



Emerging payment trends: Perspectives on the future of payments from consumers and Fintechs

The take



The Fintech ecosystem is constantly evolving.

Adoption of current-generation experiences such as digital wallets and buy now, pay later has been boosted by pandemic-fueled digital acceleration. In the U.S., for instance, 49% of consumers now have three or more financial services apps on their smartphone, up from 36% in 2021. This has laid a foundation for further innovation by increasing consumer comfort with handling their finances digitally and through various intermediaries. We believe this sets the stage for emerging trends that will redefine the fintech landscape even further.

Cryptocurrency and blockchain, connected commerce, open banking, embedded finance, and real-time payments are five emerging trends shaping the fintech ecosystem. While adoption rates vary by market, these trends have already begun to make a mark on the payments landscape. Ultimately, the level of impact will be dictated by the quality of the customer experience. Fintechs that leverage emerging payment technologies to bring greater efficiency and convenience to their customers will be well positioned.

49%

of consumers in the U.S. **now have three or more financial services apps** on their smartphone.

Trust is a prerequisite for adoption of any new payment experience. Educating customers on how their data is being used and protected is an imperative. As we have seen throughout our consumer research, partnerships with trusted financial entities such as banks and payment networks add validation and trust to any payment experience.

“ *Fintechs that leverage emerging payment technologies to bring greater efficiency and convenience to their customers will be well positioned.* ”

Because consumers value their trusted relationships with financial institutions and also appreciate the digital experiences delivered by Fintechs, collaborations that leverage the strengths of both partners inevitably create deeper value for financial services end users, helping to drive adoption.



Key findings



Fintechs see open banking as the most relevant emerging payment use case for their businesses, but success will require further consumer education.

Open banking is the most relevant emerging payment use case for Fintechs (44% say it's highly relevant) and the top area where Fintechs are interested in partnering with a payment network to jointly develop solutions (63% of those that indicate relevance to their business are strongly interested). Consumers also show strong interest in experiences that leverage open banking, such as faster credit approvals (68% interested) and receiving a consolidated view of financial accounts (68%). However, 45% of consumers are uncomfortable securely sharing their account and personal information with third parties, which could create a barrier to near-term adoption. Data-sharing apprehensions are highest with Baby Boomers and the Silent Generation (both 63%), as well as with consumers in Germany (58%) and the U.S. (55%).

Open banking can unlock a wide array of more effective and efficient financial experiences for consumers, but success will require education about how consumers' data is being used and protected.

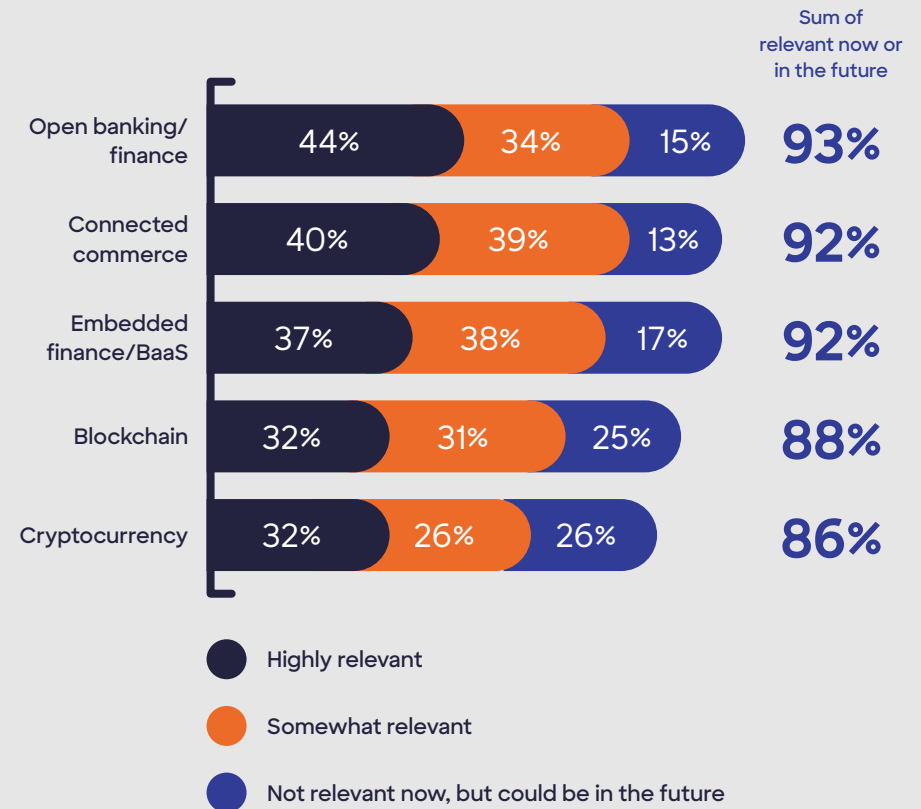
45%
of consumers
are uncomfortable
securely sharing
their account
and personal
information with
third parties.

Consumers and Fintechs see an opportunity to embed payments into commerce experiences.

Consumers are attracted to the convenience of connected commerce experiences and show particularly strong interest in paying automatically for purchases as they walk out of the store (66% interested) and having connected devices automatically make purchases on their behalf (58% interested). Interest in these use cases is especially high with consumers in Asia, rising to 81% and 75%, respectively. Fintechs see opportunity here as well, with 40% indicating that connected commerce is highly relevant to their business. Among those that indicated relevance, 59% expressed strong interest in partnering with a payment network to develop connected commerce solutions. Top use cases that Fintechs are interested in pursuing include payment-enabled appliances (41%), touchless authentication (40%), blockchain-based data sharing (40%), autonomous payments (39%), and virtual stores (34%).

Connected commerce holds the potential to create more integrated and contextual commerce experiences by embedding payments into the world around us. Fintechs must recognize that new approaches to authentication and payment data security will be prerequisites for bringing payment experiences into different connected environments.

Relevancy of emerging payment experiences to Fintechs



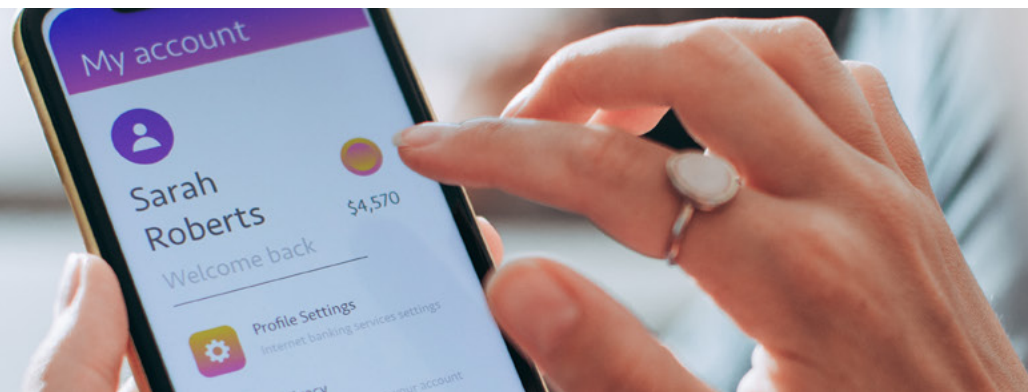
Q. To what extent are the following emerging payment use cases/technologies relevant to your business?
Base: All respondents (n=852)
Source: 451 Research, part of S&P Global Market Intelligence, custom Fintech survey commissioned by Discover Global Network, 2022

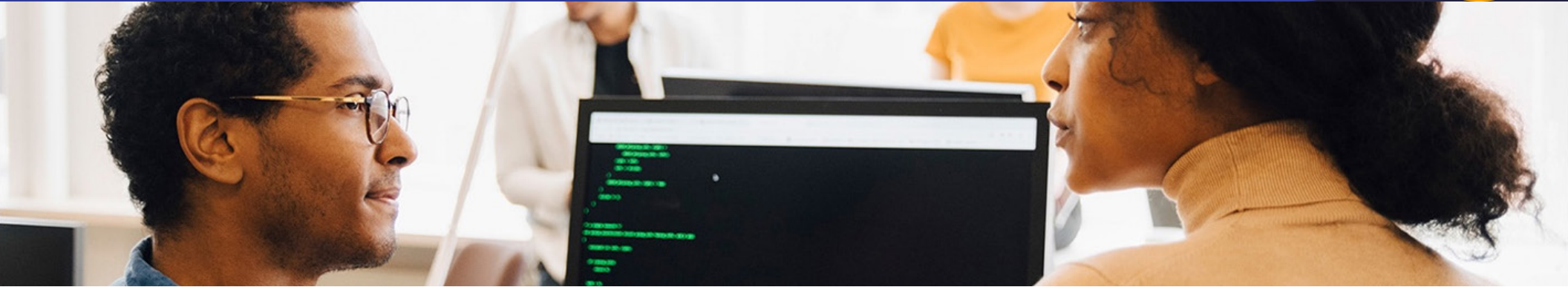
Real-time payments can bring efficiency to everyday financial use cases.

Consumers ranked real-time payments as the emerging payments use case of most interest to them. Practical applications of real-time payments, such as the ability to receive payouts from businesses in real time (86%) and the ability to pay bills and have them post to an account in real time (85%), were especially appealing to consumers. In the U.S., the percentage of consumers very interested in having wages instantly deposited in their account after a shift/workday (i.e., earned wage access) jumped from 32% in 2021 to 44% in 2022. Similarly, 53% of Fintechs said instant funds are highly relevant to their business, and of those that indicated relevance, 62% showed strong interest in partnering with a payment network to develop instant funds solutions.

Consumers can easily see the value that real-time payments can bring to their daily lives. Fintechs should look to real-time payments as an important component of their financial infrastructure that can unlock new types of value for their customers.

86%
of consumers
are interested
in the ability to
receive payouts
from businesses
in real time.





Cryptocurrency and blockchain show longer-term potential.

Nearly one in three Fintechs said cryptocurrency (32%) and blockchain (32%) are highly relevant to their business, and another quarter said cryptocurrency and blockchain are not relevant now but could be. Early-stage Fintechs indicated the highest relevance for cryptocurrency and blockchain, rising to 39% and 40%, respectively, for pre-seed/seed stage Fintechs. Cryptocurrency is the top area where Fintechs expressed interest in partnering with a payment network to develop solutions, and there is clear appetite for further information in this area, with more than one in three Fintechs (34%) indicating that they want to deepen their cryptocurrency expertise. Similarly, consumers showed strong interest in cryptocurrencies, with 46% interested in buying, selling or trading cryptocurrencies—rising to 60% of Gen Z and 61% of Millennials. Experiences that bridge current-generation payment experiences with cryptocurrencies, such as redeeming credit card rewards points for cryptocurrency, resonated well with consumers in the survey (46% indicated interest).

While it remains early days for cryptocurrency and blockchain, it's important that Fintechs begin to explore how these technologies could apply to their businesses, as well as how they can work in conjunction with current-generation payment technologies such as cards.

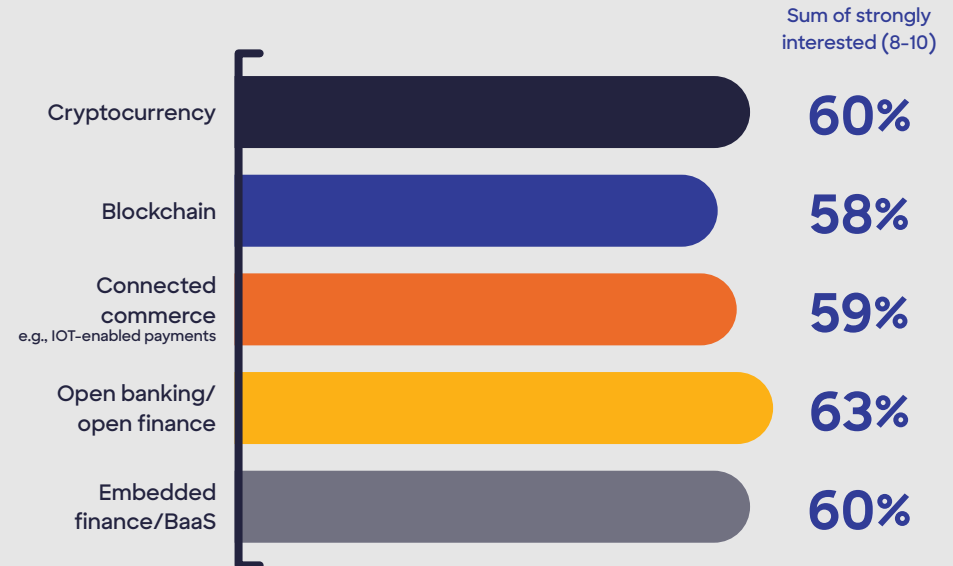
46%
of consumers
are interested
in buying, selling
or trading
cryptocurrencies.

Pursuing embedded finance use cases will require close collaboration between Fintechs and financial institutions.

More than one in three Fintechs (37%) see embedded finance and banking as a service (BaaS) as highly relevant to their business, rising to 50% of Fintechs headquartered in India. Among those that see relevance, 60% are strongly interested in partnering with a payment network to develop solutions in this area. Payment processing (55%), bank accounts (47%), and payroll (38%) ranked as the top three embedded finance use cases that Fintechs are interested in pursuing. However, Fintechs should keep in mind that consumers are most trusting of their bank when it comes to providing financial experiences, meaning partnerships will be essential.

By integrating banking capabilities into the applications that consumers and businesses are already using, embedded finance has the potential to completely reshape the distribution model for financial services. Fintechs planning to offer financial products on an as-a-service basis must recognize that financial institutions are essential partners. They have an important role to play in bringing consumer trust to embedded finance, along with providing the underlying charter and financial infrastructure for banking as a service.

Interest in partnering with a payment network to develop emerging payments experiences



Q. On a scale of 0 - 10 (0 is not at all interested and 10 is very interested), what is your level of interest in partnering with a payment network to develop solutions in the following areas?

Base: Respondents that indicated current or future relevance (n=852)

Source: 451 Research, part of S&P Global Market Intelligence, custom Fintech survey commissioned by Discover Global Network, 2022



Methodology

- 451 Research and Discover Global Network Consumer and Fintech Vendor Global Survey, 2022
- Fielded Q2-Q3 2022
- Markets surveyed were Canada, China/Hong Kong, Germany, India, Singapore, the U.K., and the U.S.
- 852 total fintech vendor respondents in VP, C-suite and founder roles
- 4,037 total consumer respondents

Source: 451 Research, part of S&P Global Market Intelligence Global Fintech Vendor* and Consumer** Surveys commissioned by Discover Global Network, Q2-Q3 2022

*n=852 Fintech vendor respondents in VP, C-suite and founder roles, headquartered in Canada, China/Hong Kong, Germany, India, Singapore, the U.K., and the U.S.

**n=4,037 Consumers in Canada, China/Hong Kong, Germany, India, Singapore, the U.K. and the U.S.