The competitive ecosystem
A handful of tech firms and digital start-ups created “commerce platforms,” raising the bar on digital experiences and moving into payments.
Many of these firms created services that further reduced start-up costs.

- **Plug + Play Infrastructure**
  - Amazon Web Services
  - Log in

- **Instantaneous Global Distribution**
  - Google Play
  - News Feed
  - YouTube
  - Google AdWords
  - Facebook Ads
Fintechs exploded, offering slices of great experiences while fragmenting the landscape

<table>
<thead>
<tr>
<th>Challenger banks</th>
<th>Atom</th>
<th>fidor BANK</th>
<th>N26</th>
</tr>
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<tbody>
<tr>
<td>Digital payment apps</td>
<td>paytm</td>
<td>venmo</td>
<td>Zelle</td>
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<tr>
<td>Global remittance</td>
<td>SWIFT</td>
<td>VOCALINK</td>
<td>TransferWise</td>
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<td>Early payment players</td>
<td>VISA</td>
<td>mastercard</td>
<td>Square</td>
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<td>Payment gateways</td>
<td>stripe</td>
<td>Braintree</td>
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<td>Blockchain payments</td>
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<tr>
<td>Tech giants</td>
<td>Google</td>
<td>Amazon</td>
<td>Apple</td>
</tr>
</tbody>
</table>
We believe we’re at the early stages of a “re-bundling” as stand-alone services create friction for consumers.
Payment Observations and Trends
mCommerce payments continue to grow as a percent of eCommerce

Although friction and confusion exists in the eyes of consumers (mobile wallets)

Mobile experience and usability ratings surpass desktop for the first time

<table>
<thead>
<tr>
<th>Year</th>
<th>Mobile Commerce</th>
<th>Other eCommerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>878</td>
<td>967</td>
</tr>
<tr>
<td>2017</td>
<td>947</td>
<td>1,357</td>
</tr>
<tr>
<td>2018*</td>
<td>1,038</td>
<td>1,804</td>
</tr>
<tr>
<td>2019*</td>
<td>1,132</td>
<td>2,321</td>
</tr>
<tr>
<td>2020*</td>
<td>1,225</td>
<td>2,910</td>
</tr>
<tr>
<td>2021*</td>
<td></td>
<td>3,556</td>
</tr>
</tbody>
</table>

Source: Statista, eMarketer, ForeSee
Payments are moving toward the moment of need, increasingly embedded in commerce

But consumers are leery of losing control of their credentials as payments go “frictionless”

Source: Tech Crunch, Mercator Advisory Group
Customer acquisition and payment relationships are increasingly formed in context

SMB integration is driving payment use cases

**SMB Bank Accounts**
- Many potential Uber drivers are unbanked, so Uber added an easy application process as part of driver onboarding.
- Has become one of the largest acquirers of SMB bank accounts.
- GoBank “Instant Pay’ partnership provides drivers with ability to cash out immediately after completing a fare.

**Advance Payments**
- Pre-payment to get drivers going before their first fare
- Uber takes a cut from drivers’ earning to get paid back.

**Car Leases + Financing**
- Xchange
- Toyota partnership

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With Instant Pay
“Driving feels less like an actual job and more like a hobby. ... I drive more, especially if I really needed cash that day.”

Source: KPMG Analysis
Vaporization of paper, plastic and passwords
Physical representations of products fade as consumers weigh risk versus convenience

The biometric takeover

• Fingerprint Scanning
• Facial Recognition
• Voice

• Cash, Credit, Forms
• Account Opening
• Transactions

Physical Identity Verification is now **15–20x** riskier than a digitally led IDV process
The deal environment will remain robust, with primary drivers accounting for volumes

**Primary Drivers:**
- Add new capabilities across value chain
- Global P2P growing exponentially
- Extend physical footprint for POS
- Achieve vertical integration to software
- Enhance global reach to support business supply chains
- Capture new customer base, i.e. SMBs
- Bridge online and offline transactions

Q2’18 sets new quarterly record for global VC-backed fintech deals & funding

Source: Statista, CB Insights, KPMG market analysis
Faster Payments are accelerating globally

35 countries have developed or are developing real time payment schemes

1. **India, 2004**
   Immediate Payment Service (IMPS)
   - In July, real time transactions represented almost half the value of debit and credit card swipes in retail stores

2. **United Kingdom, 2008**
   Faster Payments Service (FPS)
   - Corporate access increased to £250,000 with intent to increase to £1m for corporates
   - Currently the fastest growing payments system in the UK

3. **Singapore, 2014**
   Fast and Secure Transfers (FAST)
   - Corporate access is not ubiquitous due to limit of $50k per transaction
   - Singapore’s focus is on innovating and becoming a cashless society

4. **US, 2017**
   Real time payments (RTP)
   - 7 banks live (Q2’18) with several more onboarding in the coming months
   - 80% of transactions are P2P transactions with an average value of $120
   - NPP initial use case focused on splitting bills

5. **Australia, 2018**
   New Payments Platform (NPP)
   - Launched 2/18
   - 80% of transactions are P2P

6. **Canada**
   In progress
   - Canada is in the second wave of infrastructure modernization initiatives
While other payment trends continue to evolve in each jurisdiction

**Canada**
- High use of credit cards relative to other regions (rewards and convenience)
- Contemplating overlay services for RTP to enable payments innovation
- Fintechs partnering with incumbents

**United States**
- Cash & checks in decline, but check usage is still high relative to other regions
- Low contactless adoption due to friction
- Fintechs partnering with incumbents and tech giants looming

**Brazil**
- Slower tech uptake due to insufficient internet speeds and limited smartphone availability

**United Kingdom**
- Greatest global adoption of contactless
- Highest global use of digital wallets
- Challenger Banks and PSD2 driving innovation and openness

**India**
- Fraud challenges led to demonetization
- Greater emphasis on digital payments, supported by high smart phone penetration
- Movement to enable and regulate fintechs
- Walmart’s purchase of FlipKart to enable eCommerce marketplace (following China)

**China**
- Giants such as Alibaba (Ant) and Wechat are driving significant transformation with everything embedded and rebundled around experiences (see video)

**Singapore**
- Cash is still king with most electronic payments begin stored value for local transportation
- Monetary Authority is standardizing QR codes and enabling fintechs to access FAST

**Australia**
- High use of digital wallets, wearable payment devices and contactless cards
- Banks mandated to open up data in 2019
- Digital only start-ups capitalizing on simplified banking license offered to support fintechs

Source: KPMG, Statista, Monetary Authority of Singapore, Reserve Bank of Australia, WorldPay, Wall Street Journal
The future is already here.....WeChat’s impact on payments

WeChat Video
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