Payment Innovation Is Driven by Competitive Pressures

Retailers are also motivated by boosting sales and customer loyalty

ARTICLE

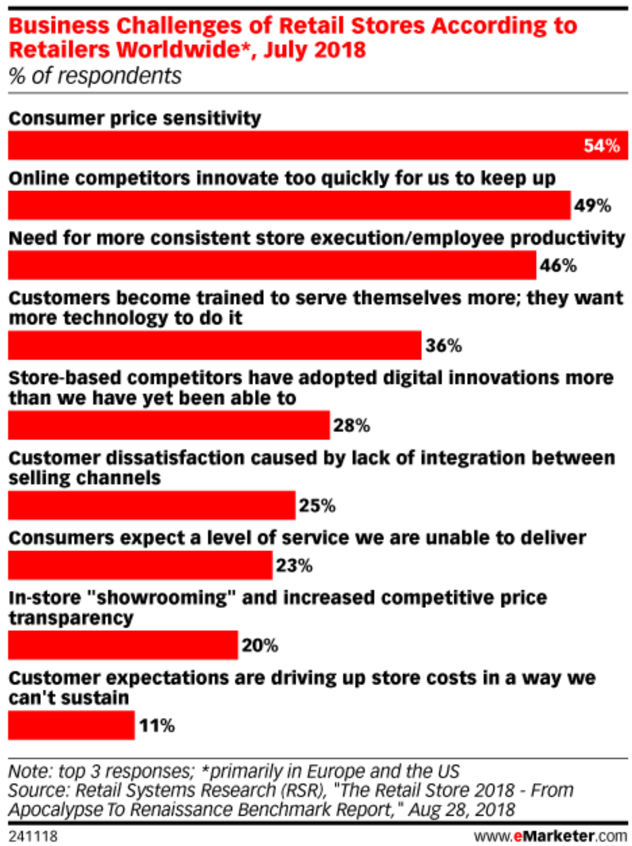
Krista Garcia

Like customer experience and digital transformation, the need for innovation has become a priority across industries. Retail is no exception.

A new PYMNTS and AEVI survey examined what is motivating retailers to innovate payments. The biggest driver of innovation was competition (84.6%). No one wants to get left behind, and many just want to be on a level playing field. Other common reasons were to increase sales (77.4%) and boost customer loyalty (65.4%).

It's no surprise that smaller businesses (under $250,000 annual revenue) were more motivated by the potential to increase sales (80%). Less intuitive was the businesses with revenues of $10 million or more caring less about customer loyalty than the companies with average revenues (54% and 65%, respectively). In theory, larger businesses have a bigger customer base and can afford attrition. It's also likely that smaller businesses have a closer relationship to their customers.

A recent RSR Research survey also found that competition was driving the need for innovation; 83% of retailers said they felt pressures from Amazon and other retailers. In this study, one conclusion was that the more successful retailers had a higher tolerance for risk and could be more experimental. Aside from price sensitivity, online competitors innovating too quickly is perceived to be one of the biggest in-store retail challenges.



Innovation is tied to investment ability, according to PYMNTS. Larger companies were far readier to innovate; 94% of those with annual revenues between $25 million and $100 million were very or extremely ready, while only 34% with revenues under $250,000 felt prepared.

The study compared payment innovations across channels and select sectors, finding that apparel had the highest implementation rates on websites (56%), at kiosks (53%) and in physical stores (46%)—whereas books and music retailers had the lowest rates.

If you take Amazon out of the equation, books and music stores tend to be small and independently owned. Customer relationships are more important to this segment than they are to big clothing chains, so technical innovation might take a backseat. Just 25% of book and music retailers said they would not be able to survive without in-store innovation.

Yet 92% of bookstores have online inventories, so it would not be a leap to begin implementing consumer-facing innovations (like being able to track online orders or buy online and pick up in-store) without ostracizing the customer base that values human interaction over emerging tech.