

How to drive business impact with payments

A guide for financial services providers

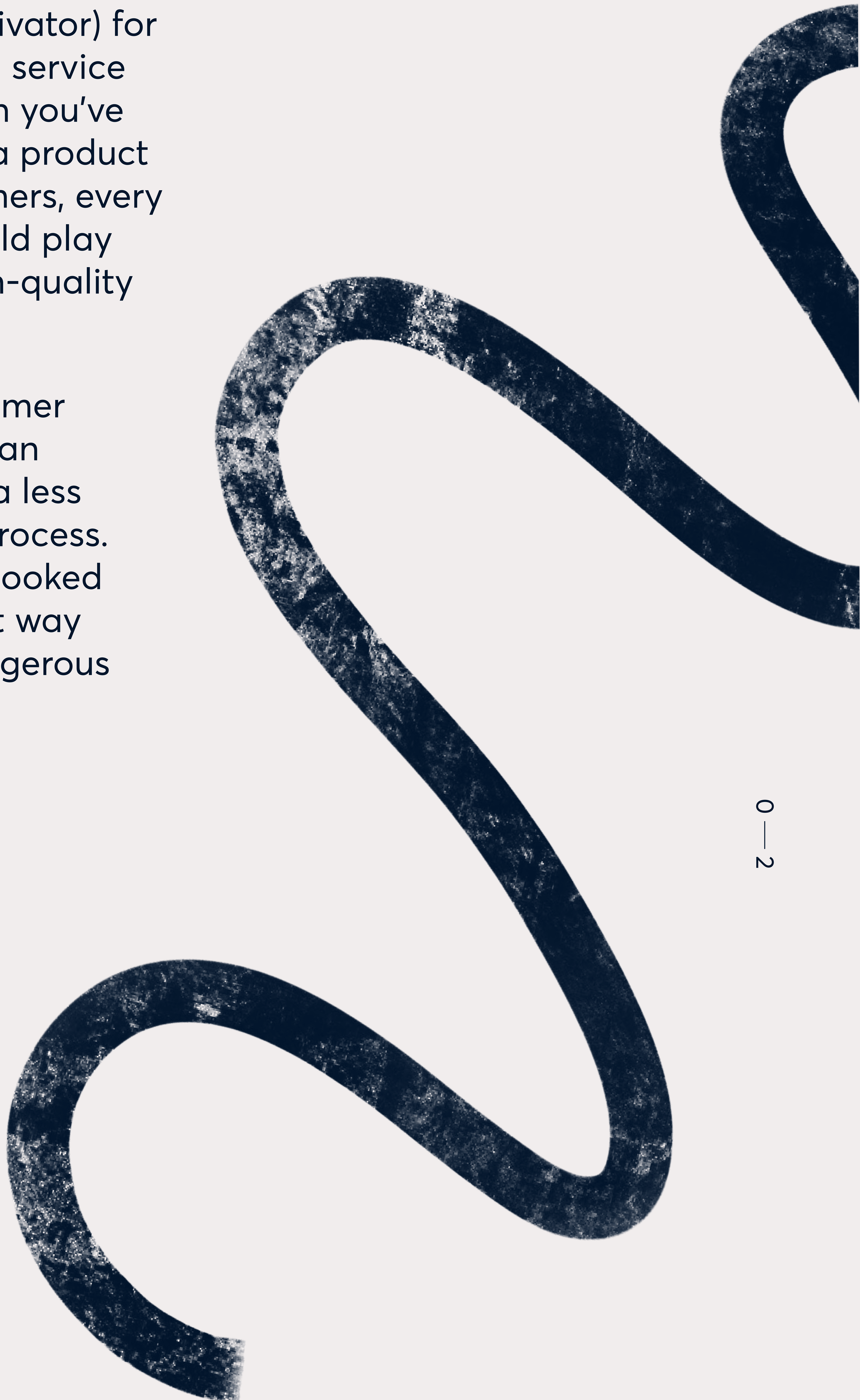
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Solving customer problems with a great product is a major motivator (or even the primary motivator) for every ambitious financial service business or fintech. When you've worked hard to develop a product that delights your customers, every part of the business should play a role in delivering a high-quality user experience.

But in the quest for customer delight, some elements can get in your way, such as a less than perfect payments process. Payments are often overlooked as a 'box to tick', but that way of thinking can have dangerous consequences...



Is a good payment experience really that important?

Clunky, error-prone payments processes can make customers less enthusiastic about your product, while also risking tarnishing your brand's image in the competitive world of financial services.

A good payment experience, on the other hand, can lead a customer to actually choose one product or service over another. Take lending products, for example. We surveyed almost 400 borrowers on their payment experiences. Some of the standout findings include:

- 84% of respondents think payment experience is important to their overall experience with a company
- 78% of respondents would be more likely to choose a brand that offered their preferred payment method
- 80% would be more likely to use a brand that allowed them to make and manage payments online

In short, you can't ignore payments. A modern approach to payments is something most customers now demand.

And, as we'll demonstrate in this guide, delivering on payment experience has a number of benefits with real business impact.

Maintaining healthy cash flow with payments

Problems stemming from cash flow mean that UK businesses in 2019 face a collective bill of £6.7 billion in unpaid invoices (a massive increase on the 2017 figure of £2.6 billion). And according to research, 50,000 UK businesses fail every year, across all sectors.

Maintaining healthy cash flow should be a key priority for any business regardless of its size. 82% of all businesses suffer from poor cash flow at some point, regardless of size or stage of development. Having products that are selling well doesn't make a business immune to cash flow issues.

And even though established companies and large corporations may have more revenue, they also have bigger overheads, as illustrated by [Chevron's 2017 tax bill crisis](#).

Without enough available cash, your company can't pay those suppliers on time. Nor can it meet operational or payroll costs, let alone invest money in significant business decisions for growth. What's more, cash flow worries can take up valuable time and headspace that you could otherwise use to plan future strategy.

"The best way to combat [cash flow problems] is to present customers with automated and intelligent payment methods that enable them to pay in their preferred method."

Mark Walker, COO, Fintech Power 50

What can be done?

Optimising cash flow by reducing late payments enables companies to handle the above-mentioned problems, while also freeing up vital capital for activities to propel them ahead of the competition – such as investing in product development.

According to one report, 79% of businesses of all sizes are in the process of digitally transforming their finance departments with technologies like holistic payments and artificial intelligence. Digital transformation presents the perfect opportunity to automate your payment process.

How can GoCardless help?
Businesses who utilise bank reconciliation automation, for example, significantly reduce their payment problems. GoCardless research has found that 84% of UK SMEs using GoCardless spent less time chasing invoices and 74% spent less time on reconciliation.

Delight your customers and build loyalty

No matter your role in a financial services business, one key focus should always be on delivering an exceptional experience to your customers. There are many facets to this process and payments is an important one.



Whenever customers use your product, their experience should be as seamless, intuitive and positive as every other interaction they have with your company. Let's take a look at some specifics in relation to payments:

Online tracking and notifications

Customers who are used to tracking most things online expect to do the same with payments. They shouldn't have to go searching or have unanswered questions on the status of payments.

Financial service businesses and fintechs have an even greater need to give customers better payment visibility, as a lack of information can have serious negative consequences for the customer, especially for the likes of banks, lenders and insurers.

For enhanced convenience, your user experience should provide them with payment status updates via push notifications, email or instant message.

Online and mobile payment experience

Did you know that 89% of borrowers want to repay their loans online? And this digital-first way of thinking goes well beyond just the lending space.

It's also no longer enough to simply allow the customer to pay a bill or instalment online.

"We're all about being customer-centric. Payments are an integral part of our service to customers"

Bill Packman, COO, Nutmeg



Can they amend their payment schedules, check the status of payments and schedule future payments? If the answer is no, you don't yet offer a modern online payment experience

A clean, on-brand payment page
Another important aspect of the user experience is the payment page. Over 68% of people who reach a payment page never complete payment. UX decisions, eliminating redirects on a checkout page and consistent branding can all help increase conversion rates.

How can GoCardless help?
Online investment management firm Nutmeg transformed its payments process from a cumbersome collection of paper Direct Debits into an integrated cloud payments solution via GoCardless.

Using GoCardless allowed Nutmeg customers to set up and manage their payments using a convenient online dashboard. It also kept the payment pages entirely on-brand, with no need for the customer to ever leave the Nutmeg site.

Stay lean and reduce costs

Payment processing systems usually don't come cheap. From hefty set up costs to recurring maintenance charges, not to mention fees for every transaction (even failed ones) – payment processing systems can generate additional costs that eat into your company's profits.

Costs can be reduced by selecting a payment processor that's not only good value for money, but also offers transparency upfront about any associated costs, while charging only for successful transactions.

Another way to keep your payments process lean involves building an efficient, error-free workflow. Finding a provider or system with strong automation is the key here, potentially saving you vast amounts of time and money, while streamlining the process for your customers.

Using an electronic billing system, such as [Xero](#), creates a seamless end-to-end payments process. Automation is also the key to reducing time spent reconciling and managing payments.

How can GoCardless help?

Overall, automation can significantly improve the experience that your customers have with your payments process. Automated cloud-based payments systems also remove the risk of human error, freeing up your team to focus on other activities.

"The GoCardless solution gives us access to data we need to update our investor and borrower accounts quickly and react in the right way to customer queries."

Chris Latchford, Global Head of Payments Strategy, Funding Circle

Take action against late payments and bad debt

Most financial services companies, particularly those specialising in lending, are likely to face situations where a customer fails to make a payment on time or at all. There are a number of ways to improve how you handle late payments, while also maintaining positive customer experience.

One big cause of missed payments is simple transaction failure, and when it comes to failed payments, not all methods are created equal.

Credit cards, for example, fail 5-15% of the time. This is down to the possibility of credit cards expiring or being cancelled after getting lost or stolen.

Failure rates for other methods, such as Direct Debit, are much lower. While some payments still fail, the success rate of Direct Debit payments done through GoCardless are as high as 97.5% in the financial services sector but can get as high as 99.5% after payment retries.

How can GoCardless help?

Boost Capital, an online business lender, was already using Direct Debit to take customer payments and minimise loan delinquency. Using GoCardless, the company was able to further improve the payment experience for its customers by swapping paper Direct Debits for a fully digital service. The GoCardless dashboard provided full visibility of payments, while also cutting down on admin time and speeding up onboarding of new customers.

"Being able to offer our customers truly paperless Direct Debit is a great selling point."

Alex Littner, MD, Boost Capital

How to measure the business impact of payments

As management guru Peter Drucker said, "what gets measured gets improved". When thinking about how to improve your payments process, it's important to be able to measure the true impact.

But how can you measure the impact of payments? Depending on what it is you want to know, there are a few ways. The following five measures each assess one aspect of your payments and all allow you to compare payment methods against one another.

1 — Payment method preference

Preference is defined as the number of payers that choose to use a particular payment method. As a measure, **preference is calculated as the percentage of payers who choose the payment method in question.**

In terms of business impact, increasing preference metrics help drive growth and acquisition, as customers want their preferred choice of payment method.

You can improve your preference metrics by ensuring your payments process meets the following four criteria:

- Simple: How do customers perceive the ease of making a payment?
- Trustworthy: Do customers trust that the payment method is secure?
- Incentive: Are customers incentivised to use the payment method? For example, offering them a discount for using it.
- Relevant: Do payment methods match the type of purchase? For example a one-off purchase versus a subscription product.

2 — Conversion

Conversion is a measure of customers that complete a payment setup process, it's a good proxy for measuring the effectiveness of your sign-up process.

Improving your conversion rate is another important way to drive growth and acquisition. **It's measured as the percentage of visitors to your payment page who then convert.**

Simplicity and ease of use are major factors influencing conversion rates – if it's easy to complete the payment process, the more customers are likely to complete it.

3 — Cash flow

As we've already discussed, cash flow is hugely important to business success, as it influences a business's ability to operate, invest and grow. **You can measure it by calculating the average number of days taken to settle a payment.**

Cash flow metrics are affected by a number of factors,:

- How long the customer takes to pay
- How long it takes to approve the payment setup
- Length of time to process the approved payment

4 — Payment success

When customers attempt to pay for your product, not every payment will reach you successfully, those that don't are classed as failed payments.

You can measure success in terms of metrics such as first-time failures and total failures after retrying a payment.

Reasons driving the success metrics can vary, but common ones include creditworthiness (i.e. where payments fail because of insufficient funds), user or system errors (such as incorrect payment details), or even fraud. In terms of business impact, success metrics can affect your cash flow, operating costs and customer retention.

5 — Payment visibility

When something goes wrong with a payment it's important to know immediately, so you can take appropriate action.

We call this **visibility, measured by the average number of days it takes to receive actionable information about an issue.**

Visibility is affected by speed. How fast do you get the information? Accuracy and detail also matter – is the information sufficient to resolve the payment problem?

Improvements in visibility are a vital step in achieving better operational efficiency, plus more effective management and decision making.

Conclusion

Any financial services business with ambitions to scale needs to take payment processing seriously. Gone are the days when a company can simply find the cheapest and quickest way to take payments and simply 'forget about it'.

Payments are a fundamental part of the overall customer experience and can drive significant business impact when handled correctly. This guide has proved, a positive payment experience can help reduce the number of failed payments, provide large cost savings and increase brand loyalty.

All added together, this can give your business the **payment advantage** over your competitors.

What is GoCardless?

GoCardless provides a smarter and more scalable way to take payments, helping you automatically collect instalments and invoices from your customers around the globe.

Deliver a great payment experience at scale, minimise failed payments and get real-time notifications and alerts.

We're already helping more than 40,000 businesses like Funding Circle, Nutmeg, Lendable and Propel by Deloitte get paid on time.

We're taking the pain out of getting paid, so you can focus on doing what you do best.

Is your business in need of a payment advantage? Speak to our experts today and find out exactly how GoCardless can help your business transform its approach to payments.