# TOP TRENDS FROM THIS YEAR'S MONEY20/20

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The BI Intelligence Research Team

BI INTELLIGENCE

# INTRODUCTION

At this year's Money20/20 conference, held in Las Vegas from October 22-25, BI Intelligence identified three emerging trends that will likely dictate much of the innovation in the payments space over the next year: AI's emergence in financial services, a reinvigorated focus on payments security, and partnerships to chase the network effect.

## 1. Financial services firms are captivated by how AI might revolutionize their businesses.

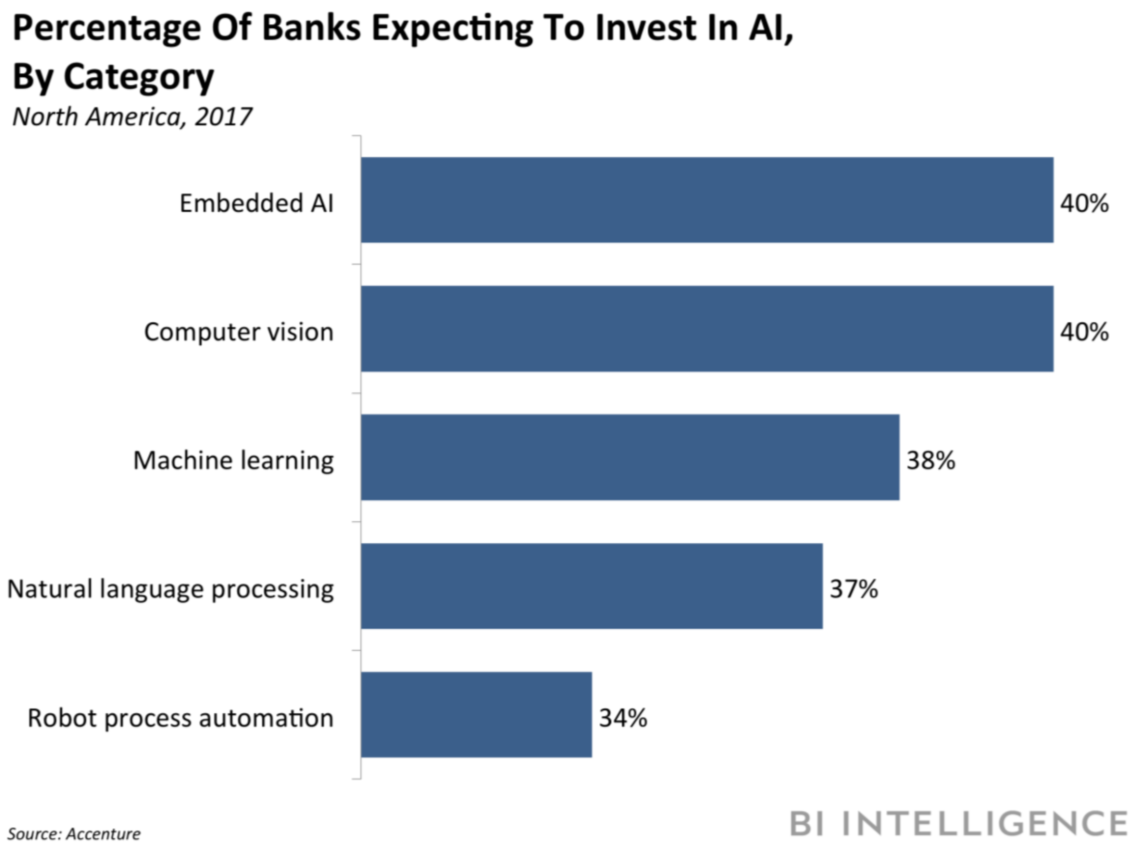
However, the number of AI-specific announcements from major players was relatively limited compared with how much of the dialogue at the conference centered on future use cases.

**Here are a few major AI announcements from the conference:**

- AI technology firm **Clinc** partnered with financial services provider Enacomm on a reseller agreement that will bring Clinc's "Finie" technology, which helps banks collect data, personalize product offers, and create a "tailored customer experience," to more financial institutions across the country.
- **Personetics,** a cognitive banking company, showcased how banks can leverage AI to "nudge" customers — giving them short, tangible steps to encourage specific behaviors — as a means of improving financial behavior and growing engagement.
- In a panel discussion, Apple co-founder **Steve Wozniak** noted that the key to industry success will be investing in AI and building "centralized teams" focused on deploying it in ways that augment rather than replace humans.

**In general, the most mature use cases of AI are on the back-end.** Thanks to recent advancements in natural language processing (NLP), conversational use cases, like messaging app bots, are receiving attention from financial services providers. But they're far from the most natural applications of AI technology — big data and analytics tools, risk and fraud prevention platforms, and regtech offerings are among many areas in financial services where AI is driving more significant returns today.




**With so much hype around AI's potential, it's important to focus on the real problems it can solve.**

- **Banks think AI has the potential to fundamentally change customer interactions.** Seventy-nine percent of financial institutions think AI will "revolutionize" the way financial firms interact with consumers, according to Accenture. There are multiple ways this could play out — for example, conversational interfaces could become mainstream, or AI-driven insights could arm call center or branch employees with personalized and relevant advice to pass on to customers.

- **So firms believe that there are clear payoffs for this research, investment, and technology.** Top reasons that firms are investing in AI include better data insight, improved productivity, and higher cost savings, according to Accenture. By focusing on effectively deploying AI for narrow and well-defined tasks tied to those reasons, banks could best use AI by treating it as a surgical tool for specific use cases, rather than viewing it as a panacea.

## 2. In the wake of high-profile data breaches, financial services firms like banks or payments technology providers are more focused than ever on securing consumer data.

- **Bank of America** (BofA) teamed up with **Intel** to bring biometric authentication to online banking users on the PC. The new tool, which will use Intel Online Connect technology, will allow BofA customers with the appropriate hardware to authenticate their PC logins using a fingerprint rather than a password or other form of authentication.

- **Mastercard** launched a new application programming interface (API), called Consumer Control, that allows customers to use their banking apps to gain an overhead view of where they've stored their card information online as a means of better controlling their "digital payment footprint."

- **Samsung** partnered with a number of firms, including Diebold Nixdorf and Moxtra, to showcase its "Nexsign" technology. The technology uses biometric authentication, including fingerprint, facial recognition, iris scanning, and voice recognition, to better verify transactions on mobile.

**Identity fraud is on the rise, so it's important for firms to find ways to protect customers, or risk losing them.**

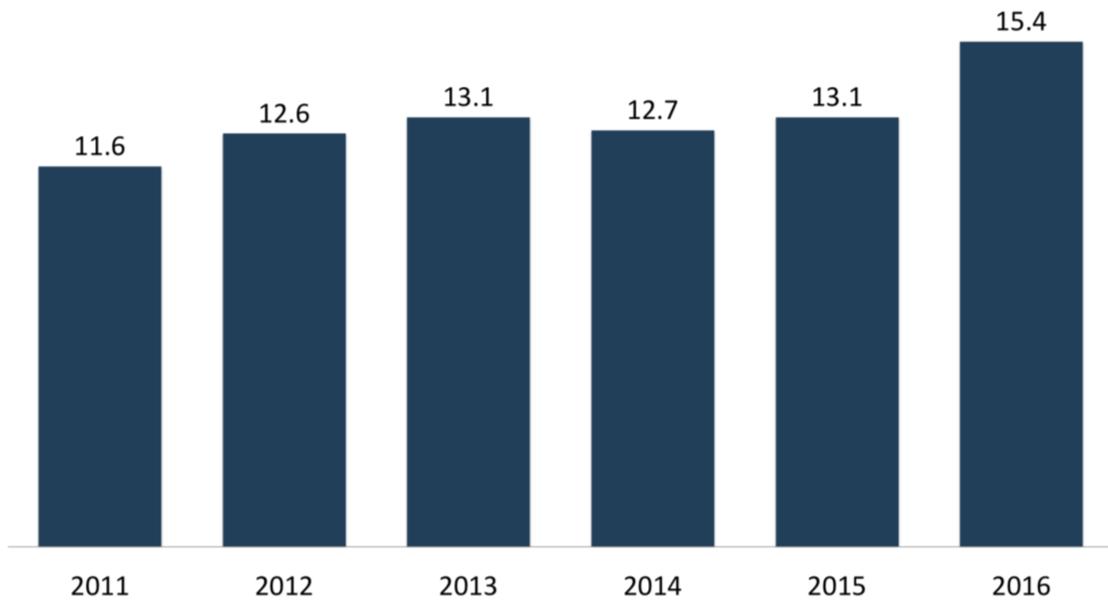
- **Concerns about data security are higher than ever — and rightfully so.** A record-breaking 15.4 million US consumers were affected by identity fraud in 2016, marking a 16% annual increase, according to Javelin. That's leading to concern, which is only intensified by the barrage of high-profile briefings in the news, capped off by the Equifax attack that could impact over one million customers. Additionally, financial services fraud is spiking as well, according to LexisNexis.

- **And so finding ways to visibly protect identity will be critical in maintaining loyalty.** The risk of security failures are drastic — 19% of consumers would stop shopping at a breached retailer, and 33% would take a long-term break. Unfortunately, issuing banks often take the blame for breaches they had no part in. Against a backdrop of institutional security failures, financial services providers must take care to set themselves apart from the pack with regards to consumer protection.

**US Consumers Who Experienced Identity Fraud**

*Millions*




*Source: Javelin Strategy & Research 2017 Identity Fraud Study*

## 3. Firms are aggressively partnering to build the network effect.

For a long time, tech firms focused on being "walled gardens," essentially owning a space from top to bottom as a means of beating out their rivals. Payments firms were no exception, with most players trying to build full-suite offerings. But that’s beginning to change as competition heats up and firms try to grab as many new customers as possible at a low acquisition cost, largely because the sheer noise in the space is making it hard to grab consumer attention — a problem that expanding the addressable base can help solve.

- **Barclaycard US** will issue a co-branded **Uber** credit card, which allows Uber riders to apply and enroll in the card directly in the app. The card provides robust rewards and attainable startup bonuses with no annual fee.

- Bank-owned peer-to-peer (P2P) payment network **Zelle** forged new technology partnerships with firms like ACI Worldwide and IBM to get new financial institutions onto the Zelle network, and using real-time payments, more quickly and at a lower cost.

- Processor **First Data** announced a swath of new partnerships. It's partnered with UnionPay to enable acceptance at its merchants; with Amazon for restaurant mobile order-ahead; and with Apple to bolster support for loyalty and rewards on mobile point-of-sale (mPOS) Clover.

**As the digital payments industry becomes more crowded, access to the right population is the key to success.** Currently, if a certain aspect of the payments industry begins to heat up, other firms are likely to "piggyback" onto it, which is leading to crowding. That hurts adoption, as it confuses customers by giving them too many choices and adding friction. By partnering, companies can break through the crowd and expand the size of their addressable base, which in turn can help them more effectively beat the noise and outrun their competition.

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