

GET READY FOR A NEW GENERATION OF PAYMENTS

How the payments landscape has changed and what to consider when adopting new payment methods in your business.



It can be tempting to provide a new way to pay simply because it's available or everyone else is offering it. But it shouldn't be a transactional decision. As a business you should be thinking about who your customer base is today, who you would like it to be in the future and how you can be attractive to them by delivering a fantastic experience – not just a new type of payment.

Baby boomers are retiring – and so are their payment methods.

“We're right on the cusp of a generational shift of baby boomers coming out of the workforce and Gen Z maturing into their careers, trying to buy houses and start their own businesses,” says Lewis Billingham, Head of Red Bird Ventures, a subsidiary of Westpac New Zealand. This shift is having an interesting impact on the payments industry.

“Most of the older generation are still comfortable with traditional payment methods like direct debits and previously cheques. These methods put the business in control because they can choose when to take money out of a customer's account. But the younger generation want greater control over how and when they pay. As a result, we're seeing an exponential growth in trends like buy now pay later. No one could have forecasted that what is essentially a line of credit served in a different way would get the growth that it has.”

Daily billing is also becoming more common.

“The rise of the gig economy means today's business owners can take daily payments and pay for inventory as it ships. We're seeing more small and mid-sized enterprises wanting to manage their cash flow on a daily level instead of monthly or fortnightly.”

Lewis says organisations and banks need to adapt and meet that demand.

“We can't afford to assume that direct debits and automatic payments are going to be the way that people will continue to have their bills paid.”

Payment innovation will focus on giving customers more control.

“What we'll start to see is customers having the ability to automate their finances to create efficiencies. So they'll be able to set up rules like paying their recurring bills on the last possible date to ensure they don't miss out on the prompt payment discount. Or getting a notification when there's only \$10 left in their transactional bank account.

This type of innovation will benefit businesses too. They'll be able to set up rules like ensuring their tax bill only gets paid when a certain payment has been made into their account.”

Making a payment should be part of the experience.

Traditionally, payments have been bolted onto the end of the customer experience. But many businesses are realising if they embed the payment into their product then it's no longer a separate, unbranded step away. They can increase flow through the sales funnel and people will be less likely to abandon the sale before they get to the payment stage.

One example of this is a power company's app that offers customers blocks of prepaid power at various price points. Customers can select a block and pay for it without having to leave the app. This makes their payment friction as low as possible and has a real focus on the customer staying within their world.

Another example is a popular online auction site that allows customers to connect their bank account, credit or debit card to their payment platform and use that to pay for goods when they're at the seller's premises.

Lewis says: “By keeping the payment in a business ecosystem, the site gives sellers the ability to get instant payment and removes the awkwardness of buyers needing to have the exact amount of cash ready when picking up their goods.”

BUCK paves the way for businesses to offer fast and frictionless payment experiences.

Recently Red Bird Ventures launched BUCK¹ – a free app that allows customers of all major banks to make person-to-person payments without ever having to open their bank app.

Users can choose a bank account to link to the Buck app. So, when the time comes to send someone money, all they need to do is find the person they want to pay (in their contacts or through the BUCK tag) then enter an amount and a brief description of the payment. Users can also request payment from someone or split a bill among a group of friends – making it easy for one person to pay the bill at a restaurant.

Lewis thinks that as the app grows in popularity, making payments this way will become more common. And it could lead to opportunities for all types of businesses in the future.

“Soon SMEs like tradespeople and personal trainers could offer customers the ability to pay them using BUCK instead of a bank transfer. And larger organisations like utility providers could

1. Find out more at getbuck.co.nz

offer customers the option to split the bill through an online bill payment system – making it easy for flatmates or family living together to pay their share for power or water. Restaurants could have a BUCK tag – allowing a group of people to pay their share at the table instead of holding up the queue at the till.

Reconciliation could also become a lot easier because BUCK users aren't restricted to the usual reference fields when making a payment. For example, if a customer wanted to make a payment to a utility provider, they would be able to attach any particulars – even a copy of the entire bill – and that would just go straight into the business's finance or accounting system."

Ease of payment can improve the bottom line.

Businesses are starting to realise that delivering a good payment experience is not just about building a brand – it can also provide good commercial benefit.

Take the subscription model for example. It started in a software-as-a-service business and has been adopted widely by other types of businesses. Today customers have multiple subscription models for things like their music, food and TV shows – and payment is typically invisible. This provides continued investment into the business and value to customers.

Trust is important.

When businesses are introducing payment innovation to their customers, they need to think about how they will build trust in their new product or service. Trust can be earned in various ways. A customer may try a new product or a service because it's been recommended to them by a person that they trust such as a friend or family member. This is known as social trust.

Or there's a value swap where a customer will take a risk on a product and give it a go for the first time in return for the value they're expecting to receive. Early adopters are willing to take on risk but for most people taking a risk is a big deal, so if their

payment experience isn't great the first time round, the business risks losing that customer and social trust if they tell others about their experience.

Lewis says businesses also need to consider if customers have a bad experience and want to get their payment details out of that app – can they do so easily?

"It's that issue of control again. The younger generation expect to have complete control over their consent for a business to pull their data and hold their payment details. If people want to exit a business they need to be able to do it easily and have a good experience on their way out too."

The owner of the payments experience is changing.

Traditionally, the finance team used to own the payments experience. But for businesses who recognise that payments are an important part of the customer experience, it's their user or customer experience team that decide who the payment provider will be.

"That becomes really interesting for us a bank because we're starting to become more involved in customer experience rather than traditional banking processes," says Lewis.

"By talking directly to the product, customer experience and user experience teams as a business partner we can give them an advantage by sharing our knowledge – for example, showing them what a good purchasing flow looks like or how they can use our product with a particular type of integration."

Lewis says that in his experience many digital or user experience teams still think about the payment as something that gets bolted on at the end and encourages businesses to get in touch early on in the process.

"That way we can help embed the payment innovation effectively and create a great experience for customers."



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