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Technology, human behaviour, and the shape of payments

There's a whole book to be written about how far **our behaviour influences our technology,** or to what extent it's the other way around. Whichever one is leading, there's no dispute that the two are hand-in-hand. Nowhere is that as true as it is in payments.

This is a guide to how **payment technology is changing,** how it might change our habits, and how human behaviour might change payments.

CONTENTS

Buy Now, Pay Later

A product that spreads the cost of a purchase or delays payment

- ✓ Almost **60%** of consumers say they prefer BNPL to credit cards

- ✓ Generally the payment is handled by a third party like Klarna, Clearpay, or Afterpay. However, traditional payment providers and retailers themselves are offering BNPL, like MasterCard and Marks & Spencer

- ✓ The method is also extending beyond retail, to sectors like **travel and hospitality**

- ✓ The **BNPL market** was worth US$125 billion in 2021, and it's expected to see a CAGR of 43.8%, taking its value to over **US$3.2 trillion by 2030**

The popularity of BNPL is undeniable, but it's not without controversy. **59% of BNPL users admit to making an 'unnecessary' purchase that they couldn't have otherwise afforded.** BNPL doesn't involve a credit check, but users pay interest if they fail to pay in the agreed timeframe. Detractors claim that this is irresponsible.

Subscription

Recurring payment for goods or services

- **60%** of adults in the UK have an Amazon Prime subscription

- In the US, **74%** of 18-34 year olds don't have a traditional TV subscription

- The global vehicle subscription market was worth US$4.1 billion in 2020. **It's projected to hit over US$30 billion by 2030**

- The global subscription market will be worth **US$1.5 trillion by 2025**

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In some cases, consumer goods and services are swapping places. Ad hoc purchases (e.g. music, cars, bicycles) are increasingly accessed through monthly subscriptions. Services that once locked consumers into contracts with monthly payments (**e.g. mobile phone service**) are being **replaced by flexible packages.**
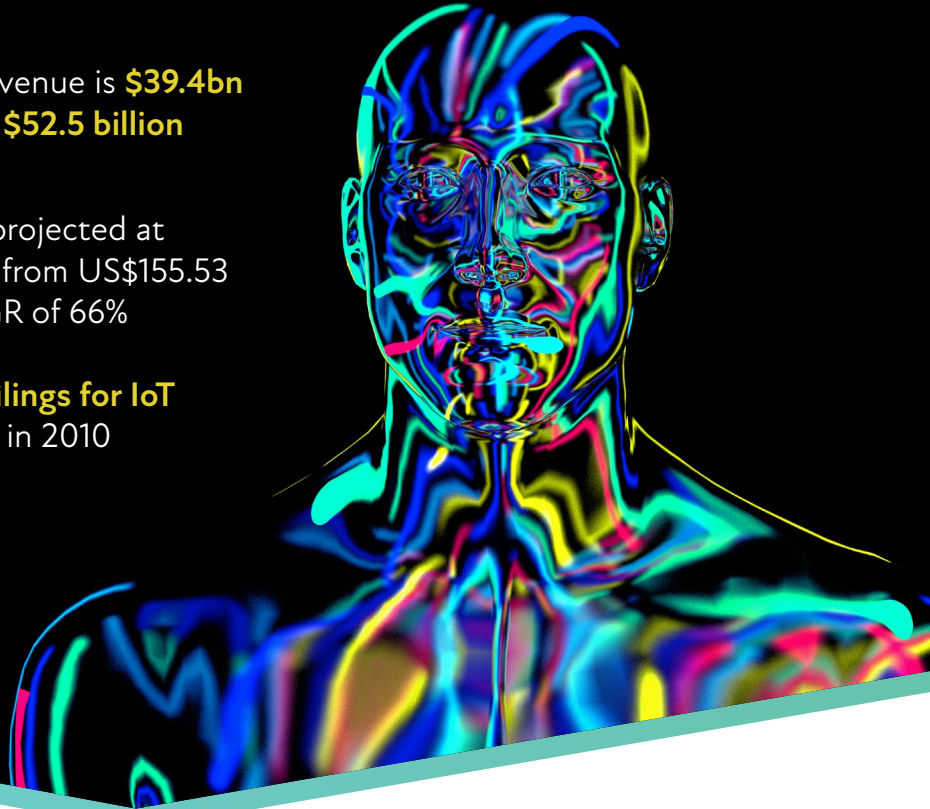
60% of subscription customers admit to 'gaming' the system, for example by using multiple emails to access multiple free trials. Businesses need to decide whether there's more value in preventing that, or turning a blind eye to it.

IoT payment

An automated payment, triggered by real-time data, supported by the Internet of Things

- In 2022, IoT payment terminal revenue is **$39.4bn** worldwide. In 2030, it should be **$52.5 billion**

- The **market** for IoT payments is projected at US$5.4 trillion by 2028, growing from US$155.53 billion in 2021, with a global CAGR of 66%

- In 2020 there were **776 patent filings for IoT** payment technology, up from 52 in 2010

Vehicles paying road tolls, fridges placing orders when they detect low milk levels, and shops without tills or checkouts; **IoT payments are the logical extension of subscriptions, where payment is triggered by real-world conditions instead of the passing of time.**

For security, the 'surface area' for attack is growing exponentially.

There is a lot of novelty about IoT payments, and it could be met with scepticism or enthusiasm – how businesses present and handle it could decide which it is.

AI

Machine simulation of thought processes

- From now to 2027, the payment AI market is expected to see a **25.3% CAGR**

- Businesses lose **3%** of their revenue every year to declined but legitimate transactions. AI could reduce that drastically

- AI will speed up payment and card processing, with fewer errors as well

It's safe to say that AI is causing a feedback loop in customer expectations. In the digital age, people are used to things getting faster, better and more reliable, and as AI continues the deliver that, it will keep inflating those expectations.

AI will take many humans out of the payment experience, as it becomes more human itself.

Sophisticated chatbots are set to take a central role in customer service, **and even integrate the transaction and payment into the 'conversation'.**

Harnessing Human Habits

Success in payments can be found through three broad principles:

- ✓ Keeping up with customer expectations, or even better, setting new expectations

- ✓ Keeping customers safe, and helping them feel that way

- ✓ Knowing which waves you should ride, which ones you should allow to pass, and which ones you yourself will need to make

The key to all of those is the same: people. People with technical know-how, commercial experience, and creative minds. Naturally, every business wants those people, so finding and securing them is a difficult and possibly painful process. **That's where you need expert help.**

RPI brings an unrivalled payments heritage to the search for your next hires, and our pool of candidates is second to none. **Get in touch today to start transforming your business.**

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