On the Radar: PayKey and banking services on messaging apps

A simple approach to put banks' services and branding into consumers' most-used mobile apps

Summary

Catalyst

In an increasingly digitized world of financial services, consumers are looking at low-friction options to make peer-to-peer (P2P) transactions and interact with their bank through their preferred means of communication. Many messaging apps have already launched their own payment options to cater for this, which potentially cuts banks out of a growing segment of the payments market and weakens their ownership of consumers' financial services experience.

While banks are far from popular among millennials, they are still trusted to provide the security we all look for when it comes to our money, placing them at an advantage if they can compete against third-party providers and messaging apps by catering to new consumer habits and expectations. PayKey's solution offers banks just such a chance to control consumers' financial services experiences when using messaging apps, helping avoid disintermediation by third-party payment providers.

Key messages

- PayKey provides banks with a quick means to enable secure P2P payments and provide basic banking services through messaging apps.
- Embedding the solution in a keyboard allows banks' customers a single means for conducting their day-to-day financial services across numerous social networks.
- Authentication is controlled by the banks, allowing them to choose the type and degrees of verification required.
- PayKey puts banks' brands into some of consumers' most frequently used apps.

Ovum view

With social networks and tech giants slowly but steadily eating into segments of the financial services market worldwide, banks need to learn from their competition while making the most of their own assets to fight back. PayKey provides a tool that does just that through a solution that takes the bank security that consumers trust and embeds it into a keyboard that works across any app that uses the keyboard, including any chat app or social network. The PayKey solution is only ever going to form a small part of a wider strategy, but it does present the possibility for a quick win, helping banks get their brand and business back into the battle for P2P payments and potentially opening new commercial cases involving messaging apps.

Recommendations for enterprises

Why put PayKey on your radar?

Launching new products and services is often a lengthy and complicated process for banks, as they have to meet numerous internal and external hurdles to ensure the security and viability of the new project. What makes PayKey stand out is that it provides banks with fresh value while keeping the process of implementation relatively simple. As a quick and simple way of competing effectively in a large and growing market of non-traditional financial service providers and P2P payments on

messaging apps, retail banks should be looking at options like PayKey to avoid disintermediation and strengthen their brand presence.

Highlights

Background

In recent years, social networks have been catering to an increasing range of functions that the groups of people they bring together want to conduct, including P2P payments. For consumers, the ability to quickly and remotely send money to any one of the billions of users on WhatsApp or Facebook has obvious value over more cumbersome bank transfers. The numbers involved are now huge, with WeChat reportedly processing over $1tn in payments during 2016, of which an estimated $300bn was in outright P2P transfers. Currently, banks are at risk of being disintermediated from that growing market, losing both business and brand visibility. While the current trend is towards P2P payments, it seems likely that there will be opportunities for further financial products and services to be distributed or enabled via messaging apps, given the amount of time consumers spend using the apps each day. Looking at that mix of threats and opportunities, PayKey looks to provide banks with the chance to offer consumers a simple and secure means of making P2P payments and accessing basic banking services on messaging apps, and help keep their brands and business at the heart of the consumer experience.

Current position

PayKey's solution is built around a keyboard that client banks can provide to their customers. The keyboard provides a secure method for payments and basic banking services that links into a social network's messaging functionality. While embedded in the bank's app (deliverable via an update), the keyboard does not require the consumer to be logged in to access the banking services available, such as P2P payments or chatbot engagement. After a one-time process of switching to the new keyboard, consumers can use it as normal to write their messages in the social network of their choice, but it also contains a bank-branded button that launches its menu of supported financial services functions. It is designed and developed for both Android and iOS platforms.

To make a P2P payment, the consumer indicates which contact they would like to pay and the amount of the payment. If the payee is with the same bank, the transaction involves a straightforward account-to-account bank transfer. If the payee is with a different bank, then the bank quickly matches up contacts to the other bank's details through a mobile proxy database service such as Paym in the UK. If such a service is unavailable in the country, then the payee is sent a prompt to enter their bank details to receive the money. That process is perhaps not quite as smooth as the normal route using centralized infrastructure, but it does open up a much larger potential P2P market. Each bank controls its own authentication process and limits, utilizing its existing verification apparatus – whether that involves biometrics, 2FID, or others. The experience from the current live deployments has shown that in order to retain the full value of providing the solution, banks should not limit transactions to previous payment recipients. Indeed, the whole customer experience is customizable, so each bank can differentiate its offering and cater to its clientele.

So far PayKey is live with a number of banks including Westpac, SpareBank, and Garanti, with more commercial deployments in progress. One of the first points of feedback from client banks has been

that downloads of their banking apps have increased since they included PayKey. The implementation process typically only takes a few weeks of working with the bank, which is covered by an integration fee, after which the solution is supported on an annual fee per user basis. While the core proposition focuses on money transfers across social networks, PayKey supports a range of additional banking functionality with existing users, including payment requests, providing one-time codes for cardless ATM access, and checking bank balances. PayKey is also currently exploring methods of expanding its functionality to cater for merchant payments, which would allow it to compete as a full alternative to the likes of WeChat Pay over the long term.

For banks, PayKey provides a customizable and relatively quick way to get their branding and services into the most popular social networks – and with it a new world of P2P payments – while not having to sacrifice control over security. Indeed, with banks currently investing in mobile services and immediate payments infrastructure, PayKey provides an opportunity to further leverage that investment and provide consumers with a fast alternative means of making digital payments, all without the hassle of preloading digital wallets.

Data sheet

Key facts

Table 1: Data sheet: PayKey

Product name	PayKey	Product classification	Mobile banking
Version number	N/A	Release date	January 2017
Industries covered	Financial services	Geographies covered	Global
Relevant company sizes	All tiers	Licensing options	User license
URL	https://www.paykey.com/	Routes to market	Direct and indirect
Company headquarters	Israel	Number of employees	10–50

Source: Ovum

Appendix

On the Radar

On the Radar is a series of research notes about vendors bringing innovative ideas, products, or business models to their markets. Although On the Radar vendors may not be ready for prime time, they bear watching for their potential impact on markets and could be suitable for certain enterprise and public sector IT organizations.

Further reading

Payments Technology Spending Through 2021: Business Function Segmentation, IT0059-000112, (July 2017)

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