OCTOBER 2022

PYMNTS

WHAT'S YOUR PLAN?

Payments Strategies for a Strong 2022 Finish

TABLE OF **CONTENTS**

PYMNTS **WHAT'S** YOUR **PLAN?**

Payments Strategies for a Strong 2022 Finish

INFLATION NATION

Q3 2022 Defines **Resilience**

Q3 was another wild ride for a beset business sector, but that didn't keep the innovators and builders from pushing advancement agendas and bringing the connected economy into tighter formation despite serious economic jitters, as reflected in the views of 28 industry experts.

Waiting for the other shoe to drop — inflation or recession? — turned into the underlying theme of a third quarter as major retailers like Amazon double-dipped on annual sales events and consumers traded down, even as digital transformation hurtled on.

Tapping into some of the sharpest minds across payments, retailing and technology, PYMNTS asked 28 thought leaders about their focus going into what may be the most pivotal holiday selling season since 2008 — if we don't count the pandemic years — and found them prepared.

As COVID concerns all but evaporated in the face of 40-year-high inflation, the payments industry learned a lot from navigating two consecutive systemic shockwaves, explaining the almost eerie calm many are exhibiting in the face of the next temblor, a full-blown recession.

Easy tech integrations and cloud-based solutions made major strides as everyone from merchants to financial institutions worked to remove friction from transactions and put a dent in the cart abandonment problem that has long plagued eCommerce.

Meanwhile, retailers got schooled in placing inventory bets during a supply chain meltdown that led to painful overstocks and rampant discounting that threatened sales of fresh inventory. And many FinTechs focused on checkout experience as the quality of that process became almost as important to shoppers as the merchandise in the cart.

Mobile continued to press its advantage home, becoming a kind of remote control that consumers use in store aisles to price match and deal shop. Woe betide the merchants that failed to embrace the trend.

Given the stunning sweep and scale of the digital shift, data became the coin of the realm — if it wasn't already — with new focus on innovations like receipt-level data and its ability to help retailers and brands personalize recommendations and cement slipping loyalties.

A sense of reality came to real-time payments — and the back-office innovations making them possible at more businesses using machine learning and first-party data to bring clarity to cash management, accounts receivable, accounts payable and a host of related functions.

While cryptocurrency continued to struggle after the crash this spring, interest in it didn't abate. The sector is reinventing itself around more grounded use cases as stablecoins and CBDCs continued to garner press and interest.

The backdrop to much of this is the plight of paycheck-to-paycheck consumers, now representing over 60% of the U.S. population, whose difficulties were greatly compounded by runaway costs from the grocery store to the gas pump to the rent or mortgage payment.

CFOs played a starring role in Q3 as companies reengineered accounting processes and data policies, in the process becoming some of the top evangelizers of digital transformation in money movement and balance sheet management at a time of unprecedented volatility.

Different forms of embedded finance dominated thinking from banks to social media platforms as selling and even finance became contextualized to the consumer, going wherever they go with the mandate of being able to facilitate commerce or lending in any setting, on any device.

Unstoppable streaming entertainment had a comeuppance of sorts as customer acquisition costs soared and the "Great Unsubscribe" put additional pressure on the sector, leading to more moves into ad-supported tiers and more advanced feature sets for fence-sitters.

In the credit card space, interchange fees came under fire giving a debit a boost and fueling proliferation of alternative payments methods, bringing buy now, pay later (BNPL) to every corner of consumer and B2B commerce.

Healthcare had perhaps its most transformational year ever as Amazon, Walmart and others piled into the walk-in clinic and telehealth spaces, vying for a bite of the biggest market of all.

Now comes Q4 and the 2022 winter holiday selling season that will act as a canary in the coalmine as we enter 2023. In this eBook, experts shed light on these uncertainties, affording a final chance to make important changes that can help steer outcomes in the right direction and position themselves for a prosperous — and innovative — 2023.

NILESH
DUSANE
Head of Institutional Payments Market Development
aws

EVOLUTION OF THE **PAYMENTS VALUE CHAIN**

In the post-pandemic era, there is a unique alignment between how payment service providers, financial institutions and market infrastructures are upgrading their payment systems to meet the needs of their respective customers. AWS is enabling participants in all areas of the value chain to meet these needs.

One significant change in the landscape is that consumers and businesses increasingly access new payment methods such as buy now, pay later (BNPL), credit cards and embedded payments directly from merchants at the point of sale, or from non-bank service providers. Furthermore, the use of digital wallets is far outpacing the use of credit cards and checks as payment methods. According to a Global Payments Report published in April 2022, digital wallets (primarily offered by non-banks) accounted for nearly half (49%) of global eCommerce transaction value in 2021, while credit cards were in second place at 21%. Global payments anticipate digital wallets commanding a 50% share in 2022, approaching 53% by 2025.

Because of these trends, payment service providers and merchants relying on financial institutions for funds custody, credit underwriting and compliance with money transmission regulations need financial institutions to support API-based access, instant decisioning, and transparency in fees/speed for processing payments. In parallel, financial institutions must upgrade their payment systems to comply with ISO-20022 messaging standards and regulations such as PSD2, open banking mandated by regulators and market infrastructures. Financial institutions are therefore taking this opportunity to modernize their payment stack by building micro-services-based payment flows on AWS. Micro-services architecture provides flexibility, reduces processing dependency risk, and enables new services to be integrated quickly. For example, Standard Chartered bank built its global payments system SCPay on AWS to handle both high-value transactions and micropayments for the eCommerce world. As a result of the migration and the ability to scale vertically, the payment system's performance went from 150 transactions per second to more than 2,500.

Further down the chain, market infrastructures are also upgrading their payment systems to meet the needs of their financial institution customers. As of June 2022, more than 70% of countries globally are live or plan to go live with real-time payment systems. AWS is working with market infrastructures to provide cloud connectivity to the real-time payment networks, reducing the onboarding time for network participants from several months to a few weeks. As Elena Whisler, senior vice president for sales and relationship management at The Clearing House (TCH), said at the AWS Financial Services Cloud Symposium this past May, "It's really important for us to onboard a new participant … as quickly as possible."

Market infrastructures are also establishing bilateral connections to facilitate instant cross-border payments. EBA Clearing, SWIFT and TCH announced in April 2022 that they plan to launch a pilot service for immediate cross-border (IXB) payments with the support of banks from both sides of the Atlantic.

Finally, entities throughout the payments value chain are investing in technologies to derive value from in-house payment, customer data, and third-party data sources. AWS is working with customers to help them use artificial intelligence (AI) and machine learning for predicting payment failures, fraud detection, KYC, compliance and marketing. For instance, Capital One is enhancing fraud protection with machine learning on AWS, optimizing its models to provide customers with sufficient protection without too many false positives.

© 2021 PYMNTS.com All Rights Reserved

GUY
HARRIS
Senior Vice President,
Head of Merchant Services

BANK OF AMERICA

STAYING TRUE TO OUR **CLIENT-CENTERED APPROACH**

As we've moved past the worst of the pandemic, we've entered an unsettling territory of mixed messages. There's talk of an economic slowdown, but we're seeing a 10% increase in payments year over year. We're seeing significant debit/credit spending growth, and it would be easy to attribute it to inflation; however, transaction volumes are also up. Year to date, we've seen a 14% increase in total payments, with transactions up 7%. Consumers are making more purchases, not simply paying more for their usual purchases, although there is some measure of that too.

We're seeing enhanced regulation with the new administration on banks in general, specifically around the payments space. We're also hearing continued discussions about digital payments, crypto and digital currencies, as well as buy now, pay later. The chatter and debate send mixed signals to businesses of all sizes about what to expect and how to move forward. A large retail client may worry about overstock or whether they'll continue to grow at the same pace. A small business may wonder if it'll survive yet another economic storm. Through all this, my team remains focused on delivering our unique proposition to our clients, specifically, rewarding them for their total relationship with Bank of America. We provide them with an important advantage — the ability to manage payments and their banking relationship in one place, which reduces complexity, provides clarity and ultimately gives them time back to run their businesses.

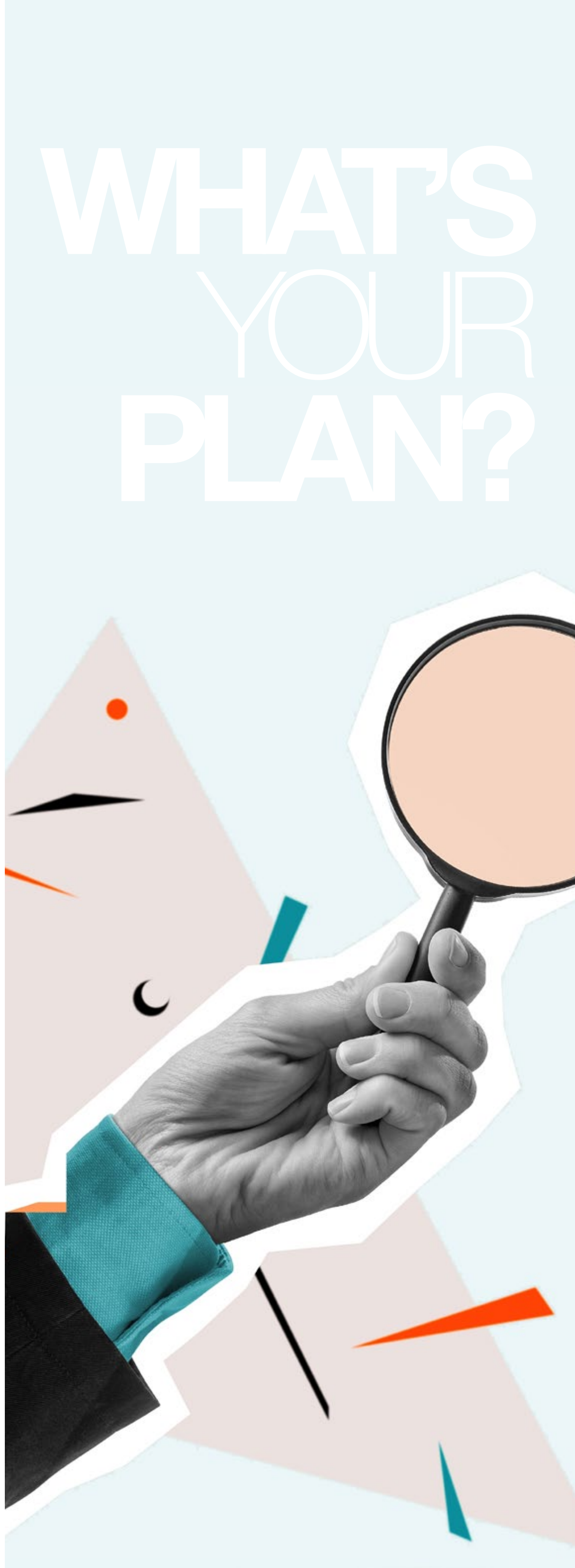
Digital Tools and Insights Guide the Way

We recognize that payments are fundamental to our customers, but they're just one component of everything clients need to grow their businesses. So it's important to demonstrate to clients that we understand their challenges and show how the breadth of products and solutions we offer can add value and give them a competitive edge. We continue to help clients add capabilities, like contactless payments and order ahead. We can help them capture fraud without stopping their legitimate customers.

We can give clients insights on both the issuing and the acquiring sides. We also help them use digital tools and data to manage their business more efficiently and with more precision. Clients can go online and see exactly what's happening with their business, and those insights can shield them from some of the uncertainty outside their doors.

Combatting Confusion with Connection

Our client-centered approach isn't new, but it's particularly valuable when our customers feel buffeted by the winds around them and unclear about what comes next. It's at times like these when the relationships we've developed prove their worth.



© 2021 PYMNTS.com All Rights Reserved

JEHAN **LUTH**

Founder and CEO

HOW BANKS AND MERCHANTS CAN DRIVE **CUSTOMER DIGITAL ENGAGEMENT**

Merchants and financial institutions that make their customers' lives easier through differentiated digital experiences will have an advantage, particularly in the current economic environment. That's why, at Banyan, we're focused on accelerating our technology and infrastructure growth to help merchants, hotels and banks offer digital experiences that save time, cut costs and make lives easier.

Item-Level Receipt Data Is Key to Customer Digital Engagement

We're excited about the network-capability investments we're making around item-level receipt data. They will enable financial institutions to increase customer engagement by delivering personalized digital experiences, and enable merchants to streamline the purchase experience and create new sources of sales revenue. In an environment where many consumers are tightening their belts and rethinking brand loyalty, item-level data can be a key for retailers to offer real savings leveraging strategic "aisle" budgets, while also managing inventory levels and efficiently driving sales retention.

Item-level data gives more control to merchants to structure their card-linked shopping offers to move inventory at the category, brand and even product level. The efficiencies that come from these more precise promotional efforts can deliver greater savings for consumers, at a time when they'll appreciate those savings more than ever.

The recent "Tapping Into The Benefits of Item-Level Receipt Data" report (a PYMNTS and Banyan collaboration) reveals 67% of firms that are investing in data to advance their business believe the use of receipt data is highly likely to attract new customers and encourage them to switch from other companies.

Embracing Digital Innovation to Win with Customers During Economic Slowdown

With inflation hovering at a 40-year high and recession fears rising, consumers are feeling the bite. That's why a current trend is "trading down," migrating from a more expensive product to a less-expensive version. For example, 43% of grocery shoppers are now purchasing lower-priced generic brands to save money, according to Morning Consult.

This trend is playing out in almost every industry and companies are trying various strategies to counter it. In the travel industry, where spending dropped after months of increases, companies are responding by cultivating customer loyalty through more personalized, frictionless, data-driven experiences that foster engagement and brand differentiation.

One example of this is in the hospitality industry where hotels can enable small business clients and their traveling employees to streamline and even eliminate their business expense reports. How? A data infrastructure network, such as Banyan, can securely deliver item-level receipt data from hotel and merchant partners to payment card issuers and expense management providers. This results in faster, easier, more accurate business expense reporting and reconciliation for all parties.

Final Thoughts

In travel and every other industry, there are headwinds. All businesses must make smart decisions to manage through them. Firms that focus on growth investments and leverage data to deliver more efficient digital experiences will have the smoothest trip to better times.

EMBRACE THE **FUNDAMENTALS**

With all the distractions, uncertainty and upheaval that continues to define 2022, it's important to embrace — and master — the fundamentals.

At Billtrust, our team knows that the best way for companies to handle unpredictability is to make things as predictable as possible, starting with cash flow. While we focus on helping companies transition from expensive paper invoicing and check acceptance to efficient electronic billing and payments, we also guide them as they either embark on or continue their digital transformation journey.

My best advice for the remainder of 2022 is to lean into the fundamentals of a modern, highly functioning finance team. They are:

Embrace Innovation and Automation

There are four things that indicate an AR team is operating at a high level:

1. They provide their buyers with full-service capabilities to view invoices, credit limits and make payments, as well as access to historical account activity.

2. They have fully automated integrations, leveraging a service provider, with customer AP procure-to-pay platforms for submitting invoices and retrieving payment remittance.

3. Real-time integrations exist between their AR and ERP systems.

4. The majority of invoices they send and payments they accept are digital.

An added benefit is that AR teams that have moved entirely to digital invoices and payments are around three times more likely to be viewed as a strategic business partner by their C-suite, according to recent Billtrust research. Eliminating repetitive, manual tasks allows AR teams to concentrate on strategy and higher-level customer issues while producing better results and buyer experiences, maximizing cash flow and positioning themselves as finance leaders and innovators within their organizations.

Keep the Customer Experience in Mind

In tough times, we are always looking for an edge. The customer experience may not always be on the finance team's radar, but it should be viewed as a powerful differentiator. Today's B2B buyer expects a fast and convenient payment experience, and a supplier's ability to offer this to their customer can have a positive impact on customer satisfaction and customer retention. Finance teams have the power to dramatically influence customer relationships through the order-to-cash processes they put in place at their organization, from their eCommerce experience all the way through to the collections process. The bottom line is to always go the extra mile for your customers, making it as easy as possible to do business with you.

BITPAY INCREASES FOCUS ON **CRYPTO DISBURSEMENTS** — INCLUDING PAYROLL PAYOUTS

With the third quarter of 2022 bringing a long-expected drop in consumer spending and along with inflation that's still rampaging, Q4 is a time for tight focus.

At BitPay, we're going to be hyper-focused on BitPay Send, which allows companies to do disbursements on our platform.

Payroll is a sweet spot, as the weakness in the price of bitcoin and other cryptocurrencies during the crypto winter makes this a good time to buy and hold through a dollar-cost averaging strategy.

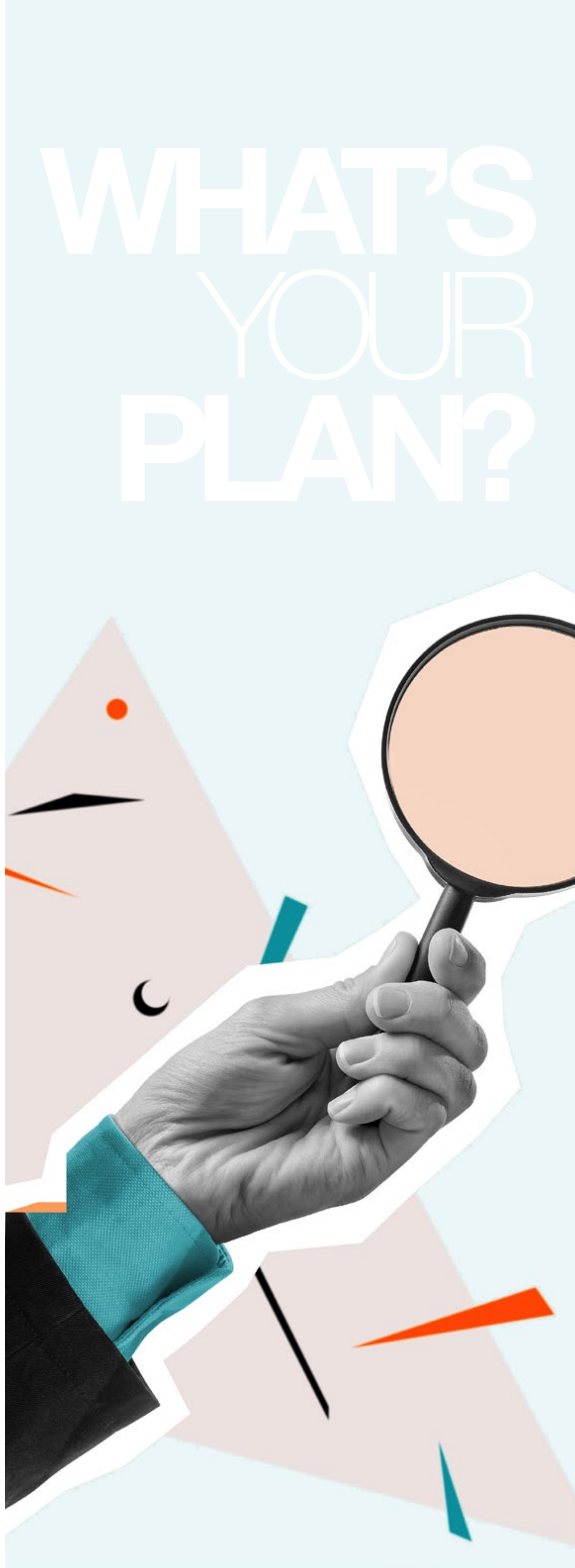
Dollar-cost averaging is a popular way to build crypto holdings slowly while taking the stress out of investing in an asset with a volatile price. It means automating the purchase of a set amount of bitcoin on a regular schedule — say every two weeks via a BitPay Send payroll direct deposit strategy — so that day-to-day price fluctuations average out over time.

Employees can opt-in to receive a certain portion of their salary this way. It can be a percentage or an absolute dollar amount of your after-tax paycheck. We're seeing much interest in this strategy because it's a good buying opportunity. It's really about providing an easy on-ramp for people into the world of cryptocurrency.

Your employees can allocate a portion of their earnings to whatever digital asset they like, and it shows up weekly in their wallets. So, it's also right there and ready to be spent if they wish. It's a service we provide that complements our payments processing service.

It could be bitcoin or a stablecoin like USD Coin, which lets them be a little more price conscious about when they buy bitcoin or other digital assets. So, you can get your paycheck in stablecoin and then you could convert that into bitcoin if you wish.

In addition, stablecoins are a lot simpler to spend, as you can eliminate the complication of tracking capital gains for every purchase.



© 2021 PYMNTS.com All Rights Reserved

MORE BRANDS WILL OFFER **SECURED CREDIT CARDS** FOR CUSTOMERS DURING UNCERTAIN ECONOMIC TIMES

Over 150 million individuals in the U.S. are considered financially at-risk today, according to Experian and U.S. Census data. These consumers continue to face pressure when managing their finances – from high inflation to economic uncertainty. Nearly one-third of U.S. consumers have a subprime credit score, defined as between 580 to 669, including 40% of millennials, who make up "the highest ratio of subprime consumers of any generation." Additionally, an estimated 49 million U.S. consumers are classified as either "credit invisible" or "unscorable."

Businesses and consumers face a tumultuous macroeconomic environment, skyrocketing inflation, and a looming recession. As a result, there is an opportunity for the credit landscape to shift, and the offering and use of secured credit cards are the solutions that will help brands and consumers alike.

Why Secured Credit Cards?

Historically, access to credit has been challenging, but advances in embedded finance are fundamentally changing this dynamic. Bond's Credit Builder Card makes it simpler for FinTechs and brands to offer secured credit cards, a new, high-value financial product, directly to their customers when they need it most.

Consumers who use a secured credit card to build a strong credit history will qualify for a traditional credit card and the ability to take out an auto loan or mortgage at better interest rates. Secured credit cards offer a financial lifeline for underbanked and unbanked populations, giving consumers the ability to spend only funds they have loaded onto the card with the added benefits of building a credit history that can help credit-challenged consumers take control of their financial futures.

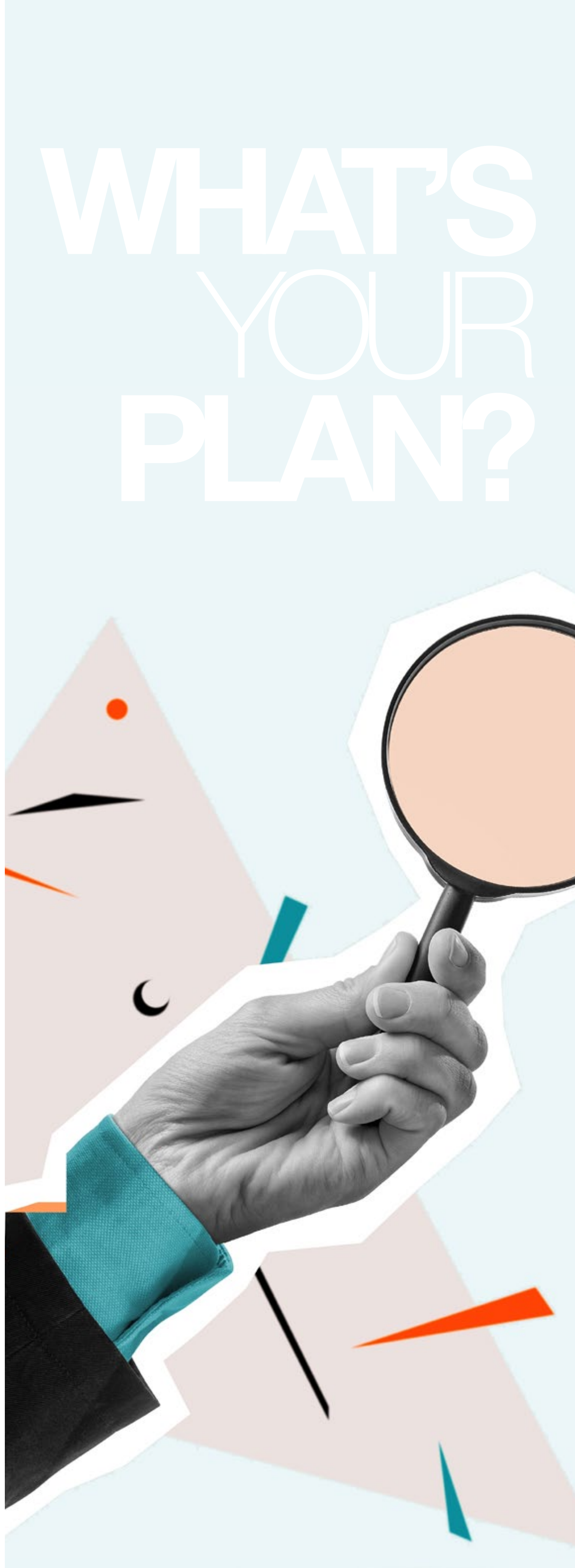
How Brands Benefit from Offering Secured Credit Cards

Brands offering secured credit cards will have stronger value propositions to serve customers seeking a path to greater financial stability. In fact, recent research from Cornerstone Advisors shows that most U.S. consumers want to secure financial products directly from their favorite brands and that 32% will spend more with brands they bank with than they did previously. The research also reveals that this interest spans a wide range of brands — from gaming to fitness and luxury to home improvement.

For example:

- Nearly 8 in 10 (79%) gamers are interested in a credit card that will reward them for in-game purchases.
- Two-thirds of home fitness fans expressed interest in health insurance from home fitness providers with rates based on their fitness habits.
- Nearly two-thirds of fashion aficionados would consider getting an investment account from a luxury brand that allowed them to easily invest in that company's stock, crypto, and other assets.

Ultimately, secured credit cards are a win-win for consumers and brands, providing them with trusted, accessible, and empowering payment options that meet their immediate needs and help them achieve their future financial goals.



TECHNOLOGY HELPS BUYERS AND SUPPLIERS **MEET ECONOMIC CHALLENGES**

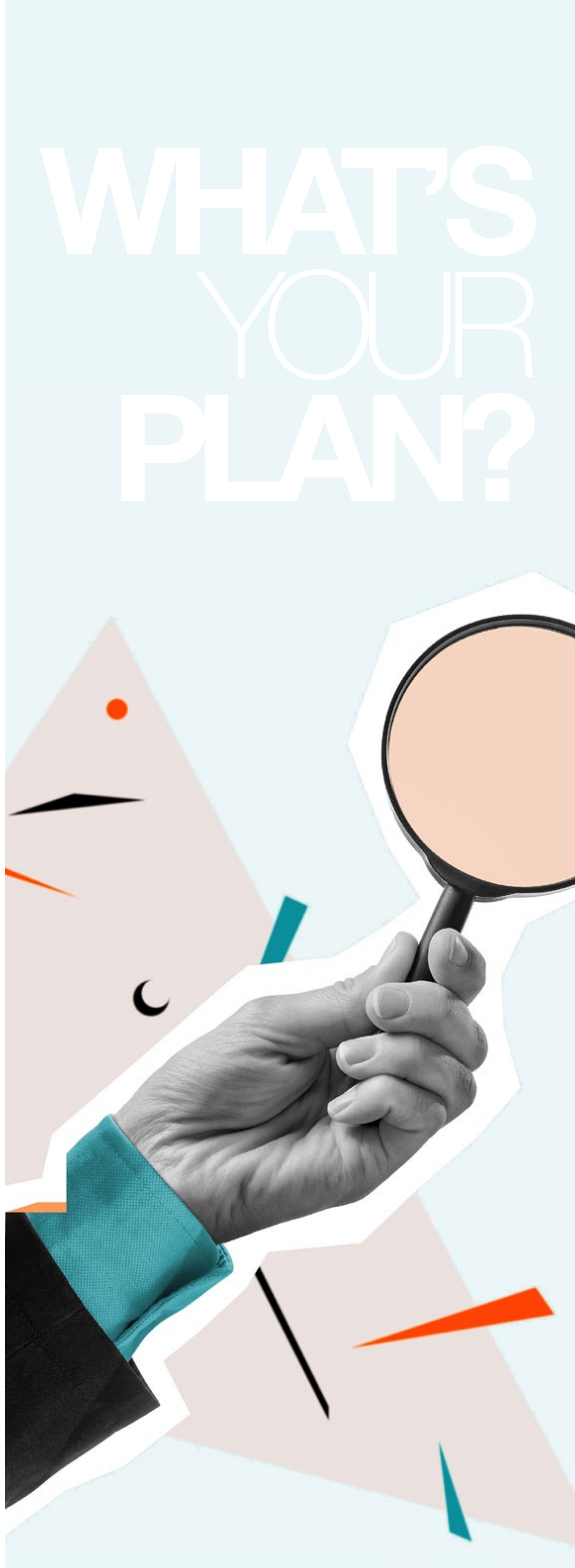
If there is one thing we have learned from the last three years, it is to expect the unexpected. 2022 was meant to be a “return to normal,” but macroeconomic uncertainty continues to challenge businesses. At Boost we specialize in using technology-enabled solutions to meet the complex and unique needs of large enterprise B2B companies. Buyers and suppliers carefully construct agreements that meet the needs of both parties at the time the contract is signed. But what happens when inflation or supply chain challenges or a global pandemic fundamentally change the landscape?

In order to maintain a healthy relationship, the partners need the ability to go back to the table and renegotiate. Unfortunately, legacy payment systems rely on rigid rules that do not allow for quick adjustments. That is why our top priority has been continuing to evolve and invest in Dynamic Boost®, the industry's first flexible rules engine for B2B payments. "On the fly" application of rules, which can be based on payment size, payment timing, pricing constructs or any other metric that is mission-critical to a buyer-supplier relationship, empowers buyers and suppliers to negotiate commercial card usage and acceptance on their terms. By using a powerful engine with flexible logic, we can quickly deploy bespoke solutions that meet the time-sensitive needs of our clients, creating ongoing value for the parties on both sides of the transaction.

At its core, Dynamic Boost is a centralized cloud-based universal translation platform. By using modular components, we can easily plug into any payment source and acquirer gateway. This interoperability is key to allowing companies to upgrade their legacy systems with little to no investment or infrastructure changes, helping clients future-proof their payment flows while also keeping a close eye on the bottom line.

The recent uncertainty is not limited to external economic factors. The last thing a company needs during this tumultuous time is the reputational and financial risk of a data breach or major fraud event. In my former role as head of data governance at a large international bank I was always on the lookout to identify and mitigate unnecessary use and exposure of sensitive data. By integrating our Dynamic Boost rules engine into our patented STP platform, Boost Intercept®, we eliminate any need for our clients to see or handle sensitive payment data. We also constantly endeavor to shrink our attack surface to ensure that all data that flows through our systems is secure.

Today companies are faced with the challenge of needing to adjust to the here and now while preparing for what may lie ahead. Payment solutions that offer flexible logic, hands-off data automation and reconciliation controls in a secure environment are key to building a strong foundation for future growth. We anticipate that for many of our clients, that growth will include international expansion, blockchain integration and new payment modalities. My goal for the remainder of 2022 and beyond is to build the best cost-effective technology-enabled solutions in the B2B payments marketplace to support that growth.



© 2021 PYMNTS.com All Rights Reserved

INDIA'S DIGITAL PAYMENTS SPACE **REACHES INFLECTION POINT**

The last few quarters have shown that the payments industry must always be ready for the next big change and in our estimate, Q3 will be no different. We will thus continue to focus on building a strong B2B platform that offers financial products for an ever-expanding customer base. This will include publicly listed companies, large government entities, unicorns, startups, mom-and-pop stores and freelancers.

While the FinTech industry continues to evolve, globally, in India we're seeing an inflection point where the digital payments industry is gradually moving beyond borders to offer international cross-border payments. Our focus will remain on helping businesses offer financial services on their platform — for example, an eCommerce marketplace offering credit to its vendors or a company offering credit cards to its employees. These services require a dedicated infrastructure, but businesses can use our products to meet these requirements while they stay focused on their core proposition. To this end, our first BaaS product, Accounts, is a tailor-made solution for neobanks, FinTech, gig economy businesses and internet companies looking to offer financial services helps businesses quickly build a financial services product and grow fast.

The Good News

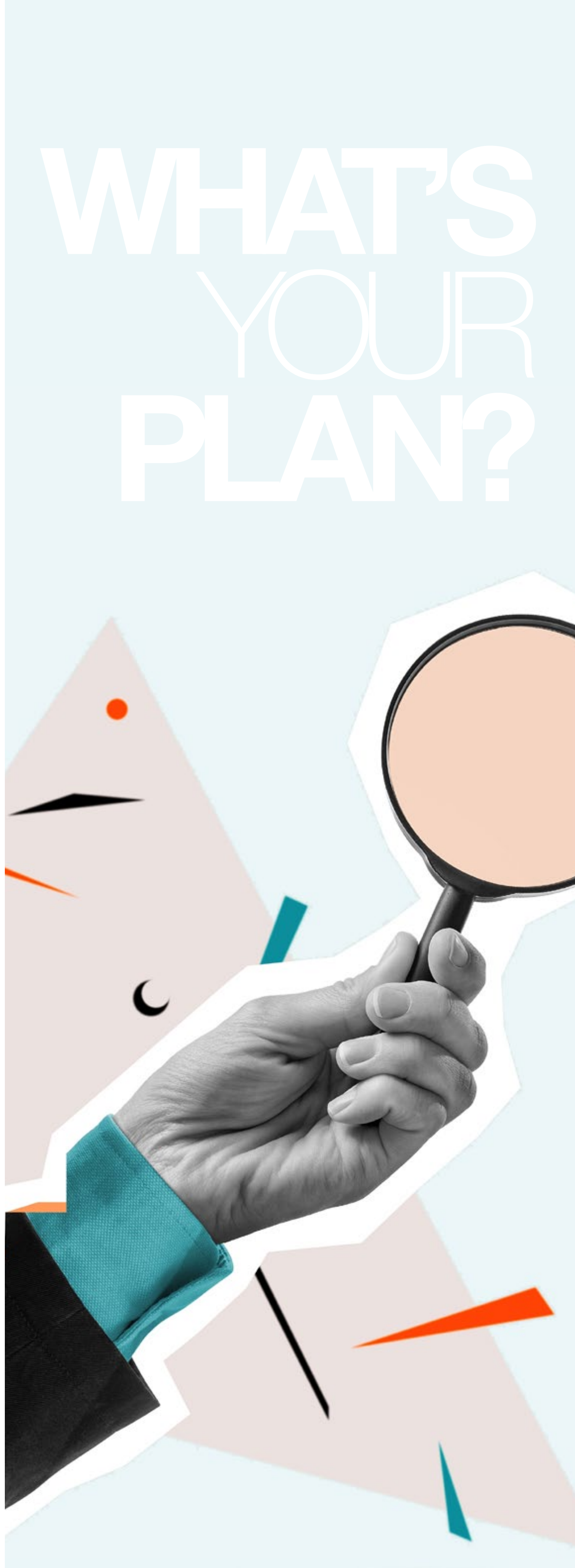
As we enter the last quarter of this year, we are seeing an increasing number of businesses trying to go digital to acquire more customers. This is great news for payment companies like us. We have grown almost 100% in terms of merchant sign ups in the last four months. We see tremendous scope in the Indian trading operation where traders are buying stocks, listed outside India. Also, the process of transferring education fee payments to universities outside India has been made quicker and more convenient for the Indian students.

We recently bagged the regulator's nod to roll out our product which would enable the purchase of Listed Shares on Foreign Exchanges. This will fall under the ambit of RBI's Liberalized Remittance Scheme. The product will enable Indian FinTechs to offer the purchase of shares, ETF units and other assets listed on foreign exchanges via UPI/ net banking as a feature to Indian investors.

What's Happening in India

Within India, there has also been a significant growth in the number of merchants, across industries, that have adopted the tokenization mechanism. The overall outlook regarding the industry's preparedness for tokenization seems positive. Merchants, especially those who operate at a larger scale, have shown particular readiness in this respect, which can be attributed to the festive season.

Overall, in this quarter we want to maintain robustness and quality, invest a lot in our engineering products, make efforts for direct bank integrations and also directly integrate with the systems we work with. That ensures reliability and performance at scale. In short, we will continue toward building a super FinTech platform on which other FinTechs can build their businesses.



MATT **CLARK**

President and Chief Operating Officer

corcentric

HELPING CFOs DESIGN **A B2B COMMERCE ECOSYSTEM** THROUGH DIGITIZATION

With the start of Q4 and 2023 planning underway at businesses across the U.S., economic and supply chain challenges continue making it difficult to know what to expect in the coming year. As Corcentric looks ahead, we're focused on assisting chief financial officers and their teams in tackling their biggest challenges and achieving their desired outcomes.

Factors Inhibiting Forward Movement

In our nearly daily conversations with CFOs, the hurdles mentioned most often are how to improve cash flow, mitigate risks and improve the efficiency, visibility and predictability of finance and accounting processes and data. Yet, several headwinds hinder progress.

As CFOs steer strategic financial direction, their role continues to expand to include more non-financial responsibilities, and recent studies show the number of functional areas reporting to CFOs will continue to increase.

In addition to a shortage of finance professionals, existing workloads are burdened with manual tasks and processes. The mixture of the so-called "Great Resignation" and an uptick in remote work operations has transformed the back office of finance and accounting into micro-offices.

Amid internal challenges is the perfect storm of macroeconomic, market, industry, and supply chain volatility. Trade partnerships consuming more resources on the supplier and buyer sides is just one example of the many dynamics that are causing unprecedented uncertainty in businesses of all sizes and across all industries.

Where Change Can Be Affected

CFOs may not be able to change a lot of these factors; however, they can make a business impact for themselves, their teams, and the overall business by embracing digital transformation.

Organizations are realizing that addressing challenges by piecing together point solutions that target acute pain points with acute solutions is not working. As expectations change, they are moving toward partnering with technology-enabled managed service providers to implement a well-rounded solution.

Through a combination of technology, payment capabilities and services across the entire procurement, accounts payable, accounts receivable and treasury lifecycle, they can optimize inter- and intra-company processes for how they purchase, pay and get paid across the source-to-settle continuum.

Discovering the Benefits of Digitization

For this reason, 71% of CFOs surveyed say they have increased their use of digital payments since 2020, according to "Business Payments Digitization," a PYMNTS and Corcentric report. Respondents lauded worthwhile benefits like helping maintain a healthy balance sheet, improve working capital, enhance efficiencies, reduce fraud and lower costs.

CFOs embracing digitization can create a B2B commerce lifecycle control tower dictating results without siloes. It increases control of the cash conversion cycle, opens access to capital, expands margins, drives revenue, and enrichens the transaction experience for everyone. Plus, healthier business partnerships and less stress on employees help provide work-life balance, aiding in talent retention and acquisition.

With so much unpredictability ahead, having this kind of financial control in place can position businesses to drive more predictable and profitable growth.

WHY **EMBEDDED FINANCE** HAS COME OF AGE

TAIRA
HALL
SVP, Banking, Payments and Fintech Executive

At a time of great change that's been hastened by COVID-19, businesses are looking for new revenue opportunities and meaningful ways to engage their customers. Many are rapidly accelerating digital engagement and seeking paths to embrace native financial solutions. Why?

Companies embed financial experiences into their propositions to increase customer convenience and reduce friction. In doing so, they strengthen their overall customer relevance, create deeper relationships and generate new revenue streams by weaving their services into the very fabric of the customer's day.

Take Banking to Your Customers

In the age of the multi-faceted, cross-channel customer journey, embedded finance delivers financial service experiences at the point of need. For example, when a customer is searching for a property to rent on a digital platform, embedded finance enables the platform to offer "booking amount" financing directly in the digital platform itself or insurance to cover their stay. This makes life easier for the customer and generates a revenue opportunity for the digital platform.

Embedded finance is not new, but some high-profile successes, including Uber, Lyft and platforms like Avail are driving uptake. Modern technology allows regulated financial services to be included — almost invisibly — in nearly any digital customer experience. But embedded finance is about more than how people shop; it is also about how companies move money.

In the Digital Age One Size Fits Nobody

According to Invoca, 81% of customer journeys begin online. The search starts on a digital channel, even when the purchase is a house or automobile. By partnering with a real estate agent or an automobile dealership, financial institutions can position their financial propositions alongside products early in the customer journey. With the customer's permission, it also empowers a company to become data-driven.

Embedded finance experiences are created when the platform or retailer involved is a trusted source for the customer, with unique data and insight into their customer base. Data can drive a personalized financial experience enriched by the context in which it is provided.

Although data rights are paramount, we increasingly find that customers are willing to share their data in exchange for bespoke services and relevant offers from those trusted sources. Newer technologies, such as artificial intelligence and advanced analytics, can facilitate "mass customisation" of financial products, for example, to align lending with customer credit scores and a bank's risk profile. In this way, both the platform (or retailer) and the bank can acquire a new customer, but the real winner is the consumer who gets a better service and improved choice.

Think Big, Start Small

We believe embedded finance is a huge opportunity for financial institutions and businesses to unleash their potential with a joint FinTech platform approach. All brands should consider leveraging embedded finance as part of their business strategy. With the right technical partner, they can think big and start small, but they can also rapidly engage in new ways.

DARRYL
HICKS
Founder and CEO

FlexPay

ECONOMIC DOWNTURN IS THE TIME TO **IMPROVE OPERATIONS**

Most businesses are facing sales and revenue challenges caused by inflation, supply chain disruptions and spending cutbacks by customers. While it is typical for companies to focus on growth during economic expansions, economic contractions are the ideal time for businesses to optimize their operations and process efficiencies. When growth stalls or even contracts, businesses must find ways to operate as close to 100% efficiency as possible. This is the right time for every leader to align their team's focus on operations to improve efficiencies and their core operating KPIs. This helps businesses manage through challenging times, and to build a stronger and more efficient foundation so profitability can increase when growth returns.

Targeted Investments to Increase Profitability

Investments that improve customer satisfaction and customer retention sit in a sweet spot, delivering short-term benefits that are needed when new customer acquisition shrinks, and long-term revenue and profit gains when customer acquisition picks up.

Improve Customer Satisfaction

Increasing customer satisfaction creates direct benefits in increased retention, net promoter scores, recommendations and referrals and typically lower support costs. The quickest way to improve customer satisfaction is to increase your understanding of what your customers value, deepen your understanding of the challenges they are trying to solve or benefits they are looking to gain from your products or services and find additional ways to deliver differentiated value.

You can assume that many of the same challenges that the slowing economy has created for your business are also being felt by your customers. Engaging directly with your customers through surveys and other feedback channels can help you gather quick insights into the challenges your customers are currently facing and uncover unmet needs they are still looking for solutions to.

Increase Customer Retention

One of the largest costs in most businesses is customer acquisition cost, or CAC. Increasing customer retention creates financial leverage, accelerating revenue growth without a simultaneous increase in CAC. This translates directly to increased free cash flow and profitability and explains why increased customer retention is so desired by all businesses.

Your business environment is changing rapidly and facing new challenges so having an open mind to new insights into customer churn is essential.

For example, subscription businesses whose customers use credit cards for payments are often surprised that up to half of their customer churn is not caused by customers who are dissatisfied choosing to end their subscriptions, but rather by issues in the payments system that prevent legitimate credit cards from completing their transactions. This is called involuntary churn because the customer is not intending to end their subscription.

At FlexPay, we help companies reduce or eliminate one of the key drivers of customer churn in subscription businesses by solving the card industry problem of failed payments, which helps our customers reduce up to 48% of their customer churn. It is surprising when we first engage with new customers that involuntary churn is not often recognized as one of the largest drivers of customer losses. A failure to recognize the problem means the scope of the problem is not accurately measured, and the proper technology is not used to minimize its impact.

Improving customer retention and satisfaction is twice as critical now than during times of high growth. Increasing your operating efficiency now will help you weather the current economic downturn and help position you to outpace your competition when your customers start to increase their spending again.

POWERING **EMBEDDED FINANCE** FOR B2B

Embedded finance has evolved at lightning speed and is estimated to grow to a $7.2 trillion market by 2030. This growth was set by B2C embedded financial experiences, and B2B businesses are quickly following the trend.

We are seeing increased adoption from B2B businesses that want to build a digital journey to meet customers where they are. But they need more streamlined, integrated solutions to get there.

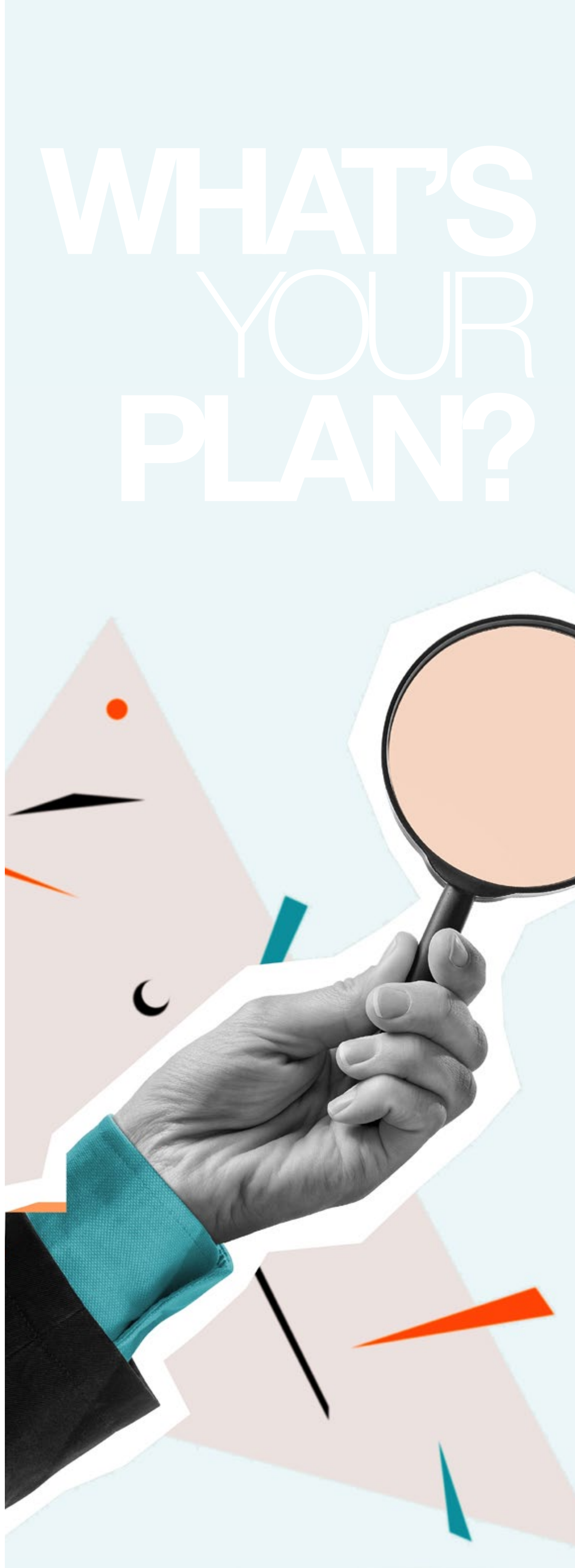
New research just released from Juniper Research and Galileo shows 63% of U.S. B2B businesses are offering some form of embedded finance solution today. And a majority of these business leaders — 85% — are familiar with embedded finance, making it clear this financial technology has quickly become a mainstream B2B strategy.

Our research shows businesses are using embedded finance to support their top KPIs and solve for key business pain points. These include using this financial technology to create new, innovative ways to attract and retain customers, and addressing cash flow management and revenue growth challenges.

These business leaders are telling us they want to replicate consumer payments experiences in B2B environments, but they recognize that additional complexities must be addressed. Today, most B2B businesses are using two or more providers to tackle these challenges. That adds endless complications and bumpy handoffs from one vendor to another.

Galileo is addressing both of these challenges through an API-first platform that enables businesses to deliver embedded finance solutions that are modeled on B2C learnings on successful digital experiences, but adjusted to reflect the needs and complexities of the B2B world. And because Galileo is an open and connected financial technology platform with a single point of integration, we can easily help businesses remove unnecessary layers — and the complexity they create.

As use cases for B2B embedded finance continue to rapidly expand in Q4, we are focused on providing business leaders with the platform, solutions and expertise they need to get to implement embedded finance solutions quickly and efficiently.



© 2021 PYMNTS.com All Rights Reserved

AVA
KELLY
Chief Product Officer

AS CONSUMERS SEEK ACCESS TO FUNDS, **LOOK TO THE D-SUITE TO DIFFERENTIATE**

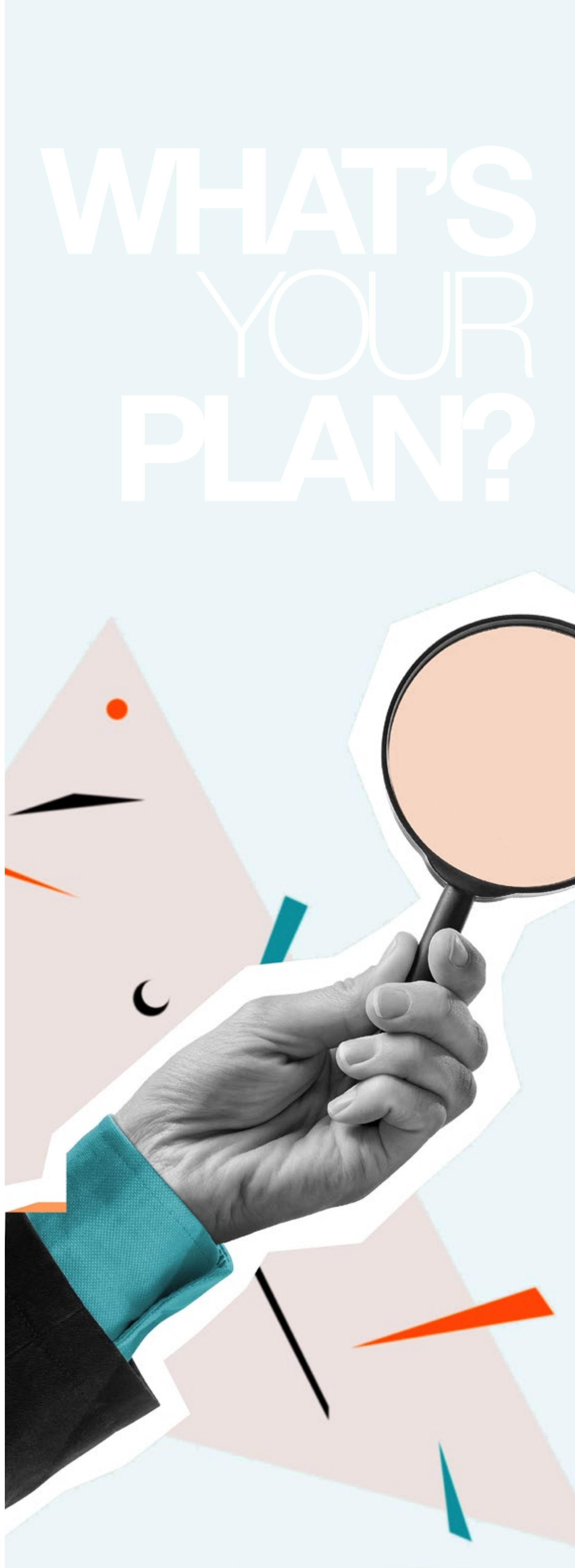
With inflation steadily driving prices up it's safe to say we're entering a climate where consumers and businesses will be seeking greater access to funds to keep pace with their financial reality.

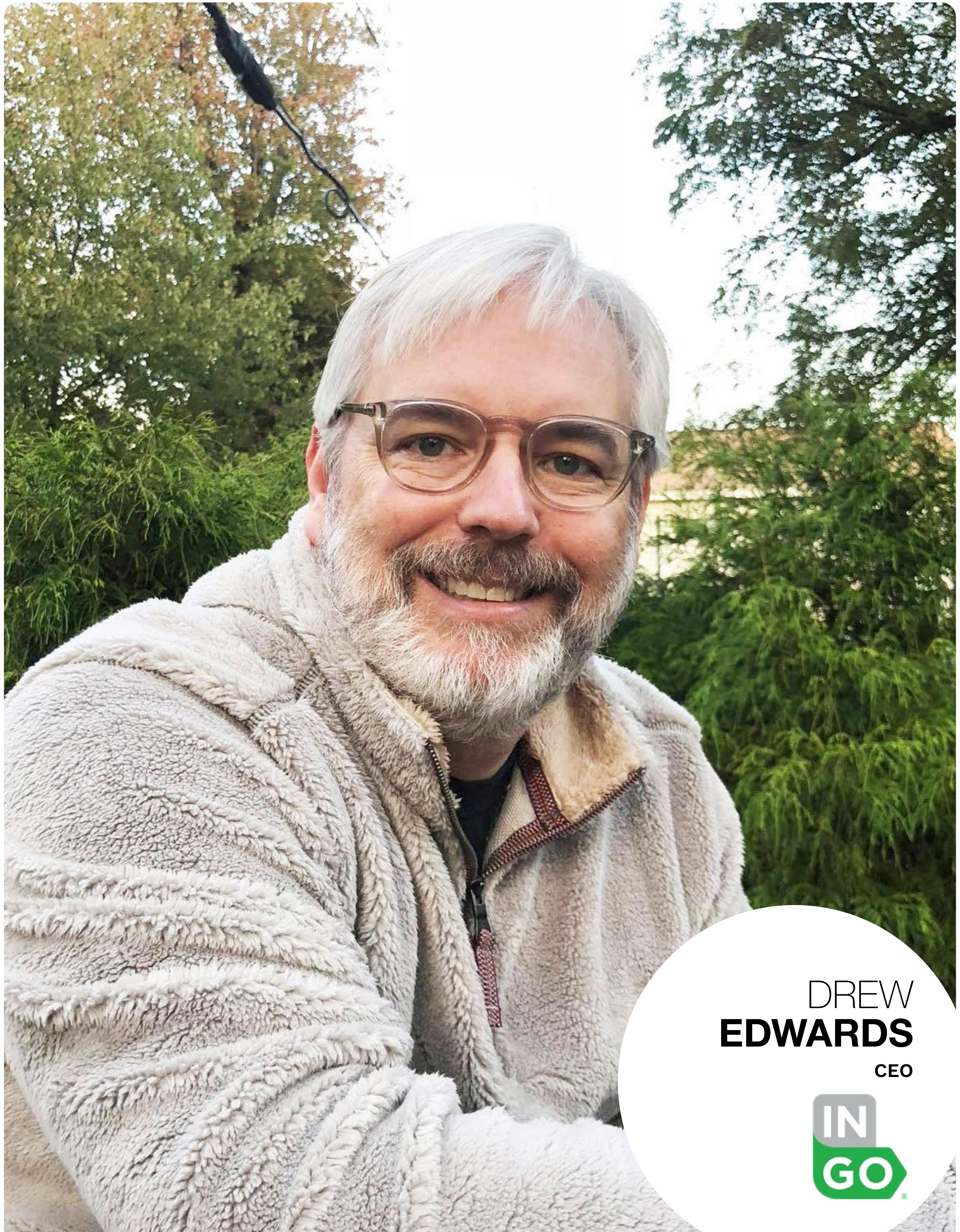
That being the case, demand for credit products is likely to increase, creating both opportunity as well as a stepped-up competitive landscape for card issuers. With consumers and businesses leaning into the need for more access to credit the opportunity is there. Now issuers need to focus on the go-to-market delivery side of the equation and delivering a relevant and competitive value proposition.

To keep customers either on board with a brand or bring them into the franchise, issuers need to think about strategies and tools that provide consumers with faster access to funds and their ability to spend, to lock in those relationships and speed up their own path to revenue.

As a global issuer-processor servicing over 200 countries and territories, we understand that issuers need to compete on many dimensions of their credit product offering including financial terms, rewards, benefits and now more than ever a suite of digital services that cardholders have come to expect. These digital services can include enabling access to more data through open banking, instant digital issuance of card credentials, automatically pushing those credentials to a mobile wallet, card controls that cardholders can manage independently or management of merchant card on file credentials, to name a few.

Now is a great opportunity to tap into credit, but the playing field to create differentiation has changed. Digital capabilities are now a necessary part of that equation and will continue to evolve as the features and functionality that consumers and businesses are looking for when choosing card products to meet their needs.





Q4: DOUBLING DOWN ON **MONEY MOBILITY**

Looking ahead, rising inflation, ongoing supply chain challenges, increased Central Bank interventions and economic slowdowns will all increase pressure on both consumers and corporations.

For most consumers, this environment will push them to seek greater control over more of their money. The ability to move that money quickly, conveniently and securely will be vital as they try to take advantage of near-term opportunities while avoiding pitfalls and higher prices.

Businesses will seek to conserve cash holdings and extend their runways while finding ways to more cheaply acquire new customers, reduce fraud losses and boost existing customer loyalty and engagement. Their ultimate goal is to earn a greater share of their customers' wallets more efficiently.

For both, the answer is Money Mobility.

Money Mobility enables a company's customers to move money instantly, conveniently and safely into or out of any account. It is the new normal in a world trained to expect instant anything at the push of a button.

Consumers demand instantly available "me-to-me" transfers between owned accounts, to send or receive ready-to-spend funds to friends, and to be paid into the card, bank or digital wallet of their choosing when receiving corporate or government disbursements. In fact, a recent Experian survey found that 81% of consumers think better of a brand that offers a fast, easy payment experience.

In this world, where consumers must move money between payment apps, brokerage accounts, credit cards and bank accounts easily and immediately, companies must keep pace. If an organization cannot deliver on this expectation, consumers quickly find one that will.

Those who make good on the promise of Money Mobility find that it encourages customer engagement, fosters loyalty and helps to attract and retain new customers more efficiently. It is the new "sticky" and opens a clear path to becoming a customer's top-of-wallet option.

For all those reasons, Ingo Money is doubling down on its position as the leader in Money Mobility.

Today, we deliver solutions for instant, safe and seamless inbound and outbound money flows. We enable true Money Mobility across more than 4.5 billion consumer accounts, ensuring funds arrive wherever they're needed within minutes.

Our platform handles all the technical elements of a payment, ensures accurate compliance and reconciliation, and can manage the risks associated with these transactions using decades of fraud mitigation experience, data and tools. That latter element is critical because true Money Mobility comes with an elevated risk of fraud, meaning that lost funds cannot be clawed back later.

In the coming months and year, we are committed to expanding upon this platform and equipping even more companies to deliver on the promise of Money Mobility for their customers. For any company that offers a financial account or instrument or that issues a consumer disbursement, this is the surest path to emerge from a potential economic downturn with a greater number of more loyal customers.

INTENTIONAL SPENDING TREND CONTINUES TO SHAPE PURCHASING DECISIONS

Canadians are feeling the impact of high inflation. The financial pressure on households will continue as we move further into Q4 2022. Interac research shows that nearly nine in 10 Canadians (86%) find their money is not going as far today as it used to. However, that is not stopping them from spending, and we predict this tension will continue, with consumers seeking out the best deals to manage the toll on their wallets. Overall, Canadians will continue to spend intentionally, making purposeful purchasing decisions that live up to their financial goals and personal values.

There may be some anxiety in the payments industry surrounding customer spending pullbacks. Still, Interac transaction data shows Canadians used Interac Debit to conduct nearly 7% more transactions this past summer compared to spring 2022, and the spending amount rose almost 6%. Interac Debit spending at restaurants and eating places has increased by 7%, bars by 15% and theaters by 22% in the summer compared to the spring of 2022.

As Canadians enjoy fewer restrictions than they did during earlier stages of the pandemic, the opportunities and temptations to spend are rising and may continue to do so as the holiday season approaches. But the emphasis will be on finding bargains amid rising prices. According to our research, nearly half of Canadians (47%) now look for deals and sales when shopping. This is reflected in Interac Debit volumes at discount stores, which increased by 7% in the summer of 2022 over the summer of 2021.

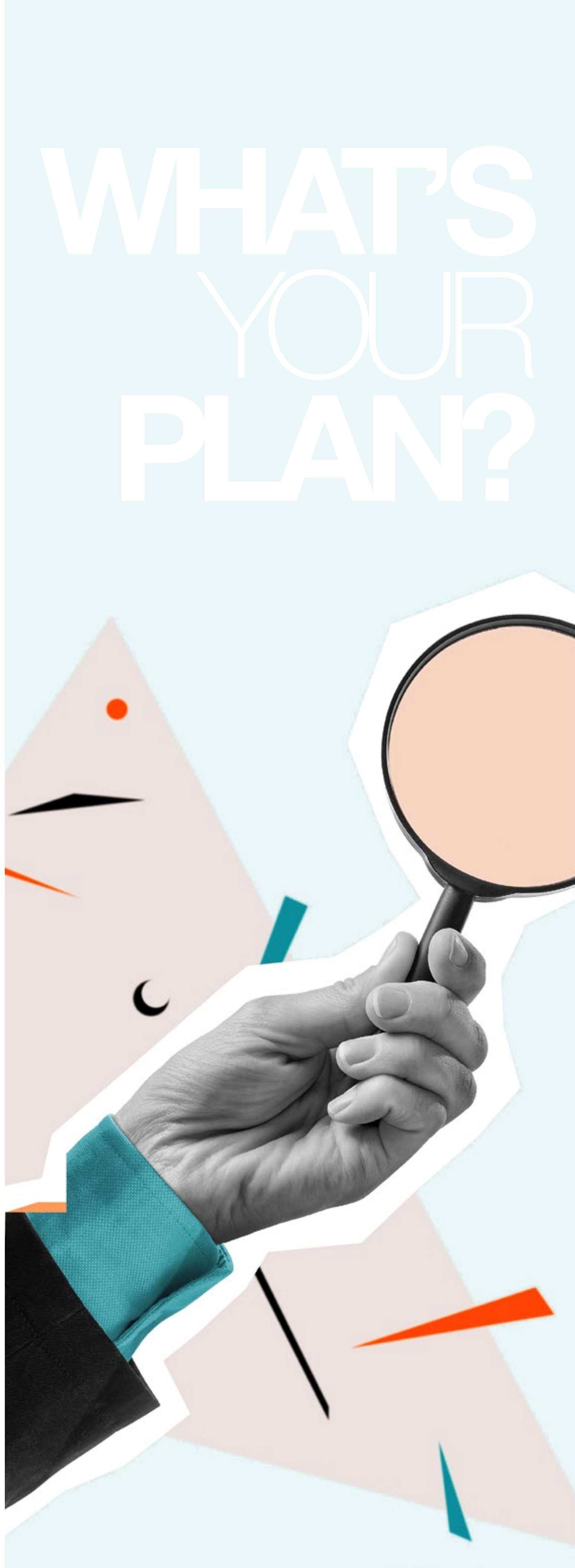
The Intentional Spending Trend

The drive to seek out deals supports the larger intentional spending trend, which is very evident in the Canadian market. Many consumers make highly considered purchases that align with what they care about most deeply. The majority (62%) say they want tools that encourage intentional spending.

Time is a critical factor. We see evidence that consumers are taking measures to avoid impulse spending, with more than six in 10 Canadians who practice intentional spending (64%) pausing to think about purchases before making them. When making nonessential purchases, the Interac study shows that taking at least a one-day pause before completing the transaction often leads to increased satisfaction.

Debit remains an important tool in giving Canadians control over their money. Four in 10 (44%) say they are hesitant to use credit and prefer only to spend the money they have.

As we head into this next holiday season, we expect to see shoppers being mindful of their purchases, balancing their individual needs, financial situations and available discounts. Canadians have many options when it comes to paying and moving money, and we're proud they continue to choose Interac when they need to feel in control of their spending.



EMBEDDED BANKING HELPS SMBs, PLATFORM PROVIDERS

The big focus for us is partnering with our platform provider clients to deliver embedded financial services to their clients, small and medium-sized businesses (SMBs). Our goal is to deliver banking capabilities when and where an SMB needs them. Increasingly the "where" for an SMB is on eCommerce or SaaS platforms. If they can access an integrated and frictionless set of banking services within the platform, the SMB can focus on growing their business and platform providers can focus on delivering more value-add services to their clients.

While most corporates focused heavily on digitization over the past two years, today's recessionary concerns, inflationary pressures and interest rate hikes are again forcing businesses large and small to re-evaluate their business practices.

Firstly, companies whose business models were fueled by investment dollars when interest rates were low, and whose primary valuation metrics were driven by user growth, are seeing immense valuation pressure and investor expectations for profitable revenue growth in a different economic climate.

Secondly, in an environment of high inflation, both SMBs and platform providers are under pressure to access their sales proceeds and redeploy funds efficiently.

Thirdly, all businesses are scrutinizing their costs and while SMBs are looking for efficiencies around how and when they pay their obligations, many platform providers see the significant cost of compliance as they consider the move into providing regulated financial services. We can help both platform provider clients and SMBs address these challenges.

Our embedded banking business models enable platform providers to share in the revenues we collect from providing banking services on their platforms to SMBs. We also help them reduce the regulatory cost of providing these services. So instead of being in the flow of funds and accountable for the associated compliance burdens, a platform provider can utilize J.P. Morgan Embedded Banking and transfer that cost and responsibility to us. In this way, if an online marketplace wanted to offer banking services to its sellers, such as an online bank account for example, we take care of the SMB banking onboarding, risk management, provisioning and managing the online bank account, payments and debit/credit card processes, and necessary regulatory and compliance reporting while they still own the user experience.

The online marketplace would then be able to share in the transactional revenues created while avoiding much of the compliance cost as the seller makes payments or moves its money. So in today's more challenging economic climate, embedded banking offers to both platforms and its clients the opportunity to save money, add incremental revenue streams and reduce risk.

For SMBs that need quick, affordable access to their cash, we provide a range of choices: Same-day access to funds when they use our merchant services in conjunction with our embedded banking account; or for SMBs paying other participants on the platform provider's ecosystem who also have embedded banking with J.P. Morgan via a closed-loop network on the online marketplace, the value transfer could happen instantaneously, allowing for fast access to liquidity. So, platforms can provide a much better experience for sellers with faster access to funds if they bank where they conduct commerce.

Finally, the embedded banking experience serves as the foundation to deliver other financial services such as merchant working capital that acts as a vehicle for short-term financing for small businesses and others who use the platform. Because of the embedded nature of the flow, we envisage marketplace clients will be able to combine data from embedded banking along with the transactional data they already have, to build a more complete profile of the sellers and a more comprehensive understanding of risk than is achieved with traditional underwriting.

The ultimate aim is to provide banking services for the sellers that help their businesses to thrive and grow, increasing engagement, and also giving the marketplaces the opportunity to generate new revenue streams. It's a win-win situation in the current environment.

ADAM
GUNTHER
Senior Vice President of Product

A CASE FOR **HYPER-FOCUS ON HYPER-PERSONALIZATION** IN Q4

As the race to the end of 2022 begins, more consumers and businesses are feeling the effects of the rising inflation rate. With the distractions of the holiday shopping season fast approaching, we may see some respite from those inflation-related worries.

Even good, loyal customers will watch what they spend in the coming months. Keeping them engaged will make all the difference to businesses facing the same rising costs. That's why the team at Kount, an Equifax Company, is putting hyper-personalization out in front in Q4. We want to help our merchants not only prevent the bad actors but promote and increase good interactions.

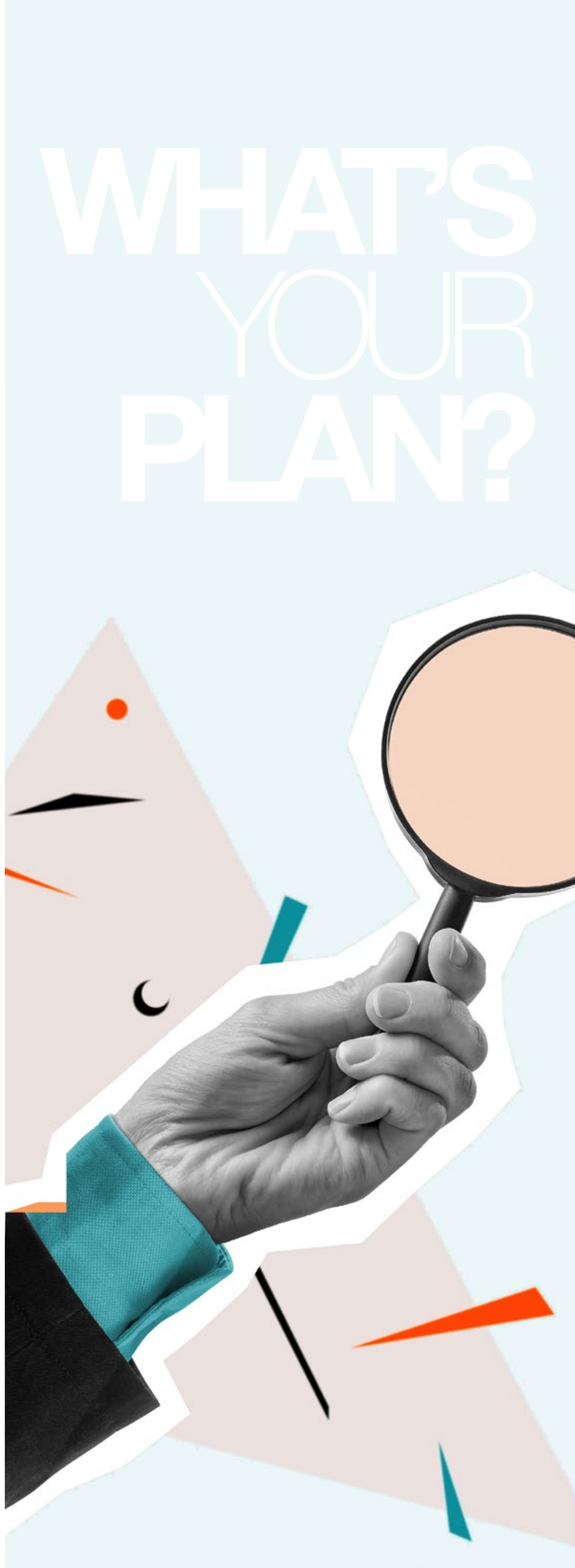
When we talk about hyper-personalization, we're talking about targeting and getting to know customers beyond their name and email address. For us, hyper-personalization is knowing who a consumer is as soon as they've landed on your site — not only validating that they are who they say they are, but gaining insight into their buying history and power, purchasing behaviors, customer lifetime value, etc. — anticipating their needs, and delivering the best experience.

The more a business knows about a consumer before they've made a purchase or logged into their account, the better equipped it is to introduce that customer to the right products, solutions and payment options at the right time.

We're working tirelessly to bring digital enablement and hyper-personalization tools to the businesses that need them most. Staying ahead of criminal fraud and chargebacks is essential and will continue to be our focus while also investing Q4 efforts in helping businesses engage with good customers better while continuing to block bad actors.

Studies show that the more eCommerce businesses invest in hyper-personalization, the greater the return — in some cases, $20 earned for every $1 invested, according to eCommerce personalization statistics. Meanwhile, separate studies have confirmed that over a third of consumers want more personalized experiences, and over half agree that retailers don't really know them. With these new capabilities, merchants will be able to deliver frictionless logins, tailored product recommendations at the point of login, and customized buy now, pay later (BNPL) offerings earlier in the buying experience. Additionally, merchants will have access to cohort analysis data to better understand where they are winning and losing business based on demographics and financial insights — ultimately helping retailers bridge the gap of knowing and understanding their consumers.

When we stack up the benefits of hyper-personalization (high returns, more repeat customers, greater influence on purchasing decisions), we know we're on the right path. At Kount, we're focused on enabling businesses across industries with the necessary tools to understand their customers' needs and preferences to keep them engaged and make every transaction count in the face of higher costs.



© 2021 PYMNTS.com All Rights Reserved

ADDRESSING AMERICA'S **FINANCIAL HEALTH CRISIS**

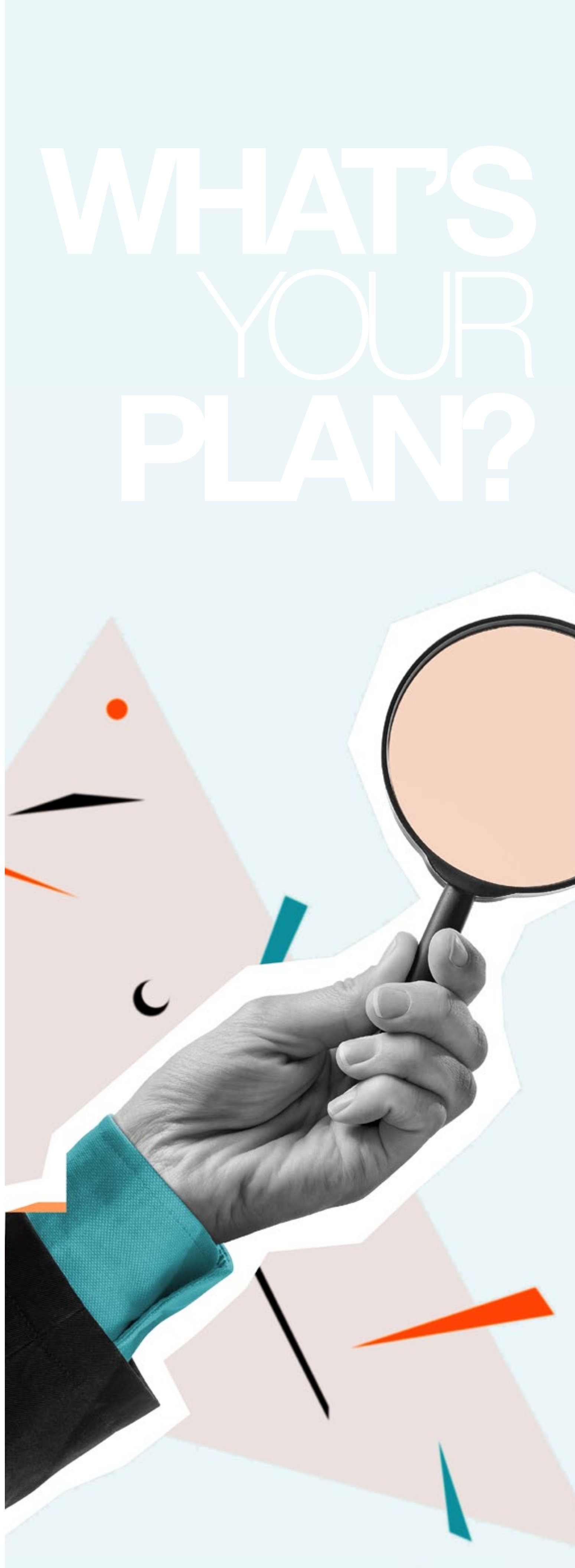
As we reflect on 2022 and in particular Q3, it's clear that the sustained uncertainty of the macroeconomic environment coupled with continued inflation and Fed rate hikes have significantly contributed to America's financial health crisis. LendingClub, the digital marketplace bank, has worked hard to alleviate the debt burden carried by millions of Americans and shine a spotlight on their struggles. Through the "New Reality Check: The Paycheck-To-Paycheck" reports, a collaboration with PYMNTS, LendingClub has helped bridge the education gap to provide critical financial information, spark conversation and give insight into what shapes American financial lifestyles and ways consumers can become more financially savvy. The big takeaway is that consumers of all socio-economic backgrounds are feeling the heat.

In Q3, we've seen a surge in living costs and consumers of all financial lifestyles have found it increasingly difficult to make ends meet. Consumers are not only faced with navigating the precarious macroeconomic climate, but also must deal with a cooling job market, widespread anxiety heightened by crises like Hurricane Ian, and financial institutions that may not have their best interests at heart.

According to the most recent report, 92% of consumers who purchased products in the last 90 days said they've noticed higher prices in what they purchase, with the most significant increases coming from utility, food and housing expenses. As a result, we've seen a majority of consumers lean on products like credit cards as payment tools to fund their lives amid the cash crunch. But data shows that many consumers did not notice changes to the interest rates of credit products, despite increased credit card usage and tightening budgets. This, coupled with the fact that there is still a disconnect with consumers not yet seeing the true cost of certain credit products, leaves them vulnerable to serious implications particularly when only the minimum amount of credit card debt is being paid off each month. This implies the need for more education and tangible tools that are created to be in benefit of the consumer, not just the banking institution.

With the holidays just around the corner, understanding one's financial lifestyle and spending habits is particularly important. Predictions anticipate holiday consumer spending to be at a historic low, but with access to credit cards, buy now, pay later (BNPL) and other new products in the credit space, it will be interesting to see how the end of 2022 shakes out. Regardless, arming consumers with financial tools and education is paramount to navigating one's financial path, especially throughout such an unpredictable market.

In Q4, LendingClub will continue to help its members understand the true cost of credit through innovative financial products and services that empower them on their path toward financial health.



DADI
KARASON
Chief Technology Officer

LS Retail
an aptos company

SCALE UP DIGITAL CAPABILITIES NOW **TO STAY AHEAD TOMORROW**

The war in Ukraine, skyrocketing utility prices, supply chain issues, growing inflation and decreased customer spending make this a challenging juncture.

Businesses will be tempted to stand still and avoid investing in new technology — but this is exactly when they cannot afford to pause. It's during times of crisis and increased competition that a business's digital capabilities become key to its ability to survive and thrive.

Self-Service Technology

Technology like self-checkout registers in retail stores, ordering kiosks in restaurants and check-in machines in hotels and airports all streamline the consumer experience. Online booking services make (or cancel) appointments, for example, with a beautician or car mechanic. ScanPayGo mobile apps that customers can use to scan items in-store and pay for them on their phones. Consumers love the convenience and autonomy they get from contactless and self-service technologies. For retail businesses, it shouldn't be a question of whether they will implement self-service tech but of when. In times of labor shortages, these technologies can allow businesses to serve more customers faster.

At LS Retail, we have been developing retail platforms for three decades — and we believe that the point of sale of tomorrow will be increasingly unattended.

Intelligent Insights

As supply chain challenges become more frequent and sales patterns continue to shift quickly and unpredictably, retailers need to be able to analyze their data and spot opportunities. There are many business intelligence solutions, but they are not all equal.

Businesses need technology that does the heavy lifting, transforming disconnected data into information and suggesting the best course of action based on the business's goals:

- What items require immediate action?
- Who should I target with my marketing actions?
- What items should I reorder to minimize overstock?
- To which locations should I distribute different products, and when?

These are just some of the questions that intelligent software should be able to answer to help businesses navigate uncertainty.

Unified Commerce Platforms

In times of crisis, the last thing businesses want to worry about is getting a new platform to run their business. It's too expensive, they say — but that's just the tendency to trust past investments, which economists call the "sunk cost fallacy." What is expensive is having no visibility of one's costs, customers and data. And when a company is running on many disconnected pieces of software, it's hard to spot waste, risk or opportunity before it's too late.

Unified commerce is a centralized platform that connects all data and sales channels in real time. It is the future of business. Companies get a complete view of their entire operation, of every instance their customers interact with them and can make decisions based on timely, complete, and reliable information.

Agility and speed of action are key to surviving volatile times. Investing in the right technology has never been as vital to business survival.

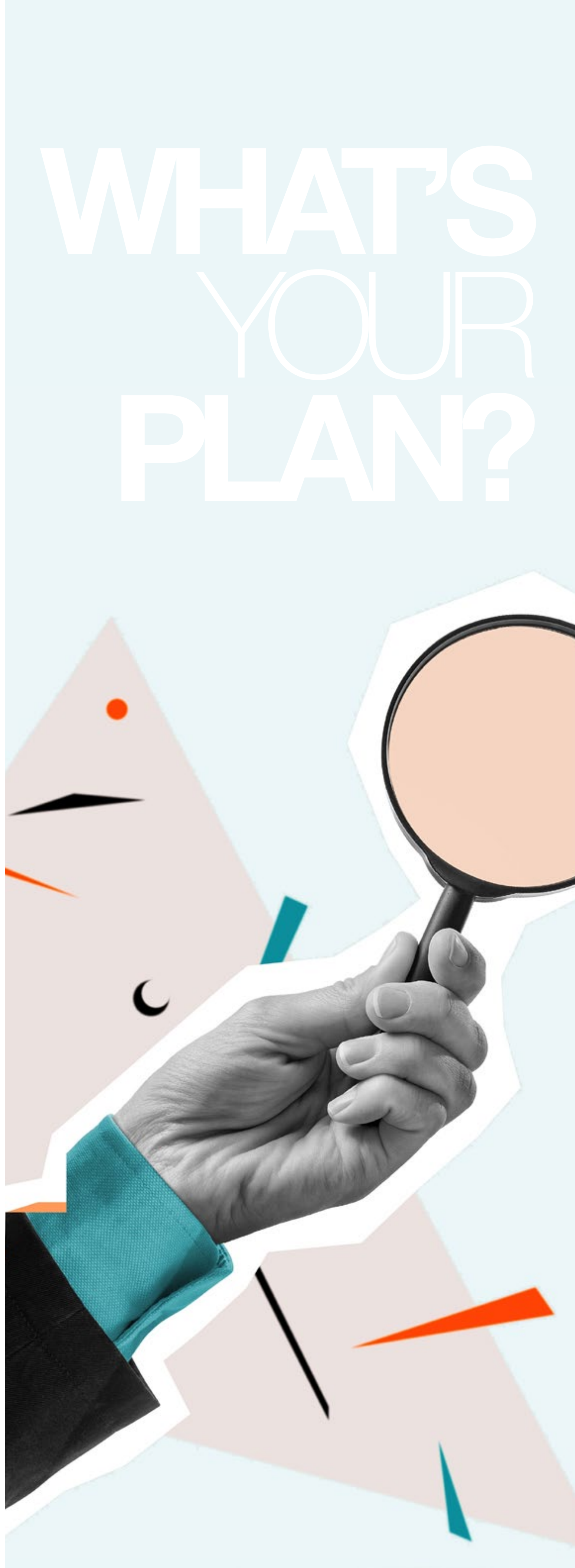
HARNESSING CONSUMER ATTENTION IN A TIME OF FINANCIAL UNCERTAINTY

As the economy continues to shift over the course of 2022, consumers are feeling the pressure to navigate not only rising inflation, but daily financial uncertainty. During times of consumer financial strain, employers, health plans, benefit administrators and financial institutions cannot overlook the value they can offer by providing resources that make it easier for consumers to save, afford and pay for necessities like healthcare, food, home loans and more. These organizations have the opportunity to leverage individuals' heightened attention on their finances in order to increase engagement with other products and services.

To help organizations harness this opportunity, we're focused on building the technology ecosystem that connects health-focused financial accounts with corresponding services.

With 2022 coming to a close, we're maintaining a razor-sharp focus on two key priorities. First, we always want to ensure that our platform is not only secure and compliant, but also nimble enough to support our diverse clients in building creative solutions. Second, we are determined to build a network of partners across key stakeholders in health and wellness that can work together to support people wholistically. Unfortunately, due to the siloed nature of benefit offerings and health-focused financial accounts today, consumers aren't aware of the many resources and services available to them through their employers and health plans, such as healthy food programs, healthy behavior rewards or over-the-counter benefits. Our core competency as an embedded FinTech for healthcare company puts us in a unique position to be the underpinning of health-focused ecosystems that connect financial functions like payments, rewards, and investments, with non-financial functions like eCommerce and access to health services.

We imagine a world in which a person can log into their health plan, employer or digital health experience and manage their health savings account investments, pay their physician, place a healthy food delivery, redeem their healthy behavior reward, shop online for over-the-counter products and more — all within a centralized experience that is made possible by both modern FinTech and strong relationships across a diverse set of organizations. Our purpose, which is to support companies in their pursuit of innovation and help their end users improve their health and well-being by making the best use of the money they have, is at the forefront of everything we do, and only becomes more important during turbulent economics periods like the one we're in today.



© 2021 PYMNTS.com All Rights Reserved

DOUG
BROWN
President and GM

FIs MUST PERSONALIZE **DIGITAL BANKING EXPERIENCES**

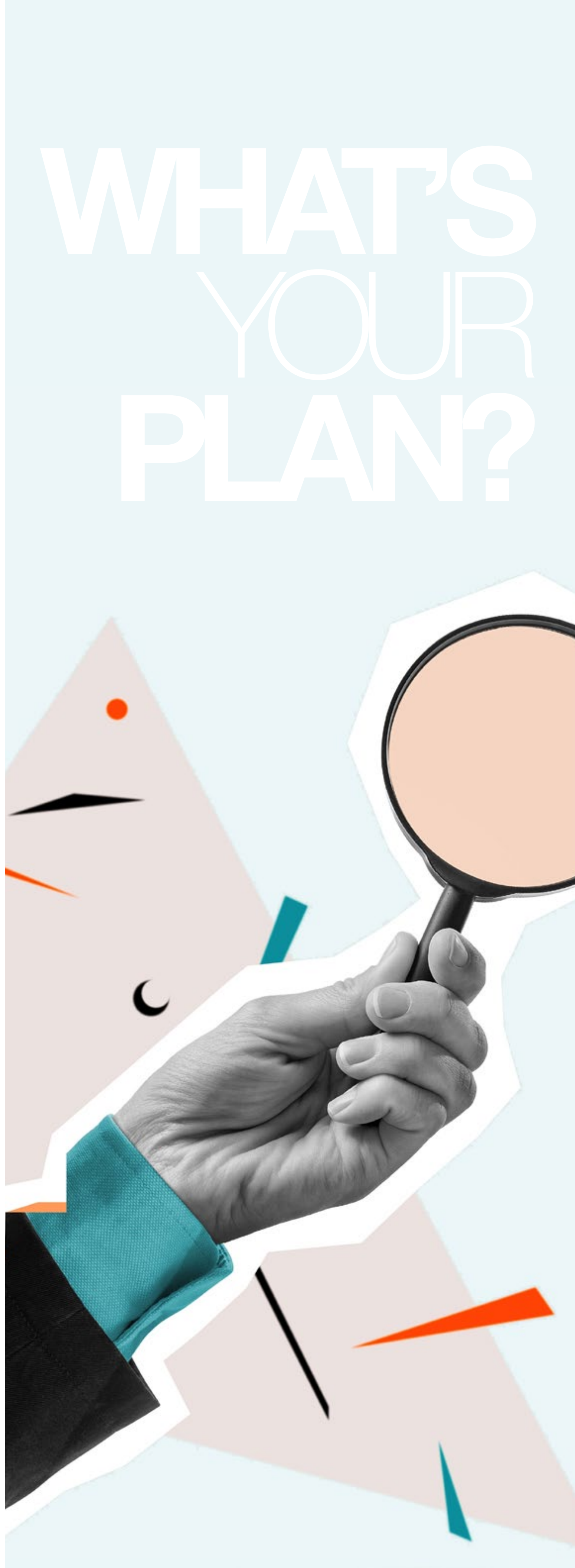
Consumers have been migrating to mobile devices as their primary channel to conduct banking transactions for years. But with the onset of the pandemic, banking digitally was the only way. And the preference for digital is here to stay, forcing banks and credit unions to accelerate transformation roadmaps to keep up with consumer demands and expectations for digital-first experiences.

Now, as we enter times of financial uncertainty and instability, for many consumers, the digital channel only becomes more critical. Consumers will be watching transactions closer, transferring money between accounts more frequently, and changing their spending habits if they haven't already. This presents a great opportunity for financial institutions but can also pose a serious risk of attrition and a bad reputation if they get it wrong.

According to an NCR survey, 60% of U.S. banking consumers want their primary financial institution to provide personalized financial advice. They also trust their banks and credit unions with their data. But, to successfully deliver that personalized experience, financial institutions need to do more with the data they're already collecting to provide consumers with relevant, timely support. And providing this type of support can't just be part of a financial wellness strategy to grow loans or savings accounts; it must be a key component of the broader customer experience. Financial institutions need be looking at their transactional data for spending patterns and how those are changing as budgets tighten.

To provide this deeply personalized experience and help consumers build financial proficiency, financial institutions must change how they use their data. They need to go beyond looking at demographics and significant life events to try and predict their next step, such as the need to purchase a home, secure a loan or save for retirement. Financial institutions need to understand their customers and members better individually. On the one hand, there are the members of Generation Z and the young millennials who have never really experienced financial uncertainty quite like this. On the other hand, there are the baby boomers and members of Generation X who are approaching retirement and worried about how the financial climate may impact when and how they can retire. Each consumer's financial needs are incredibly different, so a one-size-fits-all approach to offering financial advice won't cut it.

The information gleaned from transactional data, spending habits and even the path taken on the mobile app can provide an abundance of insights. As we push forward in Q4 and into 2023, banks and credit unions must make this dire need for personalized and individualized service a top priority. For many, the tools and data to do so are right at their fingertips. And the ones that can turn this consumer challenge into an opportunity will build a lifetime of trust and loyalty, building more profitable long-term relationships.



RESILIENCE
IN A TIME OF UNREST

The final quarter of 2022 is going to be a wild ride for digital commerce, whether it's direct to consumer or B2B. We are seeing widespread concern about consumer strength and capacity, and unlike during the pandemic, it's coupled with increasingly significant inflationary pressure and fears of a recession. Then we throw in the strength of the U.S. dollar, even against the British pound, the Japanese yen and the euro, and the result is significant shifts in currency usage. The geopolitical uncertainty stemming from the war in Ukraine only adds to the economic anxiety.

Very much unlike during the pandemic — in fact the opposite — we are seeing a buildup of inventory, while the supply chain uncertainty continues. Just look at Nike's recent news: the company's planning around expected transit delays and anticipated consumer demand has left it with oversupply of inventory just as macro conditions seem to be worsening. And in another twist, a new cadence in the digital commerce sector is emerging, such as the addition of the second Amazon Prime Day.

Turbulence Ahead

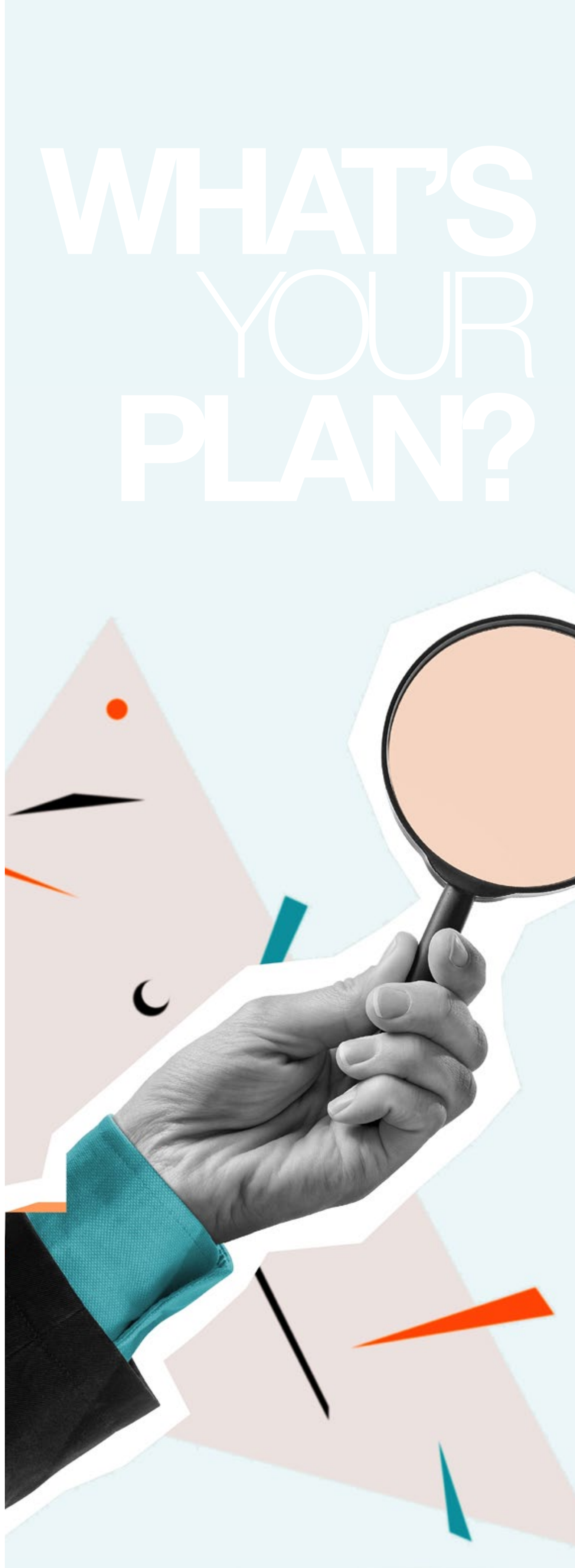
All of these factors suggest that rather than the familiar end-of-year boost, we might experience a more volatile and less predictable Q4 around the world. It's a global phenomenon, because digital commerce is inherently international.

To best serve these businesses, from the very large to the very small, we need to be hyper-focused on how their spending and receiving patterns might be different from years past. We must be agile enough to handle new up and down swings in AP/AR. We need to accommodate changes in currency preference as macro factors shift. We need to understand that merchants and suppliers are operating in uncertain and for many, unfamiliar times — and be flexible about accommodating the realities they are facing.

Agility Is the Backbone of the Global Economy

Small business owners and entrepreneurs are resilient and courageous by nature. We can take great inspiration from our customers, partners and teams in the Ukraine, for example. Our July 2022 survey of 4,200 owners of Ukrainian small and medium-sized businesses (SMBs) asking them about operating under the shadow of war found that Ukrainian businesses have shown remarkable resilience, with 70% continuing operations and 38% even intending to hire more staff this year. They show the rest of the world what can be accomplished even under the most difficult of situations.

Helping businesses with payments is not a numbers game. It's fundamentally about ensuring that businesses can pay and get paid. During Q4 of a truly remarkable 2022, our focus needs to be on the changing needs of these businesses and deploying the tools at our disposal to ensure that they end the year successfully.



TO GET AHEAD IN 2023, **PUT CUSTOMER EXPERIENCE FIRST**

For payments providers, it's all about the customer experience — specifically, removing friction to facilitate seamless transactions. We live in a world where the average consumer expects speed-to-purchase — whether it's retail, banking, gaming, subscriptions or any digital service that requires payment. The best way to keep customers engaged is to ensure that the experience is so effortless that they never even think about the back-end technology that is facilitating it. That seamless brand experience should be extended from the first touchpoint (website, physical location, social media ad, etc.) right through to payment.

Here are a few ways to prioritize customer experience as we close out 2022:

Kill the Password

Prove recently conducted a survey of 2,000 Americans, and unsurprisingly found that U.S. consumers are fed up with passwords and identity verification processes. The survey found 83% are frustrated with the complexity of creating new online accounts, and 60% would abandon account opening if identity verification takes more than 40 seconds. It's clear that consumers flock to businesses that respect their time and keep them secure without hassle. In our view, the winners in the digital economy will be those that kill the password — and focus on making digital journeys easy, secure and private.

Enable Users to Sign up for Programs in Seconds

Online retailers are uplifting revenue by establishing either a loyalty or membership program. While the benefits of such programs are clear, converting a first-time customer into a loyal member is no easy task because it requires the customer to provide extra information (email, shipping address, name, DOB, etc.) at checkout. Form pre-fill and cryptographic authentication tools can remove friction by auto-populating forms with the customer's information from verified data sources so that all a customer needs to do is review and confirm the info. This new flow can reduce the number of keystrokes required to fill out a form by around 80%, increasing loyalty member acquisition.

Fight Fraud

The increasing popularity of eCommerce has posed another major challenge to merchants: the surge in card-not-present (CNP) fraud where transactions are remote payments that are made without swiping, inserting, or tapping a debit or credit card on a physical payment terminal. These transactions are much more vulnerable to identity theft and spoofing than card swipes or EMV near-field payments. Studies show that fraud is 81% more likely to occur during a CNP scenario than at a point-of-sale machine. Fortunately, even merchants without robust fraud teams can leverage digital identity solutions to prevent fraud. Using advanced digital identity solutions, merchants can benefit from powerful behavioral and phone-centric identity signals at the time of a potential transaction to mitigate fraud such as SIM swaps and other account takeover schemes. It's a powerful and nearly frictionless way to verify the identity of customers.

Businesses that prioritize the digital consumer experience and modernize their acquisition, transaction and engagement journeys while controlling for fraud will capture market share in 2023, as consumers flock to and remain loyal to businesses that respect their time and security. In a digital world, phones are by far the most secure, accurate, and frictionless way to prove identity, and Prove's authentication technology will continue to be a key tool in making digital journeys far better.

DENISE **STEVENS**

Senior Vice President, Chief Product and Digital Officer

PSCU

LEVERAGING CONNECTED EXPERIENCES TO **BUILD CONSUMER TRUST**

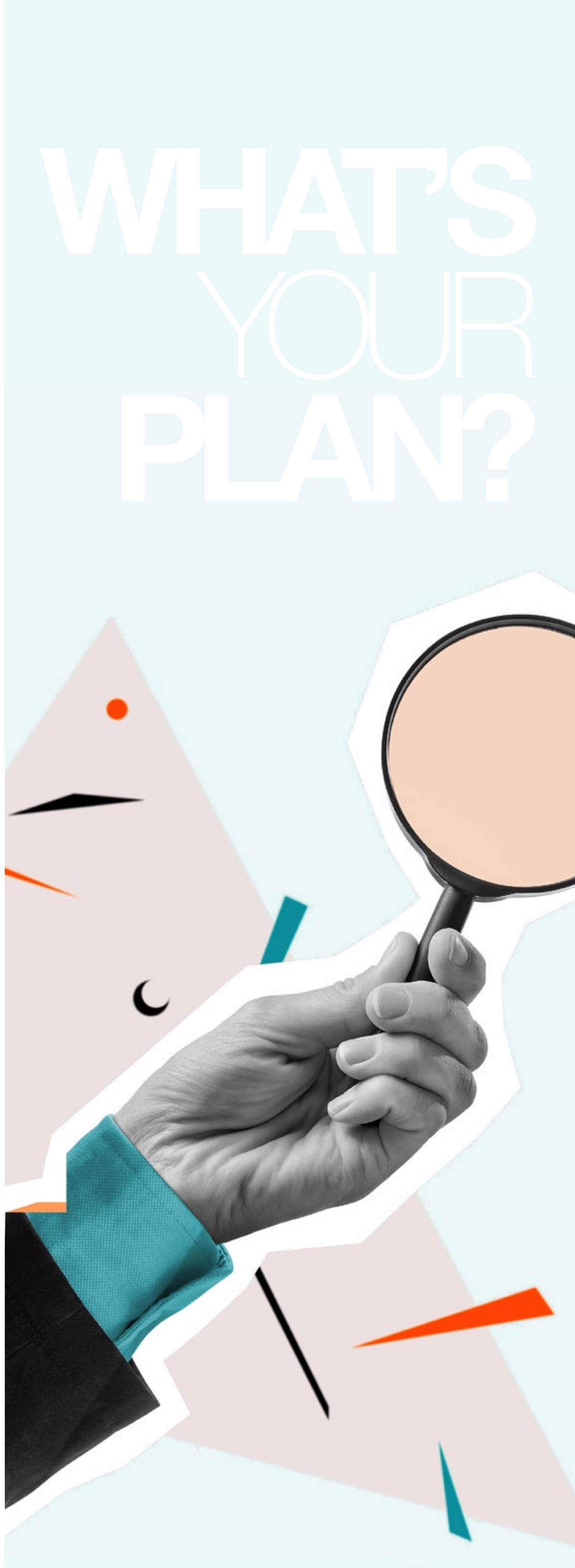
Consumers have experienced many different global and economic events in 2022 that have impacted their financial lives. From emerging from the COVID-19 pandemic into a new post-pandemic reality to facing historically high inflation, sharply rising interest rates, ongoing supply chain issues and more, consumers have looked to their trusted financial partners to help weather these storms — and will continue to do so into 2023. This allows financial institutions to define how they can intelligently leverage the right tools and data to meet and exceed consumer needs and expectations.

Thanks to the power of data and analytics, combined with modern consumer experience channels and ever-evolving technology, the ability to meet these expectations is already within reach. At PSCU, we focus on delivering connected experiences, which stems from a vision to bring all member data and channels together to produce highly personalized interactions. Facilitating connected experiences involves integrating consumer-focused processes across all available channels and optimizing the individual channel experience.

Providing data-driven connected experiences can offer value to consumers across their entire financial portfolios, leading to a better consumer-financial institution experience. Connected experiences can help uncover cardholder preferences, how individuals engage with their cards, and the subsequent channels necessary to reach account holders where they prefer and are most likely to respond. Connecting with consumers in their preferred channels creates a seamless, personalized experience that helps build trust and encourages loyalty. Not only can financial institutions meet consumers where they are, but they can also better protect them against fraud intelligently and efficiently.

As we look to the upcoming holiday season, consumer spending behaviors are adapting to the current economic environment. Expectations are that holiday shopping will kick off early again this year, which means holiday strategies should already be in place. Through connected experiences, financial institutions can promote holiday-related card features and benefits in which specific consumers would be most interested and implement targeted card usage strategies to capture card-of-choice status.

With economic uncertainty remaining high as 2022 comes to a close, it's more important than ever for financial institutions to remain focused and stay connected to their accountholders, meeting them at every touchpoint. By leveraging the already available tools to generate connected experiences, financial institutions can exceed account holder expectations across all channels while also delivering an exceptional, trustworthy experience.



© 2021 PYMNTS.com All Rights Reserved

SHOBHAN
AGARWAL
Vice President of Finance

Routable

PAVING THE WAY FOR **SUSTAINED GROWTH** IN 2023 AND BEYOND

In 2022, economic challenges presented many businesses with difficult decisions when thinking about both day-to-day operations and forward-looking strategy. Higher inflation has the potential to subdue retail interest for the long term, which could have deeper negative consequences for the overall economy. And rising interest rates, structured to curb inflation, have made it difficult for businesses to issue or refinance debt to boost liquidity. The last quarter of 2022 will be a chance to prepare for potential hurdles in 2023 and strategize for sustainability and growth in the years beyond.

Uncertainty is here to stay, perhaps even deeper than expected. For example, this year has brought attention to something that was previously overlooked in the past: a sharp focus on expenses. During the pandemic, most businesses initially dedicated their time to navigating completely uncharted waters, and rightfully so. But after grossing higher revenues, skyrocketing valuations and increased investor interest, businesses shifted their focus to accelerating revenue to capture valuation upside, often over more sustained spending trends.

However, as economic uncertainty increased, investors quickly pivoted to profitability, leaving little time for businesses to change track — hence the wave of cost-cutting and resource optimization. With prolonged periods of economic downturn, businesses will need to keep a "hawkish" track on expenses. Having a "scrappy" mindset is no longer just for early-stage startups. Firms of all sizes will need to adapt in order to do more with less or at the very least spend only as needed.

It is not uncommon for companies to take cost-cutting measures when faced with sudden changes to macroeconomic conditions. Unfortunately, knee-jerk reactions such as slashing spend can upturn years of momentum, impact company culture and disrupt product development roadmaps. Instead, apart from pure cost control, businesses need to place a higher emphasis on identifying areas for productivity improvements. This is not an easy task, especially as many businesses are still struggling with labor and supply shortages and defining productivity in a remote and hybrid culture.

Enhancing productivity can be critical to uncovering pockets of opportunity and avoiding continuous cost-cutting measures. Realizing productivity improvements will also benefit businesses in achieving long-term goals, not just serving as a lifeline to weather the current economic storm.

At Routable, our organization is focused on increasing the productivity of finance teams across many different verticals and segments. Our belief is that by delivering value through productivity improvements, not only will we strengthen our relationships during economic uncertainty, but we can provide long-lasting returns on investment for our customers.

During turbulent market conditions, ensuring that the strategic vision of the company focuses on building a sustainably profitable business is key. The first aspect of executing this vision is to build enough liquidity to withstand a potential 12 to 18 months of economic uncertainty through equity or debt funding. Even though building liquidity may be expensive, investors are searching for opportunities to invest in businesses that can sustain growth in any economic climate.

Having a well-developed business plan and a path to profitability will help by bringing more clarity to future actions and also by avoiding the pitfalls of "growth at any cost."

RETENTION: THE KEY TO SUCCESS IN UNCERTAIN TIMES

Consumers today have discovered the magic of subscriptions. Out of necessity during the pandemic, consumers were buying just about everything online and getting it all delivered. As we officially exit the pandemic, consumers still expect satisfying eCommerce experiences that don't just offer value for money, but help them feel safe, appreciated and heard. Consumers want digital transactions to be seamless, smooth and trustworthy.

However, rising inflation, higher interest rates, political uncertainty and the war in Ukraine have taken their toll on consumer confidence. There's no getting around it; consumers today are tightening their belts and spending less. How can eCommerce companies respond?

Customer Retention Is the New Growth

Acquisition is only the first step in a successful subscription journey. Real revenue potential happens when customers renew again and again, increasing customer lifetime value (CLV). Surprisingly, only 42% of companies value retention enough to measure the lifetime value of their customers.

Why is retention more effective than acquisition in these times of reduced spending? Research reveals 60-70% more opportunities and successes when upselling to an existing customer, compared to a paltry 5% to 20% when trying to upsell a newly acquired customer.

By delighting customers with amazing subscription experiences, eCommerce providers can upsell their services and build stronger customer loyalty. Customer loyalty and continuous experience improvement are baked into the subscription model.

The Scourge of Failed Payments

Subscription payment transactions fail for many reasons, some of them accidental. When failed payments lead to passive churn, it unnecessarily gobbles up potential revenue. Shockingly, up to 70% of all passive churn happens because of failed payments.

Failed payments are not only a revenue problem but also a branding problem. Customer experience is at the core of brand loyalty. Imagine suddenly getting disconnected from YouTube Live because of a single, accidental failed payment and being unable to watch NBA star Stephen Curry make his famous three-pointer in real time. Customers who want hassle-free subscriptions don't want to think about payments especially failed ones that cause disconnection and headaches.

Some marketers are still not convinced of the importance of creating great experiences and recapturing potential revenue by resolving failed transactions. It's time to boost retention more creatively.

Data Intelligence to the Rescue

Data is the key to fighting churn and increasing customer engagement and spending. The subscription model delivers first-party data for marketers to analyze and make smarter decisions based on consumer behavior, preferences, and needs. Insights derived from data can be used to recover failed payments, improve the subscriber experience, drive user engagement and optimize the subscriber journey toward growth KPIs.

To succeed in these challenging times, eCommerce marketers need to leverage data intelligence to spot trends, test and optimize offers, fight churn, and make smarter decisions overall. That will lead to better customer connections, more sales and ultimately, growth.

ANDRE
MACHICAO
Senior Vice President, Acceptance Solutions

MODERN DIGITAL PAYMENTS WHEN YOU WANT THEM, HOW YOU WANT THEM

Modern digital payments present an opportunity and challenge for businesses that rely upon them: they've grown in scale but also in the complexity that comes with managing them. They are at once strategic, critically important and demanding at the same time.

As the payments industry approaches the end of 2022 and begins mapping out the year ahead, expect companies to double down on solutions that help make issuers, acquires, payment facilitators (PayFacs) and merchants agile and future-proof — traits that will be critical in meeting the rapidly shifting expectations of digitally driven consumers.

How will this happen? The next wave of solutions will be all about offering cloud-based, modular payment services as a critical component in helping create and support more business growth. In a business environment dominated by the need for flexibility, we'll see companies turn their focus to solutions that can power acceptance and create a seamless experience for customers across any payment method or channel.

In short: we'll see the industry focus on digital payments tools that are available how clients want them, when they want them.

Enabling On-Demand Access to Payments Services

The future of payment acceptance will be global and scalable — with on-demand access to the complete ecosystem of payment services. This could mean providing businesses with a full range of payment products and services a la carte — letting financial institutions, PayFacs and merchants build the most efficient and effective experience possible.

Other industries have proven how modular and cloud-based services and products can be essential in making solutions more accessible and easier to manage for customers. The vast world of payments isn't far behind.

Managing Hyper-Growth and Improving Payment Experience

Complex payment systems can have a big impact on customers. As it stands, 57% of merchants agree that their businesses need to reduce the time spent managing complexities related to payment functions.[1]

So how does a business in this position handle varying payment types in a global market? Or keep payment data secure while absorbing the cost of sensitive data management? It starts with on-demand payment services. Token management services can help link payment credentials to varying networks or channels, simplifying payments. Integrated, on-demand payment services enable growth by enabling access to local acquirers, cross-channel customer experiences, risk detection, and revenue optimization.

Creating a seamless and secure payments experience today requires businesses to think further ahead into the future. Watch closely as the industry zeroes in on cutting through the complexity of modern payments to support greater business growth and put issuing and acquiring banks, PayFacs and merchants in a position to deliver a seamless and easy experience for customers.

[1] Merchants Look To Optimize Payments and Fraud Prevention for Improved Business Outcomes, by Jordan McKee, Principal Research Analyst, Technology & Business Insight – Customer Voice Report, 451 Research, S&P Global Market Intelligence, July 2022

ADAM
LEAMAN

Chief Client Officer

WEB3 WILL BE KEY FOR PAYMENT PROCESSORS

The third quarter of 2022 saw consumer spending pullbacks, forcing merchants and brands to innovate. Many are responding with Web3 engagement strategies, and Zero Hash has seen traditional payment gateways racing to keep up with merchant innovation. As such, enhancing payment groups' ability to leverage our Web3 gateway has become our primary focus as we close out 2022.

Web 3.0 is driving innovation in non-fungible tokens (NFTs), music, art and digital property rights with multiple blockchains to build on. Brands including Nike, Starbucks, DC Comics, and even Gucci are experimenting with loyalty programs, digital goods, and new ways to tie the digital activity to the physical world. As traditional companies enter Web 3.0, so must their payment providers — Zero Hash's focus is on enabling this bridge of Web 2 and Web 3 payments.

As Q4 begins, here are some of the ways we are addressing the growing demand for a seamless Web3 experience:

Broad Multi-Chain Stablecoin Support

Stablecoins are crypto assets that aim to maintain a stable price, typically on par with the U.S. dollar or other fiat currencies. Multi-chain support is important because it allows customers to transfer value using their choice of blockchain, such as the one with the lowest network fees. For example, transferring USDC over the Solana network can incur fewer costs than transferring USDC over the Ethereum blockchain.

In Q4, we will widen the flexibility of stablecoin offering and choices that best suit payment processors' goals. Zero Hash already supports a host of cross-chain stable coins and, in Q4, is widening this to include USDC on HBAR, XLM and AVAX.

Extensive Digital Asset Support

Innovation in this space moves very quickly, including the assets and blockchains built upon and with the largest market cap. If you compare the top 20 assets by market cap year over year, only 11 are the same. Newer blockchains are innovating, trying to lower the on-chain transaction fees by building what is known as a Level 2 (or L2) chain on top of the Ethereum blockchain. L2 chains bundle or "roll-up" many transactions into a single Ethereum transaction to reduce each transaction's individual cost.

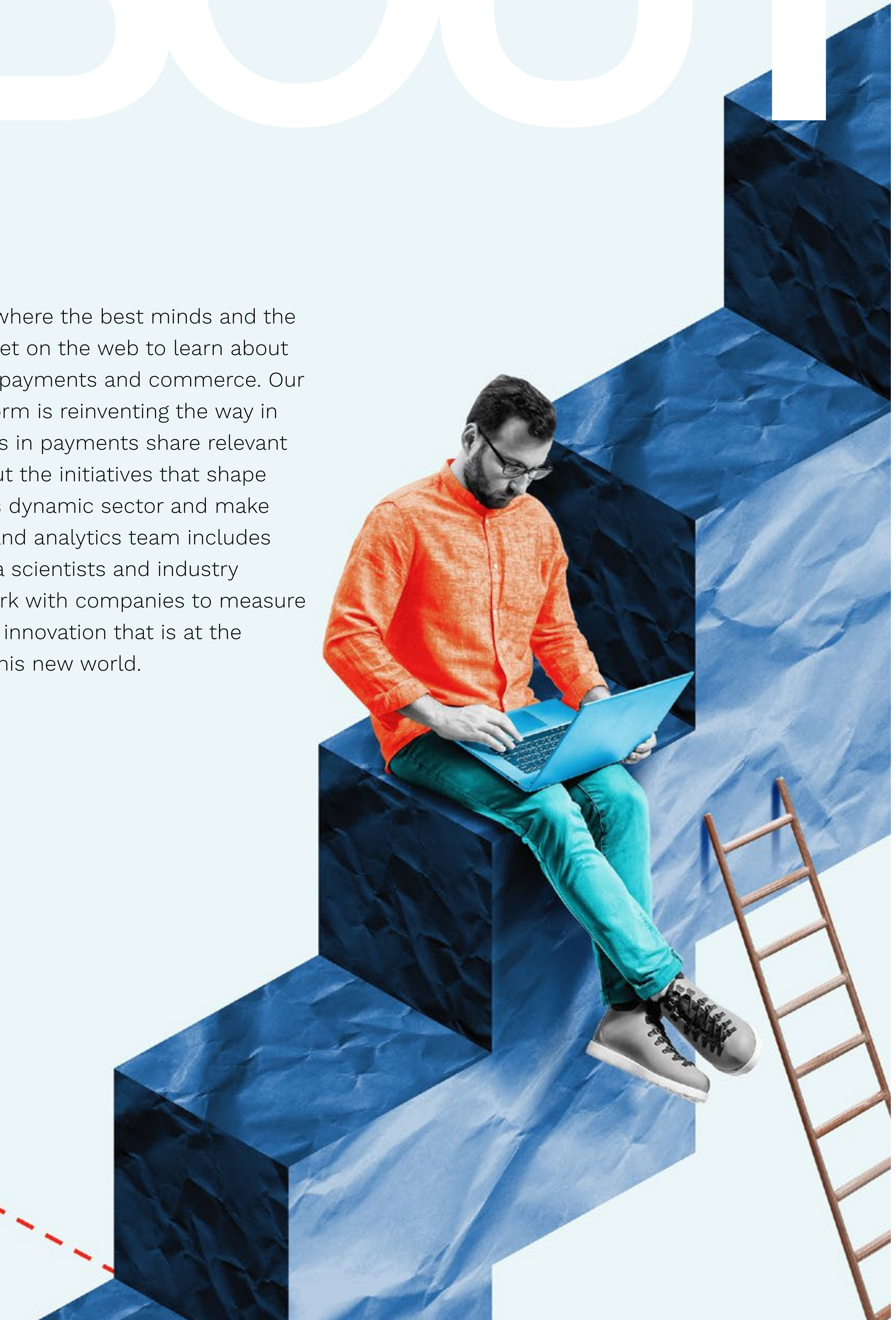
With this backdrop, Zero Hash will support this ever-evolving landscape and will offer five new assets in Q4. ETH opened up a new level of functionality when compared to bitcoin; however, these capabilities came with higher transaction costs, known as network fees.

Smart Contract Capabilities

Payment processors, in particular, want more access to the Web3 economy, which is powered by smart contracts (rules written on the blockchain that trigger when certain conditions are met). In Q4, we will expand upon general smart contract capability for Ethereum, in addition to chains compatible with Ethereum's Virtual Machine (EVM) technology, including Fantom, Polygon, Avalanche, The Graph and many more via our API.

With expanded Web 3.0 adoption, our payment infrastructure customers are positioned to play a key role in connecting businesses and consumers to Web 3.0 infrastructure. We are committed to supporting them in that process.

ABOUT



PYMNTS

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

What's Your Plan? eBook may be updated periodically. While reasonable efforts are made to keep the content accurate and up-to-date, PYMNTS: MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED "AS IS" AND ON AN "AS AVAILABLE" BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS.COM SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS.COM RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS.COM HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATIONS ARE PROVIDED BY PYMNTS.COM AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS is the property of PYMNTS and cannot be reproduced without its prior written permission.