Meta description: Looking to expanding the list of payment options? This article shows the most effective Alternative Payment Methods (APMs) for growing businesses.

Permalink: alternative payment methods

Headline

5 Alternative Payment Methods to Watch in 2023

Subheader: The Best Alternative Payment Methods for Growing Businesses

Is your payment stack focused on credit and debit cards? We've got news: you're missing a large pool of potential customers that use alternative payment methods (APMs).

Cashless payments have risen by 42% globally; in the US alone, 82% of consumers use digital payment methods. With the growing trend, we see some innovative payment options.

From digital wallets to open banking payments, many APMs are available to serve consumers' online payment needs. Your business could benefit significantly from integrating an APM or two. In this article, we'll run through some of the most popular APMs and their everyday use cases to guide your selection.

Which payment solutions are most popular in your markets and fit your needs? Thunes has all the answers.

Tell-tale signs you need an alternative payment method

When you've been using traditional payment methods successfully, it's tempting to hold on to them as your business grows. But not every payment solution can scale and evolve. So it's essential to watch out for particular signs that you might need to consider an APM. Let's run through a few of them.

You're starting to sell to emerging markets

As your business grows and evolves, your geographic coverage will too. And you might face a completely different payment culture in your new markets than the one where you started. This shift often requires reviewing your list of payment methods to fit your customers' needs.

Unlocking a younger demographic

Whether it's changing product needs or buying behaviour, consumer trends constantly morph, especially when you target younger segments such as Gen Z, which have quickly evolving digital habits. Upgrading and expanding your payment options can keep your younger customers engaged, demonstrate relevance, and increase conversions.

Your traditional payment platforms have sky-high fees

If you're using traditional payment methods, such as credit cards, you'll know that fees represent a significant cost to your business. Switching to an APM can help you slash expenses on payment fees and optimise your costs.

You need faster payments

In our fast-paced world, quick and dependable global settlements are essential to gain a competitive advantage - order fulfilment will happen faster, enhancing customer satisfaction and loyalty. Besides enabling a better customer experience, real-time payments (RTP) can make your business cash flow more efficient.

Security is a concern

If you've been burnt by card fraud or chargebacks, using some APMs such as Open Banking payments can reduce the risks significantly, freeing up your team's time and giving you peace of mind.

Want to jump ahead of the competition? Start with Thunes' groundbreaking payment solutions.

5 Alternative Payment Methods to Boost Your Payments Strategy

It's important to be confident about any adjustments you make to your payment stack, So before you upgrade your payment solutions, it's helpful to understand your options. Let's get up to speed on some top APM options:

1. Digital Wallets

Digital wallets, also known as e-wallets or mobile wallets, are mobile-based or online payment tools that can be topped up by debit cards, credit cards, bank accounts, and cash.

You'll typically find digital wallets as a middle layer allowing users to transact with their credentials or device on websites, online marketplaces, and via contactless payments in-store. One of the most appealing features of a digital wallet is that it allows users to remove friction and transact without the need to enter payment details or present a physical card, making shopping easier and safer.

A subdivision of digital wallets is mobile wallets, sometimes called mobile money. This sub-niche boasts over 1.2 billion registered accounts and 2 billion users worldwide, making mobile payments one of the most popular APMs, especially in fast-growing emerging markets such as India, Pakistan, Indonesia, and most African markets.

Shoppers can use their mobile app to buy goods after completing security checks. Users can also take advantage of remote virtual payment options like SMS payments and card tokenization (replacing a debit or credit card's 16-digit number with a unique "token" code for transactions).

Solution highlights: Virtual payment detail storage, multi-currency accounts available, self-service, and white-label options available.

Best for: digital merchants, online businesses, and marketplaces.

2. Prepaid Cards

Prepaid cards are popular in many regions, especially where governments offer them to distribute financial support. Examples include France's meal vouchers, Brazil's Boleto, Argentina's RapidPago, Germany's Paysafe Cash, and many others.

The cardholder can then use the prepaid card as they would a debit or credit card to spend up to the loaded cash amount. And the best part is users can get the card without having a bank account. This fundamental characteristic makes prepaid cards versatile and viable for people and businesses transacting overseas or living in countries where bank accounts are expensive or hard to obtain.

These days, you'll find corporations using prepaid cards to control spending and tapping into their close relatives; gift cards to recognise staff. Consumers also use prepaid cards for tasks like budget management, gifts, storing funds to use overseas, and accumulating cash for big purchases.

Solution highlights: Spend management, easy top-up, and transaction tracking.

Best for: Corporations wanting to improve expense management, online stores, and businesses serving developing countries and specific customer bases, e.g. travellers and employees.

3. Buy Now Pay Later (BNPL)

Bursting onto the payment scene with turbo force, the rapid ascent of BNPL is one for the history books. In 2021, the market value stood at a whopping $141.8 billion. Now, experts predict BNPL's global market volume to top $680 million by 2025.

BNPL is a payment instalment solution that lets shoppers split purchase costs into more manageable chunks. BNPL providers typically charge interest on each instalment along with fees for the merchant to cover.

This payment method has been revolutionary for B2C online businesses since instalment plans were traditionally reserved for large, in-store orders. As a result, BNPL is excellent for increasing conversions and customer retention.

BNPL solutions come in all shapes and sizes, from branded to white label, allowing brands to tailor BNPL to fit their needs. For example, Thunes recently worked with industry-renowned BNPL provider, Clearpay, to offer its BNPL solutions across its vast network of gateways, merchants, and marketplace partners.

So if you sell expensive items or want to give shoppers the option to spread purchase costs, a BNPL solution could be just the ticket.

Solution highlights: Adjustable instalment plans, conversion-boosting features, and trending payment option.

Best for: E-commerce stores, businesses with high-ticket products, and companies serving younger demographics, e.g. Gen Z and millennials.

4. Real-Time Payments

Driven by local government initiatives, Real-Time Payments (RTP) have become widely spread, serving businesses and consumers alike. In 2022, 72% of the world had or was anticipating infrastructure to facilitate instant money transfers.

RTP works by instantly sending *and* settling funds. Its unique combination sets RTP apart from other payment methods that typically have processing periods that delay cash availability. Another defining factor of RTP is its round-the-clock accessibility, whether users opt for an open-loop or closed-loop network. This shift has removed the constraints of banking hours, increasing productivity and flexibility in payment schedules.

In a world where speed is the name of the game, RTP's fast, reliable, and transparent nature is hard to beat, making it a valued innovation by society and organisations.

Solution highlights: Instantaneous payment, 24-7 service payments, and global reach.

Best for: Fast-scaling businesses engaged in cross-border selling and businesses serving individuals.

5. Open Banking

Open Banking, popular in the UK, EU and Australia, has ushered in a new way to pay and send money. Users send payments straight from their account to the recipient's account. This feature allows adoptees to dodge intermediaries and the fees that come with them.

Another perk Open Banking offers users is bank-level security to authenticate transactions. This feature makes transacting safer, minimising instances of fraud and chargebacks.

The fast, affordable, and seamless nature of Open Banking means that as the network scales, more businesses will experience higher conversion rates in their businesses. Companies can also serve more people since they only need a bank account to send cash, creating a better customer experience.

Source highlights: Account-to-account money transfer, no middlemen, low fees, and secure payments.

Best for: B2B and B2C companies and financial institutions.

Power your growth with Alternative Payment Methods

If traditional payment options have produced lacklustre results in your business or you feel it's time to move on from your current payment tools, don't fret. No matter industry or company size, there's an APM waiting to transform your business.

To ensure you find the right fit, examine your business needs, watching out for the payment hits and misses you've encountered. Also, study the payment trends in your market and review your customers' suggestions to find even more ways to improve your APM stack and payments strategy.

Trust us; your commitment will pay off. As your APM offering expands, you can serve more people and scale faster. So don't wait. Start testing APMs and reap the rewards for years to come.

The best time to upgrade is now. [Elevate your payment solutions with Thunes.]