MICHAEL SHARP, IMBURSE PAYMENTS

2021: The year of rapid payments

We have learned this year that the future is unpredictable, but the trends that were forced upon enterprise in 2020 are certain to continue.

2020. The year that feels like a decade. A year that has transformed the way individuals and businesses alike think, feel, and operate. While we are all still adjusting to the intricacies of this life, we are also getting to grips with what success will look like in the future. Companies need to tighten their belts, reinvent their offering, and investigate different operating models.

In the broader payment context, Covid-19 did not so much alter or change the trends we have been seeing over the last few years, but rather, aggressively accelerated those trends. The growth of eCommerce, the evolution of mobile money, the expansion of new payment technologies, the acceleration of infrastructure adoption, and the ever-increasing list of customer payment options, have all continued to grow, and grow quickly.

As consumers have shied away, either by choice or force, from traditional shopping and payment mechanisms, companies have needed to react. And react fast. According to McKinsey, digital and remote payments have exceeded POS sales in 2020. Instant payments have grown between 60 and 70 percent, whilst e-wallet transactions are around 50 percent and cash withdrawals are down between 40 to 50. Whilst these trends are not new, the quantum has been astounding.

During these times, companies need to ensure that the customer experience remains one that consumers will return for, time and time again.Where physical interactions are being replaced by virtual ones, the room for error in the customer journey is simply non-existent, and the payment journey is the moment of truth for many consumers.

As the numbers show, the coronavirus pandemic has forced many more users into new technologies, away from traditional cash and card transactions, and as more consumers use more technologies, the demand for new technologies will increase, or more precisely, the need for organisations to be able to quickly integrate and use new technologies will increase.

Companies, across all industry verticals, will need to try and stay abreast of new technologies, customer preferences, new providers, and changes to regulations.

Regulators, in the UK and Europe, in no small part spurred on by the Wirecard scandal and the growth in payment technologies, will be taking a closer look at the payment industry and the way in which it can protect consumers, allowing for more participation and ensuring a level playing field.

Whatever changes they look to make, will have a significant impact on the industry.

So, what does 2021 have in store for us? The growth of eCommerce, mobile money, e-wallets, payment providers, and technologies will continue.

There will be regulatory changes and pressure, and one might expect more M&A activity with traditional revenues under pressure and pure payment companies still trading at high P/E multiples.

There is a trend for companies to "connect" to payment integration solutions rather than "build" or "buy" payment solutions. These offer a much more future-proof solution with an expanded variety of providers and technologies, at a lower cost and broader market reach.

However, if 2020 has proven anything, it is that the future is unpredictable, and whatever does happen, companies will need to have the flexibility to change, choose, and adapt. The companies that will win are those that are able to respond quickly to consumer preference changes, regulatory changes, and new technologies.

The flexibility to bring on new providers, new technologies, and the flexibility to act quickly. Flexibility will allow organisations to take full advantage of what the payment industry has to offer and to adapt to whatever unforeseen changes come our way. ■

KIRILL SOKOLOV, CHIEF ECONOMIST, SOVCOMBANK

We see several major trends in retail banking that accelerated in 2020 due to the Covid-19 pandemic. We expect these trends to dominate the sector in 2021 as well.

Firstly, there is a global tendency of falling rates.

The global recession due to the pandemic has caused a sharp decline in key rates to record lows not only in developed but also in developing countries.

Thus, the Bank of Russia has cut its key rate to a historic low of 4.25%. Ultra-soft monetary policy put pressure on the banking sector's interest margins. In addition, the decrease in deposit rates has led to a sharp increase in the interest of individuals in alternative investments (stock market, real estate, gold, cryptocurrencies).

To support earnings, we see banks striving to increase the fee and commission component of income. Financial organisations are actively developing areas such as card business, brokerage services, delivery services, expanding non-banking areas, building ecosystems, and intensifying competition with technology companies.

Banks are trying to expand the area of customer communication to other non-banking areas of life, relying on their customer base.

In 2020, the digital transformation of banking and the transition to online has become a critical element of survival and maintaining competitiveness.

The Covid-19 pandemic has accelerated this process and required banks, employees and customers to quickly adapt to change.

To improve efficiency, financial institutions are actively developing and implementing the use of artificial intelligence and machine learning. ■