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Worldpay Payments Report

5 payment trends for financial institutions

By Melissa Kopp,
Senior Leader – Business Development,
Worldpay



Today's global payments landscape features an increasing diversity in form factors and payment channels, rapid technological innovation, and a cardholder base that demands a fast, convenient, and secure experience. For financial institutions, the challenge is to meet cardholders both where they are today and where they plan to be tomorrow, which is increasingly and likely inevitably online.

It's difficult to predict payment trends in an environment where cardholders have access to a dizzying array of new choices, none of which have yet emerged to dominate. Particularly in North America, the combination of entrenched payment habits and legacy infrastructure is slowing the pace of adoption.

However, to help navigate a payments industry undergoing rapid, transformative change, financial institutions should keep an eye on the following five trends.



1. Seeking a secure solution

Security is still top of mind with today's cardholders. According to a recent study, 57 percent of non-mobile banking users cite security as the primary reason they avoid accessing financial information via their smartphone or other mobile device.¹ However, as six in ten American consumers trust banks to safeguard their data ahead of alternative payment providers and other firms, FIs are well-positioned to help ease these fears.²

eWallets offer cardholders both safety and convenience through advanced encryption, tokenization, and device authentication methods. Meanwhile, biometric solutions are providing cardholders with peace of mind both on their mobile device and at the point of sale. For example, Mastercard now allows cardholders to activate biometric-enabled cards by self-registering their fingerprints at home.³

2. Faster payments are around the corner

The deployment of application programming interfaces (APIs) is helping to grow mobile payments and providing cardholders with more options than ever before. In addition, new regulations, government-backed programs, and private initiatives are pushing firms to enable faster payments and strengthen security. These initiatives include the US Federal Reserve's Faster Payments Project, the European Union's Revised Payment Service Directive (PSD2), and industry-backed projects like the Faster Identity Online Alliance and EMVCO's Secure Remote Commerce framework. Industry leaders are also keeping a sharp eye on the World Wide Web Consortium (W3C), which is developing a Payment Request API for browser-based payments.⁴

1. "Payments Trends to Watch in 2019," ABA Banking Journal, November 1, 2018.

2. Ibid.

3. "Mastercard Pioneers Remote Biometric Card Enrollment," Mastercard press release, May 1, 2018. <https://newsroom.mastercard.com/press-releases/mastercard-pioneers-remote-biometric-card-enrollment/>

4. "7 Key Payment Trends to Watch in 2019," by David Heun, Payments Source, December 28, 2018.

3. Payment preferences shift to digital

The digital-only banking wave is finally poised to hit the US market. Worldpay research indicates the eCommerce channel will grow at a pace of 9-10 percent per year through 2022.⁵ Person-to-person (P2P) payments will also remain strong thanks to dominant players like Venmo, Zelle, and Apple Cash Pay. Retailer-branded closed-loop offerings will also present new opportunities within the P2P space in 2019 and beyond.⁶

At the point of sale, digital wallets have been slow to take off in the US, and to date have been more popular globally than in the States. Some industry watchers predict continued slow growth, with Apple Pay leading the way due primarily to its entrenched player status.⁷ However, with cash usage continuing its downward spiral, from 16 percent of payment volume in 2018 to just 11 percent by 2022, Worldpay expects eWallets to absorb much of this migration and double its share of the POS market by 2022, approaching the global average in the next five years.⁸

4. Contactless is ready for its close-up

The US is poised to embrace contactless technology, as most merchants already installed terminals with NFID capabilities in concert with the EMV conversion of a few years ago. However, issuers are still playing catch-up, not only in issuing EMV chip and pin, but also dual-interface plastic with tap-and-go embedded technology. Visa recently announced that up to 100 million contactless Visa cards could be issued by its US member banks in 2019.⁹

5. Global Payments Report, Worldpay, November 2018.

6. "7 Key Payment Trends to Watch in 2019," by David Heun, Payments Source, December 28, 2018.

7. Ibid.

8. Global Payments Report, Worldpay, November 2018.



5. New technologies take hold

Transformative technologies like blockchain, virtual assistants, and the Internet of Things (IoT) have enjoyed strong buzz over the past few years, but still have a long way to go before they offer meaningful value to issuers and cardholders. Further out, "smart cities," envisioned as fully IoT-connected urban landscapes, will employ machine-to-machine advancements to boost the value of cardholder data and drive its exchange into the realm of currency.¹⁰

For banks and credit unions, the most critical action to take now is the proactive pursuit of synergistic collaboration with fintech innovators. To compete with behemoths like Apple and Amazon, both FIs and fintechs recognize they must join forces to offer cardholders a fully seamless, integrated digital experience.

2019 is shaping up as a transformative year for payments. As cardholders increasingly move toward a fully digital experience, financial institutions must take a bird's-eye view. It is no longer enough to view the payments ecosystem in terms of debit versus credit, EMV versus contactless, or mobile versus online versus in-store perspectives. It must be considered from the perspective of consumers' needs and wants, as a channel for enabling commerce. Cardholders desire a fast, convenient, and secure payment experience. To go to market with fully-formed solutions that achieve those aims is the ultimate goal.

Melissa Kopp currently serves as Senior Leader of Business Development at Worldpay. Contact Melissa at Melissa.Kopp@worldpay.com for more information.

8. Global Payments Report, Worldpay, November 2018.

9. "7 Key Payment Trends to Watch in 2019," by David Heun, Payments Source, December 28, 2018.

10. Ibid.



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