

THE FOURTH PAYMENT REVOLUTION

moving from transaction to action



VISA

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foreword



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**A DIGITAL-LED
GENERATION HAS
CREATED A
DEMAND FOR
INCREASED
INTEROPERABILITY
AND INTEGRATED
PAYMENT
EXPERIENCES**

Over the past few years Southeast Asia has become a hotbed of payments innovation thanks to its high rate of internet connectivity, large unbanked population and government initiatives focused on transforming countries into cashless societies. During this time, we have witnessed the rise of fintechs looking to displace traditional financial services with a range of targeted products including the proliferation of digital wallets.

As a result, the payments landscape has become fragmented and we are fast approaching what we believe will be the Fourth Payment Revolution. This is where the increased adoption of digital payments and continued growth of eCommerce is set to drive greater interoperability amongst payment providers and transform user experiences.

This proposition is backed up by the findings in the sixth edition of our annual Visa Consumer Payment Attitudes study. The report provides key consumer insights based on moments of commerce and new payment solutions and services powered by technology and innovation. Overall, we're seeing strong momentum for the use of digital payments, with close to 70 per cent of consumers in Southeast Asia expecting their usage of cashless payment methods to increase over the next 12 months. This brings us closer to the fruition of smart cities in the near future.

Across the region, as consumers move beyond the mere adoption of cashless payment methods, interest in digital services is at an all-time high, with 75 per cent of respondents interested in digital banking. Although still nascent in Southeast Asia, digital banking represents a key opportunity in the region, given half of the population remains unbanked. This is an important development and the use of digital financial services in Southeast Asia could generate up to USD60 billion in revenues for the financial services industry by 2025¹.

Security is still a key factor in ensuring the growth of digital payments. As digital services become more embedded in consumers' daily lives, some consumers are cautious about digital payments, citing security concerns such as the loss of their mobile phones and theft of personal data. However, the majority of respondents display a high level of confidence in payment security.

In Southeast Asia, 81 per cent of consumers are confident that their personal information will be kept safe when making digital payments. This has a flow-on effect to consumers' interest in sharing their data. Two thirds of consumers in Southeast Asia are willing to share their location data with their favourite brands, creating more opportunities for organisations to engage their customers.

These fast-changing consumer habits indicate that we are on the cusp of the Fourth Payment Revolution. Differentiators such as value-added services to change consumers' payment experiences, as well as consumer data and insights, will become key drivers to scale and bring new digital-first experiences to life, with speed and security.

As a network business, Visa is looking to move beyond cards and payments to enable the movement of money anywhere in the world for everyone. We too find ourselves at a new growth inflection point, and we're excited at the vast opportunity to move money via our network of networks, powered by an underlying payment credential. New flows, players, partnerships and connected devices will open tremendous opportunities for our industry in the next five to 10 years.

As always we hope that this report will provide useful insights to the industry as we continue to broaden our capabilities and provide consumers with seamless, intuitive, intelligent and secure commerce experiences in the Fourth Payment Revolution and beyond.

BEYOND THE TRANSACTION:

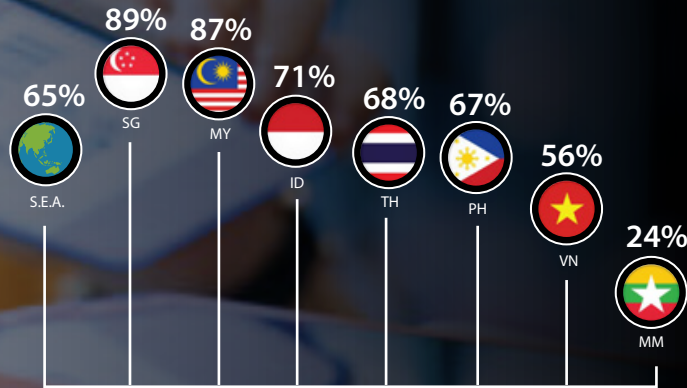
moments of commerce



VISA

Southeast Asia continues its transition to digital payments

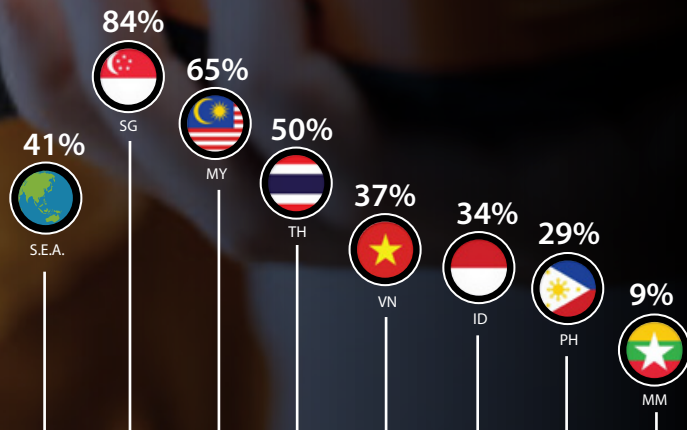
Current usage of Card (credit & debit)



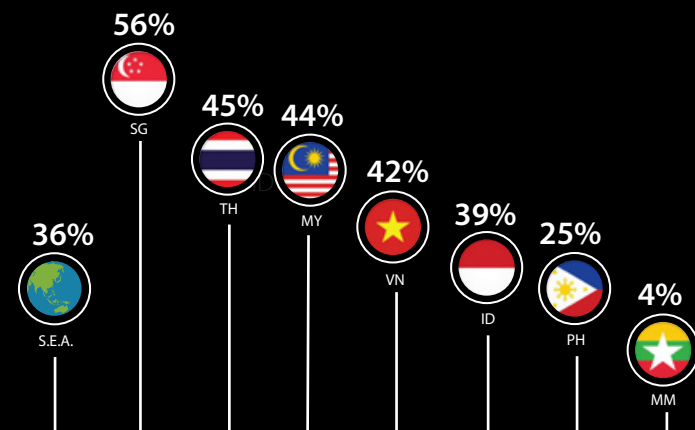
As new innovations and technologies emerge and proliferate, consumers across Southeast Asia continue to embrace digital payments. Convenience is a clear driver of this shift (64%), as consumers recognise that cashless methods eliminate the need to handle money and the hassle of queuing for cash withdrawals at ATMs. Cashless payment experiences are deemed faster, more efficient and seamless. Wider acceptance of cashless methods (54%) is another key motivating factor, as merchants across the region continue to respond to changing consumer preferences by increasing their digital acceptance footprint.

Although the current usage of cash remains high across the region (84%), cashless methods are gaining momentum and becoming top of mind. Singapore is leading the region for usage of cashless methods, namely credit and debit card payments, contactless card payments and mobile contactless payments.

Current usage of Contactless Card



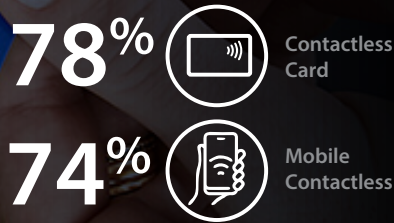
Current usage of Mobile Contactless



Contactless payments accelerate use of digital payments in Southeast Asia



3 in 4 consumers use contactless payments more frequently than they did two years ago

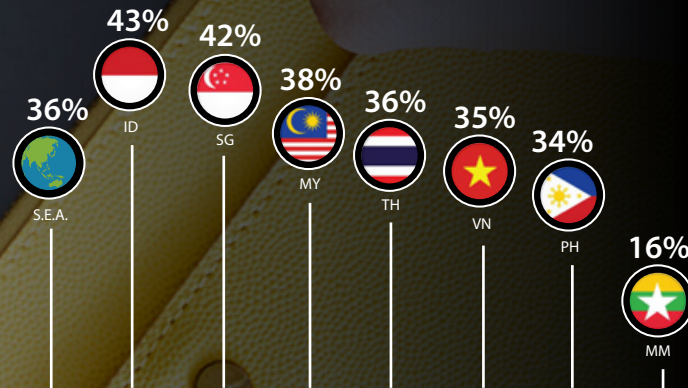


The shift towards cashless payments in Southeast Asia has been accelerated by the introduction of new payment innovations, including contactless payments. Three in four consumers in the region indicate that they use contactless payments, both card (78%) and mobile (74%), more frequently than they did two years ago. We see the largest increase in contactless payments usage in Malaysia (up 15%), Thailand (up 14%), and the Philippines (up 7%) compared to the previous year.

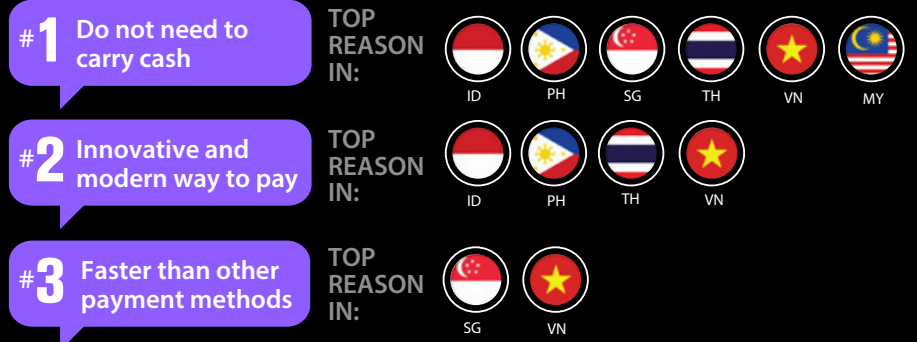
Convenience has been vital to the success of contactless payments in Southeast Asia. The convenience of not carrying cash (62%) is a key reason for consumers using contactless card payments in the region, especially in Malaysia (70%), Thailand (68%), the Philippines (66%) and Indonesia (66%). Consumers in Southeast Asia also see it as a faster way to pay, particularly for countries such as Malaysia (64%), the Philippines (63%) and Indonesia (62%).

The steady rise of contactless payments in Southeast Asia (56%) has resulted in a fundamental shift away from cash. More than one third of Southeast Asian consumers (36%) are carrying less cash in their wallets than two years ago. This trend is largely driven by Indonesia (43%) and Singapore (42%).

Carrying less cash in their wallets than 2 years ago



Top reasons for usage of Contactless Card

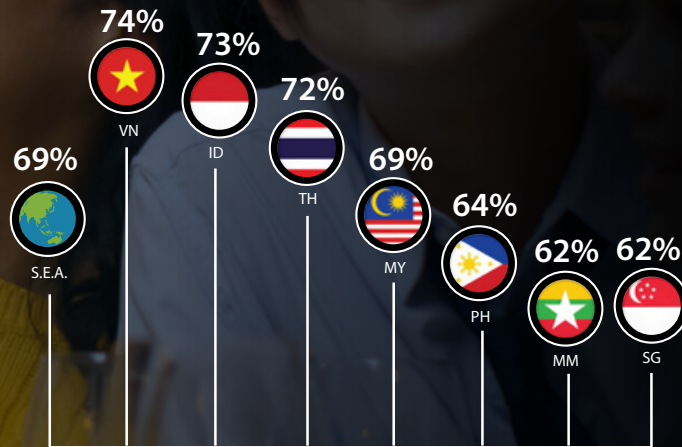


Strong future intent to increase usage of cashless methods

Cashless payments on the rise



7 in 10 consumers expect their usage of cashless payments to increase in the next 12 months



Southeast Asian consumers are extremely optimistic about their future use of cashless payments. Close to seven in 10 consumers expect their usage of cashless payments to increase in the next 12 months. We see this trend highest in Vietnam (74%), Indonesia (73%) and Thailand (72%). Consumers are also largely in favour of government initiatives focused on transforming countries into cashless societies, particularly in Vietnam (79%), Indonesia (75%) and Thailand (73%).

Many consumers in the region desire hassle-free payment experiences and have shown positive attitudes towards adopting cashless methods. Seventy-four per cent of consumers plan to use cashless methods more often and have shown interest in auto-pay solutions for purchases, eliminating the need for physical checkout counters. This represents a clear opportunity for merchants to create digitally-enhanced retail experiences and innovative consumer payment experiences.

Attitudes towards going cashless

- #1 I plan to use cashless payment methods more often and move away from cash **74%**
- #2 I would like the chance to auto pay for things I buy, without having to visit the checkout counter **73%**
- #3 I like and support the government's plans of evolving into a cashless nation **73%**

TOWARDS DIGITAL-FIRST EXPERIENCES

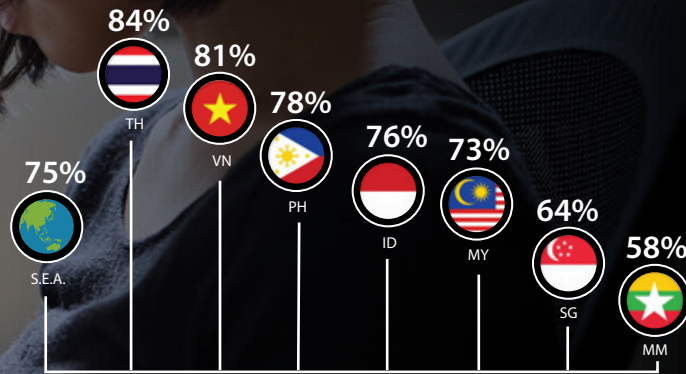
evolution of the payments ecosystem



Going digital: the banking revolution



Interest in Digital Banking



As Southeast Asia progresses towards digital-first experiences, consumers are steadily becoming more dependent on digital services in their daily lives. Digital banking appeals to the millennial generation, who are extremely digitally savvy.

In this region, over 630 million consumers are unbanked.² Governments in Southeast Asia are focused on providing digital banking access to address their countries' populations who are unbanked. They are looking to issue digital banking licences, particularly in Singapore, Thailand and Malaysia. Singapore is leading the way, and the Monetary Authority of Singapore has announced that six digital banking licences will be issued in the later part of the year. Digital banking represents a key opportunity for new players to target this segment. Our study shows that three in four Southeast Asian consumers are interested in digital banking. This interest is largely led by Thailand (84%), Vietnam (81%) and the Philippines (78%).

Consumers see the benefits of digital banking, such as being able to bank at any time, saves time and effort as they no longer need to wait in line at the bank branch and view it faster than traditional methods of banking.

Top motivations to adopt Digital Banking

#1 I am able to bank at any time of the day at my convenience



55%

TOP MOTIVATION IN:



#2 I think it is a faster and more convenient way of banking



54%

TOP MOTIVATION IN:



#3 I don't have to spend time waiting in line at the bank branch

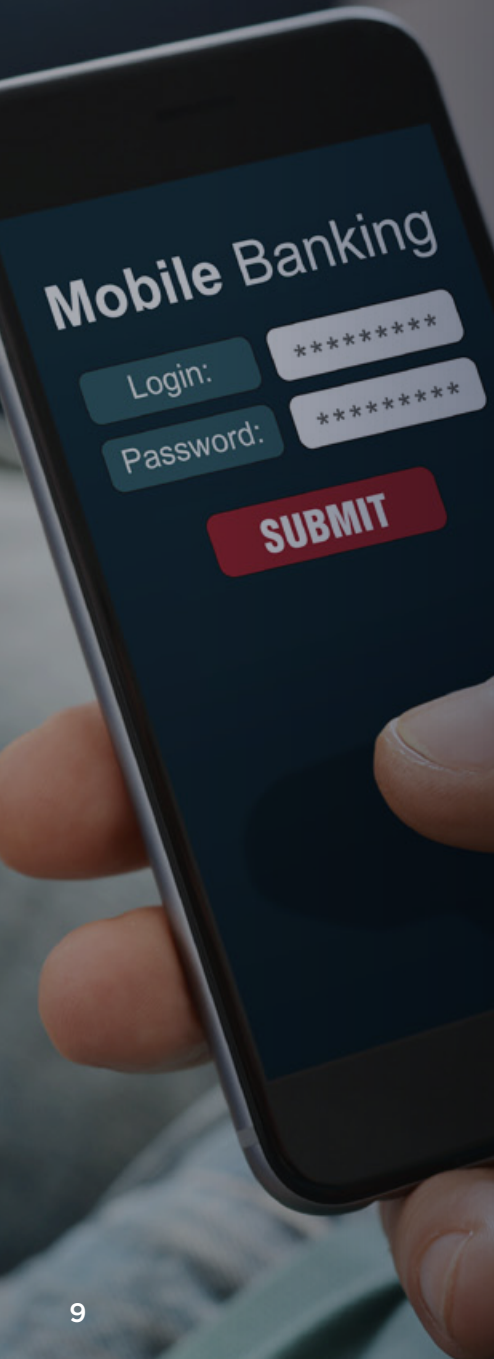


54%

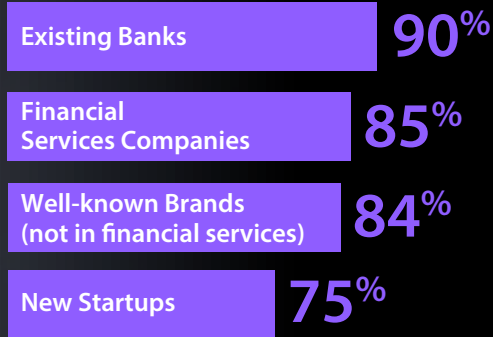
TOP MOTIVATION IN:



Going digital: the banking revolution (cont'd)

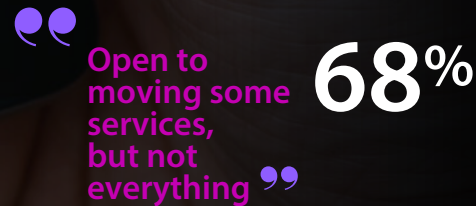
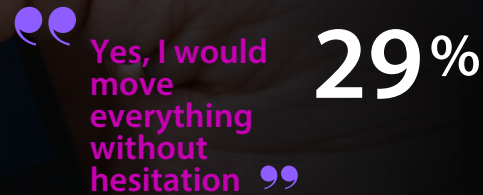


Interest in types of companies for Digital Banking



Given the expansive potential of digital banking, consumers could have their banking needs served by different entities – and not always by traditional banks. Existing banking institutions that decide to offer exclusive online services garner the strongest consumer interest across Southeast Asia. In addition, Southeast Asian consumers are highly interested in online banking services offered by financial services companies not currently in banking, as well as well-known brands not in financial services. Interestingly, three in four Southeast Asian consumers are also interested in banking with completely new startups.

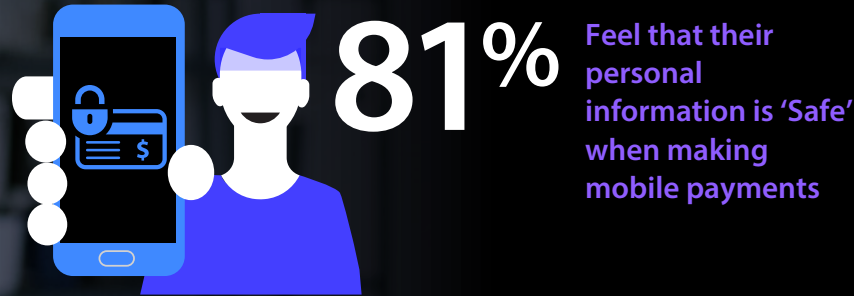
Willingness to switch services over to a Digital Bank that is a new startup



Consumers who are interested in engaging with non-traditional banks cited a myriad of reasons. The top motivators include the expectation of better promotions or offers provided upon signing up (55%), more innovative offerings (54%), and better customer service (54%). Despite the strong interest in non-traditional banking institutions, most consumers in Southeast Asia remain cautious and are not intending to move all their banking services to digital banks. The majority of consumers (68%) are interested to move some services over (likely as a trial), but not all at once. This trend is seen in Myanmar (79%), Singapore (76%) and the Philippines (73%). Approximately one in three consumers are willing to move all services over to new entrants without any hesitation. This sentiment is strongest in Vietnam (43%), followed by Thailand (33%) and Indonesia (27%).

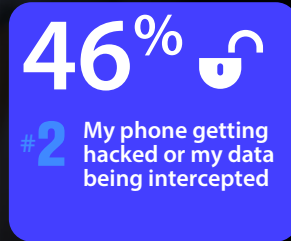
Services that consumers are most likely to engage digital banks for include paying bills, and transferring money to friends and families.

Cybersecurity driving consumer confidence and openness

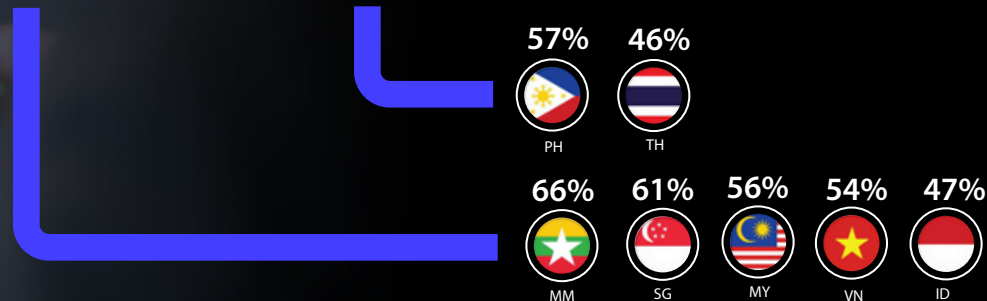


Consumer confidence in data security measures that are in place remains optimistic. Across the region, four in five consumers feel that their personal information is safe when making mobile payments. However, there is a small segment of consumers (19%) who are cautious and feel uncertain when making mobile payments.

Top security concerns among those who feel 'Unsafe' making Mobile Payments



Those consumers who cite key security concerns include issues such as loss of their mobile devices or having them stolen, and fear of security breaches/theft of personal information when making mobile payments. Loss of mobile devices is the greatest worry amongst consumers in Myanmar (66%), Singapore (61%) and Malaysia (56%). Concerns about data being stolen are most apparent in the Philippines (57%) and Thailand (46%).



Tapping into the data sharing economy

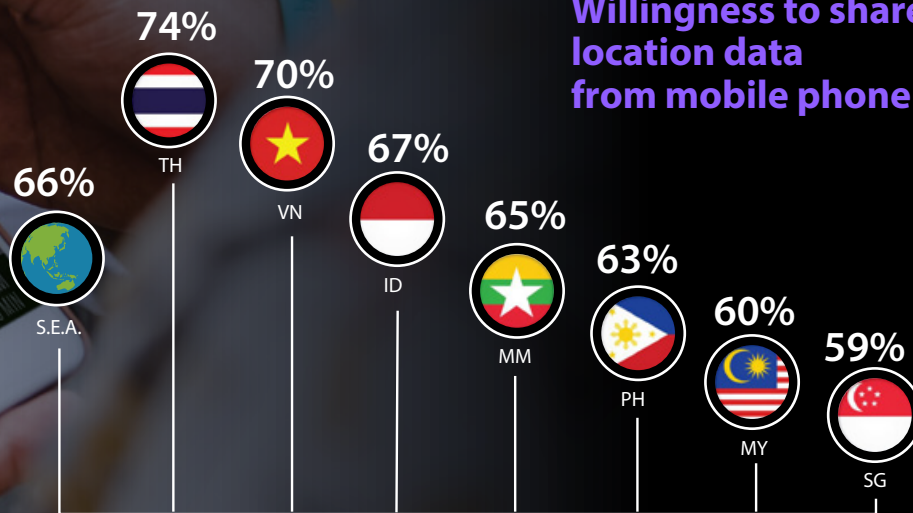


66%

Agree to the provision of location data from their phones to companies in order to receive special discounts, promotions, and services

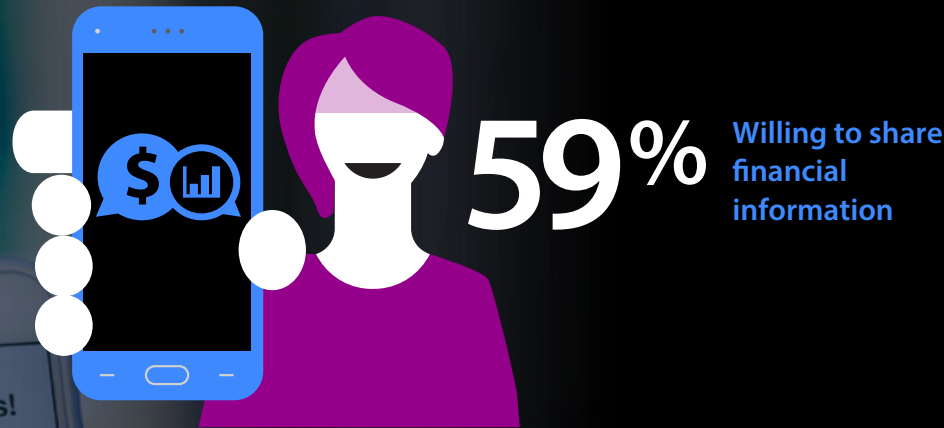
As a result of consumers' high confidence in data security, they are more receptive towards sharing their data to enjoy discounts, promotions and relevant services. More than three in five Southeast Asian consumers are agreeable to sharing their location data with brands. This allows brands to create more opportunities to interact with their customers. For instance, utilising location data effectively enables retail companies to target their consumers better and entice them with attractive offers.

Willingness to share location data from mobile phone



In fact, 66 per cent of Southeast Asian consumers are willing to share location data from their phones in order to receive special discounts, promotions and services. This trend is led by Thailand, Vietnam and Indonesia.

Open banking powered by open data



Openness to data sharing is key to influencing the growth trajectory of digital banking in Southeast Asia. Open banking is a very possible future for Southeast Asia given nearly three in five consumers (59%) are willing to share their financial information with providers. This is led by Vietnam (75%) and Indonesia (64%). However, consumers in Singapore (48%) and Myanmar (43%) are more cautious about disclosing their personal information.

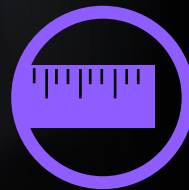
Despite nuances in the acceptance levels across various countries, such positive sentiments are a big stride for the future of banking. Consumers are willing to adopt open banking if it ensures greater speed and efficiency in making transactions, results in more personalised financial products and services and offers a wider range of financial providers to choose from.

Top motivations to adopt Open Banking



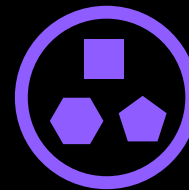
47%

#1 Gains in speed and efficiency in making transactions



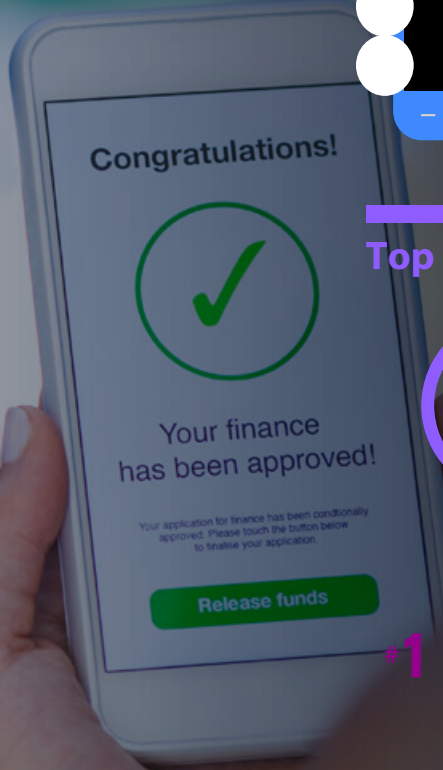
45%

#2 More personalised financial products and services



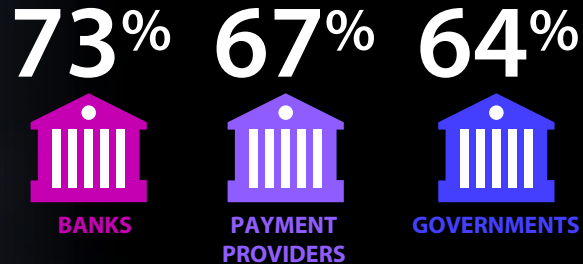
45%

#3 It can offer more choices in financial providers

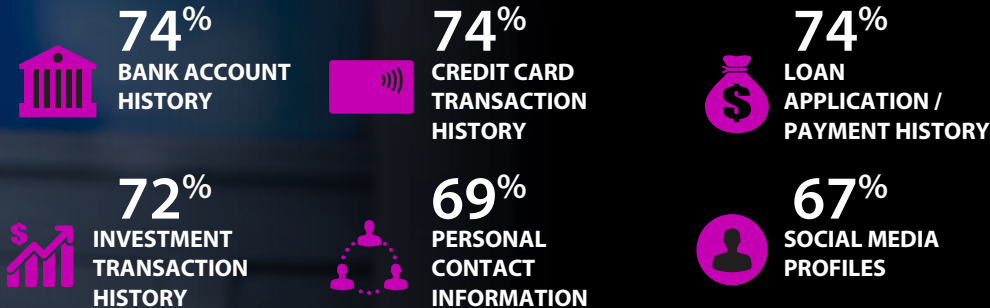


Open banking powered by open data (cont'd)

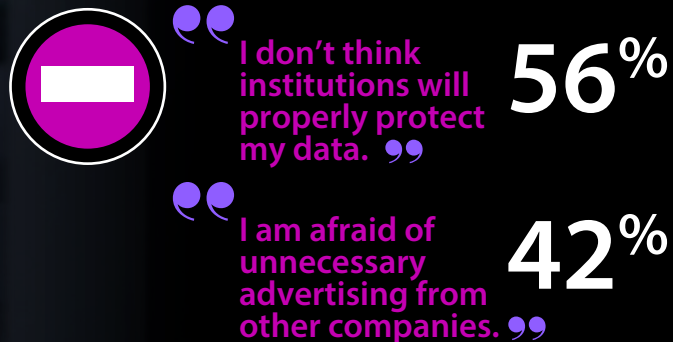
Trust in organisations to protect personal information



Types of personal information willing to be shared with Open Banking providers



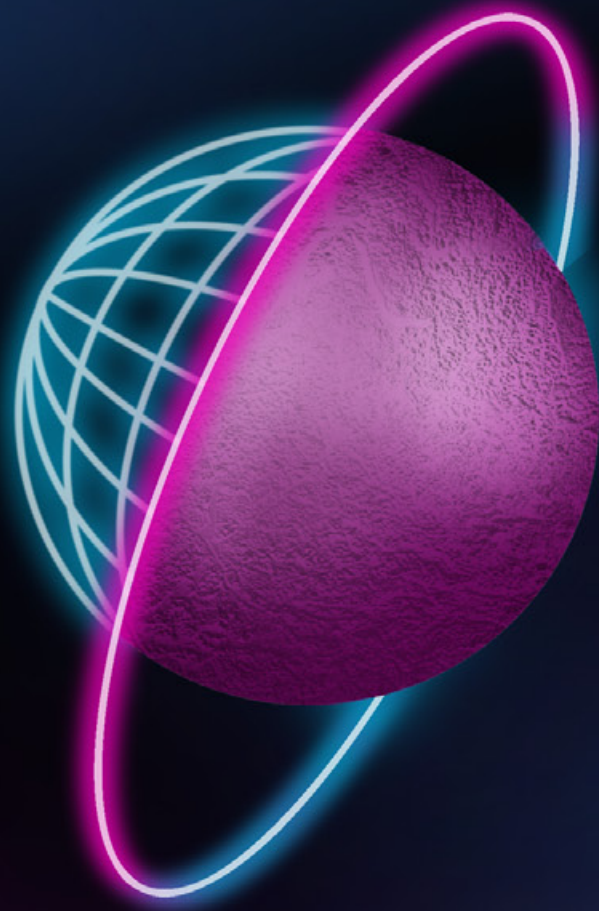
Barriers to adopt Open Banking



Although consumers may be open to sharing their financial information, they remain pragmatic. Consumers need to trust organisations that they allow access to their personal information. The top three organisations that consumers would trust most with their financial data include banks, payment providers and governments.

When these organisations gain the trust of consumers, consumers would be willing to provide access to their data including bank account history (74%), credit card transaction history (74%), loan application/payment history (74%), investment transaction history (72%) personal contact information (69%) and social media profiles (67%).

Meanwhile, some consumers are hesitant to share their personal data with providers and cite the following key barriers for open banking - lack of confidence in institutions protecting their data and fear of receiving unnecessary advertising from companies.



THE NEW REALITY FOR COMMERCE
**driven by
innovation**

VISA

Activating payments through voice command

Usage of Digital Voice Assistants



62%
Use digital voice assistants

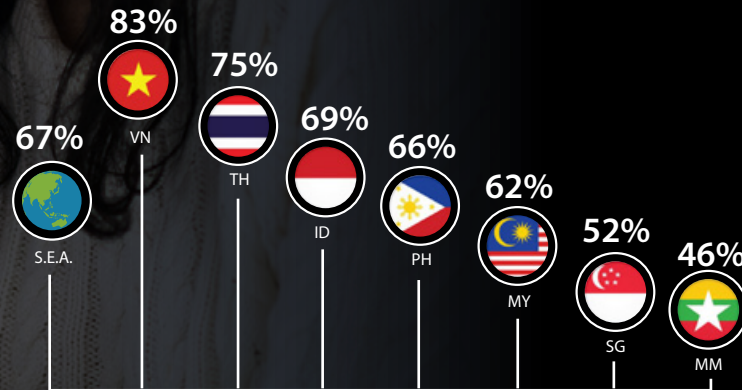
84%
Use digital voice assistants on their smartphones

MAIN DIGITAL VOICE ASSISTANT USED

60%
GOOGLE ASSISTANT

25%
APPLE SIRI

Interest in using Digital Voice Assistants for Payments



Top 3 categories to use Digital Voice Assistants



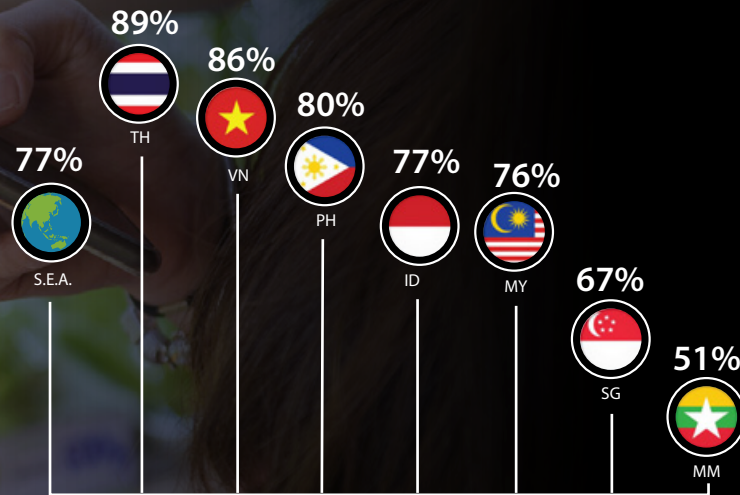
With Southeast Asia looking at digitisation across various sectors, and the rapid development of emerging technologies such as artificial intelligence, consumers now have access to innovations that revolutionise the way they work, play, and pay. Digital voice assistants such as Apple's Siri, Google Assistant, Amazon Alexa and Microsoft's Cortana are examples of such innovative services, and usage has gained traction and popularity in the region.

Close to two in three consumers in Southeast Asia currently use digital voice assistants in their daily lives. This trend is led by consumers in Thailand (75%), Vietnam (73%) and Indonesia (69%). Given the region's high smartphone penetration and engagement, it is not surprising that Southeast Asian consumers mainly use smartphones to access the services of digital voice assistants. Google Assistant is the most widely used digital voice assistant in the region, especially in Indonesia (81%), followed by Apple's Siri, where usage is highest in Singapore (40%).

The growing use of digital voice assistants in the region presents a new opportunity for payment service. More than two in three Southeast Asian consumers highlighted interest in using digital voice assistants to make payments. Many digital services are already synonymous, given the convenience element, but the "hands-free" aspect that digital voice assistants enable is a key driver of this interest. Consumers are most interested to make payments via voice command for food deliveries, booking taxis and ordering grocery deliveries, particularly for Thailand (80%, 72%, 72%), Indonesia (78%, 75%, 74%), and Vietnam (71%, 68%, 66%) respondents.

Zero checkout for frictionless payment experiences

Interest in Zero Checkout



Zero checkout is one of the newest ways for retailers to enable frictionless shopping experiences, allowing consumers to make purchases using sensors or RFID technology, eliminating the need to go through physical checkout counters.

Consumers in the region have shown positive attitudes towards this new way to shop, with close to four in five consumers (77%) expressing interest to use zero checkout technology. Interest is particularly high in Thailand (89%), Vietnam (86%) and the Philippines (80%). Time saved by skipping the checkout queue is the strongest motivator for trying zero checkout technology. With such technology currently untapped in the region, it presents an opportunity for retailers looking to redefine and transform consumers' shopping experiences.

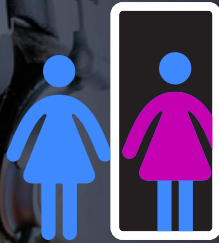
Top motivations for using Zero Checkout



Smart mirrors to augment the shopping experience

73%

Are interested to interact with Smart Mirrors if they were available



New developments in the field of augmented reality (AR) have brought smart mirrors to the forefront of retail trends, as retailers continue to look for more ways to increase customer engagement in stores. Such AR displays enable shoppers to virtually try on products such as apparel and cosmetics and even receive on-screen recommendations in real-time.

The novelty and innovation behind smart mirrors (52%) has generated consumer interest, with close to three in four Southeast Asian consumers

interested in interacting with smart mirrors. Most countries have conveyed strong interest in interacting with smart mirrors, with interest highest in Vietnam (84%), Thailand (80%), and the Philippines (76%). Consumers are also interested in greater ease of comparing items (52%), and the ability to explore products that consumers cannot try (50%). AR technology could enable retailers to provide an added dimension to the retail experience which leads to increased customer engagement, and eventually, growth in revenues.

V-commerce: Virtual Reality to unlock the potential of retail

73%

Interested to interact with Virtual Reality if it was available

#1 It's an innovative and modern way to shop

#2 Easier to visualise and compare different items in their environment

#3 I am curious and would like to try something new

The use of virtual reality (VR) technology to enhance shopping experiences is still in its infancy, but retailers are increasingly open to exploring this new form of "v-commerce". From creating fully virtual stores such as Alibaba's Buy+ to using VR applications in store to drive footfall, as seen in Taobao's physical store at Singapore's Funan Mall, the applications of such technology are wide-ranging.

Southeast Asian consumers have shown great enthusiasm towards VR in retail, with nearly three in four consumers expressing interest to interact with VR technology. Interest is high across nearly all countries in the region, especially Vietnam (84%)

but trends low for Myanmar (44%). Perceiving VR technology as an innovative and modern way to shop is the top driver of interest amongst consumers (54%), coupled with the fact VR helps consumers visualise and compare a variety of items in the retail environment (51%). In addition, it might be able to solve cart abandonment on eCommerce that retailers often see, as consumers may be more convinced of their purchases with this new technology.

In the near future, we may see a whole new experience of shopping in the comfort of our own homes, through virtual showrooms. This phenomenon will also gain popularity with the rise of Internet of Things.

about the report

We conducted the annual Visa Consumer Payment Attitudes Survey to understand the behaviours of digital consumers and to identify areas where we can drive greater adoption of electronic payments. The latest survey was conducted with ENGINE insights among 5,102 consumers in Singapore, Indonesia, Malaysia, Thailand, Vietnam, the Philippines, and Myanmar in August 2019.

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