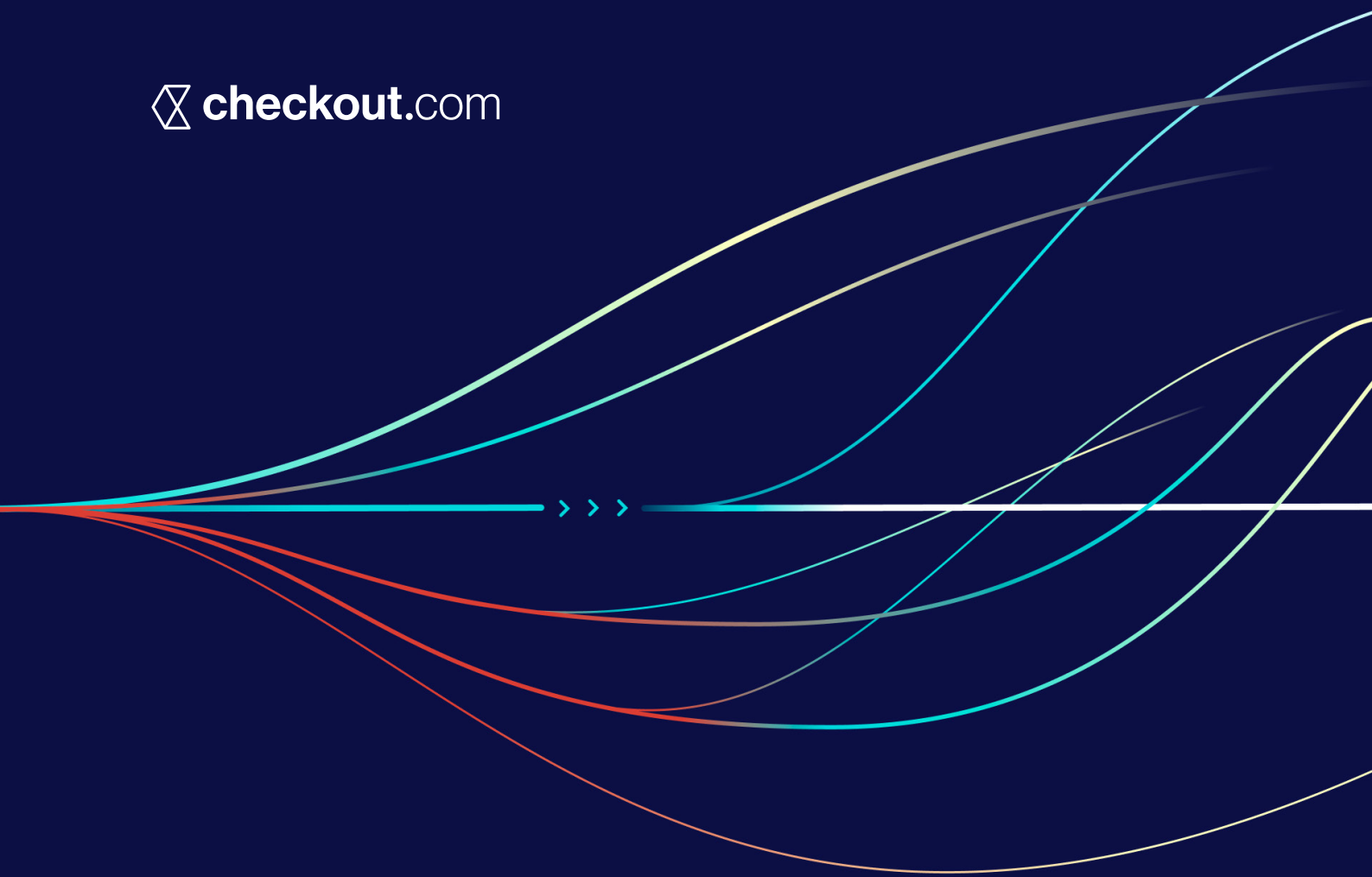


Optimizing authorization rates with access to meaningful payments data

 checkout.com



Introduction

Data is the oil of the 21st century.

While it may be an overused comparison, there are many similarities between oil and data. There's its immense value. Then there's the fact that like oil, data is often trapped in inaccessible places.

What does this all have to do with payments? Everything.

The data created every time a payment is made holds immense value. If effectively extracted, payment teams can refine it to be the fuel that powers the growth of their organization.

The challenge, however, is the data needed is often tantalizing out of reach. Either it's trapped in the web of interconnected systems and silos that make up legacy payments infrastructures. Or it's consolidated and oversimplified by providers who are focused on serving the needs of smaller businesses.

It's what we call a 'black box.' Cracking open that black box to get access to granular payments data is what allows businesses to make smarter decisions to optimize authorization rates and increase revenues.

In this guide, we'll show how. We deep-dive into the world of payments data, leveraging expert insights and proprietary research, to show what's needed to get onto the path to drive best-in-class payments performance.

Discover

Why data is key to drive improvements in payments performance and power revenue growth

Why only certain payments providers can give businesses full access to their payments data

Which data points are the most important and how to diagnose declines to unlock better payments performance

How Checkout.com sets businesses on the path to payments performance to reach peak payments performance

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The untapped potential of meaningful payments data

Optimizing payments performance is laden with complexity. Most businesses are in the dark as to what happens after their customer presses pay. They might see that it was approved or that it failed. But they have no idea why. Because their payments providers aren't equipped to provide them with that data or they're only providing the most basic of insights using consolidated data sets.

That's why 41% of businesses tell us that they get no actionable insights from their payments data, holding them back from achieving their true potential.

But it doesn't have to be this way.

By working with a payments provider that gives businesses a granular view into their payments data, they can quickly understand in detail why transactions succeed or fail and take proactive steps to improve their performance.

As Logan Vander Linden, Head of Payments at Scribd, told us: "Data is the only way that you can iterate, measure the results, use that to fine-tune the way that you perform an action and derive that result and use the data to let you know whether you're successful or not."

Businesses mustn't only consider the quality of data they receive from their providers, they must also consider how they access it. Every business is different, requiring customized data sets. And our data shows that too few businesses are receiving data in a way that's meaningful to them. Of those we surveyed, 40% say that the data they receive doesn't integrate with their internal systems.

The ramifications of these statistics go far beyond limiting a businesses' ability to optimize its payment performance. They're stopping payments from being a catalyst for growth and innovation within the business, with 60% telling us they don't feel that their payments data is informing strategy or innovation.

“Data is the lifeblood of our operation. I cannot do my job and drive payments performance without it.”

Emina Zahirovic, Head of Payments for North America, HelloFresh

41% of businesses don't receive any actionable analytics with their payments data

40% of businesses say the data they receive doesn't integrate with their internal data systems

60% of businesses said they don't feel that their payments data are informing strategy or innovation

Why businesses aren't getting the data they need

We don't need to look far to understand why so many businesses struggle to access the data they need to optimize payments performance.

The payments ecosystem is complex. To overcome that complexity, a range of payments providers have emerged over the past three decades to provide businesses with connections to the payment network with the promise that they can accept payment online easily and at scale.

“In payments, there's high-tech alongside the clunky and even the ancient; disruptive innovators still riding the rails and legacy systems — a complicated tangle of wires and wishes.

Professors Bill Maurer and Lana Swartz, authors of *Paid*

The trouble is many of these providers have done this through a spate of mergers and acquisitions. This allows these providers to offer businesses what appears to be a streamlined end-to-end payment solution. But when you lift the lid, you find a messy world of disparate acquirers, processors and gateways strung together through a patchwork of sub-optimal integrations.

While the technical architecture of these providers allows businesses to accept payments — even globally and at scale — it's often unable to send meaningful data back to businesses so they can understand the performance of their payments beyond the top-line acceptance rate.



The percentage of businesses by industry that don't receive raw response codes on failed payments:

Grocery	65%
Fintech	80%
Gaming	81%
Retail	70%
Marketplace	75%
SaaS Digital	60%
Travel	74%

Source(s): Checkout.com and Oxford Economics, 'Black Boxes and Paradoxes: The real cost of disconnected payments'

The disparate systems these providers use to process payments were rarely designed to work together. There's little uniformity in the data they're able to ingest, process and pass up the chain. And as the data passes from one system to another, there's a good chance the quality of the data will reduce, rendering it essentially useless by the time it reaches the business — if it reaches them at all. As an example, it may be that they can see that a payment has failed, but they won't get the response code to understand why it failed.

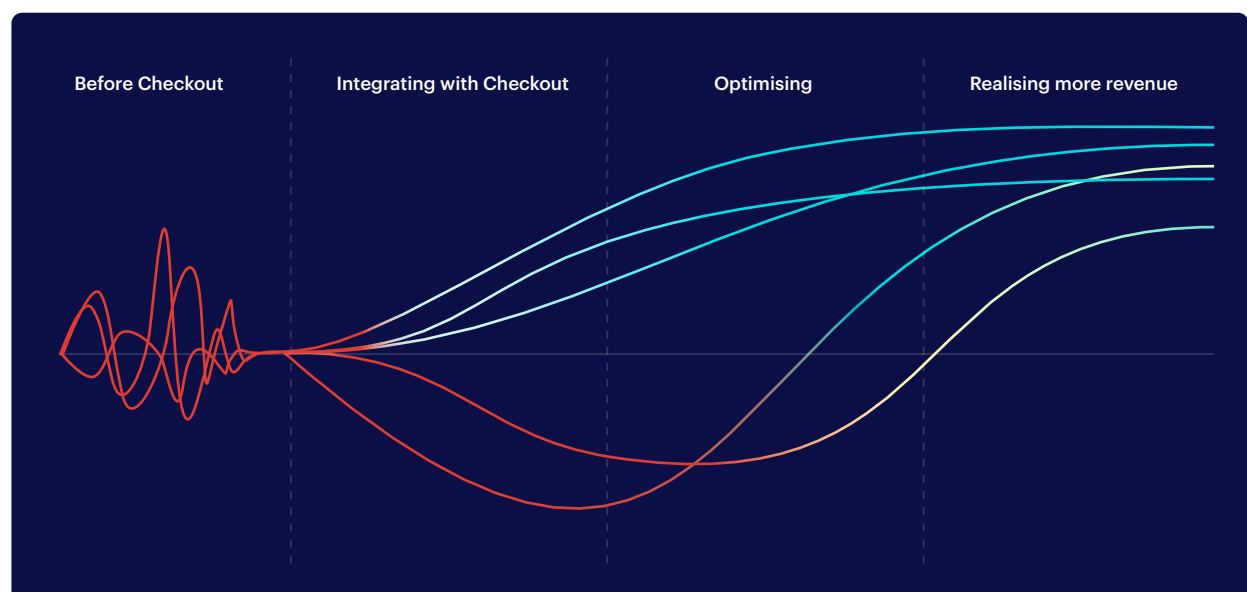
It's not just legacy providers that are unable to provide businesses with the data needed to optimize payments performance. Some modern providers also stop short of providing businesses with all the data available to them. Instead, they've built their systems to consolidate and simplify the data. And while this may be beneficial to small businesses, whose sole requirement from a payments provider is to give the infrastructure to accept payments, it's not good enough for larger businesses that want to use payments as a strategic growth lever.

“Checkout.com gives us a more granular view of payments data than ever before. This provides our teams across the business with a deeper understanding of how our customers are behaving, allowing us to optimize the experience to ensure that we're capturing every available sale.”

Aurélien de Meaux, CEO and Co-founder, Cheerz

[Read case study](#)

Businesses are at the mercy of their providers when it comes to getting access to their payments data. If their provider is unable to give them the data due to technical complexity or because their systems consolidate and oversimplify the data, there's not a lot that businesses can do, except to find a payments partner that can deliver the data needed.



The data that unlocks optimal payments performance

Businesses looking to improve their payments performance need to access and analyze two critical data points.

1. **Authorization rates** — these tell businesses **how** many payments are authorized.
2. **Response codes** — these tell businesses **why** their payments are or aren't authorized.

Authorization rates

Most businesses will track their top-line authorization rate – sometimes also referred to as an approval rate. It shows how many payments are authorized successfully once payment is initiated at the checkout. And it's a vital metric for organizations to monitor because its rise and fall directly impacts revenue.

Authorization rates also provide an indication of the experience a customer is having. A surprisingly low authorization rate may indicate that legitimate customers are having payments wrongly rejected. This is what's known as a false decline. And they cost businesses billions of dollars every year in lost revenue, making them one of the most expensive mistakes a business can make.

Businesses lose over \$20 billion a year due to false declines and nearly \$13 billion is handed to competitors at the final hurdle.

Source(s): Checkout.com and Oxford Economics, 'Black Boxes and Paradoxes: The real cost of disconnected payments'

Although the top-line authorization rate is a good number to measure performance holistically, it's not an especially useful data point for spotting trends and patterns that can drive actionable performance improvements.

For that, businesses must go more granular and begin looking at the authorization rate broken down by country, card, payments provider, transaction amount and so forth. And then go deeper still, by combining these different parameters. This work will enable businesses to see where payments are failing, allowing them to focus efforts on areas ripe for optimization.

Response codes

There are many reasons that cause a payment to fail. And response codes are what tell businesses the reasons why. These are generated every time a transaction is approved or rejected by an issuing bank.

Response codes are extremely powerful data points to have access to. Without them, it's near impossible to understand why some payments are failing and take immediate action. This often leads businesses to make mistakes such as failing to retry the payment quickly enough or retrying too often and creating additional issues and costs.

It also prevents businesses from developing proactive strategies that stop the payment from failing in the first place.

65% of businesses don't receive detailed raw response codes on failed payments.

Source(s): Checkout.com and Oxford Economics, 'Black Boxes and Paradoxes: The real cost of disconnected payments'

Yet, unfortunately, many businesses are working in the dark. Our research finds 65% don't receive detailed raw response codes on failed payments. This ranges from them receiving no response codes at all to grouped response codes that only provide a generic overview of why payments have failed. Either way, these are not enough for businesses to proactively take action to improve their authorization rate.

Checkout.com is providing all the data a business could need to gain visibility on what exactly is going on across the whole payment processing flow.

Peny Rizou, Director of Payments and Fraud, ETraveli Group

[Read case study](#)

explains

Soft declines v hard declines

Hard declines happen when the customer's card-issuing bank rejects the payment. Examples include attempting to use a card that has been reported as stolen or lost, or the card has expired. Hard declines are permanent, so the payment shouldn't be retried.

Soft declines are temporary authorization failures. Around 80% to 90% of all declines fall into this category. Soft declines are temporary, meaning businesses can process the transaction again, meeting the requirements that led to the decline the first time around.

How to interpret and action response codes to improve authorization rates

At Checkout.com, [we provide over 150 different response codes](#), giving businesses full visibility into why banks are rejecting their payments.

Our expert teams also work with every business to develop strategies to improve their overall payments performance.

Here are some examples of response codes businesses may see and how they can take action.



20051

Reason for decline:

Lack of funds

Potential solution(s):

Businesses that see this response code should prompt their customers to retry using an alternative card or payment method while they are still in session. Another solution, especially when seeing a large number of payments fail due to a lack of funds, is to offer a buy now, pay later (BNPL) option, like Klarna.

Subscription businesses seeing payments fail due to lack of funds can spot trends in the data to learn the optimum time to schedule the payment. There's a need to go granular here as trends will differ by market and demographic. The same data can also be used to build out an optimized dunning process.

20054

Reason for decline:

Expired card

Potential solution(s):

Payments failing due to customers using expired or canceled cards is commonplace. One solution is to leverage the card scheme's automatic account updaters, such as Visa Account Updater and MasterCard Automatic Billing Updater. However, not all payments providers offer this service.

Businesses can also use tokenization. Tokenization sees a customer's card replaced with a series of randomly generated numbers — the 'token'. Unlike cards, tokens have no expiry date and therefore eradicate the risk of involuntary churn. The higher security level with tokens also combats fraud and improves payment success rate.

20154

Reason for decline:

Authentication required

Potential solution(s):

The arrival of Strong Customer Authentication (SCA) in the UK and European Economic Area (EEA) is leading to more stringent checks on a payer's identity. And as a result, many more transactions are being soft declined.

To reduce the number of soft declined payments, businesses should adopt 3DS2 protocols and adapt their processes for SCA as soon as possible. 3DS2 enables SCA compliance by leveraging over 100 data points between the business and the payer's card issuer. This 'risk-based authentication' allows the card issuer to authenticate the payer without the need for additional information.

Businesses can also provide customers with the option to use digital wallets, such as Google Pay and Apple Pay, at the checkout. Not only are these increasingly popular ways to pay, but they also tend to lead to higher acceptance rates — sometimes by as much as 10% versus standard card transactions — and also meet SCA requirements due to the native use of two-factor authentication.

20062

Reason for decline:

Account restricted

Potential solution(s):

This response code may mean several things. For instance, it may mean the transaction was blocked due to suspected fraud. If that's incorrect, then businesses should reach out to that issuer and resolve the issue.

30034

Reason for decline:

Blocked for fraud

Potential solution(s):

Issuers rightly block some transactions on account of fraud. Every issuer has its own unique fraud detection systems and logic that track consumer behavior and multiple other data points to prevent them from accepting fraudulent transactions.

These systems are not infallible and they occasionally incorrectly authorize fraudulent transactions and reject legitimate transactions. If the latter is suspected, it may be the merchant category code (MCC) used isn't optional or is being flagged by the issuer. To resolve this, businesses should speak with that issuer, either directly or through their payments service provider. At Checkout.com, our issuer outreach solution automates this process for businesses to eliminate this issue as soon it's identified.

But this response code may also indicate that the card doesn't accept the currency or can't be used for cross-border transactions. In this case, businesses and their payments provider can use the data to uncover where this is happening and why. Depending on the reasons, possible solutions may be to accept payment in local currency, leverage popular alternative payment methods, or take advantage of domestic acquiring to ensure more payments are successfully authorized.

Finding a data-driven payments provider; questions to ask

In a world where some payments providers can't give businesses the data they need and others can, what do businesses need to ask to find the best partner?

Do you provide businesses with complete access to their payments data?

As we learned, one of the biggest challenges that some businesses have is that they're using payments providers that don't own or control the end-to-end payment flow. Unfortunately, these will never provide access to the data needed to make informed decisions to optimize payments performance. Businesses wanting to access their complete data should therefore work with providers that own the end-to-end payments flow.

Do you have teams to help us understand our data?

Payments data is equal in its power and its complexity — understanding it is as much an art as science. And that's why businesses are increasingly leaning upon their payments partners to be their guides to help them understand the data they have and figure out what actions they can take to drive the optimal impact in payments performance. Businesses should question whether their payments partners have the resources or expertise to provide this support.

Do you provide different ways to view and consume payments data?

Every business is unique, both in its degree of technical sophistication and appetite to use data. Those with powerful in-house tools may be able to consume every last drop of data their payments provider can offer them. In that case, they will likely favor raw data sets delivered rather than access to pre-populated dashboards. On the other hand, those businesses without the luxury of in-house tools will probably benefit from a clean and easy-to-navigate dashboard highlighting the most critical data. Businesses, therefore, need to understand their requirements and find a provider that can best cater to their needs.

Can you push payments data into other areas of our business?

While we're primarily focusing on leveraging data to improve payments performance in this guide, it's worth considering the value payments data has across the business. If we just think about what is learnt about customers every time they make a payment. Understanding where, how, when, what and even why a purchase was made is valuable information. And it's often untapped because few payments providers have the data structure and API connections needed to seamlessly plug into other systems and share data across the business.

Get on the path to payments performance with Checkout.com

“Working with Checkout.com has allowed us to understand our payment data better and turn it into actionable insights.

Aleksandr Povarov, Product Manager at Wise

Checkout.com helps businesses crack open the black box to understand how money flows into their business like never before with unbeatable data quality and transparency. We help businesses uncover problems and opportunities with instant and accurate insights. And give them the tools needed to make smarter decisions faster to extract more value from every transaction.

More granular data

We allow businesses to discover data they've never seen before. We give them a radically detailed view of every transaction, by every customer, in every market. And shine a light on how money flows in and out of the business. So they can unlock more value at every stage of the journey.

More accessible data

We understand that every business is different. So we give them the ability to export data in any form and push it into any system. This gives businesses the tools to do what they want to do with their data. Anytime.

More actionable data

Businesses aren't just seeking a payments provider; they're seeking a payment partner. We partner with every business to explore the data they have flowing through their system and uncover unique insights and opportunities that help them to make better decisions, fix problems in real-time and boost performance.

Discover the Checkout.com difference

With Checkout.com's technology, deep payments expertise, and specialist teams with local knowledge in all markets, we help businesses interpret and capitalize on their data to meet changing customer demands and capture more revenue.

It's time to shortcut the path to unrivaled payments performance.

Better data, better payments performance

The world of global payments is complex.
So the path to unrivaled payments
performance can be long and complicated.

But it doesn't have to be.

As we've shown, with fast and transparent
access to quality payments data, businesses
can get the insights they need to optimize
their authorization rates and increase
revenues.

And by working with the right payments
provider, businesses can unlock this world of
possibilities sooner than they think.

It's time to shortcut the path to unrivaled
payments performance.

Get in touch to find out how.

Contact us

