



# A Dynamic New Year Awaits the Payments Industry

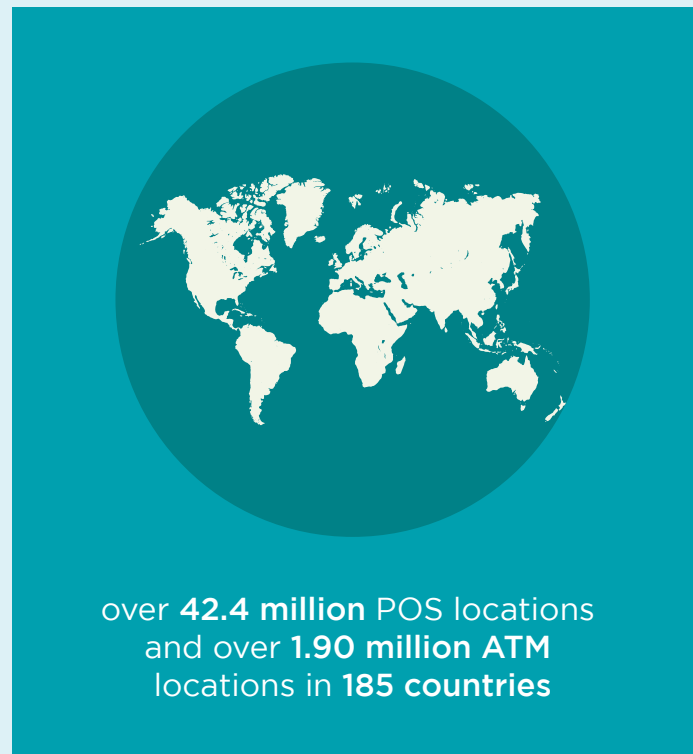
Top analysts in the payments industry are expecting a year of big changes ahead with shifts in the international landscape, the impact of new technology and advances in rapid payment methods. The effect of each of these trends is expected to be felt by both cardholders and merchants as the use of payment cards continues to rise. With 16.4 billion cards in circulation worldwide at the end of 2018, that figure is likely to grow 6 percent per year and reach 23.6 billion cards by 2025, according to a report by RBR.<sup>1</sup>

## Globalization Brings a World of Challenge

Thanks to technological advances, global digitization will continue to present great opportunities. In particular, faster and more seamless international transactions, including consumer-to-business (C2B) payments, are likely to result in an increasing push for cross-border penetration and partnerships.

RuPay, for example, is accepted at over 42.4 million POS locations and over 1.90 million ATM locations in 185 countries and territories worldwide with the help of esteemed partners like Discover, Diners Club, JCB International and Pulse. By creating network-to-network agreements across nations, cross-border expansions throughout the industry are expected to continue.

With these global opportunities, however, the industry confronts a significant technological hurdle. The burgeoning prevalence of QR (Quick Response) codes, particularly in China, Southeast Asia, India, and Latin America, relies on mobile-based technology, not the magnetic strip or chip technology commonly found on many payment cards. Faced with a growing array of technologies, payment companies with huge global alliance partnerships are teaming up with regional companies to give cardholders the flexibility they need to pay the way they want.



## Waging the War Against Fraud

The rapid expansion of digital transaction products, such as mobile payment apps, has meant that guarding against new fraud threats has become paramount.

As such, analysts expect the financial industry to continue focusing on additional protections. “There is no question that the industry

trend toward digitization has left a lasting impression on how those who manage financial crime prioritize and defend investments in their pursuit of a better balance between fraud loss prevention, client experience, regulatory compliance and operating efficiency” wrote Trace Fooshée, Senior Analyst at Aite Group.<sup>2</sup>

To help in this battle, the industry is pushing deeper into the use of artificial intelligence (AI) to create fraud identifiers and deterrence, while self-service security and consumer experience controls increase. “Payments processing is about manipulating large sets of data with highly predictable outcomes, an area in which AI beats human intelligence hands down,” noted Aite Group’s Senior Analyst Ron Van Wezel.<sup>3</sup>

The need to safeguard consumer data through transaction and data security is likely to reach such importance that many analysts expect it to become a top differentiator among industry players in the coming year.



## Consumers Demand Faster, Easier Payments

At the core of many of these changes are the technological advances both driving and responding to the industry’s growth.

With person-to-person (P2P) payments at the forefront of industry innovation in recent years, a push for faster and more seamless payments has been growing for all types of transactions, including consumer-to-business (C2B) and business-to-consumer (B2C). Analysts expect retailers and merchants to increasingly incorporate these new capabilities in response to consumer demands for greater payment flexibility.

Also poised for significant growth, according to the Mercator Advisory Group, is the use of contactless payment cards, especially in the U.S. These so-called tap-and-go cards are expected to further penetrate consumer payment options thanks to increasing confidence in their security, higher payment limits, and the conversion efforts of top issuers. Already, nearly 80 percent of leading retailers in the U.S. are certified to accept these payments, according to Mercator.<sup>4</sup>

RBR’s Chris Herbert said, the industry is expected to grapple with a continued push for lower interchange fees, potentially squeezing the profitability of issuers. On the positive side, though, lower fees could encourage more merchants to accept cards, leading to an increase in both payment card penetration and utilization.

The Indian payments landscape has undergone a drastic shift with customers switching from cash to electronic payments. To motivate Indian customers even further, NPCI took appropriate steps in introducing the RuPay NCMC which provided a mechanism for the inclusion of Low Value Payments (LVPs) within the gambit of electronic payments. RuPay Contactless is the first of its kind in many ways that addresses the concerns of the Indian customer taking the banks and merchants into consideration.

Each of these changes in the industry is expected ultimately to give consumers more choice, greater flexibility, and an improved customer experience. For merchants, these advances will require a continued effort to adapt to new technology, understand the expectations of consumers, and respond to a dynamic market.

<sup>1</sup> London-based research and consulting firm RBR, 2019, Global Payment Cards Data and Forecasts to 2024 – Regional Comparisons, Viewed 10th December, <https://www.rbrlondon.com/research/global-cards/>

<sup>2</sup> Aite Group, 2020, Top 10 Trends in Fraud & AML, 2020: Faster, Higher, Stronger: Self-Service Security Becomes a Competitive Differentiator, Viewed 11th December, <https://aitegroup.com/report/top-10-trends-fraud-aml-2020-faster-higher-stronger>

<sup>3</sup> Aite Group, 2020, Top 10 Trends in Retail Banking & Payments, 2020: Transforming by Elevating the Customer Experience: Payments Intelligence Goes Artificial, Viewed 11th December.

<https://www.aitegroup.com/report/top-10-trends-retail-banking-payments-2020-transforming-elevating-customer-experience>

<sup>4</sup> Mercator Advisory Group, 2019, 2020 Outlook: U.S. Credit Cards. Viewed 9th December,

<https://www.mercatoradvisorygroup.com/uploadedFiles/Mercator%20Advisory%20Group-2020%20Outlook-Credit-November2019.pdf>

<sup>5</sup> Aite Group, 2020, Top 10 Trends in Fraud & AML, 2020: Faster, Higher, Stronger: The Industry Tackles New Sanctions Challenges and Opportunities, Viewed 13th December, <https://aitegroup.com/report/top-10-trends-fraud-aml-2020-faster-higher-stronger>