Real-time Payments Are Here and Will Fuel Emerging Business Models
Are You Ready for the Disruption?

Treasury and Trade Solutions
Emerging Solutions for Driving Business Growth

Real-time payments systems, also known as instant payments are being implemented around the world, promoted by governments with agendas including financial inclusion, modernization and digitization of economies along with support for SME businesses. Across many countries in Asia, where usage of credit cards is relatively low, instant payment schemes will be in place in most markets by 2020 offering digital alternatives to cash, cheques and over-the-counter payments for businesses and consumers to make instant payments 365 days a year, 24x7.

The purpose of this article is to highlight how instant payments along with supporting features such as tokenization, QR codes, API and Request to Pay can be leveraged by companies to grow their business and facilitate the development of new sales channels and sales models while enhancing their customer’s experience and building loyalty. To successfully deploy these tools, companies should understand the capabilities available in the market and engage their finance teams closely with their sales, business development and client experience teams to design the optimum solutions for seamless connectivity with their customers and ecosystem partners.

Instant Payments – First Steps

In many countries where instant payments are introduced, the initial use-cases are to support person-to-person payments; a simple solution where both parties can see that the transaction has been completed — usually through their mobile devices. Tokenization allows individuals to link their bank account number to a piece of personal data such as a mobile number or national ID number. Therefore, when making a payment to an individual, the payer can simply enter the receiver’s registered ID e.g. mobile number into the payment instruction and the payment will be routed to the registered bank account. While these features make moving money between individuals more simple, it has a limited impact on the digitization of the broader economy.

Commercial Value

For broader adoption of instant payments among commercial institutions, there is a need for the infrastructure to support add-on features that companies require such as facilitating automated reconciliations and instant notifications of received payments.

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QR Codes
An important feature of an instant payments architecture is the standardization of the QR code. Having a standard QR code for the country means that any bank or wallet app can be developed to read the market-standard QR code (e.g. EMV Standard) and thus initiate an instant payment. This approach is different to what we have seen in some countries where individual operators have developed their own QR code standards leading to a series of “closed loop” infrastructures requiring the seller and the buyer to use the same payments services provider.

Having a standard QR code for the market means that when they need to pay, consumers can open any of their preferred payment apps in their mobile device and scan the QR. The seller is not required to have integration with any specific payments providers. The seller simply chooses a provider that can notify them when they have received payment into their account.

When a company is planning to implement QR code as a payment option they should consider:
• How/Where to display the QR code to the client
• Types of QR code: Static QR or dynamic QR
• How to receive confirmation of payment from the payment provider/bank

Displaying the QR Code
The seller can decide from a range of options how to present the QR code to the customer. To determine the best way to present the QR code, the seller should consider the various types of interaction points with their customers, be they physical or digital, ensuring that the solution is seamless and provides a good customer experience. QR codes can be printed on physical items, presented online, sent via email/sms/messaging app or presented on any device that has a data connection such as; mobile phones, tablets, vending machines, printers or POS terminals.

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Static or Dynamic QR Codes
A simple example of a static QR code is a QR code displayed at a market stall or taxi and every buyer scans the same QR code. In this case, the buyer would need to enter the payment amount and the seller would receive a notification of payment — reconciling the incoming transaction based on the payment amount received. Another example of where static QR codes can be used on monthly invoices that a company sends to their customers where the QR codes have reference data embedded that can help the company identify who has paid them.

Dynamic QR codes can be automatically generated for each sale transaction where the buyer scans a QR that is unique to their purchase. The QR code displayed by the seller will contain their bank details as well as the transaction amount and reference data that will allow their accounting system to automatically reconcile the incoming payment to the specific sales invoice. Companies are implementing dynamic QR codes on their emerging digital and more traditional physical points of sale as a way to reduce costs of collections and automate their AR reconciliations.

Notification of Payment
When implementing QR codes as a payment option for their customers, companies are considering when and how they would like to receive notification of payment. For the seller to receive instant notification of a payment received, their bank can facilitate this using API technology. API notifications can be sent to the seller in their preferred method, whether that be to an ERP system, app, mobile phone, POS terminal, to an agent or third party.

With the growth of e-commerce where companies are adopting direct sales models and also in some cases leveraging third parties for last mile delivery, this technology can be a key enabler to ensure all parties are informed of the progress of the sale.

In such sales channels, which increasingly form part of the “sharing economy” where goods and services are sold by one company in their digital or physical “shopfronts” on behalf of another party, we see the potential ability for the sales proceeds to be automatically and instantly split between the parties involved as a strong enabler of new sales models.
Applications of API Technology for Payments
We are seeing companies leveraging APIs to initiate instant outgoing payments in a number of use-cases, including the insurance sector where providers are seeking to develop automated instant claims processes as a client experience differentiator. We see the development of instant payments as a timely complement to companies looking at big data opportunities or introducing AI technology in their decision-making processes. When considering API applications, companies are leveraging the ability to support potentially thousands of interactions with their bank per day in a real-time and seamless way.

Tokenization Use-cases for Companies
Companies are exploring how they can leverage tokenization to support their staff and agent payroll as an effective way to allow their employee to choose their own bank and change their salary account from time to time as they wish, without the company HR department needing to maintain the changes in the payroll files. Companies can leverage this capability to improve the speed of onboarding new temporary or agent staff rather than requesting staff to open a new bank account with a specific bank. Companies can also leverage Tokenization to link their corporate bank accounts to their Tax ID. The Thailand instant payment system “PromptPay” supports further segmentation using features such as Biller IDs. Thailand’s Biller IDs can help companies improve receivables reconciliations where QR codes are less applicable, for example, in B2B payments.
This game-changing functionality will create the foundation for entirely new models of interaction between companies and their customers, agents, third parties and staff.

Request to Pay

As adoption of instant payment systems grow, Request to Pay (RTP) capabilities are being introduced in many countries to support additional use-cases. RTP essentially allows a company or an individual to request a payment from a company or an individual.

This game-changing functionality will create the foundation for entirely new models of interaction between companies and their customers, agents, third parties and staff. Practical examples would include an online booking page where the buyer has already entered in their personal information such as their mobile phone number as part of the normal booking process. Leveraging RTP and tokenization, the booking system could offer the customer to pay via instant payment based on the personal data they have already entered, eliminating the need for the customer to provide additional payment information such as credit card number. This has the potential to enhance the customer experience especially for first-time customers where their payment data has not been saved from prior purchases.

With the ability to include hyperlinks in the request for payment, which would direct the payer to additional details about the request, RTP also has practical applications as a tool to collect monthly payments or request overdue payments.

Another interesting application of RTP is in payroll where individuals could initiate a request to pay for the work/services that they have already carried out rather than waiting for the next payroll cycle. This could be enabled where the employer’s systems can verify the amount of payment due to the requestor based on hours worked, goods produced or sales closed. We see practical applications of this across a number of industries especially in the “gig economy” where a company seeks to create more favorable conditions for their employees/agents who would like to be paid more frequently — possibly daily.
Summary

There are clear benefits for companies that experiment and employ these emerging solutions effectively which will materialize in terms of increased sales through enabling new sales channels, differentiating their customer’s experience and cost savings through automation, intelligence and seamless digital collections from bank accounts. In the face of disruption, companies are increasingly focusing on enhancing their products and services with their clients’ experience at the center.

Advances in technology are enabling customization efforts where data is increasingly being leveraged in sales promotions and decision-making. Shifting traditional payment channels to instant payments will enable companies to obtain richer real-time data, which can be leveraged for more effective, strategic and instant decision-making.

As these new payment solutions emerge and help to facilitate seamless financial interactions between a company and their clients and partners, it is becoming more important for the finance teams to be part of the design of client experience and partner engagement.

Replicating lessons learned in the start-up world and tech sectors, Citi has developed our solution-design approaches to better facilitate innovative co-creation and design-thinking engagements with our clients with incredible results. We have facilitated sessions with our clients bringing all relevant parts of the company together with a common goal to innovate around their client. Bringing together sales, finance, and operations functions from our client teams has allowed our clients to gain a better understanding for their own customer’s journeys and ensure that their teams contribute to the design of emerging client engagement and sales models.

An important focal point of these discussions is on eliminating friction points in the client journey. While some friction points may seem to be minor on a standalone basis, we are seeing examples where the companies that can simplify and enhance their customer’s journey are winning market share or indeed able to grow the overall market. Experimentation, along with co-creation and collaboration from relevant teams within the company, including inputs from third-party partners that can impact the customer journey is key.

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Patrick O’Neill  
Country Head  
Treasury and Trade Solutions, Thailand  
Market Manager  
Myanmar, Cambodia, Laos  
Citi

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