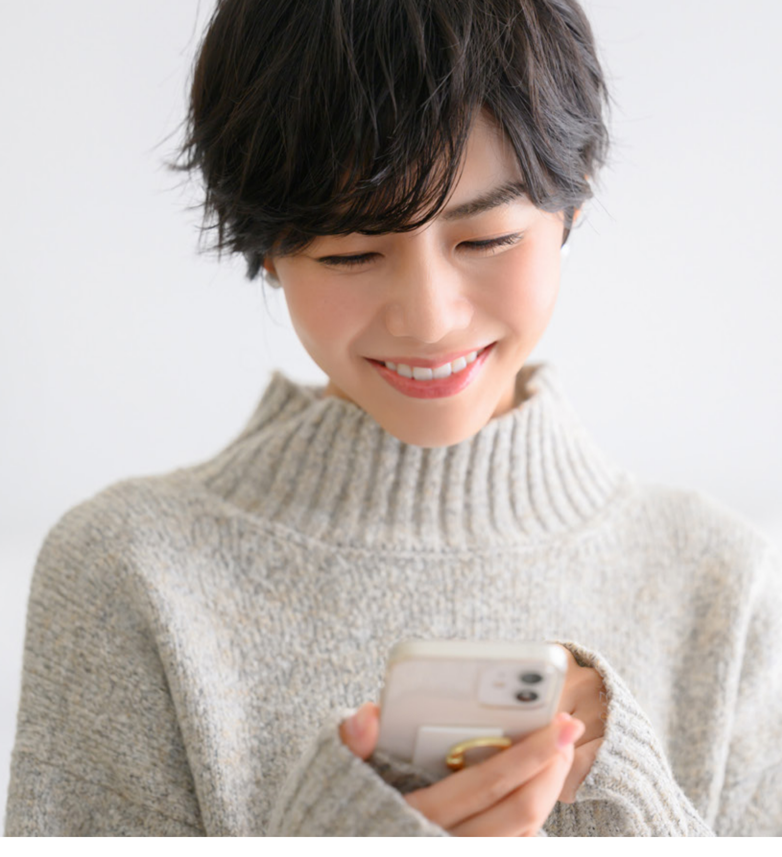
Visa Consulting & Analytics

The future of payments: 10 key priorities for 2024

Our team of advisors used VisaNet data, expert interviews, and research to identify 10 key success criteria that we believe will be most important to payments players in 2024.



Applying artificial intelligence (AI) in payments

With the rapid uptake of tools like ChatGPT, AI has become a mainstream topic of discussion, not just in tech labs but also in boardrooms. Generative AI, which uses large language models and other machine-learning tools to generate content, has the potential to transform many commonplace processes. In the world of payments, AI has the potential to help payments providers acquire new customers, engage and retain existing customers, and improve performance in an ever-more-complex fraud landscape.

Why it matters

Understanding the capabilities of AI, particularly of generative AI, and the most promising payments-related use cases can help payments players adapt their strategies. Exploring and testing selected use cases will drive the familiarity needed to make strategic decisions about when, where, and how to deploy AI.

Sourcing new data for richer credit-risk decisions

Managing credit portfolio performance is a balancing act between credit risk exposure and growth objectives. Financial institutions (FIs) need to look beyond traditional underwriting data and principles to serve new segments and grow their business.

New and emerging data sources present the opportunity to re-imagine traditional credit risk management processes, enabling FIs to optimize the risk-reward balance. Using rich insights from new data sources, credit offers can become more transparent and more attractive to the customer, while letting FIs stay in control of their risk tolerance levels.

Why it matters

As economic conditions evolve, developing a more holistic picture of risk profiles can help FIs enhance customer relationships, and improve targeting of new customers, while balancing risk exposure in areas like credit-line optimization or short-term credit offerings like Buy Now Pay Later or even targeting customers with thin bureau profiles.

Transforming how businesses pay and get paid

The world of commercial payments is undergoing a rapid and profound change. Driven by the demand for faster and more convenient ways of moving money, new technologies and industry players are reshaping the business landscape. Real-time payments (RTP) solutions can offer quick settlement and new forms of data exchange, which can streamline reconciliation and reduce manual intervention. "Push payments"—which involve payers sending data directly to payee accounts—can simplify a host of use cases including payroll, disbursements, or rewards. Additionally, with the proliferation of international B2B relationships, innovations continue to address commercial needs for quick, efficient, and predictable cross-border payments.

Why it matters

Understanding and responding to the needs of today's commercial clients is critical to managing a thriving B2B payments business. Payments players who grasp the innovation happening across commercial payments will be best positioned to serve emerging markets, enabling them to acquire, engage, and retain commercial clients.

Perfecting the art of being found for digital acquisition

Consumers continue shopping for the best credit and debit products to meet their needs, and do so through digital channels. Being present across the sea of online channels can be daunting, but a strong digital acquisitions strategy with an emphasis on search engine optimization (SEO) can more easily connect FIs with customers and prospects online. It is important to think of SEO as an "always on" functionality that adapts readily with new trends and search terms. Technologies like voice search and AI chatbots can also affect relevant algorithms. The good news is that making small adjustments, such as fixing broken links, can have an outsized impact on how your organization shows up for searchers.

Why it matters

Organic search is a simple way to draw customers and prospects to your acquisition experience and can be a cost-effective digital acquisition tool—when optimized. As consumers increasingly spend more time online, SEO can help payments providers drive visibility and improve targeting, paving the way to increasing success rates in digital acquisition journeys.

Rethinking the digital customer experience (spoiler alert—it's not just with a slick app)

Customer expectations of compelling digital experiences continue to be more demanding and less forgiving. When considering an exceptional digital experience, the focus often falls on how to reduce friction points with a smooth visual design. However, the supporting data behind the scenes is just as (if not more) important when it comes to creating a memorable customer experience (CX). From instant digital card issuance to hyper-personalization of sign-up offers to cross-platform experiences like social commerce, there are opportunities to create differentiated journeys that drive more engagement and loyalty.

Why it matters

Payments providers that cannot meet customer expectations around the digital CX risk losing growth momentum or incurring increased costs to acquire or to engage customers. Additionally, a poorly designed CX may cause customers to abandon the journey altogether. Understanding the components that underpin great experiences can help FIs adapt accordingly.

Balancing convenience and control ("Did you authorize this transaction?")

Achieving balance when mitigating fraud risk and streamlining CX can often feel like a moving target. With the introduction of new customer journeys and the ever-evolving fraud landscape, optimizing authorization decisioning can become even more complex. Having a best-in-class approach to fraud requires vigilance, robust rules, and a sensible approach to managing risk. Striking this balance is especially critical in an authorization decision, as customer attrition can spike after a declined transaction.

Why it matters

Retaining loyal customers relies on providing consistently positive experiences, particularly at a critical moment like a purchase. Incorrect declines due to suspected fraud can increase the risk of customer attrition. Conversely, customers also expect their financial providers to protect them from unauthorized activity, so identifying and reacting appropriately to possible fraud is equally as impactful.

Getting the most from your marketing spend

It is the perennial question: How do FIs get the right message to the desired audience via the most effective channel to drive the right action? Improving returns on marketing spend can be achieved by incorporating incremental data to hone the understanding of your audience and to develop the right message and channel approach. However, unless it is combined with a clear targeting and execution strategy, adding more data may increase complexities instead of helping maximize marketing returns. Meanwhile, leveraging relationships and sponsorships are other tools that can be used to amplify your marketing messages.

Why it matters

Payments providers should make effective use of marketing funds to drive acquisition and engagement. However, a great marketing strategy might not yield high returns if the targeted audience is not properly understood and analyzed. Making adequate use of resources such as data and collaborations with network partners may help FIs streamline their marketing strategy to reach their intended audience more easily and thus improve returns on investments.

Maximizing value from existing customers

Acquiring a new customer can cost several times more than retaining an existing one. And, in addition to the acquisition investment required, new customers can present additional challenges around calibrating risk exposure, effective onboarding, and providing the optimal servicing experience. Effectively engaging and retaining existing customers therefore represents a strong opportunity for FIs to drive profitability in their overall portfolios. Engaged customers not only continue to use your product but are also likely to use more of your products and to be advocates for your brand.

Why it matters

In addition to profitability considerations that comes from extending the lifecycle of your existing customers, having a robust community of engaged customers helps build and sustain brand loyalty while providing a rich referral network for future customer acquisition. If existing customers are happy, they can help the business grow.

Holding on to your best customers

There are several reasons why customer relationships come to an end (location changes, lifestyle changes, or poor experiences, for example). Retaining the right customers involves understanding the needs of high-value customers and ensuring they regard the company as a partner in fulfilling those needs. Demographic data like age and income are not sufficient to design products and services to meet customers' individual needs. For example, a new graduate, an expat professional, and a recent divorcee may all need products that help them settle into a new apartment, though their age and incomes may be different, their product needs may in fact overlap. Customer lives are longer, more diverse, less predictable and typically cover multiple overlapping stages. By looking at behavioral attributes like spend information, payments players can inform more actionable retention strategies, anticipating and guiding customers to the right services to address their evolving needs.

Why it matters

Primarily, behavioral banking aims to strengthen customer relationships by delivering personalized products and services that evolve with the customer's needs. This improves customer satisfaction and loyalty, ultimately resulting in greater customer retention and enhanced lifetime customer value.

Succeeding through execution excellence

The best strategy can only be effective when coupled with excellent execution. Additionally, nimble organizations that can execute on evolving priorities have the potential to adapt more readily to emerging trends. This need is even more critical in the fast-paced world of payments. Having access to the right resources with expertise can help drive execution excellence for priorities like campaign execution, operational enhancements, and technical implementation.

Why it matters

As execution project backlogs increase, it is important for payments providers to tap into available resources to advance their strategic objectives. Accessing experienced resources from solutions like VCA's Managed Services team can provide execution excellence, while enabling clients to focus on a broader set of strategic priorities.

For an in-depth discussion with VCA on how the priorities outlined above could affect your portfolio, please contact your Visa account executive, email VCA@Visa.com or visit us at Visa.com/VCA.

About Visa Consulting & Analytics

We are a global team of 1000+ payments consultants, data scientists, and economists across six continents. The combination of our deep payments consulting expertise, our economic intelligence, and our breadth of data allows us to identify actionable insights and recommendations designed to drive better business decisions.

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