

A photograph of a person's hands interacting with a payment terminal. One hand holds a white smartphone, which is being held above the terminal's card reader. The terminal has a numeric keypad and several colored buttons (red, green, yellow, blue). In the background, there's a blurred view of a person wearing a teal shirt and a wooden table with a teal kettle and a tan mug.

Payments trends

Getnet^{■■■}

A PagoNxt COMPANY

The Future of Payments Today

2022



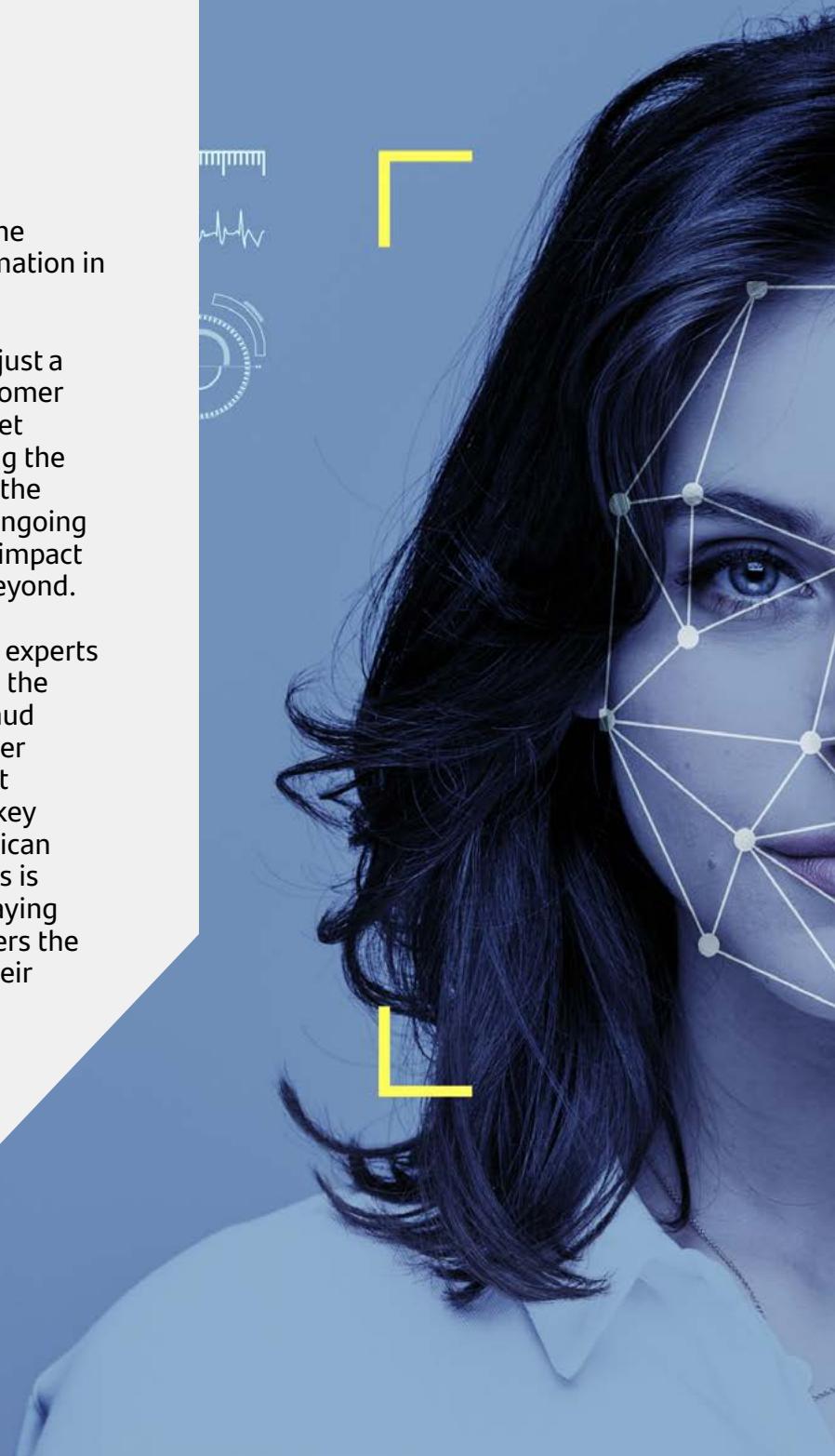
Introduction

Fintech has always moved at a rapid pace, but the pandemic has truly accelerated digital transformation in the sector.

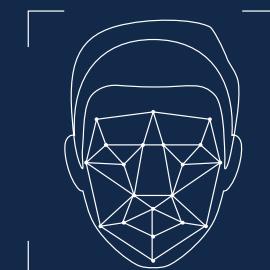
COVID-19 catalysed half a decade of change in just a few months, with stability, geopolitics and customer behaviour disrupted like never before. It has reset consumer expectations, fundamentally changing the operational environment for merchants around the world. Alongside this, social upheaval and the ongoing effects of climate change have all had a lasting impact on the way we will shop and pay in 2022 and beyond.

It's for this reason, PagoNxt's leading payments experts have collectively pooled our predictions to form the basis of the Future of Payments Today. From fraud protection to open finance, seamless cross border payments to new regulation, we've aimed to cut through the noise, informing merchants of the key payments trends that will shape the Latin American and European payments landscape in 2022. This is a continuation of our commitment to always staying ahead of the payment game, offering our partners the latest information about payment trends and their potential.

The future of the payments industry is undergoing an exciting revolution, defined and influenced by the trends set out in this whitepaper.

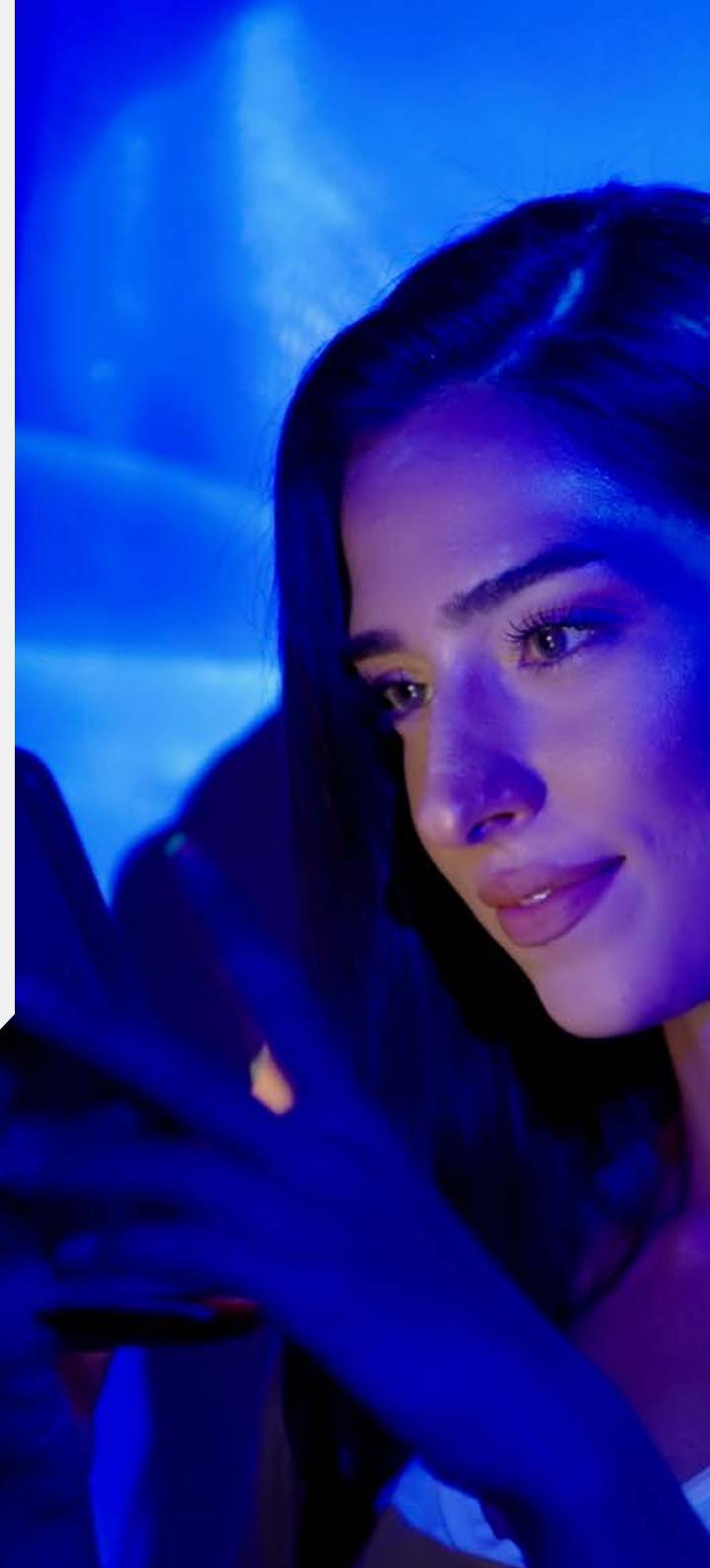


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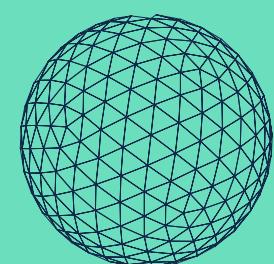


Trend 1

Increasing innovation is driving the frictionless and seamless payments economy: the consumer at the centre



01



The abundance of new payment methods - and the convenience, efficiency and speed that comes with them - is encouraging consumers to try new ways to pay for goods online.

Take digital payments in Europe, where the amount being made is estimated to grow 70% over the coming five years. As familiarity with digital payments has risen, consumers have turned to buy-now-pay-later services, which have proliferated in 2021, particularly among millennial and Gen Z users looking for convenient budgeting tools.

Europe has also been a pioneer in the Open Banking race. Payments made using Open Banking providers have increased by 550% in little over a year in the UK, and this figure is only expected to rise. Regulations such as PSD2 have made this possible and are regarded as the gold-standard in the industry.

In Europe it's estimated to grow

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Payments made using Open Banking providers have increased by

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In Latin America, mobile payments are on the rise. With credit card penetration remaining low, there is a likelihood that mobile payments will catch up and overtake in terms of popularity. By 2025, it's estimated that the number of smartphones in the region will surpass 590 million. Couple this with ever improving mobile coverage, user friendly functionality and a steep rise in e-commerce, and there's a clear trend that innovation is driving consumers towards frictionless payments.

With so many local payment preferences, merchants who sell across borders must look to offer much more than just credit and debit cards in 2022.

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INNOVATION

“ It is undeniable that the payments landscape has seen an astronomical increase in adoption of the technologies driving frictionless and seamless transactions. The accelerated pace in innovation has been driven, in part, by the pandemic and e-commerce boom that we have witnessed the world over. Yet, we are only just at the tip of the iceberg.

In the coming years we will see a movement of payments utilising emerging technologies that will revolutionise how we pay for everything and anything. The retail landscape has suffered a strike on physical and traditional commerce avenues forcing merchants to get creative with virtual and augmented realities. It's only a matter of time before we see this mirrored across the payments landscape. ”



**Javier
San Félix**

CEO PagoNxt

Trend 2

**Digital is key
to merchants'
international
and domestic
growth**



02



E-commerce has truly soared over the past 24 months. It's estimated that the shuttered shops and lockdowns left in the wake of the pandemic accelerated the sector's global growth by [four to six years](#), although this figure is now looking conservative.

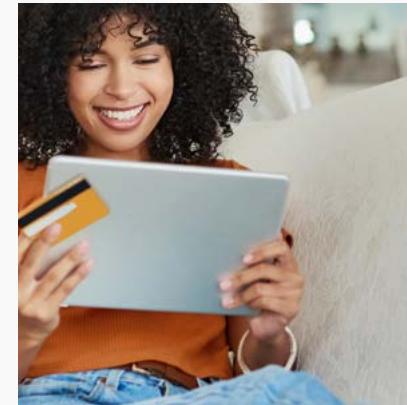
In Latin America only, 13 million people made an online transaction for the very first time, with the sector growing by [36.7%](#) in 2020. In recognition, many governments made policy changes in favour of e-commerce, leaning on the sector to continue driving economic growth and recovery. Across the Atlantic, Europe's pre-COVID-19 global share of e-commerce was roughly [10%](#), equating to \$340 billion. In 2020, however, e-commerce grew more than [15%](#) in Eastern Europe. In Western Europe, it grew by more than [10%](#). Records continue to be broken on a regular basis.

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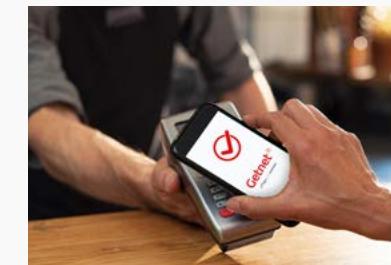


E-commerce is predicted to continue this acceleration in 2022, with its first trillion-dollar year of sales predicted. As such, we'll continue to see a record amount of merchants turn towards e-commerce platforms to reach new markets and customers, but competition will be fierce. In Latin America, for instance, international powerhouses like Amazon have seized the opportunity, already having [doubled market share](#) in the region over the past few years. Around the world, an estimated [50%](#) of all retailers had planned digital makeovers this year as the future of shopping turns to digital.

Over the coming months, merchants must continue to establish their online presence as their most important shop window in order to remain competitive.

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E-COMMERCE

“The growing e-commerce market presents a tremendous opportunity for any merchant looking to expand their business - not only across borders but within existing markets too. Chief among the advantages of moving online is the ability to provide hyper-personalised experiences through data analysis. This is imperative as consumers continue to demand checkout journeys that recognise their preferences.

With the landscape becoming increasingly competitive, there is no time to lose. Merchants are not only in the race to gain consumers' attention but also to earn their loyalty. Partnering with a payments provider is a key strategy that retailers can harness to ensure they are providing frictionless and personalised experiences to their customers. Indeed, Getnet partners with international merchants to provide global and local market knowledge and services across multi-channel platforms. **”**



Ignacio Narvarte

*General Manager,
PagoNxt Merchant
Solutions*

Trend 3

A renewed focus on data-led payments following a surge of new online users



03



Although data has been lauded for years as a company's most important and strategic asset (the new oil or the new drug to quote Ana Botin), too few businesses are correctly harnessing its full potential.

However, with the boom of online sales and alternative payment methods, this is set to change in 2022. Digital payments create a wealth of data that can deepen customer engagement and act as a competitive differentiator and benefit customers with targeted, contextual offers. In an era when cart abandonment remains high, building an understanding of each individual customer through transaction data can help to personalise customer journeys, dramatically improving conversion rates. Transaction data in real-time also gives retailers unprecedented insight into buyers, helping to maximise profits.



Digital payments create a wealth of data that can deepen customer engagement and act as a competitive differentiator and benefit customers with targeted, contextual offers.

The continued adoption of ISO 20022 will further strengthen data led payments over the coming months and years. The standard, which creates a common language for payments data across the globe, will offer richer data, enabling improved fraud detection, reduced outages and enriched analytics. Each of these will unlock new levels of commercial and operational success for merchants in 2022.

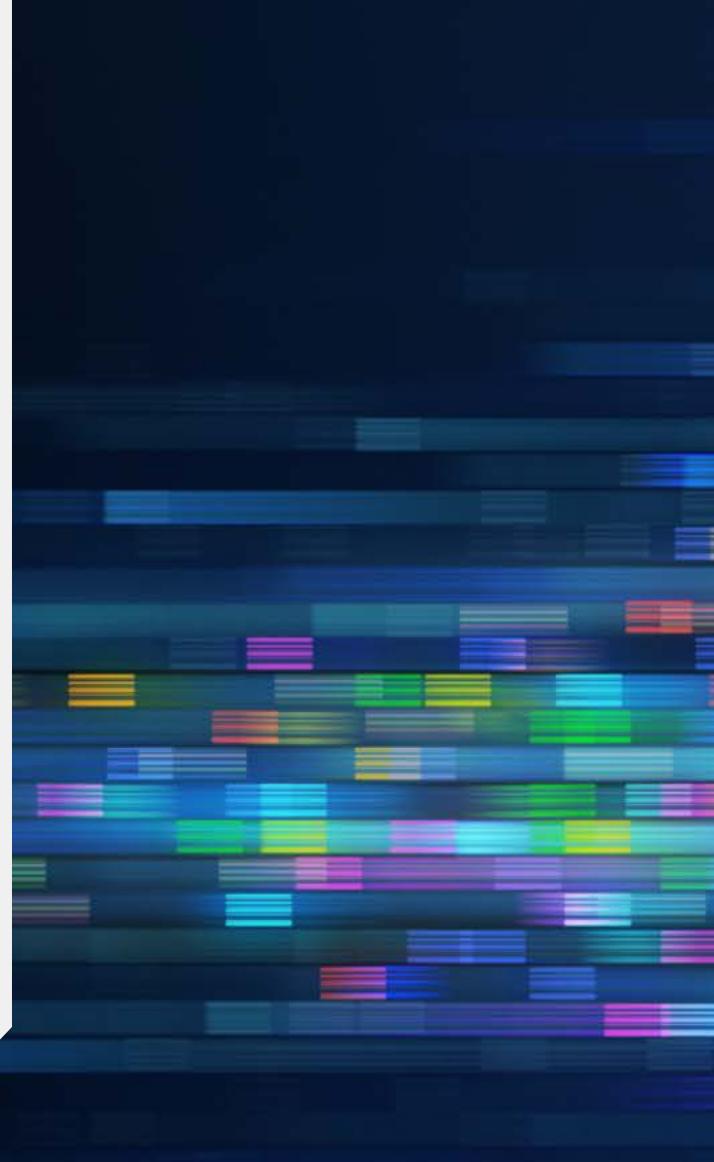
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Trend 4

**Ever
improving
fraud
protection**



04



The closure of shops led to an increase in online sales - both from those familiar with online shopping and those who were not so used to buying online.

Unfortunately, with so many more people spending money online, attempts to siphon it off by criminals increased. Due to the volume of payment options a global figure is hard to calculate, although some analysts estimate attempted fraud rose [35%](#) above pre-pandemic levels in April 2020. Across Europe, the scale of credit, identity and cyber-fraud amounted to [over \\$1.83 billion](#) in 2020.

Although these figures are stark, merchants needn't be deterred from trading online. Payment platforms are fighting back, adding more safeguards such as biometrics or two-factor authentication whilst maintaining a smooth and efficient transaction journey. Emerging technologies, including machine learning and artificial intelligence, are progressively improving at spotting anomalous transactions and payments.

Investment in fraud prevention will continue far in 2022. In Europe, spending on regtech specialising in financial crime will exceed [\\$130 billion by 2025](#), up from \$33 billion in 2020. In Latin America, it's expected that tokenisation and address verification systems will also play a [greater role](#) in 2022 to combat attempted fraud.

By partnering with a trusted payments provider, merchants can mitigate the risk of fraud, and in turn reduce customer friction and increase operational efficiency

**Attempted
fraud rose**

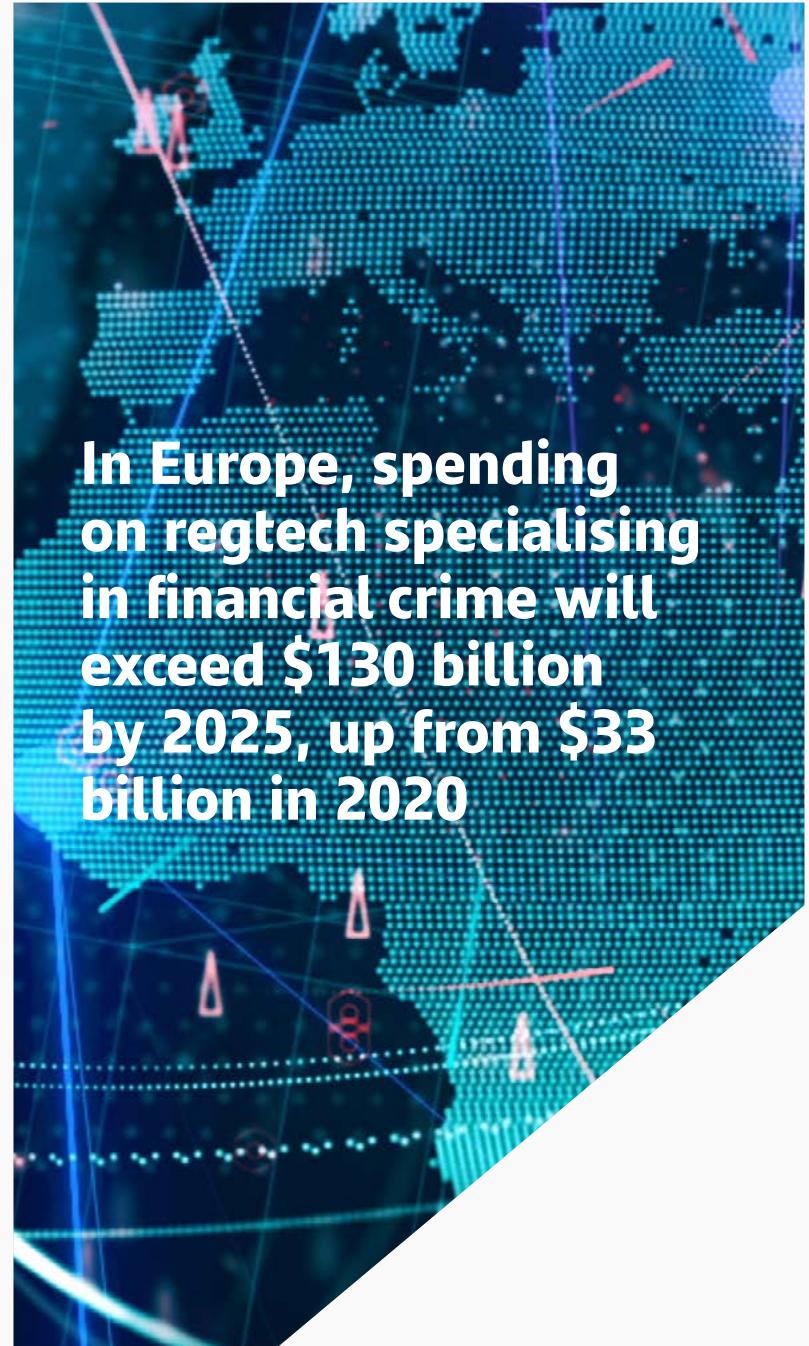
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WE ARE SECURE

“ Payments fraud isn't anything new and though we've seen a spike in attempts mostly due to more opportunity, we've also seen an increase in sophisticated technology to combat such attacks. However, in addition to the technologies available, merchants should also embrace fraud prevention-led approaches to their interactions with customers. Typically, we see banks and insurance types prioritising this but in order to truly enhance education surrounding online payment fraud this needs to be a collaborative effort. This is particularly important as new, previously analogue, customers move online.

Merchants needn't position themselves as experts in fraud prevention, but simply outlining how they will interact with customers and when - or if - they will ever ask for personal details can go far in preventing fraudsters successfully approaching their customers. ”



Sreelekha Sankar

*Head of T&O PagoNxt
Merchant Solutions -
German Branch*

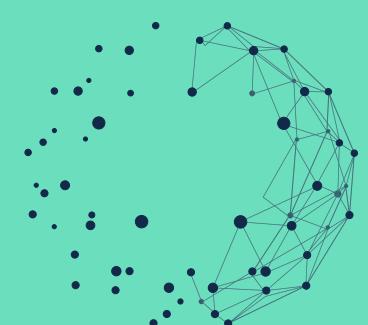


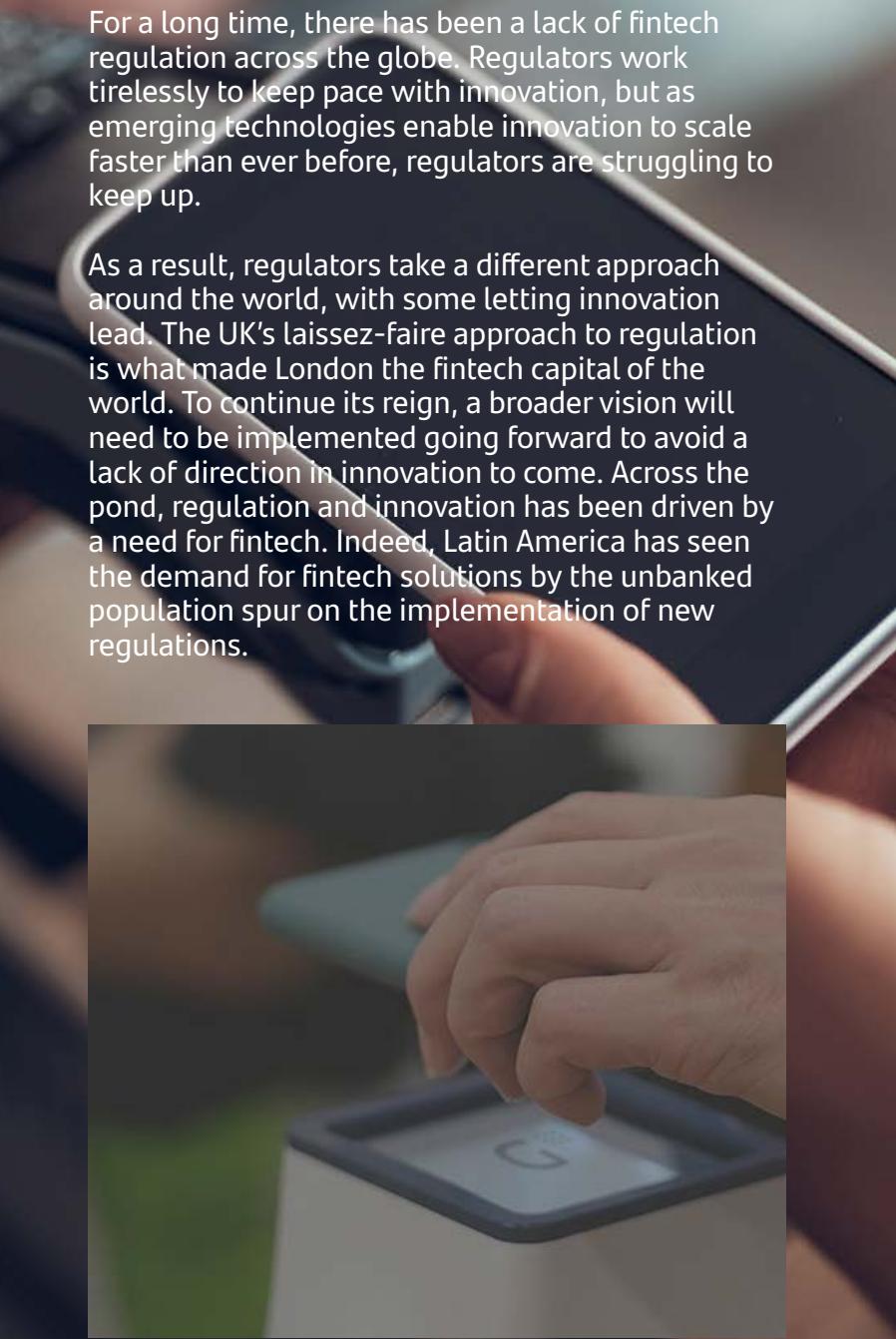
Trend 5

An increased movement towards regulating fintechs old and new



05





For a long time, there has been a lack of fintech regulation across the globe. Regulators work tirelessly to keep pace with innovation, but as emerging technologies enable innovation to scale faster than ever before, regulators are struggling to keep up.

As a result, regulators take a different approach around the world, with some letting innovation lead. The UK's laissez-faire approach to regulation is what made London the fintech capital of the world. To continue its reign, a broader vision will need to be implemented going forward to avoid a lack of direction in innovation to come. Across the pond, regulation and innovation has been driven by a need for fintech. Indeed, Latin America has seen the demand for fintech solutions by the unbanked population spur on the implementation of new regulations.

As a result, many countries were quick to implement an inviting and hospitable regulatory framework. Mexico's Ley Fintech and Brazil's phase 1 Open Banking have both attracted investment to the region, and Peru, Argentina and Chile are soon expected to follow with their own fintech regulations. As a result, Latin American fintechs raised more \$31.4bn in 2020 alone - a huge figure which has already been surpassed in 2021.

In Europe, regulations are being led by independent organisations, but progress is once again spurred on by fintechs feeling the pressure from Big Tech, which are keen to capitalise on the payments opportunity. This has been a key driving force behind the implementation of PSD2 and Strong Customer Authentication (SCA).

I am sure in 2022 regulators across the globe will keep pace with innovation, finding even more ways to encourage and inspire fintechs to build world-beating solutions.

**Latin American fintechs
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“ In the year ahead, I’m certain we’ll see more sophisticated regulations than ever before. This is a good thing. Regulators are usually left to play catch up with the payments landscape due to a variety of different reasons but mainly due to the disparity in funding available to regulators compared with fast-paced fintech raising regularly and the volume of new innovations being uncovered. Even when they do have all the necessary information needed, frameworks can’t be created overnight, they require an awful lot of testing and tweaking.

However, with combating financial crime becoming ever more important we are seeing huge developments in the way regulators approach the dynamic payments landscape. Just this last year we saw them supercharge their focus on buy-now-pay-later services as soon as it became apparent that customers were potentially vulnerable. The digital revolution will be hugely powerful in enabling regulators to keep pace with innovation. Regulation will never drive innovation though - there is no chicken and egg format here - ideation will always be disrupted by technology development and capital. **”**

**Javier
San Felix**

CEO PagoNxt

Trend 6

The year of open finance, integrated payments



06

The appetite for both Open Banking and Open Finance around the world is growing.

Despite open banking being live in Brazil for just under one year, **60%** of consumers find Open Banking propositions appealing. In Europe, thanks to the PSD2 regulation, adoption has continued to grow with roughly **8%** of digitally-enabled consumers estimated to be active users of at least one Open Banking service.

Open Finance - said to be the next big evolution of Open Banking - is expected to open up a wide range of financial products and services in 2022 and beyond. For merchants, its applications could lead to more predictable cash flow, faster, easier and cheaper payments - in short, a truly integrated financial footprint. Imagine utility bills blended with payments data, which could transform automatic switching services - enabling you to focus squarely on maximising your business. This will redefine what convenience means.



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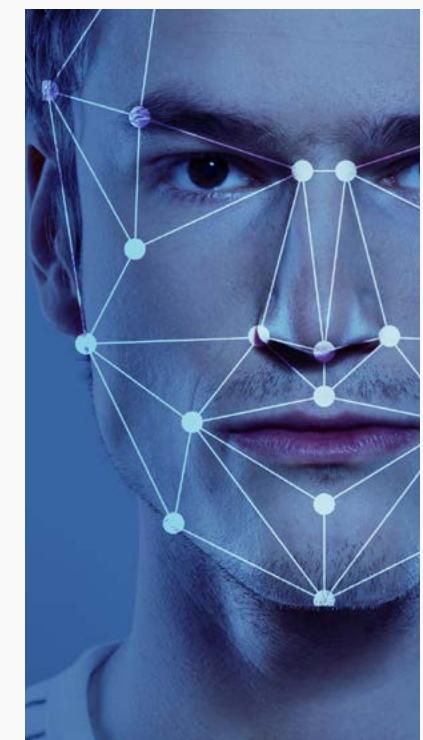
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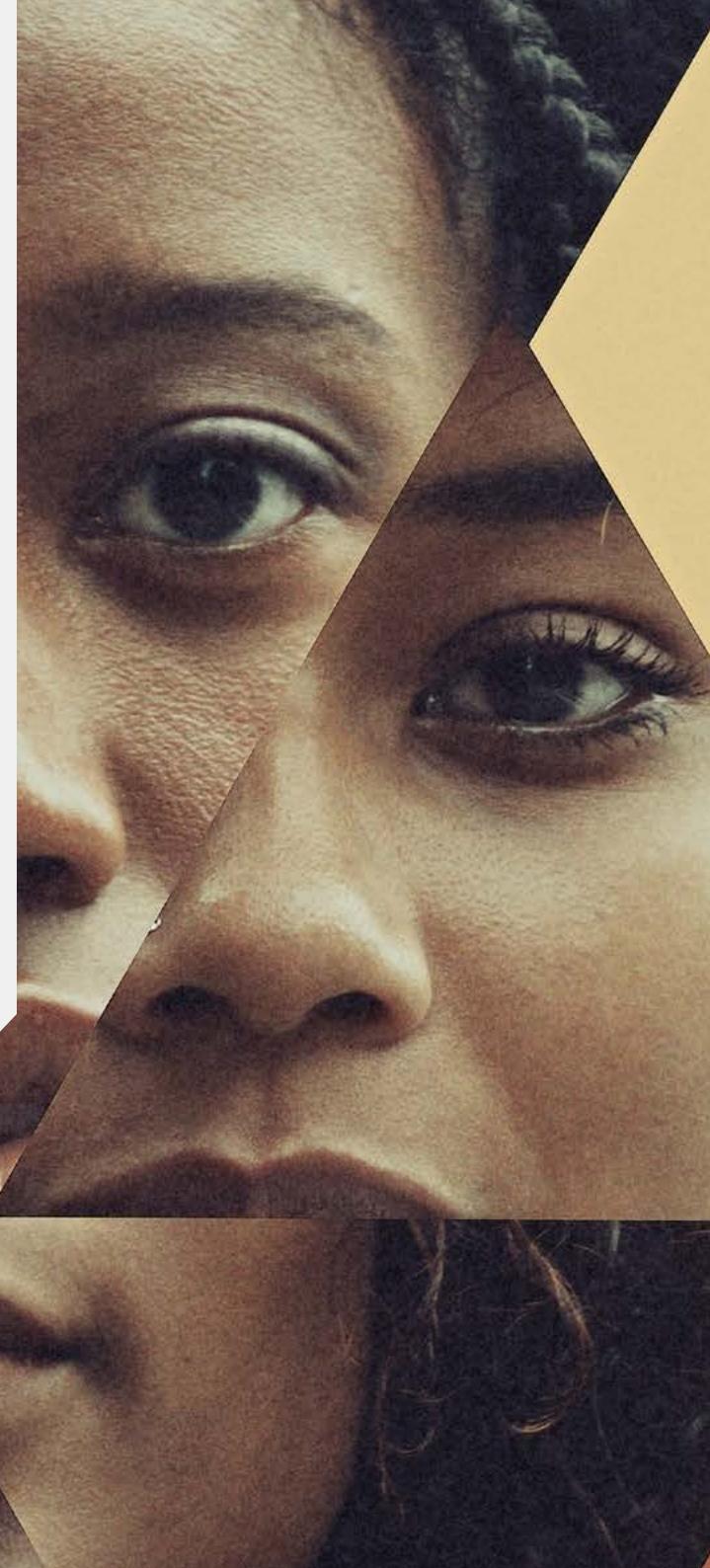
of digitally-enabled consumers estimated to be active users of at least one open banking service

Both Open Banking and Open Finance are integral to driving financial inclusion - particularly in regions such as Latin America with vast proportions of unbanked individuals. It's for this reason that 2022 is likely to be a key year, with merchants, fintechs and financial institutions finally waking up to the opportunity that its adoption brings.

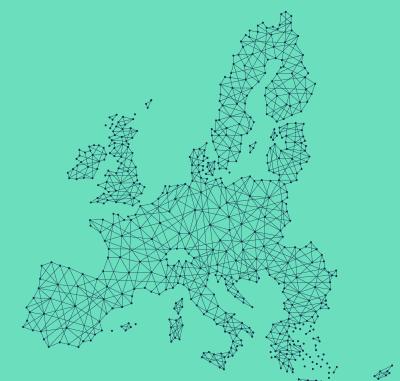


Trend 7

**Rise in seamless
cross-border
payments
globally and in
Latin America
and Europe**



07



Similar to e-commerce, cross border payments have boomed in popularity over recent years. The total value of B2B cross-border payments is expected to reach [\\$35 trillion](#) by the end of 2022, representing 30% growth since 2020 alone.

While this remarkable growth has been accelerated by COVID-19 largely due to the globalisation of e-commerce, it is the culmination of multiple factors including new technologies and regulations. New payment methods are offering ever more cost effective and faster solutions, for instance, with fintechs, digital banks, PSPs and big tech helping to drive growth in transactions. The strengthening of emerging technology such as Artificial Intelligence is reducing manual intervention in processing whilst mitigating fraud risk. Finally, new regulation - such as the [Cross Border Payment Regulation 2](#) which came into force in Europe in April - is proliferating the number of payments by ensuring that costs remain fair for consumers.



Wish list

The total value of B2B cross-border payments is expected to reach

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However, there are still multiple factors which will inhibit growth. For instance, fragmented data standards and lack of interoperability between different jurisdictions mean that some payments remain slow, while meeting AML requirements or the high transaction costs can also be off putting. Despite these, as nations continue to trade on a global scale, cross border payments will proliferate across 2022 and beyond.



Fernando Lardíes

*Global Head One Trade,
PagoNxt Trade*

“As merchants become increasingly globalised, cross border payments remain a key ingredient. This is in part driven by the reality that international trade grows faster than regional - and merchants have clocked onto this. Where e-commerce has collided with cross border payments we’re only set to see even greater innovation utilising emerging technology to ensure the offering is as desirable as that of local transactions.”

PagoNxt harnesses its global market to offer cross border services and the huge demand we’re witnessing is only increasing. Indeed, as social commerce becomes more integrated in our every-day lives, cross border payments will need to rise to the challenge. As it stands the technology is capable due to its ability to scale quickly. Yet, as retailers become more creative with their checkout services - such as the VR and AR I mentioned earlier - innovators will need to think carefully about how these payments are incorporated. ♫

Trend 8

The influence of sustainable policies and products driving the ESG agenda



08



2022 will be defined by businesses aiming to improve their environmental, social and governance (ESG) credentials. In the midst of the COVID-19, climate change and social change, the idea that businesses need to act as corporate citizens has been accepted, but both standards and pressure continue to grow.

This is already of high importance in Europe, which continues to lead the world in ESG adoption; [96%](#) of European investment respondents say they use ESG in their decision making. In 2022, this will be a worldwide priority after commitments were made at COP26.

Any merchant looking to improve their ESG credentials should begin by looking at the payments process. The industry has a notable but often overlooked carbon footprint, with both the production of plastic cards and the energy consumption required to process electronic transactions contributing to climate change. However, with a range of alternative payment methods available, retailers can elect to improve their ESG credentials by partnering with a trusted payments provider.

Alternative payment methods can also unlock vast new data sources, which in turn can help to build environmentally friendly smart cities. Contactless payments on public transport, for instance, can provide the information city planners need to meet the increasing demand for public transportation, and to reduce congestion while improving the lives of millions of their inhabitants.

In short, the power of payments to drive ESG agendas should not be overlooked in 2022.



96%

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**In 2022, this will be a
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COP26



“ For the fifth consecutive year, Getnet Brazil has neutralised its carbon footprint in line with the Brazilian GHG Protocol Programme. In addition to our offsetting we also began applying concepts of circular economy to improve our ESG focused operations. This included creating our ‘little card machines’ in which the coil is created with minimal-pollutant materials. Wanting to see this mindset reflected throughout our journey to the customer, we are also in a pilot phase of delivering all our machines using only electric motorbikes.

These may seem like small changes but we’ve estimated that with this action Getnet will be able to reduce over 30 tons of greenhouse gas emissions per year ”



Mayra Borges

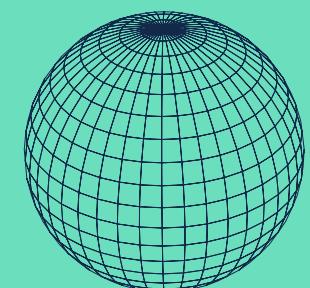
*VP Negocios,
Getnet Brazil*

Trend 9

**More payment
method
variety: from
corona voucher
to variable
recurring
payments**



09



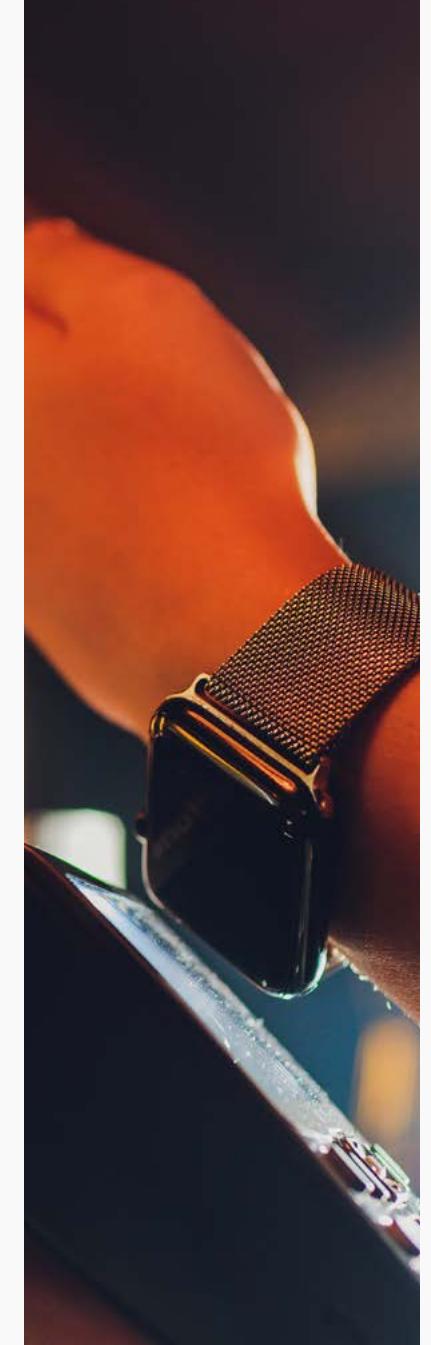
There is a plethora of different ways to pay, and consumer preference is constantly evolving. Over the course of the past few years we've witnessed a steady [rise in cryptocurrency payments](#) and [boom in Buy Now Pay Later services](#). Even QR code payments made an [unexpected return](#) in many corners of society during the pandemic.

Latin America presents one of the largest and most untapped markets for payments disruption in the world, largely thanks to the number of unbanked consumers and the logistical difficulties of hyper-local card schemes. It's for this reason that so many economic relief packages during the pandemic - including Brazil's coronavoucher, Colombia's Ingreso Solidario, and Argentina's Ingreso Familiar de Emergencia — were delivered exclusively through digital means. These initiatives not only helped people through lockdowns, but delivered digital financial services to large sections of the population who were previously unfamiliar with or unwilling to use them.



Conversely, Europe is saturated with digital payment options. Yet, it does still present huge growth opportunities. Entrepreneurs and developers have seized the opportunity to create new offerings driven by both consumer preferences and the PSD2 regulation. As a result, new technologies have emerged such as Variable Recurring Payments. This presents an emerging and novel way for customers to make payments, in which mandates are set up via regulated third parties (known as Payment Initiation Service Providers), which is only made possible through Open Banking.

The above illustrates how quickly preferences change; in 2022, these will remain in flux. As new technologies emerge, merchants must be prepared to adapt and adopt to meet the needs of each individual customer.



Trend 10

Super apps proliferate across the world



10



It's estimated that the average adult has more than 80 apps on their smartphone, but uses just one tenth of these on a daily basis.

In Asia, however, this figure is likely to be much lower thanks to the popularity of super apps. These one-stop shops offer a destination platform for consumers and merchants, aggregating a broad set of services with the added value of embedded payment capabilities. The largest - including WeChat, Grab and Rappi - are already ingrained in everyday life but still growing in popularity.



While these apps have typically been confined to Asia, the race is now on for the Western world to contribute its first super app. Contenders have come and gone, such as Uber, which has shifted its focus from transportation to double down on food delivery and even financial services. Other payment providers have sought banking licences and invested in crypto trading capabilities to add to their specialist niche.

Amid growing recognition that fragmented services lead to poor user experience for consumers and merchants, the race for the first super app is most certainly set for 2022. This is only intensified by the growing adoption of social commerce where the buying and selling of products and services are expected to be embedded and instant. With the likes of PSD2 and Open Banking in Europe, the regulatory landscape is certainly favourable for a super app to emerge. Western players will need to offer more than convenience and customer-centricity, and instead bridge consumer scepticism and mistrust of big tech. The road ahead may be long, but the pathway is now clear.

Conclusion



Looking ahead is never easy, and has been made all the more difficult given the current global environment. 2022 is likely to be another tumultuous year, but there is an emerging certainty - accelerating to digital-first payments has never been of greater importance for merchants in the new normal.

The business environment may have changed, but our predictions are based on underlying trends which were emerging long before the pandemic. What we couldn't have foreseen, however, is the sheer speed in which these changes have occurred.

What this shows is that to be successful in 2022, merchants must select a payments partner capable of leveraging these new ways to pay and reach customers. Doing so is the only way to thrive in today's constantly changing landscape.

Getnet

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