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The evolution of the  
payments value model



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# Foreword

In June 2020, Deloitte published “[Global Payments Remade by COVID-19: Scenarios for resilient leaders](#)” which outlined the phases—Respond, Recover, and Thrive—that business leaders need to consider while navigating the changes brought by the pandemic. As governments reopen their economies and lift pandemic restrictions, businesses are entering the Thrive phase where preparing for the new “normal” will be paramount. In the 2020 report we predicted four future variations of the payments industry:

- **Passing storm:** Companies weather the passing storm with government stimulus and focus investments on delivering digital experiences
- **Good company:** Corporates step into the void and drive digital transformation and creation of digital superstores and marketplaces
- **Sunrise in the East:** East Asian players gain market share, they leverage their business models, technology, and large customer base power
- **Lone wolves:** Competing nationalistic interests lead to fragmentation of global payment standards, networks, and regulations

Now, we believe that most companies within the payment industry are in the “good company” classification, given how the pandemic accelerated digital transformation and the high customer adoption of digital channels. Today, more and more commerce is online, and with it, payments. As companies continue to move to digital, the payment experience has become increasingly standardized, requiring companies to now look beyond transactional fees for added value. In this paper, we explore global payment trends and their impact on the payments economic value equation. We look at the shift from a payments value model, concentrated on when people pay at the point of purchase, to one more broadly focused on how and why people pay.

# Introduction

In 2020, over 70 billion real-time payment transactions were processed globally<sup>1</sup> and the number only continues to grow. Payment is integral to a customer's purchase experience and the bottom line of many financial institutions. For banks, payments and treasury services offer a 5.2% return on assets (ROA) versus a 1.5% ROA for all commercial banking activities.<sup>2</sup> However, beyond the bottom line, what may be even more enticing for today's financial institutions is the 'halo-effect' which payments services can create. A payments halo-effect represents the up and downstream impacts payments can have on bringing customers further into an ecosystem. Technology companies and 'super-apps' such as Gojek in Indonesia and Alipay in China have seized this phenomenon—starting with a quick-and-easy payments solution and integrating this into the other products and services they offer.

The integration of payments services has resulted in positive user experiences, increased customer loyalty, and a comprehensive ecosystem of products and offerings. Traditional payments participants can take advantage of this halo-effect by offering seamless payments solutions that create value through a network of complementary financial products and services. For example, credit card companies can subsequently offer other loan types, such as auto or mortgage loans, or banking services to their customers.

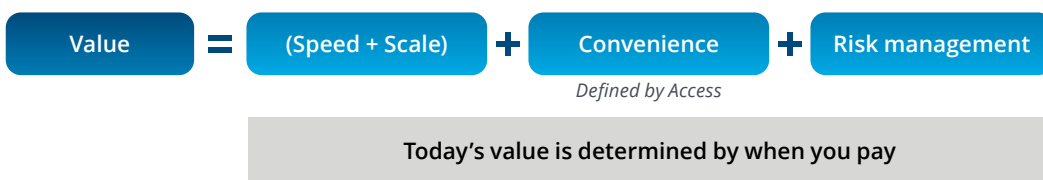
The payments ecosystem is shifting to better take advantage of this halo effect. In this paper we'll explore how the growth and prominence of personalization and data insights is changing when, where, and how payments players make money.



# Disruption of traditional payments model and current payments value drivers`

The traditional payments model has six key players—customer, issuing bank, settlement entity, payments network, acquiring bank, and merchant—each who pay transaction fees to facilitate the processing of non-cash payments. Historically, it was easy to understand the role payments companies played in the ecosystem to facilitate payments processing. The economic model was based on a per transaction basis. Based on changing customer expectations, technology advances and digitization, the landscape has begun to shift.

**Figure 1: Today's Payments Formula.**



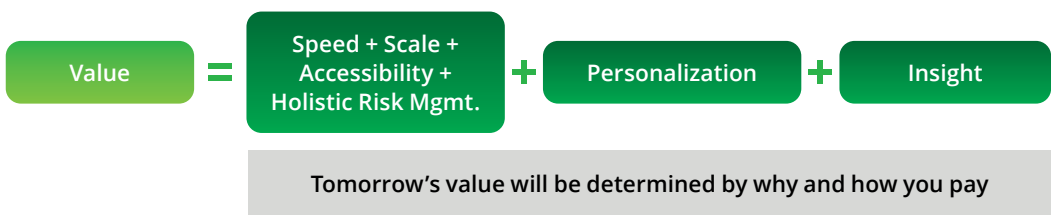
Today, we view the value of payments being driven by three variables: (1) Speed + Scale; (2) Convenience as defined by access; and (3) Risk management. Speed + Scale signifies the transaction processing speed and volume that different payment servicers can process. Convenience as defined by access represents the increased usage of certain payment methods and the ability to connect payers and payees based on their ease of use and accessibility. Risk management represents the ability of payment players to process a transaction with a reduced chance of fraud. Combined, these variables generate the value of payments today to the end-customer and reflect value being generated by when a payment happens; however, they are now table stakes. Speed + Scale is being delivered by most payment servicers through cloud, mobile, and digital solutions. Economies of scale and increased entrants have decreased the value being derived from each transaction, both for domestic and cross-border transactions human-centric experiences have become a primary investment area as companies look to be customer-first. Risk management is headline news as companies combat cyber threats, identify theft, and data breaches. These variables solve for the current environment, but they are unlikely to drive additional value.

Looking forward, global trends such as the growth of digital payment methods (e.g., debit/credit card contactless, QR codes, Buy Now Pay Later (BNPL), digital wallets, SMS enabled mobile payments, digital currencies), next-gen core banking infrastructure/digitization, and distributed ledger technology will shift where the value of payments can be derived. These trends are creating an ecosystem with minimized product differentiation, decreased margin on payment transactions, and more robust risk management to be proactive rather than reactive. These changes will cause players to reconfigure their infrastructure, redefine what it means to be a 'payments company,' and reinvent to find new revenue streams.

# Future payments value drivers: Shift focus to how and why customers spend

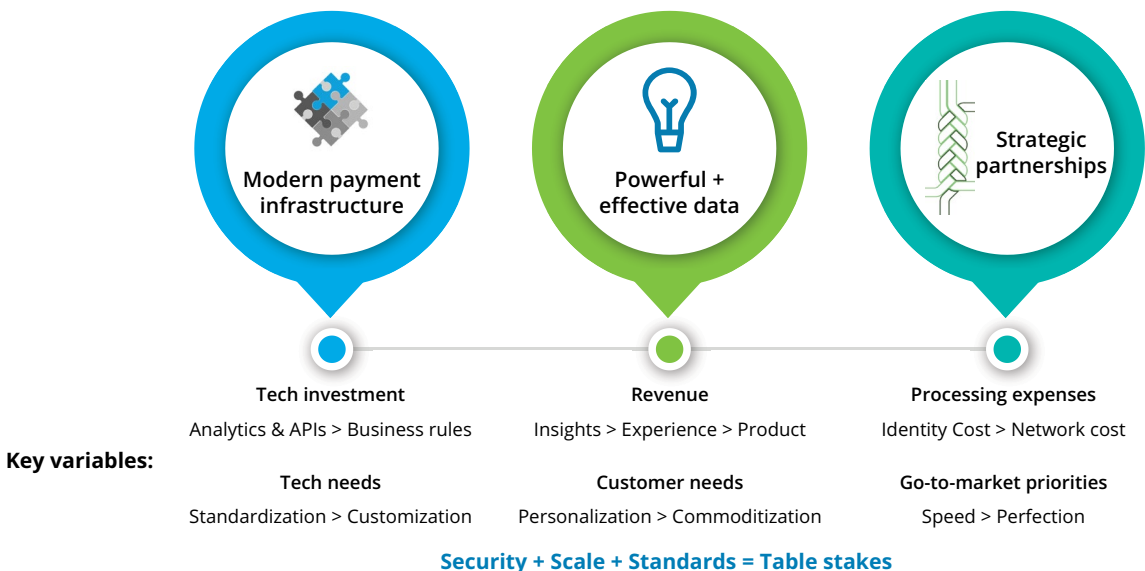
The future payments model will be measured by the totality of the customer relationship.

Figure 2: Tomorrow's Payments Formula.



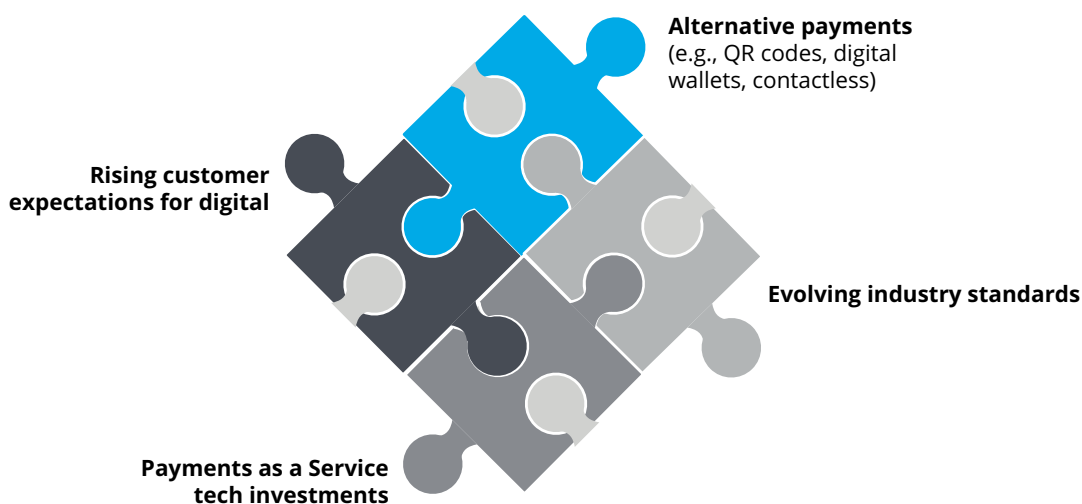
Tomorrow's payments value requires an expanded set of core table stakes that include Speed + Scale + Accessibility + Holistic Risk Management. Speed + Scale are critical as they signify volume; Accessibility + Holistic Risk Management have become baseline requirements given customer expectations. Risk management is shifting from being transaction-based to customer-based, inclusive of all services they engage with. We believe that companies will need to compete and differentiate their products and services across two new parts of the payments equation: (1) Personalization and (2) Insight. Personalization will be defined by customers having different payment options easily accessible (e.g., debit card, credit card, digital wallets, BNPL) plus the ability to select payment terms (e.g., payback time period, currency used). Insights will develop as payments companies learn to generate new actionable findings from their data, such as which payment methods are preferred by individuals, when certain (and potentially new) payment methods may be preferred, and additional financial product gaps which may exist. Overall, the value of payments companies will be determined by why a customer needs/wants to make a payment and how a customer pays. In order to capture this new differentiated value across personalization and insight, we recommend companies consider investing in three key areas: modern payments infrastructure, powerful and effective data, and strategic partnerships (See Figure 3).

Figure 3: Primary payment investment areas.



**Modern payments infrastructure.** Customers are gravitating toward digital payments methods and the COVID-19 pandemic has made it a lasting habit. Research done by Deloitte in 2020 shows that over 80% of customers who used cash/checks as their main form of payment before the pandemic plan to use more digital payment tools in the future.<sup>3</sup> With the rise of digital payment methods, evolving customer expectations, and technology standardization, companies are investing in modernizing their payments infrastructure. Figure 4 outlines several of the key drivers.

**Figure 4: Drivers of modern payments infrastructure.**



Two key variables of modernizing payments infrastructure revolve around the technology investment (i.e., new APIs) and needs (i.e., standardization). A heavy tech investment in Payments as a Service (PaaS) will be required for banks to retire legacy core banking systems in exchange for a cloud platform which has an enhanced interoperability layer. The enhanced interoperability layer often comes with integrations to other payments players via APIs. This offers cost-effective scale since the transactions are automated and there is a reduced need for staff augmentation. Especially when combined with analytics, middle and back-end solutions can be provided through tech that's more cost-effective than today's people-driven back-office that's guided by business rules.

**Tomorrow's table stakes should be part of the infrastructure's core capabilities.**

The tech investment in PaaS will also help drive toward the need for standardization of digital payments infrastructure, rather than customization—the second key variable of modern payments infrastructure. Standardization of PaaS should enable payments players to quickly adapt to changes in the competitive environment, whether the changes come from customers, competitors, and/or regulators. To be effective, the standardization provided by the PaaS solution should align to the table stakes of tomorrow—allowing for speed, scale, accessibility, and holistic risk management. PaaS allows for this by enabling API integrations with third parties and vendors that help bring new products and services to market faster. For example, companies that offer different services like clearing bank services and core banking infrastructure can integrate their APIs and quickly launch in market a real-time payments solution to customers.<sup>4</sup>

PaaS also enables banks and other payments institutions to use analytics to better understand their customer base and potentially discover new revenue streams with the data. Without upgrading the payments infrastructure, banks and other institutions will be left out of these future revenue streams. There are also risks associated with modernizing technology such as, but not limited to, cost, interoperability with legacy systems and/or data transfer, cybersecurity (as applicable), and conversion experience to the customer. However, even with these risks, there are more benefits to modernizing payments infrastructure than not.

### Modern infrastructure is the enabler for tomorrow's differentiators.

Overall, PaaS is the underlying infrastructure that will enable the personalization in Tomorrow's Payments Formula, allowing customers to have more optionality and personal control of how they pay (e.g., digital wallet, BNPL, peer to peer). This can allow for a more inclusive payments customer base; thus, increasing total revenue, while decreasing transaction and servicing costs via the decreased number of handoffs in settlement services. Further out, as more customers move to digital payments, we may see increased uses of digital wallets—especially in Asia and Africa—potentially making physical debit/credit cards obsolete and removing the cost of plastics from banks/card issuers. It may also enable a future where customers can change how they pay after the point of purchase, for example, from a debit card to BNPL based on data insights, which we'll explore in more detail in the next section.

**Powerful and effective data.** Historically, financial institutions have approached data from a bank's perspective rather than a customer's perspective. Financial institutions have placed close guard over customer data, only sharing it with others (sometimes for a price) under very specific circumstances. For example, data is typically shared with regulators for oversight and compliance purposes on anti-money laundering, counter-terrorism financing, tax regulations, or at an aggregated level for market research. Even internally, the use of customer data by financial institutions has been limited, potentially to assist with risk management processes or to assess product performance without necessarily solving pressing customer problems. We believe the next wave of data insights will put the customer first to generate market and revenue growth. By putting the customer first, financial institutions can build better solutions for customer challenges by giving them more control over their financial decisions. This will appear in the personalization and insight differentiators within Tomorrow's Payments Formula and create a more seamless, inclusive payment experience.

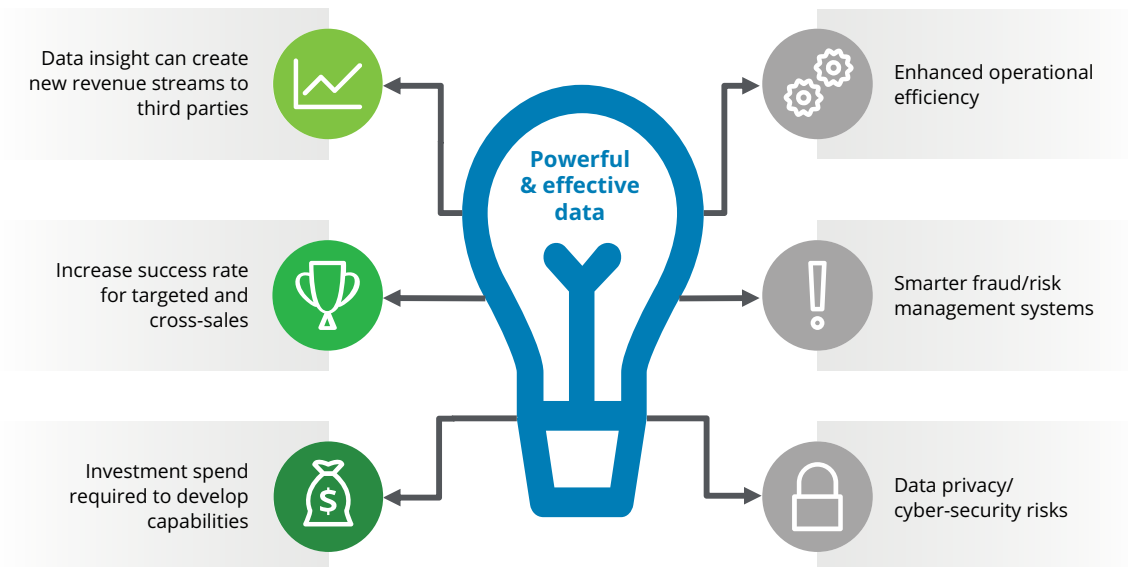
Enhanced data aggregation and analysis drives actionable customer personalization and insight. To enable customer personalization and insights, aggregated data is required. Aggregated data will allow holistic findings to be shared with customers on their spending/savings habits and allow financial institutions to expand beyond offering standardized payment experiences and products. Select fintech companies have learned to turn the capture, aggregation, and analysis of data into a main revenue stream. Several such fintechs that aggregate data across financial and non-financial institution sources are reaching multi-million, and in some cases multi-billion, dollar valuations, serving as a proof of concept



which highlights the growing value and importance of data. Examples include Branch International<sup>5</sup> and Tala<sup>6</sup>—two Kenyan-based fintechs that use smartphone data in place of traditional credit scoring methods—and Plaid<sup>7</sup> which is a US-based fintech that acts as an intermediary between their customer’s data and the applications of other financial institutions. This is the first step required to offer the personalized payment options and terms, as well as actionable insights highlighted in the future payments formula.

From the customer’s perspective, providing data insights gives them greater control over their payment decisions, expanding beyond today’s reality of using data to recommend complementary products to buy. Payment decisions of the future can include how, where, and when to pay. For example, at a point of sale (POS), customers can be given the option and/or recommendation on what payment method to use based on their historical cash flow and behavioral trends. For instance, if a customer was online, about to make a large purchase that forecasts their cash flow would go low/negative based on previous spending patterns within the next week, then a BNPL option could be presented with an explanation for the recommendation. This would help customers avoid overdrawing on their accounts, expand the varying payment options used by different market segments, and give customers the desired flexibility and personalized payment terms (currency, payback period, interest rates). An important element of the data-driven recommendations will be the education provided on the payment options as financial advice is tailored for each customer so that customers understand what they are selecting. For example, an explanation of each payment type and associated payment terms could be made available, along with a reason for why a customer would want to consider each payment option (e.g., credit card reward points, BNPL to avoid an estimated cash flow shortfall in the next week).

Figure 5: Potential of enhanced data usage.



## The evolution of the payments value model

Merchants can also benefit from the increased customer personalization and insight-driven recommendations through increased sales derived from increased confidence at the POS and expanded customer base. The data-driven recommendations could help increase customers' confidence at the POS and decrease the number of abandoned shopping carts. Financial institutions can use the data to feed future product development as they learn of shifting customer preferences. Merchants may also gain access to a wider customer base, owing to alternative and proactive lending practices that use customer payment data, as mentioned with Branch and Tala above. Merchants that are able to leverage payment capabilities to create seamless and flexible payment experiences could unlock competitive advantage and further value.

What the emergence and success of data aggregation companies like Branch, Tala, and Plaid shows is that there is opportunity to use data in new ways beyond operational, risk, and compliance efficiencies. A significant amount of value can also be created by improving inclusion, access, and education for customers.

### Key considerations as customer data insights are used.

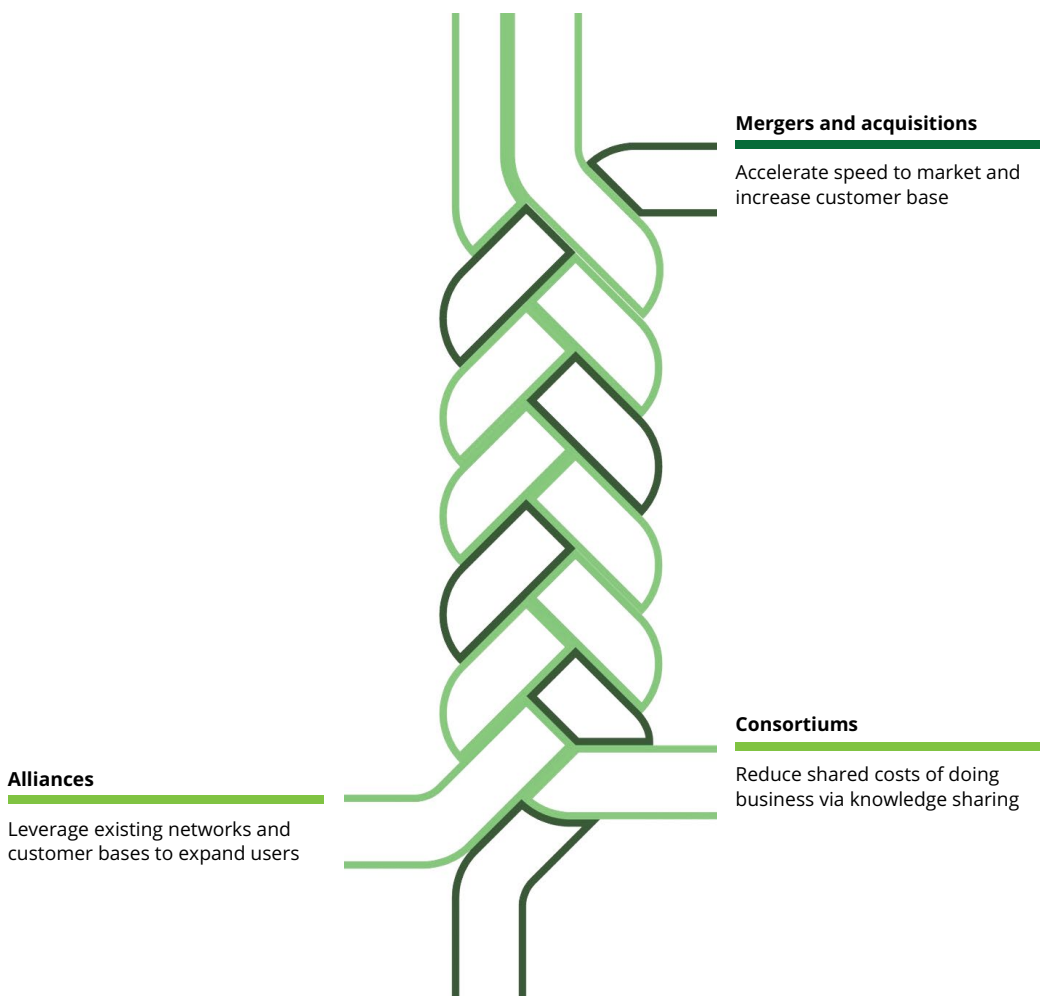
Naturally, with the significant value to be gained come important risks that still need due consideration. The global regulatory landscape is becoming increasingly complex with the drive to enforce transparency, open banking, and customer data rights simultaneously with interventions on data protection and data privacy. Given the increasingly valuable yet highly confidential nature of customer data, cybersecurity will continue to be significantly important to protect against unauthorized access or use, especially when data is across parties. Furthermore, beyond data security risks, some parties may also encounter operational risks and increased costs as they experiment with developing and implementing alternative lending models and new value generating mechanisms mentioned above. The development and pilot phase required to operationalize the future payments formula's personalization and insight variables highlights the importance of acting swiftly.

The use of customer data to develop insights is playing an increasingly important role in the expanding digitized payments landscape and increasing the value generated for financial institutions, merchants, and customers. It encapsulates one of the most significant shifts between Today's and Tomorrow's Payments Formula, and will require customers' participation as trust and education is needed to fulfill on the future vision. As no one company controls access to all existing data on both sides of the transaction, it also opens the opportunity for increased value from new partnerships.

**Strategic partnerships.** Incumbent banks and payments companies have been competing with 'outsiders' for years, leveraging market position, size, and scale to stay relevant. However, the rush of new digital payment participants has recently become faster and more furious. New entrants are no longer relegated to fintechs, but also global technology companies, non-financial institutions, governments, and central banks. This influx of new competitors, driven by tangible changes in customer expectations, coupled with substantial capital markets interest, opens the opportunity to increase partnerships across financial and non-financial institutions to deliver a seamless, value-add payments experience faster with an accelerated speed to market.

Three types of partnerships can help payments firms with their strategic objectives. Mergers and acquisitions (M&A) can accelerate their speed into new customer markets, including the underbanked. Consortiums can split development risk and costs across institutions. Pilots of the consortium model have begun to explore new credit assessment models. For instance, in the United States several large banks have partnered to share checking/savings account information to assess the credit worthiness of customers with limited credit history in order to approve applicants for credit cards.<sup>8</sup> Lastly, alliances can allow companies to seize on existing networks and customer bases without the operational and integration development associated with M&A activity. For example, an alliance between a digital budgeting service provider and BNPL company could provide cross-sell opportunities.

**Figure 6: Benefits of different types of partnerships.**



Payments companies should prioritize M&A activity when market entry speed is important or control of a new customer segment is desired. A recent example of this is Block (formerly Square)'s acquisition of Australia-based Afterpay.<sup>9</sup> This acquisition will result in Square quickly scaling a well-developed BNPL service into its existing platforms and gaining control of the customer experience provided by the service. The economic benefit from this approach will drive value through developing new customer relationships and enhancing existing ones.

### **Future of partnerships: Combine data, product sets, and customer bases to differentiate.**

Going-forward, payments companies may want to consider joining consortiums to address key payments ecosystem costs (e.g., identity costs) and risks. We are seeing more and more examples of payments participants addressing high identity and compliance costs through independent consortiums that share onboarding and relevant customer data across stakeholders. Other experts and industry insiders have also floated the idea of forming global collectives to set data and identity standards and manage digital assets.<sup>10</sup>

Lastly, seeking out alliances (especially with technology firms and marketplaces) can provide banks and payments companies with a unique opportunity to offer transactional services to a captive audience of buyers and sellers. This can be seen as digital banks partner with payments technology solution companies to provide new services like frictionless payment experiences for both customers and merchants.<sup>11</sup> In parallel, to decrease the percentage of abandoned shopping carts, e-commerce marketplaces like eBay, Etsy and Shopify need to offer fast, convenient, and cheap payments options. Amazon's announced partnerships with US-based Affirm<sup>12</sup> and PayPal's Venmo product is just one example of an e-commerce site underpinning its marketplace with a seamless payments experience for customers.

These types of partnerships are not without risk. M&A activity has the potential for overvaluation, unforeseen integration challenges, or unanticipated 'culture clashes.' The success of a consortium is dependent on trust and participants behaving in an agreed upon manner to balance the overall risk of engagement with the potential for increased revenue. Alliances may force some companies to cede control or autonomy over a portion of their business. Each of these risks is manageable via pre-partnership due diligence, service level controls, etc. and the benefits often outweigh the risks. By partnering with others, payments companies can quickly establish themselves within tomorrow's payments ecosystem—prioritizing personalization and insights—so they can refine their product sets and grow their customer bases to get first-mover advantage.

In today's evolving payment landscape, firms have an opportunity to weave partners into their business and they should consider how a partnership will support the shift to Tomorrow's Payments Model. Firms should seek out partnerships to strengthen tomorrow's differentiators of personalization and insight. M&A activity can accelerate time to market, consortiums can create significant scale, and alliances can conveniently bring products together for customers. To what extent a partnership can enhance the personalization and insights provided within a customer relationship is the barometer by which payments executives should measure the ever-growing number of partnership opportunities in the market.

# Conclusion

The payments value drivers are changing; companies need to proactively make investments to remain competitive, differentiated, and relevant. Tomorrow's payments equation has four table stakes—speed, scale, accessibility, holistic risk management—plus two differentiators—personalization and insights. Investments in tomorrow's strategic underpinnings—modern payments infrastructure, powerful and effective data, and strategic partnerships—need to be made today if companies want to continue to be relevant.

Over the next year, strategic investment choices are needed by payments leaders to deliver on future success.

- **Modern payments infrastructure**—Migrate to next-generation platforms and prepare for future large-scale disruptions (e.g., central bank digital currencies, digital identity pilots) in collaboration with regulators. This will deliver on the tomorrow's table stakes and enable companies to advance the differentiators of personalization and insight.
- **Powerful and effective data**—Use payments platform investments to increase ability to connect and integrate with disparate data sources to expand customer network (e.g., target under-served segments) and deepen customer relationships by providing real-time recommendations on how to budget and spend to deliver on tomorrow's differentiators of personalization and insight.
- **Strategic partnerships**—Pilot consortium models and implement open banking strategies to better position the company to incorporate future partners and gain first-mover advantage with new and enhanced personalization and insight capabilities.

Many traditional and non-traditional financial institutions have already started exploring these ideas via tech investments, pilots, venture investments, etc. New startups also continue to enter the marketplace with potential solutions to the customer challenges revealed by these investment areas. The competitive activity further stresses the need to act now.

If you're interested in learning more, please visit the [Deloitte Global Payments](#) webpage or contact the authors.

# Case study: Tomorrow's Payments Formula in action at Standard Bank

## Overview of Standard Bank and the sub-Saharan Africa market

The Standard Bank Group (Standard Bank) is Africa's largest bank by assets, with operations in 20 countries on the continent. Standard Bank is a financial institution that offers banking and financial services to a wide range of clients, from individuals, businesses, institutions, and corporates, in Africa and abroad. Operating since 1862, Standard Bank has had a long and successful history as a traditional financial services organization. However, the leadership, in acknowledging the rise of new, non-traditional competitors and changing customer needs, have announced a strategic shift: the "future ready transformation strategy," which sees the traditional bank transforming into a platform organization. Up till now, Standard Bank has operated successfully as a traditional bank, with sources of value including interest revenue and transaction-based fees. As it reshapes its offering in the market, the bank will see a move into previously underserved markets and in networked business models which will offer new sources of value.

Unayo, which translates to "You have it", is a secure digital platform powered by Standard Bank. Leveraging Standard Bank's platform and ecosystem strategy, Unayo combines the advantages of a mobile-money service with those of a formal bank account. The goal is to connect the formal and informal financial markets in Africa and facilitate 90% of future payments transactions. The platform is agnostic of all mobile network operators and is available through Unstructured Supplementary Service Data (USSD) used to send text messages or a smartphone application. It allows users to make or receive real-time payments to any user or merchant on the platform, take cash-in or cash-out, make bulk payments or pay bills.<sup>16</sup>

## Majority of population is outside traditional banking model

The sub-Saharan market has historically been challenging since a vast majority of countries are highly cash-dependent and lack basic electronic payments infrastructure. This gives rise to two primary disconnects in the payments market that Standard Bank is faced with. The first disconnect is that the majority of the population is banked outside of the traditional model. These customers either find other ways to engage with financial services (e.g., informal community saving schemes or mobile money), or they use cash. Per the World Bank's 2017 Global Findex survey, only 42.6% of the sub-Saharan population above the age of 15 own an account with a financial institution or mobile-money service provider.<sup>13</sup> This low penetration of financial services and constrained traditional payments infrastructure has created an environment in which digital financial services are starting to flourish.

### Banks operate inside traditional payments infrastructure

The second disconnect appears as banks like Standard Bank are mandated to connect to the traditional payments settlement and clearing infrastructure; for example, the automated clearing houses, card or electronic funds transfer rails, and cross-border payment systems. However, with the growth of mobile money and the continued dominance of cash, 90% of the transaction volumes still sit outside of the formal and more traditional financial sector. This consequently impacts their modernization journeys, which limits the flexibility of capital allocation decisions and the ability of banks to operate with agility.<sup>18</sup>

### Solution

These challenges have led to Standard Bank being increasingly disintermediated by non-traditional players (payment service providers, telecom, etc.) seeking to address challenges in payments on the continent, who are less restricted from a capital allocation and regulatory perspective. We interviewed John Anderson, Head of Scheme Management and Industry Payments, and Brad Gillis, Head of Payments: Rest of Africa, to discuss how Standard Bank is thinking about these challenges and how they plan to respond.



The model changes significantly from thinking about NIR and transaction-based revenues, to thinking about how you start to create marketplaces-how you start to build out platforms where you connect buyers and sellers, and **you start to create a fundamentally different set of revenue opportunities.**



**John Anderson**, Standard Bank

Standard Bank's purpose is to drive Africa's growth in a way that is centered on clients. The future-ready transformation strategy does this through the creation of a single, unified platform that will provide an expanded range of products and services—a 'marketplace.' The bank refers to this marketplace as the 'mall,' in which the bank will have its own shops but will also house the shops of other entities. Services to customers will not only be provided by the bank itself, but also in bilateral partnerships with other entities, in a network of relationships known as ecosystems. Standard Bank will orchestrate or drive certain ecosystems, providing the platform to connect participants (both producers and consumers), offering both financial and non-financial services or products.<sup>14</sup> In other ecosystems, which it does not wish to drive, Standard Bank will provide its products and services as white-labeled offerings into the ecosystem operated by another entity.<sup>15</sup> This enables a shift away from the traditional revenue model of net interest income (NII) and non-interest revenue (NIR), toward one that focuses more on creating marketplaces that connect participants and freely allows the flow of funds and information between them. This service presents opportunities for the bank to engage with customers in alternative ways. The ecosystem model hinges on the creation of an API-enabled platform upon which these interactions can occur, and it will be supplemented by additional value-added services offered to the participants. The platform will be enabled by a core payments functionality within Standard Bank focused on developing product and service add-ons.

This platform strategy represents a significant shift away from the payments model of today and will require investment along the lines of the core themes discussed in this paper. Payments will form a critical component in the envisaged ecosystem as they will facilitate the flow of value and information between participants.

### Modernize payments infrastructure

While Standard Bank's strategy is about reimagining the front-end engagement with customers and creating a new route to market, the underlying technology element is a critical factor that must be in place for it to succeed. Successfully modernizing the core banking systems will form the foundational building block upon which the ecosystem model will work. Standard Bank sees the platform as the foundation, the mall which they own, within which multiple shops provide their offerings to customers, and has made investments into this platform, including with AWS, Microsoft Azure and Salesforce. Improving operational efficiency is a core objective of the infrastructure upgrade, with investments into artificial intelligence and data analytics being key to improving customer understanding and service. The objective is to integrate systems to allow convergence at the customer level, across all payments rails and products. Standard Bank is developing many assets which will be integrated into the overall platform offering. One example is the new Unayo platform,<sup>16</sup> currently operating in four African countries, which gives both personal and business customers a fully digital and global bank account.

### Powerful and effective data

Another key focus is changing the way in which Standard Bank views and uses payments data. Standard Bank's current environment was described as "data rich but information poor" where data, as with most other traditional banks, is used primarily to facilitate the clearing and settlement of transactions, for regulatory compliance, reporting, customer relationship management or product performance analyses, rather than to solve customer problems.

In the new marketplace platform model, the intention is to capture data on the full payment cycle and both sides of a payments transaction, enabling the bank to focus on the story behind the data rather than only on the transaction itself. The intention is to use information on both the customer and the merchant's side of the transaction to understand the who, how and why behind a payment. Such data will include socio-demographic, behavioral and economic data, competitive positioning, business or risk profiles, and industry data. Using data in this manner will allow Standard Bank to create value-adding services on top of their platform which can facilitate meaningful connections between all users, simultaneously yielding benefits for the customer, merchant, and the bank.

For Standard Bank, this shift in data usage will require moving to the ISO 20022 messaging standard and investing in artificial intelligence, data lakes and data analytics skillsets. Standard Bank is still at the beginning of this transition but is already using data creatively. An example of this is their Snapscan product which started out as a QR code payments solution for merchants to acquire payments at POS. Snapscan now offers additional merchant services such as reconciliations, POS and e-commerce integrations and billing solutions, enabled through improved data provision.



### Strategic partnerships

In the creation of this API-enabled platform model, some interesting dynamics are enabled where Standard Bank can view the traditional model of competition in a new light. It is difficult to create every winning solution or product in the market and the reality is that there may be a competitor with a more compelling proposition. For this reason, Standard Bank plans to partner with competitors and allow them to offer their products or services in Standard Bank's ecosystem, with Standard Bank providing the payments capability through the platform (e.g., PaaS). Furthermore, through Standard Bank's planned modular producer capability, they can also offer products and services in competitor ecosystems. This changes the model of competition to one of co-competition and expands the list of potential customers for Standard Bank to include those from their historic competitors as well.

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There's a world out there that we haven't even understood yet because our mindset has been very much siloed thinking around the legacy bank. If we can be far broader and start thinking outside of what ... we historically have for 158 years, **then the options [for partnerships] could be infinite.**

”

**Brad Gillis,**  
Head Payments Africa Regions

One recent such partnership is with Flutterwave,<sup>17</sup> Africa's leading payments technology company. Standard Bank has recently teamed up with Flutterwave to enhance digital payments experiences for its customers in eight African countries. Flutterwave and Standard Bank plan to collaborate on building e-commerce, card issuing, payments, collections, Unstructured Supplementary Service Data (USSD), lending and BNPL capabilities for the bank's customers. Rather than seeing one another as competitors in payments, this partnership reflects the ability of banks and fintechs to partner, to provide a superior customer experience and offering.

### A growth story

Naturally, a shift of this magnitude will be challenging, requiring both a significant change in culture and mindset for Standard Bank as well as substantial investment to materialize. There are also regulatory and data protection considerations around the sharing of data, and a question of how risk will be managed between parties while setting up arrangements that are beneficial and make sense for all parties involved. And while the African story of non-traditional payments is expected to continue, Standard Bank believes the traditional and non-traditional spheres will converge at the customer level in the future, creating opportunities for innovation and ultimately propelling the growth on the continent that Standard Bank is intent on driving.

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It's not about clearing and settlement anymore-those are foundational. It's about all those other services you offer as part of the integrated experience.

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**John Anderson,**  
Head Card Scheme Management

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