



10 ways COVID-19 is impacting payments





We're all in this together

The potential impact of COVID-19 is becoming clearer and most firms are now in full business continuity mode. Payments organizations should now act urgently to moderate the damage it does to their customers, their people, their partners and their businesses. The focus of their actions will necessarily be short term, but many of the measures they take will lay a foundation for future sustainability and growth.

Hopefully, the crisis will also serve to forge stronger, more trusted bonds between customers and everyone in the payments ecosystem.

Accenture stands ready to provide whatever skills, capacity, and assistance you may need to deal effectively with this crisis. In this presentation—and in more detail in [accompanying documents](#)—we offer a summary of the issues payments firms should address and the initiatives they should consider to support their customers, maintain their business, reinforce their organization, and play a positive role in the economy and society.

Let's show what the industry can offer the world on its best day.

**Wider industry context:
The banking industry's
market value has already
taken as big a hit as it did
in the 2008/09 crisis¹**

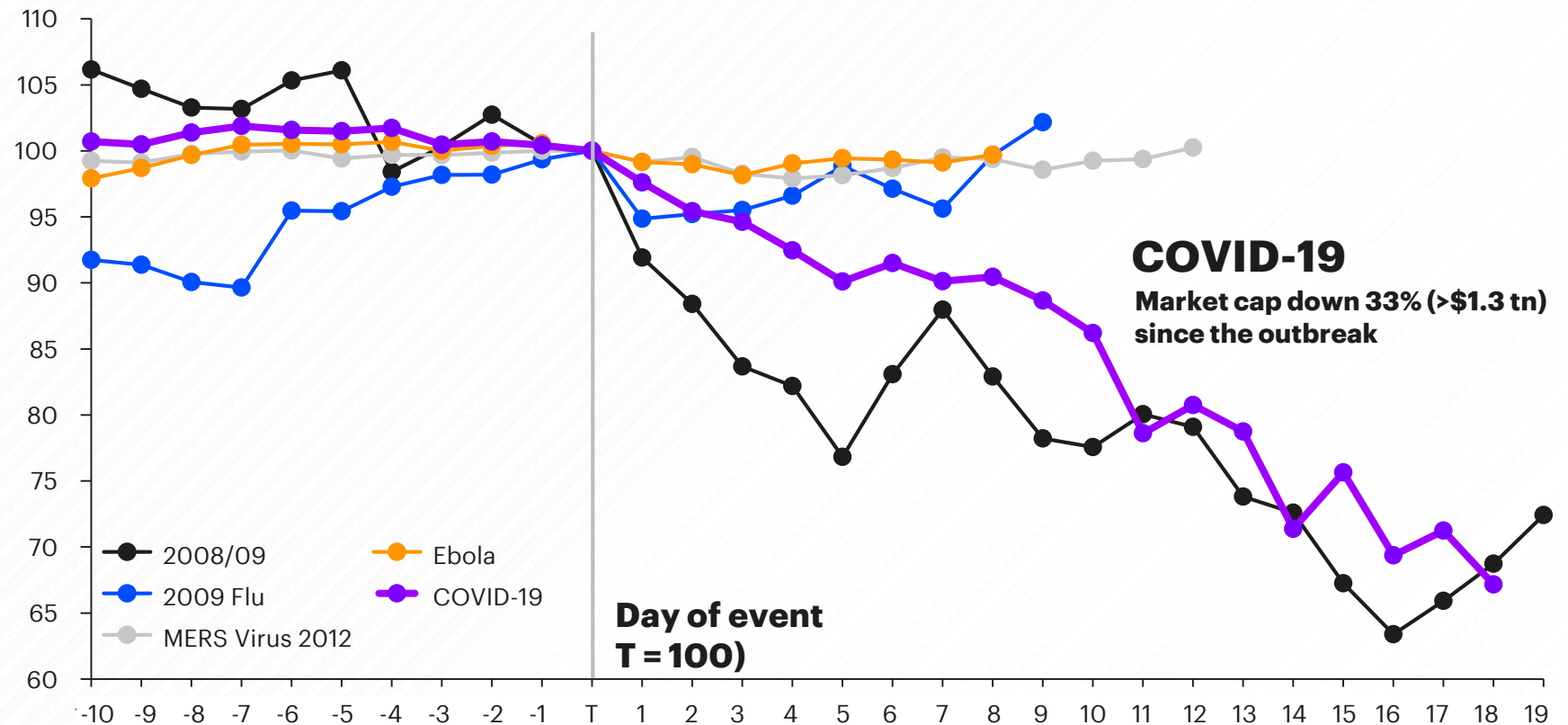
**But the industry is in a much stronger
starting position to weather the storm.**

Banks are well capitalized, with far higher loss absorption capacity.

Central banks are intervening proactively to support credit markets to prevent a repeat of the liquidity domino effect of 2008.

Payment systems are functioning well and are considered part of the essential services not subject to shutdown.

Market capitalization trends of the top 90 global banks, by event



T=0, COVID-19, February 21, 2020: Authorities reported the first death in Italy.
T=0, MERS Virus 2012, May 25, 2015: Middle East respiratory syndrome coronavirus (MERS-CoV) spreads in South Korea.
T=0, Ebola, April 14, 2014: Total number of death due to Ebola disease is above 100.
T=0, 2009 Flu, April 21, 2009: The Centers for Disease Control and Prevention (CDC) publicly reported the first two U.S. infections with the new H1N1 virus.
T=0, 2008/09, October 3, 2008: US Congress passed the Emergency Economic Stabilization Act of 2008.

We have identified 10 impacts of COVID-19 on the payments industry which we believe will influence payment providers' actions today and tomorrow



10 impacts of COVID-19 on the payments industry which are likely to influence payment providers' actions today and tomorrow

1

Key payments markets are the most affected by COVID-19

2

Consumer spending has dramatically slowed, impacting major payments revenue streams

3

Payments providers are launching initiatives to **preserve economic liquidity**

4

Compressed revenues are likely to cause payments companies to **rethink short-term priorities**

5

Cash withdrawals spiked at first, but overall usage has significantly **declined**

6

Tokenized payments are being encouraged more than ever

7

Conditions are highly favorable for **fraud**

8

'Embedded' payment experiences are likely to become more popular

9

Consumers and businesses are likely to be drawn to payment experiences that offer **more control**

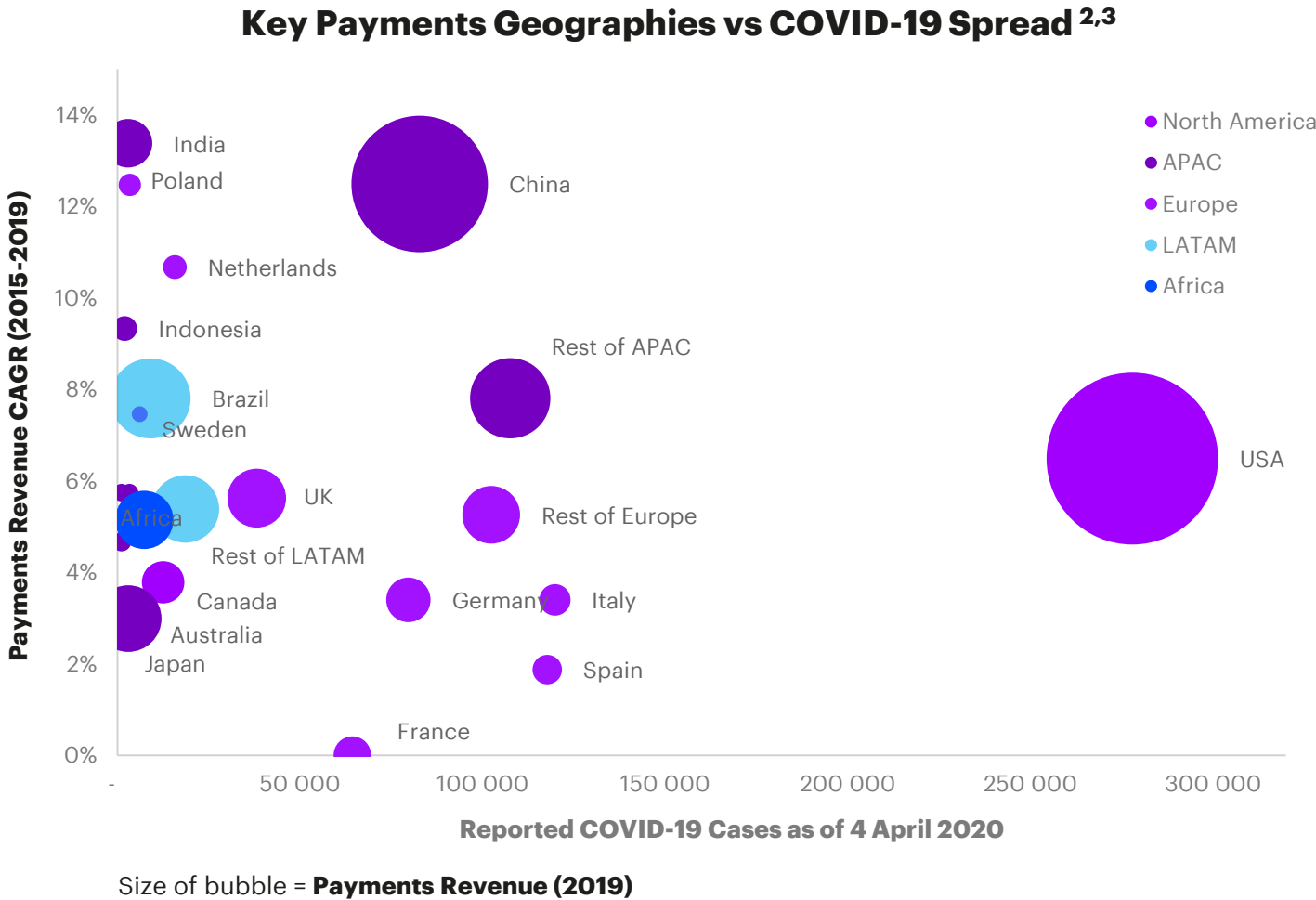
10

Viable payments use cases for **blockchain** may be uncovered

01

The key global payments geographies

of China, Europe and North America
are the ones most affected by
COVID-19



Prior to the COVID-19 outbreak the USA was the largest payments market, with a 31% global share.² It is the country that has had by far the highest number of COVID-19 cases.

Also prior to the virus, China was the second-largest (20 percent global share) and second-fastest-growing payments market. It was the first geography to be hit by the outbreak and currently is fourth in terms of the number of cases.

Europe has a 14 percent market share (the third-largest geography) but 52 percent of COVID-19 cases collectively—roughly twice that of the USA.

In these key payments markets the COVID-19 impact is greatest, interest rates are sharply down, consumer confidence and spending are low, and economic output is dropping.

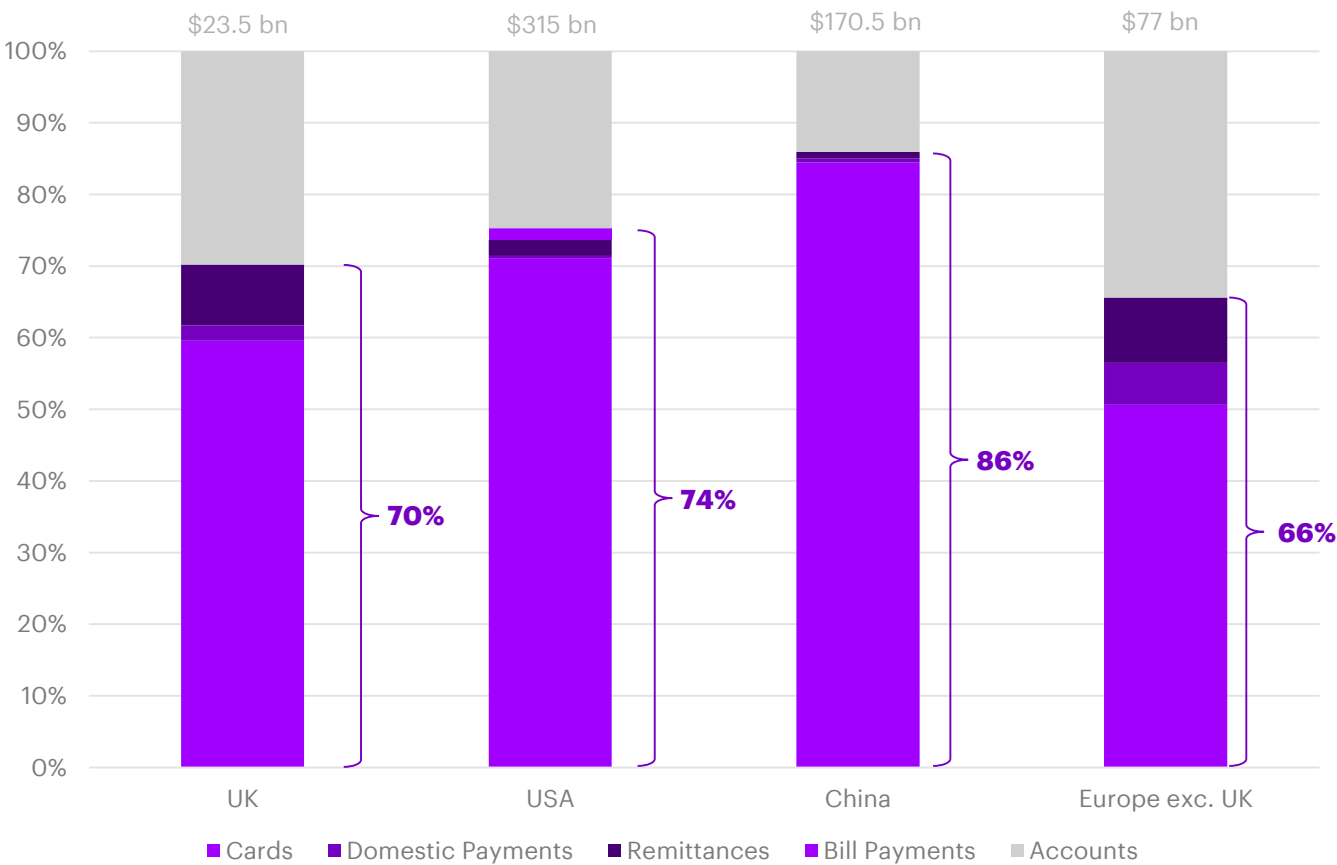
The distribution of COVID-19 cases worldwide suggests while Asia was hit first, it has “flattened the curve” more than North America and Europe.

This suggests a bleak short- to medium-term outlook for North American and European payments revenues.

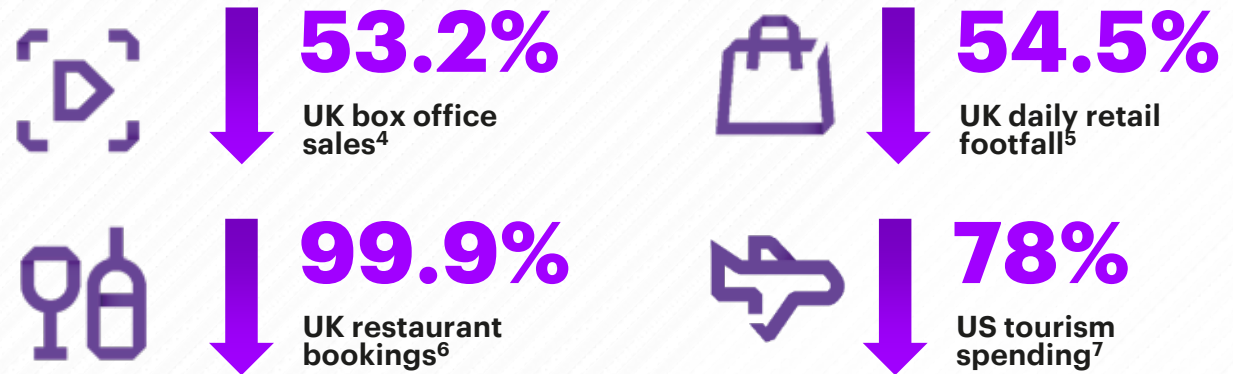
02

Consumer spending, the major driver of consumer payments revenues, has slowed dramatically

2020 Consumer Payments Revenue Distribution²
Projected pre-COVID-19



Payments revenues have **slumped** as demand has **collapsed** across many key sectors



- **In major geographies**, overall consumer payments revenue is largely driven by spending-dependent streams, especially cards. These streams account for between 66 percent and 86 percent share, with the rest driven by liquidity and account-based revenue.
- **Demand has collapsed** across key sectors of domestic spending (including retail, entertainment and travel) due to social isolation and lower consumer confidence.
- **Cards and FX providers**, especially currency fintechs, are particularly expected to struggle as consumers travel significantly less.
- **Some spending is expected to move to e-commerce** where possible, but less-developed e-commerce sectors will be hit significantly—some by more than 50 percent, initial data suggests.
- **Even e-commerce is expected to slow** after its initial spike, as supply chains dry up and merchants struggle to meet increased consumer demand.

03

Payments providers are finding ways to support economic recovery

by helping preserve liquidity

The crisis has dramatically reduced sales volumes and payments revenues:

- Helping individual and business customers maintain normality will improve customer relations while stimulating the economy—thereby revitalizing key revenue streams.
- Many businesses are relaxing or deferring customers' payment obligations to support them and preserve liquidity.

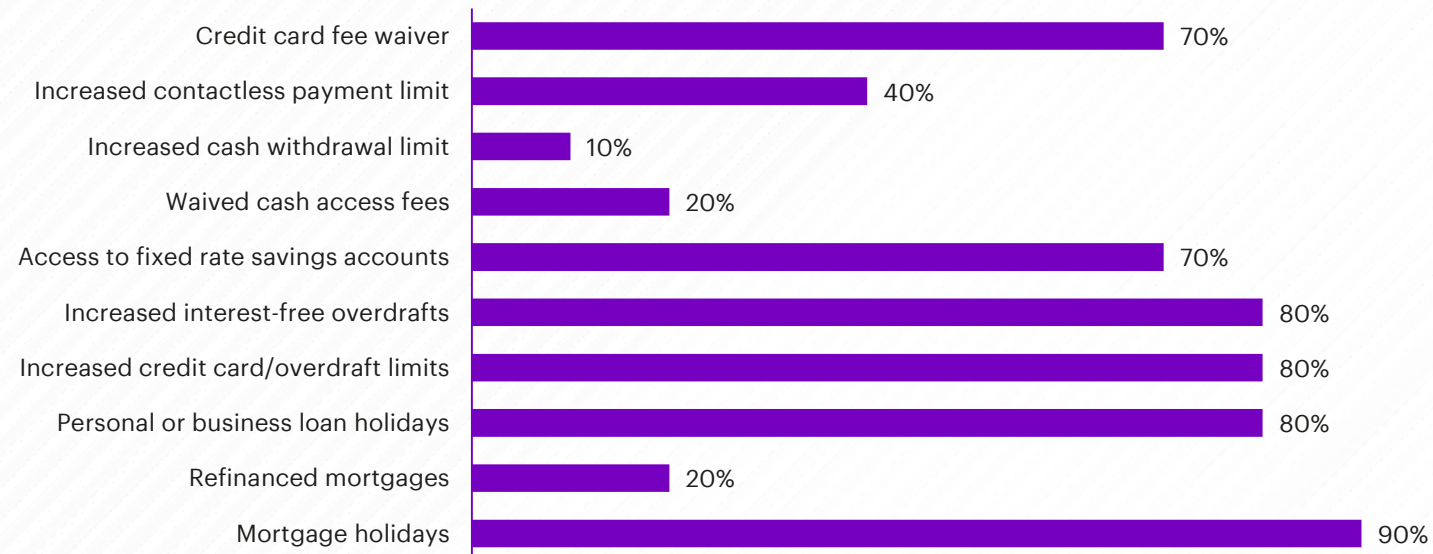
For payments providers, these measures include:

- Reduced or waived overdraft and liquidity-related fees.
- Slashed interest rates.
- Reduced or waived credit card interest or repayment fees.
- Reduced or waived digital payments fees.
- Reduced access to cash fees.

They are also exploring other initiatives to preserve liquidity:

- Emergency access-to-cash solutions (see Slide 16).
- Interoperable payments platforms for SMEs (see AliPay on Slide 22).
- Assistance to governments in distributing financial aid.
- Digital wallets or central-bank-backed cryptocurrencies to reach the unbanked (see Slides 17 and 23).

How the top 10 UK banks are supporting their customers⁸



Payments providers are positioned not only to support their customers during the crisis...

... but also to drive their own recovery with initiatives to preserve economic liquidity.

04

Expect payments companies to

rethink short-term priorities and reduce costs

in the wake of compressed revenues

COVID-19 is affecting business profitability across most industries, due to developments such as lack of supply, displaced workforces and new regulatory barriers.

- For payments companies, compressed revenues as a result of reduced consumption are driving the most impact.
- As a result, expect them to urgently review their costs to offset lost revenues and minimize layoffs.
- Hiring freezes, contractor furloughs and reduced customer services will be common across all industries, including payments.
- Fintechs specialized in lending, and lacking significant funding to weather the storm, could be forced out of business or to sell to better-capitalized competitors.

Expect stifled investment in innovation, but an opening up of opportunities for fintech

Payments companies have been most affected by significantly compressed revenues

The crisis is likely to have significant effects on the way payments companies develop and invest in innovation propositions.

- Research suggests larger companies cut innovation in the face of choked cashflow; they are 25 percent as likely to invest in innovation during economic crises.⁹
- Deal volume and capital in China's venture capital industry fell approximately 60 percent during the outbreak, and similar downturns in the venture capital and private equity markets are expected globally.¹⁰
- However, fintechs and startups, if able to raise the necessary capital, can capitalize on the unique conditions created by COVID-19; digital, embedded and mobile propositions in particular are expected to succeed in a remote-working economy.
- The 2008 financial crisis birthed today's fintechs; could COVID-19 pave the way for a new generation?

05

Cash usage is declining rapidly



Key factors are driving customers of all personas away from physical payments and cash:

- A significantly smaller proportion of payments are being made in-person as isolation keeps customers at home.
- Those reliant on cash also tend to be those who are vulnerable and more encouraged to isolate due to COVID-19.
- Customers are being advised to avoid cash for hygiene reasons and many businesses now discourage cash or do not accept it.

A spike in cash withdrawals early in the crisis, likely as a result of hoarding or a 'just-in-case' mindset, has not translated to increased overall usage. Cash traditionalists are now looking for alternative payment methods:

- Checks appear to be an early refuge, especially for customers looking to pay helpers, but they aren't a viable long-term solution.
- Contactless cards and digital wallets are the natural successor for those who have access to them.

For now, payments providers (especially banks) are scrambling to equip customers who are unable to use established alternatives:

- In the long term, COVID-19 will arguably contribute significantly to the continued decline of cash usage in the UK, whilst also highlighting the reliance the socially and financially excluded still have on it.
- Therefore, the solutions brought to market today may be pivotal in replacing cash in the UK for good, especially if they offer inclusivity to those currently unserved by preferred digital banking options.

Vulnerable customers are unable to access cash, yet need to pay helpers. Banks are working quickly to give them options, and are exploring...



Cash-to-door

Customers are mailed cash requested via telephone banking.



One-time ATM codes

Customers phone in to request a one-time code to retrieve cash from an ATM.



Prepaid cards

Customers request and prepay purpose-specific cards which can be shared.

06

Expect an increase in the adoption of

tokenized payments instruments

such as digital wallets

Digital wallets (e.g., Apple Pay®) have recently become more popular in the UK, echoing a global trend of tokenizing payments information in NFC-enabled phones.

These wallets primarily offer an easier customer experience for peer-to-peer, point-of-sale and e-commerce payments journeys by removing the need to enter details or PINs. Most also don't have contactless limits, thanks to the two-factor authentication inherent in fingerprint-enabled digital wallets.

Their adoption is likely to accelerate after the crisis:

- Customers will use e-commerce for more of their small and regular transactions, which are far simpler through 'one-touch' wallet payments.
- In POS applications, digital wallets require less interaction between customers and public touchpoints and neither PINs nor touching a card to a merchant reader is needed.
- The ability to prove identity through digital wallets will have increasing use cases in a remote working and living environment, such as onboarding customers or combatting transaction fraud.
- Analytics and financial management tools will be in greater demand as more control over payments is sought.

These adoption trends are coinciding with Open Banking and the New Payments Architecture, and are expected to drive customers to digital wallets.

- Payments providers will increasingly need to cater to customers who expect more interoperability between their phones and payments systems, and this may result in increased substitution of cards by alternative payment solutions.

07

Increased uncertainty and customer vulnerability create

favorable conditions for fraud

Regulatory bodies and companies actively **relax certain fraud-mitigating measures** where the immediate need outweighs the fraud exposure (e.g. increased contactless limit, focus on business continuity, cash alternatives)

Vulnerable customers are particularly exposed as they are pushed to new payment methods and asked to rely on and trust third parties

The conditions of uncertainty and panic, such as those created by COVID-19, are conducive to fraud:

Increased need for certain goods and services lower consumer diligence in procurement

Confidence levels are lower and anxiety is higher, making individuals more susceptible to social engineering

Unusual circumstances **reduce suspicion of contact** from official bodies, or unknown parties offering help or advice

£1M

UK-recorded COVID-19 fraud losses (20 March)¹³

**Payments
companies should
be aware of the
increased fraud
their customers,
and by extension
they themselves,
are exposed to.**

- In an extreme cost-cutting environment, actively mitigating such exposure is an additional challenge.
- Communicating proactively with customers, particularly vulnerable customers, will be key to preventing short-term losses.
- Longer-term investment in fraud detection, especially if other automated and e-commerce trends come into effect, will be increased.

08

The need to manage cashflows more tightly may encourage

adoption of payments experiences focused on control

- **Compressed revenues and restricted cashflow are not only impacting businesses;** consumers, in the wake of layoffs, pay cuts and furloughs, will look to manage their outgoing costs significantly more closely post-COVID-19, just as businesses will.
- **Request-to-pay** will enable individuals and businesses to request money from each other on an individual credit basis; appetite for direct debits will wane as payees can respond to individual requests and not commit to multiple scheduled payments.
- **Payments providers and card companies** in particular will need strategies to address this potential loss of revenue.
- **Services that minimize up-front payment**, such as Klarna™, return control of cashflow to users and will be in high demand if they are easy to implement.
- **Likewise, intelligent financial management tooling**, enabling greater insight into spending and access to services, will receive a boost. This applies to individual customers, but even more to businesses and SMEs which will struggle the most with cashflow issues as a result of COVID-19.
- **Finally, banks will have a greater need for real-time transaction-banking dashboards** that provide intelligent insights and solution options to control cashflow and minimize costs.

09

With limited in-person purchasing of essentials and food,

'embedded' payments may become the norm

As payments become more digitalized, payment experiences are being 'embedded' into customer purchasing journeys:

- Non-financial services providers (e.g. Starbucks®) are offering customers mature payments experiences in-journey.
- This extends to emerging trends such as smart appliances (Internet of Things), voice recognition, ambient sound triggers, RFID and even brain-computer interfaces.
- Applications of the above capabilities could enable customers to reduce friction in identifying and purchasing essentials.

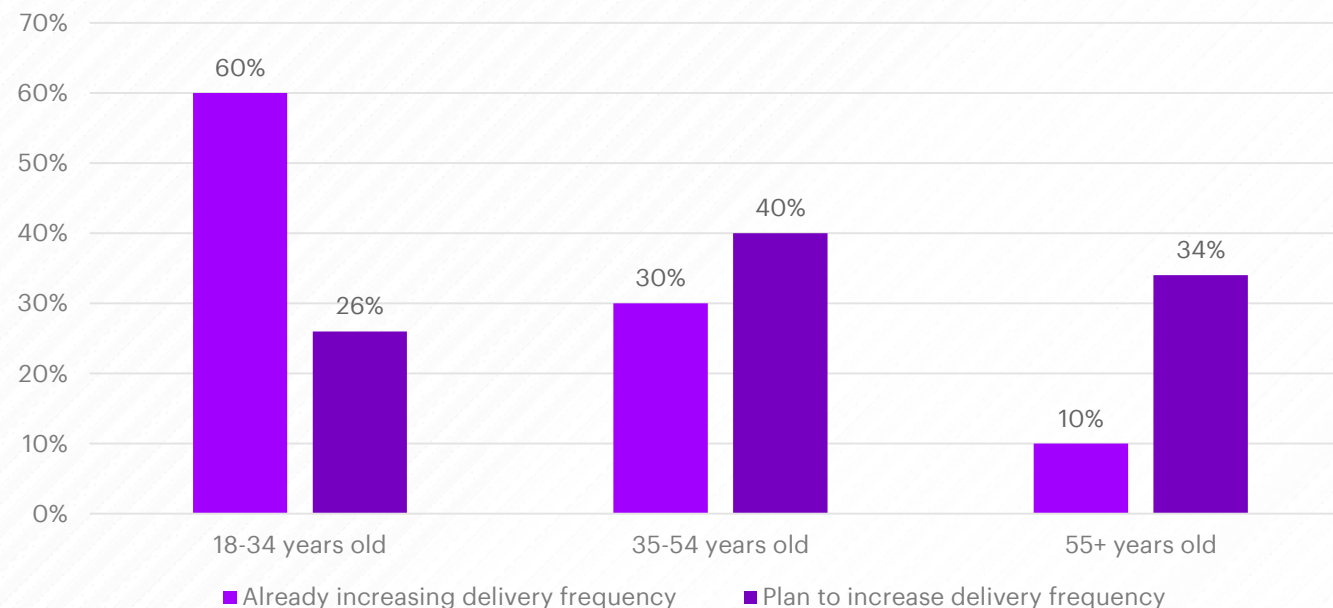
COVID-19 not only requires customers to cut down on traditional purchasing journeys, but for vulnerable customers to avoid them altogether. The effect of this on the food delivery market is already evident; both food and non-food online sales are increasing, with established-store sales decreasing.

COVID-19's impact on demand for essential-goods deliveries is likely to:

- Catalyze long-term strategies to offer embedded payments experiences that automate repetitive purchasing.
- Create opportunities for fintechs to deliver innovative solutions to meet the demand.

If successful, this is likely to drive payment volumes to new heights as automated micropayments become the norm.

Increase in appetite for food delivery services since COVID-19 outbreak in the UK¹⁴



Example: AliPay™, the world's largest digital wallet app, has launched a post-COVID-19 initiative enabling embedded payments in third-party applications through mini-programs. These will enable contactless payment services across industries including medical care, food delivery and logistics.¹⁵

10

New use cases for blockchain and crypto-currencies

are likely to emerge

- **Blockchain, or distributed ledger technology, offers the most value in ecosystems where trust is declining or absent** and where records and tracking still need to be secure and agreed between parties.
- Beyond crypto-currencies, blockchain has not significantly disrupted the payments space despite bursting into mainstream awareness in 2017.
- This is largely due to the lack of value it offers over incumbent 'centralized' database and record-keeping technologies where trust is not a factor.
- The COVID-19 outbreak is likely to erode trust between participants in payments ecosystems, particularly in **trade finance**, where banks and governments are less trusted and blockchain-based solutions to track assets and payments may thrive.

China is accelerating the launch of its Central Bank Digital Currency in the wake of COVID-19¹⁷

Contour, the blockchain trade finance platform co-developed by major banks, will ensure trades go ahead even in a crisis¹⁶

COVID-19 has caused the need for economic stimulus in the form of direct payments to individuals and the slashing of interest rates globally. This has given rise to concerns about the speed at which governments can react and raised the likelihood of negative interest rates.

- Global interest regarding transmission of COVID-19 on physical banknotes has caused a number of central banks to take action.¹⁷
- Central Bank Digital Currencies (CBDCs), which recently have been explored by many major governments, address these concerns:
 - CBDCs can apply negative and variable interest rates and offer a broader toolkit for monetary policy, which in stressful economic scenarios make them appealing to central banks.
 - Industry leaders recognised the potential for CBDCs to distribute funds, and US Democrats included a proposal for a CBDC as part of the COVID-19 stimulus bill, including the ability to more easily distribute universal credit.¹⁸

What payment providers should look to do **NOW...**

- Establish a full 'war room' that coordinates all aspects of the crisis response.
- Actively look to support customers and businesses as they weather the storm. People will remember how their providers responded in crisis; this will be a unique opportunity to grow trust and deepen relationships with customers.
- Investigate resilience of payment operations and ensure processing remains intact, with a skeleton crew in place and remote tooling.
- Protect customers through proactive advice to counter fraud.
- Find ways to increase liquidity in the economy, such as deploying emergency access to cash solutions, making available simple e-commerce payment platforms to SMEs and businesses, and helping governments disburse aid.
- Rethink short-term priorities and reallocate staff and expenses to short-term needs.
- Don't let perfect be the enemy of good: Communicate the intention early to support customers, and then work through the operational details.





...and what they should look to do **NEXT**

- Accelerate plans to reach unbanked or unserved customers who are increasingly unable to use physical payments methods.
- Explore capabilities to counteract the new kinds of fraud that are causing additional challenges to customers and increased costs.
- Push tokenization and digitization of physical payment methods.
- Explore capabilities that give customers and businesses more insight and control over their finances and payments.
- Drive interoperability of core payments capabilities, embedding into essential customer journeys, reducing friction and enabling customers to progress with their businesses and lives.
- Explore new blockchain use cases and co-create solutions targeting real pain points.

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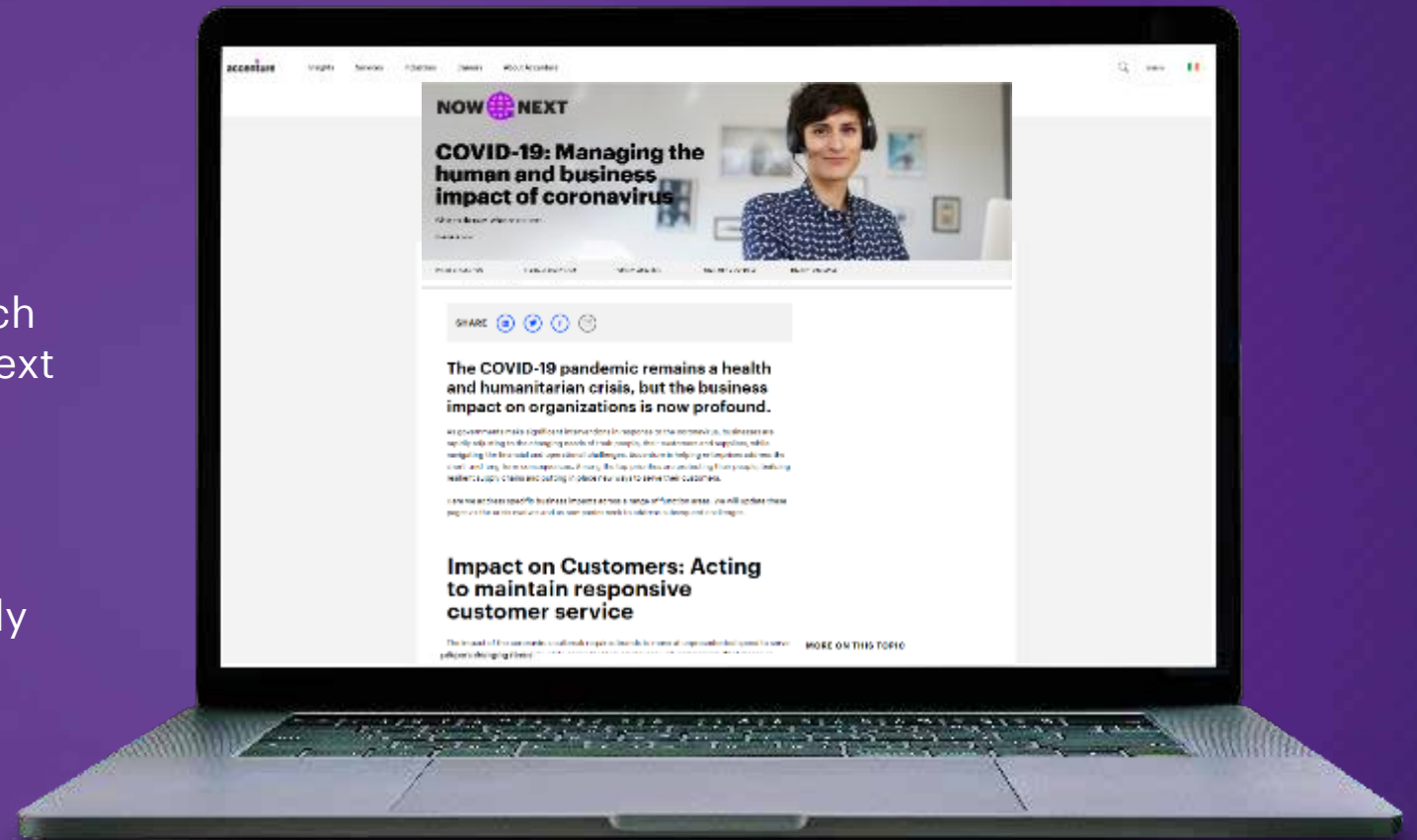
- 1 Source: Accenture Research analysis of S&P Capital IQ data
- 2 Accenture Research revenue analysis
- 3 [Accenture analysis of European Centre for Disease Prevention and Control \(ECDC\) data](#)
- 4 [British Film Institute \(BFI\)](#)
- 5 <https://www.spring-board.info/benchmarks/benchmark/latest-daily-footfall>
- 6 [OpenTable](#)
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- 8 Accenture market analysis
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To help our clients navigate both the human and business impact of COVID-19, we've created a hub of all of our latest thinking on a variety of topics.

Each topic highlights specific actions which can be taken now, and what to consider next as industries move towards a new normal.

From leadership essentials to ensuring productivity for your employees and customer service groups to building supply chain resilience and much more, our hub will be constantly updated. Check back regularly for more insights.

[VISIT OUR HUB HERE](#)



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