# FinTech Report 2019 – Digital Payments

Statista Digital Market Outlook – Segment Report

statista euroforum

December 2018

# Agenda

# Digital Payments: products and services

Overview: market scope

## Digital Commerce

- All consumer transactions made via the Internet which are directly related to online shopping for products and services
- Online transactions can be made via various payment methods (credit cards, direct debit, invoice, or online payment providers, such as PayPal and AliPay)

## Mobile POS Payments

- Transactions at point-of-sale that are processed via smartphone applications (so-called "mobile wallets")
- The payments are made by a contactless interaction of the smartphone app with a suitable payment terminal belonging to the merchant.
- The data transfer can be made via wireless standard NFC (Near Field Communication) or by scanning a QR code to initiate the payment.

Note: The following are not included in this segment: transactions between businesses (Business-to-Business payments), bank transfers initiated online (that are not in connection with products and services purchased online), and payment transactions at the point-of-sale where mobile card readers (terminals) are used.
Source: Statista Digital Market Outlook 2018

# China is a global leader in Digital Payments

Overview: customer benefit and market development

## Customer benefit

It is obvious that the way we pay for goods and services, online as well as offline, is about to change radically due to emerging digital services. Thanks to the continuous rise of smartphones and online (and mobile) shopping, the FinTech revolution is already in full swing, especially in the field of Digital Payments. Digitization has brought along a disruptive change in checkout processes (online purchases) and the payments at the POS (offline purchases).

The key question in this context is: To what extent will Digital Payments substitute cash transactions? The outcome depends on customer behavior (in terms of the digital commerce development) and customer benefits associated with using digital wallets at the POS.

Given the high internet coverage, the adoption of digital payment services in developed countries is mainly a question of convenience and added value to the existing infrastructure. The most important drivers are the simplicity of use, especially for people that are not tech-savvy, the broad or ubiquitous acceptance, the reasonable transaction speed, the low cost and high security. The importance of each of the criteria might differ between the payment categories and the cultural mindset in different regions plays an important role in the adoption.

When it comes to user and shop/merchant adoption of a specific FinTech solution, PayPal is probably the most successful player in the Western world today. It offers easy application and payment processes for consumers, which are widely accepted by merchants worldwide.

## Market size and future development

With a global transaction value of about US$3,403.2 billion in 2018, the Digital Payments segment made up by far the biggest share of the total FinTech market. The high transaction value in Digital Commerce is driven by the vast amount of products and services purchased online and includes all eCommerce, eServices and Digital Media transactions or bookings in eTravel. This is why Digital Commerce accounted for 84.5% of the total Digital Payment transaction value. Mobile POS payments contributed about 16% or US$527.7 billion to the Digital Payments value in 2018.

When it comes to regional distribution, the U.S. and China have comparable transaction volumes, with the Europe's share staying considerably smaller. The Chinese Digital Payment transaction value amounted to US$1,269.8bn in 2018, followed by the U.S. with US$884.5bn, and Europe with US$633.6bn.

Although growth rates show high double-digit figures in the Western world, relevant market growth will be driven by mobile-first countries, especially China, in the next couple of years. There are now about 2 billion people worldwide who still live outside a financial system or without permanent access to the internet. Global Digital Payments are expected to double their transaction value by 2022 to reach US$6,335.8bn. Mobile Payments are expected to grow almost 6-fold between 2018 and 2022 at a compound annual growth rate of 31.3%. At the same time, Digital Commerce volume is expected to grow by 11.3% per year.



1: Only includes countries listed in the Digital Market Outlook 2: CAGR: Compound Annual Growth Rate/average growth rate per year
Source: Statista Digital Market Outlook 2018

# A seamless integration of payment processes is relevant in all digital commerce activities

Overview: assumptions and trends

## Assumptions

We believe that the payment industry is facing three major trends with sustainable long-term impact: seamless commerce, mobile payments & blockchain technology.

Seamless integration of payment processes has relevance in every context, be it online shopping, in-store purchases or peer-to-peer payments. Usability is the key to high conversion rates and consumer adoption. High security standards throughout the payment process will most likely be ensured by biometrical methods such as fingerprint authentication.

Another important factor is the growing impact of mobile devices not only for POS shopping but also for mobile checkout processes in the eCommerce world, as well as the integration of P2P payments into messengers and social networks. Especially in mobile-first countries, high convenience and usability on mobile devices is inevitable.

A third dimension is blockchain technology, which is closely connected to cryptocurrencies. Here we have a completely new technology without any legacy players in the market. The technology promises to facilitate secure direct transactions without intermediaries. However, the impact of blockchain technology on financial regulation is not yet foreseeable. The European Commission states that “existing regulation will still apply”, but like in other areas of FinTech, regulation can have a drastic impact on the future development of the markets.

## Trends

Large players such as PayPal, Apple, Amazon & Facebook are putting significant amounts of money into online and mobile payment solutions. The ongoing development from separate online shops towards integrated online shopping ecosystems, in particular the merger of shopping and social media / messaging, enables new business models and opportunities for digital payment methods.

In this field, China, as a mobile-first country, sets the standards for mCommerce shopping as well as mobile POS-solutions very high. The successful integration of payment solutions into social messaging services gave birth to two huge payment systems with an enormous user base, namely Alipay (Ant Financial) and WeChat Pay (Tencent). These two payment providers cover almost the entire Chinese Mobile Payment market. Paying the taxi driver, buying a coffee to go on the way to work, ordering cinema tickets and splitting the bill between friends – it’s all covered by one single payment app. This development is predestined to sooner or later reach Europe and the U.S. as well.

In Europe we observe an evolving FinTech start-up landscape, especially in Online and Mobile Banking. However, market dynamics and pervasion of innovative FinTech solutions are not comparable to China or the U.S.

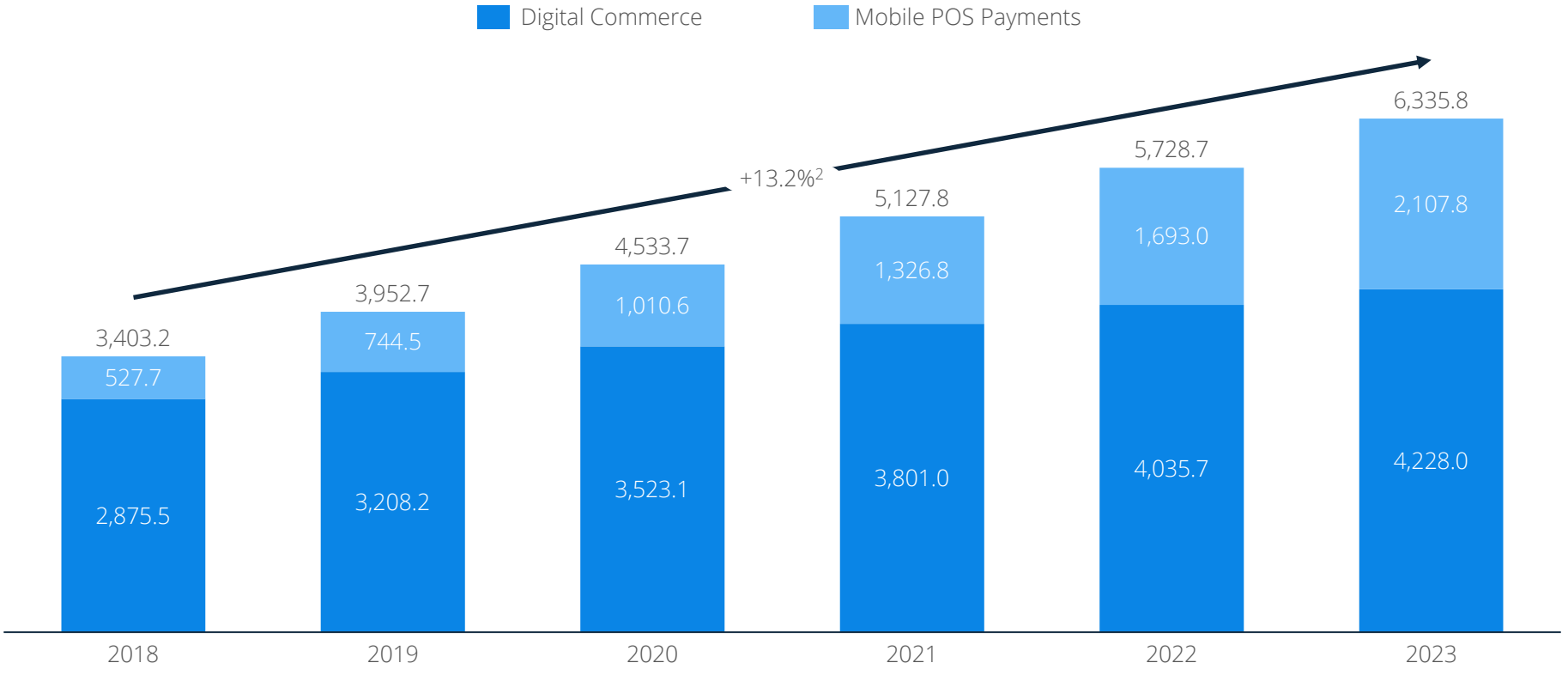


Source: Statista Digital Market Outlook 2018

# The market's largest segment is Digital Commerce with a transaction value of US$2,875.5 billion in 2018

Market sizes: global

**Global[1] transaction value forecast in billion US$**

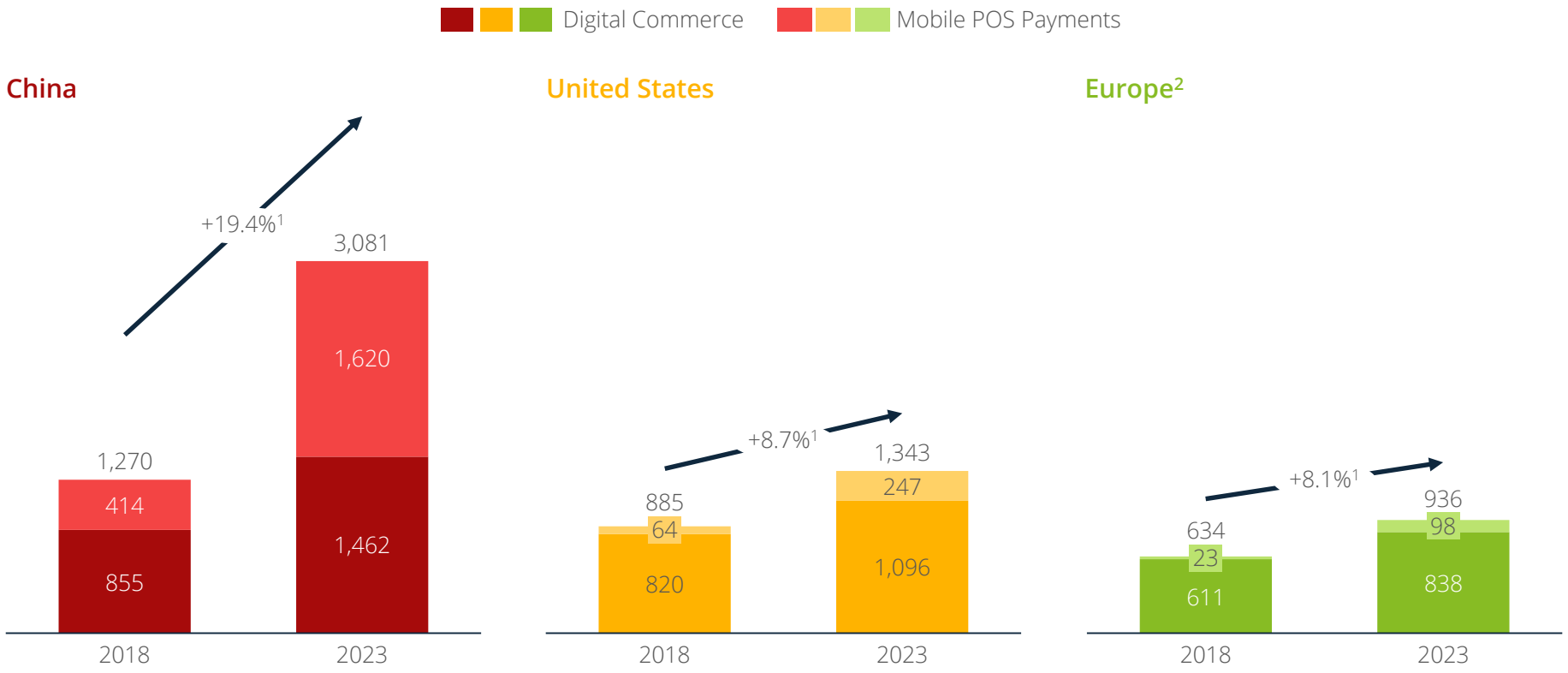



1: Only includes countries listed in the Digital Market Outlook 2: CAGR: Compound Annual Growth Rate/average growth rate per year
Source: Statista Digital Market Outlook 2018

# China shows the highest growth in Digital Payments

Market sizes: regional comparison (1/2)

**Transaction value forecast in billion US$**

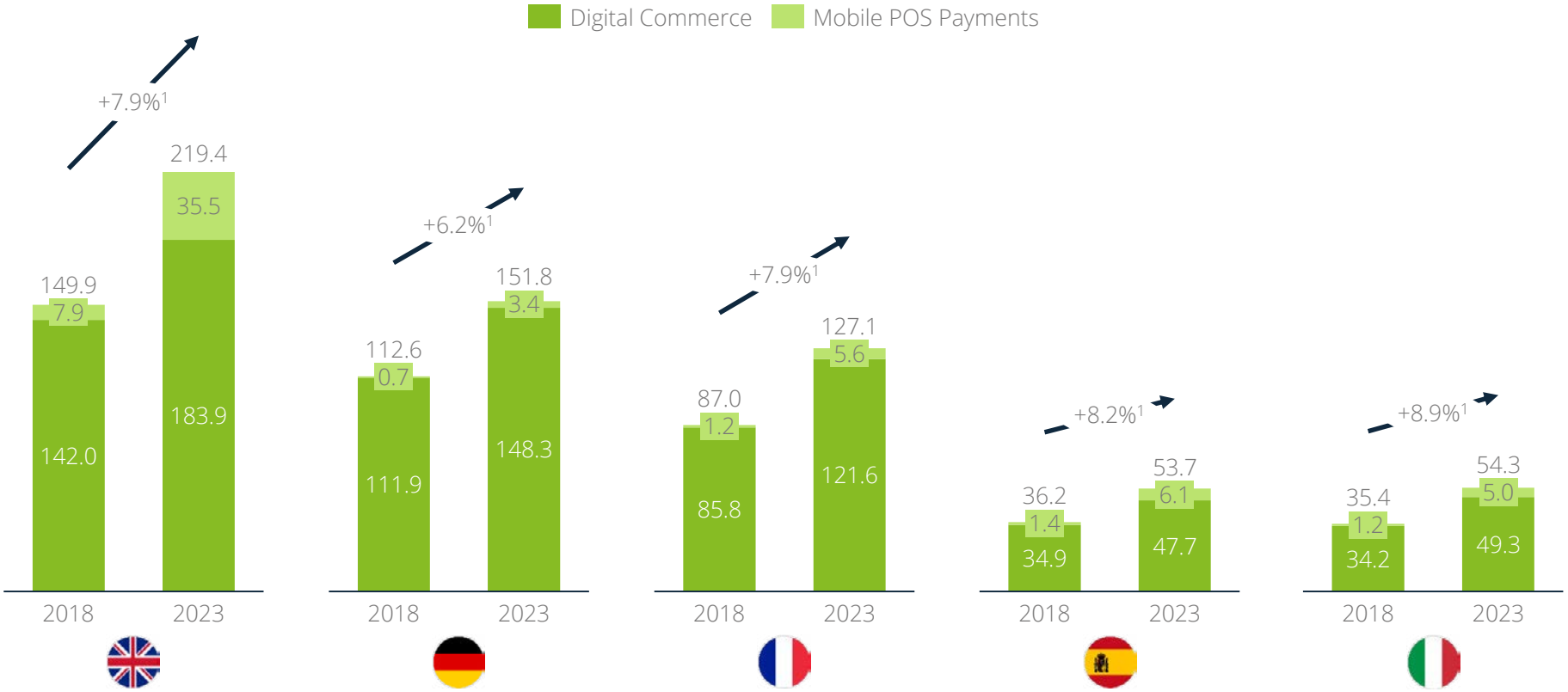



1: CAGR: Compound Annual Growth Rate/average growth rate per year 2: Only includes countries listed in the Digital Market Outlook
Source: Statista Digital Market Outlook 2018

# With a transaction value of US$149.9 billion, the UK is the biggest Digital Payments market among the EU 5

Market sizes: regional comparison (2/2)

**Transaction value forecast in billion US$**

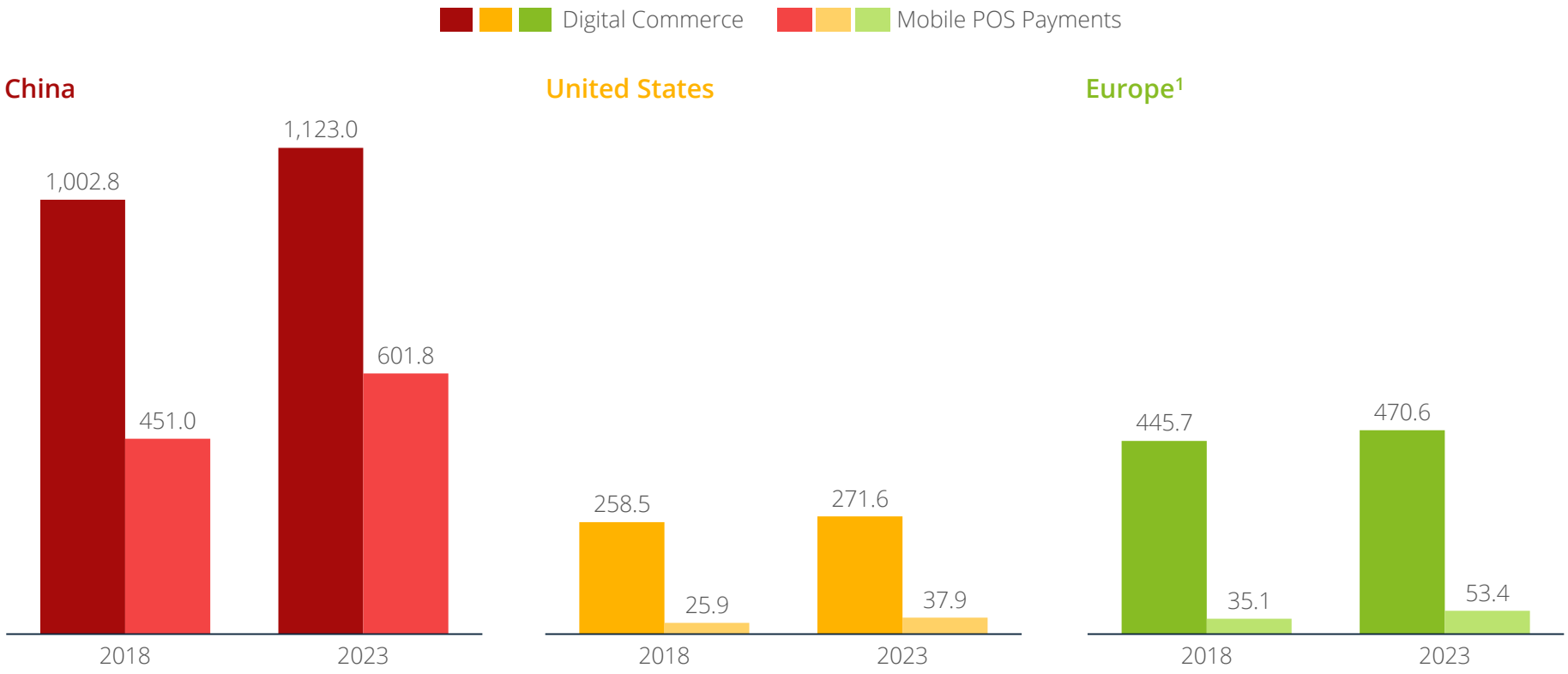



1: CAGR: Compound Annual Growth Rate/average growth rate per year
Source: Statista Digital Market Outlook 2018

# Most Digital Commerce users will live in China

User numbers: regional comparison (1/2)

**Number of users forecast in millions**

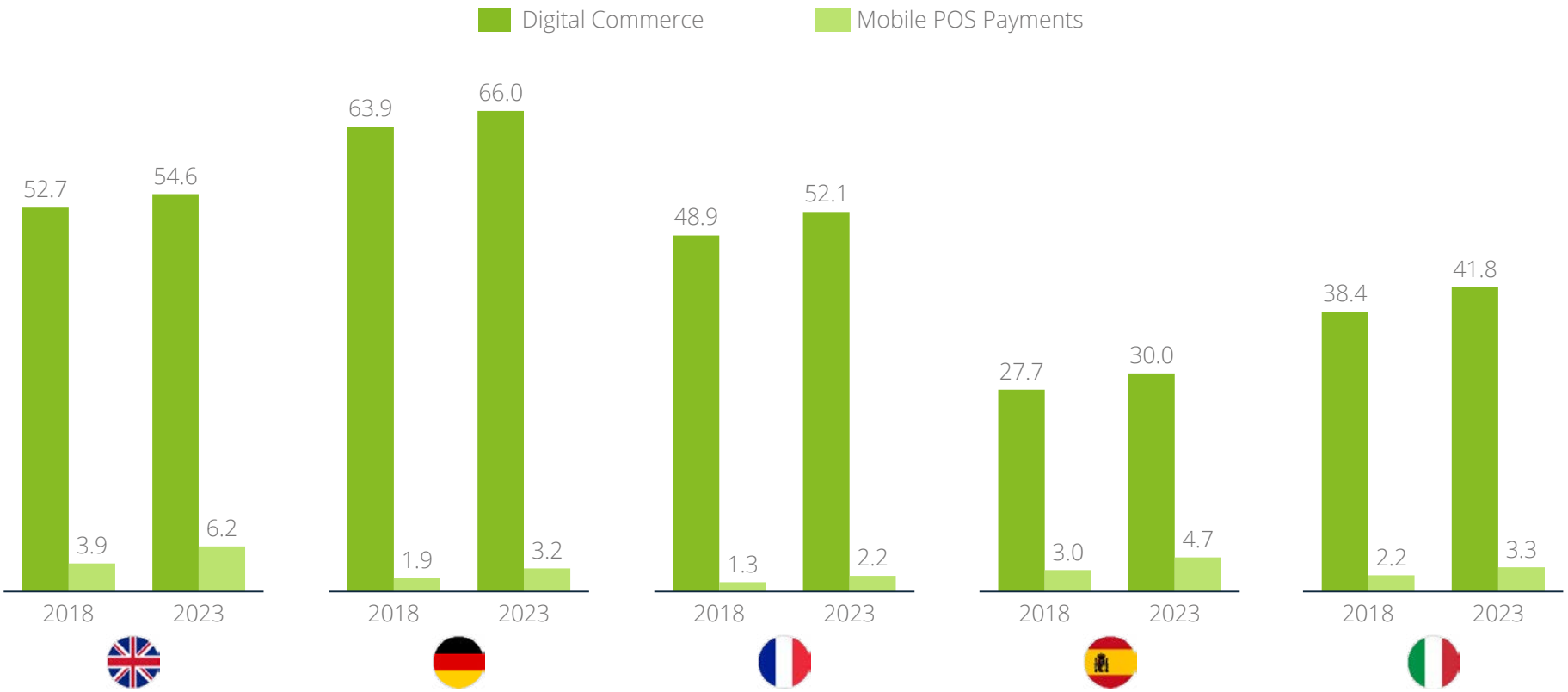



1: Only includes countries listed in the Digital Market Outlook
Source: Statista Digital Market Outlook 2018

# Germany shows the highest user count in Digital Commerce within Europe in 2018

User numbers: regional comparison (2/2)

**Number of users forecast in millions**



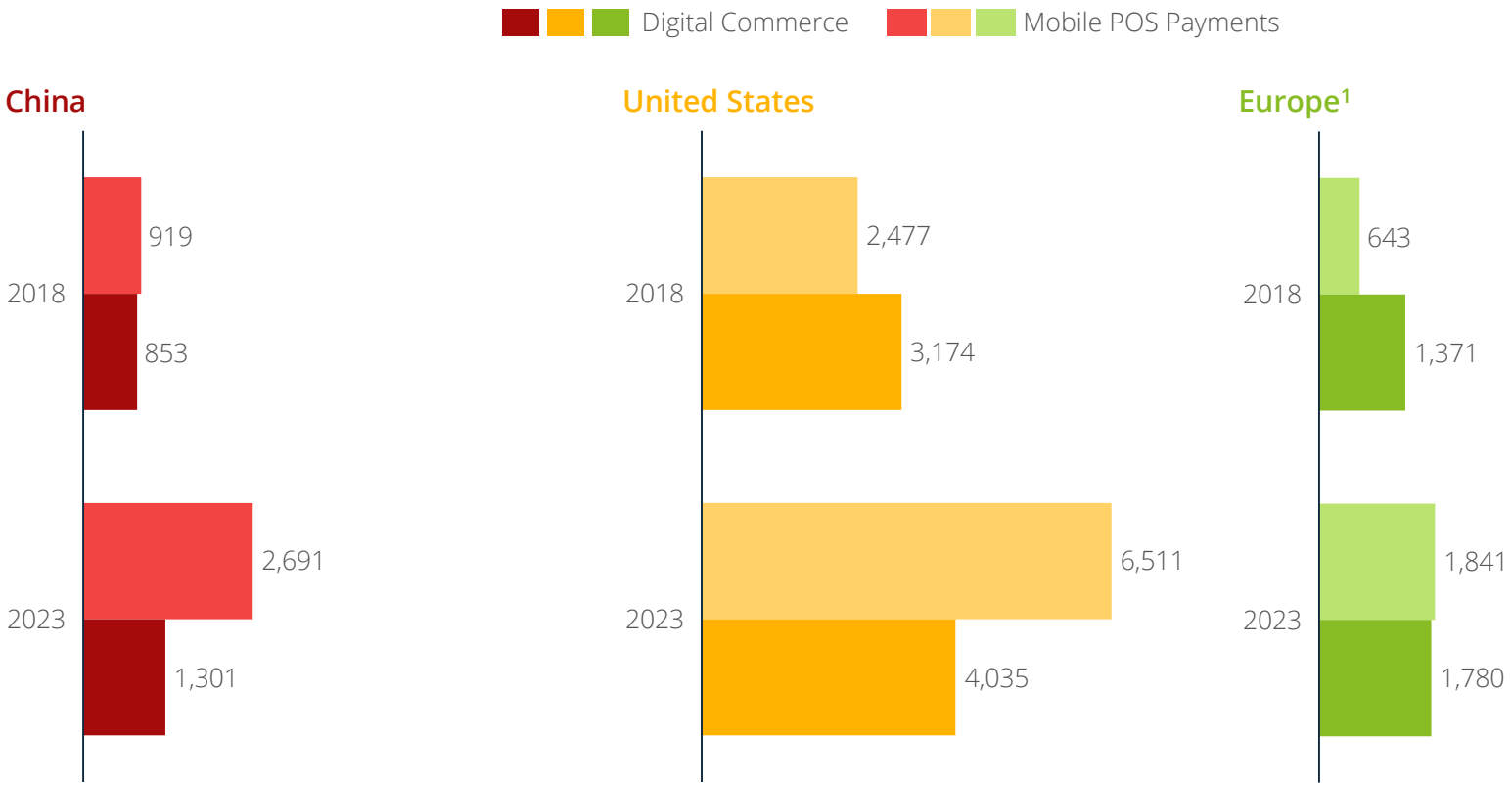



Source: Statista Digital Market Outlook 2018

# Out of the three major regions, U.S. users generate the highest average transaction value in Digital Commerce

Average transaction value per user: regional comparison (1/2)

**Average transaction value per user forecast in US$**

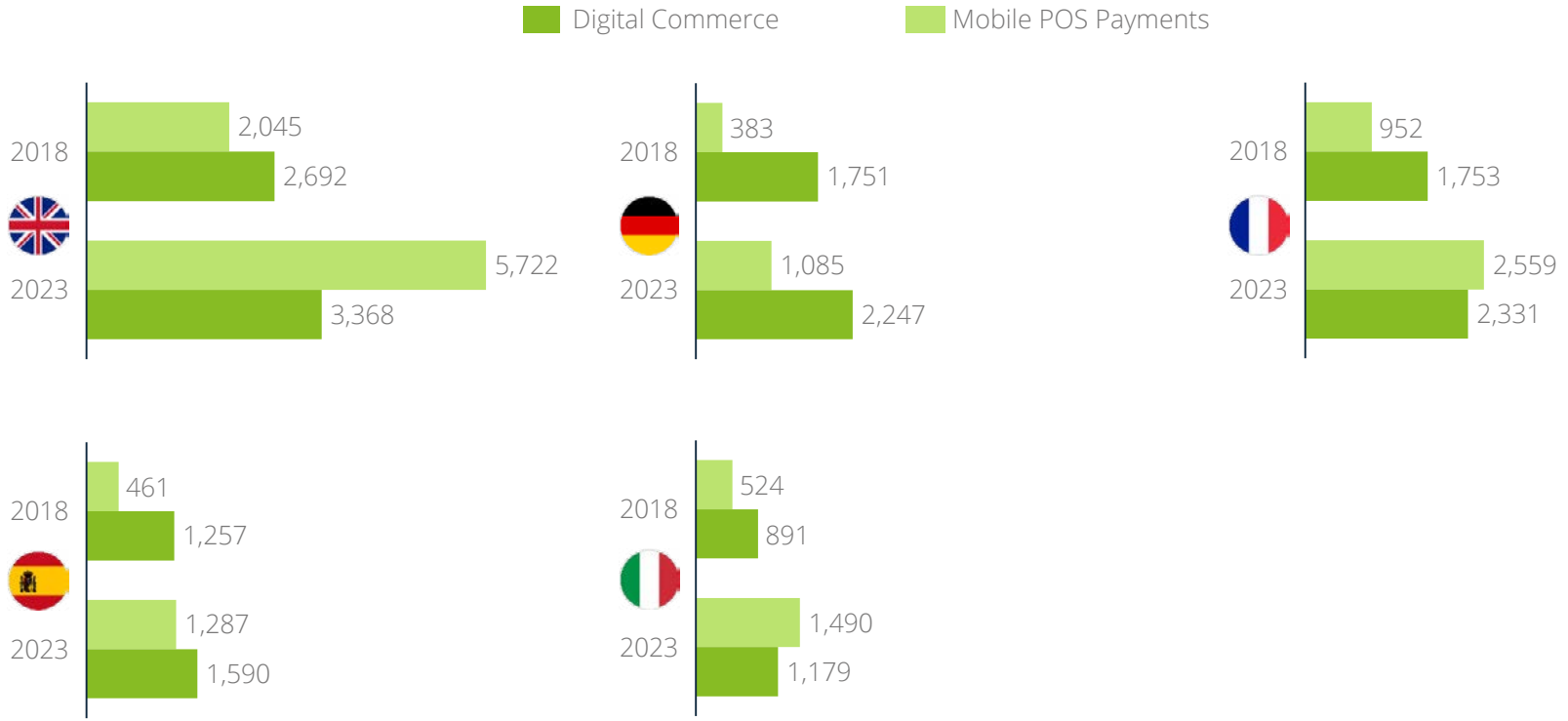



1: Only includes countries listed in the Digital Market Outlook
Source: Statista Digital Market Outlook 2018

# Average transaction values in the EU top 5 countries are going to increase in the future

Average transaction value per user: regional comparison (2/2)

**Average transaction value per user forecast in US$**



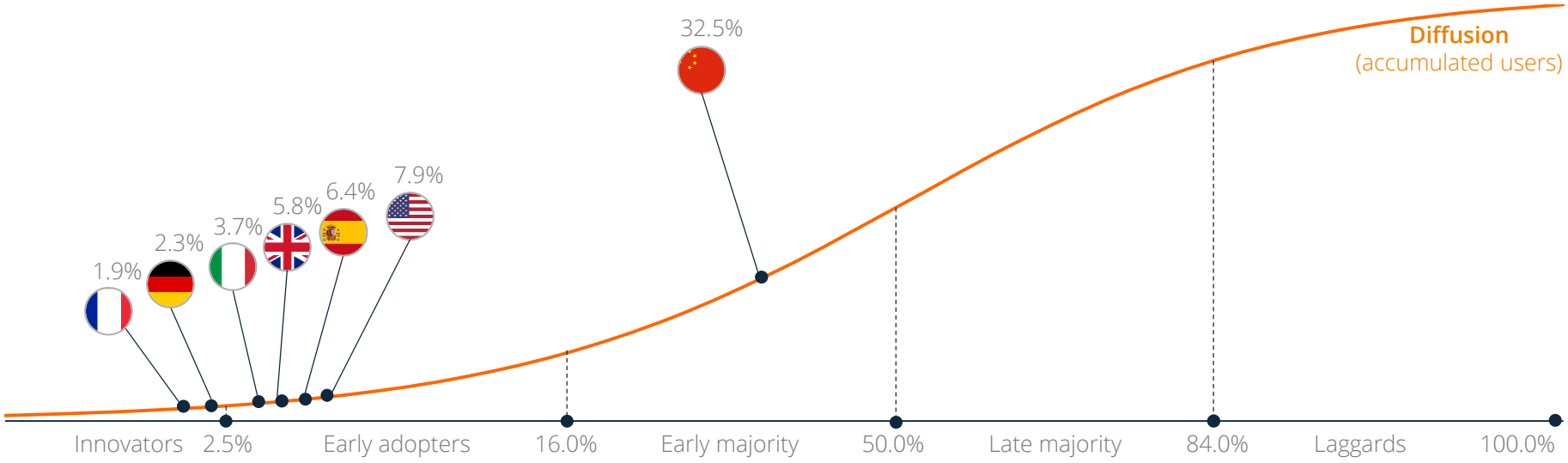



Source: Statista Digital Market Outlook 2018

# The adoption of Mobile POS Payments is already quite high but the market is still growing

Penetration rates: innovation diffusion

**Innovation diffusion curve for 2018**




The diffusion of innovations graph shows successive groups of consumers adopting Mobile POS Payments (the graph above shows the penetration rate of selected countries). Innovations in general are not adopted by all individuals at the same time. Instead, they tend to adopt in a time sequence, and can be classified into adopter categories based on how long it takes until they begin using the service. Diffusion is considered to be the rate and volume at which innovations spread among their users (an adoption rate of 100% is theoretically possible but not realistic). Considering the convenience of mobile payment technologies, the Mobile POS Payments market is likely to experience further growth in the next years.



Source: Statista Digital Market Outlook 2018

# APPENDIX

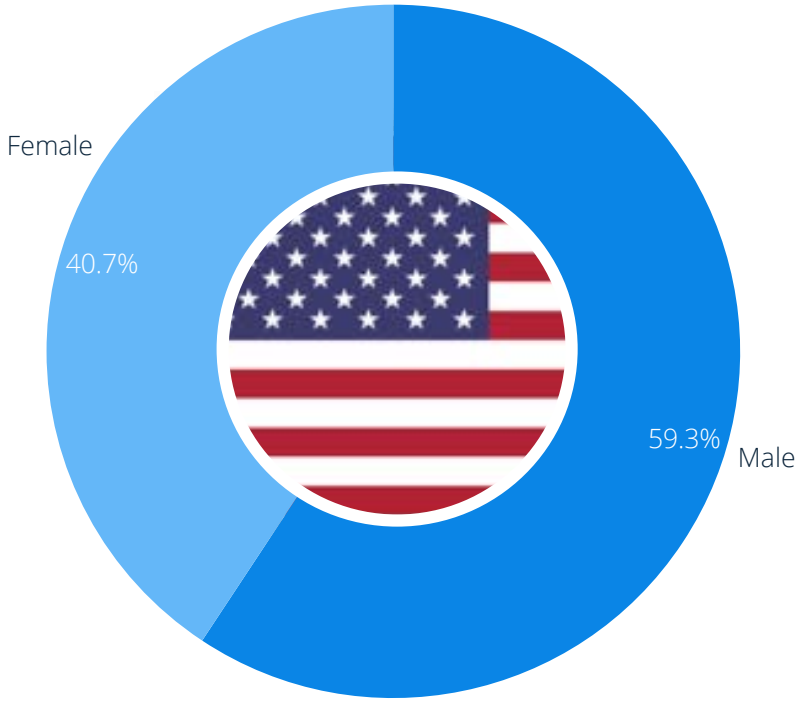
Detailed consumer information is one key factor for describing market developments precisely. In this appendix, we give detailed information on three different user characteristics: age, income, and gender distribution of users. The data is based on Statista's Global Consumer Survey. Furthermore, we provide an overview of the market structure presented in this report.

# Over 37% of U.S.-Americans using Mobile POS Payments are between 25 and 34 years old

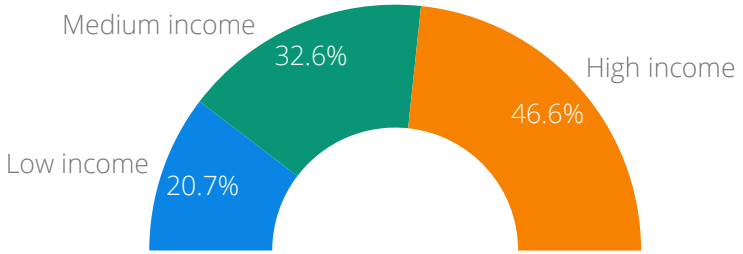
User demographics: users of mobile POS payments in the U.S.

Statista Global Consumer Survey

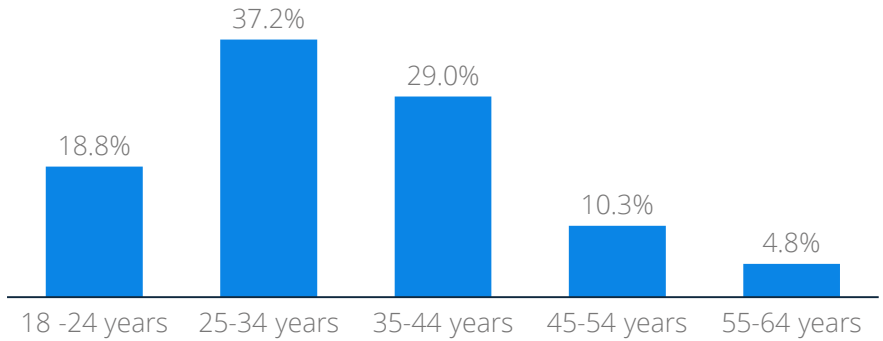
## Users by gender




## Users by income




## Users by age





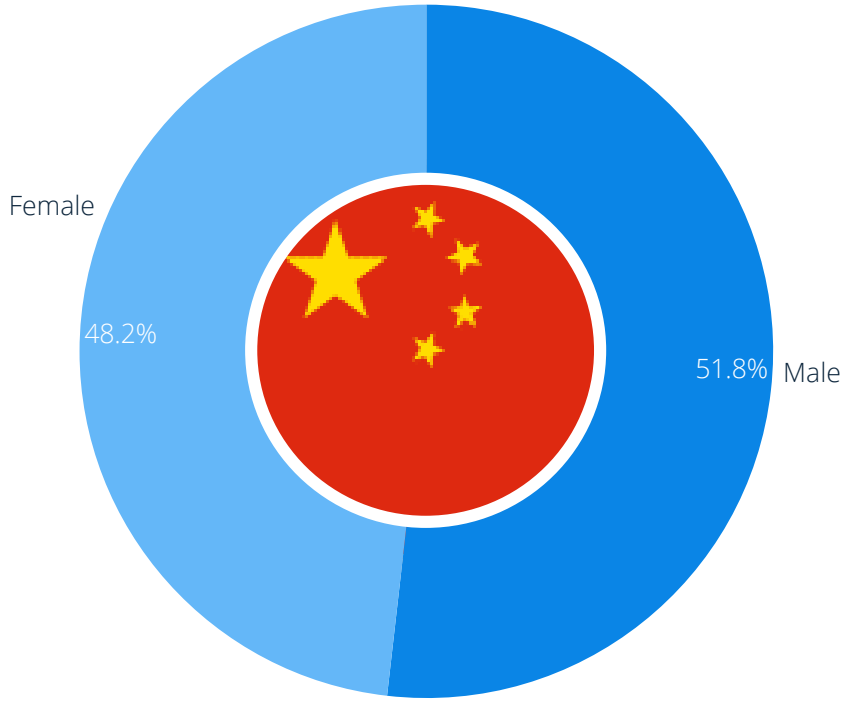

Source: Statista Global Consumer Survey, as at August 2018

# Usage of Mobile POS Payments in China is equally spread among genders

User demographics: users of mobile POS payments in China

Statista Global Consumer Survey

### Users by gender

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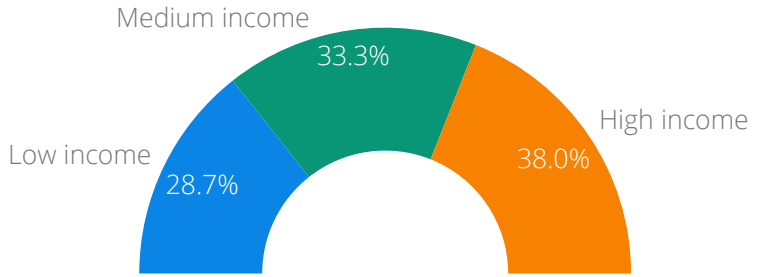


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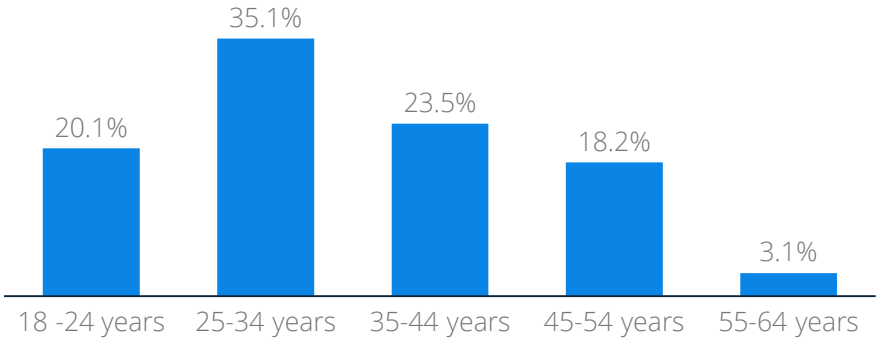




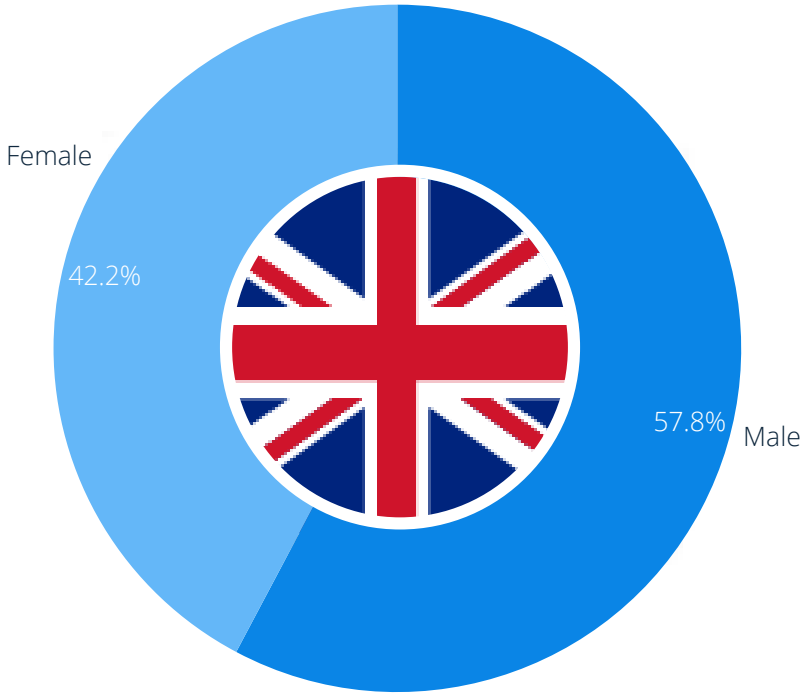

Source: Statista Global Consumer Survey, as at August 2018

# A higher share of people with high incomes use Mobile POS Payments in the UK

User demographics: users of mobile POS payments in the UK

Statista Global Consumer Survey

## Users by gender

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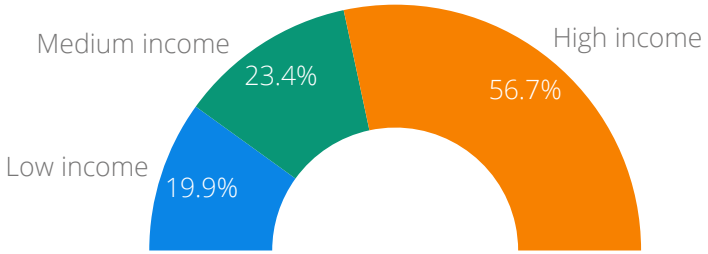


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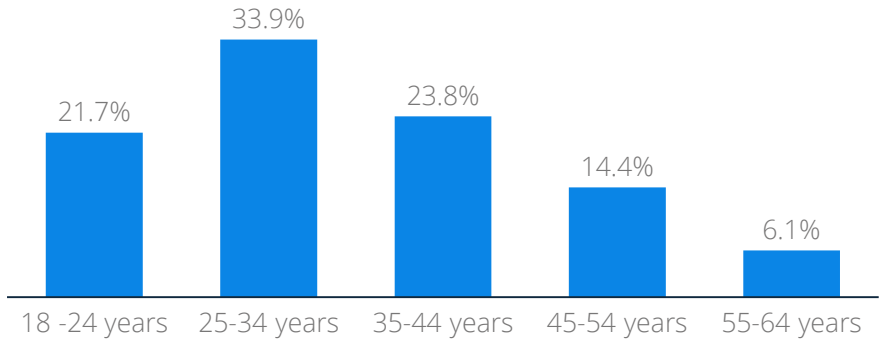




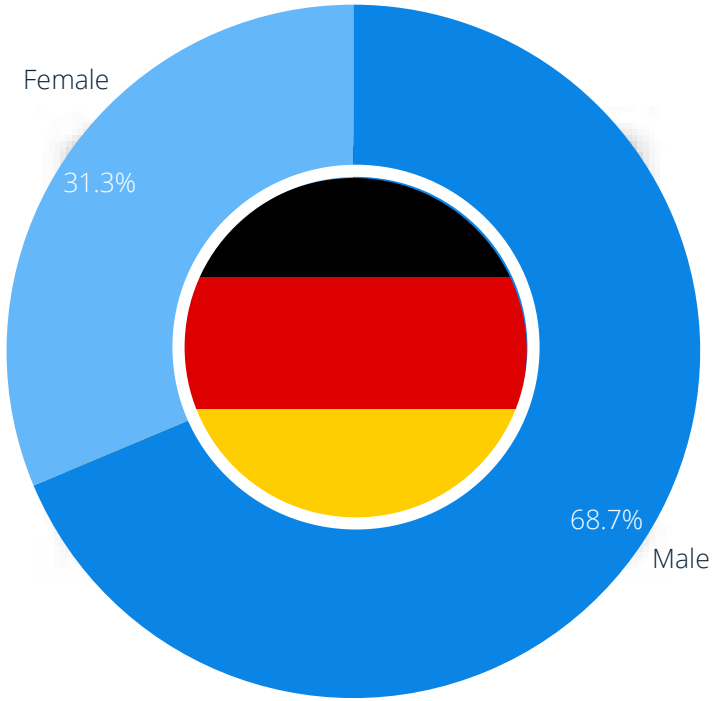

Source: Statista Global Consumer Survey, as at August 2018

# Users of Mobile POS Payments in Germany are predominantly male

User demographics: users of mobile POS payments in Germany

Statista Global Consumer Survey

### Users by gender

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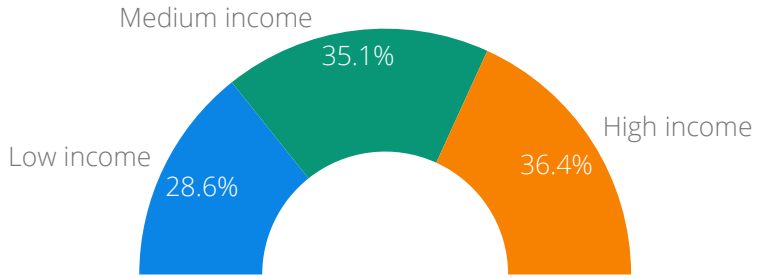


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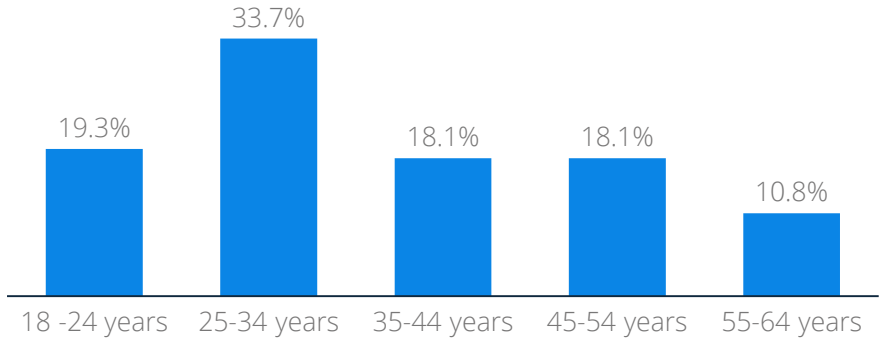




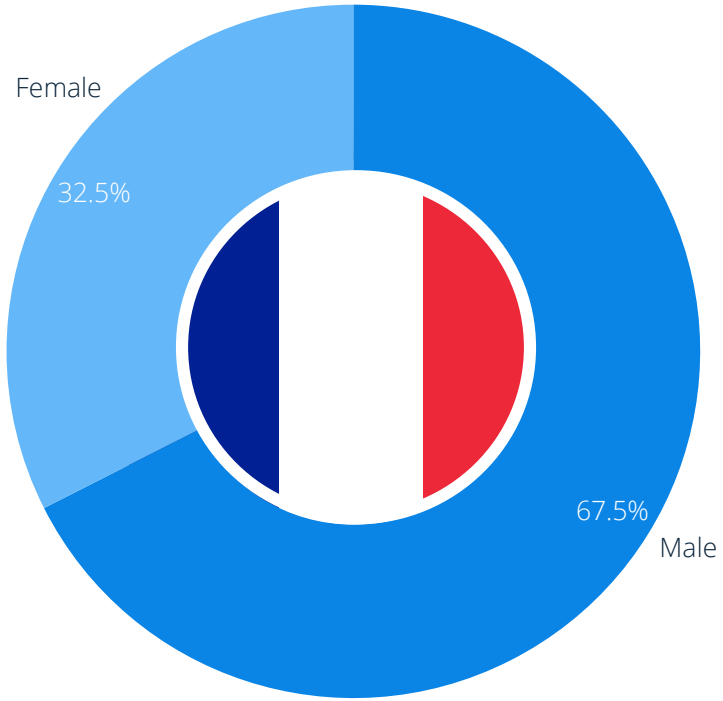

Source: Statista Global Consumer Survey, as at August 2018

# People with a high income are most likely to use Mobile POS Payments in France

User demographics: users of mobile POS payments in France

Statista Global Consumer Survey

## Users by gender

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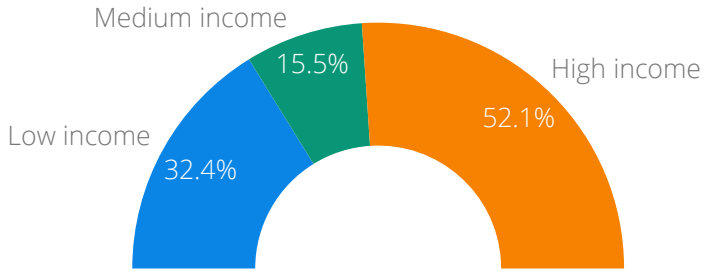


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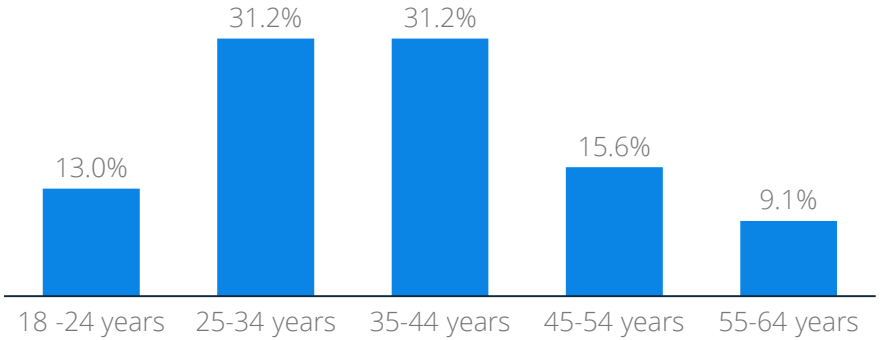




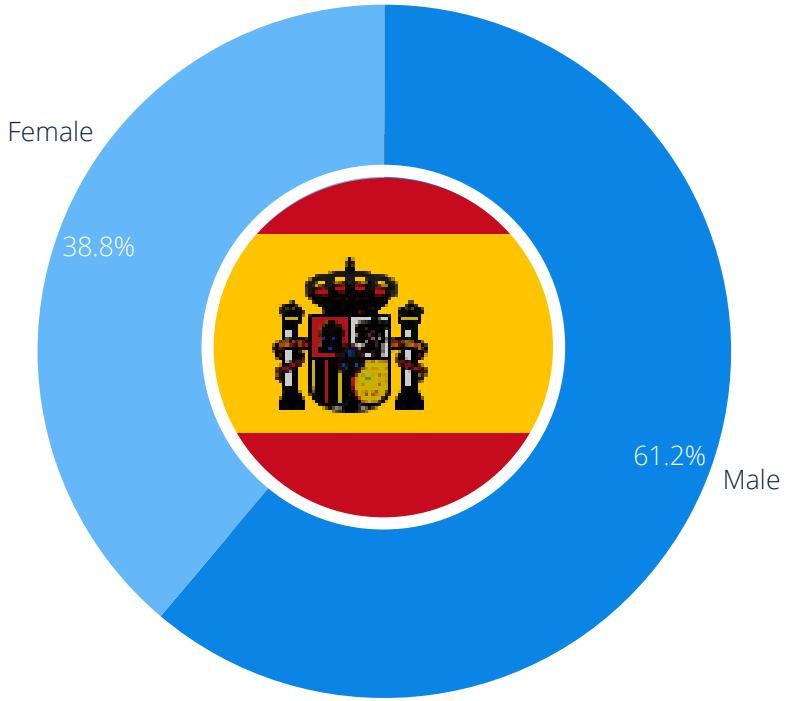

Source: Statista Global Consumer Survey, as at August 2018

# Users of Mobile POS Payments in Spain are predominantly male

User demographics: users of mobile POS payments in Spain

Statista Global Consumer Survey

## Users by gender

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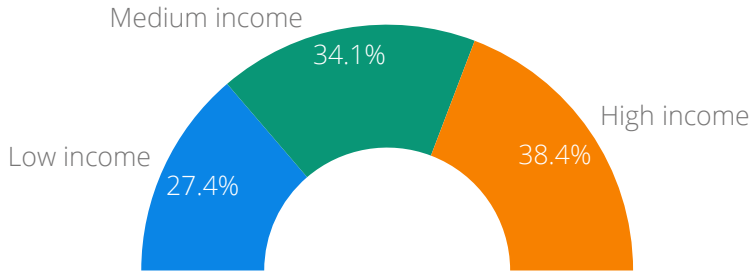


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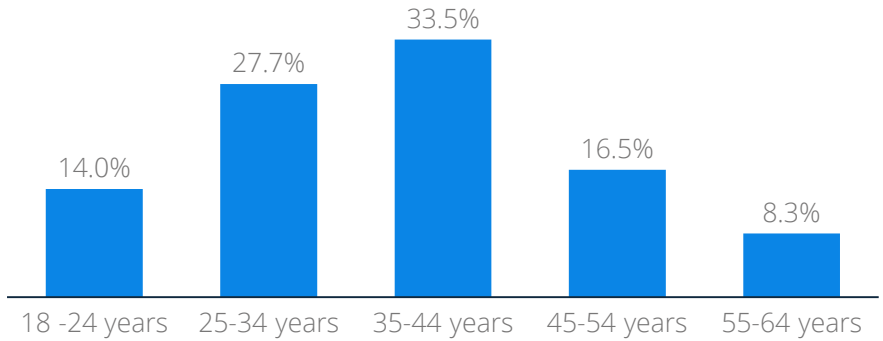




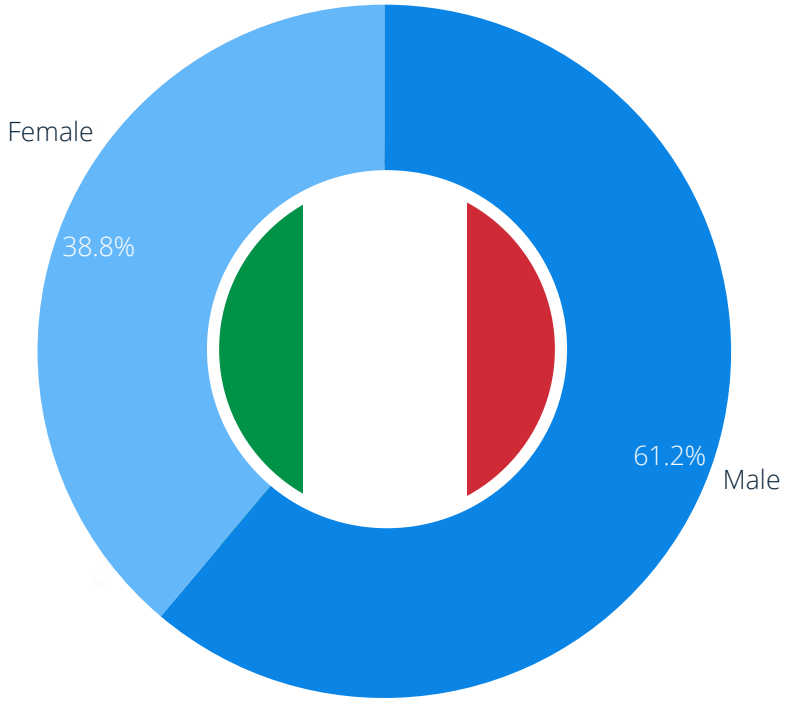

Source: Statista Global Consumer Survey, as at August 2018

# The highest share of Mobile POS Payments users in Italy are between 35 and 44 years old

User demographics: users of mobile POS payments in Italy

Statista Global Consumer Survey

### Users by gender

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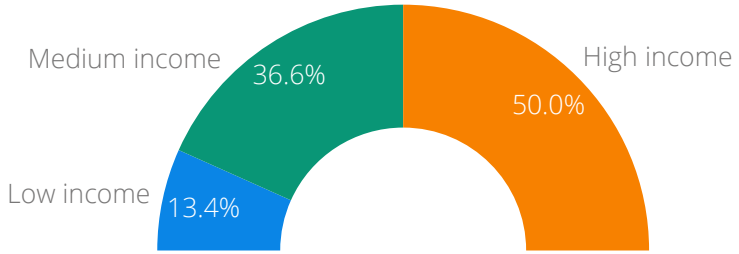


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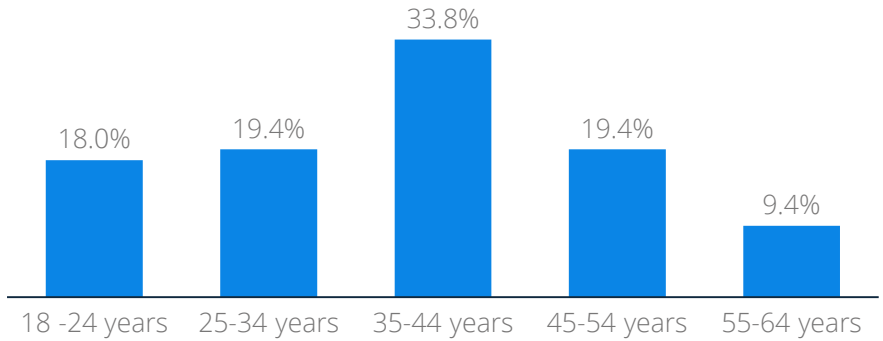




Source: Statista Global Consumer Survey, as at August 2018

# Digital Payments market structure

| Segment | Sub-segments | | Out of scope |
|---|---|---|---|
| Digital Payments | Digital Commerce | Consumer transactions made via the Internet which are directly related to online shopping for products and services. Online transactions can be made via various payment methods (credit cards, direct debit, invoice, or online payment providers, such as PayPal and Alipay). | Traditional Bank Transfers<br><br>Business-to-Business Payments<br><br>Point-of-Sale card payments at mobile card readers (mPOS terminals) |
| | Mobile POS Payments | Includes transactions at Point-of-Sale that are processed via smartphone applications (so-called "mobile wallets"). Well-known providers of mobile wallets are ApplePay and Samsung Pay. The payment in this case is made by a contactless interaction of the smartphone app with a suitable payment terminal belonging to the merchant. | |

# Author, Imprint, and Disclaimer

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Ksenia Striapunina graduated in Hamburg with a focus on Finance.

She gained a comprehensive understanding of market structures and mechanisms from her work in telecommunications and later in financial markets, working as a consultant. At Statista she works on projects related to the digital economy.

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