactions** from expired, lost, or stolen card numbers, because card networks automatically update tokens

- ✓ **Decrease the chance of fraudsters stealing sensitive information,** because card numbers aren't used

Businesses that use network tokens may see customers complete more purchases, driving authorisation and conversion rates — and also encouraging repeat purchases.

# Discover endless possibilities with orchestration.

Onboarding one payment orchestrator with prebuilt connections to multiple PSPs helps a business to effectively create a payments ecosystem — without the complexity of adding each PSP individually.

Orchestration can help global businesses to create smooth customer experiences, lower costs, raise conversion rates, and decrease the likelihood of chargebacks.

Suppose a customer in Greece wants to buy art from a UK-based dealer. A UK-based bank may decline the unfamiliar Greek card. Or, the dealer may pay hefty cross-border fees.

Routing to a Greece-based payment processor can help the sale to succeed, while potentially eliminating the extra fees. Local processors often enjoy higher authorisation rates from local banks familiar with that region's PSPs, banks, and customers — and use the same currency.

> **Orchestration increases a business's efficiency and modernises the customer experience."**
>
> — **Irina Nichol**, Senior Director, PayPal Braintree Processing

**Orchestration works with smart routing strategies specific to each business, predicting the best path for each transaction.**
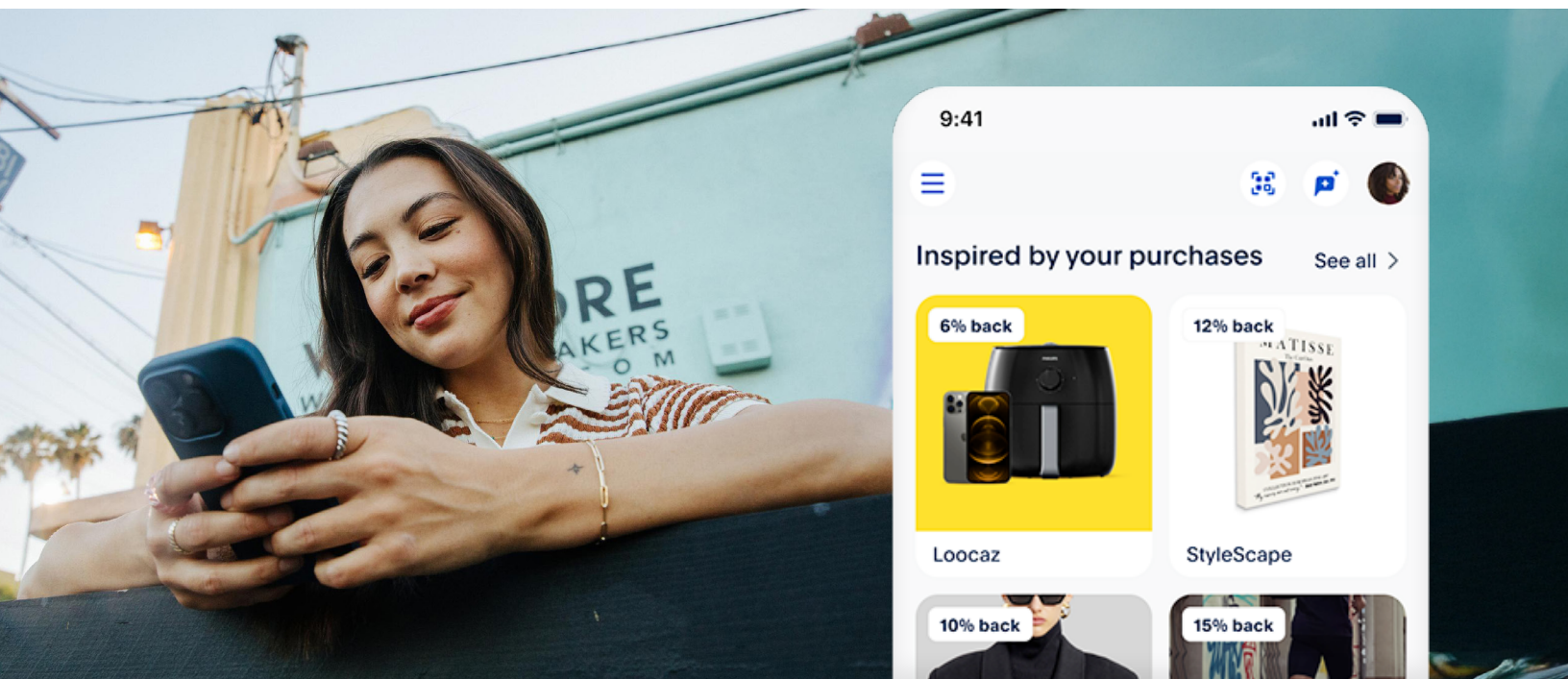
**Pre-transaction**

# Reach customers early with personalised offers.

Using personalisation to reach customers early in the shopping journey is critical. Businesses can reach customers with innovative ad formats — such as item-level offers specific to them — before they reach checkout.

Presenting upstream messaging — such as personalised rewards on product pages — can encourage customers to complete purchases. Using AI models that analyse transaction data, businesses can surface and strategically place hyper-relevant offers throughout their websites.

**80%** **of businesses saw a 38% increase in average spending when the customer experience is personalised.**[5]

[5] Twilio Segment, "The State of Personalization Report 2023," May 2023.

# Offer preferred payment options to help drive conversions.

Customer payment preferences differ across global markets. Offering alternative payment methods (APMs) — including local payment methods (LPMs) such as bank payments, vouchers, and digital wallets — can help businesses to expand into new markets while catering to local customer preferences.

Offering local markets' preferred payment methods can also help businesses to increase authorisation rates, as local banks are more familiar with and willing to approve these payment methods.

## 68% of customers said they will not shop at a retailer that doesn't offer their preferred payment type.[6]
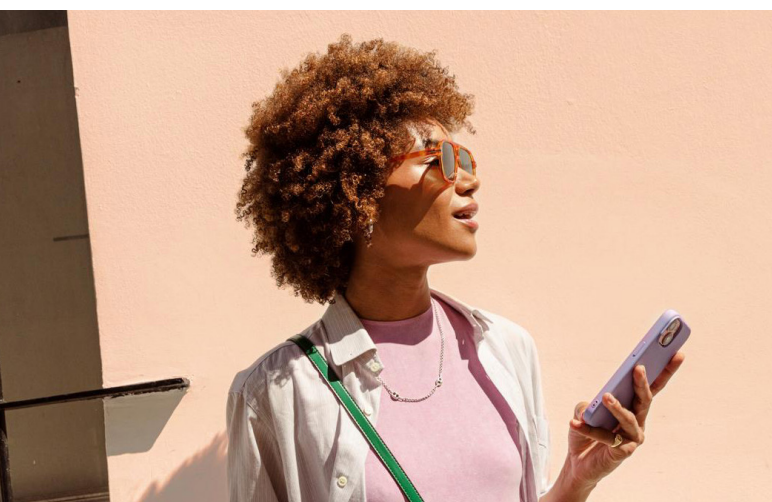


**Mobile wallets accounted for roughly half of global e-commerce payment transactions in 2023.[7]**

6  IDC InfoBrief, spons. by PayPal, "Do Retailers Really Know What Digital Shoppers Want?" Doc. #US49041822, May 2022. The survey conducted by IDC among 505 large enterprises and 10,054 consumers in five markets: United States, United Kingdom, Australia, Germany, and France.
7  Statista, "Most used payment methods in e-commerce worldwide in 2023, with a forecast for 2027," May 22, 2024, acces. Jun 21, 2024.
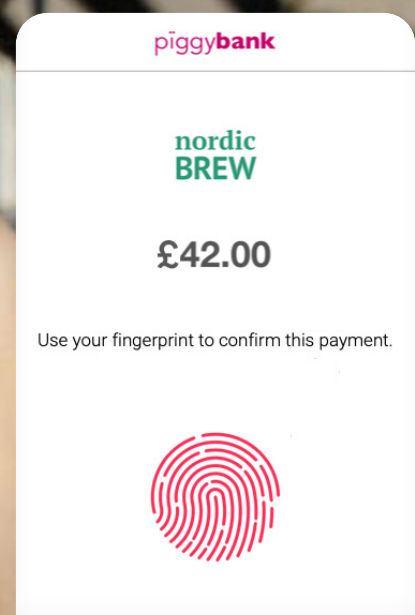
**During transaction**

# Help good customers to check out fast.

Customers expect <u>fast checkouts</u>, which businesses can deliver by auto-filling information, presenting preferred payment methods, and incorporating low-friction login technologies such as texted PIN-codes or biometric logins.

While the authentication process can be burdensome, 3D Secure (3DS) can help businesses to meet compliance requirements, protect themselves against fraud, and still speed shoppers through checkout.

PSPs can help businesses to dynamically invoke 3DS by use case or region to help improve authorisation rates and weed out fraudsters.

# 66%

**of customers expect to check out online in four minutes or less.**[8]

piggy**bank**

nordic
**BREW**

£42.00

Use your fingerprint to confirm this payment.

**During transaction**
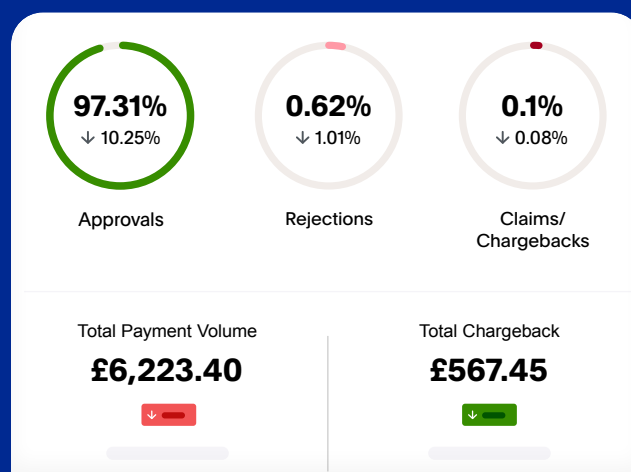
# Keep bad actors out with advanced fraud filters.

Delivering fast and easy shopping experiences for good customers also eases the way for bad actors.

Using adaptive machine learning (ML) to continually analyse incoming transaction data, PSPs can identify and help to prevent potentially fraudulent transactions **in real time**.

This can help to:

- ✓ **Prevent chargebacks** and lower chargeback rates that can lead to higher processing fees
- ✓ **Reduce false declines** or declines from legitimate purchases
- ✓ **Smooth the way for good customers**, and minimise fraudsters' impact

# 55%

of respondents in a 2022 survey believe that not having the right technologies is the main challenge to mitigating online financial fraud.[9]

**97.31%**
↓ 10.25%
Approvals

**0.62%**
↓ 1.01%
Rejections

**0.1%**
↓ 0.08%
Claims/
Chargebacks

Total Payment Volume
**£6,223.40**

Total Chargeback
**£567.45**

By using advanced fraud filters and automating risk analysis with a PSP, businesses can potentially optimise fraud rates, boost transaction approvals and authorisation rates, and drive conversion.

[9] Ponemon Institute, commiss. by PayPal. "The 2022 True Cost of Online Fraud Global Study." Ponemon Institute surveyed 3,739 individuals in the United States (442), Canada (468), Australia (475), and United Kingdom (471). Aug 2022.

**During transaction**

# Know when to retry a failed transaction.

Declined transactions can frustrate shoppers, lead to lost sales and customers, and lower underline authorisation rates. Businesses may want to retry each failed transaction, but sometimes it's best not to retry them all.

Transaction retry fees can quickly add up. For lower-value transactions, the retry fee may be higher than the price of the item. Card issuers may also charge businesses for excessive retries. PSPs can use ML algorithms to more intelligently decide in real time whether to retry a transaction.

ML models access and analyse more data over time, so businesses benefit from continually refined retry strategies. This helps businesses to continue to deliver ideal shopping experiences, maintain optimal authorisation rates, and minimise operational costs.

## 43%

of enterprises surveyed use automatic retries to help improve authorisation rates.[10]

**Post-transaction**

# Manage chargebacks with PSP tools and expertise.

Chargebacks are an inevitable part of business. They're time-consuming and labour intensive and can lead to lower authorisation rates. PSPs can help businesses to determine which chargebacks are worth contesting.
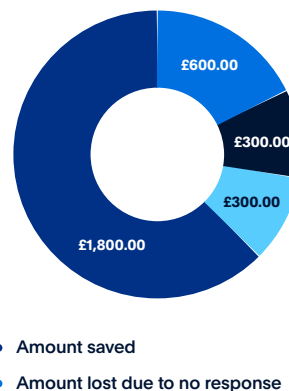
PSPs often have experience managing large chargeback volumes. They also have relationships with card issuers, so they're more likely to know how to "win back" chargebacks.

A PSP's knowledge and technology can automate the dispute process, automatically creating and submitting dispute responses on a business's behalf. Contestation documents are complete, submitted on time, and free from human error.

## 31 hours

**Time businesses spend managing 679 chargeback frauds each month, on average.**[11]

### Chargeback Protection Insights

| | |
|---|---|
| **Total Sales** £50,000,00 | **Total disputed amount** £3,000.00 |
| **Cases benefited** 25 | **Amount saved** £1,800.00 |
| **Cases not responded** 3 | **Loss due to no response** £600.00 |
| **Cases with invalid evidence** 2 | **Loss due to invalid evidence** £300.00 |
| **Total cases not benefited** 5 | **Total loss** £900.00 |

£600.00
£300.00
£300.00
£1,800.00

- Amount saved
- Amount lost due to no response

11  Ponemon Institute, commiss. by PayPal. "The 2022 True Cost of Online Fraud Global Study." Ponemon Institute surveyed 3,739 individuals in the United States (442), Canada (468), Australia (475), and United Kingdom (471). Aug 2022.

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## Post-transaction

# Pay people around the world with ease.

Just as important as delivering positive payment experiences is delivering positive payout experiences.

The rise of the gig economy and marketplace businesses means that more global businesses may need to disburse payments at scale. PSPs can help businesses to pay others quickly through local banks, and deposit those funds right into their bank accounts — without cross-border fees.

PSPs can also help businesses to offer their recipients choices, which can be a competitive advantage: Payees can choose how, where, and when they want to receive money, and in what currency.

**Send a payout**

To get started, you can upload a CSV or TXT file with up to 5,000 payment recipients and also add a customised email message.

Upload recipient file

| Upload a CSV or TXT file | Choose File |

**Download sample CSV file**

Add a custom message

Enter email subject

Customised email message to recipients

1,000

Continue

Customer success story

**Southwest Airlines used PayPal's Hyperwallet to send $250 million USD to approximately 200,000 customers within six weeks to compensate for travel interruptions.**[12]

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[12] Data source is from Southwest Airlines, 2023. Results may not be typical and may vary substantially by business. This content is provided for informational purposes only. You should always obtain independent business, tax, financial, and legal advice before making any business decision.

**Post-transaction**

# Inform and engage after the transaction.
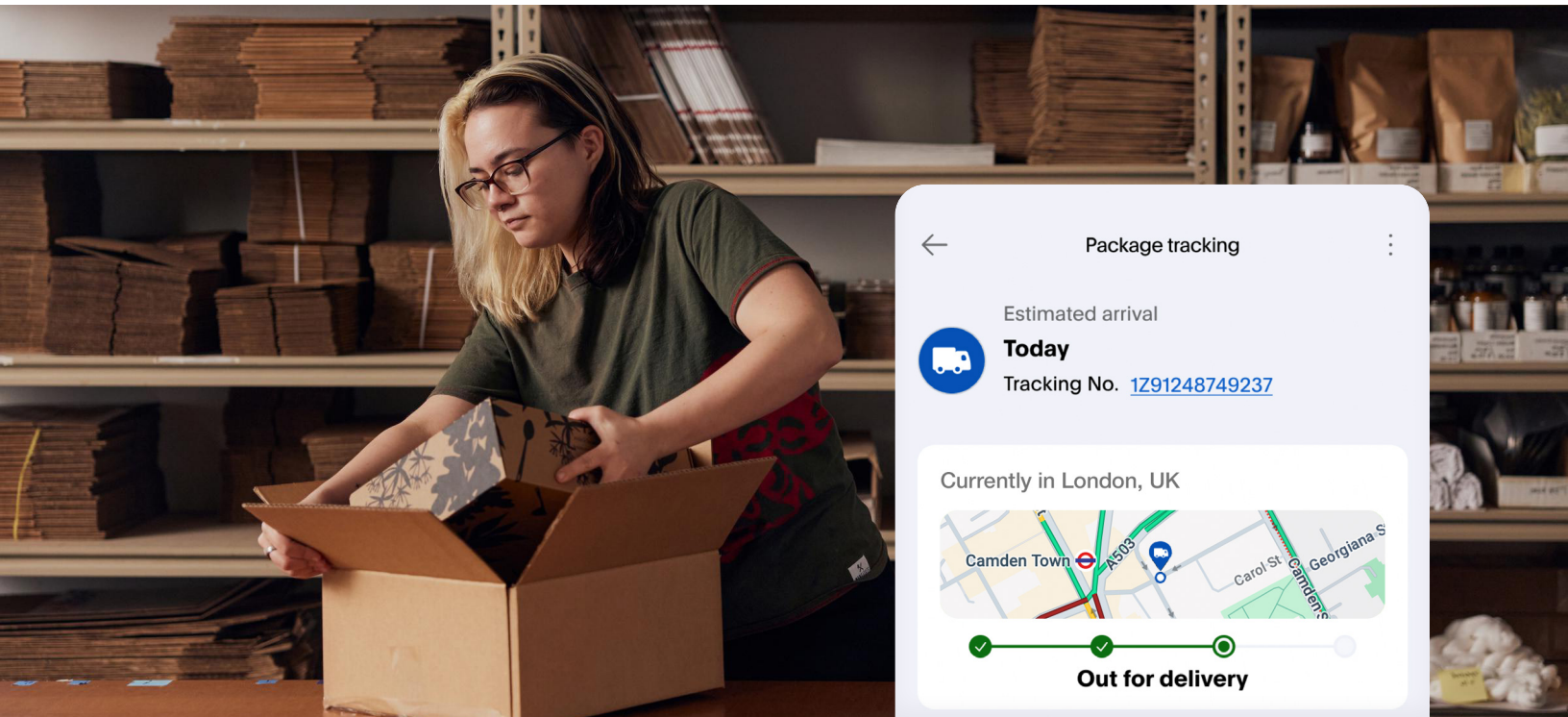


Package tracking is the bare minimum for keeping today's e-commerce customers informed. It can also streamline business operations.

Package tracking can help to:

- ✅ **Reduce disputes** by increasing visibility
- ✅ **Decrease operational costs** by freeing up customer service resources
- ✅ **Speed up payment release** with real-time delivery confirmation

Transaction receipts present another opportunity to re-engage with customers. AI-driven customer insights help businesses to share personalised offers and rewards on receipts — based on what the customer may want next.

# Power your payments with PayPal.

PayPal helped Ticketmaster to unlock a secure and efficient payments experience for customers:

**66**

## PayPal Braintree enables us to consolidate a lot of the complexity, whether it's technology or even the operational management of an end-to-end payment."

— **Tin Cheung**, Senior Director of Payments, Ticketmaster

The path to stellar shopping experiences starts with a robust back-end platform optimised for growth. A trusted PSP like PayPal can offer just that.

Organisations worldwide turn to PayPal for help adapting to evolving customer preferences and navigating the ever-changing payments landscape.

PayPal's global commerce tools help organisations to deliver seamless checkout experiences at scale — encouraging them to rethink what's possible today and tomorrow.

## 87%

**of PayPal users surveyed agreed that PayPal is a trusted, easy, fast, and secure way to pay.**[13]

[13] Nielsen Survey, commiss. by PayPal, Nielsen Media Attitudinal Survey of USA (Feb 2023) with 3,999 recent purchasers (past two weeks) from large enterprise merchants, including 1,999 PayPal transactions and 2,000 non-PayPal transactions. Base N. PayPal users=3,350.

# Learn more about how PayPal can help you to deliver end-to-end shopping experiences that help optimise payments for profitability.

**The <u>PayPal sales team</u> is here to answer your questions.**

**PayPal**