

# Change at the checkout

Ecommerce payments after the pandemic

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UK & Ireland 2021



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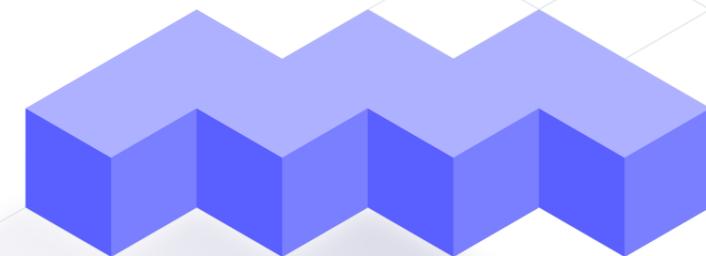
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# Change is coming to the post-pandemic checkout

With bricks and mortar shops shut for months and consumers forced to shift shopping habits online, ecommerce sales saw the equivalent of **five years of growth in just 12 months** last year in the UK alone.

This growth is predicted to continue through 2021, and, according to JP Morgan, ecommerce sales in the UK and Europe will reach €940bn by 2023, with mobile transactions accounting for just over half of that total.

At the same time, more choice in online shopping sites means retailers have had to fight harder for loyalty and must provide consumers with seamless shopping experiences.

**The opportunity – and need – to create the ultimate online payment experience is huge. But it clashes with the reality of incumbent payment methods.**

Debit and credit cards have been incredibly good at driving global retail commerce in the last decade, and were one of the most transformational technologies invented in the last century. But today they're falling short. They simply weren't designed for digital commerce at scale.

As more people buy online, retailers are experiencing more card-not-present fraud. According to data from the [European Central Bank](#), card-not-present fraud increased by 39% from 2013 to 2018 reaching €1.43bn, and the UK has one of the highest levels of card fraud in Europe.

Ecommerce retailers are also facing mounting costs from transaction fees and chargebacks, combined with poor payment conversion and slow refund mechanisms, which are souring the customer experience.

Regulation is adding to the pain for merchants, with Strong Customer Authentication (SCA) likely to impact the bottomline for retailers in the UK and Europe – [some studies](#) suggest it could reduce conversion on card payments by 20-30%, resulting in significant revenue losses.

Meanwhile, new technology like open banking is rewriting the payments rulebook, presenting merchants with a digitally-native payment method that has the low cost of bank transfers and the convenience of digital wallets.

**What makes sense and what's possible in the world of ecommerce payments is changing: and our customers are telling us that it's time to reassess their options.**

With this in mind, we partnered with YouGov to look into the current state of the ecommerce payments landscape. Where are retailers feeling the most pain with existing providers? How are shopper payment preferences and expectations evolving? What levers can merchants pull to improve payment experience and drive customer loyalty? And how will customers react to emerging payment options like instant bank transfers, powered by open banking?



**Ossama Soliman**  
Chief Product Officer, TrueLayer

Have some feedback? – [get in touch](#) we'd love to hear from you.

# Methodology

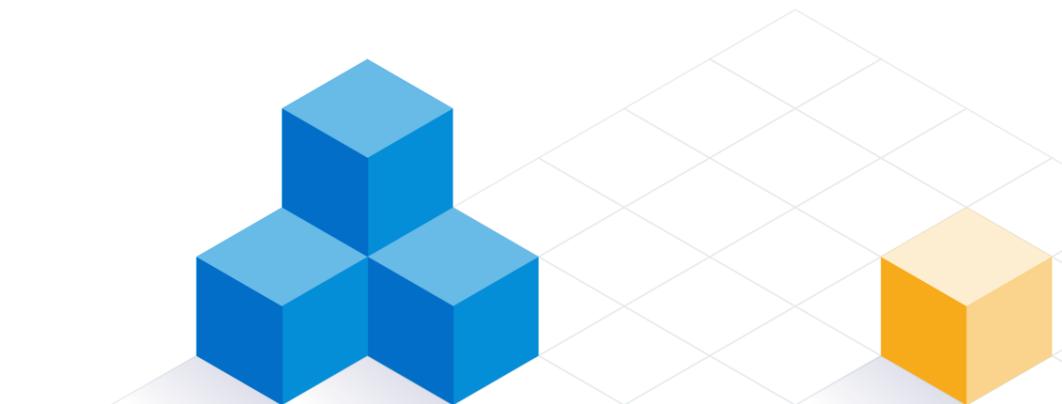
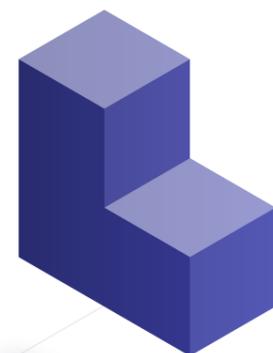
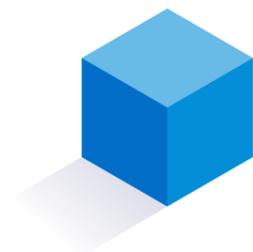
**TrueLayer and YouGov surveyed 1,241 online shoppers and ecommerce merchants.**

This report presents the findings from a survey conducted by YouGov into ecommerce payments. It focuses on attitudes to payments online, including preferences for payment methods and views on security and refunds.

YouGov surveyed 891 consumers in the UK and Ireland who shop online at least once a month.

They also surveyed 350 merchants that sell products online with headquarters in 4 markets – the UK, Ireland, Australia and Germany. Respondents were director or C-level executives in payments, product or finance roles.

Data was gathered by YouGov in April 2021.



# 5 takeaways for ecommerce merchants

## 1. Merchants are planning for instant bank transfers

Cards still dominate the checkout, but merchants are planning to offer instant bank transfers via open banking.

**3 in 4**



merchants (74%) said open banking payments are in their long-term strategy.

## 2. Cost of payments is the #1 pain

Costs, fraud and chargebacks associated with card payments are hurting merchants the most, followed by poor conversion rates.

**Half**



of merchants (49%) rated the high cost of payments in their top two payment pains.

## 3. Merchants with high order values suffer more

Merchants with high average order values feel the pain of incumbent payment methods more than most.

**£235K**



the average cost of chargebacks each year for merchants with average order value over £500.

## 4. Shoppers worry about payment security

Worries about payment security are stopping shoppers from spending.

**2 in 3**



shoppers (69%) have refrained from buying something online because of concerns over payment security.

## 5. Refunds are an opportunity to win loyalty

Customers want speedy refunds but merchants are feeling operational pain. Instant refunds will win loyalty.

**1 in 3**



merchants (32%) receive frequent complaints about slow or lost refunds.

# 1 Merchants are planning for instant bank transfers

## Key takeaways

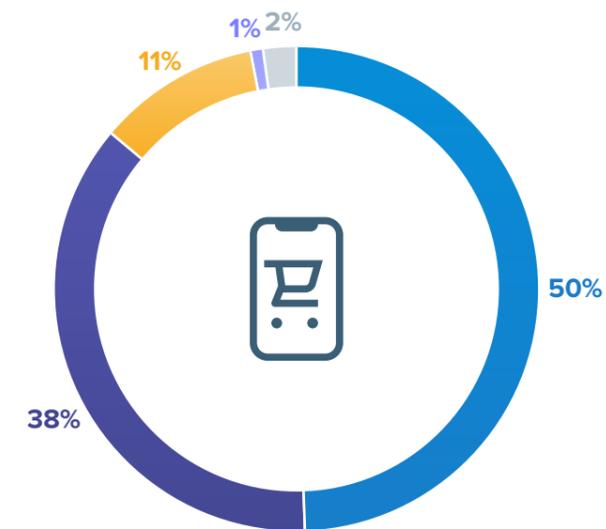
- Cards still dominate the online checkout, followed by e-wallets.
- Availability of different payment options boosts conversion.
- Shoppers are comfortable using instant bank transfers powered by open banking.
- Merchants are planning to offer instant bank transfers, powered by open banking, particularly those with high average order values.

## Cards still dominate the online checkout

Half of all shoppers (50%) said credit and debit cards are their primary payment method online – this rises to 63% for high value purchases over £200.

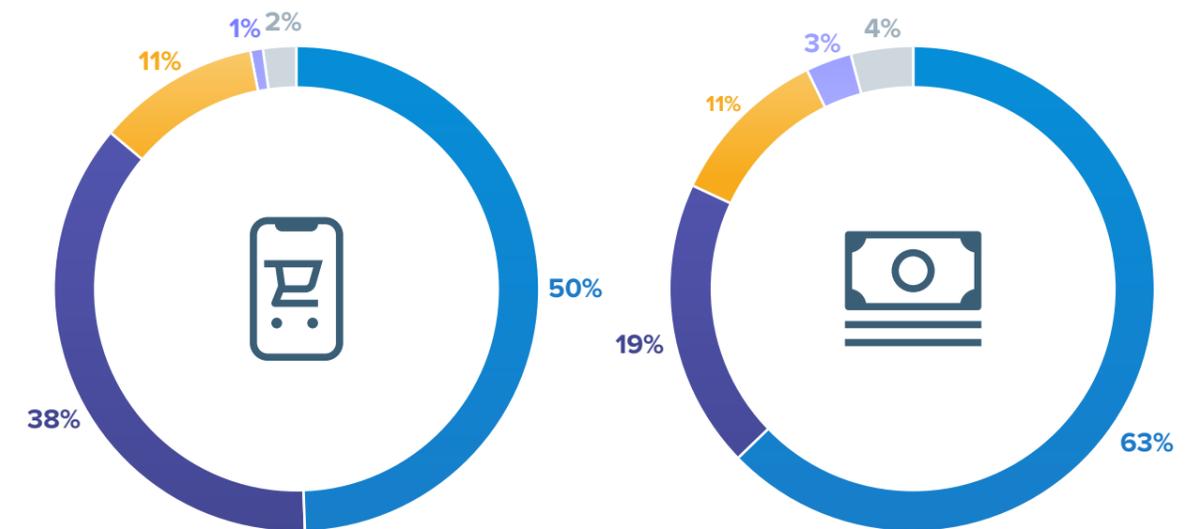
Digital wallets are also popular: 37% said this is the primary way they pay online. Shoppers are **less likely** to use digital wallets for higher ticket items – only 19% choose wallets for purchases over £200.

1.1 Shoppers: What payment method do you primarily use to shop online?



■ Credit and debit cards  
■ e-wallets (PayPal, ApplePay etc)

1.2 Shoppers: Which payment method are you most likely to use if you spend more than £200?



■ Bank transfer  
■ Buy now pay later  
■ Other

### Availability of payment methods boosts conversion

Our research suggests that shopping behaviour is influenced by availability of payment options. Almost half of UK and Ireland shoppers (48%) said **availability of different payment options** makes them **more** likely to buy from a retailer.



As the world of retail continues to evolve in this post-pandemic world, consumer attitudes have naturally changed alongside it. It's no surprise to see that shoppers are leaning towards easy, safe payments and favouring retailers that offer a greater choice in payment methods. **These days, safe and speedy services aren't just appreciated – they're expected.**

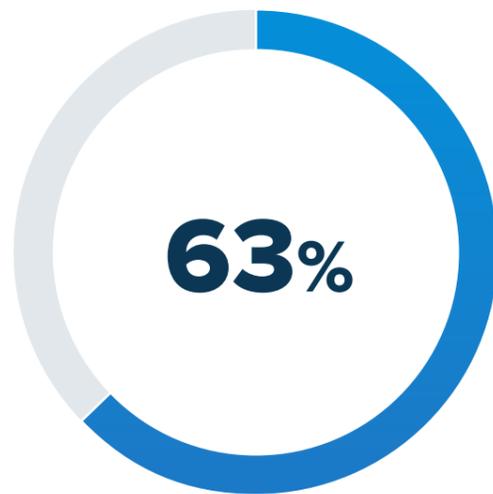
James Watts, Chief Financial Officer at online marketplace [OnBuy.com](https://www.onbuy.com)

### Shoppers are comfortable using instant bank transfers

Only 11% of shoppers currently use bank transfer as their primary payment method online, but almost two thirds (63%) said they would be comfortable paying by **instant bank transfer**.

Our research suggests that shoppers aged 24-34 are most comfortable paying by instant bank transfer (77%), followed by shoppers aged 35-44 (74%).

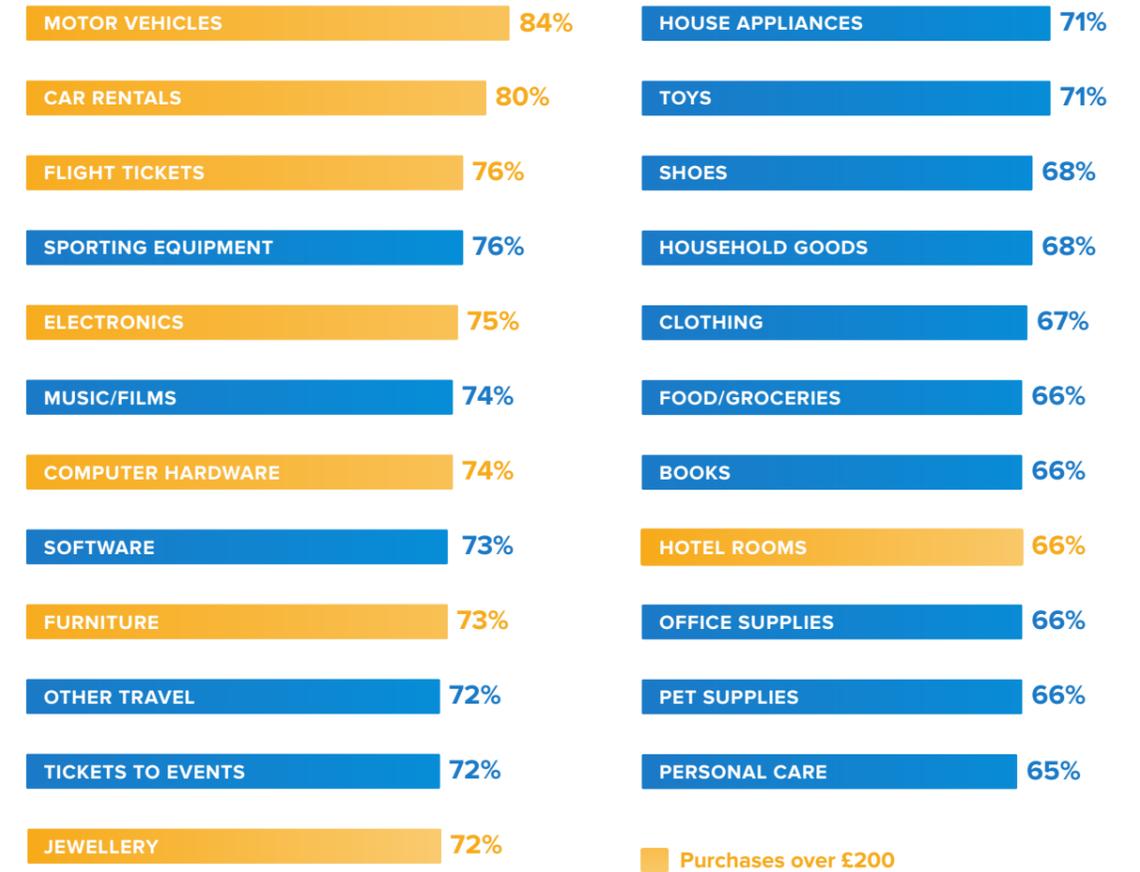
Motor vehicles, car rentals, flight tickets and sporting equipment are the types of online purchases where shoppers are most comfortable using instant bank transfers.



63% of shoppers are comfortable to pay by instant bank transfer.

1.3

### Shoppers: I would feel comfortable paying online using an instant bank transfer for...

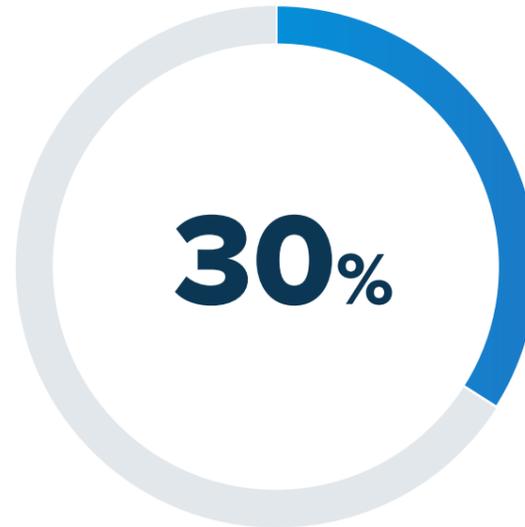


When people purchase cars it's likely the second largest purchase of their lives, after a house – our customers typically pay by credit card or through a loan provider. **We wanted a third option that provides minimal friction and where funds settle quickly** – open banking provides that.

Boaz Valkin, Head of Product, [Cazoo](https://www.cazoo.com)



merchants (74%) say open banking is part of their long-term strategy.



TrueLayer customers achieve on average 30% share of checkout for instant bank transfers, within a few months of launch.

“

**There is such a seismic opportunity for retailers to leverage digitally native payment methods like open banking for online purchases.**

Boaz Valkin, Head of Product, [Cazoo](#)

“

**Open banking payments make transactions more convenient and faster. They will certainly be part of our long term strategy.**

Yang Liu, Co-founder, [JustWears](#)

“

Traditional bank transfers take shoppers away from the checkout and force them to manually copy over transaction details.

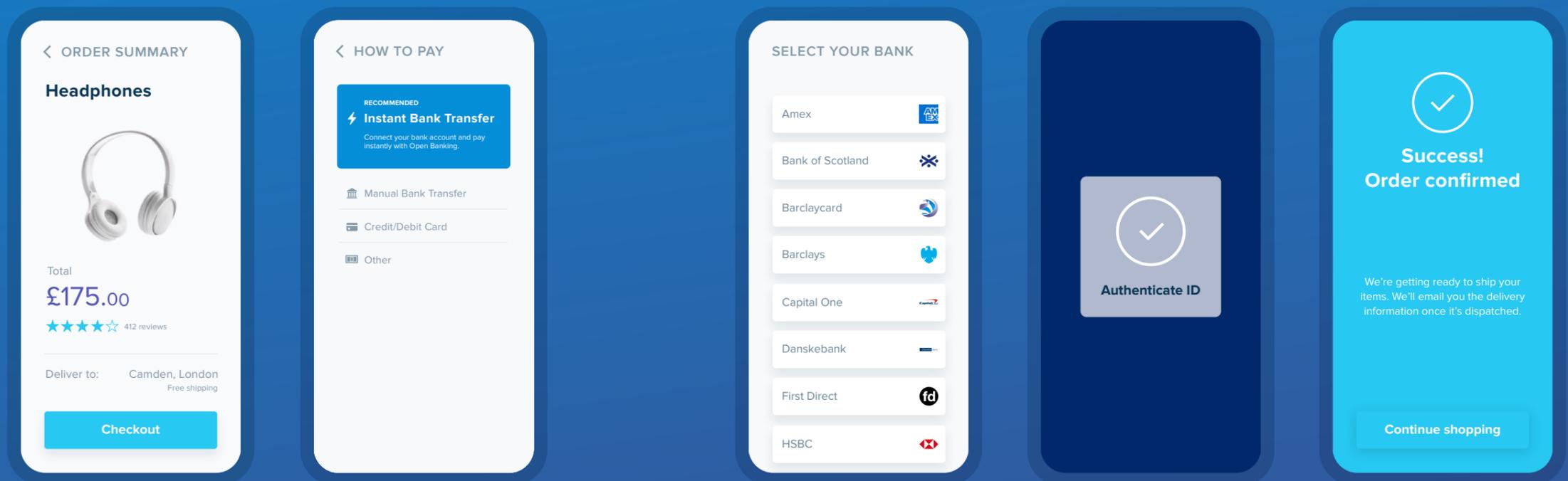
Open banking enables instant, native bank transfers which dramatically improve this flow: **payments start and finish within the merchant's app or website** and there's no need to manually key in payment details.

Ossama Soliman  
Chief Product Officer, TrueLayer



# What is an 'instant bank transfer' and how does it work?

Instant bank transfers are a new way for ecommerce merchants to take payments online, via open banking. Instead of having to key in card details at checkout, customers pay straight from their bank account using open banking. The customer authenticates the payment directly with their online banking app, so it is extremely safe and secure.



1

Instant bank transfers work for both mobile and desktop journeys.

Here's how it works on mobile:

Shopper begins checkout process

2

Shopper selects 'Instant bank transfer'

3

Shopper selects their bank

4

Shopper approves transaction via banking app, usually with fingerprint or face ID

5

Payment is sent and the shopper is automatically redirected back to the e-store. Funds settle into the merchant account instantly

# 2 Cost of payments is the #1 pain

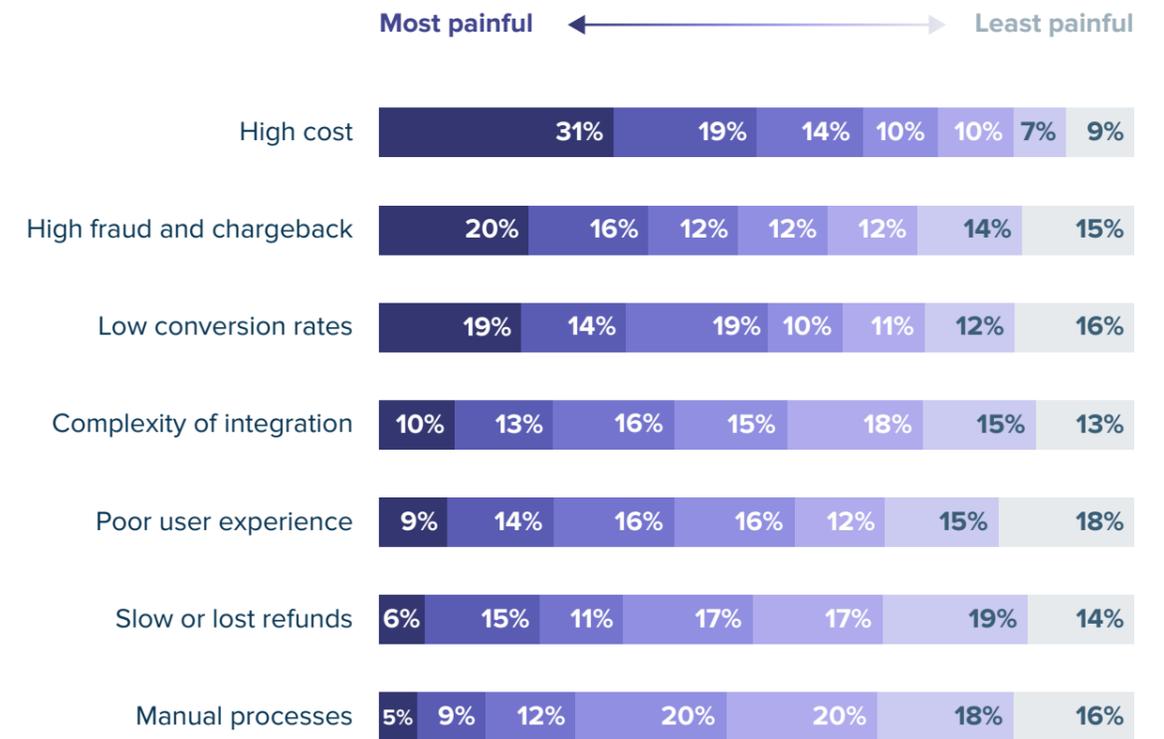
## Key takeaways

- With cards and wallets dominating checkout, cost is the #1 pain point for merchants.
- High fraud and chargebacks, and low payment conversion also cause significant pain.

## Cost is the no.1 pain point for merchants

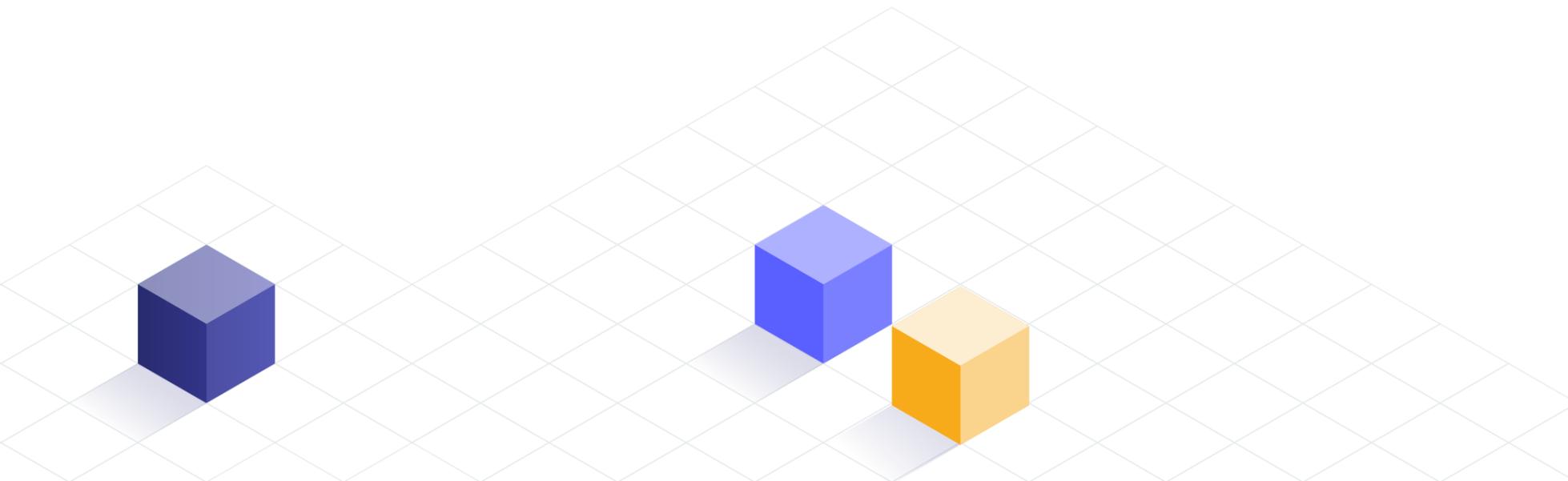
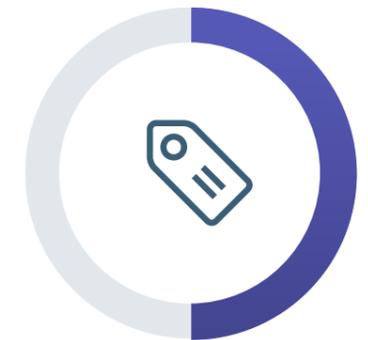
Almost half of the merchants surveyed (49%) rated the **high cost of payments** in their top two pain points with existing payment providers. Almost a third (31%) said it was their no.1 pain point.

### 2.1 Merchants: What are your biggest pain points with current payment providers?



**1 in 2**

merchants (49%) rated **high cost** in their top 2 payment pain points.



RESULTS — COST OF PAYMENTS IS THE #1 PAIN

“

We use well known, highly trusted third-party payment systems, such as PayPal, GooglePay and AmazonPay. PayPal is the most widely acceptable payment method across all ages of shoppers. But for merchants, **the high cost of fees is a pain, especially for SMEs.**

Yang Liu, Co-founder, [JustWears](#)



**36%**

of merchants rated **high fraud** and **chargebacks** in their top 2 pain points, while 1 in 5 merchants (20%) said it was the #1 pain point.

2.2 Common pains by payment method – and how instant bank transfers compare

	 DIGITAL WALLETS	 CARDS	 INSTANT BANK TRANSFER
Fee per chargeback	£14	£15	<b>No chargebacks</b>
Fee per transaction	1–4%	1–4%	<b>&lt;1-1.5%</b>
Fraud rates	Medium	High 0.062% value of fraud as share of transaction value	<b>Virtually none</b>
Payment failures	10–20%	10–15%	<b>&lt;5%</b>

“

The used car retail market in the UK is one of the largest – £50bn per year, and it’s dominated by traditional finance channels. **Cazoo can save a significant amount of money on transaction fees by introducing open banking**, and potentially incentivising customers to go down that route, compared to other options.

Boaz Valkin, Head of Product, [Cazoo](#)

# 3 Merchants with high order values suffer more

## Key takeaways

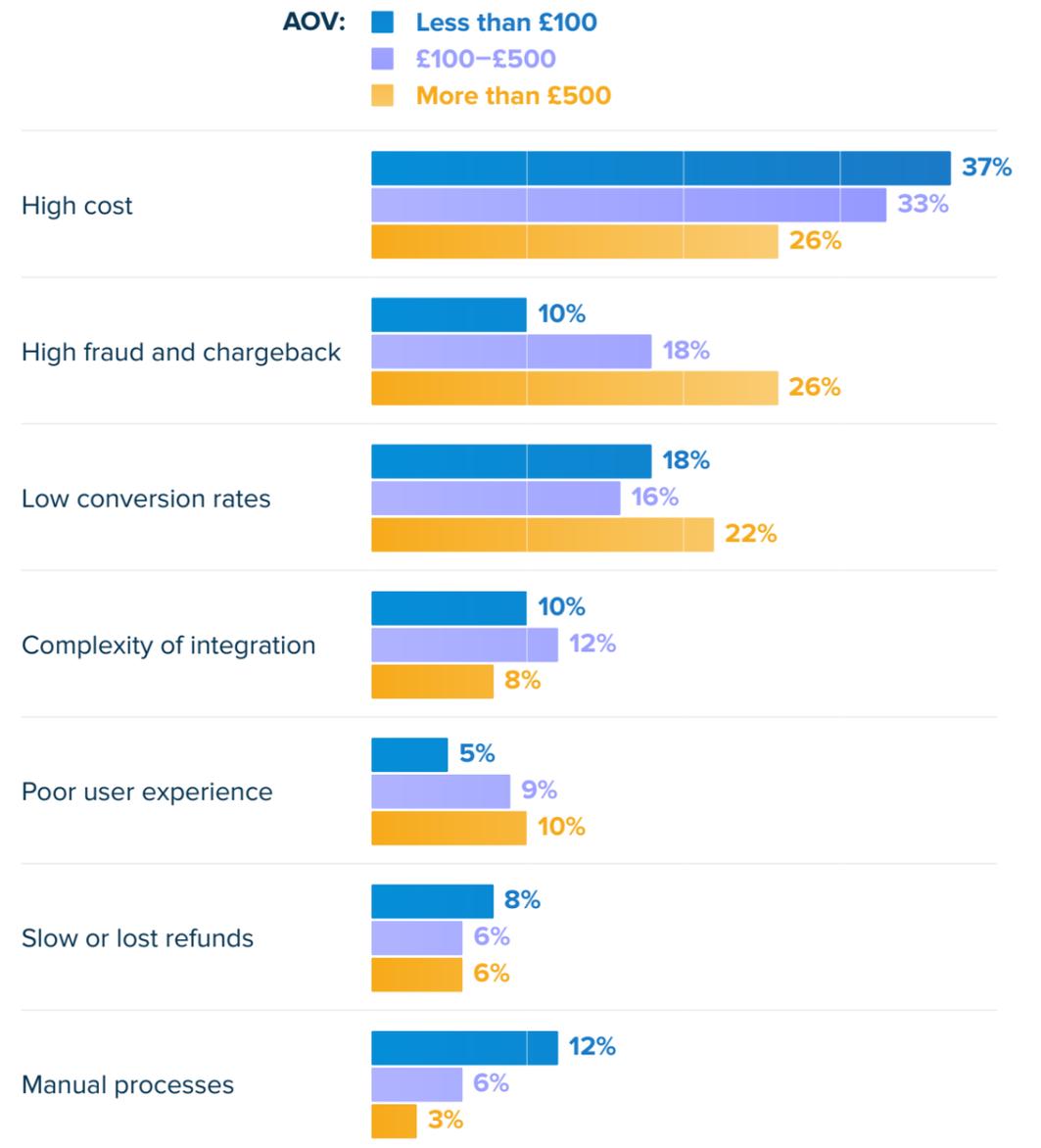
Merchants with high average order value (AOV) are:

- more likely to say fraud and chargebacks are a top pain point
- spending the most on chargebacks
- more likely to receive frequent complaints about slow or lost refunds
- more likely to have instant bank transfers, powered by open banking, in their long-term strategy.

## Chargebacks and fraud are a top pain point

Merchants with a high average order value were more likely to report that high fraud and high chargebacks are their top payment pains. A quarter of merchants with high average order value said chargebacks and fraud were the top pain (26%) compared to 10% for merchants with low average order values.

### 3.1 Merchants: What is your #1 pain point with current payment providers?

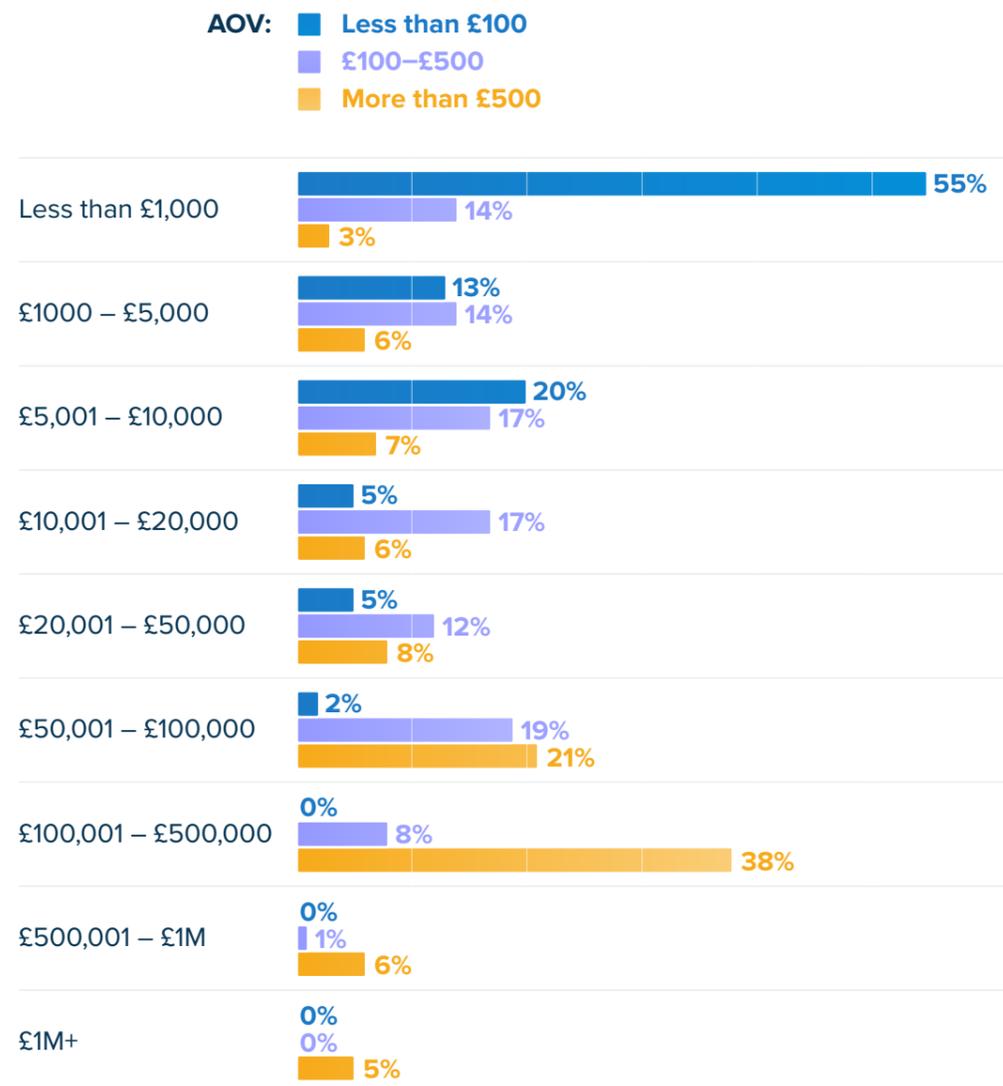


RESULTS — MERCHANTS WITH HIGH ORDER VALUES SUFFER MORE

### The highest chargebacks costs

Merchants with a high average order value report the highest overall chargeback costs. 38% of merchants with an average order value greater than £500 report costs of £100,000–500,000 a year on chargebacks, while 11% reported costs in excess of £500,000.

3.2 Merchants: How much do you spend each year on chargebacks?



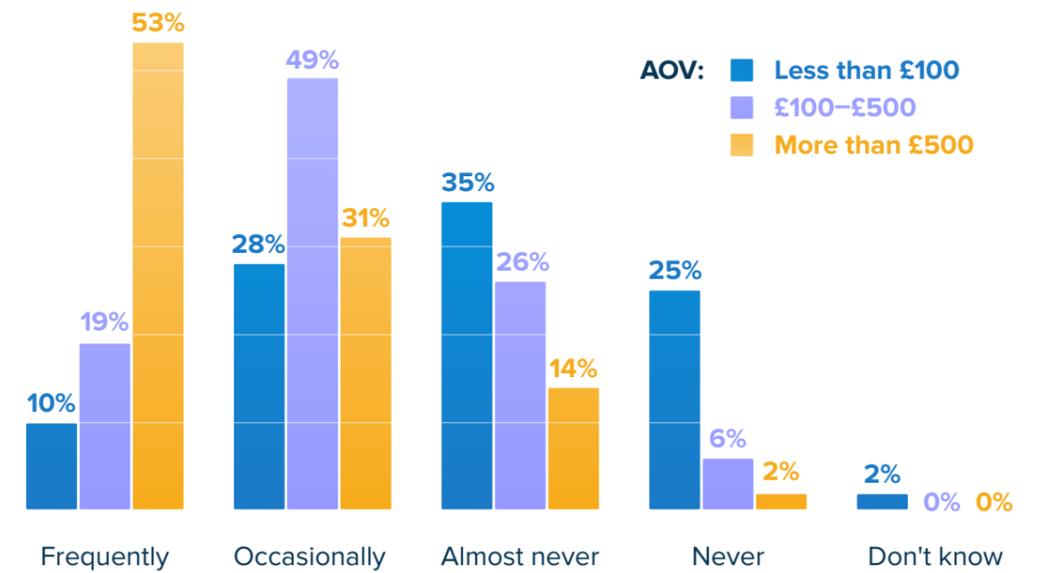
# £235,140

Average costs of chargebacks each year for merchants with an average transaction value over £500.

### More frequent complaints about refunds

Merchants with a high average order value are more likely to receive frequent complaints about refunds – more than half of this group (53%) reported frequent complaints, compared to only 10% of merchants with a low average order value.

3.3 Merchants: How frequently do you receive complaints due to slow or lost refunds?



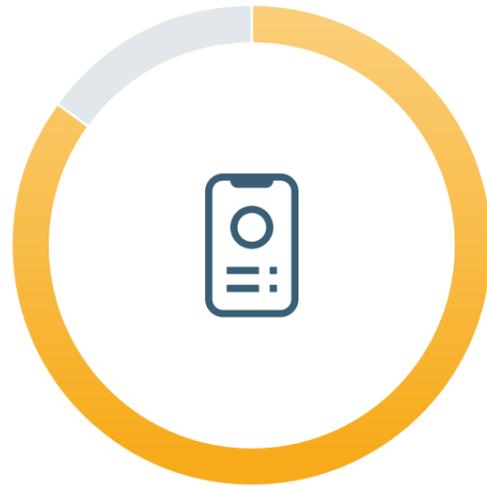
### More likely to be considering instant bank transfers

Merchants with a high average order value are more likely to report that instant bank transfers, powered by open banking, are in their long-term strategy. They were also more likely to say that offering customers instant refunds would make their customers shop again with them.



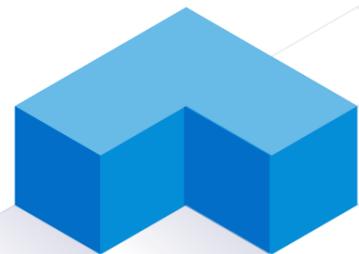
**94%**

of merchants with an average order value greater than £500 said that offering **instant refunds** would make customers more likely to shop with them again.



**85%**

of merchants with average order value greater than £500 said open banking was in their **long-term strategy** (compared to 74% overall).



“

Average spending limit on cards is **£3,000–5,000**. At TrueLayer, we routinely see open banking transactions of **£5,000+**. While banks will still impose limits on open banking payments, they're typically higher... Open banking payments are highly secure and settle instantly, so they're very well positioned for high transaction value purchases.

**Ossama Soliman**  
Chief Product Officer, TrueLayer



## 4 Shoppers worry about payment security

### Key takeaways

- Worries about payment security can prevent shoppers from completing a purchase.
- There's a generational difference when it comes to Strong Customer Authentication: shoppers under 45 prefer to authenticate via biometrics, while shoppers over 45 prefer one-time passcodes / SMS.

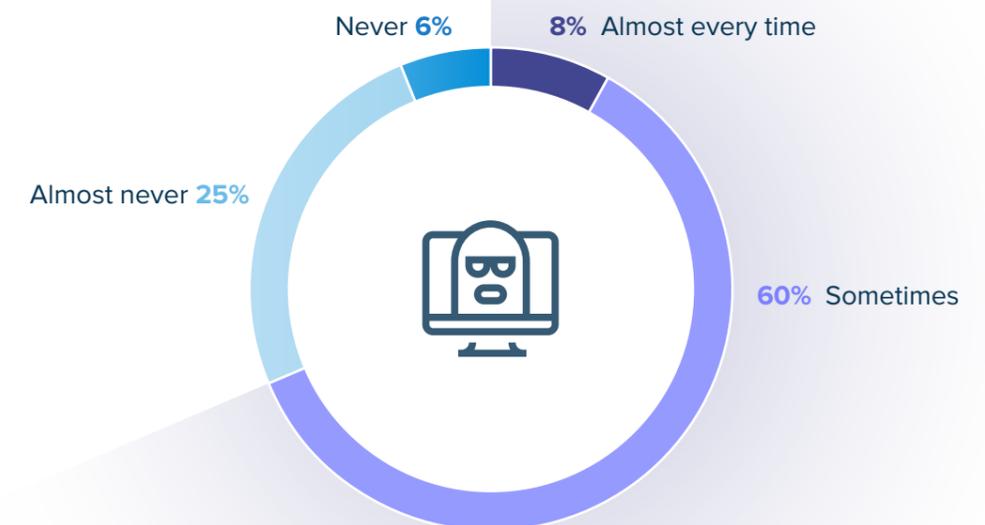
### Worries about payment security impact conversion

Payment security is still of utmost concern to consumers, and can prevent them from completing a purchase. The majority of shoppers (60%) admitted that they **sometimes** refrain from buying something online because they're worried about lack of payment security, while 8% said this happens **all the time**.

#### 4.1 Shoppers: Have you refrained from buying something in the past because of worries about payment security?

## 2 in 3

shoppers (68%) have refrained from buying something online because of worries about payment security.



“

These results show how **secure and trusted online payments are the cornerstone of online retailing success**, and ultimately a key pillar in the future of retail.

James Watt, Chief Financial Officer at online marketplace, [OnBuy.com](https://www.onbuy.com)

### Comfort with biometric authentication varies by age

Shoppers under the age of 45 are more likely to choose biometrics as their preferred method of authenticating a payment, while shoppers 45+ are more likely to choose one-time passcodes and authentication via SMS.



**42%**

of shoppers aged under 45 said they were **most comfortable** using biometrics like face and touch ID to authenticate their purchases.

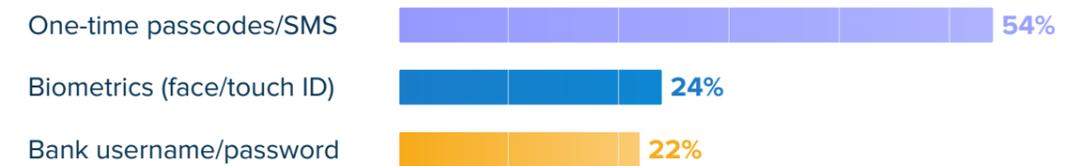
4.2

### Shoppers: When confirming your payment online, what authentication method are you most comfortable using?

#### Shoppers aged 18 to 45



#### Shoppers aged 45+



“

Card issuers in the UK are required to implement strong customer authentication in March 2022 to reduce card fraud. Issuing banks' implementations of SCA across Europe so far have been variable – with some causing dropoff of 20-30%. **Instant bank transfers powered by open banking were designed with strong authentication in mind** – they get the payer on their mobile and use biometric authentication like face or touch ID to make the journey more seamless and keep conversion rates high.

Ossama Soliman, Chief Product Officer, TrueLayer

## 5 Refunds are an opportunity to win loyalty

### Key takeaways

- Customers want speedy refunds – most expect a refund in less than a week, particularly for purchases over £50.
- Merchants are experiencing operational pain: many receive frequent complaints about slow and lost refunds.
- Instant refunds drive customer loyalty.

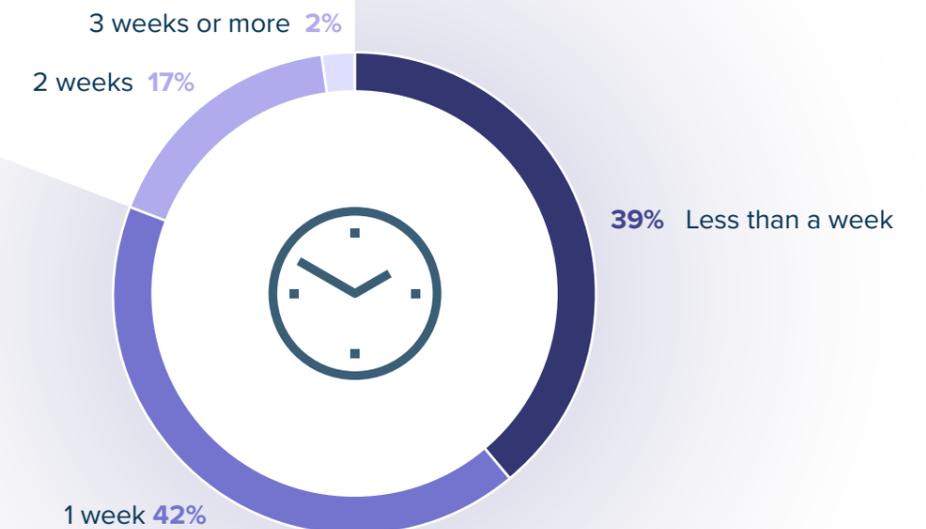
### Shoppers expect fast refunds

The majority of shoppers expect a refund from an online purchase in one week or less—with more than a third expecting it in less than a week. Shoppers who regularly spend above £50 in an online transaction are **more likely** to want a refund in less than a week (41%), compared to those who regularly spend less than £50 (35%).

#### 5.1 Shoppers: How long are you happy to wait for a refund?

# 81%

of shoppers expect a refund from an online purchase in one week or less



### Slow refunds cause complaints

While shoppers have high expectations when it comes to refunds, our research suggests that those expectations are not always being met. One third of merchants receive frequent complaints about slow or lost refunds, and this rises to more than half for merchants with a high average order value (>£500).

**5.2 Merchants: How frequently do you receive complaints about slow or lost refunds?**



**1 in 3**

merchants receive **frequent complaints** about slow or lost refunds.

“

With refunds from car purchases, there is a high level of financial anxiety – you’d be anxious if you didn’t get £15,000 back in your bank account right away, so **the ability to return that money in a really quick, transparent and frictionless way is an amazing customer experience.**

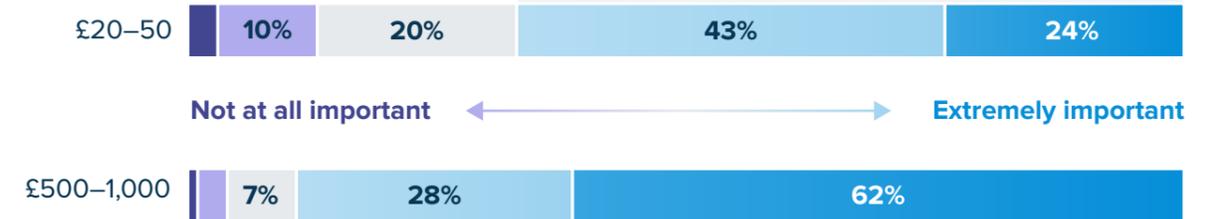
Boaz Valkin, Head of Product, [Cazoo](#)

### Instant refunds drive loyalty

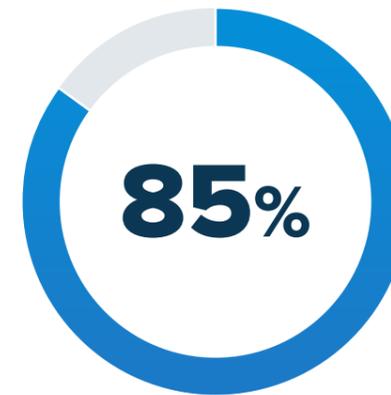
**5.3 Shoppers: How important is the time it takes to receive a refund on your decision to shop there again?**

**2 in 3**

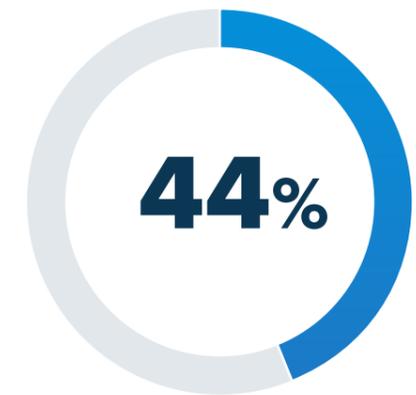
shoppers (67%) said the time taken to receive a refund is an important factor affecting their decision of whether or not to shop on that website again.



This rises to 90% for high value purchases of £500–1,000.



of merchants say that offering instant refunds would make their shoppers more likely to shop with them again.



of shoppers are likely to use instant bank transfer to make a purchase, if this would halve their refund time.

“

PayDirect allows merchants to offer a better refund experience: **it combines instant bank transfers through open banking with instant refunds and payouts to the same account.** Merchants send us their IBAN details and we handle the rest — shoppers are refunded in seconds, so they can make new purchases sooner.

**Ossama Soliman**  
Chief Product Officer, TrueLayer



## Instant bank transfers and refunds with TrueLayer

Build a checkout experience your customers will love, stamp out fraud and eliminate chargebacks with TrueLayer's open banking based payment solution.

- Let shoppers pay instantly using their fingerprint or face ID
- Remove limits for high-value transactions
- Benefit from lightning-fast payment confirmation
- Keep costs low for high average order value baskets — no card processing or complex interchange fees
- Process refunds in seconds, not days

### Ready to get started?

Talk to one of our ecommerce experts or visit our website: [truelayer.com/ecommerce](https://truelayer.com/ecommerce)

