



Designing the next generation of money transfer solutions

WHITE PAPER

JULY 2023



Contents

- 3** Foreword
- 4** An appetite for global reach
and enhanced user experience
- 7** A demand for fair pricing
and transparency
- 10** The need for security and trust
- 12** Conclusion

Foreword

As a leading innovator in the payments and technology space, Mastercard is committed to listening to the voices of our customers and their users to shape the future of payments according to their needs and aspirations.

Money transfer solutions are one of the most important tools preparing people, businesses and governments for that future. The demand for digital cross-border payments has risen since the pandemic. As the world faces the displacement of populations due to increased migration, a reset in working practice, and uncertain economic times, money transfers have never been more crucial. Whether it's a government sending aid to citizens after a disaster, or a migrant worker sharing their paycheck with family overseas, the changing state of the world is powered by money transfer technology.

To ensure that we're addressing the right needs, earlier this year, Mastercard conducted one-on-one moderated interviews with representatives from financial services companies, digital brands and their end customers across the North America and Asia Pacific regions.

Our research sought insight into payment leaders' and end customers' requirements and preferences for money transfer solutions, and their current utilization of tools when transferring money domestically and internationally.

This report explores our research findings. We've split the sections by theme, covering reach and user experience, transparency and pricing, and security and trust. Each chapter will highlight the key views of both disbursements and remittances organizations and end customers.

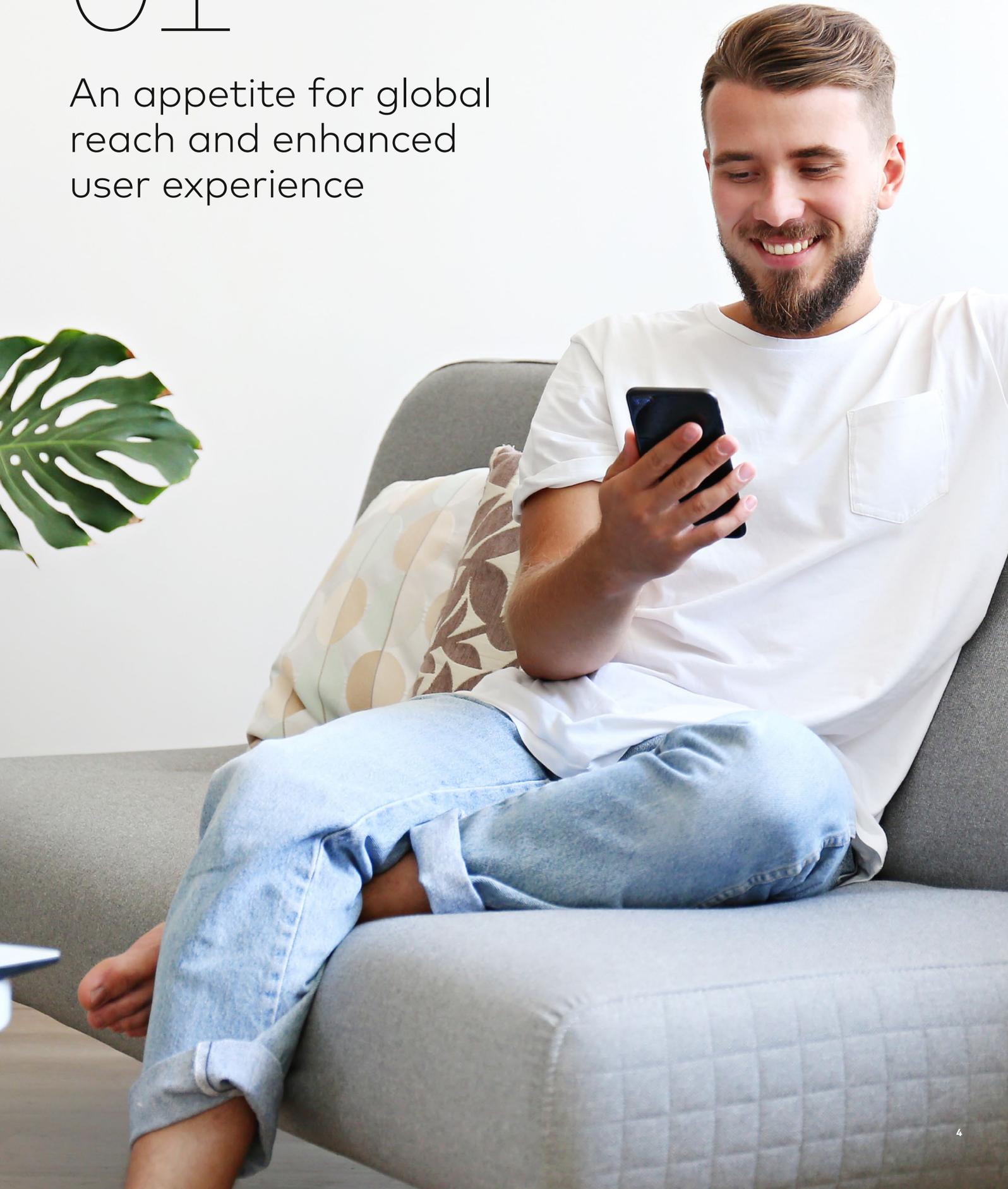
By working together with payment leaders and end customers, we can clearly assess the current and future landscape and build a modern money transfer solution that sets the pace of innovation. It's our goal to provide choice, access and transparency for both domestic and cross-border payments – and these research findings will inform our efforts as we shape the future of payments together with our customers and partners.

Insights, unless otherwise sourced, are from a proprietary Mastercard study from Dec. 2022 to Jan. 2023. Qualitative research with 74 target customers among financial institutions, digital money transfer operators, online marketplaces and more, including 12 respondents in North America and 11 in Asia-Pacific. 60-minute one-on-one moderated online interviews.

Qualitative research with 12 end customers in North America, including content creators, gig workers, asset sharers. 60-minute one-on-one moderated online interviews. Quantitative research among 1,000 and end customers sending/receiving money internationally (500 payees, 500 beneficiaries) via Suzy online survey.

01

An appetite for global reach and enhanced user experience



Expanding global reach and providing a seamless user experience were top of mind for financial service providers, including traditional banks and digital players, when we asked them about the implementation of a modern money transfer solution.

These payment leaders are looking to provide more flexibility to their end customers throughout the transaction lifecycle, using multiple platforms and partners to provide money transfer services across geographies and use cases. They're combining in-house capabilities with external solutions from other banks, fintech providers and third parties, to provide multiple payout options and facilitate real-time or near-real time payments.

This demand for flexibility comes from the increasingly digital nature of the payments landscape, in which end customers have more choice than ever in the ways they send and receive money, thanks to the prevalence of smartphones and digital wallets. According to [Mastercard's 2022 borderless payments report](#):

73%

of consumers send money using an app

30%

of consumers send money using a physical branch

46%

of consumers send money using a website

Consumers have a growing preference for digital wallets when sending and receiving money internationally, and generally aren't differentiating between card and bank account channels – they value the flexibility to pay however want, so it's no surprise that non-card channels are becoming an integral part of a modern money transfer solution. Aside from digital wallets, other digital payment channels include mobile money wallets and prepaid cards, some of which are location dependent.

It's also important to remember that there are still pockets of the world where the un- and under-banked have not been able to access services to send or receive money safely and with confidence. In fact, over 50% of all global remittances are paid to un- or under-banked individuals in need of a cash payout option.¹ It's therefore critical that a modern money transfer solution address this use case and offer plenty of choice in payment options.

On another note, for small to medium-sized businesses (SMEs), success depends on an effective cross-border payment solution that expands their capabilities and reach. According to our 2022 borderless payments report:

79%

of SMEs say sending digital cross-border payments would improve any business efficiency

72%

say sending digital cross-border payments has helped their business grow

69%

say sending digital cross-border payments has improved their cash flow

¹ Kaiser Associates research and analysis for Mastercard, April 2022. 100 in-depth interviews globally with key value chain participants and a survey of approximately 2,200 remittance receivers across 10 markets

Both payment leaders and their customers aren't concerning themselves with the mechanics of "disbursements" or "remittances" – they just want a safe and seamless way to move money from one place to another, regardless of purpose or geography.

Still, the majority of consumers face pain points in both disbursement and remittance use cases, so payment leaders have a lot to gain by providing optimal solutions for these needs. While specifics vary, these challenges generally concern adaptability to the systems and regulations of destination countries. One representative, a bank in the Asia Pacific region, cited the U.S. as an example, saying that sending funds there takes longer because the process is limited by the U.S. banking ACH system.

80%

of consumers are frustrated by restrictions in destination countries that limit their ability to send cross-border payments

~1/3

consumers say cross-border payment platforms have limited options for delivering funds by the recipient's preferred method

37%

of consumers would like to receive disbursements via instant payment services, but just 25% of government agencies support them

While businesses are currently using multiple platforms and partners to provide more options within their money transfer services, most want to consolidate their payment service providers to reduce complexities and costs and improve efficiency.

When asked what they valued in a global money transfer solution, payment leaders prioritized a solution that offers payments to any method (such as cards, accounts and digital wallets) as well as real-time payment capabilities. These payment leaders use multiple platforms and partners to provide money transfer services in different geographies, in order to provide access to endpoints across markets.

While businesses would prefer a single solution provider for all their money transfer needs, they would sacrifice this convenience to mix and match providers in order to maximize pricing and user-experience. Therefore, a single connection experience is not valuable, unless a strong core offering of payouts to multiple methods and real-time payment capabilities exists. In short, seamless optionality combined with expansive reach is what will win the future of money transfer solutions.

"We prefer that every customer have the best payment solution. This may be through partnerships with local banks rather than with global payment processors. In this way we can ensure that our clients can enjoy a secure suite of transaction services."

– Digital customer in the North America region

02

A demand for fair pricing
and transparency



Because they work with multiple solution providers, payment leaders experience pain points in the form of high implementation costs and delayed time to market. They identified cost-effectiveness as a driver for selection when determining their solution of choice. Simplified pricing and contracts were also seen as somewhat important, but not critical in a global money transfer solution.

Reducing costs is top of mind for many payment leaders as they battle tough economic conditions. They need to manage their liquidity position in multiple currencies and maximize their cash flow to ensure they meet their settlement obligations. Businesses also want to offer competitive pricing to their consumers.

~40%

of consumers say cross-border payment systems provide poor foreign exchange rates, high transfer fees or both

~45%

of SMEs say cross-border payment systems provide poor foreign exchange rates, high transfer fees or both

~1/3

of businesses and consumers say digital platforms are not transparent enough about how much transfers will cost and how much money will be received

Many businesses we spoke to in the research process named a lack of transparency in fees and timing as their least favorite part of their current experience. A quarter of SMEs said that suppliers refused to work with them because of uncertainty over payment times, while 36% said there is no transparency about how much money they lose in foreign exchange or transfers. For consumers, remittances in particular were cited as having limited to no visibility once a transaction is initiated. According to Mastercard's 2022 borderless payments report:

39%

of SMEs say they don't always get a receipt when they send online payments

~30%

of SMEs say they can't track their transfer status or estimated arrival when they send online payments

Many end customers would appreciate the option for instant access to funds, although they initially shared mixed perspectives on prioritization and willingness to pay for instant access.

- Some acknowledged instances when they would like instant access with a "reasonable fee"
- Others indicated they prioritize consistency of timing and reliability of payment over instant access

The general consensus around instant access is that it needs to be balanced against consistency of payment timing and reliability of the payment options.

"Beneficiary confirmation is a pain point. Most countries do not come back with this confirmation. We assume the transaction is paid but it might be a closed account and the bank won't return the money."

– Digital customer in the Asia Pacific region



03

The need for security
and trust



Businesses deem it crucial that their partners provide assurances of the security measures in place when it comes to managing their payments, for both domestic and international transactions.

Businesses manage key regulatory requirements across different geographies such as know your customer (KYC), tax compliance and reporting. Some of these customers build their own capabilities, while others look for partners to do it for them. There is a preference for building their own capabilities if possible, so that they can control more of the experience.

When it comes to scaling a global business, target customers face pain points in everything from preventing fraud to managing global regulations. When asked what they valued in a global money transfer solution, customers highly rated value-added solutions such as fraud monitoring, KYC, foreign currency exchange (FX) and regulatory reporting.

Businesses also must be able to source and pay international suppliers quickly and securely. As it stands, concerns over security and fraud hold businesses back from making more of the cross-border payments that can help them. According to Mastercard's 2022 borderless payments report:

45%

of SMEs fear they might become victims of fraud when using digital cross-border payments

42%

of consumers fear they might become victims of fraud when using digital cross-border payments

Trust is a leading consideration across use cases, whether it's a consumer looking for a viable option for peer-to-peer payments, or a business operating internationally.

Conclusion

There is ample opportunity for modern money transfer solutions to address the pain points faced by payment leaders and their end customers, from burdensome user experience to a lack of visibility throughout the transaction lifecycle.

Financial services companies want to provide consumers around the world with real-time capabilities and multiple payment options, preferably through a single connection experience. They're also looking for more transparency in fees and timing, and for strong, visible security measures for both domestic and international payments, in line with key regulatory requirements across different geographies.

By using these learnings from payment leaders and their end customers, we can effectively guide the product development of a modern money transfer solution that solves pain points and delivers value for everyone.



Designed by Mastercard Creative Studio