Digital commerce is fueled by consumer empowerment and reactions to changing market conditions. Merchants of all sizes seek commerce-enabling solutions that can keep pace. This IDC Technology Spotlight examines the key requirements and benefits of partnering with a future-ready payments platform.

Key Takeaways

1. A modern payments platform is necessary to solve commerce challenges on both the front end and the back end of customer experiences.

2. Future-facing merchants believe in providing commerce at the “speed of customers” and bringing exciting new experiences to life without burdening customers with unnecessary complexity.

3. Mobile will transition from being a channel where commerce happens to the channel where commerce happens.
Digital commerce is inherently mobile, and customers are likely to begin a purchase in one place—sometimes even browsing in brick-and-mortar retail stores—and conclude the purchase in another setting, such as their living room.

Introduction

Customer expectations are evolving quickly, driven by access to ubiquitous marketplaces, digitally native direct-to-consumer merchants, sharing economy services, social commerce, price-optimizing search engines, and more. This shift in expectations is impacting a wide range of businesses across both B2C and B2B, including retail, transport, entertainment, and hospitality. In this rapidly changing environment, business leaders need commerce solutions that not only will power innovative mobile commerce experiences for their end customers but also will increase overall agility to serve ever-changing trends and needs.

Serving mobile-empowered customers is uniquely challenging. Consumers and business buyers have become accustomed to instant gratification when they browse, buy, and share. A single misstep or point of friction in the customer journey can lead to an abandoned purchase or a lost customer. Some merchants address the immediate symptoms and merely optimize interaction flows on their websites, mobile web pages, or mobile apps. However, optimizing only at the implementation level is a shortsighted view of the customer journey.

Digital commerce is inherently mobile, and customers are likely to begin a purchase in one place—sometimes even browsing in brick-and-mortar retail stores—and conclude the purchase in another setting, such as their living room. Modern customers are unlikely to stay on one device, switching across mobile, tablet, desktop, or even voice-based services. They often forget and come back to their purchase after seeing the item on a friend’s device or via social media. This level of dynamism requires an additional layer of infrastructure and support.

To serve the modern customer, merchants must be able to embed buying opportunities in new channels with ease—through in-app experiences, partnerships, social media, and marketplaces. To stay relevant, merchants must be ready to enable online impulse purchases and even offer point-of-sale lending. This IDC Technology Spotlight explores the capabilities that truly make a payments platform modern and offer businesses the ability to create exceptional customer commerce experiences.

Challenges to Delivering Excellent Digital Experiences

B2C and B2B merchants face a number of challenges in assembling a comprehensive digital commerce platform—both on the back end of the technology stack and on the front end of the end-user interaction:

On the Back End

Legacy Technology Systems
Most organizations prefer to maintain their incumbent systems to avoid costly expenditures for as long as possible. However, legacy payments systems were designed for a different era of payments—when buyers lined up serially
at registers. Many legacy systems are challenged to address the unique technical requirements presented by online and mobile, including always-on shopping experiences, multidevice switching, customer identity management, and cross-border and multipart transactions.

**Orchestration of Operations**
Few companies have all the necessary resources in-house to effectively compete in today’s digital commerce market. Many companies have the administrative burden of servicing legacy and new systems and transact across a complex network of technical vendors and digital commerce partners. Often, this means companies are unable to focus on developing strategic partnerships that include new buying channels and new modes of customer interaction (e.g., augmented reality, voice, Internet of Things [IoT]).

**Multiple Business Stakeholders**
It used to be that technology decisions were made exclusively by IT and were approved by a finance team. However, with increasing drive for revenue from online sources and pressure to adapt to ever-changing market conditions, more decision makers are involved in commerce solutions than ever before. Navigating the technology marketplace is increasingly difficult as some vendors appeal to marketing departments with customer experience capabilities, while others appeal to IT buyers with novel expansion capabilities—all while finance and operations are looking to cut costs. These conflicting viewpoints of various stakeholders often lead to a stalemate in terms of technology selection and implementation.

**On the Front End**
**Ever-changing Customer Expectations**
Digital commerce brought endless aisles to customers' fingertips, eternally raising the bar of an adequate customer experience. In this environment, what once was novel can quickly become table stakes. Customers have come to expect intuitive interfaces that speed them through checkout, present a variety of payment options, deliver uninterrupted payment verification, let them pay with multiple cards, and even unlock new purchase potential with installments or credit. Many businesses lack insight into customer shopping habits and preferences, especially in international markets. Most merchants want to focus on their core competency, not on becoming experts on payments or commerce enablement.

**Fierce Competition**
Established merchants face increasing competition not only from upstart brands that focus on delivering compelling experiences but also from rapid changes in the channels of distribution. Upstart brands are unencumbered by technical debt and often choose modern technology platforms that get them up and running quickly. These brands have raised the bar on customer expectations and are nimble enough to adapt to changing buyer preferences and business conditions.

**Customer Retention**
With the abundance of information and choices online, customers are increasingly finicky, price sensitive, impatient, and convenience driven. This shift reduces the margin of error for merchants and makes it more difficult to retain customers.

**Ability to Maintain Trust**
It is said that trust is the most important digital currency. Increasingly sophisticated customers worry about payment security and data collection. Credibility and assurance are critical to digital success.

A comprehensive strategy for payments is pivotal to overcome many of these challenges in a fast-changing environment.
A successful digital commerce strategy requires a comprehensive payments solution, enabling businesses to focus on not just accessing technical capability but also driving strategic differentiation.

How a Modern Payments Platform Can Help

A modern payments platform offers a framework and features that enable continuous innovation while providing safety, reliability, and speed. Best-in-class payments platforms offer agility and technical capabilities to:

Deliver End-to-end Customer Experiences
Modern platforms streamline the payments process and reduce the number of steps at checkout. They enable seamless online-to-offline experiences in channels such as in-context commerce, the sharing economy, the gig economy, and multisided marketplaces. They offer consumers the most relevant and popular payment options, including credit cards, digital wallets, point-of-sale financing, or subscriptions. They deliver value-added shopper insights as well as co-promotion or cart abandonment recovery services to help increase conversion. In addition, they facilitate speed to market when merchants are ready to expand to new geographies or add new payment methods or partners so that they stay ahead in a fast-changing digital landscape.

Simplify Back-end Operations
Great platforms enable merchants to focus on innovating instead of constantly managing the underlying technologies. They empower merchants with new ways to engage end users, including flexibility in user interface design, A/B testing, checkout optimization, and risk-filter customization. They manage risk complexity, including PCI compliance and keeping up with the latest standards and regulations globally. They connect to existing systems with modular, flexible SDKs and APIs. They provide ready-built connectors across multiple service providers such as banks, card networks, commerce providers, and fraud prevention providers.

Ultimately, a modern payments platform cultivates trust and brand loyalty among end users, making it easier for them to shop, repeat purchases, get purchases authorized faster, and feel safe from fraud and security breaches. At the same time, modern platforms enable merchants to focus on driving their business rather than rebuilding baseline infrastructure.

Today’s Platform Choices Must Be Ready for the Future

Merchants and customers sense how quickly the market is changing. Given the proliferation of new technology platforms, developers, agile methods, and the reuse of code, IDC predicts that from 2018 to 2023, 500 million new logical applications will be created. For a sense of scale, this five-year total is equal to the number of apps built in the past 40 years (see IDC FutureScape: Worldwide IT Industry 2019 Predictions, IDC #US44403818). This trend suggests that business and consumer customers not only will demand more from their merchants’ technology but also will require more from
the employees administering those systems. Examples of future commerce trends include the following:

**Mobile Dominance**
Customers are already using mobile devices to browse, research, and purchase goods and services in both B2C and B2B settings. In the push for mobile market share, digital wallets and contactless wallet providers are going universal, offering both in-store and online payments.

**Intelligent Commerce**
Machine learning algorithms and vast data sets will enable commerce managers to make more informed decisions in areas such as fraud prevention or offering credit at the point of payment. IDC believes that intelligent commerce is quickly becoming a differentiator in the market.

For merchants, these trends suggest that a future-proof platform should be able to drive mobile-first experiences, enable global reach, dynamically adapt to changing risk and fraud conditions, and offer SDKs and APIs that can support future capabilities and customization.

As merchants select payments solutions to serve their present needs, IDC believes it is important to make a choice that will offer value today and into the future. According to IDC research, current technology platforms bring together the power of cloud, social, big data/analytics, and mobile. IDC predicts that around 2023, platforms will start to offer autonomous features driven by artificial intelligence.

In summary, a successful digital commerce strategy requires a comprehensive payments solution, enabling businesses to focus on not just accessing technical capability but also driving strategic differentiation.

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**Introducing the PayPal Commerce Platform**

The PayPal Commerce Platform (PPCP) is a single point of entry to scalable payments technologies, enabling merchants to accept and make payments, streamline operations, manage risk, and accelerate growth. With PPCP, enterprises can build end-to-end payment experiences across multiple channels and payment methods, optimize card processing, and leverage fraud detection that gets smarter with every transaction. The platform helps merchants navigate complex regulatory environments and quickly grow sales in new markets. Further, PPCP helps enable businesses to:

- Leverage data intelligence from PayPal's network to improve overall authentication rates and manage risk with fraud detection
- Offer customers’ preferred payment methods, including PayPal, Venmo (United States only), PayPal Credit,* debit cards, digital wallets (including Apple Pay and Google Pay), and local payment methods
- Increase end customers’ purchasing flexibility with installments, credit options, and subscriptions
- Deliver seamless, personalized checkout experiences on the web and mobile
- Target high-intent PayPal wallet customers with highly relevant promotions and marketing messages
- Deliver multisided marketplace payments to customers and sellers
- Reduce administrative costs and complexity with operational management tools and reporting
- Orchestrate payments infrastructure by leveraging developer-friendly SDKs and open APIs, plus unique data-sharing tools to connect with commercial and administrative partners
PayPal Commerce Platform Benefits

PPCP makes it easy for B2C and B2B merchants to provide engaging commerce experiences around the world. PPCP also offers end-to-end service and support, with the depth of experience to handle a wide range of use cases. IDC believes that given these unique capabilities, the PayPal Commerce Platform offers merchants the following key benefits:

» Interoperability with other services via a seamless API structure—enabling connectivity into legacy systems, major technology partners, social media platforms, and emerging capabilities

» Security and fraud detection by leveraging the intelligence of PayPal’s network of consumers, merchants, partners, and financial gateways

» Scalability and reliability by working with a trusted partner that brings know-how and brand recognition to new markets around the world

» Partnership with a dedicated, long-standing technology vendor that offers technical support, business consulting, and continual innovation to help drive success

Potential Challenges

Given the speed of change in the digital payments and commerce environment, PayPal’s Commerce Platform also faces some challenges:

» Evolving Portfolio

The PayPal Commerce Platform combines Braintree’s integration with Simility’s intelligent risk management features. PayPal is planning to integrate recent acquisitions such as Hyperwallet and Jetlore, but at present, these integrations will require additional work for end customers.

» Global Regulatory Needs

PayPal’s network is constantly adapting to changing regulatory needs around the world. However, there continue to be rapidly changing global circumstances that may affect not only access to certain markets but also the delivery of capabilities.

Conclusion

A future-facing merchant knows that business and consumer customers demand seamless digital and mobile-first commerce experiences.

PayPal Commerce Platform Case Study

The following is a recent example of a customer using PayPal’s Commerce Platform:

Requirements: Storing customer financial data with instant access—no matter where the customer is located

Problem: Traditional payments providers that do not allow for quick retrieval of customers’ stored data

Solutions: Credit card vaulting, which enables safe storage of payment information with access to that information anywhere in the world with internet; easy access to stored data and support for payments within a mobile app experience; enable linked transactions (i.e., ride plus tips); global accessibility and transactional risk management

Results: Expansive revenue growth and increased developer agility
Engaging these customers and building their loyalty require a platform that provides flexibility, reduces friction, and builds trust. Market-leading merchants focus on driving core business and delighting their customers in part by choosing a robust payments platform. These merchants believe in providing commerce at the “speed of customers” and bringing exciting new experiences to life without burdening customers with unnecessary complexity. They understand that the right payments platform simplifies the purchase cycle and can transform digital transactions into an ongoing customer relationship.

ABOUT THE ANALYST

Jordan Jewell

Jordan Jewell is a Research Manager for IDC’s Enterprise Applications and Digital Commerce team and leads IDC’s Digital Commerce research practice. In this role, he leads research initiatives addressing both B2B and B2C digital commerce platforms, digital marketplaces, payments, and adjacent technologies that facilitate online commerce. Jordan joined IDC in 2015.

Message from the Sponsor

PayPal’s Commerce Platform is an enterprise-grade, customizable digital commerce solution featuring capabilities including: accepting payments to help capture more revenue, making fast, frictionless payouts, navigating modern security challenges with risk and fraud detection, offering commerce tools that can help accelerate growth with unique commerce tools, and orchestrating an overall commerce infrastructure. With PayPal, you’ll be able to accept and process payments in 200+ markets and 100+ currencies and let your customers pay with their preferred method, including credit and debit cards, PayPal, PayPal Credit*, and Venmo*, plus the ability to easily enable popular digital wallets like Apple Pay, Google Pay, and other local payment methods all over the world.

For more information, please visit us at:

[paypal.com](http://paypal.com)

*Venmo and PayPal Credit are only available in limited markets. Additionally, PayPal Credit is subject to credit approval.

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