

FREEDOM.PAY

THE NEXT LEVEL OF
GLOBAL PAYMENTS:

UNLEASH THE POWER OF PAY



FOREWORD

Across retail commerce, a seismic shift in payments technology is catalysing companies' growth and consumers' comeback. Yet, external forces such as geopolitics, advancing technology, consumer trends and data regulations are putting increasing pressure on merchants and customers globally.

In **The Next Level of Global Payments: Unleash the Power of Pay**, FreedomPay evaluates the current and future landscape and highlights key opportunities for elevating customer relationships and increasing profit margins internationally.

Consumer expectations are changing, with the speed, customisation and convenience of checkout processes top of mind. The shift to online commerce through the pandemic has been largely sustained, so brick and mortar and eCommerce businesses must adopt non-traditional methods of engaging with customers. To stay relevant in today's marketplace, merchants need to optimise every interaction with consumers by embracing innovation, prioritising personalisation, and delivering seamless omni-channel experiences across in-store, online and mobile platforms.

The report outlines strategies for security, safety, speed, simplicity, and satisfaction with service across borders, for merchants brave enough to transform their legacy systems by investing in new payments technology. From facilitating international payments to the adoption of touchless and contactless commerce and protecting customer data from increasing cyber threats, we set out a roadmap for executives of companies of all sizes and across verticals to meet milestones and surpass their objectives.

UNPACKING THE FOCUS ON USER EXPERIENCE (UX)

To encourage in-store purchases and reduce drop off rates at checkout for online and in-app purchases, enhancing customer experience is key. By embracing technology, merchants enable a seamless, cohesive, and innovative user experience throughout the purchase process from browsing to checkout that is catered to consumers' individual needs. This includes enabling secure digital capabilities such as Touchless Commerce, Direct Currency Conversion (DCC), and Near Field Communication-enabled (NFC) contactless and alternative payment methods like Google Pay and Apple Pay.

Curating customised communications using aggregated transactional data is paramount when building loyalty.

CHRIS KRONENTHAL

President
FREEDOMPAY

“Understanding the consumer is an **ECONOMIC IMPERATIVE** for retailers in virtually every country worldwide.”

RESEARCH BY [MCKINSEY](#) REFLECTS A HIGHER LEVEL OF TRUST IN DIGITAL SOLUTIONS AMONG YOUNGER CONSUMERS. GATHERING THIS DATA TO PERSONALISE CUSTOMER INTERACTIONS CAN BE A CHALLENGE TO OVERCOME WITH MONETARY INCENTIVES, ACCORDING TO A STUDY BY FREEDOMPAY AND CORNELL UNIVERSITY ON GEN Z'S WILLINGNESS TO EXCHANGE PERSONAL DATA FOR FINANCIAL REWARDS.

INTRODUCTION

As retail evolves, technological advancement is key to keeping pace with the increasing demands of customers in the complex marketplace. FreedomPay seeks to advise and encourage merchants to embrace the change catalysed by numerous external forces and optimise the buyer journey and experience at the Point of Sale in **The Next Level of Global Payments: Unleash the Power of Pay.**

GLOBALLY, RECORD NUMBERS OF CUSTOMERS ARE ADOPTING DIGITAL PAYMENTS. [A RECENT STUDY BY STRAIT RESEARCH](#) FOUND THAT WORLDWIDE, ELECTRONIC PAYMENTS ARE GROWING EXPONENTIALLY, AT TWICE THE REGIONAL GDP GROWTH RATE IN EUROPE AND NORTH AMERICA, AND EVEN FASTER IN ASIA.

Strait Research valued the **global contactless payments market at USD 2,235 billion** in 2021. It forecasted a CAGR of **20.7%** between 2022 and 2030.



This is composed of POS terminals, smart cards, and smartphones and wearables.

The rise of eCommerce and alternative payments in-store are creating exciting opportunities for financial institutions, merchants, and consumers ready to invest in technology.



THIS REPORT CONSISTS OF 4 SECTIONS:



WHERE WE STAND (TOGETHER)

The eCommerce and digital boom during the pandemic presented challenges and opportunities for businesses across all sectors.

Merchants who adapted to new ways of working to meet consumer demand weathered the economic downturn during lockdowns, yet the current geopolitical climate has hampered recovery across industries. The war in Ukraine has catalysed global inflation ([WSJ](#)), increased pressure on supply chains, and economic uncertainty. Simultaneously, Brexit has hampered UK post-pandemic recovery ([FT](#)).

FreedomPay's report guides merchants through the Payment Revolution as they take their businesses to the **NEXT LEVEL**. It establishes the value of the emerging payment platform technologies disrupting all sectors globally, the need for an omni-channel strategy guided by personalised data insights, plus analytics and security in elevating customer experience.



PESTLE ANALYSIS

CATALYSING CHANGE

External factors are driving the global transformation of all industries using Payments Technology. The report uses a **PESTLE analysis*** to evaluate the current macro-environment, split into **Political, Economic, Social, Technological, Legal (including Compliance)** and **Environmental** factors.

POLITICAL THE PESTLE ANALYSIS

The war in Ukraine is causing huge economic ramifications globally ([WSJ](#)). Supply chains are disrupted and prices have increased dramatically. This has particularly affected the Eurozone, fuel, gas, food, and electricity, particularly affecting the Eurozone, which faces the risk of Russia halting gas supplies ([DELOITTE](#)).

Inflation and economic instability are exacerbated by the devaluation of the Pound and trade restrictions resulting from Brexit, pressuring merchants and consumers alike. Elevated day to day running costs for businesses are squeezing profits, and customers are tightening their purse strings as their disposable income drops. The Bank of England and other regional financial institutions have raised the basic interest rate ([CNBC](#)) in an attempt to curb inflation, impacting individuals and companies with outstanding debts to repay. What will rising costs mean for the High Street as we know it?



Customers' dwindling capacity to afford non-essential goods and services mean that socialising, holidays abroad, and shopping are taking a back seat for many. In 2023, it's likely that customers will spend less money, less frequently, due to inflation and economic uncertainty ([DELOITTE](#)).

RETAILERS ARE STRUGGLING TO FIND A BALANCE BETWEEN RAISING THEIR PRICES TO OFFSET COSTS AND SUSTAINING THEIR CUSTOMER BASE AND COMPETITIVENESS.

The British pound has dropped in value by 19% to the US dollar since the 2016 Brexit referendum ([CNN](#)). This has increased import costs, overall inflation, and business expenses in the UK ([FT](#)).

The Centre for European Reform estimates that Brexit had depreciated GDP by 5.5%, investment by 11%, and goods trade by

approximately 7% by June 2022 ([CER](#)). Tax rises including a £46 billion hike implemented in March 2022 to fund public services amid the slower-growing British economy ([CER](#)).

Rising prices could mean that merchants see demand fall. Running costs could also reduce profit margins and thus flexibility to roll out loyalty incentives on a large scale.

With red tape tying up imports and exports to and from the European Union, UK-based businesses are looking to trade with other markets. Partnerships with regional acquirers, payment providers and more that operate beyond the EU are essential to enabling secure, cross-border commerce with payment method optionality and data-driven loyalty incentivisation. This makes the flexibility of an open, fully integrated, agnostic gateway or commerce platform such as FreedomPay's solution imperative to international operations.

The pound has lost nearly a fifth of its value since the EU referendum

The British pound has fallen 19% to the US dollar since Britain voted to leave the European Union on June 23, 2016.



Source: Refinitiv
Graphic: Krystina Shveda and Hanna Ziady, CNN

CNN

All this makes building strong customer relationships and adopting creative approaches to attract and sustain customers using data-driven targeting crucial for survival and growth. This requires a short-term, initial investment in recalibrating legacy systems across digital platforms and brick



and mortar locations to challenge competitors and support development for medium to long-term profitability. Investment in omni-channel technology is imperative.

The value of consumer data is tied to its use in personalising experiences and influencing users [\(ACCENTURE\)](#) to build brand relationships and make purchases. FreedomPay's Next Level Commerce™ platform provides merchants with comprehensive Business Intelligence around consumer purchase habits which can be aggregated, analysed and applied to loyalty strategies.

A recent study by FreedomPay and Cornell University noted that Gen Z's

attitudes to data privacy and sharing differ from Millennials and Baby Boomers. For example, Gen Zers are far more willing to share biometrics information than details from their social media accounts.

Today, it is up to the merchant to start to engage with the consumer at that technological level, too.



“ *If a merchant hasn't kept up with technology in their stores and their online presence,*
THEY'RE LOSING OUT TO THE COMPETITION. **”**

TOM DUROVSIK

CEO & FOUNDER

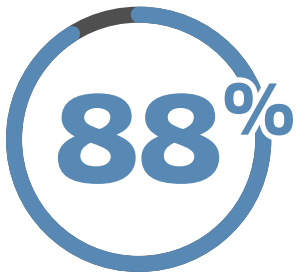
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SOCIAL

THE PESTLE ANALYSIS

Tech-savvy Gen Z and young Millennials are placing demands on businesses to innovate and digitalise their checkout process and optimise their in-store or online experience. This demographic's proportional market value continues to grow, making them a key target for merchants building loyalty and motivating repeat purchases. As such, offering secure, fast, and efficient non-traditional payment methods such as touchless commerce and contactless payments is pivotal to business success.

ACCENTURE reports that



OF EXECUTIVES PERCEIVE THAT THEIR BUSINESSES CANNOT KEEP UP WITH THE PACE AT WHICH THEIR CUSTOMERS ARE EVOLVING.

Similarly,
64% OF CUSTOMERS WANT MERCHANTS TO REACT MORE QUICKLY TO THEIR CHANGING NEEDS.

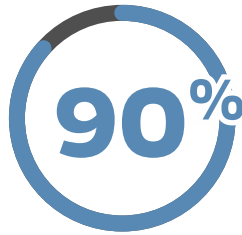
Using data to effectively segment customers and understand their individual, multifaceted wants and needs boosts satisfaction and brand reputation to improve interactions and produce long-term ROI.



TECHNOLOGY

THE PESTLE ANALYSIS

The British Retail Consortium's Payments Survey 2022 ([BRC](#)) revealed that **card transactions make up close to**



OF ALL RETAIL SPENDING IN THE UK.

67% of turnover is generated using debit cards. The increasing use of debit cards is largely compensating for the fall in cash usage.

HELEN DICKINSON OBE, BRITISH RETAIL CONSORTIUM CEO SAYS,

"INFLATION TOOK ITS TOLL ON... 2022, WITH RETAIL VOLUMES FALLING 3.4% OVER THE YEAR, THE BIGGEST DROP ON RECORD. MANY OF THE COST PRESSURES BEARING DOWN ON RETAILERS AND THEIR CUSTOMERS REMAIN IN 2023, WITH HIGH ENERGY COSTS, THE WAR IN UKRAINE, AND DOMESTIC LABOUR SHORTAGES."

The Payments industry has made huge advances in facilitating complex payments such as B2B, Buy Now Pay Later (BNPL), account-to-account transfers (A2A), request to pay, super-apps, and cross-border transactions ([ACCENTURE](#)). This increases flexibility and control for merchants and consumers internationally.

Integration with local payment providers streamlines commerce processes across borders. For example, these partnerships and Direct Currency Conversion (DCC) enable the international customers of a UK merchant to pay securely in their home currencies using their payment method of choice, improving their checkout experience.

Touchless commerce enables a consumer to register their custom through a business' mobile app, entering a store or venue, and walk out with a basket of goods. *They do not need to scan items, pay at checkout, or select an in-store payment option from physical wallet or digital wallet.* These innovations can be integrated with legacy payment systems that are currently unprepared to support global commerce.



Retailers can learn lessons from other sectors, such as Hospitality and Lodging who turned to Touchless commerce during the pandemic. These capabilities ranged from online and contactless check-in and check-out at resorts, and enabling mobile room key generation, to supporting the use of resort apps to reserve on-site services.

F&B establishments embraced online ordering to boost custom, repurposing QR codes for menu viewing, ordering and payment using the customer's payment method of choice.

Now, retailers have an opportunity to change. For example, they may set up advanced data analytics, or build self-serve kiosks using AI and cameras to detect items.

Stores such as Amazon Fresh are facilitating touchless commerce. These non-traditional payment methods continue to increase revenue across sectors and



reduce touch points for customers' convenience, complete control, and speed.

ADOPTION OF CONTACTLESS PAYMENT METHODS IN-STORE CONTINUES TO GROW GLOBALLY. TO LIMIT CONSUMERS' SECURITY CONCERNS AND INCENTIVISE THEIR USE, ISSUERS PLACE LIMITS ON THE MONETARY VALUE AND FREQUENCY OF DAILY CONTACTLESS TRANSACTIONS MADE WITH A CARD OR DEVICE.

Additionally, Open Banking is democratising technology, catalysing the evolution of Payments architecture. Millions of customers and small businesses across Europe ([ENDAVA](#)) and the US use Open Banking weekly for account-to-account payments or to pay for goods and services.

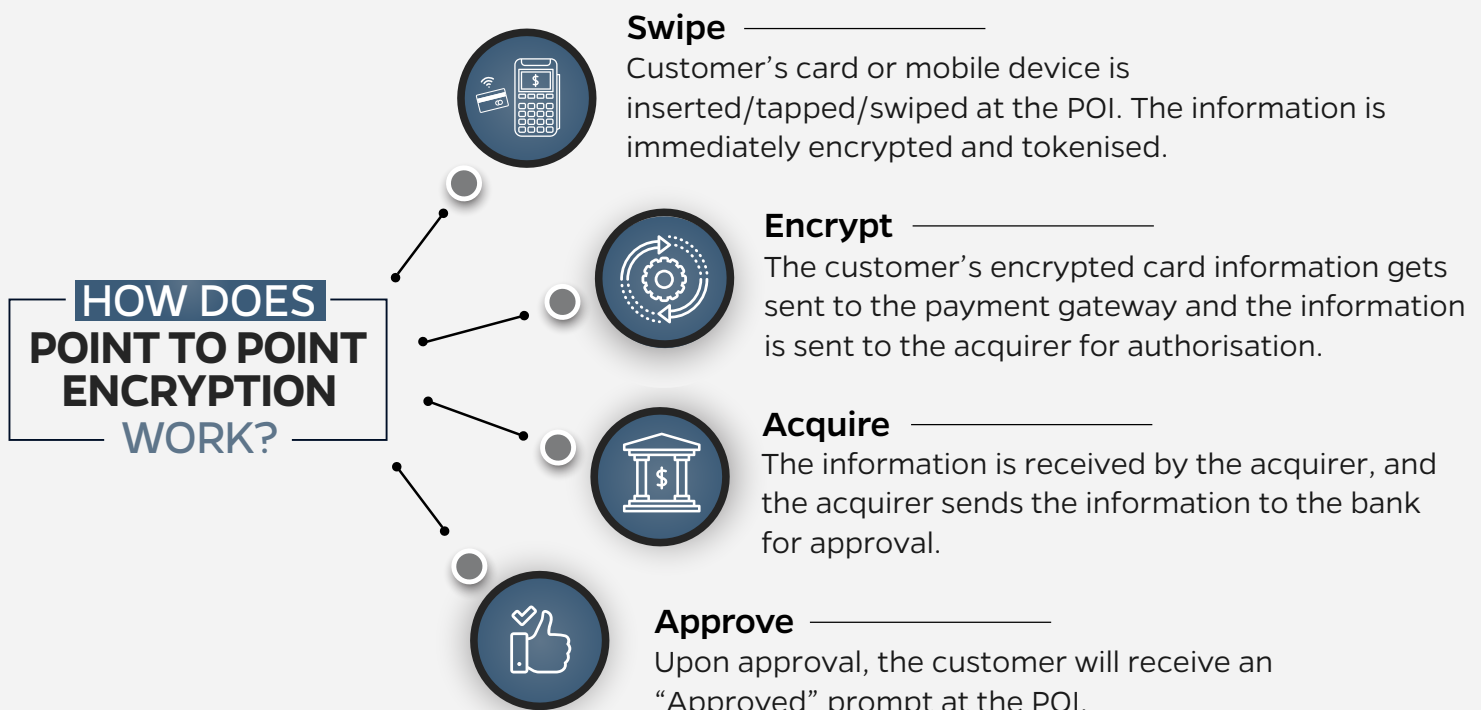


Cross-border commerce can be complex, from navigating regional data protection regulations to integrating with local payment providers and offering innovative payment methods. Merchants have the power to streamline this process with an agnostic, scalable, open-loop solution that integrates with any banks, payment providers, and Points of Sale. Investment in secure technologies and partnerships with integrated payment solution providers helps to prevent data breaches amid rising cyber threats such as hacking and malware.

Merchants can assure customers that their data is safe with point-to-point encryption (P2PE) tokenisation technology. PCI-validated P2PE is the highest level of

data encryption available. It encrypts sensitive payment data as the customer taps, swipes or inserts their card or device at the point of interaction (POI) until it reaches the payment gateway. This makes it illegible for hackers, and only authorised acquirers in possession of the decryption code can decode and authorise the transaction. The acquirer seeks approval from the customer's bank, and the customer is notified if this is granted via an approval prompt at the POI. FreedomPay's Next Level Commerce™ platform guides merchants through legal obstacles, enabling mass auditing to conduct compliance PCI audits and reporting.

Fraudulent financial crimes including bribes and corruption affect businesses, governments, and international economies, equating to 3.6% of global GDP ([INTERNATIONAL COMPLIANCE ASSOCIATION](#)).



ENVIRONMENTAL:

THE PESTLE ANALYSIS

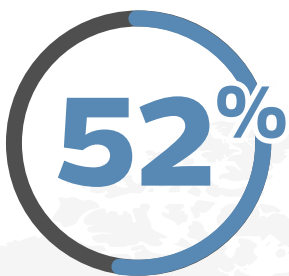
Data insights can help companies reduce the amount of waste they produce and the associated costs by anticipating customer habits and requirements when ordering stock and hiring staff, in addition to accurately targeting loyalty incentives.

Customer interaction with brands is evolving, with an increased focus on brand reputation. Companies' Environmental and Social (ESG) impact throughout their supply chains is paramount to the perceptions of investors, customers, governments, internal and external stakeholders. The proactive approach that companies take to limit their environmental impact and to boost their societal contributions are particularly valued by younger consumers, playing a large role in brand reputation.

Trust Barometer Survey 2022 across 28 countries felt that businesses are not doing enough to address climate change, and 49% believed companies must do more to reduce economic inequality ([EDELMAN](#)).

Additionally, investors and governments are incentivising companies' 'green' behaviour by reducing the cost of capital ([FORBES](#)), including tax cuts and subsidies.

Strategic loyalty schemes can motivate shoppers, guests, and diners to return to their brick and mortar or online establishment and build lifetime relationships with brands. These can include product-based discounts, threshold-based discounts, virtual punch cards, points accrual and spend,



OF 36,000 RESPONDENTS FELT THAT BUSINESSES ARE NOT DOING ENOUGH TO ADDRESS CLIMATE CHANGE*



Globally, 9 out of 10 Gen Z and young Millennials claim to make an effort to protect the environment. However, few strongly agree that businesses are taking significant action, representing 15% of Gen Z and 14% of Millennials surveyed across 46 countries ([DELOITTE](#)). Similarly, 52% of 36,000 respondents to the Edelman

time-based discounts, and cash reward coupons. Relevant and timely targeting of rewards increases engagement with companies and helps customers feel valued and demonstrates businesses' ongoing, personalised commitment to them as individuals.

A background image showing a blurred high-speed train track, suggesting speed and motion. The tracks are dark and metallic, with a strong sense of perspective leading towards the horizon.

UNLEASH THE POWER OF PAY.

FREEDOM.PAY

THE SHIFTING LANDSCAPE

CUSTOMER, PRODUCT, AND OPERATIONAL VALUE



It may seem paradoxical to invest more money in security and enhancing customer experience during an economic downturn, when rising costs and inflation are cutting into merchants' budgets. However, customer retention is paramount to every profitable, thriving business' survival and growth potential.



The short-term financial commitment to updating legacy systems can increase merchants' medium to long term ROI by allowing merchants to compete effectively and grow customer loyalty through customisation and convenience. An agnostic commerce platform which facilitates integration with key regional partners is vital for UK-based global merchants in today's post-Brexit economy.

FURTHERMORE, SECURING DATA EFFECTIVELY REDUCES THE RISK OF THE REPUTATIONAL DAMAGE AND THE FINANCIAL IMPACT ASSOCIATED WITH BREACHES.





OUR PESTLE ANALYSIS of the international market indicates a highly complex, unprecedented global situation during which merchants and consumers face astronomical price hikes and an increased risk of cyber-attacks.

PAYMENTS TECHNOLOGY IS GIVING CONSUMERS A MUCH-NEEDED SENSE OF CONTROL OVER THEIR ENVIRONMENT AND PURCHASE PROCESSES, MAKING IT MORE AND MORE IMPORTANT FOR MERCHANTS TO EMBRACE TECH INNOVATION.



Implementing frictionless, swift, and secure payment technologies is simple with a unified, adaptive, open-loop commerce solution such as FreedomPay's Next Level Commerce™ platform. Connect seamlessly with your current payments systems and providers with agnostic technology.

OUR SUCCESS STRATEGIES

THE NEXT LEVEL OF GLOBAL PAYMENTS: UNLEASH THE POWER OF PAY

FreedomPay is not just reimagining the world of omni-channel retail but we are shaping it. The Next Level of Global Payments: Unleash the Power of Pay examines the trends influencing the global marketplace and supports merchants of all sizes in understanding the value of investing in secure, data-driven technologies to optimise commerce processes and incentivise brand loyalty.

Merchants must prepare for rising data security breaches as digital payments accelerate across the globe, superseding legacy payment hardware systems such as EMV, card swipe and signature. Increasing cyber-crime reflects the value of investment in secure technologies offering global systems connectivity.

Through strategic partnerships and investment in technology that enables innovative payment methods and facilitates data-driven loyalty, global merchants can prevent security breaches, streamline their commerce processes across borders, boost customer experience and build long-term brand relationships.

“DIGITAL TRANSFORMATION IS ESSENTIAL FOR MERCHANTS AS TECHNOLOGY INNOVATION MATURES WITH CONSUMER PREFERENCES. FREEDOMPAY OFFERS A SECURE AND SWIFT SOLUTION THAT IS SCALABLE TO ANY SIZE AND PROVIDES A PERSONALISED CUSTOMER EXPERIENCE.”

-CHRIS KRONENTHAL
President of FreedomPay



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*The PESTLE analysis is a framework used to analyse and monitor the macro-environmental factors that have an impact on an organisation, company, or industry; including the Political, Economic, Social, Technological, Legal, and Environmental external factors.

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