Vizant

June 2014

Is the Term “Alternative Payments” a Misnomer?

The market is being bombarded regularly with new payment applications, payment solutions, payment devices and payment technologies. These are collectively referred to as “Alternative Payments”. Frankly, it is hard to keep up with so many new ways to make a payment. Products have been launched with great fanfare and then disappear rather quickly. Others have gained market traction and are becoming well known.

What exactly is an Alternative Payment? In the world of payment cards, Alternative Payments are often described as any network or consumer interface that: 1) displaces one of the big 4 card brands 2) enable payments in a manner that sets them apart from the Big 4, even though they may use of the big 4 payment rails and 3) stands between the Big 4 networks and the consumer in a very visible manner.

Despite the excitement around Alternative Payments, they are not as alternative, different or unusual as one think. The reason is surprising: Every one of these Alternative Payment solutions must utilize one of the existing and rather “old” legacy payment systems to actually transfer monetary value between parties. All of these payment types and payment methods must use of these systems to actually work: credit card system, debit card system, ACH system or the Checking system. These newfangled solutions must all utilize the established and entrenched legacy on the both the initiator and receiving end of a payment.

There are currently nearly 150 unique Alternative Payment applications and solutions. Some of these systems are device specific, some of these systems are merchant centric, some of these systems are payment specific, some of these solutions are consumer centric and some are a combination of all these. The vast majority of these alternative payment solutions are closed loop systems. They require that the payment initiator and payment receiver both participate in the payment system or application. This is the most problematic aspect of all of these systems.

Despite the rather large number of 150 payment solutions, only about 40 of the applications are considered viable because they have secured some noticeable market penetration. The alternative and mobile payments space continues to be very fragmented, with no single solution or payment application securing any sizeable share of the payments market place. This will not change in the near term.

Some of the 40 alternative players who have secured market adoption are as follows:

- Coin: Offers a way to combine multiple card accounts either on a card or a mobile device
- Bitcoin: A new digital currency that is real time
- Yowza: Offers merchants mobile marketing and advertising opportunities
- Apriva: A combination mobile wallet and payment gateway for merchants
- PayPal: The biggest and most dominant alternative payment, both online and mobile
- Target REDCard: The biggest of the decoupled debit card programs
- Isis: A joint venture of 3 mobile phone companies that uses NFC technology
- Mobile Checkbook: A mobile way to send and receive a scanned check payment…
- P2P and P2B
- Google Wallet: This has struggled as a mobile wallet. Google now issues plastic cards via the Discover network

While this list is just a snapshot, it does represent just how fractured the marketplace is when it comes to alternative payments.

If your organization would like to more fully understand, analyze and evaluate the many types of alternative payment solutions in the marketplace, a perspective from an expert is surely required. Vizant is widely known and respected as the Payments Expert and “Go To” source for knowledge and advice as to payment methods, payments types, payment efficiency and how an organization should structure, accept and process financial payments.