

FUTURE PAYMENTS FORUM

Meeting Review – 4th May 2023

The Forum met to consider the needs of key sectors of the UK market and their needs for payment services. With the help of three external speakers, we gained an insight into the way that current payment service functional models affect the ability of these businesses to deliver the service they wish to offer their customers.

Luke Taylor-Sales, Head of Customer Experience at Brighton & Hove, Metrobus gave a fascinating perspective on the way that changes in mass payment services, especially the card schemes, have both limited and facilitated change in the provision of services to its customers. It's clearly the case that the introduction of contactless payments and scheme rule changes have facilitated improvements in the way customers pay for travel. It was notable how far these methods have displaced cash. However, it is also the case that the needs of this sector are constrained by the ability of the payments services to support new ways of engaging with transport services. It contributed to a debate about the "Uberisation" of public transport in which a customer can arrange and then travel seamlessly through multiple modes of transport with the payment services providing a simpler means of paying each provider for their part of the journey. More generally, this leads to the question of where businesses that accept card payments want or need payment providers, especially merchant acquirers and card schemes, to provide support for these customer service models. Does the industry wish to put more reliance on payment providers for these services or should their role be limited to basic payment services? Do the regulatory models, especially those imposed by the card schemes and GDPR allow for these more complex models and are there standards in place to support a universal approach across all transport operators?

The higher education sector has always been a focal point for those wishing to innovate payments and social technology. Our speaker, Matthew Cox, PoS & Payments Technology Consultant, Keneton Enterprises showed the current service provision in the sector and the areas where it is underserved by current payment methods. Within the context of the transactions that occur on campus he pointed to the potential return of the wallet as an attractive proposition for both higher education institutions and their students. He emphasised the ability of such approaches to support reward programmes for social benefit – rewarding students for doing things that protect the environment for example. However, the Forum discussed the challenges that ring-fenced stores of value create and the reluctance of students to place part of their limited wealth in them when they also need to spend outside of the campus. Ideally, we would be able to access the payments infrastructure outside of the campus to support such community-based programmes. However, the current card acquiring model does not allow for this level of infrastructure sharing. Matt also pointed to the future potential of new technologies to help unlock the potential of large-scale community programmes such as those that higher education could benefit from.

Key in this area is the move towards blockchain-enabled Self Sovereign Identity in which a universal digital ID allows the future to be delivered without the need for complex infrastructure re-engineering. We also debated the form-factor that would support such initiatives from today's plastic card and mobile phones through to pure biometric-based identity.

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Although no firm conclusion was drawn, it is clearly the case that there is an argument for each of these approaches and they will co-exist for many years to come.

We then benefitted enormously from an exposition on the retail sector from Laura McCracken, MD, Commerce & Payments - Global, Accenture. It is not possible to do justice in this review to the breadth and depth of market knowledge Laura was able to share with the forum, but some clear themes emerged. Firstly, that there is a coming together of those that provide payment services and retailers. The meeting place is the digital marketplace and as Laura explained this is caused by payment providers wanting to sell products to their customers and retailers wanting to embed financial services to theirs. Secondly, that these convergence points will be framed as "super-apps" in which multiple app like experiences are held within a super-app that unifies the user's information and allows for more complex and personal outcomes. Thirdly, that the metaverse will be a key battle ground for retailing and that it will facilitate product research and development that de-risks the development of tangible products by pre-selling virtual versions of them. Finally, and critically for the purposes of the forum, Laura made the point that sitting at the heart of the super-apps are payment services. We discussed if this was a single or multiple providers per app and concluded that this will be a heavily contested battleground. Perhaps it will lead to super-payment aggregators that allow for more choice in payment services in the future of retail.

In summary, we see that these sectors have needs that are not being met today by the payment services that are available today. Alternatives are limited by a lack of access to the point of service infrastructure so we must hope that the card schemes will innovate quickly enough to support the needs of these sectors. In the digital space the business models are changing fast and could create the need for new approaches to payment services and the regulations that apply to them. Above all there is a growing need to use transactional data from payments activity to support new customer service models and the question emerges of who should control this data and who can access it.

Next Future Payments Forum Meeting: Tuesday, September 19th, London

If your organisation would like to present at a future meeting, please contact Annabel Cartwright at annabel@smartex.com

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