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Alternative payment solutions: how they are changing the payment scene

AXERVE WHITEPAPER · PREVIEW

#Preview

This is a preview of the full whitepaper on Alternative Payments that will be available on our website in the beginning of April. Here you can find insights and interesting facts about the different types of alternatives. The full version whitepaper will come with in-depth market observations on alternative payment solutions around the world and exclusive data on Axerve's client pool.

If you already receive our weekly newsletter you will soon receive the full whitepaper for free; otherwise you can subscribe to our newsletter here to keep up to date with news on the world of payments.
Let's now dive into it!

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Introduction

In a time where digital payments are on the rise both in the Ecommerce and brick-and-mortar landscape and projected to reach more than $15.000 billion by 2027, with a CAGR of 16.3% over the period 2017-2027[1], it comes as no surprise that new payment solutions are quickly developing both at an international and local level. When we look at the evolution of payments, new methods have developed and changed quickly in the past 30 years, starting from the late 1990s with more traditional solutions like bank transfers, pay on delivery and credit cards, all the way to the more recent methods in the form of digital wallets, Buy Now Pay Later (BNPL), innovative Account-to-Account (A2A) solutions and the onset of cryptocurrencies. New necessities and the advancement of a modern and faster world have brought to the development of alternative solutions to the traditional methods of credit/debit cards, cash and checks, which we can refer to as "**alternative payments**".

In this whitepaper we dive into all the different types of alternative payments, their history and discuss what needs they fulfil across the world. By taking a close look at the market penetration of varied methods across geographies and product sectors, we analyse the uprising trend of new alternatives to traditional payments across the different countries in the world. In fact, only taking into consideration digital wallets, worldwide volumes are expected to reach 53% of the transaction total for Ecommerce and 39% for Point of Sale in 2025[2].

We see that the growing adoption of alternative payments is also supported by Axerve's observational data, throughout all market sectors, from *Fashion* to *Food&Beverage*. Firstly, across Axerve's client pool that adopted alternative payments in their business, PayPal figures as the solution with the largest volumes across industries and geographies: 59% of the alternative payments' total. Moreover, when taking into consideration the *Fashion* sector, one of the most dynamic as it records the highest number of alternative payment integrations according to Axerve's observations, retailers who have integrated Klarna, have achieved peaks of transaction volume of over 54% with this method.

We can find many types of alternative methods on the market around the world, with specific differences in functions, popularity and usage according to the geographic region. In fact, on top of the international solutions that are common in different countries and even continents, there are many local alternatives that are in some cases extremely popular in specific areas, like iDEAL in the Netherlands.

Therefore, in this ever-evolving ecosystem, easy payment integrations become extremely important in order to be competitive and decrease time-to-market for businesses. Relying on payment infrastructures that allow flexibility of integration and optimised **payment orchestration** can be a strong asset for companies. Let's now dive deeper into the world of alternative payments and what they can do for your business.

1 - FinTech - In-depth Market Insights & Data Analysis | Statista, 2022
2 - Fintech Trends 2022 | Statista, 2022

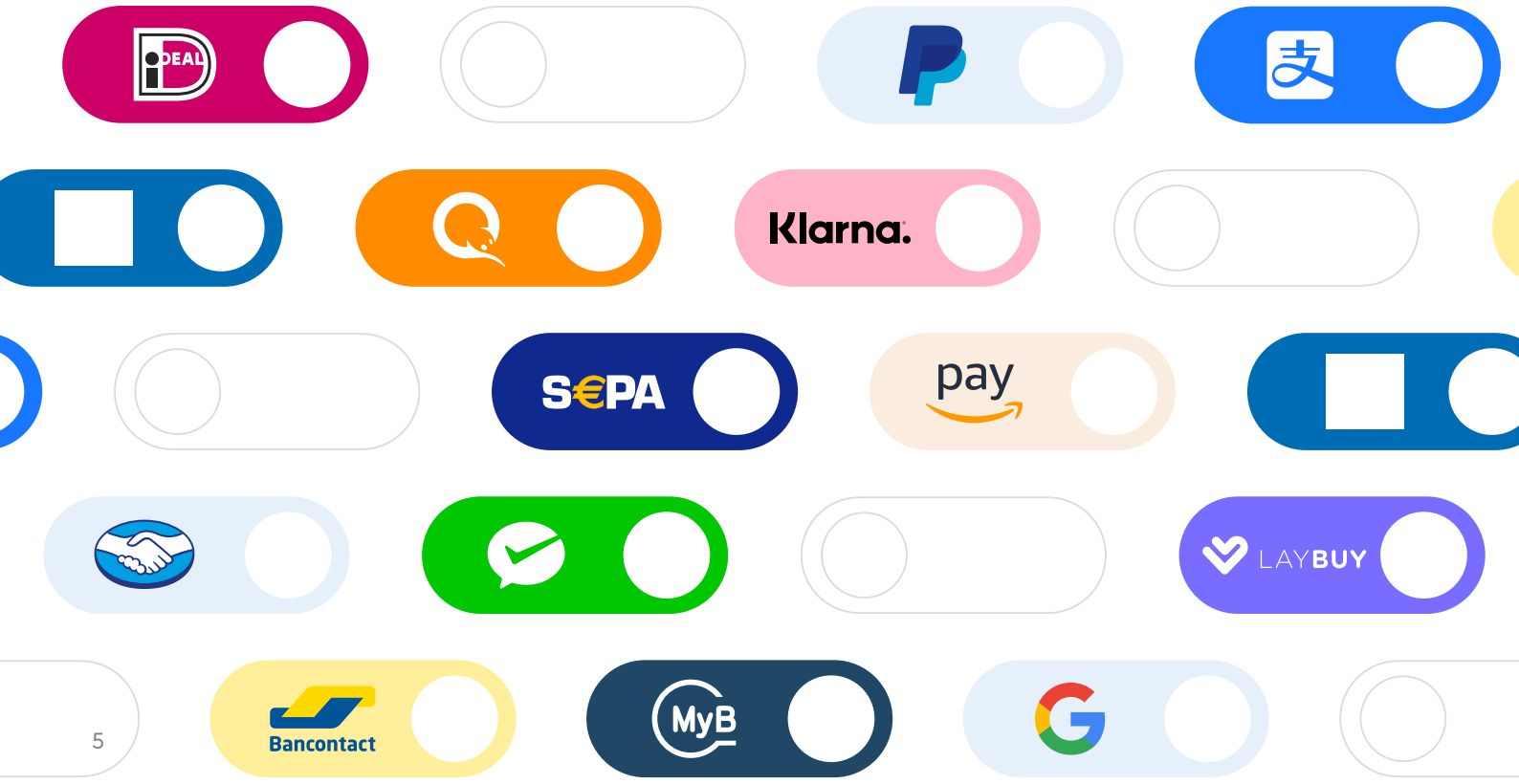
Alternative payments: what, when and why

When we look at the world of **alternative payments**, we refer to **everything that falls out of the traditional payment methods** that have been used both for online and in-store purchases, specifically all the payment solutions alternative to the main credit/debit card networks, cash and checks. However, these alternative solutions are now becoming so common that in some countries and regions they are more popular than traditional ones. Under the umbrella fall different types of payments that can be mainly grouped under digital wallets, Buy Now Pay Later solutions (BNPL), innovative Account-to-Account (A2A) payments and – even though still at an early stage - cryptocurrencies.

The rise of alternative payment methods is only the latest stage in a very ancient history, which started with barter and the first coins and evolved over the centuries to the first credit cards and then digital payments.

When

It all began in the **mid-1990s**, when the Internet became to all intents and purposes a space of mass communication and companies started to be attracted to its enormous potential for selling products and services. Which brings us to the **first online payment**, carried out in 1994 on the Pizza Hut online shop: this marked the transition from 'showcase' websites to actual Ecommerce through which making real purchases, also thanks to the rise of the first payment gateways. However, payments were still finalised by conventional methods: bank transfer, cash on delivery (also, collect on delivery) or the first MOTO systems, right up to credit cards.



Why

But these kinds of payments were not intended for the online space: traditional methods worked wonderfully for point-of-sale purchases and were then adapted to the new electronic commerce. The specific **limitations** that merchants encountered can be summarised as follows:

- Ecommerce was expanding rapidly across the world, but most of these **payment methods could not cover all geographic areas**, preventing businesses from growing internationally.
- Traditional payments often did not meet the buyer's needs, with a **negative** effect on **customer experience**, which is key for reaching and building loyalty among customers.
- The **checkout** process was often **slow and complicated**, conflicting with fast and frictionless types of technological experience that were then arising.
- A generalised **lack of confidence** towards buying on websites, enhanced by the fact that traditional payments had not been designed for online purchasing and its fraud risks.

And then came the solution: *alternative payment methods*.

In fact, alternative solutions have evolved in different areas of the world to answer to specific needs of buyers and to simplify the collection and money-exchanging processes. What we see is many local methods that have been developed around the globe and a number of international solutions that are common across the globe. From the **first digital solution** as the well-known **wallet PayPal**, developed in 1998, to enable people to make payments via email address, to BNPL payments and cryptocurrencies, the digital world has been evolving at an exponentially quick rate. Therefore, the payments scenario has been adapting to respond to ever demanding and new needs when it comes to the customer's buying experience. Both in terms of in-store and online payments, the **new solutions to finalise a transaction are now more than ever**.

It is up to the merchant what methods to provide their customers and that's why knowing your target and their preferences in terms of payment solutions is an important prerequisite to being competitive in the modern market.

New solutions for new needs

As we mentioned, alternative payment solutions answer to a number of specific needs of the modern market both regarding user experience and checkout process. Let's look at some of the main use-cases:

B2C PAYMENTS IN THE WORLD OF RETAIL

Checkout processes in the world of retail need to be quick and simple both when it comes to in-store and Ecommerce transactions, in order to **increase sales, improve the customer experience and** reduce abandoned carts. That's when wallets and other alternative platforms come to play. Customers in stores can pay for items with a simple click on their smartphone or by tapping their device on the POS terminal; while when it comes to Ecommerce checkouts, transactions can be easily finalised without the need to manually enter card details every time. Moreover, when it comes to larger sums, deferred payment solutions like Buy Now Pay Later can be the answer to customers that prefer to have more flexibility instead of paying in one go.

B2B TRANSACTIONS

When it comes to **transactions between businesses**, simplicity, automation and ease of integration with other systems play a big role. Today new solutions are available that leverage the opportunities offered by more traditional A2A payment methods (eg. bank transfers) and offer a more advanced user experience. In this case the alternative methods to bank transfers or checks allow merchants to **save time and reduce manual errors** with a streamlined process to make traced transfers while, sometimes, even saving money on fees. In fact, thanks to the introduction of PSD2 regulations, and specifically with the introduction of new entities such as AISP and PISP, new ways to make payments have evolved via open banking.

Now that we have looked at what alternative payments mean and what needs they respond to, let's dive deep into the different types we can find and how they fit into the worldwide market.

MONEY TRANSFER BETWEEN CONSUMERS

Thanks to Peer-To-Peer payments (P2P), people can now **transfer funds from a digital wallet or account to the one of someone else** instantly and usually without any fees. This category includes e-wallets and new A2A solutions, that simplify money exchange between people and can be considered a forward step towards a "more" cashless society.

Types of alternative payment methods

There are various kinds of alternative payment methods available on the market, with varying levels of popularity and usage around the world. In this chapter, we'll explore each category of alternative payment methods - digital wallets, account-to-account transfers, Buy Now Pay Later options, and cryptocurrencies - by providing specific examples and highlighting their advantages that make them appealing to merchants and consumers. Let's start with the first category.

Interesting fact: for a while, contactless cards that are accepted today by most merchants all around the world, were considered as one of the first alternative payments since the late 90s and the early 00s when they were introduced. However, they became widely used in the mid-10s and are a traditional payment method offered by merchants operating in many industries.

Wallets

A wallet payment method refers to a way of making payments using a **digital wallet (e-wallet)**, which is a virtual version of a physical wallet. It safely stores payment information, such as credit or debit card details, allowing users to make payments without the need to physically present a card or cash. There are different wallet payment methods available, including:

- **Mobile wallet**
  A mobile wallet is a digital wallet that is stored on a **mobile device**, such as a smartphone or tablet. Users can add their credit or debit card information to the wallet and make payments by holding their phone near a point-of-sale terminal or by scanning a QR code. Examples of mobile wallets include Apple Pay, Google Pay, Samsung Pay etc.
- **Online wallet**
  An online wallet is a digital wallet that is stored on a website or app. After adding their info to the wallet, users can make payments by logging into the website or app and entering the required information. Examples: PayPal, Amazon Pay, Alipay etc.

There are also other types of wallets that aren't officially considered payment methods by some countries and not accepted as widely by the merchants, such as cryptocurrency wallets. A cryptocurrency wallet is a digital wallet that stores digital currencies such as Bitcoin, Ethereum, Litecoin and others depending on the wallet. Users can make payments by transferring the digital currency from their wallet to the merchant's wallet. Cryptocurrency wallets can be stored on a mobile device, on a computer or in the cloud. We will explore crypto as one of the payment methods shortly.

In summary, wallet payment methods provide a **convenient and secure way** to make payments, they are **easy to use for customers and to integrate for merchants**, and they can be used in a variety of different situations, whether **in-store** or **online**. They are also beneficial for companies, since the biggest wallets can attract new customers due to their global reach. Integrating **e-wallets** or other APMs, merchants benefit from **transparent fee conditions**, without hidden costs and more often than not **free chargeback options** are guaranteed.

While **customers** can choose their **preferred payment**, based on the language, geography etc., benefit from **faster speed** and better **accessibility**, ease of **use** and no additional costs.

Digital wallets examples

There are many digital wallets available on the market, each with their own unique features and differences. Some examples with the widest reach include:

- **Alipay**: digital wallet that dominates the Chinese market where it was developed by Ant Group, with its 92% user share among online payment services in China[3]. The service is available only for Chinese citizens and residents and millions of merchants already integrated it in their payment systems. The payment is made via scanning a **QR code** in-store, as well as within apps and on websites. The wallet is connected to other services such as **investments**, **insurance**, and **loans**. It supports a variety of payment options including bank transfers, credit and debit cards, and digital currencies.

- **Amazon Pay**: developed by Amazon and is an essential part of the **Amazon in-app shopping experience**. It allows customers to make payments using their Amazon account on the websites that have it enabled, no store needs to be created on Amazon for this. Customers can link their credit or debit cards to their Amazon Pay account via which user make payments, also via bank transfers and with gift cards.

- **Apple Pay**: a digital wallet that is available only on Apple ecosystem (iPhones, Apple Watches, and others), it allows users to link their cards to their account and to make payments by holding their device near an NFC-enabled **point-of-sale terminal**. Apple Pay also allows users to make payments within **apps** and on **websites**. One of its features is that it uses the **Touch ID** or **Face ID** for authentication.

- **Click-to-Pay**: digital card wallet launched and provided jointly by the card companies (schemes) Visa, Mastercard, AmEx & Co. It is designed as a one-click express checkout experience, instead of manually entering payment info. The wallet uses automatic recognition of the device and payment can be done with a **card** or a **bank transfer**. To use the wallet a consumer needs only a card, username, and password to purchase **online**.

- **Google Pay**: available on Android devices and on the web. Like Apple Pay, it allows users to make payments with their linked payment cards by holding their device near a **point-of-sale terminal** or also by scanning a **QR code**. Google Pay allows for payments within **apps** and on **websites**, as well as **loyalty and gift cards**. It uses the **fingerprint** or **pin** for authentication.

- **PayPal**: an online wallet that allows users to make payments by **logging into the website or app** and entering the credentials. It also allows users to **store** their credit or debit card information for future use. PayPal is one of the most popular and widely accepted digital wallet and is available in many countries. It allows customers to transfer money to merchants and other individuals (P2P payments) securely, in addition to many other features, such as A2A transfers.

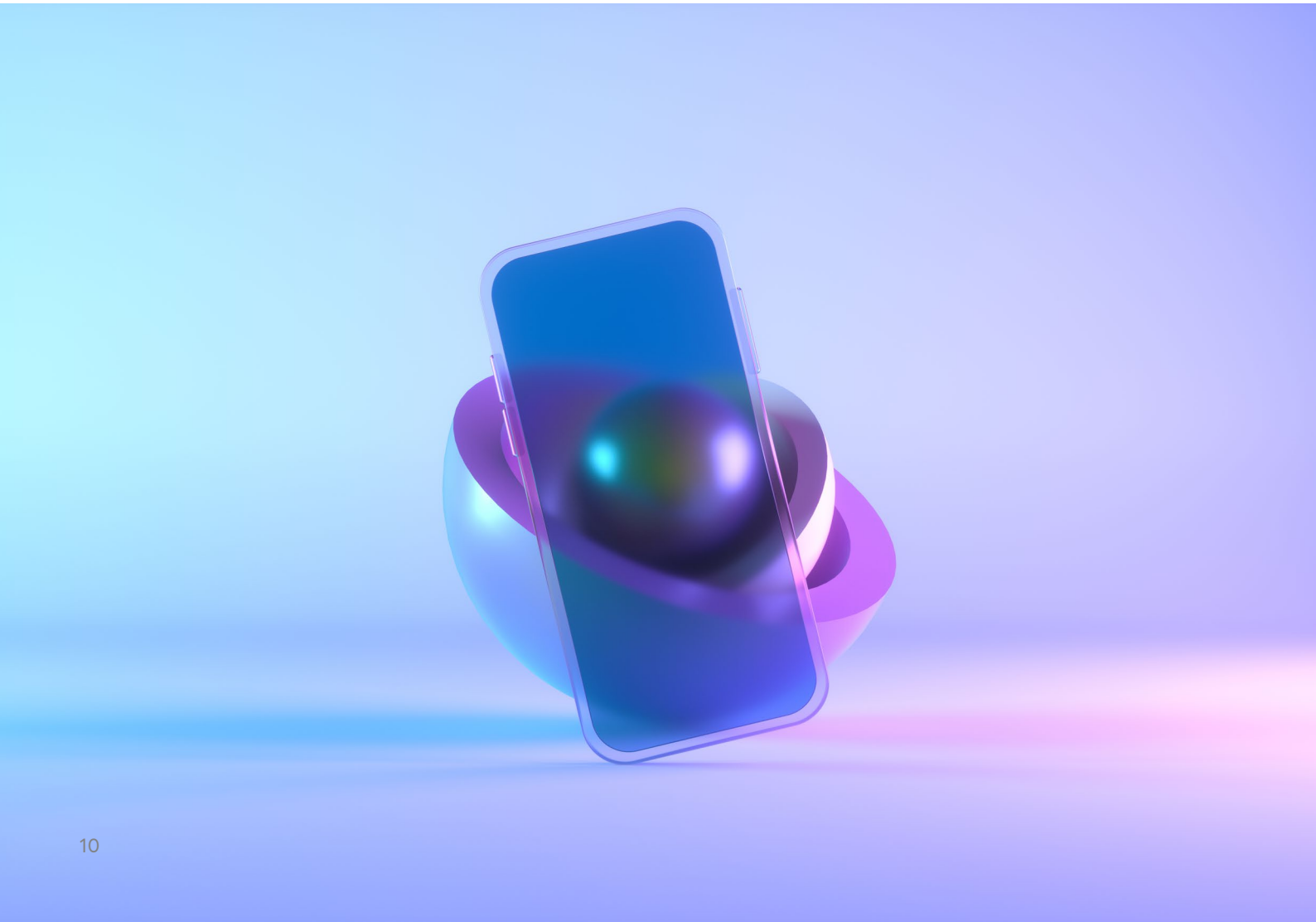
3 - Global Consumer Survey | Statista, November 2022

- **Samsung Pay**: a digital wallet that allows customers to make payments using their **Samsung devices**, such as smartphones, smartwatches, and others, as well as the browser. Customers can **link their credit or debit cards to their Samsung Pay** account and make payments by holding their device near a contactless reader.

- **WeChat Pay**: a digital wallet accessed via a **WeChat account** that is part of the whole **ecosystem** that provides users with text messaging, broadcasting, gaming and many more, besides **payment services**. Customers (prevalently from China and Chinese residents) can link their credit or debit cards to their WeChat Pay account and make payments by logging in and confirming the purchase, payments can also be made via scanning a **QR code**. WeChat Pay has an **84% user share** among online payment services in China, close behind Alipay[3].

As we mentioned above, **bitcoin and crypto wallets** can be considered digital wallets that store Bitcoin and other cryptocurrencies. They allow users to make payments by transferring the digital currency from their wallet to the merchant's wallet. Crypto wallets can be stored on a **mobile device**, on **a computer** or **in the cloud**. Bitcoin wallets are **decentralized**, and in this sense, they offer more privacy and security compared to other digital wallets.

These are just a few examples of popular digital wallets on the market. Each wallet has different features, security measures, and acceptance rate, so it's important to research and compare different options before deciding which one to use for your Ecommerce. However, there are many advantages they have in common.



Digital wallet advantages

1. **Increased customer convenience**: Digital wallets allow customers to pay quickly and easily using their personal devices, while friction is reduced, and conversions are increased during the checkout process. There is also no need to enter payment and shipping information for each transaction since the necessary data is pre-saved.
2. **Enhanced security**: Digital wallets typically use tokenization, encryption and other security measures to protect sensitive payment information, reducing the fraud risk and chargebacks for merchants.
3. **Better customer data**: Digital wallets can store **customer information** such as name, address, and purchase history, which can be used by merchants to personalize the customer experience, upsell and cross-sell products.
4. **Streamlined checkout process**: Digital wallets can pre-populate customer information at checkout, reducing the time and effort required to complete a purchase, making it frictionless and easier for customers to complete transactions.
5. **Reduced costs**: Digital wallets can reduce the costs associated with processing traditional forms of payment, such as credit cards or bank transfers.
6. **Increased customer loyalty**: Digital wallets can be integrated with loyalty programs, which can increase customer loyalty and repeat business for merchants.
7. **Increased sales**: With the convenience of the click-to-pay solutions, digital wallets can increase sales, and make it easier for customers to make repeat purchases. E-wallets lead to higher **conversion rates**, as customers are more likely to complete transactions when the checkout process is quick and seamless.
8. **Increased brand recognition**: Integrating popular digital wallets can help merchants increase their brand recognition and customer loyalty, as customers are more likely to return to merchants that offer their preferred payment methods, which are also fast and secure.

It is important to note that each digital wallet may have different benefits for merchants and that the specific benefits of integrating these wallets may depend on factors such as a merchant's target market and business model.

A2A payments

A2A (Account-to-Account) transfers are a type of a digital payment method in which funds are transferred directly from one **account** to another, without the need for a card. Alternative payment methods have joined the A2A family as of late. A2A's purposes can vary from paying bills to sending money to friends and family and making online purchases. Examples of what can be considered A2A payments, besides bank transfers within mobile banking apps, are the following:

- **Direct debit** (typically recurring transfers from one bank account to another)
- **P2P** (peer-to-peer) payment apps, such as Venmo and Zelle
- Some **digital wallets**, such as PayPal, Google Pay and Apple Pay

Even though, **cryptocurrencies** are not officially considered a payment method by all countries, they still can be used to transfer funds. Therefore, cryptos, such as Bitcoin, Ether, Litecoin and others, can also be considered A2A payments, as they allow for direct transfers from one digital wallet (e.g. Ethereum, Bitcoin wallets) to another within the blockchain, without the need for a traditional financial institution.

A2A platforms examples

- **iDEAL**: A popular online payment method in the **Netherlands** and is supported by many international web-based merchants, it enables customers to make **secure** and **real-time payments** directly from their online banking account. It is based on A2A (Account to Account) transactions and allows

customers to use the same **login credentials** and **security measures** they use to access their bank account online. iDEAL is supported by most Dutch banks and widely accepted by merchants in the Netherlands and can be used by customers to make payments to merchants, the payment process is simple and user-friendly, as the customer is redirected from the merchant's website to their own bank's website to complete the payment.

- **MyBank**: MyBank is an A2A payment method that enables customers to initiate online payments directly from their online banking account. MyBank is a pan-European **e-authorization solution** for online payments, allowing consumers to purchase online using the same **secure methods** as when they pay their bills via their bank's website. Instead of entering credit card details, the customer is directed to their bank's website where they can log in and confirm the payment. This eliminates the need for the merchant to handle sensitive financial information and intermediaries, **reducing the risk of fraud and chargebacks**. It also allows for faster and more efficient payments, as the customer's bank can authenticate the transaction in real time.

- **PayPal**: Although widely known and used as a wallet, PayPal is much more than that, specifically an online payment platform that also enables an A2A (Account to Account) alternative payment method. It lets customers make various types of online payments (as well as cross-border) using their PayPal account, including transferring money to **merchants** and other **individuals** securely. Customers can link their bank account, credit or debit cards to their PayPal account and make payments without having to enter their financial information every time. PayPal also offers a variety of services such as **purchase protection**, **dispute resolution**, and **fraud protection** to make the payment process safer. That's why PayPal can be considered a digital wallet and an A2A payment system at the same.

- **SEPA Direct Debit**: Even though A2A with Single Euro Payments Area (SEPA) Direct Debit (SDD) is a payment method in itself, rather than a solution/platform offered by a provider, as the ones listed above and below, it should still be included in the list, since there are different forms of SDD, such as **SDD for consumers** and **SDD B2B**, with and without mandates. Moreover, there are platforms that offer this type of service, such as **Slimpay**, which is the company that Fabrick relies on to offer the service. The definition of the SDD is a delayed notification payment method that enables merchants to collect payments from customers' bank accounts on a **recurring** or **one-time basis**, which is why it is often used for bill payments. It is based on the SEPA scheme, which standardizes the process of direct debit transactions within the EU. Collections occur **without the need for** credit card details, and the mandate can be also signed **digitally**. The customer must authorize the merchant to collect the payment and the funds are transferred directly from the customer's account to the merchant's account. SDD is considered a **secure** and **efficient** payment method as it reduces the **risk of fraud** and provides **real-time tracking** and **reporting** of payments. It also complies with the **SEPA regulations**, so it can be used across the EU.

- **Sofort by Klarna**: Klarna, well known for its BNPL and other online payment solutions, acquired **Sofort GmbH** in 2014 and integrated it into their suite of payment solutions, among which an A2A solution – Sofort Direct Banking. Today **Sofort by Klarna** (or Klarna Pay Now with online banking) is an Account-to-Account payment solution that allows customers to make direct **instant bank transfers** from their bank accounts to merchants. Customers can complete their purchases without the need for a card. A **secure online banking system** is used to facilitate the transfers, which makes it a fast and convenient payment method for customers. There is also a solution Klarna Pay Now with the credit card that allows for a card payment instead of a bank transfer.

Also, in the late 2021, Klarna activated in the USA another A2A alternative payment method in partnership with **GoCardless**. Now in some regions for **Pay in 4** and **Klarna financing solutions**, customers can pay directly using their bank account without a card or another intermediary, which reduces additional costs, such as credit card interests.

Some A2A solutions take advantage of the opportunities offered by PSD2 and, the introduction of PISP (Payment Initiation Service Provider, a third-party provider allowed by the PSD2 regulation to initiate payments on behalf of a user). However, the user must give their authorization first, an example of this service would be Fabrick Pass.

Fabrick Pass
A2A alternative payment method using Fabrick Pass is a cross-border payments solution. The platform enables fast and secure payments across different countries and currencies by leveraging the latest technology and compliance regulations. The platform connects different payment systems and financial institutions to **facilitate** A2A transactions and **reduce costs** and complexity of cross-border payments. It also provides **real-time tracking** and **reporting**, **fraud detection**, and **compliance** with AML (anti-money laundering) and KYC (know-your-customer) regulations.

A2A payment benefits

- **Increased security**: A2A payments use bank-grade security measures, such as encryption and two-factor authentication, to protect sensitive information, reducing the risk of fraud and chargebacks for merchants.
- **Reduced costs**: A2A payments can reduce the costs associated with processing traditional forms of payment, such as credit cards and other alternative payment methods.
- **High limits**: The limits for individual payments are often higher compared to other instruments, making it a useful feature for B2B transactions
- **Fund transfers guarantee**: Many A2A platforms anticipate the transaction to the merchant, even if the customer's account does not have sufficient funds at the moment of the transfer.
- **Improved customer experience**: customers are provided with a more convenient and streamlined checkout experience, as they do not need to enter payment information manually or deal with the complexities of other payment methods.
- **Increased reach**: merchant's business becomes accessible to customers who may not have access to credit cards or digital wallets.
- **Better data insights**: A2A payments can provide merchants with more detailed transaction data, such as account information, which serves to improve the customer experience and increase conversions.
- **Better cash management**: merchants can manage better their cash flow by providing real-time access to funds.
- **Compliance**: A2A payments, though alternative, can already be a compliance requirement for certain types of transactions, like for some B2B payments, making it a must-have for certain merchants.

Buy Now Pay Later

BNPL stands for "Buy Now Pay Later" and is a type of a delayed financing option that allows consumers to purchase goods or services and pay for them **later and/or in installments**, rather than paying for them upfront. This type of financing is often offered by retailers and can be used for a variety of products, including **clothing**, **electronics**, and **home goods** and many more. It is gaining its popularity due to almost always **no-interest** solutions, which makes the purchase even simpler, more attractive and affordable for consumers who may not have the funds to pay for them all at once.

> *Important note:* In February 2023 the Financial Conduct Authority in the UK has planned to set out new regulations regarding Buy Now Pay Later services, due to the lack of strong affordability checks. Among the new rules there will potentially be **mandatory credit checks**, **operators licensing** and **fair marketing requisites**.

BNPL solutions

There are many Buy Now Pay Later solutions available for merchants, some larger examples include:

- **Afterpay** (**Clearpay** in Europe): best known globally as a BNPL provider that allows customers to make interest-based payments in either **monthly instalments** in 6 or 12 months or in **4 tranches**. **Only soft credit check** is required but there is a late fee that accumulates over time and is to be taken into consideration.

- **Klarna**: as we mentioned earlier, Klarna, which is widely used all over Europe, offers many payment solutions, but one of their most known roles for the merchants is a BNPL provider. Among which pay later (**Pay in 30 days**), pay over time (**Monthly financing**), and slice it (**Pay**

in 4 or in 3 - number of installments depends on the region). Klarna allows customers to make payments in instalments and interest-free.

- **Laybuy**: this BNPL solution born in New Zealand, is similar to Afterpay, but it allows customers to pay **in 6 weekly instalments**, with the first payment due at the time of purchase. There are no fees or interests charged for using its BNPL, but as many other BNPL providers, Laybuy applies a late fee. A soft **credit check** is performed for transactions' risk assessment, is the check is failed, the purchase will be denied. Laybuy sets a maximum **purchase amount** based on the credit check results.

- **Scalapay**: Scalapay's BNPL solution, which is often chosen by businesses in Europe, enables consumers to **purchase items online** and pay for them in **interest-free installments** over time and can be chosen at checkout. Consumers can split their payments **into three equal installments**, with the first payment due at the time of purchase and the remaining payments due in **30-day intervals**. No credit check, fees or interest charges are applied. However, if a consumer misses a payment, they may be charged a late fee of up to €10. Scalapay uses an algorithm to assess the risk of each transaction and approve or deny the purchase accordingly.

- **Sezzle**: Sezzle is a BNPL provider operating mostly in the North America. It allows customers to make purchases and pay in **4 equal instalments**, where the first is a down payment of 25% due at the time of purchase, the rest is paid in 3 more biweekly installments. This solution doesn't require interests either, but the risk assessment is performed, as well as the late fees are applied, which if not paid, gets reported to the collections agency.

BNPL benefits for merchants and customers

For a merchant, there are a couple features to keep in mind when offering Buy Now Pay Later options to the customers. BNPL providers **charge fees** to merchants (transaction fees, interests etc). Also, it is important to remember that there are **regulations** to comply with in some countries to avoid legal issues and fines. However, there are many reasons for merchants, as well as for the customers in favor of adapting BNPL solutions because they can:

- **Increase sales and customer loyalty**, which is in part caused by the fact that it is **easier** for customers to afford larger purchases, and in part by the loyalty programs that BNPL providers invest in.
- **Bring higher returns**, since the cart value increases, because customers can afford more expensive products if the price is split in time. This, at the same time, **lowers return rates**. In turn, for customers this translates into more **convenience** and **flexibility**.
- Benefit merchants in having more **competitive advantage**, by offering additional payment solutions, which therefore, **reduces payment friction** for the buyers during the checkout process and reduces cart abandonment rate for merchants.

It is important to weigh the pros and cons of offering BNPL options and to select a provider that aligns with your business goals and business model, while ensuring compliance with the regulations in your area.

Cryptocurrencies

Cryptocurrency is a digital or **virtual currency** that uses cryptography for security. It is **decentralized** and operates on blockchain technology, crypto is stored in online crypto wallets, such as Coinbase, Ledger, Exodus, Electrum and ZenGo, just to name a few.

> *Interesting fact*: Apple Pay is one of the wallets that can be used to recharge funds of the crypto wallet on ZenGo, which is an example of fusion of two alternative payment methods. PayPal also introduced crypto as a payment option and allows to hold, sell, and buy cryptocurrency within their app.

Crypto was made available to the public in 2009, but have garnered widespread attention and excitement, emerging as a popular topic of discussion and speculation in 2017, when an overwhelming amount of people started buying and trying to sell for profit or store crypto coins, among the most popular ones are Bitcoin and Ether. **Cryptocurrency** is sometimes referred to as the "future of payments" since it already can be used as an alternative payment method for merchants and its decentralized nature eliminates the need for intermediaries, even though, as we mentioned earlier, it is still not considered a payment method by many countries, but it carries big potential, as it offers several benefits (as well as risks) over traditional payment methods.

Among more evident benefits are **security** and **decentralization**. Cryptocurrency transactions are secured by **advanced encryption techniques** and other security measures of the blockchain technology to ensure better protection from fraud and hacking, which provides higher level of security in payment processing than traditional payment methods, making crypto a secure way to process payments. Also, cryptocurrency operates on a decentralized network, which means it is not controlled by any central authority, such as a

government, **payment processors** or a **financial institution** and can be used for cross-border transactions anywhere in the world, making it an ideal payment method for businesses with an **international customer base**. These aspects can provide users with greater financial freedom and autonomy.

Among the risks there are **price volatility** and **lack of regulations**. Cryptocurrencies can be subject to extreme price volatility, which can make it difficult for merchants to **set prices** or for consumers to **budget for purchases**. However, it is partially covered with the **stablecoins** introduction. Moreover, cryptocurrencies are not currently regulated in the same way as traditional payment methods, which can create uncertainties and risks for users. Some countries introduced very high fees per transaction for consumers, which pushes them away from using crypto as payments, but rather only for investments or for temporary storing. Cryptocurrencies are not widely accepted by all merchants and may **not be a feasible payment option** for all users.

Some risks are mitigated with the introduction of **stablecoins**. This is a type of cryptocurrency that are designed to maintain a stable value relative to a certain asset or currency (**1:1 conversion**). The most common types of stablecoins are pegged to the value of a fiat currency such as the **US dollar** or the **euro**, but stablecoins can also be pegged to other assets such as **gold** or even **other cryptocurrencies**. Some examples of stablecoins are **Tether** (**USDT**), **USD Coin** (**USDC**), **Dai** and **EURS**.

Overall, while crypto is one of the **strongest** trends **in payments** and can offer benefits such as **greater financial freedom** and **security**, they are not without their challenges and risks. It's important to note that crypto values can be **volatile** and the **regulatory environment** surrounding crypto is still evolving, so it's important to be aware of the risks and comply with all relevant **laws** and **regulations** before implementing crypto as a payment method. And it is important for users to **understand these risks** and to use cryptocurrencies and other digital payment methods responsibly.

#Preview

This is a preview of the full whitepaper on Alternative Payments that will be available on our website in the beginning of April. Here you can find insights and interesting facts about the different types of alternatives. The full version whitepaper will come with in-depth market observations on alternative payment solutions around the world and exclusive data on Axerve's client pool.

If you already receive our weekly newsletter you will soon receive the full whitepaper for free; otherwise you can subscribe to our newsletter here to keep up to date with news on the world of payments.
Let's now dive into it!

Sources

1. FinTech - In-depth Market Insights & Data Analysis | Statista, 2022
2. Fintech Trends 2022 | Statista, 2022
3. Global Consumer Survey | Statista, November 2022

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