

Online Accounts Becoming an Increasingly Widespread form of Payment over the Internet

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New worldwide research published by Finaccord surveying the acceptance rates of various payment types by major retail brands selling online shows the extent to which online accounts are becoming an increasingly widespread form of payment over the Internet at a global level. Furthermore, online account pioneer PayPal continues to dominate the market, although it faces several new and potentially significant challengers.

Overall, and at the time of the research, PayPal was accepted by just under a third (32.6%) of all major retailers accepting payments through their website providing it with an implied, weighted global market share in this sector of 56.5%. In terms of its usage across the same universe of retail brands selling online, the next provider was Alipay, the online payment arm of Chinese firm Alibaba, which has become a dominant competitor in e-commerce in China and that in 2014 announced its intentions to grow internationally as well.

As also shown in the pie chart overleaf, other online account providers with a foothold in the global market include Tenpay and 99bill (two other China-based competitors), Klarna (a Sweden-based online account provider which has expanded across Northern Europe since its foundation in 2005), PayU (a firm based in South Africa but whose presence is felt most prominently in Poland and other Eastern European countries), and MercadoPago (the online payment arm of Latin American online auction site, MercadoLibre.com).

"One important aspect unique to online accounts, and which suggests their growth as a payment mechanism will continue, is their inclusion of multiple payment options in one package", said Edward Wilford, Finaccord consultant. "For example, a customer has the option of funding their online account with a credit card, a bank account, a gift card, or with funds transferred by another user. The added security of an additional level between the actual credit card or bank account number and the payment recipient is also attractive to many consumers."

In addition to the aforementioned online account providers, several major players have also launched significant initiatives in the online account arena, including Google (with Google Wallet), MasterCard (with MasterPass) and Visa (with V.me). In addition, Amazon has introduced a payment method whereby customers who have signed up for an Amazon account may use their Amazon log-in and payment information to make payment at certain other websites, with Amazon responsible for keeping the payment information private and secure.

Additionally, several online account providers have introduced new types of payment option, including deferred payment without interest or, in the case of both Klarna and PayPal, the option of pre-approved consumer financing available at almost all outlets accepting the payment type. For merchants, apart from potentially providing a ready source of consumer finance, online accounts also have the potential to act as web payment platforms, as PayU does in Poland, handling all payments made to the retailer including those made by customers who have not registered for a PayU account. "By accepting an online account, retailers reduce the number of partners they need to deal with while continuing to offer customers a wide selection of payment offerings, which makes this payment means an attractive solution for web commerce", Edward Wilford said.

Across the world as a whole, Finaccord's research identified 68 different online account providers indicating that there is no shortage of competitors seeking to challenge the dominance of PayPal even if many are limited to one country only. As a region, Australasia featured the major retail brands most likely to accept online accounts for web-based payments, with 59.9% of retailers including at least one account as a payment option, while Poland and China were the countries with the highest rates of penetration for online accounts among retailers selling online (both at 75.6% of those researched).

Nevertheless, looking more broadly, credit cards were still the most commonly accepted means of payment for online retailers, with 92.2% of retailers surveyed accepting them via their websites. Online accounts followed at 44.8% while direct bank transfers were welcomed by 42.9% of retailers. Alternative forms of online payment, which included payment on delivery (COD) as well as payment after invoice and payment via direct debit, were offered as an option by 37.5% of retailers. By contrast, only 3.7% of retailers dealt in mobile payments online, although it should be noted that this category refers only to payment methods that require the use of a mobile phone (such as payments validated by text) and not payments that may be made by mobile means, such as through an online account mobile app.