



World Payments Report 2020



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About the World Payments Report 2020



The World Payments Report (WPR) continues to provide industry-leading thought leadership in payments



16th
edition



Industry stakeholder responses
+235 industry stakeholders surveyed

Launch on
Oct. 6



Voice of Customer
8,600 customers surveyed across
21 countries



Representative list of +45 senior executives from payments firms

Key brands:

Newcomers:

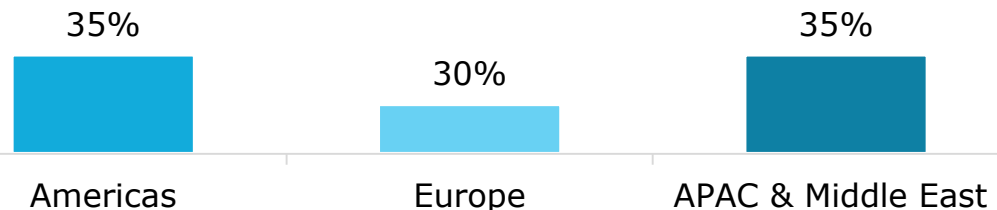
Research Methodology



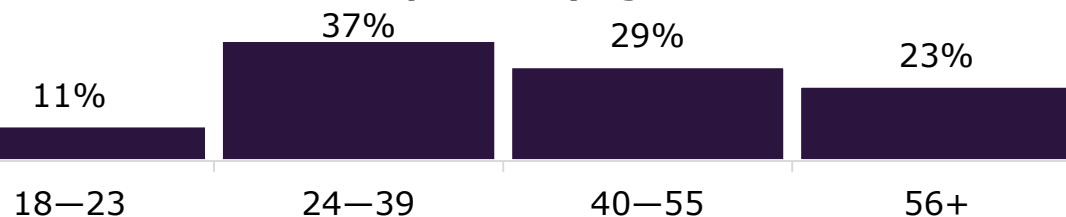
Voice of customer survey: 8,600 customers

July–August 2020

Responses by region



Responses by age



COVID-19-focused customer survey (April)

11 countries

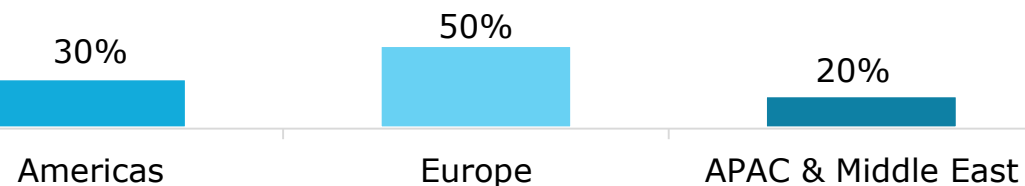
11K respondents



Executive interviews: +45 payments executives

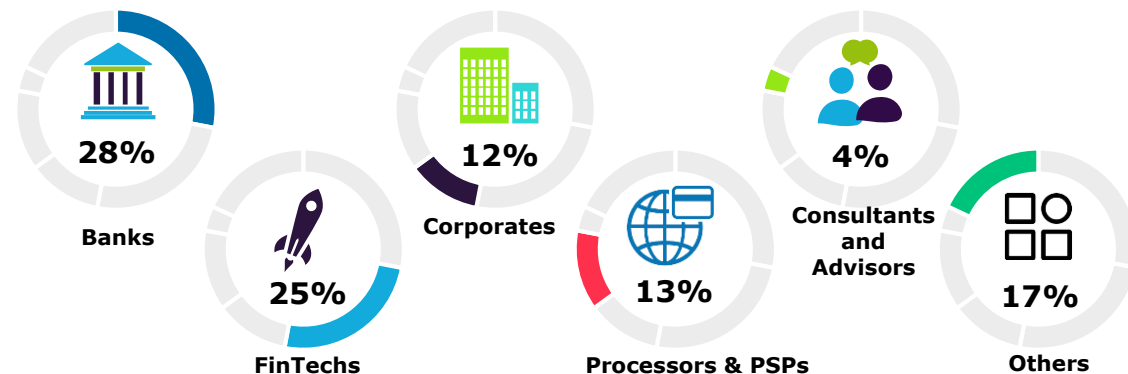
June–August 2020

Number of interviews by region



Industry survey: 235 respondents

June–July 2020



World Payments Report 2020

The payments industry is in flux as digital disrupts the power paradigm



Higher **customer adoption** of digital payments will make **non-cash transactions** reach a record volume of **1.1 trillion by 2023**



Increased regulatory focus on **standardization** as **new players foray** into the **payments landscape** and **risk re-emerges**



Mastering digital is crucial to remain in the race as **new business dynamics unfold**, impacting pricing, revenues, and competition

Cashless future

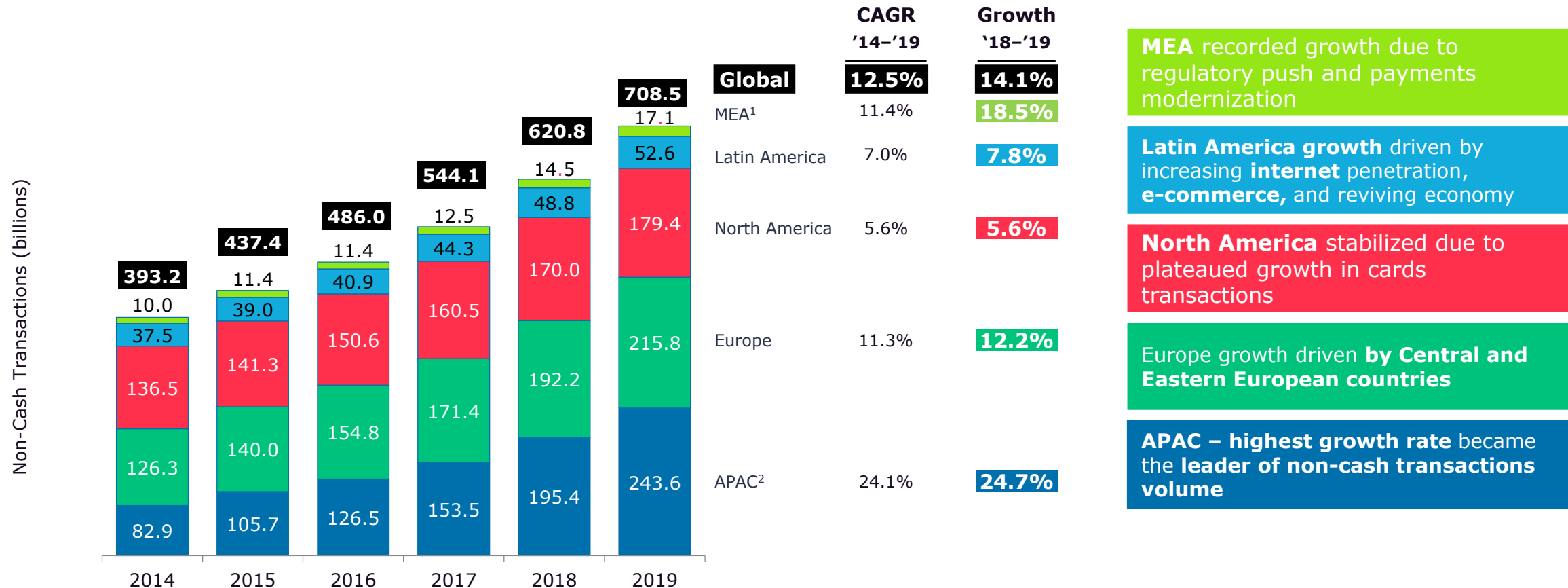
Hyper-acceleration in action





The global volume of non-cash transactions grew by 14.1% during 2018–2019 to reach 708.5 billion transactions

Worldwide volume of non-cash transactions (billions), 2014–2019



MEA recorded growth due to regulatory push and payments modernization

Latin America growth driven by increasing **internet** penetration, **e-commerce**, and reviving economy

North America stabilized due to plateaued growth in cards transactions

Europe growth driven by **Central and Eastern European countries**

APAC – highest growth rate became the **leader of non-cash transactions volume**

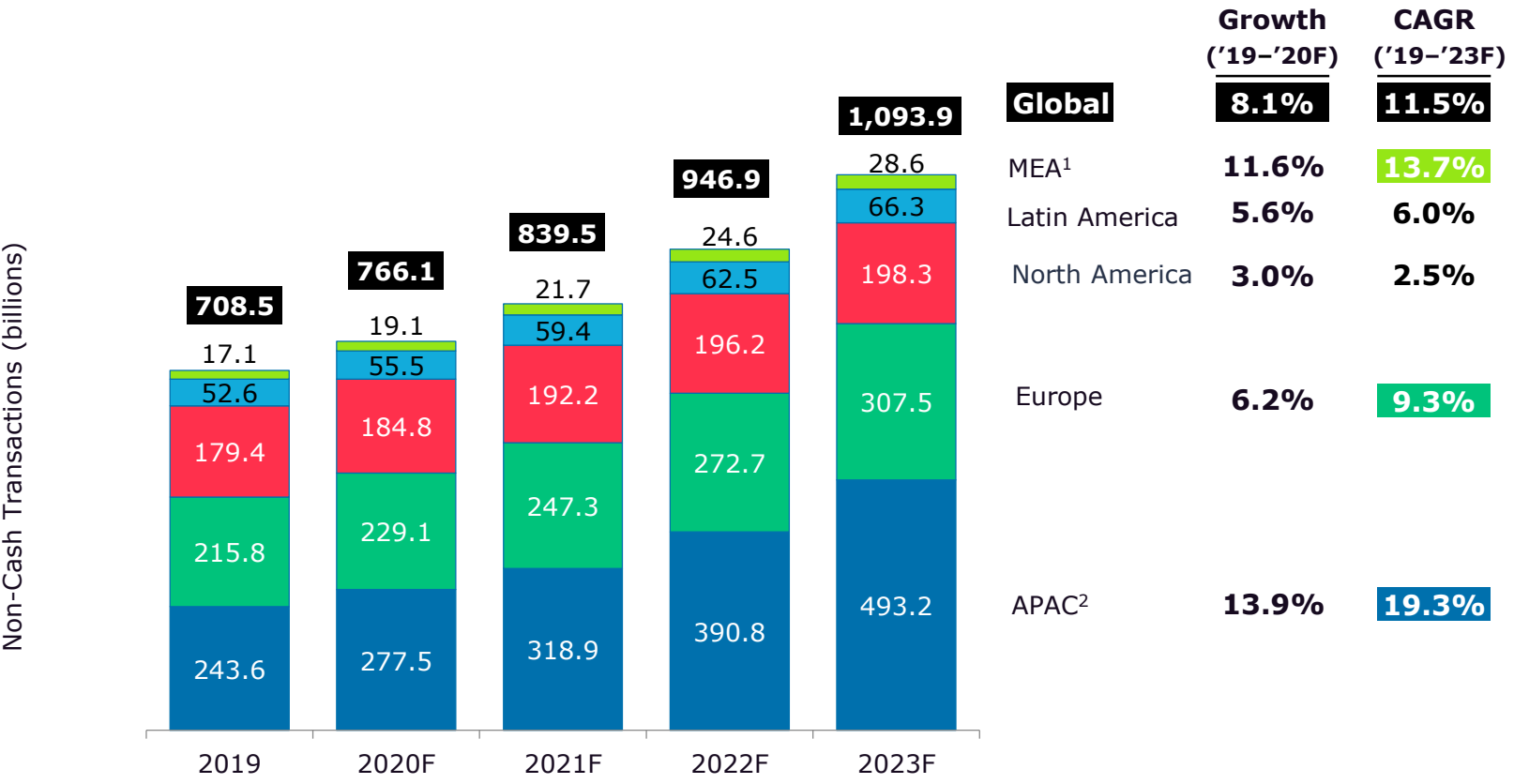
The global volume of non-cash payments is increasing steeply, owing to the growing consumer propensity for digital transformation and the proliferation of smartphones.

1. MEA: Middle East and Africa (includes Saudi Arabia, UAE, Israel, South Africa, and other GCC as well as African countries).
2. APAC: Asia Pacific (includes India, China, Japan, Singapore, South Korea, Hong Kong, Australia, and other South East Asian markets).



Non-cash transaction volumes are estimated to grow at 11.5% CAGR (2019–23) to reach 1.1 trillion

Worldwide non-cash transactions (billions) by region, 2019–2023F



A burgeoning **eCommerce** segment, **mobile payments**, and **digital wallets** are driving growth across regions

Europe (+9.3% CAGR) and **MEA (+13.7% CAGR)** are also likely to show promising growth

APAC is expected to constitute **45% of the total volume by 2023**
India and **China** are expected to drive the region's phenomenal **+19.3% CAGR** between 2019–23

Consumer behavior, COVID-19, and adoption of contactless and real-time payments are driving the hyper-acceleration of a cashless future.

Source: Capgemini Financial Services Analysis, 2020
 World Payments Report 2020 Deck | October, 2020

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Card payments are maturing and giving way to newer payment methods



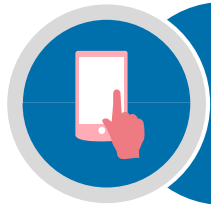
The card is (still) king, but...

- **Card transactions** constitute a **72%** share in the global non-cash payments instrument mix, but growth is stagnating
- **Emergence of local (RuPay in India) and regional schemes (EPI in Europe, Verve Card in Africa)** will be challenging the cards kingdom



Speed and convenience are driving alternative payments

- **Contactless payments +32% CAGR (2020–24)** to reach \$6 trillion in transactions, driven by the adoption of biometric and wearables payments
- **Mobile payments +29% CAGR (2019–27)**, steered by smartphone/internet penetration, use cases such as P2P/QR-based payments, and eWallets adoption
- **Invisible payments +51% CAGR (2017–22)** to process \$78 billion in transactions, as demand for frictionless payment experiences grows



eCommerce is the next growth engine

- **Global eCommerce** continues to grow at **19% CAGR (2017–23)** to reach \$6.5 trillion
- **Digital/mobile wallets** are set to be the preferred eCommerce payment method, with a **52% market share** by 2023
- eCommerce businesses are introducing **multiple payment channels** such as “buy now pay later,” “Buy online and pick up in store,” and “contactless checkout”



eMoney and instant payments are making inroads

- Global eMoney transactions are witnessing a vigorous growth of **27% CAGR (2018–23)**, driven by **Southeast Asian markets**
- Adoption of instant payments is on the rise, and by 2024, **Nordics, the US, ASEAN, India, and the EU**, will experience the greatest uptick in transaction volumes

Speed, convenience, and customer experience will be the decisive factors in the adoption of payments methods and instruments in the future.

*Instant payments (IP), is also known as immediate payments, faster payments, and real-time payments. It has features such as the immediate availability of funds to the beneficiary of the transaction.

*Electronic money or eMoney is the electronic alternative to cash. It is monetary value that is stored electronically on receipt of funds, and which is used for making payment transactions.



Regulatory and industry evolution

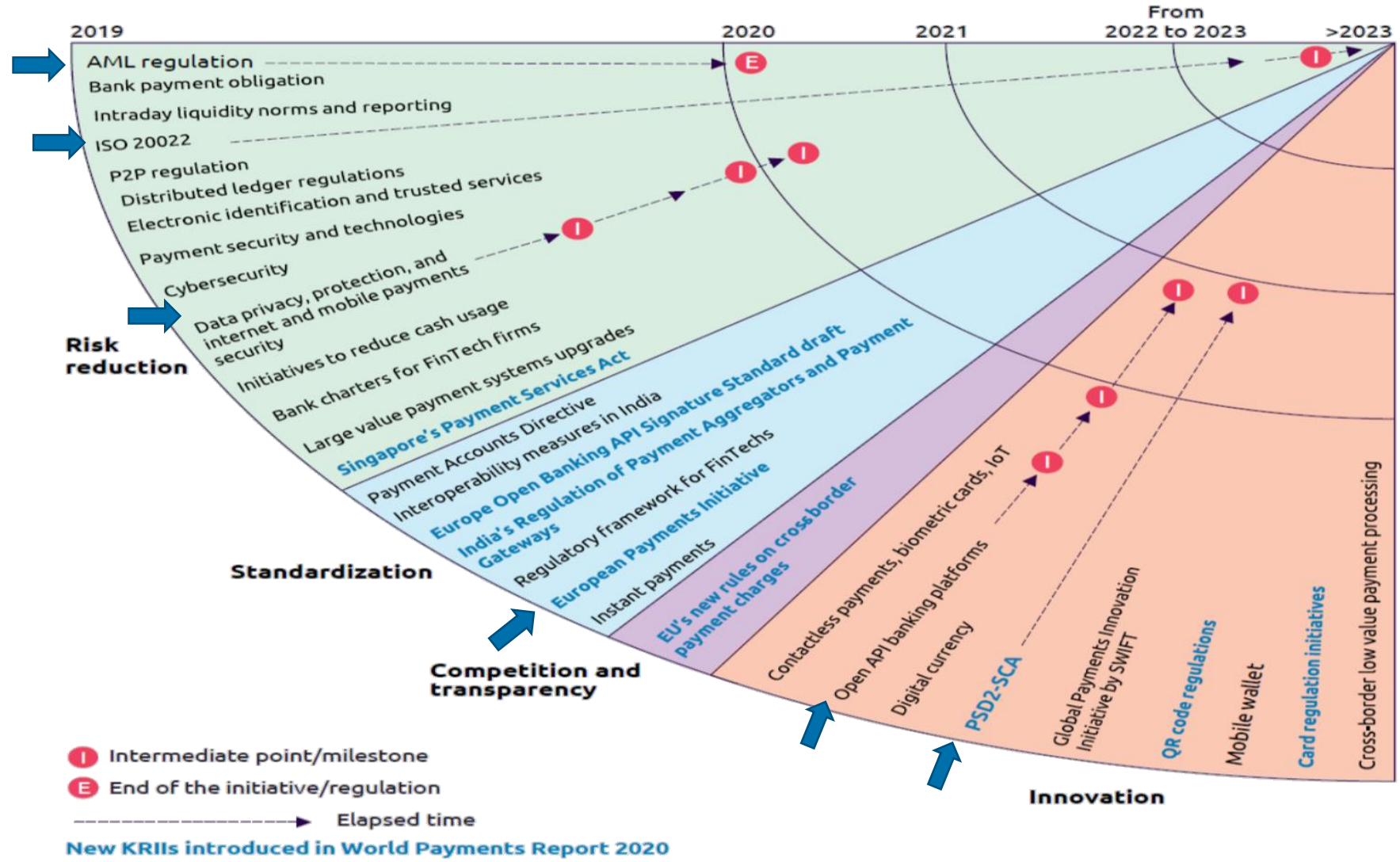
Collaboration is a **MUST** during uncertainty

PB |



Regulatory activity has focused on risk reduction and standardization to mitigate systemic risk

Key regulatory and industry initiatives (KRIIs) clustered by regulators' primary objectives, 2020



As in a post COVID-19 scenario, risk emerges as a critical priority

- Is a collaborative framework the way forward?

In the wake of the current Wirecard debacle

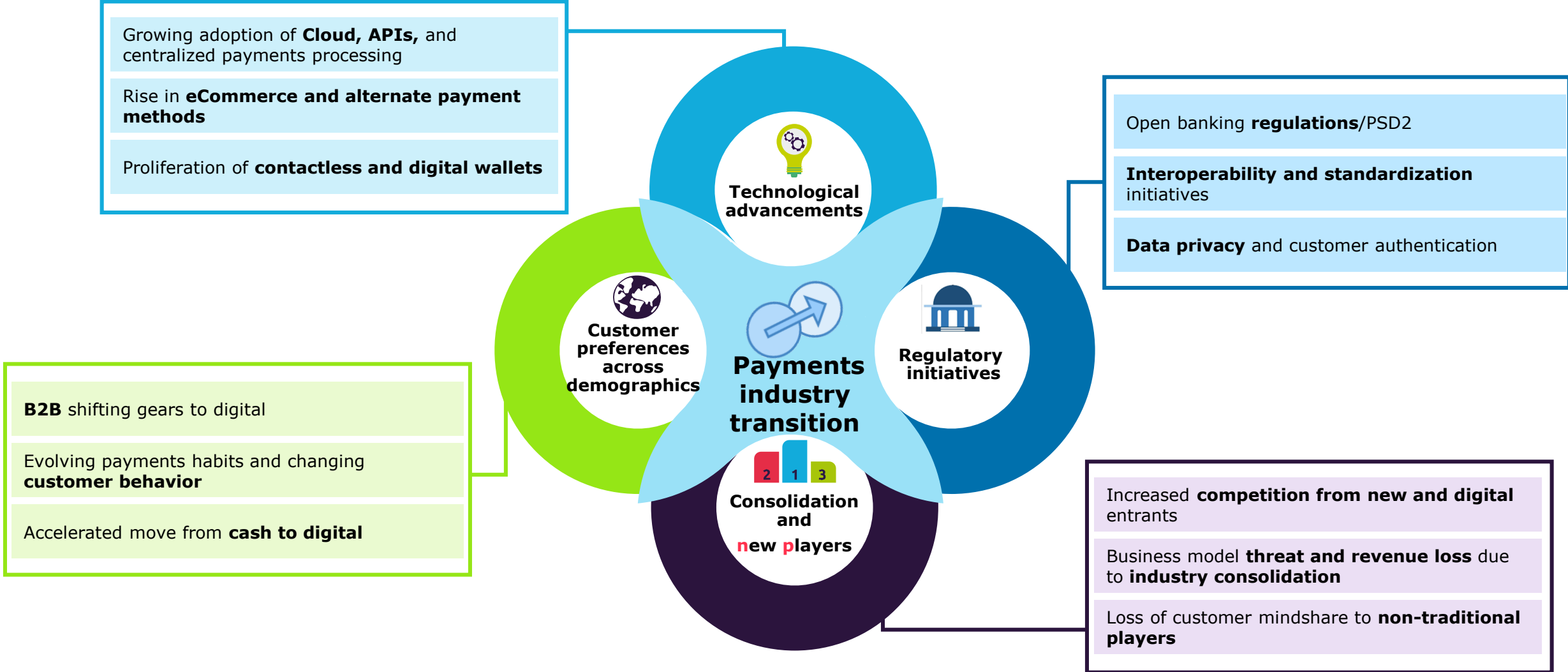
- Is current regulatory focus on new entrants enough?



Move to Digital

Digital mastery is table stakes, as payments champions play a strategic hand

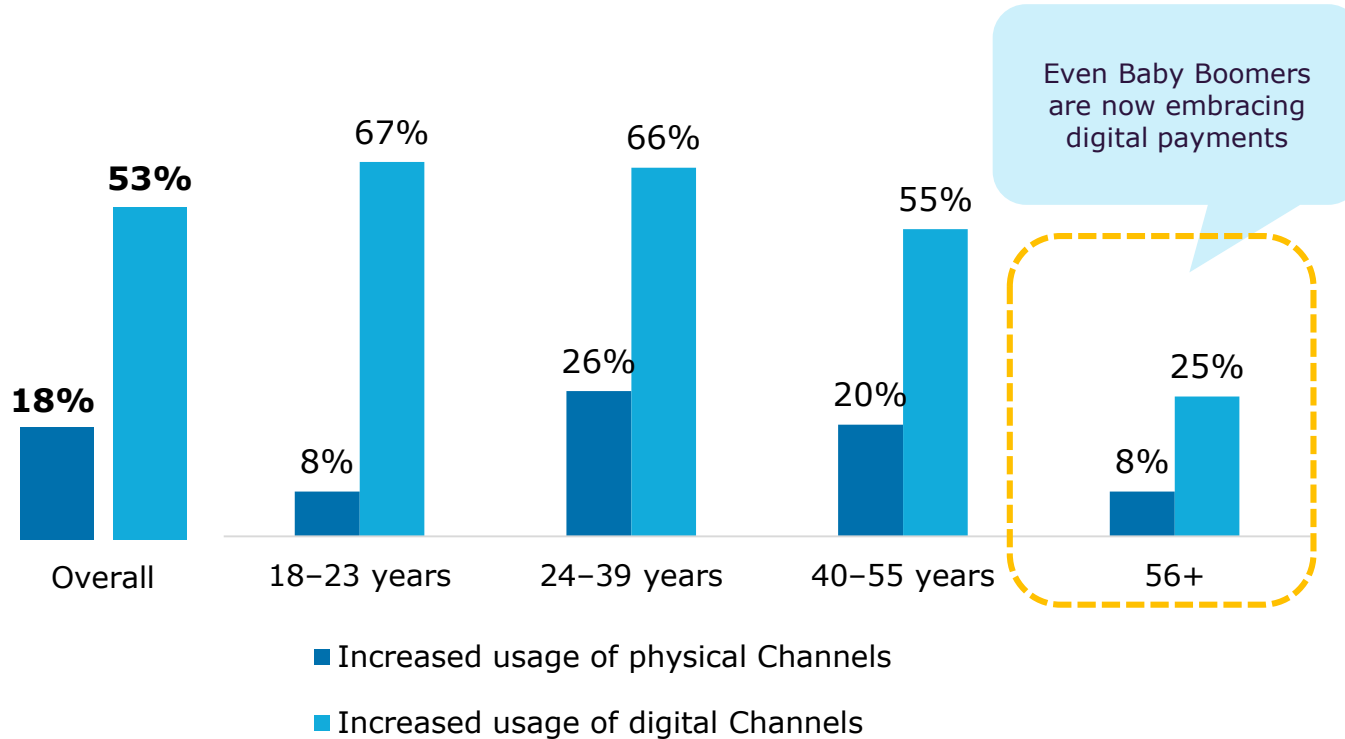
The payments landscape is being reshaped by multiple disruptive factors



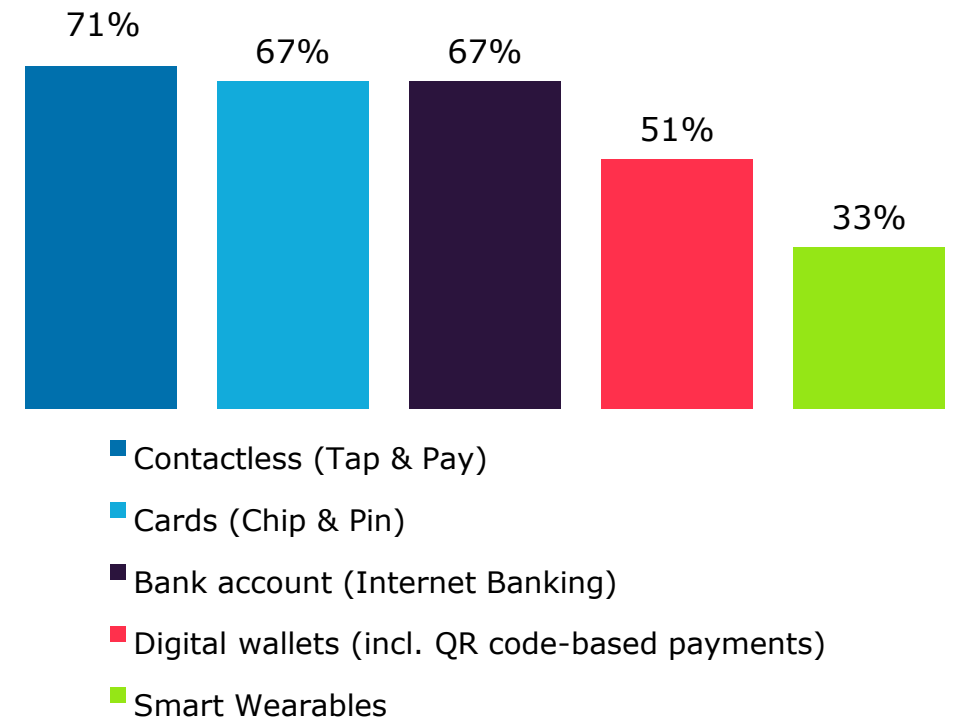
Retail customers: Multi-generational shift to digital channels and digital payment methods is on the rise



Increase in retail payment channel usage, May–July, 2020



Pushed by COVID-19, contactless has emerged as the preferred payment method, globally



Because the digital divide between age groups is blurring, “almost” everyone today is digital. Digital payments is no longer a competitive differentiator.

Sources: Capgemini Financial Services Analysis, 2020. WPR 2020 Voice of Consumer Survey.

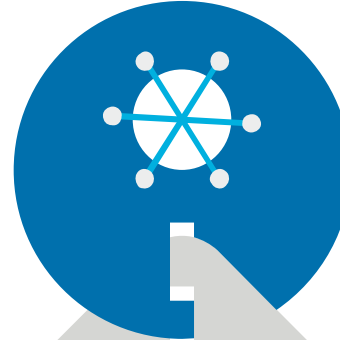
B2B customers: The digital shift has started permeating into the B2B space as well



Shifting B2B payments preferences

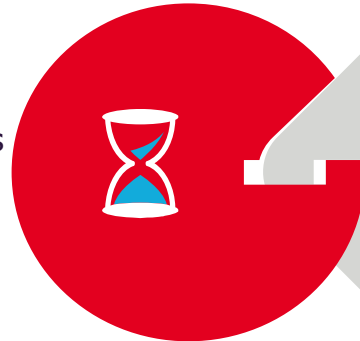
B2B API-based payments

Third-party initiated payments through APIs are growing as corporates trust of non-banks increases



Instant payments

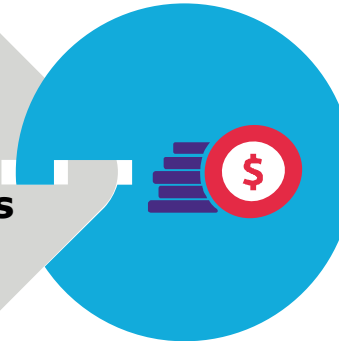
Instant payments-based B2B payments are expected to grow at a higher rate



B2B Payment Preferences

B2B payment virtual cards

In the US, as check and ACH payments move to virtual cards, nearly 20–25% of account payables volume is expected to be driven by virtual cards



Mobile payments/B2B wallets for vendor/supplier payments

Digital wallets are growing in popularity, especially when it comes to small businesses that want to collect funds overseas, e-commerce companies, gig economy payments

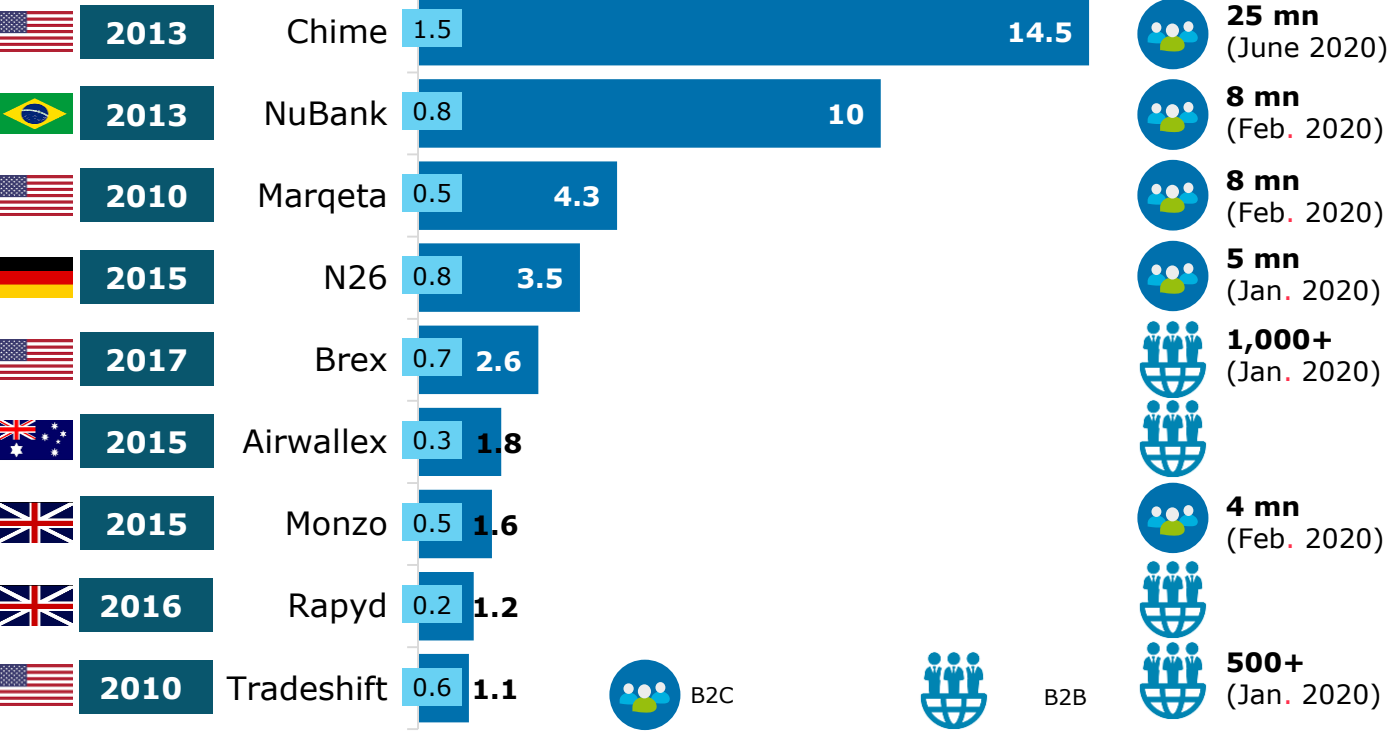


Nearly 60% of corporates rate digital transformation as the key focus in 2020–21.

Challenger banks are flourishing because they attract VC funding with customer-friendly value propositions

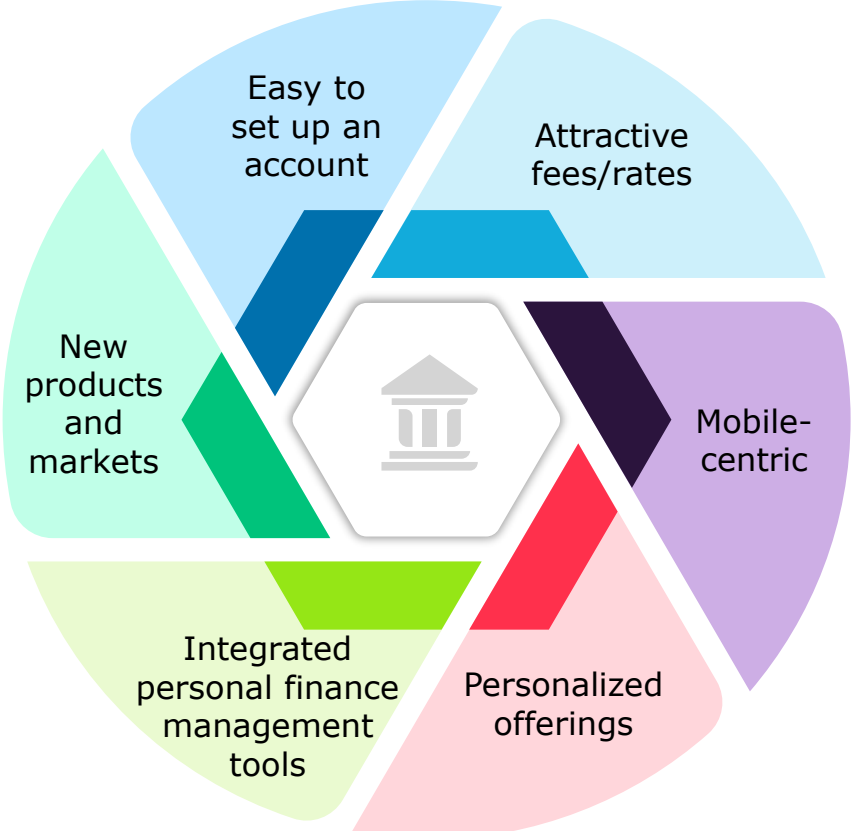


Rise of challenger banks, Q1 2020 (total market valuation & funding in USD billion) and value propositions



Source: FT partners proprietary transaction database

B2C
 B2B
 Funding received



As investments pour in, challenger banks emerge as a heavy competitors, vying for greater market share in both B2C and B2B segments.

Source: Capgemini Financial Services Analysis, June, 2020; <https://fintechcircle.com/insights/b2b-payment-innovation/>; <https://www.wired.co.uk/article/challenger-banks-atom-tide-bunq-monese>; <https://techcrunch.com/2020/01/20/challenger-business-bank-qonto-raises-115-million-round-led-by-tencent-and-dst-global/>; <https://www.fintechfutures.com/2020/04/indian-challenger-to-be-jupiter-raises-2m-in-venture-funding/>; <https://www.crowdfundinsider.com/2020/01/156511-banking-challenger-market-is-growing-rapidly-with-brazils-nubank-being-the-worlds-largest-with-15-million-clients/>; CB-Insights_Fintech-Report-Q4-2019.pdf

At the same time, risk on operational, regulatory, and business fronts is back

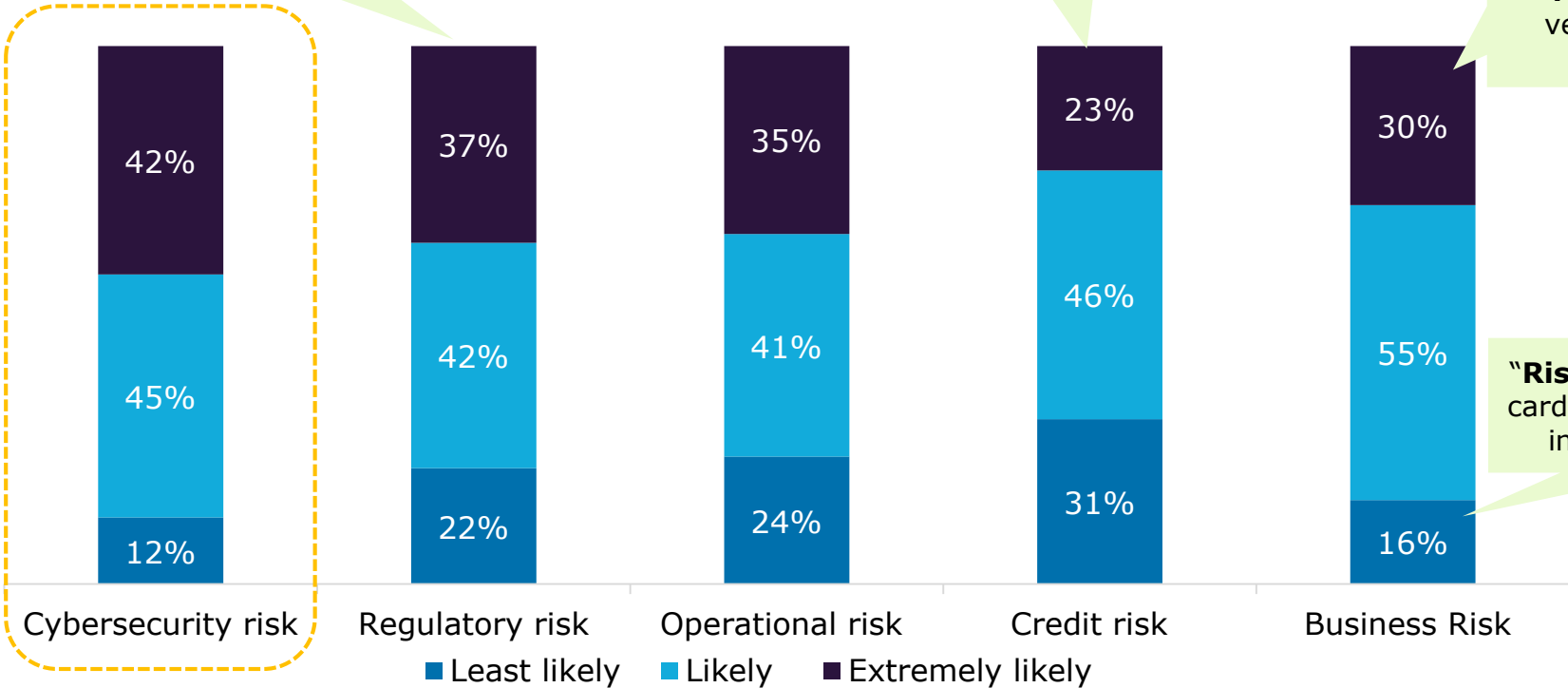


Industry responses on risk exposure of payments businesses

"Issue with **heterogeneous interpretation** of the PSD/PSD2 regulation on licensing creates weaknesses and counterparty risk"

"Third-party risk is very prominent now, especially due to Wirecard debacle"

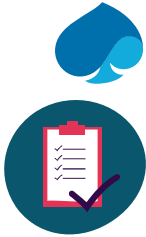
"Negative interest rates, leading to move to **fee-based business** versus lending (credit-based business)"



"**Risk of fraud** is biggest in cards and open banking has increased this further"

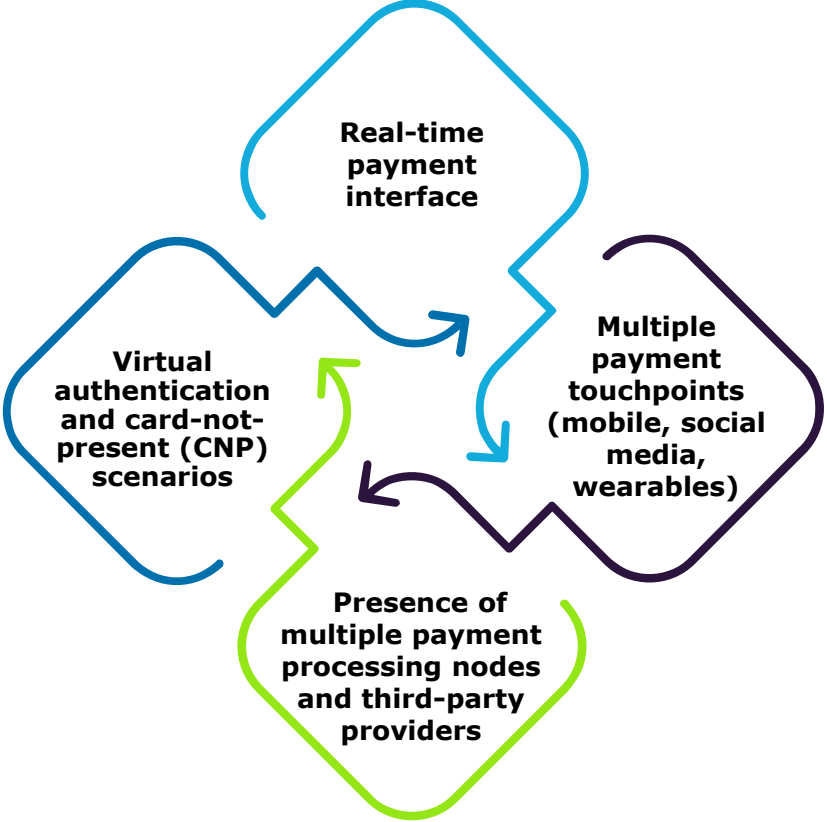
Revamp of risk management is necessary for firms to build operational and business RESILIENCE.

Technology investment can help handle vulnerability that arises as payment methods turn digital and infrastructure become open

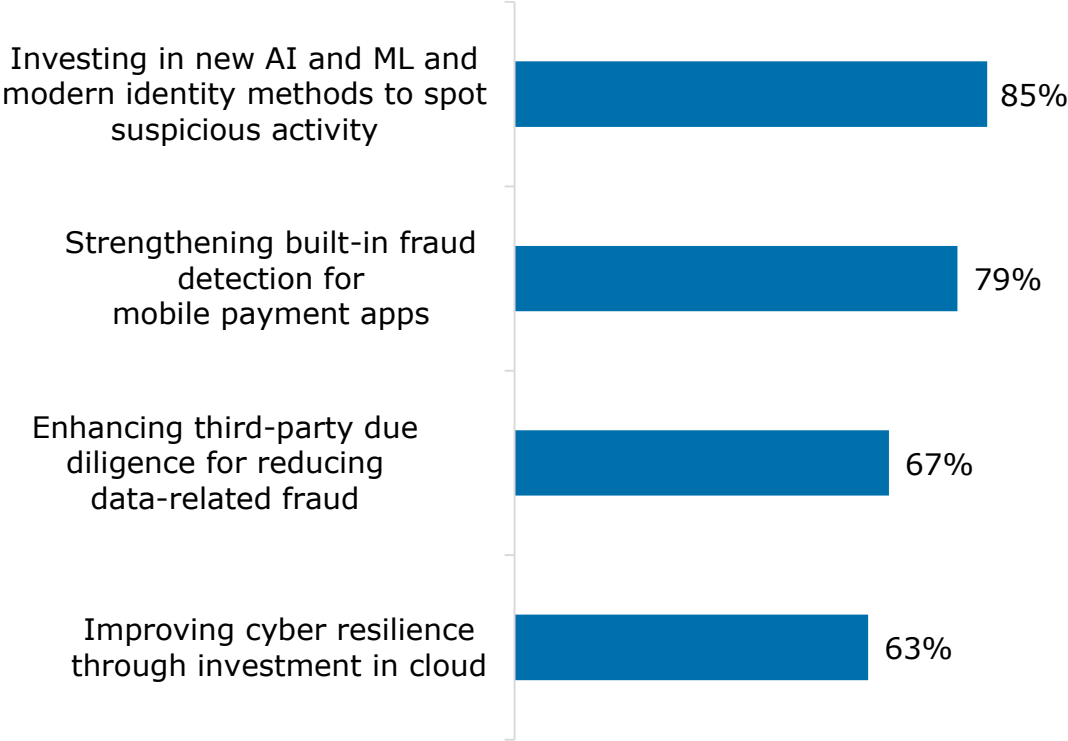


Initiatives that can help payments firms reduce fraud

Avenues of vulnerability in digital payments



Payments firms' views on most important initiatives to reduce vulnerability (%)



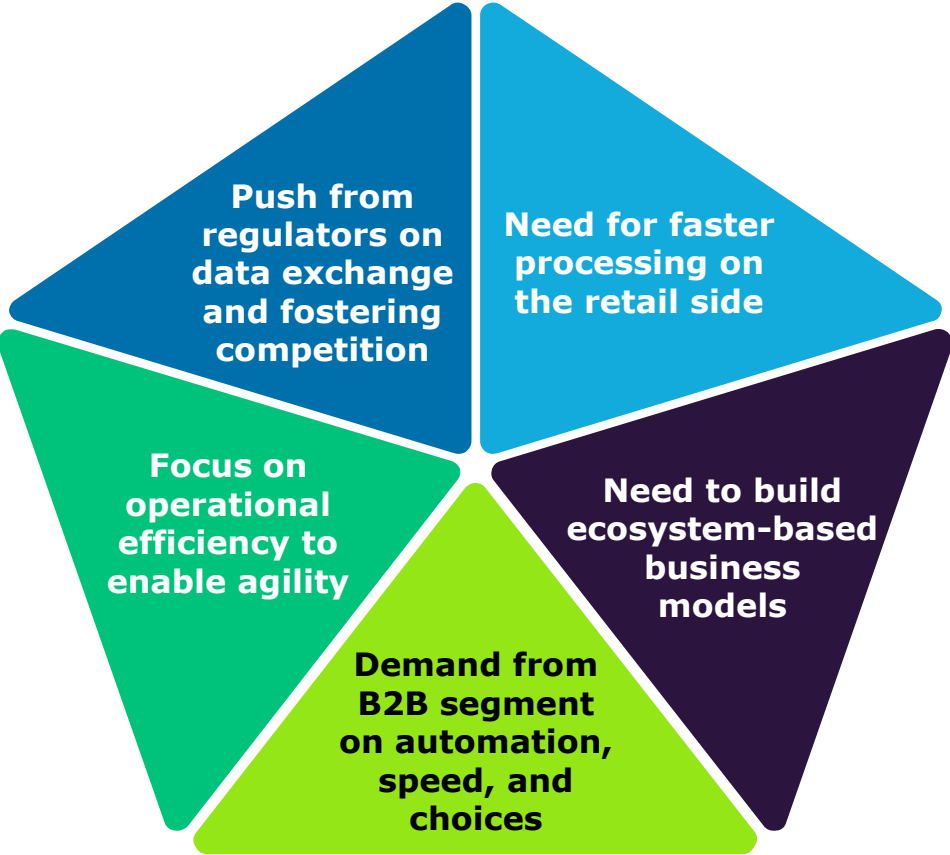
It is time to recognize the need for investment in key technology areas to be ready for the digital leap.

Source: Capgemini Financial Services Analysis, June 2020

Banks are prioritizing the technology game in order to meet expectations on speed, accuracy, and choice



Prioritize modernization: call to action



Almost **68%** of banks say the biggest threat of not executing on a payments transformation plan is losing existing clients and prospects.

Digital transformation (**65%**) and client visible innovation (**45%**) are the top two drivers for future initiatives

50% of banks cited legacy infrastructure as the biggest challenge to open banking apart from lack of technological readiness

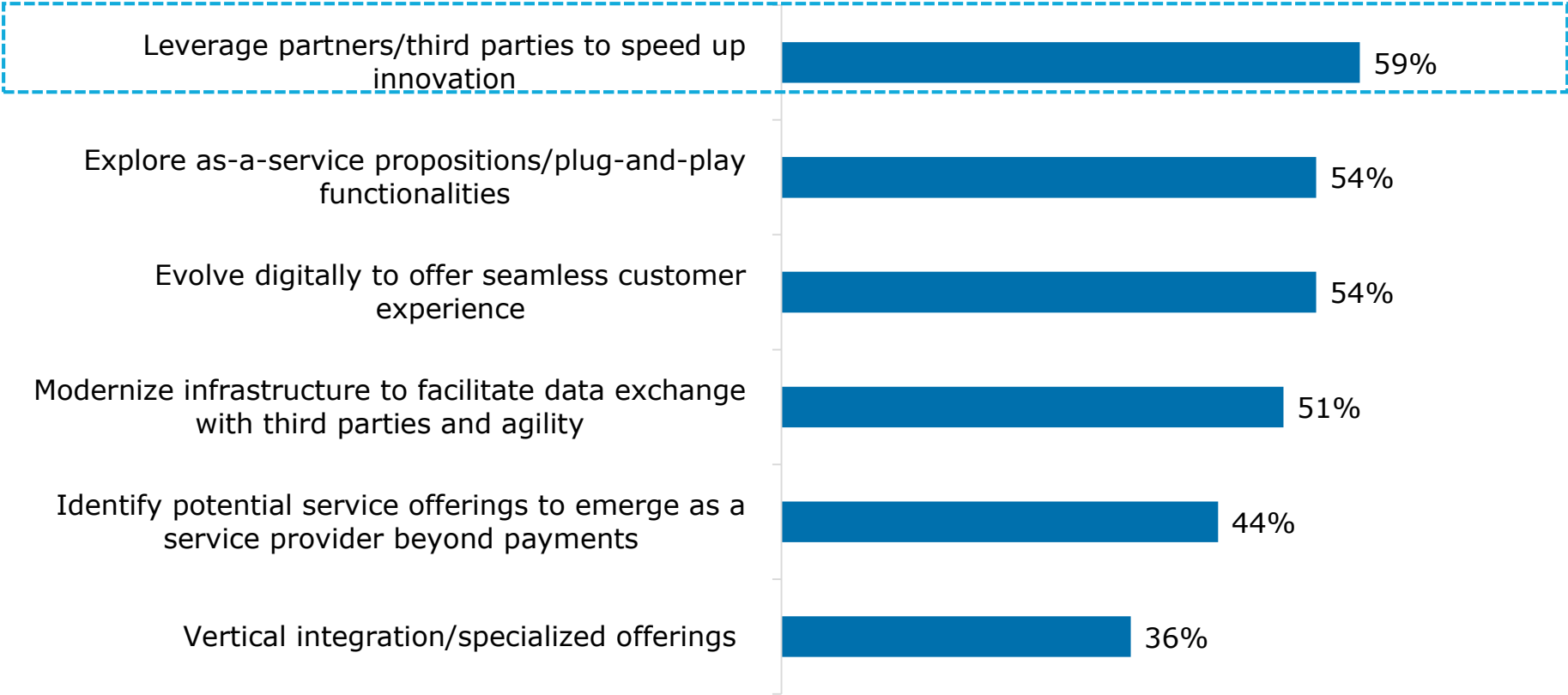
As new players are already masters at the digital game, there are not many ways to differentiate.

Source: Capgemini Financial Services Analysis, June 2020.

Supplementing technology investment with an effective collaboration strategy will help attain the end state in an expedited and cost-effective manner



Banks begin to collaborate with FinTechs in cash management function



By adopting the right mix of investing and collaborating, traditional firms can quickly acquire digital competence.

Source: Capgemini Financial Services Analysis, 2020; Text Line Searches.
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