SPRING

Case Study:

Marqeta's VIRTUAL Solution Allows Leading Retail Aggregator to Improve Uptime to 99.99%

Case Study: Marqeta's VIRTUAL Solution Allows Spring to Improve Uptime to 99.99%

BACKGROUND

E-commerce is big business: according to the US Commerce Department, 42% of the growth seen in the retail industry last year came from online sales. Much of that growth is driven by retail aggregators – sites that compile many brands and products into one shopping destination. These include both large market behemoths like Amazon, which comprised 66% of the online retail growth number, and a growing number of sites focused on innovating the shopping experience in an increasingly mobile-first world. A distinct innovator in the latter category, Spring provides the modern alternative to the shopping mall. By co-mingling many different brands into a streamlined, mobile application, Spring focuses on a curated customer experience that delights shoppers and brands alike. With free shipping and no-hassle returns, users can take advantage of an optimized experience with the same benefits of shopping in their favorite stores. The growing popularity of this type of shopping process drives more interest from brands seeking to reach today's mobile-centric shoppers. Brands want and need to partner with commerce disruptors focused on creating a digital experience that mirrors the in-store experience and delights the customer in the same way.

CHALLENGE

In the U.S., e-commerce conversion rates hover at 3%, with cart abandonment rates sitting at 25%. Given these statistics, how can brands and commerce disruptors partner to provide the next generation of experience-driven, frictionless online commerce?

To consumers, the myriad of products and sites available makes shopping online a commodity. Unless a site offers a niche product set or deep discounts, there is not much differentiation– the way to increase share of wallet is through a superior user experience. With a transaction that takes too long to complete, or a payment process that is complicated, too limited (not enough options), or even causes problems at the bank, the customer will abandon the cart and never return to the site. Industry data supports this – according to KissMetrics, an e-commerce site running at $100K per day could lose $2.5 million per year with just a 1-second page delay! Clearly, the entire transaction from search to purchase confirmation must be seamless and frictionless. However, there are key areas that retail aggregators must refine in order to compete effectively on customer experience against the massive retail sites – fulfillment, onboarding merchants, and the payment process.

Spring was facing challenges in all of these areas:

Fulfillment Delays – As a retail aggregator, Spring's business model is focused on marketing and user experience, not on inventory management. Drop shipment, in which the merchant makes the sale and has the relationship with the end user, while the brand simultaneously ships the goods directly to the customer, is the only fulfillment strategy that works. But with consumer-centric fraud controls on the brand's side, having a shipment address (end user) different from the billing address used to pay for the goods (aggregator credit card) can cause delays or cancellations on the individual order and site downtime. As an online aggregator, the customer's end users shop 24/7/365 so any downtime is lost revenue.

Credit Line Restrictions – Spring's other option was to use a credit line. But the business was small, and the customer didn't have a lot of leeway with its bank. Without a large credit line or funding from a reserve account, the site was often turned off during high-volume holiday periods – this lost revenue could put a seasonal business like Spring out of business.

Payment Process Inefficiencies – Without the ability to pay the vendor for each consumer transaction, there is typically a batched payment sent to each vendor at the end of a specific period (every day, week, month). This requires complex reconciliation, validation, and processing time to issue a check or an ACH payment, and often results in vendor disputes because of the difficulty in matching successful transactions with their associated payments.

Spring had all of these problems, and it was costing them money and customers. They needed a payment solution that could increase efficiency and improve customer service.

SOLUTION

Retail aggregators like Spring want to spend time building their brand and scaling their business – not refining their payment process. That's where Marqeta fits in – the company's platform, built from the ground up with no legacy infrastructure, connects directly to the payment card networks, with no intermediary vendors slowing the process down. And as an integral part of retail aggregators' operations, Marqeta shares the same values for continuity and uptime – when Marqeta's customers do well, so does Marqeta. With payments as the central component to every site transaction, the payments infrastructure plays a key role in making or breaking customer experience.

Marqeta, who offers the only modern open-API platform for issuing and managing virtual card programs, was the best option for this customer. Marqeta's VIRTUAL solution generates a virtual card number on demand that can be used immediately, enabling the customer to automatically pay its merchants on behalf of customers in real-time, at checkout.

With dynamic spend controls, the virtual card can also be restricted by criteria such as merchant, dollar amount, and number of uses, minimizing the risk of use for another transaction if the card number lands in the wrong hands.

Marqeta's solution enables the retail aggregator to mimic the workflow of a consumer transaction by essentially unifying the characteristics of the two cards (end consumer's credit or debit card and the aggregator's corporate card). The dynamic address capability included in the drop ship enablement feature eliminates address-related order delays by allowing Spring to manage addresses assigned to the virtual card. With this capability, Marqeta supports drop shipment by eliminating address-related order delays and the associated customer dissatisfaction.

Spring could also choose from a single use or multi-use card. With the single-use option, there is a different virtual card number used for every transaction, and data is attached directly to it, allowing the customer to reconcile with 1:1 matching when the transaction settles. With the multi-use option, all the consumers can be associated with one corporate virtual card number, which some vendors prefer. The multi-use card also supports vendors who may do split shipment or who use multiple authorizations (e.g. $1 is charged first, then the remainder on a second transaction).

Marqeta virtual cards also solved the customer's cash flow problem. Unlike other vendors, Marqeta funds virtual cards using Just-in-Time "JIT" funding. The card maintains a $0 balance, and is funded from a Marqeta Program Reserve account instead of the customer's credit line. Customers can fund this account on a frequent basis based on activity instead of having to pre-load a significant amount of cash that may not even be needed or having to post cash as collateral for a credit line. In addition, the customer can approve and deny each transaction in the moment, rather than depending on static rules. No other vendor offered this level of flexibility.

Finally, virtual cards, as a proxy for physical cards, are already part of a retail site's workflow; limited implementation was needed, and Spring was able to get the virtual card solution up and running without any disruption to the business. And, with Marqeta on board as a strategic partner, the support and product teams were available to walk through configuration after the initial set-up and troubleshoot any specific declined transactions to ensure that the solution was working as intended.

RESULTS

Spring realized many benefits as a result of implementing the VIRTUAL solution:

Improved Uptime – With the VIRTUAL solution in place, Spring no longer saw significant defection of users because of site downtime or issues with their orders. With 99.99% uptime, the site can now handle volume surges during holidays and special promotions, and can ensure that each user has a positive experience on their site.

Increased Operational Efficiencies – With Marqeta's support for 1:1 matching, the customer's accounting department no longer needs to struggle with never-ending messy reconciliations, and the number of disputes from vendors is significantly less.

Expanded Supplier Network – Most retail aggregators rely on rapid expansion of their supplier network in order to scale, yet developing a relationship with each and every brand would be too cumbersome and require too many resources to be cost-effective. With the ability to pay easily using a credit card, retail aggregators can avoid setting up additional processes and can expand their supplier network quickly. As a result, with the VIRTUAL card solution, Spring has been able to source its site with more than 4,000 different brands.

Improved Cash Flow Management – By paying per order, retail aggregators can match the timing of cash outflows to their suppliers with the related cash inflows from their own customers, improving cash flow management – important for growing e-commerce companies like Srping.

CONCLUSION

Ultimately, the more efficient, flexible, and cost-effective method of processing B2B supplier payments has enabled Spring and other retail aggregators to experience 99.99% uptime – enabling them to manage their seasonal peaks and keep their customers coming back for more.

Learn More at Marqeta.com