



Partnering for payment modernization

Executive summary

How leading banks and retailers are unlocking the future of payments

KPMG. Make the Difference.



Why payments modernization is critical for banks and retailers

As customer expectations evolve and new payment options are rapidly introduced into markets around the world, banks and retailers are seeking to pick up the pace of their payment modernization programs. Budgets are increasing. Core capabilities are being enhanced. Legacy systems are being replaced. And organizations are placing a sharper focus on the needs and expectations of their customers.

In this environment, the leading banks and retailers are those forming dynamic and value-driven ecosystems and partnerships that support their modernization objectives while unlocking opportunities for future innovation and payment technology integration.

Yet this survey suggests that progress along the payment modernization path has been uneven. Indeed, while some banks and retailers are boldly leading the way (or quickly following), many are quickly falling behind — opening themselves up to increased disruption and potential disintermediation.

This report is intended to help those responsible for payments, corporate strategy, transformation and operations at banks and retail organizations to assess the current competitive environment and benchmark their progress against their peers as they update and evolve their payment modernization strategies.

In the context of this report leaders and beginners are defined as follows:

Leaders: are the organizations that show the highest level of progress in payment modernization. They fall within the top 20 percent of all surveyed respondents based on their maturity scores. These are typically large institutions with revenues over US\$10 billion, such as neobanks in banking and e-commerce platforms in retail, which are most likely to score as leaders.

Beginners: are the organizations with the lowest level of progress in payment modernization. They fall within the bottom 20 percent of surveyed respondents. These organizations tend to have less mature modernization capabilities and often lack the scale, resources, or modern architectures seen in higher performing peers.

Based on a survey of 500 bank and 500 retail payment executives conducted by KPMG International between 8 September and 30 October 2025, this report highlights a number of key findings that illustrate the complexity and urgency of payment modernization for banks and retailers, including:

1

Partnerships

With 53 percent of retailers saying that their banks understand their payment modernization goals and 51 percent of banks saying that the future winners in payments will be those with the best ecosystems, partnerships emerge as a key success factor in payment modernization.

2

Customer expectations

Banks and retailers say one of their top motivations for payment modernization is to meet customer demand for seamless, convenient and trusted payment options but only half of retailers say their banks are helping them improve customer payment experience.

3

Innovation

With digital and tokenized payments high on the retail agenda and agentic AI rapidly transforming the payment modernization journey, banks and retailers are seeking to speed up the pace of innovation and commercialization of new payment technologies.

4

Integration

Siloed systems and legacy infrastructure continue to create challenges for banks and retailers seeking to rapidly adopt and integrate new payment technologies and maximize the value of their customer and payment data.

5

Investment

Retailers will increase their payment modernization budgets by 2.5 percent and one in five banks say their budgets will grow by 5 to 9 percent next year, suggesting organizations are stepping up their investments in order to deliver on their payment modernization objectives.

This report provides a summary of our findings, supported by practical and actionable insights from KPMG's global network of payment professionals and real-world case studies that illustrate the challenges and opportunities facing bank and retail executives as they seek to pick up the pace of their payment modernization programs. To explore the data in deeper detail, we encourage you to contact your local KPMG member firm.

Building new partnerships

Alignment between banks and retailers is defining success factors in payment modernization, with both banks and retailers recognizing they can't keep pace with rapid technological change alone. Survey data shows 53 percent of retailers say their banks understand their payment-modernization goals, while 51 percent of banks believe future winners will be those with the strongest ecosystems.

Banks and retailers are collaborating to standardize APIs, streamline integrations, and share real-time data, improving fraud detection and reducing operational friction. Forty-five percent of retailers say banks proactively deliver tailored solutions that help enhance customer experience and diagnose payment issues.

However, gaps persist. Banks overprioritize biometrics and cross-border payments, even though only one-third of retailers plan to use biometrics and just 4 percent cite cross-border as a major challenge. Retailers instead want tokenized payments, BNPL, stored-value wallets, consolidated KPIs, and better data access — capabilities fewer than half of banks currently offer.

With nearly half of retailers planning to work with multiple PSPs, ecosystem collaboration is essential to accelerate innovation, reduce cost, and future-proof payment capabilities.

Expectation gaps between banks and retailers

		Retailer	Bank	Gap
Challenges that banks underestimate	Fragmented and outdated payment infrastructure	48%	27%	+21 ppt
	Gaining access to consumer data and analytics	54%	35%	+19 ppt
Challenges that banks overestimate	Managing cross-border payments	4%	40%	-36 ppt
	High costs/fee clarity	22%	56%	-34 ppt
	Settlement delays	23%	39%	-16 ppt
	Meeting demands for diverse payment methods and channels	30%	39%	9 ppt
	Fraud and security concerns	29%	37%	-8 ppt
Challenges that banks get right	Complying with complex, evolving regulations	50%	54%	-4 ppt
	Lack of omnichannel integration	35%	38%	-3 ppt
	Keeping pace with new technologies	47%	47%	0 ppt

Banks Q23: What are the biggest payment challenges that your retail clients face?

Retail Q12: What are the biggest payments challenges that your company faces?

Source: Partnering for payments: How leading banks and retailers are unlocking the future of payments, KPMG International, February 2026.

How banks are driving payment modernization

Banks are accelerating payment modernization to enhance security, replace legacy systems, meet rising customer expectations, and comply with regulatory shifts. On average, banks spent US\$96.9M on modernization last year, with full-service and corporate banks investing even more (over US\$150M), though approaches vary widely. Approximately 40 percent spent under US\$10M, while 18 percent invested over US\$100M.

Progress differs by maturity: neobanks lead due to cloud-native architectures, while smaller regional and retail banks lag across nearly all modernization dimensions. Leaders are moving fastest on cloud-native migration, real-time payments, digital asset rails, and ISO 20022 adoption. Over 50 percent of leaders are already building digital-asset rails, compared to just 6 percent of beginners.

AI adoption is accelerating, with nearly all banks using AI for chatbots and automation, and 85 percent planning to use AI for instant fraud-risk resolution.

Banks see tokenization as a major efficiency driver, 64 percent believe digital assets will likely significantly cut costs and processing time. Overall, leaders are pulling ahead through ecosystem integration, AI-enabled operations, and digitally native infrastructure, while slower movers risk competitive erosion.

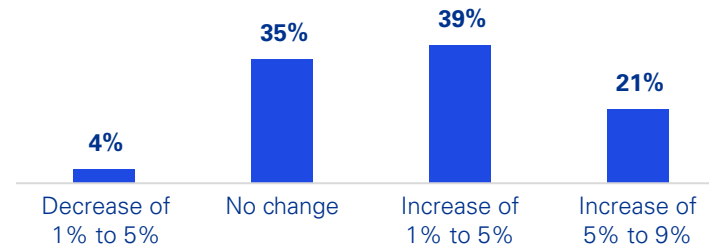
Top reasons for payment modernization banks



Banks Q10. What are the main reasons that your bank is modernizing its payments infrastructure?

Source: Partnering for payments: How leading banks and retailers are unlocking the future of payments, KPMG International, February 2026.

Spending change over the next year banks



Banks Q28. How has your payment modernization budget changed over the last year and how do you expect it to change over the next year?

Source: Partnering for payments: How leading banks and retailers are unlocking the future of payments, KPMG International, February 2026.

How retailers are delivering on payment expectations

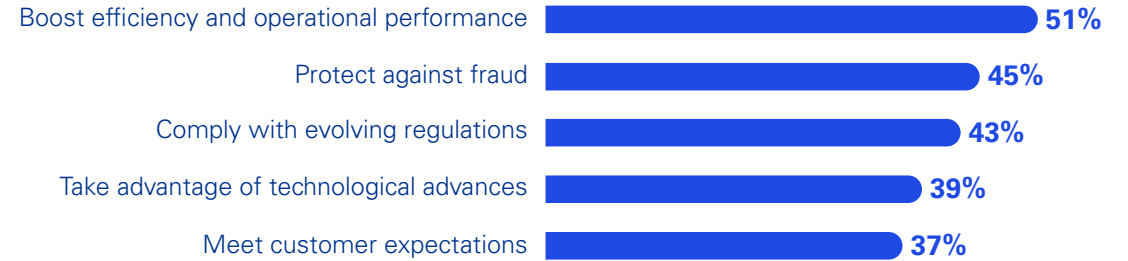
Retailers are accelerating payment modernization to improve efficiency, reduce fraud, and meet evolving customer expectations. About 54 percent of retail executives say modernization is critical to their future business, and leaders report significantly greater benefits across planning, customer experience, and competitive positioning — up to four times more than beginners. Modernization is already driving major gains: one retailer saw fraud losses drop by 40 percent after deploying AI-driven analytics.

Investment levels vary widely by segment, with hypermarkets, warehouse clubs, and online retailers spending the most. On average, retailers expect budgets to rise 2.5 percent, with supermarkets planning increases near 4 percent.

Retailers are advancing fastest in ecosystems and data-driven operations, though many remain early in their adoption of new payment rails, platforms, and security capabilities. Customers increasingly demand frictionless, fast, and flexible payment options, driving strong adoption of wallets, QR, tokenized payments, BNPL, and instant account-to-account payments.

AI is widely used, over 75 percent of retailers deploy AI chatbots and payment analytics — and usage is expected to expand into explainable AI, voice biometrics, and autonomous agents.

Top reasons for payments modernization retail



Retail Q11. What are the main reasons that your company is modernizing its payment infrastructure?

Source: Partnering for payments: How leading banks and retailers are unlocking the future of payments, KPMG International, February 2026.

Current investment by type of retailer (in \$ millions) retail



Retail Q29. What was your current approximate budget for payment modernization?

Source: Partnering for payments: How leading banks and retailers are unlocking the future of payments, KPMG International, February 2026.

Three key actions for banks and retailers

Consumer payment preferences are shifting rapidly, and new technologies —from AI to digital ledgers and emerging payment methods — are moving quickly into the mainstream. Banks and retailers are competing to meet rising customer expectations, and those that do not modernize their payment platforms likely risk falling behind. In this fast paced and high risk environment, both banks and retailers should work together to anticipate customer needs and deliver seamless, secure, and flexible payment experiences.

1. Prioritize partnerships

As the pace of technological change quickens and customer expectations shift, banks and retailers are under considerable pressure to accelerate their payment modernization programs. To stay ahead of the curve, organizations should create dynamic partnerships and ecosystems, bringing together technology providers, customers, regulators and even competitors to share capabilities, ideas and investment in order to help achieve competitive advantage.

2. Focus on the customer

The leading organizations are those who take the time to truly understand the needs and expectations of their customers to shape and rapidly deliver new payment options and services. Banks and retailers should not only get closer to their customers but also create new capabilities that allow them to quickly assess, develop and implement new payment options and infrastructure as demand and competitive pressures evolve.

3. Agility

The payment ecosystem is changing at a rapid pace and new technologies and payment options are being developed and commercialized by new players in markets around the world. In this environment banks and retailers should focus on building agility into their payment strategies, infrastructure and operations to help achieve future flexibility, scalability and optionality that can allow them to flex and evolve rapidly as the market shifts.

How KPMG can help

The global payments landscape is rapidly changing as new technologies, payment methods, players and customer expectations radically transform the payments ecosystem. Payment modernization has become an urgent priority for those banks and retailers hoping to remain relevant in the new payment environment.

From payment modernization and accelerated digitalization to ISO 20022 conversion and regulatory compliance, KPMG's network of payments professionals takes a holistic approach to your payments challenges to deliver tailored, approaches and ideas ready for the future.

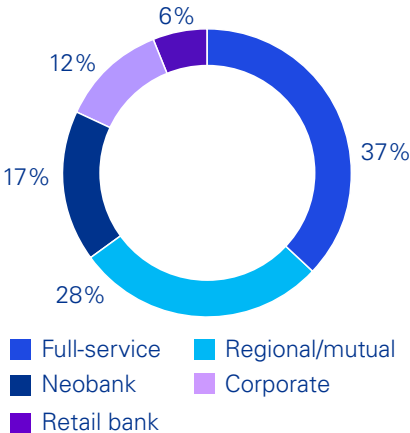
KPMG's payments professionals leverage our global organization's extensive technology and change capabilities to support the delivery of industry leading payments solutions. And they are embedded into the KPMG global organization's financial services and retail practices, allowing them to leverage industry best practices and new ideas from around the world.

KPMG's global organization of professionals have worked with some of the world's leading banks and retailers to help deliver modernized payment environments. Contact your local KPMG member firm to find out how we can help your organization.

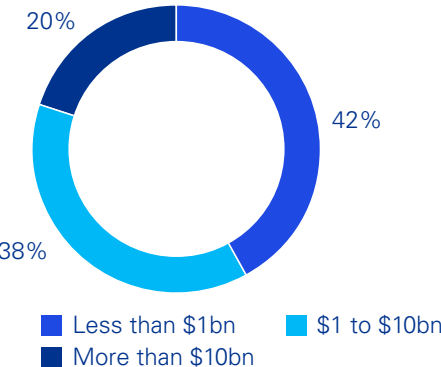
Methodology

KPMG International surveyed 500 banks and 500 retailers between 8 September and 30 October 2025, to assess their progress on payment modernization. Forty percent of retail respondents were based in Asia Pacific, 35 percent in the EMEA region and 25 percent in the Americas. The banking sample represented 36 percent of respondents from the Americas region, 34 percent from the EMEA region and 31 percent from Asia Pacific.

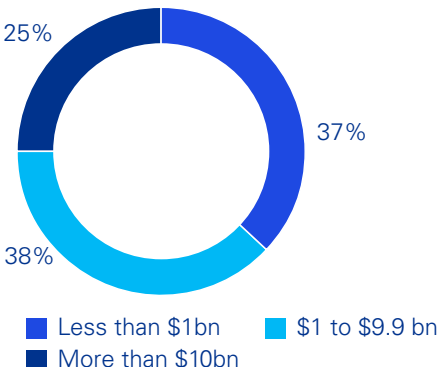
Respondents by type of bank



Average bank revenue*



Average retailer revenue



Respondents by type of retailer

Specialty	20%
Department	16%
Supermarket	15%
Online	15%
Luxury	12%
Discount	10%
Hypermarket	9%
Warehouse	3%

The quantitative survey, which included both multiple choice and open-ended questions, was augmented with a series of qualitative interviews conducted with KPMG firm subject matter professionals on the ground in local markets with deep experience and insight into regional and national trends.

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