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Payments NZ
Level 17
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Retail NZ submission: consultation on payments for the next generation

Overview

1. Retail NZ is a membership organisation that represents the views and interests of New Zealand's retail sector. We are the peak body representing retailers across Aotearoa, with our membership accounting for nearly 70% of all domestic retail turnover. New Zealand's retail sector comprises approximately 27,000 businesses and employs around 220,000 Kiwis. We have consulted our membership in the preparation of this submission.
2. Retail NZ has long advocated for a more efficient and transparent retail payment system. Merchants and customers have benefited from the technological advancements in payment systems which have provided increased convenience, and speed of transaction, and we continue to see a demand from consumers to embrace technology when making payments.
3. Making the cost structure of payments simple and easy to understand is critical to support ongoing uptake of new technologies, and to ensuring that payments on retail transactions are safe and seamless. It is essential that all parties involved in the end-to-end payments process work together for the best outcomes for all parts of the sector.
4. Retail NZ has published a Position Statement on Retail Payments¹, which sets out our view on the actions needed from each participant in the digital payments system, including the Government, banks, terminal providers and retailers. The document sets out the multiple players involved in the payments system and the need for each participant to work in concert with others, in order to achieve change.
5. The cost-benefit ratio of making changes to the payments system must be carefully considered. All participants in the payments ecosystem will need to be aligned and supportive of changes and upgrades to the existing payments infrastructure to allow the introduction of new technology platforms. Eftpos was a world leading technology when it was introduced. However, the lack of investment in developing the Eftpos platform/technology over many years has seen New Zealand fall behind in the ongoing development of payments technology. A commitment from all parties across the payments ecosystem to continue to invest in the development of technology will be critical to ensure that merchants and consumers have confidence in the payments system.
6. Retail has over 27,000 businesses, many of whom are SMEs. The complexity of the current Merchant Payment System makes it very difficult for small businesses to fully understand, and

¹ <https://retail.kiwi/speaking-up-for-you/position-statement-retail-payments/>

together with the need to integrate systems across instore and online solutions, this often results in businesses being reliant on external parties to provide them with advice and support.

7. We recommend that any developments to the payments system removes complexity and compliance for retailers. We also want to see measures introduced to ensure participants in the payments system are monitored for compliance, to ensure that they are providing accurate and reliable advice.
8. The infrastructure supporting the payments system must be highly secure, and guard against cyber-attacks and fraud. This will require continual technology upgrades and will affect the entire payments ecosystem including banks, payment service providers and retailers. Visibility on what is involved, and how this can be implemented at low cost to retailers and consumers will be important. We believe further investigation of this aspect will be required.
9. Protections for retailers, for example against overpayment and to permit refunds, must also be a feature of any future payments system.
10. Given the continued growth in e-commerce, both within New Zealand and across our international borders, consideration must be given to the use of payments for seamless and safe cross-border transactions.
11. Retail NZ does not have the deep expertise on payments systems needed to answer many of the consultation questions, so our answers below are limited to those areas where we can usefully comment on behalf of our members.

Retail NZ responses to consultation questions

Payments modernisation

1. *Reflecting on the dynamic environment in which a next gen ecosystem and modernization initiatives would need to take place. In your view, what organisations are best placed to lead and contribute to a ‘whole of system approach’ and what outcomes would need to be achieved? How would you envisage this being brought together?*

Payments involve a broad set of participants, including:

- customers tapping their card, phone or watch at the point of sale, or using an online shopping checkout
- payment networks processing the transactions
- technology companies providing point of sale infrastructure
- banks that issue cards to their customers and work with retailers
- and of course, retailers of all shapes and sizes.

A ‘whole of system approach’ requires joint action from businesses (including retailers), banks, payment service providers, the Commerce Commission and other government agencies. Consumers must also be represented to ensure next generation solutions meet their needs.

Multiple players are involved in the payments system and there is a need for each participant to work in concert with others, in order to achieve change. There is an opportunity to reduce the complexity associated with the payments system and to provide clarity around the role of each participant.

Retail NZ is open-minded about who should lead the process but would expect that Payments NZ is best placed to lead the sector and be able to work through any conflicts/competition across participants in the payments ecosystem.

2. *Since our market gathering exercise and resulting real-time options paper, the ecosystem has continued to develop. In your view, what future strategic capabilities should be prioritised in the design of a next gen ecosystem? What else should we be considering?*

Retail NZ is strongly in favour of advancing payments technology in New Zealand. Demand for secure, fast, convenient and **cost-effective** digital payments is increasing.

As consumer and business demands continue to evolve, we want the complexity associated with digital payments to be reduced.

We have seen payment advancements internationally over the last 10-15 years which have left New Zealand behind. We are now in a position where we can evaluate international best practice and assess how to adapt for the New Zealand environment. International trends give us the opportunity to learn and lead domestically, which should make evaluation and implementation of required infrastructure quicker and smoother for everyone involved.

3. *While next gen is focused on systemic payments modernisation, our most important consideration needs to be the people and organisations of Aotearoa. What considerations would you suggest need to be incorporated into the work to better reflect the diverse needs and expectations of people and organisations who are served by the payments ecosystem? How would you like to see this evolve as we progress our discussions?*

It is important that consumers are represented through development to ensure next generation solutions meet their needs. This would include a range of interests including those with physical and/or intellectual impairment (including those on the spectrum) and vision impaired, whose needs will differ from other sectors of the community. Many people in this space rely on others to assist them with daily activities like making payments or using an ATM.

There are sectors of our community who rely on cash (including those who do not have a bank account), to pay for goods and services. We must ensure that cash continues to be available for those who need it.

With the ongoing development of technology, it will be important to ensure that senior citizens, ethnic groups and other communities at risk of being left behind by new payments systems are supported through any changes.

Retail NZ also recommends that, alongside consumers, retailers including SMEs, large corporate operations and online merchants are represented to ensure their needs are met.

5. *What is your assessment of the risk of inaction outlined in this section. Do you agree or disagree with these points, and why? Are there other risk scenarios that should be considered?*

Retail NZ agrees with the points of concern raised in the consultation document. We cannot afford to be left behind while our major trading partners and international customers are increasingly using new technologies.

6. *Do you agree with the positioning as set out in this section of the consultation paper regarding regulatory oversight, governance and management? What else should we be considering in this space?*

Retail NZ agrees with the points set out in this section.

7. *What role do you think regulators need to play to progress the programme and payments modernisation more broadly?*

The Commerce Commission must continue to monitor the efficiency and transparency of the retail payment system and intervene where necessary.

Regulators must ensure anti-money laundering legislation does not hinder progress on achieving a more efficient and transparent retail payments system.

It will be vital for regulators to provide guidance material to promote appropriate payments practices, as well as establish national programmes to educate consumers about payments options.

8. *What is your view on the need to modernise the account-to-account payments network in Aotearoa, as envisaged by the consultation paper, to remain fit for purpose and enable digital capability into the future? Conversely what is your assessment of the demand for digital payments infrastructure?*

Retail NZ is aware that demand for secure, fast, convenient and cost-effective digital payments is increasing. It is vital the New Zealand keeps up to date with all forms of payments required by both business and consumers.

9. *Where do you see your role or your organisation's role in the forming of a next gen payment capability?*

As the advocate for retailers across Aotearoa, with our membership accounting for nearly 70% of all domestic retail turnover, Retail NZ would expect to represent the retail sector in work to form a next gen payment capability. As end users of the payments system, retailers' needs must be considered.

Capability and sequencing

Questions on the priority of functional capabilities and potential delivery sequencing, as outlined in Chapter 3.

16. *The roadmap sets out a potential deployment pathway. What are your thoughts on how this roadmap should interact with initiatives either planned or inflight within the industry?*

Examples of these include:

- a) Reserve Bank of New Zealand Digital Cash initiative*
- b) New Zealand Banking Association Fraud and Scam centre and confirmation of payee implementation*
- c) Customer and Product Data Bill*
- d) Designation of Retail Payments System and open banking*

It is critical that design and deployment of next gen payments take into account developments across the wider ecosystem to give it the best chance of success. Access issues would need to be addressed to ensure that fintechs are encouraged to invest in technology that can be easily adopted by both consumers and merchants. For example, if new technology developed for open banking is unable to get agreement/access across all the major banks, it is a hindrance to enter the market and will not encourage businesses to be innovative.

All components of the payments system must be able to work together.

We would question how we can see new businesses enter the market and be able to compete with the major banks and credit card companies? Is the current environment open enough to enable us to engage in technological advancement?

Conclusion

Thank you for the opportunity to make a submission. Retail NZ is happy to discuss any aspect of this submission further.

We are happy for this submission to be publicly available.

Sincerely,



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