

# 2020

## Payment Predictions

The evolution of payments continues to accelerate and has changed remarkably in recent years. Until recently, consumers could only pay when they were asked. **They had no choice.**

**Those days are definitely behind us.**

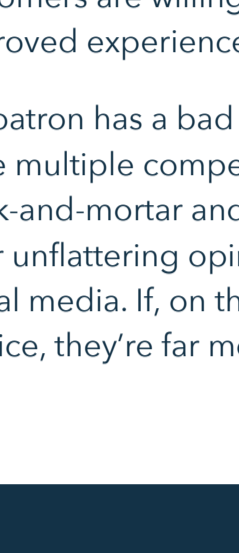
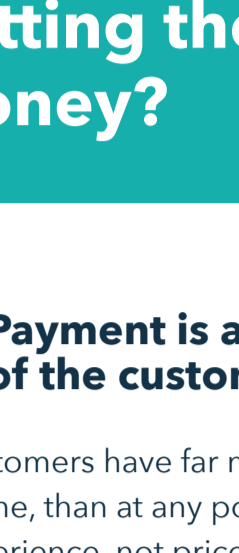


Now, everyone can pay when they want, where they want, and how they want.



It's not enough anymore to just offer payment solutions that are tailored to consumers; now payments need to be taken right to them.

## Here are our top seven payment predictions for 2020.



### 1 Banks and fintech are ready to disrupt payments

- Fintech companies<sup>1</sup> have brought predictive analytics, AI, and mobile applications to the world of banking. This disruption will inform how the next generation of payment systems develops.
- Large, legacy financial institutions and their more limber startup counterparts are finding many reasons why it makes sense to work together, namely speed, scale, and expertise.
- US banks that want fintech of their own are willing to pay top dollar for it. As of September 2019, there were two dozen equity deals,<sup>2</sup> a similar rate to 2018, which marked a **180 percent jump** over the year before.

## And where are they putting their money?

### Payments and settlements.

J.P. Morgan has been on a shopping spree, acquiring several related companies, including medical payments technology firm InstaMed<sup>3</sup> for more than **\$500 million**. It also created its own brokerage app, You Invest.<sup>4</sup>



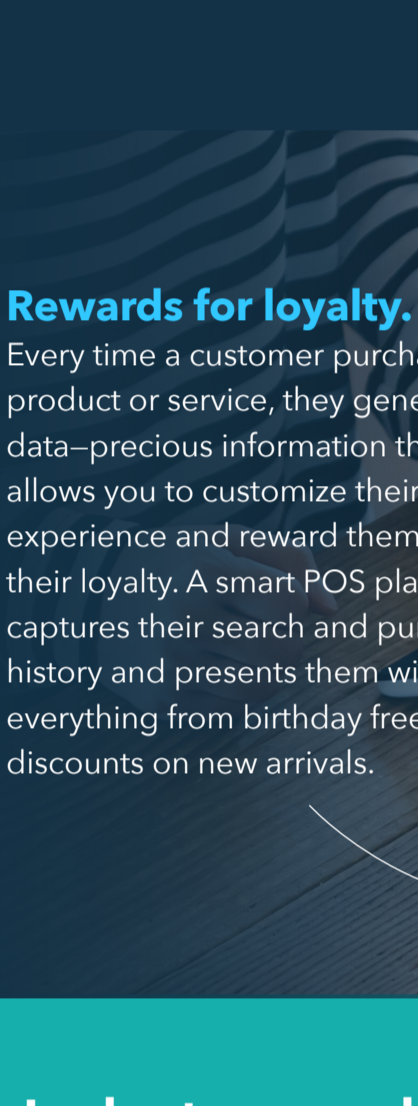
### 2 Payment is a critical component of the customer experience

- Customers have far more choices, both in-person and online, than at any point in history. As a result, experience, not price, is now the crucial tipping point that will make or break a sale. Some even expect experience to become more important than price<sup>5</sup> in the not-so-distant future. In fact, **86 percent<sup>6</sup>** of your customers are willing to pay more if it means an improved experience.

- If a patron has a bad experience with you, they likely have multiple competitors from which to choose, both brick-and-mortar and online. They can also broadcast their unflattering opinion of your company<sup>7</sup> across social media. If, on the other hand, you provide stellar service, they're far more likely to return.

**86%**  
of your customers are willing to pay more if it means an improved experience.

## Here's how a smart terminal can help you provide remarkable customer service:



### Faster service.

With a smart terminal, checkout is faster. This makes your customers happy (less wait time) and your employees happy (more customers served, more revenue). No matter how smooth and simple a payment experience might be, no one wants to wait longer in line for it. A quick in-and-out means they're far more likely to return and recommend you to friends.

### Easy payment.

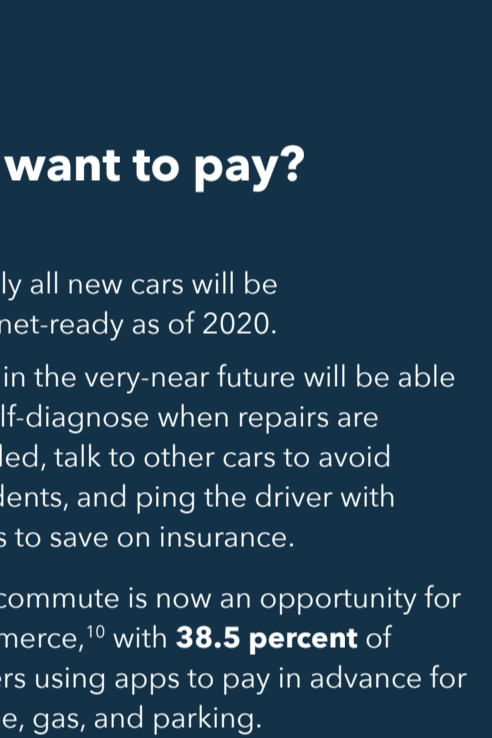
With a smart terminal, your business sends a message of welcome—you accept every form of payment, be it cash, card, mag stripe, contactless mobile (Apple Pay, Google Pay, Samsung Pay), or gift cards. This sets you apart from establishments that rely on outdated registers that don't connect to their inventory or send automated email confirmations. In an age in which mobile connectivity is a must-have for most consumers, they expect the same functionality in retail payments.

### Efficient back-end tools.

Smart terminals are ideal for businesses in multiple locations or those that need multiple terminals in the same facility. Rather than having to interrupt a transaction to pick up the phone and confer with a colleague, a sales rep can simply message them within the terminal or have a manager jump in from across the store to approve a refund or discount. This ensures that your patrons will have a consistent experience<sup>8</sup> no matter where they encounter your brand or who they speak to when they're there.

### Simple interface.

Smart terminals are designed with users in mind, and they provide simple, intuitive instructions for both customers and sales staff. They let the patron choose their preferred payment method, rate their experience, and even browse additional items that they might pick up later online or in-person at their next visit.



### Rewards for loyalty.

Every time a customer purchases a product or service, they generate data—precious information that allows you to customize their experience and reward them for their loyalty. A smart POS platform captures their search and purchase history and presents them with everything from birthday freebies to discounts on new arrivals.

**In short, a remarkable customer experience makes a happier customer—one who will buy more, come back often, and (hopefully) bring friends. And a smooth payment interaction is a necessary step in making that happen.**

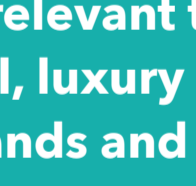
## 3

### There is power in IoT

### With the number of connected devices expected to approach

**20 Billion by 2020,<sup>9</sup>**

your customers will demand even faster and more convenient payment methods that use data to provide a seamless, safe experience. These purchases are possible not just on smartphones, but on watches, TVs, and other connected gadgets.



**From their cars.**



**From their homes.**



**From their wrists.**

- Nearly all new cars will be internet-ready as of 2020.
- Cars in the very-near future will be able to self-diagnose when repairs are needed, talk to other cars to avoid accidents, and ping the driver with alerts to save on insurance.
- The commute is now an opportunity for commerce,<sup>10</sup> with **38.5 percent** of drivers using apps to pay in advance for coffee, gas, and parking.

- Smart speaker sales have skyrocketed,<sup>11</sup> growing from **around 900 million in 2016** to nearly **12 billion in 2019**. Growth in the smart speaker market is increasing at a faster rate than that of other smart home devices.
- As of 2019, an estimated **35 percent** of US households were equipped with a smart speaker, and by 2025, forecasts suggest that this penetration rate will increase to around **75 percent**.
- Thirty-one million people in the US** shopped via smart speaker in 2019, up **31.6 percent from 2018**. By 2021, this figure will **climb to 38 million** as **more than four in 10 US smart speaker users** look to these devices for their shopping capabilities.

- Smart speakers like Google Home and Alexa have automated many common household chores, including grocery shopping and delivery, scheduling and payment for plumbing and heating services,<sup>13</sup> and, not surprisingly, ordering everything your home might need from Amazon.

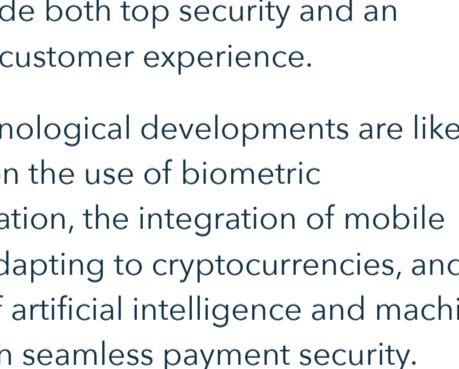
- Payment from smart watches is nothing new, whether it's hailing an Uber, transferring money from your bank, or contactless payment with Google Pay.
- Payment functionality will be included in **62 percent** of wearable devices<sup>14</sup> as of 2020.

### 4 There will be a rise of social commerce

- In 2020, Social Commerce is likely to become part and parcel of our everyday life**, making it possible to pay using a chatbot on your favorite social media site.
- After initially struggling to gain traction, social commerce has started to blossom. Platforms like Pinterest and Instagram deliver rich visual content and added features that help shoppers discover, research, and purchase a wide array of products online.
- The percentage of retailers in North America using social media as a source of e-commerce nearly doubled in a year's time<sup>15</sup>—from **17 percent in 2017** to **33 percent in 2018**. And social referral to retail e-commerce has grown **110 percent** in the last two years, outpacing all other referral channels.
- Facebook drives the majority of social referral to e-commerce sites, but Instagram and Pinterest are the most contextually relevant platforms for social commerce. Snapchat and Twitter also factor in but lack the same scale and focus.

### Social Media as a Source of Ecommerce

**17 percent**  
2017  
↓  
**33 percent**  
2018



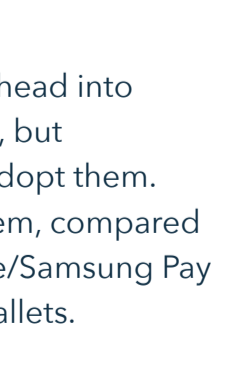
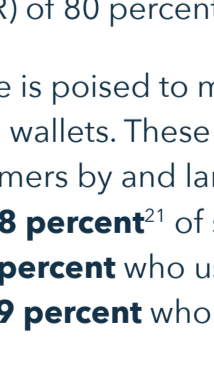
**Social commerce is most relevant to lifestyle-oriented retail categories such as apparel, luxury goods, beauty, and home decor. Both traditional brands and direct-to-consumer (D2C) brands are finding success on social channels.**

### 5 Security will be top of mind for merchants

- Consumers are aware of data use—they're extremely vigilant and will continue to ask a lot in terms of security from new solutions on the market. Consumers are the ones who will make the rules.
- For payment players, these increasingly exacting security standards will require them to have faultless technical knowledge if they're going to offer cutting-edge solutions that provide both top security and an excellent customer experience.
- New technological developments are likely to focus on the use of biometric authentication, the integration of mobile wallets, adapting to cryptocurrencies, and the use of artificial intelligence and machine learning in seamless payment security.
- As sales increasingly go global, expect to see new standards to govern the flow of money and protect customer data. Global industry standards, such as ISO 20022,<sup>16</sup> may be adopted to complement those that already exist for PCI compliance.

## 6

### Gen Zers will be prominent drivers of payment disruption



- The first truly digital natives, Gen Zers<sup>17</sup> will figure prominently in the conversation of payment innovations. As it is, they are the first generation to see the onset of cashless transactions and are thus more at home with these innovations.
- Generation Z is the future of payments—by 2020, they will be a full **40 percent** of US consumers.<sup>18</sup> The Googles and Apples of the world have always been a part of these consumers' lives, and they trust these corporations with their money.
- For Gen Z, mobile is king—**69 percent** use banking apps every week or every day, compared to **17 percent** of boomers. When mobile wallets gain a foothold, it will start with Gen Z.

### 7 Digital wallets and mobile payments will drive fintech payment innovations



- The fiercest battle for customers is happening in mobile. The number of people using contactless payments is on target to reach **760 million** by 2020<sup>19</sup> and the sector as a whole<sup>20</sup> to hit **\$503 billion**, a massive surge from **\$75 billion** in 2016, representing a compound annual growth rate (CAGR) of 80 percent.
- Mobile is poised to move full steam ahead into digital wallets. These are nothing new, but consumers by and large have yet to adopt them. Just **28 percent<sup>21</sup>** of shoppers use them, compared to **38 percent** who use Apple/Google/Samsung Pay and **39 percent** who use merchant wallets.

**Contactless payments sector is expected to surge from \$75 billion to \$503 billion**

The payments landscape is changing in some fundamental ways. Sticking to the old-fashioned legacy systems is like watching your favorite movie on a VHS cassette while the rest of your friends stream Netflix. These emerging trends will likely have a significant impact on small business growth strategies. They will present challenges and create opportunities as you look to 2020.

**But never fear. Poynt's connected payment solution is ready to take on 2020. Connect with our team to get started.**

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