

From cash to card, and now mobile: the rise of digital payment

The global payment industry landscape is changing rapidly, with cash being gradually pushed aside by smart card and mobile payments.

PAYMENT

POSTED ON 09.28.16



For instance, in 2014 non-cash payments in the UK overtook cash payment for the first time. In Sweden, according to central bank the Riksbank, cash transactions made up barely 2% of the value of all payments in 2012. Furthermore, South Korea's central bank is planning to eliminate cash by 2020 and many other countries want to follow suit reducing the amount of physical currency in circulation as it is quite costly.

However, we are still far from a cashless society, as it also excludes certain groups from the payment market who do not have access to mobile, credit and debit tools. We will still continue to live with the drawbacks of cash: it is unsanitary, hard to trace and contributes to accounting inaccuracies. In addition, it is a source of tax evasion and money laundering.

Today, card-based payments are widely adopted all around the world. Thanks to chip technology, they offer a particularly secure, quick, user-friendly form of payment..

Furthermore, as large parts of the world is continue to grow economically, the general trend is that cards are being embraced as the dominant means of payment (with some exceptions, notably mPesa in Kenya) to help modernize these economies.

Additionally, answering to the demands of a new generation of "connected customers", mobile payment is on the rise. A constant companion and highly personal, mobile devices provide a practical and appealing means of payment, which continues to grow. Phones are the best way to digitalize not just cash but also cards.

In fact, various types of digital and mobile payment do exist: direct carrier billing, account-based, crypto-currencies, peer-to-peer... But in the medium term, payment cards are likely to continue to dominate mobile payments, as they leverage existing payment infrastructure and offer easier route to market.

However, mobile wallets are much more than just payment tools. They are the cornerstone of a new customer purchase journey. They enable the user to locate stores, receive special offers, rewards, and even financial services (loans, account balances, mortgages...), that are customized for the user. For example, with the right partner, a bank could offer their customers discounts on a holiday to a favorite destination and, in addition, an associated promotional offer.

Mobile wallets provide businesses closer ties and new ways to engage with their customers. In fact, the value doesn't lie in the payment itself, as transaction fees are likely to remain flat in the future. The value lies in the vast amount of data

that mobile money is generating: habits of consumption, preferences, location, shipping address, marital status, credit ratings...

Banks in particular are in a unique position to derive a lot of value from this data. They could reduce risk thanks to better credit scoring and better target and cross sell while enabling the customer to better manage their own money.

Hence it will be managing this data that will be crucial to owning the customer experience, building brand loyalty and targeting the right incentives to the right people at the right time.

This is why you see many large international technology companies entering the payment ecosystem: payment service providers like Paypal, Google, Facebook, handset manufacturers such as Apple and Samsung, retailers such as Starbucks or Walmart. The battle is fierce to own the customer relationship and the data.

Banks do have some handicaps when it comes to entering this market (they have to rely on legacy systems and comply with very stringent regulations) however, they have also a lot of assets: their understanding of the risks, their deep knowledge of financial services and regulations, their expertise in IT security and the most important thing: the trust of their customers.

Safran Identity & Security is the partner of financial institutions for overcoming the challenges of payment today and tomorrow. As a worldwide leader in digital security and biometric authentication, Safran Identity & Security is one of the few companies with end-to-end expertise in digital payment.

We would be happy to welcome you on our stand at Money 2020 Las Vegas to discuss further and for you to experience our innovative payment solutions firsthand.