Published on *Cash Management* (https://cashmanagement.bnpparibas.com)

Collaborative Payments Ecosystem Boosts Customer-Centricity

published on 19.06.2018

Structural changes are spurring payments industry participants to evaluate the future of the business as well as their role in the months and years ahead.

Heightened customer expectations for value-added services, increased competition from FinTech firms, new payments-enabling technologies, and an ever-changing regulatory landscape are driving the development of an open and collaborative payments ecosystem.

Within this dynamic environment, the traditional payments-processing intermediary function is transforming as payment vendors consolidate or collaborate to stay relevant. Payment infrastructure now requires next-generation tools such as instant payments and distributed ledger technology (blockchain) to delight customers who are ever-more particular and sophisticated. At the same time, alternate channels such as contactless payments and wearables continue to gain traction. While an open and collaborative environment introduces new opportunities, it also presents vulnerabilities related to cybersecurity and data privacy, which means industry stakeholders must mitigate risks. It is not surprising, then, that around half of bank executives surveyed for the World Payments Report 2017 viewed distributed denial of service attacks as a primary security challenge, while more than 30% considered customer payments fraud to be an obstacle.

The changes influencing the industry and the development of enabling technologies such as Application Programming Interfaces (APIs) are pushing banks and payment service providers to evaluate traditional roles. Bank executives realize that now more than ever a collaborative mindset is required to deliver the customized, quick-to-scale products customers (mainly corporations) expect. What?s more, global regulatory directives are stoking competition and innovation, which is also influencing how collaborations are formed and implemented.

Key Regulatory and Industry Initiatives (KRIIs) related to cybersecurity and anti-money laundering (AML) have been around for some time and continue to impact banks? business models. KRIIs related to data privacy (GDPR) and payments systems modernization (including instant payments), as well as PSD 2, that are currently being implemented are impacting the engagement strategies of banks with other industry stakeholders. Apart from these, Distributed Ledger technology and Digital Currencies, which are at a nascent stage are also expected to create opportunities for all stakeholders.
Within the payments domain, FinTech firms are challenging across key value chain segments that have either been areas of inefficiencies, client dissatisfaction or traditionally high margin areas for banks.

Executive survey: Why the Payments Industry is Changing

Image not found
https://www.worldpaymentsreport.com/sites/all/themes/wpr_theme/frontend/dist/images/blog/Collaborative_Payments_Ecosystem_Boosts_Cust

Strategic Response to Structural Changes

Increasingly, banks are crafting strategic plans that position them to assume the role of financial services facilitator between customers and external producers. Considerations include the bank?s maturity level regarding serving various customer segments and how forging partnerships with service providers (including FinTech firms) might help build a position of strength within the payments ecosystem. While payments had mostly been a commodity service for banks in the past, today they are a core differentiator and a strategic focus area.

With digital payments penetrating the retail domain and more and more corporations adopting digital measures such as e-invoicing, banks can play a central role in facilitating such payments services between its key partners and customers. For example, BNP Paribas has partnered with Tungsten Network, a leading supply chain enabler firm, to offer e-invoicing linked Receivables Purchase and e-invoicing linked Supply Chain Finance (e-SCF) to large corporates in the U.S. and Canada. The partnership showcases the power of collaboration between FinTechs and Banks in driving innovation in the industry.

Instead of a focus on products, banks are also offering platforms through which a range of producers can connect to develop made-to-order, customer-centric services. A successful use case in this connection is that of private PaaS for developing apps and providing services to third parties by leading banks through their platforms. A platform orientation will ensure that banks retain customer trust and relationships while developing their ecosystem with external service providers.

As facilitators of the payments ecosystem?s platforms, banks are also collaborating with a variety of services producers to ensure connections that are meaningful and focused on customer needs. Development of such a collaborative ecosystem and implementation of initiatives such as PSD 2 will enable banks to explore new revenue models such as monetizing API-based value-added services.

The ecosystem also provides, from a single source, a choice of payment methods for customers and allows corporates to select the strategic partner that best meets their collaborative needs. A successful payments ecosystem will depend on banks? ability to understand customer requirements and then use that understanding to create meaningful platform-based applications through mutually-beneficial partnerships.

For more insights on how the payments industry is evolving, and what this means for you, please download a complimentary copy of the World Payments Report 2017 developed by Capgemini and BNP Paribas, at www.worldpaymentsreport.com

Authors:

Image not found
https://www.worldpaymentsreport.com/sites/all/themes/wpr_theme/frontend/dist/images/blog/Jandark.jpg

Jan Dirk van Beusekom

Executive Director of Cash Management
at BNP Paribas

Image not found
https://www.worldpaymentsreport.com/sites/all/themes/wpr_theme/frontend/dist/images/blog/Christophe%20Vergne.jpg

Christophe Vergne
Cards and Payment Practice Leader
at Capgemini

Netherlands Antilles

Source URL: https://cashmanagement.bnpparibas.com/our-solutions/trends-vision/collaborative-payments-ecosystem-boosts-customer-centricity