Riding the digital wave

Technological innovation and customer habits far outpace the payments industry architecture

It's a truism in business that the habits people adopt in their personal lives – especially around new technology – they will soon expect to see as part of the landscape in their working lives.

That's certainly the case in mobile and digital payments. But have the advances that have been made in mobile and digital payments for consumers been translated into the B2B market? And can those B2C businesses receiving payments be confident in their payments and settlement infrastructure? With those technology-driven consumer habits seemingly evolving before our eyes, there is a gap opening up, it emerged in a panel discussion, chaired by ACT development director James Lockyer, on day two of the conference.

Mike Banyard, head of development at Faster Payments, noted that trends in mobile payments have changed even over a three-year timeframe. Digital payments would typically occur between 9am and 5pm via desktop access. Today, single, one-off payments occur much more fluidly throughout the day and 45,000 took place on Christmas Day. "Your customers are changing what they do. What is that going to do to drive your business and your business processes?" he asked.

Carl Sharman, practice partner, EMEA, corporate treasury and payments solutions at Wipro, said that, in his view, the evolutions taking place – mobile banking apps, Apple Pay, Android Pay, Paym and Faster Payments – have been evolutionary rather than revolutionary. "These are all innovations to get consumers into the ecosystem more quickly and with a better customer experience," he said.

There are some examples of B2B payment infrastructures that try to improve the customer experience. Adrian Rodgers, director at independent consultants ARC Solutions, said: "I have seen accounts receivable systems, particularly consumer and small business accounts receivable systems, that present the statement online with a 'pay now' button by each invoice and then giving alternatives for how you want to settle – direct debit or a card payment if that's the preferred way. So there are some examples of nice integration of payments alongside accounting systems. Making it easy is not everything, but it's part of the thinking."

"It comes back to the customer experience," said Sharman. "Businesses are trying to link in with us as consumers via our phones. What I'd say is you add more middlemen into the picture, so PayPal, for example, improves security simply by linking bank sort codes and bank details through an email address (and Paym is trying to do that via a mobile number), but there are only so many interchange fees to go around. The more people you add in, there's a smaller piece of pie for everyone. Then you come to the dangerous territory of making the pie bigger and the costs go up for the consumers."

The customer experience may be an area where competing businesses can differentiate themselves, but overheads and reconciliation issues still loom large. Faster Payments is looking at a concept where a biller can originate a transaction, push it out to a consumer to their smartphone and then push payment with reconciliation data attached. "It's not direct debit, but it at least gives you that reconciliation data," Banyard said.

Standardisation around payments remains a considerable obstacle. For the Payments Strategy Forum, a UK forum set up by the Payment Systems Regulator to develop a payments strategy for the near and medium term, standardisation is the hot topic, Banyard said. How the industry, regulators, merchants and corporates resolve the issue is an open question.

What should the ACT and corporate treasurers do? The panellists agreed that lobbying on behalf of corporates was critical. "More of what we do at the moment in terms of lobbying," said Rodgers. "If you look back at the past few years and particularly how the standards developed around the Single Euro Payments Area, the legislators legislated and left the banks to go off and do it. And it was only fairly late that the corporate voice started to be heard. That's not intended to be criticism of the banks. It is a criticism of the original legislators. Raising the voice, ensuring the needs of the corporate community are heard, is absolutely critical." ◆