When it comes to shopping, we want it all and we want it now. The payment process is secondary: when you have decided to buy something, the focus is on the goods and not PINs, TANs, OTPs or such.

Jukka Yliuntinen, driving the digital payments initiatives at Giesecke + Devrient (G+D) agrees that technological revolution and enhanced payments infrastructure are major events that have transformed the payment landscape in the past decade. Here his thoughts on the topic.

Of course, the 2008 financial crash set the scene for challengers to ride a wave of bank inertia, consumer demand for digital services, and huge technological advancement. The convergence of technologies, regulatory support for new banks, and enhanced payments infrastructure created a perfect storm, fuelling the rise of new ways to pay.

Evolving from this crisis, and the payment challengers first launched, much of the industry reacted with scepticism as they contradicted long-held beliefs that bricks-and-mortar branches inspired trust hard won over decades. Such sceptics bought into the idea that customers could not be tempted away from the enduring relationships they had with their card issuer i.e. bank and payment provider. But these archaic beliefs have been proofing wrong for a while now!

Innovative payment solutions such as PayPal, Amazon, Alipay, and Klarna, all based on satisfying their customers’ expectations, have been gaining significant market shares, and the traditional payment models have had to make way for a pivotal movement for competition in financial services.

Since then, digital banks have continued to grow and evolve, showing that consumers are expanding their thinking when it comes to what they want from their bank and who they trust with their money.

Customers don’t benchmark their shopping experience against financial providers; they compare them with the experiences they enjoy on their smartphones and social media networks. As the lines between payment and tech industries increasingly blur, banks and Fintechs alike know that, most of all, their customers want convenience and this means not logging in to numerous different apps to be able to proceed easily to an online checkout. Application programming interfaces, or APIs, are crucial to enabling them to work together to meet these expectations.
Merchants need to offer as frictionless payments as possible to deliver the kind of speed and convenience that consumers now expect. But frictionless and secure aren’t mutually exclusive terms. With the right technologies in place, retailers, banks, and other firms that receive or provide payments can protect people (and themselves) from fraud while offering their customers a quick and efficient payment journey. The real game-changer here is tokenization, which safeguards sensitive data by replacing it with a non-sensitive equivalent (i.e. a unique string of numbers), is one means of achieving this.

This kind of secured frictionless payment tap into the fact that the customer experience is one of the key differentiators when it comes to payments innovation.

The health and success of a merchant’s business correlates strongly with payment card authorisation rates. The higher the rate, the greater likelihood for repeated customer transactions, and the higher the business revenue. And with the average conversion rate for ecommerce sites being less than 3%, this further underlines the fact that low friction and customer satisfaction when it comes to online payments is crucial.

And with the accelerated growth of online commerce globally, where markets such as those in Southern Europe are now closing the gap with more advanced Northern European economies alongside China, the competition is now fiercer than ever before. Competition is one of the top three challenges facing commerce today, alongside cybersecurity and order fulfilment.

A rapid build-out of omnichannel capabilities – which will bridge payments in any environment, physical or digital – will become an essential requirement for all payments players in most geographies. In 2024 60% of in-store and online merchants will accept multiple non-card retail payments operationalized by direct-from-bank-schemes, making the enablement of customer centric, easy to use, fast, and yet secure payments of paramount importance.

By connecting to Convego®CloudPay eCOM merchants can enable convenient and secure CoF tokenization with embedded Strong Customer Authentication (SCA) ‘as an optional add-on feature’, for a state-of-the-art customer experience when it comes to pay.

**MERCHANTS BENEFITS IN A NUTSHELL:**
- Seamless payment with the option of Strong Customer Authentication, removing the need for additional 3D Secure verification (Delegated Authentication);
- Network derived cryptogram;
- Easy Integration thanks to single server API combing SCA and cryptogram;
- Smooth Migration Support.

At G+D we are working proactively with the industry to set standards and secure transparency in the entire payment value chain, so that payments not only are secure, they are securing the customer too: we are offering options and enabling new ways to pay.

The online payment process is fragmented, and online merchants can store or transmit payment credentials in a variety of ways. In the current ecosystem, card-on-file (CoF) tokenization is becoming a dominant payment method with 95% of ecommerce payments predicted to be tokenized in 2022.
Future Banking – It is all about Securing Payments!

Did you know? Giesecke+Devrient (G+D) technology is unconsciously used by billions of people every day! With more than 700 global Banks putting their trust in G+D and our offerings, we enable secure and convenient transactions for everyday usage.

Founded in 1852 in Leipzig as a printer of bank notes, now with HQ in Munich, G+D is a global powerhouse in payments - be via cash, card or digital services. Our safe payments technology, elegantly combined with smooth customer experiences throughout the whole customer journey, secures the daily life use of financial services. And also creates customer obsession for our clients!

We are: pioneers in payments, industry leader and innovating partner for the financial sector.

Giesecke+Devrient

Giesecke+Devrient Mobile Security GmbH
Prinzregentenstrasse 159
81677 Munich
Germany

www.mobile-security.gi-de.com/futurebanking
mobilesecurity@gi-de.com

© Giesecke+Devrient Mobile Security GmbH, 2020