2022 OUTLOOK

The Innovations That Hit, Missed And Need To Hit Reset

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ENDEMIC ECONOMICS

Hits and Misses From the **'Next Normal'** That Never Happened

The first quarter of 2022 came off a 2021 holiday selling season that beat forecasts and revealed foundational changes to how we live, work and pay. From back-office functions like accounting and treasury to consumer-facing digital experiences to new cross-border B2B payments platforms, we're all adjusting rapidly to another year of living digitally — and discovering new hits and misses along the way.

In our Q1 eBook, we've collected the insights and observations of 52 thought leaders from different parts of the payments domain to share what's working and what needs work.

The Connected Economy continued to dominate as the year began, with voice commerce finding its way into cars and smart speakers in connected homes — and the rapid progression of a world where smartphones are the new remote controls changing channels on our commercial tastes.

The triumphant rise of eCommerce in the first year of the pandemic saw an accompanying rise in cybercrime that continued into the first quarter of this year. Maddeningly, it looks as if it will persist — although recent downward trends in certain types of fraud suggest that new technologies are thwarting some of it.

Installment credit expanded its breakout from pure plays as banks and others fielded their own buy now, pay later (BNPL) plans — a form of lending that's caught the attention of lawmakers.

Embedded, contextual and social commerce garnered their share of headlines in Q1 as more brands focused on fishing where the fish are (social media), putting the right product or service directly in the social flow and creating new forms of engagement.

Cryptocurrencies have crept closer to mainstream status as more utilitarian use cases have started to emerge. And in a related space, non-fungible tokens (NFTs) continued to generate a fair share of their own headlines as consumers and companies set themselves up for the metaverse.

Treasury and accounting automation are keeping the pressure on to do away with legacy tech and take advantage of real-time data flows that make critical back-office tasks more accurate and efficient — while addressing the security challenges that working from home and hybrid work pose.

We also spent more time uncovering data on the surprising extent of paycheck-to-paycheck living in the U.S., as well as the companies innovating around that reality, from lease-to-own financing to the strategic use of personal loans for debt reduction and financial health.

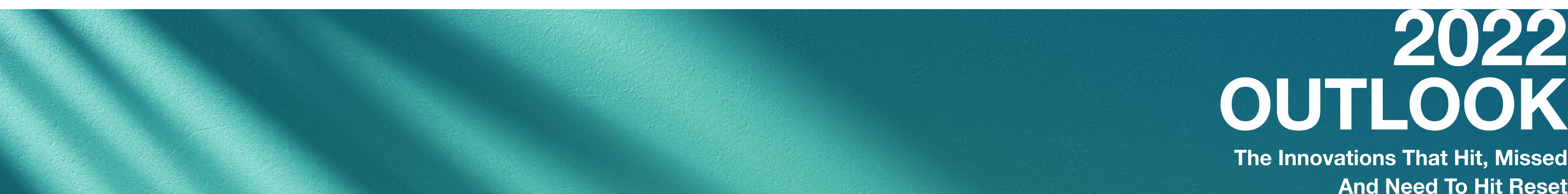
Venture capital keeps investing in FinTechs that are rewiring the financial system with artificial intelligence (AI) and machine learning scouring oceans of data to make sub-second decisions on everything from car loans to mortgages to financing in almost every imaginable vertical.

Healthcare innovation is also storming ahead, with hospital at-home concepts and new forms of financing giving patients needed options for a delicate time in medical debt.

We were still talking about supply chain in Q1, and it's likely we still will be in Q4.

Q1 was marked by dizzying change that doesn't show signs of letting up any time soon. So much depends on current events — from Russia's invasion of Ukraine to runaway inflation in the U.S. to the specter of another COVID-19 variant keeping us running in place — that it's difficult to tell when we'll all be able to pause, take a deep breath and stop casting an anxious eye toward a cloudy horizon.

But the last three months may have put us in good stead as we ready ourselves to face an uncertain future. As the payments industry veterans on these pages note in their reflections, holding on to the good and abandoning the bad — and never settling for "good enough" — can go a long way toward helping businesses, consumers and the world at large steer a steady course.



ACI'S 2022 **COMMERCE INNOVATION** HOTLIST

Accelerated and continuous change dominated the retail landscape in 2020-21. Finding new ways to cope with shifting restrictions, behaviors and trends left many retailers frazzled and investment pots drained. As they bounce back, it's clear that a platform reset is required — what they really want are future-proof commerce tools that support retail evolution faster and with much less effort and cost. Here are five innovations that hit the mark in 2021 and that are due a reset for 2022.

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Advanced Payments analytics — the new secret sauce for survival.

During the pandemic, data helped businesses think and act faster — and with less risk — as they adapted channels, switched product lines and re-connected supply chains. In 2022, richer, deeper, omnichannel payment analytics will continue to be a powerful differentiator for merchants looking to smash revenue and growth targets. We will see smarter payment analytics solutions that go beyond operational efficiency and hyper-targeted selling to facilitate better acceptance rates and optimize multi-acquirer strategies.

QR codes and wallets stepping into the spotlight.

Overlooked for years, QR codes re-emerged as the savior of no-touch and hybrid services. Users were encouraged to scan, search, order and buy using their mobiles. This also contributed to accelerated adoption and use of mobile wallets. While a hit for consumers, this created a new integration headache for merchants struggling to cope with the hundreds of different wallets available. To ease the burden, merchants will aim for one-shot integration tools that let them accept multiple wallets globally, with all capability and features accessed through QR codes in store.

No longer alternative, BNPL has become a global movement.

Buy now, pay later (BNPL) has seen meteoric growth thanks to the eCommerce boom and economic recession. It has driven huge competition with local pay later heroes competing with big brands for finance-savvy, unbanked and credit-shy consumers. With merchants now looking at multiple BNPL offerings, there is a real danger of button fatigue at the checkout. Expect to see new

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centralized pay later platforms emerge that offer access to multiple BNPL plans from a single user interface. As well as making life easier for consumers, these will offer simpler integration, a single contract and higher acceptance for the merchant.

Crypto goes from hype-cycle to Gen Z growth catalyst.

From currency crashes and rebirths to decentralized blockchain and non-fungible tokens, crypto is reshaping attitudes to investment, copyrighting and transactions. Future forecasts indicate rapid growth with a high proportion of Gen Z expecting to see crypto at checkouts. We believe that this will make it an important payment priority for businesses looking to lock in younger consumers. Finding ways to process cryptocurrency payments with zero fees will be key to making crypto a viable payment method at the checkout in the year ahead.

Real-time payments will become a cornerstone for merchants.

Given the levels of disruption to sales and supply chains, maintaining cashflow is make or break for merchants. Real-time payments (RTP) is helping to reduce payment friction and bottlenecks, speeding settlement and maintaining merchant liquidity. We anticipate further migration to RTP, online and through apps, paving the way for contextualized and embedded commerce, where instant acceptance is key.

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MISSES: SILOED POINT SOLUTIONS; HITS: CONSOLIDATED, INTEGRATED SCALABLE SOFTWARE

The development of new hits for the back office are responses to the misses from the past. Legacy software tools are narrow-focused solutions detached from other processes and systems. This means that accounting teams are consumed with reconciling software systems that don't talk to each other, manually consolidating data from several sources, chasing documentation, and building spreadsheets to do the reporting and analysis required for sound decision-making. Further, as a company grows, many of these single-purpose tools must be replaced with more robust ones. Yet, enterprise-level software can be over-engineered and

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expensive for mid-market to early-enterprise businesses. Hits are designed to scale with a company as it grows with affordable entry-level options and additional functionality with complex customizations when required.

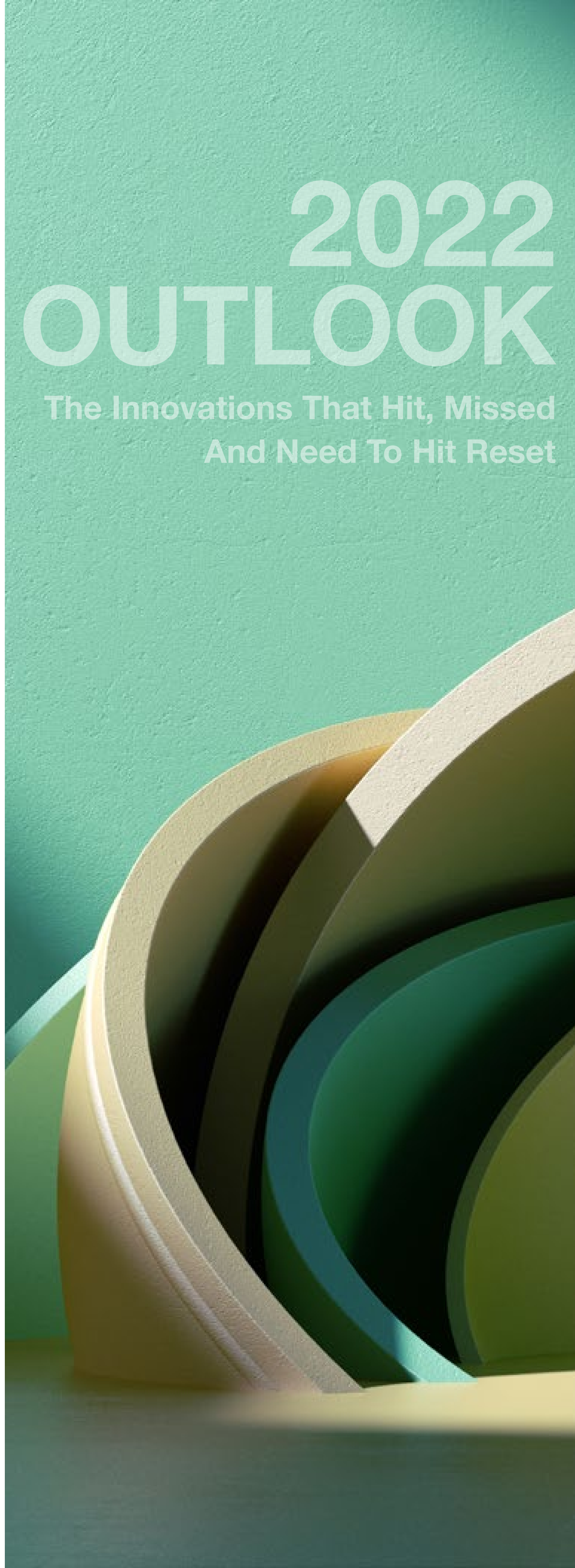
The hits take a consolidated modular approach and integrate fully into other systems. Better access to payment rails, improved APIs and a more comprehensive mindset allow software companies like Airbase to automate the entire flow for all payables. And instead of solutions that age out when a company grows, feature add-ons can accommodate growing size and complexity.

In the case of spend management, the pre and post workflows associated with all non-payroll spend integrate with the general ledger or ERP, Slack, email, HRIS and budgeting tools. Consolidation gives continuity across the whole organization and provides a single source of truth for all spending. The implications are far-reaching and transformative — they save time and money, it's easy to track and adjust budgets, and the relationship between the back and the front office shifts to one of collaboration.

Existing tools — the misses — for company spend mean poorly documented ad hoc approvals, no visibility or control over corporate card spending, and messy processes for paying vendors. However, the emerging hits consolidate all non-payroll spend through a single, unified system with easy access to making payments using a check, ACH, vendor credit, corporate card, and international foreign currency without switching systems.

But it's not just the back office that benefits. Employees across the whole company use the same system to get approvals for making a purchase, create a virtual card, and request a purchase order or reimbursement. The system handles receipt compliance, and teams function quickly and efficiently while complying with company expense policies. Approval workflows can be customized to conform to a company's needs. In addition, these automated workflows track and record everything into a transaction record for a full audit trail.

The first wave of accounting tools for company spend — corporate card programs, expense management systems, bill payment software — have missed the mark. A hit must be comprehensive, fully integrated, and scalable. Spend management software replaces the misses from the past with an incredible hit to move companies into a better future.



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THE OPPORTUNITY IN OFFERING BANKS **A BNPL PATH**

With usage more than doubling in 2021 and projected to account for nearly $1T in sales volume by 2026, I think we can all say buy now, pay later (BNPL) hit the mark with consumers.

For banks, not so much.

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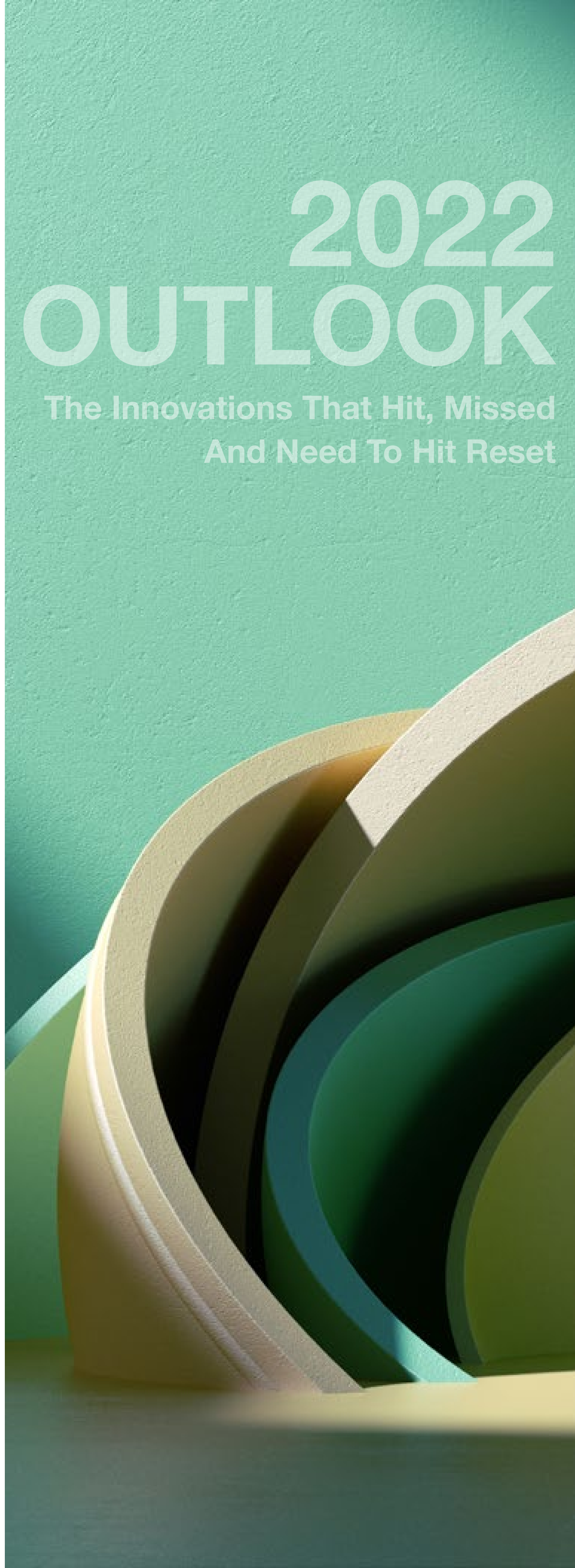
Aside from a bank's inherent technological barriers to getting to market quickly with a competitive BNPL offering, most of today's existing BNPL solutions involve integration with a merchant, adding yet even more complex challenges for banks to overcome. Most banks don't know the intricacies of connecting with a merchant's systems; integrating into ecommerce and, potentially, in-store; managing orders and returns; or creating a user interface that checks for fraud.

And herein lies the opportunity to hit the reset button on BNPL: Offering banks a means to get into market with a BNPL solution that is not beholden to merchant integration.

One way of achieving this is through browser extensions. Much like PayPal has done with its acquisition of browser extension Honey, and which it has coupled with its Pay in 4 offering, we're starting to see financial institutions partner with FinTechs to build out BNPL browser extension capabilities. With browser extensions, there is no merchant integration or technical burden on the bank — it's simply a matter of the financial institution turning it on.

Another BNPL option that removes the merchant integration pain point for banks is by way of virtual cards that can be issued via a bank's app and used at millions of merchants that accept the issuing card network. Mastercard's newly expanded Mastercard Installments BNPL program is a notable example. We've already seen a rise in BNPL providers including virtual cards into their offerings, which customers like because their digital nature makes them simple to set up, easy to store and impossible to lose. Plus, they allow for a seamless transition between in-store and online payment experiences, most often a matter of scanning a QR code in-store and completing the transaction on a mobile device.

Without question, the events of the past two years have created a space for BNPL to thrive. Strategic partnerships with FinTechs that remove some of the hurdles and make it easier for banks to offer BNPL solutions will not only help banks keep up-to-speed with the FinTechs, but will help financial institutions attract new customers, drive stickiness with existing ones and increase customer lifetime values.



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REFLECTIONS FROM A PAYMENTS PRODUCT DESIGNER

Payments startups received nearly $32 billion in venture capital funding last year. On top of that are the additional investments that established payment companies, including banks like ourselves, also invested. Together, that makes for a vast amount of resources being directed to payments innovation. It's truly awesome and inspiring, at least to a payments product designer like me, to consider how this is changing the world, and what impact recent investments have made and where new investments might be directed.

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Cryptocurrencies and stablecoins

Not long ago these were arcane terms. Not anymore. We're keeping a close watch on the public discussions and participating in industry comment on the use case of these payment types to support corporates, banks and the general public. Any regulation around them will provide clarity, which could lead to more investment and innovation.

Consumer-to-Business (C2B)

Consumers increasingly have greater options in terms of payment instruments. We are working on developments in this area where we see technology, user experience and preferences intersect.

Business-to-Consumer (B2C)

Recent investments in this area have yielded meaningful results in the U.S. Alias-based payments, such as the bank's Digital Disbursements solution, and the portal we created last year for consumers to select their choice of payment type, Recipient Select, are getting real traction. Consumers, including employees and gig economy workers, are demanding more choices and companies are eager to shed the burden of building the related infrastructure, preferring to focus their valuable resources elsewhere.

Cross-Currency Payments

The ability to send payments internationally remains challenging, yet future growth in global commerce depends on frictionless cross-currency payment solutions for consumers and businesses alike. Such solutions could be in the form of global real-time payments, digital wallets or tokenized payments.

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Recipient Validation

When sending funds by ACH, wire or RTPs globally, it's currently not possible in all markets to validate the payee information before the funds are actually sent. Being able to do so would reduce exceptions and improve the overall experience for consumers and businesses. We look forward to innovations in this area.

Infrastructure

Along with the developments of the front-end experience, financial institutions and corporates are investing in their payments architecture, either creating or redesigning it to accommodate the need for more capacity, greater transparency and faster processing. They must do this while ensuring they're in compliance with the regulations of the respective country or region in which they operate. While complex and expensive, these efforts will yield great benefits for payors and payees.

At the heart of all of these investments is the desire for a better, simpler payments experience for consumers and businesses. We look forward to bringing more of our own investments to life in 2022.

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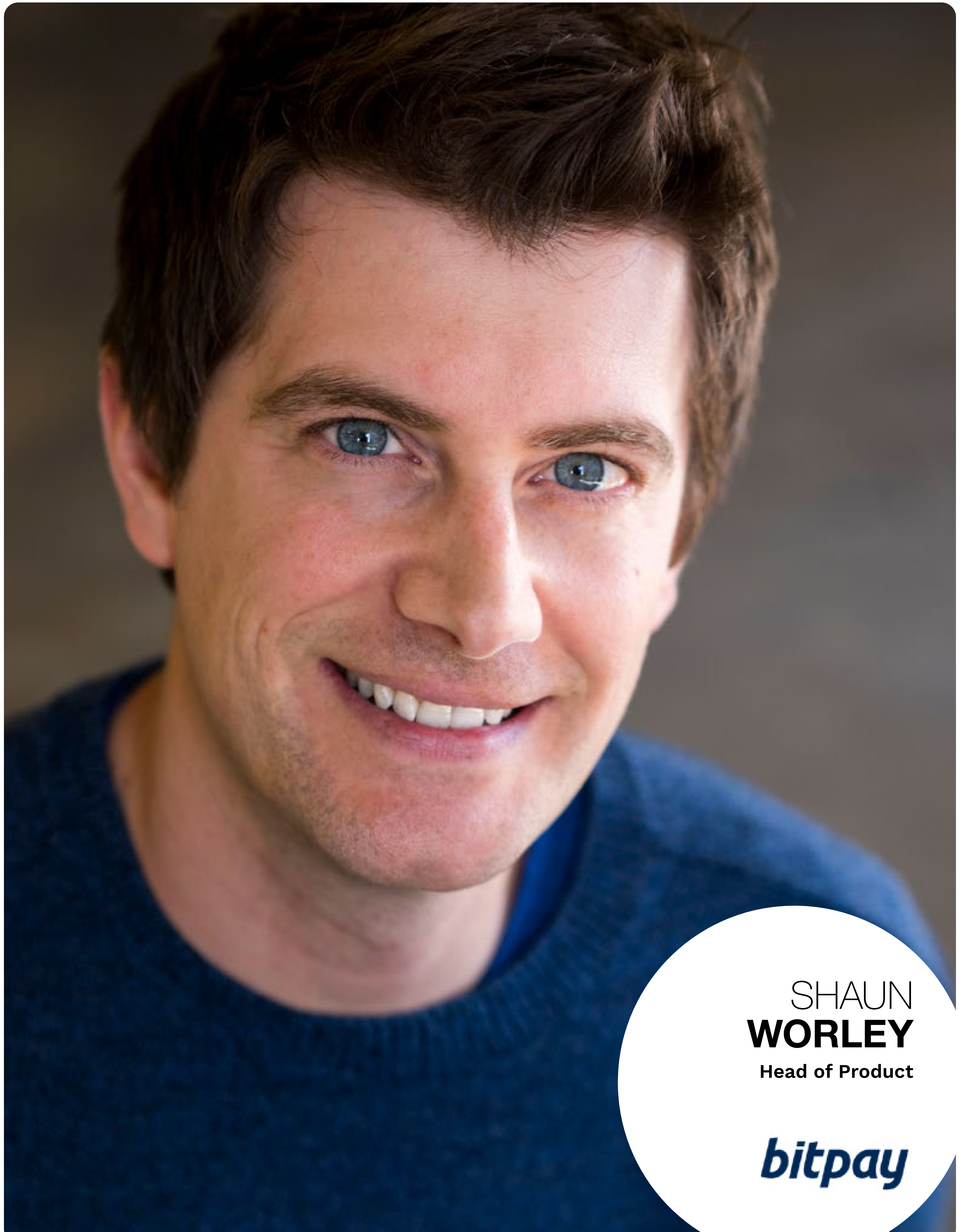

CONTINUING INNOVATIONS SHOW **CRYPTOCURRENCIES AND BLOCKCHAIN** AREN'T A FLASH IN THE PAN

The past few years have proven: Cryptocurrencies aren't just a flash in the pan. It may be commonplace to dismiss newer forms of doing business, especially in the digital realm, as fads, as tech-enabled solutions in search of problems. But cryptos have made inroads into the collective consciousness, and are making inroads, bit by bit, into mainstream commerce in ways that would have been scarcely imaginable only a few years ago.

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The early years may have focused on bitcoin, on what it was, and is, and how other digital currencies might have new applications for consumers and businesses.

Now, the digital asset space is marked by a broad range of cryptos, of non-fungible tokens (NFTs), of more brands that are coming to market. And the blockchain technologies that they're all built on is increasingly showing great utility in transforming even the most basic tenets of banking.

To get a sense of the evolution, how the payment "mix" of assets changed over time, with BitPay's own experience as microcosm: Not all that long ago, bitcoin comprised a significant percentage of payments, but now is around 50% to 60% of the mix, with the remainder tied to stablecoins, Ethererum, Litecoin and a host of other options.

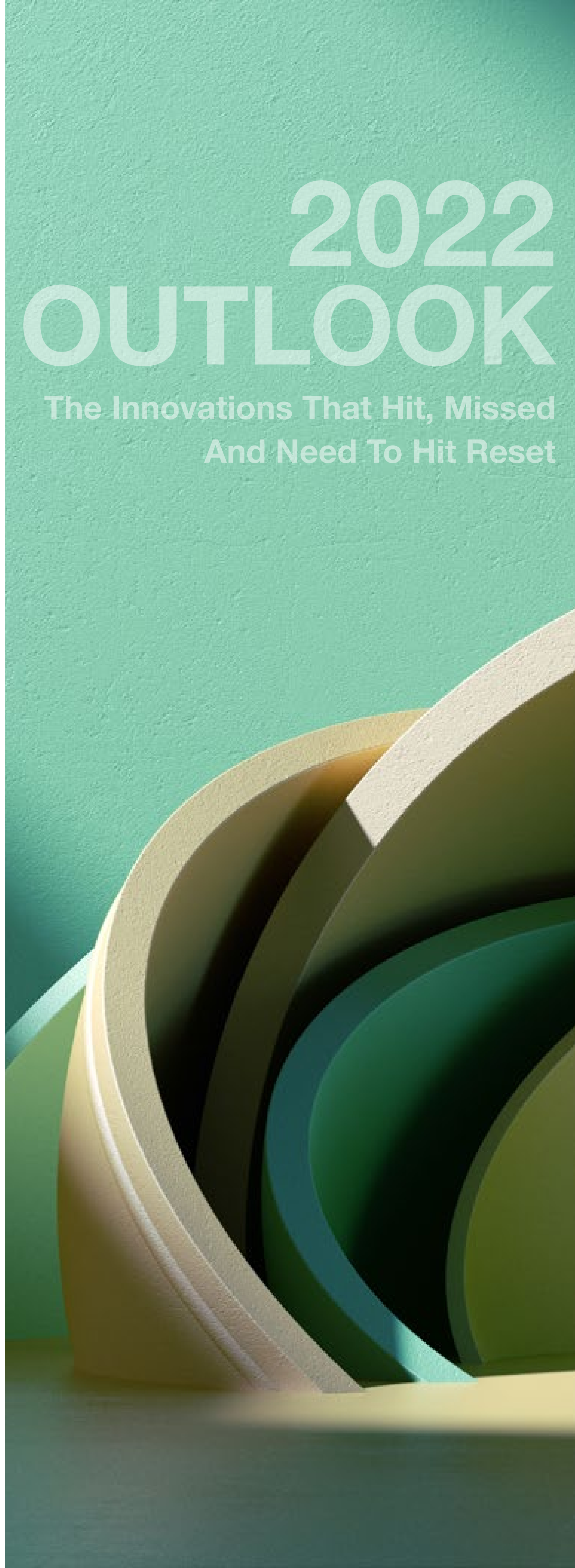
That diversification opens up the penetration and proliferation of various wallets, as well as variable price points where consumers (and enterprises, too) can and will make higher dollar transactions. Volatility notwithstanding, many of these consumers have accrued balances that have stabilized — and they may be ready to make larger purchases than they did before. That means merchants and billers, seeing pent-up demand, will likely want to offer cryptocurrencies among their payment options.

Blockchain is just beginning to help corporates manage data and all manner of information tied to money movement, helping transform back-office functions. Cross-border payments, especially, can see significant value-add from stablecoins and blockchain, especially as various transaction limits lift and transaction throughputs improve, reducing any remaining points of friction.

In terms of innovation, it's likely through the next year — and beyond — that stablecoins will gain currency (pun intended) in global commerce, as they are marked by relatively less volatility than offerings that are not tied to an underlying asset or fiat.

There will continue to be growth, too, as industries across the board discovering how crypto and blockchain can redefine verticals as diverse as maritime, precious metals, and even real estate acquisitions.

All of these trends will converge and crystallize as regulatory uncertainty falls by the wayside. Against that backdrop, banks and merchants — which are currently lagging consumer adoption of cryptos by a year or two — will find a greater comfort level exploring what decentralized finance (DeFi) might mean for their own operations.



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INDIA'S INNOVATION IN PAYMENTS TECH: HOW FAR IT HAS COME AND WHAT CAN WE EXPECT?

At present, it is thrilling to see India's transformation from a cash-dependent economy to an economy known for its digital payments landscape. The payment industry is going through a digital transformation driven by progressive regulatory policies, digital innovations and growing mobile internet usage.

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Innovations That Hit the Mark

India is becoming an exciting platform for development and testing of new payment technologies. The volume of digital payments in India has increased by 33% year-on-year (YoY) during FY 2021-2022. A total of 7,422 crore digital payment transactions were recorded during this period, up from 5,554 crore transactions seen in FY 2020-21, according to the Ministry of Electronics and IT (MeitY).

In 2021, Unified Payments Interface (UPI) became the undisputed payments champion. It was the most used platform for digital transactions during the period, accounting for 452.75 crore transactions with a value of ₹8.27 lakh crore, until the end of February 2022.

The next phase of growth in UPI is expected to come from the AutoPay feature, which allows recurring payments of up to Rs 5,000. UPI AutoPay has seen massive traction in the past few months. Recently, the Reserve Bank of India (RBI) has said since half the transactions on the UPI platform are of small value, it will enable them through an "on-device" wallet in UPI applications, to help reduce stress on the banking system and make the transaction process even simpler. Further, the RBI has also said it will launch a UPI-based digital payments solutions for feature phone users.

India's buy now, pay later (BNPL) industry is also booming and expected to surge with the rapid rise in the number of users. The advantage of BNPL lies in its convenience as a payment option. The short-term financing option is especially gaining much popularity among the masses in India, as it enables them to buy commodities of larger ticket-sizes, converting them into affordable buying options. From a business point of view, brands in India are also tapping into BNPL's benefits such

as increase in the customer lifetime value, conversion rate, engagement rate and customer return rate.

What's Coming in the Near Future?

SoftPOS and banking as a service are two spaces where we can expect rapid and even visible development.

Internet companies and emerging FinTechs are increasingly looking to embed financial services into their products. This is leading to the development of enabler platforms that offer Banking as a Service (BaaS) and help bridge the gap between companies and banks, bringing in exciting possibilities in the banking ecosystem as well as in the future of payments.

Banking as a Service allows FinTech and non-financial services enterprises to provide banking services to their customers. For instance, services like accounts, issuing cards, investment, lending, etc.

With BaaS driven interactions among banks, NBFCs and FinTechs, we expect to witness further advancements and perhaps, also radical developments and solutions like co-lending, delivery of credit lines, account aggregation services and similar API-driven services.

In payments, with tap-and-pay NFC-based payments becoming ubiquitous, hardware POS devices may slowly be replaced by mobile phones acting as POS devices with ability to accept payments from NFC cards and even cards hosted virtually on NFC enabled phones. Development of tap and pay abilities and credit for UPI, which has already shown unprecedented growth through QR codes, can be a major boost unlocking even more growth. Regulatory moves like removing the need for a second factor of authentication for transactions up to Rs 5000 is a major driver here.

BLOCKCHAIN, DIGITAL CURRENCIES MEETING NEED FOR FINANCIAL INNOVATION

In 2021, the terms crypto, DeFi, Web3 and non-fungible tokens (NFTs) became a staple of internet conversation. Regulation and experimentation will evolve to make 2022 an even bigger year for cryptocurrency.

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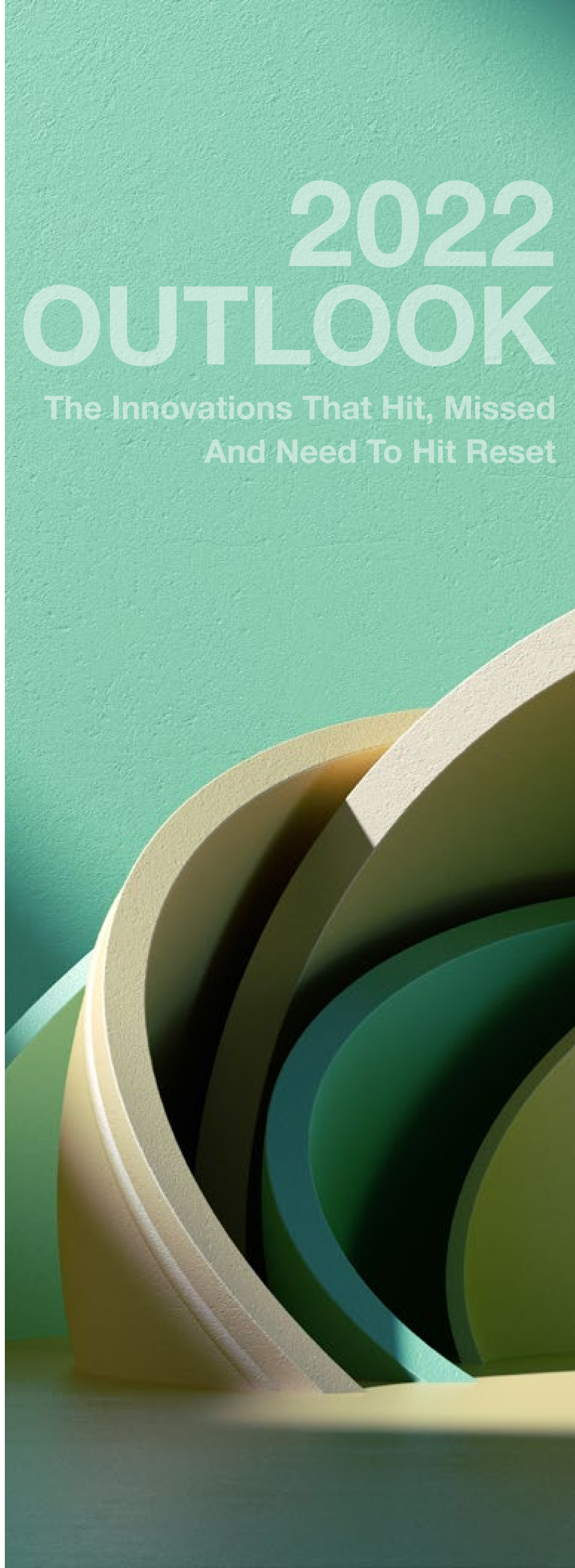
On the regulation front, new guidance on virtual assets from the Financial Action Task Force is expected to move many countries toward the implementation of important anti-money laundering (AML) policies. We're also seeing digital asset taxation on top of many lawmaker's minds. Reporting requirements are being introduced, both domestically in the U.S. in provisions within bills like the Infrastructure Investment and Jobs Act and internationally through information exchange mechanisms like those being built by the OECD.

As for experimentation, the growth of stablecoins and the growing interest in central bank digital currencies (CBDCs) have revealed many governments' hunger for financial innovation. Governments around the world are now thinking hard about how to harness the advantages of blockchain technology while providing adequate oversight and controls.

And perhaps most importantly, longstanding myths about cryptocurrency are finally being busted. The widespread belief that digital assets are anonymous, untraceable and mainly used by criminals is fading. Research conducted by Chainalysis has shown that, in 2021, a paltry 0.15% of crypto transactions had ties to illicit activity. This is mainly due to the massive global adoption of crypto for legitimate purposes outpacing its criminal use.

While nobody knows how cryptocurrency will evolve in 2022, one thing remains clear; it's here to stay. Only time will tell how the world will react to new market moves, regulations, and digital asset innovations. However it unfolds, Chainalysis will continue on its mission to prevent crime, protect users and build trust in blockchains.



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INNOVATION'S IMPACT ON **PAYMENTS TRENDS** FOR CFOs IN 2022

The last few years have been a whirlwind for chief financial officers (CFOs). However, one constant — innovation — is at the center of these payments trends for CFOs.

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Crypto

Most early investment dollars in innovation are channeled to B2C first, given the large addressable market and B2C's lesser complexity. While crypto grows in popularity, it isn't a main player yet. According to a NewtonX Current and Fortune survey, 92% of CFOs said they were not accepting nor planned on accepting crypto payments in 2021 and 2022.

In the B2B space, payment innovations must gain traction and build critical mass. Consider paper check payments. Prior to the pandemic, more than 80% of companies paid by check—today 53% of CFOs say they send and receive fewer check payments, according to a PYMNTS and Corcentric report. Don't expect immediate wide acceptance of crypto in the B2B and B2C spaces until it overcomes regulatory uncertainty and valuation volatility obstacles.

Buy Now, Pay Later

Consumer payments and credit granting are undergoing a fundamental transformation. Buy now, pay later (BNPL) is proliferating in the B2C world as eCommerce grows and technology innovation continues to threaten consumer credit cards.

Research from eMarketer shows that eCommerce comprised nearly 20% of total retail sales in 2021 — a number projected to increase to over 22% by 2023. According to The Global Payments Report, global eCommerce payments made via BNPL will rise from 2.9% in 2021 to 5.3% in 2025. BNPL will provide buyers and sellers with another option to administer payments and will continue to complement more established payment methods like digital wallets, credit and debit cards and bank transfers.

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Back-Office Technology

The complexity of B2B payments and varying degrees of sophistication among buyers and sellers created a need for flexibility with payment modalities and timing strategies. Although digitizing back-office technology for payment processes has been a consideration for many companies, the pandemic accelerated its planning and adoption.

Reasons why CFOs are ditching manual processes include greater operational efficiency, holistic cash flow and working capital, seamless operations integration and enhanced security, according to a PYMNTS and Corcentric report. Innovation and investment in technology allow treasury and accounting functions to maximize cash flow and optimize working capital across the entire payment ecosystem.

Innovations Hitting the Mark

It's important to reflect on what has previously worked and let the past inform the future. These are three takeaways from recent innovation.

1. Payments processes remain siloed, but work already accomplished, especially by FinTech players, has created strides in approaching the entire lifecycle holistically.
2. BNPL has significantly impacted growth in supporting the volume of eCommerce activity.
3. Technology applying the right payment methodology and timing strategy is creating win-wins for buyers and sellers.

While there is still a lengthy journey before declaring victory, CFOs embracing technology to improve payments can impact positive change on business processes.

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YINGLIAN
XIE
Co-founder and CEO
DATAVISOR

IT'S ALL ABOUT **IMMEDIACY NOWADAYS,** ESPECIALLY IN PAYMENTS

While the past two years have been a lot to take in in many ways, I believe that digital payments are in a better state than in early 2020. This is especially true due to the progress the entire system has made toward real-time capabilities. This trend is here to stay, and I believe it is big enough to warrant its own hit, miss, or reset analysis, so here it goes.

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Hit the Mark

True innovation can't flourish without adoption. If the last couple of years taught us anything, it's that forces beyond our control are relevant in how people adopt new technology. The combination of an exacerbated need for digital payments driven by the pandemic and an immense amount of work from payments innovators in startups and large companies alike has changed how we think about transactions. We all have higher expectations of immediacy, digitalization and safety.

The numbers can back this up: According to Visa, 78% of global consumers adjusted the way they paid for items in the wake of the pandemic.

Missed the Mark

Nobody could have predicted the impact of the COVID pandemic, but perhaps we could have done more to mitigate the negative effects of the massive shift toward digital payments, which opened up new doors for fraud to flourish. From phishing scams targeting disadvantaged population groups and our elderly family members to unprecedented increases in the sophistication of coordinated bot attacks targeting overburdened retailers, there are a lot of lessons to draw for the future.

Case in point: Statista reports that 62% of small and medium-sized business (SMB) retailers and 82% of large ones reported increased fraud attempts since the start of the COVID-19 pandemic.

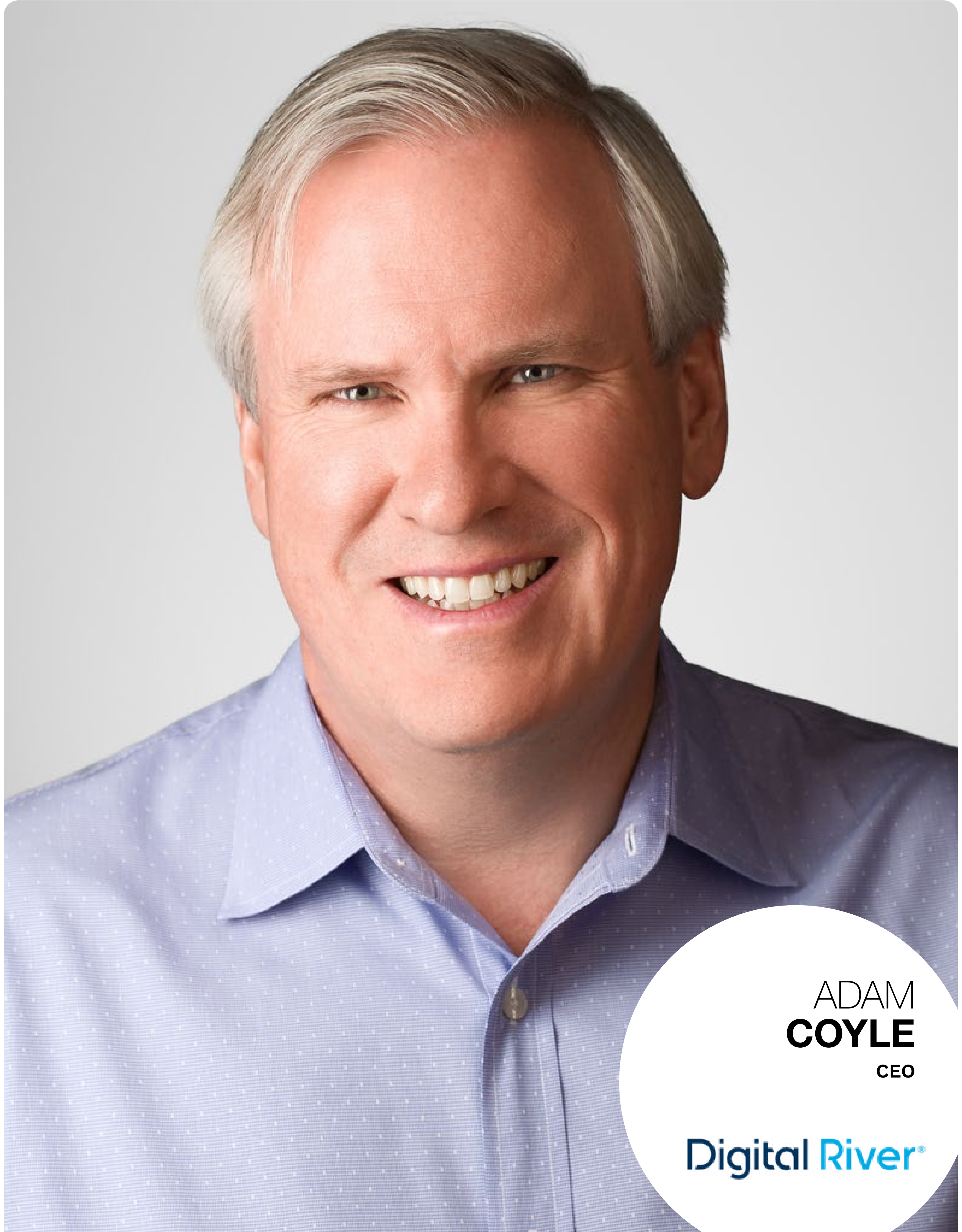
Needs to Hit Reset

Consumers are ditching cash and checks in favor of digital payments, but many transactions still run along technological rails that were simply designed for a different time. With all this growth in the digital economy, we need to reinvent certain aspects of our infrastructure if we want to enable true real-time payment capabilities.

For example, we're looking very closely at the implementation of the 3D Secure 2.0 protocol as the payments industry's biggest collective push to reduce card fraud and preserve the user experience and sense of immediacy.

We're also paying a lot of attention to how ACH payments are evolving, and I am optimistic about how same-day ACH transactions are gaining adoption. We need to be on the lookout for unintended negative consequences of this increased adoption, and we have recently started seeing bigger waves of ACH fraud attempts.

There's still a long way to go to provide customers (who don't like to be told that a transaction can take days to clear) with payment experiences that are immediate and safe, but the ACH system is an impressive feat, and a lot of great minds are working to perfect it.



BACK-OFFICE TECH INVESTMENTS WILL BOOST BRANDS

A viable digital strategy became a must-have for companies looking to succeed in 2021. As we look ahead at innovation for 2022, companies are leveraging their partnerships and their back-office technology investments to ensure they have the right integrations in place to expand with expertise into worldwide markets.

Plug-and-play models gained favor over the past two years for companies looking for a quick and easy on-ramp to selling online, but as a company matures, composable commerce that considers a brand's own expertise at the customer experience layer, combined with experienced partners

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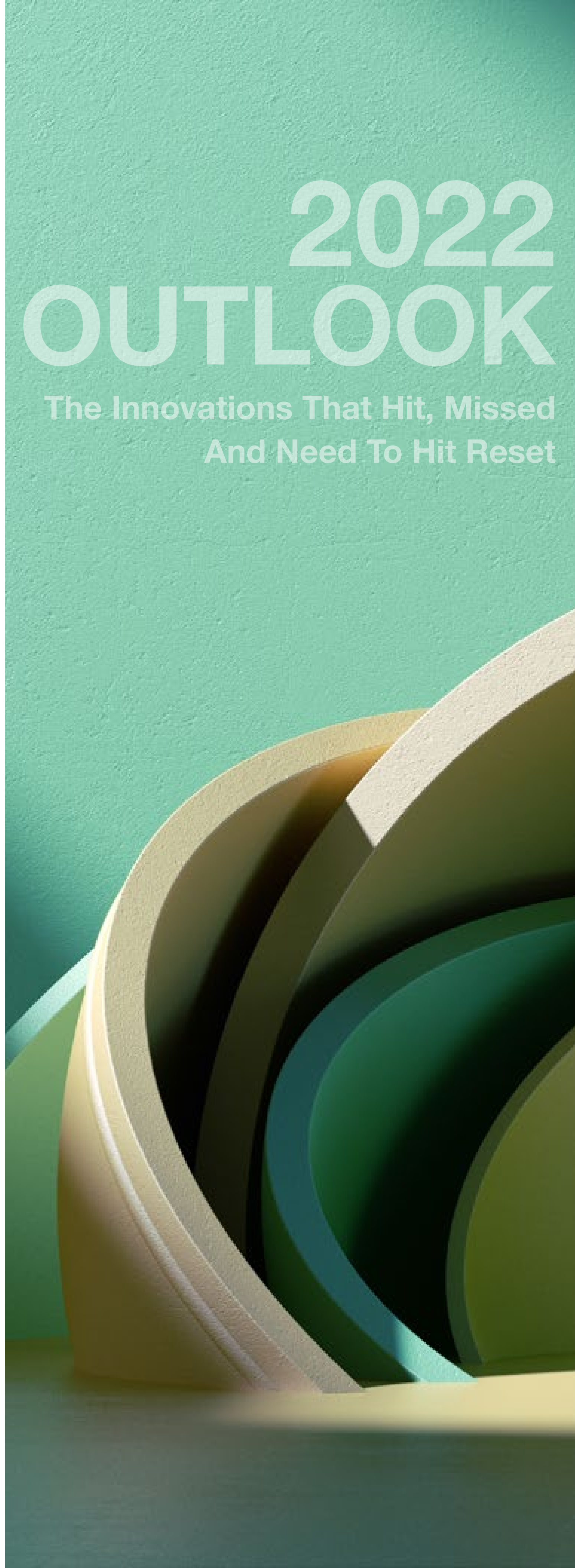
who can handle the complexities of both local and cross-border transactions will win the day. With today's flexible APIs, brands can still have both ease and speed of implementation along with the freedom to design a solution that best suits their needs and allows for scalability as they grow. By leaning into the services and expertise the right partners can bring you, brands can offload regulatory complexity and the need for localization that would otherwise consume major resources.

A common example can be found in the apparel industry. Brands are finding customers all over the world via online channels, but trying to navigate tax rules and data privacy compliance for hundreds of jurisdictions is daunting for even the largest brands. A constantly changing regulatory landscape means companies risk reputational and financial damage if they get it wrong. By investing in the right back-office tech solution, that brand can grow with confidence, and still focus its talent on the product and their customers, not the paperwork and logistics.

The B2B space is primed for a reset in 2022 and many companies are already executing on that as customers demand experiences that match the ease they find from their consumer experiences. Companies are realizing the value of the customer data they can get from an eCommerce channel, not to mention the customer journey they can create using that data. We are seeing people in industrial equipment, high level software and commodity components looking at how they can grow their business with a new, online channel.

That channel could manifest itself in a traditional commerce sense. For others it might be a sale-rep assisted transaction portal. Brands can build stores that become a vehicle for B2B enterprise sellers or create a store where internal salespeople can complete a transaction with a customer. It's a big change in the market and one that will see continued investment in 2022 and beyond.

Innovation in commerce is never-ending. Shopper preferences will guide the rise and fall of certain payments, as well as how shoppers choose to access their money. The greatest return on investment will come from the platforms brands build, and the ecosystem of expertise those platforms will bring to brands. Innovation in technology as well as in mindset has made that process more efficient and more seamless than we've ever seen it before.



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FINCRIME PREDICTIONS, TRENDS TO WATCH

The more things change, the more things stay the same. This has been made abundantly clear in the banking and finance sectors, where the circumstances that have accelerated digital transformations — COVID, wider consumer adoption of digital banking, QR codes making a comeback and the shift from buy to subscribe — will create new opportunities and reinforce familiar challenges.

With that in mind, let me outline what I believe to be the top 9 trends to watch out for in 2022:

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1. Fraud will force every single bank to fight for its reputation

Our own research has found that banks are preparing to compete over whose fraud prevention is best. Consumer perceptions of each bank's trustworthiness are now on the line.

2. B2B payments will experience intense disruption

The 2010s laid the groundwork for a revolution in consumer payments. The online shopping habits that took off during the COVID-19 pandemic were only possible because companies like Square and Stripe had been putting card readers in the hands of small businesses for years. Now, the B2B payments space gets its turn at digital disruption.

3. Anti-money laundering compliance will get to grips with crypto

NatWest was fined 265 million pounds at the end of 2021 for failing to prevent money laundering. As AML professionals know, financial criminals have become more efficient, and they leverage digital technologies such as cryptocurrencies and instant payments to make identifying and investigating financial crimes more challenging.

4. The global payments infrastructure will bend to consumers' will

Consumers are savvy FinTech users. When they need to move money across accounts and across borders, they will find a way to do so. Consumers don't want to pay foreign transaction fees or jump through hoops, and now they have sufficient power to decide which payments companies will thrive.

5. Banks will push for help with scam liability

When a bank customer is tricked into sending a push payment to a scammer, there is clearly a need for justice. The money needs to be returned to its rightful owner. But who is on the hook for restitution? In 2022, expect heated discussions around the question of who pays the bill for the costs of fraud.

6. Consolidation in payments will bolster fraud prevention

In the last two years, Visa has made three acquisitions. During that same period, Mastercard has made seven. The consolidation taking place in the payments vertical has the effect of centralizing huge sets of data previously siloed off in individual companies. This consolidation has major implications for payment companies' ability to combat fraud.

7. Buy now, pay later will be an important front in the fight against fraud

Buy now, pay later (BNPL) has been booming in the United States, and companies such as Klarna have made BNPL a popular payment option for European shoppers. This makes merchants happy because it keeps money coming through the door. It also has created numerous opportunities for financial criminals — and added a new wrinkle to global fraud prevention.

8. Central bank digital currencies will gain wider traction

In 2021, decentralized finance platforms grew rapidly thanks to the availability of stablecoins, digital currencies whose values are pegged to a specific fiat currency like the U.S. dollar. Now, the central banks that issue those fiat currencies are looking for ways to reap digital benefits for themselves by providing regulated digital tokens that global financial institutions can rely upon for cross-border payments.

9. QR code payments will (finally) catch on everywhere

In Asia-Pacific countries, most consumers make payments and send money via QR codes. In Europe and North America, QR codes are mostly synonymous with proof of vaccination and restaurant menus. In 2022, that gap will close considerably.

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AVA **KELLY**
Chief Product Officer

DIGITAL COMMERCE WILL CONTINUE ITS DOMINANCE IN 2022

Over the last year, we've seen the continued rise of digital commerce based on customer adoption of fintech innovations like cryptocurrency, buy now pay later and digital banking solutions including virtual card issuance, to name a few. Considering the pace of innovation and high consumer adoption rates, the payments industry is primed for even more innovation throughout 2022.

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Cryptocurrency Is Here to Stay

While crypto isn't necessarily the future of money exclusively, it's certainly becoming part of the fabric of commerce.

We've already begun to see crypto enter the digital commerce space. Today, converting cryptocurrency into fiat and then funding bank accounts and payment cards that ride the traditional payment rails has increased the utility of crypto currencies.

In our own analysis of crypto-backed card transactional data we've seen engaged users across all age groups, and we see higher monthly active rates than traditional cards.

Crypto is not going away. In fact, crypto didn't stall out in the absence of government regulation; rather, the market has advanced, indicating that crypto is anything but a flash in the pan.

BNPL Products Are Positioned for Growth Across Different Segments

With BNPL, we're seeing a different flavor of lending evolving within the larger context of credit, with distinct applications and value for different parties.

For some consumers and businesses, BNPL has clearly demonstrated cash flow incentives and benefits. There is data that shows that more affluent segments are using it in this way and it's not hard to see it having a place in the household budgeting equation.

For other consumers and would-be lenders, there is a strong case for it playing an introductory role on the road to credit, with the potential for long-term benefits for both sides.

An interesting aspect of the emerging BNPL picture is the ability to deliver it in pre-, during- and post-purchase moments. And there's a real opportunity to accelerate the category as banks, retailers and others enhance their BNPL products based on deeper customer insights.

Back-office Tech Investments Will Pay Off for Treasury and Accounting Teams

The bottom line is that tech investment in more agile, global and product-deep platforms delivers faster speed to revenue resulting in improved cash flow and reduced financial risk – two key focus areas for these teams.

The other payoff comes in the inherent ability of these kinds of tech investments to deliver global reporting – a central function of treasury and accounting – across markets, products and customers.

It's an area where many firms struggle. It's the difference between living with a degree of opaqueness that goes with operating disparate systems versus the clarity and efficiency of treasury and accounting having all their data in one place.

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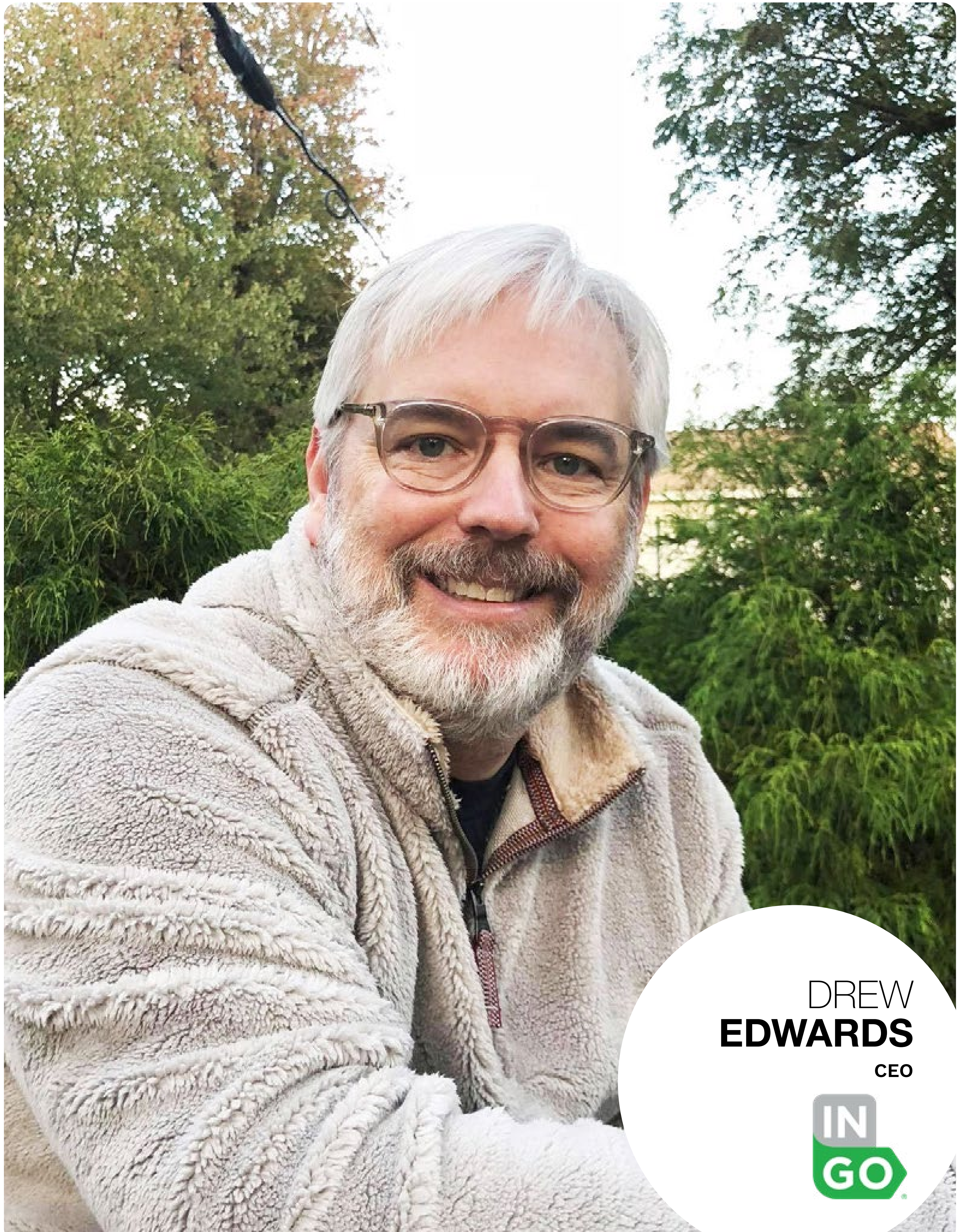

MODERN ACCOUNT ISSUING **'HIT'** DEMANDS A **'RESET'** IN MONEY MOBILITY

For so many cutting-edge financial innovations like buy now, pay later (BNPL) and crypto, the jury is still out. It can sometimes take years to understand what has staying power and whether it is truly delivering impact for consumers or businesses.

But modern digital account issuing stands out for its quick uptake and deployment; its success is easy to see all around us. Nearly any consumer-facing app can now create an account capable of taking a deposit or making a payment. Seemingly overnight, it has made every company into a FinTech company, with insurers, challenger banks, retailers and others offering online wallets, cards and more.

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The unintended consequence of this "hit" is that it has also made evident the need for a "reset" in traditional money movement technology. Each of these news issuers is now realizing that if they want these newly created accounts to become primary accounts for a consumer or small and medium-sized business (SMB), they need to solve for money flows — both in and out — in a digital world.

The ability to easily fund an account from any form factor, including checks, cash and digital transfers, is table stakes. They must also enable the ability to move, send or spend that money — instantly and securely — beyond just a card swipe through features such as pay anyone P2P, disbursements, bill pay or me2me transfers.

Without these capabilities and the ability to control the fraud associated with money movement, all managed in a way consistent with consumer expectations for convenience and confidence, a new account is simply another login that will fade away over time.

For many of these new account issuers, their short-term answer is to embed a company like Mitek for check deposits, do a deal with a free ATM network and then connect directly to one of the card networks' push payment APIs. But this limited functionality runs the risk of disappointing consumers, especially when bad actors take advantage of the situation, and the issuer is forced to restrict the availability of services to a small percentage of their customer base.

Today's consumer is conditioned to expect choice in all things, and issuers must allow for that by including ubiquity and choice in money movement along with speed and safety. On the inbound side that might mean instant access options for funds received on checks or the ability to instantly transfer money in from another account. On the outbound side, it should include the ability to move funds to another app or to originate payments digitally from within the app without requiring a new sign up.

To effectively serve these very modern consumers, the reset for issuers is to embrace the modern concept of money mobility: the ability to move money in or out, from and to all form factors, simply, safely, and with choice.

But this reset comes with some big risks. Companies that attempt to build it themselves or stitch together one-off service providers or capabilities limit their ability to control bad experiences and fraud because they lack market-wide visibility and a cross-functional network effect. Using multiple APIs and developers to achieve connectivity to accounts sounds easy, but once the money starts flowing, the red lights begin flashing.

That's because without the proper controls in place or visibility across today's vast ecosystem of endpoints, it's easy to fall victim to fraudsters. Offering instant inbound funds from any modality can be risky and when money is being instantly disbursed, there is often no way to claw back fraudulent funds or payouts.

For new issuers, the next year is going to be a critical one as they come to understand the need created by their newfound capability, and then determine the best path and partner to manage the risk, fraud and operational support required for money mobility.

Companies that do this right stand to benefit in a big way. Proper money mobility capabilities will result in highly engaged and loyal customers, earning issuers top of wallet status. For 2022 and beyond, money mobility will be the new "sticky."

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2022: THE YEAR FOR **LEARNING AND EVOLUTION**

Crypto isn't going away. Crypto is — and will continue to be — part of the growing monetary system. The more people use it, the more relevant it becomes — and the crypto market has grown significantly.

There are different ways to think about crypto — as an asset class, as a stored value in a substitute currency, but also as a means of transferring value. For example, using crypto can make cross-border payments easier and more efficient. In that case, it's more like a technology than a currency.

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The big question is — are we moving to a decentralized finance model? Some think this could be the new evolution without banks at the core. Either way, banks will adapt and look to establish a presence to avoid disintermediation.

Buy now, pay later (BNPL) is a starting point.

From a consumer perspective, BNPL is a different way to access credit.

Although many BNPL offerings have no express interest rate, credit pricing and risks don't disappear — but retailers assume bigger discounts than they would on a credit card. So, as BNPL becomes a larger percentage of retail purchases, merchants will be required to re-evaluate their pricing strategies. Consumers will pay for credit or financing charges, but indirectly.

The interesting question is whether BNPL could reduce credit risk. BNPL is generally an installment product, not a revolving credit account. Because it's tied to a specific purchase, consumers may be more likely to repay a BNPL because it's more tangible than a credit card. If this type of consumer behavior endures, the cost of credit will be cheaper for BNPL vs. credit cards due to the way consumers prioritize payment obligations.

Back-office tech investments are a win-win.

For treasury and accounting teams, tech investments will create more automation and time savings — that's the obvious benefit. But there's more to it than that. By digitally transforming these processes, you give structure to your data, which helps you analyze performance with better measurement.

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As treasury and accounting teams automate more, roles will shift away from task execution and toward analysis and continuous improvements. It's a virtuous cycle — by making back-office tech investments, you gain savings, time, and data to invest in more tech and optimized processes.

When it comes to payments and commerce, don't reinvent the wheel.

Past years of digital transformation have shown innovation doesn't have to be massive to change the world. Instead, you can take existing technology and reimagine it.

A great example is the resurgence of QR codes. A short time ago, they seemed almost obsolete. Now, in a contactless world, they're everywhere. QR codes have even impacted the payment space — as now they're used to simplify payments. This was existing tech, combined with mobile and contactless technology for an entirely new end-user experience.

There's an opportunity to rethink things on the commerce side, specifically the self-checkout process. Amazon, for example, has no checkout process, only a shopping experience. This is the future — a more integrated and seamless process where the shopping and checkout experiences are one.

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PETER
MAOLONI
Vice President, Product and Services

DATA-DRIVEN DECISIONS: WHY DIGITIZING BACK-OFFICE PAYMENT TECH NEEDS TO BE ON THE AGENDA

Organizations in every sector are under enormous pressure to deliver post-pandemic success — and treasury and accounting teams are feeling it.

Addressing this pressure effectively takes finance transformation. Specifically, digitizing finance systems and processes can dramatically enhance operational efficiency and data capabilities. That, in turn, means widescale organizational benefits.

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Digital payments are at the heart of this innovation. Most of us are now used to making transactions seamlessly in our everyday lives, but that experience hasn't always translated to the enterprise world, where organizations unfortunately still rely heavily on cumbersome and expensive paper-based processes.

With the widespread shift to hybrid work, the need to digitize payment transactions for business has become even more urgent. In fact, 8 in 10 (80%) finance professionals agree that moving from traditional payment options to digital ones will be essential to post-pandemic growth according to recent Interac research. As more employees work across multiple locations, manual, and in-person processes (such as payment by check) have become not only antiquated but increasingly unfeasible.

Adopting digital payment solutions can be done with relative ease. There are off-the-shelf commercial payment offerings like Interac e-Transfer for Business that enable data-rich payments in real time to help streamline accounting processes and accelerate paperless office strategies, while offering bulk payment options, which facilitate a number of payments at once. These are powerful tools to simplify processes and boost operational efficiency. Digitizing payment systems ultimately allows organizations to view and analyze cash flow more easily, empowering businesses to manage customer data more strategically, for example by identifying the most profitable clients and focus efforts on them to accelerate growth.

Going digital with payments also enhances transparency. With traditional forms of payment, accounting teams have no line of sight between when a payment is sent and when it is received. Digital payments, on the other hand, create transactions that are secure, traceable, and recorded, so you can easily go back and identify who the money went to, and see any memos associated with the transaction. Additionally, having all reconciliation data in one place makes it easier to complete transactional work such as filing for taxes and applying for loans.

Evolving from manual, paper-based processes to digital will also be transformative for the people in your finance function. Faster processing and servicing means fewer person-hours dedicated to invoicing and payments. As these manual tasks become automated, finance teams are free to spend more time on higher value-add functions. Over half of finance professionals (54%) say shifting this function from being driven by transactional processes to playing a role that is more strategic will be important to the future success of their organization. From overseeing the execution of company-wide strategies to optimizing the management of cash flow, treasury and accounting teams can unlock significant value when they streamline their processes.

As leaders continue to work toward finance transformation, there is major opportunity for payments innovation to lead the way. By giving teams quicker and safer access to money with more information, organizations can reap incredible rewards — ones that will last long after the pandemic has subsided.

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ORLANDO
ZAYAS
CEO
Katapult

LEASE-TO-OWN OPTIONS AID CONSUMERS AMID ECONOMIC HEADWINDS

When COVID-19 hit in March of 2020, no one could have predicted the seismic impact that it would have on all aspects of life, especially in the retail and eCommerce areas. As stay-at-home orders took effect, businesses shut their doors and caused millions to lose their jobs and along with them, the income they and their families relied upon, with coronavirus stimulus checks providing partial, but much needed, relief. As life continued, demand for necessary goods such as tires, computers, and furniture increased. In fact, the lifestyle necessitated by COVID-19 made it even more critical to purchase these goods. Alternative payment solutions such as buy now, pay later (BNPL)

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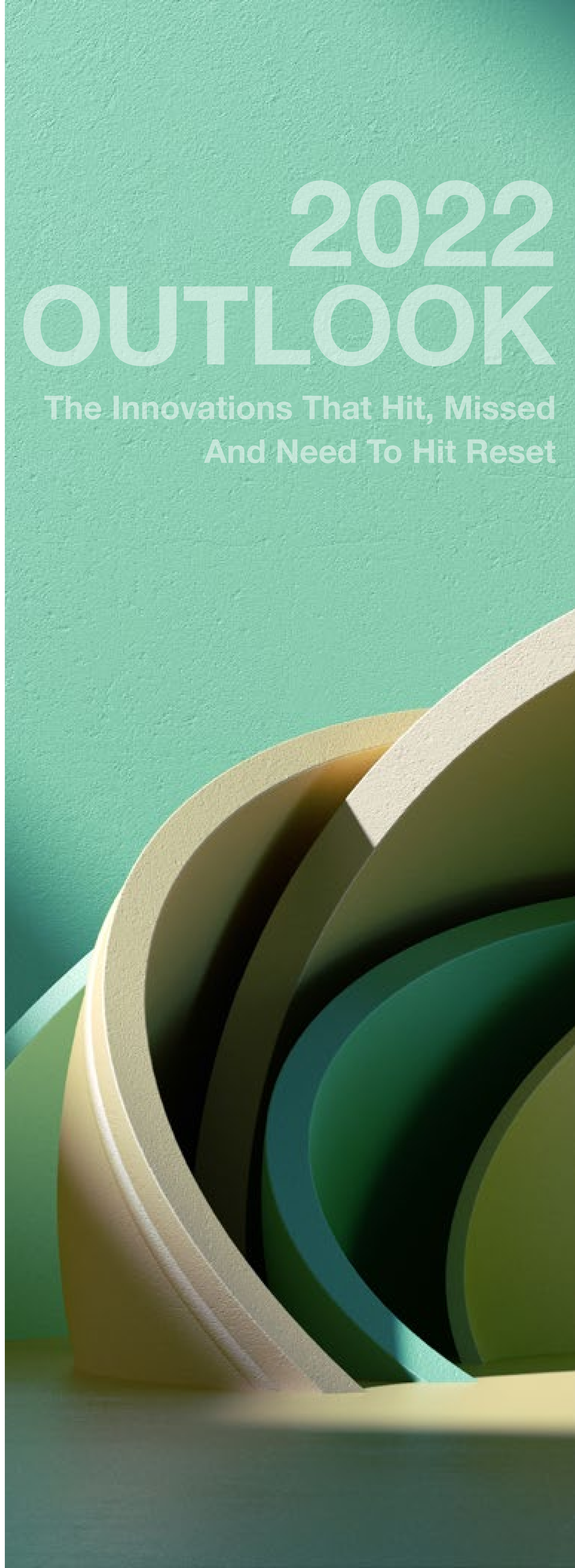
and lease-to-own enabled those hit hardest by the pandemic to continue to purchase the items they needed, when they needed, for their everyday lives.

Lease-to-own options became particularly popular throughout the pandemic since the solution allowed customers without credit or with lower FICO scores to continue to buy the products they needed flexibly. Katapult found that 34 million consumers, roughly 20% of the U.S. population, obtained durable goods through lease-to-own options last year alone. For retailers that offer lease-to-own options, they can appeal to a broad customer base of previously underserved shoppers.

Unlike other solutions, lease-to-own can be utilized by almost anyone, anywhere, the approval process is quick, and the platforms that exist are easy-to-use. Additionally, lease-to-own companies such as Katapult prioritize transparency and fairness — there are no hidden fees at checkout and a variety of flexible payment options to choose from during the term of the lease. Plus, retailers in a variety of industries from electronics and furniture to medical equipment providers offer lease-to-own as a payment option, including Wayfair, Lenovo and Purple Mattress. This means that consumers possess a greater degree of choice in their purchases and can obtain higher-quality items.

As eCommerce exploded over the last two years, lease-to-own providers such as Katapult adapted to the digital space to support merchant partners and help facilitate the boom in retail, ensuring that consumers could continue to obtain the items they needed from the comfort of their homes. Retailers that offered lease-to-own options saw higher repeat purchase rates and greater customer satisfaction rates, encouraging them to promote the solution to more consumers and perpetuating the cycle of use.

Today, as COVID restrictions lift and the world starts to shift to a post-pandemic state, lease-to-own options continue to aid non-prime consumers as residual economic issues including supply chain shortages and sky-high inflation increase the price of necessary goods such as rent, gas and food. These price hikes have an outsized impact on those already living paycheck to paycheck, squeezing their income further and making it harder to buy the staples that they rely on for everyday living. Lease-to-own helps these consumers stretch their earnings through flexible options to ownership and a customizable plan that meets their individual needs. As the world evolves, lease-to-own will continue to be a viable option for consumers in all financial situations, especially non-prime consumers, for purchasing essential goods.



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INNOVATIONS IN COMMERCE

Few things have changed the landscape of the digital payments and eCommerce space as much as the COVID-19 pandemic. Essentially overnight, merchants and consumers shifted almost exclusively to digital commerce. While the pandemic has slowed and life is returning to normal, the digital shift is here for good and will continue to grow — along with the innovation era it ushered in. Two major innovations have taken the space by storm: cryptocurrency and buy now, pay later (BNPL).

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Cryptocurrency has made a big splash in the industry in a short time, with adoption ranging from investment portfolios to an everyday payment method. Even with its popularity, the widespread acceptance of cryptocurrency has challenges. Similarly, BNPL payment options are expanding the payments industry and dramatically shifting the consumer's relationship with credit.

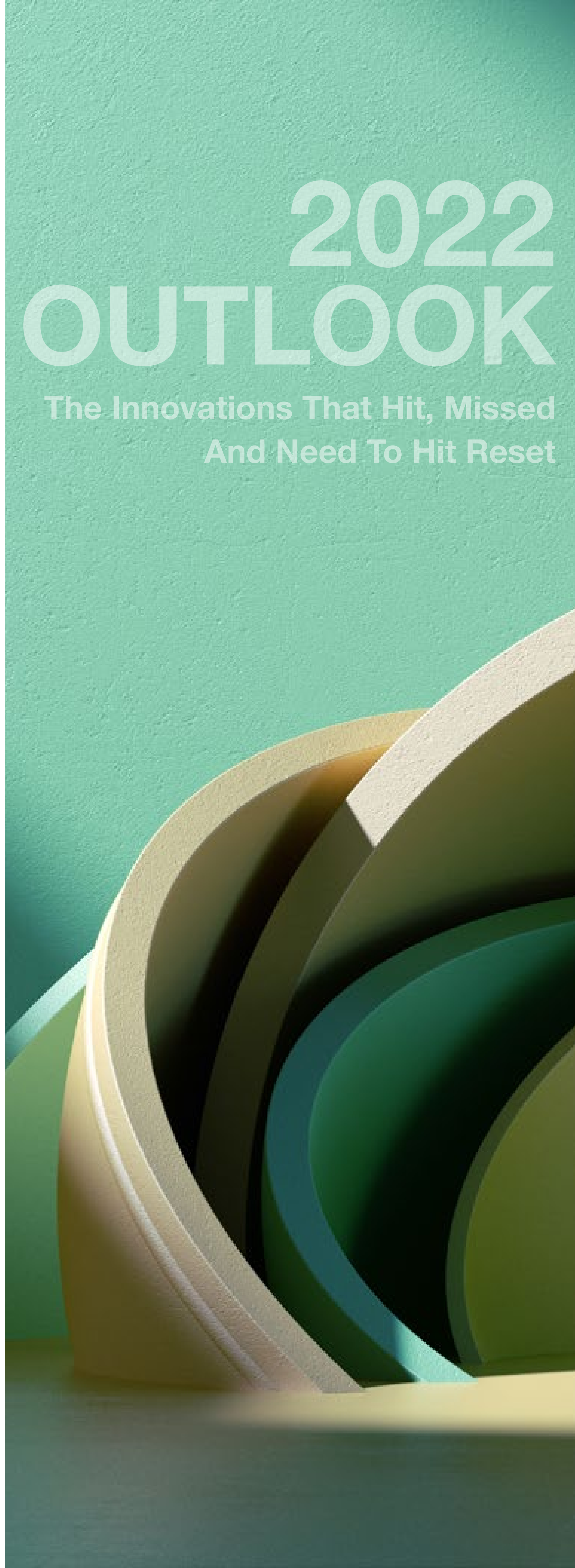
The ease of use and flexibility of BNPL and crypto options are especially attractive to consumers who appreciate immediate access to goods, predictable payments and no interest or added fees. Looking at market trends and growth, consumers want the convenience and benefits of a frictionless commerce experience.

The three major credit bureaus announcing their inclusion of BNPL data in a consumer's credit is a significant advancement that has the potential to boost credit scores for those newer to credit or trying to rebuild their credit score. While there are still risks and areas for improvement with BNPL, inclusion of BNPL data in credit profiles will help create staying power.

These innovations show that how we used to pay and how we will pay in the future are changing. Cryptocurrency and BNPL are bridging the gaps and changing how consumers buy overall, providing the flexibility and transparency necessary in the current commerce landscape.

In the digital commerce age, it is about more than just data validation of components in a transaction; it is linking data to tell the history and persona of the customer to better understand what type of relationship that you as a merchant want to build with them.

Now is the time for businesses to take a proactive approach to digital payments. Staying ahead of the curve with a modern, secure and holistic digital strategy will not only weed out fraudsters but also help you get to know your customers, their purchasing power, and how best to accommodate their buying preferences. Keeping up with their payment trends and needs increases your revenue and puts you ahead of the pack.



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FINTECHS AND THE RETAIL BANKING **RESET**

We have witnessed a seismic shift in the last two years, with COVID-19 accelerating digital transformation and forcing innovations to come years before some thought possible. In the financial industry, COVID-19 forced banks and FinTechs to innovate toward a future where customers can have integrated and seamless digital banking experiences.

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One innovation that hit the mark was the reset in retail banking.

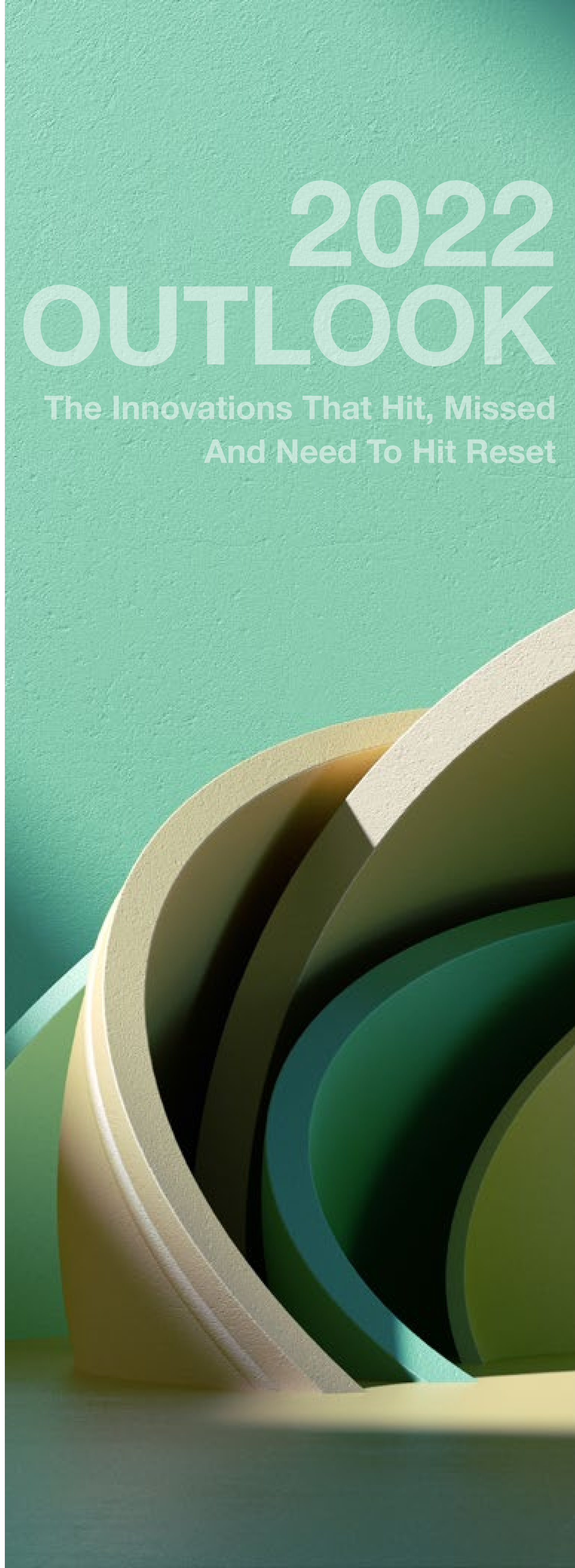
Customers used to value the convenience of having a branch nearby. Now they value the convenience of seamless online banking. “Bank” is no longer just a location — somewhere you go — but has transformed into a verb — something you do. Retail banking was one of the last industries that hadn’t been fundamentally changed with the dawn of the internet. Now, it’s going through a top-to-bottom revolution.

It used to be that traditional banks and FinTechs were on opposing sides, but now some FinTechs are challenging what is possible by becoming banks. Since LendingClub became a bank in early 2021, other FinTechs have followed suit. Not only does this hybrid structure have substantial financial implications, but this integration of technology and banking enables FinTechs to create truly personalized products that focus on the customer’s financial journey, which is the future of retail banking.

Traditional banks often treat each financial product as a standalone profit center with little to no insight into each customer’s needs or financial health journey. On the other hand, while many FinTechs claim to put customers first, they are limited by current federal regulations. Through bank partnerships, they are often simply new, attractive front ends for the traditional banking system and banking products.

The solution for retail banking isn’t simply to have banks acquire FinTechs or bank-FinTech partnerships because retail banking needs to be broken down and rethought from the ground up. One potential solution is for a FinTech to actually become a bank in order to make retail banking work for today’s digital world. Only when banks and FinTechs abandon their loyalty to legacy systems can they rethink how to deliver retail banking services and be truly on the customers’ side, providing services and products that meet the needs of their financial journey.

While many years away, one of the innovations that I’m excited to see come from this change in retail banking is intelligent finance. Through data and the cloud, retail banking will bring to the masses the personalized money management that the ultra-wealthy have — where liquidity and returns are automatically routed to the best place for the money you have and the lowest price debt sought for the money you owe.



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TOMER
BAREL
Chief Operating Officer

PAYMENTS BETWEEN BUSINESSES AS **SEAMLESS** AS CONSUMER PAYMENTS

Despite a 26x difference in market size, payments between businesses have historically received less attention than payments made by consumers — with few companies daring to create new technology that would challenge the status quo of paper checks and other antiquated payment methods.

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Now, the tide has turned. The COVID-19 pandemic accelerated the digitization of the payments industry, with many businesses eschewing checks and cash in favor of electronic and contactless payments. Although 25% of businesses still prefer to pay their vendors with checks, the option to send and receive payments with digital tools has never been more attractive.

Particularly for the nation's nearly 32 million small businesses, the business-to-business (B2B) payments industry has tremendous untapped potential — with innovators and financial institutions just beginning to scratch the surface. Even though small businesses are the growth engine of the nation's economy, accounting for 44% of economic activity, they have historically been drastically underserved by the technology and financial sector — especially regarding payments.

According to a joint Melio and YouGov survey, 59% of small businesses have direct experience with late payments — a trend exacerbated by the use of outdated payments systems. Even more striking, more than half of America's small businesses think that their larger clients are deliberately delaying payments even though they could afford to pay their invoices on time.

Fortunately, digital payment solutions allow small businesses to quickly and seamlessly transfer and receive payments — helping with cash flow needs, reducing or eliminating late payment costs and giving businesses back valuable time. Additionally, some platforms offer the benefit of more flexible payment methods. Even if a vendor requests paper checks, for example, businesses can make payments on credit cards and earn points to redeem rewards.

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Historically, as other industries moved to free platforms for their users, the payments industry was slow to transition and lacked affordable, easily accessible options. But in the last few years, an increasing number of B2B payments tools have become available to businesses for a small fee or free of charge — removing cost as a hurdle for businesses interested in adopting digital payments solutions.

Businesses seeking to adopt online payment solutions can also rest assured that today's platforms incorporate sophisticated capabilities — often developed in-house — to prevent fraud, including identity theft.

Another welcome development in the B2B payments space is greater collaboration efforts between financial institutions, technology companies, and online marketplaces. For example, Melio's partnership with Intuit's Quickbooks provides an integrated accounts payable solution for small businesses, allowing users to pay their bills while seamlessly importing invoices from one platform into the other. Increased integration of payments infrastructure into the platforms already widely used by businesses is essential to improving the ease and accessibility of digital payments tools.

Investment in B2B payments will likely accelerate as businesses increasingly embrace digitization. As technology continues to evolve, it is my hope that moving money between businesses will become as seamless as B2C transactions.

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BEYOND CASH, DEBIT, CREDIT — **ALTERNATIVES** WILL NO LONGER BE AN OPTION

Digital adoption has been increasing exponentially year over year. But nobody was prepared for the acceleration caused by the pandemic. As consumers across all industries fled to their digital devices to conduct their banking, purchase groceries or order food, businesses were scrambling to serve their customers — speeding innovation and technology adoption at a pace never before imaginable. Restaurants had to find new ways to take customer orders. Grocery and retail stores had to beef up online ordering and staff to fulfill orders promptly. And financial institutions had to implement remote customer service models and

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enhance their digital offerings to give consumers the access they needed to manage their finances.

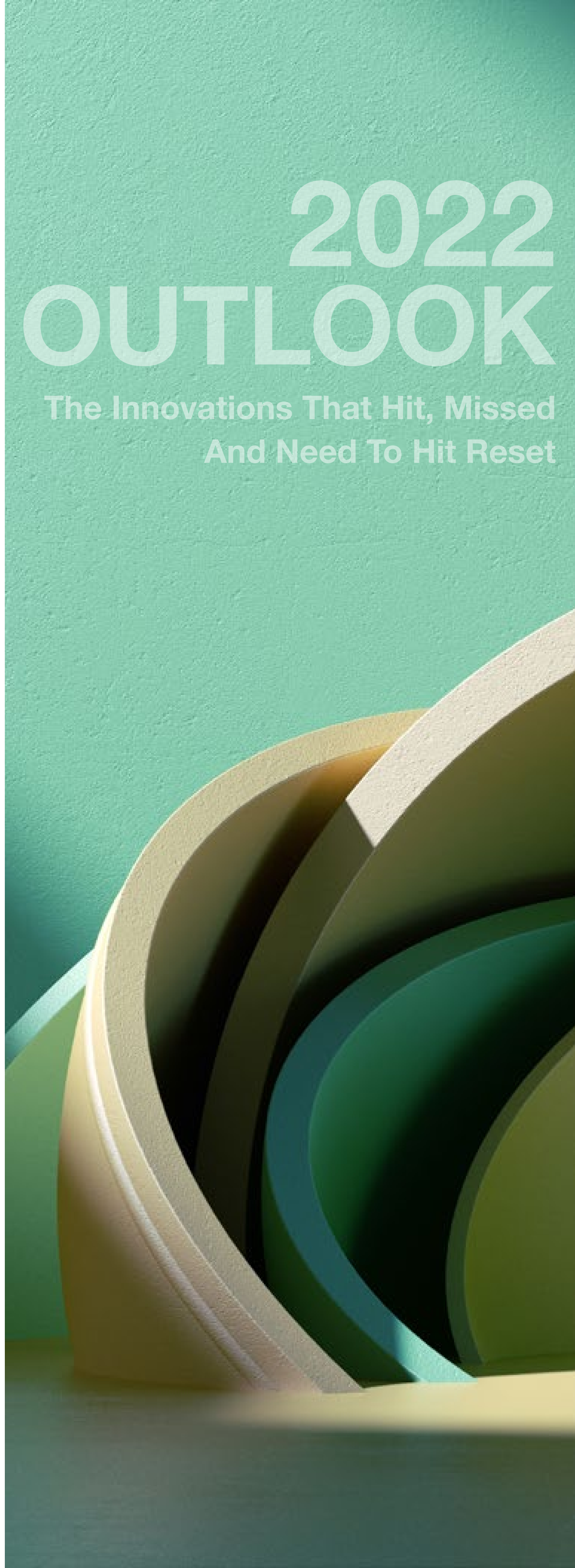
For many financial institutions, this pace of change was particularly challenging. Traditional technology implementation cycles were thrown out the window. Technology teams were left trying to implement new technologies from their respective kitchen tables and makeshift offices. And just as quickly as new technologies were being implemented, customer support teams had to learn the technology themselves and how to best support it over the phone, video, text or chat. For many banks and credit unions, this rapid acceleration broke the way they traditionally evaluated and implemented new tech.

The key takeaway? Many executives now realize they can move faster than they thought — and still be successful.

The Rise of New Technologies

Over the past several years, we've also seen a dramatic shift in how consumers buy goods. According to Forbes, the adoption of buy now, pay later (BNPL) increased by 30% from 2019 to 2021 among Generation Z consumers. Much of this adoption is occurring among Gen Z and millennials, but these are also the generations that traditional banks and credit unions are often struggling to attract. As BNPL continues to gain traction, it will stress financial institutions as the consumer relationship with credit changes. The simplicity of BNPL is a key driver of adoption, so credit companies and traditional financial institutions will have to get creative to continue attracting new customers. The days of flashy cash-back rewards or points programs may become a thing of the past.

And of all technology acceleration, perhaps the fastest-growing is crypto — buy, sell, hold capabilities in particular. Its adoption is happening at an unprecedented pace. Just as every industry had to learn on the fly and adapt at a breakneck pace during the pandemic, the same has to happen now for crypto. Whether it's a retailer being able to take crypto as a form of payment, or a financial institution offering the ability to buy, sell, hold and beyond, the companies that adopt crypto quickly, and offer a seamless interaction, will be the major winners. While it may be too early to dub crypto the future of money, it's not going away. And it will continue to become more mainstream every day.



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HOW PAYMENTS HAVE TRANSFORMED (AND WILL CONTINUE TRANSFORMING) TO MEET THE NEEDS OF TODAY'S **DIGITAL-FIRST CONSUMER**

It goes without saying that the past two and a half years have been transformative for the payments, banking and FinTech industries. While it hasn't been without trial and error, there is one trend that is here to stay when it comes to retaining customers and building brand loyalty: meeting the needs of today's digital-first consumer. Consumer behavior has shifted dramatically since the onset of the pandemic. According to a McKinsey & Company study, online purchasing has grown in the double digits across a broad range of categories, including over-the-counter medications,

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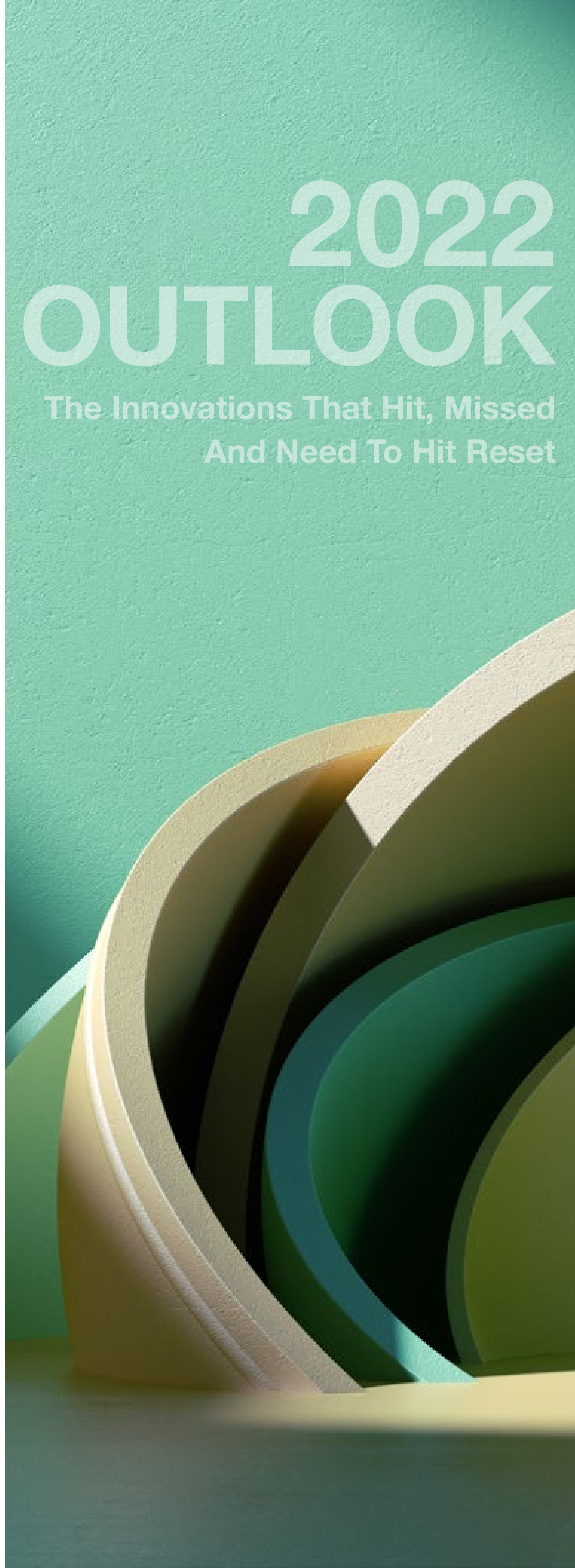
groceries and household items. Another McKinsey study found that convenience is one of the main factors that consumers consider when choosing where to shop. It's no surprise then that many brands are looking for ways to attract and retain customers, which is why there's a significant opportunity to create native, in-platform consumer experiences that are convenient, frictionless and embedded. That includes making sure that there is a seamless and nearly invisible way to use a payment app or platform — whether that be to make a purchase, move money, redeem a promotion, get a credit line or loan and much more.

I predict that 2022 will see a rise in more branded payment ecosystems across a variety of industries as brands look for innovative ways to capture and retain customers. While many retailers have been exploring this space for a while, especially since the onset of the pandemic, we'll continue to see a lot of other industries and vertical markets begin to embed payments and other financial experiences into their offerings. Consumers may not be able to fully articulate why they choose one brand or service over another, but it is clear that they have high expectations for what branded experiences should look and feel like. This is why the opportunities for embedded finance are seemingly endless. For example, money management for older adults, and their care partners, or even a solution that helps people manage their finances to improve or repair their debt profile. There are many products and offerings that are primed to make people's lives even easier with the addition of an embedded finance solution that they don't have to think twice about.

Building convenient and easy-to-use products will continue to remain a critical component, but not every brand will succeed. Those who want to remain future-proof will need to keep a finger on the pulse of financial trends, consumer behavior and the ways people want to experience a brand and transact in a much more open and fluid commerce environment. With the recent steps toward regulating cryptocurrencies in the United States, for example, a successful and future-proof embedded payments strategy will need to be nimble while still ensuring regulatory compliance and applicability.



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B2B PAYMENTS SOLUTIONS — THE CATALYST TO ECONOMIC RECOVERY

Over the last two years, the pandemic has accelerated digitization across the entire organization faster than we could have imagined. As we shifted the way we work and spend money, the impact of that digital revolution was felt to a greater degree across the payments industry, especially in the consumer-focused payments and FinTech offerings segments. It is the reason that we saw such a massive amount of capital flood into emerging startups, and why public FinTechs saw their valuations reach levels that were significantly above their pre-pandemic market caps.

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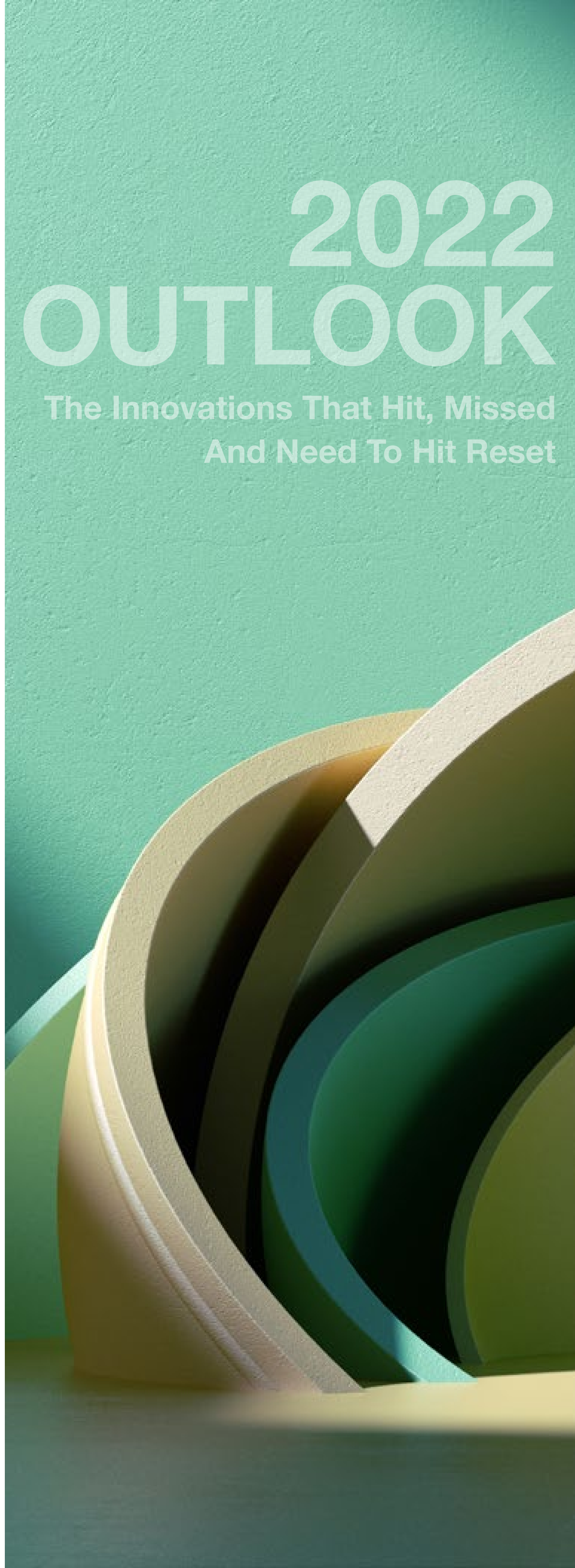
With consumers left at home, businesses of all types had to adapt quickly to find new ways to capture potential sales much differently than they had in the past; more people now spent time online transacting on eCommerce and trading sites. This inherently resulted in shoppers who needed to find other ways to obtain credit outside of the traditional system, a demand that fueled the rise of multiple buy now, pay later (BNPL) players. Getting stuck at home also made it much easier and appealing for casual investors to start trading equities and crypto while central banks continued to fuel the global economy and stock market.

As this was happening on the consumer front, CFOs and treasurers recognized that they needed to start thinking about how to digitize B2B payments in this new world. Paying suppliers, employees and partners was suddenly more seamless as banks and card networks innovated to become faster, more efficient and easier to use. In addition, more startups were beginning to focus on building B2B payments solutions that could truly revolutionize the back office in ways that had not been done before.

Some of the consumer trends that we saw during the height of the pandemic may eventually be subdued as people move back to living and transacting in the real world; however, the gains made around B2B payments are unlikely to slow down. That is where I expect to see the acceleration continue — businesses will inevitably want to streamline their operations and find efficiencies wherever they can. Global money movement is inherently difficult due to licensing and the complexity of tech infrastructure needed to make it simple.

We now have the pipes and technology to make that a lot easier, and the influx of funds into this space has enabled some companies to really innovate and build solutions that were not possible in the past. Banking and credit rails have gotten much faster, and both senders and recipients are hungry to move that money digitally. While crypto has had massive fluctuations in value in recent years, it is also clear that digital currencies will have both stability and efficiency to move money between trusted partners. So, as we emerge from these challenging few years, it is likely that we'll see some more B2B-focused offerings flourish in 2022.



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P2P APPS ARE MAINSTREAM, AND YOUNGER GENERATIONS ARE JOINING **THE CRYPTO REVOLUTION**

Onbe recently surveyed over 1,000 respondents in our Future of Payments survey to understand what consumers value most when making and receiving payments, what payment methods they're most open to, which newer payment technologies they plan to try and which modalities they'll start to use less. Unsurprisingly, we tracked a shift away from cash and toward digital payment modalities, as respondents stated that they plan on using mobile wallets (20%) and P2P apps (19%) more in 2022. And with 65% of consumers believing digital payments are the most secure, nearly 3 in 4 respondents prefer this method of payment as opposed to cash or check.

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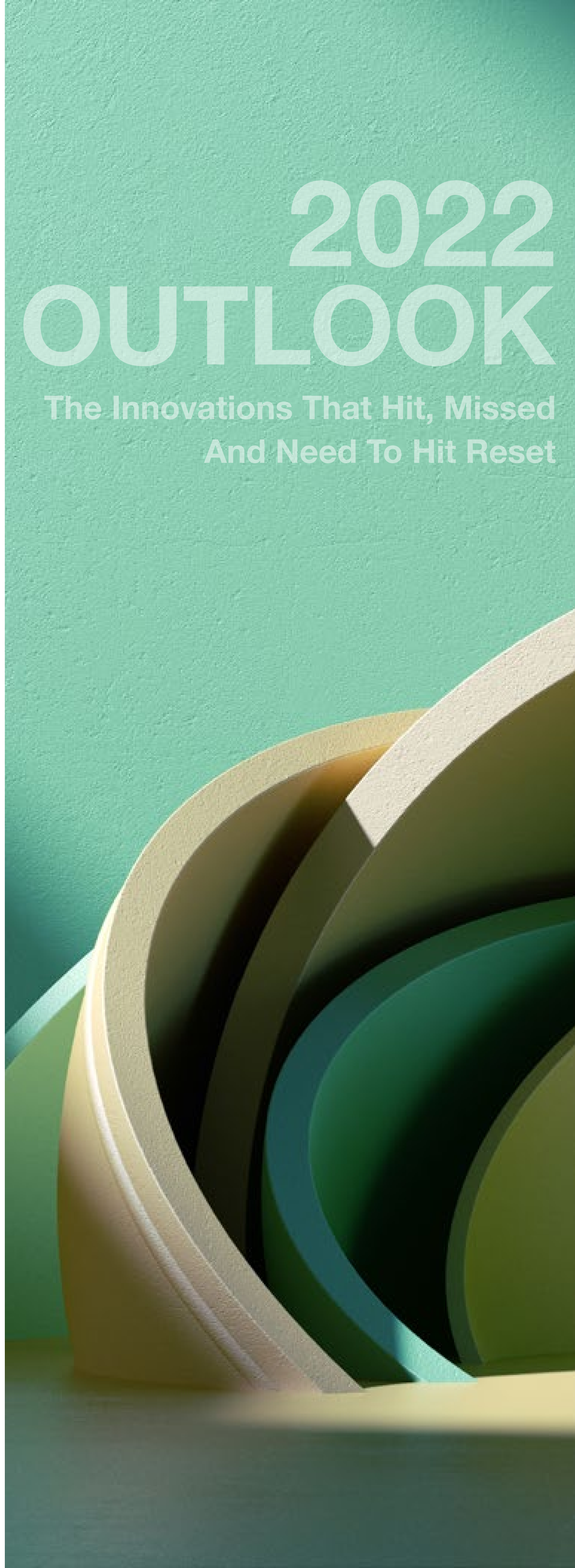
This shift in mindset was spurred by the COVID-19 pandemic, which decelerated the use of cash and accelerated acceptance of a diverse mix of digital spend channels, the most popular being contactless. This shift continues to gain momentum in 2022, with nearly one-third of respondents saying they plan on using cash and checks less frequently or not at all this year. And online shopping made a huge impact in commerce innovation. As the attractiveness of contactless payments increased, more and more consumers looked to online or in-app purchases. Those ages 18 to 24 showed the most interest in online shopping, with 26% planning to make more online purchases in 2022, compared to 19% of consumers 45 and older.

Not only is offering digital payment options non-negotiable for companies, but consumers really value choice when it comes to payments and disbursements. And by switching to a digital-first payments and disbursement platform, companies can offer consumers their choice of modality — from traditional check to instant, convenient virtual card, push-to-debit and more — along with the option to spend via any channel, such as online or in-app. Innovative organizations will give consumers a variety of payment method choices.

Younger generations especially are embracing cryptocurrency as a payment choice. Our survey revealed that intended usage of cryptocurrency doubled year over year (10%), and that number increases to 40% among those 18 to 44. And while cryptocurrencies typically feature lower transaction fees, extreme market volatility makes them especially risky to those needing conservative investments nearing retirement.

As a result, 58% of 18- to 44-year-olds were more open to owning and using bitcoin and cryptocurrencies than those 45+ (31%). Cryptocurrency has the potential to skyrocket among the younger generations, but they'll never be interested in using options like bitcoin or cryptocurrency if companies don't offer it.

The future of payments is digital, and the only way to make the most of that is to meet consumers where they are by offering them choice in payment form and allowing them to shop where it's convenient for them — online or in-app. By doing this, brands show they understand their consumers and can tailor their services to meet the demands of the market as it changes. Onbe's vast expanse of payment options brings clients closer to their customers and prepares them for innovation to come.



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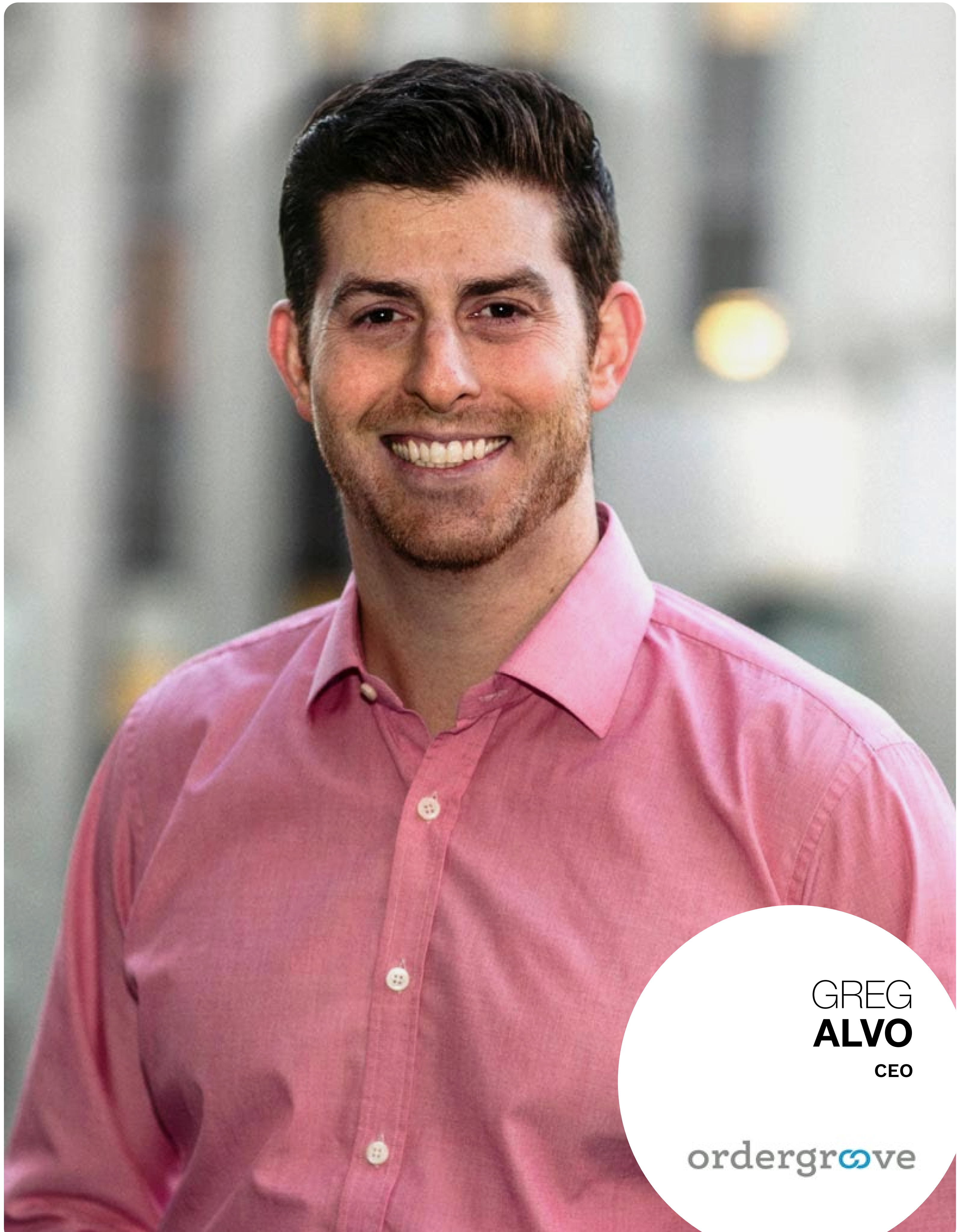

SUBSCRIPTION COMMERCE CONTINUES TO PAY OFF IN 2022

Subscription commerce's adoption by brands of all sizes is the most important eCommerce innovation of the last two years. Through subscription commerce, brands have kept up with shifting consumer demand, offset rising acquisition costs and delivered stability during an unprecedented time.

As eCommerce becomes more complex and competitive, brands with subscription experiences will continue to thrive, while those that focus on one-time purchase transitions will continue to struggle.

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Meets Consumer Demand

Subscriptions took off in the last two years and brands are reaping the benefits. For example, consumer demand for both beauty and pet subscriptions saw massive growth in 2021. Beauty subscribers increased 97% year over year and pet subscribers increased 94% year over year, according to Ordergroove data.

The primary reason for subscription growth is that they meet shifting consumer demands. According to an internal consumer survey by Ordergroove, 86% of consumers prefer to shop with brands that make their lives more convenient.

Subscriptions make shopping convenient by reducing the mental and physical friction associated with purchasing products. Physical friction is everything associated with the physical activity of buying a product either online or in a brick-and-mortar store. Mental friction refers to the process consumers go through to determine if a product is right for them and having to remember to purchase the product.

With subscription commerce, the purchase experience continually happens in the background, which minimizes physical and mental friction, and as a result, consumers have more time to do the things they love. This is the ultimate version of convenience.

Combating Rising Acquisition Costs

Competition is higher than ever before thanks to the relative ease of starting a new eCommerce business on platforms like Shopify and Salesforce, and the simplicity of digital advertising. The end result is that customer acquisition costs (CAC) have skyrocketed as much as 60% in the last several years and brands are struggling to protect their revenue.

By adopting subscription commerce, brands can offset rising CAC by extending their customer lifetime value (CLV). To put it another way, with subscriptions, brands acquire customers who will make multiple purchases, not just a single purchase.

To illustrate this point, Equator Coffees revealed in a recent webinar with Ordergroove that their subscribers' CLV is five times higher than customers who make one-time online purchases.

Additionally, Ordergroove's internal data shows that six months after enrollment, a subscriber's incremental spend (compared to a customer without a subscription) is around 122%.

Delivers Stability

A major benefit of subscription commerce is it improves forecasting capabilities. This is critical in volatile times as the pandemic and social-political unrest has created supply chain concerns.

Subscription commerce enables brands to gain a better understanding of how much product they sell in a period. This cuts down on over-ordering, as well as makes finances easier to measure.

Subscription commerce also drives stability by protecting a brand's customers base. If consumers have signed up for your subscription experience, they haven't signed up for your competitor's experience.

Moving Forward

While there have been numerous innovations in the last few years, subscription commerce has been the most impactful for eCommerce. The business philosophy is tailor-made to meet today's commerce challenges, and that's why subscription commerce is projected to reach $478 billion by 2025.

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TIME FOR A RESET ON DIGITALIZATION

Digitalization of commerce and payments is clearly a win-win for businesses of all sizes and from different industries. Global ecommerce platforms like Alibaba, Walmart, eBay and Amazon all gain from access to high-quality sellers from around the world, who in turn now sell to literally billions of customers. Freelancers amplify their reach thanks to digitalization, offering clients around the globe better choice. Small and medium-sized businesses (SMBs) count on digital tools and platforms to manage their webstores, source services and materials, and pay suppliers and workforce regardless of where they are located.

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Digitalization has opened a world of opportunity for smart, hard-working, resourceful entrepreneurs to reach new heights of success. It's given us a structural change in global commerce that is here to stay. But now we need to reset the digitalization discussion to accommodate innovations at the intersection of payments and commerce.

We expect three such innovations to take center stage in 2022 and beyond. They demand not only our attention but also a shift in mindset, to one that embraces the fundamental changes in the structure and operation of our industry that digitalization has fostered.

First, buy now, pay later (BNPL) is here to stay, and consumers will expect it to be a ubiquitous choice at checkout. This is not a phenomenon that will be restricted to big-ticket purchases, mature markets or certain industries. For example, consumers from emerging markets, who are often used to technological leapfrogging and are comfortable accepting digital payment innovations, are finding it a convenient way to manage their purchasing power. SMBs also are eager to find their own BNPL-type solutions, freeing themselves from reliance on their traditional local funding sources. This innovation will further cement the role of nonbank providers within the global financial services industry.

Second, digitalization is changing business models. Businesses of all size are now digitally native, born online and positioned globally rather than locally. Whether they're selling on marketplaces or in the B2B space, they need to be able to bill and collect in multiple currencies and geographies from Day 1 — and be able to scale up this capability as their businesses grow. What if (some would say when) today's digital business environment expands into the metaverse? Those of us who empower eCommerce need to innovate not just to accommodate new markets, but also to enable new ways of doing business as they emerge.

Third, and perhaps most important for our industry and the communities we serve, we need to be fostering open and inclusive discussions about the future of technology in payments and commerce. The emergence of digital currencies, from central bank digital currencies (CBDCs) and stablecoins to cryptocurrencies, has raised an important public discussion around the role of money in our societies. Just as with Web3 and the Internet of Things, our consideration of these significant innovations must be about more than achieving technological advances and efficiencies. It's also about fostering trust, expanding access to finance, ensuring accountability — issues that deserve our careful and collaborative deliberation.

The new digital economy is being defined today. It includes structural changes impacting everything from ecommerce business models and payment processes to the ability of anyone, anywhere to participate in and benefit from the global digital economy. Our reset to this next chapter of digitalization in payments and commerce will prove key to our mutual success.

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THE ACCELERATION OF BNPL AND CRYPTOCURRENCY

The credit union and payments industries have experienced rapid changes over the past two years, with this acceleration of digital only expected to continue as we look toward the future. Some of this acceleration has resulted in the rapid adoption of tools and solutions like buy now, pay later (BNPL) or installment payments. What started and was embraced by a subset of consumers searching for more ways to budget and improve finances, BNPL is now a mainstream payments offering. Today, it is practically ubiquitous as virtually every large and midsize merchant has considered, is in the process of launching, or has already launched a BNPL solution.

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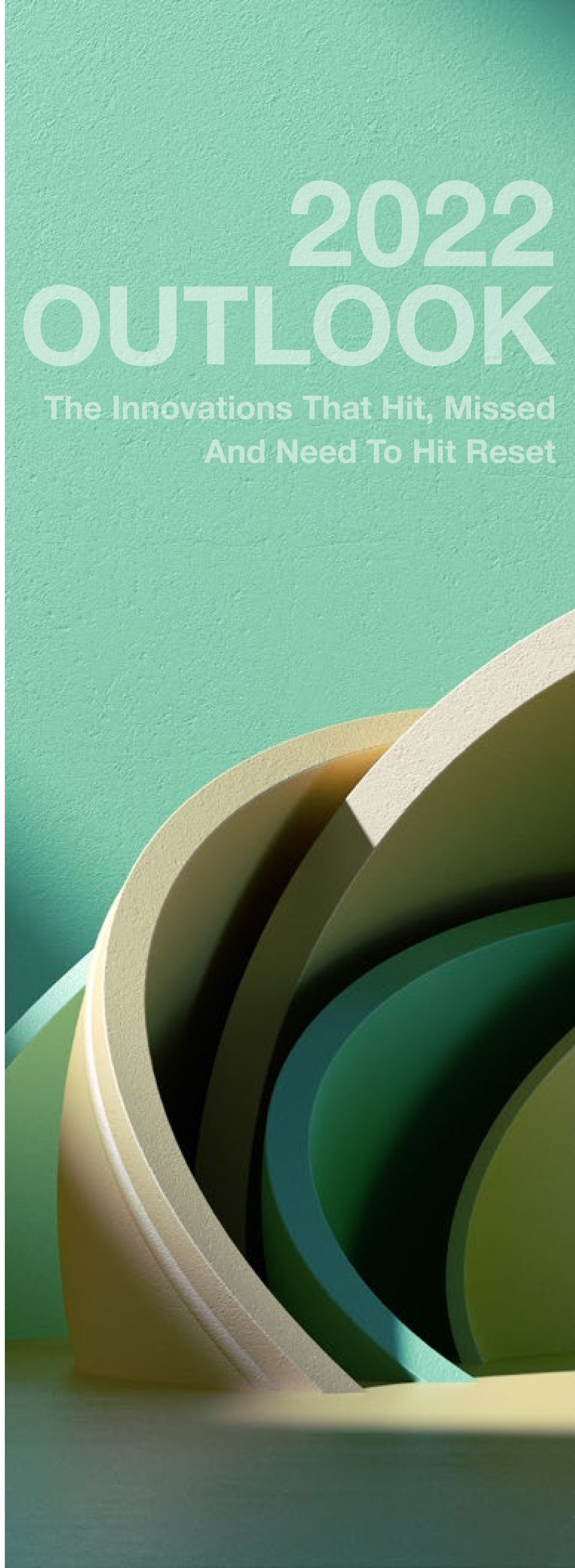
According to Mercator Advisory Group, more than 50% of U.S. consumers have used a BNPL option in the past 12 to 14 months. In addition, 61% of respondents in PSCU's 2021 Eye on Payments study who know their financial institution offers BNPL have used this option. Aite-Novarica's October 2021 Buy Now, Pay Later Market Overview Report notes installment solutions offered by seven of the leading BNPL vendors are currently serving more than 800,000 merchants and over 100 million consumers. At the end of 2020, BNPL spend in retail eCommerce was projected to grow to more than $1.2 trillion by 2024, a 25% compound annual growth rate (CAGR). Total BNPL spend by that point, however, is likely to be even higher than originally projected when considering the recent expansion of BNPL offerings.

While BNPL solutions have hit the mark, it is too early to predict what impacts — positive or negative — cryptocurrency might have on credit unions and the broader payments industry. While there has been an increase in interest among consumers about crypto, there are still many unknowns and questions to be answered as to if/when it will become a more mainstream payments offering. Financial institutions are determining how to best meet current consumer needs in the space as legislation and other regulations surrounding crypto and its use continue to evolve. While consumer interest in cryptocurrency continues to grow, it will be important for credit unions to explore opportunities with partners to help them make strategic decisions around crypto offerings.

It is also wise for financial institutions to keep a close pulse on changes that might result from the current geopolitical climate. As we experienced with the COVID-19 pandemic, certain offerings — including mobile and digital banking solutions and contactless cards — skyrocketed in popularity and are now standard preferences, fundamentally changing the way in which consumers interact with their financial institutions. The current global uncertainty could have similar lasting impacts and credit unions should carefully monitor these trends, adjusting strategies and offerings as needed to maintain their members' trust.



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INNOVATIONS THAT HIT: B2B PAYMENT METHOD **MODERNIZATION**

Over the last decade, consumer and peer-to-peer payments have experienced significant innovation in the way individuals use technology to send and receive funds. Whether it's splitting a dinner bill, collecting monthly rent or electing to buy now, pay later (BNPL) for a wardrobe upgrade, it's never been easier for consumers and peers to transmit money electronically. Perhaps the most impressive innovations seen in the peer-to-peer space is the speed at which individuals are able to send and receive money, and transfer funds to their

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bank accounts. Many popular P2P payment applications provide payees the ability to receive funds and transfer the money to their bank account for immediate use with just a few clicks.

In 2022, the same can be said for B2B payments. With the rise in digital-first payments accelerated by the COVID-19 pandemic and growing industries such as the Gig Economy workforce, payment solution providers have innovated payment delivery methods to accommodate the shift in the way businesses think about paying their business partners. According to a survey commissioned by the Federal Reserve Banks in 2020, many businesses have already begun to implement faster payment solutions such as Same Day ACH or push-to-card and for those who haven't 9 in 10 business expect to be able to do so by 2023.

Now we're seeing B2B payment platforms putting an emphasis on payment delivery speeds and offering faster payment rails to businesses that value timely vendor payment delivery. For industries such as marketplaces, real estate and gig economies, businesses are beginning to realize that by delivering payments to their business partners bank accounts in real time, it can have a profound impact on the growth of their own business. Vendors and independent workers love nothing more than getting paid quickly, and the ability to offer instant payments serves as a competitive differentiator for these companies allowing them to improve relationships, grow their network of vendors and increase retention.

One of my favorite experiences has been helping our clients in the real estate industry pay agents faster than they could before. Paying agents on time is a fundamental part of the real estate business payment ecosystem and more often than not we see brokerages being behind on payments. Payments initiated over the weekend can often cause delays when using traditional payout methods, creating a ripple effect on all of your payables. For Routable customers that made the decision to invest in expedited payments, the concern of paying agents within the required window went away almost immediately. We removed stress from the process, and brought joy to vendors. It was an amazing thing to see unfold.

In today's world where individuals can receive funds through online applications such as PayPal, Venmo and Cash App and instantly transfer that money into their bank account for immediate use, businesses have come to expect the same. For 2022 and beyond we'll continue to see businesses demand faster and more reliable payment methods from providers. Payments solutions that are able to adapt and offer their customers the industry's fastest payment rails such as Real-Time Payments (RTP®) or payment options such as push-to-debit will experience the most growth because of the strategic impact they will have on their customers' businesses.

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CRYPTO'S COMING OF AGE

Cryptocurrencies have been experiencing significant growth and adoption for a number of years. Today, approximately 40 million Americans, representing 16% of the adult population, have invested in, traded, or used cryptocurrency. And while there was worry about new regulations, digital currencies soared following President Biden's recent executive order, signaling that the industry believes cryptocurrency is here to stay.

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As more mainstream financial institutions participate in the cryptocurrency ecosystem, there is growing confidence that cryptocurrency can be a stable, widely accepted form of global value exchange. With this executive order, and an industry committing to establishing controls that balance innovation with risk, cryptocurrencies will have a degree of credibility that is sure to foster even faster adoption.

While skeptics continue to point to cryptocurrency being used in illicit financing activities such as money laundering, there is growing recognition of its value as an alternative form of stored value and digital money. As the White House develops a baseline of dynamics for the space, that will lead to regulatory guidance as well as signal to Wall Street and the industry that cryptocurrency is truly here to stay.

Formal guidelines are also needed because of a suboptimal status quo with respect to risk management and identity verification practices. The industry currently lacks regulatory oversight, so it comes as no surprise that many exchanges and wallets are targets of sophisticated fraud rings. Since inception, many cryptocurrency services have relied heavily on ID document verification at account opening to verify identities and prevent fraud. These systems typically introduce high levels of friction for consumers during their account onboarding experience and require additional checks to allow trading or other types of transactions. In fact, it is not uncommon for a wallet or exchange to require several days between account deposit and an actual cryptocurrency transaction to ensure that the person is who they say they are and using their own account. In the case that a bad actor uses a stolen bank account to make a deposit, this time lapse allows for the true owner of a bank account to potentially notice the fraudulent transaction and work with their bank to reverse it.

Luckily, there are faster, more efficient, and accurate ways for cryptocurrency companies to verify identities and grant 'good' customers immediate access to buy, sell, or send cryptocurrency, while also keeping bad actors out.

The answer lies in a graph-defined identity verification approach, which can transform the industry for the better. Socure's platform helps drive growth securely and at scale by providing a frictionless customer onboarding experience and, most importantly, doing so while reducing fraud. For example, the platform delivers auto-approval rates of up to 98% for mainstream populations, and up to 94% for the hard-to-identify populations such as Gen Z, millennials, credit invisible, thin-file and new-to-country. Working with some of the top exchanges in the industry, Socure can also passively capture up to 90% of fraud in the riskiest 3% of users and reduce false positives by more than 13x compared to legacy solutions. Automatic, frictionless fraud checks at account opening, account updates, and at transaction allow more good customers to accelerate their time to transact. This result means increases in customer lifetime value, while preventing bad actors from entering the ecosystem and siphoning off value from legitimate companies and consumers.

Cryptocurrency has the potential to have a big impact on the way we all use money. But the industry must make changes to enhance the customer experience while preventing fraud. The movement has started. This next phase of regulatory oversight combined with new technology innovation has tremendous promise, and Socure looks forward to powering what comes next.

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JUSTIN
BENSON

CEO

Spreedly

THE RISE OF THE MERCHANT AGGREGATOR

One of the more impactful innovations in the payment ecosystem is the rise of the merchant aggregator.

Pandemic lockdowns saw card-present merchants scrambling to service their customers online in a card-not-present environment. This was a boon for existing merchant aggregating platforms and an opportunity to create net new platforms to service these merchants. These aggregators have been a vital way for merchants to digitize rapidly.

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At Spreedly, we're fortunate to work with many successful merchant aggregators pushing the payments envelope in exciting ways. This includes eCommerce platforms like Chargebee, giving solutions like PushPay and iDonate, and restaurant management platforms such as Paytronix.

Merchant aggregating platforms allow their customers to focus scarce resources on providing the best service possible while relying on the aggregating platform to service their technological needs. Presenting a visually pleasing menu, organizing a giving campaign, or managing your subscription rules are all best abstracted away, leaving the restaurant to prepare the best food possible or a nonprofit to organize a first-class giving campaign.

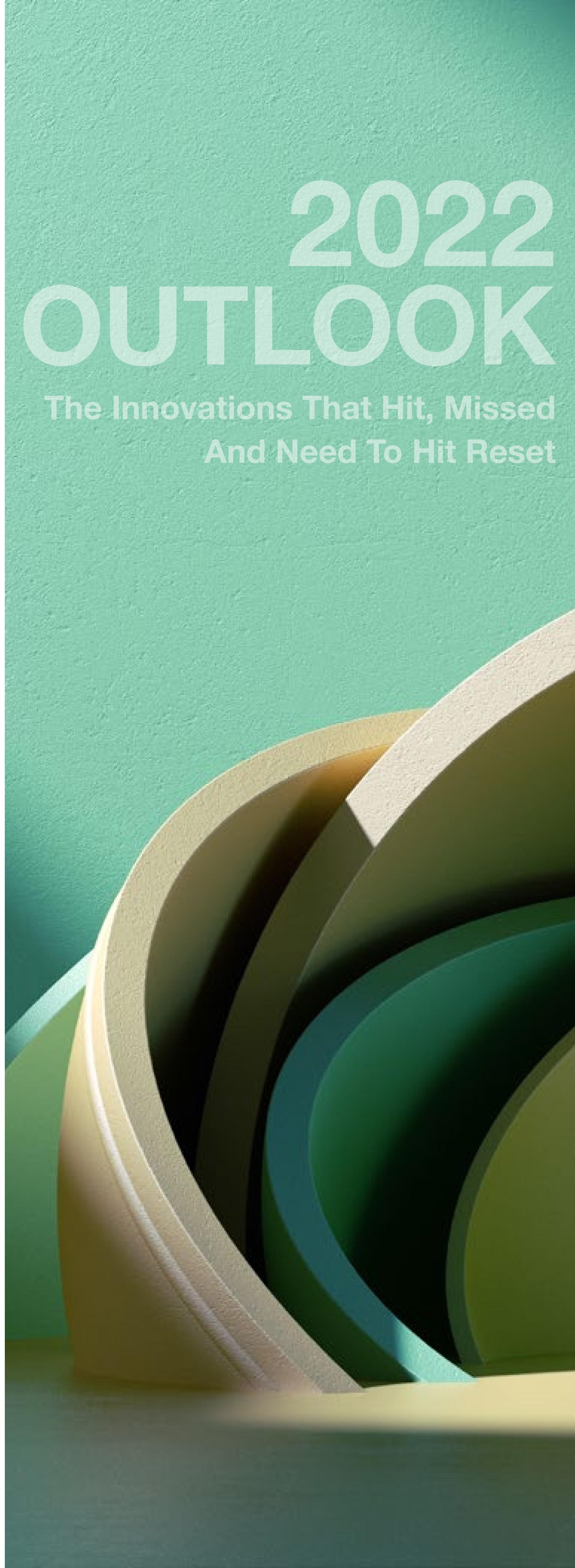
These merchant aggregation platforms look to Spreedly to abstract away payments. Payments are an essential element of a great digital commerce experience that aggregators can deliver to merchants. The challenge for aggregators is how to offer the value-add of payments without adding cost and risk to their payment stack. Payments orchestration is a path that supports aggregators in their quest to provide differentiation and value. That value comes in two key ways.

Merchant aggregating platforms have to be flexible in what they offer. Aggregators have the challenge of supporting integrations with the dozens of PSPs or gateways. Many could become a PayFac but discover prospective merchants have established PSP relationships. If an aggregator can't offer that service quickly, merchants will go elsewhere.

The power of payments orchestration gives our aggregator partners the ability to easily offer merchants a "bring your own gateway" model without extensive development cycles to deliver connections. This means a faster time to first transaction and revenue for everyone.

In addition to attracting new customers, aggregators need to offer current merchant customers more value. Payments orchestration lets merchant aggregators offer additional payment services to their merchants. This includes functionality like account updater and network tokens to refresh stored cards and keep customers transacting constantly. Or intelligent routing and failover technology to help avoid downtime in the payments flow. All of this means more top-line growth and happier merchant customers.

We predict that the rise of the merchant aggregator will continue to serve an essential role in the broader payments ecosystem. Spreedly is excited to serve as a critical driver supporting this growth.



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SUBSCRIPTIONS GO MAINSTREAM AND GET CREATIVE

The COVID-19 pandemic accelerated a shift in consumer purchasing behavior with the proliferation of subscription commerce and the widespread consumer adoption of direct-to-consumer subscriptions. Subscriptions offer benefits to both merchants and consumers alike. Merchants have a more linear and predictable and revenue stream with recurring revenue and the increase in customer lifetime value associated with subscriptions balances sharply rising acquisition costs. Consumers enjoy the convenience and cost savings of "subscribe and save."

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Consumers, however, want more. In addition to convenience and savings, consumers want control of consumption, flexibility and ease of use with the technology they use to manage their subscriptions. The brands and merchants that embrace these demands will be the winners in subscription commerce moving forward. Some of the most innovative brands have already moved well beyond the subscribe-and-save model that was designed for simple replenishment and curated boxes which have been the mainstays of subscription commerce for more than a decade.

Harry's is a great example of a brand that has given consumers complete control of consumption. Two weeks before shipment, Harry's reminds its subscribers of the upcoming delivery and provides the opportunity to add a variety of items for single purchase as well as subscriptions. Often on offer are a variety of travel-size items and mystery products as well as introductory offers for new products. Subscribers also have the ability to pause, skip a shipment or alter the contents of the subscription at any time. Harry's has created the perfect combination of consumption control and experimentation opportunities.

Another innovation that we're seeing is the build-a-box model. Fish Fixe, a sticky.io client that was recently featured on Shark Tank, not only offers subscription boxes curated by their fishmongers but also allows subscribers to build their own box of seafood from a wide variety of choices. Subscribers can also swap out and alternate the contents of each shipment based on available seafood choices. The build-a-box model is another great example of providing the consumer with control and flexibility and is especially well suited for the food and beverage category where consumers want variety.

UrbanStems, a sticky.io client and online florist, specializes in exotic bouquets and plants delivered nationwide overnight. As they began to offer a variety of subscriptions, they needed the flexibility to offer a seasonal product that would rotate across the seasons — a slight variation of the curated-box model. As momentum is built with their subscription offers, they also make subscriptions giftable with the ability for the recipient to take over the subscription and continue beyond the gifted period.

The last two years have been a period of rapid growth for subscription commerce. The most recent edition of the Subscription Commerce Conversion Index, a PYMNTS and sticky.io collaboration, estimates that the U.S. retail subscription market is now worth $15.1 billion monthly, a 67% increase since July 2021. The creative innovations that we see from our clients at sticky.io are evolving at a rapid pace, and I believe that subscription models will continue to evolve to meet consumer demands for flexibility and control.

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MITIGATING DIGITAL FRAUD RISK TO DRIVE B2B BUSINESS GROWTH

Looking back over the past two years, the global B2B payments landscape experienced notable changes in sales channel strategies as eCommerce accelerated. B2B buyers became more digitally influenced — akin to their B2C preferences — which required merchant payments offerings and capabilities to evolve to better secure the sale. Without a digital commerce channel, B2B sellers now risk being left behind as their competitor offerings provide easy opportunities for buyers to shift their loyalty. According to Gartner, B2B organizations with digital

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commerce offerings will see 30% more revenue and a 20% reduction in costs by 2023, compared to competitors without B2B digital commerce sites.

But this rapid shift to digital also brought about a rapid increase in fraud. More than 60% of payments decision-makers within merchant companies cited their most urgent customer concerns include increased scrutiny on security and fraud prevention, more digital payment options and more flexible payment terms. But while companies are recognizing the need for technology-driven advantages, they must also consider the risks. Businesses using manual processes to underwrite and make determinations as to which businesses deserve credit and which do not, have had to make a shift with the increase in remote workforces and digital technology has pushed businesses to boost their digital interactions and acquisitions as well. This is an area that is ripe for digital fraud because so much business information is searchable by the public.

Understanding the risk and resilience around digital identify theft and other forms of digital fraud will continue to be a priority for us to ensure our clients, and their customers, are protected. TreviPay recently collaborated with PYMNTS to survey 150 businesses across three sectors to learn how they're planning to boost their fraud-fighting approaches. Confirming the need for sophisticated anti-fraud measures, 98% of B2B retailers, manufacturers and marketplaces surveyed had experienced financial losses (averaging 3.5% of a B2B business's annual revenue) due to successful fraud attacks last year. This loss increased to 5% for small businesses, the likes of which feel an even greater sting. Businesses that reported using proactive, automated anti-fraud solutions tend to see fewer fraud impacts, as automated anti-fraud technology tends to increase onboarding efficiency and speed.

Beyond revenue, slow and inefficient anti-fraud methods can also have a negative on customer experience. In fact, almost half (46%) of organizations using manual anti-fraud solutions reported that fraud concerns made it difficult to work with them. This can lead to unsatisfied customers and lost new business.

B2B merchants and manufacturers must be closely in tune with the revolutionary changes to customer experience, engagement and convenience embraced by the rising digital generation and accelerated by COVID-19. As B2B companies continue to expand their online offerings in 2022, supporting safety and security in payments remains a key priority in payments innovation.

Leveraging data and automated anti-fraud solutions to offer instant decisioning and credit will remain an important driver of B2B business growth by strengthening the relationship between buyers and sellers.

Those that embrace digital expectations and strengthen anti-fraud solutions will ultimately provide a better customer experience. This can establish stickiness and loyalty with customers, and offer cost savings, increased revenue potential and better cash flow.

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HITTING RESET ON DISPUTES

When Visa acquired Verifi in 2019, it recognized the benefit of enabling collaboration between merchants and issuers to resolve transaction disputes before a chargeback occurs. Over the course of the past three years, Visa and Verifi have partnered together on a mission to eliminate unnecessary disputes from the ecosystem and significantly reduce the dispute resolution timeframe through the launch of what is arguably the most innovative automated collaboration network yet.

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The need for innovation arises from a decades long shift from brick-and-mortar purchases to internet sales, which changed the way consumers and merchants interact and left a growing gap in transaction clarity from when consumers make a purchase to when they review their credit card statements. Over the course of the pandemic, card-not-present transactions accelerated at record pace with an increase in spending up 34% from 2019 to 2021, according to VisaNet data. The trend results in an escalation of credit card disputes against merchants, who previously had limited resources to improve transaction clarity and resolve disputes quickly. However, with the introduction of Verifi's Order InsightTM solution, Verifi and Visa now offer merchants the opportunity to provide enhanced transaction details that include full digital receipts via a global data-sharing network, to provide consumers transaction clarity at the first stage of inquiry — effectively reducing the overall dispute volumes in the ecosystem.

Payments are moving faster than ever before, and with that comes a greater expectation from both consumers and merchants to have disputes resolved quickly. Traditionally, once a consumer initiates a dispute with the card issuer, a lengthy process ensues where the issuer gives the merchant time to develop a response, then takes additional time to review the case and determine who is at fault. In all, the dispute process takes an average of 26 days to resolve. In some circumstances, this traditional method is necessary; but for a vast number of disputes, merchants would

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happily refund the transaction in question if only the consumer had first contacted them directly. In this instance, the tedious dispute process unnecessarily creates additional operational expenses while simultaneously resulting in poor customer experience. To provide further innovation for the dispute ecosystem, in 2021, Verifi and Visa launched the Rapid Dispute Resolution (RDR) solution which delivers a real time, one second, dispute response that reduces the resolution time from the average 26 days down to a near instant outcome. RDR utilizes a customizable auto decision engine to identify which issuer pre-disputes the merchant would like to refund in lieu of proceeding with the full dispute process. Once the pre-dispute is processed through RDR, the customer is granted an instant refund and the pre-dispute is intercepted before it becomes a dispute. The outcome delivers improved customer service and saves the merchant from incurring high dispute ratios and added operational expenses.

Visa's 99% global issuer coverage has propelled Verifi's solutions to perform as a best-in-class service on a global scale, helping merchants to collaborate and manage an ever-growing problem.

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