

Agpaytech's Research
30th November, 2023

How are Card Networks Responding to Emerging Digital Payment Systems?



Card Network Strategies to Emerging Digital Payment Systems

The financial landscape has undergone a significant transformation in recent years, primarily driven by the rapid evolution of technology and changing consumer preferences. One of the most prominent shifts has been the rise of emerging payment methods, disrupting traditional card-based transactions. As a result, card issuers are proactively adapting their strategies to embrace and capitalize on these emerging payment trends. However, the payments industry is on the cusp of significant change, as technological innovation is leading to the emergence of new payment methods. Much industry coverage this year has focused on the introduction of both online person-to-person (P2P) and mobile (online and at point-of-sale) payments.

The card payment industry is preparing for the future of payments with diverse strategies including partnerships, acquisitions, investments, etc., to expand its consumer market across the African continent. This is due to the fierce competition from the emerging digital wallet and mobile app payments. As per the data compiled by Statista, Apple Pay and Alipay are the second and third largest payment providers globally, respectively, having processed over \$6 trillion in payments annually. In terms of the digital wallet payment industry, Mastercard and American Express have already been surpassed by providers from the digital and mobile payment competition. Card Networks are seeking diversification in the financial marketing ecosystem in many ways.

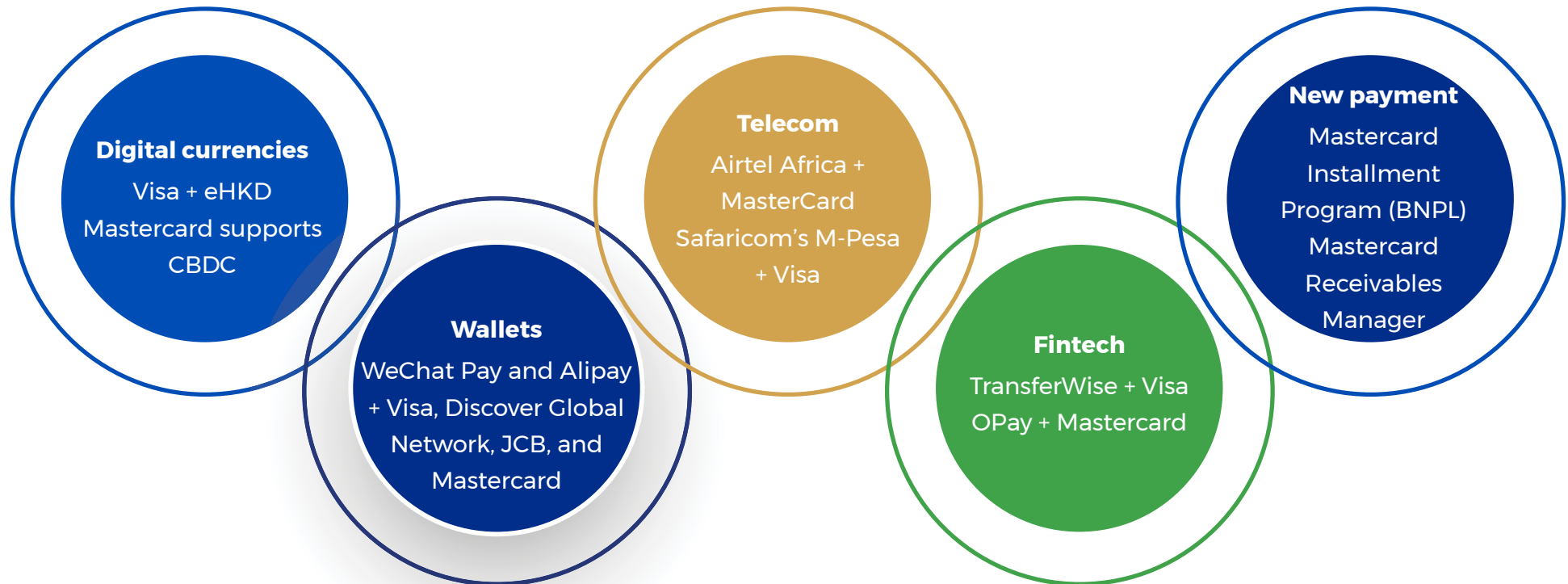
Agpaytech



“

However, the payments industry is on the cusp of significant change, as technological innovation is leading to the emergence of new payment methods.

Card payment collaborative response



Digital currencies and technology services:

The surge in interest and investment in digital currencies like Bitcoin, Ethereum, and others has prompted some card issuers to explore integration possibilities. Several financial institutions are exploring ways to offer crypto-related services, including the issuance of crypto-linked debit cards or allowing customers to buy, sell, and hold cryptocurrencies directly within their banking platforms. Additionally, the underlying blockchain technology is being studied for its potential to enhance security, transparency, and efficiency in payment processing.

- ▶ In January 2022 Mastercard published a white paper that it is ready to support central banks in their exploration of CBDCs.
- ▶ Western Union together with the Digital Dollar Project Accenture, and BDO Unibank, Inc. explores the potential of two interoperable CBDCs to provide seamless international money transfers from the senders in the United States to recipients in the Philippines.
- ▶ Mastercard emphasized the need for the Fed to retain a U.S. payments system in which it works closely with private players, referred to as a two-tier system if it decides to move forward with a CBDC.
- ▶ Visa selected by HKMA with two leading banks in Hong Kong as participants in its e-HKD Pilot Programme



Several financial institutions are exploring ways to offer crypto-related services, including the issuance of crypto-linked debit cards or allowing customers to buy, sell, and hold cryptocurrencies directly within their banking platforms.

Collaboration with telecommunication networks:

To stay competitive and innovative, card issuers are forming strategic partnerships and collaborations with fintech companies, tech giants, and other industry players. These collaborations enable access to cutting-edge technologies, expertise, and market insights, fostering the development of new payment solutions and services.

- ▶ Airtel Africa and MasterCard have announced the launch of a new cross-border remittance service, which will enable Airtel subscribers across 14 African markets to send and receive money safely and securely, with speed and certainty.
- ▶ Mastercard Inc. agreed to take a minority stake in the financial technology business of MTN Group Ltd., Africa's biggest wireless carrier, sending the telecom company's stock up the most in three months. MTN said that the deal values the entire fintech unit at \$5.2 billion.
- ▶ Safaricom, Kenya's largest mobile operator, and leading digital payments company and Visa partnered to develop products that will support digital payments for M-Pesa customers.



Airtel Africa and MasterCard have announced the launch of a new cross-border remittance service, which will enable Airtel subscribers across 14 African markets to send and receive money safely and securely, with speed and certainty.

Adoption of Mobile and Digital Wallet Payments:

Card issuers are increasingly integrating their services with popular mobile wallets such as Apple Pay, Google Pay, and Samsung Pay. These platforms enable users to link their credit or debit cards for quick and secure transactions using their smartphones or wearable devices. Moreover, the widespread adoption of contactless payment technology, allowing consumers to complete transactions by tapping their cards or devices at point-of-sale terminals, is driving significant investment and infrastructure upgrades by card issuers.

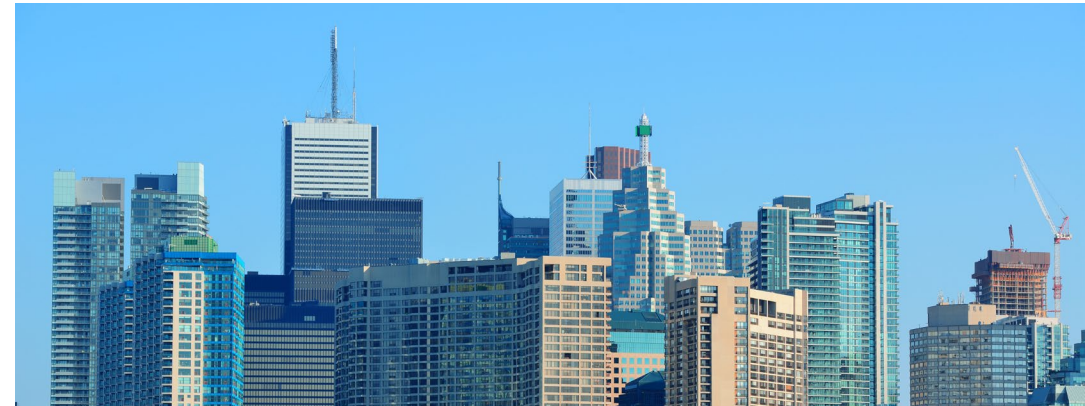
- ▶ For instance, WeChat Pay and Alipay collaborated with international card networks. The Chinese “super app” is deepening its collaboration with international card organizations such as Visa, Discover Global Network, JCB, and Mastercard to streamline digital payment experiences in China for travelers and businesses.

Collaboration with FinTechs

Payment cards remain a popular choice for non-cash transactions in many parts of the world. Mostly issued through traditional or commercial banks, fintechs and mobile money wallets leaned into issuing their cards or collaborating with card networks.

Among some of the partnerships announced between the card networks and financial service players were M-Pesa and Visa, Cellulant and Mastercard, and OPay and Mastercard. The surge in card adoption was driven by customer demand, competition, and an increase in card acceptance touchpoints.

- ▶ Visa announced a partnership with MFS Africa to give millions of mobile money users the ability to use a virtual card and other services.
- ▶ TransferWise and Visa announced a global partnership following a successful collaboration on cloud technology.



“

The surge in card adoption was driven by customer demand, competition, and an increase in card acceptance touchpoints.



Personalization and Customer Experience

Card issuers are leveraging data analytics and AI-driven insights to personalize offerings and enhance the overall customer experience. By analyzing spending patterns and behaviors, financial institutions can tailor rewards, discounts, and targeted promotions that resonate with individual customer preferences. This personalized approach fosters stronger customer loyalty and engagement in an increasingly competitive market.

- ▶ Mastercard has launched Mastercard Receivables Manager: A new, automated solution that streamlines the way businesses accept and process virtual card payments. The innovation complements Mastercard's virtual card platform as the company provides choices in payments to players across the ecosystem and accelerates the digitization of B2B transactions across buyers and suppliers
- ▶ Mastercard Installment Program: The new Buy Now Pay Later (BNPL) program that meets the needs of lenders, merchants and consumers, offered at scale across the Mastercard network

Conclusion

Card networks are seeking diversification amid the growing adoption of digital wallets and fintech personalized services. Card network firms are revitalizing their resources and market share to provide consumers with new experiences and payment needs. Startups, Fintechs, and mobile payments (Alipay, WeChat Pay, Apple Pay, PayPal) are strategies for such opportunities to partner with card networks. There are opportunities for PSPs to expand their technology and payment infrastructure with card networks.

ABOUT AGPAYTECH LTD.

Agpaytech Ltd. is a company pioneering in the Fintech space with a focused approach to building robust technologies for e-commerce Card Processing Solutions for Payment Service Providers (PSPs). Additionally, we provide Compliance and Regulatory Umbrella, Remittance-as-a-Service (RaaS), Banking-as-a-Service (BaaS), Foreign Exchange, Cross Border Payments, and digital currency technology.

We also provide practical white paper research support to central banks, government and private institutions, economic organizations, and NGOs in Africa. Our services expand from research projects, state-of-industry reports, project assessment, data collection, and consulting services in the FinTech space.

United Kingdom - AGPAYTECH LTD. 3rd Floor, 86-90 Paul Street London EC2A 4NE, UK

United States of America - AGPAYTECH USA LLC, 9701 Apollo Dr Suite 100 Largo MD, 20774, USA.



info@agpaytech.co.uk



www.agpaytech.co.uk

© Agpaytech Ltd. 2023.