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A close-up photograph of a person's hand holding a credit card. The hand is positioned over several shopping bags of various colors (white, blue, brown, green). The background is blurred, suggesting a retail environment. The lighting is soft and warm.

The Changing Landscape of Retail Payments: Evolution through incremental innovations

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The payments industry has continuously evolved over the last few decades and the pace of change has only increased. Technology has contributed significantly to delivering payment services to the consumer. These changes are driven by the need to increase the lending portfolio reliably with a seamless customer experience.

The recent reincarnation of Buy Now Pay Later products -- as available against other financial services solution such as credit cards -- to a standalone solution financed by FinTechs has taken the industry by storm. This has led to a number of new players, such as Klarna and Afterpay amongst others, achieving significant growth in lending volumes. These FinTechs are lending to the new age population and taking market share away from the traditional card players on short-term credit. The FinTechs are underwriting the risk and it has shown to be a profitable initiative for the now larger players. Additionally, other well-known retail platforms (like Amazon.com and Walmart) have recognized the vast opportunity and are implementing this phenomenon for their customers.

Traditional payment service providers (a.k.a. card issuers) have an opportunity to capitalize on their existing customer relationships to provide revolving credit in a Buy Now Pay Later fashion, independent of card networks. They can use their existing accounts receivable infrastructure to provide this service with changes at the point of sale (POS) to provide the payment option and direct settlement with merchants. These payment providers possess the added advantage of having an existing customer base and credit assessment infrastructure in place under which to make credit allocation decisions. Accelerated deployment of market-ready solutions is the key to ensuring that market share is retained as FinTechs disrupt the marketplace and bigger, steadfast participants seize the opportunity.



In pursuit of superior seamless payment experiences

There are also innovations happening on the merchant side to make payment experiences seamless. A key global trend across large merchants in recent years has been to provision an omnichannel experience to its customers. This is now coming of age, with technology solution providers building out solutions to cater to this need.

Customer touch points have evolved with payment options, such as contactless cards, wallets and QR code-based payments. Each of these payment options have penetrated markets to varying degrees across the globe. Contactless payments have been mainstream in Europe and Australia for the last decade whilst playing catch-up in other markets. QR code payments have had significant acceptance in the Asia Pacific market and are now finding greater acceptance across the globe. The form factor is also evolving with the usage of wearables, such as smart watches and voice enabled payments from devices such as Alexa, finding their way into the payment ecosystem. Digital wallets, an innovation that has been in existence since the emergence of PayPal, is now gaining market share in super app ecosystems with each of the major players coming up with their own proprietary wallets. Card issuers are also moving towards a digital form factor, particularly for their prepaid cards.

In an attempt to significantly improve the shopping experience with a completely seamless payment interface, Amazon has now pioneered the 'just walk out' technology under the brand Amazon Go. They are now offering this

technology to other retailers with the market expected to evolve in the near term. These innovations are leading to the co-existence of various payment options across the globe. The hybrid ecosystem is largely due to market segmentation, not just by geography but also customer demographics and investments for large scale deployment in larger markets.

Constant ecosystem technology updates

These continued changes in improving customer experience and making payments seamless has meant that merchants and their technology service providers must constantly keep their systems up to date. Brick-and-mortar stores have a wide variety of POS infrastructures, and increasing payment options mean constant updates to this ecosystem. The online payment options are relatively easier to change. Aggregated payment gateway service providers enable a faster deployment of the latest technologies for online payment service providers.

We foresee continued evolution of payments with an increasing focus on customer comfort and making payments as seamless as possible. This would require financial services organizations to enhance their technology infrastructure in order to support these advancements and in keeping pace with market leaders. The traditional payments service providers, such as card issuers, need to have a forward-looking business team looking to launch new product options for consumers and, equally as important, is to have a technology team to enable a fast time to market.



JOINING FORCES

is a blog series aimed to showcase the synergies between Synechron's and Attra's SMEs.

Synechron's October 2020 acquisition of Attra allows for multiple complementary offerings across the combined firm. This acquisition expands Synechron's existing digital, consulting, and technology capabilities across the global financial services and insurance industry's landscape. Together, the firms provide a targeted focus on digital transformation, architecture/operating model and application modernization, cloud enablement, critical cybersecurity, and other strategic business solutions.

Read more about this at

<https://www.synechron.com/news/synechron-acquires-attra>

About our **SME**



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