



FinTechs in Payment: Top 40 Trailblazers

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing
Thematic Report – May 2017 – Preview Deck

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Introduction and overview

- Traditional banks are facing a stiff challenge from FinTechs, the non-banking technology startups
- Cutting-edge technologies, new payment methods, and the adoption of digital channels are changing the way transactions are being conducted. A new breed of players including FinTech, established technology giants, as well as merchants and retailers are competing for a share of the pie
- FinTechs are succeeding in disintermediating the traditional payments landscape. These startups are betting on their ability to develop products rapidly, enhance customer experience, and innovate to differentiate from traditional banks
- The payments industry has been coping up with challenges such as a dynamic regulatory environment, thinning margins, and technology disruption that has led to the creation of a dynamic marketplace with a mix of traditional and non-traditional players

Evolving regulations

- Regulations in the United States, and Europe have put card interchange fee under pressure; incident fee on credit cards have been under scrutiny in United Kingdom and the United States
- Regulations such as PSD2 are enabling FinTechs to offer payment initiation services without a traditional infrastructure

Eroding margins

- In North America and Europe, the payments revenue was driven primarily by volume as the net interest margin on outstanding balances and fee margin on payments declined
- Margin was also impacted by certain clauses in the upcoming regulations (such as PSD2 and SEPA) to cap the interchange fee on transactions

Technology disruption

- Technology providers such as Apple are venturing into the payments space by offering contactless payments with enhanced security through mobile
- Rising adoption of technologies such as Near Field Communication (NFC), QR code, mobile wallets, and social media are setting new expectations for customers

These challenges have exposed the cracks in the traditional banking system that are now being targeted by FinTechs. In this report, we analyzed the payments landscape and identified FinTechs that caught our attention solving the specific issues in the payments value chain

This report contains insights on the mobility services in banking service provider landscape

In this report, we analyze current state of FinTech adoption, drivers of growth, investment trends, key areas of disruption within the payments value chain, and 40 leading FinTechs that stood out from a list of around 125

Some of the findings in this report, among others, are:

Drivers of growth

- Current state of FinTech adoption and investment trends
- Drivers of growth in payments including aspects such as technology disruption, regulations, and changes in market dynamics

Key areas of disruption and hot FinTechs

- The areas of disruption in the payments value chain categorized into value enhancement services, POS experience, merchant experience, and challenger business models
- Leading FinTechs that caught our attention during the course of our research

Implications for buyers and service providers

- Future trends and roadmap on the future state of payments
- Implications for enterprises to leverage from the FinTech wave in payments

Source: Everest Group (2017)

This study offers a deep dive into the key areas of disruption in payments value chain and examples of FinTechs; below are four charts to illustrate the depth of the report

Investment trends

Infrastructure modernization

- Wave of infrastructure modernization in emerging nations
- Move to real-time settlement in developed countries
- Banks offering open APIs and collaborating with third parties to offer customized apps to consumers

Reshaping CX

- Adoption of a "customer first" strategy due to changing customer expectations (picked up elsewhere in digital ecosystem and brought to banking)
- Simpler, swifter, and personalized user experience; usage of Internet of Things (IoT) to understand customer behavior and enhance end-user and merchant experience

Analytics for value-added services

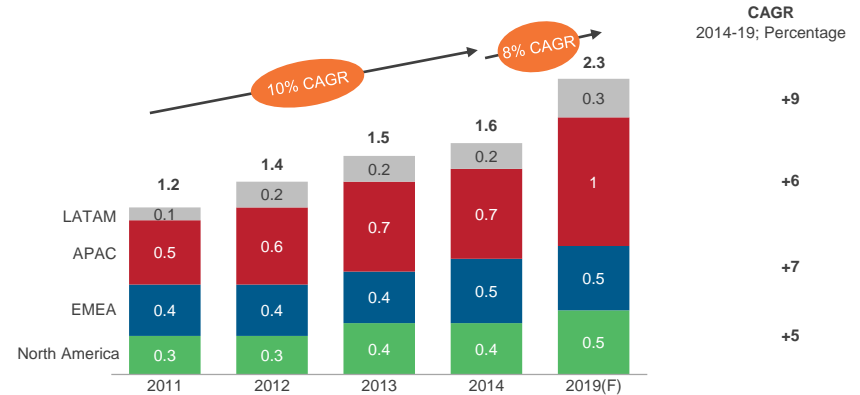
- Payment providers leverage analytics and predictive modeling to drive value-added services such as rewards & redemption, offers & discounts, loyalty programs, and tailored marketing messages to ensure customer stickiness as well as acquire new customers

Business model transformation

- Decentralized payment networks such as blockchain gaining steam. Financial institutions collaborating with FinTechs on developing Proof-of-Concepts (POCs)
- P2P payments / mobile money transfers gaining traction as they does not require any intermediary (such as a financial institution)



Global payments revenue



Shortlisted startups

Value enhancement services			POS experience	
Authentication & protection	Billing	Personalized finance management	Payment solutions	Contactless payments
Shortlisted startups 				

Shortlisted startups

Merchant experience	Challenger business models	
	P2P payments	Leveraging blockchain
Shortlisted startups 		

Source: Everest Group (2017)

BFSI ITS research calendar

Published Current

Topic	Release date
Mobility Services in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016	January 2017
Big Data & Analytics in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016	January 2017
FinTechs in Payments: Top 40 Trailblazers	May 2017
InsurTech – Top 40 Trailblazers	Q2 2017
IT Outsourcing in Global Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2017 and Profiles Compendium	Q2 2017
IT Outsourcing in Banking – Annual Report 2017	Q2 2017
IT Outsourcing in Global Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2017 and Profiles Compendium	Q2 2017
IT Outsourcing in Capital Markets – Annual Report 2017	Q2 2017
IT Outsourcing in Global Insurance, L&P, and P&C – Service Provider Landscape with PEAK Matrix™ Assessment 2017 and Profiles Compendium	Q3 2017
IT Outsourcing in Global Insurance – Annual Report 2017	Q3 2017
Adoption of Public Cloud in BFSI	Q3 2017
IT Outsourcing in Risk & Regulatory Compliance in BFS – Service Provider Landscape with PEAK Matrix™ Assessment	Q3 2017
Digital Services in Consumer Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q4 2017
Digital Services in Wealth Management– Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q4 2017
Digital Services in P&C Insurance– Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q4 2017

Additional research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest.

- 1. IT Outsourcing in Global Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2016 and Profiles Compendium** ([EGR-2016-11-R-1848](#)); 2016. This report provides a comprehensive assessment of the service provider landscape in AO services for banking and maps the providers on Everest Group's PEAK Matrix. It also benchmarks the scale, scope, domain expertise & innovation, buyer satisfaction, and delivery footprint of each provider's banking AO practice. Finally, the 2016 banking AO PEAK analysis focuses on identifying the "Star Performers" providers with the strongest forward movement over time in terms of market success and capability advancements
- 2. IT Outsourcing in Banking – Annual Report 2016: Simplify the Bank** ([EGR-2016-11-R-1805](#)); 2016. This report provides an overview of the Application Outsourcing (AO) market for the capital markets industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US\$25 million in TCV and over three years in duration). The report analyses key trends in market size & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2016 with regards to such large capital markets AO deals
- 3. Mobility Services in Global Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2016: A New Paradigm** ([EGR-2016-11-R-1970](#)); 2016. This report provides a comprehensive assessment of the service provider landscape for mobility services for in the banking market and maps the service providers on Everest Group's PEAK Matrix. It also benchmarks the scale, scope, innovation, domain investments, and delivery footprint of each provider's mobility services in banking practice

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About Everest Group

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