

Payments and the Battle for the Customer

By Antal Ruiters

Plenty of innovation opportunities for banks and retailers

Bank accounts traditionally form the cornerstone of a bank. After all, all of the services provided to customers are clustered around customers' accounts. With new ways of taking over parts of the payment chain, innovative start-ups in the payment sector pose a very real threat to this cornerstone.

Their trick is ensuring that traditional banks continue to shoulder the compliance burden, while they make off with the grand prize themselves: the information-rich payment transaction data. As a result, the foundations supporting traditional banks will be knocked down. The only thing they still see on a payments transfer description is "Google/Paypal payment"; the banks are therefore missing out on the valuable information that will enable them to distinguish themselves. This commercial information (who is buying what, where and when?) is being withheld by parties such as Google or Paypal, companies that would rather leave the transaction and compliance red tape to the traditional bank organizations.



PikaPay

Another initiative that is currently under development is PikaPay (www.pikapay.com). This is a mobile, virtual wallet which can be used to make simple payments all over the world via Twitter, without complex registration procedures. To do this, PikaPay uses so-called “bit coins” that can be converted to local currency at exchange offices throughout the world.

Wizzit

A similar system may be found in African countries such as Tanzania, Zambia and Namibia, where many people do not have a permanent place of residence. In these areas, it is very normal for people to have a mobile bank account with Wizzit (www.wizzit.co.za). This system does not entail a complex registration procedure; the customer’s unique telephone number, a photo and a fingerprint are sufficient. Money may be sent to local post offices for collection by customers, and the costs per transaction are low. Wizzit already has five million customers, and the company is in an advanced stage of negotiations with organizations in countries in South America.

Cardlytics

Cardlytics (www.cardlytics.com) is a new card-linked marketing concept which makes it possible for individual consumers to receive special offers via a mobile app from stores via the consumers’ banks. The banks, after all, know which stores their customers shop at. The discount is deducted when the actual purchase is done.

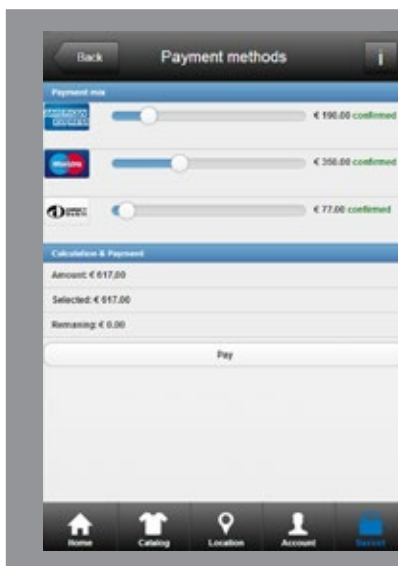
Other examples

Paypal invest a great deal in points of sale. For example by enabling retailers to make offers to individual customers as soon as they enter their store. Another good example is Burberry, the English luxury brand, which embraced digital transformation with a focus on operational excellence. You can read an interview with the former CEO of Burberry, Angela Ahrendts via: http://bit.ly/digital_leadership.

Near Field Communication

The incentive to innovate in the Netherlands is generally quite low, because there are only a few large banks. And innovation costs money, and affects compliance. In addition, the Dutch market is too small for a rapid return on investment (ROI). The positive side is that if the banks join forces to implement an innovation,

such as they did with the “chipknip”, adoption can go very fast. Near Field Communication (NFC) is a good candidate for a collective effort. NFC is a wireless protocol which can be used to exchange data between devices. Customers can use this technology to do a payment by waving their cell phones in front of a product’s tag. Starbucks didn’t want to wait for NFC, and already made a similar solution available for its customers in America and England. The only thing customers have to do, is to wave their cell phone in front of the cash register to pay and redeem customer loyalty points. This illustrates the innovation pressure from the market place. Yet another reason why banks should not just respond to this demand, but also take the initiative. The trick is to truly let go of the old ways and fully embrace the new digital world.



Screenshot of a demo app that Capgemini has developed to kick-start the innovation discussion with customers in the financial sector. In this app, consumers can make a purchase using different payment methods at the same time: part of the amount may be paid with a credit card, another part using a standard debit card, and yet another part with a savings account they have at that particular shop.

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