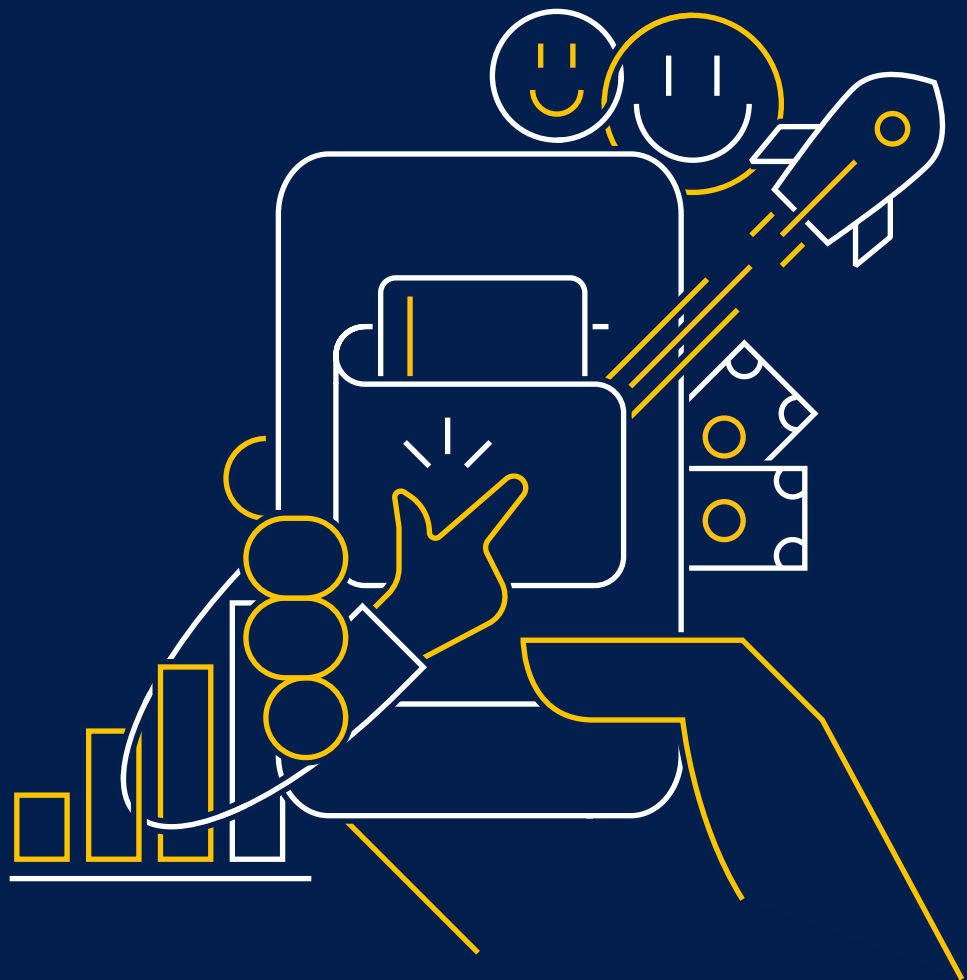




Visa Insights

Transforming everyday payments for today's consumers

September 2023



VISA

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Introduction



Changing consumer expectations have redefined payments over the last 20 years. What used to be a simple transfer of money has now become a highly engaging and personalised experience.

Our research highlights technological development as a key driver of change. The continuous stream of payment innovation, such as the arrival of digital wallets and account-to-account (A2A) payments, now offers consumers greater choice and freedom.

This whitepaper explores these developments in detail while also exploring emerging market trends and opportunities. We offer our perspective on how the industry can respond—how issuers and fintechs must embrace innovation to remain competitive in a fast-moving landscape.

We believe that together, we can shape the future of everyday payments.

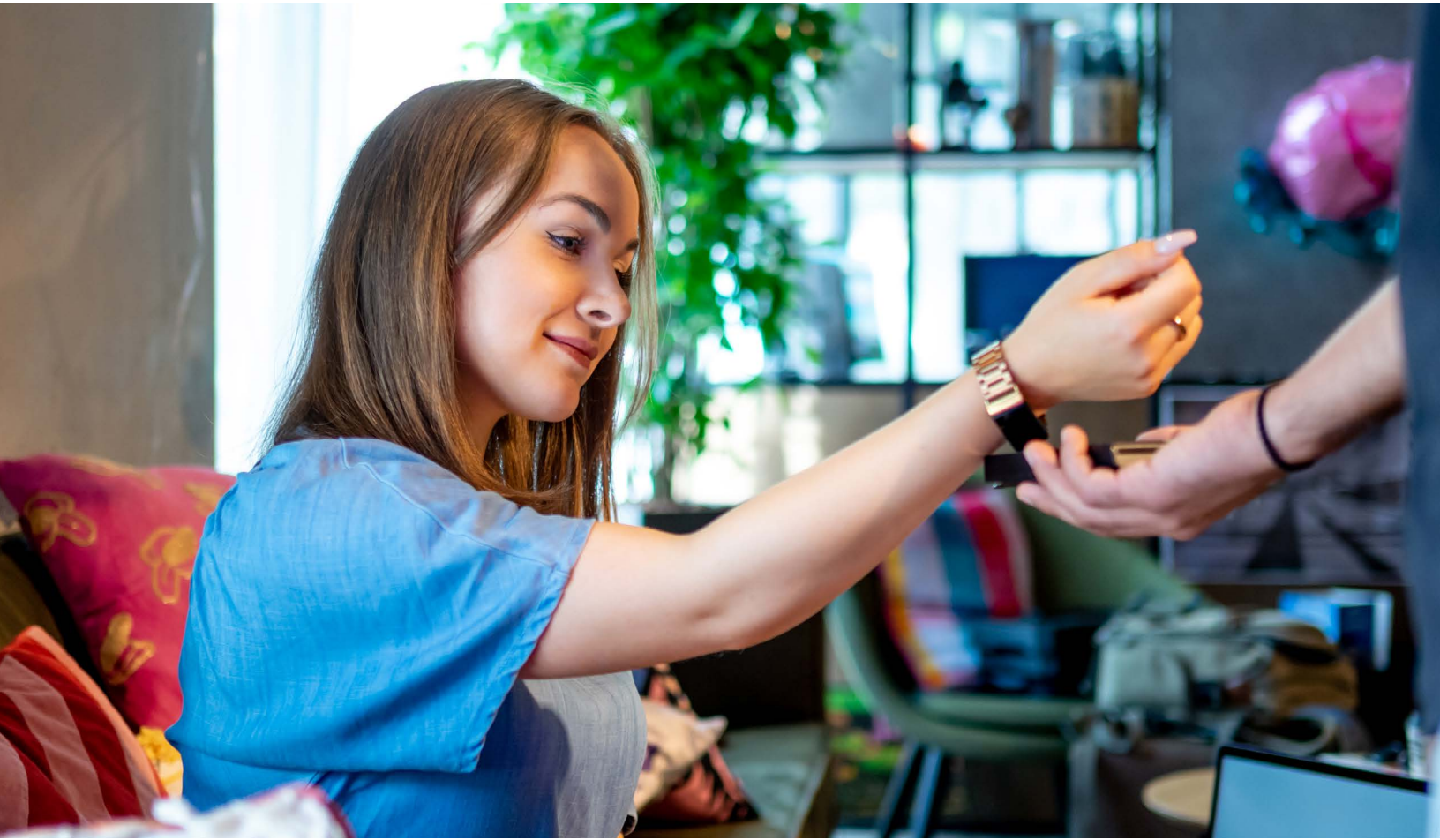


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Managing Director, UK & Ireland

Contents

Introduction	2
Payments are being redefined	4
Consumers now have the power to choose how they pay	6
For the industry, this means changing the model	7
Change means utilising the market trends	8
The rise of FinTech's and the response of incumbents	9
The opportunity ahead	10



Payments are being redefined

Payments have evolved beyond a simple transfer of funds and into immersive experiences central to value creation in banking.

Today, consumers expect more; they want seamless, engaging, and personalised experiences.



58% 

of surveyed UK consumers expect online payments to be completed in one click¹

71% 

of surveyed UK consumers expect tailored experiences²

But what is causing this change?

Technological advancement is one of the key drivers propelling significant transformation in the payment infrastructure.

A multi-rail ecosystem has emerged, enabling transactions across various channels, such as traditional banking routes, mobile wallets, and big tech. This ecosystem is further supported by flexible issuer platforms and interoperable cross-border networks, ensuring seamless connectivity and convenience.

9 out of 10 financial institutions in the U.S. consider fintech partnerships to be important to their business³

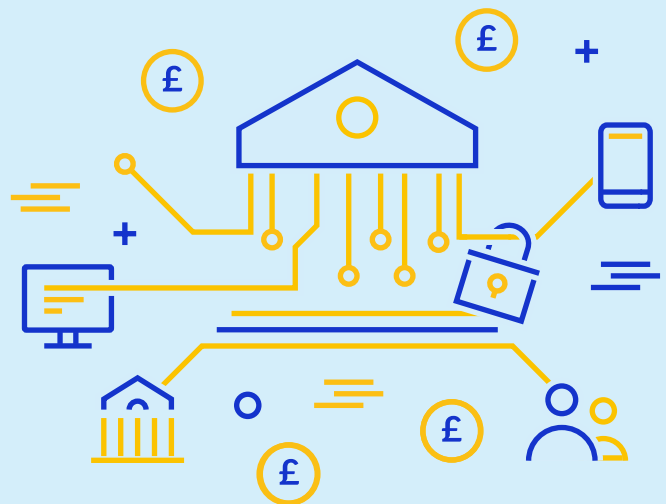
In 2022, mobile commerce represented approximately **55%** of online retail sales in the United Kingdom.⁴

The advent of Open Banking has also played a role

It has led to new players entering the market, sparking competition in a saturated landscape.

In 2021 alone, fintechs experienced an **18% increase in customer penetration, capturing a 3-4% share of traditional banking revenue.** The trend continued into 2022 and beyond.⁵

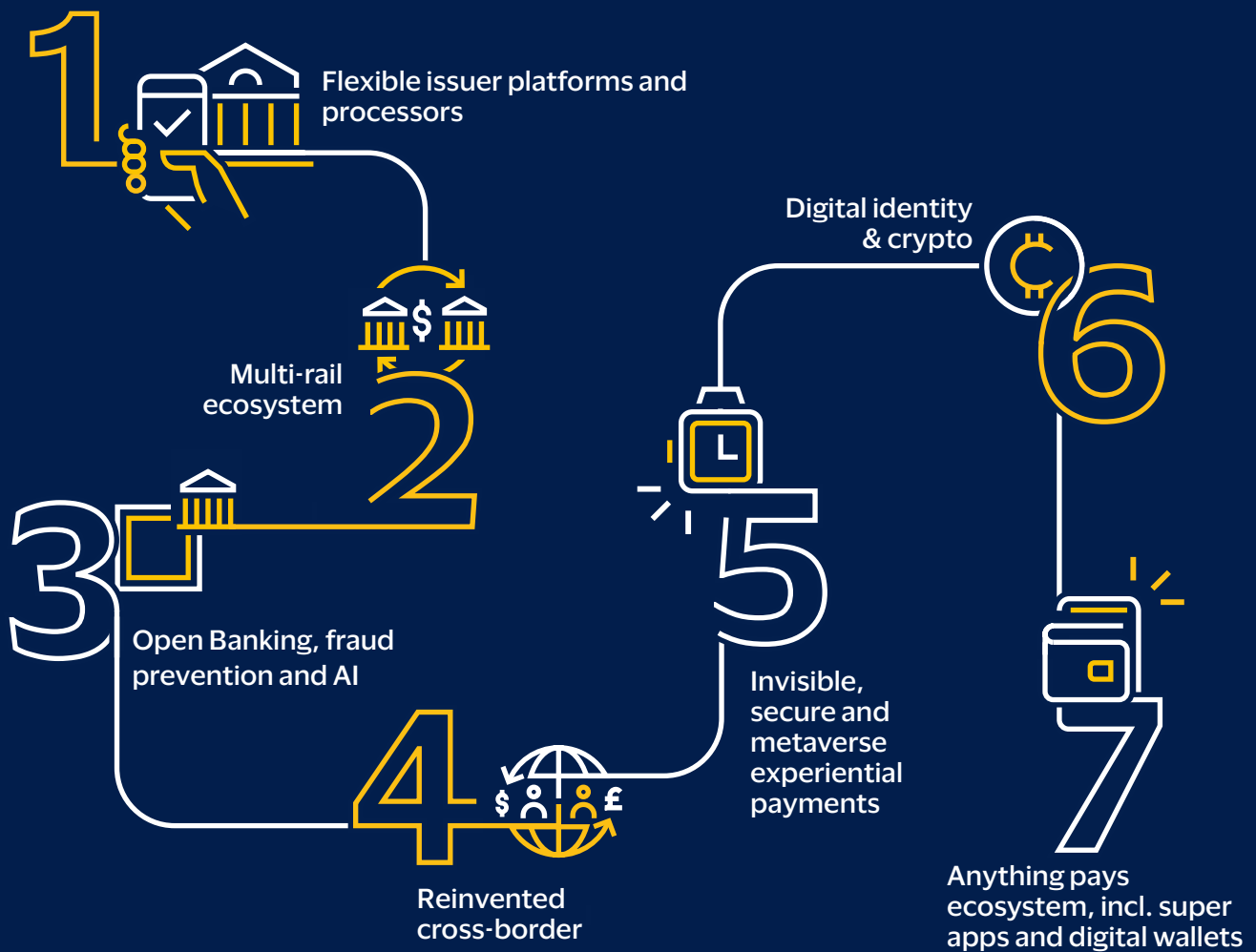
Widespread adoption of Open Banking has been embraced by **over 3 million individuals**⁶, driving a remarkable **22% year-on-year growth** in faster payments.⁷



The intensified competition, coupled with technological advancements, has led to a continuous wave of innovative payment methods and seamless, invisible payment experiences.

From digital wallets to account-to-account payments, this dynamic environment has greatly expanded consumer choice. They can now conveniently tailor their payment journey according to their preferences and security requirements.

We see seven emerging themes in the market that are re-designing the way consumers pay



This evolution presents both challenges and opportunities for industry players. Not only to shape the future of everyday payments but to deliver enhanced experiences that meet the dynamic needs of consumers.


Consumers now have the power to choose how they pay

20 years ago, consumers had limited payment options to choose from. Depending on where and when they were paying, they often had no choice. But the digital age changed this, and expectations have increased in almost every part of our day-to-day lives – payments are no different.



54% 
of surveyed UK consumers say they use a payment method because it's quick and easy to use⁸

25% 
of UK consumers would switch their personal current account for cashback or rich merchant offers⁹

 Surveed consumers reported one of their top concerns when making a payment is whether it's secure¹

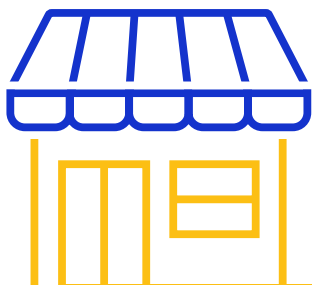
What's more, consumers are becoming increasingly comfortable adopting new payment options

Mobile payments, digital wallets, and contactless are just some of the methods that have gained significant traction:

48% 
of UK consumers use a mobile wallet for face-to-face payments¹⁰

35% 
of e-commerce transaction value in 2022 can be attributed to digital wallet payments¹¹

40% 
growth in the value of transactions made using contactless cards within the UK in 2022¹²



Merchants are also playing a part, continually innovating in this space, and incorporating these new, diverse payment methods within their checkout experiences.

This has created greater choice, enabling consumers to better identify options that align with their needs. They are no longer limited to traditional payment methods.

By providing choice and delivering exceptional payment experiences, the industry can empower consumers in their financial journey.

For the industry, this means changing the model

These market changes have only served to **increase the pressure** on players in the payments market, particularly incumbents.

There is a considerable challenge to existing business and customer engagement models that must be addressed to **remain competitive** in today's dynamic landscape.

These challenges can be transformative opportunities for issuers, helping them explore the latest technology and better align with customer expectations. In doing so, they have the potential to effectively **retain, reactivate** and **reach customers** with attractive, innovative, and personalised digital payment propositions.

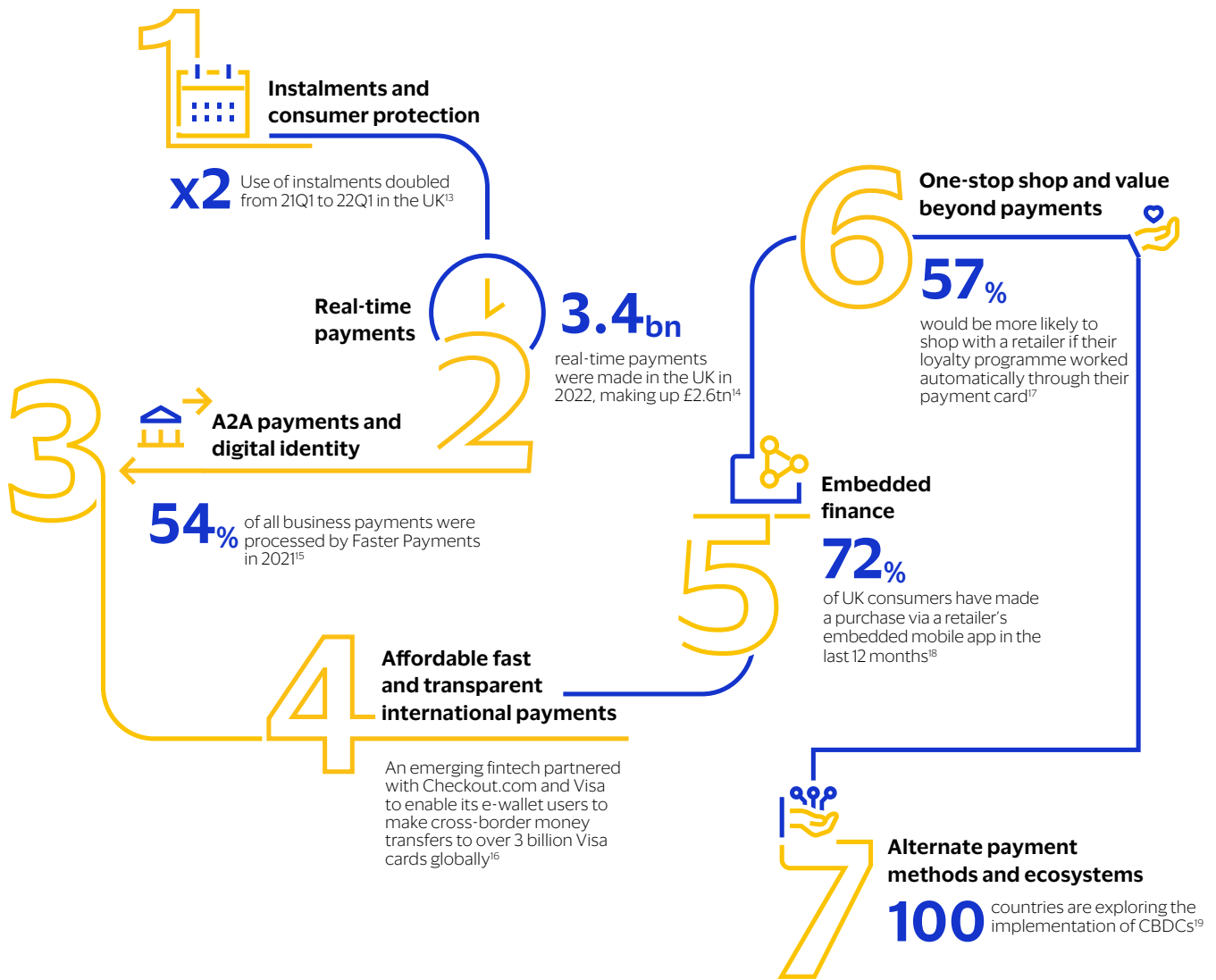
Those who invest in the future of digital, by embracing new technology and developing everyday payment propositions, can set themselves apart from competitors and stay ahead in a rapidly evolving landscape.



Change means utilising the market trends

Successful players have recognised the opportunity presented by the seven themes that are driving change in the payments market.

In doing so, new innovations and developments have followed:



While identifying the right innovation is crucial, being able to execute quickly is equally important and requires a clear path from ideation to delivery.

The rise of fintechs and the response of incumbents

As incumbents navigate these transformations, fintechs are leveraging them, emerging as disruptive forces that are capturing the attention and loyalty of consumers.

Their success is based on customer-centric propositions that mix simplicity and advanced technology, without the restraint of legacy systems that are often counterintuitive to quick change.

What's more, they've embraced data-driven strategies to provide the personalised experiences customers expect, alongside a world-class user journey.



LUNAR

Lunar is a digital player offering the same services as traditional banks, but their defining USP is creating a slick user experience. They've tapped into the demand for convenient digital services at the touch of a button and have targeted tech-savvy young professionals.

Proposition features



Travel benefits



Customisable current accounts



Sustainability linked to card usage



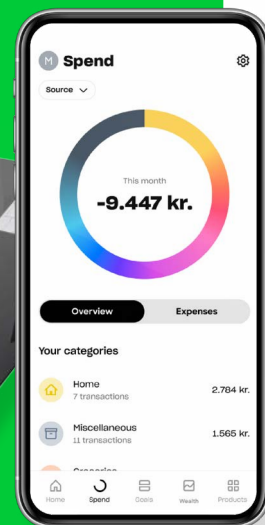
Budget controls



Investments



Virtual cards



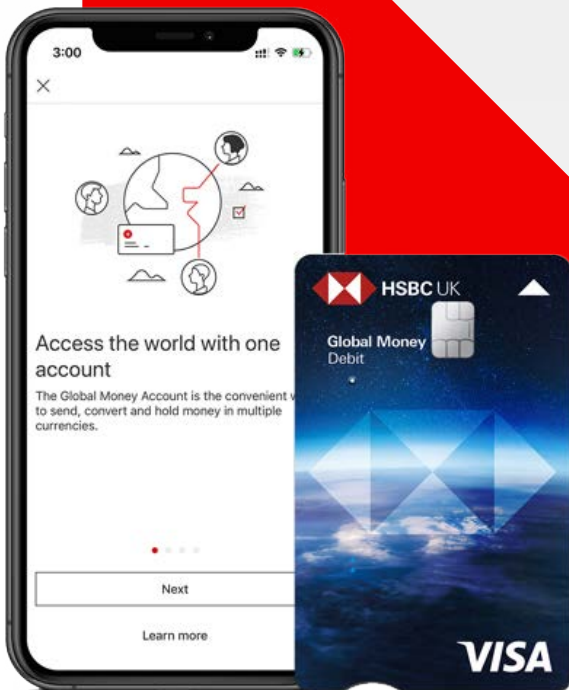
Whilst fintechs are leading in the market with new innovations, there are many examples of how incumbents are successfully responding and developing propositions consistent with today's digital world.



HSBC

HSBC is a bank with historical reliability, providing all the services expected of an incumbent. Their USP is being a trusted global brand with the flexibility to offer features today's demographics require.

HSBC has recently ventured out, innovating within the cross-border market, and targeting international travellers with their Global Money account proposition. It's aimed at capturing the needs of those who use their card across different countries and currencies.



Proposition features



Send money fee-free in more than 55 currencies to 200 countries and regions



Multi-currency debit card at no extra cost



Spend or withdraw cash with no HSBC fees



Store 18 currencies in your Global Money Account



The opportunity ahead

The starting point to satisfying consumer demand is to recognise and understand the trends stimulating the payments landscape. With wider knowledge, you can begin to establish a path forward and develop innovative propositions that capitalise on these trends.

Getting this right presents a considerable opportunity, including:



An enhanced user experience



Increased customer loyalty



Protection from disintermediation



Top of wallet position



Additional revenue streams

Talk to your Visa representative

Find out more today to learn how Visa can help you respond to the changing landscape and shape your end-to-end proposition.



1. UK consumers expect fast and frictionless payment journeys, Tink, 2022
2. The value of getting personalization right—or wrong—is multiplying, McKinsey & Company, 2021
3. A key trend in 2023: Bank and fintech partnerships, Tuum, 2023
4. Mobile commerce share of total retail online sales in Western and Central Europe as of 2022, by country, Statista, 2023
5. Strategic Review of Retail Banking Business Models, FCA, 2022
6. 2021 Building Momentum - Annual Report 2020, Foleon, 2020
7. OBIE 2022
8. VCA Research commissioned by Visa Europe, conducted among 2000+ UK adults aged 18 and above, between 14 September 2022 and 7 October 2022.
9. F4. Of the following capabilities/features, which, if any, would make you consider signing up with a new bank for your transaction account / debit card? N=1003
10. P1. Which of these payment methods do you use when in your home country? N=1003
11. Digital wallets see increased adoption in the UK, Verdict, 2023
12. Value of overall contactless transactions for payments in the United Kingdom (UK) from 2014 to 2022, Statista, 2023
13. Buy now pay later (BNPL) statistics, Finder, 2023
14. Faster Payment System, Pay.UK, 2022
15. Pandemic drives annual surge in A2A payments and contactless transactions in UK, Finextra, 2021
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17. 2023 State of Payments, Marqeta, 2023
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19. Countries With CBDCs, Or At Least Testing, Crowd Sourcing Week, 2022

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