



Bocconi Students Fintech Society

Digital Payments and Wearables

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Digital Payments



Introduction

Transactions made electronically without the use of physical currency or cash:

- Credit/debit cards
- Digital wallets
- Bank transfers



Advantages

- Faster processing times, greater security, improved record-keeping, more comfortable

Growth of Digital Payments

- E-commerce, online shopping
- Digital wallets such as Apple Pay and Google Pay
- Wearables such as smartwatches and fitness trackers



Wearables



Near-field communication technology (NFC)

Enables them to communicate wirelessly with payment terminals.

Advantages

Wearable devices are always with their users:

- Convenience
- Security
- Purchases on-the-go



- Passcode
- Biometric authentication









Strengths of Digital Payments and Wearables



LOOKING AT DIGITAL PAYMENTS BENEFITS...

Mobile payments, digital payments, digital wallets, cryptocurrency payments, buy now pay later financing, or, moreover, contactless payments are simplifying transactions, allowing a series of advantages if compared with traditional methods:

-  **COMPETITIVENESS:** mobile payment terminals, touchless payment, and efficient in-store pickup options, represent a competitive advantage for companies themselves, enabling them to better reach clients' needs. Adopting solutions like digital invoicing as well as online payment enables both B2B and B2C industries to improve productivity and efficiency, strengthening their market position eventually.
-  **CONVENIENCE:** digital solutions promote a new payment method that enables consumers to pay anywhere at any time, as long as an internet connection is available.
-  **SPEED:** they allow instant payments to be made to both individuals and vendors, offering not only a novelty compared with traditional means of payment, but also triggering their own diffusion.
-  **SECURITY:** digital payments ensure financial information security thanks to encryptions and biometrics solutions (face, fingerprint, or iris scans...) used both for account ownership validation and transaction confirmation rather than relying on PIN codes or two-factor authentication.
-  **COST-EFFECTIVENESS:** they allow transactions without asking for ATM or postage fees, reducing all users' costs.
-  **INCREASED BOTH TRANSPARENCY AND ORGANIZATION:** this type of service allows budgeting, spending control as well as financial oversight of banking accounts, providing spending reports.

Sources: European Central Bank, McKinsey Company, M2P Fintech, Forbes

Strengths of Digital Payments and Wearables



WEARABLES...

With the development of new payment solutions and the establishment of new trends, WEARABLES' popularity is increasing: electronic devices worn on the body, nowadays already designed to provide a wide range of functionalities, and now viewed as a means of payment. These devices enable users to conclude transactions simply by tapping their device on a payment terminal, reduce checkout times and improve overall customer satisfaction, reduce the risk of card skimming or other types of fraud, eliminate the need to carry cash, credit cards, or even a smartphone and offer a high degree of personalization, as they can be customized to fit individual preferences and styles.



Barriers/ limitations of Digital Payments (and Wearables)



What can stop the growth of digital payments?

Digital payments feature a lot of barriers, which can limit their usage. Some can be solved with few measures, while others only with big investments and a long and organized path.

1. Internet connection in well served places ensures fast and comfortable payments, in more remoted locations the service does not work. Large companies like Vivendi, the main shareholder of Telecom Italia, usually are not interested in funding big infrastructures to reach isolated and low populated cities, where their revenue will be lower. Policy makers must help the private sector, with strategic investments, to upgrade the national infrastructure, and increase funding for new technologies like 5G and optical fiber.
2. Governments also must reduce the generational gap. To solve the problem the technologies are becoming simpler to use and easier to understand; however, older people need to be guided through new applications, and they must feel willing to use new payment methods.
3. Costs related to digital payments and wearables: firstly we find the hardware itself, which include the wearables that are constantly reducing their cost while growing in quality and devices that salesmen need to take digital payments (POS). Secondly, software costs and transaction fees, recently at the heart of a big controversy as they do not exist in traditional method of payment.
4. Danger of hacker attacks, that could steal your money or access your personal data. In the first case banks are obligated to refund their clients by the amount stolen, plus a compensation for the damage caused to the client. The second is more serious, as being beware of scams and rely on an anti-hacker software are not always a solution.

Sources: PWC; Accenture; European Union digital transition



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As.bsfintechsociety@unibocconi.it

www.bsfintechsociety.com

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