

First Data Market Insight

Five Ways to Reduce eCommerce Costs

1. Minimize PCI compliance expenses

Maintaining and validating PCI compliance is an expensive and time-consuming effort for most merchants. Online retailers can reduce the costs of PCI compliance by implementing multi-pay tokens, which replace sensitive card data with "random-number tokens" that retain many of the required properties of the original data but remove the elements that carry risk. Ideal for eCommerce merchants, the multi-pay token improves upon a conventional token by allowing for repeat purchases and recurring payments without a card being present. It enables online retailers to provide customers with the convenience of stored payment card data in their profiles, without risking the exposure of sensitive information or increasing PCI compliance costs.

Merchants can also reduce their PCI compliance burden by using a hosted checkout or payment page through their payment gateway for the collection and processing of sensitive information. In this scenario, an online customer is transparently transferred to a hosted payment page for checkout. The hosted page can be framed on the merchant's website so it has the same appearance as the merchant's website and provides a consistent customer experience. However, the hosted checkout is not part of the merchant's data environment, and thus is not in scope for its PCI compliance requirements. The merchant avoids contact with sensitive payment information at all, and therefore has minimal requirements for PCI compliance.

- Does your provider offer end-to-end encryption and tokenization?
- Are you able to support recurring payments and repeat purchases without storing payment card data in your environment?
- Does your provider offer a hosted checkout option?

2. Reduce the occurrence of fraudulent transactions

Merchants doing business online are exposed to significantly higher fraud risk and costly chargebacks. In fact, it is estimated that fraud losses are more than 16 times higher for card-not-present transactions than for conventional transactions. Because it is much more difficult to validate a shopper's true identity in an online transaction, fraudsters frequently take advantage of eCommerce merchants to monetize credit card data that has been illegally obtained. Merchants often employ pro-active order screening to prevent fraud, but utilizing only one or two points of logic (e.g., rejecting orders simply based on dollar threshold or address verification results) will rarely identify fraud attempts accurately, causing overabundant review efforts and potential "false positives."

Online retailers can reduce fraud and minimize false positives by deploying advanced prevention and detection tools like an automated, real-time scoring engine that evaluates the risk level of transactional data during the authorization process. A scoring engine calculates risk and generates a score based on multiple data elements collected on a transaction or over time, which enables merchants to efficiently screen out risky transactions and avoid chargebacks. A truly effective solution operates seamlessly within a merchant's transaction flow, so that an order's score and resolution directly drive authorization, settlement, and fulfillment activities with limited manual intervention.

- What is your chargeback ratio? How much do you pay in fees and fines?
- To what extent do you rely on internal IT resources for updates to fraud settings?
- What is the volume of false positives and customer insults you experience?

3. Decrease interchange fees

Corporations are increasingly taking advantage of online channels for procurement purposes, and the use of purchase cards and corporate credit cards is expanding rapidly as a result. eCommerce retailers can benefit from the lower interchange fees associated with business-to-business (B2B) card transactions—however, to qualify for reduced interchange rates for these transactions, they must capture and transmit additional data (known as Level III data) such as line items, product codes, item descriptions, unit price, unit quantities, and ship-to postal data. In order to do so, online merchants must work with a payment gateway provider with the processes and technology to support Level III transactions. By deploying the appropriate functionality to meet Level III data collection requirements, online merchants can reduce their interchange fees significantly on commercial transactions.

- Does your payment gateway provider support the collection of Level III data?
- Can your solution be fully integrated into existing Enterprise Resource Planning (ERP) systems in order to streamline B2B transactions?
- Can you currently accept lower cost payment types like closed-loop prepaid cards, ACH, and electronic checks?

4. Use data more intelligently

One important advantage that online businesses have over traditional brick-and-mortar stores is an enhanced ability to collect and analyze detailed customer information about everything from cart abandonment to promotional effectiveness to average ticket size by demographic. With such large volumes of purchase data running through eCommerce sites every day, the challenge is how to cost-effectively access and analyze the data to extract useful insights.

Real-time access to data analytics, as well as detailed reporting, benchmarking tools and chargeback tools, is essential to maximizing success online. However, data is only useful and actionable when available in a flexible and easy-to-use review interface that meets your company's needs for reporting, analysis, and benchmarking. Ask your current provider what reporting and analysis tools are available, and leverage a comprehensive, pre-built solution that can be customized for your needs—rather than expending the considerable time and money to build and manage one yourself. It is critical to have access to comprehensive transaction data through a consolidated, user-friendly web portal that provides easily configurable alerts, dashboards and scheduled reports for informed decision-making.

- Do you have real-time access to data analytics, as well as detailed reporting, benchmarking tools and chargeback tools?
- Do you have search capabilities to locate any type of transaction with little to no background information?
- Do you have dynamic reporting capabilities to easily create and manipulate transaction reports to better understand payment activity?

5. Stop managing multiple eCommerce vendors

There is a great deal of complexity that comes with operating a profitable online retail business, especially one that spans across international borders or also includes a brick-and-mortar operation. The payment acceptance function alone can comprise managing payment processors, eCommerce gateways, alternative payment services, fraud solutions providers, global acquirers, and data security experts.

In order to gain operational efficiencies and reduce the resources required to manage so many suppliers, it may be beneficial to consider consolidating certain payment-related services and processes with a single vendor. Doing so can have many advantages, including simplified access to technical support services, unified reporting, easier integration of ancillary functionalities, optimized interchange costs, volume discounts, and a single point of contact and user interface.

- Are you able to offer traditional (V, MC, Amex, Discover) and alternative payment (PayPal) options through a single process?
- Can you easily expand your global reach and provide international customers with a seamless and familiar online shopping experience?
- Can you quickly and easily establish a local market presence internationally through a single source for integration, pricing, funding and reporting?

First Data has created the next generation of online payments for an ever-changing marketplace. Our state-of-the-art eCommerce solutions enable you to reduce costs while providing customers with more payment options and safer transactions for a more satisfying shopping experience. At the same time, you'll be able to increase revenue and minimize risks—to realize your full business potential.

For more information on First Data eCommerce Solutions, please contact your sales representative or visit firstdata.com.