

Payments Executive Brief:

Digital Payments: Defining Opportunities for Community Banks

The payments landscape continues to evolve. Whereas checks and cash were the dominant payments instruments 40 years ago, today digital payments are becoming an increasingly popular way to pay, and a driving force in the evolution of the relationship between customers and their banks. An estimated 2.1 billion consumers will have used a digital wallet by the end of 2019—up 30 percent from 2017¹. As such, community bankers should fully understand digital payments and the role they play in maintaining and growing your customers by continuing to meet and exceed their expectations.

What are Digital Payments?

“Digital payments” is an umbrella term to describe payments that are made using electronic instruments, such as mobile devices or laptops. Put simply, digital payments are transactions that are initiated without the use of a physical card or paper currency. Using this definition, digital payments can include:

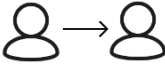

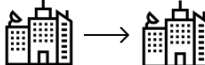
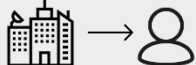
- online banking payments;
- ACH/Same-Day ACH;
- digital currency/cryptocurrency;
- payments made with a digital wallet, e.g. Apple Pay, Google Pay (wherein the funding mechanism may be a physical debit or credit card, but it’s stored in a digital wallet environment);
- payments made through digital apps, e.g. Zelle, Venmo, PayPal, Cash App (by Square) (wherein the funding mechanism may be a physical debit or credit card, but it’s stored in a digital app environment); and,
- real-time payments.

Digital Payments Use Cases and Benefits for Community Banks

Digital payments provide a host of opportunities for community banks to provide additional value to customers. With the introduction and growth of faster payments, digital payments opportunities and use cases have grown too.

From personal to business clients, digital payments can provide convenience and efficiency while enhancing your overall position and value proposition. Following are a few examples of digital payments opportunities.



Retail Payments		Treasury Management		
Person-to-Person 	Consumer-to-Business 		Business-to-Business 	Business-to-Consumer 
<i>Your Opportunity:</i>	<i>Your Opportunity</i>		<i>Your Opportunity:</i>	<i>Your Opportunity:</i>
Help consumer customers seeking to quickly and safely pay family or friends using a mobile device by leveraging an existing digital app or your online banking channel.	Allow your customers to make bill payments on or near the due date through your online banking channel or app by leveraging Same-Day ACH or real-time payments.	Ensure your debit and credit cards are compatible with the latest technologies, so consumers can add your cards to their mobile wallets for easy and fast e-commerce and in-store transactions.	Offer your business customers a user-friendly, fully integrated way to ensure they can meet the payments needs of their diverse customer base by accepting multiple forms of digital payments, such as: <ul style="list-style-type: none"> - ACH, - real-time payments, - wire transfers, - credit cards, - debit cards, - mobile payments, and - more. 	Ensure your business customers can pay their freelance employee base at the end of each shift with payment options, such as real-time payments and Same-Day ACH, and integrate with online payments platforms, such as ICBA Bancard partners Linked2Pay and PayFi.
<i>The Benefit:</i>	<i>The Benefit:</i>		<i>The Benefit:</i>	<i>The Benefit:</i>
Meet the needs of your customers who prefer to use financial solutions offered by their bank over nonbank providers and keep the bank account and your community bank at the center of the payments relationship.	Meet the needs of your customers who prefer to use financial solutions offered by their bank over nonbank providers and keep the bank account and your community bank at the center of the payments relationship.	Earn the opportunity to be “top of wallet” with your consumer customers to garner a larger share of the \$2 trillion in-store contactless payments projected for 2020. ²	Position your community bank as the one-stop shop for all your business customers’ needs, building customer confidence, loyalty and retention. Also, be able to build and offer value-added services.	Enhance your business client relationships by meeting the immediacy of the freelance economy and providing services that support your business customers in responding to worker requests.

Getting Started in Growing Your Digital Payments Offerings

Businesses and consumers alike are interested in faster, safer, and more convenient payment methods. Through digital payments, your community bank can provide a means to achieve these desired outcomes and position your institution as a leader and innovator in the digital payments space.

ICBA and ICBA Bancard are here to help you as you develop your digital payments strategy or look to grow it further. ICBA Bancard partnered with Aite Group to create the [ICBA Bancard Digital Payments Strategy GuideSM](#), a tool to help community banks develop or evolve their digital payments strategies. It offers an interactive exercise through a series of questions that tap into specifics around a bank’s current consumer products, consumer market base, and existing digital payments offerings. The results reveal the bank’s current digital payments maturity and offer insights for building on the bank’s existing foundation.

Learn more today by visiting strategy.icbabancard.com.

¹ 2018 Global Payments Report: The Digital Wallet Opportunity Across the World. Braintree.

² Contactless Payments: Payment Cards, OEM Pay & Mobile Wallets 2018–2023.