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Payments Outlook

2021

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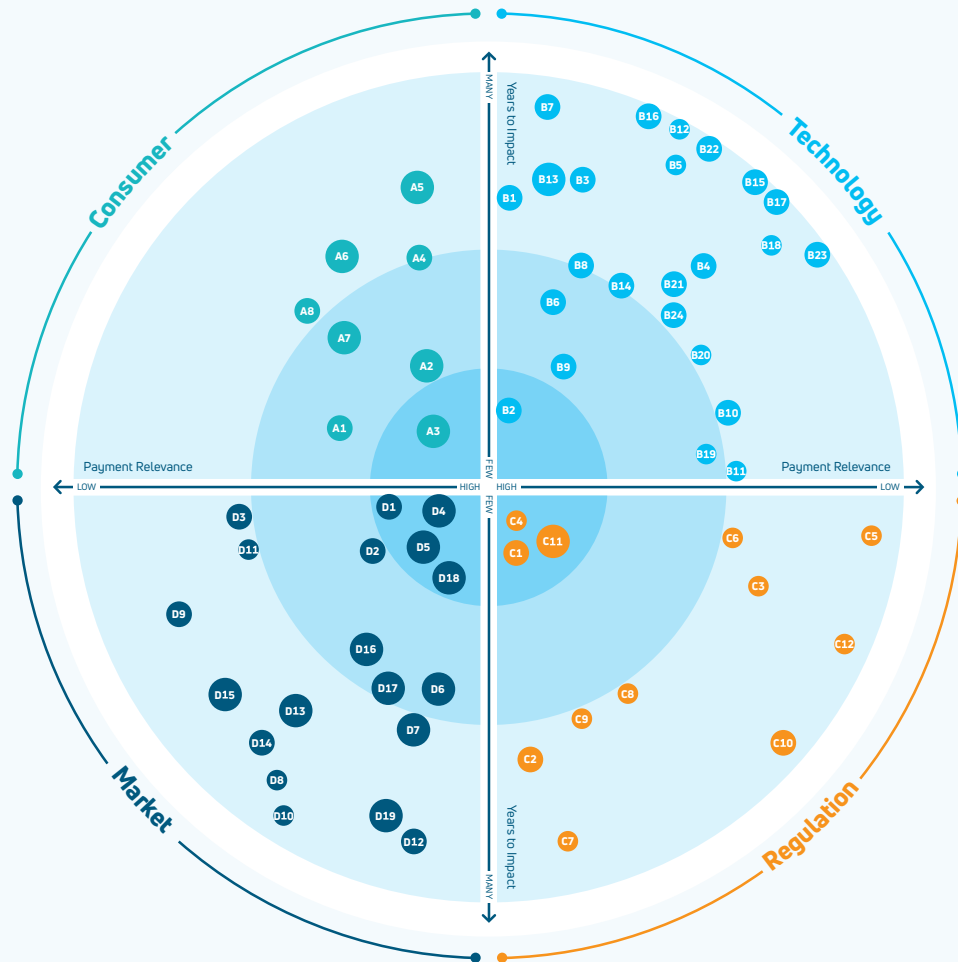
About Us



Introduction

Shortly before the world would be faced with the incredible challenge and consequences of COVID-19, we created the Payments Outlook 2020. By identifying and combining trends that would affect both merchants and the payments industry in general in the upcoming years, eight high-impact themes were formed. Bold predictions for the themes were made, but all failed to capture the major impact of the pandemic short-

ly after, illustrating why the future is close to impossible to predict. The themes of 2020 are still highly relevant, even though the pandemic has essentially transformed all aspects of society. In this follow-up edition we address the 2020 themes in light of COVID-19, from a belief that understanding the real impact and consequences will help merchants prepare for what the future may look like. One thing is for sure – the future is not what it used to be.



Radar Framework

In 2020 we developed a framework inspired by the three dimensions of design thinking. We added regulatory requirements as a fourth dimension due to their importance in the payments industry, and formed a radar. We then identified trends within each dimension, that will shape the world of payments going forward.

- **Desirability:** Consumers
- **Feasibility:** Technology
- **Viability:** Market
- **Compliance:** Regulation

Each trend is placed in one of the four dimensions and rated in terms of relevance to payments (x-axis) and years to materialise (y-axis). The bubble size is the perceived impact in relative terms of the impact of the particular trend. The closer a bubble is to the centre, the more relevant it is.

Identified trends

Consumer: **A1** Digital detox, **A2** Sharing economy, **A3** Customisation, **A4** Data minimalism, **A5** Circular economy, **A6** Health tracking, **A7** Sustainable consumerism, **A8** Sub-sub cultures

Market: **D1** Subscription economy, **D2** Online marketplace, **D3** Sustainable development goals (UN), **D4** Personalisation for the masses, **D5** Product bundling, **D6** Micro payments, **D7** Payments as a service (PaaS), **D8** Market consolidation, **D9** Strategic alliances, **D10** Cash conversion, **D11** Open banking, **D12** Omnichannel integrated experience, **D13** Circular economy, **D14** European cashless conversion, **D15** Platform economy, **D16** TechFin market entry, **D17** Account to account, **D18** Mobile wallets, **D19** Alternative payment methods

Technology: **B1** Speech recognition, **B2** Emotional recognition, **B3** Computer vision, **B4** AI in BI, **B5** AI hardware, **B6** Real time personal analytics, **B7** Brain-computer interfaces, **B8** Biometrics, **B9** Crypto wallets, **B10** Smart contracts, **B11** Edge computing, **B12** Serverless computing, **B13** Quantum computing, **B14** Neomorphic computing, **B15** Holographic and haptic interfaces, **B16** AR/VR, **B17** Wearables, **B18** Sensors and intelligent devices, **B19** Connected homes, **B20** Autonomous mobility, **B21** Micro & nano tech, **B22** Physical robots, **B23** Digital personal assistants, **B24** DLT

Regulation: **C1** GDPR, **C2** PSD3, **C3** Accessibility standards, **C4** AML5, **C5** MIFID II, **C6** Basel III, **C7** Pan-EU P2P payments, **C8** eIDAS, **C9** PSD2 in effect, **C10** AML6, **C11** SCA introduction, **C12** GDPR article 6(1) clarification, **C13** 5MLD

Themes Overview

Based on the Outlook Radar, we conducted several workshops with internal and external industry and innovation experts and transformed trends into themes. There were many discussions with many combinations being proposed, explored and analysed. Ultimately, the following themes were agreed upon for the Payments Outlook 2020.

- **Seamless Access to Funds**
- **Fluid Commerce**
- **Customised Privacy**
- **Quantified Self**
- **Simultaneous Bundling and Unbundling**
- **Decentralised Trust**
- **Responsible Consumerism**
- **Glocal Commerce**



To download the Payments Outlook 2020 edition [click here](#)

2020 Themes in 20 Seconds

As part of these themes, we stated that **seamless** ways for consumers to access funds would craft new, personalised experiences, enabling merchants to develop new touchpoints and value propositions around consumer identification. Also allowing for new ways for merchants and consumers to interact. We argued that **commerce** would increasingly become **fluid**, blending online and in-store to boost customer value. Consumers would become more empowered, leading their path to purchase and expect flawless interactions between channels.

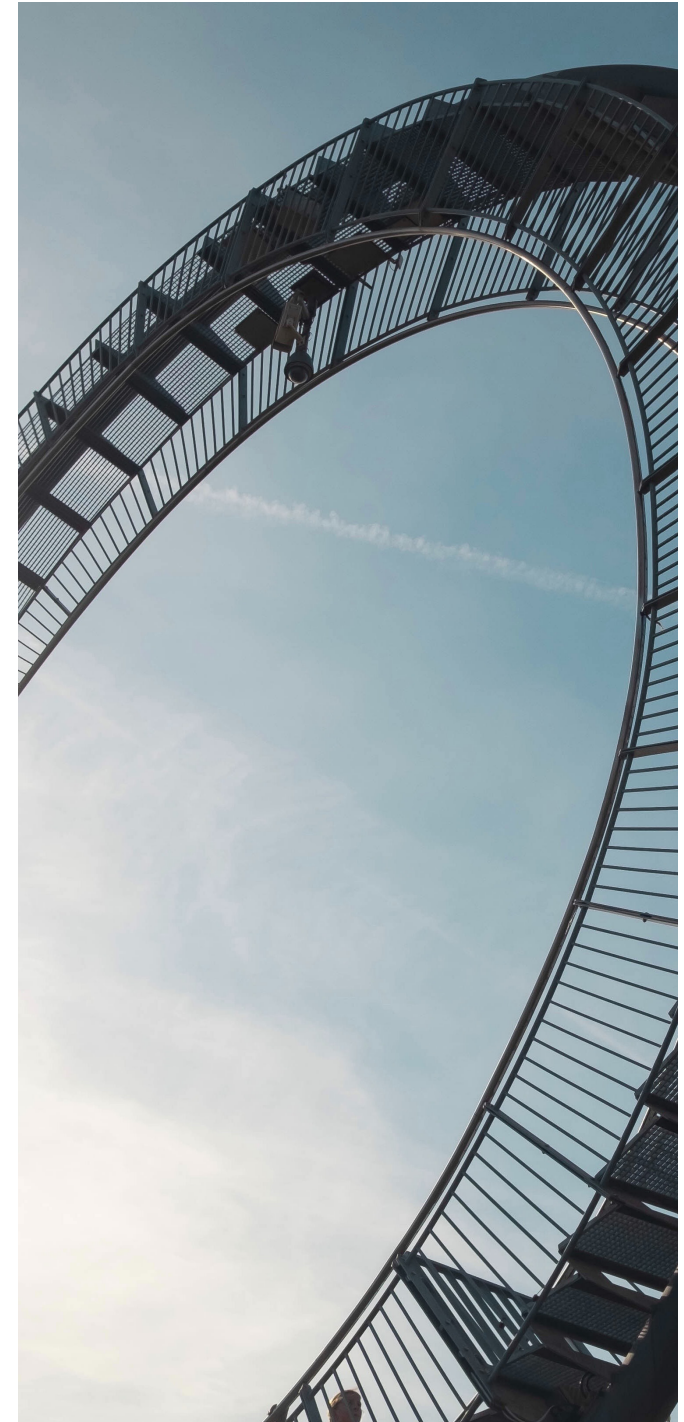
We saw that data would become fundamental to deliver seamless interactions, forcing merchants to address **privacy** concerns, which would need to be **customisable** and of real value to the consumers. We also saw an increasing trend for consumers to measure every aspect of their life in what we called **quantified self**.

We claimed that the enormous data volumes generated and used would lead to a new wave of disruption through **simultaneous bundling and unbundling** cycles. Moreover, the increasing demand for privacy, control and traceability would continue pushing investments towards blockchain technologies and systems allowing for **decentralised trust** by design.

Finally, we touched upon the increased need for companies to address the growing demand for **responsible consumerism** as to stay relevant as well as the increasing trend of **glocal consumers** who seek for local products from all corners of the world in the search for authenticity and differentiation.

All of the 2020 themes have been impacted differently by COVID-19, some seeing an accelerated relevance, while others have encountered speed bumps. The future is unpredictable, and the major shock brought by the pandemic have undoubtedly had major impact on our predictions from last year.

Buckle-up and enjoy the ride!



Executive Summary

	2020 Description	Corona Impact	Outlook
Seamless Access to Funds	The pool of available funds is expanding, and consumers expect to be able to seamlessly pay with each fund, either as stand-alone or in combination with others, with the form factor of their choosing	Due to increased need for hygienic solutions, transition to digital payment methods has further accelerated. Especially mobile and contactless payments have seen significant increases	As consumers increasingly favour card-based payments, mobile wallets and other digital payment options over cash, merchants of all sizes must adapt their offering to meet these new demands
Fluid Commerce (Unified Commerce)	Customer interactions should not only be the same across all channels, but blend seamlessly. Experience is key – physical stores can no longer be pure sales channels	Surge in e-commerce due to lockdowns will have a lasting effect. Physical retailers can leverage online experiences to optimise in-store experiences, accelerating the development of fluid commerce to benefit more consumers	Once consumers are able to return to stores, they will want to feel, touch, smell and experience more than ever before, making it even more important to offer meaningful shopping experiences
Customised Privacy	Consumers have become increasingly aware of the gold mine that is their personal data. The awareness creates a necessary trade-off for sharing, where consumers expect personalised services in return	Lockdowns forced people towards digital solutions in various areas of their daily lives. The bar for what trade-off is necessary for sharing personal data has been temporarily lowered due to lack of options	Merchants have been given a golden opportunity to show the newly digital consumers the value of personalisation offered in return for their data
Quantified Self	People are searching for tangible insights based on behavioural data to reinvent or improve themselves. Gamification engages customers on a new level	More time spent at home has pushed even more consumers to reinvent themselves, expanding the potential userbase of tracking apps and introducing many to these possibilities	The desire to quantify daily choices and consumption creates an opportunity for merchants to build strong loyalty and may position the business as part of the consumers' identity

Executive Summary

2020 Description

Ongoing digital transformation further accelerates the cycle of which services, products, and business models are bundled and unbundled, making the development more dynamic, fast and unpredictable

Corona Impact

The economic struggles, uncertainties and changes in consumer behaviour caused by COVID-19 force companies to quickly respond and adapt, further accelerating simultaneous bundling and unbundling

Outlook

The need to digitalise, cut costs and reinvent organisations will continue to affect the constant bundling and unbundling of products and services in all industries, and companies must be ready for it

Simultaneous Bundling and Unbundling

General mistrust in established private and public organisations increases demand for decentralised initiatives like distributed ledger technologies

COVID-19 has further ignited mistrust, especially towards governments and EU. Higher awareness of decentralisation possibilities is emphasised by crypto currencies' surge

The increased awareness of distributed ledger technologies could lead to broader acceptance and adoption, which merchants should prepare for

Decentralised Trust

Consumers and businesses must act responsibly to create a more sustainable product and service life cycle. Merchants should consider how to provide truly ethical and sustainable products and services

Responsible consumerism is more than sustainability. The pandemic has highlighted the need for merchants to be on 'the right side' in every aspect of their way of doing business – however ambiguous that may sound

Merchants must act responsibly, as consumers will actively ignore those who do not. Consumers will increasingly see through greenwashing, and demand transparency and openness from businesses

Responsible Consumerism

Consumers prioritise local products, but the term local has transcended its geographical meaning. Local can be across the world or just around the corner

Lockdown and the economic uncertainty here-of especially hit small businesses hard. Consumers rallied behind their local merchants to support and keep them alive

Need for truly local presence – even for global brands – has been emphasised by consumers who want to increasingly support their local communities, thereby pivoting the term Glocal in a more local direction

Glocal Consumers

Corona Insights

The COVID-19 pandemic has undoubtedly boosted and accelerated digitalisation. Numerous day-to-day tasks and processes have been moved online to address health concerns by limiting physical touchpoints and following social distancing guidelines. Our public and private behaviour has changed – and so has our collective shopping behaviour.

It should come as no surprise that the lockdowns across Europe had a dramatic initial effect on consumption. When Denmark entered lockdown for the second time in January 2020, total spending dropped by 20% compared to the same period the year before. Hardest hit was point-of-sale consumption, dropping close to 40%. On a positive note, however, it seems that consumption is fairly quick to return to normal levels once stores are permitted to open again.

Initial hit

Drop in spending during the initial week of the second Danish lockdown

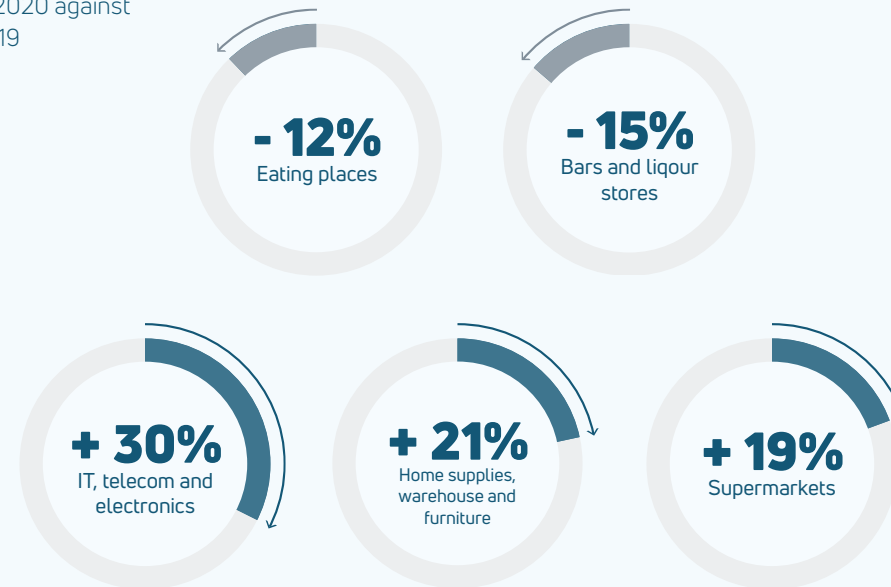
- 20% Total spending

- 40% Point-of-Sale consumption

Internal

Vertical impact

Revenue in selected verticals in second half of 2020 against second half of 2019



Nets

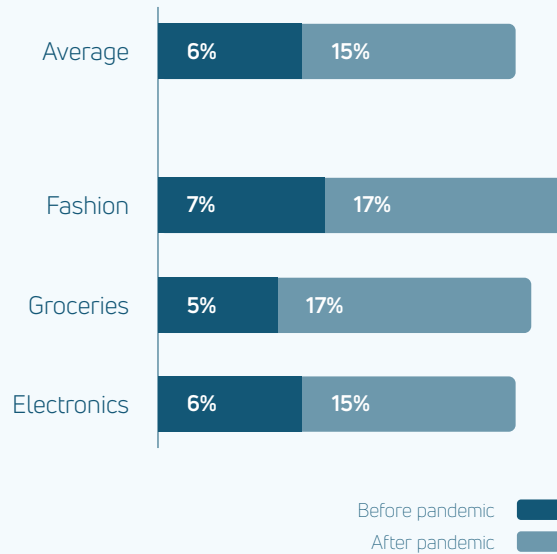
The vast economic impact of the pandemic following restrictions and lockdowns have had numerous implications on consumption. 2020 saw a major redistribution of spending, as especially the hospitality and experience industries were hit hard. Airline revenue reached only a fraction of the usual, leaving a heavy mark on hotels and other accommodations, while lockdowns through large parts of the year left only take-out options for restaurants to generate revenue. Reverseely, retail sales have been booming, where especially the growth in electronics, home supplies, warehouses, furniture, and supermarket verticals are worth highlighting.



For more insights click [here](#)
(In Danish)

Lasting e-commerce shift

Proportion of online purchases by infrequent e-commerce users



Accenture

Another significant transformation brought by the pandemic has been the shift from POS to e-commerce. Initiated by authorities' guidelines to stay home and avoid physical contact and further accelerated by shutting down businesses, the distribution of revenue on POS and e-commerce have changed dramatically. Compared to the same period of the previous year, e-commerce turnover has grown by nearly 25% in the last two quarters of 2020. While a very large part of the e-commerce growth stems from the, hopefully, temporary circumstances produced by COVID-19, it is likely that in a post-pandemic world, a substantial amount of the growth will not be undone.

Will the pandemic be the death of cash? For long there has been a broad consensus that cash is slowly edging towards the end. Increased focus on sanitisation and limiting touch-points seems to have shocked cash usage, which continues to reach record-low numbers each year. The pandemic may have leapfrogged the cashless development, and exposed digital reluctant consumers to the benefits of cashless payments. Contactless card payments have also seen rapid growth as a direct result of sanitary concerns, now accounting for at least two thirds of all card payments in Nordic and DACH countries.

Contactless payments

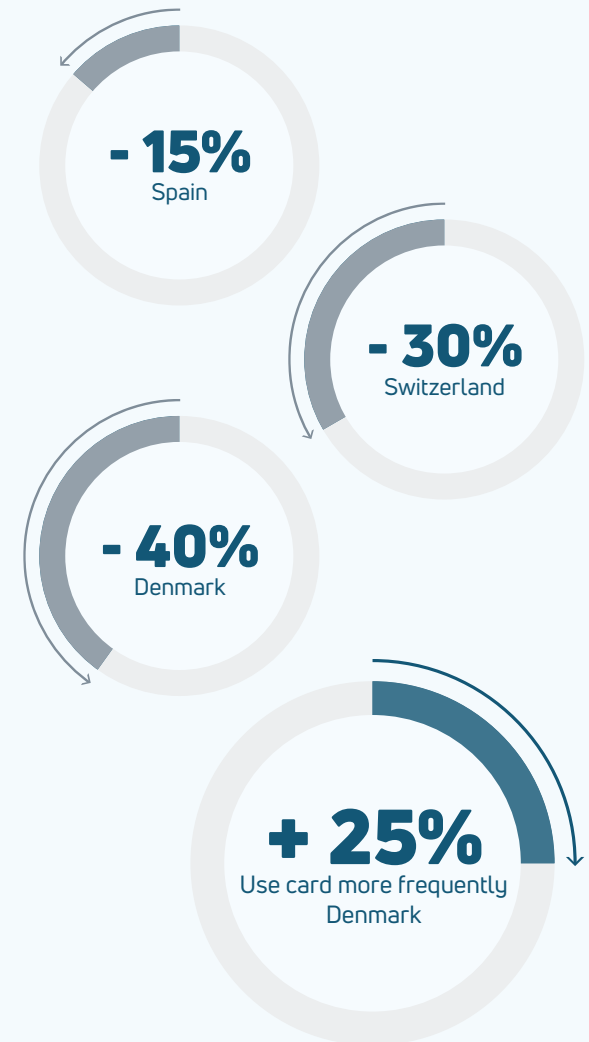
Significant increase in use of contactless payments in the DACH region and the Nordics 2020

	March	November
Denmark	80%	90%
Switzerland	70%	80%
Norway	50%	80%
Austria	65%	75%
Germany	60%	75%
Finland	65%	70%
Sweden	50%	70%

Nets

Contagious cash

Initial effect on cash usage in selected countries, March 2020



Flagship



The future is
not what it used to be



It's simply
going to
be complex

Funds refers to the value, while form factor refers to the instrument with which you access the value

Seamless Access to Funds

Theme Introduction

The nature of funds, how consumers access them and the systems that connect the two have drastically changed over time. Technological developments and regulatory changes have enabled new parties to enter the payment value chain, allowing for new form factors and new frameworks to connect schemes.

Payment form factors have rapidly moved from cash to payment cards and now to mobile wallets, offering multiple ways for accessing and transferring funds. A major innovation was also enabled by blockchain, which allowed the emergence of Bitcoin and other cryptocurrencies. In addition, digital channels enabled the integration of “loyalty currencies” as part of a consumer’s wallet. Finally, the changes in the PSD2 framework are favouring the development of account-to-account payments over card transactions.

All these opportunities within the payment’s ecosystem are enabling consumers to pay with whatever they want as well as combine their payment methods as they like in a seamless manner. This increases complexity for merchants, as they now must deal with multiple payment methods for consumers, who are reluctant to pay at those places that impose a certain payment method. Nevertheless, the new possibilities within the ecosystem are also enabling merchants to utilise payments as a new channel to improve interaction with consumers and build personalisation and loyalty. Finally, preliminary steps are being made in the biometrics space, being well positioned to become the next payment form factor.

Corona Impact

As a result of the COVID-19 pandemic, the adoption of online, mobile and contactless payments for consumers have significantly increased. This is due to the increased need for hygienic solutions as well as social distancing to avoid further spread of the virus. Moreover, consumers who have previously been more reluctant to adopt digital payments have been the ones most vulnerable to the virus, which has driven them to use digital payment methods¹. In addition, authorities in several countries have increased the transaction limit for contactless payments without a PIN code to further facilitate adoption by increasing convenience².

The adoption is likely to continue to accelerate after the crisis, since consumers will be more prone to using digital solutions. More specifically, as we predicted last year, the easiness of mobile wallets will make consumers choose these at an increased pace, especially since no public touchpoint interaction is needed. Finally, as consumers get more used to digital payments, more organisations are likely to invest in the development of biometric payments that increase security and reduce touchpoints. The further adoption of digital payments may be well-positioned to shrink the strong privacy concerns tied to biometric form factors as they see the benefit trade-off.

¹ [Accenture](#)

² [Nets](#)

Merchant Implications

Considering the increased adoption of card-based payments, mobile wallets and other digital payment options over cash, merchants, no matter their size, have to adapt their offering to cater for these demands. Such efforts will ensure seamless and safe payments as well as prevent losing customers who expect being able to use their preferred payment method at any store.

As we advised last year, due to the increased amount of payment options being requested by customers, complexity is increasing for merchants. Nonetheless, it also enables them to ensure new and improved channels around which to build personalisation and loyalty to more consumers in a seamless way. This is especially relevant following the great increase in consumers adopting digital solutions, opening a window for merchants to win and retain customers.

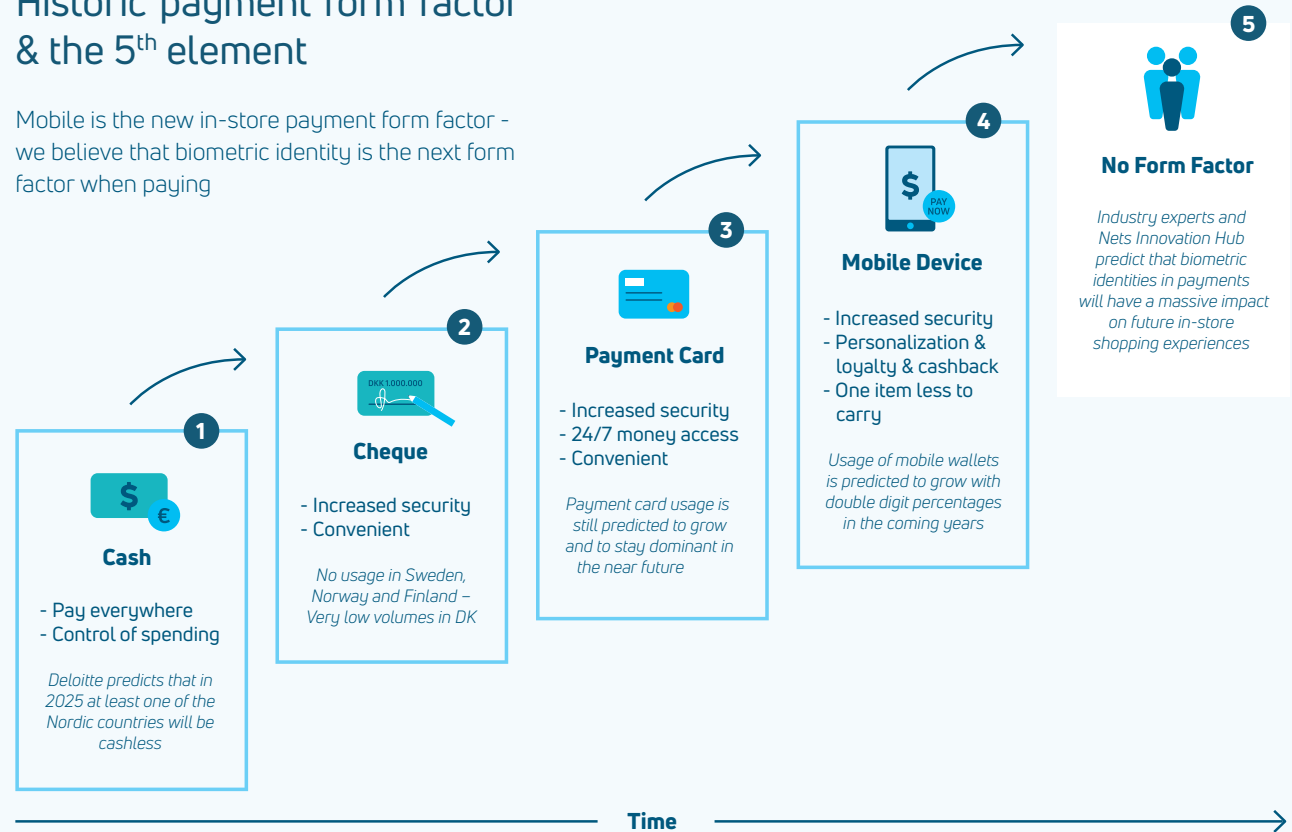
Finally, as consumers are increasingly driven by convenience and speed while shopping, looking ahead, merchants should start investing in options to offer combinations of payment methods. To ensure an optimal fluid experience, consumers should be able to mix different funds during their purchases.

Closing Remark

In just one year, COVID-19 pandemic has dramatically accelerated the adoption of digital solutions, creating major opportunities for innovative and improved consumer interactions. The increased base of digital consumers will drive new forms of personalisation and value-added opportunities at the POS, further boosting the relevance of Seamless Access to Funds.

Historic payment form factor & the 5th element

Mobile is the new in-store payment form factor - we believe that biometric identity is the next form factor when paying



The 5th element

The payment form factor has evolved over time. Right now, mobile devices are rapidly taking off.

Linking human biometrics to identification, profile and payment instrument has the potential to become the next payment form factor.

It's a "no form factor" or "the 5th element" form factor evolution.

Invisible payment

Paying with no form factor ultimately enables the payment industry's vision of invisible payment to become a reality.

Fluid Commerce (Unified Commerce)

Theme Introduction

The continuous development of new technologies is enabling constant reinvention of the retail landscape in which the digital and physical worlds are blending. This allows consumers to interact with their preferred brands wherever and however they want, making them feel more empowered and expect to be able to lead the path to purchase across all channels.

Merchants must therefore find new ways to reach their consumers, moving beyond an omnichannel proposition to a fluid experience, by blending all channels seamlessly together. This will ensure a consistent and contextual experience regardless the interaction channel. The gathering of data across all touchpoints will enable merchants to utilise the insights to fully personalise experiences.

Corona Impact

The COVID-19 pandemic is changing our habits and behaviours towards online channels, creating new opportunities for merchants to connect with consumers. Physical retailers can leverage the online experience to optimise in-store experiences, accelerating the development of fluid commerce across channels from which more consumers can benefit. This translates into further in-store experiences with online initiatives such as click-and-collect or in-store technologies to search for products at the stores³. For instance, since COVID-19 hit, Coop Denmark has seen a 100% increase in transactions and unique users processed through their self-scanning app⁴.

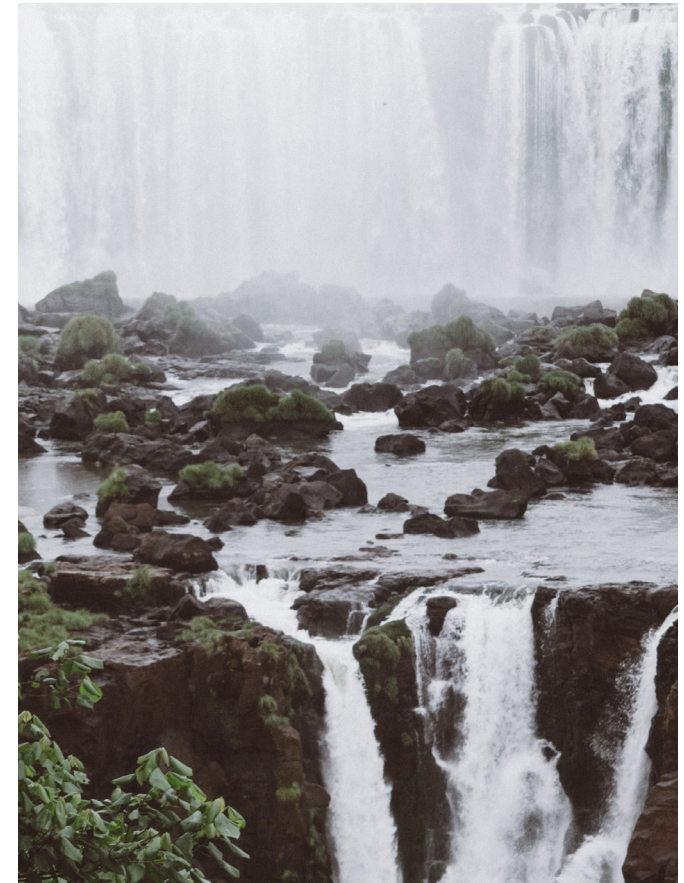
The increased use of online channels to shop and the need to interact with brands during lockdown, have also accelerated the development of social commerce⁵. More consumers are utilising social media in their purchases to find products, connect with brands and get inspiration about their preferred items through images.

In addition, once consumers are able to return to stores safely, they will demand in-store experiences that offer 'something else' than just shopping – something that stands out and differentiates merchants. Consumers now know that they can easily purchase products from the comfort of their homes, leading to increased demand of in-store experiences and forms of interaction with their preferred brands.

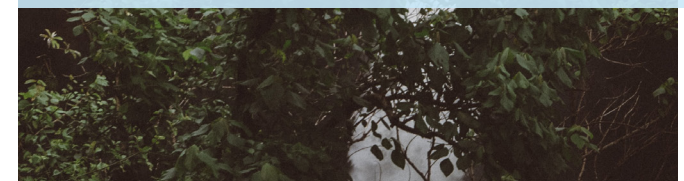
³ McKinsey

⁴ SCANDIT

⁵ UNCTAD



I want my
channels shaken,
not stirred



BOPIS on the rise

Buy online pick-up in store as share of total orders



Merchant Implications

To cater for the new habits that consumers have adopted during the pandemic and adapt their offerings to provide a fluid experience, merchants must start by truly understanding their customers. Being able to identify decision journeys and predict demands is paramount. With customers having access to more brands than ever before whenever and however they want, it is also critical for merchants to offer a frictionless purchasing experience.

Three out of five European consumers have tried a new shopping behaviour (i.e. changed stores, brands, or the way they shop) since the appearance of COVID-19, and most intend to continue after the crisis, generating a major shock to loyalty. This is due to their increased price sensitivity, need for safety, convenience and the availability of products⁶. Merchants must therefore find new ways to engage with consumers through improved value-added services, like loyalty programmes and more payment options across all channels in the most seamless way possible. The increased number of digital consumers also raises the possibility for merchants to provide the right targeting, messaging and customer promise through their preferred channels. Especially loyalty programmes will need to move beyond traditional “earn and burn” solutions, by offering a mix of monetary and experiential rewards like early access to products or VIP events. Such rewards will ensure relevant and engaging communication across all channels.

Finally, to ensure that the new in-store experiences attract customers, merchants can, for example, adopt technologies which turn traditional stores into showrooms or playful spaces. Allowing customers to interact with the products and the brands in new ways will not only attract customers, but also encourage them to stay longer and spend more.

Closing Remark

The COVID-19 pandemic has undoubtedly accelerated the merging of online and in-store shopping experiences, as more customers have turned online, and more merchants have started to offer e-commerce solutions. Once customers are able to return to stores, they will want to feel, touch, smell and experience more than ever before, and will need to find reasons to switch back to physical spaces. Hence, making it even more important to offer meaningful shopping experiences.

Customised Privacy

Theme Introduction

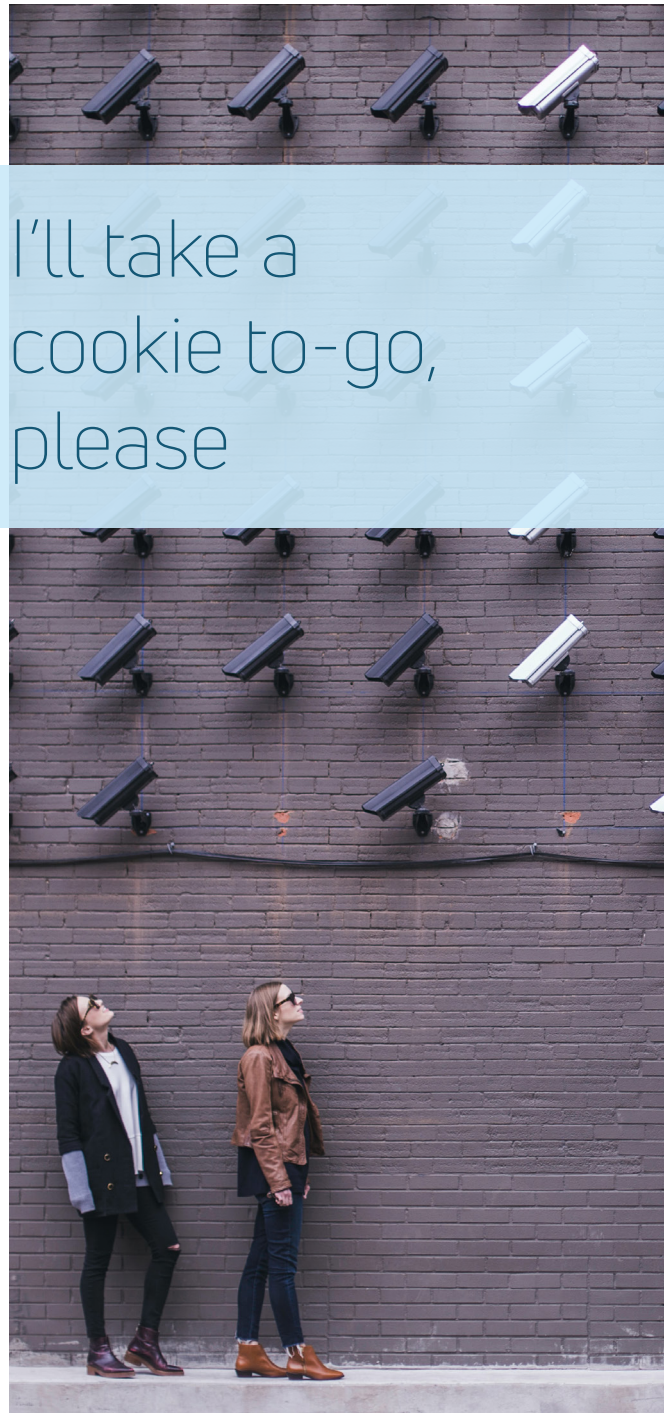
Consumers have become highly aware of the gold mine that is their personal data. They have learned how companies can use it to optimise operations, marketing, loyalty etc., and thus expect to be compensated from sharing. However, the compensation is not necessarily monetary, as personalisation and improved user experiences are no longer just an option but expected. This privacy trade-off suggests that the barrier for sharing data lowers significantly as a clear benefit is offered in return. The ability to offer this, however, hinges on the ability to easily identify consumers.

Over-harvesting of personal data is a potential minefield: In a society dominated by digital marketing initiatives, the rate at which consumers disconnect, unsubscribe and opt-out to flee the bombardment of undesired content is increasing dramatically. To successfully utilise data, merchants must provide a clear, enhanced experience to each individual user.

Corona Impact

The pandemic has forced everyone into an increasingly digital world. Not only have a vast amount of people had to transition to digital solutions. Many tasks, actions and processes have been moved into the digital landscape as well. Online grocery shopping, for example, has seen a massive spike in activity⁷. As this happens, more and more consumers are exposed to digital initiatives, greatly expanding the potential userbase. The pandemic seems to have lowered the bar for what is considered a clear benefit for consumers.

Unsurprisingly, there are major differences in the willingness to share personal data based on how personal it is. While a significant majority is willing to share basic information like home address, date of birth and citizenship with public organisations, only one in six would be inclined to share facial images for identity purposes. For private entities, the general willingness to share is much lower, with basic information around one-third and facial images below 10%. Nonetheless, digital solutions in general have seen major growth during the pandemic, illustrating how inability to perform certain tasks as usual, or simply not wanting to for health reasons, have pushed reluctant consumers in the digital direction.



Merchant Implications

In a very short amount of time, the world saw a major leap in consumer and business digital adoption. The expanded user base both forces and brings opportunities for merchants to utilise digital initiatives and enhance the customer experience. However, a clear trade-off is still necessary, regardless of the short-term benefits highlighted during lockdowns, and it is important that merchants keep this in mind when designing their digital offerings.

Since no direct interaction occurs between the merchant and the consumer online, the upselling and customisation of products becomes more difficult. Hence, merchants can utilise the data they gather from consumers to customise offerings and upsell products as they would do in their physical spaces.

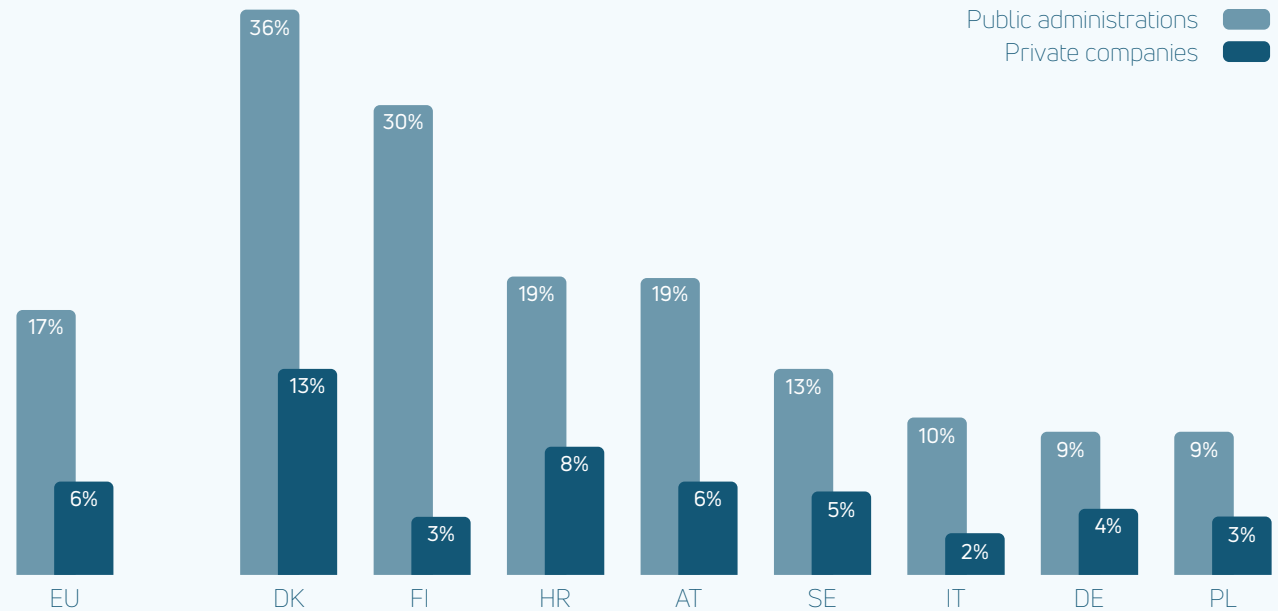
Last year, we predicted that consumers would expect a mutually beneficial value exchange from merchants for giving up data – and that merchants in turn would grant access to products and services based on what data is provided. However, the necessity for social distancing and finding new ways to avoid physical touchpoints, have pushed consumers’ boundaries as to what trade-off is required. While it is not unlikely that the new digitally enabled consumers have less strict privacy concerns, they too will expect some form of personalisation in return. That said, merchants have been given a golden opportunity to utilise current momentum, by showing these newcomers the value of personalisation offered in return of their data.

Closing Remark

As circumstances force consumers to accept data sharing, the bar for the privacy trade-off may have been lowered and temporarily decelerated the theme Customised Privacy. However, as more consumers engage with digital solutions, the need for offering clear value adding services in exchange for consumer data will become even more apparent.

Willingness to share facial biometrics for identity purposes with public authorities and private companies, by country

Europeans are generally more reluctant to share personal information with private companies



[European Union](#)

No one reads terms of service agreements

A survey of 2000 consumers in the US, from Deloitte, found that **91%** of the respondents consent to legal terms and conditions without reading them; for younger people the number is **97%**

[Business Insider](#)

Quantified Self

Theme Introduction

In an attempt to break habits, highlight own behaviours or boost desired actions, consumers are increasingly tracking and benchmarking personal data points in their daily lives. Some of the most popular areas of self-tracking are health and fitness, although financial management and environmental consciousness have also experienced massive growth.

As tracking becomes more efficient and sophisticated, more and more consumers will seek to improve, change or redefine themselves. This will not only benefit consumers, but also companies, who can leverage the information they gain access to. The insights, gained through the data, can enable them to communicate with consumers on a highly personalised level, thereby building a loyal and engaged customer base.

Corona Impact

The pandemic has forced many consumers to turn to their smartphones to perform certain day-to-day tasks, either because of lockdowns, or to limit the risk of contracting the virus. This has undoubtedly expanded the potential userbase of tracking apps and introduced many to the associated possibilities. For example, as fitness centres closed down, people increasingly used their homes for fitness routines, and fitness tracking became of interest for more people⁸.

A relevant by-product of the pandemic is the increased amount of time people spend at home. This allows for more time to reflect over choices made, and many consumers are seeking for some sort of re-invention of themselves – some more comprehensively than others. Tracking apps allow consumers to utilise behavioural and performance data to determine desired changes, whether it be in a fitness, financial, sustainable or some other direction. Furthermore, the apps serve as great motivators through gamified experiences, improving the chances of creating habits and sustaining the effort over time⁹.

Can I get your numbers?



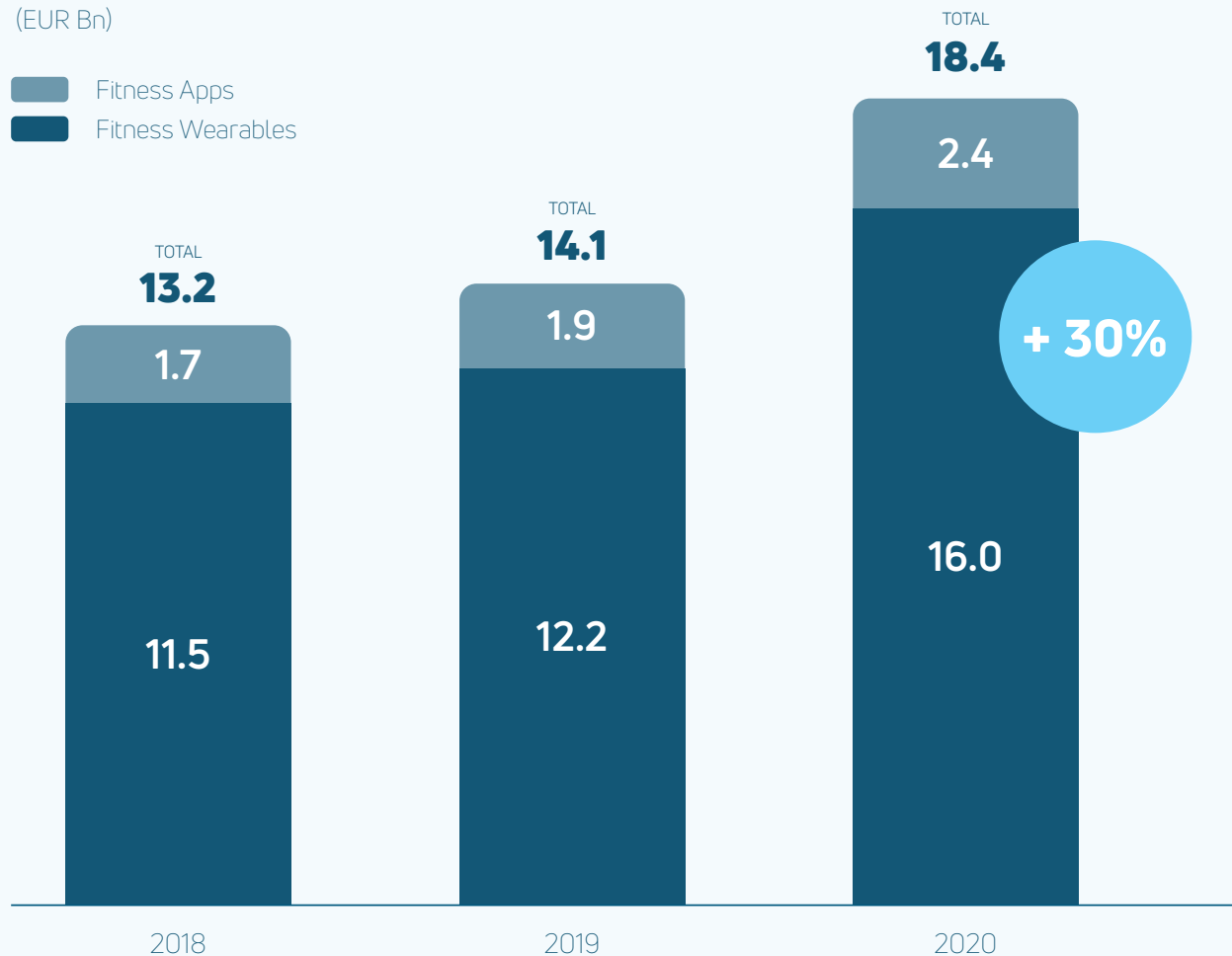
⁸ [McKinsey](#)

Sudden boost in fitness app demand

Lockdowns forced consumers to seek at-home fitness solutions, causing significant growth practically overnight

Global revenue (EUR Bn)

- Fitness Apps
- Fitness Wearables



Merchant Implications

Although it is still too early to determine whether consumers' new tracking behaviours will continue after the cease of the pandemic, we are already seeing how some of the actions are turning into habits as they keep them over time⁹. We see how consumers are interested in quantifying anything with logical or emotional value, and merchants can do a lot to help further this agenda¹⁰.

Quantification enables consumers to make conscious decisions based on tangible insights, but the ability to quantify consumption hinges on the data merchants are set up to share. Since consumers increasingly demand these insights, merchants must find ways to be transparent about their products and enable tracking of every kind of footprint hereof. At the same time, it is a major opportunity for merchants to play the data game, as consumers are willing and able to play along. While this might increase complexity for merchants, it will allow them to build more meaningful relationships with their customers.

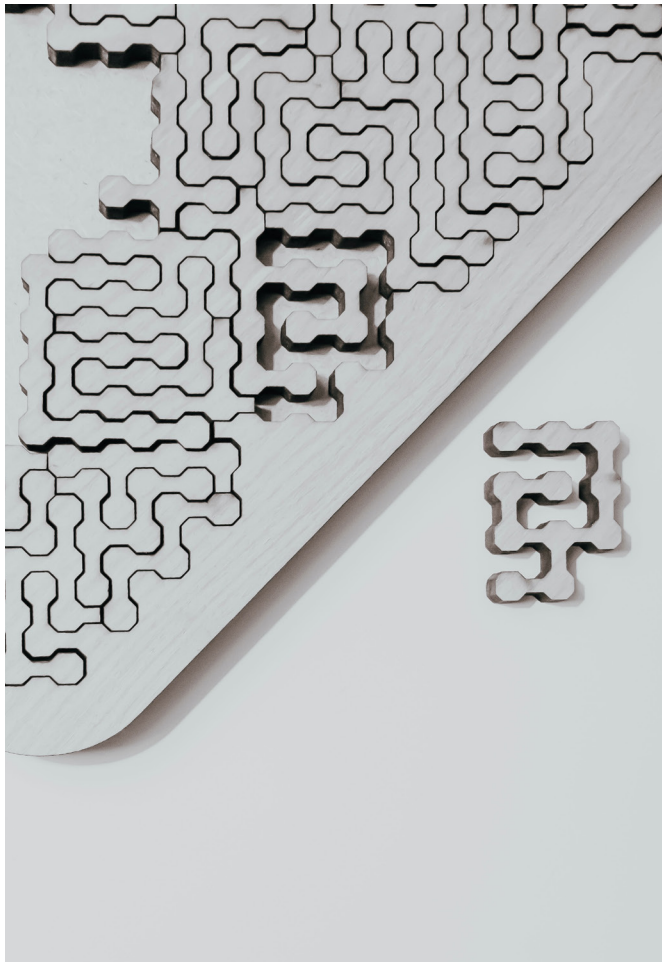
By enabling self-tracking, merchants are also able to offer their customers gamified experiences, increasing the probability of creating lasting changes, or simply engage customers more in your business. All in all, consumers' desire to quantify their daily choices, and consumption creates an opportunity for merchants to build strong loyalty, and maybe even position the business as part of the consumers' identity.

Closing Remark

Consumers are now more worried about their physical, mental, emotional, environmental and financial health than ever before. This may make them more likely to seek ways to track what matters to them, and thereby further accelerating the development of the Quantified Self movement.

⁹ [Accenture](#)

¹⁰ [Statista](#)



Simultaneous Bundling and Unbundling

Theme Introduction

Over the years, bundling and unbundling have been the principal forces driving cyclical business model innovation and industry reinventions. However, the continuous technology developments and digital transformation that many businesses are pursuing accelerate the trend, which in turn accelerates the bundling and unbundling cycles, making them more dynamic and unpredictable. An example of this is cloud infrastructure, which has made building and consuming application programming interfaces (APIs) much less complex, opening up new ways to bundle and unbundle. This enables businesses to take a modular approach to innovation in which infinite recombination possibilities exist.

In addition, thanks to the modular configuration enabled by APIs, companies will be able to respond faster to changes in market conditions and consumer demands, offering products and services tailored to specific changing needs. All of this implies risks for organisations, but staying out of the game will lead to irrelevance in an increasingly dynamic world.

To bundle or unbundle, that is the question

Corona Impact

The impact of COVID-19 on businesses has created immense uncertainty and economic struggles as well as accelerated or developed fundamental changes in consumers behaviour. This forces companies to quickly respond to those changes and act under major uncertainty. A trend that very well could be upcoming in some industries is the carve-out of products and services that are no longer value-adding, to focus on core products that bring the most profit. This spawns an unbundling tendency for consolidated businesses to realise the importance of focusing on their main products.

To bring new value for consumers, start-ups are utilising parts of consolidated businesses to create improved products and services through unbundling. Incumbents, on the other hand, are also bundling their capabilities to deliver more seamless experiences for their customers in which cost efficiency, convenience and personalisation play a key role. Finally, as more consumers turn online for their day-to-day activities due to COVID-19, organisations of all sizes have also realised the need to digitise services and optimise their digital offerings. This further intensifies the unbundling trend that multiple industries have experienced over the past years, as products and services have been picked apart with the help of digital technologies.

All of this validates and further intensifies what we predicted last year to be one of the major drivers of this theme. The bundling and unbundling cycle – and vice versa – will become even faster, ever-dynamic, and more unpredictable than ever.

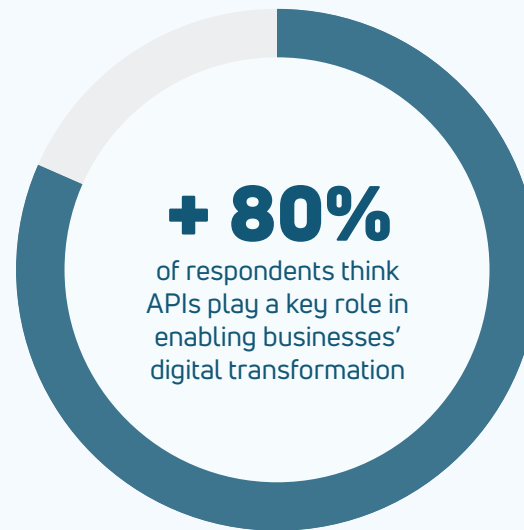
Merchant Implications

For some merchants, the pandemic is and will continue forcing a focus on core products while cutting off other service layers that were previously part of their offerings. For example, as restaurants were forced to shut down, they cut down all consumer services provided in-house to purely focus on food delivery, thus intensifying the unbundling cycle. This may have driven merchants to find new ways to offer their products and services as add-ons to their traditional offerings or simply pivot their business models all together to adapt to a 'new normal'. Although it may be premature to conclude that this will continue after the pandemic, some merchants may see the benefits of unbundling to offer their core products.

As we advised last year, for more technical businesses, API access has taken a major role in reshaping and disrupting the bundling and unbundling cycles of businesses. They enable organisations to easily and cost-efficiently reconfigure their different components into new offerings and cater for emerging consumer needs, helping them to respond faster to uncertainties. A survey found that more than 80% of the companies who are embarking on digital transformations claimed that APIs are playing a key role in enabling their transformation¹¹. Thereby, the need to digitalise, cut costs and reinvent organisations will continue affecting the constant bundle and unbundle of product and services in all industries, and companies will need to be ready for it.

Nonetheless, not all companies are API-enabled or fully benefit from the use of open APIs in their businesses. Thereby, the impact of COVID-19 may have only accelerated the need to take a modular approach to easily bundle and unbundle different components and faster adapt to a world which has proven extremely unpredictable and in constant need of reinvention.

APIs as a digital catalyst



Postman

Closing Remark

The continuous technological developments and the uncertain situation in which COVID-19 has put companies of all industries and sizes worldwide, have forced them to find ways to reinvent themselves to better cater for market-changing needs and instability. This has further accelerated the simultaneous bundling and unbundling cycle of businesses.

Changing consumer eating habits and lifestyles

Data from ordering player Deliveroo reveal that Friday and Saturday night orders are up **36%** across Europe compared with pre-lockdown numbers and are likely to continue in this fashion for at least the near term. In France, orders on those same days of the week were up more than **16%**; in the United Kingdom, they were up more than **40%**

11 [Postman](#)

[McKinsey](#)

Decentralised Trust

Theme Introduction

As a response to numerous data breaches, spreading of misinformation and election inferences, consumers have developed an increasing distrust towards large corporations and centralised power. Hence, the demand for transparency and decentralisation is continuously growing. Disruptive distributed ledger technologies (DLT), like Blockchain, are facilitating business opportunities, which ensure transparency and safeguarding against entities with great power.

Digital currencies, such as Bitcoin, are examples of applications of DLT which allow for alternatives to the centralised banking system we know. The technology enables transactions without involvement of a centralised third-party facilitator like a bank. Despite the increasing number of digital currencies, push back from governments and lack of regulations have led to difficulties in successful implementation. Therefore, companies are exploring new applications of DLT, such as logistic optimisation in supply chain.

Successful implementation of decentralised trust could not only promote transparency and privacy between merchants and consumers, but also among companies, which in turn can lead to industry efficiency gains.

Corona Impact

During a pandemic like COVID-19 filled with uncertainties and confusion, fraudulent parties have for example been able to harm a secure amount of medical supplies, possibly resulting in mistrust towards both public and private organisations¹². The pressure, which the pandemic put on supply chains, has increased the need for trusted, standardised and interoperable practices, allowing frictionless information flow across geographies and solutions.

In the attempt to prevent massive outbreaks of COVID-19 governments across the globe have used extensive testing and contact tracing as an important tool. Applications like 'Smit-testop' enabled by APIs from Denmark have made it easier for authorities to effectively leverage the information, but not all citizens trust the centralised system to handle such personal data. In the Nordics, the pandemic has in fact led to a significant decrease in trust towards governments and EU, indicating an increased demand for decentralisation¹³.

In times of uncertainties investors seek detached assets like gold that does not follow the wider market. During the pandemic, Bitcoin has been called digital gold, reaching a remarkable all-time high¹⁴. Despite the positive development in assets of cryptocurrencies, it is still too early to determine when and how consumers will adopt them as payment form. Nevertheless, PayPal recently announced a new service which will enable customers in the US to use certain cryptocurrencies as funding source to pay at their merchants¹⁵.

¹² [Deloitte](#)

¹³ [Politico](#)

¹⁴ [Medium](#)

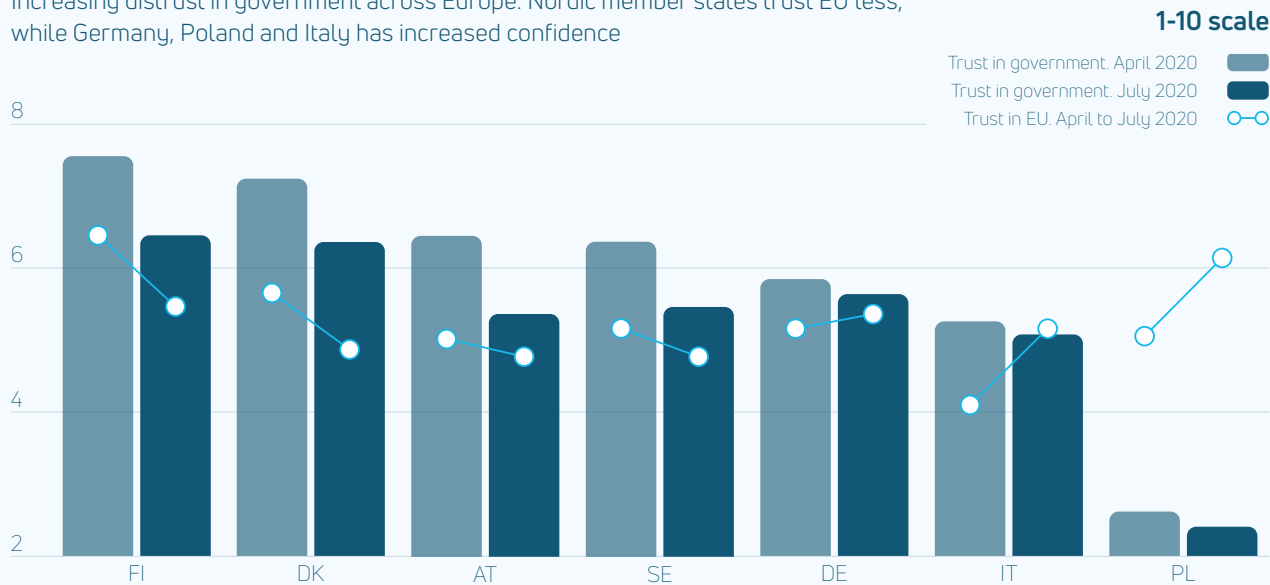
¹⁵ [PayPal](#)



In technology
we trust

Trust in governments and European Union

Increasing distrust in government across Europe. Nordic member states trust EU less, while Germany, Poland and Italy has increased confidence



Politico

Merchant Implications

Depending on how governments and large corporations have handled the corona crisis, consumers will respond differently. Nonetheless, trust towards governments in EU appears to have decreased. Last year, we predicted that consumer trust and transparency would have to be regenerated and boosted through decentralising technologies. This mistrust will most likely increase in many countries, indicating an amplified need for decentralising solutions.

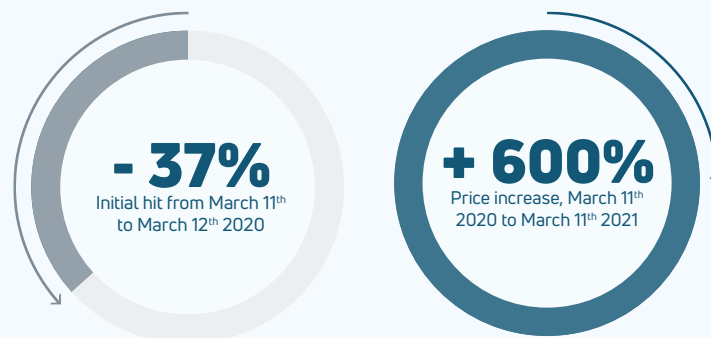
Which applications of DLT will succeed is still uncertain, but initiatives allowing payments funded by cryptocurrencies could kick off broader acceptance of decentralised currencies. Merchants should therefore prepare themselves and their payment systems to accept such currencies, while also emphasising transparent and safe payment methods in general.

Closing Remark

The increased awareness of DLT could lead to broader acceptance and adoption of the technologies, which merchants should prepare for. Whether corporations will break through with other successful use cases of decentralised technologies outside currencies is difficult to say. Nevertheless, consumers are expected to gain a better understanding and awareness of the technologies, which might lead to an acceleration of decentralisation.

Bitcoin rollercoaster

Price development since the beginning of the pandemic





Responsible Consumerism

Theme Introduction

Throughout the past many years climate change awareness has consistently reached all-time highs. While most consumers agree sustainability must be prioritised, there are differences in the severity of initiatives that consumers expect or demand. However, there is a common denominator: consumers expect merchants to engage in initiatives furthering sustainability in one way or another and will increasingly seek away from those who do not.

Consumers and businesses must act responsibly to create a more sustainable product- and service life cycle. Merchants should consider how to provide truly ethical and sustainable products and services as well as support initiatives that accommodate responsible and collaborative consumption.

Green is the
new black

Corona Impact

When the pandemic paralysed the world, no one could predict the future risk scenario. Across the globe people focused on handling the imminent health crisis, briefly overshadowing many other concerns. Although side-lined for some time as the world gained knowledge about COVID-19, consumers did not take long to return to the sustainability track.

During the first wave of lockdowns, it became clear how fast significant climate change can be made. People in some Chinese cities, usually covered in heavy smog, were suddenly able to see a clear sky for the first time in many years, making it obvious exactly how much pollution humans are responsible for and highlighting how the world can live more sustainably when forced to.

While the initial meaning of 'Responsible Consumerism' mainly centred around sustainability, the crisis has morphed the meaning to encompass other factors as well. These factors include, but are not limited to, sanitisation, compliance with government restrictions and how merchants care for their employees. Research has shown that consumers are drawn to brands or retailers that supported their employees during the pandemic, such as by maintaining wages, giving extra sick leave, and keeping them safe in the workspace. It is therefore clear that merchants must act responsibly in every arbitrary sense of the word in order to stay relevant and avoid repelling customers.

Merchant Implications

Consumers' ranking of most important in-store consumption criteria illustrates heavily how the perception of what constitutes Responsible Consumerism has changed. European consumers are paying increased attention to sustainability and healthy packaging initiatives, while listing masks and barriers as the most important health regulation to comply with. The reactions of consumers have shown how they expect merchants to adapt in a responsible way as new concerns appear.

Although focus is still on sanitary issues, sustainability is experiencing major growth in awareness. Almost a fifth of consumers state their purchase decision depends more on product sustainability relative to before the pandemic. An explanation to this substantial growth may be found in the opportunity to reflect on consumption choices, leading many consumers to make lifestyle changes.

Last year, we advised how merchants must take initiative, as consumers will actively ignore those who do not. This is now truer than ever. In addition, consumers may see right through greenwashing at an even higher level, and instead demand transparency and openness about operations, supply chains, etc.

Closing Remark

Following an initial shock brought by uncertainty during the start of COVID-19, Responsible Consumerism is as relevant as ever. The major disruption brought by the pandemic within almost every aspect of our collective daily lives has accelerated the sustainable agenda even further, leading to an increase in impact.

Healthy packaging

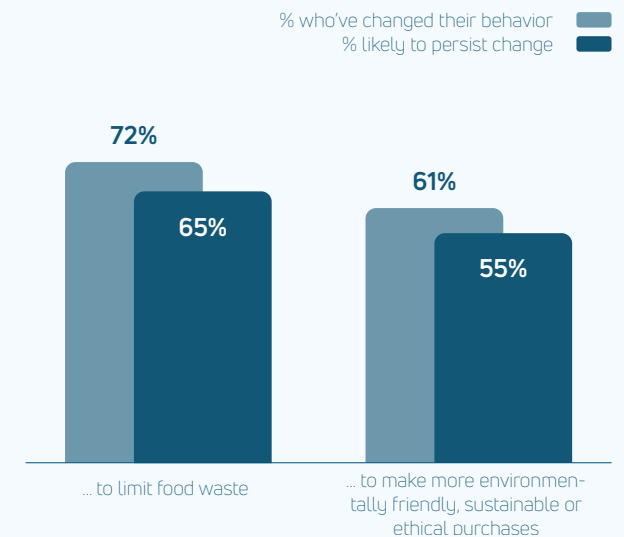
European consumers are paying increased attention to sustainability and healthy packaging. Consumers have increased purchases by:



McKinsey

Consumers are forced to face their own consumption

“ Now you're at home all day, you see how much you're using and the garbage you're producing. You start to rethink what you need
- Female, 40-55



Accenture



Glocal Consumers

Theme Introduction

In an increasingly globalised world, the pool of available products and services is expanding heavily. Merchants of all sizes are competing on a global scale, as it has never been easier for them to sell their products in other markets than their local ones.

In return, the expanded possibilities have caused consumers to demand something more from the products they purchase. They value authenticity, an emotional connection and the idea of supporting specialised local merchants instead of global brands or marketplaces. The theme highlights the global opportunities of smaller businesses and the necessity of global businesses to adapt to an increased local presence.

The term 'local' is transcending its geographical meaning. Local can be in another region of the world or just around the corner, as consumers are actively seeking products with a local feel. This duality constitutes the 'Think Global, Act Local' theme: Glocal Commerce.

Corona Impact

In the early days of the COVID-19 pandemic, the world was preparing for worst-case scenarios. People quickly gathered around their communities, ready to support local merchants who were hit hard by lockdowns. An indicator of this was the number of prepaid services bought during the spring, exemplified by Søren Brostrøm, Director General of the Danish Health Authority¹⁶. The situation saw loyal customers sending payments to hairdressers, restaurants, and other merchants with very limited options of operating without physical contact. While many consumers saw these payments as gift cards for future services, others treated them as donations for services they otherwise would have paid for.

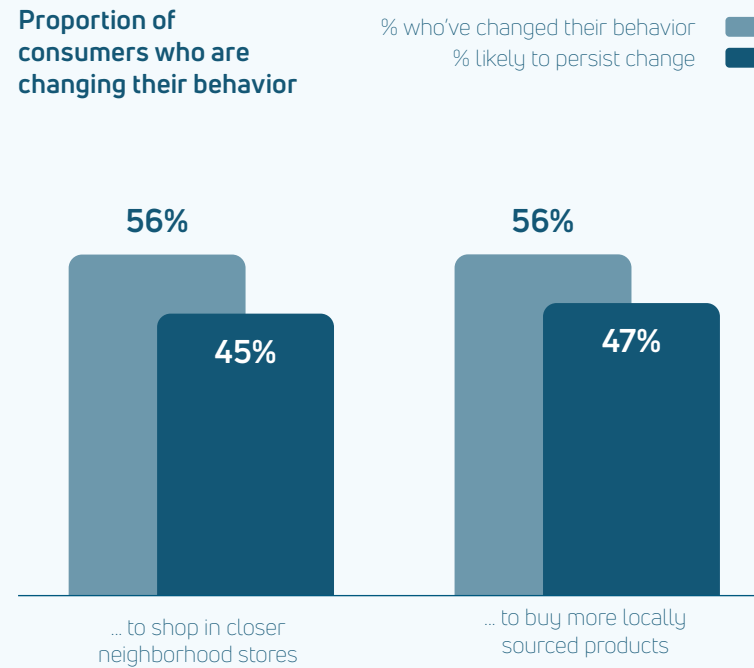
After the first wave when heavily affected merchants were able to return to something resembling normal operations, consumers had highlighted the importance of their local communities and the need for an emotional connection between consumer and product or merchant.

Go global,
feel local

¹⁶ [Berlingske \(in Danish\)](#)

Stay local

Demand for local goods and brands is growing. On the other hand, major global brands are receiving less interest from the increasingly locally aware consumers



Merchant Implications

The focus of Glocal Consumers is that consumers are seeking a local feel, not limited by geographical location. However, this changed during the start of the pandemic, as consumers quickly became aware of the financial and liquidity struggles of local merchants in their communities. Around 25% consumers state they have increased their purchases with local merchants and around 20% with national brands, while global brands have decreased approximately 10%.

Many factors might have contributed to this, be it stimulus packages, community economics or increased attention to quality following the shift to a daily life from home. We are left with uncertainty about the future impact of Glocal Consumers, as it is difficult to predict whether this period has been an eye-opener for the perceived quality and sense of belonging stemming from local products for consumers. What we can say, however, is that the local aspect of 'Glocal' has gained popularity, further underlining the importance of every merchant to engage in local initiatives and position themselves and their products as a bigger part of the consumer identity. It is not unlikely that this shift towards geographically local products will sustain even after the pandemic.

Closing Remark

Consumers have been given the opportunity to become increasingly aware of the quality products that can be found closer to home, while also experiencing the feeling of supporting their local community. They have emphasised the importance of truly local merchants, especially on an emotional level, thus pivoting the term Glocal in a more local direction.

Purchasing behavior during the pandemic

Growth in...



About Us

At Nets we see innovation of products as the foundation for growth and progress – both in commerce and society. Handling billions of transactions annually, Nets is among the top payment providers in Europe. We keep a tight focus on making it easier and more intuitive for our consumers to handle digital payments and related services. This has made us a trusted partner to more than 700,000 merchant outlets, including 170,000 online merchant outlets, more than 260,000 enterprises and over 250 banks across Europe.

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Please do not hesitate to reach out to Nets Merchant Services, if you would like to discuss or learn more about the insights or potential implications to your business – we are here to learn, innovate and co-create. Let us move forward together.

Core Team

Like the 2020 edition, the Payments Outlook 2021 is the result of a team effort by Nets Merchant Services, Product and Engineering – with significant contributions by Angela Moreno Recio, Celine Dufour, Amanda Wolff, Magnus Lund, Louise Brønnum and Simon Buchwaldt-Nissen.



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At Nets, we see easier products and solutions as the foundation for growth and progress – both in commerce and society. We help financial institutions, businesses and merchants make tomorrow a little easier for their customers while delivering unrivalled security and stability. Powering a tomorrow that's easier than today. This is what drives us.

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