



# Where does value live? The battle for the future of transactions

Have you recently bought a vacuum using airline points, a virtual hat in an online game, or redeemed a voucher for a helicopter ride? Whether it's gift cards, top-up payment accounts, loyalty points, or virtual game currencies, people are storing value in many ways. Value stores outside traditional financial systems are rapidly driving an entirely new set of transactions that live outside the traditional payments landscape.

The fuel driving easy transactions on these Value Stores is digitisation. Digital wallets and cryptocurrencies combined with increasing scale in online stores, gaming, and point of sale terminals lower the bar to frictionlessly exchanging value across e-commerce networks. For all this transaction growth, the digital payments era has seen an ever-reducing focus on banks as the essential hub for value exchange.

The classic fear is that Apple becomes a bank where consumers store funds, cutting retail banks loose. But the more disruptive take is that Apple and big tech enable every other company to become a virtual bank by easily allowing customers to manage and redeem value stores like transit cards, event tickets, or reward points within their digital wallet ecosystems.

One company embracing technology and proprietary Value Stores is Walmart. The 61-year-old retailer launched Walmart Cash, a redeemable currency

earned by purchasing from select retail and travel brands promoted by Walmart. Given Walmart's range of family staples spanning kid's clothes to groceries, Walmart Cash closely emulates the usefulness of bank issued cash, card or credit. Customers store their Walmart Cash in their Walmart eWallet and pay for services with Walmart Pay. 37 million customers transacting and exchanging value. All with no payment fee, no bank account, no bank.

Locally, Woolworths is set to launch a similar approach leveraging the PayTo feature from the real time New Payments Platform (NPP). Aiming to escape card transaction fees on one level, Woolworths also maintains a valuable network of reward partners providing loyalty members opportunities to save across a range of services. Woolworths can issue store credit to reward loyalty, manage returns, or promote new offerings to the customer's account. Then issue a digital card direct to whatever digital wallet their consumer chooses.

Shifts in Value Stores are appearing in the service industries too. Upwork, a freelance labour platform for writers, editors, and graphic designers, offers UpCredits. Jobs are listed in UpCredits, and while credits can be purchased with cash, they can also be earned through referrals, successful client ratings, and other types of engagements.



The Value Store renaissance reflects a consumer willingness to decentralise their financial life. Banking incumbents need to rethink the fundamentals such as securing value and the role of the bank account if they are to remain relevant into the future. This presents great opportunities.

Tech companies have made it secure, fast, and easy to transact new forms of value through their digital wallets. However, less advancements in keeping digital Value Stores secure makes these easy targets for criminals. Banks have long played a central role in securing valuables. From leasing out vault real estate for those wishing to store priceless possessions to developing capabilities to proactively prevent scams, consumers and businesses rely on the security banks provide. Securing the Value Store similarly to how a bank account approaches security is an effective way of capturing the transaction.

The ability to exchange points for AirPods creates an intriguing consumer question: did the customer get a good deal? As transactions take place outside traditional venues, consumers will seek out new ways

to discover prices and find relative value. One only needs to type in “reward points hack” to find there is a market for insight.

As these new exchanges mature, scale is required to accommodate the growing number and complexity of transactions. The fintech Wise’s recent membership to the NPP offers banks a fascinating test case from a company whose DNA is swapping Value Stores in the form of international currency seamlessly. Wise will lease their NPP license to let fintech’s open AUD denominated accounts without need of a “traditional” bank account. Start-ups and fintech’s will have instant access to “virtualised” Value Stores decoupled from the traditional bank account structures. The idea of the bank account persisting over time is replaced by a Value Store that exists as long as the service requires.

Value Stores, are core drivers determining the future of transactions. While we can’t know for sure what the future will look like, future transaction leaders need to understand how to provide secure diverse Value Stores and instantaneous transactions connecting consumers to what they need when they need it.

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