

Future of payments? Phone will set the tone

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Consumers have grown accustomed to real-time experiences in their everyday lives — making connections, downloading music, managing travel. In this fast-paced reality where information needs are often satisfied instantaneously, consumers now demand the same immediacy from their financial institutions.

The latest Expectations & Experiences: Household Finances quarterly consumer trends survey from Fiserv, released in February 2017, found that whether they're financially comfortable or struggling, people are looking for tools that make moving and managing money convenient and enable them to take control of their financial lives.

The shift towards self-service in mobile channels continues to mature, particularly among millennials; over a 30-day period, millennials accessed their financial organization via mobile app or browser 8.5 times on average versus 3.1 times for non-millennials. Millennials are a useful barometer of future trends because the demographic is growing.

Trending forward

Mobile payment options, including digital wallet capabilities, are increasingly accepted by merchants and the younger generation is more inclined to think about a mobile wallet – a trend we will continue to see as consumers are depending more and more on their phones. According to a Javelin report released in summer 2016, almost one in every two dollars spent online will come from online purchases made using a mobile device by 2020, fueled by factors including increasing reliance on mobile devices.

Using a mobile wallet to make a purchase in an app or browser has the appeal of a more seamless experience – as a mobile wallet eliminates the need to enter name, address, email and card information – and for in-store purchases a mobile wallet transaction can often be faster than a card transaction. With consumers making more financial transactions on their phones, it is a must for financial institutions to invest in a strong overarching mobile strategy.

Security measures

No longer do we live in a "swipe only" point-of-sale world. Though consumers are clamoring for convenience they still, understandably, seek security — 81 percent would choose security over convenience, according to the Fiserv research. Mobile payments are perceived to be among the least secure forms of payment; however, this is a myth that must be corrected as mobile payments are in fact secure.

Using a mobile phone to make a transaction has a number of benefits, including that it is a highly secure transaction because the card number is tokenized and tied to the actual phone. The traditional payment card Primary Account Number (PAN) is replaced with a unique numeric digital token that is associated with the device from which the transaction is made, so if the token is stolen, it cannot be used without the associated mobile phone.

High security coupled with convenience make using a mobile wallet to make a purchase in an app or browser a better overall consumer experience.

One-two punch to fraudsters

Consumers are extremely interested in mobile tools that enhance security – programs to safeguard mobile activity and biometrics to replace passwords and PINs for online and mobile banking top the list.

Financial institutions can also envisage a world where they can rely more and more on their engaged consumers to be an active partner in the fight against fraud. Mobile apps are now available that send real-time alerts to a cardholder each time their card is used, along with other features including the ability to turn off a card when it is not in use, restricting certain types of merchant categories and spend limits — all of which give peace of mind to the consumer.

With this "one-two punch" – a security savvy consumer armed with the digitization of payment options and mobile alerts – financial institutions are well placed to drive consumer engagement and loyalty.

Give consumers what they want

The world is going mobile, and mobile drives evolving engagement, creating a better experience which in turn keeps the card top of wallet or, as will increasingly become the case, front of phone.

Today, many of us rely on our mobile phones for practically everything and, while widespread adoption won't happen overnight being able to use our phones to make purchases and payments will translate to a dramatic shift to mobile – over half of consumers say mobile will change the way they bank in the future, and 44 percent say mobile has already done so.

To prepare, financial institutions need to enable cards to be tokenized and added to mobile wallets so when their consumers are ready for mobile payment adoption, the process works seamlessly and immediately — just as their consumers will expect.