

Looking to the future of payments



This independent payments consultant takes us through some of the new payment technologies we can expect to see in a few years time.

By
Mark McMurtrie
 director of Payments Consultancy Ltd

Retailers have become used to consumers purchasing goods and services with their credit and debit plastic bankcards. The convenience of this payment method has meant that it has become their preferred choice and the norm for paying.

As part of this move to plastic cards, transactions have shifted from paper to electronic format and retail payment systems have become geared around processing 16 digit Visa and MasterCard card numbers. Criminals though recognised the value obtainable from stealing card numbers and thus the many high profile data breaches we have seen.

TOKENS TO REPLACE CARD NUMBERS

So in the future we can expect to see transactions being initiated by token identifiers rather than the actual 16 digit card numbers. This removes the value and hence the reason to steal them.

Tokens are starting to be used and form the basis for many mobile payment solutions such as Apple Pay and Android Pay. This transition to tokens will take many years to complete. Indeed we have multiple types of organisations offering to provide and manage the tokens, including: technology companies, payment service providers, and more recently the international payment card brands. Retailers should be formulating their plans to use tokens and decide who to work with.

NEW FORM FACTORS

We will no longer be tied to the traditional rectangular card shape. A whole range of acceptable form factors will appear. Smart wristbands, watches and rings have already started appearing and offer benefits for specialised environments like festivals, fitness activities and closed user environments. The smartphone is though expected to become the most widely used form factor for payments by the end of the decade.

The contactless payments chip can be built into a wide variety of devices with experiments taking place within items of clothing and accessories. One form factor that has been successfully demonstrated I remain skeptical about, this concerns how many people will start using false fingernails that include their payment credentials. However, we implant microchips into dogs today for verification purposes and so it is not impossible that the day will come for this to happen with humans, so far this remains a use case to feature only in sci-fi films.

