



Payments 2024

NMI Executive
Predictions and Insights
for the Year Ahead



Introduction

With 2024 just around the corner, it's time to look ahead to what the next year may bring for the payments industry.

2023 was a year of uncertainty. It began with fears of a looming recession as inflation remained high and consumers felt the impact of ever-higher prices. However, by Q3, GDP growth was at 5.2%—the highest since Q4 2021. The economy had enjoyed three straight quarters of expansion, increasing the chances of a “soft landing.” This economic turnaround was primarily driven by strong consumer spending and an influx of innovative payment solutions.

Several of NMI's executive leadership team members have deciphered what economic, market and regulatory trends mean for the future of payments. Together, they've come up with a set of predictions for 2024.

These predictions include:

- The emergence of embedded payments and finance as a key channel
- Generation Z taking the lead as drivers of industry trends and growth
- Artificial intelligence (AI) becoming a critical payments technology
- Biometric payments gaining consumer trust and wider adoption
- Digital omnichannel commerce becoming a baseline expectation for merchants
- Increasingly complex government regulation creating challenges and opportunities

Understanding what's likely to come in 2024 ensures NMI partners and companies at all levels of the industry can plan ahead and take advantage of the many opportunities the new year is poised to offer. With that in mind, we hope you'll enjoy *Payments 2024: NMI Executive Predictions and Insights for the Year Ahead*.

NMI Thought Leaders



Vijay Sondhi
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Prediction: Embedded Finance Will Become a Dominant Vertical

Embedded software payments are on the rise. Embedded finance refers to the integration of financial services within digital platforms, applications or services. Embedded finance, and by extension, embedded payments, streamline and optimize the user experience by facilitating seamless transactions within digital solutions.

According to research from McKinsey, 50% of merchants already use an independent software vendor (ISV) as their payment provider. In 2024, embedded payments will become more important, and ISVs will emerge as a dominant force in the space (despite still being seen as a bit player by many).

“Imagine a world where every payment experience is so fluid you don’t even realize a transaction has occurred until it’s complete, just like when you take an Uber. In the year ahead, embedded finance will integrate financial services seamlessly into non-financial businesses. This will enable merchants to offer native payment solutions directly within their digital platforms,” says NMI CEO Vijay Sondhi. “Invisible payments will set the new benchmark for exceptional customer experiences, where payment processes are embedded into the customer journey, eliminating the need for distinct checkout steps. This is the future of payments—effortless, integrated and virtually imperceptible.”

Embedded payments offer merchants a more streamlined payment process—driving growth and profitability for innovative providers. Partnering with an ISV enables merchants to integrate payments into their core workflows in ways they can’t with traditional payment providers.

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“Embedded solutions take payments and make them just another simple process,” says NMI CMO Peter Galvin. “Think about things like scheduling appointments, communicating with customers or managing employee schedules—all things businesses already use software to do with ease. Embedded payments insert transacting right into that stack, making the process frictionless. That offers an enormous amount of value to merchants.”

Prediction: Gen Z Will Take Over as the Key Driver of Payment Trends

“2024 will see Gen Z and Millennials at the forefront of a payment revolution, championing the shift towards invisible payments. Their demand for smooth, almost subconscious transactions will fuel this evolution, mirroring the Uber model where payments are executed seamlessly within the app, bypassing the hassle of re-entering payment details with each purchase,” says Sondhi.

Gen Z—or Zoomers—is the generation born between 1997 and 2012. Older Zoomers make up the youngest demographic of adult consumers. Alongside Millennials, they’re shaping the industry with trends encompassing everything from the shift away from in-store shopping to [the future of commerce in the metaverse](#). While the impact of Millennial consumers has already been felt, Gen Z is just beginning to leave its mark.

According to research from Afterpay, [Gen Z’s global share of retail spend is set to triple by 2030](#), outpacing Gen X and Millennial growth by a wide margin. That means in 2024, companies will have to spend more time, money and effort courting the first generation of true digital natives.



**VIJAY SONDHI ON
SECURITY AND GEN Z**

NMI Chief Executive Officer

“Security and reliability will continue to be critical, even as payments become simpler on the surface. In the past, data and transactional security were assumed to be a given. That is no longer the case. Not only is there an increased risk of data breach, but young consumers, like Gen Z, are very cognisant of security. As digital natives, they have to be. In 2024, we need to lock down security and clearly communicate the steps we are taking.”

“Today, [98% of Gen Zers](#), also known as the single-device generation, currently own a smartphone, with 91% having received their first mobile device before the age of 16,” Sondhi says. “Smartphones are not just devices; they are integral to their identity and, by extension, to their shopping and payment experiences.”

With Gen Z spending up to [half its waking hours engaged with a screen](#), payment providers must find new ways to enable their merchants in the new year.

Sondhi emphasizes this point by adding, “As the payments industry starts to integrate more digital-centric payment methods like mobile wallets, text-to-pay, QR codes and tokenization, it’s evident that the single device generation will favor merchants who prioritize invisible payments. Merchants will need to adapt to invisible payments or risk becoming irrelevant to the most influential consumer groups of our time.”

Prediction: Artificial Intelligence Will Go From Buzzword to Critical Payments Technology

“2024 will be the year where AI doesn’t just facilitate transactions but redefines the very fabric of secure and reliable commerce,” Sondhi says.

Artificial intelligence was one of the hottest topics of 2023, as technologies like ChatGPT burst onto the scene and made AI a household term. Unsurprisingly, AI was also one of the most important emerging technologies for businesses, topping [Gartner’s 2023 Hype Cycle for Emerging Technologies report](#) as the most important technology that will impact business in the next two to 10 years.

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The financial services industry has already begun to adopt AI, with 30% of companies reporting using it to enhance their product offerings. In 2024, as AI becomes more ubiquitous, accessible and affordable, payment companies will rush to put it to use in several key ways.

“AI was all the talk in 2023—across every industry, including payments—and will remain a hot topic in 2024,” says Sondhi. “We’ll see AI continue to revolutionize how we shop as it engages with shoppers, tracks consumer spending behavior and ultimately contextualizes payment methods. But as the sophistication of AI escalates, so too does the ability of thieves and hackers to steal consumer data and money, making security and reliability top of mind for consumers and merchants alike. We’ll see the transformative power of AI harnessed to advance risk management capabilities and lean in on digital payment options like QR codes, tokenization and biometric verification to keep payment credentials more secure.”

When it comes to combating fraud and cyberattacks, AI represents a true “fight fire with fire” solution. AI-based tools will become mission-critical for payments companies looking to foil bad actors and mitigate constantly evolving risks.

“AI will unquestionably drive innovation in areas like curated digital experiences and improved support interactions,” said NMI CPO Tiffany Johnson. “But it will also shift the creativity and capabilities of bad actors. When you build a bigger wall, they build a bigger ladder. So it’s going to be very important for merchant service providers to continue investing in security and proper protections. Those security solutions will increasingly rely on AI to stay one step ahead of a very adaptable foe.”

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Prediction: Consumers Will Start to Warm Up to Biometric Payments

Biometric payments use unique human identifiers like fingerprints, palms, eyes and faces to verify payer identities in real-time. Biometric systems are already available through digital wallet systems like Apple Pay, which consumers can use online and in-store with the thumb and face scanners built into Apple devices.

As biometric authentication becomes more popular among consumers, its business use cases will grow. In 2024, this technology's unique benefits will likely see wider adoption among merchant-side payments technology.

“The year ahead will see us making much more use of biometric payments, and not only for in-person transactions but online as well,” says Galvin. “We’ll soon see the more widespread adoption of Apple Pay, Google Pay and other digital wallets embedded into online payments, making it possible to pay for just about anything with just the touch of your finger or a scan of your face. And that’s a much faster, easier payment process for consumers.”

Biometric payments are a double-sided coin, with one half boasting speed and the other requiring heightened security. Authorizing a payment in-store or online with the touch of a finger is just as fast as tapping a contactless card and minimizes the potential for fraud by locking out the ability to pay without the correct biometric data.

While biometric payments are (mostly) limited to digital wallet use, they’re already catching on in certain retail settings.

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“I saw recently at Whole Foods that I can use my palm with Amazon Pay,” says Sondhi. “That is incredibly convenient. That’s a big trend you’re going to see take off across the board in 2024, but especially in the payments space.”

However, it’s worth noting that there is still a trust gap among many consumers when using their biometric data for anything, including payments. In the U.S., just over a quarter of people say they would be comfortable using the hand scan checkout at Whole Foods. However, in Canada (which tends to lead the U.S. in payments tech adoption), almost half of people are open to the idea of using biometric payments. So, attitudes in the U.S. could catch up quickly over the next year.

Prediction: Digital Omnichannel Payments Will Become Table Stakes

Research from NMI shows that convenience and speed are the two runaway drivers of consumer payment preferences. That makes integrated omnichannel payment experiences more important than ever. Seamless, “invisible” payments will be a big focus for payment providers and merchants in 2024.

However, while consumers expect omnichannel payments to be frictionless and easy, developing the right solution can be challenging for industry players.



PETER GALVIN ON BNPL
NMI Chief Marketing Officer

“Buy now, pay later (BNPL) is the new way to shop, and we’ll see it continue to grow throughout 2024. Hugely popular among younger consumers who want more flexibility and control over their spending, BNPL is being used for big-ticket items like furniture, electronics or travel as well as everyday expenses like groceries. Why use credit or debit cards when you can pay in installments with no interest or fees? With BNPL, you can manage your budget and avoid credit card debt, which is especially important in times of economic uncertainty. Going forward, it will have to be a seamlessly integrated part of any complete omnichannel shopping experience.”

“The lines of omnichannel acceptance will continue to blur across card present and card not present environments, leading to growth in solutions like tap to mobile and biometric-powered checkouts,” says Johnson. “We’re also going to see a stronger consumer desire for a unified online, mobile and in-store experience. It’s hard to truly master a seamless omnichannel payment experience, but consumers will continue to crave speed and convenience in their transactions, so the industry is going to have to move forward quickly.”

As commerce transcends barriers between channels, cloud-based solutions will become more influential. So much so that, in 2024, we could see one of the most common aspects of traditional digital payments—hardware—lose ground for the first time.

“We’re going to start seeing the demise of hardware,” Sondhi says. “Instead, the industry is moving towards higher QR code adoption. For example, when you order at a restaurant, you can scan a QR code to get the menu. Then, when you’re ready to pay, you just scan the QR code to checkout. There’s no physical interaction between your card and the POS system. It’s all becoming cloud-to-cloud.”

Omnichannel payments are driven by a desire to better serve customers and meet evolving economic trends. Thankfully, new omnichannel technologies offer significant benefits for merchants (and their providers).

“I think we’ll soon see outdated payment methods become relics of the past,” Sondhi continues. “The cloud, in conjunction with mobile devices, eliminates the need for specialized hardware. That offers real value to merchants from both a cost and operational simplicity standpoint.”

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Prediction: Navigating Government Regulation Will Become an Increasingly Important Value Proposition

2024 is poised to be a complex year for the payments industry in terms of regulation and compliance. Several regulatory changes are either imminent or coming down the pipe, including:

- Expansion in the scope of the European Union's General Data Protection Regulations (GDPR)
- Enforcement of the California Consumer Privacy Act (CCPA) coming into effect in the spring
- Payments Service Directive 3 (PSD3) taking shape ahead of a likely rollout in 2026
- The bipartisan Credit Card Competition Act (CCCA) aiming to reduce credit fees similar to what the Durbin Act did for debit fees

“While these regulations are aimed at enhancing consumer protection and cybersecurity, unpacking them with minimal friction will separate the merchant services front runners,” says Johnson. “Choosing a partner that optimizes compliance and experience will be key for merchants in this evolving regulatory landscape.”

As the space increasingly digitizes and consumers rely less and less on cash, regulations will continue to evolve. For acquirers, helping merchants navigate this complex landscape and minimize risk will help them differentiate themselves from competitors in 2024.



**KATE HAMPTON ON
TRANSPARENCY**

NMI Chief Strategy Officer

“Transparency and context for the consumer will become extremely important, namely on the banking side. That means sharing data where the consumer allows it and adopting a more transparent approach to general data use. The U.S. ecosystem is very fragmented, and the consumer has to piece together a picture from multiple sources. We need to start improving that as an industry, both for the good of consumers and because regulation is only going to get tighter and tighter.”

Let NMI Be Your Guide in 2024 and Beyond

As the industry evolves in 2024, payments specialists will see a heightened focus on several trends, including:

- Digital omnichannel, embedded and biometric payment solutions
- The emergence of Gen Z as a major influence on the industry
- A greater focus on AI as a competitive differentiator
- An increasingly complex regulatory landscape

Regardless of how the trends play out, one thing that is certain about the year ahead: 2024 will be a year of critical changes. Accelerating adoption of new technologies, demographic shifts and regulatory challenges are just a few of the many turns that payment providers must be ready to navigate.

At NMI, we believe that the best way payments providers and independent software vendors can thrive in an evolving industry is to find the right partner. A good partner will guide you through the shifting landscape. An exceptional partner will empower you to not only navigate change, but to thrive well into the future.

With over two decades of experience as a leader in payments innovation, NMI is that partner.

If you're looking for a better way to serve merchants, a more experienced partner in your corner or a more flexible set of turnkey payment services, we'd love to hear from you. [Reach out to a member of our team today](#) to find out how NMI can help you succeed and grow in 2024 and beyond.



TIFFANY JOHNSON ON FEES
NMI Chief Product Officer

“ The year ahead will likely see more fees across the industry. As venture capital-backed investment shifts and we see an increase in funding down rounds, I expect startups and scaleups will compensate with more fees. We'll also see more creative convenience and service fees being added, given the network-driven caps on surcharging and cash discounting. Finally, the U.S. has some of the highest fees in the world, and we know from the CCA that certain lawmakers are focused on that. Companies will be looking for new creative ways to monetize payments. ”



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