

# Innovate in payments

By Paul Koetsier



International payments traffic is increasingly standardized and regulated. As a result, it is becoming harder for banks to make a distinctive proposition for their customers. On top of that, banks are losing their monopoly in the payments market.

The payments value chain has split up, and parts of it are quickly being absorbed by non-banks such as Paypal and Google (with Google Wallet). There, at the forefront of the value chain, close to the consumer, lays a great deal of opportunity for innovation. If you are able to offer convenient payment facilities, you lower the consumer's buying threshold and increase turnover potential. And there are other opportunities for banks to distinguish themselves from competition. Clearly, banks must realize by now that they will lose market share if they don't reconsider their value proposition and make clear strategic choices. The World Payments Report 2013 identifies four important innovation hotspots that allow them to make a difference.



## 1. Origination

Payment Service Providers active in this hotspot are investing in ways to offer convenience to their customers. Payments services are integrated in consumers' and purchasers' daily life, enabling them to use different payments methods and currencies, and to pay whenever, wherever they want. These parties have made payments part of the "customer experience". You might, for instance, imagine an app that allows customers to pre-order and pay for their drinks at a busy café, and have their drinks waiting for them when they arrive.

## 2. Acceptance & capture

Parties that choose this hotspot, focus on the development of one single solution that allows traders and consumers to pay in every imaginable way. Such parties are able to offer a large amount of payments options in a unified, convenient package. WorldPay [<http://worldpay.com/>] is a good example, offering more than 200 payment methods through a single solution.

## 3. Security & fraud

As the amount of available payments methods grows, so does the risk of fraud and theft. That is why service providers such as Safetech focus completely on security and fraud control. It's another niche with great potential.

## 4. Value added services

The increase of digital payments results in new, unprecedented amounts of data. For instance: who was the buyer, what did he buy, when, and at what store? Parties in this hotspot focus on the analysis of Big Data, which may be very valuable for organizations that seek new turnover opportunities.

Banks that want to be more than just a digital piggy bank, will have to choose one of these innovation hotspots. The actual transaction process around payments is rapidly becoming a commodity. Banks that keep focusing on the process, will lose customers to banks that are finding new opportunities for customer convenience at the forefront of the value chain. Only banks that succeed in giving shape to a recognizable, distinctive proposition that aligns with the wishes and demands of retailers and consumers, will be able to reap new, unprecedented opportunities for further growth. As such, these new developments only form a threat to organizations that lack the agility to react quickly. Alert organizations that acknowledge the need for change and are prepared to invest, will come out on top. And, as history has proven time and again, size alone is no guarantee for survival.

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