

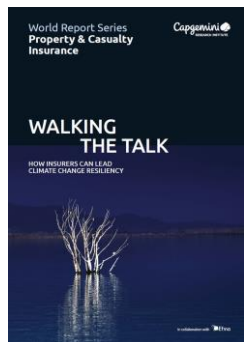
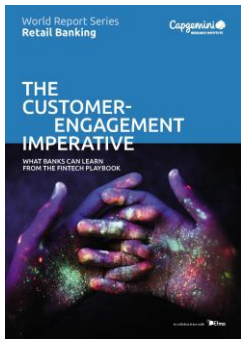
# PAYMENTS TOP TRENDS 2023



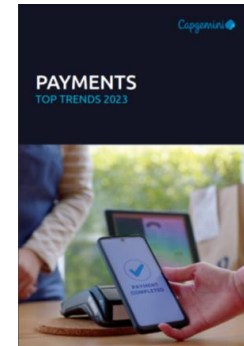


# CAPGEMINI RESEARCH INSTITUTE FOR FINANCIAL SERVICES DELIVERS A BROAD RANGE OF SECTOR-SPECIFIC WORLD REPORTS AND TRENDS BOOKS

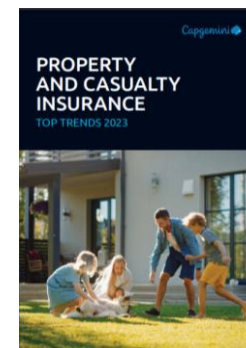
## World Reports



## Trends Books



Executive Interviews/Surveys	Voice of Consumer
950+	23,500





# TREND 10 TRENDS IN BANKING BY SUB-DOMAINS

Changes in industry dynamics

Creating and enabling new values

Customer Centricity

Business resilience

New horizons

## WEALTH MANAGEMENT



ESG regulatory standards aim to curb corporate investment greenwashing



Demand for outsourced chief investment officer services is on the rise



Investor appetite for digital assets drives wealth industry capabilities beyond cryptocurrencies



Amid volatility, investors seek new portfolio strategies, such as direct indexing



Wealth management firms refocus on the mass-affluent segment



Women increasingly control more wealth, yet many firms falter at winning their mindshare and share of wallet



Evaluating cybersecurity for future readiness



A digitalized core can bridge the gap between relationship managers' expectations and WM firms' automation capabilities



The wealth management industry is consolidating to achieve scale



Family offices showcase bespoke services while facing regulatory dynamics

## RETAIL BANKING



Smart branches feature experiential banking and convenience to spark customer connection



Incumbents scout for mature FinTechs to complement capabilities, boost bank profitability



More banks commit to driving circular economy sustainability



Banks step-up and own customer experience with embedded finance



Financial wellness advice can help customers navigate the cost-of-living challenges



CMOs leverage actionable data insights to guide customer-centricity



Digital identity to unlock efficiency gains for banks



Banks unlock value at scale by migrating workload to the cloud



A boom in synthetic data will catalyze data ecosystem growth



As banks explore decentralized finance, they remain cautious

## PAYMENTS



Composable architecture creates competitive advantage efficiencies



Real-time cross-border payment rails will boost the speed and volume of regional trade



An end-to-end ecosystem approach simplifies payment hub modernization



Global adoption of ISO 20022 opens doors to data monetization



Central banks gear up to pilot and implement CBDCs



B2B Buy-Now-Pay-Later (BNPL) picks up momentum amid post-pandemic Macroeconomics



Embedded finance providers leverage customer data and actionable insights to unlock new use cases



PayTech innovation and ecosystem partnerships focus on revamping SMB payments



Tokenization – a multi-pronged approach for scalable and secure card payments infrastructure

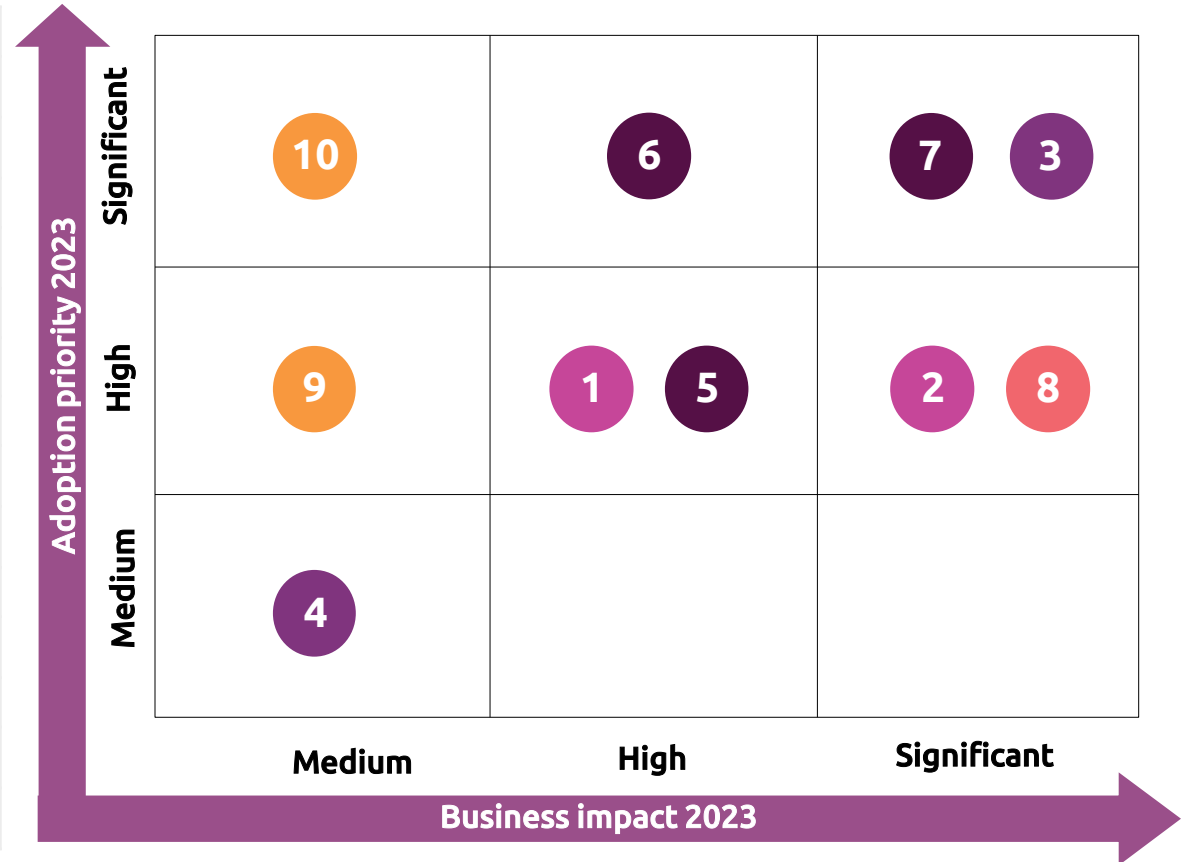


Eco-friendly cards, digital payments, and cloud-based payments hubs will boost sustainability



# TOP TRENDS IN PAYMENTS 2023 – PRIORITY MATRIX

Customer centricity	
1	B2B Buy-Now-Pay-Later (BNPL) picks up momentum amid post-pandemic macroeconomics
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Source: Capgemini Research Institute for Financial Services, 2023.

The matrix above presents Capgemini’s view of 2023 trend prioritization in an operating environment that includes:

- Rising inflation and interest rates coupled with slowing growth
- Operational disruption due to geopolitical instability
- Dynamic regulation and compliance mandates
- High customer adoption of digital payments
- Increasing digital transformation initiatives of FIs
- Brisk competition and increased focus on customer centricity to hedge against advances from new-age players

- **Adoption priority** refers to the urgency of adopting a 2023 trend to maximize value creation because of its sector importance.
- **Business impact** represents a trend’s 2023 effect on the payments industry regarding customer experience (CX), operational excellence, regulatory compliance, or profitability. Circumstances will vary for each firm depending on its business priorities, geographical location, and several other factors. For more information, don’t hesitate to contact us at [payments@capgemini.com](mailto:payments@capgemini.com).



# FROM 2022 TO 2023 WHAT HAS CHANGED AND WHAT NOT?

TRENDS 2023	
1	B2B Buy Now/Pay Later (BNPL) gains traction amid post-pandemic macroeconomics
2	Embedded finance providers leverage customer data and actionable insights to unlock new use cases
3	Global adoption of ISO 20022 facilitates data monetization
4	Central banks gear up to pilot and implement CBDCs
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9	Tokenization – a multi-pronged approach for scalable and secure card payments infrastructure
10	Eco-friendly cards, digital payments, and cloud-based payments hubs will boost sustainability

TRENDS 2022	
1	Next-gen payments methods in Payments 4.X
2	Digital ID infrastructure will be key
3	D2C and others empower SMBs and merchants
4	BigTech foray through partnerships
5	Banks embrace open ecosystems
6	PaaS and data-based ecosystem models unlock new frontiers
7	Cybersecurity becomes critical
8	PayTech focus on expansion and M&A
9	Consolidation driven by economies of scale
10	Growing interest in CBDCs

### New trends

- ISO 20022 gains rapid traction with a March 2023 deadline.
- To cope with rising demand, PSPs are enabling real-time cross-border payments
- Regulatory pressure is pushing the payments players to focus on sustainability initiatives.

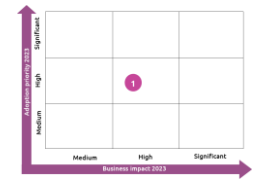
### Trends evolution

- Next-gen payment engine now include Buy-Now-Pay Later and embedded finance.
- Banks expanded open ecosystems to adopt composable architecture, modernize payment hub and bring innovations for SMBs.
- Tokenization and CBDC brings security and functionality to payment methods

### Deprioritized trends

- Digital ID is gaining traction across all banking functions and now moves to retail banking trends
- BigTech did not have the anticipated impact. PaaS, M&A and consolidation slowed considerably due to 2022's macroeconomic volatility.

# B2B BUY NOW/PAY LATER (BNPL) PICKS UP MOMENTUM AMID POST-PANDEMIC MACROECONOMICS



B2B BNPL has a significant advantage over traditional credit methods



## Collateral-free, short-term credit

Offers businesses easy access to supply-chain finance. A seamless and completely digital credit risk assessment model offers added value.



## Versatile business models

**Model 1:** point-of-payment option embedded in the buyer's digital bank account

**Model 2:** offer an invoice financing option for suppliers requiring instant payment.



## Less regulated than B2C

Underwriting different types of businesses are easy as regulations are not stringent yet.



## Advantage over other financing methods

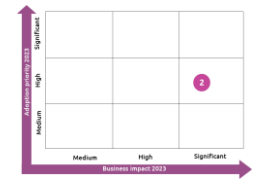
BNPL offers better terms. It is offered as revolving credit with a quick turnaround time.

Source: Capgemini Research Institute for Financial Services, 2023

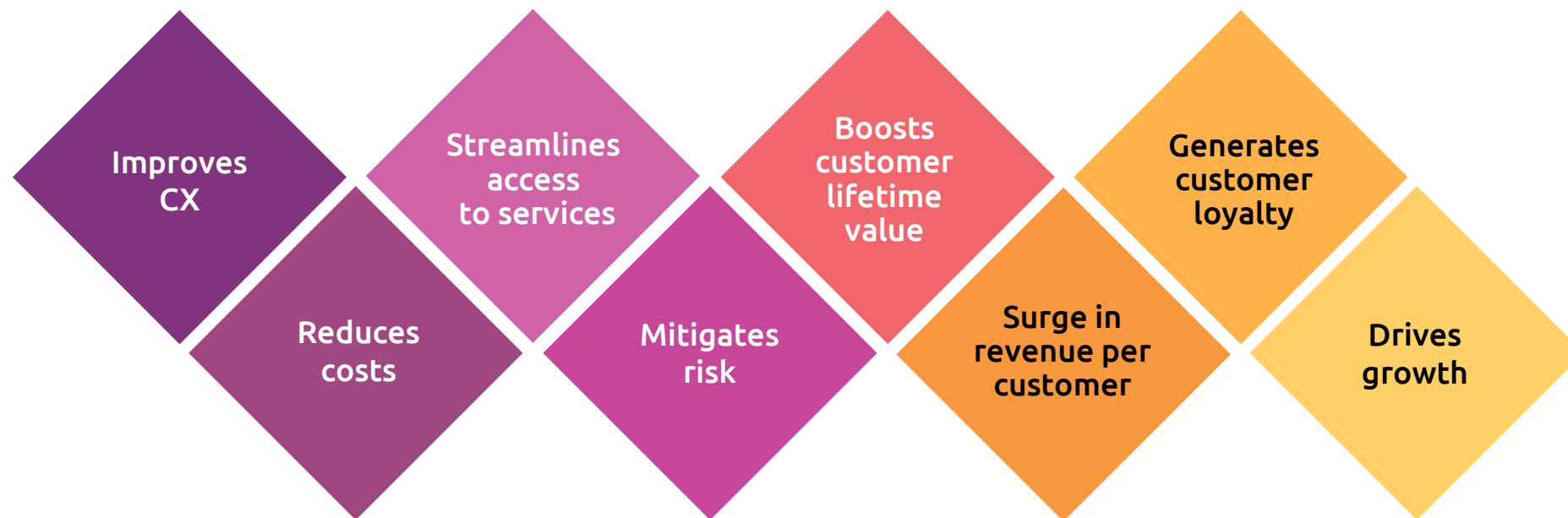
**As more businesses turn to BNPL for a quick turnaround and revolving credit option, we anticipate a steep growth trajectory.**



# EMBEDDED FINANCE PROVIDERS LEVERAGE CUSTOMER DATA AND ACTIONABLE INSIGHTS TO UNLOCK NEW USE CASES



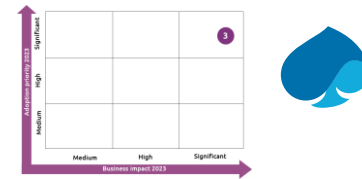
Embedded finance delivers valuable benefits to all stakeholders in the ecosystem



Source: Capgemini Research Institute for Financial Services, 2023

**The rapid adoption of technologies such as AI-ML, 5G, distributed ledger technology, IoT, etc. will improve the chances of embedded finance providers to champion customer experience.**

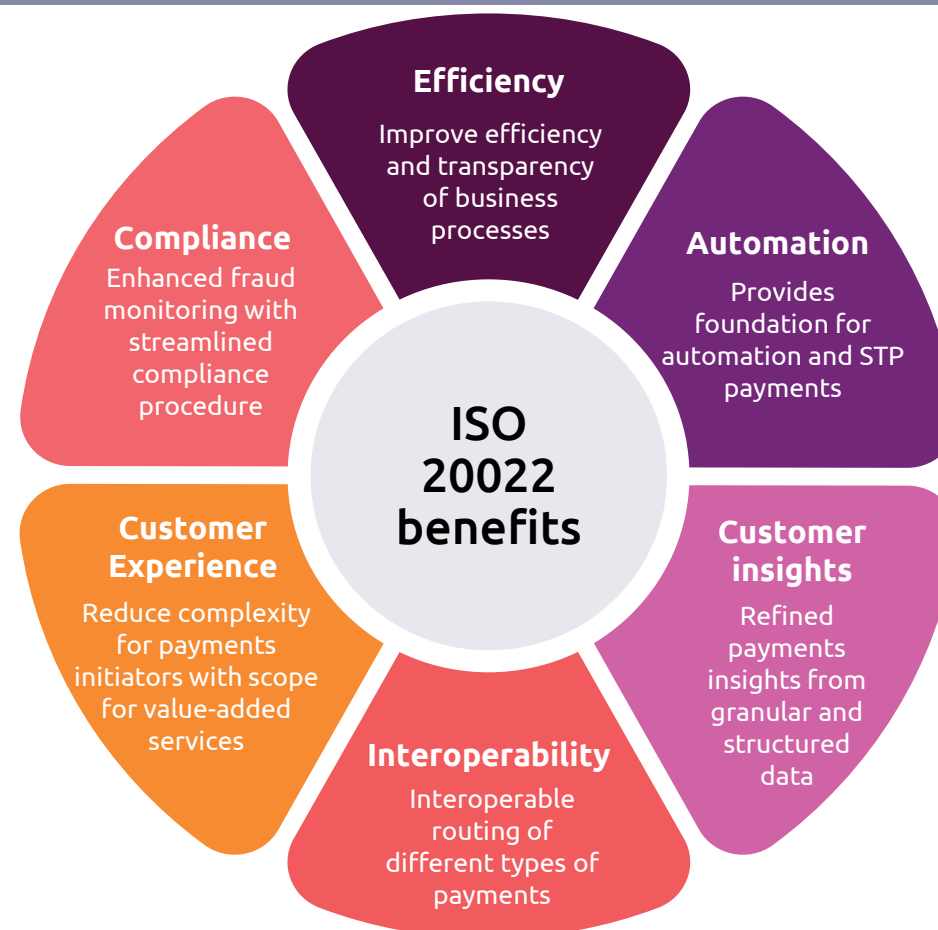
# GLOBAL ADOPTION OF ISO 2022 OPENS DOORS TO DATA MONETIZATION



ISO 2022 can help FIs boost productivity & security while developing new data-based revenue streams

**SWIFT introduced the ISO 2022 to standardize processing and exchange of financial information.**

**ISO 2022 will provide 360-degree customer views with rich and granular data to generate actionable insights and accurately predict customer behavior.**

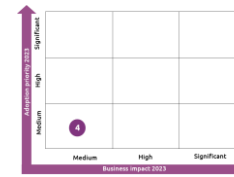


Source: Capgemini Research Institute for Financial Services, 2023

**Further, with ISO 2022 driven standardization interoperability of systems, technology, and platforms significantly improves. This will pave the way for industrialized proofs of concept for emerging technologies like DLT.**



# CENTRAL BANKS GEAR UP TO PILOT AND IMPLEMENT CBDCS



## Critical factors considered by the central banks when ideating and implementing CBDC

### Centralized

Control lies with central bank for circulation of CBDCs and for managing multiple physical nodes storing data

### DLT

Operated and settled in peer-to-peer and decentralized manner (no intermediary)

### Direct

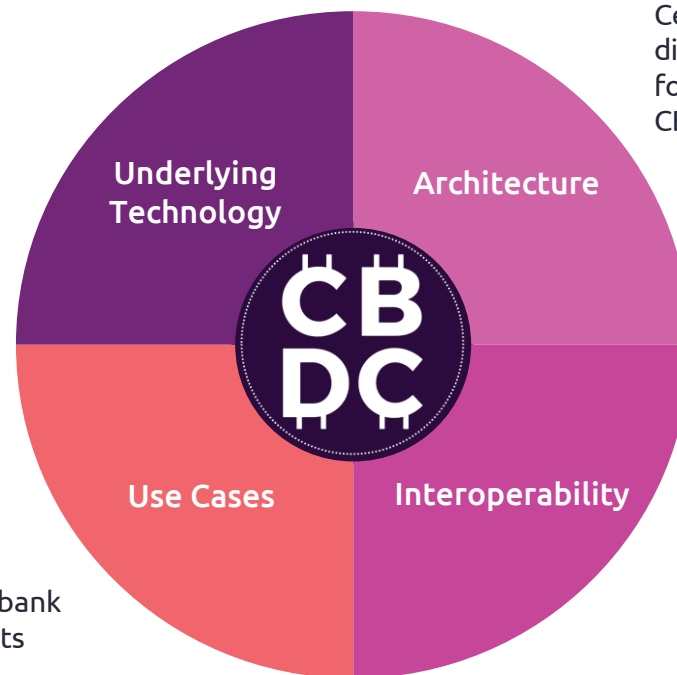
Central bank holds direct responsibility for facilitation of CBDC payments

### Intermediated

Payments are facilitated by intermediaries and central bank maintains only wholesale ledger

### Hybrid

Intermediaries handle payments and central bank has a direct claim on CBDC



### Retail

For use by the general public for purchase of goods and services

### Wholesale

For use by financial institutions for bank-to-bank transfers and settlements

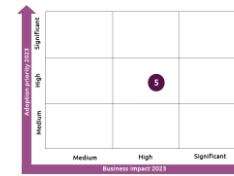
### Regionalization

Enabling the use of CBDCs for domestic payments as well as for international payments using interoperable platforms (most commonly among central banks in a region)

Source: BIS; Capgemini Research Institute for Financial Services, 2023

**CBDCs can enhance the financial resilience of the national fiat currency**

# COMPOSABLE ARCHITECTURE CREATES COMPETITIVE ADVANTAGE EFFICIENCIES



Composable architecture delivers substantial advantages, while addressing legacy platforms limitations

**Composable architecture facilitates cloud migration and adoption of emerging technologies which enhances innovation and agility.**

Operations scale easily

Fast product rollout and go to market

Flexible component selection, customization

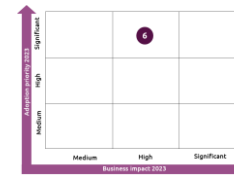
Operational costs decrease

Emerging technologies easily integrated, implemented

Source: Capgemini Research Institute for Financial Services, 2023

**Composable architecture allows FIs to prioritize the development of products and digital journeys in the shortest time.**

# REAL-TIME CROSS-BORDER PAYMENT RAILS WILL BOOST SPEED AND VOLUME OF REGIONAL TRADE



## Benefits of real-time cross-border payments



### Speed

Instant settlement of cross-border payments within ~60 seconds



### Liquidity

No funds remain in transit, improves overall liquidity



### Cost

Reduced manual processes and next to no manual intervention for cost-effective payment solution



### Transparency

FX rates transparent before initiating the transaction and remain consistent across the entire process



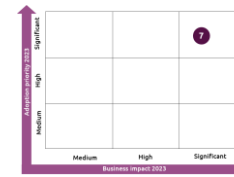
### Security

Recipient's details visible before initiating the transaction to reduce fraud

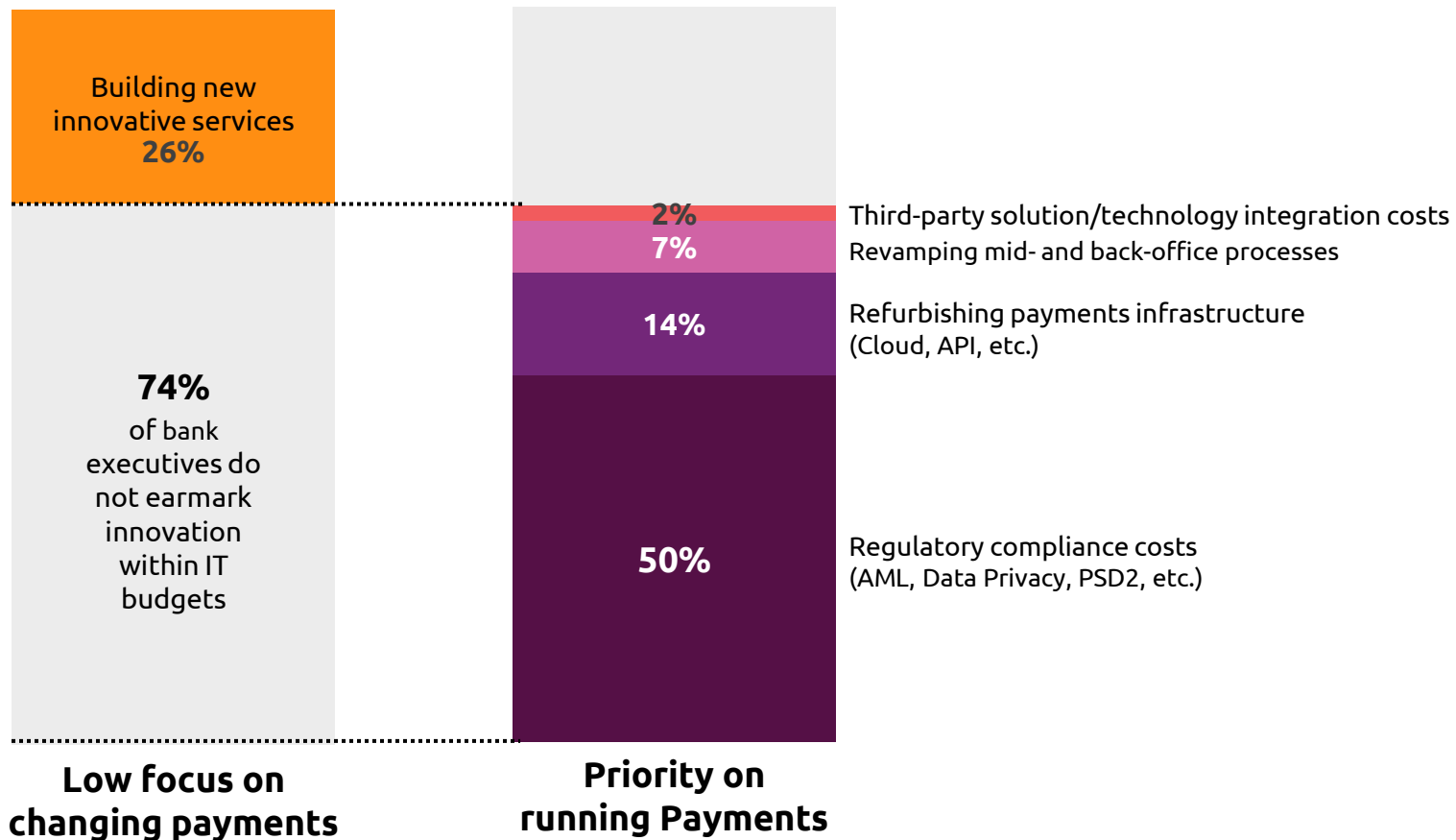
Source: Capgemini Research Institute for Financial Services, 2023

**Cross-border real-time payments will reduce costs associated with transaction fees and currency exchange, resulting in improved margins for SMBs.**

# AN END-TO-END ECOSYSTEM APPROACH SIMPLIFIES PAYMENT HUB MODERNIZATION



Currently, banks and payments service providers are not able to prioritize IT budget for building new innovative services



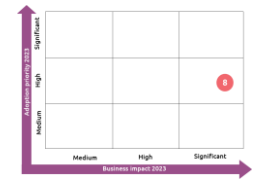
**Leverage broader SaaS ecosystem and composable architecture to future-proof payments hub**

**Enrich mid- and back-office capabilities with value-based third-party integrations like data analytics, automation, and cybersecurity**

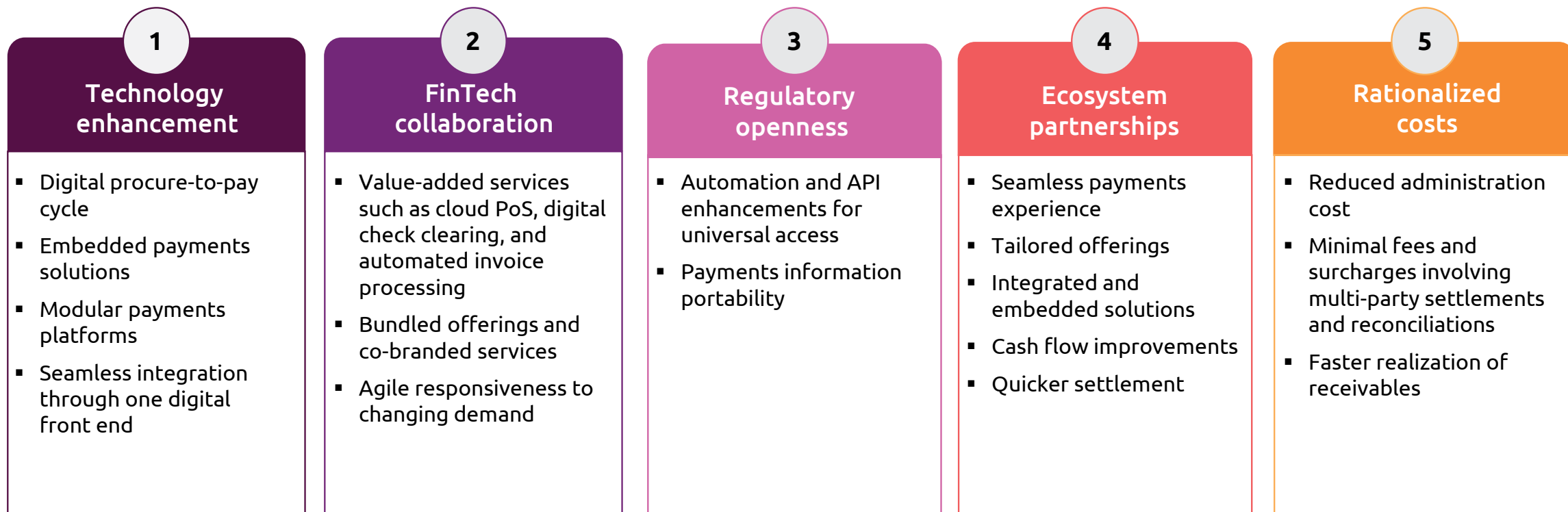
Source: Capgemini Research Institute for Financial Services, 2023

**A composable payments hub boosts speed to market, agility, and innovation – resulting in superior CX and improved operational efficiencies**

# PAYTECH INNOVATION AND ECOSYSTEM PARTNERSHIPS FOCUS ON REVAMPING SMB PAYMENTS



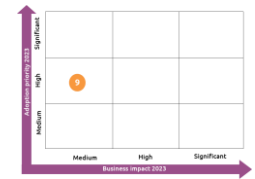
SMBs are seeking enhanced value-based services from banks and payments firms



Source: Capgemini Research Institute for Financial Services, 2023

**We foresee a more streamlined B2B cross-border payments as intermediary correspondent banking network is reduced and global multi-currency payment solutions emerge.**

# TOKENIZATION – A MULTI-PRONGED APPROACH FOR SCALABLE AND SECURE CARD PAYMENTS INFRASTRUCTURE



Tokenization can unlock benefits for all stakeholders within the payments value chain



Real-time issuance of new tokens makes the payments experience seamless



Greater card data security without risk of sensitive information theft



Improves collaboration between card issuers, banks, and FinTechs for innovation and launching new services



Easier compliance with PCI DSS\* payment security standards for merchants



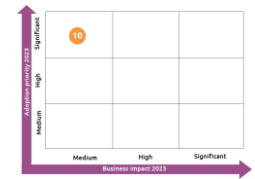
Reduces instances of fraud and increases authorization success rates, boosting payments

\*PCI DSS stands for Payment Card Industry Data Security Standard  
Source: Capgemini Research Institute for Financial Services, 2023

**Tokenization enriches CX by significantly reducing payment frauds and improving the transaction approval rates.**



# ECO-FRIENDLY CARD MATERIALS, DIGITAL PAYMENTS, AND CLOUD-BASED PAYMENTS HUBS WILL BOOST SUSTAINABILITY



Emerging innovative payment formats and digitalization will reduce associated environmental costs

## Eco-friendly payment cards

- Using eco-friendly and recycled material for cards



## Tap and pay

- Gained popularity during COVID-19 due to no-contact and non-cash feature
- In India, contactless payments' contribution to total face-to-face transactions grew more than six times to 16% in December 2021



## Real-time payments

- Non-cash and non-card based 24x7 and instant payment medium
- In 2021, Brazil recorded 8.7 billion real-time payments transactions and is expected to increase to 82.4 billion by 2026



## Mobile wallets

- Utilizes existing cell phones, smartwatches for payments
- Will account for over half of e-commerce transactions by 2025



## Innovative solutions

- Mastercard Carbon Calculator* informs consumers about the environmental impact of their spending through CO<sub>2</sub> equivalents
- Visa Eco Benefits Bundle* allows issuers to add sustainability-focused benefits



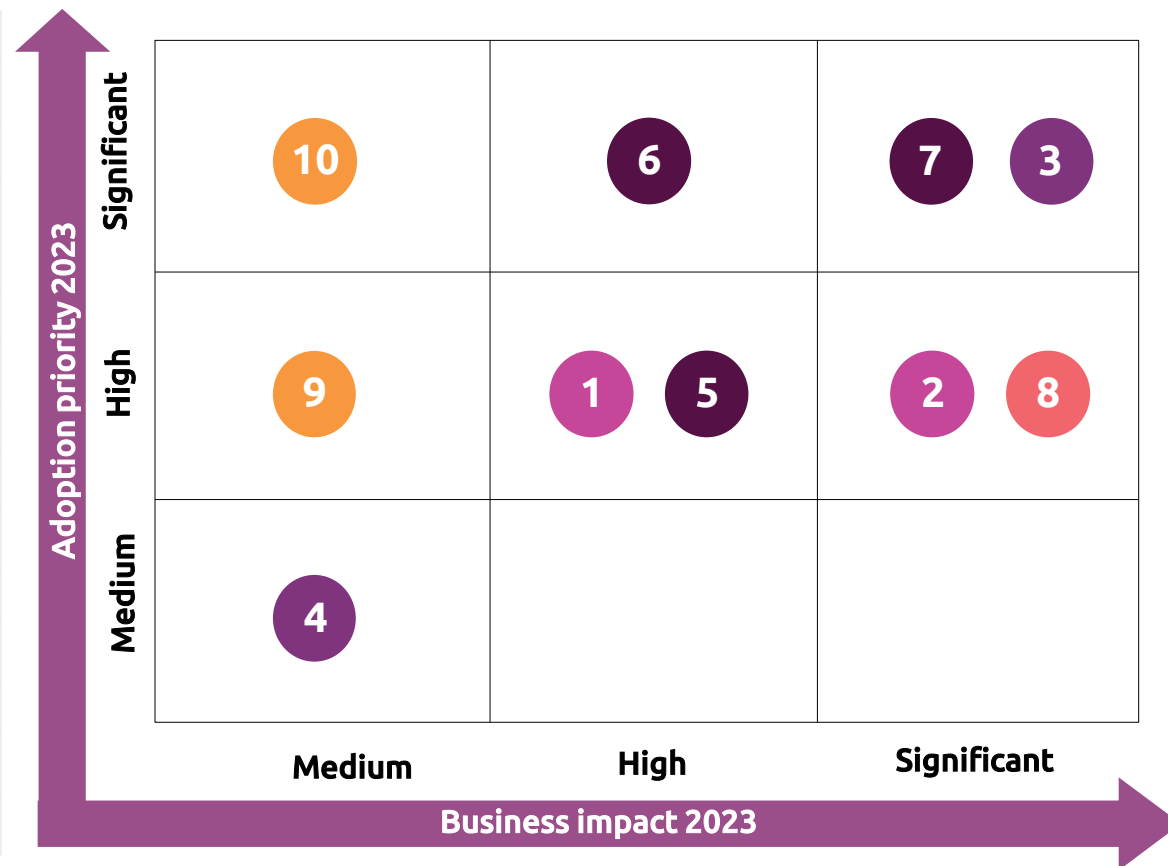
Sources: Capgemini Research Institute for Financial Services, 2023; [India Tap and Pay](#), [Brazil Real-time transaction](#), [Digital wallets](#)

**Switching to digital and cloud-based solutions can reduce carbon-emissions up to 95% - helping payment firms to incorporate sustainability in their value chain.**



# TOP TRENDS IN PAYMENTS 2023 – PRIORITY MATRIX

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## CONTACT US

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