

Customer experience is driving change in the payments sector

Perspectives
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The global payments industry is rapidly transforming thanks to bold new technologies and changing customer needs and wants.

Customer experience is at the heart of the payments evolution as all companies look for ways to make transacting for their products and services more seamless. Changes in the payments sector, including real-time payments and security-enhancing data, are being driven largely by technology-savvy consumers and future-forward businesses demanding a full digital experience in their daily transactions.

Disrupting the traditional transaction

The payments industry is getting more crowded as new technology players enter the market seeking to fill the customer experience gaps left behind by larger institutions like the traditional banks. Examples of this include the 'invisible' payments of ride-hailing apps and connected digital assistants integrated into mobile devices, or money transfer capabilities build right into our favorite texting service, that all claim to simplify a number of everyday payment transactions.

Still, banks have the upper hand given the longer-term customer relationships and large volumes of customer data they've accumulated in their operations over several decades. Many banks are seeking to capitalize on those valuable assets by building a better customer experience for clients either in house, or by purchasing or creating partnerships with fintechs. Their goal is to create the kind of positive customer experience fintechs have become known for, while maintaining and growing their dominant market share.

But banks and their fintech competitors aren't the only companies competing through customer experience in the payments sector. A growing number of non-traditional financial players, such as PayPal and Google, are seeking to own the customer relationship through their own payment platforms. This competition, alongside fintechs, could further disintermediate the banks through their focus on capturing customer loyalty with targeted improvements to specific consumer business transactions.

Real-time payments and open banking

To better compete with new industry entrants, traditional banks need to capitalize immediately on new money movement capabilities and offer multiple payment methods to provide the best customer experience possible.

Some banks are getting the message, with the help of regulators. A growing number of jurisdictions are accelerating progress around real-time payments (PDF 859 KB), enabling the rapid transfer of money online or on a mobile device. In fact, about half of the global population today has access to some form of real-time payments for reasons varying from economic stability to consumer preference. Increasingly though, it is the data that travels with the payment that is emerging as the true catalyst for enhanced transaction experiences.

Veterans in the real-time payments space, including the UK and Switzerland, are moving quickly to add new functionalities to reach today's tablestakes capabilities, such as ISO20022 adoption for its data carriage. Others — relative newcomers such as the U.S., the EU, and Australia — are aiming to add brand new overlay services for customers that are built on the back of new, data-rich functionalities. There is also a movement towards instant multi-currency payments in some regions, with continued conversations around how best to connect the real-time payments systems around the world.

While open banking as a concept has been met with varying degrees of support or skepticism around the world, it continues to gain momentum. Regardless of the stance taken with the movement, the importance of the data itself to unlocking inherent value in payment transactions is apparent. With the recent adoption of PSD2, the EU has become a global leader in open banking. Open banking remains more ad hoc in the U.S. and bilateral agreements between banks are less common. Only a small number of banks, including Capital One and Citi, for example, have embraced open banking.

Regardless of how it's being managed, the next stage in real-time payments is here — and will continue to evolve. As KPMG stated in its latest Real-Time Payments report, "It's not just about fast payments anymore; it's about securing a winning place in a new, broader ecosystem.

The excerpt was taken from the publication entitled Customer experience is driving change in the payments sector.

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