

# Supporting Businesses and Payments Throughout COVID—19

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## eBook





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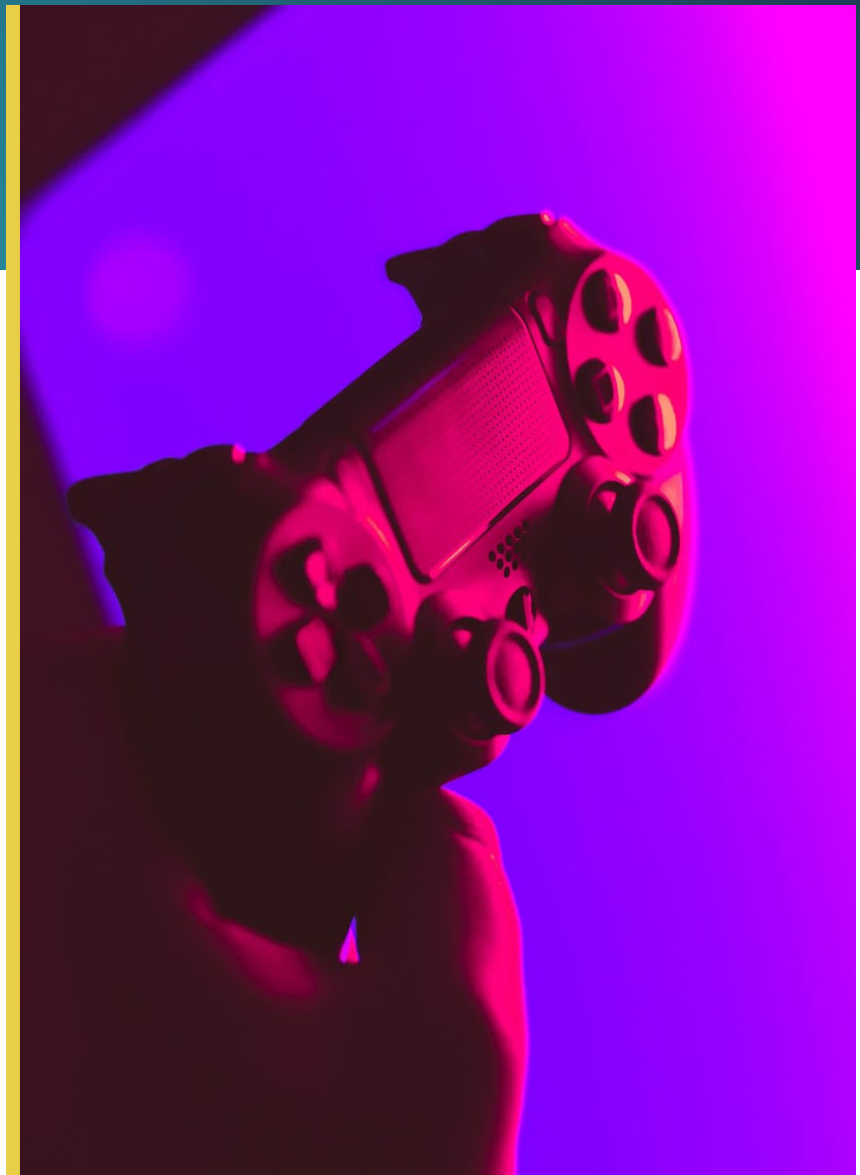
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# Gaming



“In line with all the other industries, physical and in-store, gaming and betting was massively effected during the initial phase of the COVID-19 lockdown. However, there is still a great opportunity to support this sector as the slow down to gaming was more limited than with other sectors.”

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**Kamran Hedjiri - Board Member, PXP Financial**

The gaming and betting industries were on track for a great year in 2020. While attending one of the world's largest gaming conferences, ICE London, in February 2020, CEO of PXP Financial, Koen Vanpraet, noted several companies using promising new technology to make a profound impact in the sector, specifically highlighting the rise such in skill-based games like those created by [Synergy Blue](#).

It was looking like the gaming sector would continue its upward trajectory in 2020. The unexpected arrival of the COVID-19 virus flipped the table on everyone's expectations. The most prominently impacted part of the sector was casinos, especially those located in major, tourist-reliant cities like Macau, which in May [reported revenue had fallen](#) by 97% year-on-year due to the impact of COVID-19. The situation only worsened in June, leading to the lowest monthly [gaming revenue in the area's history](#).

It wasn't just casinos that suffered, as the suspension of most sports meant that bookmakers also saw losses. In May, [William Hill reported a 57% year-on-year decline](#) in net revenue due to the virus, and in August, Veikkaus, the Finnish monopoly operator in this space, projected [a loss of over €300m in profits](#) in 2020.

There's no escaping the fact that the gaming and betting industry has been hugely impacted by COVID-19. In the iGaming scene, however, things are a little different.

# THE RISE OF iGAMING UNDER LOCKDOWN

When Koen wrote about the gaming and betting companies to keep an eye on in 2020, he didn't just discuss machine manufacturers. In fact, he mostly discussed the future of the iGaming sector, highlighting the likes of [PokerStars VR](#), a rise in [eSports betting](#) and the growth of companies like [888casinos](#) and [Inspired Entertainment](#). These insights ended up being spot on, but perhaps not for the reasons Koen originally thought. As a result of the coronavirus pandemic and the lockdown measures that followed it, the greatest opportunities in the gaming space right now are all in iGaming.

Before the pandemic, online gaming and betting were already growing hugely in popularity. But when COVID-19 and lockdown drove gamers inside, many of them went online to continue playing and betting. In April, a month into lockdown, [The Stars Group announced](#) it was expecting a record revenue of around US\$735 million for Q1 2020, up 27% from the previous year, due to a surge in players as a result of COVID-19. Then, in June, [888casinos upgraded its 2020 profit expectations](#) thanks to a daily revenue climb of 34% year-on-year in H1. These are not the signs of companies suffering under the pandemic.

These revenues aren't just good for the companies, they're good for individuals looking for work. COVID-19 has seen an increase in unemployment, but for iGaming businesses, the increase in users creates a need for more staff. As early as April 2020, iGaming businesses were [being encouraged to hire new talent](#) to keep operations running and growing.

*"Engagement with video games and eSports has increased. This is especially true for multiplayer video game competitions, which have overcome the challenges of social distancing in the sector."*

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**Susanne Werner - Account Development Manager, PXP Financial**

## THE RETURN TO NORMALITY

COVID-19 is not over. However, from the summer onwards, cases have decreased in many countries and governments worldwide have encouraged a return to normality for many industries.

The biggest turn-around in Q3 was the return of major sports leagues, and thus the return of betting activity. While betting continued during lockdown, focused mainly on eSports and [more unusual online sports like marble racing](#), the return of major sports such as football and the reopening of bookmakers has increased betting activity globally. [GVC noted that betting activity is nearing pre-pandemic levels](#).



The eSports space is poised to win big as a result. The scene was already enjoying a tremendous increase in attention due to the lack of traditional sporting events during COVID-19, and new fans are unlikely to outright abandon eSports just because traditional sports have returned. Plus, with the prospect of another lockdown looming over many people, eSports could once again become the only game in town.

Online gaming also continues to trade ahead, according to the GVC, even if it is slightly below the peak levels seen in the previous quarter (online revenue is up by 22% and there has been a 45% hike in gaming revenue).

There are also very few disadvantages to iGaming when compared to physical gaming. The customer might experience a different feeling, sitting in front of a computer or phone instead of around a table with other people, but for operators the differences are wholly positive. Online gaming gives operators more control and makes payments easier to manage because they are automated and only require a strong end-to-end payment solution to keep data secure.

# INNOVATIONS AND THE FUTURE

*"No one ever thought that, when the worst-case scenario happened and almost everyone was forced to stay at home, the industry could still offer a high quality service to its customers. The fact that it did is a testament to the advances made during challenging times by companies and more importantly by their employees while stuck in the COVID-19 lockdown."*

**Anschana Caravaca - Head of Gaming, PXP Financial**

Many changes had to be made during lockdown to accommodate a new way of working. However, just because many places have reopened their physical operations doesn't mean that the advancements and innovations made during lockdown were for nothing. Instead, COVID-19 pushed innovation forward by necessitating new advancements not previously considered by the industry.



## Maintaining standards from home

Most noteworthy is how successfully gaming and betting operators have managed to keep a high-quality service while working from home. Previously, it looked like a strong service could only be delivered with all the operators on location to provide it. However, after casinos and bookmakers were forced to close their doors, services were forced to adapt - and they did so incredibly well. Now a high-quality service is possible online - payments are easy to make and betting caps are simpler for customers to manage so fewer customers game their way into debt.



## The benefits of partnerships

Strong partnerships between operators and their various industry partners have gone a long way in keeping the industry running during the lockdown. This level of cooperation needs to continue. By increasing communication channels and reducing red tape, operators were able to counter some of the negative effects brought about by COVID-19, and did so with very little consequence to their businesses. If the consequences are minimal or non-existent, there's no reason to go back to the way things were.



## Payments that keep players safe

By far one of the biggest innovations in the gaming industry during the pandemic is how payments are handled. Obviously, with a bigger shift to online gaming and betting, there has been an incredible boost to the amount of online payments made. But even in casinos there has been a shift from cash to contactless payments and pre-paid cards. This has been a prominent trend in the retail space, [with LINK citing](#) that 75 per cent of respondents in a recent survey have decreased their use of cash since lockdown began. The same thing is happening in gaming.

Health concerns are the main reasons. Avoiding contact with other people is the primary way to avoid catching COVID-19, and this includes not handling cash. Digital payments remove the need to interact with others and reduces the spread of disease. This is at its most relevant now, during the pandemic, but even after it subsides there will still be other health risks out there. By moving to contactless payments these can be more easily avoided.

While Q3 2020 was a slow return to a kind of new normal, current trends show that Q4 2020 may see a second spike of infections and potential new restrictions may continue into 2021. The gaming and betting industry needs to ensure that it can adopt to even more changes to everyday life and provide online services in a more efficient and stable way.



# Hospitality



“Understandably, the hospitality sector has suffered as a result of COVID-19 and the restrictions put in place to keep the public safe. Restaurants, hotels and cruise ships have been forced to stop or limit their services, disrupting travel and making eating out far more complicated. Now that we are moving out of lockdown and these businesses are being allowed to reopen, they are faced with a need to radically change how they operate, and this is being supported by technology.”

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**Franco Del Basso - Director, PXP Financial**

Hospitality has been one of the sectors most drastically impacted by the Covid-19 pandemic. Across the UK, all hotels, pubs, bars and restaurants had to close their doors to comply with the unprecedented lockdown measures ordered by the government in early 2020.

[Research by McKinsey & Company](#) suggests that recovery to pre-COVID-19 levels could take until 2023—or later. As hospitality businesses begin this rocky road to recovery, they face the challenges of resuming business-as-usual in a totally different operating environment. And, while the government has provided some support - for example, with the Eat Out to Help Out Scheme in August 2020 where customers received 50% discounts at participating restaurants - there are still many challenges to overcome.

# RESHAPING THE PAYMENTS PROCESS IN HOSPITALITY

Many pubs, restaurants, hotels and other parts of the hospitality sector have been allowed to reopen, subject to government guidance on how to make their operations COVID-19 secure for staff and customers.

Fundamentally, this means maintaining social distancing measures and reducing person-to-person contact in all interactions. In practice, this requires reducing capacity and moving to more remote and contactless ways of serving customers.

Bars and restaurants have been quick to innovate, rapidly turning to digital solutions that help them implement table service and app-based ordering. There are now numerous mobile platforms that facilitate the ordering and payment process, offering multiple payment options for patrons.

According to [McKinsey](#), however, consumer-sentiment surveys reveal the following three trends that could play out in other geographies as well:

- Post-crisis spending on restaurant dining is expected to be lower than pre-crisis levels, largely because consumers will still be wary of being in densely populated public spaces.
- Demand for takeout is expected to return to pre-crisis levels fairly quickly.
- After the pandemic, consumers will likely spend more on food delivery, prepared foods, and groceries than they did before the pandemic. Again, because of financial strains and lingering concerns about eating in crowded places, consumers will likely continue to prefer eating at home, at least for a time.

*"The challenge hotel owners are facing right now is having to offer frictionless payment options to guests while also removing the front of house PED when taking payments."*

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**Steven Green - Account Manager, PXP Financial**

*“Given the strict limitations on guest volumes, capacity is at an all-time premium. No-shows and late cancellations will be more detrimental than ever before. Hotels and restaurants should ensure that some form of payment is taken at the time of booking. This is particularly true of bookings from third-party sources.”*

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**Alan Fagan - Head of Marketing, Prommt**

The situation is a little more complicated for hotels. Typically, the customer touch points (often literal touch points) are more complex compared to bars and restaurants. And hotels have historically been hesitant when investing in digital. However, with the right digital platform, hotels can aid the reopening process by reducing those touch points.

For example, Pay by Link, a simple tool that allows hoteliers to create and send customised payment links directly to a customer’s inbox, will have immediate and long-term benefits. By making it easy for customers to pay through a smartphone, Pay by Link, alongside electronic pre-authorisation for various charges during stays and automated checkouts, reduces the need for face-to-face transactions.

Hotels will be able to take advantage of smartphones to provide contact-free guest services, delivering digital key cards for rooms, the ability to perform check-in and check-out, and room service orders, through a dedicated mobile app. By digitising the end-to-end experience, guests don’t need to return to the reception during check-out to drop anything off, speeding up the entire process and streamlining guest turnover.

However, there are some barriers to achieving a fully digitised guest experience. According to Patience Tucker, Director, Wi-Q Technologies, “The ability to access data, real-time transaction history and to check out and pay via any device is becoming a necessity rather than a nice to have. Simply avoiding the bill check under the scrutiny of a crowded reception desk is a big win for guests and hotel staff. Unfortunately, many hotels have multiple POS and PMS systems that don’t communicate with each other. Not to say it isn’t possible, but there’s resistance from operators to share and allow shared access via an API.”

In order to reshape payments in hospitality and provide a modern approach that benefits both guests and hotel staff, technology companies will need to work together.



# DOES DIGITISING THE PAYMENTS PROCESSES SACRIFICE THE PERSONAL TOUCH?

There's no substitute for warm, welcoming staff who make guests feel special. Unfortunately, there's no alternative right now. To comply with COVID-19 operating guidelines and protect customers and staff, the industry needs to make guest experiences more sterile than many would want.

That said, payments are one area in which changes made now will persist. We've been moving towards cashless, digital commerce for quite some time as part of the digitisation of everyday life. Before COVID-19, it was a great idea to make more payments digital. Now, it's essential, and it will still bring immense value post-COVID.



*"Digitisation could actually increase the personal touch that hotel staff can offer guests. Since receptionist are no longer stuck behind a reception table and computer screen pressing buttons to check-in guests, they'll have more time to greet and interact personally with the guests arriving or staying at the hotel."*

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**Martin Sponholtz - CEO, AeroGuest**

# OUTSIDE OF COVID-19 CONSIDERATIONS, WHY SHOULD HOTELS BE BRINGING MORE PAYMENTS ONLINE?

Cashless transactions across most sectors have been increasing exponentially, driven recently by COVID-19 and the subsequent decrease in cash usage. But this trend was already in motion long before the pandemic. According to [Statista](#), in 2017, \$160.6 billion in non-cash transactions were carried out in North America, more than any other region. Europe and Asia followed, with \$134 billion and \$124 billion in transactions, respectively. By 2022, Europe is expected to slightly exceed North America, while emerging Asia is expected to nearly triple the value of such transactions, exceeding \$350 billion.

As more people manage their lives with a smartphone, the adoption of online payments (such as Pay by Link) will be necessary to meet with consumer demand. Other benefits of moving payments online include:



## Fraud and chargebacks

[The American Hotel and Lodging Association](#) asserts that as much as 55% of all card fraud in the US takes place within the hospitality industry. Chargebacks are a particularly big issue facing hotels, especially those using outdated POS systems. The most common instances of chargebacks in hotels are:

- A fraudster charges a stolen card to test the available balance.
- A cardholder fails to cancel a reservation according to hotel policy but does not want to pay the penalty.
- A cardholder stays with the hotel as intended, but is not satisfied or otherwise refuses to pay for their stay.

With online payments, many of these scenarios can be contested as long as evidence of the guest's stay, or an agreement of them planning to stay, exists. This evidence can come from e-receipts or identification used when making the booking, a digital copy of which can be saved by the hotel. These can then be shared with the acquirer handling the transaction as proof that the chargeback was performed in bad faith.



## Costs and efficiency

The manual dealing of cash takes up a lot of time, especially if a company is stuck in the old process of counting a float at the end of the day. This is ineffective, inaccurate and leaves a lot of room for human error. Payment digitisation eradicates most of this manual work, making the process more accurate and efficient.



## Data and compliance

The digitisation of payments not only streamlines efficiencies of cash management, it creates new opportunities for CRM from collating customer data. For example, some mobile payment apps can facilitate follow ups with guests to provide discounts and promotions.

Also, when guests pay by card or sign to their room rather than using cash, they often buy more. Digital payments are easier and customers don't actually see the money physically leaving their hands. It has been highlighted by [ClearScore](#), that 59% of British consumers say they spend more on cashless transactions and 72% insisted contactless credit cards have encouraged impulse purchases.

With GDPR and PCI however, sometimes payments will need to be taken without collecting customer data. The best way to deal with this is through a Cross Channel Tokenisation service. By tokenising customer data, such as card payment details, it removes the need for repeat customers to constantly fill out their information when making a booking or reservation, while keeping that sensitive data off the network. It lets the hospitality industry deliver a consistent service while remaining compliant with local and global regulations.



## Better guest experience

As mentioned previously, there is a question around digitisation and the loss of the personal touch in hospitality. However, since using credit and debit cards or automated online payments is much faster than dealing with cash, guests ultimately have a better experience because of the reduced friction during the whole process.





# Retail



“The retail sector has undoubtedly been strongly hit by COVID-19, not only through the closing down of in-store operations but also by changing customer spending habits, expectations and preferences. The retail industry is accelerating into a different era than the one we saw only one year ago, and retailers need to keep up if they want to survive the change.”

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**Koen Vanpraet, CEO, PXP Financial**

While every sector has been affected by COVID-19 in some way, the retail industry has experienced one of the most dramatic shifts of all.

With millions of people placed into lockdown across the world and bricks-and-mortar outlets forced to close, in-store retail suffered. According to the [UK government's own retail sales report](#), the volume of retail sales fell by 5.2% in March 2020, the same month lockdown went into effect across the UK. This fell further by a record 18.1% in [April](#) 2020, when lockdown was at its peak. However, alongside this drop in bricks-and-mortar retail there has been an explosion in ecommerce. In the same April report, online sales soared to the highest on record for that month, hitting 30.7% of total sales.

While the work of retailers – selling products to customers – has not changed, the coronavirus pandemic has created huge shifts in how retailers do it. Merchants now need to be sensitive to how consumer behaviours have been impacted by the COVID-19 crisis and how retailers can adapt the way they do business to keep up.

# HOW HAS COVID-19 IMPACTED CONSUMER BEHAVIOUR?

Many of the consumer behaviour trends we've observed – decreasing in-store footfall, the growing preference for ecommerce, the rapid move away from cash payments – were well documented before the pandemic. COVID-19 has accelerated these factors due to shop closures, the necessity for online shopping and public health messaging advising against handling cash.

Alongside this, the unprecedented pressures of lockdown exerted unexpected shifts in consumer behaviour. A mid-2020 [Mintel report](#) found that consumers under lockdown were diverting funds that would normally have been used for a holiday or a night out into purchases like home improvements or entertainment. Many consumers, deprived of their usual leisure activities, found themselves with more disposable income, and were happy to spend it online. Categories like DIY and sporting goods ([such as bicycles](#)) saw unexpectedly huge demand. Then in early lockdown, when all but essential shop visits were disallowed, many previously hesitant people took to shopping online for the first time.



## HOW DID THE RETAIL SECTOR USE TECHNOLOGY TO TACKLE CHALLENGES BROUGHT BY COVID-19?

The pivot to online selling was the biggest challenge for many retailers, particularly during the initial lockdown period. Businesses with an existing online shop were in a good position to capitalize on the widespread shift to buying online, but those with an underdeveloped or non-existent ecommerce platform faced a big hurdle.

For these retailers taking the first leap into ecommerce, modular and configurable online systems were on hand to help them build an online selling platform that could securely take payments. With single propositions offering everything from real-time reporting to managed security services to checkout customization, merchants were able to start selling their products online in the blink of the eye. Crucially for businesses that were previously slow to pursue this digital transformation, these selling platforms are simple and easy to use, with no need to multiply back-end costs, complexity or admin. Many retailers were able to jump into ecommerce with a minimum of expense, time or complication. Of course, many of these all-in-one solutions allow merchants to accept a multitude of payment options, not just debit and credit cards, but digital wallets like PayPal, mobile wallets such as Apple Pay, and credit purchase options like Klarna.

These online selling platforms will be crucial as the retail sector tentatively comes out of lockdown and bricks-and-mortar locations open to customers again. The omnichannel experience is another pre-COVID trend that is being accelerated by the pandemic, particularly as the industry works out viable models for in-store retail in a coronavirus world. Buy online, pick up in-store (BOPIS) and other offline/online hybrid shopping experiences could become more widespread. Online selling and payment platforms have the flexibility to support these more complex payment journeys. For example, if a customer tries on an item instore, but pays for it online through the ecommerce site, this method can be made simpler and safer with tokenization systems, which replace sensitive card data with tokens for use on both the front and back-end of the payment platform. Tokenized data can still be analyzed like regular payment data but offers the benefit of being secure and helping retailers remain compliant with regulations like PCI, GDPR and the upcoming SCA.



# WHAT ARE THE OPPORTUNITIES FOR TRADITIONAL MERCHANTS TAKING A MORE INTEGRATED DIGITAL APPROACH?

While COVID-19 brought about a number of challenges for retailers, it has highlighted areas of opportunity, too.

One of the most prominent of these is the potential for cross-border selling that many retailers may not have considered before. With the pivot to online, the potential to reach a wider audience and sell to customers anywhere in the world is available to retailers. However, to attract shoppers in new markets, you have to ensure your store is available in their language and offers the local currency and preferred payment methods of that region.

Another huge opportunity is to build customer loyalty. Research by [McKinsey](#) found there was a downturn in customer loyalty due to COVID-19 as shoppers were forced online and discovered new brands and retailers to shop with. Ultimately, consumer priorities changed, and factors like competitive pricing, delivery options and local product availability became more important than brand affinity. Also, with the ease of online retail, not to mention the multitude of options available to customers, loyalty is going to be fiercely fought over in future.

The solution for merchants is to make an ecommerce store that is accessible and easy to use. The first step is to ensure the user experience of your store is pleasant before customers even reach the checkout. A storefront that is confusing or overbearing visually is more likely to turn shoppers away than a simple and efficient one.

Optimizing the checkout is also crucial. Just as in bricks-and-mortar stores, merchants can tactically lay out the checkout system to be intuitive while managing to promote impulse purchases and loyalty programs. This can be done by, for example, suggesting similar items to ones in the shopping cart at checkout, or offering customers discounts at checkout to sign up for an account instead of going for guest checkout.

Pushing for traditional omnichannel solutions is also an option worth pursuing, especially as it can make life simpler and more convenient for the customer. For example, if a shopper can come in-store to test out an item but then make a purchase online instead, you're saving that customer from in-store checkout times and the need to carry the item with them.

With a consistent and reliable storefront, an optimized, frictionless checkout experience, and greater omnichannel solutions, retailers will be able to win back lost customers as well as gain new ones.



### What strategies can retailers use to adapt their payment strategies for a brighter future?

There will always be a place for bricks-and-mortar retail, and nowhere is this more evident than in the generation that grew up with both online and offline options – Generation Z. [Our research from 2019](#) found that 98% of Generation Z prefer the experience of shopping in-store to online. While COVID-19 may have reduced the possibilities of shopping in-store, it doesn't change the way Gen Z shopped in-store in the first place.

What retailers can do is look to take some of the advantages of online shopping and incorporate them into the bricks-and-mortar experience, for example, by increasing the number of payment methods available, particularly forms of digital and contactless payment like PayPal, cryptocurrency, or credit options like Klarna.





## Preparing for SCA

For retailers in 2020, and any business that takes payments, COVID-19 also came at a difficult time as a lot of focus for merchants was being put toward Strong Customer Authentication (SCA). This new regulation will require merchants to enforce three-step verification for any digital payments in an effort to reduce customer finance fraud. Any transaction taken after SCA has gone into effect must be SCA authorised or the merchant will be required to reject the payment. The SCA deadline for the EEA region is the 31st December 2020, while in the UK it is the 14th September 2021.

Allowing for SCA authorization does not happen over night and requires that the merchant has the latest updates to its 3D Secure 2 security solutions. Understanding SCA is a topic all itself and can be understood in detail, including opportunities for exemption, in an early guide to SCA on the PXP Financial website. [Download it here.](#)

*"Strong customer authentication and its impact on the check out process has been on the minds of those who trade online for the last couple of years. While COVID-19 did mean the deadline was pushed back in the UK, the European commission is still requiring those in the region to be ready by the end of 2020. PXP Financial is doing everything it can to support merchants in preparing for SCA, including supporting all exemptions."*

**Alessio Rodia, Product Manager, PXP Financial**