



Online content suffering from lack of payment

By Internet Wire via NewsEdge.

May 08, 2003

Internet service and content providers appear out of touch with the payment concerns and preferences of potential customers, a perception gap that may seriously limit content sales growth, according to a new study contrasting attitudes of consumers with those of online providers.

Initiated by PaymentOne, the Internet's leading payment services provider, The Online Payment Strategies and Preferences Poll makes it clear that new payment alternatives to the credit card will help drive online content sales. The study was conducted in cooperation with Javelin Strategy & Research and eContent Magazine, which surveyed more than 10,000 consumers and top marketing executives at 300 Internet, content, and premium service providers.

According to the research, consumers continue to perceive serious shortcomings with today's online payment options, particularly with respect to security. In fact, when consumers who have not made online purchases were asked what would persuade them to buy online content, 53 percent cited more secure payment options. Payment security was chosen over price or product-related responses by more than a 2-1 margin.

Meanwhile, too few executives at content and service provider companies perceive payment as a critical strategic business issue. Executives responding to survey questions consistently cited pricing, content quality and other non-payment issues as their primary concerns for growing their businesses.

"Online content and service providers clearly need to do more to satisfy the concerns of consumers about online payment if they hope to continue to grow their revenues and customer bases," said Joe Lynam, president and CEO of PaymentOne. "The implementation of new consumer-friendly payment options may well be the single most important step providers can take to better monetize their products and services."

The consumer survey, which was conducted both via telephone and online, reached a population whose experiences ranged from frequent Internet shoppers to those who have never purchased online. Fifty-nine percent had purchased Internet services or content online at least once.

The survey indicates there is real interest among consumers in paying for online content. By far, respondents were most willing to pay for classified ads. Fifty-two percent chose classifieds as the content they were most likely to purchase. Twelve percent said they were most likely to pay for Internet news; 11 percent for music; and 11 percent for games.

However, 61 percent of all consumers said they would be more likely to make online content purchases if there were an easy and secure alternative to the credit card.

The findings of the PaymentOne-sponsored survey are supported by other third-party research as well. Published in February 2003, the third annual UCLA Internet Report, "Surveying the Digital Future," found that 92 percent of consumers have at least some level of security concern about using their credit cards online. Slightly more than 63 percent said they were either "very" or "extremely" concerned.

"The message is clear. Online content will not be king until consumers believe payments are secure," said James Van Dyke, principal and founder of Javelin Strategy & Research, a leading analyst firm tracking online payment trends.



"Content and service providers will have to do more to convince users about the security of their payment options."

Despite these findings, many content and service providers who participated in the study clearly underestimate the importance of payment in driving customer and revenue growth. For example, executive respondents were evenly split between those who said simple and secure payment options would help increase revenues and those who said they don't know if such options would have an impact.

This ambivalence among online providers not only flies in the face of consumer sentiment, it is contradicted by the experience of leading providers who are adopting new payment alternatives. For example, service providers who provide customers with secure PaymentOne-delivered alternatives to the credit card experience increases of 35 percent and more in new customer acquisition rates, according to Lynam.

"The concept of a one-size-fits-all payment method for the Internet is stunting the growth of today's content providers," said Lynam. "Issues such as security, ease-of-use and the simple reluctance to use a credit card for smaller online purchases are all impeding this marketplace. It's time for the industry to take action."

Reported by Internet Wire via NewsEdge.