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Payments Outlook 2022





If you have ever wondered what the future of payments will look like, you have come to the right place. The Nets Payments Outlook 2022 sheds light on the everchanging and complex world of payments, and its inevitable link to retail. To help prepare merchants for the changes to come, we have embarked on extensive research, utilising internal know-how and innovative thinking, in combination with key insights from highly respected secondary sources. Current times are certainly tumultuous, which only amplifies our usual motto:

*“The future is not
what it used to be”*

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Nets Payments Outlook follows an overall structure:

First, our methodology is described to ensure transparency and credibility to the identified themes.

Second, the scene is set with general insights on the payments industry in a purely quantitative way, presenting statistics on payments related data points.

Finally, the themes are uncovered.

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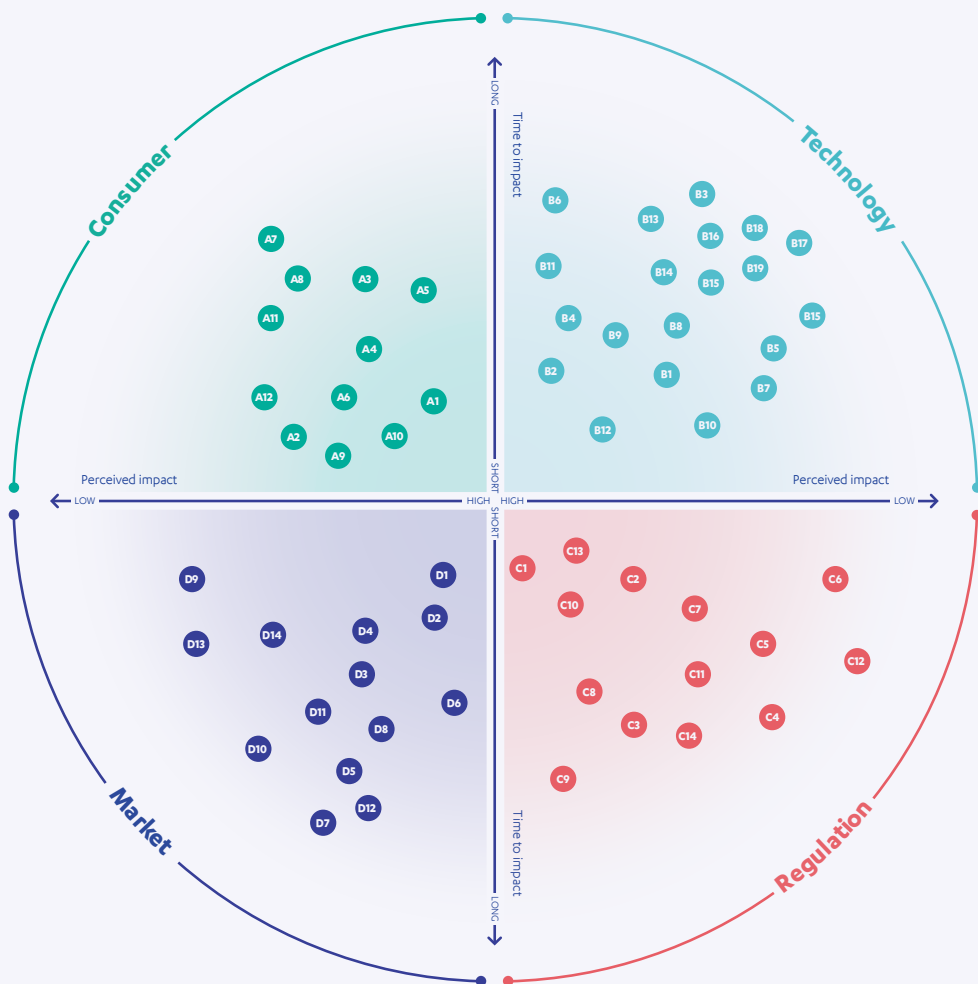
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Radar framework

Nets Payments Outlook is built on a foundation of secondary sources and a substantial number of interviews with internal experts and thought leaders. We believe that our thorough approach is sufficiently strong to draw conclusions, although we acknowledge that such pieces can never be completely exhaustive – or completely correct. Therefore, the focus is on highlighting general fundamental changes, rather than specific predictions.

This builds on the foundation of the approach that has been used since the introduction of the Payments Outlook back in 2020. Inspired by the three dimensions of design thinking, a framework has been developed to classify and rank trends with a relation to the payments industry. By adding a fourth dimension and re-shaping the original three, all major influences on the payments industry are illuminated. The four dimensions are:

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

Through the described research process, trends in each dimension have been identified and scored with regards to time to impact and perceived impact. These trends can be seen in the illustration of the Payments Outlook Radar. The four dimensions are not confined within itself, but interact across, so after having identified the trends, followed a series of workshops searching for patterns. These patterns and combinations of trends ultimately take shape to form the themes that constitute the Nets Payments Outlook.

Identified trends

Consumer: **A1** Convenience, **A2** Loyalty Shaken Up, **A3** Experiential Retail, **A4** Empowered Consumers, **A5** Social Commerce, **A6** Data Awareness, **A7** Conscious Consumers, **A8** Sharing Economy, **A9** AT-Home Economy, **A10** Gamification, **A11** Shift to Credit, **A12** Tech Savvy Seniors

Market: **D1** Platform Economy, **D2** Marketplaces, **D3** Subscription Economy, **D4** User Experience Focus, **D5** eCom In-Store, **D6** Big Tech in Finance, **D7** Commerce Enablement, **D8** App War, **D9** Data Appetite, **D10** Cashless Conversion, **D11** Circular Economy, **D12** Wallet War Continues, **D13** Market Consolidation, **D14** Strategic Alliances

Technology: **B1** AI Everywhere, **B2** APIs, **B3** Connected Everything, **B4** Real-Time Everything, **B5** Cryptocurrencies, **B6** CBDCs, **B7** DLT, **B8** Biometrics, **B9** SG, **B10** Cybersecurity, **B11** Emotional Recognition, **B12** Cloud Computing, **B13** Computer Vision, **B14** Digital Twins, **B15** Quantum Computing, **B16** AV/VR, **B17** Autonomous Robots, **B18** Serverless Computing, **B19** Edge Computing

Regulation: **C1** GDPR, **C2** PSD2, **C3** PSD3, **C4** eIDAS, **C5** Charging Point Ordinance, **C6** MIFID II, **C7** Basel III, **C8** Pan-EU P2P payments, **C9** EPI, **C10** SCA, **C11** MICA, **C12** SEPA, **C13** AML5, **C14** AML6



Introducing the themes of 2022

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 2022.

1. **I, the consumer**
2. **Pay as I please**
3. **Beyond the point of sale**
4. **Data, the enabler**
5. **Platforms for success**

While each theme brings insights on separate areas, all themes work together and add to the holistic view on payments, which has expanded to embrace many aspects of the total retail value chain. Payments and retail are deeply connected – for example, trends that effect how consumers behave, how data collection is perceived and managed, and how businesses operate, are all related to the way payments are fulfilled.

However, the Nets Payments Outlook does not provide the only truth and does not aim to make precise claims on the future state of payments, but rather ask questions and shape discussions from the general movement we are observing of the market. Or as wise Yoda says: “Difficult to see. Always in motion the future is.” The five themes somehow constitute the customer-to-merchant handshake. From fundamental changes in consumer behaviour, to the way consumers shop and pay, heavily enabled by the use of data, and lastly, how businesses are reacting to this evolution. The 2022 themes in 20 seconds is a short and sweet recap to illustrate how these themes interact.

2022 themes in 20 seconds

The themes of Nets Payments Outlook 2022 collaborate to describe the handshake between the customer and the merchant. It is apparent that **I, the consumer**, is becoming continuously more aware of the power possessed, and expect to **pay as I please**. Enabling all payment form factors and pools of available funds relevant to the customer is key to sustaining a friction-mitigated payment experience.

Not only the payment, but the whole customer journey will move **beyond the point of sale** and become “something more”. Consumers crave the advantages of online shopping to be enabled in-store, but merchants face the challenge of seamlessly identifying in-store customers. This requires **data as the enabler**, and although consumers state they are reluctant to share, they are still willing to compromise when faced with a clear value benefit in return for doing so.

Accepting that data is a key enabler, businesses are investing heavily to be able to collect and enrich it. Owning the customer relationship means owning the data, meaning that there is a race to own the customers - who are flocking to **platforms** that **successfully** bundle services and improve convenience. Businesses become more entangled, especially towards platform facilitators, creating an increasingly dynamic competitive battleground where successful platforms and ecosystems are blurring the lines of rivalry.

European market insights

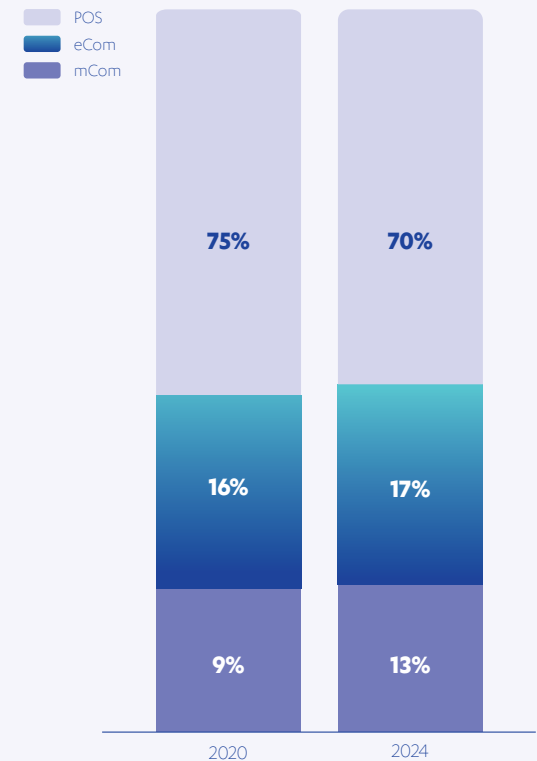
When talking about payments, there are many nuances and regional differences to account for. However, there are some general insights that can be brought and analysed to tell an overall story of the direction of payments in Europe.

In the following section we introduce external cross-European data, and internal Scandinavian data, to set the scene of the current payments industry.

The repercussions of Covid-19 remain severe in Europe as many countries impose wide ranging restrictions to limit the spread of the virus. The pandemic will inevitably continue to impose a major challenge on spending, and naturally limit the use of cash as we collectively attempt to limit physical touchpoints. Of payments in Europe in 2020, cash represented a share of around 27% of transaction value, expected to decrease by more than 10% annually to around 15% by 2024.

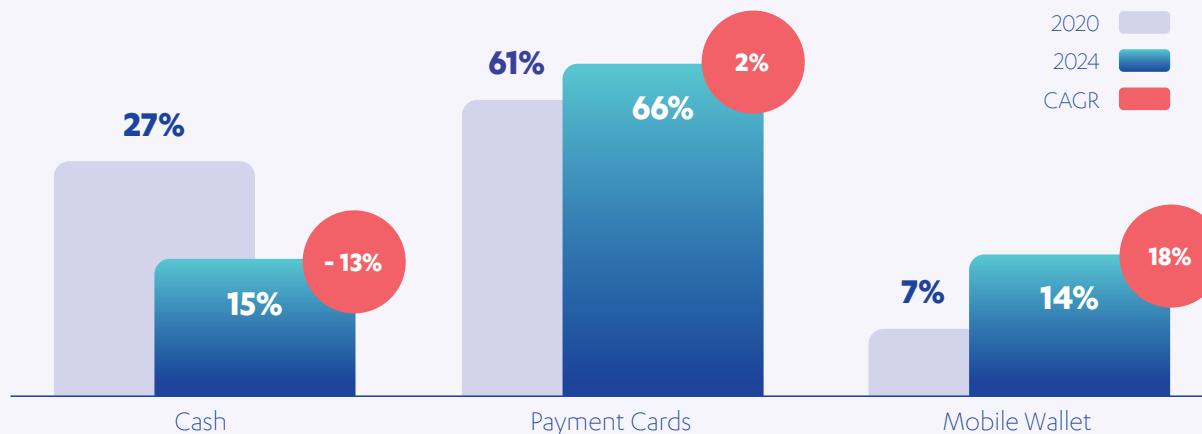
Digital channels to take a bigger share

Share of European spending split by eCommerce and POS, and mobile commerce as a subset of eCommerce.



The European cashless conversion accelerates

Share of transaction value split by payment form factor, from 2020 to 2024



Scandinavian consumption slowly recovering

Indexed, 2019 as basis year.
Total spending split by eCom and POS payments



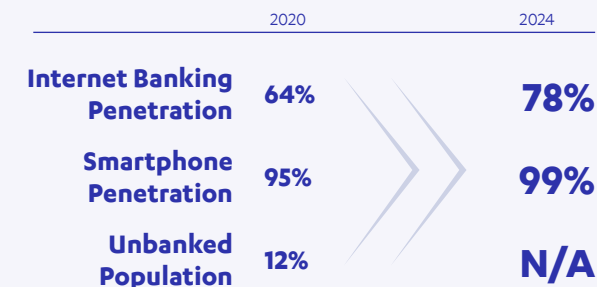
Indexed, 2019 as basis year.
Total spending by merchant vertical



Nets

Banking, smartphone and unbanked population

Share of Europeans with access to internet banking, smartphone penetration, and share of the unbanked population.



Global Data

For decades, it has been an accepted fact that e-commerce is going to take over a major share of total spending. Again, it must be stressed that large regional differences apply, but in a pan-European context, e-commerce accounts for around 25% of total payment card spending and is expected to increase to just under 30% by 2024. Homing in closer on e-commerce reveals what device consumers use to complete online shopping transactions. Over one-third of e-commerce transactions are done on a mobile device, expected to grow to around 45% by 2024. The remaining transactions are made via a computer.

These cross-European tendencies are also seen in Nets data for the Scandinavian market. Although total spending has decreased slightly by around 4% since 2019, e-commerce spending has increased by almost 25%. POS has in turn decreased by about 9%

– indicating that POS remains the largest group while being strongly challenged as the main channel, something that has been accelerated by Covid-19.

Unsurprisingly, the hospitality vertical has been hit the hardest by Covid-19 lockdowns, although there are also signs of recovery here. Transportation took a major hit but is likewise en route to bounce back. The retail vertical has been the only vertical experiencing growth during the pandemic, but decreased from 2020 to 2021. The direct cause of this is difficult to determine, however, it is very plausible that the stimulus packages from e.g. the Danish government in 2020 inflated the spending during that year.

Besides pure payment data, it makes sense to highlight measures of digitalisation, as they are key in enabling digital payments.

European smartphone penetration is among the highest in the world, at around 95% in 2021, expected to grow to around 99% by 2024. However, when it comes to digital banking, there are again regional differences to account for. In total, two out of three Europeans have access to internet banking, expected to increase to just under 80% by 2024, while around 8% are currently completely unbanked.

Lastly, one thing is important to establish. Convenience is critical when it comes to payments – that is a known truth in the industry. Convenience is what persuades consumers to change their habits and carries a deep link to a large share of the identified themes. These five themes will be unpacked in the next section of the report, illuminating various angles of the overall story and concluding with key takeaways for the reader to keep in mind.



EXECUTIVE SUMMARY

I, the consumer

Bombarded with offers, choices and means of influence, consumers are increasingly empowered and are exercising their power by taking control of the retail situation in multiple ways – one being holding merchants to the standards of their own conscience. Sustainability remains top of mind, but said conscience transcends it and instead requires merchants to do “the right thing”, however ambiguous that sounds. Transparency is key.

THE WE01

THEME INTRODUCTION

I, the consumer

Consumers and merchants have a co-dependent relationship – they need each other to satisfy needs and generate financial gains. In recent years, consumers have begun taking and exercising more power in the relationship, presenting more elaborate expectations for merchants to live up to. These behavioural changes do not stick to shopping, as they inherently change their behaviour towards themselves and brands, who are left with a critical challenge to navigate the changes.

One of the needs consumers are increasingly trying to fulfil is a need for joy, to counteract feelings of distress caused by a variety of factors in the fast-paced world of today. As a natural reaction, consumers are becoming increasingly self-aware of their needs and well-being. The need transcends the physical world and carries into the digital, where social media especially plays a large role in the way consumers identify, while also highly valuing the time spent with others in the real world. Merchants will therefore benefit from helping consumers feel better about themselves through positive messages that empower them, let them have fun and distract themselves from the outside world.

However, circularity and sustainability only cover parts of what is implied by the word “responsible”. Consumers hold merchants to their own moral compasses, expecting them to have similar stances on given issues. In fact, nearly two-thirds of consumers around the world said they would decide to either buy or boycott a brand based solely on its position on a given social or political issue¹.

¹ Edelman

Consumers with a conscience

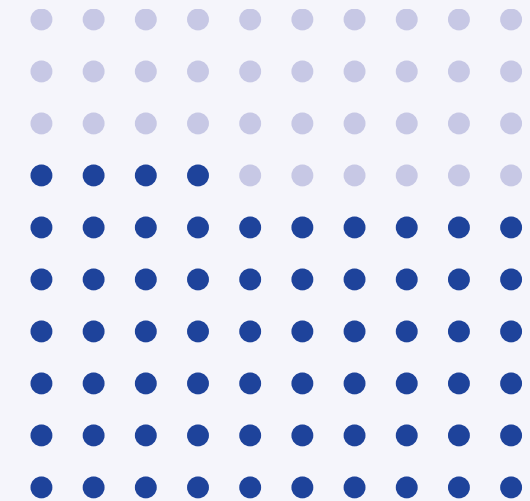
An application of the described empowerment has been to further amplify the consumer push for sustainability and their demands towards brands to act “responsibly” in any way deemed necessary. Consumers have moved past trusting brands to act responsibly, and instead demand proof in the form of transparency, looking for brands to qualify and quantify their proclaimed efforts on, for example, ethical and sustainable matters. In the eyes of consumers, merchants must stand for something bigger than the products they sell. In addition, the further increase of social media use and the presence of brands have opened a space for consumers to speak up and address immoral actions and decisions.

Climate action remains a large priority for many consumers and the pandemic has been a catalyst for the transition to a net-zero economy. The circular economy keeps expanding, and more consumers are becoming acquainted and comfortable with aspects like second-hand shopping, sharing economy initiatives and more. As consumers value a circular approach more, pressure is building on merchants to include and communicate circularity in their business models and actively improve reusability of products and services.

Empowered consumers are taking control

A substantial increase of choices has improved the power of consumers in the retail relationship, while the increased digitalisation in all areas of society, not only within the retail space, has enabled levels of personalisation that were not capable before. As a result, consumers expect merchants to cater for their ever-changing individual needs, making it increasingly difficult for merchants to retain customers. Consumers are expected to further realise and exercise the power they hold, not shying away from leaving merchants who are unable to live up to their expectations. Ultimately, consumers are taking control of the full path to purchase, expecting merchants to provide anything and everything, at any given time and in every way that fits the individual consumer.

The importance of values

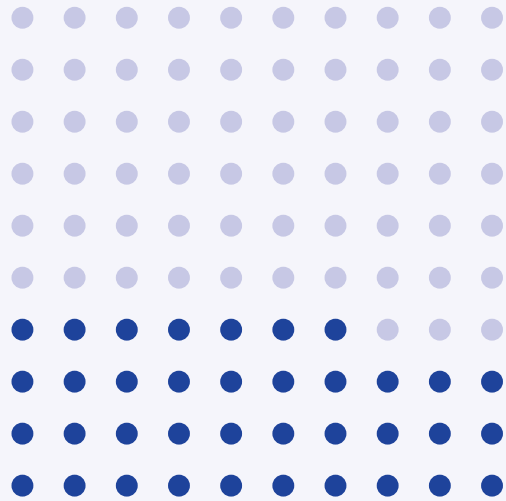


64%

of consumers around the world will buy or boycott a brand solely because of its position on a social or political issue

Edelman

Home offices are here to stay



37%

of consumers are expected to continue working from home in some capacity post pandemic.

Euromonitor

those affected by flexible workplaces that have higher needs for home consumption – it is actually a more general tendency .

The opportunity transcends traditional e-commerce, covering more than just home delivery of products previously bought in-store – e.g. groceries. Physical services are also moving into our homes, as hairdressers, masseuses and many more will offer in-home treatments. Furthermore, in-person activities are adapted to home use or virtualised, offering cooking courses, drinks courses, date nights, etc., allowing consumers to replicate the experiences they would previously have to go out for.

With the acceptance of flexible workplaces as the new normal comes a fortification of the habits that have changed since the pandemic began. While some aspects of our lives will go back to pre-pandemic normality, others will persist and further accelerate the increase in online spending. Consumers working in flexible workplaces are forecasted to spend more on online shopping across multiple categories, such as groceries, take-away and travel, than those not working from home².

This trend inevitably puts pressure on merchants’ delivery options – especially when it comes to the last mile. We are already seeing the market respond to this, observing major expansion and new entrants in delivery options, both when it comes to normal parcel delivery and on-demand delivery services. The latter is especially expected to develop into something much bigger, as initiatives to innovate and expand have already seen the light of day. For example, Gorillas has upgraded grocery delivery, offering extremely fast delivery of a wide selection of commonly used goods, currently operating in 8 countries and over 50 cities in Europe. Also, originally a takeout-only delivery service, Wolt have recently expanded into the grocery space in many of the 23 European countries they operate. We believe we are moving towards an “anything delivered” reality, where consumers are not limited to fast food, groceries or the like for their on-demand delivery options.

² Euromonitor
³ PWC



Supercharge the pit stop

Besides affecting product and service offerings, some of the sustainable transitions has the potential to transform entire segments. As an example, as consumers transition from fuel-based cars to electrical vehicles, the recharge time for longer drives is significantly increased. Fuelling a car can be done significantly quicker than recharging a battery, which means that the driver has more time to spend while charging. This presents an opportunity for retailers to position themselves near charging stations, allowing EV owners to make the most of this time, i.e. by shopping groceries, dining out, or even consuming entertainment.

Brands invited into the homes of consumers

Whether or not staying home during the pandemic is one of those decisions spurring a joyful feeling of being responsible is unclear. What is clear, however, is that more consumers will be spending much more time at home, especially those with work-from-home eligible jobs, as the flexible workplace becomes the new normal. More than one-third² of consumers are expected to work from home in some capacity in the future, presenting an opportunity to serve consumers directly at home with products or services. However, it is important to stress that it is not only

LES.BASICS

Merchant implications of I, the consumer

- Merchants should seize the opportunity to satisfy consumers' need for control and self-awareness. Consumers are aware of their power – and they shop accordingly.
- Merchants should keep in mind that consumers are looking for a stronger connection, sometimes even including the places they shop in their identity. Therefore, handling or mishandling of ethical or political issues may have a greater impact on them.
- “Walk the talk!” Merchants should be transparent and genuine in their initiatives to “do the right thing” – not limit themselves to shallow sustainability initiatives.
- There is a big opportunity for merchants to cross the thresholds of consumer homes on a new level. It is important to rethink how products and services delivered and consumed at home can be designed to create a customer experience that stands out.

EXECUTIVE SUMMARY

Pay as I please

The way consumers pay is becoming increasingly dynamic in more ways than you think. The pool of available funds expands, the form factor for accessing funds is evolving and new channels to settle purchases are popping up. Consumers expect to be able to pay with whatever value, in whatever way fitting them, at all times.

THE WE 02

THEME INTRODUCTION

Pay as I please

Reaching the payment situation as a consumer has always been connected to an awkward kind of friction. Customers always seem to remember the bad payment experiences more than the good ones. They see payments as a commodity, expected to always work. However, it also means that the easier and more convenient a payment option is, the more attractive it will be for the consumer – therefore, minimising the friction of payment is the main challenge. As the world transitions towards an even more digitalised reality and still more sophisticated tech, the payments situation will undoubtedly see comprehensive innovation.

for about a decade, and while enablement of crypto payments could turn out to be very important, there are still a lot of hurdles blocking widespread adoption of the concept. The technology is ready and will only improve but faces severe challenges in consumer adoption and regulatory resistance. On the other hand, central banks around the world are currently developing currencies with similarities to cryptocurrencies – government-backed purely digital versions of the national currency referred to as Central Bank Digital Currencies (CBDC). This is elaborated on in the example at the end of this theme.

Not only is the term “value” and the nature of money evolving, the type of value exchanged is too. We are observing an increase in consumer interest for credit or Buy-Now-Pay-Later (BNPL) solutions, simplified by the increased openness of the financial system that has drastically eased credit ratings and the ability for payment service providers to offer highly integrated financing solutions. These solutions are experiencing massive attention from both consumers and investors, serving as a clear sign of the role BNPL is going to play in the consumer space going forward. A key driver, however, remains the consumer, who wants to try, touch and feel the product they buy, without carrying the liquidity burden of those items they return. By simply pushing the payment two weeks, or a month, consumers are allowed this flexibility that they value.

Other benefits are apparent. The enablement of financial management capabilities to consumers is a very valuable proposition. However, there is also an ethical discussion to be had, both from a consumption and societal view. While most consumers might manage this tool with ease, some are at risk of irresponsibly indebting themselves, and although not necessarily the responsibility of BNPL providers, some restrictions might be applied going forward. Furthermore, from a sustainability point of view, it can be argued that BNPL amplifies consumption in an unsustainable way.

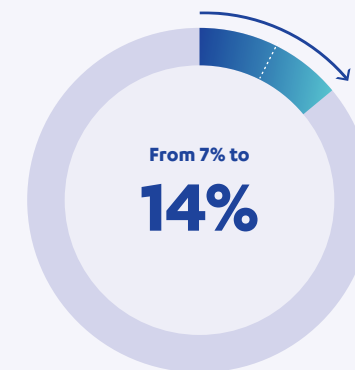
Enabling a seamless access to value

Since the invention of money as we know it, cash or other forms of monetary exchange has been the only way of paying for goods and services. While many sustainable and ethical motives co-exist alongside the economic performance, monetary value remains the overall goal of running a business. In recent years, however, new ways of exchanging value have emerged, as the pool of available consumer valuables have expanded significantly. As an example, alongside traditional currency, businesses are moving towards implementing smart loyalty programmes that can easily be integrated as an alternative form of payment.

While oyalty programmes can be viewed as a means to reach financial gains, the very nature of money is also set to change in the years to come. Cryptocurrencies have been trying to break ground

Rise of buy now, pay later

Share of BNPL of eCommerce payments from 2020 to 2024



Worldpay – Global Payments Report 2021

Face the form factor evolution

Key for everything mentioned is the increasingly sophisticated bridge between value and payment, i.e. how the value is accessed. The payment form factor has evolved, from cash to check to card, and now mobile payments are taking over. In addition to enhancing convenience and security like every other new form factor, the mobile evolution brings indefinite payment opportunities. Cheques and cards were undoubtedly an upgrade to convenience at the time, but no matter how you look at it, they could only serve payment purposes. Mobile, however, has limitless applications, and possess an immense level of consumer trust, as many use their mobiles for almost anything.

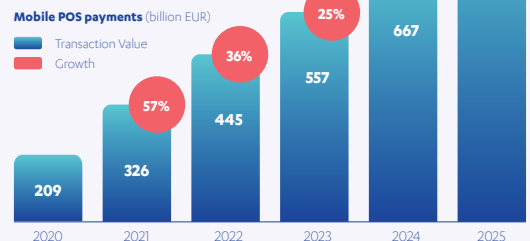
For a while the next form factor seemed obvious: biometric identification for payments. The technology is strong, can offer a seamless experience and a major upgrade in security and convenience. However, as it currently stands, consumers are much warier of the idea of having their biometric information collected and stored – even when stored as an irreversible string, ensuring the impossibility of reconstructing the facial identity. From this current point in time, universal biometric identification is facing severe challenges when it comes to widespread adoption, but consumer stance might change.

At the same time, usage of on-device biometrics is increasing everyday. For example, it is nearly impossible to buy a biometrically non-enabled smartphone. Whether or not the increased usage of on-device biometrics over time will help normalise global biometrics recognition solutions remains to be seen. In the meantime, on-device biometrics almost perfect symbiotic relationships with mobile payments, solving an issue of convenient two-factor authentication by eliminating a PIN and fortifying the current superiority of the mobile form factor.

The last piece of the payments bridge, at least for in-person transactions, is the point-of-sale (POS) device. As we are already starting to see, the traditional one-purpose terminal as we have all come to know is increasingly being switched to multi-functional smart devices. These smart POS devices merge the merchant- and consumer-facing devices into one, simplifying the interaction while enabling many opportunities for both parties. This can be seen as a starting point to transition the point-of-sale to a point-of-interaction, where payment does not have a designated place in the customer journey. An example hereto could be the ability to operate the terminal anywhere in the store, removing the customer friction of having to go to the cash register, maybe even stand in line, to pay.

The mobile form factor

Value of mobile wallet payments at physical stores



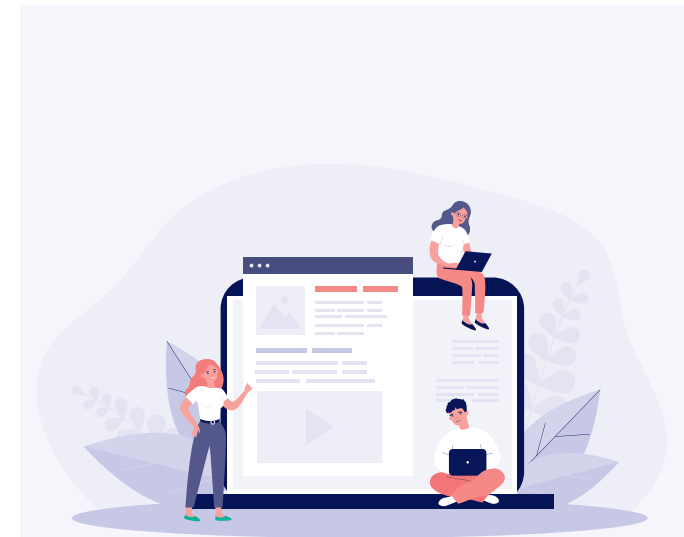
Statista

Apps vs. super apps

At the same time, efforts are being made to remove the need for terminal capabilities completely, by enabling consumer devices to drive the payment. For example, merchants around Europe are introducing apps for customers to expand their involvement in the complete customer flow. Merchants gain valuable insights on customer behaviour and needs, while customers get access to personalised offers and a more streamlined shopping experience. Supermarkets are a big driver in this space: Salling Group, Lidl and Rewe are just a few examples.

The development of merchant apps is not limited to supermarkets – it is observed in all types of retailers. Common to all apps are that they result in a bundling of services, which can also be observed in restaurant apps enabling in-app ordering and payments. The apps bring a direct interaction channel to the individual consumer, and most importantly, increased merchant control over the full customer journey. To further increase control over the complete customer flow, merchants are increasingly integrating payments into apps. These embedded payments, and ultimately embedded financial services, are a powerful driver of retail growth and present a natural opportunity for expansion.

Ultimately, merchants are looking for ways to play a larger part in the life of their consumer, acknowledging the importance of retaining attention in the current fast-paced reality. Recent years have seen significant growth in attempts to build so-called super apps. In a crowded landscape of apps, becoming a super app is mainly about maintaining a grip on consumer attention by offering services that serve a broad variety of their needs. As more functionalities are added and more “stickiness” is created, consumers no longer need to leave the ecosystem to fulfil their needs. Naturally, the opportunity to expand the ecosystem is closely correlated to the number of users that are reachable – giving powerhouses like Apple and Meta a strong position to expand their offering.



“If you own the interface, you own the customer. If you own the customer, you own the data. And, if you own the data, you can define the future”

Hugh Fletcher,
Global head of innovation,
Wunderman Thompson Commerce

to Raconteur

Raconteur

EXAMPLE DEEP-DIVE:

Swedish E-krona

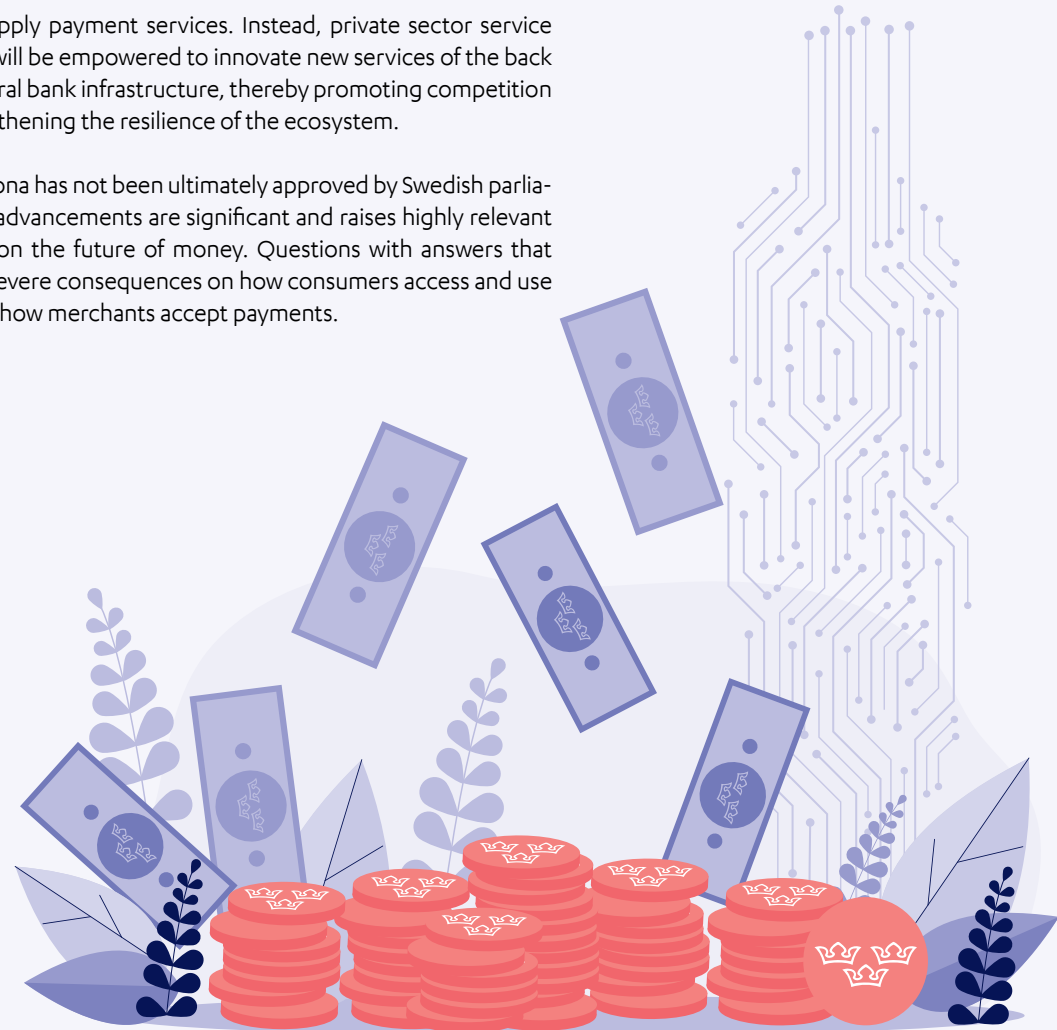
Europe is no doubt transitioning towards a cashless society, however, there are still huge differences between European countries regarding their position in the process. Sweden is one of the leaders in this space, predicted to be the first cashless nation by 2023. For many years, the national bank of Sweden, Riksbank, has been preparing the launch of a purely digital national currency: the Central Bank Digital Currency (CBDC), called e-krona.

The idea rises from the need to ensure a safe and efficient payment system – a task that may be more difficult if the majority of households and companies no longer use cash as a means of payment in the future. Moreover, it aims to protect the Swedish krona against the rise of decentralised cryptocurrencies and speed up domestic and international payments. The e-krona ensures citizens access to purely digital currency while providing similar opportunities as cryptocurrencies, but with the trust of government backing.

Many questions are still unanswered about the models surrounding e-krona. For example, how to distribute the CBDC is currently being discussed. First Deputy Governor of Riksbank, Cecilia Skingsley, has previously said that Riksbank will be the operator,

but not supply payment services. Instead, private sector service providers will be empowered to innovate new services of the back of the central bank infrastructure, thereby promoting competition and strengthening the resilience of the ecosystem.

While e-krona has not been ultimately approved by Swedish parliament, the advancements are significant and raises highly relevant questions on the future of money. Questions with answers that will bring severe consequences on how consumers access and use funds, and how merchants accept payments.



Read more about e-krona: [E-krona | Sveriges Riksbank](#)

Sources: ITU and Riksbank



Merchant implications of Pay as I please

- Merchants can gain from accommodating consumers in the choice of payment, as their pool of available funds expand and more value is incorporated in their wallets.
- It is important for merchants to know their customers and enable preferred payment experiences, if not all. Consumers expect to be able to access their funds in any way they prefer, using any form factor fitting their individual needs.
- Merchant apps will be normalised, presenting the opportunity for many merchants to introduce their own to increase interactions with customers, expand ownership of the complete customer journey and offer personalisation.

EXECUTIVE SUMMARY

Beyond the point of sale

As interactions between consumers and merchants become more dynamic and personal, the line separating the various interaction channels is blurring. To consumers, all available channels are interchangeable and a reflection of the business, and therefore must present a coherent experience. Having experienced the advantages of digital channels, pressure is on in-store spaces to revamp into something extra, implementing the possibilities of the digital space in the physical one.

THE WME03

THEME INTRODUCTION

Beyond the point of sale

The increased introduction of apps and super apps is an illustration of the transformed retail environment of today. Apps are the newest branch of direct consumer interaction, indicating how dynamic merchant-to-consumer communication has become and the importance of nurturing customer attention on a continuous basis. How this attention is nurtured however, is the million-dollar question. In the next section, the point of view is changed from the payment situation to the retail experience to address this.

Like,
follow,
shop



Accenture

Unifying commerce

Retail is moving towards a reality where consumers and merchants interact without distinguishing between the media or channel of choice. Whether the interaction is achieved through a physical presence in brick-and-mortar stores, by scrolling through merchant social media pages or by browsing around merchant webshops, it is all the same to the consumer. Not only is it all the same, but consumers expect merchants to provide a seamless and coherent experience across all channels. This is one of the key focus points of Unified Commerce, known by the wider retail and payments industry.

Although all channels are important and work together to create a holistic customer journey, social media is expected to stand out and gain a significant burst of attention. Social media has had and will continue to have a strong claim of consumer attention, as around 75% of the total European population have a presence, and a large proportion of those are active daily⁴. Merchants are facing a double-edged sword, as the immense potential offers an obvious opportunity to reach and interact with customers, while also facing fierce competition for consumers' attention against all the rest the platforms have to offer. Especially when factoring in the uncertainties of how to trigger the ever-changing algorithm and increase virality.

However, when we say that consumers are taking control, that also applies to social media. Even though reach and attention can be bought, sustaining it takes more than just ramping up the advertisement budget and running promotions. Campaigns without a foundation in the core values and identity of the merchant will often fail to create any form of bond with the consumer, and are therefore a waste of money. Consumers have the edge on social media, and besides expecting immersive experiences, they see through insincere activities which loses the battle for their attention. The flipside of that coin is that there is a substantial edge to gain from designing dedicated content for social media, with the ability to trigger algorithms for maximum reach and consumer interaction.

Besides being a prime marketing platform, social media is ripe for playing an even larger part in the e-commerce space, i.e. social commerce. As an example, merchants are now integrating products directly on their Instagram profiles for an easier way of promoting specific products, styles, use-cases, etc. Furthermore, users can create wish lists, save posts to get inspired and interact directly with the brand. Going forward, an even more integrated shopping experience where consumers do not have to leave the platform to finalise purchases is expected. Again, it must be stressed that all channels are important to create the holistic image of the merchant, but we have yet to see the full exploitation of the immense potential of social commerce.

As with almost anything else, there is more than one approach for harvesting this potential. Do you integrate a webshop capability on an established social media, or do you build a social media around your webshop? Chinese company PinDuoDuo is, among other things, an example of the latter. With a "group buying" approach, individual consumers are connected to gain the benefits of buying in bulk, significantly lowering prices for consumers and cost for merchants. Merchants and consumers have the same abilities as the social media we know – they can create content and build their own story on a designated page. Merchants can even create games that customers can play together, offering products as prizes for beating it.

This approach has given new life to the manufacturer-to-consumer (M2C) business model that both consumers and manufacturers benefit greatly from, as consumers gain product personalization options and manufacturers gain a direct measure of demand, enabling them to only produce the quantities that can be sold. Being a mix of social media, marketplace, gamification and much more, means explaining everything that PinDuoDuo does to create a unique social commerce platform requires a lot more than this paragraph.

⁴ Hootsuite

As defined by Accenture, social commerce refers to “the integration of social experiences and eCommerce transaction in a single path to purchase, enabled by a platform”

Accenture

possess. Instead of designing in-store spaces to streamline sales, LEGO are focused on creating a playful wonderland around their bricks, where children and other playful souls can experience all the varieties and opportunities their universe has to offer. Creating a store that tourists and families actively look to experience while building strong brand knowledge and loyalty.

Of course, this example is a special case. Offering a playful product allows for playful interactions, not suited for all merchants. However, other companies are trying to create similar physical spaces, one of which is highlighted in the example at end of this theme.

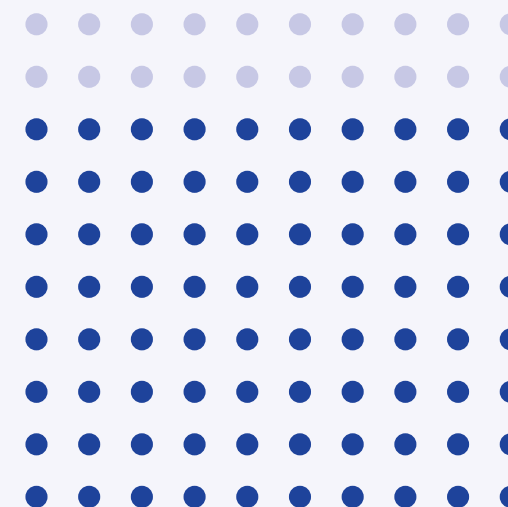
The individual consumer must be at the centre of each path to purchase, meaning whatever customer experience is designed, it is designed to accommodate for the unique needs and preferences of the consumer. What happens after the purchase is equally important. Going the extra mile and providing extraordinary customer service goes a long way in strengthening the customer relationship. Additionally, the in-store experience should reflect the values and “personality” of the business, thereby creating a stronger bond between customer and merchant. A key enabler for creating such a space is the ability to seamlessly identify the consumer and to provide a service that utilises their digital activity too. The approach to do so ranges widely, as biometrics, QR codes and app check-ins are just some of the examples from the potential solution pool.

In fact, this is the true challenge to solve: how to recognise customers in-store as easily as online, enabling the offering of personalised experiences and high-quality loyalty solutions. Bridging the offline and online channels is exactly what Unified Commerce is all about, and it is paramount to ensure the seamless loyalty solution that consumers desire – especially in a time where loyalty has been completely shaken up, and consumers are changing suppliers and habits at a much faster pace.

Regarding the transformation of physical retail spaces, merchants are increasingly moving a larger part of their deliveries closer to the physical stores that they operate in – and for obvious reasons. For example, if online shoppers are offered faster and free delivery

to a physical store close by, they become susceptible for targeted upselling activities when collecting the package. At the same time, being able to ship products shorter distances can significantly lower delivery costs, and ultimately help solve the challenge of high-cost last mile delivery while easing buy-in-store-get-delivered and other models.

A great product is not all



80%

of consumer say that the shopping experience is as important as the product.

Cognizant

What the future has in store

Undoubtedly, the retail of tomorrow will revolve around a digital core – but that does not mean that the importance of brick-and-mortar stores can be neglected. Rather than downscaling physical outlets due to diminishing profitability, stores could be an opportunity to create deeper bonds with customers. The retailer’s challenge lies in enabling shoppers to transition their online shopping behaviours into stores, while also deploying in-store technology that captures more nuanced data and insights about that shopping behaviour.

As consumers keep adjusting to the convenience of online shopping and get used to the advantages hereof, physical stores will have to revamp into something other than just a sales channel. Rather than pushing sales hard, physical stores should focus on creating an extraordinary customer experience – with the product at the centre, naturally. LEGO is a good example of this development, recognising the massive potential that their physical stores

EXAMPLE DEEP-DIVE:

Nike innovation concept stores

One of the world's biggest brands, Nike, has acknowledged the need to revamp physical spaces and integrate the advantages of digital channels into their in-store spaces. Recently, Nike has been experimenting with three new concepts for their physical spaces. Nike Rise is a sports-focused concept that responds to the pulse of sport in a particular city, directly linked to current events. Nike Live offers shoppers a seamless blending of data science and premium personal service, catering to exact local needs. Lastly, the House of Innovation concept provides an immersive experience, showcasing some of the biggest innovations that Nike are working on.

Each concept carries a focus on creating fast-responding, engaging personal shopping experiences. To access the full potential of the experience, shoppers need to be registered members of the Nike app, and through this be identified when entering the store. Once inside, shoppers have a wide range of opportunities. Besides the ability of booking an expert session to tackle your exact need, shoppers can adjust and personalise the designs of clothing and shoes, gain access to innovative in-depth analysis on optimal sizes and fitting type, immerse themselves in a playful VR/AR environment with various games and challenges, and much more. Possibilities seem near endless.

In an interview with Input Magazine, Daniel Heaf, VP of Nike Direct, elaborated on the thought process behind these concepts. "Ultimately, we're looking for this new kind of integration between physical and digital, where we can blur the boundaries and consumers don't see the channels at all. They just see the brand. It is

both experiential and has the convenience factor too". In other words, Nike is creating a unified commerce experience, in which the consumer is put at the centre, driven by convenience and personalisation.

In addition to the immersive experiences, Nike is incentivising the circularity of their business model. The Recycling & Donation programme allows shoppers to donate or recycle gently worn footwear and clothes in the store. In addition, they have announced a transition to more sustainable shipping methods, namely a reduction of split packages with a prioritisation of recycled materials and a ground-only shipping option to reduce carbon emissions by avoiding air freight. As the cherry on top, the newest House of Innovation in Paris is fully run on sustainable wind energy.



[Read more about Nike concept stores: Nike](#)

Sources: Input Magazine



Merchant implications of beyond the point of sale

- Merchants should provide seamless and coherent experiences across channels as consumers switch effortlessly and do not differentiate between interaction channels.
- Merchants need to explore and understand the dynamics of social media to exploit the full potential since the acceleration of social commerce poses a major opportunity to interact and create deeper bonds with customers.
- Merchants should consider how to fully integrate and utilise advantages of online channels in physical spaces as they increasingly shift the focus of brick-and-mortar stores from profitability to extraordinary customer experiences.
- The ability to seamlessly identify in-store visitors with the same ease as online remains key to offer the personalised shopping experience demanded by consumers. The in-store experience should creatively integrate tactility, human interaction and online presence.



EXECUTIVE SUMMARY

Data, the enabler

The collection and use of data in all aspects of our lives will only increase going forward. Data is a key enabler of everything digital – and for that reason, it is critical for businesses to be able to harvest and utilise it. On the other side, consumers want to balance the data that is shared, increasingly demanding a clear benefit for sharing. Trust, security and privacy remain the most important factors for consumers – which is why businesses are investing heavily in cybersecurity and transparency measures.

THE WME04

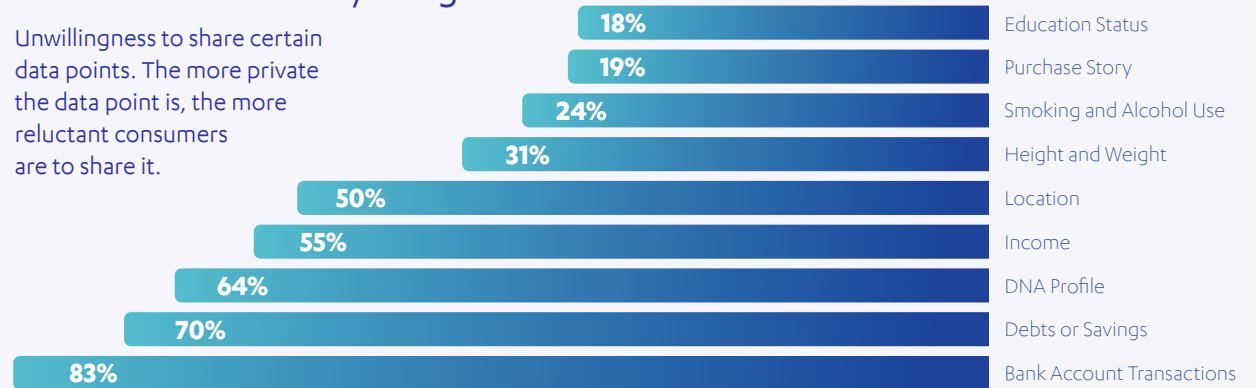
THEME INTRODUCTION

Data, the enabler

For many years, it has been clear that the future will only become more digital. However, transitioning to digital channels inevitably creates a digital footprint: data. Being attractive and compelling, yet complex and fuzzy, data has spurred many challenges, one of which being the balance of harvesting but not over-harvesting. Consumers need to be on board for the ride.

Do not ask for everything

Unwillingness to share certain data points. The more private the data point is, the more reluctant consumers are to share it.



Deloitte

Treat data collection as a transaction

People by nature have caution for many reasons towards data. Feeling uncomfortable with how much businesses know about them, being nervous of abuse or misuse, or fearing their personal data falling into the wrong hands are just a few of the many reasons consumers have for their reluctance towards sharing. Despite these concerns, consumers are providing tremendous amounts of data, as there has never been more data available to service providers. The paradoxical duality that lies herein serves as a great catalyst to rationalise the relationship consumers as a collective unit have with data sharing.

Countless analyses have tried to identify challenges and ways to mitigate these concerns. While some insights have strayed in multiple directions, there seems to be a consensus that transparency, security and trust are the key factors in data harvesting, management and utilisation. In a recent study by Deloitte⁵ on European consumer willingness to share data, it was shown that although consumers generally are wary about sharing their data, there is a huge difference in the nature of the

data point in question. Unsurprisingly, consumers are more willing to share information about education status, purchase history and ethnicity, while bank transactions, DNA profiles and debt information are among the most private data.

The willingness to share data from a consumer point of view is highly dependent on understanding the reason for collection and what it will be used for. A tendency is seen that consumers are willing to compromise their concerns for sharing data when a clear benefit for doing so is presented. In other words, consumers have developed a transactional relationship with their data, realising the value it brings and expecting to be compensated for granting access to it. How to bring the value remains a challenge, but personalised services and experiences are expected to be one of the better options for doing so.

⁵ Deloitte

Data as the enabler and glue of the future of retail

Since many businesses rely heavily on the data created by consumers, it is extremely important for them to provide a clear value benefit to keep customers willing to share that data. Business data dependencies are twofold. On one side, businesses collect and analyse data to improve customer experiences, enable personalisation, and develop and create new offerings and services. On the other, businesses want to optimise capabilities and improve internal processes such as better prevention of suspicious transactions and detecting fraud.

To enable a great customer experience and really deliver insights from analysing data, different data sources are often needed. An example of this is what the theme Beyond the point of sale addresses: the need to be able to work seamlessly across channels. The exercise of enriching data across channels (or data sources) is a challenge for many. Often, the real value creation emerges when businesses manage to more closely connect different sourc-

es across the ecosystem and thereby enrich data with new parameters, making it possible to analyse and process data with new lenses.

Businesses are especially facing the challenges of how to build trust in the collected data and to obtain one source of truth, while identifying the right technology to enrich data sources across sources. Technology and software architecture are the enablers to empower the many opportunities that arise when utilising and bridging data. One of the technologies with the capabilities of creating this bridge is Application Programming Interfaces (API). Widely used as an enabler to share data across sources and businesses, as well as to fuel partnerships – even across industries – which is described in more detail in **Theme 5 (Platforms for success)**.



Data is the foundation of all themes presented. Data is generated by consumers, who in turn expect convenient and seamless experiences in return (I, the consumer). The more data is available, the more secure and seamless payment options and personalised shopping experiences can be offered (Pay as I please & Beyond the point of sale). Lastly, the next theme (Platforms for success) illustrates key implications of this data on the way business is done.

Building trust through security and transparency

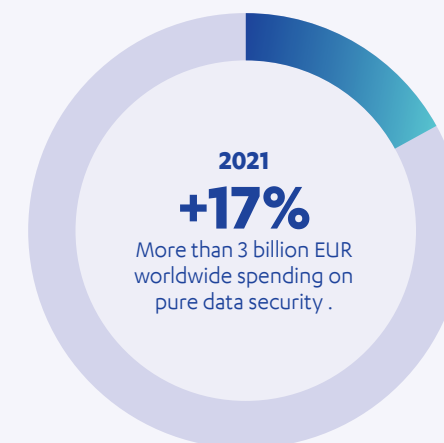
As mentioned, the transactional relationship with data sharing relies on a foundation of trust, transparency and security. People are used to security and safety measures when it comes to physical assets like stores and factories, but when it comes to digital security, few understand. It is clear, however, that when it comes to protecting assets, businesses have always been willing to invest, and data is a major asset for almost all businesses.

To accommodate their own and consumer concerns, businesses are therefore set to invest heavily in cybersecurity and risk management systems. Gartner expects worldwide spending on information security and risk management to have grown around 12% in 2021, reaching a total of more than EUR 130bn⁶. At the same time, data security investments are forecast to have grown about 17%, while both are expected to see even more investments in the years to come.

The motivation for these investments is amplified by the increased focus from regulators and consumers to punish careless data management and breaches of security. In addition to the high cost that is often connected to data breaches, the business brand, reputation and trust is at risk, and can take years to remediate. Similar to adjusting and adopting to new needs or requirements from customers, models and frameworks for security must evolve. An emerging trend in the security and trust space is the zero-trust concept. It builds on the mindset that one should never trust but instead verify, which is a different and interesting perspective to have on security.

All disciplines relating to managing data – data governance, data security, data quality – call for new capabilities, challenges and new ways of thinking. More importantly, they present new opportunities. Rapid digitalisation implies a heavy generation of digital footprints – data, that can be collected and used in various aspects. It is a key enabler, and therefore it is paramount to tame the “wild horse” called data.

Heavy spending on data- and cybersecurity



⁶ Gartner

EXAMPLE DEEP-DIVE

SingPass

SingPass is the National Digital Identity (NDI) of Singapore. Launched in 2003, it is built on the belief that a national digital identity system is the first step in building a digitally inclusive society. As members of society, the ability to prove our identity is paramount to access government services. SingPass allows users to create a digital identity that can be easily used across a wide range of public and private sector services, and in doing so, improve the lives of citizens, create opportunities for businesses and transform the capabilities of government agencies.

Originally, SingPass was developed to provide a holistic login service to all government services but has since transformed into much more. Think of it as a form of personal data ledger where each individual is in control. Users can store all their personal data in one place and provide relevant services with permission to access it – and revoke it. They have a complete overview of who has their data and what it is used for, and can easily manage permissions. This data transparency is a fundamental goal of SingPass, which allows them to build the necessary trust to accelerate growth, resulting in over 3 million Singaporeans using SingPass.

SingPass creates opportunities for businesses by providing easy access to various services based on their data platform. Businesses and agencies can use SingPass' application programming interfaces (APIs) to enable access or create new value-added services for Singapore residents. For instance, tapping on the Login API enables customers to log into a business' portal with SingPass, so they do not have to manage their own authentication platforms. Leveraging the Sign API allows its users to digitally sign documents, and the Myinfo API lets users provide their information from gov-

ernment sources to reduce application times. These are just a few examples of the APIs provided by SingPass.

A successful enabling of easy identification would have major advantages from a retail perspective. As previously described, it is fundamental to allow for seamless personalised experiences in-store, and the SingPass approach is one of the more sophisticated attempts. However, it cannot be stressed enough that trust and transparency is the foundation of these services, and therefore each individual must be empowered with control over their data.



[Read more about SingPass](#)

Sources: KR



Merchant implications of Data, the enabler

In many cases the challenges faced are less on how to collect data – many merchants already have data or access to it. The challenge is how to use data to provide clear value to consumers.

Great value can be obtained when utilising the data at hand to personalise offerings and improve services and customer experiences.

Merchants need to ensure transparency by clearly stating the purpose and scope for the collection of personal data to continue collecting.

Security is a major concern for merchants, who must protect the data they have collected at all costs. Furthermore, they must have an explicit and well-communicated strategy to mitigate risks, as failure to do so can result in severe damage.



EXECUTIVE SUMMARY

Platforms for success

It is paramount that merchants address the high expectations of consumers. Embedding a focus on the user experience directly in the development phase is an important step in doing so. We expect innovation and value creation to be cultivated by open platforms in many industries, enabling major improvements in cross-business collaboration, benefitting everyone – especially consumers.

THE WE05

THEME INTRODUCTION

Platforms for success

Recent years have seen a disruption on the way business is done across all industries. Whether it is about business models, value propositions or data strategies will not change the fact that everything is shaken up. Understanding how to navigate the modern competitive landscape can prove tricky for businesses, who face dynamic challenges and opportunities everywhere.

seen a surge in subscription-based offerings – a development that is expected to continue, driven by the proven positive impact on merchant revenue growth of subscription businesses.

Continuing the rise of platform economy

One way for businesses to address consumer expectations is to increase collaboration across the competitive landscape. Across industries, businesses are acknowledging the opportunity to provide more value with a quicker lead time to the customer through open-ended offerings that allow for value-added services to be built on top of other solutions and products.

For obvious reasons, competition must not be neglected. However, merchants are increasingly indulging in symbiotic relationships to grow the pie, rather than share it. Strategic partnerships across the industry is a way of doing just that, by improving services and products while shortening the time to market compared to developing the capabilities in-house. A technical enabler to increase this collaboration and grow said pie, is through an API-based offering, expected to play an even larger role in the modern digital business.

At the same time, the platform economy is still on the rise, where platform businesses attempt to fulfil as many needs as possible to become the go-to facilitator and provider within their industry and across. While major platforms have a lot of obvious advantages for both consumers and businesses, they are also major keystones. Besides consumer dependencies, businesses or individuals offering services, products or value-added services on platforms are extremely dependant on the platform they operate on. This is a challenge that will be interesting to watch as it plays out, as players across the spectre have many different motivations. One possible scenario is a shift towards creating ecosystems around the prevailing platforms, thereby maximising value creation and distributing power across, although platform facilitators will have a strong position.

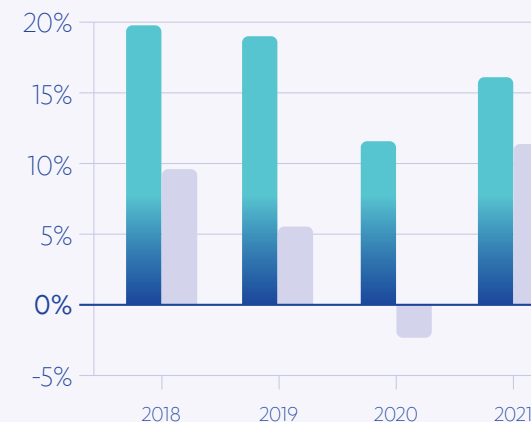
Embedding the consumer experience in the development phase

Although previous themes are very different in nature, one common denominator can be identified: consumers hold an immense power and they intend to exercise it. Following the logic of supply and demand, it will create a ripple effect, affecting the very core of business operations. Businesses, big or small, will have to adjust to a customer-first mindset of developing products, services and customer journeys to remain relevant. Thus, the user experience becomes a deeply integrated part of the business. A customer-first mindset must be embedded throughout the business to make an impact.

Merchants that are unable to satisfy consumer expectations risk being unable to retain customers – especially due to the major shock to consumer loyalty that the pandemic has created. Loyalty is fleeting and closely linked to the ability to provide seamless and personalised experiences. However, the business model can also be a means of differentiation: recent years have

Subscriptions boost revenue

Subscription-based merchants grow revenue significantly faster than merchants in the S&P500 index



Subscription Economy Index
S&P 500 Sales

The same transition can be observed in the financial sector, which is strongly driven by regulatory initiatives aiming to simplify the financial infrastructure of Europe. PSD2, PSD3 and the European Payments Initiative are all efforts to secure standardised financial tracks across Europe, making it easier for both consumers, merchants and payment providers to navigate and innovate. Already, consumers are experiencing some of the major upsides of an open banking infrastructure, e.g. the ability to merge accounts from different banks into the same app or a fast and easy credit assessment.

So-called neobanks offer purely digital alternatives to traditional banking and illustrate the opportunities to build user-experience-focused services upon such open infrastructures. They have

brought an unforeseen level of innovation to the world of banking, forcing traditional banks to adjust their own offering, as 15% of European consumers are expected to be users of neobanks by 2025.

Banks will likely acknowledge the advantage of neobanks to invest heavily in the user experience, and pivot from owning the consumer relationship to become a facilitating network that service providers can innovate on top of. Also benefitting are major platforms and tech companies like Apple and Amazon, which utilise their massive userbase to leapfrog into the financial sector and further improve convenience for the consumer.

Revolutionising the competitive landscape

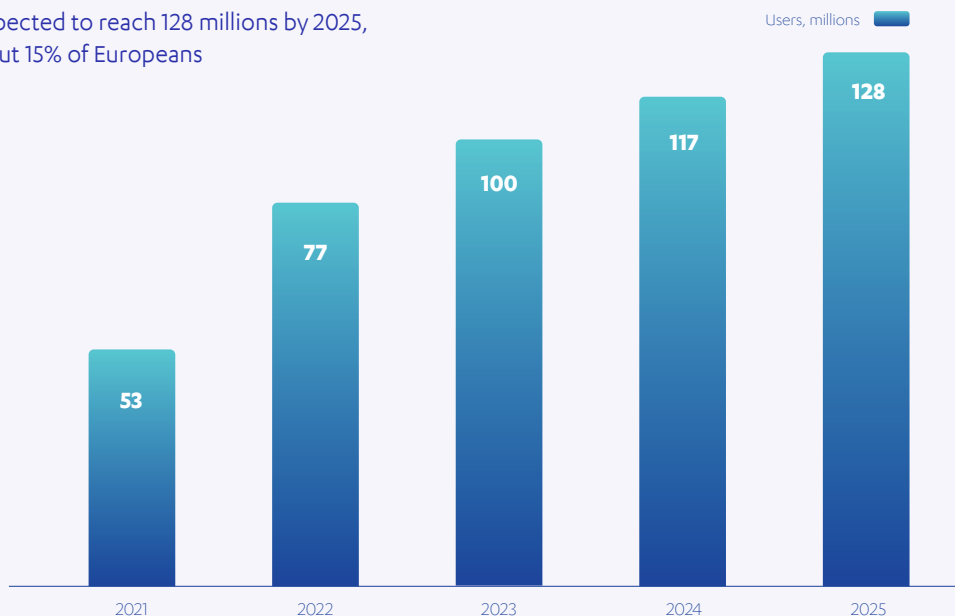
The increased simplicity and connectivity of the open-ended systems described above provide almost endless opportunities for both start-ups and established businesses. Historically, businesses have been careful when trying to break new ground, and only did so on the backbone of major investments. However, the openness of these systems is erasing these boundaries and more businesses will expand their core business, some even beyond adjacent products, either through strategic partnerships or own offerings.

For players inside and outside a particular industry, the ramifications are vastly different but equally important to consider. Outsiders will have vastly improved opportunities to enter new industries as in many cases they are not required to develop full end-to-end solutions, since parts of this can be sourced from other participants or platforms. Insiders, however, are vulnerable to competition from many more competitors. The notion of industry in- and outsiders is thus losing its meaning, as it becomes increasingly opportune to move between them. Ultimately, the biggest winner will be the consumer, benefitting from intensified competition through competitive prices and highly sophisticated solutions.

At the end of the day, there is no denying that the competitive landscape is undergoing a substantial transformation. The environment for cross-business collaboration and interaction is improving dramatically, benefitting everyone involved. Businesses will increasingly see opportunities in each other, often partnering or otherwise collaborating to improve offering and increase reach.

Neobanks disrupting the banking industry

Users of neobanks expected to reach 128 millions by 2025, corresponding to about 15% of Europeans





Merchant Implications of Platforms for success

Rather than adding a consumer value proposition after developing the product, a consumer-first mindset should be implemented directly in the development process.

Open-ended technical solutions facilitate innovation and customer value, and the increased collaboration benefits everyone involved, as products or services improve in quality and are taken to market faster.

Businesses face opportunity to expand core business, some even beyond adjacent products, either through strategic partnerships or own offerings.

Businesses will increasingly partake in a symbiotic relationship with one another, as the lines between partner and competitor blurs.



Closing remarks

It is without a doubt tumultuous times that many factors have contributed to – most importantly, the Covid-19 pandemic. The state of the digital transformation of European society was leapfrogged by the pandemic and has spawned a point in time where everything has been shaken up. How merchants and players in the traditional payments value chain take advantage of the opportunities that arise from this will be interesting to see. In the current fast-paced reality, the ability to be agile, bold and adapt to new technology or applications of existing technology is paramount to prevail.

In other words, merchants should not be afraid to experiment with new technology and integrate it into their offering to create intriguing and immersive customer experiences. Especially in current times, where lockdowns are leaving European consumers hungry for new experiences and more susceptible to digital channels. However, merchants must also keep in mind the importance of being sincere, and make sure that communicated efforts and strategies are also shown in the actions taken. This is particularly true of ethical and political matters, but not limited hereto.

Get in touch

Innovate together

At Nets, we value collaboration highly. It is our firm belief that true innovation requires different perspectives on a given problem. By collaborating with our customers, we seek to learn and understand what creates value for them, so that we can innovate together and co-create solutions for a better tomorrow. Please, do not hesitate to reach out to Nets Merchant Services if you would like to discuss the insights or potential implications for your business presented in this report.

Core team

The Nets Payments Outlook 2022 is the result of a dedicated team effort by the Strategy & Transformation team of Nets Merchant Services. We would also like to say a huge thank you to all interviewees for their contribution to this piece.



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36. Statista - Neo-bank users
37. Zuora - Subscription revenue growth

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Nets is part of Nexi Group – the European PayTech with scale, capabilities and geographic reach to drive the transition to a cashless Europe. We are committed to supporting people and businesses of all sizes, transforming the way people pay and businesses accept payments. By simplifying payments and providing the most innovative and reliable solutions, we enable businesses and financial institutions to better serve their customers, build closer relationships and to grow together.

We want to shape the way people pay and how businesses accept payments by offering the most innovative and reliable solutions, built on a foundation of our scale and strong competencies and energy of our employees. We will drive the transition to a cashless Europe by making every payment simple, fast and safe.

For more information please visit: www.nets.eu or www.nexigroup.com

- Serving around **2.4 million** merchants
- Employing over **9,000** payment specialists
- Investing around **EUR 300mn** annually on IT & Innovation
- Ranked **1st** in Europe for:
 - Acquiring: number of merchants served and total trx value handled
 - Processing: number of payment cards managed and total trx value processed
 - Annual investment in Technology and Innovation



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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