# Peak season 2020

## Make the most out of a challenging year, and jump-start a better 2021

cybersource
A Visa Solution

# The difference a year makes

## This year's peak holiday sales season will be different

Many businesses have seen an impact on their sales as a result of the COVID-19 pandemic. As a result, this year's peak holiday sales season will, for many, be even more critical than usual—especially for those looking to recover from poor sales earlier in the year. However, with consumer buying patterns shifting during the pandemic, there is higher than usual levels of uncertainty around how best to prepare.

## To get ready for the 2020 peak holiday season, key questions to ask yourself include:

- Will customers be buying more online than today—and how to best prepare for that?
- What impact will physical distancing have on the number of in-store visitors—and how can you manage that?
- Is there a contingency plan for a hot spot outbreak that cuts in-store sales and drives eCommerce?
- What's the strategy for supporting curbside pick ups?
- What new fraud trends are emerging—and how can you best prepare to combat them?

Perhaps more than any other, 2020 is a year to be prepared for peak sales season. With preparation, there's a greater likelihood your business will capture more revenue—and see a successful peak season despite COVID-19.

## Prepare your business

While businesses typically prepare for peak season months in advance, there are still steps you can take today to help mitigate the impact of COVID-19 on your peak season sales.

The key is to be clear how you're preparing your business to accept a larger than normal order volume while still delivering a strong customer experience and effectively fighting fraud.

## Specifically, focus on three areas so you're ready to make the most out of the season:

- Make it easy for your customers to pay you
- Respond to changing buying patterns
- Update your fraud management strategy

Get these three areas right, and your business will be better prepared to make the most of the 2020 peak sales season.

# Are you making it easy for customers to pay you?

## Checkout friction remains a major cause of lost eCommerce sales.

For example, last year in North America alone checkout-related difficulties led to almost USD $300 billion in abandoned online sales[1]. And that's not all. According to 451 Research, after abandoning an online shopping cart due to checkout friction, 67 percent of consumers buy from a different retailer or not at all[1]. Fifty-nine percent are less likely to shop at the same retailer ever again[2]. For these reasons, **minimizing** checkout friction remains key to **maximizing** peak season sales. It's essential to take steps to make it as easy as possible for your customers to pay you and increase your checkout conversion rates.

## How do your customers want to pay?

Today, customers look to use a wider variety of payment methods than ever, including mobile apps, digital wallets, cards, cash on delivery and online bank transfers. When given the choice, consumers may well favor businesses that accept their preferred payment method. For that reason, a simple but **powerful way to increase sales is to offer your customers the payment option they're looking for.** By doing so, they'll likely experience less checkout friction; you'll get fewer abandoned carts and more sales.

1 451 Research, part of S&P Global Market Intelligence, Voice of the Customer: Macroeconomic Outlook, Consumer Spending, April 2020
2 Ibid, VoCUL Connected Customer Survey, Q3 2020

## Make alternative ways to pay work for you.

Depending on the countries you serve, credit and debit cards such as American Express, Discover, Mastercard and Visa may still be your customers' most common payment methods. However, their preferred payment methods are increasingly likely to include one or more of the main non-card alternatives:

- **Digital wallets** from companies including Apple Pay, Google Pay and Alipay
- **eWallets** from PayPal or WeChat
- **Bank transfer providers** such as SOFORT
- **Local payment scheme** like Cartes Bancaires

In the US, PayPal is a popular digital payment among retailers and consumers. However, usage varies by age—it is used more frequently by adults over 35, while Apple Pay is used more frequently by those under 35.[1] **Payment preferences evolve.**

The key is to offer payment types expected by your local market and target consumer. That might be Alipay in China, iDEAL in the Netherlands, SOFORT in Germany or PayPal across most of Europe and North America.

If you don't already accept alternative payment types, ask your payment platform provider if they can connect you to their payment acceptance platform. This should enable you to offer a wide range of alternative payment methods. At Cybersource, for example, once you're set up with our Alternative Payment connection, adding new payment types is just a matter of configuration vs new integration.

1 451 Research, part of S&P Global Market Intelligence, Voice of the Customer: Macroeconomic Outlook, Consumer Spending, April 2020
2 Ibid, VoCUL Connected Customer Survey, Q3 2020

## Offer a helping hand

Some of your customers may be facing financial challenges as a result of COVID-19.

For individuals who have experienced a loss of income, s**preading out payments with a buy now pay later installment plan can be a real help.** For you, it can make the difference between someone choosing to buy from you or your competition.

Installment payment providers such as Affirm, Klarna and Sezzle let you offer this as an option at the checkout. Not only do these companies let you offer your customers installment plans,**some will also take on the financial liability if your customer defaults, reducing your exposure to financial risk.**

This type of payment option shows particular promise with younger consumers. 451 Research found that 59 percent of millennials and 53 percent of Generation Z said that if an online retailer offered the option of dividing a purchase of over $100 into several interest-free installments, they would be more likely to complete the purchase. [2]

During a period of financial uncertainty, offering buy now, pay later, can play an important part in delivering a strong customer experience by providing your customers with the payment options they prefer.

1 451 Research, part of S&P Global Market Intelligence, Voice of the Customer: Macroeconomic Outlook, Consumer Spending, April 2020.
2 Ibid, VoCUL Connected Customer Survey, Q3 2020.

## Reduce card on file payment friction further

Letting customers save their card details to their profile so they don't need to re-enter them can enhance the checkout experience and make subsequent purchases easier. However, 9–14 percent[3] of monthly recurring credit card authorizations fail. This can happen when a card has expired or been replaced and the card on file details have not been updated. For the customer, the result can be a decline and possibly an interruption of service. For your business, the result can be a loss in revenue, a negative customer experience and a potential loss of loyalty.

This problem can be avoided by using a service that automatically updates changes to cards held on file–such as card expiration date–to reduce authorization failure, avoid failed payments and improve customer retention. At Cybersource, these updates can be provided through our Token Management Service and Account Updater service.

### Be prepared for peak season surges

Two additional things to consider:

1. The last thing your business needs during peak season is to miss out on sales due to your platform crashing–so check it can handle the kind of surge you would hope to see with a safety margin. Don't leave performance testing to the last minute.
2. Best practice suggests you make any changes and upgrades to your website in advance of peak season, then implement a code freeze for the rest of it. Why? Because one of the most common cause of IT crashes can be an upgrade that goes wrong. That's the kind of failure that can make headlines in the local news. It's one of the last things you want to have happen during peak season.

[3] Cutting Failed Payments and Reducing Churn, https://info.recurly.com/hs-fs/hub/308856/file-2736554493-pdf/RecoveredRevenue_WhitePaper.pdf?t=1430264473440

# Adapt to new shopping patterns and buying preferences

## COVID-19 has changed how people shop this year.

More are shopping online; fewer are visiting stores. These and other changes to shopping preferences and buying patterns may prove long lasting. For example, of the adults shopping online in the US who started using curbside pickup regularly during the COVID-19 pandemic, 34 percent[4] anticipate continuing to do so in the future.

Consequently, in the space of a few short months, the importance of a strong digital strategy has risen sharply. **To retain existing customers and win new ones, the onus lies with merchants to deliver the best possible customer experience—whether in store or online.** For those with physical stores, it'll be vital to use your physical presence as an advantage in combination with your digital presence.

4 State of Alternative Payments Acceptance in US Retail, Forrester, April 2020

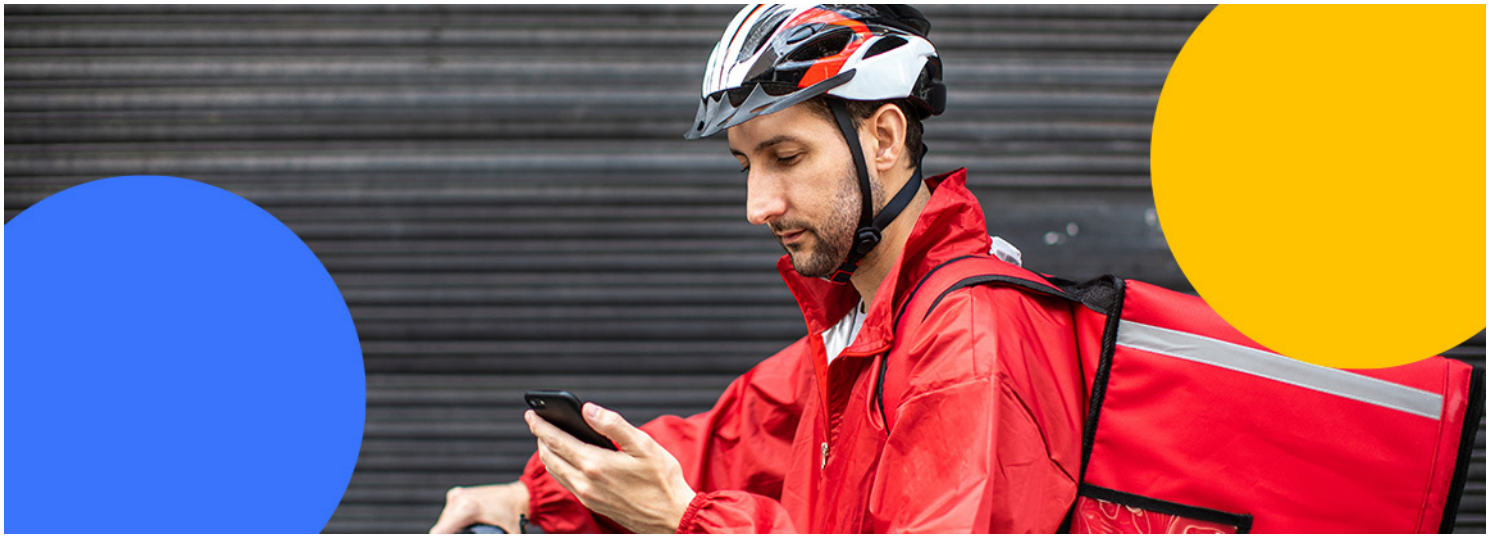
## If your stores are open, don't keep it a secret.

Can your customers see in seconds if your stores are open, whichever channel they're using? If your stores are open, make sure your customers can find that information quickly. This means ensuring your website's easy to navigate—especially on mobile devices. Customers will spend little time seeking out this information—and their success may determine if they visit your store or a competitor's. It's also a good idea to make sure this information is up-to-date on third-party sites through which your customers may find you.

As you'll have made changes to your stores to keep your customers safe, communicate these changes online, so potential customers can feel safe to come and shop with you. **Provide re-assurance. Encourage them to visit. Help them feel comfortable coming to a physical store. And don't forget to use social media:** It's a great way to communicate you're open and welcome new customers.

## Experiment with selling on social media

With more people turning to social media for information, this year could also prove a good moment to experiment with selling via social media—for example, on Instagram. With a relatively low barrier to entry, social media offers a new channels for your business, and can leverage the same backend resources used to process orders. Social media can help you reach a new audience open to purchasing.



## Add convenience with buy online, pick up later

A convenient option for customers who would prefer not to shop in stores due to concerns about COVID-19 is to let them pick up their purchases from a nearby store: to buy online then pick up later—either in store or curbside.

This is good for customers who want to get their goods faster without waiting for them to be delivered. They can also reduce the amount of time spent in physical stores which may help some feel more comfortable visiting. With curbside pickup, they can avoid coming into the store entirely. If you don't have existing physical stores, try pop-up shops or distribution points, giving options that can provide convenience without incurring permanent overheads.

**To make this a success, make it easy for customers to know what to expect when they place their orders.** That means displaying accurate, up-to-date information on stock levels, clearly communicating to customers when they'll receive their goods and consistently hitting promised curbside delivery slots.

Buy online, pick up later, is an effective way to provide greater convenience to your customers, but if your business relies heavily on impulse purchases, look to create a similar experience through your online channel to avoid missing out on such sales.

Even if your digital offering is not yet fully fledged, you can instead take payments by card over the phone for goods or services that customers can pick up later. To do this, you can use a service such as Cybersource's Virtual Terminal. Payment by phone can also be useful if you're in a service industry—for example, a large salon pivoting to offering in-home services or high-end personal shoppers can service clients in the card not present environment. Offering card payment over the phone is another way to improve the service you provide your customers by responding flexibly to their COVID-era shopping preferences.

## Keep your promises

As peak season approaches and order volumes increase, meeting service level agreements (SLAs) with your customers becomes more challenging. For that reason, part of getting prepared for peak season is ensuring your processes account for in-store pick-up promises. This also means knowing your shipping cut-off times—including time for fraud reviews—to the hour and communicating that information in advance and in real-time to your customers.

Be confident that even at the peak of peak season you can complete all your fraud reviews in time to hit your shipping deadlines. Make sure your customers get their orders when they expect them. Avoid your customers suffering the poor experience of a missed delivery.

## Protect yourself against goods not received disputes

COVID-19 has also changed deliveries. To avoid physical contact and the risk of transmission, couriers may avoid collecting signatures for deliveries. Potentially, this can create an increased risk of disputes over whether goods have been delivered. One solution is to work with your delivery service provider to find an alternative way to show proof of delivery, e.g., getting couriers to take photos as proof of delivery.

## Stand out online with a competitive returns policy

Making it easy to return goods is a simple but effective way to make customers feel comfortable buying from you online. Consider adjusting your returns policy to offer your customers more flexibility. **And make sure your refund policy is clear and easy to find.** Letting your customers find this information quickly cuts out friction and may even give customers more confidence to place their order. Lots of small reductions in friction lead to a much smoother customer experience.

Also ensure your payment policy reflects differences between payment options. Let your customers know where they stand given the payment type they've used–whether it's a gift card, credit card, debit card or alternative payment method. For example, **it's important to communicate variations around the length of time to receive refunds when offering different payment options.** Make sure customers are clear how long it will take them to be get a refund via paying by particular methods.

# Sharpen your peak season fraud management tools

Of course, as you prepare for peak season, so are the fraudsters. As always, managing fraud is all about accepting as many good orders as possible—striking the right balance with fraud prevention to capture more revenue.

## Balance accepting orders and preventing fraud

Different businesses will have different approaches. You might consider relaxing your fraud prevention rules to accept as many orders as possible. For example, adjusting your fraud loss tolerance so you reject fewer good customers.

But fraudsters, of course, know merchants are thinking of doing this and are looking to take advantage. So **it's critical you make these decisions with open eyes, balancing the downside of increased risk of fraud with the upside of accepting more good orders and booking more sales.** Only you can decide what the right balance is for your business -and of course Cybersource is here to help.

## Have a robust plan for manual reviews

Handling manual reviews is always a challenge during peak season. This season, with a higher chance of staff outage due to illness, manual reviews could be especially tricky to manage.

Think through likely possible scenarios and have a plan for how you'll handle them. For example, what is your acceptable level of manual review? What will your strategy be if your manual review team is depleted due to sickness? What contingencies will need to be in place?

In this scenario, you have a couple of options. You could adjust your rules so fewer orders go through to manual review. **Or you might put in place an external manual review team in advance of peak holiday season to ease the load.** Either way, by getting prepared in advance, you'll make it easier to deliver a good experience to your customers come peak season. And if you need help, Cybersource's Managed Risk Services team can help you get rid of the hassle of handling manual reviews in house.

## Keep things smooth for valued customers

For your highest-value customers, consider putting them on a safelist so their orders won't get caught in reviews and they can place and receive orders without hassle.

For other good customers, **build in some flexibility to your rules to reflect the reality of peak season.** For example, during this period shipping addresses and IP addresses can vary as your customers visit their relatives. Some may well make purchases for delivery while on holiday, placing and receiving the order in a different location than normal. Think through which online behaviors might look suspicious outside peak season, but which could plausibly be normal during it.

# Protect against card testing

Before peak season even arrives, fraudsters will be bulk testing stolen cards. They'll use botnets to try and make tiny purchases to test if the card has been cancelled, hoping to stay under the radar while testing hundreds of thousands of cards in seconds. Cards that aren't declined can then be lined up for use throughout the year, but especially during peak season.

**For you, card testing creates both tangible and intangible costs:**

1. **Authorization fees**—which you incur when fraudsters test cards on your site.
2. **Chargeback costs**—when cardholders report fraudulent transactions.
3. **Brand damage**—when cardholders see your company's name next to a fraudulent transaction on their card statement.

The solution? Adjust your rules.

Set minimum payment amounts that are as high as practical for your organization. This prevents fraudsters testing cards with amounts that lie below that minimum. And consider adjusting your velocity rules to limit the number of transactions allowed in a given period. If you're using our Decision Manager platform for fraud management, Decision Manager will automatically detect anomalies that suggest card testing, making it easier to detect and deter card testing fraud.

## Protect against account origination fraud

This year, as more people have turned to online shopping during the pandemic, we've seen rapid growth in the creation of online accounts. **Unsurprisingly, we've also seen a growth in fraudsters opening online accounts using stolen or fake identities, hoping not to be spotted amongst this growth in new online account creation.** These fraudsters then look to place fraudulent orders using a stolen card when least likely to be detected. This can lead to chargeback costs and increase the risk of changes to your standing with financial institutions.

However, account origination fraud can be fought. For example, identity validation providers such as Emailage and Ekata provide tools that add indicators to help you make better decisions based on different customer attributes. They make it easier to decide whether or not a new account might be fraudulent. At Cybersource, both the Emailage and Ekata tools are plug-ins integrated into Decision Manager.

## Protect against account takeover fraud

Fraudsters continue attempts to take over existing accounts by guessing passwords, using details stolen through phishing attacks.  Account takeover fraud can be especially damaging when a card is on file, as fraudsters can make purchases straight away using that card. The key here is to have a tool in place, such as Cybersource's Account Takeover Protection, which lets you set rules to identify suspicious activity and help prevent fraud.

## Test your changes in advance of peak season

How can you tell what impact your rule changes will make?

The gold standard is, in advance of peak season, is to use a fraud management tool such as Decision Manager Replay to test changes to your fraud management strategy against your historical data. **Even though peak season this year will be different in some respects, running what-if testing of proposed changes can still inform your decisions.** It helps you understand how adjustments in acceptance threshold or velocity rules would have changed your acceptance rates on historical orders.

And if you need additional expert advice, Cybersource Managed Risk Analysts are always available to advise on how fraud trends are changing during the pandemic, through peak season and for your industry. They can help you get the most out of peak season.

## Watch out for an increase in friendly fraud

Have you seen a rise in pandemic-related friendly fraud? This can happen when financially-struggling individuals decide to claim not to have received goods and instead file chargebacks to avoid paying for them.

While some friendly fraud is unavoidable, what you can do is minimize its impact on your chargeback rate. **Even if they suspect friendly fraud, train your customer service teams to be proactive at offering refunds or alternative resolutions.**

If your customers feel it's easy to get a resolution, they're more likely not to file the chargeback reducing the volume of chargebacks you get from friendly fraud.

But this approach also helps reduce the volume of chargebacks overall. If it's easy to get a refund, a greater number of genuine customers wanting to return items will opt to do that rather than filing a chargeback. This can keep your chargeback rate down while also improving the experience your customers have with your company.

## Lay the foundation for a successful peak season

Peak season this year will present challenges. But with the right preparation, you can lay a solid foundation for success.

The key to unlocking its full potential is flexibility.

Make it easy for your customers to buy from you, easy for them to receive their orders, and easy for them to return orders if need be. Be responsive to changes in how your customers want to make purchases. And ensure your fraud management operation is set up so that good customers can buy without friction while also preventing fraudsters from doing so.

With the right systems and processes in place, you can respond to the evolving preferences of your customers and deliver a smoother buying experience. In fact, this peak season represents an opportunity to both deepen relationships with your customers and win business from new customers.

Cybersource can help you put in place the capabilities you need to deliver flexibly this peak season—whether that's in payments, fraud management, or both. For more information on how we can help you prepare, talk to your customer success manager.

### About Cybersource:

Cybersource helped kick start the eCommerce revolution in 1994 and haven't looked back since. Through global reach, modern capabilities, and commerce insights, we create flexible, creative commerce solutions for everyday life—experiences that delight customers and spur growth globally. All through the ease and simplicity of one digital platform to manage all payment types, fraud strategies, and more. Knowing we are part of Visa, you can trust that business is well taken care of—wherever it may go.