

P03 The payments industry is in flux as smartphones revolutionise how we pay

P07 Banks are reasserting themselves in the payments sector by building up trust

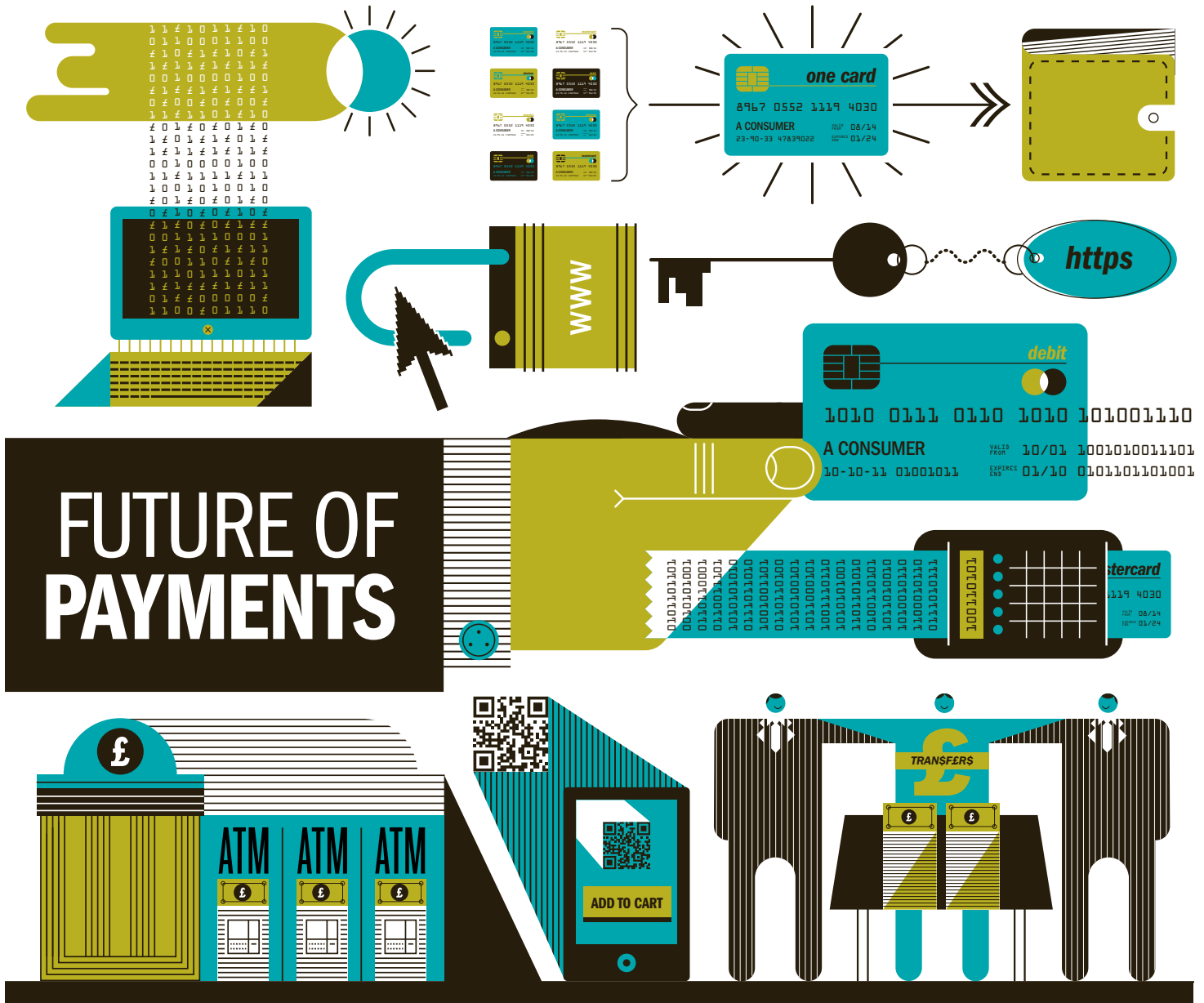
P12 Beauty industry boss Joel Palix shares his company's online strategy



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FUTURE OF PAYMENTS
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P03



Overview



CASHING IN ON THE CHANGING CHECKOUT

\$1.3trn+

forecast value of global mobile payment transactions by 2020

Source: Juniper Research 2013

50%

rise forecast in the number of goods purchased remotely via their mobile handsets by 2016

Source: Juniper Research 2013

The payments industry is in flux as smartphone technology revolutionises the way we pay, and presents new opportunities for business leaders, retailers and consumers alike, writes Nic Fildes

The cashier waltzes, like the paperless office, is one of those concepts that has been discussed ad infinitum yet still appears to be a long way from becoming reality. For all the leaps forward in terms of technology, from our mobile devices to the embedded use of smartphones to the plethora of chip-and-PIN apps and attachments vying for the attention of small businesses, most of us still have wallets stuffed with coins and notes that we exchange every day.

Yet, why are retailers, mobile processors so determined to do away with cash at a time when the Bank of England is introducing fancy new £2-sided pound coins and putting Jane Austen on the £10 note? We've, for example, has sucked up the £100 million in cash that Tesco returned a £25 million loss the first year, which sounds like a tough going. The answer is two-fold: efficiency and opportunity. Tesco has estimated that it is six seconds quicker to process a transaction by waiting for a customer to insert a coin or waiting for a PIN number into the terminal. Six seconds sounds like a marginal improvement, however it could have a profound impact on the length of queues, not just at the supermarket but at coffee shops, petrol stations, and anywhere you find lines of angry, impatient consumers.

Happier customers tend to return, but there are also clear benefits for the 958 million monthly transac-

tions made via plastic every month. Thus it is apparent that, as the technology becomes easier to use, more secure and trusted, and more widely deployed by retailers at the point of sale, existing technology, they have already use, such as a basic card or smartphone or the mobile app versions of chip-and-PIN.

Yet, why are retailers, mobile processors so determined to do away with cash at a time when the Bank of England is introducing fancy new £2-sided pound coins and putting Jane Austen on the £10 note? We've, for example, has sucked up the £100 million in cash that Tesco returned a £25 million loss the first year, which sounds like a tough going. The answer is two-fold: efficiency and opportunity. Tesco has estimated that it is six seconds quicker to process a transaction by waiting for a customer to insert a coin or waiting for a PIN number into the terminal. Six seconds sounds like a marginal improvement, however it could have a profound impact on the length of queues, not just at the supermarket but at coffee shops, petrol stations, and anywhere you find lines of angry, impatient consumers.

Work still needs to be done to convince consumers that plastic transactions with no PIN are secure. The answer is two-fold: efficiency and opportunity. Tesco has estimated that it is six seconds quicker to process a transaction by waiting for a customer to insert a coin or waiting for a PIN number into the terminal. Six seconds sounds like a marginal improvement, however it could have a profound impact on the length of queues, not just at the supermarket but at coffee shops, petrol stations, and anywhere you find lines of angry, impatient consumers.

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to couple loyalty schemes, such as Nectar and Tesco's Clubcard, and eventually out costs by reducing the number of deductions and people working at them. That doesn't just apply to retail but to any business that has a point of sale. A MasterCard has been named a European survey and found that merchants in France, Germany, Britain and Poland overwhelmingly regarded mobile point-of-sales systems as a key selling point. Half in Germany believed it would increase sales. Small businesses said it would also increase cash flow, the lifeblood of any micro-business.

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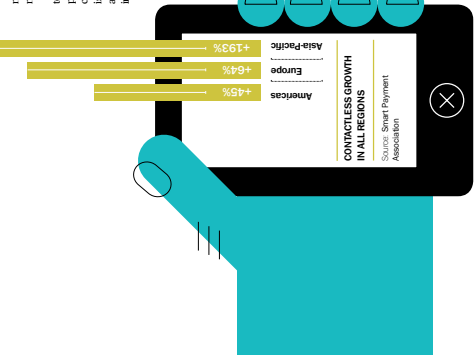
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NEVER LEAVE CUSTOMERS WAITING TO PAY

Innovative methods of payment can drive growth among smaller businesses, as Charles Orton-Jones reports



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This summer will see an absurd phenomenon. The sun will shine, the temperature will soar and, at music festivals, you'll see people using their smartphones to scan the QR codes on the back of their credit cards. Customers will stand in line for hours, waiting to be served, but no one will be taking any cash.

Traditionally, the same is true at pretty much any store you walk into. Customers want to pay as fast as possible. Instead they need to stand in line. Online it's worse. They may have a few minutes to wait, but no one will be taking any cash.

Fortunately, there is a deluge of new technology to make sure you never lose another customer. The solution is to use a smartphone to make the payment in-store. The high street convenience store co-operative Nisa is trialling the new Mint Checkout app produced by Retail Merchants.

Barcode using the camera on their smartphone. When they are ready to complete their purchases, the phone generates a final barcode which is read by the store's scanner on the way out. The app is linked to the customer's bank account and they can pay for their needs no extra input from the customer.

The fee? Compared to credit card fees of 2.5 per cent per transaction, Mint Checkout takes 1.5 per cent. The app is targeted at small and medium-sized enterprises (SMEs) that lack the resources to manage multiple tills or expensive swipes in demand creating queues. A merchant app has been developed for purchasing goods directly from billboards and ad-

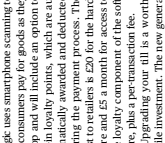
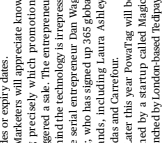
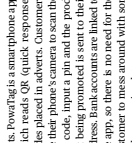
British retailers are set up to handle Chinese orders. Samsung, Tesco and OSA use CompuTag Payments for global payment processing.

China's leading payment scheme for e-commerce in China is Alipay which is part of the Alibaba Group who run B2C (business-to-consumer) and C2C (consumer-to-consumer) online marketplaces.

Alipay is very much comparable to PayPal. It claims to process up to 34 million payment transactions per day. Given that Europe only counts about 20 million transactions per day, Alipay is processing more than twice as many transactions as Europe.

MyChiefs adds that selling to the masses needs the same thing. "The German consumer expects options that include credit card, debit card and PayPal, as well as payment methods such as girotopp or immediate transfer," he says.

With such a plethora of options, they all have in common is they can be delivered via multiple platforms. The growth of contactless payments in Europe, which currently stands at 220 per cent annually, is a clear pointer that this technology is rapidly achieving traction.



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UNIVERSAL SYSTEMS

Electronic payments are accelerating. According to the UK Cards Association, in March UK consumers spent £109 million using contactless payments. Bankers are so fixated on these payments which service provider to partner can be difficult.

The acute challenge for those businesses investing in electronic payment services today is balancing the customer experience with the cost of the technology. "The mobile economy is evolving at an even faster rate than expected and by 2017 it will be valued at \$31 trillion, \$200 billion more than the \$29 trillion VisaGroup forecast in October 2012," says Dave Howell.

New payment initiatives from the banks, such as Pym, could be disrupted as they expose large proportions of the population to electronic payments and safe, secure, fast and convenient mobile payment methods. The Middle East and Africa at Thomson, says: "In February, the mobile economy is expected to be valued at \$31 trillion, \$200 billion more than the \$29 trillion VisaGroup forecast in October 2012."

The growth of contactless payments in Europe, which currently stands at 220 per cent annually, is a clear pointer that this technology is rapidly achieving traction.

The recent partnership between operators and MasterCard, dubbed Wave, is telling in that it offers a payment method that is not only contactless but also mobile. MasterCard's vision of a world beyond cash, maps neatly on to our own vision of a world powered by mobile," says Wave chief executive David Swar.

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With a fog of electronic payment options, which platform will become dominant is unclear. What is certain, however, is any economy that wishes to remain vibrant must move towards more ubiquitous, frictionless payment systems, writes Dave Howell

Bank concludes: "If card payments increase by 21 million, which corresponds to an increase in the card penetration ratio of 12 per cent in comparison with the previous year, the GDP will grow by 0.07 per cent or about 65 million."

Researcher at economist's organization Global Insight go further and say that a move to frictionless payments can offer potential savings of 1 per cent of GDP annually. Increase of transactions by 10 per cent could result in 0.5 per cent of additional real consumer spending, says Global Insight.

A Visa International Global Insight report concludes: "Real economic growth is being supported by the combination of technology, capital, market labour resources and entrepreneurship - all real economic factors. But real economic transactions and payments cannot take place without an efficient, interoperable payment system. Facilitating the growth process and electronic payments are critical to that it is in the economic interests of all countries."

Familiarity breeds confidence in consumers. It is vital for consumers and businesses alike to keep their eyes on the ground. The success of several apps from various vendors, breeding confusion, when it is time to pay, is therefore essential for national economic growth.

The Payments Council's Pay Your Way in 2015 report concludes that 42 per cent of UK consumers believe they won't need a wallet or purse by 2025. More than half believe they will be paying by fingerprint scan.

Allowing electronic payments has become a competitive differentiator for economic performance and efficiency in all nation states that have adopted these systems. On a macro-economic level, the European Central

WILL AID GROWTH

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Commercial Feature

Blending new and old

Financial institutions need to support traditional payment mechanisms while moving to embrace new digital channels demanded by customers – having the right technology in place is essential



David Cook, payments lead, Fiserv

In today's hyper-connected world, where consumers and businesses alike are looking for the next best thing, financial institutions are being driven to evolve. They are embracing increasingly sophisticated digital channels and payment methods. They are supporting existing methods for payments, banking and commerce, while at the same time aiming to take advantage of all the opportunities presented by mobile devices and mobile apps. To lead and refine the delivery of financial services, financial institutions must create a technology roadmap that not only maximises return on investment and increases total cost of operations, but also enhances the customer experience for the end customer. In addition, those who lead the charge must ensure high adoption rates of the new technologies and channels which they invest.

The evolution of mobile banking from a niche service to a mainstream offering is most certain, and it is here that financial institutions are increasingly looking to differentiate themselves and their products. Says David Abbott, payments lead for Europe, the Middle East and Africa at Fiserv: "The mobile banking market has been diverse, applications and channels will attract clients who find it increasingly simple to change their banking supplier. Payment habits will change. Costs and processing time will reduce. All this will take place without compromising on security or data integrity."

"With differing technologies on offer and many options to pursue, the challenge for banks is to leverage their own experience and the creativity of their technology partners to produce solutions that deliver outstanding customer experiences."

As noted by banks in the UK and other countries such as Australia, India and Brazil, is managing the cost of processing paper cheques, while investing in automating and accelerating electronic funds transfers (EFT). The challenge is done through the development of low-cost national real-time payment and clearing systems. All these countries are engaged in a process designed to remove the need to deposit paper cheques at bank branches while keeping the job at hand for the customer who wants to use them.

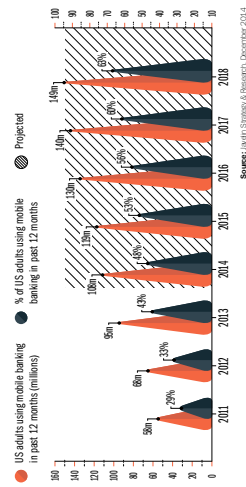
Proposals for the abolition of the venerable cheque in the UK met strong resistance from public and private sector organisations, as well as some sections of society, particularly older customers. However, the UK government is investigating the introduction of a new technology solution for electronic imaging that captures the current paper-based process. The solution enables cheques to be processed quickly and easily using mobile devices, as part of a mobile banking app.



The ability of new payment providers to set expectations and influence the behaviour of consumers is challenging financial institutions to think differently

MOBILE BANKING SERVICES CONTINUE TO GROW IN DEMAND

Forecast of US Adults' Mobile Banking Adoption 2011-2018



Source: iLearn Strategy & Research, December 2014

"The remote cheque deposit is well suited to the mobile environment. We should see the implementation of a process that combines one of the newest technologies available with one of the oldest payment instruments around," says Mr Abbott. "The 'wow' factor and viral marketing are not traditionally where non-banking cheque capture makes a huge difference when it comes to influencing customer behaviour."

This technology is creating a hybrid model as banks realise they can reduce costs and improve the overall customer experience by using capture technology with traditional payment instruments. We see this co-existence of new and old as a vital transitional step towards totally embracing the high cost of paper processing for the UK's banks," he says. "This is just one of the ways in which financial institutions can always connect mobile world can offer its stakeholders."

"We have been very active in implementing mobile deposit capture solutions in the United States, and have seen countries like Brazil, India and now the UK, start to embrace it."

Banks

Banks are reasserting themselves in the payments sector by building up trust, security and accessibility, as Dan Barnes reports

TRUST

Non-banks have squeezed themselves into the payments business. PayPal has thrived in the online market, reporting a total payment volume of \$100 billion, a 24 per cent increase year-on-year. At the point of sale, Square in the United States has gained a lot of traction since its launch in 2009, reporting a growth in annualised transaction processing to \$5 billion in 2013.

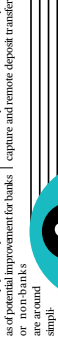
These interventions have not completely cut banks out of the market as a bank account is still typically used as a store of value, from which funds are transferred.



Revenue and loyalty

from the current account to PayPal, some of the funds that sit with the banks and feed that payment process are also starting to transition to other providers. The fact that really makes banks worry.

New operators in the payments space are launching every year; the revenue model is steady if a firm's market is high-growth, such as mobile payments. In fact, it is the macro-astronomical. In fact, it is the macro-astronomical. In fact, it is the macro-astronomical.



Revenue and loyalty

technologies, to replace the shunting of paper cheques across the country by private jet, an unwelcome model for the industry when flights were full. The technology is available and ready to go. "The technology is available and ready to go," says Mr. Leaverton. "The technology is available and ready to go."

using our remote deposit capture application to capture cheques for deposit at their local offices do have the potential for increased cash flow. The cheque images can be entered through existing payment streams and used to generate a customer statement normally offers a later deposit deadline which enables customers to capture additional cheques that could not be submitted within the same timeframe through a more traditional banking channel. These traditional banking channels have a position to grant the client faster access to the funds associated with these cheques."

Analyst firm Forrester reported that in 2012, 13 per cent of US adults, who had used mobile banking, reported that they would use mobile banking more often in the future. However, the advantages of such developments can be specific to a market.

Consumers may have fallen out of love with bankers for different reasons, but they still have a lot of trust in banks

For example, Mr. Golati notes that the perceptions of unbanked consumers in the US (10 per cent) and the UK (2 per cent), along with the geographical differences, make for different requirements around digitising paper-based payments.

Ben Green, head of mobile and digital payments at Fiserv, says: "Most of the mobile banking (consumer) base is in their late 20s."



ATM

For banks to recapture the part of the transaction process that is being lost to non-banks, an omnichannel strategy is needed. The focus must be on the way down the line.

"The whole point of omnichannel is to give the customer a choice in the way they interact with us, while being treated in exactly the same way across touchpoints, and therefore making the customer more engaged," says Mr. Green.

Understanding the Consumer

HOW TO MAXIMISE REVENUE AND LOYALTY

The payments industry has arguably never had better incentives to find more convenient ways for consumers to pay for goods and services, writes Miya Knights

Although the payments industry has long been a target for innovation, it is still much room for improvement. The current payment ecosystem, involving the consumer, merchant and acquiring banks, so that even if it may look like payments are moving faster out of the customer's account to the merchant, they're not," he says. What consumers really want is to get to the merchant as fast as possible.

MULTIPLE CARDS

Recent research carried out by Vocalink among UK consumers found that more than 50 per cent of those who use multiple cards, but only 20 per cent have been seen to abandon one card for another. The Payments Council, which guides strategy among payment institutions in the UK, found although cash still makes up the largest proportion of daily one-off transactions, it is declining. They are also finding that consumers are more likely to use debit cards, and can also use them for monitoring and budgeting. The Payments Council also found that 75 per cent of consumers used cash to pay for their most recent purchase. That proportion has now dropped to just over half.

In that time, debit cards have taken over in terms of the way consumers use their money for one-off transactions. In fact, last year the Payments Council predicted debit card spending in the UK would almost double over the next decade, total card spending projections of £204 billion from £110 billion in 2010. In fact, last year the Payments Council predicted debit card spending in the UK would almost double over the next decade, total card spending projections of £204 billion from £110 billion in 2010. In fact, last year the Payments Council predicted debit card spending in the UK would almost double over the next decade, total card spending projections of £204 billion from £110 billion in 2010.

been asking for to both initiate transactions and receive payments. In fact, the payments infrastructure provider found many consumers check their bank balance several times a day and 70 per cent of smartphone owners check their bank balance using a mobile app. It also suggests that consumers are more likely to use a mobile device to complete a purchase than a PC or tablet. In fact, 45 per cent of UK consumers said retailers have made it easier for them to use a mobile device to complete a purchase than a PC or tablet.

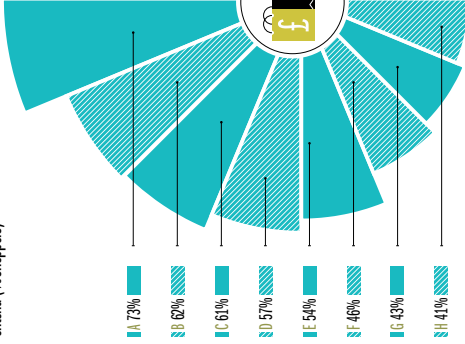
While new payment competitors may threaten the traditional role of the high street bank, research from professional services firm PwC shows that 61 per cent of consumers still trust banks with their money. In fact, 67 per cent of consumers surveyed confirm that they are more likely to adopt such services if they are provided by their bank.

PAYMENT APPS

For example, when launched in 2012, the app was downloaded by 10 million users. In fact, 18 months after it launched, it required registered users to transfer funds into its app before using it. By contrast, Barclays Bank continues to offer its payment app iBank, which is only available to its mobile numbers in order to transfer funds to each other and a selection of retailers.

Consumers want to use one single system for all purchases that also eliminates the need to share bank details with merchants

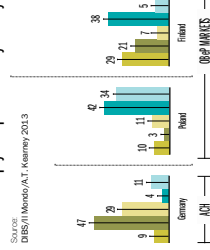
Most appealing transaction criteria (%shoppers)



Source: Cargemini

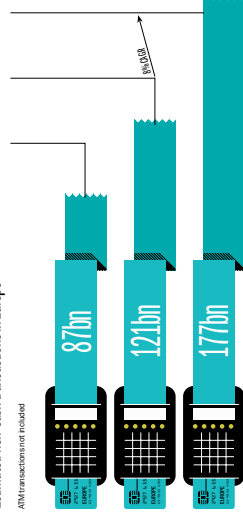
E-COMMERCE PAYMENT CHOICES

E-commerce payment preferences by country



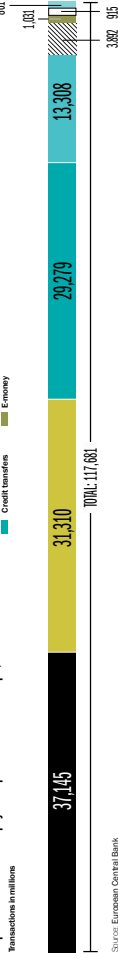
Source: DBS/Visa/Movisto/A.T. Kearney 2013

Estimated non-cash transactions in Europe

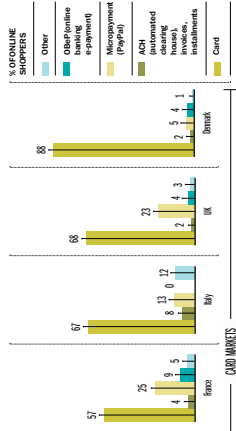


Source: A.T. Kearney

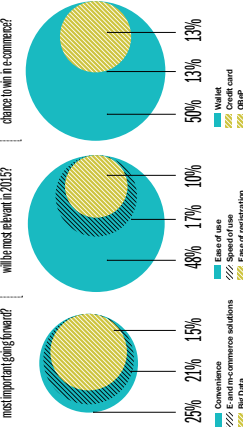
Expected e-commerce payment preferences in Europe, 2014



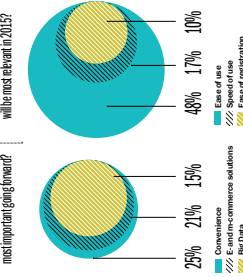
Source: European Central Bank



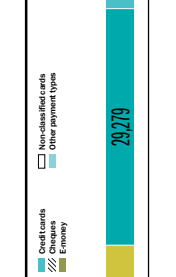
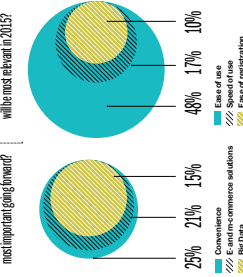
Which solution stands the best chance to win in e-commerce?



Which aspect of payment convenience will most impact e-commerce?



Which payment technologies are most important going forward?



Source: European Central Bank

Other providers looking to crack the mobile payments market include Orange's Quick Tap, Moneto and PayPal. But even the PayPal scheme, despite its recent partnership with Samsung to use biometric identification for authentication, is still a long way from being a dominant force in the market. In fact, the Payments Council's research shows that 61 per cent of consumers still trust banks with their money. In fact, 67 per cent of consumers surveyed confirm that they are more likely to adopt such services if they are provided by their bank.

mobile manufacturers, the underlying wireless communications infrastructure and its standards. Analyst firm Ovum flags up the slow adoption of near-field communications, for example, citing challenges in terms of security, developers and integration. Edem Zoller, principal analyst with Ovum's consumer practice, says consumers will not adopt multiple digital wallets. "The best positioned will

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Beyond the Transaction

PAYMENT DATA DELIVERS

Electronic payment systems are an asset that any business can use to drive loyalty and deliver a deeper understanding of their customers, as Dave Howell reports

Loyalty as a business advantage cannot be overstated. Just a 5 per cent increase in the number of loyal customers can improve turnover by as much as 90 per cent, according to the Harvard Business Review.

Electronic payment systems have a basis of data that can be acted upon, but it's the ability to tailor a customer relationship that offers the most power.

As Philip McLaugh, chief executive of the mobile payments firm, says: "Data drives relevancy, which drives consumer purchase. Electronic payments can provide valuable insight and data analytics, which can help provide improved personalisation, relevancy and services offered to consumers."

The granular view of consumer spending that electronic systems provide can be applied by any business to gain a 360-degree view of their customers that, on a practical level, produces rich data that can be acted upon. This data enables enterprises to see customer preferences, why they buy next and why they recommend one product or service over another.

"The big data era brings the analytics of the now," says the vice president of enterprise information management, at Capgemini. "Real time insights about each customer are based on analytics that include machine learning techniques on very large datasets of granular payment data."

"The granular data buys the foundation for mass personalisation in the digital age. As each transaction is processed, it is analysed to provide inputs about campaign effectiveness, brand loyalty, changing spending habits and profit or loss."

Shane Fitzpatrick, president and managing director of Chase Paymentech, says that this data can be used to require a combination of business acumen, analytical creativity and technical expertise. By developing the right processes and culture, businesses can identify where the real value lies within its data.

Uber that has developed an app, which not only allows users to manage their travel, but also make payments seamlessly. This level of integration is evolving for the entire retail sector which will eventually be processed through the cloud.

Starbucks, for example, claim to be using predictive analytics on other sales data, a slice of their consumer profile information from social media, for instance, to gain commercial insights into how why and where customers shop.

"Starbucks, for example, claim to be using predictive analytics on other sales data, a slice of their consumer profile information from social media, for instance, to gain commercial insights into how why and where customers shop."

Current electronic payment systems may offer a somewhat futuristic approach to data analysis. They are able to show consumer purchasing history, but few can analyse in depth why a consumer bought an item or how they felt about the purchase, as it takes several data sources and combines them with payment information to give insight into consumer behaviour that has not been possible for retailers in the past.

And how this data can be used as a basis for adding value to services is one of the core of what electronic payment data can offer. The merging of key data sets, including geospatial and geo-demographic data, is creating an environment that, when analysed, results in customer profiling that can direct real-world promotions and campaigns.

Ones to Watch

HOT NEW STARTUPS

It's easy to forget that PayPal, now arguably the dominant online payment system, was an obscure brand at the turn of the century. No wonder that a host of companies, from banks to telecoms companies to traditional payment processors, are desperate to crack the next wave of innovation which is likely to be pioneered by a startup company with a different take on how consumers want to pay in the future. Nic Fildes has our five hottest ones to watch

PAULEXER
About 20 years ago, built his main income from a range of niche and growth agenda despite being major investors on board. It now has 350 banks on its books, a cash war chest of £100 million to pursue its global ambitions and has even won over risk-averse investors.

WHAT THEY DO
Chip and PIN system for smartphones.

WHY THEY ARE ONE TO WATCH
This young company was developed in Berlin-Rocket Internet incubator just as Square and Zetix started to disrupt the market for chip-and-PIN systems.

COIN
Plastic card that merges credit, debit and loyalty cards. Coin won't launch until the end of 2014 but it has caught the imagination in Silicon Valley. The coin card replicates the data held on electronic strips on up to eight debit, credit or loyalty cards and allows users to switch between them on the fly. Coin's former head of Google Wallet, Ian Squire, is Square's Jack Dorsey.

TRANSFERSIVE
International transfer service. Peer Tilled, the PayPal co-founder who sold his share of the company for £4 million on the way, has set up Transfersive on the map when he invested in the then-obscure startup last year. It was set up to help peer-to-peer networks to transfer money at a better rate than banks. The company is an eye-catching marketing campaign on London has steps to raise its profile, while also reaching out to other startups with free transfers. It has already processed £1 billion of funds and saved its customers £4.8 million in the process.

POWA TECH PROLOGIES
Smartphone payment processing and augmented reality. Mr Wagner believes will provide a glimpse into the future of real money in the world.

WHAT THEY DO
Software used by banks to enable mobile payments and accounts.

WHY THEY ARE ONE TO WATCH
Mr Wagner believes will provide a glimpse into the future of real money in the world.

MONITISE
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WHAT THEY DO
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Commercial Feature

Favourites for world payments in Brazil...

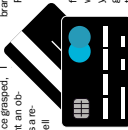
When you sell in Brazil, you need a partner with real local knowledge, says Souheil Badran

Digital River has been facilitating payments for 20 years, with more than a decade in Brazil. From our office in São Paulo, we help some of the most thriving across Latin America, particularly in Brazil. In addition to e-commerce and e-marketing, digital payments is one of our primary areas of expertise. As a result, we have developed a range of services, so you can start accepting payments from customers no matter what their preferred payment method or where in the world they are located.

From our office in São Paulo, we help some major brands thrive across Latin America, particularly in Brazil

We also offer practical advice based on our long experience in local markets. In Brazil, we can help you deal with legalities, help you process and manage payments over 180 currencies, and offer local payment options, including credit cards, boleto, and local payment options. A selection of payments customers includes Expedia.com, Honda, PayPal, Subway, and Wal.com. If you are looking for more information, please contact our sales team at www.digitalriver.com.

Read more on Brazil on our blog at bit.ly/digitalriverbr or by scanning the QR code



If you are looking for a high new market to crack, you'll struggle to find any where more attractive than Brazil. It is the fifth largest country in the world, has the sixth largest population and is seventh in terms of internet usage. E-commerce is developing at a rapid rate, with 100 million users in Brazil alone. The perfect timing of our market is perfect for our business model. In fact, you may be trading in Brazil without really realising it. Brazilians love shopping overseas and are happy to use their credit cards to make their purchases. So what do you need to know in order to make the most of Brazil?

First, you need to master the local quirks. Take the concept of credit. In the UK, if a customer wants to buy a laptop on credit for £1,200, they'll be asked to pay the first £300 in cash. In Brazil, the customer pays by instalments. The customer might pay £50 a month over two years, interest free. If you don't accept payments by instalments, you'll be leaving money on the table.

Secondly, you need to master the local tax and legal landscape. There are two types of tax on imports, and two varieties of taxes for imported goods. For transactions executed in a foreign currency cross-border, the cardholder will be charged 3.85 per cent. Financial operations tax of 0.5%.

Thirdly, you need to master the local market. In Brazil, the most interesting time in the world to complete, in truth, once grasped, the tax won't present an obstacle, but they serve as a reminder that when you sell in Brazil, you need a partner with real local knowledge.

\$30bn

in online transactions processed in 2013

Souheil Badran is the senior vice president and general manager of Digital River, a leading provider of global payments strategy, including strategic development, sales and marketing, product management, operations, mergers and acquisitions.

Through Digital River, World Payments has processed more than 180 currencies, and local payment options, including credit cards, boleto, and local payment options.

A selection of payments customers includes Expedia.com, Honda, PayPal, Subway, and Wal.com. If you are looking for more information, please contact our sales team at www.digitalriver.com.

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Beauty industry boss Joel Palix tells Edwin Smith of his company's online strategy

ONLINE BEAUTY FEELS UNIQUE



There are some similarities between the online and physical worlds, but Edwin Smith chief executive of Palix & Co.

"From time to time you need to make a significant investment and completely renovate your store," he says. "But in the digital world, the beauty retailer, the decision is already made to pay the dividends. The company's website was totally revamped towards the end of last year to provide a seamless experience that is tailored to each consumer, no matter whether they're using a desktop or a mobile device."

By the time of the busy post-Christmas sales, more than half of all traffic and sales on the site was coming from mobile or tablet devices; just ten months previously the proportion had been less than a third. "We are now at some of the biggest players in the beauty industry all over Europe, including Clinique and Yves Saint Laurent Beauté," says that changes to the site and mobile strategies were partly driven by the company's own research.

Some 85 per cent of purchases from L'Oréal Paris are made by women and the company's own research shows that women are 20 per cent more likely to use a mobile device to buy online. "For any e-commerce site, mobile is just an option," says Mr Palix. "But for us, it will be an absolute must."

However, statistics from a recent study by IMRG, the UK's online retail industry body, suggest that many of L'Oréal's peers are lagging behind. Some 27 per cent of retailers have a mobile-optimised website. That figure rises to 43 per cent among online-only retailers.

And there is much at stake. A study by the Centre for Retail Research forecast online retail sales to increase by 62 per cent in 2014, reaching a total value of £7.92 billion. That's 176 per cent of all UK online retail sales.

It's all far from Mr Palix's perspective of e-commerce, launched in 1999 in the form of the first days of the online retail revolution. Back then, he says, most of the people who shopped online were "geeks shopping for electronics from home." L'Oréal Paris' offering is shaped by different trends. Mr Palix offers trends that, while the site's traffic trends to show two peaks, one in the morning and then again in

the evening. It's during the evening hours that the majority of purchases are made. "This type of 'browse and buy' behaviour has been characterised as "aim to purchase" moments" later in the day. "Purchase moments" happen in the morning before "purchase moments" later in the day.

The company's assessment of consumer behaviour shows that, despite migrating away from bricks-and-mortar over the last 15 years, retail has not lost its social element. The discussions have merely begun to happen in a different way.

Mr Palix says shoppers are increasingly using mobile devices to purchase products online - often using their mobile devices - to sound out friends, and be reassured their decision to buy is a good one. They might then actually make a purchase later in the day, using a different device. "The distinction between the online and mobile offering was to provide a smooth, user-friendly experience that reflects shoppers' habits. "More and more we're trying to offer a seamless journey," he says. "So what can be easily accessible on mobile devices. We try to create an environment that is more personalised."

Out of offices P14

As the leading player in its sector and a company that sells the majority of its products to customers through its mobile app, L'Oréal Paris perhaps surprising that L'Oréal doesn't have an app. Mr Palix acknowledges this, but stresses that, if and when the company does decide to launch one, it will be on his own terms. "I've always talked about this internally," he says. "But we need to reach an agreement about what the killer app would be. We like to achieve excellence in everything we do, so we are not going to do an app just for the sake of doing an app."

Mr Palix says the company has at least two bricks-and-mortar stores, in Gorseway and Jersey. Mr Palix says they are the consequence of "selective distribution agreements" that the company must strike with brands. In order to stock certain brands, L'Oréal Paris has had to be pledged omnichannel concern.

Looking to the future, he expects the way that L'Oréal's customers pay for their purchases to remain

relatively stable. Innovations, such as mobile payments, will continue to drive us to being used on a large scale. Conversely, he predicts there will be changes in the way people interact with the site and the type of mobile devices they use.

MOBILE SITE
"In terms of mobile, I think e-commerce players will see big transformations because the devices will continuously evolve. Maybe at some point you will have an augmented reality screen whereby your mobile will be able to project images as big as the size of your screen. The concept of a mobile site might one day become obsolete - that could be transferential," he says.

In fact, while mobile devices are particularly suited to use in some contexts, the distinction between the mobile and desktop is already starting to dissolve. "Mobile is just perfect for certain situations. If you know the type of product you want and you just want to reorder it - that's very simple to do on a mobile device. But when you're researching the products or asking friends, you can use it during your morning time when that's the type of thing you have in your hand. But I really see mobile as just one of the device people use," he adds.

For Mr Palix, the best mobile experience is one that is personalised, holistic, cohesive view of how a company interacts with its customers. And that should be driven by one overriding consideration. "As a retailer, we want to do an every device possible," he says. "Because our goal is to make the customer's life as easy as possible."



Shoppers are increasingly sharing links and pictures of products online to sound out friends, and be reassured their decision to buy is a good one

Global emergence of real-time payments

The UK's Faster Payments Service and Singapore's FAST are the blueprints for worldwide adoption of real-time payments says Marc Terry, managing director, commercial services at Vocalink



High cash volumes, some obsolescence of legacy payment methods and a number of regulatory changes in Australia is looking to implement a new payments platform and the United States recently announced it is in the industry consultation phase. "We're looking to see how we can increase clarity and transparency, and ensure that the system is fit for purpose," says Terry. "We're also looking to see how we can ensure that the system is fit for purpose."

CREATING THE BLUEPRINT
Vocalink, the UK-based international payment systems provider that developed the UK's Faster Payments Service, believes that countries looking to adopt a real-time payments solution should, in the first instance, develop a clear regulatory framework. "It's important to have a clear roadmap to provide a clear guide on how they plan to offer payment services to consumers, businesses, merchants and government."

In addition, any plan should ensure that the core principles of payments are consistent. "We're looking to see how we can ensure that the system is fit for purpose," says Terry. "We're also looking to see how we can ensure that the system is fit for purpose."

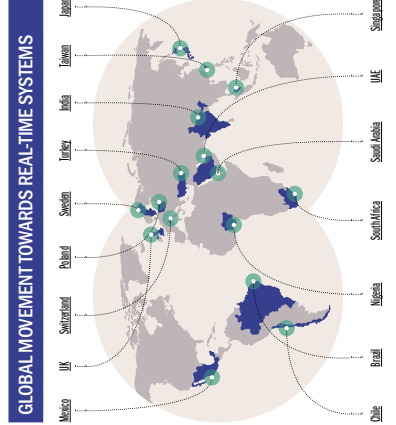
Elsewhere, South Korea is advanced in terms of mature mobile payments services, while countries in Latin America are looking for a regulatory framework for innovation. Still, there is some way to go to overcome a fragmented payments ecosystem, with

Vocalink, in partnership with BCS Information Systems (BIS), the Singapore-based leading payments solution provider, were chosen to overhaul the payments landscape in Singapore by supplying a new and innovative real-time payments platform. "We're looking to see how we can increase clarity and transparency, and ensure that the system is fit for purpose," says Terry. "We're also looking to see how we can ensure that the system is fit for purpose."

The latter was particularly important as it demonstrated a tacit acceptance that the payments standard should be based on ISO 20022 messaging standard. "It's important to have a clear roadmap to provide a clear guide on how they plan to offer payment services to consumers, businesses, merchants and government."

Looking back on the project, Ficky Lim, managing director at BCS, comments: "It is encouraging to see that so many transactions were already being processed using the technology."

As consumers across the globe adopt a 24/7 mobile lifestyle, it is critical that the underlying payments infrastructure is capable of meeting the technological demands of the digital age



There is also enormous scope to grow digital services within the parameters of ISO 20022 which FAST uses. "Singapore has become the new benchmark, a blueprint for how real-time payment systems such as Faster Payments could be implemented around the world."

WHAT DOES THE FUTURE LOOK LIKE?
As demand increases and global economies explore the benefits of real-time payments, Singapore is expected to become a global leader in the adoption of real-time payments. "We're looking to see how we can ensure that the system is fit for purpose," says Terry. "We're also looking to see how we can ensure that the system is fit for purpose."

To find out more, please contact Edwin Smith, Managing Director, Commercial Services at Vocalink: 0870 920 8651 or Deborah.Souter@vocalink.com

Emerging Markets

OUT OF AFRICA

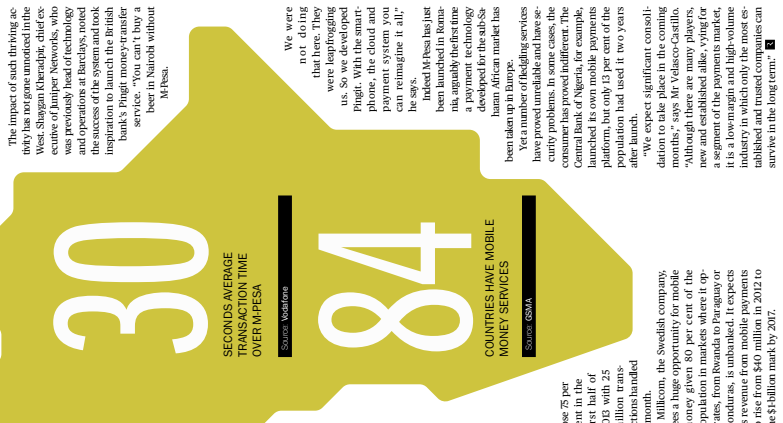
The mobile banking revolution in Africa offers a blueprint for service providers to empower the more than one billion people in other emerging markets, who have cell phones but no bank accounts, as Nic Fildes reports

There should have been no surprise that the breakthrough in mobile payments emanated from the Valley. It was not Silicon Valley and not California's Silicon Valley that pioneered a behavioural change which even the most sceptical Westerners are only starting to adapt.

The mobile banking revolution in Africa is a stark contrast to the banking infrastructure we find in the economy in many countries where citizens have been unable to get loans, even tiny amounts of debt, due to the lack of banking services.

plates in churches and is now used to distribute aid money to people who really need it. Soldiers in the Congo are being paid straight to their bank accounts. In the US, we used their had not been receiving a full salary, when it was paid in cash, causing tension in the ranks. Mobile payment systems have also been used to trap kidnappers, who demanded to be paid straight to their bank accounts.

Barique Velasco-Castillo, an analyst with Analysis Mason, says: "M-Pesa solved a critical need for people in some emerging markets - the ability to send money to family or friends in other parts of the world by means of their mobile phones."



A QUESTION OF REGULATION AND SECURITY

Opinion



TOM WAINWRIGHT
CHIEF EXECUTIVE OF
THE CITY TREASURY AND
TRADE SOLUTIONS

With many areas of banking now being subject to ever-increasing levels of regulation, it is not only to know what is coming down the pike, but rather essential to the survival of the business.

There are a number of key challenges that we see in the payments industry. First, the regulatory environment is becoming increasingly complex and uncertain. This is particularly true in the UK, where the Financial Conduct Authority (FCA) has introduced a range of new rules and guidance.



ADRIAN KAMBELLA
CHIEF EXECUTIVE OF
THE PAYMENTS COUNCIL

Because of the complexity of payments, it makes sense that education and communication is undertaken on a collaborative basis across the industry. Every payment intrinsically involves two parties, and customers expect this regardless of the channel and the service.

What goes on behind the scenes will have to match these expectations. This is why it is so important to have a consistent and clear set of standards and common standards across the board.

A collaborative approach helps prevent payments strategies diverging in silos and enables solutions to be considered that could potentially address some of the key problems in the industry.



ANDREA LEADSON
ECONOMIC SECRETARY
TO THE TREASURY

Payment systems enable a huge number of vital activities in our lives, from receiving our salaries, to writing cheques to charities, to putting in place the deposit on a new home.

The government has taken action by creating a new Payment Systems Regulator, under the Financial Conduct Authority (FCA), on April 1 this year.

The work the Treasury is doing to have the option of depositing a cheque by photographing it on their smartphone, rather than having to queue at a branch.

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PROTECTING ONLINE TRANSACTIONS

"There can be a lot of danger in internet transactions," says CEO Andy Kwajala. "AllredWallet's mission is to provide a safe environment for people to make online payments. We do this by providing a secure, reliable, and easy-to-use platform that offers maximum security and the finest functionality."

Whether you are in the low, medium or high risk sector, AllredWallet has the skills, network and passion to help businesses maximise their potential and increase sales and profitability.

Our buzzword for 2014 is collaboration - on all levels, to ensure the industry is working together to address the priority of customer data as innovations in location-sensitive marketing are combined with new ways of paying.

Looking ahead, the emergence of new organisations providing payments will change existing payment models. This will put pressure on existing providers to put pressure to communicate changing regulatory frameworks.

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