



Payment transactions in 2021: trends and prospects

What does the future of payment look like? The landscape is being defined by promising trends and prospects. These have also enjoyed a great deal of attention in 2020 due to the coronavirus pandemic. In fact, the pandemic has accelerated the unavoidable switch to cashless solutions, which now not only account for the majority of digital payment transactions but are also gaining ground at brick and mortar retailers.

unzer
your payment

”As 2020 has shown, established framework conditions can change very quickly. Having a reliable partner on board for solid risk management will therefore be even more important in 2021 – not just to maintain liquidity, but also to ensure responsible management of consumer financing.“

Tanja Kuljic (Head of Risk Management)

General trends in and around payment

The world is changing fast, particularly in terms of payment behaviour. As various surveys have highlighted: use of debit and credit cards is still on the rise, while cash payments have long since been in decline – despite remaining the most popular payment method overall. The coronavirus pandemic is making cashless and also contactless payment transactions virtually indispensable here. Even traditional, brick and mortar retail shops prefer girocard and credit cards. However, various mobile payment solutions are establishing themselves alongside this.

Customers are keen to maintain control of their financial resources and pay at the most convenient time for them. Consequently, classic payment methods such as invoice and instalment purchases, where payment is made only after receipt of the goods, are still on the rise. In addition, payment in instalments allows large amounts to be split into several smaller partial payments – based on individual customer needs.

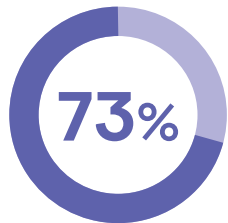
Even countries in which credit cards have traditionally reigned supreme now have a young generation that no longer wishes to pay by card and instead prefers deferred payment. In the last few years, these payment types have become a global trend – with fintech companies offering customers highly flexible and innovative payment solutions. The change in shopping habits brought about by the pandemic has served to reinforce this trend, which is also likely to become even more popular in 2021.

Throughout the world, the payment options used at brick and mortar shops and in eCommerce are increasingly converging. While a strict separation could previously be observed (cash/girocard for local, credit card/e-payment solutions/mobile payment for digital), these borders are now becoming blurred. As such, consumers now also expect the popular and well established payment types from eCommerce to be offered as standard for payments at the POS.

Payment transactions in the retail sector: **new challenges for merchants and customers**

What does the future hold for payment transactions in the retail sector? Digitalisation does not simply stop when it reaches retailers. In fact, it should be seen far more as impetus that retailers can and should take advantage of both at the Point of Sale and within their eCommerce presence.

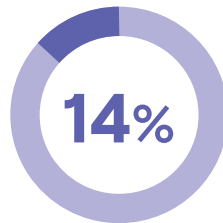
Innovative payment processing solutions that are also compatible with omnichannel concepts are needed here. After all, shoppers visit both retail shops and online shops. Despite using classic methods such as credit cards, they are increasingly also looking to use mobile options.



73% omnichannel shoppers

When buying from a specific company, the majority of shoppers visit both branches and the online shop.

(source: Harvard Business Review study)



14% growth among omnichannel shops

Omnichannel shops are enjoying the largest growth in the retail

(source: EHI Omnichannel Survey 2019)

 **€ 162 billion**

In Europe alone, **electronic payments with a total value of €162 billion** were processed in 2019.

„Mobile and contactless payments are gaining momentum fast. In fact, consumers quickly get used to these options after trying them for themselves and then also expect them to be offered as standard. Payment needs to be fast, easy and effective.“

Thomas Weigang (MD Division POS)

How will consumers pay for items in retail shops in future?

A survey conducted by the Retail Institute and German Retail Association (HDE)* highlights the most likely developments in terms of payment behaviour over the course of the next few years. The key findings from the survey are as follows:

- Classic means of payment, such as girocard and debit cards, are currently still popular and typically demanded by consumers as standard.
- The popularity of cash is continuing to decline, particularly in very large and small denominations (€500 note, one-cent and two-cent coins)
- Mobile payment methods are set to gain market shares. According to the survey, however, retailers would still be well advised to offer incentives for mobile payments.

The survey also states that the ever-

present security concerns among customers represent the greatest obstacle in the way of even stronger growth in mobile payments, particularly in Germany. While additional incentives, such as reward points or faster processing at the till, could certainly help alleviate such concerns, they cannot eliminate them altogether.

Mobile wallets, as a blanket concept for all mobile payment options, are therefore on the rise, although they still have not achieved the kind of acceptance that would be necessary to replace classic means of payment on a large scale.

Another trend has been reinforced by the coronavirus pandemic, as customers are now also keen to use self-checkout when paying at brick and mortar retailers.

* source: https://einzelhandel.de/images/presse/Studie_Trends_Handel_2025.pdf

Retail shop or online shop? **Flexibility is the key.**

Just a local retail shop? Retailers would be well advised to take up omnichannel concepts as a way of preparing themselves more effectively for the future. As the survey* highlights, these are particularly appreciated by the 16-39 age group, as well as households with medium to high incomes. Retailers are looking for customised solu-

tions to handle the payment transactions of the future. Offering the right mix is the key to success here. This applies to retailers that only sell products at the POS, as well as those that employ omnichannel concepts (maintaining both a physical and online presence). In both cases, digital payment methods deliver significant benefits.

Minimising risk

The retail trade also needs to keep the risks associated with payment transactions manageable. End-to-end risk protection is the ideal solution here. In online shops, solid risk management also includes real-time credit checks, scoring and sending inquiries to various credit agencies. Whether online or in brick and mortar shops - risk management only takes a few seconds and therefore does not slow down the checkout or negatively influence conversion rates.

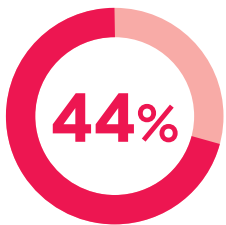


Where is the journey heading for companies in the tourism and mobility sectors?

Payment transactions are changing throughout the world. This is particularly relevant for the tourism and mobility sectors, which have had to work hard to catch up in recent years and continue offering their customers an optimum, flexible and secure payment experience. In the coming year, current obstacles such as the coronavirus pandemic will hopefully play more of a minor role. The tourism and mobility sectors will then need to focus on reactivating customers and reposi-

tioning themselves in the market. Improvements to payment services can also help companies operating in these sectors emerge from the slump caused by Covid-19 stronger than ever.

Certain factors in and around the mix of payments are likely to play an important part for travel operators and mobility service providers in the coming year in terms of winning and retaining customers. Should I book my trip here or with a different provider?



44% mobile bookings

Mobile bookings are becoming increasingly important, as 44% of all bookings are now made via smartphone or tablet.

(source: Statista Mobile Internet)



**€ 266
billion**

The German
tourism industry
**generated revenue
of €266 billion**
in 2019.

„When travelling, customers primarily tend to use mobile and cross-border payment methods. Cash is therefore likely to lose out even further here. The heightened hygiene awareness brought about by the recent pandemic has served to reinforce this trend even further.“

Boris Bongartz (Director Sales Key Account)

Customer wishes are changing when it comes to making payment

An overarching trend can be identified across all sectors: customers are moving away from „classic“ payment methods such as prepayment transfers and, in some cases, even physical cards. Conversely, digital wallets and mobile payment solutions are continuously gaining market shares.

We also see a similar picture in the tourism and mobility sectors, where this trend is even more pronounced during actual travel. As highlighted in a survey undertaken by Sapio Research (Frictionless Travel Payments: From Complexity To Competitive Advantage), the payment landscape

in the travel industry is changing fast. Millennials, who display different payment habits and preferences when compared directly with the over 55s, are making the key difference here.

For example, millennials are more likely to book just two months (or even less) prior to travel. They are also more inclined to finance their travel in instalments - and willing to spend more on their trip overall.

However, if they are not offered their preferred payment method during the booking process, they usually abort the checkout process.



1.3 billion

1.3 billion holidaymakers worldwide

Germany and Austria are among the most popular travel destinations in Europe.

(source: Statista Worldwide Tourism)

Freedom of choice and security for customers – **risks for companies**

Customer wishes are offset against challenges for companies. Sapio Research also made a rather alarming discovery among those operating in the tourism and mobility sectors: some 75% of companies continue to find it challenging or difficult to offer their own customers easy, flexible and consistent payment processing.

Yet those companies that do offer the relevant payment methods are

rewarded with a lower customer cancellation rate during the booking process.

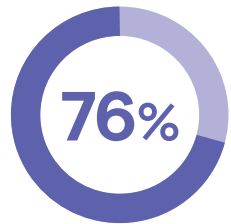
Just like customers, providers also need security in their payment processes. An effective system of risk management supports service providers in preventing payment defaults, while also providing real-time recommendations – all without holding up the checkout process.



Trends in the digital sector: **where is the journey heading in 2021?**

How is the digital sector likely to develop? The digital economy has weathered the coronavirus crisis far better than traditional companies. This is partly due to business areas being almost completely relocated to the Internet. Yet it is also thanks to operative and organisational advantages that have,

for example, been made possible by staff quickly switching over to working from home as standard, as well as video conferencing and cloud solutions. It can therefore be assumed that growth in the digital industry will not stop and that new disruptive trends will manifest themselves.



76% young customers

The majority of customers in the digital market are aged between 14 and 29.

(source: EHI Omnichannel Survey 2019)

 **€ 54
billion**

€54 billion through
video-on-demand
Worldwide revenue in
the video-on-demand
segment in 2020

“Customers such as gamers expect seamless payment processing and an end-to-end customer experience. For providers from the digital goods segment, the topic of risk management remains the top priority. Combining these two concepts can then offer impressive potential – although it is clearly important to choose the right payment provider here.”

Boris Bongartz (Director Sales Key Account)

Payment behaviour for digital products

Digital goods are intangible goods that are sold online – for example software and music files, yet also services such as gaming, streaming or financial services. Although the product world is very diverse, companies and customers have similar requirements when it comes to payment processing:

simple, fast and secure payments to facilitate immediate use. From a political perspective, the foundations have already been laid for this through various factors, including the EU General Data Protection Regulation (GDPR), yet also security measures such as two-factor authentication.



3.1 billion

3.1 billion gamers worldwide

Around 40% of the world's population has some form of contact with video games. Asia is home to the highest concentration of gamers, followed by Europe in second place.

(source: Harvard Business Review Study)

New segments are emerging

Whether the focus is on working from home permanently, the IoT (Internet of Things) or SaaS (Service as a Product): new segments are continuously emerging in the digital sector and displaying significant overlaps with sectors that are already established. The world of e-sports is no different. As shown by a survey undertaken by PwC Germany has now become market leader in the eSports sector within Europe. Massive growth is also being generated in the US.

The concept of eSports is obviously

not new in itself. After all, video and computer games have been around for more than 20 years. However, the way in which the industry is being commercialised is definitely new. What started out as a bit of fun among friends in the spare room or cellar has become a highly professional industry, whose companies and top players generate huge sums of money. The current dynamics in the industry are offering market players attractive opportunities to get in early and acquire further market shares in this growth market.

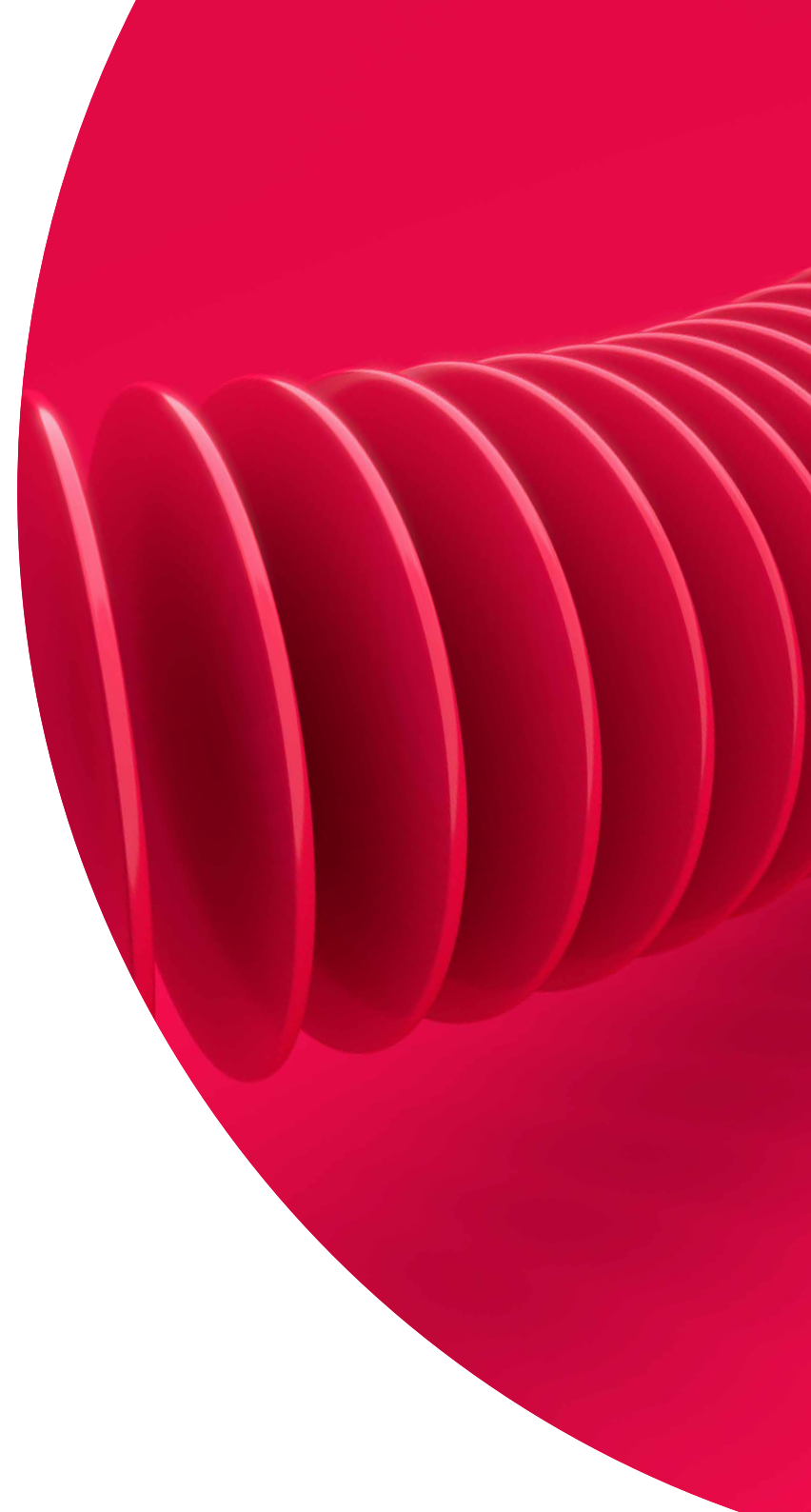
Making the risks calculable

A risk management system supports digital companies in preventing payment defaults, while maintaining valuable sales opportunities. The use of an intelligent, AI-optimized database with millions of data points enable detailed analysis and classifications. A credit check provides real-time recommendations – without holding up the checkout process. Scoring supplements this perfectly.



The trends at a glance:

1. Use of debit and credit cards is still on the rise.
2. Although continuing to lose market shares, payment in cash remains one of the most popular payment methods overall.
3. Establishment of various mobile payment solutions.
4. The worlds of brick and mortar retail shops and e-commerce are increasingly converging, making an omnichannel approach essential.
5. Increasing flexibility and innovation in payment, driven by fintechs.



Unzer is a fast growing, innovative and modular platform for international payment transactions.

Companies of all sizes and from all sectors rely on the data-driven, secure and perfectly tailored solutions to help them drive growth - whether online, mobile or at the point of sale. The modules, which are easy to integrate, cover the entire spectrum of payment management: from processing of various payment types, through automated analytics of customer behaviour and requirements, all the way up to integrative risk management.

Unzer was founded in 2003 as "heidelpay". As one of the pioneers in the sector, the company has repeatedly introduced groundbreaking innovations in and around transaction management over the course of the last 17 years. Over 600 payment experts and tech enthusiasts throughout Europe today work on helping retailers achieve sustainable growth in a dynamic market. KKR has been the majority shareholder in Unzer since 2020.

Our payment specialists are happy to help, advise and support you if you have any questions.

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