BlueSnap®

The Payment Processing KPI Library

Introduction

As an eCommerce merchant, you're probably well versed in the challenges of selling online and have done your best to overcome them. But here's something that, for most online merchants, falls into that infamous category of "unknown unknowns" (things you *don't know that you don't know*, if that doesn't make your head spin): Up to 40% of your online sales are being lost, mostly without you even realizing it.

What's behind this phenomenon? What sounds like the Bermuda Triangle of online sales is actually less mysterious than it seems. In fact, lost eCommerce sales can be attributed in large part to one specific thing: **payment processing**. Mistaken declines, fraud, friction in the checkout process—these issues and more are contributing to a significant checkout conversion problem for eCommerce merchants across the board.

Much of the problem stems from constant change in the eCommerce world—payment methods are evolving, fraud attacks (and the methods used to combat them) are multiplying, mobile is changing the payment scene, and shifting web design trends alter customer expectations with every turn of the evolutionary wheel. All have an impact on the checkout process. It's a challenge for any merchant to keep up.

Is it even possible to create an optimized payment process to withstand these changes? **Absolutely**. It's all about having the right business process in place, one that starts with gathering data.

Measuring Checkout Conversion—How It Helps

Online merchants who take a deliberate approach to managing their checkout processes will see the impact of their efforts in the form of higher sales—sales that would otherwise be lost to a poorly optimized payment process. To manage the process you first need a good understanding of your payment conversions, which requires *measurements* and *data*.

Data from the payment process can offer insights on two important things: specific business policies that may need improvement, and how well your payment gateway provider is performing.

Specific business policies that may need improvement.

Reviewing the data related to your checkout process allows you to identify potential problem areas and root causes, implement fixes, and then review after the fact to see if the changes have improved your results.

You can analyze payment conversions in a number of ways. For instance, you might track your conversion rate over time to understand if it's trending upward or downward, which could lead to making necessary improvements to the checkout page. Or, you could look at conversions by ticket size or by type of payment card used to understand if there's something unusual going on with credit vs. debit cards, or whether your $500 product is converting less often than your lower-priced product(s).

If the latter is the case, you could potentially improve the payment experience by using an installment business model or a subscription business model, both of which reduce the initial payment amount. Another example: You can track payment declines by reason code—why were certain transactions declined? Knowing the various reasons behind the declines, like insufficient funds or suspicion of fraud, can help you flesh out problems in the process.

How well your payment gateway provider is performing.

There are four ways to think about this:

1. *Do you have readily available access to data in the first place?* Not every payment gateway provides the detailed data you'll need to draw real conclusions about your payment process, nor do they give you unfettered access to it. Ideally, you want a wide variety of data available online, with 24/7 access.

2. *Do you have opportunities to consult with an expert about the data and how you can use it to optimize your payment process?* Some payment providers offer the data, but they leave the analysis and evaluation to you—and that may be just what you want. But if you're unsure about benchmarks, indicators, or payment strategies, it's important to have someone you can turn to for help. Available assistance, or, even better, regular meetings with your provider to review data, should be offered to online merchants of any size (not just the Amazons and Walmarts among us!).

3. *Is your payment provider living up to the terms of its Service Level Agreement (SLA)?* Your provider may have contractually agreed to serve you according to specific terms (i.e., uptime); are they delivering on that promise?

4 *Is your payment provider giving you the tools you need to deliver checkout excellence?* Low conversion rates can be turned around with the proper tools—as long as your provider offers them. Compare their offerings to those of other payment providers to see the range of features that should be on the table, like support for a wide variety of payment options, top-notch fraud prevention, support for international sales, intelligent payment routing, integration options, and more.

How often should you gather data?

Data review should become a regular, recurring meeting on your calendar if you hope to gain real insights from the process. A monthly review of payment processing data is usually sufficient.

If you've recently changed your payment flow, however, you should be monitoring your conversions daily right after the change to make sure they are not being negatively impacted—there may be a serious error that could be corrected quickly.

For data results, how do I know what constitutes "good"?

Benchmarking your data isn't as straightforward as it may seem, because conversion rates depend on a number of factors:

- The industry you're in.
- The product you're selling.
- Who your shoppers are (corporate or consumer).
- Where they're located (domestic or cross-border).
- The price of your product.
- Your mix of credit and debit cards.

It's great if you can have a conversation with your payment provider at the beginning of your relationship to get their point of view on benchmarks specific to your business; then, you can continually monitor your progress toward those goals. Generally, though, if your payment conversion rate is above 90% (90 transactions out of every 100 are successful), give yourself a pat on the back—you're looking good.

There's more work to be done, however, for the 10% that were declined. As you know, there are myriad reasons for failed transactions—out of date card information, insufficient funds, fraudulent transactions, etc. Once you've identified the reasons, you can work with your provider to implement processes to eliminate as many of those scenarios as possible.

Fraud Benchmarks

Unlike most payment conversion metrics, the benchmarks for fraud are more standardized. Chargeback rate is the most widely monitored metric for fraud—that's when shoppers dispute an unfamiliar charge on their credit card. Each card network has an acceptable threshold for chargeback rates; if your chargeback rate is too high, your provider may close your merchant account. Your provider should be well aware of those thresholds (ask what they are if you don't already know), and should be helping you stay under those thresholds.

Payment Processing KPI Library

To optimize your payment process, here's a list of 12 key performance indicators (KPIs) you should be tracking continuously. Not all payment providers offer the ability to track the below data; it's part of what differentiates one provider from another. But understanding the relevant metrics is one way to become more informed about your eCommerce domain—and may help you evaluate payment providers should you ever need to switch.

Payment Conversion KPIs

1 Payment Conversion Rate

The most straightforward metric by far, this KPI tells you **how many transactions on the whole were declined**. If you attempted 100 transactions in a certain period of time and 10 were declined by the bank, you have a 90% payment conversion rate.

Measuring your conversion rate can help you understand why some transactions are declined. It's a long list of possibilities: suspicion of fraud, incorrect card information, insufficient funds, invalid card number, restricted card, expired card, do not honor, etc.

The more detail your provider can give about *why* those transactions are declined the better, since the goal is to make changes that will remove those instances from happening again. Let's say as part of your subscription service you notice several declined transactions due to outdated credit cards.

To solve that problem, you may want to use an automatic account updater service or simply contact the affected customers to collect new card information.

To delve into your declined payment conversions more thoroughly, also examine conversion metrics specific to banks and payment methods (see numbers 2 and 3).

2 Conversion Rate By Bank

You might notice that multiple declines are associated with a specific bank. It may be that the bank has recently adjusted its fraud rules, which, in turn, is impacting your sales.

To help resolve the situation you'll need to know the bank name and identification number (BIN). (Banks group their accounts according to certain characteristics, like corporate cards, cash-back cards, etc., known as BIN numbers. Fraud rules are set individually for each group.) Your provider should be able to tell you which bank is causing the problem and the associated BIN.

3 Conversion Rate By Payment Method And Card Type

It's hard to know for sure if the payment methods you offer are the reason for a decline, but it can be helpful to compare your conversion rate on different payment methods. If, for example, you recently implemented a digital wallet such as Visa Checkout, MasterPass, or Apple Pay, compare it with your standard credit card checkout to see which option is performing better. Or, maybe you're thinking about redesigning the checkout page to make your highest-performing payment types more prominent. In that case, the data you gather can be used to maximize your conversions.

4 Checkout Abandonment Rate

A healthy fear of abandonment is advised for any eCommerce merchant, as the average online shopping cart abandonment rate is 69.23%. There could be any number of reasons why a shopper gets as far as the checkout page with a product in cart and then doesn't complete the order. If it's not a crying baby or a sudden earthquake, it could be something having to do with your checkout page, including:

- Too much friction in the checkout process. Thirty-five percent of people say being required to create an account makes them want to leave; a too-complicated checkout process accounts for 27% of early departures.
- A lack of trust in the site's security is cited by 18% of people.
- Unexpected popups or redirects may confuse shoppers as to who they're buying from.
- Payment issues as noted in the payment conversion rate section above.

To help diagnose the problem, compare your checkout abandonment rate to product page abandonment numbers. If a high number of visitors have browsed your product page without putting a product in their cart, the root of the issue might actually be much earlier in the buying process than it seems.

5 Landing Page Optimization Rate

If you use a landing page to funnel customers through the buying process, check your landing page optimization rate to ensure that it's not part of the problem. Sometimes potential buyers get distracted by something on the page and leave, or they have last-minute doubts about the site's security.

Your landing page "bounce rate" reveals how many people visit your landing page and leave without filling out a form or clicking through to another page. Slow page load times; advertisements for unexpected offers; attracting the wrong people; an unappealing, hard-to-read page; and asking for too much information top the list of reasons why someone might choose not to stick around after taking a peek.

"Clean" Transaction KPIs

The above payment conversion rate is pretty straightforward: How many transaction attempts were successful? But not every transaction is so black-and-white. Some get approved and fall apart later if they are refunded or charged back (as far as traditional payment conversion rates are concerned, these are counted as successes, even though that's not the case); others are initiated but don't even make it as far as the approval process. So while your payment conversion rate is good to know, it doesn't really tell the whole story.

You can get a more complete picture of your successes and declines by looking at your "clean" rate. **Your clean rate** (detailed in regular "cleanse reports" that are unique to BlueSnap) **tells you the total percentage of transactions that had a successful outcome**. Looking at your clean rate can help you identify troublesome issues in your payment process, beyond what the payment conversion rate tells you. There are two metrics that are important to analyze with regard to clean rate:

6 Mobile Vs. Desktop Clean Rate

Compare your mobile transaction clean rate with its desktop counterpart. If you're just starting to sell on mobile and are experiencing fewer successful transactions on those devices, it could indicate a problem with mobile optimization.

7 Global Sales

How many of your overseas transactions were successful compared to domestic sales? There may be issues with page presentation (language) or insufficient local payment methods.

Fraud KPIs

If your payment provider manages fraud prevention for you, they should be analyzing fraud-related metrics for your business on a regular basis and letting you know if there's a problem. But if you also have your own fraud prevention software, look at the following fraud metrics regularly—particularly if your eCommerce business is at higher risk for fraud (like ticket sales, software subscriptions, or high-end electronics).

8 Fraud Rate

What percentage of your total approved transactions turned out to be fraudulent?

9 False Positive Rate

A false positive is when your payment system suspects a perfectly valid transaction of fraud and stops it from going through. Though you won't always be able to determine the reason, it's worth looking into individual instances of false positives and reevaluating your payment process if this number gets too high.

10 Order Rejections Rate

This metric tells you the percentage of attempted orders your system rejects because it identifies them as fraud. In this case, the order is rejected and never reaches the payment provider.

11 Chargeback Rate

Your chargeback rate is the number of transactions that are disputed by shoppers when they see an unfamiliar charge on their credit card bill. In this case, the issuer files a dispute with the card network to have the charge removed.

Payment Provider KPI

12 Uptime KPI

Here’s a performance metric that specifically applies to your payment provider: What percentage of the day, week, or year is your provider online and processing successfully, i.e., “up and running”? Some guarantee 99.99% uptime—are they delivering? If not, and if the guarantee is outlined in an SLA, you then have some recourse to get compensation for system outages, hacks, or anything else responsible for excessive downtime.

Measure Your Way To Success

Don’t let your payment process stand in the way of sales. You can have a top-notch payment system that’s customer friendly and fully optimized to encourage and enable transaction success—and that all starts with metrics.

At BlueSnap, we’re passionate about helping our merchants optimize their payment processes. We continually strive to improve and perfect our capabilities for reports and data gathering so that you can better understand your business. And when you’re ready to grow, we’ll be there to offer guidance on the right areas to measure, what the results mean, and suggestions for improvement. If you’re interested in learning more about payment optimization for your business, talk with one of our payment conversion consultants today. We’ll help you convert and protect more revenue, so your business not only sustains, but thrives.