

Malaysia

Digital Business Report 2023

How to keep your business in motion with payments optimization



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for ambition

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Introduction

The era of digital optimization

The growth of ecommerce over the past two decades has been one of the key stories of the global economy. A [recent Morgan Stanley study](#) notes that ecommerce alone reached an estimated 22% of total retail sales in 2022, up from 15% in 2019. In Asia-Pacific (APAC), the market has emerged as a global, dominant force, with multiple markets generating the [highest ecommerce revenues worldwide](#). Even industries that have taken time to enter the digital world, such as insurance, have seen change: The percentage of consumers interacting with their insurers through digital platforms almost [doubled](#) in the space of five years – but according to [ACORD's 2022 Insurance Digital Maturity Study](#) of top global insurance carriers, less than 25% have truly digitized the value chain.

So how can digital enterprise businesses close that gap and keep pace with consumer demands while keeping their business in motion?

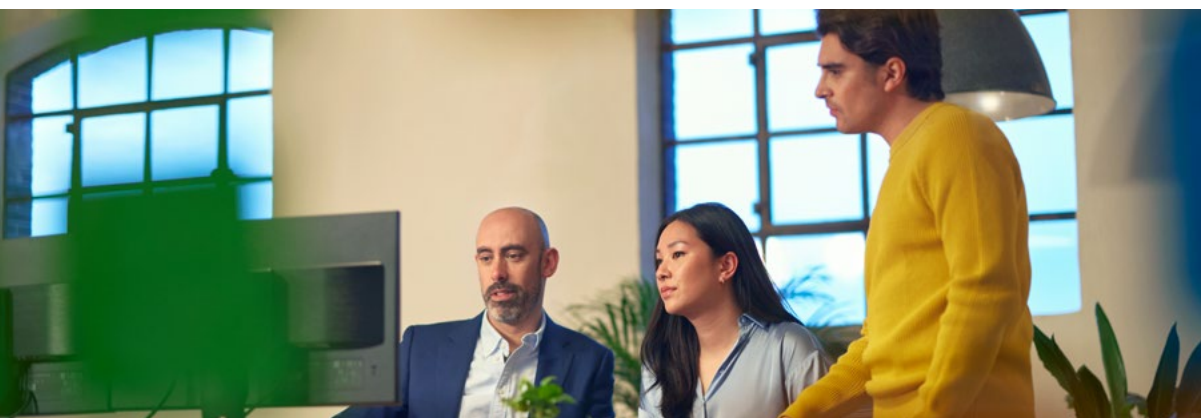
To keep pace with the increasingly tech-savvy, option-rich consumer, APAC enterprise businesses must embrace digital transformation with greater urgency than ever before. But between navigating legacy technology, maintaining daily operations, and driving growth, significant digital transformation is no easy thing to accomplish quickly – even for those brands operating partially or fully in the digital realm. Organizations therefore must be strategic in the specific areas they choose to digitalize.

According to the 2022 Adyen Retail Report, just 22% of APAC digital businesses planned to invest in technology to improve the customer experience over the next year, versus 26% of all APAC businesses. And only 20% intended to improve their website or app – lower than the 25% of all APAC businesses surveyed. On the other side of the coin, consumer patience is dwindling as quickly as expectations are soaring. More than a third (36%) of consumers say their expectations of online experiences have increased since the COVID-19 pandemic, while nearly three-quarters (73%) will not shop with organizations that provide a bad experience – either online or in store.

The kicker is that only half of all APAC businesses think their customers are less tolerant of poor online experiences – highlighting an expectation gap between consumer demands and brand readiness that must be swiftly addressed. So how can digital enterprise businesses successfully leverage digital transformation to close that gap and keep pace with consumer demands, all while keeping business-as-usual in motion?

Enter the concept of marginal gains. To strike a balance between quick wins and long-term success, we advise digital businesses to focus on their blind spots – those seemingly small, neglected areas whose optimization will yield significant improvements to revenue and growth.

This report will explore a key blind spot facing digital businesses in Singapore and the APAC region, and the opportunities available from its optimization: The blind spot of payments.

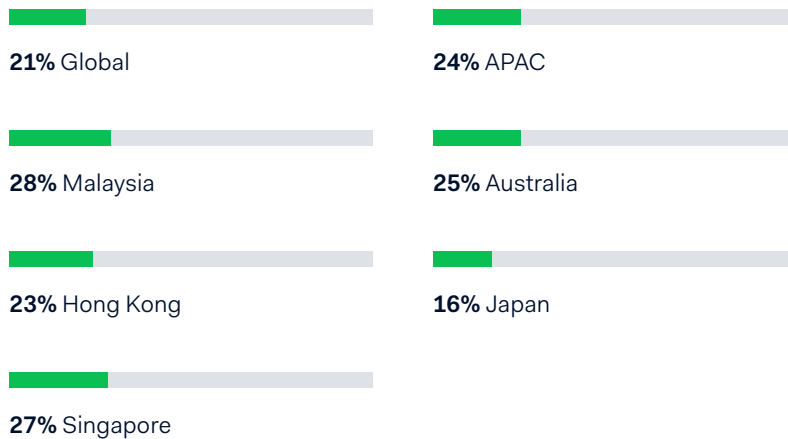


The payments blind spot in Malaysia

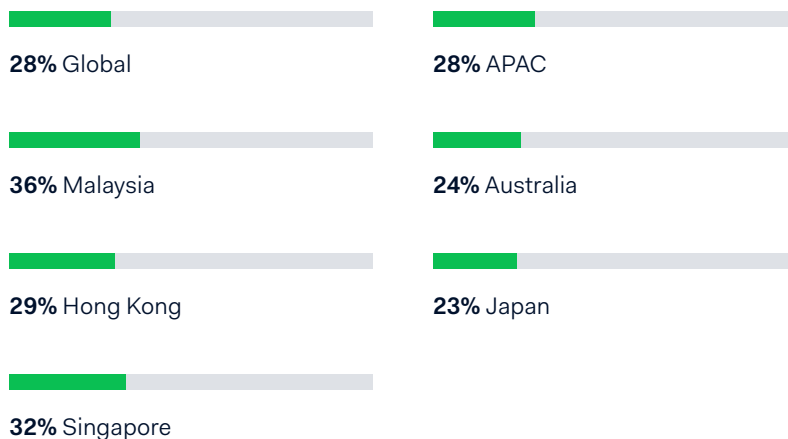
While digital businesses in Malaysia are investing significant resources into improving front-end experiences and enticing customers to checkout, it's evident that they are not yet leveraging payments as a strategic revenue driver. In Malaysia, 28% of businesses have payment systems connected to other parts of their operations, while 36% use payments data to understand user behavior and improve the customer experience.

For enterprise businesses processing millions of transactions a day, small conversion uplifts – even as little as 3% – from payments optimization can translate to incredible revenue growth potential.

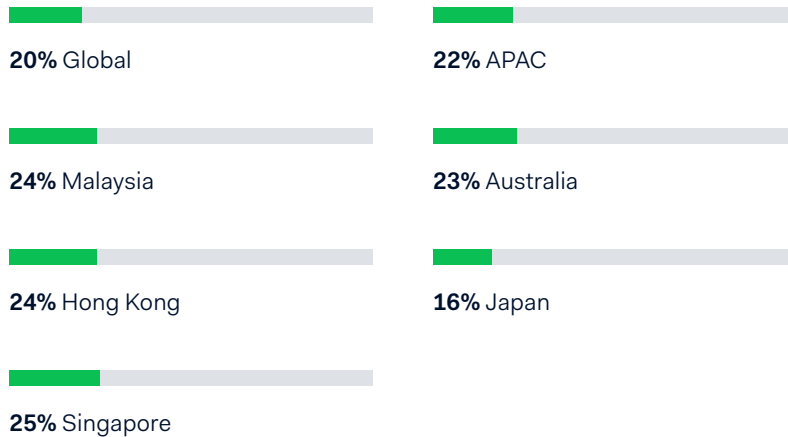
% of businesses have payments system(s) connected to other parts of their operations (e.g. inventory management, supply chains)



% of businesses use payments data to understand user behaviour and improve the customer experience



% of businesses use payments data to inform decision making in other areas of the business



Optimizing payments represents an opportunity of big returns – often via simple, small adjustments.

In this report, we will outline three key recommended areas for action:

- Optimizing customer experiences**
 Leveraging checkout, payment methods, and data insights to drive conversions
- Accepting more payments (and less fraud)**
 Increasing authorization rates and fighting fraud to boost revenue
- Scaling with operational efficiency**
 Recovering payments, automating reconciliation, and going cross-border with local acquiring

Whether it's offering the right payment methods in the right markets, halving the number of failed payments, speeding up payouts, or streamlining reporting; strengthening your payments setup will strengthen your customer experiences, operational efficiencies, and risk management – all ladder up to those crucial marginal gains to keep your business in motion.

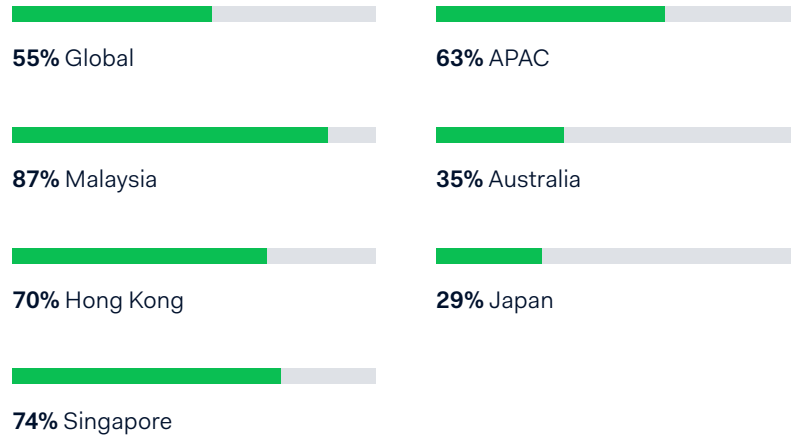


**Improving
customer
experiences**



From offering the right payment methods in relevant markets, to gaining a better understanding of your customer through data insights, optimizing payments has both incremental and long-term benefits for your customer experience and bottom line. In fact, nearly two-thirds (63%) of APAC consumers are more likely to buy from organizations that use technology to improve the customer experience.

% of consumers are more likely to shop with brands that use technology to improve the shopping experience



How payments optimization can increase checkout conversions

Investing in a better checkout experience constitutes low-hanging fruit and greater conversion rates for digital businesses. After all, digital experiences need to be about speed and ease of use, and there is plenty of room for improvement on the payments front.

Let's start with some quick wins that give customers what they want at checkout, minimize abandonment, and drive conversions.

Offer popular payment methods

Offering a range of payment options that are up-to-date and reflect local preferences is key to a smooth checkout experience. Choosing the appropriate mix of payment methods for your customer base requires factoring in three things: geography, demography, and the context of the purchase (cars versus t-shirts, for instance).

55% of APAC consumers say they like to have a selection of payment options at the online checkout. But when we asked APAC digital businesses whether they accept all major credit cards, just 23% said they do – far lower than the 35% of the full APAC business sample.

How the world likes to pay



Source: [Marginal Gains #1: Accepting payments](#)

And when it comes to digital wallets (like Google Pay™ and Apple Pay), the figures show plenty of room for improvement: just 23% of digital businesses accept these versus 32% of all businesses. More positively, APAC digital businesses are better at accepting international payment methods: 33% do versus 27% of the total sample.

Be where your customer is

The second is to ensure that your checkout works everywhere your customer is shopping. Is your payment experience easy across different devices? This should include minimizing the required fields and number of steps needed to make a purchase, with personalization, securely saved details, and good clean UX design all playing an important role.

Globally, mcommerce has grown from 5% to 53% in the past five years. Yet mobile conversions globally are typically 9% lower than on desktop, which suggests businesses continue to fall short with their mobile experience. And, as businesses in APAC know well, the use of phones for purchasing in this region is higher than in many parts of the world.

Brands should leverage the unmistakable synergy between social media and ecommerce to drive conversions. The key is to ensure that the end-to-end customer journey from social media platforms is as frictionless as possible – from discovery, to on-site browsing, to payment and delivery. Businesses can even take it one step further by enabling consumers to shop directly on social media platforms, with as few redirects as possible. A solution like [Pay by Link](#) can enable a “contextual commerce” approach – meeting customers at their desired medium to guide them through the purchase process in a tightly-knit interaction, such as via chat bots, social media, and video call. This can greatly reduce the potential for abandonment while allowing the sale to be captured when demand is strongest.

43%

of Malaysian customers frequently make purchases on social media or messenger channels.



Quick clicks mean quick wins

Central to creating a better online purchasing experience is offering Click to Pay, a type of “express flow”, that lets the customer check out and pay with as few clicks as possible. Express flows have transformed the online buying process. What once required customers to fill in many form-fields manually can now be done in a few clicks. Express flows make this possible by storing payment details and sometimes shipping and billing information. And while there are differences between them, the key one is where the customer details are stored – with the merchant, by the payment method or with a third-party checkout provider.

That storage element means less hassle for customers, which is why, unsurprisingly, they love express flows: not only do 24% of APAC customers expect one-click checkout, 31% will abandon their shopping cart if there are too many steps in the checkout process. Surprisingly though, just 24% of APAC digital businesses offer express flows.

Where express flows are particularly useful is with guest checkouts (where a customer has not set up an account with a merchant) as this solution means they do not need to enter their personal details.

Setting things in motion

The good news is that businesses can create a mobile-optimized, secure checkout in minutes, with just a few lines of code, thanks to the latest in online payments.

A strong payments setup delivers a superior customer experience because it minimizes the risk that the payment will fail, at which point customers are likely to abandon their purchase.

On the backend, when a payment is made, a lot of work is done in the background to facilitate that payment. This is where the real opportunities lie, because if, out of 100 payments that are sent in, about 90 on average are accepted and ten fail – there's a lot of improvement possible.

"In a traditional payment setup, we see that using our full-stack solution helps to save on average 2% more payments, which on a large number of transactions is a huge additional revenue."

Amber Bienfait — Global Commercial Lead, Digital, Adyen

How payments data can grow loyalty

Digital businesses can leverage payments data to boost loyalty through more personalized, relevant, and secure experiences. Consumers not only demand convenience, but they also expect a more personalized shopping experience with the brands they love.

67%

of Malaysian consumers prefer businesses who remember their preferences and previous shopping behaviors to create a more tailored shopping experience.

This is where payments data can help. For example, digital businesses that have all of their sales channels connected through a unified payments platform can unlock a range of benefits. The idea is to create a convenient, 360-degree overview of your business, based on customers' payment histories. This helps reveal customer's needs, wishes, and preferences, allowing you to better build loyalty, welcome new audiences, and grow revenue. From optimizing online promotions and loyalty programs to improving personalization and adapting to suit new markets, payments data can play a key role in strategic decision making.

We also know that consumers want to be recognized and rewarded for their loyalty and they want engagement with loyalty programs to be easy. Linking payments to loyalty for convenience can provide that more personalized, friction-free experience.

9 in 10

Malaysians feel businesses need to use technology to make their loyalty or rewards schemes easier and more effective.

74%

want loyalty programs to be automatically linked to their payment card for convenience.



**Accepting
more payments
(and less fraud)**

The gains that come from keeping customers happy and secure are more than marginal. They impact your overall payment value – that is, the combined impact of improving your percentage of successful transactions while authenticating customers and fighting against fraud.

Improving authorization rates

There could be any number of reasons why a payment fails – it could be due to a glitch at the bank or the card issuer during the authentication process; it could be because of an expired card; or it could be down to insufficient customer funds. The right integrated payments system, though, can help to boost marginal gains here too.

Authorization rates are determined by:

- The number of transactions that are approved or declined
- The number of transactions that are initially successful but are subsequently found to be fraudulent

Setting things in motion

Authorization rates play a crucial role in keeping your business in motion. No business wants to be in a situation where you've spent immense effort to have customers on your site, willing to pay, and then something fails due to a technical issue.

"There's a lot happening in the background that can help you try to drive revenue. Because we have a full-stack solution, we get raw data back from the issuing banks – data that normally would get lost – because of all the different systems that are involved in processing payments across the full payments lifecycle."

Amber Bienfait — Global Commercial Lead, Digital, Adyen

Fighting payments fraud

All of this highlights a common challenge facing digital businesses: How to keep authorization rates high but at the same time keep fraud at bay? How much should they prioritize security over the customer experience? And how can they best ensure they aren't declining genuine transactions?

Payments fraud is widespread, with statistics showing that **74% of organizations were victims of attempted or actual payments fraud** in 2020. And while payments fraud happens in store and over the phone, online payment fraud is the most prevalent and fastest-growing. Technological advancements have also unintendedly aided the increase in payments fraud. **One-click payments** make it harder for banks to detect and block fraud, while the dark web helps fraudsters cheat the system at a bigger scale. During 2020 alone, **115 million stolen debit and credit card details** were posted on the dark web.

45%

of Malaysian businesses say that in the past year, their organization has seen an increase in fraud attempts.

58%

of businesses say fraudulent transactions and chargebacks are a significant cost for their business.

The reality for digital businesses is that they are a preferred target as they are more reliant on card-not-present transactions. Despite this increased risk, our survey found that APAC digital businesses are less prepared than other APAC businesses to tackle fraud.

Optimizing customer authentication

By combating fraud at the authentication stage you can reduce the loss of trust, the effort that comes with actioning chargeback disputes, and you can keep authorization rates high for genuine authenticated customers.

The key is to strike a balance between convenience and security by offering the best authentication experiences. By leveraging payments innovation, businesses can now detect and prevent fraud faster and reduce its negative impact with smart authentication engines or risk products. Where some authentication processes can create unwanted friction in the checkout flow – think multiple web pages opening, timeouts, additional logins – more sophisticated products use machine learning to make smart decisions with the goal of increasing conversion and in turn increased revenue. This can help automatically detect when to apply which authentication approach, avoiding when needed, or choosing an optimized solution or feature when available.

By making smart authentication decisions, digital businesses can separate legitimate customers from shady players, reducing fraud while maximizing conversion rates. Customer trust is a strong incentive to get it right: nearly half (49%) of APAC consumers say businesses must do more to protect them from payments fraud, a third (34%) have been victims of such fraud (higher than the 31% global figure), and 39% use two-factor authentication when shopping online (versus 36% globally), which is an important tool to combat fraud.

Interestingly, just half of APAC digital businesses say their fraud-prevention systems are effective, even as 38% say fraud attempts increased in the past year (slightly higher than the full business sample). And when it comes to efforts to counter fraud, only 39% of APAC digital businesses use AI to prevent fraud, below the 45% of APAC businesses generally. Furthermore, APAC digital businesses are behind the region's businesses generally when it comes to solutions to comply with secure customer authentication (SCA) requirements under the EU's second Payment Services Directive (PSD2): 45% say they have such a solution in place versus 48% of all businesses in APAC.



Setting things in motion

Every business is different and risk management needs to be tailored to the unique challenges each faces. To make things easier, here are our tips on striking a sustainable balance between risk and revenue through detecting, preventing, and responding to fraud.

Detect: Recognize genuine customers and spot fraudsters across all your sales channels via fraud-detection technology that uses historical and cross-platform data between businesses to detect abnormalities, and which can be further configured for specific high-risk industry segments or geographic regions.

At the point of payment, businesses can ask first-time customers for their details for future purchases, which they then authenticate with a password, CVV, or fingerprint, allowing the merchant to recognize them next time.

Prevent: Maintain full control and reduce operational workload by combining risk rules with machine learning. Use risk rules customized to your business, verify that a customer is genuine by using [3DS2](#), and manually review high-value transactions.

Respond: Increase your authorization rates and reduce chargebacks by adapting and optimizing your risk setup, and test which risk management approach works best.

As more people shop online, the opportunities for fraudsters to commit payments fraud will continue to rise. That means businesses need to provide a better and safer customer experience. [RevenueProtect](#) is our unique risk management product with a range of tools to detect, prevent, and respond to fraud. We use extensive payments data combined with the power of machine learning to accurately make the best risk decisions, stay on top of the latest trends, and fight fraud effectively.



Scaling with operational efficiency



Payments optimization doesn't just benefit customer experiences and sales conversions. With AI and automation, the benefits to backend operations and team processes are manifold, making it easier to scale your business globally.

Recovering declined payments

In this section, we'll look at why payments get declined, how to recover them, and some of the products built to do it.

Why payments get declined

We don't want to state the obvious too much here, but it's important to highlight that there's no blame game when it comes to declines. Some of the most common reasons for a declined payment are:

- **Insufficient funds**

We've all been there. A few subscriptions going out of the bank account just before pay day. In fact, 72% of declined transactions are due to insufficient funds or 'do not honor' codes.

- **Technical reasons**

What shoppers don't often see are the errors between the card schemes and issuers. These lead to 'technical error' messages. Similarly on the backend, the payment form can time out, and cause the shopper to drop out of the payment flow.

- **Wrongly formatted messaging**

Each issuing bank has different risk preferences and technologies, and these preferences extend to messaging. For example, CVC and/or expiry data formatting.

Recovering payments the smart way

Recovering payments can take up considerable operational resources. But it needn't be a manual process. We have two specific solutions: Auto retries and Auto Rescue. Auto retries are attempted immediately after the first decline whereas Auto Rescue works over a longer timeframe (another day/time).

Setting things in motion

Auto retries are a feature of [RevenueAccelerate](#), enabling us to retry previously declined payments due to technical errors. The retries are attempted immediately after the first decline, meaning shoppers don't need to re-enter their details. It's especially helpful for retail and food delivery businesses. We do this through the same or a secondary connection, using our platform data to retry only when there is a high chance of success and preventing your business from incurring extra card network fees. With machine learning, we can even determine how best to format them, and when not to retry at all.

Auto Rescue recovers declined payments through automated, intelligent retries. This is particularly useful for shopper-not-present transactions such as subscription renewals. It uses smart logic and our wide range of payments data to decide which declined payments can succeed when retried later, and performs these retries at optimal times on behalf of your business. Unlike Auto retries, Auto Rescue re-attempts the payment at a later time or date, making the feature ideal for subscription businesses.

46%

of APAC consumers relied on subscription businesses more during the pandemic.



70% Malaysia



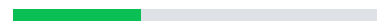
63% Hong Kong



29% Singapore



55% Australia

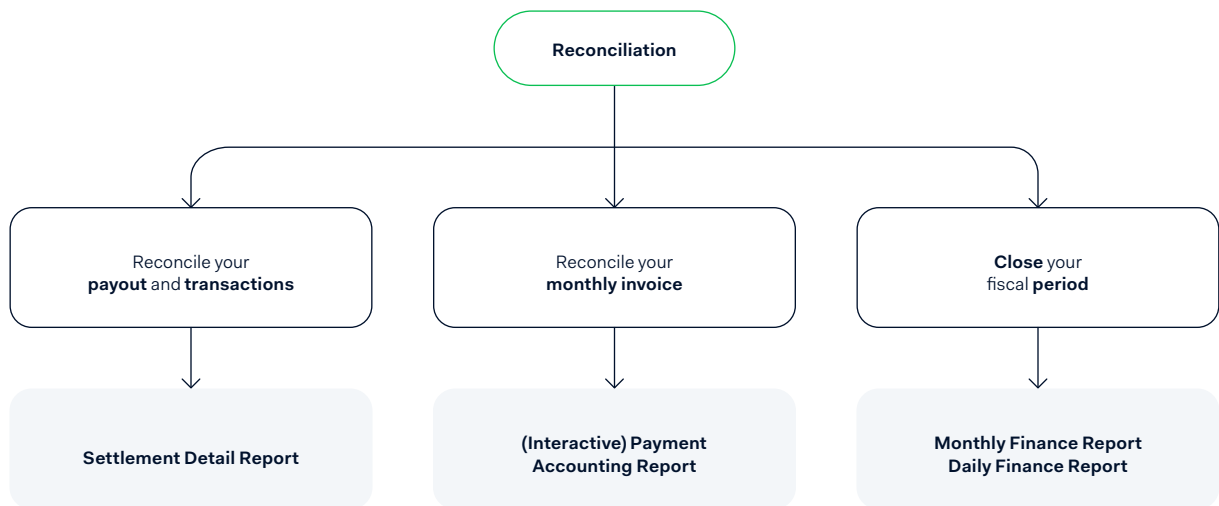


35% Japan

Automation and reconciliation

Once again, this behind-the-scenes side of payments can take up a considerable amount of operational effort, especially when done manually using legacy technology.

Adyen provides various financial reports which can be used for different reconciliation purposes such as invoice or payout reconciliation. Based on what needs to be reconciled, a specific report can be selected.



Payout reconciliation

Use the Settlement Detail Report to reconcile payouts. The Settlement Detail Report provides an overview per payable batch. It'll show everything that comes in and out of a payable batch and will allow you to understand what makes up the merchant payout.

Invoice reconciliation

Use the (interactive) Payment Accounting Report to reconcile monthly invoices. This report provides a detailed overview on payment level and allows you to filter on the different stages of the payment lifecycle.

Closing of fiscal year

Use the Monthly Finance or Daily Finance Report to close your fiscal period or understand the current status of your account. These reports provide an overview of the different components of your account such as the payable amount, fees charged, or current balance at a point in time.

Going global with local acquiring

Payments processed using local acquiring often cost less and are more likely to be authorized. When local acquiring connections connect to a single platform like at Adyen, payments data can be viewed across all regions and channels in one place. This allows businesses to easily track payment methods, performance, spot trends, and get to know loyal customers. It also means access to Network Token Optimization.

The operational benefits of Network Tokens

Saving payment card details is revolutionizing how we pay online. Network tokens are a secure card token from EMVCo, replacing the card number (PAN) for payments. They were originally developed to maintain security while preventing payment disruption when it came to card expiry. They're maintained by card networks, available in upwards of 150 countries, and automatically updated when a shopper's card details change.

This, together with the use of Adyen's Account Updater, can offer a simple way for businesses to access up-to-date card information in real-time, reducing the operational burden of chasing down payment details and recovering failed payments. This approach can also link the payment method to your loyalty programme, saving on costs while gathering valuable data on shopper behavior and preferences in a secure way.



Conclusion

Keeping your business in motion

To bring higher return on investments, digital businesses must use online payments as an inherent part of their growth strategy. Not only is accepting payments on any device, anywhere in the world important. Or working with flexible and customizable payment partners that support similar ambitions. But, even more importantly, digital businesses should be using payments as a key revenue driver and decision-making tool for their business growth.

Consumers' expectations continue to grow around the payment experience. As consumers, we want to be able to pay online or in installments; we want to pay via our mobile, tablet, watch, or even via a chatbot – and those options were previously difficult to integrate. In these ways and more, the right payment solution can add tremendous value, letting businesses run sales effectively through different channels.

What is clear – and has become clearer since the pandemic – is that APAC consumers are more likely to buy from organizations that use technology to improve the customer experience. Indeed, our survey found most consumers (63%) feel this way. And ignoring this bias that consumers have for a better experience does risk losing them.

As we have seen, though, there are several areas that APAC digital businesses can target to overcome this risk

- **Optimizing customer experiences**
Leveraging checkout, payment methods, and data insights to drive conversions
- **Accepting more payments (and less fraud)**
Increasing authorization rates and fighting fraud to boost revenue
- **Scaling with operational efficiency**
Recovering payments, automating reconciliation, and going cross-border with local acquiring

Our wealth of experience tells us that many – even most – of APAC's digital businesses need to take some or all of the steps outlined here, and those that do will be well-placed to succeed in what has become a highly competitive arena, and one that will become more so going forward.

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Adyen is the financial technology platform of choice for leading companies. By providing end-to-end payments capabilities, data-driven insights, and financial products in a single global solution, Adyen helps businesses achieve their ambitions faster. With offices around the world, Adyen works with the likes of Facebook, Uber, Spotify, Klook, SHEIN, Alibaba, Agoda, Fave, Kogan.com, Freelancer.com, and Grab.

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