

# Understanding the evolving payments landscape

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4 Feb 2020

Digital and mobile technology is continually evolving and advancing, creating new ways to pay; from mobile wallets to peer-to-peer to digital currency, the modern payments landscape has evolved past simply cards and cash.



Image source: Getty/Gallo

Consumers, eager to adopt these new ways to pay, are changing their purchasing habits to meet these emerging methods. To meet customers' needs, banks, fintechs, and merchants must keep up with these new trends and even more innovative ways to pay for goods and experiences.

However, with these new payment methods comes a new universe of fraud that firms must manage as fraudsters increase the sophistication of their attacks by utilising emerging technologies like artificial intelligence for criminal purposes. To tackle this new era of fraud, firms must invest in secure technologies, including authentication, identity verification, transaction monitoring, and data theft prevention technologies.

In 2019 Visa commissioned Forrester Consulting to evaluate how banks, financial technology companies, and merchants are protecting themselves and their customers from fraud amid this rapid expansion of new payment technologies.

We found that while enthusiasm for new payment technologies abounds, many organizations struggle with managing fraud and are turning to trusted partners to help them navigate new waters.

## Digital payment adoption (including mobile) is increasing globally

Digital and mobile technology have significantly reshaped consumers' purchasing habits.

E-commerce has brought unrivalled convenience to shoppers around the world and has enabled purchases with a single click of a mouse or button. Simultaneously, the ways consumers pay for their purchases are also evolving. “Cash, debit, or credit” are no longer acceptable as the only options for purchases; around the globe, mobile payments are becoming increasingly more common and convenient.

Consumers’ usage of new payment technologies is expected to increase substantially over the next five years.

Banks, merchants, and fintechs are cognisant of this shift and are transforming their operations to handle this change and working hard to ensure they offer these capabilities to their customers. Our survey of these companies found that 58% support digital wallets, 60% support peer-to-peer payments, and 72% support mobile banking bill payments. Companies expect this payments trend to continue.

## **Each new payment technology brings its own host of fraud challenges**

One downside of this advancement in payment technologies is that as payments get more innovative, so do fraudsters. Companies recognise that new technologies bring new fraud challenges: 61% percent of respondents at banks, fintechs, and merchants surveyed agreed that new payment technologies make them more susceptible to fraud. Specifically, 68% of respondents expressed concern regarding fraud in mobile banking payments; 60% for mobile wallets; and 58% for peer-to-peer payments. However, 77% are ready to invest to meet these challenges head-on.

A closer examination of these growing fraud concerns revealed two key observations: Firstly, the frequency of fraud specifically tied to digital payments is lower than other fraud types. Secondly, however, fraud related to digital payments has larger business impacts.

## **Companies have consistent fraud management concerns**

We asked respondents about where they had specific fraud prevention concerns for new digital payment technologies (mobile wallets, mobile banking bill payments, and P2P payments). Four specific authentication/fraud prevention methods consistently rose to the top: Identify verification; Transaction monitoring; Data privacy/data theft management; and two-factor authentication.

These authentication and fraud management capabilities are important for companies to acknowledge and plan for with the adoption of any new payment technology.

## **Companies with more mature security practices take a more holistic approach**

Proper protection requires a combination of new technologies, new teams, and new skills, and companies must balance payment technology investments with security investments.

Companies are facing pressure from both internal and external sources to implement and manage new payment risk capabilities. Forty-seven percent of respondents said that consumers are demanding new, secure payment capabilities — ready to take their dollars elsewhere if not properly protected. Additionally, 48% of executives are demanding their organisations to evolve their payment risk management capabilities, recognising the deep and lasting impact fraud can have on their business.

Improving fraud management capabilities has numerous business benefits, including improved customer satisfaction, improved reputation, and a reduction in internal fraud management system costs.

Improved customer experience has a clear impact on bottom-line revenue for businesses; notably, Forrester found that companies with exceptional customer experiences grew revenue five times faster on average than their competitors with poorer customer experiences. By investing in new fraud management tools, technology, and talent, mature organizations are more readily able to create seamless customer experiences.

Brand reputations take years to grow, and mature organizations realize that they must fortify their payment security walls to secure their reputations.

Managing payment fraud holistically is imperative in meeting consumers' growing demands, maintaining/improving fraud management, and keeping a business ahead of the curve and successful.

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