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**Capgemini's World Payments Report 2020:
Will COVID-19 spark the end of cash payments?**

A recipe of increased payment volume, consumer behavior shifts, and greater risk create a new landscape for payments

Paris, October 6, 2020 – Payment firms are being pushed rapidly into transformation, even as they handle larger transaction volumes, face increased competition and heightened risk factors amplified by COVID-19, according to the [World Payments Report 2020](#) published today by [Capgemini](#).

“COVID-19 has accelerated the rate of innovation within the payments space to quickly form the ‘next normal,’ requiring payments firms to be digital masters almost overnight. Now more than ever, payments providers need to deliver differentiated offerings that emphasize speed, convenience, and a superb end-to-end customer experience,” said Anirban Bose, CEO of Capgemini’s Financial Services and Group Executive Board member. *“Currently, we are seeing visionary banks and payments firms diligently prioritizing technology transformation and actively adopting a ‘curate and collaborate’ approach by teaming with agile new players to create more nimble organizations.”*

Before the pandemic started, payment volumes reached new heights, which are predicted to continue but at a pace reflecting both the increased reliance on non-cash transactions and the effect of a dampened global economy. The report predicts that a compound annual growth rate (CAGR) of 12% is expected for global non-cash transactions for 2019-2023. Global non-cash transactions surged nearly 14% from 2018-2019 to reach 708.5 billion transactions, the highest growth rate recorded in the past decade. Asia-Pacific surpassed Europe and North America to become the 2019 non-cash transactions volume leader at 243.6 billion. The increase was driven by increasing smartphone usage, booming e-commerce, digital wallet adoption and mobile/QR-code payments innovations, led by China, India and other SE Asian markets (31.1% growth).

Increased competition forces traditional payments providers to evolve

Customers are migrating away from cash as affinity for digital payments grows. New players are quickly becoming more popular, with the report finding that 30% of consumers are using a BigTech¹

¹ The report defines BigTechs as large, multinational technology firms such as Google, Amazon, Facebook, Apple, Alibaba, etc.



for payment services, and 50% are already using a challenger bank² for some payments. Furthermore, as of April 2020, more than 38% of consumers said they discovered a new payment provider during the lockdown. Internet banking and direct account transfers were, and still are, the preferred payment method throughout the global health crisis, according to 68% of consumer survey respondents. Contactless (tap-to-pay) cards came in second, with 64% of saying they used them often. Digital wallets (including QR based payments) were the preferred choice of 48% of respondents.

Alternative payments could continue to boost non-cash payments space as consumers seek speed, convenience and a superior customer experience. Digital wallet users are expected to jump from 2.3 billion in 2019 to 4 billion by 2024 – 50% of world's population. Invisible payments, or automated payment processes such as those found in Amazon Go stores and Uber are on pace to reach a 51% CAGR between 2017-2022.

Technology and collaboration can help payments firms address increased risks

As the market continues to be disrupted, and more payment options become available, payments firms must grapple with increased risk across business, regulation and operations. Payments executives say businesses are exposed to risks such as cybersecurity (42%), regulatory (37%), operational (35%), and business (30%). 87% of executives feel they face a high likelihood of cyber vulnerabilities, as criminals are exploiting exposures opened by the COVID-19 lockdown, which increase the risk of cyberattacks, money laundering and terrorist financing. Payments firms are actively turning to technology to help alleviate the exposure to new risks.

For corporate treasurers faced with business-to-business challenges and inefficiencies, the pandemic has required them to look to digital as the solution to address counterparty risk, connectivity solutions, payments automation and cybersecurity. Corporate treasurers now are looking for their bank and payments firms to provide enhanced API integration, risk management, and real-time payments and tracking.

While bank executives ranked client-visible innovation (79%) and digital transformation (75%) as the top drivers of their strategic initiatives for 2020 and beyond, payments transformation appears inevitable. Collaboration as part of this transformation can help with pandemic-driven uncertainty as regulators focus on addressing risks, especially with non-cash payments. Banks are actively pursuing two different ways to achieve a leaner and more agile backend that can keep pace with a digital front-end, by either developing in-house capabilities or by working with digitally agile new players. In addition to developing in-house capabilities, 60% of bank executives believe that working with third parties throughout the value chain will help them augment ecosystem-based propositions.

Report methodology

This year's World Payments Report offers insights on 44 payments markets across various geographical regions. For worldwide macro descriptive graphs, six regions were defined: Europe, North America, Mature Asia-Pacific, Emerging Asia, Latin America, and MEA, grouped by geographic, economic, and non-cash payment market maturity criteria. More than 8,600 consumers participated in the report's Voice of the Consumer survey. An additional online survey to banks, FinTechs, Payment Services Providers, and Corporates provided data from 235 respondents and 45 executive

² Challenger banks are defined as newly created banks that have their own core banking system and compete directly with the longer-established banks, sometimes by specialising in areas underserved by the bigger banks. Examples are NuBank, Chime, and Monzo.



interviews were conducted with banks, payments firms, card scheme firms, technology service providers, and retailers.

About Capgemini

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