

**INDUSTRY PERSPECTIVE**

**eCOMMERCE IS APPEALING  
TO THAI TECH WORKERS,  
BUT MERCHANTS MUST  
OVERCOME SECURITY  
CONCERNS**

Upwardly mobile Thai technology workers use multiple payment channels and expect their merchants and payment providers to support their evolving payment needs. According to an ACI Worldwide survey of 266 technology workers in Thailand, it was found that almost all shop online and in store while nearly 2/3 make purchases from their mobile device. There was no strong difference in shopping habits between millennials and older generations, except in their use of payment methods. Millennials rely on their debit card and payment alternatives, an indication of tight credit markets and a lack of access to credit products for young technology workers.

All technology workers, a key demographic for banks and merchants, face new fraud threats with card-not-present fraud being prevalent, as well as the new emerging threat of social engineering.

## KEY STATISTICS

- **Fraud is pervasive:** 32 percent of respondents have experienced personal payments fraud within the last 12 months. ATMs, eCommerce and mCommerce were the three primary sources of fraud.
- **Lack of trust in online commerce:** While 50% of all respondents strongly agree that banks will keep their transactions and data safe, only 17% and 12% believe their payment credentials are protected from fraud when using mCommerce and eCommerce, respectively.
- **Millennial shopping habits:** 32 percent of millennials made a cross-border payment within the last month, while less than 25% of Gen Xers did so.
- **Alternative payments are the future:** More than 40% of those who shop online and from their phone prefer to use alternative payments such as eWallets, cash on delivery and PayPal. Approximately 10% of credit and debit card users are expecting to use their cards less (both online and over the phone) in the next 12 months.
- **Cash dominates, but for how long?** Cash is marginally the preference for P2P payments today. However, 49% of P2P payments are made using

an electronic payments method, and the use of cash is expected to decline.

## ALL COMMERCE CHANNELS, NEW PAYMENT METHODS, INTEGRATED FRAUD PREVENTION

Although the media hype is around eCommerce, and rightly so given its explosive growth, 84% of technology workers still shop in store. Of those who shop in store, 88% also shopped online and 67% shopped from their mobile device. These habits of shopping across both physical and digital retail channels demonstrate the need for a true omni-channel approach to retailing and payments. Merchants, payment service providers, acquirers and banks in Thailand who want to grow market share must support payments across all commerce channels — in store, online and on the mobile device.

Alternative payment methods are the preferred payment choice for 41% of technology workers when they purchase goods online. On the mobile device, this marginally rises to 45%. Providers must support this growing need for new and emerging payment methods.

Fraud prevention should be a central part of their payments strategy. With 32% of technology workers

experiencing fraud in the last 12 months, payment providers will need to deploy fraud prevention solutions or risk losing market share. Fraud puts a strain on customer relationships. In a recent study published by Aite Group,<sup>1</sup> 31% of those who experienced fraud were unhappy with the response they received from their financial institution. Forty-eight percent of those who experienced fraud in Thailand changed banks following the event. The news is not good for merchants either, as only 13% of all those surveyed strongly agreed that merchants would keep their payment details safe.

## BACKGROUND

The eCommerce market in Thailand is growing at a CAGR of 18%.<sup>2</sup> It is expected to be valued at over 800 billion Thai Baht in 2021.<sup>3</sup> eCommerce is a global market, with local nuances — eCommerce merchants and acquirers have to support a dizzying array of payment methods. Transactions need to be frictionless to reduce checkout abandonment, and secure so that consumers will become repeat purchasers. The Thai market is no different and shares these traits. Thai shoppers spend an average of \$250 per person with online merchants each year. Merchants are wise to focus on the lucrative tech worker segment.

The group surveyed represents the ideal target for merchants and banks — young, upwardly mobile, affluent and willing to embrace new commerce channels and payment methods.

These results are shared so all parties in the eCommerce market can gain a true understanding of this key segment. The survey, which closed in early July, was completed by 262 people who work in the Thai technology sector, and their payment and banking habits are revealing.

Of the technology workers surveyed, 59% hold a higher education degree and 22% have a Master's degree. Furthermore, the average salary of those surveyed is 35,000-85,000 Baht per month compared to an average monthly salary in Thailand of 17,105 Baht.<sup>4</sup>

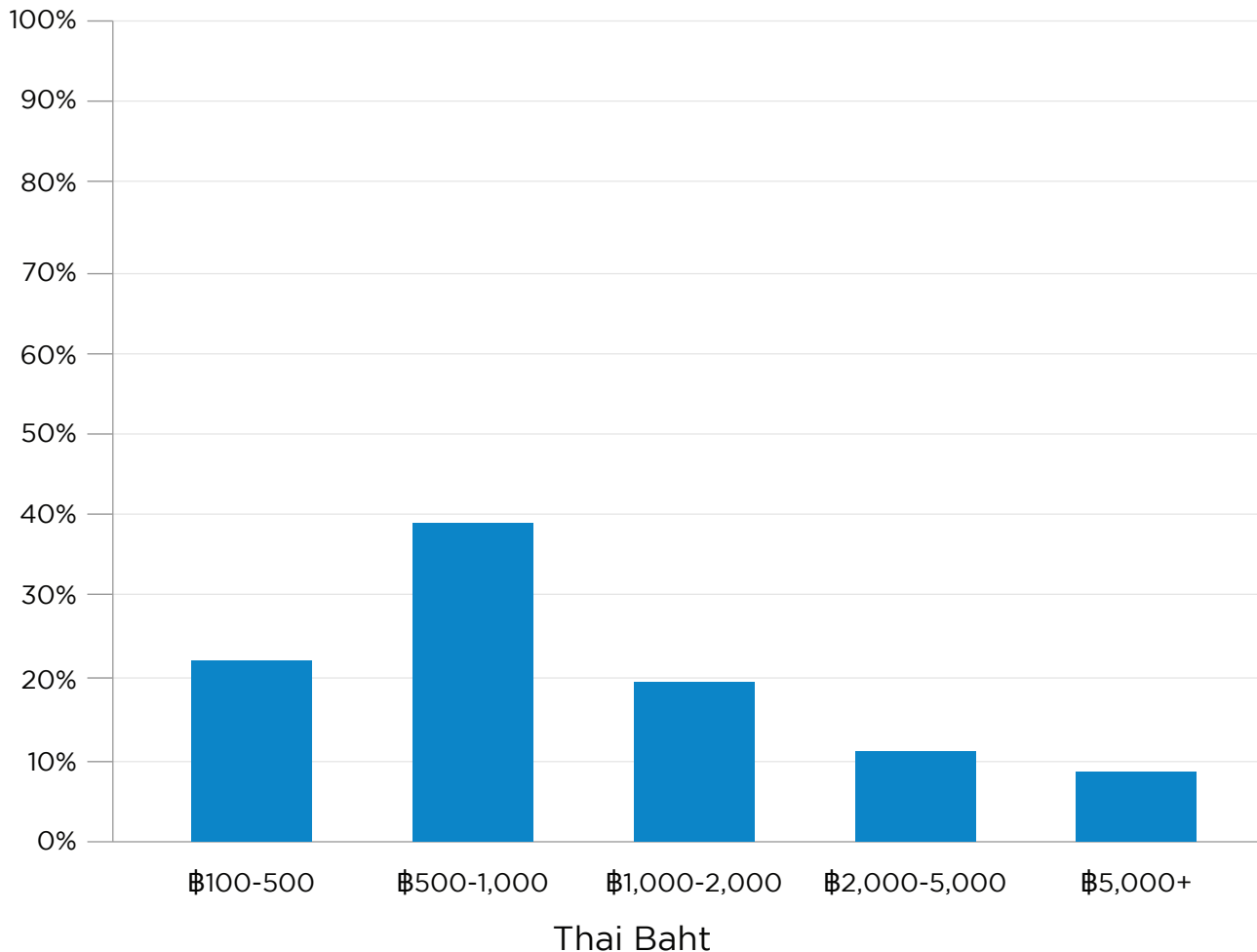
The group surveyed represents the ideal target for merchants and banks — young, upwardly mobile, affluent and willing to embrace new commerce channels and payment methods. There were three key themes which were revealed during the research — cross-border payments, multiple payment channels and methods, and fraud and security.

## CROSS-BORDER PAYMENTS

Cross-border payments is a global phenomenon with real local opportunities. It is estimated that close to 348 billion Baht (\$10B<sup>5</sup>) flow into and out of Thailand each year. Thailand is a top 20 recipient of funds from the United States, with an estimated 52 billion Baht (\$1.5B) being sent from the U.S. to Thailand on an annual basis. Myanmar is a top recipient of funds moving out of Thailand.

The opportunity is ripe to help facilitate this movement of funds. There is a stark difference between millennials and non-millennials and their use of cross-border payments: 32% of

## IN THE PAST MONTH, WHAT WAS THE AVERAGE VALUE YOU SENT TO A DIFFERENT COUNTRY?



millennials taking our survey made a cross-border payment within the last month, while less than 25% of Gen Xers did so. The hyper-connected millennial may have friends and family across the world. They frequently stay in contact via social networks. Millennials are natural customers for remittances, as almost 1/3 of them use this today, but there are economic barriers to making this number greater.

The big opportunity is leveraging new alternative payment networks to help facilitate the movement of funds across the world. Remittances typically cost 7% of the total value of the amount sent.<sup>6</sup> Financial institutions may see this as a threat to existing business models or as an opportunity to deploy new

technology and gain a bigger share of the market. They may even be able to expand the market. Approximately 22% of the population in Thailand does not have a bank account.<sup>7</sup> If there is a willingness and need for the unbanked to send or receive money from overseas, they will be serviced by non-bank entities. This is a competitive threat to banks.

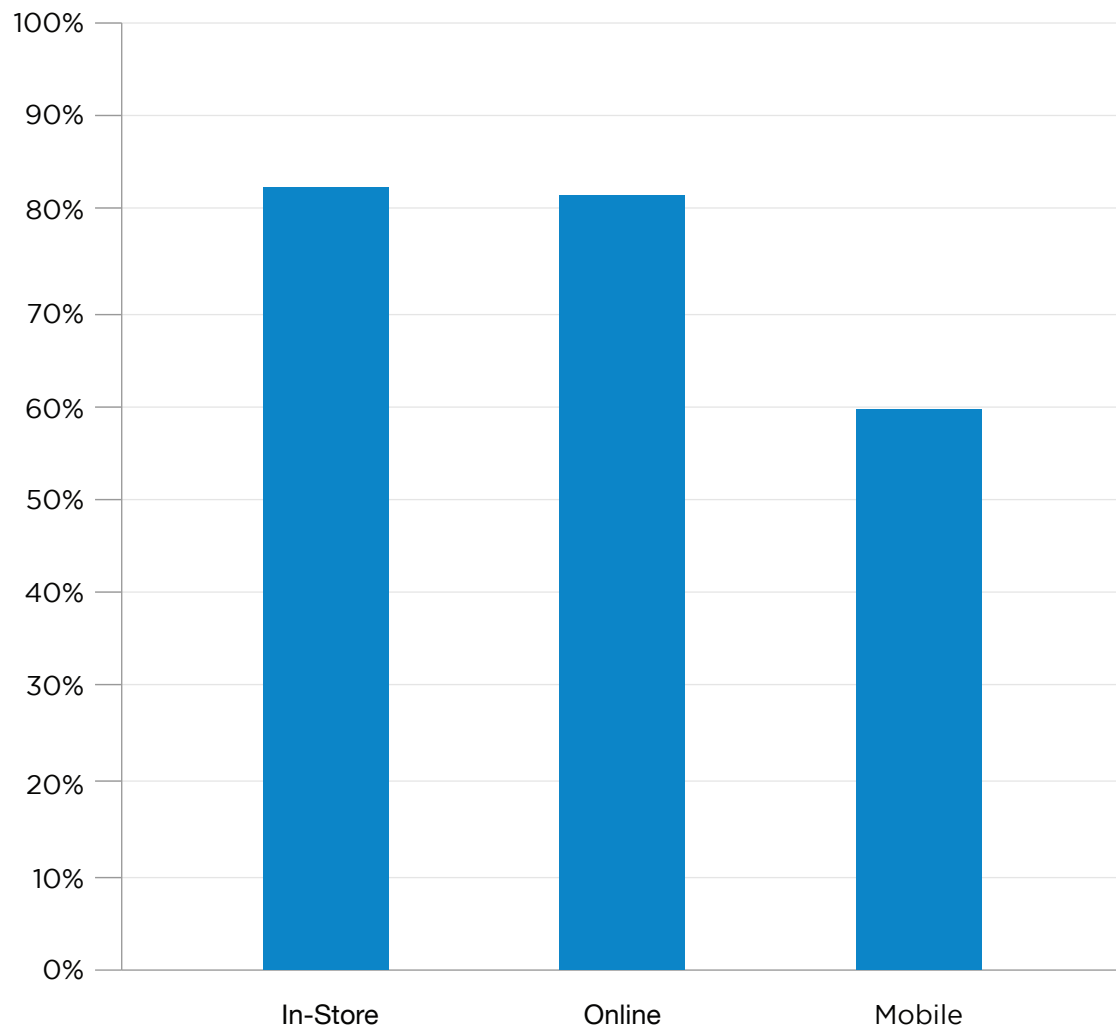
## MULTIPLE PAYMENT CHANNELS AND METHODS

Today there are approximately 495 million electronic payment transactions annually at the point of sale in Thailand and this is growing at 8% CAGR. Additionally, there are an estimated 1.9 billion withdrawals at the ATM, growing

at 4.6% CAGR.<sup>8</sup> As previously stated, eCommerce has a lot of hype, justified with sales growing at 18% CAGR<sup>9</sup>, however, it is still relatively small in transaction volume with an estimated 343 million transactions each year.<sup>10</sup> Based on these figures, eCommerce will surpass in-store electronic transactions in 2022, demonstrating the importance to merchants today of having a comprehensive omni-channel and eCommerce strategy in place as the shift occurs.

The consumer is at the heart of the move to eCommerce and is driving change. Today's consumers want to buy anytime, anywhere. This has been proven out in our survey of technology workers: 83% shop online each month, 84% shop in store and 60% shop from

## USAGE OF COMMERCE CHANNELS IN THE LAST MONTH



The consumer experience is not only limited to the ease of payment and navigating a website — how a customer can pay is changing.

their mobile device. This demand is changing the way merchants design creative options for selling goods and services in a cost-effective way, which maximizes sales, delights the consumer and minimizes risk.

Given the high-frequency and low-value transactions conducted via the mobile device, it will behoove merchants to provide in-app payments

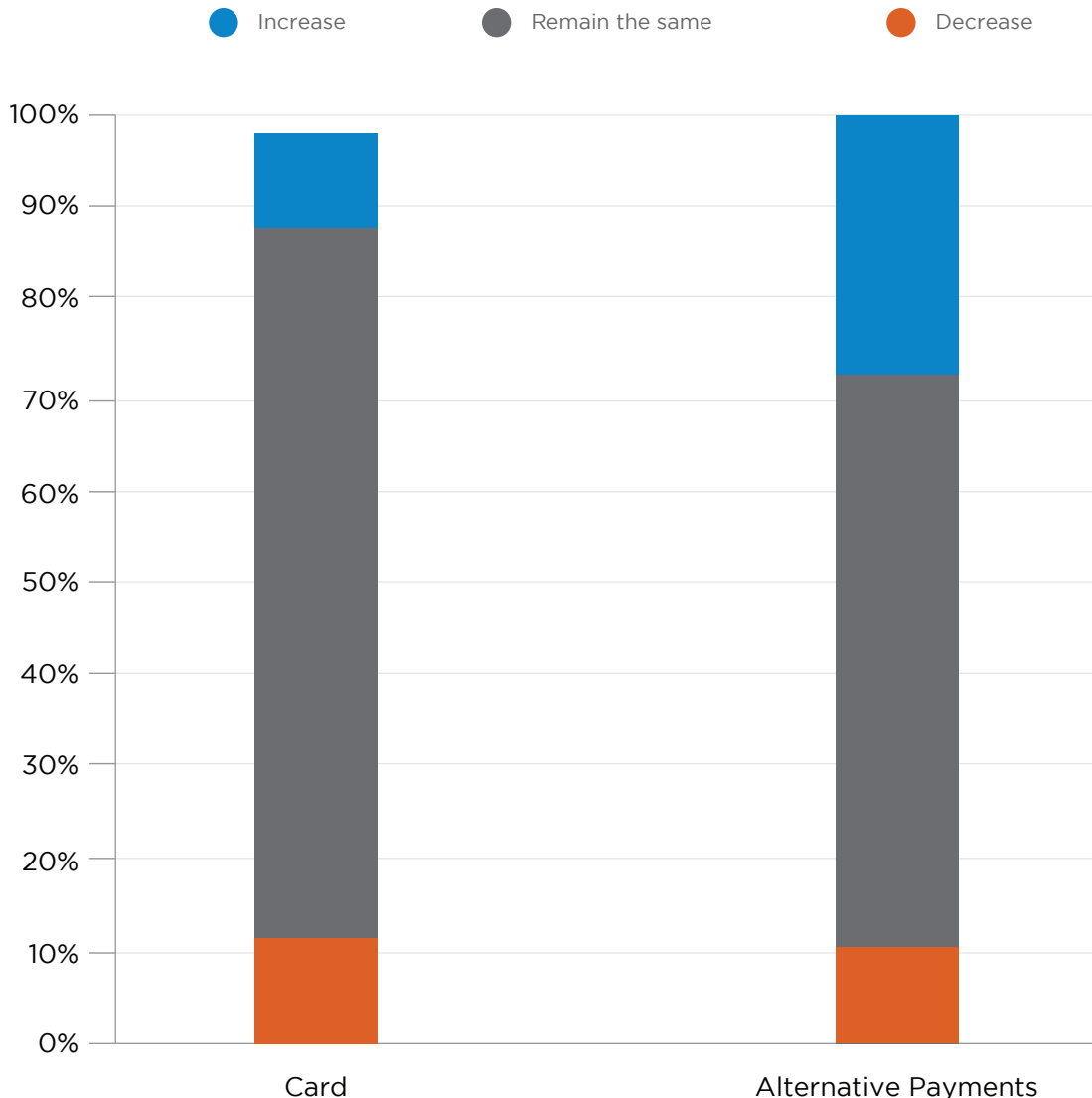
for smartphone users. In-app payments might be the easiest type of purchase for shoppers because pre-authorization is completed when the shopper first downloads the app. In addition, in-app payments typically provide a better experience than online shops, with fewer lags and a more intuitive experience. In-app payments can also utilize stored credentials that rely on device-specific features such as biometrics for access. In short, in-app payments provide a welcome boost to conversion rates; merchants are wise to fully enable them.

The consumer experience is not only limited to the ease of payment and navigating a website — how a customer can pay is changing. Forty-

four percent of technology workers prefer to use an “alternative payment” on the mobile device and 36% during a traditional eCommerce purchase. Of those who use alternative payment methods, 89% expect their usage to remain the same or increase. For those who use traditional card methods, 12% expect this to decrease and move to alternative payments. Globally alternative payments are expected to account for more than 50% of eCommerce transactions in 2018.<sup>11</sup>

Getting the right payments mix is crucial because it has been shown that offering the top three payment methods in a market, rather than only the top one, improves conversion rates by 30%. This is because shoppers want to use what is familiar and what

### THAI TECH WORKERS — FUTURE PAYMENTS METHOD USAGE



they trust, be it a credit card, a large alternative payments method (APM) that conveys a sense of legitimacy or a local brand for shoppers that shun the recognized brands. Offering the right payment methods across all commerce channels, rather than a narrow or random offering, engenders trust and convenience with shoppers and will achieve higher conversion rates.

Consumers are demanding and want to conduct commerce on their terms, channel or method.

## FRAUD AND SECURITY

Nearly 10% of those surveyed experienced fraud. Although card-not-present (online) fraud was the most prevalent type of fraud, the verbatim feedback highlighted the different tactics that fraudsters use to steal data and money.

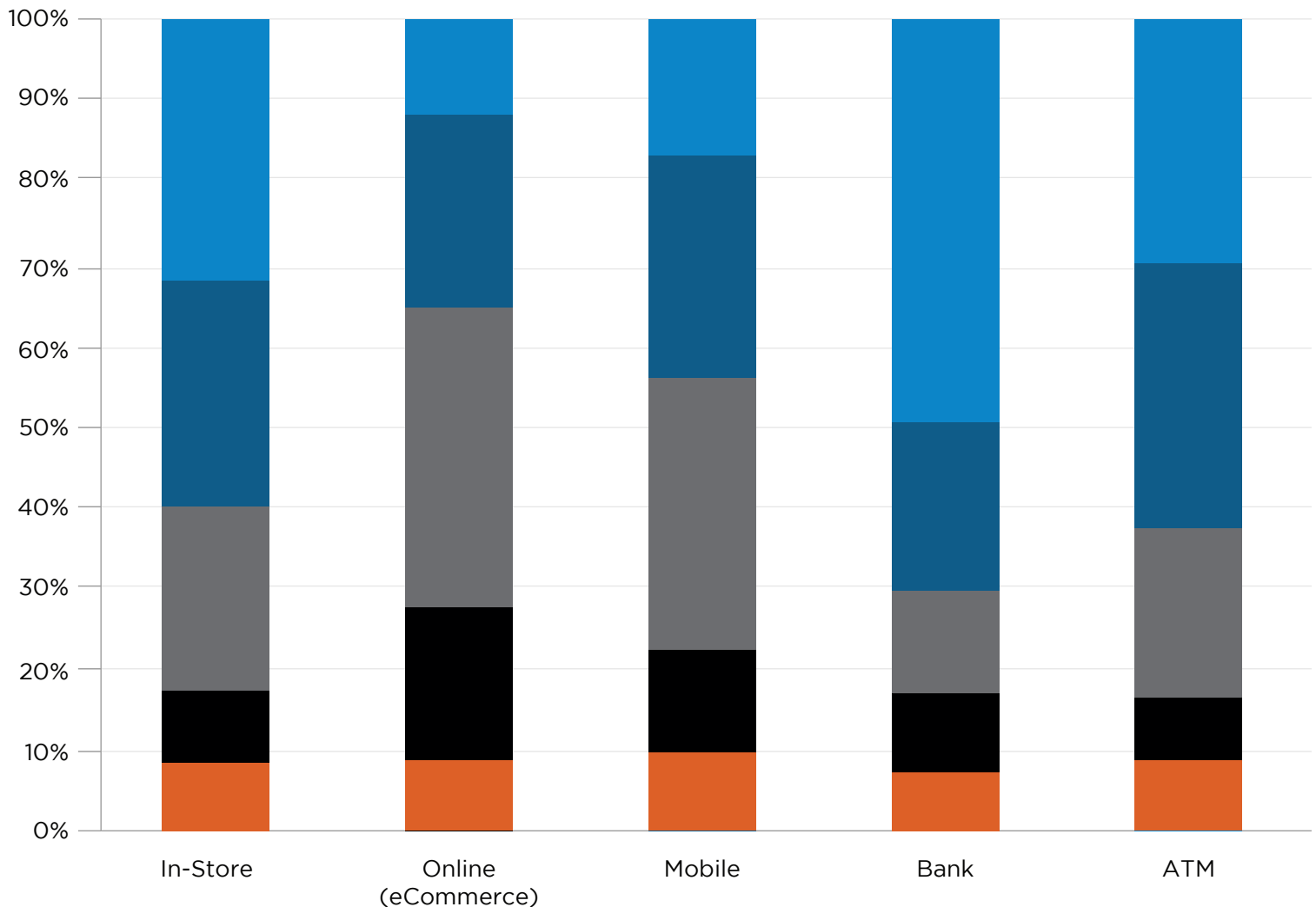
Humans can sometimes be the weakest link in a fraud prevention strategy. Classic phishing attempts are still used today. Fraudsters do research online and gather information from social media and, coupled with a traditional angle, represent a new danger to consumers.

Card skimming still takes place and the mobile phone is now viewed by many as more secure than online and POS transactions. Smartphones can offer an additional layer of security with biometric identification needed to unlock the phone and make a transaction.

It is advised that commerce and payment providers focus on fraud prevention. A serious fraud attack could cost an eCommerce, multi- or omni-channel merchant millions. As well as the financial costs, the damage to brand reputation and the resulting potential loss of future sales could be devastating.

## I FEEL MY FINANCIAL DATA IS SECURE USING THE FOLLOWING PAYMENTS CHANNEL

● Strongly disagree   
 ● Disagree   
 ● Neither   
 ● Agree   
 ● Strongly agree



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With coming growth in eCommerce transactions, there will be a corresponding rise in online fraud. In turn, this has increased interest in a more sophisticated, real-time approach to fraud prevention. With the expected growth of electronic transactions in Thailand (8% in store and 18% online), the level of fraud will only increase. Today, merchants are viewed as less secure than their banking counterparts. Only 12% of Thai tech workers strongly agree their payment details are safe when shopping online and 17% strongly agree they are safe on their mobile devices. There are many strategies to help reduce fraud. Two are active payment method selection and embeddable and secure payment forms.

- Active payment method selection

This responsive tool uses a shopper's shipping address, device information and other data to determine and offer the payment methods most appropriate for the shopper. The result is better security, because higher-risk shoppers are only offered robust payment methods, and high conversion rates, because the appropriate payment methods are offered.

- Embeddable and secure payment forms

The payment form is the heart of the checkout process; get it right and no one even notices it. Get it wrong and shoppers become uneasy and abandon their shopping carts. Good payment forms have two important aspects. First, they securely handle payment data, often through tokenization. Second, they embed into an online shop, avoiding offsite redirects and adhering to the shop's look and feel.

These two aspects are sometimes mutually exclusive; secure payment forms often require redirects and embedded payment forms are often either unsecure or look out of place. But embeddable and secure payment forms are available, and by being secure and practically invisible to shoppers, they play an important role in high conversion rates.

## CONCLUSION

There is a burgeoning opportunity in cross-border payments. Millennials with global social networks use cross-border payments more than their older counterparts. It's an attractive business, with high margins and will prove a threat to banks. Banks can use their incumbent position and perceived level of trust to introduce new payment alternatives to millennials and the unbanked to further bolster their position.

Payments are not all about banks, and merchants can no longer afford to ignore the opportunity presented to them online. Today very few consumers agree that merchants, in-store or online, will keep their payment details safe. Merchants who can demonstrate the steps they have taken and actually provide fraud prevention will rapidly gain market share.

Whether shopping on a traditional desktop or via a mobile phone, Thai tech workers want a secure experience and the ability to pay via their preferred payment method. With eCommerce volume expected to surpass in-store electronic transactions in 2022, merchants who enable their consumers to pay via their preferred payment method will gain market share and loyalty among this highly desirable segment.

1 Aite Group, 2016 Global Card Fraud Study, <https://www.aciworldwide.com/fraud-survey>

2 Statista, 2016, <https://www.statista.com/outlook/243/126/e-commerce/thailand>

3 Timetric, Payments Intelligence Center

4 BBC, <http://www.bbc.com/news/magazine-17512040>

5 Aite Group, Cross-Border Remittances: A Market Overview

6 Aite Group

7 <http://asianbankingandfinance.net/retail-banking/in-focus/more-50-population-across-emerging-asia-still-unbanked>

8, 9, 10, 11 Timetric, Payments Intelligence Center

## ABOUT ACI WORLDWIDE

ACI Worldwide, the Universal Payments — UP — company, powers electronic payments for more than 5,100 organizations around the world. More than 1,000 of the largest financial institutions and intermediaries, as well as thousands of global merchants, rely on ACI to execute \$14 trillion each day in payments and securities. In addition, myriad organizations utilize our electronic bill presentment and payment services. Through our comprehensive suite of software and SaaS-based solutions, we deliver real-time, any-to-any payments capabilities and enable the industry's most complete omni-channel payments experience. To learn more about ACI, please visit [www.aciworldwide.com](http://www.aciworldwide.com). You can also find us on Twitter @ACI\_Worldwide.