



Looking Ahead to 2012 – Top 5 Trends and Predictions in Payments

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As 2011 comes to a close, we reflect on a year of turmoil, plagued by the tumultuous global economic landscape, an anemic US recovery, Occupy Wall Street illuminating the lingering signs of pain on Main Street, pervasive European debt crisis, supply chain disruptions triggered by the floods in Thailand and Japan's tsunami, major web outages that rippled from Amazon web services, and a massive data breach at Sony PlayStation. However, 2011 also marked the biggest boom in smartphone penetration, notable mergers, acquisitions and strategic alliances, and the smallest of positive signs of US growth. So, we look ahead to 2012 with brighter prospects, especially as we focus on payments.

Some of the key trends that we will see in 2012 are:

- **Mobile Convergence.** 2011 marked a flurry of mobile activity. Innovations in mobile payments technologies including Square's iPhone card reader, and announcements of various mobile wallets - Google Wallet, Visa Wallet, Serve (by American Express) and ISIS (a mobile commerce joint venture that brings together AT&T, T-Mobile and Verizon Wireless, Visa, MasterCard, Discover Financial Services and American Express) dominated the news. Though predictions of a cashless society are emerging...I say, not yet!

Expect the mobile phone to become a converged lifestyle in 2012 as consumers adopt new mobile ecosystems created by the integration of mobile technologies – such as Near Field Communication (NFC) and QR codes – with location-based promotions, rewards (look at the recent announcement of PayPal entering the daily deals market), social gaming, and the like. No longer will standalone applications such as check-ins (think Foursquare and Gowalla) survive. Nor will the adoption of mobile payments be driven by payments services alone. The value proposition will come from the intersection of mobile and social. The confluence of connected devices and social media will create disruptions in consumer payments attracting new entrants from alternative players. In short, 2012 will be about new ways to interact with mobile devices ...and so will begin the battle for mobile wallet share.

- **Centralization, Standardization, and Optimization.** Confronted with continued uncertainty – from the tight credit market to counterparty risk and wildly unpredictable demand – finance executives will be looking more closely at their payments processes to drive value across the entire organization. The trend towards centralizing payment processes will gain traction in 2012 as companies look to implement [a holistic payment hub](#) – a comprehensive approach integrating all channels and payment types – to streamline operations, increase visibility into cash, while maximizing control and compliance to better position companies to navigate and capitalize on change.

- **Focus on Fraud.** The recent recession fueled rampant payments fraud. Coupled with the new digital age – the emergence of new payments types and growth of electronic transactions – are opening up new opportunities for sophisticated fraudsters. In response, governments and regulatory bodies are tightening regulations, which include the FFIEC supplemental guidance on internet banking authentication and new rules on anti-money laundering (AML) under the Dodd-Frank Act.

Financial institutions and businesses alike will need to effectively manage the increasing [regulatory and compliance burden](#). While cybercrime, including variations of social engineering schemes, will flourish in the coming year, more companies will become vigilant against fraud, focusing on risk control measures to protect the security, integrity and continuity of financial transactions.

- **Evolving Regulations.** Companies and financial institutions face a rapidly changing regulatory landscape. The Dodd-Frank Act will continue to transform the debit card business. Financial institutions losing revenue on interchange fees will need to develop new business models without a public relations nightmare as seen with the introduction of debit card fees by Bank of America. Further, regulation on [same day ACH](#), a new expedited processing and settlement (EPS) option from NACHA is inevitable. Same-day settlement will offer new opportunities for corporations and new revenue streams for financial institutions.
- **Spotlight on Social.** With the advent of connected devices, mobile web, and application stores, social media is pervading every aspect of our lives, transforming digital commerce, and fueling opportunity in payments innovation. As people spend more time on social networking sites, they are likely to make purchases recommended through their social connections, even conducting transactions on a fan page, or a social game with e-commerce capabilities. 2012 will be a year for pioneers. Financial institutions and businesses that will stay ahead of the curve will be those that leverage social media to improve decision making and drive financial results.

As 2011 serves as an inflection point, we enter a new year, and a new paradigm shaped by the current economic conditions, mobile technology, social commerce and regulatory changes. Indeed, it will be an interesting year to see unfold.