During the coronavirus epidemic, the world’s governments, economies, businesses and most of all people experienced an unprecedented rate of change in peacetime.

Governments acted swiftly to mandate changes to protect and support people’s health. People responded extremely well knowing that everyone’s health was on the line. Pulling together, they accepted draconian measures such as curfews, travel restrictions and closures of schools, sports, events, public parks and of course, our focus here, many merchants.
People had to adjust to new societal norms, from masking and social distancing to continual handwashing and disinfecting.

Plus avoiding direct contact with everyday items like door handles, cash, fuel pumps and yes, payment terminals.

Businesses responded with new ways to work.

As work from home took hold, we all took crash courses in various collaboration and video meeting platforms. Those merchants deemed essential that could stay open reacted quickly to meet government guidelines. Directional arrows, spacing indicators, sneeze shields and much more became part of the retail environment. Curb-side pickup, home delivery and shipping proliferated.

As we work together to reopen businesses and restore the economy, there is no escaping that many of the changes made during the crisis will endure permanently.

In this executive brief, we are providing a perspective from Ingenico’s Banks & Acquirers business unit on the profound developments that we are seeing everywhere around the world, with a special focus on the impacts to consumer behaviour in payments. And offer a look forward as to how these changes will impact merchants worldwide.
Consumers are no longer only concerned with convenience, a better shopping experience and security. Now it is also about their personal safety and health.

People expect and want masks to be required inside merchant locations. They are getting accustomed to waiting lines to enter stores, directional arrows in aisles and spacing indicators at counters and checkouts to assist with social distancing. According to a global McKinsey survey, consumers are looking for enhanced cleaning and masks or barriers when shopping in-store(1).

Beyond that, consumer expectations on how they want to interact with merchants have changed significantly. Touch free payment is moving from a nice to have to a must in the eyes of most consumers worldwide. Phone orders have made a comeback and the availability of delivery services has significantly expanded, especially in the food and restaurant sectors. Ordering online or by phone with delivery or curbside pickup is now an expectation in many regions. Most believe that these changes are here to stay.

The next sections will explore the intersection of these changes in behaviour with payment experience.

Merchants adapting to new shopping behaviours

“Necessity is the mother of invention” it is said, and the global response to the Covid-19 pandemic is once again proving the profundity of that enduring insight.

Many changes being made in-store to make shopping a safer experience have little to do with technology. On the other hand, many of the ways merchants and consumers interact do have strong technology components and that is our focus.

1 - McKinsey
Contactless, in all shapes and forms

The fear of cash and the acceleration of contactless, mobile and digital payments

Usage of cash has been declining consistently over the past years: globally, the value of transactions by cash has declined on average by 1% annually since 2012 while overall transaction volumes have increased 12%.

But the COVID-19 pandemic is accelerating the move to cashless payments in fear of virus transmission through bills and coins. In Europe, 42% of people admit to using less cash throughout the Covid-19 pandemic according to Mastercard. In APAC, 46% of consumers say they plan to use cash less often. From most observers and reports, cash withdrawals at ATMs were down dramatically by more than 50 percent in the past 3 months. Link, a UK-based ATM operator has for instance reported a 62% year on year drop in withdrawals in May.

In addition, new concerns about the disease spreading through touch, contactless payments and more generally touch free payments have enjoyed strong market traction.

Cash withdrawn from ATMs has dropped by 50%.

2 - GlobalData. 3/4 - Mastercard. 5 - Financial Times.

July 2020 - Ingenico - White paper - New Normal
Central banks, card schemes and other payment players are all in, advancing these trends by stepping up their long-standing efforts to further push consumers away from cash.

Usage of contactless payments has significantly increased in the past three months. According to Mastercard, nearly 8 in 10 of transactions are now contactless in Europe. In a recent consumer study, Mastercard also showed that nearly 80% of consumers worldwide are now using contactless, citing safety and cleanliness as key drivers. Contactless transactions grew twice as fast as non-contactless transactions in the grocery and drug store categories according to this survey. To further fuel this trend, more than 50 countries worldwide announced raising contactless limits on contactless cards, in most cases doubling the allowable limits to drive greater consumer convenience.

Beyond cards, digital wallets such as Apple Pay, WhatsApp, Google Pay and QR code payments are increasingly popular. In Australia, CBA has found that digital wallet users made a record number of transactions in March. Usage increased 17% from February 2020, more than doubling the growth it enjoyed in previous months.

Digital wallets are attractive in the current environment as they remove the need to enter details or PINs and most contactless transactions do not have limits, thanks to the two-factor authentication inherent in fingerprint or facial recognition-enabled digital wallets. Other payment methods such as payment links, peer to peer and instant payments could grow rapidly for the same reasons.

Finally, biometrics authentication, from fingerprint to face recognition and voice recognition are increasingly appealing to address concerns around PIN entry. The momentum behind biometrics authentication could benefit from governments looking into trace apps and trackers post COVID.

80% of consumers worldwide are now using contactless, citing safety and cleanliness as key drivers.

8 in 10 of transactions are now contactless in Europe

50 countries worldwide announced raising contactless limits on contactless cards

• Further payment convenience: no need to remember the PIN code.

• Higher Security: a facial recognition system can be added to PIN entry to secure authentication and reduce fraud risks.
The development of new payment interactions

To make the in-store shopping experience safe and easy to navigate, self-checkout or “order and collect” solutions are in great demand. Tap on phone solutions that enable consumers to pay by tapping their contactless card on the merchant smartphone are another alternative for micro merchants.

Collection fulfilment options outside of retail stores, such as lockers or curbside collection have also become more popular.

With stay at home orders, online shopping has become a must have for large and small merchants. In-store merchants have become omni channel by enabling online shopping and mobile ordering. In more advanced digital countries like in China, merchants are selling through social media or in-app. One third of merchants there have no website and sell directly through WeChat. According to Visa, 13 million cardholders in Latin America and Caribbean made their first-ever online purchases in the quarter ending in March[9].

There is an unprecedented fear of touching things, especially cash. Consumers want touch free experiences at checkouts and online or mobile shopping options with curbside pickup or delivery. While trends vary by country, new and increased use of restaurant and grocery delivery was more than 20% in Brazil, China, Germany, India, Italy, Korea, Spain, the U.K. and the U.S., according to McKinsey[10].

In the U.S., curbside pickup is one omnichannel shopping service that will likely remain popular after the COVID-19 pandemic subsides. One survey found 59% of respondents said they are more likely to use curbside pickup following the coronavirus outbreak. This figure increased to 75% among respondents who subscribe to multiple delivery services, including Amazon Prime[11].
At the point of sale, a new generation of devices and technologies can already support safe customer experiences, while supporting merchants’ digital transformation.

Self-service solutions enable merchants to take payments at unmanned point of sales such as lockers. Mobile POS allow merchants to take payment anywhere in or out of the store.

By combining Android’s platform layer and terminals, merchants can easily run applications, such as register, loyalty, store inventory and more, with extended payments capabilities including QR codes and payment wallets. Tap on phone software will allow smaller merchants to take contactless payment on their smartphone or tablet without the need for extra hardware. These new scenarios will all be powered by payment-platform-as-a-service solutions that will seamlessly connect devices, payments software, payments services and business applications thanks to the power of APIs and the cloud.

Payment and mobile technologies can play an important role in advancing these new models and improving the user experience and merchant efficiency.

Businesses in general will have to reinvent their operating models accelerating digitalisation and remote working tools

The need to manage a business remotely

This pandemic has been a catalyst for cloud and agile technologies, enabling businesses of all size to adapt to new conditions and ramp up new capabilities very rapidly.

The scope of services is large: from collaboration software to networking services, from capacity services to cybersecurity. Micro services running in the cloud have enabled infrastructures to scale-up or down on demand and on a pay-per-use basis. API architectures have allowed faster adaptation of systems to changing circumstances. Centralizing data by integrating systems has enabled real-time analysis, supporting data-based decision from management, operations and commercial teams.

Beyond technologies, this pandemic has proven the value of new service delivery models, from SaaS (software as a service) to IaaS (infrastructure as a service) and PaaS (platform as a service).

As businesses are increasingly managed remotely, remote sales skills and channels are paramount. This is not only true for merchants but impacts all the organizations that support them including ISVs, acquirers and banks. For many of these B2B businesses, this means moving many in-person interaction processes online, including e-signature, digital ID, Anti Money Laundering / Know Your Customer and more. At the same time, they must ensure that all these processes are not vulnerable to criminals by ramping up cybersecurity and anti-fraud measures.
Merchants under pressure to evolve and innovate

Some commerce categories more affected than others

Across the world, the lockdowns have driven significant declines in tourism, hotels, restaurants and entertainment among other sectors. Compared to pre-lock down, UK box office sales have been down 53%\(^{(12)}\), daily retail footfall 54%\(^{(13)}\) and UK restaurant bookings -99.9%\(^{(14)}\). In the US, IHL forecasts that more than 7% of all retail & hospitality stores will be lost\(^{(15)}\). Conversely, a few sectors have seen an uptick, including grocery stores, convenience stores and drugstores, with these categories growing 18% during the coronavirus peak vs. before in China for example\(^{(16)}\).

Even as the world re-opens from these dramatic declines, merchants in all sectors will have to evolve to survive and thrive.

Speed of adaptation

This crisis has also emphasized how important it is for businesses to rapidly adapt and scale new operational practices. For in-store shopping and payment, providing technology solutions that are agile and enable rapid evolutions and ease of integration are essential to enabling innovation.

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Helping merchants to optimise and grow revenue, and manage costs

The COVID crisis is accelerating the need for merchants to use new technology to help address consumer concerns over their personal health safety and build integrated experiences.

**Creating new shopping interactions, services and managing the relationship with customers has never been more important to merchants.** New imperatives are to keep customers engaged and provide a shopping experience that is both compelling and safe. Tailoring the right messaging and offerings while delivering convenience and value are essential to success.

*Updated technology can help by combining in-store and online sales, delivery and pick-up options, means of payments and loyalty, all in one solution.*

**Cashflow management**

The current crisis has pushed a significant number of businesses of every size into challenging financial situations. **Managing cashflow has become more critical than ever and tools helping businesses better manage their finances, giving them greater insight into consumer spending and behaviour will be in high demand.**

**Fraud**

Fraud risks are always present for consumers and businesses and this crisis is no exception. **Fraud has been on the rise.** Common scams include impersonating public health authorities or other government organizations and demanding payment from the targets. In this environment, merchants and their partners need to be even more vigilant, especially SMBs. **To better protect themselves from these risks.**
Transforming payments operating models.

While most of these technology changes were already in motion, the COVID epidemic marks a clear acceleration in their adoption.

With the economic crisis, every company managing payments, merchant or supplier, will have to reassess how they are operating payments to define how to best perform and compete.

This means defining which parts of payments operation support their strategy, which functionality or feature to operate as a service, what to manage in-house or to outsource, and finally defining the role that cloud technologies, microservices, APIs, automation and big data should play in these operations.

There is no one-size-fits-all response, but most players will have to reconsider how they operate payments on some or all these levels in the future.

The good news is there are many technologies and solutions, such as those presented in this brief, that already exist and can be deployed now to help merchants navigate the new normal and rapidly transform their operations and consumer interactions, whether in-store or online.

Lastly, Payment-Platform as-a-Service (PPaaS) will expedite this transformation by simplifying the integration and delivery of multiple elements of the transaction process. This includes consumer facing aspects such as new payment methods, loyalty and other value-added services, and operational efficiency by connecting multiple back end systems.