

Mastering a Dynamic Market

Over the past years, payments industry incumbents have been responding to growing transaction volumes, numerous trends and drivers by:

INVESTING
in cloud computing and other digital technologies to more rapidly address evolving customer preferences and mitigate risk and regulatory obligations

COLLABORATING
with financial technology (fintech) players and other market entrants as strategies and playbooks for partnering continue to evolve

MODERNIZING
organizations and infrastructure to support new service offerings and identify new revenue streams

MERGERS & ACQUISITIONS
to fill in adjacencies and add capabilities and talent to address challenging areas such as cross-border payments, an improved end-to-end payment experience, multi-payment integration, and business-to-business (B2B) payments

2020

2020: The Formulation of “Big Bets”

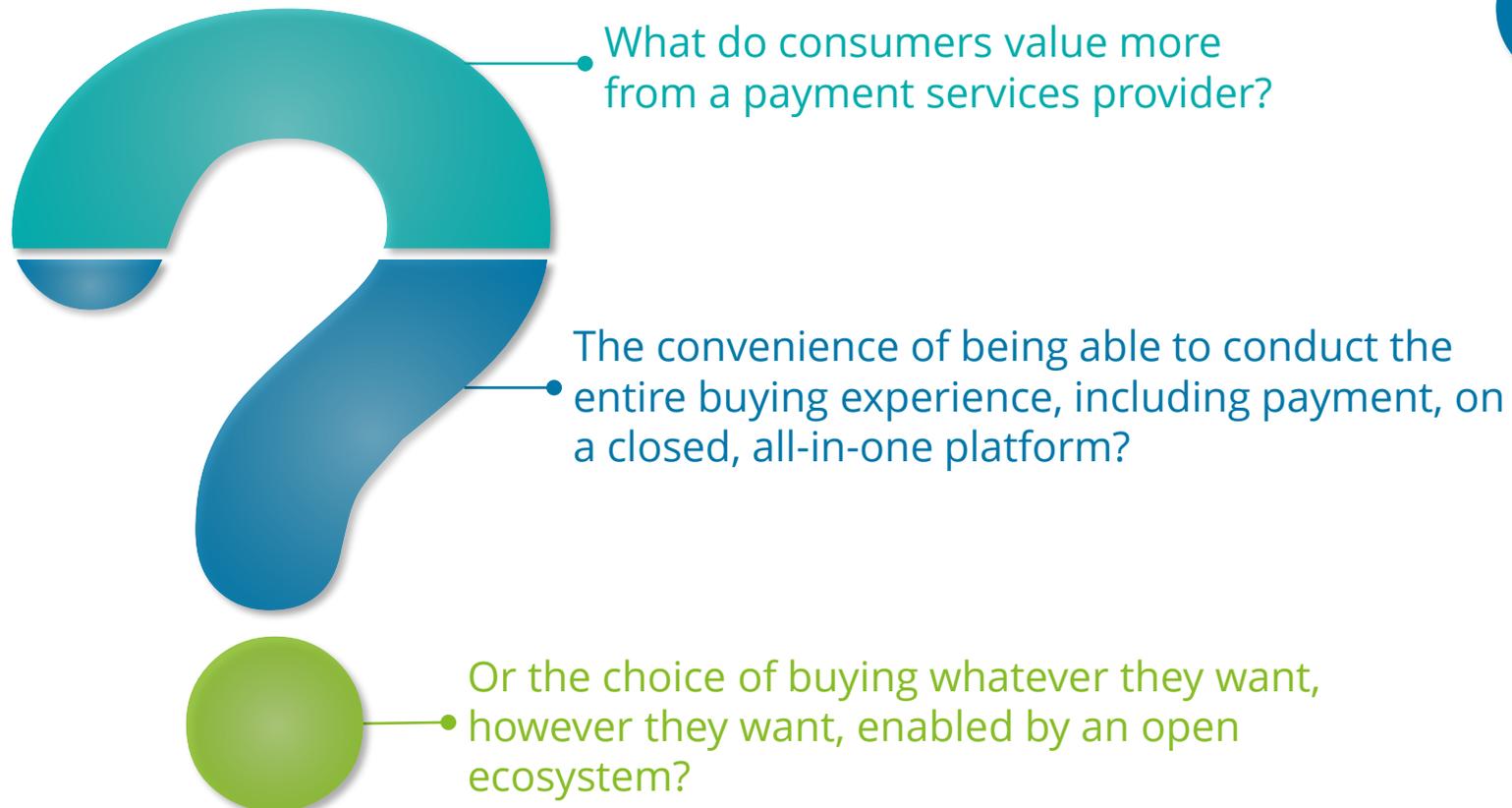
Going all-in on a targeted set of preferred partners and platforms OR going broader in an attempt to service the ecosystem.



Competition Between Closed and Open Systems



An increased competition between established providers of closed and open payments platforms in 2020, vying for a larger share of consumers and businesses.



PAYMENT STRATEGIES FOR 2020

- Developing proprietary payment products that offer increased value within a platform
- Extended financial infrastructure to facilitate commerce across platforms
- Influencing product development, technology selections, integration approaches, and partnership models through those platforms
- Driving greater processing simplification and improved customer engagement

Evolving Payments Economics



Product commoditization and the pursuit of post-M&A value are fueling an evolution in payments economics. Payments providers cannot just react, they should get in front of the emerging trends.

MODERNIZING PAYMENTS INFRASTRUCTURE

Modernization efforts in the form of new rails to process faster/real-time payments (RTP) continue to gather steam: large investments not every player will be able to afford

SOFTWARE-AS-A-SERVICE

Software-enabled strategies aim to drive payment volume by integrating payment capabilities with SaaS solutions

NEW TENETS

Companies are looking to diversify their portfolio with more profitable offerings to increase customer and merchant “stickiness”

DATA ANALYTICS

Payment providers bringing together disparate data across multiple systems in anticipation of customer’s changing needs and expectations

ACQUI-HIRING

Models in which organizations acquire organizations for their critical talent and skills they plan to deploy, enhancing capabilities



New Standards and New Players



Increasing globalization of payment processing highlights the need for new standards to govern the flow of money and protect customer data: noncommercial entities may play a growing role in the ecosystem.



All companies that accept, process, store, or transmit credit card information already must comply with various regulations and standards, applicable in different regions

- Players facilitating inter-regional transactions may find it challenging when money is sent cross-border
- Due to sustained increase in cross-border transaction volume, new payment rails and open solutions, players will need to get their data houses in order
- We expect efforts to be invested around global industry standards, governing payment messaging, interoperability, interfaces, and payment engines
- We expect stronger standards for assessing transaction riskiness, demonstrating traceability in a cross-border payment and facilitating authentication across different forms of transactions



From real-time gross settlement services to supporting faster payments, central institutions want a more active voice in the payments conversation

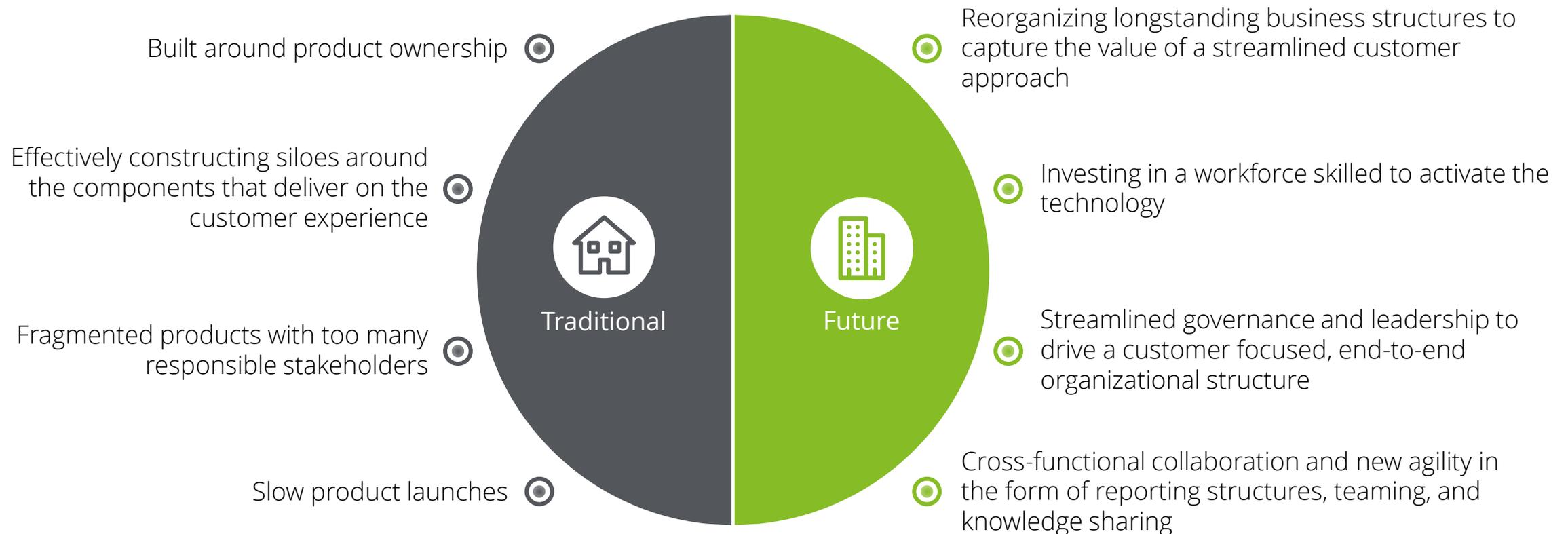
- Defining and overseeing anti-money laundering
- Overseeing know your customer (KYC) standards, conducting greater oversight of industry disruptors
- Demanding greater inclusion in existing payments networks via digitization, digital identification, and other means
- The private sector has appeared to remain focused on developing its strategy around real-time payments (e.g.. recent Bulgarian market initiatives on instant payments expected in Q1 2021)

The Future of Payments Organizations and Talent Implications



As payments organizations continue to transform the way they operate and deliver services, leaders face multiple challenges to stay ahead of the curve.

A payments organization's ability to source, hire, develop, and retain individuals with desirable skills remains critical, especially among decision makers, to maintain a core and proprietary knowledge base in house.



How will COVID-19 accelerate or redirect the payments industry?

We have certainty COVID-19 will change the face of payments globally, agnostic of pandemic severity.



Acceleration of digital adoption

Omnichannel experiences and digital engagement with customers become table stakes



Move toward real-time payments

Faster adoption of real-time payment rails and use cases to accelerate movement of money



Investment in AI-driven automation

Investments in AI-driven automation of back-office processes focused on cost reduction



M&A and ecosystem expansion

Acceleration of M&A activity with focus on acquiring capabilities and digitizing offerings



Innovation in business models

Revenue and margin pressure drive innovation in business models

Thank you!



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