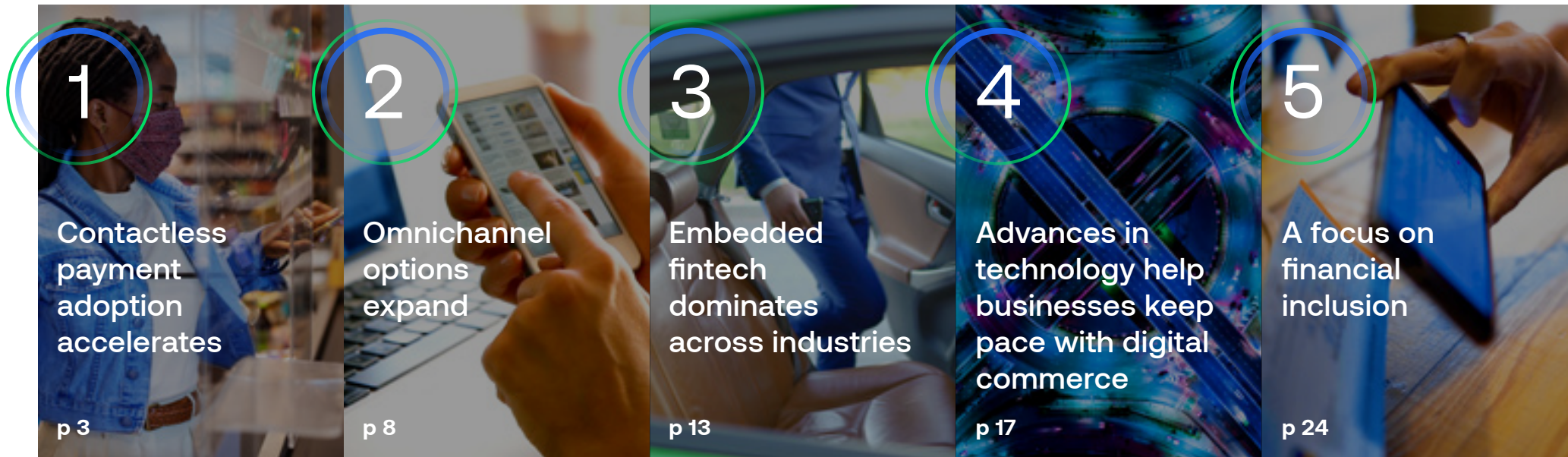


2021 Outlook:

# Five Payment Trends Transforming Commerce





## As the most transformative force in generations, the coronavirus pandemic of 2020 drove seismic shifts in how people shop and pay.

These new consumer preferences are here to stay, and will continue to shape the next normal for merchants and issuers in 2021.

This report highlights insights from payments experts across the world — Europe, North America and Asia-Pacific — who discussed changing market dynamics and shifting consumer expectations. From these discussions, five key payment trends arose that are imperative for merchants and issuers to understand in order to remain competitive and thrive. While every market will develop differently, these global trends follow a consistent theme: businesses need to respond to customer preferences as they evolve and deliver exceptional digital commerce experiences.

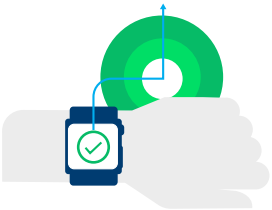
These trends are transforming the next iteration of commerce. The predictions found in this report will help you — businesses and issuers alike — shape your strategy and identify critical technologies to best position your company for growth — today and into the future.

Trend 1

# Contactless payment adoption **accelerates**

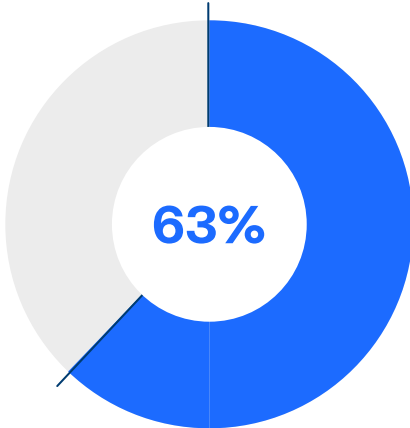


In response to the pandemic-driven need to reduce face-to-face commerce and limit contact with payment devices, consumers have adjusted their payment preferences. As a result, the growth of contactless payments has accelerated around the world. **With expanded use cases, contactless payments are going to find even more market traction in 2021.**



Contactless payments — the ability to pay by tapping a physical card, wearable or smartphone enabled by RFID or NFC technologies over a card reader — were already on the verge of widespread global adoption. However, usage accelerated quickly due to the pandemic and will continue to gain further consumer acceptance in 2021.

Around the world, consumers are choosing to shop with businesses that offer contactless at the point of sale. “Contactless payments have become a driving differentiator: If all other factors were equal (price, selection and location), nearly two-thirds (63%) of consumers would switch to a new business that installed contactless payment options,” according to Visa.<sup>1</sup>



Percent of consumers would switch to a new business that installed contactless payment options.<sup>1</sup>

# Driving that adoption? **Safety.**

The Visa Back to Business Study found that safety influenced how 78% of global consumers pay due to the pandemic.<sup>1</sup> Visa's research also found that 46% of global consumers think "using contactless payment methods is among the most important safety measures for stores to follow."<sup>1</sup>

In Asia-Pacific, Mastercard reported contactless transactions grew 2.5 times faster than non-contactless for everyday purchases due to their perception of being safer.<sup>2</sup> And in the U.S., according to American Express, 70% of merchants reported that "since the COVID-19 pandemic, customers are requesting the option of contactless tap-and-go or mobile app payments."<sup>3</sup>



**2.5x**

faster growth in Asia-Pacific contactless transactions vs. non-contactless for everyday purchases.<sup>2</sup>

**70%**

U.S. merchants who report that customers are requesting the option of contactless tap-and-go or mobile app payments.<sup>3</sup>

# Tide change to contactless spans **all** **generations**

As the largest living generation, millennials' changing preferences point to the future of contactless. Over half are likely to avoid shopping at stores that don't offer contactless payments. And since the pandemic, 82% of millennials report they "are more likely to have used a new shopping or payment method."<sup>1</sup> Even baby boomers have turned to contactless. Their preference for contactless increased from 45% before the pandemic to 55% today.<sup>4</sup>

Adoption of these 'tap-and-go' payments across generations suggests widespread, sustainable adoption even after safety concerns subside. According to a global Mastercard consumer study, "approximately 74% of consumers state they will continue to use contactless post-pandemic."<sup>2</sup>



# 74%

Approximate percentage of consumers who state they will continue to use contactless post-pandemic.<sup>2</sup>

# What's next: Contactless will be an enabler in the future of payments

While safety was a key driver in the adoption of contactless payments in 2020, convenience and simplicity will be the reason for further market penetration in 2021. Globally, nearly half of respondents (46%) have already swapped out their top-of-wallet card for one that offers contactless.<sup>2</sup> Businesses that create awareness around their contactless payment acceptance will win more customers this year and be better positioned for growth.

Not only will contactless payments accelerate in-store, but they will also become important to omnichannel, or the cross-channel shopping experience that consumers have come to expect.



Mary Kay Bowman, senior vice president, head of global buyer and seller product and solutions at Visa, noted, **“We've seen a big shift to curbside pickup and order delivery, and that has been widely accepted. We're going to see even more omnichannel experiences driven by the capacity to accept contactless payments in the future.”**<sup>5</sup>



Trend 2

# Omnichannel options **expand**



The pandemic has pushed businesses to quickly expand their customer touchpoints beyond traditional face-to-face, driving even more of a need for omnichannel commerce. As a result, in 2021, businesses will invest in unified commerce technology to refine their processes and become more efficient at delivering needed omnichannel experiences.

With in-store shopping feeling uncomfortable and risky as quarantine restrictions mounted, global consumers have rapidly shifted toward shopping online to buy everyday household essentials. IBM suggests the “pandemic has accelerated the shift away from physical stores to digital shopping by roughly five years.”<sup>6</sup> Steve Klebe, head of GPay BD - PSP partnerships at Google noted that “18% of consumers across North America and Europe started shopping online for the first time due to the virus.”<sup>7</sup>

As a result, global online sales skyrocketed 71% year-over-year in the second quarter of 2020, according to the Salesforce Shopping Index.<sup>8</sup>



And Klebe emphasized this behavior is a step change: **“It’s not that people won’t return to physical stores, but their experiences defined by the ease and convenience of shopping online will lead to it becoming a standard for more people going forward.”**<sup>9</sup>



## Global online sales skyrocketed 71% year-over-year in the second quarter of 2020.<sup>8</sup>

With consumers' move to online shopping, businesses are offering their customers more ways to receive their items and pay through expanded omnichannel experiences. For example, Target, one of the largest U.S. retailers, now offers customers same-day delivery, in-store pickup, and contactless curbside pickup for orders placed online or in its app. And Target is not alone. Other businesses, large and small, are following suit.

The reason businesses are doubling down on developing an omnichannel strategy is to offer a first-class shopping experience that lets customers shop, pay and review their purchases the way they want, according to J.J. Kieley, vice president, payments consulting group, United States and Latin America at American Express. He advised, "If you don't already have a customer-centric lens when it comes to product and solution delivery, this is the time to get focused on creating one."<sup>10</sup>



# QR codes expand omnichannel experiences

“

We're seeing the QR code emerge as a way to help limit contact and create a touchless experience.<sup>10</sup>



**J.J. Kieley**, American Express  
Vice President, Payments Consulting Group,  
United States & Latin America

# 27%

of all digital commerce transactions in 2024 will be made with QR code payments.<sup>12</sup>

Payments via a QR code are gaining popularity to enable omnichannel commerce. According to Juniper Research, “QR code payments will be the most used digital commerce mechanism in terms of volume throughout the next five years, accounting for 27% of all digital commerce transactions in 2024.”<sup>12</sup> Since the pandemic, an additional 11% of U.S. consumers started using QR codes, likely because of their simplicity, ease of use and safety.<sup>13</sup>

As J.J. Kieley of American Express pointed out, “We’re seeing the QR code emerge as a way to help limit contact and create a touchless experience for both the merchant and the customer.”<sup>10</sup> For example, a growing number of restaurants are using QR codes so that customers can easily view menus and pay for orders directly from their phones.



**Konrad Chan**, president of Asia Pacific at Global Payments, highlighted that **QR codes now power ecommerce live streaming, the online version of TV infomercials.**

Influencers use their own social media channels to promote products and flash the QR code on the screen so consumers can be passed to the online shopping cart immediately to purchase the product. “It’s like TV infomercials, but it’s interactive.”<sup>14</sup>

In 2021, we expect to see QR code-based payments integrated into even more digital commerce channels to support current omnichannel experiences and new ones as they evolve.

# What's next:

## Businesses will invest in unified technology platforms to improve omnichannel experiences

The momentum for diverse omnichannel options to meet consumer needs for convenience and flexibility will continue to pick up pace across businesses of all sizes in 2021.



According to Vince Lombardo, president of U.S. payments and payroll at Global Payments, **“To deliver the best omnichannel commerce experience**

**possible to customers, merchants must adopt technology solutions that allow them to connect all channels seamlessly.”**<sup>11</sup>

In payments, a unified commerce platform delivers a consistent buying experience, no matter the channel, location, or device. At the same time, such a platform provides a 360-degree view of the customer to help businesses enhance their buying journey — all through a single API integration. We anticipate that more businesses will invest in unified commerce technology to expand omnichannel options to their customers in 2021.



Trend 3

Embedded  
fintech  
**dominates**  
**across**  
**industries**



When consumers shop, they expect payment to be a seamless part of the buying experience. **Embedded fintech** delivers upon this expectation and **will be fundamental to providing the next generation of digital experiences.** At the same time, businesses will evolve their model as the value of embedding fintech within their software becomes more prevalent.

Embedded fintech describes the seamless integration of payments and financial services and products into software. Google Pay's Klebe explained, **"When a consumer makes a purchase, they no longer expect the payment to be a separate action, but rather deeply embedded in the experience."**<sup>9</sup>

Rideshare apps are a golden example of how embedded fintech works. Using their smartphone to request a ride, a consumer sets a pick-up and drop-off location. The driver then arrives and takes the person to their destination. At no point does the consumer have to take out a payment card — the transaction is already a part of the value proposition.

Behind the scenes, payments and software work together to deliver this seamless experience.

As more companies set their sights on embedding payments into software, they're giving their customers more payment options, including points redemption, stored value and deferred payments. For example, Amazon's *Pay With Points* program allows consumers to link their reward-based payment card to their Amazon account, opening up endless options for what they can buy with their rewards. Similarly, new 'buy now, pay later' options allow consumers to split payments — of any sum — into installments to pay off over time rather than in one lump sum at the time of purchase.



According to Frank Young, president of Global Payments'

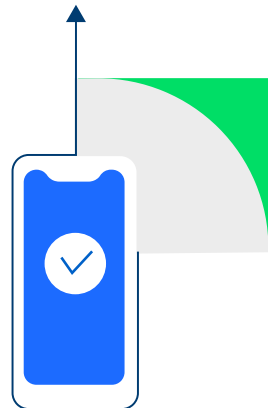
vertical market software solutions, **embedded fintech is an unstoppable force: "Software will continue to consume payments."**<sup>15</sup>

# Gaining value beyond the payment transaction



Young noted that embedded financial technology fully aligns the entire customer journey by simplifying all meaningful touchpoints a business has with its customers and other key stakeholders.

No matter the industry, all businesses will find more value when embedding financial technology seamlessly into the overall technology stack.



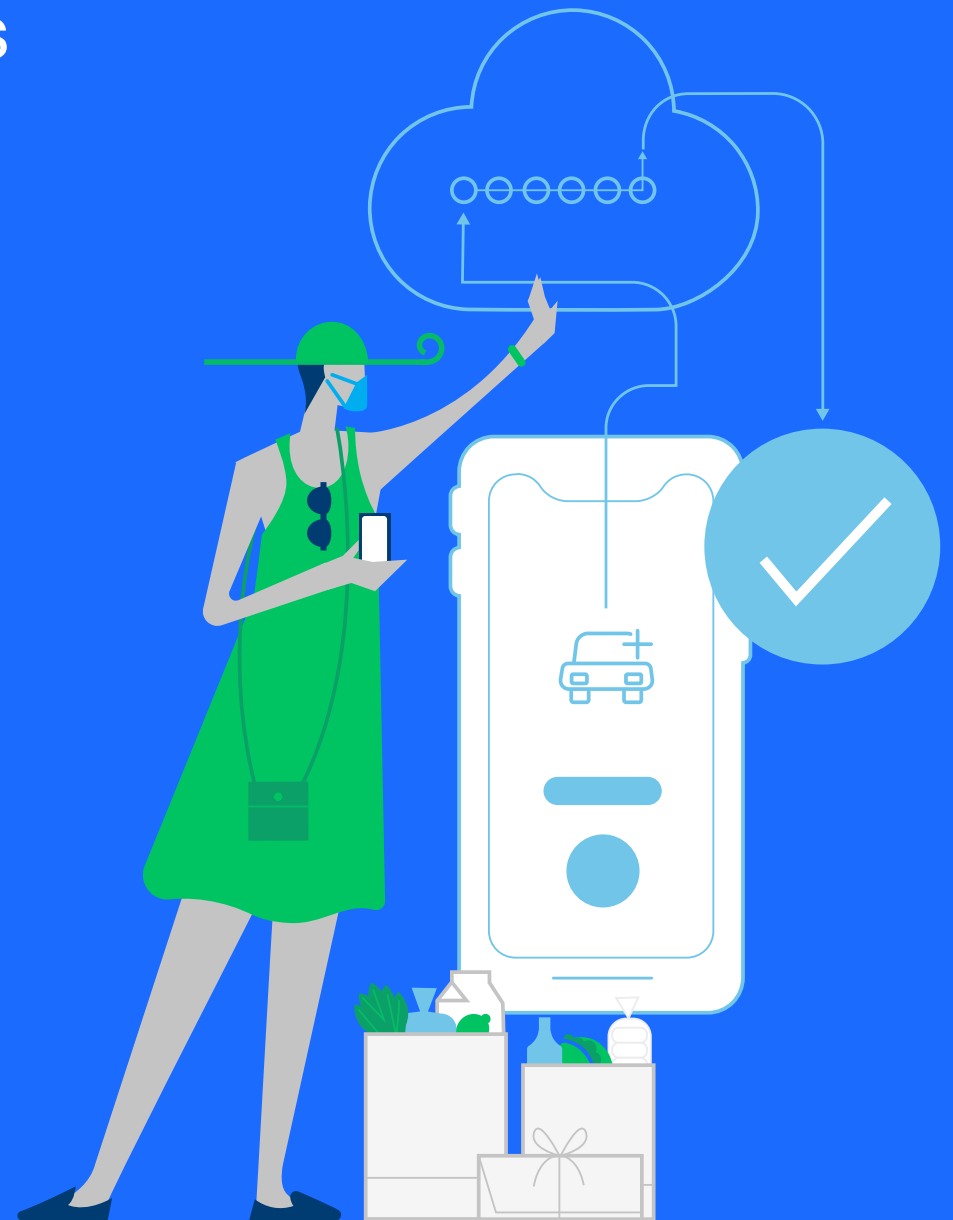
- ▶ For medical practices, with embedded fintech, **the patient experience is managed through a single software**, from appointment scheduling to documentation, billing, and payment.
- ▶ For restaurants, **they can manage their complete front-, middle- and back-of-house operations** on one integrated platform.
- ▶ Universities can **leverage embedded fintech with software that combines campus commerce and credential solutions** for a more connected student experience.

# What's next:

## Embedded fintech creates more revenue opportunities for businesses

To simplify all meaningful touchpoints a business has with its customers and other key stakeholders, businesses will need to adopt an embedded fintech approach that simplifies their operations and drives revenue opportunities.

Venture firm Andreessen Horowitz estimates that by embedding fintech within the overall offering, businesses will increase a customer's profitability by up to 5x the original revenue stream.<sup>16</sup> These solutions will be increasingly tailored to different industry verticals with payments deeply embedded, including the newest payment methods like points redemption, stored value and deferred payment options.

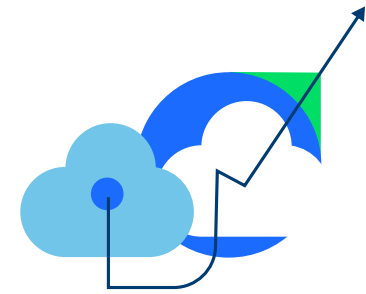


Trend 4

Advances in  
technology  
**help  
businesses  
keep pace  
with digital  
commerce**



To keep up with the rapid pace of change, businesses need to adopt technology infrastructure that supports innovation, simplifies commerce and improves experiences. **In 2021, cloud technology and open banking should be top of mind.**



## Cloud Technology

Businesses need to embrace technology's ever-evolving nature and be open to leveraging advancements to their fullest extent. This year, our experts emphasized cloud technology and open banking as key to driving business growth, particularly as digital experiences continue to influence commerce more than ever.

Cloud computing moves businesses away from managing outdated and cumbersome processes and technologies tied to static systems. Because of this, the global cloud computing market is expected “to be worth USD \$832.1 billion by 2021, growing at a CAGR of 14.2%,” according to Research and Markets.<sup>17</sup> Frank Young agrees, explaining that “running a business today and into the future requires a technology infrastructure based on cloud foundations.”<sup>15</sup>



**\$832.1B**

expected worth of the  
global cloud computing  
market by 2021<sup>17</sup>



Running a business today and into the future requires a **technology infrastructure based on cloud foundations.**<sup>15</sup>

Businesses will reap the benefits of cloud technology by combining the value of existing platforms with the technology that public cloud services providers enable. Getting this combination right takes work, but the payoffs include greater reliability, faster product delivery cycles, better economics for scalability and innovative customer analytics that leverage internal and external data sources.



Jason Sharples, CTO of Merchant Acquiring at Global Payments, explained the business implications of cloud technology: "Organizations with large historic investments in computer systems that run their core business face a choice — not whether to use the cloud, but how to maximize the benefits. **Do you lift and shift your current trusted applications to the cloud to get quick returns on business value delivery, or do you invest in rewriting applications to take maximum advantage of the cloud technologies and methodologies that exist today and in the future?** Defining the desired outcomes — for example, API-driven interoperability for customers, high agility to respond to digital-first customer experience expectations or cost-effective scalability — is key to success."<sup>18</sup>

# Open Banking

Open banking technology automates connectivity between financial entities via open-sourced APIs so that payments can take place more efficiently. It improves customer experiences by securely sharing financial data between organizations with the account holder's consent.



Nick Corrigan, president and managing director of the UK and Ireland at Global Payments, explained:

**“About 30% of purchases are for simple conveniences or bills where consumers typically don’t seek a refund or raise a chargeback. Those are the payments that benefit from open banking because they could sit outside of the typical network ecosystem. This is one scenario that will fuel a greater interest in open banking, but there are many more, including enhanced loyalty solutions, bespoke lending and more personalized financial services. It’s no surprise that a recent PWC report stated that 71% of SMEs are expected to adopt open banking by 2022.”<sup>19,20</sup>**

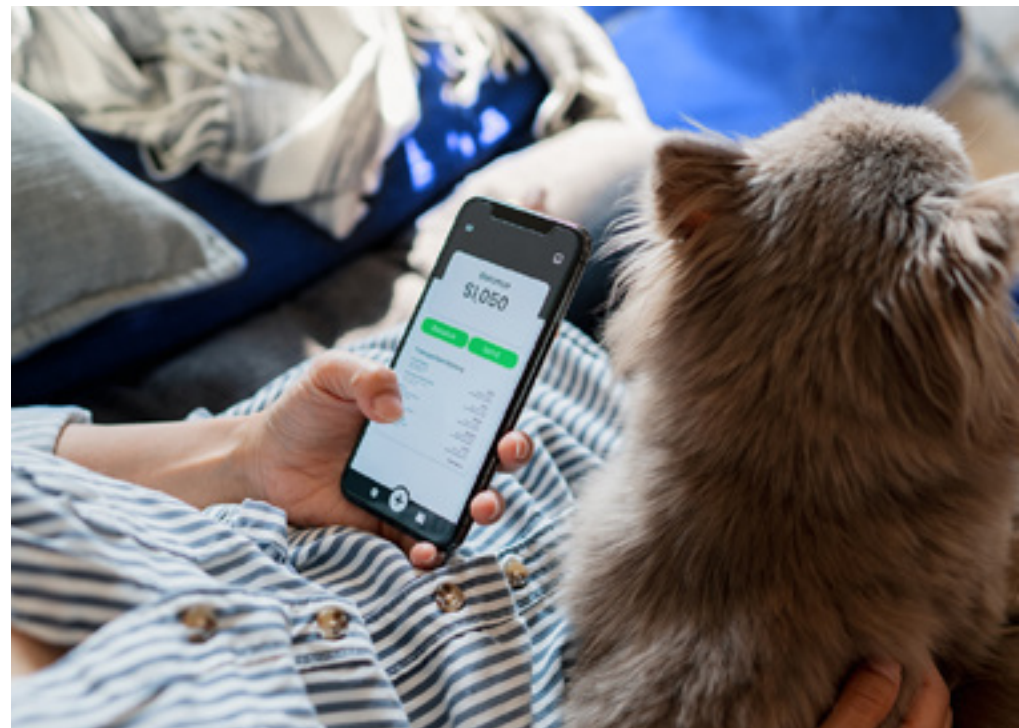
With the speed and convenience it offers to consumers and businesses alike, the global open banking industry, growing at a CAGR of 24.4%, is expected to surge to \$43.15 billion by 2026.<sup>21</sup> In the UK, “users of open banking-enabled products now exceed two million, doubling in just over six months.”<sup>22</sup>



In the UK, “users of open banking-enabled products now exceed two million, doubling in just over six months.”<sup>22</sup>

According to Sharples, to see this trend reach global market adoption, it will be incumbent on companies to scale their innovations in this area, ensuring that their experiences in one region — like the EU — are translated into value-add product offerings to merchant customers in other regions.<sup>18</sup>

Open banking technology reduces manual, time-intensive processes, improves the customer experience and helps protect companies against fraud. This is why open banking is positioned for an upward growth trajectory.



For example:

- ▶ **Plaid is working to scale its open banking infrastructure,** which enables apps to connect with users’ bank accounts. The technology **allows a merchant’s chosen online payment provider to “quickly and securely check [the buyer’s] account balances in real time to authenticate transfers** without waiting for tedious microdeposits to clear”.<sup>23</sup>

# Emergence of 5G Technology

5G, the fifth generation of mobile technology, is here. It will enable the next generation of commerce, and it offers many exciting benefits: enabling lightning-fast downloads, embedding payments further into shopping experiences and amplifying the personalization a business can deliver through near-real-time analytics.

Among the transformative applications of 5G is its potential to expand financial inclusion.

A few examples of potential applications of 5G show how it can transform digital commerce:

- ▶ **Through geofencing and beacons**, a business will be alerted when a consumer has arrived, allowing them to bring out purchases without the consumer notifying them.
- ▶ For larger ticket items, like cars or houses, **5G will streamline the process of applying for loans and getting insurance quotes**, eliminating time-consuming processes and mountains of paperwork.

Among the transformative applications of 5G is its potential to expand financial inclusion. Brookings, a leading American think tank, predicts that 5G's availability will determine "whether or not mobile-dependent users partake in the global digital economy as smartphones, cell phones, and other wireless-enabled devices become the only gateway to the internet for certain populations."<sup>24</sup>

While the specific applications of 5G are still evolving, it's sure to introduce some exciting new opportunities to enhance the customer experience and give businesses deeper customer-driven data insights that will help them make smarter business decisions. With so many possibilities powered by 5G, we're excited to watch as it takes hold and transforms our lives.

# What's next:

## Embracing advances in technology is critical to business growth

Going forward, businesses will need to seek out the technology that allows them to quickly shift and adapt to keep pace with ever-changing market dynamics.

This year, cloud technology and open banking should be on every business' radar. Advances in these technologies can help them best meet new customer preferences for simple, secure commerce.



Trend 5

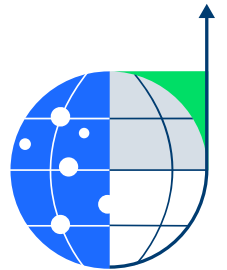
# Focus on **financial inclusion**



The quick migration to digital commerce spurred by the global health crisis solved consumer's significant problem: prioritizing their health and safety while still receiving the essentials they need. **Those same payment technologies and solutions that made this shift to digital possible have the added benefit of paving the path to financial inclusion**, which is critical to eliminating the risk of leaving people out of the digital economy.

Nick Corrigan of Global Payments states a core issue surrounding financial inclusion in a digital economy: "Getting people cash via digital means."<sup>19</sup> Now more than ever, the importance is on creating a payment system accessible for all – especially the most vulnerable populations.

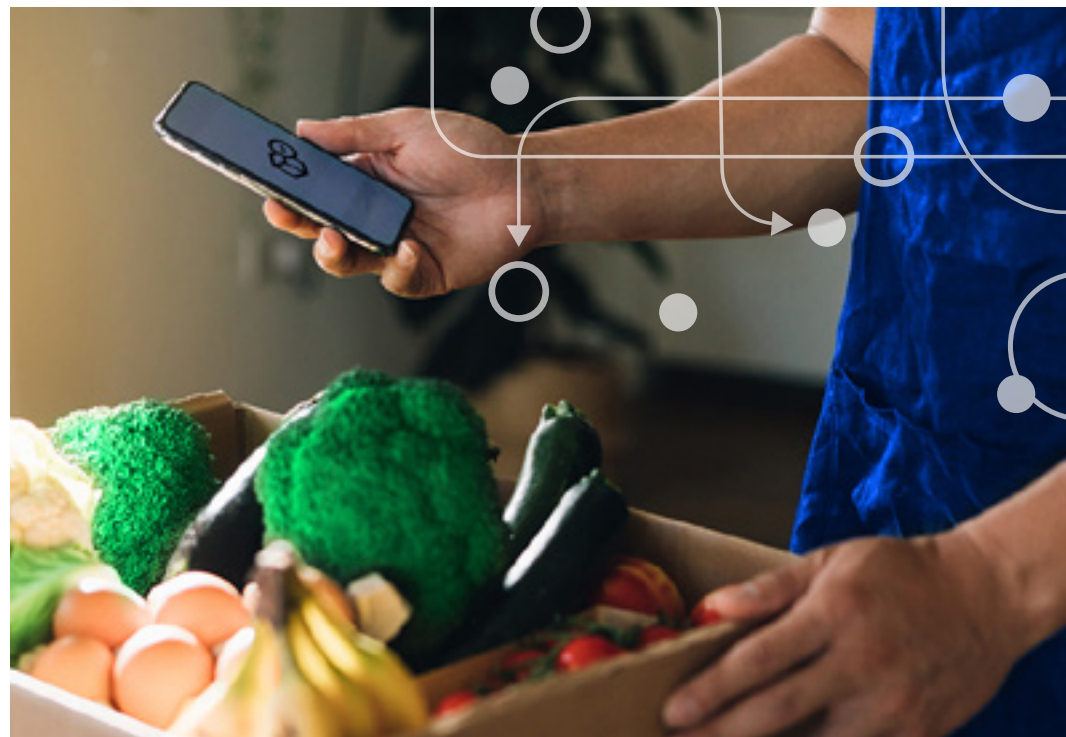
According to the World Bank, "Globally, 1.7 billion adults remain unbanked, yet two-thirds of them own a mobile phone that could help them access financial services."<sup>25</sup> Konrad Chan of Global Payments added, "Digital wallets help everyone participate in commerce, including the underbanked or unbanked."<sup>14</sup>



## Financial inclusion is more than just extending payment options to everyone.<sup>5</sup>

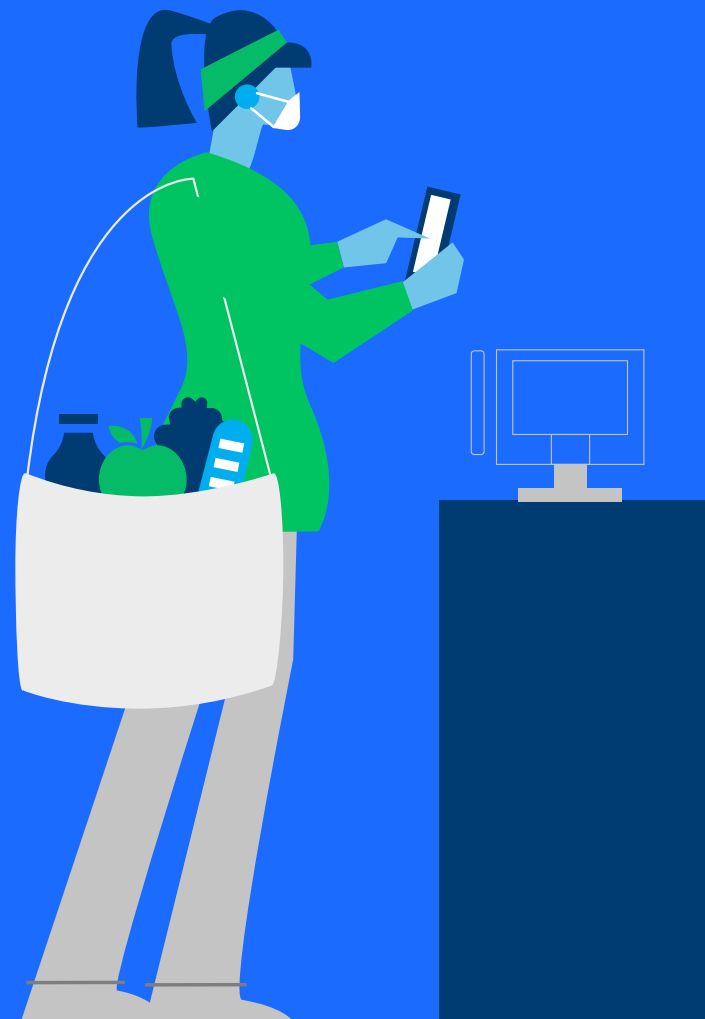
Around the world, a range of innovative solutions exist such as loading cash onto prepaid digital cards providing access to digital payments while delivering the convenience, cost savings, security, and efficiency these payment types afford. Likewise, digital money transfers allow businesses and governments to securely pay wages, pensions and social assistance to those out of reach of a traditional bank.

Mary Kay Bowman of Visa points out that financial inclusion is more than just extending payment options to everyone. “Financial inclusion also means technological and account-based inclusion and being able to bring those solutions together with payments. We are going to see all kinds of investments in this area to ensure accessibility for all.”<sup>5</sup>



# What's next: Advances in technology progress financial inclusion

All parties involved in payments have a moral obligation to empower commerce for everyone. Forthcoming technological advancements like open banking and 5G will give payment players more ability to provide equal access to all consumers so that everyone can successfully participate in the digital economy. Businesses should consult with their payment providers to make sure they have payment solutions in place that allow all consumers the opportunity to transact with their business.



# Conclusion

## Embrace change to respond to the seismic shifts in how people shop and pay

While the global health crisis ushered in a seismic shift for digital commerce in 2020, the trends of 2021 will take digital experiences to the next level. Google Pay's Steve Klebe said this simply: "Businesses can no longer underinvest in digital options."<sup>9</sup>

Businesses that embrace the trends in this report will thrive in the digital commerce landscape and maintain a competitive advantage. By accepting contactless payments, and expanding omnichannel experiences, businesses will meet new customer preferences. By embedding financial technology within their software and embracing new technology, businesses will deliver exceptional customer experiences and ensure all consumers can benefit from their products and services.

Global Payments would like to thank the following experts for their contributions to this report:

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## About us

Global Payments Inc. (NYSE: GPN) is a leading pure play payments technology company delivering innovative software and services to our customers globally. Our technologies, services and employee expertise enable us to provide a broad range of solutions that allow our customers to operate their businesses more efficiently across a variety of channels in many markets around the world.

Headquartered in Georgia with over 24,000 employees worldwide, Global Payments is a member of the S&P 500 with worldwide reach spanning over 100 countries throughout North America, Europe, Asia Pacific and Latin America.

For more information, visit [www.globalpaymentsinc.com](http://www.globalpaymentsinc.com) and follow Global Payments on [Twitter](#), [LinkedIn](#) and [Facebook](#).