PAYMENTS INDUSTRY INTELLIGENCE
Payments Cards & Mobile

Giesecke+Devrient

2024 e-book

Phygital as a service

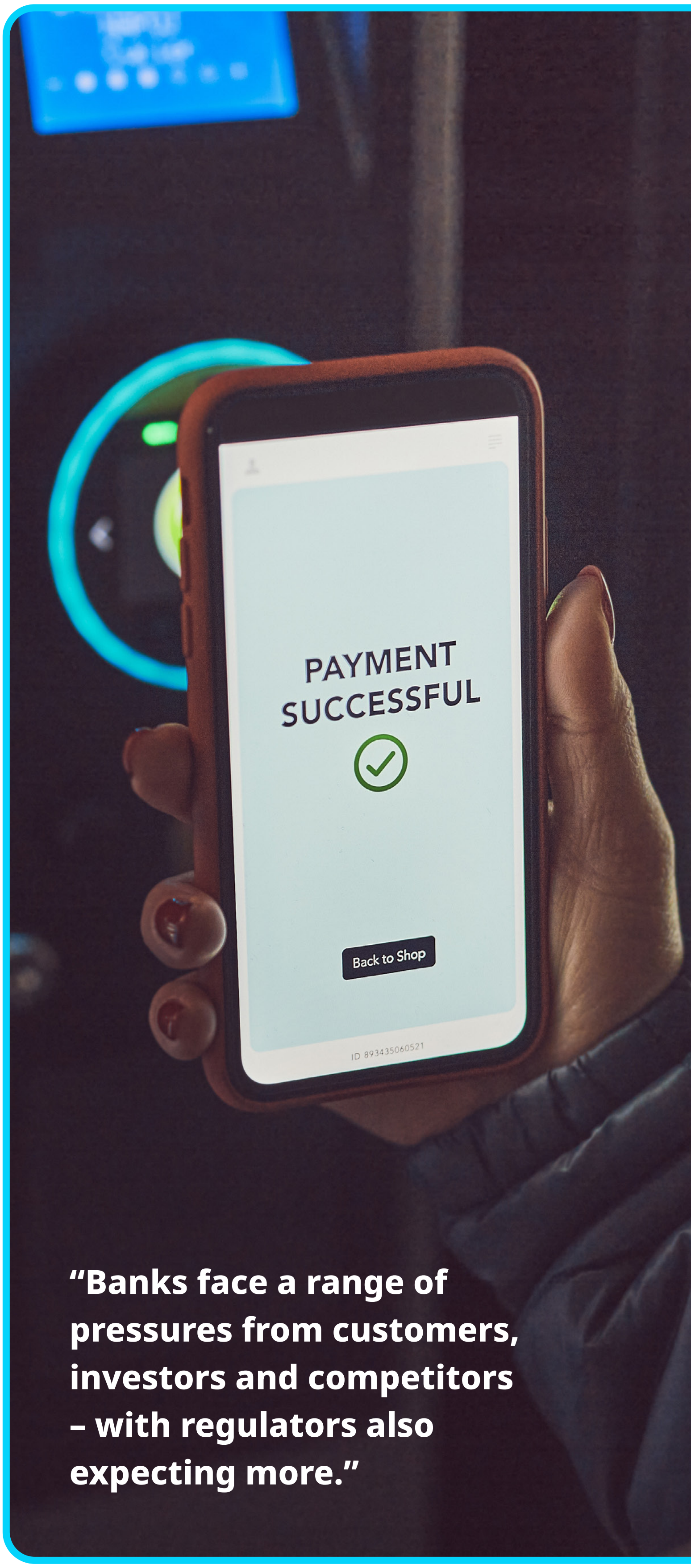
The right service at the right time: phygital as a service

As customers, regulators and investors expect more, "phygital as a service" platforms will help banks deliver the modern, efficient services they need.

Europe's banks and fintechs face a range of competitive pressures. To start with, new kinds of competitor have arisen over the last decade, from digital-only "neobanks" such as Revolut or N26 to non-bank financial institutions such as Klarna delivering specialist services.

At the same time, consumers now expect services that combine the ease and familiarity of physical banking with the speed and convenience of the digital era: in other words, phygital services such as payment cards managed via app, digital onboarding kiosks in shopping centres or the capacity to authenticate e-commerce transactions with biometric factors like facial scanning or thumbprint recognition.

Behind it all, investors who lived through more than a decade of low profitability since the 2007/08 financial crisis are looking for higher rates of return from their banking investments – and they're more demanding when it comes to fintech, too. The days of big pre-revenue funding rounds are gone, replaced by a close focus on revenue, profitability and growth numbers. Finally, regulators concerned at the rapid growth of fraudulent activity in digital channels have introduced more stringent controls when it comes to customer onboarding, identification and authentication.



"Banks face a range of pressures from customers, investors and competitors – with regulators also expecting more."

The goal: rapid delivery of relevant services

To retain customers, grow market share and build relationships, banks and fintechs need to deliver the right service at the right time through the right channel. In this context, slow and cumbersome legacy technologies – on which McKinsey say[1] banks are spending seven euros in ten of their total IT investment – are insufficient. Likewise, fintechs might have an all-digital tech stack, but lack the regulatory knowledge or practical experience of product implementation to deliver what their customers need, when they need it.

A further factor is the complexity of phygital: organizing the delivery of physical cards with digital activation or enabling fraud and AML protections for instant payments are not trivial tasks. If banks and fintechs want to stay competitive over the next ten years, they need to partner with organizations with deep experience of product optimization and delivery in both physical and digital environments.

Phygital as a Service: a platform for success

This e-book sets out a range of scenarios in which banks and fintechs will need to deliver phygital services – from catering to the needs of specific demographics in the digital environment, to delivering premium services to high net worth customers, managing a bank's obligations to deliver sustainable and accessible services, and more.

In all these scenarios, the delivery of relevant, tailored phygital services is simplified via the use of technology platforms. Technology platforms that deliver phygital services on an "as a service" basis enable banks and fintechs to select the services they want – from physical card production to fraud prevention – tailor these services, then integrate them to existing systems via modern, flexible Application Programming Interfaces (APIs).

Using technology platforms to deliver phygital services isn't just faster and more cost-effective: by working with third parties on both the development and creation of their phygital product portfolios, banks and fintechs benefit from their partner's previous experience in (for instance) developing a more accessible card portfolio to meet the requirements of Europe's forthcoming European Accessibility Act, due in 2025, creating premium card products, or optimizing the configuration of an app for the elderly.

Banks can also work with their Phygital as a Service partners to analyze customer interactions with their existing products based on transaction data, identify new product opportunities and get these new products to market rapidly. If the phygital world has defining characteristics, then these are increased competition – and increased opportunity.

The ability to deliver phygital services across the scenarios described in this e-book will enable banks to meet the competitive challenges of the phygital environment, and grasp its opportunities.

1 McKinsey & Co, 8 September 2022: "Winning in Digital Banking" https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/tech-forward/winning-in-digital-banking

As the world goes phygital, the right product at the right time is crucial

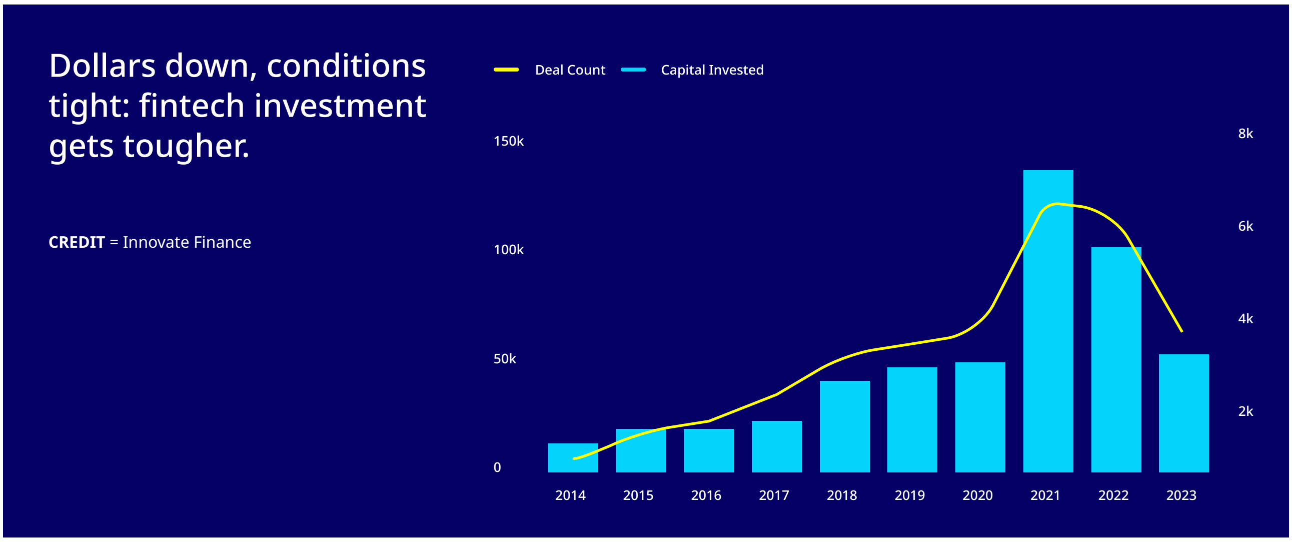
In this article, we examine why getting the right product to market rapidly matters more than ever in a phygital world.

Retail financial services is as tough today as it's ever been - maybe more so. After a ten-year run of declining profits following the Great Financial Crash (GFC) of 2007-2008, banks found themselves facing growing competition from digital-only neobanks and fintechs of all kinds – especially in payments. Then – just as banks seemed to be rebuilding investor value – a once-in-a-century health crisis hit which accelerated trends towards digital commerce, including more emphasis on mobile and internet banking and a shift away from in-branch services.

Fintechs and neobanks haven't had an easy ride, either: the huge wave of investor enthusiasm seen ten years ago has ebbed, and those holding funds are no longer willing to countenance long waits for start-ups to begin generating revenue and profit. In 2023, global investment in fintech companies declined by almost 50% compared to 2022, according to Innovate Finance[2], with analysts predicting slow growth for the next five years.

The phygital product imperative

In many ways, both traditional banks and new entrants face similar challenges, albeit from different angles: investors want to see positive revenue growth and profitability, while consumers are looking for new product types that combine both digital and physical experiences. While instant issuance may have been "table stakes" for many financial institutions a few years ago, today digital issuance is becoming the norm for consumers. According to the *Global Payments Report 2024* from Worldpay[3], the use of mobile wallets exceeded cash use world-wide for the first time in-store.



2 Payments Cards & Mobile, 12 January 2024: "FinTech Investment takes a hammering in 2023": https://www.paymentscardsandmobile.com/fintech-investment-takes-a-hammering-in-2023/

3 Worldpay, 23 March 2024: The Global Payments Report 2024: https://worldpay.globalpaymentsreport.com/en

It's not a matter of digital card issuance replacing instant card issuance, or even about institutions needing to offer both solutions. Instead, it's about two different demographics that require separate card issuing strategies. Every institution will have a demographic that won't embrace the digital age; however, the ecosystem is changing, and new digital payment channels are proving increasingly popular.

"Investors want rapid revenue growth and profits, while consumers need new phygital payment experiences."

It can be tempting to think the digital revolution implies everything should be online – yet that's far from always true. While digital commerce is predicted to hit 20% of global retail spending by 2025[4], evidence shows consumers still prefer physical shopping experiences in categories such as clothing, luxury goods, automotive and transport. For instance, 68% of consumers prefer shopping in-person for designer fashions, according to Harpers' Bazaar[5]. By implication, such facts demonstrate that the physical and digital customer journies are converging.

Meanwhile the humble card shows no sign of disappearing as a payment form. Research from Visa and The Strawhecker Group in the United States suggests[6] 70 percent of consumers prefer using cards to pay both online and in-store, while in Europe, card payment growth outstripped overall electronic payments growth by 20% over the last five years[7].

More powerful cards featuring biometrics and multiple functions, more sustainable raw materials for card production and more environmentally-friendly communications methods have all helped breathe new life into cards. Simultaneously, innovations like Convego® tap, a phygital service, have revolutionized the everyday banking experience. By leveraging existing bank cards, users can simply tap their phone to activate cards, onboard apps, and authorize high-value transactions with unparalleled security and ease.

The management of cards via app is another example of the rise of phygital: banks around the world are giving consumers more power over their cards via an app that lets them view balances, set spending limits, confirm payments and manage security using their mobile device. In a different scenario, Token Cockpit empowers banks to enhance mobile banking and payment experiences by providing greater visibility and control.

Through the issuer's mobile banking application, consumers can manage all card tokens in one centralized location. This platform seamlessly provisions tokens to digital wallets such as Apple Pay, Google Pay, and Samsung Pay as well as merchants directly from the mobile banking app. Moreover, users can effortlessly onboard themselves to Click to Pay, facilitating a streamlined one-click checkout experience.

In essence, Token Cockpit offers consumers easy control over their card's status and provisioning with just a few clicks. Onboarding kiosks in shopping centres and other public venues also help customers more familiar with physical services to navigate their first digital experiences.

By embracing a phygital future, banks cater for all demographics: those who prefer physical payments by card or cash, as well as digital demographics who prefer paying via phone, digital app or virtual card. By offering both physical and digital services, and combinations of both into phygital services, banks cover the entire spectrum of electronic payments.

4 Forbes Advisor, 28 March 2024: "35 e-commerce statistics of 2024": ": https://www.forbes.com/advisor/business/ecommerce-statistics/
5 Harper's Bazaar, 28 March 2024: "Luxury Brands Lure Customers Back in-store": https://www.harpersbazaar.com/uk/fashion/what-to-wear/a60254609/luxury-fashion-in-store-experiences/
6 Visa USA, 7 January 2022: "Back to Business Study – one year on": https://usa.visa.com/dam/VCOM/blogs/visa-back-to-business-study-one-year-edition-sep21.pdf
7 See The Digital and Card Payment Yearbooks 2023-2024 at www.paymentyearbooks.com

How fintechs and banks can respond

Faced with pressure from both investors and customers, banks and fintechs have a clear need to get new phygital products to market rapidly, generating revenue by delivering the kinds of products and experiences customers expect in the phygital age. However, moving quickly isn't enough: these new phygital products should be fully operational and widely available from launch. They must also be secure, fully compliant with current and upcoming regulations and easy to integrate with existing systems and products.

Achieving rapid time-to-market and launching at scale is no simple task, whether you're a Tier 1 pan-European banking giant or a start-up with five employees. To keep up with market demand and investor expectations, banks and fintechs should be looking to work with experienced partners that can provide both off-the-shelf and tailored payment products and solutions – whether that's issuing premium cards for the high-net-worth segment, or market-specific fraud solutions that target the specific threats your business faces.

Find out more about how G+D is enabling phygital payments with suite of products and services available as a Service.

Fintechs and banks hunt growth – but they must outpace fraud

Here, we argue that growth alone is not enough for phygital success – outpacing fraudsters' ingenuity is also essential.

The structure of the global payments economy is changing as a new phygital world emerges. According to Worldpay's *Global Payments Report 2024*[8], online transactions are growing at three times the pace of point of sale (POS) – despite the fact that, as we've covered elsewhere, consumer still want to shop in-person for many different kinds of goods.

Opportunities for banks – and fraudsters

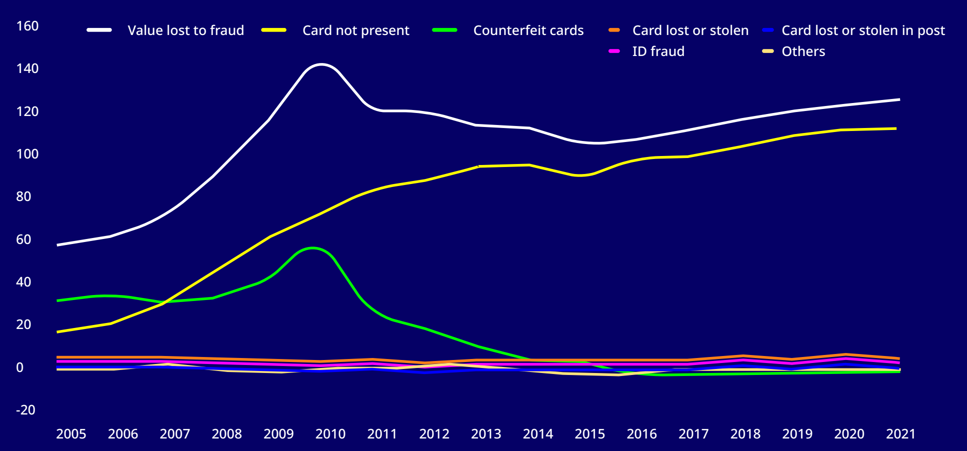
While the phygital economy has created opportunities for banks and fintechs to deliver solutions that work both online and in the physical world, the shift to digital has also opened up gaps for fraudsters to exploit. In the UK and US, for example, the rise of digital banking and ubiquitous use of email has enabled fraudsters to develop Authorized Push Payments (APP) scams that trick consumers into sending money to fake companies and false accounts. According to Resistant AI[9], APP fraud now accounts for 75% of all UK digital crime and is set to hit $5.25 billion in losses across the US, UK and India next year.

Other forms of fraud such as Account Takeover, in which stolen credentials are used to access consumer accounts and conduct apparently legitimate transactions, or synthetic ID, where stolen identities are used to create fake accounts, are also thriving.

What's more, fraud has a different character across different markets and regions: in 2023, the ECB reported that[10], despite an overall decline in card fraud across the Eurozone, CNP fraud linked to cross-border transactions still accounted for 63% of all fraudulent incidents as fraudsters exploited varying approaches to fraud defense between banks in different markets.

Germany: how fraud dynamics change over time.

CREDIT = FICO



8 Worldpay, Global Payments Report 2024: https://worldpay.globalpaymentsreport.com/en
9 Fintech Global, 10 August 2023: "Is APP fraud the biggest threat to fintechs?": https://fintech.global/2023/08/10/is-authorised-push-payment-fraud-the-biggest-threat-to-fintechs/
10 The European Central Bank, 26 May 2023: "Card fraud in Europe declines significantly" : https://www.ecb.europa.eu/press/pr/date/2023/html/ecb.pr230526~f09bc3c664.en.html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Fighting fraud: beyond compliance for top performance

As financial services has become increasingly digitalized, criminals have turned their focus away from bank vaults and toward the digital ecosystem. Firms therefore face a growing threat – how to secure their customers' sensitive information in an age of mounting paranoia and distrust.

Over the last 15 years, the financial services market has undergone a transformation, with some brick-and-mortar institutions closing down and digital-native "neobanks" challenging incumbents for market share. Fraud – which has always gone hand in hand with finance – has also changed, with criminals deploying increasingly sophisticated methods to dupe unwitting victims. During the Covid-19 pandemic, for example, phishing emails, false stimulus claims, and fake charities proliferated[11].

"Phygital technologies have simplified confirmation of user presence and identity online – but more needs to be done."

Recognizing these increased threat levels, regulators around the world have taken action to enhance online fraud defences through legislation such as the EU's second payment services directive (PSD2), which mandates the use of Strong Customer Authentication (SCA) for online transactions. Multi-Factor Authentication (MFA) methods, such as one-time passwords (OTPs) and OTPs delivered via SMS were introduced to reduce the risks associated with passwords.

However, there are several limitations to such systems for both customers and banks, from a cumbersome user experience to lack of control. Banks' chief concern with these methods was the fact that such two-factor authentication doesn't guarantee greater security.

Indeed, OTPs are still vulnerable to fraud. Phishing attempts, such as tricking users with fake websites, text messages, and calls, as well as SIM swapping, are common methods of bypassing some MFA measures and gaining access to a user's credentials.

Device-bound biometric authentication is currently seen as the gold standard in authentication – and within biometrics, device-bound passkeys, which cannot be shared or exported from the device, are vital for success. These passkeys add an extra layer of security as banks can always that a transaction has been authenticated by a known user from a trusted device.

With device-bound authentication solutions, banks can take the next step and shape a future of authentication where 'something you have' (your device) and 'something you are' (your biometrics) merge seamlessly. All customers need is the touch of a thumb or a glance at a camera and, thanks to the FIDO-based technology under the hood, the second factor remains invisible to the user. That's how banks can provide two-factor authentication that feels like one.

Although industry-standard solutions such as 3D-Secure are effective in combating CNP fraud – especially when combined with Risk-Based Authentication techniques – evidence suggests that 3DS is most effective when its rules are tuned to fit the fraud dynamics of a specific market or product – such as responding to higher levels of ID fraud in Romania, or recognising the different threats faced by a card product used in-store compared with an account-to-account transaction conducted online.

11 https://www.fraud.com/post/the-history-and-evolution-of-fraud

Failure to tune existing systems and address the specific dynamics of fraud in your markets can lead to a significant drop-off in growth in terms of transaction volumes and values both online and in-store. In Austria, for instance, a January 2024 report[12] from regulator the FMA noted a 26.2% increase in the number of “phishing” attacks, in which consumers are tricked into sending fraudsters money. The prevalence of such fraudulent schemes have led to a situation in which just 34% of Austrians[13] are confident in shopping online and a reduction in e-commerce growth in Austria to just 2.9%[14] compared to an already-low 4.6% over the last five years. For comparison, the average e-commerce growth rate across Europe last year was 6%, more than double the rate seen in Austria in 2023.

To protect your business, fraud defenses must be relevant to your geographical markets and product types, taking into account the specific threats you face and the nature of your business. Fintechs and banks of all kinds need to deploy highly effective fraud solutions that go beyond compliance to outpace the creativity of fraudsters.

Since time and cost are essential factors in any business decision, these solutions that combat fraud must also be easy to integrate with existing systems and readily tailored to counter the specific threats your business faces. Failure to act will not just have negative consequences for turnover and profitability – it could lead to consumers seeing your services as simply too risky to be trusted.

Find out more about how G+D is enabling phygital payments with an innovative, tailored suite of products and services

12 FMA Austria, 3 January 2024: “Increasing numbers of dubious providers are active in Austria”: https://www.fma.gv.at/en/warning-about-celebrity-endorsement-fraud/
13 https://www.forbes.com/sites/riskified/2021/09/15/ecommerce-has-an-overconfidence-problem-why-execs-should-take-note/
14 Payments Cards & Mobile, March 2024: Digital Card & Payment Yearbooks 2023-2024 – Austria at www.paymentyearbooks.com

Why sustainability is vital to payments – but tough to achieve

This article considers the importance of sustainability to phygital payments, the progress we've made – and how phygital will enable further progress ...

No longer just a buzzword, sustainability is now well-established as a vital part of how any business conducts its operations – including banks and fintechs. While a great deal of progress has been made, the emerging phygital world creates new opportunities for further direct action by payment firms, as well as enabling collaborative activities that will reduce the environmental impact of payments on our planet.

To start with the progress: many card issuers have already reduced the use of paper in their customer communications, preferring to allow customers to communicate and control their cards via app, as we explained in an earlier article. Other steps, such as switching to renewable energy sources and localized card production to reduce carbon footprint, are also underway.

Well-known Nordic financial infrastructure company Tietoevry Banking, for instance, has cut the environmental impact of its operations by more than 56% since 2016[15], while banks all over Europe are now offering payment cards made from recycled and ocean-recovered plastics, wood and other sustainable materials.

Taking the action consumers want

According to a 2022 study in *The Fintech Times*,[16] 67% of bank customers globally want their bank to deliver sustainable payment solutions. And from a revenue perspective, research from McKinsey and NielsenIQ confirms[17] that sustainable products of all kinds – from payment cards to homeware – experience 40% faster growth than standard alternatives because they give consumers comfort that they are protecting the planet through their choices.

The great news, then, is that both customers and financial services firms recognize the importance of sustainability, and that being sustainable helps grow your business. The challenge thereafter, though, is that achieving sustainability is far from simple. Dutch bank DNB reports[18] that the majority of the environmental impact in payments comes from point-of-sale terminals, data centers and payment cards themselves.

For instance, terminal hardware is the biggest contributor to the environmental impact of payments, accounting for approximately 75% of all direct impact on the environment given its use of rare earth metals (mining), silicon microchips and other materials to create the terminals.

Simple steps: but collaboration is key

There are some simple steps that can be taken to reduce the environmental impact of payments operations – but deeper improvements are going to require expertise, commitment and collaboration. In terms of first steps, most of today's card issuers manufacture payment

15 Tietoevry, 24 June 2022: "Modern payments use too much energy": https://www.tietoevry.com/en/blog/2022/06/modern-payments-use-too-much-energy-heres-how-we-can-do-better/
16 The Fintech Times, 3 June 2022: "67% of consumers want their bank to be more sustainable": https://thefintechtimes.com/67-of-consumers-want-their-bank-to-be-more-sustainable/
17 McKinsey & Co, 6 February 2023: "Consumers care about sustainability – and back it up with their wallets": https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/consumers-care-about-sustainability-and-back-it-up-with-their-wallets
18 MyBank.eu: "Payments and the environment: are greener choices possible?": https://mybank.eu/payments-and-environmental-impact-are-greener-choices-possible/

cards using sustainable materials. They also increasingly choose to make cards closer to population centres in Europe, reducing the carbon footprint of their products and seeking out renewable energy sources among other initiatives.

The advent of phygital payments, which sees consumers and banks combining digital and physical technologies, has created further opportunities – including app-based card management and PIN management, both of which significantly reduce paper use and communications via surface mail, also known as "snail mail."

While great steps have been taken towards sustainability so far, the payments industry's journey is far from over. New phygital initiatives such as virtual cards, in which a payment card is represented in transactions using a one-time, randomly-generated card number, can help to reduce the time and energy used in online transactions, while "soft POS" systems that use merchant cell phones as POS terminals will cut the use of rare earth metals, plastics and other materials employed in the manufacture of static POS terminals.

Going further with phygital

Looking ahead, the phygital era is going to enable closer collaboration between banks and their customers on sustainability. *For instance, phygital has enabled banks to turn card recycling into a new customer touchpoint, where customers can earn rewards and collaborate with their banking providers to build a more sustainable future.* As a further step, imagine a future in which a card management app tells you it's time to recycle your card, where to drop it off securely and pick up your new card. Such is the power of a phygital future – and banks and fintechs should embrace this future, working with expert partners who can advise on the right sustainability approach, and assist in its implementation.

Find out more about how G+D is enabling phygital payments with an innovative, tailored suite of products and services.

Phygital payments: increasing access for everyone

Delivering accessible financial services for all citizens is not just the right thing: it's increasingly a regulatory requirement. This article looks at how a blend of physical and digital payment technologies is making life easier and broadening access for everyone.

In its Convention on the Rights of Persons with Disabilities (SCRPD), the UN states that, "accessibility is about giving equal access to everyone. Without being able to access the facilities and services found in the community, persons with disabilities will never be fully included."[19]

Recognising the importance of this truth, and respecting the rights of the one in six people world-wide who live with some form of disability[20], governments across Europe and around the world have introduced legislation mandating the right of people living with disabilities for equal access to services of all kinds – including banking and payments.

"Governments across Europe and around the world have introduced legislation to enable equal access for all."

Examples include existing legislation such as the Americans with Disabilities Act (ADA) in the US, or the UK's Disability Discrimination Act (DDA). Upcoming legislation such as the EU's European Accessibility Act, due for implementation in 2025, seeks to achieve similar aims of accessibility for all, including how services of all kinds should be provided to ensure maximum accessibility in both the physical and digital world.

Physical + Digital = Possible

"Enhancing physical banking with digital solutions means centering product design on customer accessibility. Digital solutions should extend accessibility, not hinder it."

The emergence of new payments and banking technologies that combine the physical and digital is empowering financial services firms to offer their products to a wider range of people. Some of the most innovative new payment services in recent years have been inspired by the drive to greater accessibility, such as QR-codes that access sign language instructions to help the hearing impaired with digital onboarding.

Another example of adaptations that help the visually impaired comes in payment cards that feature multiple accessibility features, such as notches, QR codes, large print and high contrast or brighter card bodies. Such small innovations are useful when customers come to select their cards from a physical wallet.

Beyond physical innovations in cards and bank communications, there's also great potential for digital banking to offer more personalized, accessible experiences for different customer groups. For instance, specially-configured digital wallets for the elderly help them transition smoothly from the world of physical banking to digital. Digital wallets like these open up new financial freedoms for the more than 1.6 billion people who will be aged 65 or over by 205021.

19 https://www.un.org/esa/socdev/enable/disacc.htm
20 https://www.who.int/news-room/fact-sheets/detail/disability-and-health


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Offering mobile banking apps with multiple authentication methods benefits all age groups while enhancing the protection of digital identities in payments and banking. For instance, biometric passwordless authentications help to simplify the process of confirming identity for users who find it challenging to use keyboards, while secure remote onboarding via mobile phones or kiosk systems help consumers living with disabilities to take advantage of new digital products and services securely and efficiently. In each of these cases, digital technologies are being used to enhance existing physical elements and create a payments ecosystem that's fairer and more accessible for all.

Accessibility: more important than ever

As phygital systems make payments and banking more capable and efficient than at any time in social history, ensuring that everyone has access to the same systems becomes more important than ever. Now that those living with disabilities have unprecedented access to public venues, shopping experiences and digital technologies for entertainment and shopping either in-store or at home, it's vital that payments providers ensure everyone is able to access financial services equally. Aside from the moral and social imperatives to improve access for everyone, increasing accessibility also makes sound business sense, since wider accessibility leads to greater product use and, by extension, improved revenues.

Find out more about how G+D is driving greater accessibility in phygital payments with an innovative suite of products and services.

21 https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2023/01/2023wsr-chapter1-.pdf

Phygital payments for premium consumers

Our final article examines how physical payments methods merge with digital technologies to add value for premium customers around the world.

It's a commonplace these days to hear that payments and retail banking are becoming more competitive. Over the last ten years, digital-only banks and fintech companies have sprung up to provide an existential challenge to traditional banks – and many of these new service providers are specifically targeting the lucrative premium banking services sector. That's no surprise, given that the High Net Worth customers typically associated with premium services spend more, and more frequently, than any other segment.

Customers looking for premium services expect to enjoy the money they have earned, and place serious value on their time. They expect financial services that deliver what they want, when they want it with a minimum of fuss or hassle. By delivering phygital services that meet these expectations, banks can build relationships that are beneficial not just to their payments business, but across a wider range of banking products such as mortgages, loans and other areas.

Spending big, spending often

Research suggests[22] that customers using premium products are more likely to have multiple payment cards, and are more likely to use them with greater frequency than other categories of consumer. 47% of global premium customers hold two or three payment cards, and more than a third hold four or more. Premium customers are also more likely to spend more, with half of those surveyed world-wide saying they use their credit cards on a daily basis, and just under a third (30%) saying they have spent more than $5000 on a single transaction in the past year.

"Premium customers are more likely to have multiple cards, spend more often – and spend a lot more."

With more than 110 million people expected to join the global middle classes in 2024 alone[23], serving the premium market isn't just lucrative – it's also an expanding business segment. Consumers in this segment are looking for payments products that let them enjoy their wealth and present themselves as affluent across the phygital spectrum, whether that's online, at a restaurant or in-store.

The trend towards hyper-personalization, both online and the physical world, is one way banks can distinguish themselves when it comes to premium products. This might mean, for instance, a physical payment card made out of metal or ceramic materials to denote wealth and status. Online, these distinctive cards can be supported by an app that's configured for the customer's specific needs – from a tailored spending limit to balance and transaction information they select to a family card program with spending limits for kids.

22 Altiant, "Views from the High Net Worth Consumer": https://altiant.com/premium-credit-cards
23 Visual Capitalist, 19 October 2023: "113 million people to join the global middle class in 2024" https://www.visualcapitalist.com/113-million-people-middle-class-2024/

Standing out: from communication to authentication

To succeed in the premium segment, banks need to deliver more in every engagement with the consumer. From the outset, the delivery and activation of cards targeting premium customers should include distinctive branding and a high level of personalization both online, and in the physical delivery of the card. Activation processes should be highly personalized and involve as little friction as possible.

“Phygital services help banks to reduce complexity and friction for valued, high-spending premium clients.”

Reducing friction and complexity to show premium customers how valued and important they are is a princple that needs to be carried across the cardholder experience. The instant delivery of PIN numbers via secure messaging to mobile devices is a great example of how phygital adds value for premium customers – no more days waiting for new PIN numbers to arrive. Likewise, the opportunity to set a personalized PIN online via an app will also be valued by premium customers who value convenience.

At check-out, these customers value authentication processes that reduce friction to a minimum. In the phygital era, innovative new authentication routines such as Tap to Phone, in which a card is tapped against a mobile device to authenticate an online transaction, are enabling banks to deliver higher levels of service to premium customers via faster and simpler secure authentication. At physical checkout, banks should be looking to simplify authentication routines for premium customers with one-click checkout based on information exchanges with the merchant during the transaction process.

Steps such as these will help banks to retain and build their relationships with high-spending premium customers not just in the payments business, but across the whole range of banking and financial services, including investment, insurance and lending products. As the phygital era makes the provision of premium services easier and cheaper than at any time in banking history, banks can also more easily offer tiered services to customers based on their relationship history and value, helping to cement loyalty across a wider customer base.

Learn more about how G+D delivers premium payment experiences for valued customers across the transaction chain, from cards to authentication.

About Giesecke+Devrient

Giesecke+Devrient (G+D) is a global SecurityTech company headquartered in Munich. G+D makes the lives of billions of people safer. The company creates trust in the digital age with integrated security technologies in three business areas: Digital Security, Financial Platforms and Currency Technology.

G+D was founded in 1852 and today employs more than 14,000 people. In the 2023 financial year, the company generated a turnover of 3 billion euros. G+D is represented by 123 subsidiaries and joint ventures in 40 countries.

Further information: www.gi-de.com.

About Payments Cards & Mobile

In business since 1994, Payments Cards & Mobile is an established hub for global payments news, research and consulting. We work with recognized industry experts to provide impartial, up-to-date and relevant information and analysis on every area of payments. Personal relationships have been the hallmark of our business.

We remain committed to working closely with our many longstanding customers and welcome new customers in producing quality business intelligence and providing a variety of ways in which you can consume this information. Our aim is to provide you with the highest quality data so you can position your business and key personalities in this increasingly competitive industry.

Further information: www.paymentscardsandmobile.com

July 2024