2019 Commerce and Fintech Year in Review

Fiserv Data & Analytics
Top Trends of 2019

01 Holiday shopping kickoff
02 Amazon’s brand partnerships
03 Amazon Go expansion
04 Walmart’s shifting eCommerce strategy
05 Resurrection retailers
06 Upping the brand experience
07 Delivery fulfillment frenzy
08 Revamping the QSR drive thru
09 Open banking in the US
10 Banking disruption
11 Neo and challenger bank lessons
12 Voice banking
Total Spend

Through Black Friday, the 2019 holiday season looks to be off to a solid start, and reminiscent of patterns we saw in 2017.

Note: Figures include Brick & Mortar and eCommerce channels. Source: Fiserv aggregated same-store consumer spending data.
Growth by Category

With tremendous momentum from eCommerce, Furniture, DIY, and Sporting Goods led all retail categories for growth during Thanksgiving and Black Friday.

Thanksgiving + Black Friday

YoY Growth

- Total Retail = 7.5%

- 17.2% in Furniture / Furnishings
- 14.4% in Building Materials & DIY
- 10.6% in Sporting Goods
- 7.7% in General Merchandise
- 6.2% in Clothing & Accessories
- 5.6% in Electronics & Appliances
- 5.4% in Specialty Retailers

Note: Figures include Brick & Mortar and eCommerce channels. Source: Fiserv aggregated same-store consumer spending data.
Are we there yet?

Across the continuum of the full shopping public, we evaluated the percentage that were willing to “Go The Distance” on Black Friday

On Black Friday 2019

49% of shoppers traveled 0-5 miles from home to shop on Black Friday 2019

1 out of 4 shoppers used a credit or debit card at a merchant at least 25 miles from their home zip code

On a “typical” Friday

58% of shoppers choose to stay closer to home on a typical Friday

only 17% of shoppers will travel more than 25 miles away from home to spend

Ranges are miles from shopper’s homes

0 – 5: 49%
5 – 10: 13%
10 – 25: 13%
25+: 25%
Amazon’s integrated business strategy drives growth and stickiness

**eCommerce**
- Growth continues to outpace market
- 37.7% market share (2019 projection)¹
- Up from 36.5% (2018)¹

**Amazon Prime**
- US subscribers top 105 million²
- Up from 95 million last year²

Some brands forgoing Amazon to go direct to consumer

- Control brand image
- Gain deeper access to customer purchase data
- Drive deeper, more personal customer engagement
- Improve margins and profitability
- Unclear if other high-profile brands will follow suit

Source: General industry information
Amazon pushes to be pack leader in online fashion

109 Private-label fashion brands in Amazon’s portfolio at start of 2019 ¹

5X Increase in Amazon’s private-label brands in two years ¹

Expect continued growth

Source: 1. TJI Research via Reuters, April 9, 2019.
Amazon eyes physical retail with Amazon Go

- Amazon Go operating in 21 US locations
- Cashierless format planned for new spaces
- Larger supermarkets and smaller pop-ups
- Potential licensing of technology to rival retailers
- Deals with CIBO Express and Cineworld's Regal theaters reportedly in discussion

Source: General industry information, Bloomberg, November 20, 2019, CNBC September 30, 2019.
Walmart’s aggressive investments in digital native brands

37% YTD online growth ¹

Source: ¹ Walmart U.S.’s total net sales growth for the nine months ended October 31, 2019, Walmart 10-Q.
Post investment, course corrections underway to boost ROI

- Consolidate investments in-house
- Offload less profitable brands
- Limit new acquisitions

Source: General industry information.
Evolving strategy with grocery expansion and private-label brands

- Expansion of *Delivery Unlimited* and grocery pickup services across the US
- More cost-effective
- Ability to sell across all channels
- *Allswell* mattress brand launched in February 2019, with physical and digital store fronts

Source: General industry information.
Resurrection Retailers
Retail comes back to life.

Source: General industry information.
Now some brands are rising from the dead…

… and relaunching with new strategies

01 Omnichannel or online only
02 Smaller store footprints
03 Employing new technologies (e.g. Retail-as-a-Service)
04 Leaner inventory carry
05 Updated consumer experience
06 Testing and learning using data

Source: General industry information.
They’re not dying, They’re evolving.

Then

Now

Source: USA Today, ABC News.
They’re not dying, They’re evolving.
Upping the Brand Experience

Brands are finding unique and unusual ways for consumers to connect and interact with them.

“Hotella Nutella reimagines the joy of the hotel stay with a special breakfast experience that allows fans to enjoy Nutella in new and different ways”

“This KFC fire log smells amazing and adds a little extra holiday cheer to the home! As a lover of KFC, this log is the gift of the season!!!...”
Upping the Brand Experience

“We have created the ultimate immersive experience around all-things-coffee in spectacular Starbucks Reserve Roasteries in flagship cities around the world.”

"The Bell stands to be the biggest expression of the Taco Bell lifestyle to date. It will be fun, colorful, flavorful and filled with more than what our fans might expect."
“Interactions, I believe, are the leading indicator for the future of every industry.”

– Derek White, Chief Digital Officer, U.S. Bancorp
Delivery Fulfillment

We want it all. And we want it now. Delivery economy under pressure to go faster.

74% of consumers view companies less favorably if a package isn’t delivered when expected.

71% of consumers say on-demand delivery apps re-shape their expectations for all online purchase deliveries.

73% of supply chain professionals experience pressure to improve and expand delivery capabilities.

Source: project44, November 12, 2019, August 6, 2019.
Delivery Fulfillment

Next-day delivery is so yesterday. From 1-day to same-day, the race is on.

Investments in tech and processes slash delivery time, from warehouses to the last mile.

Source: General industry information.

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Revamping QSR Drive-Thrus

Fast food, not so fast. QSRs struggle to meet demand.

Consumers love “to-go” options...

- 39% of consumers used drive-thrus more often than last year ¹
- 29% of consumers used take out more often than last year ¹
- 70% of QSR sales come from drive-thrus ²

...yet, drive-thru service is slowing

- 20 SEC slower in 2019 ³
- 09 SEC slower in 2018 ²

Revamping QSR Drive-Thrus

Fast, reinvented. QSRs double down on speed and service.

Source: General industry information.
Open Banking

To get ahead of the curve, banks must open the book on open banking

- EU and UK mandates that FIs allow third-party access to customer data
- Growing focus at multiple levels, including in the US, on transparency and user control of personal data
- Launching an open banking initiative is a banking executive priority $^{1}$:
  - In 2019, ranked #7
  - In 2025, projected to rank #1

Source: 1. The Economist Intelligence Unit, July 1, 2019.
Open Banking

Opportunity knocks. Open banking opens doors.

• Open banking enables a wealth of simple, seamless consumer experiences:
  – Apply for a mortgage
  – Pay or get paid by someone
  – Manage finances
• Consumers of all ages increasingly see open banking as useful
• Fintechs and Big Tech already using open banking to deliver financial services


Younger consumers find open banking most valuable

18–21 Years: 48%
22–36 years: 39%
37–52 years: 23%
53–71 years: 12%
Over 71 years: 7%
Overall: 22%

Banks risk disruption fatigue. The end is not in sight.

10 years ago
Retailers try banking, but are defeated by regulatory complexity and stick with partnering

5 years ago
Fintech emerges, but are challenged by access and reach, and pivot to partnering
Banking Disruption

This is no time for complacency. Some digital-only and neo banks gaining ground.

Threats from digital-only challengers or neo-banks persist.

Chime has gone from 1 million accounts last year to about 6.5 million in December 1

Source: 1. CNBC, December 5, 2019.
Banking Disruption

Big tech may be the biggest threat yet.

What’s in the Big Tech arsenal?

Deep pockets

Massive customer reach

Strong cultures of innovation and customer experience


62% of Americans would bank with a tech company.1
Banking Disruption

But they aren’t going alone. Even big tech needs banks.

“Here’s the bottom line: if a tech company wants to be regulated like a bank, they’re welcome to come over. I have 6,000 people; we can hire 6,000 more and regulate the heck out of you.”

— FDIC Chair Jelena McWilliams

50% of financial institutions are already either partnering or planning to partner with big tech¹

Source: 1. KPMG.
Neo and Challenger Bank Lessons

Commitment to customer experience may be the biggest competitive advantage
Neo and Challenger Bank Lessons

Brewing a perfect storm for negative scrutiny

- Technical glitches provoked angry reactions from traditional bank customers on social media
- Some customers sought assistance through traditional means such as phone or in-branch
- There were many reports of sub-optimal customer experiences, where customers had to wait on hold for hours, or even turned away from branch locations
- Customer disruption / dissatisfaction ensued

Source: General industry information.

Failure to handle technical glitches with care risks harsh, negative scrutiny from consumers, regulators, and the media
Neo and Challenger Bank Lessons

Similar issues, very different outcomes

- Several digital-only banks experienced similar technical glitches
- Customers were kept informed; banks owned the issues
- Customers were more forgiving
- Negative brand impact minimized

Source: General industry information.
Above all else, customers demand clear communication and accountability

Neo and Challenger Bank Lessons
Voice Banking

Monopoly... now cashless and voice activated.

You play the game. Mr. Monopoly handles all the money and property transactions.
Voice Banking
Blowing smartphone adoption rates out of the water
Voice Banking

Can you hear me now?

Voice is here to stay. If you’re not on board, you’ll be left behind.


100+ million
Smart speakers in the US, with over 100 million users

1+ billion
People use voice assistants (by 2023, that number will include virtually everyone on the planet)
Voice Banking

Voice—it’s the new swipe.

- Easy, fast to use
- Tech advances make speech understood
- Customers expect it

Source: General industry information.
Fintech and the Capital Markets

Key 2019 Events

IPO

- lightspeed
- Network
- Nexi
- tyro
- bill.com

M&A

- fiserv.
- First Data.
- Fis
- Worldpay
- Global Payments
- TSYS

Mega mergers

- payworks
- Rambus
- acom
- red
- bill.com
- bill.com
- bill.com
- bill.com

Acquisitive Acquirers

- chime
- Klarna
- Nubank
- Robinhood
- stripe
- Marqeta

Source: General industry information.
## In Other News

<table>
<thead>
<tr>
<th>Trade and Tariff Troubles</th>
<th>Retail Advertising Platforms</th>
<th>Digital Credit Cards</th>
<th>Cashless Stores</th>
<th>Alternative Lending Landscape</th>
<th>Digital-Only Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faster Payments</td>
<td>Bank M&amp;A</td>
<td>SCA Introduced</td>
<td>Tech IPOs</td>
<td>Cryptocurrency / Blockchain</td>
<td>SRC Availability</td>
</tr>
<tr>
<td>RegTechs Rise</td>
<td>Data Vulnerability</td>
<td>Retail-as-a-Service</td>
<td>China Opens Up</td>
<td>Management Turnover</td>
<td>Banking in the Cloud</td>
</tr>
</tbody>
</table>

Source: General industry information.

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Fiserv.
A Historic 2019

Fiserv and First Data announce combination to create global leader in payments and fintech.

Fiserv recognized among FORTUNE World’s Most Admired Companies for sixth consecutive year.

Acquisition of Software Express, leading EFT solution provider in Brazil.

Authorization Optimization solution launched to maximize merchant approval rates and revenue.

Acquisition of ayCash, a leading digital merchant network services provider in Germany.

Mortgage Momentum launched.

Joins Financial Data Exchange as Board Member.

Named “Best in Class” core banking provider by Aite Group.

Launch of CheckFree Next enables intelligent bill payment experience.

New Issuer Analytics dashboard previewed at Money20/20.

Small businesses from across US recognized as Clover Achievers.

Investment Services joint venture agreement with Motive Partners.

Launch of interactive Branch Kiosk furthers branch transformation strategies for financial institutions.

Clover crosses $100 billion in annualized payment volume.

Refresh and relaunch of Clover Insights, now Main Street Insights.

Digital delivery of consumer bills via mobile wallet.

Commerce Innovated welcomes five startups to participate in Class 9 of Commerce.

Future merchant services strategy set with Bank of America.

Fiserv completes combination with First Data further cementing industry leadership.

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