

Navigating the new normal.

Discover how the payments landscape has changed, what innovations are coming soon and why this could change the way we do business.



“The global pandemic and resulting lockdowns created a unique situation for businesses and customers. New Government rules meant that during lockdown, businesses needed to be able to take payments without coming into contact with their customers. Many businesses hadn’t faced this scenario before and had to adapt quickly. So did customers. Now that we’re in the ‘new normal’, don’t assume you will be able to continue business the way you once did. Chances are things are going to change again but we’re here to help.”

Jeff Mascarenhas, Chapter Lead – Payments, Westpac New Zealand.

Businesses get innovative.

As the COVID-19 pandemic swept through the globe, we saw local businesses respond in different ways so they could survive and even thrive in the new environment.¹ Skylight companies started producing face shields. Fine dining restaurants turned into takeaways. Gyms moved their training sessions online. The way businesses accepted payments during lockdown had to change too. If they couldn’t do it without customer contact, they couldn’t open for business.

New uses for existing payment methods.

Click and collect has been used by supermarkets for some time – but for industries like retail and hospitality this was a new business model they may not have considered before.

While businesses in these industries may already have given their regular customers the ability to make a payment through their app (which requires creating an account, registering a credit card and signing in with a password), they now had to put in place an easy payment method for casual purchases that allowed customers to make an order without a sign in process.

So we saw businesses give their customers the ability to order an item through an online channel, pay from their bank account online, then pick it up at the store while maintaining social distancing. Some businesses even used text to take orders, with a contactless card payment for pick up.

The fact is that even without the need to social distance, these payment methods are easier and faster for the customer. They don’t have to stand in a queue and their coffee is ready when they get to the shop. We see this continuing and the facilities are already there to set this up.

The acceleration of e-commerce.

Many businesses who had not considered e-commerce as part of their business plan decided to implement this to keep trading. We saw an increase in requests for e-commerce facilities and

expect this to continue. Businesses will be doing more online, with some potentially reducing their physical premise presence and redirecting that cost into warehouses to fulfil online orders.

Security is critical.

During lockdown, businesses moved their focus to what was critically important – like making sure their website was up and running. What we emphasise to businesses with e-commerce facilities is that the security of their website is equally as critical. We understand that a dispersed workforce can make it difficult to keep up with tasks such as patching a server, but this creates the perfect opportunity for fraudsters to strike.

Many of our business customers are discovering that their online environments are fairly complex, and they need some help. A good place to start is by engaging a Qualified Security Assessor (QSA)² who can identify vulnerabilities to prevent a data breach. There are also free scanning tools³ available that help businesses assess whether their website is at risk. We recommend businesses on a merchant hosted payment page move to a gateway hosted payment page. This means all transactional data is handled by a compliant third party who specialises in maintaining a secure e-commerce environment.

Accepting cards over the phone can be risky.

We recognise that the lockdown created an urgent need to be able to accept card payments without customer contact. Some trusted merchants who met very strict criteria, were enabled to take card payments over the phone – otherwise known as MOTO (mail order or telephone order). What we say to businesses who have implemented MOTO during lockdown (and all businesses with these facilities) is ‘know your customer’. That’s because it’s easy for a fraudster to call up a business with a stolen card, place an order and make off with the goods or services long before the rightful cardholder even realises a fraudulent transaction was made with their card.

1 Source: westpac.co.nz/rednews/business/inside-four-businesses-that-adapted-during-covid-19-lockdown

2 Source: pcisecuritystandards.org/assessors_and_solutions/qualified_security_assessors

3 Sources: foregenix.com | siteguarding.com/en/sitecheck | sitecheck.sucuri.net | pentest-tools.com/website-vulnerability-scanning/website-scanner | scanner.pcrisk.com

Why it's important to know your customer.

We dealt with a case where a fraudster rang up a business, paid for goods with a stolen card number over the phone and provided a delivery address. The item was delivered to a house with a rental sign in front of it. Someone was outside the house to meet the delivery van and asked the driver to leave the item on the pavement because they were busy moving into the house. Once the delivery van left, the fraudster loaded the item onto their truck and disappeared. The merchant is now out of pocket and out of goods.

Accepting MOTO terms and conditions remotely.

Every customer needs to be able to view the terms and conditions of a transaction. On a website they're shown on a web page. In a restaurant, they're usually displayed on the wall.

Businesses have to think about how their customer is going to accept the terms and conditions of a MOTO transaction when they're not allowed on the premises. If a customer decides to dispute the transaction, the business may be liable if they cannot evidence that they've disclosed the terms and conditions and the customer has accepted them.

Our recommendation is to send the customer the terms and conditions in a text message, then provide the customer with the option to reply either yes or no. It's important to note that a business must gain the appropriate consent from a customer before contacting them. This communication should be stored for at least six months in case the transaction is disputed.

Network tokenisation will make card payments even more secure.

Another consideration for businesses is that there is no security being developed for MOTO, whereas e-commerce security is continuously being improved.

One example of this is the work that's being done on tokenisation. This is the process of substituting a credit card or account number with a token during a transaction so that these details are kept secure.

What's changing is the creator of the tokens has moved further back in the payment chain. Instead of the gateway or the acquirer creating the token, it's created by the card issuer right at the beginning of the transaction process which means the card data is tokenised throughout the entire process.

The advantage for businesses is they can easily change gateway providers because the gateways will no longer own the tokenised information. And when the customer's card is lost, stolen, expired or upgraded it means the customer doesn't have to manually update the card details because the card is automatically updated. We recommend that businesses talk to their payment gateways about moving to network tokenisation.

IVR is the new MOTO.

We're seeing some large businesses starting to move to an Interactive Voice Response (IVR) system, which is the next generation of taking payments over the phone. Generally this is still

considered a MOTO transaction but the business won't handle any card details and the payments are handled by a payment gateway.

Instead of a staff member taking the card details, they're able to patch the customer into their IVR system which takes all the details, processes the payment and comes back to the staff member with the result.

These systems are becoming more accessible even for small businesses. So, it may be a viable option for small operators who take a lot of orders over the phone, or rural businesses who rely on MOTO because their broadband connection is poor.

Cheques are on their way out.

During lockdown, businesses who accepted cheques had several issues to deal with. Cheques have to be sent to a post office box and processed in an office because there is no provision for them to be delivered to a staff member's home. This meant no cheque payments could be processed during lockdown and there was a large backlog to deal with once staff were allowed back into the office.

As a result, we've seen a change in behaviour from some businesses who were reluctant to remove cheques as an option for making payments, but are now realising that they're not sustainable.

Migrating customers takes time.

Kiwibank has already stopped issuing and accepting cheques. ANZ and BNZ say they will follow suit by mid-2021, so we're already working with businesses to help phase them out.

One of these businesses successfully converted their farmer customers from cheques to direct debits. This means when a farmer buys goods from this business, at the end of each month the business just direct debits the amount out of the farmer's account directly in a single batch.

These farmers no longer have to write a cheque for each purchase, or worry about getting online to make a payment because internet connectivity can sometimes be patchy in rural areas.

This is just one example of an alternative payment method that's more efficient than cheques. If a business did decide to become a direct debit initiator, there are credit criteria to meet and the business would need to talk to their bank to find out if this is an appropriate payment option. There are other alternative payment methods as well, but they all need time to set up. Customers also need to be informed about the change and given enough time to migrate to the new payment method.

We see this as a great opportunity for businesses to review how they receive money and think about how they can improve that payment experience for their customers and business.

Processing payments manually becomes problematic.

Many online banking tasks require people to upload and authorise payments. In some instances, this can't be done from home – so

a distributed office highlighted these issues. This means we've seen a lot of interest (especially over the lockdown period) in automated processes that don't require or reduce the need for human intervention.

An example of this is straight through processing. It creates a direct connection between a business' finance system and the bank's system so that payment files are transmitted automatically, and significantly less human intervention is required.

It's automated, it's hands off, and there's no reliance on staff to authorise and be in the office. As a result, many of our business customers who have been thinking about it have decided to bring these projects forward.

Open banking will deliver more contactless payment experiences.

As part of open banking⁴, we're working on innovation that will make it even easier for customers to pay businesses without customer contact. One example of this is creating the ability for Westpac customers to manage their consent for businesses to take payments out of their accounts on the Westpac One app. With one view, customers will be able to see which businesses they have given consent to and be able to revoke that consent as easily as they gave it – with a single click.

Customers will also be able to give trusted merchants enduring consent, which is the ability to take recurring payments from their account. This could replace the standard direct debit initiation process (no paperwork to fill out and sign). And it could improve the in-store experience by allowing a merchant, such as a fast food outlet, to automatically take payment from a customer's account when they pick up their order. No contact required.

Customers will have more control over who they transact with.

One of the principles of open banking is giving customers greater visibility and control over what they're spending their money on and where they're spending it. This gives businesses an opportunity to target customers with their unique propositions.

An example of this is sustainability tracking app CoGo. It connects businesses to customers, giving them a platform to promote themselves as an ethical and sustainable business.

In the UK, CoGo found that when 1,000 British consumers had carbon-tracking information on businesses at their fingertips, almost half opted to spend their money with eco-friendly companies⁵. Here in New Zealand, we've partnered with CoGo to allow users to securely link their transaction data from any New Zealand major bank to the app, using open banking technology. This data is analysed to create a personalised carbon footprint for each user, as well as recognising and recommending actions they can take to reduce it.

What's next?

We'll continue to partner with developers and innovators who can deliver value to our customers through the use of open banking APIs. And we're working on our own technology to enable contactless and frictionless payment experiences that will make it easier to do business – whatever the future holds.

To find out more, talk to your Westpac relationship manager.

⁴ Source: westpac.co.nz/assets/Transactional-services/Westpac-Guide-to-Open-Banking.pdf

⁵ Source: westpac.co.nz/rednews/lifestyle/how-real-time-carbon-footprint-tracking-can-change-consumer-habits

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