

A DECADE OF

DIGITAL

TRANSFORMATION

IN 12 MONTHS

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GRADUALLY THEN SUDDENLY: THE IRREVERSIBLE RISE OF DIGITAL TRANSFORMATION

As much as the next big thing is still taking shape, what came before it is never coming back, at least not when it comes to commerce. That was the consensus of 46 C-suite executives and corporate leaders when asked about the emerging digital economy for PYMNTS' Q2 eBook. The good news, this elite group agreed, is that what does come back will be better for both consumers and merchants than the way things were before.

“Gradually, then suddenly.” So goes Ernest Hemingway’s famous line from “The Sun Also Rises,” in which a main character responds to an inquiry as to how it was that he had gone bankrupt.

It’s a better-than-average answer to get if you were in a bar, to be sure, but also not a bad explanation of the digital acceleration we have experienced over the past 15 months. For a decade, things went along gradually, pushed by technological innovations and clever business models built on top of them. And then in 2020, pushed by a pandemic, the pace gradually flipped to suddenly, as the entire economy was all at once under pressure to find ways to tap into all kinds of digital tools and remake every element of how we live, work, shop, entertain and educate ourselves to become consumers via digital channels.

In fact, it's almost a perfect encapsulation for the recent history of digitization, but it's lacking a word: irreversibly.

Because that is also the consensus of the panel of nearly three dozen CEOs, C-suite executives and senior corporate leaders PYMNTS spoke with for its Q2 eBook on what the world will look like as recovery rolls on and the next iteration of normal rolls out.

The changes we have seen came on slowly, gradually, then suddenly – and have now become completely irreversible.

The next normal, the executives agreed, will be shaped by the lasting, deep-impact trends of the pandemic era that aren't going away – not now

and probably not ever. The changes made under pandemic pressure will stick around long after the last face mask has been removed.

But they won't stay the same, the experts agreed; they will continue to evolve for the better.

The Era of Deeper Digital Transformation

If the past 15 months have been about making it possible for merchants and consumers to connect to the digital ecosystem, what's next will be about making those connections smoother and accessible across all channels. Optimizing an emerging omnichannel economy will mean building it to be more seamless, more secure, more accessible and more navigable — in short, evolving it to its next level.

The rapid drive for digital capability will give rise to the construction of cross-channel capacity as consumers' shopping journeys become wider and spread across more channels, both digital and physical. Choice – and the ability to offer it to consumers, in how they shop, where they shop and how they pay – will only become more crucial as things like buy now, pay later (BNPL) platforms, marketplaces and social commerce venues continue to rise in prominence in the post-pandemic economy.

The pace of payments will be faster, as real-time offerings are becoming more common across various stretches of the economy amid rising demand as the word gets out.

In short, the economy, as a whole, is in a state of transition. While all the leaders we spoke to agreed that from here, it is not yet possible to chart the entire course of the journey, it is possible to know that what comes next will look quite a bit different from what came before it.

Different – and hopefully quite a bit better, as the emerging digital economy is so far shaping up to be faster, smarter, smoother, safer and more accessible to more merchants and consumers than anything we've seen before.

HOW THE PANDEMIC RESTRUCTURED THE U.S. REAL-TIME PAYMENTS CONVERSATION

ODILON
ALMEIDA
President and CEO

ACI Worldwide
Real-Time Payments

For years, the industry has buzzed about the potential for real-time payments in the U.S., but the hype has been met with relatively slow execution. Then the pandemic hit, and consumers and businesses alike found themselves facing a myriad of challenges no one could have predicted. Expediency

in payments for everything from corporate liquidity to individual financial assistance — along with limits of physical contact — became even more critical. While we saw real-time innovations advance and transactions grow in 2020, we also recognize that the potential of this technology remains untapped. In short, it took a global pandemic to

show us that when it comes to real-time payments, we are not where we need to be.

The past year's push toward faster, contactless payments is poised to shape the future. In light of the pandemic, it became clear that institutions should move their support for transactions that send money instantly and distantly into the mainstream.

The majority of today's real-time payments activity in the U.S. comes from peer-to-peer payments, with many companies not yet engaged directly. As we learn more about FedNow's pilot program and watch the growth of The Clearing House's Real-Time Payments collaboration with Zelle, we will see more conclusive discussions around ubiquity and interoperability, with banks playing a leading role. Over the next few years, the financial institutions that concentrate on real-

time will be poised to help shape the future of payments. Not only will corporates welcome the innovation driven by real-time, but they'll also have the ability to improve cash flow and liquidity while reducing the impact of interchange fees.

This opportunity to win big in certain markets will sizably increase as banks enable merchants and billers across verticals to offer value-added services such as Request for Payment (RFP). By sending messages that request payments in real time, RFP features have the capacity to make paying with real-time payments easier for the consumer and beneficial for merchants and billers alike. Currently, integration of RFP technology is in an embryonic stage in the U.S. – and as with real-time payments overall, the potential is largely untapped. But when positioned together, the real-time payment rails and Request for Payment service can position banks

and other financial institutions to better meet the post-pandemic merchant's and biller's wide range of needs.

The events of 2020 showed that the American consumer is increasingly open to real-time and digital payments. Mobile wallet usage continues to rise, QR codes are again mainstream and omnichannel payments are now an expectation. Institutions throughout the U.S. must take advantage of this unique opportunity to play a major role in defining the next era of payments.

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THE GROWING IMPORTANCE OF THE OMNICHANNEL MARKETPLACE



DAVE
O'BRIEN
CEO



Apple invested a decade of research, development and marketing into making aging baby boomers comfortable using FaceTime. In just a few months, Zoom became a household name for online video conferencing. The payment industry has seen an equally transformational impact from

the pandemic, and the industry is adapting to create a better, more streamlined consumer experience.

Consumers surrounded by chaos have found comfort in a digital experience that's completely seamless, nearly instant and, if necessary, contactless. To deliver on these customer demands,

merchants must adapt at record pace to 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 quickly amid changing expectations at every level.

While the global crisis has created new customer demands, businesses have been constrained by marketplace disruptions that limit the resources they can bring to bear. They can't simply hire a tenfold increase in underwriters to onboard more merchants faster – they need the latest digital tools to streamline and automate onboarding process with existing resources.

As if that wasn't difficult enough, the marketplace continues to change as we gradually move into a post-

pandemic era, where consumers' demands will likely shift yet again.

ROI has become more important than ever as firms struggle to gain ground in an uncertain marketplace. Thankfully, spending on this type of backend processing generates a tremendous proven return on investment. According to a survey by Cornerstone Advisors, 76 percent of lenders believe their payment services are above average, while only 41 percent of customers indicated that their needs are addressed well or extremely well. You can rest assured that the digital demands for a seamless user experience will remain with the payments industry long after the pandemic has passed.

Today, a seamless consumer experience requires a merchant to maintain linkage to save a customer's basket across all digital channels and devices they might

use. Payment facilitators used to rest easy with the "one-hit wonder" of merchant ecommerce: Consumers only needed to make digital payments to merchants on individual websites or in-store platforms.

But times have changed.

Omnichannel marketplace sales will account for 60 percent of all global digital payments by 2023, according to the 2020 McKinsey Global Payments Report. That means consumers want the power to purchase products from multiple merchants or multiple eCommerce stores when listings appear on Google or YouTube – and those payments should appear to be seamless. This seamless user experience is at the heart of the recent partnership between Square and Google's Merchant Center.

Although an omnichannel experience appears simple to the customer,

the process is highly complex for merchants and PSPs attempting to manage it on their own. Simplifying the omnichannel experience is getting easier thanks to outsourced software and other end-to-end onboarding solutions. In just the last 12 months, we've seen incredible enhancements in the tools we use for investigating risk, underwriting, evaluating merchants and processing payments.

The latest innovations in the digital payments space have made it possible for organizations to onboard more merchants quickly with existing resources and without adding risk. The best part is that the marketplace is still changing, and these tools are smart enough to adapt to those changes. Payment firms that are ready and willing to constantly challenge themselves on their speed and direction now have the tools at their disposal to meet the unforeseen future.

CLOUD TECHNOLOGY DRIVES FINANCIAL INSTITUTIONS TO INNOVATE PAYMENTS

MARK SMITH
Head of Payments
for Financial Services



Consumer demand for a frictionless and secure customer experience from their financial institution is growing, leading some to pursue closer integration and collaboration with non-financial brands. For example: contextual commerce companies that provide buy now, pay later (BNPL) options at the point of sale, “push-to-debit” that allows

gig-economy companies to send real-time payments to their drivers, and peer-to-peer (P2P) providers adding cryptocurrency offerings. Higher consumer and regulatory expectations will further drive financial institutions to innovate in areas like one-touch and cashierless options, emerging payments options (voice, QR code, contactless) and instant settlement.

This drive is enabled by the continued adoption of the cloud. Cloud technology has accelerated the commercialization of new platforms for payment acceptance and made the notion of “invisible payments” possible within eCommerce. New modes of access, omnichannel distribution (including mobile payments) and the provisioning of “card-on-file” accounts are all providing consumers with easier ways to pay.

For example, BBVA started investing in its journey to become a digital data-driven bank in 2007. Continuing on this path, the company acquired 33 percent of new [retail] clients through digital channels in 2020, and by Q1 of 2021, this number grew to 56 percent versus the prior year. BBVA also announced a new cloud-based technology for the equity markets area of its corporate and investment banking unit in November.

Durable Change Post-Pandemic

Data has been used for acquisition and engagement for years – but in payments, data analytics are focused on two key use cases: preventing fraud and extending credit.

With regard to fraud prevention, financial institutions are using the cloud to help protect financial services customers by detecting suspicious transactions while minimizing the number of customers whose transactions are declined when they should not be. Artificial intelligence/machine learning managed tools and services help identify anomalies in the data and reduce the number of false positive alerts. For example, Fraud.net, the world’s leading crowdsourced fraud prevention platform, uses the cloud to aggregate and analyze large amounts of fraud data from thousands of online merchants

in real time, protecting more than 2 percent of all U.S. eCommerce transactions.

When it comes to extending credit, Indian FinTech KreditBee aims to increase loan eligibility for students, self-employed users and newly banked individuals not integrated into the formal banking system due to a lack of proper documentation. The company enables financial inclusion by extending consumer credit for its four million users. KreditBee’s goal is to offer different types of microloans, valued up to about \$2,500, to pay for medical expenses or university tuition for its target segment. Customers can complete the entire loan process — from initial application to disbursement of funds in their bank accounts — in under 15 minutes, compared to weeks.

As open APIs and microservices continue to grow, leading to greater payments collaboration between financial and non-financial providers, we’re experiencing more third parties using APIs and microservices to conduct transactions with/through financial services firms. This means that while payment transactions may become more of a commodity, the data itself that is captured in the process could drive drastically different business models, and are key to creating new and customized experiences for customers.

**POST-PANDEMIC,
LOOK FOR
GREATER
COLLABORATION
BETWEEN FIS
AND FINTECHS
EAGER TO GIVE
CONSUMERS
THE DIGITAL TOOLS
THEY CRAVE**

DAN
HOLT
Co-founder and CEO



Perhaps the only positive to come out of the pandemic is that it has expedited a digital transformation across nearly every industry. Just about every organization now doing business recognizes that if it wants to continue serving its customers, it must offer the digital tools they need.

This is great news for the financial services industry, which has been transitioning to a digital environment for years. The pandemic has simply forced the industry to put those digital efforts into overdrive. Most financial services organizations are now surgically focused on giving customers the digital tools they need to fully manage their financial lives.

It's also great news for consumers and small business owners, because they have long been asking for more secure, sophisticated and consolidated financial tools. Up

until now, many in the industry have dabbled in offering real-time payments and digital banking. But post-pandemic, the industry can no longer afford to “dabble.”

As a result, I foresee two pandemic trends becoming permanent fixtures in the post-pandemic economy.

First, large financial institutions (FIs) will embrace a philosophy that has fueled FinTechs for years: If you don't deliver on the expectations of today's digitally proficient consumers, someone else will.

FinTechs have spent the last two decades moving at the speed of the consumer, developing and introducing financial tools powered by speed, choice and intelligence.

Large FIs now realize that if they want to remain relevant to their customers, they need to adopt that

FinTech philosophy and relentlessly meet customer expectations.

Of course, some forward-thinking top-tier banking executives have been doing this for years. In the case of BillGO, we saw an opportunity years ago to improve the way consumers manage and pay their bills and subscriptions. Our research confirmed that consumers were abandoning legacy bank bill pay products, because they failed to give consumers what they wanted: speed, choice and intelligence. So, we developed modernized bill pay solutions, and many leading FIs began working with us to deliver a better experience.

This brings me to the second pandemic-related trend that I believe is here to stay: More and more large FIs will collaborate with FinTechs to better meet the needs of their digitally savvy customers. Today's

consumers expect elegant, secure, easy-to-navigate digital tools that empower them to fully manage their financial lives. And many of today's leading FinTechs can point to a successful track record of delivering on those expectations. FIs know this, and they also know that over the last 18 months, consumers and business owners have come to rely on digital tools to manage their lives. Post-pandemic, that genie is not going back in the bottle.

We're entering an era of unprecedented collaboration between FIs and FinTechs, and it will be consumers and small business owners who benefit the most from this collaboration.

ADOPTING A “CRYPTOCURRENCY STRATEGY” WILL ONLY SUCCEED IF IT INCLUDES A COMPLIANCE STRATEGY

EDEN
DONIGER
General Counsel and
Chief Compliance Officer

bitpay

When disruptive technology arrives on a scene, it usually plays at the periphery for a while, attracting those with foresight and courage. Most prefer to take a back seat and watch until they feel

ready to join the party, if at all. But what happens when that technology rapidly moves to center stage – and your company isn't ready?

FinTechs, banks, eCommerce providers and other companies all over the world now find themselves

at a critical crossroads: Their executives want them to adopt a “cryptocurrency strategy” and launch it yesterday. But only six or 12 months ago, these companies were positioned to comfortably wait; their executives had ignored, rejected or just not understood cryptocurrency.

How does a company adopt a sound, smart cryptocurrency strategy if they don't have the right leaders and subject matter experts in place? How do they evaluate and select systems and partners that are reliable and compliant? How do they avoid putting their investments, data and reputation at undue risk? Is cryptocurrency inherently just too risky?

As the legal and compliance leader of the world's leading blockchain payments company, I submit that for a company to jump into the world of cryptocurrency right now,

it does not require a dangerous leap of faith. Companies simply need to adopt a “compliance-first strategy.” This means that their cryptocurrency strategy will not be about a quick, superficial win, nor will it be limited by a fear of the unknown. Rather, companies will leverage this innovative and exciting technology in a meaningful and safe manner.

If they have not done so already, companies must put legal/compliance leaders at the helm right along with other executives, and must prioritize a culture of compliance. Companies must choose providers that are focused on financial regulatory compliance (such as anti-money laundering, anti-terrorism financing, sanctions, know your customer, transaction monitoring, etc.), data security and privacy, customer support, valuable feature sets and longevity. These providers must be steered

by executives who understand the nuances of the complex regulatory landscape and care deeply about internal controls, risk mitigation and regulatory relations. Such providers will not be subject to the whims of cryptocurrency price spikes, shifting political pressures or trendy technology features.

Engaging the right kind of legal executive to help design the company's cryptocurrency strategy – as well as the right kinds of providers to fulfill this strategy – requires knowledge of the evolving cryptocurrency regulatory landscape and compliance requirements. The good news is that, along with the massive digital transformation of 2020 and the adoption of blockchain technology, we are seeing law firms and consulting firms heavily investing in their blockchain advisory practices; senior lawyers and compliance professionals adding this expertise

to their skill sets; and a pipeline of law students and junior lawyers clamoring for training and career opportunities in FinTech.

Nothing new and innovative comes without risk. But any cryptocurrency strategy can be defined within a company's risk tolerance and reap true rewards, as long as there is the right leadership and culture of compliance. This is not the time to cut corners or rubber-stamp initiatives with the legal department. If it's budget season for your company, now is the time to add cryptocurrency expertise to your legal leadership roster. You will not regret it.

THE PAYMENTS TIME WARP THAT IS REINVENTING THE CUSTOMER EXPERIENCE

TALBOTT
ROCHE
President and CEO



The pandemic set off a revolution in retail and payments that no one expected could happen so quickly. While many retailers were quick to adapt, the true drivers of change were the consumers who moved to quick, smart and safe purchasing tools — as a response

to the pandemic, and to make shifts for convenience that had long been building, even before COVID.

Last year, we reached a tipping point in digital wallet usage. In 2021, 59 percent of consumers surveyed have either just started using or have been more frequently using digital wallets

over the last year.¹ QR code scanning, which didn't have much traction in the U.S., is suddenly everywhere, from menus at restaurants, to contactless checkout options, to digital payments at the grocery store. Online and mobile purchasing for delivery and curbside pickup have also accelerated; many of us would have been lost without these options for food ordering and groceries.

This digital payment acceleration was critical to creating a customer experience that is convenient and contactless. And retailers that are leaning into this trend will be rewarded. Blackhawk Network surveyed shoppers and found that most will spend more money with retailers that offer more digital payment methods. Along with

shopping more frequently (69 percent) and spending more (54 percent) at retailers where they can use digital payments, most shoppers surveyed (85 percent) also reported that digital wallets have made shopping easier.²

The pandemic also conditioned consumers to enjoy payments choice — a trend that will undoubtedly be here to stay. We're all becoming more accustomed to unified commerce: the ability to pay however we want, wherever we want. We know that shoppers value a simple checkout process, but now it also must fit their preferences — yet another example of how payments is squarely at the crux of customer experience.

Looking ahead, I think there are several key payment innovations that can continue improving the customer experience. In fact, 63 percent of respondents to our research are more likely to shop at a retailer if it accepts the digital payments they use¹. We also must better connect physical and digital payments to cater to customers who prefer one or the other.

This focus on payment diversity means digitizing purchases for cash customers and better allowing digital payments in-store. Another key evolution, and one that I'm extremely excited about, will be allowing customers to use their rewards and loyalty points as currency in a convenient way. Finally, QR code payments are exploding, but I expect

we'll continue to see more creative ways to connect consumers easily to their stored value — including biometrics.

The pandemic made customer experience (CX) a top priority for many; it has never been more vital to foster relationships and loyalty with customers. As a payments professional, it was exciting to see how payments innovations drove these connections. I believe payments and CX are now inextricably linked. As last year taught us, the payment solutions that will thrive into the future are those that meaningfully improve CX.

¹ The "Payments EQ: Connecting Globally Through Digital Payments" is based on the findings of an internet-based survey conducted by Leger on behalf of Blackhawk Network between March 2 and April 5, 2021. The sample size included over 13,000 respondents in nine countries.

² Ibid.

DIGITIZED B2B PAYMENTS WILL LIKELY CONTINUE TO GROW POST-PANDEMIC

Consumer trends toward payment digitization began to transition long before the pandemic. Contactless payments – thanks to innovative options like Apple Pay and Google Pay – led the transition. And before that, leaders like PayPal in the online retail space and Venmo in the consumer-to-consumer

arena led the way, with consumers understanding and valuing the ease, convenience and security in using their products. No longer did consumers have to carry their cards on their person or type sensitive card data into a web browser.

Thanks to these innovative companies, consumers have begun

CARL
MAZZOLA
Chief Strategy Officer



to expect and value more passive transaction flows regardless of where the point of purchase may be. For consumers, the digitization of payments offers convenience and reduced risk of sensitive data, and the pandemic fast-forwarded the use of these digitized payments across the consumer ecosystem. And many technologies and trends, once they are adopted in our personal lives, quickly find their ways into our professional lives.

In the world of business-to-business (B2B) payments, the pandemic forced many to digitize workflows and explore alternate payment options, such as commercial credit cards, as a means of survival. These businesses are just now beginning to realize the broader benefits associated with these newer payment methods – not only as a matter of convenience and reduced risk, but also as a means to reduce processing costs, extend working capital and facilitate faster payments.

While many businesses have historically had challenges with processing commercial credit card payments, B2B payment processing using a commercial card is now almost as simple as setting up a Venmo or PayPal account.

Straight-through processing (STP) technology, which has been commonplace in the consumer payments space, is now making B2B commercial card payments just as easy. Suppliers can send an invoice to their buyer, and after the buyer completes their audit of the invoice to the services/products received, payment is as simple as hitting the “pay” button within their AP automation software. No sensitive data is ever shared with the participants or exposed over the processing networks. Most B2B processing platforms will create a reconciliation document in the supplier’s preferred format and send it to the supplier to easily digest into their ERP system.

Taking commercial card payments even further, buyers and suppliers can establish unique agreed-upon acceptance terms. These “acceptance on your terms®” rule-based agreements, such as those offered through Boost Intercept®, expand the benefits of digitized B2B payments. A supplier can establish rules for each specific buyer, such as the amount of payment, timeliness of payment and many other variables. For example, suppliers can accept payments for a certain buyer as long as they are under \$10,000 and paid within 10 days of the invoice date, and any payment falling outside those established rules must be paid via alternative methods.

Digitized B2B commercial card payments and acceptance can be as simple as your personal payments and offer more control of your payment acceptance program — and will likely continue to grow in acceptance post-pandemic.

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KRISTIAN
GJERDING
 CEO

CELL
 POINT
 DIGITAL

BRANDS THAT DON'T DIGITIZE FACE BEING LEFT BEHIND

There were a lot of changes in the behavior of consumers last year due to the new conditions of everyday life laid out by the pandemic. Take face masks, for instance. Before governments the world over made them mandatory in an effort to stop the spread of COVID-19, you almost never saw

anyone wearing them in western countries. Now, it's commonplace.

While some might think that as the pandemic ends, the use of face masks will stop, this is certainly not the case. For example, we see in Asia that wearing face masks is not just a flash in the pan, as residents there have been using them long

before COVID-19 and will continue to use them long past the current pandemic. I imagine it will be the same everywhere, as a sign that changes caused by the pandemic are here to stay.

The same is true for payments and FinTech. Customers have adopted increasingly digital-first behaviors as a result of the pandemic, from online shopping to buy now, pay later (BNPL), and they are unlikely to drop these preferences. As a result, it should not be a question of what parts of a business that brands might digitize, but rather how they will reposition and restructure themselves in a digital-first era to avoid being left behind.

Contactless is a great example of this. We've seen widespread adoption of contactless payments worldwide as consumer behavior

has shifted, with demand for non-physical forms of payments rising. This was partly inspired by social distancing guidelines and global lockdowns. Both accelerated this behavior, leading to a mass uptake of contactless technologies – not just in payments, but also across travel, live entertainment and more.

As a result, the technologies and services that outlast COVID will likely help drive a more contactless experience for customers, one in which they can pay via the method of their choice and enjoy a seamless experience, whether in-store or online.

The financial services and products that arose out of the COVID-19 pandemic helped to usher in a more seamless payment experience for users, so it's difficult to identify any true "one-hit wonders," or anything

that will fade out. What we can say with confidence, however, is that traditional payment methods such as cash and checks likely won't stand the test of time. Even back in 2009, when Denmark's journey to cashless was in its early stages, we recognized the potential for physical money to spread disease. The world has woken up to this reality, and businesses must be prepared for this contactless future to succeed moving forward.

The lesson here is that if brands don't digitize, they risk being left behind. True digitization doesn't just mean investing in one element, but rather fundamentally changing many aspects of a business – from payments through the entire customer experience – in order to capitalize on shifts in consumer behavior.

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POST-PANDEMIC PREFERENCES CONFIRM PAYMENTS

TODD
CLARK
President and CEO



The pandemic further fragmented consumers' relationships with a wide range of providers, not the least of which are credit unions. That's why cementing primary financial relationship (PFR) status with more members will be a strategic area of focus for growth-minded financial institutions (FIs) in a post-pandemic environment.

Consumers have a lot of choice when it comes to meeting their financial needs. And then there are the handful of "non-choices" they make every day thanks to embedded payments and other contextual commerce methods. FinTechs have made it easy to transact safely on still-developing rails and to hold money in pseudo-deposit accounts. Users of these still-emerging-tools

are not bothered by their newness. In a recent survey commissioned by CO-OP Financial Services and conducted by EY, credit union members named PayPal as their most trusted financial partner.

While it won't be a walk in the park, becoming a trusted, reliable hub for all of a consumer's financial needs is possible, even for small FIs. To become that go-to provider, however, requires a significant mind shift for leaders. Credit unions must now consider the day-to-day lifestyle of a member. This differs from strategies of the past, in which FIs focused on key milestones in a person's life, like having a baby.

Being there for the everyday moments puts an FI at top of mind during the exceptional moments. But it doesn't just happen; it takes strategic intention. Credit unions must rethink their core products and services for the modern era to prove their value in a rapidly reshaping world. In physical environments

changed by COVID-19, lifestyle moments like ordering groceries, buying a birthday gift or paying for gas are increasingly done at a distance.

Consumers' money movement needs now hover around things like touchless, remote and digital transactions. The survey found that 90 percent of transaction activity is occurring over these channels. We don't see this changing. Having instant access to P2P channels, contactless forms of payment and card controls is too convenient to remove from a person's daily life. These are the sticky experiences credit unions can own with the right intention and strategy. What's more, they are experiences that every purpose-driven FI should own. Credit unions and other community FIs have a strategic imperative to guide consumers to long-term financial wellness. FinTechs often detract from that mission, prioritizing convenience over the establishment of healthy financial habits.

Consumer behavior has changed, particularly when it comes to payments (which already represent 80 percent of a consumer's interaction with their FIs, according to the EY survey). Just look at how payments performed during the pandemic. Despite the direct impact of COVID-19 lockdowns, many aspects of commerce resumed relatively uninterrupted in most regions almost as soon as lockdowns were lifted. Leading payments players rebounded very quickly; others had no need for a rebound, having just experienced the best years of their businesses.

For these reasons, we expect more credit unions to place a higher value on payments as a core component of their unique product offerings post-pandemic. Payments is the path to PFR, and the more that purpose-driven and people-centric FIs pursue that path, the faster consumers will recover from the economic stressors of the last 18 months.

A DECADE OF
**DIGITAL
TRANSFORMATION**
IN 12 MONTHS

SIMPLICITY IS KEY TO EMBEDDING DIGITAL TRANSFORMATION

**DAVE
BRUNE**
President for the Americas



One of the major themes that has come out of the pandemic – particularly as it relates to customer journeys and relationships – is simplicity. Businesses in all industries were forced to digitize formerly offline-only customer relationships almost overnight as in-person contact was paused.

The next step in this journey toward simplicity and more efficient use of technology is to embed experiences within transactions to further deepen the customer relationship. This is already being seen with embedded insurance, where a customer is offered the opportunity to purchase insurance while signing up or transacting for another product or service. Embedded insurance has

the power to revolutionize not only the insurance industry, but also those businesses that can harness the opportunity.

Take banking as an example. Nearly 60 percent of customers have changed the way they bank since the pandemic began. As more customers have moved their activities online, there are massive opportunities for banks to not only improve their practices and processes, but also to improve the lives of their customers.

A recent survey commissioned by Cover Genius and collated by PYMNTS.com found that banking customers are not only open to insurance offerings from their financial institutions (FIs), but they're also hungry for the chance to deepen their relationship with their FIs.

70 percent of digital bank customers and 44 percent of traditional banking

customers are highly interested in receiving bank-embedded insurance offers based on their transaction data. In the same study, close to half of digital bank customers said they would be highly interested in bank-embedded homeowners insurance offers, 76 percent would be interested in embedded travel insurance offers and 59 percent would be interested in both embedded health and life insurance products. Interestingly, a majority of those who used traditional insurers in the last 12 months are also highly interested in bank-embedded insurance.

Customers already trust their banks and the data they hold, and many source insurance at the time of financing properties, cars, businesses and the like. Embedding insurance based on a much wider dataset that identifies key life milestones and major purchases in real time is the

next logical step in getting closer to customers and helping them at the exact time they need support and protection.

This is similar across other industries such as retail, property, payments, auto and mobility. You only need to look at the launch of Tesla Insurance, extended warranty offers from Amazon and eBay, and COVID-proof travel insurance products from Skyscanner to see the impact that embedded insurance is already having.

Insurance infrastructure can take a lot of time, money and expertise to set up, which is why collaboration between businesses and InsurTechs will be so important. By partnering with the right InsurTech, businesses can be given access to all the back-end insurance knowledge they need to launch a product or service that

their customers need, while they focus on their core business.

Traditional insurance companies, brokers and agents are going to feel the squeeze in this post-pandemic reality. Legacy systems and a lack of technology – particularly for the provision of a customer-friendly experience – has already put them behind the eight ball. As customers continue to move online for both their personal and business insurance needs, the days of visiting a broker or agent office seem more distant every day.

As we look toward the post-pandemic future, digital habits have formed, and there will be no putting the offline toothpaste back in the tube. The importance of digital simplicity and embedded insurance has grown over the course of the last year, and this growth shows no sign of slowing.

CATERING TO CONSUMERS' NEWLY DIGITAL SHOPPING BEHAVIORS

ADAM
COYLE
CEO

Digital River®

The most lasting impact of the pandemic era is the fundamental shift it has caused in consumers' shopping behaviors. While online shopping has been with us for some time, it wasn't ubiquitous across product categories and market verticals. Consumer behavior is notoriously hard to change, and while services like grocery and meal

delivery apps have been around for several years, most consumers had either never used them or only used them sporadically, as consumers continued to organize their lives around familiar patterns of convenience.

But when the pandemic forced brick-and-mortar merchants to close, digital channels became more

than a convenience – they became a necessity. Almost overnight, purchases consumers might have previously hesitated to make online — whether due to a lack of familiarity, a fear of inconvenience or perceived risk — were suddenly forced to digital channels as the only choice. And amazingly, for the most part, it worked. Consumers quickly realized that they could not only change their buying habits and become eCommerce-centric, but that services and tools existed to make that experience seamless, whether they were buying from around the corner or around the globe.

Now, just as we are reimagining what work will look like now that many companies have experienced a mostly remote workforce, we are reimagining what commerce will look like in this new environment. As shoppers were essentially forced to change their habits, they discovered the convenience of shopping for literally anything online. They’ve

learned how to use payment methods like digital wallets and buy now, pay later (BNPL) solutions, options that were gaining traction pre-pandemic but have now become staples for many consumers who were once hesitant to use them.

Long-held cultural preferences are changing as well, as consumers have been forced to adapt to the realities of 2020. A good example is Germany, which saw an enormous shift to card payments in 2020 — a remarkable change for a country where shoppers have long preferred the use of cash. Perhaps even more significant is the change in B2B commerce, where workers are bringing the expectations of convenience and choice they experience in their personal transactions into the workplace and demanding “consumer-like” eCommerce options for business purchases.

In many ways, the pandemic also laid bare how dependent we are on global supply chains. Merchants can

benefit from this by thinking globally and understanding the opportunity, as well as the complexity of cross-border commerce. In global selling, getting the back-end experience right is the key to growing revenue, as shoppers focus less on location and more on getting the product they want when they want it, at the price they want, and via the payment method of their choice.

Successful cross-border commerce means acting locally even if you aren’t physically there — by offering local fulfillment, local processing and the payments customers want to use. Once they’ve had a positive experience with a new and more convenient way to shop, consumers will continue to take advantage of those experiences. As a result, brands that saw online direct-to-customer sales jump during the pandemic need to keep investing to grow that channel, as their customers will continue to look to buy direct.

A DECADE OF
**DIGITAL
TRANSFORMATION**
IN 12 MONTHS

CUSTOMER RELATIONSHIPS AT THE CENTER OF FINANCIAL SERVICES TRANSFORMATION

Digital transformation within financial services has traditionally moved slower than other industries, considering the requirements to combat fraud and risk and meet regulatory demands. However, everything changed in 2020 when the global pandemic hit. With

bank branches closing, consumers needed to increasingly rely on digital channels to open checking accounts, apply for loans, deposit funds and transfer money to friends and family – and financial institutions (FIs) have needed to pivot quickly to meet these new expectations, all while continuing to manage fraud and risk.

DONNA
TURNER
COO



A People-First Approach

Customer service means everything, especially in a time of deep uncertainty. Consumers who were accustomed to going to their local bank branch or credit union to engage with their favorite tellers no longer had that option.

FIs constantly need to ask themselves: “How can I drive a better relationship with my customers? How do I go above and beyond the basics and differentiate from all the other banks and credit unions out there? What can I offer to drive more frequency of engagement? How do I give my customers the same personal attention they receive when they are at the branch?”

It all begins at the virtual front door with the customer onboarding experience. When a customer chooses to open a new account, that very first touchpoint is critical. That is

when you “meet” your new customer. If there are too many complicated steps or questions during the online application process, there’s a chance you may lose a customer.

Recent research from The Financial Brand’s Digital Banking Report found that unless a financial institution can open a new account or complete a new loan application in less than five minutes, the potential for the customer to abandon the account opening increases to 60 percent or more. Alternatively, faster account openings reduce abandonment rates to almost 25 percent or less, which is a much better starting point from which to address other elements of friction and risk.

Digital Payments on the Rise

A fast, frictionless digital onboarding experience isn’t the only thing banking customers are seeking. Hygiene and safety have been

at the top of everyone’s minds during this pandemic. As a result, the use of paper-based payment methods, such as cash and checks, diminished. Person-to-person (P2P) payments are not just millennial territory anymore. People of all ages have started to depend more on digital payments to get money to loved ones in need or to pay their rent. Many older adults started to experiment with P2P for the very first time during the pandemic – to send money to a granddaughter for the graduation ceremony that they couldn’t attend or to pay back their neighbor for doing a grocery run.

Ultimately, the digital transformation of the financial services industry paved the way for a significant cultural shift. Consumers have drastically changed their banking habits since the pandemic began – and many of these changes are here to stay.

A DECADE OF
DIGITAL
TRANSFORMATION
IN 12 MONTHS

‘MANY WAYS TO MAKE A PAYMENT’ IS HERE TO STAY

MATT
CARPENTER
SVP, Market Director



I recently went out to eat at a local beachside restaurant, and at the end of the meal, the bill was delivered with a QR code on it. By scanning that QR code, I was able to pay, tip and leave any notes I wanted. A small beachside establishment offering this type of seamless payment process is no longer a surprise. Countless small businesses have adapted to

provide digital options, altering their processes to increase convenience and safety for both the business and the consumer. Never before have there been so many ways to get to, and make, a payment; we have the pandemic to thank for that. I believe that the idea and spirit embodied by the “many ways to make a payment” ecosystem will carry on.

Through any combination of QR code, mobile app, in-person, contactless, curbside, phone call, web browser and more, consumers grew accustomed to payment options that afforded flexibility for their personal tastes and safety concerns when it came to activities such as food delivery, take-out, online grocery shopping, etc. Many consumers report that they plan to continue these digital shopping habits post-pandemic, making the desire for increased payment options and processes a permanent shift.

The implications for payment providers are two-fold. First, payment companies must work to make sure they are included in these ecosystems — through forging partnerships, embedding in digital wallets or other investing in other technologies. Partnerships will take on increasing importance

where payments can be part of the solution in delivering strong value propositions to consumers. Looking back to the personal example above, I paid my restaurant bill with my Elan credit card via Apple Pay. I choose this payment method often because of the convenience, and the fact that the process to provision my credit card is seamless. This was made possible due to partnerships between payment providers. Though perhaps not obvious to the everyday consumer, as payments professionals, we are aware of how important these partnerships are to the customer experience.

Secondly, payment providers must prioritize actively incorporating the preferences and changes highlighted by the pandemic into current and future product development. We aren't going back to square one after this is all over. For example,

credit card issuers must continue to monitor the pulse on popular spend and rewards redemption categories, such as streaming services and food delivery, to capture the ongoing loyalty of cardmembers.

It is important to note that though we see many advancements in payment technology as an avenue to provide our customers with greater service, those benefits are not always equally shared. This digital revolution has left some segments of the population behind, given limited access, availability and/or awareness. It is our job as leaders in payments to continue to challenge ourselves to think of ways to better serve these more vulnerable populations; I expect to see an increased focus on social responsibility appearing in many organizations' strategic plans and go-to-market strategies.

The last 18 months would likely have seemed much longer years ago, when we didn't have the capabilities that we have in 2020 and 2021 to adapt, scale and change rapidly. The digital shift has allowed payments companies to offer consumers many ways to make a payment — a trend that will extend beyond the pandemic into future iterations of convenience. Customers have always been at the center of what we do, and the pandemic has allowed us to get more in touch with their preferences when it comes to making payments. The changes we have made and the renewed spirit of providing “many ways to make a payment” will continue for decades to come.

THE CUSTOMER EXPERIENCE IS ALWAYS RIGHT

“ The customer is always right.”

That phrase, popularized by the earliest department store entrepreneurs, changed the face of retailing forever. For the first time, the power of the customer was fully acknowledged.

In today's post-COVID reality, the customer has more power than ever before.

In the last 12-18 months, people moved online in record numbers. We viewed the highest eCommerce growth in at least two decades, with 451 Research reporting that one in three consumers is more comfortable shopping online now

SID
SINGH
President

EQUIFAX

than were at the onset of COVID-19. Digital became the norm, and transforming business for this digital reality became a matter of survival.

While America is once again “open for business,” the online customer is here to stay. That said, COVID-19’s lasting effect on the industry isn’t just the drive to digital. The pandemic drove a permanent convergence of eCommerce and consumer finance, with rapid growth of digital banking, more online underwriting and more contactless payments.

Today’s online environment demands that consumers have the same – if not a better – experience on a bank or FinTech’s digital platform as they do on a major eCommerce retailer’s site. The result is a shift in digital experience expectations unlike anything we’ve ever seen before.

What does this mean for your business? In the post-COVID economy, the customer experience is always right – and the experience

you provide can make or break your ability to optimize your business growth post-pandemic.

That experience begins with how quickly you can authenticate your customer and establish digital identity trust.

Digital identity trust is an understanding of the level of trust or risk associated with the identity behind every interaction. It comes from the confidence of knowing that verification results are the start of your customers’ journey. It comes from showing your customers that you truly know them. And it comes from providing them with the same easy, elegant digital experience they’ve come to expect from leading retail brands – even if you are a financial services company.

This identity trust needs to be established in near-real time. The last year of digitalization has raised expectations for the online experience. Customers expect

authentication to be no more than a footnote in the story of their time with you.

To best prepare for the next phase of digital transformation, retailers and their juxtaposition of brick-and-mortar and eCommerce can provide a post-pandemic roadmap for banks and FinTechs looking to strike a balance between usability and authentication.

With roughly equal focuses on operations, fraud management and new feature expansion, no one area of investment stands out for retail merchants. The need for balance – and for bringing innovation and fraud teams together from the get-go – is a big takeaway from the retail approach.

Retailers don’t treat authentication and fraud as a siloed issue at checkout. Instead, they focus on understanding the identity of each customer or potential customer they come into contact with. And

as they understand that identity, they determine the extent to which that individual can be trusted. This not only helps them authenticate quickly and prevent fraud, but also helps create more personalized experiences for customers.

We expect this need to grow post-COVID, and it’s why we made a major investment in this area with our acquisition of Kount earlier this year.

When the customer experience is always right, digital identity trust is critical. You must be able to rapidly determine the level of trust for each identity behind every payment, account creation and login event – and you must know that the person to which you’re bringing your offer is the right one.

THE BENEFITS OF PAYMENTS CHANGE WILL PAY OFF POST-PANDEMIC

TOM
PANTHER
CFO



The pandemic has made lasting impacts on our world and business as we know it. While some adaptations, like wearing face masks in public, were brand-new for most of us, others were expedited by the need to change overnight. When it comes to pre-2020 commerce, the world was already exploring different

methods of conducting business. eCommerce has grown within the last decade, and customers have already been introduced to concepts like self-checkout counters, online payment portals and contactless payments. The pandemic simply transformed these conveniences into necessities.

Companies that had already taken the leap of faith into the digital commerce world were better equipped to conduct business post-March 2020. Those who had not chosen to embrace digital payments and electronic payment acceptance were pressured to quickly adapt in order to survive. What was once an option became an obligation, as companies were tasked with figuring out how to run an entire organization from within their employees' homes.

The Benefits of Change

In 2020, companies who were apprehensive about restructuring their payment acceptance processes were finally exposed to the benefits of electronic billing and digital payments, which include increased speed, security and convenience. Companies are seeing faster collection times and decreased days sales outstanding (DSO) averages – which were especially helpful in the last year, when the future of

the economy was uncertain and companies were left with less cash on hand.

Once the initial leap to a digital payments strategy is made, it is unlikely that companies will revert to the more manual, paper-based methods due to the ROI of digital payments. In fact, EVO Payments has seen its merchants expand their digital payment offerings even further — accepting additional payment methods and adopting self-service payment technology — once they realized the positive impact it had on cash flow, customer satisfaction and process efficiency.

As a CFO, I understand the hesitation that companies may have about making major changes to their collections process. Revenue is the heart line for companies, so any risk of upsetting the current flow, which is technically working, is often avoided.

However, working for EVO, I also recognize the substantial benefits of adopting digital payment strategies. And as a payments company, we are committed to helping merchants expand their company's growth through a digital payments strategy that will enhance their performance for years to come.

What the Future Holds

I am certainly looking forward to embracing the day when in-person interactions are normalized again, but I believe that contactless payments and electronic payment acceptance are here to stay. Even when the last face mask is removed, consumers will still be asking for flexibility and choices when it comes to how they make purchases with their vendors. Cash and checks will still have a place in the “payments economy,” but to a much lesser degree, as digital payments replace these legacy forms of paying for goods and services.

A DECADE OF
**DIGITAL
TRANSFORMATION**
IN 12 MONTHS

ONLY THE ADAPTIVE SURVIVE

DAVID
EXCELL
Founder

FEATURE
SPACE

OUTSMART RISK

One of the most fundamental impacts of the global crisis was that over a short number of days, the rules that we used to manage our daily lives changed. Many of us started working from home, schools became virtual and our options to socialize reduced dramatically. During this seismic shift, most of the infrastructure we

rely on stood up to the test; the internet and our payment platforms remained available. As an example of this shift, at Featurespace, we saw an 81 percent increase in card-not-present transactions on April 1, 2020 compared to the previous month.

Fighting financial crime during the pandemic brought about its own challenges. Operational teams had

to adapt and work from home, processes had to be updated, and as governments introduced different schemes to support those most effected, we saw large outflows of public funds. The fraudsters also took advantage of the pandemic, as we saw increases in check fraud, scams and first-party fraud.

Behind the scenes, one element to keeping our payment infrastructure secure were the fraud strategies that accept and decline transactions based on predicted risk. But these fraud strategies were founded on historic behavior that didn't match the behaviors observed during the pandemic. This became the moment of truth for adaptive machine learning models. How quickly could they adapt to ensure that genuine customers weren't blocked when they were most in need of their funds, especially when the legitimate

purchases may have been unusual for that customer, such as their first online grocery order?

From the models Featurespace had in operation, we saw that our underlying behavioral profiles began adapting to the new behaviors within 48 hours of lockdowns being implemented around the globe (it was this observation that inspired our case study with TSYS). This enabled fraud detection rates to remain stable throughout the pandemic, ensuring that consumers could still use their banking products, that fraudsters couldn't exploit a new weakness and that fraud operations teams weren't inundated as they adjusted to working from home.

Over the last 12 months, we've also seen the rise of movements for greater race and gender equity and fairness. This is an ongoing

challenge as we continue to digitize the payments ecosystem to ensure access for everyone, including the underbanked. As we continue the path to digitization – and inherently automation – we must ensure that the logic behind those decisions is unbiased. This is particularly acute for machine learning systems.

Machine learning systems identify patterns in the data provided to them – and unfortunately, when applied naively, many datasets include biases from historical decisions. When machine learning is introduced into the payments ecosystem, model fairness must be included as a key requirement, and the data used to test and validate must be carefully selected to ensure that past biases are not transferred into our “next-gen” digital futures, where only the adaptive will survive.

A DECADE OF
DIGITAL
TRANSFORMATION
IN 12 MONTHS

A FUTURE OF SUSTAINABLE OMNICHANNEL COMMERCE

**NANDAN
SHETH**
Head of Carat
and Digital Commerce

fiserv.

Over the past year, there has been unprecedented change across many industries around the world. The pandemic has fundamentally altered the way industries operate, and has shifted the manner in which customers behave. As businesses settle into a “new normal,” there will be no going back to the way things used to be.

Businesses wanting to capitalize on opportunities in the post-pandemic world must create sustainable omnichannel commerce that spans digital and physical channels. The concept of combining digital and physical is far from new, but the pandemic has made it a prerequisite of success, and the role of payments has become increasingly important. No longer just a means to facilitate

the movement of money, payments orchestration enables the creation of differentiated commerce experiences that enable businesses to create more commerce.

Here are three key components that will be essential to the future of sustainable omnichannel commerce:

Blending of digital and physical:

All customer experiences must be re-envisioned through the lens of the omnichannel customer, and must be built to ensure that their experiences are seamlessly connected across digital and physical channels. Examples include leveraging hyperlocal geo-fencing to deliver a 2-for-1 digital promotion to a customer walking only a block away, and then ensuring that the merchant recognizes and can redeem that digital promotion when the customer

enters the physical store. The same can be true for the returns process, long a thorn in the side of retail. In an omnichannel world: That same customer can initiate their return on a mobile device, then walk into the store and drop off the unwanted item with a simple scan of a mobile QR code.

Seamless integration:

Conceptualizing new, enriching experiences can often be the easy part of omnichannel, while connecting back-end systems across platforms, gateways and providers remains the nuts and bolts of any successful payments experience. Through 2022, 50 percent of large organizations will have failed to unify engagement channels, resulting in a disjointed and siloed customer experience, according to [Gartner](#).

Communication across customer devices and between systems requires seamless integration of technology and instant communication of information between third-party providers. Integration not only ensures that a commerce experience works, but it can also help provide businesses with data and information that enables them to further enrich the omnichannel experience.

Optimization of omnichannel:

Once a business has built an omnicommerce ecosystem that engages customers, optimizing the omnichannel business model becomes critical to ensuring that it is sustainable. Every merchant needs to be able to manage and control payment processes across channels, which includes mitigating costly fraud risks,

managing processing expenses by routing transactions efficiently, and optimizing authorization rates to maximize revenue opportunities. With payments now embedded across many devices and channels, a business' ability to manage and control the orchestration of digital payments is pivotal to building an omnichannel commerce model that is supported by sustainable economics.

While the pandemic gave us a decade of digital transformation in 12 months, digital innovation over the next year will move just as fast — and the ability for businesses to build sustainable omnichannel commerce in that short time span will define their success.

PAYMENTS AS AN INTEGRAL PART OF THE CUSTOMER EXPERIENCE

MIKE
MASSARO
CEO

flywire

Payments are the lifeblood of any business. The ability to transact impacts everything a business does — from cash flow and hiring to credit, investment and expansion. But until recently, payments were an afterthought in most businesses, separate from sales, marketing and customer service. Companies controlled the payment process

mostly by limiting customers' payment options, without a thought to how they could help modernize the business.

The advance of digital and mobile into our daily lives started to shift that dynamic — most visibly in the B2C arena, where most eCommerce transactions happen with a click or a swipe. Now that innovation is

translating into B2B payments as well. The pandemic put the need for seamless digital transactions into hyper-drive, as convenient, secure, digital payments became a minimum business requirement.

As a result, the payment experience is quickly becoming an integral part of the customer experience. Businesses can no longer worry about how the customer – whether it’s a consumer or a business – will pay after the fact. It needs to become part of the overall value proposition they offer up-front, or they will risk alienating a loyal customer base.

For some, it’s a matter of survival. Businesses and consumers both expect a convenient digital payment option, no matter what they are buying. For others, it’s the logical result of an ongoing quest to make things better, faster and cheaper by minimizing friction at the point

of sale, enhancing customer engagement and driving operational efficiencies.

Some call it embedded finance and payments, others call it payment services. The most visible examples are Apple and Uber, but we can see the trend taking shape in different ways across a range of industries – and in many cases, it’s what happens behind the scenes that makes the biggest difference, for example:

- B2B technology companies are digitizing their international payment processes to enable overseas customers to be billed and pay in their local currency, while making it easier to reconcile those receivables in the tech company’s financial system of record. This simplifies a complex and costly process for both parties — and addresses a customer need that influences their choice of suppliers.

- In leisure travel, payments have also become an important part of the selection process. In [recent research by Flywire](#), of 800+ frequent leisure travelers from the U.S., U.K., Canada, Spain and Japan, 89 percent say that ease of payment is important to them, and 70 percent say that having an easy payment experience impacts their choice of travel agent and/or tour operator. Travel agencies and operators are responding by expanding digital payment methods and enabling split payments that make it easier for groups to divide costs.
- Educational institutions are connecting the initiation of tuition payments to their backend reconciliation process by offering students preferred payment channels that reduce fees, speed settlement and make it easier for both students and schools to track status. Schools are

also using payment histories to automate the offering of installment payment plans to students before they fall behind. This limits potential dropouts due to financial difficulty.

- In healthcare, new payment capabilities are addressing critical needs by providing increased visibility to expected patient costs pre-treatment to avoid billing surprises, and automatically setting up payment plans before care is delivered. This is increasing patient satisfaction while also preventing lost revenues and reducing AR and collection costs.

The pandemic has changed payments – both in the role they play in our daily lives and the difference they make in who we choose to do business with. These are just a few of the ways they are likely to change forever. Expect to see a lot more in the months and years ahead.

AGILITY AND FLEXIBILITY: A BUSINESS' BEST FRIEND

One of the lasting impacts to come out of the sweeping transformation our industry witnessed over the last year is a broader appreciation for agility and flexibility, two elements that are now being recognized as necessary tools for any business in their aim to be successful in the long term.

Given all we've witnessed, it should be clear by now that the future is more unpredictable than we ever

imagined, and businesses need to consider how to respond to future uncertainties. The ability to solve a single problem isn't good enough – instead, organizations must be prepared to solve a range of unexpected problems quickly, and on an ongoing basis. Some of these scenarios will be sudden, critical and the first of their kind, some of them slow and equally consequential – and the matter of being prepared for either is being discussed in board rooms more often than ever.



AMIR
WAIN
Founder and CEO



Indeed, even for organizations like ours that have long embraced agility and flexibility as a core competency, the time is right to aim some of the sharper and heavier questions raised by the last year's events:

- Have we set the required competencies in place to respond to dramatic change in the environment?
- Can we win the next race to adapt against our peers?
- Are we ready to make a call for deeper digital transformation?

I think takeaways of the past year are less about correctly guessing which consumer behaviors will stick or which payments practices will fade (spoiler alert: we simply won't know).

To answer these bigger questions – and especially because our industry effectively operates as an ecosystem – we have to look from the core out. We have to pull back from a mindset

of patches to carefully consider the very fabric of our organizations and partnerships.

For example, an issuer that recently made the leap to the digital onboarding of customers and digital card issuing might be well-served in thinking of those projects not as individual milestones, but as the foundations for ongoing readiness and agility – part of the continuum of digital transformation as opposed to distinct achievements.

Equally, they might also recognize that absent the pandemic forcing a change, even a gradual market shift in favor of those experiences – combined with repeated postponements or stunted partners – might well have also killed or substantially weakened the business.

The fact that the most digitally prepared fared better than the rest during our most recent set of adversities should be enough to underscore the point for all of us. No

one knows what the nature of the next game-changing event will be. It's about preparation – and the most prepared partners.

What is next-gen in payments?

If next-gen in our industry is a collection of present and emerging best practices in payments – and the last year is the lens through which to examine it – then it's safe to say that agility and flexibility are the competencies and principles by which we should measure ourselves and our partners.

In my mind, chief among the many manifestations of these tenets is processing, which I believe must be increasingly human-centric and less account-centric to serve today's and tomorrow's use cases. Human-centric processing (HCP) is a necessary paradigm shift away from account-centric processing (ACP), or what many still refer to as modern processing.

HCP has many distinctions that make it relevant to this discussion. It's fundamentally one-to-many as opposed to 1:1, and increasingly about having the consumer at the center – not siloed as a credit, debit, prepaid or installment account. Perhaps most importantly, it's context-based as opposed to transaction-based, and is increasingly controlled by the issuer and user versus the processor. The human-centric processing approach provides the underlying architecture to support agility and flexibility – the most critical tools in ongoing success.

So, as we look at the lasting impacts of the pandemic era and try to gauge which critical decisions about systems and partners will most impact our future, let's look at the competencies within our organizations and partners' organizations to not only make us better prepared, but to also hone our innovative edge – with or without a crisis.

IDENTITY AT THE HEART OF THE CONTACTLESS WORLD

The year 2020 is one of those years with a clearly defined “before” and “after.” For the last 18 months, we have all had to adapt to a new way of life, where we respect new rules of social distancing, adjust to remote work and adopt new ways to shop and pay. These new habits are not

a temporal change, where people will revert to the old ways once the dust settles. On the contrary, these new habits have accelerated the digital transformation trends that were already in play — and they come with new expectations for seamless, contactless and digital-first experiences.

MATT
COLE
CEO



The global pandemic has affected each sector differently, but one effect that is shared across the board is the need for contactless solutions. If we look toward the banking and payment world, the shift toward “contactless” options was a natural way for consumers to protect themselves.

Virtual cards, QR codes and tap-to-pay options allow consumers to avoid handling bills and touching card readers. In addition, such payment options increase the speed of transactions, while improving user experience, security and the quality of services. Today, “contactless” has gone from being a “nice-to-have” to being a critical and essential “must-have” service.

In the future, it’s even possible that the in-store payment experience will be not only contact-free, but even invisible. Cashierless retail

experimentations have already started, where people can walk into a store, pick up the things they want to buy and walk out without ever going through a checkout or presenting a payment card.

This convergence of physical interactions with digital services will define a new era of “digital-first” customer experiences.

It is important to note that this “digital-first” era will not see the disappearance of physical cards or in-person interactions, but rather the co-existence and continued convergence of physical and digital experiences throughout the entire customer lifecycle. One example of this would be the instant issuance of digital payment cards that enable customers to pay in-store or online while they wait for a physical card to be shipped.

An Evolution in the Relationship Between Identity and Payments

As we see the emergence of more digital-first features, we will also see an evolution in the relationship between identity and payment. The use of biometrics as an authentication factor is increasingly present in our daily lives, from logging into phones or computers to accessing sensitive data and even paying for groceries. This type of authentication can be applied when accessing online and mobile applications, during digital onboarding journeys or when performing higher-security banking transactions, such as making wire transfers or applying for a loan. In each of these cases, biometrics provide a trusted means of authentication that is frictionless for the consumer.

In banking and eCommerce sectors, the user experience can be even smoother. In this scenario, users can be asked to prove their identity only when the transaction presents a real risk — for instance, requesting delivery to an unusual address or making a particularly expensive purchase. In these cases, selfie verification via a cell phone or PC could be a very natural and intuitive means of authenticating customers and validating transactions.

It is certainly too early to tell what payments will look like post-pandemic, but one thing is certain: The new habits that have formed around how we shop, pay, consume and interact are here to stay. The businesses and service providers best-positioned to meet these consumer expectations will be the ones that are successful in seamlessly combining contactless identification, authentication and payment options across the consumer journey.

LASTING PANDEMIC PAYMENTS LESSONS

DREW
EDWARDS
CEO



One of the overriding business themes of the pandemic has been the accelerated pace of digital transformation. Many executives across multiple industries have speculated they were able to pack 10 years' worth of digital innovation into one year because of customer and employee demands.

The same holds true for payments. Consumer behaviors, business realities and technology advancements all came together over the last year to produce change at a breakneck pace. From the explosion in buy now, pay later (BNPL) options to a preference for web and phone purchases to a fast retreat from cash as a preferred

exchange medium, many of these new behaviors are here to stay.

One of the most compelling shifts with one of the largest addressable markets is the move to digital disbursements, or payments from businesses and organizations to individuals and small businesses. These can range from government and insurance payouts to travel refunds and online gambling payouts.

Historically, the majority of these payouts were handled via ACH or paper check — expensive, inefficient methods of exchange that can take days to complete and introduce manual complexity for both the issuer and the recipient. Further, payors made the decision for what method would be used to pay funds in these transactions based on how they preferred to execute.

One of the federal government's signature relief programs during the pandemic, multiple rounds of direct-to-consumer stimulus payments, highlighted the ineffectiveness and fragile nature of this traditional system. People who had not filed tax returns, who did not hold bank accounts, or who had changed bank accounts faced extended delays at a time when they needed money most desperately.

Worse, those who received late paper checks weeks after everyone else then had to find a way to cash or deposit them. Without a traditional bank account or in the case of a negative bank account balance, a portion of those funds often went to check cashers or other associated fees.

Inadvertently, the pandemic and this uneven relief program highlighted

the urgent need for an industry-wide shift to digital disbursements, including real-time payments. Using a platform like Ingo Money and its vast payment network would have allowed funds to be instantly sent to the endpoint of each person's choice — a debit card, bank account, credit or prepaid card or even an online wallet. Relief would have arrived instantaneously with minimal hassle, expenditure, and with automatic reconciliation.

Before the pandemic, a number of innovative companies had already begun this move to digital disbursements. From loan proceeds and insurance claims to gig worker and marketplace payouts, these pushes for real time disbursements stood as early examples of an emerging new standard in payments.

Now, with consumer shifts to digital cash and payments locked in by the pandemic, and lessons learned from the government's stimulus challenges, a wave of new entrants leveraging recipient choice with instant and digital options like tip payouts, corporate incentives, agent commissions, and P2P payments will join these early pioneers.

Today, we stand on the cusp of a rapid industry-wide move to digital disbursements. No federal or state organization nor private company wants to be caught flat-footed in the next time of crisis. But even more importantly, they have gained a glimpse into what's possible — a smoothly functioning, highly efficient payments approach that offers a superior experience exceeding all customer expectations.

USER EXPERIENCE DRIVES IRREVOCABLE CHANGE IN RETAIL AND CONSUMER INDUSTRIES

MANISH
JAIN
Global Solutions Head

J.P.Morgan

Digitization in the retail industry was already underway prior to the global pandemic. Nearly all major retailers had an online presence, and consumer adoption varied depending on the nature of goods sold. Consumer packaged goods (CPG) companies were also experimenting with direct-to-consumer (D2C) models. However, widespread adoption of these new sales channels was elusive.

Then the sudden shutdown precipitated by the pandemic upended the flow of goods and services, and 94 percent of Fortune 1000 companies experienced supply chain disruption.³ Retailers of all sizes needed to ramp up their digital presence or risked going out of business, and consumers quickly shifted their shopping behaviors online. All of this pushed businesses across the globe into a period of rapid digital transformation, achieving four years' worth of progress in as little as a few months.⁴ During this transition toward digital-first business models, CPG companies doubled down on their D2C models to fill the void left by the small retailers, and marketplaces emerged that were geared toward customers and small retailers.

This digital acceleration forced corporate treasuries to build new processes almost overnight. They leaned on their banks and FinTechs for merchant services, seller settlements and wallet solutions. Corporate treasury teams did an excellent job of digitizing their businesses in a limited period of time, and now they recognize the importance of maintaining this momentum.

By digitizing distribution and supply chain models, treasurers are now engaging directly with a larger base of buyers, vendors and other partners. Providing a best-in-class user experience to all of their gig workers, third-party sellers, drivers, vendors, employees and social media influencers is now pivotal to growing a business. As such, businesses

turned to real-time payments, digital wallets and buy now, pay later (BNPL) to help build a superior payments experience. With cell phones and new payment methods, even a small retailer can now conduct business without having to handle cash.

With more digitization throughout businesses and an expanded list of counterparties, the risk of fraud has also increased, and information security is key. Thanks to advanced techniques like blockchain and artificial intelligence (AI), we are seeing stronger forms of account validation, tokenization and other tools to secure personal and payment data of all counterparties.

As we emerge from the pandemic, all signs point to continued digitization. More than two-thirds of consumers plan to continue shopping online,⁵

suggesting that online marketplaces will become a sales channel that is just as important as physical stores. There will also be an increased focus on managing liquidity and cash forecasting through virtual account management and artificial intelligence (AI) to streamline and strengthen financial processes. And businesses will keep growing by intensifying their focus on small retailers and the workforce through small business financing, early wage access, real-time payments and other tools. Sustainability and circular commerce are now must-haves to attract Gen Z and post-Gen Z buyers, so corporates will intensify their focus on achieving ESG goals.

The events over the past 18 months have undoubtedly ushered in a new way of doing business for the retail and CPG industry.

³ Accenture, Supply chain disruption

⁴ Periscope by McKinsey, 2020

⁵ "DTC e-commerce: How consumer brands can get it right," McKinsey, November 30, 2020

HYBRID PHYSICAL-DIGITAL BUYING EXPERIENCES LEAD POST-PANDEMIC TRENDS

Seamless physical and digital buying experiences will lead post-pandemic buying trends. At Kount, we see these experiences that include mobile order-ahead for quick-service restaurants and curbside pickup; buy online, pick up in-store (BOPIS); same-day pickup; and click-and-collect for grocers, retailers and food delivery services.

Where once the customer journey was largely dependent on in-person experiences, the lines are now blurred. These pandemic-fueled buying options combine physical and digital experiences by giving consumers more ways to engage with their favorite brands. Not only have they helped boost online traffic to brick-and-mortar locations, but once consumers are at a physical

VIKRAM
DHAWAN
Vice President and
Senior Product Leader



location, they're likely to buy additional goods.

Mercator Advisory Group found that BOPIS purchases alone increased 554 percent between May 2019 and May 2020. And businesses that offered this buying option before 2020 saw a 70 percent increase in transaction volume and a 58 percent increase in transaction value in 2020, according to ACI Worldwide. Unfortunately, businesses that only require minimal proof of purchase at pickup locations are at high risk for fraud. BOPIS fraud saw a 7 percent attempt rate, compared to a 4.6 percent attempt rate in other delivery channels, the ACI data revealed.

How consumers engage with brands has changed forever, thanks to these hybrid brand experiences. But fraud has changed, too. Today, fraud doesn't just happen at the point of payment. And because consumer demand for easy hybrid processes is so high, adding any friction to the buying experience can increase

merchants' risk of losing business to competitors. To keep up with buying trends and consumer expectations, businesses across industries won't just digitize – they'll continue to undergo deeper transformations post-pandemic. The absence of this transformation can cut off a critical path to business growth.

Consumers love hybrid buying options because they reduce the time it takes to acquire goods. Bad actors know that any business that attempts to curb fraud by increasing customer friction at checkout or pickup is turning away potential business. Businesses that ask for additional verification information at the curbside pickup line risk reducing customer satisfaction.

The solution in undergoing a deeper digital transformation lies in balancing digital and in-person experiences, establishing identity trust across the customer journey and preventing payments fraud. The key element that makes all

that possible is networked data. Experienced fraud analysts know that establishing identity trust is about the quality of data available. That's why an artificial intelligence (AI)-driven fraud prevention solution that connects fraud and trust-related signals from 32 billion annual interactions is essential to post-pandemic digital transformation.

And if advanced AI links those fraud and trust signals using supervised and unsupervised machine learning, businesses will be in an even better position to prevent fraud at every point in the customer journey. Supervised machine learning analyzes past decisions, while unsupervised machine learning detects emerging fraud. In milliseconds, these tools deliver accurate identity trust decisions, whether a customer is creating an account, logging in or placing an order for pickup or delivery. With a networked solution, businesses can approve more good orders and decline high-risk orders faster.

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THE ROARING 20s: INSTALLING DECENTRALIZED TRUST FOR GLOBAL COMMERCE

ARON
SCHWARZKOPF
CEO



It's hard to imagine a more exciting time in history to install exponential technologies into the fiber of global society than in the years right ahead of us.

The events of the past year have forced people to drastically change their consumer behavior at a speed that business leaders have never dreamed of. As many experts

worldwide debate on topics such as remote work and urban planning, my sole focus is to dematerialize trust.

I think that one of the longest-lasting side effects of a world solely interacting through computers during the pandemic is that it obliged people to disassociate the historical physical constraint of trusting something or someone.

My grandmother, a 90-year-old Holocaust survivor, wouldn't buy something online – she wouldn't even bank online; she didn't trust it. Since the lockdown, she even trusts to seek and pay for medical advice through her phone – and she's practically as tech-savvy as a millennial when it comes to shopping online.

That said, a paramount obstacle to accelerating a borderless digital economy has been trust. Am I going to get what I paid for? Who is the person on the other side? In which country/currency will it be fulfilled? Is this reliable? Will I get a return on my investment? When will this be settled?

Enter blockchain in an era of artificial intelligence (AI).

If I had to pick a word that has defined blockchain technology in the past decade, it would be deceptive.

As with many great technological revolutions in the past, the first chapter tends to be confusing, misunderstood and almost certainly accompanied by a financial bubble. So much so, that lately we tend to disregard the main contribution of blockchain technology: digitizing trust.

Many of us in the industry tend to forget that eCommerce and eServices today still represent a marginal fraction of total global commerce. More importantly, nine out of 10 businesses worldwide are not ready, or are still in their early stages, of joining the digital economy. We are still in version 1.

Trust has become a central issue that slows down a business' ability to fulfill demand digitally. Up until now, most of the world's commerce infrastructure – including user databases, supply chain and banking platforms – have been

built independently from each other and have been completely unstandardized. This has caused significant inefficiencies when businesses want to go digital quickly, because each of the platforms required to conduct business online needs to “trust” the other platforms to make a sale happen. The convergence of AI and blockchain technology will fix this in the next decade, and will allow firms to rapidly migrate, and to conduct business digitally and across borders with minimal trust concerns.

Imagine knowing the identity and reputation of all your stakeholders, and never having to worry about their fulfillment or payment capabilities – that will happen soon.

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THE FUTURE OF PAYMENTS AND BANKING: MOVING BEYOND THE BRANCH EXPERIENCE

SCOTT
SANBORN
CEO



The last year has been a FinTech Darwinian evolution, as digital-first banks and big banks picked up customers while mid-sized, community and regional banks faltered, due in part to a significant lack of investment in technology.

Before the pandemic, a convenient banking experience focused on

having a branch close to home, but that's not the case anymore. The pandemic accelerated the move to digital banking, and I believe it's permanent. A digital-first solution is now table stakes to survive.

FinTechs have been a key driver in reshaping what banking looks like today, making it more personal, accessible and transparent. They

have been attacking profit centers and underserved customers. This has impacted consumers' expectations about the feature set and the experiences they receive from banks, a trend that will only accelerate. Consumers want access to their money from a partner that treats them fairly and doesn't take them by surprise. No more overdraft fees and late fees. Early access to direct-deposit paychecks is now becoming the standard price of entry. That's not going to change.

Two other areas of potentially permanent change are the role the government takes in cushioning the impact of future recessions by directly injecting money into the hands of businesses and consumers, as well as the role that lenders take in providing relief to their customers during difficult times.

The willingness of banks and the government to intervene has fundamentally shifted people's expectations of what companies will do for them, potentially creating a new social contract. When faced with future disasters, people may expect more because companies have shown they can do more. In the future, if an institution is not willing to provide relief and find ways to bridge people's finances, customers could go elsewhere. Conversely, institutions that align themselves with the success of their customers will win.

Right now, the future looks bright. Capital is cheap and plentiful, and credit is good, which should drive a resurgence in lending to support the recovery. However, the music won't last forever – and when it stops, the strength of many FinTech business

models will be tested, valuations will compress, and weaker companies will fold or be consolidated. To prepare for this inevitable future, many FinTechs will continue to try to find their way into the banking system to increase the resiliency and profitability of their models.

In the coming years, I expect financial services to move toward a future where banks' profits align with the success of their customers while they optimize the way consumers borrow, spend, save and invest.

The future of banking will no longer be defined as a place where people go, but by what they can do.

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RIDING THE WAVE OF DISRUPTIVE MARKETPLACES

HASSAN
ISSA
COO



According to the [Research and Markets](#) report, the digital transformation market is expected to grow at a CAGR (compound annual growth rate) of 22.7 percent from 2019 to reach \$3,294 billion by 2025. Among other things, the explosion of digital has direct consequences in the world of work. COVID-19 has forced HR to quickly adapt to the

management of a new organizational model, either in the recruitment process or in managing staff with remote work. The digital workplace was already born and ready to increase productivity. With its mature technologies, this operating model is designed to enable employees to be connected anywhere and all day long. As a key component for businesses, the digital experience

is now commonplace and, what accelerated remote work, for instance, boosted eCommerce.

While organizations need to support their employees working remotely, they must also continue to interact with their customers to generate revenue. The lockdowns have reinforced or created new automatisms among consumers. Once unconfined, these digital consumption habits persist because they have become a reference model. At the heart of this environment is the marketplace phenomenon. Digitalizing and powering the customer experience, offering a wider portfolio of products and services, monitoring customer behavior and managing all the technological, logistical and compliance issues,

marketplaces make their economic development as a pivot of the digital transformation. The industry has had to reinvent itself, whether in the development of the consumer experience, or in the proposal of innovative solutions to rapidly adapt to the change. Probably IA will be one of the tools that will allow marketplaces to enter the new era of commerce, opening up new services, improving cybersecurity, maximizing the shopping experience, the management of the big data and targeting.

And when you speak about business, you speak about payment ... the payment supports all these evolutions. Transparent, it adapts to the social and societal mutation throughout the world. From biometric to mobile payment, from

online banking to prepaid vouchers, payment by instalments or peer-to-peer payments, many innovative experiences are launching each week. Today eWallets are on the rise. Seen by [experts](#) as the leading payment method in the four largest European eCommerce markets (France, Germany, Spain and the U.K.), eWallets are the kings in Asia with Alipay and WeChat Pay ([55 percent and 39 percent market shares in 2020](#)) while PayPal dominates the U.S. online market with [54,48 percent market shares in 2020](#).

In B2B as well as in B2C, the eCommerce trend turns to globalization. Managing cross-border trade brings many new complexities. Besides the problems of logistics, languages or currency conversion,

merchants have to propose many different payment methods adapted to consumer habits abroad; transaction flows must be compliant with all regulations, etc. Digital makes it possible to meet all technical and regulatory constraints, and enrich the customer experience by simplifying the purchasing process and by offering local and multicultural solutions.

But it doesn't stop there. A new wave of even more disruptive marketplaces is emerging. Like Nifty Gateway, they integrate blockchain and cryptocurrency. Will these new disruptive experiences remain clusters or on the contrary become the standard of tomorrow?

THE DIGITAL COMMERCE TSUNAMI AND THE ONGOING PAYMENT RIPPLE EFFECTS

The past 12 months have seen a massive shift toward digital payments. From eCommerce to banking, customers have gotten used to the ease with which they can make purchases and perform transactions right from their devices. This new norm has forced merchants to adapt – or risk becoming obsolete.

As global restrictions ease and businesses slowly start to open up, customers will be expected to return to in-person shopping; however, businesses will still need to consider the large number of customers now accustomed to doing everything online, perhaps only visiting a physical location for essential transactions or for curbside

SIMON
LAW
CEO



pickups. Consumer behavior has altered from the pre-pandemic stage, with customers now opting for convenience. In some cases, this translates to preferring to continue making “remote” transactions.

The focus on making goods and services available digitally – while catering to a customer’s desire for convenience – brings with it the concern of protecting user data. Numerous studies have reported an increase in fraud during the pandemic as more users took to working from home and banking and shopping online.

Credit card fraud, phishing, SIM swap attacks and identity fraud have all been on the rise as businesses have scrambled to keep up with changing consumer behavior. A majority of fraud cases were attributed to weak

or stolen passwords. For example, there were a large number of phishing cases reported where out-of-work people were scammed by fraudsters posing as government officials offering them relief payments.

Since a majority of fraud cases have financial implications, the answer to the fraud problem lies in authenticating payments, which creates optimal trust between consumers and merchants by giving both parties a high level of certainty around each transaction. For businesses, having a combination of certainty around a customer’s identity and strong authentication gives them assurance that the customer is who they say they are and intends to perform the transaction they performed, leading to a lower fraud transaction

rate. This merging of identity and authentication is foundational to the notion of authenticated payments: Without either component, merchants cannot be certain about the authenticity of payments.

At this stage, businesses might be thinking: What about the user experience? Won’t adding additional or new layers of security affect the user experience? Not necessarily – another benefit of authenticated payments lies in the user experience. By implementing strong authentication such as FIDO (short for Fast Identity Online), businesses can incorporate a frictionless login, registration and transaction confirmation, and an authentication experience. As FIDO continues its path as the de-facto standard in strong authentication and becomes more widespread and embedded

into more websites and apps, consumer sales conversions will increase due to the simplicity and convenience of performing everyday transactions.

What we can surmise is that authenticated payments has become the emerging way to conduct remote commerce. And it fits perfectly with the new expectations around buying behavior, satisfying both businesses and consumers with its ease of implementation, its robust security and its regulatory friendliness. With more merchants and banks turning toward authenticated payments or transactions, it’s only a matter of time before we start seeing authenticated payments used in every industry, be it banking, eCommerce, FinTech or healthcare.

THE KEY TO CREATING SCALE AMID A CRISIS

ALLEN
SIMPSON
Acting CEO

LONDON
& PARTNERS

It's striking how important new technologies have been for societies in the pandemic. Mobile banking, Netflix, Zoom — none of these had significant scale a decade ago, if they existed at all. How much harder socially and economically would this past year have been without them?

But it's equally true that the pandemic came at the right time for these sectors. Crises can be graveyards for emerging businesses just as much as they can be launchpads. The year 2008 saw many innovative businesses fail as investors moved to safety and consumers tightened their belts.

The success of many digital sectors in 2020 shows that this is no longer a frontier space. Investor sentiment, customer penetration and technological foundations are now mature.

London's FinTech ecosystem is an example of how to create this scale, particularly in a regulated sector.

First, you need to have confident-adopter customers. In 2008, only a third of U.K. banking customers used online banking. By the start of the crisis, that had reached 75 percent. Similarly, contactless payments have rocketed in the U.K., from 40 percent in 2019 to 90 percent in 2020. Many of London's retail brands are investing in their digital payment capacity. More recently, companies have been diversifying their digital payment options, incorporating options like crypto; pay, buy now, pay later (BNPL); and biometric payments. The maturity of the consumer base has made digital transactions mainstream in the U.K.

Second, you need deep and broad funding at all stages of the business cycle. Last year, London attracted more inward investments than any other city. Those investors joined a market that was moving from resilience to expansion. London's 3,000 FinTechs have benefited from \$4.1 billion in VC investments since the turn of the year — Europe's largest by far. Part of the reason is the excellence of the sector, but it is also an output of having a strong growth market in AIM. VCs can be confident that they are investing in an ecosystem with a good funding ladder.

Third, you need nimble-footed regulators that can keep pace with innovation. The FCA built on its successful sandbox regime in collaboration with the City of London Corporation to create a digital sandbox model for firms tackling challenges caused by the coronavirus pandemic, such as fraud prevention and access to finance.

Fourth, you need diverse skills. Betamax is a lesson from history that superior technology itself isn't enough to guarantee success. FinTech businesses need design, marketing, B2B sales and commercial management skills. There are relatively few "everything cities" like London that are cultural as well as technological centers, able to bring these skills together.

One FinTech that benefited from the London model during the pandemic is London-headquartered Checkout.com. The firm saw a 250 percent increase in transactions from clients including FARFETCH, H&M, Coinbase, Revolut and Klarna, and tripled in valuation to \$15 billion.

High-innovation businesses have proved to be commercially resilient and socially important this year. It's not a coincidence that so many of them are found in dense clusters of excellence like London.

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DIGITAL TECHNOLOGIES ENHANCE THE CUSTOMER EXPERIENCE

**JOHAN
GERBER**
Executive Vice President,
Security and Cyber Innovation



What we experienced during 2020 was a collective display of flexibility across the globe. A broad range of strategies and initiatives were adopted among businesses, governments and communities, showing huge amounts of ingenuity in meeting the same challenge -- keeping us all as healthy and resilient as possible.

Companies and consumers all came to rely on digital technology more than we had ever anticipated. From workout classes to Zoom webinars to online grocery shopping and telemedicine, the list goes on. Our lives have come to revolve around connections – among businesses, governments, ideas, technology and people. And now, those digital

connections are largely driving our interactions.

All of these links bring incredible opportunities while also opening us up to vulnerabilities. There is a common fallacy that the cyber landscape is changing – but in reality, it is expanding. The challenge is that as new companies join the online world, they're facing the same issues businesses did a decade ago. Many are joining the digital ecosystem without the benefit of basic cybersecurity knowledge to ensure that each one of their connection points is safe and secure.

As the number of digital touchpoints grows exponentially, monitoring this complex web of connections can be overwhelming, leaving businesses vulnerable to cyberattacks.

Strategic, intentional investment in deep digital transformation and innovation will be needed to carry us into the future. Layering a sleek digital façade over legacy processes and operations will not be effective. And regardless of the size of the business, or its geography, the key is to make sure the consumer sits at the heart of all digital transformation – to make their lives more convenient, their interactions more seamless and their devices more secure.

We see this as being largely fueled by technologies like artificial intelligence (AI), biometrics, quantum-resistant payments and more. Not only will these technologies help us better manage an ever-growing number of connections and data, but they'll also become increasingly embedded into the customer journey from start to

finish. Next-gen technology is already making the leap from being a tool that infuses the purchase journey with more insight, to being part of the purchase lifecycle itself. Take for example biometrics, which don't just authenticate payments, but are the payment itself, with consumers simply waving to pay. Or your next contactless payment is quantum-resistant – happening in less than half a second, yet three million times harder to break.

Many businesses adapted quickly in 2020 and saw the benefits of moving to digital. But the key to maintaining these benefits will be investing in technologies that address the needs of customers now and in the future. This requires a deep ongoing commitment as well as a focus on doing the basics well.

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**JACK
ALTON**
CEO



THE CUSTOMER IS KING, MORE THAN EVER

Imagine walking into a store with the money and intention to buy a product or service. Then, a suspicious associate treats you like a criminal and asks you to leave. They are just following policy, of course, whatever that may be – but nonetheless, you are now gone, and the likelihood of ever going back to that store is slim.

Seems outrageous, right? And yet, according to a recent Aite Group study, nearly \$450 billion will be lost to digital companies by declining good, genuine customers – a number that is 70 times greater than projected fraud losses in eCommerce for 2021.

Even more damaging, the Sapio Research Survey published in March

of last year reports that “33 percent of all customers falsely declined will never return to that site.”

As the digital shift of 2020 took effect and millions of current and new consumers looked to online channels for their everyday needs, one thing became more and more clear: The customer is still king. And with so many choices online for consumers to choose from, their experience is more important than ever.

Unfortunately, over the past couple of decades, including the last 12 months of hypergrowth, during digital transformation, many of the human elements of everyday communication have been lost. This has been called a “digital gap,” making understanding customers’ intentions across digital channels very challenging.

Understanding whether a visitor is a shopper or buyer, a criminal or a genuine customer, is critical to

maximizing revenue and lifetime value as well as reducing fraud losses. Today, however, using current fraud stacks and CX methods, most companies fall short in truly comprehending the intentions of their customers, and therefore send away literally millions of legitimate customers, many to a competitor.

Fortunately, the digital body language of each visitor can be captured through their behavioral signals. These data come from every tap, type and swipe interaction the customer has with a website, form or application. This digital footprint provides deep insight into the intentions and experience of each user. For instance, behavioral data can reveal whether a user is familiar with the information they are inputting.

Familiarity would be expected from a genuine customer. They know their name, address, email, mobile number, etc., and can fill it in without much thought or hesitation.

The same information provided by someone not familiar with it, like a fraudster, would be easily detected through their behavioral signals and interactions.

Detecting genuine versus fraudulent users can go a long way toward treating customers like, well, customers – and reducing the false positive rates experienced by so many companies. Through behavioral data and analysis, legitimate customers can complete their journey through the site, form or checkout process, increasing satisfaction rates and overall conversion, the ultimate goal of any online institution.

Today more than ever before, the customer is truly king. Detecting genuine customers and helping them complete a friction-free experience will certainly bring today’s financial institutions (Fis) and eCommerce businesses the ROI they’re looking for.

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DIGITAL WORLD: UNLIMITED OPPORTUNITIES, REAL-WORLD PROBLEMS

SCOTT
GALIT
CEO



One of the most humbling and fascinating elements of the past year has been the universality of the global experience. As an international company with more than 25 offices around the world, Payoneer is no stranger to remote work arrangements and virtually connected teams. But for the first time in our 15 years as a company,

we found ourselves sharing the exact same collective experience.

At home, in lockdown, with the internet as our only window to the world, our team of over 1,800 global employees found ourselves apart, together. The pandemic era brought into sharp focus the way the connected economy has leveled the playing field and drawn us all closer,

even as the realities of COVID pushed us into isolation.

As parts of the world begin to enter what looks like a post-pandemic era, businesses are trying to understand which changes are permanent and which were passing fads.

What's here to stay:

The digitalization of commerce took a massive leap in 2020.

Out of necessity, consumers flooded online in unprecedented numbers, and businesses had to keep up or shutter. It no longer matters whether you're a corner store or a big-box retailer; businesses must have a digital presence that allows for online shopping and delivery. Even as physical retail picks up, there's no going back to a non-digital commerce model.

When eCommerce booms, fraud follows. Post-pandemic digital commerce is full of opportunity – not just for businesses, but for

fraudsters, too. The increasingly global nature of eCommerce also widens the playing field for bad actors, while making it harder for any individual business, platform or marketplace to effectively identify and eliminate this fraud. In response, FinTechs are taking an increased role in spotting the fraud that's happening across the digital ecosystem through the use of data and artificial intelligence (AI), and shutting down fraudulent users across platforms.

So, what's not going to last?

Settling for a mediocre digital experience. As companies raced to get online during lockdowns, newly digital storefronts were full of glitchy UIs and poorly integrated commerce functionalities. Left without much choice, consumers were mostly willing to settle. But as digital commerce has become the norm, consumers and businesses alike will abandon carts and retailers if they don't get a seamless, tailored, localized shopping experience.

Isolation. Borders closed. Lockdowns enforced. All of these elements worked to separate us from each other in 2020. Moving forward, it's not just about pent-up demand, it's also about pent-up interaction. As much as we can't see a fully-in-person work model becoming the norm ever again, most companies will lean into hybrid models to bring back some of that face-to-face interaction. While business travel might be slow to recover, personal travel is exploding. And while some parts of the world remain closed to visitors, people are more connected than ever, shopping and working across borders.

Overall, I think it's fair to say that most of the changes aren't going away anytime soon. Now's the time to see which businesses can adapt – which can blend the physical with the digital, the personal with the remote and the local with the global.

A DECADE OF
**DIGITAL
TRANSFORMATION**
IN 12 MONTHS

BANKS CAN DEEPEN DIGITAL TRANSFORMATION THROUGH DEMOCRATIZING DATA FOR SMALL BUSINESSES

TIM
JOSLYN
Chief Technology Officer



The COVID-19 crisis caused a lot of digital transformation to occur at a faster pace than usual. Businesses – particularly small businesses – had to swiftly learn and implement new digital sales and communication channels in order to simply survive.

The few remaining cash-only businesses had to find merchant-acquiring partners for payment terminals to start accepting card payments, as consumers' *use of cash changed* in fear of transmitting the virus.

There is now an opportunity for those merchant-acquiring partners to offer deeper digital experiences for small businesses, and to use the wealth of data at their fingertips to level the playing field between SMBs and their larger counterparts. Through FinTech partnerships, banks can blend issuing and acquiring data to better serve their small business customers and offer them new products, as well as spot things like cash flow problems in advance to build a better relationship with businesses.

One way banks can leverage SMBs' digital transformation and drive it forward is by democratizing data insights and enabling SMBs to offer loyalty programs to consumers beyond simple stamp cards. **Research** has shown that over half of consumers want small businesses to offer loyalty programs, and these SMBs could be missing out on roughly 277 million shoppers

across the U.S., the U.K., Australia and Brazil. With consumers trusting their transactional data with banks 2.5x more than with Google, Apple or Facebook, banks have an opportunity to support SMBs in delivering loyalty schemes – a sentiment shared by 72 percent of consumers interested in using a small business' loyalty program.

By blending the issuing and acquiring data to offer loyalty programs, banks are able to identify when a consumer makes a purchase as well as what that purchase may be, and enable merchants to offer rewards based on consumer shopping habits. Merchants can take full ownership of the program, offering the rewards they choose based on transactional value or the volume of a consumer's purchase. Through an app offered by the bank and linked to a debit card, consumers can collect points to redeem when they make a purchase at any of the merchant partners.

By closing this “loop” between the bank, merchant and consumer, but retaining privacy for all, everyone gets the best of both worlds. Consumers get relevant offers and rewards from the local merchants they care about the most, merchants get more customers and business insights that were previously only available to large retailers like Amazon and Tesco, and banks become the key player in all these relationships – enhancing business customers' experiences and unlocking more value and new products and services.

While small businesses have had to undergo digital transformations quicker than they may have planned, it is now up to banks to help them deepen this, and build a “stickier” relationship between banks and merchants as they grow.

A DECADE OF
**DIGITAL
TRANSFORMATION**
IN 12 MONTHS

A YEAR OF TRANSITION AND DIGITAL ACCELERATION

**TOM
GANDRE**
EVP, Chief Operating Officer



From contactless cards to mobile wallets and digital issuance, the payments industry had front-row seats to a year filled with digital transformation and innovation. Even before the onset of the pandemic, shifting consumer preferences were becoming apparent in the financial services space, with more

consumers adopting online banking, downloading payments apps and changing the ways in which they interact with their financial institutions (FIs). Fast-forward to today, and these changes have become permanent habits and ways of life. Digital-first strategies have now pivoted to become “digital-always” strategies.

Over the past 12 months, many consumers were introduced to contactless cards, mobile wallets and other solutions that they soon discovered were easy to use, fast and convenient. Tap-and-go offerings gave consumers another option when it came to making payments, while digital issuance provided them with the opportunity to continue transacting even in the absence of a physical card. Buy now, pay later (BNPL) offerings allowed for flexibility in when and how to pay for purchases – as well as the capability for on-the-go budgeting, whether post-purchase, during purchases made online or at the point of sale.

Some consumers may opt to conduct routine banking activities online exclusively moving forward, never stepping foot in a branch again. Armed with tools that make payments and other financial activities easier, many experts – and supporting data – predict that usage of these types of digital offerings will

only continue to increase among consumers as we look to the remainder of 2021 and beyond.

According to [population estimates](#) from the U.S. Census, millennials overtook baby boomers as America's largest generation in 2019, which means financial services providers must have a strategic focus on this generation of digital natives, as well as future generations for whom digital is already the norm. Similarly, younger millennials are the most avid users of mobile banking technology, with 87 percent of credit union members saying they make payments or do banking on their mobile phones, according to [PSCU's 2020 Eye on Payments](#) survey.

To meet these needs and those of other generations, credit unions (CUs) and other FIs should harness the data they have gathered about their members and customers, respectively, to understand how they interact with their institutions

and where they are in their financial journeys. Leveraging customer data to anticipate their needs, FIs are poised to deliver a personalized experience through their customers' preferred channels to connect with them with relevant opportunities.

The shift to digital is here to stay, and should be at the forefront of all FI initiatives. Those not addressing this shift are likely to experience attrition, as consumers choose instead to conduct routine banking activities with FinTechs or other FIs that provide the digital solutions and personalized services they now expect.

The financial services marketplace is crowded, with innovation playing a key role in who succeeds. FIs that are not willing to prioritize and invest in digital solutions and other payments innovations will ultimately fall short of evolving consumer needs and expectations.

A DECADE OF
**DIGITAL
TRANSFORMATION**
IN 12 MONTHS

SAFETY PAVES A PATH TO DIGITAL HEALTHCARE PAYMENTS

DOMINICK
COLABELLA
CEO



Serving as a tipping point for businesses to make a much-needed digital transformation, the pandemic set into motion a union of payment technology, strategic partnerships and business processes that persists today. At Rectangle Health, we continue to observe a steady shift toward the adoption of

digital tools via healthcare payment technology.

Early adopters of healthcare payment technology were prepared for a swift pivot to digitization, but the tragic circumstances of COVID-19 forced many dental, medical and specialty offices to implement essential technology to

meet mandated safety protocols and continue serving their patients. Providers quickly responded, offering telehealth appointments and virtual examinations, while visits to the office were made safer by utilizing modern practice management and payment solutions.

Advanced functionality, from digital registration to contactless payments – which was at one time aspirational – made these new routines indispensable to healthcare offices. The challenges of the last year led the industry to quickly adapt to an increasingly consumer-based model of care, putting the patient more in control of the entire experience.

In the arena of healthcare, Rectangle Health strives to solve the “patient-provider payment predicament” – a longstanding problem of payment expectation. Patients are often unsure of how to pay, when to pay, how much to pay, how often to pay, etc. While practitioners may not seemingly prioritize an easy financial

experience, cost is a top reason for patients to avoid or delay care.

Interestingly, most patients actually want to pay for their healthcare, but confusing bills and unclear or inconvenient payment options serve as a significant barrier in doing so. Now that many practices have adopted new healthcare payment technology to ensure safety and stay viable in a post-pandemic world, these same contactless solutions will help patients to pay – and providers to get paid.

As we move forward, the new path of the patient remains a hybrid experience. Patients still appreciate the inherent safety that comes from consumer-centric payment options. Touchless technology may have begun as a critical response to the pandemic, but its built-in benefits of accessibility, security and simplicity will still be desired by practices and patients. Delivering seamless experiences and complete digital solutions sets the bar for next-generation expectations.

Rectangle Health continues to innovate and anticipate deeper digital change on behalf of the practitioners and organizations we serve.

The future we envision includes continued momentum toward full adoption of digital tools and the strengthening of provider-patient relationships.

Much of what will be utilized is determined by what patients demand and what practices deliver in 2021 and beyond. Tech-savvy patients will prefer the user-friendly features discovered within this digital transformation, whereas others might take comfort in a more traditional way of working with their practitioners. For most patients and providers, there is simply no turning back – and overall, both will benefit from these timely and necessary improvements. In preparing for what’s next, successful practices will offer every payment modality to complete their patients’ healthcare experience.

A DECADE OF
**DIGITAL
TRANSFORMATION**
IN 12 MONTHS



**ANAMIKA
LASSER**
Chief Experience Officer

RIGHTPOINT
a genpact company

THE PARADOX OF PAYMENTS CHOICE

The pandemic has changed the way we do almost everything. While this has certainly upended life as we once knew it, there are some things that were already set in motion and shifting even before COVID-19 hit. Case in point: Payment options have proliferated, but the extensive options cause more confusion in thinking about how to pay. The

next mountain we need to climb is mastering the payments experience, and how it can be smart enough to hide those payment options that aren't relevant to the buyer, or to tell them which payment options work best.

Experiences have now become the staple by which various aspects of a business are measured. For example,

every touchpoint is a potential opportunity for a sale, both in the physical and digital world. The entire experience can be summed up in just one interaction.

Payments is a great enabler, as it is the mechanism that allows a company to serve a customer, in any which way and at any given point. I like to think of it as a condensing of the digital universe – or as a condensing of all the things and areas that were available to us before the pandemic. Now more than ever, payments are boiled down to a single thing.

Take, for example, all these different payment platforms – from bitcoin to Apple Wallet, etc. We are finding that consumers want to use the method that serves them best at any given moment. Now, we're seeing the importance for businesses to be able to put forth the proper payment platform for any specific scenario in order for a consumer to get what they want.

Consumers don't necessarily need more payment options – they need the best option at the right time. For example, Amazon now provides an option to pay by credit card points if the consumer registers their American Express card as a payment method. Imagine the application telling you that if you use a certain payment method, you'll get more airline points or a credit card reward.

This is a collision – or a proliferation of choice – that is happening, and consumers need to know the right choice for the right moment. I see this happening most frequently in the world of products. Extending this recommendation and filter to show the user the best payment option at the time of purchase refines the process even more, making it seamless with the product selection process. In a similar vein, payment products can help consumers make the best choice among their various payment options.

Given that this proliferation of choice has already impacted certain business verticals, I expect that it will also find its way into others – especially those businesses that impact complex areas such as healthcare, real estate and FinTech.

You could say that in some ways, payments are the next CPG. The proliferation of choice is less about the next big payment platform, but it will require that a company nails which payment platform to use at the right time.

Before the pandemic, we saw most people using a combination of payment platforms. In that time, we saw the acceleration from cash to credit cards to digital payments.

The acceleration that's happening now is with payments, and I look forward to seeing which companies will take that leap to improve the customer experience and the types of payments they offer at certain touchpoints in the purchasing journey, making for a great experience all around.

A DECADE OF
**DIGITAL
TRANSFORMATION**
IN 12 MONTHS

NEXT-GEN PAYMENTS: A TREND THAT IS HERE TO STAY

CHARLIE
YOUAKIM
CEO



The COVID-19 pandemic turned the world upside down, with many businesses forced to adapt on the fly and accelerate their digital transformation. In particular, payments, commerce and the connected ecosystem were rapidly

reshaped and reformed, altering the way business was conducted.

Now that the country is continuing to reopen and the economy is moving closer to a pre-pandemic level, the question has emerged: What deep-impact trends are actually here to

stay? Even though it is early, we are already beginning to see some trends that are poised to last — particularly related to payments of the next generation.

For so many people, alternative payments like the buy now, pay later (BNPL) trend became an attractive option in 2020 — and it's not going anywhere. This should not come as a surprise. Last year, there was a surge in eCommerce. As brick-and-mortar stores around the country had to close their doors due to statewide shutdowns, businesses were forced to shift to a digital marketplace. With the rise in eCommerce also came a strong interest in alternative spending options. Through BNPL, consumers found an option that allowed them financial flexibility, as they could shop and pay in interest-free installments at certain stores — something that was especially helpful for those financially impacted by the pandemic. Additionally, through BNPL, companies have

been able to expand their overall consumer base, making it an appealing option for them as well.

The shift toward a new generation of digital payments has been meteoric. Consider that last year, BNPL services were up roughly 78 percent. However, it is not surprising to see the escalating popularity of BNPL in the United States, especially considering its prevalence overseas. In fact, according to data from [FIS Global](#), BNPL accounted for over 7 percent of eCommerce transactions last year. And in Sweden, nearly a quarter of eCommerce transactions were done through BNPL.

The popularity of BNPL shows no signs of slowing down. According to the [2021 Global Payments Report](#) by Worldpay from FIS, the BNPL market is projected to grow by an astounding 181 percent by 2024. Additionally, BNPL is expected to make up 4 percent of total eCommerce spending by 2024.

It seems like each day, a new company embraces BNPL. For businesses that have increasingly relied on a digital marketplace over the past year-plus, BNPL can attract new consumers who may not have been there before. Recent data has shown that those consumers who have embraced BNPL are not isolated users. According to a [survey from Cardify.ai](#), 55 percent of consumers said they used BNPL one or two times last year. Roughly 25 percent said they used it between three and five times, while 10 percent noted that they use BNPL on a consistent basis.

Ultimately, as the country begins to rebound and the economy heads toward a pre-COVID level, it is clear that there will be permanent changes to the marketplace. And as the last year has shown, the rise of digital payments and BNPL are changes that are here to stay.

A DECADE OF
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NAVIGATING THE 'FRAUD ECONOMY' IN THE DIGITAL ERA

MARC
OLESEN
President and CEO



The pandemic has forced many retailers to rapidly increase their online presence to meet shoppers where they are. But this digital shift has also created a wealth of opportunity for fraudsters to take advantage of the expanding fraud economy to execute new attacks.

As the amount of money spent by online shoppers **nearly doubled** last year, fraudsters followed climbing transaction volumes and new consumer behaviors to drive the average value of attempted fraudulent purchases up by **69 percent year over year**.

However, fraudsters didn't just evolve by setting their sights on higher-value targets – they have also expanded the ways they plan and execute their schemes. Secure messaging apps like Telegram, for example, have become popular venues for seasoned scammers to offer their services to more casual fraudsters merely looking to score discounted merchandise.

The shift to new channels highlights an important change in the fraud economy. It no longer takes a group of state-sponsored hackers with years of experience to take down a merchant. Small, frequent and easily scalable attacks – such as professional bad actors offering opportunistic fraudsters a **cheap meal** at a discount using a stolen credit card on Telegram forums – can have a huge impact on businesses' bottom lines.

As fraudsters adopted new methods during the pandemic,

merchants have faced the challenge of balancing rigorous anti-fraud measures with optimizing the experience of legitimate customers.

False positives (also called customer insults), whereby a legitimate interaction or transaction is flagged as fraudulent, not only causes costly friction within the user experience, but can also cause brand damage and sever customer relationships altogether. In fact, **25 percent** of consumers stated that they would buy from the competition after having their transaction denied by a brand. With nearly limitless eCommerce options at their fingertips, consumers are increasingly fickle and won't hesitate to give another brand their business if friction interrupts their experience.

The pandemic also supercharged emerging fulfillment options like buy online, pick up in-store (BOPIS) and buy online, return in-store (BORIS), which I believe will remain

popular well beyond the pandemic. While these methods enable omnichannel merchants to further meet customers wherever they are, businesses must also consider the risks that make them more vulnerable to fraud within these new processes, such as lack of billing information or ID checks at curbside pickup.

The key to staying ahead of fraud vectors targeting the eCommerce industry in the post-pandemic economy is to evolve beyond legacy approaches and adopt a digital trust and safety strategy – one that dynamically addresses fraud without impacting the shopping experience for legitimate customers. By adopting a more holistic approach to fraud, merchants can keep the bad actors at bay, while continuing to provide a seamless customer experience and growing revenue.

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MOVING CLOSER TO BORDERLESS COMMERCE WITH LOCAL SOLUTIONS

DENELLE
DIXON

CEO and Executive Director



One of the key learnings from 2020 is that, however rigid we perceive them to be, national borders do not prevent the spread of pandemics nor stop the flow of commerce. While the world is fragmented by borders, we are all connected by economic demands – and we feel their impact on the way business gets done. The sudden and unexpected nature

of the COVID-19 pandemic forced rapid change in consumer financial behavior in every sector. In the developing world, it was a catalyst for innovation at the local level, enabled by accessibility to open platforms that connect to the global financial system.

The last year showed us that the needs at the regional/local level have

significant global implications for the financial system. COVID-19 has accelerated digital transformation across industries and around the world. For example, regions like Latin America still have a largely cash-based economy, with 91 percent of transactions in Mexico still being made in cash as recently as 2020.

With the arrival of COVID-19, people were suddenly afraid to use cash, which caused the demand for digital alternatives to skyrocket. In 2020 alone, we saw 13 million Visa cardholders in Latin America make their first-ever online transactions, which likely would not have happened without the influence of a pandemic.

And, although we are hopefully rounding the corner in our fight against the virus, we don't see digital transformation slowing anytime soon. As needs and preferences

changed, local companies stepped in to develop solutions for their own communities, and that's a good thing. With dramatic increases in unemployment and impact on the working poor ([UN.org](https://www.un.org/)), global remittances became even more essential during the pandemic – but due to the fear of waiting in lines, going into markets and being in large crowds, logistics were challenging.

As a result, people became more open to using digital tools for payments and cross-border transactions – many developed by locals who leveraged blockchain technology and stablecoins to meet local needs. Using stable digital assets pegged to local currencies, locally developed applications such as [Leaf Global](#), [Saldo](#), [ClickPesa](#), [Anclap](#), [Biccoss](#), [Perahub](#) and [Tempo](#) are meeting the needs of specific regions and making the necessary global connections.

In the last 12 months, more time, money, creativity and talent have been focused on the digital payments space, out of necessity. We look forward to seeing even more local innovators addressing challenges in their own regions, leveraging their lived experience and open technology – like Stellar – to develop their own brilliant and tailored solutions.

At Stellar Development Foundation, we're enthusiastically supporting local developers and their efforts to solve real-world challenges where the economic effects of the pandemic have been felt most acutely.

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CREATING FRICTIONLESS PAYMENT EXPERIENCES WITH THE POWER OF DIGITAL



BRIAN
BOGOSIAN
President and CEO

sticky.io®

After the masks are removed, after the pandemic is firmly in the rearview mirror, the retail landscape will be irrevocably changed.

Many – perhaps even most – merchants found themselves unprepared for the great digital shift when the coronavirus hit.

But they learned to adapt with speed and flexibility, fast-tracking omnichannel efforts, beefing up their eCommerce capabilities and adding in-store pickup and curbside delivery.

Consumers are continuing, and will continue, to buy things online that they otherwise would have purchased in-store. The seismic shift from brick-and-mortar commerce

to mobile/digital channels is reminiscent of the way department stores and big-box retailers, only a few decades ago, jolted “Main Street” firms.

Consumers have become more adept at, and open to, trying new subscriptions and other types of commerce experiences. Companies need to meet those consumers where they want to be met, and going direct-to-consumer (D2C) should no longer be optional. The real question merchants should be asking is: “How soon can I create a D2C offering?” The discussions may have been happening already, but COVID has expedited the process.

At a high level, there may be significant variances among groups, cultures and backgrounds, but the convenience of making purchases online will have sweeping and permanent effects on the economic landscape.

For retailers and their providers, the convenience of providing a frictionless experience – one that’s flexible and adaptable to the individual based on their personal preferences – will have a far-reaching effect on the global retail economy.

Speaking of those firms: The differences between winners and losers will be very stark. Data, and how data is used, will determine who wins and who loses. Understanding the personal habits of the consumer – and how, where and when they want to shop – will have a profound impact on the way commerce is conducted. A digital transformation is not just about digitizing operations, but also about gaining a holistic view of the customer.

There will be at least some behaviors that revert to in-person interactions. For example, I like to pick out my produce at the market, by hand.

But beyond some of those isolated examples, the pandemic has

fostered permanent changes to the economic landscape. Merchants that have a path to the consumer that is uninterrupted even in the face of, say, a pandemic or other global emergency will see a profound effect on their business. The business itself will be omnichannel.

Reflecting on the changes in payments, transactions have shifted from a mixture of credit, debit and cash to largely credit and debit – and, in some cases, alternative currencies. Relative to the transaction, it’s very important to create a frictionless experience for consumers – an easy way of making a purchase with the fewest number of motions and steps to get to closing. Financing transactions over time is also becoming increasingly popular.

We’ll continue to see innovation on the payment side to create robust options for consumers that provide value and flexibility for them to manage various cash flows.

A DECADE OF
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PAYMENT CHANGES FORCED BY THE PANDEMIC PROVIDE BUSINESSES WITH COMPETITIVE ADVANTAGES

JIM
ARAMANDA
CEO



There is no question that the COVID-19 pandemic rapidly accelerated society's shift to digital commerce, from shopping to banking to collaboration and, of course, to payments. In fact, digitization in all forms became the norm during the pandemic, instead of something that was previously considered as leading-edge.

The acceleration to digital in many instances was eye-opening. In the period of a few weeks in March and April 2020, most of the corporate world shifted to virtual offices and quickly adopted video conferencing, such as Zoom, Webex and Microsoft Teams, as well as other digital collaboration tools. Amazon and larger retailers saw a boom in online orders.

Other retailers, including many local businesses, quickly enhanced online purchasing capabilities – often with contactless delivery or pickup options – when stay-at-home orders shuttered many small businesses. And restaurants pivoted to online ordering for takeout and delivery, many times in partnership with gig economy companies such as Grubhub and Uber Eats.

Underpinning the shift to digital commerce was, and still is, the ability

to make payments smoothly and efficiently. Prior to the pandemic, 75 percent of Americans favored online banking – but once pandemic restrictions set in, the number rose to **87 percent**. This trend looks like it will remain, with only **6 percent** of Americans planning to shift back to in-person banking now that the pandemic is winding down, and another study showing that **84 percent** of consumers will maintain their digital banking habits even as financial institutions’ in-person operations normalize.

On the payments front, the shift to meet the growing needs of digital commerce accelerated the move to digital payments, a trend the industry has been seeing for a number of years. An Accenture **report** found that payments will see almost \$7 trillion move from cash to digital payments by 2023, which will grow to \$48 trillion by 2030.

The shift to faster payments since 2020 is something that will likely continue, and will outlast many of the pandemic trends we have witnessed. This desire for instant availability of funds is increasingly viewed as a competitive advantage by businesses, and faster payment systems provide this real-time capability. For example, the RTP® network – the real-time payments network run by The Clearing House that offers 24/7 availability and simultaneous clearing and settlement with additional messaging capabilities – is seeing workers receive instant wage payouts at the end of every shift via DailyPay, while Paychex offers employers the ability to initiate real-time payroll payments at any time. This type of flexibility with payroll and earned wages offers retailers, restaurants and gig economy companies, such as Grubhub and Uber, a competitive advantage in the battle to attract workers and drivers from rivals.

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Another example of how real-time payments provides a competitive advantage is with digital wallets, which many consumers use to send and receive payments. Digital wallets such as [Digit](#), PayPal and others now use TCH's RTP network to return funds instantly to their customers' bank accounts. And Digit reports that this has created a customer experience that has proven valuable and can be monetized in a way that using the ACH system to return funds cannot.

Similarly, other businesses also view real-time payments as a competitive advantage – especially during the pandemic, when cash flow concerns for consumers was challenging. Many financial companies see how real-time payments deliver a superior customer service experience and are working to move payments – especially consumer payments – to real time. [Modern Treasury](#), a provider of payment operation and

treasury management solutions, now offers technology solutions that enable financial companies to make payments instantly over the RTP network.

Small and medium-sized businesses, which often struggled with cash flow during the pandemic, also took advantage of a new real-time merchant funding product provided by [Elavon](#), a merchant payment processing provider, in partnership with US Bank, which uses the RTP network. With real-time merchant funding, businesses are able to receive a payout from that day's receipts to help with immediate needs, such as purchasing inventory, paying workers or dealing with other urgent expenses.

Another example is in the online gaming and sports wagering space, where customers have always been able to place a bet immediately after opening an account. But until

recently, payouts often took many days. Now, certain online gaming apps, such as Draft Kings, Fanduel and Bet Fair – through Mazooma, a provider of payment processing services for online gaming and sports wagering, in partnership with Fifth Third Bank – can make [instant payouts](#) of their customers' winnings directly to their bank accounts. Instant payouts are new to the sports wagering industry, and the capability provides companies with a distinct advantage over other platforms that rely on other payout options.

In short, the pandemic accelerated payments innovation, and specifically moved faster payments into the mainstream. Quite frankly, there is no going back to slower payment methods now that businesses and consumers have experienced the benefits of real-time faster payments.

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HOW TO MODERNIZE PAYMENTS AND THRIVE POST-PANDEMIC

GREG
BLOH
CEO



The outdated approaches to payment processing that many businesses have relied on for years became a serious liability during the pandemic. Making and receiving check payments is harder when staff can't get into the office, as they waste more time chasing down approvals and payment information. Managing cash flow is tricky. And

businesses may be forced to choose between circumventing checks and balances and getting suppliers paid.

The root of the problem is the hodgepodge of point solutions and closed-loop payment networks that most businesses use to make and receive payments. Each point solution and network comes with its own passwords and logins, file

formats, account requirements and proprietary integrations. And many of these solutions and networks were built around checks and paper remittances.

The result is inefficiencies, unnecessary complexity and risk across the payment lifecycle. Accounts payable (AP) and accounts receivable (AR) practitioners spend most of their time keying (and rekeying) data, shuffling paper and chasing down information. In fact, AP and AR managers typically spend more of their workday on transaction processing than on the managerial tasks they were hired to perform. And poorly integrated systems create rework, payment and data silos, poor treasury connectivity and delays in getting information to downstream systems. Worse, no one can ever be sure where payments stand, making working capital management an uphill battle.

As economies begin to reopen and businesses gradually bring their

employees back to the office, senior management is focused on how to return to growth. For businesses to succeed post-pandemic, they must find ways to reduce costs, eliminate inefficiencies and complexity, achieve real-time cash flow and corporate spending, enhance the customer experience and mitigate the risk of fraud.

That's why businesses of all sizes are accelerating their efforts to radically transform their underlying payments processes and cost structure. Over the past year, it's become increasingly clear that separate payment systems and closed-loop payment networks won't cut it in the new normal.

Embedded payment solutions go a long way toward helping businesses modernize their payments and thrive post-pandemic. Embedded payments solutions seamlessly integrate with any legacy software or ERP application. AP and AR professionals can manage their

payments from familiar screens and without having to log into another system. Multi-rail capabilities enable businesses to disburse or receive payments in any format or using any payment network. One or more payments can be made in real time or scheduled for later. Supplier payment preferences and payment terms are managed automatically. Rich remittance details flow with the payments and are uploaded directly to the supplier's ERP touch-free. And payment data is reconciled in real time.

Shortcomings in the way businesses make and receive payments were exposed and exacerbated during the pandemic. Digitizing payments won't singlehandedly solve these problems. To help their businesses thrive in the post-pandemic normal, AP and AR professionals must rethink the point solutions and closed-loop payment networks that they use to disburse and receive payments.

Embedded payment solutions will do just that.

A DECADE OF
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FROM LOCAL TO CROSS-BORDER: A FINANCIAL SERVICES AWAKENING



RAN
GRUSHKOWSKY
COO/CTO

USEND
SEND MONEY WORLDWIDE

As some of our pandemic pastimes and requirements fade away, we enter a new transitional period where our global economies react to shocks and impacts that were staved off until now due to government policy interventions.

Along the way, the pandemic woke up many consumers and businesses to the mortal fragility of their local economies and finances. Hard truths were realized and difficult paths forward were embarked upon in the name of self-preservation.

Among those was an increased interest in cross-border global financial diversification. Put simply: If local economies or government backstops cannot sufficiently be relied upon, how does one protect themselves?

One emergent strategy is de-risking from volatile currencies or banking systems by storing assets or transacting in more developed countries. This happened during the pandemic, but should continue to increase as consumers and businesses recognize future triggers locally and take action.

In the last five years, many FinTechs have launched cross-border digital accounts, leveraging the nimble nature of software and innovative

product offerings with the licensing and traditional infrastructure of a bank. To date, many of these products were built to satisfy the use case of individuals living and working in a different country than their origin in Europe. The same core technology and functionality can be applied in other global regions, with different motivating factors and use cases.

Global asset holding and financial services need not strictly be for the Fortune 500 companies and high-net-worth individuals of the world. The pipes exist, but it requires innovative, technology-enabled compliance experts to build, install and expose the connection valves between legacy providers across borders.

Items such as multi-currency accounts, cross-border debit cards, securities trading, making/accepting business payments, credit, lending and cryptocurrency finance are fairly commonplace on their own, but unavailable in cross-border structures. Bringing products like these to market can lift up individuals and businesses and give them the security they seek.

As companies continue to build this infrastructure, the cross-border financial services possibilities expand and the opportunity flywheel surges into motion. Innovators will pursue business models that add value for consumers and businesses at every level of the income pyramid. This is the democratization of cross-border financial services.

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BUSINESSES MUST EMBRACE THE DIGITAL-FIRST MODEL TO DELIVER EXCEPTIONAL PAYMENT EXPERIENCES

CRAIG
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versapay™

At Versapay, we believe the pandemic has driven a lasting and significant digital transformation across industries — specifically with respect to how companies engage with their customers.

Consumer-oriented companies were already well down this road, but the pandemic has accelerated their move to a “digital-first” model. The year 2020 forced consumers to go digital, with those that hadn’t yet done so discovering the benefits of

being online: speed, convenience, more choice, richer information and more.

Will consumers go back to stores? Of course. But they will shop online first. The same is true for business customers. Their vendors, however — suppliers of goods and services to businesses — were much earlier in their digital journeys, and are well-positioned to capitalize on the evolving expectations of buyers.

The pandemic was a shock to our collective systems, and industries and business functions that were reticent to change have been forced to adopt new systems as a result of this great digital shift. In today's environment, certainty is scarce — but we can confidently predict, for better or worse, that the post-sale experience in B2B will be entirely digital.

And this in and of itself presents suppliers with immense opportunities for transformation and growth. We believe that suppliers that can embrace digitization to offer superior end-to-end digital experiences to their business customers — from shopping and ordering to invoicing and payment — will ultimately attract more customers and achieve lasting competitive advantage.

As part of this shift toward digital payment experiences, organizations are now looking for intuitive platforms that help digitize, automate and optimize the invoice-to-cash process in its entirety. The pandemic has forced suppliers to overhaul their business models and adapt to survive. This is especially prevalent in respect to payments. Digitization and the transformation of accounting functions is here to

stay, as better business decisions are rooted in modernization and data transparency.

In accelerating digitization, the pandemic has exposed some glaring deficiencies in how B2B buying experiences are imagined, but that's all about to change. For example, whereas eCommerce was previously associated with smaller, more immediate purchases, we're seeing more and more B2B decision-makers being open to making fully self-serve or remote purchases in excess of tens of thousands of dollars.

This is a vastly different experience than what we were experiencing a year ago, and is a trend that is unlikely to cease.

A DECADE OF
**DIGITAL
TRANSFORMATION**
IN 12 MONTHS

SECURITY AND COMPLIANCE SHIFT FROM BARRIERS TO COMPETITIVE ADVANTAGES

The past year has been a sea change for eCommerce payments and aligned sectors, and will be looked back on as just the preamble for an era of unprecedented investment, growth and innovation for the digital economy. The barriers for any company to become a digitally native company – and for any digitally

native company to become a FinTech company – have never been lower.

Firms are bringing payment processing in-house, aggregating their information, issuing cards and pushing funds in faster, more meaningful ways than ever before. Elsewhere, the once-nascent fields of digital medicine and telemedicine are now sectors in their own right.

MAHMOUD
ABDELKADER
CEO



While tremendous opportunity exists, a great leveling is occurring where young and old entrants into this space are confronting opportunity costs that impact time to market and developer resources in a new way. Low barriers to entry mean strong competition at all levels. The firms that will thrive in this new environment understand that time to market following proof of concept will make or break an offering. The difference between having a competitive edge and lagging behind is now a matter of months or even weeks.

Several years ago, liabilities around compliance and data security were a chief suppressor of potential market entrants and product development. While security threats and compliance requirements

continue to escalate, some forward-thinking companies are accelerating the delivery of new digital products and services with what we call the “Zero Data approach.” With this approach, companies can decouple the business value of sensitive data from the related security and compliance liabilities and risks. This approach replaces sensitive information with aliases, allowing firms to use aliased data freely without ever accessing the raw data. Avoiding the acceptance, storage or transmission of sensitive data significantly reduces time and cost in areas like building in-house security and PCI compliance.

With Zero Data, customers retain control of their information and can use their data in new and innovative ways to grow top-line, understand

the market, reduce costs and improve customer experiences. One example of harnessing this data is through payment optimization, where firms can strategically direct payment transactions across multiple processors to realize efficient pricing, instant payouts or direct volume toward processors that specialize in a certain vertical.

With Zero Data, security and compliance are no longer hurdles to get over or time-to-market roadblocks, but competitive differentiators in a competitive space.

Let’s all welcome the global digital economy to the 21st century.

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DIRECT-TO-CONSUMER: PRIORITIZING PERSONALIZATION AND USER EXPERIENCE

The rate of digital transformation over the past 12 months has been astonishing, especially in the direct-to-consumer (D2C) subscription space. While agile brands have been quick to transform their business models to maintain connections and relevance with subscribers, they will need to continue to deliver innovation to

keep up their end of the relationship. Having the right data at the right time will enable savvy businesses to move further, faster.

The Impact of the Pandemic

While the pandemic has had a negative impact on much of the economy, the subscription eCommerce industry has been booming. Traditional retail companies

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saw sales shrink by an average of 10 percent in 2020, but subscription businesses grew by about 12 percent – with OTT video streaming, digital media and eLearning subscriptions growing by over 25 percent.⁶ Overall, the subscription eCommerce market is expected to grow at a CAGR of 68 percent to reach \$478.2 billion by 2025.⁷

During the pandemic, many consumers were unable or unwilling to enter retail stores. They have grown accustomed to the convenience of having products arrive on their devices or doorsteps on a regular basis. This has forged deeper customer relationships that are more than purely commercial. Innovative brands have created a social community that helps people feel connected at a time when they couldn't socialize in person.

Overcoming a Crowded Marketplace

For subscription brands, the downside of this transformation is a crowded market. Personalization and user experience have become the key battleground for differentiation. Global players like Amazon, Apple and Disney have set the bar exceptionally high, leading consumers to expect effortless experiences anyplace, anytime.

Underpinning great user experience is effective user management, requiring the interlinking of identity, behavior and subscription intelligence to deliver seamless experiences across every product and device. With relevant content and frictionless transactions, users will be incentivized to stick around beyond the pandemic. Monitoring subscription data and metrics will help businesses capitalize on

increases in site and social traffic, set up new accounts with free trials or gift subscriptions, better understand and deal with churn, and make more predictable revenue forecasts.

From Transactions to Personalized Experiences

Maintaining and growing a D2C business means moving from a transactional relationship to a personalized relationship. This means transitioning from basic identity management to compelling user management: combining digital identity for every individual with tools to manage households and groups, entitlements, privacy and granular user-level data. As a result, happier, more engaged consumers will be incentivized to stick around and spend more over the subscription lifetime. For example, Vindicia has found that a 5 percent increase in retention yields at least 42 percent more customers over 24 months.

Creating Compelling, Trusted Experiences

Earning consumer trust is crucial in a world where data underpins the value of many products, and where users are more concerned than ever about privacy. Giving consumers simple tools to manage privacy, security and consent for themselves is essential. Leveraging subscription intelligence to create better individual experiences incorporating data-driven personalization is a crucial competitive differentiator.

Connecting user experience, behavior and subscription data will unlock the potential to sustain past success, market and launch new D2C products, and identify effective strategies for increasing retention – thereby growing customer share of wallet by staying relevant over a long-term relationship.

⁶ www.zuora.com/resource/subscription-economy-index/

⁷ www.prnewswire.com/news-releases/global-subscription-e-commerce-market-is-expected-to-reach-us-478-bn-by-2025cagr-68-univdatos-market-insights-301115593.html

THE STRONGEST DIGITAL PLAYERS WILL REDEFINE THE MARKET

SHELLY
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President,
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WesternUnion **WU**

The pandemic has shifted consumer habits across the globe for good. People were forced to break old habits and use digital options to engage in economic activity in a way we had not before. This was true across many areas of life — from how we worked to how we bought groceries

— and consumer money transfers were no exception to this trend.

As lockdowns took effect, Western Union saw an explosion in its digital money transfer business as revenues for digital transfers soared 38 percent in 2020 compared to 2019. Although 2020 represented a breakthrough

year for digital payments, in truth, it was an acceleration of a trend rather than a revolution – we had seen strong digital growth in our business for many years before the pandemic hit.

Although we had the infrastructure in place to capture the shift in demand to digital, the pandemic brought other challenges. We were all reminded of the need to innovate to enable our customers to continue to provide critical support for loved ones. For example, with approximately 80 percent of first-time WU.com customers net new to the company⁸, we had to pivot to eKYC options, given that our new digital senders could not conduct face-to-face KYC. Discussions with global regulators were undertaken to implement both temporary and permanent eKYC solutions to meet the urgent needs of these customers. Our agility and use of

robust IT and compliance systems were critical to our success.

The big question is how “sticky” the adoption of digital services in cross-border payments (and in the economy at large) will prove to be once life returns to normal. We believe that almost all of our customers who used digital options during the pandemic will continue to do so afterwards. This is in part because the digital experience is extremely convenient and user-friendly, and provides a range of pay-in and pay-out options. Of course, large segments of our customer base live in remote and developing parts of the world, meaning that our vast retail network will remain crucial to them. As these areas of the world slowly improve smartphone and internet access, we expect a contemporaneous adoption of our digital services.

The accelerated adoption of digital provides incredible potential to redefine our relationships with our customers. We have heard that they want more from their relationships with us beyond money transfer services. The global migrant population faces unique challenges, with unique demands in terms of financial services. We want to think more broadly about how we can address these demands – and so, later this year, we are going to market with an interest-bearing bank account for customers, with the ability to hold multiple currencies, starting in two European markets.

In short, as we look ahead to the post-pandemic world, we are moving beyond simply transferring value to providing an ecosystem in which our customers can access a marketplace of products and services designed to promote financial success and well-being.

A DECADE OF
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TRANSFORMATION**
IN 12 MONTHS

⁸ Customers who have not transacted with WU in the prior 12-month period.

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