

# THE RACE TO THE FRONT OF WALLET — EVOLUTIONS IN PAYMENTS ISSUING



Start

# Introduction

It's no secret that the business of payments is rapidly changing. The market is becoming increasingly complex thanks to the arrival of new entrants, the continuous onslaught of increasing regulation and the challenge of evolving customer expectations, such as the ever-increasing demand for ways to pay as well as the variety of digital channels for payments initiation. The fight continues for issuers and processors to remain front of wallet, and in the digital age this means creating customer experiences at the rate of customer demands. Against the backdrop of the COVID-19 pandemic, consumer attitudes, behaviors and purchasing habits have quickly evolved. Traditional barriers to digital payments adoption have been rapidly overcome in a way that will set the tone for future preferences.



## Real-time expectations for cards

Customers want to receive authorization in real time when making a transaction with card or card-not-present devices at the point of sale (POS).

Debit and credit transactions might not have the same clearing criteria, but ultimately consumers expect real-time experiences. This is counter-balanced by the need for cards to operate in a real-time environment. In major markets around the world, immediate payments have either launched or are on the near horizon. For issuers, all payment instruments transacting from a single account must operate against a real-time balance. And that real-time balance must be available consistently across all digital channels and devices: mobile, online, ATM, telephone banking and in-branch self-serve options.

This complexity demands an end-to-end solution for payments issuing, processing and API integration into the digital channels. In this highly integrated, omni-channel payments ecosystem, issuers must have a solution that can orchestrate both card-present and non-card-present payments in real time.







## APIs, tokenization and alternative payment methods

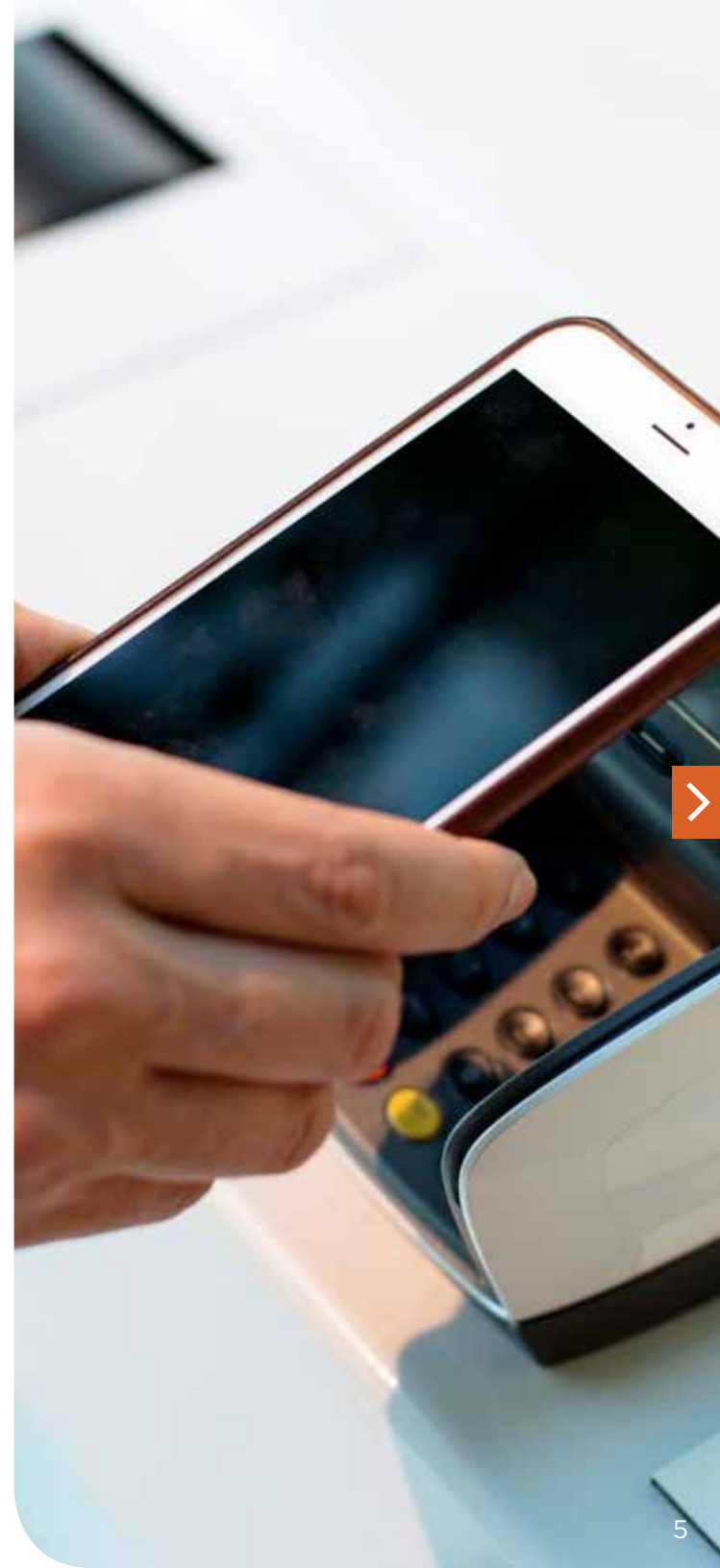
Payment transactions are not the only real-time requirement for issuers. Global open banking regulations are either mandating or encouraging the use of Open APIs to expose banking and payment services to the wider ecosystem, including fintech's and other new competition. Aggregation of accounts into a single view for customers is a way to capture share of mind and more importantly wallet, as consumers always look to understand their personal liquidity position.

This also means that for issuers providing the underlying accounts for customers, they must manage not only their own range of payment instruments, tokens and devices transacting against those accounts, but also multiple trusted third parties (TPP) performing account information services and payment initiation services, all in an omni-channel experience.

Customers have grown accustomed to seamless digital experiences across all devices: consider the level of continuity as you access your email, social media, messaging, storage and calling services across smart devices from the “big techs.” Consumers have adopted tokenized cards on their mobile devices, but they don’t consider this as a separate payments instrument. A classic example is when consumers “tap” in and out of public transportation using a combination of their physical card and the tokenized version in their mobile wallet. To the consumer, the only consideration is whether they have battery power remaining on their device or whether using a card or mobile device is more convenient at the time. But for the public transport operator and the payments issuer, this creates complexity.

Ultimately the consumer expects to be able to seamlessly transact against their account with whichever instrument they have at hand, and whichever payments initiation type they choose in that moment. Be prepared to manage combinations of mobile payments, QR codes, social media payments and more.

Issuers need a consumer payments hub that can manage TPP onboarding and access, expose payments microservices via APIs, consume TPP services into that hub and provide a real-time balance in an omni-channel environment. This is alongside all the core payment capabilities which must cover tokenization of card, non-card and alternative payment methods for a seamless digital customer experience across all channels.



# Customer experiences, customer expectations and customer controls

Issuing banks and processors are grappling with balancing the opportunity that comes with growing digital payment volumes and types, and managing the complexity of an open, digital payments ecosystem. But for consumers it is also a double-edged sword. More choice is only a benefit if the consumer feels in control and empowered to make educated choices about their financial services.

In periods of global uncertainty, the desire to create certainty in our personal finances grows. Consumers expect to be able to update and control payment accounts and instruments in real time from their digital banking applications. This can include freezing cards to avoid fraud or theft, or just control spending. Other spending controls include dynamically adapting limits on payment types, including against budgeting criteria, or instant application and provision of credit card







limit extensions or micro-credit to bridge cashflow gaps. In the pre-COVID era, consumers valued the ability to withdraw cash at ATMs using only their mobile device for those pesky emergency cash situations, or for transactions that could only be done in cash such as by small, independent stores or some public transport. As international travel returns to normal, being able to verify foreign transactions in real time will prevent poor customer experiences around fraud freezes on cards and accounts, during what should be a relaxing vacation.

Many of these very granular, personalized levels of control have been spear-headed by cloud-native neo-banks, who built their customer proposition on better financial insights for better control, allowing the customer to both save and splurge confidently within personally defined parameters.

For major issuing banks and processors to provide the same level of service, at the speed the market expects, they need a highly configurable solution that supports customer-experience-driven controls across the digital channels. The ability to configure new features is critical to delivering tailored experience without skyrocketing the cost to operate or maintain. Custom customer experiences should not equal custom code. Consumer expectations evolve rapidly, so standardized, automated deployments are the only way to keep pace with consumer appetites. If issuers fail to build agility into their solutions, they will fail to retain customers, and have no hope of growing market share.

## Conclusion: Real-time is just one piece of the payments modernization puzzle

The real-time challenge for issuers is about more than the speed of payments. Issuers have been addressing the drive towards real-time customer expectations for years. What might traditionally have been viewed as card solutions need to be real-time-ready and able to support all kinds of digital payments and transactions. They must operate against real-time service level agreements (SLAs) and orchestrate new and alternative payment types, including immediate and real-time payments, alongside cards and API calls. But speed of processing alone is not enough.

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