

Retail banking's future landscape

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Though 2014 was an interesting year for the retail banking industry, it is clear that there are changes that are more interesting afoot in 2015.



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The rise and adoption of new technologies in everyone's daily life is irreversibly changing the landscape of retail banking. Banking customers are becoming increasingly self-directed and expect their banks to deliver convenient yet secure ways to pay, manage their accounts, conduct simple operations and interact online to offer these services on all their mobile devices 24/7.

For banking players, this digitisation comes with an imperative of cost reduction, while a serious cross-industry battle is happening for the positioning in digital payment services with non-banking players and ultimately for consumers' digital identity and security gatekeeper .

More banks go digital

This digitisation effort is visible around the automation of banking services and fulfilment of payment devices, as well as the transfer of these services on the digital channels (phones, tablets, and computers).

While there will be a reward for those banks embracing the move to digitised processes (mostly on operational cost cuts), a risk of seeing customers adopt new digital services from other providers than their primary banker is well identified for those who are slow to respond to changing customer demands. In this context, 'main street' banks' role would be

significantly diminished and value would migrate to more innovative (and efficient) providers.

While major banks have already started this digital transformation process and will continue on this path, we expect to see this trend extend to the bulk of other banks in 2015.

On-boarding new customers expands versus traditional branch services

This year will see traditional physical in branch touch points lose ground to online on boarding. In addition, we also expect to see an extension of e-banking services such as loan contracts and account openings, resulting in an increasing need to authenticate the applicants and secure the transactions. All this to be provided in a 'seamless' manner, the digital channel(s) being integrated across the various product lines, and ultimately the bank acting as an aggregator of services.

The road to financial inclusion

Nearly 50% or 2.5 billion adults are currently unbanked, most of them living in developing countries in South Asia, Africa and the Middle East and North Africa (MENA) region. Financial inclusion is a hot topic and many stakeholders: mobile operators, banks and governments, are working towards it.

In South Africa for instance, banks have deployed multi-application prepaid banking cards, combining both payment functionality and transport to address the underserved with a payment mean.

In Saudi Arabia, banks are also rolling out prepaid payment cards for the working forces. In other countries, governments are looking at implementing EMV payment functionality on the national citizen eID cards.

As for mobile network operators, they are helping to address the unbanked through Mobile Financial Services solutions. It is interesting to highlight that 52% of all mobile money services are taking place in sub-Saharan Africa, making it the leading region worldwide. Successful mobile solutions such as Vodacom's M-Pesa and MTN's Mobile Money are making a difference and lately Vodacom complemented its mobile money solution with an M-Pesa EMV prepaid card, providing end users with both remote and proximity payment tools. To work around the lack of payment infrastructures, which is also a challenge, retailers are opting for mobile Point-Of-Sales (mPOS) devices, which are more financially accessible to small businesses.

Battle of payments intensifies

Payment is amongst all banking services the one generating the most frequent and sensitive touch points between banks and customers. Banks are the traditional incumbent players in the payment industry, but they are under increasing pressure from new non-banking players with innovative and convenient value propositions, challenging their prevalent position and redefining some of the revenue streams.

To counter these new competitions, 2015 will see banks put together comprehensive offers relying on a variety of payment means, from traditional cards to cross-channel digital payment propositions.

EMV is reaching universal status

With the US market adopting EMV next year and China also pursuing migration to it, the standard for interoperability and security of in-store transactions launched 15 years ago is now becoming globally recognised. This universal adoption across a massive installed base sitting right at the heart of the banks payment offering means it's their most valuable asset in this battle of payments - a position that will continue strengthen as adoption increases in 2015.

Contactless wave will accelerate

Most of the cards issued in China are dual interface cards and, in many countries, these now outnumber traditional 'contact

only' cards. This massive deployment and adoption of contactless technology has paved the way for other 'form factors' (including the mobile hosted payment applications) and the emergence of payment through wearable technologies. As NFC continues to become more mainstream and new wearable devices come to market, 2015 will be the year that more payments start to be made in this way.

NFC Mobile in-store payment will take off

This might eventually be the year when NFC mobile proximity payments take off, in the wake of ApplePay and HCE announcements. It is clear that people are still getting to grips with the technology, as research from InfoScout reveals, highlighting that 95% of iPhone 6 users with Apple Pay either were not aware they had it or did not use it. As Apple helps make NFC payments more mainstream however, the industry expects this to change quite dramatically in 2015. In addition, we also expect more new initiatives will be revealed that will start to merge in-store payments and online cloud-based payments delivering a more consistent customer experience.

Mobile banking and mobile commerce value propositions become richer

As people become more tech savvy and user expectations increase - digital natives are starting to demand the same functionality across all their mobile platforms, with an equivalent level of usability and security as on traditional online channels. New services will also be added to the shoppers experience thanks to the interaction of geo-localisation capabilities on the mobile within the store premises. Managing the diversity and fragmentation puzzle will become a new challenge. Managing and issuing payment credentials to multiple payment devices, with different form factors, different operating systems, different security frameworks in place, will prove to be an increasingly challenging issue for the banks in 2015.

Maintaining security as a pre-requisite

Security is the foundation of trust, necessary to foster the adoption of these digital banking services. In an increasingly complex ecosystem, security solutions will have to adapt without hindering the user's convenience in their service experience.

Furthermore, tokenisation, biometrics, diverse secure elements and trusted environments will be combined to offer the best trade-off between usability and security of sensitive data.

There is much going on in the retail banking space and 2015 is set to be an extremely interesting year. It will be interesting to look back next year and see how each of these progressed but the most exciting trends have to be around universal EMV adoption and innovative ways of enabling NFC and mobile payments through new forms of wearable technology.

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