A sea change in customer expectations, in supply chain relationships, and in technology infrastructures are part of a zeitgeist where the hallmarks of success include speed, convenience and transparency – for both corporations and their banks.

Instant payments. Instant receivables. Instant access to data. Instant reconciliations. Seamless and convenient experiences. They are all responses to a new business landscape where digitization, electronic commerce and immediacy rule the day.

They are also part of a movement that is in full swing to move beyond traditional payment methods such as checks and cash to methods more befitting today’s hyper-connected, on-demand world.

Around the globe, instant payment services and alternative payment methods such as mobile wallets have gained traction, redefining the standards for how, where and the speed with which payments can be made.

Consumer demands drive corporate expectations

In a culture fueled by technology we, as consumers, have come to expect – even demand – immediacy and convenience.

We take instant messaging for granted. If we ask our smartphone assistant for something, the response must be immediate. We use online stores to make purchases 24X7 with a few keystrokes or screen taps and, increasingly, we are using our mobile devices to initiate these purchases.
Not surprising, we expect to be able to pay for our electronic purchases instantly too. What’s more, our expectations as consumers have spilled into the corporate environment.

Technology-enabled disruptions

In response to this dynamic environment, key players in the payments industry are investing in disruptive technologies and collaborating with specialized fintechs to make “instant” the new norm for consumer and corporate payments, whether domestic or cross-border.

At Citi, for instance, there has been a significant focus on harnessing big data, deploying application programming interfaces (APIs), and leveraging advances in processing speeds to make real-time a reality. Mobile devices and mobile apps too are central to Citi’s, and the industry’s, move toward real-time, while the cloud has created a new rail for technologies that promote speed, convenience and scalability.

With this as a backdrop, we see disruptive technologies accelerating change across three major facets of the payments ecosystem: clients and their business models, regulatory bodies, and payment solutions themselves.

New business models, new payment demands

Many companies are going through major shifts in the way they conduct business. They are adopting new business models. Their traditional supply chains are being disrupted. And their supply chains are increasingly more digital and more global.

In the consumer goods sector, for instance, a growing number of enterprises are selling their products directly to consumers. They are cutting out traditional intermediaries, such as wholesalers and retailers, and instead using online stores and e-commerce marketplaces to reach consumers. As a result, they need to collect large numbers of smaller payments quickly, securely and around the clock.

Similarly, the transportation and accommodation sectors have seen an emergence of new direct-to-consumer models. Shared economy models made popular by entrants such as Airbnb and Uber, for instance, have generated the need for a new payments paradigm as well.

Faster payments are not just about providing ease and convenience to consumers, or accelerating collections, though. They offer tremendous opportunities when it comes to corporate payments too, where just-in-time funding can speed up the release and delivery of goods from global trading partners, for instance. Real-time, account-to-account funds transfers also can enhance the management of liquidity among an organization’s business units or subsidiaries.

Whether applied to a B2C or B2B payment scenario, instant payments are about so much more than increasing the speed of settlement: they are setting a new operational standard that inherently increases the velocity of global trade.

Instant payment capabilities create exciting new opportunities for companies to build reimagined products, solutions and experiences befitting the digital age. Think, for example, of the competitive advantages of a ride-sharing company that can pay its drivers after each ride rather than on a weekly basis. Or indeed how much more compelling an immediate cash rebate is versus a traditional mail-in rebate. The opportunities are extensive.

Regulators: Driving transformation to real-time

Regulators are also stepping in to foster and encourage innovation and remove friction from payment processes. Governments realize that payments are increasingly becoming digital and need to be settled in near-real-time around-the-clock. With their support, new payment systems are flourishing in markets around the world.

In many countries real-time payments are aligned with goals to modernize clearing and settlement systems and create more transparency. India, for example, has been on the forefront of instant payments. Its instant payments scheme is central to the government’s goal of reducing the use of cash to mitigate corruption and also to promote financial inclusion.

Elsewhere, such as Kenya, Zambia and Tanzania, instant mobile money transfers have both reduced the use of cash and revolutionized how payments are made. Other examples include The Clearing House’s Real-Time Payments System in the U.S. and Australia’s New Payments Platform.

As the number of countries grows, other countries face mounting pressures to meet the new standard.

Banks: Making real-time a reality

As instant payment schemes spread across the globe, Citi is working with central banks and other stakeholders to help ensure that efficient settlement processes and processing infrastructures are being deployed.

While instant payments schemes are domestic by nature, the future actually lies in the ability to complete payment transactions globally in minutes, even seconds. Thus, Citi’s
response is to offer its clients one global platform, a single point of entry, and consistent connectivity to all key local instant payment systems and a host of value-added services. Using a single API or file channel, it is expected that companies will be able to access, via Citi’s platform, instant payment schemes in close to 30 countries by year-end.

Citi also is developing cross-border capabilities that pair instant foreign exchange with instant payments, where possible. Our global network, with direct presence in 98 countries, leaves us uniquely placed to connect instant payment systems globally. This in turn magnifies the benefit of each individual instant pay scheme and helps the world become truly instant.

More broadly, the technology and standards being applied to the new payments infrastructure opens up the doors to a host of new capabilities and add-on services that benefit both companies and their customers.

Take the ISO 20022 messaging standards that accompany instant payments. The robust data that flows with the payments is as valuable, if not more valuable, than the speed of the payments. This data facilitates easier and faster - even near-real-time - reconciliations and other collection improvements.

As payments move at a greater velocity, Citi is also creating tools to help manage emerging risks. Citi Payment Outlier Detection, for instance, uses artificial intelligence and machine learning to help identify transactions that do not conform to a client’s past payment behaviors and patterns within an organization, stopping them and alerting account holders before they are processed.

Cost, speed, convenience, security and transparency

Cost savings are another advantage. Instant payments are less expensive than Real Time Gross Settlement transactions, and in many markets the cost is comparable to that of ACH transactions. Other financial gains can accrue from saving time, increasing productivity and putting funds to work faster.

An array of security- and convenience-boosting solutions that sit on top of instant payments offer additional benefits, to payees and payers in both B2B and B2C environments.

Request-to-pay collections services and the use of tokenization and QR codes to to help protect payers’ account numbers are just a few such solutions.

The bottom line is that our focus at Citi, and across the payment industry, is to leverage new technologies and systems to make instant the new norm. The end game is to drive innovations that help companies unlock the power of new technologies to create a competitive edge via improved speed, costs, convenience, security and transparency.