

Market insights



Speaker

Mark Beresford

Director, Edgar Dunn & Company



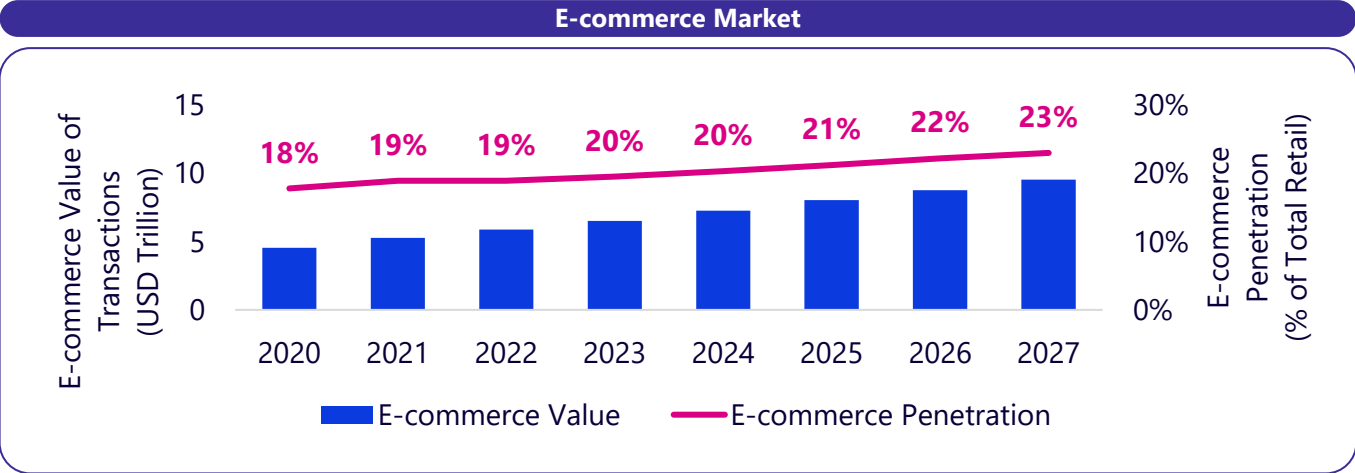
edgar,
dunn &
COMPANY

WORLDLINE 

**Rise of Digital Commerce:
Navigating trends, unleashing
tomorrow's opportunities**

March 6 – 8, 2024

The global e-commerce market continues to grow, and is expected to account for 23% of total retail spend by 2027



The future of e-commerce is shaped by technological and regulatory changes



Technological Trends

- **Advanced Payment Methods**
- **In-app Payments**
- **Open Banking**
- **Direct-to-Consumer Business Model and Marketplaces**
- **Payment Orchestration Platforms**
- **Artificial Intelligence**
- **Augmented Reality**



Regulatory Changes

- **Payment Service Directives (PSDs)**
- **Electronic Money Directives (EMDs)**
- **General Data Protection Regulation (GDPR)**
- **Electronic Identification And Trust Services Regulation (eIDAS)**
- **Digital Euro**
- **Digital Markets Act (DMA)**



Advanced Payment Methods

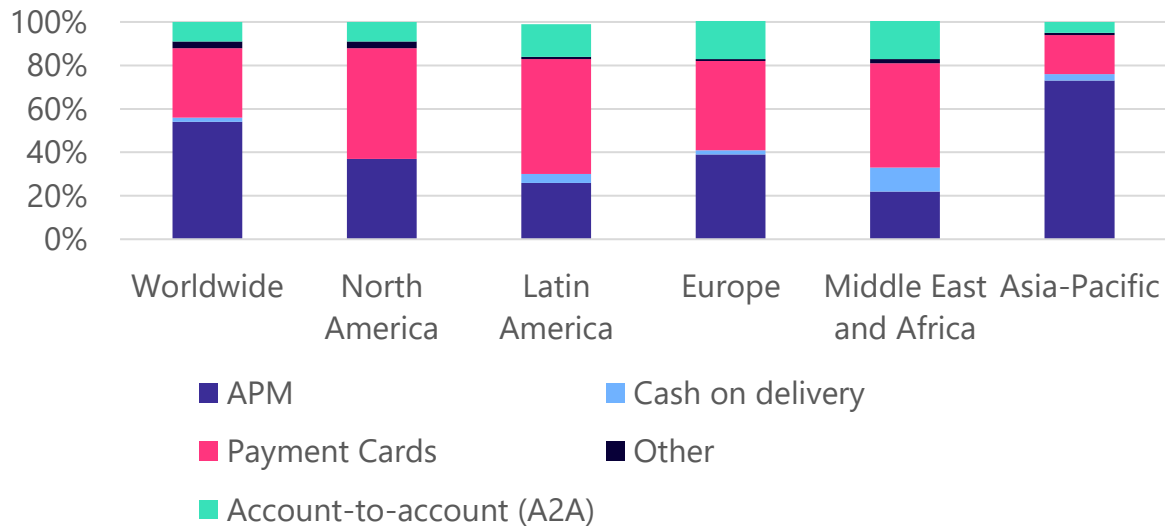
Advanced – Alternative – Appropriate



Advanced Payment Methods (APMs) have gained greatest adoption in Asia Pacific region – in Europe and North America, payment cards continue to maintain significant relevance but this starting to change



E-commerce Transaction Values – By Payment Method in 2022



APMs increase choice for consumers and help to capture new consumer segments



Local APMs

微信支付 WeChat Pay
Alipay
Trustly
Klarna. PESA
QIWI Кошелек

Global APMs

Google Pay Apple Pay
amazon pay PayPal
Skrill clearpay
ripple afterpay

Emerging Solutions

epi European Payments Initiative
wero



Payment method

- VISA
- Mastercard
- American Express
- Discover
- PayPal
- Pay Later
- venmo
- Apple Pay

Digital Wallets

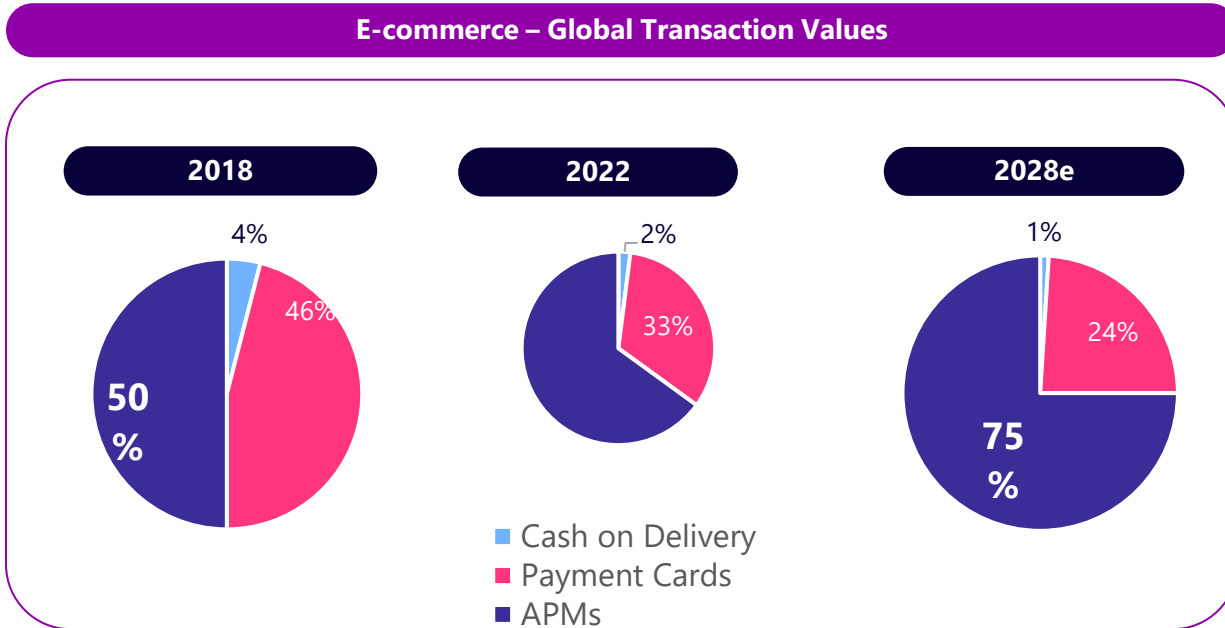


Is it more convenient to pay by phone? Scan QR code

QR-code Payments



APMs are expected to account for 75% of the global transaction values in 2028

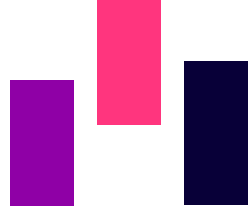




In-app payments



Today's connected consumer centres their life around their smartphone



Consumers use their smartphone as the primary device for

- ▶ Advertising
- ▶ Targeted notifications
- ▶ Product research & comparisons
- ▶ Brand engagement
- ▶ Completing a purchase
- ▶ After-sale servicing





In-app payments enable consumers to pay for products or services within the merchant's mobile application



Advantages of in-app payments:

1 **Higher conversion rate**

➤ An easier payment process decreases the chances of cart abandonment

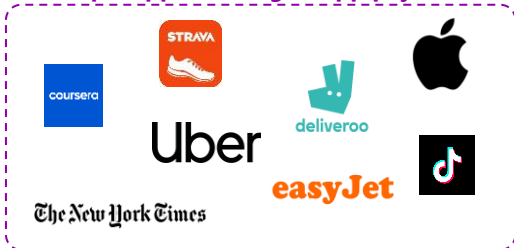
2 **Quicker settlement**

➤ Some in-app payment solutions offer A2A payments

3 **Improved retention**

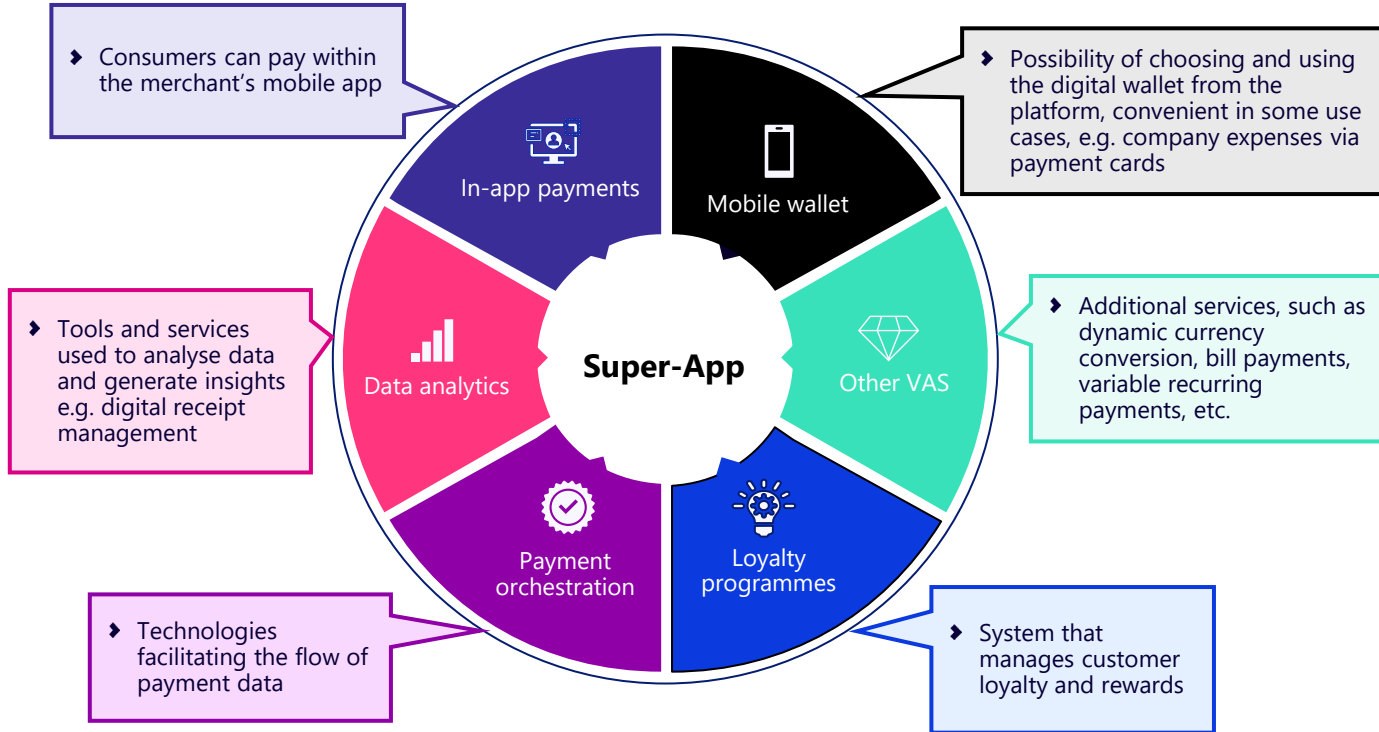
➤ Customer retention and engagement increase with a simple payment process

Example apps offering in-app payments:





The future of e-commerce is expected to evolve into a technological platform for consumers upon which a multitude of distinct app will be integrated





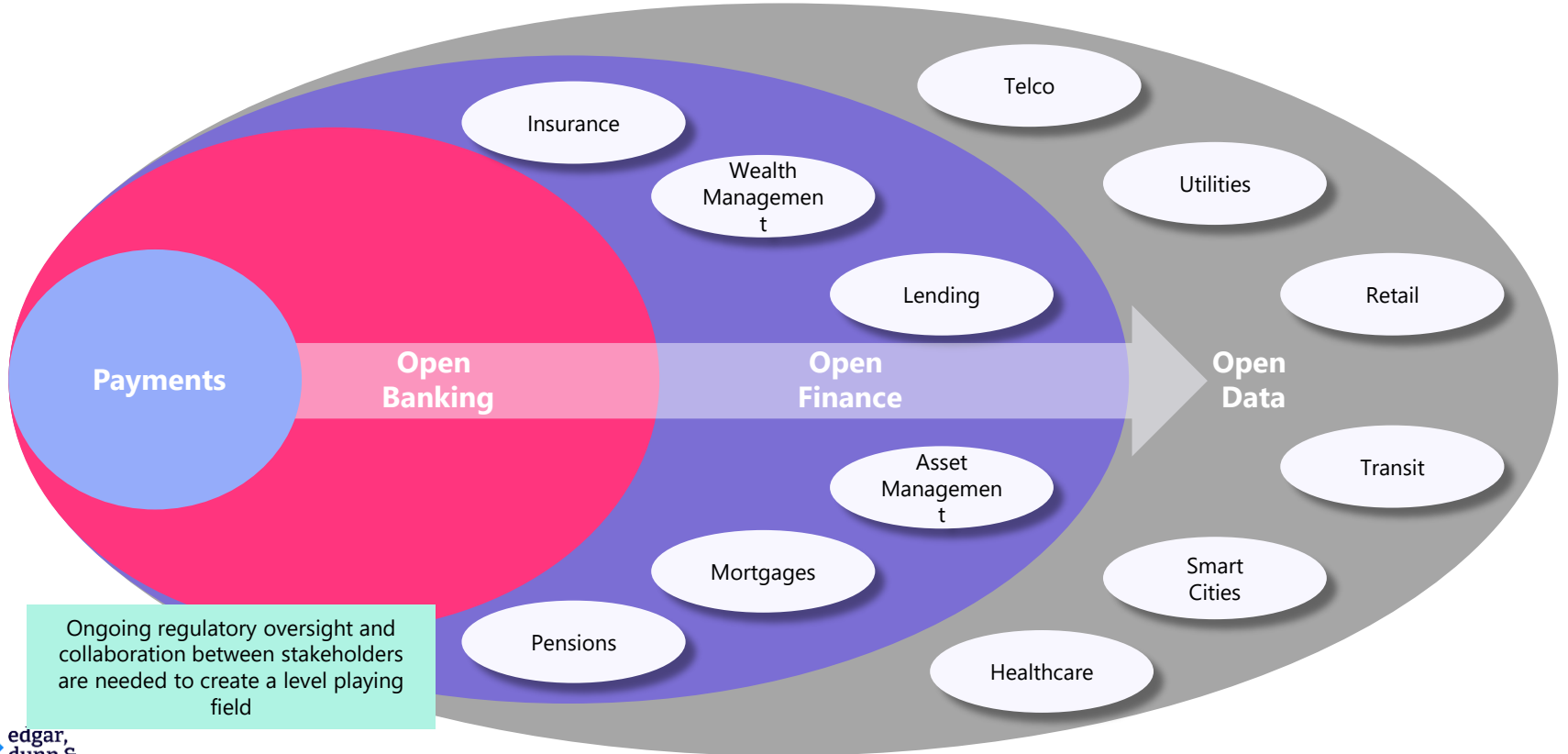
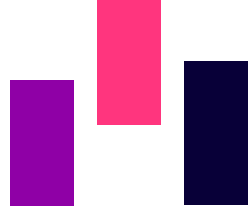
Open Banking





What is Open Banking?

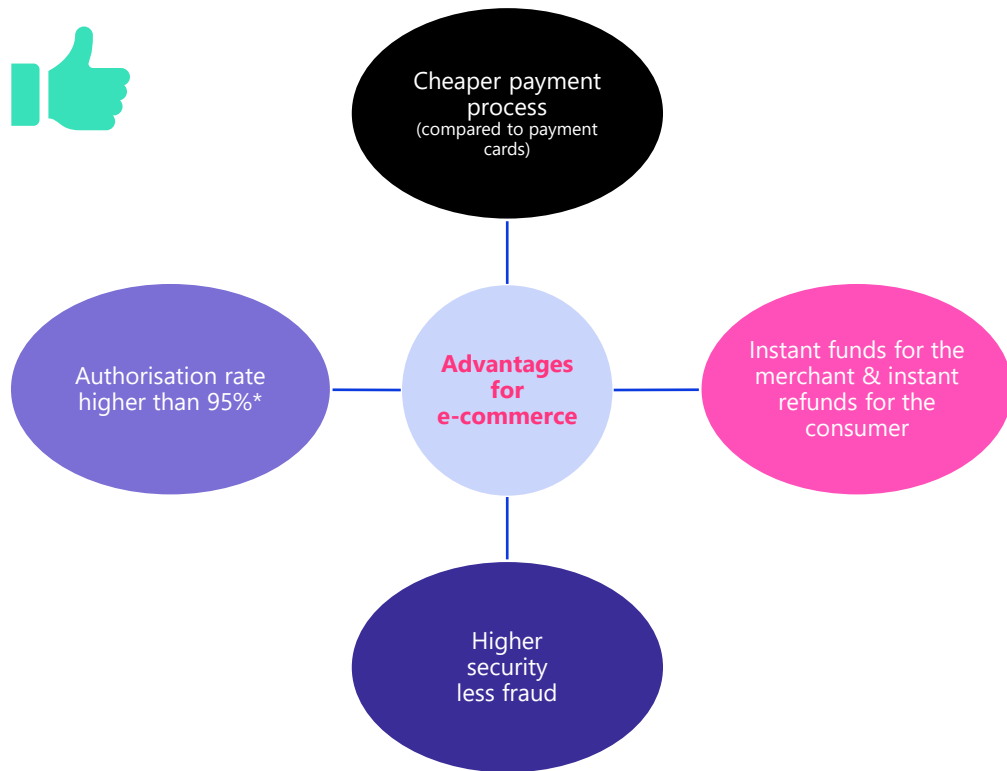
Open Banking enables financial service providers to access banking data through application programming interfaces (APIs)



Ongoing regulatory oversight and collaboration between stakeholders are needed to create a level playing field



There are several advantages of Open Banking for e-commerce



Challenges of Open Banking

- › Lack of awareness
- › Distrust & perceived risks
- › Differences in geographical coverage & cross-border issues



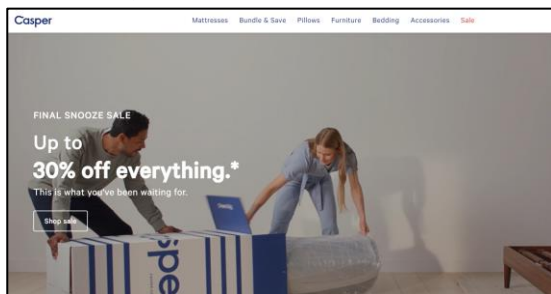
Direct-to-Consumer business model and Marketplaces



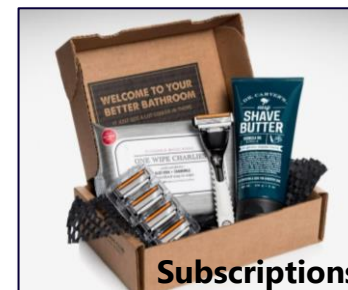
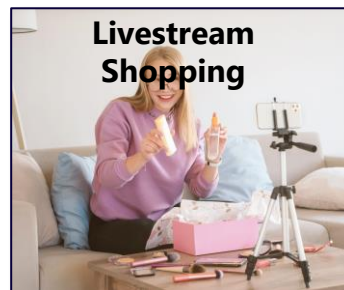
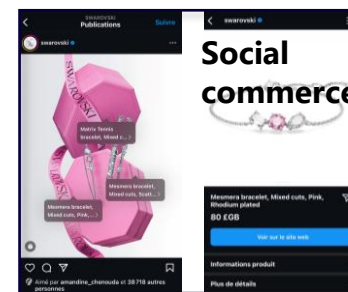
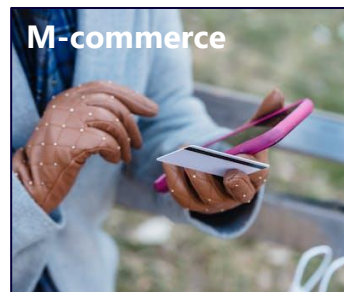
Many brands are combining traditional sales and distribution channels with direct-to-consumer (D2C) e-commerce websites



Brands using D2C e-commerce channels

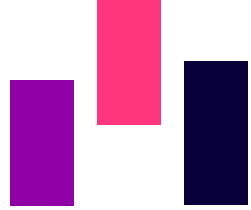


Innovative D2C e-commerce channels

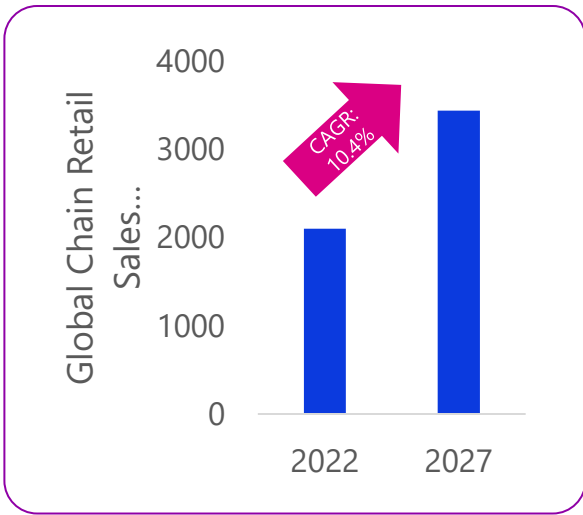




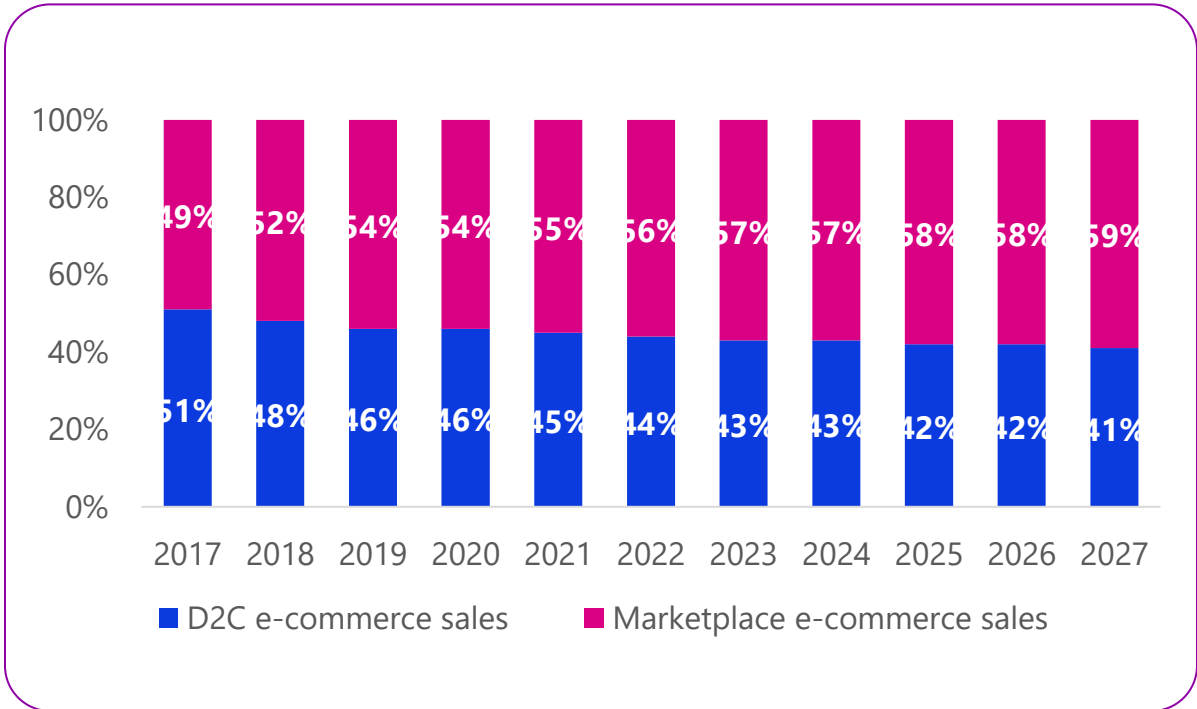
However, marketplaces are anticipated to be the fastest-growing retail channel, reaching almost 60% of the share of global e-commerce sales in 2027



Marketplace Sales



Share of Global Ecommerce Sales



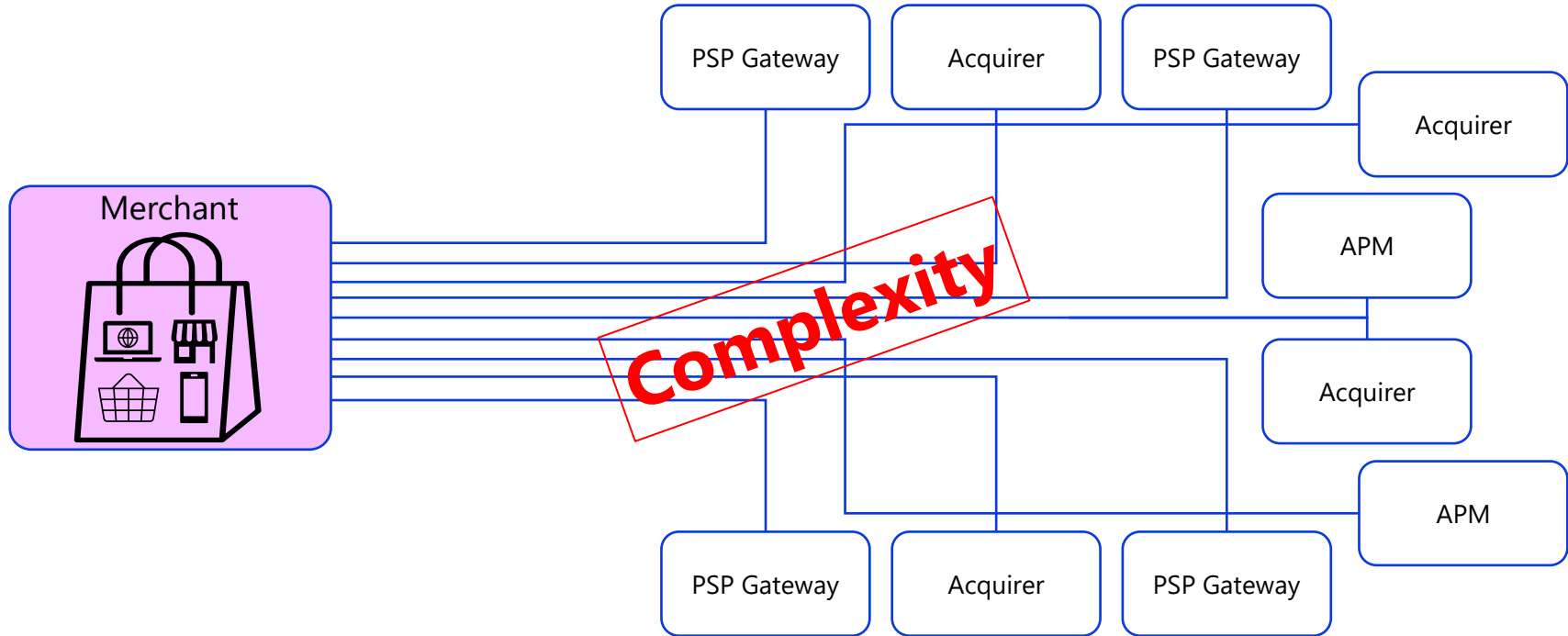
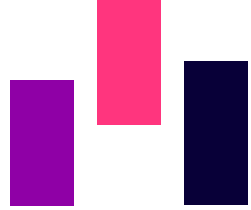


Payment Orchestration Platforms



Before Payment Orchestration

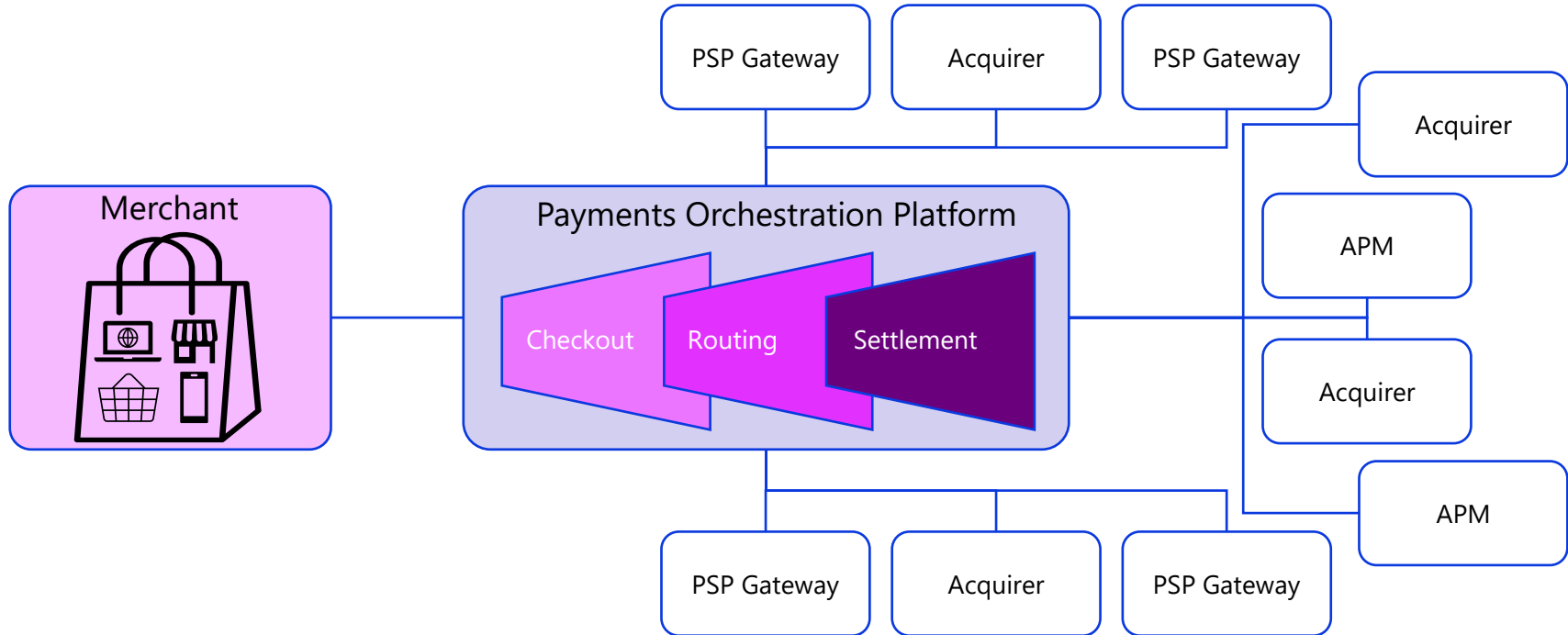
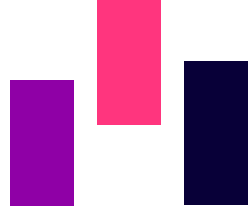
Merchants built and maintained multiple connections to payment providers, gateways, Acquirers and APMs





Payment orchestration is a technical middle layer

It connects the merchant to multiple payment providers, gateways, acquirers and APMs through a single API



A Payments Orchestration Platform determines how best to route a payment transaction from the merchant's checkout through to bank settlement, increasing the conversion and therefore maximising the merchant's sales



A long list of POP providers...



Some highlights from the EDC POP database:

54 providers offering payment orchestration

44 Agnostic Standalone Fintech Companies

10 Full Stack providers

8½ years – average age of the standalone POPs

Head office locations

10 London

5 Amsterdam

12 Rest of Europe

27 Rest of World



\$700m to \$750m

Investment announcements in the last 5 years (in the public domain)

\$1.5b

Estimated total investment in orchestration services in the last 5 years



There are three implementation models: in-house, full stack and agnostic orchestration services



**In-House
Solution**

**Full Stack
or
Integrated Solution**

**Agnostic
or
Standalone Solution**

**ORCHESTRATION
SOLUTION POWERED
IN-HOUSE BY THE
MERCHANT**

 checkout.com  ppro

 WORLDLINE

 zooz
A PayPal company

 nuvei
Payment Technology Network

 stripe

 adyen

 ecommpay

Presented in no specific order and this is not an exhaustive list

 Spreedly

 CELL
POINT
DIGITAL

 A P E X X

 paydock

 WORLDLINE

 IXOLITE
GROUP

 Shuttle

 IXOPAY

 BRIDGE

 WL Payments
White Label Payments Platform

 ACI Worldwide
Real-Time Payments

Presented in no specific order and this is not an exhaustive list



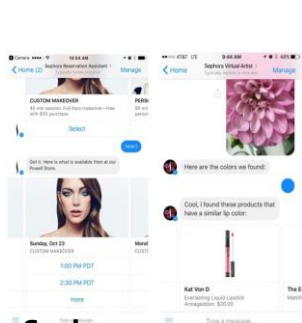
Artificial Intelligence



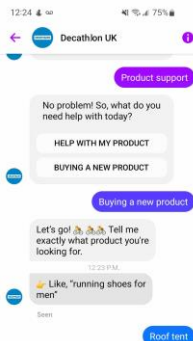
Predictive AI is impacting the e-commerce landscape by delivering value-added services for both consumers and businesses directly



Chatbots



Sephora



Decathlon

Personalised Offers

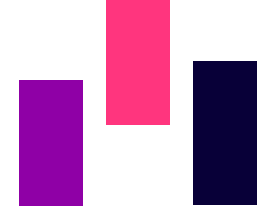


Virtual Assistant





Generative AI is expected to be used for a range of applications – from fraud prevention to wealth management planning



New payment methods



Fraud Prevention



Wealth Management

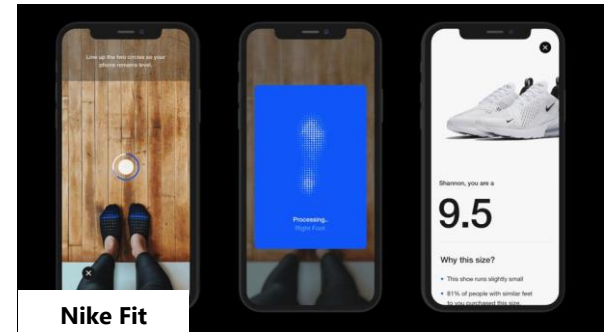
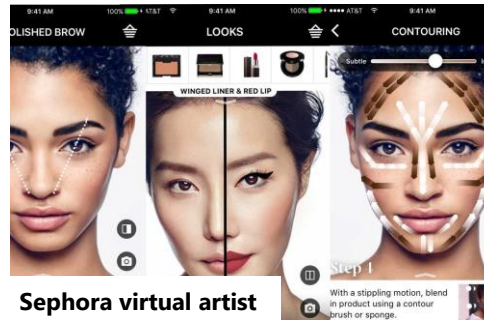
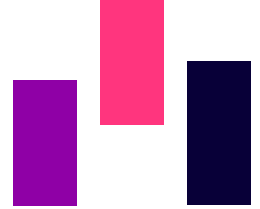




Augmented reality

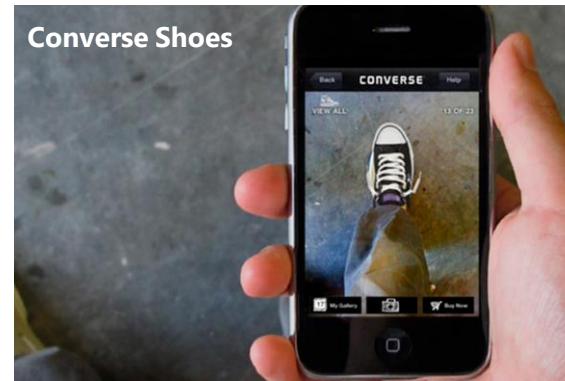
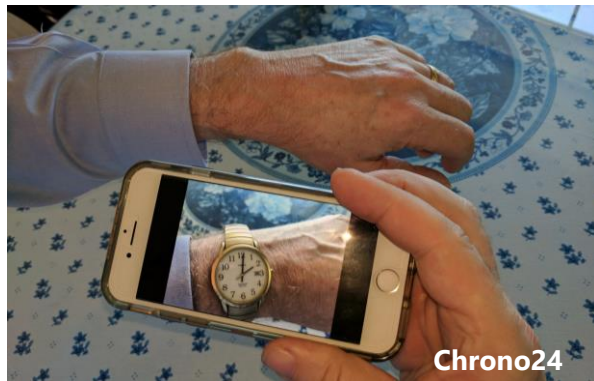
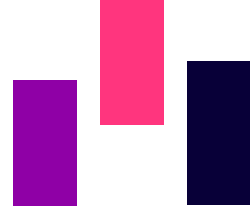


Augmented reality is already being used in e-commerce, by delivering an interactive and personalised shopping experience





Other examples

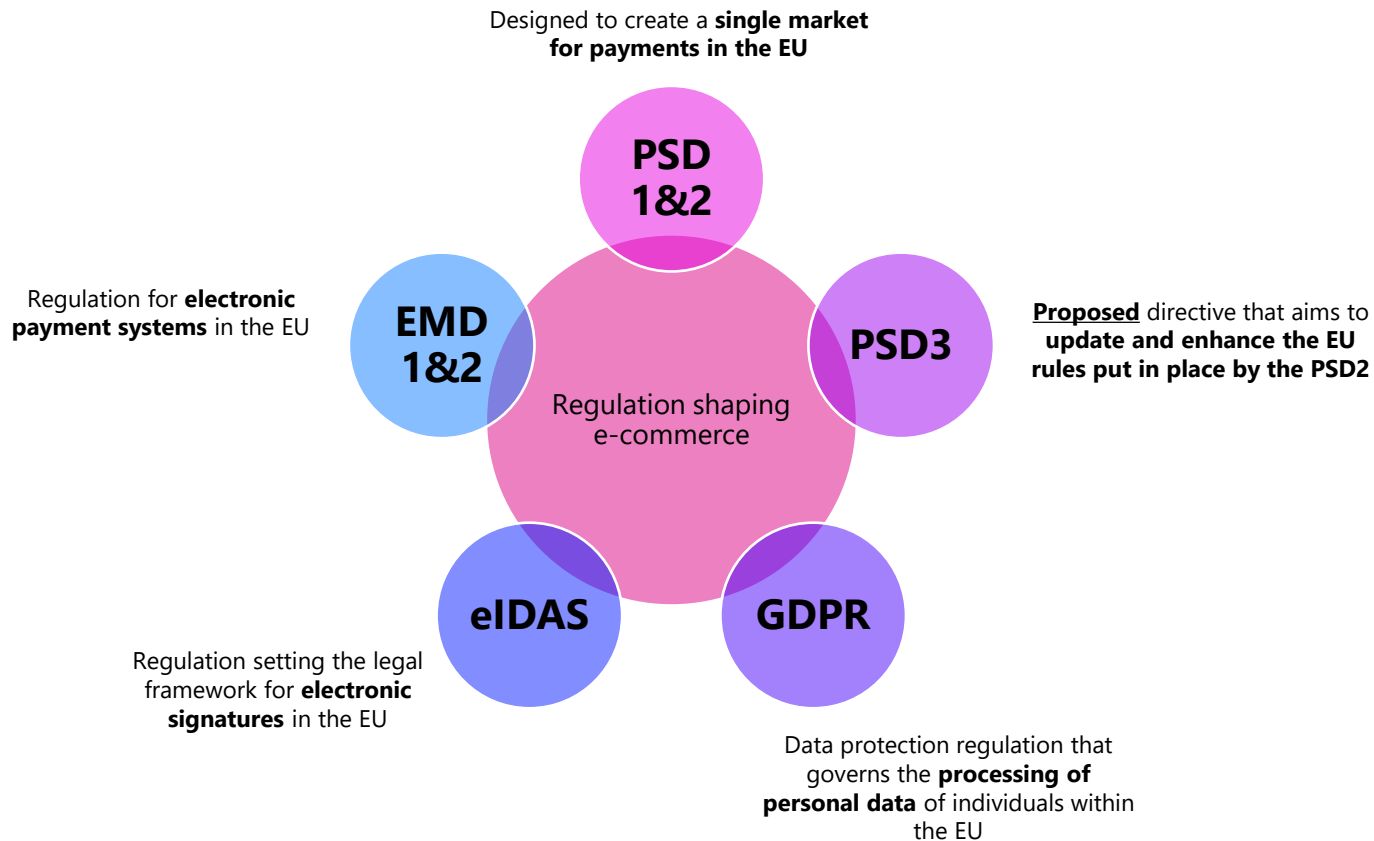




Regulatory Changes



The PSDs, the GDPR, the EMDs and the eIDAS regulation have been shaping e-commerce

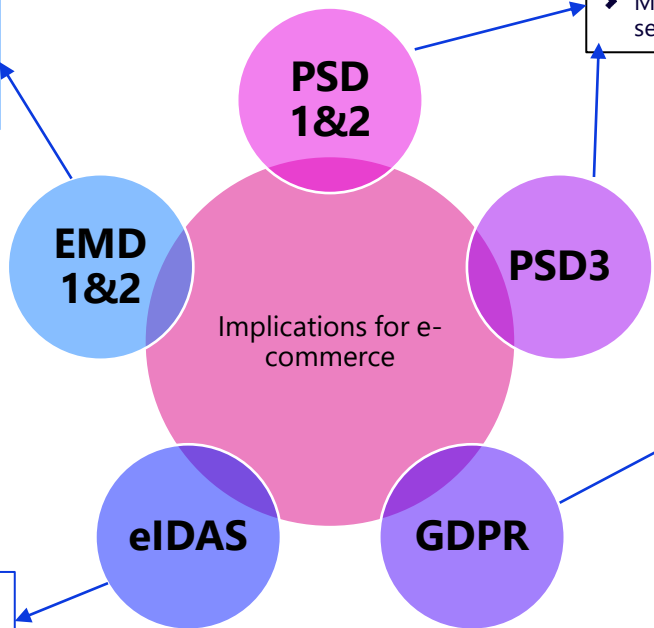
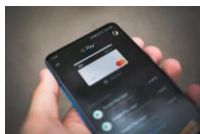




Where and what will the impact be?



- ▶ Creation of new e-money services
- ▶ Increased competition between market participants



- ▶ Strong Customer Authentication (SCA) requirements
- ▶ More competition, as banks opened their payment services to Third Party Payment Service Providers (TPPs)



- ▶ Restricted data collection
- ▶ Streamlined data deletion process



- ▶ E-commerce transactions can be made more secure and efficient through digital signatures





The digital Euro is a proposed electronic version of the Euro currency that will be available to everyone, for free



July 2021 Launch of the Digital Euro



2022

- › Prioritisation of use cases
- › Transfer mechanism
- › Settlement model

2023

- › Value-added services
- › Compensation model
- › Advanced functionalities
- › Finalisation of user requirements



November 2023 End of the implementation phase

Use cases

- › Physical purchases
- › Online shopping
- › A2A transfers

Advantages for e-commerce

- › Cost-efficient cross-border payments
- › Merchants will need to accept it as they do with cash today

2025-2026

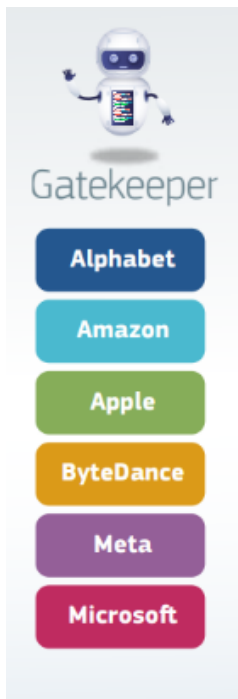
Preparation Phase

- › Completion of the digital Euro rulebook
- › Selection of providers
- › Testing and experimentation





With the DMA, the European Commission aims to make the digital markets fairer



Examples of the new rules

~~Not Permitted~~

- Prioritise the gatekeeper's services
- Prevent consumers from connecting to other businesses
- Garden walls for the wallet (e.g. ApplePay/GooglePay)

Must do's

- Allow interoperability with third parties
- Allow users to access their own data
- Allow for fee competition for In-App purchases

Consequences for merchants

Fairer competition

More interoperability

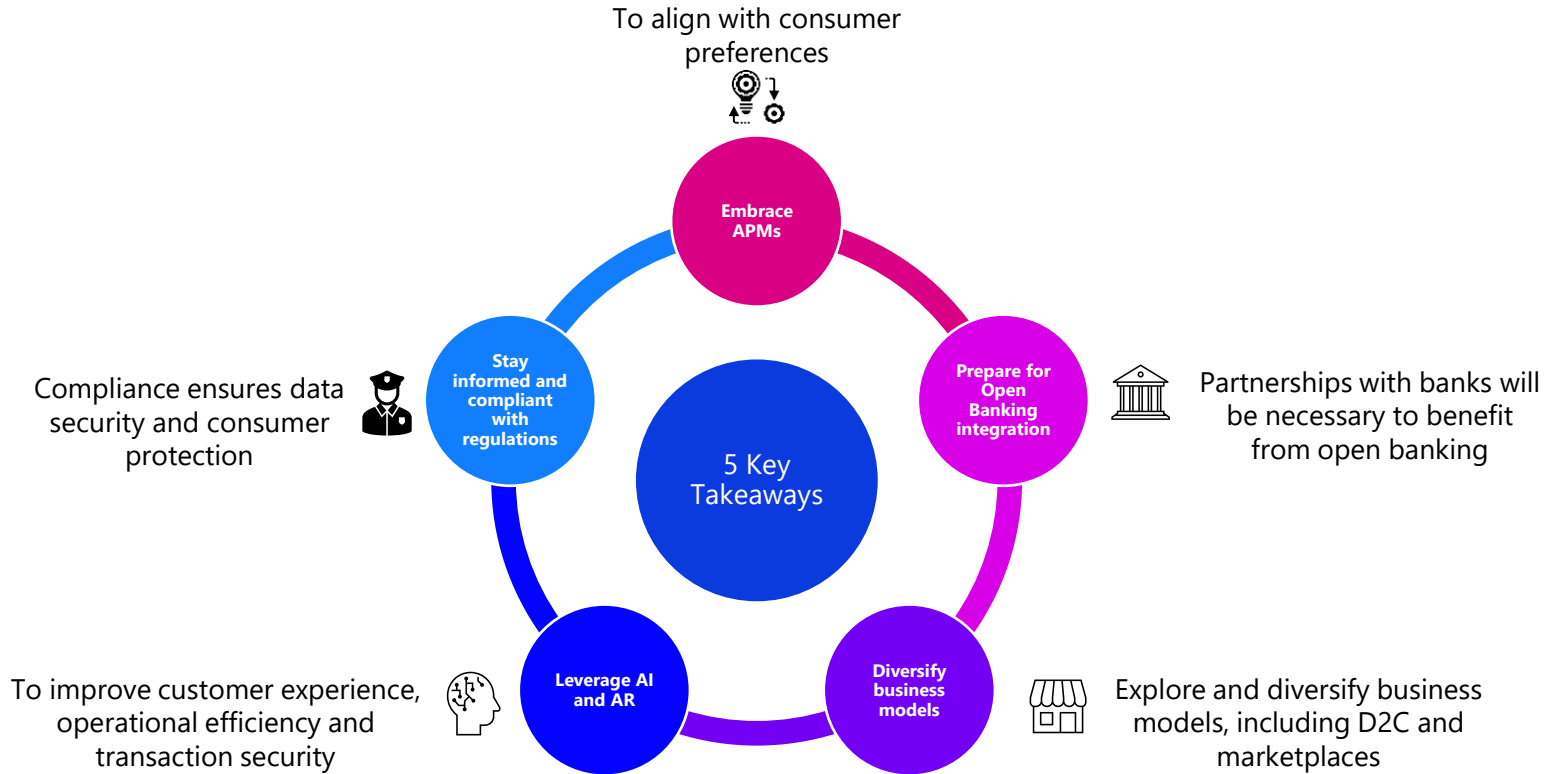
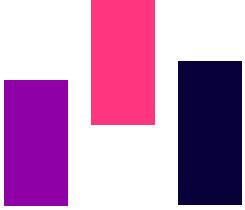
Cost effective acceptance options



Summary



To embrace both the technological trends and regulatory changes will help to increase sales for e-commerce merchants





Thank You

Mark Beresford