

Embedding payments

Insights from a Baringa
industry panel



Are payments critical to the customer experience?

Baringa recently hosted a panel that explored how fundamental a seamless and embedded payment journey is to the entire customer experience.

A key theme to emerge was that the industry still needs to make progress to really think **customer first**. Securely embedding consumer-centric payments into the wider customer interaction is a given and there is opportunity for ongoing collaboration across the industry to effectively leverage technology innovations.

Frictionless payments have transformed the way customers expect to interact with retailers and service providers. As a result, they have become an important differentiator for the overall offering that businesses bring to market. In our recent LinkedIn poll, 95% of respondents agreed that payments are important to the customer experience.

The expectations of modern consumers mean that a clunky payments experience can be enough to alter buying decisions or push users to switch financial services provider altogether. For example, according to Netflix, in the event of a card payment being declined, 30% of their users will change cards rather than query what the issue is.

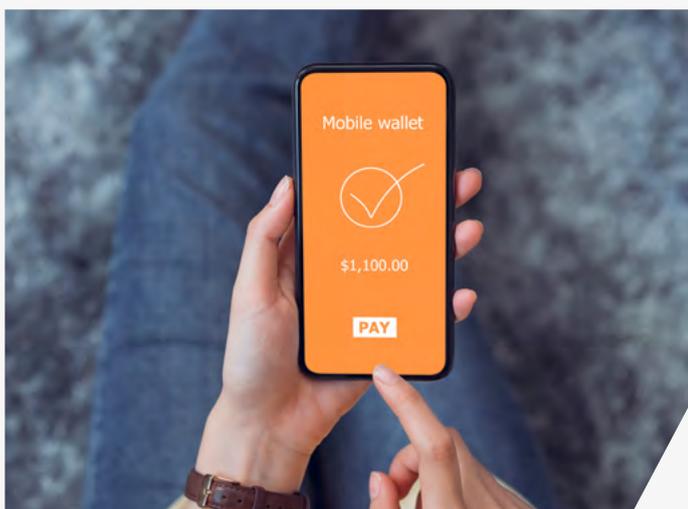
Reimagining payments

Ride-hailing app Uber is an example of how a frictionless payment process improves a service offering and can build customer loyalty and grow market share. The payment is embedded into the Uber service and is seen as one part of the overall customer journey, rather than something that happens when the experience is over.

The Amazon One service, which allows customers to pay for goods at some of its Whole Foods stores by simply scanning a palm print, is another example of how payments can feed into enhancing the overall experience for consumers.

As technology continues to drive convergence between goods, services and payments, banks and payment fintech companies need to focus on the wider customer value chain to effectively enhance their customers' experience, end-to-end. Whereas in the past, the payment was treated as its own distinct part of the customer interaction, now the focus has shifted to how the payment itself can better integrate and support the wider transaction in order to make the end-to-end experience smooth and seamless.

This has also resulted in the industry shifting from a compliance-driven focus, to finding the wider opportunities for further enhancing customer engagement through process innovation.





The role for regulators

The evolution of the way payments providers are delivering and adapting their service and technology has reshaped the way regulators see their role.

Although payments have become almost invisible and is seldom front-of-mind for customers, it does become an issue when something goes wrong. The regulatory priority has thus remained focused on financial stability and operational resilience. Customers still need and want consumer protection and recourse in the event of a dispute.

Regulators do, however, have a role to play in supporting innovation, and they do want to avoid putting rigid rules in place restricting technology, which can ultimately make payments easier for customers.

The industry should lead on innovation, coming together to put the customer at the centre, while striking a balance of competition. It is not the role of the regulator to ascertain how best to address customer needs. But the regulator can help by adopting a partnership approach to innovations in order to better understand how the regulatory framework must adapt to make it easier to improve customer experience, while maintaining security and resilience.

A payments provider that identifies and solves inefficiencies should be able to easily approach the regulator, explain what solutions they have established and discuss how to move forward on those occasions when innovation bumps up against current rules. Regulatory sandboxes are an example of how to foster this partnership approach, giving innovators the space to explore ideas in a safe way, but in a way that also works for regulators.

Collaboration is crucial

Partnerships are not only crucial for regulators and providers, but for all participants in the payments value chain. It is very easy for the payments industry to overly focus on the rules and regulation (which are vital) and lose sight of what the customer actually needs and wants.

Banks, for example, must maintain their payment infrastructure, as well as manage a wide range of “back end” elements such as service-level agreements, operational resilience, KYC/customer onboarding and AML/Financial Crime, to name but a few. Collaboration with other players in the value chain is thus necessary to interweave the focus on the customer while also solving for underlying technological and regulatory requirements. No single stakeholder in the value chain can cover all the bases.

Citibank and Goldman, for example, provide Apple and Google with the financial plumbing needed to deepen the integration of the payment process into the customer experience. This example of “Open Finance” demonstrates how customers are not necessarily aware of the “overlay services” they are using. They are provisioned by other regulated entities and may see and trust the technology provider as the bank.

Ongoing customer-focused payment development requires a diverse ecosystem of stakeholders to flourish. There needs to be collaboration between organisations that can develop the underlying technology, and application programming interfaces (APIs) that solve and enhance current payment infrastructure limitations (e.g. enriched payment data through ISO20022 standards), as well as parties that can apply and tailor the innovation to solve real customer-use cases. This will require the industry to agree and continuously evolve standards to unlock the potential across the ecosystem.

The future of payments relies on partnerships across the industry, balanced with healthy competition, where the customer remains at the centre. This should remove the focus away from the payment itself towards true customer value and experience. The best payment technology and solutions bring all participants in the payments chain together, and build a shared vision of how best to address the underlying needs of the customer.



Baringa Partners

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For further information, please contact the author of this report:



Ben Matthews
ben.matthews@baringa.com

baringa.com