JCB
Uniquely Yours

07

Whitepaper

Unified Commerce

Reaching For A Seamless
Customer Experience

Contents

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1: Introduction

The world of retail and commerce is becoming increasingly complex as the pace of innovation and change picks up, accelerated by the challenges presented by the global pandemic.

Merchants are at various stages of technical adoption and many with physical stores are taking their first foray into digital commerce. Others have already built operations that embrace both online and offline strategies seamlessly.

The guiding star for all businesses should be a consistent focus on customer experience, especially how to meet and exceed customer needs. To deliver this goal it's necessary to keep track of trends and developments; and now there is a new concept for all players in the payments and merchant ecosystem to consider – Unified Commerce (UC).

Currently the concept is more discussed than deployed, although several large-scale merchants have taken significant steps towards a UC strategy. Developing full UC capabilities may be years away for the majority but understanding how to apply these capabilities and reap the potential benefits will be important for long-term business planning. This guide will help those invested in developing their commercial propositions to better understand the discussion around UC and its implications.

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2: Defining Unified Commerce

The customer path to conversion is hard to track as people move between multiple online and offline channels and look to buy goods and services in the way that best suits them.

The omnichannel approach to commerce, with goods and services available across a variety of channels, is well-established, but UC is a natural evolutionary step which incorporates new facets to this approach.

For example, omnichannel often doesn't allow the integration of channel sales, transaction data or inventory in one place. It does not provide the 'single source of truth' that helps merchants connect and analyse processes, so they can spot operational gaps and develop truly frictionless experiences for the customer that drive conversions and increase profitability.

A common pathway for 'traditional' merchants has been to establish an ecommerce proposition, separate from their bricks and mortar outlets, and for them to evolve into siloed, separate businesses. But as channels proliferate, the ability of the merchant to maintain an accurate overview of customer behaviours, spending patterns, preferred processes and inventory management comes under pressure. This impacts customer experience (CX) and the long-ter value perception of the business.

For instance, someone who buys a pair of shoes online but then wants to exchange them in-store, is seldom likely to find a smooth exchange experience. This damages the brand-to-customer relationship and the returned goods may present a stock management headache.

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2: Defining Unified Commerce

UC brings all of a merchant's channels, payment solutions and products together into a centralised platform that connects back-end systems with customer-facing channels. Platforms can even operate within a franchisee system so there are no limits to adopting UC.

With the global ecommerce market forecast to total $6.169 trillion by 2023 and set to take more than 22 % of total retail sales, better alignment of all channels is imperative.[i]

"The benefit of Unified Commerce for merchant partners is that they can assemble a unified view of customers and their behaviours, across all touchpoints – and at the same time know where inventory is located. Cross-channel insights extracted from this valuable data can help improve both customer and employee experiences and identify operational gaps to improve on, leading to increased profitability and loyalty."

— **Tsuyoshi Notani**
Managing Director,
JCB International (Europe) Ltd.

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3: Building Payments Into Unified Commerce

The point of purchase and payment solutions offered are key touchpoints in the UC customer conversion.

Supermarkets are an example of a sector that had to overhaul and integrate systems for online orders, payments, tracking and inventory management at great speed, thanks to the surge in demand for food deliveries during lockdowns. The sector has benefited from a steep learning curve on processes and operational integration.

Successful pure-play ecommerce brands[ii] like Zalando and ASOS can develop cross-channel payment systems without the hinderance of legacy systems, whilst some other established brands have invested in creating their own specialist systems instead.

Those who are unable to procure time and resources to diversify their systems have another option – to collaborate with providers whose systems are designed to be unified. Several JCB partner acquirers specialise in these end-to-end services.

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"The merchant's goal should be to consolidate payment, financial systems and relevant data across all channels and platforms, including online, mobile, face-to-face, apps and social media. Integration can bring many benefits to both customers and merchants."

— **Koya Sakuma**
Executive Vice President,
Global Business Development Department,
JCB International Co., Ltd.

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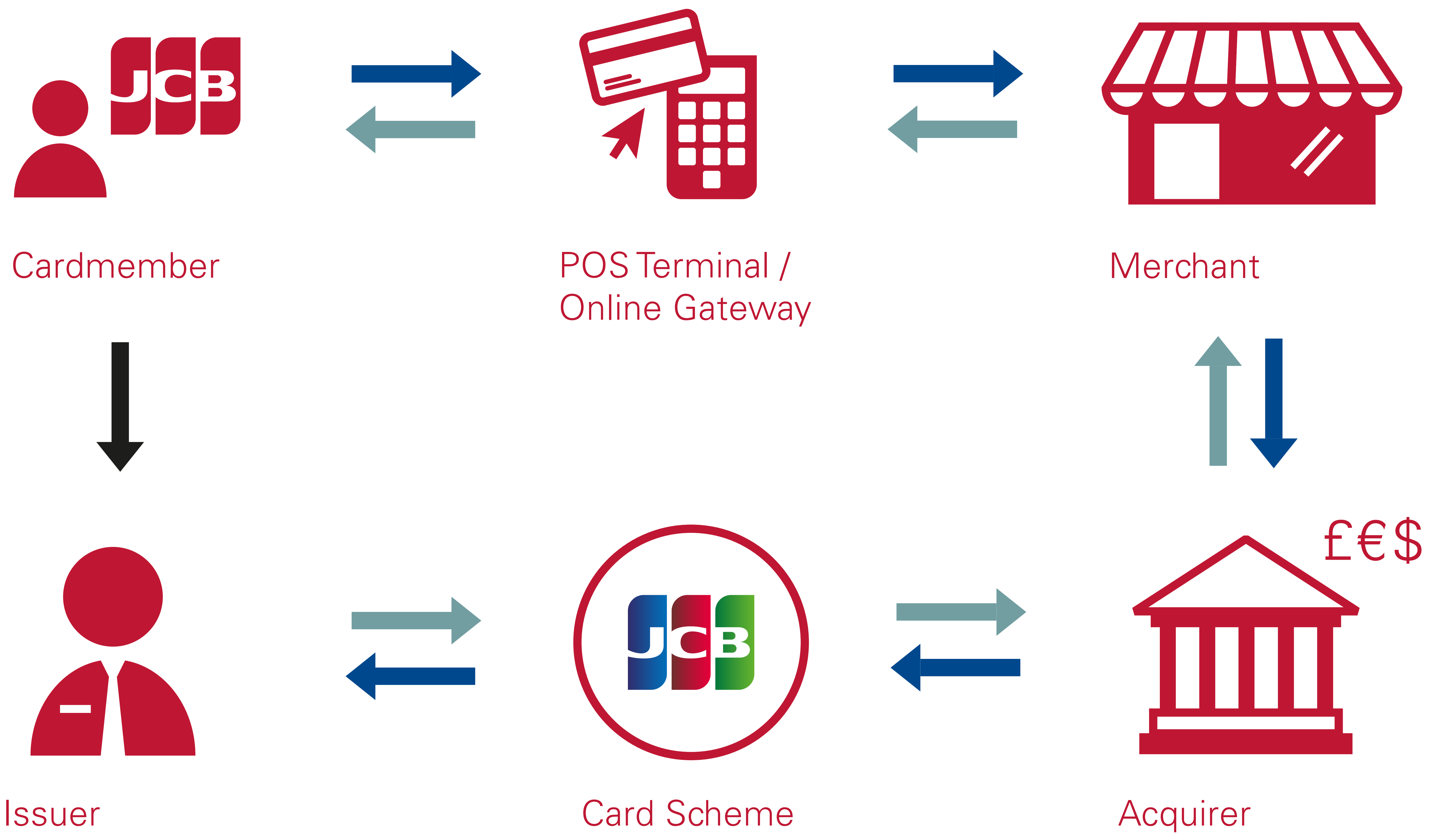
Who are the participants in the payments ecosystem?

Understanding the roles of players in the payments environment can help with planning almost any systems integration. The way payments 'work' can seem complicated, but the diagram below illustrates how Acquirers, Payment Service Providers (PSPs) and Payment Processors (or Orchestrators) collaborate to make sure customers can pay for goods and services, via their payment of choice.

JCB considers itself to be a supply-chain enabler and multi-lateral framework partner, within this ecosystem, to bring a varied set of services that can support stakeholder growth.

Where Does An Acquirer Fit Into The Ecosystem?



Key

Settlement Data
Authorisation Data
Cardmember Data

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4: How Integrated Payments Systems Can Remove Friction

Integrated payments systems and removal of siloes help streamline workflows, deliver efficiencies, and provide consumer benefits at the same time.

Let's run through some practical examples of the advantages:

1. **A multi-branch overview of transactions and quick cross-channel validation method across all channels makes it easier to refund and exchange goods and services.**

Both offline and online stores have returns – but with soaring transaction volumes it's ecommerce that is experiencing a steep growth rate in returns. The average ecommerce return rate is about 30 % and growing.[iii] In the UK, post-Christmas 2021 returns rose 24 % on 2020, according to KPMG.[iv] In the US, returns were forecast to total a value of $761 billion.[v]

Returns occupy staff and can lead to customer friction when customers cannot easily present evidence from separate purchase channels. But utilisation of e-receipts and/or the initial payment method as evidence of prior purchase, combined with integrated inventory, cuts time and friction in this process.

2. **Integrated systems allow merchants to add new payment methods across multiple channels easily.**

E.g. Watches of Switzerland opened a new acceptance modality channel across its portfolio by facilitating Zoom-based customers to complete sales via secure payment links generated by payment acquirer Adyen.[vi]

3. **Collated payments data helps develop deeper knowledge of customer traits.**

Merchants can extract deep insight into customer end-to-end journeys and

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spending patterns. They can identify how customers move across channels if cannibalisation is occurring and the 'pain points' for likely cart abandonment.

The average online shopping cart abandonment rate is nearly 70 %.[vii] Customers have varied reasons for failing to complete purchase. With help from their partners merchants can minimise any friction or remove any barriers to conversion caused by payments. Analysis of inventory and customer and purchase data will help tailor strategic promotions for individuals or customer segments for a better CX.

4. An overview of all payments can also help merchants and customers with better fraud protection.

Customers are anxious about their personal data and their security when purchasing. Likewise, merchants can find they are the subject of fraudulent transactions. Globally, losses from payment fraud incurred by payment card issuers, merchants and acquirers tripled in the decade to 2020 to $32.39 billion and losses are projected to cost $40.62 billion by 2027.[viii] Consolidation of systems and data means interoperable security solutions, such as JCB's own J/Secure™ authorisation system, can roll out across transaction points more easily.

5. Effective Supply Distribution.

Broad-range historical data on inventory extracted from a single platform can identify stock/supply patterns and ensure effective, transparent distribution chains. This drives efficiencies, increases profitability by ensuring the right volumes of stock for a specific item are at the physical locations of highest demand and shapes a better CX by helping avoid customer disappointment due to out-of-stocks.

6. On a macro-level UC can aid with industry regulatory challenges e.g. in playing a role in addressing VAT fraud within the EU.

At present there is little or clear guidance on how to tax-domicile a merchant. A centralised EU VAT register is under discussion and if made law, will present a giant data headache when it comes to documenting merchants properly, picking up their transactional data and tax-referencing it correctly. The transparency and trackability afforded by integrated systems could make this much easier to implement.

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5: Considerations For Creating A Unified Commerce Payments Experience

Drawing up a strategy for UC may look daunting and there is much to learn. But merchants should not feel at a loss of where to start; there are informed organisations that can guide and support with building an understanding of the principles behind this proposition – including JCB.

The starting point should be to identify pain points on the path to payment via a customer journey mapping exercise. This can uncover frustrations and hurdles that lead to lost sales which might not be obvious.

Think about the infrastructure issues, such as the time and cost of ordering, connecting and installing UC payments systems into all your physical outlets. How can this be implemented with minimum disruption to day-to-day operations? If you are a merchant who will need to replace acceptance terminals and related systems, could this be an opportunity to upgrade towards improved units e.g. combined cash register and payment terminals?

Throughout any transformation process it will be vital to build and maintain customer trust in your payment solutions. Customers need reassurance that their data is secure from fraudulent activity and will be anonymised for use by the merchant unless they give specific permission.

Authentication is the foundation of payments security – authentication of the customer for the merchant and vice versa. Solutions are in development for customer identification, including biometrics, while technology like the previously mentioned J/Secure™ system is already available.

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"Many merchants are working with legacy payments systems put in place years ago and are not yet in a position to migrate to new, purposefully-made integrated platforms. They need to collaborate with partners who can adapt to their current circumstances but who can also help them move towards a seamless integration. A payments solutions provider like JCB can help you understand the concept and benefits of Unified Commerce."

— **Andrew Mitchell**
Vice President,
Development and Infrastructure,
JCB International (Europe) Ltd.

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6: Conclusion

Successful merchants focus on long-term goals and business strategies that can deliver on these objectives. Circumstances have forced everybody to focus on reacting to the fast-changing nature of the pandemic, but this will not create business value in the longer term.

Winners will be those who can create a sustainable competitive advantage derived from the creation of frictionless customer experiences thanks to clever strategic analysis of multiple business areas. Such experiences will be built on the pooling of data that satisfied customers are willing to share, once they trust in the competency of their payment and merchant providers.

UC and its application to payments solutions will be a significant building block in helping merchants develop critical advantages. JCB looks forward to playing a significant role in helping enrich the data exchanges for all payments ecosystem participants and ensuring they enjoy the benefits of this evolutionary leap.

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About JCB

JCB is a major global payment brand and a leading credit card issuer and acquirer in Japan. JCB launched its card business in Japan in 1961 and began expanding worldwide in 1981. Its acceptance network includes about 36 million merchants around the world. JCB Cards are now issued with more than 140 million cardmembers. As part of its international growth strategy, JCB has formed alliances with hundreds of leading banks and financial institutions globally to increase merchant coverage and cardmember base. As a comp-rehensive payment solution provider, JCB commits to providing responsive and high-quality service and products to all customers worldwide.

For more information, please visit site:
www.global.jcb/en/

With Thanks To The Following Contributors

Tsuyoshi Notani, Managing Director,
JCB International (Europe) Ltd.

Koya Sakuma, Executive Vice President,
Global Business Development
Department, JCB International Co., Ltd.

Andrew Mitchell, Vice President,
Development and Infrastructure,
JCB International (Europe) Ltd.

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Merci D’avoir Lu

Thanks For Reading

Grazie Per Aver Letto

Gracias Por Leer

お読みいただき
ありがとうございます

Danke Fürs Lesen

If you want to discuss the findings in this study or JCB services, please contact marketing@jcbeurope.eu