

# Optimise Your Conversion Rate & Approval Rate

A Comprehensive Guide



# Did you know

Around

# 70%

**of online shoppers abandon their carts before completing their purchase**

according to the Baymard Institute Cart Abandonment Rate Statistics 2024.

This guide will explain the difference between conversion and approval rates and walk you through the process of optimizing them.

In the past decade, the cart abandonment rate has consistently stayed between **68%** and **75%**, highlighting a persistent trend that presents a significant opportunity for conversion rate optimization.

This underscores the necessity for online businesses in today's fast-paced world to do everything in their power to simplify the purchasing process, ensuring it is as convenient as possible for the customer, thus catering to their preferred shopping methods.

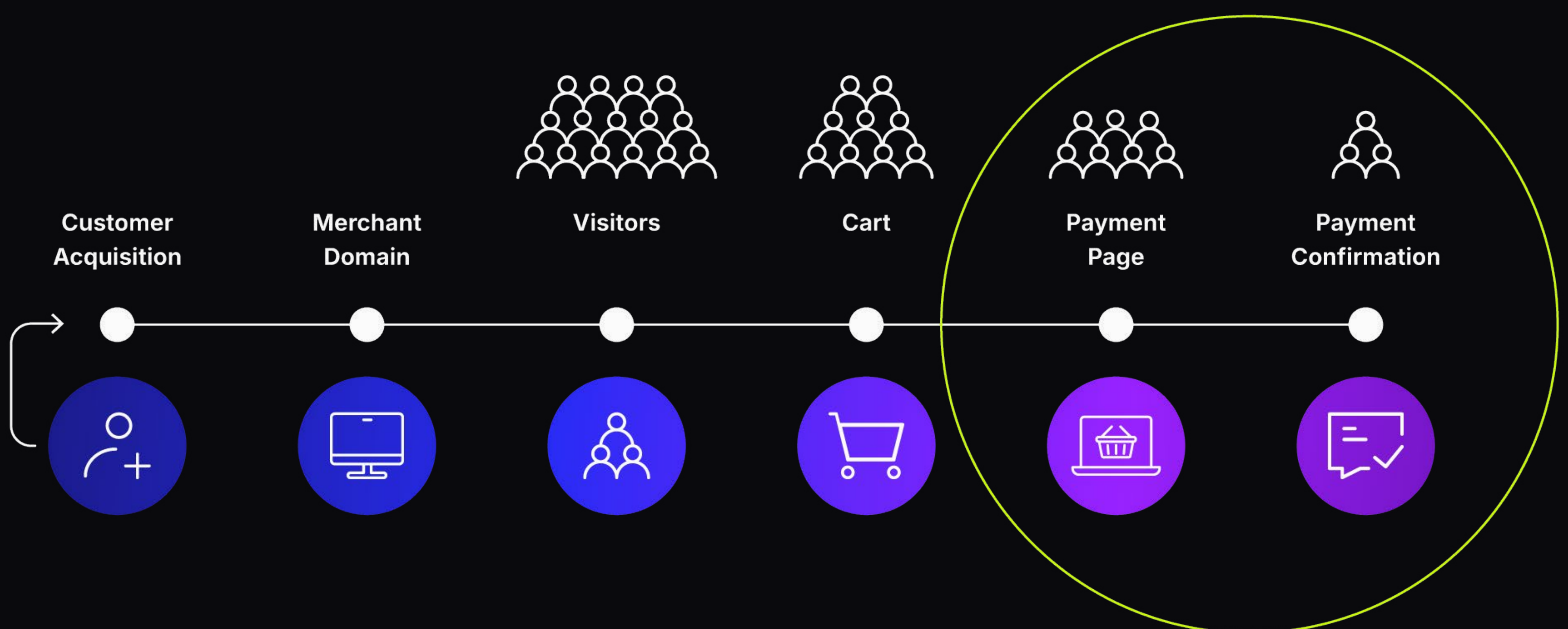
A seamless and effortless shopping experience is crucial in fostering loyalty and satisfaction among consumers.

Furthermore, the importance of the last mile in the buying process cannot be overlooked, as it significantly influences the overall customer experience and also the success of the business itself.

Ensuring a smooth final step in the purchase journey is essential for maintaining a positive brand image and encouraging repeat business.

# Let's start by explaining how the conversion line in e-commerce actually works.

Every purchase begins with customer acquisition, leading them to the merchant domain where potential buyers become visitors who add items to their cart, proceeding to the payment page. The last two crucial steps involve the payment page and payment confirmation, which are pivotal in determining the conversion and approval rate.



## *The Conversion Line*

A seamless and user-friendly process at these stages can significantly enhance the likelihood of a sale, directly impacting the overall success of the e-commerce strategy by not only securing a sale but also by laying a foundation for customer trust and repeat business.



# Conversion Rate

VS.

# Approval Rate

First, let's clear the terminology and answer the basic questions. Conversion rate is often confused with approval rate, but they are different metrics that focus on different stages of the customer experience.

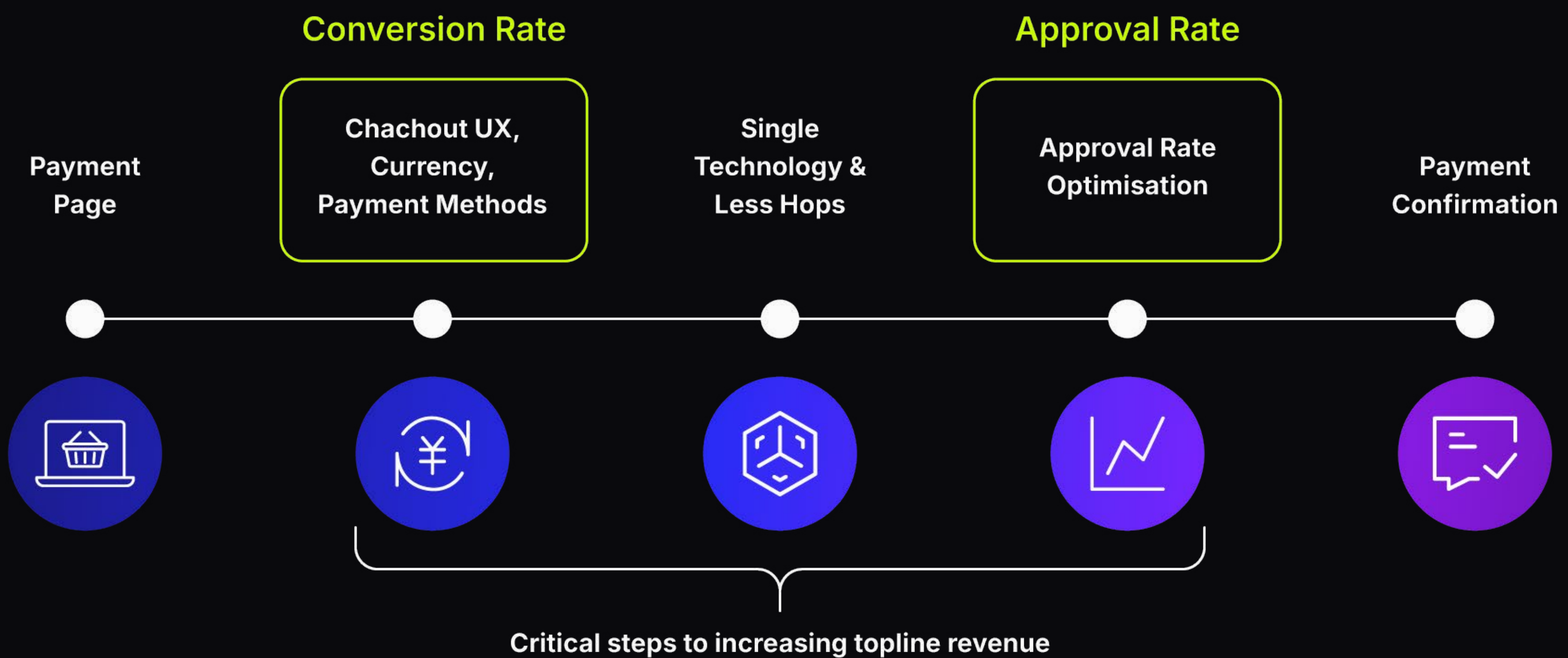
## What is **Conversion** Rate?

**The Conversion** rate measures the percentage of visitors who complete a transaction compared to the total number of site visits. Specifically in e-commerce, it's about how many shoppers go through with a purchase. A higher conversion rate indicates your business is more effective at turning browsers into buyers during the payment stage. Conversion rates can be improved by offering less friction on the payment journey for the customer. This includes factors such as userfriendly website and checkout design, multiple paymentoptions, easy navigation, etc. threats are managed.

## What is **Approval** Rate?

**Approval rate** (also known as *Authorization rate*) is the percentage of transactions that are successfully completed compared to the total number of attempted transactions. In e-commerce, this refers to the percentage of orders that are approved for payment by the customer's chosen method (i.e., credit card, PayPal, etc.). A high approval rate is crucial for maintaining customer satisfaction and preventing cart abandonment. It can be improved by optimizing the payment process to reduce any potential errors or delays.

# The Last Mile



## Why is Conversion Rate Optimisation So Important

We often underestimate the significance of the final stage in the purchasing journey, concentrating our efforts on attracting new visitors to our website, while neglecting to provide a seamless and effortless experience for our customers during the checkout process. Imagine managing a brick-and-mortar store where nearly **70%** of the people who came in filled their baskets, only to leave without taking anything.

Optimizing conversion rate has numerous benefits for your online business, including:

- **Increased Revenue:** A higher conversion rate means more customers and ultimately more revenue for your business.

- **Improved Customer Experience:**

A smooth checkout process can significantly impact the overall customer experience and encourage repeat business.

- **Lower Cost-per-Acquisition:** As conversion rates increase, you'll spend less on acquiring customers, reducing cost-per-acquisition.

- **Better Understanding of Your Customers:** Data helps ensure your site converts visitors by understanding customer profiles and interaction patterns, so you can better meet their needs.

- **Identifying Conversion Bottlenecks:** Investigating why customers abandon carts is crucial to sales optimization. Addressing bottlenecks like complex checkouts, hidden fees, and limited payment options improves user experience and boosts conversions.



# Key Challenges Many Companies Face

- The acceptance rate remains elusive and highly complex to improve beyond a certain threshold, often requiring multifaceted strategies that are difficult to implement effectively. Too many moving parts, coordination with different PSP's, schemes, issuers, mostly difficult to achieve, making it challenging to streamline processes and improve outcomes.
- Investigation leads to a dead end, frequently resulting in wasted resources and time without yielding any actionable insights. A one-time activity approach with no clear goals defined often leads to suboptimal results due to the lack of ongoing effort and adaptation.
- Finally, lack of data, right tools, or experts missing within the organization to drive the initiative often stalls progress, underscoring the need for specialized resources and knowledge.

## Factors Influencing Conversion Rates and How to Improve It

Several factors can influence your conversion rates. And as some of them refer to the customer decision to place an order at first place, some are directly connected to the buying journey after your client hit „buy“.

### Pre-intelligent browsers

- 01 Language
- 02 Currency
- 03 Payment Methods

### Post-intelligent browsers

- 01 Currency
- 02 Payment Methods
- 03 Language

## 01 Local Currencies

If you're selling globally, pricing in local currencies meets customer expectations, simplifies purchases, and reduces cart abandonment while boosting conversions.

## 02 Region Specific Payment Options

Offering multiple payment options accommodates customer preferences and reduces transaction barriers. Providing preferred methods increases completed purchases and lowers cart abandonment. Merchants should carefully select popular options for their target market.

## 03 Language

Communicating in customers' preferred languages is invaluable. A multilingual website removes language barriers, making product pages and checkout more accessible. Using automated translation tools can further reduce abandonment and declined transactions.

## 04 Checkout Process

Simplifying checkout by removing unnecessary steps reduces cart abandonment and boosts transactions. However, balance is key—too long might deter customers, while too short increases fraud risk by limiting verification.

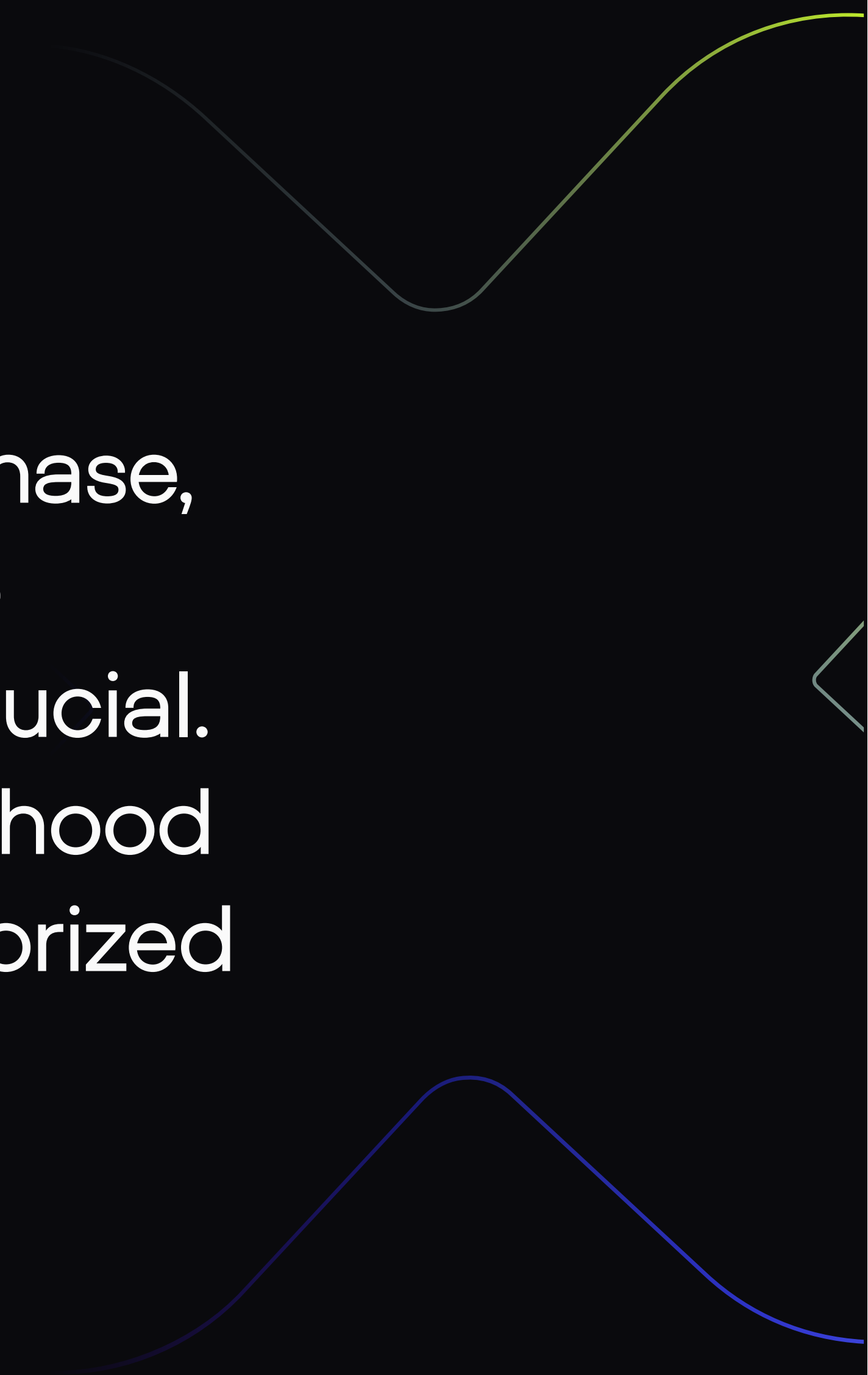
## 05 Usability and Design

A smooth, user-friendly navigation with minimal friction, especially on the check-out page, and a clear, attractive design on both desktop and mobile, can significantly boost conversion rates.

## 06 Secure Payment Process

Customers need assurance that their payment data is secure. Using SSL certificates and fraud detection tools builds trust and boosts conversions.





Just as conversion rates are pivotal for gauging customer commitment to purchase, understanding the factors that influence transaction approval rates are equally crucial. These elements directly impact the likelihood of a transaction being successfully authorized and completed.

## Factors Influencing Approval Rates and How to Improve it

- **Customer's Payment History:** A customer with a good payment history is less likely to face transaction declines. Banks and payment processors consider past transaction patterns to predict future transaction reliability.
- **Transaction Amount:** High-value transactions are scrutinized more closely and may have a lower approval rate due to increased fraud risk. It's essential to have proper fraud detection mechanisms in place for larger transactions.
- **Geographic Location:** There are some country specific regulations on where the card has been issued, risk appetite of issuing bank, banking and market regulations. Transactions from regions with high fraud rates may see lower approval rates. Implementing additional verification steps for transactions from these areas can help in minimizing risk.



- **Type of Payment Method Used:**

Certain payment methods have higher approval rates due to inherent security features. Offering and encouraging the use of these methods such as fraud-protected credit cards, Apple Pay or Google Pay, and encrypted platforms like PayPal, can boost approval rates thanks to their inherent security features.

- **Card Information Accuracy:**

Transactions often fail due to incorrect card details being entered. Ensuring that your checkout process includes features to verify card information in real-time can help reduce such errors.

- **Existing Customer vs. New Customer:**

Existing customers usually experience higher approval rates due to established trust and transaction history. Providing a seamless payment process for repeat customers can aid in maintaining high approval rates.

- **Issuer soft declines:** Soft declines occur when a card issuer temporarily rejects a transaction, often requiring a retry. Integration/API bugs arise from data mapping errors or API call failures, disrupting payment processing..

- **User abandonment:** This refers to the scenario where a user decides to not complete a transaction. Factors contributing to abandonment can include complex checkout processes or payment failures.

- **Scheme/provider policies:** Payment schemes or providers have specific policies that can affect transaction approval, such as limitations on transaction amounts or card validity restrictions.

- **Downtimes:** Payment service downtime due to maintenance or technical issues can impact transaction approvals. Issuer risk appetite varies by industry, influencing approval rates. High-risk sectors, like beauty, may face stricter lending criteria, leading to more declined transactions.

- **Tokenisation:** The process of replacing sensitive card details with unique identifiers to enhance security is called tokenization. This method influences the approval rate by providing additional security for the client's data, minimizing the risk of data breaches by ensuring that actual card information is never stored or transmitted during transactions. At PXP our data indicates that merchants who implement tokenization experience a higher approval rate. SCA policies: Strong Customer Authentication policies ensure secure online transactions on merchant's website. Usually, these policies require multi-factor authentication to verify the customer's identity, thus reducing the likelihood of fraud and influence the approval rates.



# How PXP Optimises Approval Rates

Security Measures

Payment Preferences

Multiple Features



## Key Takeaways

Improving the approval rate directly impacts revenue and customer trust. Here are a few strategies that can be particularly effective in boosting it:



### Use Reliable Payment Processors

Choosing a trusted payment processor with reliable technology and fraud detection tools is crucial for ensuring a high approval rate.



### Regularly Update Payment Software and Systems

Keeping payment software and systems up to date ensures compatibility with payment gateways and reduces the risk of transaction failures. Regular updates can also include the latest security patches, protecting against fraud and unauthorized transactions.





### **Utilize Address Verification Service (AVS) and Card**

Verification Value (CVV) Integrating AVS and CVV checks can significantly reduce fraudulent transactions, which often lead to declined transactions. These systems verify the authenticity of the cardholder, thereby increasing the likelihood of approval.



### **Monitor and Analyze Declined Transactions**

Understanding why transactions are declined can provide insights into patterns that can be addressed to improve the approval rate. By analyzing declined transactions, adjustments can be made to reduce similar issues in the future.



### **Implement Payment Authentication**

Leveraging 3D Secure 2 (3DS2), an advanced payment security protocol, improves authorization rates by using biometrics, multi-factor authentication, and One-Time Passwords. Analyzing declined transactions allows for adjustments to prevent similar issues.



### **Reduce Fraudulent Activity**

A high incidence of fraudulent activities, like an increased number of chargebacks due to customer disputes, inevitably leads to reduced authorization rates. The most effective strategy to safeguard your business is to proactively prevent fraud from occurring.



### **Make Approval Rate Optimization a strategic initiative**

As a result you will enhance long-term customer satisfaction and boost revenue by focusing on retention. This approach underscores the importance of evolving with customer needs.



### **Avoid a one-size-fits-all strategy**

Instead choose targeted techniques grounded in thorough root cause analysis. This method ensures more precise and effective solutions to specific challenges.



### **Employ data analytics**

Data will give you deep insights, identifying opportunities and noteworthy events. Equipping teams with the right tools maximizes efficiency and fosters an environment of informed decision-making.



### **Adopt a dual strategy**

That includes a reactive component for issue resolution and a proactive element to uncover opportunities for continuous improvement, ensuring both immediate and long-term success.



# Conclusion

Optimizing conversion rates is an ongoing process that requires continuous monitoring and adaptation to changes in user behavior and technology. By implementing best practices, utilizing emerging trends, and understanding the difference between conversion and approval rates, you can improve your customer's satisfaction and ultimately increase the revenue of your business.

It's vital to distinguish between the conversion rate and approval rate, focusing on optimizing each to maximize business success. By implementing the strategies discussed in this guide, businesses can not only enhance their conversion and approval rates but also pave the way for sustained revenue growth.

**Now it's time to act.** Begin by assessing your current conversion rate and identifying areas for improvement and choosing a trusted payment partner to lead the way.



To request a free 30-minute consultation on improving conversion in your business, email [sales@pxp.io](mailto:sales@pxp.io)