

# «Payspektiven»

## Payment Trend Scouting

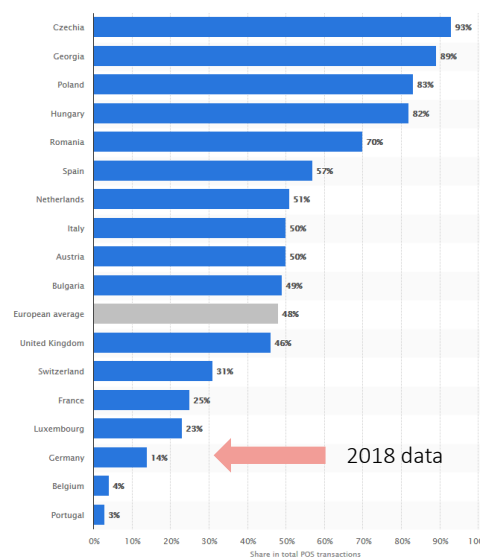
Kurt Schmid, MD Digital Payments @ Netcetera

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## Trends we have seen so far

### Success of contactless card based payments

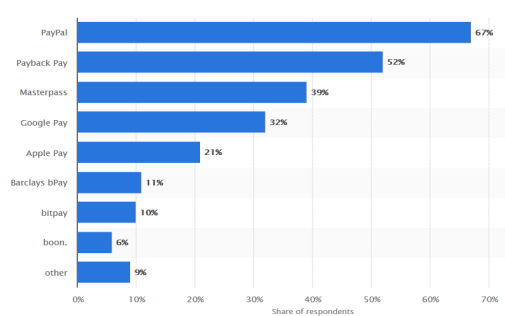
- Despite media criticism on security and data privacy a few years ago
- Germany still lagging behind compared to other countries



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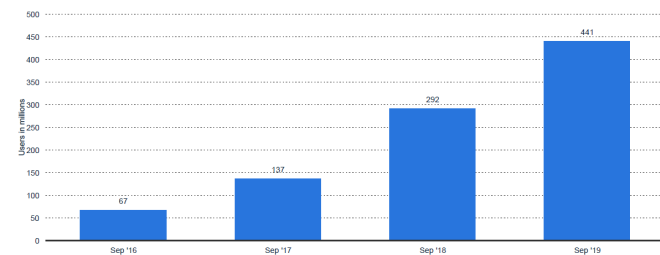
## Trends we have seen so far

- Success of Mobile Payments / Wallets (e.g. Apple Pay)



Details: Germany; January 29 to March 13, 2019; 63 respondents; 18-64 years; respondents who used mobile payment in restaurants, stores and other points of sale in the past 12 months

Number of Apple Pay users worldwide as of September 2019  
Number of Apple Pay users worldwide 2016-2019



Notes: Worldwide, September 2016 to September 2019, year-end estimate  
Further information regarding this statistic can be found on [apple.co.uk](#)  
Source: Apple, Statista, Statista

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## Trends we have seen so far

Use of biometrics for authentication into / within banking apps

Open interfaces to banking to comply to PSD2 via Berlin Group et al API

- All banks expose services
- Some banks consume services to offer view over all bank accounts

Services where banks perform well, top 5 brands

# Free-of-charge cash	%	# Lending conditions	%	# Personal service	%	# Quality of advice	%	# Range of digital services	%
1 DKB	71%	1 ING (Germany)	23%	1 Volksbank	46%	1 Volksbank	44%	1 DKB	43%
2 ING (Germany)	42%	2 DKB	21%	2 Sparkasse	39%	2 Deutsche Bank	39%	2 comdirect	43%
3 comdirect	32%	3 comdirect	17%	3 Sparda-Bank	37%	3 Sparkasse	36%	3 ING (Germany)	38%
4 Deutsche Bank	21%	4 Sparda-Bank	17%	4 Deutsche Bank	36%	4 Commerzbank	33%	4 Commerzbank	33%
5 Commerzbank	21%	5 Commerzbank	12%	5 comdirect	27%	5 Sparda-Bank	32%	5 Postbank	31%

# Range of products	%	# Range of payment options	%	# Security	%	# Terms and conditions	%	# Transparency	%
1 comdirect	21%	1 ING (Germany)	23%	1 Volksbank	42%	1 DKB	86%	1 comdirect	37%
2 ING (Germany)	18%	2 comdirect	22%	2 Sparkasse	39%	2 comdirect	79%	2 DKB	32%
3 Deutsche Bank	16%	3 Commerzbank	17%	3 DKB	38%	3 ING (Germany)	74%	3 Sparda-Bank	23%
4 Volksbank	15%	4 DKB	16%	4 Deutsche Bank	36%	4 Sparda-Bank	58%	4 ING (Germany)	23%
5 BNP Paribas	14%	5 Sparkasse	15%	5 BNP Paribas	36%	5 Postbank	40%	5 Volksbank	21%

\*Which of the following services is your primarily used bank especially good at?; Multi Pick; Base: n= 2,034 all respondents  
Source: Global Consumer Survey as at April 2019

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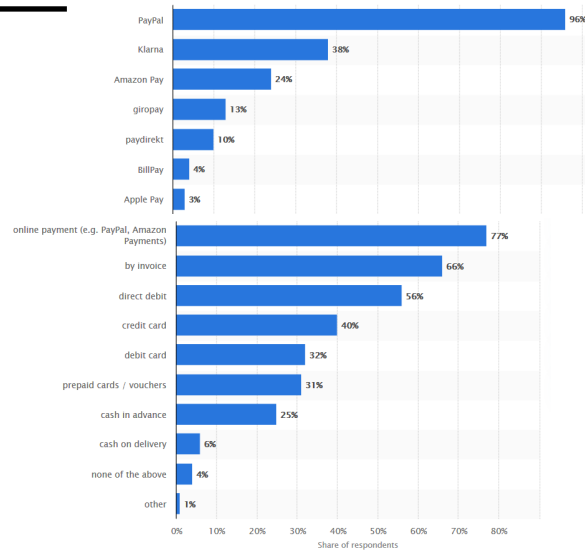
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## Trends we have seen so far

Online payments increasing

Merchants app with payment included

Better UX and trends for invisible payments (Uber, FreeNow...)



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Details: Germany; January 29 to March 13, 2019; 2,072 respondents; 18-64 years

© Statista

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## State of PSD2 SCA

Figure 13. Criticality of challenges faced in complying with SCA requirements



Source: Capgemini Financial Services Analysis, 2019; WPR 2019 online survey responses.

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## Ideas and topics without breakthroughs

Blockchain for standard payments, Asset Tokens, DLT

Payment with Wearables (Cloth, Rings....)

IoT Payments

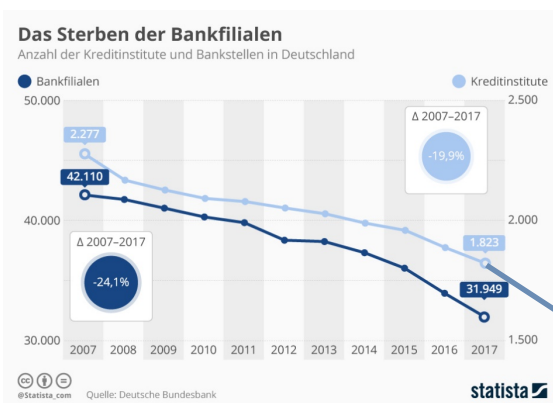
Walk out in-store payments (like Amazon Go)

Access to Account (Statista: In a 2019 survey in the United States, 42 percent of respondents were not aware that some apps used third parties to access users' bank account information, while 19 percent knew that some apps worked like this and 38 percent responded that they were somewhat aware of it.)

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## Banking in Germany where to go?



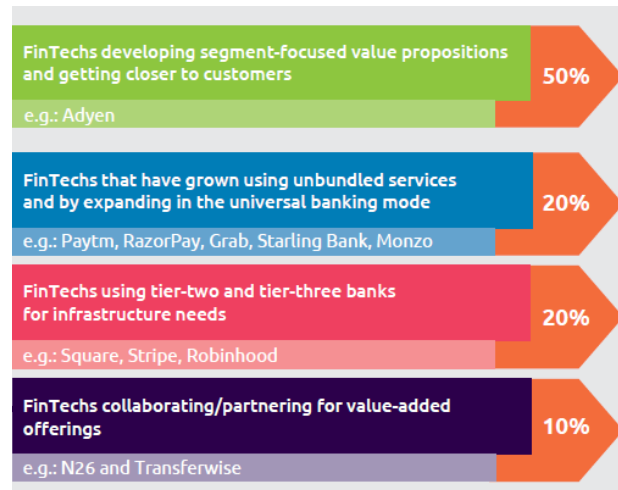
Geschätzt: 300 Banken in 2030

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## Fintechs as challengers: Perception of threat

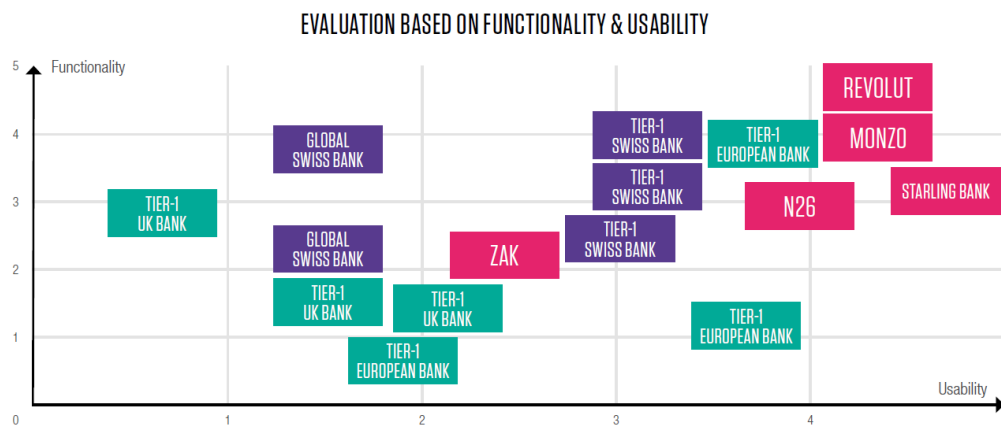


(Source: Cap Gemini World Payments Report 2019)

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## Fintechs as challengers: Actual status



Source: CAPCO DIGITAL SWITZERLAND

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## The play of the GAFAs (and BATs)

### Disrupting all industries

	g	a	f	a
TELECOM & IT	Fiber	Apple SIM	WhatsApp	Cloud Drive
HEALTH	Calico	HealthKit	Move	Marketplace
RETAIL	Shopping express	iBeacon	Facebook "Buy" Button	Grocery Delivery
ENERGY & UTILITIES	nest Smart home	Solar Power	Internet.org project	Fulfillment by Amazon
MEDIA & ENTERTAINMENT	Play	iTunes Radio	Oculus	Gamers Video platform
FINANCIALS	Wallet	Apple Pay	Friend-To-Friend Payment <sup>1</sup>	amazonpayments Payments API
MOBILITY, TRAVEL & LEISURE	Car	CarPlay	Messenger + Uber integration <sup>1</sup>	Media app for connected cars

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## Bigtechs as real threat



*FinTechs are rather an opportunity than a threat for banks, but BigTechs and card giants Visa/MasterCard are because they have huge investment budgets, fairly good trust from clients, and huge client bases."*

—**Nicolas Cailly**

Global head of marketing – Payments and cash management, Société Générale



*You need to consider that the BigTechs will always have scale on their side and this conflicts with the banking providers that follow the use of more open standards. The standards do lower barriers to entry for providers, but ultimately, it is market dynamics that will dictate."*

—**David Thomasson**

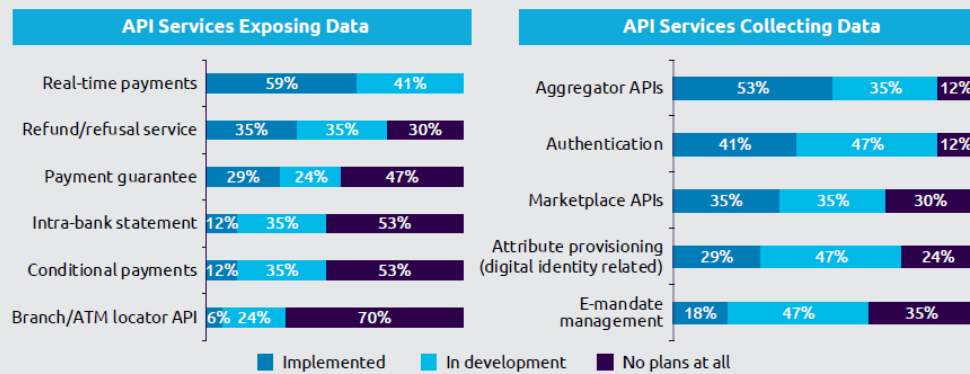
Product director, Payments & commercial lending, Metro Bank

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## Readiness

Figure 10. Banks' readiness in exposing and consuming API services



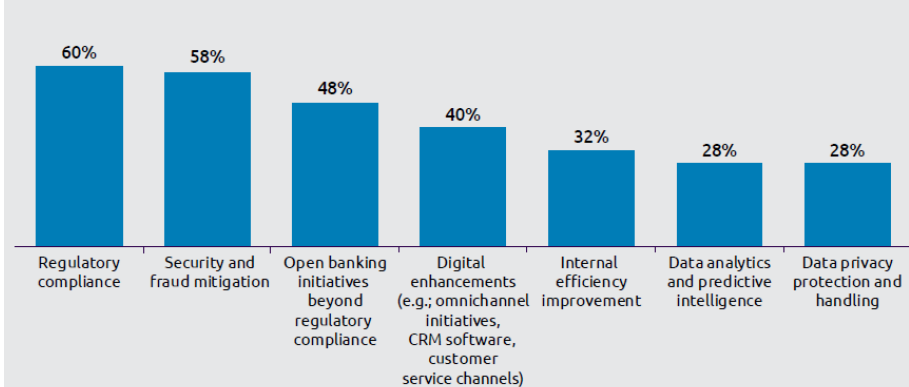
Source: Capgemini Financial Services Analysis, 2019; WPR 2019 online survey responses.

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## How much to invest?

Figure 9. Banks' investments in digital transformation initiatives



Source: Capgemini Financial Services Analysis, 2019; WPR 2019 online survey responses.

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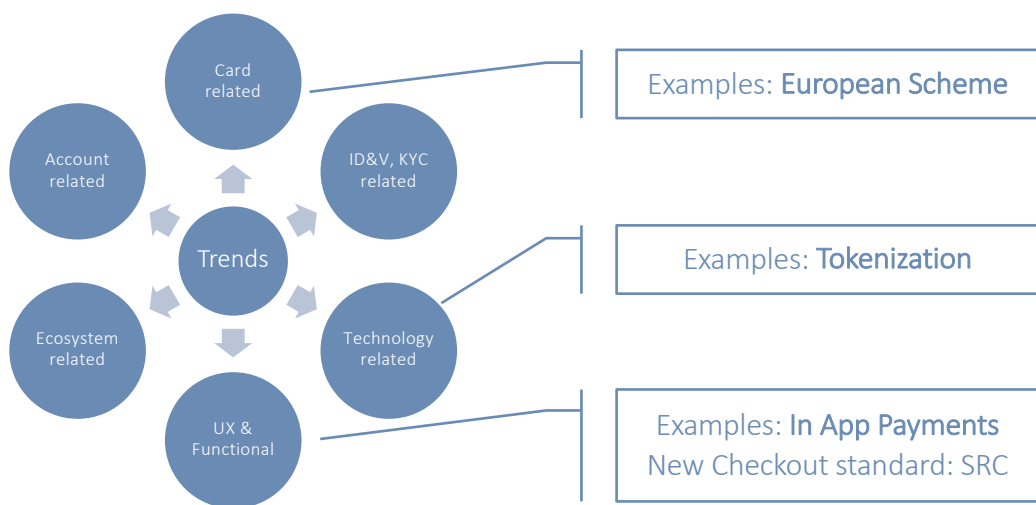
## Where to go?



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## Clustering Payments Trends



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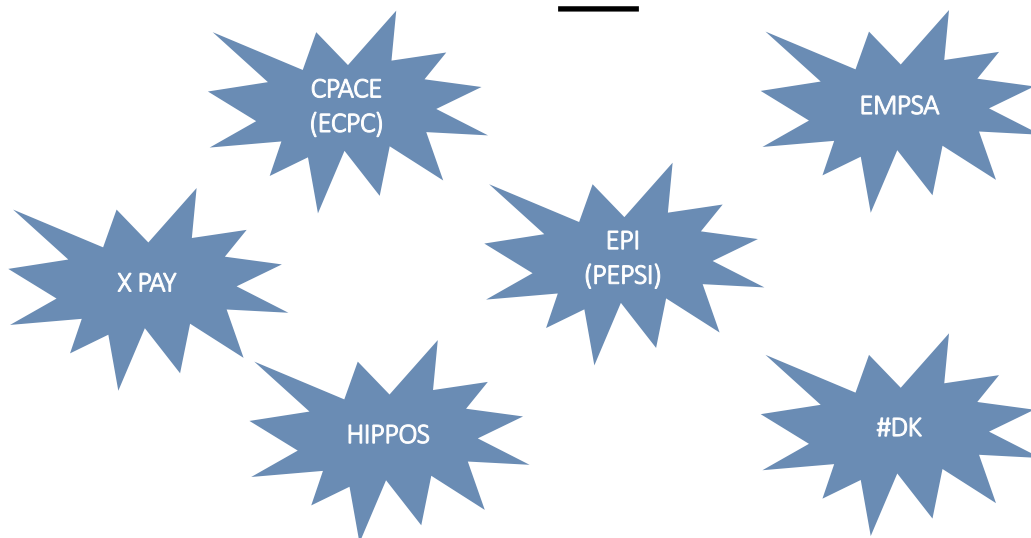
## Trend: European (card) scheme



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## Initiatives



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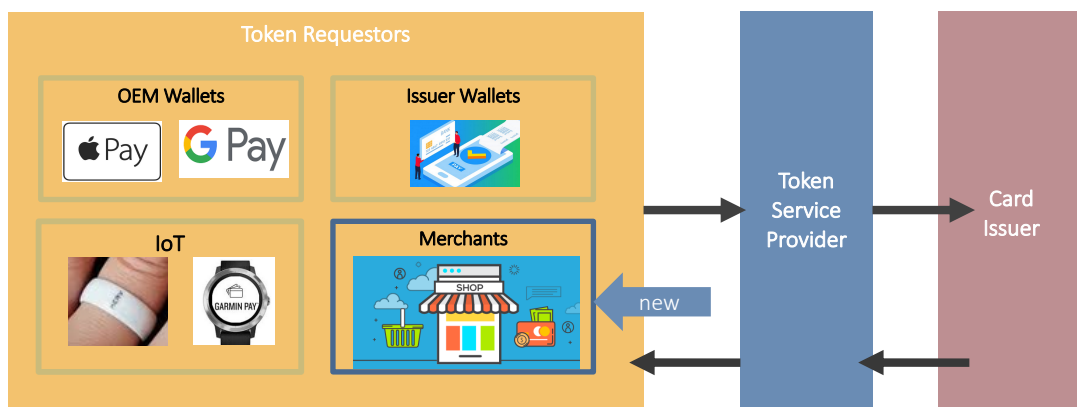
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## Technology trend: tokenization

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## Tokenization now also for merchants

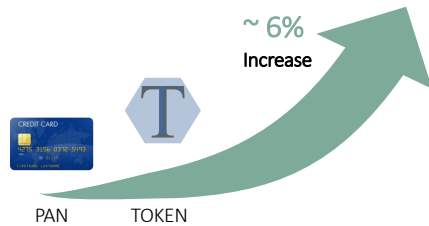


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## First results

Approval rate tokens vs. PAN at benchmarked samples



- ▶ ~ 6% increase in approval rates communicated by two schemes
- ▶ 4 - 9% increased approval rate in randomized comparison between token to PAN-based authorizations at a global PSP (Sept. 2019)


Approval rates vary by country, merchant and issuer

\*Scheme 1: sample of over 50,000 transactions across participating online merchants during 2019, compared to overall ecommerce transactions during the same period 2018.

\*Scheme 2: Authorization rate lift from decline codes within a sample of 17 merchants.

## UX and functional trends



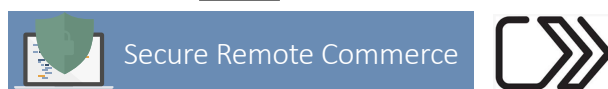


## EMV® Secure Remote Commerce:

### Key points of EMV SRC framework

- ▶ Future standard to make **card based e-commerce checkouts** more **seamless and secure**
- ▶ Pay securely via single, **consistent SRC checkout button**
- ▶ **Scheme neutral (EMVCo)** successor of Masterpass & Visa Checkout to help **interoperability**

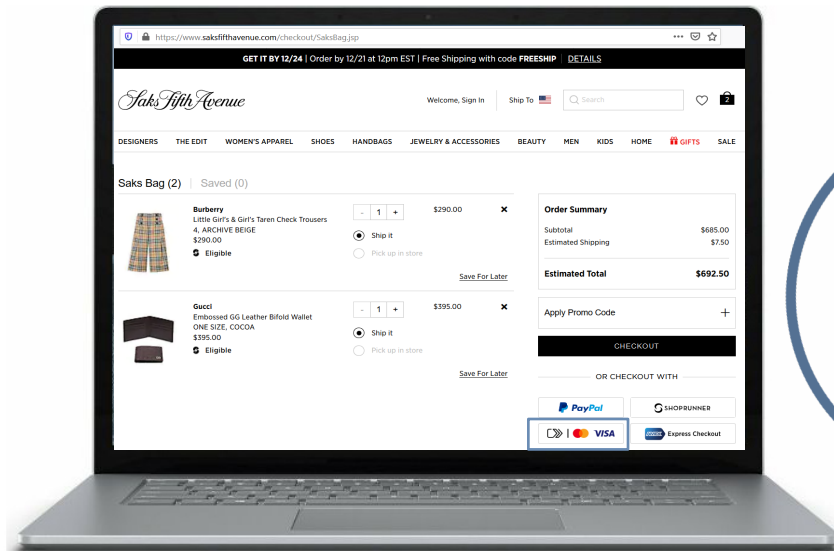
## EMV® Secure Remote Commerce framework



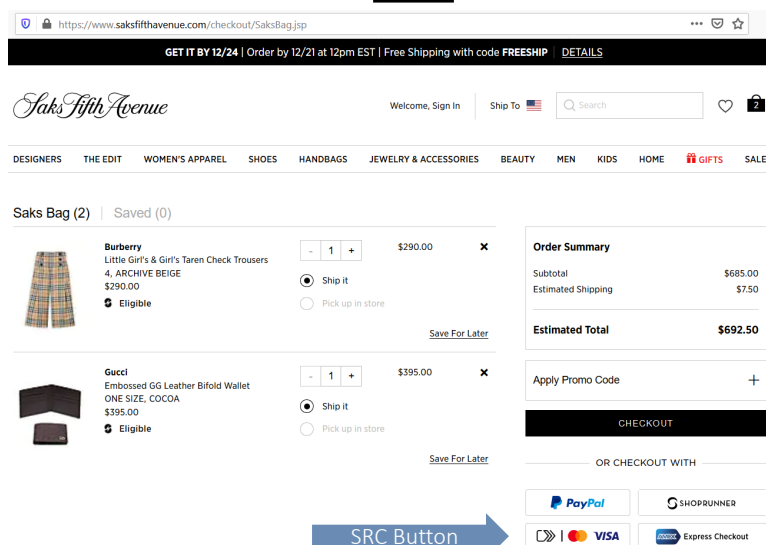
- SRC shall be the future standard to help card based e-Commerce checkouts to be seamless and secure
  - Will be scheme-neutral (EMVCo) successor of MasterPass & Visa Checkout
- Targeting guest checkout situation by avoiding entering card data again and again by device and user recognition



## What it looks like: See it live in the US



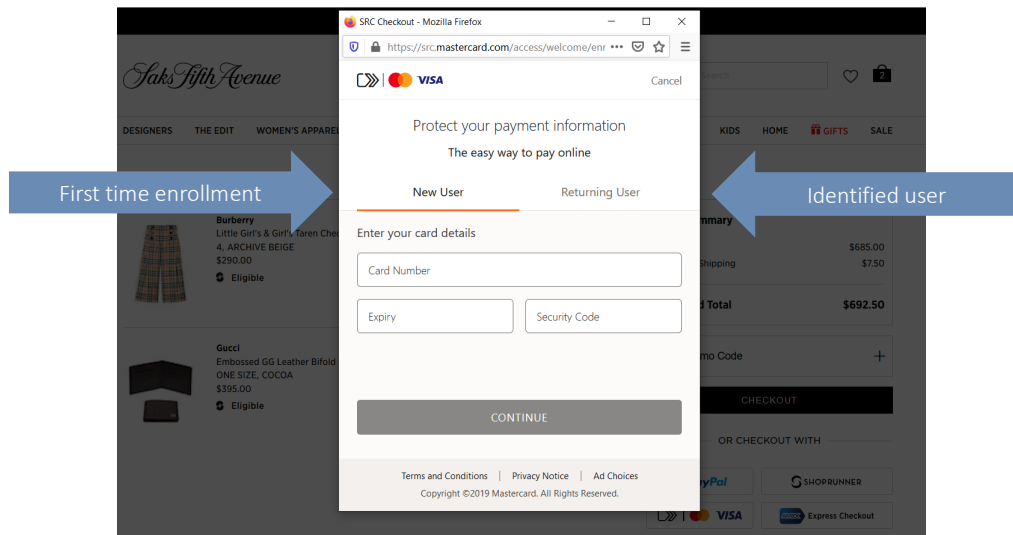
## What it looks like: Already live in the US



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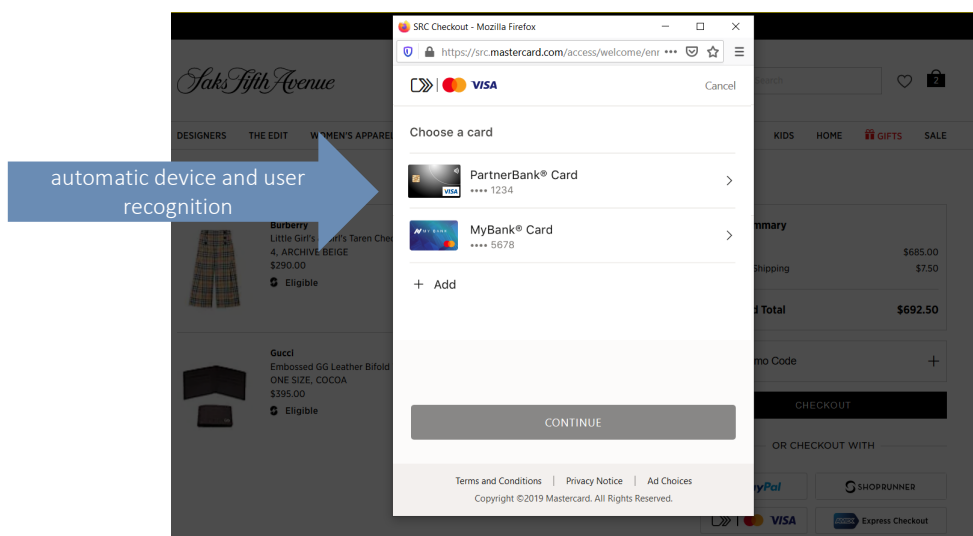
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## SRC User Experience #1



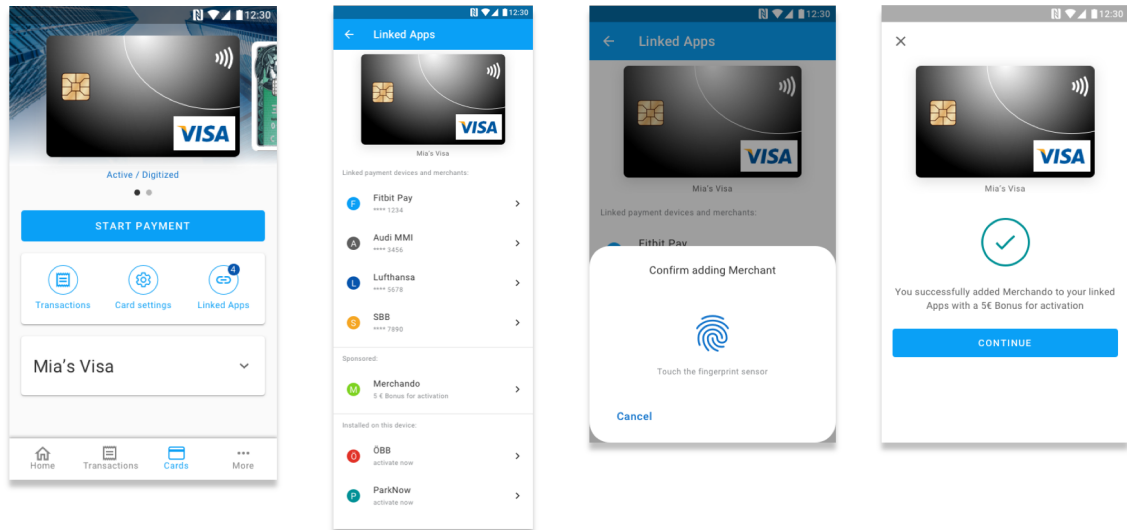
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## SRC User Experience #2



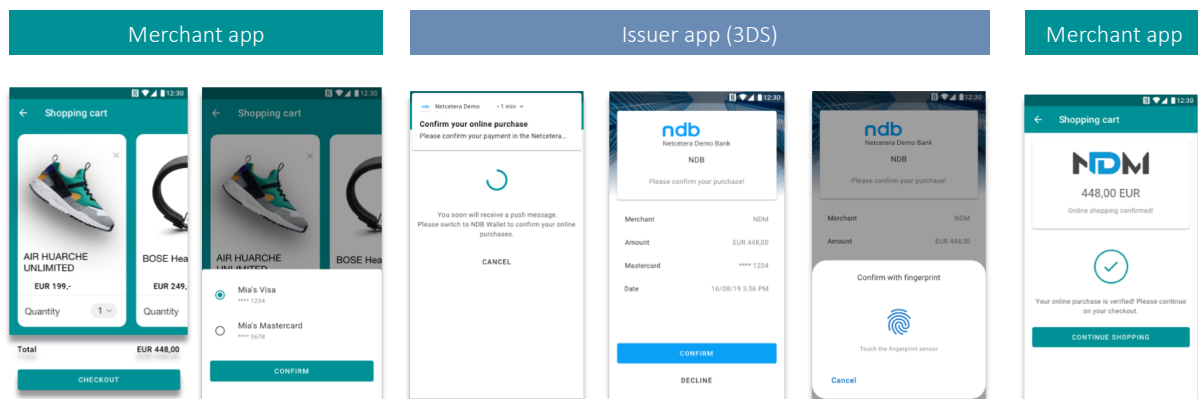
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## Push Provisioning (from issuer app to merchant apps)



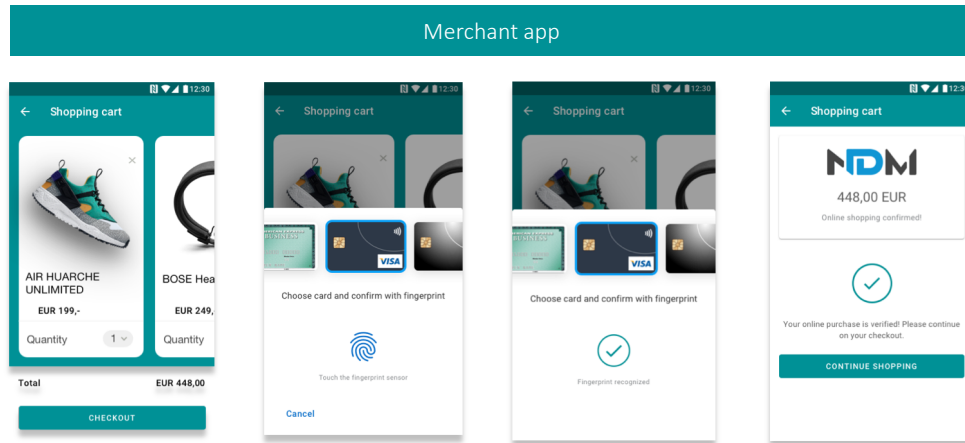
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## Checkout today



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## Checkout tomorrow (based on delegated authentication)



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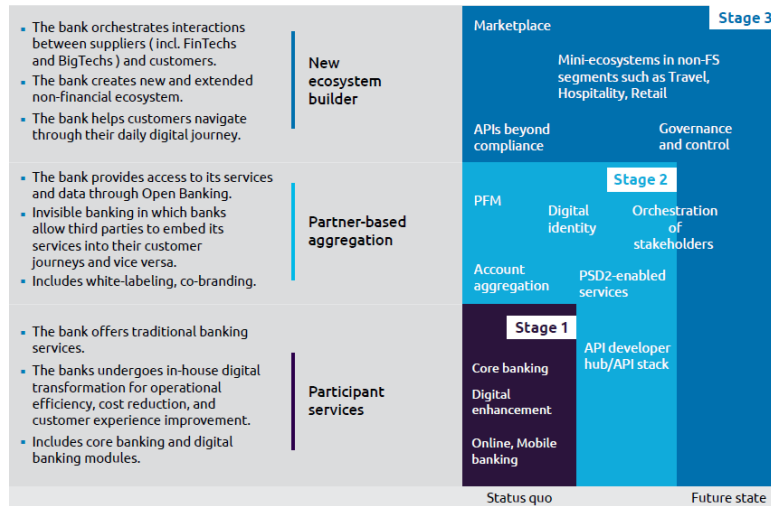
## Ecosystem



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## Stages in ecosystem journey of banks



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Source: World Payments Report 2019

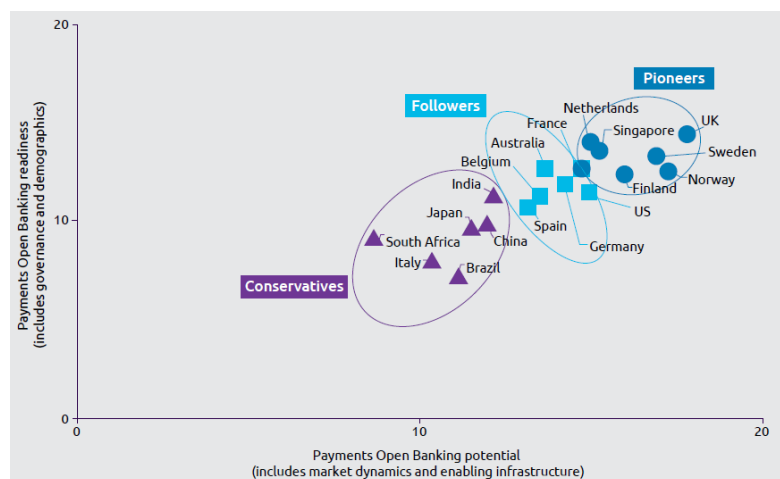
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## The German situation

Many players and bodies in Germany

Moderate speed, conservative towards innovation

Defending where the battle is already lost?



Source: World Payments Report 2019

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## Workshop invitation

Brainstorming on Payspektiven (trends)

Assign trends into big picture

Select top three trends

Asses these three trends: Why, why not?



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