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## Transformation of Consumption Perceptions: A Survey on Innovative Trends in Banking

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### Abstract

Having a 65 year history, credit cards like we use today brought about a great transformation and dissolved the obligation of being dependent on holding cash. In line with technologic improvements, evolving with increasing acceleration, the world of economy and finance is experiencing a new transformation nowadays. These technological improvements have challenged financial service providers with the change in the way of buying, selling or doing business. As a result of developments in mobile technologies, this time credit cards themselves are facing a drastic transformation by means of increasing penetration of smartphones, at least materially. With the evolution of consumer technology, consumers will leave the traditional ways of consumption, their leather wallets and standard credit cards, etc. Along with both the improvements in technology and the change in consumer perception and wants, the theory of finance is also changing a separate but similar trajectory due to the help of new security designs, telecommunication technology improvements. This paper aims to provide a unique insight into how financial sector will evolve in the next decade and tries to draw out the drivers of this change. In this aspect, our study will provide series of new trends. Toward this end we will present six new trends, namely; biometric technology, contactless payment systems (m-POS), NFC technology, Host Card Emulation (HCE), mobile Wallet (m-Wallet) and other wearable payment systems, and discuss their probable impacts over banking sector and shopping habits.

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## 1. Introduction

Financial sector is evolving by a constant stream of new technological development news, new entrants and new possibilities became available for consumers to pay. A constant theme in the evolving changes and developments is the smart mobile phone and consumer perceptions can be accepted to catalyze mobile payment technologies. The term “mobile payments” is a very broad description that is used for representing a vast number of distinct payment methods and channels.

According to OMLIS, a global mobile payments solutions provider, M-Commerce Trends in Payment Technologies 2014 Report by Emma Thompson, 1.3 billion active credit and debit accounts and more than 5 billion active mobile phone accounts exist globally. By the end of 2013, there were about 245 million mobile payment users, and Juniper Research predicts this will almost double within the next three years. While considering the total commerce value, since the global adoption of mobile payments is on an upward curve, total mobile payment transactions are expected to follow an increasing trend.

At the moment, depending on consumers’ access to technologies, lifestyle choices, and underlying economic factors, Africa currently holds the top place for worldwide mobile payment usage according to Gartner. (Summing up to nearly 52 percent of all global mobile money services.)

On the other hand, if we consider the remaining parts of the world; it can be safely concluded that Asian market comprise an important portion in mobile payments as opposed to North America or Western Europe. Dominant markets in Europe include UK, Germany, Spain Russia and Sweden, backed by high mobile internet penetration infrastructure. Brazil, Mexico and Chile currently hold the highest mobile payment adoption rates in Latin America, which is an expanding market. The main reason for this is due to the need for secure payments system for the unbanked masses.

To sum up, as mobile payments are comprising a higher portion in our lives, secure transaction enabling technologies and authentication alternatives come into use. Biometrics in banking was a major theme for 2014 since banks are bound to use a combination to better authenticate customers and ensure the optimal level of security for online banking and purchasing transactions. From this aspect, biometrics can help to obtain secure services over different features of the customer.

This paper tries to investigate the main driving forces, beneficiary and problematic aspects of potential payment technologies and summarize the key themes for mobile payments by examining some possible scenario outcomes for banking sector. In other words, this report presents unique insight into how the banking market will evolve, what will drive and shape this market evolution, and where the most lucrative technological opportunities will be. This paper is not a comprehensive overview of the underlying technology or the whole industry. It is just an advanced strategic market analysis providing a basic understanding of market associated technologies.

The paper is presented in three parts. Part One is introduction, following part one, second part is comprised of six sub sections, of each of the new trends, namely; biometric technology, contactless payment systems (m-POS), NFC technology, Host Card Emulation (HCE), mobile Wallet (m-Wallet) and other wearable payment systems are investigated. The last part is conclusion, where the technologies' probable impacts over banking sector is stressed. The whole analysis is drawn from public domain and private research and reports, surveys over on-going technical developments.

## 2. Background

According to the market forecast report through 2020 by ACUITY (2009), the drivers of the changing worldwide environment and IT development can be divided into two main categories of mega trends and meta drivers.

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