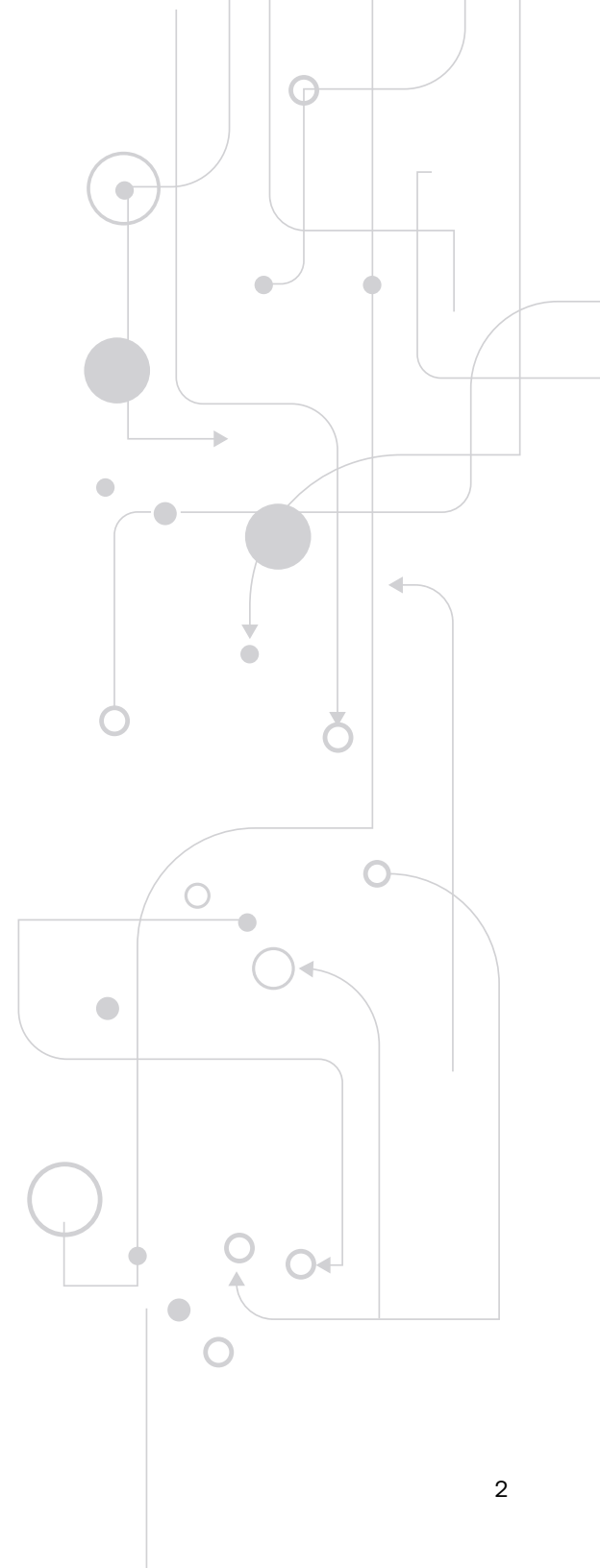


# Top Payments Trends 2021 Deep Dive



Last year was an unprecedented year for industries across the board. The need to adapt to quickly changing circumstances elicited creativity, innovation, and agility from businesses all over the world. In many ways, the evolution that occurred in payments was an acceleration of wheels already set in motion: cross- and omnichannel experiences took center stage, online shopping exploded, and contactless payments had a breakthrough year.

Emerging technologies continue to change the way people pay, displacing the need for physical money as new means of payment provided access to the digital economy for people around the globe. We've only begun the journey toward the digitization — and reinvention — of payments, but some prominent trends for 2021 are already making waves. We explore some of the top payment trends and look at the best next steps for merchants and ISVs alike.



# Top Payments Trends



## Contactless Payments

The trend of contactless payments continues on its upward trajectory in 2021. One Gartner analysis of social media conversations showed that chatter around [contactless payments increased almost 40%](#) in the second quarter of 2020 as contactless payments were pushed to the forefront out of necessity. Many of these conversations noted that companies in both the B2B and B2C realm were including contactless payments as part of their digital transformation initiatives as a way to provide health-conscious consumers with peace of mind.

While contactless payments have surged in 2020 and 2021, some merchants have been slow to adapt. Yet almost [two-thirds \(65%\) of consumers](#) say they prefer to use contactless payments as much as or more than they do currently. Touchless payments present customers with a seamless, secure way to pay, and usage will only increase as consumers become increasingly drawn to the convenience factor.

### Next Steps:

Prepare for a potentially dramatic shift away from cash and toward contactless payments in this and subsequent years. This makes them table stakes for ISVs to include in payment offerings, as contactless payment acceptance can increase sales for their merchants.

ISVs should consider how this will impact merchant needs and use it as a launchpad for embedding contactless commerce solutions directly into their software, keeping their solutions up-to-date with the latest trends consumers desire.



### Buy Now, Pay Later

What may have started as a response to increased financial pressures has gained momentum due to its flexibility and accommodation of consumers' budgeting concerns. Buy now, pay later (BNPL) options enable consumers to pay for goods and services over an agreed-upon time period via installments. Customers who want to make a purchase but who may not be able to pay all the money upfront have the option to buy it — and enjoy it — now while making a series of smaller payments over time. These installment payment periods may range from as little as 30 days to as much as a year.

The benefits for consumers are apparent: shoppers can make purchases in a budget-friendly way and pay for purchases in smaller installments rather than one lump sum. This level of transparency and spending control makes BNPL an appealing option for consumers. A recent PYMNTS.com and PayPal survey highlighted that **37.2% of respondents** said convenience was a key motivator for using BNPL solutions.

Merchants benefit, too. Brands have the ability to clear out older merchandise before a new product launch, not to mention the increase in average order value (AOV), increased sales, improved customer loyalty, and the ability to provide a more personalized customer experience.

#### Next Steps:

ISVs that leverage embedded commerce solutions in their software should consider how they can enable BNPL payment options for their merchants online and in-store checkout. Younger generations are especially keen on this payment method, using it to make impulse buys they may not otherwise indulge in if they were required to pay the full amount upfront. In 2021, consumers desire convenience and a personalized experience. Alternative financing solutions such as BNPL cater to those needs, optimizing the customer experience and increasing conversions for merchants.



## Enhanced Fraud-Fighting Tactics

E-commerce is not new, but consumers continue to flock to online shopping in 2021. By 2024, the eCommerce share of total global retail sales is **projected to be 21.8%**. Cash, checks, and even physical credit cards are being pushed to the back of consumers' pocketbooks in favor of digital wallets, contactless cards, and P2P apps. Faster payments and more convenience for consumers continue to drive eCommerce, but the transition has also opened the door to increased fraud.

This increased fraud threat is aggravated by the fact that emerging digital payment options are still new to many risk and fraud teams. Those still leaning on traditional rules-based fraud solutions find they lack the necessary experience to leverage these tools for emerging digital payment options. This, paired with a high volume of cases that call for manual review, can make fraud prevention challenging.

The digitization of payments means reactive fraud prevention methods are moot. Instead, merchants and developers must adopt a comprehensive, proactive fraud prevention strategy to identify fraud in real-time. One bank that implemented machine learning in its financial prevention systems noted a **50% increase in its detection of real fraud** and a **reduction in false positives by 60%**. Unsupervised machine learning (UML) and advanced algorithms can help identify known and unknown fraud patterns across all payment methods, including new and emerging payment methods..

### Next Steps:

Both merchants and ISVs should look towards fraud solutions that leverage UML and digital intelligence to fight fraud. IP address, device type, and digital fingerprinting can help quickly identify potentially fraudulent transactions, while machine learning and algorithms can detect fraud and learn new fraud patterns as they emerge.

With the rise of omnichannel, fraud solutions must provide continuous, proactive protection — something not available through points solutions that only evaluate a single point of entry. Fraud tools must analyze data across a wide spectrum of consumer touchpoints and quickly provide insights that facilitate effective fraud detection.



### Embedded Commerce

Consumers expect payments to happen seamlessly. Embedded commerce delivers on this expectation and is critical in the new era of digital payments. For ISVs, this means evolving business models to help merchants better serve quickly changing customer needs. The value of commerce enablement through embedded commerce will only grow over time.

Payment should not be a separate, drawn-out action that asks a lot from consumers. Instead, payment should be deeply embedded in the overall shopping experience. Rideshare apps have embraced this concept, allowing consumers to simply choose where they would like to be picked up and dropped off. Payment happens behind the scenes, without any swiping, dipping, or signature on the part of the consumer.

#### Next Steps:

Embedded commerce is an industry-agnostic, customer-centric trend that will continue to grow in 2021. Merchants, ISVs, and anyone else tasked with providing a smooth customer experience should consider how embedded commerce allows businesses to simplify and align customer touchpoints and provide a seamless experience for consumers.

ISVs can add value to the software they offer merchants by embedding commerce enablement solutions directly into the software, enabling a one-stop-shop where merchants can do it all. Merchants that take advantage of these solutions will be best positioned to meet and exceed evolving consumer needs and provide a cohesive, connected experience.

While 2020 was a turning point for payments, many of these emerging trends will be here to stay for the long term. ISVs and merchants should consider consumers' changing preferences and adapt payment operations as needed to ensure an optimal customer experience across the entire customer journey.



#### **About Global Payments Integrated**

Global Payments Integrated, a Global Payments company, provides innovative payment solutions to help software providers and their customers grow their businesses. Our integrated tools go beyond payment processing, offering a range of features to enable commerce and enhance customer experience—all backed by award-winning support. We're proud to serve more than 60 industry verticals, processing over \$1.1 billion transactions annually for more than 400,000 merchants.

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