

10 trends set to shape the 2023 payments landscape

Visa Consulting & Analytics

Using VisaNet data, expert interviews, and research, Visa Consulting & Analytics' team of advisors believe the following key trends will impact the payments landscape throughout the year.

Trend #1: Generation Z sets to work

Gen Zers – the first generation of digital natives – are becoming more prominent players in payments as they begin entering the workforce, buying homes, applying for credit cards, and opening bank accounts.

Composing nearly one-third of the world's population, the largest generational cohort, Gen Zers also use financial services differently than their predecessors did.¹ They are digital and debit first, prefer using payments apps over using traditional cards, take a cautious approach to credit, and have an openness to alternative payment methods.²

Why does this matter?

For payments players, it is imperative to understand and respond to the forces that shape the views and the aspirations of Gen Z. As Gen Zers become financially independent, this generation will likely be a driving force in the future adoption of new payment methods.³

Trend #2: Sustainable spending

Consumers' lives are becoming inherently interconnected, as they adopt the globally communal goal of sustaining our planet.

In the world of financial services, there is untapped potential. Examples of sustainable financial and payments business models are emerging in the marketplace that focus on helping consumers live more sustainable lifestyles. But for everyday financial services businesses targeting everyday people with everyday products, it has not been a central focus.

Why does this matter?

Payment providers can capitalize from this untapped opportunity: With a direct line-of-sight to everyday spending, they can use digital tools to help consumers understand the environmental impact of their buying decisions and to behave more sustainably.

Trend #3: B2B goes 3.0

Driven in large part by the fintech community, the B2B payments space is changing and at pace. There is recognition that B2B buyers are people first and that they have come to expect people-centered products and services.

¹ Schroders.com, "What investors need to know about Gen Z", August 2021. <https://www.schroders.com/de/ch/wealth-management/insights/markte/what-investors-need-to-know-about-gen-z/>

² The Financial Brand, "Gen Z's Top Priorities When Selecting a Financial Services Provider", January 2022. <https://thefinancialbrand.com/news/gen-z-banking/top-gen-z-priorities-choosing-financial-service-provider-127866/>

³ Visa Business and Economic Insights, VisaNet, US Census Bureau.

In 2023 and beyond, we'll see a 3.0 version of B2B payments — with consumer-like experiences on both the issuing and the acquiring sides of the B2B payments process. But, for growing firms, there is an opportunity for more simplicity, convenience, and accessibility.

As a result, businesses are seeking payment services that are cost-efficient, digital-first, and fast. Findings from a recent survey indicate that many U.S. small businesses are considering moving from their current financial institutions (FIs) to pay techs and big techs as they look for integrated solutions.⁴

Why does this matter?

As growing businesses look for one-stop-shop payments providers, where cards are one part of an overall integrated solution, there is an opportunity for financial service providers to step in and build new solutions to address these needs.

Trend #4: Web3 technologies matter

Looking past the turbulent cryptocurrency trading markets and high-visibility collapses reveal foundational “web3” (inclusive of blockchain, digital currencies, NFTs, and the metaverse) technology innovations that businesses can no longer ignore. For example, the metaverse is enabling virtual workspaces to be piloted and launched by big tech players (e.g., Meta’s Horizon Workrooms, Microsoft’s Mesh, etc.), and NFTs are increasingly being viewed as more than a collectible by both consumers and brands.

Regulatory guidance for web3 assets is bound to increase in the near term, shaping how financial players can offer digital currency products and services.

Why does this matter?

High customer demand for digital currencies has increased the need to offer regulated cryptocurrency options. In addition, financial services should consider shifting focus to extracting utility from web3 technologies. One example is improving employee engagement with internal trainings hosted in the metaverse and gamified using NFT rewards.

Trend #5: Guarding against fraud

Total fraud losses are expected to exceed \$49B globally by 2030⁵ and over one third of global merchants have reported being victims of phishing, card testing, and identity theft in 2022.⁶

It is paramount that FIs and merchants alike implement fraud guardrails. The increasingly digital financial ecosystems, coupled with rapid innovation have resulted in new, more complex fraud streams.

Why does this matter?

Evolving threats require businesses to move away from conventional fraud-detection processes using an extensive set of rules to novel tools like machine learning.

⁴ World Payment Report 2022

⁵ Nilson Report, Issue 1209, December 2021. https://nilsonreport.com/upload/content_promo/NilsonReport_Issue1209.pdf

⁶ Cybersource, Global Fraud Report 2022. <https://www.cybersource.com/content/dam/documents/campaign/fraud-report/global-fraud-report-2022.pdf>

Trend #6: Mobile wallets are becoming universal

Consumers' shift away from using cash accelerated during the pandemic, and digital card solutions, such as mobile wallets, emerged to meet consumer demand for fast, convenient, and contactless payments.

Across the world, it is estimated more than half of the population will be using a mobile wallet by 2025.⁷

This rapid uptick in adoption of mobile wallets is being facilitated by expanding use cases even outside the traditional payments landscape. For example, wallets are now being used for ticketing, car keys, hotel keys, loyalty offers, digital identity, transit, vaccination records, and more.

Why does this matter?

The impacts of these new digital card solutions have largely been positive with customer engagement and spend increasing. This spells opportunity for payments providers to revisit and invest in digital capabilities such as wallet strategies to drive further activation and usage.

Trend #7: Open banking picks up the pace

In just a few years, open banking has gained traction in more than 50 countries.

In its initial phases, open banking is typically used for basic account aggregation services. But, as it becomes better established and the enabling technologies mature, it soon becomes an access layer for a broad range of applications, including real-time payments, and encompasses B2B, B2C, C2B, P2P, and G2C transactions.

Why does this matter?

With open banking gaining real traction, we can envisage a pathway opening, from open banking to open finance and open data economies. The sooner brands start to appreciate the potential, the sooner they can benefit.

Trend #8: Embedded finance transformation

Embedded finance has introduced complexity and opportunity into the digital payments experience. Merchants of all sizes are recognizing the value of embedding digital payments within their intended customer experience and business operations. For their part, FIs are using open banking solutions and fintech partnerships to enable account holders to access integrated experiences from their accounts and transaction data via personalized financial products and experiences.

Why does this matter?

The shift towards embedded finance is resulting in more payments being conducted on platforms not owned by traditional players; however, tech-savvy financial players can still capture a share of several emerging use cases.

⁷ Finextra, "Over half the world's population will use mobile wallets by 2025, says Boku study", July 2021: <https://www.finextra.com/newsarticle/38421/over-half-the-worlds-population-will-use-mobile-wallets-by-2025-says-boku-study>

Trend #9: Gig economy boom

In recent years and particularly in more developed countries, gig workers have made up more of the world's workforce. The primary drivers for the shift show a greater desire for professional flexibility, independence, and work-life balance: Gig workers like setting their own schedules, taking breaks when they need to, and being their own bosses.⁸

While the flexibility gig work provides has been a boon to many, the associated income volatility has left them underserved by traditional financial players.

Why does this matter?

To remedy the disconnect, organizations should identify opportunities to meet gig workers' needs by offering tailored products and services (e.g., earned wage access, early access to paychecks, etc.).

Trend #10: Mobile wallets are becoming universal

For the past couple years, the Buy Now, Pay Later (BNPL) market landscape has been changing quickly. But it has hit a new level of dynamism-come-disruption.

Cooling market enthusiasm around BNPL lenders in recent months offers a stark contrast to their meteoric rise during the pandemic. In the last year, a slew of BNPL providers have had their valuations and market capitalizations come crashing back to earth.⁹ These drawdowns were driven by increased regulatory scrutiny,¹⁰ delinquencies,¹¹ and dampening market sentiment.

Despite falling market enthusiasm, BNPL appears here to stay driven by adoption among younger customers with 36 percent penetration among Gen Z and 41 percent penetration among Millennials.¹² Seamless in-store point-of-sale experiences enabled by card networks and fintechs will further scale BNPL.

Why does this matter?

In partnership with payments networks, traditional credit card issuers have an opportunity to offer new credential-based solutions that can provide a firm foothold in the market.

⁸ Visa Gig Economy Research, January 2020

⁹ CNBC, "Klarna valuation plunges 85% to \$6.7 billion as 'buy now, pay later' hype fades", July 2022. <https://www.cnbc.com/2022/07/11/klarna-valuation-plunges-85percent-as-buy-now-pay-later-hype-fades>.

¹⁰ PYMNTS, "BNPL Regs Likely Coming Late 2022 for EU, UK But U.S. Lags Behind", July 2022. <https://www.pymnts.com/bnpl/2022/bnpl-regs-likely-coming-late-2022-for-eu-uk-but-u-s-lags-behind/>

¹¹ Fool.com, "The Ascent, Buy Now, Pay Later Services Grow in Popularity", July 2022. <https://www.fool.com/the-ascent/research/buy-now-pay-later-statistics/>

¹² Forbes.com, "Buy Now, Pay Later: The 'New' Payments Trend Generating \$100 Billion In Sales", September 2021: <https://www.forbes.com/sites/ronshevlin/2021/09/07/buy-now-pay-later-the-new-payments-trend-generating-100-billion-in-sales/?sh=68469e3e2ffe>