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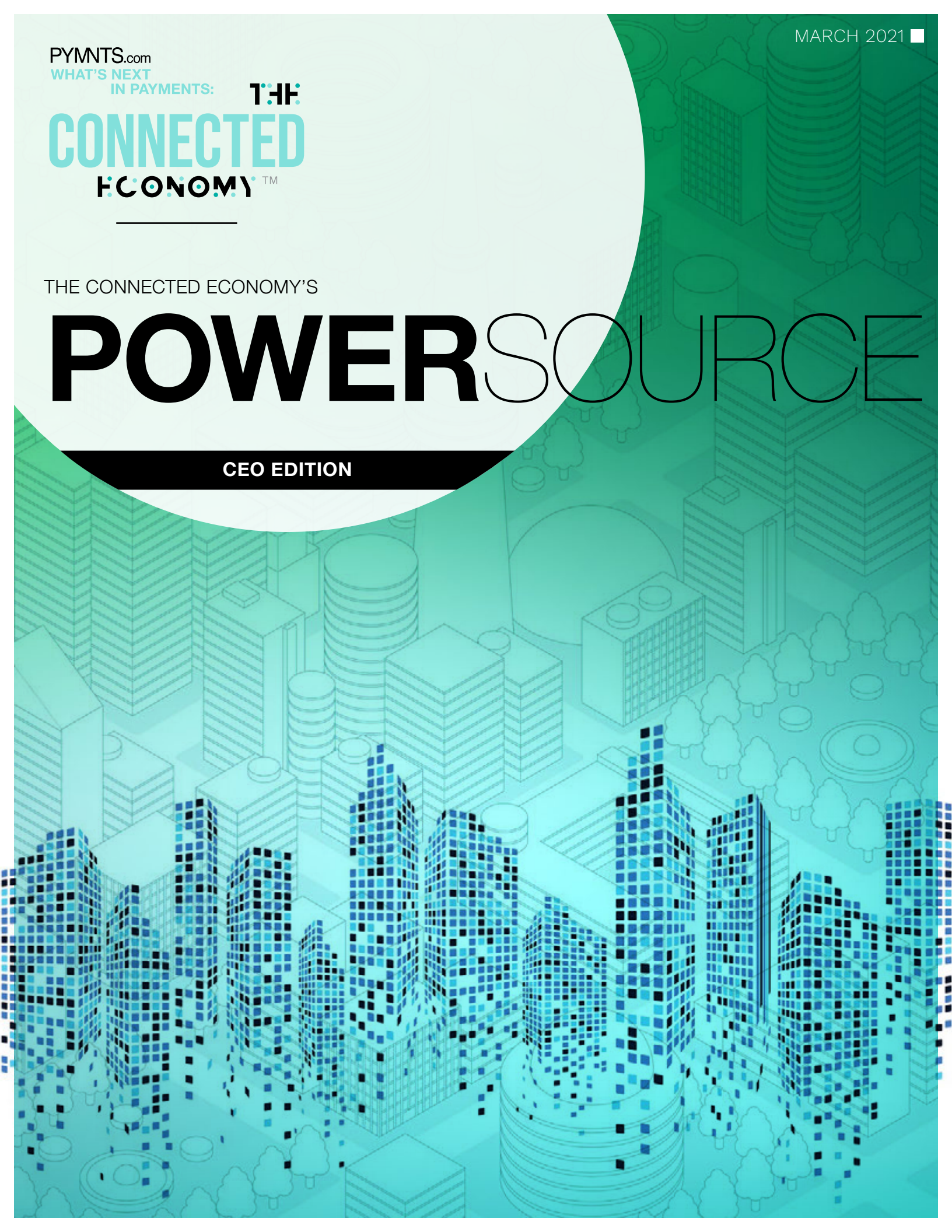
ECONOMY™

MARCH 2021

THE CONNECTED ECONOMY'S

POWERSOURCE

CEO EDITION



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Payments Step Up As The **Connected Economy™'s** Power Source

There are changes driven by choice, and there are changes driven by necessity. In the world of payments and commerce, the pandemic has produced both. It has forced all manner of businesses — younger firms, firmly entrenched enterprises, domestic players and international conglomerates — to create or rapidly accelerate their digital journeys.

Those journeys have taken various forms. Some have cemented and connected ecosystems. Some have built online platforms and brought stakeholders together while monetizing interactions. But taken in the aggregate, it's clear that payments are fast becoming the fuel that “powers” digital transformation.

Leveraging the power of payments to help give shape to new business models is one way to get through the pandemic. It can provide the motivation to emerge on the other side of this public health crisis ready for consumers' demands that firms meet them where they want to be (online, in-store or a hybrid of those conduits) and pay the way they want to pay.

We asked 34 executives about how the pandemic has changed their thinking about payments. We asked them about the way that payments can be embedded into the commerce continuum, invisible in some cases, value-add in others. Merchants need to meet consumers' expectations for a unified, at times contactless, commerce experience (perhaps even leading to the super app), according to our respondents — or suffer the consequences.

Cryptos And Beyond

Cryptocurrencies, of course, may be the most obvious new wrinkle in the payments firmament, where some proponents note that payments inclusivity during times of economic turmoil can get a boost from those digital coins, giving the unbanked and underbanked populations easier access to digital transactions.

But beyond those payment mechanisms, overall, advanced technologies are helping companies connect payment methods to the digital profiles being created by the consumers themselves as they interact with devices and merchants — which in turn allows for targeted, contextual advertising and promotions (and even sales support), supporting that evolution toward unified commerce, and new options at the point of checkout, such as buy now, pay later.

As to how payments can change the financial services ecosystem itself, observers noted that payments can be a significant percentage of consumers' interactions with banks and credit unions, opening up incremental revenue streams. Authentication of payments and verification efforts will have to

improve as so much activity between buyers and sellers, payments senders and recipients is done online. One buzzword that transcends the payments themselves, or who is initiating them or getting them ... speed. We're headed toward the age of real-time payments (more commonly referred to as RTP), where funds flow with instant confirmation, where consumers pay bills just in time and where corporates themselves have better cash flow visibility/management on a day-to-day basis.

Embracing payments transformation also means embracing the back office changes needed to facilitate those payments (which in turn means getting treasury departments on board with their own digital shifts). Nowhere might this be more

apparent than in the business-to-business (B2B) space — ripe for change, say our observers — where cross-border payments and a lack of transparency (not to mention paper checks) are still hallmarks. B2B firms, according to respondents, are now looking toward recurring revenue models, while in commerce in general, the direct-to-consumer (D2C) model exists as a long-term strategy.

The digital acceleration may have leapt ahead by years rather than months in the midst of the pandemic. But it shows no signs of abating, nor does the creation of omnichannel experiences that are improved by payments as a frictionless part of the process, invisible though they may be.





FINANCIAL INCLUSION AND CRYPTO WILL DRIVE TECHNOLOGY IN A DIGITAL-FIRST WORLD

In the wake of the COVID-19 pandemic, payment inclusivity across services and platforms is needed more than ever.

Amid the pandemic, unemployment rates have skyrocketed, and as a result, there has been an influx in the number of underbanked and unbanked individuals and households.

There is an explicit and urgent need to reach those living paycheck to paycheck, which now comprises [63 percent of Americans](#), as well as the unbanked and underbanked.

Globally, 31 percent or 1.7 billion, adults are considered unbanked by the World Bank. This means they do not have an account at a financial institution or through a

mobile money provider. According to the Federal Reserve, about **17.2 million Americans** were unbanked as of 2018-19, while about **46 million Americans** were underbanked – and these numbers are only expected to rise as more Americans increasingly rely on alternative financial services (AFS).

This has further heightened the need for alternative banking solutions such as neobanks and challenger banks. The digital shift of utilizing nontraditional banking services was well underway before the pandemic – as the reliance on brick-and-mortar, branch-based banking was already fading. The rise in mobile and digital banking has facilitated access and convenience, but has also created a unique opportunity for fraudsters to exploit and prey on consumers. As such, there has been a significant rise in payment fraud during the pandemic, with Forrester

further **predicting** that fraud and data breaches in banking will reach an all-time high in 2021.

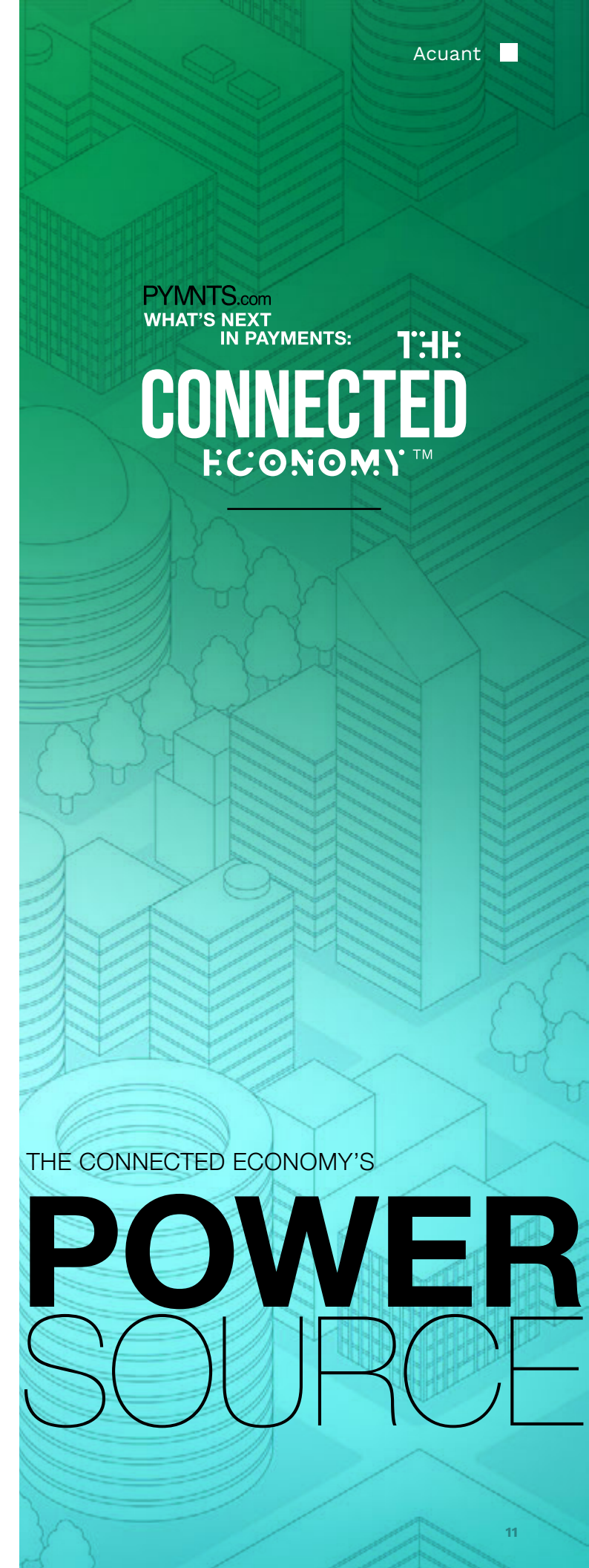
Payment services and platforms are looking to reach the underbanked and unbanked, and more of the world's population, by providing easier and safer access to digital transactions. With recent payment technologies – such as digital one-time cards, direct debit payments and cryptocurrency – making secure transactions more accessible, payment services and platforms can now reach a larger audience to help foster more inclusivity and create a more secure and seamless banking process.

In the last year, there has been a significant rise in popularity for cryptocurrency, with a recent significant focus on NFTs (non-fungible tokens). Some digital finance institutions have already adopted

cryptocurrency into their services, and more financial institutions and platforms are planning to incorporate crypto to help provide more inclusivity.

For example, the unbanked are able to create bitcoin wallets and transfer money internationally themselves through any internet connection with lower fees than a traditional card option. This greater access to banking options will help to fuel the economy and decrease the unemployment rate as more job opportunities are provided without the need of large banks and the high-risk credit they provide.

By utilizing technology to safely and securely service the underbanked and unbanked – and by adopting robust verification methods that can service all sectors of the global population – digital finance services will open their doors to more people and benefit the global economy.





DAVE
O'BRIEN
CEO



POWERING TRANSFORMATION: MERCHANT SPEED AND ADAPTABILITY

The simplest way to get your blood pressure to rise? Stand in line at the grocery store and watch the person in front of you pull out a check. If you were born in the year 2000 or later, you likely don't even know what that means, as the payments industry is rapidly changing. The most transformational impact in

the next few years will be how this industry will streamline and create an amazing consumer experience.

Consumers enjoy an experience that's completely seamless and, if necessary, contactless as well. To enable this, merchants must create the ultimate experience, one in which the consumer engages the

same way at the point of transaction as they would when making a purchase online.

Already the industry is being disrupted by companies that are moving very fast and changing expectations at every level. This means to stay in the game, you have to not only speed up, but you must be laser-focused on your direction. You can move fast, but if it's in the wrong direction in today's market, you may never make it back.

Today's consumers have higher expectations than ever before, and merchants who can meet those expectations will reap the benefits. In turn, those merchants demand a high level of performance from their payment service providers (PSPs). Forward-looking merchants require versatile, all-encompassing solutions.

Thus, the firms focusing on monetizing payment revenue streams and taking on risk are seeing the greatest transformation.

Though invisible to the consumer, these game-changing and proven exponential improvements in back-end processing provide front-end consumers with an amazing omnichannel experience. The best part? Spending in these areas generates tremendous proven return on investment.

According to [The State of Commerce Experience](#), 40 percent of B2C consumers would pay more for a better experience – and in B2B, the appetite rises to 56 percent.

Even more telling, the same respondents indicated that they would not repeat a purchase if they had a poor experience the first time. What constitutes a “poor experience” will continue to shift over time. Today, a merchant without the ability to save a customer's basket across all channels and devices would generally be considered as offering a poor experience. This is something retailers must actively pursue if they want to grow their market.

An omnichannel consumer experience requires linkage between multiple channels in order to provide that seamless experience. Though simplified on the front end, the process is highly complex for the organization.

While simplicity is hard to achieve, it is getting easier with outsourced software. We've also seen incredible enhancements in the tools we use for investigating risk, underwriting, evaluating merchants and processing payments. These innovations have made it possible for organizations to retain a larger piece of the pie without taking on the burden themselves.

The crazy part is that we are in the infant stages of all of this change. The firms that are meeting quarterly to discuss strategy, and constantly challenging themselves on their speed and direction, will have a bright – and, daresay, fun – future.

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**STEPHEN
PAIR**
Co-Founder and CEO

bitpay

THE FUTURE OF PAYMENTS IS BLOCKCHAIN

It is all about the blockchain. The blockchain IS the future of the payments industry.

Blockchain is revolutionizing payments, modernizing traditional pay methods and legacy rails with something faster, more secure and decentralized. Blockchain-based payments enable businesses to grow sales without the risk of costly fraud

chargebacks, the expense of legacy pay methods or the complexity of currency exchange.

Crypto usage increased exponentially over the last few years because it has disrupted traditional financial systems by making it as easy to send money as it is to send an email. The ability to accept crypto expands a business' sales opportunity

into international markets where accepting credit cards is not practical, while reducing high fees and increasing payment transparency and efficiency.

Corporations that conduct business internationally and send billions overseas incur high fees and delays of up to a week. Combined with the market capitalization for crypto approaching a trillion, the potential market opportunity for crypto is ideal.

Today's momentum, growth and interest in blockchain is going to continue.

BitPay believes that with continued adoption and increased regulatory involvement, the industry will reach an inflection point that will forever change consumer confidence and trust, and pave the way for blockchain payments to disrupt the way consumers receive and spend funds. In just the last 10 years since

BitPay was founded, blockchain has become commonplace, and vendors like Microsoft, AT&T and Twitch have adopted blockchain technology to enhance payments.

With bitcoin price hikes and recent investor and celebrity investments in bitcoin, consumers are spending crypto for both day-to-day and luxury purchases like never before. At the same time, new merchants are entering the space to increase sales and acquire new customers.

BitPay is also seeing an increase in the use of stablecoins among businesses that transact internationally with other businesses, and not necessarily consumers. Many businesses also do not want to have or hold crypto on their books because it can be a difficult process for their accountants. Stablecoins are pegged to the U.S. dollar, making it an easy intro to crypto for many businesses.

Stablecoins allow businesses in the west to receive settlement in less than an hour, and any business around the world can receive stable settlements pegged to an internationally accepted currency. We also expect this trend to continue as companies look to save money and receive settlements faster.

BitPay pioneered blockchain payment processing with the mission of transforming how businesses and people send, receive and store money globally. Its business solutions eliminate transaction fraud, reduce the cost of payment processing and enable borderless payments in cryptocurrency.

For 2021, BitPay foresees that merchant and consumer adoption will continue to accelerate, and that more and more businesses and consumers will turn to bitcoin and other cryptos as a means of commerce and for transacting.

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**TALBOTT
ROCHE**
CEO and President



DIGITAL PAYMENTS TO MOVE THE NEEDLE FOR RETAILERS

In a time of increasing change for businesses and people, the current global climate has accelerated the digitization of payment trends at a much quicker pace than previously envisioned.

Payments can be the conduit to deepen connections between brands and consumers, solving their

problems, meeting their demands and creating better, more meaningful shopping and payment experiences that will persist long after the pandemic is over. From cash to rewards and gift cards, mobile wallets must transition to become truly useable resources across technology, retailers and buying experiences.

We see immense opportunity to offer true omnichannel retail experiences, and programs that increase the capacity to accept new payment resources, such as barcode-based “cash payments,” are helping consumers more easily make physical purchases for digital goods.

These unified commerce experiences really took off during the height of the pandemic and the 2020 holiday season, as consumers found new ways to shop and retailers were forced to look at more unique customer acquisition and payment experiences, including contactless and delivery. The glue here became mobile wallets, which saw a major increase in usage in 2020 across the globe, one that the industry had predicted would take upwards of a decade to reach.

But getting consumers to use their mobile wallets is just the first step – and in a post-pandemic world, our role is to continue to innovate. We

must drive additional options across the payment, coupons, rebates and incentives spectrum into the mobile wallet to create the best experience for consumers – and in a way that does not overtask retailers’ existing operations. The biggest winners in the next phase of the payments race will be the ones that are able to strike a balance between providing choices and seamless experiences to the consumers, while making it effortless for retailers.

Streamlining the purchasing process for digital and mobile shopping has become a must for retailers. Retailers and consumers alike are looking for more ways to unleash the value of their mobile wallets to spend across a variety of situations, and to make it possible to redeem points, rewards and gift cards seamlessly across the omnichannel shopping experience. We must also bridge the gap between cash and digital payments for underbanked, unbanked and cash-preferring customers.

In many ways, we’ve already seen this impact start to set in, spurred by the demand for quick innovation and adaptation brought on by COVID. Over the next one to two years, I see the payments industry being well-poised to help build these better connections between consumers and businesses. To me, the concept of streamlined, seamless digital payments is the single biggest factor in making a transformational leap in payments.

The brands that are thriving are those that are actively looking for ways to overcome new challenges by creating fresh, seamless experiences to engage customers across the channels they find most valuable. It will be key for retailers to invest in their digital platforms, expand and ensure payment option parity across their physical and digital channels, and deliver a seamless, truly omnichannel experience.

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KRISTIAN
GJERDING
CEO

CELL
POINT
DIGITAL

WITH DIGITAL TRANSFORMATION COMPLETE, PAYMENT ORCHESTRATION IS NEXT

If payments are the engine that is powering digital transformation, then payment orchestration is how global enterprises can keep that engine running at peak performance. The widespread adoption of payment orchestration platforms across many industries is what we view as the most impactful development on

the horizon for the payments space. As discussed in a previous [PYMNTS article](#), it could even help companies recover faster from the current crisis.

What is payment orchestration? And why is it so critical to a modern payments ecosystem? Put simply, payment orchestration is the act of unifying all components

of a transaction under a single control layer, enabling end-to-end management and automation of payments processing. For cross-border merchants, this means integrating the right mix of regional and global payment partners (PSPs, acquiring banks) to facilitate intelligent transaction routing, optimize acceptance rates and minimize cost. It also means automating back-end processes like settlement, reconciliation and voucher management.

But perhaps the most critical aspect of payment orchestration is its ability to improve the consumer journey at every touchpoint. By simplifying the payment process with features like embedded checkout, integrated biometric validation and less intrusive fraud rules, a payment orchestration platform can remove many of the roadblocks consumers

encounter before completing a transaction. And by offering them a flexible and dynamic choice of payment method, payment orchestration platforms also help meet customer expectations and maximize conversions.

Payment orchestration also improves overall payment ecosystem resilience. By connecting to multiple PSPs/acquirers, there's a failover process for transactions. If a payment fails, the system automatically reroutes it to a second or third alternative route to secure a higher transaction success rate. That reduces per-payment costs to the merchant and maximizes sales. It also satisfies the customer, who was able to complete their transaction using their preferred payment method without a decline or refusal that was out of their control.

This combination of acceptance maximization and cost reduction makes payment orchestration a high-ROI proposition. The automation of back-office functions further enhances the value of this solution. As a result, digital payment costs can be reduced by upwards of 20 percent, again depending on the individual merchant's existing circumstances. So not only does adopting payment orchestration make sense for companies planning for the future of digital payments, it also has a real, immediate bottom-line impact as well.

But unlike other initiatives that provide a temporary boost in profitability or revenue generation, payment orchestration allows companies to prepare for and adapt to whatever the payments landscape might present.

Payment orchestration is future-proof, enabling a scalable, resilient and cost-effective solution to end-to-end payment processing, providing a fast time to market for new payment methods and platforms as they become more relevant to a company's customer base or target market. It's flexible enough to integrate new acquirers or back-end processes as they become necessary. And it provides the cohesion and simplicity consumers demand from their payments experience – and is critical for commercial success.



THE PAYMENTS INDUSTRY CAN BRIDGE THE BRICK-AND-MORTAR AND ONLINE WORLDS

At Citcon, we believe that payments as a horizontal will be most transformational in bridging the brick-and-mortar and online worlds.

Merchants have had difficulties connecting their customers' in-store experiences with their digital brand interactions. Payments is a logical

place for this shift to start to occur in a dramatic fashion. By connecting payment methods with a customer's digital profile, a merchant has a greater ability to be more tailored in virtual customer service, advertising and the overall customer experience, leveling the playing field between digitally native brands and their older competitors.

Most merchants today lack little insight into a customer's online habits.

Restaurant guests may now read menus on their phones, but few restaurants lack the sophistication to retarget them afterward.

Most merchants today lack little insight into a customer's online habits. Restaurant guests may now read menus on their phones, but few restaurants lack the sophistication to retarget them afterward. Very few retailers have the ability to connect in-store purchases with online research to determine what the customer bought and why.

A payment experience that encourages device usage in-store could change all of that, enabling in-store checkout to have the same conversion data as online checkout, opening a whole new suite of digital tools, like performance marketing, to merchants.

As one example of payment innovation, our customer iShopee has used QR code payments – not only for transactions, but for offer

redemption as well. This gives them the ability to understand in-store response to online advertising.

This can scale. Restaurant owners who use digital payments to link a customer's online profile can provide tailored offers to drive the customer back to their restaurant with incentives during slow periods. Store owners can directly relate basket sizes to digital marketing investments to more finely tune their advertising.

All of this will help to increase the productivity of advertising investments, decreasing costs to enable lower prices for consumers.

The key to enabling this will be forward-thinking merchants who understand the potential unlocked by driving mobile payments in-store.

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CHOICE, CONVENIENCE AND SPEED ARE TABLE STAKES IN TODAY'S PAYMENTS LANDSCAPE

Characteristics of a Burgeoning Digital Economy

In today's highly-connected marketplace, where business is conducted at digital speed and transactions occur around the globe, one thing is obvious: The world is getting smaller. As digital transformation powers dramatic

change across nearly every industry and throughout every region, the importance of cross-border commerce is rising. According to a recent [report](#), cross-border eCommerce is projected to account for 22 percent of eCommerce shipments of physical goods by 2022.

SHAHMIR
KHALIQ
Global Head Treasury and
Trade Solutions



Advancements in technology and the proliferation of payment channels – along with a strong push by regulators – is driving the brisk adoption of innovation in the commerce space. Business models are rapidly changing as more and more corporates look to make payments to and receive payments directly from consumers. Much of this change is being powered by a demand for a better customer experience. At the same time, the lines between consumer and institutional payments continue to blur, with much innovation applied to any transfer of value between two parties, regardless of whether the beneficiary is a corporate or a consumer.

Keys to Success: Choice, Convenience and Speed

The key to fulfilling the promise of this ongoing digital payments evolution will be around delivering choice, convenience and speed. While these characteristics often

overlap, each plays a vital role in meeting the demands of the marketplace. At Citi, we understand that meaningful innovation in today's digital economy requires the combination of choice, convenience and speed to deliver a superior customer experience.

As corporates have increasingly adopted direct-to-consumer models, Citi responded by launching Spring by Citi, a digital-only, D2C payments proposition that allows eCommerce payments to be processed through a variety of payment channels.

This capability provides our clients' customers with **choice** in how they pay, including cross-border. In addition to offering choice to their customers, corporates gain by having a single solution with strong reconciliation capabilities that are capable of covering a growing range of markets.

One thing we know when it comes to payment options is that one size does not fit all. As a payment provider, we have long recognized that simplicity and **convenience** are key to a winning proposition. To achieve that end, Citi continues to invest in connecting our network to other networks. We know that regional preferences make a big difference in terms of the customer experience. For instance, paying to or from an e-wallet may be important in Asia, or using a mobile phone may be the preference for payment in Africa, or elsewhere it may be a credit card account that is the preferred vehicle. That is why creating a "network of networks" is important. Connecting businesses and consumers, wherever they might be, facilitates convenience.

A third factor in today's digital payments evolution is **speed**. Of course, instant payments are not a new concept, but there are plenty of new developments in

how these faster payments are powering innovation in the digital economy. A range of innovative use cases is accelerating the growth of instant payments, which is driving new value in the client-customer relationship. Some of the more high-profile examples include immediate insurance payouts, pre-paid mobile phone top-ups, gig economy and freelancer payments, etc.

Citi sees greater adoption of instant payments moving forward as new use cases emerge. And to meet the global transaction needs of many of our clients, we are excited to start to connect instant payment schemes in different markets to offer cross-border instant payments.

As the digital economy continues to rapidly evolve, Citi believes there will be a growing demand for choice, convenience and speed around payments in the never-ending quest to deliver the best customer experience possible.



PAYMENTS FUEL MODEL SHIFT FROM LIFE STAGE TO LIFESTYLE

The transformational impact of payments is already here. In March 2020, members and credit unions alike dropped any remaining objections they had to the digital movement of money. And, as early research indicates, digital payment behaviors shaped by the pandemic will stick around.

This is great news for every organization along the payments value chain, especially credit unions. That's because payments is a key path to engaging members and earning the primary financial relationship with more members. Enabling the day-to-day movement of money bolsters the sense of trust and reliability members have with their credit unions. Owning more of

those everyday financial moments allows credit unions to continuously prove their value and communicate their brand difference to their members.

Meeting member moments through a payments strategy requires something of a model shift. Members used to come to their credit unions when they needed to buy a new product or make a transaction. This set up the mainstay “life stage” approach to service and engagement. Today, though, members expect credit unions to come to them. And members aren’t all that convinced they even need a traditional institution to meet their financial needs. They can – and do – establish new financial relationships with any brand they like from their devices. Walmart, PayPal, Facebook, Uber – if they trust the brand to pick out and deliver their produce, connect them to their friends and drive them around town, why would they not trust them with their financial transactions?

All this is to say that if credit unions want to fully realize the transformational power of payments, they must flip the script, thinking less about “life stage” and more about “lifestyle.” Being there for everyday moments is the key to building trust and enduring relationships. More pragmatically, engaging in daily transactional, active member service will balance interest and non-interest income opportunities – critical as loan volume has been trending down since 2015, according to CUNA and NCUA reports.

Further, payments represent 80 percent of consumers’ interaction with their financial institutions. Gaining the payments business of more consumers is a \$500 billion incremental interchange revenue opportunity over the next five years, according to the Federal Reserve Survey of Consumer Finance and McKinsey Global Payments Report. We have an opportunity to meet our members where they are throughout

their day while improving our non-interest income.

The strategy of serving our members in remote and digital ways hinges on the ability to anticipate their needs. Digital banking and payments are effective allies in the battle to be there first. That’s because each generates a trail of digital breadcrumbs that feeds artificial intelligence and other learning technologies designed to prescribe the next best experience for a particular segment or even a particular consumer.

The model shift from life stage to lifestyle, in combination with advanced learning technologies, enables payments strategists to think more holistically (versus individual product-oriented) about the member experience and to personalize service. When we focus here as an industry, it also gives credit unions a market opportunity when 6 percent of their loan portfolio is made up

of credit card loans. If we can have more members transacting with the good guys who have their best interest at heart, we’ll see safer and stronger member performance with their credit.

It’s worth mentioning that payments do more than drive transformation for an organization. When strategically tied to a credit union’s financial wellness efforts, payments can drive transformation for the individual as well. By enabling all kinds of financially healthy behaviors – from budgeting and saving to debt repayment and fee-free money movement – payments technology empowers personal development. API-enabled tools literally and figuratively “plug into” a consumer’s daily life, giving them greater visibility into how everyday choices affect their long-term financial goals – and deepening their relationships with the providers who make those insights possible.



ANGUS
McDONALD
Co-Founder and CEO



THE ROLE OF SUPER APPS IN PROVIDING FINANCIAL RESILIENCE, PROTECTION AND PEACE OF MIND TO CUSTOMERS

Data sharing across financial institutions is opening doors that seemed iron-clad just a few years ago. Thanks to legislation around the world and technological innovation, FinTechs are extending their powerful brands and massive audiences and setting new standards for eCommerce's customer experience and growth potential. The jury is out on whether banks can navigate the digital opportunities and impending disruption

as a much more digitally centered universe emerges from a global pandemic.

Out of this shift will arise a bolder vision for American “super apps.” In a super app, customers can access an entire ecosystem of products and services. With their extended capabilities, super apps allow customers to purchase products, book appointments and access services — all within a single platform. While we all know about Facebook’s efforts to get Diem off the ground alongside Novi, Pay, Instagram Shopping and its rapid-growth Marketplace, we need to look internationally to get a glimpse of our American future.

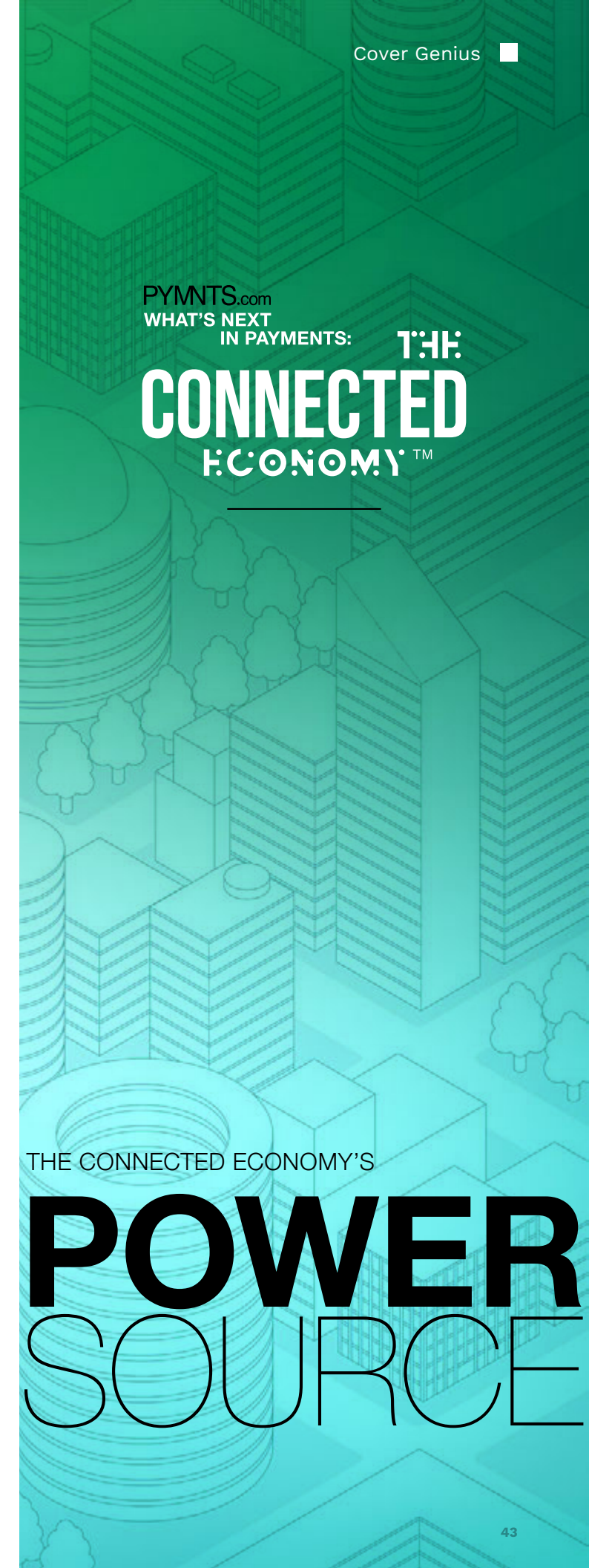
We’ve seen WeChat’s dominance and Grab’s emergence, but industry folk are also closely observing decacorns across the globe. For example, Paytm, Flipkart and Ola in India; Klarna and Revolut in Europe; and Paypal, Chime, Affirm, Afterpay and Quadpay in the U.S. In Asia, Line,

Kakao, Lazada and Shopee hold market share, while Ant dominates Chinese banks. And services like Rappi in LatAm and Careem in the Middle East are expanding well beyond ride-hailing and food delivery. Instead of developing an app where customers can simply ride, receive or pay, these companies are seeking to be a whole-of-life partner for customers’ day-to-day.

For customers, super apps offer cohesion and seamlessness, and are able to collect behavioral data. The end result is an incredibly personalized and profitable experience for customers and brands alike: Super apps can leverage insights to send relevant offers and build new services. Providing protection is a big part of that, and rising super apps can provide greater value by building seamless integrations of warranties and insurance, powered by customer insights and APIs. In doing so, they build loyalty, engagement and share of wallet.

Consumers’ desire for point-of-sale protection will be at an all-time high in a post-pandemic world. With embedded insurance tied to super app activities, customers’ needs are better met, and an additional revenue stream opens up. Big Retail has recognized this: Walmart is [building a super app](#) for end-to-end transactions, and Amazon’s moves into health insurance are well-documented, too.

So, what does this mean for banks that want to get in on the action and leverage their own customer data the same way the tech set has? Assuming they can relieve themselves of the pandemic-impacted burdens of branch networks while leveraging the API economy to update their core banking software, there’s a great opportunity here to pivot from brick and mortar to high-engagement digital utilities centered around personal finance themes like literacy, life event planning and asset protection.



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ADAM
COYLE
CEO

Digital River®

THE NEXT TRANSFORMATION IN eCOMMERCE COMES FROM THE BACK OFFICE

The eCommerce market has already embraced the idea that payments are an integral part of the consumer buying experience. Since the early days of PayPal and other payment experience innovators, we've seen – and will continue to see – innovation in this area. However, I believe the next transformation in payments will come not from

the consumer-facing side, but from the back office, where increasing transactional efficiency will enable any business to sell globally through a direct-to-consumer (D2C) channel.

The continued integration of payments with other transactional workflows – taxes, fraud and compliance, to name a few – will simplify the complexities of global

trade and make it possible for businesses of all sizes to sell globally, and profitably, while delivering the same high-quality experience customers have grown to expect in their domestic markets.

That's not to say that localization of the consumer experience is not important. When a shopper comes to an eCommerce website, they want an experience that is both seamless and familiar. Not just the right language, but the right currencies, familiar payment methods and tax calculations. Brands quickly realize that to deliver the seamless experience their global customers want, they must take on the risks and complexities of operating like a local entity in the countries they serve. Until recently, only the largest brands could afford to build out the infrastructure necessary to operate like a local across the globe. Thanks to recent innovations in eCommerce technology, now even small brands

have the opportunity to work with service and technology partners who can provide the back-office capabilities necessary for them to operate like a local entity, globally, on a cost-effective basis.

The transformational impact of the ability to operate like a local will be even more profound for B2B eCommerce. The overlapping effects of global eCommerce growth and the challenges businesses faced during the pandemic have created exponential numbers of new B2B eCommerce buyers.

These new B2B buyers are expecting consumer-like quality and convenience in their online buying experiences, but with a structure that reflects their current procurement processes. Purchase orders and invoices – the B2B equivalent of buy now, pay later (BNPL) in the consumer world – are must-haves, but the complexity of offering BNPL

solutions to business customers on a global basis is overwhelming for most B2B sellers. Fortunately, there is a growing number of solutions for this problem – and while BNPL for B2B eCommerce is still in its infancy, I believe we will see it pick up steam in 2021 as traditional B2B brands invest more in their D2C eCommerce channels.

All told, within 10 years, we will be buying products we didn't know existed from merchants we've never heard of, and we won't think twice as to whether they are down the street or across the globe. eCommerce is inherently and unstoppably global, and the next transformation will be making the global marketplace efficient, much in the same way that big players like Amazon have brought efficiency to domestic markets. That transformation is already underway, and will continue to play out over the next decade.

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JOHN
COTTERELL
CEO



THE DIGITAL TRANSFORMATION: PAYMENTS MADE SEAMLESS AND INVISIBLE

The world of payments has undergone dramatic changes over the past years for payments providers, merchants and consumers. The payment process is becoming more automatic and commodified. Instead of paying for items at a register with a card dip at my grocery store, in the near future I will simply walk out, and the items will be automatically

charged to the pre-selected method of payment.

Thus, as this transformation progresses, payments will be experienced less and less as distinct actions. They will become an integral part of overlying events, with the payment preference and timing being planned in advance or dynamically adjusted during the event, based on

artificial intelligence (AI) or special offers, for example.

For businesses, this transformation involves reimagining the buying process: from a purchase resulting in an invoice to a framework where a certain set of deliverables (goods or services) has agreed-upon acceptance and payment terms that result in a data exchange. This data is then input into automated workflows and AI processes, resulting in a seamless transfer of funds, whether within a country or across borders.

For consumers, an even more frictionless buying experience will arise, with the payment step seamlessly integrated. One example could be the automotive space, where connected car technology may lead beyond payments for things like fuel, tolls, parking or food, to on-demand insurance and usage or rental fees. Getting closer to their customers will enable payment providers to deliver on

these frictionless and automatic experiences.

While being a seamless part of an event, these will still be push payments. This points to another key transformation that demonstrates an important advantage from the early days of payments, when the owner of the funds controlled the actual disbursement of the funds. Today, the danger of seamless or automatic payments is that control over the payment may shift from the payer to the receiver. Looking back into the cash era, it would be as if we were handing our wallet to a merchant and letting them pull the money out.

In short, the transformation in payments will lead to the actual payment itself becoming somewhat invisible. It will become a given – a seamlessly integrated part of the event triggering it.

The timeframe for this transformation to take full effect is

challenging to predict. Of course, we are already experiencing the seamless aspects of paying for purchases, and this development will advance quickly over the next few years. However, for the consumer to regain control of their payments – i.e., moving from pull to push – there will be a lag until real-time payments become both ubiquitous and universally cost-effective.

Similarly, the business side of this payment transformation may also take some time to complete. Even 20 years after the paper check was supposed to die, it remained the primary payment method in the business world. However, the global pandemic accelerated the use of digital, contact-free forms of payment to replace it. This has been a tremendous first step. Ultimately, we will likely see a future in which this transformation accelerates at an exponential pace, which makes it all the more interesting for organizations and consumers.

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**SID
SINGH**
President,
US Information Solutions

EQUIFAX

CROSS-BORDER PAYMENTS: THE CONVERGENCE OF eCOMMERCE AND CONSUMER FINANCE

The last 12 months made “unprecedented” one of the most overused — and accurate — words in the English language. In an environment unlike anything experienced in our lifetimes, digital interactions and online opportunities are on new — and unprecedented — trajectories.

When everything changes, many needs stay the same. A global pandemic forced shoppers to find new ways to obtain everyday products — with a paper shortage top of mind.

The result? U.S. Department of Commerce data indicated the highest eCommerce growth in America in at least two decades

in 2020.¹ In addition, the McKinsey studies indicated that the response to COVID-19 accelerated the adoption of digital technologies by three or more years.²

The resulting changes in consumer behavior are what we expect to continue even post-pandemic, a “new normal.”

Whether you’re a bank, an eCommerce provider or a car dealer, today’s environment now demands that consumers have the same — if not better — experience on their digital platform as they do on a major eCommerce retailer’s site.

Our prediction? While it may seem like an “unprecedented” shift, the convergence of eCommerce and consumer finance has only just begun.

As digital migration accelerates, managing authentication and online fraud while optimizing the consumer’s experience has become one of the industry’s top challenges.

Identity trust – or the ability to determine the level of trust for each identity behind every payment, account creation and login event – has never been more important. Identity trust bridges the gap between consumers and businesses. It enables businesses to determine the level of trust and risk they are comfortable accepting in order to block fraud. Also, it enables consumers to move through online interactions with ease.

With a firm understanding of identity trust, businesses can redirect resources normally dedicated to reviews, false positives and fraud

recovery toward the creation of more rewarding and personalized customer experiences that promote consumer loyalty — ultimately helping to positively impact the business’ bottom line.

The importance of identity trust is at the forefront in the increasingly popular buy now, pay later (BNPL) industry, providing consumers with choices in financing their purchases big and small. BNPL essentially allows individuals to buy on trust with various terms over an agreed-upon time period.

And the consumer response to this payment choice? By some estimates, the global BNPL industry is expected to top \$1 trillion in annual gross merchandise volume by 2025. For businesses hoping to further monetize digital transactions, BNPL

means another potential avenue for customer loyalty and increased conversions. It will also require continuous attention to the digital user experience.

This is where the convergence of eCommerce and consumer finance — and the role of identity trust in that convergence — comes into focus. It’s also why Equifax acquired Kount in early 2021. More than ever, establishing consumer identities is key to delivering trusted, relevant interactions that provide dual protection for both consumers and businesses in our increasingly digital world.

¹ Digital Commerce 360, Accessed January 2021
² McKinsey & Company survey, Accessed October 2020



MARTINA
KING
CEO

**FEATURE
SPACE**

IN THE PAYMENTS EVOLUTION, SUCCESS FAVORS THE PREPARED

**“Take it from me, the internet
will never catch on,”**

a senior executive in the advertising sector informed me when I was a young executive at Yahoo! “There’s very little chance of the internet giants impacting the newspaper market,” “Google will never overtake Yahoo!”, “You will never challenge the status quo of the financial crime

incumbent vendors,” and “The brick-and-mortar retail market will robustly embrace the digital economy” are just a few examples that highlight the problem with forecasting the impact of digital on traditional markets.

What’s the issue here? It’s not technology – technology always progresses because people are

“The issue is the number of leaders who underplay a threat — and, as we have witnessed many times, change, when it comes, can be swift and brutal for the unprepared.”

inventive, creative, imaginative and clever. The issue is the number of leaders who underplay a threat – and, as we have witnessed many times, change, when it comes, can be swift and brutal for the unprepared.

Much has already have been said about the benefits of open and mobile finance, especially for the “unbanked” and for people unable to access physical financial institutions. However, the pandemic has put most of humanity into the latter category, and it’s been incredible to witness how quickly we have adapted, including the perpetrators of financial crime.

As the rollout of faster payments increases its pace across the world, we are witnessing increased fraudulent activity. This time, with this digital transformation, we know what’s coming – and we also know how to be prepared.

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DRIVING COMMERCE ACROSS THE CONSUMER JOURNEY

In the last year we witnessed — and experienced firsthand — a significant change in the way consumers interact with businesses and pay for goods. With demand for digital purchasing options on the rise, merchants of all types spent 12 months adapting to enable and refine new digital payment experiences.

Now, well into 2021, many leading businesses have the infrastructure in place to digitally accept touchless payments across consumer-facing channels. The question is: What's next for omnichannel commerce?

Through Carat, Fiserv is working alongside the world's most recognized brands to create and

extend value across the consumer buying journey, well beyond completing a purchase. This commerce evolution, which focuses on transforming the customer experience to accelerate revenue growth, will be the next great transformation in our digitally-driven and connected economy. Doing so will help businesses create more commerce, which we are already beginning to see occur in the market today.

Blending Digital and Physical Experiences

Next-generation commerce experiences are about meeting consumers where they are and making their lives easier, whether that’s in-store, online, in-app or across a combination of physical and digital channels.

The most basic examples can include starting a purchase online then completing it in-store, or using scan-and-go technology to fill a cart at the market and then paying digitally to skip the checkout lane. More advanced use cases can involve using a voice command to complete payment at the gas pump, or a baseball fan ordering and paying for a hot dog from their seat at the game, then picking up their order in an entirely touchless manner to avoid queuing at a concession stand.

Each use case takes a very physical experience — pumping gas or spending a day at the ballpark as prime examples — and blends payments into the interaction itself.

Personalizing Commerce

Consumers are accustomed to curated, personalized experiences. While scrolling through social

media, a shopper wants to see what interests them and, in a few clicks, make a purchase. In today’s connected economy, retailers in physical and digital settings are tasked with delivering that same level of personalization and convenience to cater to an evolving consumer.

By integrating data, analytics and location-based services, businesses will be able to enhance the commerce journey to create a differentiated purchasing experience. When a consumer is walking by a shop on Fifth Avenue, location-based services can push a coupon directly to their phone to encourage them to walk in and purchase an item they were recently browsing for online. And businesses can now optimize data to help merchants better understand the shoppers who are coming to their stores and how best

to market to them, including those who aren’t in a loyalty program.

An Exciting Road Ahead

The digital shift in commerce not only transformed our industry as a whole, but also repositioned payments higher up the value chain of commerce.

Now, the challenge is to deliver on the promising propositions that an increasingly digital and connected economy have teed up, and help businesses understand how digital technology can move the payment from a transactional interaction to an opportunity to create new value for consumers and businesses alike.

CROSS-BORDER PAYMENTS: A GROWTH ENGINE FOR BUSINESS



MIKE
MASSARO
CEO

flywire

Payments are the lifeblood of any business. The ability to receive payments on time and process them efficiently impacts almost everything a business does — from credit and investment to hiring, developing new products and services, and expanding into new markets.

For many businesses today, the opportunity to expand internationally is very compelling. Access to new markets and customers can accelerate growth exponentially. Yet, even as economies have become more global, something seemingly as simple as getting paid by international customers remains

complex and costly for businesses and their customers, and can hamper expansion plans in many ways:

- Traditional international wire and bank transfers can be slow, costly and difficult to reconcile for businesses and their customers.
- Unpredictable processing times for international payments hurt cash flow.
- Hidden fees and unpredictable FX rates cut into projected profits.
- A lack of transparency creates short payments and manual processing errors, increasing operational costs and hurting customer satisfaction.
- Country-specific regulatory restrictions and AML considerations add extra complexity and costs.
- The time and cost required to set up international financial relationships in each country can distract from the core business.

The technology sector is just one example. In a January 2021 research report published by PYMNTS, U.S. tech companies doing business internationally reported spending nearly 3 percent of annual sales on payment processing costs and payment operations alone. In addition to these high costs, tech businesses also reported big challenges with payment fraud and the ability to manage inbound international payments. Other industries reported similar costs and challenges.

Businesses looking to expand their sales efforts internationally must consider the far-reaching impact payments can have on their success. Modern digital payment tools can simplify the ability to process payments from around the world while dramatically streamlining operations for both the business and their customers, as shown in these examples:

- End-to-end automation and visibility, from payment through receipt, resolves cash-flow issues and streamlines reconciliation.
- Seamless integration with existing enterprise systems and workflows eliminates manual work and speeds up processing time.
- Support for multiple payment methods and currencies gives customers important and differentiating choices and increases satisfaction.
- Protection from currency fluctuation reduces risk and enables big cost savings.
- Robust regulatory, compliance and security infrastructure, including AML, protects businesses from unnecessary complexities.

There are many aspects to consider when deciding whether to expand internationally, and something as simple as how you will get paid is a bigger deal than most realize. Take into account all sides of the payment equation – including how customers will be invoiced, what currency they will pay you in and how you will reconcile those payments upon receipt. It's all connected, and can have an important impact on your success.



**AMIR
WAIN**
Founder and CEO



PAYMENTS ARE MOST TRANSFORMATIONAL WHEN THEY TRANSFORM SOMETHING ELSE

Payments' greatest potential to be transformational lies in shifting the focus of innovation in payments from the payment itself to the user journey. As such, I think we'd do well to challenge the idea of payments as a product – and the idea that they are somehow central to transformation.

Where Does Transformation Come From?

Transformative payment innovation today is more likely to come from someone in a very different business.

Take the case of Lyft or DoorDash, or the gig economy more broadly. It emerged as an entirely new business model, but it was never about payments. Payments were merely

a problem to solve. Sure, new use cases that later became “products” had to be developed to remove friction from the passenger and driver experience, but that happened along the way to something bigger.

Payment Should Be an Afterthought – or Given No Thought at All

Consider a different infrastructure business that usually isn’t associated with transformation: electricity. Think about how its reach, standards and reliability continue to support so many appliances, devices and industries almost invisibly decade after decade, year after year.

So, what should be the job of our payments infrastructure?

One aspect, to be sure, is making the payment component, like electricity,

the least evident part of the system. The less visibility and friction, the better. But if seamlessness is where the greatest potential lies, then we must take a hard look at things like reliability, scalability and security.

Mission-Critical Lip Service

Today, payments are a mission-critical business in word, but not in deed. The frequency and the true cost of downtime are unacceptable and incongruent with the idea of transformational change. That’s why at our company, we’ve made reliability part of our purpose, investing in aviation-level availability, replacing hardware every three years and owning our own IP block, among other measures.

But reaching our full potential as an industry requires that – and something more.

Matching the Customer’s Energy

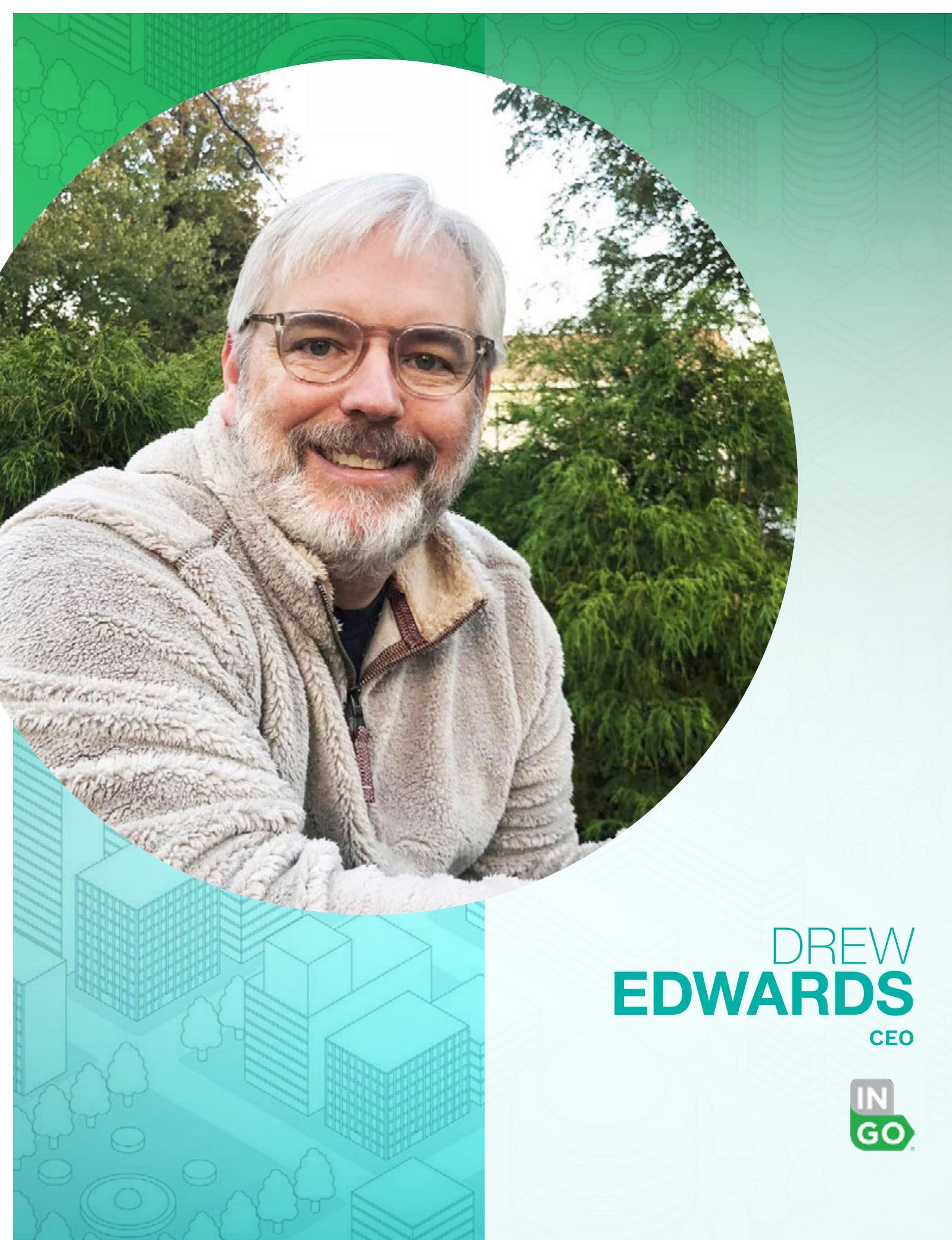
If we hope to do something truly special in this business, then we need to change the way we think about customers. To do things the old way is not good enough – not in an industry with such potential for co-creation. Too much is lost in doing business that way. We need to do a better job of cultivating and matching the energy, curiosity and willingness to question what today’s partners bring with them. We must continue to offer more self-service tools to help these visionaries iterate – from concept through product cycles – more quickly and without compromise.

The sooner more of us begin to embrace these ideas and others, the more transformative we will be.

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DREW
EDWARDS
CEO



PAYOUTS WITHOUT THE PAIN

As I reflect over the last year of instant disbursements, 2020 was defined by payors' desire to pay recipients instantly and with choice, giving the customer many digital options for how to receive their money – direct to a debit or prepaid card, to a mobile wallet account, or to a bank account. As an integral

part of their disbursements strategy, choice with instant options offers payors a competitive advantage that enables a frictionless payment experience and is critical to ongoing relationships with customers.

For companies that have digital-only relationships from the start, the ability to begin offering an

instant payout option was a more manageable task, at least from an engagement standpoint – but adding choices by stitching together one-off integrations into a series of payout systems became impractical. However, through a disbursements marketplace platform like Ingo Money, companies could leverage a single integration, get up and running easily, and begin offering their customers choices of an unmatched number of endpoints.

Physical economy players looking to modernize and eliminate the cost of checks took action, too, while also realizing their need to compete with those who already had a leg up with digital customer relationships. However, their requirements to deliver instant payments and choice went beyond a simple API,

extending to an omnichannel, configurable, event-driven platform that provided a branded, end-to-end, modern engagement and payment experience.

As we have experienced, the use cases for large physical economy payors extend beyond single-party payments and include multiple layers of complexity, such as multi-party payments, recurring payments and a variety of ad-hoc payments to smaller receivers. In some cases, parties to the payments are not even recipients, but merely approvers and interested parties requiring alerts. Every industry and use case has different rules, processes and workflows that must be handled. It's these challenges that are being solved for in the next evolution of instant payouts, enabling payors to

transform complex offline use cases into digital experiences that delight everyone in the chain.

This future, marked by fully digital payout experiences that solve for complicated business processes, sets the stage for new business models that include monetizing speed for both payors and recipients. Once these new business models start to emerge, we will see even further acceleration in the adoption cycle, as recipients become payors and economics begin to shift from cost reduction to revenue acceleration. When payors can influence the behaviors of recipients and, in turn, benefit from their choices, we will begin to see the second order of economic models in payouts. Transformation will accelerate.

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LIA
CAO

Global Head of Wholesale
Payments Solutions

J.P.Morgan

POST-PANDEMIC, LEGACY PAYMENTS STRATEGIES ARE NOW LIABILITIES

The pandemic-induced impacts of 2020 were just the start of a one-way street for digitized treasuries and payment models — and there is no way back to legacy models.

The past year was a watershed moment in the global connected economy, as estimates suggest that the adoption of digital technologies has accelerated by seven years³. For a sense of the potential long-term impact on

³ McKinsey.com, October 2020. 'How COVID-19 has pushed companies over the technology tipping point—and transformed business forever.' Accessed March 2021

payments, look to previous public health crises: The MERS outbreak in 2015 advanced Korea’s eCommerce economy, and SARS accelerated digital adoption in China and Hong Kong in 2002. These markets were forced to evolve to survive, becoming digital forerunners.

The Great Business Model Shake-Up

2020 forced many businesses to quickly pivot, and this will continue moving forward. More than 60 percent of our clients globally told us that enabling business model shifts was their top treasury priority for 2021⁴. We have identified three critical existing models that are experiencing rapid uptake, and two emerging models.

The **recurring revenue model** is commonplace — just look at Netflix. B2B is now adopting this model,

too, as evidenced by the growth of infrastructure-as-a-service such as Google Cloud and Amazon EC2. Our clients are pivoting to recurring revenue models to unlock new revenue streams and tap into new sectors.

Super apps like WeChat are part of the fabric of society in many Asian countries. But this single platform **ecosystem model** is also rising in North and Latin America for B2B and B2C. Payments are often used as the single connecting infrastructure across the ecosystem to amplify loyalty for all parties on the network.

The **D2C model** took hold in 2020. It was initially a band-aid pivot, but there is now strong evidence of businesses adopting this model as a long-term strategy, overhauling their payments and liquidity management processes to accommodate new flows.

With the explosive growth in eCommerce, two new models are emerging: **contextual commerce** in which purchases are made while the consumer is doing an activity, and **sharing economy models**, such as ridesharing, home lending or peer-to-peer lending. Both models are currently popular in specific segments, but are expected to grow quickly as consumers become more accustomed to engaging with businesses digitally.

Payments are the connective tissue that is vital to enabling these business models, but businesses also need to consider how their associated processes and infrastructure must transform to enable these pivots.

In 2021, the Case for Digitization Is Undeniable

As payments come under the spotlight as a revenue driver and lever for strategic business model pivots, legacy processes and

infrastructures became liabilities. Consequently, end-to-end digitization of payments is now a “must-have” strategic imperative for everyone — from the board to executives to treasurers.

And businesses must act fast. In 2020, business survival depended on adopting digital processes in a matter of days, not months or years. Moving forward, being able to onboard consumer payments or process vital sales documents without a wet-ink signature can become the difference between growing or losing business.

Treasury and payments now need to be part of the conversation to ensure understanding of the implications of business strategies. As the pace of business change accelerates, treasury needs to be just as agile and flexible. Business transformation is an inevitability in the upcoming environment, and payments now needs to be in lockstep, every step of the way.

⁴ J.P. Morgan COVID-19 client webinar



THE DIGITAL TRANSFORMATION OF PAYMENTS MODELS AND THE VALUE OF IDENTITY TRUST IN 2021 AND BEYOND

We have already seen the impacts of digital transformation. That's because digital acceleration has advanced years in a matter of months, depending on who you ask. Digital experiences are key to business success in 2021 and beyond, and that success will require evolving payment transactions in the connected economy. In the rapid world of digital transformation, payments have the most potential to help businesses that are eager to improve customer experiences and deliver new innovations.

Buy now, pay later (BNPL), buy online, pick up in-store (BOPIS), mobile order-ahead, tap-to-pay and other emerging payment models are changing how consumers are engaging with businesses. For businesses, creating these omnichannel experiences will require an understanding of physical and digital identity trust data. Advanced artificial intelligence links these physical and digital data points in real time to deliver accurate identity trust decisions in milliseconds. Armed with this information, businesses can elevate customer experiences, streamline account creation and reduce fraud.

Fraud can occur at more places in the customer journey than the point of payment alone. In fact,

fraud is likely to move away from individual transactions toward larger, single-effort opportunities. These opportunities include taking over business accounts at scale and depleting them of prepaid funds or other points of value. Despite the growing risks, it's easy to overlook fraud and miss opportunities to use advanced data that can improve customer experiences.

Much like adopting new payment models, fraud prevention is a strategic business initiative. It's not just about blocking fraudulent transactions, securing customer interactions and protecting businesses. It also includes providing frictionless experiences that can increase customer loyalty. The future of fraud prevention and secure

interactions lies in establishing identity trust at every step of the customer journey. As a result, businesses can offer VIP experiences to good customers and stop fraudulent interactions long before the point of payment.

In this evolving, digital-first world, any business that engages in digital interactions will have to find new solutions to help them get to know their customers. This knowledge will require actionable data and transparent insights from solutions and partners like Kount. At Kount, we use the data that merchants create and leverage our artificial intelligence to help them keep up with a connected economy and grow their businesses.

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AUTHENTICATED PAYMENTS: THE HOLY GRAIL OF THE FUTURE OF PAYMENTS

The ease with which payments are made across different payment rails is evolving to meet today's needs. The more common, traditional forms of “pull” payments and flows are changing into both “push” and “pull” payments and flows. This could apply to credit, debit, ACH, crypto or faster payments. An

integral part of payment flows is to ensure that money is being sent by the right person and received by the right party. This is where authentication and identity are essential. By combining both strong authentication and strong identity, you create a non-repudiable digital signature. The question becomes: How do we achieve this?

The current state of affairs is that evolving payment methods and systems are demanding more flexibility, better security and a frictionless experience; however, there is still cumbersome friction in transaction execution. More often than not, users are asked to authenticate by providing OTPs, or are asked to download separate apps to generate codes or tokens. Apart from being vulnerable (to SIM swap attacks, phishing, etc.), these methods add additional and unnecessary friction to the payment experience, which could lead to a drop in conversion rates.

For “explosive” levels of digital payments to occur, the holy grail around authenticated payments needs to become mainstream.

Authenticated payments are the result of combining both strong authentication and identity — the verification of a customer’s identity through strong authentication factors (something the user has, something the user is and something the user knows) and strong identity (government identity documents validated against customer liveness). The process around an authenticated payment also provides a digital “receipt” or signature when a payment is completed.

Authenticated payments not only protect merchants, processors and users, but are also aligned with international regulations like the PSD2 directive. Strong authentication and strong identity, the foundation of authenticated payments, is being

mandated by more jurisdictions everywhere, and should be an integral part of any payment system.

As a first step, enterprises should integrate strong authentication based on the FIDO standard. This will not only enhance the security of payment flows, but will also vastly improve the user experience, leading to a boost in overall buying volumes and improved conversion rates. Payment processors, merchants and all other organizations in the payments ecosystem should begin looking into upgrading their legacy systems to incorporate the new norm — strong authentication – and begin the process of adding strong identity to help achieve the holy grail.

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CONSUMER DEMAND WILL DRIVE DIGITAL PAYMENTS

Payments have been central to the digital transformation of business since the World Wide Web took its first credit card over the internet more than two decades ago. That single process – consumers making payments, banks allowing payments, regulations monitoring payments

and merchants accepting payments – is what makes the digital world go around.

In this past pandemic year, even more emphasis has been placed on consumers moving their lives and purchases online. From Generation Z to baby boomers, everyone

has had to make changes in their buying habits. Those institutions and retailers that made purchasing easy were big winners, as millions of internet experts and online novices alike hunkered down in their homes.

This forced migration of consumers has also led many companies to accelerate their digital transformation plans. What was once a thoughtful plan of action to gradually take place over the next several quarters turned into an immediate review and top-down-driven evolution in order to retain current customers and attract new ones.

We have dozens of payment options today, including credit/debit cards, bank transfers, PayPal, peer-to-peer payments like Venmo, split payment options, overtime pay services and many more. Consumers pay their

electric bills and mortgages, buy groceries and cars, and have meals delivered to their doorsteps, all because they can easily pay online. We are able to make purchases from our watches, in our cars, from our refrigerators and by simply talking into a smart speaker.

And here is where the continued transformation will see huge innovation in the coming months and years: access. Tech-savvy Gen Z folks expect ease of use, constant availability, and a transparent payment process. Baby boomers need the same level of ease or they will move on to another provider out of frustration.

A Word of Caution

As with any mass movement, cybercriminals have been at the

forefront, infiltrating companies ill-prepared to accurately distinguish genuine customers from fraudulent ones. Some experts say this has increased fraudulent transaction attempts by as much as 80 percent, and that they will continue to increase through 2021.

This is the dilemma of digital payments today and in the future. The easy and comfortable customer experience crossed with the ability to detect and deter fraudulent activity will also see huge innovation. The frictionless experience for a consumer and the hurdles designed to detect fraud seem to be polar opposites of the digital transformation efforts at every organization. It's a conundrum that, if not solved appropriately, could cause revenue declines during a period of record growth.

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IDENTITY IN AN INCLUSIVE DIGITAL ECONOMY



CHRIS
REID

Executive Vice President of
Identity Solutions, Mastercard

NuData Security
 mastercard

For people and businesses of all sizes, these have been among the toughest 12 months in living memory.

In that time, technology has been our collective support and crucial ally in responding to the pandemic and getting the global economy moving again. [Recent research](#) we spearheaded, alongside The

Fletcher School at Tufts University, revealed that economies with developed digital ecosystems are better positioned to transition out of difficult periods like this.

But we must ensure that the unprecedented digital adoption and speed of innovation that we've seen during this period doesn't

result in people being left behind. For progress to create prosperity, everyone must be included.

And technology has the power to do just that — to connect people and include them. As a technology company, we have a responsibility to protect and safeguard every interaction, and to engender trust in our digital networks. Widespread trust in the digital ecosystem is essential to ensuring that all people can reap the benefits.

The fundamental factor in achieving this, and facilitating trust in digital interactions, is identity. How do you trust someone you don't know, can't see and who isn't physically present? The ability to prove identity seamlessly and securely, in both the digital and physical worlds, is vital — whether shopping online, talking to a government department or opening a bank account. And increasingly, digital identity applies to both people and devices.

The technology to prove a user's identity shouldn't be an obstacle to accessing digital and online services. Instead, it should work to support the user, verifying who they are while providing a seamless experience. Technologies such as NuData's behavioral biometrics, which look at the inherent behavior of a user without disrupting them, are helping companies in this quest for better online user verification while protecting accounts from impersonators.

Digital identity will prove to be one of the biggest factors in solving some of the most fundamental challenges we face: reducing economic and social divides and driving greater inclusion. At Mastercard, we are committed to supporting that global effort. Last year, we **doubled our inclusion commitment**, with the aim of bringing one billion people into the digital economy by 2025. We have also promised to enable 50 million small and micro businesses to tap

into the benefits of digitalization via a new investment fund to support their financial security. In addition, the **Mastercard Trust Center** was created earlier this year to help these businesses defend themselves, through free online access to trusted cybersecurity research, education, resources and tools.

We can't do all of this alone. It will take a coordinated effort across a range of government and private sector partners to deliver necessary change. Payments and security technologies are the glue that connects businesses across sectors and ecosystems, and they can be a major driver of inclusivity in commerce. But we must build trust in the technological innovation required for this continued economic and social progress.

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SOFTWARE ATE THE WORLD — AND PAYMENTS ARE ADDING THE SEASONING



ANDREW
ROBBINS
CEO

PAYTRONIX

A decade ago, Marc Andreessen declared that software is eating the world – and for most industries, that happened with amazing speed. Companies like Uber and Amazon completely transformed transportation and brick-and-mortar retail. Here at Paytronix, we already

had nearly a decade of experience under our belt helping restaurants launch digital loyalty programs.

Still, it would be another few years before DoorDash and Uber Eats burst onto the scene – and even then, it was a slow growth. The third-party delivery services sold

restaurants on the idea of adding revenue, not augmenting it. In that context, payments could only exchange currency, not connect a full digital ecosystem.

Despite the availability of online ordering technology and delivery services, the restaurant industry adopted this technology slowly because they were focused on improving their on-site services. Sure, some major brands focused on technology, like Panera Bread, Chipotle, Starbucks, McDonald's and other household names, but independent restaurants and smaller brands tended to eschew major technology investments. For them, "guest engagement" focused on things like the decor, menu design, scents, wait times and food service. In that context, a payment simply came at the end of the physical transaction.

The pandemic changed everything, seemingly overnight. DoorDash, in its S-1 filing just before going public, reported that in 2019, it achieved \$8 billion in gross order value. In just the first three quarters of 2020, that number hit \$16.5 billion. And keep in mind that the pandemic didn't hit the industry hard until March of 2020. Our own statistics show that off-premises ordering and consumption more than tripled due to COVID. Throughout 2020, guests consumed 63 percent of restaurant food at home, accounting for a \$486 billion chunk of the industry.

A huge benefit of this transition is a digitization of the guest experience. In 2020, we have seen over 30 million new digital guest profiles. Restaurant guest engagement now happens almost exclusively through tools like loyalty programs, online menus, mobile ordering and delivery. Software has eaten the restaurant world.

Payments underlies this entire ecosystem, tying pieces together and helping to create a much stronger guest experience. It can be as simple as working with Apple Pay and Google Pay to make for a fast and easy payment experience so that restaurants don't suffer the cart abandonment numbers that plagued the early days of online retail. The opportunity, however, is greater. When payments fully integrate with loyalty, that also boosts revenue. According to research done by Paytronix and PYMNTS, loyalty customers spend nearly twice as much as non-loyalty customers, so getting those customers signed up and marketing to them through loyalty programs can mean great things for a restaurant's bottom line.

When we bring all of these elements together — great food, exceptional technology and convenient payment — it's not about software eating the restaurant industry. It's about serving both industries their own full meals.

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JONATHAN
HUGHES
Co-Founder and CEO



PAYMENTS WILL BE MOST TRANSFORMATIONAL WHEN BUSINESSES, IN FACT, MOVE BEYOND PAYMENTS

The pandemic turbo-charged digital transformation and, for many businesses, took it from a medium-term strategy into an urgent requirement. 2020 caused a decade's worth of change to occur in just one year. The expectations of and demand for digital-first services has leapt years ahead of previous projections, and they were already predicted to transform rapidly. In 2020, data house IDC [predicted](#) that global spending on digital transformation technologies and services would grow 10.4 percent that year to reach a total of \$1.3 trillion.

Many small businesses have had to adopt new methods including payments and beyond as they’ve shifted into eCommerce models — of which payments plays a huge part. To talk of “eCommerce” feels outdated, as the boundaries between offline and online commerce are forever blurred. Relatively new behaviors, such as order at table and click-and-collect, have now become even more mainstream — in fact, 42 percent of consumers in Europe are now more likely to use click-and-collect services, and U.S. retailer click-and-collect revenues grew 60 percent to \$59 billion in 2020. All businesses must now create seamless “connected commerce” experiences across the virtual and physical worlds.

The payments industry has always thrived on innovation, and

introducing new ways for consumers to purchase goods that reduce friction without compromising security. From contactless payments to authentication through veins in an individual’s fingertips, this industry has always been transformative. But the potential for payments to be the most transformational is, in fact, moving beyond payments.

The ability to connect with customers has never been more important. The regeneration of small and medium-sized businesses (SMBs) in a post-pandemic world will result in a high rate of businesses shutting down, pivoting and starting up – and it’s imperative that banks can keep up with their expectations and needs to offer support as they rebuild. One of the most powerful ways for banks and SMBs to collaborate is by combining

payments and loyalty programs into a centralized app offered by a bank, which gives consumers the choice of a number of merchants’ offers through one interface to collect points as they pay. This removes friction for the customer, as they can link any bank card to the app and automatically collect points to redeem rewards or offers. It also reduces overhead for businesses by utilizing the transactional data that already exists.

Consumers are always intrigued and delighted by easier ways to purchase their goods, but the fantastic thing about digitally-led payments is the ability to fuse other offerings together with them, creating a more fulfilling experience for the consumer while benefiting the business.

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THE IMPORTANCE OF PAYMENTS INNOVATION

Prioritizing payments innovation is a critical area of focus for credit unions as they look to serve the future needs of their members. Payment solutions and offerings are key drivers of the credit union-member relationship, encouraging increased trust and ultimately leading members to continue

banking with their credit union in the long term. Conversely, if proper attention is not given to innovation, it can push members away.

According to the most recent PYMNTS/PSCU Credit Union Innovation Study from February 2021, 88 percent of credit union members are “very” or “extremely”

satisfied with their credit unions. At the same time, members want their financial institutions to innovate, and 22 percent of all members reported they would consider leaving their credit unions for competing FIs if their credit unions do not innovate.

Likewise, it is no longer enough for credit unions to simply provide the basic set of banking requirements — members’ primary interest no longer lies in legacy core banking systems, share accounts or loans, but rather in innovative payment solutions and offerings that are personalized, simple and secure.

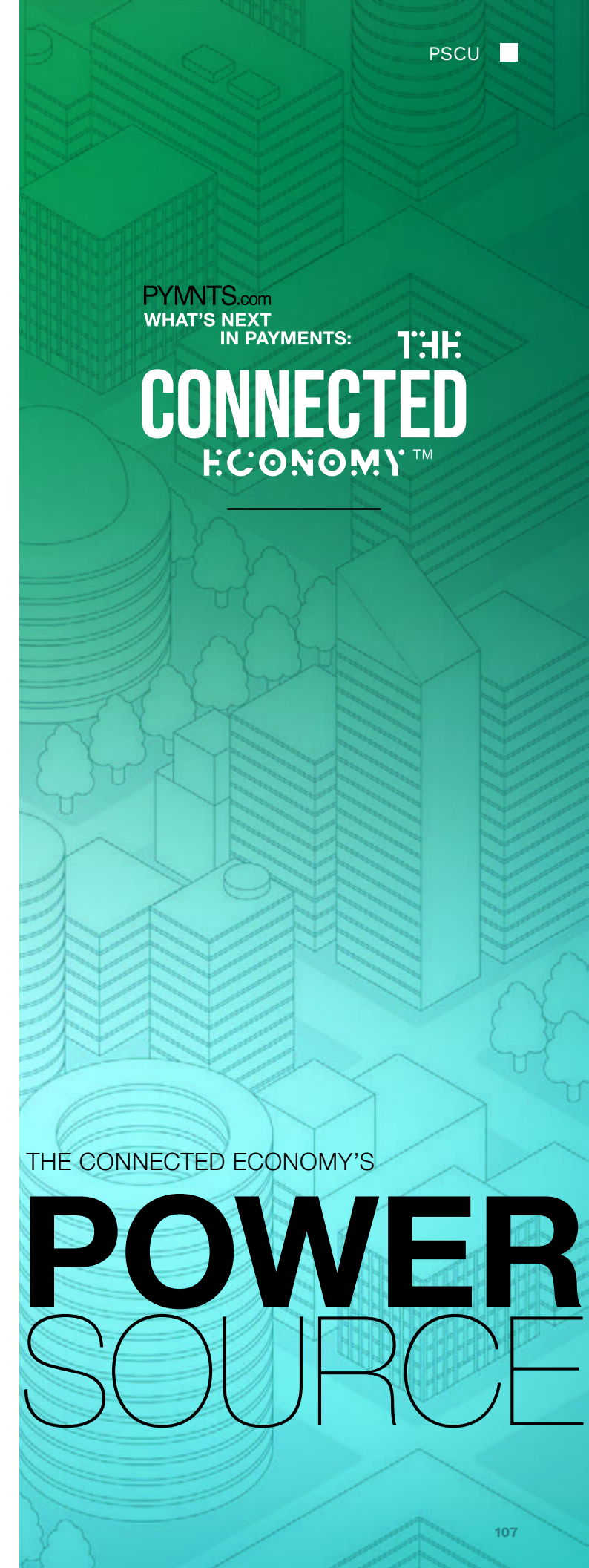
Digital banking is the new core and must be integrated across all products, services and offerings. Members expect to access their accounts via multiple channels, and self-service tools are more important than ever for members seeking to manage their accounts — as

well as for credit union employees to provide an optimal member experience. Members want to choose how they transact, making it critical for credit unions to provide the newest payment innovations and technologies like contactless cards. Buy now, pay later installment solutions can also provide members with the freedom to budget as needed and have more control over their finances – which is important, given the increased demand for this convenient payment option that has been further accelerated by COVID-19.

In addition, strong fraud management is critical as members shift to conducting more card-not-present (CNP) transactions and fraudsters continue to innovate and find new avenues of attack. With key functionality like digital issuance of plastics, real-time fraud text alerts, enhanced loyalty solutions that allow

redemption at the point of sale, and more intelligent fraud tools that decline fewer transactions, credit union credit cards have the features to successfully compete with any of the large bank issuers when it comes to creating exceptional payment experiences.

Regardless of the enhancements in which a credit union chooses to invest, payment innovations must provide seamless integration with all other offerings in order to deliver a unified payments experience. We have seen the accelerated adoption of all things digital as the pandemic has progressed; these shifts are very real and are here to stay. No matter where credit unions are on their digital transformation journeys, it’s clear that payment innovations are the future of the credit union industry when it comes to meeting the evolving needs and expectations of members.



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DOMINICK
COLABELLA
CEO



PROCEEDING WITH CARE: THE POWER OF DIGITAL TRANSFORMATION THROUGH HEALTHCARE PAYMENT TECHNOLOGY

As CEO of Rectangle Health, I believe payments have the most potential to be transformational in the healthcare industry, especially as organizations continue to shift toward digital processes. Digital payment technology solves an age-old problem of expectation, which is patients not always knowing when, where or how to pay for care.

The payment network powers the exchange of goods and services across every industry, and around the entire globe, in an instant. Its efficiency and scalability have become embedded into every facet of our lives. As payments continue to permeate every exchange, the most significant transformation will occur as physical cash is replaced with digital currency. Cash is becoming obsolete as we continuously move toward the use of the eCommerce, mobile applications and subscription models. The need to use cash becomes unnecessary, making most aspects of our lives digital.

Our digital footprint not only includes how we pay for physical items and services rendered, but also what we can afford for our family's health and our own well-being. The U.S. market's healthcare spend is prime for a

digital payment transformation. We stand on the precipice of connecting healthcare and payments to drive the benefits of consumer demand with ease and speed, just as we would for any other consumer good or service. This digital transformation can be created, and efficiencies realized, as evidenced in other sectors, with its foundation laid upon the payment network.

With a shift to digital payments in healthcare, opportunities for new business models become possible. Consumers are expecting – and legislation supports – that price transparency, cost regulations and the ability to shop for the best-priced healthcare will become a reality. Additionally, digital payments open the door for further adoption of consumer-centric payment offerings, to grow healthcare organizations'

business and make healthcare payments more manageable for patients.

Payments have the potential to be the most transformational in healthcare as we drive out cash and other non-digital payment methods. Mandatory implementation of social distancing and safety precautions proved that healthcare is capable of accelerated adaptation. It cannot be overlooked that healthcare converted to using and offering new digital methods faster than what had been done historically, and now is on a more level playing field with other industries than ever before.

Today, digital payment technology is transforming the healthcare industry by alleviating its payment predicament, clearly communicating and offering options and plans

intended to make it easier for patients to pay. As part of its ongoing mission, Rectangle Health continues to get providers paid. By constantly improving the financial experience and equipping the healthcare industry with various affordable payment options, we close the technology gap and weave payments into a seamless, cohesive experience for patients. It's not the transaction that binds us – the real and meaningful connection is made in how we provide and proceed with care. Putting better outcomes first, we must focus on the relationship – between practitioners and patients – which has the power to transform lives and make the biggest impact.



**NICOLAS
STEHLE**
Founder and CEO



IMPROVING THE BOTTOM LINE WITH FRAUD MITIGATION

No industry is poised to transform how businesses fight back against digital fraud more than the payments industry. Scalefast believes there is no one-size-fits-all approach to eCommerce. The same can be said of fraud prevention. Successful mitigation strategies require a custom approach and a delicate

balance between approval rates and chargebacks.

Scalefast has developed sophisticated algorithms that keep our clients one step ahead of digital criminals. Our enterprise-grade fraud detection technology can quickly analyze multiple data sources on hundreds of orders per second.

“Brands need sophisticated, enterprise-grade solutions that will protect them against bad actors and bots seeking to siphon off profits.

Payment services providers are the trusted partners brands can rely on.”

This real-time analysis of order data patterns, when combined with third-party fraud screening and scoring tools, results in massive revenue risk reduction for our clients.

Fighting fraud requires a human touch that even the most advanced algorithms cannot replicate. Scalefast's team of fraud prevention experts monitor clients' stores 24/7, benchmarking them against norms for their verticals and eliminating problems before they begin. With payment approval rates above industry average and chargebacks kept to a minimum, our clients take additional profit margins and experience a significant reduction in digital theft.

International eCommerce is complicated, interconnected and ever-changing. When transactions shift to online, criminals follow. Brands that fail to respond appropriately to the rise in eCommerce fraud will cede their positive customer relationships, conversion rates and profit margins to bad actors. Current fraud tactics run the gamut from the elementary to the advanced. As technology, digital payments and online shopping behaviors accelerate, fraudsters' strategies shift as well. For many brands, the task is too complex to tackle alone. Brands need sophisticated, enterprise-grade solutions that will protect them against bad actors and bots seeking to siphon off profits. Payment services providers are the trusted partners brands can rely on.



CREATING THE NEXT GENERATION OF ACTIVE CREDIT BUILDERS

There's no denying that the digital transformation of payment systems is here and moving rapidly.

Several factors have contributed to this phenomenon: a record number of merchants and consumers embracing online payment systems and the buy now, pay later (BNPL)

philosophy of better payment management; the impact of the COVID-19 pandemic and how it has changed payment behaviors; and the desire for consumers, especially younger ones, to build and boost their credit ratings without necessarily owning a credit card.

The payments industry now has the opportunity to harness these trends and transform the landscape. Shoppers of all ages want to feel empowered when it comes to building credit and improving their scores, while having the financial freedom to pay for their purchases in installments. The pandemic has allowed them the time to invest more energy in their financial futures, and they have shown interest in being more educated as they actively build their credit portfolios. Payment companies need to be ready to embrace this potentially game-changing shift in consumers' financial habits.

A recent study showed that 65 percent of millennials and 50 percent of Generation Z consumers don't have a credit card, and those who do have a 31 percent utilization rate. Despite those trends, surveys show that many members of those groups

(as well as those in all consumer groups) say they want to build their credit scores and buying power, and are looking for education and assistance to help them with their goals.

That's where Sezzle comes in. Combined with the paradigm shift toward consumers using BNPL companies, there's a great opportunity to transform this viable market dynamic by becoming their financial co-pilot and moving them from "credit skeptics" to "credit builders." Sezzle accomplishes this through "Sezzle Up," which is designed to put users on a path to credit by offering continued financial education on a "graduated" scale to help them boost their credit scores while building a bridge to the ever-growing online merchant networks. The more educated a consumer is, the better positioned they will be to make their payments on time.

This will increase their credit scores and make them valued investments for both payment companies and retailers.

If payment companies engage customers and actively guide their credit journeys, including those with low credit scores (think of them as potential "prime to be" buyers instead of "subprime"), those customers will become loyal repeat users who will plan ahead to make their payments on time and improve their scores. Sezzle has embraced this approach.

Of course, this "credit builders" strategy in turn boosts the bottom line, expands the user base and positively positions those companies that invest in their customers as ones who care about them for the long term – a truly transformational win-win for consumers, merchants and the payments industry as a whole.

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JUSTIN
BENSON
CEO

Speedly

LEADING INNOVATION WITH A DIVERSIFIED PAYMENTS ECOSYSTEM

As historically one of the most fragmented, siloed infrastructures found in business, payments has the opportunity to lead the way to a better digital economy.

Forward-thinking leadership teams are the ones who will break the tradition of selecting one service without the flexibility to adapt as business needs change. These payments teams instead select the right mix and combination of solutions for their needs at that moment, and benefit from the ability to flexibly shift, add and experiment.

An effective payments strategy is built on working with the right payment partners. That might be a fraud detection vendor that specializes in your industry, or a merchant or platform that your customers want you to transact with. Or it could mean testing a new and exciting technology that has the potential to be groundbreaking for your business.

Amazing new business models are emerging every day. For example, we see new platforms closing the gap between customers and businesses, and helping merchants to execute business online faster. The organizations that can quickly leverage these new technologies are the ones that will succeed. As we know, the limiting factor in many cases is the ability to build,

support and maintain the complex integrations needed to take full advantage of these new technologies.

Payments orchestration helps every participant — from merchants and platforms, to payment gateways and related services — to securely connect and transact. Successful digital businesses orchestrate payments to leverage the right services that deliver the right payments experience for their customers every time, regardless of where they are or what their needs may be.

We believe the world is better with a diversified, inclusive payment ecosystem. This ecosystem is what actually has the power to enable new business models and drive new opportunities.

As more businesses pivot to digital payments, we're seeing more of them embracing the flexible orchestration approach. With COVID, we've seen incredible leaps forward in the adoption of digital payments, and we believe these changes are sticking around. We also know that the barrier to a truly inclusive payments ecosystem is dramatically lowered for those organizations building their payments to take advantage of payments orchestration.

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THE 21ST CENTURY PAYMENTS SYSTEM FOR THE DIGITAL ECONOMY

The digital economy, which has been growing at a rapid pace for the better part of the past decade, accelerated to warp speed in 2020 as the pandemic forced sweeping societal changes from analog to digital. Consumers turned to online shopping for groceries and almost

anything else needed for daily life. Netflix and other streaming services essentially replaced movie theaters and live events as forms of entertainment. Companies had to rework business processes as many of their employees shifted to virtual work, and traditional supply chains were disrupted.

Even as the digital economy has grown, there has been renewed focus on financial inclusion and the challenges faced by those living paycheck to paycheck. Demands for faster payments and quicker funds availability reflect policy-makers' view that the financial industry can and should do more. Instant 24/7 payments, such as those provided on The Clearing House's RTP® network, offer banks an opportunity to advance this important policy objective in several ways.

First, the design of the RTP network puts consumers in control. They initiate their payments and immediately receive confirmation that payment has been completed and that the funds are available. In other words, consumers can better manage cash flow to avoid overdrafts.

Second, it provides opportunities to change payment behaviors in ways that can benefit consumers and small businesses alike. For example, today the RTP network is providing the opportunity for many retail and gig economy companies to complete payroll on demand for many of their employees. This allows employees to receive their pay at the end of every shift. Merchant acquirers and payment processors are sending payments at the end of every day to small and medium-sized businesses, many of which have struggled with cash flow throughout the pandemic. With instant payments, small businesses can have immediate access to funds so they can pay suppliers, replenish inventory and pay their workers instantly.

The rich messaging capabilities that accompany instant payments on the RTP network is also a powerful tool unlocked by the network. The messaging functionality on the RTP network includes instant confirmations and other data-rich capabilities that make it ideal for consumers and businesses so they can know exactly what the payment is for and when it is received, and then immediately see it reflected in their bank accounts. The request for payment functionality is especially exciting as it will eliminate the need for consumers to provide third parties with the right to debit their accounts in order to make bill payments.

These are just a few examples of how instant payments bring the capabilities of financial institutions

on the RTP network in line with expectations for today's economy and the principles of financial inclusion. To put it another way, instant payments through the RTP network can provide banks and credit unions with a key tool in their arsenal to continue to organically grow their deposit franchises, as customers are more likely to stick with an FI that enriches their ability to manage cash flows by providing immediate availability of incoming funds and instant payment confirmations. Blockbuster was the 20th-century method to watch movies at home. Netflix is the 21st century method to do the same. Likewise, the RTP network is the payments system built for the 21st century digital economy.



GREG
BLOH
CEO



IMPROVING THE CUSTOMER EXPERIENCE WITH CONNECTED PAYMENTS

Customers expect more when it comes to paying and getting paid by businesses. And they are increasingly willing to take their business elsewhere if they don't get the experience they want.

In our always-on economy, customers can use a mobile device to instantly download the latest

bestseller or chart-topping song, have dinner delivered to their front door or arrange for a car to pick them up — all with a few clicks. Why can't all payment interactions work like this?

To win over customers, businesses must close the gap between customer expectations and the payments experience. But this

means more than offering digital payment options. Customers have had their fill of disjointed payments environments where they can never be sure how things work or where things stand with their payments. And customers have too many other operations for buying goods and services to submit to a lousy payments process.

Exceptional service requires businesses to deliver intelligent interactions where customers can pay or get paid in their preferred method, at any time, from any location, using any device, seamlessly. Creating this hyper-connected, data-driven environment requires businesses to rethink the way they make and receive customer payments.

A service-driven payments environment begins with several important components:

- **Multi-rail payments**, including faster payments to better serve customers.
- **Self-service mobile tools** so customers can pay whenever they want, wherever they are.
- **Simple approaches** to checking balances and payment status, receiving payments, paying outstanding balances, scheduling recurring payments and making multiple payments.
- **Embedded workflows** that create a frictionless and personalized buyer-seller relationship.
- **Attachments** that provide consumers with a clear explanation of a payment.
- **ERP integration** for the centralized and current data required in today's on-demand world.
- **Bank-grade security** that offers convenient payments without sacrificing security.

Modern payments solutions combine these capabilities in a single, flexible and scalable platform.

Better Payments, Better Customer Service

Service-minded businesses are already leveraging payments to strengthen customer relationships.

From healthcare organizations and insurers to property management companies and airlines, more businesses are embracing change and giving consumers the option to receive eChecks or have payments deposited to a digital wallet (such as those from Apple or Google), a digital or physical card, or directly to a bank account through direct deposit. Imagine the customer service impact of instantly providing needed funds to a policyholder who has been impacted by a natural disaster.

What's more, modern payment solutions enable businesses to deliver a seamless experience,

whether they are making a single customer payment or generating a large volume of payments to customers.

Taking a service-minded approach to payments can have a big impact on the corporate bottom line by enabling:

- Increased sales
- Greater share of customer wallets
- Improved customer retention
- Increased market share
- Higher profitability

Businesses face extraordinary pressure and competition for customers. Automating consumer payments with a solution that combines the features listed above enables businesses to provide a deeper, more personalized experience that customers crave. Now, that's good business.



FRANCESCO
SIMONESCHI
CEO



WHY 2021 IS THE YEAR TO LEAVE CARDS BEHIND

As more customers have turned to digital channels to manage every aspect of their lives, they have experienced a poor payments experience. The problem is cards, which weren't designed for online and have been retrofitted into current online payment flows.

Newer digital approaches, such as Google Pay or Apple Pay, paper over those cracks but don't change the fundamentals.

That's why open banking payments will become the default way to pay online, replacing debit cards in the next five years.

Consumers Are Choosing Open Banking

The consumer benefits are simple: It doesn't cost anything, but provides them with a lot more. Open banking removes the need to remember card details – biometric authentication on a mobile device provides instant and secure payment. There's no need to update stored details if a card is lost, stolen or expires.

Speed of settlement is also a big issue. In many industries, slow payments are a long-standing source of frustration, complaints, bad reviews – and, ultimately, customer churn. Open banking payments settle instantly.

There are, of course, challenges in introducing a new payment method. However, our clients typically find that open banking payments reach 30 percent share of checkout within three months of launch (and some as high as 80 percent). Consumers paying this way also deposit 30 percent more in value and three times more often than those using other methods.

The adoption figures in the U.K. also support this trend. In mid-February 2021, the U.K. Open Banking Implementation Entity (OBIE) announced more than three million people and businesses are using open banking-enabled apps and services. At this rate of growth, 60 percent of the U.K. population will use open banking by September 2023.

The Revolution Will Be Led by Merchants

Open banking benefits merchants, too – and more and more of them are integrating open banking-powered payments into their checkouts. These payments typically convert 20 percent better than cards (and up to 40 percent with our flows) and have success rates higher than 95 percent, equating to millions or hundreds of millions in recovered revenue at the end of the year.

While fraud losses on card payments continue to hurt businesses, open banking payments are authenticated directly with the bank and biometrically with the payer, significantly reducing fraud and saving businesses around 0.5- 1 percent of revenues.

The introduction of strong customer authentication (SCA) adds another layer of friction to cards with workarounds that deliver a poorer customer experience. Some studies have suggested that the impact on conversion could see Europe's online economy lose €57 billion. With open banking payments, strong authentication is seamless and integrated in the payments flow.

The New Standard for Online Payments

Open banking is digitally native and mobile-first. Bank-to-bank payments move money at a fraction of the cost, securely and conveniently, while also delivering a vastly better consumer experience.

It's time to fundamentally change the way we make payments online – from cards to instant bank payments, powered by open banking.



COLLABORATIVE COMMERCE IS THE KEY TO NAVIGATING THE DIGITAL ECONOMY

We've all experienced a sea change this past year. The ways we work, spend our leisure time, interact with our family and friends, and transact for goods and services have all changed dramatically. Looking back over the year, I'm amazed by how well

technology has enabled us to make this shift, and I shudder to think about what life would have looked like were it not for the technologies that connect us.

The same has been true for most businesses. Workforces are working from home, and teams within and across companies are collaborating

online. Again, the technologies that connect us have made this possible. There have been exceptions, however. Where physical labor is involved in producing goods and services, working remotely is of course not possible, but there's another notable exception where physical production is not involved: the billing and payment processes between businesses. These processes have traditionally been firmly tethered to the office because checks are still so prevalent in business-to-business transactions. Finance leaders everywhere now know this needs to change.

As businesses embrace digitization to thrive in a remote world, a new age of commerce is emerging. Increasingly, organizations will transact with one another in an all-digital way. No more paper invoices or statements. No more checks. No more cash. No more physical credit cards. Billing information,

payment instructions and remittance data will all flow electronically and seamlessly between vendors' systems and buyers' systems, with people intervening only when there are problems to be addressed. And those people can be in the office or working remotely.

A major factor in making this transition to the digital economy will be how well businesses' systems and people can work together online. We call this the two faces of collaborative commerce. Systems must be able to interact about orders, pricing, promotions, invoices, credit notes, payments, remittance information and more. And systems must facilitate people interacting when there are issues to resolve, like a pricing discrepancy or damaged goods. There will always be reasons for people to collaborate to solve problems, and systems must support this collaboration.

At the heart of all this is payments. If checks have tethered AR and AP teams to the office, the elimination of checks must occur to enable remote work. Easier said than done. Until digital payments get smarter – and are able to carry business information to explain to the payee how to account for the cash received – it will be slow-going, even with the added motivation provided by the pandemic.

The good news is that digital payments are getting smarter fast. Increasingly, AR and AP systems, payment networks and virtual card platforms are paying more attention to carrying remittance information along with the payment. The pandemic has created a sense of urgency to move all-digital, and progress has accelerated accordingly — some estimates claim by as much as 10 years. It's safe to say that B2B transactions, with smart digital payments at their core, will look vastly different over the next few years.

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**BILL
SHELEY**
Senior Vice President and
Global Head of Visa Direct

VISA

THE FUTURE OF THE CONNECTED ECONOMY LIES IN THE MODERNIZATION OF GLOBAL MONEY MOVEMENT

We have reached a watershed moment, as we now live in an economy increasingly driven by digital, with access to modern payment infrastructure as the catalyst for change. This transformation has opened the door for innovation that reimagines how we can best operationalize the world through global money movement.

In our new normal, with the rapid globalization and scale of mobile commerce, social networks, marketplaces, gig economy and payroll, for example, borders don't exist, time constraints are no longer an issue and payments can be delivered to any store of value driven by the recipient's choice. Flexibility, optionality, speed and reach are the driving forces, shaped by the needs and demands of businesses and consumers. This digital-first shift has resulted in new expectations for high-quality, uniform ways to pay and be paid, and in turn is driving financial institutions, remitters, FinTechs and new economy platforms to create customer experiences that are innovative, convenient, fast and streamlined.

We're seeing this manifest across multiple global use cases – two of which are merchant/seller settlement and cross-border. Faster merchant settlement and payouts have experienced strong growth, particularly as small businesses expand their operations online to global marketplace platforms. In fact, more than four in five surveyed small businesses have adjusted the way they operate their businesses,⁵ and 43 percent are now actively engaged in selling products online⁶. In addition, 99 percent of surveyed marketplace sellers would consider an alternative marketplace that offered faster payments⁷. Businesses can no longer afford to wait for a two-week payout in order to run their businesses smoothly. There's a tremendous opportunity

to better provide them with quick access to cash flow to, for example, refresh their inventory or make necessary equipment repairs. Cross-border payments, such as global remittances or payouts to small, mid-sized or large businesses, have also seen an increase in demand due to the ability to make funds readily and broadly available. There's an important growth and innovation opportunity to resolve the many challenges and frictions when making and receiving cross-border payments from other businesses – from paper workflows to delays, as well as lack of faster payment options, fraud concerns and limited transparency. For example, it takes an average of 55 percent longer for surveyed U.S. and U.K. businesses to receive cross-border payments than

it takes them to receive domestic payments⁸. What has emerged across these two use cases is an apparent, immediate need for the modernization of global money movement to simplify the complexities associated with legacy systems and processes, and to better serve customers. As we facilitate global, digital commerce in a whole new way, it's imperative to invest in innovations that enable faster domestic and cross-border payments and payouts at scale. As an industry, we need to be committed to mitigating any complications of global money movement. This is the future of the connected economy.

⁵ As of Winter 2020; Visa Back to Business Study, January 2021
⁶ Visa Back to Business Study, January 2021
⁷ PYMNTS/Visa Marketplaces as Retail's New Front Door Study, August 2020

⁸ PYMNTS/Visa Innovating Cross-Border Payments Study, March 2021

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